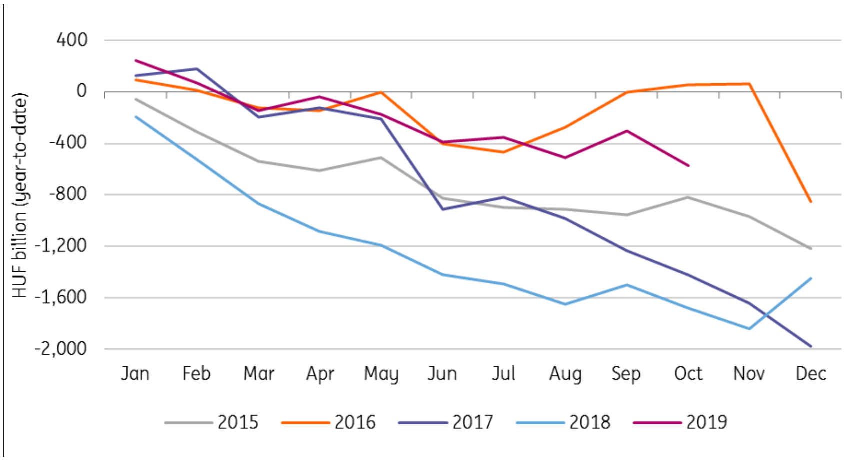
Hungary’s budget numbers give the government more options

Hungary's year-to-date government deficit came in at just 58% of the year-end target in October. Driven mainly by EU projects, this surprise could give the government more options when it comes to spending

Hungary's parliament building in Budapest

Hungary's October year-to-date balance of the cash-flow based general government budget showed a HUF 575.4bn deficit, only 57.6% of the full-year target. Budget execution is going better than planned, and it gives the government more wiggle room for more fiscal spending should it chose to do so. A year-end stimulus could translate into a higher fiscal impulse in 2020, counteracting a slowing economic activity.

Cash-flow based year-to-date central budget balance



Source: Ministry of Finance

The monthly deficit came in at HUF 272bn out of which the majority (HUF 160bn) was related to net flows of EU money, as the government continued pre-financing with only a small amount of inflow from Brussels. Other than this, the different measures of the Economic Protection Action Plan are elevating the expenditure side. In November, another ad-hoc expenditure will burden the budget: a one-off premium for pensioners worth some HUF 50bn.

The revenues are still being driven by the tight labour market, high wage growth, elevated consumption and the retreat of the shadow economy. The collection of most taxes up to October rose to 81-88% of the budgeted revenue for 2019 as a whole; that's much higher than the average of the last four years. The revenue side of the budget is likely to overachieve. Should the government decide not to ramp up spending towards the end of the year, we see the final deficit figure coming in significantly better than the 1.8% of GDP target.

Author

Peter Virovacz
Senior Economist, Hungary
peter.virovacz@ing.com

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