

Hungary's budget numbers give the government more options

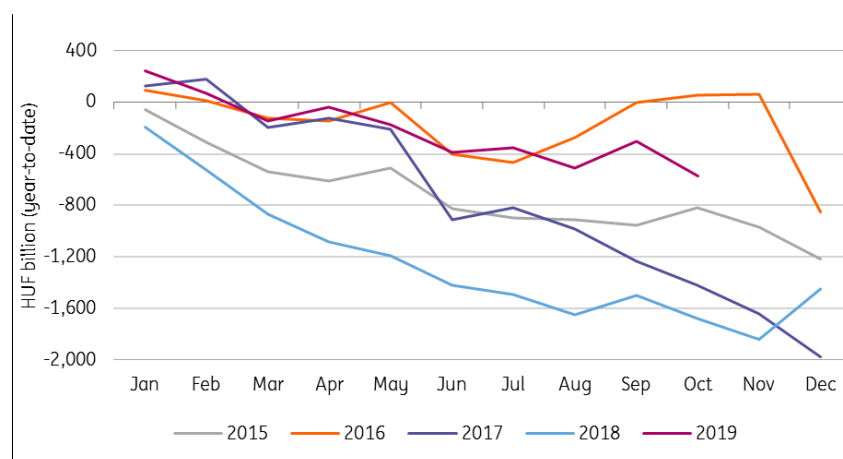
Hungary's year-to-date government deficit came in at just 58% of the year-end target in October. Driven mainly by EU projects, this surprise could give the government more options when it comes to spending



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

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person

for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.