Hungary: Central budget still in surplus

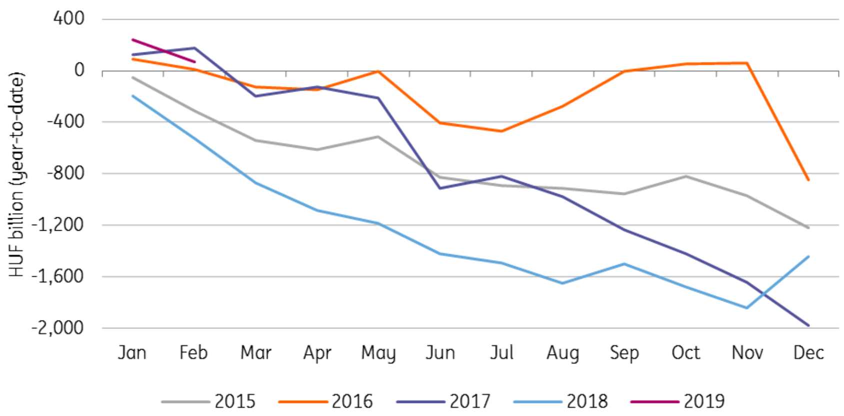
With the government slowing the pre-financing of EU projects, the year-to-date budget balance has remained in surplus in February

Source: Shutterstock

The year-to-date balance of the general government budget came in at HUF 67.3bn in February. The cash flow based budget posted a deficit of HUF 177.2bn, mainly due to social support measures and development programmes.

The revenue side is still strong. The government cashed in HUF275bn more revenue just from VAT in the first two month of 2019. Personal income tax, payroll tax and excise duties are all rising above expectations. These developments mainly stem from the tight labour market driving wages higher and so translating into a high consumption rate.

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



Source: Ministry of Finance

As the Ministry of Finance press release pointed out, Brussels has transferred HUF281.4bn in 2019 so far, already almost five times more than a year ago. In the meantime, with the government slowing the pre-financing of EU projects, related expenditures reached only HUF200.2bn. The budget posted a net inflow for EU projects in the first two month of the year.

The strong start to the year and the better-than-expected 2018 budgetary figures mean that we see more than enough fiscal room for the newly announced fiscal measures. The new demographic action plan might cost HUF120-150bn in 2019. The government can easily finance this withous altering the 1.8% of GDP Maastricht deficit target. The next question concerns the soon-to-be-announced economic protection action plan. With this programme in the pipeline, we see a slim chance that the government will slightly alter its original deficit plan later this year.

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