

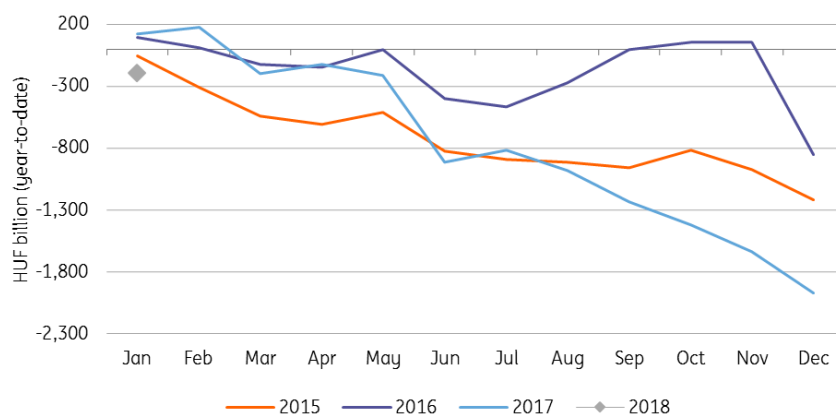
## Hungary: Budget deficit surges

The government deficit rose to HUF192.8bn in January 2018, mainly due to pre-financed EU projects



January's cash-flow based budget showed a significant HUF192.8bn deficit, exceeding last January's deficit reading by HUF139bn.

### Worse budget start compared to previous years



Source: Ministry for National Economy

The main driver behind the remarkable deficit was the same as in 2017; the government is pre-financing EU projects from the budget in order to fulfil them as soon as possible while the related payments are facing significant delays. Data made available by the Ministry in its press release showed EU disbursements had reached HUF328bn, although revenue cannot be linked to them, clearly explaining the January cash-flow based deficit.

On the revenue side, taxes from VAT and personal income, as well as contributions from wages significantly increased compared to the previous year. This is mainly due to the favourable labour market (4.4 million employed and 3.8% unemployment rate.)

## Bottom line

We expect the budget to deteriorate further as the government continues to pre-finance EU projects in the future. The government expects GDP to increase by 4.3%, with the deficit to GDP ratio at 2.4% in 2018 as a whole.

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