

Hungary: Government's macro forecast looks optimistic

The Fiscal Council reviewed the 2019 draft budget. They agree with the planned figures, although we see the macro forecast as a bit optimistic



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	2019 draft budget	ING forecast
Deficit-to-GDP (%)	1.8	1.8
GDP growth (% YoY)	4.1	3.1
CPI (% YoY)	2.7	3.1
Wages (% YoY)	8.8	8.0

We see the planned 1.8% deficit a viable target in 2019, however we believe that the government's GDP growth forecast is surrounded by downside risks. Regarding the inflation outlook, we see it could overshoot the NBH's 3% target on a yearly average in 2019. The Fiscal Council also revealed, that the government did not include any new, high impact measures affecting the revenue or the expenditure side of the 2019 draft budget.

Previously, Finance Minister Varga commented on the recent market risk that "we need wider budgetary space. This means deficit cut and strengthening of reserves". In contrast what was said

by Varga, and in contrast with our view, the government left the budget reserves unchanged from 2018, planning the budget with a HUF170bn reserve in 2019, which is roughly 0.4% of the 2019 GDP.

Bottom line is, we see that the planned reserve seems a bit undersized in the wake of what Varga said and there might not be enough room for manoeuvre for the government in the case of a stronger market turbulence. In contrast however, as we see the 2018 underlying budgetary situation stronger-than-planned, it can provide enough of a buffer going into 2019. Based on this assumption, budgetary risks are still balanced in our view.

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