

Hungarian budget balance shows surplus

The Hungarian year-to-date government deficit came in at HUF 352.7bn, only 35.3% of the year-end target, meaning the July balance was in surplus. If the government isn't tempted by the huge room to manoeuvre and ramps up spending towards the end of the year, we can easily the deficit-to-GDP ratio below 1% in 2019

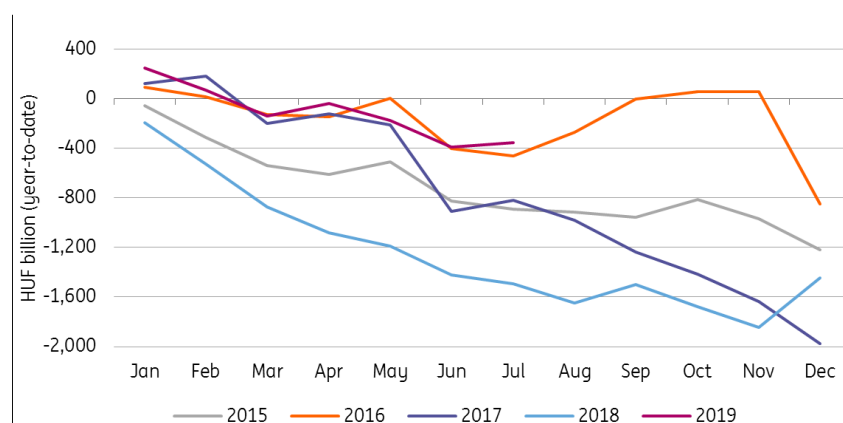


Source: Shutterstock

The June year-to-date balance of the general government budget came in at a deficit of HUF 352.7 billion - the lowest July reading since 2013.

The monthly balance showed a HUF 37.3bn surplus. First of all, this is significantly better than expected by the government, as it is only 35.3% of the full-year target. However, expenditures are not proportionate during the year, providing the government with some space to either spend more or reduce debt.

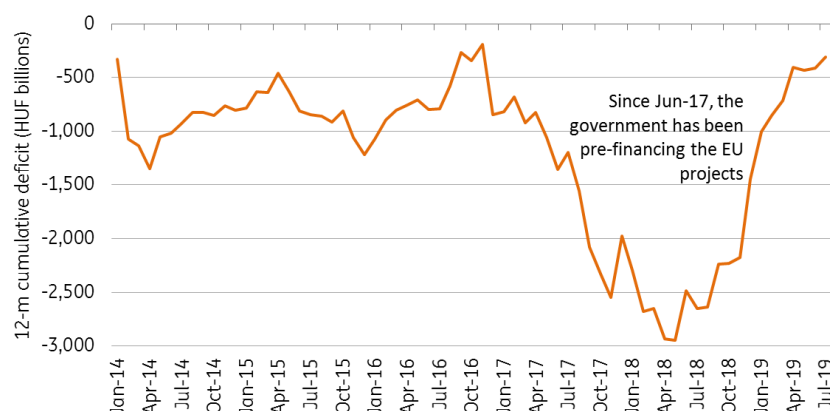
Cash flow based year-to-date central budget balance



Source: Ministry of Finance

The majority of the deficit is still related to pre-financed EU projects. Until July, the government spent HUF 850.8bn on EU projects, while only HUF 441bn came in from Brussels. Moreover, the monthly balance also widened the deficit. Although, the gap might be reduced by incoming EU transfers throughout the year, contributing to a more balanced budget.

Cash flow based 12-month cumulative budget balance



Source: Ministry of Finance, ING

The revenue side is still fuelled by the tight labour market and the related tax collection. Also, the retreat of the shadow economy and buoyant domestic consumption has resulted in record-high indirect tax revenue. The extremely good performance of the budget implies that the government's deficit target of 1.8% of GDP for 2019 seems more than attainable.

If the government isn't tempted by the huge room to manoeuvre to ramp up spending towards the end of the year, we can easily the deficit-to-GDP ratio below 1% in 2019.

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.