

## 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

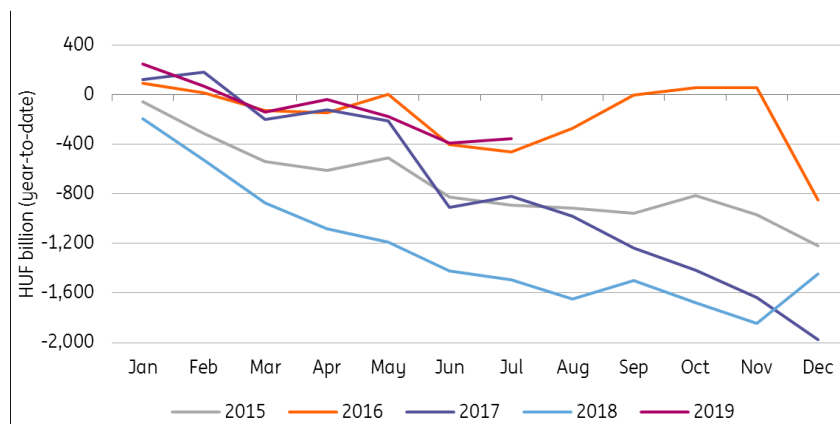


Source: Shutterstock

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.

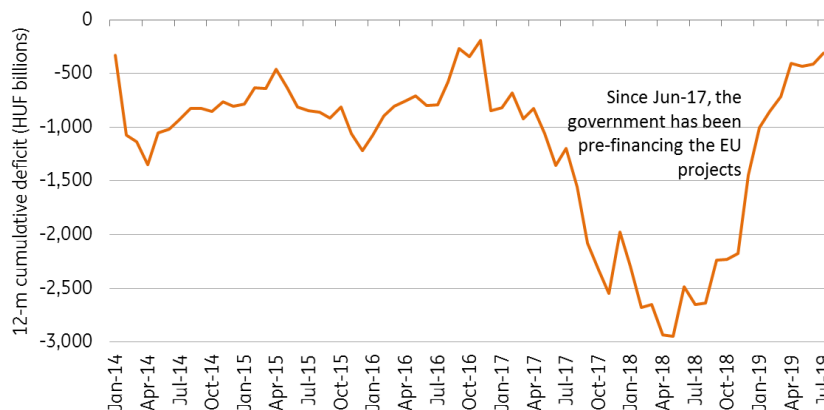
## Cash flow based year-to-date central budget balance



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.

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