

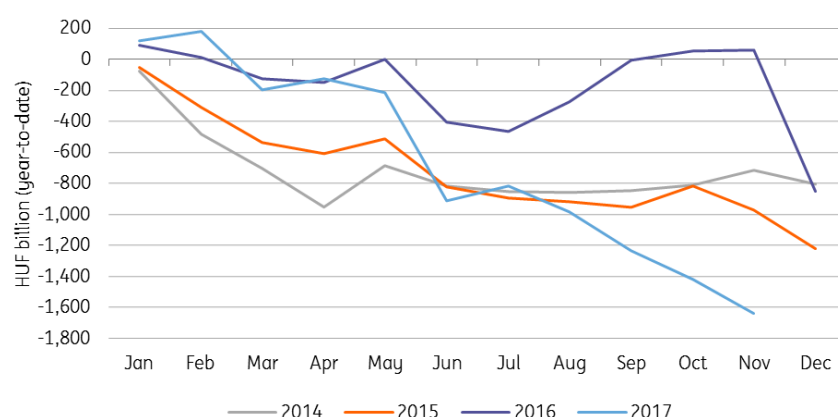
## Hungary sees further deterioration in the budget

The general government YTD deficit deteriorated further in November, so it seems that EU money inflow hasn't started yet and the 2.4% deficit target is not in jeopardy



The year-to-date balance of the general government came in at HUF 1639bn deficit in November 2017, HUF1698bn higher than a year ago, when Hungary posted a slight surplus budget through the first 11 months of the year. On a monthly comparison, the budgetary situation worsened by HUF 239bn in November.

## Budget balance is deteriorating



Source: Ministry for National Economy

Regarding the different approach of EU fund disbursements, the cash flow based deficit widened further. In favour of successful fulfilment of its own goal, the government is pre-financing the projects from the budget, while the invoices and related payments are in significant delays. Based on the data made available by the Ministry in its press release, Hungary has spent more than HUF1.9tr on EU projects, having only HUF382bn inflows from the EU so far in 2017. This difference is highly correlated the year-on-year deterioration of the deficit figures.

### *The budget should be fine by the year-end*

Since the data above is cash-flow based, we don't see this as a game changer related to the general stance of the budgetary situation. Moreover, the European Commission has closed its investigation related to some EU projects on a positive note. This will help the cash-flow based deficit to decrease in the last month of 2017.

As we expect an additional HUF600bn in inflows, and usually the monthly deficit is around HUF100-200bn in December, the budget should be fine by the year-end, meeting the original target.

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