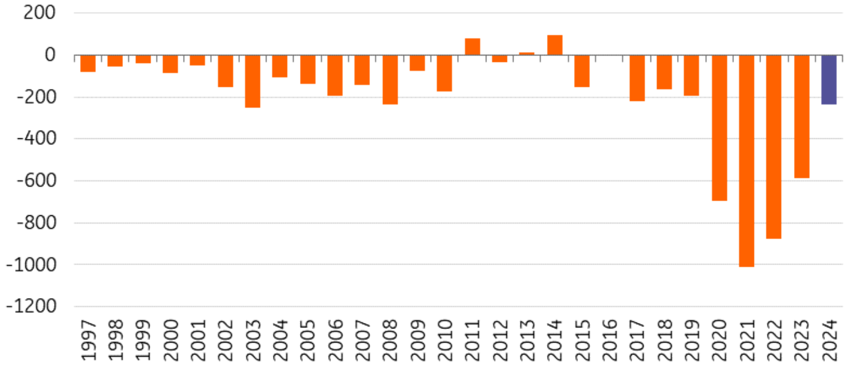
Surprisingly low Hungarian November deficit

The overall fiscal position has improved, with November recording the lowest monthly deficit since 2019. While detailed data are still forthcoming, the deficit target for the year is clearly within reach

Hungary's budget deficit improved at the end of 2024

The monthly budget deficit was HUF233.8bn in November, bringing the year-to-date (YTD) general government cash flow deficit to HUF3.28tr. This is 68% of the revised plan for the newly announced cash flow deficit plan for 2024. This data is the lowest November monthly figure since 2019. As a result, this also means that in the last month of the year, the deficit could be as high as HUF1,500bn, which is a significant amount. All in all, this result shows that the budget is under tight control.

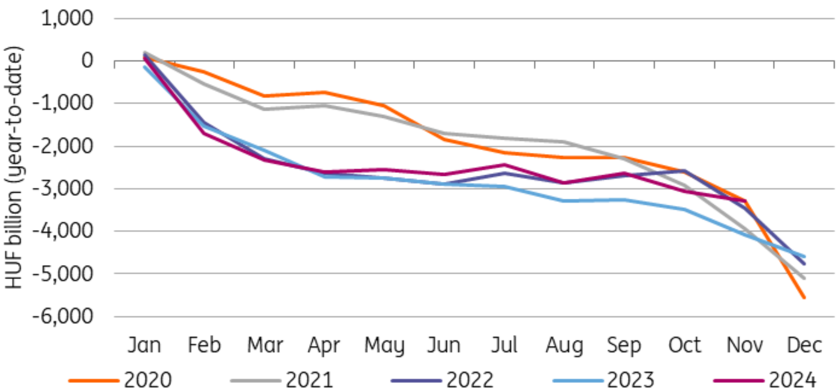
The monthly general government balance in November (cash-flow, HUFbn)



Source: Ministry of Finance, ING

The detailed data will be released on 20 December and will show how VAT revenues have fared, which has been the Achilles' heel of this year's budget. The increase in this tax is important for the budget because it has been so low in the last two years that it will also have a negative impact on next year's budget. The data for the first 10 months show that there is a shortfall of around HUF900bn in consumption-related taxes in the budget, and we don't think that the positive surprise in November will come from the revenue side. All the more so as the items that are performing better on the revenue side are not necessarily soaring. For example, personal taxes are only HUF34bn or 0.9% higher than our technical forecast. The only reason why we are talking about the first ten months instead of November is that the press release of the Ministry of Finance did not contain any details on the revenue side this time, which is not necessarily good news.

Budget performance (year-to-date, HUFbn)



Source: Ministry of Finance, ING

On the expenditure side, we received some details from the Ministry of Finance. Interest payments amounted to HUF214.2bn in November only, bringing the year-to-data to HUF3,412.7bn. The monthly interest payment is roughly in line with the previous months' figure (except for October). In general, this could be the reason for the improvement in the monthly budget from October to

November.

Payments for pensions and health care are HUF5,727.7bn and HUF2,434.3bn in the first eleven months, which are still higher than the year before, but the monthly expenditure on these are in line with this year's average. Unfortunately, the Ministry of Finance did not provide any further information, and also omitted EU-related revenues and expenditures. We have a hunch that there was not much of an inflow from Brussels in November, but we are hopeful that a major payment is due in December.

Speaking about the short-term future, the average of the last three years shows a monthly deficit of HUF1,000bn in December, and only in 2020 did the deficit exceed HUF1,500bn in the last month of the year. Against this backdrop, there is ample room for manoeuvre in the budget compared to the revised deficit target. According to our technical projection, the 4.5% deficit target is well within reach if the government maintains its tight expenditure control. If this is the case, our projection shows a slippage of only 0.1% of GDP in both the accrual and cash flow-based deficit targets.

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