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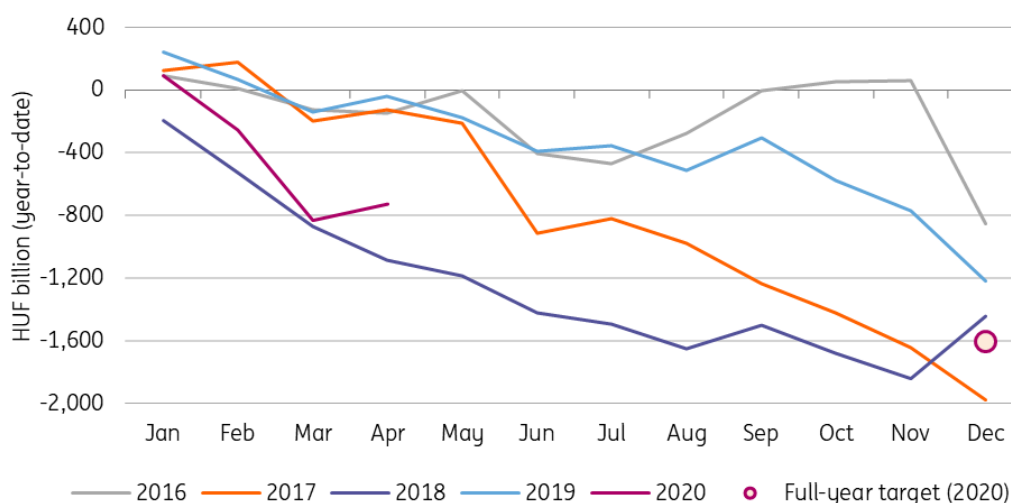
## Hungary: The fight against Covid-19 takes its toll on the budget

The central budget deficit reaches HUF 727.4bn in the first four months of 2020, reshaping the whole fiscal plan as Covid-19 related expenditure mounts



The Hungarian government's year-to-date budget deficit came in at HUF 727.4bn in April 2020. Considering the latest monthly figure, the cash-flow based budget posted a surplus of HUF 104.5bn thanks to EU funds inflow. In the January-April period, the income from Brussels reached HUF 313.2bn, out of which HUF 249.8bn came in April. Unfortunately, this was the only revenue-related data in the preliminary budget statement which was shared by the Finance Ministry.

### The year-to-date budget balance of the general government



Source: Ministry of Finance, ING

On the other hand, the Ministry revealed that the government has already spent HUF 400bn (roughly 1% of GDP) in relation to the fight against the coronavirus pandemic. In net terms, Hungary is still in deficit when it comes to the EU projects, as in contrast with the HUF 313.2bn revenue, the government spent HUF 842bn on EU-funded projects, pre-financing these.

Looking forward, we can expect the government to cash-in from the EU in the coming months, improving somewhat the cash flow of the budget in the short-run. However, as the cost of the fight will increase with time, and the budget-related fiscal measures will hit both the revenue and the expenditure side by mid-year (tax holidays and extra wage to healthcare workers for example), we see further deterioration ahead. The Government Debt Management Agency is ready to finance the extra needs via FX debt issuance, as it only used 50% of its framework. Government bond issuances will be increased too, but the central bank's QE programme will provide enough support to manage the yield curve, in our view.

**Peter Virovacz**

Senior Economist, Hungary

+36 1 235 8757

[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

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