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THE SAO HAS ISSUED ITS OPINION ON THE 2019 BUDGET

Summary for the press
Opinion on the 2019 Budget appropriation bill of Hungary (18177)

The State Audit Office of Hungary concluded that the 2019 budget appropriation bill is substantiated, its formulation supports the short to medium term stability of the budget and contributes to sustainable economic growth. The appropriation bill complies with the public debt rule defined in the Fundamental Law, as well as with all applicable legislative provisions with the exception of one provision. The SAO points out in its opinion to the National Assembly that the 2019 budget appropriation bill contributes to maintaining the stability of the budget of Hungary and the whitening of the Hungarian economy.

Fulfilling its statutory obligation, the State Audit Office of Hungary has compiled its opinion on the 2019 budget appropriation bill. In its opinion, the SAO comments on a specific state of budgetary planning. The purpose of the SAO's comments is to enable the National Assembly to adopt a budget that is substantiated and capable of managing the risks that may realistically arise upon passing new laws and adopting amendments. With its reviewer activity, the SAO contributes significantly to the transparency of budgetary procedures even by international standards [1].

The SAO concluded that in preparing the 2019 budget appropriation bill the planning bodies complied with legislative and other internal regulations. The structure and the content of the budget appropriation bill comply with legal provisions, and thus fulfil the requirement of responsible fiscal management. The revenue appropriations in the 2019 budget bill are fully (100%) substantiated, 92.5% of the expenditure appropriations is fully, while 7.49% is partially substantiated, with the remainder (0.01%) not substantiated. The SAO indicated in its opinion that the risks identified can be managed by way of appropriate fiscal measures; moreover, the available resources (HUF 60Bn) in the Country Protection Fund provide sufficient safety reserve against the remaining budgetary risks.

In the budget bill, the Government defined an economic growth rate (GDP) of 4.1% for 2019 in accordance with the Convergence Programme. The increase in household consumption expenditures (4.8%), in gross fixed capital formation (7.5%) and in exports (6.9%) contributes to achieving the abovementioned GDP growth. Moreover, the Government assumes a 10.3% increase in gross wages and salaries, which is expected to have a significant impact on the revenue and the expenditure side of the central budget. The central budget appropriation bill defines a cash-based deficit of HUF 998.4Bn in the central subsystem (representing a HUF 362.2 billion improvement compared to 2018), which – assuming that the operating budget breaks even as expected – comprises a planned deficit of HUF 402.1Bn in the capital budget and HUF 596.3Bn in the European Union developing budget.

Based on the SAO's opinion, the 2019 budget appropriation bill carries a risk of HUF 119.4Bn. These risks are manageable with appropriate measures. The reserve-type appropriations (Country Protection Fund, Extraordinary Government Measures, Provision) provide ample room for the management of arising risks. According to the SAO's calculations, the 1.8% deficit target calculated in accordance with the EU methodology implies a significant implicit reserve (HUF 527.2Bn), i.e. the 3% limit is achievable even in the event of less accelerated GDP growth and a somewhat greater deficit. The SAO pointed out in its statement that in order to achieve the budgetary and economic policy goals, it is of crucial importance to prioritise the economic development goals upon the use of the available domestic and EU resources.

The SAO revealed that the calculated level of the government sector's structural balance is not in line with the medium-term deficit target, which does not comply with the Economic Stability Act of Hungary; however, this does not pose a risk to the execution of the budget. The SAO also pointed out in its statement that the continuously increasing budget revenues in the current environment of intensive economic growth provide an opportunity to create safety reserves that will allow to tackle subsequent, unforeseen situations and economic shocks or circumstances (for example migration) arising from external reasons.

The SAO opinion on budget is available on the website of www.asz.hu/jelentesek/velemeny-magyarorszag-koltsegveteserol

[1] Open Budget Survey 2017.