ÁLLAMI SZÁMVEVŐSZÉK

1870 1990 2020
150 ÉVE A KÖZPÉNZEK ŐRE
30 éve a demokrácia pénzügyi garantőre

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KEY FACTORS AND RISKS AFFECTING THE BUDGET

Summary for the press

on the analysis titled "Analysis of the budget from the aspect of sustainability"

The sustainable fiscal policy contributed to the mitigation of the negative economic and social consequences of the COVID-19 epidemic - this is the conclusion drawn in the latest analysis of the State Audit Office. The analysts of the SAO point out that from 2011 - until the outbreak of the COVID-19 epidemic - retail savings played an increasing role in the financing of public debt, and the public debt indicator was continuously improving. This is why the involvement of the increasing financial assets of the population in the financing of public debt is of key importance in the recession generated by the epidemic. The analysts of the SAO draw attention to the fact that the sustainability of the budget was achieved in another way, too, as the majority of EU supports due to Hungary were advanced by the Hungarian budget in the past years, but the rate of reimbursements by the European Union was slower than scheduled.

As incorporated into the law, the State Audit Office is responsible for facilitating well-governed state operations. In order to do so, the SAO produces analyses and studies, too, in addition to reports. In its analyses, the SAO makes no statements, but highlights relations and impacts, draws attention to dilemmas and risks in a given area, and presents the results.

In the recently published analysis, the analysts of the SAO examined the most important factors that support or threaten the sustainability of the central budget from the aspect of public finances. The analysts summarised the sustainability risks affecting the central budget and identified in previous SAO analyses, and drew conclusions based on them about risks threatening the balance of the Hungarian economy, including the central budget on a longer term.

The analysis by the SAO points out that although nominal public debt has increased continuously since 2011, public debt indicators continued to improve due to the faster growth of the GDP. By 2020, however, this favourable trend was broken as the GDP dropped because of the COVID-19 epidemic and the increased cash-flow and Maastricht deficit.

The management of public debt in Hungary followed four basic strategic objectives: reduce the public debt indicator and the values of the public debt ratio, strengthen financing by the population, reduce the ratio of foreign currency, and increase the average terms of government papers. The measures taken to achieve the strategic objectives mitigated the risks of public debt. Significant improvement was experienced especially in the reduction of the foreign currency ratio and the strengthening of the financing by the population, but further steps are required to increase the average terms of government papers, indicated the analysts of the SAO.

Among the factors influencing the development of the GDP, consumption kept growing, but its growth rate was less than the growth rate of incomes, among others because of the significant increase in household savings. The increased activity level, the improved willingness to work and the expansion of employment contributed to the increase in GDP through increased production.

The analysts of the SAO pointed out that the Hungarian budget advanced the EU supports to programmes implemented in co-financing with the EU, but the rate of reimbursements by the EU was slower than planned. This increased cash-flow deficit and public debt. All that, in turn, had an impact on the development of the centralisation ratio. The rate of centralisation fell from 48.6% in 2015 to 44% in 2019, primarily as a result of the reduction of tax rates.

External compatibility in 2015-2018 - based on export market shares and net international investment position - altogether developed in a favourable way. In 2019 the current account balance was negative, which presents the risk of a faster - than exports - increase in imports and a drop in the growth of the GDP. The COVID-19 epidemic had a negative impact on the balance of payments, too, therefore it is of key importance to support the export ambitions of SME's, to reduce the exposure stemming from the high-level of geographical concentration of exports, and to increase the support to research and development – point out the analysts of the SAO.

The State Audit Office of Hungary is the supreme financial and economic audit institution of the National Assembly. The SAO has been the guardian of public funds for 150 years and the financial guarantor of democracy for 30 years. Its mission is to support accountability of public funds and to contribute to good governance through its well-founded, value adding audits and comprehensive advisory and knowledge sharing activities. With its recommendations and conclusions the SAO facilitates the regular, economical, efficient and effective use of public money.