



MINISTRY
FOR NATIONAL ECONOMY
HUNGARY
MINISTER

2 April, 2012

Mr Olli Rehn
Vice-President
Economic and monetary affairs and the Euro

Dear Vice-President Rehn,

I would like to inform you that on 30 March the Hungarian statistical authorities published the results of the 2012 Spring EDP Notification which was submitted to Eurostat.

The figures indicate that the general government surplus reached 4.3% of GDP in 2011 compared to the surplus of 2% forecasted in the April 2011 convergence programme and the surplus of 3.9% estimated in the December 2011 implementation report on the EDP recommendation of 7 July 2009.

The better than foreseen budgetary outcome is due to the more favourable balance of the local government sector and to the fact that in the course of last year the Government implemented additional structural adjustment measures in order to keep the underlying budgetary processes on track.

Reflecting these endeavours, the targeted deficit (which included only small part of the one-off revenues stemming from the transformation of the pension system) of 2.94% of GDP was over-performed and it came at 2.43% of GDP.

For the first time since Hungary's accession to the EU in 2004, the budgetary outcome was better than the Maastricht reference value.

These figures clearly show that the Government is fully committed to budgetary discipline and sticks to the fiscal path announced in the April 2011 convergence programme which ensures that the budget deficit is safely reduced to below 3% of GDP in 2012 and further declines in subsequent years.

The overall performance of the Hungarian economy in 2011 was also favourable.

GDP grew by 1.7% in 2011, employment increased by 1.4% year-on-year according to the latest figures and real wages increased by 5.8% last year.

The economic policy strategy of the Government, including the flat, proportionate personal income tax system, played important role in these developments.

A surplus of 1.4% of GDP was achieved on the current account balance, and the net external financing capacity of Hungary reached 3.6% of GDP last year.

I am confident that these figures demonstrate that the Hungarian economy is progressing towards a sustainable growth path which, coupled with the Government's determined commitment to pursue the structural reform agenda of the Széll Kálmán Plan and the already adopted structural reform measures, will ensure a continuous structural improvement in the budgetary situation which is indispensable for the permanent reduction of the public debt to GDP ratio.

Yours sincerely,



MATOLCSY György