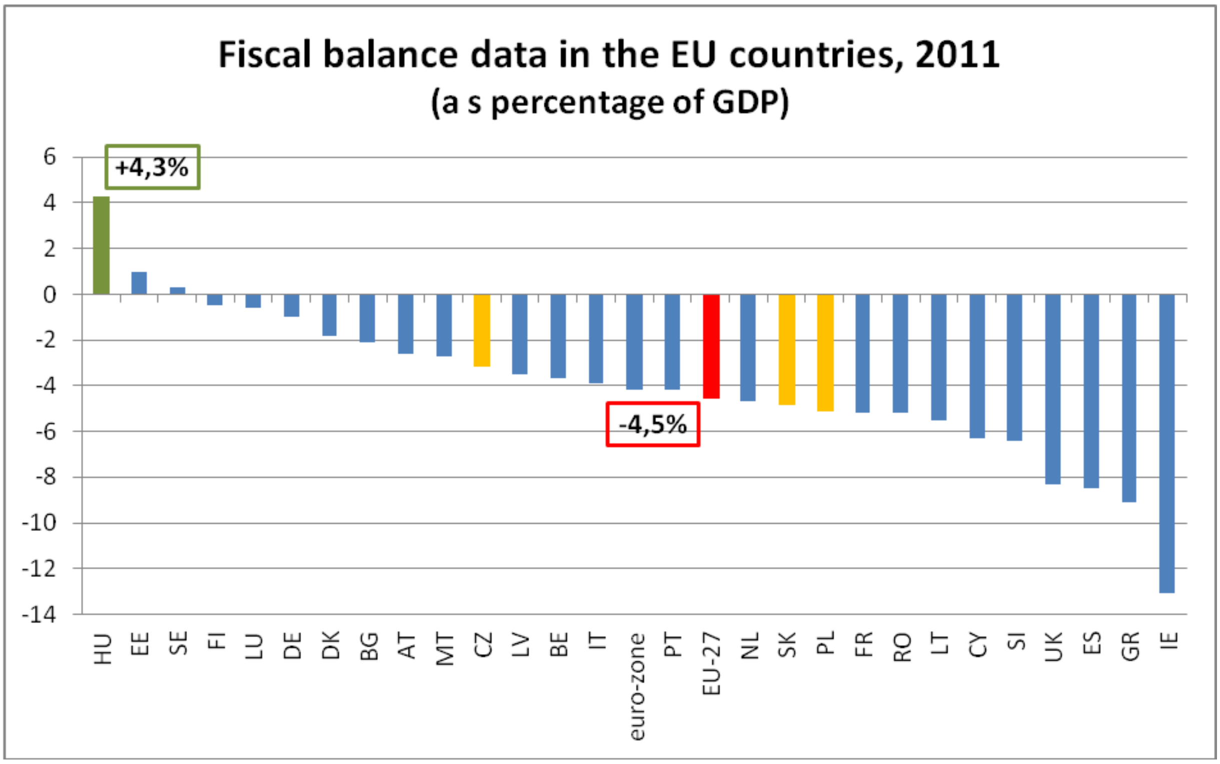
MINISTRY
FOR NATIONAL ECONOMY

Budget and general government debt data according to the European Commission forecast

The European Commission has recently published its study titled *General Government Data* of spring 2012, which provides a comprehensive overview of the fiscal balances and general government debt of EU countries for 2011 as well as relevant projections for 2012 and 2013. According to the figures published by the Commission, **with regard to fiscal balances of 2011 Hungary has been a top performer in Europe**: our *surplus* of 4.3 percent is much more favourable than the GDP *deficit* of 4.5 percent in the EU and 4.1 percent in the euro-zone. **Besides Hungary it was only Estonia and Sweden which could achieve a fiscal surplus**, and at the bottom of the ranking, behind Greece, Ireland is the tail-ender with a deficit of 13.1 percent.

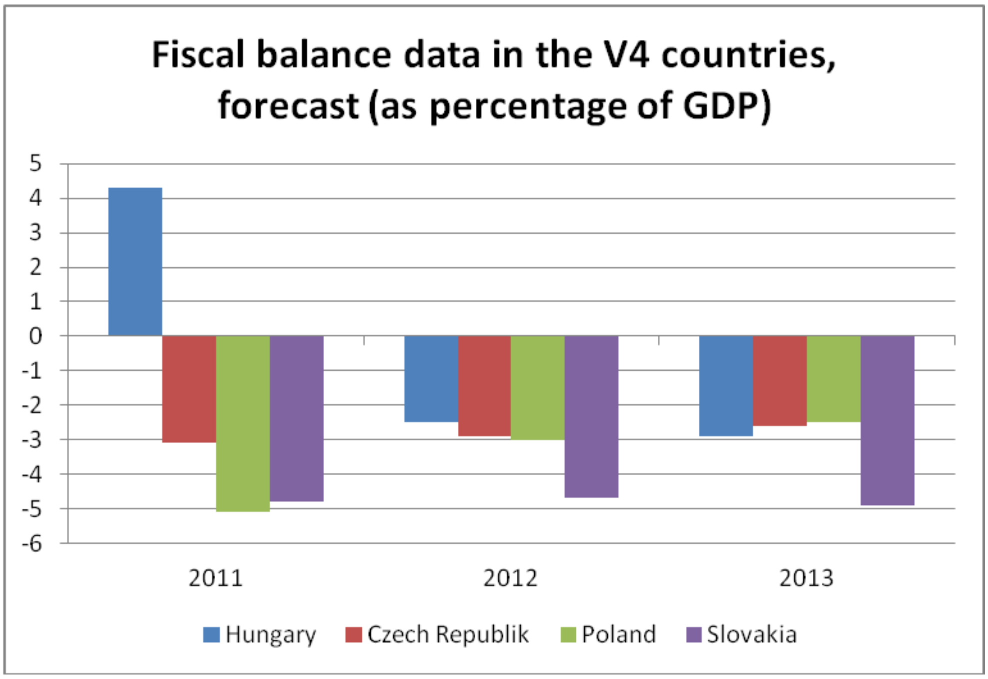


Source: European Commission, NGM

Three other countries of our region, which are marked yellow among the Visegrád countries, registered the following budget deficits for the year of 2011: Czech Republic: 3 percent, Slovakia and Poland around 5 percent.

In the opinion of the Commission, Hungary will manage to achieve the deficit target; we can calculate with below 3 percent deficits for 2012 and 2013. This achievement will be the result of our prudent fiscal policy and the commitment to attaining economic policy objectives. In 2012 about half of EU member countries are expected to achieve this, whereas in 2013 17 countries out of 27 will comply with the Maastricht criteria. Among our regional peers, as the below chart demonstrates, this year and next the Czech Republic and Poland will reach the below 3 percent target, and in Slovakia deficit is expected to be between 4-5 percent.

As Hungary will meet the deficit target not only in 2012-2013, but in line with the intensions of the government even beyond, **it is expected that the EU will probably alter its former verdict about freezing resources from the Cohesion Fund** and we will not fail to receive funding due to us.

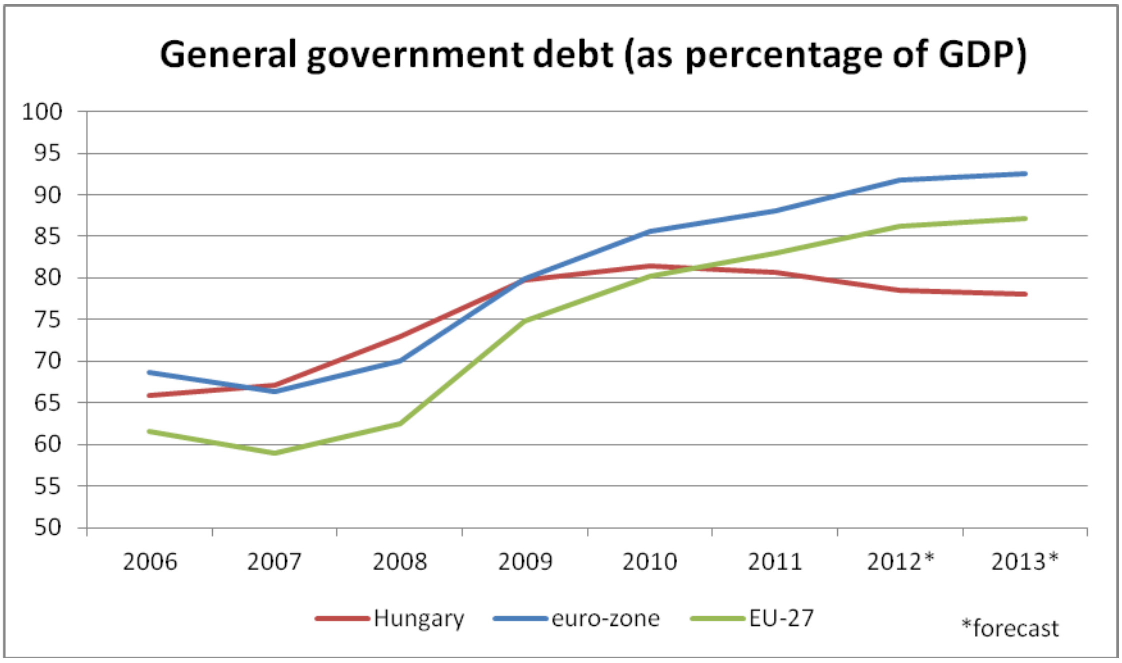


Source: European Commission, NGM

The publication of the Széll Kálmán Plan 2.0 on 23 April convinced the European Commission that the Government of Hungary is committed to consolidating the budget and reducing general government debt. **General government debt** in Hungary is already lower than in the European Union or the euro-zone. It has been obvious that **in Hungary further improvement can be expected, whereas in the EU 27 and the euro-zone further deterioration is predicted**. By the end of 2013 our debt will be about 78 percent of GDP, while the EU and the euro-zone average will be 87.2 percent and 92.6 percent, respectively.

In 2012 and 2013 there will only be four countries besides Hungary which will manage to reduce their government debt and only Poland and Sweden can achieve cutting debt for both years as we do.

In addition, according to the 15 May technical projection of the National Bank of Hungary (not its forecast) if we take into consideration the impact of the measures of the Széll Kálmán Plan 2.0 on the budget, by assuming an unaltered economic policy general government debt, contrary to prevailing trends of the EU 27, will continue to decline over the long term.



Source: European Commission, NGM

Budapest 17.05.2012.

Ministry for National Economy