

# MINISTRY FOR NATIONAL ECONOMY

## REPORT<sup>\*</sup> on

*the state of the central sub sector of the state budget in July 2012*

**August 2012**

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\* The key facts and figures of the central sub sector of the state budget in monthly breakdown can be found at the website of the Hungarian State Treasury (<http://www.allamkincstar.gov.hu>).

## SUMMARY

### Key data of the central sub sector of the state budget in July 2012

In the month of July 2012 the central sub sector of the state budget registered a surplus of 80.2bn HUF. Within that, the central state budget, social security funds and extra budgetary state funds registered surpluses of 49.7bn HUF, 22.3bn HUF and 8.2bn HUF, respectively. In the month of July 2011 the deficit of the central sub sector of the state budget was 459.9bn HUF.

With regard to the end-of-July deficits in 2011 and 2012 of the central sub sector, excluding one-off items and calculated therefore on the same basis, this year's figure of 56.7 percent is much more favourable than the 81.8 percent of last year.

The central sub sector of the state budget at the end of July 2012 had a deficit of 437.5bn HUF, while at the end of July 2011 this deficit totaled 1494.5bn HUF.

### *Central government budget*

#### *Revenues*

The revenues of the central government budget for the month of July were 64bn HUF higher in comparison to the same month of the previous year. Among tax revenues, receipts from excise taxes, personal income tax and duties surpassed the amount of last year. In addition, revenues of budgetary institutions, chapter administered appropriations, payments related to state property and interest payments came in also higher than in the corresponding period of last year.

#### *Expenditures*

The expenditures of the central government budget in the month of July were almost 446bn HUF lower in comparison to the same month of last year. With regard to expenditures, they were lower at consumer price subsidies, chapter administered professional appropriations, debt service related interest payments and redeemed government guarantees as well.

As far as the revenues and expenditures of central budgetary institutions are concerned, the revenues and expenditures of institutions, which had been taken over by the state from the local governments of counties, played a key part.

In the assessment of the difference from last year's figures it has to be noted that regarding state property expenditures the MOL share package was purchased in July 2011.

***Interest payment balance***

Interest payments totaled 63.4bn HUF in July 2012, which was 2bn HUF less than in the corresponding period of the previous year. Interest revenues totaled 10.7bn HUF which was 2.8bn HUF more than last year's figure. Net interest expenditures (52.7bn HUF) as a whole were 4.8bn HUF lower than last year.

***Social Insurance Funds***

The 22.3bn HUF surplus in July 2012 of Social Insurance Funds originated from the surplus of 9.1bn HUF of the Pension Insurance Fund and the surplus of 13.2bn HUF of the Health Insurance Fund. In the month of July 2011 the compound deficit of the Funds amounted to 23.7bn HUF. The balance which was more favourable than last year is largely attributable to the higher revenues from social welfare taxes and contributions as well as healthcare services contributions. Higher revenues have also been the consequence of calculating revenues from the accident tax and public health product tax among the "other revenues" of the Health Insurance Fund. When comparing the two years it has to be noted that in July this year the Pension Insurance Fund received subsidies of almost 8.5bn HUF from the budget, whereas in 2011 there was no such support. The budgetary shortfall was complemented in the second half of 2011 from revenues of the Pension Reform and Debt Reduction Fund.

***Extra budgetary state funds***

The balance of extra budgetary state funds in the month of July was less favourable than in the same month of the previous year. Total revenues of the funds were 10.1bn HUF lower and expenditures were 5.6bn HUF higher. With regard to revenues, receipts of subsidies to training expenses at the National Employment Fund were higher last year, due primarily to down payment regulations which were then effective. Among expenditures, those at the *Start* work programme of the National Employment Fund were higher compared to the corresponding month of the previous year. The reason for this development was that the *Start* work programme (in accordance with the job creation measures of the government) had been allocated a greater amount within the Fund and that is reflected in the expenditures of 11.8bn HUF in July instead of last year's amount of 5.7bn HUF. In addition, expenditures of the Bethlen Gábor Fund were also higher compared to the corresponding month of the previous year.

Key cash flow data of the central sub sector of the state budget at the end of July are as follows:

	billion HUF		Index (%)	billion HUF		Index (%)
	Preliminary data for 2011 (2)	Actual data for the initial 7 months of 2011 (3)	Preliminary data=100 (3/2)	2012 estimates of the Budget Act (1)	Actual data for the initial 7 months of 2012	Estimate=100
Central budget balance	<b>-1 718,3</b>	<b>-1 367,5</b>	<b>79,6</b>	<b>-593,8</b>	<b>-542,5</b>	<b>91,4</b>
revenue	8 329,9	4 546,3	54,6	9 549,0	5 101,2	53,4
expenditure	10 048,2	5913,8	58,9	10 142,8	5 643,7	55,6
Balance of financial reserves	<b>67,2</b>	<b>85,4</b>	<b>127,1</b>	<b>52,9</b>	<b>86,0</b>	<b>162,6</b>
revenue	426,6	272,0	63,8	438,4	277,3	63,3
expenditure	359,4	186,6	51,9	385,5	191,3	49,6
Balance of Social Insurance Funds	<b>-83,3</b>	<b>-212,4</b>	<b>255,0</b>	<b>-35,3</b>	<b>19,0</b>	<b>-53,8</b>
revenue	4 452,4	2 387,9	53,6	4 449,7	2 642,0	59,4
expenditure	4 535,7	2 600,3	57,3	4 485,0	2 623,0	58,5
<b>Total balance</b>	<b>-1 734,4</b>	<b>-1 494,5</b>	<b>86,2</b>	<b>-576,2</b>	<b>-437,5</b>	<b>75,9</b>
revenue	13 208,9	7 206,2	54,6	14 437,1	48 020,5	55,6
expenditure	14 943,3	8 700,7	58,2	15 013,3	8 458,0	56,3
<b>Adjusted balance, total*</b>	<b>-1 437,2</b>	<b>-1 175,8</b>	<b>81,8</b>	<b>-918,2</b>	<b>-520,8</b>	<b>56,7</b>
revenue	12 641,5	7 026,3	55,6	14 095,1	7 937,2	56,3
expenditure	14 078,7	8 202,1	58,3	15 013,3	8 458,0	56,3

\* The adjusted preliminary data of the year of 2011 and the figures of the estimates for the year of 2012 are displayed in order to present a comparison. The items of adjustment are the following: the revenues for the year of 2011 of the Pension Reform and Tax Reduction Fund (459.0bn HUF), extra taxes of financial institutions and certain sectors (it totaled 358.0bn HUF in 2011 and 342.0bn HUF in 2012), the VAT refunds due to the verdict of the EU in 2011 (as a result of the dual impact of repaying the rolling liabilities due at the time of the court ruling and the change in reclaim regulations the shortfall in cash flow is 250.0bn HUF and according to the EU methodology it is 198.3bn HUF), the debt assumption for the MÁV Zrt. and local governments of counties in 2011 (altogether 246.0bn HUF), the extraordinary capital increase of the MBF Zrt. in 2011 (120.0bn HUF) as well as the purchase of MOL shares in 2011 (498.6bn HUF).