

## V. PUBLIC FINANCE

The net borrowing requirement of general government, calculated as the balance of revenue and expenditure, amounted to Ft 14.1 billion in September. The central government and the social security funds, respectively, ran deficits of Ft 14.0 billion and Ft 39 billion, in contrast with the local government authorities, which were Ft 3.8 billion in surplus. A year earlier the central government was Ft 53.0 billion and the local government authorities were Ft 3.6 billion in deficit, while the security posted a Ft 30.5 billion deficit.

General government net lending (+) / net borrowing (–) by sub-sector*					
	Ft billions				
	1999 Sep.	2000		1999	2000
		Aug.	Sep.	Jan.–Sep.	
1 Central budget excluding extrabudgetary funds and ÁPV Rt**	–45.4	–37.3	–8.8	–318.0	–190.5
2 Extra-budgetary funds	–1.9	0.6	0.8	–27.2	8.3
3 ÁPV Rt.***	–5.8	0.4	–6.0	–44.6	–35.9
<b>4 Central government balance (4 = 1+2+3)</b>	<b>–53.0</b>	<b>–36.3</b>	<b>–14.0</b>	<b>–389.8</b>	<b>–218.2</b>
<b>5 Social security funds</b>	<b>–3.6</b>	<b>–13.7</b>	<b>–3.9</b>	<b>–122.8</b>	<b>–72.5</b>
<b>6 Local authorities****</b>	<b>30.5</b>	<b>–13.3</b>	<b>3.8</b>	<b>39.8</b>	<b>14.2</b>
<b>7 Total general government (7 = 4+5+6)</b>	<b>–26.1</b>	<b>–63.3</b>	<b>–14.1</b>	<b>–472.9</b>	<b>–276.4</b>

\* Based on preliminary data.  
 \*\* Including accruals-based interest on public sector debt.  
 \*\*\* Balance of transactions in assets and liabilities.  
 \*\*\*\* On a monthly basis. Bank estimates only of financing transactions are available in respect of local authorities.

### The central government

The central budget deficit, calculated according to the GFS accounting method,<sup>1</sup> was Ft 173.9 billion in January–September 2000.<sup>2</sup> However, in order to create consistency with accounting on an SNA basis,<sup>3</sup> transactions of ÁPV Rt have been treated as part of aggregates at central government level, and, for the purposes of adopting the principles of accruals accounting, at least partially, a number of adjustments have been made.

After adjusting the central government balance for the effects noted above, the primary surplus of central government, excluding interest payments and receipts, as well as mutual assets and liabilities of the NBH and the central government, was Ft 43.1 billion in September.

On the basis of information received from the Hungarian State Treasury, to the end of September 2000 the central government had revenues of Ft 2,585.6 billion, excluding proceeds from privatisation, and expenditures of Ft 2,759.5 billion.

On the revenue side, receipts continued to exceed the time-proportionate fraction of the official annual projection in the month under review. That was assisted mainly by revenues of customs duties and import fees, receipts of the central government units, debt-related revenue and value added tax considerably exceeding the target. Considerable lags were observable, however, in central government receipts of transfers by economic organisations and in corporate tax payments by financial institutions.

On the expenditure side, however, expenditures of the central budgetary institutions, provisions disbursed with the assistance of the social security authorities and dwelling subsidies were lower than projected. The lag behind target of expenditures of the central budgetary institutions even increased further in the month. Transfers to economic organisations, consumer price subsidies, and debt servicing and interest reimbursement continued to exceed the projections for the period. Only transfers to economic organisations which include normative grants, farm subsidies and subsidies to public broadcasting, showed a massive expenditure overrun against the target. Nevertheless, total expenditure continued to be considerably higher than the official target, by around Ft 82.8 billion.

<sup>1</sup> Government Finance Statistics – the International Monetary Fund guidelines for collecting general government financial statistics.

<sup>2</sup> According to data reported by the Ministry of Finance.

<sup>3</sup> System of National Accounts – the comprehensive accounting framework of compiling macroeconomic accounts.

Central government net lending (+) / net borrowing (–)*					
	Ft billions				
	1999 September	2000		1999	2000
		August	September	January–September	
<b>Central budget excluding extra-budgetary funds and ÁPV Rt</b>					
1 Revenue	260.2	277.4	292.3	2,218.3	2,585.6
2 Expenditure	289.2	302.7	298.3	2,563.1	2,759.5
<b>3 Balance according to data reported by the Ministry of Finance (3 = 1–2)</b>	<b>–29.0</b>	<b>–25.3</b>	<b>–6.0</b>	<b>–344.8</b>	<b>–173.9</b>
<b>Other financial flows affecting balance</b>					
4 Accruals-based adjustments to VAT and fee receipts	0.9	1.0	1.0	4.0	9.1
5 Difference between interest expenses on accrual and cash bases	–11.9	–19.2	0.0	15.6	–9.7
6 Loan transactions affecting the balance in GFS accounting	–1.8	–0.7	–2.2	–0.8	–16.6
7 Balance of provisions funded from non-social security sources	–3.5	7.0	–1.6	8.1	0.6
<b>8 Central budget excluding extra-budgetary funds and ÁPV Rt (8 = 3+4+5+6+7)</b>	<b>–45.4</b>	<b>–37.3</b>	<b>–8.8</b>	<b>–318.0</b>	<b>–190.5</b>
<b>Extra-budgetary funds</b>					
9 Revenue	11.1	12.8	13.0	112.3	126.0
10 Expenditure	13.0	12.2	12.1	108.6	117.7
<b>11 Balance (11 = 9–10)</b>	<b>–1.9</b>	<b>0.6</b>	<b>0.8</b>	<b>3.7</b>	<b>8.3</b>
<b>Data affecting changes in the balance of extra-budgetary funds</b>					
12 Residual balance of funds integrated into budget	0.0	0.0	0.0	–30.9	0.0
<b>13 Extra-budgetary funds (13 = 11 + 12)</b>	<b>–1.9</b>	<b>0.6</b>	<b>0.8</b>	<b>–27.2</b>	<b>8.3</b>
<b>ÁPV Rt</b>					
14 Revenue	0.2	2.8	0.1	6.3	18.6
15 Expenditure	5.9	2.4	6.1	50.8	54.6
<b>16 Expenditure (16 = 14–15)</b>	<b>–5.8</b>	<b>0.4</b>	<b>–6.0</b>	<b>–44.6</b>	<b>–35.9</b>
<b>17 Net lending (+) / net borrowing (–) position (17 = 8+13+16)</b>	<b>–53.0</b>	<b>–36.3</b>	<b>–14.0</b>	<b>–389.8</b>	<b>–218.2</b>
18 Central government accruals-based interest balance	–71.3	–55.9	–58.8	–581.9	–555.1
19 Transfers by NBH	1.9	1.7	1.7	22.3	15.1
<b>20 Primary balance on SNA basis (20 = 17–18–19)</b>	<b>16.4</b>	<b>17.9</b>	<b>43.1</b>	<b>169.8</b>	<b>321.8</b>

\* The explanations for the adjusting entries in the Table are in the 'Methodological notes' attached to this Report.

Central government balance on a cash basis							
	1999 September	2000		1999	2000		
		August	September	January–September	January–September		
		Ft billions			% *	Ft billions	% *
Payments by economic organisations	22.9	25.7	28.7	250.4	53.6	267.0	56.6
Consumption-related taxes	132.9	130.5	147.3	1,006.4	70.4	1,241.6	81.9
Payments by households	47.9	62.1	57.3	444.0	75.7	537.9	77.2
Revenues of central government units	34.1	38.8	44.5	369.3	90.9	396.8	85.6
Other receipts	22.5	20.2	14.5	148.2	60.7	142.2	58.3
<b>Total revenue</b>	<b>260.2</b>	<b>277.4</b>	<b>292.3</b>	<b>2,218.3</b>	<b>70.8</b>	<b>2,585.6</b>	<b>76.2</b>
Consumer subsidies and investment outlay	12.2	19.7	12.6	138.4	83.3	146.7	84.5
Consumer subsidies and investment outlay	8.2	9.4	12.1	82.1	61.4	94.1	54.2
Guarantees and contribution to social security operations and provisions through social security	37.5	33.4	40.6	269.3	65.6	297.7	70.3
Expenditures of central government units	128.0	150.4	135.5	1,038.8	70.6	1,259.7	72.8
Subsidies to local authorities	34.1	38.4	31.6	340.2	77.2	323.2	73.8
Debt servicing and interest reimbursement	66.9	49.9	64.5	652.2	83.2	612.5	76.2
Other expenditures	2.3	1.5	1.3	42.1	38.2	25.4	36.2
<b>Total expenditure</b>	<b>289.2</b>	<b>302.7</b>	<b>298.3</b>	<b>2,563.1</b>	<b>72.9</b>	<b>2,759.5</b>	<b>72.8</b>
<b>Balance</b>	<b>–29.0</b>	<b>–25.3</b>	<b>–6.0</b>	<b>–344.8</b>		<b>–173.9</b>	

\* According to the target.

## The extra-budgetary funds

The Labour Market Fund ran a surplus of Ft 1.4 billion in January–September 2000. Contribution receipts, accounting for the vast majority of the Fund's

receipts, exceeded the actual amount received in the same period of the previous year by Ft 8.9 billion. Expenditure continued to be low in September, which meant that the Fund maintained a positive balance.

**Balance of the extra-budgetary funds on a cash basis**

	1999 Sep.	2000		1999*		2000	
		Aug.	Sep.	January–September			
		Ft billions			%**	Ft bil- lions	%**
Labour Market Fund	−2.2	0.0	0.2	−1.4		1.4	
Employers' contribution	6.7	7.6	7.8	63.6	74.4	68.9	71.1
Employees' contribution	3.1	3.6	3.6	27.9	73.7	31.5	73.0
Contributions to rehabilitation and vocational training	0.3	0.7	0.6	10.5	87.4	13.7	122.7
Other revenue	0.2	0.2	0.2	2.8	134.4	3.8	277.8
Total revenue	10.3	12.0	12.2	104.7	76.3	117.8	77.2
Job incentives and expenditure on vocational training	3.4	3.3	3.2	21.6	50.8	26.1	62.1
Unemployment insurance and assistance	7.2	6.0	5.9	67.2	77.0	65.1	82.3
Transfers to central government and other social provisions	1.0	1.8	1.8	8.2	66.4	15.8	70.0
Other expenditure	0.9	0.9	1.0	9.2	72.5	9.4	74.0
Total expenditure	12.5	12.0	11.9	106.1	68.6	116.4	74.4
Central Nuclear Fund	0.3	0.6	0.6	5.1		6.9	
Revenue	0.8	0.8	0.8	7.6	81.8	8.1	80.6
Expenditure	0.5	0.2	0.2	2.5	41.1	1.3	41.3
Cash balance	−1.9	0.6	0.8	3.7		8.3	

\* Includes the 1998 residue balance of the terminated funds.

\*\* According to the target.

**ÁPV Rt**

The State Privatisation and Holding Company registered a Ft 35.9 billion deficit to the end of September 2000. The majority of revenue continued to be accounted for by dividends and interest received on gas utility government bonds. Payments related to guarantee undertakings, amounts spent on improving the financial situation of companies remaining permanently in state ownership, expenses related to privatisation and

**Operating revenue and expenditure of ÁPV Rt**

	Ft billions				
	1999 Sep.	2000		1999	2000
		Aug.	Sep.	Jan.–Sep.	
Revenue	0.2	2.8	0.1	6.3	18.6
Expenditure	5.9	2.4	6.1	50.8	54.6
<b>Cash balance</b>	<b>-5.8</b>	<b>0.4</b>	<b>-6.0</b>	<b>-44.6</b>	<b>-35.9</b>

reorganisation, and operating expenses continued to account for the largest part of the company's expenditure.

**The social security funds**

Excluding revenue related to asset utilisation and the effect of borrowing and lending transactions, the deficit of the social security authorities<sup>4</sup> was Ft 72.5 billion in the first nine months of 2000.

Contributions raised Ft 1,151.3 billion revenue for the social security authorities in January–September. That amount was Ft 151.6 billion more than in the same period of 1999. Transfers by the central government to the authorities amounted to Ft 88.6 billion to the end of the period under review, meeting 58% of the annual projection. Continued lags in child-care benefit and in compensation for revenue shortfalls owing to the switch into private pension funds continued to be the main causes of the shortfall. On the expenditure side, the total amounts spent on pensions and in-kind health care provisions were Ft 818.5 billion and Ft 471.3 billion respectively.

**Balance of the social security authorities on a cash basis**

	1999 Sep.	2000		1999*		2000	
		Aug.	Sep.	January–September			
	Ft billions				%**	Ft bil- lions	%**
Pension Insurance Fund	0.9	−4.5	6.9	−59.3		−18.8	
Revenue	76.7	78.3	88.9	622.7	71.1	724.1	73.6
Expenditure	75.8	82.8	82.0	682.1	74.6	743.0	74.9
Health Insurance Fund	−4.5	−9.2	−10.8	−63.5		−53.7	
Revenue	52.3	57.5	54.3	452.5	70.8	525.8	73.0
Expenditure	56.7	66.7	65.1	515.9	75.4	579.5	75.5
Cash balance	−3.6	−13.7	−3.9	−122.8		−72.5	

\* Includes Ft 10.5 billion pharmaceuticals subsidy for 1999, disbursed in 1998.

\*\* According to the target.

**Local authority finance**

The local government authorities closed with a surplus of Ft 14.2 billion in the first nine months of 2000, as a result of Ft 1,190.7 billion revenue and Ft 1,176.5 billion expenditure. Local and personal income tax receipts,

<sup>4</sup> Reflects data reported by the social security authorities.

which comprise the vast bulk of the authorities' revenue, lagged behind the projections; however, total revenue slightly exceeded the target due to operating revenues and central government subsidies.

On the expenditure side, in contrast, there were lags virtually across all expenditure items, which affected regular personal benefits, investment outlay and other funding provided to sub-sectors outside the general government sector.

### *Changes in the financial assets and liabilities of general government and deficit financing*

In September the gross debt of general government rose by Ft 16.8 billion, to Ft 7,461.7 billion. Net general government debt, i.e. the gross debt less the sector's holdings of assets other than shares and miscellaneous equity securities, amounted to Ft 6,657 billion to the end of the month.

Assets of the central government, including the transactions of ÁPV Rt and the extra-budgetary funds, fell by Ft 1.6 billion. Liabilities rose by Ft 25.9 billion. On bal-

ance, net financial assets fell by Ft 27.5 billion in one month. Repayment of debt outstanding to the National Bank of Hungary was the major factor causing the fall in liabilities. That effect was partly offset by the issuance of new domestic currency-denominated government paper in the month. Since the start of 2000, financial liabilities assumed from the Hungarian railways have been recorded as part of foreign debt, in the amount of Ft 30.8 billion. Other financial liabilities of the central government sector include outstanding compensation vouchers, arrears in public service wages and the deferral of concession fee receipts. The outstanding amount of compensation vouchers is Ft 12 billion, at face value, which equals a financial liability of Ft 8.3 billion. Concession fee receipts in the amounts of Ft 26 billion in 1994, and of another Ft 35.3 billion in 1999, have been evenly distributed throughout the period of lease.

The borrowing requirement of the social security authorities from the central government rose by Ft 4.9 billion in September. Taking into view small-amount advance payments, net assets of the sub-sector fell by Ft 3.3 billion. The short-term borrowing requirement of the social security authorities continues to be much lower than in the same period of the previous year.

#### Changes in financial assets and liabilities of general government\*

Ft billions							
	Stock, 2000 30 Sep.	Change in stock: Sep.	Of which:		Change in stock: Jan.–Sep.	Of which:	
			Transactions	Other changes in volume		Transactions	Other changes in volume
<b>Central government, extra-budgetary funds and ÁPV Rt</b>							
Assets	607.0	−1.6	−5.8	4.2	−14.5	−46.1	31.6
Liabilities	7,473.2	25.9	8.5	17.4	265.3	166.1	99.2
<b>Net financial assets</b>	<b>−6,866.3</b>	<b>−27.5</b>	<b>−14.2</b>	<b>−13.2</b>	<b>−279.8</b>	<b>−212.2</b>	<b>−67.7</b>
<b>Social security funds</b>							
Assets	0.9	0.4	0.4	0.0	−12.7	−12.7	0.0
Liabilities	129.2	3.7	3.7	0.0	72.5	72.5	0.0
<b>Net financial assets</b>	<b>−128.3</b>	<b>−3.3</b>	<b>−3.3</b>	<b>0.0</b>	<b>−85.2</b>	<b>−85.2</b>	<b>0.0</b>
<b>Local authorities</b>							
Assets	480.3	33.4	33.4	0.0	65.5	65.5	0.0
Liabilities	142.8	−6.8	−7.0	0.2	2.9	2.2	0.7
<b>Net financial assets</b>	<b>337.6</b>	<b>40.2</b>	<b>40.4</b>	<b>−0.2</b>	<b>62.6</b>	<b>63.3</b>	<b>−0.7</b>
<b>General government, total</b>							
Assets	804.7	26.2	22.0	4.2	−62.3	−93.9	31.6
Liabilities	7,461.7	16.8	−0.8	17.6	240.0	140.1	99.9
<b>Net financial assets</b>	<b>−6,657.0</b>	<b>9.4</b>	<b>22.8</b>	<b>−13.4</b>	<b>−302.3</b>	<b>−234.0</b>	<b>−68.4</b>

\* Changes in the stock of assets and liabilities equal the total of transactions, revaluation and other volume changes. The difference between stock data, however, may not add up to the changes in stocks, as some flows in stocks of assets and liabilities of the sub-systems were not available. For a more detailed presentation, see Table V/5 of the Annex.

In September the change in general government net financial assets due to transactions, which shows the sector's debt in terms of deficit financing, was an increase of Ft 22.8 billion. The difference between the balance of revenue and expenditure, and that calculated on

the basis of the transactions, resulted from statistical error.

General government net financial assets were Ft 13.4 billion lower in the month, resulting from exchange rate movements.