

The Fiscal Situation is Relatively... – To What?

Annual Conference of the Fiscal Council (FC) of Hungary
and the Hungarian Economic Association (HEA)

27th October, 2025, Budapest

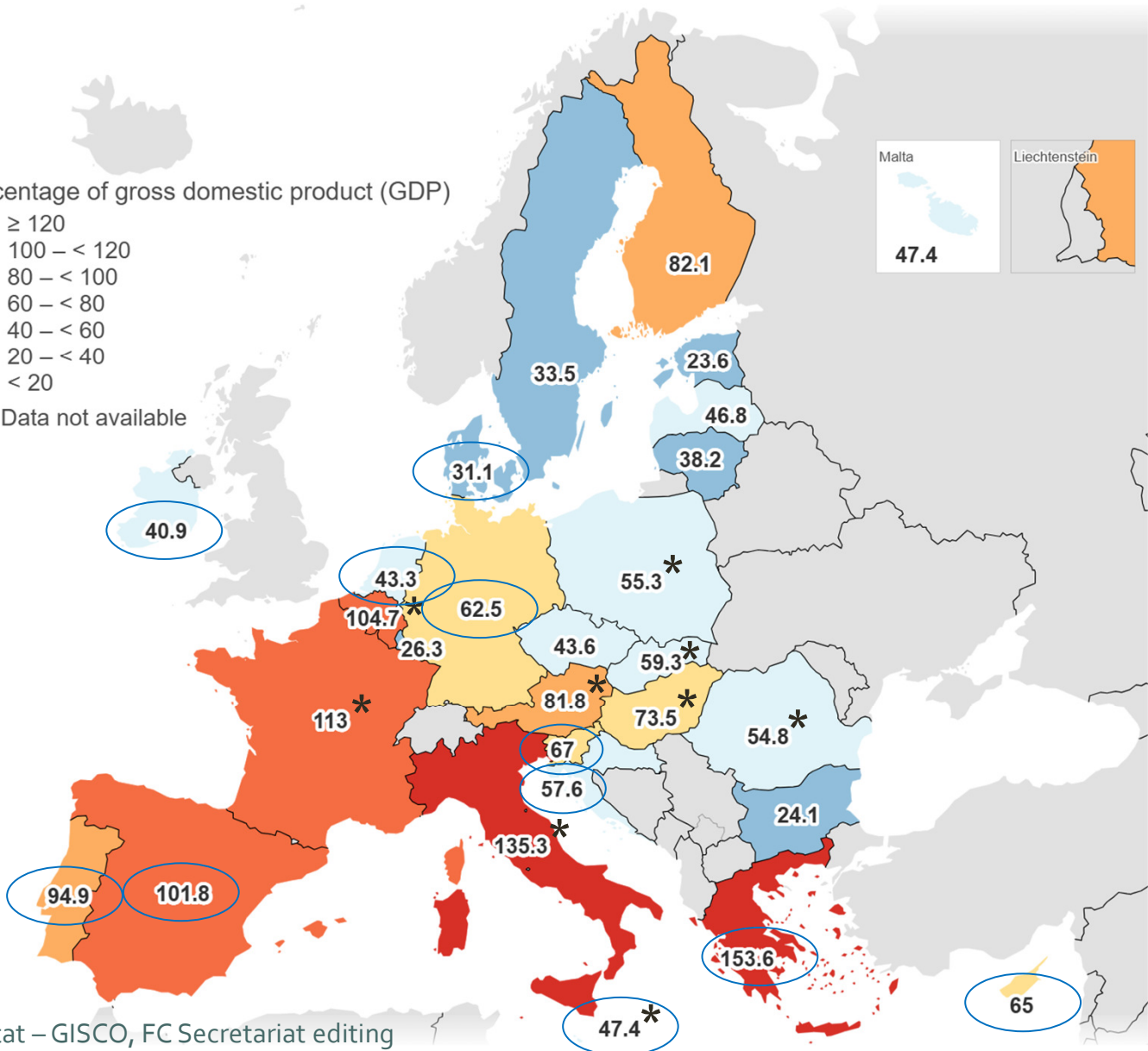


Fiscal Council of
Hungary

Gábor Horváth
Chairman

Public debt-to-GDP ratio in EU countries in 2024 (%)

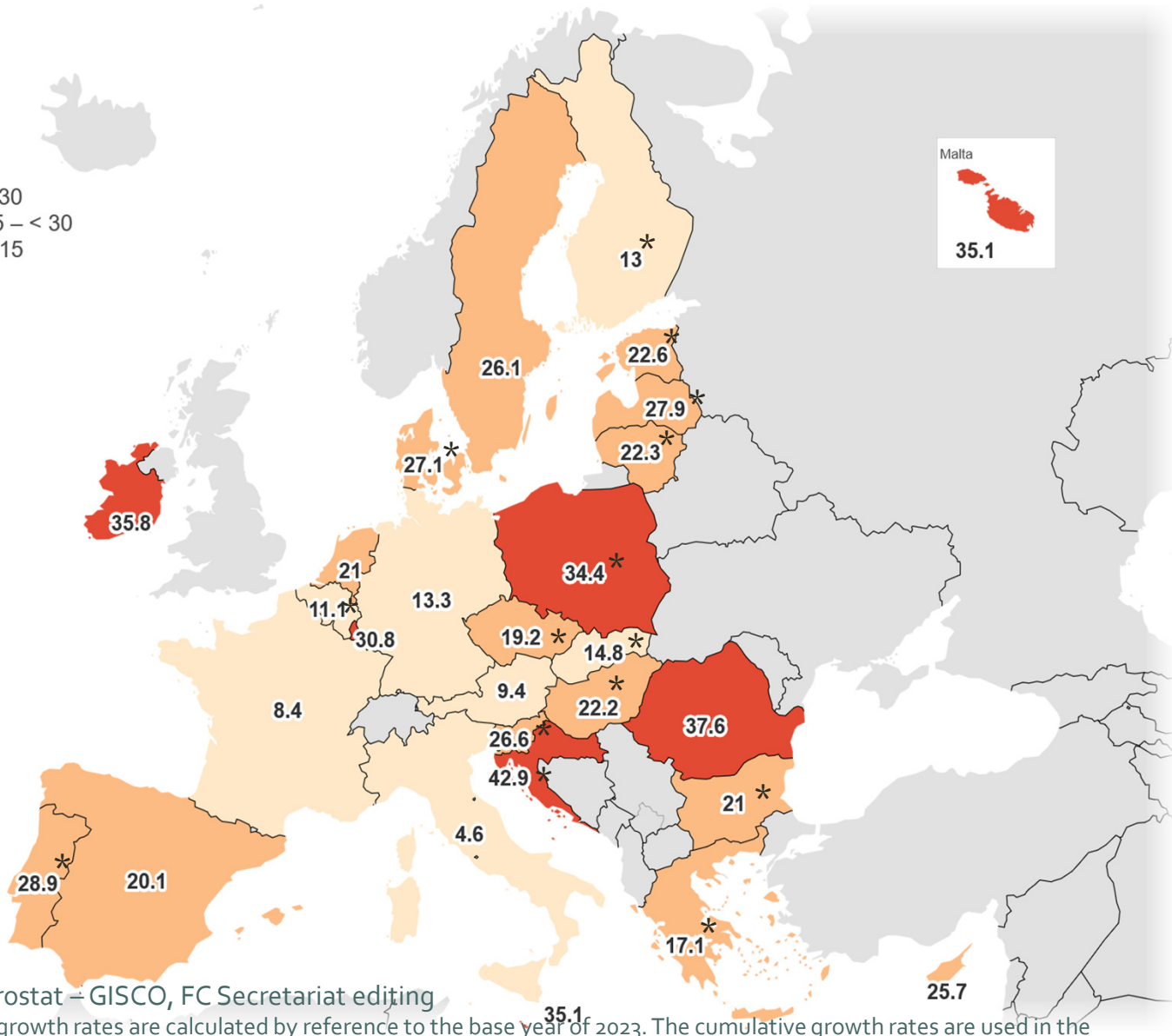
- Debt continued to decline in several Member States, but it also increased compared to gross domestic product in 16 countries (11 countries that achieved reductions are circled)
- Austria becomes ninth country to join the club of countries subject to the Excessive Deficit Procedure (EDP, marked with *) due to high deficits



Source: Eurostat – GISCO, FC Secretariat editing
<https://www.consilium.europa.eu/hu/policies/excessive-deficit-procedure/timeline-excessive-deficit-procedure/>

Maximum growth rates of net expenditure (growth rates,% cumulative to 2028*)

- The increase in defence expenditure as a percentage of GDP may exceed the specified maximum growth rate by a maximum of 1.5% of GDP per year in 15 EU countries marked with *



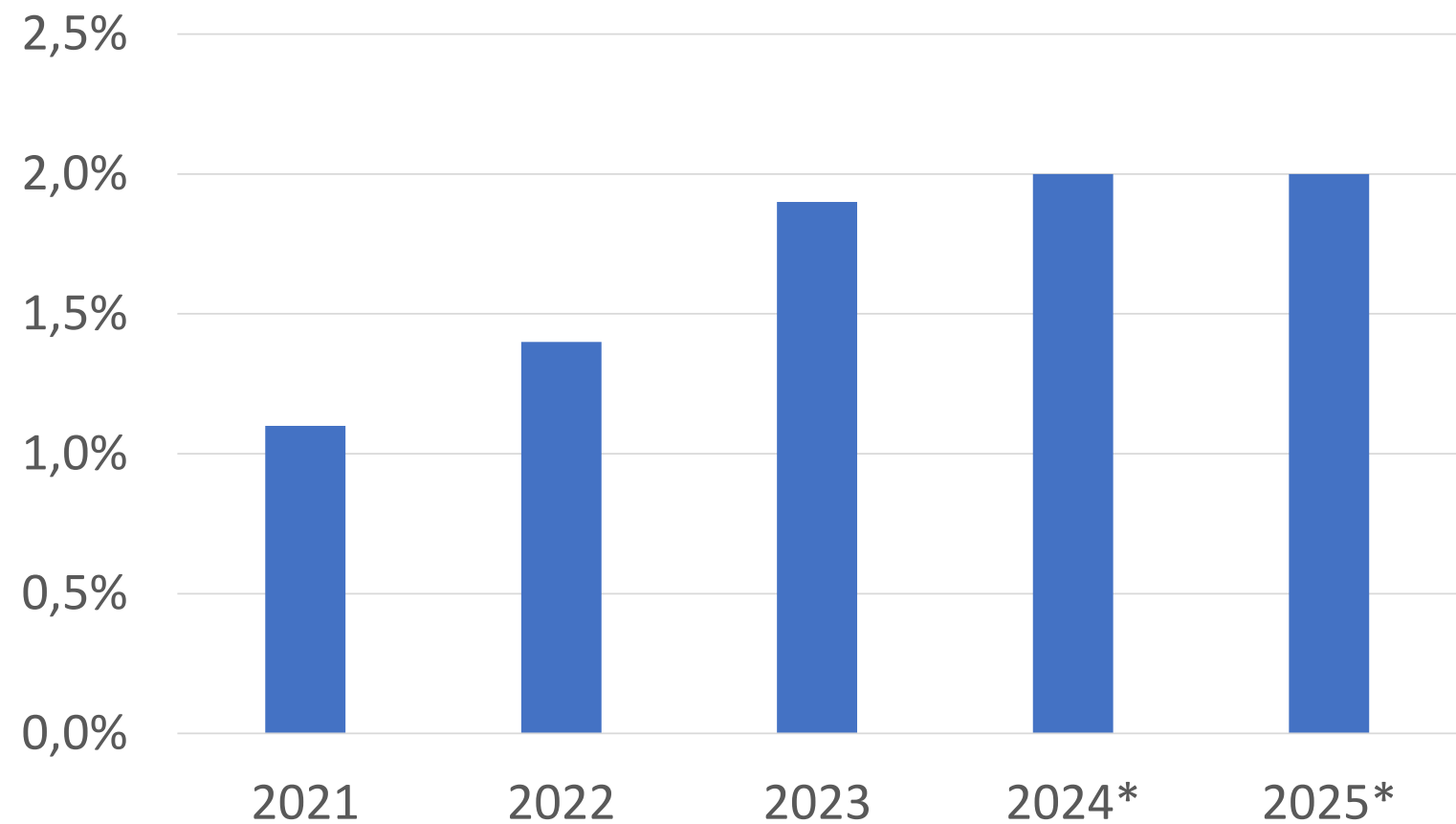
Source: EC, Eurostat – GISCO, FC Secretariat editing
*The cumulative growth rates are calculated by reference to the base year of 2023. The cumulative growth rates are used in the annual monitoring of ex-post compliance in the control account.

In its country-specific recommendations, alongside proposals to improve competitiveness through education and training, the European Commission and the Council deemed budgetary developments to be in line with the rules and did not consider further action necessary at this stage

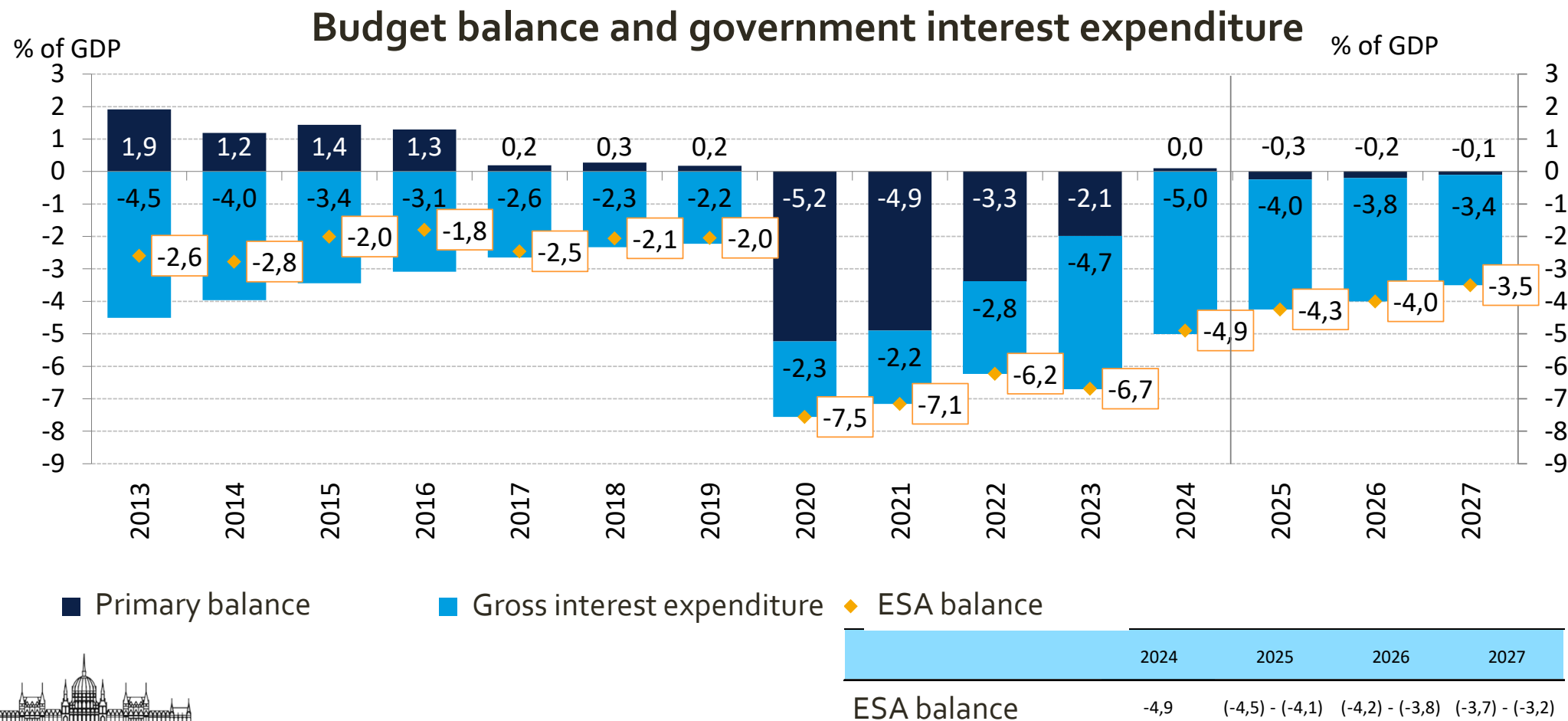
	Hungary commitment 20 December, 2024		European Commission 5 June, 2025	
	2024	2025	2024	2025
Net expenditure annual growth (%)	4.6%	4.3%	2.3%	6.1%
Net expenditure cumulative growth (%)	-	9.1%	-	8.6%
Annual deviation from the committed trajectory (GDP %)			0.7%	
Cumulative deviation from the committed trajectory (GDP %)			-0.2%	
Cyclical adjustment				
Structural balance (GDP %)			-3.3%	-2.4%
Structural primary balance (GDP %)			1.6%	1.5%
Debt				
Gross debt (GDP %)			73.5%	73.1%
Change to gross debt (GDP %)			0.5%	-0.3%

So far, the room of manouvre ensured by the national escape clause is partially used: increase in defence spending compared to the 2021 base is estimated to be 0.9% of GDP

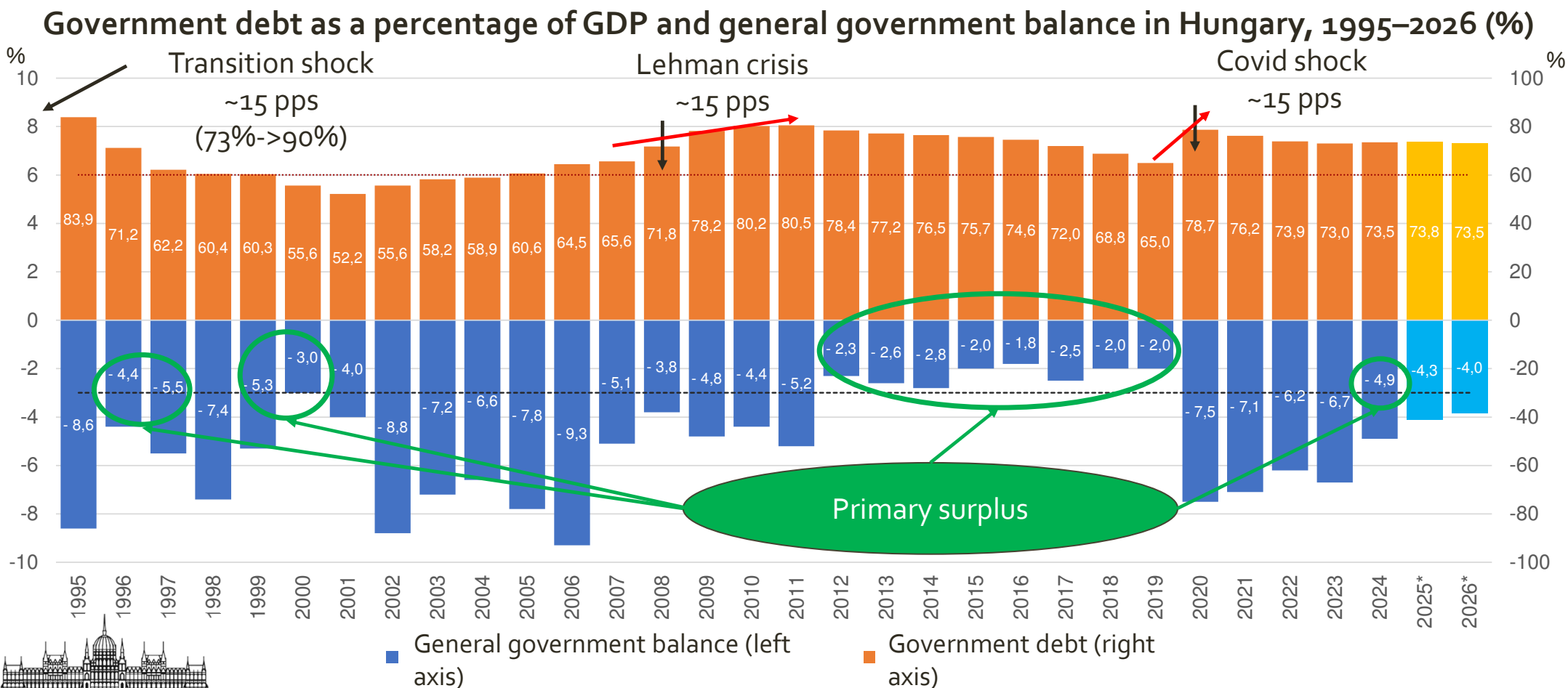
Hungary's defence spending as a percentage of GDP (* estimate)



According to the budget act, this year's (and next year's) deficit reduction may primarily result from lower interest expenses, which will be limited as long as relatively high interest rates and low growth keep debt levels high



The combination of favorable economic conditions and a positive (non-negative) primary balance, which would offset the impact of shocks on public debt every decade, is not currently given – with low growth, the primary balance is also insufficient to reduce debt



Fiscal Council of Hungary

*MNB forecast (midpoint of band), Inflation Report, September 2025

Source: Eurostat, MNB, FC Secretariat editing

In its three-year outlook, the Fiscal Council estimated room for tax cuts equivalent to 0.4 percent of GDP, in February – the impact of government measures announced this year will exceed this amount as early as next year, and the growth forecasts are worse now...

Table 5: Key tax and contribution revenue data 2023-2027 in HUF bn and in %

Title	Year 2023 (fact)	Year 2024 (prel. fact)	Year 2025 (plan)	Year 2026 (plan)	Year 2027 (plan)
1.Nominal GDP, HUF billion (macro forecast value)	75 086,6	81 791,4	87 954,5	94 497,8	101 685,7
2. Nominal GDP growth, percentage (macro forecast)	13,5	8,9	7,5	7,4	7,6
8. Estimated increase in consumption-related tax revenues, percentage	-	7,8	7,7	7,6	7,6
9. Estimated increase in earnings-related tax and contribution receipts, percentage	-	13,5	8,8	7,6	7,4
10. Estimated increase in tax receipts related to contributions from business organizations (line 2)	-	8,9	7,5	7,4	7,6
15. Potential tax and contribution revenue surplus as a percentage of GDP (line 13 - line 14)	-		0,37	0,42	0,38
16. Potential tax and contribution revenue surplus, HUF bn (as a percentage of line 1 x line 15)	-		327,0	392,5	387,4

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Home Start home purchase program
few billion forints in 2025,
HUF 50-100 bn annually in 2026–2027–2028–2029

Expansion of Rural Home Renovation Program
a total of HUF 90 billion over two years (2025-2026)

Housing allowance for employees working in state, municipal, and other positions (HUF 1 million net per year) – *nearly HUF 100 billion per year*

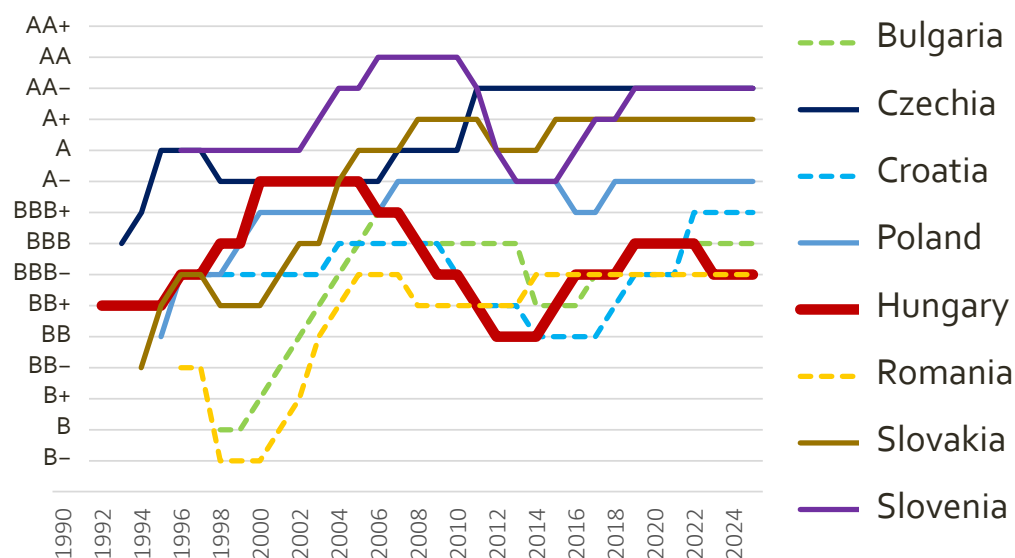
Income tax exemption for mothers with 2 or 3 children will amount to *HUF 340 bn in 2026* (followed by 231 bn in 2027 and 248 bn in 2028)

SME loan interest rate subsidy ~ 60 bn per year

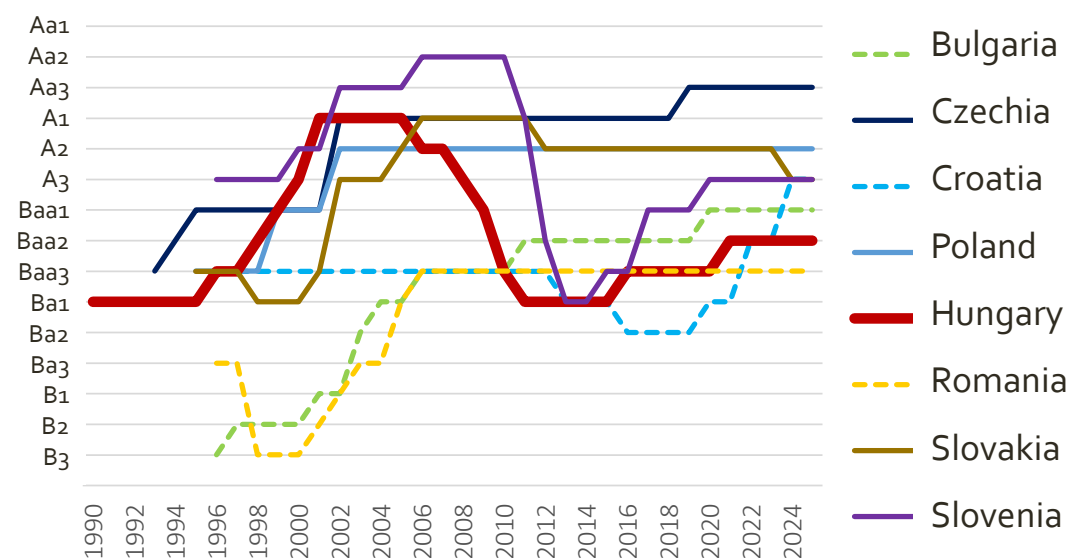
14th month pension - ?

The ratio of public debt to gross domestic product also hinders Hungary's further rating upgrade and risk premium reduction. It affects not only the government debt, but also the cost of borrowing for any economic actor.

S&P credit ratings 1990-2025

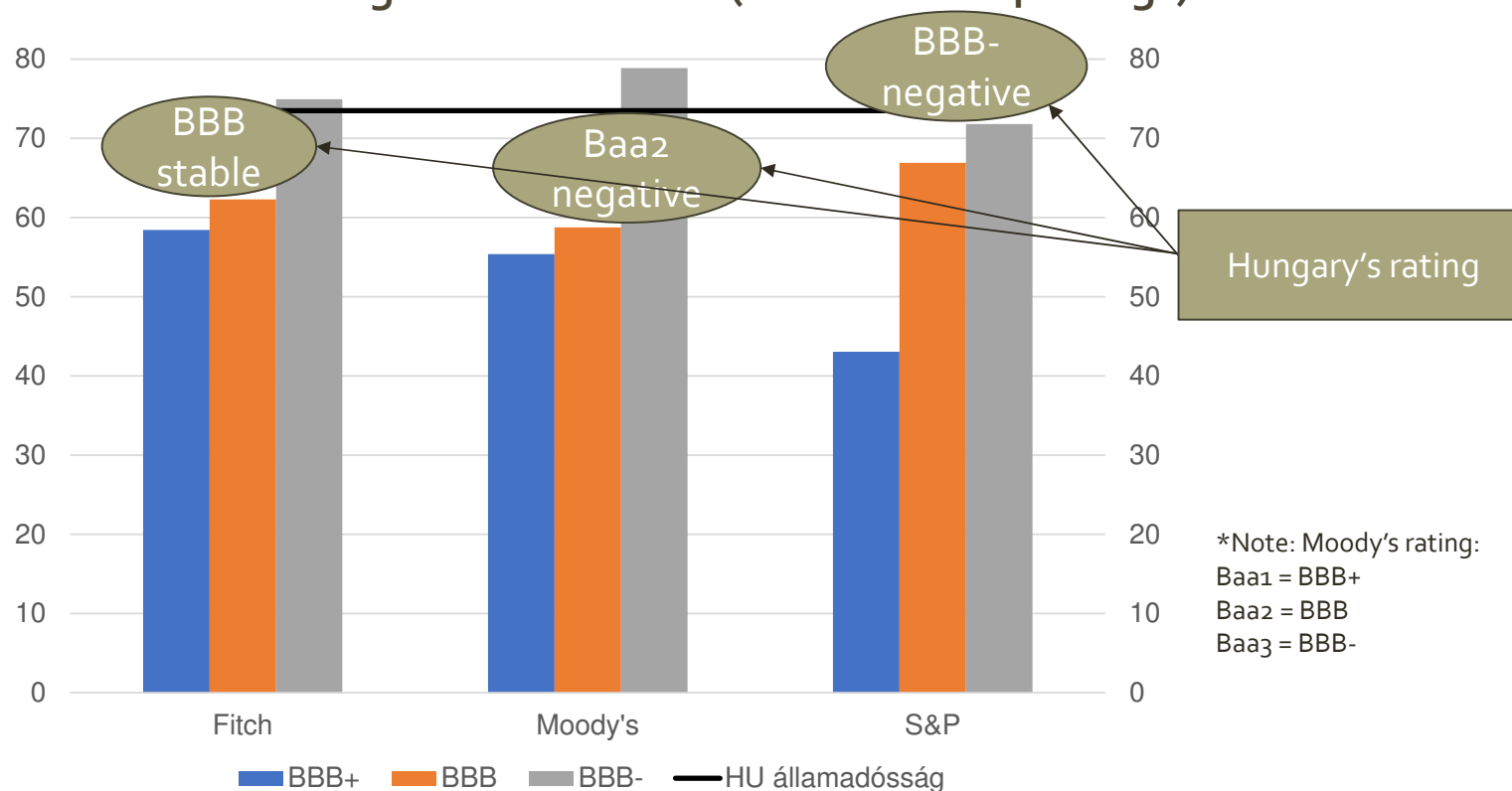


Moody's credit ratings 1990-2025



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Average debt-to-GDP ratios associated with each credit rating level and the level of Hungarian government debt (based on 2024 ratings)



Global, EU-induced and country specific spending pressures push for further consolidation of government budgets – at a time when room for frictionless economic growth is limited compared to previous decades. Efficient spending is more important than ever.

- **Demography (pressure on both pension and health care spending)**
- **Sustainability transition**
- **Digital transition**
- **Competitiveness investment**
- **Defence spending**
- **Traditional tax base erosion**



**Thank you for your
attention!**