

## PHOTO OF THE DAY



Terracotta soldiers from the grave of Chinese emperor Qin Shi Huang, exhibited in Szeged, S Hungary

MTI/Tibor Rosta

## UPCOMING EVENTS

**Stats office releases April unemployment figures**

**Events related to the war in Ukraine**

**Jobbik's presser on foreign guest workers**

## TOP STORY

# FINMIN: 2024 DRAFT BUDGET 'DEFENCE BUDGET'

Finance Minister Mihály Varga has said the 2024 draft budget would be a "defence budget", protecting the country's security, families, pensions, jobs and the utility price caps.

The draft budget calculates with a 4% economic growth and a deficit of 2.9% of GDP. State debt is expected to go down to 66.7%, and inflation to an annual 6%, he told a regular government press briefing on Thursday. The draft budget has been submitted to the Budgetary Council and will be submitted to parliament next Tuesday, he said. The National Defence Fund will be allocated some 1,300 billion forints (EUR 3.5bn), Varga said. Taxes imposed on companies making excessive profits will be used to keep the utility protection fund operational, he said. The extraordinary tax may be phased out next year, he said. The economy performed well in 2022, thanks to government measures and a rebound after the coronavirus pandemic, he said. Due to the economic fallout of the war, growth is expected around 1.5% this year and 4% in 2024, he said. While the budget has been well balanced since 2010, the pandemic and the war have slowed the reduction of Hungary's state debt, he said. Next year, consolidation measures are expected to bring it down to 2.9%, he said.

## **GULYÁS REJECTS EC RECOMMENDATION ON UTILITY PRICE CAPS**

The head of the Prime Minister's Office said the European Commission had no right to recommend that Hungary should scrap the price caps on household utility bills, adding that the country would preserve the achievements of the scheme. Reacting to the EC's recently released country-specific recommendations, Gergely Gulyás said that Hungary considered it important to reduce the budget deficit and was the only country where the government had managed to cut the deficit in the last three election years.

"So we can't be accused of not keeping this in mind, even in times of crisis," Gulyás said. But how this goal is achieved matters, he said, adding that the government rejected the EC's proposal to scrap the utility price caps. Even though the EC's recommendations say Hungary should phase out its existing energy subsidy measures by the end of 2023, the country can reduce its budget deficit without accepting this advice, Gulyás said.

Commenting on a statement by Johannes Hahn, the Commissioner for Budget and Administration, Gulyás said the conditionality procedure pertained to very little of the "budget resources Hungary is entitled to". Talks with the European Commission are ongoing regarding the budget and the resilience and recovery funding,

he said. The European Council approved the Hungarian plan on spending the recovery funding last December, and Hungary amended its judiciary law to comply with the last requirement to access the funds of the 2021-2027 budgetary cycle, Gulyás said. The conditionality procedure against Hungary involves the partial suspension of three EU programmes, he said. "That should not be conflated with the issues of the budget and the resilience fund."

Hungary is working to close the conditionality procedure as soon as possible, Gulyás said. "If the EC didn't set one new requirement after the other, it could have closed the procedure long ago, but sometimes, the goal seemed to be not to close it." Hungary has a constructive approach to the negotiations and hopes to see results quickly, he added.

Responding to a question on whether the European Parliament could stop Hungary from overtaking the European presidency in the second half of 2024, Gulyás said the EP had no way of doing that. A recent draft resolution on the matter is "part of the propaganda steaming with anti-Hungarian sentiment" regularly on display in the EP, he added.

Answering questions on the draft budget, Finance Minister Mihály Varga said the government drafted next year's budget in spring or summer so that families and companies can prepare for next year. "I don't think that pushing the drafting back to September or October would make it

any more accurate for 2024," he said. Next year's draft calculates with a 385 HUF/EUR exchange rate, he said.

Regarding the central bank's decision to cut the base rate, Varga said the government is expecting a substantial fall in interest rates next year, aiding private and company loans. The interest burden on budgetary spending may decrease at a slower pace, as those loans have longer terms, he said. Central bank losses have not been calculated in the draft budget, but talks are ongoing with the Budgetary Council of which Governor György Matolcsy is a member, he said. Alongside the draft budget, the government will also submit to parliament amendments to tax laws, showing the changes for 2024, he said. "This is the government of tax cuts," he added.

Extra taxes on companies and sectors making excessive profits during in war-time are expected to be phased out in 2024 for the banking, energy and pharmaceutical sectors, he said. Health-care funding will grow next year. The exact numbers will be forthcoming at next Tuesday's press briefing, he said.

## **FINMIN: EDUCATION ALLOCATED HUF 3,400BN IN 2024**

Regarding education, Varga said the government had drafted next year's budget with increased spending in all areas of the sector. The sector itself will receive 3,400 billion forints (EUR 9.1bn),

including 1,200 billion on teachers' wages, 126 billion more than this year.

Gergely Gulyás noted that teachers' wages would be raised to 80% of the average salary of degree holders once Hungary has access to EU funding. Until that is the case, the government guarantees raises apace of inflation this year and at least 10% annually afterwards, he said. The government also pledged to give larger raises to teachers working in the most disadvantaged regions, he added. He also called on leftist MEPs "earning 6 million in Brussels" not to hinder the wage hikes.

Answering a question, Varga said the government had sufficient reserves to continue financing the Erasmus and Horizont student programmes next year, should the payment of EU funds be further withheld by Brussels. "Hungary will meet all criteria set by Brussels and can justly expect the receipt of funds it is entitled to," he said.

He said chances of paying a pension bonus this year were "slim". If economic growth exceeds 3.5% next year, the payment can be resumed, he said. "We have been in an alliance with the pensioners since 2010 which is why we cannot allow pensions to lose their value in real terms."

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## **SZIJJÁRTÓ URGES EU TO SEEK COOPERATION, NOT RIVALRY WITH CHINA**

Hungary sees China not as a risk factor or a threat, but as a country with which cooperation is beneficial, Foreign

Minister Péter Szijjártó said in Brussels on Thursday, urging the European Union to strive for relations based on mutual respect, rather than a rivalry with China. Unlike Hungary, most EU member states see economic cooperation with China as a threat, Szijjártó told a press conference after a meeting of the Foreign Affairs Council, according to a foreign ministry statement.

"We don't see any kind of risk or threat in China, but rather a country with which normal cooperation can benefit us greatly," Szijjártó said. He noted that China's GDP is now higher than that of the EU. While in 2010 China accounted for 9% of global GDP and the EU 22%, China's share has increased to 18% and the EU's has dropped to 17%, he said. "If Europe sees China a rival, it will lose out," he warned.

Szijjártó emphasised that if the car industry, which he said formed the backbone of the European economy, was to reinvent itself, Western car manufacturers needed electric batteries, for which they were dependent on Eastern, particularly Chinese companies. This "healthy division of labour" is not a risk, but rather an opportunity to develop civilised East-West cooperation, the minister said.

Meanwhile, he criticised the EU's planned eleventh sanctions package against Russia for including eight Chinese companies. He said it would trigger a response from Beijing, eventually leading to a negative spiral. Turning to economic ties between the EU and the United States, Szijjártó said the "patriotic measures" introduced by the US were

helping American businesses, while the sanctions imposed by the EU were hurting the bloc's competitiveness. He said it was a "naive illusion" on the European Commission's part to try to negotiate with the US government on mitigating the discrimination faced by European businesses. Szijjártó said the EU should instead copy the American measures so that they benefit European businesses.

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## **SZIJJÁRTÓ: EC APPROVES PAKS UPGRADE CONTRACT CHANGES**

The European Commission has approved the modifications to the contracts of the expansion of Hungary's Paks nuclear power plant, allowing for the project to be speeded up, Péter Szijjártó, the minister of foreign affairs and trade, said on Thursday. The changes to the contracts and the European Union's approval will make it possible for the plant's new blocks to begin operating by the very beginning of the next decade, with the project applying the strictest nuclear regulations, Szijjártó said on Facebook. The Paks project guarantees the long-term security of Hungary's energy supply, the minister said. "The new Paks investment is the guarantee that we can preserve the achievements of the price caps on utility bills in the long run and sustain Europe's lowest prices for the Hungarian people," Szijjártó said. He said the recent months had proven that countries that can produce as much of their

own energy as possible will be the most secure in the coming period. Hungary's natural resources and geographical position make nuclear energy the most suitable to protect the country from the uncertainties of the international markets, he said. This makes it important for the new blocks to be completed as soon as possible, he added. Szijjártó noted that because the project's construction and financing contracts had been signed nine years ago, and the legal, technical and physical circumstances had all changed since then, it was necessary to modify the contracts with a view to speeding up the project and ensuring Hungary's independence from the international energy markets. He noted that the Hungarian government reached an agreement with the Russian government and Rosatom in April on the changes to the contracts, adding that these could only enter into force after being approved by the EU. "Hungary submitted the draft modifications to the European Commission, which gave us the green light yesterday," Szijjártó said.

### **SZIJJÁRTÓ ANNOUNCES NEW FLIGHT BETWEEN HUNGARY, CHINA**

China Eastern airlines is launching a new flight twice a week between Budapest and Ningbo in eastern China, Péter Szijjártó, the minister of foreign affairs and trade, said on Facebook on Wednesday. China has recently lifted coronavirus restrictions, allowing its

citizens to travel again, Szijjártó said. The competition for Chinese tourists is already fierce, and a large number of direct flights is an advantage, he said. Hungary and China has recently amended its bilateral agreement on air traffic to boost connections, he said. China Eastern's flights, slated to start mid-June, "are good news", he said. Ningbo plays an important role in the cooperation of China and central Europe, he said. It is also a logistical hub with a robust car industry, he added. "The new flight takes us closer to assuming our pre-pandemic role as the destination of the most flights from China in central European capitals," he said.

### **JUSTICE MINISTER: EP WORKING TO HINDER HUNGARY EU PRESIDENCY**

The European Parliament is preparing to vote on a resolution concerning Hungary next week, Justice Minister Judit Varga said on Facebook on Wednesday, adding that the document served to hinder Hungary in taking over the rotating presidency in 2024. "We shall not allow an opportunity like that to be taken from Hungary!" she said. Member states' rights to the rotating presidency of the European Council are decided in a unanimous vote, Varga said. The EP has no say in the matter, Varga said. "Those with real weight on the matter have never even contemplated the idea that Hungary should not be allowed to fulfil its role. We are in daily contact with the Council, and preparing for the task,"

she said. The presidency will be an excellent opportunity for Hungary to spread its views in other member states, and also to shape Europe's future, Varga said. Hungary's focus will be the future of demographic challenges, competitiveness and cohesion policy, she said.

### **JUSTICE MINISTER VOWS TO BOOST EUROPEAN RIGHT'S SELF-CONFIDENCE FOR EP ELECTIONS**

Justice Minister Judit Varga on Thursday said she would work to help "the increasingly strong continental right wing" believe that it can win a majority in next year's EP elections and protect traditional values. Addressing an event marking the tenth anniversary of the establishment of Hungary's National Election Office (NVI) and National Election Committee (NVB), Varga vowed to help the European right believe that it can take control of European Union institutions after the 2024 elections and protect European Christian values for future generations. Varga said she was "certain that the European progressive left and its media" would do everything it could to discredit Hungarians' democratic expression of their will "in the event that our voters may not dance to the tune called from abroad". She said that under the Treaty on European Union, the free democratic will of the Hungarian people was a value to be defended even if the political mandate given by them "doesn't necessarily

align with the ideological mainstream in Brussels". Varga said she was certain that the NVI and the NVB would ensure that Hungarians can make a free and democratic decision without any outside interference in the 2024 EP and Hungarian local elections.

### **FIDESZ PROTESTS 'PETTY ATTACK' ON HUNGARIAN MEMBER OF EU AUDIT OFFICE**

Ildikó Gáll Pelcz, a Hungarian member of the European Court of Auditors, has suffered a "petty leftist political attack", MEPs of ruling Fidesz said in a statement late on Wednesday. Gáll Pelcz, nominated for another term in the audit office, was interviewed in the European Parliament Committee for Budgetary Control, where leftist members of the body "voted against her clearly for political reasons and in disregard of all professional arguments", the statement said. Signatories to the statement insisted that Gáll Pelcz was "one of the most suited and most excellent members" of the audit office. The EP is scheduled to vote on Gáll Pelcz's re-election on June 1, while the final decision is up to the European Council, the MEPs said.

### **KARÁCSONY: PEACE CONDITIONAL ON UKRAINE'S SOVEREIGNTY, TERRITORIAL INTEGRITY**

"Peace could be achieved through ensuring Ukraine's national sovereignty and territorial integrity,"

Budapest Mayor Gergely Karácsony said at a celebration marking Kyiv Day in Budapest on Thursday. Noting the "500 days of war" in Hungary's neighbourhood, Karácsony said "my generation has taken peace for granted, for which others, our parents and grandparents, had to work ... but [Russian President Vladimir] Putin's aggression against Ukraine has made us realise that all those values and achievements are not automatically given ... they must be protected and reinforced time after time". "Humanity, solidarity, democracy, and freedom are such values ... the values of Budapest, and of Kyiv, that wonderful and wonderfully brave city," he added.

The mayor also insisted that "standing by Kyiv and Ukraine in the name of solidarity and humanity cannot be a matter of consideration or scheming; standing by Ukraine and Kyiv is a matter of faith and conviction".

István Balog, Ukraine's acting charge d'affaires to Hungary, referred to Ukraine's suffering in the "terrible and merciless war waged by Russia" and said "the world must at last realise Russia's true face as an aggressor, a terrorist state ... the world must declare that it has had enough of the Kremlin's cynical and brutal measures". "Ukraine wants peace ... but not an illusion of peace; the people of Ukraine do not want a frozen conflict but a lasting and fair peace and guarantees preventing such heinous crimes from recurring," he said. "We must demonstrate

that open genocide committed by one state on another is not to be tolerated and cannot pass without punishment," Balog said.

### **FIDESZ MEP MARKS ANNIVERSARY OF ROMA UPRISING IN AUSCHWITZ**

The success of European Romas hinges on their ability to adapt, resist and persevere even amid extreme difficulties, Lívia Járóka, an MEP of ruling Fidesz, said on Thursday, marking the anniversary of the Roma uprising in the Auschwitz-Birkenau concentration camp. Marking the anniversary of the uprising on May 16, 1944, almost 80 years after it happened is important so that the horrors of that war shall never be repeated, she said. Romas have "faced all kinds of ostracism, exclusion and discrimination. They faced new challenges year after year as Europe refused to accept their way of life. But Romas have not disappeared. They are still among us, the largest minority in Europe, and have had many achievements and successes," Járóka said in a statement. The European Union has a duty to fight for the rights of ethnic and national minorities with every means at their disposal, she said. It needs to stand up against all forms of discrimination and promote a "real and successful minority policy", she added. May 16th has been celebrated as the Day of Romani Resistance since 2005 in western Europe and since 2015 in Hungary.

**LMP URGES GOVT TO HELP ECOLOGICAL FARMING**

The opposition LMP party has called on the government “not to sell arable land” but lease plots to farmers willing to cultivate them ecologically. LMP co-leader Erzsébet Schmuck told a press conference on Thursday that the government had already offered 22,000 hectares of state-owned land for sale and was planning to sell another 40,000 hectares to increase budget revenues.

Schmuck said similar sales in 2015-16 had “primarily increased the large estates further” and predicted the same to happen now. “This runs contrary to the European Union’s goal of increasing ecological farming to 25% of the community’s total farming area by 2030,” she insisted. She added that currently a mere 6% of Hungary’s arable land was under ecological cultivation.

**V4 PUBLIC PROSECUTORS ADOPT MOU ON CYBERCRIME COOPERATION, CULTURAL ASSETS PROTECTION**

The prosecutor generals of the Visegrad Group adopted a memorandum of understanding on combatting cybercrime and the legal protection of cultural assets, the Chief Prosecutor’s Office said on its website on Thursday. The document was signed by Czechia’s Igor Striz, Hungary’s Péter Polt, Poland’s Dariusz Barski and Slovakia’s Maros Zilinka at a meeting in Brno on

May 23-24, the office said. They also stressed the importance of boosting the international cooperation of prosecutors in cybercrime. Concerning the legal protection of cultural assets, they proposed the expansion of cooperation within the EU and other states on the confiscation and repatriation of such assets.

**CBANK: HUNGARY BANKING SYSTEM STABLE**

Hungary’s banking system is highly resilient to shocks and the financial institutions are stable even in the face of recent bank crises, the National Bank of Hungary said in a report published on Thursday. Speaking at an online press conference, central bank official Bálint Dancsik said the ratio of the Hungarian banks’ liquid assets, structure of financing, capital adequacy and credit portfolio are substantially better than during the 2008 crisis.

One of the main sources of danger is the decline in risk tolerance: if the risks of American banks were realised to a greater extent, there would be global effects, which Hungary would not be exempt from either, he said.

Corporate lending increased by 14% last year, but its pace gradually slowed over the course of the year, he said. Dancsik said demand for short-term and FX loans was up, adding, at the same time, that banks had confirmed to the NBH that conditions for taking out FX loans had been tightened. Meanwhile, he said the volume of household loans declined by 10% last year, a trend which

has continued into 2023. The banking sector’s profits came to 485 billion forints (EUR 1.3bn) in 2022 as against 510 billion in 2021, Dancsik said.

**ALMOST 8,800 REFUGEES ENTER HUNGARY ON WEDNESDAY**

Fully 4,469 refugees entered Hungary at the Ukraine-Hungary border on Wednesday, while 4,302 came to the country via Romania, according to the national police headquarters (ORFK). Police issued temporary residence permits valid for 30 days to 45 people, ORFK said on Thursday.

**DEATHS OUTPACE BIRTHS IN APRIL**

Preliminary data show that 6,352 children were born and 10,096 people died in April 2023, with the number of live births down 2.7% from the same period a year earlier, while deaths decreased by 10%, the Central Statistical Office (KSH) said on Thursday.

The natural population loss was 3,744 in April this year as against 4,688 in April 2022, KSH said. In April 2023, 3,464 couples tied the knot, down 31% from April 2022. In the past 12 months, 89,749 children were born, down 0.2% from the same period of last year, while 131,205 people died, 10% fewer than in the previous year. The natural population loss came to 41,456 year on year, a drop of 26%, compared with 55,867 in the same period last year. Between May 2022 and April 2023, 58,515 couples were married, 17% fewer than in the previous year.

