COUNCIL DECISION

of 4 November 2008

granting mutual assistance for Hungary

(2009/103/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 119,

Having regard to the recommendation from the Commission made after consulting the Economic and Financial Committee,

Whereas:

(1) Since mid-2006, the Hungarian authorities have been making significant efforts to correct the country's accumulated external and internal imbalances. Despite the tangible results achieved over the last two years, including a significant reduction in the general government deficit and a gradual decrease in the current account deficit, the Hungarian financial markets have come under severe stress from early October 2008.

(2) In October 2008 the Hungarian authorities adopted a comprehensive economic policy programme designed to restore investor confidence and to alleviate the stress experienced in the preceding weeks in the Hungarian financial markets. That programme includes measures to secure adequate liquidity and financing for the banking system, actions to ensure adequate capitalisation of banks, as well as plans to ensure fiscal sustainability and contain financing needs. In particular, the Hungarian Government revised its deficit target for 2008 to 3,4 % of GDP compared to a budgeted 4 % of GDP and for 2009 from 3,2 % of GDP to 2,6 % of GDP. This economic programme and in particular the fiscal targets will be reflected in the government's budget as well as in the convergence programme which also contain other policy measures and structural reforms.

(3) The Council is reviewing on a regular basis the economic policies implemented by Hungary, in particular in the context of the annual reviews of Hungary's update of the convergence programme and implementation of the National Reform Programme, the regular review of progress made by Hungary related to the Council recommendation on the Excessive Deficit Procedure, as well as in the context of the Convergence Report.

(4) Despite the expected improvement in the current account, Hungary faces substantial financing needs in 2008 and 2009 (estimated at around EUR 20 billion) as recent developments on the financial market suggest that the capital and financial account could substantially deteriorate, with the acceleration of net portfolio outflows.

(5) The Hungarian authorities have requested substantial financial assistance from the Community, international financial institutions and other countries to support balance of payments sustainability and to bring international currency reserves to a prudent level.

(6) There is a serious threat to the Hungarian balance of payments which justifies the urgent granting of mutual assistance by the Community,

HAS ADOPTED THIS DECISION:

Sole Article

The Community shall grant mutual assistance to Hungary.

This Decision is addressed to the Member States. It shall be published in the *Official Journal of the European Union*.

Done at Brussels, 4 November 2008.

For the Council
The President
C. LAGARDE