Hungary sets new euro entry target

By Christopher Condon in Budapest

Hungary is today expected to set 2010 as its new target for joining the eurozone.

The government and central bank had previously aimed for 2008, but a higher than forecast budget deficit and inflation forced them to abandon that goal.

The ministry of finance launched a review of the strategy for euro adoption in February and this time policymakers are taking a more cautious approach.

Investors and the European Central Bank will welcome the news. The ECB, in particular, has urged new EU members from central and eastern Europe to move slowly toward euro adoption.

"This is like any club. The current members will be cautious in letting new members in," said Olivier Desbarres, an emerging markets analyst for Credit Suisse First Boston in London.

Hungary's new target will be approved by the cabinet today along with a medium-term economic programme that all new European Union members must submit to Brussels and the ECB.

The so-called convergence programme serves as a blueprint for how and when a country plans to meet criteria of the Maastricht Treaty that governs fiscal and economic performance goals for all EU members.

A country must reach Maastricht criteria – including a budget deficit of no more than 3 per cent of gross domestic product – before applying to adopt the euro.

Based on budget deficit targets, Gyorgy Barcza, an economist with ING Bank in Budapest, said he expects Hungary will tell Brussels it can meet the Maastricht criteria by the end of 2007, meaning euro adoption may be possible by 2009.