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October 28, 2008

Press Release No. 08/261

Mr. Dominique Strauss-Kahn, Managing Director of the International Monetary Fund (IMF), issued the following statement on Hungary today:

"An IMF staff mission and the Hungary authorities have today reached agreement, subject to approval by IMF Management and the Executive Board, on an economic program supported by an €12.5 billion (US\$15.7 billion) loan under a 17-month Stand-By Arrangement. The package could go to the Executive Board for approval in early November under the Fund's emergency procedures.

"The Hungarian authorities have developed a comprehensive policy package that will bolster the economy's near-term stability and improve its long-term growth potential. At the same time it is designed to restore investor confidence and alleviate the stress experienced in recent weeks in the Hungarian financial markets.

"Core measures under the program are designed to improve fiscal sustainability and strengthen the financial sector. Specifically, the package includes measures to maintain adequate domestic and foreign currency liquidity, as well as strong levels of capital, for the banking system. Important measures in the fiscal area will reduce government-financing needs and ensure longer-term debt sustainability. These strong policies justify the exceptional level of access to Fund resources—equivalent to around 1,020 percent of Hungary's quota in the IMF—and deserve the support of the international community.

"With Hungary's commitment to strengthened economic policies, we expect that banks and other financial institutions operating in the country will continue to provide adequate financing.

"The success of the policy package will be a shared responsibility between all stakeholders in the country and the international community. The IMF has worked in close coordination with the European Union, the European Presidency, and the World Bank on this issue. The EU stands ready to provide a loan of €6.5 billion (US\$8.1 billion), and the World Bank has agreed to provide €1.0 billion (US\$1.3 billion). We will continue assisting the Hungarian authorities on how to adapt to the current global financial turmoil and to catalyze financing as needed," Mr. Strauss-Kahn said.

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