

Press release: The Fiscal Council assessed the compliance of the general government budgets with the fiscal rules in 2019

According to the Fiscal Council's assessment, in 2019 the budgetary policy was expansionary, although it should have been restrictive given the cyclical position of the economy. The expansionary policy largely derived from measures that did not promote the long-term economic potential, but rather strengthened disposable household income in the short term. According to the data available, the statutory fiscal rules in 2019, with the exception of the reduction of the debt-to-GDP ratio, were not complied with. Upon the adoption of all key budget documents, the Fiscal Council cautioned against the risk of fiscal policy being inappropriately conducted.

The Fiscal Council assesses that in 2019 the opportunity to create room for countercyclical fiscal policy action in less favourable macroeconomic conditions and appropriately strengthen general government debt sustainability was not fully seized. Furthermore, in 2019 the Government failed to implement measures to mitigate the expected unfavourable fiscal impact of structural, and particularly demographic, pressures. Actually, the measures relating to the pension system adopted in 2019 weakened medium-term and long-term fiscal sustainability.

Economic growth slowed to 2.4% in 2019, but its structure was encouraging for general government revenue growth (4.8%). After a few years, general government revenue increased more slowly than general government expenditure (5.2%), which increased mainly due to new economic policy measures. The surplus recorded by the general government sector was almost half of that planned, totalling 0.5% of GDP. The range of structural balance estimates indicates a structural balance deficit, and the primary structural balance surplus decreased compared to the previous year. In 2019 the gross debt decreased in nominal terms and as a share in GDP (to 66.1% of GDP).

The Fiscal Council produced an assessment of compliance of the implemented budgets of the general government sector with the fiscal rules in 2019 in accordance with the provisions of the Fiscal Rule Act. An ex-post assessment is an important element in assessing the sustainability of fiscal policy since, unlike assessments made upon the adoption of budgetary plans, it is based on actual macroeconomic and fiscal data.