

22 April 2021

Further clarification by the Fiscal Council regarding the projections of total social benefits expenditure including pensions within the assessment of budget documents for the 2021–2024 period

In drawing up each assessment of budget documents, the Fiscal Council asks the Ministry of Finance for detailed general government revenue and expenditure projections based on the projections that are evident from the draft 2021 Stability Programme. This time, detailed projections were particularly important for drawing up the assessment of the compliance of budget documents with fiscal rules due to the impact of the measures to limit the effects of the epidemic.

On 9 April, the Fiscal Council received detailed projections from the Ministry of Finance. According to those projections, total social benefits will increase by 0.4% in 2022. In addition, pension expenditure is expected to decrease by 6.4%, while expenditure on all other social benefits is expected to increase by 9.9%. During the meeting of the Committee on Finance in the National Assembly on 22 April, we unofficially received new or rather changed projections from the Ministry of Finance. These projections also predict a 0.4% increase in total social benefits in 2022, which is significantly less than in the years before the crisis. For instance, in 2018 and 2019, the average annual increase in such expenditure amounted to 4.5%. According to the new pension expenditure projections, an increase of 2.0% is expected in 2022, while expenditure on all other social benefits is expected to decrease by 1.7%. In our opinion, these changed projections require further clarification as to what kind of measures will be adopted to decrease all the other social benefits. Therefore, doubts remain as to how realistic the projections for the entire 2022–2024 period really are.

We particularly wish to point out that changing the numbers during the process of adopting budget documents hinders the assessment of their compliance with fiscal rules, which is the main task of the Fiscal Council. We wish to once again caution about the increased risks to medium-term fiscal sustainability, which stem from not entirely realistic projections, based on which the deficit is expected to decrease in the coming years, and from the announced discretionary measures, which could worsen the structural situation of public finances.