Speech by the President of the Fiscal Council at the 69th emergency session of the Committee on Finance, 14 November 2025 – supplemented draft state budget for 2027

According to both the government's and our projections, the general government deficit is expected to increase for the third consecutive year in 2027. It is expected to reach around 3% of GDP. This clearly shows that we are moving further and further away from the gradual balancing of public finances to which we committed ourselves in the medium-term fiscal plan. Let me remind you that the implementation of the commitments in the plan is a prerequisite for achieving sustainable public finances.

The increase in the deficit and its maintenance at a high level is the result of measures with a lasting impact on the position of public finances. Without compensating for these measures, or even introducing additional permanent measures that negatively affect public finances, the positive effects of the pension reform will be largely offset. As a result, public debt would increase over the next decade and approach 80% of GDP. This would leave us with less room for action in the future, as more resources would have to be allocated to interest payments.

Since we are discussing the budget for the next two years today, I would also like to point out the need for a more serious approach to medium-term planning. A telling example is the budget for 2026, for which the Ministry of Finance now anticipates a deficit almost one billion euros higher than it forecast last year. Given that the key factors behind the increased deficit were already known at the time – here I am referring primarily to the wage reform – such an increase is primarily the result of inadequate planning.

If such deviations continue, there is a risk that we will once again be surprised in 2027. However, by then, the deficit will already be at around 3% of GDP according to the baseline projection, and exceeding this limit would pose a serious challenge to the stability of public finances. Past experience shows that acting in a timely manner is far less painful than acting once the confidence in the credibility of fiscal policy has already been lost - both in the eyes of investors and the domestic public.