The Czech
Fiscal Council

Office of the Czech Fiscal Council

Czech Fiscal Council

OPINION

of the Czech Fiscal Council

Number 2/2024

of 18th April 2024

on the determination of the expenditure frameworks of the state budget and state funds for the years 2025 to 2027

Czech Fiscal Council

I. expresses a favourable opinion

pursuant to Section 12(5) of Act No. 23/2017 Coll., on the Rules of Budgetary Responsibility, as amended (hereinafter referred to as "the Act") to determine the expenditure frameworks of the state budget and state funds for the years 2025 to 2027.

II. points out

- that the Budgetary Strategy, as a key and binding document of the entire budgeting process in a given year, again sets the expenditure frameworks for the general government sector at a different level than it is assumed by the Convergence Programme of the Czech Republic (which is an integral part of the Budgetary Strategy according to the Article 9(1) of the Act), while both documents are based on the same macroeconomic forecast and the same assessment of the basic parameters of economic development. As in previous year, the Czech Fiscal Council considers this issue to be relevant but given the fact that this is the last year the Convergence Programme is being prepared and due to the fact that the planned structural deficit is within the limit for 2025 defined in Section 10a of the Act, the Czech Fiscal Council did not see this as a reason for a dissenting opinion.

- that the autonomous scenario for the general government sector implies the need for further consolidation, as it forecasts a structural balance of –1.6% of GDP for 2027, while the statutory limit is –1.25% of GDP that year.

III. recommends the government

to set the actual expenditures of the state budget and state funds for 2025 below the expenditures determined by the cash consolidated expenditure frameworks of the state budget and state funds. Full exhaustion of the expenditure frameworks would imply a structural balance of –2.25% of GDP, which would imply a moderate fiscal expansion compared to the expected outcome in 2024 (–2.0% of GDP) and thus run counter to the government's consolidation efforts.

Moreover, by not fully exhausting the determined expenditure frameworks, the government keeps space for pursuing an active fiscal policy in the future if economic growth slows down even further or the external risks materialise (lower-than-expected growth of the German economy, deterioration of the security situation, etc.). Furthermore, not exhausting the determined frameworks will reduce the scope of fiscal consolidation needed between 2026 and 2027 (see above).

FYI:
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