

Increase of CZK 395 billion compared to 2019: Where the first draft expenditure in the state budget for 2022 was headed¹

JANUARY 2022

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Summary

- The draft state budget (SB) for 2022 submitted at the end of summer 2021 by the outgoing government of Andrej Babiš planned for expenditures of 1,928 billion CZK. That would be 394.5 billion CZK, and 25.7% more than the actual expenditure of the SB in 2019. Such a significant increase in expenditure, unaccompanied by an adequate increase in revenues, would significantly increase the structural deficit of the SB. The new government of Petr Fiala has therefore decided to revise the original draft budget in a new provisional budget.
- In this study, we identify the expenditure items in the original draft of the SB that have changed most significantly from the situation in 2019. We also show to what extent the nominal growth in the SB items takes inflation into account, which was expected to be 10.2% in this period. Comparison with the actual expenditure of 2019 allows us to shield the direct expenditure consequences of the pandemic. In fact, according to the initial proposal of the SR, the assistance programmes for households and employers during the pandemic were already expected to be reduced significantly in 2022.
 - Pensions (including disability or widow's pensions) show an increase of 18% (+CZK 84 billion) to a total of CZK 556 billion.
 - Social expenditure, including parental allowance or child benefit, increase by 28% (+CZK 36 billion), largely compensating for their long-term nominal stagnation.
 - Contributions to health insurance companies for state insured persons show an increase of 93% (+CZK 67 billion).

¹ We would like to thank IDEA for support and Daniel Münich for his useful comments. Any remaining inaccuracies or errors including all opinions expressed are the authors' own. This study was produced with the support from the Czech Academy of Sciences as part of its AV21 Strategy programme "Society in Motion and Public Policies".

- Expenditure on regional education, especially on teachers' salaries, grew by 35% (+CZK 50 billion).
- Investments from national sources in the SB show growth of 23% (+CZK 17 billion)
- The Czech Republic's membership in the European Union is associated with an increase in expenditure of CZK 76 billion. Of these, investments covered by revenues from EU budgets show an increase of 97% (+CZK 62 billion), while the Czech Republic's contributions to the EU increase by 32% (+CZK 14 billion).
- An additional 8 billion CZK represents purchases of additional vaccines against covid-19 in 2022.
- The SB items with a significantly low growth in the volume of expenditure, or even a decrease are as follows:
 - Non-investment transfers to non-profit organisations show a nominal decrease of 13% and a real decrease of as much as 21%. Non-investment transfers to non-profit organizations of the Ministry of Labour and Social Affairs, which subsidizes the provision of social services, family support or activities of senior organizations, fall nominally by 11% (-CZK 0.6 billion).
 - The Department of the Ministry of Education shows a nominal stagnation of transfers to public research institutions and universities. In real terms, this is a decrease of 9% (-CZK 4 billion).
- In other current expenditures of significant volume, we did not identify larger deviations from price level growth or a clear potential for savings compared to 2019. This applies, for example, to non-investment subsidies or salaries of civil servants.
- Although the capital expenditure class is increasing significantly by 57% (+CZK 80 billion), the growth is mainly due to an increase in EU funds.