1 July 2020

General government sector balance ended up with deficit

Government deficit and debt – the first quarter of 2020

**In Q1 2020, the general government sector balance reached the deficit of CZK 65.4 billion, which corresponded to 4.83% of GDP. Revenues of the general government sector reached 40.22% of GDP, while expenditure amounted to 45.06% of GDP. The government debt ratio declined by 0.64 percentage points (p. p.), year-on-year (y-o-y), to 32.80% of GDP.**

In Q1 2020, the general government sector balance worsened by CZK 62.5 bn, y-o-y. It was contributed to mainly by the central government, the balance of which worsened by CZK 49.1 bn, y-o-y, and ended up with the deficit of CZK 75.9 bn. The local government sector balance ended up with the surplus of CZK 11.7 bn, which was by CZK 8.8 bn lower, compared to the corresponding period of the previous year. Social security funds performance worsened by CZK 4.5 bn, y-o-y, and reached the deficit of CZK 1.2 bn.

The general government sector balance, Q1 2018 – Q1 2020

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| Period | Q1 2018 | Q2 2018 | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Q1 2020 |
| CZK bn | 2.5 | 41.8 | 15.7 | -10.7 | -2.9 | 25.2 | 14.3 | -21.2 | -65.4 |
| % of GDP | 0.20 | 3.08 | 1.15 | -0.75 | -0.22 | 1.75 | 0.97 | -1.40 | -4.83 |

*Note: Data in the table are not seasonally adjusted and cannot be compared quarter-on-quarter.*

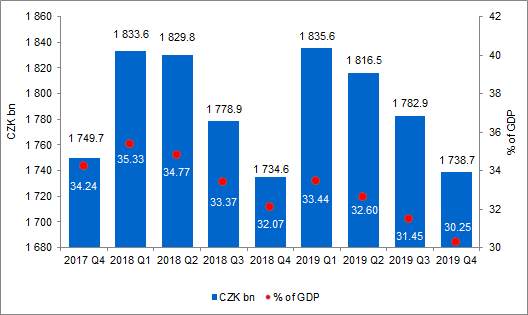
The total government revenues decreased by 1.5%, y-o-y. The y-o-y decrease in revenues was mainly due to a decrease in revenues from taxes, which are important as for their volume: taxes on income (-6.1% to CZK 103.7 bn), taxes on production and imports (-4.4% to CZK 146.5 bn). On the contrary, revenues increased the most from capital transfers (+17.8% to CZK 9.2 bn) and current transfers (+14.7% to CZK 13.6 bn).

The total government expenditure increased by 9.8%, y-o-y. The following increased the most: gross capital formation (+22.6% to CZK 66.2 bn), capital transfers (+17.3% to CZK 3.4 bn), intermediate consumption including also purchases of medical supplies (+10.7% to CZK 72.7 bn), subsidies (+10.7% to CZK 34.8 bn), and social contributions (+9.9% to CZK 194.2 bn). A decrease was recorded for paid property income including mainly interests (-3.8% to CZK 11.0 bn).

The government debt ratio decreased from 33.44% to 32.80% of GDP, in the year-on-year comparison, while the increasing nominal GDP contributed to a decrease in indebtedness by 1.65 p. p. The nominal debt of the general government increased by CZK 58.2 bn to CZK 1 893.8 bn and its contribution amounted to +1.01 p. p. In the quarter-on-quarter comparison, debt ratio increased by 2.56 p. p. The nominal debt increased by CZK 155.1 bn, q-o-q; at the same time, the value of assets owned by the general government sector increased by almost CZK 90 bn. Contribution of the nominal debt to the increase of the debt ratio was 2.70 p. p., while the influence of the increasing nominal GDP was in the opposite direction towards a decrease by 0.14 p. p.

Regarding the debt structure, all the main components increased, y-o-y. The volume of received loans increased by CZK 4.2 bn, received deposits by CZK 6.3 bn, and issued debt securities by CZK 47.7 bn. Debt securities remain to be a major part of the debt with the share of 90.7%. In the quarter-on-quarter comparison, the value of received deposits increased by CZK 6.7 bn, the value of received loans increased by CZK 25.8 bn, and the value of issued debt securities increased by CZK 122.6 bn.

Debt of the general government sector, Q1 2018 – Q1 2020



The general government sector balance after seasonal adjustment as well as adjustment for calendar effects ended up with a deficit of CZK 27.5 bn, which corresponds to 1.91% of GDP. The adjusted general government sector balance decreased by CZK 20.0 bn, q-o-q. The development of the general government sector balance adjusted by seasonal and calendar effects is shown in the chart below.

Seasonally adjusted balance of the general government sector, Q1 2018 – Q1 2020

Notes:

*Quantification of fiscal indicators of government deficit and debt mentioned above is based on the ESA2010 methodology. Data published in this release are methodologically consistent with the data used for the statistics of the excessive deficit procedure (EDP) purposes and for the assessment of how Maastricht convergence criteria are met.*

*The government surplus/deficit is represented by the item B.9 “net borrowing (−) or net lending (+)” in the system of national accounts. It refers to the ability of the general government sector to finance other sectors of the economy (+) or the need of the general government sector to be financed (−) by other sectors of the economy in the given period.*

*The general government debt is the amount of consolidated liabilities of the general government sector comprising the following items: currency and deposits, debt securities, and loans. In case of foreign exchange debt instruments hedged against the currency risk, the value in CZK is obtained by means of the contractual exchange rate.*

*The general government sector balance is compared with the amount of the GDP in the given quarter at current prices. The amount of consolidated general government debt is compared with the sum of quarterly GDP for the last four quarters at current prices. Fiscal indicators of quarterly government deficit and debt are published within the Transmission programme (Table 25 and Table 28) on the website* [*www.czso.cz*](http://www.czso.cz) *in the “GDP, National Accounts” section.*

*(*[*http://apl.czso.cz/pll/rocenka/rocenka.indexnu\_gov?mylang=EN*](http://apl.czso.cz/pll/rocenka/rocenka.indexnu_gov?mylang=EN)*)*

*Unless otherwise stated, all data presented in this news release are not adjusted for seasonal and calendar effects.*

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