11 January 2021

General government sector balance ended up with the 2.9% of GDP deficit

Government deficit and debt – the third quarter of 2020

**In Q3 2020, the general government sector balance reached the deficit of CZK 42.2 billion, which corresponded to 2.9% of GDP. Revenues of the general government sector reached 40.7% of GDP, while expenditure amounted to 43.6% of GDP. The government debt ratio increased by 6.9 percentage points (p. p.), year-on-year (y-o-y), to 38.4% of GDP.**

In Q3 2020, the general government sector balance worsened by CZK 57.5 bn, y-o-y. It was contributed to mainly by the central government, the balance of which worsened by CZK 74.6 bn, y-o-y, and ended up with the deficit of CZK 63.2 bn. The local government sector balance ended up with the surplus of CZK 14.0 bn, while in the previous year it was with the deficit of CZK 1.4 bn. Social security funds performance improved by CZK 1.7 bn, y-o-y, and ended up with the surplus of CZK 7.1 bn.

The general government sector balance, Q3 2018 – Q3 2020

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| Period | Q3 2018 | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 |
| CZK bn | 16.3 | −10.8 | −2.6 | 25.8 | 15.3 | −23.3 | −57.2 | −96.0 | −42.2 |
| % of GDP | 1.2 | −0.8 | −0.2 | 1.8 | 1.0 | −1.5 | −4.2 | −7.2 | −2.9 |

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

The total government revenues decreased by 1.3%, y-o-y. The y-o-y decrease in revenues was mainly due to a decrease in revenues from current transfers (−8.7% to CZK 11.7 bn), property income (−7.5% to CZK 5.9 bn), and taxes on production and imports (−4.5% to CZK 172.1 bn). On the contrary, revenues increased the most from capital transfers (+6.3% to CZK 13.3 bn) and taxes on income (+2.2% to CZK 124.8 bn).

The total government expenditure increased by 8.6%, y-o-y. The following increased the most: capital transfers (+133.1% to CZK 12.3 bn), current taxes paid (+35.7% to CZK 0.9 bn), subsidies (+22.9% to CZK 39.4 bn), and social benefits (+14.4% to CZK 249.5 bn). A decrease was recorded for other current transfers (−17.3% to CZK 19.7 bn) and intermediate consumption (−5.9% to CZK 79.0 bn).

The government debt ratio increased from 31.5% to 38.4% of GDP, in the year-on-year comparison, while the decreasing nominal GDP contributed to an increase in indebtedness by 0.1 p. p. The nominal debt of the general government increased by CZK 386.3 bn to CZK 2 170.9 bn and its contribution amounted to 6.8 p. p. In the quarter-on-quarter comparison, the debt ratio decreased by 1.5 p. p. The nominal debt decreased by CZK 93.0 bn, q-o-q, and contributed to the decrease of the debt ratio by 1.6 p. p., while the contribution of the GDP was +0.1 p. p.

In Q3 2020, the debt decreased when the general government sector was in deficit. Both the deficit and decrease of the debt were covered mainly by a decrease in the volume of financial assets held, namely of currency and deposits (CZK −102.9 bn) and other receivables (CZK −19.9 bn).

Regarding the debt structure, the following increased, y-o-y: issued debt securities (CZK +389.8 bn) and deposits (CZK +3.1 bn), while the volume of received loans decreased by CZK 6.6 bn. The share of issued debt securities increased by 1.6 p. p. to 93.4% and issued debt securities remain to be the main debt component. In the quarter-on-quarter comparison, the value of all debt components decreased.

Debt of the general government sector, Q3 2018 – Q3 2020

The general government sector balance after seasonal adjustment as well as adjustment for calendar effects ended up with a deficit of CZK 63.3 bn, which corresponded to 4.4% of GDP. The general government sector balance improved by CZK 18.6 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, Q3 2018 – Q3 2020

Due to the epidemiologic situation related to the spread of the COVID-19 disease, emergency measures of the Government were in force in Q3 2020 the influence of which on the government financial statistics is described in a [methodological note](https://www.czso.cz/csu/czso/methodological-note-on-the-government-financial-statistics-the-second-quarter-of-2020-covid-19).

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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