10 January 2022

General government sector balance slightly worsened, year-on-year

Government deficit and debt – the third quarter of 2021

**In Q3 2021, the general government sector balance reached the deficit of CZK 42.7 billion, which corresponded to 2.7% of GDP. Revenues of the general government sector reached 40.1% of GDP, while expenditure amounted to 42.8% of GDP. The government debt ratio increased by 2.4 percentage points (p. p.), year-on-year (y-o-y), to 40.5% of GDP.**

In Q3 2021, the general government sector balance slightly worsened by CZK 2.0 bn, y-o-y. It was mainly contributed to by the central government, the balance of which ended up with a deficit of CZK 54.3 bn. The local government sector balance continued to end up with a surplus of CZK 9.5 bn, which, however, decreased by CZK 5.3 bn, year-on-year. Similarly, social security funds performance remained in a surplus of CZK 2.1 bn; however, in the year-on-year comparison, it worsened by CZK 4.8 bn.

The general government sector balance, Q3 2019 – Q3 2021

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Period | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | Q1 2021 | Q2 2021 | Q3 2021 |
| CZK bn | 16.4 | -24.1 | -47.7 | -95.9 | -40.7 | -133.8 | -144.0 | -59.2 | -42.7 |
| % of GDP | 1.1 | -1.6 | -3.5 | -7.1 | -2.8 | -8.8 | -10.4 | -3.9 | -2.7 |

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

The total government revenues increased by 6.3%, y-o-y. The y-o-y increase in revenues was mainly contributed to by an increase in revenues from social contributions (+15.7% to CZK 250.8 bn), taxes on production and imports (+9.7% to CZK 186.6 bn). A decrease was only recorded for taxes on income (−18.0% to CZK 105.0 bn).

The total government expenditure increased by 6.2%, y-o-y. The following expenditure increased the most: expenditure on social benefits (+5.4% to CZK 263.3 bn), compensation of employees (+6.0% to CZK 163.1 bn), and other current transfers (+35.9% to CZK 27.1 bn). A decrease was only recorded for capital transfers (−39.1% to CZK 8.3 bn).

The government debt ratio increased from 38.1% to 40.5% of GDP, year-on-year, while the increasing nominal GDP contributed to a decrease in indebtedness by –1.9 p. p. The nominal debt of the general government increased by CZK 260.0 bn to CZK 2 432.9 bn and its contribution amounted to 4.3 p. p. In the quarter-on-quarter comparison, the debt ratio decreased by –2.2 p. p. The nominal debt decreased by CZK 84.1 bn, q-o-q, and contributed to the decrease of the debt ratio by –1.4 p. p., whereas an increase in the nominal GDP contributed to a decrease by –0.8 p. p.

Regarding the debt structure, mainly the following increased, y-o-y: issued debt securities (CZK +212.4 bn) and the volume of received loans (CZK +42.1 bn). Issued debt securities continue to be the main debt component. On the other hand, in the quarter-on-quarter comparison, the value of issued debt securities and of received loans decreased.

**Debt of the general government sector, Q3 2019 – Q3 2021**

The general government sector balance after seasonal adjustment as well as adjustment for calendar effects ended up with a deficit of CZK 93.3 bn, which corresponded to 6.0% of GDP. The general government sector balance worsened by CZK 10.9 bn, q-o-q. The development of the general government sector balance adjusted by seasonal and calendar effects is shown in the chart below.

**Debt of the general government sector, Q3 2019 – Q3 2021**

In Q3 2021, data for the government financial statistics continued to be influenced by consequences of the ongoing epidemic situation related to the spread of the COVID-19 disease.

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: received deposits, issued debt securities, and received 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, data are not seasonally adjusted as well as they are not adjusted for calendar effects.*

|  |  |
| --- | --- |
| *Responsible head at the CZSO:* | *Helena Houžvičková, Director of the Government and Financial Accounts Department,*  *phone number: (+420) 704 688 734,*  *e-mail:* [helena.houzvickova@czso.cz](mailto:helena.houzvickova@czso.cz) |
| *Contact person:* | *Jaroslav Kahoun, Head of Government Accounts Unit, phone number: (+420) 274 054 232, e-mail:* [jaroslav.kahoun@czso.cz](mailto:jaroslav.kahoun@czso.cz) |
| *The Next News Release will be published on:* | *1 April 2022* |