10 January 2023

The government debt ratio continued to increase in Q3 2022

Government deficit and debt – the third quarter of 2022

**In the third quarter of 2022, the general government sector balance ended up with a deficit corresponding to 3.4% of GDP. The government debt ratio increased by 4.8 percentage points (p. p.), year-on-year (y-o-y), to 45.2% of GDP.**

In Q3 2022, the general government sector deficit was CZK 60.3 billion, which means that in the year-on-year comparison it worsened by CZK 17.4 bn. This result was mainly contributed to by the central government, the balance of which ended up with a deficit of CZK 69.5 bn, which means that it is worse, y-o-y, by CZK 24.4 bn. The local government sector balance continued to end up with a surplus in the amount of CZK 4.6 bn, which decreased by CZK 9.8 bn, year-on-year. Social security funds (health insurance companies) performance ended up with a surplus of CZK 4.5 bn.

*“In the third quarter of 2022, the general government sector balance ended up with a deficit of CZK 60.3 bn. The government debt ratio increased by 4.8 p. p., year-on-year, and reached the amount of 45.2% of GDP. Unlike the past, on the side of liabilities, the share of received loans is increasing compared to issued debt securities,”* Helena Houžvičková, Director of the Government and Financial Accounts Department of the Czech Statistical Office (CZSO), stated.

The general government sector balance, Q3 2020 – Q3 2022

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| Period | Q3 2020 | Q4 2020 | Q1 2021 | Q2 2021 | Q3 2021 | Q4 2021 | Q1 2022 | Q2 2022 | Q3 2022 |
| CZK bn | -43.0 | -137.5 | -131.3 | -40.4 | -42.9 | -97.0 | -76.1 | -8.6 | -60.3 |
| % of GDP | -2.9 | -9.0 | -9.5 | -2.6 | -2.7 | -6.0 | -4.9 | -0.5 | -3.4 |

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

The total general government sector revenues increased by 10.3%, y-o-y, and reached 39.9% of GDP. The y-o-y increase in revenues was mainly contributed to by an increase in revenues from taxes on production and imports, from received social contributions, taxes on income, and interests received. The total government expenditure increased by 12.2%, y-o-y, and reached 43.4% of GDP. The following expenditure increased the most: expenditure on other current transfers, expenditure on social benefits, expenditure on gross capital formation, and interests paid. A decrease was recorded as for subsidies.

The nominal debt of the general government increased, year-on-year, by CZK 548.6 bn to CZK 2 982.5 bn. The government debt ratio increased from 40.4% to 45.2% of GDP, year-on-year; the influence of the nominal change of the debt was +8.3 p. p., while the increasing nominal GDP contributed to a decrease in indebtedness by –3.6 p. p. In the quarter-on-quarter comparison, the debt increased by CZK 187.5 bn, which means that the debt ratio increased by 1.7 p. p. An increase in the nominal GDP contributed to a decrease by –1.2 p. p.

Also in the third quarter of 2022, the debt increase (CZK 187.5 bn) was considerably higher than the general government sector balance (CZK –60.3 bn). The general government borrowed by CZK 127.2 bn more than their need for financing was, which was reflected on the side of assets, mainly by an increase of the value of provided loans.

Regarding the debt structure, mainly the following increased, y-o-y: issued debt securities (CZK +383.4 bn) and newly also received loans (CZK +163.4 bn).

**Debt of the general government sector, Q3 2020 – Q3 2022**

The general government sector balance after seasonal adjustment as well as adjustment for calendar effects ended up with a deficit of CZK 77.2 bn, which corresponded to 4.4% of GDP. The general government sector balance worsened by CZK 26.8 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 general government sector balance, Q3 2020 – Q3 2022**

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* [*General government sector*](https://apl.czso.cz/pll/rocenka/rocenka.indexnu_gov?mylang=EN) *in the “GDP, National Accounts” section. Unless otherwise stated, data are not seasonally adjusted as well as they are not adjusted for calendar effects. Time series of seasonally adjusted sector accounts for government sector (the item of net lending / net borrowing)* [*Time series of seasonally adjusted sector accounts for S.13*](https://apl.czso.cz/pll/rocenka/rocenkavyber.kvart_qsa?mylang=EN&oblast=@RU)*.*

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| *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 the 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:* | *3 April 2023* |