3 October 2022

Balance of the general government sector for 2021 ended in deficit

Notification of government deficit and debt – 2021

**For the year 2021, the balance of the general government sector ended up with a deficit corresponding to 5.1% of the GDP. The general government sector debt in the end of the year 2021 reached 42.0% of the GDP while the year-on-year increase was by 4.3 percentage points (p. p.).**

*“The deficit of government institutions for 2021 in the amount of 5.1% of GDP was mainly caused by increased expenditures on social benefits and compensation of employees. Compared to the April notifications, it was improved by 0.8 p. b due to updated information on corporate income tax and natural persons. The amount of debt remained unchanged at 42.0% of GDP,”* Helena Houžvičková, Director of the Government and Financial Accounts Department of the CZSO, stated.

The balance of the general government sector in 2021 has been revised compared to the first notifications by CZK 47.9 bn. The reduction in the deficit was mainly caused by updated data on tax revenues from legal entities and natural persons, which had an impact not only on balance of central government institutions +CZK 27.8 bn, but also on the balance of local government institutions +CZK 20.3 bn.

Table 1: Notification table of government deficit and debt, the Czech Republic, 2018–2021

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| --- | --- | --- |
|  | Unit | Year |
| 2018 | 2019 | 2020 | 2021 |
| Net borrowing/lending of general government | CZK mil. | 48 292 | 16 709 | -329 216 | -311 522 |
| General government consolidated gross debt | CZK mil. | 1 734 602 | 1 740 263 | 2 149 822 | 2 566 832 |
| Net borrowing/lending of general government as % of GDP | % | 0,9 | 0,3 | -5,8 | -5,1 |
| General government consolidated gross debt as % of GDP | % | 32,1 | 30,0 | 37,7 | 42,0 |

The total general government sector revenue increased in 2021 by 6.9%, y-o-y; in absolute terms, it was an increase by CZK 163.3 bn. Revenues from social contributions and from taxes on production and imports were increasing the most. Revised income taxes decreased year-on-year.

The total general government sector expenditure increased in 2021 by 5.4%, y-o-y; i.e. by CZK 145.6 bn. The highest increase was recorded for social benefits paid, compensation of employees paid, and subsidies payable.

In the end of 2021. the relative debt of the general government reached 42.0% of the GDP. In the year-on-year comparison, the relative debt increased by 4.3 p. p. An increase in the nominal GDP contributed to a decrease of the relative amount of the debt (-2.5 p. p.), whereas the nominal amount of the debt increased in relation to the GDP by 6.8 p. p.

In the end of 2021, the general government debt reached CZK 2 566.8 bn; major part of it consists of issued debt securities the volume of which increased by CZK 346.1 bn, y-o-y.

Indicators presented in the Table 1 were transmitted to Eurostat on 30 September 2022.

Notes:

*Notification of government deficit and debt is compiled always for the past four years and submitted to the European Commission by each Member State of the European Union always at the end of March and September each year. including a projection for the current year. The projection for the current year is compiled and published by the Ministry of Finance of the Czech Republic. Quantification of fiscal indicators is based on the ESA 2010 methodology and serves the assessment of how the Maastricht convergence criteria are complied with. Pursuant to the Maastricht criteria. the government deficit must not exceed 3% of the GDP and the level of the accumulated government debt must not exceed 60% of the GDP.*

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

*The government debt consists of consolidated liabilities of the general government sector in the form of currency and deposits. issued debt securities. and received loans. In case of foreign exchange debt instruments hedged against currency risk. value in CZK is obtained by means of a contractual exchange rate.*

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