01.04.2015

Notification of government deficit and debt - 2014

In the calendar year 2014, Czech government deficit has increased compared with the previous year; however the level of government indebtedness has declined

In 2014, the Czech government deficit was **85.3 billion CZK**; expressed as a percentage of GDP, government deficit has reached the level of **2.0 percent of GDP**, i.e. below the reference rate set by the Maastricht Treaty. At the end of 2014, Czech government gross debt has reached **42.57 percent of GDP**. Annual reduction in the level of indebtedness has been driven mainly by accelerating growth in the nominal GDP and coverage of the deficit by a decrease in the assets. The figures have been sent to Eurostat in the framework of the first notification of government deficit and debt in 2015.

**Notification table of government deficit and debt, the Czech Republic, 2011-2014**

|  |  |  |
| --- | --- | --- |
|  | Unit | Year |
| 2011 | 2012 | 2013 | 2014 |
| Net borrowing (deficit) of general government (in current year) | CZK mil. | -108 860 | -157 889 | -47 206 | -85 337 |
| General government consolidated gross debt (at end of year) | CZK mil. | 1 604 009 | 1 803 585 | 1 839 726 | 1 816 137 |
| Gross domestic product (GDP) | CZK mil. | 4 022 410 | 4 047 675 | 4 086 260 | 4 266 141 |
| General government deficit in % of GDP | % | -2,71 | -3,90 | -1,16 | -2,00 |
| General government debt in % of GDP  | % | 39,88 | 44,56 | 45,02 | 42,57 |

In the calendar year 2014, the Czech government deficit was 85.3 billion CZK. The balance of revenues and expenditures (the item net borrowing/lending in the national accounts) has worsened in all sub-sectors of general government sector compared with the previous year. In relative terms, the Czech government deficit was 2.0 percent expressed as a percentage of GDP. The main drivers of the annual increase in deficit were expenditures on gross fixed capital formation (annual increase by more than 17 percent), government final consumption expenditures (annual increase by 3 percent) and the compensation paid by the Deposit Insurance Fund (14 billion CZK).

At the end of 2014, the Czech government gross debt has reached the level of 42.57 percent of GDP. Compared with the previous year, the level of indebtedness has been reduced by 2.45 percentage points. The reduction has been driven mainly by accelerating growth in nominal GDP (annually 4.4 percent) and the stable level of the state debt. The reduction in indebtedness with concurrent increase in government deficit can be explained mainly by the significant amount of transactions recorded under the item currency and deposits (see F.2 in tables 3A, 3B, 3D) implying coverage of the deficit by a decrease in the assets.

Fiscal indicators submitted to the European Commission have been significantly affected by the changes in the sector classification of the Czech-Moravian Guarantee and Development Bank, the Export Guarantee and Insurance Corporation and the Deposit Insurance Fund. The reclassification has led to general government deficit and debt in 2011 to 2013 being revised downward since the September 2014 notification of government deficit and debt. Owing to general government debt consolidation, assets and liabilities of institutions newly classified in general government sector were offset against assets and liabilities of other general government institutions. This consolidation has reduced general government gross debt by 0.8 percentage point.

Notification of government deficit and debt is compiled for past four years and submitted to the European Commission by each Member State of the EU at the end of September and March each year under the terms of the Maastricht treaty, including a projection for the current year. Starting from September 2014, quantification of the aggregates is based on the methodology ESA 2010. Pursuant to the Maastricht criteria, fiscal indicators should comply with reference values for a deficit (3% of GDP) and a debt (60% of GDP). The projection of government deficit and debt for the year 2015 is prepared and published by the Ministry of Finance of the Czech Republic.

Government surplus/deficit is represented by item B.9 “net borrowing (-) or net lending (+)” in national accounts. It refers to the ability of general government sector to finance other sectors (+) or the need of general government sector to be financed (-) by other economic sectors.

Government debt consists of liabilities of general government sector in form of currency and deposits, debt securities and loans. In case of foreign exchange debt instruments hedged against currency risk, value in CZK is obtained by means of contractual exchange rate.

Indicators mentioned in the table were transmitted to Eurostat at the end of March 2014.

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*Coming News Release : 1. 10. 2015*

This press release was not edited for language.