April 1, 2015

Government deficit and debt – 2. quarter of 2015

Balance in surplus, annual decrease in indebtedness

In the second quarter 2015, **balance of government institutions** expressed as a percentage of GDP has reached **surplus** **1.39 percent**. Compared to the second quarter of 2014, deficit has been reduced by almost 2.01 percentage points (p.p.).

Surplus/Deficit of government institutions, the Czech Republic, 2.Q2014-2.Q2015

|  |  |  |  |
| --- | --- | --- | --- |
|  | Unit | 2014 | 2015 |
| 2. quarter | 3. quarter | 4. quarter | 1. quarter | 2. quarter |
| Net lending/borrowing (surplus/deficit) of general government | CZK mill. | -6 635 | 98 | -39 624 | -15 352 | 15 649 |
| % of GDP | -0.62 | 0.01 | -3.54 | -1.48 | 1.39 |

*Notice: data are not seasonally-adjusted; data cannot be compared quarter-to-quarter*

Final balance has been improved at all level of general government sector, i.e. central and local government institutions and health insurance companies. The main factors of annual total growth of revenues (8.7 %) have been revenues from taxes, social contributions and investment subsidies from the European funds. Higher inflow of EU funds has promoted rise in the investment expenditures which have been together with rising compensation of employees the main factor driving the annual growth of expenditures (3.6 %).

The Czech **government consolidated** **gross debt** has decreased on the annual basis by 2.0 percentage point to **41.69 percent of GDP**. Decreasing trend is driven mainly by rising nominal GDP and stabilised level of the state debt constituting a dominant part of the total government debt. Compared to the first quarter 2015, the indebtedness has been reduced by 0.75 p.p.

Debt of government institutions, the Czech Republic 1.Q2014-1.Q2015

|  |  |  |  |
| --- | --- | --- | --- |
|  | Unit | 2014 | 2015 |
| 2. quarter | 3. quarter | 4. quarter | 1. quarter | 2. quarter |
| Consolidated gross government debt | CZK mill. | 1 821 787 | 1 830 097 | 1 821 327 | 1 831 179 | 1 822 966 |
| % of GDP | 43,69 | 43,29 | 42,75 | 42,44 | 41,69 |

Shares of relevant instruments on the total debt remain stable over time with dominant position of debt securities (90 percent).

The revision has been caused mainly by reclassification of selected units into general government sector; the classification of semi-budgetary organisations has been unified so that all units of this legal form are currently classified as government institutions. The same holds true for public hospitals with legal forms other than semi-budgetary organisations which are newly treated as government institutions. At the same time, the CZSO has implemented new approach to statistical recording of the liquidity system operated under the State treasury. This measure has impacted the financial relations within general government sector with negligible impact on the amount of consolidated government debt due to limited involvement of units classified outside general government sector.

Indicators of government deficit and debt mentioned above are based on the accrual basis as requested by the methodology ESA2010 and the Manual on government deficit and debt. Accrual accounting records flows at the time economic value is created, transformed, exchanged, transferred or extinguished. Government surplus/deficit is represented by the 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. From the methodological point of view, the published indicators are fully consistent with the annual indicators used for the EDP purposes.

Deficit is compared with nominal GDP in given quarter. The amount of consolidated debt defined as sum of the items Currency and deposits, Debt securities and Loans, is compared with the sum of nominal GDP for the last four quarter. Fiscal indicators of quarterly government deficit and debt are regularly published within the Transmission programme (table 25, table 28) on the web [www.czso.cz](http://www.czso.cz) in the section “GDP, National Accounts” (<http://apl.czso.cz/pll/rocenka/rocenka.indexnu_gov?mylang=EN>)

Notices:

*Responsible manager: Vaclav Rybacek, Ph.D., tel.: 274052596, e-mail:* *vaclav.rybacek@czso.cz*
*Contact person: Marie Trejbalova, tel.: 274052706, e-mail:* *marie.trejbalova@czso.cz*
*Coming News Release : 1. 10. 2015*

This press release has not been edited for language.