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Notification of government deficit and debt - 2015

Czech government deficit at historically low level; government indebtedness continues to drop

In 2015, the Czech government deficit has reached **18.7 billion CZK**; expressed as a percentage of GDP, the government deficit is at the level of **0.42 percent of GDP**, i.e. below the reference rate set by the Maastricht Treaty. Czech government gross debt has reached **41.06 percent of GDP** at the end of 2015. Annual reduction in the level of indebtedness has been driven mainly by accelerating growth in the nominal GDP. The figures have been sent to Eurostat in the framework of the first notification of government deficit and debt in 2016.

**Notification table of government deficit and debt, the Czech Republic, 2012-2015**

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| --- | --- | --- |
|  | Unit | Year |
| 2012 | 2013 | 2014 | 2015 |
| Net borrowing (deficit) of general government (in current year) | CZK mil. | -159 552 | -51 129 | -83 063 | -18 682 |
| General government consolidated gross debt (at end of year) | CZK mil. | 1 805 429 | 1 840 412 | 1 819 038 | 1 836 166 |
| Gross domestic product (GDP) | CZK mil. | 4 041 610 | 4 077 109 | 4 260 886 | 4 472 324 |
| General government deficit in % of GDP | % | -3.95 | -1.25 | -1.95 | -0.42 |
| General government debt in % of GDP  | % | 44.67 | 45.14 | 42.69 | 41.06 |

Total expenditures of the general government sector have grown by 4.6 percent annually while total revenues have risen sharply by 8.5 percent. On the revenue side, the most significant growth has been recorded in the form of subsidies received from abroad (by 84 percent), taxes on production and imports (9 percent) and social contributions (5 percent). Annual growth in total expenditures has been caused mainly by rising amount of gross fixed capital formation expenditures (by 30 percent), further by compensations of employees (5 percent), intermediate consumption (4 percent) and social benefits (2 percent). In line with the development on the financial markets, the interest expenditures of the general government sector have fallen by 14 percent reducing total amount of expenditures.

At the level of individual subsectors, the deficit has been significantly reduced in the case of the central government institutions, concretely from CZK -88 mil. to -45 mil. Especially intensive drawdown of the EU funds and balance of government units carrying out financial activities both account for the reduction in deficit at the central government level. Surplus has been reached at the level of local government institutions (CZK 23 mil.) as well as health-insurance companies (CZK 2 mil.).

At the end of 2015, the Czech government gross debt has reached the level of 41.06 percent of GDP. Compared to the previous year, the level of indebtedness has been reduced by 1.63 percentage points. The reduction has been driven mainly by accelerating growth in nominal GDP contributing to the reduction of indebtedness by more than 2 percentage points. Growing nominal level of debt has been caused solely by changes in the amount of bonds issued by government units.

Compared to data published in October 2015, currently released indicators cover also the economic results of public service media. Public service media have been reclassified into general government sector following the revised methodology described in the Manual on government deficit and debt. More detailed information on changes in the sector delimitation reflected in the second notification in 2015 and the recent notification can be found on the web in the section “Business register” (the Czech version only).

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 Treaty, the reference value for fiscal indicators of deficit is set at the level of 3 percent of GDP and for debt at the level of 60 percent of GDP whereas GDP is valued at current market prices. The projection of government deficit and debt for the year 2015 is prepared 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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