January 11, 2018

The balance reached surplus, government debt ratio decreased

Government deficit and debt – 3. quarter of 2017

In Q3 2017, **the general government sector balance** expressed as a percentage of GDP reached a surplus **2.77 percent**. In the same period of the previous year, the balance ended up in a surplus 2.21 percent of GDP. **The indebtedness** declined annually by 3.13 percentage point (p.p.) to **35.11 percent of GDP**.

The general government sector balance, the Czech Republic, 3.Q2016 – 3.Q2017

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Unit | 2016 | | 2017 | | |
| 3. quarter | 4. quarter | 1. quarter | 2. quarter | 3. quarter |
| Net borrowing (deficit) of general government | CZK mill. | 26 792 | -14 948 | 2 730 | 45 646 | 35 658 |
| % of GDP | 2.21 | -1.20 | 0.24 | 3.60 | 2.77 |

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

An annual change in the balance (CZK +8.9 bn) was predominantly driven by the development on the central government level (CZK +8.5 bn) and social security funds (CZK + 2.3 bn). In case of the local government institutions, a surplus annually declined by CZK 2.0 bn.

The total government revenues increased annually by 6.8 percent, especially due to rising revenues from social contributions (8.7 percent), taxes on production and imports (7.8 percent) and direct payments for products (7.0 percent). The total government expenditures increased by 5.2 percent annually. The highest growth was recorded in subsidies (21.1 percent) compensation to employees (9.4 percent) and social benefits (2.8 percent).

At the end of the third quarter of 2017, **the** **government debt ratio** went down from 38.24 to **35.11 percent of GDP**. A drop in the nominal debt contributed to the annual decline with   
-1.47 p.p., the development of the nominal GDP with -1.66 p.p. Compared to the previous quarter, the indebtedness declined by 4.32 p.p. with major contribution of declining nominal debt (-3.77 p.p.).

Debt of government institutions, the Czech Republic 3.Q2016 – 3.Q2017

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Unit | 2016 | | 2017 | | |
| 3. quarter | 4. quarter | 1. quarter | 2. quarter | 3. quarter |
| Consolidated gross government debt | CZK mill. | 1 812 049 | 1 754 883 | 1 924 186 | 1 923 116 | 1 739 228 |
| % of GDP | 38.24 | 36.77 | 39.89 | 39.43 | 35.11 |

The amount of government debt securities decreased by CZK 47.6 bn bringing a major contribution to the annual decline; compared to the previous quarter, debt securities of government declined by CZK 183.0 bn. With the share of 91.1 percent in the total nominal debt, debt securities still remain the predominant instrument constituting the government debt.

*Notices:*

*Indicators of government deficit and debt mentioned above are based on the methodology ESA2010 and the Manual on government deficit and debt. Quarterly indicators published in this release are methodologically consistent with the annual indicators used for the EDP purposes.*

*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. Deficit is compared with nominal GDP in given quarter.*

*General government debt is defined as sum of the items Currency and deposits, Debt securities and Loans. General government debt at the end of a given quarter is compared with the sum of nominal GDP in four previous quarters.*

*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*](http://apl.czso.cz/pll/rocenka/rocenka.indexnu_gov?mylang=EN)*)*

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| *Responsible manager:* | *Vaclav Rybacek, Ph.D., tel.: 274052596, e-mail:* [vaclav.rybacek@czso.cz](mailto:vaclav.rybacek@czso.cz) |
| *Contact person:* | *Jaroslav Kahoun, tel.: 274054232, e-mail:* [jaroslav.kahoun@czso.cz](mailto:jaroslav.kahoun@czso.cz) |
| *Coming News Release:* | *04. 04. 2018* |

*This press release was not edited for language.*