July 3, 2017

The balance in surplus, a slight annual decline in indebtedness

Government deficit and debt – 1. quarter of 2017

In Q1 2017, **the general government sector balance** expressed as a percentage of GDP reached a surplus **0.18 percent**. In the same period of the previous year, the balance ended up with a deficit -0.75 percent of GDP. **The indebtedness** slightly declined annually to **39.90 percent of GDP**.

The general government sector balance, the Czech Republic, 1.Q2016 – 1.Q2017

|  |  |  |  |
| --- | --- | --- | --- |
|  | Unit | 2016 | 2017 |
| 1. quarter | 2. quarter | 3. quarter | 4. quarter | 1. quarter |
| Net borrowing (deficit) of general government | CZK mill. | -8 366 | 26 334 | 24 611 | -15 022 | 2 139 |
| % of GDP | -0.75 | 2.17 | 2.03 | -1.21 | 0.18 |

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

An annual change in the balance (CZK +10.5 bn) was predominantly driven by the development on the central government level (CZK +8.9 bn). A surplus of the local government institutions grew annually by CZK 3.2 bn. On the contrary, the balance of the social security funds deteriorated by CZK 1.6 bn.

The total government revenues increased annually by 6.0 percent, mainly in the form of income taxes (+13.7 percent), social contributions (+5.4 percent) and taxes on production and imports (5.3 percent). The total government expenditures increased by 3.5 percent annually. The highest growth was registered in compensation to employees (+6.8 percent) and intermediate consumption (+6.1 percent).

At the end of the first quarter of 2017, **the** **indebtedness** reached the level of **39.90 percent of GDP**. A growth in nominal GDP contributed to the annual change by -1.47 percentage point (p.p.) whilst the development of the nominal debt by +1.39 p.p. Compared to the previous quarter, the indebtedness grew by 3.13 p.p. which represents the highest quarter-on-quarter increase since Q3 2010.

Debt of government institutions, the Czech Republic 1.Q2016 – 1.Q2017

|  |  |  |  |
| --- | --- | --- | --- |
|  | Unit | 2016 | 2017 |
| 1. quarter | 2. quarter | 3. quarter | 4. quarter | 1. quarter |
| Consolidated gross government debt  | CZK mill. | 1 857 493 | 1 850 612 | 1 812 043 | 1 754 899 | 1 924 571  |
| % of GDP | 39.98 | 39.33 | 38.24 | 36.77 | 39.90 |

Quarter-on-quarter growth in debt was led especially by a growing amount of debt securities (11.0 percent). The share of debt securities in the total debt grew to 91.8 percent.

*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.: 274 052 596, e-mail:* vaclav.rybacek@czso.cz  |
| *Contact person:* | *Jaroslav Kahoun, tel.: 274 054 232, e-mail:* jaroslav.kahoun@czso.cz  |
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