October 03, 2018

Surplus remains stable year-on-year

Government deficit and debt – 2nd quarter of 2018

In Q2 2018, **the general government sector balance** reached the surplus **CZK 41.7 billion;** expressed as a percentage of GDP, the surplus corresponds to **3.13 percent of GDP**. **The indebtedness** declined annually by 4.17 p.p. to **35.30 percent of GDP**.

The general government sector balance, the Czech Republic, 2Q 2017 – 2Q 2018

|  |  |  |  |
| --- | --- | --- | --- |
|  | Unit | 2017 | 2018 |
| 2. quarter | 3. quarter | 4. quarter | 1. quarter | 2. quarter |
| Net borrowing (deficit) of general government | CZK mill. | 41 873 | 32 549 | 1 412 | 7 500 | 41 674 |
| % of GDP | 3.31 | 2.53 | 0.11 | 0.61 | 3.13 |

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

An annual decrease in the positive balance was CZK 0.2 bn. which was driven by the decline in surpluses at the local government level amounting to CZK -2.6 bn. On the contrary increasing surplus was registered in the central government (CZK 2.1 bn.) and social security funds (CZK 0.3 bn.).

In Q2 2018, the total government revenues increased by 8.0 percent compared to the same period of the previous year. The increase can be predominantly attributed to rising revenues from capital transfers (58.0 percent to CZK 9.8 bn.), other current transfers (41.5 percent to CZK 12.1 bn.) and social contributions (8.9 percent to CZK 209.3 bn.). The total government expenditures rose annually by 8.7 percent. The highest growth was recorded in paid capital transfers (24.1 percent to CZK 9.9 bn.) and gross capital formation (21.9 percent to CZK 49.2 bn.).

At the end of the Q2 2018, **the** **government debt ratio** fell annually from 39.47 to **35.30 percent of GDP**. In the year-on-year comparison, the drop in nominal debt contributed to declining ratio by 1.83 p.p. while growth in nominal GDP contributed to declining ratio by 2.34 p.p. Compared to the previous quarter the indebtedness decreased by 0.52 p.p. The drop was mainly caused by the increase in nominal GDP that contributed by 0.45 pp.

Debt of government institutions, the Czech Republic 2Q 2017 – 2Q 2018

|  |  |  |  |
| --- | --- | --- | --- |
|  | Unit | 2017 | 2018 |
| 2. quarter | 3. quarter | 4. quarter | 1. quarter | 2. quarter |
| Consolidated gross government debt  | CZK mill. | 1 923 566 | 1 739 357 | 1 749 532 | 1 832 346 | 1 828 823 |
| % of GDP | 39.47 | 35.12 | 34.68 | 35.82 | 35.30 |

Regarding the structure of debt the decrease was predominantly caused by the decline in debt securities (3.3 percent quarterly, 7.7 percent annually) that remain the major part of the government debt (89.3 percent). On the other hand loans grew annually (49.8 bn.) as well as quarterly (49.3 bn.).

*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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