October 03, 2018

Annual balance in surplus; government indebtedness declined

Notification of government deficit and debt – 2017

In 2017, the balance of the Czech government sector reached a surplus **CZK** **78.2 billion**; expressed as a percentage of GDP, the surplus corresponds to **1.55 percent of GDP**. Compared to the first notification in 2018 a surplus was revised downward by **CZK 2.4 billion**. At the end of 2017, the Czech government gross debt dropped annually by 2.13 percentage points (p.p.) to **34.68 percent of GDP**. The figures were sent to Eurostat in the framework of the second notification of government deficit and debt in 2018.

**Notification table of government deficit and debt, the Czech Republic, 2014-2017**

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|  | Unit | Year |
| 2014 | 2015 | 2016 | 2017 |
| Net borrowing/lending of general government  | CZK mill. | -90 561 | -27 929 | 34 642 | 78 195 |
| General government consolidated gross debt  | CZK mill. | 1 819 098 | 1 836 255 | 1 754 883 | 1 749 532 |
| Gross domestic product (GDP) | CZK mill. | 4 313 789 | 4 595 783 | 4 767 990 | 5 045 188 |
| Net borrowing/lending of general government as % of GDP | % | -2.10 | -0.61 | 0.73 | 1.55 |
| General government consolidated gross debt as % of GDP  | % | 42.17 | 39.96 | 36.81 | 34.68 |

The balance of the Czech government sector decreased by CZK 2.4 bn. compared to the first notification in 2018. The revision was caused predominately by up-dated information on public universities (CZK -1.4 bn.), semi-budgetary organizations (CZK -0.7 bn.) and public hospitals (CZK -0.3 bn.).

According to the revised aggregates, total government revenues rose by 6.6 percent on a year-on-year basis. The annual growth in revenues was underpinned mainly by social contributions (8.0 percent), income taxes (7.8 percent) and taxes on production and imports (7.1 percent). Conversely, a drop was registered in primary incomes (-18.2 percent), especially in case of dividends and interests.

Total expenditures of the general government sector grew by 4.4 percent on a year-on-year basis. The highest annual growth was registered in expenditures on gross capital formation (12.2 percent) and compensation to employees (10.1 percent). On the other hand, a decrease by 13.4 percent was recorded for capital transfers. Due to declining interest expenditures, the total amount of primary incomes paid by the general government sector declined by 14.2 percent annually.

At the end of 2017, the Czech government´s gross consolidated debt reached 34.68 percent of GDP. Growth of nominal GDP contributed by 2.02 p.p. to the annual decline in the government debt ratio (-2.13 p.p.). In nominal terms, the government debt was reduced by CZK 5.3 bn. contributing by 0.11 p.p. to declining government debt ratio. Concerning the structure of debt, the most significant increase was registered in debt securities (CZK 154.1 bn.) of which short-term debt securities accounting for CZK 102.4 bn. and long-term debt securities amounting for CZK 51.7 bn. With the share of 91.7 percent in total debt, long-term debt securities still represent the major part of the government debt. Decline was observed in case of loans (CZK -4.5 bn.) and deposits (CZK -1.8 bn.).

Indicators presented in the table were transmitted to Eurostat on 29 September 2018.

*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.*

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