14 January 2020

General government debt ratio decreased

Government deficit and debt – the third quarter of 2019

**In the Q3 2019, the general government sector balance reached the surplus of CZK 15.2 billion, which corresponds to 1.05% of the GDP. Revenues of the general government sector reached 40.58% of the GDP, while expenditure amounted to 39,53% of the GDP. The government debt ratio declined by 1.91 percentage points (p. p.), year-on-year (y-o-y), to 31.97% of the GDP.**

In the Q3 2019, the general government sector balance decreased by CZK 3.2 bn, y-o-y. The central government surplus decreased by CZK 5.8 billion, y-o-y, and reached CZK 11.4 billion, while local government performance ended up with the deficit of CZK 1.4 bn, which was lower by CZK 3.9 bn, y-o-y. Social security funds surplus decreased by CZK 1.3 bn, y-o-y and reached CZK 5.3 billion.

The general government sector balance, Q3 2017 – Q3 2019

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| Period | 3.Q 2017 | 4.Q 2017 | 1.Q 2018 | 2.Q 2018 | 3.Q 2018 | 4.Q 2018 | 1.Q 2019 | 2.Q 2019 | 3.Q 2019 |
| CZK bn | 33,1 | 1,3 | 3,4 | 43,7 | 18,5 | -7,2 | -2,5 | 27,2 | 15,2 |
| % of GDP | 2,57 | 0,10 | 0,27 | 3,28 | 1,37 | -0,51 | -0,19 | 1,92 | 1,05 |

*Note: Data in the table are not seasonally adjusted and cannot be compared quarter-on-quarter.*

The total general government sector revenues increased by 6.6%, y-o-y. Especially the following contributed to the y-o-y increase in revenues: increase of taxes on income (+10.8% to CZK 116.0 bn), growth of revenues from received social contributions (+6.7% to CZK 219.0 bn), increase of property income (+14.1% to CZK 6.4 bn) and other current transfers (+7.1% to CZK 12.4 bn). The total government expenditure increased by 7.5%, y-o-y. The following contributed the most to the expenditure growth: increase of compensation of employees (+9.7% to CZK 140.6 bn), increase of intermediate consumption (+8.0% to CZK 83.8 bn) and increase of social transfers in kind (+11.4% to CZK 42.1 bn),.

The government debt ratio decreased from 33.88% to 31.97% of the GDP in the year-on-year comparison. The increasing nominal GDP contributed to a decrease in indebtedness by 2.01 p. p. The nominal debt of the general government increased by CZK 5.4 bn to CZK 1 783.5 bn, y-o-y, and thus contributed to the increase of the debt ratio in amount 0.10 p. p. In the quarter-on-quarter comparison, the debt ratio decreased by 1.18 p. p., which was contributed to by the increasing nominal GDP (0.56 p. p.) as well as by the decreasing debt (0.62 p. p.), which dropped by CZK 33.8 bn.

Regarding the debt structure, the y-o-y decrease of the debt was caused by a decrease in the volume of received loans (CZK −40.8 bn). On the contrary, the value of issued debt securities increased by 2.9%. The volume of short-term securities dropped by CZK 42.5 bn, while the value of long-term securities increased by CZK 88.3 bn, y-o-y. In the q-o-q comparison, there was decrease in all components of the debt. Issued debt securities with the share of 91.8% remain to be the main debt instrument.

Debt of the general government sector, Q3 2017 – Q3 2019

The general government sector balance after seasonal adjustment as well as adjustment for calendar effects ended up with a surplus of CZK 4.5 bn, which is 0.32% of the GDP. In the q-o-q comparison, the adjusted surplus dropped by CZK 1.6 bn. The development of the general government sector balance adjusted by seasonal and calendar effects is shown in the chart below.

Seasonally adjusted general government sector balance, Q3 2017 – Q3 2019

Notes:

*Quantification of fiscal indicators of government deficit and debt mentioned above is based on the ESA2010 methodology. Data published in this release are methodologically consistent with the data used for the statistics of the excessive deficit procedure (EDP) purposes and for the assessment of how Maastricht convergence criteria are met.*

*The government surplus/deficit is represented by the item B.9 “net borrowing (−) or net lending (+)” in the system of national accounts. It refers to the ability of the general government sector to finance other sectors of the economy (+) or the need of the general government sector to be financed (−) by other sectors of the economy in the given period.*

*The general government debt is the amount of consolidated liabilities of the general government sector comprising the following items: currency and deposits, debt securities, and loans. In case of foreign exchange debt instruments hedged against the currency risk, the value in CZK is obtained by means of the contractual exchange rate.*

*The general government sector balance is compared with the amount of the GDP in the given quarter at current prices. The amount of consolidated general government debt is compared with the sum of quarterly GDP for the last four quarters at current prices. Fiscal indicators of quarterly government deficit and debt are published within the Transmission programme (Table 25 and Table 28) on the website* [*www.czso.cz*](http://www.czso.cz) *in the “GDP, National Accounts” section.*

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

*Unless otherwise stated, data are not seasonally adjusted as well as they are not adjusted for calendar effects.*

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| *Next News Release will be published on:*  | *1 April 2020* |