1 July 2019

General government sector balance ended up with moderate deficit

Government deficit and debt – the first quarter of 2019

**In Q1 2019, the general government sector balance reached the deficit of CZK 2.3 billion, which corresponds to 0.18% of GDP. Revenues of the general government sector reached 41.7% of GDP, while expenditure amounted to 41.9% of GDP. The government debt ratio declined by 1.80 percentage points (p. p.), year-on-year (y-o-y), to 33.99% of GDP.**

In Q1 2019, the general government sector balance decreased by CZK 3.6 bn, y-o-y. The central government balance decreased by CZK 9.6 bn, y-o-y, and reached the deficit CZK 26.1 bn. while local government performance ended up with the surplus of CZK 20.4 bn, which was higher by CZK 6.0 bn, y-o-y. Social security funds reached the surplus CZK 3.4 bn. that remained unchanged.

The general government sector balance, Q1 2017 – Q1 2019

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Period | 2017  Q1 | 2017  Q2 | 2017  Q3 | 2017  Q4 | 2018  Q1 | 2018  Q2 | 2018  Q3 | 2018  Q4 | 2019  Q1 |
| CZK bn | 2.4 | 41.9 | 33.1 | 1.3 | 1.3 | 40.2 | 15.8 | -9.8 | -2.3 |
| % of GDP | 0.21 | 3.31 | 2.57 | 0.10 | 0.10 | 3.02 | 1.17 | -0.70 | -0.18 |

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

The total government revenues increased by 8.3%, y-o-y. Especially the following contributed to the y-o-y increase in revenues: growth of revenues from received social contributions (+8.2% to CZK 217.6 bn), taxes on income (+10.4% to CZK 103.6 bn), capital transfers (+56.1% to CZK 7.6 bn), and current transfers (+19.2% to CZK 12.0 bn). The total government expenditure increased by 9.1%, y-o-y. Current transfers contributed the most to the expenditure growth (+33.0% to CZK 33.9 bn), mainly because of a higher contribution to the EU budget based on own resource. The following also contributed to the y-o-y increase in expenditures: investment expenditure (+15.7% to 50.7 bn), compensation of employees (+9.6% to CZK 136.6 bn), and social benefits paid (+7.4% to CZK 169.3 bn).

The government debt ratio decreased from 35.79% to 33.99% of GDP in the year-on-year comparison, while the increasing nominal GDP contributed to a decrease in indebtedness by 1.90 p. p. The nominal debt of the general government increased by 4.7 bn to 1 837.0 bn and its contribution to the increase in indebtedness amounted to 0.10 p. p. In the quarter-on-quarter comparison, the debt increased by 101.9 bn with similar growth of financial assets owned by the general government sector. Debt ratio increased by 1.43 p. p. in the quarter-on-quarter comparison.

Regarding the debt structure, there was an increase in received loan in the y-o-y comparison (18.3%) on the contrary issued debt securities decreased by 1.0%. Value of short-term debt securities declined by 177.7 bn while value of long-term debt securities raised by 160.3 bn. In the quarter-on-quarter comparison, issued debt securities increased by 7.5%, while other components decreased. Debt securities remain to be a major part of the debt with the share of 91.0%.

Debt of the general government sector, Q1 2017 – Q1 2019



The Czech Statistical Office is also publishing the government sector balance adjusted for seasonal effect and calendar effect for the first time. The indicator will be regularly included in press release from now.

In Q1 2019, the general government sector balance adjusted for seasonal effect and calendar effect reached the surplus of CZK 15.7 bn, which corresponds to 1.13% of GDP. In the quarter-on-quarter comparison, the surplus increased by 4.2 bn. Development of the general government balance adjusted to seasonal and calendar effects is depicted in the following chart.

Seasonally adjusted balance of the general government sector, Q1 2017 – Q1 2019



Notes:

*Quantification of fiscal indicators of government deficit and debt mentioned above is based on the ESA2010 methodology and the Manual on government deficit and debt. Quarterly indicators published in this release are methodologically consistent with the annual indicators used for 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 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, all data presented in this news release are not adjusted for seasonal and calendar effects.*

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