

State Budget

- **State budget deficit substantially lower inter-annually**

In 2005, revenues grew faster than expenditures by 5.7 p. p., while the state budget calculated with the advance of only 1.9 p. p. The 2005 state budget performance ended by deficit of CZK 56.3 bn, which represents a better result by CZK 37.3 bn inter-annually. Above-mentioned deficit was by CZK 27.2 bn lower than expected in 2005 approved budget. In ratio to GDP in current prices, deficit decreased from 3.4% in 2004 to 1.9% in 2005. The favourable budget development was influenced more by fulfilment of revenues than of expenditures (105.0% and 101.6% respectively). The annual budget results point to an ambivalence on expenditure side, while revenues were regular; that corresponds to the results of non-financial institutions and tax payers' payments to the state budget. The ratio between domestic and foreign financing of budget deficit (40.5% to 59.5% in 2004) changed in 30.5% to 69.5% in 2005.
- **Budgetary revenue fulfilment 105.1 %**

Total 2005 budgetary revenues of CZK 866.5 bn were by 12.6% higher inter-annually and their rise accelerated by 2.6 p. p. The budgetary fulfilment of revenues was substantially better than a year before, which relates to the improved economic performance, particularly to produced resources (gross value added). In ratio to GDP, revenues reached 29.6%, which is by 1.8 p. p. more than the previous year. The total revenue growth was mainly influenced by tax revenues (CZK 771.6 bn), which increased, by 7.5%, though budgeted revenues were not met by 0.6%. Tax on revenues, profits and capital returns showed fastest (7.9%) and they exceeded the budgeted volume (by 1.8 %). Received grants (CZK 67.8 bn) influenced total revenue unexpectedly (6.4 p. p.) as they grew by 3.6 times. Non-tax revenues quite decreased (by 17.1%) and the capital revenue influence was negligible.
- **Budgetary expenditure fulfilment 101.6 %**

Total 2005 expenditures were higher by 6.9% inter-annually and their growth sped up moderately only (by 0.2 p. p.), while budgetary fulfilment of expenditure was higher compared to the previous year. In ratio to GDP, expenditures reached 31.5%, which was more only by 0.3 p. p. inter-annually. Operating expenditures influenced the total expenditure growth mostly (5.5 p.p.), their volume (CZK 843.8 bn) increased by 6.0% inter-annually and exceeded the budgeted volume by 1.2%. Faster growth exhibited expenditures on wages, other payments for done works and social security, though they were lower by 1.5% than expected in budget. Non-investment transfers to citizens (CZK 346.6 bn) were by 4.2% higher than a year ago and subtly lower (by 0.2%) than budgeted volume. Capital expenditures (CZK 79.0 bn) markedly increased (by 18.4%), exceeded the budgeted volume by 5.9% and influenced total expenditures by 1.4 p. p.
- **Decreased difference between revenues and payments**

The 2005 difference between higher collected premiums for pension scheme and lower paid out pensions diminished inter-annually, though state budget supposed the opposite move. The ratio between total premiums for social security, including contributions for state employment policy, and social benefits changed from 93.6% in 2004 to 95.5% in 2005.

Data sources: CZSO, MF CR, CNB, MLSA: calculations CZSO.

Latest CZSO data used in this report are from 3 March 2006. The analysis is based on monthly statistical data from branch statistics and quarterly GDP estimates.