

State Budget

- **State budget in mild surplus**

State budget (SB) for H1 2005 according to the cash fulfilment ended in mild surplus (CZK 3.8 bln), in that in deficit of CZK 4.5 bln in Q2. It was year-on-year better result by CZK 53.5 bln and CZK 37.4 bln respectively. Stated half-yearly improvement of the budget balance was crucially influenced by the growth of revenues (CZK 68.2 bln), since the growth of outlays was relatively low (CZK 14.7 bln). Approved SB (adjusted for changes) for 2005 expected the excess of outlays over revenues by more than one tenth (110.4 %), while the actual ratio for H1 2005 was considerably lower (99.1 %). SB fulfilment on the side of revenues was relatively high (53.0 %) and low on the side of outlays (47.6 %). In relation to GDP, the surplus in H1 2005 reached 0.3 % and was year-on-year significantly improved (4.0 p. p.).
- **Acceleration of the growth of revenues ...**

Total SB revenues in H1 2005 amounted to CZK 426.3 bln; they were by 19.1 % higher on a previous year and their growth accelerated (by 9.9 p. p.). Structural changes on the side of SB revenues eventuated between total tax revenues, whose share lowered exclusively for social security insurance (from 39.6 % in H1 2004 to 35.2 % in H1 2005), and non-tax revenues, whose share hiked up considerably (from 7.6 % to 12.1 %). Tax revenues excluding insurance increased by 18.8 %, SB fulfilment (50.9 %) was much higher compared to the previous year and contributed to the growth of total revenues by 9.9 p. p. Social security insurance rose only by 5.8 %, SB fulfilment (47.6 %) was lower on a year ago and contributed to the growth of total revenues only by 2.3 p. p. Remaining 6.9 p. p. of positive effect came from non-tax revenues, which increased notably (1.9times) and already exceeded budgeted yearly level. Among tax revenues, consumption taxes grew the most (by 36.2 %) with high SB fulfilment followed by corporate taxes (by 28.8 %) with high SB fulfilment as well and finally VAT collection (by 20.7 %), with however very low budget fulfilment. Income taxes really increased (by 6.9 %) and their SB fulfilment was deeply below average.
- **... and slower growth of outlays**

Total SB outlays for H1 2005 reached CZK 422.5 bln; were by 3.6 % higher on a previous year and their growth slowed down by 3.4 p. p. Similarly, the outlays also experienced structural changes, smaller in the main items and large inside the current outlays, which grew by mere 2.7 %. The fastest growth out of these and out of items with the largest weight experienced the salaries of employees and other payments for work done (by 9.4 %). However the largest influence (2.0 p. p.) on their increase out of social benefits pensions, which were year-on-year higher by 6.6 %. Other social benefits grew more (7.8 %). Total social benefits participating in the current outlays by more than two fifths increased by 3.6 % and exceeded the planned fulfilment of SB. Other current outlays with a five-percentage share dropped nearly by 30 % and their budget fulfilment was very low. Regarding capital outlays growing by 23.6 %, these were increased the most by ČKA, ČMZRB and ČS a. s advances.

Sources: CZSO, MF CR, CNB, MLSA, CZSO calculations.

Latest information in this report dates from the 12th September 2005. The report was based on monthly statistical data of branch statistics and quarterly estimates of GDP.