

State Budget

- **State budget surplus is gradually shrinking**

State budget by the end of September 2005 ended in surplus of CZK 25.8 bln, an improvement compared to last year's deficit (CZK 40.5 bln) of CZK 66.3. By the end of November, the budget revenues still mildly exceeded outlays (CZK 0.2 bln), however already during November the outlays were larger than revenues by CZK 15.0 bln. This is a signal that the budget will end up in deficit by the end of the year, even though not so large as approved by the Parliament. Continuous results show considerable instability and fluctuations on the outlay side, while the rhythm of revenue development was less regular, copying the economic results of non-financial businesses and their payments to budget, as well as other tax payments.
- **Surplus to GDP reached for the three quarters 1.2 %**

Total revenues summed for the three quarters 2005 CZK 634.1 bln and total outlays CZK 608.3 bln, which was y-o-y more by notable 15.9 % and mere 3.6 % respectively. This year's cash fulfilment of state budget markedly improved on a year before. Dramatic growth of revenues was connected to the enhanced economic performance and a low growth of the share of taxes on gross value added products. Low growth of outlays experienced a positive influence mostly from lower drawing of outlays (lower payments) on debt service. In proportion to GDP, the nominal volume of revenues reached for the three quarters of 2005 29.1 % and outlays 27.9 %, representing y-o-y more by 2.6 % and less by 0.6 % respectively. This implies, that the budget results in relation to GDP improved by 3.2 p. p. (from -2.0 % down to 1.2 %).
- **Consumption tax grew the fastest on the revenue side and capital outlays on the outlay side**

Total tax revenues bulked up for the three quarters 2005 y-o-y (incl. social security insurance) by 11.8 % and their share in total revenues sunk from 93.0 % down to 89.7 %. Consumption tax and corporate tax with more than one quarter share in total revenues hiked up the most (by 26.6 % and 24.6 % respectively). Non-tax revenues also rose to a major extent (by 70.0 %). Given total outlays, current outlays grew slower (only by 2.4 %) and their share (94.2 %) in the total decreased by 1.0 p. p. Social benefits recorded the highest rate of growth (4.8 %) with more than two fifths share in total outlays. Capital outlays grew exceptionally fast (by more than one quarter).

The ratio between social security receipts and social benefits changed from 90.1 % (last year) to 91.4 %.

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

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