

State budget

- **Negative tendencies again in the development of the state budget balance**

The state budget performance ended up with a slight surplus of CZK 1.5 bn until the end of September 2006, which was a worse result in comparison to the positive balance of the corresponding period of the last year in the amount of CZK 25.8 bn – at that time, the surplus was 1.2% of the nominal GDP, this year it was only 0.1%. Accumulated balances during the year reported lower fluctuation than in 2005, however, with a more marked tendency to worsening of the state budget performance especially after the Q3 2006.

- **Expenditure grew again faster than revenue**

Total revenues of the state budget reached for the Q1 – Q3 CZK 673.5 bn and total expenditure CZK 672.0 bn with a y-o-y growth by 6.2% and 10.5%, respectively. It was worse (reversible) dynamics in comparison to the corresponding period of 2005, when revenues grew by 15.9% and expenditure only by 3.6%. Proportions of the budget revenues and expenditure to the nominal GDP were almost the same (28.5% and 28.4%, respectively), which was y-o-y less by 0.6% and more by 0.5%, respectively. From that it results that the budget performance in proportion to the GDP worsened.

- **Tax revenue grew slower; high growth of capital expenditure further accelerated**

Fulfilment of tax revenues was less favourable y-o-y (72.6% of the approved budget against 75.2% for the corresponding period of the last year), especially due to a failure in the collection of excise taxes (72.1% against 86.6%) and taxes from income of legal persons (83.3% against 95.5%). In total, tax revenues increased by 3.4%, while for the Q1 – Q3 2005 it was by 11.8%. Dynamics of the expenditure part was influenced both by capital expenditure of the budget (+37.5% y-o-y) as well as by current expenditure (+8.8%). Although it grew slower than total expenditure, its dynamics was almost four times faster than for the same period of 2005.

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

Latest CZSO data used in this report are from 8 December 2006. The analysis is based on monthly statistical data from branch statistics and quarterly GDP estimates.