

State Budget

- **Surplus of receipts over outlays**

State budget of the ČR for Q1 2005 ended in surplus CZK 8.3 bn, which was more positively affected by nonfulfilment of budgeted outlays rather than higher fulfilment of budgeted receipts. Year-on-year improvement of the state budget balance by CZK 16.1 bn was achieved more due to higher receipts (CZK 20.0 bn) rather than slower growth of outlays (CZK 3.9 bn). In relation to GDP the given surplus amounted in Q1 2005 to 1.2 %, which was year-on-year better result by 2.4 p. p.

- **Revenue growth acceleration**

Planned state budget for 2005 expected excess of outlays over receipts by more than one tenth, while in Q1 2005 receipts exceeded outlays by 4.2 %. Total receipts of the state budget for Q1 2005 reached CZK 206.8 bn; they were higher on a previous year by 10.7 % and fulfilment of annual budget 25.1 % also surpassed last year's fulfilment. The growth of total receipts was highly favourably affected by other receipts (9.1 p. p.) as well as by the increase of social security insurance (1.9 p. p.) and negatively affected (0.3 p. p.) by tax receipts. Tax receipts (excluding social security) CZK 102.7 bn were year-on-year lower by 0.5 % and their cash fulfilment (22.3 %) was also lower on a year ago. To a large extent it was a consequence of decreased VAT collections, whose negative effect of 4.9 p. p. could not be offset even by fast growing consumer taxes with a positive effect of 5.9 p. p. Year-on-year reduction of VAT collections was affected mainly by the abolition of its collection on imported goods from EU member countries following the accession of the CR into this community as well as the time shift of payments, when the customs ceased the collection of VAT on imported goods from third countries beginning 2005 and these taxes are collected based on tax returns. Other significant items of tax receipts ranged from the decrease of 2.2 % (personal income taxes) to growth of 8.9 % (corporate income taxes). Receipts from the social security insurance CZK 73.6 bn were year-on-year higher by 5.1 %, however their cash fulfilment was lower compared to the previous year as well as below the approved budget level. Pension insurance grew markedly (by 13.2 %), so the remaining social security insurance was deep below the last year's level. Non-tax and capital receipts and received subsidies of CZK 30.5 bn rose considerably year-on-year (2.3 times) and their budget fulfilment was also high (62.5 %). It is connected to the inclusion of the reserve funds created from the previous years' savings for use in this year.

- **Slowdown of the growth of outlays**

Total outlays of the state budget in Q1 2005 reached CZK 198.6 bn, which was by 2.0 % more year-on-year, while the cash budget fulfilment of 21.9 % was lower compared to the previous year. Current outlays of CZK 192.5 bn were year-on-year higher by 2.3 % and their cash fulfilment (23.0 %) was slightly lower on a year ago. This development was impacted by transfer of own resources into the EU budget (CZK 8.6 bn), which did not exist last year and also by not releasing any funds from the SB to cover the loss of CKA. With respect to current outlays, social benefits with the largest share reached CZK 83.8 bn and grew year-on-year by 8.9 % and contributed to the total outlays increase by 3.5 p. p. The growth of social benefits was mostly affected by the pension outlays, having a three quarter share on the benefits and year-on-year growth of 11.7 %. It follows that the total of the remaining current outlays was lower year-on-year. Non-investment transfers to regional public budgets summing CZK 25.7 bn dropped considerably (nearly by one quarter). On the other hand outlays on salaries, other payments for work done and insurance increased year-on-year by nearly one tenth, while their level of CZK 13.2 bn comprised only 14.8 % of the annual budget. Capital outlays of CZK 6.1 bn went down year-on-year and their drawing of annual budget was very low (only 8.7 %).

- **Budget deficit lower as per end-May**

New experience in the development of receipts and outlays of the state budget in Q1 2005 was the tendency of the public sector to surplus, which however shifted to deficit by the end of May. In five months of this year the state budget receipts totalled CZK 324.3 bn and outlays were drawn in the amount of CZK 351.4 bn, which led to the budget deficit of CZK 27.1 bn. In year-on-year comparison the receipts were higher by 12.1 % and outlays by 5.3 %, thus the deficit was lower by CZK 18.3 bn.

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

Latest CZSO data used in this report are from 9 June 2005. The analysis is based on monthly statistical data from branch statistics and quarterly GDP estimates.

Table 1 Monthly Macroeconomic Indicators

	Months 2004										Months 2005			
	IV.	V.	VI.	VII.	VIII.	IX.	X.	XI.	XII.	I.	II.	III.	IV.	
Consumer prices ¹⁾ , in %	2.3	2.7	2.9	3.2	3.4	3.0	3.5	2.9	2.8	1.7	1.7	1.5	1.6	
Producer prices ¹⁾ , in %	3.7	4.9	6.2	7.3	8.1	8.0	8.6	8.2	7.7	7.2	7.1	6.4	5.6	
Exports of goods ¹⁾ , in %	27.6	38.3	39.8	23.1	33.9	28.8	19.8	38.1	20.8	33.7	10.9	8.6	2.8	
Imports of goods ¹⁾ , in %	28.5	34.7	35.0	16.9	28.4	26.3	16.8	27.4	8.7	28.7	10.2	0.6	-7.5	
Trade balance, in CZK billion	-11.0	1.1	0.7	-6.9	-3.6	3.6	-2.3	2.1	-8.1	5.6	5.8	8.0	5.1	
Registered unemployment rate ²⁾	10.2	9.9	9.9	10.2	10.2	10.1	9.9	9.9	10.3	10.7	10.6	9.4	9.8	
Industrial production ¹⁾ , in %	10.1	12.7	15.1	11.0	8.7	6.6	8.1	10.9	8.3	7.2	5.6	0.1	5.7	
Construction works ¹⁾ , real % change	61.6	-4.7	-4.7	0.6	9.6	3.5	2.9	9.8	1.3	14.2	3.8	-16.0	-29.5	

Source: CZSO, MLSA

¹⁾ change on previous year

²⁾ proportion of unemployed registered with the labour offices to the labour force in %

Table 2 Selected Quarterly Macroeconomic Indicators

		2004				2005
		Q1	Q2	Q3	Q4	Q1
Gross domestic product	in CZK billion, in current prices	644.7	705.9	703.6	695.9	682.1
Gross domestic product	real % change	4.1	4.5	4.6	4.6	4.4
Final consumption	real % change	1.8	1.4	0.3	-0.1	-0.2
of which: household consumption	real % change	2.8	1.9	1.8	1.5	1.3
Gross capital formation	real % change	11.2	10.1	8.1	1.2	2.6
of which: fixed	real % change	7.9	7.4	8.0	7.0	5.5
Exports of goods and services	real % change	10.9	29.5	23.6	23.0	17.9
Imports of goods and services	real % change	11.0	27.8	19.3	15.5	12.1
Net export as % of GDP	in %, current prices	0.5	-0.4	-0.5	-0.9	3.3
Current account as % of GDP	in %, current prices	-2.1	-5.4	-7.9	-5.2	2.1
Financial account as % of GDP	in %, current prices	0.8	6.4	7.7	10.9	-2.2
State budget balance as % of GDP	in %, current prices	-1.2	-5.9	1.3	-7.6	1.2