

## State budget

- **Surplus budget with a high increase of income tax from legal persons** Although the historically best three-quarterly surplus from 2007 (36.3 billion CZK) was not exceeded, the positive balance of the state budget in the first three quarters of 2008 amounting to 10.5 billion CZK continued in line with the surpluses reported since 2005 and amounted to 0.4% of the nominal GDP.  
  
The expenses grew faster than receipts (year on year +10.1% and +6.1% respectively) with a fast growth of income taxes from legal persons (+16.1%). However, income taxes from physical persons decreased (-5.6%) year on year, which in monetary terms increased the difference between the two types of tax receipts – in the same period of 2007 the state budget of the Czech Republic received the income tax amounting to 88.7 billion CZK from legal persons and 73 billion CZK from physical persons, while in 2008 it was 103 billion CZK and 69 billion CZK respectively.
- **The income from VAT was slowly growing, the old age benefits increased in the current expenses** The income from VAT increased by 6.8%, i.e. faster than tax receipts (+6.3%), however the expectations associated with the January VAT increase failed to materialize (the income amounted only to two thirds of the approved budget). In comparison with the middle of the year (+3.9%) the growth rate increased. The only explanation is that the demand of households is partly realized abroad (the effect of strong Czech crown, particularly in the first half of 2008). The current expenses of the state budget indicate stagnation of the volume of wages of government employees and the overall growth of social benefits by 3.4% (from which old-age pensions grew by 7.2%).

Data sources: Czech Statistical Office (ČSÚ), Ministry of Finance of the Czech Republic (MF ČR), Czech National Bank (ČNB), Ministry of Labor and Social Affairs (MPSV), calculations by ČSÚ.

The most recent data from the sources of ČSÚ, ČNB and MPSV contained in this report come from 12 December 2008. The report is based on monthly statistical data of industries statistics and quarterly estimates of GDP affected by seasonal influences.