# 8. State Budget

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| The deficit of the SB decreased slightly, year-on-year, for the second time in a row in H1 2025. However, significant budget deficit has been going on for six years. |  | The state budget (SB)[[1]](#footnote-2) ended with a deficit of 152 bn CZK in H1 2025, which is the lowest in the last five years in the comparable period. The deficit decreased by about a sixth, year-on-year (similar to the same period last year). The approved SB also anticipates a slower year-round decline for this year (in relation to the deficit achieved in the previous year[[2]](#footnote-3)). The mild year-on-year improvement of the deficit was due to the relatively solid growth rate of total SB revenues, which is gradually reflecting the impact of the boosted economic performance. Growth of the SB expenditure continued to be dampened by the fading of the need for extraordinary expenditure for households and firms affected by the effects of high inflation. Both the revenue and expenditure side of the budget is also beginning to be affected to a greater extent by the effects of the “consolidation recovery package” (approved in 2023). A clear impact is already being made here by the change of the budgetary allocation of taxes (BAT), which again increases the share of the revenue of some taxes of importance in favour of the SB (at the expense of territorial budgets) from January 2025. |
| Total revenues increased, year-on-year, mainly due to higher collection of direct taxes and steadily growing social security premium. |  | Total SB revenues increased, year-on-year, in line with budget expectations in H1 (+5.7% or 55 bn CZK) and strengthened almost all important revenue items (except the revenues from the EU budget). The biggest impact continued to be exerted by rapidly growing tax income (+8.8%), driven mainly by higher collection of direct tax. The steadily increasing collection of social security premiums, including active employment policy (+28 bn CZK, +7.5%), also had a significant impact, reflecting the good condition on the labour market characterised by higher employment accompanied by rapidly growing average earnings in the business sphere. Among other items more marginal in terms of weight, the higher revenue from the gambling tax (+2.4 bn, +38%), which reflected the increase of tax rates as well as the change of the BAT for some types of games, had the highest impact. |
| The rapid growth of statewide tax collection continued. The role of temporarily introduced extraordinary corporate taxes was weakening. |  | The statewide tax collection excluding insurance premiums (taking into account revenues at the level of all public budgets) increased by 8%, year-on-year, in H1 this year (similar to the same period last year). Mainly VAT (+2.3 p. p.) and ordinary corporate tax (+2.0 p. p.), whose role strengthened compared to last year, contributed to the higher collections. On the contrary, the importance of exceptionally temporarily introduced taxes for selected segments of companies weakened[[3]](#footnote-4) (+0.5 p. p.). |
| Growth of VAT collection, higher consumption of both households and the government sector strengthened slightly. Nevertheless, it remains slightly below budget expectations so far. |  | 7.4% more of the weight-dominant tax – VAT – was flowing to SB, year-on-year, this year (+13.4 bn CZK). Although the growth of collections strengthened slightly during H1, in total it still lagged slightly behind the full-year budget plan. At the level of all public budgets, the growth of collections was 5.8% – almost double the pace for the whole year 2024. Collections are increasingly reflecting the impact of slowly recovering household consumption[[4]](#footnote-5) as price developments stabilise, and continued growth of consumption by the general government sector is also having a positive effect. In addition, (unlike last year), the effects of the tax rate adjustment[[5]](#footnote-6) due to the effectiveness of the so-called consolidation package[[6]](#footnote-7) are already fully visible. |
|  |  | **Chart 17 Contributions of sub-incomes to year-on-year growth of total statewide tax income collection** (in p. p.), **year-on-year growth of social security revenues** (%) **and state budget balance** (in bn CZK) **within H1** (1st half-year cumulations) |
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|  |  | \*Also includes contributions to state employment policy.  \*\*Balance adjusted for funds on programmes/projects from the EU and FM budgets, which were pre-financed from the SB and are subsequently paid for by the EU and FM budget. Figures are available starting year 2013.  *Other income taxes of NP* (natural persons) consist of taxes paid by payers (mainly from small enterprises) and further taxes collected by deduction (e.g. from bank deposits, work agreements).  *Other taxes and fees* include in particular real estate tax, gambling tax, motorway toll, tolls and, from 2023, also a levy on excess income and windfall profits.  Source: MF CR |
| Collection of excise duty mainly reflected changes in the taxation of tobacco and related products.  A slight increase of the collection of the tax on mineral oils was related to the development of road freight transport and higher demand due to low fuel prices. |  | The half-yearly collection of excise duty (including energy tax) increased by 6%, year-on-year (+4.5 bn CZK) this year. This growth has taken place for all key tax items and at the same time has so far exceeded budget anticipations (in recent years it has been rather the other way around). Also, some items (tobacco and tobacco products, alcohol) are more affected by the frontloading effect (influenced by the increase of the tax rate[[7]](#footnote-8)) than last year, and the growth of tax collection has thus gradually slowed down during H1 2025. Despite this, taxes on tobacco products contributed the most to the growth of total excise duty collection so far this year, from which a tenth more flowed to the SB, year-on-year (+2.6 bn CZK). The collection of the traditionally most important excise duty in terms of weight – on mineral oils – grew more moderately (+1.7%). There was a higher demand for these products resulting from the development of road freight transport as well as the favourable development of retail fuel prices[[8]](#footnote-9). Collections of more marginal tax items – levies on the performance of solar power plants (+49%, mainly due to the expansion of their grid) and further natural gas (+18%) and electricity (+8%), where the higher consumption in the 2024/2025 heating season due to relatively cooler weather and also the retreat of households from austerity measures manifested – grew much more rapidly. Among the partial items of tax, the state collected less, year-on-year, only for beer and wine (however, the decline is still very negligible for these items and thus essentially follows the whole of last year, when SB's income from these products rather stagnated). |
| Corporate income tax collection grew at a double-digit rate and, like the collection of extraordinary corporate taxes, has so far met budget expectations. |  | SB received 11.3% more on corporate tax (excluding extraordinary taxes), year-on-year (+12.2 bn CZK), in H1, bringing the pace of collection closer to the full-year budget expectations. The growth of collections accelerated significantly compared to last year's pace, although the impact of the across-the-board increase of the tax rate from 19% to 21%[[9]](#footnote-10) has not yet been fully reflected. On the contrary, similar to last year, the exemption of government bonds yields or the extension of the effectiveness of extraordinary depreciation had a negative (but only partial) effect on tax collection. In addition to the regular corporate tax, SB received 21.7 bn CZK this year thanks to the windfall profit tax, less than a fifth more, year-on-year. So far, the collection of this tax has slightly exceeded budget expectations. |
| Both employees and small entrepreneurs have made a significant contribution to the continued rapid growth of ITNP collections. The effect of the economic growth recovery and impacts of the consolidation package became apparent.  The rapid growth of ITNP collection levied by deduction has ceased. |  | Income tax of natural persons (ITNP) grew at a double-digit rate, year-on-year, for the fourth time in a row this year (+13.6%, +10.7 bn CZK). As with corporate tax, the revenue to SB is increased by a change in the BAT[[10]](#footnote-11). Traditionally, the highest contribution to its growth was the tax paid by taxpayers or from dependent activities (+8.4 bn CZK). This tax was favourably affected by the continuing good condition of the labour market (higher employment and rapid nominal growth of the average wage in the business sphere) and partly by the legislative changes from 2024 (in particular, the reduction of the band for the second enhanced rate of this tax, the abolition or limitation of selected tax credits and, to a lesser extent, the adjustment of the taxation of selected non-monetary benefits[[11]](#footnote-12)). Unlike in the previous years, the collection of personal income tax paid by taxpayers (mainly from self-employment) also grew dynamically this year, roughly doubling, year-on-year (+3.5 bn CZK). The growth of the number of small entrepreneurs and the effects of the consolidation package (reduction of the income threshold for the second, higher tax rate, abolition or reduction of certain tax reliefs) had a positive effect here. On the contrary, the collection of personal income tax levied by deduction decreased by 7.5%, year-on-year, this year. With the expected decline of interest rates on deposits, the previous three-year period of dynamic growth of income from this tax ended for the SB. The effect of the decline of rates is partly dampened by the relatively high level of household savings. The current decrease of collection is also related to a lower number of people working on agreements outside the main employment relationship (agreement to complete a job, to perform work). |
| Growth of the SB total expenditure has been slightly lower than the annual budgeted pace so far this year.  The expenditure growth was mostly driven by current transfers to regional budgets, especially in the area of education. |  | Although the year-on-year pace of the SB total expenditure strengthened[[12]](#footnote-13) slightly in H1 2025 (+2.5%, 28 bn CZK) compared to last year, it has so far been somewhat lower than this year's annual budget expectations. Both current and capital expenditures stood behind the total expenditure growth this year. The impact of higher current transfers to regional budgets was most noticeable, reaching 186 bn CZK (almost a sixth of all current expenditure) and increasing by 13.6 bn CZK (+7.9%), year-on-year. The higher expenditure reflects, first of all, the strengthening of funds for regional education, primarily to raise the salaries of workers[[13]](#footnote-14), then for co-financing non-research educational projects supported by the EU and, last but not least, for social services. In contrast, there was also a decrease of funding in the area of integration of refugees from Ukraine (compensatory allowance for accommodation, Ukrainian teaching assistants). |
| Pension spending has grown the least in the last 11 years. The impact of a moderate adjustment and a tightening of the conditions for granting early retirement pensions became apparent.  The deficit of the pension insurance system has fallen to a four-year low.  . |  | Despite its relatively more modest growth in terms of the budget anticipations (+2.1%), expenditure on social benefits (+9.7 bn CZK) had still an important impact on the SB in H1 2025. More than three-quarters of these expenditures are long-term pension insurance benefits. SB expended 0.4% more on pensions this year, year-on-year, which was the lowest growth in the last eleven years. The moderation of consumer prices development has now been reflected in a relatively insignificant adjustment of pensions[[14]](#footnote-15), and the number of pension recipients has also decreased slightly (by total of 0.7%, of which old-age pensions by 1.1%), which was mainly related to the tightened rules for early retirement[[15]](#footnote-16). These increased by only 1.1%, year-on-year (the lowest in the available series since 2000). Although the year-on-year growth of pension premium collection slowed down for the second time in a row in H1 2025 (to +6.6%), the deficit of the pension insurance system[[16]](#footnote-17) decreased by more than two-thirds (to −9.2 bn CZK) and was thus the lowest in the last four years. |
| Growth of expenditure on non-pension social benefits accelerated mainly due to rapidly growing care contributions. The drawdown of the vast majority of other types of benefits increased.  In some types of social benefits, the longer-term decline of drawing due to the falling birth rate manifested. |  | Growth of expenditure on other (non-pension) social benefits accelerated to 8.5% this year, which represents a five-year high. SB spent more than 100 bn CZK on this area in H1 for the first time in history. Even though there was a year-on-year expenditure increase for almost all important types of benefits, the key role was played by an increase of the volume of significant contributions to care for the long-term ill (+4.4 bn CZK, +24%[[17]](#footnote-18)). After last year's decline of expenditure on humanitarian benefits (for Ukrainian refugees) caused by a decrease of the number of recipients, their use strengthened this year (+ 1.0 bn CZK, +27%), with a slight change in the number of benefits paid[[18]](#footnote-19). The growth of housing allowances continued for the fourth year in a row (by 1.3 bn CZK this year, +14%)[[19]](#footnote-20). The state also (in total) spent more on insurance benefits, year-on-year. The drawdown of unemployment benefits increased for the third year in a row (by 1.0 bn CZK this year, +15%), partly also due to a slightly growing number of job applicants. 25.7 bn CZK was directed to sickness insurance benefits in H1 this year, which are one of the most important types of benefits in terms of the number of recipients, up 3.2% year-on-year[[20]](#footnote-21). Sickness[[21]](#footnote-22) and care allowance contributed to the growth, by contrast the volume of maternity benefits declined for the third year in a row due to the falling birth rate. Among the non-insurance benefits, the more significant decline was for child allowance (−0.2 bn CZK, −6%) and especially parental allowances (−0.9 bn, −6%)[[22]](#footnote-23), which, however, is a longer-term trend closely related to unfavourable demographic developments. |
| Current subsidies to contributory and non-profit organizations grew at a double-digit pace. |  | Current subsidies to contributory and similar organisations increased by 12.3% (+7.2 bn CZK), year-on-year, this year, both due to higher contributions to the day-to-day operation of higher education institutions and support for research, development and innovation in the higher education and government sectors. Current transfers to non-profit and similar organisations have also grown rapidly this year (+15.5%, +2.5 bn CZK), mainly as a result of enhanced support for sports teams and major sports events and other sports expenditures. Expenditure on social care and assistance to families, as well as on European projects in the field of employment, has also increased. |
| Expenses on servicing the government debt continued to grow rapidly.  Year-on-year growth of the value of state debt accelerated, and internal and external debt also increased. |  | Net expenditure on servicing the government debt[[23]](#footnote-24), including mainly interest, amounted to a record 47.8 bn CZK in H1 this year and increased by 4.9 bn CZK, year-on-year (similar to the previous year)[[24]](#footnote-25). The amount of state debt reached 3,504 bn CZK at the end of June this year and increased, year-on-year, for the sixth year in a row. Its current growth (+9.3%) was almost double compared to the same period last year, on the other hand, it was far from reaching the rates of previous years of the current decade. Since the beginning of this year, the debt has increased by 139 bn CZK. Although the volume of total borrowing operations of the state[[25]](#footnote-26) was higher this year than in H1 2024, the volume of repayments also increased. The rise of debt during this year was largely related to internal indebtedness, which grew both due to treasury bills and other short-term debt instruments (+60 bn CZK) and medium- and long-term bonds (+88 bn CZK). The external state debt (in the koruna value) increased only very slightly and amounted to 184 bn CZK at the end of June. However, in a year-on-year comparison, external debt grew more noticeably (+20.6%), mainly due to loans from the European Investment Bank (for the development of transport infrastructure in the Czech Republic) implemented in H2 2024. |
| Growth of expenditure on non-investment purchases moderated compared to last year's pace, while the pace of expenditure on salaries in contrast accelerated.  The balance of sickness insurance ended in a surplus for the second year in a row, the highest since year 2008. |  | Other non-investment purchases and related expenditures (excluding government debt service) increased, year-on-year, in H1 this year (+5.8%, +2.3 bn CZK) [[26]](#footnote-27). The impact of savings on expenditure on the purchase of water, fuel, energy and maintenance was dampened by a compensation payment in the telecommunications[[27]](#footnote-28). After last year's de facto stagnation, expenditure on salaries in the organisational units of the state has increased by 5.9%[[28]](#footnote-29) this year, but so far slower than the full-year budgeted pace[[29]](#footnote-30). Due to the calming of the price level in the economy, there was only a slight increase in SB expenditure on public health insurance payments for the so-called state insured persons (+1.0 bn CZK, or +1.4%)[[30]](#footnote-31). Income from insurance premiums paid by employed persons increased at double-digit rates for the second year in a row (+10.3% this year), mainly due to the legal regulation in connection with the consolidation package[[31]](#footnote-32). Thanks to this strengthening, the total balance of sickness insurance[[32]](#footnote-33) reached a slight surplus last year for the first time since 2017, which increased further in H1 this year and amounted to 5.1 bn CZK (the highest balance since 2008). Of the other major current expenditures, only the contributions of own resources to the EU budget increased this year (+9.7%, +2.5 bn CZK). |
|  |  | **Chart 18 Selected expenditures of the state budget** (in bn CZK, 1st half-year cumulations) |
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|  |  | \*Expenditures on salaries in central government institutions. Do not include e.g. wage costs of regional education.  \*\*Also includes the foster care benefits.  \*\*\*Include Material deprivation assistance benefits, Benefits for people with disabilities, Care benefits based on Act on State Social Support. Humanitarian aid provided for citizens of Ukraine is also included here.  \*\*\*\*Contains mainly expenditures on purchase of services, materials, energies or other services (e.g. expenditures on repairs and maintenance).  \*\*\*\*\*Net expenditures correspond to the balance of the budget chapter State debt (no. 396).  Source: MF CR |
| The continuing decline of transfers to entrepreneurs was closely related to the termination of most support subsidies in the energy sector.  The decrease of operating subsidies to state funds has mainly affected the transport sector. |  | The growth of SB expenditure this year, as well as throughout the last year, was mostly dampened by current transfers to entrepreneurs. These decreased by 6.6 bn CZK, or a sixth, year-on-year (more than half in the last two years) and their amount paid out (33.9 bn CZK) returned to the "normal" last noticeable at the end of the last decade. This is related to the gradual expected reduction of most subsidies in the energy sector[[33]](#footnote-34). An order of magnitude less impact was the temporary decline of the research, development and innovation support provided to companies. On the contrary, subsidies for renewable energy sources increased slightly (to 10.4 bn CZK). The year-on-year decrease of current transfers to state funds (SF), which reached 13.7 bn CZK (−30.7%), also counteracted the growth of SB expenditure. This was mainly caused by the expected lower financing of SF transport infrastructure (to cover its deficit), and to a lesser extent also by the temporary decrease of transfers of SF to the environment (for European projects) and to agriculture (for direct payments to farmers). The SB has "saved" on contributions to building savings and supplementary pension insurance for citizens for the third year in a row. So far this year, 4.5 bn CZK has been directed to these purposes (40% less, year-on-year), the lowest in the available series for the first half-years. |
| SB capital expenditure increased very slightly, year-on-year. However, they did not reach even a third of the annual budget amount.  The growth of investments was driven by expenditure on transport infrastructure, including their repairs after last year's floods. |  | SB capital expenditure increased only slightly, year-on-year, in H1 this year (+5.2%) and its amount (80.2 bn CZK) was comparable to the same period of 2023. But in fact, the approved SB after the adjustments expects a record year-round volume of investments (266 bn CZK), more than a quarter higher, year-on-year, compared to the investments realised. Although the onset of investments is traditionally slower in the first half of the year, their performance so far this year (30% of the annual volume) is low compared to the practice of previous years[[34]](#footnote-35). Most of the expenditure comprised of investments made exclusively from national sources (43.8 bn CZK), which increased by a fifth, year-on-year, while the financing of joint programmes of the Czech Republic and the EU (or projects from other foreign sources) decreased by less than a tenth. The drawing of exclusively national resources increased mainly due to a higher allocation to transport infrastructure (+14 bn CZK), partly also to repairs of state-owned infrastructure after last year's floods. On the contrary, expenditure on defence has fallen, due to last year's higher base, or irregular financing of equipment for the Czech Army. A relatively deeper decline (almost to half of last year's level) occurred for investment subsidies to entrepreneurs, where the slower launch of projects at the beginning of the new EU programming period is evident. Total SB investments accounted for 6.9% of all budget expenditures in Q1 (similar to the same period from years 2022 to 2024) and this represents an average share in the long-term context (the last two decades). |
| The Czech Republic's revenues from the EU budget have almost doubled, year-on-year. However, after including funds from the Recovery Instrument, they fell by a tenth. The Czech Republic remained in the position of a net beneficiary in relation to the EU. |  | The Czech Republic's total revenues from the EU budget (excluding the EU Recovery Instrument[[35]](#footnote-36) or the National Recovery Plan – NRP) almost doubled, year-on-year, in H1 this year (to 55.5 bn CZK). All important types of revenue increased, with the greatest impact being the strengthening of Cohesion Funds, from which the Czech Republic received 17.1 bn CZK (the allocation was almost zero last year in H1, at the start of the new programming period). Most of the funds flowed to the Czech Republic this year in direct payments to agriculture (19.9 bn CZK), their drawdown is relatively smooth. The total payments of the Czech Republic to the EU budget increased by a tenth (to 32.9 bn). The net position of the Czech Republic vis-à-vis the EU budget (excluding NRP) thus amounted to +22.6 bn CZK this year, which returned to the long-term role of a net beneficiary after a slight pause[[36]](#footnote-37). If we also include this year's funds from the NRO (that the Czech Republic has been receiving since 2021), the overall positive balance with the EU would be even slightly more favourable this year (24.0 bn CZK). The Czech Republic has received only 1.4 bn CZK from this instrument so far this year (but a record 34.9 bn CZK in H1 last year). |
| The general government deficit in the Czech Republic widened slightly at the beginning of this year. The pace of revenue growth continued to slow.  On the contrary, expenditure growth accelerated. There was a recovery in the payment of subsidies, and growth of intermediate consumption and fixed investment strengthened. On the other hand, there was a significant slowdown of the social benefits dynamics. |  | The general government sector (VI) in the Czech Republic ran a deficit of 73.6 bn CZK[[37]](#footnote-38) in Q1 2025[[38]](#footnote-39), which was a one sixth higher, year-on-year[[39]](#footnote-40). Percentage growth of revenues was slower than growth of expenditure, which last occurred at the end of 2023. The trend of slowing down revenue apparent already last year continued. Total revenues, which reached 39.8% of GDP this year, increased in absolute terms by 4.5%, year-on-year, i.e. at half the rate of the beginning of last year (and at the same time the lowest since the end of 2021). Their growth was traditionally driven the most by net social contributions, which grew by 6.1% (although their pace weakened slightly compared to previous years). This reflected both continued moderate employment growth and brisk wage growth in the business sphere. Mainly due to the acceleration of VAT collection, revenue from taxes on production and imports increased (+4.0%). On the contrary, the collection of current income taxes (on pensions and wealth) stagnated this year (+0.2%) after double-digit growth at the beginning of 2023 and 2024. The only income item where there was a year-on-year decline this year was proprietary income (−2.9 bn CZK), where interest income decreased. Total expenditure, which reached 43.5% of GDP this year. They increased in absolute terms by 5.5%, year-on-year. Their growth rate accelerated compared to last year, mainly due to the recovery of subsidies paid, whose dynamics have been highly volatile in recent years due to turbulent energy prices. In contrast to previous years, when year-on-year expenditure growth was traditionally mostly driven by the weight-dominant item of social benefits (including social transfers in kind), almost all expenditure items contributed equally this year[[40]](#footnote-41). Mainly due to lower pension adjustment, growth of expenditure on social benefits slowed to 1.8% (this was the lowest pace since 2015 in Q1). Moderate growth of wage expenditure continued (+4.7%, similar to the beginning of 2024), while growth of intermediate consumption expenditure accelerated (to +7.5%) and a recovery occurred (mainly thanks to local government) for investment – fixed capital formation of the entire VI sector increased by 10.5%, year-on-year. |
| The deficit of sector VI in the EU decreased slightly, year-on-year. The deficit of the Czech Republic continued to be lower than in the EU or the euro area and was also relatively favourable compared to the Central European countries. |  | The budget situation in the area of sector VI in the EU Member States[[41]](#footnote-42) partially stabilised last year after the launch of moderate economic growth and the calming of price developments. The economic deficit in the EU and the euro area reached 2.9% of GDP equally in Q1 2025, which was a slightly better result than in the same period last year, or on average for the whole of 2024 (by 0.1 to 0.2 p. p.). The deficit was 2.2% of GDP in the Czech Republic this year, the same as last year's average. This was the lowest among Central European countries. Simultaneously, the domestic result is better than the EU average for the sixth quarter in a row. Romania stood out among the member states, where the deficit, despite a slight year-on-year improvement, reached 7.5% of GDP this year. France, Belgium, Poland and Austria also suffered a deficit of more than 5%, and it amounted to 2.3% of GDP in Germany. Only seven countries recorded a surplus this year (similar to last year) – exclusively smaller and medium-sized economies (the highest was in Cyprus: +5.6% of GDP). The economic balance deteriorated, year-on-year, in eleven countries this year – the most in Slovenia (by 2.9 p. p.), and of the major economies in Poland (by 1.8 p. p.). In contrast, the position of Greece improved the most (by 4.3 p. p.) and then e.g. Germany (+ 1.0 p. p.). |
|  |  | **Chart 19 Budget balance and debt ratio of the general government institution sector in selected EU states** (in % of GDP) |
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|  | Note: Budget balance is seasonally adjusted. The debt rate expresses the balance at the end of quarter.  Source: Eurostat |
| The debt ratio in the EU and the euro area increased only slightly, year-on-year, but still the most in almost four years.  Indebtedness in the Czech Republic continued to increase only slightly. Its level was half that of the euro area, but almost double that of the least indebted EU countries. |  | The year-on-year decline of the debt ratio of sector VI in the EU (and the euro area) stopped at the end of last year. Gross consolidated debt rose to 81.8% of GDP in the EU and 88.0% of GDP in the euro area at the end of Q1 this year. Although the growth rate was not high (+0.6 p.p. and 0.2 p.p., respectively), it was the most significant increase since Q2 2021. In half of the member states, debt levels have decreased, year-on-year, most notably in Greece (from 162% of GDP to 153%) and Cyprus (from 73% of GDP to 64%). Some other above-average indebted countries (Spain, Portugal, Hungary) also recorded a slight decrease, while the largest growth of debt this year occurred in Poland (+6.1 p. p., to 57.4% of GDP) and Romania (+4.1 p. p., to 55.8% of GDP) [[42]](#footnote-43). In addition, the position of some long-term highly indebted countries – Italy (at 138% of GDP), France (114%), Austria (85%) and Finland (84%) – also deteriorated. The debt ratio of the Czech Republic was the ninth lowest in the EU (43.4% of GDP[[43]](#footnote-44)) and its longer-term moderate growth continued, year-on-year (the effect of nominal change of debt was +2.5 p. p.[[44]](#footnote-45) in Q1, while rising nominal GDP contributed to a decrease of debt by −2.2 p. p.). Compared to the trough of the boom period (2015–2019), however, indebtedness in the Czech Republic increased by almost half (or 13.8 p. p.), and "only" by 4.4 p. p. in the total EU. Only six countries fared worse in this regard: Romania (+22.3 p. p.), Finland (+18.9) and further France, Estonia, Slovakia and Austria. On the contrary, eight Union members currently reported debt below the above-mentioned minimum – these are both the countries of northwestern Europe (Denmark, Sweden, Ireland, the Netherlands) and the countries of the southern flank of the euro area (Croatia, Greece, Portugal and also Cyprus, where the decline was as much as 28 p. p.). |

1. Unless stated otherwise, all data related to the state budget stem from the data of the Ministry of Finance (MF) of the CR regarding the treasury fulfilment. [↑](#footnote-ref-2)
2. Act on the state budget for year 2025 (based on the MF macroeconomic prediction from August 2024 and approved at the end of December 2024) anticipates annual deficit of 241 bn CZK this year, which is by 30 bn lower than the deficit achieved in year 2024. [↑](#footnote-ref-3)
3. These taxes are only represented by a windfall tax since 2024. It applies to energy, petrochemical and mining companies (in the field of fossil fuels) and also includes large banks. It works as a 60% tax surcharge applied to the excess profit of these companies, determined as the difference between the tax base in years 2023 to 2025 and the average of the tax bases for years 2018 to 2021 increased by 20 percent. However, the vast majority of this tax collection flowed to SB from the energy sector. [↑](#footnote-ref-4)
4. Real household final consumption expenditure increased by 2.5%, year-on-year, in the Czech Republic in Q1 2025, while general government consumption expenditure also strengthened (+2.0%). According to the first GDP estimate, consumption growth of households and the government sector continued (at an even higher pace) in Q2 2025. [↑](#footnote-ref-5)
5. This concerns the unification of two reduced rates (10% and 15%) into one of 12% (apart from books, which are now completely exempt from VAT). A number of goods and services are now subject to lower taxation (e.g. basic foodstuffs, medicines, medical products, construction work). The negative budgetary impact is mainly mitigated by the transfer of some items without demonstrable social or health significance to the basic 21% tax rate (beer, non-alcoholic beverages, services of authors and artists, hairdressing services, firewood, municipal waste, cleaning work). [↑](#footnote-ref-6)
6. This was first reflected in the cash implementation of the SB in February 2024 and thus has an impact not only on the absolute amount of VAT collection, but also on the year-on-year pace now. [↑](#footnote-ref-7)
7. This year, there was a further increase of the tax rate (classic tobacco products) and an expansion of the range of taxed products (e-cigarette refills from 2024, nicotine pouches, and other alternatives from 2025). At the same time, the consumption of alternative tobacco products is also growing thanks to higher social tolerance and also a still relatively lower level of taxation. [↑](#footnote-ref-8)
8. According to data from the Czech Statistical Office, the consumption of the most important item by weight – diesel fuel – increased by 1.8%, year-on-year, from January to May 2025 and motor gasoline by 1.7%. The average consumer price of Natural 95 petrol in the Czech Republic was 33.9/litre CZK in May this year (the lowest since September 2021) and diesel fuel was 32.7/litre CZK (the lowest since June 2023). Cross-border purchases (or stronger transit traffic) also probably contributed to higher domestic consumption, as the price of these commodities was among the lowest in Central Europe. [↑](#footnote-ref-9)
9. This will only be reflected in the collection for this July in connection with the tax settlement for 2024 for taxpayers who have a mandatory audit or whose tax return is processed and submitted by a tax advisor. [↑](#footnote-ref-10)
10. The collection of this tax at the level of all public budgets was 12.3% higher, year-on-year (14.8 bn CZK), in H1. In that, the collection of the most important ITNP in terms of weight – from employers (or taxpayers) – reached 105 bn CZK and for the first time exceeded the previous record level from year 2019, when the super-gross wage regime (with higher total taxation) was still in force. [↑](#footnote-ref-11)
11. Most of these changes began to affect the amount of tax collection for the first time in February 2024. The impact of the abolition or reduction of some tax discounts was first felt during the annual tax settlement (in April 2025). [↑](#footnote-ref-12)
12. This is mainly due to the fact that in 2024 there was a significant decline of support for households and companies affected by previously high energy prices. Consumer price growth also stabilised last year, which was soon reflected in lower pressure on the adjustment of a wide range of social benefits. [↑](#footnote-ref-13)
13. Expenditure on teachers' salaries increased by 7% from 1 January 2025 and increased by 5% for other teaching staff (tutors, teaching assistants) and non-teaching staff. The increase of salary tariffs by 1,400 CZK affected only non-teaching staff. The year-on-year growth of expenditure also takes into account the continuing growth of the number of children, pupils and students in regional education and the greater use of the division of hours to improve the quality of teaching. [↑](#footnote-ref-14)
14. The basic amount of the pension assessment has been increased to 4,660 CZK (+CZK 260); the percentage assessment has increased by 0.6% and pensioners who reach the age of 85 in January 2025 will have their percentage assessment increased by another 1,000 CZK. The average monthly old-age pension thus increased by 358 CZK (+1.7%) in January. In June 2025, the average monthly old-age pension (excluding concurrence with other pensions) was 2.0% higher, year-on-year, reaching 22.3 thousand CZK for males and 19.9 thousand CZK for females. [↑](#footnote-ref-15)
15. From October 2024, the required insurance period has increased from 35 to 40 years. Further tightening has already taken place: the maximum period of early retirement has been reduced from 5 years to 3 years, the adjustment of the percentage assessment of early retirement up to the retirement age has been abolished, and the reduction of the amount of pension for early retirement has increased significantly. [↑](#footnote-ref-16)
16. This expresses the difference between income from pension insurance premiums and expenditure on these benefits (including expenditure on benefit system administration) according to the preliminary balance sheet of the Ministry of Finance. [↑](#footnote-ref-17)
17. This was closely related to the statutory increase of amounts for persons in the 2nd to 4th degree of dependency for both children and adults (from July 2024). In total, 380 thousand people received care contributions in June this year, up 2%, year-on-year. [↑](#footnote-ref-18)
18. The year-on-year development is influenced by an increase of the eligible costs of housing and accommodation for the purposes of determining entitlement to humanitarian benefits. In June 2025, 45 thousand benefits were paid. 7% less, year-on-year (but 79% less compared to the same period in 2022). [↑](#footnote-ref-19)
19. Due to the increase of the amounts of normative housing costs, the number of recipients of this benefit continued to grow slightly (it amounted to 312 thousand in June this year and was 11% higher, year-on-year). Compared to June 2021, the number of beneficiaries has almost doubled. [↑](#footnote-ref-20)
20. Compared to the record drawdown in the "pandemic year" of 2020, the state spent 15% less on these benefits this year. [↑](#footnote-ref-21)
21. The influence of higher morbidity was also evident here. According to CSSA data, the number of days off (associated with temporary incapacity for work) reached 42.3 million in H1 this year, and although it increased slightly, year-on-year (+2.6%), it was the second lowest number in the last six years. [↑](#footnote-ref-22)
22. The year-on-year decline of the use of both types of benefits was accompanied by a decrease of the number of their recipients. According to June data, it was 5% for child allowances (to 346 thousand) and 10% for parental allowances (to 225 thousand). [↑](#footnote-ref-23)
23. Net expenditure corresponds to the balance of the budget chapter State debt (No. 396). [↑](#footnote-ref-24)
24. The approved SB expects an increase of these expenditures by 11.5% for the whole this year, and their amount should reach 100 bn CZK for the first time in history. [↑](#footnote-ref-25)
25. The issuing activity of the state carried out in order to finance the repayments of the state debt and to cover the current state budget deficit was performed in the standard regime this year as well. The decisive part of the borrowings consisted of issues of koruna medium-term and long-term government bonds sold on the domestic market in H1, which amounted to 191.7 bn CZK (with an average residual maturity of 9.2 years and an average annual yield of 4.1% on fixed-interest bonds, these are similar values as in the same period last year). The stock of all domestic bonds (government bonds issued in the Czech Republic under Czech law) amounted to 3,307 bn CZK at the end of June this year, up by 8.3%, year-on-year. Financial institutions dominated among the holders of these bonds (68.2%). Households (3.5%) and non-financial corporations (1.5%) played a small role, while the weight of non-residents was traditionally significant (25.3%). Year-on-year, the weight of most financial institutions (especially banks and investment funds) among holders increased, to the detriment of non-residents in particular, and to a lesser extent also households and insurance companies. [↑](#footnote-ref-26)
26. The budget approved this year anticipates a similar growth rate, driven mainly by higher defence spending (purchases of services and materials). [↑](#footnote-ref-27)
27. It concerned a payment to the Czech Post (in the amount of 2.3 bn CZK) for the provision of a universal postal service. [↑](#footnote-ref-28)
28. This increase is reflected mainly in an across-the-board raise of salary tariffs for members of the security forces and soldiers (by 1,500 CZK) and most other civil servants (by 1,400 CZK). [↑](#footnote-ref-29)
29. The growth rate should gradually increase in the rest of this year, as strengthening of expenditure on the salaries of soldiers, police officers, firefighters and other members of the security forces has been approved with effect from July 2025. There will be an increase of the service tariffs of professional soldiers and their service allowances for housing, and the stabilization allowances for members of the security forces will increase across the board this year. [↑](#footnote-ref-30)
30. The impact of the newly introduced automatic indexation, which adjusts the assessment base of the payment by the sum of 100% of consumer price growth and 50% of real wage growth from January 2024, has become apparent. As a result, the monthly payment per person has increased from 2085 CZK to 2127 CZK since January 2025. [↑](#footnote-ref-31)
31. As of January 2024, the reimbursement of sickness insurance to employees has been reintroduced (in the amount of 0.6% of the assessment base) and the assessment base for the self-employed has been also increased. Later, the limits for participation in the insurance of an employee working on the basis of an agreement to perform work were set (from January 2025, this limit is 11,500 CZK). [↑](#footnote-ref-32)
32. This expresses the difference between income from sickness insurance premiums and expenditure on benefits from this insurance according to the CSSA's balance sheet. [↑](#footnote-ref-33)
33. These are mainly compensations for the supply of electricity and gas to customers and for losses due to the capping of their prices (with a year-on-year decrease of 8.7 bn CZK), which were still paid out at the beginning of 2024. [↑](#footnote-ref-34)
34. The last time a lower half-yearly implementation of investments was recorded was in 2017, when the financing of joint EU-Czech programmes from the 2007 to 2013 programming period ended and the start of the new period 2014 to 2020 was very gradual. For the whole year 2017, the volume of all SB investments reached only 76% of the annual expected amount. During the summer months, the situation partially improved this year, and at the end of August, less than half of the investments planned for 2025 had been spent. [↑](#footnote-ref-35)
35. This tool was created to address the economic and social impacts of the COVID-19 pandemic. It particularly aims at restoring the labour market, social protection and healthcare systems, reviving the potential for sustainable growth and jobs, the transition to a green and digital economy, research and innovation, support for agriculture and rural development. Expenditure takes the form of grants and loans to Member States provided by the Recovery and Resilience Facility (RRF) and six other EU spending programmes for the period 2021-2027. [↑](#footnote-ref-36)
36. The Czech Republic achieved a slightly negative balance in relation to the EU budget in H1 2024 (−1.2 bn CZK), for the first time in the first half-year since its accession to the EU. However, after including funds from the NRP, the total balance with the EU was still noticeably positive last year (+33.7 bn CZK). [↑](#footnote-ref-37)
37. Unless stated otherwise, data regarding the budget balance of sector VI in the CR are expressed in nominal terms and without seasonal adjustment. [↑](#footnote-ref-38)
38. Data regarding the budget of government institutions for Q2 2025 will be published by the CZSO on 1st October 2025, Eurostat subsequently on behalf of the Union member states on 21st October. More detailed assessment of the domestic development for Q1 2025 is offered in the publication Analysis of the sector accounts: [Analýza sektorových účtů](https://csu.gov.cz/produkty/analyza-ctvrtletnich-sektorovych-uctu-1-ctvrtleti-2025) [↑](#footnote-ref-39)
39. This deterioration was traditionally largely influenced by the widening of the deficit of central government institutions (by 12.0 bn CZK to 105.7 bn CZK). On the contrary, the surplus achieved by local government institutions (+33.8 bn CZK) was almost unchanged (−0.5 bn) compared to last year's value. Health insurance companies reported a very slight deficit this year (−1.7 bn CZK), which moderated to one half, year-on-year. [↑](#footnote-ref-40)
40. The exception presented the paid proprietary income, the slight decline of which (−1.6 bn CZK) was mainly due to lower interest paid. [↑](#footnote-ref-41)
41. All the following figures for income, expenses and balance are expressed after seasonal and calendar adjustment. [↑](#footnote-ref-42)
42. Although these countries are still relatively less indebted, the year-on-year increase of debt has been evident for more than the last two years. [↑](#footnote-ref-43)
43. At the same time, it has long been the lowest among Central European countries. [↑](#footnote-ref-44)
44. Nominal debt of the VI sector rose by 202,0 bn CZK, year-on-year, to 3 539,1 bn CZK. [↑](#footnote-ref-45)