

8. State Budget

Deficit of the SB considerably deepened year-on-year, which even the swift growth of revenues from the EU budget did not prevent.

State budget (SB)¹ showed a deficit of 215.4 CZK bn in H1 2023, which already represented nearly three quarters of the yearly planned deficit². SB attains deep deficit already for the fourth year in a row, only H1 2021 (when the pandemics of covid-19 was culminating as well as its perceptible impacts on both the revenue and outlay side of the SB) brought more pronounced deficit than deficit this year. This year's deficit was in addition mitigated by the revenues from the National recovery plan. Half-yearly SB balance after adjustment for all revenues and outlays associated with the common CR and EU projects mildly exceeded 250 CZK bn and deepened by 68.6 CZK bn year-on-year (balance without this adjustment then analogically by 32.4 bn).

Growth of SB revenues was the most driven by total tax collection. Its dynamics nevertheless weakened. SB balance was supported by the stable growth of revenues from the social security insurance, rising revenues from the EU budget also had a favourable effect.

Total SB revenues also as a result of high price growth in the economy swiftly grew (16.5%) year-on-year in H1, however did not completely fulfilled the budget anticipations³. Especially the higher collection of taxes without insurance (+51.4 CZK bn) stood behind the revenue strengthening. Rate of growth of the state-wide tax collection however weakened during H1 this year (+15.4% in Q1, +12.5% in Q2) and remained in the shadow of the record pace from H1 2022 (+18.7%). This development was influenced by the ongoing decrease of the household consumption, which adversely impacted the collection of indirect taxes. On the contrary the revenues from the social security insurance (also including the contributions on the state employment policy) have not lagged behind the budget anticipations so far and increased by 29 CZK bn year-on-year. The non-tax revenues then strengthened by nearly 50 bn (incl. capital income and received transfers). It was primarily thanks to its weight dominant item, i.e. revenues from the EU and Financial mechanisms⁴ (+44.6 CZK bn), where the essential June increase of revenues owing to the funds from the EU Recovery Instrument had an effect (implemented locally via the National recovery plan).

Collection of income taxes of legal persons continued at brisk pace and above the level of budget anticipations.

Corporate tax whose collection strengthened by nearly one quarter year-on-year (+20.9 CZK bn) the most contributed to the growth of the total SB tax income in H1 2023. The high profit rate of the non-financial businesses in the CR (it has been rising continuously since the beginning of the last year) is also reflected in the swiftly growing collection of this tax, which exceeds the budget anticipations. Businesses in the area of the financial sector also participated on the high collection. Beyond the standard corporate tax the SB also acquired the levy on excess income from the energy companies⁵ (12.8 CZK bn) in H1. On the contrary for another extraordinary income – windfall tax⁶ – the first payments of businesses are presumed only this year in September⁷.

Brisk growth of the collection of income taxes of natural persons sprang from the favourable position of employees on the labour market as well

SB revenues from the income taxes of natural persons (ITNP) also grew briskly when it was by 25.2%, i.e. by 13.3 CZK bn, higher year-on-year. It was mainly thanks to the key income taxes paid by payers (from dependent activity)⁸, which reflected the persisting growth of employment as well as the slightly accelerating growth of the average wage. The effect of tax changes also had an effect to a lesser extent here (continuing increase of the tax discount per the taxpayer, abolition of the compensation bonus to aid small businesses

¹ Unless stated otherwise, all data related to the state budget stem from the data of the Ministry of Finance regarding the treasury fulfilment.

² Based on Act No. 449/2023 Coll., on the state budget for year 2023, approved on 30th November 2022.

³ Collections of the "sector" tax from businesses from the unexpected profits and levies from the excess income (primarily estimated on 100 CZK bn, currently 64.5 bn), further for instance increase of the anticipated revenues from the emission allowances (to 82.5 bn) and significantly strengthened transfer from the so called privatisation account (to 45 bn) should fundamentally participate on the anticipated growth of the total SB revenues for year 2023 (+19.5%).

⁴ Contain revenues from the budget of the European Union and from the Financial mechanisms of EEA/Norway/Switzerland.

⁵ This levy (taxed by 90% rate) presents a difference between real income and ceiling of the market income from the sale of electricity above the given limit (for the time period from 1st December 2022 till the end of year 2023).

⁶ It applies to energy, petrochemical and mining companies and also involves large banks.

⁷ Nevertheless the original budget estimate of this annual collection was already vigorously revised in April this year (from 85 CZK bn to 28 CZK bn), partial correction of the anticipated revenue upward was then performed in August (to 46 CZK bn).

⁸ State-wide collection of ITNP from dependent activity (at the level of all public budgets) however still lagged by whole one fifth behind the level from H1 2019 this year. The shifting of the tax burden from labour since year 2021 (in connection with the abolition of the so called super gross wage) played a key role here.

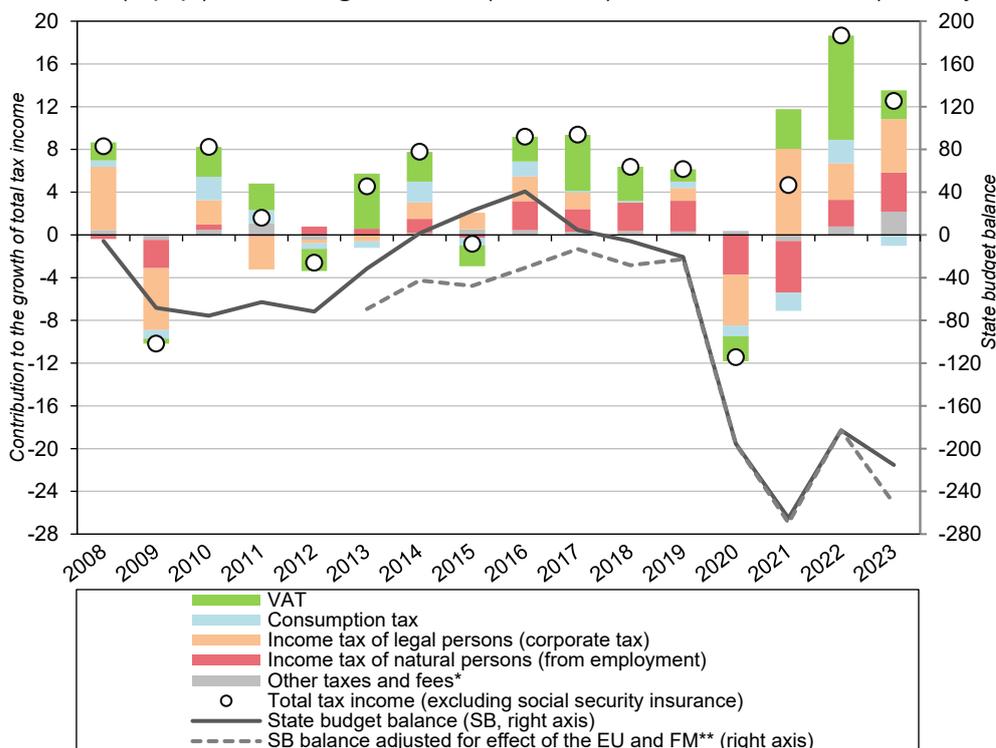
as the growth of the interest rates on deposits.

Rate of growth of the VAT still weakened during H1.

during the pandemics). Collection of the ITNP collected by deduction, where the state collected by 45% more year-on-year (thanks to the growth of the interest rates or larger number of persons with job agreement contracts as well) also flourished. On the contrary collection of the weight less significant tax ITNP paid by payers, which mainly aims at small entrepreneurs, lowered by nearly one fifth year-on-year⁹.

The VAT remains the most significant tax income for the SB. Its collection strengthened by 6.1% year-on-year in H1 2023 (the pace of collection further weakened during the half-year, it totalled only 3.2% in Q2 itself). From the view of the collection of tax the positive effect of the high growth of consumer prices was corrected by the adverse effect of the decrease of the household consumption (it lasted in the year-on-year perception six quarters in a row¹⁰). Growth of collection was in a lesser order subdued also by the increase of limit of sales for the VAT registration¹¹.

Chart 17 Contribution of constituent revenues to the growth of the state wide tax collection (in p. p.), state budget balance (in CZK bn) in cumulation for H1 (1st half-year)



*Other taxes and fees include mainly tax from real estate, tax on gambling winnings, toll and in year 2023 also newly the levy from excess income.
 **Data adjusted for the effect of funds from the EU and Financial mechanisms are available since year 2013.
 Source: MF CR

Year-on-year decrease of the collection of the consumer tax occurred for all significant commodities. Total collection considerably lagged behind the pre-crisis year 2019.

By 7.6% (i.e. 5.6 CZK bn) less flowed from the consumer tax (including the ecological tax and internet tax) to the SB year-on-year in H1. The size of collection thus clearly has not fulfilled the budget anticipations for now (similarly as the VAT). Collection of the tax has already been falling from the half of the last year and its size was one tenth below the level from H1 2019 this year so far. The collection of all weight more significant items of the consumer tax shrank year-on-year this year. Decrease of the collection of tax on mineral oils (-7.2%), notably influenced by the temporary decrease of the tax rate of the diesel fuel¹² played a key role. Impact of the decrease of volume of the freight transport due to the lower

⁹ Payment of the compensation for the tax period of year 2022 had a positive effect on the collection of this tax in July. Collection of tax lagged behind the last year's level already only by 3% from January till July. The approved state budget counts with the annual decrease of the collection of this tax for this year.

¹⁰ Quarter-on-quarter descend of the expenditures on final consumption of households however halted in Q2 2023 (+0.2%).

¹¹ It relates to the increase from 1 to 2 CZK mil, which became effective as of January 2023.

¹² The rate of the consumer tax on petrol and diesel by 1.5 CZK to 8.45 CZK per litre from June till the end of September 2022. This measure was prolonged for diesel until the end of July 2023.



turnover of the goods foreign trade likely also had an effect. The collection of the tax on tobacco products also fell (–8.3%), despite the ongoing increase of the tax rate. Since the change of the purchasing preferences of households impacted the collection more (the transfer of consumption to alternative products, less taxed locally, strengthening of the cross border purchases). SB received less year-on-year also on the tax on specific commodities (alcohol, wine, beer), presumably as a result of curbing the not-essential expenditures by the domestic households. Saving behaviour of both households and businesses led into vigorous decrease of the ecological tax collection.

Need for extraordinary transfers reflected in the swift growth of total SB outlays, whose rate of growth outpaced the budget anticipations.

Total SB outlays expanded by 16.8% (+162.6 CZK bn) year-on-year in H1 2023, their pace has surpassed the annual budget anticipations so far (by 4 p. p.). Both the state assistance connected to high prices of energies (not yet adequately offset by the extraordinary revenues from the taxation of the selected sector of the economy) and the impacts of the prevailing runaway inflation (pension adjustment, higher volume of paid out social benefits, growing repayments of the state debt) were reflected in the strong growth of SB outlays. Unlike H1 2022, not only investment but also current outlays contributed to the year-on-year growth of the SB outlays this year.

Fiscal expansion was linked primarily to the legal pension adjustment in H1.

Current outlays of the SB strengthened by 16.8% (+151.7 CZK bn) year-on-year in H1, which represented the highest pace in the current millennium¹³. Outlays on social benefits, whose volume rose by one sixth (i.e. 62.5 CZK bn) presented the main source of the fiscal expansion. Expenditures on pensions, which hiked up to 342.2 CZK bn and overtook the level from H1 by record 19.8%¹⁴ traditionally played a key role there. Apart from the last year's increase also the due legal adjustment from January 2023 (+4.7%) and extraordinary increase from June (by 3.9%, under already amended conditions) is reflected in their dynamics and further also the newly introduced regular allowance per every raised child (500 CZK). Number of retirement pension recipients went down, even though by a slower pace (–0.3% year-on-year) than in the previous two years despite higher interest in early retirement pensions¹⁵. Even though the good old condition of the domestic labour market supported the continuing solid growth of the pension insurance revenues, its year-on-year pace was not even one half of the expenditures on pensions this year (+8.9%)¹⁶. Balance of the pension insurance system¹⁷ thus dived into record deficit in H1 (–40.3 CZK bn), four-times higher year-on-year.

Decrease of the number of pension recipients continued in spite of higher interest in early retirement pensions.

93.3 CZK bn aimed at the non-pension social benefits from the SB in H1 and the year-on-year growth of outlays accelerated to 6.9% (nearly doubled pace compared to the year before). Outlays on state social support (SSP, +5.3 CZK bn), which experienced a marked increase of the volume of paid out housing allowances¹⁸ (+113%, mainly as a result of high prices of energies and rise of costs eligible for the payment, further the spread of awareness regarding the possibility to draw on this assistance in population, as well as the simplification

Higher drawing on housing allowance contributed the most to the year-on-year acceleration of the growth of outlays on non-pension social benefits.

¹³ In H1 2020 and 2021, respectively, when the current outlays of the SB were energetically raised by the transfers associated with the pandemics, their growth rate was “only” 15.5% and 10.6%, respectively.

¹⁴ The average monthly retirement pension (without concurrence with other pensions) thus crossed the boundary of 20 CZK thousand for the first time in June this year. It reached 21 520 CZK for males, 19 038 CZK for females. Thanks to the introduction of “child-raising” the difference in the level of pensions between males and females narrowed significantly. Solo retirement pension of females lagged behind the level of males by 11.5% (by 16.5% one year ago). The relative difference of pensions between gender was thus already slightly lower than in case of the average wages this year.

¹⁵ Growth of the number of all recipients of permanently reduced retirement pensions gained pace this year (to 3.5% in Q2 year-on-year, the most in the last seven years). This number does not include persons, which lodged an application for the early pension, but deferred the commencement of its payment. Heightened interest in early pensions primarily sprang from the advantageousness of the adjustment mechanism, in contrast the effect of possible worsened position of persons in the pre-retirement age on the labour market likely played only supplementary role.

¹⁶ This year's introduction of the discount on levies for employers providing part-time jobs to parents of smaller children, persons caring for their relatives or persons above 55 years had only marginal negative effect on the size of insurance collection. From February till July, firms used these discounts for 86 thousand employees, specifically in the total amount of 416 CZK mil.

¹⁷ It expresses the difference between the income from insurance on pensions and outlays on the pension insurance benefits (including the costs of its administration).

¹⁸ 8.2 CZK bn more was paid out on this benefit since the beginning of the year, the number of its recipients was also at a record level (it concerned 267 thousand households with average amount of the benefit of 6134 CZK only for this year's June).

Outlays on parental allowance, similarly to the sickness benefits fell for the third year in a row.	of the procedure to lodge an application for the benefit) essentially contributed to this year's growth. The volume of paid out child allowances also grew (+62%, mainly as a result of their across the board increase as well as the rise of the subsistence wage). The drop of drawing of the still weight dominant item of SSP – parental allowances (–5.7%) had an opposing effect. It manifested (after jump increase in year 2020) for the third year in a row. Among other benefits the social care benefits increased (+1 CZK bn). While mostly the newly introduced humanitarian benefit for the refugees from Ukraine stood behind their steep growth last year, it was living supplements this year (+30%), which help to individuals or families in situations of inadequate income (drawing of humanitarian benefits slightly declined at the same time – by 6%). The less significant by volume disability benefits also grew swiftly, mainly due to the higher mobility allowance. The volume of paid out unemployment benefits mildly grew this year in H1 after the last year's decrease (+6.7%), while the quantities of registered job applicants stagnated ¹⁹ . Outlays on the sickness insurance benefits lowered owing to the improvement of the epidemic situation year-on-year (–4.9%), specifically for the third year in a row. Nevertheless they still exceeded the level from H1 2019 by more than one fifth and thus represented not negligible outlay for the SB (24.2 CZK bn). Despite swift growth of insurance these benefits exceeded the revenues from insurance also this year, this deficit however reduced to one half year-on-year (by 3 CZK bn).
Sharp growth of the non-investment subsidies to businesses was connected to the cap on prices of energies for customers. The need for these extraordinary outlays was however weakening in Q2.	Next to the social transfers the non-investment outlays to businesses, whose year-on-year growth accelerated up to 128% in H1 (+43.7 CZK bn) and already reached more than 90% of the annual budgeted amount, also significantly participated on the strong growth of total current outlays of the SB. Mainly the extraordinary outlays are included here – mostly compensations for the supplies of electricity and gas to customers and the losses due to the cap on their prices (32.6 CZK bn, in that +23.9 CZK bn were allotted to Q1 2023) ²⁰ , further subsidies to the operators of the transmission system (7.2 bn) or assistance to firms in the energy intensive branches (4.6 bn). Higher advance subsidies on renewable sources of energy or the decrease of SB outlays on the solution of impacts related to the pandemics had a smaller effect on the development of transfers to businesses.
Wide spectrum of factors had their share on the swift growth of the current transfers to regional budgets.	Weight significant current transfers to regional budgets, which were higher by one sixth compared to H1 2022 (+26.0 CZK bn) also notably strengthened. It was connected to the strengthening of outlays into the area of regional education (+9.2 CZK bn, primarily on the raise of the wage tariffs of both teachers and other staff), social services or compensation allowance on the housing of refugees from Ukraine. The outlays on the co-financing of programmes in the area of education, supported from the EU budget also grew. Anticipated sharply growing outlays on the servicing of the state debt also notably burdened the SB (+14.5 CZK bn) ²¹ . The half-yearly size of these outlays attained 37.5 CZK bn (and by nearly one quarter exceeded the record debt outlays from year 2013). Payments of the anti-inflationary state debts to citizens had an essential influence here, rising interest rates of other instruments of the debt financing partial role then. Last item, which more notably supported the fiscal expansion this year, were the outlays on the wages in the central government institutions. These increased by one tenth year-on-year in H1 this year (+6.2 CZK bn) following previous two years of stagnation, which was connected mainly to the January raise of the pay tariffs of the public security forces and armed forces and last year's September increase for employees in the civil service. In addition after the freeze during the
In contrast the growth of outlays on servicing the state debt to the record level was clearly based in the pay-out of the anti-inflationary bonds.	

¹⁹ 70 thousand of registered job applicants (28% of their total number) were entitled to the unemployment benefit in June this year.

²⁰ The July data also prove, that the need for this extraordinary assistance gradually decreases during this year (in connection to the favourable trend of the development of prices of gas, electricity on the world markets). 36.4 CZK bn was paid out on the compensation to businesses from the SB due to the capped prices since the beginning of the year. In addition the assistance payment to businesses in the energy intensive branches in fact halted in Q2. On the contrary subsidies to the operator of the transmission system were in the significant amount also paid out in July and in cumulation arrived at already 10.1 CZK bn since January.

²¹ Net outlays correspond to the balance of the budget chapter State debt (No. 396).



pandemics, the outlays on the wages of constitutional authorities also considerably increased.

Outlays on the non-investment purchases of the state reduced due to the lower need of extraordinary outlays in healthcare or the material reserves.

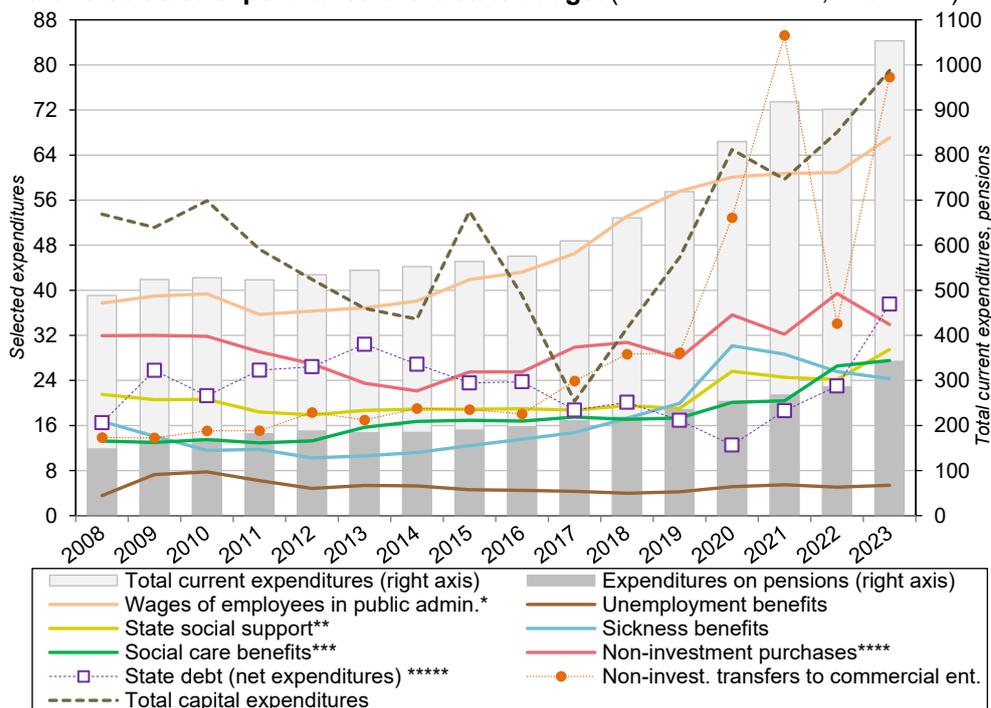
Even despite the above mentioned areas, areas which subdued the sharp growth of the SB current outlays still existed. They contained mainly non-investment purchases, whose volume cut year-on-year mainly the outlays on the acquisition of vaccines (-5.0 CZK bn) or area of state material reserves (-5.6 CZK bn). On the other hand the high price growth still made some common operating outlays more expensive here (for instance for purchases of water, fuels, energies or services). Current transfers to state funds also mildly decreased, mainly into the area of agriculture.

Capital outlays markedly increased, mainly thanks to the implementation of the National recovery plan.

Capital outlays of the SR increased by considerable 16.1% (to 79 CZK bn) year-on-year in H1. The brisk pace partially reflects the effect of the weaker last year's basis (the SB functioned in the interim regime in Q1 2022²²). 38.1% of the yearly budget size of the capital outlays has been invested so far this year (33.5% last year at the end of half-year, however 46.3% in year 2022). The largest volume of investment was aimed traditionally at the area of transport infrastructure (25.5 CZK bn), the New Green Savings Programme within the National recovery programme (where 8.9 bn was allocated, nearly double year-on-year) however mainly contributed to their growth and also the implementation of the projects within the Operational Programme Enterprise and Innovation for Competitiveness 2014+ or Integrated Regional Operational Programme 2014+. Total investment has shared even 7% on all SB outlays so far this year (similarly to H1 2022), it presents an average value from the long-term perspective. Slightly above average volume of so far released investment from the SB was associated with the common CR and EU projects this year.

The proportion of investment on total SB outlays reached an average 7%.

Chart 18 Selected expenditures of the state budget (cumulation for H1, in CZK bn)



* Covers expenditures on salaries in central government institutions. Does not include e.g. wage costs of regional education.
 ** Also includes the foster care benefits
 *** Includes 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 are also included here.
 **** Contains mainly expenditures on purchase of services, materials, energies or other services (e.g. expenditures on repairs and maintenance).
 ***** Corresponds to the balance of the budget chapter State debt.
 Source: MF CR, MLSA

²² Total of the monthly outlays in all central government institutions thus could have attained maximum of one twelfth of the total SB outlays determined in accordance with the approved Act on SB from year 2021. It led among other things to the postponement of the non-essential operational outlays as well as investment at the beginning of the year.

<p>Net positive position of the CR in relation to the EU budget strengthened year-on-year.</p>	<p>The CR further remains in the position of the net recipient in relation to the EU budget. The CR received from the EU budget 54.6 CZK bn (+13.0% year-on-year) in H1 2023, 33.9 CZK bn (+4.2%) travelled in the opposite direction. The CR has thus so far received by 20.8 CZK bn more, than it transferred to the EU budget. When including the sharply growing income from the EU instrument Recovery plan for Europe (+225%), the total positive balance arrives at 45.6 CZK bn (the second largest half-yearly value in the last seven years). Larger funds in the area of Structural funds, Cohesion fund as well as the direct payments in agriculture contributed by similar shares to the year-on-year growth of revenues. Funds on the rural development on the contrary slightly decreased (-0.9 CZK bn).</p>
<p>State debt conquered the limit of 3 CZK trillion for the first time in history at the end of H1.</p>	<p>Persisting deep budget deficits together with planned debt repayments were reflected in the high need of the state for credit. The state debt thus hiked up to record 3 044 CZK bn at the end of this year's June and increased by 337 bn (12.4%). Year-on-year percentage rate of growth was similar as last year at the end of June, however the debt growth for the first this year's half-year itself (+150 CZK bn) eased pace compared to H1 (+242 bn). Mainly the issue of medium and long-term state bonds stood behind the debt increase at the beginning of the year²³, however increased volume of short-term loans was also added in the same period of the last year. Mostly due to the above stated, a severe increase of the internal state debt occurred (by 352 CZK bn year-on-year, in that by 257 bn since the beginning of this year). On the contrary the koruna value of the external debt slightly shrank year-on-year and mainly owing to the repayment of short-term loans dropped by more than one third during Q1 2023²⁴.</p>
<p>Exclusively the internal indebtedness was growing, the koruna value of the external debt was shrinking.</p>	<p>The whole sector of the government institutions (VI) had a budget with deficit in the amount of 100.9 CZK bn²⁵ in Q1 2023²⁶. The deficit deepened nearly by one half year-on-year and represented the second highest deficit within first quarters in the contemporary history of the CR (after year 2021, when the pandemics culminated). Considerable year-on-year increase of deficit was connected to the growth of outlays (to 16%), which reflected solving of the energy crisis as well as other, mainly mandatory obligations. Deepening of the deficit was nearly solely attributed to the central government institutions (which reached deficit 137 CZK bn), in contrast the regional government institutions registered surplus of 35 bn (higher by 30 bn year-on-year) and the health insurance companies also maintained a mildly positive budget balance. Based on the seasonally adjusted data, the deficit of the whole sector VI 4.2% of GDP deepened by 1.3 p. p. year-on-year, however signs of stabilisation can be observed compared to the last year's second half-year.</p>
<p>Budget deficit of the government institution sector increased by 32 CZK bn year-on-year in Q1.</p>	<p>The whole sector of the government institutions (VI) had a budget with deficit in the amount of 100.9 CZK bn²⁵ in Q1 2023²⁶. The deficit deepened nearly by one half year-on-year and represented the second highest deficit within first quarters in the contemporary history of the CR (after year 2021, when the pandemics culminated). Considerable year-on-year increase of deficit was connected to the growth of outlays (to 16%), which reflected solving of the energy crisis as well as other, mainly mandatory obligations. Deepening of the deficit was nearly solely attributed to the central government institutions (which reached deficit 137 CZK bn), in contrast the regional government institutions registered surplus of 35 bn (higher by 30 bn year-on-year) and the health insurance companies also maintained a mildly positive budget balance. Based on the seasonally adjusted data, the deficit of the whole sector VI 4.2% of GDP deepened by 1.3 p. p. year-on-year, however signs of stabilisation can be observed compared to the last year's second half-year.</p>
<p>Seasonally adjusted deficit was 4.2% of GDP, it has not deepened compared to H2 2022 so far.</p>	<p>The whole sector of the government institutions (VI) had a budget with deficit in the amount of 100.9 CZK bn²⁵ in Q1 2023²⁶. The deficit deepened nearly by one half year-on-year and represented the second highest deficit within first quarters in the contemporary history of the CR (after year 2021, when the pandemics culminated). Considerable year-on-year increase of deficit was connected to the growth of outlays (to 16%), which reflected solving of the energy crisis as well as other, mainly mandatory obligations. Deepening of the deficit was nearly solely attributed to the central government institutions (which reached deficit 137 CZK bn), in contrast the regional government institutions registered surplus of 35 bn (higher by 30 bn year-on-year) and the health insurance companies also maintained a mildly positive budget balance. Based on the seasonally adjusted data, the deficit of the whole sector VI 4.2% of GDP deepened by 1.3 p. p. year-on-year, however signs of stabilisation can be observed compared to the last year's second half-year.</p>
<p>Growth of revenues of sector VI was driven mainly by the common taxes on income. Nominal growth of the collection of taxes tied to consumption lagged behind inflation.</p>	<p>Taxes on income and capital (+29.0 bn), received net social contributions (+22.4 bn) and taxes from production and import (+14.2 bn), which were strengthened by extraordinary item (tax on excess income) the most contributed to the growth of revenues of sector VI (+78.0 CZK bn) in Q1. Contribution of taxes tied to consumption was weaker since their yield lagged behind the inflation. Social benefits and natural social transfers (+38.0 CZK bn) and also paid subsidies (+30.2 CZK bn), which mostly included compensations for the supplies of electricity and gas, mainly participated on the growth of the total outlays of the sector VI (+109.9 CZK bn). The year-on-year growth of intermediate consumption (+14.5 CZK bn) and compensations to employees (+13.9 bn) also strengthened. High level of interest rates</p>

²³ Koruna state debts were issued during H1 2023 (with maturity above 1 year) in the size of 287 CZK bn (approximately by one tenth more year-on-year, but notably less compared to both years 2020 and 2021). In that 253 CZK bn formed bonds with fixed interest (with average residual time of the maturity of 8.7 years and the average yield 4.6% p. p.). Net issue of medium term and long term bonds (after deduction of realised repayments) totalled 142 CZK bn so far this year. The value of all domestic state bonds in circulation (also including state treasury bills) climbed up to 2 868 CZK bn this year at the end of June. In that 27.9% was held by non-residents, 65.9% belonged to domestic financial institutions (mainly banks and pension funds), households further owned more significant share (3.7%).

²⁴ The external indebtedness shared on the total state debt from only 5.9% at the end of this year's June.

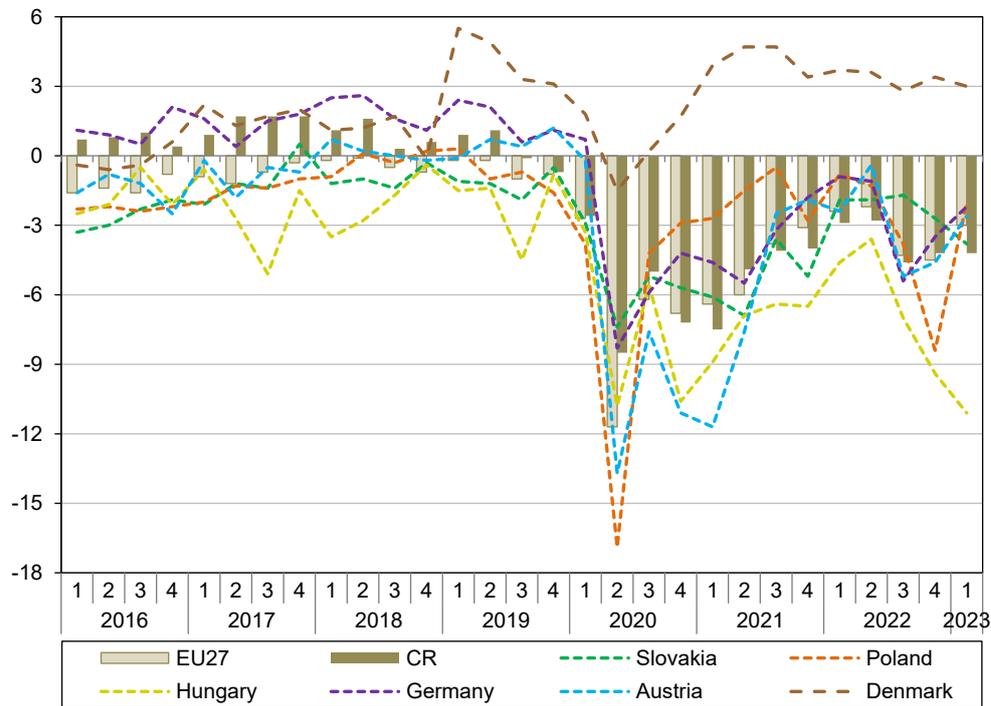
²⁵ Unless stated otherwise, data given below regarding the budget of sector VI are expressed without seasonal adjustment.

²⁶ Data regarding the budget of government institutions for Q2 2023 will be published by the CZSO on 2nd October 2023, Eurostat then on 23rd October 2023. More detailed assessment of the domestic development for Q1 2023 is contained in the publication *Analysis of the sector accounts*: <https://www.czso.cz/csu/czso/cr/analyza-ctvrtletnich-sektorovych-uctu-1-ctvrtleti-2023>



further affected the increase of the paid income from capital (+8.9 CZK bn). Paid capital transfers were markedly lower year-on-year (-7.4 CZK bn).

Chart 19 Budget balance of government institution sector in the CR, EU and its selected member states (individual quarters, in % of GDP, seasonally adjusted)



Source: Eurostat

Rate of indebtedness of sector VI further grew.

Debt of the sector of government institutions attained 3 099.4 CZK bn in Q1 2023 and expanded by 415.3 bn year-on-year. The indebtedness rate of the government institutions was by 1.7 p. p. higher year-on-year to 44.5% of GDP. Increase of the nominal debt contributed 6.0 p. p. to the growth of the relative indebtedness and on the contrary the GDP growth added 4.3 p. p. to the decrease.