

State budget

- ***State budget deficit was most favourable since 1997...***

Like other spheres of economy also state finance recorded in Q4 2008 deceleration of budget income. Strict restrictions of mainly capital expenditures but also of many items of current expenses, however, squeezed the total budget expenditures to the level which brought the most favourable results of state finance for the last 12 years.

The state budget deficit accounted for CZK 19.4 billion, i.e. only one third of the deficit in 2007 (CZK 66.4 billion) and in relation to GDP it shrank to 0.5% (in 2007 1.9% of GDP). Internal balance of the Czech economy improved according to this indicator.

Total expenses fell, y-o-y, by 0.8% total receipts increased by 3.8%.

- ***... at the slowdown of growth of income and absolute drop of total budget expenses compared to 2007***

Growth rate of total tax revenues slowed down due to which their dynamics (+3.3%) fell below the growth rate of total budget income. Taxes on income of legal entities remained – despite deceleration in Q4 which affected the total tax revenues – a rapidly growing tax item (+11.2%). The state received from companies by almost CZK 13 billion more than in 2007, however, in total, tax revenues (excl. insurance) increased y-o-y by only CZK 11.5 billion due to lower collections of physical persons income tax (CZK -7.1 billion) and lower consumer taxes (CZK -6 billion). Also for VAT expectations related to the adjustment of rates for the year 2008 were not met – VAT was expected to contribute to the increase of income from GDP by CZK 25 billion compared to 2007. The actual growth was only CZK 11.3 billion.

The state allocated less funds to active employment policy, to contributions to building saving in a building society and to the unemployment benefits. Social support benefits were lower compared with 2007 in total by CZK 7.5 billion, capital expenditure by CZK 10.3 billion. Expenses on pensions increased by CZK 22.7 billion (+7.8%), by one tenth increased contributions to pension additional insurance and also payments to the EU budget. Wages of civil servants as an important item of current budget expenditures increased by 1.2%, y-o-y.

- ***The Czech Republic as net beneficiary in relation to the EU budget***

Despite the fact that the country remains “net beneficiary” in financial flows between the Czech Republic and the EU (transfers from the EU budget exceeded payments from the Czech Republic by CZK 4.3 billion) their income side remained significantly below the budget estimates (final sum of CZK 34.6 billion compared to budgeted CZK 84.2 billion) and also compared to the results in 2007. Contributions to the EU were, compared to the budget estimates, higher.

Data sources: Czech Statistical Office (ČSÚ), Ministry of Finance of the Czech Republic (MF ČR), Czech National Bank (ČNB), Ministry of Labour 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 11 March 2009. The report is based on monthly statistical data of industries statistics and quarterly not seasonally adjusted estimates of GDP.