8. State Budget

The deep budget deficit persisted for the fifth year in a row. Thanks to the lower need for extraordinary expenditure, the deficit decreased slightly, year-on-year.

The Czech Republic state budget (SB)[1] performance resulted in a deficit of 178.6 bn CZK[2] at the end of H1 2024. The deep deficit weighed down on state finances for the fifth time in a row during this period of the year, however this year's deficit was the lowest in this comparison and fell by 37 bn CZK, year-on-year[3]. This is mainly related to the subsiding of the need for extraordinary expenditure for households as well as companies hit by the effects of high inflation. It still also affects the revenue side of the budget, including the extraordinary taxes temporarily imposed on selected sectors of the economy. In addition, the positive effects of the moderately recovering household consumption are slowly starting to manifest thanks to their improving financial situation and overall confidence in the economy. Apart from that, the first effects of the approved consolidation package to restore public finances can be traced in the collection of some income taxes already at the beginning of the year (e.g. an increase of the collection of some consumption taxes due to the frontloading motivated by the imminent increase of the tax rate). The legislative changes are also related to a change in the budgetary allocation of taxes, which increases the share of the revenue of some weight-significant taxes in favour of the SB from January 2024[4].

Higher tax collection as well as collection of social security premiums contributed to the total revenue growth.

The total SB revenues increased by 4.2%, year-on-year, in H1 and have so far exceeded the anticipated annual rate (+1.4%). Higher tax collection (+36 bn CZK) and revenues from the mandatory social security insurance[5] (+30 bn CZK) contributed the most to the growth. State-wide tax collection (taking into account revenues at the level of all public budgets) increased by 7.7% and its pace slowed down for the second year in a row. While mainly the collection of corporate tax and also VAT stood behind its growth in years 2021 till 2023, other incomes appear to be the most important growth factor so far this year. These are driven primarily by extraordinary revenues temporarily introduced to regulate the unstable development on the energy price market (windfall tax). This also reflects the growth of the real estate tax collection (+7 bn CZK)[6] related to the increase of statutory rates (+80%) and the collection of gambling tax was also higher due to legislative changes. State-wide tax collection (excluding extraordinary revenues) increased by 7%, year-on-year, in H1 (but by 10.3% in the same period last year). Mandatory insurance income increased by 9.0% (of which by 9.9% in Q2 2024). Not only the current recovery of the labour market (due to a slightly improved economic performance), but also the impacts of legislative changes[7] had an effect here.

Despite recovering household consumption, the growth rate of VAT collection slowed down and did not fully meet the budget anticipations in the

The SB gained 4.8% more on the weight-dominant tax – VAT – in H1 (+8.3 bn CZK, year-on-year). The growth rate lagged slightly behind the budget plan, albeit less significantly than last year. The growth attained 3.1% at the level of all public budgets (in that it only stagnated in Q2 2024), i.e. one half compared to the same period last year. The pace slowdown reflects the stabilisation of the price level in the economy. The slowly recovering

[1] Unless stated otherwise, all data related to the state budget stem from the data of the CR Ministry of Finance (MF) regarding the treasury fulfilment.
[2] This represents more than 70% of the planned annual deficit (according to the State Budget Act for 2024, approved at the end of November 2023). In previous years, however, the development of SB income and expenditure was more uneven during the year (e.g. the planned annual deficit was even 56% fulfilled in Q1 2023, but it was still met at the end of the year).
[3] The year-on-year decrease of the deficit was even more apparent after adjustment for funds from the EU budget, including Financial Mechanisms (FM). These are funds for programmes from the EU and FM budgets, which were pre-financed from the SB and subsequently gradually reimbursed from the EU and FM budget. Excluding these funds, which are included in the approved SB with a neutral impact, this year's half-year deficit amounted to 190.2 bn CZK, down by almost a quarter year-on-year.
[4] Thanks to this adjustment, the increase of the annual SB collection of 5.6 bn CZK from VAT, 2.3 bn CZK from personal income tax and 2.9 bn CZK from corporate tax is anticipated based on the MF estimate this year.
[5] It relates to the social security insurance and active employment policy.
[6] The yield from this tax remains the exclusive income of municipalities.
[7] This includes in particular the reintroduction of the payment of sickness insurance premiums paid by employees (0.6% of the assessment base, this rate was 1.1% until 2008). The increase in the assessment base for self-employed persons and the setting of limits for participation in insurance scheme for employees working on the basis of an agreement to complete a job is less important from the budgetary point of view. According to the MF's estimates, the annual increase of SB collection by 18 bn CZK is expected due to these adjustments this year.

middle of the year similarly to the last year.

household consumption[8] is gradually positively mirrored in the collection. In addition, the impacts of the tax rate adjustment[9] in relation to the effectiveness of the consolidation package have started to manifest since the beginning of the year.

The rapid growth of consumer tax collection was primarily connected to an increase in the rate on key products.

Consumer tax collection (including energy tax) increased by 9.8%, year-on-year, in H1 and has so far lagged slightly behind budget anticipations. The pace of collection slowed slightly in Q2, as the effect of a temporary surge in demand caused by frontloading due to a rise in the tax rate (alcohol) evaporated for some items. However, the total development of half-year collection was the most affected by the key tax on mineral oils, the collection of which grew (+15.8%), mainly due to the return of the diesel tax rate to the level before the energy crisis erupted[10]. A mild increase of the tobacco products tax collection continued (+5.1%), reflecting a further increase in the rate as well as the expansion of the range of taxed products (newly e-cigarette refills, nicopods).

The growth of collection of regular corporate tax nearly halted. On the contrary, 5 bn CZK more was collected, year-on-year, on extraordinary corporate taxes in H1.

State-wide corporate tax collection (excluding extraordinary taxes) slowed down noticeably after double-digit growth in the previous three years in line with budget anticipations in H1 2024 (to 1.4%, and collection was even only stagnant at the SB level). In addition to the flow of regular corporate tax revenues, the irregular revenues also continued this year. The collection of windfall tax[11] has reached 18.2 bn CZK thanks to two quarterly advance payments so far this year (due to levies in H2 2023, the SB acquired 39.1 bn CZK in advances for the whole last year, substantially less than the original MF estimate). Budget anticipations have been significantly reduced for this tax this year and so already the current half-year collection fulfilled the annual plan. Unlike last year, the SB practically no longer counts on revenues from excess income tax[12], from which it received 18.5 bn CZK for the whole year (in that 12.8 bn CZK in H1).

The rapid growth of the tax on dependent activities of natural persons reflected the good condition of the labour market as well as legislative changes approved as part of the consolidation of public finances.

The SB received 18.0% more, year-on-year, from income tax of natural persons (ITNP) in H1, the growth rate is still located above the budget anticipations (which applies to all main types of ITNP). Mainly the key income tax from dependent activities contributed to the growth of collection (+17.6%)[13] contributed to the growth of collections. It favourably reflected both the persisting good condition of the labour market (higher employment as well as rapid nominal growth of the average wage in the business sphere) and legislative changes (in particular a reduction in the band for the second increased rate of this tax, and to a lesser extent also an adjustment in the taxation of selected non-monetary benefits or the abolition of some tax credits). The collection of ITNP collected by deduction also exceeded expectations. The persisting higher interest rates on deposits were behind the more than 20% growth of its collection, newly the reduction of the limit for the exemption of income from raffles and gambling was also reflected.

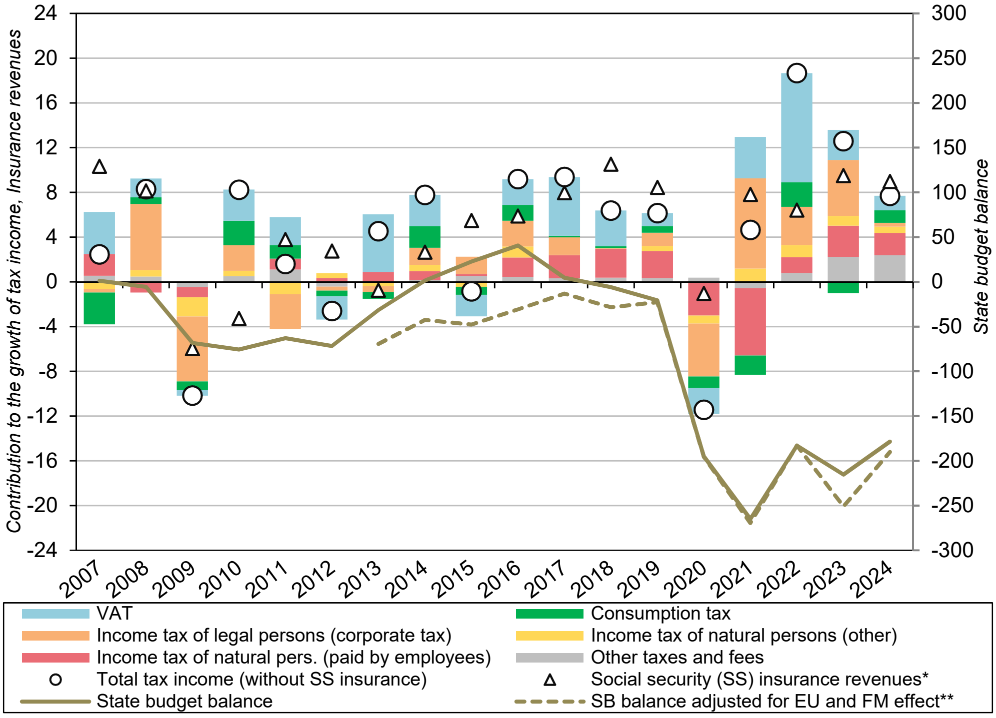
Non-tax and capital revenues were negatively affected by a deeper decline of revenues from the EU budget.

The non-tax and capital revenues of the SB fell in line with the budget anticipations, year-on-year, when they were lower by one fifth in H1 (−28 bn CZK). The effect of last year's record-high base, enhanced by the June reimbursement of funds from the National Recovery Programme (44 bn CZK, similar payments have reached only half the level so far

[8] Real expenditure on the final household consumption rose by 1.5% after adjustment, year-on-year, in Q1 2024 (it increased for the first time after six quarters). According to the first GDP estimate, these expenditures also grew in Q2. Government consumption expenditure grew even faster.
[9] This concerns the unification of two reduced rates (10% and 15%) into one of 12%. Thus many goods and services are now subject to lower taxation. At the same time, the negative budgetary impact is dampened by the transfer of some items of no demonstrable social or health significance to the basic tax rate of 21%.
[10] This increase eventuated last year since August (by 1.5 CZK per litre). The excise duty rate on diesel fuel thus returned to the original level (9.95 CZK per litre) valid until May 2022.
[11] It applies to energy, petrochemical and mining companies (in the area of fossil fuels) and also involves large banks. Vast majority of the collection of this tax however flowed into the SB from the energy industry. It serves as 60% tax surcharge applied to excess profit of these firms established as the difference between the tax base in years 2023–2025 and the average of tax bases for years 2018 till 2021 plus 20%.
[12] 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 period from 1st December 2022 till the end of year 2023).
[13] Still the state-wide ITNP collection from dependent activities (at the level of all public budgets) was situated slightly below the level of the record year 2019 in H1 2024 (by almost 8% or 8 bn CZK respective). The abolition of the so-called super-gross salary played a key role here.

this year) became apparent. The expected slower onset of drawing during the transition to the new programming period (2021 to 2027) is also evident in the decrease of revenues from the EU budget.

Chart 17 Contribution of constituent revenues to the year-on-year growth of the total state-wide tax collection (in p. p.), **social security insurance revenues** (year-on-year in %) **and state budget balance** (in bn CZK) **within H1** (1st half of the year)



*Include also contributions on state Active employment policy.
** Balance adjusted for funds on programmes/projects from the EU budget and Financial mechanisms, which were pre-financed from the SB and subsequently reimbursed from the budget of EU and FM. Yearly data are available starting year 2013.
NP = natural persons, LP = legal persons. Other taxes from the incomes of NP include taxes paid by the payers (mainly from small businesses) and further taxes collected by deduction.
Other taxes and fees contain mainly property tax, gambling tax, motorway and other tolls, and levy from excess income and unexpected profit also since year 2023.
Source: MF CR

Growth of current expenditure slowed significantly. The expected decline of extraordinary subsidies in the energy sector has become apparent.

Total expenditure of the SB stagnated in H1 (+0.2%) and have not deviated significantly from the annual budget anticipations so far (−0.5%). Current expenditure increased by only 0.5% this year (+4.9 bn CZK) after double-digit growth last year. This sharp easing of pace is mainly associated with the expected reduction of support in the energy sector (−35.5 bn CZK) enabled by favourable development of energy prices on world markets. The calming of price growth in the economy was also mirrored in lower pressure on the adjustment of a wide spectrum of social benefits. This has been further mitigated in pensions by legislative amendments to both the regular and extraordinary adjustment or by tightening the conditions for granting early retirement.

Expenditure on pensions increased relatively the least in the last six years. The half-year deficit of the pension account fell by one quarter, year-on-year.

The subsidies to state funds (up by almost two-thirds, year-on-year, or 17.3 bn CZK) have contributed the most to the growth of current expenditure so far this year, especially into the transport infrastructure area and, to a lesser extent, also into agriculture. The weight-important item of social benefits also had a significant effect (+17.2 bn CZK), which even despite slowing its growth, accounted for 39.9% of all SB expenditures – the most in the last six years[14]. Most of this year's increase of social benefits was traditionally related to expenditures on pensions. After the last year's record growth, they have increased by 4.3% so far this year. However, it presented the lowest percentage growth in the last six years due to the retreat of inflation and

[14] This year's share of social benefits on all expenditures however counts among the average in the long-term view.

a change of the adjustment mechanism[15]. On the other hand, the number of pension recipients increased again after a decline in the previous three years – by 0.6%, year-on-year, at the end of June 2024 (the most since the end of 2016). The number of persons receiving early pensions continues to grow significantly[16]. The pension expenditure grew more slowly than pension insurance income for the first time in three years. The half-yearly balance of the pension insurance system[17] thus decreased from last year's −38 bn CZK to −29 bn.

Growth of expenditure on non-pension social benefits also slowed. There was a lower drawing of parental allowances as well as humanitarian benefits for Ukrainian refugees.

The year-on-year growth of expenditure on other social benefits, as well as on pension benefits, slowed sharply in H1 2024 (to 2.7%). This was related to a decline of the volume of weight-important parental allowances (−1.0 bn and −6% respectively), which continued for the fourth year in a row. This year's decrease in drawing occurred despite the fact that the value of allowances for newly born children was increased[18]. Mainly due to greater targeting, the volume of humanitarian benefits for refugees from Ukraine decreased (by 0.4 bn CZK, 10%)[19]. On the contrary, the SB was more burdened mainly by higher expenditure on housing allowance (+21%, +1.7 bn CZK[20]), with a relatively slight increase in the number of its recipients by 5%. The impact of high energy prices and the increase of costs eligible for payment is still evident here, nevertheless also the growth of awareness of the possibility regarding the drawing this assistance in the population and the simplification of the procedure to apply for this benefit. Expenditure on other income-tested benefits (child allowance, allowance for living) increased only negligibly, year-on-year. In contrast, the growth of unemployment benefit expenditure accelerated (+21%, +1.1 bn CZK), and unlike last year, the higher number of job applicants entitled to benefits significantly contributed to the growth. Sickness insurance benefits were also drawn more this year (+2.7%, +0.7 bn CZK), thus the decline lasting the previous three years halted. The higher morbidity contributed to the growth this year, while the drawing of maternity benefits continued to decrease due to the falling birth rate this year. The balance of sickness insurance[21] was thanks to the strengthening of its revenue side in H1 positive again for the first time after 2017 (+3 bn CZK). Among the non-insurance benefits, the volume-significant care benefits (close to 19 bn CZK)[22] in fact stagnated, year-on-year, already for the second year in a row.

Mainly the housing allowances and unemployment benefits stood behind the increase in the drawing of non-pension benefits.

Despite higher expenditures, the half-yearly balance of sickness insurance ended in a slight surplus.

The sharper growth of expenditure on current purchases was connected to strengthening of defence and security.

In addition to social benefits, the non-investment purchases and related expenditure (excluding debt service) supported the growth of SB expenditure, which increased by one sixth, year-on-year (+5.9 bn CZK). Their drawing in H1 (40 bn CZK) exceeded even the high expenditures from the pandemic period (purchases of medical supplies) or the era of the energy crisis (gas purchases). This year's budget-anticipated increase of expenditure is closely related to the higher need for public spending on defence and security. In accordance

[15] In particular, newly not one half, but only one third of the real wage increase is considered during the increase of pension. From January 2024, only the basic assessment of all pensions was raised (by 360 CZK), the percentage assessment did not increase. The average old-age pension increased by 2.1% and reached (without concurrence with other pensions) 21.9 thousand CZK per month for males and 19.5 thousand CZK for females at the end of June 2024.

[16] Growth of the number of all recipients of permanently reduced old age pensions (SOP) accelerated during the last year and this development also continued at the beginning of year 2024 (to 8.5%, year-on-year, in Q1, the most since year 2012). Nevertheless, the pace slightly slowed in Q2 (to 8.3%). Number of SOP do not include persons, which lodged the request for early retirement, but postponed the commencement of its payout.

[17] It expresses the difference between the income from insurance on pensions and outlays on the pension insurance benefits according to the CSSA accounting balance.

[18] From January 2024, the basic contribution has been increased from 300 thousand to 350 thousand CZK. At the same time, the maximum period for receiving the allowance up to 3 years of age has been reduced (from the previous 4 years).

[19] Admissible cost of housing is considered during the calculation of the benefit amount (determined by the government regulation) since July 2023, whose size is dependent on the number of persons and the form of housing. 49 thousand recipients drew the humanitarian benefits this year in June, almost 60% less, year-on-year.

[20] Expenditure increased for the third year in a row, but its growth rate slowed down noticeably compared to last year. The volume of contributions has almost tripled this year compared to H1 2022 (to 9.9 bn CZK) and the number of recipients has increased by almost three quarters (it was 281 thousand in June).

[21] This expresses the difference between revenues from sickness insurance premiums and expenditure on benefits from this insurance according to the CSSA balance sheet.

[22] Expenditure on these benefits increased by 12.7% compared to H1 2020 and the average monthly number of their recipients remained almost unchanged (around 370 thousand persons). The population of the Czech Republic aged over 65 increased by 5% between years 2020 and 2023, of which 80 years and older by 11.5%.

The adjustment of expenditure on payments for state insured persons also eventuated.

with the approved SB, the expenditure on public health insurance payments for the so-called state insured persons also increased – they increased due to automatic adjustment[23] by one tenth, year-on-year, in H1 (+6.7 bn CZK). The weight-significant expenditures on current transfers to non-profit organisations (universities, public research institutions) stagnated in line with the budget anticipations. The same applies to expenditures on salaries in the central government institutions, where an across-the-board reduction of 2% related to the implementation of the consolidation package is reflected.

Current transfers to businesses fell to the second lowest level in the last five years.

Current subsidies to local budgets decreased overall, despite a slight increase in expenditure on the salaries of workers in regional education.

The expected reduction of support in the energy sector is reflected in the deep decline of current transfers to entrepreneurs in H1 this year (by 48%, year-on-year, 37 bn CZK). These are mainly compensations for the supply of electricity and gas to customers and for losses due to the capping of their prices, as well as subsidies to the transmission system operator. In addition, aid to companies in energy-intensive industries has been completely stopped this year. On the contrary, there was a relatively slight decrease in advance subsidies for renewable energy sources. The total amount of transfers to businesses in H1 2024 (40.6 bn CZK) was the second lowest in the last five years in the same period of the year. Volume-significant current transfers to local budgets lagged behind the level from H1 2023 this year in line with the budget anticipations (−4.5%, −8 bn CZK). Lower expenditure on European projects, together with a decrease in the compensation allowance for emergency accommodation of refugees from Ukraine, outweighed the impact of a slight increase in subsidies for regional education (+2.6%) intended primarily for the salaries of its staff.

Investment expenditures of the SB after rapid growth in the previous two years fell slightly this year. This is related to the transition to the new EU Programming period.

Growth in expenditure on investment purchases accelerated thanks to military contracts.

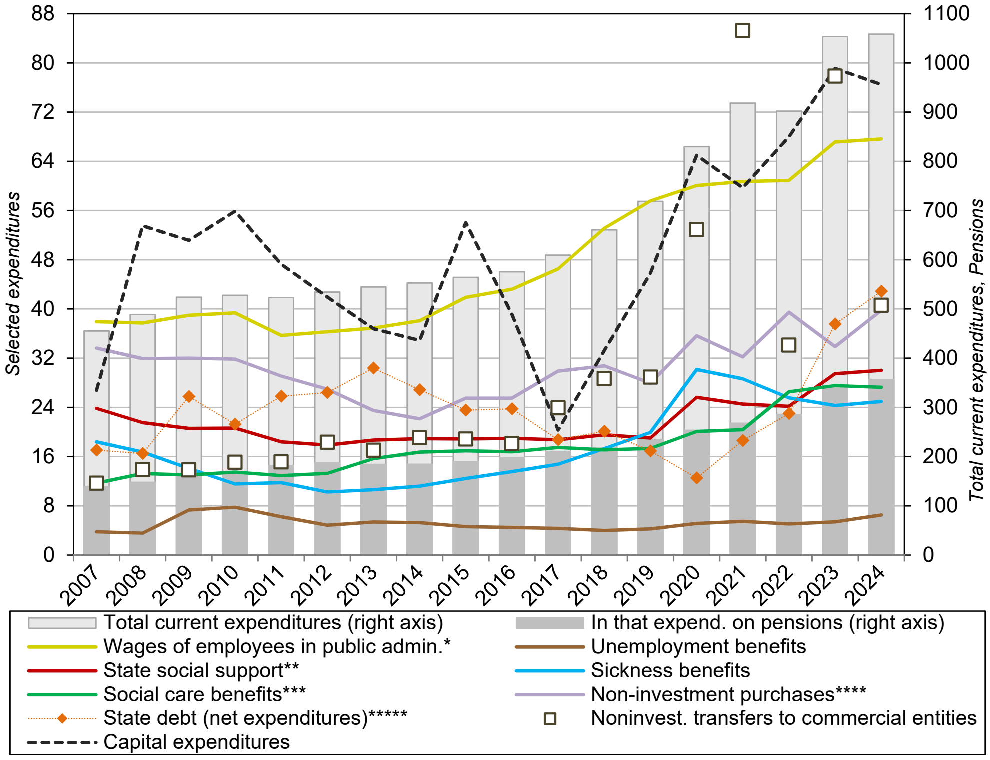
SB capital expenditure decreased slightly, year-on-year, this year (by 3.3%, 2.6 bn CZK) after double-digit growth in H1 of both 2022 and 2023. The approved SB expects a more than 10% year-round decrease in total capital expenditure due to the traditionally slower launch of investment in the new EU programming period. Slightly more than half of the investments implemented so far this year have been directed to joint projects of the CR and the EU (40 bn CZK). Lower expenditure on state funds – especially on transport infrastructure, the environment and agriculture played a role in the total decrease of investment. In contrast, the investment purchases grew briskly (+47%, +5.6 bn CZK), especially for the defence of the CR. The transfers to territorial budgets, universities or entrepreneurs, allocated mainly on the National Recovery Programme and the Integrated Regional Operational Programme, increased more modestly in absolute terms. The total investment of the SB accounted for 6.7% of all budget expenditures so far this year. It constitutes an average share for this period of the year in the context of the last decade (and at the same time higher than in years 2017 and 2018, when the transition to the new EU Programming period took place).

The CR revenues from the EU budget (excluding the Recovery Instrument) fell by almost one half, year-on-year. The CR net position vis-à-vis the EU was slightly negative.

The total revenues of the CR from the EU budget (excluding the European Recovery Instrument or the National Recovery Plan – NRP, respectively) fell by almost one half (to 28.5 bn CZK), year-on-year, in H1 this year. Revenues from the Cohesion Fund (−94%) and the Structural Funds (−49%) were reduced the most, among the less weight-important sources then the rural development funds (−64%). Direct payments to agriculture, which are traditionally quite stable, decreased less (−22%). Nevertheless, there was also a slight decrease in total payments of the CR to the EU budget (−12%). The net position of the CR towards the EU budget (excluding NRP) thus amounted to −1.2 bn CZK this year, which represented the first negative balance for H1 since the CR's accession to the EU. If we also include the funds from the NRP that the CR has received since year 2021, the total balance with the EU would continue to be substantially positive. The CR has received 34.9 bn CZK from this instrument so far this year, up 41%, year-on-year.

[23] The monthly payment per person went up from 1900 CZK to 2085 CZK as of January this year.

Chart 18 Selected expenditures of the state budget within H1



* Covers 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 year-on-year growth rate of the state debt was the lowest since Spring 2020.

The ongoing deficit results of the SB was reflected in the state debt. It rose to 3,207 bn CZK at the end of Q2 2024. It increased by 5.3%, year-on-year, and grew for already twenty quarters in a row. However, the growth rate was the lowest since the onset of the covid-19 pandemic. The debt increased by 96 bn CZK since the beginning of year 2024. Traditionally, mostly the internal indebtedness grew, mainly due to the issue of medium- and long-term government bonds[24] and, to a lesser extent, the issue of treasury bills. The external debt remained unchanged in H1 (it continued to decrease, year-on-year) and comprised less than 5% of the total state debt at the end of June this year. The issuing activity was sufficient to cover the total annual repayments of the CZK state debt in H1. Financial institutions dominated among holders of all domestic bonds in circulation at the end of June 2024 (62.1%, mainly banks, but also insurance companies and investment and pension funds), while non-residents owned 30.8% of bonds and their share decreased by less than 5 p.p. since the beginning of the year (simultaneously, the value of their bonds holdings also fell).

The debt increase was almost exclusively related to the internal indebtedness.

The slowdown of the growth of expenditure on state debt was mainly due to last year's high payout of government anti-inflationary bonds.

Net expenditure on servicing the state debt reached 42.9 bn CZK in H1 and continued to increase rapidly for the fourth year in a row (+14%, year-on-year). However, this has slowed down compared to the record pace of the same period last year (+63%, +14.5 bn). This development was associated with the stabilisation of the price level in the economy, which was reflected in lower payments of anti-inflationary government bonds to citizens this year and a slight decline of interest rate on other debt financing instruments.

[24] In H1 2024, government bonds (with maturity over 1 year) were sold with a total value of 161.4 bn CZK, in that the fixed-interest bonds worth 144 bn CZK with an average annual yield of 4.0% and an average residual time to maturity of 10.1 years. The total issue of medium- and long-term CZK denominated government bonds amounted to 287 bn CZK in H1 2023, of which the fixed-interest bonds amounted to 253 bn CZK with an average annual yield of 4.6% and a time to maturity 8.7 years.

Government expenditure grew the least in the last eight quarters. It resulted from the reduction of subsidies, but also a slowdown of the growth of intermediate consumption or wages paid. Revenue grew at a steady pace.

The general government (VI) sector in Czechia ran a deficit of 59 bn CZK[25] in Q1 2024,[26] which was almost one half lower, year-on-year. It presented the smallest deficit within the first quarters in the last four years. The year-on-year reduction in the deficit (−49 bn CZK) was due to a noticeable easing of pace of the expenditure growth (to 1.7%, the least in the last eight quarters) while maintaining a stable revenue growth (9.2%). Income growth was influenced by the strengthening collection of current taxes on income and wealth (to 20%) and steadily growing net social contributions (8.6%). Mainly the higher social benefits (including social transfers in kind) were reflected in the expenditure dynamics, nevertheless their growth slowed down (to 6.3%, to 13.3% a year earlier). Both the growth of intermediate consumption (to 6.2%) and compensation paid to employees (3.9%) significantly moderated. The expected deep slump of subsidies (−38%, −24 bn CZK), whose nominal level roughly returned to the level of early 2022 represented the most significant change. Fixed investment formation (−3.8%) also decreased, year on year, for the first time since the end of 2016.

The general government deficit shrank in the EU in Q1 2024. It fell by one half in the CR, year-on-year, and its level was lower than in the EU for the second quarter in a row.

The adverse trend related to slower growth of total sector VI revenues in the EU compared to their expenditure (relative to GDP)[27], which was evident for most of the last year, did not continue in Q1 2024. These revenues fell, quarter-on-quarter, due to weak economic growth in the Union (to 45.9% of GDP), however the reduction of expenditure was more drastic. The budget balance attained -3.0% of GDP (-3.2% in the euro area), the lowest deficit since the middle of year 2022. The deficit also reduced in the CR (by 1.2 p. p., quarter-on-quarter, by 2.1 p. p., year-on-year) to −2.0% of GDP (the best result since the end of 2019). Romania (−7.0% of GDP), Hungary (−6.0%), Bulgaria (−5.6%), Slovakia (−5.0%) and also the highly indebted economies of France (−5.6%) or Belgium (−4.5%) are currently suffering from deep deficits. Poland's deficit decreased noticeably (to −1.8%), but it deepened slightly in Germany (to −2.8%). Lithuania and Portugal reported a slight surplus, while more positive balances persevered in Ireland (+1.6%) and Denmark (+3.8%). The trend of a quarter-on-quarter decline of the debt ratio of sector VI in the EU (and the euro area), lasting almost three years, ceased in Q1 2024. The debt ratio amounted to 82.0% of GDP (or 88.7%) at the end of the year and increased by 0.5 p. p., quarter-on-quarter. The year-on-year decrease of the debt occurred in 14 countries – the highest in Portugal (from 112% of GDP to 100%) and also in Greece (from 169% of GDP to 160%), which has long been the most indebted country in the EU. Most above-average indebted countries recorded a more modest decline (except for Belgium). On the contrary, most countries with lower debt levels have seen a deterioration compared to last year (except for Sweden, the Netherlands and Luxembourg) – especially in those affected by the economic recession (Estonia[28] and Finland). The debt ratio in the CR was the eighth lowest in the EU (43.4% of GDP), increasing by 0.5 p. p., year-on-year. However, compared to the minimum from the boom period (2015–2019), it strengthened by almost one half (or 13.8 p.p.), and by “only” 4.2 p. p. in the whole EU. Only Romania (+18.1 p. p.), Estonia (+15.7) and France (+13.9) had worse results in this respect. On the contrary, eight Union countries currently reported debt levels below the above-mentioned minimum (e.g. Denmark, Sweden, Ireland, the Netherlands and Croatia).

The quarter-on-quarter descend of the debt ratio in the EU halted after three years.

The CR's debt ratio was the eighth lowest in the EU, but compared to its minimum from 2015 to 2019, its increase was one of the highest among EU countries.

[25] Unless stated otherwise, data regarding the budget balance of sector VI in the CR are expressed without seasonal adjustment.
[26] Data regarding the budget of government institutions for Q2 2024 will be published by the CZSO on 2nd October 2024, Eurostat subsequently on behalf of the Union member states on 22nd October. More detailed assessment of the domestic development for Q1 2024 is offered in the publication Analysis of the sector accounts: *Analýza sektorových účtů*
[27] All below stated figures related to revenues, expenditures and balance are adjusted for seasonality as well as calendar effects.
[28] The debt ratio of sector VI increased from 17% of GDP to 24%, year-on-year, in Estonia, and thus the country left its position as the least indebted economy in the EU (in favour of Bulgaria) for the first time since its accession to the EU.