30 June 2021

The government debt ratio significantly increased

Government deficit and debt – the first quarter of 2021

**In Q1 2021, the general government sector balance reached the deficit of CZK 136.3 billion, which corresponded to 9.9% of GDP. Revenues of the general government sector reached 40.1% of GDP, whereas expenditure amounted to 49.9% of GDP. The government debt ratio increased by 11.7 percentage points (p. p.), year-on-year (y-o-y), to 44.1% of GDP.**

In Q1 2021, the general government sector balance worsened by CZK 81.0 bn compared to the corresponding period of the previous year, which was contributed to mainly by the central government, the balance of which worsened by CZK 88.9 bn, y-o-y, and ended up with the deficit of CZK 154.0 bn. Contrarily, the local government sector performance ended up with the surplus of CZK 13.6 bn, which was an increase by CZK 2.1 bn, y-o-y. Social security funds performance improved by 5.7 bn, y-o-y, and ended up with the surplus of CZK 4.1 billion.

The general government sector balance, Q1 2019 – Q1 2021

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Period | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | Q1 2021 |
| CZK bn | -1.7 | 27.3 | 16.4 | -24.1 | -55.3 | -102.1 | -49.0 | -141.6 | -136.3 |
| % of GDP | -0.1 | 1.9 | 1.1 | -1.6 | -4.0 | -7.6 | -3.4 | -9.3 | -9.9 |

*Note: Data in the table are not seasonally adjusted and cannot be compared quarter-on-quarter.*

The total government revenues increased by 0.8% compared to the corresponding period of the previous year. Especially the following contributed to the y-o-y increase in revenues: growth of revenues from social contributions (+8.5% to CZK 239.4 bn) and from current transfers (+12.4% to CZK 14.4 bn). On the contrary, revenues decreased the most from the following: from taxes on income (-8.4% to CZK 99.8 bn), taxes on production and imports (-2.4% to CZK 143.0 bn), capital transfers (-28.0% to CZK 6.8 bn), and property income (-35.4% to CZK 2.8 bn).

The total general government expenditure increased by 14.1%, y-o-y. Expenditure on the following increased the most: social benefits (+11.8% to CZK 268.7 bn), subsidies (+80.2% to CZK 62.0 bn), capital transfers (+493.6% to CZK 22.3 bn), compensation of employees (+5.2% to CZK 154.6 bn), and other current transfers (+16.1% to CZK 40.1 bn).

The government debt ratio increased, year-on-year, from 32.4% to 44.1% of GDP while the decreasing nominal GDP contributed to an increase in indebtedness by 0.7 p. p. The nominal debt of the general government increased, y-o-y, by CZK 630.3 bn to CZK 2 519.1 bn and its contribution amounted to 11.0 p. p. In the quarter-on-quarter comparison, the debt ratio increased by 6.3 p. p. The nominal debt increased by CZK 366.1 bn, q-o-q, and contributed to the increase of the debt ratio by 6.4 p. p., whereas the contribution of the GDP worked in the opposite direction and was -0.1 p. p.

In Q1 2021, an increase of the debt (CZK 366.1 bn) was markedly higher than the deficit (CZK 136.3 bn). The general government borrowed by CZK 229.8 bn more than their need for financing was, which resulted in an increase of the value of assets held, especially of deposits.

Regarding the debt structure, the following increased, year-on-year: not only the issued debt securities (CZK +497.3 bn), but also the volume of received loans (CZK +134.6 bn), whereas the volume of deposits decreased by CZK 1.7 bn. The share of issued debt securities decreased, y-o-y, by 2.9 p. p. to 87.7%; however, the issued debt securities still remain to be the main debt component. In the quarter-on-quarter comparison, the value of issued debt securities and the volume of received loans also increased.

Debt of the general government sector, Q1 2019 – Q1 2021

The general government sector balance after seasonal adjustment as well as adjustment for calendar effects ended up with a deficit of CZK 128.9 bn, which corresponded to 8.8% of GDP. In the q-o-q comparison, the balance worsened by CZK 9.8 bn. The development of the general government sector balance adjusted by seasonal and calendar effects is shown in the chart below.

Seasonally adjusted general government sector balance, Q1 2019 – Q1 2021

The government financial statistics data in Q1 2021 continued to be influenced by consequences of the epidemiologic situation related to the spread of the COVID-19 disease, when many emergency measures of the Government of the Czech Republic remained in force.

Notes:

*Quantification of fiscal indicators of government deficit and debt mentioned above is based on the ESA2010 methodology. Data published in this release are methodologically consistent with the data used for the statistics of the excessive deficit procedure (EDP) purposes and for the assessment of how Maastricht convergence criteria are met.*

*The government surplus/deficit is represented by the item B.9 “net borrowing (−) or net lending (+)” in the system of national accounts. It refers to the ability of the general government sector to finance other sectors of the economy (+) or the need of the general government sector to be financed (−) by other sectors of the economy in the given period.*

*The general government debt is the amount of consolidated liabilities of the general government sector comprising the following items: received deposits, issued debt securities, and received loans. In case of foreign exchange debt instruments hedged against the currency risk, the value in CZK is obtained by means of the contractual exchange rate.*

*The general government sector balance is compared with the amount of the GDP in the given quarter at current prices. The amount of consolidated general government debt is compared with the sum of quarterly GDP for the last four quarters at current prices. Fiscal indicators of quarterly government deficit and debt are published within the Transmission programme (Table 25 and Table 28) on the website* [*www.czso.cz*](http://www.czso.cz) *in the “GDP, National Accounts” section.*

*(*[*http://apl.czso.cz/pll/rocenka/rocenka.indexnu\_gov?mylang=EN*](http://apl.czso.cz/pll/rocenka/rocenka.indexnu_gov?mylang=EN)*)*

*Unless otherwise stated, data are not seasonally adjusted as well as they are not adjusted for calendar effects.*

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