1 April 2020

Balance ended up with a surplus

Notification of government deficit and debt – 2019

**For the year 2019, the balance of the general government sector ended up with a surplus in the amount of CZK 15.4 billion; expressed as a percentage of the GDP, the surplus corresponds to 0.27% of the GDP. At the end of 2019, the general government debt dropped by 1.79 percentage points (p. p.), year-on-year (y-o-y), to 30.79% of the GDP. The mentioned fiscal data serving to an assessment of how the Maastricht convergence criteria are met were sent to the European Commission within the first notifications in 2020.**

The surplus of the general government sector dropped by CZK 33.9 bn, y-o-y. The balance of the central government reached a deficit of CZK 31.7 bn, while in 2018 it ended up with a surplus of CZK 9.1 bn. The surplus of local government increased by CZK 12.4 bn, y-o-y, to CZK 36.0 bn. The surplus of the balance of social security funds sub-sector (health insurance companies) decreased by CZK 5.6 bn to CZK 11.1 bn.

Table 1: Notification table of government deficit and debt, the Czech Republic, 2016–2019

|  |  |  |
| --- | --- | --- |
|  | Unit | Year |
| 2016 | 2017 | 2018 | 2019 |
| Net borrowing/lending of general government  | CZK mil. | 34 136 | 76 718 | 49 259 | 15 374 |
| General government consolidated gross debt  | CZK mil. | 1 755 142 | 1 749 701 | 1 734 626 | 1 740 468 |
| Gross domestic product (GDP), current prices | CZK mil. | 4 767 990 | 5 047 267 | 5 323 556 | 5 652 553 |
| Net borrowing/lending of general government as % of GDP | % | 0.72 | 1.52 | 0.93 | 0.27 |
| General government consolidated gross debt as % of GDP  | % | 36.81 | 34.67 | 32.58 | 30.79 |

The total general government revenue increased in 2019 by 6.1%, y-o-y; it was an increase by CZK 136.1 bn. All types of revenues increased with the exception of property income, which dropped by CZK 2.3 bn (−6.7%). Revenues from social contributions increased the most (+61.2 bn or 7.3%), taxes on production and imports (+41.2 bn or 6.5%), and income taxes (+24.0 bn or 5.2%).

The total general government expenditure grew in 2019 by 7.7%, y-o-y; i.e. by CZK 170.0 bn. The following increased the most: social contribution (+65.8 bn or 8.0%), compensation of employees paid (+53.5 bn or 10.3%), and gross capital formation expenditure (+27.8 bn or 12.1%).

Concurrently, due to updated data sources and methodological changes resulting from regular consultations with Eurostat, data for the years 2016 to 2018 have been revised. The most significant change was related to revenues from sales of ETS permits, for which accrual-based accounting is newly used. Revenue from the sale of emission allowances (credits) enters revenue of the general government a year after the sale takes place. Before, the revenue was recorded on the moment of the sale. The table below shows how the change influenced the balance in the years 2016 to 2018:

 **Table 2: Impact of the new capture of emission allowances on the balance, 2016–2018**

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| --- | --- | --- | --- | --- |
|  | Unit | 2016 | 2017 | 2018 |
| Impact on the balance | CZK mil. | −147 | −2 047 | −9 715 |

In the end of 2019, the general government debt reached 30.79% of the GDP. In the year-on-year comparison, the government debt ratio declined by 1.79% p. p. It was contributed to only by the increasing nominal GDP (+1.90 p. p.), while the nominal amount of the debt increased by CZK 5.8 bn. In the end of 2019, the general government debt reached CZK 1 740.5 bn; 91.8% of it consisted of issued debt securities the volume of which increased by CZK 43.6 bn, y-o-y, while the value of received loans dropped by CZK 34.2 bn. The volume of received deposits decreased by CZK 3.6 bn to CZK 5.1 bn.

Indicators presented in the table 1 were transmitted to Eurostat on 31 March 2020.

*Notes:*

*Notification of government deficit and debt is compiled always for the past four years and submitted to the European Commission by each Member State of the European Union always at the end of March and September each year, including a projection for the current year. The projection for the current year is compiled and published by the Ministry of Finance of the Czech Republic. Quantification of fiscal indicators is based on the ESA 2010 methodology. Pursuant to the Maastricht criteria, the government deficit must not exceed 3% of the GDP and the level of the accumulated government debt must not exceed 60% of the GDP.*

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

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

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