1 April 2021

General government sector balance ended up with the 9.4% of GDP deficit

Government deficit and debt – the fourth quarter of 2020

**In Q4 2020, the general government sector balance reached the deficit of CZK 141.6 billion, which corresponded to 9.4% of GDP. Income of the general government sector reached 41.8% of GDP, whereas expenditure amounted to 51.2% of GDP. The government debt ratio increased by 7.8 p. p., year-on-year (y-o-y), to 38.1% of GDP.**

In Q4 2020, the general government sector balance worsened by CZK 117.5 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 101.5 bn, y-o-y, and ended up with the deficit of CZK 113.1 bn. The local government sector balance reached the deficit of CZK 20.6 bn, whereas in the previous year it was only CZK 10.2 bn. Social security funds performance worsened by 5.6 bn, y-o-y, and reached the deficit of CZK 7.8 billion.

The general government sector balance, Q4 2018 – Q4 2020

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| Period | Q4 2018 | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 |
| CZK bn | -10.8 | -1.7 | 27.3 | 16.4 | -24.1 | -55.3 | -102.1 | -49.0 | -141.6 |
| % of GDP | -0.8 | -0.1 | 1.9 | 1.1 | -1.6 | -4.1 | -7.6 | -3.4 | -9.4 |

*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 (+8.4% to CZK 252.1 bn) and from taxes on income (+4.4% to CZK 129.0 bn). On the contrary, revenues decreased the most from the following: property income (-41.1% to CZK 3.8 bn), capital transfers (-29.2% to CZK 12.6 bn), current transfers (-6.9% to CZK 15.0 bn), and taxes on production and imports (-5.5% to CZK 171.5 bn).

The total general government expenditure increased by 18.9%, y-o-y. Expenditure on the following increased the most: subsidies (+58.9% to CZK 50.4 bn), other current transfers (+53.9% to CZK 32.1 bn), social benefits (+21.6% to CZK 276.0 bn), and compensation of employees (+16.7% to CZK 184.3 bn).

The government debt ratio increased, year-on-year, from 31.8% to 38.1% of GDP while the decreasing nominal GDP contributed to an increase in indebtedness by 0.5 p. p. The nominal debt of the general government increased, y-o-y, by CZK 413.1 bn to CZK 2 153.0 bn and its contribution amounted to 7.3 p. p. In the quarter-on-quarter comparison, the debt ratio dropped by 0.3 p. p. The nominal debt decreased by CZK 19.9 bn, q-o-q, and contributed to the decrease of the debt ratio by 0.4 p. p., while the contribution of the GDP was 0.0 p. p.

In the fourth quarter of 2020, the debt slightly decreased while the general government sector balance was in deficit. Both the deficit and the decrease of the debt were mainly covered by a decrease in the volume of financial assets held, especially of currency and deposits.

Regarding the debt structure, the following increased, year-on-year: issued debt securities (CZK +416.1 bn) and deposits (CZK +5.8 bn), whereas the volume of received loans decreased by CZK 8.7 bn. The share of issued debt securities increased by 1.7 p. p. to 93.4% and issued debt securities remain to be the main debt component. In the quarter-on-quarter comparison, the value of issued debt securities and the value of received loans decreased.

Debt of the general government sector, Q4 2018 – Q4 2020

The general government sector balance after seasonal adjustment as well as adjustment for calendar effects ended up with a deficit of CZK 121.1 bn, which corresponded to 8.3% of GDP. In the q-o-q comparison, the balance worsened by CZK 35.5 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, Q4 2018 – Q4 2020

Due to the epidemiologic situation related to the spread of the COVID-19 disease, emergency measures of the Government of the Czech Republic were in force in Q4 2020 the influence of which on the government financial statistics is described in a methodological note.

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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| *Next News Release will be published on:* | *30 June 2021* |