October 4, 2017

The balance in surplus, a moderate annual increase in indebtedness

Government deficit and debt – 2. quarter of 2017

In Q2 2017, **the general government sector balance** expressed as a percentage of GDP reached a surplus **3.64 percent**. In the same period of the previous year, the balance ended up in a surplus 2.38 percent of GDP. **The indebtedness** grew annually by 0.1 percentage point (p.p.) to **39.43 percent of GDP**.

The general government sector balance, the Czech Republic, 2.Q2016 – 2.Q2017

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Unit | 2016 | | | 2017 | |
| 2. quarter | 3. quarter | 4. quarter | 1. quarter | 2. quarter |
| Net borrowing (deficit) of general government | CZK mill. | 28 859 | 26 792 | -14 948 | 2 730 | 46 108 |
| % of GDP | 2.38 | 2.21 | -1.20 | 0.24 | 3.64 |

*Notice: Data are not seasonally-adjusted; data cannot be compared quarter-to-quarter.*

An annual change in the balance (CZK +17.2 bn) was predominantly driven by the development on the central government level (CZK +14.4 bn). A surplus of the local government institutions slightly declined annually by CZK 0.4 bn. On the contrary, the balance of the social security funds grew by CZK 3.2 bn.

The total government revenues increased annually by 8.6 percent, mainly in the form of income taxes (+10.5 percent), social contributions (+9.7 percent) and taxes on production and imports (8.3 percent). The total government expenditures increased by 5.5 percent annually. The highest growth was registered in compensation to employees (+7.8 percent) and social benefits (+4.0 percent).

At the end of the second quarter of 2017, **the** **indebtedness** grew from 39.33 to **39.43 percent of GDP**. A growth in nominal debt contributed to the annual change with +1.48 p.p. whilst the development of the nominal GDP reduced the increase by 1.38 p.p. Compared to the previous quarter, the indebtedness declined by 0.46 p.p. mainly due to a growing nominal GDP contributing 0.44 p.p.

Debt of government institutions, the Czech Republic 2.Q2016 – 2.Q2017

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Unit | 2016 | | | 2017 | |
| 2. quarter | 3. quarter | 4. quarter | 1. quarter | 2. quarter |
| Consolidated gross government debt | CZK mill. | 1 850 612 | 1 812 049 | 1 754 883 | 1 924 193 | 1 922 921 |
| % of GDP | 39.33 | 38.24 | 36.77 | 39.89 | 39.43 |

Long-term debt securities accounted for 84.3 percent of the total debt which represents an annual decrease by 2.8 p.p. On the contrary, the share of short-term debt securities increased by 4.5 p.p. to 7.7 percent of the total nominal debt.

*Notices:*

*Indicators of government deficit and debt mentioned above are based on the methodology ESA2010 and the Manual on government deficit and debt. Quarterly indicators published in this release are methodologically consistent with the annual indicators used for the EDP purposes.*

*Government surplus/deficit is represented by the item B.9 “net borrowing (-) or net lending (+)” in national accounts. It refers to the ability of general government sector to finance other sectors (+) or the need of general government sector to be financed (-) by other economic sectors. Deficit is compared with nominal GDP in given quarter.*

*General government debt is defined as sum of the items Currency and deposits, Debt securities and Loans. General government debt at the end of a given quarter is compared with the sum of nominal GDP in four previous quarters.*

*Fiscal indicators of quarterly government deficit and debt are regularly published within the Transmission programme (table 25, table 28) on the web* [*www.czso.cz*](http://www.czso.cz) *in the section “GDP, National Accounts” (*[*http://apl.czso.cz/pll/rocenka/rocenka.indexnu\_gov?mylang=EN*](http://apl.czso.cz/pll/rocenka/rocenka.indexnu_gov?mylang=EN)*)*

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