2 October 2019

Surplus of the general government sector reached CZK 58.4 billion

Notification of government deficit and debt – 2018

**For the year 2018, the balance of the general government sector ended up with a surplus in the amount of CZK 58.4 billion; expressed as a percentage of the GDP, the surplus corresponds to 1.10% of the GDP. Compared to the first notifications, the surplus increased by CZK 11.0 bn. At the end of 2018, the indebtedness of the sector reached 32.55% of the GDP; the year-on-year (y-o-y) decrease was by 2.11 percentage points (p. p.). The mentioned fiscal data serving to an assessment of how the Maastricht convergence criteria are met were sent to the European Commission within the second notifications in 2019.**

The balance of the general government sector in 2018 has been revised compared to the first notifications by CZK 11.0 bn. The increase in the surplus was caused mainly by updated data on tax income (CZK +11.6 bn), namely as for the current taxes on income (CZK +11.8 bn).

Notification table of government deficit and debt, the Czech Republic, 2015–2018

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| --- | --- | --- | --- | --- | --- |
|  | Unit | Year | | | |
| 2015 | 2016 | 2017 | 2018 |
| Net borrowing/lending of general government | CZK mil. | −28 260 | 34 274 | 78 765 | 58 396 |
| General government consolidated gross debt | CZK mil. | 1 836 255 | 1 754 883 | 1 749 532 | 1 734 720 |
| Gross domestic product (GDP), current prices | CZK mil. | 4 595 783 | 4 767 990 | 5 047 267 | 5 328 738 |
| Net borrowing/lending of general government as % of the GDP | % | −0.61 | 0.72 | 1.56 | 1.10 |
| General government consolidated gross debt as % of the GDP | % | 39.96 | 36.81 | 34.66 | 32.55 |

According to the revised data, the total general government revenue increased by 8.8%, y-o-y; it was an increase by CZK 180.2 bn. All types of revenues increased; social contributions increased the most (CZK +74.3 bn or 9.8%), income taxes (CZK +38.5 bn or 9.9%), taxes on production and imports (CZK +28.8 bn or 4.6%), and capital transfers (CZK +13.2 bn or 40.4%).

The total general government expenditure grew in 2018 by 10.2%, y-o-y; i.e. by CZK 200.6 bn. The following increased the most: compensation of employees paid (CZK +58.9 bn or 12.8%), gross fixed capital formation expenditure (CZK +53.1 bn or 31.0%), and social benefits (CZK +31.2 bn or 5.2%).

In 2018, the general government debt decreased by CZK 14.8 bn, y-o-y, to CZK 1 734.7 bn, which (when expressed as a percentage of the GDP) corresponds to 32.55% of the GDP. In the year-on-year comparison, the government debt ratio declined by 2.11 p. p. It was contributed to mainly by growing nominal GDP (+1.83 p. p.); a decrease in the nominal amount of the debt contributed by 0.28 p. p.

Concerning the debt structure, there was a decrease in issued debt securities (CZK −48.7 bn), especially the short-term debt securities (CZK −40.2 bn). The share of debt securities dropped by 2.02 p. p. to 89.6% and debt securities thus remain to be the major part of the government debt. The volume of received loans increased by CZK 31.1 bn; as for short-term loans there was an increase by CZK 42.8 bn, while the volume of long-term loans decreased by CZK 11.7 bn. The volume of received deposits increased by CZK 2.8 bn.

Indicators presented in the table were transmitted to Eurostat on 30 September 2019.

*Notes:*

*Notification of government deficit and debt is compiled for past four years and submitted to the European Commission by each Member State of the EU at the end of March and September each year under the terms of the Maastricht Treaty, including a projection for the current year. Pursuant to the Maastricht Treaty, the reference value for fiscal indicators of deficit is set at the level of 3 percent of GDP and for debt at the level of 60 percent of GDP. The projection of government deficit and debt for the current year is prepared by the Ministry of Finance of the Czech Republic.*

*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 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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