09. 01. 2016

Government deficit and debt – 3. quarter of 2016

Balance in a surplus, the level of indebtedness declined

**The general government balance** expressed as a percentage of GDP reached a high **surplus** **of 2.16 percent** in the third quarter of 2016. The surplus grew by 1.4 percentage point (p.p.) compared to the third quarter of the previous year.

Surplus/Deficit of government institutions, the Czech Republic, 3.Q2015–3.Q2016

|  |  |  |  |
| --- | --- | --- | --- |
|  | Unit | 2015 | 2016 |
| 3. quarter | 4. quarter | 1. quarter | 2. quarter | 3. quarter |
| Net lending/borrowing (surplus/deficit) of general government | CZK mill. | 8 796 | -31 495 | -8 793 | 24 285 | 25 798 |
| % of GDP | 0.76 | -2.63 | -0.80 | 2.03 | 2.16 |

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

In the third quarter 2016, an annual growth in government revenues reached 1.9 percent due to growing revenues in form of income taxes (11.2 percent), social contributions (7.0 percent) and taxes on products (4.7 percent). At the same time, a sharp decrease was registered in case of investments grants received by government (-77.1 percent).

Government expenditures fell by 1.7 percent annually. This annual change can be explained by a decline in government investment expenditures (-27.7 percent) in particular; at the local government level, an amount of investment expenditures declined dramatically (-56.5 percent). A downward trend in government investment expenditures was accompanied by a decrease in investment grants paid by government institutions to other sectors (- 15.4 percent). By contrast, a growth on the expenditure side was registered in the items compensation to employees (4.7 percent), intermediate consumption (1.6 percent) and social benefits (1.9 percent).

Annual growth in surplus by 17 mill. CZK was driven by the development at the level of local government institutions (+14 mill. CZK) and public healthcare companies (+3 mill. CZK). In case of central government, a surplus grew by 0.1 mill. CZK annually.

**General government consolidated** **gross debt** decreased annually by 1.92 p.p. to **38.73 percent of GDP**. This annual decrease in indebtedness was caused by both a growing nominal GDP contributing by 1.58 p.p. and a declining nominal debt (-15.6 mill. CZK). The indebtedness fell by 1.05 p.p. compared to the second quarter of 2016.

Debt of government institutions, the Czech Republic 3.Q2015-3.Q2016

|  |  |  |  |
| --- | --- | --- | --- |
|  | Unit | 2015 | 2016 |
| 3. quarter | 4. quarter | 1. quarter | 2. quarter | 3. quarter |
| Consolidated gross government debt | CZK mill. | 1 828 434 | 1 836 255 | 1 857 234 | 1 849 132 | 1 812 797 |
| % of GDP | 40.65 | 40.32 | 40.40 | 39.78 | 38.73 |

Shares of individual financial instruments on the total debt remain stable over time with a dominant position of the debt securities (90 percent).

*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)*)*

|  |  |
| --- | --- |
| *Responsible manager:* | *Vaclav Rybacek, Ph.D., tel.: 274 052 596, e-mail:* vaclav.rybacek@czso.cz  |
| *Contact person:* | *Jaroslav Kahoun, tel.: 274 054 232, e-mail:* jaroslav.kahoun@czso.cz  |
| *Coming News Release:* | *03. 04. 2017* |

*This press release was not edited for language.*