1 April 2020

Balance ended up with a deficit

Notification of government deficit and debt – 2020

**For the year 2020, the balance of the general government sector ended up with a deficit in the amount of CZK 348.0 billion; expressed as a percentage of the GDP, the deficit corresponds to 6.2% of the GDP. At the end of 2020, the general government debt increased by 7.8 percentage points (p. p.), year-on-year (y-o-y), to 38.1% 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 2021.**

The deficit of the general government sector dropped by CZK 365.8 bn, y-o-y. The largest share on the result has the balance of the central government that reached a deficit of CZK 360.9 bn, while in 2019 it ended up with the deficit only CZK 31.1 bn. The surplus of local government decreased by CZK 23.1 bn, y-o-y, to CZK 14.5 bn. The surplus of the balance of social security funds sub-sector (health insurance companies) decreased by CZK 13.0 bn to the deficit CZK 1.6 bn.

Table 1: Notification table of government deficit and debt, the Czech Republic, 2017–2020

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|  | Unit | Year |
| 2017 | 2018 | 2019 | 2020 |
| Net borrowing/lending of general government  | CZK mil. | 76 733 | 49 388 | 17 859 | -347 951 |
| General government consolidated gross debt  | CZK mil. | 1 749 677 | 1 734 602 | 1 739 932 | 2 153 032 |
| Gross domestic product (GDP), current prices | CZK mil. | 5 110 743 | 5 409 665 | 5 748 805 | 5 652 401 |
| Net borrowing/lending of general government as % of GDP | % | 1.5 | 0.9 | 0.3 | -6.2 |
| General government consolidated gross debt as % of GDP  | % | 34.2 | 32.1 | 30.3 | 38.1 |

The total general government revenue decreased in 2020 by 2.4%, y-o-y; it was a decrease by CZK 58.7 bn. The most dropped revenues from taxes on production and imports (-37.2 bn or - 5.4%), and income taxes (-33.1 bn or -6.7%). On the contrary, revenues from social contributions still increased (+14.3 bn or 1.6%).

The total general government expenditure grew in 2020 by 12.9%, y-o-y; i.e. by CZK 307.2 bn. There was an increase in almost all expenditure items, the most increased: social contributions (+131.7 bn or 14.9%), compensation of employees paid (+57.3 bn or 10.0%), subsidies, payable (+45.1 bn or 35.2%), capital transfers, payable (+27.6 bn or 77.3%) and gross capital formation expenditure (+24.7 bn or 9.8%).

Data for the year 2019 were slightly changed mostly due to updated information in data sources on taxes and on EU flows. No changes were made to the years 2017-2018.

In the end of 2020, the general government debt reached 38.1% of the GDP. In the year-on-year comparison, the government debt ratio growth by 7.8% p. p. It was partly contributed by the decreasing of nominal GDP (-0.5 p. p.), while the nominal amount of the debt increased by CZK 413.1 bn. In the end of 2020, the general government debt reached CZK 2153.0 bn; 93.4% of it consisted of issued debt securities the volume of which increased by CZK 416.1 bn, y-o-y, while the value of received loans dropped by CZK 8.7 bn. The volume of received deposits increased by CZK 5.8 bn to CZK 10.9 bn.

The major impact on the economic result of government institutions in 2020 has the development of the epidemiological situation in connection with the spread of the COVID-19. Especially in Q2 and Q4, a number of emergency measure of the government were taken, the impact of which on government finance statistics is described in a methodological note.

Indicators presented in the table 1 were transmitted to Eurostat on 31 March 2021.

*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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