03. 10. 2016

Notification of government deficit and debt - 2015

Current revision increased general government deficit in 2015, indebtedness continues to decline

General government deficit reached **CZK** **28.6 billion** in the year 2015. It equals to **0.63 percent of nominal GDP**, i.e. below the reference rate set by the Maastricht Treaty. Compared to the notification in April 2016, the deficit was revised upward by 0.21 percentage point (p.p.). Government gross debt was equivalent to **40.32 percent of GDP** at the end of 2015; compared to the notification in April 2016, the debt was revised downward by 0.74 p.p. Data for previous years (2012-2014) were not changed. The figures were sent to the European Commission within the framework of the second notification of government deficit and debt in 2016.

**Notification table of government deficit and debt, the Czech Republic, 2012-2015**

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|  | Unit | Year |
| 2012 | 2013 | 2014 | 2015 |
| Net borrowing (deficit) of general government (in current year) | CZK mil. | -159 552 | -51 129 | -83 063 | -28 607 |
| General government consolidated gross debt (at end of year) | CZK mil. | 1 805 429 | 1 840 412 | 1 819 098 | 1 836 255 |
| Gross domestic product (GDP) | CZK mil. | 4 059 912 | 4 098 128 | 4 313 789 | 4 554 615 |
| General government deficit in % of GDP | % | -3.93 | -1.25 | -1.93 | -0.63 |
| General government debt in % of GDP  | % | 44.47 | 44.91 | 42.17 | 40.32 |

The upward revision of the general government deficit in 2015 by CZK 9.9 billion was brought about mainly by new information on the EU funds drawing. In relation to the end of the 2007-2013 programming period, additional information on the amount which will not be reimbursed became available. In this respect, the deficit was deepened by CZK 11.9 billion whereas this amount corresponds to expenditures of government units made in the past “on behalf of EU”, but which will not be reimbursed. Aside from that, the deficit was further deepened by new information from annual statistical questionnaires and audited financial statements provided by government institutions (CZK -1.8 billion). Revision of the nominal GDP worked in the opposite direction lowering the level of deficit by 0.01 p.p.

The upward revision of the deficit concerned almost exclusively the subsector of central government institution. Nevertheless, lowered deficit or increasing surplus was achieved at all levels of the general government sector. The deficit of central government institution finished at a level CZK 56.8 billion, down from CZK 88 billion in the last year. Surplus of local government institutions soared to record level when reaching the amount of CZK 26.3 bill. (an annual increase of CZK 18.6 billion). A positive balance was achieved also in the case of social security funds (CZK 1.9 billion).

On the revenue side, the most significant increase was recorded in the form of investment grants (annul growth 67 percent) and non-investment transfers from abroad (15 percent). The receipts from taxes on production and from import rose 10 percent annually; in case of social contribution the annual growth reached 5 percent. On the expenditure side, a growth in outlays was driven mainly expenditures on gross capital formation (33 percent), subsidies (6 percent) and compensation to employees (5 percent). On the contrary, the amount of interest paid by government units declined by 13 percent. Moreover, a strong decline was recorded in form of capital transfers (33 percent), especially due to base effect.

General government gross debt was 40.32 percent of GDP at the end of 2015. Compared to the figures released in April 2016 (41.16 percent), the indebtedness decreased by 0.74 p.p. exclusively due to revision in nominal GDP. The annual decline in indebtedness reached 1.85 p.p. In nominal terms, the amount of debt grew annually by CZK 17 billion. This annual change relates to new issues of government bonds made by the budgetary institutions. The nominal debt of other government units showed a decreasing trend.

Indicators presented in the table were transmitted to Eurostat at the end of September 2015.

Notices:

*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 September and March each year under the terms of the Maastricht treaty, including a projection for the current year. Pursuant to the Maastricht criteria, fiscal indicators should comply with reference values for a deficit (3 percent of GDP) and a debt (60 percent of GDP).*

*Government surplus/deficit is represented by 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.*

*Government debt consists of liabilities of general government sector in form of deposits, debt securities and loans. In case of foreign exchange debt instruments hedged against currency risk, value in CZK is obtained by means of contractual exchange rate.*

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