Ministry of Finance
Department for Financial Policy

Fiscal Outlook

of the Czech Republic

May 2015

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The Fiscal Outlook of the Czech Republic is published by the Department for Financial Policies of the MF CR with a half-year periodicity (published generally at the end of May and November). It contains forecast of the current and next year (i.e. up to 2016) and also the outlook of some economic indicators to the following 2 years (i.e. up to 2018). The Outlook is available on internet pages of MF CR at:

http://www.mfcr.cz/FiscalOutlook

As an integral part of the Fiscal Outlook stands the Methodological Manual, which defines, specifies and explains terms, methods and statistics used in the Outlook.

Relevant comments and ideas helping to improve the quality of the publication are welcomed at:

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List of Abbreviations

c.p. .... current prices
CEB.. Czech Export Bank
CNB .... Czech National Bank
CZK.. Czech koruna currency code
CZSO.. Czech Statistical Office
EC .... European Commission
ECB.. European Central Bank
EGAP .... Export Guarantee and Insurance Corporation
EP .... European Parliament
ESA 95 .... European System of National and Regional Accounts from year 1995
ESA 2010 .... European System of National and Regional Accounts from year 2010
EU, EU28 .... European Union (EU28 coverage)
EUR .... euro currency code
GDP .... gross domestic product
GFS 2001 .... Government Finance Statistics methodology from year 2001
MF CR... Ministry of Finance of the Czech Republic
p.a. .... *per annum* (per year)
pp .... percentage point
s.p. .... constant prices (volumes)

Symbols Used in Tables

A dash (–) in place of number indicates that the phenomenon did not occur or is not possible for logical reasons. “Billion” means a thousand million.

Cut-off Date for Data Sources

Macroeconomic data used pertain to the 1 April 2015 release, fiscal data to the 29 April 2015 release, government bond yields to the 13 May 2015 release and data for international comparison to the 21 April 2015 and 5 and 6 May 2015 release, respectively.

Note

In some cases, published aggregates do not match the sum of individual items to the last decimal point due to rounding.

Introduction

In spite of the economic conditions prevalent at the time, in 2010−2013 the government endeavoured to consolidate public budgets. During this period of pro-cyclical fiscal policy, the general government sector deficit was reduced and the excessive deficit procedure was abrogated on 20 June 2014, but at the expense of deeper recession. At the end of 2013, there was an about-turn in the direction of fiscal policy in order to primarily support economic growth. However, the priority of the Government of the Czech Republic is also greater effectiveness both on the revenue and expenditure side. On the revenue side, crucial measures are aimed at improving tax collection, preventing tax evasion and restructuring the financial and customs administration. The main measures in combatting tax evasion should include the fiscalisation of cash payments, electronic VAT reporting and the potential extension of the reverse charge mechanism. On the side of operating expenses, there should be savings mainly due to the central purchasing system and greater transparency. The MoF has started publishing contracts and invoices in order to enable public control over the spending of funds generated by tax payers. On the other hand, the government is supporting demand both through higher consumption expenditure (higher wage bill and the extraordinary pension indexation in 2015) and higher investment expenditure (infrastructure, R&D, etc.). This is contributing to the closure of the output gap, which should occur in 2015. In 2016–2018, the positive output gap should gradually increase. We expect an increase in the cyclical component of the balance from −0.4% of GDP in 2014 to 0.5% of GDP in 2018. The structural balance reached −1.4% of GDP in 2014 and we forecast it to deteriorate to −1.7% of GDP in 2015. We expect fiscal effort to be 0.2 pp annually in the years of the outlook, which implies a structural balance of −1.1% of GDP in 2018. The Czech Republic should practically reach its medium-term budgetary objective, in line with its obligations towards the EU.

On 29 April 2015, the Government of the Czech Republic approved the update of the Convergence Programme of the Czech Republic (MF CR, 2015a), which sets out its macroeconomic policy until 2018 with emphasis on fiscal issues. On the same day, the government also approved the National Programme of Reforms, which describes a number of planned structural reforms. As usual, the May Fiscal Outlook of the Czech Republic is understood as a supplement to the Convergence Programme of the Czech Republic, from which it draws data and information and develops them further. Therefore, the Fiscal Outlook is based on the April Macroeconomic Forecast of the Ministry of Finance, further on the April Government Deficit and Debt Notification of the Czech Statistical Office published by Eurostat as of 21 April 2015 and, for international comparison, on the Government Deficit and Debt Notifications of other EU Member States released by Eurostat (the cut-off date as of 21 April 2015) as well as the 10-year government bond yields published by the European Central Bank on 13 May 2015.

The first chapter of the Fiscal Outlook of the Czech Republic briefly outlines the expected macroeconomic and fiscal development. We estimate a real GDP growth rate of 2.7% in 2015. However, accelerated growth is primarily due to one-off factors, such as the low price of crude oil and a positive fiscal impulse, which includes the uptake from EU funds from the programming period 2007−2013. The uptake of these funds accelerated considerably in 2014, and a similar development is also expected in 2015. After these impacts disappear, the growth rate will slow to 2.3% in 2017 and 2018. Growth should mainly be driven by domestic demand, while we expect the contribution of foreign trade to be negligible. The government sector balance should decrease to −0.6% of GDP by 2018. Government debt as a percentage of GDP should have decreasing tendency throughout the horizon and end up at 40.2% of GDP. Fiscal policy has been perceived as credible for a long time, which is confirmed, for example, by 10-year government bond yields, where the Czech Republic has been achieving historic lows and has been for some time now among the quarter of EU countries with the lowest bond yields. Thanks to this, we expect that debt-management expenditure will decrease to 1.1% of GDP in the years of the outlook.

The second chapter deals in detail with revenues and expenditures of the general government sector in 2014 and 2015, their autonomous development, discretionary changes and the deficit and debt structure. In its thematic box, the chapter also examines the reclassification of entities into the general government sector. In 2015, the following financial institutions were included in this sector based on Eurostat recommendation: the Czech-Moravian Guarantee and Development Bank, the Export Guarantee and Insurance Corporation and the Deposit Insurance Fund.

The last chapter extends the purview of the Convergence Programme over the performance of a part of the government sector with the use of cash flow methodology. As usual, the Fiscal Outlook includes an extensive table annex, which is also available in electronic format on the website of the Ministry of Finance.

1 Economic Development and Fiscal Policy

1.1 Macroeconomic Development

In the fourth quarter of 2014, real GDP increased only by 0.4% QoQ, whereas real gross added value, which unlike GDP does not include the balance of taxes and subsidies for products, increased by 1.2% compared to the third quarter of 2014. Thus, the continuing economic recovery is confirmed. For the whole of 2014, real GDP increased by 2.0%, thanks exclusively to domestic demand growth. Economic growth of 2.7% is expected in 2015, while real GDP growth could slow slightly in the following years to 2.3% in 2017 and 2018. In the horizon of the forecast and the outlook, the principal driver of growth should be domestic demand, both consumption and investment.

Real household consumption growth of 2.8% in 2015 will be supported by very low inflation, and household consumption could grow at a rate slightly exceeding 2% in the following years. During the whole 2015–2018 horizon, the improvement in the labour market situation and growth of the wage bill will impact favourably an increase in household final consumption expenditure.

Investment activity will be positively influenced by a growth in gross operating surplus and dynamics of domestic demand. In 2015, efforts towards an additional drawdown of the maximum EU funds from the financial perspective 2007–2013 should also contribute to investment growth. Gross fixed capital formation could therefore increase by 5.3% in 2015 and its growth is expected to slow to 4.2% in 2016, partially due to the probably more gradual drawdown of subsidies from the EU funds in the financial perspective 2014–2020. In the years of the outlook, growth of gross fixed capital formation could slightly exceed 3%.

We expect that the foreign trade balance in constant prices will slightly mitigate GDP growth in 2015, while its contribution should be neutral in the following years. This will be caused not only by the rather slow growth of the economies of the main trade partners, but also by an increase in imports due to relatively solid growth in domestic demand. Thanks to the expected improvement in the terms of trade, however, the surplus of foreign trade will increase in nominal terms.

The average inflation rate reached 0.4% in 2014. Consumer prices should also grow very slowly in 2015, in particular due to a favourable supply shock in the form of a considerable YoY decrease in the crude oil price. The average inflation rate could decrease further to 0.3% in 2015. In 2016, the impacts of the main factors influencing inflation rate should already be either neutral (exchange rate, regulated prices) or pro-inflationary (growing demand related to an increasing positive output gap, increasing crude oil prices and labour unit costs). However, while consumer price growth should accelerate, we nonetheless expect that inflation rate will be in the lower half of the tolerance band of the 2% inflation target. In the years of the outlook, the inflation rate should already range close to the CNB's inflation target.

In connection with expected economic growth, the labour market situation should also improve gradually. The unemployment rate could decrease to 5.3% in 2018, while employment during the horizon of the forecast and the outlook should in general grow only slightly. Growth of the wage bill should fluctuate closely around 4% in 2015–2018, not only thanks to the expected improvement in the private sector, but also to growth of salaries in the public sphere.

The current account balance could show a slight surplus in 2014 and 2015. In addition to the expected improvement in the performance of the economies of our main trade partners, the growth in the surplus of the balance of goods will be supported by low crude oil prices. However, the continuing deepening of the deficit of the primary income balance will have the opposite impact on the current account balance. In the years of the outlook, the surplus of the current account could decrease slightly down to "positive zero" in 2018.

We consider the forecast risks to be tilted to the downside, especially due to risks in the external environment of the Czech economy.

Table 1.1: Main Macroeconomic Indicators (2014–2018)

		2014	2015	2016	2017	2018	2014	2015	2016	2017
		Actual	Current Forecast and Outlook				November 2014 Fiscal Outlook			
Gross domestic product	*bn CZK, c.p.*	**4266**	**4467**	**4644**	**4816**	**5002**	4283	4471	4639	4815
	% growth, s.p.	**2.0**	**2.7**	**2.5**	**2.3**	**2.3**	2.3	2.6	2.5	2.5
Private consumption	*% growth, s.p.*	**1.7**	**2.8**	**2.3**	**2.2**	**2.1**	1.5	1.7	1.9	1.9
Government consumption	*% growth, s.p.*	**2.3**	**1.7**	**1.6**	**1.5**	**1.3**	1.7	2.0	1.3	1.1
Gross fixed capital formation	*% growth, s.p.*	**4.5**	**5.3**	**4.2**	**3.2**	**3.2**	4.3	4.9	3.3	3.2
Contr. of net exports to GDP growth	*p.p., s.p.*	**-0.1**	**-0.3**	**0.0**	**0.1**	**0.1**	-0.1	0.0	0.5	0.5
GDP deflator	*% growth*	**2.4**	**1.9**	**1.4**	**1.4**	**1.5**	2.5	1.8	1.2	1.3
Inflation	*in %*	**0.4**	**0.3**	**1.5**	**1.8**	**1.9**	0.5	1.5	1.9	2.0
Employment	*% growth*	**0.8**	**0.7**	**0.2**	**0.1**	**0.1**	0.4	0.3	0.2	0.2
Unemployment rate	*average in %*	**6.1**	**5.7**	**5.5**	**5.4**	**5.3**	6.3	6.1	5.9	5.7
Wages and salaries	*% growth, c.p.*	**3.1**	**4.0**	**4.1**	**4.1**	**4.1**	2.9	3.9	4.1	4.1
Current account balance to GDP ratio	*in %*	**0.6**	**1.3**	**0.9**	**0.4**	**0.0**	0.0	-0.3	-0.5	-0.8
Assumptions:										
Exchange rate CZK/EUR		**27.5**	**27.5**	**27.5**	**27.2**	**26.8**	27.5	27.5	27.4	26.9
Long-term interest rates	*% p.a.*	**1.6**	**0.6**	**0.8**	**1.2**	**1.8**	1.7	1.7	2.1	2.4
Crude oil Brent	*USD/barrel*	**99.0**	**60.2**	**68.3**	**73.5**	**77.3**	105.2	101.4	98.0	95.5
GDP in Eurozone EA12	*% growth, s.p.*	**0.9**	**1.4**	**1.8**	**1.9**	**2.1**	0.8	1.2	1.8	2.1

Note: Figures for employment and unemployment are based on Labour Force Survey. EA 12 refers to euro zone consisting of 12 original countries.
Source: MF CR (2014a, 2015b).

1.2 Fiscal Policy Objectives

Since 2009, the Czech Republic has taken a number of steps to reduce the government sector deficit, in spite of a relatively deep negative output gap. As a result, the excessive deficit procedure for the Czech Republic was abrogated on 20 June 2014. The relatively strong consolidation, however, manifested itself negatively in a repeated deepening of negative output gap, down to −3.0% of GDP in 2013. Since 2014, this restrictive fiscal policy has been abandoned. This turnaround has also occurred in a situation of highly accommodative monetary policy in terms of nearly zero interest rates supplemented since November 2013 with foreign exchange intervention. Growth of government investment, which had been decreasing systematically in the previous four years, was restarted. Investment also continues to grow in 2015.

In the first year of its mandate, the current government focused on auditing and increasing the effectiveness of public administration. More effective prevention of tax evasion is the main target of the current government coalition. The three following instruments should assist in its fulfilment: electronic VAT reporting, fiscalisation of cash payments and more extensive use of the reverse charge mechanism. The first two instruments mentioned will be introduced from 2016, the third once a consensus is reached in the EU. At the same time, the government is taking steps aimed at restructuring the financial administration. It is counting on tax-related measures as being the main factor in the positive fiscal effort[1] in the forecast horizon.

In the area of final consumption, the current government's effort to rationalise purchases of goods and services is manifesting itself positively: in 2014 intermediate consumption basically increased by a third of the rate compared to 2013, and we also expect a similar development in 2015. Measures having an opposite effect are seen in the sphere of social benefits, as well as in government final consumption, in the case of increasing health insurance company expenditure and the growth of the government sector wage bill. Here the mechanism of pension benefit indexation that was valid until 2012 returned as of 1 January 2015, with an exceptionally increased indexation for 2015 (after 2013 the pension indexation had been temporarily reduced by the Nečas' government as part of consolidation measures). All these measures have resulted on the one hand in a deterioration of the structural deficit, which should culminate in 2015 at 1.7% of GDP, but on the other hand they have supported domestic demand and economic growth, which will contribute to closing the output gap already in 2015.

In 2014, the general government sector deficit reached 2.0% of GDP. The resulting balance was influenced largely by the newly included financial institutions of the general government sector, in

[1] Fiscal effort is defined as a year-on-year change in the cyclically adjusted balance excluding one-off and temporary measures.

addition by a considerable one-off accrual drop in excise duties and also by the recommencement of investment activity (for more detail see Chapter 2). Fiscal effort was approximately −1.5 pp, since the most of the aforementioned impacts are strongly reflected in the structural balance. In 2015, we expect a slight improvement in the general government sector deficit to 1.9% of GDP. Negative fiscal effort in 2014 should be reduced considerably to −0.3 pp. Due to measures on the revenue side and the forecast macroeconomic development, the deficit should decrease to 0.6% of GDP in 2018 (see Table 1.2). The decrease implies a deficit reduction, adjusted for the economic cycle and one-off and temporary operations, from 1.7% of GDP in 2015 to 1.1% of GDP in 2018. At the end of the forecast horizon, the medium-term budgetary objective, which in the Czech Republic corresponds to a structural balance of −1.0% of GDP, should be more or less achieved. Fiscal policy will again fulfil its function as an anti-cyclical stabiliser.

In the area of state debt management, the main goal has become the optimisation and effective use of the available liquidity on the State treasury accounts in order to finance the state budget deficit. At the end of 2014, the state debt and the general government debt were even reduced by approximately CZK 20 billion. The percentage of the general government debt in GDP was reduced to 42.6% of GDP in 2014. In 2015, a decrease in relative terms is expected to 40.9% of GDP due to the involvement of State treasury funds. With regard to the planned consolidation of general government sector finances and a growth of nominal GDP due to continuing economic recovery in the years of the outlook, we forecast a decrease in general government debt to a value around 40% of GDP.

Table 1.2: Fiscal Policy Stance (2012–2018)

(in % of GDP, change in structural balance in percentage points)

	2012	2013	2014	2015	2016	2017	2018
General government balance	**-3.9**	**-1.2**	**-2.0**	**-1.9**	**-1.2**	**-0.8**	**-0.6**
Cyclical component	-0.7	-1.2	-0.4	0.1	0.3	0.5	0.5
One-off and other temporary measures	-2.0	-0.1	-0.2	-0.2	0.0	0.0	0.0
Structural balance	-1.2	0.1	-1.4	-1.7	-1.5	-1.3	-1.1
Fiscal effort (Change in structural balance)	**1.1**	**1.3**	**-1.5**	**-0.3**	**0.2**	**0.2**	**0.2**
Cyclical component according to ECB method	-0.6	-1.0	-0.5	0.0	0.2	0.4	0.0
Structural balance according to ECB method	-1.4	-0.1	-1.3	-1.7	-1.4	-1.2	-0.6
Fiscal effort according to ECB method	**1.2**	**1.3**	**-1.2**	**-0.4**	**0.2**	**0.2**	**0.6**

Note: Cyclical component of the balance (and therefore of the structural balance) according to the European Commission is calculated directly from output gap, while the ECB method uses the cyclical development of cyclically-dependent macroeconomic bases for revenues and expenditures (compensation of employees in the private sector, salary and remuneration for work in the private sector, net operating surplus, consumption of households and unemployment).

Source: CZSO (2015a, 2015b). Forecast and calculations by MF CR.

Table 1.3: General Government Revenue

	2014	2015	2016	2017	2018
bn CZK					
Total revenue	**1709**	**1799**	**1822**	**1898**	**1969**
Tax revenue	**824**	**853**	**899**	**935**	**970**
Taxes on production and imports	517	535	564	582	601
Value added tax	319	324	348	365	381
Excise taxes	158	173	174	176	178
Current taxes on income, wealth, etc.	307	318	335	353	369
Personal income tax	157	159	170	181	191
Corporate income tax	147	155	162	168	174
Capital taxes	0	0	0	0	0
Social contributions	**628**	**654**	**680**	**712**	**739**
Property income	**37**	**43**	**36**	**36**	**37**
Other	**221**	**249**	**207**	**215**	**223**
growth in %					
Total revenue	**2.6**	**5.2**	**1.3**	**4.2**	**3.7**
Tax revenue	**1.4**	**3.5**	**5.4**	**4.0**	**3.7**
Taxes on production and imports	-1.7	3.5	5.4	3.3	3.2
Value added tax	5.2	1.5	7.5	4.7	4.3
Excise taxes	-13.6	9.0	1.1	0.9	1.3
Current taxes on income, wealth, etc.	7.2	3.4	5.5	5.3	4.6
Personal income tax	4.0	1.7	6.6	6.5	5.4
Corporate income tax	10.9	5.2	4.5	4.0	3.7
Capital taxes	-93.5	-10.0	1.0	2.0	1.0
Social contributions	**3.6**	**4.1**	**4.0**	**4.7**	**3.8**
Property income	**-2.6**	**16.6**	**-16.1**	**1.7**	**2.0**
Other	**5.3**	**12.9**	**-17.1**	**3.9**	**4.1**
Tax burden *% of GDP*	**34.2**	**33.9**	**34.1**	**34.3**	**34.3**

Source: Year 2014 CZSO (2015b). Forecast and calculations by MF CR.

Table 1.4: General Government Expenditure

	2014	2015	2016	2017	2018
CZK bn					
Total expenditure	**1794**	**1882**	**1879**	**1939**	**1999**
Final consumption expenditure	**828**	**846**	**862**	**882**	**901**
Collective consumption	392	399	411	420	428
Individual consumption	436	447	451	462	473
Social benefits in kind	249	256	265	275	285
Transfers of individual non-market goods and services	187	190	186	187	188
Social transfers other than in kind	**555**	**579**	**592**	**611**	**631**
Interest	**56**	**52**	**53**	**54**	**57**
Subsidies	**116**	**113**	**115**	**118**	**122**
Gross fixed capital formation	**166**	**214**	**167**	**176**	**185**
Other	**72**	**78**	**90**	**97**	**103**
Compensation of employees	**304**	**316**	**323**	**330**	**335**
Total social transfers	**805**	**836**	**857**	**886**	**916**
growth in %					
Total expenditure	**4.7**	**4.9**	**-0.1**	**3.2**	**3.1**
Final consumption expenditure	**3.3**	**2.2**	**1.9**	**2.3**	**2.2**
Collective consumption	1.8	1.8	2.8	2.3	1.8
Individual consumption	4.7	2.4	1.1	2.4	2.5
Social benefits in kind	6.4	2.8	3.4	3.7	3.7
Transfers of individual non-market goods and services	2.6	1.9	-2.1	0.4	0.7
Social transfers other than in kind	**2.0**	**4.3**	**2.2**	**3.2**	**3.2**
Interest	**2.4**	**-7.9**	**1.6**	**3.0**	**4.8**
Subsidies	**6.3**	**-3.0**	**2.0**	**3.0**	**3.0**
Gross fixed capital formation	**17.4**	**29.2**	**-21.8**	**5.1**	**5.2**
Other	**17.4**	**7.8**	**15.7**	**8.0**	**6.3**
Compensation of employees	**3.5**	**3.7**	**2.5**	**2.1**	**1.5**
Total social transfers	**3.3**	**3.9**	**2.6**	**3.4**	**3.4**

Source: Year 2014 CZSO (2015b). Forecast and calculations by MF CR.

2 Short-term Development of General Government Sector Finances

2.1 General Government Sector Development in 2014

According to preliminary data from the CZSO, the government sector deficit was 2.0% of GDP in 2014; in comparison with 2013 this was a deficit higher by 0.8 pp. The resulting balance was strongly influenced by newly included financial institutions in the government sector (e.g. in 2014 the Deposit Insurance Fund disbursed CZK 14.7 billion in compensation to the clients of bankrupt cooperative savings banks), by a one-off accrual drop in excise duties and due to the kickstarting investment activity.

The total growth of revenue reached 2.6% in 2014. Tax revenues and social security contributions increased by 2.4%, while direct taxes increased most as far as purely tax revenues are concerned. The share of total revenues to GDP YoY decreased by 0.7 pp to 40.1% of GDP.

Indirect tax revenues as a whole developed unfavourably (a decrease of 1.7%) due to the development of excise taxes on tobacco products. During 2014, a measure introducing a limitation on the additional sale of tobacco stamps with the immediately previous rate was approved, thereby considerably reducing any motive for stockpiling. As excise tax on tobacco products is due approx. 2 months from ordering the tobacco stamps, there is a shift back by these 2 months when revenues from this tax are being accrued. Therefore, the very favourable months of January and February 2014, when considerable stockpiling was apparent in collection, were moved to the revenues of 2013. Conversely, the first two months of 2015, which were considerably worse in annual terms (by nearly CZK 17 billion), were included in 2014. The total accrual drop in revenues from this tax was approximately CZK 24 billion. However, this effect should disappear in 2015 and these revenues should return in the following years to their long-term trend. Other measures influencing the development of excise taxes by approx. 0.1% of GDP were, first, the reduction of the payment from energy produced from solar radiation, when the rate was reduced and the validity period for measures were extended, and second, the year-on-year reduction in the return of excise tax from mineral oils for agricultural primary producers.

In contrast, there was a very favourable development of value added tax revenues. Their year-on-year increase exceeded 5%, thus reflecting the newly begun trend of higher tax collection due to the gradual introduction of measures against tax evasion.

The collection of direct taxes compared to 2013 increased by 7.2%, mainly due to the very favourable development of corporate income tax that reflected the economic recovery. Personal income tax revenues increased by 4%. The balance in 2014 was considerably encumbered by the refunds of basic personal tax credits for working pensioners based on a ruling of the Constitutional Court (impact of approx. 0.2% of GDP). In the ESA 2010 methodology, a drop in this revenue did not influence the tax amount, but was recorded as a capital transfer paid by the government sector. If collection were decreased directly, the development of personal income tax would be considerably worse.

An increase in social security contributions of 3.6% was largely influenced by an increase in the payment for state insured persons of an amount exceeding CZK 6 billion. This is expenditure of the state budget and at the same time revenue of the subsector of social security funds (health insurance companies). Only the payment of health insurance companies to health facilities for care has any impact on the balance as such.

In annual terms, revenue capital transfers saw the greatest relative increase. These rose by 25.4% due to a considerable increase in investment from European sources (in terms of size, they are a smaller item than tax revenues). The total balance is influenced only by a part of Czech financing. This is accrual revenue, reflecting the volume of invested European resources in the given year. The revenues of 2014 were positively influenced by yield from the sale of licences for frequency bands to mobile operators of CZK 8.5 billion.

Total expenditure increased by 4.7%, thus reaching 42.0% of GDP, which represents a slight increase compared to the result in 2013.

Nominal final consumption expenditure of general government increased by 3.3%. This growth was mainly driven by the development of social transfers in kind (particularly the payments of health insurance companies for health care), which increased by more than 6% compared to 2013. Insurance companies used funds increased by payments for state-insured persons and compensated medical facilities for a drop in revenues in connection with the cancellation of some regulatory fees in health care. Expenditure on payment for hospital care was also increased. Further, compensation of employees increased by 3.5%; the increase in the salaries of state administration also having an impact on this rise (an impact of approx. 0.1% of GDP).

Intermediate consumption (purchases of goods and services of the general government sector) developed moderately compared to 2013, its growth reaching only 1.7%.

Expenditure on financial social benefits increased slightly (by approx. 2%) also in the aforementioned increase in the payment for state insured persons in the public health insurance system. In particular, the very limited pension indexation had an impact here.

Government investment increased by more than 17%. The rise primarily occurred in local government institutions (although there was also investment growth in central government), financed both from European and national sources.

Expenditure subsidies (mainly capital transfers and subsidies for production) also increased considerably. In the case of subsidies for production, this involved an increase in subsidies for renewable sources of 0.1% of GDP and, as far as capital transfers are concerned, the already mentioned expenditure of the Deposit Insurance Fund to clients of bankrupt cooperative savings banks, with a total effect amounting to approx. 0.3% of GDP.

Despite the one-off fall in tobacco taxes and the compensation of the Deposit Insurance Fund (in total 0.9% of GDP), in light of factors mentioned above, the year 2014 can still be assessed positively. Without these impacts, the result would otherwise have been better than in 2013. The deficit was kept safely below 3% of GDP and investment activity was kickstarted. Following a systematic decline after 2009, such activity has again increased, achieving the level of 2011, in spite of a considerably better structural balance.

Government sector debt reached 42.6% of GDP in 2014 and compared to 2013 it decreased by 2.5 pp in relative terms. The decrease was also seen in absolute terms. The main reason was a decrease in state debt, largely thanks to using available funds from the State treasury system.

Box 1: Expansion of the General Government Sector

Based on Eurostat's recommendation, some other entities from the financial market have been newly included in the sector under the April Notification of general government deficit and debt The Czech Export Bank, which was already included in the sector in 2014 (MF ČR, 2014a), was joined by the Czech-Moravian Guarantee and Development Bank, a.s., the Export Guarantee and Insurance Corporation, a.s. and the Deposit Insurance Fund. With regard to other discussions now underway, we can expect in future the general government sector to further expand through the inclusion of new units, since the ESA 2010 methodology puts a relatively strong emphasis on qualitative criteria (e.g. autonomy of decision-making, etc.) when assessing entities for inclusion in this sector. The inclusion of the units into the general government sector has a positive impact on general government debt and a value of the impact is estimated to be approx. 0,7% GDP.

Czech-Moravian Guarantee and Development Bank, a.s. (ČMZRB)

On 23 October 1991, the government of the Czech Republic adopted a resolution to establish a specialised banking institution that would provide support for small- and medium-sized enterprises. It was incorporated in January 1992. The Czech Republic, represented by the Ministry of Finance, the Ministry of Industry and Trade and the Ministry for Regional Development, is a sole shareholder and holds all voting rights.

In its original concept, ČMZRB focused exclusively on implementing government support programmes for small- and medium-sized entrepreneurs through specialised products in accordance with government policy. Later, the bank's activity was extended in order to support the financing of projects focused on infrastructure development and housing. ČMZRB is a holder of banking licence, foreign exchange licence and a certificate for performing the activities of a security trader in accordance with the applicable legislation.

When performing its activities, ČMZRB cooperates closely with a number of other entities, including ministries, state funds, regions, banks, chambers of commerce and other representatives of the business sphere. Its clients can choose from an extensive offer of services, including bank guarantees, advantageous credits, financial contributions and related banking services. It also administers a large portfolio of guarantees and subsidies provided for repairing apartment houses. Projects focused on developing towns and municipalities and improving the technical condition of infrastructure are also financed; funds from international institutions are also used for this purpose.

In line with the overall focus of ČMZRB, it follows that its most important clients include small- and medium-sized entrepreneurs and the owners of apartment blocks, i.e. particularly housing cooperatives and associations of housing unit owners. Their services are also used by municipalities, regions, ministries and state funds.

Export Guarantee and Insurance Corporation, a.s. (EGAP)

EGAP is a credit insurance company focused on every kind of market-uninsurable political and business risk connected with financing exports of Czech goods, services and investments. It provides state support for exports in the form of insuring export credit risks, whereby the state, which is liable for the bank's respective obligations, is also the sole owner and exercises its shareholder rights through four ministries (Ministry of Finance, Ministry of Industry and Trade, Ministry of Foreign Affairs and Ministry of Agriculture). On the other hand, EGAP holds in the Czech Export Bank (hereinafter "ČEB"), included in the sector in 2014, a 20% share (the rest is owned by the state) and also an approx. 34% share in KUPEG credit insurance company, a.s. The legal framework is, as it is for ČEB, stipulated in the Act No. 58/1995 Coll., wherein its activity is regulated under the provisions of Sections 4 and 5. In a subsidiary manner, the Act on the Insurance Industry also applies. The business object of EGAP primarily includes banking credits with a maturity over 2 years for financing the exports of large energy, engineering and technological equipment, investment units, transport structures and investment to those countries where the political, economic or legal environments are not exactly unstable, but where there is a certain degree of uncertainty regarding their development and where there is consequently a higher risk of failure to pay on the buyer's side. EGAP also provides statements in response to requests for the additional settlement of interest differences as another instrument of state export support. Whereas ČEB was included in the general government sector in spite of the existence of two regimes with separate finances (non-profit primary and profit regimes, corresponding to standard banking activities), EGAP's object has basically been, since 2005, the state support of exports in the form of insuring export credit risks. This is because short-term commercial insurance against the risks of non-payment due to insolvency or unwillingness to pay of a local or foreign buyer is now provided by the aforementioned KUPEG as a subsidiary. In addition, subsidy dependence on the state budget is also higher. At ČEB, essentially, only its losses are subsidised; at EGAP, deposits from the state budget supplementing insurance funds used for covering its outstanding insurance exposure make up a significant portion of funds. As Eurostat has already stated regarding ČEB, according to Section 2.59 of the EU Regulation 549/2013, EGAP is not a financial intermediary, moreover EGAP's share in any other legal entities, division of profits and also the volume of their activity according to the rules governing outstanding exposure are limited by law.

Deposit Insurance Fund (Fund)

At present, the Fund is legally embodied in the Act No. 21/1992 Coll., and it is an important element of the banking sector aimed at contributing to a lower level of risk in the sector from the client's perspective. It also provides certain support for competition and the migration of clients across the banking sector. According to law, deposits at banks, building and loan associations, and cooperative savings banks are insured by the Fund. The deposits of legal and natural persons are covered, however, up to a maximum of EUR 100,000 per eligible person with one bank, both in domestic and in foreign currency. Deposits at branches of foreign banks are not covered, as they are subject to the system of deposit insurance in the parent country. The main sources of income are contributions of financial institutions, which are determined based on a percentage of the volume of insured deposits. The percentage is differentiated both according to the type of financial entity and according to the current performance of the Fund (i.e. whether the Fund is in debt, has sufficient reserves, etc.). At present, contributions are approx. 0.1% of GDP and according to the Annual Report of 2013, a total amount of CZK 2.6 trillion was insured. In the case of the bankruptcy of a covered financial institution, compensation is paid to eligible persons. Both the contributions of the banks and any possible payments of compensation fully influence the general government sector deficit (e.g. in 2014 compensation was paid in the amount of approx. CZK 14.7 billion). Although the Fund may borrow funds on the financial market, or indeed financial assistance can be provided to the Fund from the state budget, at present it has basically zero debts and receives no subsidies from the state budget. The impact of including the Fund in the government sector debt is positive, as it holds most of its reserves in government bonds and thus the debt is consolidated. Now discussions are underway regarding the new European regulation that should unify the functioning of the current systems.

2.2 General Government Sector Development in 2015

In 2015, we expect the government sector deficit to improve slightly to 1.9% of GDP.

In 2015, revenues will increase by 5.2% to 40.3% of GDP, which represents a slight increase compared to the previous year. Tax revenues and social security contributions should increase by 3.8%.

Collection of indirect taxes should grow by 3.5% due to the sharp increase in excise duties on tobacco products. After the 2014 slump, these duties should return to the value of their long-term trend, which mirrors the volume of tobacco product consumption. Value added tax revenues should increase more moderately (by 1.5%). In 2015, this is dampened by the introduction of the second reduced rate of 10% for medicines, books and irreplaceable child nutrition.

Collection of direct taxes should increase by 3.4% compared to 2014, and, as it was in 2014, it should be driven primarily by the revenues of corporate income taxes, with an expected growth of around 5%. Personal income tax will increase only slightly, the main reason being the already mentioned refunds of basic personal tax credits to working pensioners through capital transfer. If tax revenues were adjusted for this effect, they would approximately mirror their macroeconomic base.

Social security contributions will probably increase by more than 4%, thereby largely reflecting the increase in the wage bill in the economy.

We also expect an increase of more than 16% in property income due to an increase in revenues from state-owned companies. Revenues from the transfer of profits from the company Lesy ČR, s.p. (Forests of the Czech Republic, State Enterprise) should also be higher compared to 2014.

Similarly as in 2014, we expect the sharpest jump in revenue transfer items, thanks to a more than 45% increase in capital transfers from the EU due to European investment.

According to the forecast, government sector expenditure will increase by 4.9% compared to 2014, reaching 42.1% of GDP. As a percentage of GDP, it will more or less stagnate.

Final consumption expenditure growth should slow to 2.2%, while the 3.7% increase in the government sector wage bill should contribute most to its dynamics. Social transfers in kind will slow their dynamics considerably, down to 2.8% YoY. In 2015, these expenditures are again strengthened by the compensation of revenues to health facilities in connection with the abolition of regulatory fees in health care; on the other hand, their development should be slowed by the reduced rate of VAT for medicines. Intermediate consumption should increase by 1.5%, i.e. it should grow at a similarly slow pace to that in 2014.

Social benefits should increase at a quicker pace (4.3%) compared to 2014, the cause of which is the higher pension indexation.

Interest expenditure of the government sector should decrease significantly, thanks partly to stabilisation of government sector debt and partly to a reduction in Czech government bond yields, reflecting, among other causes, the positive manner in which the Czech Republic is perceived in the financial markets and the liquidity surplus. Mature bonds are gradually being replaced by bonds with lower interest rates.

A decrease should also occur in subsidy and transfer expenditure items. This is mainly due to capital transfers, which had a high comparative base in 2014 due to the expenditure of the Deposit Insurance Fund on payments for bankrupted cooperative savings banks.

As in 2014, the high dynamics of government investment is also expected in 2015, in particular from the European sources. Gross fixed capital formation should increase by approx. 29% and will reflect efforts to exploit as much money as possible from the programming period 2007–2013, which must be done in connection with the rule N+2 by the end of 2015. Investment expenditure in 2015 also includes a one-off imputation of CZK 10.5 billion due to the lease of the JAS-39 Gripen supersonic aircraft; both the deficit and debt are influenced by this amount.

Government sector debt will reach 40.9% of GDP in 2015 and, as in 2014, it will decrease in annual terms, this time by 1.6 pp. In absolute terms, the debt amount will increase slightly, mainly as a result of the imputation due to the lease of the JAS-39 Gripen supersonic aircraft. The state budget debt should again remain at a stable level due to the involvement of free liquidity from the State treasury system.

Table 2.1: General Government Revenue (2009–2015)
(in % of GDP)

	2009	2010	2011	2012	2013	2014	2015
General government revenue	**38.1**	**38.6**	**39.7**	**39.9**	**40.8**	**40.1**	**40.3**
Tax revenue	**17.7**	**17.8**	**18.8**	**19.2**	**19.9**	**19.3**	**19.1**
Individual income tax	3.5	3.3	3.5	3.6	3.7	3.7	3.6
Corporate income tax	3.4	3.2	3.2	3.1	3.2	3.4	3.5
Value added tax	6.6	6.7	6.9	7.1	7.4	7.5	7.3
Excise taxes	3.6	3.7	4.2	4.3	4.5	3.7	3.9
Other taxes and contributions	0.7	0.8	0.9	1.1	1.0	1.0	0.9
Social security contributions	**14.3**	**14.6**	**14.7**	**14.8**	**14.8**	**14.7**	**14.6**
Sales	**3.1**	**3.0**	**3.2**	**3.1**	**3.1**	**3.0**	**2.9**
Other revenues	**3.0**	**3.2**	**3.1**	**2.7**	**2.9**	**3.0**	**3.6**

Source: CZSO (2014a, 2014b). Year 2015 MF CR.

Table 2.2: General Government Expenditure (2009–2015)
(in % of GDP)

	2009	2010	2011	2012	2013	2014	2015
General government expenditure	**43.6**	**43.0**	**42.4**	**43.8**	**41.9**	**42.0**	**42.1**
Government consumption	20.7	20.5	19.7	19.3	19.6	19.4	18.9
Social benefits other than social transfers in kind	13.0	13.1	13.1	13.2	13.3	13.0	13.0
Gross fixed capital formation	5.5	4.7	4.1	3.9	3.5	3.9	4.8
Other expenditures	4.4	4.7	5.5	7.4	5.5	5.7	5.4

Source: CZSO (2014a, 2014b).Year 2015 MF CR.

Table 2.3: Balance of General Government and of Subsectors (2009–2015)
(in % of GDP)

	2009	2010	2011	2012	2013	2014	2015
General government balance	**-5.5**	**-4.4**	**-2.7**	**-3.9**	**-1.2**	**-2.0**	**-1.9**
Central government balance	-4.7	-3.8	-2.3	-3.7	-1.5	-2.1	-1.9
Local government balance	-0.6	-0.4	-0.2	0.0	0.4	0.2	0.1
Social security funds balance	-0.3	-0.2	-0.2	-0.2	0.0	-0.1	0.0
Primary balance	**-4.3**	**-3.1**	**-1.4**	**-2.5**	**0.2**	**-0.7**	**-0.7**

Source: CZSO (2015a, 2015b). Year 2015 MF CR.

Table 2.4: Debt of General Government and of Subsectors (2009–2015)
(in % of GDP)

	2009	2010	2011	2012	2013	2014	2015
General government debt	**34.1**	**38.2**	**39.9**	**44.6**	**45.0**	**42.6**	**40.9**
Central government debt	31.7	35.7	37.4	42.0	42.4	40.0	38.5
Local government debt	2.5	2.5	2.5	2.7	2.8	2.7	2.6
Social security funds debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in debt-to-GDP ratio	**5.4**	**4.1**	**1.7**	**4.7**	**0.5**	**-2.5**	**-1.6**
Primary general government balance	4.3	3.1	1.4	2.5	-0.2	0.7	0.7
Interest expenditure	1.2	1.3	1.3	1.4	1.3	1.3	1.2
Nominal GDP growth	0.7	-0.3	-0.7	-0.2	-0.4	-1.9	-1.9
Other factors	-0.8	0.0	-0.3	1.0	-0.3	-2.5	-1.6

Source: CZSO (2015a, 2015b). Year 2015 MF CR and Eurostat (2015b).

2.3 International Comparison

2.3.1 General Government Balance

The general government sector deficit of EU countries reached 2.8% of GDP in 2014, whereby we also take into account the fiscal year for the United Kingdom for these summary data.[2] Compared to the previous year of 2013, the deficit was 0.5 pp lower. The Czech Republic, with its deficit of 2.0% of GDP, was again below the EU average. The worst development in the general government balance in 2014 was seen in Cyprus (a deficit of 8.8% of GDP), but it must be pointed out that this was particularly due to the one-off expenditure of recapitalising the banking sector. The Cypriot structural balance reached the positive value of 1.5% of GDP. A deficit higher than 5% of GDP was also seen in Spain, Croatia and the United Kingdom. In problematic Greece, the deficit reached 3.5% of GDP in 2014. Nevertheless, the structural and primary balances reached 0.4% of GDP, the cyclically-adjusted balance was 1.1% of GDP and the cyclically-adjusted primary balance was even 4.9% of GDP, from which it is apparent that in particular the negative output gap and interest payments are having an impact on the deficit amount. In 2014, surpluses were seen in Denmark, Germany, Estonia and Luxembourg (see Table B.15 in the annex); all subsectors contributed to this surplus in Germany, whereas the subsector of local governments saw a deficit in Denmark and Estonia, and the subsector of

[2] The United Kingdom of Great Britain and Northern Ireland provides data for both the financial year (from 1 April of the current year to 31 March of the following year) and the calendar year. We prefer here to use data for the financial year, since they are relevant for this country for the excessive deficit procedure; moreover, calendar year data for the current year are not available yet. Therefore, data provided in this publication differ from data in the Eurostat database covering the calendar year. For example, for 2014 the deficit is 5.7% of GDP for the calendar year, for the financial year it is 0.5 pp lower. A similar situation applies to the debt indicator – for 2014 we provide a value of 88.4% of GDP for the financial year, while Eurostat provides the value of 89.4% of GDP for the calendar year.

central government recorded a deficit in Luxembourg. The subsector of social security funds[3] also saw favourable performance in other EU countries; surpluses were achieved e.g. in Italy, Portugal, Romania and even in Greece. The same situation that had occurred back in 2011 in Hungary, occurred in Poland in 2014 (an impact of changes in the pension system) and a surplus of 5.7% of GDP expected in the ESA 95 methodology becomes a deficit of 3.2% of GDP in the ESA 2010 methodology (according to the EC, the Polish structural deficit reached 2.7% of GDP in 2014). The criterion of the Stability and Growth Pact for a maximum deficit of 3% of GDP was met by fifteen EU countries in 2014; Italy, which has had a positive primary balance for a long time, is at the limit value (see again Table B.15 in the annex).

In 2015, except for Germany, all EU countries expect a deficit performance of the general government sector, although deficits lower than in previous years are expected in the main. The lowest deficit should be achieved in Greece (0.2% of GDP, but here again the EC is more pessimistic, forecasting a deficit of 2.1% of GDP, of which the structural deficit is 1.4% of GDP), followed by Estonia (0.3% of GDP) and Luxembourg (0.4% of GDP, and a balanced budget according to the EC). In contrast, the highest deficit should be seen in Croatia (5.6% of GDP) followed by the United Kingdom (4.3% of GDP for the financial year) and Spain (4.2% of GDP). In 2015, a positive primary balance is expected in 12 countries (in addition to which Lithuania and Romania show a zero result), e.g. also in problematic economies such as Greece (2.1% of GDP), Portugal (1.8% of GDP), Italy and Cyprus (both at 1.7% of GDP). Conversely, the highest primary deficit should be recorded in Finland (2.1% of GDP) and Bulgaria (2.0% of GDP). Compared to 2014, a worse result of the general government sector in relative terms is expected in six EU countries. No change should occur in Bulgaria and Romania, which have been the most successful in gradually reducing their deficit in recent years, together with Lithuania and Portugal. The requirement of the Stability and Growth Pact regarding the general government sector balance would not be met by five EU countries in 2015 (see Table B.15 in the annex), according to the EC forecast Portugal will also be joining this list (−3.1% of GDP).

2.3.2 General Government Debt

General government sector debt, expressed in nominal values always at the end of the particular year, roughly mirrors the long-term development of the deficit of the respective country. Across the EU, government sector debt reached a consolidated value[4] of 86.8% of GDP in 2014, i.e. 1.3 pp more than in 2013 (the non-consolidated amount as the total sum of debt of all EU Member States is simultaneously, if the financial year is used for the United Kingdom, at a level of 88.0% of GDP, as shown in Table B.15 in the annex).

The Czech Republic is in a relatively good position in terms of the general government debt indicator. In addition, in 2014 it decreased by 2.5 pp to 42.6% of GDP due to the drawdown of debt reserve and the involvement of available liquid funds from the State treasury in financing the state budget deficit.

Greece remains the most indebted country in the EU. In recent years, part of general government debt has been remitted by private creditors; nevertheless, due to the marked economic decline lasting several years, the relative indicator of general government debt further deepened to 177.1% of GDP in 2014. In 2015, according to the most recent Notification, a decrease of 5.7 pp is expected; in contrast, the EC predicts further growth of 3.1 pp. Other countries with government debt exceeding 100% of GDP include Italy, Portugal, Ireland, Belgium, Cyprus, and, according to the EC forecast for 2015, also Spain. France will also probably join them in the next few years. In Cyprus and Slovenia, due to the recent banking crisis, general government debt increased by more than 50 pp in the period 2010–2014. Whereas Cyprus is expecting its absolute debt to fall in 2015, it will further deepen in Slovenia, if only slightly. In 2011–2015, the debt in absolute terms should also grow in Lithuania, by more than 40%. The relative debt indicator is developing positively in Denmark, Latvia, Hungary, Germany, Poland and also Ireland. This indicator is by far the lowest in Estonia, although in absolute terms the debt more than doubled in 2011–2014, thus paradoxically showing the highest relative growth in the period mentioned. In 2013, it reached a two-digit figure for the first time, while in 2014 and 2015 it should stabilise at 10.6% of GDP. The majority of EU countries are recording a relative worsening in the amount of their debts. During 2010–2014 this trend can be seen most markedly, in addition to the already mentioned Estonia, also in Bulgaria, Croatia, Cyprus, Portugal, Slovenia, Spain and Finland (see Table B.15 in the annex). In 2015, the number of countries expected to worsen is now expected to be smaller than in 2014. In 2014, the debt fiscal criterion of 60% of GDP was satisfied by 12

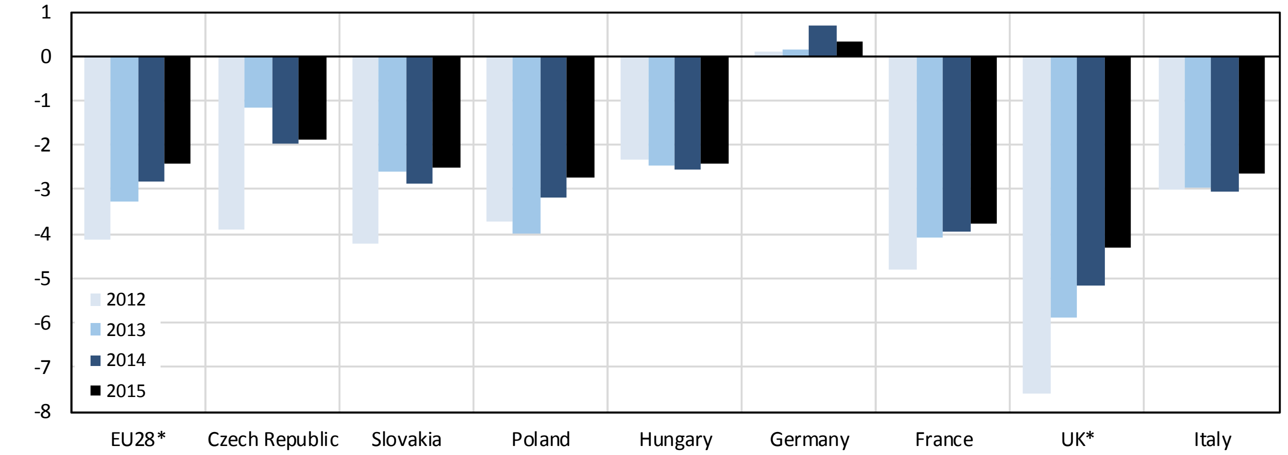
[3] This subsector does not exist in the United Kingdom, Ireland and Malta. To complete the discussion on subsectoral differences, the subsector S.1312 (the subsector of national government institutions) on the other hand only exists in the federal countries of Germany and Austria, and additionally in Belgium and Spain.

[4] Consolidated values of general government sector debt are naturally smaller than non-consolidated values, which is caused by excluding intergovernmental loans and, in case of the euro area, financial assistance as part of the European Financial Stability Facility. This has been the case, for example, with the granting of loans to Ireland, Portugal and Greece in recent years.

EU countries, with Finland probably leaving this group in 2015. Another country gradually approaching the reference limit is Slovakia; nevertheless, the EC sees its debt development more favourably than the country's own Spring Government Deficit and Debt Notification (53.4% versus 54.4% of GDP in 2015).

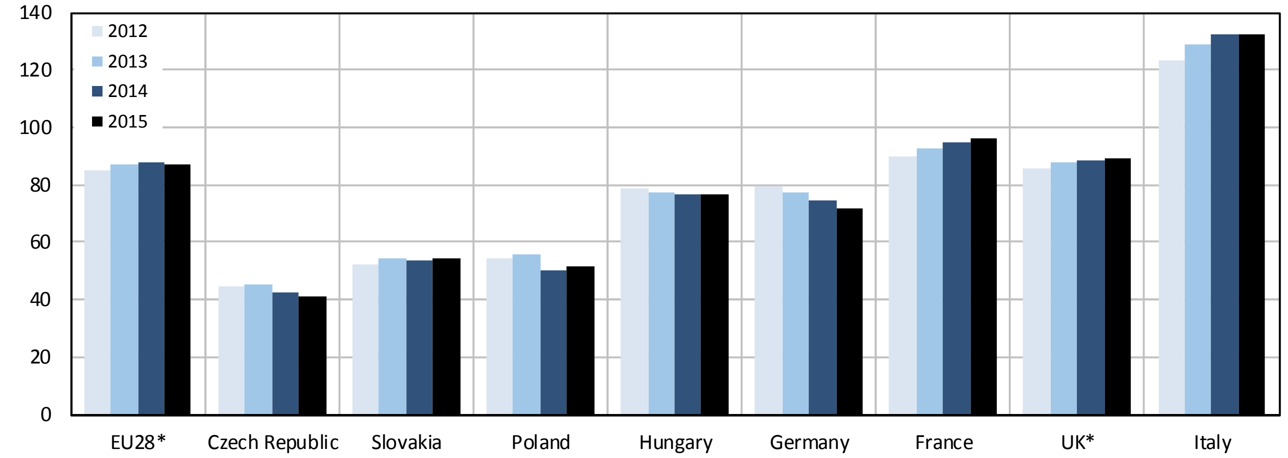
Note: Eurostat has expressed reservations to two countries in connection with the Spring Government Deficit and Debt Notification according to Article 15 Section 1 of the Regulation of the Council EC No. 479/2009, as subsequently amended, by which it has signalled its doubts regarding the quality of reported data. Bulgaria received a reservation in connection with its classification of the Deposit Insurance Fund in the general government sector and the impact on the deficit of funds paid to one commercial bank. The impact will be examined in cooperation with the Bulgarian Statistical Office and will probably result in an increase in the deficit. Portugal received its reservation regarding a capital injection into one of its local banks of nearly EUR 5 billion, which was preliminarily recorded as a financial transaction without any impact on the deficit. The resulting impact (the bank should be sold subsequently to a private entity) will also be discussed with the Portuguese Statistical Office and an increase in the deficit in 2014 is likewise expected.

Graph 2.1: General Government Balance in Selected EU Countries (2012–2015)
(in % of GDP)



*Note: *) For UK, the data for fiscal year (from April 1 year t to March 31 year t+1), which are relevant to EDP implementation. These data are also part of the EU28 aggregate.*
Source: Eurostat (2015b). Nominal GDP of the Czech Republic in 2015: MF CR.

Graph 2.2: General Government Debt in Selected EU Countries (2012–2015)
(in % of GDP)



*Note: *) The debt in EU28 is non-consolidated. For UK, the data for fiscal year (from April 1 year t to March 31 year t+1), which are relevant to EDP implementation. These data are also part of the EU28 aggregate.*
Source: Eurostat (2015b). Nominal GDP of the Czech Republic in 2015 and debt in the Czech Republic in 2015: MF CR.

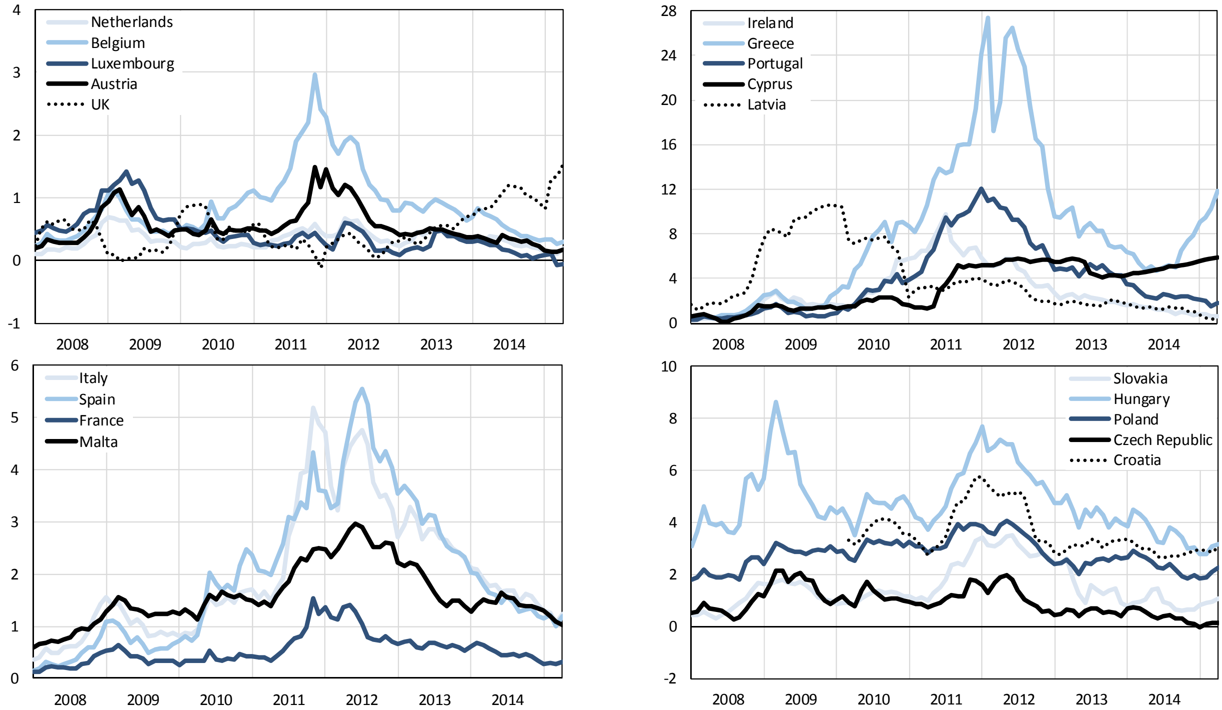
2.3.3 State Debt Financing

Graph 2.3 shows the development of spreads (based on monthly averages), i.e. the differences in yields of ten-year state (government) bonds against German bonds of the same kind, the so-called bunds, in the period from January 2008 to April 2015. Their development correlates to a certain extent with the fiscal performance of general government and best characterises confidence in the given country as an indicator of the development of risk premium. To achieve greater clarity, we have divided the selected EU countries into four groups. The upper graph on the left includes countries (except for the Nordic ones) with a very low spread. Yields from British bonds in two periods, and in one period also yields from Luxembourg bonds, were even lower than German ones (to complete the picture, in several cases the same applied to Danish and Swedish bonds). These states enjoy the highest confidence in the EU. The higher spreads of Belgium are caused by the high indebtedness of the government sector (see the previous Chapter 2.3.2), although the situation has been stabilising slowly since mid-2012. The right upper and left lower graphs show the development in countries in the south of the euro area and Ireland, where economic turbulence following the outbreak of the American mortgage crisis shortly thereafter revealed internal problems and imbalances. France, whose rating has also been reduced several times recently, has joined this group, Latvia as well as Lithuania as the newest member of the euro area. There was a high level of spread in both Baltic republics in 2009 and 2010, when it culminated due to the impact of deep economic recession. Since then, its generally downward course has been very clear, with a few exceptions. The development in Greece significantly improved in 2013 and 2014 when positively perceived steps taken by the previous Greek government signalled the renewed confidence of investors; nevertheless, in connection with the results of the early election in January 2015 and the so-far unsuccessful negotiations of the new Greek government regarding repayment of the debt, confidence has again been seriously dented. Finally, the last group in the lower graph on the right shows the development in those central European countries which have undergone large economic, political and social changes over the last 25 years. Thanks to its trajectory of fiscal consolidation the financial markets perceive the Czech Republic in this geographical region most favourably. Bonds issued by the Czech Republic in January 2015 even recorded a lower risk premium than the German bonds.

However, issues of government bonds are not the only means of creating state debt or general government sector debt, and there are countries in the EU with another important source, i.e. loans. It follows from the national spring Government Deficit and Debt Notifications that in 2014 loans made up more than a third of total gross government consolidated debt in eight EU Member States; in three of them it made up even more than half. These states include Estonia (86.8% of total debt), Greece (77.3%) and Cyprus (64.5%). While this share has been more or less constant in Estonia, it has recently shot up in Greece and Cyprus. In 2011, this share was 29% in Greece and 31.1% in Cyprus. To complete the picture, this share was 10.0% in the Czech Republic in 2014.

Graph 2.3: Spreads between National and German Bonds in EU Countries (January 2008 to April 2015)

(in percentage points)



Note: Spreads are calculated as the difference in yields of ten-year bonds of the specific country and those of Germany.

Source: ECB (2015).MF CR calculations.

3 Public Finances – GFS 2001 Methodology

3.1 Public Budgets in 2014

In 2014, the development of the public budget balance showed a year-on-year deterioration (GFS 2001 Methodology) of CZK 25.3 billion and the deficit reached CZK 75.0 billion, i.e. 1.8% of GDP. In spite of the moderate economic recovery, there was a year-on-year deterioration in the public budget deficit due to higher support for local economic entities and a strengthening of non-financial investment purchases (fixed assets). Nevertheless, investment activity was mitigated by a lack of preparedness of the relevant projects. The result of public budget finances was not influenced to the extent it had been in previous years by significant discretionary measures.

In comparison with the approved budget documentation (Act No. 475/2013 Coll.) for 2014, the public budget deficit was lower by CZK 32.6 billion. All components achieved better economic results, i.e. state budget, self-governing territorial units, health insurance companies and – thanks to the State Fund of Transport Infrastructure – also extra-budgetary funds. The state budget deficit was CZK 82.6 billion (CZK 113.1 billion budgeted).

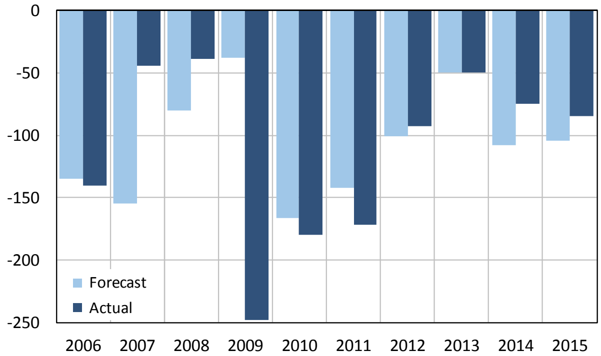
In comparison with the original assumptions, revenues were CZK 39.2 billion higher. Corporate income tax, value added tax (VAT) and capital grants from the EU all played a large part in this situation. While the development of total incomes also retains its growth trajectory in annual terms, in comparison with 2013, however, growth slowed from 3.9% to 2.2%. The year-on-year reduction of tax burden, including social security contributions, of 0.3 pp to 31.5% of GDP represents a slight reduction of the average tax burden. Total tax revenues, including social security contributions, were CZK 19.2 billion higher in comparison with the assumptions in the draft state budget for 2014. They increased by 3.7% in annual terms, whereby these dynamics are 1.3 pp higher than in 2012 and 2013. On the other hand, compared to the budgeted amount, within individual items there was a decline in collection, e.g. of personal income tax (of CZK 9.7 billion), excise duties (of CZK 5.5 billion) and also property taxes (of CZK 0.3 billion). The volume of social security contributions again increased in annual terms, thus finally exceeding the pre-crisis level of 2008. The same applies to personal income tax. In contrast, corporate income tax collection does not come anywhere near the level of 2008.

Graph 3.1 shows a comparison of the expected (budgeted) and actually achieved economic results of public budgets in 2006 to 2015.

In 2014, public budget expenditures were CZK 6.5 billion higher than the original assumption. Their volume increased by CZK 59.6 billion YoY, i.e. by 3.7% (compared to the previous growth of 0.9%). Expenditure growth was largely related to efforts to boost economic recovery and increased investment activity.

Graph 3.1: Public Budget Balance (2006–2015)

(in CZK billion)



Note: In 2015 the current forecast in place of actual data.
Source: MF CR.

There was an improvement in expenditure related to public debt management. Compared to 2013, interest expenditure decreased by CZK 3.4 billion, which corresponds to a relative year-on-year decrease of 6.3%. In comparison with the budget documentation, this expenditure was even CZK 9.5 billion lower. These low dynamics were mainly attributable to stagnation of the state budget debt. Low interest rates were also reflected in this development positively.

In comparison with the original budget, there was a saving of CZK 10.4 billion on purchases of goods and services and of CZK 5.0 billion on social benefits. In contrast, slightly higher expenditure in comparison with the budget documentation was implemented for employee compensation (by CZK 3.6 billion, of which CZK 3.1 billion was for the wage bill) and for current transfers to public, especially non-financial corporations (in total by CZK 7.0 billion).

In a YoY comparison, public budget expenditure on goods and services decreased by 1.8% (by CZK 2.2 billion). In contrast, expenditure on non-financial investment increased considerably, by 25.6% (by CZK 20.2 billion), expenditure on current transfers increased less, by 6.9% (by CZK 22.0 billion, of which approx. one third went to public corporations and two thirds to private corporations), social benefit expenditure by 2.1% (by CZK 15.2 billion) and employee compensation by 4.7% (by CZK 6.5 billion, of which the wage bill was CZK 4.9 billion).

3.2 Public Budgets in 2015

The approved budget for 2015 (Act No. 345/2014 Coll.) was drafted to respect the requirements of the Stability and Growth Pact, at the same time taking into consideration the necessity, as declared by the government, to provide pro-growth incentives to the Czech economy. According to the approved budget documentation, the state budget deficit should be CZK 104.0 billion, while the total balance of public budgets is to be CZK −104.4billion (now −2.3% of GDP). According to the updated estimates for 2015, the total balance improved by CZK 19.5 billion to CZK −84.9 billion (−1.9% of GDP), which is mainly due to an improvement in the state budget deficit of CZK 17.7 billion to CZK 86.3 billion. Currently, local budgets are also expecting an improvement (of CZK 2.2 billion); they should show a surplus of CZK 8.5 billion. In contrast, extra-budgetary funds should end up with a deficit of CZK 2.4 billion higher than budgeted (in total, CZK 15.2 billion). The State Fund of Transport Infrastructure, which expects an increase in investment activity, will contribute here to deficit performance. The result of health insurance companies also deteriorated slightly (by CZK 0.8 billion) to a deficit of CZK 0.7 billion. Upward changes can be expected on both the revenue and expenditure sides of public budgets. Increased revenues mainly represent revenues from EU funds (by more than CZK 30 billion). Higher expected revenues of public budgets should be driven especially by a growth of current transfers to public and private corporations (by more than CZK 20 billion).

In a YoY comparison, the total deficit of public budgets will deepen by CZK 10.0 billion, due to a deterioration of the state budget finances (of CZK 3.7 billion) and also a decrease in the surplus of self-governing territorial units (of CZK 3.9 billion). Health insurance company finances should change from a surplus to a deficit (CZK 2.9 billion worse balance than in 2014). For extra-budgetary funds, we can expect a considerable year-on-year deterioration of the balance by CZK 17.6 billion, i.e. from a budgeted surplus to a deficit of CZK 15.2 billion. Revenues should increase by 7.8% YoY, while expenditure will grow by 8.1%. In relative terms, revenues as a percentage of GDP will increase by 1.1 pp YoY to 38.4%, but the tax burden will decrease by 0.5 pp to 31.1%. A positive development is expected for tax revenues (without social security contributions). They should increase by nearly CZK 21 billion year-on-year, of which income taxes by CZK 11.9 billion. The increase in social security contributions (of CZK 21.6 billion) is a result of positive outlooks on the labour market related to lower unemployment and a growth in wages. We forecast massive annual growth (of CZK 84.9 billion) in subsidies from EU funds in 2015, nearly 60% of which should be capital in character. These funds should strengthen investment activity and at the same time cause multiplication effects.

In 2015, pubic debt should only increase by 0.8%, i.e. by CZK 14.8 billion to CZK 1,775.7 billion (39.8% of GDP). The lower increase of debt is expected in particular due to the greater involvement of available liquidity of the State treasury in financing the state budget deficit. In spite of the budgeted pro-growth expenditure, the government expects the debt to stabilise.

After state debt, self-governing territorial units have the greatest weight in total public debt. Their debt in 2015 compared to 2014 will increase slightly. After debt repayment in 2014, a slight increase can be expected in 2015 in the debt of extra-budgetary funds, since the State Agricultural Intervention Fund expects to take out a short-term loan of approximately CZK 0.2 billion from the state budget. However, due to consolidation, the total debt of public budgets will not increase by this operation. Similarly, the debt of health insurance companies provided from the state budget (at the end of 2015 should be CZK 0.5 billion) is the subject of consolidation and thus will not increase the total debt of public budgets.

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A Annex of Tables – GFS 2001 Methodology

The data on general government sector aggregates are consolidated at the relevant levels.

Table A.1: General Government Revenue
(in CZK billion)

	2008	2009	2010	2011	2012	2013	2014
Total revenue	**1478**	**1384**	**1423**	**1430**	**1498**	**1556**	**1591**
Revenue from operating activities	1461	1355	1401	1418	1486	1545	1572
Taxes	**743**	**660**	**691**	**706**	**728**	**754**	**785**
Taxes on income, profits, and capital gains	331	255	261	257	271	271	289
Payable by individuals	143	128	131	134	137	142	148
Payable by corporations and other enterprises	188	127	130	123	134	129	141
Taxes on property	16	14	16	20	21	19	19
Taxes on goods and services	396	391	413	428	436	464	476
Value added tax[1]	249	248	264	269	273	302	317
Excises	133	131	138	147	147	143	141
Social contributions	**548**	**510**	**517**	**533**	**541**	**545**	**563**
Social security contributions	530	496	503	519	526	531	548
Employee contributions	130	114	117	120	122	124	127
Employer contributions	365	338	349	359	365	369	381
Self-employed or nonemployed contributions	33	39	35	37	37	36	39
Other social contributions	18	14	14	14	14	15	15
Grants	**60**	**80**	**85**	**74**	**112**	**125**	**117**
From international organizations	60	79	85	73	111	125	116
Current	27	33	36	40	41	61	57
Capital	34	46	48	33	70	64	59
Other revenue	**110**	**106**	**108**	**105**	**106**	**120**	**108**
Property income	**34**	**34**	**35**	**30**	**29**	**32**	**30**
Interest	10	7	7	3	4	2	2
Dividends	16	19	20	19	17	21	20
Sales of goods and services	**43**	**43**	**44**	**48**	**49**	**49**	**49**
Sales of market establishments	19	20	20	22	21	21	21
Administrative fees	24	23	24	25	27	28	27
Fines, penalties, and forfeits	**4**	**5**	**5**	**4**	**4**	**5**	**5**
Voluntary transfers other than grants	**12**	**15**	**16**	**13**	**13**	**14**	**14**
Miscellaneous and unidentified revenue	**17**	**9**	**8**	**11**	**11**	**20**	**9**
Sales of nonfinancial assets	**17**	**29**	**22**	**12**	**12**	**12**	**18**
Fixed assets	10	9	10	6	6	5	4
Nonproduced assets	8	19	12	6	6	7	15

Note: 1) Value added tax is reduced by the EU budget levies consistently with the GFS 2001 methodology.
Source: MF CR.

Table A.2: General Government Revenue (in % of GDP)

(in % of GDP)

	2008	2009	2010	2011	2012	2013	2014
Total revenue	**36.8**	**35.3**	**36.0**	**35.5**	**37.0**	**38.1**	**37.3**
Revenue from operating activities	36.4	34.6	35.4	35.3	36.7	37.8	36.9
Taxes	**18.5**	**16.8**	**17.5**	**17.5**	**18.0**	**18.4**	**18.4**
Taxes on income, profits, and capital gains	8.2	6.5	6.6	6.4	6.7	6.6	6.8
Payable by individuals	3.6	3.3	3.3	3.3	3.4	3.5	3.5
Payable by corporations and other enterprises	4.7	3.2	3.3	3.1	3.3	3.2	3.3
Taxes on property	0.4	0.4	0.4	0.5	0.5	0.5	0.5
Taxes on goods and services	9.9	10.0	10.5	10.6	10.8	11.3	11.2
Value added tax[1]	6.2	6.3	6.7	6.7	6.7	7.4	7.4
Excises	3.3	3.3	3.5	3.6	3.6	3.5	3.3
Social contributions	**13.7**	**13.0**	**13.1**	**13.3**	**13.4**	**13.3**	**13.2**
Social security contributions	13.2	12.6	12.7	12.9	13.0	13.0	12.8
Employee contributions	3.2	2.9	3.0	3.0	3.0	3.0	3.0
Employer contributions	9.1	8.6	8.8	8.9	9.0	9.0	8.9
Self-employed or nonemployed contributions	0.8	1.0	0.9	0.9	0.9	0.9	0.9
Other social contributions	0.5	0.4	0.4	0.4	0.4	0.4	0.3
Grants	**1.5**	**2.0**	**2.1**	**1.8**	**2.8**	**3.1**	**2.7**
From international organizations	1.5	2.0	2.1	1.8	2.8	3.1	2.7
Current	0.7	0.8	0.9	1.0	1.0	1.5	1.3
Capital	0.8	1.2	1.2	0.8	1.7	1.6	1.4
Other revenue	**2.7**	**2.7**	**2.7**	**2.6**	**2.6**	**2.9**	**2.5**
Property income	**0.9**	**0.9**	**0.9**	**0.7**	**0.7**	**0.8**	**0.7**
Interest	0.2	0.2	0.2	0.1	0.1	0.0	0.0
Dividends	0.4	0.5	0.5	0.5	0.4	0.5	0.5
Sales of goods and services	**1.1**	**1.1**	**1.1**	**1.2**	**1.2**	**1.2**	**1.2**
Sales of market establishments	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Administrative fees	0.6	0.6	0.6	0.6	0.7	0.7	0.6
Fines, penalties, and forfeits	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Voluntary transfers other than grants	**0.3**	**0.4**	**0.4**	**0.3**	**0.3**	**0.3**	**0.3**
Miscellaneous and unidentified revenue	**0.4**	**0.2**	**0.2**	**0.3**	**0.3**	**0.5**	**0.2**
Sales of nonfinancial assets	**0.4**	**0.7**	**0.5**	**0.3**	**0.3**	**0.3**	**0.4**
Fixed assets	0.2	0.2	0.2	0.1	0.2	0.1	0.1
Nonproduced assets	0.2	0.5	0.3	0.2	0.2	0.2	0.3

Note: 1) Value added tax is reduced by the EU budget levies consistently with the GFS 2001 methodology.
Source: MF CR.

Table A.3: General Government Expenditure

(in CZK billion)

	2008	2009	2010	2011	2012	2013	2014
Total expense	**1 517**	**1 631**	**1 602**	**1 601**	**1 591**	**1 606**	**1 666**
Expense for operating activities	**1 421**	**1 513**	**1 495**	**1 508**	**1 506**	**1 525**	**1 565**
Compensation of employees	**141**	**147**	**146**	**136**	**136**	**139**	**146**
Wages and salaries	106	111	111	103	103	105	110
Social contributions	35	35	35	33	34	35	36
Actual social contributions	35	35	35	33	34	34	36
Use of goods and services	**133**	**148**	**142**	**129**	**122**	**124**	**122**
Interest	**45**	**50**	**42**	**48**	**45**	**54**	**50**
Subsidies	**273**	**302**	**300**	**308**	**314**	**319**	**341**
To public corporations	206	206	205	205	207	212	219
To private enterprises	66	96	95	103	107	107	122
Grants	**29**	**30**	**31**	**34**	**33**	**36**	**37**
To international organizations	29	30	31	34	33	36	37
Current	29	30	31	34	33	36	37
Social benefits	**618**	**664**	**671**	**687**	**704**	**713**	**728**
Social security benefits	618	664	671	687	704	713	728
Other expense	**182**	**173**	**164**	**166**	**152**	**141**	**141**
Miscellaneous other expense	182	173	164	166	152	141	141
Current	31	32	34	31	35	35	37
Capital	151	141	130	135	117	105	104
Purchases of nonfinancial assets	**96**	**118**	**107**	**93**	**85**	**80**	**101**
Fixed assets	93	116	105	92	83	79	99
Nonproduced assets	3	2	2	1	2	2	2

Note: Use of goods and services in GFS 2001 also contains investment expenditure on destructive military technology.
Source: MF CR.

Table A.4: General Government Expenditure (in % of GDP)

(in % of GDP)

	2008	2009	2010	2011	2012	2013	2014
Total expense	**37.8**	**41.6**	**40.5**	**39.8**	**39.3**	**39.3**	**39.0**
Expense for operating activities	**35.4**	**38.6**	**37.8**	**37.5**	**37.2**	**37.3**	**36.7**
Compensation of employees	**3.5**	**3.7**	**3.7**	**3.4**	**3.4**	**3.4**	**3.4**
Wages and salaries	2.7	2.8	2.8	2.6	2.5	2.6	2.6
Social contributions	0.9	0.9	0.9	0.8	0.8	0.9	0.9
Actual social contributions	0.9	0.9	0.9	0.8	0.8	0.8	0.8
Use of goods and services	**3.3**	**3.8**	**3.6**	**3.2**	**3.0**	**3.0**	**2.9**
Interest	**1.1**	**1.3**	**1.1**	**1.2**	**1.1**	**1.3**	**1.2**
Subsidies	**6.8**	**7.7**	**7.6**	**7.6**	**7.8**	**7.8**	**8.0**
To public corporations	5.1	5.2	5.2	5.1	5.1	5.2	5.1
To private enterprises	1.6	2.5	2.4	2.6	2.6	2.6	2.8
Grants	**0.7**	**0.8**	**0.8**	**0.9**	**0.8**	**0.9**	**0.9**
To international organizations	0.7	0.8	0.8	0.9	0.8	0.9	0.9
Current	0.7	0.8	0.8	0.9	0.8	0.9	0.9
Social benefits	**15.4**	**16.9**	**17.0**	**17.1**	**17.4**	**17.4**	**17.1**
Social security benefits	15.4	16.9	17.0	17.1	17.4	17.4	17.1
Other expense	**4.5**	**4.4**	**4.1**	**4.1**	**3.8**	**3.4**	**3.3**
Miscellaneous other expense	4.5	4.4	4.1	4.1	3.8	3.4	3.3
Current	0.8	0.8	0.9	0.8	0.9	0.9	0.9
Capital	3.8	3.6	3.3	3.4	2.9	2.6	2.4
Purchases of nonfinancial assets	**2.4**	**3.0**	**2.7**	**2.3**	**2.1**	**2.0**	**2.4**
Fixed assets	2.3	3.0	2.7	2.3	2.1	1.9	2.3
Nonproduced assets	0.1	0.1	0.1	0.0	0.0	0.0	0.0

Note: Use of goods and services in GFS 2001 also contains investment expenditure on destructive military technology.
Source: MF CR.

Table A.5: General Government Balance
(in CZK billion, in % of GDP)

	2008	2009	2010	2011	2012	2013	2014
CZK bn							
Cash deficit/surplus	**-39**	**-248**	**-180**	**-171**	**-93**	**-50**	**-75**
Deficit / surplus of operating balance	40	-158	-94	-90	-21	19	7
Deficit / surplus of primary balance	6	-198	-137	-124	-48	4	-25
% of GDP							
Cash deficit/surplus	**-1.0**	**-6.3**	**-4.5**	**-4.3**	**-2.3**	**-1.2**	**-1.8**
Deficit / surplus of operating balance	1.0	-4.0	-2.4	-2.2	-0.5	0.5	0.2
Deficit / surplus of primary balance	0.1	-5.0	-3.5	-3.1	-1.2	0.1	-0.6

Source: MF CR.

Table A.6: Structure of General Government Balance
(in CZK billion)

	2008	2009	2010	2011	2012	2013	2014
State budget[1]	-78	-221	-176	-157	-85	-69	-92
Extrabudgetary funds total	12	5	3	-8	-3	2	2
Social security funds	11	-6	-7	-5	-6	-1	2
Local governments	16	-25	0	-1	1	19	12
Cash deficit/surplus	**-39**	**-248**	**-180**	**-171**	**-93**	**-50**	**-75**

Note: 1) incl. National Fund and ex-National Property Fund’s transactions and net impact of elimination of transfers from/to reserve funds.
Source: MF CR.

Table A.7: Sources and Uses of General Government
(in CZK billion)

	2008	2009	2010	2011	2012	2013	2014
Cash flows from operating activities:							
Cash receipts from operating activities	**1 461**	**1 355**	**1 401**	**1 418**	**1 486**	**1 545**	**1 572**
Taxes	743	660	691	706	728	754	785
Social contributions	548	510	517	533	541	545	563
Grants	60	80	85	74	112	125	117
Other receipts	110	106	108	105	106	120	108
Cash payments for operating activities	**1 421**	**1 513**	**1 495**	**1 508**	**1 506**	**1 525**	**1 565**
Compensation of employees	141	147	146	136	136	139	146
Purchases of goods and services	133	148	142	129	122	124	122
Interest	45	50	42	48	45	54	50
Subsidies	273	302	300	308	314	319	341
Grants	29	30	31	34	33	36	37
Social benefits	618	664	671	687	704	713	728
Other payments	182	173	164	166	152	141	141
Net cash inflow from operating activities	**40**	**-158**	**-94**	**-90**	**-21**	**19**	**7**
Cash flows from investments in non-financial assets:							
Purchases of nonfinancial assets	**96**	**118**	**107**	**93**	**85**	**80**	**101**
Fixed assets	93	116	105	92	83	79	99
Strategic stocks	0	0	0	0	0	0	0
Valuables	0	0	0	0	0	0	0
Nonproduced assets	3	2	2	1	2	2	2
Sales of nonfinancial assets	**17**	**29**	**22**	**12**	**12**	**12**	**18**
Fixed assets	10	9	10	6	6	5	4
Strategic stocks	0	0	0	0	0	0	0
Valuables	0	0	0	0	0	0	0
Nonproduced assets	8	19	12	6	6	7	15
Net cash outflow: investments in nonfinancial assets	**79**	**90**	**86**	**82**	**72**	**69**	**82**
Cash surplus / deficit	**-39**	**-248**	**-180**	**-171**	**-93**	**-50**	**-75**

Source: MF CR.

Table A.8: General Government Debt

(in CZK billion, in % of GDP)

	2008	2009	2010	2011	2012	2013	2014
CZK bn							
Consolidated general government debt	**1 071**	**1 258**	**1 426**	**1 565**	**1 761**	**1 779**	**1 761**
State debt consolidated	980	1 160	1 324	1 461	1 649	1 665	1 648
Extrabudgetary funds	1	1	3	2	1	0	0
Social security funds	0	0	0	0	0	2	1
Local governments	95	100	102	105	115	120	117
% of GDP							
Consolidated general government debt	**26.7**	**32.1**	**36.1**	**38.9**	**43.5**	**43.5**	**41.3**
Consolidated state debt	24.4	29.6	33.5	36.3	40.7	40.7	38.6
Extrabudgetary funds	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Social security funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local governments	2.4	2.5	2.6	2.6	2.8	2.9	2.7

Source: MF CR.

B Annex of Tables – ESA 2010 Methodology

The data on general government sector aggregates are consolidated at the relevant levels.

Table B.1: General Government Revenue

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CZK bn										
Total revenue	**1261**	**1352**	**1504**	**1528**	**1494**	**1524**	**1598**	**1614**	**1666**	**1709**
Current taxes on income, wealth, etc.	275	295	330	306	271	262	275	275	286	307
Social contributions 1)	482	525	577	599	560	578	592	600	606	628
Taxes on production and imports 2)	351	361	404	416	424	441	480	501	526	517
Capital taxes 3)	1	1	0	0	0	0	0	0	0	0
Property income	23	28	30	35	37	37	35	35	37	37
Interest	13	13	16	13	11	10	10	11	10	9
Other property income	10	15	14	22	26	26	25	25	28	27
Sales 4)	93	96	111	119	122	117	127	127	128	129
Other current transfers and subsidies	26	26	23	22	27	33	35	36	41	40
Investment grants	5	14	15	27	50	53	50	35	36	49
Other capital transfers	5	5	13	3	3	4	4	4	5	3
% growth										
Total revenue	**4.6**	**7.2**	**11.3**	**1.6**	**-2.2**	**2.0**	**4.8**	**1.0**	**3.2**	**2.6**
Current taxes on income, wealth, etc.	2.8	7.4	11.9	-7.4	-11.4	-3.4	5.0	0.0	4.2	7.2
Social contributions 1)	6.5	8.8	9.9	3.9	-6.6	3.2	2.5	1.3	1.1	3.6
Taxes on production and imports 2)	5.4	2.9	12.0	3.0	1.9	3.9	9.0	4.3	4.9	-1.7
Capital taxes 3)	18.5	9.2	-42.4	-44.8	-8.2	-3.4	0.9	0.9	-33.3	-93.5
Property income	-6.3	23.5	7.2	15.7	4.7	1.0	-5.8	0.8	7.1	-2.6
Interest	-6.9	1.7	19.1	-20.3	-14.0	-3.7	-6.1	7.0	-5.5	-8.6
Other property income	-5.5	53.1	-3.5	55.7	15.4	2.9	-5.7	-1.6	12.4	-0.4
Sales 4)	4.1	3.5	15.1	7.8	2.0	-4.0	8.8	-0.4	0.8	1.0
Other current transfers and subsidies	-7.5	-2.0	-8.4	-7.4	26.0	20.7	5.3	4.9	12.8	-1.6
Investment grants	62.8	187.1	1.0	86.1	84.7	4.9	-6.0	-29.0	1.5	36.4
Other capital transfers	-21.8	2.3	147.1	-77.8	14.6	24.7	-3.6	5.2	16.5	-49.3
% of GDP										
Total revenue	**38.7**	**38.5**	**39.3**	**38.1**	**38.1**	**38.6**	**39.7**	**39.9**	**40.8**	**40.1**
Current taxes on income, wealth, etc.	8.4	8.4	8.6	7.6	6.9	6.6	6.8	6.8	7.0	7.2
Social contributions 1)	14.8	15.0	15.1	14.9	14.3	14.6	14.7	14.8	14.8	14.7
Taxes on production and imports 2)	10.8	10.3	10.6	10.4	10.8	11.1	11.9	12.4	12.9	12.1
Capital taxes 3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property income	0.7	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Interest	0.4	0.4	0.4	0.3	0.3	0.3	0.2	0.3	0.2	0.2
Other property income	0.3	0.4	0.4	0.6	0.7	0.7	0.6	0.6	0.7	0.6
Sales 4)	2.9	2.7	2.9	3.0	3.1	3.0	3.2	3.1	3.1	3.0
Other current transfers and subsidies	0.8	0.7	0.6	0.5	0.7	0.8	0.9	0.9	1.0	0.9
Investment grants	0.2	0.4	0.4	0.7	1.3	1.3	1.2	0.9	0.9	1.1
Other capital transfers	0.2	0.2	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Note: 1) Compulsory and voluntary payments of employers (on behalf of employees), employees, self-employed and self-payers to social security institutions and health insurance enterprises.
2) Compulsory payments, which are levied by general government, in respect of the production or import and/or usage of production factors (for example VAT, excises etc.).
3) Irregular taxes to the government on the values of the property, assets or net worth owned by institutional (e.g. inheritance tax, gift tax).
4) Consists of market output, output produced for own final use and payments for other non-market output.
Source: CZSO (2015b).

Table B.2: General Government Tax Revenue and Social Contributions

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CZK bn										
Taxes and social contributions	**1109**	**1182**	**1312**	**1322**	**1255**	**1281**	**1348**	**1376**	**1419**	**1452**
Current taxes on income, wealth, etc.	**275**	**295**	**330**	**306**	**271**	**262**	**275**	**275**	**286**	**307**
individuals or households	137	138	156	141	136	131	143	144	151	157
corporations	135	154	171	162	132	127	129	127	133	147
Levy on lottery revenue	-	-	-	-	-	-	-	-	-	-
other current taxes	3	3	3	3	3	3	3	3	3	3
Social security contributions	**482**	**525**	**577**	**599**	**560**	**578**	**592**	**600**	**606**	**628**
Actual contributions of employers	309	332	364	380	350	368	378	383	387	401
Imputed contributions of employers	0	0	0	0	1	1	1	1	1	0
Actual contributions of households	173	192	213	219	209	209	214	217	218	227
Additional contributions of households	-	-	-	-	-	-	-	-	-	-
Taxes on production and imports	**351**	**361**	**404**	**416**	**424**	**441**	**480**	**501**	**526**	**517**
Taxes on products [1]	337	346	389	401	409	421	457	479	506	496
value added tax	215	214	232	260	259	263	277	286	304	319
Excises	113	123	145	128	140	148	171	176	183	158
Other taxes on products [2]	9	10	12	12	10	10	10	17	19	18
Other taxes on production [3]	14	15	16	16	15	19	23	22	20	20
Capital taxes	**1**	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
% growth										
Taxes and social contributions	**5.2**	**6.6**	**11.0**	**0.8**	**-5.0**	**2.0**	**5.3**	**2.1**	**3.1**	**2.4**
Current taxes on income, wealth, etc.	**2.8**	**7.4**	**11.9**	**-7.4**	**-11.4**	**-3.4**	**5.0**	**0.0**	**4.2**	**7.2**
individuals or households	0.5	1.0	12.7	-9.7	-3.8	-3.1	8.7	1.0	4.5	4.0
corporations	4.9	13.9	11.4	-5.4	-18.3	-3.7	1.3	-1.2	4.0	10.9
Levy on lottery revenue	-	-	-	-	-	-	-	-	-	-
other current taxes	15.6	4.7	4.5	0.1	4.1	1.0	-3.6	7.0	-2.9	2.1
Social security contributions	**6.5**	**8.8**	**9.9**	**3.9**	**-6.6**	**3.2**	**2.5**	**1.3**	**1.1**	**3.6**
Actual contributions of employers	6.5	7.7	9.4	4.5	-7.9	5.1	2.7	1.4	1.3	3.4
Imputed contributions of employers	-1.5	2.0	-26.2	-4.7	190.5	-27.5	23.2	-14.5	3.5	-24.8
Actual contributions of households	6.4	10.9	10.7	2.9	-4.6	0.3	2.2	1.2	0.7	4.1
Additional contributions of households	-	-	-	-	-	-	-	-	-	-
Taxes on production and imports	**5.4**	**2.9**	**12.0**	**3.0**	**1.9**	**3.9**	**9.0**	**4.3**	**4.9**	**-1.7**
Taxes on products [1]	6.1	2.9	12.2	3.1	2.0	3.0	8.5	4.8	5.6	-1.9
value added tax	5.1	-0.6	8.7	12.1	-0.7	1.9	5.0	3.5	6.2	5.2
Excises	11.1	8.9	17.9	-11.1	9.1	5.6	15.4	2.9	4.2	-13.6
Other taxes on products [2]	-20.6	11.7	17.7	-0.4	-14.6	-4.3	-1.3	75.9	10.5	-1.6
Other taxes on production [3]	-9.3	3.4	6.0	0.1	-2.5	26.8	21.0	-5.0	-10.2	2.4
Capital taxes	**18.5**	**9.2**	**-42.4**	**-44.8**	**-8.2**	**-3.4**	**0.9**	**0.9**	**-33.3**	**-93.5**

Note: 1) Taxes that are payable per unit of good or service produced or transacted.
2) This item contains, for example, customs duty, taxes from imported agricultural products, taxes from financial and capital transactions, payments from entertainment, lottery, game and betting taxes and other.
3) All taxes that enterprises incur as a result of engaging in production, independently of the quantity or value of the goods and services produced or sold (real estate tax, road tax, waste water toll etc.).
Source: CZSO (2015b).

Table B.3: General Government Tax Revenue and Social Contributions (in % of GDP)

(in % of GDP)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Taxes and social contributions	**34.0**	**33.7**	**34.2**	**32.9**	**32.0**	**32.4**	**33.5**	**34.0**	**34.7**	**34.0**
Current taxes on income, wealth, etc.	**8.4**	**8.4**	**8.6**	**7.6**	**6.9**	**6.6**	**6.8**	**6.8**	**7.0**	**7.2**
individuals or households	4.2	3.9	4.1	3.5	3.5	3.3	3.5	3.6	3.7	3.7
corporations	4.1	4.4	4.5	4.0	3.4	3.2	3.2	3.1	3.2	3.4
Levy on lottery revenue	-	-	-	-	-	-	-	-	-	-
other current taxes	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Social security contributions	**14.8**	**15.0**	**15.1**	**14.9**	**14.3**	**14.6**	**14.7**	**14.8**	**14.8**	**14.7**
Actual contributions of employers	9.5	9.5	9.5	9.5	8.9	9.3	9.4	9.5	9.5	9.4
Imputed contributions of employers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Actual contributions of households	5.3	5.5	5.5	5.4	5.3	5.3	5.3	5.4	5.3	5.3
Additional contributions of households	-	-	-	-	-	-	-	-	-	-
Taxes on production and imports	**10.8**	**10.3**	**10.6**	**10.4**	**10.8**	**11.1**	**11.9**	**12.4**	**12.9**	**12.1**
Taxes on products [1)]	10.3	9.9	10.1	10.0	10.4	10.7	11.4	11.8	12.4	11.6
value added tax	6.6	6.1	6.1	6.5	6.6	6.7	6.9	7.1	7.4	7.5
excises	3.5	3.5	3.8	3.2	3.6	3.7	4.2	4.3	4.5	3.7
other taxes on products [2)]	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.4	0.5	0.4
Other taxes on production [3)]	0.4	0.4	0.4	0.4	0.4	0.5	0.6	0.5	0.5	0.5
Capital taxes	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Note: 1) Taxes that are payable per unit of good or service produced or transacted.
2) This item contains, for example, customs duty, taxes from imported agricultural products, taxes from financial and capital transactions, payments from entertainment, lottery, game and betting taxes and other.
3) All taxes that enterprises incur as a result of engaging in production, independently of the quantity or value of the goods and services produced or sold (real estate tax, road tax, waste water toll etc.).
Source: CZSO (2015b).

Table B.4: Central Government Revenue

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CZK bn										
Total revenue	**867**	**925**	**1033**	**1042**	**1001**	**1029**	**1092**	**1104**	**1130**	**1146**
Current taxes on income, wealth, etc.	183	197	221	203	180	174	183	183	186	200
Social contributions	319	343	376	392	352	365	374	378	379	391
Taxes on production and imports	280	291	328	329	337	350	386	405	423	410
Capital taxes	1	1	0	0	0	0	0	0	0	-
Property income	16	21	22	26	29	30	28	27	30	29
Sales	41	44	53	56	56	59	67	68	66	68
Other revenue	26	28	31	35	49	51	54	43	46	48
% growth										
Total revenue	**1.8**	**6.7**	**11.7**	**0.9**	**-3.9**	**2.7**	**6.2**	**1.0**	**2.4**	**1.4**
Current taxes on income, wealth, etc.	-4.5	7.7	12.2	-8.2	-11.6	-3.0	5.0	0.0	1.4	7.5
Social contributions	6.2	7.5	9.8	4.3	-10.4	3.7	2.7	0.9	0.4	3.2
Taxes on production and imports	1.0	3.7	12.9	0.4	2.4	3.9	10.2	4.9	4.5	-3.1
Capital taxes	18.8	10.0	-42.6	-45.7	-10.4	-2.7	-2.3	3.8	-33.5	-
Property income	-2.9	30.8	6.1	15.9	10.4	4.1	-6.6	-3.2	11.6	-3.4
Sales	6.3	5.6	21.3	5.6	-0.8	5.5	14.5	0.8	-2.0	2.2
Other revenue	3.9	8.0	10.4	11.1	39.2	5.0	5.2	-20.0	6.5	5.8

Source: CZSO (2015b).

Table B.5: Local Government Revenue

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CZK bn										
Total revenue	**352**	**376**	**410**	**416**	**433**	**431**	**426**	**396**	**419**	**438**
Current taxes on income, wealth, etc.	92	98	109	103	91	87	92	92	101	108
Social contributions	0	0	0	0	0	0	0	0	0	0
Taxes on production and imports	71	71	77	87	87	90	94	96	102	107
Capital taxes	0	0	0	0	0	0	0	0	0	0
Property income	7	7	7	8	7	7	7	8	7	8
Sales	51	52	58	63	66	58	60	59	61	61
Other revenue	132	148	160	155	181	188	173	141	147	155
% growth										
Total revenue	**1.1**	**6.7**	**9.2**	**1.3**	**4.0**	**-0.5**	**-1.0**	**-7.1**	**5.7**	**4.5**
Current taxes on income, wealth, etc.	21.2	6.6	11.3	-5.8	-11.0	-4.2	4.9	0.0	9.8	6.7
Social contributions	21.7	61.6	-43.2	-79.1	2428.6	-20.6	36.7	2.3	-1.0	-22.9
Taxes on production and imports	27.5	-0.2	8.3	13.8	0.0	3.7	4.4	1.9	6.5	4.2
Capital taxes	0.0	-55.6	0.0	50.0	83.3	-18.2	77.8	-37.5	-30.0	42.9
Property income	-14.4	4.7	6.1	6.4	-9.5	-4.5	-0.4	17.4	-4.5	0.8
Sales	2.4	1.8	10.0	9.8	4.4	-12.0	3.0	-1.8	4.1	-0.1
Other revenue	-17.4	12.4	8.0	-3.1	16.5	3.8	-7.7	-18.5	3.9	5.3

Source: CZSO (2015b).

Table B.6: Social Security Funds Revenue

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CZK bn										
Total revenue	**170**	**185**	**203**	**211**	**211**	**216**	**221**	**225**	**230**	**239**
Current taxes on income, wealth, etc.	-	-	-	-	-	-	-	-	-	-
Social contributions	163	182	200	207	208	213	218	222	227	237
Taxes on production and imports	-	-	-	-	-	-	-	-	-	-
Capital taxes	-	-	-	-	-	-	-	-	-	-
Property income	0	0	1	1	1	1	0	1	0	0
Sales	0	0	0	0	0	0	0	0	0	0
Other revenue	6	2	2	2	2	2	3	2	2	2
% growth										
Total revenue	**6.7**	**9.0**	**10.1**	**3.6**	**0.2**	**2.1**	**2.4**	**1.8**	**2.2**	**4.3**
Current taxes on income, wealth, etc.	-	-	-	-	-	-	-	-	-	-
Social contributions	7.1	11.4	10.0	3.2	0.4	2.6	2.2	2.0	2.2	4.3
Taxes on production and imports	-	-	-	-	-	-	-	-	-	-
Capital taxes	-	-	-	-	-	-	-	-	-	-
Property income	22.1	30.0	75.3	111.3	-23.9	-46.2	-18.6	10.8	-47.2	-13.3
Sales	6.4	-2.7	-4.1	-14.4	-2.5	-1.7	20.2	-16.1	3.5	-7.6
Other revenue	-4.1	-59.8	3.2	3.5	-5.0	-14.5	29.2	-19.3	8.1	10.4

Source: CZSO (2015b).

Table B.7: General Government Expenditure

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CZK bn										
Total expenditure	**1362**	**1431**	**1531**	**1613**	**1711**	**1699**	**1707**	**1772**	**1713**	**1794**
Compensation of employees	238	253	269	280	293	286	280	287	294	304
Intermediate consumption	189	205	212	222	230	227	219	198	207	211
Social benefits other than in kind [1)]	374	407	456	475	509	517	527	533	544	555
Social benefits in kind	170	174	187	199	219	222	228	233	234	249
Property income	35	36	41	40	49	53	53	59	55	57
Interest	35	36	41	40	49	53	53	58	55	56
Other property income	0	0	0	0	0	0	0	1	0	1
Subsidies	55	61	62	64	76	79	99	100	109	116
Gross fixed capital formation	161	171	175	199	218	187	167	156	141	166
Capital transfers [2)]	89	68	70	60	56	56	53	125	41	59
Investment grants [3)]	36	38	37	36	34	33	37	35	22	19
Other capital transfers	53	30	33	24	22	23	16	90	19	40
Other expenditure	50	56	58	73	61	72	81	81	86	77
Final consumption expenditure	**665**	**700**	**732**	**766**	**812**	**810**	**792**	**783**	**801**	**828**
Collective consumption [4)]	335	357	370	388	404	402	382	371	385	392
Individual consumption	329	342	362	378	408	408	410	412	416	436
% growth										
Total expenditure	**5.7**	**5.0**	**7.0**	**5.3**	**6.1**	**-0.7**	**0.5**	**3.8**	**-3.3**	**4.7**
Compensation of employees	7.1	6.1	6.4	4.1	4.7	-2.5	-2.0	2.3	2.6	3.5
Intermediate consumption	2.8	8.0	3.7	4.8	3.6	-1.5	-3.4	-9.6	4.8	1.7
Social benefits other than in kind [1)]	4.2	8.7	12.1	4.1	7.1	1.7	1.8	1.2	2.1	2.0
Social benefits in kind	4.0	2.1	7.8	6.1	10.3	1.5	2.3	2.4	0.5	6.4
Property income	7.4	3.4	13.0	-2.2	21.3	7.7	1.3	9.9	-5.8	3.0
Interest	7.4	3.4	13.0	-2.3	21.3	7.8	0.7	9.1	-4.8	2.4
Other property income	-3.8	41.2	9.7	26.6	11.0	-45.9	548.3	123.7	-69.8	119.8
Subsidies	-7.3	11.6	1.6	2.8	18.9	3.7	25.6	0.4	9.7	6.3
Gross fixed capital formation	12.5	6.1	2.4	13.9	9.2	-14.0	-11.0	-6.2	-9.7	17.4
Capital transfers [2)]	6.8	-23.5	2.8	-14.2	-6.5	-0.7	-5.7	138.2	-67.0	43.0
Investment grants [3)]	-3.5	7.4	-3.4	-2.0	-5.7	-3.8	12.0	-5.4	-35.7	-13.6
Other capital transfers	14.9	-44.1	10.8	-27.9	-7.6	4.0	-31.1	473.6	-79.0	109.8
Final consumption expenditure	**4.8**	**5.3**	**4.6**	**4.6**	**6.0**	**-0.3**	**-2.2**	**-1.2**	**2.4**	**3.3**
Collective consumption [4)]	8.8	6.6	3.4	5.0	4.1	-0.5	-4.8	-3.0	3.8	1.8
Individual consumption	1.0	4.0	5.7	4.3	8.0	0.0	0.4	0.5	1.1	4.7

Note: 1) Social benefits, which should serve households to relieve their costs or losses stemming from existence or development of some risks or needs. Mainly benefits paid in case of old age, disability, sickness, motherhood, unemployment, work injury, work sickness, current social need etc.
2) Transactions of capital distribution, which have no influence either on beneficiary's ordinary income or these transaction's payer but on amount of their net property. Both in cash and in kind.
3) Capital transfers in cash or in kind made by governments to other institutional units to finance all or part of the costs of their gross fixed capital formation.
4) Value of all collective services provided to the whole society or to specific groups, i.e. expenditure for public services, defence, security, justice, health protection, environmental protection, research and development, infrastructure development and economy.
Source: CZSO (2015b), MF CR.

Table B.8: General Government Expenditure (in % of GDP)

(in % of GDP)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total expenditure	**41.8**	**40.8**	**40.0**	**40.2**	**43.6**	**43.0**	**42.4**	**43.8**	**41.9**	**42.0**
Compensation of employees	7.3	7.2	7.0	7.0	7.5	7.2	7.0	7.1	7.2	7.1
Intermediate consumption	5.8	5.8	5.5	5.5	5.9	5.7	5.4	4.9	5.1	4.9
Social benefits other than in kind	11.5	11.6	11.9	11.8	13.0	13.1	13.1	13.2	13.3	13.0
Social benefits in kind	5.2	4.9	4.9	4.9	5.6	5.6	5.7	5.8	5.7	5.8
Property income	1.1	1.0	1.1	1.0	1.2	1.3	1.3	1.4	1.4	1.3
Interest	1.1	1.0	1.1	1.0	1.2	1.3	1.3	1.4	1.3	1.3
Other property income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies	1.7	1.8	1.6	1.6	1.9	2.0	2.5	2.5	2.7	2.7
Gross fixed capital formation	4.9	4.9	4.6	5.0	5.5	4.7	4.1	3.9	3.5	3.9
Capital transfers	2.7	1.9	1.8	1.5	1.4	1.4	1.3	3.1	1.0	1.4
Investment grants	1.1	1.1	1.0	0.9	0.9	0.8	0.9	0.9	0.5	0.5
Other capital transfers	1.6	0.9	0.9	0.6	0.6	0.6	0.4	2.2	0.5	0.9
Other expenditure	1.5	1.6	1.5	1.8	1.5	1.8	2.0	2.0	2.1	1.8
Final consumption expenditure	**20.4**	**20.0**	**19.1**	**19.1**	**20.7**	**20.5**	**19.7**	**19.3**	**19.6**	**19.4**
Collective consumption	10.3	10.2	9.6	9.7	10.3	10.2	9.5	9.2	9.4	9.2
Individual consumption	10.1	9.8	9.4	9.4	10.4	10.3	10.2	10.2	10.2	10.2

Source: CZSO (2015b), MF CR.

Table B.9: Central Government Expenditure

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CZK bn										
Total expenditure	**967**	**1006**	**1088**	**1132**	**1185**	**1179**	**1184**	**1254**	**1193**	**1235**
Compensation of employees	121	128	137	143	150	147	139	144	149	154
Intermediate consumption	91	98	104	106	109	106	101	87	91	93
Social benefits other than in kind	363	394	437	453	485	491	501	530	540	551
Social benefits in kind	3	3	2	2	3	4	5	9	12	14
Interest	33	34	39	37	46	51	52	56	54	55
Subsidies	26	30	31	32	38	35	56	56	65	69
Gross fixed capital formation	103	98	106	116	117	98	81	81	70	75
Capital transfers	85	65	65	58	60	57	56	120	37	51
Other expenditure	142	155	167	186	178	191	193	172	176	172
% growth										
Total expenditure	**4.2**	**4.1**	**8.2**	**4.0**	**4.7**	**-0.5**	**0.5**	**5.9**	**-4.9**	**3.6**
Compensation of employees	9.1	6.1	6.7	4.2	5.0	-2.3	-5.0	3.5	3.2	3.8
Intermediate consumption	3.7	7.3	6.7	1.5	2.6	-2.5	-4.4	-14.5	4.7	3.1
Social benefits other than in kind	4.4	8.7	10.8	3.7	7.0	1.4	2.0	5.6	2.0	2.1
Social benefits in kind	-22.8	-7.2	-23.9	-18.2	36.6	53.3	20.0	83.4	37.2	15.4
Interest	10.7	3.0	12.7	-3.6	24.8	10.0	1.0	8.9	-4.2	1.8
Subsidies	-22.2	17.5	3.4	1.1	20.7	-7.6	58.7	0.1	15.2	6.9
Gross fixed capital formation	30.4	-4.9	8.3	9.8	1.2	-16.8	-17.1	-0.2	-13.5	8.0
Capital transfers	-0.3	-22.8	-0.2	-11.6	3.8	-5.7	-1.1	115.0	-69.6	39.6
Other expenditure	-5.1	9.0	7.9	11.0	-4.3	7.3	1.5	-11.2	2.6	-2.7

Source: CZSO (2015b).

Table B.10: Local Government Expenditure

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CZK bn										
Total expenditure	**354**	**385**	**397**	**421**	**454**	**446**	**436**	**397**	**404**	**430**
Compensation of employees	114	121	129	133	139	135	137	139	142	146
Intermediate consumption	96	105	106	114	119	118	115	109	115	115
Social benefits other than in kind	12	13	20	22	24	26	26	4	4	4
Social benefits in kind	3	3	3	3	3	2	3	0	-	-
Interest	2	2	3	3	2	2	2	2	1	2
Subsidies	29	31	31	33	38	44	43	44	45	47
Gross fixed capital formation	58	73	69	83	99	89	85	75	71	90
Capital transfers	28	26	28	20	16	17	12	14	12	13
Other expenditure	12	11	10	10	13	13	14	11	15	14
% growth										
Total expenditure	**0.3**	**9.0**	**3.2**	**5.9**	**8.0**	**-1.8**	**-2.3**	**-9.0**	**2.0**	**6.4**
Compensation of employees	5.1	6.1	6.1	3.8	4.3	-2.7	1.3	1.3	2.0	3.2
Intermediate consumption	1.9	9.1	0.7	7.6	4.1	-0.9	-2.0	-5.6	5.3	0.7
Social benefits other than in kind	0.0	7.5	53.6	13.2	9.4	7.5	-1.7	-85.9	18.7	-11.8
Social benefits in kind	2.4	8.9	19.0	-11.3	0.2	-16.4	11.1	-99.0	-	-
Interest	-26.5	8.2	15.8	17.7	-21.8	-33.2	-6.1	17.1	-23.5	22.4
Subsidies	11.6	6.3	-0.1	4.4	17.1	14.9	-1.1	0.9	2.7	5.5
Gross fixed capital formation	-9.6	26.5	-5.3	19.8	20.2	-10.6	-4.2	-11.8	-5.2	26.4
Capital transfers	-14.2	-5.8	5.0	-27.5	-17.9	6.1	-31.6	16.9	-16.0	10.4
Other expenditure	19.8	-7.2	-9.5	1.9	32.4	0.9	1.8	-18.9	37.3	-10.3

Source: CZSO (2015b).

Table B.11: Social Security Fund Expenditure

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CZK bn										
Total expenditure	**170**	**173**	**187**	**201**	**222**	**224**	**228**	**232**	**229**	**242**
Compensation of employees	3	3	3	4	4	4	4	4	4	4
Intermediate consumption	2	2	2	2	3	3	3	3	2	2
Social benefits other than in kind	0	0	-	0	0	0	0	0	0	0
Social benefits in kind	164	168	181	194	213	216	220	224	222	235
Interest	0	-	0	0	0	-	0	-	-	-
Subsidies	-	-	-	-	-	-	-	-	-	-
Gross fixed capital formation	1	0	0	1	1	1	1	1	0	1
Capital transfers	-	-	-	-	-	0	-	-	-	-
Other expenditure	0	0	0	0	0	0	1	1	1	1
% growth										
Total expenditure	**5.0**	**1.9**	**8.3**	**7.1**	**10.5**	**1.2**	**1.5**	**1.7**	**-1.3**	**5.9**
Compensation of employees	5.7	5.3	6.5	12.0	9.6	-0.2	-2.3	-3.0	-0.6	1.2
Intermediate consumption	8.0	-13.3	10.5	22.2	26.1	10.0	-21.5	1.3	-15.8	-8.0
Social benefits other than in kind	-	100.0	-	-	600.0	0.0	-28.6	-20.0	12.5	0.0
Social benefits in kind	4.8	2.2	8.3	6.8	10.2	1.1	1.9	1.8	-0.9	5.9
Interest	-66.7	-	-	-50.0	0.0	-	-	-	-	-
Subsidies	-	-	-	-	-	-	-	-	-	-
Gross fixed capital formation	19.1	-41.7	-0.4	64.4	48.4	-15.7	-14.1	-23.7	-59.6	119.0
Capital transfers	-	-	-	-	-	-	-	-	-	-
Other expenditure	571.4	27.7	23.9	-15.5	7.7	14.0	26.1	12.3	-0.8	41.0

Source: CZSO (2015b).

Table B.12: General Government Net Lending/Borrowing by Subsectors

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CZK bn										
General government	**-101**	**-79**	**-27**	**-85**	**-216**	**-175**	**-109**	**-158**	**-47**	**-85**
Central government	-100	-81	-56	-90	-184	-150	-92	-151	-63	-89
Local governments	-1	-9	13	-5	-22	-16	-10	-1	14	7
Social security funds	0	12	16	10	-11	-9	-7	-7	1	-3
% of GDP										
General government	**-3.1**	**-2.3**	**-0.7**	**-2.1**	**-5.5**	**-4.4**	**-2.7**	**-3.9**	**-1.2**	**-2.0**
Central government	-3.1	-2.3	-1.4	-2.2	-4.7	-3.8	-2.3	-3.7	-1.5	-2.1
Local governments	0.0	-0.3	0.3	-0.1	-0.6	-0.4	-0.2	0.0	0.4	0.2
Social security funds	0.0	0.3	0.4	0.2	-0.3	-0.2	-0.2	-0.2	0.0	-0.1

Source: CZSO (2015b).

Table B.13: General Government Debt by Instruments

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CZK bn										
General government debt	**913**	**979**	**1066**	**1151**	**1336**	**1509**	**1604**	**1804**	**1840**	**1816**
Currency and deposits	4	3	5	6	5	6	3	8	7	10
Securities other than shares	723	816	908	990	1155	1322	1408	1604	1641	1625
Loans	186	160	152	155	176	181	193	191	192	182
Central government debt	**841**	**898**	**981**	**1063**	**1241**	**1413**	**1506**	**1698**	**1732**	**1707**
Currency and deposits	4	3	5	6	5	6	3	8	7	10
Securities other than shares	698	791	883	966	1139	1307	1394	1592	1629	1615
Loans	139	104	93	92	98	100	109	98	96	83
Local government debt	**78**	**86**	**88**	**91**	**97**	**98**	**101**	**110**	**114**	**115**
Currency and deposits	-	-	-	-	-	-	-	-	-	-
Securities other than shares	26	25	26	26	17	17	15	15	16	13
Loans	53	61	62	65	80	81	86	95	98	101
Social security funds debt	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2**	**1**
Currency and deposits	-	-	-	-	-	-	-	-	-	-
Securities other than shares	-	-	-	-	-	-	-	-	-	-
Loans	0	0	0	0	0	0	0	0	2	1
% growth										
General government debt	**4.9**	**7.2**	**8.9**	**8.0**	**16.1**	**12.9**	**6.3**	**12.4**	**2.0**	**-1.3**
Currency and deposits	-41.5	-18.9	59.6	7.8	-17.4	27.0	-44.3	153.8	-18.7	45.7
Securities other than shares	11.1	12.8	11.4	9.1	16.6	14.4	6.5	13.9	2.3	-1.0
Loans	-12.5	-13.8	-5.1	1.7	13.7	2.8	6.6	-0.7	0.5	-5.5
Central government debt	**4.3**	**6.8**	**9.3**	**8.3**	**16.8**	**13.8**	**6.6**	**12.8**	**2.0**	**-1.5**
Currency and deposits	-41.5	-18.9	59.6	7.8	-17.4	27.0	-43.6	151.8	-18.4	45.3
Securities other than shares	11.2	13.3	11.7	9.4	18.0	14.7	6.7	14.2	2.3	-0.9
Loans	-19.3	-25.2	-10.5	-1.5	6.4	2.9	8.1	-9.8	-1.5	-14.3
Local government debt	**10.7**	**10.3**	**1.9**	**3.2**	**6.6**	**1.4**	**2.8**	**9.6**	**3.3**	**0.3**
Currency and deposits	-	-	-	-	-	-	-	-	-	-
Securities other than shares	7.8	-1.1	1.8	-0.4	-33.3	-0.6	-11.5	2.4	5.0	-17.1
Loans	12.2	15.9	1.9	4.8	22.3	1.9	5.8	10.8	3.1	3.2
Social security funds debt	**17.5**	**-30.5**	**-69.1**	**62.7**	**-44.8**	**-26.4**	**415.4**	**-9.0**	**928.4**	**-37.2**
Currency and deposits	-	-	-	-	-	-	-	-	-	-
Securities other than shares	-	-	-	-	-	-	-	-	-	-
Loans	17.5	-30.5	-69.1	62.7	-44.8	-26.4	415.4	-9.0	928.4	-37.2

Note: Government debt consists of following financial instruments: currency and deposits, securities issued other than shares excluding financial derivatives and loans. The debt is expressed in the nominal value, which is considered equivalent to the face value. Government debt is consolidated, i.e. the debt in holding of other subjects of a subsector resp. the government sector is omitted.
Source: CZSO (2015b).

Table B.14: General Government Debt by Instruments (in % of GDP)
(in % of GDP)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government debt	**28.0**	**27.9**	**27.8**	**28.7**	**34.1**	**38.2**	**39.9**	**44.6**	**45.0**	**42.6**
Currency and deposits	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.2	0.2	0.2
Securities other than shares	22.2	23.3	23.7	24.7	29.5	33.4	35.0	39.6	40.2	38.1
Loans	5.7	4.6	4.0	3.8	4.5	4.6	4.8	4.7	4.7	4.3
Central government debt	**25.8**	**25.6**	**25.6**	**26.5**	**31.7**	**35.7**	**37.4**	**42.0**	**42.4**	**40.0**
Currency and deposits	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.2	0.2	0.2
Securities other than shares	21.4	22.5	23.0	24.1	29.0	33.0	34.7	39.3	39.9	37.8
Loans	4.3	3.0	2.4	2.3	2.5	2.5	2.7	2.4	2.4	1.9
Local government debt	**2.4**	**2.5**	**2.3**	**2.3**	**2.5**	**2.5**	**2.5**	**2.7**	**2.8**	**2.7**
Currency and deposits	-	-	-	-	-	-	-	-	-	-
Securities other than shares	0.8	0.7	0.7	0.6	0.4	0.4	0.4	0.4	0.4	0.3
Loans	1.6	1.7	1.6	1.6	2.0	2.1	2.1	2.3	2.4	2.4
Social security funds debt	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Currency and deposits	-	-	-	-	-	-	-	-	-	-
Securities other than shares	-	-	-	-	-	-	-	-	-	-
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Note: Government debt consists of following financial instruments: currency and deposits, securities issued other than shares excluding financial derivatives and loans. The debt is expressed in the nominal value, which is considered equivalent to the face value. Government debt is consolidated, i.e. the debt in holding of other subjects of a subsector resp. the government sector is omitted.
Source: CZSO (2015b).

Table B.15: General Government Balance and Debt of EU Countries (2011–2015)

(in % of GDP)

	Balance					Debt				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
EU28 [1, 2]	-4.5	-4.1	-3.3	-2.8	-2.4	81.3	85.1	87.1	88.0	87.3
EA19 [3]	-4.1	-3.6	-2.9	-2.4	-2.1	86.5	91.1	93.2	94.2	93.6
Austria	-2.6	-2.2	-1.3	-2.4	-2.2	82.1	81.5	80.9	84.5	86.8
Belgium	-4.1	-4.1	-2.9	-3.2	-2.4	102.0	103.8	104.4	106.5	106.9
Bulgaria	-2.0	-0.7	-0.9	-2.8	-2.8	15.7	18.0	18.3	27.6	29.8
Croatia [4]	-7.5	-5.3	-5.4	-5.7	-5.6	63.7	69.2	80.6	85.0	90.5
Cyprus	-5.8	-5.8	-4.9	-8.8	-1.3	66.0	79.5	102.2	107.5	103.8
Czech Republic	-2.7	-3.9	-1.2	-2.0	-1.9	39.9	44.6	45.0	42.6	40.9
Denmark	-2.1	-3.7	-1.1	1.2	-1.6	46.4	45.6	45.0	45.2	39.8
Estonia	1.2	-0.2	-0.2	0.6	-0.3	6.0	9.7	10.1	10.6	10.6
Finland	-1.0	-2.1	-2.5	-3.2	-3.4	48.5	52.9	55.8	59.3	62.5
France	-5.1	-4.8	-4.1	-4.0	-3.8	85.2	89.6	92.3	95.0	96.3
Germany	-0.9	0.1	0.1	0.7	0.3	77.9	79.3	77.1	74.7	71.4
Greece	-10.2	-8.7	-12.3	-3.5	-0.2	171.3	156.9	175.0	177.1	171.4
Hungary	-5.5	-2.3	-2.5	-2.6	-2.4	81.0	78.5	77.3	76.9	76.3
Ireland	-12.7	-8.1	-5.8	-4.1	-2.9	111.2	121.7	123.2	109.7	105.5
Italy	-3.5	-3.0	-2.9	-3.0	-2.6	116.4	123.1	128.5	132.1	132.5
Latvia	-3.3	-0.8	-0.7	-1.4	-1.0	42.7	40.9	38.2	40.0	36.8
Lithuania	-8.9	-3.1	-2.6	-0.7	-1.3	37.2	39.8	38.8	40.9	44.6
Luxembourg	0.4	0.1	0.9	0.6	-0.4	19.1	21.9	24.0	23.6	24.8
Malta	-2.6	-3.7	-2.6	-2.1	-1.6	69.7	67.4	69.2	68.0	66.9
Netherlands	-4.3	-4.0	-2.3	-2.3	-1.8	61.3	66.5	68.6	68.8	68.8
Poland	-4.9	-3.7	-4.0	-3.2	-2.7	54.8	54.4	55.7	50.1	51.7
Portugal	-7.4	-5.6	-4.8	-4.5	-2.7	111.1	125.8	129.7	130.2	125.4
Romania	-5.3	-2.9	-2.2	-1.5	-1.5	34.2	37.3	38.0	39.8	40.1
Slovakia	-4.1	-4.2	-2.6	-2.9	-2.5	43.4	52.1	54.6	53.6	54.4
Slovenia	-6.6	-4.0	-14.9	-4.9	-2.9	46.5	53.7	70.3	80.9	81.6
Spain	-9.4	-10.3	-6.8	-5.8	-4.2	69.2	84.4	92.1	97.7	99.7
Sweden	-0.1	-0.9	-1.4	-1.9	-1.4	36.2	36.6	38.7	43.9	44.2
United Kingdom [2]	-7.7	-7.6	-5.9	-5.2	-4.3	82.7	85.4	87.8	88.4	88.8

Note: 1) Non-consolidated debt.

2) For UK the data stand for fiscal year (1 April of year t to 31 March of year t+1) relevant for implementation of the excessive deficit procedure. These data are also part of the EU28 aggregate.

3) 19 current member states – Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain.

4) Croatian balance and debt values are actual EC European Economic Forecast, because Croatia did not submit values for government deficit and debt in 2015 during the April notification.

Source: Eurostat (2015b), EC (2015a).

Table B.16: Transactions of General Government of EU Countries in 2014

(in % of GDP)

	Revenue	Expenditure	Compen. of employees	Cash social benefits	Collective consumption	Individual consumption	Investments[1]	Interest expenditure
EU28	45.2	48.1	10.3	16.5	7.8	13.1	2.9	2.5
EA19 [2]	46.6	49.0	10.3	17.4	7.9	13.1	2.7	2.6
Austria	49.9	52.3	10.6	19.4	7.5	12.5	2.9	2.4
Belgium	51.1	54.3	12.5	17.2	9.2	15.3	2.3	3.1
Bulgaria	36.4	39.2	9.7	12.5	8.3	8.8	5.0	0.7
Croatia	42.3	48.0	11.7	14.3	9.7	10.0	3.6	3.5
Cyprus	40.3	49.1	13.1	14.7	9.2	6.8	1.8	2.8
Czech Republic	40.1	42.0	7.1	13.0	9.2	10.2	3.9	1.3
Denmark	58.5	57.2	16.9	17.8	7.8	19.0	3.9	1.6
Estonia	39.4	38.8	11.1	10.8	9.0	10.6	5.1	0.1
Finland	55.5	58.7	14.3	19.7	8.2	16.7	4.1	1.3
France	53.2	57.2	13.0	20.0	8.5	15.6	3.7	2.2
Germany	44.6	43.9	7.7	15.6	6.8	12.5	2.2	1.7
Greece	45.8	49.3	12.0	18.8	10.7	8.9	3.8	3.9
Hungary	47.6	50.1	10.6	14.0	10.1	10.1	5.2	4.1
Ireland	34.9	39.0	10.0	12.7	5.3	11.8	1.9	4.0
Italy	48.1	51.1	10.1	20.3	8.1	11.4	2.2	4.7
Latvia	35.5	36.9	9.4	10.0	9.3	7.9	4.3	1.4
Lithuania	34.3	34.9	9.5	10.8	7.6	9.4	3.5	1.6
Luxembourg	44.7	44.0	8.4	16.1	6.6	10.8	3.8	0.4
Malta	41.7	43.8	13.2	12.1	9.1	11.1	3.8	2.9
Netherlands	44.3	46.6	9.2	11.8	8.6	17.4	3.6	1.4
Poland	38.6	41.8	10.2	14.2	8.0	10.3	4.4	2.0
Portugal	44.5	49.0	11.8	17.8	8.7	9.9	2.0	5.0
Romania	33.4	34.9	7.7	10.5	7.6	6.6	4.3	1.6
Slovakia	38.9	41.8	8.7	14.0	8.1	10.6	3.7	1.9
Slovenia	45.0	49.8	11.6	16.5	7.7	11.4	5.1	3.3
Spain	37.8	43.6	10.8	16.1	8.3	10.8	2.0	3.3
Sweden	51.1	53.0	12.7	13.9	7.4	19.0	4.5	0.7
United Kingdom	38.7	44.4	9.5	14.3	7.3	12.5	2.8	2.7

Note: 1) Gross fixed capital formation.

2) 19 current member states – Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain.

Source: Eurostat (2015a).

C Lists of Thematic Chapters and Boxes of Previous Fiscal Outlooks of the Czech Republic

List of Thematic Chapters of Previous Fiscal Outlooks of the Czech Republic

Published	Topic
October 2010	Selected Principles of Public–Private Partnership and its Impacts on General Government Operations
November 2011	Causes of the European Debt Crisis and its Consequences for Czech Public Finances
November 2012	Pension Reform – Introducing an Opt-Out
November 2013	Excessive Deficit Procedure in EU Member States
November 2014	Long-term Pension Projections

List of Thematic Boxes of Previous Fiscal Outlooks of the Czech Republic

Published	Box Topic
October 2010	Box 1: Methodology (Transition from the GFS 1986 to GFS 2001) Box 2: Measures to reduce General Government Deficits in the ESA 95 Methodology, related to the Medium-Term Outlook from 2009 Box 3: Proposed Pension Reform
May 2011	Box 1: Ruling of the Constitutional Court of the Czech Republic and Public Finances
November 2011	Box 1: Selected Changes in Methodology for General Government Statistics Box 2: Settlement of the Property Relations of the State and the Churches
May 2012	Box 1: Accident Insurance – Current State of Affairs Box 2: Stability and Growth Pact versus the Treaty on Stability Coordination and Governance in the EMU
November 2012	Box 1:Drawing of EU Funds and Impact on the Public Finances Balances Box 2:European System of Trading in Greenhouse Gas Emission Allowances
May 2013	Box 1: Satellite Account of Public Sector Box 2: The Seventh Enlargement of the European Union – Croatia
November 2013	Box 1: Government Sector Investment in 2009–2012 Box 2: EU Funds and their Uptake Box 3: Floods in 2013
May 2014	Box 1: Drawing of EU Structural Funds in the 2007–2013 Programming Period Box 2: Financial Resources from the 2014–2020 Programming Period
November 2014	Box 1: Basic Changes in General Government Sector Statistics in relation with Transition to ESA 2010 Methodology Box 2: Changes in General Government Sector Statistics in the System of National Accounts Box 3: Planned Measures against Tax Evasion Box 4: Impact of New Estimates of Elasticities of Cyclically Sensitive Revenue and Expenditure on the Cyclical Component of Balance
May 2015	Box 1: Expansion of the General Government Sector

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