

## PRIORITIES OF THE STATE BUDGET

The 2024 state budget is marked by continued uncertainties, which are mainly linked to the instability of the geopolitical situation. Despite significant adverse factors negatively affecting the fiscal area, it has been possible to start work to consolidate public budgets. The materialization of consolidation efforts are reflected in the 2024 budget in the form of the impact of the consolidation package.

The 2024 State Budget respects these government priorities:

- Support of the social sector by ensuring social reconciliation
- Ensuring predictable financing of Healthcare
- Delivering on the commitment to finance defence spending in the amount of 2% of GDP

## MACROECONOMIC BASELINES FOR THE YEAR 2024\*

### Economic growth

While in the first half of 2023 the Czech economy was teetering on the edge of recession, in the second half of the year economic activity started to recover. In 2024, the economic performance could increase by 2.3%, mainly thanks to renewed growth in household consumption. Economic activity will, however, be slightly dampened by the effects of theof the consolidation package, which will also contribute to a reduction in inflationary pressures.

### Inflation

High inflation slows economic growth and reduces living standards. The rise in consumer prices was influenced not only by food, electricity or natural gas, but also other categories of goods and services. Strong domestic demand pressures are already being dampened by increased monetary policy rates. The strengthening of the koruna also has an anti-inflationary effect. We expect a decline in inflation next year to 2.8% in annual terms.

### Labour market situation

The labour market continues to display imbalances related to labour shortages. As a result, despite the weak economic dynamics, the unemployment rate did not increase significantly in 2023. In 2024, the unemployment rate is expected to be 2.7%. Persistent tensions in the labour market will put upward pressure on wage growth, which, however continues to lag behind inflation in 2023. The growth of average real wages is therefore not expected to resume until 2024.

## MAIN MACROECONOMIC AGGREGATES

	2022	2023*	2024*	2025*	2026*
<b>Nominal GDP</b> in CZK bil.	6 786	7 384	7 751	8 105	8 436
<b>Real GDP</b> growth in %	2,4	-0,2	2,3	2,4	2,3
<b>Inflation rate</b> average in %	15,1	10,9	2,8	2,3	2,0
<b>Employment growth</b> growth in %	-0,8	1,0	0,7	0,2	0,1
<b>Unemployment rate</b> average in %	2,3	2,8	2,7	2,6	2,6
<b>Long-term interest rates</b> % p.a.	4,3	4,3	3,9	3,4	2,8

\*Macroeconomic forecast August 2023

Source: MoF CR

## 2024 STATE BUDGET IN NUMBERS

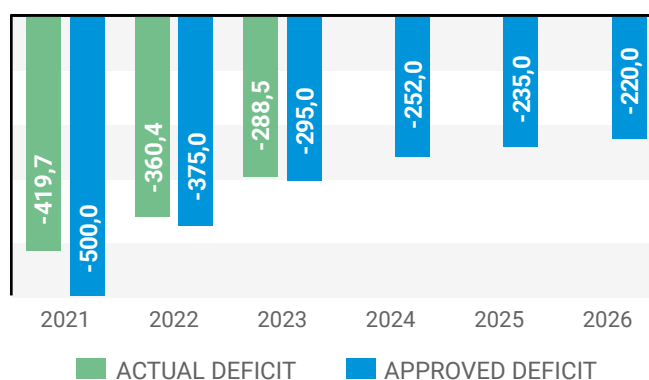
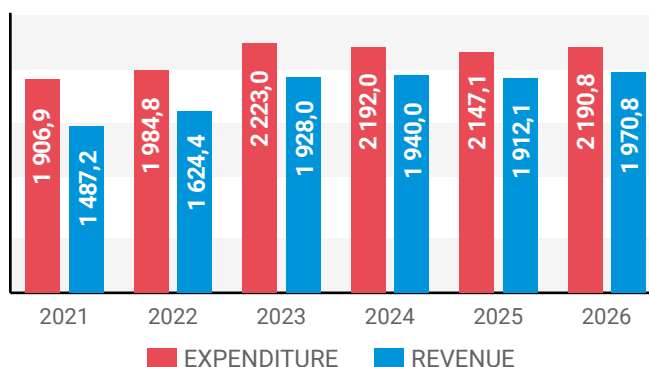
### BASIC INDICATORS OF THE 2024 SB

REVENUE | 1 940,0 CZK BIL.

EXPENDITURE | 2 192,0 CZK BIL.\*

\* OF WHICH CAPITAL EXPENDITURE: 184,6 CZK BIL.

### DEVELOPMENT OF REVENUE AND EXPENDITURE OF THE SB (IN CZK BIL.)



## BALANCE AND DEBT

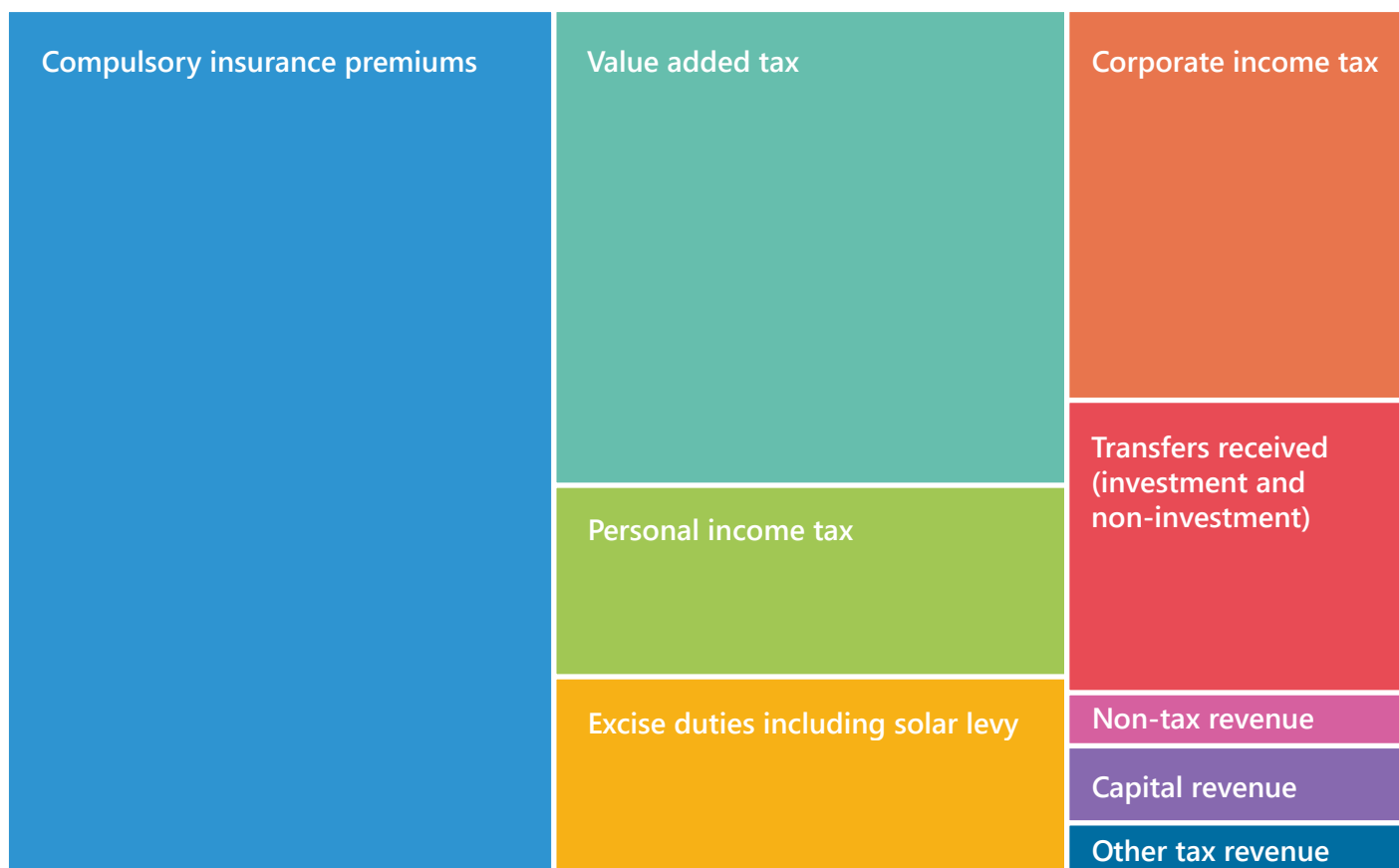
	2022	2023*	2024*	2025*	2026*
<b>Balance of the SB</b> in CZK bil.	-360,4	-295,0	-252,0	-235,0	-220,0
<b>Balance of the SB</b> in % of GDP	-5,3	-4,0	-3,3	-2,9	-2,6
<b>Structural balance</b> in % of GDP	-2,4	-2,3	-2,2	-2,0	-2,1
<b>National debt</b> in CZK bil.	2894,8	3191,3	3447,7	3684,6	3906,6
<b>Government debt</b> in % of GDP	42,7	43,2	44,5	45,5	46,3
<b>Debt service expenditure</b> in CZK bil.	49,7	70,0	95,0	110,0	120,0

\*Macroeconomic forecast August 2023

Source: MoF CR



## STATE BUDGET REVENUE FOR 2024



Compulsory insurance premiums	756,2
Value added tax	386,8
Personal income tax	155,5
Excise duties including solar levy	163,7
Corporate income tax	215,2
Transfers received (investment and non-investment)	160,3
Non-tax revenue	28,7
Capital revenue	42,6
Other tax revenue	31,0

*in CZK bil.*

### THE MAIN CHANGES IN REVENUE COMPARED TO LAST YEAR

#### Tax revenue

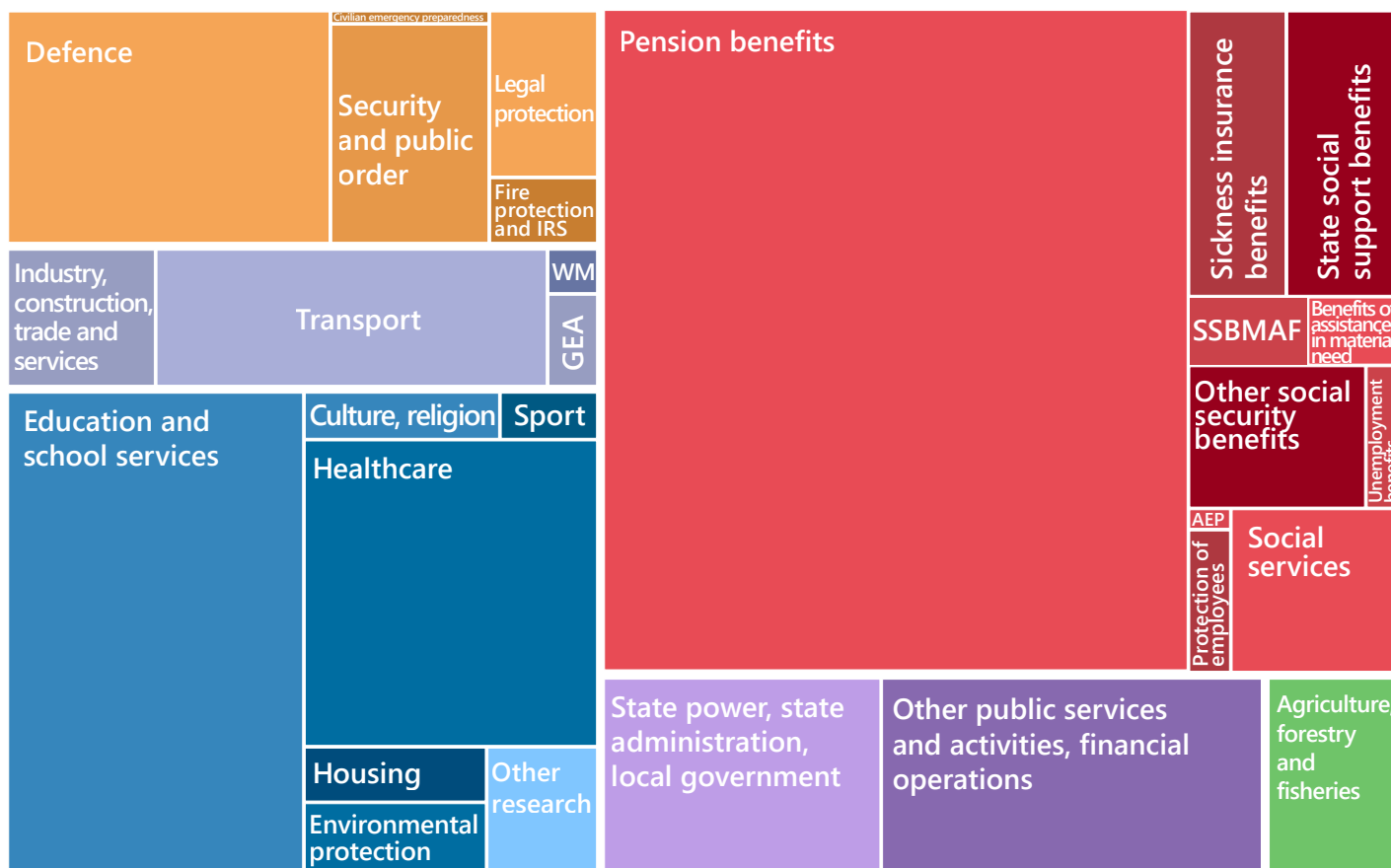
Tax revenue incl. income from social security contributions will increase by CZK 72.9 bil. year-on-year. Of this, revenue from insurance premiums will increase by CZK 67.9 bil. year-on-year. Tax revenue will thus increase by CZK 5.0 bil. year-on-year.

The tax quota for 2024 is 33.7% of GDP excluding extraordinary revenues (windfall profits tax and the levy on excessive sales), which are estimated at an additional 0.2% of GDP, overall, an annual 0,4 p.p. increase in the tax quota.

#### Non-tax revenue

Non-tax revenue (excluding EU and MF) will increase year-on-year by CZK 6.8 bil. In contrast, capital revenue (excluding EU and MF) will decrease by CZK 42.1 bil. year-on-year, mainly in the chapter of the Ministry of the Environment, where revenue from emissions allowances will decrease by CZK 41.8 bil. year-on-year. Revenue covered by the EU and the MF will decrease by CZK 11.7 bil. year-on-year to an absolute amount of CZK 127.5 bil.

### STATE BUDGET EXPENDITURE FOR 2024



Defence	140,6
Civilian emergency preparedness	3,7
Security and public order	64,1
Legal protection	33,6
Fire protection and IRS	13,7
Industry, construction, trade and services	38,1
Transport	101,0
Water management + connections (WM)	4,0
General Economic Affairs (GEA)	8,5
Education and school services	263,7
Culture, religion and media	17,3
Sport and leisure activities	8,5
Healthcare	165,1
Housing, community services and territorial development	18,6
Environmental protection	24,8
Other research and development	25,9
Pension benefits	706,2
Sickness insurance benefits	51,1
State social support benefits	61,4
Benefits of assist. in material need, for disabled persons	11,8
Other social security benefits	46,7
Unemployment benefits	10,1
Active employment policy (AEP)	1,6
Protection of employees	11,5
Social services	51,0
Special social benefits for members of the armed forces upon termination of service (SSBMAF)	14,8
State power, state administration, local government	102,8
Other public services and activities, financial operations	140,5
Agriculture, forestry and fisheries	51,6

in CZK bil.

### MAIN CHANGES IN EXPENDITURE COMPARED TO THE PREVIOUS YEAR

Total expenditure (excluding EU and MF and excluding the accounting operation of the SAIF) will decrease by CZK 20.3 bil. year-on-year. The most significant changes are for the following chapters:

**Ministry of Defence**, where expenditure will increase year-on-year by CZK 39.4 bil. to meet the 2% of GDP expenditure commitment for defence.

**The Ministry of Labour and Social Affairs**, where expenditure will increase by CZK 30.8 bil. to cover social payments.

**National debt**, where expenditure on servicing the national debt will increase by CZK 25 bil. year-on-year.

**General Treasury**, where lower expenditure by a total of CZK 84,9 bil. year-on-year is planned, in particular, the item Economic Support Measures will decrease by CZK 90.0 bil. year-on-year.

**Ministry of Industry and Trade**, where the year-on-year expenditure will decrease by CZK 17.5 bil., with the largest part of the decrease in expenditure due to a reduction in expenditure on renewable energy sources by CZK 13.5 bil. year-on-year.

