Ministry of Finance
of the Czech Republic

Fiscal Outlook
of the Czech Republic

November 2025

Fiscal Outlook of the Czech Republic
November 2025

Ministry of Finance of the Czech Republic
Economic Policy Department
Letenská 15, 118 10 Prague 1

Tel.: 257 041 111
Fiscal.Outlook@mfcr.cz

ISSN 2570-5695 (on-line)

Issued annually, free distribution

Electronic archive:
http://www.mfcr.cz/FiscalOutlook

Fiscal Outlook
of the Czech Republic

November 2025

Table of Contents

The Fiscal Outlook of the Czech Republic is published by the Economic Policy Department of the MF CR, since 2016 annually, usually in November. It contains forecast of the current and next year (i.e. up to 2026) and also the outlook of some economic indicators to the following 2 years (i.e. up to 2028). The Outlook is available on internet pages of MF CR at:

http://www.mfcr.cz/FiscalOutlook

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

Fiscal.Outlook@mfcr.cz

List of Tables

List of Graphs

List of Abbreviations

c. p. ..... current prices
CZK ..... Czech koruna currency code
EC ..... European Commission
ECB ..... European Central Bank
ESA 2010 ..... European System of National and Regional Accounts from year 2010
EU, EU27 ..... European Union (EU27 coverage)
EUR ..... euro currency code
GDP ..... gross domestic product
IMF ..... International Monetary Fund
MF CR ..... Ministry of Finance of the Czech Republic
p. a. ..... *per annum* (per year)
pp ..... percentage point
s. p. ..... constant prices (volumes)

Country codes

AT – Austria, BE – Belgium, BG – Bulgaria, CY – Cyprus, CZ – Czech Republic, DE – Germany, DK – Denmark, EE – Estonia, ES – Spain, FI – Finland, FR – France, GR – Greece, HR – Croatia, HU – Hungary, IE – Ireland, IT – Italy, LT – Lithuania, LU – Luxembourg, LV – Latvia, MT – Malta, NL – Netherlands, PL – Poland, PT – Portugal, RO – Romania, SE – Sweden, SI – Slovenia, SK – Slovakia

Symbols Used in Tables

A dash (–) in place of number indicates that the phenomenon did not occur or is not possible for logical reasons.

Cut-off Date for Data Sources

Macroeconomic data used pertain to the 31 October 2025 release, fiscal data to the 1 November 2025 release, international comparison to the 23 October 2025 release and government bond yields to the 10 October 2025 release, respectively.

Note

In some cases, published aggregates do not match the sum of individual items to the last decimal point due to rounding. “Billion” means a thousand million.

Introduction and Summary

The last few years have been extremely challenging for Czech society, the economy and public finances. Following a series of external shocks, including the COVID-19 pandemic and the war in Ukraine, the economy faced increased uncertainty, disrupted supply chains and high inflation. These factors contributed to a decline in economic activity and subsequent stagnation. Since 2024, there has been a noticeable trend of gradual recovery, with the Czech economy growing by 1.2% last year and expected to accelerate to 2.4% this year. Stable growth at approximately this rate is expected in the coming years.

Extensive budgetary expenditure in response to crisis situations, including measures of a more permanent nature, particularly in the tax and social areas, led to a significant deepening of the structural imbalance in public finances. In response to this development, the government began consolidating public finances, primarily at the state budget level. Since 2024, it has been implementing a consolidation package containing more than 60 measures with the aim of reducing the structural deficit by more than 1% of GDP. In 2024, despite an increase in defence spending, the structural deficit fell by 0.9 percentage points and the overall balance of the general government sector reached −2.0% of GDP. The Czech Republic thus joined the group of EU Member States against which no excessive deficit procedure was initiated.

For 2025, the general government deficit is expected to fall just below 2% of GDP, with a similar level expected to be achieved in 2026. These figures take into account, among other things, the gradual increase in defence spending in line with the new commitment of NATO members and increased investment in transport infrastructure. Structural deficits should reach levels consistent with the fiscal rule contained in the Act on Fiscal Responsibility Rules. For the years covered by the outlook, the Act envisages a further reduction in structural deficits to a maximum of 1% of GDP in 2028.

The expenditure frameworks for 2026 originally allowed the government to draft a state budget and state funds with a deficit of CZK 236.9 billion. This figure is based on the April 2025 Budgetary Strategy for the Public Sector and subsequent amendments permitted by law from August of the same year. It was also possible to increase expenditure by an additional CZK 30.7 billion as a result of an amendment to the Budgetary Rules Act, which allows all defence expenditure above 2% of GDP to be financed beyond the expenditure limits set by the Fiscal Responsibility Rules Act until 2033. Furthermore, cash expenditures from the state budget were increased by a loan of CZK 18.3 billion to Elektrárna Dukovany II, a.s., which is investing in the construction of new nuclear power plants. The final deficit of the proposed state budget for 2026 is thus CZK 286 billion.

We also expect health insurance companies to run deficits, while local governments should continue to report surpluses. The deficits of the general government sector will also be reflected in an increase in debt, which could rise by more than 2 percentage points in 2025 and 2026. At the end of 2026, the debt ratio is expected to reach 45.3% of GDP.

Several important measures relating to the pension system have been approved with a view to medium- and long-term developments of public finances. First and foremost, these were changes in the area of early retirement (tightening of eligibility conditions and increased penalties), the indexation system (taking into account one-third of real wage growth instead of one-half, no indexation of the earnings-related part of pension benefits for early retirement), the statutory retirement age (further gradual increase to 67) and adjustments to the calculation of newly granted pensions (reduction in the crediting of income up to the first reduction threshold and a decrease in the accrual rate). The overall impact of these measures is estimated at approximately 2% of GDP in the long term.

At the European Union level, a reformed economic governance framework has been introduced, which includes a new fiscal rule in the form of a net expenditure path. Net expenditure is based on total public expenditure, but does not include interest expenditure, expenditure related to European Union projects, or one-off or other temporary measures. In addition, expenditure is reduced as a result of legislative or administrative changes that have a negative impact on public revenues, and vice versa. The thematic chapter of this publication provides an analysis of specific parts of this rule. It follows on from last year's chapter, which described broader changes to the European fiscal framework resulting from new EU legislation.

The chapter also illustrates the application of the escape clause using a specific practical example of defence expenditure and highlights some of its problematic aspects. To date, 16 EU countries have requested an exemption from the rule. Currently, it is possible to apply defence spending in the years 2025 to 2028, which cumulatively exceeds the reference year level (in the case of the Czech Republic, this is 2021) by up to 1.5% of GDP.

1 Macroeconomic Framework of the Fiscal Forecast

The macroeconomic framework for fiscal forecasting works with a scenario in which there will be no significant escalation of the wars in Ukraine and the Middle East. It also assumes that supply chains will function without any significant problems over the forecast horizon and that there will be no changes to tariffs in trade relations between the EU and the U.S. other than those already agreed. In addition, we assume that policies will remain unchanged.

According to a preliminary estimate from the Czech Statistical Office, real GDP in the Czech Republic adjusted for seasonal and calendar effects, grew by 0.7% quarter-on-quarter and 2.7% year-on-year in the third quarter of 2025. In the second quarter of 2025, for which detailed data on the structure of growth are available, GDP grew by 2.3% year-on-year (unadjusted).

In 2025, GDP is expected to grow by 2.4%, mainly due to stronger household consumption driven by rising real income and improving consumer sentiment, reflecting in lower savings rates. Inventory accumulation and government consumption should also contribute to economic growth to a lesser extent. In 2026, the economy is projected to expand by 2.2% supported by renewed investment activity and continued dynamics of household spending. At the same time, the stronger domestic demand will boost imports, while exports will be dampened by the U.S. tariffs. In the following years, economic activity could grow by 2.5% thanks to domestic and foreign demand.

Real household consumption could increase by 3.1% this year and by 3.0% in 2026. In both years of the forecast, continuing growth in real wages will have a positive impact on household consumption. Next year, household spending will also be boosted by a decline in the savings rate, although the savings rate should remain well above its long-term average. On the other hand, consumption growth, especially among low-income households, should be dampened by a slight increase in unemployment over the forecast horizon. In subsequent years, household consumption growth could slow slightly to 2.6% in 2027 and 2.3% in 2028.

Gross fixed capital formation is expected to grow by only 0.2% in 2025 due to the persistent negative business sentiment associated with uncertainties in the economic and foreign policy of the U.S. administration. Private investment activity should continue to be limited by the delayed effects of earlier restrictive monetary conditions. On the other hand, growth in public investment expenditure, including investments financed from the Recovery and Resilience Facility and EU cohesion policy funds, should have a positive effect this year. For next year, we expect investment activity to increase by 3.0% thanks to the economic recovery in the euro area and an anticipated improvement in business sentiment. The macroeconomic framework of the fiscal forecast also anticipates relatively strong growth rates for 2027 and 2028. From 2026 onwards, investment activity will also be positively affected by expenditures related to the construction of new nuclear power plants.

This year, we expect a renewed accumulation of inventories due to higher demand for production inputs. Changes in inventories should therefore have a positive impact on GDP growth. In subsequent years, with economic growth continuing, no significant changes are expected. From 2026 onwards, we therefore expect their impact on GDP to be neutral.

Year-on-year inflation has been close to the inflation target so far this year. While the price growth in services has remained significantly elevated, it has been subdued for goods, mainly due to lower energy prices – electricity, natural gas and fuels. Monetary policy will continue to moderate inflationary pressures over the forecast horizon. The expected decline in the dollar oil price and the strengthening of the koruna will also have an anti-inflationary effect. On the other hand, continuing dynamic wage growth and persistently elevated price dynamics in services, mainly due to rising costs of owner-occupied housing and actual rentals, represent pro-inflationary factors. Average inflation could reach 2.4% this year and fall slightly to 2.3% in 2026. In 2027 and 2028, it should remain close to the 2% inflation target.

Despite a slight increase in unemployment, the labour market imbalances related to labour shortages persist. Demand for labour in services and construction remains strong, mitigating the impact of problems in some industrial sectors. The unemployment rate should therefore increase only slightly, to an average of 2.7% this year and 2.8% in 2026. In subsequent years, we expect it to decline gradually as a result of economic growth. Employment (national accounts) should continue to increase this year thanks to accelerating economic growth, even though structural imbalances in the labour market may contribute to rising unemployment. For next year, however, we expect a slowdown in growth due to the negative effects of the U.S. tariff policy and a year-on-year decline in the working-age population. In the longer term, we expect a gradual slight decline in employment as a result of unfavourable demographic developments. The persistent mismatch between supply and demand in the labour market is reflected in strong wage and salary growth. Wages and salaries could increase by 7.1% this year and by 5.9% in 2026 as the tight labour market eases. In subsequent years, growth could slow to around 5%.

Real GDP growth has remained below potential output growth in recent years. The main reasons for this were high inflation combined with subdued household consumption and restrictive monetary policy. With the

renewed growth of economic activity, the negative output gap is slowly closing and should be eliminated by the turn of 2026 and 2027. Potential growth could gradually accelerate over the entire horizon of the Fiscal Outlook from 1.4% in 2025 to close to 2% in 2028. Its dynamics should be driven by an increase in the trend component of total factor productivity and investment activity. The positive contribution of the labour factor is expected to decline further in view of the decline in the working-age population, with a neutral impact expected over the forecast horizon.

The macroeconomic framework for the fiscal forecast is subject to a number of risks. Overall, we consider the risks to economic growth to be skewed to the downside. Geopolitical tensions, particularly in connection with the ongoing military conflicts in Ukraine and the Middle East, represent a significant risk. Tariffs and other barriers to international trade also represent uncertainty, which could negatively affect the performance of the highly open Czech economy. Certain sectors of the economy and price stability are also exposed to the risk of renewed supply chain disruptions, which could result from the aforementioned deterioration in the geopolitical situation or the introduction of international trade barriers. The persistence of high price growth in services and the closely related dynamic development of real estate prices pose a certain threat to price stability. Uncertainties stem from the volatility of energy and commodity prices, linked, among other things, to the green transition, the increasing frequency and intensity of extreme weather events, and the energy intensity of the Czech economy and its dependence on imports. Risks to the forecast include possible changes in fiscal policy settings, the fiscal expansion in Germany and increases in defence spending in EU countries.

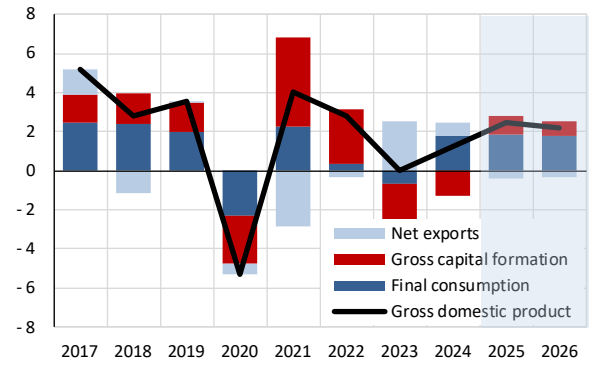
Table 1.1: Comparison of Fiscal Outlook and Spring Fiscal Forecast Scenarios

		Fiscal Outlook (November 2025)					Fiscal Forecast (May 2025)				
		2024	2025	2026	2027	2028	2024	2025	2026	2027	2028
External Assumptions											
Real GDP in EU	*change in %*	**1.0**	**1.5**	**1.5**	**2.0**	**2.0**	**1.0**	**0.9**	**1.6**	**1.8**	**1.8**
Prices of oil (Brent)	*USD/barrel*	**80.6**	**70.1**	**65.5**	**65.4**	**66.3**	80.6	71.8	68.0	67.1	67.0
Exchange rate USD/EUR	*USD/EUR*	**1.08**	**1.13**	**1.19**	**1.20**	**1.22**	1.08	1.08	1.11	1.13	1.14
Exchange rate CZK/EUR	*CZK/EUR*	**25.1**	**24.7**	**24.3**	**24.0**	**23.7**	25.1	24.9	24.5	24.2	23.8
Real Values											
GDP	*change in %*	**1.2**	**2.4**	**2.2**	**2.5**	**2.5**	**1.1**	**2.0**	**2.4**	**2.6**	**2.5**
Households consumption	*change in %*	2.4	3.1	3.0	2.6	2.3	2.2	3.6	3.2	2.5	2.3
Government consumption	*change in %*	3.2	2.1	1.6	2.0	2.0	3.3	2.0	1.4	2.0	2.0
Gross fixed capital formation	*change in %*	-2.8	0.2	3.0	2.5	3.2	-1.2	0.7	3.1	2.5	3.6
Contribution of final domestic demand	*p.p.*	1.0	1.9	2.5	2.3	2.3	1.3	2.3	2.6	2.2	2.4
Contribution of foreign trade	*p.p.*	0.7	-0.4	-0.3	0.2	0.2	0.7	-1.0	-0.5	0.2	0.1
Output gap	*%*	**-1.9**	**-0.8**	**-0.1**	**0.4**	**0.9**	**-1.8**	**-1.2**	**-0.3**	**0.4**	**1.0**
Others											
Nominal GDP	*CZK bn*	**8057**	**8510**	**8940**	**9379**	**9826**	**8011**	**8391**	**8787**	**9208**	**9635**
Harmonised index of consumer prices	*change in %*	**2.7**	**2.3**	**2.0**	**2.1**	**2.1**	2.7	2.3	2.2	2.2	2.1
Employment	*change in %*	**0.6**	**0.9**	**0.1**	**-0.2**	**-0.1**	0.3	0.2	0.1	-0.2	-0.1
Unemployment rate	*%*	**2.6**	**2.7**	**2.8**	**2.6**	**2.4**	2.6	2.6	2.5	2.4	2.4
Wages and salaries	*change in %*	**6.8**	**7.1**	**5.9**	**5.0**	**4.7**	6.3	6.6	5.6	4.9	4.6
General Government											
Revenue	*% of GDP*	**40.8**	**40.9**	**40.2**	**39.2**	**38.8**	**40.8**	**40.9**	**40.2**	**39.3**	**39.0**
Value-added tax	*change in %*	2.5	6.3	4.7	4.0	4.5	2.5	5.7	4.6	3.7	4.5
Excise taxes	*change in %*	10.3	0.9	2.5	1.4	0.0	10.3	1.1	2.1	2.0	-0.2
Personal income tax	*change in %*	11.7	6.1	5.4	4.5	5.8	11.9	4.5	3.6	4.7	5.2
Corporate income tax	*change in %*	11.9	6.1	-8.3	5.9	6.7	6.1	3.6	-6.8	6.0	6.8
Social security contributions	*change in %*	8.6	6.5	6.3	4.7	4.5	8.6	6.0	5.5	4.6	4.4
Expenditure	*% of GDP*	**42.9**	**42.8**	**42.1**	**41.0**	**40.6**	**43.0**	**43.1**	**42.2**	**41.2**	**40.8**
Compensation of employees	*change in %*	5.0	6.5	7.6	4.5	4.3	4.9	6.3	5.0	4.5	4.2
Intermediate consumption	*change in %*	9.0	4.8	1.5	4.0	4.5	8.7	3.7	1.5	4.0	4.5
Social transfers in kind	*change in %*	10.1	4.6	4.5	4.0	4.2	11.9	5.5	3.8	4.0	4.2
Social benefits other than in kind	*change in %*	4.4	2.0	3.5	2.4	2.2	4.4	2.7	2.8	1.9	2.3
Gross fixed capital formation	*change in %*	1.7	8.5	4.1	-5.3	5.4	1.5	7.7	1.2	-5.7	5.4
Balance	*% of GDP*	**-2.0**	**-1.9**	**-1.9**	**-1.9**	**-1.8**	**-2.2**	**-2.2**	**-2.0**	**-1.9**	**-1.8**
Structural balance	*% of GDP*	**-1.7**	**-1.9**	**-1.8**	**-2.0**	**-2.1**	**-1.9**	**-1.9**	**-1.8**	**-2.1**	**-2.1**
Debt	*% of GDP*	**43.3**	**43.9**	**45.3**	**45.8**	**46.4**	**43.6**	**44.5**	**45.5**	**45.2**	**45.1**

Source: MF CR (2025a, 2025b).

Graph 1.1: Real GDP

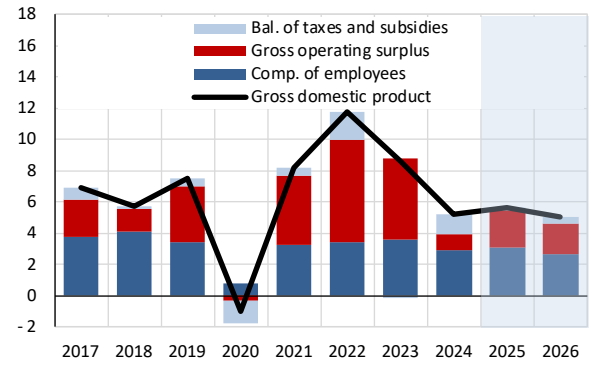
real GDP change in %, contributions in pp



Source: MF CR (2025b).

Graph 1.2: Nominal GDP – Income Approach

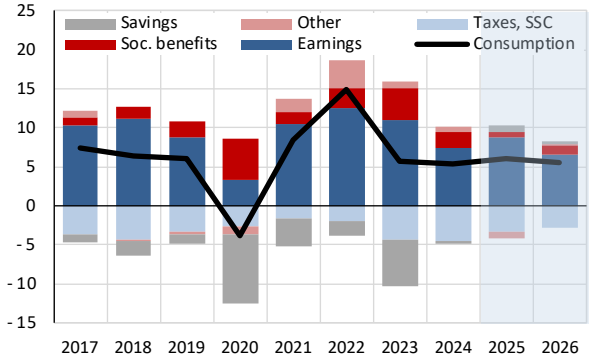
nominal GDP change in %, contributions in pp



Source: MF CR (2025b).

Graph 1.3: Nominal Households Consumption

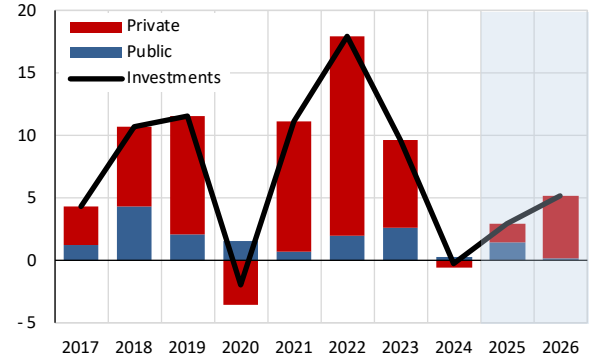
change of nominal households consumption in %, contributions in pp



Source: MF CR (2025b).

Graph 1.4: Nominal Investments

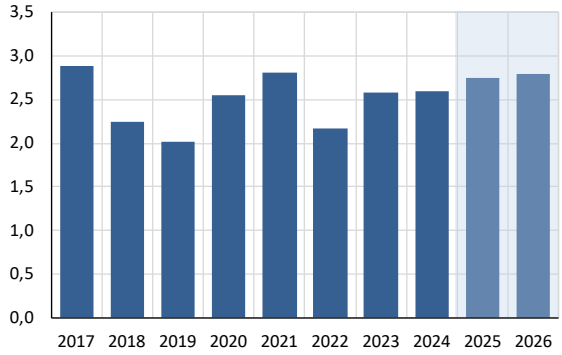
change of nominal investments in %, contributions in pp



Source: MF CR (2025b).

Graph 1.5: Unemployment Rate

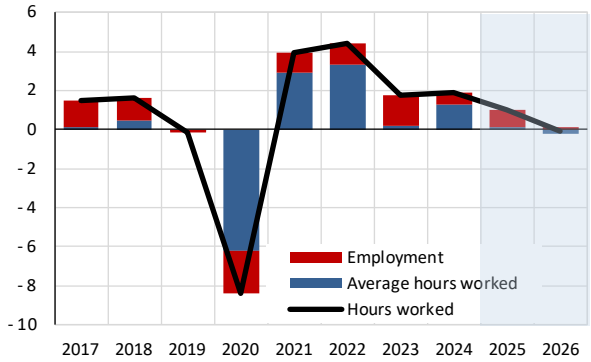
% of labour force, Labour Force Survey methodology



Source: MF CR (2025b).

Graph 1.6: Hours Worked

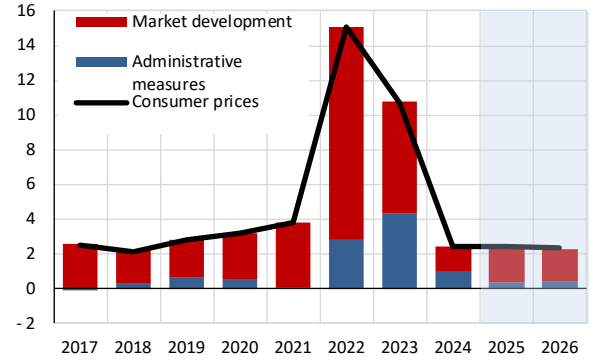
change in %, contributions in pp, National Accounts methodology



Source: MF CR (2025b).

Graph 1.7: Consumer Prices

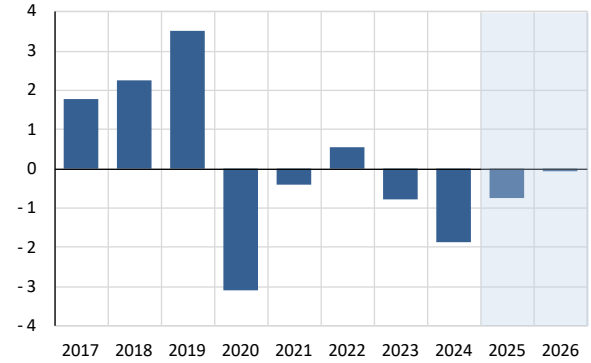
average rate of consumer price inflation in %, contributions in pp



Source: MF CR (2025b).

Graph 1.8: Output Gap

% of potential product



Source: MF CR (2025b).

2 General Government Development

The Czech Republic's fiscal framework is based on the new Stability and Growth Pact and the Act on Fiscal Responsibility Rules. An amendment to the latter has been prepared to ensure full compatibility with the revised rules of the Pact. The Czech Republic's public finances are currently based on two complementary pillars: an expenditure rule, expressed in terms of the growth of adjusted government sector expenditure, and a balance rule representing the maximum permissible structural deficit.

Both perspectives have been integrated into the government-approved Fiscal-Structural Plan of the Czech Republic (Government Resolution No. 722/2024), which replaced the previously prepared Convergence Programme of the Czech Republic. The Fiscal-Structural Plan contains the trajectory of net expenditure for the period 2024–2028, i.e. the time series of growth in adjusted expenditure of the general government sector. The trajectory proposed in the plan was approved by the Council of the EU and is fully in line with the provisions of Sections 10 and 10a of the Act on Fiscal Responsibility Rules. According to these provisions, the structural deficit of the general government sector is to diminish by 0.5 pp each year until a structural deficit of 1% of GDP is reached in 2028.

The first assessment of compliance with the new fiscal rules set out in the Fiscal-Structural Plan and approved by the Council of the EU was favourable for the Czech Republic. In 2024, public finances ended with a deficit of 2.0% of GDP, which in structural terms amounted to 1.7% of GDP. The deficit was 1 pp better than required by law and European legislation. According to the EC (2025g), net expenditure in 2024 was stable year-on-year (compared to the maximum growth of 5.3% set by the EU Council).

For 2025, the growth rate of net expenditure (according to EC methodology) is expected to reach 4–5%, which will lead to a partial reduction in the reserve created in the previous year. Cumulatively, however, the state of public finances remains relatively favourable. Nevertheless, the gradual drawdown of this reserve cannot be ruled out in the coming years.

The Fiscal Outlook forecast assumes that the general government deficit will remain just below 2% of GDP over the forecast horizon. Actual developments will be significantly influenced by the economic policy of the new government that will emerge from the October elections. In the years covered by the outlook, however, it will be necessary to adopt consolidation measures to ensure compliance with the fiscal rules laid down in both national legislation and the revised European framework.

The state budget remains the main source of the deficit, performing a decisive part of the stabilisation and redistribution function of economic policy and responding with fiscal expansion in periods of economic downturn or crisis. The government's consolidation efforts are therefore focused on affecting the revenue and expenditure sides of the state budget in particular. Other central government institutions are mostly balanced or show slight surpluses. The deficit of central government institutions, the dominant part of which is the state budget, should be partially offset by surpluses of local governments, which have been around 0.7% of GDP over several recent years. We expect this level to be maintained over the forecast and outlook horizon.

Health insurance companies have mostly operated at a deficit in recent years (with the exception of 2022). This trend is highly likely to continue in the coming years. Coverage should be ensured by using the reserves of health insurance companies, with a gradual slight reduction in the deficit. The outlook projection expects health insurance companies to report a negative balance of 0.1% of GDP.

Table 2.1: Fiscal Policy Stance

in % of GDP, fiscal effort in pp

	2019	2020	2021	2022	2023	2024	2025 Forecast	2026 Forecast	2027 Outlook	2028 Outlook
General government balance	**0.3**	**-5.6**	**-5.0**	**-3.1**	**-3.7**	**-2.0**	**-1.9**	**-1.9**	**-1.9**	**-1.8**
Cyclical component according to OECD method	1.2	-1.1	-0.1	0.2	-0.3	-0.7	-0.3	0.0	0.1	0.3
One-off and other temporary measures	0.0	-2.2	-1.5	-0.9	-0.9	0.3	0.3	-0.1	0.0	0.0
Structural balance according to OECD method	-0.9	-2.3	-3.3	-2.4	-2.6	-1.7	-1.9	-1.8	-2.0	-2.1
Fiscal effort according to OECD method	**-1.1**	**-1.4**	**-1.0**	**0.9**	**-0.2**	**0.9**	**-0.2**	**0.0**	**-0.2**	**-0.1**
Cyclical component according to ECB method	1.9	-0.5	0.1	-0.5	-0.6	-0.6	-0.1	0.1	0.4	0.6
Structural balance according to ECB method	-1.6	-3.0	-3.5	-1.7	-2.2	-1.8	-2.0	-2.0	-2.3	-2.4
Fiscal effort according to ECB method	**-1.3**	**-1.4**	**-0.6**	**1.9**	**-0.6**	**0.4**	**-0.2**	**0.0**	**-0.3**	**-0.2**

Note: The method of Organisation of Economic Co-operation and Development calculates the cyclical component directly from output gap, whereas the European Central Bank models the cyclical development of specific macroeconomic bases (compensation of employees in the private sector, wages in the private sector, net operating surplus, consumption of households and unemployment). These bases have different cyclical behaviour than the GDP.
Source: CZSO (2025a, 2025b). Forecast and calculations by MF CR.

2.1 Balance, Structural Balance and Expenditure Frameworks

The public finances have been affected by the government's consolidation efforts since 2024. With the negative output gap narrowing and the economy recovering, we predict that the deficit will fall to 1.9% of GDP this year. In structural terms, i.e. after adjusting for the impact of the economic cycle and one-off or temporary measures, we expect the deficit to be 1.9% of GDP.

This year's economic forecast is based on data from the quarterly national accounts for the first and second quarters, but also on the current development of cash performance of key parts of public budgets. The cash balance of the state budget for the first 10 months of the year ended with a deficit of CZK 183.1 billion. The year-on-year improvement in the balance of CZK 17.6 billion was positively influenced by tax collection, which reflected both the impact of approved tax changes and wage bill growth in the economy. After adjusting for revenues and expenditures on EU projects and financial mechanisms, the deficit amounted to CZK 179.2 billion (MF ČR, 2025c). The management of state funds (excluding funds disbursed through the Modernisation Fund) showed a surplus of CZK 7.3 billion at the end of August, i.e. a year-on-year improvement of CZK 3.3 billion. The surplus of local governments at the end of September reached CZK 70.6 billion, which is CZK 8 billion less than in the same period last year. The management of health insurance companies ended with a deficit of almost CZK 3 billion for the same period, which represents a year-on-year improvement of CZK 2.3 billion (MF ČR, 2025d).

The setting of budgetary and fiscal policy is based on Regulation (EU) 2024/1263 of the European Parliament and of the Council (EU) and the amendment to Act No. 23/2017 Coll. on the Fiscal Responsibility Rules (Act No. 349/2023 Coll.), which codified the maximum structural deficits for the years 2024 to 2027. The expenditure framework for 2024 was based on a value of 2.75% of GDP, with the structural deficit subsequently decreasing by 0.5 pp each year (see above).

In the following years, we expect the public finance balance to remain at −1.9% of GDP or at a similar level. The outlook for 2027 and 2028 is mainly determined by macroeconomic developments, with the impact of the discretionary measures known to date being quite negligible. The overall balance will also be affected by the application of the national escape clause to finance the country's defence capabilities. However, further consolidation will be necessary in the coming years to comply with the limits set by the Fiscal Responsibility Rules Act.

The predicted public finance deficits will again be determined by the state budget. Petr Fiala's government approved the draft state budget for 2026 with a deficit of CZK 286 billion (Government Resolution No. 717/2025). It allocates CZK 50 billion to two specific areas. Defence spending in the draft state budget exceeds the minimum of 2% of GDP under Section 1(1) of Act No. 177/2023 Coll. on Defence Financing by a total of CZK 30.7 billion. In accordance with Section 8(3) of Act No. 218/2000 Coll., on Budgetary Rules, it is possible to increase defence spending above the statutory minimum of 2% of GDP without breaching the expenditure framework. At the same time, CZK 18.3 billion is budgeted for a loan to Elektrárna Dukovany II a. s., which will finance the construction of two new nuclear power plants in Dukovany. Deficits of the state budget (CZK 261 billion in 2027 and CZK 271 billion in 2028) are also planned in the medium term (Government Resolution No. 718/2025).

However, the state budget and state funds are budgeted on a cash basis. To compare compliance with the legally established limits, it is therefore necessary to adjust the amounts to the accrual methodology of the European System of National and Regional Accounts from 2010. This means assigning flows to the period to which they relate in terms of substance and time, regardless of the actual movement of funds, and adjusting expenditure for loans granted, etc. The balance is also adjusted for the cyclical component and one-off or other temporary measures in order to express it in structural terms. From this perspective, the above-mentioned deficits meet the statutory maximum values. The only exception is defence expenditure (see the amendment to the Budgetary Rules Act). However, the deficits in the medium-term outlook reflect the provisions of the Fiscal Responsibility Rules Act, not the current state budget revenue and expenditure sides set-up.

We can also use the year-on-year change in the structural balance and other items to estimate **the fiscal impulse**. This quantifies the impact of fiscal policy on the real economy. In 2025, fiscal policy will be mildly supportive of the economy. On the revenue side, the positive fiscal impulse is mainly contributed to the lagging growth of consumption taxes relative to GDP, which is slightly offset by several factors on the expenditure side, the most significant of which is the slower growth of social benefits. We predict that the fiscal impulse will be slightly higher next year. It should be primarily determined by developments on the revenue side, as the windfall tax will expire at the end of this year. In contrast, 2027 will see a reversal, mainly due to a decline in EU co-financed investments.

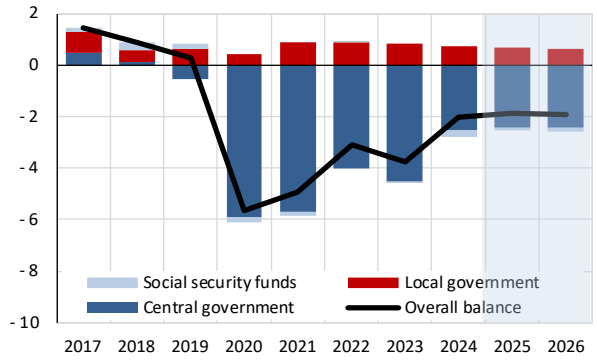
Table 2.1.1: General Government Development

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	*Forecast*	*Outlook*	*Outlook*
Total revenue	*% of GDP*	**40.7**	**40.6**	**40.1**	**39.9**	**40.0**	**40.8**	**40.9**	**40.2**	**39.2**	**38.8**
	change in %	6.6	-1.2	6.8	11.3	8.7	7.5	5.9	3.1	2.3	3.8
Total expenditure	*% of GDP*	**40.4**	**46.3**	**45.0**	**43.0**	**43.7**	**42.9**	**42.8**	**42.1**	**41.0**	**40.6**
	change in %	8.2	13.4	5.4	6.7	10.4	3.2	5.4	3.3	2.3	3.7
General government balance	*% of GDP*	**0.3**	**-5.6**	**-5.0**	**-3.1**	**-3.7**	**-2.0**	**-1.9**	**-1.9**	**-1.9**	**-1.8**
Central government	*% of GDP*	-0.5	-5.9	-5.7	-4.0	-4.5	-2.5	-2.4	-2.4	-2.4	-2.4
Local governments	*% of GDP*	0.6	0.5	0.9	0.9	0.8	0.7	0.7	0.7	0.7	0.7
Social security funds	*% of GDP*	0.2	-0.2	-0.1	0.0	-0.1	-0.2	-0.1	-0.2	-0.1	-0.1

Source: CZSO (2025a, 2025b). Forecast and calculations by MF CR.

Graph 2.1.1: General Government Balance

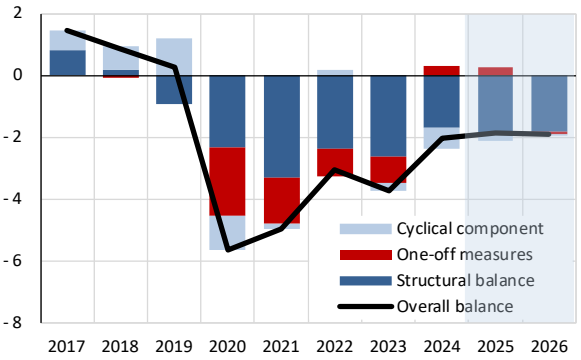
% of GDP



Source: CZSO (2025a, 2025b). MF CR forecast.

Graph 2.1.2: Overall and Structural Balance

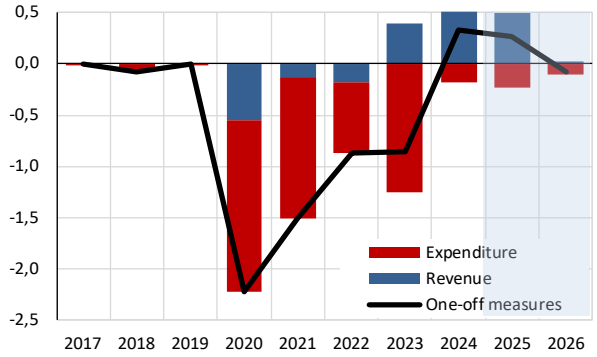
% of GDP



Source: CZSO (2025a, 2025b). MF CR calculations and forecast.

Graph 2.1.3: One-off and Temporary Measures

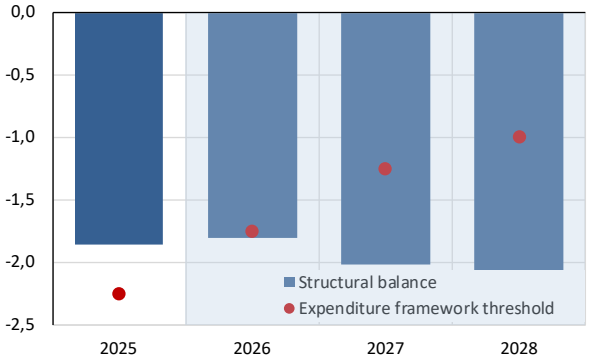
% of GDP



Source: MF CR.

Graph 2.1.4: Structural Balance and Its Legal Limits

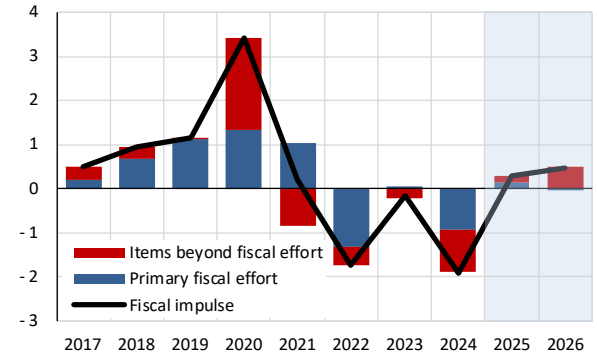
% of GDP



Source: MF CR.

Graph 2.1.5: Fiscal Effort and Fiscal Impulse

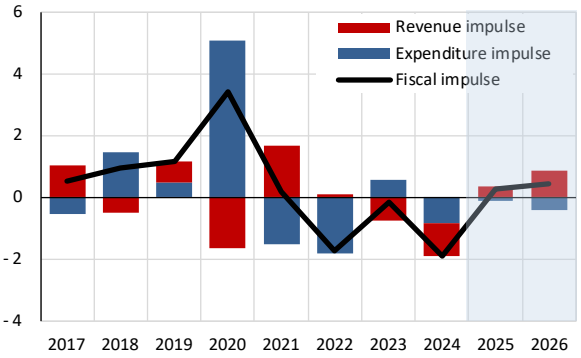
in percentage points, fiscal effort with opposite sign



Source: MF CR.

Graph 2.1.6: Overall Fiscal Impulse

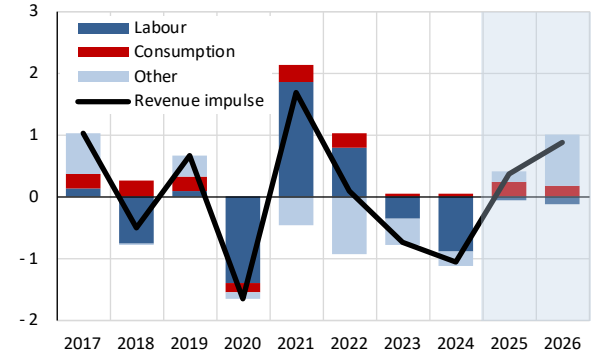
in percentage points



Source: MF CR.

Graph 2.1.7: Revenue Fiscal Impulse

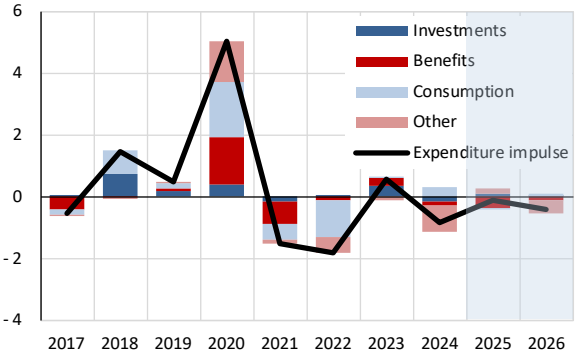
in percentage points



Source: MF CR.

Graph 2.1.8: Expenditure Fiscal Impulse

in percentage points



Source: MF CR.

2.2 General Government Revenue

Total general government **revenues** are expected to grow by 5.9% , reaching almost 41% of GDP in 2025. The predicted 5.7% growth in tax revenue including social security contributions, combined with the expected rate of nominal GDP growth, is likely to keep the tax-to-GDP ratio at 34.9%. In the following two years, we forsee a gradual slowdown in the dynamics of total revenues, which in relative terms should even fall to below 39% of GDP in 2028. Along with this, the tax quata should also decline to 34% of GDP at the end of the outlook horizon.

Personal income tax revenue, determined by growth in wage bill, continues to be positively influenced by measures previously introduced as part of the consolidation package (Act No. 349/2023 Coll.). By contrast Act No. 462/2023 Coll. provided tax-favourable conditions for retirement savings products, with an additional impact of CZK −0.5 billion in 2025. From next year, we expect a positive effect from the introduction of Unified Monthly Employer's report (Act No. 323/2025 Coll.), which, together with the amendment to the Employment Act (Act No. 152/2025 Coll.), should lead to more efficient collection of taxes and contributions, better information sharing between ministries and the fight against illegal employment. In the area of housing support, from 2026, the possibility of deducting interest on loans for taxpayers in housing associations will be introduced, with an impact of CZK −0.3 billion (Act No. 176/2025 Coll.). However, this effect should be almost offset by the abolition of the managerial apartments tax exemption (Act No. 349/2023 Coll.). Personal income tax dynamics are being hampered by the development of capital gains tax as a result of falling interest rates on savings products. The result of all these factors is a decrease in personal income tax revenue growth from 11.7% last year to 6.1% this year and a continuing slowdown in growth to an average of 5.2% in 2026–2028.

Social security contributions are also based on earnings in the economy. Their expected growth rate of 6.5% this year should gradually slow to 4.5% at the end of the outlook horizon. The additional contribution of the consolidation package amounting to CZK 8 billion is being realised this year through a gradual increase in the minimum assessment base for self-employed persons, with a further increase estimated at around CZK 6 billion expected in 2026 under the current legal framework. On the other hand, the abolishion of employee's contributions to pension system for working pensioners and the preferential treatment of so-called long-term investment products should have a budgetary impact of around CZK −4 billion in 2025 (Act No. 417/2024 Coll.), respectively CZK −0.6 billion (Act No. 462/2023 Coll.). Similar to personal income tax, we expect a positive impact from 2026 onwards from the abolition of the managerial apartments tax exemption (CZK 0.6 billion), the introduction of a Unified Monthly Employer's report and new amendments to the Employment Act (CZK 2.9 billion). The dynamics of health insurance contributions are further determined by the payment for state-insured persons. Given the stabilised inflation rate, we predict an increase in this payment of approximately CZK 2.4 billion for 2025, with year-on-year growth of between CZK 3 and 5 billion in subsequent years.

Corporate income tax revenue is expected to grow relatively slowly this year, by 6.1%. Among other things, the slowdown is due to declining revenue from windfall profits tax, which will be fully reflected in a year-on-year decline in corporate tax of more than 8% in 2026 when this extraordinary tax expires (Act No. 366/2022 Coll.). The deepening negative effect is linked to the exemption of income from government bonds, which reduces this year's tax revenue by CZK 1.3 billion year-on-year and by a further CZK 1.2 billion in 2026. The increase in the deduction for research and development expenses and the increase in the limit for one-off write-offs of receivables should represent a revenue shortfall of around CZK 1 billion from 2026 (Act No. 360/2025 Coll.). The top-up tax ensuring a minimum level of taxation for large multinational and domestic groups increases the accrual tax revenue this year by an additional CZK 1 billion (Act No. 416/2023 Coll.).

Growth in household consumption, supported by higher real earnings, determines **value-added tax** revenue, which is expected to increase by 6.3% this year. This also reflects the additional effect of the consolidation package of increased excise duties, with an impact of CZK 0.7 billion in 2025 and a slightly higher increase in 2026. The amendment to the Value Added-Tax Act (Act No. 461/2024 Coll.) addresses, among other things, adjustments to financial services and the area of bad debts, with an estimated positive impact of around CZK 0.3 billion in 2025, which, however, is expected to turn into a negative contribution in 2026 and deepen by another CZK 0.7 billion in each subsequent year. On the other hand, at the end of the forecast horizon, changes in the application of the deduction claim for public media should bring in an estimated CZK 0.5 billion (Act No. 461/2024 Coll.). In 2026–2028, we expect the tax rate to slow to an average of 4.4%.

Revenue from **excise duties**, as defined by national legislation, should grow by just under 1% this year, by an average of 2% over the next two years and remain constant in the final year of the outlook. The gradual adjustment of tobacco products taxation resulting from the consolidation package should increase annual revenue by CZK 2–3 billion in 2025–2027. The package also increased alcohol tax rates, which should bring in an additional CZK 0.6 billion this year and CZK 0.2 billion next year.

The deepening negative fiscal impact of the introduction of the register of excluded persons should be reflected in **gambling tax** revenue in 2025 by an additional CZK −0.3 billion (Act No. 186/2016 Coll.). Among other things, the amendment to the Gambling Act (Act No. 349/2023 Coll.) extended the range of persons subject to enforcement proceedings (expected revenue shortfall of approximately CZK 3.5 billion in 2027, increased by another CZK 2.5 billion from 2028). The increase in **TV and radio fees** and the extension of the range of payers, effective from May 2025, should bring CZK 0.8 billion to public budgets this year and another CZK 0.4 billion next year (Act No. 119/2025 Coll.). On the other hand, the adjustment **of road tax** will lead to a reduction in revenue of approximately CZK 0.4 billion from 2025 (Act No. 218/2025 Coll.).

The development of revenue **transfers** largely reflects the implementation of projects co-financed by the EU budget from the 2021–2027 programming period. Funds from the Recovery and Resilience Facility, which will be drawn down in 2026, also play a significant role. **Interest** income**,** including that from loans provided as part of treasury liquidity management, should show a downward trend mirroring the development of interest rates. Higher **dividend** income from state-owned companies in 2025 is followed by an assumption of a year-on-year decline in 2026 and then a stable level until the end of the forecast horizon. The increase in **toll rates**, as well as the increase in **motorway fee** and its periodic indexation, will bring an estimated CZK 2 billion to public budgets in 2025, another CZK 1 billion in 2026 and additional hundreds of millions in 2027–2028 (Act No. 349/2023 Coll., Government Regulations No. 40/2024 Coll., No. 299/2024 Coll. and No. 327/2025 Coll.).

Table 2.2.1: General Government Revenue Outlook

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	*Forecast*	*Outlook*	*Outlook*
Total revenue	*CZK bn*	**2394**	**2366**	**2528**	**2814**	**3060**	**3290**	**3483**	**3590**	**3674**	**3815**
	change in %	6.6	-1.2	6.8	11.3	8.7	7.5	5.9	3.1	2.3	3.8
Tax revenue	*CZK bn*	**1179**	**1137**	**1174**	**1305**	**1418**	**1542**	**1619**	**1636**	**1695**	**1768**
	change in %	6.6	-3.5	3.2	11.2	8.6	8.7	5.0	1.0	3.6	4.3
Taxes on production and imports	*CZK bn*	688	651	705	767	806	857	893	923	946	973
	change in %	6.3	-5.3	8.2	8.8	5.0	6.4	4.2	3.4	2.5	2.8
Value added tax	*CZK bn*	435	422	464	537	573	587	624	653	679	710
	change in %	6.6	-3.0	9.7	15.8	6.7	2.5	6.3	4.7	4.0	4.5
Excise taxes	*CZK bn*	168	157	162	159	158	175	176	181	183	183
	change in %	1.7	-6.4	2.6	-1.8	-0.3	10.3	0.9	2.5	1.4	0.0
Current taxes	*CZK bn*	491	485	469	538	612	684	726	713	749	795
	change in %	7.0	-1.0	-3.5	14.9	13.7	11.8	6.1	-1.8	5.1	6.2
Personal income tax	*CZK bn*	287	298	228	243	279	312	331	349	365	386
	change in %	10.2	3.6	-23.4	6.7	14.8	11.7	6.1	5.4	4.5	5.8
Corporate income tax	*CZK bn*	192	177	229	284	321	359	381	350	370	395
	change in %	2.9	-8.1	29.7	23.8	13.1	11.9	6.1	-8.3	5.9	6.7
Social contributions	*CZK bn*	**895**	**909**	**1 013**	**1 084**	**1 169**	**1 270**	**1 353**	**1 438**	**1 505**	**1 573**
	change in %	7.3	1.6	11.4	7.0	7.8	8.6	6.5	6.3	4.7	4.5
Property income	*CZK bn*	**32**	**34**	**36**	**76**	**96**	**83**	**81**	**70**	**68**	**64**
	change in %	-7.5	5.6	5.0	112.8	26.1	-13.1	-2.7	-13.2	-3.3	-6.1
Other	*CZK bn*	**288**	**286**	**305**	**349**	**377**	**395**	**429**	**446**	**406**	**410**
	change in %	6.6	-0.7	6.6	14.3	8.2	4.7	8.7	3.9	-9.0	1.1
Revenues from the EU	*CZK bn*	64	65	67	78	85	83	103	109	60	55
	change in %	6.8	2.2	3.2	16.2	9.3	-3.1	24.9	5.5	-45.0	-9.2
Tax burden	*% of GDP*	**35.2**	**35.1**	**34.7**	**33.9**	**33.8**	**34.9**	**34.9**	**34.4**	**34.1**	**34.0**

Note: Excise taxes are adjusted for subsidies on renewable energy resources.
Source: CZSO (2025b). Forecast and calculations by MF CR.

Table 2.2.2: Discretionary Revenue Measures

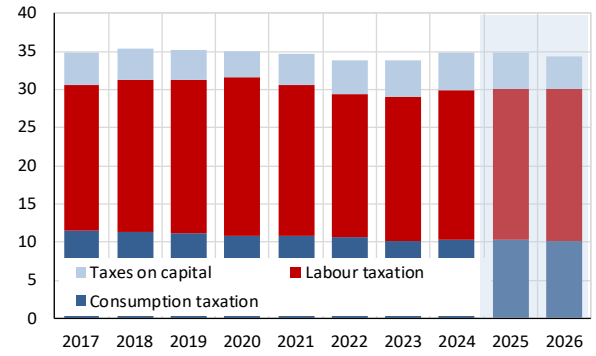
		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	*Forecast*	*Outlook*	*Outlook*
Total revenue measures	*CZK bn*	**0.0**	**-39.3**	**-81.1**	**-24.3**	**46.4**	**67.6**	**18.0**	**-27.1**	**-0.7**	**-3.4**
Labour taxation	*CZK bn*	0.3	-30.2	-69.1	-10.1	3.5	25.4	8.3	11.0	0.4	0.1
Taxes on capital	*CZK bn*	-	-13.7	-2.4	-12.7	53.3	18.1	-0.2	-42.2	-0.2	-1.1
Consumption taxation	*CZK bn*	-0.3	6.8	-12.0	-1.4	-10.2	21.0	8.1	3.0	-1.3	-2.7
Other revenue	*CZK bn*	-0.0	-2.3	2.3	-0.1	-0.2	3.1	1.8	1.1	0.4	0.4

Note: Figures represent YoY discretional changes that are stemming from all envisaged and approved measures on revenue side. Positive values mean YoY improvement of a balance.

Source: MF CR.

Graph 2.2.1: Tax Revenue Structure

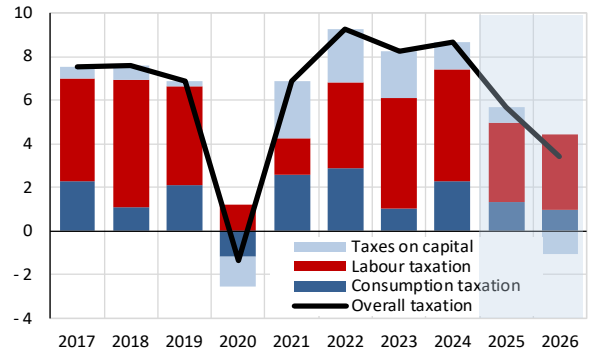
% of GDP



Source: CZSO (2025a, 2025b). MF CR forecast.

Graph 2.2.2: Tax Revenue Development

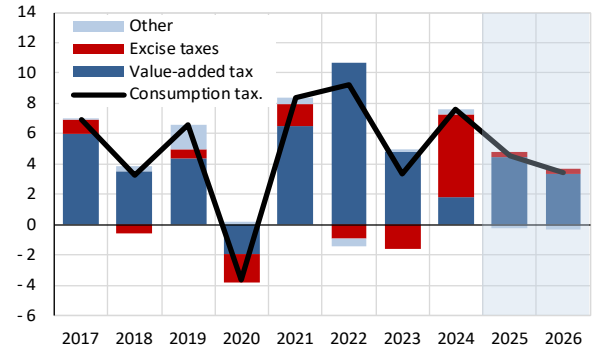
change in %, contributions in percentage points



Source: CZSO (2025b). MF CR forecast.

Graph 2.2.3: Taxation of Consumption

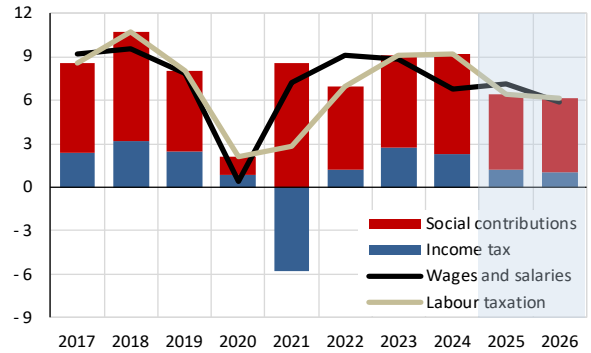
change in %, contributions in percentage points



Source: CZSO (2025b). MF CR forecast.

Graph 2.2.4: Taxation of Labour

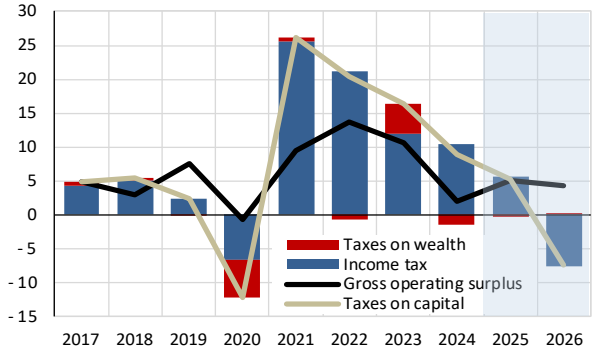
change in %, contributions in percentage points



Source: CZSO (2025a, 2025b). MF CR forecast.

Graph 2.2.5: Taxation of Capital

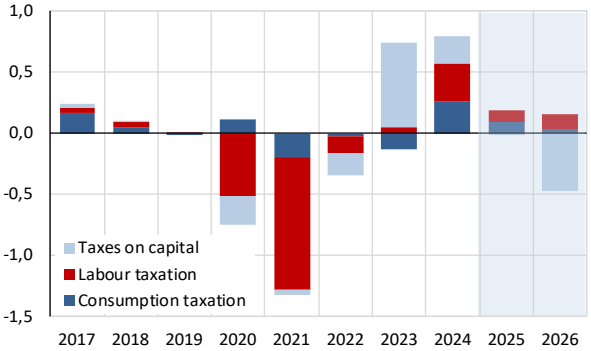
change in %, contributions in percentage points



Source: CZSO (2025a, 2025b). MF CR forecast.

Graph 2.2.6: Discretionary Tax Measures

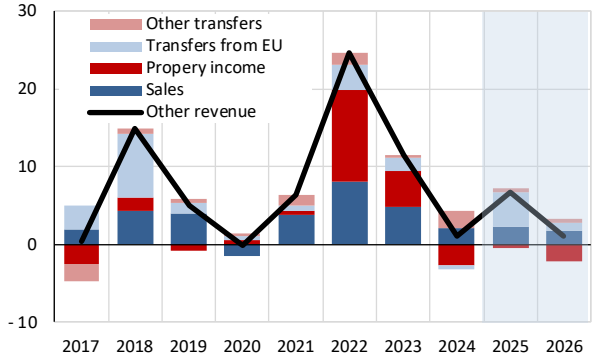
% of GDP



Source: MF CR.

Graph 2.2.7: Other Revenue

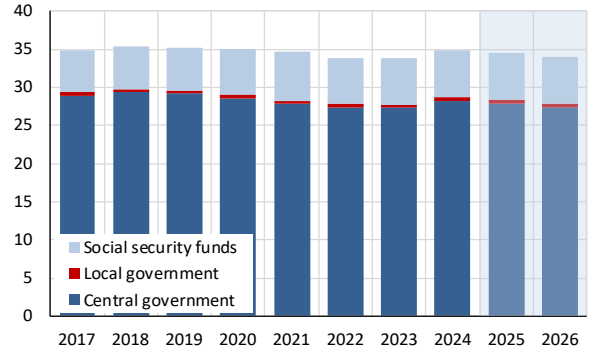
change in %, contributions in percentage points



Source: CZSO (2025b). MF CR forecast.

Graph 2.2.8: Tax and Social Revenue by Subsectors

% of GDP



Source: CZSO (2025a, 2025b). MF CR forecast.

2.3 General Government Expenditure

Total **general government expenditure** is expected to increase by 5.4% in 2025, but in relative terms it will remain essentially unchanged at below 43% of GDP. In subsequent years, it is expected to gradually decline to below 41% of GDP in 2028, which corresponds to the level before 2020.

The pace of **final consumption expenditure** is expected to slow to 5.7% this year, with a further slowdown to 5.4% expected in 2026. We expect growth of 4.7% in both years of the outlook. This year's **intermediate consumption** growth should slow to 4.8% and be dampened by savings in government operating expenditure. On the contrary, it is slightly increased by the costs of repairing assets damaged by floods in September 2024. We expect a further slowdown in intermediate consumption in 2026. In the years covered by the outlook, we anticipate a gradual acceleration in growth as a result of the implementation of projects co-financed by the EU under the 2021–2027 programming period and defence spending (Graph 2.3.8).

This year's expected 6.5% growth **in compensation of employees** is driven by salaries indexed to the average wage – the salaries of constitutional officials, judges and public prosecutors were increased by 6.95% (Act No. 57/2025 Coll.), and the salaries of teaching staff by 7%. Other employees in public services and administration saw their wages increase across the board by CZK 1,400 (Government Regulation No. 466/2024 Coll.). Last but not least, soldiers and security forces saw increases in their wages, as well as various allowances and contributions. The volume of compensation paid was also affected by the increase in the minimum wage and the related guaranteed salary levels (Government Regulation No. 285/2024 Coll.). In our forecast for 2026, in addition to the automatic indexation of salaries for selected groups of public employees, we primarily anticipate a year-on-year increase of 7.8% in the amount of funds allocated for salaries, which is included in the draft state budget for 2026 (Government Resolution No. 717/2025). As a result, compensation of employees is expected to rise by a 7.6%. In the next two years, the rate of increase should remain between 4% and 5%, again with a significant impact from automatically adjusted salaries.

In 2025, we expect the growth rate of **social transfers in kind** to slow to 4.6%, and a similar rate should be maintained in 2026. In the years covered by the outlook, we expect a further slowdown to around 4%, in line with the expected revenues of health insurance companies and their slightly negative financial results. A significant component influencing the pace of social transfers in kind in recent years is the housing allowance, which is expected to decline due to rising real disposable household income and lower energy prices. In addition, from the perspective of the system, it is becoming part of a single state social assistance benefit (Act No. 151/2025 Coll.).

Regarding **cash social benefits**, the pension benefits have largest share (Graph 2.3.4). From January 2025, pensions were adjusted on the basis of the statutory indexation formula, with an increase by CZK 260 in the flat rate component and 0.6% in the earnings-related one (Government Regulation No. 282/2024 Coll. and No. 283/2024 Coll.). Subsequently, from January 2026, the flat rate component will increase by CZK 240 and the earnings-related one by 2.6% (Government Regulations No. 364/2025 Coll. and No. 365/2025 Coll.). The average old-age pension will thus increase by CZK 668 per month. The dynamics of pension benefits will be determined in the coming years by the expected growth in the cost-of-living index for pensioners, while real wage growth should not play a role until the end of the outlook horizon. The negative impact associated with the introduction of allowances for each child raised should further increase by about CZK 0.5 billion each in the period 2025–2026 (Act No. 323/2021 Coll.). The effect of the change in the pension payment period from the so-called sliding month to the calendar month, and the associated cancellation of the one-off supplement during the regular January revaluation, was postponed by two years, and is expected to bring in approximately CZK 1 billion at the end of the outlook horizon (Act No. 321/2023 Coll. and No. 214/2025 Coll.).

The increase in parental allowance by CZK 50,000 (CZK 75,000 in the case of multiples) for children born from 1 January 2024 should result in a gradual increase in the funds paid out by CZK 1.5–2 billion in 2025–2027 (Act No. 407/2023 Coll.). On the other hand, the number of parental allowance recipients has been declining in recent years. The amendment to the Act on Social and Legal Protection of Children brought changes in the area of foster family care, with an impact of an additional CZK −0.5 billion in 2025 (Act No. 242/2024 Coll.).

Humanitarian allowance for persons under temporary protection, including housing costs, will burden the state budget by approximately CZK 9.4 billion this year. We expect a similar cost in the coming years. Ongoing adjustments to care allowances will require around CZK 4 billion in 2025 (Act No. 164/2024 Coll. and 38/2025 Coll.) and a further CZK 1.5 billion in 2026 (Act No. 360/2025 Coll.). Adjustments to the parameters of unemployment benefits and retraining support will lead to an estimated year-on-year increase in expenditure of CZK 2.8 billion in 2026 (Act No. 120/2025 Coll.). Developments in the labour market will also play a role, with slightly higher unemployment expected. The methodology of the national accounts also reflects the growth in payments for state-insured persons in the development of cash social benefits. As a result of all the factors described above in the social area, the volume of cash social benefits should increase by 2% in 2025 and

by 3.5% next year. In the years of the outlook, their growth rate could gradually stabilise at 2%.

This year's **subsidy** dynamics are determined by support for renewable energy sources and expenditure on transport services. Following the introduction of the minimum wage indexation mechanism, we expect an increase in the maximum amount of the contribution to support the employment of persons with disabilities and the related additional demands on the state budget of CZK 1.4 billion in 2025 and CZK 1.2 billion in 2026 (Government Regulation No. 471/2024 Coll.). These effects will outweigh the savings in subsidies from the consolidation package. In subsequent years, their amount in relative terms should fall slightly below 2% of GDP.

This year, we expect current and capital **transfers** to increase by 9.3% and reach 2.3% of GDP. This growth reflects a CZK 7.7 billion increase in contributions to the EU budget, a CZK 3 billion payment to the Czech Post Office and programmes related to last year's floods. Conversely, the reduction in the maximum contribution to building savings has reduced the burden on the state budget by approximately CZK 2 billion (Act No. 349/2023 Coll.). Total transfers in relative terms should stabilise at around 2% of GDP.

The pace **of investment in fixed assets** is likely to accelerate significantly to 8.5% this year (Graph 2.3.6). The leading factor is investment aktivity of local governments, whose year-on-year growth reached almost 20% in the first two quarters of this year. In the same period, central government investment grew by 5.5% year-on-year, mainly in defence and transport infrastructure. Investment in these sectors will continue to be key in the coming years. In terms of financing, we are counting on projects from the National Recovery Plan, which should be completed next year. European structural and investment funds also play a role, in line with the current phase of their cycle. The result is an expected 4.1% growth in total investment in 2026. The decline of more than 5% in 2027 is due to the absence of the National Recovery Plan.

Rising public debt and interest rates are leading to a further increase in **interest expenditure**, which is expected to rise by 6.6% in 2025, but remain at 1.3% of GDP in relative terms (Graph 2.3.7). They should then remain at this level until 2027 and rise slightly to 1.4% of GDP at the very end of the outlook horizon.

Table 2.3.1: General Government Expenditure

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	*Forecast*	*Outlook*	*Outlook*
Total expenditure	*CZK bn*	**2 377**	**2 696**	**2 840**	**3 031**	**3 346**	**3 454**	**3 640**	**3 761**	**3 849**	**3 991**
	change in %	8.2	13.4	5.4	6.7	10.4	3.2	5.4	3.3	2.3	3.7
Compensation of employees	*CZK bn*	576	633	676	690	739	776	826	889	929	969
	change in %	10.5	10.0	6.8	2.1	7.0	5.0	6.5	7.6	4.5	4.3
Intermediate consumption	*CZK bn*	339	346	354	394	430	469	492	499	519	542
	change in %	4.6	2.1	2.4	11.3	9.2	9.0	4.8	1.5	4.0	4.5
Social benefits other than in kind	*CZK bn*	709	821	859	937	1 037	1 083	1 105	1 144	1 171	1 197
	change in %	7.7	15.8	4.7	9.1	10.6	4.4	2.0	3.5	2.4	2.2
Social transfers in kind	*CZK bn*	177	205	219	226	258	284	297	310	323	337
	change in %	10.9	15.8	7.1	2.9	14.2	10.1	4.6	4.5	4.0	4.2
Property income	*CZK bn*	40	44	46	79	99	108	115	118	126	138
	change in %	1.2	7.9	4.8	72.4	25.5	8.7	6.6	3.1	6.7	9.4
Subsidies	*CZK bn*	128	173	200	151	207	156	179	175	177	179
	change in %	7.3	35.1	15.8	-24.7	37.0	-24.6	14.7	-2.2	1.5	0.9
Gross fixed capital formation	*CZK bn*	253	277	287	320	370	377	409	426	403	425
	change in %	12.6	9.6	3.8	11.2	15.9	1.7	8.5	4.1	-5.3	5.4
Capital transfers	*CZK bn*	37	68	56	51	40	39	44	30	31	31
	change in %	-2.4	84.9	-17.7	-7.5	-22.5	-1.8	11.6	-30.7	2.0	-0.3
Other expenditure	*CZK bn*	119	130	142	183	167	163	175	170	169	174
	change in %	5.9	8.6	9.5	28.5	-8.7	-2.5	7.5	-2.7	-0.3	2.9

Source: CZSO (2025b). Forecast and calculations by MF CR.

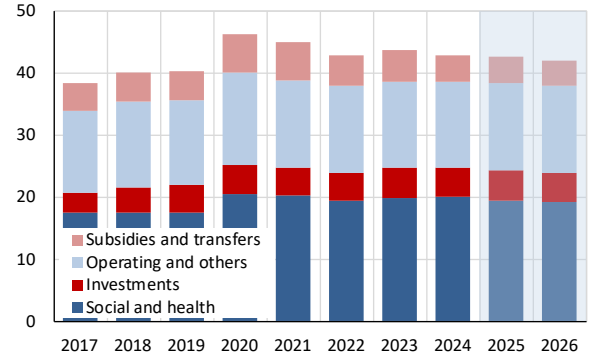
Table 2.3.2: Discretionary Expenditure Measures

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	*Forecast*	*Outlook*	*Outlook*
Total expenditure measures	*CZK bn*	**-57.3**	**-187.6**	**2.0**	**17.2**	**-69.7**	**120.8**	**-53.2**	**-3.3**	**-2.6**	**0.8**
Social benefits	*CZK bn*	-17.3	-49.4	19.7	-31.0	7.7	11.0	-7.9	-7.6	-2.6	1.1
Compensation of employees*	*CZK bn*	-39.8	-40.6	-13.3	3.5	-25.7	-8.5	-48.4	-7.8	-0.3	-0.2
Healthcare	*CZK bn*	-	-24.7	5.9	12.5	-1.4	-3.3	-	-	-	-
Subsidies	*CZK bn*	-1.6	-44.9	-12.3	45.9	-76.8	117.8	7.5	-1.1	-0.1	-0.1
Capital transfers	*CZK bn*	5.6	-27.4	8.8	4.0	13.3	0.3	-2.8	3.5	-	-
Other expenditure	*CZK bn*	-4.3	-0.5	-6.7	-17.6	13.2	3.4	-1.6	9.7	0.4	-0.0

Note: Figures represent YoY discretional changes of measures on expenditure side. Positive values mean improvement of balance.
**) Compensation of employees are updated not earlier than the final agreement on the state budget proposal.*
Source: MF CR.

Graph 2.3.1: Total Expenditure Structure

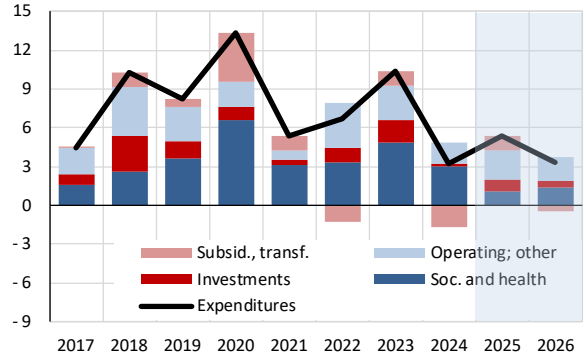
% of GDP



Source: CZSO (2025a, 2025b). MF CR forecast.

Graph 2.3.2: Total Expenditure Development

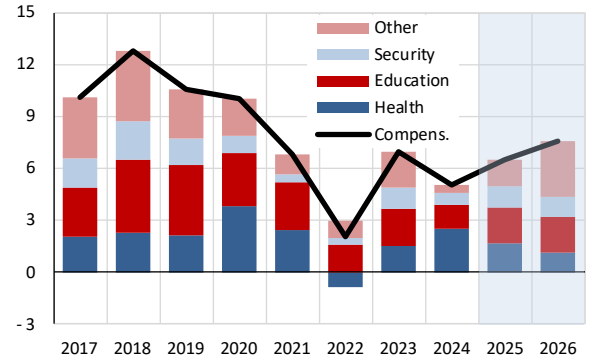
change in %, contributions in percentage points



Source: CZSO (2025b). MF CR forecast.

Graph 2.3.3: Compensation of Employees

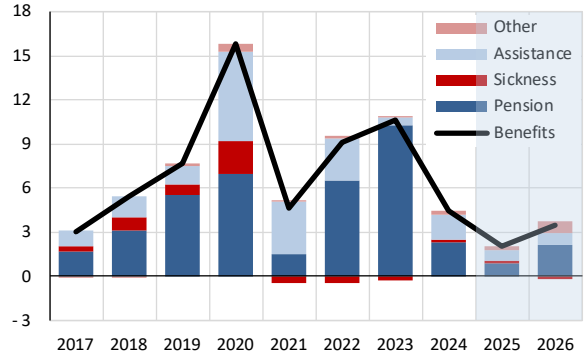
change in %, contributions in percentage points



Source: CZSO (2025b). MF CR forecast.

Graph 2.3.4: Cash Social Benefits

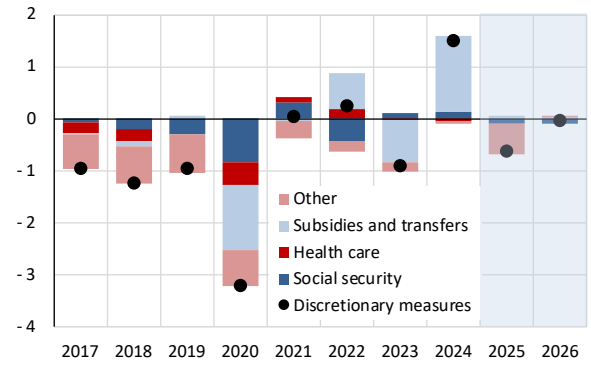
change in %, contributions in percentage points



Source: CZSO (2025a, 2025b). MF CR forecast.

Graph 2.3.5: Discretionary Expenditure Measures

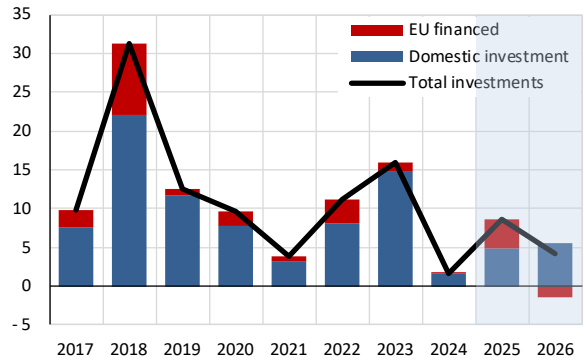
% of GDP



Source: MF CR.

Graph 2.3.6: General Government Investment

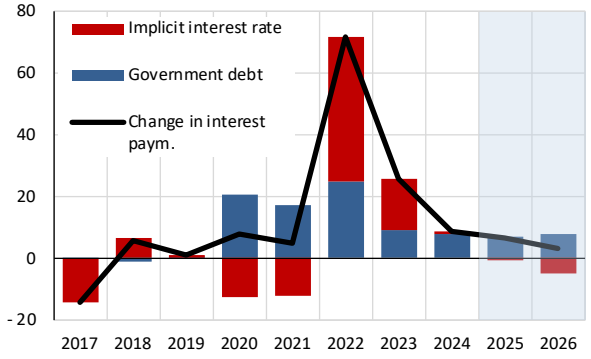
change in %, contributions in percentage points



Source: CZSO (2025b). MF CR forecast.

Graph 2.3.7: Interest Expenditure

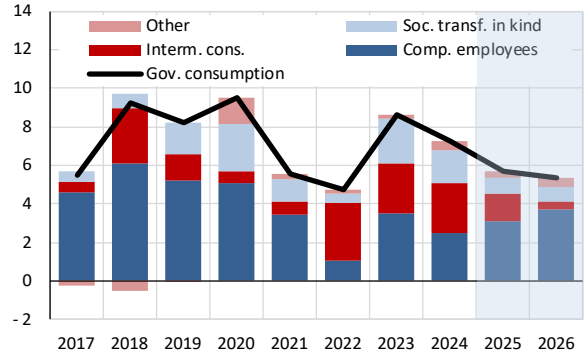
change in %, contributions in percentage points



Source: CZSO (2025b). MF CR forecast.

Graph 2.3.8: Final Consumption Expenditure

change in %, contributions in percentage points



Source: CZSO (2025b). MF CR forecast.

2.4 General Government Debt

The deficit performance of the general government sector is reflected in **the level of debt**, which will be around 44% of GDP at the end of 2025 (see Graph 2.4.1). Next year, we expect debt to increase by 1.3 pp to 45.3% of GDP. Over the outlook horizon, we predict a gradual increase in the debt quota, which may reach 46.4% of GDP in 2028.

Thus, the Czech Republic should meet the Treaty on the Functioning of the EU benchmark for debt (**the Maastricht criterion** of 60% of GDP) throughout the whole outlook period. The level of the debt quota also meets **the national rule** set by the Fiscal Responsibility Rules Act, which assesses the level of general government debt net of the cash reserve created by the financing of government debt against a limit of 55% of GDP (Table 2.4.1).

In terms of contributions to the change in debt, **interest expenditure** will be the dominant factor in 2025, remaining at 1.3% of GDP this year and in the following years, or more precisely at 1.4% of GDP in 2028. This is based on the structure of the debt and its refinancing, as well as on the expected development of interest rates. The forecast anticipates a stabilisation of government bond yields. The 10-year interest rate for convergence purposes ranges between an average of 4.3% and 4.4% p.a. until the end of the outlook. The 5-year bonds yields are expected to fall from the predicted 3.8% p.a. in 2025 and 2026 to 3.7% p.a. in the years covered by the outlook. **The primary deficit** is a less significant factor**,** as its contribution is significantly lower than in the period between 2020 and 2023. We expect it to rise slightly next year due to planned investments, but its contribution should start to decline gradually again in the outlook years. Among other factors, repayable financial assistance in connection with the construction of new nuclear power plants plays a significant role. However, given the requirement to comply with the structural deficits set by the Act on Fiscal Responsibility Rules, consolidation will be necessary, which represents a positive risk to this forecast (MF ČR, 2024e).

The current forecast does not foresee any significant privatisation revenues under Act No. 92/1991 Coll., on Conditions for the Transfer of State Property to Other Persons, as amended.

The largest share of general government debt is held by central government (Table 2.4.1), whose debt is expected to reach CZK 3,763 billion in 2025. Thus, this would account for about 98% of the total (unconsolidated) general government debt. Local government debt is expected to reach CZK 76 billion in 2025 and then decline slightly in subsequent years due to the predicted budget surpluses, getting at CZK 73 billion in 2028. Although social security funds have perennially a negligible level of indebtedness, given the predicted economic performance, we expect a slight increase in their debt.

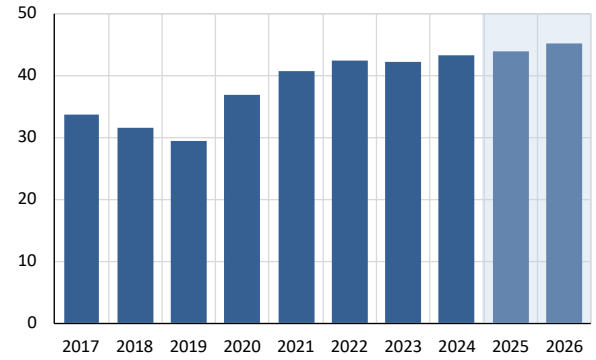
Table 2.4.1: Gross Consolidated Government Debt

		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
								Forecast	*Forecast*	*Outlook*	*Outlook*
General government	*CZK bn*	**1 740**	**2 150**	**2 567**	**2 998**	**3 234**	**3 488**	**3 738**	**4 047**	**4 296**	**4 559**
Central government	*CZK bn*	1 793	2 223	2 661	3 105	3 352	3 505	3 763	4 068	4 340	4 620
Local government	*CZK bn*	84	87	87	89	86	83	76	76	75	73
Social security funds	*CZK bn*	0	1	1	0	1	1	1	2	2	2
General government debt to GDP rati	*% of GDP*	**29.6**	**36.9**	**40.7**	**42.5**	**42.2**	**43.3**	**43.9**	**45.3**	**45.8**	**46.4**
Contributions to change in debt-to-GDP ratio											
Change in debt	*p.p.*	-2.1	7.3	3.8	1.8	-0.3	1.1	0.6	1.3	0.5	0.6
Primary deficit	*p.p.*	**-1.0**	**4.9**	**4.2**	**2.0**	**2.4**	**0.7**	**0.5**	**0.6**	**0.5**	**0.4**
Interest	*p.p.*	**0.7**	**0.7**	**0.7**	**1.1**	**1.3**	**1.3**	**1.3**	**1.3**	**1.3**	**1.4**
Nominal GDP growth	*p.p.*	**-2.2**	**0.3**	**-2.8**	**-4.3**	**-3.4**	**-2.1**	**-2.3**	**-2.1**	**-2.1**	**-2.1**
Stock-flow adjustment [1)]	*p.p.*	**0.4**	**1.4**	**1.7**	**3.0**	**-0.6**	**1.1**	**1.1**	**1.5**	**0.8**	**0.9**
Debt for Act No. 23/2017 Coll. [2)]	*% of GDP*	29.6	36.9	40.7	42.5	42.2	43.3	43.9	45.3	45.8	46.4
Liquid financial assets [3)]	*% of GDP*	13.6	15.8	18.8	17.5	17.7	17.7	17.1	16.2	15.4	14.7
Net financial debt [4)]	*% of GDP*	15.9	21.1	21.9	25.0	24.6	25.6	26.9	29.0	30.4	31.7

1) The stock-flow adjustment consists of differences between cash and accrual, net acquisition of financial assets and revaluation effects and other measures.
2) Public sector institutions debt according to Act No. 23/2017 Coll. is defined as the difference between the general government debt and disposable cash reserves created according to Act No. 218/2000 Coll.
3) Liquid financial assets are monetary gold, Special Drawing Rights, currency and deposits, market value of securities other than shares (in market value), shares and other equity quoted in stock exchange.
4) Net financial debt is the difference between the debt according to Act No. 23/2017 Coll. and liquid financial assets.
Source: CZSO (2025b). Forecast and calculations by MF CR.

Graph 2.4.1: General Government Debt

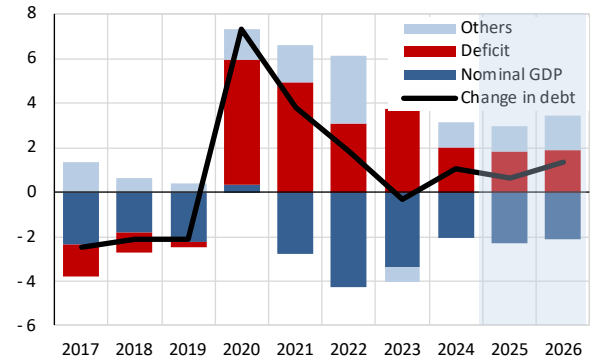
% of GDP



Source: CZSO (2025a, 2025b). MF CR forecast.

Graph 2.4.2: Change in the Debt Ratio

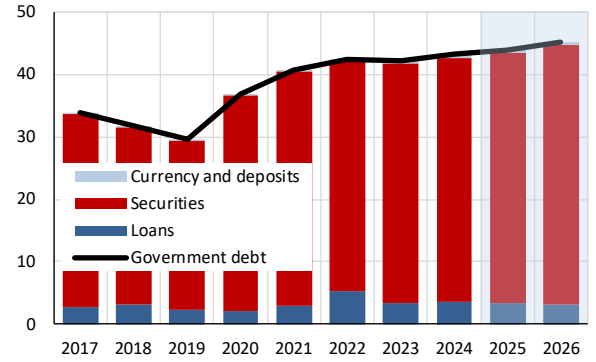
in percentage points



Source: CZSO (2025a, 2025b). MF CR forecast.

Graph 2.4.3: Government Debt by Type of Instrument

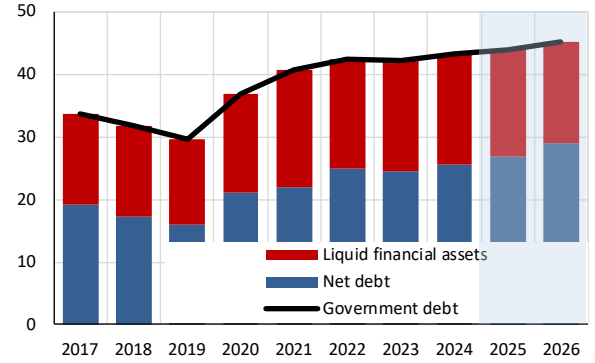
% of GDP



Source: CZSO (2025a, 2025b). MF CR forecast.

Graph 2.4.4: Net and Gross Government Debt

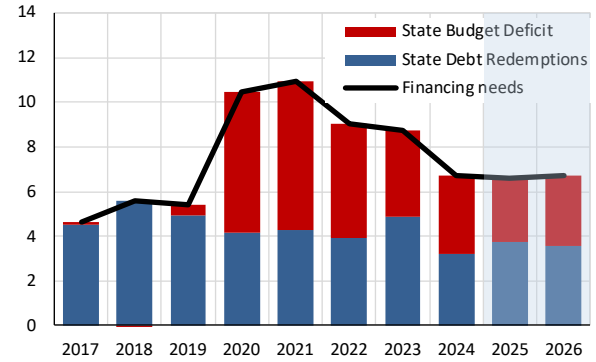
% of GDP



Source: CZSO (2025a, 2025b). MF CR forecast.

Graph 2.4.5: State Debt Financing Needs

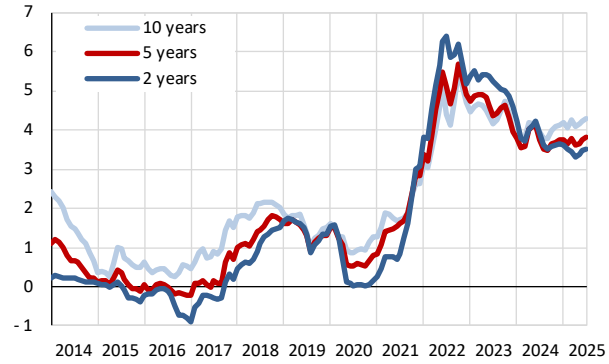
% of GDP



Source: CZSO (2025b). MF CR forecast.

Graph 2.4.6: Government Bond Yields by Maturity

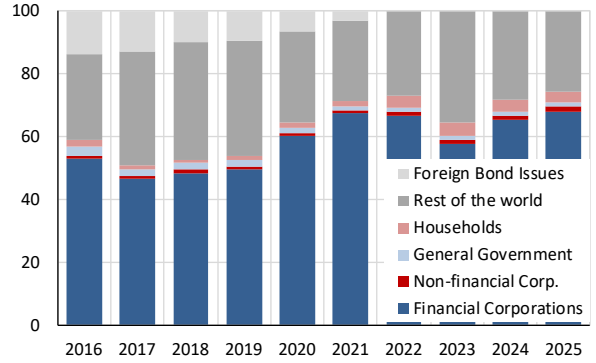
% of GDP



Source: CNB (2025).

Graph 2.4.7: Government Securities by Type of Holder

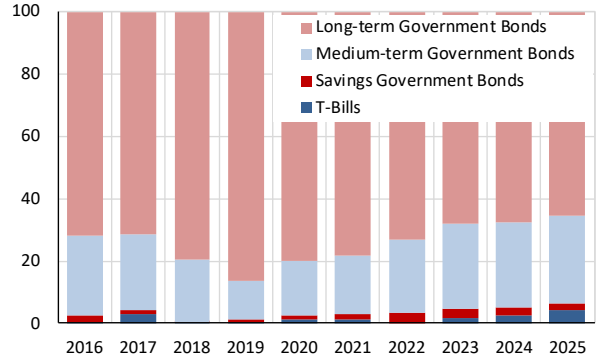
% of total government securities outstanding, end-of-year values



Note: The value for 2024 reflects the state at the end of September.
Source: MF CR.

Graph 2.4.8: Government Securities by Type of Instrument

% of total government securities outstanding, end-of-year values



Note: The value for 2024 reflects the state at the end of September.
Source: MF CR.

2.5 Sensitivity Analysis

The sensitivity analysis is calculated using a dynamic stochastic general equilibrium model developed by the MF CR. The alternative scenarios focus on some current issues of possible future developments. The first scenario considers lower economic growth in the EU and its impact on the highly open Czech economy, which is dependent on the external environment. The second alternative scenario assesses a possible sudden increase in interest rates. Both alternative scenarios are derived from the baseline scenario of the Fiscal Outlook. In both cases, we assume a deviation from the baseline scenario in the first half of 2026.

Economic development in the EU trading partners is important for the economic growth of the small open economy of the Czech Republic. **The first scenario** assumes slower GDP growth in the EU in 2026 by 2.6 pp, which corresponds to the standard deviation over the period 2002–2024.

A decline in foreign demand for domestic products would initially be reflected in a fall in net exports. However, the subsequent pressure on currency depreciation would dampen the negative effects on net exports through more expensive imports. A worse outcome for foreign trade performance would slow real GDP growth in the Czech Republic by around 0.7 pp in 2026 compared to the baseline scenario. Lower growth in corporate profits due to weaker exports would hamper investment growth by 0.7 pp. Lower output of firms would also have a negative impact on labour demand and subsequently reduce the growth rate of nominal wages. A negative income effect in the form of relatively lower wages and returns on capital would reduce household consumption growth by 0.2 pp.

The impact on the general government balance is negative by 0.3 pp in the first year of the outlook, with a maximum difference of 0.1 pp in following years. Weaker economic performance has an impact on taxes and social security contributions on the revenue side, while on the expenditure side it leads mainly to an increase in spending on unemployment benefits. Lower inflation is reflected in the indexation of pension benefits during the outlook period. The debt ratio would then increase by 0.4 pp more than in the baseline scenario. In addition to higher deficits, this would reflect a lower level of nominal GDP throughout the horizon.

The dynamic model in **the second scenario** simulates an additional monetary policy tightening for 2026 by 1.8 pp above the baseline. This value corresponds to the standard deviation of short-term interest rates in the period from 2002 to 2024.

A more restrictive monetary policy would have a slightly negative effect on economic development. The pressure on the appreciation of the Czech currency would lead to more expensive exports, while imported goods would become relatively cheaper. A slowdown in exports by 0.5 pp would create downward pressure on imports, given the high import intensity of exports. Lower sales and a decline in the profits of economic entities would have a similar effect. The result would be a slight slowdown in import growth compared to the baseline scenario.

Lower household incomes due to slower wage growth would have a further negative impact on consumption. Higher interest rates would also motivate households to save and thus postpone consumption until the future. Restrictive monetary policy would thus reduce the growth rate of household consumption by 0.2 pp.

Corporate profitability would fall as a result of lower foreign and domestic demand. Firms would react to lower profits and higher borrowing costs by reducing investment growth by 0.3 pp. The slowdown in aggregate demand would also lead to a 0.3 pp increase in the unemployment compared with the baseline scenario, as well as lower wage growth.

Given the negative impact of higher interest rates on investment, consumption and exports, the resulting impact on GDP growth would also be negative, to the extent of 0.2 pp. Higher interest rates and slower output growth would lead to a 1.0 pp reduction in the inflation rate.

The impact on public finances is relatively smaller in this scenario than in the first one. The effects on revenue and expenditure almost offset each other, with the most important expenditure items, i.e. social expenditure, rising less due to lower inflation and real wage dynamics. As a result, the general government debt ratio at the end of the outlook horizon differs from the baseline scenario by only 0.2 pp.

Table 2.5.1: Baseline and Model Scenarios of Macroeconomic Simulations

		2025 *Estimate*	2026 *Forecast/ Simul.*	2027 *Outlook/ Simul.*	2028 *Outlook/ Simul.*
Gross domestic product (real)	*change in %*	**2.4**	**2.2**	**2.5**	**2.5**
Private consumption	*change in %*	3.1	3.0	2.6	2.3
Gross fixed capital formation	*change in %*	0.2	3.0	2.5	3.2
Exports	*change in %*	3.8	2.9	4.5	3.1
Imports	*change in %*	4.8	3.7	4.6	3.2
Consumer Price Inflation	*change in %*	**2.4**	**2.3**	**2.3**	**2.1**
Employment	*change in %*	**1.1**	**0.0**	**-0.2**	**-0.1**
Wage bill	*change in %*	**7.1**	**5.9**	**5.0**	**4.7**
Unemployment rate	*in %*	**2.7**	**2.8**	**2.6**	**2.4**
General government balance	*% of GDP*	**-1.9**	**-1.9**	**-1.9**	**-1.8**
Gross government debt	*% of GDP*	**43.9**	**45.3**	**45.8**	**46.4**
Alternative Scenario I - Lower GDP Growth in EU in 2026					
Gross domestic product (real)	*change in %*	**2.4**	**1.4**	**2.6**	**2.5**
Private consumption	*change in %*	3.1	2.8	2.5	2.3
Gross fixed capital formation	*change in %*	0.2	2.3	2.2	3.2
Exports	*change in %*	3.8	1.0	4.4	3.1
Imports	*change in %*	4.8	2.4	4.3	3.1
Consumer Price Inflation	*change in %*	**2.4**	**2.2**	**2.3**	**2.1**
Employment	*change in %*	**1.1**	**-0.2**	**-0.1**	**-0.1**
Wage bill	*change in %*	**7.1**	**5.4**	**5.0**	**4.7**
Unemployment rate	*in %*	**2.7**	**3.0**	**2.6**	**2.4**
General government balance	*% of GDP*	**-1.9**	**-2.2**	**-2.0**	**-1.8**
Gross government debt	*% of GDP*	**43.9**	**45.7**	**46.3**	**46.9**
Alternative Scenario II - Increase in Domestic Interest Rate					
Gross domestic product (real)	*change in %*	**2.4**	**1.9**	**2.5**	**2.5**
Private consumption	*change in %*	3.1	2.8	2.5	2.2
Gross fixed capital formation	*change in %*	0.2	2.7	2.7	3.3
Exports	*change in %*	3.8	2.3	4.2	3.0
Imports	*change in %*	4.8	3.6	4.5	3.1
Consumer Price Inflation	*change in %*	**2.4**	**1.3**	**1.8**	**1.8**
Employment	*change in %*	**1.1**	**0.0**	**-0.2**	**-0.1**
Wage bill	*change in %*	**7.1**	**5.8**	**5.0**	**4.7**
Unemployment rate	*in %*	**2.7**	**3.1**	**2.6**	**2.4**
General government balance	*% of GDP*	**-1.9**	**-1.9**	**-1.9**	**-1.8**
Gross government debt	*% of GDP*	**43.9**	**45.5**	**46.0**	**46.7**

Source: MF CR (2025b). MF CR forecast, calculations and simulations.

3 International Comparison

Increased defence spending due to ongoing geopolitical tensions, measures related to climate change or, conversely, the aftermath of natural disasters are putting further pressure on public finances in a number of EU countries after the pandemic has subsided. The restrictive monetary policy pursued by central banks in the EU with a view to reducing the high inflation rates seen in recent years has increased government bond yields, which, combined with high supply due to the central government deficits, is resulting in increasing interest expenditure.

3.1 Public finance balance and debt in EU countries in 2024 and 2025

The balance as a percentage of GDP improved year-on-year in 13 EU countries **in 2024**, including the Czech Republic (most significantly in Italy, by 3.8 pp, which, however, reported the highest deficit in 2023), while it deteriorated in 14 EU countries (mainly in Romania, by 2.6 pp). Denmark, Ireland, Cyprus and Portugal continue to report surpluses, most of them even higher year-on-year, with Luxembourg and Greece also achieving surpluses. Conversely, Romania recorded the highest deficit at 9.3% of GDP, followed by Poland at 6.5% of GDP, France at 5.8% of GDP, Slovakia at 5.5% of GDP and Hungary at 5.0% of GDP. With the exception of Italy, these are the countries that had the highest deficits in the previous year as well.

In 2024, 11 countries exceeded the benchmark of the Treaty on the Functioning of the EU (one more than in 2023 – Austria and Finland were added, while the Czech Republic was removed). All these countries except Finland and Spain are subject to the **excessive deficit procedure.**[1] Following the deactivation of the general escape clause at the end of 2023, the standard rules of the procedure, as amended by the reformed EU fiscal framework, will apply again.

According to the autumn notification of government deficit and debt, the highest deficit in 2025 is again expected in Romania (8.4% of GDP), followed by Poland, Belgium, France and Slovakia, all with deficits above 5% of GDP. Compared with the 2024 balances in relative terms, improvements are predicted in 12 EU countries, including the Czech Republic, with the largest improvements in Romania and Hungary (reductions in high deficits of 0.9 and 0.8 pp, respectively). Conversely, the most significant year-on-year deterioration in the balance in relative terms is expected in Denmark and Ireland, but only in the form of a reduction in the surplus. Denmark, Ireland, Cyprus, Portugal and Greece are expected to remain in surplus in 2025.

A general government deficit below the Stability and Growth Pact reference value is predicted for 15 countries this year, including the Czech Republic. Bulgaria and Italy forecast deficits of around 3% of GDP. Germany is not expected to meet the deficit criterion for 2025.

The reduction in the general government debt-to-GDP ratio that had been happening prior to 2020 was severely disrupted by pandemic factors, including the subsequent economic downturn. Now, in most countries, after the debt quota peaked in 2020 and 2021, a turnaround is taking place and debt is falling, in some cases very sharply, or at least its further increase is slowing down. Some countries (Denmark, Ireland, Cyprus, Greece) managed to reduce their debt in absolute terms in 2024, and the same is expected in these countries at the end of 2025. Cyprus should even reduce its debt below the pre-crisis level of 2019.

In 2024, 11 EU countries managed to reduce their public indebtedness, with the largest reductions in Greece (over 10 pp) and Cyprus (8.4 pp). Conversely, relative public indebtedness increased the most, by over 5 pp, in Poland, Romania and Finland. Romania and Poland also recorded the highest increase in general government debt in absolute terms (by 23.0% and 19.0% respectively; by comparison, in the Czech Republic, the general government debt increased by 7.9% in absolute terms, at the same rate as in previous year). Fifteen EU Member States, including the Czech Republic, met the debt fiscal criterion of 60% of GDP for 2024, with Croatia joining them compared with the previous year. Public finances in Greece, Italy, France, Belgium and Spain have consistently higher general government debt than their annual GDP.

In 2025, a year-on-year improvement in relative indebtedness is again expected in 10 EU countries, most notably in Greece and Cyprus, where, together with Ireland and Denmark, a year-on-year reduction in general government debt in absolute terms is also predicted. Conversely, according to the 2025 forecast, the level of general government debt in relative terms is expected to increase most strongly in Lithuania, Bulgaria, Poland and Romania. The level of general government debt in absolute terms will also increase in these countries, by over 15%. This applies in particular to Bulgaria, which has low indebtedness so far (by

[1] On 26 July 2024, the Council of the EU decided that Belgium, France, Italy, Hungary, Poland, Malta and Slovakia had excessive deficits. Recommendations to reduce the deficit were addressed to them by the end of 2024 through the specified growth in net expenditure in their fiscal structural plans. Similarly, this was also the case in Austria, which was placed under the excessive deficit procedure on 8 July 2025. The procedure, which has been ongoing since 2020, is still open for Romania due to its persistently high deficits.

29.5%). At the end of 2025, a total of 15 countries, including the Czech Republic, should again have their public indebtedness below the 60% of GDP reference value, with only Slovakia being replaced by Cyprus, where, for comparison, the general government debt stood at 113.6% of GDP at the end of 2020. If we compare the predicted end of 2025 with the pre-crisis year of 2019, the general government debt in relative terms should decrease in 8 countries, most significantly in Cyprus and Greece (by over 35 pp), followed by Portugal and Ireland (by over 23 pp), Croatia (by 14 pp), Denmark (by 4.6 pp), the Netherlands (by 3.7 pp) and Sweden (by 0.5 pp). In Cyprus, the general government debt will also decrease in absolute terms (by 6.5%) during this period.

3.2 Public Debt Financing in EU Countries

The government's gross borrowing requirement is secured through the issues of government bonds in EU countries. These are largely made up of medium- and long-term fixed-rate domestic government bonds, supplemented by sales of government bonds denominated in foreign currencies, issues of treasury bills, inflation-linked bonds and, in recent years, issues of so-called green bonds (especially Germany, France, Belgium and Hungary). In addition to bond instruments, governments receive loans and credits from international institutions.

3.2.1 Bond Financing in Euro Area Countries

A number of factors affect government bond yields, the most important of which include monetary and fiscal policy and the geopolitical situation in a given country. As part of its monetary policy, the European Central Bank (ECB) uses its instruments to influence government bond yields in eurozone countries through several channels. Through the first channel, the ECB responds primarily to inflation developments in euro area countries with its key interest rate (deposit rate), thereby influencing mainly the short end of the yield curve of government bonds. After raising the deposit rate to its highest level ever (4% p.a.) in September 2023, it has been gradually lowering it since June 2024 to its current level of 2% p.a. The second channel is based on the ECB's government bond purchase programmes, which were used extensively during the COVID-19 pandemic, for example. By the end of 2024, all reinvestments of government bonds outstanding under the Pandemic Emergency Purchase Programme (PEPP) had been closed, and the amount of PEPP portfolio is declining by an average of approximately EUR 7.5 billion per month. Since 2023, the volume of the Public Sector Purchase Programme (PSPP) portfolio has also been declining, by an average of around EUR 22 billion per month in 2025.

In 2024, the yield curve of government bonds in euro area countries remained inverted at its short and medium-term ends (in the segment up to 5 years to maturity), with yields in this part of the yield curve reaching higher levels than for long time to maturity. Over the past year, thanks to the ECB's continued easing monetary policy, there was a significant parallel shift in the yield curve of government bonds at its short end downwards (e.g. for treasury bills, yields to maturity fell by around 0.8 pp), while at the long end (from the 10-years of maturity segment), yields remained almost unchanged, which is related to the growth of the so-called time premium[2] on government bonds. Yields on 10-year government bonds for convergence purposes (hereinafter "10-year government bonds") fell by an average of 0.3 pp year-on-year last year. The largest decline in yields was recorded in southern European countries (0.8 pp in Cyprus, 0.7 pp in Greece and 0.6 pp in Italy), where the higher decline in yields is due, among other things, to their high level in 2023[3] . Despite this relatively significant year-on-year decline in 10-year yields, **Italy**, for example, still achieved a high average auction yield to maturity (3.4% p.a.) on medium- and long-term government bonds, which the Italian government primarily used to finance its gross borrowing requirement (approximately 68% of the total volume of gross government bond issue). These auctions were supplemented by issues of treasury bills with an average auction yield of 3.4% p.a. Green bonds also contributed to the financing of precisely defined state budget expenditures with extremely high investor demand, whose share rose to 1.9 % of the total volume of government bonds outstanding. In **Greece,** the average auction yield to maturity also fell by 0.3 pp to 3.4% p.a., with a significant increase in the average time to maturity (by 3.7 years on average) of issued bonds to 16.5 years. In addition to treasury bills and 5-year and 10-year government bonds issues, last year the Greek government issued a new 30-year bond in the amount of EUR 3 billion with an average yield to maturity of 4.3% p.a., with investor demand more than ten times higher than the amount accepted. Despite the large share of treasury bills in financing gross borrowing requirement, the Greek government still manages to maintain a high time to maturity of state debt (18.8 years). **Slovakia** also achieved higher yields to maturity on 10-year government bonds **(**3.5% p.a. on average). The government sold more than 40% of the total volume of government bonds through syndicated sales with an average yield to maturity of 3.5% p.a., while at auctions

[2]This is additional compensation that investors demand for the interest rate risk associated with holding bonds with long time to maturity instead of a series of short-term bonds.

[3] In these countries, 10-year bond yields in 2023 were on average almost 1 pp higher than in the rest of the euro area.

it sold government bonds for almost the same yield to maturity, but with a significantly longer time to maturity (9.8 years on average). No treasury bills were issued again last year, but domestic government bonds were supplemented by two issues of Swiss franc-denominated government bonds[4] in a total amount of CHF 635 million. On the other hand, **Germany** again achieved the lowest yields on 10-year government bonds from eurozone countries (2.3% p.a.), which is, however, more than double the level compared to 2022. Therefore, more than half of the gross borrowing requirement was financed by the German government through short-term discounted and medium-term government bonds, while less than 30% of the gross borrowing requirement was financed through government bonds with longer time to maturity (9.7 years with an average yield to maturity of 2.3% p.a.). Since 2020, the government has also been using green bonds with time to maturity ranging from 5 to 30 years to finance "green" budget expenditures. The volume of these bonds sold last year covered approximately 2.9% of the German government's gross borrowing requirement.

The combination of an inverted and standard yield curve persisted on bond markets in euro area countries in the first quarter of **2025**. Despite the persistent inverse shape, yields to maturity at the short end of the yield curve declined, while at the long end there was a parallel shift upwards of around 0.4 pp. The continued decline in short-term government bond yields and their rise in longer maturities (approximately from 15 years to maturity) led to a gradual “standardisation” of the yield curve in the second and third quarters of 2025. The entire government bond yield curve now has a classic concave shape. Yields on 10-year government bonds in the euro area were almost unchanged year-on-year on average at the end of the third quarter of this year, but there were differences between individual countries. Yields fell particularly in southern European countries, by an average of 0.2 pp (most notably in Croatia and Cyprus, by 0.3 pp, and in Italy, by 0.2 pp), mainly due to a reduction in the risk premium in view of more positive credit ratings. There was also a large year-on-year decline in **Estonia** (by an average of 0.3 pp), for example, even though yields there remain relatively high (3.3% p.a.). For this reason, the Estonian government has increased its issuance of treasury bills over the past two years to finance its gross borrowing requirement, issuing them this year at an average auction yield to maturity of 2% p.a. Conversely, it has not issued any medium- or long-term government bonds so far this year. Nevertheless, these bonds currently account for the largest share (61%) of the debt portfolio. Relatively stable yields on 10-year government bonds have been achieved in **Greece** this year **(**averaging 3.4% p.a.), which was also reflected in more than tenfold investor demand for the new issue of 10-year government bonds with a yield to maturity of 3.6% p.a. The Greek government also sold 30-year government bonds with a yield to maturity of 4.4% p.a. with extremely high investor demand. In terms of maturity structure, this year's gross borrowing requirement is thus covered in almost equal proportions by issues of treasury bills and long-term government bonds. This was reflected in a year-on-year decline in the total average auction yield to maturity of 0.5 pp to 2.9% p.a., enabling the Greek government to keep the implicit rate on government debt (2.1%) below the EU average. Yields on 10-year government bonds in **France** are practically the same as in Greece (averaging 3.3% p.a.), having increased by 0.4 pp year-on-year due, among other things, to the country's deteriorating fiscal position and political instability, which was reflected in a downgrade of the country's credit rating. Given the change in the shape of the yield curve compared to last year[5], the government financed its gross borrowing requirement by issuing government bonds with shorter time to maturity (up to 5 years) with an average auction yield to maturity of 2.5% p.a. in proportion of more than a third of the total volume of gross government bond issue. Despite the high level of yields, approximately 40% of the amount of government bond gross issue consists of sales of long-term government bonds (with time to maturity from 10 to 25 years), which is similar to last year. Almost 10% is accounted for by sales of very long-term government bonds (with time to maturity of over 30 years), with at least double the demand from investors. The French government also makes significant use of green bond issues to finance "green eligible expenditure", with France currently being the largest issuer of green government bonds. Slightly higher yields on 10-year government bonds are achieved in **Slovakia** (3.4% p.a. on average), where the government is again not using treasury bills to finance its gross borrowing requirement this year, but exclusively medium- and long-term government bonds (with an average auction yield to maturity of 3.5% p.a. and a time to maturity of 11.3 years) and long-term loans (approximately 11% of total debt)[6]. These auctions were supplemented by a syndicated issue of a new 15-year government bond in amount of EUR 3 billion with a yield to maturity of 3.9% p.a. The Slovak government also carried out its first issue of retail government bonds this year, in a total amount of EUR 0.5 billion[7]. **Germany** continues to achieve the

[4] More specifically, the sale of a 4-year government bond in the amount of CHF 325 million with a yield to maturity of 1.5% p.a. and a 10-year government bond in the amount of CHF 310 million with a yield to maturity of 1.9% p.a. The Slovak government sold bonds denominated in Swiss franc for the first time in more than 10 years.

[5] There was a change in the inverse shape at the short end, with short-term yields up to 1 year falling significantly and a parallel shift in the yield curve upwards in maturities of approximately 3 years. Currently, the yield curve is concave.

[6] This includes, for example, a EUR 240 million loan from the EIB to finance digitisation and green transition projects.

[7] 2-year „Investor“ government bonds with a yield to maturity of 3% p.a. and 4-year „Patriot“ government bonds with a yield to maturity of 3.3% p.a. were sold.

lowest yields on 10-year government bonds in the euro area this year (an average of 2.6% p.a.), despite their year-on-year growth of 0.2 pp. This was also reflected in the rise of the average auction yield to maturity up to 2.6% p.a. with the time to maturity of government bonds remaining unchanged. Auctions of "classic" bonds were supplemented by green bond issues, with the German government planning to cover approximately 4% of its total issue with these bonds this year. A new 10-year green bond with a yield to maturity of 2.6% p.a. was issued, and the issue of a 30-year green bond with a yield to maturity of 2.7% p.a. was re-opened with more than double the investor demand. The government has implemented a slight year-on-year decline in the amount of auctions of discounted treasury bills, which, however, continue to account for approximately 30% of the total amount of gross government bond issue.

3.2.2 Bond Financing outside the Euro Area

In countries outside the euro area, yields on 10-year government bonds **in 2024** fell by an average of 0.4 pp year-on-year from the very high levels reached in 2023. The largest year-on-year declines were recorded in Hungary (by approximately 1 pp), the Czech Republic (by 0.5 pp) and Denmark (by 0.4 pp), while in Bulgaria government yields increased by 0.2 pp year-on-year. Despite this decline, yields on 10-year government bonds in **Hungary** (averaging 6.5% p.a.) were the highest of all EU countries. The shape of the Hungarian yield curve changed dramatically last year, with the Hungarian National Bank's[8] eased monetary policy leading to a sharp decline in yields at the short end of the yield curve, while the curve shifted upwards at longer maturities. This was reflected in the maturity structure of government bond issues, with approximately 47% of the volume of bonds sold at auction having a time to maturity of up to 5 years, as well as in the high proportion of treasury bills. Sales of domestic government bonds were supplemented by several sales of foreign bonds, namely conventional bonds – a 12-year US dollars-denominated government bond (USD 2.5 billion), a Japanese yen-denominated government bond (JPY 38.3 billion), but also green bonds – a 10-year Japanese yen-denominated government green bond (JPY 1.3 billion) and a 5.5-year euro-denominated government green bond (EUR 1.5 billion). In the **Czech Republic**, the convergence of the monetary policies of the Czech National Bank and the ECB in the form of interest rate cuts led to a narrowing of the spread between 10-year German and Czech government bonds to an average of 160 basis points. The average auction yield to maturity of domestic medium- and long-term government bonds thus fell to 3.9% p.a., with a corresponding increase in their average time to maturity to 9.7 years. Despite a doubling of gross issue of government bonds with time to maturity of up to 5 years, medium- and long-term bonds account for a significant share of gross borrowing requirement. A 3-year Eurobond in the amount of EUR 750 million was also sold on the domestic market with an average auction yield to maturity of 2.6% p.a. Auctions of medium- and long-term government bonds were supplemented by treasury bills, both denominated in domestic currency (with an average auction yield to maturity of 4.1% p.a.) and in euro (3.5% p.a.).

In 2025, there will again be year-on-year growth in 10-year government bond yields, averaging 0.2 pp at the end of the third quarter. Yields grew most in Romania (by 0.7 pp) and Hungary (by 0.5 pp), where they are at their highest levels among all EU countries. These are countries where government bond yields are burdened by a high risk premium[9] due to high public finance deficits, persistently high inflation or higher political risk. As a result, Hungary (6.1%), Romania (5%) and Poland (5%) have the highest implicit rates on general government debt of all EU countries. Therefore, the **Hungarian** government plans to primarily issue government bonds with time to maturity of up to 10 years (approximately 40% of the total gross bond issue) again this year, supplemented by treasury bills and retail government bonds. During the year, the issuance plan was adjusted to cover gross borrowing requirement by increasing the volume of bonds sold on foreign markets at the expense of domestic bonds. Conventional bonds were sold on foreign markets, including a 10-year Eurobond in the amount of EUR 1.5 billion, three US dollar-denominated government bonds (with a total amount of USD 4 billion) and two so-called Panda bonds denominated in renminbi (in total amount of CNY 5 billion), as well as a green bond – a 15-year government bond in amount of EUR 1 billion. Hungary is thus one of the largest issuers of green bonds in Central Europe. The yield on 10-year government bonds has also risen in the **Czech Republic** this year **(**by an average of 0.3 pp), which has been reflected in an increase in the average auction yield to maturity on domestic medium- and long-term government bonds to 4.1% p.a., with a corresponding reduction in the time to maturity by 0.8 years to 8.9 years. This decline is due to a reduction in the share of gross bond issue in the maturity segment above 10 years. In contrast, gross issue of government bonds with time to maturity of up to 5 years is similar to last year's levels. The financing needs is further covered by issues of treasury bills, with auctions again being held both in domestic currency (with an average yield to maturity of 3.3% p.a.) and, for short-term euro financing needs, in euro (2.2% p.a.). In October, two pilot issues of so-called social government bonds[10] were also issued for

[8] In the fourth quarter of 2023, the Hungarian central bank began the process of lowering its base interest rate from 13% to 6.5%, which has remained unchanged since September 2024.

[9] The difference compared to the 10-year German government bond is approximately 440 basis points in 2025 for both Romania and Hungary.

[10] Specifically, this involved a 10-year social government bond in the amount of CZK 6.9 billion with an average yield to maturity of 4.4%

the first time, with a total amount of CZK 13.9 billion, with the proceeds to be allocated to eligible social expenditure in the state budget. As a result of its flexible financing strategy, the government is able to achieve a relatively stable implicit rate on general government debt (3.2%), which is 0.7 pp higher than the EU average. In **Poland**, yields on 10-year government bonds remained virtually unchanged year-on-year at the end of the third quarter, but remain at a high level (5.6% p.a. on average), despite the process of interest rate cuts by the Polish central bank[11]. Gross borrowing requirement is primarily financed by issues of medium- and long-term domestic government bonds, whose average auction yield to maturity has fallen by 0.1 pp year-on-year to 5.2% p.a. this year. In terms of maturity structure, domestic government bonds with shorter time to maturity are currently preferred (the average time to maturity of newly issued bonds fell year-on-year to 6.3 years). In contrast, on foreign markets, the Polish government sells government bonds with longer time to maturity, having made six sales of euro-denominated government bonds (at an average yield to maturity of 3.4% p.a.) and US dollar-denominated government bonds (at 5.2% p.a.) at the end of the third quarter. After five years, treasury bills are also involved in financing gross borrowing requirement, with more than double the demand from investors, at an average auction yield to matuirty of 5% p.a. Conversely, the lowest yields of all EU countries are achieved in Sweden (2.4% p.a.) and Denmark (2.3% p.a.). In **Sweden**, the main share of the government's gross borrowing requirement is financed by fixed-rate domestic medium- and long-term bonds, with a year-on-year increase in the share of government bonds sold in the maturity segment up to 5 years at the expense of bonds in the 5 to 10 years segment. Government bonds with time to maturity from 10 to 15 years account for the largest share of financing (43% of gross bond issue), and this year the Swedish government even sold a "super-long" government bond in the amount of SEK 250 million with a time to maturity of 46 years at an average yield to maturity of 2.9% p.a. and a 20-year government bond in the amount of SEK 750 million with a yield to maturity of 2.8% p.a. However, sales of conventional bonds with time to maturity of more than 15 years account for only a marginal share of gross borrowing requirement. Domestic bonds are supplemented by sales of government bonds on foreign markets. In 2025, a 3-year euro-denominated government bond was sold (EUR 2 billion at a yield to maturity of 2.1% p.a. with more than tenfold demand from investors), which is the first euro benchmark government bond issue since 2018. To offset fluctuations in gross borrowing requirement, treasury bills are issued, which were sold at an average yield to maturity of 2.1% p.a. In **Denmark**, auctions of government bonds in the 2- and 10-year maturity segments were held with an average yield to maturity of 2.2% p.a., supplemented by three auctions of 30-year government bonds with an average yield to maturity of 2.7% p.a. Treasury bills are also issued alongside medium- and long-term bonds. From 2022, green bonds with a time to maturity of 10 years will also contribute to financing expenditure related to the promotion of renewable energy sources and the green transition. From September 2025, these will be issued in accordance with the European standard for green bonds (EuGB Standard) and will fully comply with the EU taxonomy, ensuring a high level of transparency and credibility. Auctions of domestic government bonds are supplemented by sales of government bonds denominated in foreign currencies, with a 2-year government bond in the amount of USD 1.5 billion sold this year.

3.2.3 Other Funding in EU Countries

There are countries in the EU with a significant share of **loans** in their financing. National autumn notifications of government deficit and debt show that in 2024 loans accounted for a significant share of general government debt in Greece (71.9% of total debt), Estonia (43.4%), Cyprus (40.7%) and Sweden (35.5%). In Greece, the share of loans (from the International Monetary Fund and EU stabilisation mechanisms) in debt financing has been declining in recent years due to standard issuance activity on the bond markets. In Estonia, despite an average year-on-year growth of 17% in the general government debt in absolute terms over the last three years, there has been a sharp decline in loans due to the coverage of general government debt primarily through the issue of government bonds. Conversely, the lowest share of loans in total general government debt in EU countries last year was in Denmark (7.9%) and the Czech Republic (8.2%).

EU countries also finance specific investments and reforms by drawing on preferential loans from several EU instruments. The most significant is the temporary **Recovery and Resilience Facility**, under which Member States have requested loans in total amount of EUR 291 billion[12]. By the end of August 2025, loans amounting to EUR 141 billion had been disbursed, representing approximately 49% of the total amount requested. Italy intends to use the largest share of the total allocation, having drawn down EUR 89.4 billion of the approved EUR 122.6 billion in loans, primarily to achieve sustainable and inclusive growth (EUR 21.8 billion) and green transition (EUR 18.6 billion).

p.a. and a 5-year social government bond in the amount of CZK 7 billion with an average yield to maturity of 3.9% p.a.

[11] During this year, the Polish central bank has cut its base interest rate four times, from 5.75% to the current level of 4.5%.

[12] According to the original Regulation (EU) 2021/241 of the European Parliament and of the Council, the maximum possible allocation for loans was EUR 360 billion in 2018 prices, which amounted to approximately EUR 385.8 billion in 2022 prices. By the end of 2023, Member States had requested loans amounting to approximately EUR 291 billion.

Spain (EUR 83.2 billion, EUR 16.3 billion drawn) and Poland (EUR 34.5 billion, EUR 13.5 billion drawn) also plan to use a larger volume of loans. Romania (EUR 4.3 billion drawn from an allocation of EUR 14.9 billion), Greece (EUR 11.4 billion from an allocation of EUR 17.7 billion) and Portugal (EUR 3.4 billion from an allocation of EUR 5.9 billion) plan to draw lower amounts of loans. The Czech Republic has requested a loan in the amount of EUR 0.4 billion, of which EUR 232 million has already been drawn, mainly to finance investments in digital transformation (EUR 95.5 million), achieving sustainable and inclusive growth (EUR 68.5 million) and investments in healthcare (EUR 47.7 million).

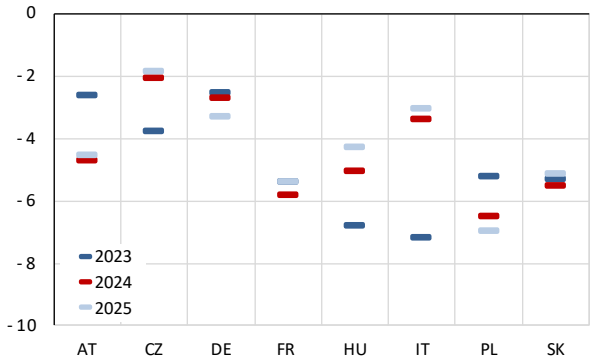
In May 2025, Regulation (EU) 2025/1106 of the European Parliament and of the Council, was adopted, establishing a new instrument, **the Security Action for Europe (SAFE)**[13], with a total allocation of EUR 150 billion. Its aim is to provide Member States with financial support in the form of loans[14] to enable them to make urgent and significant public investments in the European defence industry with a view to rapidly increasing its production capacity and improving the timely availability of defence products. Member States interested in obtaining a loan from this instrument must submit their application to the EC by the end of November 2025 and present an investment plan describing the use of any financial assistance. According to the preliminary distribution of the total allocation, the largest share would receive Poland (EUR 43.7 billion), Romania (EUR 16.7 billion) and France and Hungary (EUR 16.2 billion). The Czech Republic could receive a loan of EUR 2.1 billion, with the government expressing non-binding interest in participating in this instrument, but no decision has yet been made on the actual use of the loan.

[13] This is one of the pillars of the EC's ReArm Europe Plan/Readiness 2030 and the White Paper on the Future of European Defence, which provide a framework for releasing more than EUR 800 billion over four years for defence spending in EU countries.

[14] The loans have a maximum maturity of 45 years, and defence products acquired through these loans are exempt from VAT.

Graph 3.1: Balance of Selected EU Countries

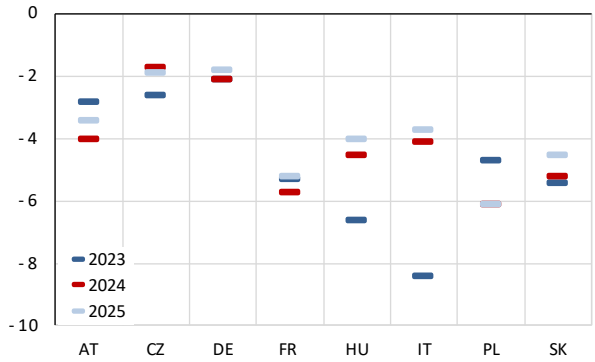
% of GDP



Source: Eurostat (2025b). CZ data: CZSO (2025a, 2025b) and MF CR.

Graph 3.2: Structural Balance of Selected EU Countries

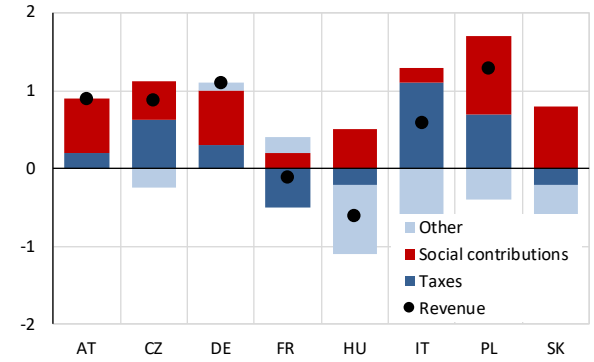
% of GDP



Source: EC (2025a). CZ data: CZSO (2025a, 2025b) and MF CR.

Graph 3.3: Change in Revenue in 2023–2024

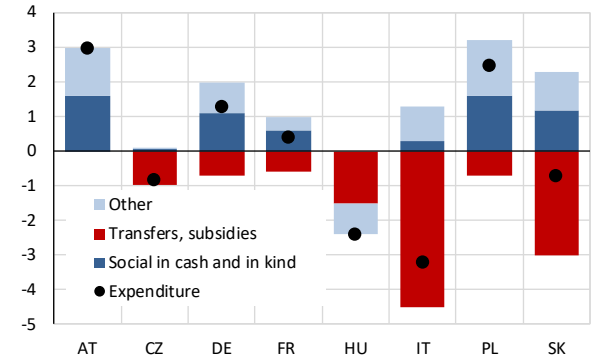
in percentage points



Source: Eurostat (2025a, 2025b). CZ data: CZSO (2025a, 2025b).

Graph 3.4: Change in Expenditure in 2023–2024

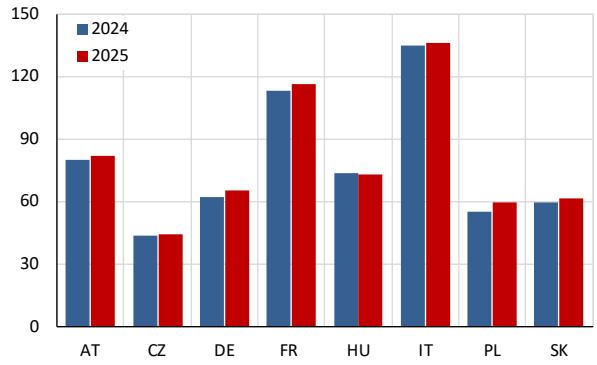
in percentage points



Source: Eurostat (2025a, 2025b). CZ data: CZSO (2025a, 2025b).

Graph 3.5: Debt of Selected EU Countries

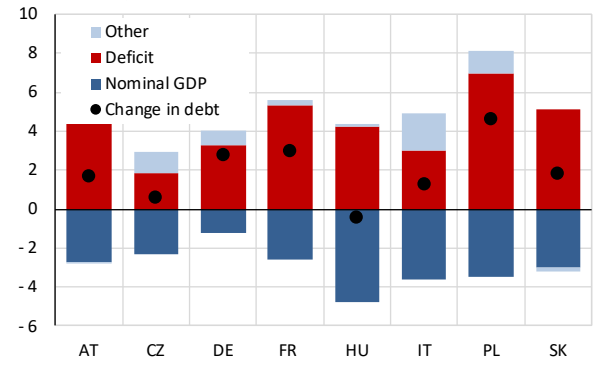
% of GDP



Source: Eurostat (2025b). CZ data: CZSO (2025a, 2025b). and MF CR.

Graph 3.6: Change in Debt-to GDP ratio in 2024–2025

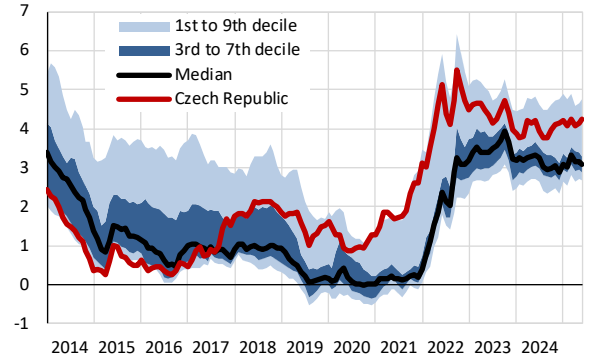
in percentage points



Source: Eurostat (2025b). CZ data: CZSO (2025a, 2025b). and MF CR.

Graph 3.7: Bond Yields in the CZ and EU Countries

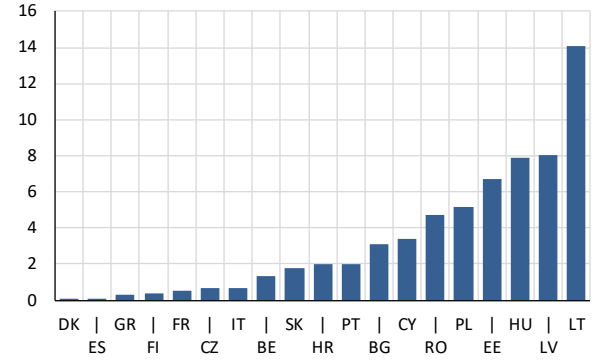
% p.a., government bond yields for convergence purposes



Source: ECB (2025).

Graph 3.8: Preliminary allocation of SAFE funds

% of GDP in 2024, allocation status as of October 2025



Source: Eurostat (2025a); EK (2025h).

4 Long-term Sustainability of the Pension System

Long-term sustainability remains one of the consistently discussed and closely monitored issues of Czech public finances. Demographic trends determine the greatest risk. Population ageing is already evident and, over the coming decades, will significantly increase the ratio of persons of retirement age to the economically active population. In recent years, several pension system reforms have been adopted, which have substantially reduced the expenditure pressures associated with ageing, particularly after 2040.

4.1 Development of Parametric Changes in the Pension System

The statutory retirement age is the key parameter of the old-age pension system. With effect from 1 January 2025 (Act No. 417/2024 Coll.), the most recent amendment increases the retirement age. For persons born in 1973, the retirement age will be unified at 65 years and 8 months. Thereafter, the retirement age will continue to rise until it gradually reaches 67 years for persons born in 1989 and later. Nevertheless, under Act No. 582/1991 Coll., the Ministry of Labour and Social Affairs remains obliged to review the retirement age at regular five-year intervals and, if necessary, propose adjustments so that insured persons spend on average one quarter of their lives drawing an old-age pension. If an insured person has insufficient insurance periods (but at least 15 years without non-contributory periods or 20 years in total), their retirement age is increased by two years (Act No. 417/2024 Coll.).

The development of the statutory retirement age also affects the conditions for permanent **widow's and widower's pensions**, for which the age limit is linked to old-age pensions. For **early retirement pensions**, the limit has been shortened to three years before the statutory retirement age. At the same time, the penalty for early retirement in the first two years has been tightened (increased to 1.5% of the assessment base for each quarter), and the required insurance period for entitlement has been extended to 40 years (Act No. 270/2023 Coll.). If at least 45 years of insurance are completed, Act No. 417/2024 Coll. provides for a halved reduction in early retirement pensions (i.e. 0.75% of the assessment base for each quarter).

Pension indexation is determined by the sum of the growth in the pensioner cost-of-living index and one-third of the growth in real wages (Act No. 270/2023 Coll.). It is carried out once a year on 1 January, except when inflation reaches at least 5% from the end of the previous reference period for indexation. In such exceptional cases, the earnings-related component is increased and a temporary contribution of a uniform amount is introduced, both corresponding to 30% of the price increase. The remaining increase in line with inflation is then implemented in January of the following year. Since 2017, pension indexation has included a discretionary adjustment mechanism (Act No. 212/2016 Coll.). If the increase in the average pension according to statutory indexation does not reach 2.7%, the government is authorised to adjust pensions by decree up to this level. In other cases, the statutory indexation formula applies. Pension indexation is restricted in the case of early retirement pensions (Act No. 270/2023 Coll.). From the time of granting early retirement until the statutory retirement age is reached, the earnings-related component of these pensions is not indexed.

The pension reform (Act No. 417/2024 Coll.) introduced a number of further changes, among which adjustments to the calculation of newly granted pensions – in addition to raising the statutory retirement age – contribute to strengthening the long-term sustainability of the pension system. The first change is a reduction of the crediting rate applied to earnings within the first reduction threshold of the assessment base, from 100% to 90%. The second change is a reduction of the percentage accrual rate per year of insurance from 1.5% to 1.45%. Both changes will be phased in gradually, with the target level to be reached in 2035.

4.2 Pension Projections

Eurostat's current population projection (2023) predicts a 3.1% decline in the population of the Czech Republic over the long term to 2070 compared with the latest data for 2024. The old-age dependency ratio, defined as the share of persons aged 65 and over relative to the working-age population, is expected to reach approximately 47% by 2070. This development reflects not only the decline in the number of people of working age, but also rising average life expectancy. The ratio of persons aged 85 and over to those aged 65 and over is expected to more than double over the projection horizon (Graph 4.1).

The trend in long-term pension projections is primarily determined by demographic developments and the statutory retirement age. This implies that, after an initial decline, pension expenditure as a share of GDP should remain stable at around 8% until the mid-2030s. Thereafter, the large cohorts born in the 1970s will begin to retire, leading to an increase in expenditure to more than 9.2% of GDP just before 2060. This will be

followed by a slight decline to 8.7% of GDP at the end of the projection horizon in 2070 (Table 4.1), which will, however, be constrained by the halt in the increase in the statutory retirement age (under current legislation) from 2056. The decline in expenditure reflects demographic factors, as the smaller cohorts born in the 1990s and early 2000s retire, succeeding the larger cohorts in retirement.

The long-term projections of the MF CR assume constant **pension system revenues**, in line with a stable share of employee compensation in GDP and a constant contribution rate. In recent years, developments have been characterised by significant pension system deficits, which deepened to 1% of GDP in 2023. The situation is expected to stabilise from 2024, when the balance amounted to −0.6% of GDP as a result of lower indexation and solid growth in social security contributions, and the deficit should gradually be eliminated. A balanced position is projected until the mid-2030s, after which the balance is expected to deteriorate due to demographic developments, reaching −1.2% of GDP around 2060 (Graph 4.2). In the final decade of the projection horizon, the deficit is projected to decline by approximately 0.5 pp.

Compared with the previous EC projections (2024c), current expectations point to a significantly lower ratio of pension expenditure to GDP (Graph 4.3), by around 1.8% of GDP at its peak (EC 2025). The dominant factor is the approval of the second part of the pension reform (Act No. 417/2024 Coll.), which reduces expenditure by up to 1.7% of GDP. The largest savings stem from the adjustment of the mechanism for raising the statutory retirement age to 67 by the mid-2050s (0.8% of GDP) and from changes in the calculation of newly granted pensions (0.8% of GDP). Relatively smaller savings (0.2% of GDP) result from the abolition of the bonus in the form of a percentage increase in the pension paid for work during retirement age if the person concerned is simultaneously receiving a full old-age pension. However, this measure is accompanied by the abolition of the obligation to pay employee‘s social security contributions to pension system, with a slight negative impact on revenues (0.1% of GDP). At the same time, certain measures of the pension reform have a mild upward effect on pension expenditure. The reduction in penalties for early retirement for persons with a long insurance period (at least 45 years) leads to an increase in expenditure of 0.1% of GDP, as does the increase in the minimum earnings-related component by linking it to 10% of the average wage.

The assumptions underlying the baseline scenario over such a long horizon are naturally subject to considerable uncertainty. Changes in these assumptions can then have a significant impact on the assessment of the system's sustainability. For this reason, several alternative scenarios have been prepared.

Investments that increase **the growth rate of total factor productivity** by 0.2 pp would reduce the ratio of pension expenditure to GDP by 0.2 pp. Conversely, a scenario of a decline in total productivity growth would raise expenditure by 0.3 pp on a comparable scale (Graph 4.4).

A two-year increase in **life expectancy** would raise pension expenditure by 0.6 pp, reflecting the longer average period of old-age pension receipt (Graph 4.5).

A 20% lower **fertility rate** would increase pension expenditure by 0.7 pp (Graph 4.6). It should be noted that since the demographic projection was prepared, the fertility rate has declined as sharply as assumed in this sensitivity scenario. At the same time, under the current parameters of the pension system, expenditure within the projection horizon declines relatively with higher fertility. However, this implies greater pressure on the pension system beyond the projection horizon, i.e. after 2070, particularly when the recent wave of larger cohorts born after 2005 reach retirement age.

The statutory retirement age plays a significant role in the development of expenditure. Continuing to raise it beyond the current statutory limit of 67 years, in line with increases in life expectancy, would reduce expenditure pressures in the long term by up to 0.6% of GDP (Graph 4.7). Conversely, an almost immediate halt to further increases and fixing the retirement age at 63 for men and 62 for women would generate additional expenditure pressures, deepening the system’s deficit by up to 1.5% of GDP in 2070.

The last scenario is based on a different assumption regarding the development **of net migration**, which in the long term of the baseline scenario averages around 25,000 people. A one-third higher annual inflow of residents from abroad would reduce expenditure at the end of the projection horizon by 0.3% of GDP (Graph 4.8). Conversely, if net migration were one-third lower, expenditure would increase by 0.3% of GDP.

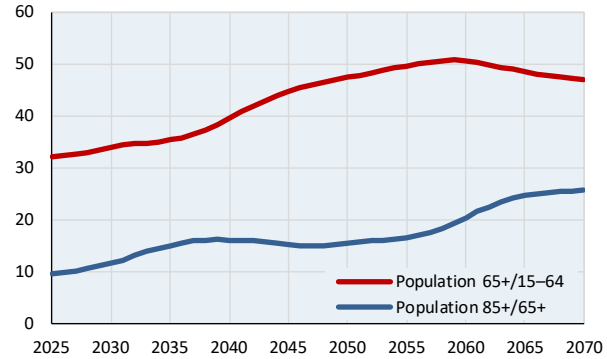
Table 4.1: Basic Demographic and Macroeconomic Assumptions and Pension Expenditure Projections

		2023	2030	2040	2050	2060	2070
			Projection	*Projection*	*Projection*	*Projection*	*Projection*
Hourly labour productivity	*change in %*	0.7	1.6	2.3	2.0	1.6	1.2
Real GDP	*change in %*	0.2	1.3	1.8	1.8	1.6	1.3
Participation rate (aged 20–64)	*%*	82.6	81.9	81.6	82.8	83.6	83.2
Unemployment rate (aged 20–64)	*%*	2.6	2.6	2.7	2.7	2.6	2.7
Population aged 65+	*% of total population*	20.2	21.5	24.3	27.3	28.6	27.4
Total pensions	*% of GDP*	**8.7**	**8.0**	**8.4**	**9.1**	**9.2**	**8.7**
Old-age pensions	*% of GDP*	7.4	6.8	7.2	8.0	8.1	7.5
Disability pensions	*% of GDP*	0.8	0.7	0.6	0.6	0.6	0.6
Survivors' pensions	*% of GDP*	0.5	0.5	0.5	0.5	0.6	0.5

Note: The values in the table correspond to the assumptions of the long-term projections at the time of their preparation, i.e. at the beginning of 2025.
Source: EC (2025b), Eurostat (2023), MF CR calculations.

Graph 4.1: Dependency Ratio and 85+/65+ Ratio

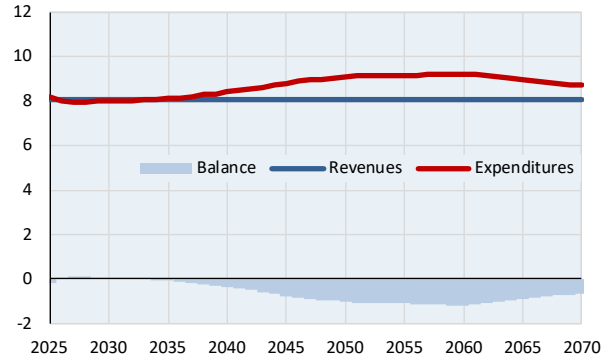
in %



Source: Eurostat (2023). MF CR adjustment.

Graph 4.2: Pension Revenue, Expenditure and Balance

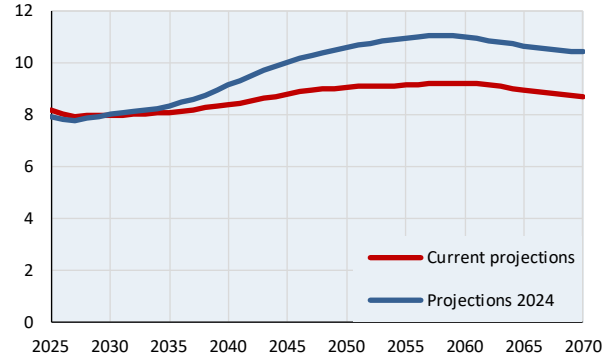
% of GDP



Source: MF CR calculations.

Graph 4.3: Previous and Current Expenditure Projections

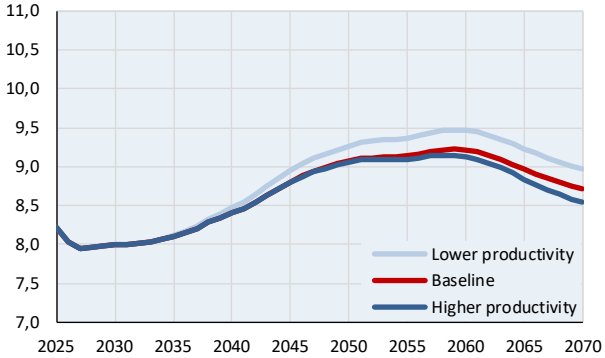
% of GDP



Source: MF CR calculations.

Graph 4.4: Alternative Productivity Scenarios

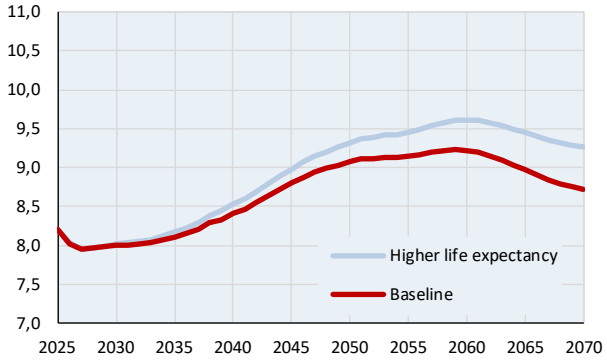
% of GDP



Source: MF CR calculations.

Graph 4.5: Alternative Life Expectancy Scenario

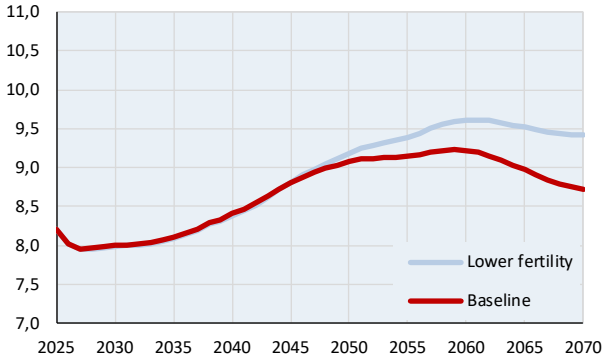
% of GDP



Source: MF CR calculations.

Graph 4.6: Alternative Fertility Rates Scenario

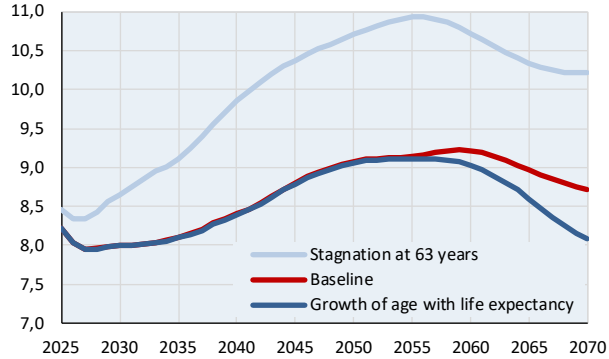
% of GDP



Source: MF CR calculations.

Graph 4.7: Alternative Retirement Age Scenarios

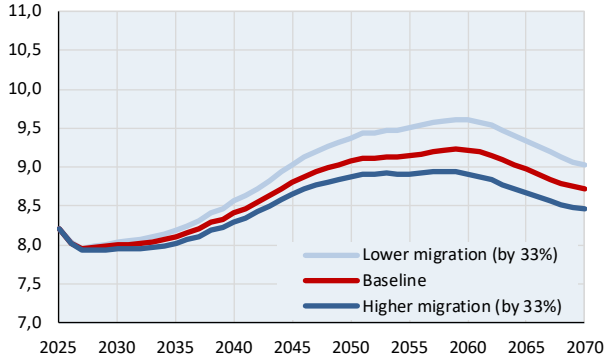
% of GDP



Source: MF CR calculations.

Graph 4.8: Alternative Migration Scenarios

% of GDP



Source: MF CR calculations.

5 New EU fiscal rule in light of current threats

The new fiscal rule, which is part of a broader reform of EU economic governance, entered into force at the end of April 2024. The reform emphasises the sustainability of public finances, while providing Member States with greater flexibility in planning investments and structural reforms, including a focus on the medium term. In this context, the reformed EU economic governance framework can be seen not only as an innovative budgetary surveillance tool, but also as a key element of economic policy coordination, strategic resilience and EU competitiveness.

The chapter focuses on the main elements of the fiscal framework. It examines the operational component of the fiscal rules in more detail and analyses its weaknesses. The chapter also demonstrates how the new fiscal framework can deal with geopolitical changes and challenges, for example in the form of much greater attention being paid to strengthening and improving the defence capabilities of individual EU Member States.

The first fiscal rules emerged in national legal systems as early as the mid-19th century[15], but the path to their widespread adoption was relatively long. Even in the early 1990s, only 7 countries had formally enshrined fiscal rules (Pirdal, 2017; Günaydın, Eser, 2009). Today, however, the situation is quite different, with a significant number of countries and supranational organisations having introduced their own fiscal rules. There are currently around 120 fiscal rules of various types in force in the EU Member States (EC, 2024a). The EU as a whole also has its own fiscal rules in place. The EU fiscal framework is based on the rules of the Stability and Growth Pact, which aims to ensure fiscal discipline among Member States. It includes a preventive and a corrective arm, the latter of which allows for the initiation of an excessive deficit procedure.

Before the reform of the fiscal framework in 2024, the medium-term budgetary objective (MTO) was a key element of the preventive arm for almost 20 years. This was the target level of the structural balance of each Member State, updated every three years. However, the system was criticised for its overall complexity, including a significant number of non-transparent decision-making procedures and complex rules. After the great economic recession and during the debt crisis in the euro area, the rules were further complicated when, from 2011, the framework included a so-called expenditure benchmark, the purpose of which was to achieve the MTO or maintain its value. However, the expenditure benchmark then served as a prototype for the net expenditure path used today.

In the EU context, we should not forget the reference values from the Treaty on the Functioning of the EU, i.e. the numerical values for the deficit (maximum 3% of GDP) and public debt (up to 60% of GDP). Although they were not themselves subject to last year's reform, the way in which they are achieved or corrected has changed. The old rules suffered from weak enforceability, procyclicality and insufficient protection against reductions in public investment within austerity policies. These problems prompted the adoption of a new fiscal framework that emphasises debt sustainability, medium-term fiscal plans and greater fiscal policy flexibility (MF CR, 2024a).

On the eve of the outbreak of the COVID-19 pandemic, the EC launched a review of economic affairs under new leadership. In March 2020, the general escape clause from European fiscal rules was activated as a result of the pandemic, and work on the review was suspended until October 2021. In February 2022, Russia invaded Ukraine and Europe was gripped by an energy crisis. The validity of the escape clause was thus extended and ultimately remained active throughout 2023. Despite the unfavourable geopolitical climate, work on the review of economic matters intensified (Papunen, 2024) and was effectively completed in December 2023. In April 2024, three legislative acts were approved and promulgated, forming the basis of the new EU fiscal framework.

Regulation (EU) 2024/1263 of the European Parliament and of the Council forms the basis of the new system of multilateral budgetary surveillance and coordination of economic policies in the EU. It replaces the original Council Regulation (EC) No 1466/97 and introduces a modernised framework that better reflects the different fiscal positions of individual Member States. The operational fiscal rule becomes the net expenditure path for a period of four to seven years and the MTO is abandoned. The net expenditure path is included in national fiscal-structural plans. Plans are to be tailored to the specific conditions of each country and ensure the sustainability of public finances based on the reference values of the Treaty on the Functioning of the EU. The rule also works better with the system of escape clauses.

Council Regulation (EU) 2024/1264 amends Regulation (EC) No 1467/97 and modifies the excessive deficit procedure, which is the corrective part of the Pact. The process is adapted to the new fiscal framework and is therefore based on deviations from the net expenditure path recorded in the control account. If the excessive deficit procedure is initiated on the basis of the deficit, the corrective path for net expenditure in years when

[15] This primarily concerned certain US states and, from the 1920s onwards, certain cantons in Switzerland. The so-called golden rule allows the government to borrow only for the purpose of financing investments and is in fact only an "improved" version of the principle of balanced budgeting The logic of this rule is that public investment yields returns in the long term and should not be limited by annual revenues (Ljungman, 2008; Kopits, 2001).

the deficit is expected to exceed 3% of GDP must be consistent with a minimum annual correction of the structural deficit of 0.5% of GDP. If the excessive deficit procedure is initiated on the basis of debt, the corrective path for net expenditure should be at least as stringent as in the preventive arm of the Pact and should correct the cumulative deviations in the control account within the deadline set by the Council of the EU. For euro area countries, the regulation also includes penalties for non-compliance.

Council Directive 2011/85/EU, as **amended by Council Directive (EU) 2024/1265**, strengthens the requirements for the quality and transparency of national budgetary frameworks and fiscal risks, and pays close attention to independent fiscal institutions.

5.1 Nature of the new fiscal framework and rules

5.1.1 Net expenditure path and the role of the primary structural balance

The new fiscal policy framework relies on a single operational indicator – the net expenditure path – to which Member States commit in their national medium-term fiscal-structural plans and which is subsequently confirmed by the Council of the EU. Net expenditure is defined as public expenditure net of interest expenditure, discretionary revenue measures, expenditure on EU programmes including national financing, cyclical component of unemployment benefit expenditure, and one-off and other temporary measures. Net expenditure growth is then calculated as the ratio of the absolute year-on-year change in net expenditure, adjusted for discretionary revenue measures, to net expenditure for the previous year before adjustment for discretionary revenue measures (Table 5.1).

Deviations from the net expenditure path are recorded in the control account in the form of a balance. A debit in the control account occurs if the resulting net expenditure of the Member State concerned in a given year is above the net expenditure path set by the Council of the EU, while a credit is recorded if the observed net expenditure of the Member State concerned in a given year is below the net expenditure path set by the Council of the EU. The cumulative balance of the control account is then the sum of the annual debits and credits and is expressed as a percentage of nominal GDP for the year in question. When a new national fiscal-structural plan is approved by the Council of the EU, the account is reset to zero.

For the purposes of compiling the net expenditure path, the EC issues a reference trajectory for countries with debt above 60% of GDP or a deficit above 3% of GDP. The reference trajectory is constructed on the one hand according to the criteria of protective measures for debt sustainability and deficit resilience and, on the other hand, must also meet criteria based on debt sustainability analysis (DSA). The debt sustainability safeguard requires the debt-to-GDP ratio to be reduced by an average of at least 0.5 pp per year in countries where it is above 60% but below 90%, or by at least 1 pp in countries where it exceeds 90%. The average decline is calculated from the year before the start of the adjustment period or the year in which the excessive deficit procedure is expected to be abrogated (whichever is later) until the end of the adjustment period. The year of abrogation of the excessive deficit procedure is interpreted as the year after the deficit comes below 3% (Wieland, 2024; EC 2024b). In the case of a deficit resilience safeguard (as a percentage of GDP), an adjustment of 0.4 pp (0.25 pp in the case of an extension) is applied to the primary structural balances. A structural balance of at least −1.5% of GDP is to be achieved[16].

According to the reference trajectory criterion based on DSA (or risk-based requirements according to the terminology of Article 6 of Regulation 2024/1263), debt should be placed on a plausibly downward trajectory or stay on that trajectory, or remain at a prudent level below 60% of GDP in the medium term, assuming a scenario without further budgetary measures. The adjustment scenario is used to construct the DSA-based trajectory[17], assuming stress tests and based on stochastic projections[18], where in the five years

[16] The so-called common resilience margin.

[17] The adjustment scenario begins with an adjustment period, followed by a 10-year period with no change in fiscal policy.

Fiscal policy assumptions: In the first plans, the adjustment begins in 2025, with the fiscal position in 2024 taken as the starting point. During the adjustment period, a linear fiscal adjustment is assumed for the calculation of DSA-based requirements (can be adjusted for recommended values or safeguards). After the adjustment period, an unchanged fiscal policy assumption is applied, with primary expenditure changing only by the changes in ageing costs as projected in the Ageing Report (2024) jointly prepared by the EPC AWG and the EC, and revenues remaining broadly stable as a share of GDP.

GDP growth: GDP growth is based on 'T+10' projections based on the jointly agreed EU methodology within the OGWG (since 2024, the POWG), reduced by the backward-looking impact of the fiscal adjustment on GDP growth through a fiscal multiplier of 0.75, with the output gap closing within three years after the end of the adjustment period. After the first ten years, the macroeconomic projections from the 2024 Ageing Report are used. It is also assumed that market interest rates and inflation will converge towards country-specific values reflecting financial market expectations over a 10-year horizon. Beyond this horizon, they will continue to converge towards normal values in line with the latest Ageing Report for interest rates and monetary policy inflation targets. For more details, see EC (2024b). The stock-flow adjustment is assumed to be consistent with the EC forecast up to period T+2 and then set to zero, except in certain specific cases (EC, 2024b).

[18] Stochastic projections are necessary to understand the various ways in which shocks to government budget positions, economic growth, interest rates and exchange rates can affect debt dynamics. Shocks are

following the adjustment period the debt declines with a probability of at least 70%. Three types of stress tests are used in this context. In the first, the primary structural deficit is reduced by 0.5 pp or 0.25 pp over a period of two years, after which the primary structural deficit changes only as a result of ageing costs. The second stress test involves a scenario in which the difference between interest rates and economic growth is permanently increased by 1 pp. The third scenario simulates a temporary financial burden due to a one-year increase in market interest rates of 1 pp. For countries with high debt, the risk premium is also increased to reflect the loss of investor confidence. The scenario thus primarily tests short-term resilience to market shocks in debt financing (Wieland, 2024). According to criteria based on risk assessment, the deficit should be reduced to 3% in the medium term and remain below this level. It should also be ensured that the fiscal adjustment effort over the period of the national medium-term fiscal-structural plan is generally linear and at least proportional to the overall effort over the entire adjustment period. Compliance with the minimum correction requirement, which in the case of the excessive deficit procedure is 0.5% of GDP per year according to Regulation 2024/1264, should also be ensured.

The reference trajectories then determine the growth of net expenditure in the manner expressed by the EC (2024b) using the following formula: annual growth in potential output is converted to current prices using the GDP deflator and subtracted from the share of the required change in the primary structural balance and primary expenditure in relation to GDP.

Countries with debt below 60% of GDP and a deficit below 3% of GDP may request technical information that does not directly provide information on the annual net expenditure path, but relates to the primary structural balance at the end of the fiscal-structural plan horizon. The primary structural balance value provided then takes into account the costs of population ageing, maintaining the deficit below 3% of GDP and keeping debt below 60% of GDP over the next 14 years[19]. The nature of the primary structural balance in the technical information is reminiscent on the MTO. It is a similar principle to the relationship that existed between the expenditure benchmark and the MTO in the previous rules.

5.1.2 Control account

Movements in **the control account are also one of the important parameters monitored under the excessive deficit procedure based on the debt criterion**. This procedure is triggered when debt exceeds 60% of GDP and the debt ratio is not declining at a sufficient pace. A sufficient decline is understood to be one that is in line with the net expenditure path. The EC then monitors the situation and prepares a report if the debit deviations recorded in a Member State's control account exceed either 0.3% of GDP per year or 0.6% of GDP cumulatively and the budget is not close to balance or in surplus (see Graph 5.1). The method of calculating net expenditure and the subsequent derivation of the control account is shown in Box 1.

The new fiscal framework also includes escape clauses at both EU and national level. **The general escape clause** is triggered on the basis of a recommendation by the EC and the Council of the EU at EU level in the event of a severe economic downturn in the euro area or the EU as a whole. Its duration is limited to one year, with the possibility of a further one-year extension. Its purpose is to enable coordinated fiscal policy in a deep crisis. The activation **of the national escape clause**, on the other hand, should be initiated by individual Member States in exceptional circumstances beyond their control that have a significant impact on their public finances. The aim is to allow flexibility to address shocks at national level (see the example of defence needs below). Similar conditions apply to the duration and restrictions as for the general escape clause. The activation of the escape clause must not jeopardise the sustainability of public finances in the medium term. Section 5.3.2 provides an illustrative example of the activation of the national escape clause.

5.1.3 Requirements for data used to calculate the net expenditure path

To clarify practical issues, the EC and EU Member States are preparing a new Code of Conduct (CoC). The components of the net expenditure aggregate used ex post to assess compliance in the implementation of the new fiscal framework come from several sources. Eurostat-verified data are used for total expenditure, interest expenditure and expenditure fully covered by EU funds. The cyclical components of unemployment support expenditure are calculated by the EC on the basis of Eurostat data using a pre-agreed methodology. The cyclical unemployment rate is calculated as the difference between the total and structural unemployment rates. The cyclical component of unemployment benefit expenditure is then calculated as the ratio of unemployment benefit expenditure to total expenditure. The EC maintains the existing framework for identifying and recording the impact of fiscal policy measures, i.e. discretionary revenue measures and one-off revenues and expenditures. National financing of programmes co-funded by the EU concerns those EU funds for which the relevant EU regulation requires such a requirement. National financing provided by the private sector is not relevant. The figure for national financing relevant for deducting amounts from total net expenditure is based on data verified by Eurostat.

calibrated with regard to the specific conditions of the country concerned. This type of projection provides a whole spectrum of possible debt trajectories (EC, 2024b).

[19] Or 17 years if the adjustment period is extended by 3 years.

Box 1: Net expenditure path calculation and control account derivation

Below is a practical step-by-step procedure for deriving the development of net expenditure. They are also clearly shown in Table 5.1. Unless explicitly stated otherwise, the calculations refer to the given year.

1. **Net expenditure excluding discretionary revenue measures**

   NEnonDRM=TE – IE – EUE – UE – OO

   Where:

   NEnonDRM = Net expenditure excluding discretionary revenue measures

   TE = Total expenditure

   IE = Interest expenditure

   EUE = EU programmes expenditure including national funding

   UE = cyclical component of unemployment benefit expenditure

   OO = one-off and temporary expenditure

2. **Change in net expenditure**

   ΔNE = (NEnonDRM(t) – ΔDRM + ΔTeR – NEnonDRM(t–1))／(NEnonDRM(t–1)) *100

   Where:

   ΔNE = Change in net expenditure (%)

   NEnonDRM = Net expenditure excluding discretionary revenue measures

   ΔDRM = Annual change in discretionary revenue measures

   ΔTeR = Annual change in one-off revenues

The net expenditure calculated in this way are then entered into the calculations of the **control account** deviations:

3. **Absolute deviation for a given year =**

   (ΔNE – ΔNEREU) * (NEnonDRM(t–1))

   Where:

   ΔNEREU = Recommended net expenditure growth by the Council of the EU

4. **Annual balance of the control account =**

   AD(t)/HDP(t) * 100

   Where:

   AD = Absolute deviation

   HDP = Nominal gross domestic product

5. **Cumulated deviation for a given year**

   CD(t) = AD(t) + AD(t–1) + AD(t–2) + …

   Where:

   CD = Cumulated absolute deviation

6. **Cumulated balance of control account**

   CB(t) = CD(t) / HDP(t) *100

5.2 Problems of the new EU fiscal framework

The new framework for fiscal and budgetary policies in the EU promised to improve a number of issues. However, it appears that some difficulties still persist. In addition, other shortcomings are beginning to emerge during the short period of operation of the rules.

The previous system was criticised **for its use of unobservable variables** such as potential output or structural balance. The original intention of the reform was to avoid such variables, but the outcome has been different. For example, information on the primary structural balance in technical information or reference trajectories and requirements for improving the primary structural balance based on a deficit resilience safeguardare part of Regulation 2024/1263. In addition to data on the primary structural balance, the fiscal framework is also based on a forecast of potential output, which also determines the possible development of net expenditure. The calculation of the cyclical component of unemployment benefit expenditure is based on the structural unemployment rate, which is also an unobservable variable (Da Costa Cabral, 2023).

Another problem with the new fiscal framework is that not all data were **available** in all EU countries **in sufficient quality** when the rules were launched (e.g. the share of national funding in EU projects), and also the fact that there are **different methodologies** among Member States, for example with regard to one-off and temporary measures, which also differ from the EC methodology. The EC proposes to resolve the inconsistency by considering its methodology to be relevant. However, this is not always well established and transparently reported. Compared to the Czech methodology, which is developed by the MF CR together with the Czech Fiscal Council pursuant to Section 10 of the Act on Fiscal Responsibility Rules (MF CR a NRR, 2024), the EC's approach to those one-off measures that improve the adjusted balance is particularly significant. The EC does not take into account as one-off or temporary measures almost all those ones that raise overall expenditure. While such an approach is acceptable from a prudential supervision perspective, it is completely inappropriate for the implementation and evaluation of fiscal policy. Therefore, the Czech methodology treats these measures symmetrically (Lang, Marval, Nepožitková, 2018), i.e. it assesses the nature of the measures themselves, rather than whether they are, simply put, “on the revenue or expenditure side”.

However, the methods of estimating potential output also differ, although both are quite similar in structure. The EC uses a single production function parameter for all countries, while the MF CR derives it from national data. The definition of the output gap also differs – the EC relates it to GDP, while the MF CR to gross value added (MF CR, 2014). The EC assumes that the gap will gradually close over time, while the MF CR uses a standard prediction. The methods used to apply statistical filters, data sources and the definition of certain labour market indicators also differ. These differences then lead to different results and interpretations of economic potential (MF CR, 2024b).

Methodologically, **the statistical treatment of certain expenditures** is also problematic for the management, monitoring and evaluation of fiscal policy. EU fiscal rules are based on government finance statistics from the European System of National and Regional Accounts. These are produced by the statistical institutions of individual Member States according to a common methodology and under the supervision, guidance and verification of Eurostat. However, the methodology is not designed for the implementation of fiscal policy, but for statistical purposes. Moreover, its primary objective is to provide an unbiased picture of a country's public finances; the structure and internal operations between revenue and expenditure are secondary, serving mainly to achieve an accurate result in the form of a balance. And this is precisely where the problematic aspect of the new operational fiscal rule, which is based on expenditure, lies.

Specifically, this concerns situations where certain items are included in both revenue and expenditure in the national accounts system. In other words, they affect revenue and expenditure equally, but do not change the balance at all. A typical example in the Czech Republic is the personal income tax allowance for children. On the revenue side, this tax credit is added to tax collection because it is simultaneously reported in the same amount under cash social benefits.

There are also situations where the impact on the balance and expenditure differs due to the statistical recording of transactions. In the Czech Republic, this problem can be well illustrated by the relationship between the state budget and health insurance companies. First, a payment, i.e. expenditure, is made from the state budget to health insurance companies, for which it is revenue. Health insurance companies then finance healthcare – they incur expenditure. In terms of the impact on the balance, this is one item of expenditure, but in the structure of revenue and expenditure it is one item of revenue and two items of expenditure. To a certain extent, the same situation arises with salaries in the government sector, where part of the expenditure oncompensation of employees automatically constitutes revenue from social security contributions and taxes. In such a case, net expenditure should only be affected by that part of compensation of employees that worsens the public finance balance.

The MF CR tries to avoid this problem by deducting so-called "imputations" from total expenditure before calculating net expenditure. Imputation is a statistical method in the system of national accounts whereby the values of economic transactions or flows that are not directly observed or for which data are lacking are estimated in order to achieve complete and comprehensive coverage of economic activity. For example, in 2025, we estimate their amount to be around CZK 280 billion. Imputations relate to the following 8 areas[20]:

- capitalisation of research and development,
- renewable energy sources (revenue from contributions collected in consumer invoices is used to cover the costs of supporting renewable energy sources),
- personal income tax expenditure (relates to tax credits for children),
- payments for state-insured persons to the healthcare system,
- imputed social contributions (imputation of employer contributions and cash social benefits paid to employees is recorded in government accounts, particularly in the case of wage compensation during the first 14 days of illness),
- accident insurance (contributions received to cover insurance costs),
- indirectly measured financial intermediation services (both interest revenue from deposits and interest expenditure from loans)[21] ,
- damage prevention fund (redistribution of part of the compulsory insurance collection to components of the integrated rescue system, etc.)[22].

There is also uncertainty regarding the reporting and support of **reforms and investments**, which the framework was supposed to emphasise significantly. According to Boivin and Darvas (2025), the fiscal-structural plans submitted by Member States indicate that larger planned fiscal adjustments are associated with larger cuts in public investment. More than a third of EU countries plan to reduce public investment financed from national sources over the next four years. According to the plans and forecasts of the EC and the OECD, the overall increase in the ratio of public investment remains below 0.2% of GDP. It therefore does not appear that public investment will play a significant role in closing the substantial investment gaps in the EU.

Finally, **the legal provisions** of the new fiscal framework themselves **are somewhat contradictory**. Specifically, this concerns Regulation (EU) 2024/1263 of the European Parliament and of the Council and the amended Council Directive 2011/85/EU, where the regulation requires the preparation of national fiscal-structural plans for four years (depending on the length of the electoral term in the Member State concerned, their duration may be up to five years), i.e. with a fixed end date, but Article 9 of the Directive requires Member States to establish a medium-term budgetary framework setting out a minimum three-year fiscal planning horizon. However, unlike the fiscal-structural plan, this framework is regularly updated and extended by one year to always cover a fixed time horizon. The fixed basis of national fiscal-structural plans is also related to the fact that there is no net expenditure path beyond the horizon of the current plans in the last years of their validity.

[20] Payment for a state-insured person is not a classic imputation. This is a consequence of the fact that certain items in the national accounts are not consolidated within the government sector, which means that they do not affect the balance in full, but they do affect transactions. If consolidation were to take place, the payment for state insurance would not be included in the list of "imputations" because it would not pose a methodological problem for the calculation of net expenditure.

[21] However, interest expenditure is a transfer within expenditure items and therefore has no impact on total revenue and expenditure. Indirectly measured financial intermediation services do not increase actual interest, which is reflected in the statements. They represent imputed hypothetical interest income (or yield) that should be credited to depositors at a reference rate, which is primarily based on the interest rate for interbank deposits/loans at which banks value their deposits, but which banks retain. It is calculated only from deposits with commercial banks and credit unions; deposits with monetary financial institutions are excluded. It is imputed without affecting the balance as interest income and intermediate consumption.

[22] The Damage Prevention Fund operates under the supervision of the Czech Insurers' Bureau. Member insurance companies are required under Section 73 of Act No. 30/2024 Coll., on motor vehicle liability insurance, to contribute 3% of the annual compulsory insurance contributions collected for the calendar year to the fund. At least 60% of the Damage Prevention Fund is allocated to the fire brigade for specific purposes, with at least 20% going to municipal volunteer fire brigades, at least 15% to other components of the integrated rescue system, and at least 15% to projects and programmes focused on road safety, in accordance with the programme priorities approved by the government. In a given calendar year, a maximum of 2% of the Damage Prevention Fund may be used to cover the administrative costs of the Damage Prevention Fund Commission.

5.3 Defence financing and the fiscal rule

5.3.1 Measures to strengthen defence in the EU

In the context of growing security threats and the need to strengthen defence capabilities, 16 Member States have already taken advantage of the flexibility of the new EU fiscal framework in the form of a national escape clause (European Council, Council of the EU (2025b). In spring 2025, the EC presented a white paper on European defence and the **ReArm Europe / Readiness 2030** plan**.** ReArm Europe allows for additional defence spending of EUR 800 billion (EC, 2025c). As part of this, **the SAFE** (Security Action for Europe) financial instrument was also created, which provides Member States with loans of up to EUR 150 billion from the EC. Currently, 19 Member States, including the Czech Republic, have expressed interest in financing through the SAFE instrument (European Parliament, 2025b). The final deadline for submitting loan applications to the EC was set by Council Regulation (EU) 2025/1106 as 30 November 2025, along with other conditions and arrangements.

The EU budget will also be used to boost defence investment in Europe, including by reallocating existing cohesion policy funds under the 2021–2027 Multiannual Financial Framework and extending the scope of the Strategic Technologies Platform for Europe (STEP) to include defence. The platform's objectives include strengthening the EU's competitiveness in key technologies, reducing the EU's dependence on external suppliers of technologies and raw materials, and, last but not least, mobilising investment in strategic areas through existing EU programmes.

Defence funding is also one of the most important priorities for the future Multiannual Financial Framework 2028–2034. The EC proposes to increase the allocation for the strategic area of defence and space of the European Competitiveness Fund fivefold to EUR 131 billion, and to allocate EUR 81.4 billion under the Connecting Europe Facility, of which EUR 51.5 billion is earmarked for transport (including military mobility) and just under EUR 30 billion for energy (more than double the current budget). Similarly, EUR 10.7 billion is to be allocated to the EU Civil Protection Mechanism+, five times the current budget, and finally, EUR 30.5 billion should be made available under the European Peace Facility, which is outside the EU budget.

The aforementioned European Competitiveness Fund is intended to significantly support investment in defence, security and space. However, increased support does not only concern financing, but also the overall approach, as a single instrument is to provide support throughout the entire investment cycle, from research to development, production and market launch, thereby contributing to reducing the risks of joint defence projects (EC, 2025e).

The European Investment Bank should also take a more active role and release funds for defence purposes. Private capital mobilised through the completion of the capital markets union should also contribute to ensuring sufficient resources (European Parliament, 2025b).

5.3.2 Escape clause

A key instrument for the public finances of Member States is **the** aforementioned **national escape clause**. This allows net expenditure to be exceeded by up to 1.5% of GDP in 2025–2028 through additional defence spending. Higher values would then be subject to the normal assessment of compliance with the rule. The escape clause is conditional on the expenditure being directly related to strengthening defence capabilities and not jeopardising medium-term fiscal sustainability. The new framework thus allows Member States to fulfil their security commitments without risking breaching the Stability and Growth Pact rules, while supporting coordinated European efforts under other initiatives. This approach reflects the shift in EU fiscal policy towards greater strategic resilience and the ability to respond to current geopolitical challenges (European Council, Council of the EU, 2025a). The EC estimates that a total of EUR 650 billion should be allocated to defence financing in this way[23] (EC, 2025f).

On the other hand, it should be added that activating the escape clause so soon after the introduction of new fiscal rules may raise concerns that the rules will not be enforced. This applies in particular to expectations that no new excessive deficit procedures will be initiated or that existing ones will not be escalated (Pench, 2025).

The national escape clause mechanism works as follows: a Member State requests its activation and the EC then assesses whether all three necessary conditions set out in Regulation (EU) 2024/1263 of the European Parliament and of the Council have been met. First, there must be exceptional circumstances beyond the control of the Member State. Secondly, these exceptional circumstances beyond the control of the Member State must have a significant impact on the public finances of the Member State concerned. Thirdly, the deviation from the expenditure path set by the Council of the EU or from the corrective path under the excessive deficit procedure must not jeopardise medium-term fiscal sustainability.

Based on this assessment, the EC submits a recommendation to the Council of the EU, which votes

[23] An analysis by the European Parliament (2025b) criticises the estimated amount as significantly overestimated. According to the analysis, the realistic figure is likely to be barely half that amount, due to the absence of large economies such as France, Italy and Spain. The reason may be the perceived risk of falling into a "debt trap" triggered by market reactions, regardless of whether the rules allow for temporary additional debt financing of defence or not (Pench, 2025).

by qualified majority[24]. The Council of the EU must determine how long the clause can remain activated. The escape clause can be extended if the exceptional circumstances persist, but only for one year at a time.

As of 10 October 2025, the Council of the EU has authorised the activation of the national escape clause for 16 Member States – Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Latvia, Lithuania, Poland, Portugal, Slovakia, Slovenia and, most recently, Germany.

5.3.3 Statistical recording of defence expenditure

The EU uses the classification of the functional classification of government expenditure (COFOG) to define defence expenditure, which includes, in particular, expenditure on military equipment, military and civilian personnel of ministries of defence, expenditure on civil defence, but also military aid to Ukraine, or expenditure related to volunteer paramilitary organisations financed by the Ministry of Defence. COFOG is based on expenditure in the European System of National and Regional Accounts methodology, i.e. on an accrual basis. In contrast, the North Atlantic Treaty Organisation (NATO, 2016) methodology is based on a cash basis. In the NATO methodology, defence expenditure is defined more broadly, as it also includes military pensions, military healthcare (COFOG includes salaries but not healthcare) and, in some cases, expenditure on security forces such as the police or coast guard. On the other hand, the NATO methodology excludes civil defence and capital support for the arms industry, which are included in COFOG. NATO also does not include cash and in-kind support to Ukraine (European Parliament, 2025a).

Both methodologies are relevant for the Czech Republic and other countries that are members of both NATO and the EU. For the purposes of the Stability and Growth Pact, only COFOG data allow for the direct identification of the share of military expenditure in the general government deficit. In this regard, the NATO methodology serves as a reference framework. In terms of comparison, NATO expenditure is usually higher, in some countries even twice as high (Graph 5.3).

5.3.4 "Augmented" control account and defence expenditure

When the national escape clause is activated, a control account functions in a relatively specific manner. An"augmented" control account is set up for countries with an escape clause, which records additional defence expenditure and the cumulated balance. The flexibility corresponds to the concept of cumulated deviation from the net expenditure path as a result of increased defence expenditure since the reference year. Net expenditure in the period 2025–2028 may exceed the plan set by the Council by a maximum of 1.5% of GDP. Only defence expenditure that is higher than in the reference year is included in this net expenditure overrun. This is usually 2021 or 2024, as these are the year(s) immediately preceding the exceptional circumstances that led to the activation of the national escape clause. The use of the same reference years is intended to ensure equal treatment of Member States. For countries that increased their defence spending after 2021, i.e. since the start of Russia's aggression against Ukraine, the reference year is 2021. Countries whose defence spending did not increase between 2021 and 2024 have 2024 as their reference year (EC, 2025d).

The functioning of the control account follows a two-stage approach. First, any deviations from the recommended path are identified for all Member States and then, in the event of a positive debit deviation from the recommended path and the activation of the national escape clause, the "augmented" control account identifies whether the deviation meets the conditions of the national escape clause. Deviations outside the conditions of the national escape clause are recorded as debits. The derivation of the "augmented" control account is presented in Box 2. Numerical examples are available in Tables 5.3 and 5.4.

According to the Council of the EU recommendation, defence expenditure financed by loans provided under the SAFE facility will automatically be eligible for the above flexibility.

Member States and Eurostat are required to compile and publish data on government expenditure on defence in accordance with the COFOG methodology, in particular based on the categories under COFOG section Defence. However, the Council of the EU also states in its recommendation that the NATO definition of defence expenditure should also be taken into account and that scope should be left for addressing issues arising from differences between the COFOG and NATO reporting methodologies.

The recommendation of the Council of the EU also takes into account situations where a Member State commits to a military equipment contract at the time of the activation of the national escape clause, but the fulfilment of these contracts with an impact on public finances may only occur after the end of this period. The flexibility provided under the national escape clause should therefore also apply to defence expenditure associated with later implementation, provided that the relevant contracts were signed during the period of activation of the clause and that this deferred defence expenditure remains below the above-mentioned overall limit.

[24] With a normal qualified majority of votes, the proposal must be supported by at least 55% of Member States (currently 15 out of 27), representing at least 65% of the EU population (Council of the EU, 2024).

Box 2: Practical calculation of the cumulated balance of an "augmented" control account

Practical calculation of the cumulated balance of an "augmented" control account after flexibility (only the cumulated balance is relevant here) looks like this

1. "Augmented" control account shows total defense spending as a percentage of GDP.
2. **Calculation of flexibility from increases in defence expenditure**:

   FXD = DE – DEref.

   Where:

   FXD = Flexibility from increases in defence expenditure

   DE = Defence expenditure

   DEref = Defence expenditure in the reference year (2021 or 2024).

   Flexibility may only range from 0% to 1.5% of GDP inclusive.
3. **Cumulated balance after flexibility application = CBFX – FXD.**

   Where:

   CBFX = Cumulated balance after flexibility application

   — An increase in defense expenditure above the cumulative 1.5% of GDP then worsens the results of the "augmented" control account. (Technically, all of these expenditures are already included in the classic control account, and the augmented control account will then show a cumulative "surplus" above 1.5%).

An illustrative calculation with specific numbers is included in the Table 5.3.

However, the calculation of the cumulative balance of the "augmented" control account may be a little more complicated in the case of Member States with safeguards for debt sustainability or deficit resilience in place pursuant to Articles 7 and 8 of Regulation 2024/1263. The procedure is the same as above, with the difference that:

1. **In addition, the flexibility from removing the safeguards needs to be calculated.**

   CFRSG = (ΔNESG − ΔNEREU) * NEnonDRM(t–1) / 100 + CFRSG(t–1).

   Where:

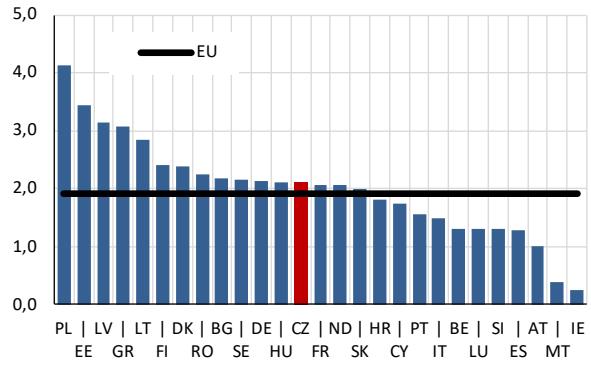
   CFRSG = Cumulated flexibility from removing the safeguards

   For further calculation, the flexibility gained by removing protective measures, expressed as a % of nominal GDP, is used.
2. **Cumulated balance after both flexibilities application = CB – CFRSG – FXD.**

An illustrative calculation with specific numbers is included in the Table 5.4..

Graph 5.1: Defence Expenditure in EU/NATO Countries (2024)

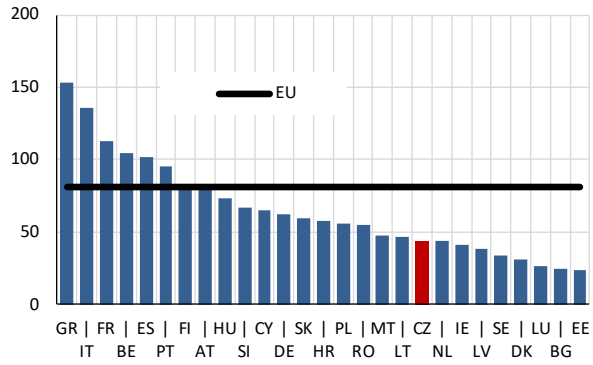
% of GDP



Source: NATO (2025).

Graph 5.2: Public Debt in the EU (2024)

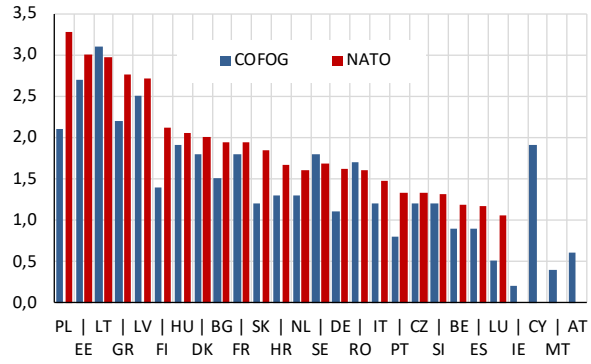
% of GDP



Source: Eurostat (2025a).

Graph 5.3: Defence Expenditure – Comparison of COFOG and NATO Methodologies (2023)

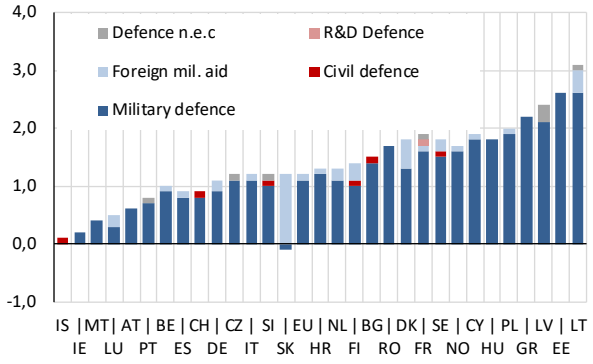
% of GDP



Note: Comparison refers to 2023, the latest year for which COFOG data is available. Sorted according to NATO methodology in descending order.
Source: Eurostat (2025a), NATO (2025).

Graph 5.4: Structure of Defense Expenditure According to the COFOG Methodology (2023)

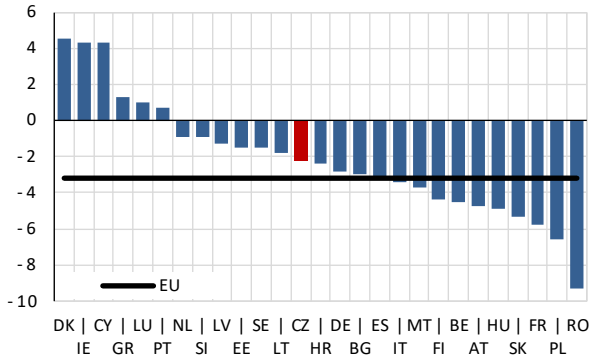
% of GDP



Note: The negative amount for Slovakia in the category "military defence" in gross capital formation and total expenditure in 2023 reflects the sale of fixed assets donated as foreign military aid.
Source: Eurostat (2025a).

Graph 5.5: Public Finance Balance in the EU (2024)

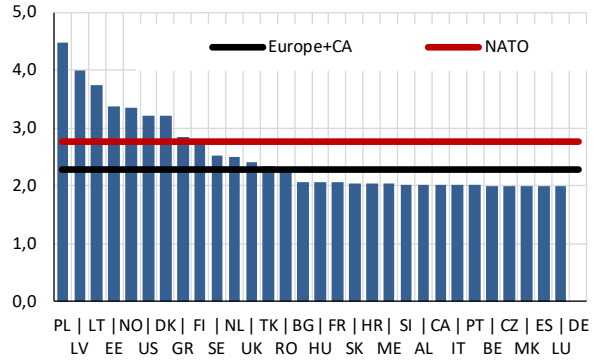
% of GDP



Source: Eurostat (2025a).

Graph 5.6: Defence Expenditure according to NATO (2025)

% of GDP



Note: For Germany and Portugal, data for 2024 are used.
Source: NATO (2025).

Table 5.1: Calculation of Net Expenditure and Control Account Movements

Action	Detailed description of the actions performed
Observed net expenditure	
Total expenditure	
− interest expenditure	
− cyclical elements of unemployment benefit expenditure	
− expenditure financed by the EU	
− national expenditure on co-financing of progs. funded by the EU	
− one-off expenditure	
= Net expenditure before discretionary revenue measures (DRM)	
Change in net expenditure before DRM	
− DRM	
= Year-on-year change in net expenditure (after DRM)	
Annual and cumulated deviations	
Net expenditure growth	Annual change in net expenditure/net expenditure before DRM for the previous year
Annual deviation (abs.)	The difference between actual and recommended net expenditure growth divided by net expenditure before DRM for the previous year
Cumulated deviation	The annual value of year t is added to the cumulated values for the previous period.
Control account	
Annual balance	Ratio of annual deviation to nominal GDP
Cumulated balance	Ratio of cumulated deviation to nominal GDP
"Augmented" control account	
Recommended growth in net expenditures after removing safeguards	
Flexibility from removing the safeguards (cumulated)	The difference between the recommended net expenditure growth after the removal of safeguard measures and recommended net expenditure growth including the safeguards, subsequently multiplied by one hundredth of the net expenditures before DRM in the previous year, is then added to the value from the previous year.
Flexibility from removing the safeguards	Value of cumulated flexibility in relation to GDP
Defence expenditure	% GDP
Flexibility from increases in defence expenditure	It may not exceed 1.5% of GDP. The difference in defense spending is determined as a fixed amount for 2021, or in the event of a growth in defense spending at that time, the year 2024 is used
Cumulated balance after flexibility	Difference between the cumulated balance, the flexibility from removing the safeguardss and the flexibility from the increases in defense spending

Table 5.2: Categories of Defence Products and Equipment Supported under the SAFE Instrument

Category one	Category two
ammunition and missiles	air and missile defence systems
artillery systems, including deep precision strike capabilities	maritime surface and underwater capabilities
ground combat capabilities and their support systems, including soldier equipment and infantry weapons	drones other than small drones (NATO class 2 and 3) and related anti-drone systems
small drones (NATO class 1) and related anti-drone systems	strategic enablers such as, but not limited to, strategic airlift, air-to-air refuelling, C4ISTAR systems as well as space assets and services
critical infrastructure protection	space assets protection
cyber	artificial intelligence
military mobility including counter-mobility	electronic warfare

Source: Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument).

Table 5.3: Derivation of the "Augmented" Control Account – Member State without Safeguards in Place

		2021	2022	2023	2024	2025	2026	2027	2028
Control account									
Observed net expenditure									
Total expenditure	*bn; (1)*			48,1	49,4	50,7	52,0	53,4	54,8
Interest expenditure	*bn; (2)*			1,0	1,0	1,0	1,0	1,0	1,0
Unemployment benefits expenditure	*bn; (3)*			0,0	0,0	0,0	0,0	0,0	0,0
EU funded expenditure	*bn; (4)*			4,0	4,0	4,0	4,0	4,0	4,0
Co-financing of EU projects	*bn; (5)*			1,0	1,0	1,0	1,0	1,0	1,0
One off expenditure	*bn; (6)*			0,3	0,3	0,3	0,3	0,3	0,3
Net expenditure (before DRM)	*bn; (7)= (1)-(2)-(3)-(4)-(5)-(6)*			41,8	43,1	44,4	45,7	47,1	48,5
Change in net expenditure before DRMs	*bn; (8)= (7t)-(7t-1)*				1,3	1,3	1,3	1,4	1,4
DRM (annual incremental impact, excl. one-offs)	*bn; (9)*				0,0	0,0	0,0	0,0	0,0
Annual change in net expenditure (after DRMs)	*bn; (10)= (8)-(9)*				1,3	1,3	1,3	1,4	1,4
Annual and cumulated deviations									
Observed net expenditure growth	*% change; (11)= (10t)/(7t-1)*				3,0	3,0	3,0	3,0	3,0
Recommended net expenditure growth	*% change; (12)*				2,5	2,5	2,5	2,5	2,5
Annual deviation	*bn; (13)= ((11)-(12))/100*(7)*				0,2	0,2	0,2	0,2	0,2
Cumulated deviation	*bn; (14)= (14t-1) + (13t)*				0,2	0,4	0,7	0,9	1,1
Nominal GDP	*bn; (15)*			105,1	107,7	110,4	113,1	116,0	118,9
Control account									
Annual balance (13/15)	*% GDP; (16)= (13)/(15)*				0,2	0,2	0,2	0,2	0,2
Cumulated balance (14/15)	*% GDP; (17)= (14)/(15)*				0,2	0,4	0,6	0,8	1,0
"Augmented" control account									
Recommended net expenditure growth after removing safeguards	*% change; (18)*				2,5	2,5	2,5	2,5	2,5
Flexibility from removing the safeguards (cumulated)	*bn; (19)= ((18)-(12)) x (7t-1) / 100 + (19t-1)*				0,0	0,0	0,0	0,0	0,0
Flexibility from removing the safeguards	*% GDP; (20)= (19)/(15)*100*					0,0	0,0	0,0	0,0
Defence expenditure	*% GDP; (21)*	1,6	1,7	1,8	2,0	2,2	2,4	2,6	2,8
Flexibility from increases in defence expenditure	*% GDP; (22)= (21) - (212021/24); (22) ∈ <0;1,5>*					0,6	0,8	1,0	1,2
Cumulated balance after flexibility	*% GDP; (23)= (17)-(20)-(22)*					-0,2	-0,2	-0,2	-0,2

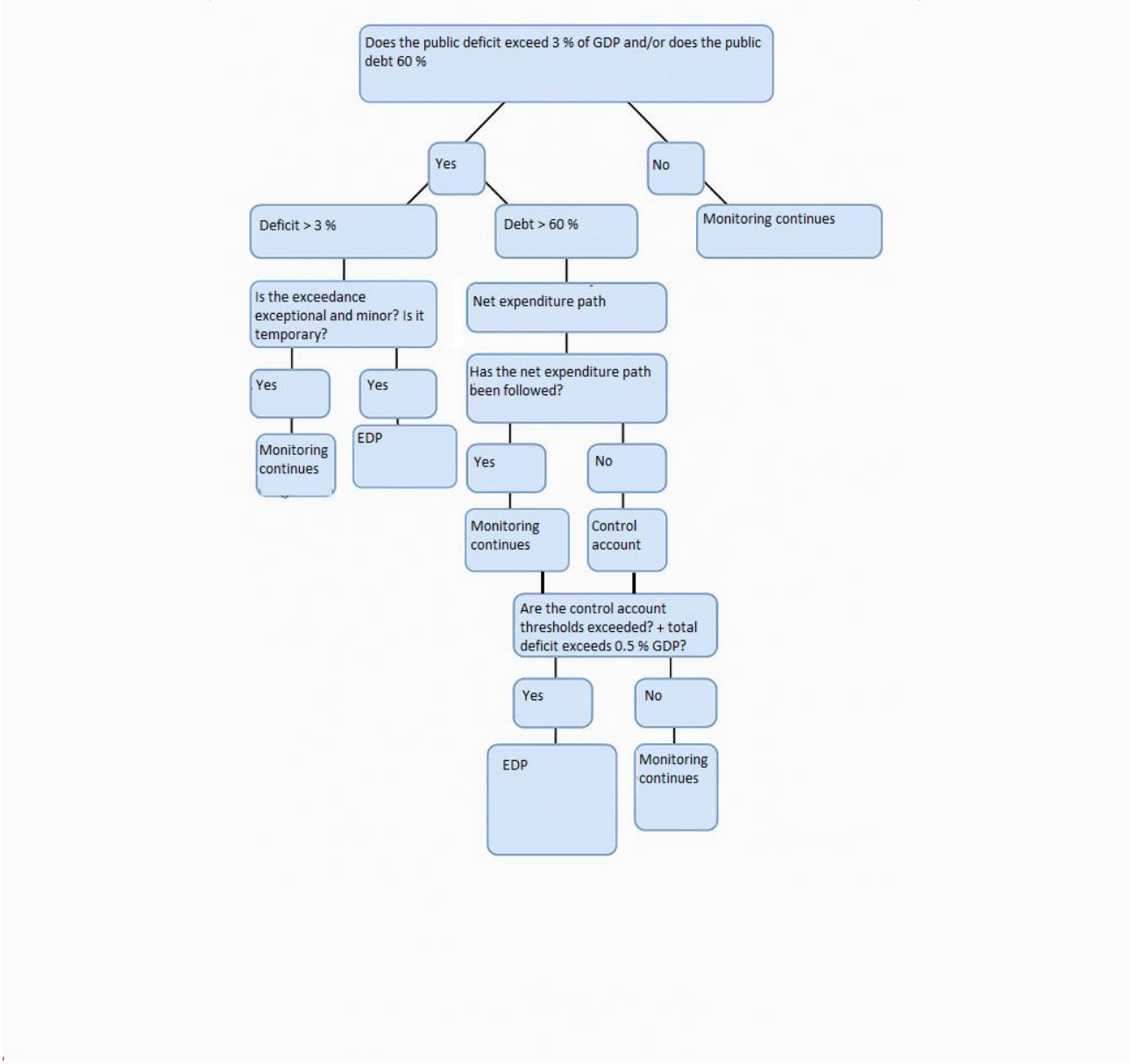
Note: The value of the "recommended net expenditure growth after the removing of safeguards" is determined by the EC based on whether the mere criteria based on debt risk (e.g. the deficit remaining below 3% in the medium term) also ensure the fulfilment of the safeguards. If so, then the "recommended net expenditure growth after the removing of safeguards" coincides with the net expenditure path set by the Council (e.g. the path is 2.5% for both). However, if the net expenditure path based on fiscal risks (e.g. 2.7%) is not sufficient to fulfil the safeguards, then the MS must tighten it in the fiscal structural plan (e.g. to 2.5%). The EC is obliged to keep a control account and determine both values on the basis of the evaluated FSP. The Czech Republic will have both values the same, because the safeguards are not binding for it.
Source: EC; MF CR adjustment.

Table 5.4: Derivation of the "Augmented" Control Account – Member State with Safeguards in Place

		2021	2022	2023	2024	2025	2026	2027	2028
Control account									
Observed net expenditure									
Total expenditure	*bn; (1)*			48,3	49,4	51,0	52,7	54,4	56,2
Interest expenditure	*bn; (2)*			1,0	1,0	1,0	1,0	1,0	1,0
Unemployment benefits expenditure	*bn; (3)*			0,0	0,0	0,0	0,0	0,0	0,0
EU funded expenditure	*bn; (4)*			4,0	4,0	4,0	4,0	4,0	4,0
Co-financing of EU projects	*bn; (5)*			1,0	1,0	1,0	1,0	1,0	1,0
One off expenditure	*bn; (6)*			0,3	0,3	0,3	0,3	0,3	0,3
Net expenditure (before DRM)	*bn; (7)= (1)-(2)-(3)-(4)-(5)-(6)*			42,0	43,1	44,7	46,4	48,1	49,9
Change in net expenditure before DRMs	*bn; (8)= (7t)-(7t-1)*				1,1	1,6	1,7	1,7	1,8
DRM (annual incremental impact, excl. one-offs)	*bn; (9)*				0,0	0,0	0,0	0,0	0,0
Annual change in net expenditure (after DRMs)	*bn; (10)= (8)-(9)*				1,1	1,6	1,7	1,7	1,8
Annual and cumulated deviations									
Observed net expenditure growth	*% change; (11)= (10t)/(7t-1)*				2,5	3,8	3,8	3,8	3,7
Recommended net expenditure growth	*% change; (12)*				2,5	2,5	2,5	2,5	2,5
Annual deviation	*bn; (13)= ((11)-(12))/100*(7)*				0,0	0,6	0,6	0,6	0,6
Cumulated deviation	*bn; (14)= (14t-1) + (13t)*				0,0	0,6	1,1	1,7	2,3
Nominal GDP	*bn; (15)*			105,1	107,7	110,4	113,1	116,0	118,9
Control account									
Annual balance (13/15)	*% GDP; (16)= (13)/(15)*				0,0	0,5	0,5	0,5	0,5
Cumulated balance (14/15)	*% GDP; (17)= (14)/(15)*				0,0	0,5	1,0	1,5	1,9
"Augmented" control account									
Recommended net expenditure growth after removing safeguards	*% change; (18)*				2,5	2,5	2,7	2,7	2,5
Flexibility from removing the safeguards (cumulated)	*bn; (19)= ((18)-(12)) x (7t-1) / 100 + (19t-1)*				0,0	0,0	0,1	0,2	0,2
Flexibility from removing the safeguards	*% GDP; (20)= (19)/(15)*100*					0,0	0,1	0,2	0,2
Defence expenditure	*% GDP; (21)*	2,0	2,0	2,0	2,0	2,5	3,0	3,5	4,0
Flexibility from increases in defence expenditure	*% GDP; (22)= (21) - (212021/24); (22) ∈ <0;1,5>*					0,5	1,0	1,5	1,5
Cumulated balance after flexibility	*% GDP; (23)= (17)-(20)-(22)*					0,0	-0,1	-0,2	0,3

Note: The value of the "recommended net expenditure growth after the removing of safeguards" is determined by the EC based on whether the mere criteria based on debt risk (e.g. the deficit remaining below 3% in the medium term) also ensure the fulfilment of the safeguards. If so, then the "recommended net expenditure growth after the removing of safeguards" coincides with the net expenditure path set by the Council (e.g. the path is 2.5% for both). However, if the net expenditure path based on fiscal risks (e.g. 2.7%) is not sufficient to fulfil the safeguards, then the MS must tighten it in the fiscal structural plan (e.g. to 2.5%). The EC is obliged to keep a control account and determine both values on the basis of the evaluated FSP. The Czech Republic will have both values the same, because the safeguards are not binding for it.
Source: EC; MF CR adjustment.

Graphics 5.1: Simplified Scheme of Excessive Public Debt and Deficit in the new EU Fiscal Framework



Note: For both the deficit and debt criteria, the initiation of the excessive deficit procedure may not occur automatically, as it also depends on the evaluation of relevant factors.
Source: Kangasrääsiö (2025); adjusted by the MF CR.

References

Act No. 119/2025 Coll., amending Act No. 483/1991 Coll., on Czech Television, as amended, Act No. 484/1991 Coll., on Czech Radio, as amended, and other related acts.

Act No. 120/2025 Coll., amending Act No. 262/2006 Coll., the Labour Code, as amended, and certain other acts.

Act No. 151/2025 Coll., on State Social Support Benefits.

Act No. 152/2025 Coll., amending Certain Laws in Connection with the Adoption of the Act on State Social Support Benefits.

Act No. 176/2025 Coll., amending Certain Laws in Connection with the Adoption of the Act on Housing Support.

Act No. 177/2023 Coll., on the Financing of the Defence of the Czech Republic and amending Act No. 218/2000 Coll., on Budgetary Rules and amending Certain Related Acts (Budgetary Rules), as amended (Defence Financing Act).

Act No. 186/2016 Coll., on Gambling, as amended.

Act No. 214/2025 Coll., amending Act No. 582/1991 Coll., on the Organization and Implementation of Social Security, as amended, Act No. 155/1995 Coll., on Pension Insurance, as amended, and Act No. 321/2023 Coll., amending Act No. 582/1991 Coll., on the Organization and Implementation of Social Security, as amended, and certain other acts, as amended by Act No. 417/2024 Coll.

Act No. 218/2000 Coll., on Budgetary Rules and Amending Certain Related Acts (Budgetary Rules), as amended.

Act No. 218/2025 Coll., amending Certain Laws in the Field of Tax Administration and the Competence of the Customs Administration of the Czech Republic, Act No. 16/1993 Coll., on road tax, as amended, and Act No. 69/2010 Coll., on the ownership of Prague-Ruzyně Airport.

Act No. 23/2017 Coll., on Fiscal Responsibility Rules, as amended.

Act No. 242/2024 Coll., amending Act No. 359/1999 Coll., on the Social and Legal Protection of Children, as amended, and other related acts.

Act No. 270/2023 Coll., amending Act No. 155/1995 Coll., on Pension Insurance, as amended.

Act No. 30/2024 Coll., on Vehicle Liability Insurance.

Act No. 321/2023 Coll., amending Act No. 582/1991 Coll., on the Organization and Implementation of Social Security, as amended, and certain other acts.

Act No. 323/2021 Coll., amending Act No. 155/1995 Coll., on Pension Insurance, as amended, and Act No. 582/1991 Coll., on the Organization and Implementation of Social Security, as amended.

Act No. 323/2025 Coll., on the Employer's Uniform Monthly Report.

Act No. 349/2023 Coll., amending Certain Laws in Connection with the Consolidation of Public Budgets.

Act No. 360/2025 Coll., amending Certain Laws in Connection with the adoption of the Act on the Uniform Monthly Employer Report.

Act No. 366/2022 Coll., amending Act No. 235/2004 Coll., on Value Added Tax, as amended, Act No. 586/1992 Coll., on Income Tax, as amended, and some other acts.

Act No. 38/2025 Coll., amending Act No. 108/2006 Coll., on Social Services, as amended, and other related acts.

Act No. 407/2023 Coll., amending Act No. 117/1995 Coll., on State Social Support, as amended, Act No. 73/2011 Coll., on the Labour Office of the Czech Republic and amending related acts, as amended , Act No. 111/2006 Coll., on Assistance in Material Need, as amended, and some other acts .

Act No. 416/2023 Coll., on Supplementary Taxes for Large Multinational Groups and Large Domestic Groups.

Act No. 417/2021 Coll., amending Act No. 250/2016 Coll., on Liability for and Proceedings against Offences, as amended, and certain other acts.

Act No. 417/2024 Coll., amending Act No. 155/1995 Coll., on Pension Insurance, as amended, and other related acts.

Act No. 461/2024 Coll., amending Act No. 235/2004 Coll., on Value Added Tax, as amended, Act No. 329/2011 Coll., on the Provision of Benefits to persons with Disabilities and on Amendments to related acts, as amended, and Act

No. 358/2022 Coll., amending Act No. 329/2011 Coll., on the Provision of Benefits to Persons with Disabilities and on Amendments to Related Acts, as amended, and some other acts.

Act No. 462/2023 Coll., amending Certain Laws in Connection with the Development of the Financial Market and with the Support of old-age Provision.

Boivin, N. and Darvas, Z. (2025): The European Union's new fiscal framework: a good start, but challenges loom. Buegel, 17 February 2025. [cit. 03.10.2025], <https://www.bruegel.org/policy-brief/european-unions-new-fiscal-framework-good-start-challenges-loom>.

CNB (2025): ARAD Data Series System. Prague, Czech National Bank, 31.10.2025, [cit. 31.10.2025], <https://www.cnb.cz/arad/#/en/home>.

Consolidated version of the Treaty on European Union and the Treaty on the Functioning of the European Union 2012/C 326/01.

Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States.

Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States.

Council of the EU (2024): Qualified majority. Brussels, Council of the EU, June 2024. [cit. 25.07.2025], <https://www.consilium.europa.eu/en/council-eu/voting-system/qualified-majority/>.

Council Regulation (EC) No 1466/97 of 7 July 1997 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies.

Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure.

Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community (Codified version).

Council Regulation (EU) 2024/1264 of 29 April 2024 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure.

Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument.

CZSO (2025a): Quarterly National Accounts. Prague, Czech Statistical Office, 01.10.2025, [cit. 23.10.2025], <https://www.czso.cz/csu/czso/hdp_ts>.

CZSO (2025b): General government sector, Government deficit and debt. Prague, Czech Statistical Office, 2.10. 2025[cit. 23.10. 2025], <https://apl.czso.cz/pll/rocenka/rocenka.indexnu_gov?mylang=EN>.

CZSO (2025c): Preliminary GDP Estimate - 3rd quarter 2025. Prague, Czech Statistical Office, 31.10.2025 [cit. 31.10.2025], <https://csu.gov.cz/rychle-informace/gdp-preliminary-estimate-3-quarter-of-2025>.

Da Costa Cabral, N. (2023): The New European Fiscal Framework: Ruling out Fiscal Policies or What else? Lisbon, Conselho das Finanças Públicas, Occasional Paper no. 01/2023, October 2023. <https://www.cfp.pt/en/publications/other-publications/the-new-european-fiscal-framework-ruling-out-fiscal-policies-or-what-else>.

EC (2023): The 2024 Aging Report: Underlying Assumptions and Projection Methodologies. Brussels, European Commission, Institutional Paper 148, November 2023, ISBN 978-92-68-04232-8 (on-line), [cit. 23.10.2025], <https://economy-finance.ec.europa.eu/publications/2024-ageing-report-underlying-assumptions-and-projection-methodologies_en>.

EC (2024a): Fiscal governance database. Brussels, European Commission, November 2024. [cit. 22.09.2025], <https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-databases/fiscal-governance-database_en>.

EC (2024b): Debt Sustainability Monitor. Luxembourg, European Commission, Institutional Paper 271, March 2024. [cit. 10.10.2025], <https://economy-finance.ec.europa.eu/publications/debt-sustainability-monitor-2023_en>.

EC (2024c): 2024 Ageing Report. Economic and Budgetary Projections for the EU Member States (2022–2070). Brussels, European Commission, Institutional Paper 279, April 2024, ISBN 978-92-68-13780-2 (online). [cit. 23.10.2025], <https://economy-finance.ec.europa.eu/publications/2024-ageing-report-economic-and-budgetary-projections-eu-member-states-2022-2070_en>.

EC (2025a): AMECO Database. Brussels, European Commission, 15.05.2025. [cit. 23.10.2025], <https://ec.europa.eu/info/business-economy-euro/indicators-statistics/economic-databases/macro-economic-database-ameco/ameco-database_en>.

EC (2025b): 2024 Ageing report - country fiche Czechia (2025 update). Brussels, European Commission, April 2025, [cit. 21.10.2025], <https://economy-finance.ec.europa.eu/document/download/f6fd1e81-2434-4729-bc36-28f9e6a79eb9_en?filename=CZ_final_2025.pdf >.

EC (2025c): White Paper for European Defence – Readiness 2030. Brussels, European Commission, March 2025. [cit. 30.10.2025], <https://commission.europa.eu/document/download/e6d5db69-e0ab-4bec-9dc0-3867b4373019_en?filename=White%20paper%20for%20European%20defence%20%E2%80%93%20Readiness%202030.pdf>.

EC (2025d): COMMUNICATION FROM THE COMMISSION: Accommodating increased defense expenditure within the Stability and Growth Pact, C(2025) 2000 final. Brussels, European Commission, 19 March 2025.

EC (2025e): EU budget 2028–2034. Brussels, 2025. [cit. 24.09.2025], <https://commission.europa.eu/topics/budget/eu-budget-2028-2034-explained_cs>.

EC (2025f): Questions and answers on ReArm Europe Plan/Readiness 2030. Brussels, European Commission, March 2025. [cit. 25.08.2025], <https://ec.europa.eu/commission/presscorner/detail/cs/qanda_25_790>.

EC (2025g): 2025 European Semester: Country Reports. Brussels, European Commission, June 2025. [cit. 01.11.2025], <https://economy-finance.ec.europa.eu/publications/2025-european-semester-country-reports_en>.

EC (2025h): SAFE | Security Action for Europe. Brussels, European Commission, 2025. [cit. 31.10.2025], <https://defence-industry-space.ec.europa.eu/eu-defence-industry/safe-security-action-europe_en>.

ECB (2025): Interest Rate Statistics. European Central Bank, 12 October 2025. [cit. 18.10.2025], <https://www.ecb.europa.eu/stats/money/long/html/index.en.html>.

Recommendation of the Coucil of the EU allowing the Czech Republic to deviate from the maximum growth rates of net expenditure set by the Council under Regulation (EU) 2024/1263 (activation of the national escape clause).

European Council, Council of the EU (2025a): EU fiscal rules supporting defence expenditure. Brussels, European Council, Council of the EU, July 2025. [cit. 25.07.2025], <https://www.consilium.europa.eu/cs/policies/eu-fiscal-rules-supporting-defence-expenditure-nec/>.

European Council, Council of the EU (2025b): National escape clause for defence expenditure. Brussels, European Council, Council of the EU, July 2025. [cit. 01.11.2025], <https://www.consilium.europa.eu/en/policies/national-escape-clause-for-defence-expenditure-nec/>.

European Parliament (2025a): EU Member States' defence budgets. Strasbourg, Brussels, Luxembourg, European Parliament 2025. [cit. 30.07.2025], <www.europarl.europa.eu/FRegData%2Fetudes%2FATAG%2F2025%2F772846%2FEPRS_ATA(2025)772846_EN.pdf>.

European Parliament (2025b): Implementing defence financing and spending under the Economic Governance Framework. Strasbourg, Brussels, Luxembourg, European Parliament, May 2025. [cit. 25.08.2025], <https://www.europarl.europa.eu/thinktank/cs/document/ECTI_IDA(2025)764381>.

Eurostat (2023): Population Projections. Luxembourg, Eurostat, June 2023. [cit. 21.10.2025], <https://ec.europa.eu/eurostat/data/database?node_code=proj>.

Eurostat (2025a): Eurostat Database. Luxembourg, Eurostat, October 2025. [cit. 23.10.2025], <https://ec.europa.eu/eurostat/data/database>.

Eurostat (2025b): Excessive Deficit Procedure Notification Tables. Luxembourg, Eurostat, October 2025[cit. 23.10.2025], <https://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>.

Günaydın, İ. and Eser L. Y. (2009): Maliye Politikasandaki Yeni Trend: Mali Kurallar. Maliye Dergisi, 156, 2009, 51–65. [cit. 11.09.2025], <https://ms.hmb.gov.tr/uploads/2019/09/04.Ihsan_.Gunaydin_Levent.Yahya_.Eser_.pdf>.

Kangasrääsiö, S. (2025): How do the EU fiscal rules work? Helsinki, National Audit Office of Finland, March 2025. [cit. 29.08.2025], <https://www.vtv.fi/en/blog/how-do-the-eu-fiscal-rules-work/>.

Kopits, G. (2001): Fiscal Rules: Useful Policy Framework or Unnecessary Ornament? IMF Working Paper WP/01/145. IMF, September 2001. [cit. 03.11.2025], <https://www.imf.org/en/Publications/WP/Issues/2016/12/30/Fiscal-Rules-Useful-Policy-Framework-or-Unnecessary-Ornament-15370>.

Lang, L., Marval, J. and Nepožitková, M. (2018): One-off and transitional operations. Prague, Ministry of Finance of the Czech Republic, 2018. [cit. 09.10.2025], <https://www.mfcr.cz/assets/cs/media/Odborne-vyzkumy_Studie_2018-12_Jednorazové-a-prechodneoperace.pdf>.

Ljungman, G. (2008): Fiscal Rules - Beneficially Binding? IMF, January 2008. [cit. 03.11.2025], <https://blog-pfm.imf.org/en/pfmblog/2008/02/fiscal-rules>.

MF CR (2025a): Fiscal forecast of the Czech Republic – May 2025. Prague, Ministry of Finance of the Czech Republic, May 2025, ISBN 978-80-7586-086-6 (online). [cit. 23.10.2025], <https://www.mfcr.cz/en/fiscal-policy/macroeconomic-analysis/fiscal-forecast-and-fiscal-outlook/2025/fiscal-forecast-of-the-czech-republic-may-2025-59935>.

MF CR (2025b): Macroeconomic Forecast of the Czech Republic (November 2025). Prague, Ministry of Finance of the Czech Republic, November 2025, ISSN 1804-7971 (online). [cit. 31.10.2025], <https://www.mfcr.cz/assets/attachments/2025-11-11_Macroeconomic-Forecast-November-2025.pdf>.

MF CR (2025c): Performance of the State Budget of the Czech Republic for October 2025. Prague, Ministry of Finance of the Czech Republic, November 2025, [cit. 01.11.2025], <https://www.mfcr.cz/cs/ministerstvo/media/tiskove-zpravy/2024/pokladni-plneni-sr-57563 >.

MF CR (2025d): Cash flows and balance of health insurance (monthly). Prague, Ministry of Finance of the Czech Republic, October 2025, [cit. 31.10.2025], <https://www.mfcr.cz/cs/rozpoctova-politika/rozpoctove-ramce-statisticke-informace/fiskalni-udaje/fondy socialniho-zabezpeceni/zdravotni-pojistovny/2024/kaňošni-toky-a-saldo-hospodareni-zp-m-55054 .

MF CR (2014): Macroeconomic Forecast of the Czech Republic (April 2014). Prague, Ministry of Finance of the Czech Republic, April 2014, ISSN 1804-7971 (online). [cit. 02.11.2025], <https://www.mfcr.cz/cs/rozpoctova-politika/makroekonomika/makroekonomicka-predikce/2014/makroekonomicka-predikce-duben-2014-17576>.

MF CR (2015): Fiscal Outlook of the Czech Republic (November 2015). Prague, Ministry of Finance of the Czech Republic, November 2015, ISSN 1804-7998 (online). [cit. 21.10.2025], <https://www.mfcr.cz/en/fiscal-policy/macroeconomic-analysis/fiscal-outlook/2015/fiscal-outlook-of-the-czech-republic-nov-23197>.

MF CR (2024a): Fiscal Outlook of the Czech Republic (November 2024). Prague, Ministry of Finance of the Czech Republic, November 2024, ISSN 1804-7998 (online). [cit. 25.07.2025], <https://www.mfcr.cz/en/fiscal-policy/macroeconomic-analysis/fiscal-outlook/2024/fiscal-outlook-of-the-czech-republic-november-2024-57690>.

MF CR (2024b): Differences in potential estimation methods: the Ministry of Finance method vs. the EC method. Prague, Ministry of Finance of the Czech Republic, October 2024.

MF CR (2024c): Fiscal-Structural Plan of the Czech Republic for the Period 2025 to 2028. Prague, Ministry of Finance of the Czech Republic, October 2024, ISBN 978-80-7586-078-1, (online). [cit. 17.10.2025], <https://www.mfcr.cz/en/eu-and-international-affairs/euro-area-accession-strategy/fiscal-structural-plan-and-convergence-programme/2024/fiscal-structural-plan-of-the-czech-republic-for-2-57439>.

MF CR and Czech Fiscal Council (2024): Methodology for deriving expenditure frameworks of the state budget and state funds, methodological compendium. Prague, Ministry of Finance of the Czech Republic, National Budget Council, 2024, fourth updated edition, ISBN 978-80-7586-068-2 (on-line). [cit. 19.10.2025], <https://www.mfcr.cz/assets/attachments/Methodology-of-Deriving-Expenditure-Frameworks-of-the-State-Budget-and-State-Funds_v03.pdf>.

NATO (2016): NATO ACCOUNTING FRAMEWORK: Note by the Deputy Secretary General DOCUMENT C- M(2016)0023.

NATO (2025): Defence Expenditure of NATO Countries (2014–2025). Brussels, North Atlantic Treaty Organization, 28 August 2025. [cit. 19.09.2025], <https://www.nato.int/cps/en/natohq/news_237171.htm>.

NOTICE Guidance to Member States on the Information Requirements for the Medium-Term Fiscal-Structural Plans and for the Annual Progress Reports (C/2024/3975).

Papunen, A. (2024): The European Council and the economic governance review, Briefing, European Council in Action, EPRS | European Parliamentary Research Service. Brussels, March 2024, [cit. 15.10.2024], <https://www.europarl.europa.eu/thinktank/en/document/EPRS_BRI(2024)757789>.

Pench, L. (2025): European Union fiscal rules: it's already time to reform the reform. Brussels, Bruegel, July 2025. [cit. 27.08.2025], <https://www.bruegel.org/analysis/european-union-fiscal-rules-its-already-time-reform-reform>.

Pirdal, B. (2017): A Comparative Analysis of Fiscal Rules and Independent Fiscal Agencies. Journal of Economics & Administrative Sciences. December 2017, No. 19 v. 2, pp. 1–12.

Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility.

Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the effective coordination of economic policies and on multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97.

Regulation No. 282/2024 Coll., of the Government of the Czech Republic, on the amount of the general assessment base for 2023, the conversion coefficient for adjusting the general assessment base for 2023, the reduction limits for determining the calculation base for 2025, the basic pension assessment set for 2025 and the amount of the increase for a raised child for 2025, and on the increase in pensions in 2025.

Regulation No. 283/2024 Coll., of the Government of the Czech Republic, on Increasing Pension Supplements in 2025.

Regulation No. 285/2024 Coll., of the Government of the Czech Republic, on the Coefficient for Calculating the Minimum Wage in 2025 and 2026.

Regulation No. 299/2024 Coll., of the Government of the Czech Republic, amending Government Regulation No. 240/2014 Coll., on the Amount of Toll Rates, Toll Discounts and the Amount of Remuneration for the Provision of the European Electronic Toll Service, as amended.

Regulation No. 327/2025 Coll., of the Government of the Czech Republic, amending Government Regulation No. 240/2014 Coll., on the Amount of Toll Rates, Toll Discounts and the Amount of Remuneration for the Provision of the European Electronic Toll Service, as amended.

Regulation No. 364/2025 Coll., of the Government of the Czech Republic, on Increasing Pension Supplements in 2026.

Regulation No. 365/2025 Coll., of the Government of the Czech Republic, on the Amount of the General Assessment Base for 2024, the Conversion Coefficient for Adjusting the General Assessment Base for 2024, the Reduction Limits for Determining the Calculation Base for 2026, the Basic Pension Assessment Set for 2026, the Lowest Amounts of Percentage Pension Assessments for 2026 and on the Increase in Pensions in 2026.

Regulation No. 40/2024 Coll., of the Government of the Czech Republic, amending Government Regulation No. 240/2014 Coll., on the Amount of Time Charges, Toll Rates, Toll Discounts and the Procedure for Applying Toll Discounts, as amended by Government Regulation No. 479/2020 Coll.

Regulation No. 466/2024 Coll., of the Government of the Czech Republic, amending Government Regulation No. 341/2017 Coll., on the Salary Conditions of Employees in Public Services and Administration, as amended, and Government Regulation No. 304/2014 Coll., on the Salary Conditions of Civil Servants, as amended.

Regulation No. 471/2024 Coll., of the Government of the Czech Republic, on the Maximum Amount of the Contribution to Support the Employment of People with Disabilities in the Protected Labor Market.

Resolution of the Government of the Czech Republic of April 30, 2025 No. 315 on the Budget Strategy of the Public Institutions Sector of the Czech Republic for 2026–2028 and the Convergence Program of the Czech Republic (April 2025).

Resolution of the Government of the Czech Republic of September 30, 2025 No. 717 on the Draft Act on the State Budget of the Czech Republic for 2026 and the Medium-term Outlook for the State Budget of the Czech Republic for 2027 and 2028.

Resolution of the Government of the Czech Republic of September 30, 2025 No. 718 on the Draft Budget of the State Investment Support Fund for 2026 and the Medium-term Outlook for 2027–2028.

Wieland, V. (2024): Debt Sustainability Analysis: Assessing its Use in the EU's New Fiscal Rules. Brussels, European Parliament, December 2024. [cit. 09.10.2025], <https://www.europarl.europa.eu/RegData/etudes/STUD/2024/760273/IPOL_STU(2024)760273_EN.pdf>.

A Annex of Tables

The data on general government sector aggregates in ESA 2010 methodology are consolidated at the relevant levels.

Table A.1: General Government Revenue

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total revenue	*CZK bn*	**1 909**	**1 940**	**2 068**	**2 245**	**2 394**	**2 366**	**2 528**	**2 814**	**3 060**	**3 290**
	% growth	8.4	1.6	6.6	8.6	6.6	-1.2	6.8	11.3	8.7	7.5
Current taxes on inc., wealth, etc.	*CZK bn*	354	385	416	458	491	485	469	538	612	684
	% growth	5.6	8.8	8.0	10.1	7.0	-1.0	-3.5	14.9	13.7	11.8
Social contributions [1)]	*CZK bn*	663	703	760	834	895	909	1 013	1 084	1 169	1 270
	% growth	5.5	6.1	8.0	9.8	7.3	1.6	11.4	7.0	7.8	8.6
Taxes on production and imports [2)]	*CZK bn*	562	587	626	647	688	651	705	767	806	857
	% growth	9.5	4.4	6.7	3.4	6.3	-5.3	8.2	8.8	5.0	6.4
Capital taxes [3)]	*CZK bn*	0	0	0	0	0	0	0	0	0	0
	% growth	10.0	54.5	70.6	-24.1	-45.5	191.7	-40.0	19.0	-8.0	4.3
Property income	*CZK bn*	37	37	30	35	32	34	36	76	96	83
	% growth	-0.4	0.8	-17.9	14.3	-7.5	5.6	5.0	112.8	26.1	-13.1
Interest	*CZK bn*	7	6	5	8	11	10	8	42	57	52
	% growth	-21.4	-7.9	-19.7	66.7	40.4	-16.5	-13.9	410.2	35.0	-7.7
Other property income	*CZK bn*	30	31	26	27	21	24	28	34	39	31
	% growth	5.8	2.7	-17.6	4.3	-22.2	17.8	12.4	23.6	15.0	-20.9
Sales [4)]	*CZK bn*	154	157	162	174	186	181	194	221	241	252
	% growth	2.2	1.9	3.4	7.1	7.1	-2.6	6.8	14.1	9.2	4.2
Other current transfers and subs.	*CZK bn*	49	40	40	51	53	51	56	62	66	72
	% growth	15.1	-18.5	1.5	25.9	4.9	-3.6	8.6	11.1	6.1	10.0
Investment grants	*CZK bn*	81	23	26	42	44	49	50	60	63	64
	% growth	66.6	-72.1	15.4	60.4	5.2	10.4	3.8	18.0	6.4	0.7
Other capital transfers	*CZK bn*	9	8	6	4	5	5	5	6	7	7
	% growth	92.3	-6.1	-21.3	-40.9	20.7	4.8	5.3	16.7	14.6	6.8

[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.

[4)] Consists of market output, output produced for own final use and payments for other non-market output.

Source: CZSO (2025b).

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

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Taxes and social contributions	*CZK bn*	**1 579**	**1 675**	**1 802**	**1 940**	**2 074**	**2 046**	**2 187**	**2 390**	**2 587**	**2 812**
	% growth	6.9	6.1	7.6	7.6	6.9	-1.3	6.9	9.3	8.3	8.7
Current taxes on income, wealth, etc.	*CZK bn*	**354**	**385**	**416**	**458**	**491**	**485**	**469**	**538**	**612**	**684**
	% growth	5.6	8.8	8.0	10.1	7.0	-1.0	-3.5	14.9	13.7	11.8
Individuals or households	*CZK bn*	187	207	229	261	287	298	228	243	279	312
	% growth	3.0	10.9	10.5	13.8	10.2	3.6	-23.4	6.7	14.8	11.7
Corporations	*CZK bn*	157	167	176	187	192	177	229	284	321	359
	% growth	8.8	6.8	5.2	6.3	2.9	-8.1	29.7	23.8	13.1	11.9
Levy on lottery revenue	*CZK bn*	-	-	-	-	-	-	-	-	-	-
	% growth	-	-	-	-	-	-	-	-	-	-
Other current taxes	*CZK bn*	11	11	12	11	11	11	11	11	11	13
	% growth	5.4	2.2	4.4	-5.8	-0.6	-0.8	4.0	-2.8	3.8	15.9
Social security contributions	*CZK bn*	**663**	**703**	**760**	**834**	**895**	**909**	**1 013**	**1 084**	**1 169**	**1 270**
	% growth	5.5	6.1	8.0	9.8	7.3	1.6	11.4	7.0	7.8	8.6
Social insurance	*CZK bn*	406	431	470	516	555	543	598	642	694	759
	% growth	5.6	6.2	9.0	9.8	7.5	-2.2	10.2	7.4	8.0	9.4
Health insurance	*CZK bn*	249	264	281	308	329	354	402	427	461	496
	% growth	5	6	6	10	7	8	13	6	8	8
Payments for state-insured	*CZK bn*	60.9	62.3	65.3	68.4	71.9	97.3	126.3	129.4	138.7	151.5
	% growth	1.8	2.1	4.8	4.8	5.1	35.4	29.9	2.4	7.2	9.2
Injury insurance	*CZK bn*	7	7	8	8	9	9	10	10	11	12
	% growth	4.0	5.5	6.7	9.7	7.2	1.4	5.4	6.4	11.9	5.7
Imputed social contributions	*CZK bn*	1	1	1	1	2	3	4	5	4	3
	% growth	40.1	-1.9	16.1	21.9	30.9	70.3	11.9	35.0	-24.4	-4.4
Taxes on production and imports	*CZK bn*	**562**	**587**	**626**	**647**	**688**	**651**	**705**	**767**	**806**	**857**
	% growth	9.5	4.4	6.7	3.4	6.3	-5.3	8.2	8.8	5.0	6.4
Taxes on products [1)]	*CZK bn*	538	562	601	619	650	611	661	729	753	809
	% growth	10.0	4.4	6.9	3.1	4.9	-5.9	8.2	10.2	3.3	7.5
Value added tax	*CZK bn*	333	354	388	409	435	422	464	537	573	587
	% growth	4.3	6.2	9.5	5.4	6.6	-3.0	9.7	15.8	6.7	2.5
Excises	*CZK bn*	183	181	186	186	188	177	183	172	158	197
	% growth	21.0	-0.8	2.3	0.0	1.3	-5.8	3.3	-6.1	-7.8	24.5
Other taxes on products [2)]	*CZK bn*	22	27	28	25	26	12	15	20	22	25
	% growth	17.5	20.4	3.9	-8.6	3.9	-55.9	28.9	34.1	9.5	16.2
Other taxes on production [3)]	*CZK bn*	24	25	25	28	38	40	44	38	53	48
	% growth	-0.3	5.3	2.4	9.9	37.2	4.9	8.7	-12.2	37.6	-9.4
Capital taxes	*CZK bn*	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	% growth	10.0	54.5	70.6	-24.1	-45.5	191.7	-40.0	19.0	-8.0	4.3

[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 (2025b).

Table A.3: General Government Expenditure

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total expenditure	*CZK bn*	**1 940**	**1 907**	**1 992**	**2 197**	**2 377**	**2 696**	**2 840**	**3 031**	**3 346**	**3 454**
	% growth	4.7	-1.7	4.5	10.3	8.2	13.4	5.4	6.7	10.4	3.2
Compensation of employees	*CZK bn*	398	419	462	521	576	633	676	690	739	776
	% growth	4.8	5.4	10.1	12.8	10.5	10.0	6.8	2.1	7.0	5.0
Intermediate consumption	*CZK bn*	284	291	296	324	339	346	354	394	430	469
	% growth	3.5	2.8	1.7	9.4	4.6	2.1	2.4	11.3	9.2	9.0
Social benefits other than in kind [1)]	*CZK bn*	591	605	624	658	709	821	859	937	1 037	1 083
	% growth	2.6	2.5	3.1	5.5	7.7	15.8	4.7	9.1	10.6	4.4
Social transfers in kind	*CZK bn*	142	148	152	160	177	205	219	226	258	284
	% growth	1.4	4.3	3.1	4.7	10.9	15.8	7.1	2.9	14.2	10.1
Property income	*CZK bn*	49	44	38	40	40	44	46	79	99	108
	% growth	-13.0	-10.6	-14.8	6.4	1.2	7.9	4.8	72.4	25.5	8.7
Interest	*CZK bn*	49	44	38	40	40	43	46	78	99	107
	% growth	-12.7	-10.6	-14.3	5.6	1.2	8.0	5.1	72.0	25.7	8.8
Other property income	*CZK bn*	0	0	0	0	0	0	0	1	0	0
	% growth	-44.4	-1.8	-91.2	1042.9	6.3	-15.3	-31.9	165.8	-7.5	-19.9
Subsidies	*CZK bn*	105	108	110	119	128	173	200	151	207	156
	% growth	5.6	2.6	1.7	8.8	7.3	35.1	15.8	-24.7	37.0	-24.6
Gross fixed capital formation	*CZK bn*	236	156	171	224	253	277	287	320	370	377
	% growth	32.3	-34.1	9.8	31.3	12.6	9.6	3.8	11.2	15.9	1.7
Capital transfers [2)]	*CZK bn*	41	35	31	37	37	68	56	51	40	39
	% growth	-31.4	-13.8	-13.1	22.1	-2.4	84.9	-17.7	-7.5	-22.5	-1.8
Investment grants [3)]	*CZK bn*	15	13	15	23	18	22	23	27	26	24
	% growth	-19.1	-12.8	14.4	57.6	-20.3	18.1	7.7	15.4	-2.3	-9.7
Other capital transfers	*CZK bn*	26	23	16	14	18	46	32	24	13	15
	% growth	-36.7	-14.4	-28.8	-10.4	26.3	152.7	-29.8	-24.2	-44.9	13.8
Other expenditure	*CZK bn*	95	100	109	113	119	130	142	183	167	163
	% growth	6.6	5.6	9.0	3.5	5.9	8.6	9.5	28.5	-8.7	-2.5
Final consumption expenditure	*CZK bn*	**880**	**915**	**965**	**1 054**	**1 141**	**1 250**	**1 319**	**1 381**	**1 501**	**1 610**
	% growth	4.1	4.0	5.5	9.2	8.2	9.5	5.5	4.8	8.6	7.2
Collective consumption [4)]	*CZK bn*	407	425	446	486	516	543	547	581	632	672
	% growth	5.4	4.5	4.9	9.1	6.0	5.4	0.8	6.1	8.7	6.4
Individual consumption	*CZK bn*	473	490	519	568	625	706	771	800	869	937
	% growth	3.0	3.5	6.0	9.4	10.1	13.0	9.2	3.8	8.6	7.8

[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 (2025b), MF CR.

Table A.4: General Government Net Lending/Borrowing by Subsectors

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General government	*CZK bn*	**-31**	**33**	**76**	**48**	**17**	**-329**	**-312**	**-216**	**-286**	**-163**
Central government	*CZK bn*	-59	-21	26	8	-32	-345	-359	-282	-346	-205
Local governments	*CZK bn*	26	50	42	24	38	27	55	65	64	59
Social security funds	*CZK bn*	1.9	4.9	8.2	16.6	11.4	-11.7	-9.3	0.4	-4.3	-18.1

Source: CZSO (2025b).

Table A.5: General Government Debt by Instruments

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
General government debt	*CZK bn*	**1 836**	**1 755**	**1 750**	**1 735**	**1 740**	**2 150**	**2 567**	**2 998**	**3 234**	**3 488**
	% growth	0.9	-4.4	-0.3	-0.9	0.3	23.5	19.4	16.8	7.9	7.9
Currency and deposits	*CZK bn*	7	9	6	9	5	11	16	22	31	46
	% growth	-48.8	31.1	-35.6	47.0	-40.8	112.6	48.0	38.1	40.3	46.5
Securities other than shares	*CZK bn*	1 648	1 593	1 602	1 554	1 596	2 012	2 358	2 597	2 943	3 156
	% growth	1.6	-3.4	0.6	-3.0	2.7	26.1	17.2	10.2	13.3	7.2
Loans	*CZK bn*	181	153	141	172	139	127	193	378	260	287
	% growth	-0.9	-15.5	-7.4	21.8	-19.0	-8.9	51.8	96.1	-31.4	10.6

Note: Government debt consists of following financial instruments: currency and deposits, securities issued other than shares excluding financial derivatives and loans. It is expressed in the nominal value, which is considered equivalent to the face value. It is consolidated, i.e. the debt in holding of other subjects of the government sector is omitted.
Source: CZSO (2025b).

Table A.6: General Government Balance and Debt of EU Countries
in % of GDP

	Balance					Debt				
	2021	**2022**	**2023**	**2024**	**2025**	**2021**	**2022**	**2023**	**2024**	**2025**
EU27	-4.6	-3.2	-3.4	-3.1	.	86.7	82.3	80.5	80.7	.
EA20 [1)]	-5.1	-3.4	-3.5	-3.1	.	93.8	89.3	87.0	87.1	.
Austria	-5.7	-3.4	-2.6	-4.7	-4.5	82.4	78.1	77.8	79.9	81.6
Belgium	-5.4	-3.6	-4.0	-4.4	-5.9	108.7	103.4	102.4	103.9	107.5
Bulgaria	-4.0	-2.9	-2.0	-3.0	-3.0	23.8	22.5	22.9	23.8	28.9
Croatia	-2.6	0.1	-0.8	-1.9	-2.9	78.2	68.5	61.0	57.4	56.9
Cyprus	-1.6	2.7	1.7	4.1	3.3	96.5	80.3	71.1	62.8	55.4
Czech Republic [2)]	-5.0	-3.1	-3.7	-2.0	-1.9	40.7	42.5	42.2	43.3	43.9
Denmark	4.1	3.4	3.4	4.5	1.8	39.6	33.3	33.0	30.5	29.1
Estonia	-2.5	-1.0	-2.7	-1.7	-1.3	18.4	19.2	20.2	23.5	23.3
Finland	-2.7	-0.2	-2.9	-4.4	-4.3	73.1	74.0	77.1	82.5	86.9
France	-6.6	-4.7	-5.4	-5.8	-5.4	112.8	111.4	109.8	113.2	116.2
Germany	-3.2	-1.9	-2.5	-2.7	-3.3	67.9	64.4	62.3	62.2	65.0
Greece	-7.2	-2.6	-1.4	1.2	0.1	197.3	177.8	164.3	154.2	145.4
Hungary	-7.1	-6.2	-6.8	-5.0	-4.3	76.2	74.1	73.2	73.5	73.1
Ireland	-1.3	1.6	1.4	4.0	1.3	52.4	42.9	41.8	38.3	33.4
Italy	-8.9	-8.1	-7.2	-3.4	-3.0	145.8	138.4	133.9	134.9	136.2
Latvia	-7.2	-4.9	-2.4	-1.8	-2.9	45.9	44.4	44.4	46.6	48.9
Lithuania	-1.1	-0.7	-0.7	-1.3	-2.9	43.3	38.3	37.1	38.0	44.1
Luxembourg	1.1	0.2	-0.7	0.9	-0.8	24.2	24.9	24.7	26.3	26.8
Malta	-7.0	-5.3	-4.4	-3.5	-3.3	49.8	50.3	47.0	46.1	49.9
Netherlands	-2.3	0.0	-0.4	-0.9	-2.1	50.5	48.4	45.8	43.7	44.9
Poland	-1.7	-3.4	-5.2	-6.5	-6.9	53.0	48.8	49.5	55.1	59.8
Portugal	-2.8	-0.3	1.3	0.5	0.3	123.9	111.2	96.9	93.6	90.2
Romania	-7.2	-6.5	-6.7	-9.3	-8.4	48.6	48.1	49.3	54.8	59.5
Slovakia	-5.1	-1.6	-5.3	-5.5	-5.1	60.2	57.8	55.8	59.7	61.6
Slovenia	-4.6	-3.0	-2.6	-0.9	-2.4	74.8	72.8	68.3	66.6	66.0
Spain	-6.7	-4.6	-3.3	-3.2	-2.5	115.7	109.3	105.2	101.6	101.3
Sweden	-0.2	1.0	-0.9	-1.6	-1.4	37.2	34.1	32.0	34.0	35.1

[1)] 20 current member states – Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain.
[2)] Data for 2024 are based on the current estimate of MF CR.
Source: Eurostat (2025b).

Table A.7: Transactions of General Government of EU Countries in 2024

in % of GDP

	Revenue	Expenditure	Compen. of employees	Cash social benefits	Collective consumption [1]	Individual consumption	Investments[1]	Interest expenditure
European Union	46.0	49.2	10.2	16.4	8.1	13.3	3.7	1.9
Euro Area	46.4	49.5	9.9	16.8	8.0	13.4	3.5	1.9
Austria	50.5	55.2	11.3	19.6	7.7	13.9	3.9	1.5
Belgium	49.7	54.1	12.5	17.6	8.4	15.5	3.1	2.2
Bulgaria	36.1	39.2	11.3	12.8	9.1	10.7	3.2	0.5
Croatia	46.1	48.0	13.0	12.7	10.9	12.1	5.2	1.6
Cyprus	42.4	38.3	11.2	12.0	7.8	10.6	2.8	1.2
Czech Republic	40.8	42.9	9.6	13.4	8.3	11.6	4.7	1.3
Denmark	51.8	47.3	14.3	14.3	7.0	15.9	3.2	0.8
Estonia	42.2	44.0	12.2	12.6	8.8	12.2	6.2	0.6
Finland	53.4	57.8	13.4	19.0	7.2	18.9	4.4	1.6
France	51.4	57.3	12.4	19.2	8.5	15.6	4.3	2.1
Germany	46.8	49.4	8.3	16.4	8.4	13.5	3.1	1.1
Greece	49.5	48.2	10.4	16.7	9.6	9.0	3.6	3.5
Hungary	42.1	47.1	10.3	10.8	11.1	9.4	4.3	4.9
Ireland	26.4	22.4	6.0	5.7	3.9	8.1	2.6	0.6
Italy	47.1	50.4	9.0	20.3	7.4	10.7	3.6	3.9
Latvia	43.8	45.6	13.2	12.6	10.7	11.2	6.3	1.1
Lithuania	38.1	39.4	11.6	12.9	7.3	11.5	4.2	0.8
Luxembourg	47.7	46.8	11.1	16.2	7.6	11.5	4.6	0.3
Malta	34.0	37.5	9.7	7.0	7.0	10.0	3.2	1.2
Netherlands	43.5	44.4	8.7	10.5	8.4	17.4	3.3	0.7
Poland	43.0	49.4	11.7	17.0	9.2	11.6	4.8	2.2
Portugal	43.1	42.6	10.5	16.0	6.8	10.1	2.7	2.1
Romania	34.2	43.6	11.2	12.9	10.4	8.1	5.9	2.4
Slovakia	42.0	47.5	11.4	17.2	11.0	10.1	3.6	1.4
Slovenia	45.5	46.5	11.3	15.5	7.6	12.8	5.1	1.3
Spain	42.3	45.5	10.8	16.9	7.7	11.6	2.7	2.4
Sweden	49.2	50.7	12.7	11.6	7.4	19.2	5.5	0.7

[1)] Gross fixed capital formation.

[2)] 20 current member states – Austria, Belgium, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain.

Source: Eurostat (2025a).

B Glossary

Accrual methodology means that economic transactions are recorded at the time an economic value is created, transformed or cancelled or when amounts due or claims increase or decrease, regardless of when the transaction will be paid (unlike the cash principle employed in the budgeting process of the state budget).

Capital transfers include acquisition or loss of an asset without equivalent consideration. They may be made in cash or in kind.

Cash social benefits are social security benefits (e.g. pensions, social welfare benefits) paid out from the government to households.

Compensation of employees is composed of wages and salaries incl. accessories, i. e. contributions paid by employers (social security contributions or other contributions such as the Cultural and Social Needs Fund). This is a component of the final consumption of the general government.

Cyclically adjusted balance of the general government sector is used to identify the fiscal policy stance because it does not include impact of those parts of revenues and expenditures which are generated by the position of the economy in the business cycle.

Discretionary measures are direct interventions of the government in the structure of general government revenue and expenditure.

Government **final consumption expenditure** includes government payments which are subsequently used for consumption of individuals in the household sector (mainly reimbursement of healthcare by health insurance companies for services provided by medical facilities) or they are consumed by the entire society (such as expenditure on army, police, judiciary, state administration, etc.).

Fiscal effort is an annual change in the structural balance indicating expansive of restrictive fiscal policy in a given year.

Fiscal impulse is used to assess the impact of the government's fiscal policy on economic growth. It is usually expressed in annual terms, where a decrease in certain government revenues or an increase in certain government expenditures represents a positive impulse, and an increase in certain revenues or a decrease in certain expenditures represents a negative impulse. The basis for calculation of the fiscal impulse is the YoY change in the cyclically-adjusted balance with the opposite sign, adjusted for: interest payments, income from EU Funds, financial mechanisms and contributions to the EU budget and certain one-off and temporary measures. See also MF CR (2015).

The **general government sector** is defined by internationally harmonized rules at the EU level. In the CR, the general government sector includes, in the ESA 2010 methodology, three main subsectors: central government, local government and social security funds.

Government Deficit and Debt Notification is quantification of fiscal indicators submitted by each EU Member State twice a year to the European Commission, according to the Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, as amended. It is compiled for the general government sector using the accrual methodology. The Czech Statistical Office processes data for the past four years *t–4* to *t–1*; MF CR supplies prediction for the current year *t*. Notification includes a basic set of notification tables, which include mainly key indicators such as balance and debt, including explanations of the link to balance in the national methodology as well as a number of additional questionnaires such as a table of state guarantees, etc.

Gross fixed capital formation expresses net acquisition of fixed capital, i.e. its acquisitions less disposals, achieved by production activities of production and institutional units. It represents investment activities of units.

Intermediate Consumption is a component of the final consumption of the general government and contains the general government purchase of goods and services, which are consumed in the given time period.

Medium-Term Objective (MTO) is expressed in the structural balance and implies long-term sustainability of public finance of the country. For the CR it currently corresponds to the level of structural balance of −0.75% of GDP.

One-off and other temporary operations are measures on the expenditure or revenue side which only have a temporary impact on general government balance, and they often stem from events outside the direct control of the government (e.g. expenditures on removing the consequences of floods).

Output gap is the difference between real and potential product (often expressed as a ratio to potential product). It determines the position of the economy in the business cycle.

Social transfers in kind reflect the value of goods and services provided particularly in the form of health and social care, education, housing. They are mostly in-kind benefits related to the health insurance (amounts for medical devices, medical or dental treatment, surgery, etc.), funded by health insurance companies to those, who provide these goods and services. They are a component of the final consumption of the general government.

Subsidies are current non-repayable payments made by the government sector or European Union institutions to resident producers.

Structural balance is the difference between cyclically adjusted balance, and one-off and temporary operations (for both components see above).

General government **tax revenue** is divided into consumption, labour and capital taxation. Consumption taxation is mainly represented by value-added and excise taxes, as well as import duties, gambling taxes, certain other items of product taxes, pollution taxes and household licence payments. Labour taxation consists of personal income tax and social and health insurance contributions. Capital taxation includes, in addition to corporate income tax, taxes on financial transactions, certain items of taxes on production and current taxes on capital.

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
November 2015	Fiscal Impulse Fiscal Framework Reform in the Czech Republic
November 2016	Long-term Projections of Public Expenditure on Health Care
November 2017	Fiscal Councils
November 2019	Proposal for the New EU Fiscal Rule
January 2021	Measures to support the Economy in Response to the COVID-19 Pandemic
November 2021	EU Funds and their Impact in the Czech Republic
November 2022	Participation Rates and Setting up of Social Systems
November 2023	Consolidation Package
November 2024	New EU Fiscal Framework and its Domestic Implications
November 2025	New EU fiscal rule in light of current threats

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

Published	Box Topic
May 2015	Box 1: Expansion of the General Government Sector
November 2015	Box 1: Expansion of the General Government Sector Box 2: Czech Economy Growth and the Tax Revenue Development in 2015 Box 3: Expenditure Rule Technique
November 2016	Box 1: Effect of Supply Factors on Health-Care Expenditure
November 2017	Box 1: Requirements of Directive 2011/85/EU and Regulation No. 473/2013 on establishment of national fiscal councils Box 2: Selected recommendations of the European Fiscal Board for the implementation of fiscal policy and public budgeting in the euro-area countries for 2018
November 2018	Box 1: Changes in the Methodical Classification of Certain Revenue and Expenditure of General Government Sector Box2: National Methodology for the Classification of One-off and Other Temporary Measures
November 2019	Box 1: Healthy Ageing Box 2: Pension Expenditure in the CR and EU Member States Box 3: Excluding Specific Items from Expenditure Rules
January 2021	Box 1: Reaction of the Euro area Yield Curve of the Government Bonds on the ECB's measures Box 2 OECD Conclusions in the Review of the Pension System of the Czech Republic Box 3: Selected Studies to prevent the Spread of the Disease and mitigate the Economic Impact Box 4: Temporary Framework for State Aid Measures to support Economy Affected by COVID-19
November 2021	Box 1: Yield "Anomaly" on the Bond Market in EU Countries
November 2022	Box 1: Annual Update of Eurostat's Demographic Projections Box 2: Analysis of Factors affecting the Labour Market Position of Women with Children
November 2025	Box 1: Net expenditure path calculation and control account derivation Box 2: Practical calculation of the cumulated balance of an "augmented" control account

Ministry of Finance of the Czech Republic
Economic Policy Department
Letenská 15
118 10 Prague 1

http://www.mfcr.cz