

**Ministry of Finance**  
Department for Financial Policy

# **Fiscal Outlook**

## **of the Czech Republic**

**May 2011**

**Fiscal Outlook of the Czech Republic**

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# Table of Contents

<b>Introduction .....</b>	<b>1</b>
<b>1 Economic Development and Fiscal Policy .....</b>	<b>2</b>
1.1 Macroeconomic Development .....	2
1.2 Intentions of Fiscal Policy .....	3
<b>2 Development of Public Finances .....</b>	<b>6</b>
2.1 Public Finances – GFS 2001 Methodology .....	6
2.2 Public Finances – ESA 95 Methodology .....	8
2.3 International Comparison .....	13
<b>3 Sources .....</b>	<b>15</b>
<b>4 Annex of Tables – GFS 2001 Methodology .....</b>	<b>16</b>
<b>5 Annex of Tables – ESA 95 Methodology .....</b>	<b>22</b>
5.1 Revenue .....	22
5.2 Expenditure .....	27
5.3 Balance .....	30
5.4 Debt .....	30
5.5 International Comparison .....	32

The Fiscal Outlook of the CR is published by the Department for Financial Policies MF CR with a half-year periodicity (published generally at the end of May and October). It contains forecast of the current and next year (i.e. up to 2012) and also the outlook of some economic indicators to the following 2 years (i.e. up to 2014). The Outlook is available on internet pages of MF CR at:

***<http://www.mfcr.cz/fiscaloutlook>***

As an integral part of the Fiscal Outlook stands the Methodological Manual, which defines, specifies and explains terms, methods and statistics used in the Outlook. The Manual can be downloaded at:

***[http://www.mfcr.cz/cps/rde/xbcr/mfcr/Methodological\\_Manual.pdf](http://www.mfcr.cz/cps/rde/xbcr/mfcr/Methodological_Manual.pdf)***

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

***[Fiscal.Outlook@mfcr.cz](mailto:Fiscal.Outlook@mfcr.cz)***

## List of Tables

Table 1.1: Main Macroeconomic Indicators .....	3
Table 1.2: Fiscal Policy Stance (ESA 95) .....	4
Table 1.3: Fiscal Consolidation Structure (2012–2014) .....	4
Table 1.4: General Government Expenditure and Revenue Outlook .....	5
Table 2.1: General Government Revenue .....	11
Table 2.2: General Government Expenditure .....	11
Table 2.3: Balance of General Government and of Subsectors .....	12
Table 2.4: Debt of General Government and of Subsectors .....	12
Table 2.5: Stock-flow Adjustment .....	12
Table 4.1: Consolidated General Government – Revenue .....	16
Table 4.2: Consolidated General Government – Revenue .....	17
Table 4.3: Consolidated General Government – Expenditure .....	18
Table 4.4: Consolidated General Government – Expenditure .....	18
Table 4.5: Consolidated General Government – Balance .....	19
Table 4.6: Consolidated General Government – Balance .....	19
Table 4.7: General Government Balance Structure .....	19
Table 4.8: Fiscal Targeting Balance Structure .....	19
Table 4.9: Consolidated General Government – Sources and Use .....	20
Table 4.10: Consolidated General Government – Debt .....	20
Table 4.11: Consolidated General Government – Debt .....	21
Table 5.1: General Government Revenue .....	22
Table 5.2: General Government Revenue .....	23
Table 5.3: General Government Tax Revenue and Social Contributions .....	24
Table 5.4: General Government Tax Revenue and Social Contributions .....	25
Table 5.5: Central Government Revenue .....	25
Table 5.6: Local Government Revenue .....	26
Table 5.7: Social Security Funds Revenue .....	26
Table 5.8: General Government Expenditure .....	27
Table 5.9: General Government Expenditure .....	28
Table 5.10: Central Government Expenditure .....	28
Table 5.11: Local Government Expenditure .....	29
Table 5.12: Social Security Fund Expenditure .....	29
Table 5.13: General Government Net Lending/Borrowing by Subsectors .....	30
Table 5.14: General Government Net Lending/Borrowing by Subsectors .....	30
Table 5.15: General Government Debt by Subsectors and Instruments .....	30
Table 5.16: General Government Debt by Subsectors and Instruments .....	31
Table 5.17: General Government Balance and Debt of EU Countries .....	32
Table 5.18: Transactions of General Government of EU Countries in 2011 .....	33

## List of Charts

Graph 2.1: Public Budget Balance .....	6
Graph 2.2: General Government Balance in Selected EU Countries (2008–2011) .....	13
Graph 2.3: General Government Debt in Selected EU Countries (2008–2011) .....	14

## List of Abbreviations

CNB .....	Czech National Bank
CP .....	Convergence Programme of the Czech Republic
c.p. ....	current prices
CZK .....	Czech crown currency code
CZSO .....	Czech Statistical Office
EDP .....	Excessive Deficit Procedure
EDP B.9 .....	Net lending/borrowing of the general government applied under EDP
ESA 95 .....	European System of Accounts (1995)
EU, EU27 .....	European Union (EU27 coverage)
EUR .....	euro currency code
GFS 2001 .....	Government Finance Statistics Manual 2001
GDP .....	gross domestic product
LFS .....	Labour Force Survey
MF CR .....	Ministry of Finance of the Czech Republic
p.a. ....	<i>per annum</i> (per year)
p.p. ....	percentage point
s.p. ....	constant (stable) prices
USD .....	US dollar currency code
VAT .....	value added tax

## 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 March 28, 2011 release, fiscal data to the April 11, 2011 release and international fiscal data to the April 26, 2011 release, respectively.

## Note

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

# Introduction

In 2011, a number of ex-ante coordination procedures of economic policies in the European Union were initiated. A six-month-long framework will be launched every year at the beginning of January during which the fiscal and structural policies of the Member States will be monitored in order to uncover any inconsistencies in the proposed policies and looming macroeconomic imbalances. This new European governance setup will result in a collection of strategic recommendations that are expected to be taken into account in the preparation stage of national public budgets for the next year.

The Member States ought to include their intended medium term objectives into their Convergence Programmes (or Stability Programmes for euro area countries) and into their National Reform Programmes. According to the current timeline, these documents are submitted to the European Commission by the end of April.

It follows that the spring Fiscal Outlooks of the Czech Republic (FO) would always, to some extent, duplicate the information about the future development of the government sector contained in the Convergence Programme of the Czech Republic (CP). Therefore, we have changed the format of the May Fiscal Outlook which will from now on complement the Convergence Programme. Parties interested in the development of public finances will have the opportunity to acquire additional information, in particular about the current and prior year both in terms of the accrual and the cash methodology, the later of which is not encompassed in the CP. Furthermore, the international comparison section and extended statistical annex are preserved in the spring edition.

The aforementioned change will not affect the October edition of the FO that will be published in its full scope and standard structure. The autumn FO will put additional emphasis on the semiannual evaluation of realized measures of fiscal policy. More specifically, it will determine whether these measures are in line with the CP and to what extent these new policies will affect the budget balance of the government sector.

The current issue of the FO thus comes in this slightly modified form. The April Macroeconomic Forecast of MF CR is an indispensable element in analyzing and predicting the development of public finances. According to the Forecast, the Czech economy experiences a moderate economic recovery. Although the growth of main export markets was quite high in 2010, the Czech economy grew by only 2.3% in real terms in 2010. When taking into account all relevant factors, the GDP growth this year and next year is seen as moderate. Nevertheless, the future trend shows acceleration towards 4% growth in 2014. The next chapter contains more information about the main macroeconomic aggregates.

The current setup of fiscal policy described in Sub-Chapter 1.2 reflects the government approved consolidation effort in terms of goals for government sector deficits as a percentage of GDP and for other parameters of the government sector related to the deficit-to-GDP-ratio in the future. The chapter also depicts the expected development of main revenue and expenditure categories and the structure of consolidation measures in 2012–2014.

Chapter 2 presents the development of public finances in the current and last year in both accounting methodologies. The sub-chapter in terms of the GFS 2001 methodology derives its revenue and expenditure parameters from approved budgets of the central government and from the 2010 year-end report. The sub-chapter in terms of the ESA 95 methodology is based on the April fiscal notification published by the Czech Statistical Office (CZSO) in collaboration with MF CR and notified by Eurostat.

Since the scope of the current edition of the Fiscal Outlook has been changed, the thematic chapter has been omitted and more attention will be paid to the statistical annex. The statistical annex is now available for download in the MS Excel format where additionally we provide long consistent time series of government sector variables in terms of ESA 95.

The topic of the European Semester and other significant changes with respect to coordinating economic policies in the EU will be dealt with in more detail in an information report of MF CR at the end of summer. This is when all the measures will be approved by the European Parliament and when the final structure of the new economic coordination process will be known.

# 1 Economic Development and Fiscal Policy

## 1.1 Macroeconomic Development

The Czech economy emerged from recession by mid 2009 and is now in the phase of a moderate recovery. The economic agents have thus far not fully renewed their confidence in future dynamic growth, which will be dammed a little by the current fiscal consolidation effort. However, the principal sources of risk for the future economic development of the small open economy lie in the external environment. At this point, uncertainty on the financial markets with government bonds of some euro area countries with possible repercussions in the banking sector is the greatest danger to the fragile economic recovery. Risk assessment of these events is not possible at present. Rising world commodity prices are another potential threat to the economic recovery.

According to the current estimates of the CZSO, GDP grew by 2.3% in 2010. That is a growth rate 0.1p.p. higher than what was predicted in the last FO (see Table 1.1). Fiscal consolidation reduces domestic demand and shifts the main source of growth to the balance of trade with goods and services. In 2011, we expect economic growth to slow to 1.9%. Apart from foreign trade, this year's growth should, to a lesser degree, originate in gross capital formation. From 2012 on, real GDP growth should accelerate albeit less than formerly expected. In 2012, GDP should grow by 2.3% and by 2014 growth should accelerate towards 4%.

Household consumption was a stabilizing feature of GDP in the time of the recent recession. However in 2010–2012, household consumption was and will be affected by fiscal consolidation measures. In particular, VAT rates were raised by 1p.p. in 2010, the wage bill in the government sector was reduced in 2011, and the reduced VAT rate will climb from 10% to 14% in 2012.

Consolidation of public finances in 2011–2013 will also result in a sustained decline of government consumption. This decline of government consumption will be comprised of a decline and subsequent moderate growth in the government sector wage bill, a decline in government employment, and a reduction of government purchases of goods and services.

Investment activity that declined significantly in 2008–2010 should also gradually recover. Structural reforms put in place, renewed confidence in future economic growth, gradual rise in the utilization of the production capacity, and accelerated utilization of funds from the Structural Funds and the Cohesion Fund should

boost future growth. Foreign direct investment is also expected to rise, albeit moderately. We assume that a decisive proportion of newly installed production capacity will be still predominantly export oriented.

The trade balance of goods and services contributed 1.0p.p. in real terms to GDP growth in 2010. Foreign demand should contribute to economic growth in the future as well. The contribution of foreign trade to GDP growth should decline from 1.8p.p. in 2011 to 0.2p.p. in 2014 as a result of recovering domestic demand.

The Czech economy can be characterized as low inflationary from a long term point of view, with the noted exception of 2008. Inflation expectations are firmly anchored in the vicinity of the inflation target. This is due to the credibility of the CNB, the high degree of competition on the domestic market, the tendency of the Czech Crown (CZK) to appreciate, and to the moderated growth in unit labour costs.

In 2010, the inflation rate based on consumer prices reached 1.5% in accord with our forecast. In 2011, we expect consumer prices growth at slightly above 2% that is in the close vicinity of the inflation target of the CNB. Higher world fossil fuel and food prices are the main source of risk in the near future. Changes of indirect taxes, especially the VAT with a 1.2p.p. contribution, will add to the expected one-off rise in inflation above 3% in 2012.

In the time horizon of the outlook, the number of people in working age will start to slightly decline because of population ageing. Rising labour force participation, a result of structural reforms implemented to motivate the labour force, should offset the unfavourable demographic factors

We expect the situation on the labour market to gradually improve. After two years of decline, employment (LFS) should rise by 0.2% in 2011 and 0.5% in 2012. For the following years, we expect a very moderate rise in the growth of employment up to 0.7% in 2014 corresponding to the intensity of the economic recovery and growth in labour productivity. The unemployment rate should reach 6.9% this year. In the following years, it should decline to 5.5% in 2014. After two years of stagnation, the wage bill should rise by 2.1% this year. In subsequent years, wages and salaries should grow more dynamically in accord with the growth of nominal GDP, by almost 6% in 2014.



The current account deficit should stay on a sustainable level. Nevertheless, the prediction is burdened by

increased uncertainty due to the continuing revision of estimates.

**Table 1.1: Main Macroeconomic Indicators**

		2010	2011	2012	2013	2014	2011	2012	2013
		Actual	Forecast and outlook				October 2010 Fiscal Outlook		
<b>Gross domestic product</b>	<i>bn CZK, c.p.</i>	3670	3718	3904	4095	4335	3812	4017	4239
	<i>% growth, s.p.</i>	2.3	1.9	2.3	3.3	4.0	2.0	3.2	3.8
<b>Private consumption</b>	<i>% growth, s.p.</i>	0.5	0.7	1.9	3.3	4.2	1.5	2.9	3.5
<b>Government consumption</b>	<i>% growth, s.p.</i>	0.3	-3.4	-2.5	-1.3	0.1	-4.5	-0.8	-1.1
<b>Gross fixed capital formation</b>	<i>% growth, s.p.</i>	-4.6	0.7	3.2	5.6	7.2	1.3	3.6	5.6
<b>Contr. of net exports to GDP growth</b>	<i>p.p., s.p.</i>	1.0	1.8	1.1	0.6	0.2	1.5	0.9	1.0
<b>GDP deflator</b>	<i>% growth</i>	-1.1	-0.5	2.7	1.6	1.8	1.3	2.1	1.6
<b>Inflation</b>	<i>in %</i>	1.5	2.1	3.2	1.5	2.0	2.2	2.3	2.0
<b>Employment (LFS)</b>	<i>% growth</i>	-1.0	0.2	0.5	0.6	0.7	0.8	0.6	0.7
<b>Unemployment rate (LFS)</b>	<i>average in %</i>	7.3	6.9	6.5	6.1	5.5	7.2	7.0	6.5
<b>Wages and salaries</b>	<i>% growth, c.p.</i>	0.1	2.1	4.4	4.9	5.9	3.4	5.4	5.5
<b>Current account to GDP ratio</b>	<i>in %</i>	-3.8	-4.0	-3.4	-3.6	-4.1	-1.1	-1.5	-2.0
<b>Assumptions:</b>									
<b>Exchange rate CZK/EUR</b>		25.3	24.1	23.5	22.8	22.2	24.2	23.5	22.8
<b>Long-term interest rates</b>	<i>% p.a.</i>	3.7	4.1	4.3	4.3	4.3	3.9	3.8	3.8
<b>Crude oil Brent</b>	<i>USD/barrel</i>	79.7	95.0	95.5	96.8	93.3	84.0	87.3	82.3
<b>GDP in Eurozone EA-12</b>	<i>% growth, s.p.</i>	1.7	1.7	2.0	2.3	2.3	1.5	2.0	2.3

Source: MF CR (2010a), MF CR (2011b).

## 1.2 Intentions of Fiscal Policy

The goals of fiscal consolidation, committed to by the Czech Republic in the April edition of the Convergence Programme (MF CR, 2011a), confirm the trajectory of government sector deficit to GDP ratio on 3.5% in 2012 and 2.9% in 2013. On the contrary, the goal for the deficit was decreased from 4.6% of GDP to 4.2% of GDP for 2011 because of a better-than-expected general government balance in 2010. The CP from January 2010 (MF CR, 2010b) originally expected the general government balance at -5.3% of GDP. In the October edition of the Fiscal Outlook (MF CR, 2010a) we adjusted the forecast to -5.1% and at the beginning of January 2011 we estimated the result for 2010 at -4.7% of GDP, which is almost the currently published figure. The reasoning behind the notified balance for 2010 is discussed in the following chapter.

For 2014, the government approved a new goal for the balance at -1.9% of GDP on April 20, 2011. According to current trend, it remains that by 2016 the general government budget should be balanced.

Table 1.2 summarizes the deficit trajectories and the necessary fiscal effort. It follows that structural balance will have to be reduced on average by 0.6% of GDP this and subsequent years so that the target can be reached in 2014.

The fiscal targets for 2011–2014 should at the same time aim at reaching the medium term objective

(MTO) that is defined in the Stability and Growth Pact. The medium term objective is defined as structural balance in percent of GDP for all Member States. The reference value for the Czech Republic was set at -1.0% of GDP. Taking into account the current setting of fiscal policy, the output gap estimate, and the proposed continuation of the consolidation strategy beyond the current Fiscal Outlook, the medium term objective will probably be attained around 2016.

The Consolidation Strategy of the government takes into consideration the recommendations of the EU Council (2009) to reduce the general government budget deficit below 3% of GDP by 2013 in a credible and sustainable manner and to commence fundamental reforms leading to diversification of financial security in old age and to diversified financing of health care provision. Moreover, the following reforms are being prepared: the reform of direct taxes and contributions, the reform of labour market and of the social benefits systems, the reform of tertiary education financing and the reform of science and R&D financing. Furthermore, it is necessary to mention the intention to make the public administration simpler, more efficient and more transparent. At present, the project of creating a single payment point is in its final stages. In the coming years, the project of the state treasury will be completed. For further information, interested

readers should refer to the current Convergence Programme of the Czech Republic (MF CR, 2011a).

The structure of the consolidation measures during 2012–2014 is depicted in Table 1.3. It is obvious that the balance is tilted towards measures on the revenue side in 2012, particularly the impact of the increase in the reduced VAT rate as a source of financing of the transformation costs of the pension system reform. From 2013 onwards, the revenue side of the budget will be negatively affected by the shortfall of contributions towards social security insurance from persons that have decided to partially withdraw from the pay-as-you-go system of retirement insurance. The measures related to the reform of direct taxes and contributions would also *ceteris paribus* worsen the general government deficit. In contrast to the discussed years, measures on the expenditure side of the general government budget are accentuated in 2014. Reforms aimed at making the government sector more efficient

should also favourably affect the expenditure side beginning in 2013.

Development of social benefit payments from 2013 onwards is mainly driven by an increase in the reduced VAT rate that should significantly contribute to the growth of consumer prices in 2012. In 2013, the impact of altered tax rates on the growth of consumer prices should be more or less nil. Higher growth of prices will thus be compensated ex-post through valorisation of principal social benefits. Higher inflation will also result in higher public expenditure (e.g. medicines) and other goods necessary for operating the public administration.

On average, the annual magnitude of the consolidation measures in 2012–2014 is estimated at slightly below 30 billion CZK. The years of the fiscal outlook are sorted by the revenue and expenditure side and summarized into main categories in Table 1.4.

**Table 1.2: Fiscal Policy Stance (ESA 95)**

(in % of GDP, Change in structural balance in p.p.)

	2008	2009	2010	2011	2012	2013	2014
<b>General government balance</b>	<b>-2.7</b>	<b>-5.9</b>	<b>-4.7</b>	<b>-4.2</b>	<b>-3.5</b>	<b>-2.9</b>	<b>-1.9</b>
Cyclical component	0.8	-0.9	-0.7	-0.8	-0.7	-0.5	-0.3
One-off and other temporary measures	-0.1	0.3	0.0	-0.3	-0.3	0.0	0.0
Structural balance	-3.5	-5.3	-4.0	-3.1	-2.5	-2.3	-1.6
<b>Change in structural balance</b>	<b>-2.0</b>	<b>-1.8</b>	<b>1.3</b>	<b>0.9</b>	<b>0.6</b>	<b>0.2</b>	<b>0.7</b>

Source: CZSO (2011b), MF CR (2011a).

**Table 1.3: Fiscal Consolidation Structure (2012–2014)**

		2012	2013	2014
<b>Total revenue</b>	<i>bn CZK</i>	<b>31.5</b>	<b>12.4</b>	<b>3.8</b>
Direct taxes	<i>bn CZK</i>	3.1	-32.9	-46.0
Indirect taxes	<i>bn CZK</i>	27.0	31.9	33.4
Other revenues	<i>bn CZK</i>	1.4	13.4	16.4
<b>Total expenditure</b>	<i>bn CZK</i>	<b>0.4</b>	<b>15.8</b>	<b>20.9</b>
Social benefits	<i>bn CZK</i>	-0.4	-4.1	-4.1
Public sector reform	<i>bn CZK</i>	0.4	24.6	30.0
Other expenditures	<i>bn CZK</i>	0.4	-4.7	-5.0
<b>Total impact on balance</b>	<i>bn CZK</i>	<b>31.9</b>	<b>28.2</b>	<b>24.7</b>
	<i>% GDP</i>	0.8	0.7	0.6

Source: MF CR (2011a). MF CR calculations.

**Table 1.4: General Government Expenditure and Revenue Outlook**

		2010	2011	2012	2013	2014
<b>Total revenue</b>	<i>bn CZK</i>	<b>1488</b>	<b>1563</b>	<b>1650</b>	<b>1684</b>	<b>1737</b>
	<i>% growth</i>	2.3	5.0	5.6	2.1	3.2
<b>Tax revenue</b>	<i>bn CZK</i>	<b>683</b>	<b>734</b>	<b>785</b>	<b>792</b>	<b>817</b>
	<i>% growth</i>	0.5	7.4	7.0	0.9	3.2
<b>Taxes on production and imports</b>	<i>bn CZK</i>	<b>422</b>	<b>447</b>	<b>489</b>	<b>507</b>	<b>520</b>
	<i>% growth</i>	1.9	6.0	9.4	3.6	2.5
<b>Value added tax</b>	<i>bn CZK</i>	<b>259</b>	<b>275</b>	<b>308</b>	<b>325</b>	<b>341</b>
	<i>% growth</i>	1.9	6.2	12.2	5.4	4.9
<b>Excise taxes</b>	<i>bn CZK</i>	<b>138</b>	<b>144</b>	<b>153</b>	<b>154</b>	<b>150</b>
	<i>% growth</i>	0.9	3.7	6.7	0.5	-2.5
<b>Current taxes on income, wealth, etc.</b>	<i>bn CZK</i>	<b>261</b>	<b>282</b>	<b>291</b>	<b>285</b>	<b>297</b>
	<i>% growth</i>	-1.8	8.0	3.3	-2.3	4.4
<b>Personal income tax</b>	<i>bn CZK</i>	<b>131</b>	<b>148</b>	<b>142</b>	<b>135</b>	<b>144</b>
	<i>% growth</i>	1.7	12.8	-4.2	-4.7	6.3
<b>Corporate income tax</b>	<i>bn CZK</i>	<b>125</b>	<b>131</b>	<b>144</b>	<b>144</b>	<b>148</b>
	<i>% growth</i>	-5.3	4.4	10.5	0.0	2.6
<b>Capital taxes</b>	<i>bn CZK</i>	<b>0</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>
	<i>% growth</i>	0.9	1881.0	0.4	-94.7	1.0
<b>Social contributions</b>	<i>bn CZK</i>	<b>578</b>	<b>588</b>	<b>617</b>	<b>635</b>	<b>653</b>
	<i>% growth</i>	3.3	1.7	5.1	2.9	2.7
<b>Property income</b>	<i>bn CZK</i>	<b>30</b>	<b>28</b>	<b>31</b>	<b>34</b>	<b>36</b>
	<i>% growth</i>	-2.7	-5.8	10.7	8.8	5.4
<b>Other</b>	<i>bn CZK</i>	<b>197</b>	<b>213</b>	<b>216</b>	<b>222</b>	<b>231</b>
	<i>% growth</i>	6.9	8.3	1.3	2.9	3.9
<b>Total expenditure</b>	<i>CZK bn</i>	<b>1658</b>	<b>1715</b>	<b>1783</b>	<b>1801</b>	<b>1818</b>
	<i>% growth</i>	-0.5	3.4	4.0	1.0	1.0
<b>Final consumption expenditure</b>	<i>CZK bn</i>	<b>800</b>	<b>784</b>	<b>784</b>	<b>788</b>	<b>798</b>
	<i>% growth</i>	0.1	-2.0	0.0	0.5	1.2
<b>Collective consumption</b>	<i>CZK bn</i>	<b>389</b>	<b>375</b>	<b>364</b>	<b>365</b>	<b>370</b>
	<i>% growth</i>	-0.7	-3.6	-2.8	0.1	1.4
<b>Individual consumption</b>	<i>CZK bn</i>	<b>411</b>	<b>410</b>	<b>420</b>	<b>424</b>	<b>428</b>
	<i>% growth</i>	0.8	-0.4	2.6	0.9	1.0
<b>Social benefits in kind</b>	<i>CZK bn</i>	<b>222</b>	<b>223</b>	<b>223</b>	<b>224</b>	<b>226</b>
	<i>% growth</i>	1.5	0.3	0.2	0.5	0.5
<b>Transfers of individual non-market goods and services</b>	<i>CZK bn</i>	<b>189</b>	<b>187</b>	<b>197</b>	<b>199</b>	<b>202</b>
	<i>% growth</i>	-0.1	-1.2	5.5	1.2	1.5
<b>Social transfers other than in kind</b>	<i>CZK bn</i>	<b>510</b>	<b>524</b>	<b>541</b>	<b>566</b>	<b>578</b>
	<i>% growth</i>	1.6	2.6	3.4	4.5	2.1
<b>Interest</b>	<i>CZK bn</i>	<b>51</b>	<b>64</b>	<b>65</b>	<b>67</b>	<b>69</b>
	<i>% growth</i>	7.8	24.8	2.6	2.0	3.7
<b>Subsidies</b>	<i>CZK bn</i>	<b>71</b>	<b>76</b>	<b>80</b>	<b>81</b>	<b>82</b>
	<i>% growth</i>	-6.8	6.9	5.0	2.1	1.0
<b>Gross fixed capital formation</b>	<i>CZK bn</i>	<b>170</b>	<b>186</b>	<b>203</b>	<b>202</b>	<b>197</b>
	<i>% growth</i>	-10.4	9.4	9.1	-0.7	-2.2
<b>Other</b>	<i>CZK bn</i>	<b>56</b>	<b>81</b>	<b>109</b>	<b>97</b>	<b>94</b>
	<i>% growth</i>	10.6	45.5	33.9	-11.0	-2.9
<b>Compensation of employees</b>	<i>CZK bn</i>	<b>294</b>	<b>280</b>	<b>282</b>	<b>279</b>	<b>281</b>
	<i>% growth</i>	0.0	-4.5	0.4	-1.0	0.8
<b>Total social transfers</b>	<i>CZK bn</i>	<b>733</b>	<b>747</b>	<b>765</b>	<b>790</b>	<b>804</b>
	<i>% growth</i>	1.6	1.9	2.4	3.3	1.7

Source: CZSO (2011b), MF CR (2011a).

## 2 Development of Public Finances

### 2.1 Public Finances – GFS 2001 Methodology

The fundamental differences between the currently and formerly used methodologies are summarized in the Methodological Manual to the Fiscal Outlook.

#### 2.1.1 Public Budgets in 2010

Data on public budget balances in some revenue and expenditure items are up to 2010 not fully comparable with the supporting budget documents. Comparing budgeted and realized revenues, expenditures and balance, the text focuses on comparing items and variables with methodologically similar content. Data on economic reality are completely methodologically consistent within the stated time series.

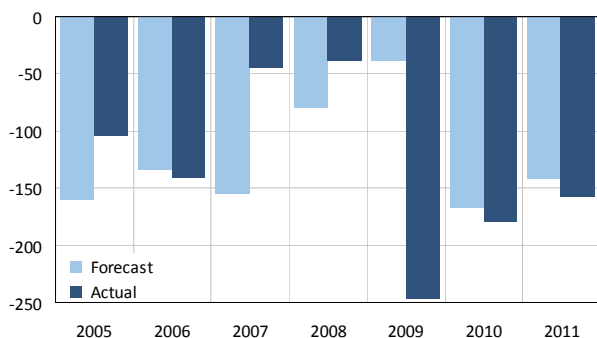
On the basis of updated data, the **balance of public budgets** (equivalent to the formerly published balance without net lending in the GFS 1986 methodology) was –179.8 billion CZK in absolute terms and –4.9% of GDP in relative terms in 2010. In comparison with the Act on the State Budget of the Czech Republic, the deficit was higher by 13.2 billion CZK. This result was the second worst attained balance of public budgets in the history of the Czech Republic after the record deficit in 2009.

Graph 2.1 compares the assumed (in the supporting budget documents) and final balances in 2005–2010 and the expected deficit in 2011.

Year-on-year, a marked reduction in the public budgets deficit (67.7 billion CZK) was realized. This was given by the measures on the revenue and expenditure side that were instrumental in boosting revenue growth and reducing expenditure. Primarily, the state budget deficit was reduced, but local budgets also developed favourably as they emerged from deficits to essentially balanced budgets.

**Graph 2.1: Public Budget Balance**

(CZK bn)



*Note: 2011 is based on an assumption in budgetary documentation for 2011 and the actual prediction of MF CR.*

*Source: MF CR.*

The development of revenues, which in terms of a percentage of GDP grew by 0.6p.p. in 2010 after a decline in 2009, deserves a positive assessment. Expenditures declined by 1.3p.p. interrupting their growth trend of the past two years. As compared to the original assumptions in the budget documentation, revenues were 61.9 billion CZK lower due to the persistence of unfavourable economic conditions. Revenues came back to the growth trajectory and grew by 2.8%. This was mainly caused by raising the real estate tax rate, increasing both standard and reduced rates of the VAT by 1p.p. and also by raising the excise tax rates on mineral oils, spirits, beer, and tobacco products. Aggregate tax revenue increased by 4.6%, taking into account social security contributions, it grew by 3.3%.

In comparison to the approved budget for 2010, the tax revenues were lower by 66.4 billion CZK. Corporate and excise tax collection was lower than expected. Moreover, the corporate income tax was influenced by a decrease of the statutory rate from 21% to 20% in 2010. Firms also submitted more requests for advance payments to be reduced or eliminated altogether because of losses accumulated in previous years. Collection of excise taxes was positively influenced by raising the rates, but this effect was not as strong as initially expected. The growth trend of revenue from indirect taxes was restored. The volume of social security contributions increased slightly but as in the case of income taxes, it did not reach the pre-recession level of 2008.

Aggregate expenditures of public budgets in 2010 were 1.8% lower (29.4 billion CZK), as compared to the previous year, but due to the introduced measures were 48.7 billion CZK lower than budgeted in the budget documentation. The predominant part of expenditures (more than 60%) was still realized through current transfers and social benefits.

The **deficit of the state budget** was expected at 164.1 billion CZK according to the budget documentation. The realized deficit was 5.6 billion CZK lower, at 158.5 billion CZK. Revenues of the state budget were 21.8 billion CZK lower than budgeted, but expenditures were also 27.4 billion lower than budgeted. Due to unsatisfactory development in the public budgets balance, expenditures were frozen twice in the course of the year. In February, 5.6 billion CZK were frozen; in

July, 9.9 billion CZK were frozen. At the same time, selected entitlements (entitlements for past savings of state organization units) were reduced by 50%, by 4 billion CZK. Year-on-year, the deficit of the state budget decreased by 76.3 million CZK and the deficit of the local budgets decreased by 25 billion CZK which were the main reasons of the improved public budgets balance.

The decline in the deficit of public budgets caused that the rate of growth of the debt also slowed down. The volume of loans and government bonds was 1422.9 billion CZK, or 38.8% of GDP. Year-on-year, indebtedness increased by 171.3 billion CZK, 4.3p.p. in terms of the debt-to-GDP ratio. Year-on-year growth of the public budgets debt slowed by 3.2p.p. to 13.7%, but that does not change the fact that the growth rate of the debt is excessive. The negative development of this variable originates in expenditure trends established in past years and is aggravated by the recent recession. Year-on-year growth of state debt at 14.5% remained slightly higher than the aggregate growth of public budgets debt as was the case in past years. The weight of state debt in total public budgets debt also increased incrementally and reached 92.8%. Debt service expenditures chronically burden the expenditure side of public budgets, but in 2010, debt service expenditures decreased by 7.8 billion CZK as compared to 2009 levels. This was caused by optimal timing of the government bonds emission that took place under more favourable conditions, with a lower coupon interest rate than originally expected.

### 2.1.2 Public Budgets in 2011

Composition of the 2011 budget and undertaken measures were influenced by the necessity of fiscal consolidation with the aim to reach balanced public budgets by 2016 at the latest. The consolidation effort is predominantly apparent in the state budget.

It is expected that the **public budgets balance** will improve by 22.5 billion CZK year-on-year and will stand at -157.3 billion CZK (-4.2% of GDP). The deficit decline is the result of measures concentrated mainly on the expenditure side (lowering the volume of funds available for wages and salaries in the state administration by 10%, lowering the salaries of judges and constitution officials, cancellation or reduction in scope of some social benefits and reduction of current and investment expenditures in the state administration). Nevertheless, the expected developments of the deficit and the debt of public budgets are still negatively influenced by the low growth rate of GDP.

The revenue side will be positively impacted by the measures introduced in 2010. Revenues should grow by 5.6% (79.1 billion CZK) year-on-year, whereas expenditures should grow only by 3.5% (56.5 billion

CZK). Expected tax revenues will probably grow by 5.5% year-on-year whereas the personal income tax collection should grow by 7.9% (the estimate also includes the 6.5 billion from the special tax imposed on the government contribution to construction savings – therefore it is necessary to take into account the recent finding of the Constitutional Court, see Box 1). The corporate income tax collection should increase by 4.2%. With respect to indirect taxes, excise taxes will probably grow by 7.3% whereas revenues from the VAT will increase by 1.8% year-on-year.

On the expenditure side, other capital expenditures will grow the fastest year-on-year (by 20.3%). These include investment transfers to business and non-business entities, including the contribution towards construction savings and additional pension insurance, and interest payments on the debt that will grow by almost 62% year-on-year.

In comparison with 2010, **the deficit of the state budget** should decrease by 25.3 billion CZK and stand at 132.5 billion CZK. A relatively strong growth of revenues is expected due to social contributions, growth in the volume of funds from the EU and tax revenues (by 57.0 billion CZK). Expenditures of the state budget will grow only by 31.6 billion CZK year-on-year. Health insurance companies will also post better results at a magnitude of 1.1 billion CZK, whereas the balance of the state funds will worsen by 18.5 billion CZK.

In comparison with the original objectives of the draft state budget for 2011, we expect the deficit to be 15.0 billion CZK higher. Total revenues of public budgets will decrease by 19.6 billion CZK and at the same time expenditures will also decrease by 4.6 billion CZK. On the revenue side, the greatest deviation in the magnitude of 19.3 billion CZK less will occur in terms of subsidies from international organizations (EU funds). The shortfall of income taxes will be 9.4 billion CZK plus the aforementioned 6.5 billion CZK, as a result of the Constitutional Court ruling, and also of the VAT at 4.8 billion CZK. On the contrary, excise taxes are expected to pose better collection results by 4.2 billion CZK. Corporate income taxes should also bring 8.2 billion CZK more in revenue than originally expected.

The growth of expenditures on current transfers induced by subsidies to operators of transmission and distribution networks that are related to the government's effort to halt the hike of electricity prices is compensated by expected decline in investment expenditures. The decline of the deficit of public budgets will slow the growth rate of the debt by 6.7p.p. to 7.0% and the expected volume of loans and government bonds will increase by 99.0 billion CZK and will reach 1521.8 billion CZK. As percent of GDP, the gov-

ernment debt will increase by 2.2p.p. to 40.9% of GDP as compared to 2010. The ratio of state debt to total public debt will increase moderately and reach 93.2%. The growth of state debt will slow down year-on-year by 7.1p.p. to 7.4% growth.

Regarding the different segments of public budgets, their contributions towards total indebtedness will not change significantly. In terms of weight in total debt of public budgets, municipal authorities are the second most significant after state debt. Their indebtedness

will increase only marginally in 2011 as compared to the previous year. Relatively large decline of the debt is expected in the off-budget funds. In particular, the State Fund of the Environment and the State Agricultural Intervention Fund will reduce their indebtedness. Nevertheless, by using their own resources to finance their deficits, the off-budget funds present another potential contributor to public debt growth in the future. Insurance companies report negligible debt.

## 2.2 Public Finances – ESA 95 Methodology

### 2.2.1 Revenues, Expenditures and Balance in 2010

In 2010, the **general government balance** reached –172.8 billion CZK, i.e. –4.7% of GDP. As compared to 2009, revenues risen by 2.3% and reached 1487.7 billion CZK. After the impact of the negative economic shock in 2009 abated, they started to grow both in absolute and relative terms.

**The development of the revenue side** of the budget in 2010 reflected a gradually improving state of the economy, when nominal GDP grew by 1.2% as compared to the decline in 2009. Total tax revenues including social insurance, which steadily contribute more than 90% to total revenues, grew approximately by 1.7%. However, the evolution of tax revenues was influenced by a number of measures aimed at reversing the negative trajectory of the government sector balance.

When we examine the development of individual tax collections, the VAT revenues grew by about 1.9% from 2009, which was slightly higher than the growth of nominal government and household consumption. Since this tax has unit elasticity, the growth of 1p.p. in both rates of the VAT manifests itself here.

Revenues from excise taxes grew by approximately 0.9% and similarly to the VAT they outperformed the growth of their macroeconomic base. Again, they are taxes with estimated unit elasticity and thus raising the tax rates shows up in this number. The tax collection until 2010 was however influenced by retailers boosting their inventories of given commodities in the anticipation of the tax rates increase, as is common with this type of tax.

The personal income tax collection grew by 1.7%. Although this tax was not significantly amended, the rise in tax revenue was caused by changes in contributions to social and health insurance where the maximum reference base shifted from 48 times the average wage to 72 times the average wage. Since the personal income tax rate is applied to the gross wage, including contributions to social and health insurance

paid by the employer, the reference base for this tax also increased.

The corporate income tax, which is the most volatile component of tax revenues in the course of the business cycle, declined by 5%. The drop is explained by lowering the tax rate by 1p.p. and by the recent recession. During the recession, a number of businesses incurred significant losses decreasing their reference bases in 2010. Tax advantages approved for the business sector during the recession, namely acceleration of depreciation, also explain part of the decline. Most of these effects should be phased out during 2011. It is necessary to take into consideration that revenues from the corporate income tax for 2010 are still only estimates and more precise numbers from tax returns will be available in the October notification of the government deficit and debt. The adjustment to payments in advance after tax returns will have been submitted in June will affect the final result of this tax.

Social security contributions grew by 3.3% from 2009, the largest increment of all major taxes. The aforementioned broadening of the reference base for high income groups caused this outcome. In addition, one-off crises measures approved in 2009 (e.g. discount on low income employees), already phased out in 2010, explain some of the growth in 2010.

Revenues from other taxes that are not as important in their magnitude grew as a result of doubling the real estate tax rate.

Stronger growth (i.e. 6.3%) was also reported from government sales because the government market production grew by 5 billion CZK. Capital and current transfers, which mainly come from EU funds, also moderately increased. Cash inflows from the EU stayed at a respectable level from 2009. The impact of EU funds on the government sector balance is usually neutral, because they impact the expenditure side and the deficit is only influenced to the extent of Czech co-financing.

**Government sector expenditure** declined by 0.5% in 2010. This development is given by the collection of expenditure saving measures approved for 2010. At the same time, a number of crisis measures, increasing expenditures in 2009, were phased out in 2010.

Government sector final consumption expenditure remained at the 2009 level. This reflects the government's effort to implement the expenditure saving budget policy. Intermediate consumption that decreased by 0.5% as compared to 2009 was the driver of savings in the final government sector consumption. This was caused by reductions of expenditures in individual budget chapters and other units of the government sector (primarily, operating costs were reduced).

Employee compensation, which constitutes a major item of the final government consumption, remained also flat. Cutting the wage bill and a reduction in the number of employees in the state administration explain this result. Given the jurisdiction of the central government, the above measure could only be aimed at the central government sub-sector. Local budgets have a considerable autonomy in this respect and did not follow the saving path of the central government, as the wage bill increased in this sub-sector.

In the social benefits area, the growth of expenditures slowed down considerably. Cash social benefits grew by only 1.6%. This is mainly a result of freezing pensions in 2010 and of a cancellation of some social benefits that were introduced as crisis measures in 2009 (e.g. higher unemployment benefits, higher child benefits, etc.). Benefits in kind (e.g. expenditures of health insurance companies) increased moderately by 1.5% in comparison with the previous year when they grew by more than 10%.

Interest payments also posted a very favourable outcome. In spite of a relatively high debt dynamic, interest payments have risen only moderately. This is because of a decline in interest rates at all maturities along the yield curve of government bonds. This reflects a positive assessment of the implemented consolidation strategy in the Czech Republic.

Subsidies and capital reserves also posted a decline. In contrast, current transfers increased slightly. Non-manufactured non-financial assets grew as a result of lower sales of CO<sub>2</sub> emissions permits because sales of CO<sub>2</sub> emissions permits are reported as negative expenditure that is with a positive impact on the deficit.

Government investment (i.e. gross fixed capital formation) declined by more than 10%. However, this item needs to be treated with caution at present since it is a preliminary value that will be rectified by future statistical surveys.

## 2.2.2 Revenues, Expenditures and Balance in 2011

For 2011, a **deficit** at 154.3 billion CZK (i.e. 4.2% of GDP) was notified in April 2011. Compared to the previous year, a consolidation effort of 0.5% of GDP is expected. When cyclically adjusted and adjusted for one-off measures and expenditure interests, the consolidation effort is estimated at 1.2% of GDP.

Relatively favourable development is expected on the **revenue side** that should increase by 5%, of which tax revenues should increase by approximately 4.8%.

Strong growth is expected for the VAT, whose growth should surpass 6%. Nevertheless, this value is mired in uncertainty. Tax collection from January to April 2011 is slightly worse than in the previous year, predominantly because of its development in February 2011. Other months posted better results than in 2010. In the course of the year, we expect a marked increase in tax collection; if tax adjustments for next year are approved, sales of newly constructed buildings will increase in anticipation of a higher VAT rate in 2012.

Excise taxes will probably increase by 3.7% year-on-year. To a limited extent, the growth rate could reflect the legislative change in 2010 that will not be reduced by the factor of overstocking in anticipation of a tax rate hike any more. Thus, the tax rate hike should boost tax revenues in its full force in 2011. Taxes from products will be further boosted by levies on production of electricity from solar power plants introduced in 2011.

As crisis measures are phased out (i.e. accelerated depreciation) and the tax rate stabilized at 19% after declining in the past few years, corporate income taxes are expected to grow by 4.4%. After a two year long decline, a recovery of revenues from this tax is under way. Tax collection, similar to the VAT, is now worse than in 2010. This is due to the fact that businesses pay payments in advance based on tax returns from previous years which are of course low because of the recent recession.

The growth of the personal income tax was estimated at 12.8%. However, this estimate also included the 6.5 billion CZK from the one-off tax levied on the government contribution to construction savings. In light of the fact that this measure was cancelled by the Constitutional Court of the Czech Republic (see Box 1), we expect tax revenues to be lower by approximately this amount, which would correspond to an 8% growth. At present, different options for financing this shortfall are being investigated so that the government sector deficit in 2011 is kept unchanged. Phasing out of crisis measures (i.e. accelerated depreciation) for small businesses has a positive impact on the personal income tax collection.



## Box 1: Ruling of the Constitutional Court of the Czech Republic and Public Finances

### Pension Insurance

The Constitutional Court of the Czech Republic found the enactment of Paragraph 15 of Act no. 155/1995 Coll. unconstitutional. The act defines the reference base from which the percent allowance of the pension is calculated, and also the value of so-called reduction bounds. The Constitutional Court did not mark the existence of the reduction bounds to be unconstitutional. It is their co-existence with other parameters of the system that is unconstitutional. According to the finding, the current structure of the pension system does not guarantee the constitutionally assured right for adequate material security according to Article 30 Paragraph 1 of the Charter of Fundamental Rights and Liberties and leads to unacceptable inequalities between different groups of insureds. Therefore, the Constitutional Court repealed this act effective on September 30, 2011.

In reaction to the finding of the Constitutional Court, the government of the Czech Republic prepared an amendment of the act that strengthens the relationship between contributions to the system and the magnitude of the pension paid from the pay-as-you-go system of pension insurance (see MF CR (2011a), Chapter 5.2.1). The amendment passed by the Chamber of Deputies on May 11, 2011 has more or less neutral budget ramifications.

### Social Acts

Act no. 347/2010 Coll., which changes some laws related to consolidation measures in the jurisdiction of the Ministry of Labour and Social Affairs, was passed in the regime of legislative emergency during a special session of the Chamber of Deputies.

The arguments for approving the law in the regime of legislative emergency were foremost economic – mitigating the risks from deepening the budget deficit, preventing the credit rating downgrade and reducing the costs of debt service. The Constitutional Court decided that effective on December 31, 2011 the Act will be repealed because the Court found conflict with Article 1 Paragraph 1 Article 6 of the Constitution of the Czech Republic and with Article 22 of the Charter of Fundamental Rights and Liberties. The Court did not examine the content of the act but the procedure of its approval.

The government has the possibility until the end of this year to prepare a new act that will link to the current law that expires at the end of this year. The government approved the proposal of the new act on March 23, 2011. The new act is the same as the current act with the exception of short term measures for 2011. Not passing this collection of amendments would mean a shortfall of 9.1 billion CZK on the revenue side and higher expenditures in the magnitude of 11.2 billion CZK.

### Construction Savings Scheme

The Constitutional Court decided that the act that changed the construction savings scheme is not in accord with the Constitution. The contested Act no. 348/2010 Coll. was also passed in the regime of legislative emergency which was not, according to the ruling, warranted. The act was therefore repealed effective on December 31, 2011.

The Court also acknowledged objections of some opposition deputies to the content of the law. The Court did not find the forward looking (beginning 2011) reduction of the government contribution to construction savings for all participants in the construction savings scheme in conflict with the constitutional order because it is a case of allowed indirect retroactivity. However, it did find conflict with the constitutional principle of peace and legitimate expectations in the case of one-off tax levies on the government contribution to construction savings in 2010.

The statute of the contested act, introducing the one-off tax on the government contribution to construction savings in 2010, was repealed on May 6, 2011. The ruling of the court means lower government revenues in the magnitude of 6.5 billion CZK. For now, the shortfall of revenues is planned to be compensated by the reduction of non-mandatory expenditures, possibly in combination with other measures.

Further, a so called “floods tax” that is in the form of a reduced tax discount per tax payer by 100 CZK a month will be in effect in 2011.

Contributions to social security will probably grow by 1.7%. Since legislative changes are absent, the growth rate will be only slightly lower than the growth rate of their macroeconomic base.

Property taxes grew significantly, as they are 4.5 billion CZK higher than in past years when they were about 0.2 billion CZK. This is caused by introducing the gift tax for free acquisition of greenhouse gases emissions permits.

On the revenue side, the production of the government sector also grew from January 1, 2011 (toll

rates). Record growth is expected for capital transfers which are resources received from the EU. Compared to the previous year, they are expected to grow by 28%. This revenue is however deficit neutral. It only influences the level of national co-financing (see above). Other revenue items (income from property, current transfers) will post a moderate decline.

We assume that **government sector expenditure** will increase by 3.4% in 2011 which will accentuate the consolidation effort of the government focusing on the expenditure side this year.

The approved expenditure saving measures will reduce final consumption expenditure by 2%. It is important to note that this negative economic impulse can lead to lower collection of tax revenues.



The biggest decline (4.5%) is expected for the compensation of employees as a result of a decline in the volume of funds for wages and salaries in the state administration by 10%. Again, it is a decline of wages on the central level and it is expected that like last year local budgets will not emulate this consolidation step. Wages and salaries of judges and constitutional officials also declined. Sources for wages of teachers and medical doctors were increased for 2011.

Intermediate consumption will only grow by 2% since government cuts will be felt here. These cuts will lead to a reduction of non-mandatory expenditures. In kind benefits are expected to grow moderately.

Based on current estimates, other subsidies to production will increase year-on-year because subsidies to operators of transmission and distribution networks will increase. The aim of these subsidies is to eliminate the rise of the electricity prices caused by guaranteed purchase prices for electricity produced from renewable resources and by a high number of solar power plants.

A significant increase is anticipated in capital transfers where the government is expected to increase the absorption capacity of the economy through co-financing of private projects from EU funds. On the

contrary, current transfers are assumed to retain the level from last year.

Interest payments exhibit a negative development and may increase by as much as 25%. This increase is caused by rising interest rates on government bonds as the Czech Republic will most likely lose the advantage it had last year when emitting government bonds. In light of volatile financial markets, this item presents a source of significant risks for future balance of the state budget.

For precautionary reasons, we assume a rapid growth of government investment (9.4%), although this item posts a significant source of uncertainty. Data for 2010 still give only a rough estimate and will be rectified in October 2011. Thus, the forecast for 2011 that is based on the data from the last year is burdened by greater uncertainty. A more dynamic growth was chosen bearing in mind the significant inflow of EU funds, which are reflected in government investment.

In contrast to the previous year, we expect the central government balance as well as the balance of social insurance funds to improve. On the other hand, the balance of local budgets will worsen as the local budgets will not follow the consolidation effort on the central level.

**Table 2.1: General Government Revenue**  
(in % of GDP)

	2005	2006	2007	2008	2009	2010	2011
<b>General government revenue</b>	<b>41.4</b>	<b>41.1</b>	<b>41.8</b>	<b>40.2</b>	<b>40.1</b>	<b>40.5</b>	<b>42.0</b>
<b>tax revenue</b>	<b>20.7</b>	<b>20.1</b>	<b>20.6</b>	<b>19.0</b>	<b>18.7</b>	<b>18.6</b>	<b>19.7</b>
individual income tax	4.6	4.2	4.3	3.7	3.6	3.6	4.0
corporate income tax	4.5	4.8	5.0	4.2	3.6	3.4	3.5
VAT	7.1	6.5	6.4	6.9	7.0	7.1	7.4
excise taxes	3.7	3.8	4.0	3.4	3.8	3.8	3.9
other taxes and contributions	0.9	0.8	0.8	0.8	0.8	0.8	1.0
<b>social security contributions</b>	<b>16.2</b>	<b>16.3</b>	<b>16.3</b>	<b>16.2</b>	<b>15.4</b>	<b>15.8</b>	<b>15.8</b>
<b>sales</b>	<b>2.7</b>	<b>2.5</b>	<b>2.7</b>	<b>2.8</b>	<b>2.9</b>	<b>3.0</b>	<b>3.2</b>
<b>other revenues</b>	<b>1.9</b>	<b>2.2</b>	<b>2.2</b>	<b>2.2</b>	<b>3.1</b>	<b>3.2</b>	<b>3.3</b>

Source: CZSO (2011b). Year 2011 MF CR (2011a).

**Table 2.2: General Government Expenditure**  
(in % of GDP)

	2005	2006	2007	2008	2009	2010	2011
<b>General government expenditure</b>	<b>45.0</b>	<b>43.7</b>	<b>42.5</b>	<b>42.9</b>	<b>45.9</b>	<b>45.2</b>	<b>46.1</b>
government consumption	22.1	21.3	20.3	20.4	22.1	21.8	21.1
social benefits other than social transfers in kind	12.6	12.6	12.8	12.8	13.9	13.9	14.1
gross fixed capital formation	4.9	5.0	4.7	4.9	5.2	4.6	5.0
other expenditure	5.4	4.8	4.7	4.8	4.8	4.8	5.9

Source: CZSO (2011b). Year 2011 MF CR (2011a).

**Table 2.3: Balance of General Government and of Subsectors***(in % of GDP)*

	2005	2006	2007	2008	2009	2010	2011
<b>General government balance</b>	<b>-3.6</b>	<b>-2.6</b>	<b>-0.7</b>	<b>-2.7</b>	<b>-5.9</b>	<b>-4.7</b>	<b>-4.2</b>
Central government balance	-3.5	-2.6	-1.6	-2.7	-4.9	-4.2	-3.6
Local government balance	-0.1	-0.4	0.5	-0.2	-0.6	-0.3	-0.5
Social security funds balance	0.0	0.4	0.5	0.3	-0.3	-0.2	-0.1
<b>Primary balance</b>	<b>-2.4</b>	<b>-1.5</b>	<b>0.5</b>	<b>-1.6</b>	<b>-4.5</b>	<b>-3.3</b>	<b>-2.4</b>

Source: CZSO (2011b). Year 2011 MF CR (2011a).

**2.2.3 General Government Debt**

General government debt reached 1453.5 billion CZK in 2010, representing 38.5% of GDP. Like in the previous year, the growth rate of the debt was lower than the deficit in absolute terms. The deficits of the government sector are thus financed by accumulated reserves from previous years.

At the end of 2011, we expect the government debt to be at 1538 billion CZK, 41.4% of GDP. The debt to GDP

ratio will probably breach the “psychological threshold” of 40%. Because of the faster GDP growth in subsequent years and the consolidation effort, the proportion of debt to GDP should gradually converge to a stable value. In 2011, it is expected that the rise in debt will be lower than the deficit, as accumulated resources will be used to pay for a part of the deficit albeit to a lower extent than in the previous year.

**Table 2.4: Debt of General Government and of Subsectors***(in % of GDP)*

	2005	2006	2007	2008	2009	2010	2011
<b>General government debt</b>	<b>29.7</b>	<b>29.4</b>	<b>29.0</b>	<b>30.0</b>	<b>35.4</b>	<b>38.5</b>	<b>41.4</b>
Central government debt	27.2	26.9	26.6	27.5	32.7	35.9	38.8
Local government debt	2.7	2.7	2.5	2.5	2.7	2.6	2.7
Social security funds debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: CZSO (2011b). Year 2011 MF CR (2011a).

**Table 2.5: Stock-flow Adjustment***(Gross debt in % of GDP; all other items in p.p.)*

	2005	2006	2007	2008	2009	2010	2011
<b>Gross debt</b>	<b>29.7</b>	<b>29.4</b>	<b>29.0</b>	<b>30.0</b>	<b>35.4</b>	<b>38.5</b>	<b>41.4</b>
Change in gross debt	-0.4	-0.2	-0.5	1.0	5.4	3.2	2.8
<b>Decomposition of change in gross debt</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Nominal GDP growth</b>	<b>-1.7</b>	<b>-1.9</b>	<b>-2.8</b>	<b>-0.9</b>	<b>0.9</b>	<b>-0.4</b>	<b>-0.5</b>
<b>General government net lending(+)/borrowing(-)</b>	<b>3.6</b>	<b>2.6</b>	<b>0.7</b>	<b>2.7</b>	<b>5.9</b>	<b>4.7</b>	<b>4.2</b>
<b>Other factors</b>	<b>-2.3</b>	<b>-1.0</b>	<b>1.7</b>	<b>-0.8</b>	<b>-1.3</b>	<b>-1.1</b>	<b>-0.8</b>
Difference between cash and accrual	-0.8	0.1	0.2	-2.2	0.2	-0.9	-0.6
Net accumulation of financial assets	-1.2	-0.9	1.5	1.3	-1.5	-0.2	-0.2
privatisation proceeds	3.5	0.0	0.3	0.6	0.0	0.0	0.0
Revaluation and other factors	-0.4	-0.2	-0.1	0.1	-0.1	-0.1	0.0

Source: CZSO (2011b). Year 2011 MF CR (2011a).

## 2.3 International Comparison

### 2.3.1 Government Balance

The general government balance of EU27 countries stood at -6.4% of GDP in 2010. Nevertheless, due to the gradual recovery it was 0.4p.p. better than in 2009. The Czech Republic with the deficit at 4.7% of GDP was below the EU27 average.

The worst general government budget balance at record 32.4% of GDP was attained by Ireland in 2010. The record deficit was caused by the government support to the Irish banking sector. The central government balance also included its own treasury bills, whose remitters were financial institutions, in the volume of almost 31 billion EUR (without this operation, the Irish deficit would be about 12.4% of GDP). Double digit deficits were also reported in Greece (10.5%) and the U.K. (10.0% of GDP, for the financial, not calendar year). The only country that posted a budget surplus in 2010 was Estonia.

For 2011, all EU27 countries except for Sweden and Hungary expect deficit budget balances of the general government (Portugal did not supply data for 2011 but it will almost surely post a deficit). Sweden, a traditionally fiscally disciplined country, whose budget balance was more or less balanced in 2010, will reach a surplus of 0.6% of GDP in 2011. Hungary with an expected surplus of 2% of GDP is a big surprise. The reason behind this result is not any radical change in the fiscal stance of the country, but an adjustment of the balance by funds originally designated for pension reform in the magnitude of 7.8 billion EUR. Without this, Hungary would report a deficit at approximately 5.2% of GDP that is around the level of Lithuania. The highest deficits should again be reported in the island

countries – in Ireland 9.5% of GDP and in the U.K. 7.9% of GDP. Greece that is threatened by debt restructuring expects a deficit at 7.4% of GDP.

Deficit higher than the 3% reference value in the Stability and Growth Pact is expected in 19 countries of the EU (it is expected for Portugal) as a result of persisting economic difficulties (see Table 5.17 in the annex). Compared to 2010, a worse government budget balance is anticipated in fiscally prudent countries such as Denmark and Estonia.

### 2.3.2 Government Debt

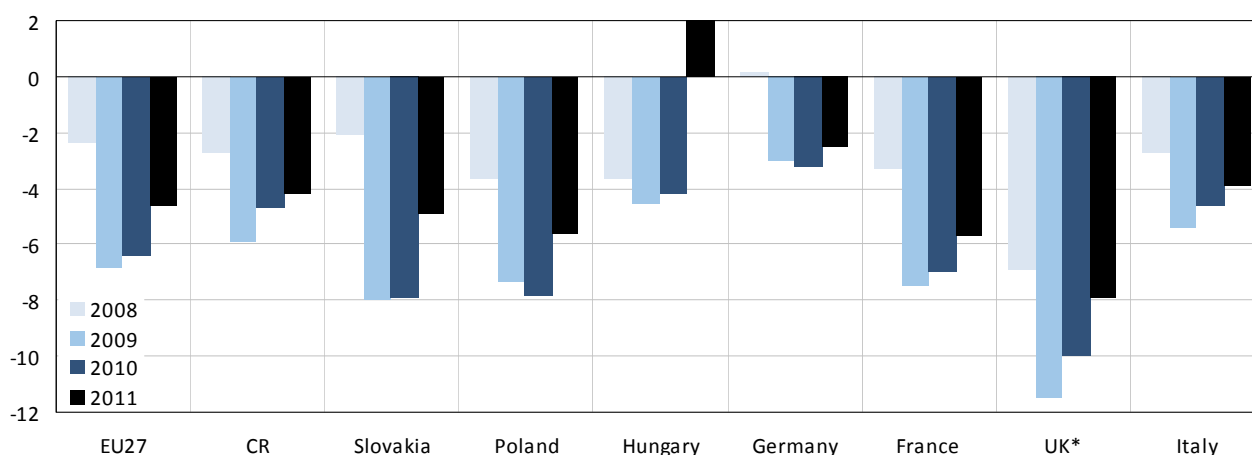
The government debt persistently reflects the development of the deficit in respective countries. In the EU27 countries, the debt-to-GDP ratio reached 80.0% of GDP in 2010 that is 5.6p.p. higher than in 2009.

The Czech Republic still posts a relatively low debt-to-GDP ratio, but what is alarming is the accelerating debt dynamic in the recent years (see Chapter 2.2.3).

Greece with debt at 142.8% of GDP in 2010 and 154.8% of GDP in 2011 and Italy with debt at 119.0% of GDP in 2010 and 120.0% of GDP in 2011 belong to the most indebted EU27 countries. Ireland's debt trajectory pushes it towards these countries. A slightly better situation is in Belgium, France, Germany and the U.K. The debt indicator is improving in Sweden and Estonia, a country with one digit debt-to-GDP-ratio unique in the EU. In other EU countries, the volume of the debt increases relatively. In 2007–2011, this trend is most apparent in Latvia, where the level of debt will grow five times in the given period (see Table 5.17 in the annex).

**Graph 2.2: General Government Balance in Selected EU Countries (2008–2011)**

(in % of GDP)



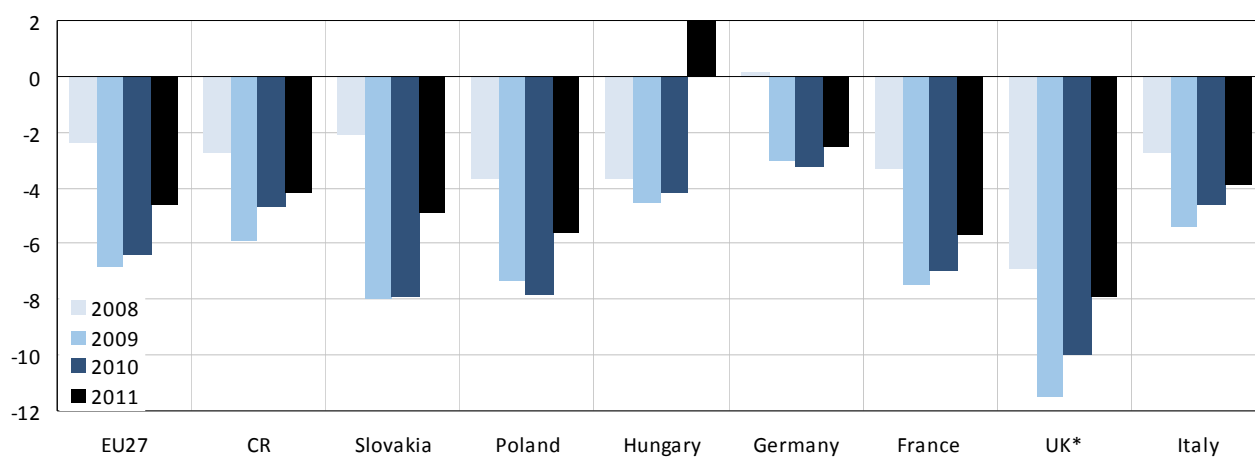
Note: Figures for EU27 in 2011 are calculated without Portugal.

\*) Fiscal year data (from April 1 year t to March 31 year t+1), which are relevant to EDP implementation.

Source: Eurostat (2011), UK data for 2011 are based on its Notification.

**Graph 2.3: General Government Debt in Selected EU Countries (2008–2011)**

(in % of GDP)



Note: Figures for EU27 in 2011 are calculated without Portugal.

\*) Fiscal year data (from April 1 year  $t$  to March 31 year  $t+1$ ), which are relevant to EDP implementation.

Source: Eurostat (2011), UK data for 2011 are based on its Notification.

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## 4 Annex of Tables – GFS 2001 Methodology

**Table 4.1: Consolidated General Government – Revenue**  
(CZK bn)

	2005	2006	2007	2008	2009	2010
<b>Total revenue</b>	<b>1190</b>	<b>1248</b>	<b>1391</b>	<b>1478</b>	<b>1384</b>	<b>1422</b>
Revenue from operating activities	1176	1233	1377	1461	1355	1400
<b>Taxes</b>	<b>626</b>	<b>638</b>	<b>716</b>	<b>743</b>	<b>660</b>	<b>691</b>
Taxes on income, profits, and capital gains	287	279	318	331	255	261
Payable by individuals	142	137	151	143	128	131
Payable by corporations and other enterprises	145	142	166	188	127	130
Taxes on property	13	13	16	16	14	16
Taxes on goods and services	325	346	382	396	391	413
Value added tax <sup>1</sup>	202	213	230	249	248	264
Excises	111	120	139	133	131	138
<b>Social contributions</b>	<b>446</b>	<b>473</b>	<b>522</b>	<b>548</b>	<b>510</b>	<b>517</b>
Social security contributions	431	457	505	530	496	503
Employee contributions	147	113	123	130	114	117
Employer contributions	255	316	346	365	338	349
Self-employed or nonemployed contributions	27	27	33	33	39	35
Other social contributions	15	16	17	18	14	14
<b>Grants</b>	<b>32</b>	<b>36</b>	<b>47</b>	<b>60</b>	<b>80</b>	<b>85</b>
From international organizations	32	36	47	60	79	85
Current	24	20	23	27	33	36
Capital	7	16	24	34	46	48
<b>Other revenue</b>	<b>73</b>	<b>86</b>	<b>92</b>	<b>110</b>	<b>106</b>	<b>107</b>
<b>Property income</b>	<b>18</b>	<b>22</b>	<b>23</b>	<b>34</b>	<b>34</b>	<b>35</b>
Interest	5	6	7	10	7	7
Dividends	7	10	10	16	19	20
<b>Sales of goods and services</b>	<b>32</b>	<b>37</b>	<b>41</b>	<b>43</b>	<b>43</b>	<b>44</b>
Sales of market establishments	17	20	19	19	20	20
Administrative fees	15	16	21	24	23	24
<b>Fines, penalties, and forfeits</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>5</b>
<b>Voluntary transfers other than grants</b>	<b>13</b>	<b>12</b>	<b>13</b>	<b>12</b>	<b>15</b>	<b>16</b>
<b>Miscellaneous and unidentified revenue</b>	<b>6</b>	<b>10</b>	<b>9</b>	<b>17</b>	<b>9</b>	<b>8</b>
<b>Sales of nonfinancial assets</b>	<b>14</b>	<b>15</b>	<b>14</b>	<b>17</b>	<b>29</b>	<b>22</b>
Fixed assets	8	9	7	10	9	10
Nonproduced assets	6	6	7	8	19	12

Note: 1) VAT consistent with the GFS 2001 methodology is reduced by the EU budget levies.

Source: MF CR.

**Table 4.2: Consolidated General Government – Revenue***(in % of GDP)*

	2005	2006	2007	2008	2009	2010
<b>Total revenue</b>	<b>39.9</b>	<b>38.7</b>	<b>39.4</b>	<b>40.1</b>	<b>38.2</b>	<b>38.8</b>
Revenue from operating activities	39.4	38.3	39.0	39.6	37.4	38.2
<b>Taxes</b>	<b>21.0</b>	<b>19.8</b>	<b>20.3</b>	<b>20.1</b>	<b>18.2</b>	<b>18.8</b>
Taxes on income, profits, and capital gains	9.6	8.6	9.0	9.0	7.0	7.1
Payable by individuals	4.8	4.2	4.3	3.9	3.5	3.6
Payable by corporations and other enterprises	4.9	4.4	4.7	5.1	3.5	3.5
Taxes on property	0.4	0.4	0.4	0.4	0.4	0.4
Taxes on goods and services	10.9	10.7	10.8	10.7	10.8	11.3
Value added tax <sup>1</sup>	6.8	6.6	6.5	6.8	6.8	7.2
Excises	3.7	3.7	3.9	3.6	3.6	3.8
<b>Social contributions</b>	<b>14.9</b>	<b>14.7</b>	<b>14.8</b>	<b>14.9</b>	<b>14.1</b>	<b>14.1</b>
Social security contributions	14.4	14.2	14.3	14.4	13.7	13.7
Employee contributions	4.9	3.5	3.5	3.5	3.1	3.2
Employer contributions	8.5	9.8	9.8	9.9	9.3	9.5
Self-employed or nonemployed contributions	0.9	0.8	0.9	0.9	1.1	1.0
Other social contributions	0.5	0.5	0.5	0.5	0.4	0.4
<b>Grants</b>	<b>1.1</b>	<b>1.1</b>	<b>1.3</b>	<b>1.6</b>	<b>2.2</b>	<b>2.3</b>
From international organizations	1.1	1.1	1.3	1.6	2.2	2.3
Current	0.8	0.6	0.7	0.7	0.9	1.0
Capital	0.2	0.5	0.7	0.9	1.3	1.3
<b>Other revenue</b>	<b>2.5</b>	<b>2.7</b>	<b>2.6</b>	<b>3.0</b>	<b>2.9</b>	<b>2.9</b>
<b>Property income</b>	<b>0.6</b>	<b>0.7</b>	<b>0.7</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
Interest	0.2	0.2	0.2	0.3	0.2	0.2
Dividends	0.2	0.3	0.3	0.4	0.5	0.5
<b>Sales of goods and services</b>	<b>1.1</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
Sales of market establishments	0.6	0.6	0.5	0.5	0.5	0.5
Administrative fees	0.5	0.5	0.6	0.6	0.6	0.6
<b>Fines, penalties, and forfeits</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>
<b>Voluntary transfers other than grants</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>
<b>Miscellaneous and unidentified revenue</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>	<b>0.2</b>	<b>0.2</b>
<b>Sales of nonfinancial assets</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>0.5</b>	<b>0.8</b>	<b>0.6</b>
Fixed assets	0.3	0.3	0.2	0.3	0.3	0.3
Nonproduced assets	0.2	0.2	0.2	0.2	0.5	0.3

Note: 1) VAT consistent with the GFS 2001 methodology is reduced by the EU budget levies.

Source: MF CR.

**Table 4.3: Consolidated General Government – Expenditure***(CZK bn)*

	2005	2006	2007	2008	2009	2010
<b>Total expense</b>	<b>1 294</b>	<b>1 389</b>	<b>1 436</b>	<b>1 517</b>	<b>1 631</b>	<b>1 602</b>
<b>Expense for operating activities</b>	<b>1 212</b>	<b>1 290</b>	<b>1 346</b>	<b>1 421</b>	<b>1 513</b>	<b>1 495</b>
Compensation of employees	121	128	136	141	147	146
Wages and salaries	91	96	102	106	111	111
Social contributions	30	31	34	35	35	35
Actual social contributions	30	31	34	35	35	35
Use of goods and services	114	126	125	133	148	142
Interest	25	34	37	45	50	42
Subsidies	235	254	266	273	302	301
To public corporations	166	180	187	206	206	206
To private enterprises	69	74	79	66	96	95
Grants	24	24	27	29	30	31
To international organizations	24	24	27	29	30	31
Current	24	24	27	29	30	31
Social benefits	503	544	588	618	664	671
Social security benefits	503	544	588	618	664	671
Other expense	190	181	168	182	173	163
Miscellaneous other expense	190	181	168	182	173	163
Current	24	29	25	31	32	33
Capital	166	153	143	151	141	130
<b>Purchases of nonfinancial assets</b>	<b>81</b>	<b>99</b>	<b>90</b>	<b>96</b>	<b>118</b>	<b>107</b>
Fixed assets	79	96	87	93	116	105
Nonproduced assets	3	3	2	3	2	2

Source: MF CR.

**Table 4.4: Consolidated General Government – Expenditure***(in % of GDP)*

	2005	2006	2007	2008	2009	2010
<b>Total expense</b>	<b>43.4</b>	<b>43.1</b>	<b>40.6</b>	<b>41.1</b>	<b>45.0</b>	<b>43.7</b>
<b>Expense for operating activities</b>	<b>40.6</b>	<b>40.0</b>	<b>38.1</b>	<b>38.5</b>	<b>41.7</b>	<b>40.7</b>
Compensation of employees	4.0	4.0	3.9	3.8	4.0	4.0
Wages and salaries	3.0	3.0	2.9	2.9	3.1	3.0
Social contributions	1.0	1.0	1.0	0.9	1.0	1.0
Actual social contributions	1.0	1.0	1.0	0.9	1.0	1.0
Use of goods and services	3.8	3.9	3.5	3.6	4.1	3.9
Interest	0.9	1.0	1.1	1.2	1.4	1.1
Subsidies	7.9	7.9	7.5	7.4	8.3	8.2
To public corporations	5.6	5.6	5.3	5.6	5.7	5.6
To private enterprises	2.3	2.3	2.2	1.8	2.7	2.6
Grants	0.8	0.8	0.8	0.8	0.8	0.8
To international organizations	0.8	0.8	0.8	0.8	0.8	0.8
Current	0.8	0.8	0.8	0.8	0.8	0.8
Social benefits	16.8	16.9	16.6	16.8	18.3	18.3
Social security benefits	16.8	16.9	16.6	16.8	18.3	18.3
Other expense	6.4	5.6	4.7	4.9	4.8	4.4
Miscellaneous other expense	6.4	5.6	4.7	4.9	4.8	4.4
Current	0.8	0.9	0.7	0.8	0.9	0.9
Capital	5.6	4.7	4.0	4.1	3.9	3.5
<b>Purchases of nonfinancial assets</b>	<b>2.7</b>	<b>3.1</b>	<b>2.5</b>	<b>2.6</b>	<b>3.3</b>	<b>2.9</b>
Fixed assets	2.6	3.0	2.5	2.5	3.2	2.9
Nonproduced assets	0.1	0.1	0.1	0.1	0.1	0.1

Source: MF CR.



**Table 4.5: Consolidated General Government – Balance**

(CZK bn)

	2005	2006	2007	2008	2009	2010
<b>CASH DEFICIT/SURPLUS</b>	<b>-104</b>	<b>-141</b>	<b>-44</b>	<b>-39</b>	<b>-248</b>	<b>-180</b>
<b>Fiscal targeting CASH DEFICIT/SURPLUS<sup>1</sup></b>	<b>-56</b>	<b>-101</b>	<b>-38</b>	<b>-37</b>	<b>-230</b>	<b>-151</b>
Deficit / surplus of operating balance <sup>2</sup>	-36	-57	31	40	-158	-94
Deficit / surplus of primary balance	-78	-107	-7	6	-198	-138

Source: MF CR.

**Table 4.6: Consolidated General Government – Balance**

(in % of GDP)

	2005	2006	2007	2008	2009	2010
<b>CASH DEFICIT/SURPLUS</b>	<b>-3.5</b>	<b>-4.4</b>	<b>-1.3</b>	<b>-1.1</b>	<b>-6.8</b>	<b>-4.9</b>
<b>Fiscal targeting CASH DEFICIT/SURPLUS<sup>1</sup></b>	<b>-1.9</b>	<b>-3.1</b>	<b>-1.1</b>	<b>-1.0</b>	<b>-6.3</b>	<b>-4.1</b>
Deficit / surplus of operating balance <sup>2</sup>	-1.2	-1.8	0.9	1.1	-4.4	-2.6
Deficit / surplus of primary balance	-2.6	-3.3	-0.2	0.2	-5.5	-3.8

Source: MF CR.

**Table 4.7: General Government Balance Structure**

(CZK bn)

	2005	2006	2007	2008	2009	2010
State budget <sup>1</sup>	-64	-138	-63	-78	-221	-176
Extrabudgetary funds total	-47	-1	-10	12	5	3
Social security funds	0	3	17	11	-6	-7
Local governments	7	-4	11	16	-25	0
<b>CASH DEFICIT/SURPLUS</b>	<b>-104</b>	<b>-141</b>	<b>-44</b>	<b>-39</b>	<b>-248</b>	<b>-180</b>

Note: 1) incl. National Fund and ex-National Property Fund's transactions and net impact of elimination of transfers from/to reserve funds, in 2005–2007 incl. Czech Consolidation Agency loss remuneration from state bonds.

Source: MF CR.

**Table 4.8: Fiscal Targeting Balance Structure**

(CZK bn)

	2005	2006	2007	2008	2009	2010
State budget <sup>1</sup>	-17	-98	-55	-75	-206	-140
Extrabudgetary funds total	-47	-1	-10	12	5	2
Social security funds	0	3	17	11	-6	-7
Local governments	7	-4	9	15	-22	-7
<b>Fiscal targeting CASH DEFICIT/SURPLUS</b>	<b>-56</b>	<b>-101</b>	<b>-38</b>	<b>-37</b>	<b>-230</b>	<b>-151</b>

Note: 1) incl. National Fund and ex-National Property Fund's transactions and net impact of elimination of transfers from/to reserve funds, in 2005–2007 incl. Czech Consolidation Agency loss remuneration from state bonds.

Source: MF CR.

**Table 4.9: Consolidated General Government – Sources and Use**

(CZK bn)

	2005	2006	2007	2008	2009	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
<b>Cash receipts from operating activities</b>	<b>1 176</b>	<b>1 233</b>	<b>1 377</b>	<b>1 461</b>	<b>1 355</b>	<b>1 401</b>
Taxes	626	638	716	743	660	691
Social contributions	446	473	522	548	510	517
Grants	32	36	47	60	80	85
Other receipts	73	86	92	110	106	108
<b>Cash payments for operating activities</b>	<b>1 212</b>	<b>1 290</b>	<b>1 346</b>	<b>1 421</b>	<b>1 513</b>	<b>1 495</b>
Compensation of employees	121	128	136	141	147	146
Purchases of goods and services	114	126	125	133	148	142
Interest	25	34	37	45	50	42
Subsidies	235	254	266	273	302	301
Grants	24	24	27	29	30	31
Social benefits	503	544	588	618	664	671
Other payments	190	181	168	182	173	163
<b>Net cash inflow from operating activities</b>	<b>-36</b>	<b>-57</b>	<b>31</b>	<b>40</b>	<b>-158</b>	<b>-94</b>
<b>CASH FLOWS FROM INVESTMENTS IN NONFINANCIAL ASSETS:</b>						
<b>Purchases of nonfinancial assets</b>	<b>81</b>	<b>99</b>	<b>90</b>	<b>96</b>	<b>118</b>	<b>107</b>
Fixed assets	79	96	87	93	116	105
Strategic stocks	0	0	0	0	0	0
Valuables	0	0	0	0	0	0
Nonproduced assets	3	3	2	3	2	2
<b>Sales of nonfinancial assets</b>	<b>14</b>	<b>15</b>	<b>14</b>	<b>17</b>	<b>29</b>	<b>22</b>
Fixed assets	8	9	7	10	9	10
Strategic stocks	0	0	0	0	0	0
Valuables	0	0	0	0	0	0
Nonproduced assets	6	6	7	8	19	12
<b>Net cash outflow: investments in nonfinancial assets</b>	<b>67</b>	<b>84</b>	<b>76</b>	<b>79</b>	<b>90</b>	<b>85</b>
<b>Cash surplus/ deficit</b>	<b>-104</b>	<b>-141</b>	<b>-44</b>	<b>-39</b>	<b>-248</b>	<b>-179</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
<b>Net acquisition of financial assets other than cash</b>	<b>-100</b>	<b>-10</b>	<b>8</b>	<b>-26</b>	<b>78</b>	<b>-2</b>
Domestic	3	-9	7	-27	78	-2
Foreign	-102	-1	0	1	0	0
Monetary gold and SDRs	0	0	0	0	0	0
<b>Net incurrence of liabilities</b>	<b>102</b>	<b>117</b>	<b>95</b>	<b>86</b>	<b>182</b>	<b>174</b>
Domestic	35	80	66	55	119	71
Foreign	67	36	29	31	63	103
<b>Net cash inflow from financing activities</b>	<b>202</b>	<b>127</b>	<b>87</b>	<b>112</b>	<b>104</b>	<b>176</b>
<b>Net change in the stock of cash</b>	<b>98</b>	<b>-14</b>	<b>43</b>	<b>73</b>	<b>-143</b>	<b>-3</b>

Source: MF CR.

**Table 4.10: Consolidated General Government – Debt**

(CZK bn)

	2005	2006	2007	2008	2009	2010
<b>Consolidated general government debt</b>	<b>762</b>	<b>878</b>	<b>973</b>	<b>1 071</b>	<b>1 254</b>	<b>1 423</b>
State debt consolidated	684	794	882	980	1 156	1 320
Extrabudgetary funds	2	1	4	1	1	3
Social security funds	0	0	0	0	0	0
Local governments	82	89	91	95	100	102

Source: MF CR.

**Table 4.11: Consolidated General Government – Debt***(in % of GDP)*

	2005	2006	2007	2008	2009	2010
<b>Consolidated general government debt</b>	<b>25.5</b>	<b>27.2</b>	<b>27.5</b>	<b>29.0</b>	<b>34.6</b>	<b>38.5</b>
State debt consolidated	22.9	24.6	25.0	26.6	31.9	35.8
Extrabudgetary funds	0.1	0.0	0.1	0.0	0.0	0.1
Social security funds	0.0	0.0	0.0	0.0	0.0	0.0
Local governments	2.8	2.8	2.6	2.6	2.8	2.8

*Source: MF CR.*

## 5 Annex of Tables – ESA 95 Methodology

The data on government revenue and expenditure are consolidated at the relevant levels. The consolidation represents the elimination mutual flows of interest, current and capital transfers in and/or between subsectors of the general government.

### 5.1 Revenue

**Table 5.1: General Government Revenue**

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Total revenue</b>	<i>CZK bn</i>	<b>911</b>	<b>974</b>	<b>1049</b>	<b>1188</b>	<b>1236</b>	<b>1325</b>	<b>1479</b>	<b>1484</b>	<b>1454</b>	<b>1488</b>
	<i>% growth</i>	9.3	6.9	7.7	13.2	4.0	7.2	11.6	0.3	-2.0	2.3
Current taxes on income, wealth, etc.	<i>CZK bn</i>	<b>207</b>	<b>224</b>	<b>247</b>	<b>270</b>	<b>273</b>	<b>295</b>	<b>334</b>	<b>294</b>	<b>266</b>	<b>261</b>
	<i>% growth</i>	14.0	8.3	10.5	9.1	1.3	8.0	13.1	-12.0	-9.6	-1.8
Social contributions <sup>1)</sup>	<i>CZK bn</i>	<b>335</b>	<b>367</b>	<b>389</b>	<b>453</b>	<b>482</b>	<b>525</b>	<b>577</b>	<b>599</b>	<b>560</b>	<b>578</b>
	<i>% growth</i>	7.4	9.7	5.8	16.4	6.5	8.8	9.9	3.9	-6.6	3.3
Taxes on production and imports <sup>2)</sup>	<i>CZK bn</i>	<b>258</b>	<b>267</b>	<b>285</b>	<b>325</b>	<b>342</b>	<b>352</b>	<b>394</b>	<b>406</b>	<b>414</b>	<b>422</b>
	<i>% growth</i>	4.1	3.4	7.0	14.0	5.2	2.9	11.9	2.9	2.0	1.9
Capital taxes <sup>3)</sup>	<i>CZK bn</i>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<i>% growth</i>	17.0	8.9	15.6	-28.1	18.5	9.2	-42.4	-44.8	-8.2	0.9
Property income	<i>CZK bn</i>	<b>26</b>	<b>30</b>	<b>25</b>	<b>23</b>	<b>21</b>	<b>26</b>	<b>27</b>	<b>30</b>	<b>31</b>	<b>30</b>
	<i>% growth</i>	42.8	13.9	-17.7	-5.5	-8.4	20.5	6.6	11.7	1.9	-2.7
Interest	<i>CZK bn</i>	<b>15</b>	<b>22</b>	<b>17</b>	<b>14</b>	<b>13</b>	<b>13</b>	<b>15</b>	<b>11</b>	<b>9</b>	<b>7</b>
	<i>% growth</i>	2.5	43.1	-21.9	-17.5	-11.5	0.0	16.8	-24.4	-21.2	-17.2
Other property income	<i>CZK bn</i>	<b>11</b>	<b>8</b>	<b>7</b>	<b>9</b>	<b>9</b>	<b>13</b>	<b>13</b>	<b>19</b>	<b>22</b>	<b>23</b>
	<i>% growth</i>	225.2	-27.6	-6.1	22.7	-3.6	50.2	-3.3	53.9	15.0	2.9
Sales <sup>4)</sup>	<i>CZK bn</i>	<b>63</b>	<b>66</b>	<b>75</b>	<b>78</b>	<b>80</b>	<b>82</b>	<b>95</b>	<b>103</b>	<b>104</b>	<b>110</b>
	<i>% growth</i>	8.0	5.5	13.4	3.3	2.6	2.5	16.4	7.8	0.8	6.3
Other current transfers and subsidies	<i>CZK bn</i>	<b>16</b>	<b>16</b>	<b>21</b>	<b>28</b>	<b>26</b>	<b>25</b>	<b>23</b>	<b>22</b>	<b>27</b>	<b>33</b>
	<i>% growth</i>	26.8	4.2	29.7	32.5	-8.0	-2.9	-7.8	-7.6	26.7	19.3
Investment grants	<i>CZK bn</i>	<b>1</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>14</b>	<b>15</b>	<b>27</b>	<b>50</b>	<b>53</b>
	<i>% growth</i>	654.2	71.8	201.5	10.1	51.6	196.6	5.0	86.1	84.7	5.0
Other capital transfers	<i>CZK bn</i>	<b>5</b>	<b>2</b>	<b>3</b>	<b>7</b>	<b>5</b>	<b>5</b>	<b>13</b>	<b>3</b>	<b>3</b>	<b>1</b>
	<i>% growth</i>	86.2	-62.2	34.8	143.3	-21.8	2.3	147.1	-78.0	-2.8	-56.3

Note: 1) Compulsory and voluntary payments of employers (on behalf of employees), employees, self-employed and non-employed persons to social security funds and insurance enterprises. From 2004 onwards including contributions of so-called state social insurance policy holders, whose contributions are paid by state.

2) Compulsory, unrequited payments, in cash or in kind, which are levied by general government, in respect of the production and importation of goods and services, the employment of labour, the ownership or use of land, buildings or other assets used in production (for example VAT, excises etc.).

3) Taxes levied at irregular and very infrequent intervals on the values of the assets or net worth owned by institutional units or on the values of assets transferred between institutional units as a result of legacies, gifts or other transfers.

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

Source: CZSO (2011b).

**Table 5.2: General Government Revenue***(in % of GDP)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Total revenue</b>	38.7	39.5	40.7	42.2	41.4	41.1	41.8	40.2	40.1	40.5
Current taxes on income, wealth, etc.	8.8	9.1	9.6	9.6	9.2	9.2	9.4	8.0	7.3	7.1
Social contributions	14.2	14.9	15.1	16.1	16.2	16.3	16.3	16.2	15.4	15.8
Taxes on production and imports	11.0	10.8	11.1	11.6	11.5	10.9	11.2	11.0	11.4	11.5
Capital taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property income	1.1	1.2	1.0	0.8	0.7	0.8	0.8	0.8	0.9	0.8
Interest	0.7	0.9	0.7	0.5	0.4	0.4	0.4	0.3	0.2	0.2
Other property income	0.5	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.6	0.6
Sales	2.7	2.7	2.9	2.8	2.7	2.5	2.7	2.8	2.9	3.0
Other current transfers and subsidies	0.7	0.7	0.8	1.0	0.9	0.8	0.7	0.6	0.8	0.9
Investment grants	0.0	0.0	0.1	0.1	0.2	0.4	0.4	0.7	1.4	1.4
Other capital transfers	0.2	0.1	0.1	0.2	0.2	0.2	0.4	0.1	0.1	0.0

Source: CZSO (2011b).

**Table 5.3: General Government Tax Revenue and Social Contributions**

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Taxes and social contributions</b>	<i>CZK bn</i>	<b>800</b>	<b>859</b>	<b>923</b>	<b>1049</b>	<b>1099</b>	<b>1173</b>	<b>1305</b>	<b>1299</b>	<b>1239</b>	<b>1261</b>
	% growth	7.9	7.3	7.4	13.7	4.8	6.8	11.3	-0.5	-4.6	1.7
<b>Current taxes on income, wealth, etc.</b>	<i>CZK bn</i>	<b>207</b>	<b>224</b>	<b>247</b>	<b>270</b>	<b>273</b>	<b>295</b>	<b>334</b>	<b>294</b>	<b>266</b>	<b>261</b>
	% growth	14.0	8.3	10.5	9.1	1.3	8.0	13.1	-12.0	-9.6	-1.8
Tax on individual or household income incl. holding gains	<i>CZK bn</i>	<b>106</b>	<b>115</b>	<b>126</b>	<b>135</b>	<b>136</b>	<b>137</b>	<b>153</b>	<b>136</b>	<b>129</b>	<b>131</b>
	% growth	6.5	8.2	9.3	7.6	1.0	0.2	12.3	-11.0	-5.3	1.7
Taxes on the income or profits of corporations incl.	<i>CZK bn</i>	<b>96</b>	<b>106</b>	<b>118</b>	<b>132</b>	<b>133</b>	<b>155</b>	<b>177</b>	<b>153</b>	<b>132</b>	<b>125</b>
	% growth	26.4	9.8	11.4	11.9	1.3	16.0	14.0	-13.2	-13.9	-5.3
Levy on lottery revenue	<i>CZK bn</i>	-	-	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
	% growth	-	-	-	17.4	12.5	10.3	13.1	11.5	14.7	-16.9
Other current taxes	<i>CZK bn</i>	<b>4</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>
	% growth	-22.4	-26.0	12.8	-30.9	17.4	5.0	4.8	0.2	3.1	7.4
<b>Social contributions</b>	<i>CZK bn</i>	<b>335</b>	<b>367</b>	<b>389</b>	<b>453</b>	<b>482</b>	<b>525</b>	<b>577</b>	<b>599</b>	<b>560</b>	<b>578</b>
	% growth	7.4	9.7	5.8	16.4	6.5	8.8	9.9	3.9	-6.6	3.3
Actual social contributions <sup>1)</sup>	<i>CZK bn</i>	<b>335</b>	<b>367</b>	<b>389</b>	<b>452</b>	<b>482</b>	<b>524</b>	<b>576</b>	<b>599</b>	<b>559</b>	<b>577</b>
	% growth	7.5	9.7	5.8	16.4	6.5	8.9	9.9	3.9	-6.7	3.3
Employers' actual social contributions	<i>CZK bn</i>	<b>233</b>	<b>256</b>	<b>271</b>	<b>290</b>	<b>309</b>	<b>332</b>	<b>364</b>	<b>380</b>	<b>350</b>	<b>368</b>
	% growth	7.5	9.7	5.8	7.0	6.5	7.7	9.4	4.5	-7.9	5.1
Employees' social contributions	<i>CZK bn</i>	<b>83</b>	<b>90</b>	<b>95</b>	<b>101</b>	<b>108</b>	<b>117</b>	<b>128</b>	<b>133</b>	<b>112</b>	<b>117</b>
	% growth	7.0	8.4	5.9	6.8	6.9	7.6	9.5	4.4	-15.8	4.2
Social contributions by self- and non-employed	<i>CZK bn</i>	<b>19</b>	<b>22</b>	<b>23</b>	<b>61</b>	<b>65</b>	<b>75</b>	<b>85</b>	<b>86</b>	<b>97</b>	<b>93</b>
	% growth	9.1	14.9	6.1	166.0	5.6	16.5	12.6	0.7	13.0	-4.1
Imputed social contributions	<i>CZK bn</i>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>
	% growth	-42.1	2.4	17.5	36.6	-1.5	2.0	-26.2	-4.7	190.5	-5.4
<b>Taxes on production and imports</b>	<i>CZK bn</i>	<b>258</b>	<b>267</b>	<b>285</b>	<b>325</b>	<b>342</b>	<b>352</b>	<b>394</b>	<b>406</b>	<b>414</b>	<b>422</b>
	% growth	4.1	3.4	7.0	14.0	5.2	2.9	11.9	2.9	2.0	1.9
Taxes on products <sup>2)</sup>	<i>CZK bn</i>	<b>245</b>	<b>254</b>	<b>272</b>	<b>313</b>	<b>330</b>	<b>339</b>	<b>380</b>	<b>392</b>	<b>400</b>	<b>406</b>
	% growth	4.6	3.5	7.2	15.2	5.5	2.6	12.2	3.0	2.1	1.5
VAT	<i>CZK bn</i>	<b>149</b>	<b>155</b>	<b>164</b>	<b>202</b>	<b>211</b>	<b>209</b>	<b>227</b>	<b>255</b>	<b>254</b>	<b>259</b>
	% growth	5.6	3.9	5.9	23.0	4.2	-0.8	8.6	12.3	-0.3	1.9
Excises	<i>CZK bn</i>	<b>77</b>	<b>80</b>	<b>88</b>	<b>99</b>	<b>111</b>	<b>121</b>	<b>143</b>	<b>126</b>	<b>137</b>	<b>138</b>
	% growth	7.6	3.6	10.0	13.4	11.4	9.4	17.9	-11.5	8.8	0.9
Other taxes on products <sup>3)</sup>	<i>CZK bn</i>	<b>19</b>	<b>19</b>	<b>20</b>	<b>12</b>	<b>9</b>	<b>9</b>	<b>11</b>	<b>11</b>	<b>8</b>	<b>8</b>
	% growth	-12.0	0.2	5.8	-40.9	-21.8	-0.3	18.1	-1.4	-21.3	-1.0
Other taxes on production <sup>4)</sup>	<i>CZK bn</i>	<b>13</b>	<b>13</b>	<b>14</b>	<b>12</b>	<b>12</b>	<b>13</b>	<b>14</b>	<b>14</b>	<b>14</b>	<b>16</b>
	% growth	-4.9	0.6	4.2	-10.4	-2.3	12.8	5.2	-1.1	1.4	13.8
<b>Capital taxes</b>	<i>CZK bn</i>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	% growth	17.0	8.9	15.6	-28.1	18.5	9.2	-42.4	-44.8	-8.2	0.9

Note:1) From 2004 onwards including contributions of so-called state social insurance policy holders, whose contributions are paid by state.

2) Taxes that are payable per unit of some good or service produced or transacted.

3) This item contains, for example, customs duty, taxes from financial and capital transactions, payments from entertainment, lottery taxes and other.

4) 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, etc.).

Source: CZSO (2011b).

**Table 5.4: General Government Tax Revenue and Social Contributions***(in % of GDP)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Taxes and social contributions</b>	<b>34.0</b>	<b>34.8</b>	<b>35.8</b>	<b>37.3</b>	<b>36.8</b>	<b>36.4</b>	<b>36.9</b>	<b>35.2</b>	<b>34.2</b>	<b>34.4</b>
<b>Current taxes on income, wealth, etc.</b>	<b>8.8</b>	<b>9.1</b>	<b>9.6</b>	<b>9.6</b>	<b>9.2</b>	<b>9.2</b>	<b>9.4</b>	<b>8.0</b>	<b>7.3</b>	<b>7.1</b>
Tax on individual or household income incl. holding gains	4.5	4.7	4.9	4.8	4.6	4.2	4.3	3.7	3.6	3.6
Taxes on the income or profits of corporations incl. holding gains	4.1	4.3	4.6	4.7	4.5	4.8	5.0	4.2	3.6	3.4
Levy on lottery revenue	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current taxes	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
<b>Social contributions</b>	<b>14.2</b>	<b>14.9</b>	<b>15.1</b>	<b>16.1</b>	<b>16.2</b>	<b>16.3</b>	<b>16.3</b>	<b>16.2</b>	<b>15.4</b>	<b>15.8</b>
Actual social contributions	14.2	14.9	15.1	16.1	16.1	16.3	16.3	16.2	15.4	15.7
Employers' actual social contributions	9.9	10.4	10.5	10.3	10.3	10.3	10.3	10.3	9.7	10.0
Employees' social contributions	3.5	3.6	3.7	3.6	3.6	3.6	3.6	3.6	3.1	3.2
Social contributions by self- and non-employed persons	0.8	0.9	0.9	2.2	2.2	2.3	2.4	2.3	2.7	2.5
Imputed social contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Taxes on production and imports</b>	<b>11.0</b>	<b>10.8</b>	<b>11.1</b>	<b>11.6</b>	<b>11.5</b>	<b>10.9</b>	<b>11.2</b>	<b>11.0</b>	<b>11.4</b>	<b>11.5</b>
Taxes on products	10.4	10.3	10.5	11.1	11.1	10.5	10.8	10.6	11.0	11.1
VAT	6.3	6.3	6.4	7.2	7.1	6.5	6.4	6.9	7.0	7.1
Excise taxes	3.3	3.2	3.4	3.5	3.7	3.8	4.0	3.4	3.8	3.8
Other taxes on products	0.8	0.8	0.8	0.4	0.3	0.3	0.3	0.3	0.2	0.2
Other taxes on production	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4
<b>Capital taxes</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Source: CZSO (2011b).

**Table 5.5: Central Government Revenue**

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Total revenue</b>	<i>CZK bn</i>	<b>675</b>	<b>702</b>	<b>750</b>	<b>832</b>	<b>842</b>	<b>898</b>	<b>1006</b>	<b>1003</b>	<b>965</b>	<b>982</b>
	<i>% growth</i>	11.5	4.0	6.8	11.0	1.2	6.7	12.0	-0.3	-3.8	1.8
Current taxes on income, wealth, etc.	<i>CZK bn</i>	<b>154</b>	<b>160</b>	<b>177</b>	<b>193</b>	<b>182</b>	<b>197</b>	<b>224</b>	<b>195</b>	<b>176</b>	<b>172</b>
	<i>% growth</i>	56.4	3.9	10.5	9.2	-5.9	8.5	13.5	-13.0	-9.6	-2.0
Social contributions	<i>CZK bn</i>	<b>241</b>	<b>263</b>	<b>277</b>	<b>300</b>	<b>319</b>	<b>343</b>	<b>376</b>	<b>392</b>	<b>352</b>	<b>365</b>
	<i>% growth</i>	8.7	9.0	5.5	8.3	6.2	7.5	9.8	4.3	-10.4	3.7
Taxes on production and imports	<i>CZK bn</i>	<b>221</b>	<b>224</b>	<b>240</b>	<b>270</b>	<b>272</b>	<b>283</b>	<b>319</b>	<b>320</b>	<b>328</b>	<b>332</b>
	<i>% growth</i>	-8.5	1.2	7.2	12.5	0.7	3.8	12.8	0.2	2.6	1.4
Capital taxes	<i>CZK bn</i>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<i>% growth</i>	17.0	8.9	15.0	-28.7	18.8	10.0	-42.6	-45.7	-10.4	1.8
Property income	<i>CZK bn</i>	<b>22</b>	<b>23</b>	<b>17</b>	<b>15</b>	<b>14</b>	<b>18</b>	<b>20</b>	<b>22</b>	<b>23</b>	<b>24</b>
	<i>% growth</i>	63.0	2.9	-22.8	-13.9	-3.6	26.8	6.4	10.6	8.4	0.4
Sales	<i>CZK bn</i>	<b>21</b>	<b>22</b>	<b>26</b>	<b>28</b>	<b>28</b>	<b>29</b>	<b>37</b>	<b>39</b>	<b>37</b>	<b>40</b>
	<i>% growth</i>	17.2	4.6	15.5	7.5	2.8	3.8	26.1	5.9	-4.8	6.5
Other revenue	<i>CZK bn</i>	<b>15</b>	<b>10</b>	<b>12</b>	<b>25</b>	<b>26</b>	<b>28</b>	<b>30</b>	<b>35</b>	<b>48</b>	<b>49</b>
	<i>% growth</i>	34.2	-34.8	22.0	118.9	1.9	6.4	8.7	15.7	38.6	2.3

Source: CZSO (2011b).

**Table 5.6: Local Government Revenue**

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Total revenue</b>	<i>CZK bn</i>	<b>228</b>	<b>260</b>	<b>329</b>	<b>349</b>	<b>352</b>	<b>375</b>	<b>410</b>	<b>411</b>	<b>428</b>	<b>436</b>
	<i>% growth</i>	14.1	13.9	26.4	6.3	0.6	6.8	9.3	0.1	4.1	1.9
Current taxes on income, wealth, etc.	<i>CZK bn</i>	<b>53</b>	<b>64</b>	<b>70</b>	<b>77</b>	<b>92</b>	<b>98</b>	<b>110</b>	<b>99</b>	<b>90</b>	<b>88</b>
	<i>% growth</i>	-36.5	21.1	10.5	8.8	19.6	7.0	12.3	-10.0	-9.6	-1.3
Social contributions	<i>CZK bn</i>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<i>% growth</i>	90.5	-40.0	4.2	20.0	21.7	61.6	-43.2	-79.1	2428.6	-10.2
Taxes on production and imports	<i>CZK bn</i>	<b>37</b>	<b>42</b>	<b>45</b>	<b>55</b>	<b>70</b>	<b>70</b>	<b>76</b>	<b>86</b>	<b>86</b>	<b>89</b>
	<i>% growth</i>	520.0	16.3	6.2	21.8	27.4	-0.4	8.2	13.9	0.1	3.8
Capital taxes	<i>CZK bn</i>	-	-	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<i>% growth</i>	-	-	-	80.0	0.0	-55.6	0.0	50.0	83.3	-18.2
Property income	<i>CZK bn</i>	<b>4</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>7</b>	<b>6</b>
	<i>% growth</i>	-18.0	87.2	-0.3	16.6	-17.8	7.2	1.4	5.7	-12.1	-6.7
Sales	<i>CZK bn</i>	<b>41</b>	<b>44</b>	<b>50</b>	<b>50</b>	<b>51</b>	<b>52</b>	<b>58</b>	<b>63</b>	<b>66</b>	<b>70</b>
	<i>% growth</i>	3.0	6.6	12.5	1.0	2.6	1.8	11.1	9.1	4.3	6.3
Other revenue	<i>CZK bn</i>	<b>94</b>	<b>103</b>	<b>157</b>	<b>160</b>	<b>132</b>	<b>148</b>	<b>160</b>	<b>155</b>	<b>179</b>	<b>182</b>
	<i>% growth</i>	41.0	9.4	52.3	1.9	-17.4	12.4	7.7	-2.9	15.6	1.4

Source: CZSO (2011b).

**Table 5.7: Social Security Funds Revenue**

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Total revenue</b>	<i>CZK bn</i>	<b>127</b>	<b>138</b>	<b>149</b>	<b>159</b>	<b>170</b>	<b>185</b>	<b>203</b>	<b>211</b>	<b>211</b>	<b>216</b>
	<i>% growth</i>	6.7	8.6	7.8	6.7	6.6	9.0	10.1	3.6	0.2	2.2
Current taxes on income, wealth, etc.	<i>CZK bn</i>	-	-	-	-	-	-	-	-	-	-
	<i>% growth</i>	-	-	-	-	-	-	-	-	-	-
Social contributions <sup>1)</sup>	<i>CZK bn</i>	<b>94</b>	<b>105</b>	<b>112</b>	<b>153</b>	<b>163</b>	<b>182</b>	<b>200</b>	<b>207</b>	<b>208</b>	<b>213</b>
	<i>% growth</i>	4.2	11.3	6.8	36.7	7.1	11.4	10.0	3.2	0.4	2.6
Taxes on production and imports	<i>CZK bn</i>	-	-	-	-	-	-	-	-	-	-
	<i>% growth</i>	-	-	-	-	-	-	-	-	-	-
Capital taxes	<i>CZK bn</i>	-	-	-	-	-	-	-	-	-	-
	<i>% growth</i>	-	-	-	-	-	-	-	-	-	-
Property income	<i>CZK bn</i>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
	<i>% growth</i>	28.2	-25.1	-26.3	-4.9	6.5	-5.5	125.3	110.8	-24.7	-45.2
Sales	<i>CZK bn</i>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<i>% growth</i>	509.1	-65.2	-24.3	45.3	3.2	-5.0	-7.9	-14.4	-2.5	-7.8
Other revenue	<i>CZK bn</i>	<b>33</b>	<b>33</b>	<b>37</b>	<b>6</b>	<b>6</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
	<i>% growth</i>	13.2	2.3	11.3	-83.8	-4.1	-59.8	3.2	3.5	-5.6	-11.5

Note: 1) From 2004 onwards including contributions of so-called state social insurance policy holders, whose contributions are paid by state.

Source: CZSO (2011b).



## 5.2 Expenditure

**Table 5.8: General Government Expenditure**

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Total expenditure</b>	<i>CZK bn</i>	<b>1043</b>	<b>1141</b>	<b>1219</b>	<b>1270</b>	<b>1342</b>	<b>1410</b>	<b>1502</b>	<b>1582</b>	<b>1666</b>	<b>1658</b>
	<i>% growth</i>	14.0	9.4	6.9	4.2	5.7	5.0	6.6	5.3	5.3	-0.5
Compensation of employees	<i>CZK bn</i>	<b>173</b>	<b>192</b>	<b>214</b>	<b>222</b>	<b>238</b>	<b>252</b>	<b>269</b>	<b>280</b>	<b>294</b>	<b>294</b>
	<i>% growth</i>	11.8	10.8	11.8	3.7	7.1	6.1	6.4	4.1	5.0	0.0
Intermediate consumption	<i>CZK bn</i>	<b>153</b>	<b>174</b>	<b>196</b>	<b>193</b>	<b>206</b>	<b>212</b>	<b>218</b>	<b>229</b>	<b>238</b>	<b>237</b>
	<i>% growth</i>	6.2	13.5	12.9	-1.3	6.4	2.8	2.8	5.3	3.7	-0.5
Social benefits other than social transfers in kind <sup>1)</sup>	<i>CZK bn</i>	<b>280</b>	<b>305</b>	<b>316</b>	<b>362</b>	<b>376</b>	<b>405</b>	<b>454</b>	<b>471</b>	<b>502</b>	<b>510</b>
	<i>% growth</i>	6.3	8.8	3.4	14.7	4.0	7.6	12.0	3.8	6.6	1.6
Social benefits in kind	<i>CZK bn</i>	<b>127</b>	<b>142</b>	<b>150</b>	<b>161</b>	<b>167</b>	<b>174</b>	<b>187</b>	<b>199</b>	<b>219</b>	<b>222</b>
	<i>% growth</i>	10.4	11.5	5.7	7.0	4.2	3.7	7.8	6.1	10.3	1.5
Property income	<i>CZK bn</i>	<b>24</b>	<b>31</b>	<b>29</b>	<b>33</b>	<b>34</b>	<b>36</b>	<b>40</b>	<b>40</b>	<b>47</b>	<b>51</b>
	<i>% growth</i>	29.3	28.2	-4.1	11.2	5.6	3.3	12.2	-0.9	20.0	7.6
Interest	<i>CZK bn</i>	<b>24</b>	<b>31</b>	<b>29</b>	<b>33</b>	<b>34</b>	<b>36</b>	<b>40</b>	<b>39</b>	<b>47</b>	<b>51</b>
	<i>% growth</i>	29.5	28.2	-4.1	11.2	5.6	3.3	12.2	-1.0	20.0	7.8
Other property income	<i>CZK bn</i>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<i>% growth</i>	-19.2	50.0	-25.4	12.8	-3.8	41.2	9.7	26.6	11.0	-46.8
Subsidies	<i>CZK bn</i>	<b>65</b>	<b>57</b>	<b>68</b>	<b>59</b>	<b>55</b>	<b>61</b>	<b>62</b>	<b>64</b>	<b>76</b>	<b>71</b>
	<i>% growth</i>	7.3	-13.5	20.6	-13.5	-7.2	12.2	1.8	2.0	19.7	-6.8
Gross fixed capital formation	<i>CZK bn</i>	<b>83</b>	<b>95</b>	<b>117</b>	<b>136</b>	<b>147</b>	<b>161</b>	<b>166</b>	<b>183</b>	<b>190</b>	<b>170</b>
	<i>% growth</i>	5.4	14.2	23.1	16.4	7.4	10.2	2.7	10.0	4.1	-10.4
Capital transfers <sup>2)</sup>	<i>CZK bn</i>	<b>124</b>	<b>120</b>	<b>98</b>	<b>72</b>	<b>76</b>	<b>59</b>	<b>59</b>	<b>96</b>	<b>83</b>	<b>79</b>
	<i>% growth</i>	115.7	-3.3	-18.2	-26.3	5.5	-22.6	0.3	61.6	-13.5	-4.3
Investment grants <sup>3)</sup>	<i>CZK bn</i>	<b>27</b>	<b>37</b>	<b>35</b>	<b>35</b>	<b>34</b>	<b>37</b>	<b>35</b>	<b>35</b>	<b>33</b>	<b>31</b>
	<i>% growth</i>	5.8	34.5	-4.8	0.1	-3.7	8.4	-3.9	-1.5	-6.3	-5.9
Other capital transfers	<i>CZK bn</i>	<b>97</b>	<b>83</b>	<b>63</b>	<b>37</b>	<b>43</b>	<b>22</b>	<b>24</b>	<b>61</b>	<b>50</b>	<b>49</b>
	<i>% growth</i>	205.7	-14.0	-24.1	-41.1	14.3	-47.2	7.2	154.2	-17.6	-3.2
Other expenditure	<i>CZK bn</i>	<b>13</b>	<b>26</b>	<b>30</b>	<b>32</b>	<b>42</b>	<b>49</b>	<b>48</b>	<b>22</b>	<b>17</b>	<b>24</b>
	<i>% growth</i>	-41.1	109.5	15.4	4.8	33.8	16.1	-3.0	-54.0	-24.9	43.9
<b>Final consumption expenditure</b>	<i>CZK bn</i>	<b>497</b>	<b>549</b>	<b>603</b>	<b>622</b>	<b>658</b>	<b>687</b>	<b>717</b>	<b>753</b>	<b>800</b>	<b>800</b>
	<i>% growth</i>	7.8	10.6	9.8	3.1	5.9	4.3	4.4	5.0	6.2	0.1
Collective consumption <sup>4)</sup>	<i>CZK bn</i>	<b>242</b>	<b>271</b>	<b>306</b>	<b>297</b>	<b>330</b>	<b>342</b>	<b>354</b>	<b>373</b>	<b>392</b>	<b>389</b>
	<i>% growth</i>	4.2	12.2	12.7	-3.0	11.2	3.8	3.4	5.5	4.9	-0.7
Individual consumption	<i>CZK bn</i>	<b>255</b>	<b>278</b>	<b>298</b>	<b>325</b>	<b>329</b>	<b>345</b>	<b>363</b>	<b>380</b>	<b>408</b>	<b>411</b>
	<i>% growth</i>	11.4	9.2	6.9	9.2	1.1	4.9	5.3	4.5	7.5	0.8

Note: Government final consumption expenditure decomposition into collective and individual consumption for 2010 was estimated by MF CR.

1) Transfers to households, in cash or in kind, intended to relieve them of financial burdens from a number of risks or needs (for example, sickness, disability, old age, unemployment, family, etc.). From 2004 onwards including contributions of so-called state social insurance policy holders, whose contributions are paid by state.

2) Transactions of capital distribution, both in cash and in kind, which have no influence either on beneficiary's ordinary income or these transaction's payer but on amount of their net property.

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 acquiring fixed assets.

4) Value of all services provided to all members of society or to specific groups, i.e. expenditure for public services, defence, security, justice, health protection, environmental protection, research and development, infrastructure development.

Source: CZSO (2011b), MF CR.

**Table 5.9: General Government Expenditure***(in % of GDP)*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Total expenditure</b>	<b>44.4</b>	<b>46.3</b>	<b>47.3</b>	<b>45.1</b>	<b>45.0</b>	<b>43.7</b>	<b>42.5</b>	<b>42.9</b>	<b>45.9</b>	<b>45.2</b>
Compensation of employees	7.4	7.8	8.3	7.9	8.0	7.8	7.6	7.6	8.1	8.0
Intermediate consumption	6.5	7.0	7.6	6.9	6.9	6.6	6.2	6.2	6.6	6.4
Social benefits other than social transfers in kind	11.9	12.4	12.2	12.9	12.6	12.6	12.8	12.8	13.9	13.9
Social benefits in kind	5.4	5.8	5.8	5.7	5.6	5.4	5.3	5.4	6.0	6.1
Property income	1.0	1.2	1.1	1.2	1.2	1.1	1.1	1.1	1.3	1.4
Interest	1.0	1.2	1.1	1.2	1.2	1.1	1.1	1.1	1.3	1.4
Other property income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies	2.8	2.3	2.6	2.1	1.8	1.9	1.8	1.7	2.1	1.9
Gross fixed capital formation	3.5	3.9	4.5	4.8	4.9	5.0	4.7	4.9	5.2	4.6
Capital transfers	5.3	4.9	3.8	2.6	2.6	1.8	1.7	2.6	2.3	2.2
Investment grants	1.2	1.5	1.4	1.3	1.1	1.1	1.0	0.9	0.9	0.8
Other capital transfers	4.1	3.4	2.5	1.3	1.4	0.7	0.7	1.7	1.4	1.3
Other expenditure	0.5	1.1	1.2	1.1	1.4	1.5	1.4	0.6	0.5	0.6
<b>Final consumption expenditure</b>	<b>21.1</b>	<b>22.3</b>	<b>23.4</b>	<b>22.1</b>	<b>22.1</b>	<b>21.3</b>	<b>20.3</b>	<b>20.4</b>	<b>22.1</b>	<b>21.8</b>
Collective consumption	10.3	11.0	11.9	10.5	11.0	10.6	10.0	10.1	10.8	10.6
Individual consumption	10.8	11.3	11.5	11.5	11.0	10.7	10.3	10.3	11.3	11.2

Note: Government final consumption expenditure decomposition into collective and individual consumption for 2010 was estimated by MF CR.

Source: CZSO (2011b), MF CR.

**Table 5.10: Central Government Expenditure**

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Total expenditure</b>	<i>CZK bn</i>	<b>797</b>	<b>853</b>	<b>904</b>	<b>908</b>	<b>947</b>	<b>982</b>	<b>1062</b>	<b>1102</b>	<b>1143</b>	<b>1133</b>
	<i>% growth</i>	16.9	7.1	6.0	0.4	4.3	3.7	8.1	3.8	3.7	-0.9
Compensation of employees	<i>CZK bn</i>	<b>106</b>	<b>117</b>	<b>109</b>	<b>111</b>	<b>121</b>	<b>128</b>	<b>137</b>	<b>143</b>	<b>150</b>	<b>148</b>
	<i>% growth</i>	-0.7	9.9	-7.0	1.9	9.1	6.1	6.7	4.2	5.0	-1.3
Intermediate consumption	<i>CZK bn</i>	<b>74</b>	<b>87</b>	<b>97</b>	<b>94</b>	<b>104</b>	<b>101</b>	<b>107</b>	<b>108</b>	<b>112</b>	<b>108</b>
	<i>% growth</i>	-0.7	16.8	11.8	-3.5	11.7	-3.4	5.7	1.5	3.3	-3.2
Social benefits other than social transfers in kind <sup>1)</sup>	<i>CZK bn</i>	<b>271</b>	<b>295</b>	<b>304</b>	<b>350</b>	<b>365</b>	<b>393</b>	<b>435</b>	<b>451</b>	<b>481</b>	<b>487</b>
	<i>% growth</i>	6.6	8.6	3.0	15.2	4.2	7.8	10.7	3.5	6.7	1.3
Social benefits in kind	<i>CZK bn</i>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>4</b>
	<i>% growth</i>	64.8	7.1	-32.8	-16.0	-49.5	236.5	-23.9	-18.2	36.6	53.3
Interest	<i>CZK bn</i>	<b>22</b>	<b>29</b>	<b>27</b>	<b>30</b>	<b>32</b>	<b>33</b>	<b>37</b>	<b>36</b>	<b>45</b>	<b>50</b>
	<i>% growth</i>	31.3	30.5	-5.6	9.9	9.0	2.9	12.1	-2.2	23.6	10.1
Subsidies	<i>CZK bn</i>	<b>49</b>	<b>38</b>	<b>39</b>	<b>33</b>	<b>25</b>	<b>30</b>	<b>31</b>	<b>31</b>	<b>38</b>	<b>30</b>
	<i>% growth</i>	11.5	-21.4	1.5	-16.0	-22.3	18.9	3.7	-0.4	22.4	-21.9
Gross fixed capital formation	<i>CZK bn</i>	<b>35</b>	<b>34</b>	<b>47</b>	<b>62</b>	<b>77</b>	<b>81</b>	<b>87</b>	<b>96</b>	<b>89</b>	<b>76</b>
	<i>% growth</i>	-6.3	-2.4	39.1	32.2	24.1	4.9	7.7	10.9	-7.1	-14.6
Capital transfers	<i>CZK bn</i>	<b>130</b>	<b>129</b>	<b>109</b>	<b>86</b>	<b>87</b>	<b>68</b>	<b>68</b>	<b>101</b>	<b>90</b>	<b>89</b>
	<i>% growth</i>	100.7	-0.5	-15.7	-20.7	0.2	-21.6	0.3	47.5	-10.0	-1.5
Other expenditure	<i>CZK bn</i>	<b>106</b>	<b>121</b>	<b>171</b>	<b>141</b>	<b>135</b>	<b>145</b>	<b>157</b>	<b>134</b>	<b>135</b>	<b>141</b>
	<i>% growth</i>	31.0	14.3	40.7	-17.6	-4.3	7.3	8.7	-14.7	0.3	4.5

Note: 1) From 2004 onwards including contributions of so-called state social insurance policy holders, whose contributions are paid by state.

Source: CZSO (2011b).

**Table 5.11: Local Government Expenditure**

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Total expenditure</b>	<i>CZK bn</i>	<b>238</b>	<b>272</b>	<b>343</b>	<b>354</b>	<b>353</b>	<b>388</b>	<b>394</b>	<b>420</b>	<b>451</b>	<b>448</b>
	<i>% growth</i>	13.9	14.0	26.1	3.3	-0.2	9.9	1.4	6.7	7.3	-0.7
Compensation of employees	<i>CZK bn</i>	<b>64</b>	<b>72</b>	<b>103</b>	<b>109</b>	<b>114</b>	<b>121</b>	<b>129</b>	<b>133</b>	<b>140</b>	<b>142</b>
	<i>% growth</i>	41.3	12.2	42.6	5.7	5.1	6.1	6.1	3.8	4.9	1.4
Intermediate consumption	<i>CZK bn</i>	<b>77</b>	<b>85</b>	<b>97</b>	<b>98</b>	<b>100</b>	<b>109</b>	<b>109</b>	<b>119</b>	<b>123</b>	<b>125</b>
	<i>% growth</i>	13.5	10.6	13.9	0.8	1.4	9.7	-0.2	8.8	3.7	1.8
Social benefits other than social transfers in kind	<i>CZK bn</i>	<b>9</b>	<b>10</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>18</b>	<b>21</b>	<b>22</b>	<b>23</b>
	<i>% growth</i>	-3.4	13.4	15.6	0.6	-1.4	2.5	53.6	11.9	5.0	6.9
Social benefits in kind	<i>CZK bn</i>	<b>1</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>
	<i>% growth</i>	-38.9	15.6	69.9	4.5	2.4	8.9	19.0	-11.3	0.2	-16.4
Interest	<i>CZK bn</i>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>
	<i>% growth</i>	10.3	4.5	18.9	26.8	-27.1	8.1	11.2	17.6	-23.0	-35.4
Subsidies	<i>CZK bn</i>	<b>17</b>	<b>18</b>	<b>29</b>	<b>26</b>	<b>29</b>	<b>31</b>	<b>31</b>	<b>33</b>	<b>38</b>	<b>41</b>
	<i>% growth</i>	-3.4	9.6	60.7	-10.2	11.6	6.3	-0.1	4.4	17.1	8.3
Gross fixed capital formation	<i>CZK bn</i>	<b>48</b>	<b>61</b>	<b>70</b>	<b>74</b>	<b>69</b>	<b>80</b>	<b>79</b>	<b>85</b>	<b>99</b>	<b>93</b>
	<i>% growth</i>	16.2	25.6	14.9	5.9	-6.7	16.8	-2.3	8.8	16.4	-6.6
Capital transfers	<i>CZK bn</i>	<b>14</b>	<b>12</b>	<b>16</b>	<b>20</b>	<b>14</b>	<b>15</b>	<b>14</b>	<b>13</b>	<b>11</b>	<b>8</b>
	<i>% growth</i>	6.7	-16.6	38.2	23.7	-32.9	9.9	-5.1	-7.3	-13.1	-28.9
Other expenditure	<i>CZK bn</i>	<b>6</b>	<b>10</b>	<b>11</b>	<b>10</b>	<b>11</b>	<b>14</b>	<b>8</b>	<b>10</b>	<b>12</b>	<b>11</b>
	<i>% growth</i>	-47.7	78.5	8.9	-11.3	17.4	26.8	-43.8	30.9	15.9	-5.4

Source: CZSO (2011b).

**Table 5.12: Social Security Fund Expenditure**

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Total expenditure</b>	<i>CZK bn</i>	<b>128</b>	<b>143</b>	<b>151</b>	<b>162</b>	<b>170</b>	<b>173</b>	<b>187</b>	<b>201</b>	<b>222</b>	<b>224</b>
	<i>% growth</i>	10.6	11.6	5.8	7.2	5.0	1.9	8.3	7.1	10.5	1.1
Compensation of employees	<i>CZK bn</i>	<b>2</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>
	<i>% growth</i>	9.5	11.1	5.4	2.7	5.7	5.3	6.5	12.0	9.6	-1.1
Intermediate consumption	<i>CZK bn</i>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>3</b>
	<i>% growth</i>	27.3	5.3	23.4	2.1	5.9	-18.6	16.0	22.2	25.4	7.3
Social benefits other than social transfers in kind	<i>CZK bn</i>	-	-	-	-	<b>0</b>	<b>0</b>	-	<b>0</b>	<b>0</b>	<b>0</b>
	<i>% growth</i>	-	-	-	-	-	100.0	-	-	600.0	-14.3
Social benefits in kind	<i>CZK bn</i>	<b>123</b>	<b>137</b>	<b>146</b>	<b>156</b>	<b>164</b>	<b>168</b>	<b>181</b>	<b>194</b>	<b>213</b>	<b>216</b>
	<i>% growth</i>	10.4	11.6	6.0	7.4	4.8	2.2	8.3	6.8	10.2	1.1
Interest	<i>CZK bn</i>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	-
	<i>% growth</i>	-22.2	-50.0	-14.3	0.0	-83.3	200.0	-33.3	-50.0	0.0	-
Subsidies	<i>CZK bn</i>	-	-	-	-	-	-	-	-	-	-
	<i>% growth</i>	-	-	-	-	-	-	-	-	-	-
Gross fixed capital formation	<i>CZK bn</i>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>
	<i>% growth</i>	-16.0	54.6	-30.5	11.1	19.1	-41.7	-0.4	64.4	48.4	-18.2
Capital transfers	<i>CZK bn</i>	-	<b>0</b>	<b>0</b>	<b>0</b>	-	-	-	-	-	-
	<i>% growth</i>	-100.0	-	-18.6	74.3	-	-	-	-	-	-
Other expenditure	<i>CZK bn</i>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<i>% growth</i>	232.1	-17.8	-70.6	-35.4	571.4	27.7	23.9	-15.5	7.7	33.7

Source: CZSO (2011b).

## 5.3 Balance

**Table 5.13: General Government Net Lending/Borrowing by Subsectors**

(CZK bn)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General government</b>	<b>-132</b>	<b>-167</b>	<b>-171</b>	<b>-83</b>	<b>-107</b>	<b>-85</b>	<b>-24</b>	<b>-100</b>	<b>-213</b>	<b>-173</b>
Central government	-121	-151	-155	-76	-105	-84	-57	-101	-179	-152
Local government	-10	-12	-14	-5	-2	-13	17	-9	-23	-12
Social security funds	0	-4	-2	-3	0	12	16	10	-11	-9

Source: CZSO (2011b).

**Table 5.14: General Government Net Lending/Borrowing by Subsectors**

(in % of GDP)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General government</b>	<b>-5.6</b>	<b>-6.8</b>	<b>-6.6</b>	<b>-3.0</b>	<b>-3.6</b>	<b>-2.6</b>	<b>-0.7</b>	<b>-2.7</b>	<b>-5.9</b>	<b>-4.7</b>
Central government	-5.2	-6.1	-6.0	-2.7	-3.5	-2.6	-1.6	-2.7	-4.9	-4.2
Local governments	-0.4	-0.5	-0.5	-0.2	-0.1	-0.4	0.5	-0.2	-0.6	-0.3
Social security funds	0.0	-0.2	-0.1	-0.1	0.0	0.4	0.5	0.3	-0.3	-0.2

Source: CZSO (2011b).

## 5.4 Debt

**Table 5.15: General Government Debt by Subsectors and Instruments**

(in % of GDP)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General government debt</b>	<b>24.9</b>	<b>28.2</b>	<b>29.8</b>	<b>30.1</b>	<b>29.7</b>	<b>29.4</b>	<b>29.0</b>	<b>30.0</b>	<b>35.4</b>	<b>38.5</b>
Currency and deposits	0.3	1.0	0.2	0.1	0.0	0.0	-	-	-	-
Securities other than shares*	15.1	17.3	20.5	22.5	23.4	24.5	24.6	25.8	30.6	33.7
Loans	9.5	9.9	9.2	7.5	6.3	5.0	4.3	4.2	4.8	4.8
<b>Central government debt</b>	<b>23.5</b>	<b>26.5</b>	<b>27.9</b>	<b>27.8</b>	<b>27.2</b>	<b>26.9</b>	<b>26.6</b>	<b>27.5</b>	<b>32.7</b>	<b>35.9</b>
Currency and deposits	0.3	1.0	0.2	0.1	0.0	0.0	-	-	-	-
Securities other than shares*	14.8	16.9	20.1	21.7	22.6	23.8	24.0	25.2	30.2	33.3
Loans	8.4	8.7	7.7	6.0	4.6	3.1	2.6	2.4	2.6	2.6
<b>Local government debt</b>	<b>1.7</b>	<b>2.0</b>	<b>2.3</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>	<b>2.5</b>	<b>2.5</b>	<b>2.7</b>	<b>2.6</b>
Currency and deposits	-	-	-	-	-	-	-	-	-	-
Securities other than shares*	0.3	0.5	0.5	0.8	0.8	0.7	0.7	0.6	0.4	0.4
Loans	1.4	1.5	1.8	1.8	1.8	2.0	1.8	1.9	2.3	2.2
<b>Social security funds debt</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
Currency and deposits	-	-	-	-	-	-	-	-	-	-
Securities other than shares*	-	-	-	-	-	-	-	-	-	-
Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Note: \* Securities other than shares, exclusive of financial derivatives.

Source: CZSO (2011b).

**Table 5.16: General Government Debt by Subsectors and Instruments**

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>General government debt</b>	<i>CZK bn</i>	<b>585</b>	<b>695</b>	<b>768</b>	<b>848</b>	<b>885</b>	<b>948</b>	<b>1024</b>	<b>1105</b>	<b>1282</b>	<b>1414</b>
	<i>% growth</i>	44.2	18.9	10.5	10.4	4.4	7.1	8.0	7.9	16.1	10.2
Currency and deposits	<i>CZK bn</i>	<b>7</b>	<b>24</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>0</b>	-	-	-	-
	<i>% growth</i>	-	240.9	-83.8	-28.6	-78.3	-96.3	-	-	-	-
Securities other than shares	<i>CZK bn</i>	<b>355</b>	<b>427</b>	<b>528</b>	<b>634</b>	<b>698</b>	<b>789</b>	<b>871</b>	<b>951</b>	<b>1109</b>	<b>1238</b>
	<i>% growth</i>	28.7	20.5	23.6	19.9	10.2	12.9	10.5	9.2	16.6	11.6
Loans	<i>CZK bn</i>	<b>223</b>	<b>243</b>	<b>236</b>	<b>211</b>	<b>187</b>	<b>160</b>	<b>153</b>	<b>154</b>	<b>173</b>	<b>176</b>
	<i>% growth</i>	71.7	9.2	-3.0	-10.5	-11.6	-14.4	-4.3	0.6	12.9	1.2
<b>Central government debt</b>	<i>CZK bn</i>	<b>553</b>	<b>653</b>	<b>719</b>	<b>783</b>	<b>813</b>	<b>867</b>	<b>939</b>	<b>1016</b>	<b>1187</b>	<b>1319</b>
	<i>% growth</i>	46.2	18.1	10.0	8.9	3.8	6.7	8.3	8.2	16.8	11.2
Currency and deposits	<i>CZK bn</i>	<b>7</b>	<b>24</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>0</b>	-	-	-	-
	<i>% growth</i>	-	240.9	-83.8	-28.6	-78.3	-96.3	-	-	-	-
Securities other than shares	<i>CZK bn</i>	<b>348</b>	<b>415</b>	<b>517</b>	<b>612</b>	<b>675</b>	<b>766</b>	<b>848</b>	<b>929</b>	<b>1094</b>	<b>1224</b>
	<i>% growth</i>	29.8	19.4	24.6	18.2	10.3	13.5	10.7	9.5	17.7	11.9
Loans	<i>CZK bn</i>	<b>198</b>	<b>213</b>	<b>197</b>	<b>169</b>	<b>137</b>	<b>101</b>	<b>91</b>	<b>87</b>	<b>93</b>	<b>95</b>
	<i>% growth</i>	79.4	7.8	-7.5	-14.6	-18.5	-26.5	-10.1	-4.0	6.5	2.7
<b>Local government debt</b>	<i>CZK bn</i>	<b>40</b>	<b>50</b>	<b>59</b>	<b>72</b>	<b>79</b>	<b>87</b>	<b>88</b>	<b>92</b>	<b>98</b>	<b>97</b>
	<i>% growth</i>	12.7	24.0	18.0	22.1	9.8	9.5	2.1	3.9	6.9	-1.4
Currency and deposits	<i>CZK bn</i>	-	-	-	-	-	-	-	-	-	-
	<i>% growth</i>	-	-	-	-	-	-	-	-	-	-
Securities other than shares	<i>CZK bn</i>	<b>7</b>	<b>12</b>	<b>12</b>	<b>23</b>	<b>24</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>16</b>	<b>16</b>
	<i>% growth</i>	-13.2	72.4	-3.4	90.7	5.8	-3.5	0.6	0.0	-30.4	-2.2
Loans	<i>CZK bn</i>	<b>33</b>	<b>38</b>	<b>47</b>	<b>49</b>	<b>55</b>	<b>64</b>	<b>65</b>	<b>69</b>	<b>82</b>	<b>81</b>
	<i>% growth</i>	20.4	13.6	25.0	4.8	11.6	15.2	2.6	5.3	19.5	-1.3
<b>Social security funds debt</b>	<i>CZK bn</i>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<i>% growth</i>	-35.1	-15.4	-20.5	-25.5	17.5	-30.5	-69.1	55.9	-58.7	318.4
Currency and deposits	<i>CZK bn</i>	-	-	-	-	-	-	-	-	-	-
	<i>% growth</i>	-	-	-	-	-	-	-	-	-	-
Securities other than shares	<i>CZK bn</i>	-	-	-	-	-	-	-	-	-	-
	<i>% growth</i>	-	-	-	-	-	-	-	-	-	-
Loans	<i>CZK bn</i>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<i>% growth</i>	-35.1	-15.4	-20.5	-25.5	17.5	-30.5	-69.1	55.9	-58.7	318.4

*Note: Government debt consists of following financial instruments: currency and deposits, securities issued other than shares excluding financial derivatives and loans. Government debt means total gross debt at nominal value outstanding at the end of the year and consolidated between and within the sectors of general government. The nominal value is considered equivalent to the face value of liabilities. It is therefore equal to the amount that the government will have to refund to creditors at maturity.*

*Source: CZSO (2011b).*

## 5.5 International Comparison

**Table 5.17: General Government Balance and Debt of EU Countries**

(in % of GDP)

	Balance					Debt				
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
<b>EU27<sup>1</sup></b>	-0.9	-2.4	-6.8	-6.4	-4.6	59.0	62.3	74.4	80.0	81.6
<b>EA<sup>2</sup></b>	-0.7	-2.0	-6.3	-6.0	-4.2	66.2	69.9	79.3	85.1	87.0
<b>Austria</b>	-0.9	-0.9	-4.1	-4.6	-3.9	60.7	63.8	69.6	72.3	73.6
<b>Belgium</b>	-0.3	-1.3	-5.9	-4.1	-3.6	84.2	89.6	96.2	96.8	97.5
<b>Bulgaria</b>	1.1	1.7	-4.7	-3.2	-2.5	17.2	13.7	14.6	16.2	16.4
<b>Cyprus</b>	3.4	0.9	-6.0	-5.3	-4.2	58.3	48.3	58.0	60.8	62.0
<b>Czech Republic</b>	-0.7	-2.7	-5.9	-4.7	-4.2	29.0	30.0	35.3	38.5	41.4
<b>Denmark</b>	4.8	3.2	-2.7	-2.7	-3.8	27.5	34.5	41.8	43.6	43.0
<b>Estonia</b>	2.5	-2.8	-1.7	0.1	-0.5	3.7	4.6	7.1	6.6	6.3
<b>Finland</b>	5.2	4.2	-2.6	-2.5	-0.9	35.2	34.1	43.8	48.4	50.1
<b>France</b>	-2.7	-3.3	-7.5	-7.0	-5.7	63.9	67.7	78.3	81.7	84.6
<b>Germany</b>	0.3	0.1	-3.0	-3.3	-2.5	64.9	66.3	73.5	83.2	81.8
<b>Greece</b>	-6.4	-9.8	-15.4	-10.5	-7.4	105.4	110.7	127.1	142.8	154.8
<b>Hungary</b>	-5.0	-3.7	-4.5	-4.2	2.0	66.1	72.3	78.4	80.2	75.5
<b>Ireland</b>	0.1	-7.3	-14.3	-32.4	-9.5	25.0	44.4	65.6	96.2	102.2
<b>Italy</b>	-1.5	-2.7	-5.4	-4.6	-3.9	103.6	106.3	116.1	119.0	120.0
<b>Latvia</b>	-0.3	-4.2	-9.7	-7.7	-5.4	9.0	19.7	36.7	44.7	49.4
<b>Lithuania</b>	-1.0	-3.3	-9.5	-7.1	-5.3	16.9	15.6	29.5	38.2	38.1
<b>Luxembourg</b>	3.7	3.0	-0.9	-1.7	-1.5	6.7	13.6	14.6	18.4	17.7
<b>Malta</b>	-2.3	-4.5	-3.7	-3.6	-2.8	62.0	61.5	67.6	68.0	67.9
<b>Netherlands</b>	0.2	0.6	-5.5	-5.4	-3.7	45.3	58.2	60.8	62.7	64.5
<b>Poland</b>	-1.9	-3.7	-7.3	-7.9	-5.6	45.0	47.1	50.9	55.0	54.9
<b>Portugal</b>	-3.1	-3.5	-10.1	-9.1	.	68.3	71.6	83.0	93.0	.
<b>Romania</b>	-2.6	-5.7	-8.5	-6.4	-4.5	12.6	13.4	23.6	30.8	33.2
<b>Slovakia</b>	-1.8	-2.1	-8.0	-7.9	-4.9	29.6	27.8	35.4	41.0	44.1
<b>Slovenia</b>	-0.1	-1.8	-6.0	-5.6	-5.5	23.1	21.9	35.2	38.0	43.3
<b>Spain</b>	1.9	-4.2	-11.1	-9.2	-6.0	36.1	39.8	53.3	60.1	67.3
<b>Sweden</b>	3.6	2.2	-0.7	0.0	0.6	40.2	38.8	42.8	39.8	36.8
<b>United Kingdom<sup>3</sup></b>	-2.8	-6.9	-11.5	-10.0	-7.9	43.6	58.1	72.5	82.5	84.1

Note: 1) Total balance and debt in EU27 in 2011 are calculated without Portugal.

2) 17 current member states – Belgium, Estonia, Finland, France, Ireland, Italy, Cyprus, Luxembourg, Malta, Germany, Netherlands, Portugal, Austria, Greece, Slovakia, Slovenia and Spain.

3) Data for fiscal year (1 April 2010 to 31 March 2011) relevant for implementation of the excessive deficit procedure.

Source: Eurostat (2011). United Kingdom data for 2011 based on its Notification.

**Table 5.18: Transactions of General Government of EU Countries in 2011***(in % of GDP)*

	Revenue	Expenditure	Compensation of	Cash social benefits	Consumption <sup>1</sup>	Investments <sup>2</sup>	Interest expenditure
<b>EU27<sup>3</sup></b>	43.9	50.3	11.0	17.1	22.1	2.7	2.7
<b>EA<sup>4</sup></b>	44.5	50.4	10.6	17.8	21.9	2.5	2.8
<b>Belgium</b>	48.9	53.1	12.5	17.2	24.3	1.7	3.5
<b>Bulgaria</b>	34.5	37.7	9.4	12.6	15.8	4.6	0.6
<b>Czech Republic</b>	40.5	45.2	8.0	13.9	21.8	4.6	1.4
<b>Denmark</b>	55.3	58.2	19.1	17.0	29.4	2.2	2.0
<b>Estonia</b>	40.1	40.0	11.8	12.9	20.6	3.6	0.1
<b>Finland</b>	52.3	55.1	14.4	18.0	24.5	2.7	1.4
<b>France</b>	49.2	56.2	13.3	19.4	24.6	3.0	2.5
<b>Ireland</b>	34.6	67.0	11.8	15.9	19.1	3.9	3.3
<b>Italy</b>	45.9	50.3	11.1	19.2	21.1	2.1	4.4
<b>Cyprus</b>	41.3	46.6	15.4	14.7	19.3	3.6	2.2
<b>Lithuania</b>	34.2	41.3	11.1	13.0	20.6	4.6	1.8
<b>Latvia</b>	35.2	42.9	10.2	12.5	16.9	3.6	1.4
<b>Luxembourg</b>	39.5	41.2	7.7	14.7	16.2	4.1	0.4
<b>Hungary</b>	44.6	48.9	10.7	15.6	21.4	3.2	4.1
<b>Malta</b>	38.7	42.3	13.4	12.9	20.6	2.1	3.0
<b>Germany</b>	43.3	46.6	7.3	18.0	19.5	1.6	2.4
<b>Netherlands</b>	45.9	51.2	10.0	11.7	28.5	3.7	1.9
<b>Poland</b>	37.8	45.7	10.1	14.9	18.8	5.6	2.7
<b>Portugal</b>	41.5	50.7	12.2	17.0	21.4	3.3	3.0
<b>Austria</b>	48.3	53.0	9.7	19.8	19.5	1.2	2.7
<b>Romania</b>	34.3	40.8	9.6	13.2	17.2	5.5	1.6
<b>Greece</b>	39.1	49.5	11.8	20.6	18.2	2.8	5.5
<b>Slovakia</b>	33.1	41.0	7.9	13.7	19.6	2.6	1.3
<b>Slovenia</b>	43.4	49.0	12.4	17.0	20.1	4.3	1.6
<b>Spain</b>	35.7	45.0	11.7	15.2	20.8	3.7	1.9
<b>Sweden</b>	52.7	53.0	14.8	15.4	27.2	3.5	1.0
<b>United Kingdom<sup>5</sup></b>	40.6	50.9	11.7	15.2	23.0	2.5	3.0

Note: 1) Collective and individual consumption of general government.

2) Gross fixed capital formation.

3) Total balance and debt in EU27 in 2011 are calculated without Portugal.

4) 17 current member states – Belgium, Estonia, Finland, France, Ireland, Italy, Cyprus, Luxembourg, Malta, Germany, Netherlands, Portugal, Austria, Greece, Slovakia, Slovenia and Spain.

5) Calendar year.

Source: Eurostat (2011).

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