

# **Fiscal Outlook**

## **of the Czech Republic**

**May 2014**

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The Fiscal Outlook of the CR is published by the Department for Financial Policies of the MF CR with a half-year periodicity (published generally at the end of May and November). It contains forecast of the current and next year (i.e. up to 2015) and also the outlook of some economic indicators to the following 2 years (i.e. up to 2017). The Outlook is available on internet pages of MF CR at:

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

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

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

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

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## List of Abbreviations

c.p.	current prices
CZK	Czech koruna currency code
CZSO	Czech Statistical Office
EC	European Commission
EDP	Excessive Deficit Procedure
EDP B.9	net lending/borrowing of the general government applied under EDP
ESA 95	European System of National and Regional Accounts from year 1995
ESA 2010	European System of National and Regional Accounts from year 2010
ESCB	European System of Central Banks
EU, EU28	European Union (EU28 coverage)
EUR	euro currency code
GFS 2001	Government Finance Statistics methodology from year 2001
GDP	gross domestic product
IMF	International Monetary Fund
MF CR	Ministry of Finance of the Czech Republic
OP	operational programme
p.a.	<i>per annum</i> (per year)
pp	percentage point
s.p.	constant prices (volumes)
USD	US dollar currency code

## Symbols Used in Tables

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

## Cut-off Date for Data Sources

Macroeconomic data used pertain to the 1 April 2014 release, fiscal data to the 4 April 2014 release, government bond yields to the 14 May 2014 release and data for international comparison to the 5 May 2014 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

Fiscal policy in the Czech Republic was characterized by its procyclical nature in recent years. The multiple decreases in economic activity were accompanied by fiscal restriction, reaching almost 4.5 percentage points of GDP for the years 2010–2013. As a result, the general government deficit was decreased nearly to the zero structural balance (–0.3% of GDP). For 2014 the state budget and budgets of state funds were drawn up less procyclically, with an estimated overall result for general government sector of –1.8% of GDP. Fiscal effort for year 2014, when the domestic economy is supposed to be in the conditions of fragile recovery, is thus estimated to be –1.0 percentage point of GDP. Slight countercyclical effect of fiscal policy should continue also in 2015, mainly due to the advancement in termination of some measures from the consolidation package of 2012 and due to the implementation of selected government priorities. The general government deficit should thus reach 2.3% of GDP. Structural balance in 2016 and 2017, when the economy should operate close to its potential, remains constant. Fiscal policy will leave full space for the effect of automatic stabilisers, which was recommended for the Czech Republic by many reputable international institutions (see e.g. IMF, 2013 and OECD, 2014). The primary government objective for the current year is to close the excessive deficit procedure. The assessment would be based not only on the factual general government outcome from the last year, but also the set of fiscal policy in credible and sustainable way under the excessive deficit limit for the future will be examined.

On 28 April 2014, the Czech government approved the update of the Convergence Programme of the Czech Republic, which presents the government macroeconomic policy, with an emphasis on fiscal issues until 2017, as well as a weak earlier approved the National Reform Programme with a description of upcoming structural reforms. The May Fiscal Outlook is conceived as a supplement to the Convergence Programme, from which the data and information are drawn and are further elaborated. Fiscal outlook is based on the adjusted April Macroeconomic Forecast of the Ministry of Finance, on the results of Debt and Deficit Notifications of the Czech Statistical Office approved by Eurostat as of 23 April 2014 and on the Debt and Deficit Notifications of other European Union member states published by Eurostat (closing date 5 May 2014) and published yields on ten-year government bonds by the European Central Bank (closing date 14 April 2014) respectively, for the purpose of international comparison.

Current and expected macroeconomic and fiscal developments are briefly outlined in the first chapter. We envisage the gradual pick up in the real GDP growth dynamic from 1.7% in the current year to 2.5% in 2017. Primary contributors to the growth should be the household consumption and also later higher growth of investments. The general government deficit should decrease to 1.7% of GDP by 2017, with the

neutral effect of fiscal policy at the end of the forecast horizon. Fiscal policy has long been perceived as credible, which was confirmed for example by the Fitch agency rating evaluation (16 May 2014) and by actual yields on ten-year government bonds. The Czech Republic belongs to the quarter of European Union countries with the lowest bond yields.

Government sector revenues and expenditures in 2013 and 2014, their autonomous development, discretionary changes and the debt and deficit structure are closely described in the second chapter. Two thematic boxes in this chapter are devoted to the uptake from the EU funds, where both, the programming period 2007–2013 and current period of 2014–2020 are concerned. The uptake from the past programming period is analysed based on the detail information on the subsidy recipients, costs of individual projects and in terms of comparison between institutional sectors of the economy.

The last chapter expands the Convergence Programme with a review of the budgetary outcome based on cash-flow methodology. As usual, the Fiscal Outlook also includes an extensive annex of tables, which is also available to readers in electronic format on the website of the Ministry of Finance.

# 1 Economic Development and Fiscal Policy

## 1.1 Macroeconomic Development

According to the Czech Statistical Office's (CZSO) current data, real GDP decreased by 0.9% in the whole of 2013. The surprisingly strong quarter-on-quarter growth of 1.8% in the fourth quarter of 2013 was largely a product of one-off factors (stockpiling cigarette tax stamps as a consequence of an increase in the excise tax on tobacco products as of 1 January 2014). This will be negatively reflected in growth particularly in first quarter of 2014 (see the GDP preliminary estimate; CZSO, 2014a); however, gradual economic recovery should continue. GDP could increase by 1.7% in 2014, while in the following years growth could accelerate up to 2.5% in 2017. In the forecast horizon, all GDP expenditure components should contribute positively to growth.

In 2014, household consumption dynamics will be depressed by limited growth of real disposable income and the situation on the labour market, which will only improve slowly. Conversely, a reduction in household pessimism should take effect, which could mitigate the creation of prudential savings. As a result, household consumption could increase by 0.6%, whereupon growth could accelerate up to 1.9% in 2017.

In the horizon of the macroeconomic scenario, growth of real government consumption should fluctuate at around 1%. Growth will largely be influenced by higher expenditure in health care, and to a smaller extent by intermediate consumption growth.

In the scenario horizon, the development of gross fixed capital formation should be influenced positively by gross operating surplus dynamics and economic growth not only in the CR, but also in the countries of our main trading partners. In 2014 and 2015, a considerable improvement in the draw of funds from the EU financial perspective 2007–2013 should also contribute. Investment in fixed capital could therefore increase by 2.7% in 2014 and by 2.0% in 2015. In the longer term, growth of gross fixed capital formation could accelerate up to 3.1% in 2017.

The increase in the foreign trade surplus in current prices that occurred in 2013 was accompanied by a considerable improvement in the terms of trade. The contribution of foreign trade to the year-on-year growth of real GDP reached –0.3 pp in 2013. In the whole scenario horizon, however, foreign trade contributions should be positive, despite the expected further improvement in the terms of trade in 2014 and 2015.

Despite the weakening of the Czech koruna due to the Czech National Bank's foreign exchange interventions, 2014 should be characterized by very low inflation. Unlike in previous years, administrative measures (especially a decrease in electricity prices) should have an anti-inflationary impact throughout 2014.

**Table 1.1: Main Macroeconomic Indicators (2013–2017)**

		2013	2014	2015	2016	2017	2013	2014	2015	2016
		Actual	Current Forecast and Outlook				May 2013 Fiscal Outlook			
<b>Gross domestic product</b>	<i>bn CZK, c.p.</i>	<b>3884</b>	<b>4023</b>	<b>4173</b>	<b>4303</b>	<b>4471</b>	3852	3924	4070	4221
	<i>% growth, s.p.</i>	<b>-0.9</b>	<b>1.7</b>	<b>2.0</b>	<b>2.1</b>	<b>2.5</b>	-1.0	1.3	2.2	2.7
<b>Private consumption</b>	<i>% growth, s.p.</i>	<b>0.1</b>	<b>0.6</b>	<b>1.5</b>	<b>1.6</b>	<b>1.9</b>	0.2	0.9	2.1	2.5
<b>Government consumption</b>	<i>% growth, s.p.</i>	<b>1.6</b>	<b>0.8</b>	<b>0.7</b>	<b>1.2</b>	<b>1.2</b>	0.8	0.2	-0.3	0.2
<b>Gross fixed capital formation</b>	<i>% growth, s.p.</i>	<b>-3.5</b>	<b>2.7</b>	<b>2.0</b>	<b>2.1</b>	<b>3.1</b>	-4.8	-0.8	2.6	3.1
<b>Contr. of net exports to GDP growth</b>	<i>p.p., s.p.</i>	<b>-0.3</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>	0.6	0.6	0.5	0.7
<b>GDP deflator</b>	<i>% growth</i>	<b>1.9</b>	<b>1.8</b>	<b>1.7</b>	<b>1.0</b>	<b>1.3</b>	1.2	0.5	1.5	0.9
<b>Inflation</b>	<i>in %</i>	<b>1.4</b>	<b>1.0</b>	<b>2.3</b>	<b>2.1</b>	<b>2.0</b>	1.4	0.7	1.9	0.9
<b>Employment</b>	<i>% growth</i>	<b>1.0</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	1.2	0.4	0.1	0.1
<b>Unemployment rate</b>	<i>average in %</i>	<b>7.0</b>	<b>6.8</b>	<b>6.6</b>	<b>6.4</b>	<b>6.0</b>	7.1	7.3	7.1	6.6
<b>Wages and salaries</b>	<i>% growth, c.p.</i>	<b>-0.9</b>	<b>1.8</b>	<b>3.5</b>	<b>3.6</b>	<b>4.1</b>	0.6	2.5	4.6	3.9
<b>Current account to GDP ratio</b>	<i>in %</i>	<b>-1.4</b>	<b>-0.4</b>	<b>-0.3</b>	<b>-0.5</b>	<b>-0.6</b>	-1.7	-1.4	-1.5	-1.7
<b>Assumptions:</b>										
<b>Exchange rate CZK/EUR</b>		<b>26.0</b>	<b>27.3</b>	<b>27.2</b>	<b>26.8</b>	<b>26.4</b>	25.8	25.8	25.8	25.8
<b>Long-term interest rates</b>	<i>% p.a.</i>	<b>2.1</b>	<b>2.4</b>	<b>2.6</b>	<b>2.8</b>	<b>3.0</b>	2.1	2.4	2.7	3.1
<b>Crude oil Brent</b>	<i>USD/barrel</i>	<b>108.6</b>	<b>104.8</b>	<b>100.5</b>	<b>96.5</b>	<b>95.0</b>	108.1	102.8	98.0	95.3
<b>GDP in Eurozone EA12</b>	<i>% growth, s.p.</i>	<b>-0.4</b>	<b>1.1</b>	<b>1.5</b>	<b>1.8</b>	<b>2.1</b>	-0.4	0.9	1.2	1.5

Note: Figures for employment and unemployment are based on Labour Force Survey. EA 12 refers to euro zone consisting of 12 original countries.

Source: MF CR (2013a, 2014b).



The inflation rate could thus reach 1.0% this year. In 2015, consumer price growth should accelerate to 2.3% in relation to the economic recovery and the delayed effects of the weaker koruna. The planned introduction of a third value added tax rate of 10% for selected goods, which is expected to take effect in 2015, together with the abolition of regulatory fees for visiting a doctor, will have a slight anti-inflationary impact. In the following years, inflation should be close to the Czech National Bank's inflation target.

Employers' efforts to increase labour productivity should lead to minimal growth of employment in both 2014 and 2015. We also expect an impact on the unemployment rate (Labour Force Survey methodology), which in spite of gradual economic growth should decrease in both years only marginally. A slight increase in employment and only a gradual reduction in the unemployment rate should also characterize the

development on the labour market in the years of the outlook.

The wage bill could increase by 1.8% this year. The dominant factor behind the relatively low growth of the wage bill is likely to be the private sector's efforts to compensate for the continuous decrease in net operating surplus from 2009 to 2012. In 2015 and 2016, wage bill growth could be around 3.5%; in 2017 it could slightly accelerate to 4.1%. In 2015–2017, the wage bill growth should approximately mirror nominal GDP dynamics.

Owing in particular to favourable development of the foreign trade balance, we expect the current account deficit of the balance of payments to be almost negligible.

We regard the macroeconomic forecast risks as balanced.

## 1.2 Fiscal Policy Objectives

In the previous four years, the budgets of the general government sector have been consolidated considerably, largely in reaction to a decline in performance caused by the global economic recession. The government sector deficit decreased from 5.8% of GDP in 2009 to 1.5% of GDP in 2013, despite the continuing negative output gap and the fact that real economic level was still lower in 2013 than in 2008.

In 2010–2013, the average fiscal effort of 1.1 pp was recorded. Thus the structural deficit reached 0.3% of GDP in 2013, which was considerably less than the level of the medium-term budgetary objective for the CR (1% of GDP). Based on these facts and considering the expected development of government finances, we expect the abrogation of the excessive deficit procedure taken with the CR since 2009 (the Council of the EU, 2009).

In 2014, the government's fiscal policy strategy expects to make use of this newly-created fiscal space to support the domestic economy, at least by partially strengthening of some expenditure with a pro-growth effect. For the current year, we estimate a government sector deficit of 1.8% of GDP, which considering the closing output gap denotes an increase in the structural deficit to 1.3% of GDP. We also expect the recovering economy to receive a slight impulse from fiscal policy in 2015, when we assume a government sector deficit of 2.3% of GDP. In the following two years of the outlook, when economic performance should approach its potential, fiscal policy will be set neutrally, i.e. with a stable structural deficit of 1.7% of GDP (see Table 1.2). This will be reflected by a decrease in the total general government sector deficit to 2.0% of GDP in 2016 and to 1.7% of GDP in 2017.

**Table 1.2: Fiscal Policy Stance (2011–2017)**

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

	2011	2012	2013	2014	2015	2016	2017
<b>General government balance</b>	<b>-3.2</b>	<b>-4.2</b>	<b>-1.5</b>	<b>-1.8</b>	<b>-2.3</b>	<b>-2.0</b>	<b>-1.7</b>
Cyclical component	-0.1	-0.5	-1.0	-0.6	-0.4	-0.2	0.0
One-off and other temporary measures	-0.2	-2.1	-0.2	0.1	-0.1	-0.1	0.0
Structural balance	-2.9	-1.6	-0.3	-1.3	-1.8	-1.7	-1.7
<b>Change in structural balance</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>-1.0</b>	<b>-0.5</b>	<b>0.1</b>	<b>0.0</b>
Cyclical component according to ESCB method	0.1	-0.3	-0.6	-0.3	-0.1	0.1	0.5
Structural balance according to ESCB method	-3.1	-1.8	-0.7	-1.6	-2.1	-2.1	-2.1
<b>Change in structural balance according to ESCB method</b>	<b>1.7</b>	<b>1.3</b>	<b>1.2</b>	<b>-1.0</b>	<b>-0.5</b>	<b>0.0</b>	<b>0.0</b>

*Note: Different development of the cyclical component of the balance (and therefore of the structural balance) according to the OECD method (used in simplified form by the EC) and the ESCB method is primarily caused by a different choice of macroeconomic aggregates. While the EC method is based on the economic cycle defined by the relative output gap, the ESCB method models the cyclical development of cyclically-dependent government revenue and expenditure according to relevant macroeconomic bases (wages and salaries in the private sector, net operating surplus, consumption of households and unemployment). These have different cyclical behaviour than the GDP.*

*Source: CZSO (2014c, 2014b). Forecast and calculations by MF CR.*

The government has resolved to enforce an economic programme based on support for business, investment in education, science and research, a functioning and transparent state administration, an effective labour market, a long-term sustainable pension scheme and social reconciliation within society.

The government's priority is to stabilize the tax environment while increasing the effectiveness of tax collection and fighting more successfully tax evasion. In the whole period of budgetary outlook, we currently expect only partial (predominantly socially-targeted) changes in taxation. The total amount of tax burden should remain almost at the level of 2014. The current coalition government decided to abandon original changes in direct and indirect taxation that would have eroded in subsequent years the revenue side of budgets.

As a result, there is a plan to repeal Act No. 458/2011 Coll., relating to the establishment of the Integrated Revenue Agency, which will be effective from 2015. However, the basic principles of the Integrated Revenue Agency, i.e. simplification of tax and insurance

premium collection and administration, continue to be supported. Systemic changes in personal income tax (changes in the tax base, tax rates and tax credits) will be made in a budgetary neutral manner.

The unification of both value added tax rates at 17.5% was initially planned for 2016, but the government currently intends leaving the tax rates at their present 15 and 21%. Already from 2015, a second reduced tax rate of 10% should be introduced in accordance with the Policy Statement of the Government. This rate will apply to drugs, books as well as on the irreplaceable child nutrition.

Starting from 2015, among other factors the expenditure side will reflect the termination of the restriction on the valorisation formula for increasing pensions, the limited growth of some social benefits and the slight increase in compensation of employees in state administration. A higher volume of funds will be directed to the health care sector. The government's fiscal strategy is discussed in detail in the April Convergence Programme of the Czech Republic (see MF CR, 2014a).

**Table 1.3: General Government Revenue**

	2013	2014	2015	2016	2017
<i>bn CZK</i>					
<b>Total revenue</b>	<b>1588</b>	<b>1633</b>	<b>1666</b>	<b>1700</b>	<b>1757</b>
<b>Tax revenue</b>	<b>767</b>	<b>771</b>	<b>784</b>	<b>804</b>	<b>828</b>
Taxes on production and imports	483	478	483	494	504
Value added tax	298	300	303	311	322
Excise taxes	150	142	145	146	147
Current taxes on income, wealth, etc.	283	292	300	310	323
Personal income tax	150	154	157	162	169
Corporate income tax	130	135	140	144	150
Capital taxes	0	0	0	0	0
<b>Social contributions</b>	<b>606</b>	<b>616</b>	<b>640</b>	<b>664</b>	<b>692</b>
<b>Property income</b>	<b>34</b>	<b>32</b>	<b>32</b>	<b>33</b>	<b>34</b>
<b>Other</b>	<b>181</b>	<b>214</b>	<b>210</b>	<b>199</b>	<b>204</b>
<i>growth in %</i>					
<b>Total revenue</b>	<b>2.4</b>	<b>2.8</b>	<b>2.0</b>	<b>2.1</b>	<b>3.3</b>
<b>Tax revenue</b>	<b>3.0</b>	<b>0.5</b>	<b>1.7</b>	<b>2.6</b>	<b>2.9</b>
Taxes on production and imports	3.2	-1.0	1.0	2.1	2.1
Value added tax	6.0	0.8	0.8	2.8	3.3
Excise taxes	-1.3	-5.1	2.3	0.6	0.6
Current taxes on income, wealth, etc.	2.8	3.2	2.7	3.3	4.3
Personal income tax	3.7	2.7	1.7	3.5	4.1
Corporate income tax	2.0	3.7	3.7	3.1	3.9
Capital taxes	-3.9	0.5	-6.7	-3.9	0.0
<b>Social contributions</b>	<b>1.1</b>	<b>1.6</b>	<b>4.0</b>	<b>3.7</b>	<b>4.1</b>
<b>Property income</b>	<b>21.0</b>	<b>-7.0</b>	<b>0.7</b>	<b>3.0</b>	<b>3.1</b>
<b>Other</b>	<b>1.7</b>	<b>18.5</b>	<b>-2.0</b>	<b>-5.2</b>	<b>2.3</b>
<b>Tax burden</b> <i>% of GDP</i>	<b>35.5</b>	<b>34.6</b>	<b>34.3</b>	<b>34.2</b>	<b>34.1</b>

Note: The tax-to-GDP ratio (tax burden) includes both the share of value added tax transferred towards EU as its own income and customs revenue.

Source: Year 2013 CZSO (2014b). Forecast and calculations by MF CR.

**Table 1.4: General Government Expenditure**

	2013	2014	2015	2016	2017
<i>CZK bn</i>					
<b>Total expenditure</b>	<b>1645</b>	<b>1706</b>	<b>1760</b>	<b>1787</b>	<b>1832</b>
<b>Final consumption expenditure</b>	<b>802</b>	<b>816</b>	<b>831</b>	<b>844</b>	<b>861</b>
Collective consumption	374	393	395	403	414
Individual consumption	429	423	436	441	447
Social benefits in kind	234	240	246	251	255
Transfers of individual non-market goods and services	194	183	189	190	191
<b>Social transfers other than in kind</b>	<b>544</b>	<b>570</b>	<b>592</b>	<b>610</b>	<b>628</b>
<b>Interest</b>	<b>54</b>	<b>55</b>	<b>56</b>	<b>58</b>	<b>60</b>
<b>Subsidies</b>	<b>77</b>	<b>80</b>	<b>81</b>	<b>83</b>	<b>86</b>
<b>Gross fixed capital formation</b>	<b>108</b>	<b>139</b>	<b>140</b>	<b>128</b>	<b>131</b>
<b>Other</b>	<b>59</b>	<b>46</b>	<b>60</b>	<b>63</b>	<b>68</b>
<b>Compensation of employees</b>	<b>293</b>	<b>299</b>	<b>306</b>	<b>312</b>	<b>318</b>
<b>Total social transfers</b>	<b>778</b>	<b>811</b>	<b>838</b>	<b>861</b>	<b>883</b>
<i>growth in %</i>					
<b>Total expenditure</b>	<b>-3.9</b>	<b>3.7</b>	<b>3.2</b>	<b>1.5</b>	<b>2.6</b>
<b>Final consumption expenditure</b>	<b>1.7</b>	<b>1.7</b>	<b>1.8</b>	<b>1.6</b>	<b>2.0</b>
Collective consumption	0.2	5.2	0.4	2.0	2.8
Individual consumption	3.1	-1.4	3.1	1.2	1.2
Social benefits in kind	0.5	2.5	2.5	1.8	1.8
Transfers of individual non-market goods and services	6.4	-6.1	3.8	0.5	0.5
<b>Social transfers other than in kind</b>	<b>1.9</b>	<b>4.9</b>	<b>3.8</b>	<b>3.1</b>	<b>2.9</b>
<b>Interest</b>	<b>-3.7</b>	<b>1.1</b>	<b>3.2</b>	<b>3.4</b>	<b>2.5</b>
<b>Subsidies</b>	<b>1.2</b>	<b>3.3</b>	<b>2.0</b>	<b>2.0</b>	<b>3.0</b>
<b>Gross fixed capital formation</b>	<b>-12.1</b>	<b>28.7</b>	<b>0.3</b>	<b>-8.1</b>	<b>2.0</b>
<b>Other</b>	<b>-55.7</b>	<b>-22.6</b>	<b>31.5</b>	<b>4.5</b>	<b>7.4</b>
<b>Compensation of employees</b>	<b>2.6</b>	<b>1.9</b>	<b>2.3</b>	<b>2.0</b>	<b>2.0</b>
<b>Total social transfers</b>	<b>1.5</b>	<b>4.2</b>	<b>3.4</b>	<b>2.7</b>	<b>2.6</b>

Source: Year 2013 CZSO (2014b). Forecast and calculations by MF CR.

## 2 Public Finances – ESA 95 Methodology

### 2.1 General Government Sector Development in 2013

According to government deficit and debt notifications (CZSO, 2014 **Chyba! Nenalezen zdroj odkazů.**), there was a general government deficit of 1.5% of GDP in 2013. Compared to 2012, the deficit level improved by 2.8 pp. However, this positive result owes mainly to two accrual operations (financial compensation to churches and religious organisations and a correction of reimbursement from EU funds) of approximately CZK 71 billion recorded in 2012 in expenditure as a capital transfer. Nonetheless, the total cash impact related to these operations was negligible in 2012. After adjustment for one-off operations and the impact of business cycle, the government sector performance has now improved for the third year in a row, by 1.3 pp.

Revenues increased by 2.4% compared to 2012, in particular due to an increase in tax revenues, largely a consequence of discretionary measures. Government sector revenues as a percentage of GDP increased by 0.6 pp to 40.9% of GDP. The revenue-to-GDP ratio has been repeatedly increasing since 2009.

The collection of taxes on production and imports increased by 3.2%, mainly due to a 6% increase in value added tax revenues when the both tax rates were increased by 1 pp (an impact of nearly CZK 16 billion). On the other hand, excise taxes collection decreased by 1.3% as a result of lower revenues from the tax on mineral oils.

The positive development of personal income tax resulted in a growth of direct taxes collection of 2.8%. The collection of personal income tax increased by 3.7% due to discretionary tax modifications, in spite of a nearly 1% decrease in the wage bill in the economy. The changes included, for example, introduction of the second statutory rate of personal income tax and cancellation of the basic personal tax credit for working pensioners. The total effect of these measures reached nearly CZK 7 billion. Social security contributions increased by only 1.1%, where the positive impact of cancelling health insurance caps was compensated by increasing the limit of exemption of employers' payments for life insurance and additional pension insurance. Corporate tax revenues increased by 2.0% in 2013, an increase largely involving autonomous development.

The development of other tax revenues, the fiscal effect of which is relatively small, has changed only slightly over time. Other sources for financing expenditure needs are property income, including in particular revenues from invested funds as well as dividends from companies owned or co-owned by the state. In

2013, property income increased relatively sharply (21.5%), which was caused by the interplay of two factors. The first factor is simply a methodological modification of the current status (recording gross income from dividends instead of net income excluding tax), while the second factor is the transfer of CZK 5.1 billion from Forests of the CR, state enterprise, to government sector revenues.

Government sector sales increased only negligibly, by 0.6% compared to 2012. Sales should be understood as government sector production in which the government sector is reimbursed, at least partially, for spent costs by consumers of goods or property or persons paying on their behalf. A typical example is a time-related fee or electronic toll.

The last substantial revenue of the government sector comprises current and capital transfers, which have increased by 3.1%. More than two thirds of these revenues are made up of an accrual transfer that is recorded together with the creation of a receivable due from EU funds. They are funds spent in the given year on European projects (both current and capital ones) that will be paid back to the CR from EU funds in the following years. The remaining third of current and capital transfers concerns those cases in which the government sector is a recipient of transfers, including non-monetary transactions.

Government sector expenditure decreased by 4% compared to 2012, a result given by the aforementioned recording of extensive one-off operations in 2012. After adjustment for these effects, nominal expenditure more or less stagnated (growth of only 0.2%). Due to nominal GDP growth, the share of expenditure adjusted for one-off measures in GDP decreased by 0.4 pp to 42.3% of GDP. Nominal expenditure as a percentage of GDP has been continuously decreasing since 2009.

The largest component of government sector expenditure with a direct relation to GDP is final consumption expenditure, which increased by 1.7% in 2013. After three years of continual decrease, the government sector contributed positively to an increase in the nominal GDP consumption component. From those components making up expenditure of government final consumption, the volume of employee compensation increased most (by 2.6%), both at the central level and at the level of local units. Another large component of expenditure is intermediate consumption (mainly purchases of goods and services by the government sector). After three years of relatively large decreases, it increased by 2.3% in 2013.

### Box 1: Drawing of EU Structural Funds in the 2007–2013 Programming Period

The last Fiscal Outlook (MF CR, 2013a) contained a box on the topic of uptake from EU funds in the 2007–2013 programming period. In addition to describing the basic principles for the uptake of EU funds by means of setting local operational programmes (OPs), it also assessed the state of uptake from individual OPs based on aggregated data on the phases of the project cycle (allocation, submitted applications, funds covered by contracts, paid funds, certified funds). The issues concerning the impacts of uptake from EU funds on the government sector balance from the methodological perspective are covered, for example, in MF CR (2012, 2013b).

The subject of this box, based on the study by Hovorka and Kůs (2014), is to provide a more detailed view of how support is targeted under the Economic and Social Cohesion Policy. Even though it is still possible to apply for subsidies from the 2007–2013 financial perspective, the fact that approximately 86% of the total allocation is already covered by decisions to grant subsidies enables us to provide a plausible assessment of the structure of projects, both from the perspective of cost and according to the basic characteristics of final grant beneficiaries.

As of 4 April 2014, the database of beneficiaries of EU funds administered by the Ministry of Regional Development (MRD, 2014) included 50,743 projects (both completed and in the phase of implementation). The total contracted support was nearly CZK 603 billion, whereby this amount represents only the co-financing from EU funds (Table 2.1).

**Table 2.1: Project Characteristics According to Operational Programme**

Operational Programme	Contracted CZK bn.	Prefinanced CZK bn.	Pref./Contr. %	No. of projects	Average price CZK mill.	Coefficient of variation
<b>OP Transport</b>	142.7	103.0	72.2	209	682.6	1.98
<b>Regional OP - total</b>	108.6	82.0	75.5	5 058	21.5	1.89
<b>OP Enterprise and Innovation</b>	84.3	50.2	59.5	10 766	7.8	5.67
<b>OP Environment</b>	73.4	56.7	77.2	9 618	7.6	3.74
<b>OP Human Resources and Employment</b>	51.8	30.1	58.1	5 224	9.9	9.89
<b>OP Research and Development for Innovations</b>	49.4	30.7	62.2	176	280.6	2.21
<b>OP Education for Competitiveness</b>	43.0	32.7	76.2	10 247	4.2	3.57
<b>Integrated Operational Programme</b>	36.8	20.7	56.3	8 120	4.5	5.60
<b>OP Prague - Competitiveness</b>	6.1	4.3	69.6	272	22.5	2.03
<b>OP Technical Assistance</b>	4.1	2.2	53.5	142	29.2	1.76
<b>OP Prague - Adaptability</b>	2.8	2.2	77.8	911	3.1	1.07
<b>Total</b>	<b>603.0</b>	<b>414.7</b>	<b>68.8</b>	<b>50 743</b>	<b>11.9</b>	<b>-</b>

*Note: The coefficient of variation is related to the expenditures on individual projects co-financed by EU means.*

*Source: MRD (2014). Calculations by MF CR.*

A glance at the basic characteristics of projects supported under individual OPs reveals their very different focus. Programmes to help build “backbone” infrastructure, either in the transport area (OP Transport) or science and research (OP Research and Development for Innovations) include a small number of financially extremely demanding projects. Together with the smallest “Prague” operational programmes and OP Technical Assistance, these programmes are thus characterized by considerable homogeneity from the perspective of the financial demands of supported projects. From the perspective of size, very heterogeneous are projects from OP Human Resources and Employment and especially projects from the Integrated OP, which is also very heterogeneous in terms of project objectives. In the regional OPs, managing bodies exhibited differing strategies when allocating support. For example, the average value of a project approved for financing under Regional OP North-West is nearly three times higher than in the case of Regional OP Central Moravia.

**Table 2.2: Project Characteristics According to Target Sector**

Sector	Contracted CZK bn.	Prefinanced CZK bn.	Pref./Contr. %	No. of projects	Average price CZK mill.	Coefficient of variation
<b>Non-financial enterprises</b>	<b>141.9</b>	<b>85.7</b>	<b>60.4</b>	<b>16 745</b>	<b>8.5</b>	<b>7.80</b>
<b>Financial institutions</b>	<b>6.2</b>	<b>5.7</b>	<b>91.7</b>	<b>30</b>	<b>206.3</b>	<b>3.67</b>
<b>General government</b>	<b>427.0</b>	<b>302.9</b>	<b>70.9</b>	<b>28 674</b>	<b>14.9</b>	<b>9.38</b>
Central government	254.9	173.7	68.2	3 746	68.0	5.53
Local government	172.1	129.1	75.0	24 928	6.9	3.63
<b>Households</b>	<b>5.9</b>	<b>4.7</b>	<b>80.2</b>	<b>2 023</b>	<b>2.9</b>	<b>1.65</b>
<b>Non-profit institutions serving households</b>	<b>21.5</b>	<b>15.3</b>	<b>71.1</b>	<b>3 270</b>	<b>6.6</b>	<b>3.64</b>
<b>Total</b>	<b>603.0</b>	<b>414.7</b>	<b>68.8</b>	<b>50 743</b>	<b>11.9</b>	<b>-</b>

*Note: More than 97% of the contracted amount directed to the financial institutions sector was allocated within the OP Enterprise and Innovation for the Czech-Moravian Guarantee and Development Bank, which transfers these means to support other subjects and thus is not the final beneficiary. The coefficient of variation is related to the expenditures on individual projects co-financed by EU means.*

*Source: CZSO (2014d), MRD (2014). Calculations by MF CR.*

Out of the total volume of promised support, in more than 70% of cases beneficiaries are entities in the general government sector (Table 2.2). The subsector of central government institutions is almost the sole beneficiary of subsidies from OP Transport

(through the Railway Infrastructure Administration and the Road and Motorway Directorate) and from OP Research and Development for Innovations (through public universities and public research institutions). This also explains the high average costs per project in this subsector.

Entities of the local government subsector are final beneficiaries in the case of nearly half of all projects (of which beneficiaries are municipalities themselves in approximately 62% of cases), while subsidies from the regional operational programmes and OP Environment are the most important in terms of their volumes. Non-financial enterprises, lagging behind for the time being in the share of the already paid amount, are drawing money in particular from OP Enterprise and Innovation, from which support was directed to more than 55% of projects in this sector. The shares of other sectors in the uptake are negligible in terms of volume.

Another aspect which can be examined is the purpose towards which the uptake is directed, whereby the predominant activities of beneficiaries are monitored according to classification by economic activity. From this viewpoint, activities in the sphere of public administration, defence and mandatory social security are most represented, with over a third of the share in the total allocation so far. More than a quarter of funds is directed at transport and warehousing, followed by beneficiaries whose main activity is education (approximately 11% of the total contracted amount) and entities in the processing industry (9%).

This increase, moderated by a decrease in the rest of the sector, was only seen in local government units. An important component of government consumption also includes social benefits in kind (mainly expenses of health insurance companies related to health care) that are paid by the government sector but mostly consumed by households. Due to the relatively low costs related to health care as set by the comparatively restrictive Reimbursement Decree, they only increased by 0.5%.

Expenditure on property income decreased by 3.7% due to the low interest costs in relation to state debt management. Here the lower increase in debt was positively reflected, as was the favourable development of state bonds revenues (for detail, see chapter 2.3.3).

Government investment decreased by more than 12% in 2013. Considering the accrual subsidy development on the revenue side, we can presume a decrease in investment financed purely from national sources.

A possible contributing factor is the relatively restrictive amendment to the Public Procurement Act, which was adopted in particular to restrict opportunities for corrupt practices. Investment was reduced most at the level of local government, less so at the central government level – mainly at the Road and Motorway Directorate. Unlike the government's final consumption, in 2013 investments also represented a negative impulse for GDP development. Since 2009, their share in GDP has decreased cumulatively by 2.2 pp.

Capital transfers of the government sector to other units in the economy also contributed to the low dynamics of the expenditure side. In addition to the two aforementioned one-off operations (financial compensation to churches and correction of the reimbursement from EU funds), this also concerned a decrease in transfers from the State Environmental Fund in connection to the Green Savings Programme. Other expenditure transfers increased slightly by approximately 1.8%.

## 2.2 General Government Sector Development in 2014

In 2014, according to current estimates, a deterioration of the government sector deficit to 1.8% of GDP can be expected, i.e. of 0.3 pp year-on-year. After adjustment for cyclical and one-off factors, the balance will probably deteriorate by approximately 1 pp.

For general government sector revenues, we forecast an increase of 2.8% in 2014. The main reason is the expected higher income accrual subsidy, since tax incomes, including income for social security, will probably increase only by 1%. After several years of increase, total revenues as a percentage of GDP will decrease by 0.3 pp; indeed, the tax-to-GDP ratio will probably even decrease by 0.9 pp.

For indirect taxes, a decrease of 1% can be expected, in particular due to the development of excise taxes for which we expect collection to decrease by more than 5% compared to 2013. Stockpiling tobacco prod-

ucts had an impact here, tax collection for which was taken mainly in the first months of 2014, although according to the accrual methodology (see MF CR, 2013b) these revenues relate to 2013. Another important effect is the decrease in the rate on payments from electricity generated by solar radiation. Moreover, from mid-2014, the reintroduction of returns of excise tax on mineral oils for agricultural primary manufacturers (Government Res. No. 201/2014) is again expected. Value added tax will probably increase very slightly by 0.8%, in accordance with the tax base development.

The expected growth in the collection of direct taxes of 3.2% should be driven by corporate income tax (growth of 3.7%) and personal income tax (growth of 2.7%). A more substantial discretionary change will only occur in personal income tax, where starting from

this year tax credits for children will be limited to residents from the EU, Norway and Iceland only. This will have a positive effect of approximately CZK 2.5 billion. From the fiscal viewpoint, other changes are very small. Social security contributions should increase by 1.6%, which is mostly an autonomous development mirroring the expected increase of the wage bill in the economy (see Table 1.1).

In comparison with 2013, a decrease of 7.4% can be expected in property income, particularly due to lower expected dividends, also because of the transfer of profits from Forests of the CR, state enterprise, classified as government sector revenue. At present, an increase in the dividend from CEZ is not included in the estimate, which would otherwise improve the government sector deficit. The forecast includes revenues from the sale of licences to mobile operators of CZK 8.5 billion (sale of intangible non-produced assets).

A considerable increase in the forecast amount can be seen in income transfers from EU structural funds, mainly of capital transfers, where we expect growth of more than 72% (included in the item "Others" in Tables 1.3 and 2.3). The estimate is predicated on using 95% of the allocation from the programming period 2007–2013 (characteristics of projects – see Box 1). Funds for pre-financing from the last programming period not yet paid are thus distributed between 2014 and 2015, causing both a considerable increase in government investments and income transfers. However, the total impact on the deficit is only at the level of Czech financing, which makes up only a fraction of the increase.

According to available data, the expenditure side of the government sector will probably increase by 3.8%, primarily due to a considerable increase in investment paid from EU sources. Without the impact of the growth of investment expenditure co-financed from the EU, government sector expenditure would only increase by 1.8%. Nevertheless, the share of expenditure in GDP should stagnate in 2014.

As was the case in 2013, the expenditure on government consumption can be expected to contribute positively to GDP also in 2014. Identically to 2013, an

increase of 1.7% is expected, which will mainly be driven by payments of health insurance companies related to health care – an increase in social transfers in kind of 2.5% is expected. An increase in payments for state insured persons has an impact here, whereby the forecast expects that from this increase health insurance companies will compensate medical facilities for the shortfall of income from fees in health care. Further, a change in the Reimbursement Decree is expected, thereby strengthening levels of hospital care. The total discretionary effect should be approximately CZK 7 billion. An increase of 1.9% can also be expected in compensation of employees, where an increase of 2% in the volume of salaries in central government will be reflected. The forecast also envisages an increase in wages at the local level too. Intermediate consumption, consisting of government purchases of goods and services, should increase by 1.5% this year.

A high increase of nearly 5% is expected for financial social benefits, wherein two effects will be reflected. The first is an increase in the payment for state insured persons in 2014, which, while increasing this item, is revenue of the system of health insurance companies. Only the subsequent increase in payments for medical care has an impact on the deficit. The second effect is an increase in assistance in material need social benefits, where long-lasting unfavourable economic development is also increasingly reflected in the social problems of households. Under the still limited valorisation scheme, pensions will probably increase only slightly.

As already mentioned above, in 2014 we expect a considerable increase in investment expenditure (nearly 29%) due to expected greater investment financed from European sources. Stagnation is expected for investment from domestic sources, since the priority of government sector units will be to utilize the allocation of the programming period 2007–2013.

The forecast risks are connected both with utilization of allocations in the programming period 2007–2013 and any economic development of the Czech Republic which differs markedly from expectations; nonetheless, such risks can be regarded as balanced.



## Box 2: Financial Resources from the 2014–2020 Programming Period

Negotiations on the Multiannual Financial Framework for 2014–2020 were initiated in June 2011 and completed at the end of 2013. From the financial perspective 2014–2020, a total amount of EUR 23.1 billion was allocated for the CR. From these funds, however, the CR transferred approximately EUR 1.1 billion to the Connecting Europe Facility (these funds will be guaranteed for the CR by the end of 2016 for selected transport projects that are included in the list of common interests). In addition, EUR 23.3 million has been allocated from the European Social Fund for the Fund of European Aid to the Most Deprived. The CR will not lose this money; it was only taken from the group of structural funds. Within the whole allocation, EUR 13.6 million is also allocated for the employment support initiative (for NUTS II regions whose unemployment rate of persons aged 15–24 reached at least 25% in 2012). The total amount allocated for redistribution under operational programmes is therefore EUR 22 billion, of which EUR 15.7 billion is from structural funds and EUR 6.3 billion from the Cohesion Fund. As part of negotiations on the programming period 2014–2020, the CR also negotiated EUR 2.2 billion for rural development and approximately EUR 27 million for its fishery policy. In comparison with the allocation for the period of 2007–2013, the CR received approximately 15% less funding. This decrease is mainly attributable to the higher level of development of Czech regions compared to the reference years used to calculate the financial framework.

**Table 2.3: Allocation of Resources from EU Funds in 2014–2020 Period**  
(in millions of EUR)

	2014	2015	2016	2017	2018	2019	2020	Total
<b>Convergence</b>	<b>2 025</b>	<b>2 065</b>	<b>2 107</b>	<b>2 149</b>	<b>2 192</b>	<b>2 236</b>	<b>2 280</b>	<b>15 053</b>
European Regional Development Fund	1 586	1 618	1 651	1 684	1 717	1 752	1 787	11 794
European Social Fund	438	447	456	465	475	484	494	3 259
<b>Competitiveness</b>	<b>43</b>	<b>44</b>	<b>44</b>	<b>45</b>	<b>46</b>	<b>47</b>	<b>48</b>	<b>317</b>
European Regional Development Fund	23	24	24	25	25	26	26	175
European Social Fund	19	20	20	20	21	21	22	143
<b>Cohesion Fund</b>	<b>942</b>	<b>982</b>	<b>1 114</b>	<b>1 053</b>	<b>1 074</b>	<b>1 095</b>	<b>1 117</b>	<b>7 376</b>
Regional Co-operation	17	25	35	64	65	66	68	340
Youth Employment	8	6	0	0	0	0	0	14
Fund for European Aid to the Most Deprived	3	3	3	3	3	3	4	23
<b>Total Cohesion</b>	<b>3 037</b>	<b>3 124</b>	<b>3 303</b>	<b>3 314</b>	<b>3 380</b>	<b>3 448</b>	<b>3 517</b>	<b>23 123</b>
<b>Rural Development</b>	<b>314</b>	<b>313</b>	<b>312</b>	<b>310</b>	<b>309</b>	<b>307</b>	<b>306</b>	<b>2 170</b>
<b>Fisheries</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>27</b>
<b>Total allocation for the CR</b>	<b>3 355</b>	<b>3 441</b>	<b>3 618</b>	<b>3 628</b>	<b>3 693</b>	<b>3 759</b>	<b>3 826</b>	<b>25 320</b>

Source: MF CR.

The allocations are divided into years according to individual funds and categories of regions (Table 2.3), while the “rule n+3” will apply to the whole programming period. Simply put, the rule n+3 states that funds allocated for the year n in the given programme must be utilized (i.e. covered by initial and annual preliminary payments from the EC, by interim payments and by applications for interim payments sent to the EC but not paid) not later than on 31 December of the year n+3.

Compared to the programming period 2007–2013, there has been a considerable reduction in the number of operational programmes through which the resources of structural funds and the Cohesion Fund will be disbursed.

**Table 2.4: Allocation According to Operational Programmes in 2014–2020 Period**  
(in millions of EUR, in % of total allocation)

Operational Programme	Allocation	
	in EUR mill.	in %
Interregional OP	4 871	20.1
OP Transport	4 696	19.4
OP Enterprise and Innovation	4 170	17.2
OP Research, Development and Education	2 780	11.5
OP Environment	2 565	10.6
OP Rural Development	2 170	9.0
OP Employment	2 136	8.8
OP Cross-border Co-operation	297	1.2
OP Technical Assistance	224	0.9
OP Prague	202	0.8
OP Supranational Co-operation	43	0.2
OP Fisheries 2014–2020	27	0.1
<b>Total allocation</b>	<b>24 180</b>	<b>100.0</b>

Source: MF CR.

Of the 22 programmes in the last perspective, the total has been reduced to 14, i.e. eight national operational programmes and six programmes of territorial cooperation (Table 2.4). In addition, the Rural Development Programme and the operational programme Fisheries 2014–2020 have been created.

The share between European co-financing and national financing is slightly different in the 2014–2020 perspective. In the case of structural funds and the Cohesion Fund, the ratio is still 85:15 (i.e. 85% of funds from the EU and 15% from national sources). However, in the case of the Prague region the ratio will be 50:50. In the case of projects operated under Rural Development and Fisheries, the share will be 75:25.

The key interest of the CR is to ensure that the money is used effectively and purposefully, to ensure the continuity of up-take and to make every effort to utilize the whole allocation. A lower burden on public budgets through greater involvement of private entities should contribute to this target. At present, this aspect is the subject of political discussion; nonetheless, it is necessary to envisage at least around CZK 100 billion from the government sector sources.



**Table 2.5: General Government Revenue (2008–2014)***(in % of GDP)*

	2008	2009	2010	2011	2012	2013	2014
<b>General government revenue</b>	<b>38.9</b>	<b>38.9</b>	<b>39.1</b>	<b>40.0</b>	<b>40.3</b>	<b>40.9</b>	<b>40.6</b>
<b>Tax revenue</b>	<b>18.6</b>	<b>18.3</b>	<b>18.1</b>	<b>18.8</b>	<b>19.4</b>	<b>19.7</b>	<b>19.2</b>
Individual income tax	3.7	3.6	3.5	3.7	3.8	3.9	3.8
Corporate income tax	4.2	3.5	3.4	3.4	3.3	3.3	3.4
Value added tax	6.6	6.8	6.8	6.9	7.3	7.7	7.5
Excise taxes	3.3	3.7	3.7	3.9	3.9	3.9	3.5
Other taxes and contributions	0.8	0.7	0.8	0.9	1.0	1.0	1.0
<b>Social security contributions</b>	<b>15.6</b>	<b>14.9</b>	<b>15.2</b>	<b>15.5</b>	<b>15.6</b>	<b>15.6</b>	<b>15.3</b>
<b>Sales</b>	<b>2.7</b>	<b>2.8</b>	<b>2.6</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.6</b>
<b>Other revenues</b>	<b>2.1</b>	<b>3.0</b>	<b>3.1</b>	<b>3.0</b>	<b>2.7</b>	<b>2.9</b>	<b>3.5</b>

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

**Table 2.6: General Government Expenditure (2008–2014)***(in % of GDP)*

	2008	2009	2010	2011	2012	2013	2014
<b>General government expenditure</b>	<b>41.1</b>	<b>44.7</b>	<b>43.7</b>	<b>43.2</b>	<b>44.5</b>	<b>42.3</b>	<b>42.4</b>
Government consumption	19.7	21.5	21.3	20.7	20.5	20.7	20.3
Social benefits other than social transfers in kind	12.4	13.5	13.7	13.8	13.9	14.0	14.2
Gross fixed capital formation	4.6	5.1	4.2	3.6	3.2	2.8	3.5
Other expenditures	4.4	4.5	4.5	5.1	6.9	4.9	4.5

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

**Table 2.7: Balance of General Government and of Subsectors (2008–2014)***(in % of GDP)*

	2008	2009	2010	2011	2012	2013	2014
<b>General government balance</b>	<b>-2.2</b>	<b>-5.8</b>	<b>-4.7</b>	<b>-3.2</b>	<b>-4.2</b>	<b>-1.5</b>	<b>-1.8</b>
Central government balance	-2.4	-4.9	-4.1	-2.7	-4.0	-1.9	-2.0
Local government balance	-0.1	-0.6	-0.4	-0.3	0.0	0.4	0.2
Social security funds balance	0.3	-0.3	-0.2	-0.2	-0.2	0.0	0.0
<b>Primary balance</b>	<b>-1.2</b>	<b>-4.5</b>	<b>-3.3</b>	<b>-1.8</b>	<b>-2.7</b>	<b>-0.1</b>	<b>-0.5</b>

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

**Table 2.8: Debt of General Government and of Subsectors (2008–2014)***(in % of GDP)*

	2008	2009	2010	2011	2012	2013	2014
<b>General government debt</b>	<b>28.7</b>	<b>34.6</b>	<b>38.4</b>	<b>41.4</b>	<b>46.2</b>	<b>46.0</b>	<b>44.9</b>
Central government debt	26.4	32.0	35.8	38.8	43.4	43.2	42.2
Local government debt	2.4	2.7	2.6	2.6	2.9	2.9	2.8
Social security funds debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Change in debt-to-GDP ratio</b>	<b>0.8</b>	<b>5.9</b>	<b>3.8</b>	<b>3.0</b>	<b>4.7</b>	<b>-0.1</b>	<b>-1.2</b>
Primary general government balance	1.2	4.5	3.4	1.8	2.8	0.1	0.5
Interest expenditure	1.0	1.3	1.3	1.4	1.5	1.4	1.4
Nominal GDP growth	-1.3	0.7	-0.3	-0.3	-0.2	-0.4	-1.6
Other factors	-0.1	-0.6	-0.6	0.2	0.8	-1.1	-1.4

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

## 2.3 International Comparison

### 2.3.1 General Government Balance

The government sector deficit of EU countries, including the new EU member, Croatia, reached 3.4% of GDP in 2013, if we take into account the fiscal year for the United Kingdom<sup>1</sup>, otherwise 3.3% in the case of the calendar year. In both cases the deficit was lower (by 0.4 pp or 0.6 pp, respectively) in comparison with the previous year which is related to the economic recovery. With its deficit of 1.5% of GDP, the CR was this time below the EU average.

In 2013, the worst government sector balance was recorded in Slovenia and Greece, with respective deficits of 14.7 and 12.7% of GDP. In the case of Slovenia it must be pointed out that the deficit was deepened, as in Ireland 3 years earlier, by a capital injection to the banking sector, without which it would have been around 4.4% of GDP. Similarly, in 2013 there was also an extraordinary recapitalization of banks of 10.8% of GDP (EC, 2014) in Greece. Other high deficits in relative terms were achieved by Ireland (7.2% of GDP), Spain (7.1% of GDP), the United Kingdom (6.0% of GDP)<sup>1</sup> and Cyprus (5.4% of GDP). The only country that achieved a surplus in 2013 was Luxembourg (0.1% of GDP). Germany achieved “a positive zero” and Estonia, disciplined for a long time, was just below the balance threshold (deficit of 0.2% of GDP). In these three countries, the development of social security funds and – with the exception of Estonia in 2013 – also performance of local governments is very favourable. In Hungary, it was apparent that the total surplus in 2011 was the result of an extraordinary administrative adjustment of the balance by expenditure on pension reform; nevertheless, its deficits in 2012 and 2013 were no longer so high. The criterion of the Stability and Growth Pact for a maximum deficit level of 3% of GDP in 2013 was not satisfied by ten EU countries, while Italy, as the only EU country with long-term positive primary balance, again recorded threshold value.

In 2014, according to their Notifications (Eurostat, 2014c), nearly all EU countries expect deficit performance of the government sector, although barring some exceptions deficits will not be very high. Positive results should be achieved by Luxembourg, Germany and Poland. According to the Spring Forecast of the EC (2014), a surplus should be achieved only by Poland;

<sup>1</sup> This data relates to the financial year, not the calendar year, and therefore differs from the amount for the calendar year in the Eurostat database: there the deficit is 5.8% of GDP. A similar situation is true for the debt-to-GDP ratio: in 2013 we provide the value of 89.6% of GDP for the financial year, whereas Eurostat gives 90.6% of GDP for the calendar year. We prefer the data for the financial year here, since it is relevant for launching the excessive deficit procedure. In addition, in the case of the calendar year, data for the current year is not known in spring.

Germany should maintain balanced performance and Luxembourg should see a slight deficit (0.2% of GDP). The surplus estimated for Poland (see Graph 2.1) in 2014 will be caused by factors similar to those already mentioned in Hungary in 2011. In Poland, after abolition of the second pension pillar, the respective assets of approximately 9% of GDP will be transferred to the general government sector. Without this modification, it would have seen a deficit of 2.1% of GDP (the structural deficit according to EC (2014) is expected to be around 2.8% of GDP).

An unusually low deficit of 2.3% of GDP is predicted in Greece, even 1.6% of GDP according to the Spring Forecast of the EC (a structural surplus of 1.0% of GDP). The highest deficits should be recorded by Cyprus (5.9% of GDP), Spain (5.8% of GDP), the United Kingdom (5.0% of GDP), Ireland and Croatia (both 4.8% of GDP). A deficit exceeding 3% of GDP is expected in eight EU countries in 2014 (see Table B.15 in the annex). Compared to 2013, a worse result for government sector finances in relative terms is anticipated in nine EU countries, including the CR. Latvia, having become the newest member of the euro area in 2014, has been very successful in the gradual reduction of its deficit.

### 2.3.2 General Government Debt

Government sector debt reflects approximately the long-term accumulation of deficits. Across the EU, government sector debt reached a consolidated value of 87.1% of GDP in 2013, i.e. it was 1.9 pp higher than in 2012 (the non-consolidated amount is 88.6% of GDP, in the case of the financial year in the United Kingdom). Looking at the government debt indicator in the CR, there was a clear acceleration in its dynamics over recent years. However, the government sector debt decreased by 0.2 pp to 46.0% of GDP in 2013 due to use of a debt reserve, and its further decrease to 44.9% of GDP is expected in 2014 (see also Chapter 2.2).

Greece remains the most indebted country in the EU. In the last few years, a part of government debt was forgiven by private creditors; nevertheless, due to a considerable economic decline lasting for several years, in 2013 the relative government debt indicator further deepened to 175.1% of GDP. In 2014, a further increase of 0.8 pp is expected. Other economies with highly indebted government sectors (over 100% of GDP) include Italy, Portugal, Ireland, Cyprus, Belgium and basically also Spain (the EC expects its debt to increase to 100.2% of GDP from 93.9% of GDP in 2013). In Cyprus, in particular due to the recent banking crisis, government debt has nearly doubled over the last three years. The same applies to Slovenia. As a percentage of GDP, there was also a considerable in-

crease in government sector debt in France and the United Kingdom.

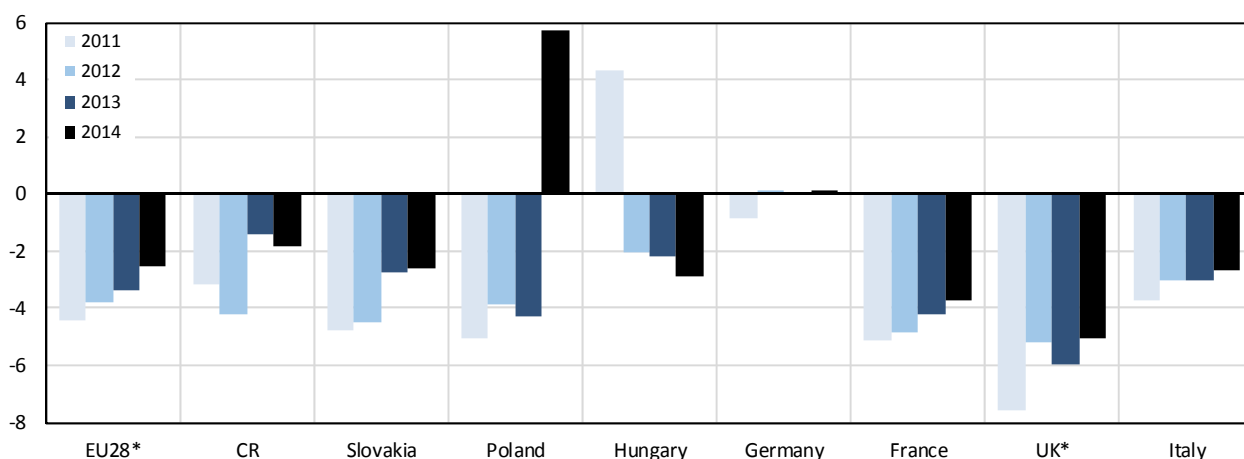
On the other hand, the relative amount of debt is showing positive development in Latvia, Germany, and also in Hungary. In Denmark, Poland, Estonia and Malta, it is stagnating. This indicator is by some margin the lowest in Estonia, where it reached 10% of GDP for the first time as late as in 2013 (in absolute terms, however, the debt nearly doubled in 2011–2013). The majority of EU countries are recording relative growth in the amounts of their debt. During 2010–2014, this trend can be seen most markedly in Croatia, Ireland, Cyprus, Portugal, Slovenia and Spain (see Table B.15 in the annex). In 2013, the debt fiscal criterion of 60% of GDP would have been satisfied by only 12 countries, in 2014 probably by one country less (Finland).

Note: The Netherlands and Austria are among several EU countries that have not been mentioned in the

text. In connection with the spring notification of government deficit and debt, Eurostat expressed a reservation to the former country pursuant to Art. 15, Section 1 of the Council Regulation EC No. 479/2009, as subsequently amended. It is not certain about the impact of the nationalization and restructuring the finance institution SNS Reaal in 2013 on the deficit, and based on current information Eurostat expects it to increase by a maximum 0.3 pp. The final modification will depend on joint verification with the national statistical office. The reservation arising from the implausibility of data from the state of Salzburg in 2012 and the preceding years, discovered by the Austrian federal inspection authority, has now been cancelled. After investigation by the Austrian statistical office in cooperation with Eurostat, necessary modifications were made in the data; while relative amounts of deficit remained unchanged they increased by 0.2–0.4 pp the government debt in 2010–2012.

**Graph 2.1: General Government Balance in Selected EU Countries (2011–2014)**

(in % of GDP)

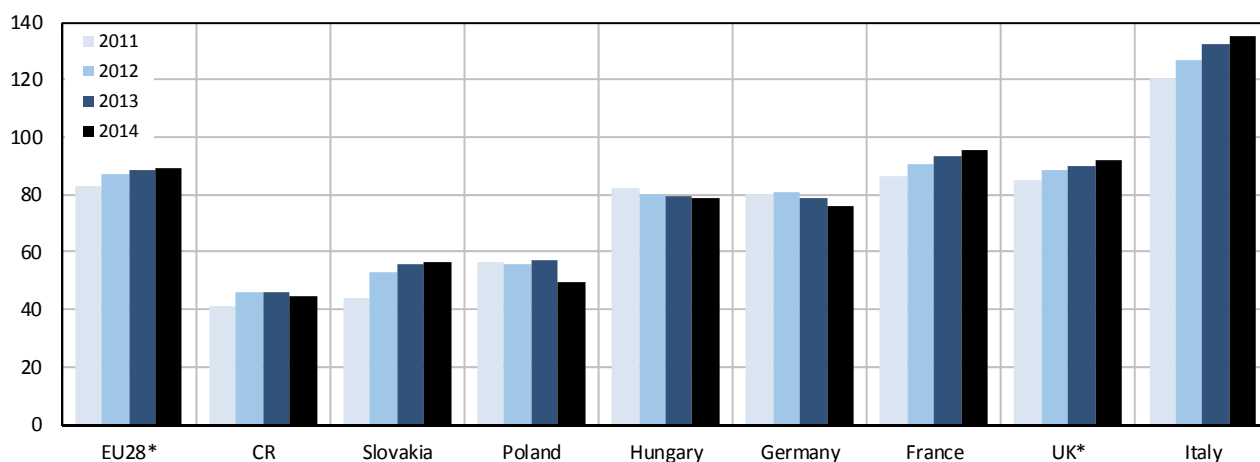


Note: \*) For UK, the data for fiscal year (from April 1 year  $t$  to March 31 year  $t+1$ ), which are relevant to EDP implementation.

Source: Eurostat (2014b).

**Graph 2.2: General Government Debt in Selected EU Countries (2011–2014)**

(in % of GDP)



Note: \*) The debt in EU28 is non-consolidated. For UK, the data for fiscal year (from April 1 year  $t$  to March 31 year  $t+1$ ), which are relevant to EDP implementation.

Source: Eurostat (2014b). Nominal GDP of CR in 2014 and debt in CR in 2014: MF CR (2014a).

### 2.3.3 State Debt Financing

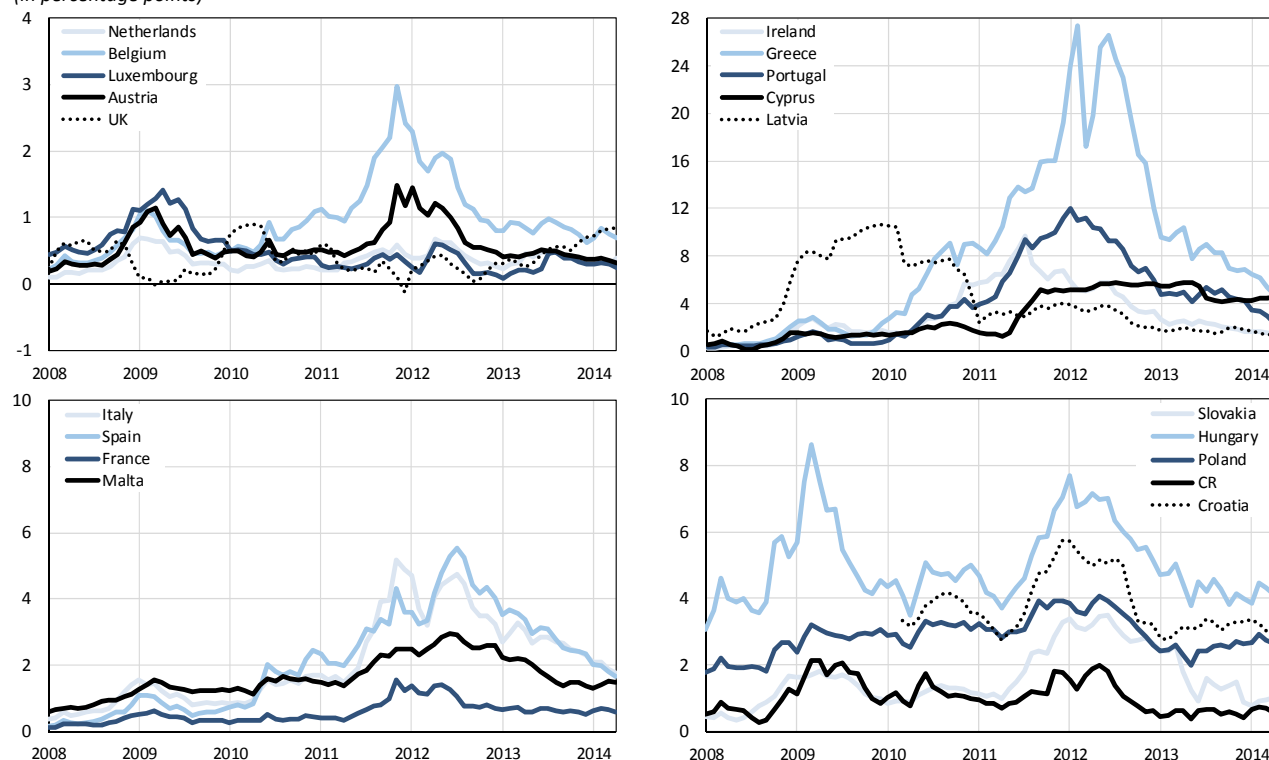
Graph 2.3 shows the development of spreads (based on monthly averages), i.e. the differences in yields of ten-year state (government) bonds towards German bonds of the same kind in the period from January 2008 to April 2014. While the development can be seen to correlate to a certain extent with fiscal indicators for government deficit and debt, it nevertheless best characterizes confidence in the given country as a risk premium. To achieve greater clarity, we have divided the selected EU countries into four groups. The upper graph on the left includes countries (except for the northern states) with a very low spread. In two periods revenues from British bonds were even lower than German ones (to complete the picture, in several cases the same applied to Danish and Swedish bonds). These states enjoy the highest confidence in the EU.

Belgium's higher spreads are caused by the high indebtedness of the government sector (see the previous Chapter 2.3.2) and political uncertainties in the past. The upper right and lower left graphs show the development in countries in the south of the euro area

and Ireland, where economic turbulence over recent years has revealed internal problems and imbalances. France, whose rating has also been reduced several times recently, has joined this group. Due to its high level of spread during 2009 and 2010, Latvia too has been added to the group as a new member of the euro area. Greece, whose economy has been showing signs of stabilization in recent months, is enjoying improving market sentiment towards states in the euro area periphery, as are other states in the region. Finally, the last group in the lower graph on the right shows the development in those central European countries which have undergone large economic, political and social changes over the last 25 years. Thanks to the trajectory of fiscal consolidation which is already underway, of all the countries in this geographical region the financial markets perceive the Czech Republic most favourably. This is reflected in a low risk surcharge for issued bonds and in lower debt-servicing costs. Data for Croatia as the newest EU member have only been available to the European Central Bank since March 2010.

**Graph 2.3: Spreads between National and German Bonds in EU Countries (January 2008 to April 2014)**

(in percentage points)



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

Source: ESCB (2014). MF CR calculations.

## 3 Public Finances – GFS 2001 Methodology

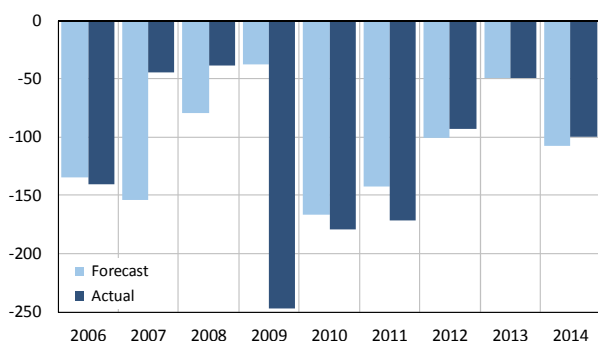
### 3.1 Public Budgets in 2013

In 2013, the balance of public budgets (cash-flow methodology, GFS 2001) improved by CZK 43.1 billion year-on-year and so the deficit was CZK 49.8 billion, i.e. 1.3% of GDP. The deficit, at nearly half the 2012 amount, was the lowest in the last five years, while the economic recession was still ebbing in the CR at the beginning of 2013. The result of public budgets was significantly influenced by continuing fiscal consolidation, the results of which have been most apparent in the state budget and local municipalities. Implemented consolidation measures had a positive impact in particular on the revenue side; growth of the expenditure side was mitigated by low investment activity.

Graph 3.1 shows a comparison of the expected (budgeted) results and those actually achieved in public budget balances during 2006 to 2013, as well as budgeted and currently expected deficits for 2014.

**Graph 3.1: Public Budget Balance (2006–2014)**

(in CZK billion)



Note: In 2014 the current forecast in place of actual data.

Source: MF CR.

In comparison with the approved budget documentation (Act No. 504/2012 Coll., as subsequently amended), the deficit was CZK 0.1 billion lower, which was caused in particular by improved performance of local municipalities (of CZK 19.6 billion with a surplus of CZK 18.6 billion) and extra-budgetary funds (of CZK 6.1 billion with a surplus of CZK 2.2 billion). Better results were achieved primarily by the State Environmental Fund and the State Agricultural Intervention Fund. In contrast, worse results were seen at the State Fund for Transport Infrastructure and the State Fund for Housing Development. Even though actual performance of the state budget was better by CZK 21.1 billion and of the Privatization Fund (ex-National Property Fund) by CZK 2.5 billion, the expected result of the National Fund deteriorated by CZK 47.4 billion. In comparison with the originally expected surplus of CZK 0.3 billion, health insurance

companies showed a deficit of CZK 1.4 billion on the cash base.

In comparison with the approved budget, the revenue of public budgets was CZK 37.9 billion lower. This figure mainly reflects the unfulfilled expectations of revenue from the EU. In a year-on-year comparison, however, the development of total revenue continued along a growth trajectory, whereby revenues of public budgets increased by 4.8% in 2012 and by 3.9% in 2013.

In comparison with the assumptions in the draft state budget for 2013, total tax revenues, including social security insurance premium, were CZK 8.8 billion lower; however, they increased by 2.4% year-on-year, i.e. at the same pace as in 2012. Compared to the budgeted amount, collection decreased in income taxes (in total by CZK 7.4 billion, with personal income tax accounting for CZK 5.3 billion of the drop), excise taxes (by CZK 6.1 billion) and social security contributions (by CZK 5.5 billion). The assumed higher collection of these taxes was not fulfilled in particular due to weak economic performance. In the tax revenue structure, the share of indirect taxes increased due to value added tax (the collection was by CZK 10.1 billion higher than budgeted). The volume of social security contributions again increased slightly in a year-on-year comparison. Nevertheless, it has not yet reached its pre-crisis level of 2008. The same can be said about income taxes, with corporate income tax lagging far behind.

In the case of non-tax revenue (excluding subsidies), there was more than a 10% increase year-on-year, and in comparison with the original assumptions its volume was CZK 11.4 billion higher. The predictability of these revenues is difficult due to their composition, as they include e.g. revenue from dividends and other shares in profit, returns of transfers from recent years, fines, penalties, administrative and judicial fees.

The expenditure of public budgets were CZK 37.9 billion lower compared to the original assumption. In a year-on-year comparison, their volume increased by CZK 14.7 billion, i.e. by 0.9% (compared to the previous decrease of 0.6%). Compared to the budget documentation, operating expenditure was more than CZK 30 billion lower.

There was a considerable worsening of expenditure related to servicing public budget debt. Compared to 2012, interest expenditures increased by CZK 9.2 billion, corresponding to a year-on-year growth of 20.7%. In comparison with the budget documentation,

however, they were CZK 15.4 billion lower, since the forecasts regarding an increase in market interest rates were not fulfilled.

In the volume of loans and government bonds, growth dynamics decreased considerably in a year-on-year comparison to 1.1% and public budget debt was CZK 1,779.2 billion in 2013, i.e. 45.8% of GDP. The constant deficit performance of public budgets has led to debt accumulation the volume of which has nearly doubled since 2008.

The total debt is constantly being generated in particular by state debt, which has the highest share in the total debt structure, and was 93.2% in 2013. Consolidated state debt (consolidation of state debt represents debt reduced by issued state bonds purchased using funds on the so-called Radioactive Waste Account, and with the exception of 2013, also the account Reserves for Pension Reform) increased

by 0.9% year-on-year to CZK 1,664.5 billion. The state debt of the CR has been showing a growing trend now since 1996, and since that year, with the exception of 2001, 2003 and 2013, it has been growing more quickly than the total debt of public budgets.

In spite of a large surplus, the debt of local municipalities increased by 4.2% year-on-year and was CZK 119.8 billion. Some municipalities (in particular statutory cities) and regions are financing their needs from loan sources, thus using the space provided them by legislation. Of the extra-budgetary funds, only the State Environmental Fund recorded a smaller debt in 2013. The General Health Insurance Company was provided with returnable financial assistance of CZK 1.7 billion from the state budget, but the total debt did not increase due to the consolidation of this transaction.

## 3.2 Public Budgets in 2014

The budget for 2014 (Act No. 475/2013 Coll.) was drafted in order to meet the requirement to continue the fiscal consolidation process and at the same time include pro-growth measures. According to the budget documentation, the state budget deficit was approved in the amount of CZK 113.1 billion, the total balance of public budgets should have been CZK -107.6 billion (-2.8% of GDP). The updated estimate suggests that the total expected result should be CZK 7.8 billion better, while the public budget deficit should be CZK 99.8 billion (2.5% of GDP). The main cause of the deficit decrease is the expected reduction in the deficit of the state budget (of CZK 29.0 billion) and also of local municipalities (an improvement in the balance of CZK 5.9 billion). Other entities of public budgets will compensate these positive expectations by the expected deterioration of their performance. A result worse by CZK 12.8 billion is expected in the National Fund, while the deficit of extra-budgetary funds will be CZK 4.7 billion higher. Health insurance companies are expecting, instead of a surplus of CZK 1.5 billion, a deficit of CZK 3.6 billion, and the Privatization Fund will also have a deficit CZK 4.4 billion higher.

In a year-on-year comparison, there should be a considerable increase in the public budget deficit of CZK 50.0 billion to CZK 99.8 billion. The growth rate of revenue is expected to be 0.5 pp higher, i.e. 3.4%, while growth of expenditure is estimated to be 5.4 pp higher, i.e. 6.4%.

Tax revenues (without contributions for social security and public health insurance) should grow by 1.5% (CZK 11.6 billion), which constitute 2.0 pp lower dynamics than in 2013. A similar development is also estimated for indirect taxes. These will grow approximately at the same year-on-year rate, nevertheless, at a 4.9 pp slower rate than in 2013. Revenues of direct taxes will again grow by 1.0%, in particular due to a better than expected collection of personal income tax. On the expenditure side, there will be a considerable year-on-year growth, in particular in capital expenditure, current transfers to private companies and social benefits.

In 2014, the public debt should grow again by 1.1%, i.e. by CZK 18.9 billion to CZK 1,798.2 billion (44.7% of GDP). There is lower growth of debt in particular due to the involvement of funds of other entities in the deficit financing. There will be no considerable changes in the share of individual segments of public budgets in the total debt. Nevertheless, utilisation of own sources of extra-budgetary funds for financing their deficits represents another potential risk of growth in public budget debt. Financial assistance from the state budget to the General Health Insurance Company will be decreased by CZK 0.7 billion to CZK 1 billion. With respect to the consolidation of this financial assistance, however, the total debt will not change.



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# A Annex of Tables – GFS 2001 Methodology

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

**Table A.1: General Government Revenue**

(in CZK billion)

	2007	2008	2009	2010	2011	2012	2013
<b>Total revenue</b>	<b>1391</b>	<b>1478</b>	<b>1384</b>	<b>1423</b>	<b>1430</b>	<b>1498</b>	<b>1556</b>
Revenue from operating activities	1377	1461	1355	1401	1418	1486	1545
<b>Taxes</b>	<b>716</b>	<b>743</b>	<b>660</b>	<b>691</b>	<b>706</b>	<b>728</b>	<b>754</b>
Taxes on income, profits, and capital gains	318	331	255	261	257	271	271
Payable by individuals	151	143	128	131	134	137	142
Payable by corporations and other enterprises	166	188	127	130	123	134	129
Taxes on property	16	16	14	16	20	21	19
Taxes on goods and services	382	396	391	413	428	436	464
Value added tax <sup>1</sup>	230	249	248	264	269	273	302
Excises	139	133	131	138	147	147	143
<b>Social contributions</b>	<b>522</b>	<b>548</b>	<b>510</b>	<b>517</b>	<b>533</b>	<b>541</b>	<b>545</b>
Social security contributions	505	530	496	503	519	526	531
Employee contributions	123	130	114	117	120	122	124
Employer contributions	346	365	338	349	359	365	369
Self-employed or nonemployed contributions	33	33	39	35	37	37	36
Other social contributions	17	18	14	14	14	14	15
<b>Grants</b>	<b>47</b>	<b>60</b>	<b>80</b>	<b>85</b>	<b>74</b>	<b>112</b>	<b>125</b>
From international organizations	47	60	79	85	73	111	125
Current	23	27	33	36	40	41	61
Capital	24	34	46	48	33	70	64
<b>Other revenue</b>	<b>92</b>	<b>110</b>	<b>106</b>	<b>108</b>	<b>105</b>	<b>106</b>	<b>120</b>
<b>Property income</b>	<b>23</b>	<b>34</b>	<b>34</b>	<b>35</b>	<b>30</b>	<b>29</b>	<b>32</b>
Interest	7	10	7	7	3	4	2
Dividends	10	16	19	20	19	17	21
<b>Sales of goods and services</b>	<b>41</b>	<b>43</b>	<b>43</b>	<b>44</b>	<b>48</b>	<b>49</b>	<b>49</b>
Sales of market establishments	19	19	20	20	22	21	21
Administrative fees	21	24	23	24	25	27	28
<b>Fines, penalties, and forfeits</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>5</b>
<b>Voluntary transfers other than grants</b>	<b>13</b>	<b>12</b>	<b>15</b>	<b>16</b>	<b>13</b>	<b>13</b>	<b>14</b>
<b>Miscellaneous and unidentified revenue</b>	<b>9</b>	<b>17</b>	<b>9</b>	<b>8</b>	<b>11</b>	<b>11</b>	<b>20</b>
<b>Sales of nonfinancial assets</b>	<b>14</b>	<b>17</b>	<b>29</b>	<b>22</b>	<b>12</b>	<b>12</b>	<b>12</b>
Fixed assets	7	10	9	10	6	6	5
Nonproduced assets	7	8	19	12	6	6	7

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

Source: MF CR.

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

	2007	2008	2009	2010	2011	2012	2013
<b>Total revenue</b>	<b>38.0</b>	<b>38.4</b>	<b>36.8</b>	<b>37.5</b>	<b>37.4</b>	<b>39.0</b>	<b>40.1</b>
Revenue from operating activities	37.6	38.0	36.1	37.0	37.1	38.6	39.8
<b>Taxes</b>	<b>19.5</b>	<b>19.3</b>	<b>17.6</b>	<b>18.2</b>	<b>18.5</b>	<b>18.9</b>	<b>19.4</b>
Taxes on income, profits, and capital gains	8.7	8.6	6.8	6.9	6.7	7.0	7.0
Payable by individuals	4.1	3.7	3.4	3.5	3.5	3.6	3.7
Payable by corporations and other enterprises	4.5	4.9	3.4	3.4	3.2	3.5	3.3
Taxes on property	0.4	0.4	0.4	0.4	0.5	0.5	0.5
Taxes on goods and services	10.4	10.3	10.4	10.9	11.2	11.3	11.9
Value added tax <sup>1</sup>	6.3	6.5	6.6	7.0	7.0	7.1	7.8
Excises	3.8	3.5	3.5	3.6	3.8	3.8	3.7
<b>Social contributions</b>	<b>14.3</b>	<b>14.2</b>	<b>13.6</b>	<b>13.7</b>	<b>13.9</b>	<b>14.1</b>	<b>14.1</b>
Social security contributions	13.8	13.8	13.2	13.3	13.6	13.7	13.7
Employee contributions	3.4	3.4	3.0	3.1	3.1	3.2	3.2
Employer contributions	9.4	9.5	9.0	9.2	9.4	9.5	9.5
Self-employed or nonemployed contributions	0.9	0.9	1.0	0.9	1.0	1.0	0.9
Other social contributions	0.5	0.5	0.4	0.4	0.4	0.4	0.4
<b>Grants</b>	<b>1.3</b>	<b>1.6</b>	<b>2.1</b>	<b>2.2</b>	<b>1.9</b>	<b>2.9</b>	<b>3.2</b>
From international organizations	1.3	1.6	2.1	2.2	1.9	2.9	3.2
Current	0.6	0.7	0.9	1.0	1.1	1.1	1.6
Capital	0.7	0.9	1.2	1.3	0.9	1.8	1.6
<b>Other revenue</b>	<b>2.5</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>3.1</b>
<b>Property income</b>	<b>0.6</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
Interest	0.2	0.3	0.2	0.2	0.1	0.1	0.0
Dividends	0.3	0.4	0.5	0.5	0.5	0.5	0.5
<b>Sales of goods and services</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.3</b>	<b>1.3</b>
Sales of market establishments	0.5	0.5	0.5	0.5	0.6	0.5	0.5
Administrative fees	0.6	0.6	0.6	0.6	0.7	0.7	0.7
<b>Fines, penalties, and forfeits</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
<b>Voluntary transfers other than grants</b>	<b>0.4</b>	<b>0.3</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
<b>Miscellaneous and unidentified revenue</b>	<b>0.3</b>	<b>0.4</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.5</b>
<b>Sales of nonfinancial assets</b>	<b>0.4</b>	<b>0.4</b>	<b>0.8</b>	<b>0.6</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
Fixed assets	0.2	0.2	0.3	0.3	0.1	0.2	0.1
Nonproduced assets	0.2	0.2	0.5	0.3	0.2	0.2	0.2

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

Source: MF CR.

**Table A.3: General Government Expenditure***(in CZK billion)*

	2007	2008	2009	2010	2011	2012	2013
<b>Total expense</b>	<b>1 436</b>	<b>1 517</b>	<b>1 631</b>	<b>1 602</b>	<b>1 601</b>	<b>1 591</b>	<b>1 606</b>
<b>Expense for operating activities</b>	<b>1 346</b>	<b>1 421</b>	<b>1 513</b>	<b>1 495</b>	<b>1 508</b>	<b>1 506</b>	<b>1 525</b>
<b>Compensation of employees</b>	<b>136</b>	<b>141</b>	<b>147</b>	<b>146</b>	<b>136</b>	<b>136</b>	<b>139</b>
Wages and salaries	102	106	111	111	103	103	105
Social contributions	34	35	35	35	33	34	35
Actual social contributions	34	35	35	35	33	34	34
<b>Use of goods and services</b>	<b>125</b>	<b>133</b>	<b>148</b>	<b>142</b>	<b>129</b>	<b>122</b>	<b>124</b>
<b>Interest</b>	<b>37</b>	<b>45</b>	<b>50</b>	<b>42</b>	<b>48</b>	<b>45</b>	<b>54</b>
<b>Subsidies</b>	<b>266</b>	<b>273</b>	<b>302</b>	<b>300</b>	<b>308</b>	<b>314</b>	<b>319</b>
To public corporations	187	206	206	205	205	207	212
To private enterprises	79	66	96	95	103	107	107
<b>Grants</b>	<b>27</b>	<b>29</b>	<b>30</b>	<b>31</b>	<b>34</b>	<b>33</b>	<b>36</b>
To international organizations	27	29	30	31	34	33	36
Current	27	29	30	31	34	33	36
<b>Social benefits</b>	<b>588</b>	<b>618</b>	<b>664</b>	<b>671</b>	<b>687</b>	<b>704</b>	<b>713</b>
Social security benefits	588	618	664	671	687	704	713
<b>Other expense</b>	<b>168</b>	<b>182</b>	<b>173</b>	<b>164</b>	<b>166</b>	<b>152</b>	<b>141</b>
Miscellaneous other expense	168	182	173	164	166	152	141
Current	25	31	32	34	31	35	35
Capital	143	151	141	130	135	117	105
<b>Purchases of nonfinancial assets</b>	<b>90</b>	<b>96</b>	<b>118</b>	<b>107</b>	<b>93</b>	<b>85</b>	<b>80</b>
Fixed assets	87	93	116	105	92	83	79
Nonproduced assets	2	3	2	2	1	2	2

*Source: MF CR.***Table A.4: General Government Expenditure (in % of GDP)***(in % of GDP)*

	2007	2008	2009	2010	2011	2012	2013
<b>Total expense</b>	<b>39.2</b>	<b>39.4</b>	<b>43.4</b>	<b>42.3</b>	<b>41.9</b>	<b>41.4</b>	<b>41.4</b>
<b>Expense for operating activities</b>	<b>36.7</b>	<b>36.9</b>	<b>40.3</b>	<b>39.4</b>	<b>39.4</b>	<b>39.2</b>	<b>39.3</b>
<b>Compensation of employees</b>	<b>3.7</b>	<b>3.7</b>	<b>3.9</b>	<b>3.8</b>	<b>3.6</b>	<b>3.5</b>	<b>3.6</b>
Wages and salaries	2.8	2.8	3.0	2.9	2.7	2.7	2.7
Social contributions	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Actual social contributions	0.9	0.9	0.9	0.9	0.9	0.9	0.9
<b>Use of goods and services</b>	<b>3.4</b>	<b>3.5</b>	<b>3.9</b>	<b>3.7</b>	<b>3.4</b>	<b>3.2</b>	<b>3.2</b>
<b>Interest</b>	<b>1.0</b>	<b>1.2</b>	<b>1.3</b>	<b>1.1</b>	<b>1.2</b>	<b>1.2</b>	<b>1.4</b>
<b>Subsidies</b>	<b>7.3</b>	<b>7.1</b>	<b>8.0</b>	<b>7.9</b>	<b>8.0</b>	<b>8.2</b>	<b>8.2</b>
To public corporations	5.1	5.4	5.5	5.4	5.4	5.4	5.5
To private enterprises	2.2	1.7	2.6	2.5	2.7	2.8	2.7
<b>Grants</b>	<b>0.7</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
To international organizations	0.7	0.8	0.8	0.8	0.9	0.9	0.9
Current	0.7	0.8	0.8	0.8	0.9	0.9	0.9
<b>Social benefits</b>	<b>16.0</b>	<b>16.1</b>	<b>17.7</b>	<b>17.7</b>	<b>18.0</b>	<b>18.3</b>	<b>18.4</b>
Social security benefits	16.0	16.1	17.7	17.7	18.0	18.3	18.4
<b>Other expense</b>	<b>4.6</b>	<b>4.7</b>	<b>4.6</b>	<b>4.3</b>	<b>4.3</b>	<b>4.0</b>	<b>3.6</b>
Miscellaneous other expense	4.6	4.7	4.6	4.3	4.3	4.0	3.6
Current	0.7	0.8	0.8	0.9	0.8	0.9	0.9
Capital	3.9	3.9	3.8	3.4	3.5	3.1	2.7
<b>Purchases of nonfinancial assets</b>	<b>2.5</b>	<b>2.5</b>	<b>3.1</b>	<b>2.8</b>	<b>2.4</b>	<b>2.2</b>	<b>2.1</b>
Fixed assets	2.4	2.4	3.1	2.8	2.4	2.2	2.0
Nonproduced assets	0.1	0.1	0.1	0.1	0.0	0.0	0.0

*Source: MF CR.*

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

	2007	2008	2009	2010	2011	2012	2013
<i>CZK bn</i>							
<b>Cash deficit/surplus</b>	<b>-44</b>	<b>-39</b>	<b>-248</b>	<b>-180</b>	<b>-171</b>	<b>-93</b>	<b>-50</b>
<b>Fiscal targeting cash deficit/surplus<sup>1</sup></b>	<b>-38</b>	<b>-37</b>	<b>-230</b>	<b>-151</b>	<b>-131</b>	<b>-106</b>	<b>-76</b>
Deficit / surplus of operating balance <sup>2</sup>	31	40	-158	-94	-90	-21	19
Deficit / surplus of primary balance	-7	6	-198	-137	-124	-48	4
<i>% of GDP</i>							
<b>Cash deficit/surplus</b>	<b>-1.2</b>	<b>-1.0</b>	<b>-6.6</b>	<b>-4.7</b>	<b>-4.5</b>	<b>-2.4</b>	<b>-1.3</b>
<b>Fiscal targeting cash deficit/surplus<sup>1</sup></b>	<b>-1.1</b>	<b>-1.0</b>	<b>-6.1</b>	<b>-4.0</b>	<b>-3.4</b>	<b>-2.7</b>	<b>-1.9</b>
Deficit / surplus of operating balance <sup>2</sup>	0.9	1.0	-4.2	-2.5	-2.3	-0.5	0.5
Deficit / surplus of primary balance	-0.2	0.1	-5.3	-3.6	-3.2	-1.3	0.1

Source: MF CR.

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

	2007	2008	2009	2010	2011	2012	2013
State budget <sup>1</sup>	-63	-78	-221	-176	-157	-85	-69
Extrabudgetary funds total	-10	12	5	3	-8	-3	2
Social security funds	17	11	-6	-7	-5	-6	-1
Local governments	11	16	-25	0	-1	1	19
<b>Cash deficit/surplus</b>	<b>-44</b>	<b>-39</b>	<b>-248</b>	<b>-180</b>	<b>-171</b>	<b>-93</b>	<b>-50</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 2007 incl. Czech Consolidation Agency loss remuneration from state bonds.

Source: MF CR.

**Table A.7: Structure of Fiscal Targeting Balance***(in CZK billion)*

	2007	2008	2009	2010	2011	2012	2013
State budget <sup>1</sup>	-55	-75	-206	-140	-114	-91	-85
Extrabudgetary funds total	-10	12	5	2	-8	-8	-2
Social security funds	17	11	-6	-7	-5	-6	-1
Local governments	9	15	-22	-7	-5	0	13
<b>Fiscal targeting cash deficit/surplus</b>	<b>-38</b>	<b>-37</b>	<b>-230</b>	<b>-151</b>	<b>-131</b>	<b>-106</b>	<b>-76</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 2007 incl. Czech Consolidation Agency loss remuneration from state bonds.

Source: MF CR.

**Table A.8: Sources and Uses of General Government**  
(in CZK billion)

	2007	2008	2009	2010	2011	2012	2013
<b>Cash flows from operating activities:</b>							
<b>Cash receipts from operating activities</b>	<b>1 377</b>	<b>1 461</b>	<b>1 355</b>	<b>1 401</b>	<b>1 418</b>	<b>1 486</b>	<b>1 545</b>
Taxes	716	743	660	691	706	728	754
Social contributions	522	548	510	517	533	541	545
Grants	47	60	80	85	74	112	125
Other receipts	92	110	106	108	105	106	120
<b>Cash payments for operating activities</b>	<b>1 346</b>	<b>1 421</b>	<b>1 513</b>	<b>1 495</b>	<b>1 508</b>	<b>1 506</b>	<b>1 525</b>
Compensation of employees	136	141	147	146	136	136	139
Purchases of goods and services	125	133	148	142	129	122	124
Interest	37	45	50	42	48	45	54
Subsidies	266	273	302	300	308	314	319
Grants	27	29	30	31	34	33	36
Social benefits	588	618	664	671	687	704	713
Other payments	168	182	173	164	166	152	141
<b>Net cash inflow from operating activities</b>	<b>31</b>	<b>40</b>	<b>-158</b>	<b>-94</b>	<b>-90</b>	<b>-21</b>	<b>19</b>
<b>Cash flows from investments in non-financial assets:</b>							
<b>Purchases of nonfinancial assets</b>	<b>90</b>	<b>96</b>	<b>118</b>	<b>107</b>	<b>93</b>	<b>85</b>	<b>80</b>
Fixed assets	87	93	116	105	92	83	79
Strategic stocks	0	0	0	0	0	0	0
Valuables	0	0	0	0	0	0	0
Nonproduced assets	2	3	2	2	1	2	2
<b>Sales of nonfinancial assets</b>	<b>14</b>	<b>17</b>	<b>29</b>	<b>22</b>	<b>12</b>	<b>12</b>	<b>12</b>
Fixed assets	7	10	9	10	6	6	5
Strategic stocks	0	0	0	0	0	0	0
Valuables	0	0	0	0	0	0	0
Nonproduced assets	7	8	19	12	6	6	7
<b>Net cash outflow: investments in nonfinancial assets</b>	<b>76</b>	<b>79</b>	<b>90</b>	<b>86</b>	<b>82</b>	<b>72</b>	<b>69</b>
<b>Cash surplus / deficit</b>	<b>-44</b>	<b>-39</b>	<b>-248</b>	<b>-180</b>	<b>-171</b>	<b>-93</b>	<b>-50</b>

Source: MF CR.

**Table A.9: General Government Debt**  
(in CZK billion, in % of GDP)

	2007	2008	2009	2010	2011	2012	2013
<i>CZK bn</i>							
<b>Consolidated general government debt</b>	<b>973</b>	<b>1 071</b>	<b>1 258</b>	<b>1 426</b>	<b>1 565</b>	<b>1 761</b>	<b>1 779</b>
State debt consolidated	882	980	1 160	1 324	1 461	1 649	1 665
Extrabudgetary funds	4	1	1	3	2	1	0
Social security funds	0	0	0	0	0	0	2
Local governments	91	95	100	102	105	115	120
<i>% of GDP</i>							
<b>Consolidated general government debt</b>	<b>26.6</b>	<b>27.8</b>	<b>33.5</b>	<b>37.6</b>	<b>40.9</b>	<b>45.8</b>	<b>45.8</b>
Consolidated state debt	24.1	25.5	30.8	34.9	38.2	42.9	42.9
Extrabudgetary funds	0.1	0.0	0.0	0.1	0.0	0.0	0.0
Social security funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Local governments	2.5	2.5	2.7	2.7	2.7	3.0	3.1

Source: MF CR.

## B Annex of Tables – ESA 95 Methodology

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

**Table B.1: General Government Revenue**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>CZK bn</i>										
<b>Total revenue</b>	<b>1185</b>	<b>1239</b>	<b>1328</b>	<b>1476</b>	<b>1499</b>	<b>1462</b>	<b>1481</b>	<b>1528</b>	<b>1551</b>	<b>1588</b>
Current taxes on income, wealth, etc.	268	276	296	330	308	272	262	275	276	283
Social contributions <sup>1)</sup>	453	482	525	577	599	560	578	592	600	606
Taxes on production and imports <sup>2)</sup>	326	343	353	395	407	415	423	445	468	483
Capital taxes <sup>3)</sup>	1	1	1	0	0	0	0	0	0	0
Property income	22	21	25	27	30	31	31	28	28	34
Interest	13	12	12	15	11	9	8	6	7	6
Other property income	9	9	13	13	19	22	23	22	21	28
Sales <sup>4)</sup>	78	80	82	95	103	104	99	102	103	104
Other current transfers and subsidies	28	26	26	24	22	27	33	32	33	39
Investment grants	3	5	14	15	27	50	53	51	38	36
Other capital transfers	7	5	5	13	3	3	3	3	3	2
<i>% growth</i>										
<b>Total revenue</b>	<b>1.8</b>	<b>4.6</b>	<b>7.2</b>	<b>11.2</b>	<b>1.5</b>	<b>-2.4</b>	<b>1.3</b>	<b>3.2</b>	<b>1.5</b>	<b>2.4</b>
Current taxes on income, wealth, etc.	8.3	3.1	7.3	11.5	-6.9	-11.7	-3.4	4.8	0.3	2.8
Social contributions <sup>1)</sup>	7.4	6.5	8.8	9.9	3.9	-6.6	3.2	2.5	1.3	1.1
Taxes on production and imports <sup>2)</sup>	14.4	5.2	3.0	11.9	2.9	2.0	1.9	5.2	5.4	3.2
Capital taxes <sup>3)</sup>	-28.1	18.5	9.2	-42.4	-44.8	-8.2	-3.4	0.9	0.9	-3.9
Property income	-6.2	-5.9	23.1	7.2	11.9	3.2	-2.2	-8.3	0.9	21.0
Interest	-19.4	-7.5	3.4	18.3	-24.5	-17.5	-14.7	-18.5	9.4	-9.2
Other property income	22.7	-3.6	50.2	-3.3	53.9	15.0	2.9	-4.8	-1.5	30.7
Sales <sup>4)</sup>	0.5	2.7	2.5	15.9	8.2	1.2	-5.2	3.8	0.8	0.6
Other current transfers and subsidies	53.2	-7.1	-2.7	-7.8	-8.2	26.0	20.7	-1.8	2.5	17.4
Investment grants	10.1	62.8	187.1	1.0	86.1	84.7	5.0	-4.1	-24.8	-5.1
Other capital transfers	-92.3	-21.8	2.3	147.0	-78.0	-3.0	5.7	-5.9	21.4	-44.1
<i>% of GDP</i>										
<b>Total revenue</b>	<b>40.4</b>	<b>39.8</b>	<b>39.6</b>	<b>40.3</b>	<b>38.9</b>	<b>38.9</b>	<b>39.1</b>	<b>40.0</b>	<b>40.3</b>	<b>40.9</b>
Current taxes on income, wealth, etc.	9.1	8.9	8.8	9.0	8.0	7.2	6.9	7.2	7.2	7.3
Social contributions <sup>1)</sup>	15.5	15.5	15.7	15.7	15.6	14.9	15.2	15.5	15.6	15.6
Taxes on production and imports <sup>2)</sup>	11.1	11.0	10.5	10.8	10.6	11.0	11.1	11.6	12.2	12.4
Capital taxes <sup>3)</sup>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property income	0.7	0.7	0.8	0.7	0.8	0.8	0.8	0.7	0.7	0.9
Interest	0.4	0.4	0.4	0.4	0.3	0.2	0.2	0.2	0.2	0.2
Other property income	0.3	0.3	0.4	0.3	0.5	0.6	0.6	0.6	0.6	0.7
Sales <sup>4)</sup>	2.7	2.6	2.4	2.6	2.7	2.8	2.6	2.7	2.7	2.7
Other current transfers and subsidies	1.0	0.8	0.8	0.6	0.6	0.7	0.9	0.8	0.9	1.0
Investment grants	0.1	0.2	0.4	0.4	0.7	1.3	1.4	1.3	1.0	0.9
Other capital transfers	0.2	0.2	0.2	0.4	0.1	0.1	0.1	0.1	0.1	0.0

Note: 1) Compulsory and voluntary payments of employers (on behalf of employees), employees, self-employed and self-payers to social security institutions and health insurance enterprises.

2) Compulsory payments, which are levied by general government, in respect of the production or import and/or usage of production factors (for example VAT, excises etc.).

3) Irregular taxes to the government on the values of the property, assets or net worth owned by institutional (e.g. inheritance tax, gift tax).

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

Source: CZSO (2014b).

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>CZK bn</i>										
<b>Taxes and social contributions</b>	<b>1047</b>	<b>1102</b>	<b>1175</b>	<b>1303</b>	<b>1314</b>	<b>1246</b>	<b>1263</b>	<b>1312</b>	<b>1344</b>	<b>1373</b>
<b>Current taxes on income, wealth, etc.</b>	<b>268</b>	<b>276</b>	<b>296</b>	<b>330</b>	<b>308</b>	<b>272</b>	<b>262</b>	<b>275</b>	<b>276</b>	<b>283</b>
individuals or households	136	138	139	156	142	136	132	143	145	150
corporations	129	135	154	171	162	132	127	129	127	130
Levy on lottery revenue	-	-	-	-	-	-	-	-	-	-
other current taxes	2	3	3	3	3	3	3	3	3	3
<b>Social security contributions</b>	<b>453</b>	<b>482</b>	<b>525</b>	<b>577</b>	<b>599</b>	<b>560</b>	<b>578</b>	<b>592</b>	<b>600</b>	<b>606</b>
Actual social contributions	452	482	524	576	599	559	577	592	599	606
of employers	290	309	332	364	380	350	368	378	383	387
of employees	101	108	117	128	133	112	117	120	122	123
of self- and non-employed persons	61	65	75	85	86	97	93	94	95	95
Imputed social contributions	0	0	0	0	0	1	1	1	1	1
<b>Taxes on production and imports</b>	<b>326</b>	<b>343</b>	<b>353</b>	<b>395</b>	<b>407</b>	<b>415</b>	<b>423</b>	<b>445</b>	<b>468</b>	<b>483</b>
Taxes on products <sup>1)</sup>	313	330	340	381	392	401	406	424	449	466
value added tax	202	211	209	227	255	254	259	265	281	298
Excises	99	111	121	143	126	137	138	150	152	150
Other taxes on products <sup>2)</sup>	11	9	10	12	12	9	9	9	16	19
Other taxes on production <sup>3)</sup>	13	13	13	14	14	14	16	21	19	17
<b>Capital taxes</b>	<b>1</b>	<b>1</b>	<b>1</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>										
<b>Taxes and social contributions</b>	<b>9.7</b>	<b>5.2</b>	<b>6.6</b>	<b>10.9</b>	<b>0.8</b>	<b>-5.1</b>	<b>1.3</b>	<b>3.9</b>	<b>2.5</b>	<b>2.1</b>
<b>Current taxes on income, wealth, etc.</b>	<b>8.3</b>	<b>3.1</b>	<b>7.3</b>	<b>11.5</b>	<b>-6.9</b>	<b>-11.7</b>	<b>-3.4</b>	<b>4.8</b>	<b>0.3</b>	<b>2.8</b>
individuals or households	8.8	1.2	1.0	11.8	-8.6	-4.5	-3.2	8.4	1.5	3.7
corporations	8.2	4.9	13.9	11.4	-5.4	-18.3	-3.7	1.3	-1.2	2.0
Levy on lottery revenue	-	-	-	-	-	-	-	-	-	-
other current taxes	-7.1	17.4	5.0	4.8	0.2	3.1	0.8	-3.5	6.8	-6.6
<b>Social security contributions</b>	<b>7.4</b>	<b>6.5</b>	<b>8.8</b>	<b>9.9</b>	<b>3.9</b>	<b>-6.6</b>	<b>3.2</b>	<b>2.5</b>	<b>1.3</b>	<b>1.1</b>
Actual social contributions	7.4	6.5	8.9	9.9	3.9	-6.7	3.3	2.5	1.3	1.1
of employers	7.0	6.5	7.7	9.4	4.5	-7.9	5.1	2.7	1.4	1.3
of employees	6.8	6.9	7.6	9.5	4.4	-15.8	4.2	2.8	1.5	1.2
of self- and non-employed persons	10.4	5.6	16.5	12.6	0.7	13.0	-4.1	1.4	0.9	0.1
Imputed social contributions	36.6	-1.5	2.0	-26.2	-4.7	190.5	-27.5	23.2	-14.5	7.8
<b>Taxes on production and imports</b>	<b>14.4</b>	<b>5.2</b>	<b>3.0</b>	<b>11.9</b>	<b>2.9</b>	<b>2.0</b>	<b>1.9</b>	<b>5.2</b>	<b>5.4</b>	<b>3.2</b>
Taxes on products <sup>1)</sup>	15.2	5.5	2.9	12.2	3.0	2.1	1.4	4.4	6.0	3.8
value added tax	23.0	4.2	-0.8	8.6	12.3	-0.3	1.9	2.5	6.0	6.0
Excises	13.4	11.4	9.4	17.9	-11.5	8.8	0.9	8.2	1.3	-1.3
Other taxes on products <sup>2)</sup>	-41.6	-22.4	11.5	17.8	-0.5	-20.0	-3.8	0.1	83.6	13.6
Other taxes on production <sup>3)</sup>	-1.7	-1.7	4.2	5.2	-1.1	1.3	14.7	26.4	-7.2	-12.1
<b>Capital taxes</b>	<b>-28.1</b>	<b>18.5</b>	<b>9.2</b>	<b>-42.4</b>	<b>-44.8</b>	<b>-8.2</b>	<b>-3.4</b>	<b>0.9</b>	<b>0.9</b>	<b>-3.9</b>

Note: 1) Taxes that are payable per unit of good or service produced or transacted.

2) This item contains, for example, customs duty, taxes from imported agricultural products, taxes from financial and capital transactions, payments from entertainment, lottery, game and betting taxes and other.

3) All taxes that enterprises incur as a result of engaging in production, independently of the quantity or value of the goods and services produced or sold (real estate tax, road tax, waste water toll etc.).

Source: CZSO (2014b).

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Taxes and social contributions</b>	<b>35.7</b>	<b>35.4</b>	<b>35.0</b>	<b>35.6</b>	<b>34.1</b>	<b>33.2</b>	<b>33.3</b>	<b>34.3</b>	<b>35.0</b>	<b>35.4</b>
<b>Current taxes on income, wealth, etc.</b>	<b>9.1</b>	<b>8.9</b>	<b>8.8</b>	<b>9.0</b>	<b>8.0</b>	<b>7.2</b>	<b>6.9</b>	<b>7.2</b>	<b>7.2</b>	<b>7.3</b>
individuals or households	4.7	4.4	4.2	4.3	3.7	3.6	3.5	3.7	3.8	3.9
corporations	4.4	4.3	4.6	4.7	4.2	3.5	3.4	3.4	3.3	3.3
Levy on lottery revenue	-	-	-	-	-	-	-	-	-	-
other current taxes	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
<b>Social security contributions</b>	<b>15.5</b>	<b>15.5</b>	<b>15.7</b>	<b>15.7</b>	<b>15.6</b>	<b>14.9</b>	<b>15.2</b>	<b>15.5</b>	<b>15.6</b>	<b>15.6</b>
Actual social contributions	15.4	15.5	15.6	15.7	15.6	14.9	15.2	15.5	15.6	15.6
of employers	9.9	9.9	9.9	9.9	9.9	9.3	9.7	9.9	9.9	10.0
of employees	3.5	3.5	3.5	3.5	3.5	3.0	3.1	3.1	3.2	3.2
of self- and non-employed persons	2.1	2.1	2.3	2.3	2.2	2.6	2.4	2.5	2.5	2.4
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>11.1</b>	<b>11.0</b>	<b>10.5</b>	<b>10.8</b>	<b>10.6</b>	<b>11.0</b>	<b>11.1</b>	<b>11.6</b>	<b>12.2</b>	<b>12.4</b>
Taxes on products <sup>1)</sup>	10.7	10.6	10.1	10.4	10.2	10.7	10.7	11.1	11.7	12.0
value added tax	6.9	6.8	6.2	6.2	6.6	6.8	6.8	6.9	7.3	7.7
excises	3.4	3.5	3.6	3.9	3.3	3.7	3.7	3.9	3.9	3.9
other taxes on products <sup>2)</sup>	0.4	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.4	0.5
Other taxes on production <sup>3)</sup>	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	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>

Note: 1) Taxes that are payable per unit of good or service produced or transacted.

2) This item contains, for example, customs duty, taxes from imported agricultural products, taxes from financial and capital transactions, payments from entertainment, lottery, game and betting taxes and other.

3) All taxes that enterprises incur as a result of engaging in production, independently of the quantity or value of the goods and services produced or sold (real estate tax, road tax, waste water toll etc.).

Source: CZSO (2014b).

**Table B.4: Central Government Revenue**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>CZK bn</i>										
<b>Total revenue</b>	<b>830</b>	<b>845</b>	<b>900</b>	<b>1006</b>	<b>1013</b>	<b>970</b>	<b>986</b>	<b>1026</b>	<b>1041</b>	<b>1057</b>
Current taxes on income, wealth, etc.	192	184	198	221	204	180	175	183	184	183
Social contributions	300	319	343	376	392	352	365	374	378	379
Taxes on production and imports	270	272	283	319	320	328	332	352	373	381
Capital taxes	1	1	1	0	0	0	0	0	0	0
Property income	14	14	18	19	22	24	24	21	21	27
Sales	28	29	30	38	40	38	41	43	45	44
Other revenue	25	27	28	32	35	48	50	51	41	42
<i>% growth</i>										
<b>Total revenue</b>	<b>-0.6</b>	<b>1.7</b>	<b>6.6</b>	<b>11.7</b>	<b>0.7</b>	<b>-4.2</b>	<b>1.7</b>	<b>4.0</b>	<b>1.5</b>	<b>1.5</b>
Current taxes on income, wealth, etc.	8.6	-4.2	7.7	11.9	-7.8	-11.8	-3.0	4.9	0.2	0.0
Social contributions	8.3	6.2	7.5	9.8	4.3	-10.4	3.7	2.7	0.9	0.4
Taxes on production and imports	13.1	0.7	3.8	12.8	0.2	2.6	1.4	6.0	5.7	2.3
Capital taxes	-28.7	18.8	10.0	-42.6	-45.7	-10.4	-2.7	-2.3	3.8	-2.7
Property income	-14.8	-1.2	30.6	5.9	10.8	9.8	0.6	-10.0	-4.1	31.0
Sales	-0.4	2.9	3.8	26.4	6.0	-4.4	6.8	6.0	4.7	-3.5
Other revenue	-73.8	4.3	7.2	10.9	10.3	38.3	4.1	2.3	-19.2	2.2

Source: CZSO (2014b).



**Table B.5: Local Government Revenue**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>CZK bn</i>										
<b>Total revenue</b>	<b>348</b>	<b>352</b>	<b>376</b>	<b>410</b>	<b>416</b>	<b>431</b>	<b>429</b>	<b>422</b>	<b>394</b>	<b>413</b>
Current taxes on income, wealth, etc.	76	92	98	109	103	92	88	92	92	100
Social contributions	0	0	0	0	0	0	0	0	0	0
Taxes on production and imports	56	71	70	76	87	87	90	92	96	102
Capital taxes	0	0	0	0	0	0	0	0	0	0
Property income	7	6	7	7	7	7	6	6	7	7
Sales	50	51	52	57	63	66	58	59	58	60
Other revenue	160	132	148	160	155	179	186	172	141	143
<i>% growth</i>										
<b>Total revenue</b>	<b>6.1</b>	<b>1.2</b>	<b>6.7</b>	<b>9.0</b>	<b>1.5</b>	<b>3.6</b>	<b>-0.5</b>	<b>-1.6</b>	<b>-6.5</b>	<b>4.6</b>
Current taxes on income, wealth, etc.	7.7	21.8	6.6	10.7	-5.0	-11.4	-4.2	4.7	0.4	8.3
Social contributions	20.0	21.7	61.6	-43.2	-79.1	2428.6	-20.6	36.7	2.3	9.4
Taxes on production and imports	21.7	27.3	-0.3	8.2	13.8	0.1	3.7	2.3	4.0	6.5
Capital taxes	80.0	0.0	-55.6	0.0	50.0	83.3	-18.2	77.8	-37.5	-30.0
Property income	17.4	-15.5	5.6	6.3	5.8	-10.8	-4.7	-0.9	17.9	-1.5
Sales	1.0	2.6	1.8	10.0	9.6	4.7	-12.1	2.2	-2.1	3.9
Other revenue	1.9	-17.4	12.4	8.0	-3.1	15.6	3.9	-7.6	-18.3	1.6

Source: CZSO (2014b).

**Table B.6: Social Security Funds Revenue**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>CZK bn</i>										
<b>Total revenue</b>	<b>159</b>	<b>170</b>	<b>185</b>	<b>203</b>	<b>211</b>	<b>211</b>	<b>216</b>	<b>221</b>	<b>225</b>	<b>229</b>
Current taxes on income, wealth, etc.	-	-	-	-	-	-	-	-	-	-
Social contributions	153	163	182	200	207	208	213	218	222	227
Taxes on production and imports	-	-	-	-	-	-	-	-	-	-
Capital taxes	-	-	-	-	-	-	-	-	-	-
Property income	0	0	0	1	1	1	1	0	1	0
Sales	0	0	0	0	0	0	0	0	0	0
Other revenue	6	6	2	2	2	2	2	3	2	2
<i>% growth</i>										
<b>Total revenue</b>	<b>8.8</b>	<b>6.7</b>	<b>9.0</b>	<b>10.1</b>	<b>3.6</b>	<b>0.2</b>	<b>2.1</b>	<b>2.4</b>	<b>1.8</b>	<b>2.0</b>
Current taxes on income, wealth, etc.	-	-	-	-	-	-	-	-	-	-
Social contributions	5.9	7.1	11.4	10.0	3.2	0.4	2.6	2.2	2.0	2.2
Taxes on production and imports	-	-	-	-	-	-	-	-	-	-
Capital taxes	-	-	-	-	-	-	-	-	-	-
Property income	-8.6	22.1	30.0	75.3	111.3	-23.9	-46.2	-18.6	10.8	-51.3
Sales	40.0	6.4	-2.7	-4.1	-14.4	-2.5	-1.7	-7.9	-1.0	-9.6
Other revenue	258.1	-4.1	-59.8	3.2	3.5	-5.0	-14.5	29.2	-19.3	-1.7

Source: CZSO (2014b).

**Table B.7: General Government Expenditure**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>CZK bn</i>										
<b>Total expenditure</b>	<b>1268</b>	<b>1340</b>	<b>1407</b>	<b>1503</b>	<b>1584</b>	<b>1680</b>	<b>1658</b>	<b>1650</b>	<b>1712</b>	<b>1645</b>
Compensation of employees	222	238	252	269	280	293	286	280	286	293
Intermediate consumption	193	206	211	219	228	238	235	224	211	216
Social benefits other than in kind <sup>1)</sup>	359	375	408	456	477	509	518	527	534	544
Social benefits in kind	163	170	174	187	199	219	222	228	233	234
Property income	32	34	35	40	40	48	51	53	56	54
Interest	32	34	35	40	39	47	51	53	56	54
Other property income	0	0	0	0	0	0	0	0	0	0
Subsidies	57	53	60	61	62	74	70	79	76	77
Gross fixed capital formation	123	132	150	153	176	192	160	137	123	108
Capital transfers <sup>2)</sup>	86	152	119	79	104	62	62	58	126	46
Investment grants <sup>3)</sup>	37	36	38	37	36	34	33	37	35	22
Other capital transfers	50	116	81	42	68	27	29	21	91	24
Other expenditure	31	-20	-4	40	18	45	54	65	67	72
<b>Final consumption expenditure</b>	<b>630</b>	<b>667</b>	<b>694</b>	<b>726</b>	<b>759</b>	<b>809</b>	<b>807</b>	<b>793</b>	<b>789</b>	<b>802</b>
Collective consumption <sup>4)</sup>	302	336	349	363	380	399	398	380	373	374
Individual consumption	328	331	345	363	380	410	409	412	416	429
<i>% growth</i>										
<b>Total expenditure</b>	<b>-5.7</b>	<b>5.7</b>	<b>5.0</b>	<b>6.8</b>	<b>5.3</b>	<b>6.1</b>	<b>-1.3</b>	<b>-0.5</b>	<b>3.7</b>	<b>-3.9</b>
Compensation of employees	3.7	7.1	6.1	6.4	4.1	4.7	-2.5	-2.1	2.3	2.6
Intermediate consumption	-1.4	6.5	2.9	3.4	4.2	4.6	-1.4	-4.7	-5.9	2.3
Social benefits other than in kind <sup>1)</sup>	4.1	4.5	8.7	11.8	4.5	6.8	1.7	1.8	1.3	1.9
Social benefits in kind	6.7	4.0	2.1	7.8	6.1	10.3	1.5	2.3	2.4	0.5
Property income	12.3	7.7	3.8	12.8	-0.9	20.2	7.6	2.9	6.5	-3.5
Interest	12.3	7.7	3.7	12.8	-0.9	20.2	7.7	2.9	6.5	-3.7
Other property income	12.8	-3.8	41.2	9.7	26.6	11.0	-45.9	16.7	-47.1	348.6
Subsidies	-14.3	-7.4	13.4	1.0	2.4	18.8	-5.0	12.1	-3.1	1.2
Gross fixed capital formation	-32.2	7.4	13.6	1.6	15.2	8.9	-16.3	-14.4	-10.5	-12.1
Capital transfers <sup>2)</sup>	-30.3	76.0	-21.6	-34.2	32.8	-40.9	0.7	-6.5	116.8	-63.0
Investment grants <sup>3)</sup>	1.1	-3.5	7.4	-3.4	-2.0	-5.7	-3.8	12.0	-5.4	-35.7
Other capital transfers	-43.4	135.1	-30.4	-48.7	63.7	-59.7	6.2	-27.4	328.9	-73.5
<b>Final consumption expenditure</b>	<b>3.3</b>	<b>5.9</b>	<b>4.0</b>	<b>4.6</b>	<b>4.6</b>	<b>6.6</b>	<b>-0.2</b>	<b>-1.8</b>	<b>-0.5</b>	<b>1.7</b>
Collective consumption <sup>4)</sup>	-2.3	11.2	3.9	3.8	4.7	5.0	-0.2	-4.4	-1.9	0.2
Individual consumption	9.1	1.1	4.1	5.3	4.5	8.1	-0.2	0.7	0.9	3.1

Note: 1) Social benefits, which should serve households to relieve their costs or losses stemming from existence or development of some risks or needs. Mainly benefits paid in case of old age, disability, sickness, motherhood, unemployment, work injury, work sickness, current social need etc.

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

3) Capital transfers in cash or in kind made by governments to other institutional units to finance all or part of the costs of their gross fixed capital formation.

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

Source: CZSO (2014b), MF CR.

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Total expenditure</b>	<b>43.3</b>	<b>43.0</b>	<b>42.0</b>	<b>41.0</b>	<b>41.1</b>	<b>44.7</b>	<b>43.7</b>	<b>43.2</b>	<b>44.5</b>	<b>42.3</b>
Compensation of employees	7.6	7.6	7.5	7.3	7.3	7.8	7.5	7.3	7.4	7.6
Intermediate consumption	6.6	6.6	6.3	6.0	5.9	6.3	6.2	5.9	5.5	5.6
Social benefits other than in kind	12.3	12.0	12.2	12.5	12.4	13.5	13.7	13.8	13.9	14.0
Social benefits in kind	5.6	5.5	5.2	5.1	5.2	5.8	5.9	6.0	6.1	6.0
Property income	1.1	1.1	1.1	1.1	1.0	1.3	1.3	1.4	1.5	1.4
Interest	1.1	1.1	1.1	1.1	1.0	1.3	1.3	1.4	1.5	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	2.0	1.7	1.8	1.7	1.6	2.0	1.9	2.1	2.0	2.0
Gross fixed capital formation	4.2	4.3	4.5	4.2	4.6	5.1	4.2	3.6	3.2	2.8
Capital transfers	3.0	4.9	3.6	2.1	2.7	1.6	1.6	1.5	3.3	1.2
Investment grants	1.3	1.1	1.1	1.0	0.9	0.9	0.9	1.0	0.9	0.6
Other capital transfers	1.7	3.7	2.4	1.1	1.8	0.7	0.8	0.6	2.4	0.6
Other expenditure	1.1	-0.7	-0.1	1.1	0.5	1.2	1.4	1.7	1.7	1.8
<b>Final consumption expenditure</b>	<b>21.5</b>	<b>21.4</b>	<b>20.7</b>	<b>19.8</b>	<b>19.7</b>	<b>21.5</b>	<b>21.3</b>	<b>20.7</b>	<b>20.5</b>	<b>20.7</b>
Collective consumption	10.3	10.8	10.4	9.9	9.9	10.6	10.5	9.9	9.7	9.6
Individual consumption	11.2	10.6	10.3	9.9	9.9	10.9	10.8	10.8	10.8	11.0

Source: CZSO (2014b), MF CR.

**Table B.9: Central Government Expenditure**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>CZK bn</i>										
<b>Total expenditure</b>	<b>907</b>	<b>944</b>	<b>982</b>	<b>1061</b>	<b>1103</b>	<b>1155</b>	<b>1139</b>	<b>1129</b>	<b>1195</b>	<b>1129</b>
Compensation of employees	111	121	128	137	143	150	146	139	143	148
Intermediate consumption	94	104	101	107	108	113	111	103	96	95
Social benefits other than in kind	347	363	395	437	454	485	492	501	530	540
Social benefits in kind	4	3	3	2	2	3	4	5	9	12
Interest	29	32	33	37	36	45	50	51	54	53
Subsidies	31	24	29	30	30	36	27	36	33	32
Gross fixed capital formation	62	77	81	87	97	96	74	55	51	44
Capital transfers	88	148	117	74	102	65	62	61	120	41
Other expenditure	140	72	95	150	131	163	174	178	157	163
<i>% growth</i>										
<b>Total expenditure</b>	<b>-9.0</b>	<b>4.1</b>	<b>4.0</b>	<b>8.1</b>	<b>3.9</b>	<b>4.7</b>	<b>-1.3</b>	<b>-0.9</b>	<b>5.8</b>	<b>-5.5</b>
Compensation of employees	1.9	9.1	6.1	6.7	4.2	5.0	-2.3	-5.2	3.4	3.3
Intermediate consumption	-3.7	11.5	-3.2	6.4	0.6	4.4	-1.7	-6.9	-6.6	-1.2
Social benefits other than in kind	4.2	4.5	8.7	10.6	3.9	6.8	1.4	2.0	5.7	1.8
Social benefits in kind	-12.5	-22.8	-7.2	-23.9	-18.2	36.6	53.3	20.0	83.4	37.2
Interest	11.1	11.1	3.4	12.4	-2.2	23.8	9.9	3.1	6.3	-2.9
Subsidies	-17.5	-23.4	22.2	2.2	0.2	20.7	-26.0	33.7	-8.0	-0.8
Gross fixed capital formation	-51.5	24.0	4.9	7.8	10.9	-1.3	-22.2	-25.4	-7.2	-14.2
Capital transfers	-25.4	67.8	-21.1	-36.7	38.1	-36.5	-4.4	-1.6	97.9	-65.8
Other expenditure	-1.7	-48.9	32.7	57.4	-12.4	24.4	6.5	2.4	-11.8	4.0

Source: CZSO (2014b).

**Table B.10: Local Government Expenditure**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>CZK bn</i>										
<b>Total expenditure</b>	<b>352</b>	<b>354</b>	<b>385</b>	<b>397</b>	<b>421</b>	<b>453</b>	<b>444</b>	<b>434</b>	<b>395</b>	<b>397</b>
Compensation of employees	109	114	121	129	133	139	135	137	139	142
Intermediate consumption	98	99	109	109	118	123	121	118	112	119
Social benefits other than in kind	12	12	13	20	23	24	26	26	4	4
Social benefits in kind	3	3	3	3	3	3	2	3	0	-
Interest	3	2	2	3	3	2	2	2	2	1
Subsidies	26	29	31	31	33	38	44	43	44	45
Gross fixed capital formation	60	54	69	65	79	95	85	81	71	64
Capital transfers	33	28	26	28	20	16	17	12	13	10
Other expenditure	10	11	11	10	10	12	12	12	11	14
<i>% growth</i>										
<b>Total expenditure</b>	<b>3.0</b>	<b>0.4</b>	<b>9.0</b>	<b>3.0</b>	<b>6.0</b>	<b>7.5</b>	<b>-1.8</b>	<b>-2.4</b>	<b>-8.9</b>	<b>0.6</b>
Compensation of employees	5.7	5.1	6.1	6.1	3.8	4.3	-2.7	1.3	1.3	2.0
Intermediate consumption	0.8	1.7	9.5	0.6	7.4	4.3	-1.4	-2.1	-5.4	6.0
Social benefits other than in kind	0.6	3.8	7.3	47.7	17.4	6.8	7.3	-2.5	-84.6	2.6
Social benefits in kind	4.5	2.4	8.9	19.0	-11.3	0.2	-16.4	11.1	-99.0	-
Interest	28.3	-26.5	8.2	15.8	17.7	-21.8	-33.2	-5.8	14.7	-26.5
Subsidies	-10.2	11.6	6.3	-0.1	4.4	17.1	14.9	-1.1	0.9	2.7
Gross fixed capital formation	13.7	-9.8	26.6	-5.7	20.7	21.1	-10.4	-4.8	-12.7	-10.2
Capital transfers	-1.0	-14.2	-5.8	5.0	-27.5	-21.2	9.3	-33.0	16.3	-27.8
Other expenditure	-11.3	19.6	-7.0	-9.7	1.4	23.8	-2.8	7.1	-15.1	28.4

Source: CZSO (2014b).

**Table B.11: Social Security Fund Expenditure**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>CZK bn</i>										
<b>Total expenditure</b>	<b>162</b>	<b>170</b>	<b>173</b>	<b>187</b>	<b>201</b>	<b>222</b>	<b>224</b>	<b>228</b>	<b>232</b>	<b>228</b>
Compensation of employees	3	3	3	3	4	4	4	4	4	4
Intermediate consumption	2	2	2	2	2	3	3	2	3	2
Social benefits other than in kind	-	0	0	-	0	0	0	0	0	0
Social benefits in kind	156	164	168	181	194	213	216	220	224	222
Interest	0	0	-	0	0	0	-	0	-	-
Subsidies	-	-	-	-	-	-	-	-	-	-
Gross fixed capital formation	1	1	0	0	1	1	1	1	1	0
Capital transfers	0	-	-	-	-	-	-	-	-	-
Other expenditure	0	0	0	0	0	0	0	1	1	1
<i>% growth</i>										
<b>Total expenditure</b>	<b>7.2</b>	<b>5.0</b>	<b>1.9</b>	<b>8.3</b>	<b>7.1</b>	<b>10.5</b>	<b>1.2</b>	<b>1.5</b>	<b>1.7</b>	<b>-1.3</b>
Compensation of employees	2.7	5.7	5.3	6.5	12.0	9.6	-0.2	-2.3	-3.3	-2.7
Intermediate consumption	1.4	8.0	-13.3	10.5	22.2	26.1	10.0	-22.5	2.6	-24.9
Social benefits other than in kind	-	-	100.0	-	-	600.0	0.0	-28.6	-20.0	0.0
Social benefits in kind	7.4	4.8	2.2	8.3	6.8	10.2	1.1	1.9	1.8	-0.9
Interest	-25.0	-66.7	-	-	-50.0	0.0	-	-	-	-
Subsidies	-	-	-	-	-	-	-	-	-	-
Gross fixed capital formation	11.1	19.1	-41.7	-0.4	64.4	48.4	-15.7	-14.1	-23.7	-47.4
Capital transfers	74.3	-	-	-	-	-	-	-	-	-
Other expenditure	-35.4	571.4	27.7	23.9	-15.5	7.7	14.8	25.3	12.5	13.9

Source: CZSO (2014b).

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>CZK bn</i>										
<b>General government</b>	<b>-83</b>	<b>-101</b>	<b>-80</b>	<b>-27</b>	<b>-86</b>	<b>-218</b>	<b>-179</b>	<b>-122</b>	<b>-162</b>	<b>-56</b>
Central government	-77	-100	-82	-56	-91	-186	-155	-104	-155	-73
Local governments	-4	-1	-9	13	-5	-22	-16	-12	-1	15
Social security funds	-3	0	12	16	10	-11	-9	-7	-7	1
<i>% of GDP</i>										
<b>General government</b>	<b>-2.8</b>	<b>-3.2</b>	<b>-2.4</b>	<b>-0.7</b>	<b>-2.2</b>	<b>-5.8</b>	<b>-4.7</b>	<b>-3.2</b>	<b>-4.2</b>	<b>-1.5</b>
Central government	-2.6	-3.2	-2.4	-1.5	-2.4	-4.9	-4.1	-2.7	-4.0	-1.9
Local governments	-0.1	0.0	-0.3	0.4	-0.1	-0.6	-0.4	-0.3	0.0	0.4
Social security funds	-0.1	0.0	0.4	0.4	0.3	-0.3	-0.2	-0.2	-0.2	0.0

Source: CZSO (2014b).

**Table B.13: General Government Debt by Subsectors and Instruments**

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<i>CZK bn</i>										
<b>General government debt</b>	<b>848</b>	<b>885</b>	<b>948</b>	<b>1023</b>	<b>1104</b>	<b>1299</b>	<b>1454</b>	<b>1583</b>	<b>1775</b>	<b>1788</b>
Currency and deposits	3	1	0	-	-	-	-	-	-	-
Securities other than shares	634	698	789	871	951	1124	1278	1402	1592	1604
Loans	211	187	159	152	153	175	177	181	183	184
<b>Central government debt</b>	<b>783</b>	<b>813</b>	<b>867</b>	<b>939</b>	<b>1016</b>	<b>1202</b>	<b>1359</b>	<b>1484</b>	<b>1668</b>	<b>1680</b>
Currency and deposits	3	1	0	-	-	-	-	-	-	-
Securities other than shares	612	675	766	848	929	1108	1262	1388	1580	1591
Loans	169	137	101	90	87	94	96	96	88	88
<b>Local government debt</b>	<b>72</b>	<b>79</b>	<b>87</b>	<b>88</b>	<b>92</b>	<b>100</b>	<b>98</b>	<b>101</b>	<b>110</b>	<b>114</b>
Currency and deposits	-	-	-	-	-	-	-	-	-	-
Securities other than shares	23	24	23	23	23	17	17	15	15	16
Loans	49	55	64	65	69	83	81	86	95	98
<b>Social security funds debt</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>	<b>2</b>
Currency and deposits	-	-	-	-	-	-	-	-	-	-
Securities other than shares	-	-	-	-	-	-	-	-	-	-
Loans	0	0	0	0	0	0	0	0	0	2
<i>% growth</i>										
<b>General government debt</b>	<b>10.4</b>	<b>4.4</b>	<b>7.1</b>	<b>7.9</b>	<b>7.9</b>	<b>17.7</b>	<b>11.9</b>	<b>8.9</b>	<b>12.1</b>	<b>0.7</b>
Currency and deposits	-28.6	-78.3	-96.3	-	-	-	-	-	-	-
Securities other than shares	19.9	10.2	12.9	10.5	9.2	18.2	13.6	9.8	13.5	0.7
Loans	-10.5	-11.6	-14.5	-4.4	0.4	14.3	1.0	2.3	1.1	0.9
<b>Central government debt</b>	<b>8.9</b>	<b>3.8</b>	<b>6.6</b>	<b>8.3</b>	<b>8.2</b>	<b>18.3</b>	<b>13.1</b>	<b>9.2</b>	<b>12.4</b>	<b>0.7</b>
Currency and deposits	-28.6	-78.3	-96.3	-	-	-	-	-	-	-
Securities other than shares	18.2	10.3	13.5	10.7	9.5	19.3	13.9	10.0	13.8	0.7
Loans	-14.6	-18.5	-26.6	-10.4	-4.2	8.0	3.1	-1.0	-7.5	-0.4
<b>Local government debt</b>	<b>22.1</b>	<b>9.8</b>	<b>9.5</b>	<b>2.1</b>	<b>3.9</b>	<b>8.8</b>	<b>-1.9</b>	<b>2.8</b>	<b>9.6</b>	<b>3.2</b>
Currency and deposits	-	-	-	-	-	-	-	-	-	-
Securities other than shares	90.7	5.8	-3.5	0.6	0.0	-26.5	-0.6	-11.5	2.4	5.0
Loans	4.8	11.7	15.1	2.6	5.3	20.7	-2.1	5.8	10.8	2.9
<b>Social security funds debt</b>	<b>-25.7</b>	<b>17.5</b>	<b>-30.5</b>	<b>-69.1</b>	<b>62.7</b>	<b>-44.8</b>	<b>-26.4</b>	<b>415.4</b>	<b>-9.0</b>	<b>929.0</b>
Currency and deposits	-	-	-	-	-	-	-	-	-	-
Securities other than shares	-	-	-	-	-	-	-	-	-	-
Loans	-25.7	17.5	-30.5	-69.1	62.7	-44.8	-26.4	415.4	-9.0	929.0

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

Source: CZSO (2014b).

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General government debt</b>	<b>28.9</b>	<b>28.4</b>	<b>28.3</b>	<b>27.9</b>	<b>28.7</b>	<b>34.6</b>	<b>38.4</b>	<b>41.4</b>	<b>46.2</b>	<b>46.0</b>
Currency and deposits	0.1	0.0	0.0	-	-	-	-	-	-	-
Securities other than shares	21.6	22.4	23.5	23.8	24.7	29.9	33.7	36.7	41.4	41.3
Loans	7.2	6.0	4.8	4.2	4.0	4.7	4.7	4.7	4.8	4.8
<b>Central government debt</b>	<b>26.7</b>	<b>26.1</b>	<b>25.9</b>	<b>25.6</b>	<b>26.4</b>	<b>32.0</b>	<b>35.8</b>	<b>38.8</b>	<b>43.4</b>	<b>43.2</b>
Currency and deposits	0.1	0.0	0.0	-	-	-	-	-	-	-
Securities other than shares	20.9	21.7	22.8	23.2	24.1	29.5	33.3	36.3	41.1	41.0
Loans	5.8	4.4	3.0	2.5	2.3	2.5	2.5	2.5	2.3	2.3
<b>Local government debt</b>	<b>2.5</b>	<b>2.5</b>	<b>2.6</b>	<b>2.4</b>	<b>2.4</b>	<b>2.7</b>	<b>2.6</b>	<b>2.6</b>	<b>2.9</b>	<b>2.9</b>
Currency and deposits	-	-	-	-	-	-	-	-	-	-
Securities other than shares	0.8	0.8	0.7	0.6	0.6	0.5	0.4	0.4	0.4	0.4
Loans	1.7	1.8	1.9	1.8	1.8	2.2	2.1	2.2	2.5	2.5
<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: Government debt consists of following financial instruments: currency and deposits, securities issued other than shares excluding financial derivatives and loans. The debt is expressed in the nominal value, which is considered equivalent to the face value. Government debt is consolidated, i.e. the debt in holding of other subjects of a subsector resp. the government sector is omitted.*

*Source: CZSO (2014b).*

**Table B.15: General Government Balance and Debt of EU Countries***(in % of GDP)*

	Balance					Debt				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
<b>EU28</b> <sup>1, 2</sup>	-6.4	-4.4	-3.8	-3.4	-2.5	80.2	82.8	86.7	88.6	89.3
<b>EA18</b> <sup>3</sup>	-6.2	-4.1	-3.7	-3.0	-2.4	85.7	88.1	92.7	95.0	95.8
<b>Austria</b>	-4.5	-2.5	-2.6	-1.5	-2.7	72.5	73.1	74.4	74.5	79.2
<b>Belgium</b>	-3.8	-3.8	-4.1	-2.6	-2.1	96.6	99.2	101.1	101.5	101.5
<b>Bulgaria</b>	-3.1	-2.0	-0.8	-1.5	-1.8	16.2	16.3	18.4	18.9	22.8
<b>Croatia</b>	-6.4	-7.8	-5.0	-4.9	-4.8	45.0	52.0	55.9	67.1	69.5
<b>Cyprus</b>	-5.3	-6.3	-6.4	-5.4	-5.9	61.3	71.5	86.6	111.7	117.0
<b>Czech Republic</b>	-4.7	-3.2	-4.2	-1.5	-1.8	38.4	41.4	46.2	46.0	44.9
<b>Denmark</b>	-2.5	-1.9	-3.8	-0.8	-1.1	42.8	46.4	45.4	44.5	43.2
<b>Estonia</b>	0.2	1.1	-0.2	-0.2	-0.3	6.7	6.1	9.8	10.0	10.0
<b>Finland</b>	-2.5	-0.7	-1.8	-2.1	-2.1	48.8	49.3	53.6	57.0	60.3
<b>France</b>	-7.0	-5.2	-4.9	-4.3	-3.8	82.7	86.2	90.6	93.5	95.6
<b>Germany</b>	-4.2	-0.8	0.1	0.0	0.1	82.5	80.0	81.0	78.4	75.8
<b>Greece</b>	-10.9	-9.6	-8.9	-12.7	-2.3	148.3	170.3	157.2	175.1	175.9
<b>Hungary</b>	-4.3	4.3	-2.1	-2.2	-2.9	82.2	82.1	79.8	79.2	78.9
<b>Ireland</b>	-30.6	-13.1	-8.2	-7.2	-4.8	91.2	104.1	117.4	123.7	121.4
<b>Italy</b>	-4.5	-3.7	-3.0	-3.0	-2.6	119.3	120.7	127.0	132.6	134.9
<b>Latvia</b>	-8.2	-3.5	-1.3	-1.0	-0.9	44.5	42.0	40.8	38.1	38.8
<b>Lithuania</b>	-7.2	-5.5	-3.2	-2.2	-1.9	37.8	38.3	40.5	39.4	41.5
<b>Luxembourg</b>	-0.8	0.2	0.0	0.1	0.1	19.5	18.7	21.7	23.1	23.8
<b>Malta</b>	-3.5	-2.7	-3.3	-2.8	-2.1	66.0	68.8	70.8	73.0	69.4
<b>Netherlands</b>	-5.1	-4.3	-4.1	-2.5	-2.8	63.4	65.7	71.3	73.5	74.7
<b>Poland</b>	-7.8	-5.1	-3.9	-4.3	5.7	54.9	56.2	55.6	57.0	49.4
<b>Portugal</b>	-9.8	-4.3	-6.4	-4.9	-4.0	94.0	108.2	124.1	129.0	126.8
<b>Romania</b>	-6.8	-5.5	-3.0	-2.3	-2.2	30.5	34.7	38.0	38.4	39.1
<b>Slovakia</b>	-7.5	-4.8	-4.5	-2.8	-2.6	41.0	43.6	52.7	55.4	56.5
<b>Slovenia</b>	-5.9	-6.4	-4.0	-14.7	-4.1	38.7	47.1	54.4	71.7	80.9
<b>Spain</b>	-9.6	-9.6	-10.6	-7.1	-5.8	61.7	70.5	86.0	93.9	99.5
<b>Sweden</b>	0.3	0.2	-0.6	-1.1	-1.4	39.4	38.6	38.3	40.6	41.3
<b>United Kingdom</b> <sup>2</sup>	-9.4	-7.6	-5.2	-6.0	-5.0	79.1	85.0	88.6	89.6	91.8

Note: 1) Non-consolidated debt.

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

3) 18 current member states – Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain.

Source: Eurostat (2014b).

**Table B.16: Transactions of General Government of EU Countries in 2013***(in % of GDP)*

	Revenue	Expenditure	Compen. of employees	Cash social benefits	Consumption <sup>1</sup>	Investments <sup>2</sup>	Interest expenditure
<b>EU28</b>	45.7	49.0	10.6	17.1	21.6	2.2	2.8
<b>EA18 <sup>3</sup></b>	46.7	49.7	10.5	17.8	21.6	2.1	2.9
<b>Austria</b>	49.7	51.2	9.4	19.6	19.0	1.0	2.5
<b>Belgium</b>	52.0	54.7	13.1	18.2	25.3	1.6	3.2
<b>Bulgaria</b>	37.2	38.7	9.9	12.5	17.1	4.1	0.8
<b>Croatia</b>	41.0	45.9	11.9	13.6	20.4	2.2	3.1
<b>Cyprus</b>	40.3	45.8	15.6	15.7	18.6	2.1	3.4
<b>Czech Republic</b>	40.9	42.3	7.6	14.0	20.7	2.8	1.4
<b>Denmark</b>	56.2	57.2	18.2	17.2	28.2	2.3	1.7
<b>Estonia</b>	38.1	38.3	10.7	10.9	19.5	4.3	0.1
<b>Finland</b>	56.0	58.5	14.7	19.7	25.7	2.8	1.3
<b>France</b>	52.8	57.1	13.3	20.3	24.7	3.2	2.3
<b>Germany</b>	44.7	44.7	7.6	16.1	19.5	1.6	2.2
<b>Greece</b>	45.8	58.5	12.0	18.6	20.0	1.9	4.0
<b>Hungary</b>	47.6	50.0	10.3	15.3	20.5	3.9	4.4
<b>Ireland</b>	35.9	42.9	11.2	14.7	18.0	1.7	4.5
<b>Italy</b>	47.7	50.6	10.5	20.5	19.9	1.7	5.1
<b>Latvia</b>	35.1	36.1	9.2	9.6	16.5	3.9	1.6
<b>Lithuania</b>	32.3	34.5	9.6	11.3	16.9	3.4	1.7
<b>Luxembourg</b>	43.6	43.5	8.4	15.9	17.5	3.1	0.5
<b>Malta</b>	41.1	43.9	13.5	12.8	20.8	2.7	3.0
<b>Netherlands</b>	47.3	49.8	9.5	12.7	28.3	3.2	1.7
<b>Poland</b>	37.5	41.9	9.3	14.6	18.0	3.9	2.6
<b>Portugal</b>	43.7	48.7	10.7	18.9	19.0	1.4	4.3
<b>Romania</b>	32.7	35.0	8.1	10.8	14.9	4.5	1.8
<b>Slovakia</b>	35.9	38.7	7.6	13.9	18.3	2.1	2.0
<b>Slovenia</b>	44.7	59.4	12.3	17.7	20.2	3.7	2.6
<b>Spain</b>	37.8	44.8	11.3	16.6	20.1	1.5	3.4
<b>Sweden</b>	51.5	52.9	14.4	14.8	27.5	3.3	0.9
<b>United Kingdom</b>	41.1	46.9	10.1	15.3	21.2	2.0	3.0

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

2) Gross fixed capital formation.

3) 18 current member states – Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain.

Source: Eurostat (2014a).



# C Lists of Thematic Chapters and Boxes of Previous Fiscal Outlooks of the CR

## List of Thematic Chapters of Previous Fiscal Outlooks of the CR

Published	Topic
April 2007	Fiscal Rules
October 2007	Selected Aspects of the State Guarantees System in the Czech Republic from 1993 to 2006
May 2008	Flat Tax in Practice
October 2008	Fiscal Impacts of the EU Funds Inflows
May 2009	The Concept of Tax Accrual and the Methods for its Calculation in the Czech Republic
October 2009	Long-term Fiscal Projections
October 2010	Selected Principles of Public–Private Partnership and its Impacts on General Government Operations
November 2011	Causes of the European Debt Crisis and its Consequences for Czech Public Finances
November 2012	Pension Reform – Introducing an Opt-Out
November 2013	Excessive Deficit Procedure in EU Member States

## List of Thematic Boxes of Previous Fiscal Outlooks of the CR

Published	Box Topic
April 2007	Box 1: Cash Flow Methodology Box 2: Output of the General Government Sector Box 3: Expenditures on General Government Final Consumption Box 4: Relation between the Deficit and Debt (so-called Stock-flow Adjustment) Box 5: The ESA 95 National Accounts Methodology Box 6: Differences between the Fiscal Targeting Methodology (State Budget's Outlook, Expenditure Frameworks) and the ESA 95 National Accounts Methodology (Maastricht Criteria, Convergence Programme)
October 2007	Box 1: Recording the Guarantees in the ESA 95 National Accounts System Box 2: Recognising State Guarantees under the GFSM 2001 International Statistic Standard Box 3: The Most Important Non-standard State Guarantees
May 2008	Box 1: An Appraisal of Prediction Error in the 2007 Government Balance
May 2009	Box 1: Overview of Government Measures in the National Counter-Crisis Plan and their Impacts on the General Government Budgets in 2009 (Annual Basis) Box 2: Decomposition of the Balance Box 3: Differences between the Cash and Accrual Amounts of VAT
October 2009	Box 1: Effects of Anti-crisis Measures Box 2: Austerity Measures in 2010
October 2010	Box 1: Methodology (Transition from the GFS 1986 to GFS 2001) Box 2: Measures to reduce General Government Deficits in the ESA 95 Methodology, related to the Medium-Term Outlook from 2009 Box 3: Proposed Pension Reform
May 2011	Box 1: Ruling of the Constitutional Court of the Czech Republic and Public Finances
November 2011	Box 1: Selected Changes in Methodology for General Government Statistics Box 2: Settlement of the Property Relations of the State and the Churches
May 2012	Box 1: Accident Insurance – Current State of Affairs Box 2: Stability and Growth Pact versus the Treaty on Stability Coordination and Governance in the EMU
November 2012	Box 1: Drawing of EU Funds and Impact on the Public Finances Balances Box 2: European System of Trading in Greenhouse Gas Emission Allowances
May 2013	Box 1: Satellite Account of Public Sector Box 2: The Seventh Enlargement of the European Union – Croatia

<b>November 2013</b>	Box 1: Government Sector Investment in 2009–2012
	Box 2: EU Funds and their Uptake
	Box 3: Floods in 2013
<b>May 2014</b>	Box 1: Drawing of EU Structural Funds in the 2007–2013 Programming Period
	Box 2: Financial Resources from the 2014–2020 Programming Period



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