**Ministry of Finance**
of the Czech Republic

# Fiscal Forecast
## of the Czech Republic

**May 2026**

**Fiscal Forecast of the Czech Republic**
May 2026

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

Tel.: 257 041 111
Fiscal.Outlook@mf.gov.cz

ISSN 3029-8490 (online)

ISBN 978-80-7586-106-1 (online)

Issued annually, free distribution

Electronic archive:
http://www.mf.gov.cz/FiscalOutlook

# Fiscal Forecast
## of the Czech Republic

**May 2026**

# Table of Contents




The Fiscal Forecast of the Czech Republic is published by the Economic Policy Department of the MF CR, annually, in May. It contains forecast of the current and next year (i.e. up to 2027) and also the outlook of some economic indicators to the following 2 years (i.e. up to 2029). The Forecast is available on internet pages of MF CR at:

***http://www.mf.gov.cz/FiscalOutlook***

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

***Fiscal.Outlook@mf.gov.cz***

## List of Tables



## List of Graphs

## List of Abbreviations

c. p. .................................................... current prices
CZK .................................................... Czech koruna currency code
EC ...................................................... European Commission
ESA 2010 ........................................... European System of National and Regional Accounts from year 2010
EU, EU27 ........................................... European Union (EU27 coverage)
EUR .................................................... euro currency code
GDP .................................................... gross domestic product
MF CR ................................................ Ministry of Finance of the Czech Republic
p. a. .................................................... *per annum* (per year)
pp ...................................................... percentage point
s. p. .................................................... constant prices (volumes)
SSC .................................................... social security contributions
USD .................................................... United States dollar

## Symbols Used in Tables

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

## Cut-off Date for Data Sources

Macroeconomic data used pertain to the 1 April 2026 release, fiscal data to the 4 May 2026 release.

## Note

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

# Introduction and Summary

The Fiscal Forecast is based on the macroeconomic forecast issued by the Ministry of Finance in April 2026. This expects a 2.1% increase in economic activity this year, driven mainly by domestic demand. In 2027, the economy could grow by 2.4% thanks to an acceleration in economic growth in the countries of the main trading partners. The average inflation rate could reach 2.5% this year and rise slightly to 2.8% in 2027. Inflationary pressures this year will be dampened not only by the transfer of funding for the levy on supported energy sources to the state, but also by a stronger koruna and last year's fall in global agricultural commodity prices. The earlier monetary policy stance should also continue to have a restrictive effect. Conversely, the expected inflationary factors include, in particular, higher oil, gas and electricity prices as a result of the conflict in the Middle East, and the continuing strong price growth in residential property. Imbalances linked to labour shortages continue to be evident in the labour market, though these are tempered by the slowdown in industrial production. The annual average unemployment rate is expected to remain below 3% and could fall slightly in the coming years as the economic recovery continues.

The general government sector budget balance in 2025 ended with a deficit of 2.1% of GDP. The deficit thus remained virtually at the same level as a year earlier, or rather there was a slight increase of 0.1 percentage point. The structural balance, by contrast, deteriorated by 0.5 percentage points to −2.2% of GDP. The Czech Republic thus meets the Stability and Growth Pact's reference value for the general government deficit of 3% of GDP. At the same time, the national fiscal rule, which under the law permitted a structural deficit of up to 2.25% of GDP, was also met last year. However, the year-on-year trend suggests a reversal of the favourable development seen the year before last. For this year, we expect a public finance deficit of around 2.6% of GDP, or 2.4% of GDP after taking into account the effects of the economic cycle and one-off or other temporary measures.

Developments in the coming period will depend on the parameters of the new Fiscal-Structural Plan, which is currently being prepared. The basic premise should be greater fiscal space for investment in infrastructure and security, with a subsequent reduction in public finance deficits. The draft amendment to the Act on Budgetary Rules allows for an increase in defence and infrastructure expenditure in accordance with the Linear Infrastructure Act (Chamber of Deputies Print No. 90). Higher defence expenditure is also recognised in most European Union countries, as they have an exemption under European rules in the form of an escape clause. However, public finances should generally remain below the general government deficit level of 3% of GDP, as envisaged in both the Policy Statement of the Government and the Economic Strategy approved by the Government.

Measures to support more efficient tax collection and increase efficiency in spending should help to achieve the public finance targets. Reducing the operating expenditure of public institutions, reintroducing electronic sales records, or implementing the Kobra 26 antitax-fraud system and other measures should contribute to this.

General government debt rose by 1 percentage point to 44.3% of GDP in 2025, and we estimate a gradual increase to around 50% of GDP in the following years. We expect that, in addition to the public finance deficit, the debt ratio will also be influenced by the loan that the state will provide in connection with the construction of new nuclear power sources at Dukovany Powerhouse.

# 1 Macroeconomic Framework of the Fiscal Forecast

The macroeconomic framework is based on the April Macroeconomic Forecast of the MF CR (2026a). It assumes that the current armed conflict in the Middle East, which is threatening international supply chains and undermining business and consumer confidence, will not last long. The baseline scenario of the forecast anticipates an early de-escalation during the second quarter of this year. The observed significant increase in commodity prices should thus be temporary and without significant macroeconomic impacts.

In 2025, **real gross domestic product** grew by 2.6%. Household consumption was supported by strong growth in real wages and a year-on-year decline in the savings rate. This positive development was dampened by a slight rise in the unemployment rate, which slowed the momentum of consumption, particularly among low-income households. Gross fixed capital formation increased due to public investment, strongly supported by European Union funds. The renewed accumulation of inventories and general government consumption also contributed positively to economic growth. The balance of trade had a negative impact on GDP growth, primarily due to higher imports driven by rising consumer and investment demand and the build-up of inventories.

Economic activity is expected to increase by 2.1% this year. The momentum will continue to be driven exclusively by domestic demand, which will, however, be held back by rising energy prices and increased uncertainty due to the conflict in Iran. In addition to continued growth in household consumption, there will also be a revival in corporate investment activity, although this will simultaneously increase the volume of imports. The export side will be constrained by heightened trade barriers and a persistently low volume of export orders. The contribution of foreign trade to GDP growth is therefore expected to remain negative. In 2027, economic growth could reach 2.4% following continued growth in domestic demand and the expected improved economic performance of trading partners. The economy could grow at a similar pace in subsequent years, driven by domestic demand.

Real **household consumption** could rise by 3.0% this year and by 2.6% in 2027. Its growth will be supported by strong growth in real earnings and the still high level of accumulated savings from previous years. However, increased volatility in energy commodity prices may lead to greater caution and the postponement of certain expenditure. The savings rate is expected to decline slightly over the forecast horizon, yet is likely to remain well above its long-term average. In the coming years, growth in household consumption could slow to 2.4% in 2028 and 2.2% in 2029.

**Gross fixed capital formation** could rise by 3.6% in 2026, driven by economic growth in the euro area and postponed investment from the period of high interest rates. Conversely, growth momentum will be dampened by increased uncertainty surrounding the conflict in the Middle East. For 2027, we expect growth to slow to 2.5% in connection with the closure of the Recovery and Resilience Facility and a decline in other EU revenue. The macroeconomic framework also anticipates relatively strong growth rates for the following two years, at 3.2% and 3.7% respectively.

Given the ongoing conflict in the Middle East, it is expected that firms will accumulate inventories on a larger scale for precautionary reasons – with the aim of mitigating the risks of disruptions in component supplies. **Changes in inventories** should therefore have a positive impact on GDP growth this year. For the coming years, we expect inventory accumulation to stabilise at levels typical for this phase of the economic cycle; the contribution to GDP growth should therefore be zero.

**The trade balance** is expected to make a negative contribution to GDP growth this year. Exports will be indirectly constrained by the US administration’s tariff measures and the persistently lower volume of export orders. The expected growth in exports and domestic demand, particularly for import-intensive investment, should then, together with higher inventory accumulation, translate into stronger import momentum. In the coming years, the contribution of net exports should be roughly neutral, reflecting the continued growth of both domestic and foreign demand.

Year-on-year **consumer price inflation** at the start of this year reached its lowest levels in nearly a decade. Price growth for services remained elevated, primarily due to the costs of owner-occupied housing and actual rentals. By contrast, price developments for goods were dampened by lower energy prices, exacerbated by the transfer of funding for fees for renewable energy sources to the state budget. The military escalation in the Middle East in March and the blockade of the Strait of Hormuz caused a sharp rise in energy prices. Assuming a timely stabilisation in commodity markets and the absence of long-term constraints on oil and natural gas production capacity, the average inflation rate could remain at 2.5% this year and rise to 2.8% next year. In the following years, the average inflation rate is then expected to be slightly above 2%.

Imbalances linked to labour shortages continue to be evident in **the labour market**. Whilst the downturn in industry is set to continue, it will be partly offset by strong demand for labour in the services and construction sectors. The unemployment rate is therefore expected to rise slightly this year to 2.9%. In the coming years, due to continued economic growth, it could gradually fall to as low as 2.5%. Employment is expected to keep rising this year, given the continuing strong demand for labour in certain sectors. Due to unfavourable demographic trends and a decline in the working-age population, employment is expected to fall in 2027, and its momentum is likely to be significantly constrained by these factors in the years that follow. Persistent labour market frictions will prevent a more pronounced slowdown in the growth of wages and salaries. Real earnings are expected to rise significantly this year and next. The volume of wages and salaries could increase by 6.8% this year and by 6.0% in 2026. In subsequent years, growth could slow to around 5.0%.

The output gap has been in negative territory in recent years. Thanks to the ongoing economic recovery, it should gradually close; nevertheless, the economy is likely to remain below its **potential level** until the end of next year. Over the forecast period, the output gap could move into slightly positive territory. Potential growth could accelerate to as much as 2.4% over the outlook horizon. This momentum is expected to be driven by an increase in the trend component of total factor productivity and, to a lesser extent, by investment activity. The production factor of labour is expected to make a virtually neutral contribution from 2027 onwards.

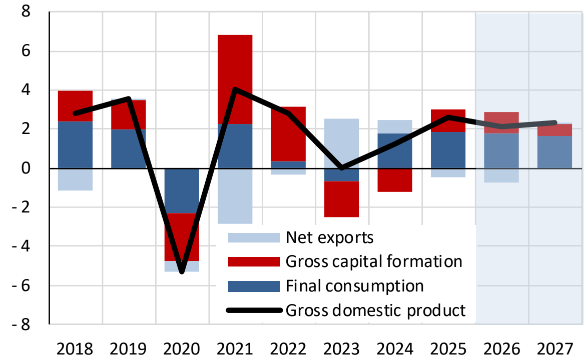
The macroeconomic framework of the Fiscal Forecast is subject to a number of **risks**, which we consider to be **skewed to the downside** overall. The main risk to the forecast is a more significant disruption to global supply chains linked to a prolonged conflict in the Middle East or its escalation. US trade policy remains a risk to the global economy, particularly in the area of tariffs and other barriers to international trade.

**Table 1.1: Comparison of the previous Fiscal Outlook and Fiscal Forecast Scenarios**

| | | Fiscal Forecast (May 2026) | | | | | Fiscal Outlook (November 2025) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2024 | 2025 | 2026 | 2027 | 2028 | 2024 | 2025 | 2026 | 2027 | 2028 |
| **External Assumptions** | | | | | | | | | | | |
| **Real GDP in EU** | *change in %* | **1.0** | **1.6** | **1.1** | **1.6** | **1.9** | **1.0** | **1.5** | **1.5** | **2.0** | **2.0** |
| **Prices of oil (Brent)** | *USD/barrel* | **80.6** | **69.2** | **90.8** | **79.0** | **75.5** | 80.6 | 70.1 | 65.5 | 65.4 | 66.3 |
| **Exchange rate USD/EUR** | *USD/EUR* | **1.08** | **1.13** | **1.16** | **1.17** | **1.19** | 1.08 | 1.13 | 1.19 | 1.20 | 1.22 |
| **Exchange rate CZK/EUR** | *CZK/EUR* | **25.1** | **24.7** | **24.3** | **24.1** | **23.8** | 25.1 | 24.7 | 24.3 | 24.0 | 23.7 |
| **Real Values** | | | | | | | | | | | |
| **GDP** | *change in %* | **1.3** | **2.6** | **2.1** | **2.4** | **2.5** | **1.2** | **2.4** | **2.2** | **2.5** | **2.5** |
| Households consumption | *change in %* | 2.4 | 3.0 | 3.0 | 2.6 | 2.4 | 2.4 | 3.1 | 3.0 | 2.6 | 2.3 |
| Government consumption | *change in %* | 3.1 | 2.1 | 1.7 | 2.3 | 2.1 | 3.2 | 2.1 | 1.6 | 2.0 | 2.0 |
| Gross fixed capital formation | *change in %* | -2.7 | 2.4 | 3.6 | 2.5 | 3.2 | -2.8 | 0.2 | 3.0 | 2.5 | 3.2 |
| Contribution of final domestic demand | *p.p.* | 1.0 | 2.5 | 2.7 | 2.3 | 2.4 | 1.0 | 1.9 | 2.5 | 2.3 | 2.3 |
| Contribution of foreign trade | *p.p.* | 0.7 | -0.4 | -0.7 | 0.1 | 0.2 | 0.7 | -0.4 | -0.3 | 0.2 | 0.2 |
| **Output gap** | *%* | **-1.8** | **-0.6** | **-0.4** | **-0.1** | **0.4** | **-1.9** | **-0.8** | **-0.1** | **0.4** | **0.9** |
| **Others** | | | | | | | | | | | |
| **Nominal GDP** | *CZK bn* | **8 058** | **8 556** | **8 988** | **9 537** | **10 044** | **8 057** | **8 510** | **8 940** | **9 379** | **9 826** |
| **Harmonised index of consumer prices** | *change in %* | **2.7** | **2.3** | **2.2** | **2.7** | **2.3** | 2.7 | 2.3 | 2.0 | 2.1 | 2.1 |
| **Employment** | *change in %* | **0.6** | **1.1** | **0.2** | **-0.2** | **-0.1** | 0.6 | 0.9 | 0.1 | -0.2 | -0.1 |
| **Unemployment rate** | *%* | **2.6** | **2.8** | **2.9** | **2.7** | **2.5** | 2.6 | 2.7 | 2.8 | 2.6 | 2.4 |
| **Wages and salaries** | *change in %* | **6.8** | **7.9** | **6.8** | **6.0** | **5.2** | 6.8 | 7.1 | 5.9 | 5.0 | 4.7 |
| **General Government** | | | | | | | | | | | |
| **Revenue** | *% of GDP* | **41.2** | **41.0** | **40.3** | **39.2** | **38.8** | **40.8** | **40.9** | **40.2** | **39.2** | **38.8** |
| Value-added tax | *change in %* | 2.5 | 7.1 | 4.8 | 5.6 | 4.8 | 2.5 | 6.3 | 4.7 | 4.0 | 4.5 |
| Excise taxes | *change in %* | 10.3 | 0.1 | 1.8 | 2.5 | -0.2 | 10.3 | 0.9 | 2.5 | 1.4 | 0.0 |
| Personal income tax | *change in %* | 11.9 | 7.5 | 6.1 | 5.4 | 7.0 | 11.7 | 6.1 | 5.4 | 4.5 | 5.8 |
| Corporate income tax | *change in %* | 11.9 | 6.7 | -8.4 | 8.5 | 7.2 | 11.9 | 6.1 | -8.3 | 5.9 | 6.7 |
| Social security contributions | *change in %* | 8.6 | 6.3 | 6.6 | 5.7 | 4.9 | 8.6 | 6.5 | 6.3 | 4.7 | 4.5 |
| **Expenditure** | *% of GDP* | **43.2** | **43.2** | **42.9** | **42.0** | **41.6** | **42.9** | **42.8** | **42.1** | **41.0** | **40.6** |
| Compensation of employees | *change in %* | 5.1 | 7.3 | 8.2 | 7.7 | 6.0 | 5.0 | 6.5 | 7.6 | 4.5 | 4.3 |
| Intermediate consumption | *change in %* | 9.2 | 4.8 | 2.3 | 6.0 | 4.5 | 9.0 | 4.8 | 1.5 | 4.0 | 4.5 |
| Social transfers in kind | *change in %* | 10.1 | 5.1 | 2.0 | 4.3 | 4.3 | 10.1 | 4.6 | 4.5 | 4.0 | 4.2 |
| Social benefits other than in kind | *change in %* | 4.5 | 1.7 | 5.1 | 3.2 | 3.0 | 4.4 | 2.0 | 3.5 | 2.4 | 2.2 |
| Gross fixed capital formation | *change in %* | 2.5 | 16.9 | 2.2 | -3.4 | 3.6 | 1.7 | 8.5 | 4.1 | -5.3 | 5.4 |
| **Balance** | *% of GDP* | **-2.0** | **-2.1** | **-2.6** | **-2.8** | **-2.8** | **-2.0** | **-1.9** | **-1.9** | **-1.9** | **-1.8** |
| **Structural balance** | *% of GDP* | **-1.7** | **-2.2** | **-2.4** | **-2.8** | **-2.9** | **-1.7** | **-1.9** | **-1.8** | **-2.0** | **-2.1** |
| **Debt** | *% of GDP* | **43.3** | **44.3** | **45.6** | **47.0** | **48.6** | **43.3** | **43.9** | **45.3** | **45.8** | **46.4** |

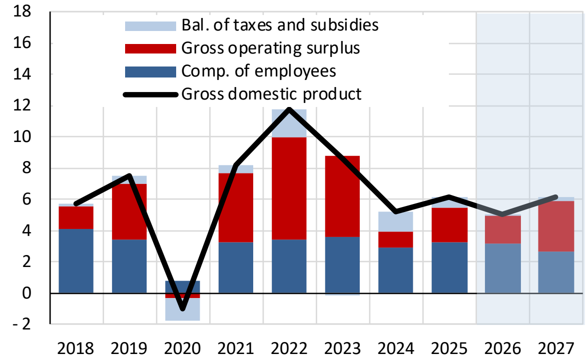
*Source: MF CR (2025a, 2026a).*

### Graph 1.1: Real GDP
*real GDP change in %, contributions in pp*



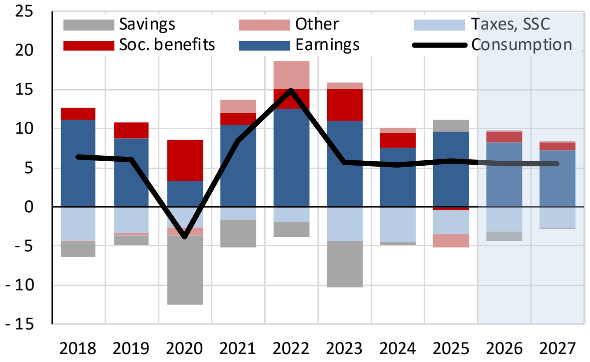

*Source: MF CR (2026a).*

### Graph 1.2: Nominal GDP – Income Approach
*nominal GDP change in %, contributions in pp*



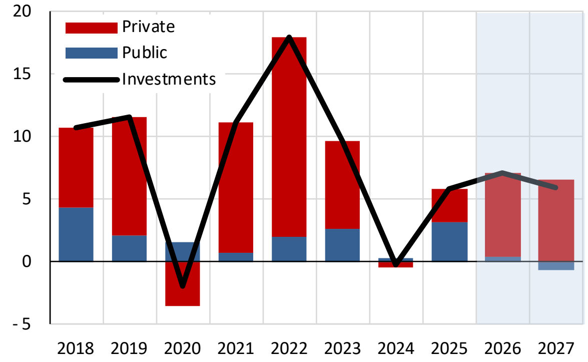

*Source: MF CR (2026a).*

### Graph 1.3: Nominal Households Consumption
*change of nominal households consumption in %, contributions in pp*



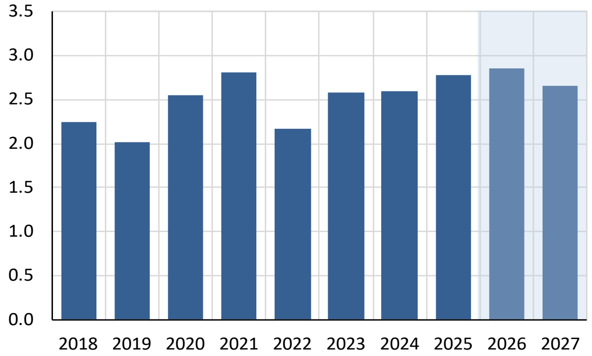

*Source: MF CR (2026a).*

### Graph 1.4: Nominal Investments
*change of nominal investments in %, contributions in pp*



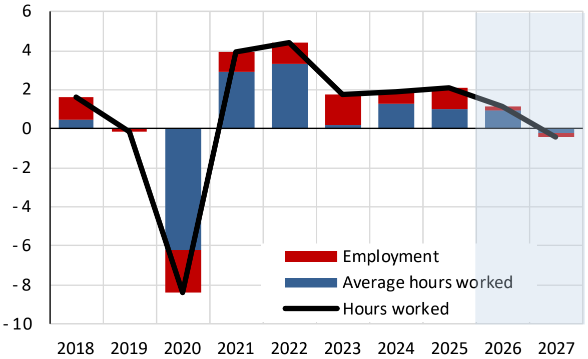

*Source: MF CR (2026a).*

### Graph 1.5: Unemployment Rate
*% of labour force, Labour Force Survey methodology*



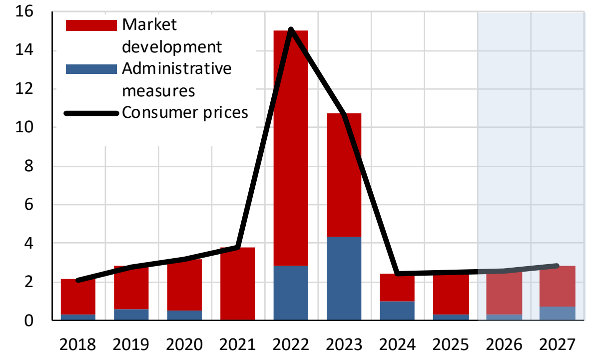

*Source: MF CR (2026a).*

### Graph 1.6: Hours Worked
*change in %, contributions in pp, National Accounts methodology*



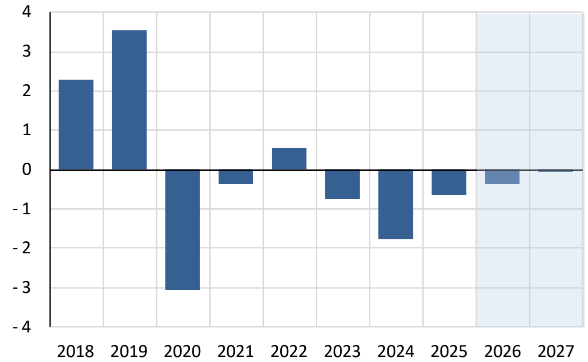

*Source: MF CR (2026a).*

### Graph 1.7: Consumer Prices
*average rate of consumer price inflation in % (CPI), contributions in pp*




*Source: MF CR (2026a).*

### Graph 1.8: Output Gap
*% of potential product*




*Source: MF CR (2026a).*

# 2 General Government Development

Czech public finances recorded a deficit of 2.1% of GDP last year, a result that is virtually in line with expectations in previous forecasts by the MF CR. In those forecasts, the deficit estimate ranged between 1.9% and 2.2% of GDP. However, the forecast for public finances for the years 2026 to 2029 has shifted towards higher deficits. This is mainly due to lower projected surpluses for local governments and the new government's intention to significantly increase investment, which should also be facilitated by the Fiscal-Structural Plan currently being prepared as well as changes to national legislation.

## 2.1 General Government Balance and Debt

The general government **sector** ended 2025 with a deficit of 2.1% of GDP. The structural deficit, i.e. the balance adjusted for the impact of the economic cycle and one-off operations, stood at 2.2% of GDP. Fiscal effort, i.e. the change in the structural balance as a percentage of GDP, recorded a decline of 0.5 pp.

The financial central government's performance,dominated by the state budget, ended 2025 with a deficit of CZK 197.8 billion. Health insurance companies have reported higher deficits in the last two years compared with previous years, due to demographic trends, where an ageing population is increasing healthcare costs, the provision of care to Ukrainian refugees, and a pro-growth reimbursement decree. Compared to 2024, however, the deficit fell by CZK 2.7 billion and stood at CZK 15.3 billion at the end of 2025. Conversely, the financial performance of local governments ended last year with a surplus of CZK 29.4 billion, despite significantly increased investment activity.

We forecast a deterioration in the general government sector's balance of 0.5 pp to −2.6% of GDP this year, in relative terms. Following an expected gradual deterioration in the balance, which will peak in 2027 and 2028 at −2.8% of GDP, a slight improvement of 0.1 pp to −2.7% of GDP is expected in 2029. We estimate the structural balance for 2026 at −2.4% of GDP. In the following years, it will fluctuate around −2.8% of GDP.

The estimate of the accrual balance for this year also takes into account, in addition to Q1 national accounts data, the current development of cash performance of key parts of the public budgets. However, this year's results to date and the year-on-year comparison are partly influenced by the provisional budget. The cash balance of the state budget for the first four months of 2026 ended with a deficit of CZK 106.1 billion. Adjusted for revenue and expenditure on EU projects and financial mechanisms, the deficit stood at CZK 125.1 billion, an increase of CZK 1.5 billion year-on-year (MF CR, 2026b). The surplus of local budgets at the end of March 2026 reached CZK 13.5 billion, which is, however, CZK 22.7 billion less than in the same period last year. Health insurance companies ended the same period with a deficit of CZK 3 billion, representing a year-on-year deterioration of CZK 2.2 billion (MF CR, 2026c).

The fiscal policy framework is based on the amendment to Act No. 23/2017 Coll., on FIscal Responsibility Rules (Act No. 349/2023 Coll.), which codified the maximum values of structural deficits for the years 2024 to 2027. The expenditure framework for 2025 was based on a value of 2.25% of GDP; subsequently, the maximum structural deficit was to be reduced by 0.5 pp annually until reaching 1% of GDP, i.e. by 2028 at the latest. However, the specific settings for 2027 and the forecast years will depend on the parameters of the Fiscal-Structural Plan currently being prepared and on amendments to national legislation, specifically Act No. 23/2017 Coll., on Fiscal Responsibility Rules, and Act No. 218/2000 Coll., on Budgetary Rules (Chamber of Deputies Print No. 90).

General government **debt** reached at 44.3% of GDP at the end of 2025, an increase of 1 pp year-on-year. The general government debt level is below the 60% of GDP reference value set out in the Treaty on the Functioning of the European Union and also below the national threshold under the Fiscal Responsibility Rules Act. The national fiscal rule not only operates with a lower value (55% of GDP), but also assesses the level of general government debt net of the cash reserve created by the the financing of public debt (Table 2.1.2).

For this year, we forecast general government debt at 45.6% of GDP. In terms of contributions to the change in debt, interest costs will be the dominant factor, which, in relative terms, are expected to rise by 0.1 pp to 1.4% of GDP. Over the forecast period, they are expected to rise gradually to 1.6% of GDP. This is based on both the structure of the debt and its refinancing, as well as on the expected development of interest rates. The 10-year interest rate for convergence purposes is expected to rise by 0.3 pp year-on-year this year to 4.6% p. a. Over the forecast period, a further increase to around 4.8% p. a. is expected. The 5-year bond yields are expected to follow a similar trend, rising from a forecast 4.0% p. a. in 2026 to 4.2% p. a. over the forecast period. Given the almost stable contribution of the primary deficit, averaging 1.2% of GDP, and the growing contribution of other factors (notably the provision of repayable financial assistance for the construction of new nuclear power plants) to the change in the debt-to-GDP ratio from 0.9 pp in 2026 to 1.2 pp in subsequent years, we expect debt to rise gradually by approximately 1.5 pp per year, reaching 50.2% of GDP in 2029.

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

The largest share of general government debt in 2025 was held by central government, whose debt reached CZK 3,796 billion. We estimate that in 2026, the debt of central government institutions will amount to CZK 4,109 billion, i.e. it will account for approximately 98% of the total (unconsolidated) debt of the general government sector. The debt of local government institutions stood at CZK 88 billion last year, and we predict that their debt will remain at the same level this year. In the coming years, due to the predicted budget surplus, it will fall to CZK 71 billion in 2029. Social security funds have long had a low level of debt, and by the end of the forecast horizon we expect their debt to rise from CZK 1.2 billion in 2025 to CZK 2 billion.

**Table 2.1.1: General Government Development and Fiscal Policy Stance**

| | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | *Forecast* | *Forecast* | *Outlook* | *Outlook* |
| **Total revenue** | *% of GDP* | **40.6** | **40.1** | **40.2** | **40.3** | **41.2** | **41.0** | **40.3** | **39.2** | **38.8** | **38.6** |
| | *change in %* | -1.2 | 6.8 | 12.0 | 8.9 | 7.6 | 5.9 | 3.0 | 3.2 | 4.4 | 4.3 |
| **Total expenditure** | *% of GDP* | **46.3** | **45.0** | **43.2** | **44.0** | **43.2** | **43.2** | **42.9** | **42.0** | **41.6** | **41.3** |
| | *change in %* | 13.4 | 5.4 | 7.3 | 10.6 | 3.3 | 6.2 | 4.2 | 3.9 | 4.4 | 4.2 |
| **General government balance** | *% of GDP* | **-5.6** | **-5.0** | **-3.1** | **-3.7** | **-2.0** | **-2.1** | **-2.6** | **-2.8** | **-2.8** | **-2.7** |
| Central government | *% of GDP* | -5.9 | -5.7 | -4.0 | -4.5 | -2.6 | -2.3 | -2.9 | -3.2 | -3.2 | -3.1 |
| Local governments | *% of GDP* | 0.5 | 0.9 | 0.9 | 0.8 | 0.8 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 |
| Social security funds | *% of GDP* | -0.2 | -0.1 | 0.0 | -0.1 | -0.2 | -0.2 | -0.2 | -0.1 | 0.0 | 0.0 |
| **General government balance** | *% of GDP* | **-5.6** | **-5.0** | **-3.1** | **-3.7** | **-2.0** | **-2.1** | **-2.6** | **-2.8** | **-2.8** | **-2.7** |
| Cyclical component | *% of GDP* | -1.1 | -0.1 | 0.2 | -0.3 | -0.6 | -0.2 | -0.1 | 0.0 | 0.1 | 0.1 |
| One-off and temporary measures | *% of GDP* | -2.2 | -1.5 | -0.9 | -0.9 | 0.3 | 0.3 | -0.1 | 0.0 | 0.0 | 0.0 |
| Structural balance | *% of GDP* | -2.3 | -3.3 | -2.4 | -2.6 | -1.7 | -2.2 | -2.4 | -2.8 | -2.9 | -2.9 |
| **Fiscal effort** | *pp of GDP* | **-1.4** | **-1.0** | **0.9** | **-0.2** | **0.9** | **-0.5** | **-0.2** | **-0.4** | **-0.1** | **0.0** |

*Source: CZSO (2026a, 2026b). Forecast and calculations by MF CR.*

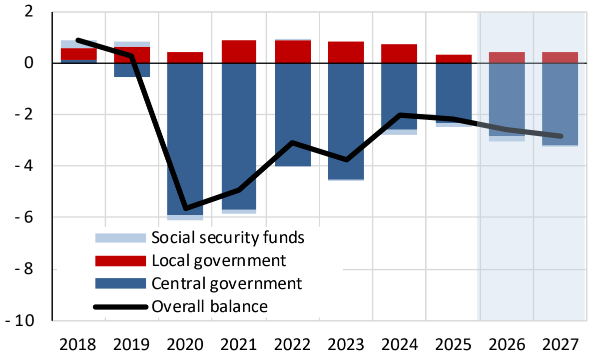
**Table 2.1.2: Gross Consolidated Government Debt**

| | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | *Forecast* | *Forecast* | *Outlook* | *Outlook* |
| **General government** | *CZK bn* | **2 150** | **2 567** | **2 998** | **3 234** | **3 489** | **3 786** | **4 100** | **4 485** | **4 880** | **5 293** |
| Central government | *CZK bn* | 2 223 | 2 661 | 3 105 | 3 352 | 3 505 | 3 796 | 4 109 | 4 510 | 4 906 | 5 321 |
| Local government | *CZK bn* | 87 | 87 | 89 | 86 | 83 | 88 | 88 | 75 | 73 | 71 |
| Social security funds | *CZK bn* | 1 | 1 | 0 | 1 | 1 | 1 | 2 | 2 | 2 | 2 |
| **General government debt to GDP rati** | *% of GDP* | **36.9** | **40.7** | **42.5** | **42.2** | **43.3** | **44.3** | **45.6** | **47.0** | **48.6** | **50.2** |
| **Contributions to change in debt-to-GDP ratio** | | | | | | | | | | | |
| Change in debt | *p.p.* | 7.3 | 3.8 | 1.8 | -0.3 | 1.1 | 1.0 | 1.4 | 1.4 | 1.6 | 1.6 |
| **Primary deficit** | *p.p.* | **4.9** | **4.2** | **2.0** | **2.4** | **0.7** | **0.8** | **1.2** | **1.3** | **1.2** | **1.1** |
| **Interest** | *p.p.* | **0.7** | **0.7** | **1.1** | **1.3** | **1.3** | **1.3** | **1.4** | **1.5** | **1.6** | **1.6** |
| **Nominal GDP growth** | *p.p.* | **0.3** | **-2.8** | **-4.3** | **-3.4** | **-2.1** | **-2.5** | **-2.1** | **-2.6** | **-2.4** | **-2.3** |
| **Stock-flow adjustment** 1) | *p.p.* | **1.4** | **1.7** | **3.0** | **-0.6** | **1.1** | **1.3** | **0.9** | **1.2** | **1.2** | **1.2** |
| Debt for Act No. 23/2017 Coll. 2) | *% of GDP* | 36.9 | 40.7 | 42.5 | 42.2 | 43.3 | 44.3 | 45.6 | 47.0 | 48.6 | 50.2 |
| Liquid financial assets 3) | *% of GDP* | 15.8 | 18.8 | 17.5 | 17.7 | 17.7 | 19.2 | 18.3 | 17.2 | 16.4 | 15.6 |
| Net financial debt 4) | *% of GDP* | 21.1 | 21.9 | 25.0 | 24.6 | 25.6 | 25.0 | 27.3 | 29.8 | 32.2 | 34.6 |

*1) The stock-flow adjustment consists of differences between cash and accrual, net acquisition of financial assets and revaluation effects and other measures.*
*2) Public sector institutions debt according to Act No. 23/2017 Coll. is defined as the difference between the general government debt and disposable cash reserves created according to Act No. 218/2000 Coll.*
*3) Liquid financial assets are monetary gold, Special Drawing Rights, currency and deposits, market value of securities other than shares (in market value), shares and other equity quoted in stock exchange.*
*4) Net financial debt is the difference between the debt according to Act No. 23/2017 Coll. and liquid financial assets.*
*Source: CZSO (2026b). Forecast and calculations by MF CR.*

**Graph 2.1.1: General Government Balance**

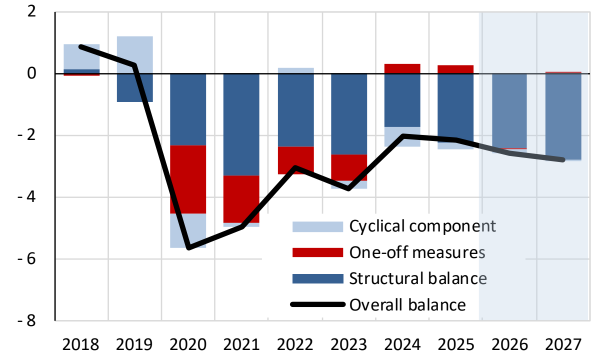
*% of GDP*




*Source: CZSO (2026a, 2026b). MF CR forecast.*

**Graph 2.1.2: Overall and Structural Balance**

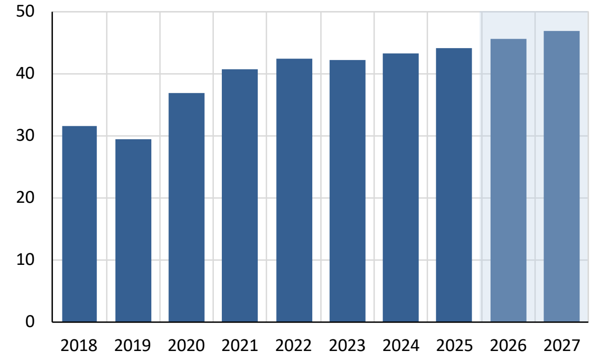
*% of GDP*




*Source: CZSO (2026a, 2026b). MF CR calculations and forecast.*

**Graph 2.1.3: General Government Debt**

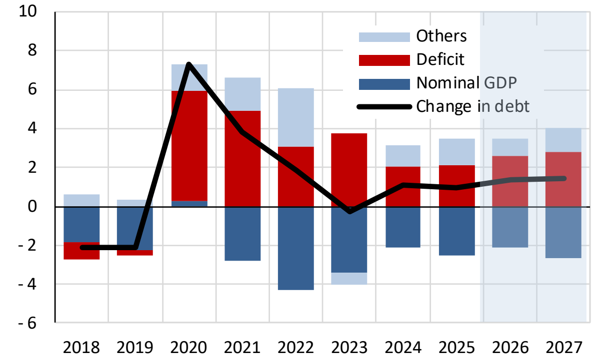
*% of GDP*




*Source: CZSO (2026a, 2026b). MF CR forecast.*

**Graph 2.1.4: Change in the Debt Ratio**

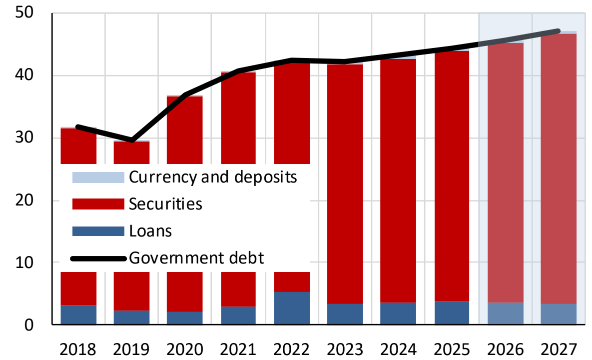
*in pp*




*Source: CZSO (2026a, 2026b). MF CR forecast.*

**Graph 2.1.5: Government Debt by Type of Instrument**

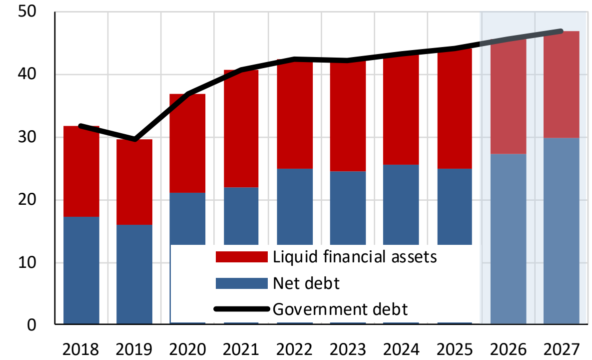
*% of GDP*




*Source: CZSO (2026a, 2026b). MF CR forecast.*

**Graph 2.1.6: Net and Gross Government Debt**

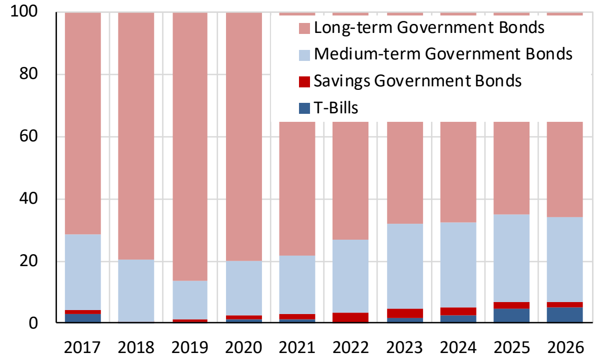
*% of GDP*




*Source: CZSO (2026a, 2026b). MF CR forecast.*

**Graph 2.1.7: Government Securities by Type of Instrument**

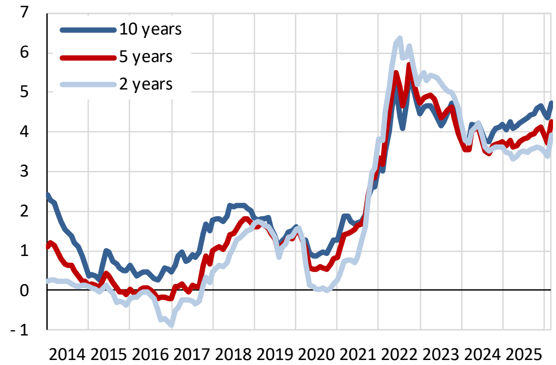
*% of total government securities outstanding, end-of-year values*




*Note: The value for 2025 reflects the state at the end of March.*
*Source: MF CR.*

**Graph 2.1.8: Government Bond Yields by Maturity**

*% of GDP*




*Source: CNB (2026).*

## 2.2 General Government Revenue

Total **general government revenue** grew by 5.9%, reaching 41% of GDP in 2025. This year, growth is expected to continue at a rate of 3%, whilst tax revenue, including social security contributions, could grow at an only slightly slower rate (Graph 2.2.2). For the coming years, we expect average growth in total revenue of around 4% and a gradual decline in its ratio to GDP to below 39% from 2028. Along with this, the tax-to-GDP-ratio is expected to fall from last year's 35.1% of GDP to less than 34% of GDP by the end of the outlook horizon (Graph 2.2.1).

**Personal income tax** revenue, driven by growth in wages and salaries, increased by 7.5% last year. Growth was held back by developments in capital gains tax due to lower interest rates on deposit accounts, and this factor is expected to dampen overall tax growth in the coming years as well. Among the discretionary measures, tax relief on retirement savings products had a negative impact, with an additional effect of CZK −0.4 billion (Act No. 462/2023 Coll.). From this year onwards, we expect a positive effect from the introduction of a Unified Monthly Employer's Report (Act No. 323/2025 Coll.), which, together with the amendment to the Employment Act introducing the concept of undeclared work (Act No. 152/2025 Coll.), should lead to more efficient collection of taxes and social security contributions, better information sharing between ministries and the combating illegal employment, with an estimated impact of CZK 1 billion. In the area of housing support, from 2026 the possibility of deducting interest on loans for taxpayers in housing cooperativesis introduced, with an impact of CZK −0.3 billion (Act No. 176/2025 Coll.). However, this effect should be almost offset by the abolition of the managerial apartments tax exemption (Act No. 349/2023 Coll.). Overall, we expect personal income tax revenue to grow by 6.1% this year, and on average, growth should continue at a similar pace in 2027–2029. The government bill on the registration of sales (Chamber of Deputies Print No. 189) is expected to bring an estimated CZK 2.5 billion in personal income tax revenue to public budgets from 2027. The government plans to return part of the expected increase in state budget revenue from this measure (including from other tax and insurance sources) to taxpayers, for example in the form of a one-off tax relief in connection with the introduction of electronic registration of sales, the partial removal of the cap on employee benefits in kind and the expansion of the list of such benefits for the purposes of personal income tax exemption, or the reinstatement of the student tax credit and the tax credit for placing a child in a pre-school institution, with a total impact of CZK −4.2 billion in 2027. Apart from the first-mentioned measure, these measures will also have a negative impact in subsequent years.

**Social security contributions,** also based on earnings in the economy,grew by 6.3% last year. For this year, we estimate 6.6% growth, which should gradually slow down in the coming years to 4.7% by the end of the outlook horizon. Due to a further increase in the minimum assessment base for self-employed persons, additional revenue of around CZK 7 billion was generated last year. Conversely, the abolition of employee´s contributions to pension system for working pensioners and the preferential treatment of so-called long-term investment products were associated with a budgetary impact of around CZK −4 billion and CZK −0.6 billion respectively (Act No. 417/2024 Coll. and No. 462/2023 Coll.). Similar to personal income tax, we expect a positive impact from this year onwards from the abolition of the managerial apartments tax exemption (CZK 0.6 billion), the introduction of Unified Monthly Employer's Report, and new amendments to the Employment Act (CZK 2.9 billion). The introduction of electronic registration of sales is expected to generate over CZK 2 billion in social security contributions from 2027, with this revenue being slightly adjusted by accompanying changes to employee benefits. The dynamics of social security contributions are further determined by the payment for state-insured persons. In 2025, this payment increased by CZK 2.3 billion, and for this year we anticipate an increase of approximately CZK 4.5 billion. In subsequent years, the impact of its indexation under current legislation is expected to be in the range of CZK 3–7 billion annually.

**Corporate income tax** revenue grew by 6.7% in 2025 due to higher corporate profits. The overall impact of discretionary measures on tax growth was slightly negative, as the adverse effect of the tax exemption of income from government bonds,which increased by CZK 1.3 billion (Act No. 609/2020 Coll.), outweighed the slightly higher year-on-year accrual tax revenue from windfall profits tax (Act No. 366/2022 Coll.). The expiry of this extraordinary taxation will result in a significant 8.4% year-on-year decline in corporate income tax revenue in 2026. This will also be driven by the continued exemption of income from government bonds, which will reduce this year's tax revenue by a further CZK 1.2 billion year-on-year. The increase in the deduction for research and development expenditure and the raising of the threshold for the one-off write-offs of bad receivables are expected to result in a revenue shortfall of around CZK 1 billion from 2026 (Act No. 360/2025 Coll.). Conversely, the top-up tax, ensuring a minimum level of taxation for large multinational and domestic groups, increases tax revenue by CZK 1 billion this year and by a further CZK 1 billion from 2027 (Act No. 416/2023 Coll.). From next year, corporate income tax revenue should be positively affected by the introduction of electronic registration of sales, with an estimated impact of CZK 2 billion. For 2027, we expect tax revenue to grow by 8.5%, and this growth is then expected to gradually slow down over the outlook period.

Growth in nominal household consumption, combined with a significant increase in the volume of public investment, determined **value-added tax** revenue, which rose by 7.1% in 2025. This also reflected the additional effect of the consolidation package of increased excise duties, with an impact of CZK 0.7 billion. The amendment to the Value-Added Tax Act (Act No. 461/2024 Coll.) addressed, amongst other things, adjustments to financial services and the area of bad debts, with a resulting positive impact of around CZK 0.3 billion in 2025; however, this is expected to turn into a negative contribution of CZK –0.7 billion and deepen progressively by this amount in each subsequent year until the end of the outlook horizon. This year's tax growth is expected to be 4.8% and to accelerate to 5.6% next year. This will also be aided by the positive contribution from the introduction of electronic registration of sales, estimated at CZK 6.5 billion in 2027, increased by a further CZK 1.2 billion from 2028. Conversely, the government bill on (electronic) registration of sales and amendments to certain other laws simultaneously reduces the tax rate on non-alcoholic beverages within catering services to 12% and abolishes the restriction on input tax deduction for selected passenger cars, with a total negative impact exceeding CZK 1 billion from 2027. Changes to the application of the deduction claim for public service media are expected to yield an estimated CZK 0.5 billion from 2028 (Act No. 80/2019 Coll., with the effective date postponed by Act No. 461/2024 Coll.). For the outlook period, we expect a slowdown in tax revenue growth, which corresponds to the predicted trend in nominal household consumption.

**Excise duty** revenue, as defined by national legislation, remained essentially unchanged last year. The overall positive additional effect of increased excise duty rates on tobacco and related products and spirits (Act No. 349/2023 Coll.) was offset by lower consumption of traditional tobacco products and the continuing trend towards less taxed alternatives, as well as declining alcohol consumption. This resulted in a decline in accrual revenue from excise duties on tobacco and related products and alcohol, which was offset by higher revenue from the taxation of mineral oils. The aforementioned measures introduced as part of the consolidation package are expected to generate an additional approximately CZK 3–4 billion in both 2026 and 2027. This is offset by a reduction in excise duty on diesel as a current government measure to mitigate the rise in fuel prices, with an impact of just under CZK 2 billion this year (Government Resolutions No. 216/2026 and No. 265/2026). The result is an estimated 1.8% growth in excise duties this year, which is expected to accelerate to 2.5% next year and subsequently show slightly negative dynamicsin the outlook period in connection with the end of the four-year plan to increase excise duty rates on tobacco and related products.

The deepening negative fiscal impact of the introduction of the register of excluded persons was reflected in **gambling tax** revenue in 2025 by an additional CZK −0.3 billion (Act No. 186/2016 Coll.). The amendment to the Gambling Act (Act No. 349/2023 Coll.) extended, among other things, the range of persons included in this register to add those against whom enforcement proceedings are being conducted (an estimated revenue shortfall of approximately CZK 3 billion in 2027, increasing by an average of an additional CZK 2 billion each year of the outlook). The increase in **TV and radio fees** and the extension of the range of fee payers, effective from May 2025, brought an estimated CZK 0.8 billion into public budgets last year and a further CZK 0.4 billion this year (Act No. 119/2025 Coll.). In contrast, the year-on-year shortfall in accrual revenue of around CZK −17 billion is linked to the waiver of the **fee for renewable energy sources** for households and businesses from 2026 (Government Resolution No. 1022/2025).

The trend in revenue **transfers** largely reflects the progress of projects co-financed from the EU budget under the 2021–2027 programming period. Funds from the Recovery and Resilience Facility, the drawdown of which will be completed this year, also play a significant role. Higher **dividend** income from state-owned companies in 2025 is followed by an expected year-on-year decline in 2026–2027 and then a stabilisation at that level until the end of the outlook horizon. The increase in **toll rates**, as well as the rise in the **motorway fee** and the introduction of its regular indexation, brought more than CZK 2 billion into public budgets in 2025; we expect a further approximately CZK 1 billion in 2026 and additional hundreds of millions in 2027–2029 (Act No. 349/2023 Coll., Government Regulations No. 40/2024 Coll., No. 299/2024 Coll. and No. 327/2025 Coll.).

**Table 2.2.1: General Government Revenue Outlook**

| | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | *Forecast* | *Forecast* | *Outlook* | *Outlook* |
| **Total revenue** | *CZK bn* | **2366** | **2528** | **2831** | **3083** | **3318** | **3512** | **3619** | **3736** | **3900** | **4066** |
| | *change in %* | -1.2 | 6.8 | 12.0 | 8.9 | 7.6 | 5.9 | 3.0 | 3.2 | 4.4 | 4.3 |
| **Tax revenue** | *CZK bn* | **1137** | **1174** | **1322** | **1441** | **1566** | **1657** | **1650** | **1727** | **1811** | **1900** |
| | *change in %* | -3.5 | 3.2 | 12.6 | 9.0 | 8.7 | 5.8 | -0.4 | 4.7 | 4.9 | 4.9 |
| Taxes on production and imports | *CZK bn* | 651 | 705 | 783 | 829 | 880 | 924 | 929 | 957 | 988 | 1026 |
| | *change in %* | -5.3 | 8.2 | 11.1 | 5.8 | 6.2 | 5.0 | 0.6 | 3.0 | 3.2 | 3.9 |
| Value added tax | *CZK bn* | 422 | 464 | 537 | 573 | 587 | 629 | 659 | 696 | 729 | 762 |
| | *change in %* | -3.0 | 9.7 | 15.8 | 6.7 | 2.5 | 7.1 | 4.8 | 5.6 | 4.8 | 4.4 |
| Excise taxes | *CZK bn* | 157 | 162 | 159 | 158 | 175 | 175 | 178 | 182 | 182 | 182 |
| | *change in %* | -6.4 | 2.6 | -1.8 | -0.3 | 10.3 | 0.1 | 1.8 | 2.5 | -0.2 | -0.1 |
| Current taxes | *CZK bn* | 485 | 469 | 538 | 612 | 685 | 733 | 721 | 770 | 824 | 874 |
| | *change in %* | -1.0 | -3.5 | 14.9 | 13.7 | 12.0 | 6.9 | -1.6 | 6.8 | 7.0 | 6.1 |
| Personal income tax | *CZK bn* | 298 | 228 | 243 | 279 | 313 | 336 | 357 | 376 | 402 | 426 |
| | *change in %* | 3.6 | -23.4 | 6.7 | 14.8 | 11.9 | 7.5 | 6.1 | 5.4 | 7.0 | 6.0 |
| Corporate income tax | *CZK bn* | 177 | 229 | 284 | 321 | 359 | 383 | 351 | 381 | 408 | 434 |
| | *change in %* | -8.1 | 29.7 | 23.8 | 13.1 | 11.9 | 6.7 | -8.4 | 8.5 | 7.2 | 6.4 |
| **Social contributions** | *CZK bn* | **909** | **1 013** | **1 084** | **1 169** | **1 270** | **1 349** | **1 439** | **1 520** | **1 596** | **1 670** |
| | *change in %* | 1.6 | 11.4 | 7.0 | 7.8 | 8.6 | 6.3 | 6.6 | 5.7 | 4.9 | 4.7 |
| **Property income** | *CZK bn* | **34** | **36** | **76** | **96** | **85** | **80** | **81** | **80** | **81** | **82** |
| | *change in %* | 5.6 | 5.0 | 112.8 | 26.1 | -11.4 | -6.0 | 1.5 | -1.6 | 1.3 | 1.3 |
| **Other** | *CZK bn* | **286** | **305** | **349** | **377** | **397** | **426** | **448** | **408** | **412** | **415** |
| | *change in %* | -0.7 | 6.6 | 14.3 | 8.2 | 5.2 | 7.4 | 5.2 | -9.0 | 1.0 | 0.6 |
| Revenues from the EU | *CZK bn* | 65 | 67 | 78 | 85 | 83 | 106 | 109 | 60 | 55 | 49 |
| | *change in %* | 2.2 | 3.2 | 16.2 | 9.3 | -3.1 | 28.7 | 2.4 | -45.0 | -9.2 | -11.0 |
| **Tax burden** | *% of GDP* | **35.1** | **34.7** | **34.1** | **34.1** | **35.2** | **35.1** | **34.4** | **34.1** | **33.9** | **33.8** |

*Note: Excise taxes are adjusted for subsidies on renewable energy resources.*
*Source: CZSO (2026b). Forecast and calculations by MF CR.*

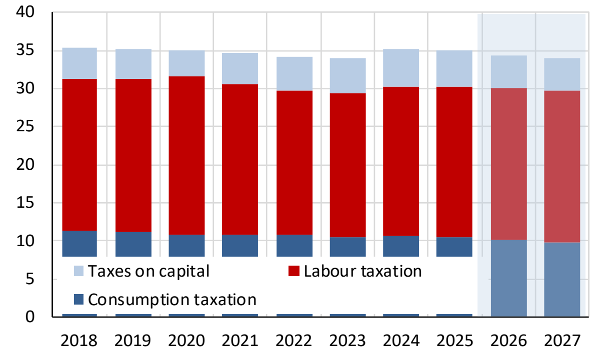
**Table 2.2.2: Discretionary Revenue Measures**

| | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | *Forecast* | *Forecast* | *Outlook* | *Outlook* |
| **Total revenue measures** | *CZK bn* | **-39.3** | **-81.1** | **-24.3** | **46.4** | **72.6** | **16.2** | **-50.1** | **9.1** | **-0.3** | **-1.5** |
| Labour taxation | *CZK bn* | -30.2 | -69.1 | -10.1 | 3.5 | 25.8 | 7.9 | 7.0 | 1.3 | 1.6 | 0.1 |
| Taxes on capital | *CZK bn* | -13.7 | -2.4 | -12.7 | 53.3 | 22.7 | 0.0 | -42.5 | 2.8 | -0.9 | 0.2 |
| Consumption taxation | *CZK bn* | 6.8 | -12.0 | -1.4 | -10.2 | 21.0 | 6.5 | -15.7 | 4.6 | -1.4 | -2.3 |
| Other revenue | *CZK bn* | -2.3 | 2.3 | -0.1 | -0.2 | 3.1 | 1.8 | 1.1 | 0.4 | 0.4 | 0.4 |

*Note: Figures represent YoY discretional changes that are stemming from all envisaged and approved measures on revenue side.*
*Source: MF CR.*

**Graph 2.2.1: Tax Revenue Structure**

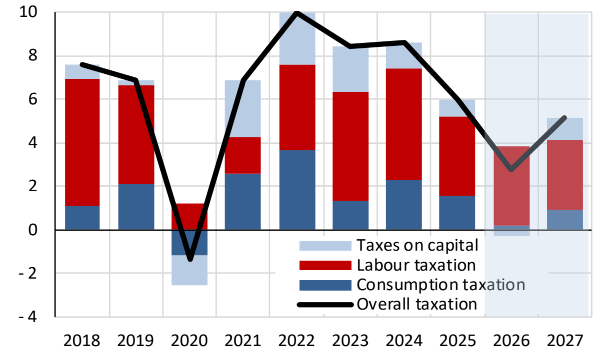
*% of GDP*




*Source: CZSO (2026a, 2026b). MF CR forecast.*

**Graph 2.2.2: Tax Revenue Development**

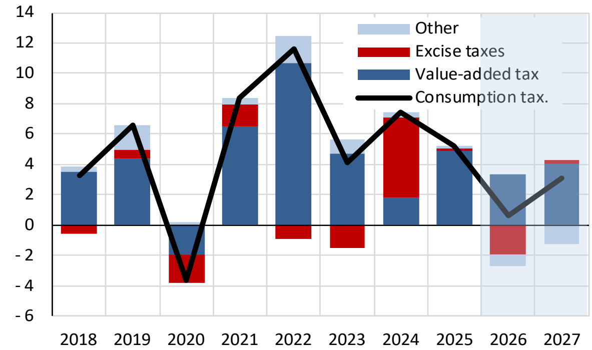
*change in %, contributions in pp*




*Source: CZSO (2026b). MF CR forecast.*

**Graph 2.2.3: Taxation of Consumption**

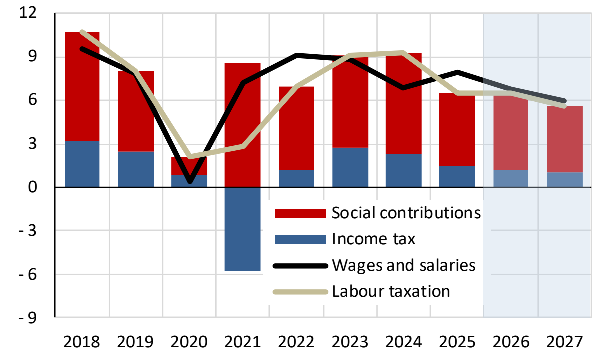
*change in %, contributions in pp*




*Source: CZSO (2026b). MF CR forecast.*

**Graph 2.2.4: Taxation of Labour**

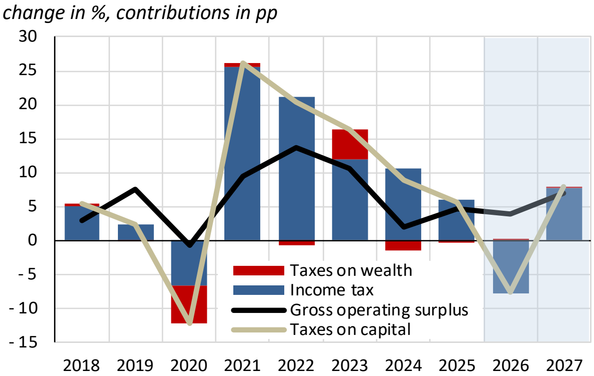
*change in %, contributions in pp*




*Source: CZSO (2026a, 2026b). MF CR forecast.*

**Graph 2.2.5: Taxation of Capital**

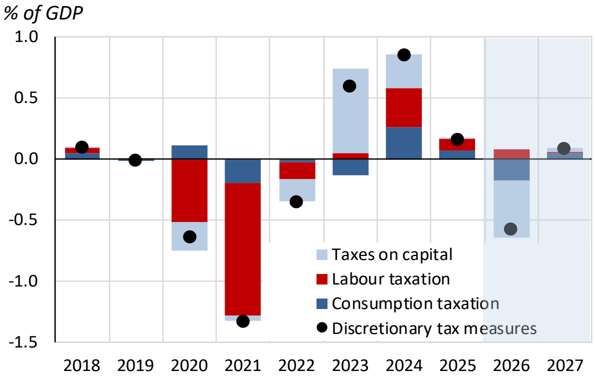
*change in %, contributions in pp*




*Source: CZSO (2026a, 2026b). MF CR forecast.*

**Graph 2.2.6: Discretionary Tax Measures**

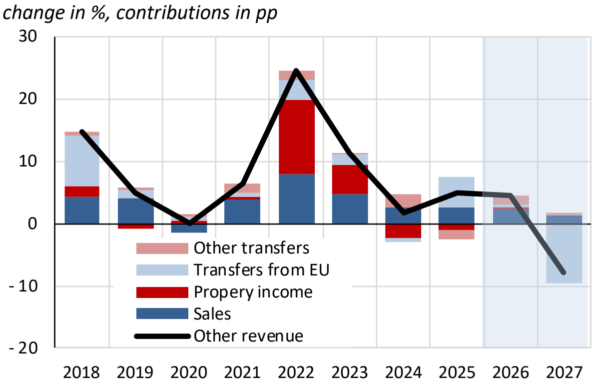
*% of GDP*




*Source: MF CR.*

**Graph 2.2.7: Other Revenue**

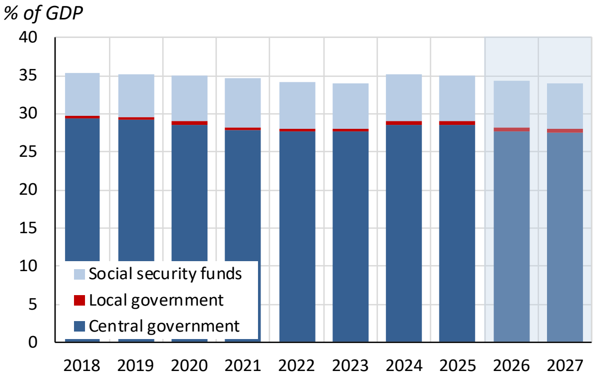
*change in %, contributions in pp*




*Source: CZSO (2026b). MF CR forecast.*

**Graph 2.2.8: Tax and Social Revenue by Subsectors**

*% of GDP*




*Source: CZSO (2026a, 2026b). MF CR forecast.*

## 2.3 General Government Expenditure

Total **general government expenditure** grew by 6.2% in 2025 (Graph 2.3.2), but as a percentage of GDP it remained unchanged at 43.2%. From this year onwards, this share is expected to decline gradually to around 41% of GDP in 2029 (Graph 2.3.1).

The pace of **final consumption expenditure** slowed to 6.6% last year, and we expect a further slowdown to 5.5% this year. In both years, this growth was dampened, or is expected to be dampened, by intermediate consumption and social transfers in kind. By contrast, compensation of employees in the general government sector showed relatively strong growth in 2025, and its expected development will drive final consumption expenditure throughout the forecast and outlook horizon. In 2027, growth in final consumption expenditure is expected to accelerate to 6.7%, whilst for the remaining years we expect average growth of around 5.5%.

Current expenditure on transport infrastructure contributed significantly to the 4.8% year-on-year growth in **intermediate consumption** in 2025. Expenditure on repairs of property damaged by the floods in September 2024 also contributed slightly. This year's projected growth of 2.3% is significantly lower than in 2025, due both to the high base effect and to planned savings in operating costs within the general government sector, as well as the provisional budget at the start of this year (Graph 2.3.4). Some purchases postponed in connection with this, together with the expected increase in current expenditure on transport infrastructure and healthcare, explain the stronger 6% growth rate in 2027, followed by growth of 4–4.5% in the outlook period.

Last year's 7.3% growth in **compensation of employees** was driven by salaries indexed to the average wage – the salaries of constitutional officials, judges and public prosecutors were increased by 6.95% (Act No. 57/2025 Coll.), and the salary scales for teaching staff by 7%. For other employees in public services and administration, their salaries increased across the board by CZK 1,400 (Government Regulation No. 466/2024 Coll.). Last but not least, salaries for soldiers and security forces increased, as well as various allowances. The volume of compensation was also affected by the increase in the minimum wage and the related guaranteed salary levels (Government Regulation No. 285/2024 Coll.). The projected growth for 2026 reflects not only the increase in teaching staff salaries from January 2026 (Government Regulation No. 471/2025 Coll.) but also the increase in salary scales in other segments of the general government sector from April this year (Government Regulation No. 16/2026 Coll.). The trend is further amplified by the additional effect of increased salaries for military personnel from July 2025. The result is an estimated 8.2% increase in compensation of employees this year. In subsequent years, the rate of increase is expected to gradually slow to 5.5% by the end of the outlook horizon, with a significant impact from automatically adjusted salaries.

The growth rate of **social transfers in kind** reached 5.1% last year. This increase was driven partly by higher healthcare expenditure by health insurance companies and partly by a further increase in the volume of funds disbursed for housing allowance. For this year, we expect the growth rate of social transfers in kind to slow to 2%, driven by a methodological change as existing housing allowance (social transfers in kind) becomes part of a single state social assistance benefit (cash social benefits). However, health insurance companies' expenditure will rise due to higher contributions and state payments for state-insured persons. For 2027–2029, we estimate growth in social transfers in kind to be in the range of 4–4.5%, in line with the expected revenues of health insurance companies and their slightly negative performance.

Pension benefits account for the largest share of **cash social benefits** (Graph 2.3.5). From January 2025, pensions were adjusted on the basis of the statutory indexation formula, with an increase by CZK 260 in the flat rate component and by 0.6% in the earnings-related component (Government Regulations No. 282/2024 Coll. and No. 283/2024 Coll.). Subsequently, from January 2026, the flat rate component was increased by CZK 240 and the earnings-related one by 2.6% (Government Regulations No. 364/2025 Coll. and No. 365/2025 Coll.). The average old-age pension thus increased by CZK 668 per month this year. In the coming years, the growth of the cost-of-living index for pensioners is expected to influence the dynamics of pension benefits, whilst real wage growth is expected to play a role only in the outlook period. The negative budgetary impact associated with the introduction of allowances for each child raised is expected to increase further this year, as in 2025, by approximately CZK 0.5 billion (Act No. 323/2021 Coll.). The postponed adjustment of the pension payment period from the so-called sliding month to the calendar month, and the associated cancellation of the one-off supplement during the regular January revaluation, is expected to bring approximately CZK 1 billion from 2028 (Act No. 321/2023 Coll. and No. 214/2025 Coll.).

An increase in the parental allowance by CZK 50,000 (or CZK 75,000 in the case of multiple births) for children born from 1 January 2024 should result in gradual increase in expenditure by CZK 1.5–2 billion annually in 2025–2027 (Act No. 407/2023 Coll.). On the other hand, the number of parental allowance recipients has been falling in recent years due to the decline in the birth rate. The volume of funds disbursed has thus been declining annually since 2021. The amendment to the Act on the Social and Legal Protection of Children introduced changes in the area of foster family care, with an impact of an additional CZK –0.5 billion in 2025 (Act No. 242/2024 Coll.).

The humanitarian allowance for persons under temporary protection, including housing costs, accounted for CZK 8.8 billion in state budget expenditure last year. We expect this amount to remain between CZK 8.5 and 9 billion until the end of the outlook horizon. Ongoing adjustments to care allowances required around CZK 4 billion in 2025 (Act No. 164/2024 Coll. and No. 38/2025 Coll.), and for this year we are forecasting a further approximately CZK 1.5 billion (Act No. 360/2025 Coll.). It was precisely the care allowances, together with foster family care benefits and unemployment benefits, that were among the cash social benefits with the highest year-on-year growth last year. Adjustments to the parameters of unemployment benefits and retraining support will lead to a further significant increase in expenditure this year, estimated by CZK 3 billion (Act No. 120/2025 Coll.). Developments in the labour market will also play a role, as we expect a slightly higher unemployment rate. In the development of cash social benefits, the national accounts methodology also reflects the growth in payments for state-insured persons. The result of all the factors described above in the social area was a 1.7% increase in cash social benefits in 2025. The methodological change described above, linked to the transition to the single state social assistance benefit and its classification as a cash social benefit, has a significant impact on this year's expected growth of more than 5%. In connection with the reform of social benefits and the introduction of the single state social assistance benefit, the subsistence minimum amounts will be adjusted with deferred effect from October 2026, with an impact of CZK –0.6 billion this year and a further CZK –1.7 billion next year (Act No. 152/2025 Coll., effective date postponed by Government Regulation No. 57/2026 Coll.). In 2027–2029, the rate of increase in cash social benefits could stabilise at 3–4%.

Last year's trend in **subsidies** was driven by support for renewable energy sources and expenditure on transport services. At the same time, in response to rising wage costs, including an increase in the minimum wage, there was a rise in the maximum amount of the subsidy for supporting the employment of people with disabilities in the sheltered labour market, resulting in a corresponding increase in the burden on the state budget of CZK 1.4 billion (Government Regulation No. 471/2024 Coll.). Given the fact that this amendment did not take effect until April 2025, we anticipate an additional negative impact of CZK 1.2 billion in 2026. These factors outweighed the effect of savings in subsidies from the consolidation package and the year-on-year decline in payments for the accommodation of Ukrainian refugees last year, resulting in a 10.5% increase in subsidies. Following this year's expected growth of 3.6%, the rate of subsidies is forecast to stabilise at 2% until the end of the outlook horizon and, in relative terms, even to decline slightly to 1.8% of GDP.

The 4.9% increase in **current** and **capital transfers** in 2025 was driven by a CZK 7.7 billion rise in contributions to the EU budget, a payment of CZK 3 billion to the Czech Post Office Company, and programmes related to the 2024 floods. Conversely, the reduction in the maximum contribution to building savings reduced the burden on the state budget by CZK 2.1 billion (Act No. 349/2023 Coll.). Total transfers in relative terms are expected to gradually decline from last year's 2.5% of GDP to 2% of GDP in 2029.

The pace of **investment in fixed assets** accelerated significantly in 2025 to 16.9% (Graph 2.3.7), driven mainly by investment activity from local governments, although investment by central government institutions also grew at a double-digit rate. In terms of financing, there was significant involvement of funds from the Recovery and Resilience Facility; the increase in the volume of funds under the 2021–2027 programming period also had an impact, in line with the current phase of the cycle for cohesion funds. Investment from purely national sources then recorded 15.4% growth. This year, expenditure on investment in fixed assets will grow only slightly (by 2.2%), given the high base for comparison in 2025 and subdued investment activity in the first months of this year due to the provisional budget. Another factor contributing to weak growth will be the expected year-on-year decline in investments co-financed from EU funds, including the impact of the expiring National Recovery Plan. It is precisely the absence of this plan that is the reason for the expected 3.4% reduction in investment volume in 2027. For the remaining years of the outlook period, we anticipate average growth of 3.5%.

The deficit in government institutions' finances in 2025 was reflected in the level of debt and led to a further increase in **interest expenditure**. This grew by 3.9% last year, but remained at 1.3% of GDP in relative terms. For this year, we estimate that it will grow by almost 13% and reach 1.4% of GDP. Over the next two years, it is expected to rise further to 1.6% of GDP. According to the current forecast, it should remain at this level by the end of the outlook horizon (Graph 2.3.8).

### Table 2.3.1: General Government Expenditure

| | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | *Forecast* | *Forecast* | *Outlook* | *Outlook* |
| **Total expenditure** | *CZK bn* | **2 696** | **2 840** | **3 047** | **3 369** | **3 481** | **3 696** | **3 852** | **4 004** | **4 179** | **4 356** |
| | *change in %* | 13.4 | 5.4 | 7.3 | 10.6 | 3.3 | 6.2 | 4.2 | 3.9 | 4.4 | 4.2 |
| Compensation of employees | *CZK bn* | 633 | 676 | 690 | 739 | 776 | 832 | 900 | 970 | 1 028 | 1 084 |
| | *change in %* | 10.0 | 6.8 | 2.1 | 7.0 | 5.1 | 7.3 | 8.2 | 7.7 | 6.0 | 5.5 |
| Intermediate consumption | *CZK bn* | 346 | 354 | 394 | 430 | 470 | 493 | 504 | 535 | 559 | 581 |
| | *change in %* | 2.1 | 2.4 | 11.3 | 9.2 | 9.2 | 4.8 | 2.3 | 6.0 | 4.5 | 4.0 |
| Social benefits other than in kind | *CZK bn* | 821 | 859 | 937 | 1 037 | 1 084 | 1 102 | 1 158 | 1 196 | 1 232 | 1 280 |
| | *change in %* | 15.8 | 4.7 | 9.1 | 10.6 | 4.5 | 1.7 | 5.1 | 3.2 | 3.0 | 3.9 |
| Social transfers in kind | *CZK bn* | 205 | 219 | 226 | 258 | 284 | 298 | 304 | 318 | 331 | 345 |
| | *change in %* | 15.8 | 7.1 | 2.9 | 14.2 | 10.1 | 5.1 | 2.0 | 4.3 | 4.3 | 4.0 |
| Property income | *CZK bn* | 44 | 46 | 79 | 99 | 108 | 112 | 126 | 141 | 160 | 171 |
| | *change in %* | 7.9 | 4.8 | 72.4 | 25.5 | 8.8 | 3.9 | 12.9 | 11.3 | 13.9 | 6.9 |
| Subsidies | *CZK bn* | 173 | 200 | 151 | 207 | 156 | 172 | 178 | 182 | 185 | 189 |
| | *change in %* | 35.1 | 15.8 | -24.7 | 37.0 | -24.7 | 10.5 | 3.6 | 2.0 | 2.0 | 2.0 |
| Gross fixed capital formation | *CZK bn* | 277 | 287 | 320 | 370 | 379 | 443 | 453 | 437 | 453 | 468 |
| | *change in %* | 9.6 | 3.8 | 11.2 | 15.9 | 2.5 | 16.9 | 2.2 | -3.4 | 3.6 | 3.4 |
| Capital transfers | *CZK bn* | 68 | 56 | 51 | 40 | 39 | 35 | 32 | 31 | 31 | 31 |
| | *change in %* | 84.9 | -17.7 | -7.5 | -22.5 | -1.8 | -9.8 | -10.2 | -2.1 | -1.9 | 0.0 |
| Other expenditure | *CZK bn* | 130 | 142 | 199 | 190 | 185 | 207 | 196 | 195 | 200 | 207 |
| | *change in %* | 8.6 | 9.5 | 40.1 | -4.7 | -2.2 | 11.8 | -5.7 | 0.0 | 2.3 | 3.2 |

*Source: CZSO (2026b). Forecast and calculations by MF CR.*

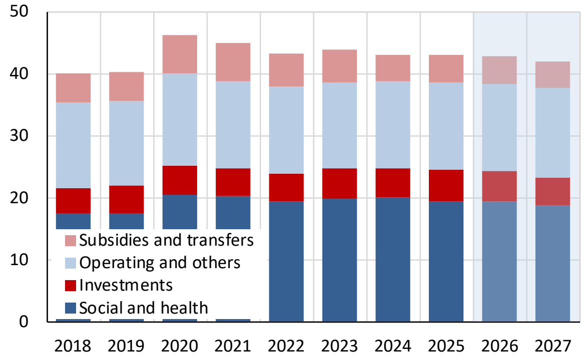
### Table 2.3.2: Discretionary Expenditure Measures

| | | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | *Forecast* | *Forecast* | *Outlook* | *Outlook* |
| **Total expenditure measures** | *CZK bn* | **-187.6** | **2.0** | **17.2** | **-69.7** | **120.8** | **-53.4** | **-18.2** | **-3.6** | **0.9** | **-0.0** |
| Social benefits | *CZK bn* | -49.4 | 19.7 | -31.0 | 7.7 | 11.0 | -7.3 | -7.2 | -4.0 | 1.0 | 0.1 |
| Compensation of employees* | *CZK bn* | -40.6 | -13.3 | 3.5 | -25.7 | -8.5 | -48.3 | -23.7 | - | - | - |
| Healthcare | *CZK bn* | -24.7 | 5.9 | 12.5 | -1.4 | -3.3 | - | - | - | - | - |
| Subsidies | *CZK bn* | -44.9 | -12.3 | 45.9 | -76.8 | 117.8 | 7.6 | -1.7 | -0.1 | -0.1 | -0.1 |
| Capital transfers | *CZK bn* | -27.4 | 8.8 | 4.0 | 13.3 | 0.3 | -3.7 | 4.3 | - | - | - |
| Other expenditure | *CZK bn* | -0.5 | -6.7 | -17.6 | 13.2 | 3.4 | -1.7 | 10.1 | 0.4 | -0.0 | -0.0 |

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

### Graph 2.3.1: Total Expenditure Structure

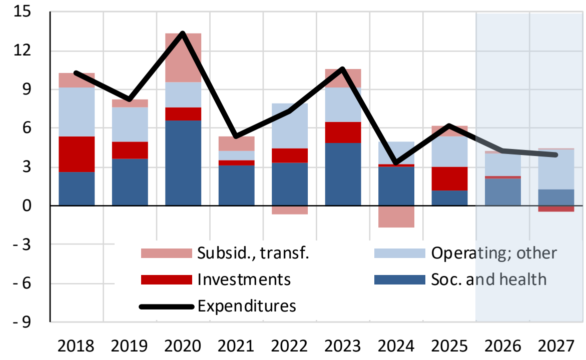
*% of GDP*




*Source: CZSO (2026a, 2026b). MF CR forecast.*

### Graph 2.3.2: Total Expenditure Development

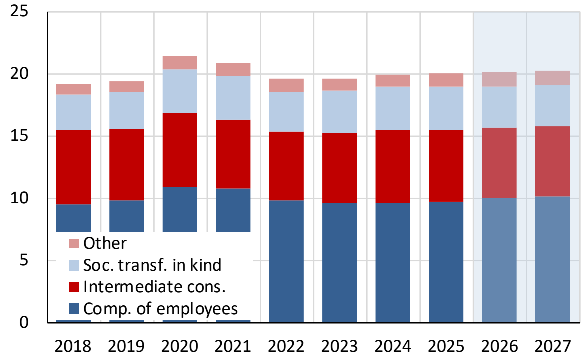
*change in %, contributions in pp*




*Source: CZSO (2026b). MF CR forecast.*

### Graph 2.3.3: Final Consumption Expenditure Structure

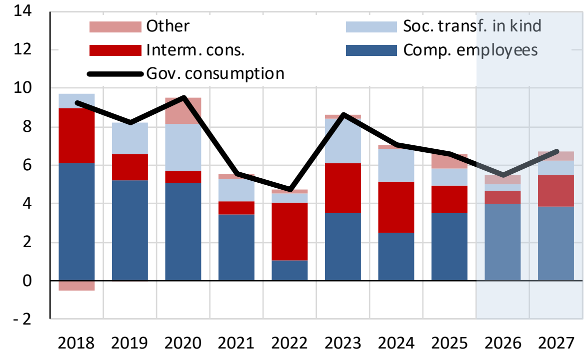
*% of GDP*




*Source: CZSO (2026b). MF CR forecast.*

### Graph 2.3.4: Final Consumption Expenditure Development

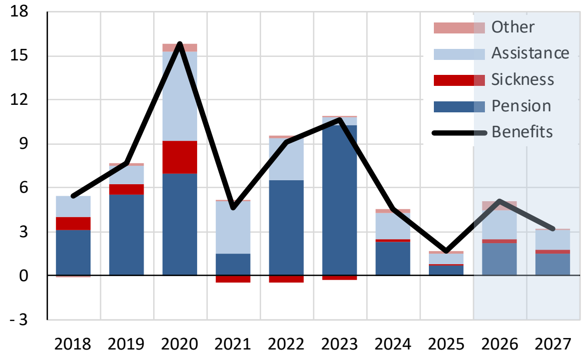
*change in %, contributions in pp*




*Source: CZSO (2026b). MF CR forecast.*

### Graph 2.3.5: Cash Social Benefits

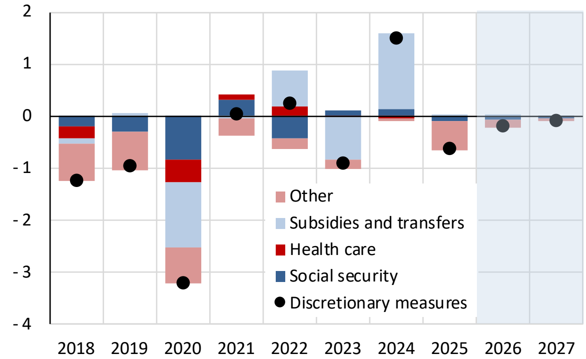
*change in %, contributions in pp*




*Source: CZSO (2026a, 2026b). MF CR forecast.*

### Graph 2.3.6: Discretionary Expenditure Measures

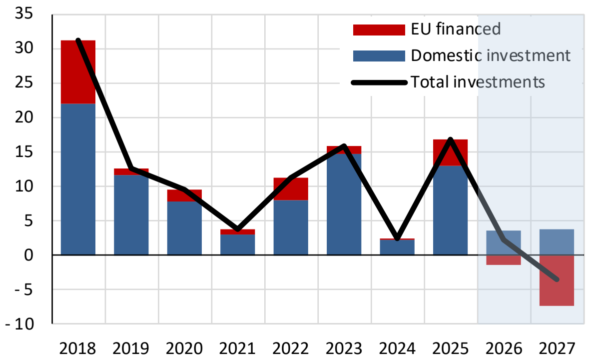
*% of GDP*




*Source: MF CR.*

### Graph 2.3.7: General Government Investment

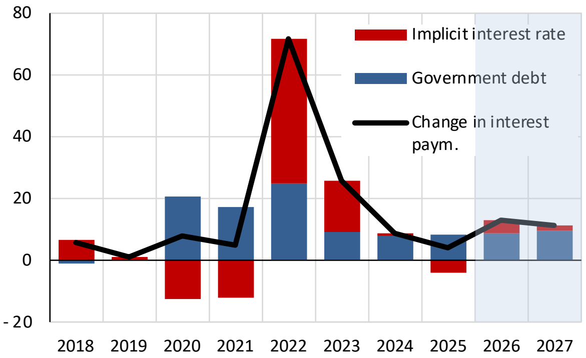
*change in %, contributions in pp*




*Source: CZSO (2026b). MF CR forecast.*

### Graph 2.3.8: Interest Expenditure

*change in %, contributions in pp*




*Source: CZSO (2026b). MF CR forecast.*

# References

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

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

Act No. 152/2025 Coll., amending certain acts in connection with the adoption of the Act on the State Social Assistance Benefit.

Act No. 164/2024 Coll., amending Act No. 108/2006 Coll., on Social Services, as amended.

Act No. 176/2025 Coll., amending certain acts in connection with the adoption of the Act on Housing Support.

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

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

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

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

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

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

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

Act No. 323/2025 Coll., on the Unified Monthly Employer Report.

Act No. 349/2023 Coll., amending certain acts in connection with the consolidation of public budgets.

Act No. 360/2025 Coll., amending certain acts in connection with the adoption of the Act on the Unified Monthly Employer Report.

Act No. 360/2025 Coll., amending certain acts in connection with the adoption of the Act on the Unified Monthly Employer Report.

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

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

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

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

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

Act No. 434/2024 Coll., on the State Budget of the Czech Republic for 2025.

Act No. 461/2024 Coll., amending Act No. 235/2004 Coll., on Value Added Tax, as amended, Act No. 329/2011 Coll., on the Provision of Benefits to Persons with Disabilities and on Amendments to Related Acts, as amended, and Act No. 358/2022 Coll., amending Act No. 329/2011 Coll., on the Provision of Benefits to Persons with Disabilities and on Amendments to Related Acts, as amended, and certain other acts.

Act No. 462/2023 Coll., amending certain acts in connection with the development of the financial market and support for old-age security.

Act No. 57/2025 Coll., amending Act No. 236/1995 Coll., on Salaries and Other Entitlements Associated with the Performance of Office of Representatives of State Power and Certain State Bodies and Judges and Members of the European Parliament, as amended, and certain other acts.

Act No. 80/2019 Coll., amending certain acts in the field of taxation and certain other acts.

Act No. 92/1991 Coll., on the Conditions of Transfer of State Property to Other Persons, as amended.

Chamber of Deputies Print No. 90/0 Government Draft of the Act Amending Certain Acts in the Field of Public Budgets

Chamber of Deputies Print No. 189/0, Government Draft of the Act on the Registration of Sales and Amending Certain Other Acts.

CNB (2026): ARAD Economic Data of CNB. Prague, Czech National Bank, 31 March 2026 [cit. 31. 3. 2026], <https://www.cnb.cz/arad/#/en/home>.

CZSO (2026a): Quarterly National Accounts. Prague, Czech Statistical Office, 1.4.2026 [cit. 5.5.2026], <https://www.czso.cz/csu/czso/hdp_ts>.

CZSO (2026b): General Government Sector, Government Deficit and Debt. Prague, Czech Statistical Office, 2.4. 2026 [cit. 5.5.2026], <http://apl.czso.cz/pll/rocenka/rocenka.indexnu_gov?mylang=EN>.

MF CR (2025a): Fiscal Outlook of the CR (November 2025). Prague, Ministry of Finance of the CR, November 2025, ISSN 1804-7998 (on-line). [cit. 5.5.2026], <https://www.mf.gov.cz/en/fiscal-policy/macroeconomic-analysis/fiscal-outlook/2024/fiscal-outlook-of-the-czech-republic-november-2024-57690>.

MF CR (2026a): Macroeconomic Forecast of the CR. Prague, Ministry of Finance of the CR, April 2026, ISSN 2533-5588 (on-line). [cit. 5.5.2026], <https://www.mf.gov.cz/assets/attachments/2026-04-18_Macroeconomic-Forecast-April-2026.pdf>.

MF CR (2026b): Performance of the State Budget of the Czech Republic for January to April 2026. Prague, Ministry of Finance of the CR, May 2026, [cit. 2.5.2026], <https://www.mf.gov.cz/cs/ministerstvo/media/tiskove-zpravy/2026/pokladni-plneni-sr-59675>. *In Czech only.*

MF CR (2026c): Cash Flow and Balance of Health Insurance Companies (monthly). Prague, Ministry of Finance of the CR, April 2026, [cit. 2.5.2026], <https://www.mf.gov.cz/cs/rozpoctova-politika/rozpoctove-ramce-statisticke-informace/fiskalni-udaje/fondy-socialniho-zabezpeceni/zdravotni-pojistovny/2025/hotovostni-toky-a-saldo-hospodareni-zp-mesicni-58984>. *In Czech only.*

MF CR (2026d): Budgetary Strategy of the Public Institutions sector of the CR for 2026 to 2028. Prague, Ministry of Finance of the CR, April 2026, ISSN 2570-575X (on-line). [cit. 5.5.2026], <https://www.mf.gov.cz/cs/rozpoctova-politika/statni-rozpocet/rozpoctova-strategie/2026/rozpoctova-strategie-sektoru-verejnych-instituci-c-59664>. *In Czech only.*

Regulation (EU) 2024/1263 of the European Parliament and of the Council of 29 April 2024 on the Effective Coordination of Economic Policies and on Multilateral Budgetary Surveillance and repealing Council Regulation (EC) No 1466/97.

Regulation No. 16/2026 Coll., of the Government of the Czech Republic, Amending Regulation No. 304/2014 Coll., on the Salary Conditions of Civil Servants, as Amended, and Regulation No. 341/2017 Coll., on the Salary Conditions of Employees in Public Services and Administration, as Amended.

Regulation No. 282/2024 Coll., of the Government of the Czech Republic, on the Amount of the General Assessment Base for 2023, the Conversion Coefficient for Adjusting the General Assessment Base for 2023, the Reduction Thresholds for Determining the Calculation Base for 2025, the Basic Pension Amount Set for 2025, the Amount of the Increase for a Raised Child for 2025, and on the Increase of Pensions in 2025.

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

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

Regulation No. 286/2023 Coll., of the Government of the Czech Republic, on the Amount of the General Assessment Base for 2022, the Conversion Coefficient for Adjusting the General Assessment Base for 2022, the Reduction Thresholds for Determining the Calculation Base for 2024, the Basic Pension Amount Set for 2024, the Amount of the Increase for a Raised Child for 2024, and on the Increase of Pensions in 2024.

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

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

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

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

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

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

Regulation No. 471/2024 Coll., of the Government of the Czech Republic, on the Maximum Amount of the Contribution for the Support of the Employment of Persons with Disabilities in the Sheltered Labour Market.

Regulation No. 471/2025 Coll., of the Government of the Czech Republic, Amending Regulation No. 341/2017 Coll., on the Salary Conditions of Employees in Public Services and Administration, as Amended.

Regulation No. 57/2026 Coll., of the Government of the Czech Republic, Amending Regulation No. 361/2025 Coll., on the Determination of the Amounts of the Subsistence Minimum and the Existential Minimum.

Resolution of the Government of the Czech Republic of 2 April 2026 No. 216, on the Issuance of a Measure of a General Nature of the Government of the Czech Republic on the Mass Remission of Excise Duty on Selected Mineral Oils and on the Imposition of Price Regulation of Maximum Margins in the Form of Maximum Daily Prices.

Resolution of the Government of the Czech Republic of 27 April 2026 No. 265, on the Issuance of a Measure of a General Nature of the Government of the Czech Republic on the Mass Remission of Excise Duty on Selected Mineral Oils and on the Issuance of a Price Decision in the Form of a Measure of a General Nature by the Minister of Finance on the Price Regulation of Maximum Daily Prices of Motor Fuels.

# A Glossary

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

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

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

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

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

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

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

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

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

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

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

**Net expenditure** refers to public expenditure net of interest expenditure, discretionary revenue measures, expenditure on EU programmes that are fully offset by revenue from EU funds, but also by the national share of their financing, and excludes the cyclical component of expenditure on unemployment benefits and one-off and other temporary measures.

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

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

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

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

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

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

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

http://www.mf.gov.cz

ISSN 3029-8490