Ministry of Finance
of the Czech Republic

Fiscal Outlook

of the Czech Republic

November 2026

macroeconomic development, fiscal policy objectives, development of public finance, public budgets, cash flows, general government, national accounts, international comparison, medium-term fiscal expenditure framework, long-term sustainability of public finance, fiscal projection, net lending, net borrowing, public debt, macroeconomic development, fiscal policy objectives, development of public public budgets, cash flows, general government, national accounts, international comparison, medium-term fiscal outlook, expenditure framework, long-term sustainability of public finance, fiscal project lending, net borrowing, public debt, macroeconomic development, fiscal policy objectives, development of public finance, public budgets, cash flows, general government, national accounts, inter comparison, medium-term fiscal outlook, expenditure framework, long-term sustainability of public finance, fiscal projection, net lending, net borrowing, public debt, macroeconomic development, fisc objectives, development of public finance, public budgets, cash flows, general government, national accounts, international comparison, medium-term fiscal outlook, expenditure framework, long-term susta of public finance, fiscal projection, net lending, net borrowing, public debt, macroeconomic development, fiscal policy objectives, development of public finance, public budgets, cash flows, general gove national accounts, international comparison, medium-term fiscal outlook, expenditure framework, long-term sustainability of public finance, fiscal projection, net lending, net borrowing, public debt, macroe development, fiscal policy objectives, development of public finance, public budgets, cash flows, general government, national accounts, international comparison, medium-term fiscal outlook, exp framework, long-term sustainability of public finance, fiscal projection, net lending, net borrowing, public debt, macroeconomic development, fiscal policy objectives, development of public finance, public cash flows, general government, national accounts, international comparison, medium-term fiscal outlook, expenditure framework, long-term sustainability of public finance, fiscal projection, net lend borrowing, public debt, macroeconomic development, fiscal policy objectives, development of public finance, public budgets, cash flows, general government, national accounts, international comparison, m term fiscal outlook, expenditure framework, long-term sustainability of public finance, fiscal projection, net lending, net borrowing, public debt, macroeconomic development, fiscal policy objectives, development of public finance

Fiscal Outlook of the Czech Republic
November 2026

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List of Abbreviations

CHF ..... Swiss franc
c. p. ..... current prices
CZK ..... Czech koruna currency code
CNY ..... Renminbi
EC ..... European Commission
ECB ..... European Central Bank
ESA 2010 ..... European System of National and Regional Accounts from year 2010
EU, EU27 ..... European Union (EU27 coverage)
EUR ..... euro currency code
FSP ..... Fiscal-structural plan
GDP ..... gross domestic product
IMF ..... International Monetary Fund
JPY ..... Japanese yen
MF CR ..... Ministry of Finance of the Czech Republic
p.a. ..... *per annum* (per year)
pp ..... percentage point
s. p. ..... constant prices (volumes)
SEK ..... Swedish krona
USD ..... United States dollar

Country codes

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

Symbols Used in Tables

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

Cut-off Date for Data Sources

Macroeconomic data used pertain to the 30 October 2026 release, fiscal data to the 1 November 2026 release, international comparison to the 21 October 2026 release and government bond yields to the 10 October 2026 release, respectively.

Note

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

Introduction and Summary

The Czech economy continues to operate in an environment of heightened geopolitical and economic uncertainty. Ongoing armed conflicts in Ukraine and the Middle East, fluctuating trade policies and the risk of further disruptions to international supply chains represent significant issues for the development of the global economy and external demand. In addition to these external factors, unfavourable demographic trends and growing pressures on public budgets remain a challenge, particularly in relation to ensuring the country's defence capabilities and the long-term sustainability of public finances.

The Czech Republic's fiscal policy framework is based on the reformed European economic governance framework, which is underpinned by Regulation (EU) 2024/1263 of the European Parliament and of the Council, Regulation (EU) 2024/1264 of the European Parliament and of the Council, and Council Directive (EU) 2024/1265 of 29 April 2024 amending Directive 2011/85/EU on requirements for budgetary frameworks of the Member States. Their requirements were transposed into Czech law by an amendment to Act No. 23/2017 Coll., on the Fiscal Responsibility Rules. At the same time, a new Fiscal-Structural Plan of the Czech Republic for the period 2027–2030 was drawn up during the year, defining the medium-term trajectory of fiscal policy through limits on the primary structural balance and the path of net expenditure. These parameters provide a basic guideline for the management of public finances and were also taken into account when drawing up the state budget. The current fiscal framework thus links the requirements of European rules with national fiscal rules and creates a framework for the management of public finances in the medium term. The Fiscal-Structural Plan anticipates fiscal easing in 2027, which takes into account current budgetary priorities as well as the structural framework. In the coming years, fiscal policy should gradually move towards consolidating public finances and improving the structural balance. This development should lead to the achievement of a primary structural surplus of 0.3% of GDP in 2030.

The macroeconomic forecast anticipates a continuation of the economic recovery, driven primarily by domestic demand, household consumption and investment activity. Real gross domestic product growth is expected to accelerate from 1.7% in 2026 to 2.5% in 2027. The favourable trend in economic activity is also expected to reflect in the labour market. The unemployment rate is projected to reach 3.0% in 2026 and fall to 2.8% the following year. The average inflation rate is expected to stand at 2.1% this year, whilst in 2027 it is expected to rise to 3.1%, mainly as a result of energy prices.

The general government sector is projected to post a deficit of 2.8% of GDP in 2026. This is expected to widen to 3.5% of GDP in 2027. This trend is in line with the scope provided by the Fiscal-Structural Plan, including the use of the escape clause for defence expenditure, which allows for an amount of CZK 70 billion to be taken into account in 2027. In subsequent years, we anticipate the general government deficit returning to below 3% of GDP. These deficits are linked to a further increase in the general government debt ratio, which is projected to reach 45.8% of GDP in 2026 and 47.4% of GDP in 2027. The rise in debt will be influenced, amongst other things, by the financing of the construction of new nuclear power stations through repayable financial assistance to Elektrárny Dukovany II. By international standards, however, the Czech Republic's debt remains significantly lower than in many other European Union countries.

The long-term sustainability of public finances is closely linked to developments in the pension system, which in the coming decades will be affected in particular by population ageing and changes in the ratio between the number of people of working age and pensioners. Chapter 4 presents updated projections for the pension system and assesses the expected long-term trends in its revenue, expenditure and balance. Pension expenditure is expected to start rising from the 2030s and peak just before 2060, when it will exceed 9.9% of GDP. The pension system's balance is also expected to deteriorate gradually as a result of demographic trends. From the current modest surpluses, the balance is expected to shift into deficit from the second half of the 2030s, reaching up to 1.8% of GDP around 2060. At the same time, the projections take into account the effects of the parametric changes adopted in the pension system, in particular the gradual increase in the retirement age and changes to the calculation of newly awarded pensions, which dampen the growth of future expenditure. The analysis also includes an assessment of the sensitivity of the projections to alternative demographic and macroeconomic assumptions, including developments in productivity, life expectancy, fertility and migration.

A thematic chapter is devoted to funding from the European Economic Area and Norwegian Funds and its utilisation in the Czech Republic. It presents the institutional framework and implementation of these funds, summarises the programme periods to date since the Czech Republic joined the support scheme, and outlines the current 2021–2028 period. Attention is also paid to trends in the allocation and drawdown of funds. The chapter thus offers a comprehensive overview of one of the instruments of financial cooperation with donor countries, which contributes to supporting development and the implementation of projects in selected areas of public life.

1 Macroeconomic Framework of the Fiscal Forecast

The macroeconomic framework underpinning the fiscal forecast assumes a gradual de-escalation of the conflict in the Middle East and a resumption of oil and natural gas supplies. However, persistent security risks and damage to infrastructure are expected to slow the recovery in supply. Energy commodity prices are projected to fall gradually but will remain sensitive to developments in the conflict. The scenario also assumes no significant escalation of the war in Ukraine and no substantial tightening of existing restrictions on international trade.

The Czech Republic's real **gross domestic product**, adjusted for seasonal and calendar effects, rose by 0.3% quarter-on-quarter and by 1.8% year-on-year in the second quarter of 2026. Year-on-year growth was driven exclusively by final domestic demand, particularly household consumption and gross fixed capital formation. Changes in inventories and net exports made negative contributions.

In 2026, GDP could rise by 1.7%, supported mainly by household consumption and fixed investment. However, economic momentum will be held back by higher energy prices, increased uncertainty and a drawdown in inventories. Exports will be supported by external demand, but their growth will be constrained by trade barriers and disruptions to supply chains. At the same time, continued growth in domestic demand will boost imports, so the contribution from net exports will remain negative. In 2027, economic growth could accelerate to 2.5%. Household consumption will maintain a similar pace to this year and the growth in government consumption will accelerate, whilst growth in fixed investment will slow. The acceleration in GDP will mainly reflect a return to positive contribution from changes in inventories and a smaller drag from net exports. In 2028 and 2029, the economy could grow by 2.5% and 2.4% respectively, with domestic demand remaining the main driver.

Real **household consumption** is forecast to grow by 2.8% in 2026 and by 2.7% in 2027, supported in both years by continued growth in real incomes. However, heightened economic uncertainty and volatile energy prices are likely to keep households cautious about spending. The household savings rate is therefore expected to remain close to last year's level in 2026 before edging down in 2027, while still remaining well above its long-term average. As real income growth moderates, household consumption growth is projected to slow to 2.4% in 2028 and 2.2% in 2029.

Gross fixed capital formation could rise by 5.4% in 2026. Investment will be supported by the implementation of previously postponed projects, housing construction, spending on transport equipment and public infrastructure investment. The completion of projects financed through the Recovery and Resilience Facility will also provide a substantial boost. Heightened uncertainty, higher energy costs and persistently restrictive financial conditions will weight on investment. Growth is expected to slow to 2.5% in 2027, mainly as funding from the Facility is phased out. Rising domestic and external demand and the need to renew and modernise production capacity will continue to support investment. Growth is projected to pick up to 3.0% in 2028 and 4.0% in 2029, supported in part by energy and infrastructure projects and the procurement of military equipment.

Changes in inventories are expected to subtract 1.1 pp from GDP growth in 2026. Supply disruptions and longer delivery times linked to the conflict in the Middle East may be prompting firms to draw down inventories. Stronger production and investment activity may also be increasing their use of existing stocks of materials. Changes in inventories are projected to add 0.3 pp to GDP growth in each of 2027 and 2028 as the pace of destocking slows. The contribution is expected to be broadly neutral in 2029.

Year-on-year **inflation** stood at 2.0% in the third quarter of 2026. Overall price dynamics were dampened mainly by lower food and household energy prices, while domestic price pressures persisted. Services prices continued to rise considerably faster than goods prices, reflecting higher labour and housing costs and sustained consumer demand. Average inflation is forecast to reach 2.1% in 2026. Lower food prices, a stronger koruna, restrictive monetary policy and the transfer of financing for supported energy sources to the state budget are holding inflation down. Rising fuel prices, strong nominal earnings growth and higher housing costs are pushing in the opposite direction. Average inflation is projected to rise to 3.1% in 2027, mainly as household energy prices increase and food prices resume rising. Earlier increases in wholesale electricity and gas prices will gradually feed through to household tariffs, while the downward effect of the financing transfer on year-on-year inflation will fade. Strong earnings growth and further increases in imputed rents will sustain domestic price pressures. The projected decline in oil prices and further appreciation of the koruna will temper those pressures. Average inflation is projected to ease to 2.4% in 2028 and 2.3% in 2029.

Mismatches between labour supply and employers' needs persist in the **labour market**. Labour shortages in several sectors and occupations coexist with rising unemployment. Employment on a national accounts basis is forecast to grow by 1.4% in 2026, driven mainly by the services sector. Employment growth is expected to slow to 0.3% in 2027, partly because of a decline in the working-age population. Higher labour force participation, supported by a gradual increase in the retirement age, will partly offset this decline. Employment is expected to remain broadly unchanged

in 2028 and 2029. The unemployment rate is projected to reach 3.0% in 2026 and fall to 2.8% in 2027 and stand at 2.5% in both 2028 and 2029. Persistent labour shortages will continue to support earnings growth, while weaker labour demand, particularly in industry, will moderate wage pressures. The total wage and salary bill is forecast to grow by 7.4% in 2026 and by 6.6% in 2027. With average earnings expected to grow at a similar pace in both years, the slowdown in the wage and salary bill will mainly reflect slower employment growth. Growth in the wage and salary bill is projected to ease to around 5% in 2028 and 2029.

The negative **output gap** narrowed markedly in 2025, but is expected to remain at roughly the same level on average in 2026. We expect it to close in 2028 as economic growth picks up. **Potential output** is expected to grow by around 1.7% in both 2026 and 2027. Labour input will make a sizeable contribution in 2026. In 2027, its contribution will diminish, while trend total factor productivity and the capital stock will contribute more. Over the longer term, potential growth will rely increasingly on productivity gains and capital accumulation, as the scope for expanding labour supply is limited.

On balance, the **risks** to the macroeconomic framework underpinning the fiscal forecast are tilted towards weaker economic growth and higher inflation. The main risk is a further escalation of the conflict in the Middle East or a slower recovery in the energy production and transport. If energy prices rise further or remain elevated for longer, business costs would increase, households' real incomes would fall, and consumption and investment would weaken. Low gas storage levels leave the European economy more exposed to supply disruptions and adverse weather. Conversely, a quicker resolution of the conflict and restoration of energy supplies would support growth and ease inflationary pressures. Other significant risks include a deterioration in European security, higher barriers to international trade and a sharper tightening of financial conditions, which could stem in part from adverse developments in global financial markets. The scale and timing of fiscal measures abroad also remain uncertain. In particular, faster implementation of German infrastructure and defence investment plans could support Czech exports. Investment will also depend on how EU climate and energy policy evolves and how predictable it will be.

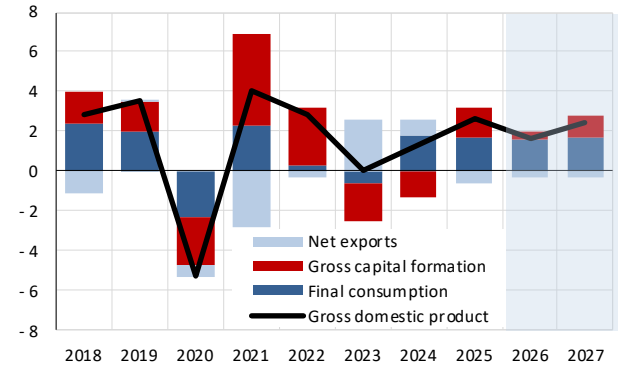
Table 1.1: Comparison of Fiscal Outlook and Spring Fiscal Forecast Scenarios

		Fiscal Outlook (November 2026)					Fiscal Forecast (May 2026)				
		2025	2026	2027	2028	2029	2025	2026	2027	2028	2029
External Assumptions											
Real GDP in EU	*change in %*	**1.5**	**1.3**	**1.6**	**1.6**	**1.6**	**1.6**	**1.1**	**1.6**	**1.9**	**2.0**
Prices of oil (Brent)	*USD/barrel*	**69.2**	**99.7**	**94.3**	**78.6**	**71.6**	69.2	90.8	79.0	75.5	73.7
Exchange rate USD/EUR	*USD/EUR*	**1.13**	**1.15**	**1.15**	**1.16**	**1.18**	1.13	1.16	1.17	1.19	1.20
Exchange rate CZK/EUR	*CZK/EUR*	**24.7**	**24.3**	**24.2**	**24.1**	**23.8**	24.7	24.3	24.1	23.8	23.5
Real Values											
GDP	*change in %*	**2.6**	**1.7**	**2.5**	**2.5**	**2.4**	**2.6**	**2.1**	**2.4**	**2.5**	**2.4**
Households consumption	*change in %*	2.7	2.8	2.7	2.4	2.2	3.0	3.0	2.6	2.4	2.2
Government consumption	*change in %*	2.2	1.6	2.3	2.1	2.0	2.1	1.7	2.3	2.1	2.0
Gross fixed capital formation	*change in %*	3.1	5.4	2.5	3.0	4.0	2.4	3.6	2.5	3.2	3.7
Contribution of final domestic demanc	*p.p.*	2.5	3.1	2.4	2.4	2.6	2.5	2.7	2.3	2.4	2.5
Contribution of foreign trade	*p.p.*	-0.6	-0.3	-0.3	-0.1	-0.1	-0.4	-0.7	0.1	0.2	-0.1
Output gap	*%*	**-0.5**	**-0.6**	**-0.1**	**0.4**	**0.4**	**-0.6**	**-0.4**	**-0.1**	**0.4**	**0.4**
Others											
Nominal GDP	*CZK bn*	**8573**	**8957**	**9527**	**10029**	**10541**	**8556**	**8988**	**9537**	**10044**	**10548**
Harmonised index of consumer prices	*change in %*	**2.3**	**1.8**	**3.0**	**2.4**	**2.3**	2.3	2.2	2.7	2.3	2.4
Employment	*change in %*	**1.3**	**1.4**	**0.3**	**-0.1**	**0.1**	1.1	0.2	-0.2	-0.1	0.1
Unemployment rate	*%*	**2.8**	**3.0**	**2.8**	**2.5**	**2.5**	2.8	2.9	2.7	2.5	2.5
Wages and salaries	*change in %*	**7.3**	**7.4**	**6.6**	**5.3**	**4.8**	7.9	6.8	6.0	5.2	4.7
General Government											
Revenue	*% of GDP*	**41.1**	**40.9**	**39.8**	**39.6**	**39.3**	**41.0**	**40.3**	**39.2**	**38.8**	**38.6**
Value-added tax	*change in %*	7.1	6.8	5.5	5.1	4.5	7.1	4.8	5.6	4.8	4.4
Excise taxes	*change in %*	0.1	0.3	4.9	0.0	-0.2	0.1	1.8	2.5	-0.2	-0.1
Personal income tax	*change in %*	8.3	9.2	5.9	7.0	6.0	7.5	6.1	5.4	7.0	6.0
Corporate income tax	*change in %*	4.2	-6.6	6.2	7.6	6.5	6.7	-8.4	8.5	7.2	6.4
Social security contributions	*change in %*	6.3	6.6	7.1	4.6	4.7	6.3	6.6	5.7	4.9	4.7
Expenditure	*% of GDP*	**43.3**	**43.7**	**43.4**	**42.6**	**42.3**	**43.2**	**42.9**	**42.0**	**41.6**	**41.3**
Compensation of employees	*change in %*	7.3	8.6	8.6	6.0	5.5	7.3	8.2	7.7	6.0	5.5
Intermediate consumption	*change in %*	5.3	3.0	6.0	4.5	4.0	4.8	2.3	6.0	4.5	4.0
Social transfers in kind	*change in %*	7.7	2.5	3.8	4.0	4.0	5.1	2.0	4.3	4.3	4.0
Social benefits other than in kind	*change in %*	1.7	5.4	4.6	2.5	3.8	1.7	5.1	3.2	3.0	3.9
Gross fixed capital formation	*change in %*	17.3	5.3	-4.0	2.8	2.6	16.9	2.2	-3.4	3.6	3.4
Balance	*% of GDP*	**-2.2**	**-2.8**	**-3.5**	**-3.0**	**-2.9**	**-2.1**	**-2.6**	**-2.8**	**-2.8**	**-2.7**
Structural balance	*% of GDP*	**-2.3**	**-2.6**	**-3.5**	**-3.1**	**-3.1**	**-2.2**	**-2.4**	**-2.8**	**-2.9**	**-2.9**
Debt	*% of GDP*	**44.2**	**45.8**	**47.4**	**49.1**	**49.7**	**44.3**	**45.6**	**47.0**	**48.6**	**50.2**

Source: MF CR (2026a, 2026b).

Graph 1.1: Real GDP

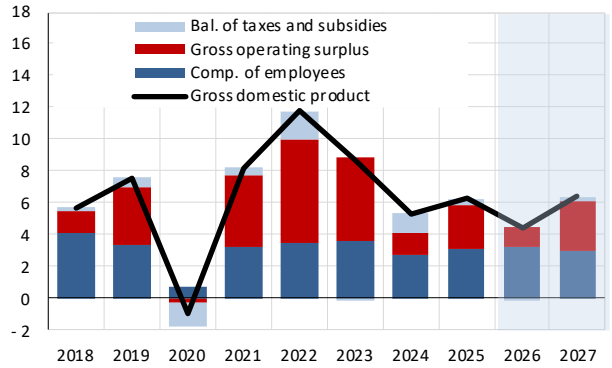
real GDP change in %, contributions in pp



Source: MF CR (2026b).

Graph 1.2: Nominal GDP – Income Approach

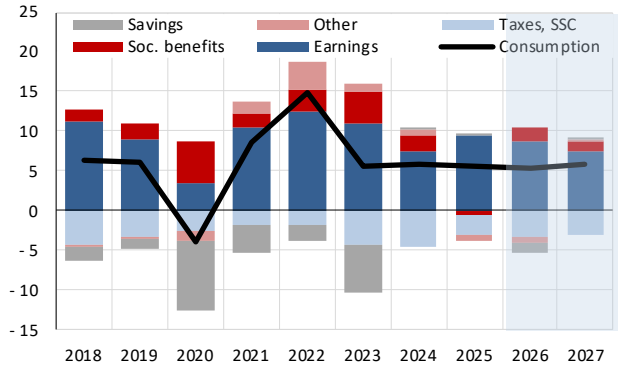
nominal GDP change in %, contributions in pp



Source: MF CR (2026b).

Graph 1.3: Nominal Households Consumption

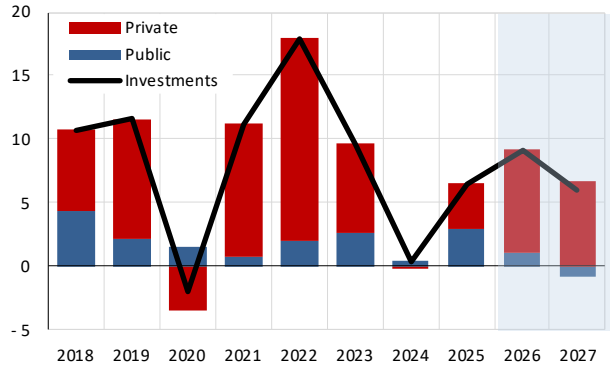
change of nominal households consumption in %, contributions in pp



Source: MF CR (2026b).

Graph 1.4: Nominal Investments

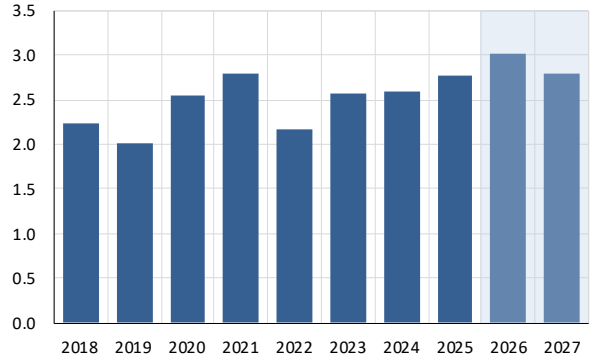
change of nominal investments in %, contributions in pp



Source: MF CR (2026b).

Graph 1.5: Unemployment Rate

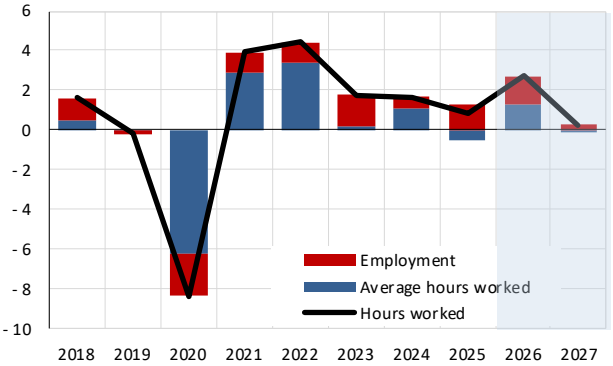
% of labour force, Labour Force Survey methodology



Source: MF CR (2026b).

Graph 1.6: Hours Worked

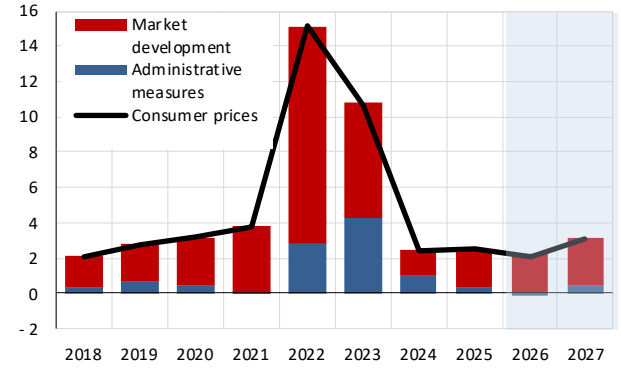
change in %, contributions in pp, National Accounts methodology



Source: MF CR (2026b).

Graph 1.7: Consumer Prices

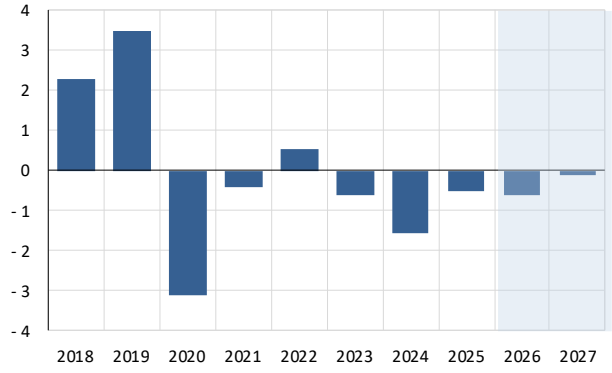
average rate of consumer price inflation in %, contributions in pp



Source: MF CR (2026b).

Graph 1.8: Output Gap

% of potential product



Source: MF CR (2026b).

2 General Government Development

The Czech Republic's fiscal framework is based on the new version of the Stability and Growth Pact and on the Act on Fiscal Responsibility Rules. The targets for 2027 have already been set out in the new Fiscal-Structural Plan, which was approved by the Government on 22 June 2026. At EU level, it was formally endorsed by the Council of the EU on 9 October 2026.

A comparison of the Czech Republic's Fiscal-Structural Plan for the period 2025–2028 with its update for the period 2027–2030 shows a shift in the medium-term fiscal policy framework. Whilst the original plan envisaged achieving a primary structural surplus of 0.4% of GDP as early as 2028, the updated plan sets the target of achieving a surplus of 0.3% of GDP for 2030. This later achievement of the target is linked to the updated fiscal policy trajectory and to greater scope for implementing government priorities during the planning period. A key factor improving the long-term outlook for public finances is the pension reform that has been adopted, which, through a gradual increase in the retirement age and changes to the calculation of newly awarded pensions, curbs the expected growth in expenditure associated with the ageing population. This is then directly reflected in the trajectory of net expenditure. Conversely, the gradual increase in debt servicing costs, which is higher than anticipated in the previous plan, has the opposite effect.

In terms of the assessment of fiscal rules in 2025, the national criterion for the structural balance was formally met (CFC, 2026). However, net expenditure growth reached an estimated 4.8%; whilst this was slightly higher than the specified net expenditure path, the rule was met cumulatively with the year 2024. The favourable outcome for 2025 should therefore be viewed in the context of the previous consolidation of public finances. Whilst in 2024 the measures in the consolidation package had a significant impact on improving the fiscal position, their additional consolidation effect gradually petered out in the subsequent period.

The Fiscal Outlook's forecast assumes that the general government deficit will remain just below the 3% of GDP threshold over the forecast horizon. However, during the forecast period, it will be necessary to adopt consolidation measures to ensure compliance with the fiscal rules set out in the Fiscal-Structural Plan for 2027–2030. However, this was also the case under the previous plan.

The state budget remains the main source of the deficit, as it carries out the decisive part of the stabilisation and redistribution functions of economic policy. Other components of central government institutions are largely in balance or show slight surpluses. The state budget deficit should be partially offset by surpluses of local governments, which, following periods of surpluses of around 0.7% of GDP, now stand at around 0.3% of GDP. This decline reflects increased investment activity in 2025 and 2026. We expect surpluses to remain at this level throughout the forecast and outlook period.

Social security funds have operated at a deficit for the most part in recent years (with the exception of 2022). We expect their financial performance to be similar this year. The draft state budget provides for a significant increase in funding for public health insurance with the aim of ensuring that health insurance companies break even. Over the coming years, we expect them to remain broadly in balance.

Table 2.1: Fiscal Policy Stance

in % of GDP, fiscal effort in pp

	2020	2021	2022	2023	2024	2025	2026 Forecast	2027 Forecast	2028 Outlook	2029 Outlook
General government balance	**-5.6**	**-5.0**	**-3.0**	**-3.7**	**-2.0**	**-2.2**	**-2.8**	**-3.5**	**-3.0**	**-2.9**
Cyclical component according to OECD method	-1.1	-0.1	0.2	-0.2	-0.5	-0.2	-0.2	0.0	0.1	0.2
One-off and other temporary measures	-2.2	-1.5	-0.9	-0.9	0.3	0.3	-0.1	0.0	0.0	0.0
Structural balance according to OECD method	-2.3	-3.3	-2.3	-2.6	-1.8	-2.3	-2.6	-3.5	-3.1	-3.1
Fiscal effort according to OECD method	**-1.4**	**-1.0**	**1.0**	**-0.3**	**0.9**	**-0.5**	**-0.3**	**-0.9**	**0.4**	**0.1**
Cyclical component according to ECB method	-0.4	0.2	-0.4	-0.6	-0.6	-1.3	0.3	0.5	0.5	0.5
Structural balance according to ECB method	-3.1	-3.6	-1.8	-2.2	-1.7	-1.2	-3.0	-4.0	-3.5	-3.4
Fiscal effort according to ECB method	**-1.4**	**-0.6**	**1.9**	**-0.5**	**0.5**	**0.5**	**-1.9**	**-1.0**	**0.5**	**0.1**

Note: The method of Organisation of Economic Co-operation and Development calculates the cyclical component directly from output gap, whereas the European Central Bank models the cyclical development of specific macroeconomic bases (compensation of employees in the private sector, wages in the private sector, net operating surplus, consumption of households and unemployment). These bases have different cyclical behaviour than the GDP.
Source: CZSO (2026a, 2026b). Forecast and calculations by MF CR.

2.1 Balance, Structural Balance and Expenditure Frameworks

In 2025, the general government sector ended with a deficit of 2.2% of GDP, whilst the structural deficit was practically the same. Although the fiscal rule for that year – as required by the previous version of the Act on Fiscal Responsibility Rules – was met, diverging trends between revenue and expenditure were already becoming apparent. This became fully apparent during the drafting of the 2026 state budget, where the original draft failed to account for expenditure, particularly in the transport sector, or overestimated additional revenue from discretionary measures relating to illegal employment.

Following the new government's accession to office, the draft state budget for 2026 was revised, with both its revenue and expenditure figures brought into line with reality. Furthermore, certain new measures were incorporated, such as the state assuming payments for subsidised energy sources previously paid by households and businesses, and a reduction in social security contributions for the self-employed. Taken together, this led to an increase in the proposed state budget deficit to CZK 310 billion.

This year's fiscal forecast is based on data from the quarterly national accounts for the first and second quarters, as well as on the performance to date of key components of the public budgets in terms of cash receipts and expenditure. The state budget's cash balance for the first 10 months of the year ended with a deficit of CZK 230.9 billion. The year-on-year deterioration in the balance by CZK 47.9 billion was influenced both by current expenditure (notably the rise in social benefits and non-investment transfers to public health insurance) and by capital expenditure, which was nearly CZK 26 billion higher. After adjusting for revenue and expenditure on EU projects and financial mechanisms, the deficit stood at CZK 243.4 billion (MF CR, 2026c). The financial performance of state funds (excluding funds disbursed through the Modernisation Fund) showed a surplus of CZK 4 billion at the end of September, representing an improvement of CZK 3.1 billion year-on-year. The surplus in municipal budgets at the end of September stood at CZK 43.1 billion, which is CZK 27.5 billion less than for the same period last year. Health insurance companies ended the same period with a surplus of CZK 1.6 billion, representing a year-on-year improvement of CZK 4.6 billion (MF CR, 2026d).

Based on these data, we forecast a deficit of 2.8% of GDP for 2026. Given the slightly negative output gap, the structural deficit could reach 2.6% of GDP.

The framework for budgetary and fiscal policy is based on Regulation (EU) 2024/1263 of the European Parliament and of the Council, as well as on the amendment to Act No. 23/2017 Coll., on the Fiscal Responsibility Rules, which transposed the new European fiscal framework. The expenditure ceilings for the state budget and state funds are now derived from the primary structural balance as set out in the Fiscal-Structural Plan.

In the coming years, we expect the general government deficit to temporarily exceed 3% of GDP, specifically 3.5% of GDP in 2027; in subsequent years, the deficit should then fall back below the 3% of GDP threshold. The outlook for 2028 and 2029 is determined primarily by macroeconomic developments; the impact of discretionary measures known to date is rather negligible. The overall balance in 2028 will also be affected by the application of the escape clause to the funding of the country's defence capabilities. However, further consolidation will be necessary in the coming years to comply with the limits set out in the Act on Fiscal Responsibility Rules.

The projected public finance deficits will once again be determined by the state budget. The Government has approved the draft state budget for 2027 with a deficit of CZK 386 billion (Chamber of Deputies Print No. 324). Capital expenditure in the draft is adversely affected by developments in European funding. National investment expenditure, meanwhile, is growing by approximately 27% year-on-year. Defence expenditure in the draft state budget amounts to 2% of GDP, in accordance with Section 1(1) of Act No. 177/2023 Coll., on the financing of defence. Other significant areas where expenditure is increasing include healthcare and adjustments to the pay scales of public sector employees.

The State budget and State funds are drawn up on a cash basis. To assess compliance with the limits laid down by law, it is therefore necessary to restate the amounts using the accrual-based methodology of ESA 2010. This involves allocating cash flows to the period to which they relate in substance and time, regardless of the actual movement of cash, and adjusting expenditure to exclude loans granted, etc. The balance is also adjusted for the cyclical component and one-off or other temporary measures so that it is expressed in structural terms. The final draft then reflects the application of the defence escape clause amounting to CZK 70 billion for 2027. From this perspective, the aforementioned deficits comply with the statutory maximum limits. However, the deficits in the medium-term outlook strictly reflect the provisions of the law, rather than the current configuration of the revenue and expenditure sides of the state budget.

We can also use the year-on-year change in the structural balance and other items to estimate **the fiscal impulse**. This quantifies the impact of fiscal policy on the real economy. In 2026, fiscal policy will be characterised by a mildly supportive effect on the economy. On the expenditure side, growth in consumption and

investment linked to the closure of the National Recovery Plan will contribute to a positive fiscal impulse. For next year, we forecast that the fiscal impulse will be slightly positive. On the one hand, it is likely to be affected by slower revenue growth relative to GDP, whilst on the other hand, it will be influenced by trends in European funding for investment and consumption, as well as pension indexation.

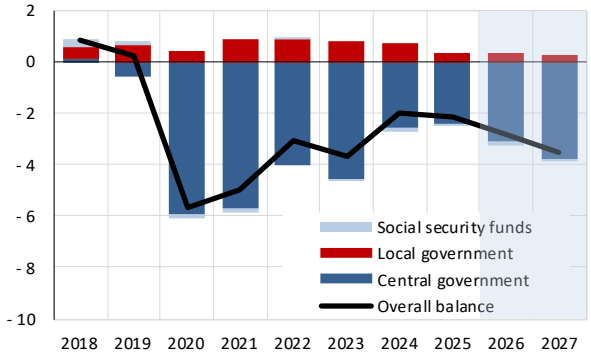
Table 2.1.1: General Government Development

		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**	**41.1**	**40.9**	**39.8**	**39.6**	**39.3**
	change in %	-1.2	6.8	12.1	8.9	7.6	6.2	3.8	3.7	4.6	4.5
Total expenditure	*% of GDP*	**46.3**	**45.0**	**43.2**	**44.0**	**43.1**	**43.3**	**43.7**	**43.4**	**42.6**	**42.3**
	change in %	13.4	5.4	7.3	10.6	3.3	6.6	5.5	5.6	3.3	4.3
General government balance	*% of GDP*	**-5.6**	**-5.0**	**-3.0**	**-3.7**	**-2.0**	**-2.2**	**-2.8**	**-3.5**	**-3.0**	**-2.9**
Central government	*% of GDP*	-5.9	-5.7	-4.0	-4.5	-2.6	-2.4	-3.1	-3.8	-3.3	-3.2
Local governments	*% of GDP*	0.5	0.9	0.9	0.8	0.8	0.3	0.4	0.3	0.3	0.3
Social security funds	*% of GDP*	-0.2	-0.1	0.0	0.0	-0.2	-0.1	-0.1	0.0	0.0	0.0

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

Graph 2.1.1: General Government Balance

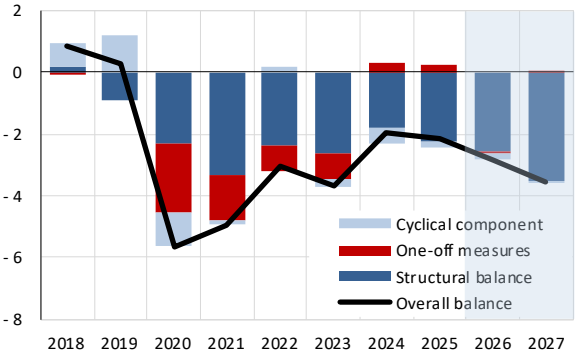
% of GDP



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

Graph 2.1.2: Overall and Structural Balance

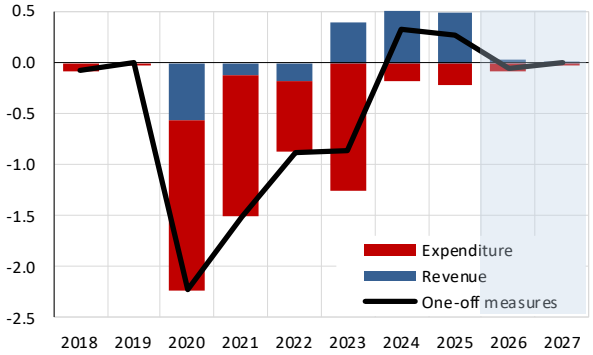
% of GDP



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

Graph 2.1.3: One-off and Temporary Measures

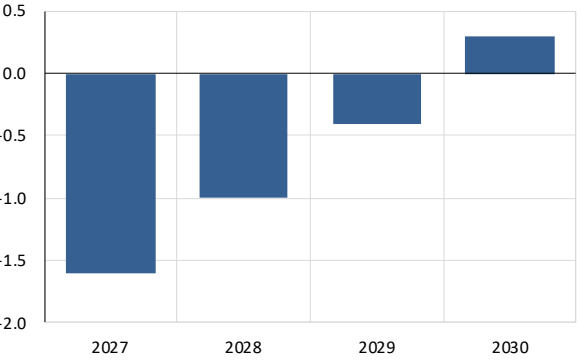
% of GDP



Source: MF CR.

Graph 2.1.4: Structural Primary Balance Limits (FSP)

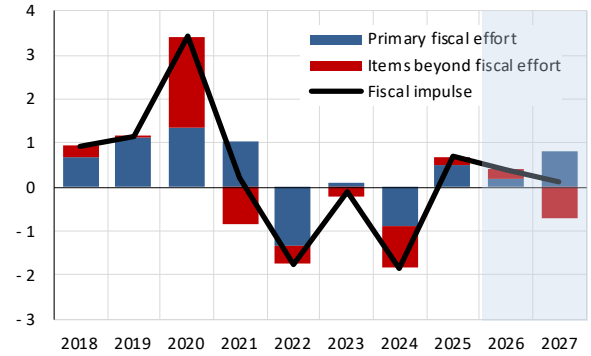
% of GDP



Source: MF CR.

Graph 2.1.5: Fiscal Effort and Fiscal Impulse

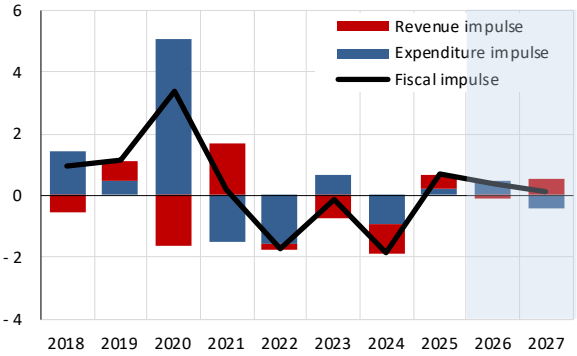
in pp, fiscal effort with opposite sign



Source: MF CR.

Graph 2.1.6: Overall Fiscal Impulse

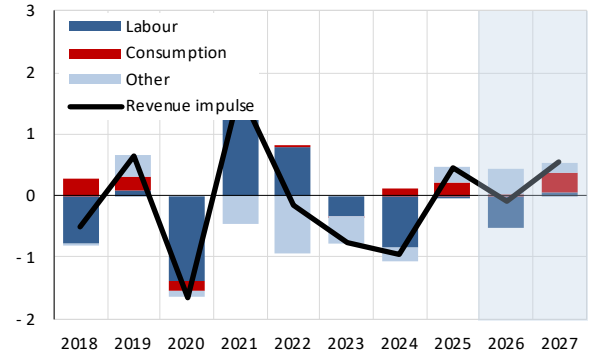
in pp



Source: MF CR.

Graph 2.1.7: Revenue Fiscal Impulse

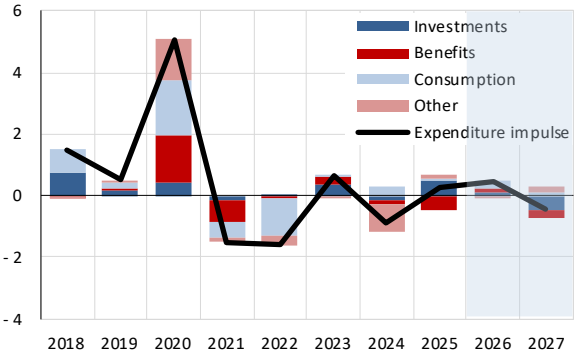
in pp



Source: MF CR.

Graph 2.1.8: Expenditure Fiscal Impulse

in pp



Source: MF CR.

2.2 General Government Revenue

Total revenue of the general government sector is expected to rise by 3.8% in 2026, reaching 40.9% of GDP. Tax revenues and social security contributions will grow only marginally more slowly and, combined with the expected rate of nominal GDP growth, this is likely to result in a decline in the tax-to-GDP ratio to 34.8% of GDP. For next year, we expect total revenue to grow at a similar rate to this year, followed by average annual growth of 4.5% over the outlook period. This will lead to a gradual decline in the revenue-to-GDP ratio to around 39% in 2029. Alongside this, the tax ratio is also expected to decline slightly further to 34.4% of GDP by the end of the forecast horizon.

Personal income tax revenue, driven by growth in wages and salaries, is estimated to rise by 9.2% this year. Among discretionary measures, we expect a positive effect from the introduction of a single monthly employer 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.), lead to more efficient collection of taxes and social security contributions, improved information sharing between ministries, and the combating of illegal employment, with an estimated impact of CZK 1 billion. In the area of housing support, from 2026 the option to deduct interest on loans for taxpayers who are members of a housing cooperative will be introduced, with an impact of CZK −0.3 billion (Act No. 176/2025 Coll.). However, this effect should be almost entirely offset by the abolition of the tax exemption for corporate apartments (Act No. 349/2023 Coll.). Between 2027 and 2029, we expect personal income tax revenue to grow by an average of more than 6% per annum. From 2027, the electronic registration of sales is expected to contribute an estimated CZK 2.5 billion to public budgets from this tax (Act No. 180/2026 Coll.). At the same time, however, a number of measures have been approved, such as a one-off tax relief in connection with the introduction of the electronic sales register, the partial removal of the cap on non-monetary employee benefits and the expansion of the list of such benefits for the purposes of personal income tax exemption, and the reinstatement of the tax credit per student and the so-called nursery fee tax credit, with a total impact of CZK −4.2 billion in 2027. Apart from the first measure mentioned, these measures will also have a negative impact in subsequent years.

Social security contributions are also linked to earnings in the economy. According to current forecasts, these will rise by 6.6% this year and accelerate further to over 7% next year. In subsequent years, their growth rate will then slow to an average of 4.7%. As with personal income tax, we expect the abolition of the tax exemption for corporate apartments (CZK 0.6 billion), the introduction of a standardised monthly employer's return and new amendments to the Employment Act (CZK 2.9 billion) to have a positive impact from this year onwards. The introduction of electronic registration of sales is expected to generate over CZK 2 billion in social security contributions from 2027 onwards, although this revenue will be slightly offset by accompanying changes to employee benefits. The growth in health insurance contributions is also determined by the payment for state-insured persons. This year, we expect this to increase by approximately CZK 7 billion; next year, an exceptional increase in this payment should bring a further CZK 15–16 billion into the public health insurance system (Chamber of Deputies Print No. 235). At the same time, the automatic indexation of the state's payment for state-insured persons is being suspended for the years 2027–2028.

This year's **corporate income tax** revenue is expected to show a decline of 6.6%, primarily due to the expiry of the windfall tax (Act No. 366/2022 Coll.). This will also be exacerbated by the continued exemption of income from government bonds, which will reduce tax revenue this year by a further CZK 1.2 billion (Act No. 609/2020 Coll.). The increase in the deduction for research and development expenditure and the raising of the threshold for the one-off write-off of receivables are expected to result in a shortfall in revenue of around CZK 1 billion from 2026 (Act No. 360/2025 Coll.). Conversely, the top-up tax, which ensures 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.). The introduction of temporary taxation of extraordinary profits made by refining companies, realised as a result of the current geopolitical crisis and disruption to the global market for crude oil and petroleum products, will bring an estimated CZK 5.5 billion in accruals this year, and may generate further revenue in the following year depending on how the situation develops (Chamber of Deputies Print No. 311). From next year, corporate income tax revenue is also expected to 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 6.2%, which is forecast to accelerate to an average of more than 7% over the forecast period.

Growth in household consumption, driven by higher real earnings, is driving **value-added tax** revenue, which is expected to rise by 6.8% this year. The introduction of electronic registration of sales will make a positive contribution to the forecast growth rate of 5.5% in 2027, with an estimated impact of CZK 6.5 billion, increased by a further CZK 1.2 billion from 2028 onwards. At the same time, however, a reduction in the tax rate on non-alcoholic beverages supplied as part of catering services to 12% and the abolition of restrictions on input tax deductions for selected passenger cars have been approved, with a total negative impact exceeding CZK 1

billion from 2027 (Act No. 180/2026 Coll.). By contrast, the reclassification of kratom from the reduced to the standard tax rate (Chamber of Deputies Print No. 321) will result in a slightly positive effect in the region of several hundred million CZK from next year. Changes to the application of tax deduction claims by public service broadcasters are expected to bring an estimated CZK 0.5 billion into public budgets from 2028 (Act No. 80/2019 Coll., with the effective date postponed by Act No. 461/2024 Coll.). For the forecast 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, is expected to show only a very modest increase of 0.3% this year, driven by duty on tobacco and related products, as well as duty on alcohol. The year-on-year growth for these commodities reflects, in particular, a multi-year plan for the gradual increase in tax rates (Act No. 349/2023 Coll.). These 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 repeated reductions (or partial waivers) of excise duty on diesel adopted by the Government during the course of this year to mitigate the rise in fuel prices, with a total impact of just under CZK –6 billion (Government Resolutions No. 216/2026, No. 265/2026, No. 318/2026, No. 419/2026, No. 612/2026 and No. 689/2026). Conversely, the 2026 tax base reduced in this way increases the expected growth rate of mineral oil duty in 2027, which, together with the aforementioned higher taxation of tobacco and related products, is expected to be the determining factor for an excise duty growth rate of almost 5% next year. A new excise duty on kratom will also come into effect in 2027, with an estimated impact of around CZK 0.5 billion, and a further approximately CZK 0.5 billion from 2028. Over the forecast period, excise duty revenue is expected to remain virtually unchanged, influenced in particular by the conclusion of the four-year plan to increase excise duty rates on tobacco and related products.

The amendment to the Gambling Act (Act No. 349/2023 Coll.) has, amongst other things, expanded the group of persons entered into the register of excluded persons to include those against whom enforcement proceedings are being conducted, which is expected to result in a shortfall in **gambling tax** revenue of just under CZK 3 billion in 2027, increasing by an average of approximately an additional CZK 2 billion each year over the forecast period. The increase in **licence fees** and the expansion of the range of fee payers, effective from May 2025, will bring an estimated additional CZK 0.4 billion into public budgets this year (Act No. 119/2025 Coll.). Conversely, their proposed abolition, approved at first reading by the Chamber of Deputies, represents a fall in accrual revenue of CZK 9 billion (Chamber of Deputies Print No. 231). However, this is not expected to come into effect until the second half of 2027 at the earliest, with a corresponding proportional impact. A shortfall in accrued revenue of around CZK 17 billion from 2026 onwards is linked to the waiver of the **levy on supported energy sources** for households and businesses (Government Resolution No. 1022/2025).

The trend in income **transfers** largely reflects the progress made in implementing projects co-financed from the EU budget under the 2021–2027 programming period. Funds from the Recovery and Resilience Facility also play a significant role, with drawdown of these funds set to end this year. This is also the reason for the predicted double-digit year-on-year decline in both current and capital transfers in 2027. Slightly lower **dividend** income from state-owned companies in 2026 could show a more significant increase next year. In 2028, we expect this income to fall again, before stabilising towards the end of the outlook horizon. Increases in **toll** rates, as well as the indexation of **motorway charges**, are estimated to bring in more than CZK 1 billion to public budgets in 2026 (Act No. 349/2023 Coll., Government Regulation No. 40/2024 Coll., No. 299/2024 Coll. and No. 327/2025 Coll.). An amendment to the Road Traffic Act is currently going through the legislative process, which will abolish the automatic indexation of motorway vignette prices from 1 January 2027 (Senate Print No. 294).

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**	**2833**	**3086**	**3322**	**3527**	**3661**	**3797**	**3971**	**4148**
	change in %	-1.2	6.8	12.1	8.9	7.6	6.2	3.8	3.7	4.6	4.5
Tax revenue	*CZK bn*	**1137**	**1174**	**1322**	**1441**	**1566**	**1651**	**1672**	**1750**	**1841**	**1933**
	change in %	-3.5	3.2	12.6	9.0	8.7	5.5	1.3	4.6	5.2	5.0
Taxes on production and imports	*CZK bn*	651	705	783	829	880	924	939	975	1017	1058
	change in %	-5.3	8.2	11.1	5.8	6.2	5.0	1.6	3.8	4.3	4.0
Value added tax	*CZK bn*	422	464	537	573	587	629	672	709	745	779
	change in %	-3.0	9.7	15.8	6.7	2.5	7.1	6.8	5.5	5.1	4.5
Excise taxes	*CZK bn*	157	162	159	158	175	175	175	184	184	184
	change in %	-6.4	2.6	-1.8	-0.3	10.3	0.1	0.3	4.9	0.0	-0.2
Current taxes	*CZK bn*	485	469	538	612	685	727	733	774	824	875
	change in %	-1.0	-3.5	14.9	13.7	12.0	6.0	0.9	5.6	6.4	6.2
Personal income tax	*CZK bn*	298	228	243	279	313	339	370	391	418	443
	change in %	3.6	-23.4	6.7	14.8	11.9	8.3	9.2	5.9	7.0	6.0
Corporate income tax	*CZK bn*	177	229	284	321	359	374	349	371	399	425
	change in %	-8.1	29.7	23.8	13.1	11.9	4.2	-6.6	6.2	7.6	6.5
Social contributions	*CZK bn*	**909**	**1 013**	**1 087**	**1 173**	**1 274**	**1 354**	**1 444**	**1 546**	**1 618**	**1 693**
	change in %	1.6	11.4	7.3	7.9	8.7	6.3	6.6	7.1	4.6	4.7
Property income	*CZK bn*	**34**	**36**	**76**	**96**	**85**	**80**	**86**	**89**	**87**	**87**
	change in %	5.6	5.0	112.8	26.1	-11.4	-6.1	7.5	3.3	-2.5	1.0
Other	*CZK bn*	**286**	**305**	**349**	**377**	**397**	**441**	**459**	**412**	**425**	**434**
	change in %	-0.7	6.6	14.3	8.2	5.2	11.2	4.0	-10.2	3.1	2.1
Revenues from the EU	*CZK bn*	65	67	78	85	83	106	109	52	55	55
	change in %	2.2	3.2	16.2	9.3	-3.1	28.8	2.4	-52.3	4.8	0.0
Tax burden	*% of GDP*	**35.1**	**34.7**	**34.2**	**34.1**	**35.2**	**35.1**	**34.8**	**34.6**	**34.5**	**34.4**

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

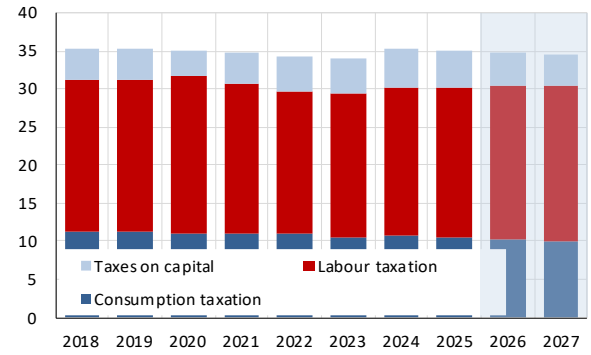
Table 2.2.2: Discretionary Revenue Measures

		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**	**72.4**	**15.0**	**-46.5**	**7.6**	**-6.2**	**-1.3**
Labour taxation	*CZK bn*	-30.2	-69.1	-10.1	3.5	25.6	8.0	7.0	1.2	1.6	0.1
Taxes on capital	*CZK bn*	-13.7	-2.4	-12.7	53.3	22.7	-1.5	-35.5	-2.9	-1.2	0.2
Consumption taxation	*CZK bn*	6.8	-12.0	-1.4	-10.2	21.0	6.7	-19.1	9.3	-6.6	-1.7
Other revenue	*CZK bn*	-2.3	2.3	-0.1	-0.2	3.1	1.8	1.1	-	-	-

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

Graph 2.2.1: Tax Revenue Structure

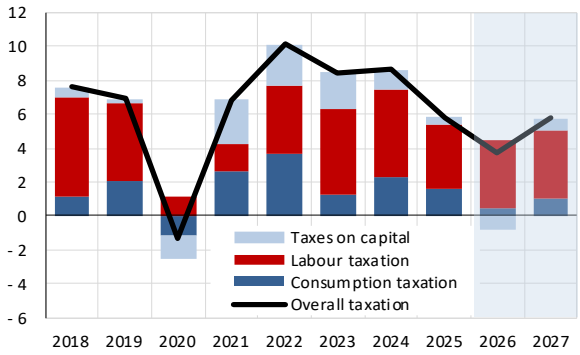
% of GDP



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

Graph 2.2.2: Tax Revenue Development

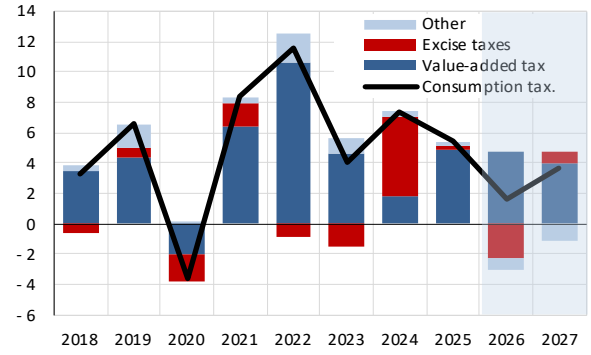
change in %, contributions in pp



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

Graph 2.2.3: Taxation of Consumption

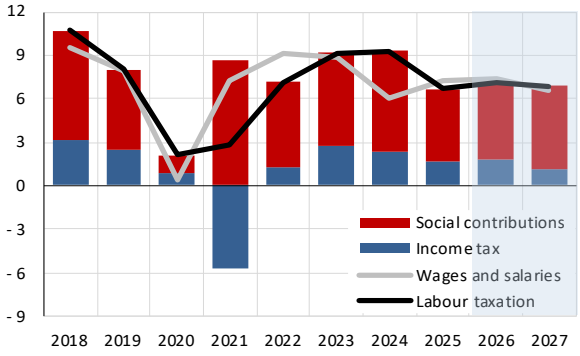
change in %, contributions in pp



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

Graph 2.2.4: Taxation of Labour

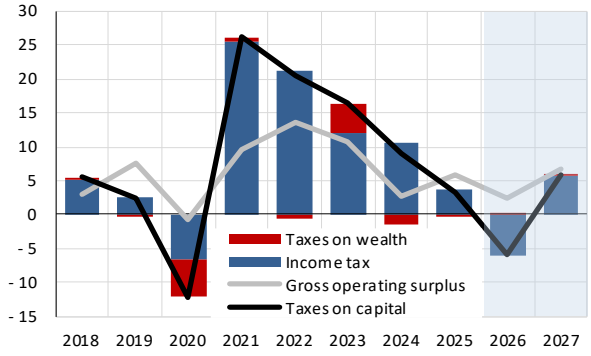
change in %, contributions in pp



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

Graph 2.2.5: Taxation of Capital

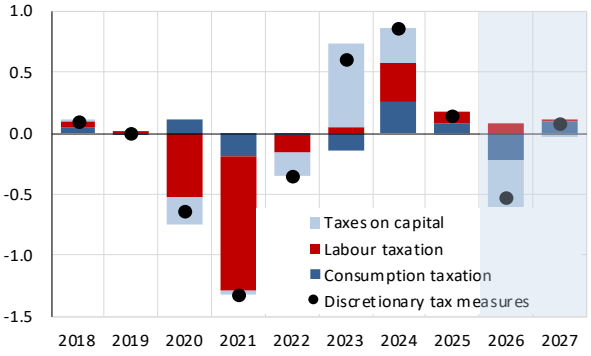
change in %, contributions in pp



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

Graph 2.2.6: Discretionary Tax Measures

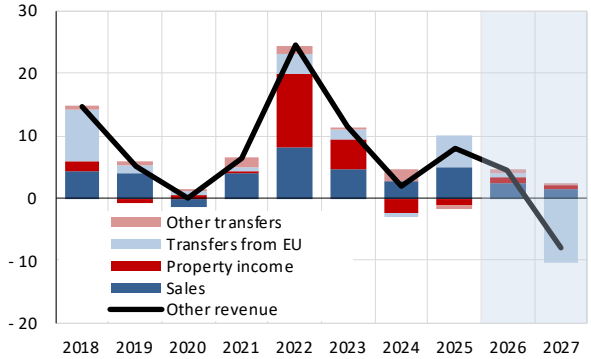
% of GDP



Source: MF CR.

Graph 2.2.7: Other Revenue

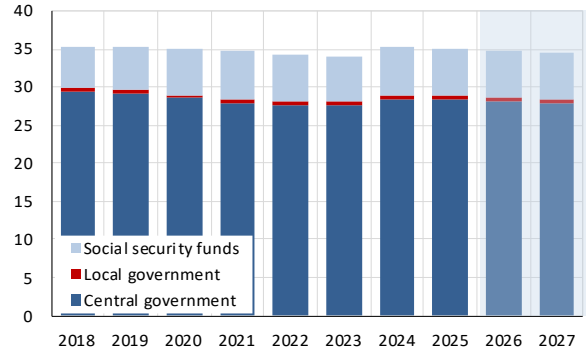
change in %, contributions in pp



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 expenditure in the general government sector is expected to rise by 5.5% in 2026, reaching 43.7% of GDP. According to the forecast, this trend is set to continue in 2027, although the proportion is likely to fall slightly. Over the forecast period, this share is expected to decline gradually to around 42% of GDP in 2029.

The growth rate of **final consumption expenditure** is expected to be 6.2% this year and to accelerate to 7.4% next year. In both years, this growth will be driven primarily by compensation of employees in the general government sector, and in 2027 also by intermediate consumption. According to the forecast, compensation of employees will also be a key determinant of developments over the forecast period, during which we expect average growth in final consumption expenditure of around 5.5%.

This year's estimated 3% growth in **intermediate consumption** is significantly lower than in 2025, due both to the high base effect and to savings in government operating costs, as well as the provisional budget at the start of this year. Some purchases postponed as a result of this, together with the expected increase in current expenditure on transport infrastructure and healthcare, account for the stronger 6% growth rate in 2027, followed by growth of between 4 and 4.5% in the years covered by the forecast.

The projected growth in **employee compensation** for 2026 reflects not only the increase in teachers' salaries from January 2026 (Government Regulation No. 471/2025 Coll.), but also an increase in pay scales in other segments of the general government sector from April this year (Government Regulation No. 16/2026 Coll.). This trend is further reinforced by the additional effect of increased salaries for professional soldiers from July 2025. The result is an estimated 8.6% increase in employee remuneration this year; we expect the same rate for 2027. The most significant factor affecting pay relates to the government-approved reform of public sector remuneration, effective from 1 January 2027, which, amongst other things, abolishes the guaranteed wage scheme, links the lowest pay scale to the minimum wage and reduces the number of pay grades from twelve to eight (Chamber of Deputies Print No. 300). Another significant factor concerns the indexation of teachers' salaries in regional education, which results from linking their average salary to 130% of the average wage in the national economy for 2025. The draft state budget for 2027 also provides for an increase of the salaries of soldiers and members of the security forces, covering both their fixed-rate and non-fixed-rate components. The volume of funds allocated to salaries is also increased by the statutory indexation of the salaries of judges, public prosecutors and constitutional officials. In subsequent years, the rate of salary increases for staff is expected to gradually slow down to 5.5% by the end of the forecast horizon, with automatically indexed salaries playing a significant role.

For this year, we expect the growth rate of **social transfers in kind** to slow to 2.5%, driven by a methodological change whereby housing benefits (social transfers in kind), payable until July 2026, have become part of state social assistance (cash social benefits). However, the growth is being driven by healthcare expenditure, which will also be the determining factor for the predicted 3.8% growth in social transfers in kind in 2027. This will be counteracted by the additional effect of the gradual transition to the state social assistance benefit. For the outlook years, we estimate growth in social transfers in kind of around 4%, in line with the expected revenues of health insurance funds.

Pension benefits account for the lion's share of **cash social benefits**. These are typically subject to a regular January indexation based on the statutory indexation formula. Furthermore, expenditure on pension benefits will rise by a further CZK 0.5 billion or so as a result of the introduction of allowances for each child raised (Act No. 323/2021 Coll.). For 2027, the government has exercised the option to increase the earnings-related part of pensions by 0.2% above the statutory minimum, with an estimated impact of CZK −1.1 billion (Government Regulation No. 177/2026 Coll.). In addition, the government also plans to pay a one-off allowance of 2,000 CZK to pensioners, with an effect of a further approximately −5.8 billion CZK. The proposed adjustment to the established mechanism for age-based pension indexation, changing the current step-change increase in pensions upon reaching the age of 85 and 100 years of age to a more gradual increase implemented at five-year intervals (starting at the age of 80), will cost CZK 2.6 billion in 2027, with a gradual, moderate rise in additional expenditure in subsequent years (Chamber of Deputies Print No. 270). Overall, following the expected 3.4% increase in pension benefits in 2026, pension expenditure is set to rise by 3.2% next year. In subsequent years, their growth will be influenced by the expected rise in the cost-of-living index for pensioners, whilst real wage growth is expected to play a role only towards the end of the forecast horizon. The postponement of the change in the pension payment period from the so-called "rolling month" to the calendar month, and the associated abolition of the one-off top-up payment during the regular January indexation, is expected to yield approximately CZK 1 billion from 2028 (Act No. 321/2023 Coll. and No. 214/2025 Coll.). Conversely, it is proposed to reintroduce valorization of old-age pensions for working pensioners, whilst retaining the currently applicable social insurance discount for this group of pensioners (Chamber of Deputies Print No. 270). The estimated impact of this measure is CZK −0.8

billion in 2028 and an additional CZK just under −1 billion in 2029.

An increase in the parental allowance by CZK 50,000 (or CZK 75,000 in the case of multiple births) for children born on or after 1 January 2024 is expected to result in gradually rising expenditure of CZK 1.5–2 billion in each of the years 2026–2027 (Act No. 407/2023 Coll.). A further increase in the parental allowance will take effect for children born on or after 1 January 2027, though this will not be reflected more significantly in state budget expenditure until 2028–2029, when we expect the impact of this measure to deepen by an average of CZK −1.3 billion per year (Act No. 152/2026 Coll.). By contrast, the number of recipients of the parental allowance has been falling in recent years due to the decline in the birth rate. The volume of funds paid out has thus been falling annually since 2021; however, the aforementioned former increase in the allowance rate is likely to reverse this trend this year, as indicated by cash flow performance to date.

The humanitarian allowance for persons under temporary protection, including housing costs, will amount to expenditure of around CZK 7 billion this year. We expect this figure to remain between CZK 7 and 8 billion until the end of the forecast horizon. From January 2026, there has been an increase in the care allowance for levels I and II of dependency, with a calculated impact of approximately CZK −1.5 billion (Act No. 360/2025 Coll.). Adjustments to the parameters of unemployment benefits and retraining allowances are leading to a significant increase in expenditure this year (Act No. 120/2025 Coll.). Situation in the labour market, where we are seeing a slightly higher unemployment rate, is also playing a role. Conversely, following the proposed parametric changes to unemployment benefits and retraining support, effective from 2027, savings to the state budget are estimated at approximately CZK 4.5–5 billion (Chamber of Deputies Print No. 300). In terms of the development of cash social benefits, the national accounts methodology also reflects the increase in payments per state-insured person, as well as the methodological change described above relating to the transition to the state social assistance benefit and its classification as a cash social benefit. In connection with its introduction and the accompanying reform of cash social benefits, the subsistence minimum amounts were adjusted with deferred effect from October 2026, resulting in an impact of CZK –0.6 billion this year and a further CZK –1.7 billion next year (Act No. 152/2025 Coll., with the effective date postponed by Government Regulation No. 57/2026 Coll.). Owing to all the factors described above in the social sector, cash social benefits are expected to rise by 5.4% in 2026, with the rate of increase slowing to 4.6% next year. For the years 2028–2029, we expect the average rate of increase in cash social benefits to be slightly above 3%.

We estimate that this year's 8.3% growth rate in **subsidies** will mean they remain at a stable level of around 2% of GDP. Two-thirds of their total volume is expected to be accounted for by expenditure on ensuring transport services across the country, together with the funding of the levy for supported energy sources. In response to rising wage costs, including the increase in the minimum wage, the maximum amount of the subsidy to support the employment of people with disabilities in the sheltered labour market has been increased with effect from April 2025, which entails an additional negative impact on the state budget of CZK 1.2 billion this year (Government Regulation No. 471/2024 Coll.). In subsequent years, subsidies are expected to grow relatively modestly and, as a proportion of GDP, even fall below 2%, which should be due, amongst other things, to necessary savings on the expenditure side.

The estimated 7.4% growth in **current transfers** this year is driven by higher contributions to the EU budget, which will also be a key factor in developments in subsequent years. The main factor leading to an increase in these contributions is the rise in the total volume of the EU budget for 2027, as well as the expected relatively faster growth in the Czech Republic's gross national income compared with the EU average, which affects the Czech Republic's share in the financing of the EU budget. From 2028, a new multiannual financial framework will come into force, which will also reflect the start of debt repayments arising from the NextGenerationEU instrument. The share of current transfers in GDP is expected to remain slightly above 2% until the end of the forecast horizon.

This year's expenditure on **investment in fixed assets** will grow relatively more slowly, by 5.3%, given the high base figure for 2025. Another factor contributing to the weaker year-on-year growth is the expected decline in investment co-financed by EU funds, including the impact of the expiring National Recovery Plan. It is precisely the absence of this funding that accounts for the predicted 4% reduction in investment volume in 2027. For the remaining years of the forecast period, we anticipate a continuing decline in European funding and an average growth of 2.7% in total investment. In all years, this growth will be driven by investment from national sources.

The persistent budget deficits of government institutions are reflected in the level of debt and are leading to a further increase in **interest expenditure**. For this year, we estimate that interest expenditure will rise by more than 14%, reaching 1.4% of GDP. In the coming years, this figure is expected to rise gradually to 1.7% of GDP by the end of the forecast horizon.

Table 2.3.1: General Government Expenditure

		2020	2021	2022	2023	2024	2025	2026 Forecast	2027 Forecast	2028 Outlook	2029 Outlook
Total expenditure	*CZK bn*	**2 696**	**2 840**	**3 047**	**3 369**	**3 481**	**3 712**	**3 916**	**4 133**	**4 271**	**4 455**
	change in %	13.4	5.4	7.3	10.6	3.3	6.6	5.5	5.6	3.3	4.3
Compensation of employees	*CZK bn*	633	676	690	739	776	832	904	982	1 041	1 098
	change in %	10.0	6.8	2.1	7.0	5.1	7.3	8.6	8.6	6.0	5.5
Intermediate consumption	*CZK bn*	346	354	394	430	470	495	510	540	564	587
	change in %	2.1	2.4	11.3	9.2	9.2	5.3	3.0	6.0	4.5	4.0
Social benefits other than in kind	*CZK bn*	821	859	937	1 037	1 084	1 102	1 161	1 215	1 245	1 292
	change in %	15.8	4.7	9.1	10.6	4.5	1.7	5.4	4.6	2.5	3.8
Social transfers in kind	*CZK bn*	205	219	226	258	284	306	313	325	338	352
	change in %	15.8	7.1	2.9	14.2	10.1	7.7	2.5	3.8	4.0	4.0
Property income	*CZK bn*	44	46	79	99	108	112	128	147	165	176
	change in %	7.9	4.8	72.4	25.5	8.8	3.8	14.3	15.0	12.6	6.5
Subsidies	*CZK bn*	173	200	151	207	156	170	184	191	195	199
	change in %	35.1	15.8	-24.7	37.0	-24.7	8.9	8.3	4.0	2.0	2.0
Gross fixed capital formation	*CZK bn*	277	287	320	370	379	445	469	450	462	474
	change in %	9.6	3.8	11.2	15.9	2.5	17.3	5.3	-4.0	2.8	2.6
Capital transfers	*CZK bn*	68	56	51	40	39	40	39	40	30	30
	change in %	84.9	-17.7	-7.5	-22.5	-1.8	1.7	-2.6	1.7	-24.6	0.0
Other expenditure	*CZK bn*	130	142	199	190	185	210	208	244	230	247
	change in %	8.6	9.5	40.1	-4.7	-2.2	13.6	-1.0	17.3	-5.8	7.2

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

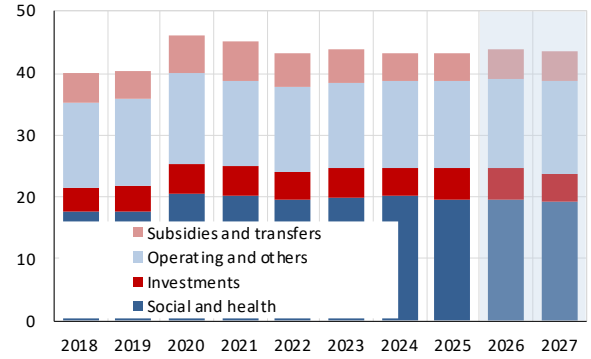
Table 2.3.2: Discretionary Expenditure Measures

		2020	2021	2022	2023	2024	2025	2026 Forecast	2027 Forecast	2028 Outlook	2029 Outlook
Total expenditure measures	*CZK bn*	**-187.6**	**2.0**	**17.2**	**-69.7**	**120.8**	**-53.4**	**-17.4**	**-14.1**	**4.3**	**-2.2**
Social benefits	*CZK bn*	-49.4	19.7	-31.0	7.7	11.0	-7.3	-5.7	-9.1	4.6	-2.1
Compensation of employees*	*CZK bn*	-40.6	-13.3	3.5	-25.7	-8.5	-48.3	-23.9	-5.8	-0.2	-0.1
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	0.1	-	-
Other expenditure	*CZK bn*	-0.5	-6.7	-17.6	13.2	3.4	-1.7	9.6	0.8	-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

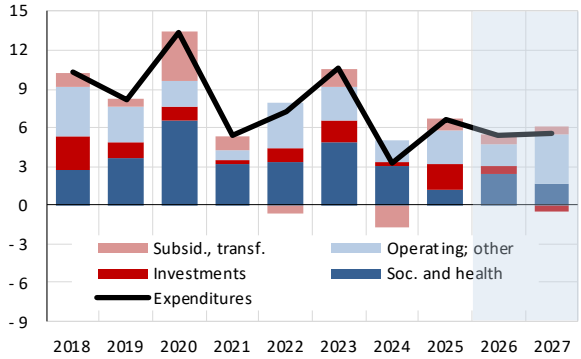
% of GDP



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

Graph 2.3.2: Total Expenditure Development

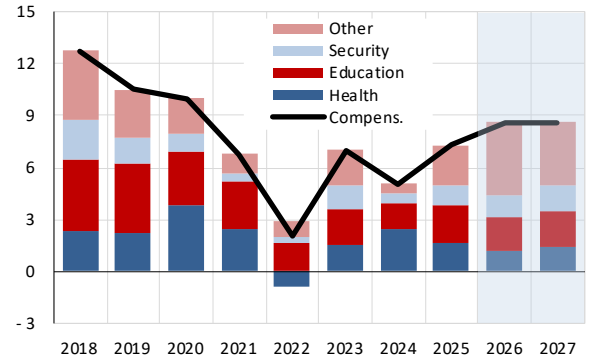
change in %, contributions in pp



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

Graph 2.3.3: Compensation of Employees

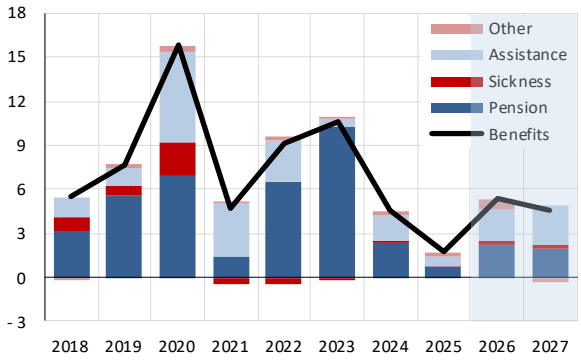
change in %, contributions in pp



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

Graph 2.3.4: Cash Social Benefits

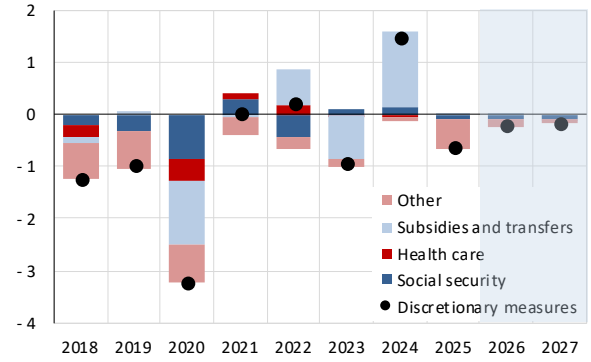
change in %, contributions in pp



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

Graph 2.3.5: Discretionary Expenditure Measures

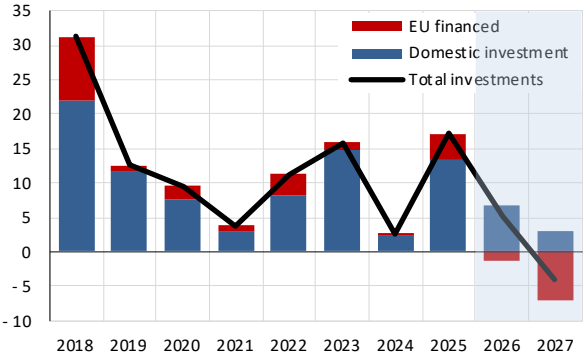
% of GDP



Source: MF CR.

Graph 2.3.6: General Government Investment

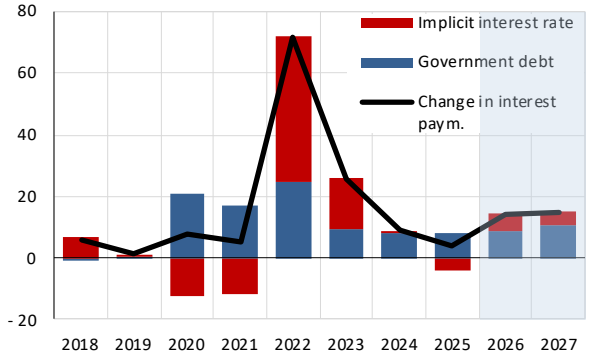
change in %, contributions in pp



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

Graph 2.3.7: Interest Expenditure

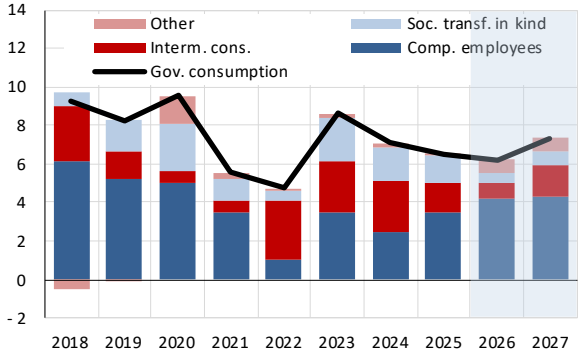
change in %, contributions in pp



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

Graph 2.3.8: Final Consumption Expenditure

change in %, contributions in pp



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

2.4 General Government Debt

The general government sector's deficit is reflected in **the level of debt**, which will stand at around 46% of GDP by the end of 2026 (Graph 2.4.1). Next year, we expect debt to rise by 1.6 pp to 47.4% of GDP. For the years covered by the outlook, we forecast a gradual increase in the debt-to-GDP ratio, which may reach 49.7% of GDP in 2029.

The Czech Republic should therefore comply with the Treaty on the Functioning of the EU's reference criterion for debt (**the Maastricht criterion** of 60% of GDP) throughout the forecast period. The level of the debt-to-GDP ratio also complies with **the national rule** laid down in the Act on Fiscal Responsibility Rules, which assesses the level of general government debt (adjusted for the cash reserve arising from the financing of public debt, expenditure related to escape clauses for one year, and expenditure on financing the construction of new nuclear power stations) against a threshold of 55% of GDP (Table 2.4.1).

In terms of contributions to the change in debt, **interest costs and the primary structural balance** will be the dominant factors in 2026**.** Interest costs are expected to rise in the coming years from the current 1.4% of GDP to 1.7% of GDP. This is based partly on the structure of the debt and its refinancing, and partly on the expected development of interest rates. The forecast assumes that government bond yields will stabilise. The 10-year interest rate for convergence purposes is projected to range between an average of 4.8% and 4.9% p.a. until the end of the outlook period. Yields on 5-year bonds are expected to be approximately 0.6 pp lower than those on 10-year bonds. **The primary deficit** is expected to move in the opposite direction to interest costs after 2027. Although it will rise next year, its contribution is expected to begin gradually declining again over the forecast period. Among other factors, repayable financial assistance in connection with the construction of new nuclear power plants plays a significant role. However, given the requirement to comply with the primary structural balance targets set out in the Act on Fiscal Responsibility Rules, consolidation will be necessary, which represents a positive risk in this forecast (MF CR, 2026e).

The current forecast does not anticipate any significant privatisation revenues under Act No. 92/1991 Coll., on the conditions for the transfer of state property to other persons, as amended.

Central government institutions account for the largest share of the general government sector's debt (Table 2.4.1), with their debt expected to reach CZK 4,109 billion in 2026. This would account for approximately 98% of the general government sector's total (unconsolidated) debt. The debt of local governments is projected to reach CZK 93 billion in 2026 and to decline slightly in subsequent years, due to the predicted budget surplus, to an expected CZK 88 billion in 2029. Social security funds have long shown a negligible level of indebtedness.

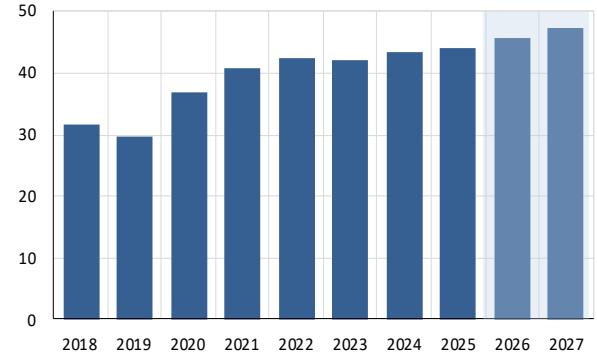
Table 2.4.1: Gross Consolidated Government Debt

		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**	**3 787**	**4 105**	**4 519**	**4 925**	**5 243**
Central government	*CZK bn*	2 223	2 661	3 105	3 352	3 505	3 797	4 109	4 536	4 945	5 263
Local government	*CZK bn*	87	87	89	86	83	88	93	90	89	88
Social security funds	*CZK bn*	1	1	0	1	1	1	2	2	2	2
General government debt to GDP ratio	*% of GDP*	**36.9**	**40.7**	**42.5**	**42.2**	**43.2**	**44.2**	**45.8**	**47.4**	**49.1**	**49.7**
Contributions to change in debt-to-GDP ratio											
Change in debt	*p.p.*	7.3	3.8	1.8	-0.3	1.0	0.9	1.7	1.6	1.7	0.6
Primary deficit	*p.p.*	**4.9**	**4.2**	**1.9**	**2.4**	**0.6**	**0.9**	**1.4**	**2.0**	**1.3**	**1.2**
Interest	*p.p.*	**0.7**	**0.7**	**1.1**	**1.3**	**1.3**	**1.3**	**1.4**	**1.5**	**1.6**	**1.7**
Nominal GDP growth	*p.p.*	**0.3**	**-2.8**	**-4.3**	**-3.4**	**-2.1**	**-2.5**	**-1.9**	**-2.7**	**-2.4**	**-2.4**
Stock-flow adjustment [1)]	*p.p.*	**1.4**	**1.7**	**3.1**	**-0.6**	**1.2**	**1.3**	**0.7**	**0.8**	**1.1**	**0.1**
Debt for Act No. 23/2017 Coll. [2)]	*% of GDP*	36.9	40.7	42.5	42.2	43.2	44.2	45.8	47.1	48.0	49.2
Liquid financial assets [3)]	*% of GDP*	15.8	18.8	17.5	17.7	17.7	19.3	18.4	17.3	16.4	15.6
Net financial debt [4)]	*% of GDP*	21.1	21.9	25.0	24.6	25.5	24.9	27.4	29.8	31.6	33.6

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. and, furthermore, repayable financial assistance in connection with the construction of new nuclear power sources. Furthermore, expenditures claimed in the previous year pursuant to Section 11, paragraph 1, letters (b) through (e) of Act No. 23/2017 Coll., as amended, are also deducted, in accordance with applicable escape clauses.
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 2.4.1: General Government Debt

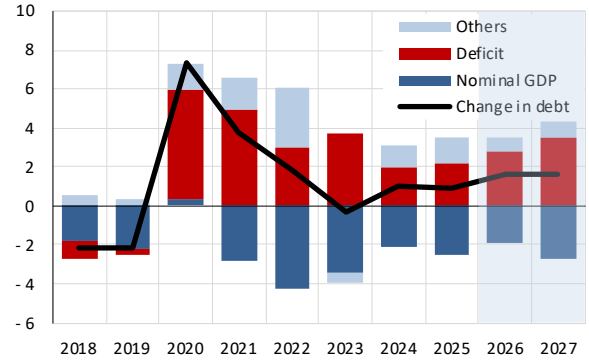
% of GDP



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

Graph 2.4.2: Change in the Debt Ratio

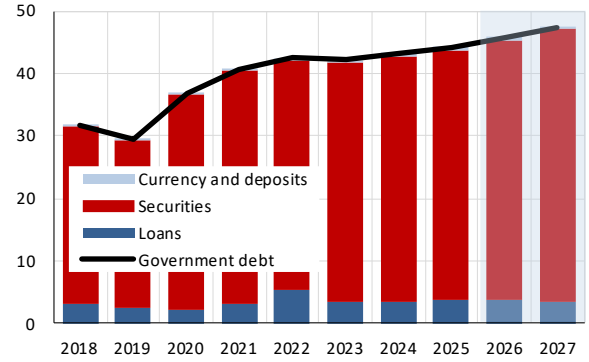
in pp



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

Graph 2.4.3: Government Debt by Type of Instrument

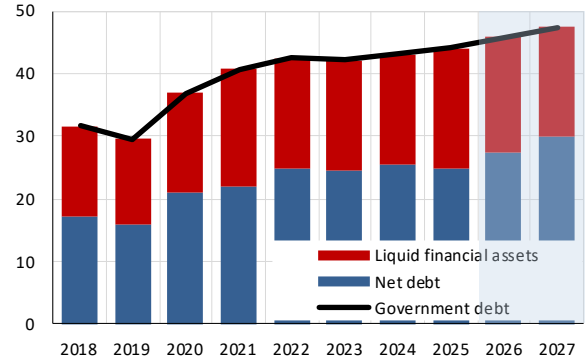
% of GDP



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

Graph 2.4.4: Net and Gross Government Debt

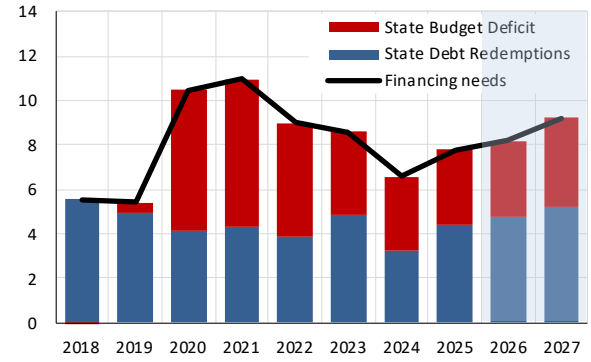
% of GDP



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

Graph 2.4.5: State Debt Financing Needs

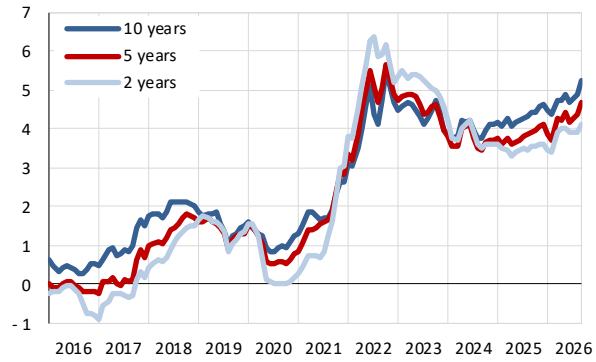
% of GDP



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

Graph 2.4.6: Government Bond Yields by Maturity

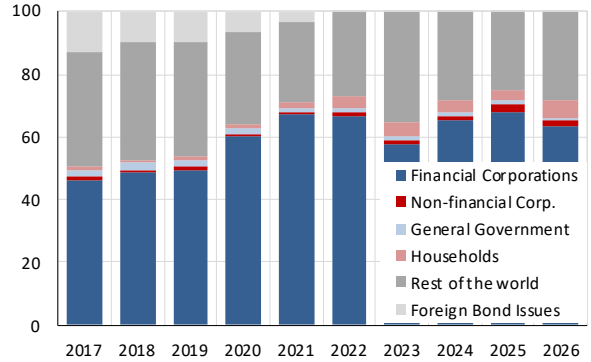
% of GDP



Source: CNB (2026).

Graph 2.4.7: Government Securities by Type of Holder

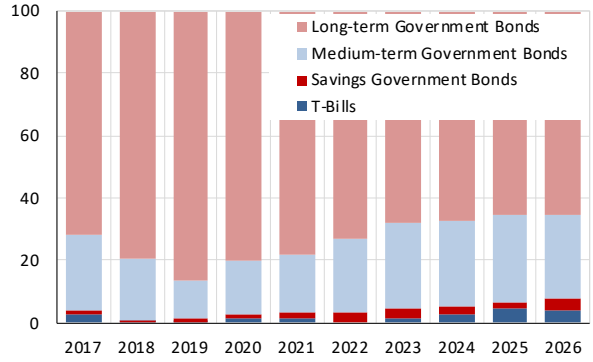
% of total government securities outstanding, end-of-year values



Note: The value for 2026 reflects the state at the end of September.
Source: MF CR.

Graph 2.4.8: Government Securities by Type of Instrument

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



Note: The value for 2026 reflects the state at the end of September.
Source: MF CR.

2.5 Sensitivity Analysis

The sensitivity analysis is based on simulations carried out using a dynamic stochastic general equilibrium model developed by the Ministry of Finance of the Czech Republic. Alternative scenarios focus on selected risks associated with future developments in the domestic economy. The first scenario analyses the possible impacts of lower economic growth in the EU on the Czech economy, which, given its high degree of openness, is heavily dependent on developments abroad. The second scenario assesses the possible consequences of a sudden rise in interest rates. Both scenarios are based on the baseline scenario of the Fiscal Outlook and assume that adverse shocks will occur in the first half of 2027 in each case.

The first alternative scenario therefore assumes a slowdown in EU GDP growth in 2027 of 2.5 pp compared with the baseline scenario, which roughly corresponds to the historical standard deviation of EU GDP growth between 2002 and 2025.

Weaker economic activity abroad would lead to a reduction in demand for Czech exports, which would initially be reflected in a deterioration in net exports. The subsequent weakening of the koruna would mitigate part of this negative impact by improving the price competitiveness of domestic producers. Lower foreign demand would lead to a slowdown in the growth of the Czech economy, with real GDP growing approximately 0.8 pp more slowly in 2027 than under the baseline scenario. Weaker growth in export-oriented sectors would also be reflected in lower investment activity by firms, whose growth rate would be roughly 0.8 pp lower. At the same time, the reduction in output would lead to lower labour demand and a slowdown in wage growth. As a result of lower household incomes, growth in household consumption would lag behind the baseline scenario by approximately 0.3 pp.

Adverse macroeconomic developments would also be reflected in the general government sector's finances. The balance would deteriorate by 0.3 pp of GDP in 2027, mainly due to lower tax and social security contributions and higher expenditure on unemployment benefits. In subsequent years, the differences from the baseline scenario would be negligible. The debt ratio would be approximately 0.4 pp of GDP higher at the end of the forecast horizon than in the baseline scenario, owing to a combination of higher deficits and a lower level of nominal GDP.

The second alternative scenario simulates an additional tightening of monetary policy relative to the baseline scenario. Short-term interest rates are raised by 1.8 pp in 2027, which corresponds to approximately one standard deviation of their historical development between 2002 and 2025.

Higher interest rates would affect economic activity through several channels. As a result of the koruna's appreciation and a deterioration in price competitiveness, the rate of export growth in 2027 would fall by approximately 0.5 pp. Given the high import intensity of Czech exports, this would also lead to a slowdown in import growth. Weaker import activity would also be driven by lower domestic demand and subdued business investment.

Higher financing costs would lead to a slowdown in corporate investment, whilst firms would simultaneously face lower demand for their output. Weaker economic activity would also be reflected in the labour market through a slightly higher unemployment rate and slower growth in nominal wages. Furthermore, households would be incentivised to shift part of their consumption in favour of higher-yield savings. As a result of these factors, the growth rate of household consumption would fall by approximately 0.3 pp.

The combination of lower growth in consumption, investment and exports would lead to a slowdown in real GDP growth in 2027, which would be approximately 0.2 pp lower than in the baseline scenario. At the same time, a more restrictive monetary policy stance would help to dampen inflationary pressures, with the inflation rate in 2027 being roughly 1.0 pp lower than in the baseline scenario.

The impact on the general government sector's finances would be less pronounced compared with the first scenario. Whilst lower economic activity would lead to a certain decline in tax revenues and social security contributions, this effect would be largely offset by slower growth in inflation-sensitive expenditure and wage developments. Lower inflation would be reflected in particular in a slower indexation of pensions and other social benefits. The resulting impact on the general government sector's debt would therefore remain limited, and at the end of the outlook horizon the debt ratio would exceed that of the baseline scenario by 0.2 pp.

Table 2.5.1: Baseline and Model Scenarios of Macroeconomic Simulations

		2026 *Estimate*	2027 *Forecast/ Simul.*	2028 *Outlook/ Simul.*	2029 *Outlook/ Simul.*
Gross domestic product (real)	*change in %*	**1.7**	**2.5**	**2.5**	**2.4**
Private consumption	*change in %*	2.8	2.7	2.4	2.2
Gross fixed capital formation	*change in %*	5.4	2.5	3.0	4.0
Exports	*change in %*	3.0	3.5	4.8	3.5
Imports	*change in %*	3.8	4.2	5.3	4.0
Consumer Price Inflation	*change in %*	**2.1**	**3.1**	**2.4**	**2.3**
Employment	*change in %*	**1.5**	**0.2**	**-0.1**	**0.0**
Wage bill	*change in %*	**7.4**	**6.6**	**5.3**	**4.8**
Unemployment rate	*in %*	**3.0**	**2.8**	**2.5**	**2.5**
General government balance	*% of GDP*	**-2.8**	**-3.5**	**-3.0**	**-2.9**
Gross government debt	*% of GDP*	**45.8**	**47.4**	**49.1**	**49.7**
Alternative Scenario I - Lower GDP Growth in EU in 2027					
Gross domestic product (real)	*change in %*	**1.7**	**1.7**	**2.6**	**2.4**
Private consumption	*change in %*	2.8	2.4	2.3	2.1
Gross fixed capital formation	*change in %*	5.4	1.7	2.7	3.9
Exports	*change in %*	3.0	1.7	4.6	3.5
Imports	*change in %*	3.8	2.8	4.9	3.9
Consumer Price Inflation	*change in %*	**2.1**	**3.1**	**2.4**	**2.3**
Employment	*change in %*	**1.5**	**0.0**	**0.0**	**0.0**
Wage bill	*change in %*	**7.4**	**6.2**	**5.3**	**4.8**
Unemployment rate	*in %*	**3.0**	**3.0**	**2.5**	**2.5**
General government balance	*% of GDP*	**-2.8**	**-3.8**	**-3.0**	**-2.9**
Gross government debt	*% of GDP*	**45.8**	**47.7**	**49.5**	**50.1**
Alternative Scenario II - Increase in Domestic Interest Rate					
Gross domestic product (real)	*change in %*	**1.7**	**2.3**	**2.5**	**2.4**
Private consumption	*change in %*	2.8	2.4	2.3	2.2
Gross fixed capital formation	*change in %*	5.4	2.2	3.2	4.1
Exports	*change in %*	3.0	3.0	4.5	3.4
Imports	*change in %*	3.8	3.9	5.2	3.9
Consumer Price Inflation	*change in %*	**2.1**	**2.1**	**1.9**	**2.0**
Employment	*change in %*	**1.5**	**0.2**	**-0.1**	**0.0**
Wage bill	*change in %*	**7.4**	**6.5**	**5.3**	**4.8**
Unemployment rate	*in %*	**3.0**	**3.0**	**2.5**	**2.5**
General government balance	*% of GDP*	**-2.8**	**-3.6**	**-3.0**	**-2.9**
Gross government debt	*% of GDP*	**45.8**	**47.6**	**49.2**	**49.9**

Source: MF CR (2026b). MF CR forecast, calculations and simulations.

3 International Comparison

Public finances in EU countries continue to be strained by rising defence expenditure, an ageing population and measures related to ongoing decarbonisation and the green transition. Geopolitical tensions and fluctuations in energy prices pose further risks. Higher government bond yields are gradually leading to higher interest expenditure as maturing debt is refinanced.

3.1 Public Finance Balance and Debt in EU Countries in 2025 and 2026

The general government balance as a percentage of GDP deteriorated year-on-year in 16 EU countries **in 2025,** including the Czech Republic. The most significant deterioration was reported in Ireland (by 2.4 pp), which nevertheless continued performance in a surplus. In 10 EU countries, the balance improved, most notably in Malta (by 1.5 pp) and Romania (by 1.4 pp), whilst in Sweden it remained unchanged. There were 5 countries that reported a surplus: Denmark, Ireland, Cyprus, Portugal and Greece. Despite a year-on-year improvement, Romania had the highest deficit (7.8% of GDP), followed by Poland (7.2% of GDP), Belgium (5.2% of GDP) and France (5.1% of GDP).

In 2025, the deficit exceeded the 3% of GDP reference value in 10 countries, one fewer than in 2024. Malta and Spain fell below this threshold, on the contrary, Bulgaria newly exceeded it. Croatia reached the threshold. All 10 countries with a deficit above the reference value are subject to the excessive deficit procedure[1], in all cases due to the deficit criterion. When assessing the debt criterion, the new EU fiscal framework places emphasis on compliance with the net expenditure path approved by the Council of the EU in their national fiscal-structural plans. This is intended to ensure a sufficiently rapid and satisfactory pace of debt reduction, bringing the debt level closer to the reference value set out in the Treaty on the Functioning of the EU. So far, there is therefore no reason to initiate this type of procedure anywhere.

According to the autumn notification of government deficit and debt, the highest deficits **in 2026** are expected in Hungary (7.5% of GDP), Poland (7.1% of GDP) and Romania (6.0% of GDP). A year-on-year improvement in the balance is forecast in 8 EU countries, most notably in Romania and Luxembourg. Conversely, the greatest deterioration is expected in Hungary, Estonia and Greece, which are projected to move from a surplus to a slight deficit. Denmark, Ireland and Cyprus are expected to continue to run a surplus. Portugal, meanwhile, is expected to achieve a balanced budget.

The deficit is not expected to exceed the 3% of GDP reference value in 16 countries, including the Czech Republic and Italy. Italy is thus expected to comply with the reference value for the general government deficit as the only country currently subject to the excessive deficit procedure. Germany and Estonia would, in contrast to 2025, exceed the reference value for the first time.

General government debt-to-GDP ratio is increasing again in several EU countries after the decrease from debt quota pandemic peaks. In 2025, the indebtedness remained below 2019 levels in 9 countries, and in 2026 this ratio is expected to be in 8 countries. Cyprus is the only EU country that managed to reduce its debt in 2025 to below its pre-crisis 2019 level, even in absolute terms, and a further reduction is expected in 2026 (by way of comparison, Cyprus's general government debt in % of GDP stood at 93.0% at the end of 2019, 113.6% in 2020, 52.3% in 2025, and is expected to be 47.8% at the end of 2026).

In 2025, the debt-to-GDP ratio decreased year-on-year in 8 countries, with the largest decreases in Greece (by 8.2 pp) and Cyprus (by 7.8 pp). Conversely, indebtedness increased most significantly in Bulgaria (by 6.1 pp) and Finland (by 6.0 pp). Apart from Bulgaria, Romania and Poland recorded the highest year-on-year increases in the absolute level of debt (17.9% and 16.0% respectively; by comparison, in the Czech Republic, the general government debt rose by 8.6% in absolute terms). As in the previous year, 15 EU countries, including the Czech Republic, did not exceed the 60% of GDP reference value. Cyprus met this threshold for the first time, whilst Slovakia exceeded it. Greece, Italy, France, Belgium and Spain reported debt levels exceeding 100% of GDP.

In 2026, a decline in the debt-to-GDP ratio is expected for 9 EU countries, most significantly again for Greece (by 8.7 pp) and Cyprus (by 4.6 pp). Italy would thus have the highest indebtedness (138.1% of GDP), whilst Greece's debt is projected to fall to 136.7% of GDP. The largest increases are forecast for Poland (by 8 pp) and Lithuania (by 5.6 pp). Poland and Romania are expected to exceed the 60% of GDP threshold, leaving 13

[1] On 26 July 2024, the Council of the EU determined that an excessive deficit existed in Belgium, France, Italy, Hungary, Poland, Malta and Slovakia, although the procedure for Malta was closed on 12 June 2026. Recommendations to reduce the deficit were addressed to these countries by the end of 2024 through specified growth in net expenditure in their national fiscal-structural plans. A similar course of action was taken in Austria, where the excessive deficit procedure was initiated on 8 July 2025, and most recently in Finland (20 January 2026) and Bulgaria (10 July 2026). The procedure, which has been ongoing since 2020, has still not been concluded with Romania due to the failure to implement sufficiently effective measures to reduce the persistently high deficits.

countries, including the Czech Republic, below this level. If we compare the forecast figures for 2026 with those for the pre-crisis year of 2019, debt is expected to fall in relative terms in 8 countries, most notably in Cyprus (by 45.3 pp) and Greece (by 43.9 pp), followed by Portugal (by 29.1 pp), Ireland (by 23.0 pp), Croatia (by 15.4 pp), Denmark (by 6.9 pp), the Netherlands (by 3.0 pp) and, to the least extent, Slovenia (by 0.8 pp). In absolute terms, debt is expected to fall year-on-year not only in Greece and Cyprus, as mentioned above, but also in Ireland, by 1.0%.

Note: During the assessment of the autumn national notification of government deficit and debt, Eurostat, pursuant to Article 15(1) of Council Regulation (EC) No 479/2009, as amended, a reservation regarding Bulgaria's data for 2025 due to the incorrect recording of certain transactions by the Road Infrastructure Agency in the national accounts, which is said to distort the deficit figure by 0.6% of GDP.

3.2 Public Debt Financing in EU Countries

Gross financing needs represent the amount of funds that the government must ensure in a given year, primarily on debt repayments and financing the state budget deficit. Its level indicates liquidity and refinancing risk. According to the EC (2026d), the financing needs in EU countries in 2024 and 2025 stood at approximately 15% of GDP, with debt repayments accounting for 73% and state budget deficit financing for 22% of this total. Governments cover this primarily through the issuance of government bonds. These consist largely of medium- and long-term fixed-rate domestic government bonds, supplemented by the sale of variable-rate government bonds, bonds denominated in foreign currencies, issues of treasury bills, inflation-linked bonds or retail bonds, and, in recent years, issues of so-called green bonds (particularly in Germany, France, Belgium and Hungary). Under the borrowing requirement, governments receive loans and credits from international institutions in addition to bond instruments. Apart from these debt instruments, financing needs may be cover by utilising financial assets and, where appropriate, managing other state assets.

In response to development in yield curves and investor demand, some governments are increasing the proportion of issues with shorter time to maturity. Given the market's greater capacity to absorb debt instruments with a short time to maturity, the importance of treasury bills is growing. Shorter maturities may reduce the immediate costs of new issues, but at the same time they increase refinancing risk and the sensitivity of future interest expenditure to movements in interest rates.

3.2.1 Bond Financing in Euro Area Countries

A whole range of factors influence government bond yields, the most significant of which include monetary and fiscal policy and the geopolitical situation. As part of its monetary policy, the European Central Bank (ECB) uses its instruments to influence government bond yields in euro area countries through several channels[2]. At present, the ECB primarily uses its key interest rate (the deposit rate) in response to inflation trends in euro area countries, thereby influencing the short end of the government bond yield curve. In 2025, the ECB continued to gradually reduce the deposit rate from its historic highest level (4% p.a.) to 2% p.a. However, this year, due to inflationary pressures, it has raised it twice by 0.25 pp to its current level of 2.5% p.a.

Throughout the year 2025, the yield curve of government bonds in euro area countries remained inverted at its short end. However, as a result of the ECB's monetary policy easing, short-term interest rates fell during the year and the curve's shape at the short end gradually "normalised". At the same time, the yield curve steepened, with its slope increasing particularly at the long and very long ends of the yield curve due to a significant rise in long-term interest rates. This was mainly due to the rise in the so-called term premium on government bonds[3], linked to a higher supply of long-term bonds and a greater perception of risk on the part of investors. However, the steepening of the yield curve varied in intensity across the individual euro area countries. For example, in Germany, the yield curve steepened sharply following the German government's decision to reform the debt brake and establish an infrastructure investment fund amounted to EUR 500 billion, which fuelled expectations of a higher future supply of German government bonds. In France, the sharp rise in the yield curve's slope was caused by the country's poor fiscal situation and political instability. By contrast, the yield curve steepened only slightly in the countries of southern Europe (e.g. Italy and Greece).

Yields on 10-year government bonds for convergence purposes (hereinafter "10-year government bonds") rose by an average of 0.1 pp year-on-year last year, whilst in 5 euro area countries (Croatia, Estonia, Cyprus, Italy and Slovakia) recorded an average year-on-year

[2] In addition to the base interest rate, the ECB has, in particular, utilised government bond purchase programmes during the pandemic – the Pandemic Emergency Purchase Programme and the Public Sector Purchase Programme. For both programmes, only the size of their portfolios is now being reduced.

[3] The term premium is the additional compensation that investors demand for the interest rate risk associated with holding bonds with a long time to maturity rather than a series of short-term bonds.

decline of 0.2 pp due to a higher level in 2024. Despite this decline, most of these countries are still seeing higher yields on 10-year government bonds than the EU average (3.2% p.a.). Conversely, the largest year-on-year increases were reported in France (by 0.4 pp to 3.4% p.a.), Germany (by 0.3 pp to 2.6% p.a.) and Belgium (by 0.3 pp to 3.2% p.a.). Despite relatively strong year-on-year growth, yields on **German** 10-year government bonds remained, on average, at the lowest level amongst euro area countries. Last year, the German government once again covered more than 93% of its financing needs with conventional[4] bonds. In terms of their maturity structure, there were no significant year-on-year changes. Treasury bills accounted for almost a third of government bonds issued, with an average auction yield to maturity of 2% p.a. (a year-on-year decline of 1.2 pp). A third of issues consisted of bonds with time to maturity of between 2 and 5 years, with an average yield to maturity of 2.1% p.a. (a fall of 0.3 pp). The remainder consisted of bonds issued at auctions with time to maturity of over 7 years, for which the average auction yield to maturity rose by 0.4 pp to 2.8% p.a. The weighted average auction yield to maturity of the medium- and long-term government bonds issued thus rose only slightly year-on-year to 2.4% p.a. The standard auctions were supplemented by two syndicated issues of very long-term government bonds with an average yield to maturity of 3.1% p.a. Since 2020, the government has also been using green bonds to finance "green" budgetary expenditure, with time to maturity ranging from 5 to 30 years and an average yield to maturity of 2.4% p.a. The volume of these bonds accounted for approximately 3.4% of gross borrowing requirement last year. In **France**, the average spread over yields on German 10-year government bonds widened to 0.7 pp. Despite the relatively high yields on medium- and long-term government bonds, the government covered its financing needs with a maturity structure like that of 2024, i.e. with an emphasis on bonds with longer time to maturity. However, there was a slight reduction in the proportion of bonds issued with a very long time to maturity (30–50 years). The average auction yield to maturity on medium- and long-term government bonds rose by 0.2 pp to 3.1% p.a. However, despite this increase, it remained at lower levels in the long term than during the 2008–2009 crisis period. In addition to auctions, several syndicated issues of long-term government bonds were carried out at an average yield to maturity of 3.5% p.a. The French government also makes significant use of green bond issues to finance "eligible green expenditure"[5]. France is currently the world's largest issuer of green government bonds. Conversely, in the case of short-term government bonds, the ECB's expansive monetary policy led to a fall in the average auction yield to maturity by 1.3 pp to 2.1% p.a. **Slovakia** has long had one of the highest yields on 10-year government bonds among euro area countries (3.4% p.a.). Syndicated issues play a major role in the issuance strategy, accounting for more than 40% of the total volume of government bonds sold, with an average yield to maturity of 3.8% p.a. In auctions, government bonds were sold at almost the same yield to maturity (3.5% p.a.) as in 2024, but with a significantly longer time to maturity (10.9 years on average). Once again, no treasury bills were issued last year. In March 2025 the standard auctions were supplemented by the sales of two retail bond issues (2-year and 4-year) in total amount of EUR 0.5 billion at an average yield to maturity of 3.2% p.a.

In **2026** the yield curve of government bond already has a standard concave shape across its entire duration. In the first quarter, yields at the short end (up to 2 years) moved around 2% p.a., whilst those for time to maturity of 15 to 20 years stood at 3.7–3.9% p.a. This was followed by a sustained upward shift in the yield curve of approximately 1 pp for time to maturity up to 15 years, driven by a combination of several factors (monetary policy tightening by the ECB, geopolitical developments in the Near and Middle East, and an increase in the term premium of bonds), and by around 0.5 pp for very long time to maturity. Yields on 10-year government bonds in the euro area increased by an average of 0.3 pp year-on-year to 3.5% p.a. by the end of the third quarter of 2026, with yields rising in all countries. The largest average increase in yields was achieved in France (by 0.5 pp to 3.8% p.a.), Latvia (by 0.5 pp to 3.8% p.a.), Cyprus (by 0.5 to 3.5% p.a.) and Germany (by 0.4 pp to 3% p.a.). At the end of the third quarter, **French** 10-year government bond yields achieved their highest level (4.4% p.a.) of any euro area country, a level last recorded in 2008. The average auction yield to maturity on medium- and long-term government bonds thus increased by 0.5 pp to 3.6% p.a. To achieve lower interest expenditure, there has been a higher gross issuance of medium-term government bonds; conversely, for government bonds with very long time to maturity (30–50 years), there has been a noticeable year-on-year decline in their share of financing. Yields on treasury bills also increased, reaching 2.4% p.a. In September 2026, yields on **Italian** 10-year government bonds exceeded the 4% threshold for the first time in three years (4.4% p.a.). The steady rise in yields to maturity at both the short and long ends of the curve has led to a preference for issues with shorter time to maturity, when almost two-thirds of total gross issuance of medium- and long-term government bonds is realised in the maturity segment of up to 7 years. The average auction yield on government bonds sold increased to 3.3% p.a. The Italian government also issued a syndicated 30-year government bond in amount of EUR 5 billion (with

[4] In Germany, conventional government bonds are defined as all government bonds except for inflation-linked and green government bonds.

[5] In 2025, the eligibility of funds raised through green bonds was extended to include expenditure on nuclear energy, which is thus incorporated into France's decarbonisation efforts.

extremely high investor demand of EUR 112 billion) at a yield to maturity of 4.7% p.a. It also issued a 50-year government bond in amount of EUR 750 million at a yield to maturity of 4.6% p.a., with double investor demand. Standard bonds were once again supplemented by issues of green bonds and retail bonds. Since the financial crisis of 2008–2009, **German** 10-year government bond yields have not been as high as in September 2026 (3.5% p.a.), having increased by 0.7 pp since the end of 2025. The steady rise in yields over the course of this year has been reflected in a shift in the maturity structure of the bonds sold, with lower issues of very long-term bonds (30-year) compared with 2025 and, conversely, higher issues in the 7-year to maturity segment. This has resulted in a decline in the average time to maturity of government bonds issued at auctions to 9.7 years, accompanied by an increase in their auction yield to maturity by 0.5 pp to 3% p.a. For government treasury bills, the average auction yield to maturity increased to 2.3% p.a. The auctions are supplemented by syndicated issues of very long-term bonds (20- and 30-year) with an average yield to maturity of 3.6% p.a. This year, the German government is again using green bonds with time to maturity of 5–30 years and an average yield to maturity of 3.1% p.a., in addition to conventional bonds, to cover its financing needs. By contrast, the lowest year-on-year increase in 10-year government bond yields was recorded in Slovakia and Estonia (by 0.2 pp to 3.6% and 3.5% p.a., respectively). In these countries, however, yields have remained at relatively high levels over the long term. In **Slovakia**, treasury bills are not included in the gross borrowing requirement this year again, but only medium- and long-term government bonds (with an average auction yield to maturity of 3.5% p.a., but with the average time to maturity falling to 8.9 years). These auctions were supplemented by two syndicated issues in total amount of EUR 4.5 billion, with an average yield to maturity of 4.3% p.a. After two years, Slovakia also returned to the Swiss capital market and carried out a syndicated issue of three tranches of bonds in total amount of CHF 0.7 billion at an average yield to maturity of 0.9% p.a. The Slovak government also continued last year's programme of issuing retail government bonds, and in March 2026 issued these bonds with a total amount of EUR 0.4 billion[6].

3.2.2 Bond Financing outside the Euro Area

In countries outside the euro area, yields on 10-year government bonds increased by an average of 0.3 pp year-on-year **in 2025** to 4.8% p.a. The largest year-on-year increases were recorded in Romania (by 0.6 pp to 6.9% p.a.) and Hungary (by 0.4 pp to 6.9% p.a.), where yields reached the highest levels among EU countries. Despite the high level of yields on **Hungarian** government bonds, investor demand at auctions was, on average, double. The average auction yield to maturity on medium- and long-term government bonds increased by 0.3 pp year-on-year to 6.6% p.a., whilst the average time to maturity remained unchanged at 6.9 years. The maturity structure of government bonds sold at auctions remained virtually unchanged compared with 2024, when approximately 63% of gross issuance was realised in the maturity segment of up to 5 years, whilst 30% comprised sales of 10-year government bonds. In the long term, retail government bonds have a high proportion of gross borrowing requirement. Sales of domestic government bonds at auctions with very high investor demand, were supplemented by several sales of foreign bonds, namely conventional bonds – a 10-year government bond denominated in euros (EUR 1.5 billion with a yield to maturity of 4.5% p.a.), three tranches of government bonds denominated in US dollars (USD 4 billion at 6.2% p.a.) and two tranches of so-called Panda bonds denominated in renminbi (CNY 5 billion at 2.6% p.a.), as well as a green bond – a 15-year bond denominated in euros (EUR 1 billion at 4.9% p.a.). In **the Czech Republic**, yields on domestic government bonds increased gradually across the entire yield curve during 2025, with yields on 10-year government bonds averaging 4.3% p.a. The term premium continued to converge towards neutral levels during 2025, reflecting the ongoing normalisation of the yield curve towards a concave shape. Changes in the term premium were primarily influenced by domestic factors – notably the CNB's shift from rapid monetary policy easing to a period of stable rates and the improving economic situation. At the same time, external factors, chiefly the geopolitical situation in Ukraine and the Middle East, also influenced developments in yields at the longer end of the yield curve. Despite rising yields, demand for Czech government bonds was, on average, double. The average auction yield to maturity on domestic medium-term and long-term government bonds increased by 0.3 pp to 4.2% p.a., whilst their average time to maturity fell to 8.9 years. Auctions of medium- and long-term government bonds were supplemented by treasury bills, both those denominated in the domestic currency (with an average auction yield to maturity of 3.3% p.a.) and those in euros (2.2% p.a.). To cover foreign currency financing needs, a eurobond maturing in 2027 was issued on the domestic market in the amount of EUR 250 million at a yield to maturity of 2.6% p.a. In 2025, two pilot issues of so-called social government bonds[7] were also launched for the first time, in total amount of CZK 13.9 billion, with the proceeds allocated to eligible social expenditure under the state budget. By contrast, in **Denmark,** yields on 10-year government bonds increased by an average of just 0.2 pp year-on-year to

[6] 2-year "Investor II" government bonds were sold with a yield to maturity of 2.7% p.a., and 4-year "Patriot II" government bonds with a yield to maturity of 3% p.a.

[7] These comprised a 10-year social government bond with an amount of CZK 6.9 billion and an average yield to maturity of 4.4% p.a., and a 5-year social government bond with an amount of CZK 7 billion and an average yield to maturity of 3.9% p.a.

2.5% p.a., whilst in **Poland** they actually fell very slightly (by 0.03 pp to 5.5% p.a.), yet Polish government bond yields have remained at relatively high levels over the long term. Poland's financing needs were primarily covered through issues of medium- and long-term domestic government bonds, the average auction yield on which fell by 0.1 pp year-on-year last year to 5% p.a. In terms of maturity structure, preference was given to domestic government bonds with shorter time to maturity (the average time to maturity of newly issued bonds fell year-on-year to 5.9 years). Conversely, on foreign markets, the Polish government issued government bonds with longer time to maturity, carrying out several issues of euro-denominated government bonds (in total amount of EUR 6 billion at an average yield to maturity of 3.4% p.a.) and US dollar-denominated government bonds (USD 5.5 billion at 5.2% p.a.).

During **2026**, yields on 10-year government bonds in countries outside the euro area remained on average unchanged year-on-year; however, the development varied considerably from country to country. Over the three quarters, yields increased the most year-on-year in the Czech Republic (by 0.5 pp to 4.8% p.a.) and Denmark (by 0.5 pp to 2.9% p.a.), whereas yields fell in Hungary (by 1 pp to 6% p.a.) and Romania (by 0.7 pp to 6.3% p.a.). However, yields in these countries remain at the highest levels of any EU country. In **the Czech Republic**, the yield curve had shifted upwards by approximately 0.5 pp across its entire length by the end of the third quarter compared with the end of 2025. The yield on 10-year government bonds in September 2026 even exceeded the 5% threshold (5.2% p.a.), reaching its highest level since November 2022, or indeed since the financial crisis of 2009. The average auction yield to maturity on fixed-rate medium- and long-term government bonds increased to 4.7% p.a., whilst the average time to maturity of the bonds sold fell slightly to 8.7 years. In this year, the retail government bond sale was re-opened, when the Republic Bonds (including the exchange and reinvestment of Flexi Bonds) were sold in total amount of CZK 118.6 billion during two subscription periods. Sales of medium- and long-term government bonds were, as usual, supplemented by auctions of treasury bills, both those denominated in the domestic currency (with an average auction yield to maturity of 3.6% p.a.) and those in euros (2.5% p.a.). As a result of the parliamentary elections in **Hungary** and the Hungarian central bank's cuts to the base interest rate, the yield on the 10-year government bond fell rapidly during 2026 and, since May, has even been trading below the yield on the Polish 10-year government bond. There was also a significant decline in the so-called asset-swap spread[8] of approximately 40 basis points. The more favourable situation in Hungary was reflected in a decrease in the average auction yield to maturity to 5.8% p.a. (by 0.8 pp year-on-year), accompanied by a corresponding increase in the average time to maturity of government bonds sold to 9 years (by 2.1 years year-on-year). Sales of euro-denominated government bonds were also carried out (in total amount of EUR 6 billion at an average yield to maturity of 4.2% p.a.). **Polish** yields on 10-year government bonds reached very high levels in September 2026 (6.2% p.a.), the highest level since the end of 2022. On average over the first three quarters of 2026, however, yields on these government bonds remained virtually unchanged year-on-year, a fact also illustrated by the stable level of the average auction yield to maturity (5% p.a.). The maturity structure of government bonds sold at auction also remains the same as last year. Sales of government bonds on foreign markets, which the Polish government has carried out in large volumes and in various currencies this year, also account for a significant share of borrowing requirements. With investor demand several times higher, the Polish government issued large issues of euro-denominated government bonds under the EMTN programme[9] (in total amount of EUR 6.25 billion at an average yield to maturity of 3.4% p.a.), as well as the largest issue in history of so-called Samurai bonds denominated in Japanese yen (JPY 211.6 billion at 2.2% p.a.), the second-largest issue of US dollar-denominated government bonds in its history (USD 6 billion at 5.6% p.a.) and, given the very low yields, returned to the Swiss market after 10 years with the issue of three tranches of so-called Alpine bonds (CHF 885 million at 1.1% p.a.). By contrast, the lowest yields have long been recorded in Denmark and Sweden (2.9% p.a.). In **Sweden**, the bulk of the financing needs are covered by fixed-rate domestic medium- and long-term bonds, where there has been a significant year-on-year increase in the proportion of government bonds sold in the 10–15 year maturity segment, at the expense of bonds in the 5–10 year maturity segment. This year, the Swedish government also sold two further tranches of "super-long" government bonds, with several times higher demand, in total amount of SEK 750 million maturing in 2071 at an average yield to maturity of 3.2% p.a., and a 20-year government bond in total amount of SEK 750 million with a yield to maturity of 3.1% p.a. However, sales of conventional bonds with time to maturity exceeding 15 years account for only a marginal share of the government's gross borrowing requirements. Domestic bond issues are supplemented by sales of government bonds on foreign markets. In 2025, a 3-year government bond denominated in euros was issued (EUR 2 billion at a yield to maturity of 2.8% p.a.), with four times demand from investors. To offset

[8] The asset-swap spread measures the difference between a bond's yield and the swap rate (benchmark) with the same maturity and serves as a measure of the credit risk associated with that bond.

[9] An EMTN (Euro Medium-Term Note) is an international programme for the flexible issuance of medium- and long-term bonds on the European market, which enables the issuer to issue bonds repeatedly and rapidly in various currencies and with different maturities based on a single base prospectus.

fluctuations in borrowing requirement, Treasury bills are issued; these were sold at an average yield to maturity of 2.1% p.a.

3.2.3 Other Funding in EU Countries

There are countries in the EU with a significant share of **loans** in their financing. According to the national autumn notification of general government deficit and debt, in 2025 loans accounted for a significant proportion of general government debt in Greece (70.8% of total debt), Cyprus (41.3%), Estonia (40.5%) and Sweden (34.3%). In Greece, the share of loans (from the International Monetary Fund and EU stabilisation mechanisms) in debt financing has been declining in recent years due to standard issuance activity on the bond markets. In Estonia, there has been a sharp decline in loans over the last five years, as government debt has been financed primarily through the issuance of government bonds. Conversely, the lowest share of loans in total general government debt among EU countries last year was recorded, in Latvia (6.1%), Denmark (8.0%) and the Czech Republic (8.5%). Despite the rising absolute level of general government debt, Latvia is reducing the share of loans (by approximately 62% over the last five years) and replacing them primarily with Eurobond issues under the GMTN[10] programme.

EU instruments account for the largest share of loans. Between 2021 and 2026[11], EU countries had the opportunity to finance specific investments and reforms by drawing on concessional loans from **the Recovery and Resilience Facility (RRF)**. Under the RRF, Member States applied for loans in total amount of EUR 213 billion; 15 EU countries prefered solely the grant component of this instrument. By the end of October 2026, loans amounting EUR 171 billion had been disbursed to Member States, representing approximately 80% of the total amount of loans requested. The relatively high drawing rate is due, amongst other things, to the fact that, in line with the European Commission's recommendation, 10 EU countries reduced their loan requests by a total of approximately EUR 77 billion. Italy will utilise the largest share of the total allocation. Italy has retained its originally approved loan amount of EUR 122.6 billion and has so far drawn down EUR 105.3 billion of this. Spain has significantly reduced its original plan for drawing down loans (EUR 83.2 billion) to EUR 21.4 billion and has thus drawn down more than 80% of its allocation. Poland is also utilising a large amount of loans (EUR 29.4 billion, of which EUR 23.6 billion has been drawn down), although it also has reduced its original plan by approximately EUR 5 billion, as has Greece (EUR 11.7 billion out of an allocation of EUR 17.7 billion). Romania has also made a relatively significant reduction to its planned loan amount (by EUR 8.4 billion), having drawn down EUR 4.3 billion of its new allocation of EUR 6.5 billion. The Czech Republic reduced its original requested loan amount (EUR 0.4 billion) to EUR 260.2 million, of which it has so far received EUR 232.4 million. Investment in the Czech Republic has focused on the areas of digital transformation (EUR 95.5 million), achieving sustainable and inclusive growth (EUR 68.5 million), healthcare (EUR 47.7 million) and social and territorial cohesion (EUR 20.7 million).

In May 2025, Council Regulation (EU) No 2025/1106 was adopted, establishing a new instrument, **the Security Action for Europe (SAFE)[12]**, with a total planned allocation of EUR 150 billion. Its aim is to provide Member States with financial support in the form of loans[13], enabling them to carry out urgent and significant public investments in the European defence industry with a view to rapidly increasing its production capacity and improving the timely availability of defence products. 19 EU countries have expressed an interest in drawing down loans from this instrument; in September 2026, the new Hungarian government reduced its loan request from EUR 16.2 billion to EUR 5.4 billion, whilst Italy also scaled back its original plan (from EUR 14.9 billion to EUR 8 billion). Of the total framework of EUR 150 billion, EUR 128.7 billion is thus planned to be utilised[14], whilst a total of EUR 13.5 billion has already been paid out to 11 Member States as part of the 15% pre-financing. Under the distribution of this reduced total allocation, the largest shares will go to Poland (EUR 43.7 billion), Romania (EUR 16.7 billion) and France (EUR 15.1 billion). The Czech Republic has an approved loan of EUR 2.1 billion, having received the first pre-financing payment of EUR 309 million in October 2026. The Czech Government will use the loan to purchase Leopard 2A8 tanks and Tatra T-815 vehicles, and it will also finance the completion of the D11 motorway, which may be used for military purposes.

[10] The GMTN programme is a flexible legal and administrative framework which (following approval of the bond's base prospectus by the regulator) enables governments to issue bonds on international markets repeatedly and over time in a simplified manner.

[11] All milestones and targets relating to the implementation of reforms and investments must be met by 31 August 2026, payment requests submitted by 30 September 2026, and all payments made by 31 December 2026.

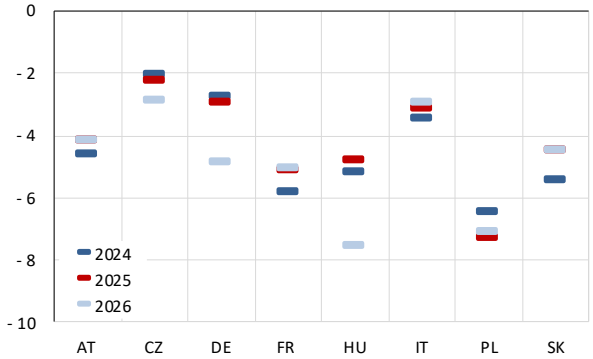
[12] This is one of the pillars of the European Commission's ReArm Europe/Readiness 2030 plan and the White Paper on the Future of European Defence, which provide a framework for the release of more than EUR 800 billion over four years for defence expenditure in EU countries.

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

[14] The EC plans to use the remaining approximately EUR 20 billion under the so-called second round of SAFE for joint defence projects with Ukraine.

Graph 3.1: Balance of Selected EU Countries

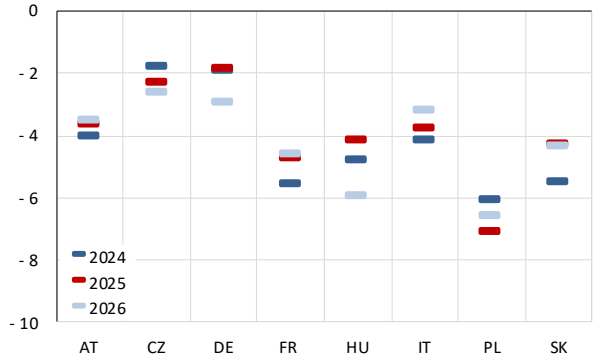
% of GDP



Source: Eurostat (2026b). CZ data: CZSO (2026a, 2026b) and MF CR.

Graph 3.2: Structural Balance of Selected EU Countries

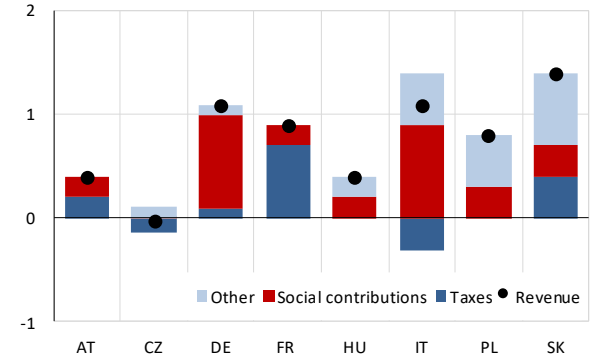
% of GDP



Source: EC (2026a). CZ data: CZSO (2026a, 2026b) and MF CR.

Graph 3.3: Change in Revenue in 2024–2025

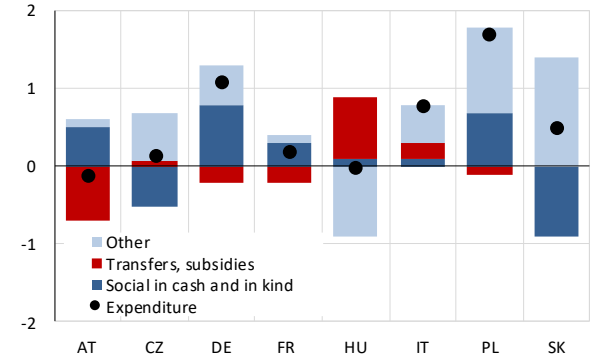
in pp



Source: Eurostat (2026a, 2026b). CZ data: CZSO (2026a, 2026b).

Graph 3.4: Change in Expenditure in 2024–2025

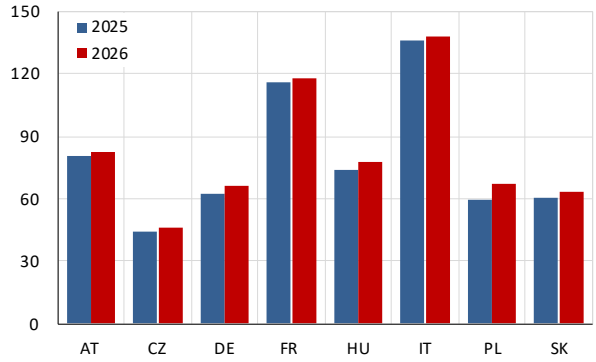
in pp



Source: Eurostat (2026a, 2026b). CZ data: CZSO (2026a, 2026b).

Graph 3.5: Debt of Selected EU Countries

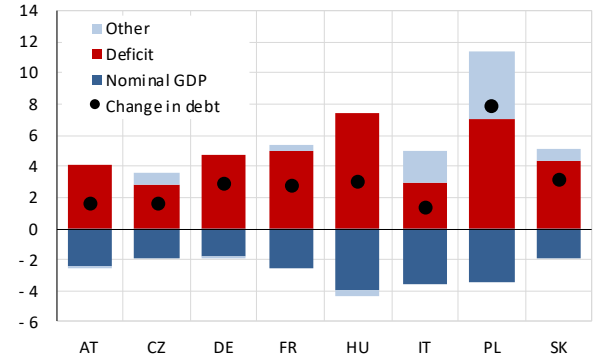
% of GDP



Source: Eurostat (2026b). CZ data: CZSO (2026a, 2026b) and MF CR.

Graph 3.6: Change in Debt-to-GDP ratio in 2025–2026

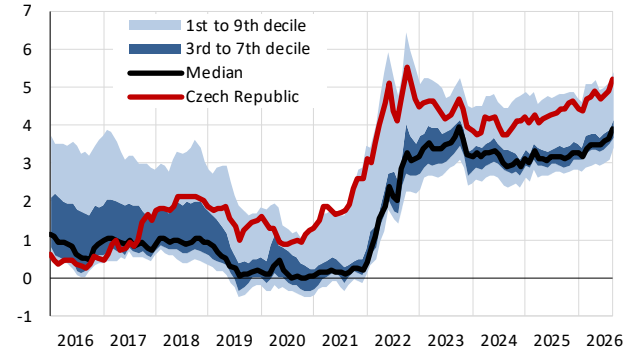
in pp



Source: Eurostat (2026b). CZ data: CZSO (2026a, 2026b) and MF CR.

Graph 3.7: Bond Yields in the CZ and EU Countries

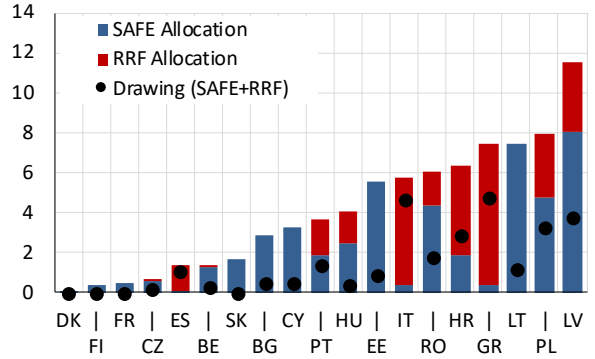
% p.a., government bond yields for convergence purposes



Source: ECB (2026).

Graph 3.8: SAFE & RRF Funds Allocation

% of GDP in 2025, allocation status and disbursement as of October 2026



Source: Eurostat (2026a); EC (2026c).

4 Long-term Sustainability of the Pension System

The long-term sustainability of public finances is significantly influenced by expected demographic trends. The ongoing ageing of the population will lead, over the coming decades, to an increase in the ratio of people of post-working age to the economically active part of the population, thereby placing pressure on public budgets, particularly on the pension system. However, reforms to the pension system have been adopted in recent years which substantially reduce the long-term fiscal costs of population ageing and contribute to improving the system's financial sustainability, particularly after 2040.

4.1 Development of Parametric Changes in the Pension System

Among the parameters of the pension system, **the statutory retirement age** deserves particular mention. With effect from 1 January 2025 (Act No. 417/2024 Coll.), the most recent change to date has been implemented, raising the retirement age. For those born in 1973, the retirement age will be standardised at 65 years and 8 months. Subsequently, the retirement age will rise until it gradually reaches 67 years for those born in 1989 and later. Nevertheless, the Ministry of Labour and Social Affairs remains mandated under Act No. 582/1991 Coll. to review the retirement age at regular five-year intervals and, where appropriate, to propose adjustments to its level so that insured persons spend, on average, a quarter of their lives in old-age retirement. If an insured person does not meet the standard condition regarding the required period of insurance, but has accumulated at least 15 years of insurance without substitute periods or 20 years including substitute periods, they become entitled to an old-age pension at an age two years higher than the retirement age of a man with the same year of birth (Act No. 417/2024 Coll.).

Changes to the statutory retirement age also affect the conditions for permanent **widows' and widowers' pensions**, for which the age limit is linked to old-age pensions. For **early** retirement **pensions,** the limit has been reduced to three years prior to the statutory retirement age. At the same time, the penalty for early retirement in the first two years has been tightened (the reduction has been standardised to 1.5% of the calculation base for every commenced 90 calendar days of early retirement) and the insurance period required for entitlement has been extended to 40 years (Act No. 270/2023 Coll.). For early pensions granted from 1 January 2026, where at least 45 years of insurance periods as defined by legislation have been accrued, a half-reduction applies in accordance with Act No. 417/2024 Coll., i.e. 0.75% of the calculation base for every commenced 90 calendar days of early retirement.

Pension indexation is determined by the sum of the increase in the cost-of-living index for pensioners and one-third of the increase in real wages (Act No. 270/2023 Coll.). It is carried out once a year on 1 January, except where inflation reaches at least 5% since the end of the previous reference period for indexation. On exceptional occasions, the earnings-related component is increased and a temporary allowance of a uniform amount is introduced; in both cases, these correspond to 30% of the price increase. The temporary allowance ceases from January of the following year, and the full price increase for the reference period is taken into account during the regular indexation. As part of the pension indexation process, a discretionary option has been in place with effect from 2017 (Act No. 212/2016 Coll.). If the increase in the average pension under statutory indexation falls short of 2.7%, the Government is authorised to adjust pensions by decree up to this level. In other cases, the statutory indexation formula is applied. There is a restriction on pension indexation in the case of early retirement pensions (Act No. 270/2023 Coll.). From the date on which an early retirement pension is granted until the normal retirement age is reached, the earnings-related components of these pensions are not indexed.

The pension reform (Act No. 417/2024) introduced a number of further changes, of which the adjustments to the calculation of newly awarded pensions (alongside the increase in the retirement age) strengthen the long-term sustainability of the pension system. The first change is a reduction in the rate at which income is taken into account up to the first reduction threshold, from 100% to 90% of the assessment base. The second change is a reduction in the accrual rate for each year of insurance from 1.5% to 1.45%. Both changes will be phased in gradually, with the target state to be reached in both cases by 2035.

4.2 Pension Projections

Eurostat's latest population projections (EUROPOP 2025) confirm the ongoing ageing of the Czech population. Overall, according to the current projection, the population of the Czech Republic is expected to fall from approximately 10.9 million in 2025 to 9.9 million in 2080, a decline of roughly 9.7%. At the same time, the proportion of older age groups will continue to rise. The dependency ratio, measured as the proportion of people

aged 65 and over relative to the population aged 20 to 64, is expected to rise from 35.7% in 2025 to 58.3% in 2080. This trend reflects both the decline in the working-age population and the continuing increase in life expectancy. The proportion of the oldest age groups will also increase significantly. The proportion of people aged 80 and over within the population aged 65 and over is projected to rise from 23.4% to 40.3%, reflecting further expected improvements in mortality rates and increases in life expectancy.

Compared with the previous projection (EUROPOP 2023), the new projections are characterised by a higher expected rate of demographic ageing. Whilst the previous projection assumed a dependency ratio of around 51.5% for 2070, the current projection estimates it at 54.5% for the same year, with a further increase to 58.3% by 2080 (Graph 4.1). Compared with earlier estimates, demographic pressures on the pension system therefore appear to be more pronounced, primarily as a result of less favourable trends in the working-age population.

The trend in long-term pension projections is primarily determined by demographic developments and the statutory retirement age. It follows that, relative to GDP, pension expenditure should, after an initial decline, stabilise at around 8% until the mid-2030s. Thereafter, the large cohorts born in the 1970s will begin to retire, leading to an increase in expenditure to almost 9.9% of GDP shortly before 2060. This is followed by a slight decline to 9.3% of GDP; however, this is limited by the halt to the increase in the state pension age (under current legislation) from 2056 onwards. The decline in expenditure is driven by demographic factors, as the smaller cohorts born in the 1990s and at the start of the millennium will retire and be replaced by larger cohorts. However, this effect is only temporary; from the mid-2070s onwards, expenditure will rise to as much as 9.6% of GDP by the end of the projection horizon in 2080 (Table 4.1)

The Czech Ministry of Finance's long-term projections are based on constant pension system revenue as a proportion of GDP, in line with a constant share of employee compensation in GDP and a constant contribution rate. Developments in recent years have been characterised by significant deficits in the pension system, which widened to 1% of GDP in 2023. With the situation stabilising from 2024 onwards – when the balance stood at −0.6% of GDP due to lower pension indexation and solid growth in pension insurance contributions – the deficit is expected to be gradually eliminated. We subsequently project a balanced position until the mid-2030s, after which it is expected to deteriorate due to demographic trends, reaching −1.8% of GDP around 2060 (Graph 4.2). Following a slight reduction, the deficit is expected to remain below 1.5% of GDP by the end of the projection horizon.

The projection results reflect measures previously adopted as part of the second phase of the pension reform (Act No. 417/2024 Coll.), which limit the rate of growth in expenditure. The largest savings stem from the adjustment of the mechanism for raising the retirement age to 67 by the mid-2050s (0.8% of GDP) and from changes to the calculation of newly awarded pensions (0.8% of GDP). At the same time, some measures are leading to a slight increase in pension expenditure, in particular the reduction in the penalty for early retirement for people with at least 45 years' insurance period (0.1% of GDP) and the increase in the minimum earnings-related component of the pension by linking it to 10% of the average wage (0.1% of GDP). The updated projection now reflects the reintroduction of a bonus in the form of a percentage increase in the pension paid for work carried out at retirement age, provided that the person in question is simultaneously receiving a full old-age pension (0.1% of GDP). The insurance contribution relief for working old-age pensioners, amounting to 6.5% of the assessment base, has been retained.

Compared with the EC's previous projections (2025), we currently expect a higher ratio of expenditure to GDP (Graph 4.3), by approximately 0.7 pp at its peak. The bulk of this difference is linked to updated demographic and macroeconomic assumptions (0.6 pp). The new population projections envisage a less favourable trend in the age structure of the population, whilst changes in the long-term macroeconomic assumptions are also reflected, particularly in the estimates of productivity growth and potential output. Approximately 0.2 pp of the difference attributable to the assumptions can be attributed to a methodological change in the estimate of total factor productivity growth, which leads to a lower GDP trajectory over the long term. By contrast, the impact of legislative changes adopted since the previous projection is limited (0.1 pp).

The assumptions underlying the baseline scenario are inevitably subject to a significant degree of uncertainty over a horizon spanning several decades. Future demographic, macroeconomic and legislative developments may deviate from the projected trajectory, which would in turn be reflected in a different assessment of the long-term sustainability of the pension system. To capture this uncertainty, alternative scenarios are also drawn up alongside the baseline scenario, illustrating the sensitivity of the results to changes in key assumptions.

An increase in the growth rate of total factor productivity by 0.13 pp over the entire projection horizon would lead to a reduction in the share of pension expenditure in GDP by approximately 0.2 pp, whilst a similar slowdown in productivity growth would increase this share by roughly the same amount (Graph 4.4).

Trends in mortality and fertility also play a significant role. Life expectancy at birth, which is projected to rise

gradually by two years over the projection horizon to 2080 compared with the baseline scenario, would lead to an increase in old-age pension expenditure of 0.6 pp as a result of a longer period of pension benefit receipt (Graph 4.5). A 20% decline in the fertility rate from 2034 onwards would further increase the share of pension expenditure in GDP by 1.1 pp (Graph 4.6). This scenario is also relevant in view of the fact that fertility has fallen more sharply in recent years than anticipated by the baseline demographic projection. At the same time, the current fertility rate reduces the number of pensioners, particularly in the very long term beyond 2080.

The level of the retirement age plays a significant role in the development of expenditure. A continued rise in the retirement age, in line with increasing life expectancy, would reduce the share of pension expenditure in GDP by up to 1.1 pp in the long term (Graph 4.7). Conversely, a hypothetical immediate halt to the rise in the retirement age and its freezing at the current levels of 64 years for men and 63 years for women would lead to a further increase in this share of up to 1.2 pp.

The final set of scenarios assesses the impacts of alternative developments in net migration. Whilst the baseline scenario assumes an average annual net migration of around 28,000 people over the long term, a net migration one-third higher over the entire projection horizon would lead to a reduction in the share of pension expenditure in GDP of approximately 0.2 pp (Graph 4.8). Conversely, a net migration balance one-third lower would increase this share by approximately the same amount.

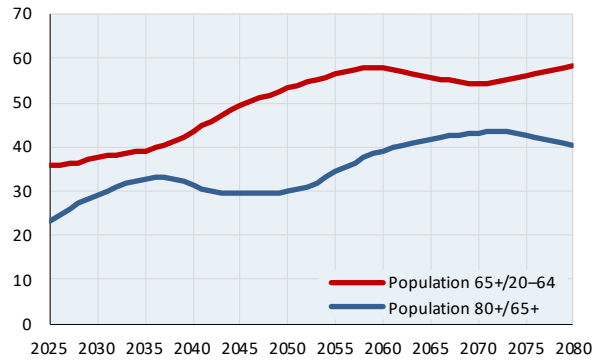
Table 4.1: Basic Demographic and Macroeconomic Assumptions and Pension Expenditure Projections

		2025	2030	2040	2050	2060	2070	2080
			Projection	*Projection*	*Projection*	*Projection*	*Projection*	*Projection*
Hourly labour productivity	*change in %*	0.5	1.4	1.6	1.6	1.3	1.3	1.4
Real GDP	*change in %*	2.6	1.0	1.2	0.8	1.1	1.2	0.9
Participation rate (aged 20–64)	*%*	85.3	85.0	85.0	86.5	86.6	86.1	86.2
Unemployment rate (aged 20–64)	*%*	2.6	2.7	3.4	2.6	3.4	3.5	3.1
Population aged 65+	*% of total population*	20.8	22.0	25.0	28.2	29.8	29.0	30.1
Total pensions	*% of GDP*	**8.0**	**7.9**	**8.6**	**9.5**	**9.9**	**9.3**	**9.6**
Old-age pensions	*% of GDP*	6.8	6.8	7.5	8.4	8.7	8.1	8.4
Disability pensions	*% of GDP*	0.8	0.7	0.6	0.6	0.6	0.7	0.7
Survivors' pensions	*% of GDP*	0.5	0.5	0.5	0.5	0.6	0.6	0.5

Note: The values in the table correspond to the assumptions of the long-term projections at the time of their preparation, i.e. at the beginning of 2025.
Source: EC (2026b), Eurostat (2025), MF CR calculations.

Graph 4.1: Dependency Ratio and 80+/65+ Ratio

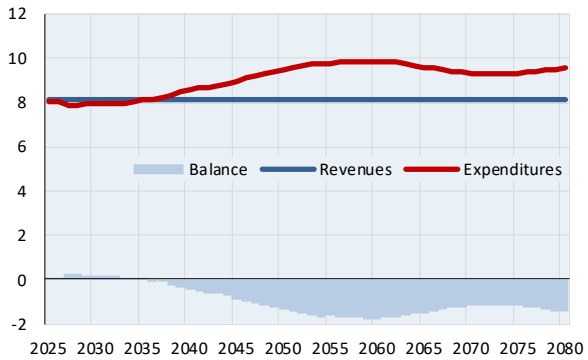
in %



Source: Eurostat (2025). MF CR adjustment.

Graph 4.2: Pension Revenue, Expenditure and Balance

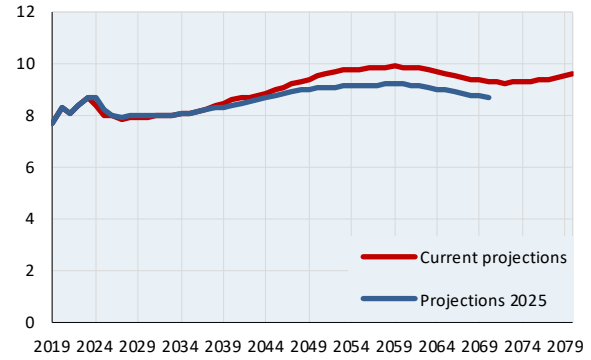
% of GDP



Source: MF CR calculations.

Graph 4.3: Previous and Current Expenditure Projections

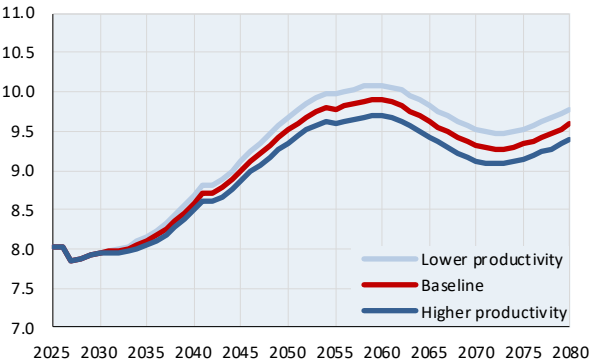
% of GDP



Source: MF CR calculations.

Graph 4.4: Alternative Productivity Scenarios

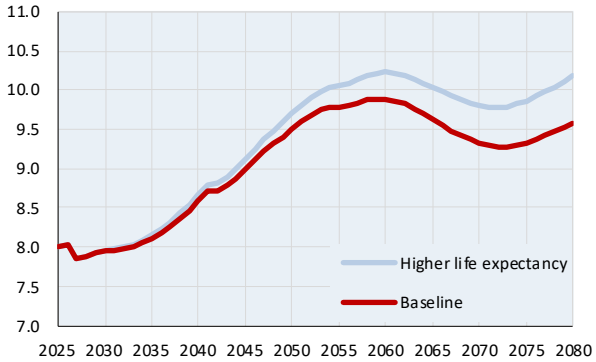
% of GDP



Source: MF CR calculations.

Graph 4.5: Alternative Life Expectancy Scenario

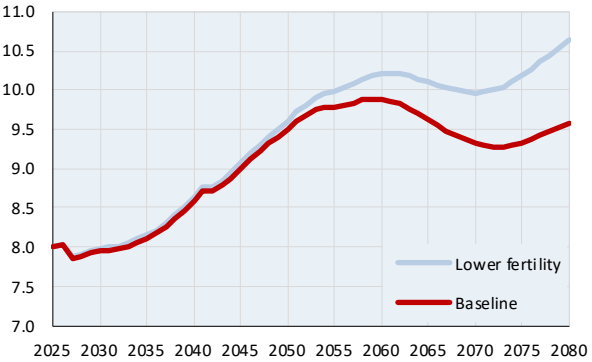
% of GDP



Source: MF CR calculations.

Graph 4.6: Alternative Fertility Rates Scenario

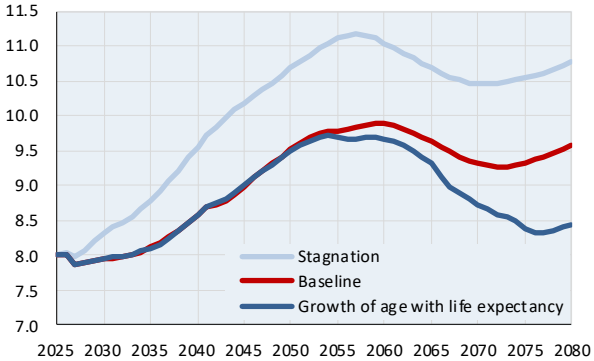
% of GDP



Source: MF CR calculations.

Graph 4.7: Alternative Retirement Age Scenarios

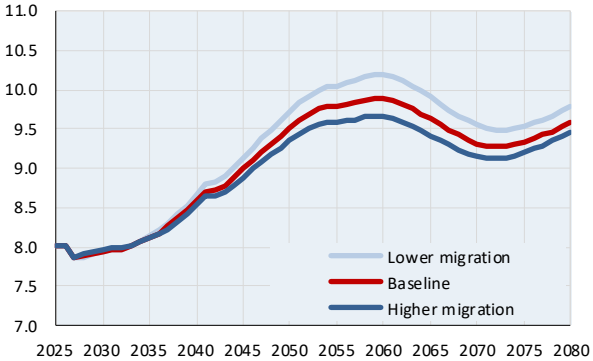
% of GDP



Source: MF CR calculations.

Graph 4.8: Alternative Migration Scenarios

% of GDP



Source: MF CR calculations.

5 Funding from the EEA and Norwegian Funds

In the Czech context, the EEA and Norwegian Funds represent a supplementary source of funding to standard funding from the EU's cohesion policy funds. Although their absolute volume is an order of magnitude lower than that of the EU Cohesion Funds (amounting to approximately 1% of the total volume of EU allocations for the Czech Republic), their economic relevance lies in their targeted focus on specific structural areas that are under-invested or require the transfer of international know-how. The emphasis is on partnership, innovation, systemic changes and support for a long-term sustainable economy.

Since the programme's launch in 2004, the Czech Republic has utilised funding totalling nearly EUR 400 million, which has been allocated to support more than 1,900 projects. The supported interventions have focused primarily on the areas of research, development and innovation as well as environmental sustainability, public health, social inclusion and cultural development. The projects implemented have contributed to strengthening the economy's long-term growth potential, improving the quality of public services and mitigating regional and social disparities (MF CR, 2026f).

Under the 2021–2028 programming period, the Czech Republic will receive a further allocation of EUR 202.1 million, which will provide scope for continued support for projects addressing key economic, social and environmental challenges.

From a macroeconomic perspective, given the average annual level of revenue from the EEA and Norwegian Funds, the funds received do not have the capacity to generate a counter-cyclical macroeconomic stimulus on a national scale. The significance of utilising the EEA and Norwegian Funds in this area lies primarily in their qualitative impact on selected sectors of the economy and in the creation of long-term multiplier effects, rather than in short-term macroeconomic stimulation. At the same time, due to the low level of co-financing from public sources, the EEA and Norwegian Funds can be regarded as a fiscally marginal instrument in the Czech Republic.

5.1 Institutional Framework and Implementation in the Czech Republic

The EEA and Norway Grants are financial mechanisms aimed at reducing economic and social disparities within the EEA and strengthening bilateral relations between donor states and beneficiaries through joint projects, the sharing of know-how and institutional cooperation.

The establishment of the EEA Financial Mechanism is linked to the functioning of the European Union's internal market and the implementation of the 1994 EEA Agreement. This Agreement enables the three states of the European Free Trade Association (EFTA) – Norway, Iceland and Liechtenstein – to participate in the EU's internal market, with the free movement of goods, persons, services and capital, without being full members of the EU. In return for access to this lucrative market, these three countries have undertaken to contribute to strengthening economic and social cohesion in Europe, thereby becoming donor states (FMO, 2026a).

Whilst the EEA Grants are jointly financed by all three donor states (with Norway's contribution accounting for approximately 95%, Iceland's for approximately 4% and Liechtenstein's for approximately 1%), the Norwegian Funds are financed exclusively by Norway and focus on specific priority areas derived from bilateral agreements (FMO, 2026b).

An eligible beneficiary is an EEA Member State that is among the less economically developed EU Member States and whose GNI per capita at purchasing power parity is less than 90% of the EU average. This criterion is assessed on a one-off basis for the entire multiannual programming period during the negotiation of a new financial mechanism between the donor states and the EU. In practice, these are countries drawing on EU funds under the Cohesion Policy, although the donors to the EEA and Norwegian Funds place greater emphasis on "good governance" (a functioning public administration that ensures programme management, control of funds and the prevention of fraud and corruption). Financial support is provided to 15 countries in Central, Eastern and Southern Europe.

The system for financing projects under the EEA and Norway Financial Mechanisms is based on the principle of shared financing, whereby the donor states cover the majority of the costs and the remainder is covered by the recipient state's national resources (from the state budget, the budgets of local and regional authorities, or the final beneficiaries' own resources).

The legal basis for mandatory national co-financing stems from Article 5(1) of Protocol 38d to the EEA Agreement (and similar provisions in previous protocols), which expressly stipulates that the EEA contribution must not exceed 85% of the total programme costs, unless the Financial Mechanism Committee decides otherwise (EFTA, 2026). This implies a statutory minimum level of national co-financing at programme level. As the EEA and Norway Financial Mechanisms have evolved, there has been a structural change in the setting of the national co-financing rate. Whilst in the 1st period (2004–2009) and the 2nd period (2009–2014) the co-financing rate was variable and

differed depending on the type of beneficiary, legal form and sector (ranging from 0 to 10% for selected non-governmental non-profit organisations or public institutions, whilst for other entities it was higher), in the third period (2014–2021) and the fourth period (2021–2028) there has been a stabilisation and full standardisation of the fixed rate of national co-financing at programme level at 15%.

In contrast to the 15% fixed national co-financing rate at programme level, the Regulation on the Implementation allows Programme Operator to adjust the grant rate for specific beneficiaries at project level. For example, for non-governmental non-profit organisations, the grant may amount to up to 90% or 100% of the project's eligible expenditure, with the remaining portion being covered by the state budget as part of national co-financing (FMO, 2026d). Conversely, for business entities subject to state aid rules, the grant intensity is significantly lower (e.g. 25–50%) in accordance with EU competition regulations (EFTA, 2026; EEA Greece, 2026).

Unlike EU funds, these mechanisms are not part of the European Union's budget, but are based on international agreements between donor states and the EU, or between individual donor states and recipient states. In order to draw down financial support, the beneficiary must conclude a Memorandum of Understanding (MoU) with the donors, which sets out the total allocation for the country in question, the thematic priorities and the institutional arrangements. Subsequently, Programme Agreements must be signed by both parties, which set out the specific programmes, their implementation and the institutions involved. The implementation structure for beneficiaries of the EEA and Norwegian Funds comprises the National Focal Point, the bodies managing the individual programmes (Programme Operators) and the control and audit mechanisms (Certifying and Audit Authorities).

The EEA and Norwegian Funds are governed, amongst other things, by rules laid down in the Regulations on the Implementation of the Financial Mechanisms. The legal nature of these rules is that of secondary normative acts under international law, which are adopted by the Financial Mechanism Committee for the EEA Funds and by the Norwegian Ministry of Foreign Affairs for the Norwegian Funds.

The implementing rules derive their legal binding force from primary international agreements, specifically Protocol 38d to the EEA Agreement and the related bilateral Memoranda of Understanding concluded between the donor states and the beneficiary state. In terms of the legal hierarchy, these Implementing Regulations are directly binding on all entities involved in the management, control, audit and implementation of programmes at national level.

In the Czech Republic, the main responsibility for the coordination, implementation and monitoring of these funds lies with the National Focal Point (NFP) through the International Relations Department of the Ministry of Finance of the Czech Republic, specifically the National Coordination of Financial Mechanisms Division. Funds from the donor states (Norway, Iceland and Liechtenstein) are channelled through the European Funds Department of the Ministry of Finance of the Czech Republic, which acts as the Certifying Authority and disburses the funds received from the EEA and Norwegian Funds.

The Czech Republic became a beneficiary of the EEA and Norwegian Funds in 2004, when it joined the European Union and, consequently, the European Economic Area. In terms of the volume of funds drawn down, it has long ranked fourth behind Poland, Romania and Bulgaria, and Hungary respectively (FMO, 2026c).

To date, three complete programming periods have been implemented in the Czech Republic, and the start of the fourth period was officially confirmed at the end of 2025. The rules governing the implementation of the EEA and Norwegian Funds are subject to a specific timeframe. In accordance with the Regulations on the Implementation of Financial Mechanisms, the standard duration of a programming period (e.g. 7 years) is effectively extended by the N+3 rule for project implementation and a further year for the administrative and financial closure of the entire period. Projects therefore continue for several years after the formal end of the nominal period.

In terms of integration into public budgets, the drawdown of these funds is subject to a pre-financing regime from the state budget, whilst subsequent reimbursement from the donor states takes place, with some exceptions, retrospectively on the basis of certified expenditure.

In terms of fiscal aggregates, EEA and Norwegian Fund resources were recorded as external transfers outside the EU budget framework, which distinguishes them from the predominant volume of funds flowing from the Structural Funds and the Cohesion Fund. On the government sector revenue side, these were transfers from abroad, whilst on the expenditure side they were reflected primarily in capital expenditure and intermediate consumption.

Box 1: Determination of the EEA and Norway Grants allocation for the Czech Republic for the period 2021–2028

The negotiation and legislative process establishing the financial envelope for the Czech Republic in the 2021–2028 programming period constitutes a multi-level process involving public international law and fiscal diplomacy. This process took place in a five-stage sequence:

1. The Framework Agreement and Protocol 38d to the EEA Agreement

The cornerstone of the legal framework is Protocol 38d to the EEA Agreement (approved by the Council of the EU in June 2024) and the related Agreement between the Kingdom of Norway and the European Union on the Norwegian Financial Mechanism for the period 2021–2028. Article 2 of Protocol 38d sets out the total financial commitment of the European Free Trade Association (EFTA) states at EUR 1.705 billion, supplemented by an additional allocation of EUR 100 million to address the challenges arising from the impact of the Russian invasion of Ukraine. The total combined volume of both financial mechanisms for the 15 beneficiary states amounts to EUR 3.268 billion.

2. Allocation key for beneficiary states

The total amount is distributed amongst the 15 EU Member States on the basis of the allocation key set out in Article 6 of Protocol 38d. This key reflects relative wealth (GNP per capita at purchasing power parity), population size and the extent of economic and social disparities within the EEA. Based on this calculation, the Czech Republic received a total national envelope exceeding EUR 202 million**.**

3. Identification of specific needs and conceptualisation in *the Blue Book*

The National Focal Point in the Czech Republic (Ministry of Finance) organised consultations on the draft public document, *the Blue Book,* with the aim of aligning national sectoral strategies (e.g. in the fields of the environment, healthcare, research and culture) with donor priorities.

4. Bilateral negotiations and the signing of Memoranda of Understanding

Pursuant to Article 9(5) of Protocol 38d, bilateral negotiations took place between representatives of the donor states (the Financial Mechanisms Committee / the Norwegian Ministry of Foreign Affairs) and the Czech Republic. The negotiations resulted in the signing of a Memorandum of Understanding on the implementation of the EEA Financial Mechanism and a Memorandum of Understanding on the implementation of the Norwegian Financial Mechanism (November 2025). These MoUs legally regulate the specific distribution of the national allocation amongst the six approved programmes and designate the programme operators.

5. Programme Agreements

The final step in the legislative process is the conclusion of Programme Agreements for each of the six approved programmes between the Financial Mechanism Committee (or the Norwegian Ministry of Foreign Affairs) and the National Focal Point (MF CR). The Programme Agreements set out binding indicators, detailed budgets and specific conditions for implementation.

Level of Agreement / Legal Act	Contracting Parties	Legal Basis / Article	Outcome for Czechia
Protocol 38d to the EEA Agreement	EFTA States & European Union	Articles 2, 6 and 7 of Protocol 38d	Establishment of the total EEA allocation and the allocation key for beneficiary countries.
Agreement on the Norwegian Financial Mechanism	Kingdom of Norway & EU	Bilateral EU–Norway Agreement	Determination of the allocation of the Norway Grants.
Memoranda of Understanding (MoU)	Donor States & the Czech Republic (MFCR)	Article 9(5) of Protocol 38d	Allocation of more than EUR 225 million across six programmes in Czechia.
Programme Agreements	FMC / NMFA & NFP (MFCR)	Article 2(c) of the MoU / Regulations	Operational approval of programme funding.

Source: EFTA (2026); Council of the EU (2024); MF CR (2026i); FMO (2025; 2026d).

5.2 First Programming Period (2004–2008)

The first programming period of the EEA Financial Mechanism and the Norwegian Funds (2004–2009, with drawdown continuing until approximately 2011) represented, in the context of the Czech Republic, a supplementary source of funding for public expenditure during the initial phase of its membership of the European Union. The allocation for the Czech Republic amounted to approximately EUR 105 million.

During this pioneering phase, the Czech Republic was learning to work with a new type of foreign aid and establishing a system of cooperation. It was forging contacts with donors, assessing the interests of the non-profit sector and identifying the needs of the public sector. This period was characterised by flexibility, a broader thematic focus of individual priorities and a tendency towards individual projects. Compared with later periods, the institutional framework for implementation was less stable, which was linked to the novelty of the mechanism and the simultaneous introduction of the EU Structural Funds. Implementation took the form of individual project grant applications (individual projects/programmes/block grants/technical assistance projects) submitted directly to the Financial Mechanisms Office in Brussels. This model proved to be very administratively demanding, which led to a reform of fund management in the subsequent period. Overall, the first period can be seen as important in terms of building administrative capacity and establishing management, control and audit processes.

The structural focus in the first period was less concentrated and more heterogeneous than in subsequent years. The allocated net amount of EUR 104.6 million was distributed amongst 133 individual projects (IPs), 5 programmes (PRGMs) and 6 so-called block grants or individual projects – Technical Assistance.

Funding totalling EUR 83.0 million (representing 79% of the allocation for the Czech Republic) was received for individual projects and programmes. The largest share of IPs/PRGMs was implemented under the priority areas of Preservation of European Cultural Heritage (approximately 51% of funds), Human Resources Development (22%), Health and Child Care (14%) and Environmental Protection (9%). Projects in the areas of Support for Sustainable Development, Implementation of the Schengen Acquis and Strengthening the Judiciary received the remaining approximately 4% of the allocation for IP/PRGM (MF CR, 2026g).

The remaining portion of the total allocation for the Czech Republic (EUR 21.6 million) was used for so-called "block grants" and individual technical assistance projects. Block grants refer to a larger grant awarded to a single institution, which then distributes smaller grants to final beneficiaries. Three funds were implemented as part of this initiative: a fund to support cooperation between schools and scholarships, a fund to support research, and a fund for non-profit organisations.

As with the subsequent period, the drawdown profile showed a delay relative to the formal programme framework, although this was less pronounced than in the case of EU funds. The peak in drawdown can be situated in 2007–2008, i.e. during a period of relatively high economic growth prior to the global financial crisis, with a partial overlap into the period of economic downturn in 2009.

The first programming period of the EEA and Norway Grants can be regarded as an institutionally and structurally important instrument, the main benefit of which lay in complementing the main streams of European funds and in gradually creating the conditions for a more effective use of funds in subsequent periods. In contrast to the second period, less emphasis was placed on the strategic concentration of interventions, which was reflected in a lower degree of thematic specialisation and greater difficulty in quantifying long-term macroeconomic impacts.

5.3 The Second Programming Period (2009–2014)

The second programming period for the EEA and Norway Grants was formally defined as 2009–2014; however, given the eligibility rules for expenditure and the N+3 implementation cycle, the actual implementation of projects and their financial settlement continued until 2017. The total allocation for the Czech Republic amounted to approximately EUR 131.8 million.

During this period, there was a fundamental systemic shift, namely a transition from the individual approval of projects to the so-called programme-based approach. Instead of individual projects being approved in Brussels, comprehensive thematic programmes managed by national institutions (Programme Operators) were defined. The institutional framework for implementation was highly centralised (National Focal Point, Certifying and Audit Authorities) whilst also featuring a strong element of bilateral cooperation with donor states. This model led to a relatively low error rate and a limited risk of financial corrections, which increased the efficiency of fund utilisation compared with some EU cohesion policy programmes.

Support was concentrated in 15 thematic programmes. Special programmes were established for non-profit organisations, scientific and research bodies, and educational institutions. There was a significant strengthening of support in the areas of environmental protection (biodiversity, monitoring, adaptation), public

health (psychiatric care, disease prevention) and cooperation within the Schengen Area (modernisation of the police and the judiciary). For the first time, a dedicated Bilateral Fund was also established at national level, which systematically funded study visits, placements and joint workshops between Czech and donor institutions.

The programmes were assigned a specific code and their names described their focus on a particular area (individual allocations for the programmes are set out in the attached table Allocations and drawdown of EEA and Norwegian Funds, 2nd period (2009–2014)):

- Programme **CZ01 Technical Assistance and the Fund for Bilateral Cooperation at National Level** was divided into two parts. Funds for Technical Assistance were drawn down exclusively by the National Focal Point for the management of the EEA and Norwegian Funds in the Czech Republic. The Fund for Bilateral Cooperation supported the development of relations between the Czech Republic and the donor states by financing preparatory, accompanying and information activities aimed at future cooperation.
- The activities supported under Programme **CZ02 Biodiversity and Ecosystem Services & Environmental Monitoring and Integrated Planning Control & Adaptation to Climate Change** included research and monitoring of biodiversity, measures to mitigate landscape fragmentation, raising public awareness, and projects focused on adaptation to climate change. In addition to direct environmental benefits, the programme's results also had an impact on public policy-making and the regulatory framework, particularly in the areas of ecosystem conservation and sustainable landscape management. The main objective was to contribute to halting biodiversity loss and improving the state of ecosystems in the Czech Republic.
- **CZ03 Programme for Non-Governmental Non-Profit Organisations** focused on promoting democracy, human rights and gender equality, and on strengthening the capacities of non-governmental non-profit organisations, as well as on the specific needs of minority groups, including the Roma, and on environmental protection and climate change.
- Programme **CZ04: Children and Youth at Risk** aimed to improve the quality of care for vulnerable children and to support its gradual deinstitutionalisation. It focused on systemic changes, including the harmonisation of legislation, the transformation of residential care into community-based and preventive services, and greater involvement of children in decision-making. At the same time, it supported cooperation between central government, local authorities and the non-profit sector.
- Programme **CZ05: National, Regional and Local Initiatives to Reduce Inequalities between Groups and Promote Social Inclusion** focused on strengthening tolerance, preventing racism and extremism, and improving coexistence between groups, particularly amongst young people. The aim of the programme was to strengthen social cohesion, support inclusion and reduce manifestations of intolerance in society through awareness-raising, educational and community initiatives.
- The **CZ06 Cultural Heritage and Contemporary Art** programme had two main areas:
    - The preservation and revitalisation of cultural and natural heritage, focusing on the protection, restoration and presentation of monuments through conservation and technical interventions.
    - Promoting diversity in culture and the arts, which fostered cultural diversity and intercultural dialogue by supporting projects in the fields of theatre, dance, music, visual arts and film.
- **CZ07 Scholarship Programme** was aimed at supporting cooperation between Czech schools and institutions in donor countries, developing the mobility of students, teachers and academic staff (study visits and placements), improving the quality of education through the sharing of good practice and innovation, promoting inclusion and equal access to education, including the involvement of disadvantaged groups, and strengthening the institutional capacity of schools and educational organisations.
- The **CZ08** Programme **Pilot Studies and Surveys on CCS Technology** supported three research projects (Study of Pilot CCS Technologies for Coal-Fired Power Stations in the Czech Republic; Preparation of a Pilot Research Project on Geological CO_2 Storage in the Czech Republic (REPP-CO_2); Project: Research into High-Temperature CO_2 Sorption from Flue Gas Using a Carbonate Loop (HITECARLO)) and, through a fourth project (CO_2 Capture and Storage – Sharing Knowledge and Experience), which focused on sharing knowledge and experience in this field and communicating the issues to both experts and the general public, it

contributed to a general increase in awareness of these issues.

- The aim of **the CZ09 Czech-Norwegian Research Programme** was to enhance scientific and research cooperation between Czech and Norwegian entities in selected areas and to provide financial support for the generation of new scientific knowledge and high-quality results through bilateral scientific and research projects in basic and applied research and experimental development.
- Under the **CZ10** programme, **Capacity Building and Institutional Cooperation between Beneficiary State and Norwegian Public Institutions, Local and Regional Authorities,** a pre-defined project focused on Strengthening systems to combat corruption and money laundering in the Czech Republic was implemented. The main activities comprised specialist training and the exchange of experience and know-how at both national and international levels, including the sharing of international insights and methods for combating these criminal activities.
- The **CZ11 Public Health Initiatives** programme comprised two programme areas – psychiatric care and child care. Support was provided to hospitals and treatment centres to help them introduce comprehensive care and prepare patients for a return to normal life. Support was also provided to non-profit organisations offering follow-up care and helping to reduce the stigma surrounding people with mental health issues. Projects focusing on the prevention of accidents among young children, the prevention of the consequences of illness, and the care of children with rare diseases were also supported.
- The programme **CZ12 LET´S GIVE (WO)MEN A CHANCE (Mainstreaming Gender Equality and Promoting Work-Life Balance & Domestic and Gender-based Violence)** supported specific projects and services aimed at equal opportunities for women and men, work-life balance, and the prevention of domestic and gender-based violence.
- The programme **CZ13 Domestic and gender-based violence & mainstreaming gender equality and promoting work-life balance** supported systemic measures, research and the development of public policies in the field of gender equality and the prevention of domestic and gender-based violence.
- The programme **CZ14 Schengen Cooperation and Combatting Cross-Border and Organised Crime, including Trafficking and Itinerant Criminal Groups**, comprised six pre-defined projects (PDPs): Schengen cooperation and combating cross-border crime; Establishment of the National Control Authority (NKA); Strengthening the automated e-Passport control system at international airports (e-Gate); Implementation of the Czech Republic Police's geographic information system in frontline operations; Provision of a unified platform for data extraction from the Czech Republic Police's information systems; Deployment of police specialists in policing work relating to the Roma minority in socially excluded localities.
- The programme **CZ15 Judicial Capacity-building Cooperation / Correctional Services, including Non-custodial sanctions,** supported capacity building and cooperation within the judiciary and the development of correctional services, including alternative sentences, with the aim of enhancing the efficiency and fairness of the judicial system.

The programme **CZ22 Global Fund for Decent Work and Tripartite Dialogue,** which was facilitated by the Norwegian institution Innovation Norway, held a specific position. This programme forms part of a system established through agreements between Norway and the EU, which imposes an obligation on all countries receiving funding from the Norwegian Funds (in the Czech Republic during the second or third programming period) to allocate 1% of the funds to this area.

The financial peak in drawdown (the final phase of utilising the allocations) occurred between 2014 and 2016, when the Czech economy was already experiencing strong growth (GDP growth reached 5.3% in 2015). During this period, the drawdown of EEA and Norway Grants coincided with the peak of the 2007–2013 EU Cohesion Funds programming period.

5.4 The Third Programming Period (2014–2021)

The third programming period had a total allocation for the Czech Republic of EUR 184.5 million. Memoranda of Understanding were signed in the autumn of 2017, thereby launching the substantive approval process for the individual programmes. The eligibility period for expenditure was extended in accordance with the rules, and the actual drawdown of funds was concluded on 30 April 2024.

Compared with the second period, there were significant structural shifts. The role of innovation

programmes, applied research, the digitalisation of the justice system, and systemic changes in the field of mental health and human rights was strengthened. The programmes placed greater emphasis on a stronger strategic focus and the promotion of soft skills. Emphasis was placed on long-term impact, bilateral cooperation and the creation of social value.

This period also saw the introduction of a mandatory management standard focused on measurable outputs and impacts (known as Results-Based Management). The programme frameworks were drawn up in accordance with this principle so as to correspond with the objectives set out in the Blue Book. This key strategic document for the EEA and Norway Grants defines the framework, priorities and focus for the given programming period (FMO, 2025).

The total allocation for the programmes was calculated to include 15% national co-financing. The transition to a fixed 15% co-financing rate was influenced, on the one hand, by harmonisation with EU standards (Regulation on Common Provisions (EU) 2021/1060), whereby the EU systematically tightened the co-financing rules for the Cohesion Funds within its Multiannual Financial Frameworks, and partly by the aim to reduce the administrative burden and increase legal certainty by establishing a clear and predictable calculation formula for financial planning.

During this period, programme codes were not numbered but were designated by their main focus. The individual allocations originally set for each programme are shown in the attached table: Allocations and Take-up of EEA and Norwegian Funds, 3rd Period (2014–2021). The total net allocation for this period comprised not only the allocations for the programmes in question, but also allocations for external programmes and the so-called reserve. The reserve was utilised during the period to increase programme allocations.

- The **CZ-HEALTH – Health** programme focused on three areas of health: promoting mental health and preventing mental illness in children; preventing communicable and non-communicable diseases; and strengthening the role of patients and patient organisations.
- The **CZ-CULTURE – Culture** programme supported projects in the following areas: contemporary art; professional cultural and artistic criticism; building and strengthening the capacities of arts associations, networks and platforms; the revitalisation of movable and immovable cultural heritage; the innovative use of cultural heritage; and Lety u Písku. Memorial to the Holocaust of Roma and Sinti in Bohemia.
- Under the **CZ-GOVERNANCE** programme **– Good Governance,** five pre-defined projects were approved: Intensifying the fight against corruption by raising awareness in the public sector, with a focus on judges, law enforcement agencies and public administration; Evaluation of public administration performance in the Czech Republic and recommendations for future strategic development from an OECD perspective; Enhancing the professional competencies of law enforcement agencies in the fight against corruption, money laundering and the financing of terrorism, Strengthening the management and control of public finances, and Improving conditions for decentralisation and the accessibility of public administration across the country. At the same time, a small-scale grant scheme was launched aimed at supporting citizens' participation in decision-making processes and public consultations.
- The **CZ-HUMANRIGHTS** Programme **– Human Rights, Roma Inclusion and Domestic and Gender-Based Violence** focused on three areas: Human Rights – implementation in individual countries; Roma Inclusion and Empowerment; and Domestic and Gender-Based Violence.
- The **CZ-JUSTICE** Programme **– Justice** supported systemic measures in the areas of penitentiary[15] and post-penitentiary care, with the aim of reducing drug use in the long-term, increasing motivation for change, supporting reintegration activities and enhancing the professional qualifications of prisoners whilst serving their sentences.
- The **CZ-EDUCATION – Education** programme offered four types of activities for the implementation of projects: institutional cooperation projects, mobility projects, vocational education projects and projects supporting inclusive education.
- The **CZ-ENVIRONMENT – Environment, Ecosystems and Climate Change** programme focused on improving the environmental situation in ecosystems and reducing the adverse effects of pollution and other human activities.
- The **CZ-HOMEAFFAIRS** programme **– Home Affairs** comprised four pre-defined projects: Enhancing police capabilities in crime prevention and combating crime, strengthening communication skills with the public and raising awareness of human rights; Modernisation of the training centre in Kutná Hora; Improving the usability of data within the police

[15] Penitentiary care refers to the specialist care, education and support provided to prisoners with the aim of re-educating the convicted person for their return to society.

information system; Cooperation between the State Police, international bodies and local government authorities; and a small grants scheme to strengthen national and bilateral cooperation in the fight against hate crime, disinformation and hybrid threats.

- **The Bilateral Fund – CZ-BF** once again focused on strengthening bilateral relations, cooperation and mutual understanding between the Czech Republic and the donor states.
- The **Technical Assistance** Programme – **CZ-TA** was designed to support management, administration, monitoring and control in the use of the EEA and Norwegian Funds.

In addition to these programmes, two programmes outside the national framework were implemented during this period. These were **the Civil Society Fund**, which aims to strengthen democracy, human rights and the rule of law across Europe. This programme, financed from the EEA and Norway Grants, is managed by a consortium comprising the OSF Foundation and the Committee of Good Will – Olga Havel Foundation (VDV, 2026). Under the Memorandum of Understanding on the implementation of the EEA Financial Mechanism for the period 2014–2021 between the Republic of Iceland, the Principality of Liechtenstein, the Kingdom of Norway and the Czech Republic, 10% of EUR 95.5 billion was allocated to this fund. At the same time, Innovation Norway, acting as an intermediary for certain countries including the Czech Republic, launched a new call for grant applications under **the Programme to Support Decent Work and Tripartite Dialogue**. The programme supported social dialogue and contributed to capacity building and raising awareness of working practices relating to decent work and facilitating access to employment (MF CR, 2026h). Under the Memorandum of Understanding on the implementation of the Norwegian Financial Mechanism for the period 2014–2021 between the Kingdom of Norway and the Czech Republic, 1% of the total amount of EUR 89 billion was allocated to this programme.

The third programming period took place against a backdrop of considerable macroeconomic volatility. The start of implementation coincided with a period of a positive output gap and labour shortages in the labour market. The outbreak of the COVID-19 pandemic in 2020 led to a 5.6% fall in real GDP. The government sector responded with an expansionary fiscal policy. During this phase, the EEA and Norway Grants supported specific projects in the health sector (particularly in the areas of prevention and mental health, which were severely affected by the pandemic) and the digitalisation of public administration.

5.5 The Fourth Programming Period (2021–2028)

The fourth programming period of the EEA and Norway Grants for 2021–2028 was officially launched in the Czech Republic with the signing of the Memoranda of Understanding between the Czech Republic and the donor states – namely Norway, Iceland and Liechtenstein – on 4 November 2025. During this period, the Czech Republic will receive funding totalling approximately EUR 202.1 million. The new period reflects current European priorities, in particular support for the green transition, strengthening democratic institutions, increasing societal resilience, promoting social inclusion and developing international cooperation. Once again, the allocation provides for 15% national co-financing (excluding Technical Assistance and the Fund for Bilateral Relations, which are fully financed by the Funds).

Programmes are currently being prepared, with Programme Agreements due to be signed by November 2026. The first calls for proposals are expected to be launched at the turn of 2026 and 2027, whilst the implementation of the projects themselves will continue until the end of April 2031.

Support will be delivered through several thematically focused programmes (the individual allocations for these programmes are set out in the attached table Allocations and drawdown of EEA and Norwegian Funds, 4th period (2021–2028)):

- The **CZ-GREEN – Green Transition** programme focuses on supporting measures that contribute to environmental protection and the mitigation of the impacts of climate change. Support will be provided in particular for activities leading to the improvement of ecosystems and biodiversity, the sustainable management of natural resources, the strengthening of the landscape's capacity to adapt to climate change, and the reduction of environmental risks. At the same time, the programme supports the development of innovative solutions in the field of the circular economy and the efficient use of resources.
- The aim of the **CZ-RESEARCH – Research and Innovation** programme is to strengthen the Czech Republic's research and innovation capacity by supporting international cooperation between research institutions, universities and other research organisations. The programme will support applied research, the transfer of knowledge into practice and the development of research partnerships between

Czech and donor institutions. Emphasis will be placed on establishing long-term professional links and sharing know-how.

- The **CZ-HEALTH – Public Health** programme will focus on improving the accessibility and quality of healthcare services, disease prevention and the promotion of mental health. Funding will be provided for projects aimed at strengthening the capacity of the healthcare system, modernising the services provided and introducing innovative approaches to healthcare. The programme will also include measures to address new health and social challenges.
- The **CZ-EDUCATION** Programme **– Education** is dedicated to the development of a high-quality, inclusive and modern education system. It focuses on strengthening teaching competences, improving the quality of teacher training, the professional development of teaching staff and the promotion of civic education. A key part of the programme is cooperation with educational institutions in donor countries, which contributes to the transfer of experience and best practice.
- The **CZ-CULTURE – Culture** programme builds on long-term support for the protection, restoration and accessibility of cultural heritage. Support will be provided for projects aimed at the restoration of cultural monuments, the development of cultural and creative sectors, the protection of cultural values and improving public access to cultural assets. The programme will also include the development of international cultural cooperation between the Czech Republic and donor countries.
- The **CZ-ROMA** – **Inclusion and Empowerment of the Roma** programme will support the social inclusion of Roma communities and the reduction of inequalities. Funded activities will aim to improve access to education, employment, healthcare and other public services, as well as to strengthen the participation of Roma communities in public life.
- **The Bilateral Fund – CZ-BF** focuses on strengthening and developing cooperation between organisations from the Czech Republic and the donor states. The Fund supports the establishment of new partnerships, the exchange of experience, professional placements, conferences and other activities contributing to the development of long-term bilateral relations.
- **Technical Assistance – CZ-TA** is intended for the organisation of the EEA and Norway Grants in the Czech Republic.

In addition to the programme areas mentioned above, part of the funds will be earmarked for addressing challenges related to the impact of Russian aggression against Ukraine. Funding will be provided primarily for activities supporting the integration of people fleeing the war, strengthening the capacity of public institutions, and other measures responding to the associated social and economic impacts.

5.6 Conclusion

The EEA and Norwegian Funds represent a specific and long-term stable element within the Czech Republic's system of foreign financial assistance. From the Czech Republic's accession to the European Economic Area in 2004 until the end of the fourth programming period in 2031, a total of over EUR 623 million will have been allocated. The volume of funds provided in each period has gradually increased, from an initial figure of approximately EUR 105 million in the first period, through EUR 131.8 million in the second and EUR 184.5 million in the third period, to the approved allocation of EUR 202.1 million for the period 2021–2028.

Over more than two decades of operation, the management system has undergone a significant institutional transformation. The originally administratively burdensome model of approving individual projects in Brussels has been replaced by a fully standardised programme-based approach managed by national intermediaries under the coordination of the MF CR. In addition to their direct financial contribution, the funds also fulfil their second key role, which is the systematic strengthening of bilateral cooperation, the exchange of know-how and the building of long-term partnerships between Czech entities and institutions from Norway, Iceland and Liechtenstein.

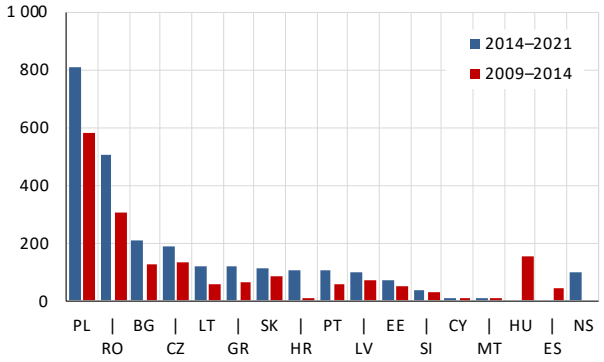
The forthcoming implementation of the fourth programming period, extending until April 2031, builds on existing priority areas such as the green transition, research, public health, education, culture and Roma inclusion. It supplements these with a response to current challenges, particularly in the form of measures to address the impacts of Russian aggression against Ukraine and to support democratic institutions and societal resilience.

From a macroeconomic and fiscal perspective, given the low average annual take-up rate and the maximum 15%

national co-financing, these funds remain a marginal instrument that lacks the capacity to generate a broad-based counter-cyclical stimulus. Their main benefit is primarily qualitative and lies in their targeted focus on specific areas that are often underfunded by standard public budgets or EU Cohesion Funds. In contrast to other countries which, at various times, have focused more narrowly on just a few areas of intervention – for example, Poland, whose main priorities in previous periods were the decarbonisation of the energy sector and institutional reforms of the judiciary (EFTA, 2026), or the Baltic states, which used the funds they received primarily for calls related to the digitalisation of public administration, cyber security and green innovation in industry (FMO, 2026e), the Czech Republic supports projects across a broader range of focus areas. Significant results have been achieved through support for systemic changes in mental health care, the protection of vulnerable children, the social inclusion of minorities, the revitalisation of cultural heritage, applied research, and capacity-building in the fields of judiciary and environmental protection. Notable projects implemented under the EEA and Norwegian Funds that have received media attention include, for example, the opening of the Roma Holocaust Memorial in Lety near Písek, the revitalisation of the Kuks Baroque complex, the restoration of the Rotunda of St Wenceslas in Prague, a project by the Czech Geological Survey focusing on carbon capture and storage (CCS) technology, and research by the Biology Centre of the Czech Academy of Sciences aimed at ensuring the stability of drinking water supplies in the context of climate change.

Graph 5.1: EEA and Norway Grants During 2009–2021 Period

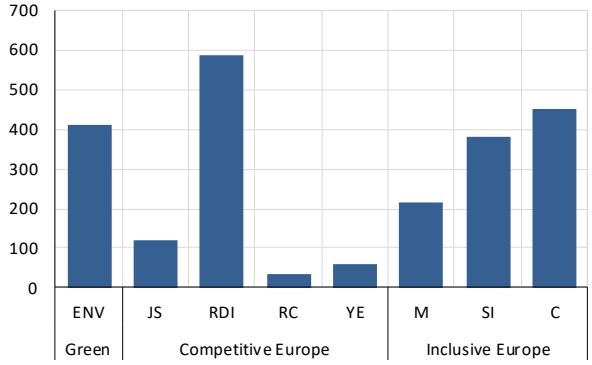
mil. EUR



Note: NS: not specified for the given country
Source: FMO (2026c).

Graph 5.2: Allocation of EEA and Norway Grants Funding by Sector Across All Beneficiary Countries

mil. EUR



Note: ENV: Environment, Energy, Climate Change and Low-Carbon Economy; JS: Justice, Security and Crime Prevention; RDI: Research, Development and Innovation, Education and Competitiveness; RC: Regional Cooperation; YE: Youth Employment Support; M: Migration, Correctional Services and Violence Prevention; SI: Social Inclusion, Youth Employment and Poverty Reduction; C: Culture, Civil Society and Governance.
Source: FMO (2026c).

Table 5.1: Allocation and Utilization of EEA and Norway Grants – 2nd Period (2009–2014)

mil. EUR

Programme Code	Programme Name	Allocation – FM Grant Share	Allocation – National Co-financing	Expenditure Incurred	Absorption Rate (% of Allocation)
CZ01	Technical Assistance and the Fund for Bilateral Cooperation at the National Level	2.9	0.0	2.5	86.9
CZ02	Biodiversity and Ecosystem Services / Monitoring and Integrated Planning and Control in the Environment / Climate Change Adaptation	18.4	0.0	16.9	91.9
CZ03	NGO Programme	11.4	0.0	10.6	93.1
CZ04	Children and Youth at Risk	2.7	0.0	2.0	74.7
CZ05	National, Regional and Local Initiatives to Reduce Inequalities and Promote Social Inclusion	1.2	0.0	1.0	78.7
CZ06	Cultural Heritage and Contemporary Arts	21.5	0.0	20.8	97.0
CZ07	Programme for School Cooperation and Scholarships	3.8	0.5*	3.5	80.9
CZ08	Pilot Studies and Technology Surveys for Carbon Capture and Storage (CCS)	5.0	0.0	4.6	91.9
CZ09	Czech-Norwegian Research Programme	14.5	2.6†	15.5	90.7
CZ10	Capacity Building and Institutional Cooperation with Norwegian Public Institutions and Local and Regional Authorities	1.8	0.0	0.9	49.7
CZ11	Public Health Initiatives	19.2	0.0	17.7	92.3
CZ12	Gender Equality and Work-Life Balance / Domestic and Gender-based Violence	6.7	0.0	6.3	93.5
CZ13	Domestic and Gender-based Violence / Gender Equality and Work-Life Balance	0.8	0.0	0.4	45.9
CZ14	Schengen Cooperation and Combating Cross-border and Organised Crime, Including Trafficking in Human Beings and Itinerant Criminal Groups	6.3	0.0	5.9	93.5
CZ15	Capacity Building and Cooperation in the Judiciary / Correctional Services, Including Non-custodial Sanctions	4.9	0.0	4.5	90.4
TOTAL		**121.2**	**0.0**	**113.0**	**93.2**

*Note: * estimate based on an average co-financing rate of 10.5214%; † (estimate based on an average co-financing rate of 15%)*
Source: MF CR.

Table 5.2: Allocation and Utilization of EEA and Norway Grants – 3rd Period (2014–2021)

mil. EUR

Programme Code	Programme Name	Allocation – FM Grant Share	Allocation – National Co-financing	Expenditure Incurred	Absorption Rate (% of Allocation)
CZ-TA	Technical Assistance	2.8	0.0	2.4	86.8
CZ-BF	Fund for Bilateral Relations	6.3	0.0	5.4	86.9
CZ-HEALTH	Health	14.3	2.5	16.0	95.6
CZ-CULTURE	Culture	29.8	5.3	33.6	96.1
CZ-GOVERNANCE	Good Governance	4.5	0.8	5.2	97.2
CZ-HUMANRIGHTS	Human Rights, Roma Inclusion and Domestic and Gender-based Violence	17.9	3.2	20.4	96.6
CZ-JUSTICE	Justice	5.9	1.0	6.5	94.1
CZ-RESEARCH	Research	29.9	5.3	34.1	97.0
CZ-EDUCATION	Education	6.5	1.1	7.2	94.7
CZ-ENVIRONMENT	Environment, Ecosystems and Climate Change	31.7	5.6	33.5	89.8
CZ-HOMEAFFAIRS	Home Affairs	5.0	0.9	5.9	99.8
TOTAL		**154.5**	**25.7**	**170.3**	**94.5**

Source: MF CR.

Table 5.3: Allocation and Utilization of EEA and Norway Grants – 4th Period (2021–2028)

mil. EUR

Programme Code	Programme Name	Allocation – FM Grant Share	Allocation – National Co-financing	Expenditure Incurred	Absorption Rate (% of Allocation)
CZ-TA	Technical Assistance	3.0	0.0	0.0	0.0
CZ-BF	Bilateral Fund	4.8	0.0	0.0	0.0
CZ-HEALTH	Public Health	25.0	4.4	0.0	0.0
CZ-CULTURE	Culture	45.0	7.9	0.0	0.0
CZ-ROMA	Roma Inclusion and Empowerment	15.0	2.6	0.0	0.0
CZ-RESEARCH	Research and Innovation	43.0	7.6	0.0	0.0
CZ-EDUCATION	Education	20.5	3.6	0.0	0.0
CZ-GREEN	Green Transition	30.0	5.3	0.0	0.0
TOTAL		**186.4**	**31.5**	**0.0**	**0.0**

Source: MF CR.

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A Annex of Tables

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

Table A.1: General Government Revenue

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total revenue	*CZK bn*	**1 940**	**2 068**	**2 245**	**2 394**	**2 366**	**2 528**	**2 833**	**3 086**	**3 322**	**3 527**
	% growth	1.6	6.6	8.6	6.6	-1.2	6.8	12.1	8.9	7.6	6.2
Current taxes on inc., wealth, etc.	*CZK bn*	385	416	458	491	485	469	538	612	685	727
	% growth	8.8	8.0	10.1	7.0	-1.0	-3.5	14.9	13.7	12.0	6.0
Social contributions [1)]	*CZK bn*	703	760	834	895	909	1 013	1 087	1 173	1 274	1 354
	% growth	6.1	8.0	9.8	7.3	1.6	11.4	7.3	7.9	8.7	6.3
Taxes on production and imports [2)]	*CZK bn*	587	626	647	688	651	705	783	829	880	924
	% growth	4.4	6.7	3.4	6.3	-5.3	8.2	11.1	5.8	6.2	5.0
Capital taxes [3)]	*CZK bn*	0	0	0	0	0	0	0	0	0	0
	% growth	54.5	70.6	-24.1	-45.5	191.7	-40.0	19.0	-8.0	4.3	33.3
Property income	*CZK bn*	37	30	35	32	34	36	76	96	85	80
	% growth	0.8	-17.9	14.3	-7.5	5.6	5.0	112.8	26.1	-11.4	-6.1
Interest	*CZK bn*	6	5	8	11	10	8	42	57	54	43
	% growth	-7.9	-19.7	66.7	40.4	-16.5	-13.9	410.2	35.0	-4.8	-21.2
Other property income	*CZK bn*	31	26	27	21	24	28	34	39	31	37
	% growth	2.7	-17.6	4.3	-22.2	17.8	12.4	23.6	15.0	-20.9	20.3
Sales [4)]	*CZK bn*	157	162	174	186	181	194	221	241	254	278
	% growth	1.9	3.4	7.1	7.1	-2.6	6.8	14.1	9.2	5.1	9.6
Other current transfers and subs.	*CZK bn*	40	40	51	53	51	56	62	66	72	79
	% growth	-18.5	1.5	25.9	4.9	-3.6	8.6	11.1	6.1	10.0	8.8
Investment grants	*CZK bn*	23	26	42	44	49	50	60	63	64	78
	% growth	-72.1	15.4	60.4	5.2	10.4	3.8	18.0	6.4	0.7	22.6
Other capital transfers	*CZK bn*	8	6	4	5	5	5	6	7	7	7
	% growth	-6.1	-21.3	-40.9	20.7	4.8	5.3	16.7	14.6	5.8	-7.8

[1)] Compulsory and voluntary payments of employers (on behalf of employees), employees, self-employed and self-payers to social security institutions and health insurance enterprises.
[2)] Compulsory payments, which are levied by general government, in respect of the production or import and/or usage of production factors (for example VAT, excises etc.).
[3)] Irregular taxes to the government on the values of the property, assets or net worth owned by institutional.
[4)] Consists of market output, output produced for own final use and payments for other non-market output.
Source: CZSO (2026b).

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

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Taxes and social contributions	*CZK bn*	**1 675**	**1 802**	**1 940**	**2 074**	**2 046**	**2 187**	**2 408**	**2 613**	**2 840**	**3 005**
	% growth	6.1	7.6	7.6	6.9	-1.3	6.9	10.1	8.5	8.7	5.8
Current taxes on income, wealth, etc.	*CZK bn*	**385**	**416**	**458**	**491**	**485**	**469**	**538**	**612**	**685**	**727**
	% growth	8.8	8.0	10.1	7.0	-1.0	-3.5	14.9	13.7	12.0	6.0
Individuals or households	*CZK bn*	207	229	261	287	298	228	243	279	313	339
	% growth	10.9	10.5	13.8	10.2	3.6	-23.4	6.7	14.8	11.9	8.3
Corporations	*CZK bn*	167	176	187	192	177	229	284	321	359	374
	% growth	6.8	5.2	6.3	2.9	-8.1	29.7	23.8	13.1	11.9	4.2
Levy on lottery revenue	*CZK bn*	-	-	-	-	-	-	-	-	-	-
	% growth	-	-	-	-	-	-	-	-	-	-
Other current taxes	*CZK bn*	11	12	11	11	11	11	11	11	13	14
	% growth	2.2	4.4	-5.8	-0.6	-0.8	4.0	-2.8	3.8	15.9	5.0
Social security contributions	*CZK bn*	**703**	**760**	**834**	**895**	**909**	**1 013**	**1 087**	**1 173**	**1 274**	**1 354**
	% growth	6.1	8.0	9.8	7.3	1.6	11.4	7.3	7.9	8.7	6.3
Social insurance	*CZK bn*	431	470	516	555	543	598	642	694	759	812
	% growth	6.2	9.0	9.8	7.5	-2.2	10.2	7.4	8.0	9.4	7.0
Health insurance	*CZK bn*	264	281	308	329	354	402	429	464	500	526
	% growth	6	6	10	7	8	13	7	8	8	5
Payments for state-insured	*CZK bn*	62.3	65.3	68.4	71.9	97.3	126.3	129.4	138.7	151.5	153.7
	% growth	2.1	4.8	4.8	5.1	35.4	29.9	2.4	7.2	9.2	1.5
Injury insurance	*CZK bn*	7	8	8	9	9	10	10	11	12	13
	% growth	5.5	6.7	9.7	7.2	1.4	5.4	6.4	11.9	5.7	5.3
Imputed social contributions	*CZK bn*	1	1	1	2	3	4	5	4	3	4
	% growth	-1.9	16.1	21.9	30.9	70.3	11.9	35.0	-24.4	-4.4	12.1
Taxes on production and imports	*CZK bn*	**587**	**626**	**647**	**688**	**651**	**705**	**783**	**829**	**880**	**924**
	% growth	4.4	6.7	3.4	6.3	-5.3	8.2	11.1	5.8	6.2	5.0
Taxes on products [1)]	*CZK bn*	562	601	619	650	611	661	729	753	809	853
	% growth	4.4	6.9	3.1	4.9	-5.9	8.2	10.2	3.3	7.5	5.4
Value added tax	*CZK bn*	354	388	409	435	422	464	537	573	587	629
	% growth	6.2	9.5	5.4	6.6	-3.0	9.7	15.8	6.7	2.5	7.1
Excises	*CZK bn*	181	186	186	188	177	183	172	158	197	198
	% growth	-0.8	2.3	0.0	1.3	-5.8	3.3	-6.1	-7.8	24.5	0.4
Other taxes on products [2)]	*CZK bn*	27	28	25	26	12	15	20	22	25	26
	% growth	20.4	3.9	-8.6	3.9	-55.9	28.9	34.1	9.5	16.2	3.8
Other taxes on production [3)]	*CZK bn*	25	25	28	38	40	44	55	76	71	71
	% growth	5.3	2.4	9.9	37.2	4.9	8.7	25.3	38.0	-6.3	0.4
Capital taxes	*CZK bn*	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	% growth	54.5	70.6	-24.1	-45.5	191.7	-40.0	19.0	-8.0	4.3	33.3

[1)] Taxes that are payable per unit of good or service produced or transacted.
[2)] This item contains, for example, customs duty, taxes from imported agricultural products, taxes from financial and capital transactions, payments from entertainment, lottery, game and betting taxes and other.
[3)] All taxes that enterprises incur as a result of engaging in production, independently of the quantity or value of the goods and services produced or sold (real estate tax, road tax, waste water toll etc.).
Source: CZSO (2026b).

Table A.3: General Government Expenditure

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total expenditure	*CZK bn*	**1 907**	**1 992**	**2 197**	**2 377**	**2 696**	**2 840**	**3 047**	**3 369**	**3 481**	**3 712**
	% growth	-1.7	4.5	10.3	8.2	13.4	5.4	7.3	10.6	3.3	6.6
Compensation of employees	*CZK bn*	419	462	521	576	633	676	690	739	776	832
	% growth	5.4	10.1	12.8	10.5	10.0	6.8	2.1	7.0	5.1	7.3
Intermediate consumption	*CZK bn*	291	296	324	339	346	354	394	430	470	495
	% growth	2.8	1.7	9.4	4.6	2.1	2.4	11.3	9.2	9.2	5.3
Social benefits other than in kind [1)]	*CZK bn*	605	624	658	709	821	859	937	1 037	1 084	1 102
	% growth	2.5	3.1	5.5	7.7	15.8	4.7	9.1	10.6	4.5	1.7
Social transfers in kind	*CZK bn*	148	152	160	177	205	219	226	258	284	306
	% growth	4.3	3.1	4.7	10.9	15.8	7.1	2.9	14.2	10.1	7.7
Property income	*CZK bn*	44	38	40	40	44	46	79	99	108	112
	% growth	-10.6	-14.8	6.4	1.2	7.9	4.8	72.4	25.5	8.8	3.8
Interest	*CZK bn*	44	38	40	40	43	46	78	99	107	111
	% growth	-10.6	-14.3	5.6	1.2	8.0	5.1	72.0	25.7	8.9	3.9
Other property income	*CZK bn*	0	0	0	0	0	0	1	0	0	0
	% growth	-1.8	-91.2	1042.9	6.3	-15.3	-31.9	165.8	-7.5	-19.9	-12.7
Subsidies	*CZK bn*	108	110	119	128	173	200	151	207	156	170
	% growth	2.6	1.7	8.8	7.3	35.1	15.8	-24.7	37.0	-24.7	8.9
Gross fixed capital formation	*CZK bn*	156	171	224	253	277	287	320	370	379	445
	% growth	-34.1	9.8	31.3	12.6	9.6	3.8	11.2	15.9	2.5	17.3
Capital transfers [2)]	*CZK bn*	35	31	37	37	68	56	51	40	39	40
	% growth	-13.8	-13.1	22.1	-2.4	84.9	-17.7	-7.5	-22.5	-1.8	1.7
Investment grants [3)]	*CZK bn*	13	15	23	18	22	23	27	26	24	23
	% growth	-12.8	14.4	57.6	-20.3	18.1	7.7	15.4	-2.3	-9.7	-3.2
Other capital transfers	*CZK bn*	23	16	14	18	46	32	24	13	15	17
	% growth	-14.4	-28.8	-10.4	26.3	152.7	-29.8	-24.2	-44.9	13.8	9.2
Other expenditure	*CZK bn*	100	109	113	119	130	142	199	190	185	210
	% growth	5.6	9.0	3.5	5.9	8.6	9.5	40.1	-4.7	-2.2	13.6
Final consumption expenditure	*CZK bn*	**915**	**965**	**1 054**	**1 141**	**1 250**	**1 319**	**1 381**	**1 501**	**1 607**	**1 711**
	% growth	4.0	5.5	9.2	8.2	9.5	5.5	4.8	8.6	7.1	6.5
Collective consumption [4)]	*CZK bn*	425	446	486	516	543	549	583	634	671	721
	% growth	4.5	4.9	9.1	6.0	5.4	1.0	6.1	8.8	6.0	7.3
Individual consumption	*CZK bn*	490	519	568	625	706	770	799	867	936	991
	% growth	3.5	6.0	9.4	10.1	13.0	9.0	3.8	8.6	7.9	5.9

[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 (2026b), MF CR.

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

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government	*CZK bn*	**33**	**76**	**48**	**17**	**-329**	**-312**	**-214**	**-283**	**-159**	**-185**
Central government	*CZK bn*	-21	26	8	-32	-345	-359	-282	-346	-206	-203
Local governments	*CZK bn*	50	42	24	38	27	55	65	64	61	28
Social security funds	*CZK bn*	4.9	8.2	16.6	11.4	-11.7	-9.3	2.9	-1.1	-14.0	-11.2

Source: CZSO (2026b).

Table A.5: General Government Debt by Instruments

		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General government debt	*CZK bn*	**1 755**	**1 750**	**1 735**	**1 740**	**2 150**	**2 567**	**2 998**	**3 234**	**3 489**	**3 787**
	% growth	-4.4	-0.3	-0.9	0.3	23.5	19.4	16.8	7.9	7.9	8.6
Currency and deposits	*CZK bn*	9	6	9	5	11	16	22	31	46	34
	% growth	31.1	-35.6	47.0	-40.8	112.6	48.0	38.1	40.3	46.5	-25.6
Securities other than shares	*CZK bn*	1 593	1 602	1 554	1 596	2 012	2 358	2 597	2 943	3 156	3 432
	% growth	-3.4	0.6	-3.0	2.7	26.1	17.2	10.2	13.3	7.2	8.8
Loans	*CZK bn*	153	141	172	139	127	193	378	260	287	321
	% growth	-15.5	-7.4	21.8	-19.0	-8.9	51.8	96.1	-31.4	10.7	11.7

Note: Government debt consists of following financial instruments: currency and deposits, securities issued other than shares excluding financial derivatives and loans. It is expressed in the nominal value, which is considered equivalent to the face value. It is consolidated, i.e. the debt in holding of other subjects of the government sector is omitted.
Source: CZSO (2026b).

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

	Balance					Debt				
	2022	**2023**	**2024**	**2025**	**2026**	**2022**	**2023**	**2024**	**2025**	**2026**
EU27	-3.1	-3.4	-3.1	-3.1	.	82.3	80.3	80.3	81.5	.
EA21 [1)]	-3.4	-3.4	-3.0	-3.0	.	88.8	86.3	86.1	87.3	.
Austria	-3.4	-2.6	-4.6	-4.1	-4.1	78.1	77.4	79.0	80.7	82.4
Belgium	-3.5	-4.1	-4.4	-5.2	-5.2	103.3	102.3	104.0	108.1	111.0
Bulgaria	-2.9	-2.0	-3.0	-4.0	-5.0	22.4	22.8	23.7	29.9	31.1
Croatia	0.0	-1.2	-2.5	-3.0	-2.9	68.0	60.5	56.5	55.7	55.5
Cyprus	2.7	1.7	4.0	3.5	2.7	80.0	69.6	60.1	52.3	47.8
Czech Republic [2)]	-3.0	-3.7	-2.0	-2.2	-2.8	42.5	42.2	43.2	44.2	45.8
Denmark	3.4	3.5	4.1	2.9	1.2	33.4	33.0	29.9	27.2	26.8
Estonia	-1.0	-2.7	-1.6	-2.0	-4.4	19.1	20.3	23.5	24.0	25.9
Finland	-0.2	-3.0	-4.4	-3.8	-4.2	74.1	77.2	82.5	88.4	90.1
France	-4.7	-5.4	-5.8	-5.1	-5.0	111.4	109.5	112.6	115.7	118.5
Germany	-1.9	-2.2	-2.7	-2.9	-4.8	64.1	61.8	61.4	62.8	65.8
Greece	-2.7	-1.5	1.4	2.0	-0.2	177.8	164.0	153.5	145.4	136.7
Hungary	-6.2	-7.0	-5.1	-4.7	-7.5	74.1	73.2	73.5	74.4	77.5
Ireland	1.6	1.5	4.2	1.8	1.1	42.8	42.1	38.4	34.8	34.1
Italy	-8.1	-7.1	-3.4	-3.1	-2.9	138.4	134.0	134.3	136.7	138.1
Latvia	-4.8	-2.2	-1.8	-2.5	-2.9	44.5	44.5	45.7	46.2	47.9
Lithuania	-0.5	-0.7	-1.3	-1.8	-2.3	39.4	36.7	37.8	39.3	44.9
Luxembourg	0.3	-0.7	0.6	-1.8	-0.8	24.9	24.7	25.9	26.0	29.5
Malta	-5.3	-4.4	-3.5	-2.1	-1.6	50.1	46.9	46.0	46.3	45.8
Netherlands	0.0	-0.3	-0.7	-1.6	-2.3	48.4	45.9	44.0	44.7	45.6
Poland	-3.4	-5.2	-6.4	-7.2	-7.1	48.8	49.5	54.8	59.6	67.6
Portugal	-0.3	1.1	0.7	0.7	0.0	111.2	96.9	93.0	89.2	87.5
Romania	-6.5	-6.6	-9.2	-7.8	-6.0	48.3	49.4	54.6	58.9	61.4
Slovakia	-1.6	-5.3	-5.4	-4.4	-4.4	57.7	55.5	58.9	60.5	63.7
Slovenia	-3.0	-2.6	-0.8	-2.5	-2.9	72.7	68.2	66.3	65.1	64.6
Spain	-4.6	-3.3	-3.2	-2.4	-2.1	109.3	105.3	101.4	100.5	99.1
Sweden	1.0	-1.0	-1.6	-1.6	-2.6	34.4	32.3	34.0	35.1	36.3

[1)] 21 current member states – Austria, Belgium, Bulgaria, Croatia, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain.
[2)] Data for 2026 are based on the current estimate of MF CR.
Source: Eurostat (2026b).

Table A.7: Transactions of General Government of EU Countries in 2025

in % of GDP

	Revenue	Expenditure	Compen. of employees	Cash social benefits	Collective consumption	Individual consumption	Investments[1]	Interest expenditure
European Union	46.3	49.4	10.3	16.4	8.1	13.4	3.9	1.9
Euro Area [2]	46.7	49.7	10.0	16.8	8.0	13.5	3.7	1.9
Austria	50.4	54.6	11.4	19.9	7.6	14.0	3.8	1.6
Belgium	49.2	54.4	12.6	17.6	8.5	15.6	3.2	2.3
Bulgaria	38.1	42.1	12.3	12.8	9.7	11.4	4.8	0.8
Croatia	46.4	49.4	13.5	13.4	11.3	12.7	6.0	1.4
Cyprus	41.5	37.9	10.9	11.6	7.4	10.0	3.2	1.1
Czech Republic	41.1	43.3	9.7	12.9	8.4	11.6	5.2	1.3
Denmark [3]	.	47.2	14.2	14.1	7.3	15.7	3.3	0.8
Estonia	43.6	45.6	12.3	12.7	9.1	12.2	6.6	0.5
Finland	53.7	57.5	13.5	18.9	7.6	18.3	4.5	1.6
France	52.2	57.3	12.4	19.4	8.4	15.6	4.4	2.2
Germany	47.2	50.1	8.5	16.5	8.4	14.0	3.5	1.1
Greece	49.8	47.8	10.1	16.4	9.6	8.9	4.8	3.1
Hungary	42.9	47.6	10.7	10.8	11.1	9.7	4.1	3.8
Ireland	24.0	22.3	6.0	5.3	3.3	8.9	2.8	0.5
Italy	48.0	51.1	9.0	20.3	7.3	10.8	3.9	3.8
Latvia	42.8	45.3	12.8	12.4	10.6	10.8	6.9	1.1
Lithuania	39.4	41.1	12.1	13.8	7.6	11.8	4.4	0.9
Luxembourg	46.9	48.7	11.5	16.9	7.7	11.6	4.8	0.3
Malta	35.1	37.1	9.8	7.2	6.9	10.2	3.1	1.2
Netherlands	43.6	45.2	8.9	10.7	8.5	17.5	3.5	0.7
Poland	43.6	50.9	12.0	17.3	9.3	12.1	5.2	2.5
Portugal	43.0	42.3	10.6	15.9	6.9	10.1	2.9	2.0
Romania	35.6	43.4	10.5	13.1	9.7	7.8	6.1	2.8
Slovakia	42.9	47.3	11.6	16.1	10.9	10.2	4.5	1.5
Slovenia	46.3	48.9	12.3	15.7	8.0	13.5	5.5	1.3
Spain	42.9	45.3	10.7	16.9	7.7	11.5	3.0	2.4
Sweden	47.8	49.3	12.3	11.5	7.6	18.5	5.8	0.6

[1] Gross fixed capital formation.

[2] 21 member states of EU – Belgium, Bulgaria, Estonia, Finland, France, Croatia, Ireland, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Malta, Germany, Netherlands, Portugal, Austria, Greece, Slovakia, Slovenia, Spain.

[3] While the surplus figure (2,9% GDP) for Denmark for 2025 is correct, the data for total revenue in 2025 was not provided to be in line with the government surplus (+) reported under the EDP. The difference reflects the recording of a correction of dividends.

Source: Eurostat (2026a).

B Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C Lists of Thematic Chapters and Boxes of Previous Fiscal Outlooks of the Czech Republic

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

Published	Topic
November 2015	Fiscal Impulse Fiscal Framework Reform in the Czech Republic
November 2016	Long-term Projections of Public Expenditure on Health Care
November 2017	Fiscal Councils
November 2019	Proposal for the New EU Fiscal Rule
January 2021	Measures to support the Economy in Response to the COVID-19 Pandemic
November 2021	EU Funds and their Impact in the Czech Republic
November 2022	Participation Rates and Setting up of Social Systems
November 2023	Consolidation Package
November 2024	New EU Fiscal Framework and its Domestic Implications
November 2025	New EU fiscal rule in light of current threats
November 2026	Funding from the EEA and Norwegian Funds

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

Published	Box Topic
May 2015	Box 1: Expansion of the General Government Sector
November 2015	Box 1: Expansion of the General Government Sector Box 2: Czech Economy Growth and the Tax Revenue Development in 2015 Box 3: Expenditure Rule Technique
November 2016	Box 1: Effect of Supply Factors on Health-Care Expenditure
November 2017	Box 1: Requirements of Directive 2011/85/EU and Regulation No. 473/2013 on establishment of national fiscal councils Box 2: Selected recommendations of the European Fiscal Board for the implementation of fiscal policy and public budgeting in the euro-area countries for 2018
November 2018	Box 1: Changes in the Methodical Classification of Certain Revenue and Expenditure of General Government Sector Box2: National Methodology for the Classification of One-off and Other Temporary Measures
November 2019	Box 1: Healthy Ageing Box 2: Pension Expenditure in the CR and EU Member States Box 3: Excluding Specific Items from Expenditure Rules
January 2021	Box 1: Reaction of the Euro area Yield Curve of the Government Bonds on the ECB's measures Box 2 OECD Conclusions in the Review of the Pension System of the Czech Republic Box 3: Selected Studies to prevent the Spread of the Disease and mitigate the Economic Impact Box 4: Temporary Framework for State Aid Measures to support Economy Affected by COVID-19
November 2021	Box 1: Yield "Anomaly" on the Bond Market in EU Countries
November 2022	Box 1: Annual Update of Eurostat's Demographic Projections Box 2: Analysis of Factors affecting the Labour Market Position of Women with Children
November 2025	Box 1: Net expenditure path calculation and control account derivation Box 2: Practical calculation of the cumulated balance of an "augmented" control account
November 2026	Box 1: Determination of the EEA and Norway Grants allocation for the Czech Republic for the period 2021–2028

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