

Ministry of finance of the Czech Republic

Convergence Programme CR

April 2013 Update

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Current update: **25/4/**

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Table 1a: Macroeconomic Prospects*(level in CZK billion, growth in %, contributions to growth in p.p.)*

	ESA Code	2012 Level	2012	2013	2014	2015	2016
		Rate of Growth					
1. Real GDP	B1*g	3792	-1,3	0,0	1,2	2,1	2,6
2. Nominal GDP	B1*g	3844	0,1	0,4	2,1	3,6	3,7
Components of real GDP							
3. Private consumption expenditure	P.3	1881	-3,5	-1,2	1,0	2,1	2,5
4. Government consumption expenditure	P.3	785	-1,0	-0,2	-1,7	-0,8	0,1
5. Gross fixed capital formation	P.51	902	-1,7	-0,4	0,9	2,6	3,1
6. Changes in inventories and net acquis. of valuables (% of GDP)	P.52+P.53	12	0,3	0,4	1,0	1,2	1,3
7. Exports of goods and services	P.6	2894	3,8	1,3	3,7	4,9	5,4
8. Imports of goods and services	P.7	2682	1,9	0,9	3,5	4,7	5,1
Contributions to real GDP growth		0,0	0,0	0,0	0,0	0,0	0,0
9. Final domestic demand		-	-2,4	-0,8	0,4	1,5	2,0
10. Changes in inventories and net acquis. of valuables	P.52+P.53	-	-0,4	0,3	0,5	0,2	0,1
11. External balance of goods and services	B.11	-	1,5	0,4	0,3	0,4	0,5

Note: Real levels are stated in 2011 prices. Change in inventories and net acquisition of valuables on the row 6 expresses a share of change in inventories on GDP in current prices. Increase in change in the stock of inventories and net acquisition of valuables is calculated from real figures.

Source: CZSO (2013a), MF CR (2013a). MF CR Calculations.

Table 1b: Price Developments*(indices 2005=100, growth in %)*

	2012 Level	2012	2013	2014	2015	2016
		Rate of Growth				
1. GDP deflator	107,4	1,4	0,4	0,9	1,4	1,1
2. Private consumption deflator	113,7	2,3	1,2	1,2	1,8	1,1
3. HICP	120,3	3,5	2,1	1,7	1,9	1,1
4. Public consumption deflator	117,2	1,5	1,4	1,2	1,3	0,9
5. Investment deflator	103,2	0,6	0,2	0,6	0,6	0,7
6. Export price deflator (goods and services)	96,5	3,0	1,2	0,0	0,7	0,6
7. Import price deflator (goods and services)	101,7	3,6	1,7	0,3	0,7	0,5

Source: CZSO (2013a), Eurostat (2013). MF CR Calculations.

Table 1c: Labour Market Developments*(Growth in %)*

	ESA Code	2012 Level	2012	2013	2014	2015	2016
		Rate of Growth					

1. Employment, persons		5092	0,4	-0,2	0,0	0,1	0,2
2. Employment, hours worked		9,2	-1,2	-0,3	-0,2	0,1	0,0
3. Unemployment rate (%)		7,0	7,0	7,6	7,7	7,3	6,7
4. Labour productivity, persons		762	-1,7	0,2	1,2	2,0	2,4
5. Labour productivity, hours worked		421	0,0	0,2	1,4	2,1	2,5
6. Compensation of employees	D.1	1659	2,0	1,3	2,7	3,1	4,0
7. Compensation per employee		401	2,1	1,5	2,8	3,0	3,9

Note: Employment is based on domestic concept of national accounts. Rate of unemployment is based on the methodology of the Labour Force Survey. Labour productivity is calculated as real GDP (in 2011 prices) per employed person or worked hour.

Source: CZSO (2013a), CZSO (2013c). MF CR Calculations.

Table 1d: Sectoral Balances

in % of GDP

	ESA Code	2012	2013	2014	2015	2016
1. Net lending/borrowing vis-à-vis the rest of the world	B.9	-1,4	-1,3	-1,2	-1,3	-1,6
<i>of which</i> : Balance on goods and services		5,3	5,4	5,4	5,7	6,1
<i>of which</i> : Balance of primary incomes and transfers		-7,9	-7,9	-7,9	-8,3	-9,1
<i>of which</i> : Capital account		1,3	1,3	1,4	1,4	1,4
2. Net lending/borrowing of the private sector	B.9	3,0	1,5	1,6	1,5	1,2
3. Net lending/borrowing of general government	EDP B.9	-4,4	-2,8	-2,9	-2,8	-2,8
4. Statistical discrepancy		0,0	0,0	0,0	0,0	0,0

Note: Data from national accounts. Years 2012–2013 notification. Years 2014–2016 outlook.

Source: CZSO (2013b). MF CR Calculations.

Table 2a: General Government Budgetary Prospects
(level in CZK billion, others in % of GDP)

	ESA Code	2012 Level	2012	2013	2014	2015	2016
			in % of GDP				
Net lending (+)/borrowing (-) (EDP B.9) by sub-sectors							
1. General government	S.13	-169	-4,4	-2,8	-2,9	-2,8	-2,8
2. Central government	S.1311	-160	-4,2	-2,8	-2,8	-2,8	-2,8
3. State government	S.1312	-	-	-	-	-	-
4. Local government	S.1313	-2	-0,1	0,0	-0,1	0,0	0,0
5. Social security funds	S.1314	-7	-0,2	0,0	0,0	0,0	0,0
General government (S.13)							
6. Total revenue	TR	1542	40,1	40,4	40,2	39,5	38,9
7. Total expenditure ¹⁾	TE	1711	44,5	43,3	43,0	42,3	41,7
8. Net lending (+)/borrowing (-)	EDP B.9	-169	-4,4	-2,8	-2,9	-2,8	-2,8
9. Interest expenditure ¹⁾	EDP D.41	57	1,5	1,5	1,5	1,5	1,5
10. Primary balance		-112	-2,9	-1,3	-1,3	-1,3	-1,3
11. One-off and other temporary measures		-80	-2,1	-0,1	-0,1	-0,1	-0,1
Components of revenues							
12. Total taxes		737	19,2	19,7	19,6	18,9	18,2
12a. Taxes on production and imports	D.2	460	12,0	12,4	12,1	12,0	11,4
12b. Current taxes on income, wealth etc.	D.5	276	7,2	7,3	7,5	6,9	6,8
12c. Capital taxes	D.91	0	0,0	0,0	0,0	0,0	0,0
13. Social contributions	D.61	600	15,6	15,5	15,5	15,6	15,8
14. Property income	D.4	29	0,8	0,7	0,6	0,5	0,6
15. Other		176	4,6	4,6	4,5	4,4	4,3
16. Total revenue	TR	1542	40,1	40,4	40,2	39,5	38,9
p.m.: Tax burden		1337	34,8	35,2	35,1	34,5	34,0
Components of expenditures							
17. Compensation of employees + Intermediate consumption	D.1+P.2	501	13,0	13,1	12,7	12,2	12,0
17a. Compensation of employees	D.1	282	7,3	7,3	7,2	6,9	6,7
17b. Intermediate consumption	P.2	220	5,7	5,8	5,5	5,4	5,3
18. Social payments		767	20,0	20,2	20,3	20,2	19,9
<i>of which: Unemployment benefits ²⁾</i>		16	0,4	0,4	0,5	0,5	0,4
18a. Social transfers in kind supplied via market producers		233	6,1	6,1	6,1	6,0	5,9
18b. Social transfers other than in kind	D.62	534	13,9	14,1	14,2	14,2	14,0
19. Interest expenditure ¹⁾	EDP D.41	57	1,5	1,5	1,5	1,5	1,5

20. Subsidies	D.3	77	2,0	2,0	2,0	2,0	1,9
21. Gross fixed capital formation	P.51	119	3,1	3,2	3,3	3,3	3,3
22. Capital transfers	D.9	121	3,2	1,3	1,3	1,3	1,3
23. Other		68	1,8	1,8	1,8	1,8	1,7
24. Total expenditures ¹⁾	TE	1711	44,5	43,3	43,0	42,3	41,7
p.m.: Government consumption (nominal)	P.3	795	20,7	20,9	20,3	19,7	19,2

Note: Years 2012–2013 notification. Years 2014–2016 outlook.

1) Data are adjusted for interest from swap operations so that it holds total revenues less total expenditures are equalled to net lending/borrowing in EDP B.9 terms.

2) Includes cash benefits (D.621 and D.624) and in kind benefits (D.631) related to unemployment benefits.

Source: CZSO (2013b). MF CR Calculations.

Table 2b: No-policy Change Projections

(level in CZK billion, others in % of GDP)

	2012 Level	2012	2013	2014	2015	2016
		in % of GDP				
1. Total revenue at unchanged policies	1542	40,1	39,9	39,6	39,3	39,0
2. Total expenditure at unchanged policies	1711	44,5	43,8	43,9	43,2	42,5

Source: MF CR.

Table 2c: Amounts to Be Excluded from the Expenditure Benchmark

(level in CZK billion, others in % of GDP)

	2012 Level	2012	2013	2014	2015	2016
		in % of GDP				
1. Expenditure on EU programmes fully matched by EU funds revenue	56	1,4	1,4	1,4	1,3	1,3
2. Cyclical unemployment benefit expenditure	-1	0,0	0,0	0,0	0,0	0,0
3. Effect of discretionary revenue measures (year-on-year changes)	10	0,3	0,5	0,0	-0,4	-0,3
4. Revenue increases mandated by law	-	-	-	-	-	-

Note: Revenue increases mandated by law can be defined as revenue increases that occur automatically to offset corresponding increases in specified expenditures (such as an automatic increase of social security contributions in reaction to a surge in social security expenditure).

Source: MF CR.

Table 3: General Government Expenditure by Function (COFOG)*(in % of GDP)*

	Code	2011	2016
1. General public services	1	4,6	4,3
2. Defence	2	0,9	0,8
3. Public order and safety	3	1,8	1,6
4. Economic affairs	4	6,0	5,5
5. Environmental protection	5	1,3	1,4
6. Housing and community amenities	6	0,8	0,7
7. Health	7	7,8	7,8
8. Recreation, culture and religion	8	1,2	1,2
9. Education	9	4,9	4,7
10. Social protection	10	13,6	13,7
Total expenditure	TE	43,0	41,7

*Note: Year 2016 outlook.**Source: CZSO (2013d), MF CR (2013a). MF CR Calculations.*

Table 4: General Government Debt Developments*(in % of GDP, average maturity in years)*

	ESA Code	2012	2013	2014	2015	2016
1. Gross debt		45,8	48,5	50,3	51,2	51,9
2. Change in gross debt ratio		4,9	2,8	1,8	0,9	0,6
Contributions to changes in gross debt						
3. Primary balance		-2,9	-1,3	-1,3	-1,3	-1,3
4. Interest expenditure	EDP D.41	1,5	1,5	1,5	1,5	1,5
5. Stock-flow adjustment		0,5	0,1	-0,1	-0,1	-0,4
- Difference between cash and accruals		-2,6	0,5	0,1	0,0	-0,2
- Net accumulation of financial assets		3,2	-0,4	-0,2	-0,1	-0,1
- Privatisation proceeds		0,0	0,0	0,0	0,0	0,0
- Valuation effects and other		-0,1	0,0	0,0	0,0	0,0
p.m.: Implicit interest rate on debt		3,2	3,1	3,1	3,0	2,9
6. Liquid financial assets		19,8	19,4	18,9	18,1	17,4
7. Net financial debt ¹⁾		25,9	29,1	31,5	33,1	34,5
8. Debt amortization (existing bonds) since the end of the previous year ²⁾		3,2	3,0	3,8	3,8	4,3
9. Percentage of debt denominated in foreign currency ²⁾		4,3	5,1	5,7	5,9	5,9
10. Average maturity ²⁾		5,7	5,6	5,6	5,8	6,0

Note: Years 2012–2013 notification. Years 2014–2016 outlook.

1) Net financial debt is a difference between gross debt and liquid financial assets (monetary gold, Special Drawing Rights, currency and deposits, securities other than shares (consolidated at market value), shares and other equity quoted in stock exchange).

2) Figures only for the state debt. The state debt represents a debt generated by the state budget financing.

Source: CZSO (2013b), state debt data MF CR. MF CR Calculations.

Table 5: Cyclical Developments*(growth in %, output gap in % of potential GDP, contributions in p.p., other in % of GDP)*

	ESA Code	2012	2013	2014	2015	2016
1. Real GDP growth (%)		-1,3	0,0	1,2	2,1	2,6
2. Net lending of general government	EDP B.9	-4,4	-2,8	-2,9	-2,8	-2,8
3. Interest expenditure	EDP D.41	1,5	1,5	1,5	1,5	1,5
4. One-off and other temporary measures		-2,1	-0,1	-0,1	-0,1	-0,1
5. Potential GDP growth (%)		0,7	1,1	1,1	1,3	1,3
Contributions:						
- labour		0,3	0,3	0,1	0,1	-0,1
- capital		0,6	0,6	0,6	0,7	0,7
- total factor productivity		-0,2	0,2	0,4	0,5	0,7
6. Output gap		-2,1	-3,1	-3,0	-2,2	-1,0
7. Cyclical budgetary component		-0,6	-1,0	-1,0	-0,7	-0,3
8. Cyclically-adjusted balance (2 - 7)		-3,8	-1,8	-1,9	-2,1	-2,5
9. Cyclically-adjusted primary balance (8 + 3)		-2,3	-0,3	-0,4	-0,6	-1,0
10. Structural balance (8 - 4)		-1,7	-1,8	-1,8	-2,1	-2,4

Note: Years 2012–2013 notification. Years 2014–2016 outlook.

Source: CZSO (2013b). MF CR Calculations.

Table 6: Divergence from Previous Update*(GDP growth in %, general government balance and debt in % of GDP)*

	ESA Code	2012	2013	2014	2015	2016
Real GDP growth						
Previous update		0,2	1,3	2,2	2,8	-
Current update		-1,3	0,0	1,2	2,1	2,6
Difference		-1,4	-1,3	-1,0	-0,7	-
General government net lending						
Previous update	EDP B.9	-3,0	-2,9	-1,9	-0,9	-
Current update	EDP B.9	-4,4	-2,8	-2,9	-2,8	-2,8
Difference		-1,4	0,1	-1,0	-1,9	-
General government gross debt						
Previous update		44,0	45,1	44,8	43,4	-
Current update		45,8	48,5	50,3	51,2	51,9
Difference		1,7	3,4	5,5	7,9	-

Source: MF CR (2012c), MF CR (2013a). MF CR Calculations.

Table 7: Long-term Sustainability of Public Finances*(expenditures and revenues in % of GDP, growth and rates in %)*

	2010	2020	2030	2040	2050	2060
Total expenditure	45,3	38,6	40,0	41,9	45,0	47,9
<i>of which: Age-related expenditures</i>	20,2	20,0	21,0	22,1	24,0	25,4
Pension expenditure	9,1	8,4	8,6	9,5	10,9	11,7
Social security pensions	9,1	8,4	8,6	9,5	10,9	11,7
Old-age and early pensions	7,2	6,6	6,5	7,3	8,7	9,4
Other pensions	1,9	1,8	2,0	2,2	2,2	2,3
Occupational pensions	0,0	0,0	0,0	0,0	0,0	0,0
Health care	6,9	7,3	7,8	8,1	8,4	8,5
Long-term care	0,8	0,9	1,1	1,2	1,3	1,5
Education expenditure	3,4	3,4	3,6	3,3	3,4	3,7
Other age-related expenditures	25,1	18,6	19,0	19,8	20,9	22,6
Interest expenditure	0,9	1,5	1,9	2,7	3,8	5,5
Total revenue	40,4	35,3	35,6	35,8	35,9	36,1
<i>of which: Property income</i>	0,8	0,5	0,6	0,7	0,8	1,0
<i>of which: Pension contributions</i>	8,4	8,8	8,9	9,0	9,0	9,1
Pension reserve fund assets	0,6	0,0	0,1	0,0	0,0	0,0
<i>of which: Consolidated public pension fund assets</i>	0,0	0,0	0,0	0,0	0,0	0,0
Systemic Pension Reforms ¹⁾						
Social contributions diverted to mandatory private scheme	-	-	-	-	-	-
Pension expenditure paid by mandatory private scheme	-	-	-	-	-	-
Assumptions						
Labour productivity growth	2,2	2,0	1,8	1,8	1,7	1,5
Real GDP growth	2,3	1,8	1,7	1,5	1,1	1,2
Participation rate of males (aged 20–64)	85,1	86,9	86,1	85,5	86,8	87,3
Participation rate of females (aged 20–64)	66,5	68,7	68,8	68,4	70,9	71,7
Total participation rate (aged 20–64)	75,9	77,9	77,6	77,1	79,0	79,7
Unemployment rate	7,1	6,2	6,0	5,9	5,9	5,9
Population aged 65+ over total population	15,4	19,8	22,1	25,1	28,8	30,6

Note: 1) The fully-funded pillar in the Czech Republic is based on optional entry system.

Source: EC (2012b). MF CR Calculations.

Table 7a: Contingent Liabilities*(in % of GDP)*

	2012	2013
Public guarantees	14,0	16,4
<i>of which: Linked to the financial sector</i>	4,0	5,6

Source: MF CR.

Table 8: Basic Assumptions*(interest rates and growth in %)*

	2012	2013	2014	2015	2016
Short-term interest rate (CZ) (annual average)	1,0	0,5	0,6	0,7	1,0
Long-term interest rate (CZ) (annual average)	2,8	2,2	2,3	2,7	3,1
Nominal effective exchange rate (2010=100)	99,5	98,2	99,3	100,4	101,6
Exchange rate CZK/EUR (annual average)	25,1	25,4	25,2	24,9	24,6
World excluding EU, GDP growth	3,4	3,7	4,1	4,7	5,1
EU27 GDP growth	-0,3	-0,2	0,7	1,3	1,6
Growth of relevant foreign markets	0,9	-0,1	2,1	3,1	4,9
World import volumes, excluding EU	4,2	4,5	5,1	5,7	6,1
Oil prices (Brent, USD/barrel)	111,7	108,0	102,0	98,8	95,8

Source: CNB (2013), Eurostat (2013), IMF (2013a). MF CR Calculations.