

Abstract

Main goal of this thesis is to forecast future trajectory of the public debt level of the Czech Republic when taking into account ongoing fiscal reforms of the government and the aftermath of the global financial crisis. A short survey of existing literature concerning fiscal austerity is presented in the first part, followed by the further motivation for the forecasting of the public debt level. Second part of thesis focuses mainly on the most important question, which is sustainability of the debt. We found out, that the public debt of the Czech Republic is clearly unsustainable, we also calculated so called fiscal gap to determine the amount needed to sustain it.

The last third part contains numerous scenarios showing the future development of the public debt of the Czech Republic starting the year 2003, up to the year 2060. According to our results when assuming that no strict fiscal reforms will be introduced by the government in the following decades, we found that the level of the debt in the year 2060 will exceed 260% of GDP.

Keywords: public debt; fiscal gap; public deficit; public budgets; public debt forecast; sustainability; debt consolidation; debt management

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