REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Assessment of compliance of the Proposal of budgets of the Republic of Slovenia for 2020 and 2021 with the fiscal rules

October 2019

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The assessment is based on the Proposal of Budgets of the Republic of Slovenia for the 2020-2021 period (received on 30 September 2019; hereinafter: the 2020-2021 Budget Proposal), the Draft Budgetary Plan for 2020 (received on 11 October 2019; hereinafter: the 2020 Draft Budgetary Plan), and additional data on general government accounts for 2021 (received on 14 October 2019). Some forecast values in EUR were calculated indirectly from rounded shares of GDP shown in the 2020 Draft Budgetary Plan, wherefore certain items are not summed up. Account was taken of data available up to and including 16 October 2019.

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EXECUTIVE SUMMARY

The Fiscal Council assesses that the projections of fiscal developments provided in the supplied budget documents (the 2020-2021 Budget Proposal and the 2020 Draft Budgetary Plan) are clouded by significant negative risks. While projections are formally compliant with the fiscal rules, the Fiscal Council has identified inconsistencies between the projections of certain items and the proposed or applicable measures. The materialisation of only a small fraction of identified risks could result in a deviation from formal compliance.

The risks to which the projections of fiscal developments are exposed relate to the inconsistencies between the projections and proposed or applicable measures, the possibility of introducing measures that are still to be defined, as well as to macroeconomic forecasts that represent the basis for budget planning. The materialisation of risks related to the projections provided in the budget documents could jeopardise all of the stated findings regarding their formal compliance with the fiscal rules. The most important risks are as follows:

- The 2020-2021 Budget Proposal includes the expected financial effects of certain legislation with the positive fiscal effects that has already been discussed by the Government of the Republic of Slovenia (hereinafter: the Government) but have not yet been adopted by the National Assembly. However, the aforementioned proposal does not take into consideration the effects of the legislation that is at the same stage of the legislative procedure with potentially negative impact on the fiscal balance.
- The 2020-2021 Budget Proposal includes the items that have a positive impact on the fiscal balance, which, according to the Fiscal Council, do not currently have an adequate basis in the applicable legislation.
- The proposed measures that are still being negotiated could add to the burden on public finance.
- Some changes to the legislation will, in the short-term, only have a minor negative effect on public finances, whereas in the long-term they may substantially reduce the sustainability of public finances, which the Fiscal Council has already pointed out (amendments to pension legislation).
- The risks associated to macroeconomic forecasts arise, in particular, from the international environment to which IMAD has already drawn attention when drafting an alternative scenario. Incoming data and forecasts from other institutions, published after IMAD's forecast, confirm those risks.

The presented budget documents show that in 2019-2021 the nominal surplus of the general government is set at a level slightly below 1% of GDP throughout the period, while the nominal surplus of the state budget is expected to increase from 0.3% to over 1% of GDP. Gross general government debt is expected to decrease by the end of 2020 in nominal terms, and as a share in GDP and should be close to 60% of GDP.

The expenditure level of the state budget in the 2020-2021 period corresponds to the ceiling determined in the current Framework for drawing up general government budgets (hereinafter: Framework), while the level of general government expenditure exceeds it. This is due to the national accounts data being revised after the date by which the Framework could still be amended. Based on the current estimates of the level of the output gap and revenue projections of the general government, the Fiscal Council assesses that the projected level of general government expenditure is in line with the recalculated expenditure ceilings. The assessed structural balance is expected to be in surplus in the projection period, which is in line with the requirements of the Fiscal Rule Act in terms of the state of public finances in a given year and in line with the Stability and Growth Pact. Taking into account the varying estimates of the business cycle duration, the structural balance is expected to converge towards the medium-term balanced position. However, the Fiscal Council assesses that, in order to achieve this objective, the structural surpluses will also be necessary after 2021.

The Fiscal Council notes that the 2020-2021 Budget Proposal represents a fiscal policy managed in the absence of a comprehensive set of policies to adequately ensure the long-term sustainability of public finances, especially in relation to the ageing population. Recently, measures have been put in place or are in the pipeline that could lead to a structural deterioration in public finances in the future. In the past, the lack of room for manoeuvre within fiscal policy often led to the shrinking of public investment. In the period of an economic growth slowdown, such a restrictive fiscal policy would be inappropriate and would also worsen the long-term economic outlook.

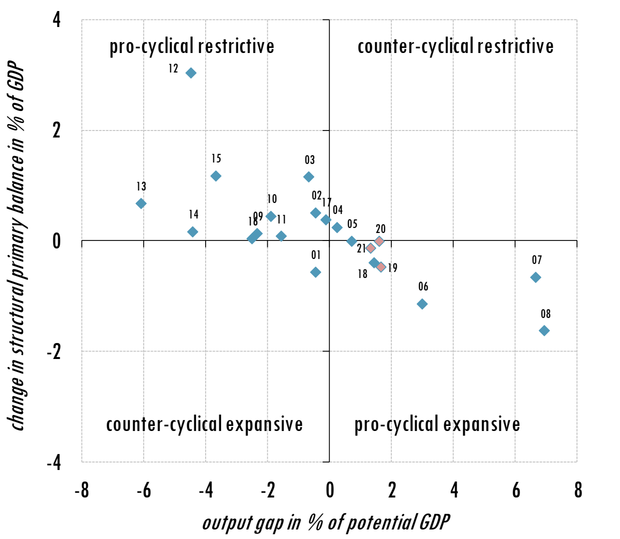
The Fiscal Council proposes that the Government should prepare an amended state budget proposal for 2020 and 2021, which will take full account of the financial impact of the proposed legislation or will support the proposal with measures that are consistent with the projected revenue and expenditure levels. In the period of an economic growth slowdown and given the significant negative macroeconomic risks, due account must be taken of the precautionary principle, which is also required under the Fiscal Rule Act.

Table 1: Compliance with fiscal rules

		2020	2021
A	Maximum threshold of general government expenditure (formal)*	(✗)	(✗)
	Maximum threshold of general government expenditure (recalculated)*	(✓)	(✓)
B	Minimum structural balance EU rules (MTO)	✓	✓
C	Expenditure rule EU	✓	...
D	Decline in gross government debt - EU rules	✓	...
A	Expenditure Framework 2020-2022 (mio EUR)	21,480	22,160
	Expenditure MoF projection (mio EUR)	21,885	22,676
	Recalculated maximum threshold expenditure (mio EUR)	*21,999*	*22,857*
B	Structural balance (% GDP)	0.2	0.3
	Minimum structural balance EU rules - MTO (% GDP)	*-0.25*	*-0.25*
	Structural balance over medium-term (% GDP)**	...	-0.2
C	Net expenditure growth - nominal (%)	3.9	...
	Maximum general government expenditure growth - nominal (%)	*4.9*	...
D	Gross government debt (% GDP)	62.1	...
	Maximum debt level (% GDP)	*69.4*	...

*Source: SORS, MoF, estimates and calculations FC. Note: *The difference in the estimate results from the revision of general government sector data (Chapter 3.1).**seven year period (2015-2021) is taken into account, in which - according to currently available information - the actual level of GDP moves from above- to below-potential output level and on average equals the potential GDP level (Chapter 3.3).*

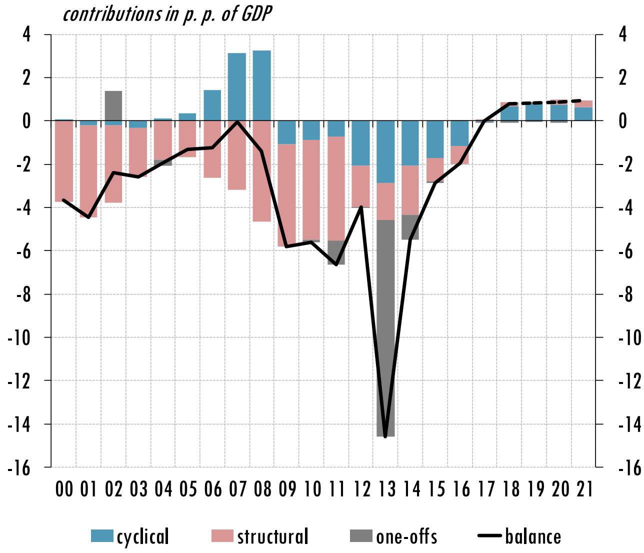
Figure 1: Fiscal policy stance 2001–2021



Source: EC, IMAD, IMF, MoF, OECD, SORS; FC calculations. See note below Table 4.3.

Figure 2: Contributions to general government balance

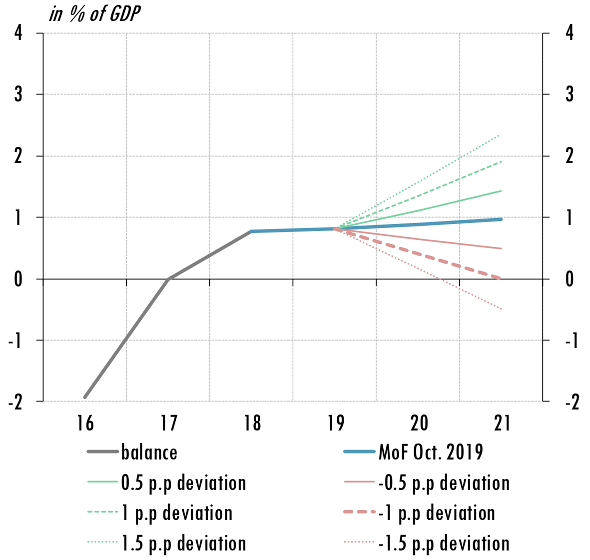
contributions in p. p. of GDP



Source: SORS, MoF, FC calculations.

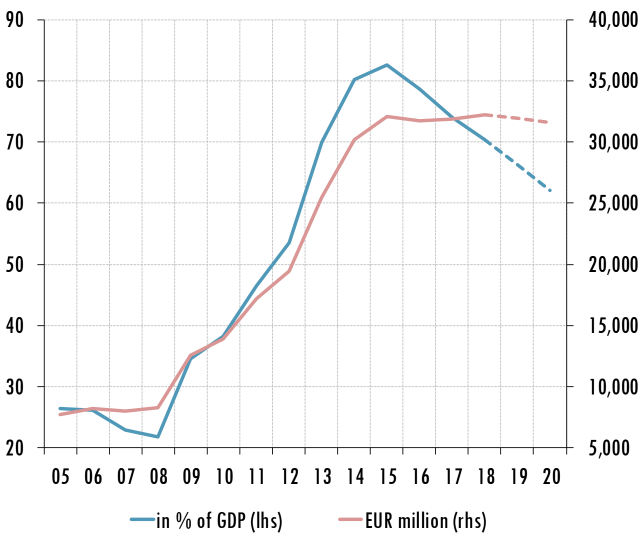
Figure 3: Estimates of sensitivity of general government balance (ESA) to deviation in GDP growth

in % of GDP



Source: SORS, MoF, FC calculations.

Figure 4: General government gross debt



Source: SORS, MoF.

Legal framework

On 30 September 2019, the Ministry of Finance submitted the 2020–2021 State Budget Proposals of the Republic of Slovenia and related documents (hereinafter: Budget Proposals) to the Fiscal Council for the assessment of compliance with fiscal rules, followed by the 2020 Draft Budgetary Plan (hereinafter: DBP 2020) under the ESA 2010 methodology on 11 October 2019. Pursuant to Articles 2 and 3 of the Fiscal Rule Act (hereinafter: FRA), compliance with the fiscal rules is assessed for the general government, so that the projections under the ESA 2010 methodology are a prerequisite for the Fiscal Council to fully assess compliance with fiscal rules in the Budget Proposals. Consequently, by way of a letter dated 11 October 2019, the Fiscal Council called on the Ministry of Finance to provide projections for the general government for 2021. These were sent to the Fiscal Council by the Ministry of Finance together with the output gap calculations on 14 October 2019.

Pursuant to Article 28 of the Public Finance Act (hereinafter: ZJF), the Government is required to submit a budget proposal to the National Assembly by 1 October. The Fiscal Council must prepare an assessment of compliance with the fiscal rules in the budget proposal in accordance with point 2 of paragraph two of Article 7 of the FRA. In accordance with paragraph two of Article 9f of the Act Amending the Public Finance Act (the ZJF-H), the Fiscal Council must submit this assessment to the National Assembly and the Government by October 20 at the latest.

Article 15 of the FRA lays down that as long as the Republic of Slovenia is adjusting towards the minimum value of the structural balance under the EU rules (MTO) it shall be deemed that the general government budgets are balanced in the medium term if the structural balance of the general government is adjusting to the MTO in accordance with the pace determined in the Stability and Growth Pact. The MTO for Slovenia in the 2020–2022 period is determined as a structural balance of –0.25% of GDP. The Fiscal Council is of the opinion that in the past few years Slovenia approached its MTO, which stood at 0.25% of GDP in the period up to and including 2019 under the EU rules, and, taking into account the deviation permitted, attained it in 2018. In this assessment, the Fiscal Council thus checks compliance with the national fiscal rules referred to in Article 3 of the FRA. Article 3 of the FRA lays down that, in the period in which the MTO is reached, the medium-term balanced position is ensured by determining the maximum level of expenditures of the general government in relation to the position in the economic cycle. These limits were last set by the Ordinance on the Framework for the Preparation of the General Government Budget for the 2020–2022 Period, adopted by the National Assembly in April 2019. In addition, in line with the FRA, the fiscal policy, regardless of the achievement of the MTO, must ensure at least a balanced position over the medium term or on average over the economic cycle.

Therefore the Fiscal Council has assessed the compliance of the submitted documents with the FRA in several steps:

I. it assessed the feasibility of the projections contained in the Budget Proposals;

II. it assessed the compliance of the Budget Proposals and projections for the general government under the ESA 2010 methodology;

III. it checked the compliance of fiscal projections with fiscal rules;

IV. it verified the compliance of general government projections under the ESA methodology with Article 15 of the FRA on the basis of the Stability and Growth Pact.

1. Macroeconomic conditions and forecasts for the 2019-2021 period

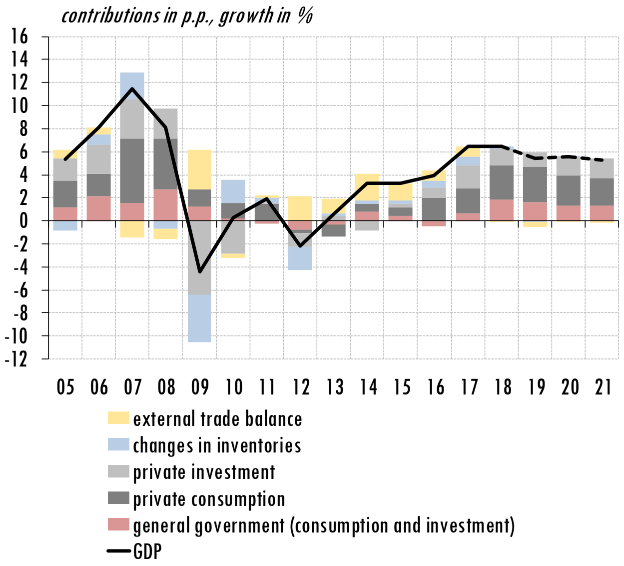
Key findings

- Despite the slow-down in growth in 2019, the continuation of relatively favourable economic developments is accompanied by a further increase in tax bases.
- Economic growth is expected to gradually slow down in the 2020-2021 period; as a consequence, the tax bases will increase at a slower pace than in the period of high economic growth in 2017-2018.
- The risks related to IMAD's macroeconomic forecasts are mainly negative and arise primarily from the international environment. Data and forecasts from other institutions, published after IMAD's forecast, confirm these risks. This indicates the need for more caution in budgetary planning.

1.1 An overview of macroeconomic conditions and forecasts

The slowdown in economic growth that started in 2018 has continued in 2019, driven by the slowdown in domestic consumption and the lower contribution of net experts. Real GDP growth was around 3% in the first half of the year and was twice as high as the EU average (1.5%). In the first half of the year, all domestic consumption components eased. In view of lower export expectations and increased uncertainty, the growth in investments in equipment and machinery has slowed the most, while the growth in construction investments has intensified. A further boost to disposable income arising from a high growth in employee compensation and social-benefit income contributes to maintaining sound growth in household consumption. The consumption dynamics of non-durable goods remains relatively high, while the increase in the consumption of durables is decreasing, which indicates increased caution in purchasing decisions. Although consumer sentiment did not deteriorate significantly in the first half of the year and remained above the long-term average, the

Figure 1.1: Contributions to y-o-y nominal GDP growth

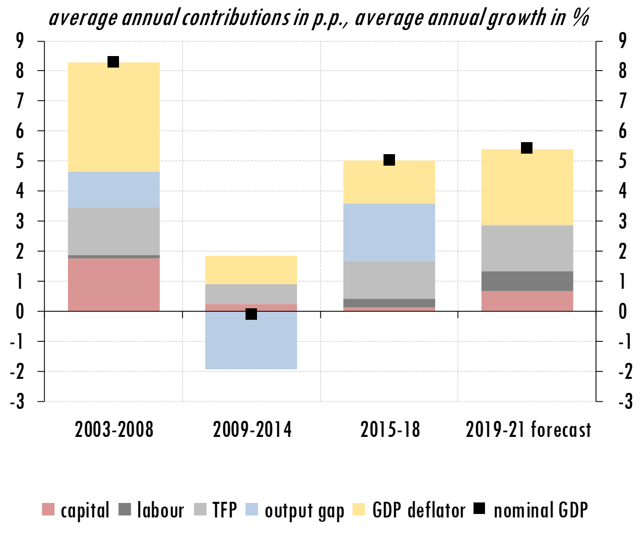


Sources: SORS, IMAD, FC calculations.

continued strengthening of household savings suggests caution. Following the relatively rapid growth last year, the slowdown in employment and intermediate government consumption[1] also slowed the pace of government consumption. Exports have not slowed down this year despite a decreased demand on the part of Slovenia's main trading partners. This is mainly due to some one-off factors, notably the export of pharmaceutical and medicinal products, which was linked to import operations and thus influenced the rapid growth of imports.

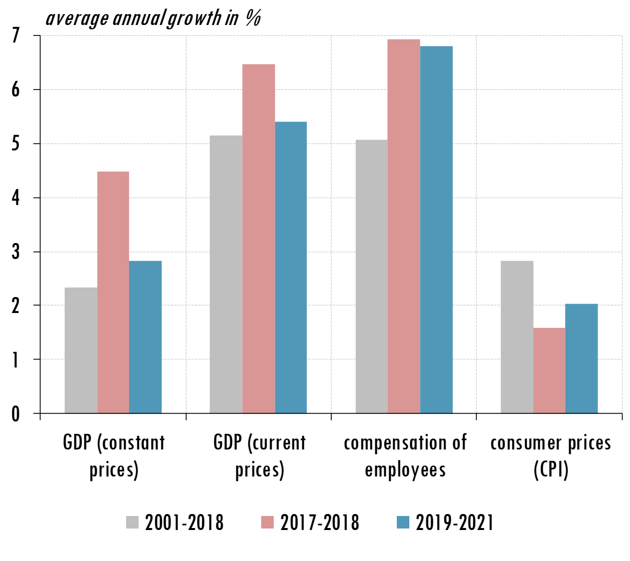
According to IMAD's[2] forecasts, economic growth will slow down in the 2019-2021 period, in particular due to less favourable impulses from the international environment. The real GDP growth is forecast to stand slightly below 3%[3] in a three-year average, with domestic consumption and exports contributing to it more evenly than in previous years despite the projected moderation in GDP growth. The slowdown in export growth arises from the discontinued impact of one-off factors, less favourable growth forecasts among primary trading partners, as well as worsened competitiveness, and in view of the projected less favourable trend of the ratio between the costs and labour productivity. The growth in investment is expected to moderate somewhat, but also to remain relatively high. IMAD expects growth to continue particularly in construction investment, including public construction investment in connection with the expected higher absorption of European funds. The growth in equipment and machinery investment is expected to ease further in view of lower export expectations and increased uncertainty in the international environment. This year the increase in government final consumption is expected to be similar to that of last year; thereafter, growth is expected to subside due to the expected lower growth in employment and intermediate consumption of the general government. The growth in household consumption is projected to increase this year, driven by the growth in wages and social transfers; it is expected to slow down in the following years because of the lower employment growth resulting from demographic changes and the decreased growth in social transfers. In view of the foreseen gradual reduction in the estimated positive output

Figure 1.2: Contributions to nominal GDP growth



Source: SORS, IMAD, FC calculations.

Figure 1.3: Growth of macroeconomic aggregates



Source: SORS, IMAD, FC calculations.

[1] Year-on-year employment growth in the general government sector stood at 1.9% in 2018 and 1.3% in the first half of 2019. Intermediate consumption increased by approximately 6% year-on-year in 2018 and in the first quarter of 2019, and by only 1% in the second quarter of 2019.

[2] The macroeconomic forecasts of IMAD constitute the basis for the budgetary planning in accordance with the Decree on development planning documents and procedures for the preparation of the state budget and local government budgets (Official Gazette of the Republic of Slovenia [Uradni list RS], Nos 44/07 and 54/10). The current budgetary documents assessed by the Fiscal Council are based on the Autumn Forecast of Economic Trends 2019 from September 2019.

[3] The average real GDP growth was 3.4% after exiting the recession in the 2014-2018 period.

gap, the cyclical impetus will – unlike in the previous four years – no longer contribute to the growth in nominal GDP in the 2019-2021 period average (Figure 1.2). The contribution of total factor productivity will remain significant; after several years of investment growth, the contribution of capital will increase. The growth in nominal GDP is also expected to be driven by a higher level of inflation that mirrors the cost pressures accompanying the declining cyclical impetus. On average, inflation will reach 2.0% in the 2019-2021 period. The surplus in the current account of the balance of payments is projected to remain high (on average slightly below 5% of GDP) and its gradual reduction is mainly driven by the lower export growth, which will lag behind the growth of imports motivated by domestic consumption.

In the 2019-2021 period, tax bases will increase less than the average in the two previous years, which in terms of economic growth were the peak of the cycle. Annual GDP growth in current prices is expected to ease, although it is expected to stand at 5.4% on average in the 2019-2021 period (2017-2018: 6.5%), but GDP is still projected to increase in total by almost one fifth or EUR 7.8 billion by 2021. Following the rapid growth in 2019, which is expected to peak at 7.8% since the beginning of the crisis in 2008, the annual increase in compensation of employees is projected to moderate, but on average it will remain high at 6.8% (2017-2018: 6.9%). The slowdown in the growth rate of compensation of employees is mainly expected to arise from the slowdown in employment dynamics (1.6%; 2017–2018: 3.1%) as the average wage growth per employee (about 5% per year) is foreseen to be higher than that in the previous two years. Relatively high wage growth is mainly due to the rise in the minimum wage, the lack of adequate workforce and the agreement on the pay rise in the public sector.

1.2 Assessment of the cyclical position of the economy

Available estimates have led the Fiscal Council to assess that the output gap in the 2020-2021 period will be positive in Slovenia. The positive output gap[4] is expected to record a further rise in 2019 and then the real economic growth is foreseen to start lagging behind the currently estimated increase in economic potential.[5] As a result, the positive gap is expected to gradually decrease over the coming years. According to currently available calculations, its average is expected to exceed 1.5% in the 2020-2021 Budget Proposal period, which according to the EC methodology delimits normal economic times from good economic times.[6]

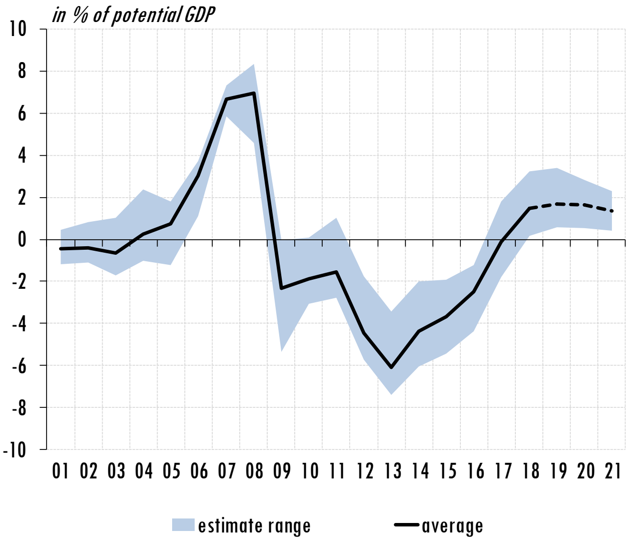
Based on an overview of a broader set of indicators, which are monitored by the Fiscal Council in order to determine the state of the economic cycle, and IMAD's forecasts, we assess that the cyclical impetus is gradually slowing down. Economic conditions remain favourable, but economic activity is decreasing. The values of most indicators diverge from the peak values recorded in the period of economic recovery that started in the beginning of 2014. This primarily applies to indicators

[4] The output gap represents the difference between the actual economic activity (in terms of GDP) and the estimated economic activity made possible by the economy's available capacities, without causing inflationary pressures (potential output). In its output gap estimates the Fiscal Council uses the calculations of five institutions and four statistical methods. For more details on the output gap calculations used by the Fiscal Council, see the Report on the Fiscal Council's operations in 2017, pp. 23-26 (May 2018).

[5] Determining the stage of the economic cycle has an impact on the choice of the ZFisP formula that is used to determine the ceiling for general government expenditure (Chapter 3.3 Compliance with the national fiscal rule).

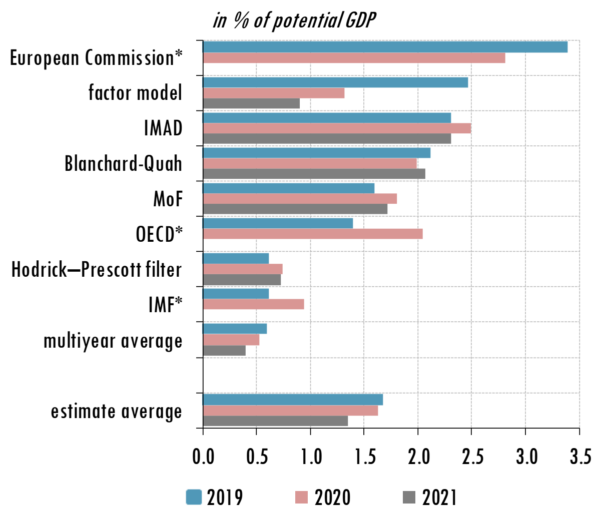
[6] The EC defines good times as the period in which the output gap is equal to or above 1.5% (Vade Mecum on the Stability and Growth Pact, 2019 Edition, pp. 16-17; April 2019). It should be noted in this context that output gap estimates may change significantly over time. The EC has also established that, under a commonly agreed methodology, output gap estimates for Slovenia are subject to a high degree of uncertainty and are not necessarily in line with other macroeconomic indicators. Using the plausibility tool, the EC assessed that the output gap for Slovenia in 2018 stood at 1.1%; according to the latest available official calculations based on the commonly accepted methodology, the output gap stands at 3.3% (Assessment of the 2019 Stability Programme for Slovenia – Table 1, p. 6, June 2019).

Figure 1.4: Output gap estimates



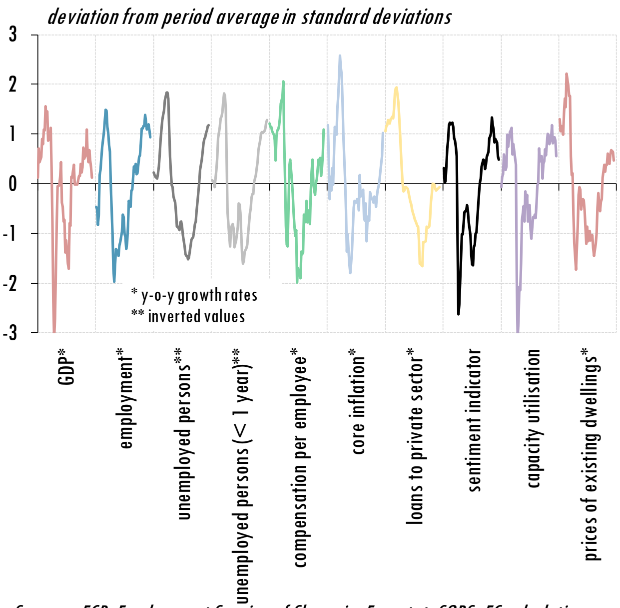
Source: EC, IMAD, IMF, MoF, OECD, FC calculations. See note below Table 4.3.

Figure 1.5: Output gap estimates for 2019–2021



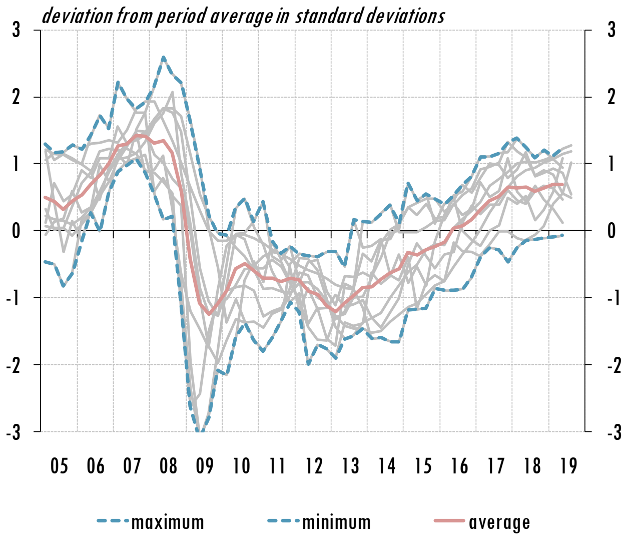
*Note: * EC, IMF and OECD have not published estimates for 2021.*
Source: EC, IMAD, IMF, MoF, OECD, FC calculations. See note below Table 4.3.

Figure 1.6: Indicators of economic cycle dynamics 2005–2019



Sources: ECB, Employment Service of Slovenia, Eurostat, SORS, FC calculations.

Figure 1.7: Indicators of economic cycle dynamics



Sources: ECB, Employment Service of Slovenia, Eurostat, SORS, FC calculations.

of economic growth, employment, economic sentiment, and partly also to private sector lending and production capacity utilisation. Supply-side constraints continue to be reflected in the labour market, not least due to demographic changes. According to IMAD's autumn forecast, wage growth is expected to further accelerate in the coming period amid slowing economic activity. The same applies to inflation, which is expected to remain moderate. The increase in resale property prices continues to be above the long-term average, but it has started to ease. In the first half of 2019, year-on-year prices of new buildings decreased; however, they account for a very small proportion of the total volume of real estate transactions.

1.3 Comparison of macroeconomic scenarios of the Framework, the 2020-2021 Budget Proposal and the 2020 Draft Budgetary Plan

The macroeconomic scenario of the 2020-2021 Budget Proposal – based on IMAD's autumn forecast – is slightly less favourable compared to the basis for the drafting of the Framework this spring; however, some tax bases are nevertheless expected to be higher as a result of the revisions and the revised structure of the forecast. This year's economic growth fell below the spring 2019 forecasts, which was mainly due to the low investment growth, reflecting weakened export prospects and uncertainties in the international environment. The favourable growth in overall exports is temporarily driven by some groups of goods, while, given the low growth in foreign demand, a major part of exports has stabilised more than the expectations taken into consideration in the spring forecasts. The current forecast projects slightly lower economic growth in the 2020-2021 Budget Proposal period, partly because of the expected lower growth in exports, i.e. the contribution of net exports, and partly due to the slower growth in government consumption and investments. The nominal GDP forecast for 2019 is thus lower by over EUR 550 million compared to the spring forecast, which is also largely the result of the data revision,[7] and by about EUR 2 billion lower over the entire 2019-2021 period. Cumulatively, the projected volume of gross operating surplus is also lower by almost EUR 2 billion over the same period. In contrast to the revisions to GDP level, the revision to the 2018 data has led to a significant increase in the level of household consumption, which in the forecast period is cumulatively higher by around EUR 2.5 billion than that in the spring forecast. A total increase of around EUR 170 million in compensation for employees in the 2019-2021 period compared to the 2019 spring forecast is the result of a slightly less pronounced slowdown in employment growth amid a moderate increase in wage growth. Inflation projections remain essentially unchanged throughout the forecast period. Similarly, the average changes in the output gap estimates are also small.

Table 1.1: IMAD forecasts

	2019			2020			2021		
	Mar. 19	Sep. 19	diff.	Mar. 19	Sep. 19	diff.	Mar. 19	Sep. 19	diff.
Real GDP,change in %	3.4	2.8	*-0.6*	3.1	3.0	*-0.1*	2.8	2.7	*-0.1*
Nominal GDP, EUR million	48,797	48,242	*-555*	51,578	50,910	*-667*	54,443	53,581	*-862*
Compensation of employees, EUR million	24,513	24,601	*88*	26,164	26,272	*108*	27,817	27,794	*-23*
Inflation-average, %	1.6	1.8	*0.2*	1.9	2.0	*0.1*	2.2	2.3	*0.1*

Source: IMAD, FC calculations.

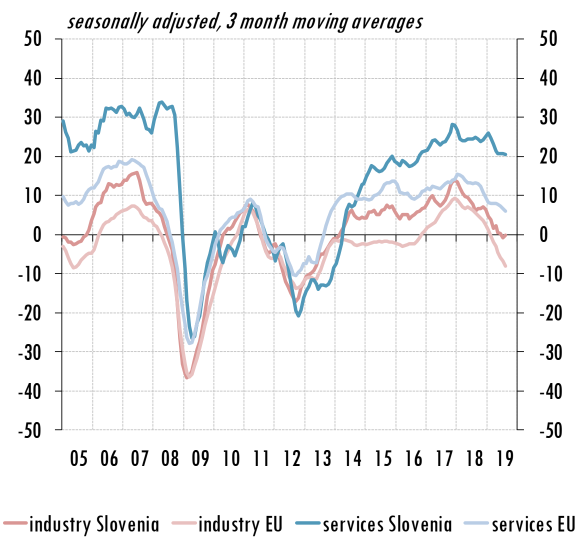
[7] The August 2019 revision of national accounts data lowered the estimate of the level of gross domestic product in 2018 by almost EUR 200 million, which forms the basis for producing forecasts in 2019. Taking into account the old estimate of the 2018 level of GDP and the nominal GDP growth projected in the IMAD's autumn forecast, the 2019 GDP level would thus be higher by EUR 200 million.

1.4 Risks to the macroeconomic scenario

Risks to the realisation of the macroeconomic scenario that serves as the basis for projections outlined in the 2020-2021 Budget Proposal and the 2020 Draft Budgetary Plan are overwhelmingly negative according to the Fiscal Council's assessment and primarily arise from the international environment. The slowdown recorded in the euro area's economic growth continued in the first half of this year; consequently, in recent months international institutions have been lowering their forecasts for this year. According to projections made available to IMAD when making the forecasts, GDP growth in the euro area is expected to slow down to approximately 1% this year. All institutions point to negative risks, particularly in the context of uncertainty about future global trade relations. In addition, there is increasing uncertainty over how the UK will leave the EU. Additional risk factors are also associated with uncertainties on the part of some major trading partners, a possible slowdown in the Chinese economy, as well as the worsening of the situation on global financial markets and the commodity markets as a result of geopolitical tensions. Uncertainty is currently shown in decreased world trade trends and production in manufacturing, as well as in the reduction of the vast majority of sentiment indicators. Risks associated with the national environment arise from the envisaged changes in tax, labour market and pensions policies. These can, particularly in the short term, result in a higher private consumption growth than that foreseen in the baseline scenario, notably through increased disposable income, whereas their cumulative impact on economic growth is precarious.

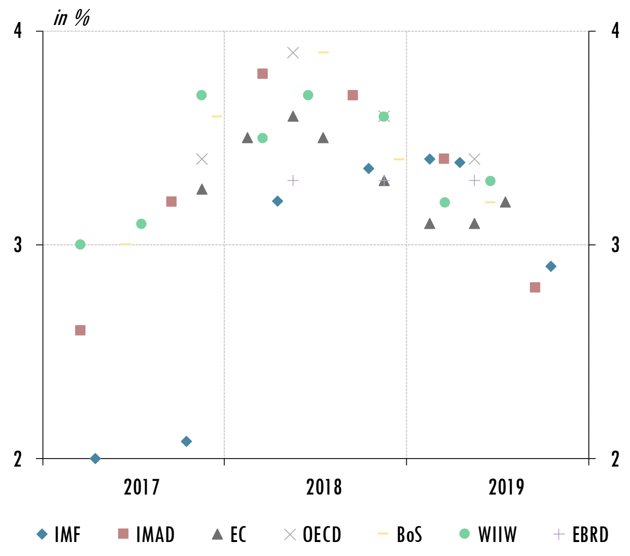
Risks to which IMAD has drawn attention by presenting an alternative scenario persist even after the forecasts have been made. At the time when the forecasts were prepared, IMAD drew attention to the prevailing negative macroeconomic risks stemming from the international environment by presenting an alternative scenario of weaker growth in foreign demand. If the risks materialise, GDP growth could be cumulatively reduced by two percentage points over the next two years, and would be only around 2% in both years.[8] The economic growth projections in the baseline scenario imply a significant improvement in the current dynamics of growth already in the second half of this year,

Figure 1.8: Confidence indicators



Source: EC, FC calculations.

Figure 1.9: Forecasts of real GDP growth in Slovenia for 2019



Source: BoS, EBRD, EC, IMAD, IMF, OECD, WIIW.

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[8] IMAD's Autumn Forecast of Economic Trends 2019 (Box 2: Alternative scenario of economic growth, p. 24).

which increases the basis for GDP calculation in the following years. A similar finding about the envisaged dynamics also applies to household consumption, which could be curtailed even after the autumn macroeconomic forecast by the Bank of Slovenia macro-prudential measures relating to consumer lending. The forecasts were prepared by IMAD before the revision of the data on the current dynamics in 2019[9] and the publication of the latest OECD[10] and IMF forecasts. These project a decline in global economic growth.[11]

[9] Current GDP dynamics fell from 0.2% to 0.0% in the second quarter of 2019 following the publication by SURS on the revised national accounts data at the end of September. In view of IMAD's macroeconomic forecasts, the nominal GDP level in the 2019-2021 period would cumulatively decrease by approximately EUR 290 million as a result of the revision. Taking into account the single revenue elasticity in relation to the change in GDP, the revenues of the general government could therefore be reduced by almost 0.1% of GDP each year.

[10] OECD Interim Economic Outlook, september 2019.

[11] World Economic Outlook, October 2019. According to the Fiscal Council's estimate, the weighted assumption about the growth in foreign demand on the basis of the spring forecast for the 2019-2021 period decreases by an average of 0.6 percentage point. Thus, IMAD decreased its assumption about foreign demand by an average of 0.3 percentage points during the same period. Moreover, the level of foreign demand assumption used by IMAD in its autumn forecast is on average by 0.4 percentage points lower than that used by the IMF in its latest forecasts.

2. Fiscal trends projected by the 2020-2021 Budget Proposal and the 2020 Draft Budgetary Plan

Key findings

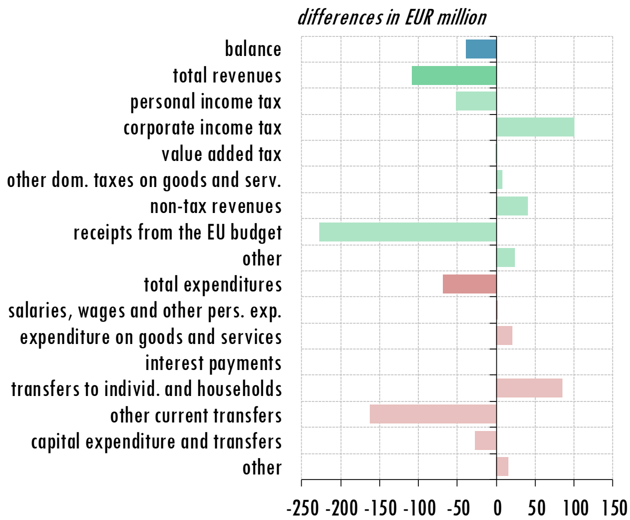
- In the 2019-2021 period, the nominal surplus of the general government is projected slightly below 1% of GDP. The nominal surplus of the state budget is expected to increase from 0.3% of GDP to more than 1% of GDP over the period.
- Gross general government debt is expected to decrease by the end of 2020 in nominal terms and as a share in GDP and should be close to 60% of GDP.
- Negative risks to the fiscal projections are significant and related to the inconsistency between projections and announced or applicable economic policy measures, as well as to the macroeconomic environment.

2.1 An overview of fiscal projections

2.1.1 Assessment of the projected revenues and expenditures in the 2020-2021 Budget Proposal

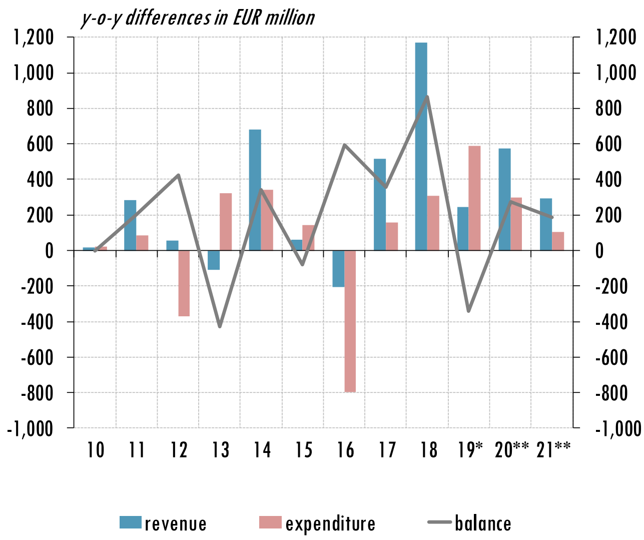
The surplus of the state budget is expected to be slightly lower in 2019 than that in the revised budget[12] (by approximately EUR 40 million or 0.1% of GDP). The surplus is expected to amount to EUR 154 million, or 0.3% of GDP, which, when excluding one-off factors from the previous year's balance, means that it remains at a similar level.[13] The key reason for a lower estimated surplus is that the revenue estimates decreased (by EUR 108 million), which is largely due to significantly lower estimated revenues of EU funds. Optimistic projections for EU funds absorption were already drawn

Figure 2.1: Difference between outcome estimate and revised state budget for 2019



Source: MoF, FC calculations.

Figure 2.2: State budget revenue and expenditure



*Source: MoF, FC calculations. *Outcome estimate (Sep. 2019), **Proposed state budget.*

[12] https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2019-01-0799?sop=2019-01-0799.

[13] Last year's surplus of EUR 537 million, or 1.2% of GDP, was to a great extent the result of two one-off events, which were not related to actual trends in 2018. In 2018, EUR 208 million of EU funds from the previous financial perspective were paid into the state budget, and EUR 271 million dividends from profits generated by Nova Ljubljanska banka also comprised EUR 189 million of retained profits from the previous year. If the two one-offs were not taken into account, the state budget surplus would only amount to EUR 140 million or 0.3% of GDP (excluding retained earnings in the case of NLB dividend).

attention to by the Fiscal Council when assessing the draft revised budget in February this year.[14] Revenues from personal income tax are also expected to be slightly lower due to tax relief on holiday allowance. The lower estimate of revenues relative to the revised budget should be offset by higher corporate income tax revenues and other non-tax revenues. In this regard it should be noted that the outturn estimates for this year have not resulted in any significant changes in the projections of certain tax revenues despite significant changes in the level of tax bases resulting from the revision of national accounts by SORS and new IMAD forecasts. The overall deterioration in the balance because of the lower revenues relative to the revised budget is expected to be offset by approximately a EUR 70 million decrease in expenditure. The decrease is largely due to lower estimates of expenditure on subsidies, investment expenditure and transfers, which is associated with lower estimated revenues from EU funds. The current transfers to public institutions and social security funds have also slightly decreased in comparison with the revised budget. By contrast, expenditure on transfers to individuals and households is expected to be EUR 85 million higher than that planned in the revised budget. This reflects the inadequate planning in view of the release or the increase of some transfers this year. Taking into account the outturn of the eight months of this year, there is a risk that the surplus of the state budget in 2019 will be slightly lower than the latest estimate. This risk is somewhat lower because the implementation of the state budget has been frozen since September.[15]

The 2020-2021 Budget Proposal has foreseen an increase in the surplus in 2020 and 2021, but there is a significant risk that the targets will not be met due to inconsistencies between the fiscal projections and the proposed or existing measures, and negative macroeconomic risks (Chapter 2.3). The surplus is expected to increase to 0.9% of GDP next year and further to 1.2% of GDP in

Table 2.1: State budget estimates for 2019

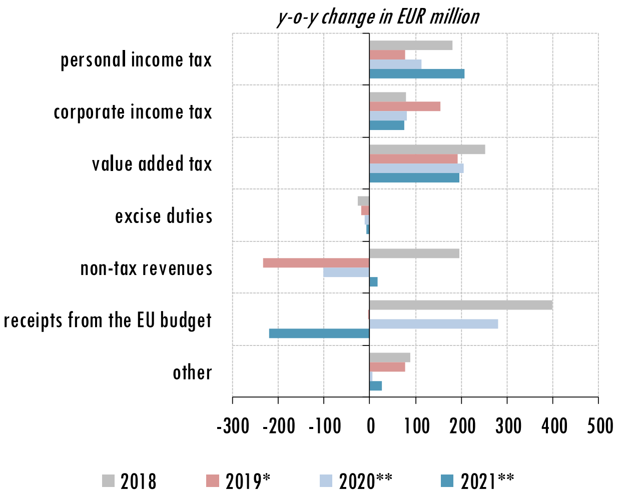
				change on revised budget in EUR million		change on revised budget in %		contribution to change on revised budget in p.p.	
	rev. budg.	estim. July	estim. Sep.	estim. July	estim. Sep.	estim. July	estim. Sep.	estim. July	estim. Sep.
Total revenue	**10,354**	**10,246**	**10,245**	**-108**	**-108**	**-1.0**	**-1.0**	**-1.0**	**-1.0**
Personal income tax	1,409	1,376	1,357	-33	-52	-2.4	-3.7	-0.3	-0.5
Corporate income tax	900	1,000	1,000	100	100	11.1	11.1	1.0	1.0
Value added tax	3,949	3,961	3,948	12	0	0.3	0.0	0.1	0.0
Excise duties	1,543	1,543	1,541	-1	-2	0.0	-0.1	0.0	0.0
Non-tax revenue	593	604	634	11	41	1.9	6.9	0.1	0.4
Receipts from the EU budget	1,018	791	791	-228	-228	-22.4	-22.4	-2.2	-2.2
Other	941	971	974	30	33	3.2	3.5	0.3	0.3
Total expenditure	**10,160**	**10,052**	**10,091**	**-108**	**-69**	**-1.1**	**-0.7**	**-1.1**	**-0.7**
Salaries, wages and other personnel exp.	1,118	1,127	1,120	9	2	0.8	0.2	0.1	0.0
Expenditure on goods and services	845	836	865	-8	21	-1.0	2.4	-0.1	0.2
Transfers to individuals and households	1,340	1,446	1,425	106	85	7.9	6.3	1.0	0.8
Interest payments	785	785	785	0	0	0.0	0.0	0.0	0.0
Subsidies	504	419	440	-85	-64	-16.9	-12.7	-0.8	-0.6
Capital expenditure and transfers	1,079	1,002	1,050	-77	-28	-7.1	-2.6	-0.8	-0.3
Current transfers to social security funds	1,110	1,062	1,072	-48	-38	-4.3	-3.4	-0.5	-0.4
Current transfers to other government inst	2,084	2,064	2,064	-20	-20	-0.9	-1.0	-0.2	-0.2
Other	1,296	1,311	1,270	15	-26	1.1	-2.0	0.1	-0.3
Balance	194	194	154	0	-39				

Source: MoF, FC calculations.

[14] Assessment of Compliance of the Proposal of Revised State Budget 2019 with the fiscal rules, February 2019, pp. 14-16. http://www.fs-rs.si/assessment-by-the-fiscal-council-compliance-of-the-proposal-of-revised-state-budget-2019-with-the-fiscal-rules/

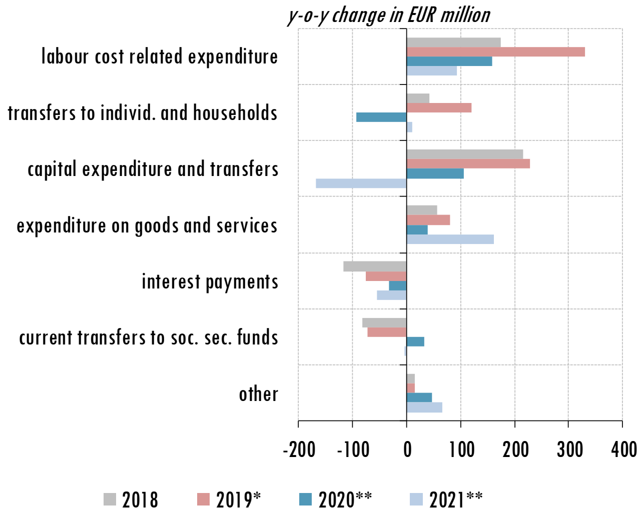
[15] https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2019-01-2435/pravilnik-o-zakljucku-izvrsevanja-drzavnega-in-obcinskih-proracunov-za-leto-2019 - only in Slovene.

Figure 2.3: State budget revenue



*Source: MoF, FC calculations. *Outcome estimate (Sep. 2019), **Proposed state budget.*

Figure 2.4: State budget expenditure



*Source: MoF, FC calculations. *Outcome estimate (Sep. 2019), **Proposed state budget.*

2021 despite slowing economic growth. Revenue growth is set to increase next year in particular as a result of the projected significant increase in the revenues from EU funds. The experiences from the past years, as well as this year in which additional measures have been adopted to improve the effectiveness of the absorption, suggest that the objectives set when drafting budget documents are usually overly optimistic. Tax revenue projections predict that similar growth will be maintained as this year, but do not include the potential negative impact of the proposed tax changes. The projected fiscal neutrality of these changes is based on the assumption of a significant improvement in the effectiveness of tax collection. The growth in state budget expenditure is expected to slow considerably in the coming two years. This will be mainly attributable to a small increase in total

Table 2.2: State budget

						growth in EUR million				growth in %				contributions to growth in p.p			
	2017	2018	2019*	2020**	2021**	2018	2019*	2020**	2021**	2018	2019*	2020**	2021**	2018	2019*	2020**	2021**
Total revenue	**8,830**	**10,001**	**10,245**	**10,818**	**11,112**	**1,171**	**245**	**573**	**294**	**13.3**	**2.4**	**5.6**	**2.7**	**13.3**	**2.4**	**5.6**	**2.7**
Personal income tax	1,100	1,280	1,357	1,469	1,677	180	77	112	207	16.4	6.0	8.3	14.1	2.0	0.8	1.1	1.9
Corporate income tax	766	846	1,000	1,082	1,157	79	154	82	75	10.4	18.2	8.2	6.9	0.9	1.5	0.8	0.7
Value added tax	3,504	3,757	3,948	4,153	4,349	253	192	205	196	7.2	5.1	5.2	4.7	2.9	1.9	2.0	1.8
Excise duties	1,585	1,560	1,541	1,530	1,523	-26	-18	-11	-8	-1.6	-1.2	-0.7	-0.5	-0.3	-0.2	-0.1	-0.1
Non-tax revenue	671	867	634	532	549	196	-233	-102	17	29.2	-26.8	-16.1	3.2	2.2	-2.3	-1.0	0.2
Receipts from the EU budget	395	794	791	1,071	851	399	-4	281	-221	101.0	-0.4	35.5	-20.6	4.5	0.0	2.7	-2.0
Other	808	897	974	980	1,007	89	77	6	27	11.0	8.6	0.6	2.7	1.0	0.8	0.1	0.2
Total expenditure	**9,156**	**9,463**	**10,091**	**10,350**	**10,455**	**307**	**628**	**259**	**105**	**3.4**	**6.6**	**2.6**	**1.0**	**3.4**	**6.6**	**2.6**	**1.0**
Salaries, wages and other personnel exp.	1,000	1,038	1,120	1,178	1,210	38	82	58	32	3.8	7.9	5.2	2.8	0.4	0.9	0.6	0.3
Expenditure on goods and services	728	785	865	904	1,066	57	81	39	162	7.8	10.3	4.5	17.9	0.6	0.9	0.4	1.6
Transfers to individuals and households	1,261	1,304	1,425	1,332	1,341	43	121	-93	10	3.4	9.3	-6.5	0.7	0.5	1.3	-0.9	0.1
Interest payments	977	861	785	752	697	-117	-76	-33	-55	-11.9	-8.8	-4.2	-7.3	-1.3	-0.8	-0.3	-0.5
Subsidies	380	396	440	523	509	15	44	83	-14	4.0	11.1	18.9	-2.7	0.2	0.5	0.8	-0.1
Capital expenditure and transfers	605	822	1,050	1,157	989	217	229	107	-168	35.8	27.8	10.2	-14.5	2.4	2.4	1.1	-1.6
Current transfers to social security funds	1,226	1,145	1,072	1,106	1,102	-81	-73	34	-4	-6.6	-6.4	3.1	-0.3	-0.9	-0.8	0.3	0.0
Current transf. to other government inst.	1,953	1,918	2,064	2,149	2,213	-35	146	85	64	-1.8	7.6	4.1	3.0	-0.4	1.5	0.8	0.6
Other	1,026	1,197	1,270	1,250	1,328	171	73	-20	78	16.7	6.1	-1.6	6.2	1.9	0.8	-0.2	0.8
Balance	-326	537	154	468	657	863	-383	314	189								

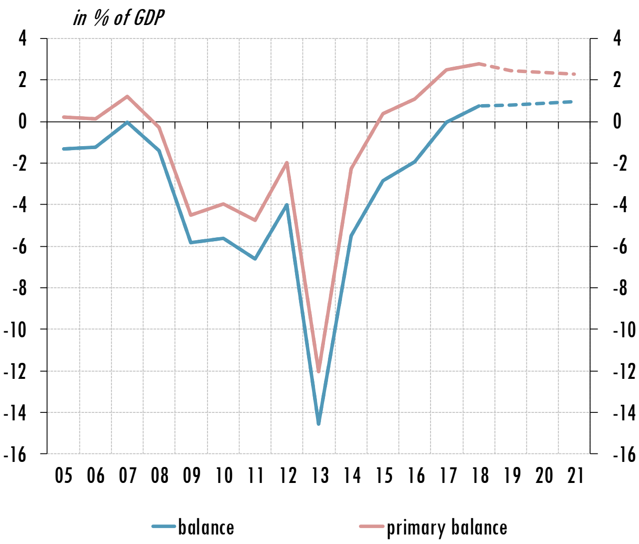
*Source: MoF, FC calculations. *Outcome estimate (Sep. 2019), **Proposed state budget.*

expenditure on labour costs,[16] which is expected to gradually slow down after high growth this year (11.4%) owing to the waning effect of the deal with trade unions. The expected slowdown in expenditure is additionally reinforced by forecasts of the significant reduction in transfers to individuals and households in 2020 (-6.5%), which, if materialised, would be similar to those in 2012 and 2013 when the austerity measures were taken. If there are no changes to the legislation, this projection suggests a significant reduction in the number of recipients and is therefore questionable according to the Fiscal Council's assessment. The third factor behind the expected lower growth in total expenditure is projections for investment expenditure, which should next year increase considerably less than this year and even decrease in 2021. The projected dynamics are dependent on projected revenues from EU funds, while in 2020 domestic investment resources are expected to decrease following an increase in last year and this year. If the absorption of EU funds is again lower than anticipated in the projections, expenditure on investment could also be lower than projected. This would be unsuitable at a time when economic growth is expected to slow down and, consequently, the contribution of fiscal policy to strengthening long-term economic potential would be smaller. The growth in expenditure on goods and services is projected to slow down following a high growth both last year and this year; furthermore, a significant increase is expected in 2021, mainly due to the projected increase of 200% (by EUR 135 million) in other operating expenses. Interest expenditure is projected to decline over the next two years, but at a slower pace than in previous years.

2.1.2 Assessment of the general government revenue and expenditure projections for the 2019-2021 period

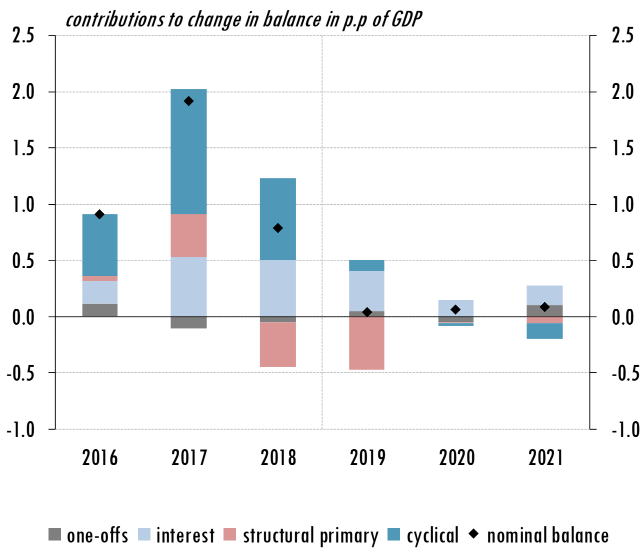
In the 2019-2021 period, the headline general government balance is forecast to remain at a similar level to that recorded last year, on average slightly below 1 % of GDP. The effect of the cyclical balance or the economic situation will be practically neutral in the 2019-2021 period unlike the past four years when the favourable economic situation has made a crucial contribution to the

Figure 2.5: Balance and primary balance



Source: SORS, MoF.

Figure 2.6: Change in nominal general government balance



Source: SORS, MoF, FC calculations.

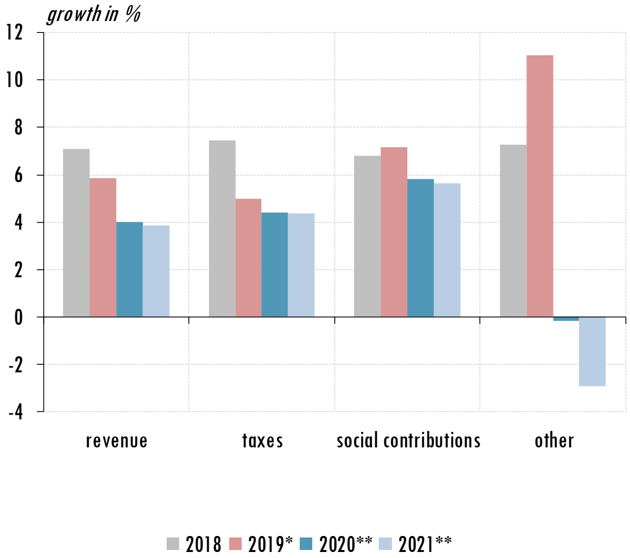
[16] The total labour costs include, in addition to expenditure on wages and other expenditure incurred by employees and social security contributions, current transfers to public institutions for public wages and other expenditure incurred by employees, social security contributions and additional transfers of funds from the state budget to the Health Insurance Institute (ZZZS) to cover expenditure on wages and compensations to interns, foundation doctors and specialty registrars.

Table 2.3: Key general governement revenue and expenditure categories (ESA 2010)

	outcome SORS	DBP 2020			change in EUR millions			change in %			contributions in p.p.		
	2018	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Net lending / net borrowing	**353**	**391**	**446**	**516**	**37**	**55**	**70**						
Total revenue	**20,278**	**21,467**	**22,330**	**23,192**	**1,189**	**863**	**861**	**5.9**	**4.0**	**3.9**	**5.9**	**4.0**	**3.9**
Total taxes	10,066	10,569	11,033	11,517	503	465	483	5.0	4.4	4.4	2.5	2.2	2.2
Taxes on production and imports	6,467	6,713	6,951	7,146	246	237	196	3.8	3.5	2.8	1.2	1.1	0.9
Current taxes on income, wealth, etc.	3,588	3,844	4,071	4,357	256	227	286	7.1	5.9	7.0	1.3	1.1	1.3
Capital taxes	11	11	12	14	1	0	2	4.6	2.2	20.0	0.0	0.0	0.0
Social contributions	7,207	7,723	8,173	8,633	517	449	460	7.2	5.8	5.6	2.5	2.1	2.1
Property income	508	402	355	354	-106	-46	-1	-20.9	-11.5	-0.3	-0.5	-0.2	0.0
Other	2,498	2,774	2,769	2,688	276	-5	-81	11.0	-0.2	-2.9	1.4	0.0	-0.4
Total expenditure	**19,925**	**21,076**	**21,885**	**22,676**	**1,152**	**808**	**791**	**5.8**	**3.8**	**3.6**	**5.8**	**3.8**	**3.6**
Compensation of employees	5,070	5,471	5,754	5,977	401	283	223	7.9	5.2	3.9	2.0	1.3	1.0
Intermediate consumption	2,858	2,933	3,039	3,161	75	106	121	2.6	3.6	4.0	0.4	0.5	0.6
Social benefits	8,037	8,484	8,840	9,192	447	356	352	5.6	4.2	4.0	2.2	1.7	1.6
Interest	912	789	757	701	-123	-31	-56	-13.5	-4.0	-7.4	-0.6	-0.1	-0.3
Subsidies	347	357	379	390	10	23	11	2.9	6.4	2.9	0.1	0.1	0.0
Gross fixed capital formation	1,625	1,844	1,962	2,112	219	118	150	13.5	6.4	7.6	1.1	0.6	0.7
Capital transfers	175	244	238	230	70	-6	-8	39.9	-2.5	-3.5	0.3	0.0	0.0
Other	901	954	914	913	53	-40	-1	5.9	-4.2	-0.1	0.3	-0.2	0.0

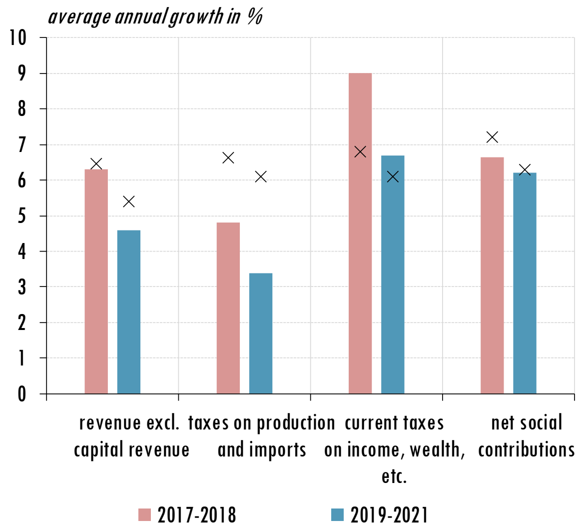
Sources: SORS, MoF, FC calculations.

Figure 2.7: General government revenue growth



*Source: MoF, FC calculations. *Outcome estimate (Sep. 2019), **DBP 2020.*

Figure 2.8: Revenues and their bases



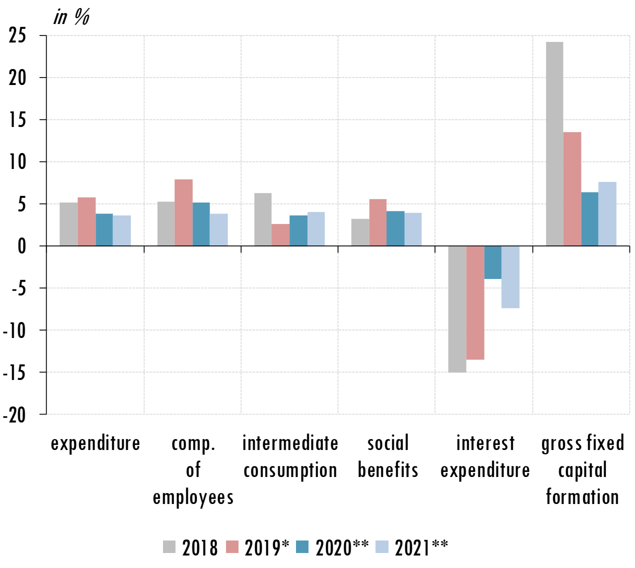
Note: Crosses denote average annual growth of the macroeconomic bases. Source: SORS, IMAD, MoF, FC calculations.

improvement of the headline balance (Figure 2.6). Furthermore, there are significant negative macroeconomic risks and if these materialise, the cyclical balance could have a negative impact on the change in the headline balance. At the same time, the projections indicate that in the next two years the structural primary balance will be maintained at a similar level to that seen this year following the substantial deterioration over the last two years. The further adoption of measures that would structurally reduce revenues or increase expenditures could also lead to a deterioration in the headline balance. Moreover, as interest expenditure has decreased in recent years, in this respect it is no longer possible to expect a significant contribution to the improvement of the headline general government balance. Revenue growth is expected to gradually slow down, which following this year's growth also applies to expenditure. At the same time, revenue growth is expected to exceed expenditure growth throughout this three-year period. Apart from 2019, the growth in revenue and expenditure is projected to lag behind the nominal GDP growth, so that their share in GDP is to be below the multi-annual average. While the expected headline balance is slightly lower than that in the Stability Programme of spring this year, there are significant changes in individual categories of revenues and expenditures.[17]

The foreseen slowdown in revenue growth is primarily associated with the expected slowdown in economic growth. Throughout the 2019-2021 period, revenues from taxes and social security contributions will increase less than last year, approximately in line with the projected tax bases trends (Figure 2.8). In comparison to 2018, the growth in revenues from VAT and from personal and household income tax will slow down the most, the latter this year in particular in relation to the tax relief of holiday allowance. The slowdown in social security contributions will be somewhat less pronounced compared to last year as IMAD's Autumn Forecast shows that, due to the expected high wage growth, the relevant tax bases will continue to improve. Property income is projected to decrease substantially this year and next year, partly due to the high base in the previous year and partly due to the sale of shares of state-owned companies. The slowdown in total revenue growth is expected to be offset this year by a substantial increase in capital revenues due to the speeding up the absorption of EU funds.[18]

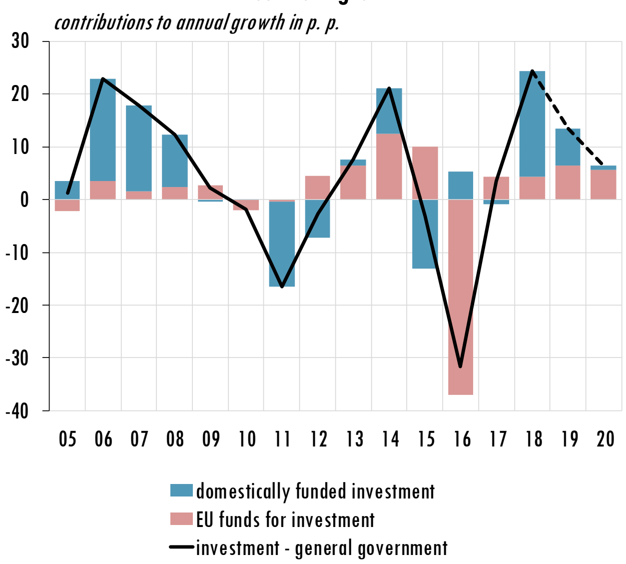
Expenditure growth is projected to slow down over the next two years following this year's highest increase since 2008.[19] Accelerated expenditure growth is projected to reach 5.8% this year, predominantly on account of the increased growth in the compensation of employees and social transfers. Compensation of employees is expected to increase by as much as 7.9% as a result of the agreement signed with the trade unions in the public sector in December 2018, a higher minimum wage and the related increase in holiday allowance. Compared to last year, the higher growth in social transfers is attributable to the lifting of austerity measures and the agreements made on the

Figure 2.9: General government expenditure growth



*Source: MoF, FC calculations. *Outcome estimate (Sep. 2019), **DBP 2020.*

Figure 2.10: Structure of general government investment growth



Vir: SORS, MoF, FC calculations.

[17] Upon the revision of the primary general government aggregates the levels of revenue from social contributions and expenditure on social transfers, in particular, increased over the entire past period. For more information on the revision: https: //www.stat.si/StatWeb/News/Index/8399.

[18] Following a 27.1% increase last year, capital revenues are expected to increase by 67.5% this year.

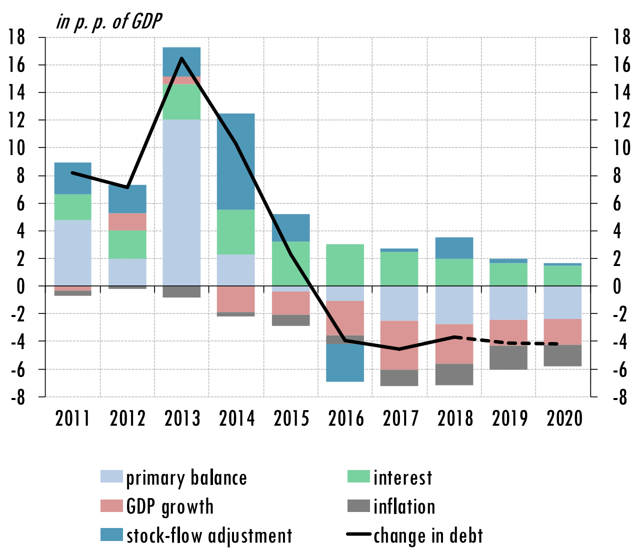
[19] Expenditure growth net of capital transfers. Bank recovery triggered a high increase in expenditure in 2013 (22.8%).

higher levels of some types of social transfers, and, in the case of pensions, to extraordinary pension indexation and changed annual grant. Other categories of expenditure are expected to increase less than last year. Over the next two years expenditure growth is expected to slow down considerably compared to 2018 and 2019, amounting to below 4%. Higher expenditure on social transfers will be a key driver of growth. A more significant increase in pension expenditure than in previous years is expected due to the high level of indexation resulting from the projected wage increase and inflation growth and the agreed additional extraordinary indexation. Over the next two years, compensation of employees is expected to increase considerably less than in the current and previous years. This growth is expected on account of regular promotions and higher employment, as well as due to the effects of the agreement adopted in December 2018. Following a significant leap last year and this year, the growth in investment is expected to moderate somewhat, whereas the share of investment in GDP is projected to level at a multi-annual average of approximately 4% GDP. The total investment growth is expected to be almost entirely based on European funds for at least next year (Figure 2.10). If the absorption targets are not met again, there will be an increased risk that public investment will decline precisely during the phase of the cycle in which economic growth is slowing down due to less favourable impulses from the international environment. The intermediate consumption expenditure is projected to grow at a moderate and much slower pace in comparison with the previous four years, while expenditure on interest is projected to further decrease.

2.1.3 Gross general government debt

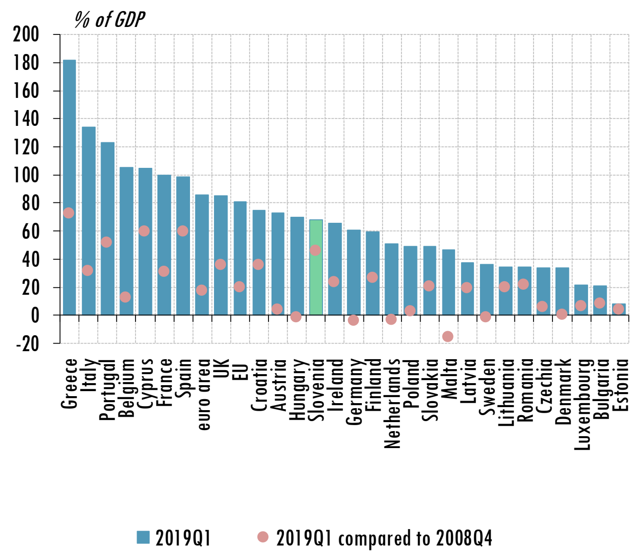
The general government debt is projected to decline to 62.1% of GDP by the end of 2020 and to also be lower in nominal terms compared to 2018 (by approximately EUR 600 million). The maintenance of the primary general government surplus, the expected further economic growth and inflation will contribute equally to the decrease in debt-to-GDP ratio. The contribution of interest to debt will also be reduced as further reduction of interest is expected. In assessing the movement of debt, it is necessary to draw attention to the active management of debt in the past few years, which has contributed to the extension of the average duration to maturity, a higher diversification of individual debt instrument maturity and to a decrease in the proportion of debt in US dollars. The debt

Figure 2.11: Change in general government debt



Source: SORS, MoF, FC calculations.

Figure 2.12: General government consolidated gross debt



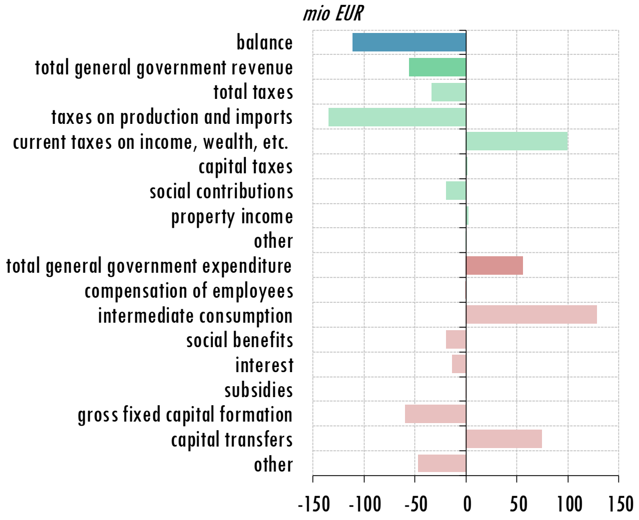
Source: Eurostat, FC calculations

level has remained high despite a decline since 2015 and, compared to the 2008 pre-crisis level, only four EU Member States recorded a debt increase which was higher than in Slovenia.[20] The Fiscal Council is of the view that further debt reduction continues to be one of the key priorities of fiscal policy, which should be achieved by generating sufficient and sustainable primary general government surpluses. This is of utmost importance in terms of long-term public finance sustainability as the failure to appropriately adjust the social protection systems might again cause increased indebtedness associated with the ageing of the population, even in the absence of negative macroeconomic shocks.

2.2 Comparison of fiscal trend projections in the 2020 Draft Budgetary Plan and the 2019 Stability Programme

The projections based on the 2020 Draft Budgetary Plan predict that in the 2018-2021 period the general government balance will cumulatively be 50% lower than predicted in the 2019 Stability Programme.[21] Moreover, according to the latest estimates of SURS[22] (Statistical Office of the Republic of Slovenia), the general government balance in 2018 was higher by more than EUR 50 million than the estimate available at the end of March this year[23] when the 2019 Stability Programme was being drafted. This was mainly due to higher revenues generated by taxes on corporate income and profits, and other current transfers. A cumulative improvement in the balance by approximately EUR 160 million is currently foreseen throughout the period, while the 2019 Stability Programme projected an improvement of over EUR 300 million. The projected modest cumulative improvement in the balance is thus influenced by both a less pronounced increase in revenue, as well as a slightly higher increase in expenditure. The most notable among the revenues are revenues from VAT which will overall increase by approximately EUR 140 million less than foreseen in the 2019 Stability Programme, while taking

Figure 2.13: Change between 2021 and 2018, comparison between Draft Budgetary Plan and the Stability Programme



Source: SORS, MoF, FC calculations.

[20] At the end of the first quarter of 2019 (the latest available data for the entire EU), the general government debt in GDP was lower in 16 EU Member States than in Slovenia, and in 14 EU Member States it was below the Maastricht reference value of 60%.

[21] For more details, see Table 4.2.

[22] https://www.stat.si/StatWeb/News/Index/8399.

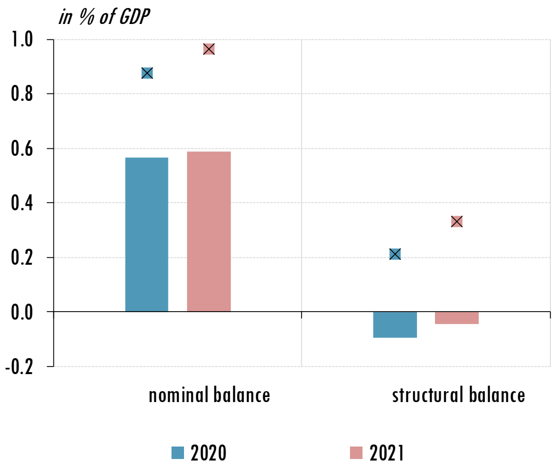
[23] https://www.stat.si/StatWeb/News/Index/8034.

into consideration that IMAD's autumn forecast projects a more substantial overall increase in final consumption than projected in the spring forecast, which provided the basis for the 2019 Stability Programme. As regards expenditure, it should be noted that a significant increase in expenditure on intermediate consumption has been foreseen, which is mainly driven by expected higher growth in 2021 compared to the 2019 Stability Programme.

2.3 Risks to public finances

The risks associated with fiscal projections are predominantly negative and related to the inconsistencies between projections and proposed or applicable measures, the possibility of introducing measures that are still to be defined, as well as to macroeconomic forecasts. Risks to the realisation of macroeconomic scenario that serves as the basis for fiscal projections provided in the 2020-2021 Budget Proposal and the 2020 Draft Budgetary Plan are overwhelmingly negative and arise from the international environment (Chapter 1.4). The Fiscal Council assesses that the projections provided in the 2020-2021 Budget Proposal are not consistent with some of the proposed or applicable measures. The aforementioned Budget Proposal includes the foreseen financial effects of the Act Amending the Labour Market Regulation Act, which, according to the explanation in the 2020 Draft Budgetary Plan, are expected to have a positive impact on the fiscal balance.[24] However, the projections do not include the package of tax changes that was adopted at the same Government session. Namely, the proposed tax changes pose a serious risk of having a negative impact on revenues, because the achievement of their projected fiscal neutrality requires a significant improvement in the efficiency of tax collection (amounting to EUR 74 million). Moreover, in terms of expenditure, the 2020-2021 Budget Proposal envisages a significant reduction in transfers to individuals and households, similar to the reduction in 2012 and 2013, when austerity measures were adopted.[25] According to the Fiscal Council, such a projection lacks an appropriate basis in the current

Figure 2.14: Impact of realisation of risks on nominal and structural balance



Note: Includes risks from Table 2.4. Bars denote balance if risks are realised, while crosses denote MoF forecast (nominal) and FC estimates (structural).
Source: MoF, FC calculations.

[24] In the proposed Act, the overall direct financial effects of all seven measures are assessed as fiscally neutral (https://www.gov.si/drzavni-organi/vlada/seje-vlade/gradiva-v-obravnavi/show/4596 - available only in Slovene).

[25] According to the 2020-2021 Budget Proposal, the transfers to individuals and households are expected to decline by 6.5 % or EUR 93 million next year. The largest decrease is foreseen in the social assistance benefits in cash, benefit payments, child benefits, parental benefits and funds for the care for mentally and physically disabled.

Table 2.4: Risks associated with inconsistency of fiscal projections with proposed or applicable measures

EUR million	2020	2021
Revenue		
-tax changes	-74	-74
Expenditure		
-labour cost		45
-social transfers	90	90
-pensions		50
Impact on balance*		
EUR million	-158	-201
in % of GDP	-0,3	-0,4

*Source: FC estimates. Note: * Simulation based on a macroeconomic model.*

legislation and it is based on an implicit assumption of a significant reduction in the number of beneficiaries, which would be in contrast to trends recorded in the most recent period. In terms of total labour costs[26], the budget proposal has envisaged a much smaller increase in 2021 than that based on IMAD's forecasts. The projection is based on the implicit assumption that the average wage in the public sector will not change in real terms and that employment in the public sector will increase at the same time by no more than 0.5% this year.[27] In our view, this is an optimistic assumption, given past trends and the projected needs (e.g. including the Presidency of the Council of the EU in the second half of 2021). An additional risk of higher expenditure growth in 2021, as reflected in the projections, is also the subsequent agreement on an extraordinary pension indexation by 1% if economic growth is higher than 2.5% this year. In addition to the measures that have already been agreed upon but not formally adopted through the legislative process, the potential abolition of complementary health insurance also poses an additional risk to public finances.

The materialisation of risks could have an impact on the lower than projected headline state budget balance as well as the general government balance. In the alternative scenario, IMAD assumed that, in each of the following two years, growth in foreign demand will decrease by 2% and assessed that in this case economic growth would be on average lower by 1 percentage point in both years, amounting to approximately 2%. According to the Fiscal Council's assessment based on a simple model [28], this would in two years cumulatively deteriorate the general government balance by more than 1% of GDP. The materialisation of the risks that stem from the policy measures and, according to the Fiscal Council, are not adequately included in the projections (Table 2.4) could imply that in the 2020-2021 period the general government balance would be lower by 0.3%–0.4% of GDP.[29] A more consistent inclusion of the applicable or proposed measures in budget documents would thus, according to model-based simulations, have a relatively neutral GDP response to the risks described, resulting in a negative structural balance in both years.

[26] In 2021, state budget expenditures for total labour costs (in addition to expenditure on wages and other expenditure incurred by employees and social security contributions, current transfers to public institutions for public wages and other expenditure incurred by employees, social security contributions and additional transfers of funds from the state budget to the Health Insurance Institute (ZZZS) to cover expenditure on wages and compensations to interns, foundation doctors and specialty registrars) are projected to grow by only 2.9%, while IMAD forecasts an increase of almost 6% in the gross wage bill in the public sector

[27] Article 60 of the Implementation of the Republic of Slovenia's Budget for 2020 and 2021 Act.

[28] The model enables the simulation of the effects of various economic growth assumptions on public finance and of fiscal policy effects on economic growth. In this model, economic activity affects public finance through automatic stabilisers, and the fiscal policy affects economic activity reversely through multipliers. This model is regularly used by the Fiscal Council in its presentation of the risks of changed macroeconomic circumstances (e.g. in the document "Assessment of compliance of fiscal policy with the fiscal rules on the basis of the draft Stability Programme 2019 and the proposed Ordinance on the framework for the preparation of the general government budgets for the 2020-2022 period", p. 22). For a more detailed explanation of the model see
http://www.fiscalcouncil.ie/wp-content/uploads/2012/09/FAR_Sept2012.pdf (Annex B).

[29] A simulation was carried out by using a macroeconomic dynamic model that involves a simple fiscal block and allows for a simulation of those measures. The impact of the risks on the balance is different from the direct summation of revenue and expenditure risks due to feedback links in the model.

3. Compliance of the 2020-2021 Budget Proposal with fiscal rules

Key findings

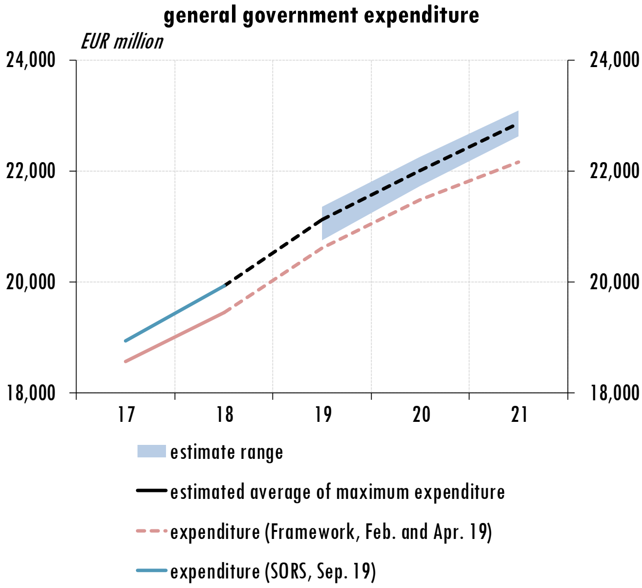
- The expenditure level of the state budget in the 2020-2021 period corresponds to the statutory ceiling that is determined by the Fiscal Rule Act (ZFisP) and specified in the current Framework, while the level of general government expenditure exceeds it as a result of the revision of the general government sector data. The revision was made after the date by which the Framework could be modified. Furthermore, the level of expenditure in the submitted budget documents is in line with the recalculation of the expenditure ceiling, taking into account the provisions of the Fiscal Rule Act (ZFisP), the current revenue projections, as well as the currently available estimates of the position in the business cycle; however, if only a fraction of perceived risks materialise, these findings would change.
- The EU criterion that as of the next year Slovenia's structural balance deficit should not exceed -0.25% of GDP will be achieved in the period up to and including 2021, in light of projections in the submitted budget documents. The materialisation of risks related to projections provided in the budget documents would jeopardise the achievement of the minimum allowed value of the structural balance. Taking into account the different estimates of the duration of business cycle up to 2021, the structural balance is expected to converge towards the balanced position over the medium-term. Estimates show that in order to achieve this objective, structural surpluses will also need to be generated in the future.
- The growth of net general government expenditure in 2020 is expected to fall below the limit set by the EU expenditure rule.
- The expected general government debt reduction in 2020 will be in accordance with EU rules.

In the assessment of compliance with fiscal rules, the Fiscal Council verified compliance with the national fiscal rule (Article 3 of the FRA) and produced an assessment of the compliance of the submitted documents with fiscal rules on the basis of the Stability and Growth Pact. According to the provisions of the FRA, the following three key elements are assessed: (i) whether the minimum value of the structural balance has been reached in line with EU rules, (ii) whether the general government's planned level of expenditure is line with the applicable Framework, i.e. whether it corresponds to current revenue projections and assessment of the cyclical position, which both derive from the FRA and (iii) whether the medium-term balance of public finances has been achieved. In addition, the Fiscal Council examined two additional indicators set out in the Stability and Growth Pact: (iv) whether the dynamics of general government expenditure are in line with the EU expenditure rule, and (v) whether the planned debt dynamics are in line with the EU debt reduction rule. With respect to these additional two indicators, the assessment could only be made for 2020 due to the unavailability of relevant data according to the ESA 2010 methodology.

3.1 Adequacy of the Framework

The Fiscal Council takes the view that the Framework currently in force for drawing up the general government budget is not adequate for methodological reasons. The Framework[30] that serves as the basis for the 2020-2021 Budget Proposal was adopted by the National Assembly in April 2019. It sets out the targeted balance and the ceiling on the general government expenditure, state budget, municipal budgets and the pension and health fund budget for the 2020-2022 period. The Government did not propose an amendment to the Framework by September 15 as permitted by paragraph six of Article 6 of the FRA. After that date, the data for 2018 also changed considerably as a result of the revision of the general government data published by SORS at the end of September.[31] This has led to an increase in the base for determining the expenditure ceiling in the

Figure 3.1: Estimates of maximum level of general government expenditure



Source: EC, IMAD, IMF, MoF, OECD, SORS, FC calculations. See note below Table 4.3.

Table 3.1: Expenditure in the Framework and in the proposed budget documents

		gen. government		state budget		local governments		pension fund (ZPIZ)		health fund (ZZZS)	
		targ.balance	max E	targ.balance	max E	targ.balance	max E	targ.balance	max E	targ.balance	max E
		% of GDP	EUR million	% of GDP	EUR million	% of GDP	EUR million	% of GDP	EUR million	% of GDP	EUR million
2019	Framework, Dec. 2018 (UL 82/2018)	0.4	20,610	0.3	10,160	0.1	2,235	0.0	5,530	0.0	3,055
2020	Framework, Apr. 2019 (UL 26/2019)	1.0	21,480	0.8	10,450	0.1	2,320	0.0	5,845	0.0	3,320
2021	Framework, Apr. 2019 (UL 26/2019)	1.1	22,160	1.2	10,455	0.1	2,360	0.0	6,180	0.0	3,525
2019	Budget documents, autumn 2019	0.8	21,076	0.3	10,091	...	....	...	....	...	...
2020	Budget documents, autumn 2019	0.9	21,885	0.9	10,350	...	....	...	....	...	...
2021	Budget documents, autumn 2019	1.0	22,676	1.2	10,455	...	....	...	....	...	...
2019	Difference	0.4	466	0.0	-69	...	....	...	....	...	...
2020	Difference	-0.1	405	0.1	-100	...	....	...	....	...	...
2021	Difference	-0.1	516	0.0	0	...	....	...	....	...	...

Sources: Official Gazette of the Republic of Slovenia (UL), MoF, FC calculations.

[30] http://www.pisrs.si/Pis.web/pregledPredpisa?id=ODLO1979. The 2019 Framework was last revised in December 2018. Available at https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2018-01-3971/odlok-o-spremembah-odloka-o-okviru-za-pripravo-proracunov-sektorja-drzava-za-obdobje-od-2018-do-2020-odpsd18-20-c. Although the 2020-2021 Budget Proposal only applies to 2020 and 2021, the adequacy of the estimates of the 2019 budget trends on the basis of the submitted budget documents has also been presented here to ensure the continuity of assessment.

[31] The 2018 revision of revenues resulted from changes in the gross presentation of health insurance contributions paid by the state for pensions in the household sector, whereas the revision of expenditure stemmed from the changed method of accounting social transfers in kind expenditure, due to the conceptual adjustment of the method of accounting transfers to households by municipalities. For more information on the revision, please see https://www.stat.si/StatWeb/en/News/Index/8399.

years to come, given that, in comparison to the data available at the time the Framework was drawn up, the revenue generated in 2018 increased by almost EUR 500 million, or by 1.2 percentage points of GDP. The scope of the revision on expenditure side was similar. As a result of these changes, it is reasonable that, in line with the currently published data on the levels of revenue and expenditure of the general government, a revision of the Framework be carried out in spring 2020 when the Stability Program is drawn up. For methodological reasons, Chapter 3.3 illustrates compliance with the national fiscal rule on the basis of the recalculated expenditure ceilings resulting from the currently available data.

The Fiscal Council notes that the expenditure projections provided in the 2020-2021 Budget Proposal are not formally in line with the applicable frameworks for drawing up budgets. The expenditure ceiling for the general government that allows for the medium-term balance is determined in the Framework in view of the expected level of revenues and the established cyclical position of the economy. The expenditure ceiling is calculated in accordance with the mathematical formula set out in points 3 and 4 of Article 3 of the FRA in relation to the cyclical position of the economy and revenue projections. The comparison of the estimated expenditure levels in the presented budget documents shows that for the general government these are on average higher by approximately EUR 450 million, while for the state budget they are lower than the expenditure ceiling set by the currently applicable frameworks for the period 2019-2021 period.

3.2 Achieving a minimum structural balance under EU rules (MTO)

Pursuant to the FRA, the achievement of the minimum value of the structural balance, determined on the basis of EU rules (MTOs) is set as a condition for verifying the medium-term balance in accordance with Article 3 which introduces a national fiscal rule. Article 15 of the FRA stipulates that in the period when the MTO has not yet been reached, the dynamics of the structural balance are more important than its level. Once the MTO has been reached, compliance with the domestic fiscal rule is verified as laid down in Article 3 of the FRA. The EU criterion is adjusted for a period of three years following the publication of Ageing Report.[32] In addition to the long-term cost of ageing projections, this calculation also includes updated long-term economic growth estimates and data on general government debt levels.[33] The Government must set its MTO as a target structural balance[34] in the Stability Programme. A Member State may set a more binding MTO that exceeds the minimum commitment – a choice made by almost two thirds of the EU Member States in 2019. The MTO for Slovenia in the 2020-2022 period is a structural balance of at least -0.25% of GDP. The MTO for the 2017-2019 period, set in 2016, required a structural surplus of at least 0.25% of GDP. In 2022, the MTO for the 2023-2025 period will be changed again; its calculations will take account of any intermediate changes to factors included in its calculation.[35]

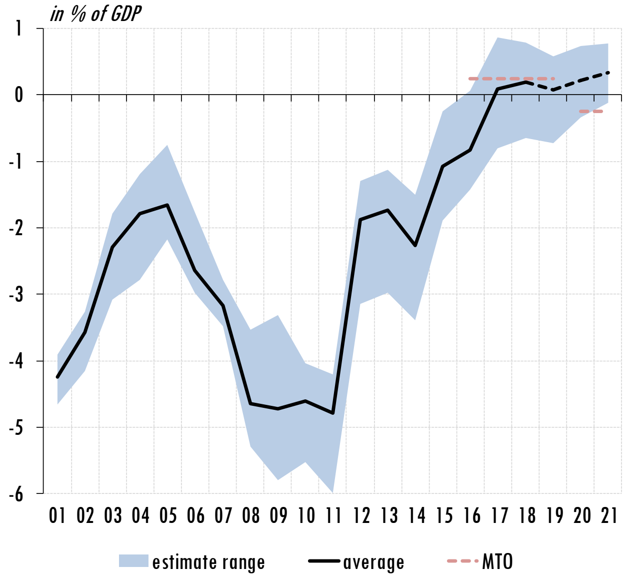
[32]The last Ageing Report was drawn up in 2018. Available at https://ec.europa.eu/info/sites/info/files/economy-finance/ip079_en.pdf.

[33] For more information, please see Vade Mecum on the Stability and Growth Pact, 2019 Edition, pp. 7-13; April 2019 (available at: https://ec.europa.eu/info/sites/info/files/economy-finance/ip101_en.pdf).

[34] Structural balance is defined as the general government balance excluding cyclical factors, one-offs and temporary factors.

[35] These changes may also include changes in the parameters of the pension legislation. The Fiscal Council drew attention to this when amendments to the Pension and Disability Insurance Act (ZPIZ-2) were considered. More information available at: http://www.fs-rs.si/wp-content/uploads/2019/09/Position-of-the-Fiscal-Council-September-2019.pdf.

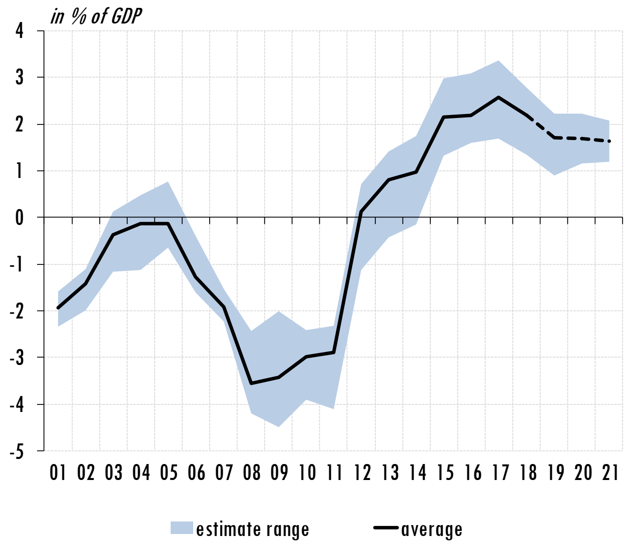
Figure 3.2: Structural balance estimates



Source: EC, IMAD, IMF, MoF, OECD, SORS, FC calculations. See note below Table 4.3.

The Fiscal Council assessed that in the previous year Slovenia reached the MTO within the tolerance limits[36], which is why the assessment of compliance of budget documents with the FRA is based on Article 3 of this Act. The Fiscal Council estimated the structural balance to assess compliance with the MTO on the basis of currently available estimates of the cyclical position.[37] The calculations also take into account the same values of one-off effects as assumed by the Ministry of Finance in the 2020 Draft Budgetary Plan, whereas no such effects have been foreseen for 2021.

Figure 3.3: Structural primary balance estimates



Source: EC, IMAD, IMF, MoF, OECD, SORS, FC calculations. See note below Table 4.3.

[36] Due to uncertainties linked with the output gap assessment, the EC allows a deviation in the achievement of the MTO of up to 0.25% of GDP. In the event of a deviation, the difference to the set MTO under EU rules should be recovered in the next year (Vade Mecum on the Stability and Growth Pact, 2019 Edition, p. 15; April 2019).

[37] Due to the incomplete time series, the set of estimates of the output gap taken into account by the Fiscal Council to determine the cyclical position of the economy and to exclude cyclical factors from the headline general government balance does not include the projections of all institutions that produce estimates of the output gap for Slovenia for the duration of the entire assessment period (missing are the EC, IMF and OECD forecasts for 2021). If the full time series – obtained for example by simply extrapolating the EC and OECD output gap estimates taking into account the deviation from the average value of all output gap estimates considered by the Fiscal Council – were observed, the estimated values of the structural budget indicator would be slightly less favourable, but the assessment of compliance with the MTO would not be changed.

Following the deterioration of the structural balance in 2019, to which the Fiscal Council already drew attention in the past[38], the available projections for the general government and the current assessments of the cyclical position of the economy suggest that in the next two years the structural balance could be close to equilibrium. The structural balance would thus be in line with the applicable MTO.

Contrasting the structural balance improvements, the projections imply a decrease in the structural primary balance surplus, which indicates that the favourable effect of the reduction in interest expenditure on fiscal policy position will continue. The Fiscal Council's estimates show that the general government primary structural balance surplus, which excludes interest expenditure and cyclical and one-off factors, is to decrease somewhat in the following years in contrast to the increased structural balance surplus. This implies a relatively high dependence of fiscal policy position on the reduction in interest expenditure. Given the current maturity structure and the high share of debt at fixed rates, the risk to which public finance might be exposed in the event of a sudden and rapid change in interest rate policy or a deterioration in international financial markets is relatively small.

3.3 Compliance with the national fiscal rule

The national fiscal rule requires the assessment of compliance of the structural balance, expressed by the corresponding movements of general government expenditure in a given year, and average structural balance over the medium-term period. Pursuant to Article 3 of the FRA, two

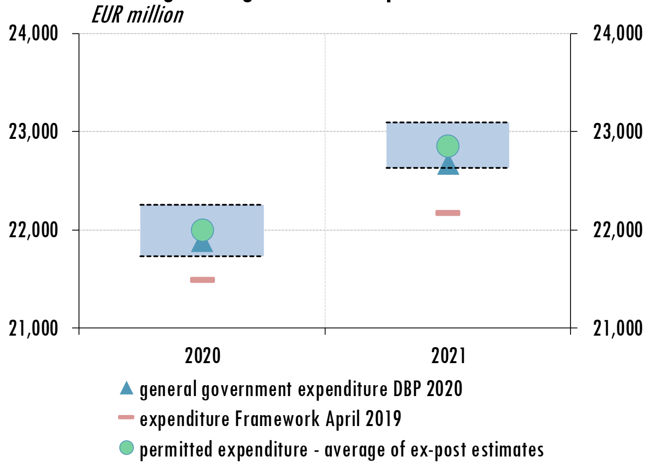
Table 3.2: Calculation of compliance with the maximum expenditure rule

			2019 DBP (Oct. 19)	2020 DBP (Oct. 19)	2021 DBP (Oct. 19)
Revenue (MoF)	*% GDP*		45.2	44.6	43.9
Revenue (MoF)	*EUR million*	R	21,467	22,331	23,192
GDP (IMAD)	*EUR million*	Y	48,242	50,910	53,581
Output gap (FC)	*% potential output*	OG	1.7	1.6	1.4
Potential output (FC)	*EUR million*	YP	47,446	50,094	52,866
Elasticity of budget on the output gap		á	0.468	0.468	0.468
One-offs (MoF)	*% GDP*	o	-0.05	-0.10	0.00
Expenditure (MoF)	*% GDP*		43.7	43.0	42.3
Expenditure (MoF)	*EUR million*	E_MF	21,076	21,885	22,676
Maximum expenditure (FC estimate)	***EUR million***	**E_max**	**21,119**	**21,999**	**22,857**
Framework (UL 82/2018, UL 26/2019)	***EUR million***	**E_0**	**20,610**	**21,480**	**22,160**
Excess expenditure	*EUR million*	E_MF-E_max	-42	-115	-182
Recalculated framework (difference)	*EUR million*	E_max-E_0	509	519	697
Change	*EUR million*	d(E_MF)	1,152	808	791
Change	*EUR million*	d(E_max)	...	880	858
Change	*EUR million*	d(E_0)	...	870	680

Source: MoF, IMAD, FC calculations.

[38] The documents "Assessment of compliance of the Ordinance amending the Ordinance on the Framework for Preparing General Government Budgets for the Period 2018-2020 with the fiscal rules" from December 2018, available at: http://www.fs-rs.si/wp-content/uploads/2018/12/Assessment_-December_2018.pdf and "Assessment of compliance of fiscal policy with the fiscal rules on the basis of the draft Stability Programme 2019 and the proposed Ordinance on the framework for the preparation of the general government budgets for the 2020-2022 period" from April 2019, available at: http://www.fs-rs.si/wp-content/uploads/2019/04/Assessment_SP2019.pdf.

Figure 3.4: Maximum level of general government expenditure



Note: The blue field denotes the zone between the lowest and highest calculated maximum permitted expenditure based on currently available data.
Sources: SORS, MoF, FC calculations.

conditions must be met for determining the compliance of budget documents with the national fiscal rule: (i) the structural balance in a given year must be at least equal to the minimum value laid down in an international Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, and (ii) the structural position must be at least balanced or in surplus in the medium term.

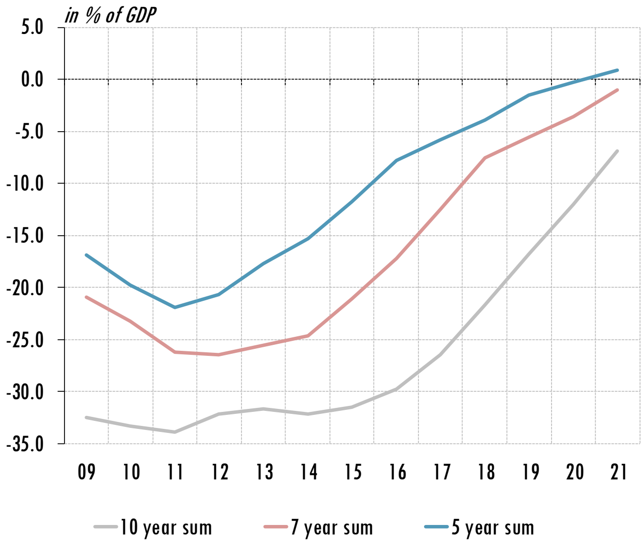
The recalculated expenditure ceiling under the FRA shows that the expenditure foreseen in the submitted budget documents is in line with current estimates of the business cycle position. In line with the effects of the revision of general government data described in Chapter 3.1 and taking into consideration the currently available set of output gap estimates and revenue projections of the general government, the revised expenditure ceilings based on the formula referred to in paragraph four of Article 3 of the FRA have been determined in relation to those projected in the current Framework. The application of this formula is in line with the finding from Chapter 1.2 (Assessment of the cyclical position of the economy) that positive output gap will prevail during the period covered by the submitted budget documents. The comparison of the recalculated ceilings and expenditure projections of the general government shows that the latter are lower by 0.2%-0.3% of GDP. However, the additional simulations suggest that in the case of the materialisation of the risks related to the projections of the national budget (Chapter 2.3) the general government expenditure could exceed the recalculated expenditure ceilings.[39]

Given the projections business cycle, the balance of the general government is converging towards a structural balance on average over the business cycle. The condition of the medium-term equilibrium or surplus of the structural balance relates to the full business cycle period. Point 5 of Article 2 of the FRA defines the medium term as a business cycle in which the actual level of GDP shifts from a level above the potential level of GDP to a level below and is on average equal to the potential level of GDP.[40] Since business cycles are dynamic processes, there is no static estimation of

[39] The macroeconomic risks have not been taken into consideration.

[40] According to the current output gap estimates, taking into account merely the condition for shifting from a level that is above the potential level of GDP to a level below would mean that the period since 2009 would be included in the calculation of the medium term balance while the cycle would not be completed by 2021 (Figure 1.4). The depth of the GDP decline over the period of the double-dip economic crisis in this case does not allow the second condition of this provision to be met since the level of GDP in the 2009-2021 period does not equal the level of potential GDP.

Figure 3.5: Structural balance over the medium-term



Source: EC, IMAD, IMF, MoF, OECD, SORS, FC calculations. See note below Table 4.3.

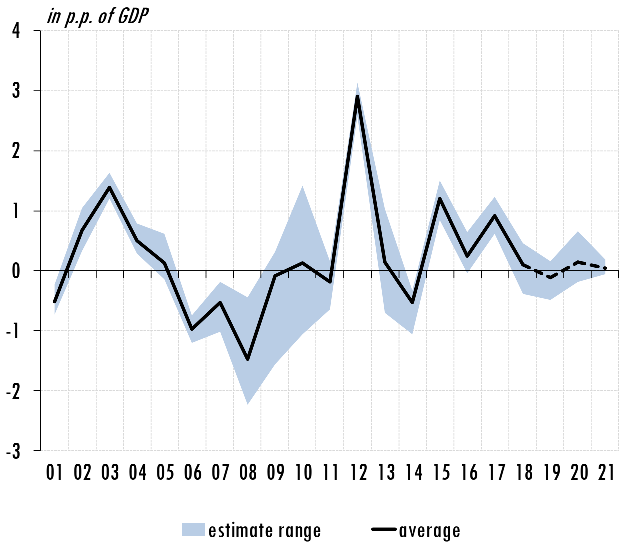
the length of the business cycle because it varies with the respective estimation of the output gap[41]. Consequently, our calculations of the medium-term structural balance include different durations that are common in the business cycle analysis. To this end, we have taken into consideration, as far as possible, the definition according to which the level of GDP must equal the potential level of GDP to include both usual stages of the business cycle, expansion and recession. Taking into account the set of estimates of the average structural balance over periods of varying lengths, the current estimates of the Fiscal Council for the period to 2021 suggest that the medium-term structural balance will converge towards an equilibrium (Figure 3.5). The medium-term structural balance that will be in line with paragraph one of Article 3 of the ZFisP will only be achieved by taking into account the minimum duration of the business cycle (five years), while the cycle length that is, in view of the above conditions, considered in the calculation of medium-term balance currently amounts to seven years. In view of the fact that, for a part of the period taken into account for the calculation of medium-term average, Slovenia was subject to an Excessive Deficit Procedure or had just exited this procedure, and given the structural balance continued to converge the MTO, the conclusion can be drawn that structural balance surpluses will also be needed in the future in order for the medium-term balanced position to be reached.

3.4 Compliance with the EU structural effort rule

No additional structural effort is required in the period covered by the 2020-2021 Budget Proposal, as Slovenia is projected to achieve the minimum value of the structural balance in line with EU rules. Article 15 of the FRA lays down that in the period when the Republic of Slovenia adjusts towards the minimum value of the structural balance (MTO) it shall be deemed that the general government budgets are balanced in the medium term if its structural balance adjusts to the MTO in accordance with the dynamics or structural effort determined on the basis of the Stability and Growth

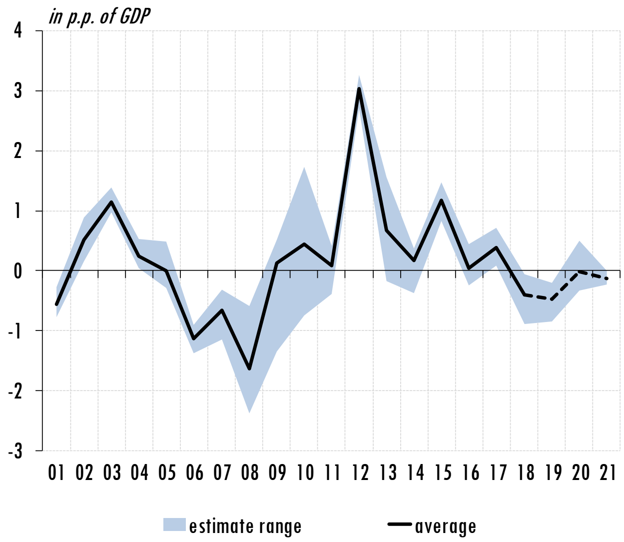
[41] Given that the business cycle spans a period of at least five years, the changes in the estimation of its length as a result of the changes in the output gap estimates cannot be as significant as the changes in indicators, e.g. the structural balance, that are dependent on the output gap estimates in individual years.

Figure 3.6: Structural effort estimates



Source: EC, IMAD, IMF, MoF, OECD, SORS, FC calculations. See note below Table 4.3.

Figure 3.7: Structural primary effort estimates



Source: EC, IMAD, IMF, MoF, OECD, SORS, FC calculations. See note below Table 4.3.

Pact.[42] The current projections of the Ministry of Finance and the estimates of the Fiscal Council indicate that Slovenia is to achieve the MTO in the 2020-2021 period and thus no additional structural effort is required to comply with the relevant EU rule.

3.5 Compliance with the EU expenditure rule

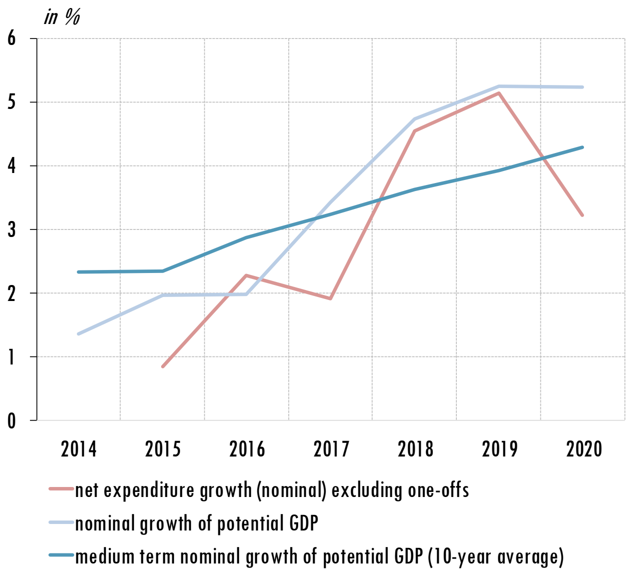
Within the framework of the expenditure rule the calculation of appropriate expenditure growth excludes certain types of expenditures that cannot be directly influenced by the fiscal policy.[43] Such expenditures include interest payments, the cyclical component of unemployment benefits and expenditures arising from receipts from EU funds. The rule also takes into consideration that government investments vary considerably from year to year, wherefore the evaluation of compliance with the expenditure rule takes into account the four-year average of investment expenditure, excluding received EU funds earmarked for investment spending. The growth of such expenditures should not exceed the average 10-year growth of the potential GDP. For countries that do not reach the MTO, expenditure growth must be even lower and adjusted by a convergence margin that ensures the expenditure rule is harmonised with the required adjustment of the structural balance. Due to possible annual fluctuations, the estimate also considers the two-year average of the growth of expenditure determined in this manner. In addition, an expenditure growth estimate is made with deducted one-off effects that influence the trend of general government expenditure and revenue.

According to the projections provided in the 2020 Draft Budgetary Plan, the growth in net expenditure will exceed the permitted growth in 2019 and fall behind it in 2020. In calculating the compliance with the expenditure rule, we used IMAD's data on long-term growth of potential output, which has been increasing with relatively high investment growth. Given that no further structural effort is required because the MTO has been achieved, expenditure growth must only lag behind the

[42] The matrix of the structural effort required in the period in which the MTO is not attained is defined in Box 1.6 in Vade Mecum on the Stability and Growth Pact, 2019 Edition. European Commission (available at: https://ec.europa.eu/info/sites/info/files/economy-finance/ip101_en.pdf).

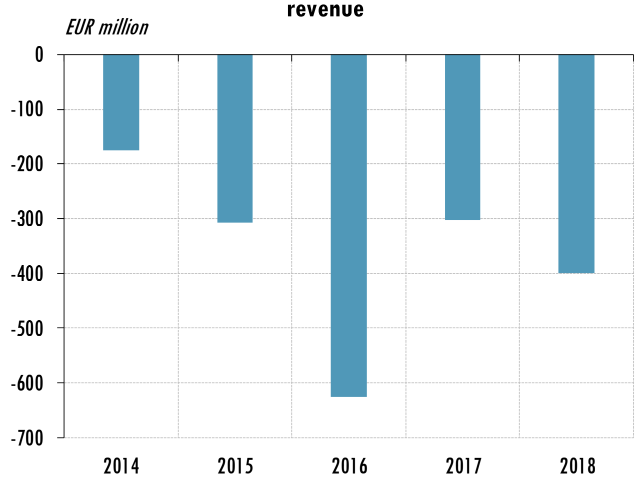
[43] For more details on the expenditure rule, see Vade Mecum on the Stability and Growth Pact, 2019 Edition, pp. 27-32 (April 2019).

Figure 3.8: Net expenditure growth



Source: MoF, SORS, IMAD, FC calculation.

Figure 3.9: The difference between outcome and forecasts of expenditure on EU programmes fully matched by EU funds revenue



Note: The difference between actual outcome and DBP forecasts for next year.
Source: MoF, SORS, FC calculations.

average long-term potential economic growth[44]. On this basis, net expenditure may increase by 3.5% and 4.9% in the current and next year respectively. According to the projections provided in the 2020 Draft Budgetary Plan, this year's growth will be slightly above the level permitted and will lag behind it in the next year.[45] Its two-year average will be below the permitted limits. It should be noted that in the past, the projections of expenditure fully financed from EU funds and subtracted from the projected total level of general government expenditure when calculating the expenditure rule were always overestimated. Such an overestimation reduces the estimated growth in net expenditure and can therefore contribute to achieving compliance with the expenditure rule.

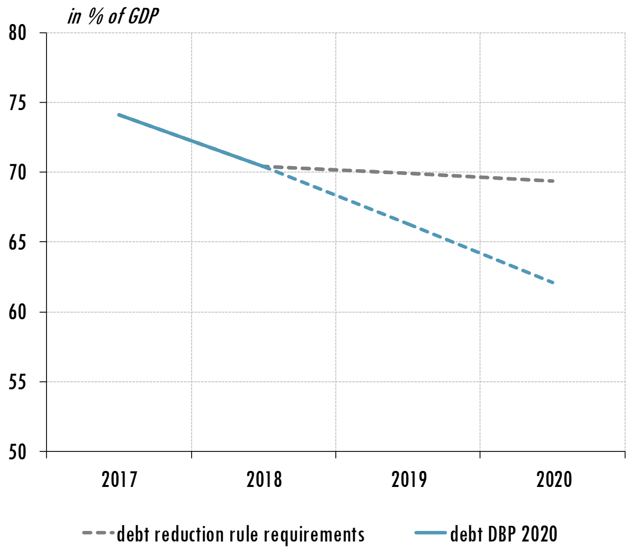
3.6 Compliance with the general government debt rule

Pursuant to the rules of the Fiscal Pact laid down in the preventive arm of the Stability and Growth Pact, the general government debt exceeding 60% of GDP must be gradually reduced. Slovenia is expected to comply with these rules in 2019 and 2020. The three-year transitional period expired in 2018, which followed the Excessive Deficit Procedure , and during which specific rules on reducing debt of the general government had been in place since 2016. Since the share of debt in GDP in 2018 continued to be above the reference value specified in the 1992 Maastricht Treaty on European Union, Slovenia is required to reduce general government debt following the yearly dynamics, which in a three-year average corresponds to a 1/20 deviation in the debt level from 60% of GDP in the period from and including 2019. In Slovenia's case this is expected to be around half a percentage point of GDP per year. According to the projections provided in the 2020 Draft Budgetary Plan, compliance with this rule is expected in 2020, as this year debt is expected to fall by almost 4 percentage points of GDP.

[44] In accordance with the rule, the 10-year average is taken into account, including five preceding years, the current year and the following four years. The Fiscal Council uses the potential growth calculations prepared by IMAD for each forecast.

[45] In accordance with the rules of the Stability and Growth Pact, some of the criteria for expenditure in year t are determined in the spring of the previous year (t-1). These criteria are the medium-term growth of the potential GDP and data on primary expenditure and the GDP deflator.

Figure 3.10: Debt reduction rule



Source: MoF, SORS, FC calculations.

4. Statistical annex

Table 4.1: Comparison of macroeconomic forecasts for the 2019-2021 period

	2019						2020						2021		
	EC (May19)	OECD (May19)	BoS (Jun.19)	EC (Jul.19)	IMAD (Sep.19)	IMF (Oct.19)	EC (May19)	OECD (May19)	BoS (Jun.19)	EC (Jul.19)	IMAD (Sep.19)	IMF (Oct.19)	BoS (Jun.19)	IMAD (Sep.19)	IMF (Oct.19)
GDP	3.1	3.4	3.2	3.2	2.8	2.9	2.8	3.1	2.9	2.8	3.0	2.9	2.9	2.7	2.7
Exports of goods and services	5.4	5.2	5.5		7.8	5.9	5.6	5.9	5.8		5.0	5.2	5.7	4.8	5.6
Imports of goods and services	6.2	5.8	6.2		9.2	7.0	7.2	7.0	6.5		5.8	5.8	6.1	5.5	6.8
External trade balance, contr. to growth	-0.1	0.1	0.0		-0.5		-0.8	-0.3	0.0		-0.2		0.1	-0.2	
Private consumption	2.5	3.0	2.9		3.4		3.2	3.1	2.6		2.7		2.3	2.2	
Government consumption	2.5	2.2	2.1		2.2		2.2	1.9	1.7		1.7		1.6	1.4	
Gross fixed capital formation	7.5	8.0	6.5		6.8		7.4	7.2	6.0		6.8		5.7	7.0	
Changes in inventories, contr. to growth	0.0	0.3	0.0		-0.2		0.0	0.0	0.0		0.0		0.0	0.0	

Source: BoS, EC, IMF, OECD, IMAD.

Table 4.2: Comparison of outcome and forecasts of general government aggregates for the 2018–2021 period (EUR million)

	2018	2019			2020			2021		
	outcome SORS	SP (Apr. 19)	DBP (Oct. 19)	Oct. 19 - Apr. 19	SP (Apr. 19)	DBP (Oct. 19)	Oct. 19 - Apr. 19	SP (Apr. 19)	DBP (Oct. 19)	Oct. 19 - Apr. 19
Net lending / net borrowing	**353**	**464**	**391**	**-73**	**490**	**446**	**-44**	**610**	**516**	**-94**
Total revenue	**20,278**	**21,071**	**21,467**	**397**	**21,967**	**22,330**	**364**	**22,768**	**23,192**	**424**
Total taxes	10,066	10,657	10,569	-89	11,105	11,033	-71	11,547	11,517	-30
Taxes on production and imports	6,467	6,832	6,713	-118	7,051	6,951	-100	7,279	7,146	-133
Current taxes on income, wealth, etc.	3,588	3,811	3,844	33	4,039	4,071	32	4,257	4,357	99
Capital taxes	11	10	11	2	10	12	1	11	14	3
Social contributions	7,207	7,344	7,723	379	7,799	8,173	374	8,264	8,633	368
Property income	508	454	402	-52	366	355	-11	354	354	0
Other	2,498	2,616	2,774	158	2,698	2,769	71	2,597	2,688	91
Total expenditure	**19,925**	**20,612**	**21,076**	**465**	**21,477**	**21,885**	**408**	**22,158**	**22,676**	**517**
Compensation of employees	5,070	5,470	5,471	0	5,720	5,754	34	5,929	5,977	48
Intermediate consumption	2,858	2,933	2,933	1	3,017	3,039	22	3,060	3,161	101
Social benefits	8,037	7,959	8,484	526	8,330	8,840	511	8,765	9,192	427
Interest	912	795	789	-7	758	757	-1	713	701	-12
Subsidies	347	366	357	-9	392	379	-13	392	390	-2
Gross fixed capital formation	1,625	2,001	1,844	-157	2,130	1,962	-168	2,210	2,112	-99
Capital transfers	175	205	244	39	227	238	11	174	230	56
Other	901	883	954	71	903	914	12	909	913	4

Source: 2018 outcome: SURS, forecasts: Stability Programme 2019 (SP, Apr. 19), Draft Budgetary Plan 2020 (DBP, Oct. 2019), FC calculations. Forecast values are calculated indirectly from shares in GDP, consequently numbers do not add up.

Table 4.3: Output gap estimates*

	IMF	EC	OECD	IMAD	MoF	HP filter	based on GDP averages	factor models	Blanchard-Quah	average of all estimates	average of institutions	average of prod. function estimates**
2001	-1,0	0,1	-1,2	-0,5	-0,7	-0,6	0,0	...	0,4	-0,4	-0,7	-0,4
2002	-1,0	0,8	-1,1	-0,1	-0,4	-0,8	-0,4	...	-0,4	-0,4	-0,4	0,1
2003	-1,4	0,4	-1,7	-0,3	-0,7	-1,5	-1,3	1,0	-0,4	-0,6	-0,7	-0,2
2004	-0,3	1,3	-0,7	0,7	0,4	-0,8	-1,0	2,4	0,3	0,3	0,3	0,8
2005	0,7	1,8	0,4	1,4	1,1	-0,5	-1,2	1,8	0,9	0,7	1,1	1,5
2006	3,3	3,7	3,2	3,6	3,5	2,0	1,1	3,6	3,0	3,0	3,5	3,6
2007	7,2	7,0	7,3	6,9	6,9	6,4	5,8	6,5	5,9	6,7	7,1	6,9
2008	7,6	6,6	8,0	6,9	6,7	8,3	7,7	4,6	6,1	7,0	7,2	6,8
2009	-1,5	-3,4	-2,1	-3,0	-3,2	-0,7	-1,5	-5,3	0,0	-2,3	-2,6	-3,2
2010	-1,3	-3,1	-1,8	-2,7	-2,9	0,1	-0,3	-2,4	-2,3	-1,9	-2,4	-2,9
2011	-1,2	-2,8	-2,0	-2,6	-2,7	0,6	1,0	-2,8	-1,7	-1,6	-2,2	-2,7
2012	-4,2	-5,4	-5,3	-5,6	-5,6	-2,5	-1,8	-5,7	-3,9	-4,5	-5,3	-5,6
2013	-6,1	-6,7	-7,3	-6,9	-7,1	-4,3	-3,5	-5,5	-7,4	-6,1	-6,8	-6,9
2014	-4,6	-4,6	-6,0	-5,1	-5,5	-3,0	-2,0	-2,7	-6,0	-4,4	-5,2	-5,1
2015	-4,3	-3,3	-5,4	-4,0	-4,5	-2,9	-1,9	-2,2	-4,5	-3,7	-4,3	-3,9
2016	-3,2	-1,6	-4,4	-2,2	-2,8	-2,3	-1,6	-1,2	-3,1	-2,5	-2,8	-2,2
2017	-1,3	1,3	-1,8	0,7	0,0	-0,4	0,1	1,8	-1,3	-0,1	-0,2	0,7
2018	0,2	3,3	0,4	2,2	1,5	0,7	1,0	2,6	1,3	1,5	1,5	2,3
2019	0,6	3,4	1,4	2,3	1,6	0,6	0,6	2,5	2,1	1,7	1,9	2,4
2020	0,9	2,8	2,0	2,5	1,8	0,7	0,5	1,3	2,0	1,6	2,0	2,4
2021	...	...	...	2,3	1,7	0,7	0,4	0,9	2,1	1,4	2,0	2,0

Source: EC, IMF, MoF, OECD, IMAD, FC calculations.

* The table shows estimates of the output gap by domestic and international institutions that provide these estimates for Slovenia (IMAD, MF, EC, IMF, OECD). It should be noted that due to incomplete time series the table does not include estimates of all institutions that provide the estimates of the output gap for Slovenia for the duration of the current budgetary documents period (missing are the EC, IMF and OECD estimates for 2021). In addition, the table also shows estimates of the output gap generated by statistical models in which the potential product is determined by :

(i) HP filters at different values of the parameter λ (10, 100, 400),

(ii) the 3-, 5- and 7-year average of GDP,

(iii) factor models estimated on the basis of survey about limitations in the economy and forecasts of a simple VAR model that includes these factors, as well as factor models that take into account a large number of IMAD and EC macroeconomic variables in its estimates and forecasts,

(iv) SVAR model based on the Blanchard and Quah methodology (1989), which uses restrictions with regard to the assumption that GDP is affected in the long term only by shocks to the aggregate supply, while demand shocks affect activity levels only in the short term.

** Based on the EU commonly agreed methodology

Table 4.4: Structural balance estimates

	IMF	EC	OECD	IMAD	MoF	HP filter	based on GDP averages	factor models	Blanchard-Quah	average of all estimates	average of institutions	average of prod. function estimates
2001	-4.0	-4.5	-3.9	-4.2	-4.1	-4.1	-4.4	...	-4.7	-4.2	-4.1	-4.3
2002	-3.3	-4.2	-3.3	-3.7	-3.6	-3.4	-3.6	...	-3.6	-3.6	-3.6	-3.8
2003	-1.9	-2.8	-1.8	-2.5	-2.3	-1.9	-2.0	-3.1	-2.4	-2.3	-2.3	-2.5
2004	-1.5	-2.3	-1.4	-2.0	-1.8	-1.3	-1.2	-2.8	-1.8	-1.8	-1.8	-2.0
2005	-1.7	-2.2	-1.5	-2.0	-1.9	-1.1	-0.8	-2.2	-1.8	-1.7	-1.8	-2.0
2006	-2.8	-3.0	-2.7	-2.9	-2.9	-2.2	-1.8	-2.9	-2.6	-2.6	-2.9	-2.9
2007	-3.4	-3.3	-3.5	-3.3	-3.3	-3.1	-2.8	-3.1	-2.8	-3.2	-3.4	-3.3
2008	-5.0	-4.5	-5.1	-4.6	-4.5	-5.3	-5.0	-3.5	-4.2	-4.6	-4.8	-4.6
2009	-5.1	-4.2	-4.8	-4.4	-4.3	-5.5	-5.1	-3.3	-5.8	-4.7	-4.6	-4.3
2010	-4.9	-4.0	-4.6	-4.2	-4.1	-5.5	-5.3	-4.4	-4.4	-4.6	-4.4	-4.1
2011	-5.0	-4.2	-4.6	-4.3	-4.3	-5.8	-6.0	-4.2	-4.7	-4.8	-4.5	-4.3
2012	-2.0	-1.4	-1.5	-1.4	-1.3	-2.8	-3.1	-1.3	-2.2	-1.9	-1.5	-1.4
2013	-1.8	-1.5	-1.2	-1.4	-1.3	-2.6	-3.0	-2.0	-1.1	-1.7	-1.4	-1.4
2014	-2.2	-2.2	-1.5	-1.9	-1.8	-2.9	-3.4	-3.1	-1.5	-2.3	-1.9	-1.9
2015	-0.8	-1.3	-0.2	-0.9	-0.7	-1.4	-1.9	-1.7	-0.7	-1.1	-0.8	-1.0
2016	-0.5	-1.3	0.1	-1.0	-0.7	-0.9	-1.2	-1.4	-0.5	-0.8	-0.7	-1.0
2017	0.7	-0.6	0.9	-0.3	0.0	0.2	0.0	-0.8	0.6	0.1	0.1	-0.3
2018	0.8	-0.6	0.7	-0.2	0.2	0.5	0.4	-0.4	0.3	0.2	0.2	-0.2
2019	0.6	-0.7	0.2	-0.2	0.1	0.6	0.6	-0.3	-0.1	0.1	0.0	-0.3
2020	0.5	-0.3	0.0	-0.2	0.1	0.6	0.7	0.4	0.0	0.2	0.0	-0.1
2021	...	...	...	-0.1	0.2	0.6	0.8	0.5	0.0	0.3	0.0	0.0

Source: EC, IMF, MoF, OECD, IMAD, FC calculations on the basis of Table 4.3.

Table 4.5: Structural effort estimates

	IMF	EC	OECD	IMAD	MoF	HP filter	based on GDP averages	factor models	Blanchard-Quah	average of all estimates	average of institutions	average of prod. function estimates
2001	-0.5	-0.6	-0.3	-0.7	-0.6	-0.6	-0.5	...	-0.2	-0.5	-0.6	-0.7
2002	0.7	0.3	0.6	0.5	0.6	0.8	0.8	...	1.0	0.7	0.5	0.5
2003	1.4	1.4	1.5	1.2	1.3	1.5	1.6	...	1.2	1.4	1.3	1.3
2004	0.4	0.5	0.4	0.5	0.4	0.6	0.8	0.3	0.6	0.5	0.5	0.5
2005	-0.1	0.1	-0.2	0.0	0.0	0.2	0.4	0.6	0.0	0.1	0.0	0.0
2006	-1.1	-0.8	-1.2	-0.9	-1.0	-1.1	-1.0	-0.7	-0.9	-1.0	-1.0	-0.9
2007	-0.6	-0.3	-0.8	-0.4	-0.4	-0.9	-1.0	-0.2	-0.2	-0.5	-0.5	-0.4
2008	-1.5	-1.2	-1.7	-1.3	-1.3	-2.2	-2.2	-0.4	-1.4	-1.5	-1.4	-1.3
2009	-0.2	0.3	0.3	0.2	0.2	-0.2	-0.1	0.2	-1.6	-0.1	0.2	0.3
2010	0.3	0.2	0.2	0.2	0.2	-0.1	-0.2	-1.1	1.4	0.1	0.2	0.2
2011	-0.1	-0.2	0.0	-0.1	-0.1	-0.3	-0.7	0.2	-0.3	-0.2	-0.1	-0.1
2012	3.0	2.8	3.1	3.0	2.9	3.0	2.9	2.9	2.6	2.9	3.0	2.9
2013	0.2	0.0	0.3	0.0	0.1	0.2	0.2	-0.7	1.0	0.1	0.1	0.0
2014	-0.4	-0.7	-0.4	-0.5	-0.5	-0.3	-0.4	-1.1	-0.4	-0.5	-0.5	-0.6
2015	1.4	0.9	1.3	1.0	1.1	1.5	1.5	1.3	0.8	1.2	1.1	1.0
2016	0.3	0.0	0.3	0.0	0.0	0.5	0.6	0.3	0.1	0.2	0.1	0.0
2017	1.1	0.7	0.8	0.7	0.7	1.1	1.2	0.6	1.2	0.9	0.8	0.7
2018	0.1	-0.1	-0.2	0.1	0.1	0.3	0.4	0.5	-0.4	0.1	0.0	0.1
2019	-0.2	-0.1	-0.5	-0.1	-0.1	0.0	0.2	0.1	-0.4	-0.1	-0.2	-0.1
2020	0.0	0.4	-0.2	0.0	0.0	0.1	0.1	0.7	0.2	0.1	0.0	0.1
2021	...	...	...	0.1	0.0	0.0	0.0	0.2	-0.1	0.0	0.1	0.1

Source: EC, IMF, MoF, OECD, IMAD, FC calculations on the basis of Table 4.3.

Table 4.6: Structural primary balance estimates

	IMF	EC	OECD	IMAD	MoF	HP filter	based on GDP averages	factor models	Blanchard-Quah	average of all estimates	average of institutions	average of prod. function estimates
2001	-1.7	-2.2	-1.6	-1.9	-1.8	-1.8	-2.1	...	-2.3	-1.9	-1.8	-2.0
2002	-1.2	-2.0	-1.1	-1.6	-1.4	-1.2	-1.5	...	-1.5	-1.4	-1.4	-1.7
2003	0.0	-0.9	0.1	-0.6	-0.3	0.0	-0.1	-1.2	-0.5	-0.4	-0.3	-0.6
2004	0.1	-0.6	0.3	-0.3	-0.2	0.4	0.5	-1.1	-0.1	-0.1	-0.1	-0.4
2005	-0.1	-0.6	0.0	-0.5	-0.3	0.4	0.8	-0.6	-0.2	-0.1	-0.3	-0.5
2006	-1.4	-1.6	-1.3	-1.5	-1.5	-0.8	-0.4	-1.5	-1.3	-1.3	-1.5	-1.6
2007	-2.2	-2.1	-2.2	-2.1	-2.0	-1.8	-1.5	-1.8	-1.6	-1.9	-2.1	-2.0
2008	-3.9	-3.4	-4.1	-3.5	-3.4	-4.2	-3.9	-2.4	-3.1	-3.6	-3.7	-3.5
2009	-3.8	-2.9	-3.5	-3.1	-3.0	-4.2	-3.8	-2.0	-4.5	-3.4	-3.3	-3.0
2010	-3.2	-2.4	-3.0	-2.6	-2.5	-3.9	-3.7	-2.7	-2.8	-3.0	-2.7	-2.5
2011	-3.1	-2.3	-2.7	-2.4	-2.4	-3.9	-4.1	-2.3	-2.8	-2.9	-2.6	-2.4
2012	0.0	0.6	0.6	0.7	0.7	-0.8	-1.1	0.7	-0.1	0.1	0.5	0.6
2013	0.8	1.1	1.4	1.2	1.3	0.0	-0.4	0.6	1.4	0.8	1.1	1.2
2014	1.1	1.1	1.7	1.3	1.5	0.3	-0.2	0.2	1.7	1.0	1.3	1.3
2015	2.4	2.0	3.0	2.3	2.5	1.8	1.3	1.5	2.6	2.2	2.4	2.3
2016	2.6	1.8	3.1	2.1	2.3	2.1	1.8	1.6	2.5	2.2	2.4	2.0
2017	3.2	1.9	3.4	2.2	2.5	2.7	2.5	1.7	3.1	2.6	2.6	2.2
2018	2.8	1.3	2.7	1.8	2.2	2.5	2.4	1.6	2.2	2.2	2.2	1.8
2019	2.2	0.9	1.8	1.4	1.7	2.2	2.2	1.3	1.5	1.7	1.6	1.4
2020	2.0	1.1	1.5	1.3	1.6	2.1	2.2	1.8	1.5	1.7	1.5	1.4
2021	...	...	...	1.2	1.5	1.9	2.1	1.9	1.3	1.6	1.3	1.3

Source: EC, IMF, MoF, OECD, IMAD, FC calculations on the basis of Table 4.3.

Table 4.7: Structural primary effort estimates

	IMF	EC	OECD	IMAD	MoF	HP filter	based on GDP averages	factor models	Blanchard-Quah	average of all estimates	average of institutions	average of prod. function estimates
2001	-0.6	-0.7	-0.3	-0.8	-0.7	-0.6	-0.6	...	-0.3	-0.6	-0.6	-0.7
2002	0.5	0.2	0.5	0.3	0.4	0.6	0.7	...	0.9	0.5	0.4	0.3
2003	1.2	1.1	1.2	1.0	1.1	1.3	1.4	...	1.0	1.1	1.1	1.1
2004	0.1	0.3	0.2	0.2	0.2	0.3	0.5	0.0	0.3	0.2	0.2	0.2
2005	-0.3	0.0	-0.3	-0.1	-0.1	0.1	0.3	0.5	-0.1	0.0	-0.2	-0.1
2006	-1.3	-1.0	-1.4	-1.1	-1.2	-1.2	-1.2	-0.9	-1.0	-1.1	-1.2	-1.1
2007	-0.8	-0.5	-0.9	-0.5	-0.5	-1.0	-1.1	-0.3	-0.3	-0.7	-0.6	-0.5
2008	-1.7	-1.3	-1.8	-1.5	-1.4	-2.4	-2.4	-0.6	-1.6	-1.6	-1.6	-1.4
2009	0.0	0.5	0.5	0.5	0.4	0.0	0.1	0.4	-1.3	0.1	0.4	0.5
2010	0.6	0.5	0.5	0.5	0.5	0.3	0.1	-0.7	1.7	0.4	0.5	0.5
2011	0.1	0.1	0.3	0.1	0.1	0.0	-0.4	0.4	-0.1	0.1	0.2	0.1
2012	3.1	2.9	3.3	3.1	3.1	3.1	3.0	3.0	2.7	3.0	3.1	3.0
2013	0.8	0.5	0.8	0.5	0.6	0.8	0.7	-0.2	1.6	0.7	0.6	0.5
2014	0.3	0.0	0.3	0.2	0.2	0.4	0.3	-0.4	0.3	0.2	0.2	0.1
2015	1.4	0.9	1.3	1.0	1.0	1.4	1.5	1.3	0.8	1.2	1.1	1.0
2016	0.1	-0.2	0.1	-0.2	-0.2	0.3	0.4	0.1	-0.1	0.0	-0.1	-0.2
2017	0.6	0.1	0.3	0.2	0.2	0.6	0.7	0.1	0.7	0.4	0.3	0.2
2018	-0.4	-0.6	-0.7	-0.4	-0.4	-0.2	-0.1	-0.1	-0.9	-0.4	-0.5	-0.4
2019	-0.6	-0.4	-0.8	-0.4	-0.4	-0.3	-0.2	-0.3	-0.7	-0.5	-0.5	-0.4
2020	-0.2	0.2	-0.3	-0.1	-0.1	-0.1	0.0	0.5	0.0	0.0	-0.1	0.0
2021	...	...	...	-0.1	-0.2	-0.2	-0.1	0.0	-0.2	-0.1	-0.1	-0.1

Source: EC, IMF, MoF, OECD, IMAD, FC calculations on the basis of Table 4.3.

Table 4.8: Deviation of general government expenditure from the recalculated maximum expenditure as estimated by the Fiscal Council

	IMF (Oct.19)		EC (May 19)		OECD (Jun. 19)		IMAD (Sep. 19)		MoF (Oct. 19)		HP (Oct. 19)		based on GDP averages (Oct. 19)		factor models (Oct. 19)		Blanchard-Quah (Oct. 19)		average of estimates based on production function		average		**DBP 2020***
	max E	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	
2019	21,354	*-278*	20,749	*327*	21,180	*-103*	20,983	*94*	21,137	*-60*	21,354	*-278*	21,358	*-282*	20,948	*128*	21,023	*53*	20,955	*121*	21,119	*-42*	**21,076**
2020	22,159	*-274*	21,730	*154*	21,903	*-19*	21,801	*83*	21,960	*-75*	22,205	*-321*	22,258	*-373*	22,071	*-187*	21,917	*-33*	21,830	*55*	21,999	*-115*	**21,885**
2021	...	...	...	...	...	...	22,626	*49*	22,769	*-94*	23,011	*-336*	23,092	*-417*	22,968	*-293*	22,684	*-8*	22,698	*-22*	22,857	*-182*	**22,676**

*Source: EC, IMF, MoF, OECD, IMAD, calculations on the basis of Table 4.3. * Data for 2021 were additionally provided by the Ministry of Finance.*