The updated assessment of the actual fiscal impact of the adopted one-off anti-crisis measures

Extensive one-off measures with a significant impact on the fiscal situation have been adopted to mitigate the consequences of the epidemic. The adoption and particularly the implementation of such measures require transparency, which is essential for establishing their credibility both among domestic economic agents and on financial markets, since the cost of financing will largely depend on this credibility. Ultimately, transparency is also relevant in the assessment of the measures' effectiveness after the epidemic. Upon the adoption of measures, the Fiscal Council decided to continuously monitor their fiscal impact and to regularly update its assessment in accordance with the recommendations of international organisations (OECD, IMF).

This time we are publishing the fourth assessment[1] of the actual impact of one-off anti-crisis measures, which includes the likely final impact of the first anti-coronavirus legislative package[2], while the financial impact of other measures is still largely indeterminate due to their further implementation. The actual fiscal impact of measures that were included in the first anti-coronavirus package and ceased to apply at the end of May is smaller than previously estimated by the Ministry of Finance upon the preparation of the Stability Programme and by the Fiscal Council upon the adoption of the legislation. The estimates of both institutions stood at around EUR 1.8 billion, while the current estimate of the actual impact of measures with a direct fiscal impact is EUR 1.3 billion. The majority of measures contained in this package are measures to preserve jobs (compensation for temporarily laid off workers, basic income for self-employed persons and other entitled groups, and exemption from payment of social insurance contributions) amounting to around EUR 950 million. In our assessment, it will be possible to finance a considerable part of these measures with the loan of EUR 1.1 billion which has been granted to Slovenia by the European Commission within the SURE[3] instrument. In addition to measures with a direct fiscal impact, the first anti-coronavirus package included measures of deferred payment and payment in instalments of tax liabilities in the amount of EUR 256 million, of which a little less than one fifth has already been paid.

When the end of the epidemic was declared at the end of May, the Government adopted further one -off measures to mitigate the consequences of the epidemic. Among measures to preserve jobs, partially subsidised short-time work and the measure to extend the reimbursement of salary

Table: The measures to mitigate the consequences of the epidemic with direct fiscal impact

EUR million	Government estimate	FC estimate	Outcome
PKP1	1,804	1,750	1,334
other measures	1,000	551	201
Total	**2,804**	**2,301**	**1,535**

Source: MoF, MDDSZ, MKGP, MJU, MIZŠ, ZRSZ, FURS, ZZZS, ZPIZ, Zavod za blagovne rezerve, FURS, FC estimates.

1 The previous assessments are available at: http://www.fs-rs.si/publications/other/.

2 Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (ZIUZEOP), available at https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina?urlurid=2020766.

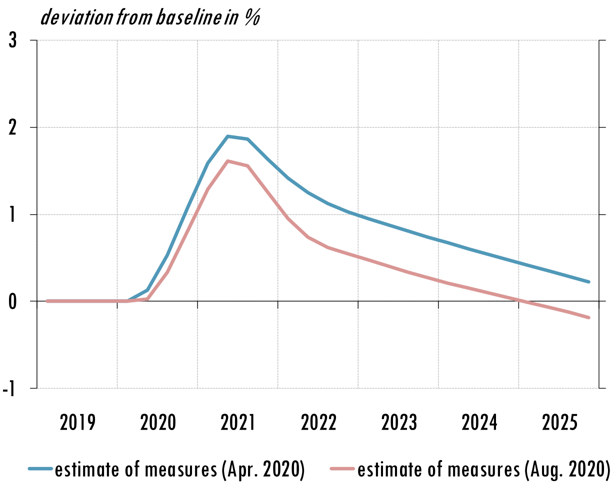
3 The proposal must be approved by the European Council.

compensation for temporarily laid off workers are of key importance. These measures are in accordance with the recommendations of international organisations that countries should lift supporting measures gradually. According to available data, approximately 60,000 employees were included in these two measures in June, which accounts for around 40% of employees on temporary layoff in May. Among the adopted measures, in addition to the aforementioned measures, vouchers to improve the economic situation in tourism, compensation for healthcare service providers due to loss of business and allowance for hazards and special burdens for the members of the Civil Protection Service also have a significant fiscal impact. A total of EUR 200 million were allocated for these measures by the end of August, which is considerably less than estimated in previous assessments by the Fiscal Council and the Government (see Table).

After the declaration of the epidemic, measures to provide liquidity were also adopted, particularly the possibility of deferral of payment of loan obligations[4] and two guarantee schemes[5]. Under the two guarantee schemes, guarantees totalling EUR 2.2 billion are available, and according to available data, guarantees amounting to only EUR 76 million have so far been issued. This could indicate either that guarantee schemes were inappropriately designed or that economic agents do not need liquidity assistance; however, it is necessary to bear in mind that the schemes are in the initial stage of operation.

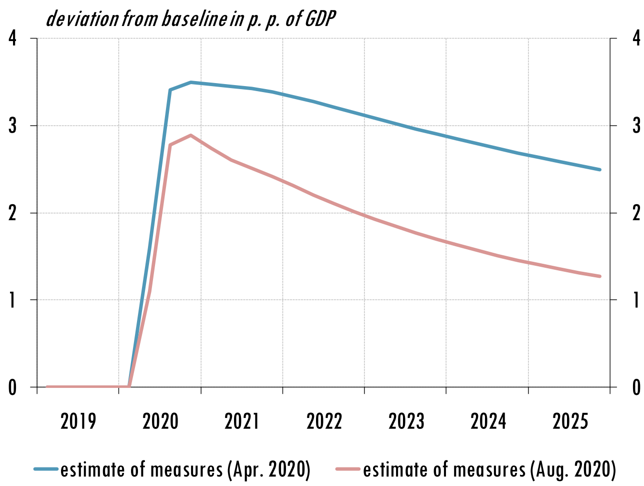
In accordance with the procedure described in the assessment of the macroeconomic and fiscal impact of measures adopted to mitigate the consequences of the COVID-19 epidemic from May[6], we have produced an updated assessment of the macroeconomic impact of actual measures. The results of simulations of all the aforementioned measures show that, due to measures taken, economic activity in 2020 would be approximately 1.5% higher than projected in the scenario that does not involve measures. This mitigates the decline in economic activity by just under a quarter of the decline assumed

Figure 1: Impact of the measures on real GDP level



Source: FC. Note: Simulation of the impact of the measures (Apr. 20) is based on estimates from FC Assessment (28 April 2020), while simulation of the impact (Aug. 20) is based on actual impact of measures described in this analysis.

Figure 2: Impact of the measures on general government debt



Source: FC. Note: Simulation of the impact of the measures (Apr. 20) is based on estimates from FC Assessment (28 April 2020), while simulation of the impact (Aug. 20) is based on actual impact of measures described in this analysis.

4 Act Determining the Intervention Measure of Deferred Payment of Borrowers' Liabilities (ZIUOPOK).

5 Article 65 of the ZIUZEOP and the ZDLGPE.

6 http://www.fs-rs.si/wp-content/uploads/2020/05/Effects_of_-adopted_measures.pdf

in the baseline scenario; this is similar to the assessment of the impact of measures in the EU that was made by the European Commission.[7]

The Fiscal Council will publish a more detailed analysis of the impact of the measures adopted to mitigate the consequences of the epidemic as part of the assessment of the revised state budget for 2020. The Fiscal Council expects to prepare the assessment by mid-September in accordance with the deadline for preparation, which is 15 days pursuant to the Public Finance Act (the ZJF-H). The Fiscal Council expects that, as part of adopting budget documents[8] in the coming months, the Government will produce its own assessment of the actual fiscal impact of the measures adopted in accordance with the principle of transparency and, despite further uncertainty, present in a credible way further measures to mitigate the consequences of the epidemic on economic activity and public finance.

7 EC Spring Forecast 2020, pp. 65–72. In the assessment that takes into account measures as initially estimated by the Government and the Fiscal Council, the Bank of Slovenia estimated the mitigation of the decline in economic activity at around one third of the decline in the GDP under the baseline scenario.
See https://bankaslovenije.blob.core.windows.net/publication-files/macroeconomic-projections-for-slovenia-june-2020_ii.pdf (Box 3).

8 In accordance with paragraph two of Article 11 of the Fiscal Intervention Measures Act (ZIUJP), the Government is obliged to submit the draft revised state budget to the National Assembly by 1 September 2020 at the latest. In addition, in accordance with Articles 13a and 28 of the Public Finance Act (ZJF), the Government is obliged to submit the draft amending budget for 2021 and the draft budget for 2022 to the National Assembly by 1 October.