



REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Monthly Information

February 2021

Document No.: 30-1/2021/2

Data available up to and including 3 February 2021 were used.

Key highlights¹

- According to provisional data, the state budget deficit amounted to EUR 434 million in January 2021, and without the effect of COVID-related measures the state budget would have had a slight surplus (EUR 36 million).
- Revenues in January were 1.9% lower than in the same month last year, and without taking into account the direct effect of COVID-related measures totalling EUR 8 million, they were 1.0% lower.
- Expenditures in January were 48.0% higher than in the same month last year, with a particularly noticeable high growth in total labour costs, and without taking into account the direct effect of COVID-related measures totalling EUR 463 million, they were 3.8% lower.
- The monthly cost of COVID-related measures with a direct effect on the state budget balance was EUR 472 million in January. The January expenditure for this purpose represents more than half of the budgeted COVID-related expenditure for the whole of 2021. The total direct effect of these measures since March 2020 has been EUR 2,896 million, and the total cost of such measures, taking into account the potential effect of guarantees, liquidity loans and deferred credit payments, EUR 3,414 million.²
- This publication also contains an overview of the number of beneficiaries of individual COVID-related measures since the beginning of the implementation of such measures in March last year. According to available data, a much smaller share of the working population was included in job preservation measures in the second wave of the epidemic than in the spring of last year.
- Along with the further increase in public expenditure relating to COVID-related measures, the Fiscal Council calls on economic policymakers to actually focus one-off measures on mitigating the direct consequences of the epidemic. As a matter of fact, doubt is arising as to the justification of certain payments of employee bonuses. With the further expansion of the population groups receiving a solidarity bonus, the need to address structural problems through deliberate systemic changes and not through one-off solutions should be emphasised. The increase in expenditure not directly related to the epidemic also reduces the room for manoeuvre for an appropriately targeted fiscal policy after the end of the epidemic.

¹ The Fiscal Council will regularly publish an overview of the implementation of the state budget and COVID-related measures in its monthly publication, subject to availability of such data in the future. Along with the Ministry of Finance (MoF), we would also like to thank the Financial Administration of the Republic of Slovenia (FURS), the Employment Service of Slovenia (ZRSZ), the SID Bank and the Slovenian Enterprise Fund (SPS) for their cooperation and submitted data.

² Measures under the jurisdiction of SID Bank and SPS. Data on guarantees are available until 31 December 2020 and data on liquidity loans and deferred payment of credit liabilities within the scope of SID Bank's measures until 15 January 2021.

The state budget – January 2021³

- The January **state budget deficit** of EUR 434 million represents 15.8% of the projected deficit for the whole of 2021.
- **Revenues** amounted to EUR 888 million in January, representing a year-on-year decline of 1.9%. The direct effect of COVID-related measures was negligible (EUR 8 million) and did not have a significant impact on year-on-year growth.
- VAT and excise duties revenues were down by around one-fifth on a year-on-year basis due to the negative impact of restrictive measures on consumption, while revenues from corporate income tax were down by more than one-tenth. Among the most important categories of tax revenues, only personal income tax revenues were higher on a year-on-year basis, by around 30%, which is mainly due to forward differences in payments and refunds.
- The decline in tax revenues was mainly offset by non-tax revenues, which more than doubled compared to January last year, and by revenues from EU funds, which were twice as high as in January last year.
- **Expenditures** in January were almost one half (48%) higher than in the same month last year, resulting exclusively from the direct effect of COVID-related measures totalling EUR 463 million. Without this effect, expenditure would be 3.8% lower on a year-on-year basis.

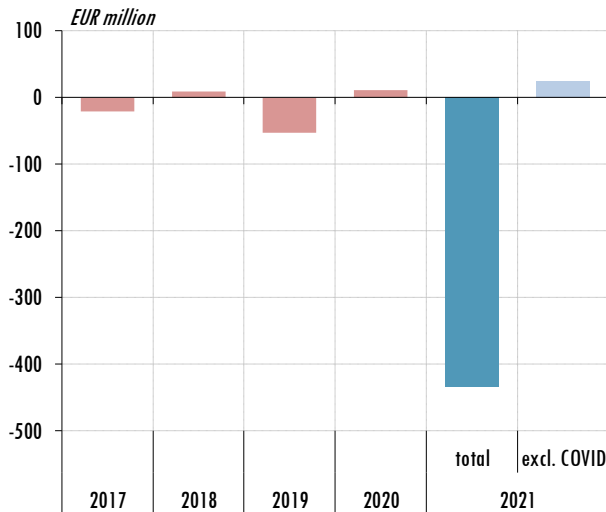
Table 1: State budget

	January				February-December							
	2020	2021	change		2020	2021*	change		2020	2021**	change	
			EUR million	%			EUR million	%			EUR million	%
REVENUE	905	888	-17	-1.9	8,173	9,834	1,661	20.3	9,078	10,722	1,644	18.1
VAT	438	340	-98	-22.3	3,090	3,502	412	13.3	3,528	3,843	315	8.9
Excise duties	135	111	-25	-18.1	1,179	1,352	173	14.7	1,314	1,463	148	11.3
Personal income tax	111	144	32	29.1	1,053	1,144	92	8.7	1,164	1,288	124	10.7
Corporate income tax	69	59	-9	-13.7	704	897	193	27.4	773	957	184	23.8
EU funds	27	55	28	100.4	697	1,576	879	126.0	725	1,631	906	125.1
Non-tax	29	92	62	212.1	642	476	-166	-25.8	672	568	-104	-15.4
Other revenue	94	86	-8	-8.0	808	886	79	9.7	902	973	71	7.9
EXPENDITURE	893	1,322	429	48.0	11,672	12,147	475	4.1	12,565	13,469	904	7.2
Total labour costs	258	379	120	46.5	3,190	3,216	26	0.8	3,448	3,595	146	4.2
Transfers to individ. and househ.	127	377	251	197.9	1,840	1,263	-578	-31.4	1,967	1,640	-327	-16.6
Expend. on goods and services	74	72	-2	-3.0	1,235	1,196	-39	-3.2	1,309	1,268	-41	-3.2
Investment	22	28	7	31.2	890	1,946	1,056	118.7	911	1,974	1,063	116.6
Curr. transfers to soc. sec. funds	74	95	21	28.6	1,330	1,656	326	24.5	1,403	1,750	347	24.7
Subsidies	81	166	85	105.8	1,317	495	-822	-62.4	1,398	661	-737	-52.7
Interest	153	82	-71	-46.3	619	680	61	9.9	772	762	-9	-1.2
Payments to the EU budget	77	69	-8	-10.4	449	496	47	10.5	526	565	39	7.4
Other expenditure	29	54	26	90.2	802	1,199	398	49.6	830	1,254	424	51.0
Balance	11	-434	-446		-3,499	-2,312	1,187		-3,488	-2,747	741	

Sources: MoF, FURS, FC calculations. Note: *Implicitly calculated to match MoF forecast. ** Amendments to the budget for 2021 (Oct. 20).

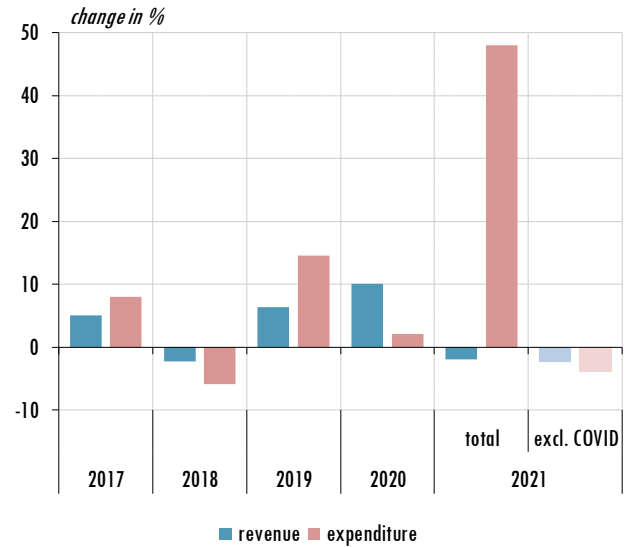
³ The comments on the state budget implementation refer to the daily data available at: <https://proracun.gov.si/#> (Only in Slovene).

Figure 1: State budget balance - January



Source: MoF, FC calculations.

Figure 2: State budget revenue and expenditure - January



Source: MoF, FC calculations.

Table 2: Impact of COVID measures on state budget outturn

	Jan. 2021		excl. COVID	
	EUR million		y-o-y change	
	COVID	excl. COVID	EUR million	%
REVENUE	-8	895	-9	-1.0
VAT	-8	349	-89	-20.4
Excise duties	7	104	-31	-23.1
Personal income tax	-2	145	34	30.5
Corporate income tax	1	59	-10	-14.4
EU funds ¹	1	54	26	95.5
Non-tax	0	92	62	212.1
Other revenue	-6	93	-1	-1.3
EXPENDITURE	463	859	-34	-3.8
Total labour costs	102	276	18	7.0
Transfers to individ. and households	248	129	3	2.2
Expenditure on goods and services	11	60	-14	-18.6
Investment	0	28	6	30.0
Current transfers to social security funds	0	95	21	28.6
Subsidies	88	78	-2	-2.9
Interest		82	-71	-46.3
Payments to the EU budget		69	-8	-10.4
Other expenditure	13	41	12	43.7
Balance	-470	36	25	

Sources: MoF, FURS, FC estimates and calculations. Note: ¹The effect on balance of revenue from EU funds used for financing of COVID measures is neutralized, so that they are interpreted as higher total revenue from EU funds.

- Overall growth was largely due to almost twice as high transfers to individuals and households than in January last year. Excluding the impact of COVID-related measures, growth was modest and lower than in the whole of 2020.
- Total labour costs, which also include transfers to public institutions for this purpose, were almost 50% higher year-on-year. Excluding the impact of COVID-related measures, year-on-year growth would be 7% and thus slightly higher than last year as a whole.
- Two times higher expenditure on subsidies also made an important contribution to overall year-on-year growth, which was, following the exclusion of the impact of COVID-related measures, lower than in January last year.
- Expenditures on transfers to social insurance funds and investments increased year-on-year by around 30%.
- The total growth in expenditure was thus significantly mitigated only by interest expenditure, which was almost half lower year-on-year, and payments to the EU budget were also lower by about one tenth.

Outturn of COVID-related measures – January 2021

- The direct effect of COVID-related measures on the state budget balance was EUR 470 million in January, which is the second largest monthly effect after June last year. The majority of the effect is on the expenditure side, totalling EUR 463 million, which represents 55% of the budgeted COVID expenditure for the whole of 2021 (EUR 843 million).
- The bulk of expenditure for COVID-related measures in January was associated with the **reimbursement of fixed costs** under Article 109 of the Intervention Act on the intervention measures to help mitigate the consequences of the second wave of the COVID-19 epidemic

Table 3: Overview of the implementation of COVID measures (in EUR million)

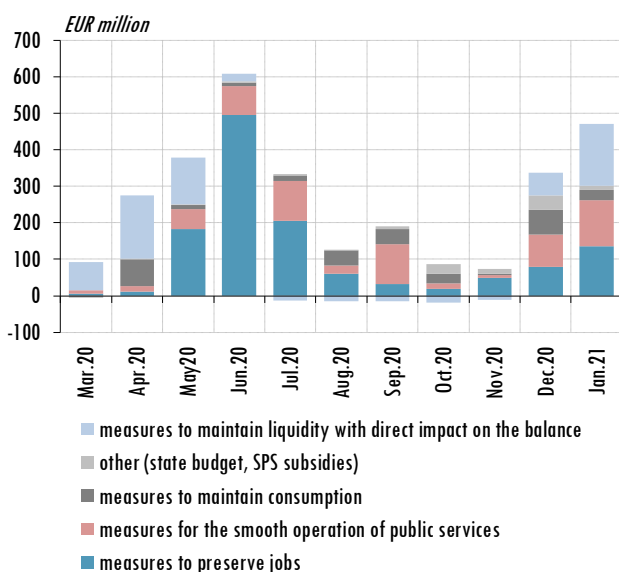
	outturn 2020	January 2021	outturn TOTAL
TOTAL COVID MEASURES	2,931	473	3,414
TOTAL COVID MEASURES WITH A DIRECT EFFECT ON THE GENERAL GOVERNMENT BALANCE	2,424	472	2,896
Measures to preserve jobs	1,143	136	1,279
Compensation to temporary laid-off employees	334	88	421
Payment of social contributions for temporary laid-off employees	124	0	124
Partial subsidisation of short-time working	36	0	36
Payment of contributions for the pension and disability insurance of employees who worked during the epidemic	435	1	436
Basic income and social contributions for the self-employed and other beneficiaries	196	48	244
Sick pay for employed persons is fully covered by the ZZS	19	0	19
Measures for the smooth operation of public services	508	125	634
Employee bonuses	207	106	313
Control of the epidemic by the Ministry of Economic Development and Technology (protective equipment, etc.)	122	11	134
Measures in education, sport and culture	29	8	37
Compensation for healthcare service providers due to loss of business, incl. concessionaires	105	0	105
Provision of funds to the ZZS	45	0	45
Measures to maintain consumption and social position	291	28	320
Tourist voucher payments	128	0	128
Solidarity bonus for various groups	163	28	192
Other expenditure	92	13	105
Measures to maintain liquidity	905	170	1,076
Deferred and instalment payments of tax	219	9	228
Uncalculated and unpaid advance payments of corporate income tax liabilities	171	0	171
Reimbursement of fixed costs	0	160	160
Guarantees ¹	193	0	193
SPS	79	0	79
Act Determining the Intervention Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (SID Bank)	69	0	69
Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (SID Bank)	45	0	45
Liquidity loans	303	2	305
SPS ¹	55	0	55
SID Bank ²	249	2	251
Deferred payment of loan liabilities – SID Bank ²	19	-1	19

Source: MoF, FURS, SID Bank, SPS, FC calculations. Notes: ¹ as of end of December 2020. ² as of 15 January 2021.

(ZIUOPDVE – PKP6) in the total amount of EUR 160 million. It is estimated that the monthly cost of this measure will decrease in the future, as this payment covered the entire period from the entry into force of the measure. i.e. from 1 October 2020.

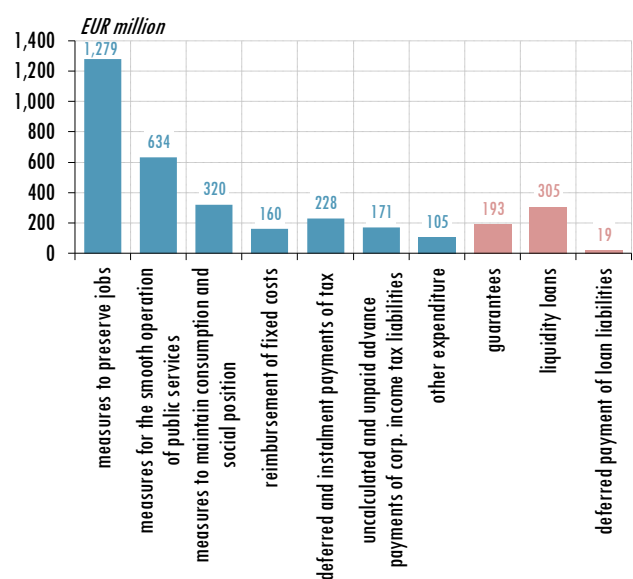
- In January, **payments of employee bonuses** pursuant to Article 123 of the ZIUOPDVE (PKP6) totalled EUR 106 million and all employee benefits paid since the onset of the epidemic totalled EUR 313 million. The bulk of bonuses have so far been paid to healthcare employees (EUR 140 million), more than EUR 85 million has been paid to municipalities from the state budget, around EUR 40 million within the Ministry of Labour, Family, Social Affairs and Equal Opportunities, and EUR 35 million at the state administration level. With regard to the payment of bonuses to different groups of employees, there are doubts about the eligibility of some payments, which were obviously made in a spontaneous and uncoordinated manner; therefore, we call on the government to take appropriate action to better target the payment of bonuses at all levels.
- The state budget expenditures on **employee furlough benefits** totalled EUR 88 million in January, which is the second largest monthly expenditure after June last year. In this respect, it should be noted that there is a timing mismatch between payments from the state budget and the actual month of eligibility for such benefit, as delays have occurred.
- In January, expenditure on universal basic income paid to self-employed persons and other eligible beneficiaries was EUR 48 million. In this case too, there is a timing mismatch between payments from the state budget and the actual month of eligibility for this benefit.
- As follows from the Act on the intervention measures to help mitigate the consequences of the second wave of the COVID-19 epidemic (ZIUOPDVE – PKP7), EUR 28 million was paid in **one-off solidarity bonuses** for various population groups in January, and EUR 68 million as a allowance for pensioners, which was actually paid in January, was booked as a state budget expenditure already in December last year. The final amount will be even higher, as some benefits will be paid in the coming months, and with the adoption of the PKP8, the range of groups eligible for one-off benefits will be expanded again. The total amount of all one-off

Figure 3: COVID measures with direct impact on the balance



Source: MoF, FURS, FC calculations.

Figure 4: COVID measures by content (Mar. 2020 - Jan. 2021)

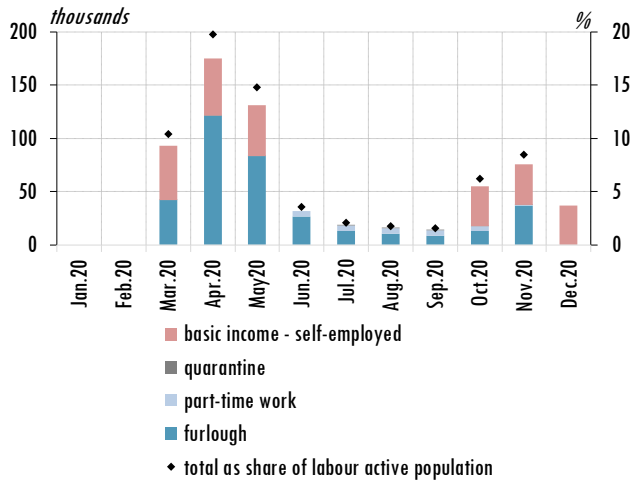


Source: MoF, FURS, SID, SPS, FC calculations.

solidarity bonuses since the onset of the epidemic in March last year has reached EUR 192 million. In this regard, the Fiscal Council calls on economic policymakers not to solve the existing structural problems of certain population groups in the event of a temporary shock with one-off linear transfers, but with well-thought-out systemic solutions. Insofar as these benefits are intended to increase consumption, in our opinion they are not the most effective in situations where the supply is limited due to restrictive measures to curb the epidemic. The latter is also confirmed by data on increased household deposits in banks and a high level of household savings. From this point of view, such measures would be effective at most after the end of the epidemic.

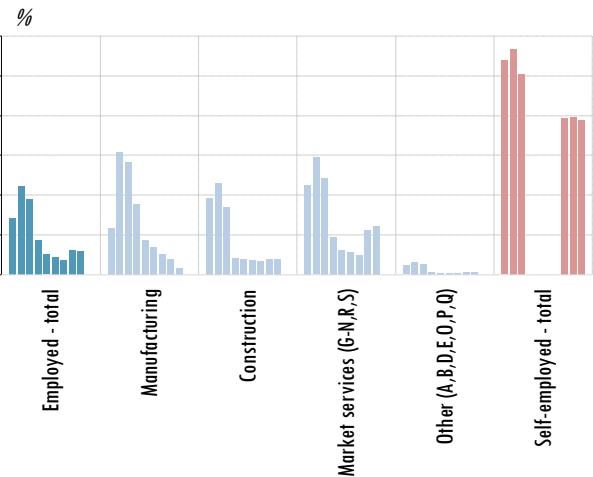
- Due to time delays in the disbursement of the already established measures and the extension and adoption of new measures, the impact of COVID-related measures on public finance will increase further. In January, a coronavirus crisis bonus of EUR 46 million was approved under Article 85 of the ZIUPOPVE, but has not yet been paid, and PKP8 is expanding the range of potential beneficiaries of this allowance. The delay is occurring due to lengthy procedures determined by law for the payment of compensation for quarantine and force majeure. Namely, by 12 January 2021, the Employment Service of Slovenia (ZRSZ) paid compensation to less than 3,000 employees on the basis of around 1,500 applications from employers. By 18 January 2021, ZRSZ had received around 57,000 applications for around 120,000 employees. With the expected further increase in the impact of COVID-related measures on public finance, we once again call for transparency in the introduction of these measures, which should be simple and aimed at mitigating the actual consequences of the epidemic. Inefficient and insufficiently targeted spending also reduces the room for manoeuvre of fiscal policy for action after the end of the epidemic.
- Information on **payment recipients** based on job retention measures (furlough, part-time work, quarantine and force majeure) up to and including 12 January 2021 show that the proportion of employees involved in measures at least at the beginning of the second wave of the epidemic was much lower than in spring last year. In April and May last year, about one-fifth of employees were covered by the measures and according to data available so far, only slightly over 5% in October and November. The decrease in the extent of coverage by COVID-related measures in manufacturing as well as in construction was particularly noticeable, while the share of market service employees covered by these measures fell from around a quarter last spring to just over one-tenth. It should be noted that data for the past few months are not final due to delays in payments.
- The same applies to recipients of basic income, which decreased from around 50,000 per month in the spring of last year to around 37,000 in the last three months of last year.
- About 300,000 pensioners, i.e. about one-half of all pension beneficiaries, received a solidarity bonus with both payments. It should be noted that the average old-age pension, i.e. the pension excluding the above-mentioned bonus, increased by 4.6% last year, which is the highest increase in the last ten years.

Figure 5: Recipients of measures to preserve jobs-by measure



Source: ZRSZ, FURS, SORS, FC calculations. Note: Share calculated on the basis of monthly data on labour active population according to registry. Data on employed on the basis of payments up to 12th January 2021, related to the period up to end of November 2020, data on self-employed up to end of 2020.

Figure 6: Recipients of measures to preserve jobs - by type of employment and activity



Source: ZRSZ, FURS, SORS, FC calculations. Note: Share calculated on the basis of monthly data on labour active population according to registry. Data since March 2020. Data on employed on the basis of payments up to 12th January 2021, related to the period up to end of November 2020, data on self-employed up to end of 2020.

Table 4: Number of recipients by COVID measures

	Mar.20	Apr.20	May20	Jun.20	Jul.20	Aug.20	Sep.20	Oct.20	Nov.20	Dec.20	Jan.21
Compensation to temporary laid-off employees ¹	114,485	176,532	149,927	49,470	22,106	18,573	13,759	32,404	45,038		
Payment of social contributions for temporary laid-off employees	119,064	181,977	150,105								
Partial subsidisation of short-time working ¹				19,210	18,140	16,227	14,600	14,716	1,624		
Payment of contributions for the pension and disability insurance of employees who worked during the epidemic	495,561	458,104	486,738								
Basic income and soc. contr. for the self-emp. and oth. beneficiaries	50,618	53,319	47,377					37,381	37,593	37,065	
Quarantine/force majeure compensation ¹		21	471	256		97	355	678	967	495	
Solidarity bonus for various population groups											
<i>Pensioners</i>		302,224									299,895
<i>Occupational pensioners</i>			51								53
<i>Students</i>		52,180									54,249
<i>Recipients of soc. ass. benefits in cash and income support benef.</i>		49,817									
<i>Other vulnerable groups</i>		21,707									
<i>Recipients of child benefits</i>		190,779									329,116
<i>Foster carers children up to the age of 18</i>		805									
<i>Increased large family benefits</i>		29,150									31,587
<i>Higher allowance for childcare</i>											23,949

Source: FURS, MDDSZ, MIZŠ, ZPIZ, ZRSZ. Note: ¹ data on payments up to 12 January 2021.