



REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Monthly Information

March 2021

Document No.: 30-1/2021/3

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

Key highlights¹

- According to the preliminary data, the state budget deficit in the first two months of 2021 was EUR 661 million, which is almost a quarter of the projected deficit for the whole of 2021. The deficit would be smaller (EUR –128 million) without considering COVID measures.
- Revenue in the first two months was 3.5% lower than in the same period last year, and without taking into account the direct effect of COVID measures totalling EUR 12 million, it was 2.7% lower.
- Expenditure in the first two months was 35.1% higher than in the same period last year, and without taking into account the direct effect of COVID measures totalling EUR 522 million, it was 3.8% lower. Without considering COVID measures, their growth was mainly the result of higher labour costs and payments to the EU budget, which are typically performed in the beginning of the year.
- In the first two months of 2021, revenue from EU funds grew compared to the same period last year. However, to spark growth in 2021 and attain the objectives set in the annual plans of the adopted budget, their pace of growth should additionally accelerate in the remaining months. For this purpose, the short-term focus should be placed primarily on the prepared projects which can be quickly implemented.
- The monthly cost of COVID measures with a direct effect on the state budget balance was EUR 65 million in February, which is one of the lowest monthly costs since the beginning of the COVID epidemic. In the first two months of 2021, the total direct effect of COVID measures totalled EUR 538 million, mostly on the expenditure side (EUR 522 million).
- The total direct effect of COVID measures since March 2020 has been EUR 2.963 billion, and the total cost of such measures, taking into account the potential effect of guarantees on the state budget results, liquidity loans and deferred credit payments, EUR 3.494 billion.²
- In December 2020, 71,200 employees were involved in job retention measures, which is 8.9% of all employees and less than a half compared to April and May. Basic income was disbursed to 33,600 self-employed, which is around a third of all self-employed, while the share was around 45% in spring last year.

¹ The Fiscal Council will regularly publish an overview of the implementation of the state budget and COVID measures in its monthly publication, subject to availability of such data in the future. Along with the Ministry of Finance (MF), 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 SPS for their cooperation and submitted data.

² Measures under the jurisdiction of SID Bank and SPS. Data on guarantees are available until 31 January 2021 and data on liquidity loans and deferred payment of credit liabilities within the scope of SID Bank's measures until 12 February 2021.

State budget (January–February 2021)³

- With a EUR 227 million deficit being recorded in February, the total **state budget deficit** of EUR 661 million in the first two months represents 24.1% of the projected deficit for the whole of 2021. The deficit would amount to EUR 128 million without considering COVID measures.
- The difference between the scope of COVID measures (EUR 538 million) in the first two months and their impact on the state budget balance (EUR 534 million) is a consequence of neutralising expenditure financed with EU funds. In the estimate of balance without considering the impact of COVID measures, the above EU funds are subtracted from the published revenue from EU funds.
- **Revenue** in the first two months of the year amounted to EUR 1.593 billion, representing a year-on-year decline of 3.5%. The direct effect of COVID measures was negligible (EUR 12 million) and did not have a significant impact on year-on-year growth. A revenue growth of 18.1% was projected in the 2021 budget.⁴
- VAT and excise duties revenue was down by around one-fifth on a year-on-year basis due to the negative impact of restrictive measures on consumption, while revenue from corporate income tax was down by more than one-tenth. Among the most important categories of tax revenue, only personal income tax revenue was higher on a year-on-year basis, by around 20%.

Table 1: State budget

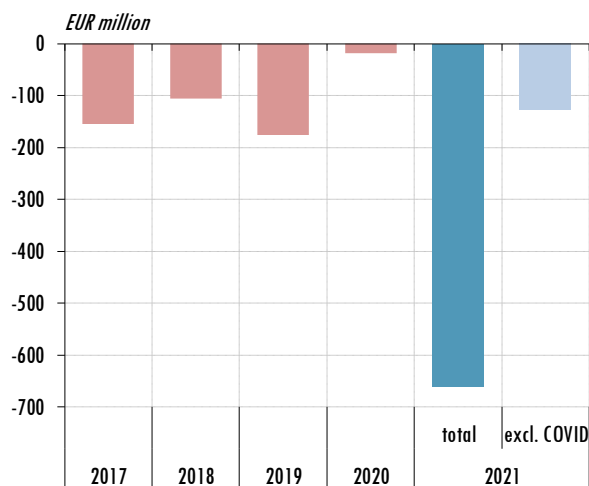
	January-February				March-December									
	2020		2021		change 2021/2020				2020		2021**		change 2021/2020	
	EUR million		%		EUR million		%		EUR million		%		EUR million	
REVENUE	1,651	1,593	-58	-3.5	7,427	9,129	1,702	22.9	9,078	10,722	1,644	18.1		
VAT	705	550	-155	-22.0	2,823	3,293	469	16.6	3,528	3,843	315	8.9		
Excise duties	254	204	-50	-19.7	1,061	1,259	198	18.7	1,314	1,463	148	11.3		
Personal income tax	240	293	53	22.3	924	995	71	7.7	1,164	1,288	124	10.7		
Corporate income tax	140	126	-14	-9.7	633	831	197	31.2	773	957	184	23.8		
EU funds	54	96	42	78.4	671	1,535	864	128.8	725	1,631	906	125.1		
Non-tax	78	156	78	100.7	594	412	-182	-30.6	672	568	-104	-15.4		
Other revenue	181	168	-13	-7.2	721	805	84	11.7	902	973	71	7.9		
EXPENDITURE	1,669	2,255	586	35.1	10,896	11,214	318	2.9	12,565	13,469	904	7.2		
Total labour costs	522	673	151	29.0	2,927	2,922	-5	-0.2	3,448	3,595	146	4.2		
Transfers to individ. and househ.	257	531	274	106.7	1,710	1,109	-601	-35.2	1,967	1,640	-327	-16.6		
Expend. on goods and services	146	161	15	10.6	1,164	1,107	-57	-4.9	1,309	1,268	-41	-3.2		
Investment	59	64	5	9.4	853	1,910	1,057	123.9	911	1,974	1,063	116.6		
Curr. transfers to soc. sec. funds	193	196	3	1.6	1,210	1,554	344	28.4	1,403	1,750	347	24.7		
Subsidies	117	231	114	97.1	1,281	430	-851	-66.4	1,398	661	-737	-52.7		
Interest	173	106	-67	-38.9	598	656	58	9.7	772	762	-9	-1.2		
Payments to the EU budget	126	162	36	29.0	400	403	3	0.7	526	565	39	7.4		
Other expenditure	77	130	53	68.1	753	1,124	371	49.3	830	1,254	424	51.0		
Balance	-19	-661	-642		-3,469	-2,086	1,383		-3,488	-2,747	741			

Sources: MoF, 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).

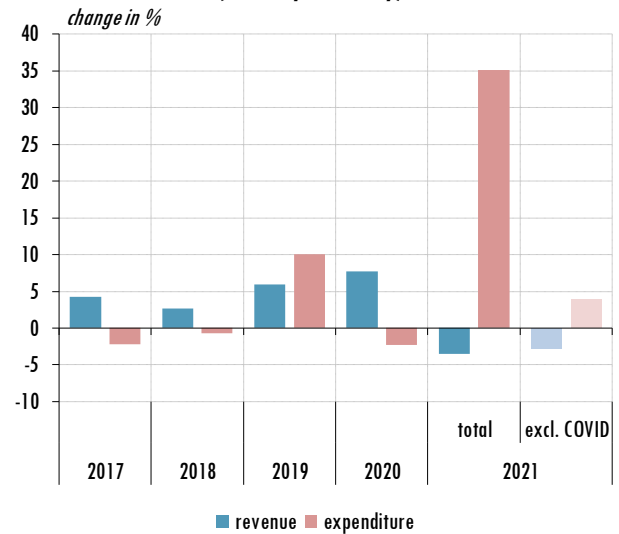
⁴ All growth projections for adopted budget components are calculated according to the actual implementation of absolute levels of components for 2020, which deviated from the implementation projected in the adopted budget.

Figure 1: State budget balance (January-February)



Source: MoF, FC calculations.

Figure 2: State budget revenue and expenditure (January-February)



Source: MoF, FC calculations.

Table 2: Impact of COVID measures on state budget outturn

	January-February 2021		excl. COVID	
	EUR million		y-o-y change	
	COVID	excl. COVID	EUR million	%
REVENUE	-12	1,605	-45	-2.7
VAT	-17	567	-138	-19.6
Excise duties	14	190	-63	-25.0
Personal income tax	-3	296	56	23.3
Corporate income tax	0	126	-14	-10.1
EU funds ¹	4	92	38	70.6
Non-tax	0	156	78	100.7
Other revenue	-11	179	-2	-0.9
EXPENDITURE	522	1,733	64	3.8
Total labour costs	107	566	45	8.6
Transfers to individuals and households	267	264	7	2.6
Expenditure on goods and services	26	135	-11	-7.3
Investment	1	63	4	7.4
Current transfers to social security funds	0	196	3	1.6
Subsidies	100	131	14	12.0
Interest	0	106	-67	-38.9
Payments to the EU budget	0	162	36	29.0
Other expenditure	21	109	32	41.1
Balance	-534	-128	-109	

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.

- The decline in tax revenue was mainly offset by non-tax revenue, which more than doubled compared to the first two months last year, and by revenue from EU funds, which was by around 80% higher on a year-on-year basis. The year-on-year growth of both categories visibly slowed down in February.
- **Expenditure** in the first two months of the year was 35.1% higher than in the same period last year, resulting mainly from the direct effect of COVID measures totalling EUR 522 million. Without this effect, expenditure would be 3.8% higher on a year-on-year basis. An expenditure growth of 7.2% was projected in the 2021 budget.
- Overall growth was largely due to almost twice as high transfers to individuals and households than in the first two months of last year. Excluding the impact of COVID measures, the growth of transfers was modest.
- Total labour costs, which also include transfers to public institutions for this purpose, were 29% higher year-on-year. Without taking into account the impact of COVID measures, their growth in February increased and totalled 8.6% in the first two months, thus being higher than in the entire preceding year.
- 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 measures, around a tenth higher than in the first two months last year.
- Investment expenditure was around a tenth higher year-on-year in the first two months, while the 2021 budget projects a 116.6% growth in this category.
- The total growth in expenditure was thus significantly mitigated only by interest expenditure, which was around 40% lower year-on-year in the first two months.

Implementation of COVID measures (January–February 2021)

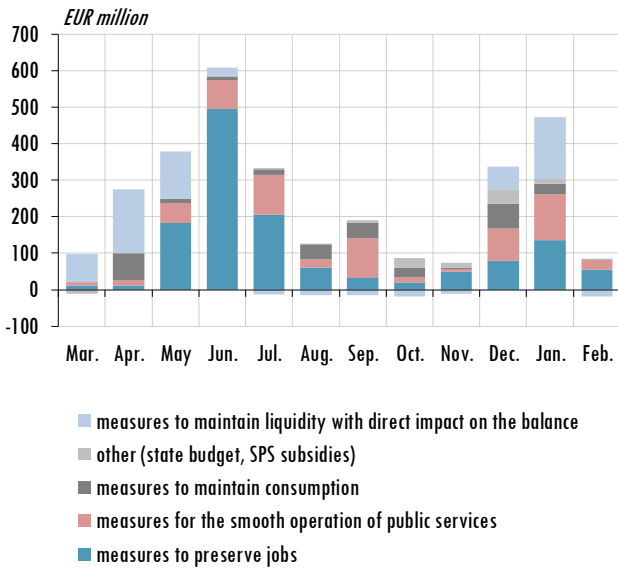
- The direct effect of COVID measures on the state budget balance was EUR 538 million in the first two months. The majority of the effect is on the expenditure side, totalling EUR 522 million, which represents around 70% of the budgeted COVID expenditure for the whole of 2021 (EUR 774 million).
- The February COVID expenditure of EUR 59 million was the smallest monthly effect since the COVID epidemic was first declared. The revenue drop resulting from the COVID measures totalled EUR 7 million in February. The revenue side of measures includes primarily the option of deferred and instalment payments of tax liabilities, while the already paid deferred payments approved in the preceding months are subtracted from the estimated overall effect of approved deferrals.

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

	outturn 2020	Jan.-Feb. 2021	outturn TOTAL
TOTAL COVID MEASURES	2,942	552	3,494
TOTAL COVID MEASURES WITH A DIRECT EFFECT ON THE GENERAL GOVERNMENT BALANCE	2,424	538	2,963
Measures to preserve jobs	1,148	190	1,338
Compensation to temporary laid-off employees	339	105	444
Payment of social contributions for temporary laid-off employees	124	0	124
Partial subsidisation of short-time working	36	1	37
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	83	280
Sick pay for employed persons is fully covered by the ZZS	19	0	19
Measures for the smooth operation of public services	508	153	661
Employee bonuses	207	109	316
Control of the epidemic by the Ministry of Economic Development and Technology (protective equipment, etc.)	122	30	152
Measures in education, sport and culture	29	15	43
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	29	321
Tourist voucher payments	128	0	128
Solidarity bonus for various groups	163	29	192
Other expenditure	87	16	103
Measures to maintain liquidity	906	164	1,071
Deferred and instalment payments of tax	219	17	235
Uncalculated and unpaid advance payments of corporate income tax liabilities	171	0	171
Reimbursement of fixed costs	0	134	134
Guarantees ¹	192	4	196
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	-2	67
Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (SID Bank)	45	6	50
Liquidity loans	305	10	316
SPS ¹	55	6	61
SID Bank ²	251	4	255
Deferred payment of loan liabilities – SID Bank ²	19	0	19

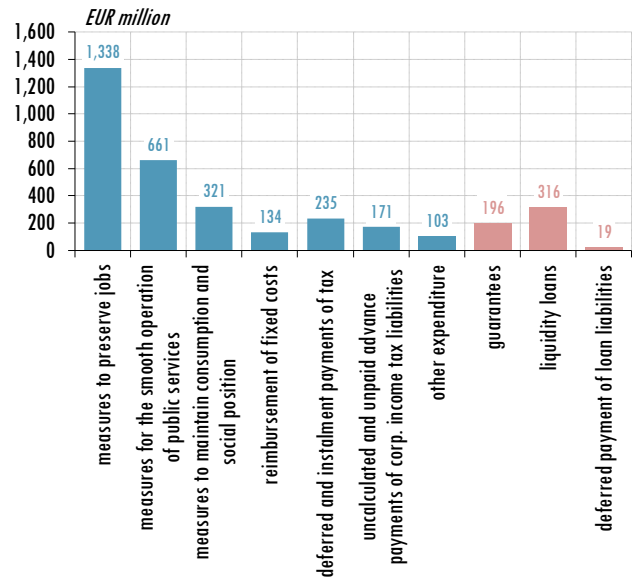
Source: MoF, FURS, SID Bank, SPS, FC calculations. Notes: ¹ as end of January 2021. ² as of 12 February 2021.

Figure 3: COVID measures with direct impact on the balance



Source: MoF, FURS, FC calculations.

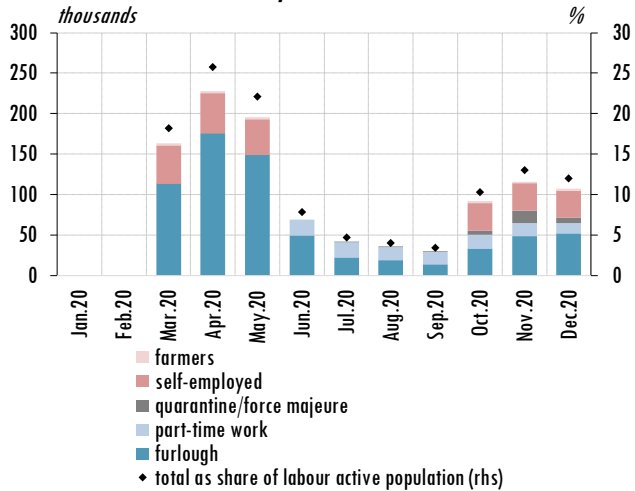
Figure 4: COVID measures by content



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

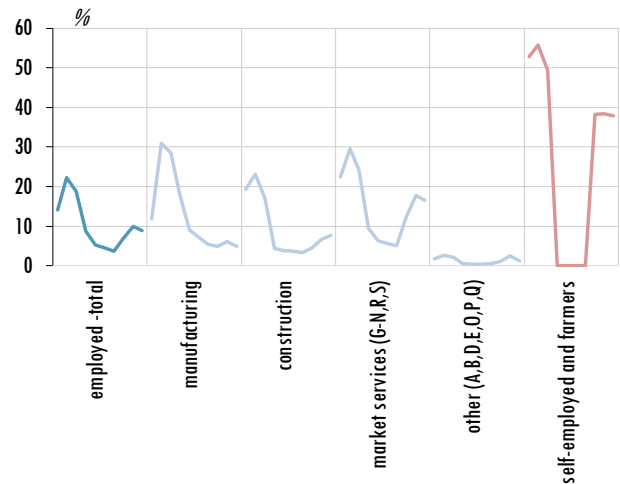
- The payments for furlough (EUR 17 million) and basic income to the self-employed and other eligible groups (EUR 36 million) constitute the bulk of the February COVID expenditure. For both measures, it should be noted that there is a timing mismatch between payments from the state budget and the actual month of eligibility for such benefit, as delays have occurred. In February, EUR 18 million were allocated for various expenditure related to the control of the epidemic, such as expenditure on protective equipment, vaccines, testing and microbiological analyses. Somewhat less than EUR 6 million were disbursed to kindergartens to compensate for parental fees. Only EUR 3 million were allocated for employee benefits, while EUR 106 million were paid out for this purpose in January. The expenditure on the reimbursement of fixed costs declined by EUR 26 million in February, because a EUR 134 million worth of reimbursement requests were filed so far. In January, EUR 160 million were earmarked for this measure, which exceeds the value of the requests filed to date.
- Due to time delays in the disbursement of the already established measures and the extension and adoption of new measures, the impact of COVID measures on public finance will increase further. In the first two months of the year, crisis bonuses totalling to EUR 56.8 million were approved under ACP7 and ACP8, which are yet to be disbursed. The delays are also occurring in the disbursement of compensation for quarantine and force majeure due to lengthy procedures determined by law.
- Information on **payment recipients** based on job retention measures (furlough, part-time work, quarantine and force majeure) and related payments disbursed up to and including 19 February 2021 show that the proportion of employees involved in measures in 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, less than a tenth in last three months of 2020. The decrease in the extent of coverage by COVID 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 around 15%. However, significant differences exist between individual activities of market services. In light of current measures to contain the epidemic, accommodation and food service activities remain the hardest-hit, where around 60% of all employees were involved in job retention measures at the end of 2020. Accommodation and food service activities are followed by cultural and entertainment and other services (R and S services), in which around 30% of all employees were involved in the above measures at the end of the year. It should be noted that data for the past few months are not final due to delays in payments.

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, related to the period up to end of 2020, on the basis of payments up to 19th February 2021, data on self-employed and farmers up to end of 2020.

Figure 6: Recipients of measures to preserve jobs - by type of employment and activity (March-December 2020)



Source: ZRSZ, FURS, SORS, FC calculations. Note: Share calculated on the basis of monthly data on labour active population according to register. Data on employed, related to the period up to end of 2020, on the basis of payments up to 19th February 2021, data on self-employed and farmers up to end of 2020.

- The same applies to the self-employed as recipients of basic income.⁵ The number of such recipients decreased from around 45,000 per month in the spring of last year to an average of 34,000 in the last three months of last year.

⁵ In addition to the self-employed, the recipients of basic income include farmers, company members, religious employees and culture workers.