



REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Monthly Information

April 2021

Document No.: 30-1/2021/4

Data available up to and including 2 April 2021 were used.

Key highlights¹

- According to preliminary data, the state budget deficit in the first three months of 2021 was EUR 1,291 million, which is almost half of the projected deficit for the whole of 2021. Not counting the direct effect of COVID measures, the deficit amounts to EUR 432 million. While a deficit increase in the first quarter is not uncommon, mostly due to interest payments, it was approximately two times higher in the first three months of 2021 than in the same period last year.
- Revenue in the first three months was 1.0% higher than in the same period last year, and, without taking into account the direct effect of COVID measures, it was 2.1% lower.
- Expenditure in the first three months was 37.5% higher than in the same period last year, and, without taking into account the direct effect of COVID measures totalling EUR 854 million, it was 6.1% higher, mostly due to higher labour costs.
- The March cost of COVID measures with a direct effect on the state budget balance was EUR 332 million. In the first three months of 2021, the total direct effect of COVID measures was EUR 869 million, mostly on the expenditure side (EUR 854 million).
- The total direct effect of COVID measures since March 2020 amounts to EUR 3,293 million, and the total cost of such measures, taking into account the potential effect of guarantees, liquidity loans and deferred credit payments on the state budget results, stands at EUR 3,831 million.²
- According to preliminary data, 55.5 thousand employees were involved in job retention measures in January 2021, which is 7.1% of all employees, the lowest percentage since the beginning of the second wave of the epidemic last October. Basic income for January was disbursed to 31,5 thousand self-employed people, which is around 40% of all the self-employed, while this number stood at around 65% in the spring of last year.

¹ The Fiscal Council will regularly publish an overview of the implementation of the state budget under the cash flow methodology and COVID measures in its monthly publication, subject to availability of such data in the future. All comments pertain to data as at 2 April 2021. 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 Slovene 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 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–March 2021)³

- With a EUR 630 million deficit being recorded in March according to preliminary data, the total **state budget deficit** of EUR 1.291 million in the first three months represents 47.0% of the projected deficit for the whole of 2021. Not counting the direct effect of COVID measures, the deficit amounts to EUR 432 million. While a deficit increase in the first quarter is not uncommon, mostly due to interest payments, it was approximately two times higher in the first three months of 2021 than in the same period last year.
- In the first three months, the difference between the scope of COVID measures (EUR 869 million) and their effect on the state budget balance (EUR 859 million) is a consequence of financing expenditure with EU funds. In the estimate of the balance not accounting for the effect of COVID measures, the EU funds used to finance COVID expenditures are subtracted from the published revenue from EU funds.
- **Revenue** in the first three months of the year amounted to EUR 2,411 million, representing a year-on-year increase of 1.0%. The direct effect of COVID measures was negligible (EUR 4 million); however, last March when the option of deferred or instalment payments of tax liabilities was introduced as a measure, their effect was significant (EUR 78 million). As a result, revenue in the first three months of 2021 was 2.1% lower than last year without taking into account the direct effect of COVID measures. The 2021 budget projects a revenue growth of

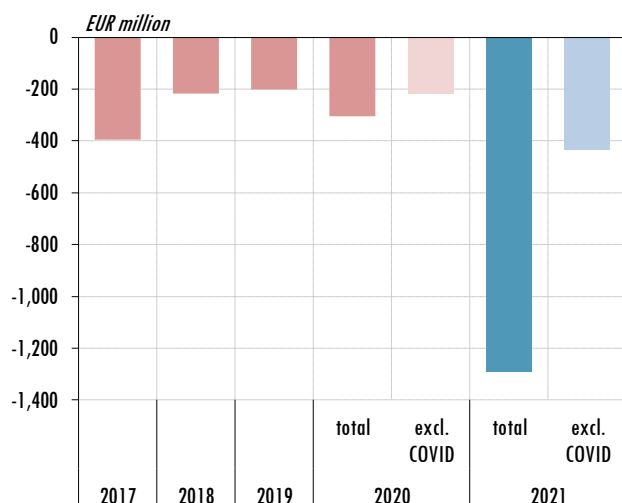
Table 1: State budget

	January-March				April-December							
	2020	2021	change		2020	2021*	change		2020	2021**	change	
			EUR million	%			EUR million	%			EUR million	%
Revenue	2,388	2,411	23	1.0	6,690	8,311	1,622	24.2	9,078	10,722	1,644	18.1
VAT	892	806	-85	-9.6	2,636	3,036	400	15.2	3,528	3,843	315	8.9
Excise duties	314	308	-6	-1.9	1,000	1,155	154	15.4	1,314	1,463	148	11.3
Personal income tax	363	407	44	12.2	801	881	80	10.0	1,164	1,288	124	10.7
Corporate income tax	213	202	-11	-5.1	560	755	195	34.7	773	957	184	23.8
EU funds	199	232	33	16.5	526	1,399	873	166.2	725	1,631	906	125.1
Non-tax	157	186	29	18.7	515	382	-133	-25.9	672	568	-104	-15.4
Other revenue	250	269	19	7.6	651	703	52	8.0	902	973	71	7.9
Expenditure	2,693	3,702	1,009	37.5	9,872	9,767	-105	-1.1	12,565	13,469	904	7.2
Total labour costs	783	1,090	306	39.1	2,665	2,505	-160	-6.0	3,448	3,595	146	4.2
Transfers to individ. and househ.	391	836	445	113.8	1,576	804	-772	-49.0	1,967	1,640	-327	-16.6
Expend. on goods and services	244	273	28	11.7	1,065	996	-70	-6.5	1,309	1,268	-41	-3.2
Investment	99	124	26	25.9	813	1,850	1,037	127.6	911	1,974	1,063	116.6
Curr. transfers to soc. sec. funds	292	290	-2	-0.7	1,112	1,461	349	31.4	1,403	1,750	347	24.7
Subsidies	158	285	127	80.8	1,240	376	-864	-69.7	1,398	661	-737	-52.7
Interest	441	386	-55	-12.5	331	377	46	13.9	772	762	-9	-1.2
Payments to the EU budget	154	197	43	28.2	372	368	-4	-1.2	526	565	39	7.4
Other expenditure	131	221	90	68.5	699	1,033	334	47.8	830	1,254	424	51.0
Balance	-305	-1,291	-986		-3,183	-1,456	1,727		-3,488	-2,747	741	

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

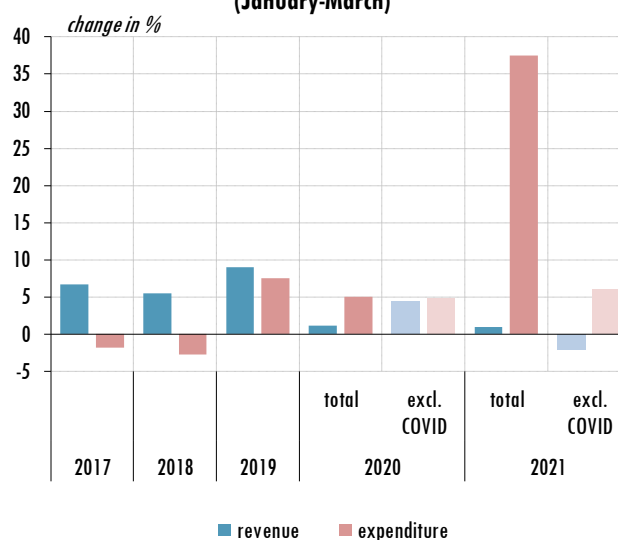
³ The comments on the state budget implementation refer to the daily data available at: <https://proracun.gov.si/#> - only in Slovene.

Figure 1: State budget balance (January-March)



Source: MoF, FC calculations.

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



Source: MoF, FC calculations.

Table 2: Impact of COVID measures on state budget outturn

	Jan.-Mar. 2020		Jan.-Mar. 2021		excl. COVID	
	EUR million		EUR million		y-o-y change	
	COVID	excl. COVID	COVID	excl. COVID	EUR million	%
Revenue	-78	2,466	-4	2,415	-51	-2.1
VAT	-30	921	-16	822	-100	-10.8
Excise duties	-48	362	22	286	-75	-20.8
Personal income tax	0	363	-4	411	48	13.2
Corporate income tax	0	213	1	201	-12	-5.6
EU funds ¹	0	199	10	222	23	11.3
Non-tax	0	157	0	186	29	18.7
Other revenue	-1	251	-18	287	36	14.4
Expenditure	9	2,684	854	2,847	163	6.1
Total labour costs	0	783	198	892	109	13.9
Transfers to individuals and households	0	391	430	406	15	3.9
Expenditure on goods and services	0	244	37	235	-9	-3.5
Investment	0	99	2	122	23	23.7
Current transfers to social security funds	0	292	10	279	-12	-4.3
Subsidies	0	158	130	155	-3	-1.7
Interest	0	441	0	386	-55	-12.5
Payments to the EU budget	0	154	0	197	43	28.2
Other expenditure	9	123	47	174	51	41.9
Balance	-86	-218	-859	-432	-214	

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.

18.1%, largely due to the anticipated significant growth in revenue from EU funds (contributing 10 p. p.).⁴

- The year-on-year decrease in revenue from VAT and excise duties slowed, mostly as a result of the base effect as, due to last year's introduction of the option of deferred or instalment payments of tax liabilities, revenue from the two tax types decreased. Consequently, revenue from VAT in the first three months was about one tenth lower and revenue from excise duties about one fifth lower than last year without taking into account the direct effect of COVID measures. Revenue from corporate income tax were around 5% lower in the first three months; among the most important categories of tax revenue, only personal income tax revenue was therefore higher on a year-on-year basis, i.e. by around 10%.
- The decline in tax revenue was mainly offset by non-tax revenue, which increased by around one fifth compared to the first three months of last year, and by revenue from EU funds, which increased by over 10% on a year-on-year basis. In March however, both categories of revenue recorded a decrease on a year-on-year basis.
- **Expenditure** in the first three months of the year was 37.5% higher than in the same period last year, mainly due to the direct effect of COVID measures totalling EUR 854 million. Without this effect, expenditure would be 6.1% higher on a year-on-year basis. A total expenditure growth of 7.2% is projected in the 2021 budget.
- Total expenditure growth was largely due to the almost twice as high transfers to individuals and households in comparison with the first three months last year. Excluding the effect of COVID measures, the growth in transfers was modest.
- Total labour costs, which also include transfers to public institutions for this purpose, were 39.1% higher year-on-year, mostly due to COVID-related bonus payments, which are highest in the healthcare sector and on the municipal level. Even without taking into account the effect of COVID measures, their growth in March increased and totalled 13.9% in the first three months, contributing two-thirds to total expenditure growth, not counting the direct effect of COVID measures.
- A major contributor to total expenditure growth on a year-on-year basis was around 80% higher expenditure for subsidies, which, however, slowed in March. Not counting the effect of COVID measures, it was slightly lower than in the first three months of 2020.
- The year-on-year investment expenditure was around one quarter higher in the first three months. The 2021 budget projects a 116.6% growth in this category.
- The total expenditure growth was thus mitigated only by interest expenditure, which was around one-tenth lower year-on-year in the first two months due to a significant decrease in January.

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.

Implementation of COVID measures (January–March 2021)

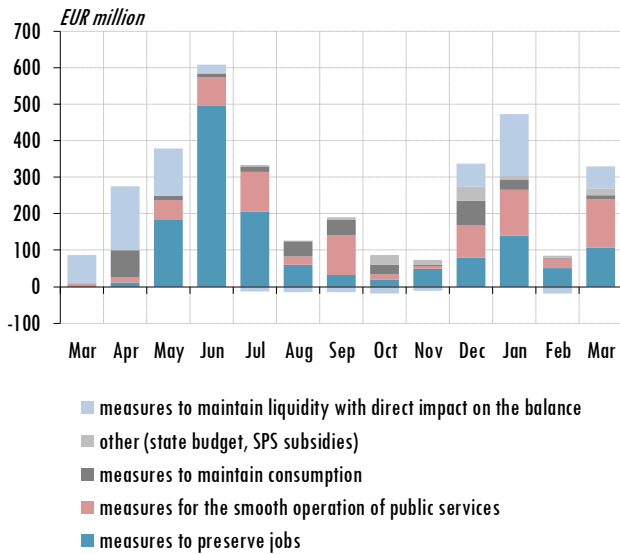
- The direct effect of COVID measures on the state budget balance was EUR 869 million in the first three months. Most of the effect is on the expenditure side, totalling EUR 854 million, which is EUR 80 million more than the budgeted COVID expenditure for the whole of 2021 (EUR 774 million).
- While the February COVID expenditure was one of the smallest monthly effects since the COVID epidemic was first declared, it increased significantly in March (EUR 332 million). Revenue increased by EUR 8.5 million in March as a result of COVID measures. This was partly

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

	Mar.-Dec. 2020	Jan.-Mar. 2021	TOTAL
TOTAL COVID MEASURES	2,942	889	3,831
TOTAL COVID MEASURES WITH A DIRECT EFFECT ON THE GENERAL GOVERNMENT BALANCE	2,424	869	3,293
Measures to preserve jobs	1,137	297	1,434
Compensation to temporary laid-off employees	328	127	454
Payment of social contributions for temporary laid-off employees	124	0	124
Partial subsidisation of short-time working	36	6	41
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	103	300
Sick pay for employed persons is fully covered by the ZZS	19	1	19
Crisis bonus	0	60	60
Measures for the smooth operation of public services	508	285	793
Employee bonuses	207	211	418
Control of the epidemic by the Ministry of Economic Development and Technology (protective equipment, etc.)	122	40	162
Measures in education, sport and culture	29	20	49
Compensation for healthcare service providers due to loss of business, incl. concessionaires	105	0	105
Provision of funds to the ZZS	45	13	58
Measures to maintain consumption and social position	291	41	333
Tourist voucher payments	128	0	128
Solidarity bonus for various groups	163	41	204
Other expenditure	99	35	134
Measures to maintain liquidity	906	231	1,137
Deferred and instalment payments of tax	219	14	233
Uncalculated and unpaid advance payments of corporate income tax liabilities	171	0	171
Reimbursement of fixed costs	0	196	196
Guarantees ¹	192	-5	188
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	-10	58
Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (SID Bank)	45	6	50
Liquidity loans	305	24	330
SPS ¹	55	12	67
SID bank ²	251	12	263
Deferred payment of loan liabilities - SID bank ²	19	1	20

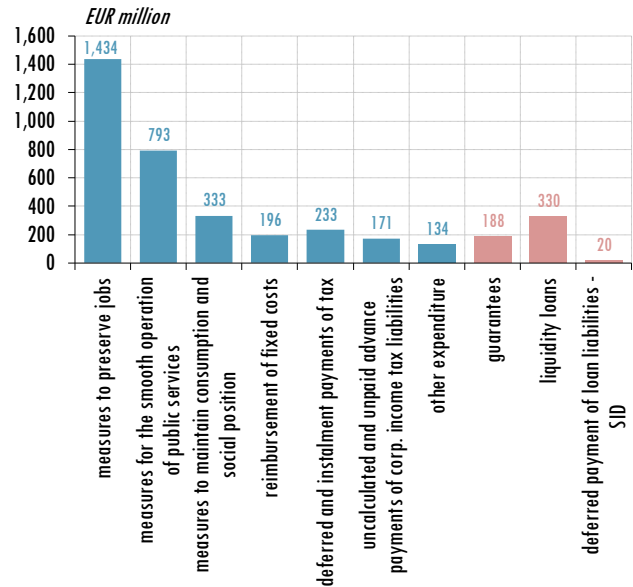
Source: MoF, FURS, SID Bank, SPS, FC calculations. Notes: ¹ as of end of February 2021. ² as of 19 March 2021.

Figure 3: COVID measures with direct impact on the balance



Source: MoF, FURS, SPS, FC calculations.

Figure 4: COVID measures by content



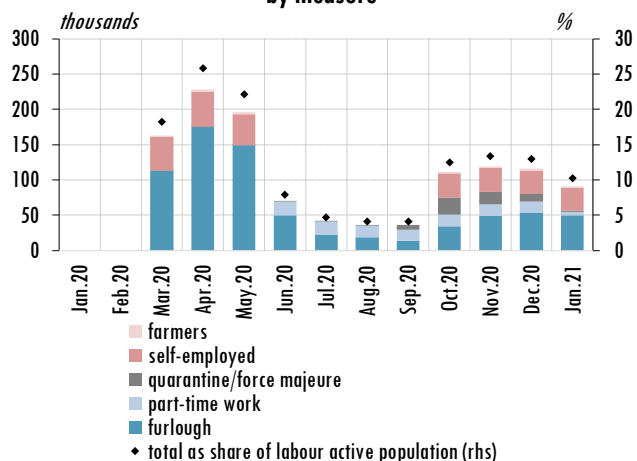
Source: MoF, FURS, SID, SPS, FC calculations.

due to the fact that the repayments of previously approved deferred or instalment payments of tax liabilities were higher than newly approved deferrals or instalment payments. Another factor was the impact of EU funds on the balance, as revenue from EU funds to finance COVID expenditure is recorded as higher total revenue from EU funds.

- The majority of March COVID expenditure is employee bonus allowances in the amount of EUR 102 million, totalling EUR 418 million since the onset of the epidemic. Most of the allowances were paid out to public sector employees (EUR 394 million), particularly those at the Ministry of Health (EUR 178 million) and municipalities (EUR 114 million). The rest were allowances paid to concession operators, university and secondary school students, persons doing community work, etc.
- A total of EUR 62 million EUR were earmarked from the state budget for the compensation of fixed costs in March. According to the data of the Financial Administration of the Republic of Slovenia, which differ slightly from the state budget implementation data of the Ministry of Finance, EUR 193 million have been paid out to 17 thousand beneficiaries since the measure entered into force.⁵
- A total of EUR 60 million was paid out from the state budget in March as crisis allowance to employees whose monthly pay in December did not exceed twice the amount of the minimum wage. According to the Financial Administration of the Republic of Slovenia, around 378 thousand employees received the allowance.
- March payments for furlough amounted to EUR 22 million and basic income to the self-employed and other eligible groups amounted to EUR 20 million. According to the Financial Administration of the Republic of Slovenia, the March payment of basic income was EUR 39 million.
- In January, based on disbursements up to and including 26 March 2021, 55.5 thousand employees were involved in job retention measures (furlough, shorter working hours, quarantine and force majeure). In accordance with favourable data on economic activity, the share of

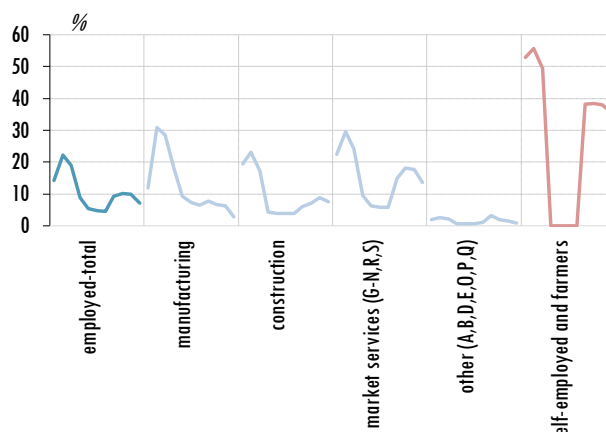
⁵ We estimate that the differences between FURS and MF data are due to delayed payments or prepayments from the state budget.

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 January 2021, on the basis of payments up to 26th March 2021, data on self-employed and farmers according to eligibility up to end of January.

Figure 6: Recipients of measures to preserve jobs - by type of employment and activity (March 2020-January 2021)



Vir: 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 January 2021, on the basis of payments up to 26th March 2021, data on self-employed and farmers according to eligibility up to end of January.

employees in manufacturing involved in these measures fell below 3% compared to 30% in April and May of last year. A similar trend can be observed in construction where around one fifth of all employees were involved in the measures in spring of 2020 compared to an average of 7% since October. Given the nature of restrictive measures, the situation remains most dire in the hospitality sector, where around 60% of all employees were involved in the measures in January, and in culture, entertainment and recreational activities with around 30% of employees involved in the measures. It should be noted that data for the past few months are not final due to delays in payments.

- The basic income for January and February was paid out to an average of 30 thousand self-employed persons, a total of 36 thousand counting all eligible groups.⁶ The number is still significantly lower than in spring of last year when the basic income was disbursed to around 45 thousand self-employed persons per month, the monthly average of all recipients totalling around 50 thousand.

⁶ In addition to the self-employed, the recipients of basic income include farmers, company members, religious employees and cultural workers.