



REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Monthly Information

May 2021

Document No.: 30-1/2021/5

Data available up to and including 4 May 2021 were used.

Key highlights¹

- According to provisional data, the state budget deficit amounted to EUR 1.318 million in the first four months of 2021, and without the direct effect of COVID-related measures the deficit would have amounted to EUR 296 million. A deficit of EUR 2,747 million is envisaged in the state budget for the whole year.
- After favourable trends in April, revenue in the first four months was 11.8% higher than in the same period last year, and, without taking into account the direct effect of COVID measures, it was 2.7% higher. The relatively favorable revenue growth is largely due to the base effect, when revenues fell sharply last year at the start of the epidemic, and the easing of restrictive measures in April this year.
- Expenditure in the first four months was 26.3% higher than in the same period last year, and, without taking into account the direct effect of COVID measures totalling EUR 1.031 million, it was 1.6% higher, mostly due to higher labour costs.
- The April cost of COVID measures with a direct effect on the state budget balance was EUR 179 million. In the first four months of 2021, the total direct scope of COVID measures was EUR 1.052 million, mostly on the expenditure side (EUR 1.031 million).
- The total direct effect of COVID measures since March 2020 amounts to EUR 3,477 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 4,043 million.²
- According to preliminary data, 54.0 thousand employees were involved in job retention measures in February 2021. In the previous three months, for which the data are already more definitive, the number was about 90 thousand, which is about a tenth of all employees. Basic income for February was disbursed to 33.0 thousand self-employed people, which is around 45% of all the self-employed, while this number stood at around 65% in the spring of last year.

¹ The Fiscal Council will continue to 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 4 May 2021. 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 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 March 2021 and data on liquidity loans and deferred payment of credit liabilities within the scope of SID Bank's measures until 16 April 2021.

State budget (January-April 2021)³

- With a EUR 52 million deficit being recorded in April according to preliminary data, the total **state budget deficit** was EUR 1.318 million in the first four months. This represents 48.0% of the projected deficit for the whole of 2021. Not counting the direct effect of COVID measures, the deficit amounts to EUR 296 million. With the exception of 2020, when the deficit was already affected by the deteriorating economic situation and the direct effects of COVID measures, the deficit in the same period as this year, excluding COVID measures, was last higher in 2016.
- In the first four months, the difference between the cost of COVID measures (EUR 1.052 million) and their effect on the state budget balance (EUR 1.023 million) is a consequence of financing expenditure from EU funds. In the estimate of the balance not accounting for the effect of COVID measures, the EU funds are subtracted from the published revenue from EU funds.
- **Revenue** in the first four months of the year amounted to EUR 3,390 million, representing a year-on-year increase of 11.8%. The growth was largely due to the base effect, as revenues fell sharply at the start of the epidemic in March and April last year. The direct effect of COVID measures was negligible (EUR 8 million) in the first four months of this year; however, last March and April when the option of deferred or instalment payments of tax liabilities and exemptions from the advance payment of corporate income tax and personal income tax on activities were introduced as a measure, their effect was significant (EUR 256 million). As a result, revenue in the

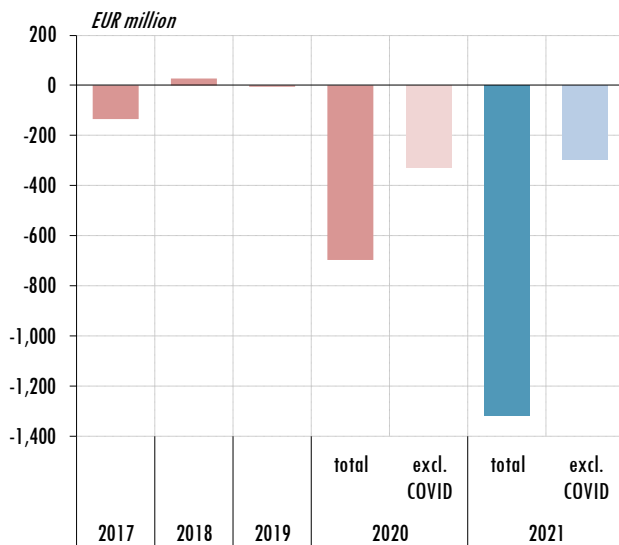
Table 1: State budget

	Januar-April				May-December							
	2020	2021	change		2020	2021*	change		2020	2021**	change	
			2021/2020				2021/2020				2021/2020	
			EUR million	%			EUR million	%			EUR million	%
Revenue	3,033	3,390	357	11.8	6,044	7,332	1,288	21.3	9,078	10,722	1,644	18.1
VAT	1,120	1,256	136	12.2	2,408	2,587	179	7.4	3,528	3,843	315	8.9
Excise duties	411	345	-66	-16.0	904	1,118	214	23.7	1,314	1,463	148	11.3
Personal income tax	399	580	181	45.4	765	708	-57	-7.4	1,164	1,288	124	10.7
Corporate income tax	251	340	89	35.7	522	617	94	18.1	773	957	184	23.8
EU funds	251	307	56	22.5	474	1,324	850	179.3	725	1,631	906	125.1
Non-tax	207	213	6	3.1	465	355	-110	-23.7	672	568	-104	-15.4
Other revenue	396	349	-47	-11.8	506	624	118	23.3	902	973	71	7.9
Expenditure	3,730	4,709	979	26.3	8,836	8,760	-76	-0.9	12,565	13,469	904	7.2
Total labour costs	1,045	1,369	324	31.0	2,403	2,226	-178	-7.4	3,448	3,595	146	4.2
Transfers to individ. and househ.	552	1,048	496	89.9	1,415	592	-823	-58.2	1,967	1,640	-327	-16.6
Expend. on goods and services	356	366	10	2.9	954	902	-52	-5.4	1,309	1,268	-41	-3.2
Investment	168	196	28	16.5	743	1,778	1,035	139.2	911	1,974	1,063	116.6
Curr. transfers to soc. sec. funds	540	417	-123	-22.8	863	1,333	470	54.5	1,403	1,750	347	24.7
Subsidies	207	367	160	77.1	1,191	294	-897	-75.3	1,398	661	-737	-52.7
Interest	484	421	-63	-12.9	288	341	53	18.5	772	762	-9	-1.2
Payments to the EU budget	196	238	42	21.2	330	327	-3	-0.8	526	565	39	7.4
Other expenditure	182	288	106	58.6	649	966	317	48.9	830	1,254	424	51.0
Balance	-697	-1,318	-621		-2,791	-1,429	1,362		-3,488	-2,747	741	

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

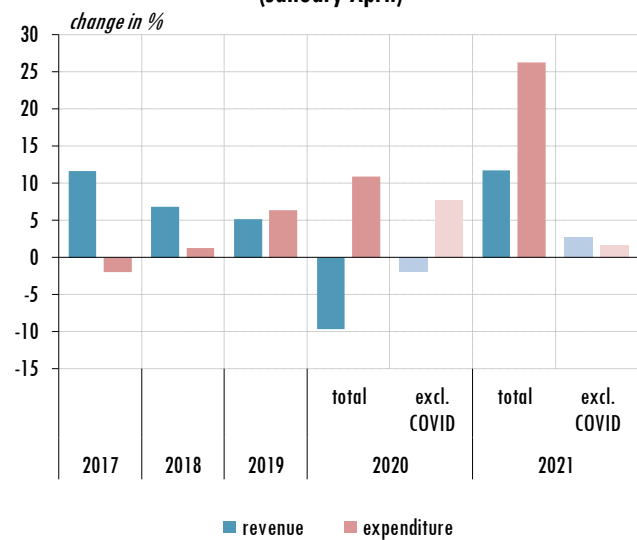
³ The comments on the state budget implementation refer to the daily data available at: <https://proracun.gov.si/#> - Only in Slovene.

Figure 1: State budget balance (January-April)



Source: MoF, FC calculations.

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



Source: MoF, FC calculations.

first four months of 2021 was 2.7% higher on a year-on-year basis than last year without taking into account the direct effect of COVID measures. The 2021 budget implicitly projects a revenue growth of 18.1%, largely due to the anticipated significant growth in revenue from EU funds (contributing 10 p. p.).⁴

- The development of some key categories of tax revenues is affected by the base effect, the easing of restrictive measures to curb the epidemic in April, and the effect of discretionary measures. Thus, after high growth in April, VAT revenues increased by 12.2% in the first four months, while year-on-year growth was more modest (4.1%) without taking into account the effect of discretionary measures (possibility of deferred and installment payment of liabilities). The same applies to corporate income tax revenues, which grew by 35.7% on a year-on-year basis in four months, while growth was only 1.8% without the effect of discretionary measures. On the other hand, revenues from excise duties were also significantly lower in April than they had been a year ago, by a total of 16.0% in the first four months.
- April saw continued high growth of personal income tax revenues, which was as much as 45.4% in the first four months and is associated with high growth in wages also due to allowances in the public sector. Allowances are paid with a pre-payment of personal income tax, from which they are exempt by law, which means that the recipients of allowances will receive a refund of personal income tax; this will result in lower growth of total personal income tax revenue.
- In the last two months, non-tax revenues were much lower on a year-on-year basis, and their total growth in the first four months (3.1%) was the result of extremely high growth in January, which, according to the Ministry of Finance, stemmed from higher extraordinary revenues or new borrowing. The revenues from the EU funds amounted to EUR 307 million in the first four months, which is 22.5% more than in the same period last year. In the remaining eight months of the year, EUR 1,324 million is expected to be realised for the implementation of state budget projections, which is almost twice as much as in the entire last year.

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.

- **Expenditure** in the first four months of the year was 26.3% higher than in the same period last year, mainly due to the direct effect of COVID measures totalling EUR 1.031 million. Without this effect, expenditure would be 1.6% higher on a year-on-year basis.
- Half of the total expenditure growth was due to the almost twice as high transfers to individuals and households in comparison with the first four months last year. Excluding the effect of COVID measures, the growth in transfers was much smaller, but still amounting to 5.1%.
- Total labour costs, which also include transfers to public institutions for this purpose, were 31.0% higher year-on-year, mostly due to allowance payments, which are highest in the healthcare sector and on the municipal level. Without taking into account the effect of COVID measures, their growth in the first four months totalled 5.1%, with labour costs contributing 2.4 p.p. to the total expenditure growth, not counting the effect of COVID measures.
- A major contributor to total expenditure growth on a year-on-year basis was around 80% higher expenditure for subsidies. Not counting the effect of COVID measures, it was 7.0% lower than in the first four months of 2020.
- The year-on-year investment expenditure was around 16.5% higher in the first four months, while the 2021 budget projects a 116.6% growth in this category.

Table 2: Impact of COVID measures on state budget outturn

	January-April 2020		January-April 2021		excl. COVID	
	EUR million		EUR million		y-o-y change	
	COVID	excl. COVID	COVID	excl. COVID	EUR million	%
Revenue	-259	3,292	8	3,382	90	2.7
VAT	-99	1,219	-13	1,269	50	4.1
Excise duties	-52	462	26	319	-143	-30.9
Personal income tax	-12	411	-5	585	174	42.5
Corporate income tax	-82	332	2	338	6	1.8
EU funds ¹	0	251	20	287	36	14.5
Non-tax	0	207	1	212	5	2.6
Other revenue	-15	411	-23	372	-39	-9.6
Expenditure	109	3,621	1031	3,678	58	1.6
Total labour costs	0	1,045	237	1,132	87	8.3
Transfers to individuals and households	18	534	487	561	27	5.1
Expenditure on goods and services	1	355	57	309	-46	-13.0
Investment	0	168	3	193	24	14.6
Current transfers to social security funds	67	473	0	417	-57	-12.0
Subsidies	0	207	174	193	-14	-7.0
Interest	0	484	0	421	-63	-12.9
Payments to the EU budget	0	196	0	238	42	21.2
Other expenditure	24	158	72	216	58	36.7
Balance	-368	-329	-1,023	-296	32	

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 total expenditure growth was mitigated by interest expenditure, which was 12.9% lower year-on-year in the first four months due to a significant decrease in January. Due to the fall in April, transfers to social insurance funds in the first four months of 2021 were lower than in the same period last year, while growth in expenditure on goods and services was modest.

Implementation of COVID measures (January–April 2021)

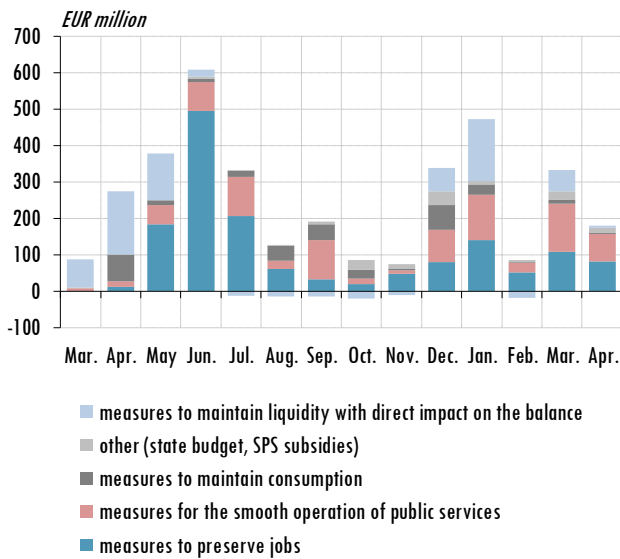
- The cost of COVID-related measures with a direct effect on the state budget balance was EUR 1.052 million in the first four months of 2021. The majority of the effect is on the expenditure

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

	Mar.-Dec. 2020	Jan.-Apr. 2021	TOTAL
TOTAL COVID MEASURES	2,942	1,101	4,043
TOTAL COVID MEASURES WITH A DIRECT EFFECT ON THE GENERAL GOVERNMENT BALANCE	2,424	1,052	3,477
Measures to preserve jobs	1,137	385	1,522
Compensation to temporary laid-off employees	328	163	491
Payment of social contributions for temporary laid-off employees	124	0	124
Partial subsidisation of short-time working	36	14	50
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	139	336
Sick pay for employed persons is fully covered by the ZZS	19	1	19
Crisis bonus	0	60	60
Subsidising minimum wage	0	6	6
Measures for the smooth operation of public services	508	362	870
Employee bonuses	207	252	459
Control of the epidemic by the Ministry of Economic Development and Technology (protective equipment, etc.)	122	69	191
Measures in education, sport and culture	29	23	52
Compensation for healthcare service providers due to loss of business, incl. concessionaires	105	5	110
Provision of funds to the ZZS	45	13	58
Measures to maintain consumption and social position	291	45	337
Tourist voucher payments	128	1	129
Solidarity bonus for various groups	163	45	208
Other expenditure	99	44	142
Measures to maintain liquidity	906	265	1,171
Deferred and instalment payments of tax	219	13	232
Uncalculated and unpaid advance payments of corporate income tax liabilities	171	0	171
Reimbursement of fixed costs	0	203	203
Guarantees ¹	192	2	194
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	59
Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (SID Bank)	45	11	56
Liquidity loans	305	47	353
SPS ¹	55	26	81
SID bank ²	251	21	272
Deferred payment of loan liabilities - SID bank ²	19	0	19

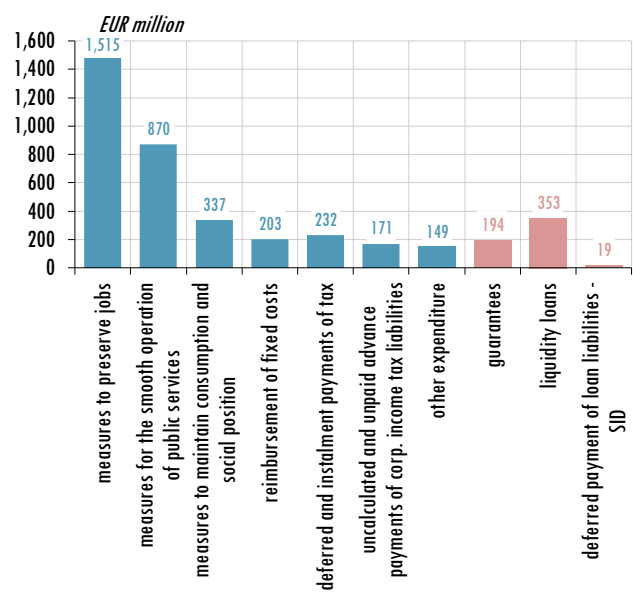
Source: MoF, FURS, SID Bank, SPS, FC calculations. Notes: ¹ as of end of March 2021. ² as of 16 April 2021.

Figure 3: COVID measures with direct impact on the balance



Source: MoF, FURS, SPS, FC calculations.

Figure 4: COVID measures by content

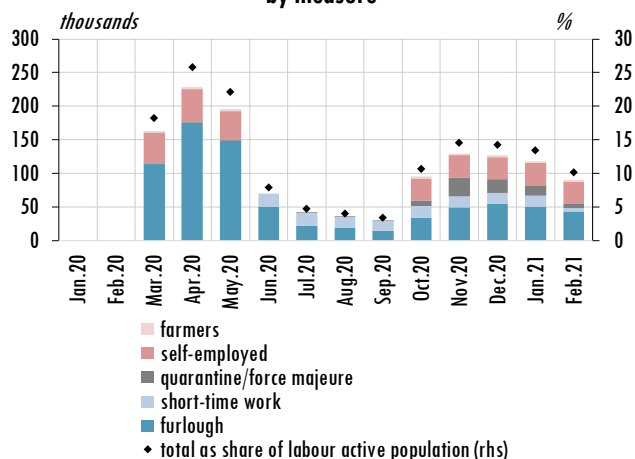


Source: MoF, FURS, SID, SPS, FC calculations.

side, totalling EUR 1,031 million. The estimate based on the projections from the Stability Programme 2021 is that around EUR 650 million is still available for COVID expenditure this year.

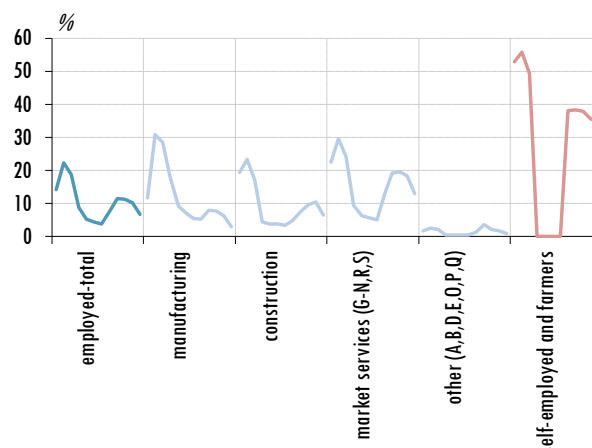
- In April, the COVID expenditure amounted to EUR 176 million. Revenue increased by EUR 12.5 million in April as a result of COVID measures. This is partly due to the fact that the repayments of previously approved deferred or instalment payments of tax liabilities were higher than newly approved deferrals or instalment payments, and partly due to 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.
- In April, too, the majority of COVID expenditures were allowances to employees (EUR 41 million), but their volume was much smaller than e.g. in January and March. The total amount of the allowances paid since the beginning of the epidemic is EUR 459 million, of which allowances to public sector employees amount to EUR 433 million. The rest were allowances paid to concession operators, university and secondary school students, persons doing community work, etc.
- April payments for temporary lay-off benefits amounted to EUR 36 million, which was the same as the amount of basic income paid to the self-employed and other eligible groups.
- In April, EUR 28 million were earmarked for the control of the epidemic, mainly due to the costs of testing and the purchase of vaccines.
- According to the Financial Administration of the Republic of Slovenia, repayments or decisions on repayments of assistance received by the end of April this year are relatively modest and amount to EUR 21.5 million. The predominant part is decisions on the repayment of temporary lay-off benefits and for the payment of social security contributions.
- Provisional data show that in February, based on disbursements up to and including 22 April 2021, 54 thousand employees were involved in job retention measures (furlough, shorter working hours, quarantine and force majeure). About 60% of all involved are employees in

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 February 2021, on the basis of payments up to 22 April 2021, data on self-employed and farmers according to eligibility up to end of February.

Figure 6: Recipients of measures to preserve jobs - by type of employment and activity, Mar.20-Feb.21



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 February 2021, on the basis of payments up to 22 April 2021, data on self-employed and farmers according to eligibility up to end of February.

trade, catering and cultural, entertainment and recreational activities, which is expected given the nature of the restrictive measures. It should be noted that data for the past few months are not final due to delays in payments. In the period from November 2020 to January 2021, for which the data are more complete, about a tenth of employees were involved in the measures.

- The basic income for the first three months of 2021 was paid out to an average of 33 thousand self-employed persons, a total of 37 thousand counting all eligible groups.⁵ 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.

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