



REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Monthly Information

June 2021

Document No.: 30-1/2021/6

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

Key highlights¹

- According to provisional data, the state budget deficit amounted to EUR 1,350 million in the first five months of 2021, and without the direct effect of COVID-related measures the budget would be roughly balanced. A deficit of EUR 2,747 million is envisaged in the state budget for the whole year.
- Revenue in the first five months was 26.7% higher than in the same period last year, and, without taking into account the direct effect of COVID measures, it was 14.0% higher. The relatively high revenue growth is largely due to the base effect, when revenue fell sharply last year at the start of the epidemic, and the easing of restrictive measures this year.
- Expenditure in the first five months was 21.3% higher than in the same period last year, and, without taking into account the direct effect of COVID measures totalling EUR 1.366 million, it was 0.5% higher. The latter is predominantly due to higher labour costs.
- The cost of COVID measures with a direct effect on the state budget balance was EUR 334 million in May. In the first five months of 2021, the total direct scope of COVID measures was EUR 1,382 million, mostly on the expenditure side (EUR 1,366 million). The largest part of COVID expenditure in the first five months was accounted for by bonuses to employees (almost EUR 400 million), with the largest amount of bonuses since the beginning of the epidemic paid in May.
- The total direct effect of COVID measures since March 2020 amounts to EUR 3,775 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 4,477 million.²
- According to preliminary³ data, 53 thousand employees were involved in job retention measures in March 2021. In February, for which the data are already more definitive, the number was about 70 thousand, which is about a tenth of all employees. The basic income for March was received by 32 thousand or about 45% of all self-employed, while the total number of recipients of basic income was 37 thousand.

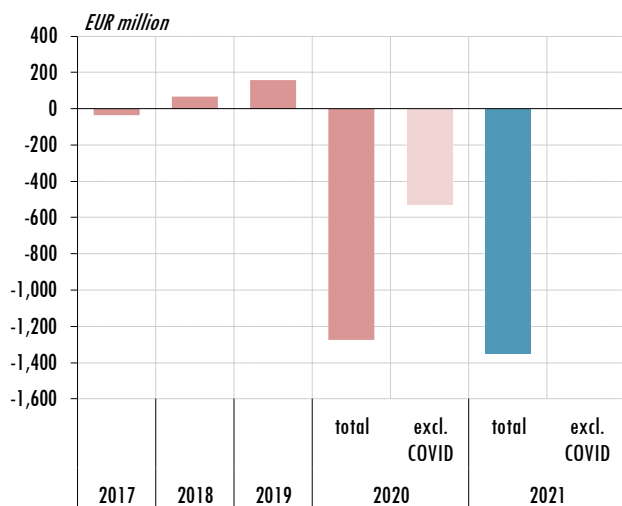
¹ The Fiscal Council will continue to regularly publish an overview of the implementation of the state budget under the cash flow methodology and COVID measures in its monthly publication, subject to availability of such data in the future. All comments pertain to data as at 2 June 2021. Along with the 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 Slovenian Enterprise Fund (SPS) for their cooperation and submitted data.

² Measures under the jurisdiction of the SID Bank and SPS. Data on guarantees are available until 30 April 2021 and data on liquidity loans and deferred payment of credit liabilities within the scope of the SID Bank's measures until 14 May 2021.

State budget (January–May 2021)⁴

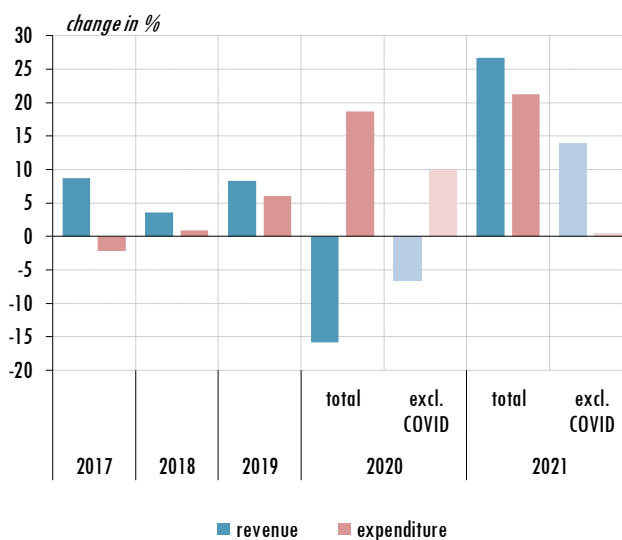
- With a EUR 124 million deficit being recorded in May according to preliminary data, the total **state budget deficit** was EUR 1,350 million in the first five months. This represents 49.0% of the projected deficit for the whole of 2021. Without the direct effect of COVID-related measures, the budget would be roughly balanced in the first five months.
- In the first five months, the difference between the cost of COVID measures (EUR 1,382 million) and their effect on the state budget balance (EUR 1,354 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 five months of the year amounted to EUR 4,512 million, representing a year-on-year increase by 26.7%. The growth was largely due to the base effect. Last year, at the onset of the epidemic, revenue fell significantly, i.e. by 29.2% year-on-year in the March–May period. The direct effect of COVID measures was negligible (EUR 11 million) in the first five months of this year; however, in the same period last year, 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 387 million). As a result, revenue in the first five months of 2021 was 14.0% 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 percentage points).⁵
- The development of some key categories of tax revenues is affected by the base effect, the release of restrictive measures to curb the epidemic and the effect of discretionary measures⁶.

Figure 1: State budget balance (January–May)



Source: MoF, FC calculations.

Figure 2: State budget revenue and expenditure (January–May)



Source: MoF, FC calculations.

⁴ The comments on the state budget implementation refer to the daily data available at: <https://proracun.gov.si/#>- Only in Slovene.

⁵ 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.

⁶ Discretionary measures that affect revenue include the possibility of instalment or deferred payment of tax liabilities and unaccounted advance payments of corporate income tax and personal income tax on activities in March and April last year.

Thus, after high growth in April and May, VAT revenue increased by 21.3% in the first five months, while year-on-year growth was more modest (10.9%), without taking into account the effect of discretionary measures (possibility of deferred and instalment payment of liabilities). The same applies to corporate income tax revenue, which grew by 119.0% on a year-on-year basis in five months, while growth was only 30.7% without the effect of discretionary measures. Revenue from excise duties was 8.2% higher in the same period, while without taking into account the effect of discretionary measures they were lower year on year (-7.1%).

- High growth of personal income tax revenue continues, which reached 43.6% in the first five 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 paid at the time of assessment; this will result in lower growth of total personal income tax revenue.
- In the last two months, non-tax revenue was much lower on a year-on-year basis, and its total growth in the first five months (23.6%) was the result of extremely high growth in January, which, according to the Ministry of Finance, stemmed from higher extraordinary revenue under new borrowing. The revenue from EU funds amounted to EUR 371 million in the first five months, which is 21.1% more than in the same period last year. In the remaining seven months of the year, EUR 1,260 million is expected to be realised for the implementation of state budget projections, which is EUR 525 million more than in the whole of last year.

Table 1: State budget

| | January-May | | | | June-December | | | | | | | |
|------------------------------------|---------------|---------------|--------------|-------------|---------------|---------------|-------------|-------------|---------------|---------------|--------------|-------------|
| | 2020 | 2021 | change | | 2020 | 2021* | change | | 2020 | 2021** | change | |
| | | | 2021/2020 | | | | 2021/2020 | | | | 2021/2020 | |
| | | | EUR million | % | | | EUR million | % | | | EUR million | % |
| Revenue | 3.561 | 4.512 | 951 | 26,7 | 5.516 | 6.210 | 694 | 12,6 | 9.078 | 10.722 | 1.644 | 18,1 |
| VAT | 1.268 | 1.538 | 270 | 21,3 | 2.260 | 2.305 | 44 | 2,0 | 3.528 | 3.843 | 315 | 8,9 |
| Excise duties | 495 | 535 | 40 | 8,2 | 820 | 928 | 108 | 13,2 | 1.314 | 1.463 | 148 | 11,3 |
| Personal income tax | 488 | 701 | 213 | 43,6 | 676 | 587 | -89 | -13,1 | 1.164 | 1.288 | 124 | 10,7 |
| Corporate income tax | 243 | 532 | 289 | 119,0 | 530 | 425 | -105 | -19,9 | 773 | 957 | 184 | 23,8 |
| EU funds | 306 | 371 | 65 | 21,1 | 418 | 1.260 | 842 | 201,2 | 725 | 1.631 | 906 | 125,1 |
| Non-tax | 327 | 404 | 77 | 23,6 | 345 | 164 | -181 | -52,4 | 672 | 568 | -104 | -15,4 |
| Other revenue | 434 | 431 | -3 | -0,8 | 467 | 542 | 74 | 15,9 | 902 | 973 | 71 | 7,9 |
| Expenditure | 4.834 | 5.862 | 1.028 | 21,3 | 7.731 | 7.607 | -124 | -1,6 | 12.565 | 13.469 | 904 | 7,2 |
| Total labour costs | 1.339 | 1.790 | 451 | 33,7 | 2.109 | 1.805 | -305 | -14,4 | 3.448 | 3.595 | 146 | 4,2 |
| Transfers to individ. and househ. | 729 | 1.247 | 518 | 71,0 | 1.238 | 393 | -845 | -68,3 | 1.967 | 1.640 | -327 | -16,6 |
| Expend. on goods and services | 443 | 500 | 57 | 12,9 | 866 | 768 | -98 | -11,3 | 1.309 | 1.268 | -41 | -3,2 |
| Investment | 216 | 259 | 43 | 19,7 | 695 | 1.715 | 1.020 | 146,7 | 911 | 1.974 | 1.063 | 116,6 |
| Curr. transfers to soc. sec. funds | 746 | 512 | -234 | -31,4 | 657 | 1.238 | 581 | 88,4 | 1.403 | 1.750 | 347 | 24,7 |
| Subsidies | 388 | 484 | 96 | 24,8 | 1.010 | 177 | -833 | -82,5 | 1.398 | 661 | -737 | -52,7 |
| Interest | 487 | 425 | -62 | -12,8 | 284 | 337 | 53 | 18,6 | 772 | 762 | -9 | -1,2 |
| Payments to the EU budget | 256 | 285 | 29 | 11,3 | 270 | 280 | 10 | 3,7 | 526 | 565 | 39 | 7,4 |
| Other expenditure | 230 | 358 | 128 | 55,9 | 601 | 896 | 295 | 49,2 | 830 | 1.254 | 424 | 51,0 |
| Balance | -1.273 | -1.350 | -77 | | -2.215 | -1.397 | 818 | | -3.488 | -2.747 | 741 | |

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

- **Expenditure** in the first five months of the year was 21.3% higher than in the same period last year, mainly due to the direct effect of COVID measures totalling EUR 1,366 million. Without this effect, expenditure would be almost at the same level as in the first five months of last year.
- Half of the total expenditure growth was due to a significantly higher volume of transfers to individuals and households in comparison with the first five months last year. Excluding the effect of COVID measures, the growth in transfers was much smaller, but still amounted to 5.6%.
- Total labour costs, which also include transfers to public institutions for this purpose, were 33.7% 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 five months totalled 8.9%, with labour costs contributing 2.6 pps to the total expenditure growth (0.5%), not counting the effect of COVID measures.
- A major contributor to total expenditure growth on a year-on-year basis was around 25% higher expenditure for subsidies. Not counting the effect of COVID measures, it was 1.0% higher than in the first five months of 2020. Expenditure on goods and services increased by 12.9% year-on-year, while without the effect of discretionary measures it decreased by 10.4%.

Table 2: Impact of COVID measures on state budget outturn

| | January-May 2020 | | January-May 2021 | | excl. COVID | |
|--|------------------|--------------|------------------|--------------|--------------|-------------|
| | EUR million | | EUR million | | y-o-y change | |
| | COVID | excl. COVID | COVID | excl. COVID | EUR million | % |
| Revenue | -387 | 3.948 | 11 | 4.501 | 552 | 14,0 |
| VAT | -131 | 1.399 | -13 | 1.551 | 152 | 10,9 |
| Excise duties | -50 | 544 | 29 | 506 | -38 | -7,1 |
| Personal income tax | -25 | 513 | -6 | 707 | 194 | 37,8 |
| Corporate income tax | -165 | 408 | -1 | 533 | 125 | 30,7 |
| EU funds ¹ | 0 | 306 | 28 | 343 | 37 | 12,0 |
| Non-tax | 0 | 327 | 0 | 404 | 77 | 23,6 |
| Other revenue | -16 | 451 | -25 | 456 | 5 | 1,2 |
| Expenditure | 358 | 4.476 | 1366 | 4.496 | 20 | 0,5 |
| Total labour costs | 37 | 1.303 | 372 | 1.418 | 116 | 8,9 |
| Transfers to individuals and households | 67 | 663 | 546 | 701 | 39 | 5,8 |
| Expenditure on goods and services | 2 | 441 | 104 | 396 | -46 | -10,4 |
| Investment | 0 | 216 | 4 | 255 | 38 | 17,8 |
| Current transfers to social security funds | 67 | 679 | 1 | 511 | -168 | -24,7 |
| Subsidies | 153 | 234 | 247 | 237 | 2 | 1,0 |
| Interest | 0 | 487 | 0 | 425 | -62 | -12,8 |
| Payments to the EU budget | 0 | 256 | 0 | 285 | 29 | 11,3 |
| Other expenditure | 33 | 196 | 91 | 267 | 71 | 36,0 |
| Balance | -746 | -528 | -1.354 | 4 | 532 | |

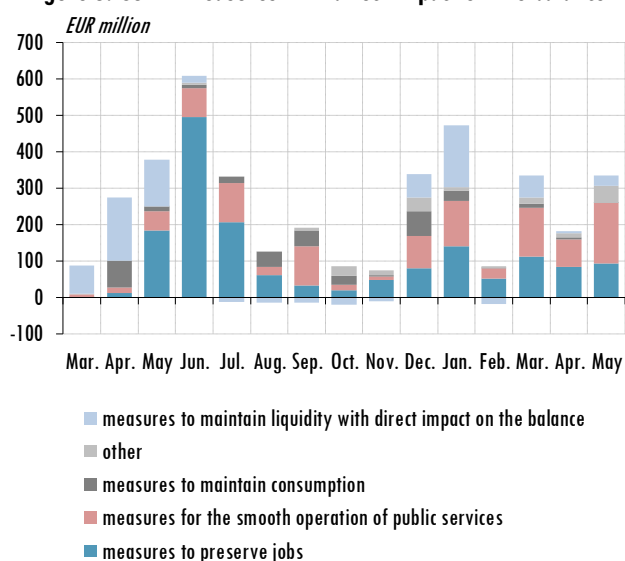
Sources: MoF, FURS, FC estimates and calculations. Note: ¹The effect on balance of revenue from EU funds used for financing of COVID measures is neutralized, so that they are interpreted as higher total revenue from EU funds.

- The year-on-year investment expenditure was around 19.7% higher in the first five months, while the 2021 budget projects a 116.6% growth in this category. By the end of the year, EUR 1,715 million are expected to be realised, which would represent a 146.7% growth compared to the same period last year.
- The total expenditure growth was mitigated by interest expenditure, which was 12.8% lower year-on-year in the first five months due to a significant decrease in January. Due to the high base from last April and May, transfers to social insurance funds were also lower in the first five months of this year than in the same period last year.

Implementation of COVID measures (January–May 2021)

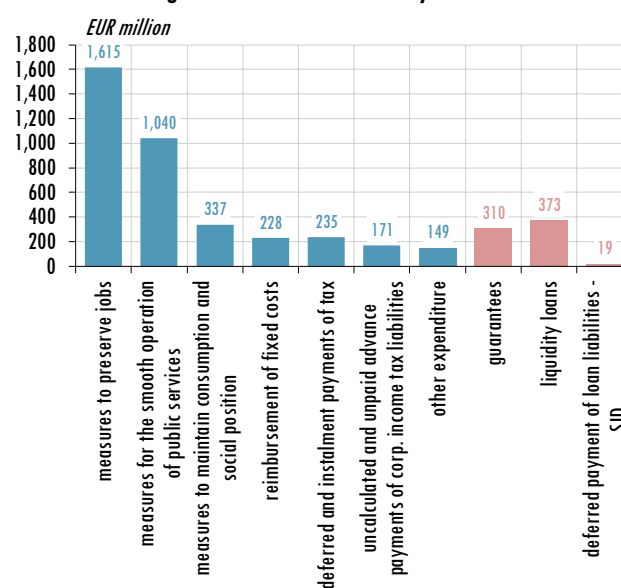
- The cost of COVID-related measures with a direct effect on the state budget balance was EUR 1,382 million in the first five months of 2021. The majority of the effect is on the expenditure side, totalling EUR 1,366 million. The estimate based on the projections from the Stability Programme 2021 shows that around EUR 300 million is still available for COVID expenditure this year.
- In May, COVID expenditure amounted to EUR 331 million. Revenue increased by EUR 4 million in May 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 considered as higher total revenue from EU funds.
- Also in May, the bulk of COVID expenditure was made up by bonuses to employees (EUR 140 million), which is the largest monthly amount since the beginning of the epidemic. The total amount of the allowances paid since the beginning of the epidemic is more than EUR 600 million, of which allowances to public sector employees amount to EUR 568 million. In the first five months of this year alone, EUR 397 million in total allowances was paid, of which EUR 372

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, FC calculations.

million in the public sector. Thus, allowances represent the largest part of this year's COVID expenditure. The largest part of the allowances was paid to healthcare since the beginning of the epidemic (EUR 246 million). They are followed by municipalities (EUR 171 million), where the largest part is allowances in public institutions, the founder of which is the municipality. Within the Ministry of Labour, Family and Social Affairs, EUR 72 million in allowances was paid, and within the Ministry of the Interior and Defence, EUR 20 million each.

- In May, payments from the state budget for temporary lay-off benefits amounted to EUR 56 million, while basic income to the self-employed and other eligible groups amounted to

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

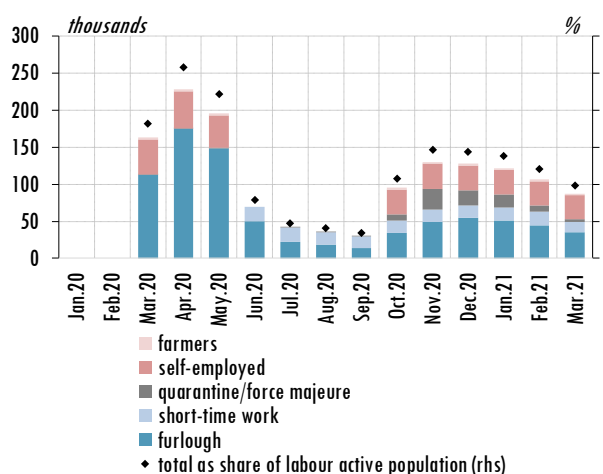
| | Mar.-Dec. 2020 | Jan.-May 2021 | TOTAL |
|--|-------------------|------------------|--------------|
| TOTAL COVID MEASURES | 2,910 | 1,567 | 4,477 |
| TOTAL COVID MEASURES WITH A DIRECT EFFECT ON THE GENERAL GOVERNMENT BALANCE | 2,393 | 1,382 | 3,775 |
| Measures to preserve jobs | 1,137 | 478 | 1,615 |
| Compensation to temporary laid-off employees | 328 | 219 | 547 |
| Payment of social contributions for temporary laid-off employees | 124 | 0 | 124 |
| Partial subsidisation of short-time working | 36 | 20 | 56 |
| 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 | 167 | 363 |
| Sick pay for employed persons is fully covered by the ZZS | 19 | 1 | 20 |
| Crisis bonus | 0 | 60 | 60 |
| Subsidising minimum wage | 0 | 9 | 9 |
| Measures for the smooth operation of public services | 508 | 531 | 1,040 |
| Employee bonuses | 207 | 397 | 604 |
| Control of the epidemic by the Ministry of Economic Development and Technology (protective equipment, etc.) | 122 | 93 | 215 |
| Measures in education, sport and culture | 29 | 24 | 53 |
| 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 | 46 | 337 |
| Tourist voucher payments | 128 | 1 | 129 |
| Solidarity bonus for various groups | 163 | 45 | 208 |
| Other expenditure | 67 | 82 | 149 |
| Measures to maintain liquidity | 906 | 375 | 1,281 |
| Deferred and instalment payments of tax | 219 | 16 | 235 |
| Uncalculated and unpaid advance payments of corporate income tax liabilities | 171 | 0 | 171 |
| Reimbursement of fixed costs | 0 | 228 | 228 |
| Guarantees ¹ | 192 | 117 | 310 |
| 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 | 48 | 117 |
| Act Providing Additional Liquidity to the Economy to Mitigate the Consequences of the COVID-19 Epidemic (SID Bank) | 45 | 69 | 114 |
| Liquidity loans | 305 | 68 | 373 |
| SPS ¹ | 55 | 43 | 98 |
| SID bank ² | 251 | 24 | 275 |
| 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 April 2021. ² as of 14 May 2021.

EUR 28 million. In April, EUR 24 million was earmarked for the control of the epidemic, and EUR 25 million for the reimbursement of fixed costs. Major expenditures in May included EUR 30 million in bank loan guarantees to the Slovene Enterprise Fund for the promotion of entrepreneurship.

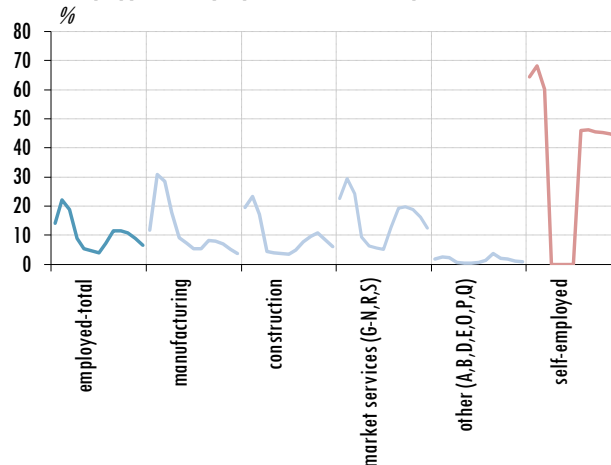
- Expenditure that do not affect the state budget balance was also high in May, namely EUR 87 million for the increase in the dedicated assets of the Slovene Enterprise Fund and EUR 10 million for loans to road transport operators.
- According to available data by FURS, the total sum of funds actually repaid so far or based on issued decisions for the reimbursement of aid amounted to EUR 39 million. The predominant part is decisions on the repayment of temporary lay-off benefits and for the payment of social security contributions (EUR 32 million).
- Provisional data show that in March, based on disbursements up to and including 27 May 2021, 53 thousand employees were involved in job retention measures (temporary lay-offs, reduced working hours, quarantine and force majeure). More than half of all involved are employed in 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 last year to January this year, about 90 thousand employees per month were included in the measures, while in February the number fell to about 70 thousand.
- The basic income for the first three months of this year was received by an average of around 33 thousand self-employed people, together with other groups of beneficiaries around 37 thousand people.⁷ The number is still considerably lower than in the spring of last year when basic income was disbursed to around 45 thousand self-employed persons per month, the monthly average of all recipients totalling around 50 thousand.

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 March 2021, on the basis of payments up to 27 May 2021, data on self-employed and farmers according to eligibility up to end of March.

Figure 6: Recipients of measures to preserve jobs - by type of employment and activity, Mar.20-Mar.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 March 2021, on the basis of payments up to 27 May 2021, data on self-employed according to eligibility up to end of March.

⁷ In addition to the self-employed, the recipients of basic income include farmers, company members, religious employees and cultural workers.