



REPUBLIC OF SLOVENIA  
**FISCAL COUNCIL**

## **Monthly Information**

September 2021

Document No.: 30-1/2021/7

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

## Key highlights<sup>1</sup>

- According to provisional data, the state budget deficit amounted to EUR –2.412 billion in the first eight months of 2021, while without the direct effect of COVID-related measures the deficit would have amounted to EUR –402 million. A deficit of EUR –2.747 billion is envisaged in the state budget for the whole year.
- Revenue in the first eight months was 20.6% higher than in the same period last year and, without taking into account the direct effect of COVID-related measures, it was 9.4% higher. The relatively high revenue growth is largely due to the base effect, when revenue fell sharply last year at the onset of the epidemic, and the easing of restrictive measures this year.
- Expenditure in the first eight months was 16.8% higher than in the same period last year and, without taking into account the direct effect of COVID-related measures totalling EUR 2.248 billion, it was 7.7% higher. The latter is predominantly due to higher labour costs and investment.
- In the first eight months of 2021, the total direct cost of COVID-related measures amounted to EUR 2.248 billion, which is about three times more than was anticipated for the whole 2021 by the budget amendment in October last year. The largest part of COVID-related expenditure in the first eight months was accounted for by employee allowances (almost EUR 700 million).
- The total direct effect of COVID-related measures since March 2020 amounts to EUR 4.641 billion, 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 5.251 billion.<sup>2</sup>
- According to preliminary<sup>3</sup> data, 27 thousand employees were involved in job retention measures in June 2021. In May, for which the data are already more definitive, the number was about 40 thousand, which is about 5.0% of all employees. The basic income for June was transferred to 28 thousand self-employed people or about 38% of all the self-employed, while the total number of basic income recipients was 32 thousand.
- **The Fiscal Council notes that the general government deficit remains very high this year despite a significant recovery in economic activity. According to current SURS data, the GDP level in the second quarter of this year lagged behind the level from the last quarter of 2019 by only 0.2%. This is reflected in the relatively favourable trend in tax revenue, which in the first eight months of this year exceeded the level from the same period of the pre-crisis year 2019. Nevertheless, the deficit in eight months was higher than in the same period last year and almost reached the projected level for the whole of 2021. In addition, this year the expenditure structure deviates significantly from the projections made at last year's budget amendment. The key reason for this deviation is the extremely high level of expenditure on COVID-related measures, with employee allowances account for the bulk of that. The Fiscal Council estimates that around EUR 900 million in allowances paid from the beginning of the**

<sup>1</sup> The Fiscal Council will continue to regularly publish an overview of the implementation of the state budget under the cash flow methodology and COVID-related measures in its monthly publication, subject to availability of such data in the future. All comments pertain to data as at 2 September 2021. Along with the Ministry of Finance (MF), we would like to thank the Financial Administration of the Republic of Slovenia (FURS), the Employment Service of Slovenia (ZRSZ) and the SID Bank for their cooperation and submitted data.

<sup>2</sup> Measures under the jurisdiction of the SID Bank and SPS.

<sup>3</sup> Details of payments by the Employment Service up to 30 August 2021.

epidemic to the end of August this year indicates that anti-corona legislative packages have some systemic shortcomings in the regulation of this area. However, investment expenditure, which according to the adopted budget documents is the main reason for the projected high deficit this year, lags significantly behind projections, which is only partly due to the traditionally lower spending of EU funds than expected. Evidently, optimistic planning of such expenditure can give way to other forms of spending without this being reflected in aggregate budget trends.

- In view of these trends, the Fiscal Council reiterates that, when preparing budgets, funds to prevent the consequences of the epidemic should be spent in a targeted and transparent manner and systemic problems should not be solved in this way. Planning of EU funds must be realistic and available funds must be used efficiently. Economic policy must ensure that the measures taken do not create macroeconomic imbalances, particularly due to supply-side constraints and the absorption capacity. The structural position of public finance cannot be permitted to deteriorate and that the government debt does not increase inappropriately, or risks to the sustainability of public finance increase in the long run.
- According to the practice established so far, the Fiscal Council will re-examine whether the conditions for invoking exceptional circumstances set out in the Fiscal Rule Act are fulfilled for the next two years after the publication of the IMAD autumn forecast of economic trends and before the October submission of budget documents for the assessment of compliance with fiscal rules.

#### State budget (January-August 2021)<sup>4</sup>

- With a EUR –178 million deficit being recorded in August according to preliminary data, the total **state budget deficit** was EUR –2.412 billion in the first eight months. This represents 88.0% of the projected deficit for the whole of 2021.<sup>5</sup> Not counting the direct effect of COVID-related measures, the state budget deficit would have amounted to EUR –402 million.
- In the first eight months, the difference between the cost of COVID-related measures (EUR 2.248 billion) and their effect on the state budget balance (EUR 2.010 billion) is a consequence of financing expenditure from EU funds. In the estimate of the balance not accounting for the effect of COVID-related measures, the EU funds are subtracted from the published revenue from EU funds.
- **Revenue** in the first eight months of the year amounted to EUR 7.034 billion, representing a year-on-year increase of 20.6%. The growth was largely due to the low base effect. Last year, at the onset of the epidemic, revenue fell significantly. The direct effect of COVID-related measures was positive (EUR 238 million) in the first eight 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, total revenue was lower (EUR –378 million). As a result, revenue in the first eight months of 2021 was 9.4% higher on a year-on-year basis than last year, without taking into account the direct effect of COVID-related measures. The 2021 budget

---

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

<sup>5</sup> After eight months, a higher percentage of the realisation of the expected deficit for the whole year was achieved only in 2012.

implicitly projects a revenue growth of 18.1%, largely due to the significant growth in revenue anticipated from EU funds (contributing 10 percentage points).<sup>6</sup>

- The development of some key categories of tax revenue is affected by the base effect, the easing of restrictive measures to curb the epidemic and the effect of discretionary measures. Revenue from the four main categories of tax revenue of the state budget (VAT, excise duties, personal income tax, corporate income tax) was about a quarter higher year on year in the first eight months of this year. Its growth without taking into account the direct effect of COVID-related measures was 14.4%, as in the same period last year this revenue was lower by EUR 361 million due to the option of deferred or instalment payments, whereas this year it was higher by EUR 25 million due to net repayments. With the recovery of economic activity, revenue from these four categories of taxes was also 5.0% or EUR 250 million higher than in the same period of the pre-crisis year 2019. The only exception in the group is revenue from excise duties, which was EUR 107 million lower than in the same period of 2019.
- VAT revenue increased by 17.9% in the first eight months, while year-on-year growth was somewhat more modest (12.1%) without taking into account the effect of aforementioned discretionary measures. The same applies to corporate income tax revenue, which grew by 63.2% on a year-on-year basis in eight months, while growth was only 19.3%, excluding the effect of measures. Revenue from excise duties was 7.5% higher in the same period, whereas without taking into account the effect of measures it was lower year on year (-0.9%).

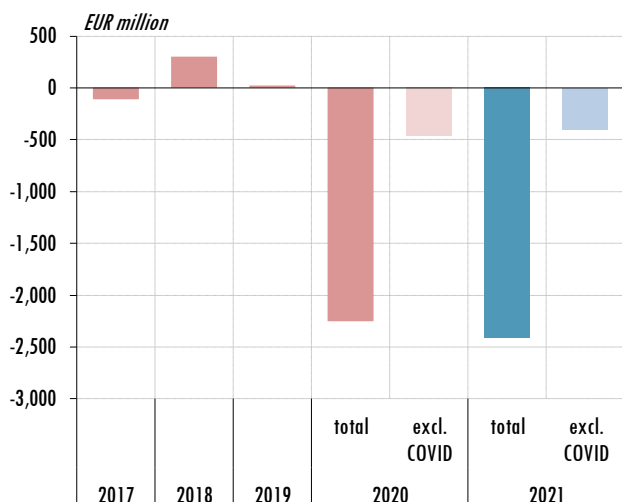
**Table 1: State budget**

	January-August				September-December							
	2020	2021	change		2020	2021*	change		2020	2021**	change	
			EUR million	v %			EUR million	v %			EUR million	v %
<b>Revenue</b>	<b>5,834</b>	<b>7,034</b>	<b>1,200</b>	<b>20.6</b>	<b>3,244</b>	<b>3,688</b>	<b>445</b>	<b>13.7</b>	<b>9,078</b>	<b>10,722</b>	<b>1,644</b>	<b>18.1</b>
VAT	2,226	2,624	397	17.9	1,302	1,219	-83	-6.4	3,528	3,843	315	8.9
Excise duties	873	938	65	7.5	442	525	83	18.8	1,314	1,463	148	11.3
Personal income tax	678	960	282	41.7	486	328	-158	-32.5	1,164	1,288	124	10.7
Corporate income tax	482	787	305	63.2	291	170	-121	-41.6	773	957	184	23.8
EU funds	400	454	54	13.5	325	1,177	852	262.2	725	1,631	906	125.1
Non-tax	509	570	61	12.0	163	-2	-165	-101.1	672	568	-104	-15.4
Other revenue	667	702	35	5.2	234	270	36	15.4	902	973	71	7.9
<b>Expenditure</b>	<b>8,088</b>	<b>9,446</b>	<b>1,358</b>	<b>16.8</b>	<b>4,477</b>	<b>4,023</b>	<b>-454</b>	<b>-10.1</b>	<b>12,565</b>	<b>13,469</b>	<b>904</b>	<b>7.2</b>
Total labour costs	2,345	3,001	656	28.0	1,103	594	-510	-46.2	3,448	3,595	146	4.2
Transfers to individ. and househ.	1,280	1,857	577	45.0	687	-217	-904	-131.6	1,967	1,640	-327	-16.6
Expend. on goods and services	676	858	182	26.9	633	410	-223	-35.2	1,309	1,268	-41	-3.2
Investment	368	525	157	42.7	544	1,449	906	166.6	911	1,974	1,063	116.6
Curr. transfers to soc. sec. funds	968	1,017	49	5.0	435	734	299	68.6	1,403	1,750	347	24.7
Subsidies	1,123	660	-463	-41.2	275	1	-274	-99.7	1,398	661	-737	-52.7
Interest	606	560	-46	-7.6	166	202	37	22.1	772	762	-9	-1.2
Payments to the EU budget	338	391	53	15.6	188	174	-14	-7.3	526	565	39	7.4
Other expenditure	384	578	194	50.6	447	676	230	51.4	830	1,254	424	51.0
<b>Balance</b>	<b>-2,254</b>	<b>-2,412</b>	<b>-158</b>		<b>-1,234</b>	<b>-335</b>	<b>899</b>		<b>-3,488</b>	<b>-2,747</b>	<b>741</b>	

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

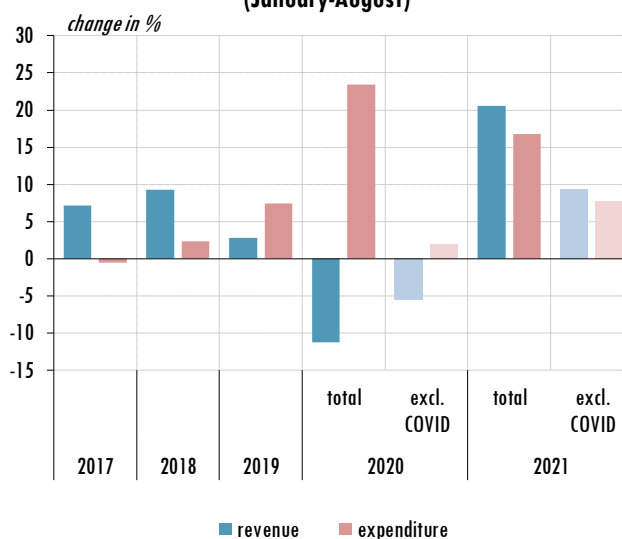
<sup>6</sup> All growth projections for adopted budget components are calculated according to the actual implementation of absolute levels of components for 2020, which deviated from the implementation projected in the adopted budget.

Figure 1: State budget balance (January-August)



Source: MoF, FC calculations.

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



Source: MoF, FC

- High growth of personal income tax revenue continues, which reached 41.7% in the first eight 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 first eight months, total non-tax revenue growth (12.0%) predominantly resulted from the strong growth in January, which according to the Ministry of Finance stemmed from higher extraordinary revenue from new borrowing<sup>7</sup> and growth in May as a result of the concession granted for mobile telephony licenses sold.
- The revenue from EU funds amounted to EUR 454 million in the first eight months, up by 13.5% relative to the same period last year. In the remaining four months of the year, EUR 1.177 billion is expected to be realised for the implementation of state budget projections, which is EUR 453 million more than in the whole 2020.
- **Expenditure** in the first eight months of the year was 16.8% higher than in the same period last year, primarily due to the direct effect of COVID-related measures totalling EUR 2.248 billion. Without this effect, expenditure would have been 7.7% higher than in the first eight months of last year.
- Almost half of total expenditure growth was due to higher labour costs, which also include transfers to public institutions for this purpose. These were 28.0% higher year on year, mainly due to the payment of allowances. Without taking into account the effect of COVID-related allowances, total labour costs growth in the first eight months was 8.5%, their contribution (2.7 percentage points) to total expenditure growth (7.7%) excluding the effect of COVID-related measures being the largest of all expenditure categories. In addition, without taking into account COVID-related allowances labour costs were around EUR 300 million or 15.0% higher than in the same period of the pre-crisis year 2019.

<sup>7</sup> For more information, see <https://www.gov.si/assets/ministrstva/MF/ekonomska-in-fiskalna-politika/Blagajne-JF/Pregled-javnofinancnih-gibanj-marec-2021.pdf>

- The higher volume of transfers to individuals and households (45.0%) also significantly contributed to total expenditure growth compared to the first eight months of last year, which was a result of the large extent of COVID-related measures within this item. Excluding the effect of COVID-related measures, transfers were lower than in the same period last year.
- The year-on-year investment expenditure was 42.7% higher in the first eight months, while the 2021 budget projects a 116.6% growth in this category. In the remaining four months of the year, EUR 1.449 billion is expected to be realised for the implementation of projections, which is EUR 538 million more than in the whole of last year.
- Transfers to social insurance funds in the first eight months were 5.0% higher than in the corresponding period last year and, without taking into account the effect of COVID-related measures, they were 12.7% or EUR 115 million higher. According to the Ministry of Finance, the latter is mainly the result of a higher transfer to the Health Insurance Institute of Slovenia for current expenditure, which has been attributed to a settlement for healthcare services provided at the end of 2020.<sup>8</sup>
- Expenditure on goods and services in the first eight months increased by 26.9% year on year, while without the effect of discretionary measures it grew by 3.5%.

**Table 2: Impact of COVID measures on state budget outturn**

	January-August 2020		January-August 2021		excl. COVID	
	EUR million		EUR million		y-o-y change	
	COVID	excl. COVID	COVID	excl. COVID	EUR million	%
<b>Revenue</b>	<b>-378</b>	<b>6,212</b>	<b>238</b>	<b>6,795</b>	<b>583</b>	<b>9.4</b>
VAT	-120	2,346	-6	2,630	284	12.1
Excise duties	-37	910	36	902	-8	-0.9
Personal income tax	-27	704	-5	965	261	37.1
Corporate income tax	-177	659	1	786	127	19.3
EU funds <sup>1</sup>	1	399	238	216	-183	-45.9
Non-tax	0	509	0	570	61	12.0
Other revenue	-18	685	-24	727	41	6.0
<b>Expenditure</b>	<b>1405</b>	<b>6,683</b>	<b>2248</b>	<b>7,198</b>	<b>515</b>	<b>7.7</b>
Total labour costs	179	2,166	651	2,350	184	8.5
Transfers to individuals and households	224	1,056	849	1,008	-49	-4.6
Expenditure on goods and services	4	672	162	696	23	3.5
Investment	1	367	10	515	148	40.3
Current transfers to social security funds	67	901	1	1,016	115	12.7
Subsidies	848	275	410	250	-25	-9.1
Interest	0	606	0	560	-46	-7.6
Payments to the EU budget	0	338	0	391	53	15.6
Other expenditure	83	301	165	412	112	37.2
<b>Balance</b>	<b>-1,784</b>	<b>-471</b>	<b>-2,010</b>	<b>-402</b>	<b>68</b>	

Sources: MoF, FURS, FC estimates and calculations. Note: <sup>1</sup>The 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.

<sup>8</sup> For more information, see <https://www.gov.si/assets/ministrstva/MF/ekonomska-in-fiskalna-politika/Blagajne-JF/Pregled-javnofinancnih-gibanj-julij-2021.pdf>.

- Expenditure on subsidies in both comparisons was lower than in the same period last year, primarily due to the high base effect. Total expenditure growth was mitigated also by interest expenditure, which was 7.6% lower year on year in the first eight months due to a significant decrease in January.

### Implementation of COVID-related measures (January-August 2021)

- The cost of COVID-related measures with a direct effect on the state budget balance was EUR 2.248 billion in the first eight months of 2021, which is about EUR 50 million more than in the ten months last year from the onset of the epidemic (March–December). The cost incurred this year so far is about three times higher than expected in the budget amendment for this year, adopted in October last year.
- In July and August, COVID-related expenditure amounted to EUR 200 million on average. Revenue increased by EUR 35 million on average in these two months as a result of COVID-related 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

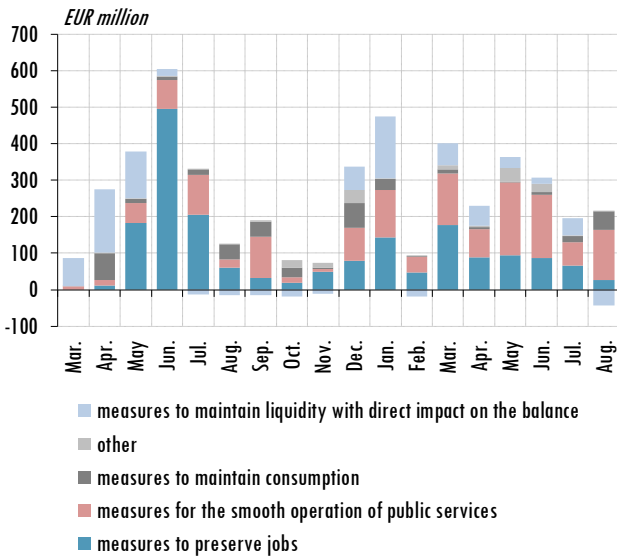
**Table 3: Overview of the implementation of COVID measures (in EUR million)**

	Mar.-Dec. 2020	Jan.-Aug. 2021	TOTAL
<b>COVID measures with a direct effect on state budget balance - TOTAL</b>	<b>2,393</b>	<b>2,248</b>	<b>4,641</b>
<b>Measures to preserve jobs</b>	<b>1,136</b>	<b>731</b>	<b>1,867</b>
Compensation to temporary laid-off employees	328	332	659
Payment of social contributions for temporary laid-off employees	124	0	124
Partial subsidisation of short-time working	36	38	73
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	274	470
Sick pay for employed persons is fully covered by the ZZS	19	2	21
Crisis bonus	0	60	60
Subsidising minimum wage	0	25	25
<b>Measures for the smooth operation of public services</b>	<b>515</b>	<b>965</b>	<b>1,480</b>
Employee bonuses	204	698	902
Control of the epidemic (protective equipment, etc.)	132	207	339
Measures in education, sport and culture	29	31	60
Compensation for healthcare service providers due to loss of business, incl. concessionaires	105	5	110
Provision of funds to the ZZS	45	25	70
<b>Measures to maintain consumption and social position</b>	<b>291</b>	<b>129</b>	<b>420</b>
Tourist voucher payments	128	73	201
Solidarity bonus for various groups	163	56	219
<b>Other expenditure</b>	<b>61</b>	<b>105</b>	<b>166</b>
<b>Measures to maintain liquidity</b>	<b>389</b>	<b>318</b>	<b>708</b>
Deferred and instalment payments of tax	219	0	218
Uncalculated and unpaid advance payments of corporate income tax liabilities	171	0	171
Reimbursement of fixed costs	0	319	319

Source: MoF, FURS, FC calculations.

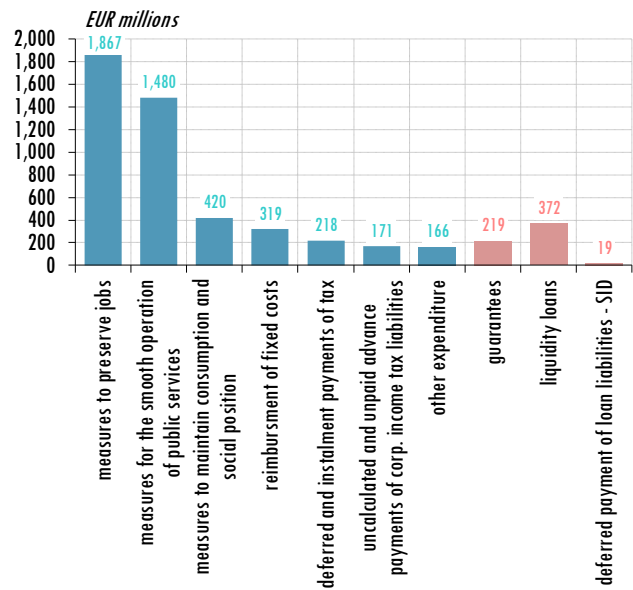


Figure 3: COVID measures with direct impact on the balance



Source: MoF, FURS, FC calculations.

Figure 4: COVID measures by content

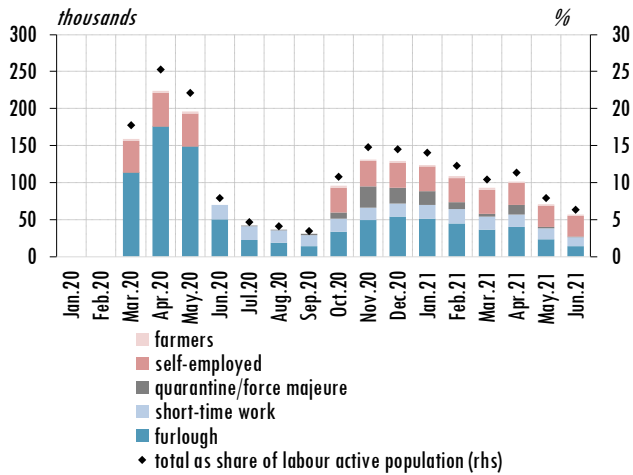


Source: MoF, FURS, SID, FC calculations.

instalment payments, and primarily due to the impact of EU funds on the balance, as revenue from EU funds to finance COVID-related expenditure is considered as higher total revenue from EU funds.

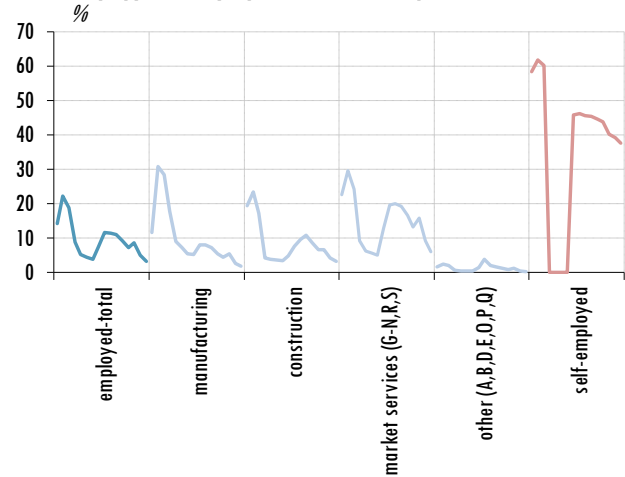
- Also in July and August, the bulk of COVID-related expenditure was made up by employee allowances (EUR 143 million in total). The total amount of the allowances paid since the beginning of the epidemic is EUR 902 million, of which allowances to public sector employees amount to EUR 838 million. In the first eight months of this year alone, EUR 698 million in total allowances was paid, of which EUR 645 million in the public sector. Thus, allowances represent the largest part of this year's COVID-related expenditure. Most of the allowances paid have been within the Ministry of Health since the beginning of the epidemic (EUR 354 million). This is followed by municipalities (EUR 295 million), where the majority constitute allowances in public institutions active in health care and education, the founder of which is the municipality. Within the Ministry of Labour, Family and Social Affairs, EUR 117 million in allowances was paid, and within the Ministry of the Interior and the Ministry of Defence, EUR 35 million each.
- In July and August, payments from the state budget for temporary lay-off benefits amounted to EUR 15 million per month, while basic income to the self-employed and other eligible groups amounted to EUR 40 million in July. In July and August, EUR 51 million was allocated to control of the epidemic, and EUR 23 million for the reimbursement of fixed costs. Major expenditure in these two months also included the payment of tourist vouchers in the total amount of EUR 65 million.
- 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 90 million. The predominant part is decisions on the repayment of temporary lay-off benefits and for the payment of social security contributions (EUR 54 million).
- Provisional data show that in June, based on disbursements up to and including 30 August 2021, 27 thousand employees were involved in job retention measures (temporary lay-offs, reduced

**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 June 2021, on the basis of payments up to 30 August 2021, data on self-employed and farmers according to eligibility up to end of June.

**Figure 6: Recipients of measures to preserve jobs - by type of employment and activity, Mar.20-Jun.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 June 2021, on the basis of payments up to 30 August 2021, data on self-employed according to eligibility up to end of June.

working hours, quarantine and force majeure). It should be noted that data for the past few months are not final due to delays in payments. In May, for which it can be concluded that data are more definitive, 40 thousand employees were included in the measures, which is less than half of those included in the winter months, when their number was highest during the second wave of the epidemic.

- The basic income for the April–June was paid out to an average of 29 thousand self-employed persons, a total of 33 thousand counting all eligible groups.<sup>9</sup> The number is significantly lower than in the spring of last year when basic income was disbursed to around 44 thousand self-employed persons per month, the monthly average of all recipients totalling around 47 thousand. The measure expired as of July this year.

<sup>9</sup> In addition to the self-employed, the recipients of basic income include farmers, company members, religious employees and cultural workers.