REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Compliance of the draft Ordinance amending the Ordinance on the framework for the preparation of the general government budgets for the 2020–2022 period with the fiscal rules

October 2021

Document No.: 30-3/2021/12

The assessment is based on the draft Ordinance amending the Ordinance on the framework for the preparation of the general government budgets for the 2020–2022 period. Some values are not aggregated due to rounding. Data available up to and including 5 October 2021 were used.

TABLE OF CONTENTS:

FIGURES:

TABLES:

List of abbreviations

AF – IMAD Autumn Forecast

COVID – coronavirus disease

EC – European Commission

ESA – European System of Accounts

EU – Evropean Union

FC – Fiscal Council

FRA – Fiscal Rule Act

GDP – gross domestic product

HP – Hodrick–Prescott

IMAD – Institute of Macroeconomic Analysis and Development

IMF – International Monetary Fund

MoF – Ministry of Finance

OECD – Organization for Economic Cooperation and Development

OG – Official Gazette of the Republic of Slovenia

REACT-EU – Recovery Assistance for Cohesion and the Territories of Europe

SORS – Statistical Office of the Republic of Slovenia

VAT– Value Added Tax

EXECUTIVE SUMMARY

The proposal of the amended Framework allows for additional fiscal stimulus, given that economic conditions are better than expected at the time when the current Framework was drawn up. A significant increase in expenditure in 2021 would set the stage for an inappropriate structural deterioration of public finances in the future.

According to the Fiscal Council, in a situation where exceptional circumstances have been approved, the proposed amendment to the Framework represents a continuation of inadequate planning, which is only partly justified by the uncertainties caused by the epidemic. The Fiscal Council assesses that the proposed Framework for the preparation of general government budgets for 2021 is based on the unrealistic projections of government revenue and expenditure until the end of this year. The proposed changes to the Framework are not accompanied by publicly presented budget documents which, according to the Fiscal Council, would increase the transparency of the 2021 Framework amendment process.

Compared to the Framework adopted in April this year, the proposed increase in general government expenditure by EUR 500 million and the state budget expenditure by EUR 670 million is the third increase in the expenditure ceiling for 2021. The ceiling has already increased by a total of EUR 3,640 million for the general government sector as a whole, including the first amendment in September 2020, and by EUR 4,535 million for the state budget. With the amendment to the 2021 Framework, expenditure not directly related to the epidemic has increased by approximately EUR 1.5 billion at the general government level and by approximately EUR 1.7 billion at the state budget level.

In its assessments of budget documents during the period of exceptional circumstances, the Fiscal Council's focus is on assessing the realism of the projections, excluding the direct effect of COVID-related measures in the analysis. Quantitative assessments of compliance with fiscal rules in the period of exceptional circumstances are only indicative, recognising the considerable uncertainty as to the reliability of the calculations of the key parameters entering the calculation. The excessive increase in general government expenditure in 2021 is indicated both by calculations based on the domestic statutory fiscal rule and by alternative indicators of fiscal policy stance. In this context, the Fiscal Council notes that while a limited fiscal stimulus is still warranted in the current cyclical environment, the fiscal policy should be more geared towards strengthening the resilience of the economy and increasing long-term economic potential rather than towards increasing current expenditure.

In addition to more systemic and transparent solutions for current expenditure, where spending has partly spiralled out of control during the epidemic, a better planned and efficient use of investment expenditure should also be the basis for ensuring sustainable economic growth and sustainable public finances. During the period of exceptional circumstances, the revised budget for 2020 started to plan investment spending even more optimistically than in the past. While this has in the past been typical of the planning of European funds, it has also recently become characteristic of domestically funded projects. We believe that the contribution of domestic funds to public investment financing should be more closely aligned with cyclical conditions and the absorption capacities of both the economy and the administration. As early as last year, when the 2020 revised budget was being drafted, the level of state budget expenditure was set at an unrealistically high level. Given that the projection for 2021 and 2022 was also made on this basis, this high level of expenditure is carried over into the following years. As a result, the estimates of the budget documents for the coming years are again not based on appropriate bases. This opens up room for excessive public spending and, in many cases, also for the structural deterioration of public finances. Avoiding the latter is particularly necessary in view of the fact that financing conditions are unlikely to remain as favourable as those currently provided by monetary policy and also in view of the fact that, at the same time, the fiscal outcomes will increasingly reflect the negative effects of an ageing population and the costs tackling climate change.

In our view, the frameworks for the preparation of general government budgets continue to be applied inadequately and do not serve the primary purpose. According to the Fiscal Rule Act (FRA), the framework should provide the basis for medium-term budget planning and the basis for counter-cyclical fiscal policy. Even in the years preceding the epidemic, the values in the frameworks changed frequently and mostly only for one year, which does not correspond to the purpose of a multi-annual framework. The present proposal for the 2021 amendment is the third amendment over a period of one year, which is partly understandable in view of the uncertain conditions brought about by the epidemic. However, since the beginning of the epidemic, the changes to the frameworks under the approved exceptional circumstances have been substantial. The lack of understanding of the framework instrument as a counter-cyclical fiscal policy tool is also indicated by the arguments put forward at the presentation of the latest budget documents that the forecasts of higher economic growth and, consequently, higher government revenues justify further increases in the expenditure ceilings.

Legislative framework

On 23 September 2021, the Government of the Republic of Slovenia (hereinafter: Government) submitted to the Fiscal Council a draft Ordinance amending the Ordinance on the framework for the preparation of the general government budgets for the 2020–2022 period (hereinafter: Framework). The Fiscal Council assessed that the information contained in the Framework's explanatory statement was insufficient to allow an adequate assessment of that document. Therefore, on 24 September 2021, the Fiscal Council requested the Ministry of Finance to provide more detailed assessments of the state budget outturn and general government balances for 2021, including an impact assessment of the epidemic mitigation measures according to the cash-flow and to the ESA 2010 methodologies. Pursuant to Articles 2 and 3 of the Fiscal Rule Act (hereinafter: FRA), compliance with fiscal rules is assessed for the whole general government sector, so that the projections under the ESA 2010 methodology are a prerequisite for the Fiscal Council to fully assess compliance with fiscal rules in the budget documents. On 27 and 28 September 2021, the Ministry of Finance provided the Fiscal Council with more detailed information.

In accordance with Article 6 of the FRA, the Government must submit to the National Assembly and the Fiscal Council, together with the state budget proposal or its amendments, a proposed amendment to the Framework if by 15 September of the current year it establishes that the circumstances which formed the basis for adopting the Framework have changed. The National Assembly adopts the amendment to the Framework when adopting the state budget or its amendments. Article 13 of the FRA provides that, in the event of exceptional circumstances, the National Assembly must adopt the amendment to the Framework but it does not specify the explicit obligation of the Government to submit any supporting documents which would otherwise increase the transparency of the amendment to the Framework. The Government holds that the appropriate legal basis for amending the Framework without an accompanying revised state budget is provided by Article 48a of the Implementation of the Republic of Slovenia Budget for 2021 and 2022 Act (ZIPRS). The aforementioned Article states that in 2021 the funds from the state budget accounts may be used to mitigate the effects of the COVID-19 epidemic which is reflected in the budget through a change in the balance of funds in the state budget account. The maximum amount of the reduction of the funds in the accounts may not exceed the difference between the expenditure planned in the adopted state budget and the maximum state budget expenditure, which was set by the National Assembly by adopting an amendment to the Framework for the state budget for 2021 in accordance with paragraph one of Article 13 of the FRA.

In October 2020, the Fiscal Council established[1] that at least one of the two conditions set out in Article 12 of the FRA for invoking exceptional circumstances would be met in 2021. A temporary deviation from the applicable fiscal rules or from the medium-term balance of public finances is permitted during the period of exceptional circumstances, provided that this does not endanger fiscal sustainability in the medium term. According to both the Fiscal Council and the European Commission[2], the deviation only applies to measures directly linked to mitigating the consequences of the exceptional circumstances.

[1] See: https://www.fs-rs.si/assessment-by-the-fiscal-council-fulfilment-of-conditions-for-the-enforcement-of-exceptional-circumstances/.

[2] https://ec.europa.eu/info/sites/default/files/economy-finance/2_en_act_part1_v3-adopted_text.pdf.

This means that in the present document, the Fiscal Council assesses the compliance of fiscal developments presented in the proposed amendments to the Framework with the fiscal rules under point 8 of paragraph two and point 5 of paragraph three of Article 7 of the FRA. In accordance with the FRA, the Fiscal Council assesses the adequacy of amendments to the Framework for the general government sector as well as for all the budgets covered by the Framework. In doing so, it focuses in particular on the amendment to the state budget Framework; in its assessment it uses quantitative and qualitative indicators, both those prescribed by legislation and those which, in the Fiscal Council's view, may, in the current uncertain circumstances, serve as auxiliary indicators for assessing the compliance with the fiscal policy outlined in the Framework.

In accordance with Article 9f of the Public Finance Act, the Fiscal Council is obliged to submit assessments of compliance with the fiscal rules enshrined in the Framework to the National Assembly and the Government no later than 15 days after receiving the Framework proposal.

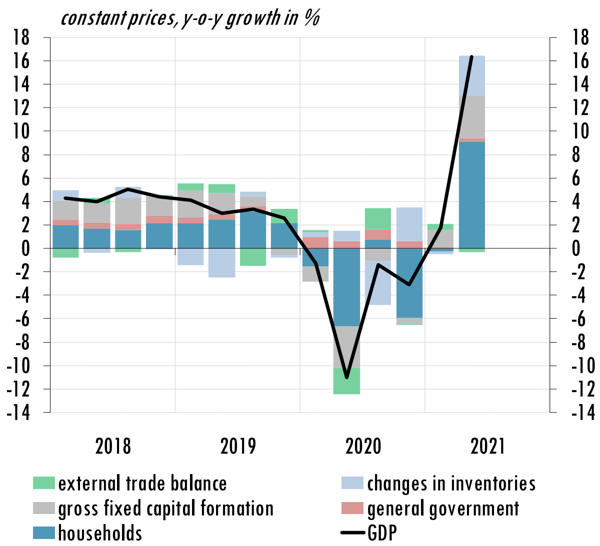
Macroeconomic basis for amending the Framework

After falling by 4.2 % in 2020, economic activity is recovering rapidly this year and has already reached pre-crisis levels. GDP contracted less in 2020 than previous estimates suggested, which also changed the forecasting base. Real GDP is expected to grow by 6.1 % this year[3] and the seasonally-adjusted recovery in the first half of the year averaged around 1.7% quarter-on-quarter, returning activity to the level of the last quarter of 2019. All components of demand have already reached their pre-crisis level, with the exception of household consumption, lagging behind by around 3%. Households remain cautious in their spending, or are still partly constrained by some measures. However, with the easing of restrictive measures, most service activities have begun to recover this year after last year's deep fall, while last year's growth in activities operating in international market also continues this year. In view of the worsening epidemiological situation, activity growth is expected to slow down towards the end of the year, but the macroeconomic bases, which serve as the basis for tax revenues, will, on average, show growth rates and levels in 2021 that will be higher than those envisaged at the time of drafting the budget papers in spring this year.

The labour market situation is also improving, with the usual lag. Employment in Q2 has almost reached pre-crisis levels and the average number of unemployed is projected to be 2 % higher in 2021 than the average unemployment rate in 2019. Against the background of relatively favourable developments, it should be noted that an increasing number of companies are reporting on operating restrictions stemming from both a shortage of adequately skilled workers and a shortage of workers in general.

The forecasts for economic trends remain subject to a number of risks, the majority of which could lead to lower-than-forecasted economic activity. The main risk to the projections in 2021 remains the further spread of the epidemic in Slovenia and abroad, and the associated potential restrictive measures imposed on business activity and consumer spending. Risks also relate to supply-side

Figure 1: Gross domestic product - expenditure structure



Source: SORS, FC calculations.

Table 1: IMAD forecasts

	2021		
	Mar.21	Sep.21	diff.
Real GDP, change in %	4.6	6.1	*1.5*
Nominal GDP, EUR million	48,453	50,364	*1,911*
Private consumption, EUR million	23,823	25,236	*1,413*
Compensation of employees, EUR million	25,793	26,608	*816*
Net operating surplus, EUR million	8,107	9,125	*1,018*
Inflation-average, %	0.8	1.4	*0.6*

Source: IMAD, FC calculations.

[3] According to the macroeconomic forecasts of IMAD. These constitute the basis for the budgetary planning in accordance with the Decree on development planning documents and procedures for the preparation of the central government budget and local government budgets (Official Gazette of the Republic of Slovenia, Nos 44/07 and 54/10). The current budget documents assessed by the Fiscal Council are based on the Autumn Forecast of Economic Trends 2021 from September 2021. Available at: https://www.umar.gov.si/fileadmin/user_upload/napovedi/jesen/2021/angleski/JNGG_2021_ENG.pdf

constraints abroad, which are currently causing supply bottlenecks and at the same time increasing the prices of energy, raw materials and other imported products. This could lead to more significant price increases in Slovenia as well, thereby limiting the expected continuation of the recovery in private demand.

Assessment of the proposed amendment to the Framework

The amendments to the Framework relate to the increase in the ceilings on general government expenditure and state budget expenditure for 2021. The proposed increase in the expenditure ceiling on the general government sector as a whole is less pronounced than that on the state budget, with the new deficit target also slightly lower. In our assessment, this is mainly due to the better performance of the Health Insurance Institute of Slovenia and the Pension and Disability Insurance Institute of Slovenia, and a more favourable balance of municipal budgets. The expenditure ceilings for the Pension and Disability Insurance Institute of Slovenia, Health Insurance Institute of Slovenia and municipal budgets remain unchanged compared to the previous framework for the preparation of general government budgets, adopted in April 2021. Although the projected year-on-year expenditure growth rates of the stated three public finance budgets in 2021 are significantly lower than the projected growth rates of general government expenditure and state budget expenditure, they are nevertheless well above the average growth rates of the last decade. At the same time, the projected growth of general government expenditure, state budget expenditure and the expenditure of the Pension and Disability Insurance Institute of Slovenia in 2021 also exceeds the average growth in the three years preceding the onset of the epidemiological crisis (2017-2019). Given methodological difficulties in assessing the impact of the COVID-related measures[4] and the limited availability of information on general government units that are not covered by the four main public finance budgets, the below assessment of the Framework places greater emphasis on the state budget.

In the 2021 Framework, the Government foresees an increase in state budget expenditure by EUR 670 million compared to the Framework from April this year and by as much as EUR 1,520 million compared to the budget adopted last October. It follows from the explanatory note accompanying the amendment to the Framework that the increase in the expenditure ceiling compared

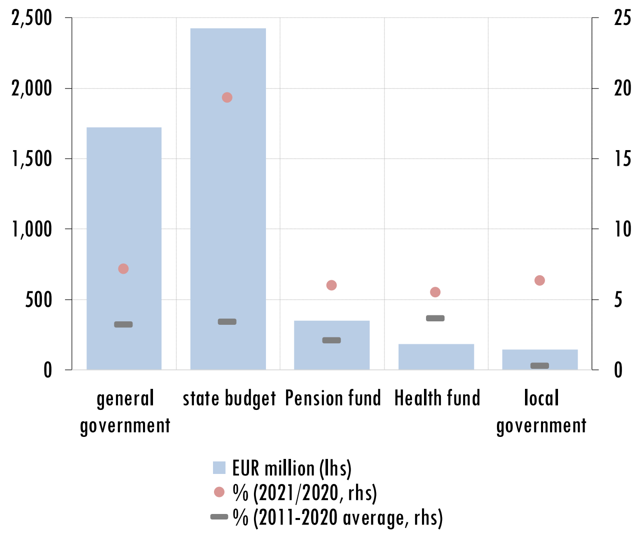
Table 2: Framework changes for 2021

	General government		State budget		Local govt.	Pension fund	Health fund	GDP
	target balance % of GDP	max E EUR million	target balance % of GDP	max E EUR million	max E EUR million	max E EUR million	max E EUR million	EUR million
Framework, November 2020 (OG 168/2020)	-6.6	24,900	-5.7	13,520	2,440	6,180	3,525	48,818
Framework, April 2021 (OG 65/2021)	-8.6	25,300	-8.6	14,320	2,440	6,250	3,525	48,453
Proposed changes to the Framework, Sept. 2021	-7.5	25,800	-7.9	14,990	2,440	6,250	3,525	50,364
Difference								
September 2021-November 2020	-0.9	900	-2.2	1,470	0	70	0	1,546
September 2021-April 2021	1.1	500	0.7	670	0	0	0	1,911

Source: Official Gazzette RS, MoF, IMAD, FC calculations.

[4] In assessing the effects of COVID-related measures at the government balance sheet level under the ESA 2010 methodology, there is considerable uncertainty due to delays in actual payments under the cash-flow methodology, which according to the ESA 2010 methodology relate to liabilities incurred in the previous year. An additional factor of uncertainty is the difference between the Statistical Office of the Republic of Slovenia and the Ministry of Finance in determining the effects of COVID-related measures under the ESA 2010 methodology.

Figure 2: Anticipated changes of expenditure in 2021



Source:SORS, MoF, FC calculations.

to April is mainly due to the adoption of two additional laws (Act Regulating the Intervention Measures to Assist the Economy and Tourism Sector in Mitigating the Consequences of the COVID-19 Epidemic, ZIUPGT,[5] and the Health Care Emergency Measures Act, ZNUPZ)[6]. At the time of their adoption, their total financial effect was estimated at EUR 299 million, while their realisation by the end of September amounts to EUR 44 million. The difference between EUR 670 million and EUR 299 million is neither transparently explained in the explanatory note nor supported by quantitative estimates. In its explanation of reasons for the increase in the Framework, the Government states that it is important not to deviate from the announced dynamics of investment projects, but it also acknowledges that there are delays in their implementation, which result in actual expenditure being lower than the commitment appropriations. Thus, the assessment of the outturn of the state budget[7] foresees investment expenditure and transfers to be lower by EUR 412 million than those envisaged by the adopted budget. The Fiscal Council regularly warns against over-optimistic investment planning in a context of limited absorption capacity of the administration and the economy. We estimate that actual investment expenditure and transfers throughout 2021 will be even lower than the Government's current estimate. The proposed increase in the Framework should also be due to the provision of funds for the payment of VAT during the implementation of the National Recovery and Resilience Plan and the obligation to provide funds for national participation in the REACT-EU programme. The Fiscal Council does not have information on the envisaged VAT payment while, on the basis of the most recently adopted Implementation Plan for the Operational Programme for the Implementation of the EU Cohesion Policy 2014-2020[8], the national participation in the REACT-EU programme is estimated to amount to EUR 6.3 million this year.

[5] Act Determining the Intervention Measures to Assist the Economy and Tourism Sector in Mitigating the Consequences of the COVID-19 Epidemic. Available at: http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO8389 – Only in Slovene.

[6] Healthcare Emergency Measures Act. Available at: Dosegljiv na http://www.pisrs.si/Pis.web/pregledPredpisa?id=ZAKO8360 – Only in Slovene.

[7] Upon receipt of the Proposal for Amendment to the Framework, the Fiscal Council requested from the Ministry of Finance a detailed estimate of the annual outturn of the state budget and the general government balance for 2021.

[8] Implementation Plan for the Operational Programme for the Implementation of the EU Cohesion Policy 2014-2020. It was adopted on 9 August 2021 and is available at: https://www.eu-skladi.si/sl/dokumenti/izvajanje-ekp/inop_21_3_koncna_verzija_09082021_p.pdf – Only in Slovene.

Table 3: State budget expenditure on COVID measures in 2021

EUR million	I-IX	X-XII*	outturn estimate (Sep.21)
Total labour costs	656	254	910
Transfers to individuals and households	878	43	921
Expenditure on goods and services	183	35	218
Investment	17	31	48
Current transfers to social security funds	1	3	4
Subsidies	411	12	423
Other	177	111	288
TOTAL EXPENDITURE ON COVID MEASURES	**2,324**	**489**	**2,813**

*Source: MoF, FC calculations. Note: *Implicitly based on outturn in the first nine months and the MoF outturn estimate for the whole 2021.*

The Fiscal Council assesses that the key reason for an additional increase in the government budget expenditure ceiling is not explicitly stated in the explanatory note accompanying the Framework. Based on a more detailed comparison between the adopted budget for 2021 (October 2020) and the estimated outturn (September 2021), we estimate that the key reason for an additional increase in the expenditure ceiling compared to the April amendment to the Framework is significantly higher expenditure on COVID-related measures this year than foreseen at the time of the adoption of the previous budget documents under the anti-corona legislative packages that were adopted between October last year and April this year. The Ministry of Finance estimates that total expenditure on COVID-related measures this year will amount to EUR 2,813 million, which is EUR 2,038 million more than envisaged at the time when the budget for this year (October 2020) was adopted. Between then and April this year, four anti-corona legislative packages were adopted as a result of the second wave of the epidemic,[9] while some financially more extensive measures under these packages were extended in April until the end of June. Based on the actual implementation of COVID-related measures in the first nine months of this year and the assessment of the Ministry of Finance regarding the implementation for the whole year, we assess that the key reason for the present proposed increase in the Framework is the payment of employee benefits. These have amounted to EUR 906 million from the beginning of the epidemic in March last year to the end of September this year, of which EUR 702 million was paid in the first nine months of this year. It should be noted that this is financially the most comprehensive single measure adopted under the anti-crisis legislation[10]. The Ministry of Finance estimates that around EUR 250 million of benefits will be paid in addition by the end of this year, as applications for funds to settle liabilities arising from the 2021 measures were due to be submitted until 13 September 2021 on the basis of the explanatory note accompanying the Framework. The estimated volume of benefits thus accounts for more than half of the total foreseen expenditure for COVID-related measures in the last three months of this year.

We assess that, despite the proposed increase in the expenditure ceiling, the actual outturn of the state budget in 2021 could be significantly better than presented in the Framework. No revised budget was presented alongside the Framework, which means that the commitment appropriations of budget users in 2021, which do not relate to COVID-related measures, remain largely unchanged

[9] Act Determining Temporary Measures to Mitigate and Remedy the Consequences of the COVID-19 Epidemic (ZZUOOP), adopted on 15 October 2020, Act Determining the Intervention Measures to Mitigate the Consequences of the Second Wave of COVID-19 Epidemic (ZIUOPDVE), adopted on 25 November 2020, Act Determining the Intervention Measures to Assist in Mitigating the Consequences of the Second Wave of COVID-19 Epidemic (ZIUPOPDVE), adopted on 29 December 2020, and Act Determining Additional Measures to Mitigate the Consequences of COVID-19 (ZDUOP), adopted on 3 February 2020.

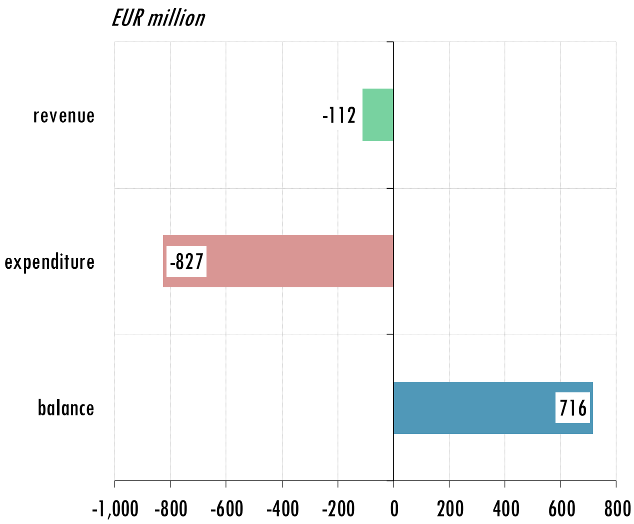
[10] A more detailed overview of the payment of benefits under the anti-crisis legislation will be presented by the Fiscal Council in its assessment of the budget documents for 2022 and 2023 in the second half of October.

Table 4: State budget: comparison of outturn estimate (Sep. 21) and amendments to the budget (Oct. 20)

EUR million	TOTAL		COVID		excluding COVID	
	2020	2021	2020	2021	2020	2021
Total labour costs	-107	936	-6	910	-101	27
Transfers to individuals and households	174	925	75	904	98	21
Expenditure on goods and services	163	167	147	198	16	-32
Investment	-62	-412	16	-63	-78	-350
Current transfers to social security funds	30	-191	-23	4	52	-195
Subsidies	-47	285	30	408	-76	-123
Interest	-4	-6	0	0	-4	-6
Payments to the EU budget	0	47	0	0	0	47
Reserves	-904	-493	-781	-500	-123	7
Other	-69	259	-36	177	-34	82
TOTAL EXPENDITURE	**-827**	**1,517**	**-576**	**2,038**	**-251**	**-521**
Expenditure excluding investment	-765	1,929	-593	2,101	-173	-171

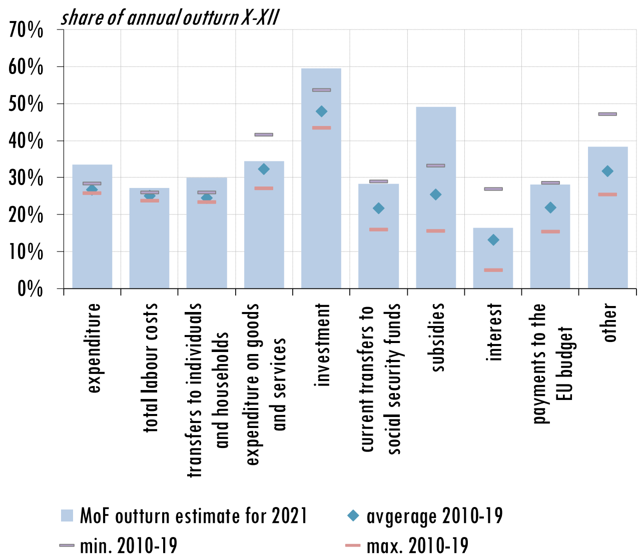
Source: MoF, FC calculations.

Figure 3: Difference between outturn and revised state budget for 2020



Source: MoF, FC calculations.

Figure 4: State budget expenditure excluding direct impact of COVID measures



Source: MoF, FC calculations.

Table 5: State budget expenditure excluding direct effect of COVID measures

y-o-y change in %	I-IX 21	X-XII 21*	outturn estimate 2021 (Sep.21)
Total labour costs	8.1	18.2	10.7
Transfers to individuals and households	-2.9	24.1	3.9
Expenditure on goods and services	6.9	5.5	6.4
Investment	46.5	91.1	70.2
Current transfers to social security funds	11.8	62.4	22.7
Subsidies	-8.7	81.0	20.8
Interest	-6.7	32.5	-2.0
Payments to the EU budget	17.8	12.9	16.4
Other	37.6	-19.5	8.2
TOTAL EXPENDITURE	**8.7**	**31.0**	**15.3**

*Source: MoF, FC calculations. Note: *Implicitly based on outturn in the first nine months and the MoF outturn estimate for the whole 2021.*

compared to the budget adopted in October last year. The commitment appropriations for 2021 were determined on the basis of the revised budget for 2020, which according to the Fiscal Council's assessment was set rather unrealistically as we already pointed out when it was adopted.[11] Last year's actual state budget deficit was EUR 718 million lower than the revised budget had foreseen despite the second wave of the epidemic that occurred after its adoption. This was due to substantially lower actual expenditure than envisaged in the revised budget. However, based on unrealistically high planned expenditure in 2020, the nominal volume of commitment appropriations for this year was set with the adoption of the budget last October. Consequently, due to the last year's lower outturn compared to that envisaged by the revised budget, this year's increase in expenditure will be much higher (19.3 %) than that projected at the time of the adoption of the budget last year (0.6 %). The unrealistically high expenditure levels projected in the budget adopted last year for this year was partially recognised by the Ministry of Finance in the estimate of the outturn submitted to the Fiscal Council, as the Ministry reduced certain categories of expenditure relative to the adopted budget. Nevertheless, we assess that their actual growth could be much lower throughout the year. Without taking into account the direct effect of COVID-related measures, expenditure in the first nine months of this year was 8.7% higher than in the same period last year, and it follows from the Ministry of Finance's estimate of the outturn that its growth is expected to rise to 31.0 % year on year in the last three months of this year. A comparison based on the share that the spending over the last three months of the year represented on average for ten years between 2010 and 2019 suggests a high probability that actual expenditure will be lower than that set out in the Framework. In fact, the estimate of the 2021 outturn suggests that spending, without taking into account COVID-related expenditure over the last three months of this year, is expected to be significantly higher than the long -term average. As a result, we assess that subject to at least roughly the same actual revenue outturn as it follows from the latest Ministry of Finance's estimate of outturn, the government budget deficit could be much lower than that assessed in the Framework mainly due to repeatedly unrealistic expenditure estimates.

Despite the existence of exceptional circumstances and uncertainties in the calculation of the output gap in the current situation, the Fiscal Council regularly reviews, on an indicative basis, whether the highest general government expenditure, which does not include the direct fiscal effects of the epidemic-related measures, complies with the current legislation. According to the interpretation of both the Fiscal Council[12] and the European Commission[13], a temporary deviation from the medium-term balance is permitted in exceptional circumstances only for the part of the budget headings that are directly and purposefully related to limiting the impact of exceptional circumstances. The severely deteriorated cyclical situation in the emergency situation, even taking into account the provisions of the Fiscal Rule Act, allowed for relatively high counter-cyclical increases in general government expenditure, including those not directly related to the epidemic. Given the crucial role that general government investments are expected to play in the economic recovery and in strengthening the resilience of the economy and economic potential, in addition to assessing the compliance of fiscal policy with the legislation, this is taken into account in alternative indicators of fiscal policy position by excluding investments from total government expenditure.

[11] See Assessment of compliance of the draft revised budget of the Republic of Slovenia for 2020 and of the proposal for the Ordinance amending the Ordinance on the framework for the preparation of the general government budget for the 2020–2022 period with the fiscal rules (https://www.fs-rs.si/wp-content/uploads/2020/09/Assessment.pdf) and the Fiscal Council's assessment: Assessment of budget documents for 2021 and 2022 (https://www.fs-rs.si/wp-content/uploads/2020/10/Assessment.pdf).

[12] https://www.fs-rs.si/wp-content/uploads/2020/03/Assessment_extraordinary-event-under-the-Fiscal-Rule-Act-_March-2020.pdf.

[13] https://ec.europa.eu/info/sites/default/files/economy-finance/2_en_act_part1_v3-adopted_text.pdf.

As in previous assessments of budget documents, the Fiscal Council stresses that the projected levels of general government expenditure or state budget expenditure in 2021 are too high and, to some extent, unrealistic. Thus, when assessment of budget documents for 2021 and 2022 was prepared,[14] the estimated growth of general government expenditure, net of the effects of COVID-related measures in 2021, reached 9.9% and the equally defined state budget expenditure at 17.4%. In November 2020, the 2021 budgetary Framework increased the general government expenditure ceiling by EUR 2,740 million and the state budget expenditure ceiling by EUR 3,065 million.[15] Excluding the direct effects of COVID-related expenditure, the Fiscal Council assessed such expenditure increases to be excessive in view of the cyclical situation, also taking into account the high increase in investments (or their exclusion from the assessment of compliance with fiscal rules). The Framework for the preparation of the budgets was further increased in April 2021 by an additional EUR 400 million for general government expenditure and by EUR 800 million for the state budget expenditure.[16] Also in the assessment of budget documents for the 2021–2024 period[17], the Fiscal Council concluded that the levels and growth of general government expenditure in 2021 are quite high or unrealistic. Assessing the current Framework, we again note that the proposed expenditure levels are higher than the statutory ceiling for general government expenditure by around EUR 600-850 million, taking into account the direct effect of the COVID-related measures as a one-off factor (see Table 11 in Annex). This conclusion is supported by the fact that the overshoot is indicated by calculations based on eight of the nine output gap estimates used by the Fiscal Council to assess the cyclical position.[18]

Alternative indicators of the levels and growth of expenditure show a similar picture. A comparison of the level or growth of expenditure with that which would be allowed by the growth of economic potential[19] shows that the proposed level of general government expenditure in 2021 is too high. Expenditure growth – excluding COVID-related expenditure, investment expenditure and interest expenditure – exceeds the currently estimated potential growth by almost twice. Simulations also suggest that the expenditure thus determined exceeds the growth of potential output even under the existing Framework.

Even without the envisaged amendment to the Framework, fiscal policy would be expansionary. This is indicated by the current estimates of changes in the structural balance, without considering the proposed increase in general government expenditure by EUR 500 million. The increase in the structural deficit is thus currently estimated to be between 0 and 1% of GDP, while the structural deficit would increase by between around 1 and 2 percentage points of GDP if the Framework was implemented.[20] The short-term fiscal policy impulse to economic growth in 2021 would therefore be approximately 1% of GDP higher than projected under the current Framework for the preparation of

---

[14] Available at: https://www.fs-rs.si/wp-content/uploads/2020/10/Assessment.pdf.

[15] https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2020-01-2923/odlok-o-spremembah-odloka-o-okviru-za-pripravo-proracunov-sektorja-drzava-za-obdobje-od-2020-do-2022-odpsd20-22-c. Only in Slovene.

[16] https://www.uradni-list.si/glasilo-uradni-list-rs/vsebina/2021-01-1351/odlok-o-spremembah-odloka-o-okviru-za-pripravo-proracunov-sektorja-drzava-za-obdobje-od-2020-do-2022-odpsd20-22-d. Only in Slovene.

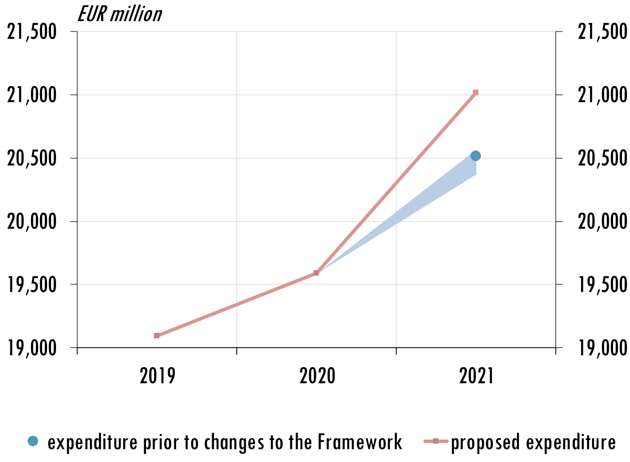
[17] Available at: https://www.fs-rs.si/wp-content/uploads/2021/04/Assessment2021.pdf.

[18] The only assessment indicating expenditure compliance uses the unrevised estimate of the output gap (OECD) from spring this year, which did not include a smaller drop in economic activity last year and did not adjust GDP growth forecasts for this year to the rapid recovery in the first half of the year.

[19] Growth in general government expenditure is sustainable in the long term if it is in line with revenue growth, illustrated by the growth of potential output. Revenue growth can deviate from potential growth, especially in the case of discretionary tax changes, so expenditure usually needs to be adjusted to such structural changes.

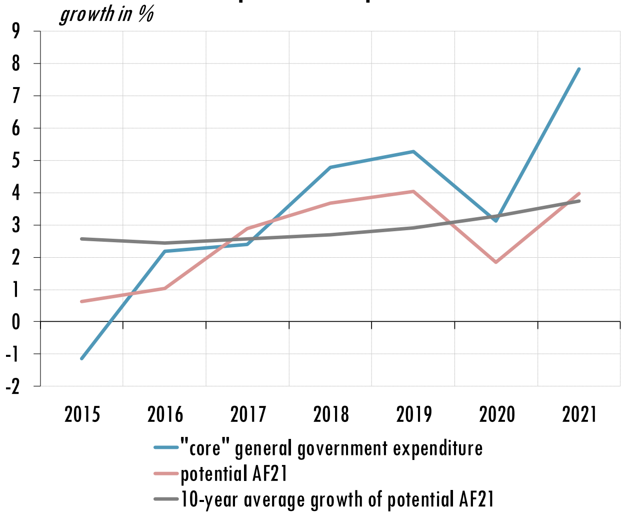
[20] Depending on the used assumption of output gap (see Table 8). In the calculations, COVID-related expenditure is assumed to be a one-off effect. On the rationale for including COVID-related expenditure as a one-off effect, see e.g. Chapter 4.2 and in particular Box 4.2 in Fiscal Council (2021). The Assessment of budget documents for the 2021–2024 period. Available at: https://www.fs-rs.si/wp-content/uploads/2021/04/Assessment2021.pdf).

Figure 5: Simulations of general government expenditure excluding COVID-19 expenditure and investment



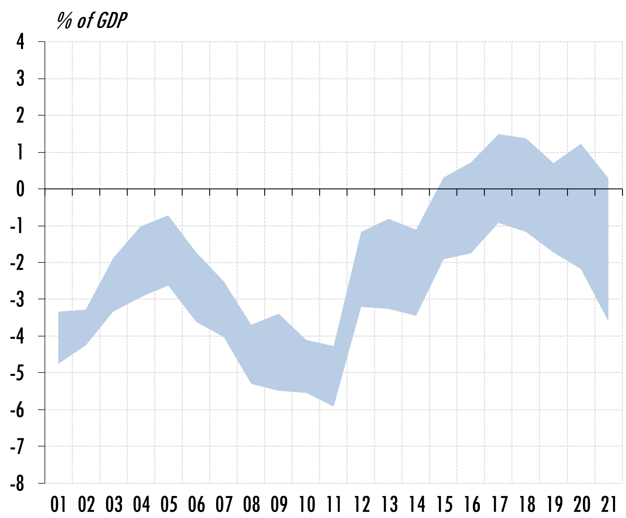
Note: Shadded area shows levels of expenditure, consistent with potential growth between 4 % and 5 %.
Source: SORS, MoF, FC calculations.

Figure 6: "Core" general government expenditure and the potential output



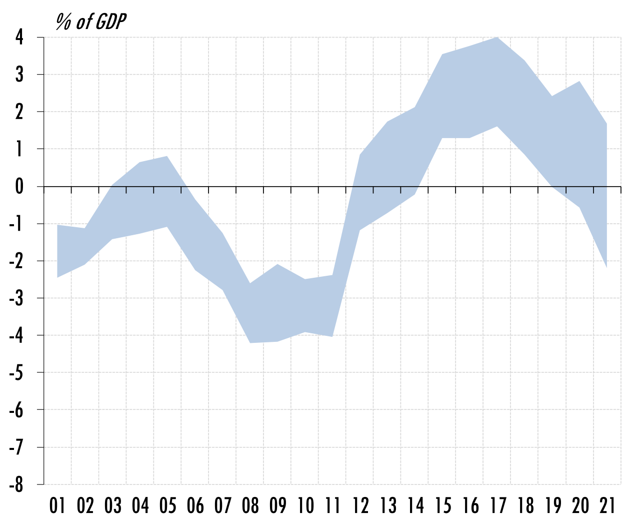
Note: "Core" expenditure is general government expenditure excluding COVID-19 related expenditure, investment and interest expenditure.
Sources: SORS, MoF, IMAD, FC calculations.

Figure 7: Structural balance estimate range



Note: The range is based on the set of output gap estimates used by the Fiscal Council. Impact of COVID-19 measures is included as one-offs.
Sources: SORS, OECD, IMF, IMAD, EC, MoF, FC.

Figure 8: Structural primary balance estimate range



Note: The range is based on the set of output gap estimates used by the Fiscal Council. Impact of COVID-19 measures is included as one-offs.
Sources: SORS, OECD, IMF, IMAD, EC, MoF, FC.

the general government budgets if the level of expenditure envisaged in the Framework was realised. However, the substantial stimulus to economic growth is not limited solely to the acceleration of investment, as even without including the total projected general government investment, the structural deficit would increase by between around 0.5 and 1.5 percentage points of GDP based on a static assessment.[21] While current estimates suggest a relatively neutral cyclical position of the economy,[22] changes in the structural balance to the extent envisaged would be similar to the largest ever increases in the structural balance deficit in Slovenia, and also to the largest fiscal stimulus in

[21] The exclusion of investments has an impact on the change in the structural balance only by the difference between the volume of investments in 2020 and 2021 (the difference is around 1.3 percentage points of GDP, and the impact on the change in the structural balance is around 0.5 percentage points of GDP).

[22] According to the EC definition, Slovenia is already in the normal economic cycle in 2021. See the estimates of the output gap in Table 6 and definitions of the stages of the economic cycle in matrix in Box 1.6 of the European Commission's Vade Mecum on the Stability & Growth Pact 2019. Available at: https://ec.europa.eu/info/sites/info/files/economy-finance/ip101_en.pdf.

developed countries, excluding the measures taken so far in the current crisis.[23] Thus, according to the estimates of the IMAD, the Bank of Slovenia and the Fiscal Council to date on the multiplier effects of the measures to mitigate the effects of the epidemic, the realisation of the Framework would imply an additional growth higher by 0.5-0.8 percentage points of GDP[24] than the growth projected in the baseline macroeconomic scenario (6.1%).[25] In this respect, even with the current Framework in place, most of the available methods for calculating the output gap, despite the uncertainty regarding its calculation in the current situation, point to a relatively rapid opening of a positive output gap and thus to a risk of creating macroeconomic imbalances in the years to come.

[23] Measured by two standard deviations of the change in the structural primary balance. Due to only a small change in the share of interest expenditure in GDP between 2020 and 2021, the difference between the change in the structural and structural primary balance is negligible and amounts to around 0.1 percentage point of GDP. For an analysis of fiscal policy stimulus in advanced economies, see, for example, Cohen-Setton et al. (2019), available at: https://www.piie.com/sites/default/files/documents/wp19-12.pdf

[24] See impact assessments in Autumn Forecast of Economic Trends 2021 (September 2021; IMAD), Macroeconomic Projections for Slovenia (June 2021, Bank of Slovenia) and in Assessment of compliance of the draft revised budget of the Republic of Slovenia for 2020 and of the proposal for the Ordinance amending the Ordinance on the framework for the preparation of the general government budgets for the 2020–2022 period with the fiscal rules (September 2020; Fiscal Council. Available at: https://www.fs-rs.si/wp-content/uploads/2020/09/Assessment.pdf).

[25] This does not take into account the differences in the structure of the measures compared to the one for which the multipliers have been set, and the fact that the measures envisaged to amend the Framework only apply in the second half of the year. Taking into account the above facts, the impact of the measures presented in the Framework on economic growth is rather limited.

Annex

Table 6: Output gap estimates

	IMF (Apr. 21)	European Commission (May 21)	OECD (May 21)	IMAD (Sep. 21)	MoF (Oct. 21)	HP filter (Oct. 21)	based on GDP averages (Oct. 21)	factor models (Oct. 21)	Blanchard-Quah (Oct. 21)	average of all estimates	average of institutions	average of estimates based on prod. funct.
2001	-2.4	0.7	-0.7	0.1	0.0	-0.7	-0.1	...	0.7	-0.3	-0.5	0.3
2002	-1.1	1.0	-0.6	0.6	0.3	-0.8	-0.4	...	-1.0	-0.3	0.0	0.6
2003	0.1	0.9	-0.9	0.5	0.2	-1.5	-1.4	1.6	-1.5	-0.2	0.2	0.5
2004	-1.4	2.0	0.2	1.5	1.3	-0.8	-1.1	2.7	-0.5	0.4	0.7	1.6
2005	-0.5	2.8	1.1	2.4	2.1	-0.5	-1.3	2.6	0.5	1.0	1.6	2.4
2006	2.8	5.1	3.9	4.8	4.3	2.0	1.1	4.3	3.0	3.5	4.2	4.7
2007	5.3	8.5	7.9	8.3	7.7	6.4	5.8	7.2	7.4	7.2	7.5	8.1
2008	5.4	8.1	8.4	8.1	7.6	8.4	7.6	4.9	7.3	7.3	7.5	8.0
2009	-3.0	-2.3	-2.0	-2.2	-2.6	-0.7	-1.6	-5.2	-1.1	-2.3	-2.4	-2.4
2010	-1.0	-2.3	-2.2	-2.2	-2.4	0.1	-0.4	-1.4	-2.9	-1.6	-2.0	-2.3
2011	0.6	-2.2	-2.6	-2.4	-2.5	0.6	1.0	-1.8	-1.9	-1.2	-1.8	-2.4
2012	-2.0	-5.3	-6.2	-5.7	-5.7	-2.5	-1.8	-4.9	-3.7	-4.2	-5.0	-5.6
2013	-3.0	-6.9	-8.2	-7.5	-7.4	-4.2	-3.5	-4.8	-7.2	-5.8	-6.6	-7.2
2014	-2.3	-5.2	-7.1	-6.0	-5.9	-2.9	-2.1	-2.5	-4.7	-4.3	-5.3	-5.7
2015	-1.8	-3.9	-6.6	-5.1	-4.9	-2.7	-1.9	-1.9	-3.1	-3.5	-4.5	-4.6
2016	-0.2	-1.6	-5.5	-3.1	-2.8	-1.9	-1.4	-1.0	-1.1	-2.1	-2.7	-2.5
2017	-0.1	1.8	-3.1	0.1	0.3	0.2	0.6	2.1	0.9	0.3	-0.2	0.7
2018	0.3	4.2	-1.2	2.5	2.7	1.9	2.4	2.8	3.7	2.1	1.7	3.1
2019	0.6	4.7	-0.5	3.3	3.6	2.5	2.7	2.2	3.7	2.5	2.3	3.9
2020	-4.8	-3.4	-8.1	-3.0	-2.6	-4.2	-4.5	-3.9	-0.8	-3.9	-4.4	-3.0
2021	**-2.6**	**-1.6**	**-6.8**	**0.4**	**0.5**	**-1.1**	**-1.5**	**1.5**	**-1.6**	**-1.4**	**-2.0**	**-0.2**

Source: IMAD, EC, IMF, OECD, MoF, FC calculations.

Note: The table shows estimates of the output gap by domestic and international institutions that provide these estimates for Slovenia (IMAD, MoF, EC, IMF, OECD). In addition, the table also shows estimates of the output gap generated by statistical models in which the potential product is determined by (i) HP filters at different values of the parameter λ (10,100,400) ii) the 3-, 5- and 7-year average of GDP, (iii) factor models estimated on the basis of survey about limitations in the economy and forecasts of a simple VARmodel that includes these factors, as well as factor models that take into account a large number of IMAD and EC macroeconomic variables in its estimates and forecasts; and (iv) the SVAR model based on the Blanchard and Quah methodology (1989), which uses restrictions with regard to the assumption that GDP is affected in the long term only by shocks to the aggregate supply, while demand shocks affect activity levels only in the short term.

Table 7: Structural balance estimates

	IMF (Apr. 21)	European Commission (May 21)	OECD (May 21)	IMAD (Sep. 21)	MoF (Oct. 21)	HP filter (Oct. 21)	based on GDP averages (Oct. 21)	factor models (Oct. 21)	Blanchard-Quah (Oct. 21)	average of all estimates	average of institutions	average of estimates based on prod. funct.
2001	-3.3	-4.8	-4.1	-4.5	-4.5	-4.1	-4.4	...	-4.8	-4.3	-4.2	-4.6
2002	-3.3	-4.3	-3.5	-4.1	-3.9	-3.4	-3.6	...	-3.3	-3.7	-3.8	-4.1
2003	-2.7	-3.0	-2.2	-2.8	-2.7	-1.9	-1.9	-3.3	-1.9	-2.5	-2.7	-2.8
2004	-1.0	-2.6	-1.8	-2.4	-2.3	-1.3	-1.2	-2.9	-1.4	-1.9	-2.0	-2.4
2005	-1.1	-2.6	-1.9	-2.5	-2.3	-1.1	-0.7	-2.5	-1.6	-1.8	-2.1	-2.5
2006	-2.5	-3.6	-3.1	-3.5	-3.3	-2.2	-1.7	-3.2	-2.6	-2.9	-3.2	-3.4
2007	-2.5	-4.0	-3.7	-3.9	-3.6	-3.1	-2.7	-3.4	-3.5	-3.4	-3.6	-3.9
2008	-3.9	-5.2	-5.3	-5.2	-4.9	-5.3	-4.9	-3.7	-4.8	-4.8	-4.9	-5.1
2009	-4.4	-4.7	-4.9	-4.8	-4.6	-5.5	-5.1	-3.4	-5.3	-4.7	-4.7	-4.7
2010	-5.0	-4.4	-4.4	-4.4	-4.3	-5.5	-5.3	-4.8	-4.1	-4.7	-4.5	-4.4
2011	-5.8	-4.4	-4.3	-4.4	-4.3	-5.8	-5.9	-4.7	-4.6	-4.9	-4.6	-4.4
2012	-3.1	-1.6	-1.2	-1.4	-1.4	-2.9	-3.2	-1.8	-2.3	-2.1	-1.7	-1.4
2013	-3.3	-1.4	-0.8	-1.2	-1.2	-2.7	-3.0	-2.4	-1.3	-1.9	-1.6	-1.3
2014	-3.4	-2.0	-1.1	-1.6	-1.7	-3.1	-3.5	-3.3	-2.2	-2.4	-2.0	-1.8
2015	-1.9	-1.0	0.3	-0.4	-0.5	-1.5	-1.9	-1.9	-1.3	-1.1	-0.7	-0.6
2016	-1.7	-1.1	0.7	-0.4	-0.5	-0.9	-1.2	-1.4	-1.3	-0.9	-0.6	-0.7
2017	0.1	-0.8	1.5	0.0	-0.1	0.0	-0.2	-0.9	-0.4	-0.1	0.1	-0.3
2018	0.7	-1.2	1.4	-0.4	-0.5	-0.1	-0.3	-0.5	-0.9	-0.2	0.0	-0.7
2019	0.2	-1.7	0.7	-1.1	-1.2	-0.7	-0.8	-0.6	-1.3	-0.7	-0.6	-1.3
2020	-0.3	-0.9	1.2	-1.2	-1.3	-0.6	-0.4	-0.7	-2.2	-0.7	-0.5	-1.1
2021	**-1.7**	**-2.1**	**0.3**	**-3.1**	**-3.2**	**-2.4**	**-2.2**	**-3.6**	**-2.2**	**-2.2**	**-2.0**	**-2.8**

Source: IMAD, EC, IMF, OECD, MoF, FC calculations based on Table 6.

Table 8: Structural effort estimates

	IMF (Apr. 21)	European Commission (May 21)	OECD (May 21)	IMAD (Sep. 21)	MoF (Oct. 21)	HP filter (Oct. 21)	based on GDP averages (Oct. 21)	factor models (Oct. 21)	Blanchard-Quah (Oct. 21)	average of all estimates	average of institutions	average of estimates based on prod. funct.
2001	-0.2	-0.7	-0.6	-0.7	-0.7	-0.6	-0.5	...	-0.1	-0.5	-0.6	-0.7
2002	0.1	0.5	0.6	0.5	0.5	0.8	0.8	...	1.5	0.7	0.4	0.5
2003	0.6	1.3	1.3	1.2	1.2	1.5	1.6	...	1.4	1.3	1.1	1.2
2004	1.6	0.4	0.4	0.4	0.4	0.6	0.8	0.4	0.5	0.6	0.7	0.4
2005	-0.1	0.0	-0.1	-0.1	0.0	0.2	0.4	0.4	-0.1	0.1	-0.1	0.0
2006	-1.4	-1.0	-1.2	-1.0	-1.0	-1.1	-1.0	-0.7	-1.1	-1.1	-1.1	-1.0
2007	0.0	-0.4	-0.7	-0.5	-0.4	-0.9	-1.0	-0.2	-0.9	-0.5	-0.4	-0.4
2008	-1.4	-1.2	-1.6	-1.3	-1.3	-2.2	-2.2	-0.3	-1.3	-1.4	-1.3	-1.3
2009	-0.5	0.5	0.4	0.4	0.3	-0.2	-0.1	0.3	-0.4	0.1	0.2	0.4
2010	-0.6	0.3	0.4	0.3	0.3	-0.1	-0.2	-1.4	1.2	0.0	0.1	0.3
2011	-0.8	0.0	0.2	0.1	0.0	-0.2	-0.6	0.2	-0.5	-0.2	-0.1	0.0
2012	2.6	2.9	3.1	3.0	2.9	2.9	2.7	2.9	2.2	2.8	2.9	2.9
2013	-0.1	0.1	0.4	0.2	0.2	0.2	0.2	-0.6	1.1	0.2	0.2	0.2
2014	-0.1	-0.6	-0.3	-0.5	-0.5	-0.4	-0.5	-0.9	-1.0	-0.5	-0.4	-0.5
2015	1.5	1.1	1.4	1.2	1.1	1.5	1.6	1.4	0.9	1.3	1.3	1.1
2016	0.2	-0.1	0.4	0.1	0.0	0.6	0.7	0.6	0.0	0.3	0.1	0.0
2017	1.8	0.3	0.8	0.4	0.4	0.9	0.9	0.4	0.9	0.8	0.7	0.4
2018	0.6	-0.4	-0.1	-0.4	-0.4	0.0	-0.1	0.4	-0.5	-0.1	-0.1	-0.4
2019	-0.5	-0.6	-0.7	-0.7	-0.8	-0.6	-0.4	0.0	-0.4	-0.5	-0.6	-0.7
2020	-0.5	0.8	0.5	-0.1	-0.1	0.2	0.4	-0.2	-0.9	0.0	0.1	0.2
2021	**-1.4**	**-1.2**	**-0.9**	**-1.9**	**-1.8**	**-1.8**	**-1.8**	**-2.9**	**0.0**	**-1.5**	**-1.5**	**-1.7**

Source: IMAD, EC, IMF, OECD, MoF, FC calculations based on Table 6.

Tabela 9: Structural primary balance estimates

	IMF (Apr. 21)	European Commission (May 21)	OECD (May 21)	IMAD (Sep. 21)	MoF (Oct. 21)	HP filter (Oct. 21)	based on GDP averages (Oct. 21)	factor models (Oct. 21)	Blanchard-Quah (Oct. 21)	average of all estimates	average of institutions	average of estimates based on prod. funct.
2001	-1.0	-2.4	-1.8	-2.2	-2.1	-1.8	-2.1	...	-2.5	-2.0	-1.9	-2.3
2002	-1.1	-2.1	-1.3	-1.9	-1.8	-1.2	-1.4	...	-1.1	-1.5	-1.6	-1.9
2003	-0.7	-1.1	-0.2	-0.9	-0.8	0.0	0.0	-1.4	0.0	-0.6	-0.7	-0.9
2004	0.6	-0.9	-0.1	-0.7	-0.6	0.4	0.5	-1.3	0.2	-0.2	-0.3	-0.8
2005	0.4	-1.1	-0.3	-0.9	-0.8	0.4	0.8	-1.0	0.0	-0.3	-0.5	-0.9
2006	-1.2	-2.2	-1.7	-2.1	-1.9	-0.8	-0.4	-1.9	-1.3	-1.5	-1.8	-2.1
2007	-1.3	-2.8	-2.5	-2.7	-2.4	-1.8	-1.5	-2.2	-2.3	-2.2	-2.3	-2.6
2008	-2.8	-4.1	-4.2	-4.1	-3.8	-4.2	-3.9	-2.6	-3.7	-3.7	-3.8	-4.0
2009	-3.1	-3.4	-3.6	-3.5	-3.3	-4.2	-3.8	-2.1	-4.0	-3.4	-3.4	-3.4
2010	-3.4	-2.8	-2.8	-2.8	-2.7	-3.9	-3.7	-3.2	-2.5	-3.1	-2.9	-2.8
2011	-3.9	-2.6	-2.4	-2.5	-2.4	-3.9	-4.0	-2.8	-2.7	-3.0	-2.7	-2.5
2012	-1.1	0.5	0.8	0.6	0.6	-0.9	-1.2	0.3	-0.3	-0.1	0.3	0.6
2013	-0.7	1.1	1.7	1.4	1.3	-0.1	-0.4	0.1	1.3	0.6	1.0	1.3
2014	-0.1	1.2	2.1	1.6	1.6	0.2	-0.2	0.0	1.0	0.8	1.3	1.5
2015	1.3	2.3	3.5	2.8	2.7	1.7	1.3	1.3	1.9	2.1	2.5	2.6
2016	1.3	2.0	3.8	2.7	2.5	2.1	1.9	1.7	1.7	2.2	2.4	2.4
2017	2.6	1.7	4.0	2.5	2.4	2.5	2.3	1.6	2.1	2.4	2.7	2.2
2018	2.7	0.9	3.4	1.7	1.6	1.9	1.7	1.5	1.1	1.8	2.0	1.4
2019	1.9	0.0	2.4	0.6	0.5	1.0	0.9	1.2	0.4	1.0	1.1	0.4
2020	1.3	0.7	2.8	0.4	0.3	1.0	1.2	0.9	-0.6	0.9	1.1	0.5
2021	**-0.3**	**-0.7**	**1.7**	**-1.7**	**-1.8**	**-1.0**	**-0.8**	**-2.2**	**-0.8**	**-0.8**	**-0.6**	**-1.4**

Source: IMAD, EC, IMF, OECD, MoF, FC calculations based on Table 6.

Table 10: Structural primary effort estimates

	IMF (Apr. 21)	European Commission (May 21)	OECD (May 21)	IMAD (Sep. 21)	MoF (Oct. 21)	HP filter (Oct. 21)	based on GDP averages (Oct. 21)	factor models (Oct. 21)	Blanchard-Quah (Oct. 21)	average of all estimates	average of institutions	average of estimates based on prod. funct.
2001	-0.3	-0.8	-0.6	-0.7	-0.7	-0.6	-0.6	...	-0.1	-0.6	-0.6	-0.7
2002	-0.1	0.3	0.5	0.3	0.4	0.6	0.7	...	1.3	0.5	0.3	0.3
2003	0.4	1.0	1.1	1.0	1.0	1.3	1.4	...	1.2	1.0	0.9	1.0
2004	1.4	0.1	0.1	0.2	0.2	0.3	0.5	0.1	0.2	0.4	0.4	0.2
2005	-0.2	-0.1	-0.2	-0.2	-0.2	0.1	0.3	0.3	-0.3	-0.1	-0.2	-0.2
2006	-1.6	-1.2	-1.4	-1.2	-1.1	-1.2	-1.2	-0.8	-1.2	-1.2	-1.3	-1.2
2007	-0.1	-0.5	-0.8	-0.6	-0.5	-1.0	-1.1	-0.3	-1.0	-0.7	-0.5	-0.5
2008	-1.6	-1.3	-1.7	-1.4	-1.5	-2.4	-2.4	-0.4	-1.5	-1.6	-1.5	-1.4
2009	-0.3	0.7	0.7	0.6	0.5	0.0	0.1	0.5	-0.2	0.3	0.5	0.6
2010	-0.3	0.6	0.7	0.7	0.6	0.3	0.1	-1.1	1.5	0.3	0.5	0.6
2011	-0.5	0.2	0.4	0.3	0.3	0.0	-0.4	0.4	-0.2	0.1	0.2	0.3
2012	2.7	3.0	3.2	3.1	3.1	3.0	2.9	3.0	2.4	2.9	3.0	3.1
2013	0.4	0.7	0.9	0.8	0.7	0.8	0.7	-0.1	1.6	0.7	0.7	0.7
2014	0.6	0.1	0.4	0.2	0.2	0.3	0.2	-0.2	-0.3	0.2	0.3	0.2
2015	1.4	1.0	1.4	1.2	1.1	1.5	1.6	1.3	0.9	1.3	1.2	1.1
2016	0.0	-0.3	0.2	-0.1	-0.2	0.4	0.5	0.4	-0.2	0.1	-0.1	-0.2
2017	1.3	-0.2	0.2	-0.1	-0.1	0.4	0.4	-0.1	0.4	0.2	0.2	-0.2
2018	0.1	-0.9	-0.6	-0.9	-0.9	-0.6	-0.6	-0.1	-1.0	-0.6	-0.6	-0.9
2019	-0.8	-0.9	-1.0	-1.0	-1.1	-0.9	-0.7	-0.3	-0.7	-0.8	-0.9	-1.0
2020	-0.6	0.7	0.4	-0.2	-0.2	0.0	0.2	-0.3	-1.0	-0.1	0.0	0.1
2021	**-1.6**	**-1.4**	**-1.2**	**-2.1**	**-2.1**	**-2.0**	**-2.0**	**-3.1**	**-0.2**	**-1.7**	**-1.7**	**-1.9**

Source: IMAD, EC, IMF, OECD, MoF, FC calculations based on Table 6.

Table 11: Maximum general government expenditure and deviation from the framework

	IMF (Apr. 21)		EC (May 21)		OECD (May 21)		IMAD (Sep. 21)		MoF (Oct. 21)		HP (Oct. 21)		based on GDP averages (Oct. 21)		Factor models (Oct. 21)		Blanchard-Quah (Oct. 21)		*average of all estimates*		*average of institutions*		*average of estimates based on prod. funct.*		**Framework**
	max E	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	*max E*	*diff.*	
2021	25,093	*-707*	25,176	*-624*	26,048	*248*	24,802	*-998*	24,850	*-950*	24,853	*-947*	24,878	*-922*	24,338	*-1,462*	25,788	*-12*	25,092	*-708*	25,194	*-606*	24,943	*-857*	**25,800**

Source: IMAD, EC, IMF, OECD, MoF, FC calculations based on Table 6.