



REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Monthly Information

October 2021

Document No.: 30-1/2021/8

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

Key highlights¹

- According to provisional data, the state budget deficit amounted to EUR –2.453 billion in the first nine months of 2021, while without the direct effect of COVID-related measures the deficit would have amounted to EUR –388 million. A deficit of EUR –2.747 billion is envisaged in the state budget for the whole year.
- Revenue in the first nine months was 19.6% higher than in the same period last year or 9.8% higher without taking into account the direct effect of COVID-related measures. 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 nine months was 15.3% higher than in the same period last year or 8.7% higher without taking into account the direct effect of COVID-related measures totalling EUR 2.324 billion. The latter is predominantly due to higher labour costs and investment.
- In the first nine months of 2021, the total direct cost of COVID-related measures amounted to EUR 2.311 billion, which is about three times the number envisioned for the whole 2021 by the budget amendment in October last year. The largest part of COVID expenditure in the first nine months of this year (almost EUR 700 million) and since the beginning of the epidemic in March last year (almost EUR 900 million) was accounted for by allowances to employees.
- The total direct effect of COVID-related measures since March 2020 amounts to EUR 4.704 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 5.314 billion.²
- According to preliminary data³, 28,000 employees were involved in job retention measures in June 2021. At the end of June, the measure of subsidising temporary lay-offs came to an end, while in July and August there was a significant drop in the number of claims for compensation due to reduced working time and quarantine.
- **On 23 September 2021, the Fiscal Council received for assessment 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 envisaged changes in the maximum permitted level of general government expenditure and expenditure of the general government budget in 2021. In accordance with the statutory deadline of 15 days, the assessment will be published on 8 October 2021.**

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-related measures in its monthly publication, subject to availability of such data in the future. All comments pertain to data as at 4 October 2021. Along with the Ministry of Finance, 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.

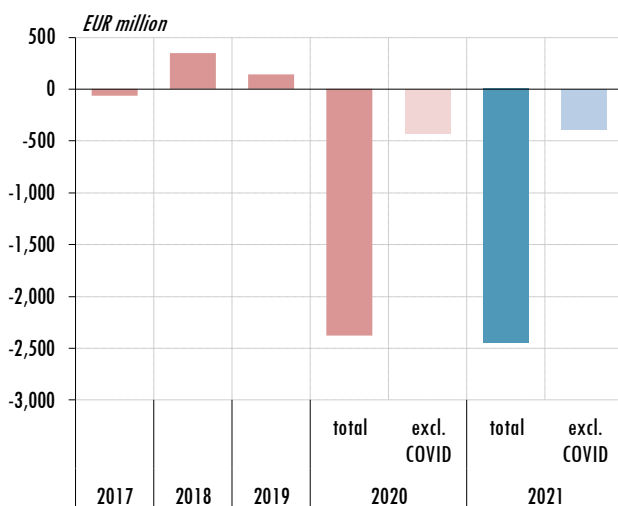
² Measures under the jurisdiction of the SID Bank and SPS.

³ Details of payments by the Employment Service up to 30 September 2021.

State Budget (January–September 2021)⁴

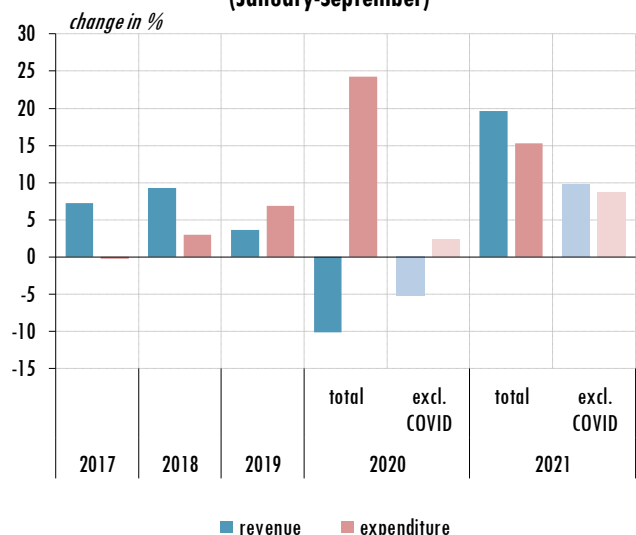
- With a EUR –40 million deficit being recorded in September according to preliminary data, the total state budget deficit amounted to EUR –2.453 billion in the first nine months. This represents 89.0% of the projected deficit for the whole of 2021. Not counting the direct effect of COVID-related measures, the state budget deficit would have amounted to EUR –388 million.
- In the first nine months, the difference between the cost of COVID-related measures (EUR 2.311 billion) and their effect on the state budget balance (EUR 2.065 billion) is due to EU-funded expenditure on COVID-related measures. 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 nine months of the year amounted to EUR 7.967 billion, representing a year-on-year increase of 19.6%. 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 259 million) in the first nine 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 –363 million). As a result, revenue in the first eight months of 2021 was 9.8% higher on a year-on-year basis than last year, without taking into account the direct effect of COVID-related 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 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,

Figure 1: State budget balance (January-September)



Source: MoF, FC calculations.

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



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.

personal income tax and corporate income tax) was about a quarter higher year on year in the first nine months of this year. Its growth without taking into account the direct effect of COVID-related measures was 14.0%, as in the same period last year this revenue was lower by EUR 364 million due to the option of deferred or instalment payments, whereas this year it was higher by EUR 36 million due to net repayments. With the recovery of economic activity, revenue from these four categories of taxes was also 5.0% or EUR 280 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 114 million lower than in the same period of 2019.

- VAT revenue increased by 17.5% in the first nine months, while year-on-year growth was somewhat more modest (12.5%) without taking into account the effect of aforementioned discretionary measures. The same applies to corporate income tax revenue, which grew by 53.9% on a year-on-year basis in nine months, while growth was only 17.1%, excluding the effect of measures. Revenue from excise duties was 8.1% higher in the same period, and if excluding the effect of measures, it was at a similar level year on year (0.9%).
- The high growth of personal income tax revenue continues; in the first nine months it stood at 36.8% and is associated with high growth in wages mainly due to allowances in the public sector. Allowances are paid with the pre-payment of personal income tax, from which they are exempt by law, which means that the recipients of allowances will receive a refund of personal income tax; this will result in lower growth of total personal income tax revenue.

Table 1: State budget

	January-September				October-December							
	2020	2021	change		2020	2021*	change		2020	2021**	change	
			EUR million	%			EUR million	%			EUR million	%
Revenue	6,658	7,967	1,308	19.6	2,419	2,755	336	13.9	9,078	10,722	1,644	18.1
VAT	2,521	2,961	440	17.5	1,007	881	-126	-12.5	3,528	3,843	315	8.9
Excise duties	995	1,075	81	8.1	320	387	68	21.1	1,314	1,463	148	11.3
Personal income tax	775	1,061	286	36.8	389	228	-161	-41.5	1,164	1,288	124	10.7
Corporate income tax	561	864	303	53.9	212	93	-119	-56.3	773	957	184	23.8
EU funds	520	570	51	9.8	205	1,060	855	417.0	725	1,631	906	125.1
Non-tax	566	643	77	13.7	106	-75	-181	-171.0	672	568	-104	-15.4
Other revenue	721	791	71	9.8	181	181	0	0.2	902	973	71	7.9
Expenditure	9,037	10,419	1,382	15.3	3,528	3,049	-478	-13.6	12,565	13,469	904	7.2
Total labour costs	2,610	3,275	665	25.5	839	320	-519	-61.9	3,448	3,595	146	4.2
Transfers to individ. and househ.	1,469	2,029	560	38.1	498	-389	-887	-178.1	1,967	1,640	-327	-16.6
Expend. on goods and services	843	980	136	16.2	466	288	-178	-38.2	1,309	1,268	-41	-3.2
Investment	419	629	210	50.1	492	1,345	852	173.2	911	1,974	1,063	116.6
Curr. transfers to soc. sec. funds	1,063	1,115	52	4.9	340	636	295	86.9	1,403	1,750	347	24.7
Subsidies	1,153	677	-476	-41.3	245	-16	-261	-106.5	1,398	661	-737	-52.7
Interest	678	633	-46	-6.7	93	130	36	38.9	772	762	-9	-1.2
Payments to the EU budget	374	440	67	17.8	152	125	-28	-18.1	526	565	39	7.4
Other expenditure	428	642	214	50.1	402	612	209	52.0	830	1,254	424	51.0
Balance	-2,379	-2,453	-74		-1,109	-294	815		-3,488	-2,747	741	

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

- In the first nine months, total non-tax revenue growth (13.7%) predominantly resulted from the strong growth in January, which according to the Ministry of Finance stemmed from higher extraordinary revenue from new borrowing⁶ and from growth in May as a result of the concession granted for mobile telephony licenses sold.
- The revenue from EU funds amounted to EUR 570 million in the first nine months, up by 9.8% relative to the same period last year. In the remaining three months of the year, EUR 1.060 billion is expected to be realised for the implementation of state budget projections, which is EUR 336 million more than in the whole 2020.
- Expenditure in the first eight months of the year was 15.3% higher than in the same period last year, primarily due to the direct effect of expenditure on COVID-related measures totalling EUR 2.324 billion. Without this effect, expenditure would have been 8.7% higher than in the first nine months of last year, well above the long-term average.
- Almost half of total expenditure growth was due to higher labour costs, which also include transfers to public institutions for this purpose. Labour costs increased by 25.5 % 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 8.1%, their

Table 2: Impact of COVID measures on state budget outturn

	January-September 2020		January-September 2021		excl. COVID	
	EUR million		EUR million		y-o-y change	
	COVID	excl. COVID	COVID	excl. COVID	EUR million	%
Revenue	-363	7,021	259	7,708	687	9.8
VAT	-112	2,632	0	2,961	328	12.5
Excise duties	-33	1,028	39	1,036	9	0.9
Personal income tax	-26	801	-5	1,065	264	32.9
Corporate income tax	-176	737	1	863	126	17.1
EU funds ¹	1	519	244	326	-193	-37.1
Non-tax	0	566	1	642	76	13.5
Other revenue	-17	738	-23	814	76	10.3
Expenditure	1,590	7,447	2,324	8,095	648	8.7
Total labour costs	187	2,422	656	2,619	197	8.1
Transfers to individuals and households	284	1,185	878	1,150	-35	-2.9
Expenditure on goods and services	98	746	183	797	51	6.9
Investment	1	418	17	612	194	46.5
Current transfers to social security funds	67	996	1	1,114	118	11.8
Subsidies	862	291	411	266	-25	-8.7
Interest	0	678	0	633	-46	-6.7
Payments to the EU budget	0	374	0	440	67	17.8
Other expenditure	90	338	177	465	127	37.6
Balance	-1,953	-426	-2,065	-388	39	

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.

⁶ For more information, see <https://www.gov.si/assets/ministrstva/MF/ekonomska-in-fiskalna-politika/Blagajne-JF/Pregled-javnofinancnih-gibanj-marec-2021.pdf>. (Only in Slovene).

contribution (2.6 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 330 million or 14.6% higher than in the same period of the pre-crisis year of 2019. Their growth, excluding allowances, is due to an increase in the number of employees, regular promotions, the easing of restrictions on performance-related bonus payments in the second half of last year and the agreement concluded with trade unions this year.⁷

- The higher volume of transfers to individuals and households (38.1%) also significantly contributed to total expenditure growth compared to the first nine months of last year, which was a result of the large extent of COVID-related measures under this heading. Excluding the effect of COVID-related measures, transfers were lower than in the same period last year (–2.9 %).
- The year-on-year investment expenditure was 50.1% higher in the first nine months, while the 2021 budget projects a 116.6% growth in this category. In the last three months of the year, EUR 1.345 billion is expected to be realised for the implementation of projections, which is EUR 433 million more than in the whole of last year.
- Transfers to social insurance funds in the first nine months were 4.9% higher than in the corresponding period last year and, without taking into account the effect of COVID-related measures, they were 11.8% 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 2020.⁸
- Expenditure on goods and services in the first nine months increased by 16.2% year on year, while it grew by 6.9% without the effect of discretionary measures
- 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 also mitigated by interest expenditure, which was 6.7% lower year on year in the first nine months due to a significant decrease in January.

Implementation of COVID-related measures (January–September 2021)

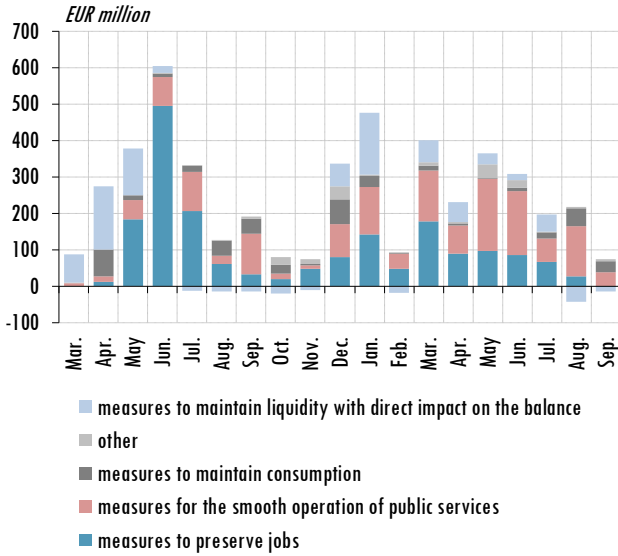
- The cost of COVID-related measures with a direct effect on the state budget balance amounted to EUR 2.311 billion in the first nine months of 2021. This year's volume is therefore around three times the size set out in the budget amendment for this year, which was adopted last October.
- In September, the monthly volume of COVID-related expenditure amounted to EUR 72 million, the lowest since February this year. According to information provided by the Ministry of Finance, applications for funds to settle liabilities arising from the 2021 measures could be submitted until 13 September 2021. Consequently, given the relatively low level of COVID-related expenditure in September, we estimate that COVID-related expenditure will increase

⁷ Available at: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=DRUG4909> (Only in Slovene).

⁸ For more information, see:

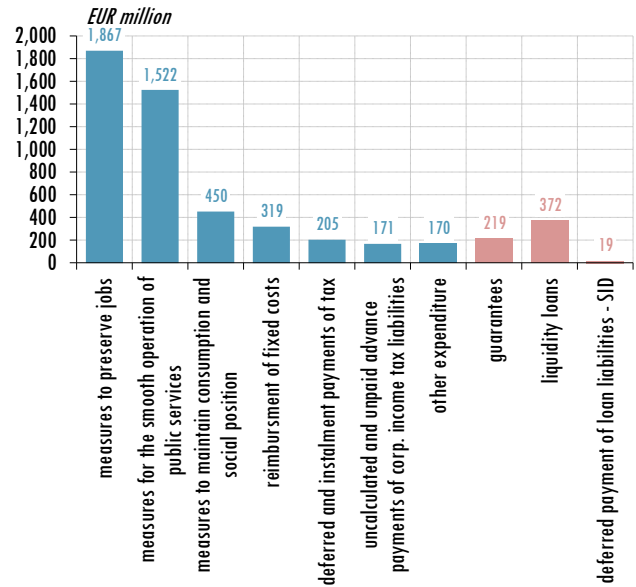
<https://www.gov.si/assets/ministrstva/MF/ekonomska-in-fiskalna-politika/Blagajne-JF/Pregled-javnofinancnih-gibanj-september-2021.pdf> (Only in Slovene).

Figure 3: COVID measures with direct impact on the balance



Source: MoF, FURS, FC calculations.

Figure 4: COVID measures by content



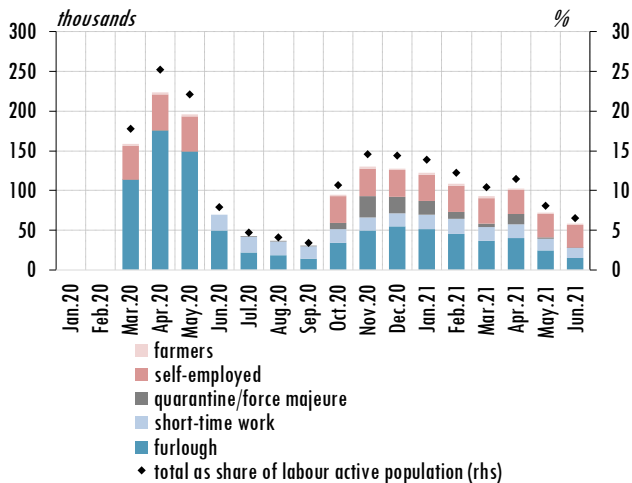
Source: MoF, FURS, SID, SPS, FC calculations.

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

	Mar.-Dec. 2020	Jan.-Sep. 2021	TOTAL
COVID measures with a direct effect on state budget balance - TOTAL	2,393	2,311	4,704
Measures to preserve jobs	1,136	731	1,867
Compensation to temporary laid-off employees	328	333	660
Payment of social contributions for temporary laid-off employees	124	0	124
Partial subsidisation of short-time working	36	38	74
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 ZZZS	19	2	21
Crisis bonus	0	58	58
Subsidising minimum wage	0	25	25
Measures for the smooth operation of public services	515	1,007	1,522
Employee bonuses	204	702	906
Control of the epidemic (protective equipment, etc.)	132	243	375
Measures in education, sport and culture	29	32	61
Compensation for healthcare service providers due to loss of business, incl. concessionaires	105	5	110
Provision of funds to the ZZZS	45	25	70
Measures to maintain consumption and social position	291	159	450
Tourist voucher payments	128	103	231
Solidarity bonus for various groups	163	56	219
Measures to maintain liquidity	389	305	695
Deferred and instalment payments of tax	219	-13	205
Uncalculated and unpaid advance payments of corporate income tax liabilities	171	0	171
Reimbursement of fixed costs	0	319	319
Other expenditure	61	109	170

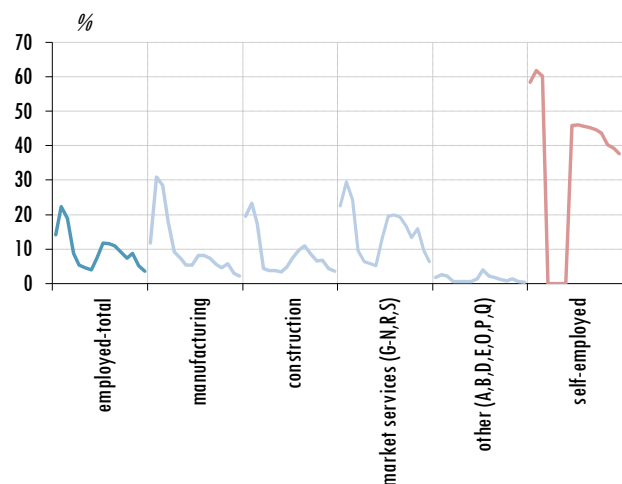
Source: MoF, FURS, FC calculations.

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 September 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 Sept. 2021, data on self-employed according to eligibility up to end of June.

again in the coming months with the disbursement of these claims. Revenue increased by EUR 20 million in September as a result of the COVID-related measures. This is due to the repayment of previously approved deferrals or instalment payments of tax liabilities and revenue from EU funds to finance COVID-related expenditure, which is considered as higher total revenue from EU funds.

- In September, costs of the measures to fight the epidemic and the redemption of tourist vouchers accounted for the bulk of COVID-related expenditure. As part of the efforts to combat the epidemic between March last year and the end of September this year, a total of EUR 64 million was earmarked for the purchase of vaccines and vaccination, EUR 37 million for tests and testing, EUR 49 million for financing the implementation of screening programmes for the early detection of infections, and EUR 18 million for microbiological surveys. According to the data of the Financial Administration of the Republic of Slovenia, 59% of the 2020 vouchers and 33% of the 2021 vouchers were redeemed by the end of September.
- According to available data by the Financial Administration, the total sum of funds actually repaid so far or based on issued decisions for the reimbursement of aid amounted to EUR 95 million. The predominant part comprises decisions on subsidising temporary lay-offs (EUR 41 million).
- Provisional data show that in June (based on disbursements up to and including 30 September 2021), 28 thousand employees were involved in job retention measures (temporary lay-offs, reduced working time, quarantine and force majeure). The measure of subsidising temporary lay-offs expired at the end of June. However, the data provided by the Employment Service of Slovenia show a significant decrease in the number of claims for the compensation due to reduced working time and quarantine in July and August compared to the previous months.