



REPUBLIC OF SLOVENIA  
**FISCAL COUNCIL**

## **Monthly Information**

November 2021

Document No.: 30-1/2021/9

Data available up to and including 3 November 2021 were used.

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

- According to provisional data, the state budget deficit amounted to EUR –2.339 billion in the first ten months of 2021, while without the direct effect of COVID-related measures the deficit would have amounted to EUR –423 million. According to the Ministry of Finance's estimate of the out-turn in September, the state budget deficit is expected to amount to EUR –3.958 billion this year, which is around EUR 1.200 billion more than projected in the budget adopted last autumn.
- Revenue in the first ten months was 19.6% higher than in the same period last year or 8.1% higher without taking into account the direct effect of COVID-related measures.
- Expenditure in the first ten months was 13.9% higher than in the same period last year or 7.5% higher without taking into account the direct effect of COVID-related measures totalling EUR 2.420 billion. The latter is predominantly due to higher labour costs and investment.
- The total level of state budget expenditures for COVID-related measures since March 2020 amounts to EUR 4.424 billion. The largest individual measure was allowances to employees of EUR 928 million, of which around EUR 720 million were paid in the first ten months of this year. The Ministry of Finance's September estimate of the out-turn for 2021 shows that, within the framework of expenditures for COVID measures, labour costs in the last two months of this year are expected to amount to around EUR 230 million.
- The Ministry of Finance's September estimate of the annual out-turn for 2021 shows that the year-on-year expenditure growth without considering the effect of COVID-related measures and investments is expected to increase from 5.0% in the first ten months to 31.8% in the last two months. As the actual out-turn is likely to be lower than these estimates, the projections for the coming years in the budget documents in the process of adoption are again not based on appropriate bases. This increases the risks for a structural deterioration of public finances. These risks also derive from some legislative proposals that are already being considered in the National Assembly.

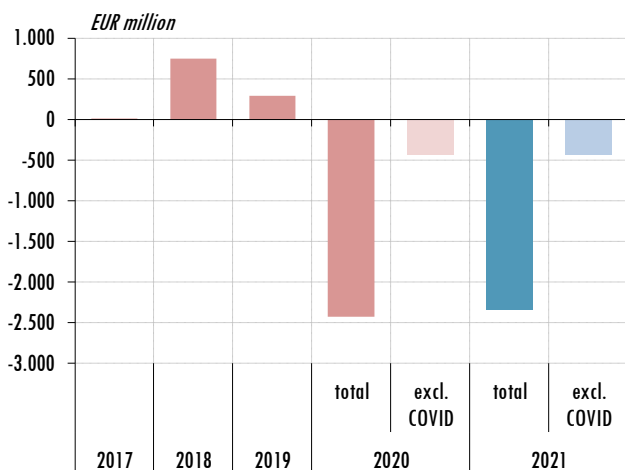
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<sup>1</sup> The Fiscal Council will continue to regularly publish an overview of the implementation of the state budget under the cash flow methodology and COVID-related measures in its monthly publication, subject to availability of such data in the future. All comments pertain to data as at 3 November 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.

### State budget (January–October 2021)<sup>2</sup>

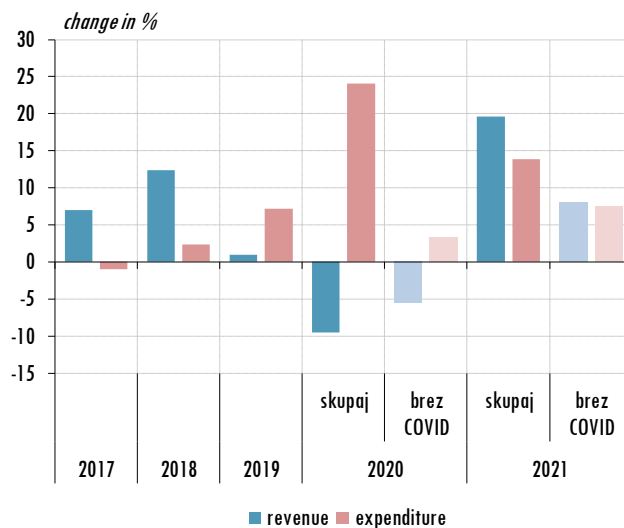
- According to preliminary data, the **state budget** had a surplus of EUR 113 million in October, while the total deficit in ten months amounted to EUR -2.339 billion. Not counting the direct effect of COVID-related measures, the state budget deficit in the first ten months amounted to EUR -423 million, while a surplus (EUR 136 million) was recorded in October.<sup>3</sup>
- **Revenue** in the first ten months of the year amounted to EUR 8.993 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 504 million)<sup>4</sup> in the first ten 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 -330 million). As a result, revenue in the first ten months of 2021 was 8.1% higher on a year-on-year basis than last year, without taking into account the direct effect of COVID-related measures. The out-turn estimate for 2021 prepared by the Ministry of Finance in September envisages a 21.5% growth in total revenues in 2021, which is expected to be largely due to revenues from EU funds and VAT.
- Revenue from the four main categories of tax revenue of the state budget (VAT, excise duties, personal income tax and corporate income tax) was 21.9% higher on a year-on-year basis in the first ten months of this year. Excluding the direct effect of COVID-related measures, its growth was 10.6%. With the recovery of economic activity, revenue from these four categories of taxes, excluding the effect of the anti-crisis measures, was 2.3% or EUR 150 million higher than in the same period of the pre-crisis year 2019. The level from the same period in 2019 is

**Figure 1: State budget balance (January-October)**



Source: MoF, FC calculations.

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



Source: MoF, FC calculations.

<sup>2</sup> The comments on the state budget implementation refer to the daily data available at: <https://proracun.gov.si/#> (Only in Slovene).

<sup>3</sup> In the first ten months, the difference between the cost of COVID-related measures (EUR 2.172 billion) and their effect on the state budget balance (EUR 1.916 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.

<sup>4</sup> The largest part is revenue from EU funds used to finance anti-crisis measures. This is followed by the assessment of unaccounted advance payments of corporate income tax and personal income tax on activities in April and May 2020. The settlement of overpaid personal income tax in the payment of employee allowances in 2020 amounted to a further EUR 54 million.

exceeded most by VAT revenue (by EUR 221 million), while revenue from excise duties is lower by EUR 113 million.

- The high growth of personal income tax revenue continues; in the first ten months it stood at 35.9% and is associated with high growth in wages mainly due to allowances in the public sector. Allowances are paid with the advanced payment of personal income tax, from which they are exempt by law. According to the Ministry of Finance, the final income tax assessment for allowances paid last year amounted to EUR 54 million this year, and is expected to amount to EUR 93 million next year.
- In the first ten months, total non-tax revenue growth (16.7%) predominantly resulted from strong growth in January, which according to the Ministry of Finance stemmed from higher extraordinary revenue from new borrowing<sup>5</sup> and from growth in May as a result of the concession granted for mobile telephony licenses sold<sup>6</sup>.
- The revenue from EU funds amounted to EUR 606 million in the first ten months, up by 8.2% relative to the same period last year. In the remaining two months of the year, EUR 1.025 billion needs to be realised for the implementation of state budget projections. The Ministry of Finance again recognised the overly optimistic projections in the estimate of out-turn from September, when it reduced the annual estimate by EUR 414 million. Even according to this estimate, revenue from EU funds in the last two months of the year is expected to amount to slightly more than in the first ten months combined, and is projected to be as much as 271% higher on a y-o-y basis.

**Table 1: State budget**

	January-October				November-December				change 2021/2020			
	2020		2021		2020		2021*					
	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%		
<b>Revenue</b>	<b>7,520</b>	<b>8,993</b>	<b>1,473</b>	<b>19.6</b>	<b>1,557</b>	<b>2,034</b>	<b>477</b>	<b>30.6</b>	<b>9,078</b>	<b>11,027</b>	<b>1,950</b>	<b>21.5</b>
VAT	2,930	3,429	499	17.0	598	554	-45	-7.5	3,528	3,982	454	12.9
Excise duties	1,127	1,214	87	7.7	188	248	61	32.3	1,314	1,462	148	11.3
Personal income tax	889	1,207	319	35.9	275	324	49	17.8	1,164	1,532	368	31.6
Corporate income tax	631	947	316	50.1	142	144	2	1.5	773	1,091	318	41.1
EU funds	560	606	46	8.2	165	611	446	271.0	725	1,216	492	67.9
Non-tax	603	704	101	16.7	69	32	-36	-53.0	672	736	65	9.6
Other revenue	781	887	105	13.5	121	121	0	0.1	902	1,007	106	11.7
<b>Expenditure</b>	<b>9,950</b>	<b>11,333</b>	<b>1,383</b>	<b>13.9</b>	<b>2,616</b>	<b>3,653</b>	<b>1,037</b>	<b>39.7</b>	<b>12,565</b>	<b>14,986</b>	<b>2,420</b>	<b>19.3</b>
Total labour costs	2,874	3,555	681	23.7	574	954	380	66.2	3,448	4,509	1,061	30.8
Transfers to individ. and househ.	1,626	2,220	593	36.5	341	345	4	1.2	1,967	2,565	598	30.4
Expend. on goods and services	940	1,070	130	13.8	369	365	-4	-1.2	1,309	1,435	125	9.6
Investment	498	752	254	51.0	413	809	396	95.9	911	1,561	650	71.3
Curr. transfers to soc. sec. funds	1,173	1,220	48	4.1	231	339	109	47.2	1,403	1,560	156	11.1
Subsidies	1,203	685	-518	-43.0	195	261	66	34.0	1,398	946	-452	-32.3
Interest	693	648	-44	-6.4	79	108	29	36.7	772	756	-15	-2.0
Payments to the EU budget	416	494	78	18.7	110	119	8	7.5	526	612	86	16.4
Other expenditure	526	688	162	30.8	304	353	49	16.2	830	1,042	211	25.5
<b>Balance</b>	<b>-2,429</b>	<b>-2,339</b>	<b>90</b>		<b>-1,058</b>	<b>-1,619</b>	<b>-560</b>		<b>-3,488</b>	<b>-3,958</b>	<b>-471</b>	

Sources: MoF, FC calculations. Note: \*Implicitly calculated to match MoF forecast. \*\*2021 Outturn estimate (MoF, Sep. 21).

<sup>5</sup> For more information, see <https://www.gov.si/assets/ministrstva/MF/ekonomska-in-fiskalna-politika/Blagajne-JF/Pregled-javnofinancnih-gibanj-februar-2021.pdf> (Only in Slovene).

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

- **Expenditure** in the first ten months of the year was 13.9% higher than in the same period last year, primarily due to the direct effect of expenditure on COVID-related measures totalling EUR 2.420 billion. Without this effect, expenditure would have been 7.5% higher than in the first ten 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 23.7 % on a year-on-year basis, mainly due to the payment of allowances. Without taking into account the effect of COVID-related allowances, total labour cost growth in the first ten months was 7.1%. In addition, without taking into account COVID-related allowances, labour costs were around EUR 340 million or 13.4% 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.<sup>7</sup>
- The higher volume of transfers to individuals and households (36.5%) also significantly contributed to total expenditure growth compared to the first ten 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 %).

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

	January-October 2020		January-October 2021		excl. COVID	
	EUR million		EUR million		y-o-y change	
	COVID	excl. COVID	COVID	excl. COVID	EUR million	%
<b>Revenue</b>	<b>-330</b>	<b>7,851</b>	<b>504</b>	<b>8,490</b>	<b>639</b>	<b>8.1</b>
VAT	-99	3,029	6	3,423	394	13.0
Excise duties	-28	1,155	42	1,172	17	1.5
Personal income tax	-26	915	69	1,139	224	24.5
Corporate income tax	-174	805	152	795	-11	-1.3
EU funds <sup>1</sup>	14	546	255	350	-195	-35.8
Non-tax	0	603	0	704	101	16.7
Other revenue	-17	798	-21	908	110	13.7
<b>Expenditure</b>	<b>1,661</b>	<b>8,289</b>	<b>2,420</b>	<b>8,913</b>	<b>624</b>	<b>7.5</b>
Total labour costs	188	2,687	678	2,877	190	7.1
Transfers to individuals and households	310	1,316	942	1,278	-39	-2.9
Expenditure on goods and services	106	834	188	882	48	5.7
Investment	4	495	26	727	232	46.8
Current transfers to social security funds	67	1,105	1	1,219	114	10.3
Subsidies	886	317	400	285	-32	-10.0
Interest	0	693	0	648	-44	-6.4
Payments to the EU budget	0	416	0	494	78	18.7
Other expenditure	99	427	184	504	77	18.1
<b>Balance</b>	<b>-1,991</b>	<b>-439</b>	<b>-1,916</b>	<b>-423</b>	<b>15</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>7</sup> Available at: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=DRUG4909> (Only in Slovene).

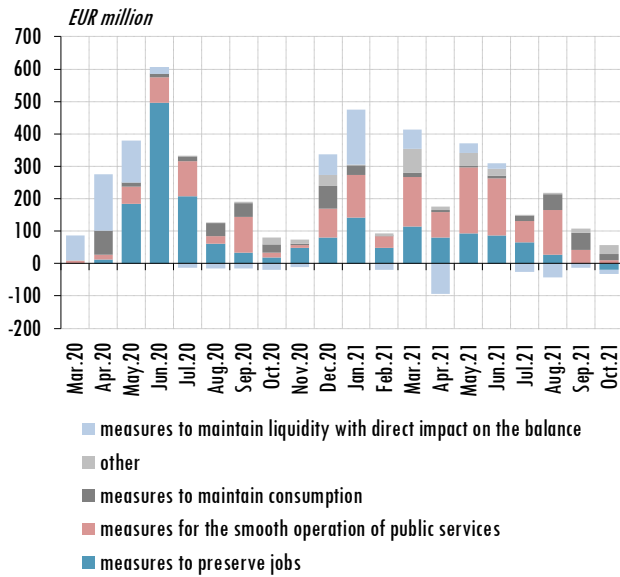
- Investment expenditure in the first ten months amounted to EUR 752 million, representing a year-on-year increase of 51.0%. The 2021 budget projected a 116.6% growth in this category. In the last two months of the year, EUR 1.221 billion needs to be realised for the implementation of projections, which is EUR 310 million more than in the whole of last year. The Ministry of Finance again recognised the overly ambitious plans in the estimate of out-turn from September, which is lower than the adopted budget by EUR 412 million. This would mean that investment expenditure would have to increase by as much as 95.9% in the last two months of this year.
- Transfers to social insurance funds in the first ten months were 4.1% higher than in the corresponding period last year and, without taking into account the effect of COVID-related measures, they were 10.3% 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 ten months increased by 13.8% on a year-on-year basis, while it grew by 5.7% without the effect of COVID-related 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 mitigated by interest expenditure, which was 6.4% lower on a year-on-year basis in the first ten months due to a significant decrease in January.

### Implementation of COVID-related measures (January–October 2021)

- State budget expenditure for COVID-related measures in the first ten months of this year amounted to EUR 2.420 billion, and to EUR 4.424 billion since the beginning of the epidemic in March last year. In October, the monthly volume was the lowest this year (EUR 41 million), which is partly related to the expiry of a number of measures and partly to the suspension of payments of claims. The latter is also linked to the ongoing process of adopting an amendment to the 2021 Framework for drawing up general government budgets. The Ministry of Finance's September estimate of the out-turn for 2021 shows that the expenditure for COVID-related measures in the last two months of the year is expected to amount to EUR 393 million, of which the largest part was allotted for labour costs (EUR 232 million).
- In October, the majority of COVID-related expenditure were annual leave payments under Article 27 of the ZIUPTG (EUR 22 million), tourist voucher payments (EUR 19 million) and expenditure to control the epidemic (EUR 10 million). Expenditure for allowance for temporary laid-off employees decreased by EUR 21 million.
- As part of the measures to combat the epidemic between March last year and the end of October this year, a total of EUR 116 million was earmarked for the purchase of vaccines and vaccination, EUR 93 million for tests and testing, and EUR 18 million for microbiological research.
- According to the data of the Financial Administration of the Republic of Slovenia, 62% of the 2020 vouchers (EUR 222.5 million) and 41% of the 2021 vouchers (EUR 76.5 million) had been redeemed by 24 October.

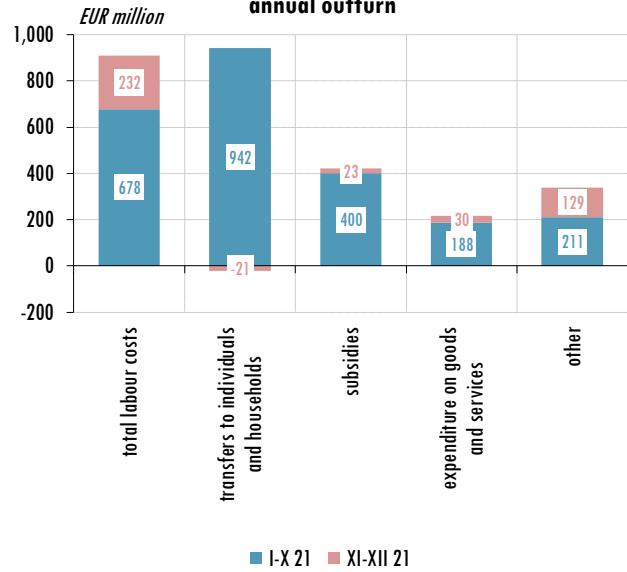
<sup>8</sup> For more information see <https://www.gov.si/assets/ministrstva/MF/ekonomska-in-fiskalna-politika/Blagajne-JF/Pregled-javnofinancnih-gibanj-september-2021.pdf> (Only in Slovene).

Figure 3: COVID measures with direct impact on the balance



Source: MoF, FURS, FC calculations.

Figure 4: Estimate of expenditure for COVID measures annual outturn



Source: MoF Estimate of 2021 state budget outturn (Sep.21).

- 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 99 million. Most of this comprises decisions on subsidising temporary lay-offs (EUR 42 million).

Table 3: State budget expenditure for COVID measures (EUR million)

	Mar.-Dec. 2020	Jan.-Oct. 2021	TOTAL
<b>State budget expenditure for COVID measures</b>	<b>2,004</b>	<b>2,420</b>	<b>4,424</b>
<b>Measures to preserve jobs</b>	<b>1,136</b>	<b>637</b>	<b>1,773</b>
Compensation to temporary laid-off employees	328	268	596
Payment of social contributions for temporary laid-off employees	124	0	124
Partial subsidisation of short-time working	36	39	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	244	440
Sick pay for employed persons is fully covered by the ZZS	19	2	21
Crisis bonus	0	58	58
Subsidising minimum wage	0	25	25
<b>Measures for the smooth operation of public services</b>	<b>515</b>	<b>1,033</b>	<b>1,548</b>
Employee bonuses	204	723	927
Control of the epidemic (protective equipment, etc.)	132	251	383
Measures in education, sport and culture	29	30	59
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>200</b>	<b>492</b>
Tourist voucher payments	128	144	272
Solidarity bonus for various groups	163	56	220
<b>Measures to maintain liquidity</b>	<b>0</b>	<b>319</b>	<b>319</b>
Reimbursement of fixed costs	0	319	319
<b>Other expenditure</b>	<b>61</b>	<b>231</b>	<b>292</b>

Source: MoF, FURS, FC calculations.