



REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Monthly Information

December 2021

Document No.: 30-1/2021/10

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

Key highlights¹

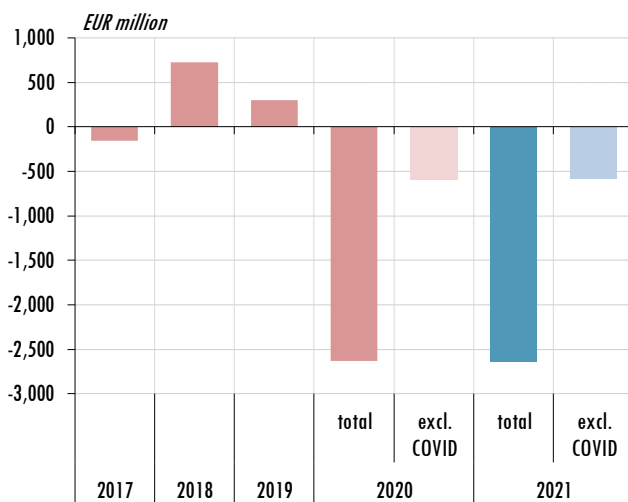
- According to provisional data, the state budget deficit amounted to EUR –2.641 billion in the first eleven months of 2021, while without the direct effect of COVID-related measures, the deficit would have amounted to EUR –577 million. According to the Ministry of Finance's estimate of the outturn in September, the state budget deficit is expected to amount to EUR –3.958 billion this year, which is around EUR 1.2 billion more than projected in the budget adopted last autumn.
- Revenue in the first eleven months was 19.1% higher than in the same period last year or 8.9% higher without taking into account the direct effect of COVID-related measures.
- Expenditure in the first eleven months was 14.7% higher than in the same period last year or 8.2% higher without taking into account the direct effect of COVID-related measures totalling EUR 2.587 billion. The latter is predominantly due to investment and labour costs.
- The total level of state budget expenditures for COVID-related measures since March 2020 amounts to EUR 4.591 billion. The largest individual measure was allowances to employees of around EUR 1 billion, of which around EUR 800 million were paid in the first eleven months of this year. The Ministry of Finance's September estimate of the outturn for 2021 shows that, within the framework of expenditures for COVID measures, labour costs in the last month of this year are expected to amount to around EUR 160 million, which is about two times more than the monthly average to date.
- According to the Ministry of Finance's September estimate of the annual outturn for 2021, state budget expenditure in December is expected to be EUR 2.4 billion, which is around half or EUR 800 million more than in December last year. The year-on-year expenditure growth, not taking into account the effect of COVID-related measures and investment, is expected to increase from 5.7% in the first eleven months to 49.3% in December.
- The data confirm the Fiscal Council's warning in its assessment of the budget documents that the actual outturn is likely to be lower than these estimates. As a result, the projections for the coming years in the adopted budget documents are again not based on appropriate bases. This increases the risks for a structural deterioration of public finance. These risks also derive from some legislative proposals that are already being considered in the National Assembly and the measures taken following the adoption of the budget documents.

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 2 December 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.

The state budget (January–November 2021)²

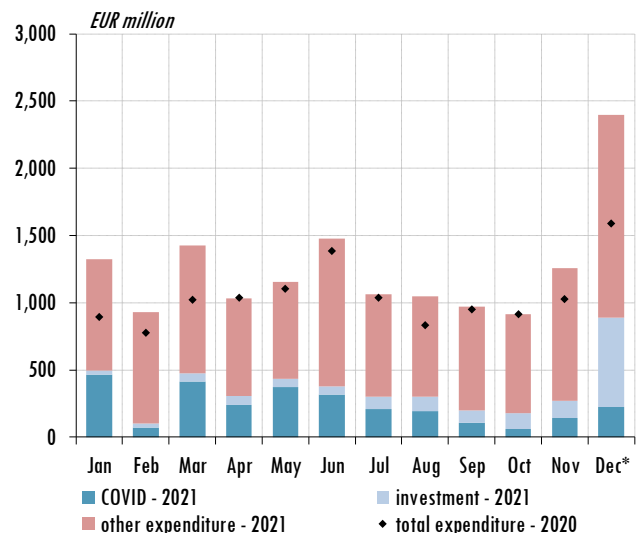
- With a EUR –303 million **deficit** being recorded in November according to preliminary data, the total **state budget deficit** amounted to EUR –2.641 billion in the first eleven months. Not counting the direct effect of COVID-related measures, the state budget deficit amounted to EUR –577 million.³
- **Revenue** in the first eleven months of the year amounted to EUR 9.945 billion, representing a year-on-year increase of 19.1%. The growth was largely due to the low base effect, as revenue fell sharply at the start of the epidemic, as well as a relatively rapid recovery in economic activity this year. The direct effect of COVID-related measures was positive (EUR 523 million)⁴ in the first eleven 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 –307 million). As a result, revenue in the first eleven months of 2021 was 8.9% higher on a year-on-year basis than last year, without taking into account the direct effect of COVID-related measures. The outturn estimate for 2021 prepared by the Ministry of Finance in September envisages a 21.5% growth in total revenue 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 21.0% higher on a year-on-year basis in the first eleven months of this year. Excluding the direct effect of COVID-related measures, its growth was 10.5%. With the recovery of economic activity, revenue from these four categories of taxes, excluding the effect of the anti-crisis measures, was 2.0% or EUR 143 million higher

Figure 1: State budget balance (January–November)



Source: MoF, FC calculations.

Figure 2: State budget expenditure in 2020 and 2021



Source: MoF, FC calculations. Note: * 2021 calculated implicitly, based on MoF state budget outturn estimate for 2021 (Sep. 21).

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

³ In the first eleven months, the difference between the cost of COVID-related measures (EUR 2.324 billion) and their effect on the state budget balance (EUR 2.064 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.

⁴ 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.

than in the same period of the pre-crisis year 2019. VAT revenue exceeded the level from the same period in 2019 (by EUR 221 million), while revenue from excise duties is down EUR 122 million and revenue from corporate income tax down by EUR 137 million.

- The high growth of personal income tax revenue continues; in the first eleven months it stood at 31.9%, which is linked to 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 eleven months, total non-tax revenue growth (16.9%) predominantly resulted from strong growth in January, which according to the Ministry of Finance stemmed from higher extraordinary revenue from new borrowing⁵ and from growth in May as a result of the concession granted for mobile telephony licenses sold⁶.
- The revenue from EU funds amounted to EUR 659 million in the first eleven months, up by 6.5% relative to the same period last year. In the last month of the year, EUR 972 million is expected to be realised for the implementation of state budget projections. The Ministry of Finance again recognised the overly optimistic projections in the estimate of outturn from September, when it reduced the annual estimate by EUR 414 million. Even according to this estimate, revenue from

Table 1: State budget

	January-November				December													
	2020		2021		change		2020		2021*		change		2020		2021**		change	
	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%
Revenue	8,349	9,945	1,597	19.1	729	1,082	353	48.4	9,078	11,027	1,950	21.5						
VAT	3,262	3,813	551	16.9	266	169	-97	-36.3	3,528	3,982	454	12.9						
Excise duties	1,251	1,349	98	7.8	63	113	50	79.2	1,314	1,462	148	11.3						
Personal income tax	1,027	1,354	327	31.9	137	178	40	29.4	1,164	1,532	368	31.6						
Corporate income tax	695	1,027	331	47.7	77	64	-13	-17.3	773	1,091	318	41.1						
EU funds	619	659	40	6.5	106	558	452	425.8	725	1,216	492	67.9						
Non-tax	643	751	109	16.9	29	-15	-44	-152.0	672	736	65	9.6						
Other revenue	852	993	140	16.5	50	15	-35	-70.4	902	1,007	106	11.7						
Expenditure	10,977	12,587	1,610	14.7	1,589	2,399	811	51.0	12,565	14,986	2,420	19.3						
Total labour costs	3,153	3,905	751	23.8	295	604	309	104.9	3,448	4,509	1,061	30.8						
Transfers to individ. and househ.	1,796	2,383	587	32.7	171	181	10	6.1	1,967	2,565	598	30.4						
Expend. on goods and services	1,045	1,205	159	15.2	264	230	-34	-12.9	1,309	1,435	125	9.6						
Investment	593	884	292	49.2	319	677	359	112.5	911	1,561	650	71.3						
Curr. transfers to soc. sec. funds	1,275	1,321	46	3.6	128	239	110	85.8	1,403	1,560	156	11.1						
Subsidies	1,275	743	-531	-41.7	123	203	80	64.9	1,398	946	-452	-32.3						
Interest	759	705	-54	-7.2	13	52	39	306.1	772	756	-15	-2.0						
Payments to the EU budget	480	558	78	16.2	46	54	8	18.5	526	612	86	16.4						
Other expenditure	600	883	283	47.1	230	159	-71	-31.0	830	1,042	211	25.5						
Balance	-2,628	-2,641	-13		-860	-1,317	-458		-3,488	-3,958	-471							

⁵ 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).

⁶ 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).

EU funds in the last month of the year is expected to amount to slightly less than in the first eleven months combined, and is projected to be 426% higher on a year-on-year basis.

- **Expenditure** in the first eleven months of the year was 14.7% higher than in the same period last year, primarily due to the direct effect of expenditure on COVID-related measures totalling EUR 2.587 billion. Without this effect, expenditure would have been 8.2% higher than in the first eleven months of last year, well above the long-term average.
- Almost half of total expenditure growth was due to higher labour costs, which include transfers to public institutions for this purpose. Labour costs increased by 23.8% on a year-on-year basis, mainly due to the payment of allowances. Even without taking into account the effect of COVID-related allowances, total labour cost growth in the first eleven months was relatively high at 6.6%. In addition, without taking into account COVID-related allowances, labour costs were around EUR 360 million or 13.0% 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 (32.7%) also significantly contributed to total expenditure growth compared to the first eleven months of last year, which

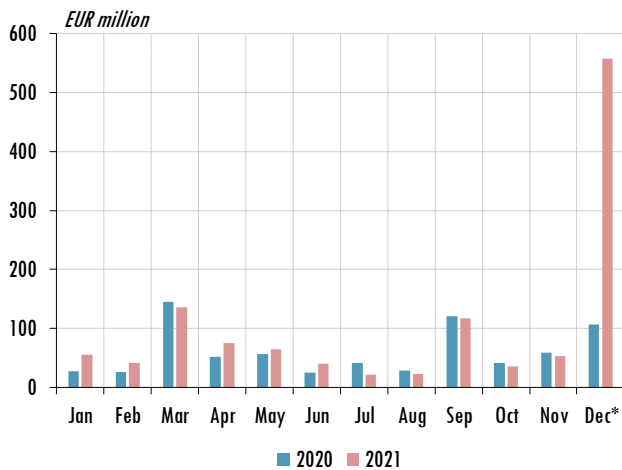
Table 2: Impact of COVID measures on state budget outturn

	January-November 2020		January-November 2021		excl. COVID y-o-y change	
	EUR million		EUR million		EUR million	%
	COVID	excl. COVID	COVID	excl. COVID		
Revenue	-307	8,656	523	9,423	767	8.9
VAT	-94	3,356	14	3,799	443	13.2
Excise duties	-24	1,275	45	1,304	29	2.3
Personal income tax	-26	1,052	69	1,285	232	22.1
Corporate income tax	-173	868	153	874	5	0.6
EU funds ¹	26	593	260	398	-194	-32.8
Non-tax	0	643	0	751	109	16.9
Other revenue	-17	869	-19	1,012	143	16.4
Expenditure	1,731	9,246	2,587	10,000	754	8.2
Total labour costs	190	2,963	747	3,158	195	6.6
Transfers to individuals and households	345	1,451	973	1,411	-41	-2.8
Expenditure on goods and services	108	937	205	999	62	6.7
Investment	5	587	33	851	264	44.9
Current transfers to social security funds	67	1,208	1	1,320	112	9.3
Subsidies	906	369	407	337	-32	-8.8
Interest	0	759	0	705	-54	-7.2
Payments to the EU budget	0	480	0	558	78	16.2
Other expenditure	110	491	186	697	206	42.1
Balance	-2,038	-590	-2,064	-577	13	

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.

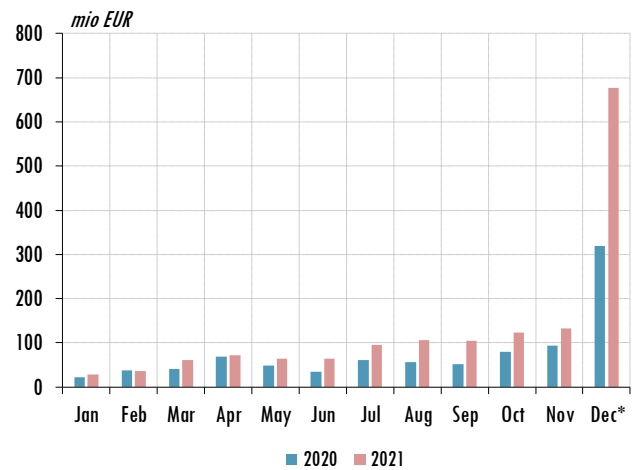
⁷ Available at: <http://www.pisrs.si/Pis.web/pregledPredpisa?id=DRUG4909> (Only in Slovene).

Figure 3: Revenue from EU funds



Source: MoF, FC calculations. Note: *Data for December 2021 calculated implicitly, based on state budget outturn estimate for 2021 (Sep. 21).

Figure 4: Investment expenditure



Source: MoF, FC calculations. Note: *Data for December 2021 calculated implicitly, based on state budget outturn estimate for 2021 (Sep. 21).

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 (−2.8%).

- Investment expenditure in the first eleven months of the year amounted to EUR 884 million, representing a year-on-year increase of 49.2%. The 2021 budget projected a 116.6% growth in this category. In the last month of the year, EUR 1.090 billion is expected to be realised for the implementation of projections, which is EUR 180 million more than in the whole of last year. The Ministry of Finance again recognised the overly ambitious plans in the estimate of outturn 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 112.5% in the last month of this year.
- Transfers to social insurance funds in the first eleven months were 3.6% higher than in the corresponding period last year and, without taking into account the effect of COVID-related measures, they were 9.3% 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 2020.⁸
- Expenditure on goods and services in the first eleven months increased by 15.2% on a year-on-year basis, while it grew by 6.7% 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 7.2% lower on a year-on-year basis in the first eleven months due to a significant decrease in January.

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).

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

- State budget expenditure for COVID-related measures in the first eleven months of this year amounted to EUR 2.587 billion, and to EUR 4.591 billion since the beginning of the epidemic in March last year. In November, expenditure on measures amounted to EUR 143 million. According to the Ministry of Finance's September estimate of the outturn for 2021, this expenditure in the last month is expected to amount to further EUR 226 million, of which the largest part will be allocated to labour costs (EUR 163 million).
- In November, the majority of COVID-related expenditure comprised allowances (EUR 68 million), expenditure to control the epidemic (EUR 28 million), tourist voucher payments (EUR 23 million) and the payment of compensation to the rail passenger transport operator (EUR 20 million).
- Expenditure on the thirteen different employee allowances included in the anti-corona legislative package amounted to EUR 1 billion from March last year to the end of November this year, of which around EUR 800 million was incurred this year. The bulk of this (EUR 745 million) is accounted for by expenditure on risk allowance referred to in Article 123 of the ZIUOPDVE, a piece of Covid legislation. The largest share of that EUR 745 million is accounted for by payments to public institutions founded by municipalities (EUR 270 million), followed by payments to public institutions under the Ministry of Health (EUR 227 million). Also relatively high

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

	Mar.-Dec. 2020	Jan.-Nov. 2021	TOTAL
State budget expenditure for COVID measures	2,004	2,587	4,591
Measures to preserve jobs	1,136	635	1,771
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	75
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	56	56
Subsidising minimum wage	0	25	25
Measures for the smooth operation of public services	515	1,136	1,651
Employee bonuses	204	796	1,000
Control of the epidemic (protective equipment, etc.)	132	281	413
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
Measures to maintain consumption and social position	291	241	532
Tourist voucher payments	128	183	311
Solidarity bonus for various groups	163	57	221
Measures to maintain liquidity	0	312	312
Reimbursement of fixed costs	0	312	312
Other expenditure	61	264	325

Source: MoF, FURS, FC calculations.

Table 4: Overview of employee allowances under the anti-corona legislative packages

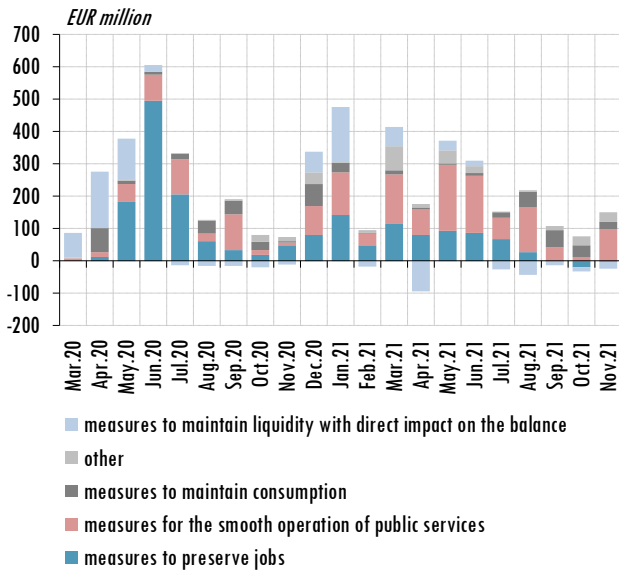
Act	Description	EUR million*
Article 123 of the ZIUOPDVE	Allowance under point 11 of paragraph one of Article 39 of the Collective Agreement for Public Sector – allowance for work in high-risk environments (areas under threat of war, danger of terrorist attacks involving biological agents, demonstrations, natural disasters, epidemics and epizootics), amounting to 65% of the hourly rate of the basic salary of the public employee;	745.579
Article 71 of the ZIUZEOP	Allowance for hazards and special burdens during the epidemic in the amount of up to 100% of the hourly rate of the basic salary of the employee;	201.419
Article 56 of the ZZUOOP	Allowance for direct work with patients, or users, diagnosed with COVID-19, in the amount of 30% of the hourly rate of the basic salary of the employee;	35.026
Article 87 of the ZIUOPDVE	Allowance for hazards and special burdens during the epidemic for public employees in posts classified into salary group J in the healthcare and social care activities in the amount of up to 30% of the hourly rate of the basic salary of the employee;	7.699
Article 125 of the ZIUOPDVE	Allowance for work in high-risk environments for directors in the public sector in the healthcare and social care sectors in the amount of 65% of the hourly rate of the basic salary for half of the regular working time;	3.387
Article 18 of ZNUPZ	An allowance of EUR 400 per month for directors in the public sector for work in education, higher education and research activities, for work in risk environments, and the same amount per month for principals of kindergartens and schools providing emergency care for children and pupils during the second wave of the COVID-19 epidemic, and for principals of institutions for the education of children and adolescents established to work with children with emotional and behavioural disorders;	2.738
Article 86 of the ZIUOPDVE	An allowance for work in risk environments in the amount of 65% of the hourly rate of the basic salary of the employee employed under the public works programme and persons referred to in paragraph five of Article 33 (external contractors);	1.480
Article 42 of the ZNUPZ	An allowance of EUR 200 per month for functionaries classified into salary subgroup A5 as set out in Annex 3 of the Public Sector Salary System Act, and for mayors and deputy mayors performing non-professional functions during the declared COVID-19 epidemic for hazards and special burdens; an allowance of the same amount and under the same conditions shall also be granted to the directors of municipal administrations and to the heads of administrative units;	0.994
Article 88 of the ZIUOPDVE	An allowance for students working with COVID-19 patients in the amount of 30% of the hourly rate of their basic payment;	0.867
Article 66 of ZIUOPE	An allowance of EUR 30 per day for hazards and special burdens during the epidemic for Civil Protection Service members;	0.612
Article 54 of the ZIUOPE	An allowance for hazards and special burdens during the epidemic in the amount of up to a maximum of 65% of the hourly rate of the basic salary of the employee for private contractors;	0.176
Article 55 of the ZZUOOP	Temporary secondment for urgent work needs of providers of the institutional care social service or healthcare providers; the employee is entitled to a temporary secondment allowance equal to 20% of the hourly rate of the basic salary of the employee;	0.007
Article 33 of the ZIUOPDVE	An allowance of 30% of the hourly rate of the employee's basic salary for direct work with patients or users diagnosed with COVID-19; for employees working directly at social care programme providers in grey and red zones;	0.003
TOTAL		999.987

Source: Ministry of Finance, Official Gazette, FC calculations. Note: *Total payments from the state budget in the period from March 2020 to end November 2021.

are payments to public institutions under the Ministry of Labour, Family, Social Affairs and Equal Opportunities, private contractors, and the Ministry of the Interior and the Ministry of Defence.

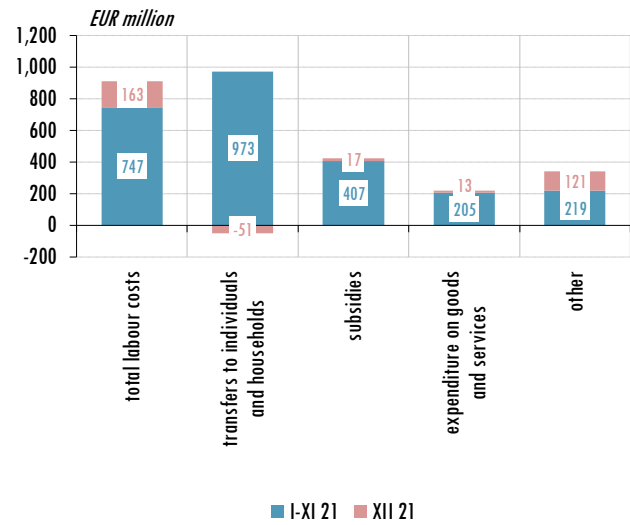
- According to the data of the Financial Administration of the Republic of Slovenia, 68% of the 2020 vouchers (EUR 243.4 million) and 53% of the 2021 vouchers (EUR 99.8 million) had been redeemed by 28 November.

Figure 5: COVID measures with direct impact on the balance



Source: MoF, FURS, FC calculations.

Figure 6: Estimate of expenditure for COVID measures annual outturn



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

- According to available Financial Administration data, the total sum of funds actually repaid so far or based on issued decisions for the reimbursement of aid amounted to EUR 102 million. Most of this comprises decisions on subsidising temporary lay-offs (EUR 43 million).