



REPUBLIC OF SLOVENIA  
**FISCAL COUNCIL**

## **Monthly Information**

April 2022



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

- According to preliminary data, the state budget deficit amounted to EUR 260 million in the first three months of 2022, while without the direct effect of COVID-related measures, there would have been a surplus of EUR 15 million.
- The state budget balance in both comparisons was better than in the same period last year, which is mainly the result of revenue growth as economic activity has recovered.
- Revenue in the first three months of 2022 on a year-on-year basis was 27.1% higher, or 25.4% higher without taking into account the direct effect of COVID-related measures.
- Expenditure in the first three months this year was 9.6% lower on a year-on-year basis, or 10.3% higher without taking into account the direct effect of COVID measures totalling EUR 315 million.
- The total level of state budget expenditure for COVID-related measures from March 2020 to the end of March 2022 amounted to EUR 5.107 billion, EUR 315 million of that in the first three months of 2022.

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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 4 April 2022. Along with the Ministry of Finance, we would like to thank the Financial Administration of the Republic of Slovenia (FURS) for their cooperation and submitted data.

State Budget, January–March 2022<sup>2</sup>

- With a EUR 353 million **state budget deficit** being recorded in March according to preliminary data, the total state budget deficit was EUR 260 million in the first three months of 2022. Not counting the direct effect of COVID-related measures, the state budget surplus in the first three months of 2022 amounted to EUR 15 million.<sup>3</sup>
- In the first three months of this year, **revenues** were 27.1% higher than in the same period last year.<sup>4</sup> The high growth was partly due to a base effect, as revenue was quite low in the same months last year due to restrictive measures, partly due to strong domestic demand or a rapid recovery, and partly due to the receipt of the remainder of the advances of the first tranche of the RRP.<sup>5</sup>
- VAT revenue was the main contributor to the year-on-year growth in revenue (around one third). This was also approximately EUR 150 million higher than in the first three months of 2019. Growth in income tax revenue has moderated considerably with the expiry of the payment of bonuses, which were quite high at the beginning of last year. Despite this, however, this revenue was around EUR 110 million higher than in the same period of the pre-crisis year of 2019.

Table 1: State budget

	January-March				April-December							
	2021	2022	change		2021	2022*	change		2021	2022**	change	
			EUR million	%			EUR million	%			EUR million	%
<b>Revenue</b>	<b>2,412</b>	<b>3,066</b>	<b>654</b>	<b>27.1</b>	<b>8,762</b>	<b>8,403</b>	<b>-359</b>	<b>-4.1</b>	<b>11,174</b>	<b>11,469</b>	<b>295</b>	<b>2.6</b>
VAT	806	1,068	262	32.4	3,425	3,131	-293	-8.6	4,231	4,199	-32	-0.8
Excise duties	308	327	19	6.1	1,162	1,136	-26	-2.2	1,470	1,463	-7	-0.5
Personal income tax	407	468	61	15.0	1,106	1,039	-68	-6.1	1,514	1,507	-7	-0.4
Corporate income tax	202	247	45	22.1	913	807	-105	-11.5	1,115	1,054	-61	-5.4
EU funds	232	398	166	71.5	715	1,275	560	78.4	947	1,673	726	76.7
Non-tax	187	212	26	13.7	631	290	-341	-54.1	818	502	-316	-38.6
Other revenue	269	346	77	28.5	809	723	-86	-10.6	1,079	1,070	-9	-0.8
<b>Expenditure</b>	<b>3,677</b>	<b>3,326</b>	<b>-351</b>	<b>-9.6</b>	<b>10,576</b>	<b>10,614</b>	<b>38</b>	<b>0.4</b>	<b>14,254</b>	<b>13,940</b>	<b>-314</b>	<b>-2.2</b>
Total labour costs	1,067	863	-204	-19.1	3,142	2,940	-202	-6.4	4,209	3,803	-405	-9.6
Transfers to individ. and househ.	836	471	-366	-43.7	1,696	1,207	-489	-28.8	2,532	1,678	-855	-33.8
Expend. on goods and services	272	361	88	32.3	1,251	984	-267	-21.3	1,523	1,344	-179	-11.7
Investment	125	145	21	16.8	1,114	2,146	1,032	92.6	1,238	2,291	1,053	85.0
Curr. transfers to soc. sec. funds	290	405	115	39.7	1,060	1,056	-4	-0.4	1,350	1,461	111	8.2
Subsidies	287	176	-111	-38.7	528	384	-145	-27.4	815	559	-256	-31.4
Interest	386	333	-52	-13.6	341	350	9	2.7	727	683	-43	-6.0
Payments to the EU budget	197	182	-15	-7.7	431	398	-33	-7.7	629	580	-49	-7.7
Other expenditure	218	391	173	79.2	1,013	1,150	137	13.5	1,231	1,541	310	25.2
<b>Balance</b>	<b>-1,266</b>	<b>-260</b>	<b>1,006</b>		<b>-1,814</b>	<b>-2,212</b>	<b>-397</b>		<b>-3,080</b>	<b>-2,472</b>	<b>608</b>	

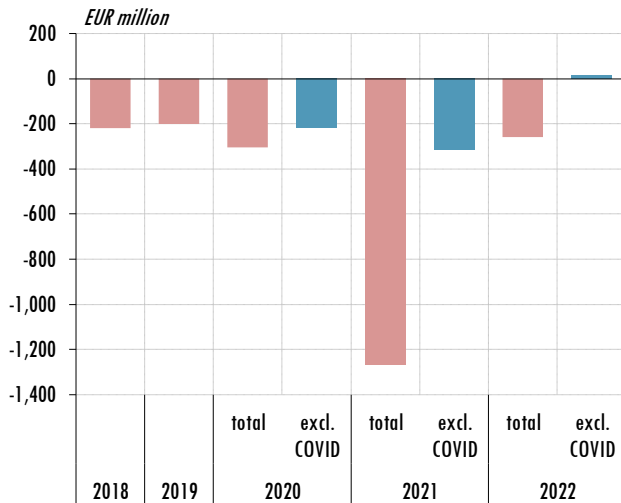
Sources: MoF, FC calculations. Note: \*Implicitly calculated to match MoF forecast. \*\*Amendments to the budget for 2022 (Oct. 21).

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

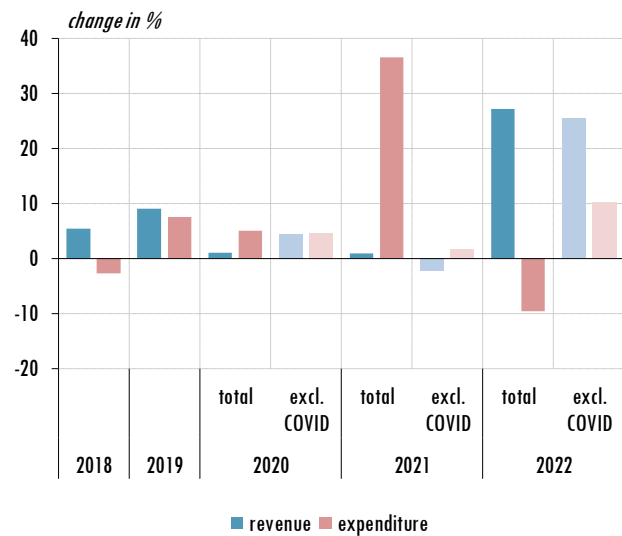
<sup>3</sup> The difference between the cost of COVID-related measures and their effect on the state budget balance is due to EU-funded expenditure on COVID-related measures. In the estimate of the balance not accounting for the effect of COVID-related measures, the EU funds are subtracted from the published revenue from EU funds.

<sup>4</sup> As a result, revenue was 25.4% higher, without taking into account the direct effect of COVID-related measures. In the same period last year, more tax deferrals or instalment payment of tax liabilities was approved than there were refunds, while in the first three months of this year, only refunds of tax liabilities impact the level of revenues.

<sup>5</sup> In January, a further EUR 118 million of the remainder of the EUR 231 million first tranche from the RRP advance payments was received.

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


Source: MoF, FC calculations.

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


Source: MoF, FC calculations.

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

	January-March 2021		January-March 2022		excl. COVID	
	EUR million		EUR million		y-o-y change	
	COVID	excl. COVID	COVID	excl. COVID	EUR million	%
<b>Revenue</b>	<b>-1</b>	<b>2,412</b>	<b>40</b>	<b>3,026</b>	<b>613</b>	<b>25.4</b>
VAT	-16	822	21	1,047	225	27.4
Excise duties	22	286	1	326	40	13.9
Personal income tax	-4	411	2	466	55	13.4
Corporate income tax	1	201	1	245	44	22.0
EU funds <sup>1</sup>	14	218	10	388	170	78.2
Non-tax	0	187	0	212	26	13.7
Other revenue	-18	287	6	340	53	18.4
<b>Expenditure</b>	<b>949</b>	<b>2,729</b>	<b>315</b>	<b>3,011</b>	<b>282</b>	<b>10.3</b>
Total labour costs	220	846	12	851	5	0.6
Transfers to individuals and households	458	378	39	431	53	14.0
Expenditure on goods and services	37	235	111	249	14	6.1
Investment	2	122	6	140	17	14.2
Current transfers to social security funds	0	289	68	337	47	16.4
Subsidies	176	111	12	164	53	48.2
Interest	0	386	0	333	-52	-13.6
Payments to the EU budget	0	197	0	182	-15	-7.7
Other expenditure	54	164	67	323	160	97.8
<b>Balance</b>	<b>-950</b>	<b>-316</b>	<b>-275</b>	<b>15</b>	<b>331</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.

Corporate income tax revenues, which were low in the same period last year due to the restrictive measures, continue to show relatively high growth. As a result of the government's action, the growth of excise duty revenues is relatively low, as they have been lowered at the beginning of February due to high energy prices. In the coming months, we expect much more subdued growth rates in tax revenue, due to the reverse base effect and increased risks to economic growth.

- **Expenditure** in the first three months was 9.6% lower than in the corresponding period last year. This was mainly the consequence of the direct effect of COVID-related measures. These amounted to EUR 949 million in the first three months of last year, against EUR 315 million in the same period this year. Without this effect, expenditure would have been 10.3% higher on a year-on-year basis during the first three months of 2022.
- The amount of the overall growth excluding the effect of COVID measures is due to the transfer of the RRP funds received to the budgetary fund. Without this effect, total growth in the first three months would have been 6.0%.
- Among the other key expenditure categories, higher subsidies and higher transfers to individuals and households and to social security funds were the main contributors to the overall expenditure growth. The increase in transfers to individuals and households was due to the reverse base effect of subsidising transport and meals for pupils<sup>6</sup> and the regular adjustment to inflation in March.<sup>7</sup> The increase in transfers to social security funds was mainly due to the fact that the increase in pension expenditure due to the extraordinary re-adjustment in December and the relatively high regular adjustment was higher than the growth in revenues from social security contributions. As a result, a higher transfer from the state budget was needed to balance the pension and disability insurance fund than in the same period last year.
- Growth in labour costs (excluding the effect of COVID bonuses) was relatively contained in the first three months of this year (0.6%), but the risks to higher growth are most pronounced in the context of the strike announcements and the wage hikes among expenditures that have been adopted but not yet implemented.
- Investment expenditure amounted to EUR 145 million in the first three months, and according to budget projections, another EUR 2.1 billion in investment is expected to be implemented by the end of the year, which is almost EUR 1 billion more than in the whole of last year.

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<sup>6</sup> In the first months of last year, schools were still closed, so there was no expenditure on subsidising transport and meals for pupils.

<sup>7</sup> In March, most social transfers were adjusted to last year's inflation of 4.9% and income limits for determining eligibility for them were also adjusted.

## Implementation of COVID-related measures (January–March 2022)

- The state budget expenditure for COVID-related measures in the first three months of this year amounted to EUR 315 million and to EUR 5,107 million since the beginning of the epidemic in March 2020.
- This year, the bulk of the funds comprises expenditure for the containment of the epidemic, especially testing and vaccination costs. EUR 68 million was earmarked for the third solidarity allowance for pensioners during the epidemic, EUR 47 million was reimbursed to healthcare providers to cover the loss of income due to the care and treatment provided to COVID patients, and EUR 30 million was provided for tourist voucher payments.
- According to available Financial Administration data, the total sum of funds actually repaid by the end of March or based on issued decisions for the reimbursement of aid amounted to EUR 113 million. Furthermore, EUR 338 million of the EUR 472 million in approved deferrals or instalment payments of tax liabilities were repaid.

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

	Mar.- Dec. 2020	Jan.- Dec. 2021	Jan.- Mar. 2022	TOTAL
<b>State budget expenditure for COVID measures</b>	<b>2,004</b>	<b>2,788</b>	<b>315</b>	<b>5,107</b>
<b>Measures to preserve jobs</b>	<b>1,136</b>	<b>632</b>	<b>3</b>	<b>1,771</b>
Compensation to temporary laid-off employees	328	271	2	601
Payment of social contributions for temporary laid-off employees	124	0	0	124
Partial subsidisation of short-time working	36	39	0	75
Payment of contrib. for the pension and disability insurance of employees who worked during the epidemic	435	1	0	436
Basic income and social contributions for the self-employed and other beneficiaries	196	238	0	433
Sick pay for employed persons is fully covered by the ZZS	19	4	1	23
Crisis bonus	0	56	0	56
Subsidising minimum wage	0	24	0	24
<b>Measures for the smooth operation of public services</b>	<b>515</b>	<b>1,274</b>	<b>210</b>	<b>1,999</b>
Employee bonuses	204	823	6	1,033
Control of the epidemic (protective equipment, etc.)	132	384	155	671
Measures in education, sport and culture	29	30	1	60
Compensation for healthcare service providers due to loss of business, incl. concessionaires	105	9	47	162
Provision of funds to the ZZS	45	26	0	72
<b>Measures to maintain consumption and social position</b>	<b>291</b>	<b>287</b>	<b>101</b>	<b>679</b>
Tourist voucher payments	128	228	30	386
Solidarity bonus for various groups	163	59	71	293
<b>Measures to maintain liquidity</b>	<b>0</b>	<b>308</b>	<b>0</b>	<b>308</b>
Reimbursement of fixed costs	0	308	0	308
<b>Other expenditure</b>	<b>61</b>	<b>288</b>	<b>2</b>	<b>351</b>

Source: MoF, FURS, FC calculations.