



REPUBLIC OF SLOVENIA  
**FISCAL COUNCIL**

## **Monthly Information**

June 2022



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

- According to provisional data, the state budget deficit amounted to EUR -22 million in the first five months of 2022, while without taking into account the direct effect of COVID-related measures, there would have been a surplus of EUR 309 million.
- Revenue in the first five months of 2022 on a year-on-year basis was 17.3% higher, or 20.1% higher excluding the direct effect of COVID-related measures.
- Expenditure in the first five months of this year was -9.2% lower on a year-on-year basis, or 14.4% higher excluding the direct effect of COVID measures totalling EUR 402 million.
- The total level of state budget expenditures for COVID-related measures from March 2020 to the end of May this year amounts to EUR 5,194 million.
- The decrease in the deficit compared to the same period last year is mainly due to lower expenditure on COVID-related measures and revenue growth as a result of a recovery in economic activity. If there is no significant deterioration in the economic situation by the end of the year, we estimate that revenue will be higher than projected in the state budget. As a consequence, the deficit should also be lower if the expenditure target is met. On the other hand, the key short-term downside risks are an increase in labour costs if trade union demands are met, and the recovery of financial losses to oil product sellers or possible additional measures to limit the impact of high prices on households and the economy.

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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 the availability of such data in the future. All comments pertain to data as at 2 June 2022. Along with the Ministry of Finance, we would like to thank the Financial Administration of the Republic of Slovenia (FURS) for its cooperation and submitted data.

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

- In May, the state budget showed a surplus of EUR 91 million according to provisional data, while the total deficit in the first five months amounted to EUR -22 million. Not counting the direct effect of COVID-related measures, the state budget surplus in the first five months amounted to EUR 309 million.<sup>3</sup>
- Revenues in the first five months of this year were 17.3% higher than in the same period last year.<sup>4</sup> The high growth is partly due to a base effect, when revenue was quite low in the same months last year due to the restrictive measures, partly due to high domestic demand or the rapid recovery, and partly due to receipt of the remainder of the advances of the first tranche of the Recovery and Resilience Plan (RPP).<sup>5</sup>
- VAT revenue was the main contributor to the year-on-year growth in revenue (almost half). It was also approximately EUR 350 million higher than in the first five months of 2019. Growth in income tax revenue has moderated considerably with the expiry of the payment of allowances, which were quite high at the beginning of last year. Nevertheless, this revenue was around EUR 150 million higher than in the same period of the pre-crisis year of 2019. Corporate income tax revenues increased by 40.7 % year on year in the first five months of this year due to an

Table 1: State budget

	January-May				June-December							
	2021	2022	change		2021	2022*	change		2021	2022**	change	
			EUR million	%			EUR million	%			EUR million	%
<b>Revenue</b>	<b>4,517</b>	<b>5,300</b>	<b>783</b>	<b>17.3</b>	<b>6,657</b>	<b>6,168</b>	<b>-489</b>	<b>-7.3</b>	<b>11,174</b>	<b>11,469</b>	<b>295</b>	<b>2.6</b>
VAT	1,538	1,893	355	23.1	2,693	2,306	-387	-14.4	4,231	4,199	-32	-0.8
Excise duties	535	538	3	0.6	936	925	-11	-1.1	1,470	1,463	-7	-0.5
Personal income tax	701	745	43	6.2	812	762	-50	-6.2	1,514	1,507	-7	-0.4
Corporate income tax	532	749	216	40.7	583	305	-277	-47.6	1,115	1,054	-61	-5.4
EU funds	371	513	142	38.4	576	1,160	584	101.4	947	1,673	726	76.7
Non-tax	409	297	-112	-27.3	409	205	-204	-49.9	818	502	-316	-38.6
Other revenue	431	565	134	31.1	648	505	-143	-22.1	1,079	1,070	-9	-0.8
<b>Expenditure</b>	<b>5,860</b>	<b>5,322</b>	<b>-538</b>	<b>-9.2</b>	<b>8,394</b>	<b>8,618</b>	<b>225</b>	<b>2.7</b>	<b>14,254</b>	<b>13,940</b>	<b>-314</b>	<b>-2.2</b>
Total labour costs	1,791	1,444	-347	-19.4	2,418	2,359	-59	-2.4	4,209	3,803	-405	-9.6
Transfers to individ. and househ.	1,248	802	-446	-35.8	1,284	876	-408	-31.8	2,532	1,678	-855	-33.8
Expend. on goods and services	500	573	73	14.7	1,024	771	-252	-24.7	1,523	1,344	-179	-11.7
Investment	259	334	75	29.1	979	1,957	977	99.8	1,238	2,291	1,053	85.0
Curr. transfers to soc. sec. funds	508	594	86	16.8	841	867	25	3.0	1,350	1,461	111	8.2
Subsidies	481	346	-135	-28.1	334	213	-121	-36.2	815	559	-256	-31.4
Interest	425	346	-79	-18.6	302	338	36	11.8	727	683	-43	-6.0
Payments to the EU budget	285	303	18	6.2	344	277	-66	-19.3	629	580	-49	-7.7
Other expenditure	364	580	217	59.5	867	961	93	10.8	1,231	1,541	310	25.2
<b>Balance</b>	<b>-1,343</b>	<b>-22</b>	<b>1,322</b>		<b>-1,737</b>	<b>-2,450</b>	<b>-713</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).

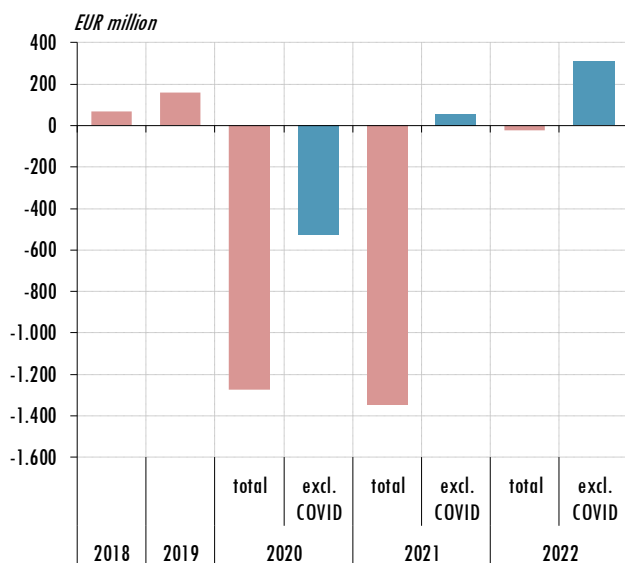
<sup>2</sup> The comments on the state budget implementation refer to the daily data available at: <https://proracun.gov.si/#>. (only in Slovene)

<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 20.1% higher, without taking into account the direct effect of COVID-related measures. In the same period last year, more tax deferrals or instalment payments of tax liabilities were approved than there were refunds, while in the first five months of this year, only refunds of tax liabilities impact the level of revenues.

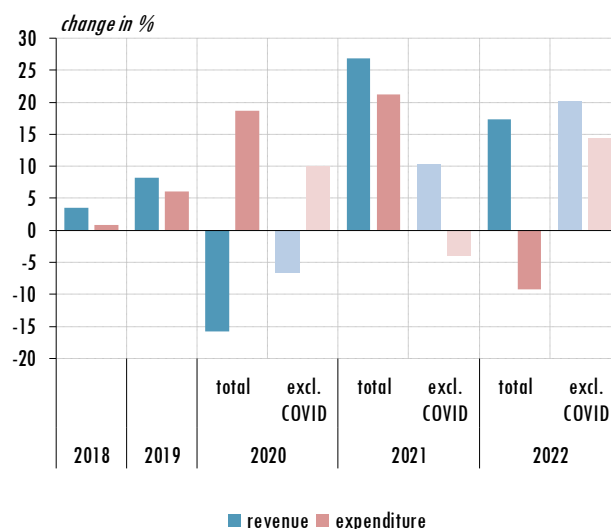
<sup>5</sup> In January, a further EUR 118 million of the remainder of the EUR 231 million first tranche from the RRP advance payments was received.

Figure 1: State budget balance (January-May)



Source: MoF, FC calculations.

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



Source: MoF, FC calculations.

Table 2: Impact of COVID measures on state budget outturn

	January-May 2021		January-May 2022		excl. COVID	
	EUR million		EUR million		y-o-y change	
	COVID	excl. COVID	COVID	excl. COVID	EUR million	%
<b>Revenue</b>	<b>163</b>	<b>4,354</b>	<b>71</b>	<b>5,229</b>	<b>875</b>	<b>20.1</b>
VAT	-15	1,553	38	1,855	302	19.4
Excise duties	29	506	1	537	31	6.1
Personal income tax	-6	707	5	740	32	4.5
Corporate income tax	149	384	3	746	362	94.4
EU funds <sup>1</sup>	32	339	14	499	160	47.2
Non-tax	0	409	0	297	-112	-27.3
Other revenue	-25	457	9	556	99	21.7
<b>Expenditure</b>	<b>1,561</b>	<b>4,300</b>	<b>402</b>	<b>4,920</b>	<b>621</b>	<b>14.4</b>
Total labour costs	416	1,374	21	1,422	48	3.5
Transfers to individuals and households	638	610	55	746	136	22.3
Expenditure on goods and services	114	386	130	444	58	15.0
Investment	4	255	8	326	72	28.2
Current transfers to social security funds	1	508	68	526	18	3.6
Subsidies	289	192	17	328	136	71.0
Interest	0	425	0	346	-79	-18.6
Payments to the EU budget	0	285	0	303	18	6.2
Other expenditure	99	265	102	479	214	80.7
<b>Balance</b>	<b>-1,398</b>	<b>55</b>	<b>-330</b>	<b>309</b>	<b>254</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.

exceptionally high May settlement as a result of the strong performance of businesses last year. As a consequence of the government's action, growth in excise duty revenues is relatively low, as such duties have been reduced since early February due to the high energy prices. In the coming months, we expect more subdued growth rates in tax revenue, due to the reverse base effect and increased risks to economic growth. On a full-year basis, however, these will be higher than expected at the time of the adoption of the state budget, unless there is a significant deterioration in the economic situation.

- Expenditure in the first five months was -9.2% lower than in the corresponding period last year. This was mainly a consequence of the direct effect of COVID-related measures. These amounted to EUR 1,561 million in the first five months of last year and to EUR 402 million in the same period this year. Without this effect, expenditure would have been 14.4% higher on a year-on-year basis during the first five months of 2022.
- A large part of the overall growth, excluding the effect of COVID-related measures, is due to the transfer of EUR 118 million of the RRP funds to the budgetary fund. Without this effect, total expenditure growth would have been 12.0% over the five months.
- Among the other key expenditure categories, higher subsidies and transfers to individuals and households were the main contributors to the overall 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>
- Growth in labour costs (excluding the effect of COVID-19 related allowances) stood at 3.5% in the first five months of this year, but the risks to higher growth in this expenditure area are most pronounced.
- Expenditure on investments amounted to EUR 334 million in the first five months, and according to budgetary projections, another EUR 2.0 billion in investments is expected by the end of the year, which is approximately EUR 700 million more than 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 such were also adjusted.

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

- The state budget expenditure for COVID-related measures in the first five months of this year amounted to EUR 402 million and to EUR 5,194 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. A total of 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 46 million was provided for tourist voucher payments.
- According to available Financial Administration data, the total sum of funds actually repaid by the end of May or based on issued decisions for the reimbursement of aid amounted to EUR 134 million. Furthermore, EUR 364 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.- May 2022	TOTAL
<b>State budget expenditure for COVID measures</b>	<b>2,004</b>	<b>2,788</b>	<b>402</b>	<b>5,194</b>
<b>Measures to preserve jobs</b>	<b>1,136</b>	<b>632</b>	<b>9</b>	<b>1,777</b>
Compensation to temporary laid-off employees	328	271	6	605
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	3	25
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>269</b>	<b>2,058</b>
Employee bonuses	204	823	13	1,040
Control of the epidemic (protective equipment, etc.)	132	384	204	720
Measures in education, sport and culture	29	30	2	61
Compensation for healthcare service providers due to loss of business, incl. concessionaires	105	9	47	162
Provision of funds to the ZZS	45	26	3	74
<b>Measures to maintain consumption and social position</b>	<b>291</b>	<b>287</b>	<b>118</b>	<b>697</b>
Tourist voucher payments	128	228	46	402
Solidarity bonus for various groups	163	59	72	295
<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>5</b>	<b>355</b>

Source: MoF, FURS, FC calculations.