



REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Monthly Information

April 2023

Key highlights¹

- In the first three months of this year, the state budget had a deficit (EUR 324 million). Excluding the direct impact of expenditure on anti-COVID measures (EUR 58 million) and anti-inflationary measures (EUR 237 million), the deficit was EUR 30 million.
- Based on the latest available information, we estimate that the state budget expenditure on anti-inflationary measures will amount to around EUR 800 million in 2023 as a whole, around EUR 500 million less than foreseen when the 2023 budget amendments were prepared in autumn last year. At the start of drafting the revised budget, the Government announced that this is the principal reason why total expenditure this year would be around EUR 600 million lower than planned.
- In line with the legislative deadlines, we expect the Government to adopt the draft Stability Programme containing four-year projections for the general government sector as a whole (for the period 2023–2026) by 10 April, while the draft revised state budget (for 2023), which represents the bulk of the general government sector, is not expected to be considered until 20 April. Key budget documents should be aligned in terms both of timeline of drafting and content. This is particularly important in the context of the announced changes to the EU's economic governance system, where credible medium-term planning is set to become the cornerstone for assessing fiscal sustainability.

¹ The Fiscal Council will continue to regularly publish an overview of the implementation of the state budget under the cash flow methodology, COVID-related measures and measures to ease the cost of living crisis in its monthly publication, subject to the availability of such data in the future. All comments pertain to data as at 4 April 2023.

State budget January–March 2023²

- With a EUR 421 million **state budget deficit** being recorded in March according to preliminary data, the total state budget deficit was EUR 324 million in the first three months of 2023. Excluding the direct impact of COVID-related expenditure and anti-inflationary measures, the budget deficit in the first three months of this year totalled EUR 30 million, compared to a surplus (EUR 90 million) in the first three months of last year.
- Total **revenue** in the first three months of this year was 2.7% lower on a year-on-year basis, particularly due to lower revenue from EU funds³ and lower non-tax revenue.
- VAT and excise revenue growth picked up in March on the back of a lower base from March last year, while personal income tax revenues were 6.9% lower year-on-year in the first three months of this year, on the back of further reductions in the tax burden.
- The total **expenditure** in the first three months of 2023 was 0.6% lower on a year-on-year basis, primarily as a result of lower COVID-related expenditure. Excluding COVID-related expenditure and the impact of anti-inflationary measures, “core” expenditure increased by 4.2% year-on-year.
- The year-on-year growth in “core” expenditure was mainly driven by higher expenditure on labour costs (10.3%) as a result of the wage increase agreement reached last autumn. Their growth will strengthen further in the coming months due to the agreed second tranche of higher payments with April wages.
- The growth in “core” expenditure was further boosted by higher investment expenditure amid a continuation of relatively high investment activity and, following a pick-up in growth in March, by year-on-year higher expenditure on transfers to individuals and households and on expenditure on goods and services. We expect the adopted revised budget to increase expenditure in the

Figure 1: State budget balance

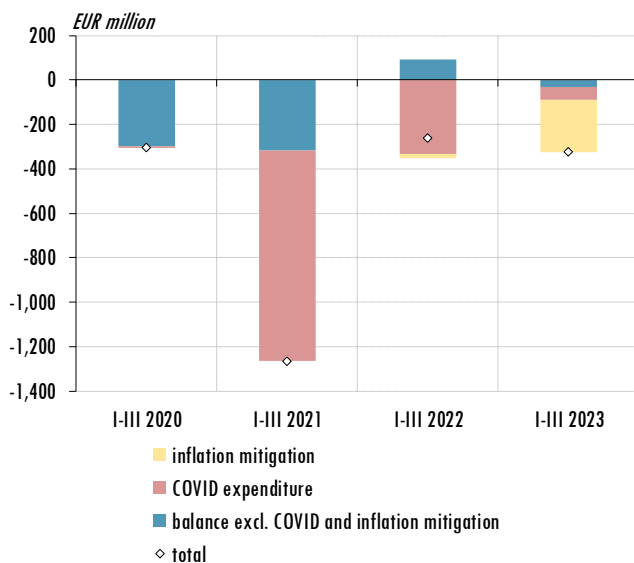
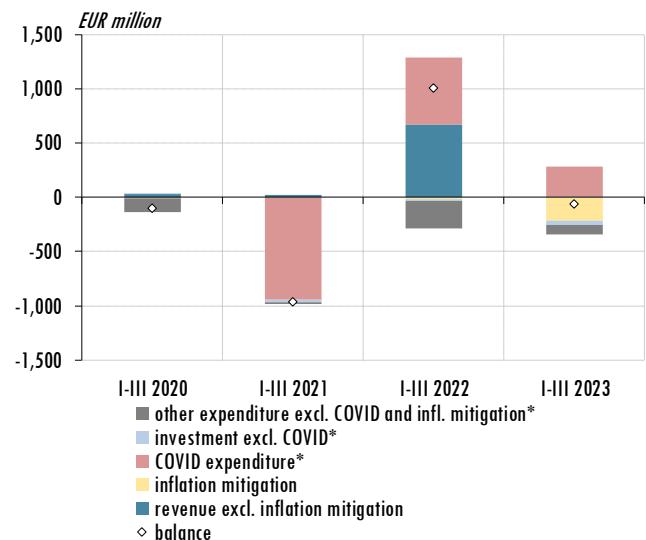


Figure 2: Factors of state budget balance change



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

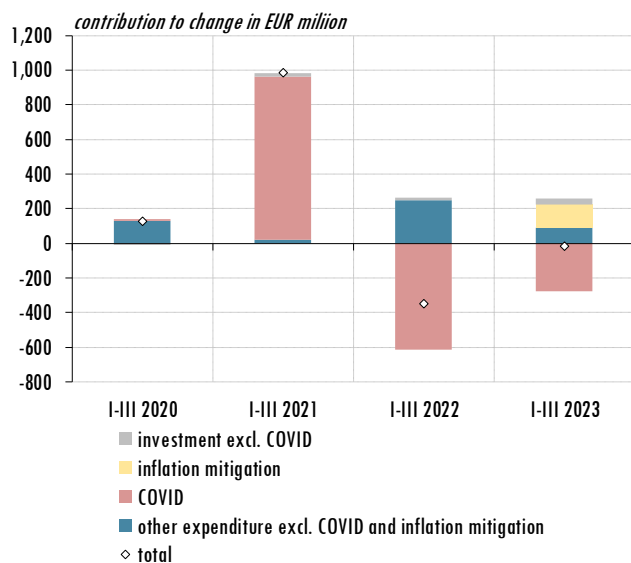
³ The decrease compared to the first three months of last year is largely the result of a high base amount, as the second portion of the advance payment by the Recovery and Resilience Fund (EUR 118 million) was received in January last year.

Table 1: State budget

	Jan.-Mar.				Apr.-Dec.				2022	2023**	2023 compared to 2022	
	2022	2023	2023 compared to 2022		2022	2023*	2023 compared to 2022				EUR million	%
			EUR million	%			EUR million	%				
Revenue	3,067	2,983	-83	-2.7	9,278	10,394	1,116	12.0	12,345	13,377	1,033	8.4
VAT	1,068	1,153	85	7.9	3,680	3,885	206	5.6	4,747	5,038	290	6.1
Excise duties	327	372	45	13.6	1,119	1,081	-39	-3.4	1,446	1,452	6	0.4
Personal income tax	468	436	-32	-6.9	1,118	1,283	166	14.8	1,586	1,719	133	8.4
Corporate income tax	247	297	50	20.5	1,307	1,219	-88	-6.7	1,553	1,516	-38	-2.4
EU funds	398	257	-141	-35.3	560	1,521	961	171.8	957	1,778	821	85.7
Non-tax	212	145	-67	-31.6	558	397	-161	-28.9	770	542	-228	-29.6
Other revenue	347	324	-23	-6.7	938	1,009	71	7.6	1,284	1,332	48	3.7
Expenditure	3,326	3,308	-18	-0.6	10,383	13,384	3,001	28.9	13,709	16,691	2,983	21.8
Total labour costs	883	974	91	10.3	2,868	3,205	337	11.8	3,751	4,180	428	11.4
Transfers to individ. and hou.	471	474	4	0.8	1,494	1,390	-105	-7.0	1,965	1,864	-101	-5.1
Exp. on goods and services	360	271	-89	-24.7	1,167	1,141	-26	-2.2	1,526	1,411	-115	-7.5
Investment	145	178	33	22.4	1,523	2,274	751	49.3	1,669	2,452	784	47.0
Curr. transf. to soc. sec. funds	383	310	-73	-19.1	1,142	1,533	391	34.3	1,526	1,844	318	20.9
Subsidies	177	276	99	56.1	456	226	-230	-50.4	632	502	-131	-20.7
Interest	335	366	31	9.1	320	280	-40	-12.5	655	646	-9	-1.4
Payments to the EU budget	182	167	-16	-8.6	547	487	-60	-10.9	730	654	-75	-10.3
Other expenditure	390	292	-99	-25.2	865	2,847	1,982	229.1	1,255	3,139	1,883	150.0
Balance	-259	-324	-65		-1,104	-2,989	-1,885		-1,364	-3,314	-1,950	

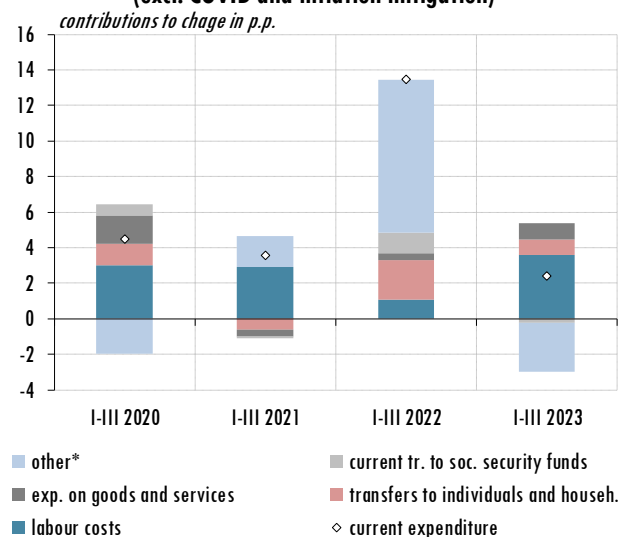
Source: MoF, FC calculations. Note: *implicitly calculated to match MoF forecast. **Revised state budget (Oct. 22).

Figure 3: Structure of state budget expenditure growth



Source: MoF, FC calculations.

Figure 4: Current expenditure factors (excl. COVID and inflation mitigation)



Source: MoF, FC calculations. Notes: *subsidies, payments to the EU budget, other expenditure.

Table 2: State budget (excluding COVID and inflation mitigation)

	I-III 2022				I-III 2023				I-III 23/ I-III 22, %		I-III 23/ I-III 22, EUR million	
	total	COVID mitig.	infl. mitig.	excl. COVID and infl. mit	total	COVID mitig.	infl. mitig.	excl. COVID and infl. mit.	total	excl. COVID and infl.	total	excl. COVID and infl. mit
Revenue	3,067		-18	3,085	2,983		-107	3,090	-2.7	0.2	-83	5
VAT	1,068		0	1,068	1,153		-44	1,196	7.9	12.0	85	128
Excise duties	327		-18	345	372		-27	399	13.6	15.5	45	54
Personal income tax	468			468	436			436	-6.9	-6.9	-32	-32
Corporate income tax	247			247	297			297	20.5	20.5	50	50
EU funds	398			398	257			257	-35.3	-35.3	-141	-141
Non-tax	212			212	145			145	-31.6	-31.6	-67	-67
Other revenue	347		0	347	324		-36	360	-6.7	3.7	-23	13
Expenditure	3,326	333	0	2,993	3,308	58	130	3,119	-0.6	4.2	-18	126
Total labour costs	883	12		871	974	9	4	961	10.3	10.4	91	91
Transfers to individ. and hou.	471	44	0	427	474	3	24	448	0.8	4.9	4	21
Exp. on goods and services	360	116		244	271	4		267	-24.7	9.6	-89	23
Investment	145	7		139	178	4		174	22.4	25.3	33	35
Curr. transf. to soc. sec. funds	383	68		315	310	0		310	-19.1	-1.6	-73	-5
Subsidies	177	15	0	162	276	22	101	153	56.1	-5.8	99	-9
Interest	335			335	366			366	9.1	9.1	31	31
Payments to the EU budget	182			182	167			167	-8.6	-8.6	-16	-16
Other expenditure	390	72		318	292	17	1	274	-25.2	-14.1	-99	-45
Balance	-259	-333	-18	91	-324	-58	-237	-30			-65	-121

Source: MoF, FC calculations.

latter two categories of spending, as in our assessment they were underestimated in the budget amendments adopted last autumn.

- The growth in spending was restricted by other expenditure that was lower year-on-year resulting from the effect of last year's high base;⁴ there was also a decrease in subsidies and payments into the EU budget.

⁴ The RRF funds received in January last year were transferred to the budget fund and were simultaneously recorded on the expenditure side as reserve expenditure.

Implementation of the measures to mitigate the consequences of the epidemic and anti-inflationary measures in the period January–March 2023

- The state budget expenditure on COVID-related measures totalled EUR 58 million in the first three months of this year. A total of EUR 445 million has been budgeted for this purpose till the end of the year. The bulk of this year's expenditure incurred so far includes expenditure related to salary compensation due to isolation (EUR 32 million) and vaccination costs (EUR 14 million).
- The effect of anti-inflationary measures in the first three months of this year was EUR 237 million. According to the Ministry of Finance's estimate, revenue given continued lower excise duties, reduced VAT rates on energy products and carbon tax relief is estimated to be lower by EUR 107 million. Expenditure on anti-inflationary measures in the same period totalled EUR 130 million, which was mainly due to subsidies to the economy under Article 14 of the ZPGOPEK (EUR 79 million).