



REPUBLIC OF SLOVENIA  
**FISCAL COUNCIL**

## **Monthly Information**

October 2023



**Key points <sup>1</sup>**

- In the first nine months of 2023, the state budget recorded a deficit of EUR 764 million, which amounted to EUR 57 million excluding the impact of various intervention measures.
- State budget trends in the first nine months were worse than in the same period last year. The total deficit was higher (by EUR 445 million), and the “core” balance (excluding intervention measures) decreased by EUR 597 million, following a surplus in the same period last year. After last year's high growth, revenue is virtually stagnant, while growth in “core” consumption continues. Due to structural changes, this year's growth is somewhat slower than in the same period last year, but it remains relatively high, largely stemming from stronger growth in expenditure for labour costs due to the agreement reached last autumn.
- The nine-month outturn confirms the Fiscal Council's assessment as regards continued unrealistic budget planning, which can form an inappropriate basis for the high level of expenditure set for the following years and offer opportunities for the irrational use of public funds. According to the assessment of the state budget outturn for 2023, which the Fiscal Council received with the draft budget documents for the next two years, the deficit in the last three months of this year is expected to amount to as much as EUR 2.4 billion. That would mean EUR 1 billion more than last year's total and approximately three times as much as in the last three months of 2020, i.e. during the pandemic.
- On 29 September, the Fiscal Council received from the Ministry of Finance proposals for an Amendment to the Decrees on the Drafting of Budgets for the General Government Sector for 2022-2024 and 2024-2026, as well as a proposal for amendments to the State Budget for 2024 and the draft State Budget for 2025. This was the start of the 15-day deadline set by the Public Finance Act for the preparation of the assessment of the Framework, and the Fiscal Council has until 20 October to prepare its assessment of the draft national budgets. At the same time, the Fiscal Council has not yet received the accompanying projections for the general government sector under the ESA methodology for 2025. Without these, it will not be possible to prepare an assessment of compliance with the fiscal rules in the draft budget for 2025, consistent with the Fiscal Rule Act, for that year.

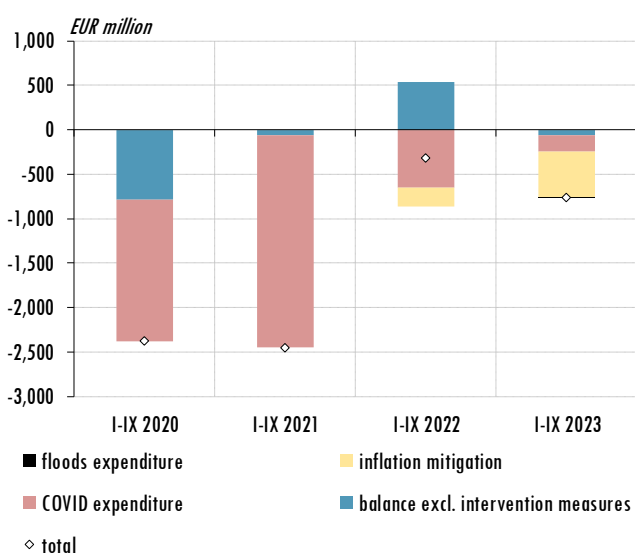
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<sup>1</sup> The Fiscal Council will continue to publish in its regular monthly publication an overview of the state budget outturn under the cash flow methodology and of measures related to COVID-19 and to mitigating the cost-of-living crisis, subject to the availability of such data in the future. All comments pertain to data as at 4 October 2023.

### The state budget January–September 2023<sup>2</sup>

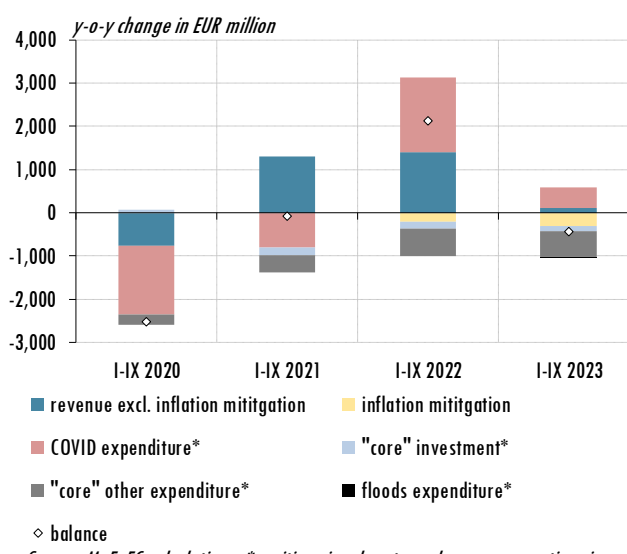
- With a EUR 30 million **state budget deficit** being recorded in September, according to preliminary data, the deficit was EUR 764 million in the first nine months of 2023. Excluding the direct effect of intervention measures related to the epidemic (EUR 189 million), the cost-of-living crisis (EUR 506 million) and the floods (EUR 12 million), the state budget had a deficit of EUR 57 million in the first nine months. In the same period last year, it had a “core” surplus of EUR 540 million, mainly due to strong cyclical and inflation-driven revenue growth.
- Total **revenue** in the first nine months of this year was 1.2% higher on a year-on-year basis (there was 17.6% growth in the same period last year). In particular, revenue from corporate income tax is lower year-on-year, mainly due to the effect of last year’s high base, when the 2021 balancing payments of tax were at a record high, EU funding and non-tax revenue. Growth slowed considerably in VAT inflows, which is the main source of state budget revenue, mainly due to lower consumption and partly also to the lower VAT rate on energy products, which ended at the end of May. In contrast, growth in income tax revenue (favourable labour market conditions and high nominal wage growth) and excise duties (an increase in excise duties) has strengthened this year.
- Total **expenditure** in the first nine months of this year was 5.1% higher year-on-year, while the “core” expenditure (excluding intervention measures) was 8.0% higher. The year-on-year growth in “core” expenditure was mainly driven by higher expenditure on labour costs (12.0%) as a result of the wage increase agreement reached last autumn. Its growth strengthened further in May, due to the second tranche of higher wage payments; however, it is expected to slow down from October due to the base effect, as the concluded agreement started to affect expenditure from October last year. The growth in “core” expenditure was further boosted by higher transfers to social security funds and investment expenditure in the context of continued relatively high investment activity, which, as usual, is still lagging behind the over-optimistic projections. This is also illustrated by the fact that, according to the latest outturn estimate by the

Figure 1: State budget balance



Source: MoF, FC calculations.

Figure 2: Factors of state budget balance change



Source: MoF, FC calculations. \*positive sign denotes a decrease, negative sign denotes an increase.

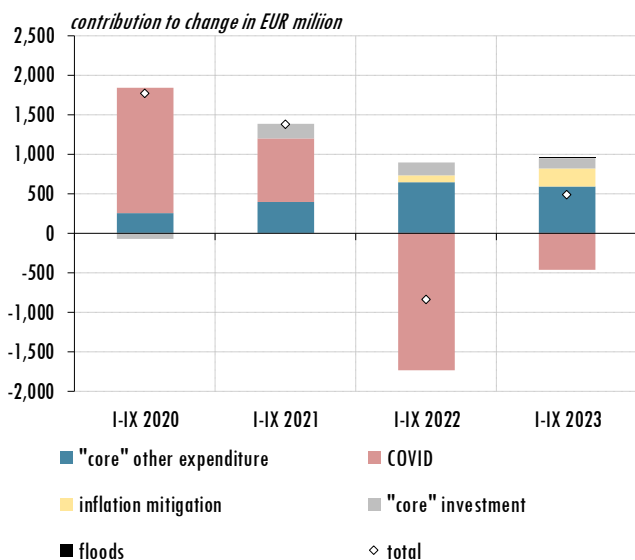
<sup>2</sup> The comments on the implementation of the state budget refer to the daily data available at: <https://proracun.gov.si/#> (Only in Slovene).

**Table 1: State budget**

EUR million, unless stated otherwise	Jan.-Sep.			Oct.-Dec.			2022	2023**	2023 compared to 2022			
	2022	2023	2023 compared to 2022	2022	2023*	2023 compared to 2022						
			%			%			%			
<b>Revenue</b>	<b>9,261</b>	<b>9,306</b>	<b>46</b>	<b>0.5</b>	<b>3,084</b>	<b>3,845</b>	<b>761</b>	<b>24.7</b>	<b>12,345</b>	<b>13,151</b>	<b>806</b>	<b>6.5</b>
VAT	3,542	3,681	139	3.9	1,205	1,296	91	7.5	4,747	4,977	230	4.8
Excise duties	1,097	1,248	151	13.7	349	399	50	14.3	1,446	1,647	200	13.9
Personal income tax	1,087	1,181	94	8.6	499	545	46	9.2	1,586	1,725	140	8.8
Corporate income tax	1,248	1,070	-179	-14.3	305	332	27	8.9	1,553	1,402	-151	-9.8
EU funds	678	627	-50	-7.5	280	843	563	201.2	957	1,470	513	53.5
Non-tax	591	537	-54	-9.1	179	168	-11	-6.1	770	705	-65	-8.4
Other revenue	1,017	962	-54	-5.4	268	262	-5	-2.0	1,284	1,225	-60	-4.7
<b>Expenditure</b>	<b>9,580</b>	<b>10,071</b>	<b>490</b>	<b>5.1</b>	<b>4,128</b>	<b>6,201</b>	<b>2,073</b>	<b>50.2</b>	<b>13,709</b>	<b>16,272</b>	<b>2,563</b>	<b>18.7</b>
Total labour costs	2,766	3,081	315	11.4	985	1,289	303	30.8	3,751	4,370	619	16.5
Transfers to individ. and hou.	1,425	1,425	1	0.1	540	547	7	1.3	1,965	1,973	8	0.4
Exp. on goods and services	1,042	992	-49	-4.8	485	488	4	0.7	1,526	1,480	-46	-3.0
Investment	784	971	188	23.9	885	1,554	669	75.6	1,669	2,526	857	51.3
Curr. transf. to soc. sec. funds	1,161	1,144	-17	-1.5	364	416	51	14.1	1,526	1,560	35	2.3
Subsidies	441	634	193	43.7	191	241	50	26.0	632	875	243	38.4
Interest	561	589	28	4.9	94	92	-2	-2.1	655	681	26	3.9
Payments to the EU budget	535	487	-48	-9.0	195	244	49	25.2	730	730	1	0.1
Other expenditure	867	747	-119	-13.8	389	1,330	942	242.1	1,255	2,078	822	65.5
<b>Balance</b>	<b>-320</b>	<b>-764</b>	<b>-445</b>		<b>-1,044</b>	<b>-2,357</b>	<b>-1,313</b>		<b>-1,364</b>	<b>-3,121</b>	<b>-1,757</b>	

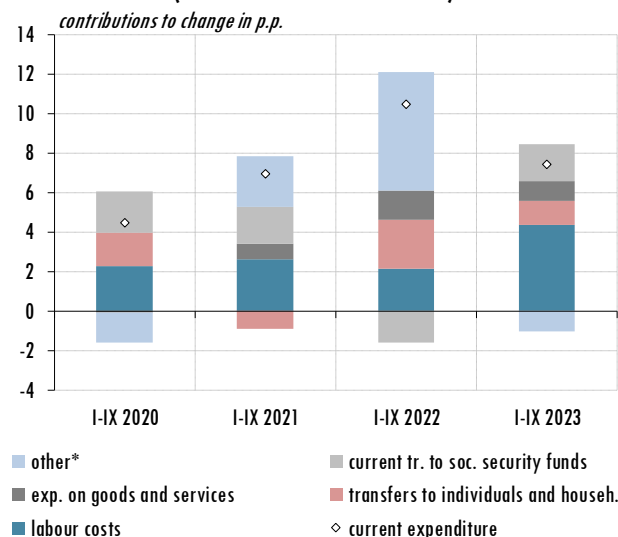
Source: MoF, FC calculations. Note: \*implicitly calculated to match MoF forecast. \*\* MoF estimate (September 2023).

**Figure 3: Structure of state budget expenditure growth**



Source: MoF, FC calculations.

**Figure 4: Current expenditure factors (excl. intervention measures)**



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

**Table 2: State budget (excluding intervention measures)**

EUR million, unless stated otherwise	I-IX 2022			I-IX 2023				I-IX 23/ I-IX 22, v %		I-IX 23/ I-IX 22			
	total	COVID mitig.	infl. floods excl. intervent. measures	total	COVID mitig.	infl. floods excl. intervent. measures	total	excl. intervent. measures	total	excl. intervent. measures			
<b>Revenue</b>	<b>9,261</b>	<b>-111</b>	<b>9,371</b>	<b>9,306</b>	<b>-178</b>	<b>9,484</b>	<b>0.5</b>	<b>1.2</b>	<b>46</b>	<b>113</b>			
VAT	3,542	-15	3,557	3,681	-73	3,754	3.9	5.5	139	197			
Excise duties	1,097	-72	1,169	1,248	-57	1,305	13.7	11.6	151	136			
Personal income tax	1,087		1,087	1,181		1,181	8.6	8.6	94	94			
Corporate income tax	1,248		1,248	1,070		1,070	-14.3	-14.3	-179	-179			
EU funds	678		678	627		627	-7.5	-7.5	-50	-50			
Non-tax	591		591	537		537	-9.1	-9.1	-54	-54			
Other revenue	1,017	-24	1,041	962	-48	1,010	-5.4	-2.9	-54	-30			
<b>Expenditure</b>	<b>9,580</b>	<b>655</b>	<b>94</b>	<b>8,831</b>	<b>10,071</b>	<b>189</b>	<b>329</b>	<b>12</b>	<b>9,541</b>	<b>5.1</b>	<b>8.0</b>	<b>490</b>	<b>710</b>
Total labour costs	2,766	33		2,732	3,081	14	8		3,059	11.4	12.0	315	327
Transfers to individ. and hou	1,425	127		1,297	1,425	8	29		1,389	0.1	7.0	1	91
Exp. on goods and services	1,042	146		895	992	7	3	12	971	-4.8	8.5	-49	76
Investment	784	16		767	971	79			893	23.9	16.3	188	125
Curr. transf. to soc. sec. fund	1,161	157		1,004	1,144	0			1,144	-1.5	13.9	-17	140
Subsidies	441	32	94	315	634	35	286		313	43.7	-0.6	193	-2
Interest	561			561	589				589	4.9	4.9	28	28
Payments to the EU budget	535			535	487				487	-9.0	-9.0	-48	-48
Other expenditure	867	143		724	747	47	4		697	-13.8	-3.7	-119	-27
<b>Balance</b>	<b>-320</b>	<b>-655</b>	<b>-204</b>	<b>540</b>	<b>-764</b>	<b>-189</b>	<b>-506</b>	<b>-12</b>	<b>-57</b>			<b>-445</b>	<b>-597</b>

Source: MoF, FC calculations.

MF, only around EUR 100 million less investment is expected to be realised in the last three months of this year than in the whole of last year.

### The implementation of measures to mitigate the impact of the epidemic and the cost-of-living crisis from January–September 2023

- State budget expenditure on COVID-19-related measures totalled EUR 189 million in the first nine months of this year, while a total of EUR 371 million has been budgeted for this purpose this year according to the latest outturn estimate available. The bulk of this year's expenditure outturn so far is accounted for by investments (EUR 79 million) mostly financed under the REACT-EU programme, wage compensation due to isolation (EUR 46 million), which ended at the end of March, and expenditure related to the cost of vaccination and testing (EUR 47 million).
- The effect of measures to mitigate the cost-of-living crisis in the first nine months of this year amounts to EUR 506 million, while, according to the latest outturn estimate available, the impact on a yearly basis is expected to amount to EUR 779 million. According to Ministry of Finance estimates, revenue associated with the response to the cost-of-living crisis in the first nine months is expected to be lower by EUR 178 million. Expenditure for mitigating the impact of the cost-of-

living crisis in the same period amounted to EUR 329 million, mostly due to the subsidies to businesses under Article 14 of the ZPGOPEK (EUR 182 million) and the compensation of electricity and natural gas suppliers (EUR 72 million).

- Taking into account the current outturn (EUR 518 million in total expenditure), it is projected that the envisaged expenditure outturn in the revised state budget (totalling EUR 1,151 million) on both COVID-19-related measures and measures to mitigate the cost-of-living crisis will not be achieved in full.
- In September, EUR 12 million was spent for flood recovery. In the revised budget adopted in August, EUR 220 million was earmarked for this purpose this year under the reserve item, and the outturn estimate we received with the draft budget documents shows that expenditure of EUR 284 million is foreseen for this year. The largest part is planned to be used for the reimbursement of intervention costs (EUR 106 million), for intermediate consumption (EUR 102 million), which covers mainly infrastructure interventions, while EUR 43 million is planned for emergency social assistance and EUR 32 million for the advance payment of aid to the economy.