



REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Monthly Information

November 2023

Key highlights¹

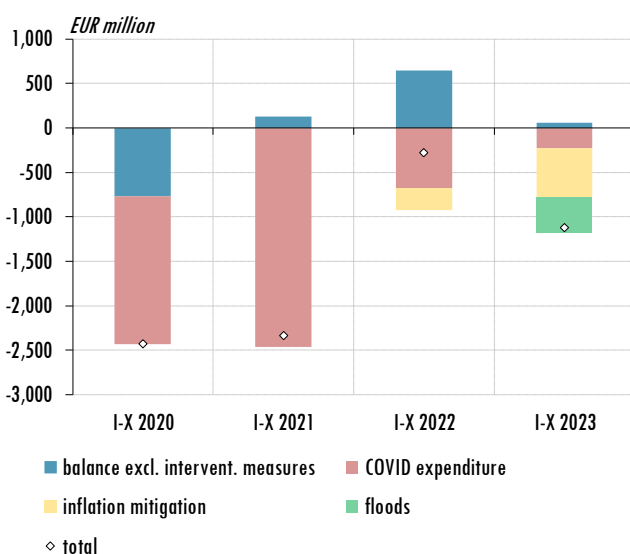
- In the first ten months of 2023, the state budget recorded a deficit (of EUR 1,120 million), which turned to a surplus of EUR 57 million when excluding the impact of various intervention measures.
- State budget trends in the first ten months were worse than in the same period last year. The overall deficit was higher (by EUR 845 million) and was mainly the result of the "core" surplus (excluding intervention measures), which was lower by EUR 590 million. The overall amount of all intervention measures was year-on-year higher by EUR 255 million.
- Due to a higher previous year basis, total revenue in the first ten months of this year was 1.8% higher year-on-year, while the "core" expenditure (excluding intervention measures) was 8.3% higher. The increase in "core" expenditure was mostly due to labour costs and transfers to the social security funds.
- The ten-month outturn confirms the Fiscal Council's assessment on continued unrealistic budget planning. According to the budgetary trends in the first ten months of this year and 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 total state budget expenditure can increase by almost 50% year-on-year in the last two months of this year (the year-on-year increase recorded in the first ten months of this year was EUR 9.8%). As a result, the budget deficit in the last two months of this year could reach as much as EUR 2.0 billion, which would be EUR 912 million more than in the last two months of last year or EUR 637 million more than in the whole previous year.

¹ 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 6 November 2023.

State budget in the period January–October 2023²

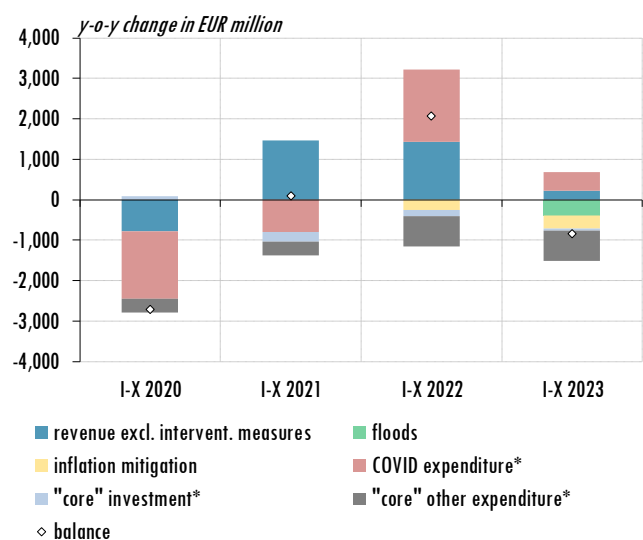
- With a EUR 357 million deficit being recorded in October, according to preliminary data, the total **state budget deficit** in the first ten months of 2023 amounted to EUR 1,120 million. Excluding the direct effect of intervention measures related to the epidemic (EUR 225 million), the cost-of-living crisis (EUR 563 million) and the floods (EUR 390 million), the state budget had a surplus of EUR 57 million in the first ten months. In the same period last year, it had a “core” surplus of EUR 647 million, mainly due to strong cyclical and inflation-driven revenue growth.
- **Total revenue** in the first ten months of this year was 1.8% higher on a year-on-year basis (there was 14.3% 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 ten months of this year was 9.8% higher year-on-year, while the “core” expenditure (excluding intervention measures) was 8.3% higher. The year-on-year growth in “core” expenditure was mainly driven by higher expenditure on labour costs (12.1%) as a result of the wage increase agreement reached last autumn. The increase in “core” expenditure was also significantly contributed by higher transfers to the social security fund. In the context of continued relatively high investment activity, investment expenditure is, as usual, lagging behind the over-optimistic projections.

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.

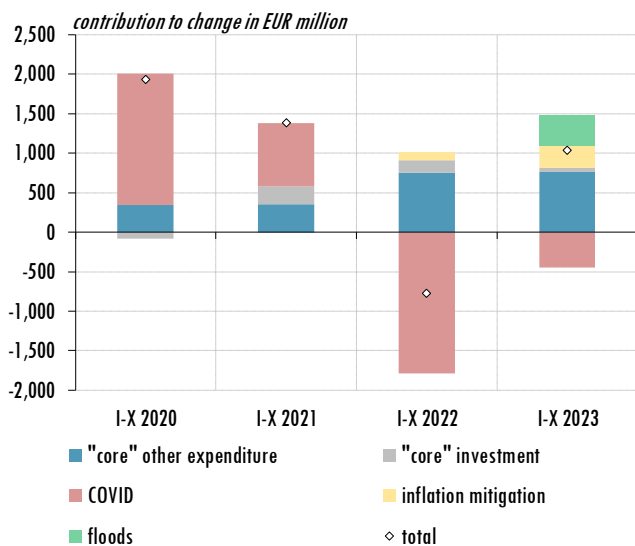
² The comments on the implementation of the state budget refer to the daily data available at: <https://proracun.gov.si/#> (Only in Slovene).

Table 1: State budget

EUR million, unless stated otherwise	Jan.-Oct.				Nov.-Dec.				2022	2023**	2023 compared to	
	2022	2023	2023 compared to 2022		2022	2023*	2023 compared to 2022				2022	
			%				%				%	
Revenue	10,280	10,470	190	1.8	2,065	2,681	616	29.8	12,345	13,151	806	6.5
VAT	3,977	4,208	231	5.8	770	769	-1	-0.1	4,747	4,977	230	4.8
Excise duties	1,223	1,379	156	12.8	223	267	44	19.8	1,446	1,647	200	13.9
Personal income tax	1,234	1,354	121	9.8	352	371	19	5.4	1,586	1,725	140	8.8
Corporate income tax	1,346	1,179	-168	-12.4	207	223	16	7.7	1,553	1,402	-151	-9.8
EU funds	752	691	-61	-8.2	205	779	574	279.8	957	1,470	513	53.5
Non-tax	636	587	-49	-7.7	134	118	-16	-11.9	770	705	-65	-8.4
Other revenue	1,111	1,071	-40	-3.6	173	153	-20	-11.6	1,284	1,225	-60	-4.7
Expenditure	10,555	11,590	1,035	9.8	3,154	4,682	1,528	48.5	13,709	16,272	2,563	18.7
Total labour costs	3,056	3,409	353	11.5	695	961	266	38.3	3,751	4,370	619	16.5
Transfers to individ. and hou.	1,567	1,614	47	3.0	397	359	-39	-9.7	1,965	1,973	8	0.4
Exp. on goods and services	1,148	1,154	6	0.5	378	326	-52	-13.7	1,526	1,480	-46	-3.0
Investment	899	1,259	359	40.0	770	1,267	497	64.6	1,669	2,526	857	51.3
Curr. transf. to soc. sec. funds	1,268	1,240	-28	-2.2	257	320	62	24.1	1,526	1,560	35	2.3
Subsidies	466	724	258	55.4	166	151	-15	-9.3	632	875	243	38.4
Interest	578	602	24	4.1	77	79	2	2.3	655	681	26	3.9
Payments to the EU budget	589	548	-41	-7.0	140	182	42	29.8	730	730	1	0.1
Other expenditure	983	1,040	57	5.8	273	1,038	765	280.5	1,255	2,078	822	65.5
Balance	-275	-1,120	-845		-1,089	-2,001	-912		-1,364	-3,121	-1,757	

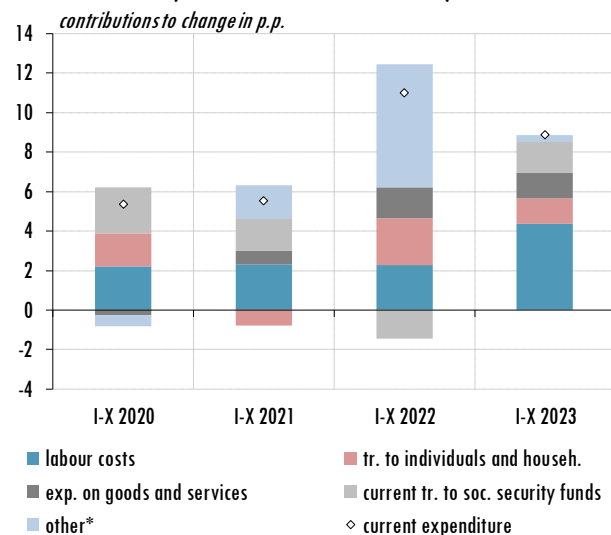
Source: MoF, FC calculations. Note: *implicitly calculated to match MoF forecast. ** MoF estimate (September 2023).

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-X 2022				I-X 2023					I-X 23/ I-X 22, v %		I-X 23/ I-X 22	
	total	COVID mitig.	infl. floods	excl. interv. measures	total	COVID mitig.	infl. floods	excl. interv. measures	total	excl. interv. measures	total	excl. interv. measures	
Revenue	10,280	-146		10,426	10,470	-184	2	10,651	1.8	2.2	190	225	
VAT	3,977	-29		4,006	4,208	-73		4,280	5.8	6.8	231	274	
Excise duties	1,223	-81		1,304	1,379	-63		1,442	12.8	10.6	156	138	
Personal income tax	1,234			1,234	1,354			1,354	9.8	9.8	121	121	
Corporate income tax	1,346			1,346	1,179			1,179	-12.4	-12.4	-168	-168	
EU funds	752			752	691			691	-8.2	-8.2	-61	-61	
Non-tax	636			636	587			587	-7.7	-7.7	-49	-49	
Other revenue	1,111	-36		1,147	1,071	-48	2	1,117	-3.6	-2.6	-40	-30	
Expenditure	10,555	674	102	9,779	11,590	225	379	392	10,595	9.8	8.3	1,035	816
Total labour costs	3,056	34		3,023	3,409	15	8	3,387	11.5	12.1	353	364	
Transfers to individ. and hou.	1,567	129	0	1,439	1,614	9	29	33	1,543	3.0	7.3	47	105
Exp. on goods and services	1,148	149		999	1,154	7	3	36	1,108	0.5	11.0	6	109
Investment	899	17		882	1,259	110		212	937	40.0	6.2	359	55
Curr. transf. to soc. sec. funds	1,268	157		1,111	1,240	0			1,240	-2.2	11.6	-28	129
Subsidies	466	34	102	330	724	36	336	33	319	55.4	-3.4	258	-11
Interest	578			578	602				602	4.1	4.1	24	24
Payments to the EU budget	589			589	548				548	-7.0	-7.0	-41	-41
Other expenditure	983	155	0	827	1,040	48	4	79	909	5.8	9.9	57	82
Balance	-275	-674	-248	647	-1,120	-225	-563	-390	57			-845	-590

Source: MoF, FC calculations.

The implementation of intervention measures January–October 2023

- State budget expenditure on COVID-19-related measures totalled EUR 225 million in the first ten 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 110 million) mostly financed under the REACT-EU programme.
- The effect of measures to mitigate the cost-of-living crisis in the first ten months of this year amounts to EUR 563 million, while, according to the latest outturn estimate available, the impact on a yearly basis is expected to amount to EUR 943 million. According to Ministry of Finance estimates, revenue associated with the response to the cost-of-living crisis in the first ten months is expected to be lower by EUR 184 million. Expenditure for mitigating the impact of the cost-of-living crisis in the same period amounted to EUR 379 million, mostly due to the subsidies to businesses under Article 14 of the ZPGOPEK (EUR 202 million) and the compensation of electricity and natural gas suppliers (EUR 101 million).
- When taking into account the current outturn of the measures to mitigate the consequences of the epidemic and the cost-of-living crisis (EUR 604 million in total expenditure), we assess that the envisaged expenditure outturn in the revised state budget (totalling EUR 1,151 million) will not be achieved in full.

- EUR 392 million was earmarked for flood recovery by the end of October. The largest part was used for investment transfers to municipalities (EUR 212 million), the reimbursement of intervention costs to municipalities (EUR 64 million), for advance payment of aid to the business sector (EUR 32 million), and for emergency cash social assistance (EUR 32 million).