



REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Monthly Information

October 2024

Key highlights¹

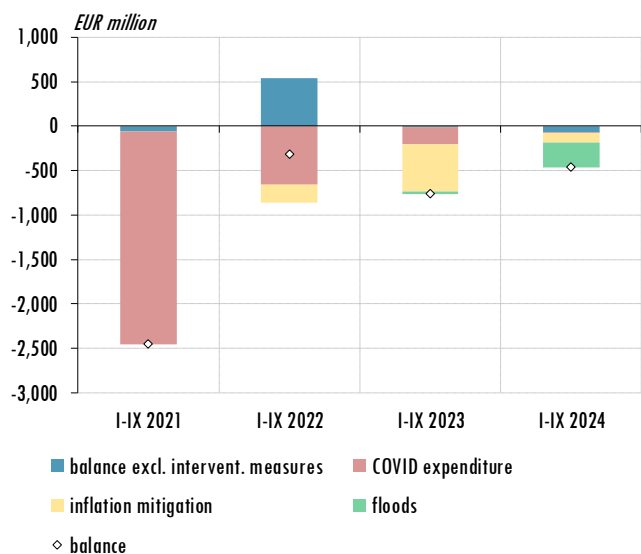
- According to preliminary data, the state budget deficit for the first nine months of the year amounted to EUR -462 million, which is EUR 300 million lower than in the same period last year. According to the latest available estimate by the Ministry of Finance, the end-of-year deficit is expected to amount to EUR -1,407 million, which is EUR 814 million lower than foreseen in the current budget adopted in October last year. Such a large reduction confirms the Fiscal Council's view that the deficit projection at the time of last year's budget adoption was again exaggerated.
- Excluding the direct effect of the intervention measures, the deficit amounted to EUR -70 million and was approximately EUR 60 million higher than last year. Total expenditure on intervention measures amounted to EUR 393 million, almost a third less than in the same period last year. According to the latest available estimate from the Ministry of Finance, this year, EUR 713 million is earmarked for intervention measures (excluding the Reconstruction Fund).
- The growth in "core" expenditure (excluding intervention measures) was 8.3% and slightly higher than in the same period last year (7.5%). The main reasons for this year's growth were the transfer to the Pension and Disability Insurance Institute of Slovenia (ZPIZ) due to the high regular pension indexation and the high growth in contributions to budgetary funds, in particular due to the establishment of the Reconstruction Fund.
- On 30 September, the Fiscal Council received the draft state budgets for 2025 and 2026 and the draft Medium-Term Fiscal-Structural Plan 2025–2028. As the existing Fiscal Rule Act (ZFisP) is inconsistent with the changes to the economic governance system in the EU, the role of the Fiscal Council in the adoption of the budgetary documents is not clear until the ZfisP is amended. Nevertheless, we will provide an opinion on the draft Plan together with the assessment of the state budget proposals in accordance with the Public Finance Act by 20 October. The Committee on Finance of the National Assembly of the Republic of Slovenia will discuss the draft Plan at its session on 4 October 2024.

¹ All comments refer to data known as of 2 October 2024.

State Budget January–September 2024²

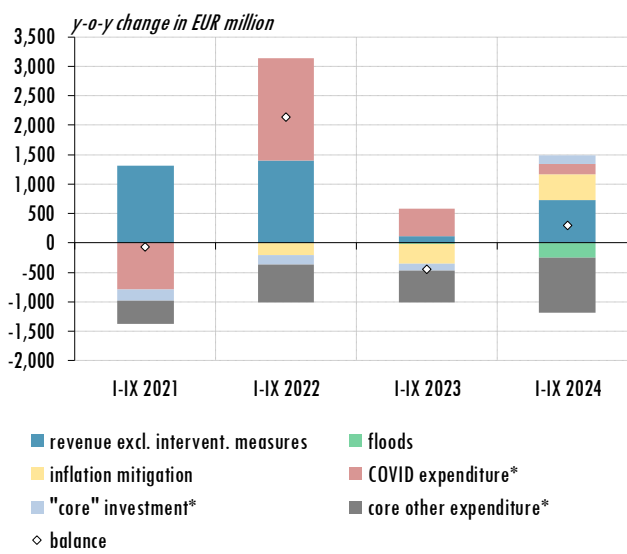
- According to preliminary data, the state budget was in deficit in the first nine months of the year (EUR -462 million), which, excluding the direct effect of the intervention measures, amounted to EUR -70 million.
- The growth of "core" revenue (excluding intervention measures) in the first nine months of 2024 (7.6%) was considerably higher than in the same period last year (1.2%). The main contributor to the growth this year was higher corporate income tax revenue. This was due to the high settlement of last year's liabilities and the higher tax rate related to the flood recovery, without the impact of which growth would have been just over 10% instead of more than a third. The contribution from income tax revenue is also more pronounced, due to continued strong growth in

Figure 1: State budget balance



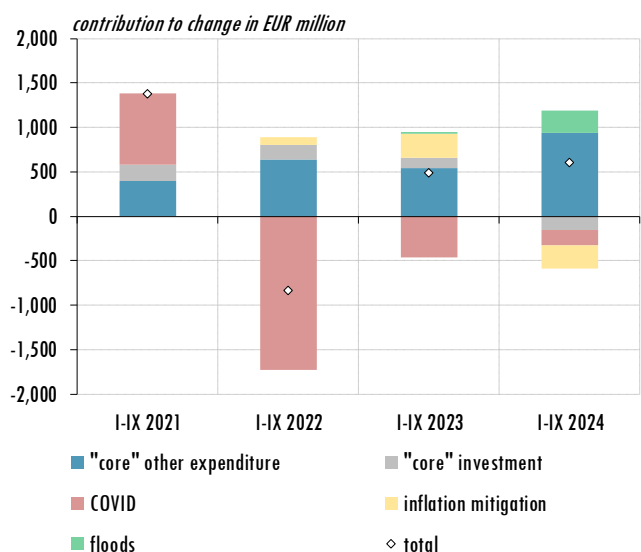
Source: MoF, FC calculations.

Figure 2: Factors of state budget balance change



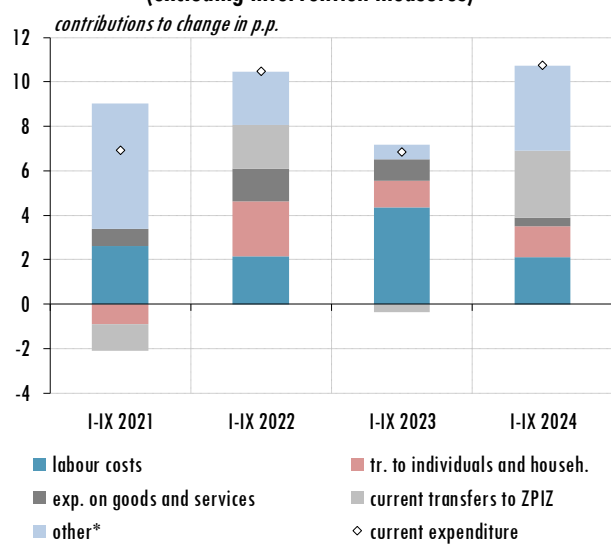
Source: MoF, FC calculations. *positive sign denotes a decrease, negative sign denotes an increase.

Figure 3: Structure of state budget expenditure growth



Source: MoF, FC calculations.

Figure 4: Current expenditure factors (excluding intervention measures)



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

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

the compensation of employees under favourable labour market conditions and partly to the non-adjustment of income tax brackets and the general allowance with inflation. Non-tax revenue is also higher year-on-year, but its growth would have been much lower without the profit of SDH paid into the Reconstruction Fund. In contrast, VAT revenue growth slowed, while revenues from excise duties and EU funds were lower on a year-on-year basis.

- The growth in "core" expenditure (excluding intervention measures) was 8.3% and slightly higher than in the same period last year (7.5%). The main contributors to this year's growth and its strengthening compared to the same period last year were the transfers to the Pension and Disability Insurance Institute of Slovenia (ZPIZ) due to high regular pension indexation and high growth in inflows to budgetary funds.³ Other notable contributors to growth were year-on-year higher labour costs (effect of the partial adjustment to last year's inflation) and transfers to individuals and households (adjustment to last year's inflation). The latter were 8.1% higher year-on-year, but they would have had to be almost 60% lower year-on-year in the last three months of the year to meet the budgetary projections. The Ministry of Finance has therefore increased the estimate of this year's outturn by EUR 280 million, but even to reach this estimate,

Table 1: State budget

EUR million, unless stated otherwise	I-IX 2023					I-IX 2024					I-IX 24/ I-IX 23, %		I-IX 24/ I-IX 23	
	total	COVID mitig.	infl. measures	floods interv.	excl. measures	total	COVID mitig.	infl. measures*	floods* interv.	excl. measures	total	excl. interv. measures	total	excl. interv. measures
Revenue	9,306	...	-178	...	9,484	10,208	...	...	...	10,208	9.7	7.6	902	725
VAT	3,681	...	-73	...	3,753	3,852	...	...	...	3,852	4.7	2.6	172	99
Excise duties	1,248	...	-57	...	1,305	1,241	...	...	...	1,241	-0.6	-4.9	-7	-64
Personal income tax	1,181	...	...	...	1,181	1,476	...	...	...	1,476	25.0	25.0	295	295
Corporate income tax	1,070	...	...	...	1,070	1,450	...	...	...	1,450	35.6	35.6	381	381
EU funds	627	...	...	...	627	505	...	...	...	505	-19.4	-19.4	-121	-121
Non-tax	537	...	...	...	537	679	...	...	...	679	26.3	26.3	141	141
Other revenue	963	...	-48	...	1,011	1,005	...	...	...	1,005	4.4	-0.6	42	-6
Expenditure	10,068	192	359	23	9,494	10,671	14	102	277	10,278	6.0	8.3	603	784
Total labour costs	3,080	14	8	...	3,058	3,228	0	...	0	3,228	4.8	5.5	148	169
Transfers to individ. and hhs	1,425	8	29	0	1,388	1,518	3	0	15	1,500	6.5	8.1	93	112
Goods and services	991	7	3	12	969	1,139	3	4	133	999	15.0	3.1	148	30
Investment	971	81	...	...	890	767	0	...	30	736	-21.0	-17.3	-204	-154
Current transfers to ZPIZ	927	...	...	...	927	1,168	...	...	...	1,168	26.0	26.0	241	241
Subsidies	634	35	316	...	283	460	1	97	90	272	-27.4	-3.9	-174	-11
Interest	589	...	...	...	589	665	...	...	...	665	13.0	13.0	76	76
Payments to the EU budget	487	...	...	...	487	456	...	...	...	456	-6.3	-6.3	-31	-31
Other expenditure	965	47	4	10	904	1,270	6	...	8	1,255	31.6	38.8	305	351
Balance	-762	-192	-536	-23	-11	-462	-14	-102	-277	-70			299	-59

Source: MoF, FC calculations. Note: * excluding the effect of measures to finance post-flood recovery on revenues (higher corporate income tax rate, SDH profits and donations) and expenditures (redirecting these revenues into Reconstruction Fund). The effect on the balance is neutral, while the stated measures have effects on growth rates of several categories of revenues and expenditure included in the category »excluding intervention measures«.

³ Payments into budgetary funds are recorded as an expenditure in the state budget under account 409300 Budget funds. According to the data available up to the end of August, the year-on-year growth of payments into budget funds in the first eight months of this year was 82%.

the transfers in the last three months of this year would have to be over 5% lower than in the same period last year. The under-budgeting of this item is a recurring practice, which is regularly pointed out by the Fiscal Council when adopting the budget documents.

Implementation of intervention measures (January–September 2024)

- In the first nine months of 2024, a total of EUR 277 million has been paid out for post-flood recovery, with a total of EUR 846 million since August 2023. The largest part of this year's outturn is accounted for by the maintenance of waterways (EUR 110 million) and subsidies to businesses (EUR 90 million). In addition, according to the available data, EUR 168 million (donations, SDH profits and part of the revenue resulting from the increased corporate tax rate) was paid into the Reconstruction Fund by the end of August, while no disbursements from the Fund had yet been made. As far as post-flood recovery is concerned, in August the EC granted Slovenia EUR 328 million under the Solidarity Fund (on top of the EUR 100 million advance payment received in December). According to the Ministry of Finance, by the end of September, EUR 256 million had been provided from the Solidarity Fund to finance measures to deal with the consequences of last year's floods.
- This year, EUR 102 million was paid to address the effects of the high cost of living, the bulk of which (EUR 88 million) was paid to compensate electricity and gas suppliers. For COVID-19-related measures, EUR 12 million was paid from the state budget this year, mostly for vaccines and vaccination (EUR 8 million).