



REPUBLIC OF SLOVENIA  
**FISCAL COUNCIL**

## **Monthly Information**

September 2024



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

- According to preliminary data, the state budget deficit in the first eight months of the year amounted to EUR 431 million, which is EUR 300 million lower than in the same period last year. The lower deficit is mainly the result of higher revenues, despite the strengthening of growth in "core" spending, but also of lower spending on intervention measures. The end-of-year deficit is estimated to be less than foreseen under the current budget, adopted in October last year (EUR 2,221 million).
- Excluding the direct effect of the intervention measures, the deficit amounted to EUR 72 million and was almost the same as in the same period last year. Total expenditure on intervention measures amounted to EUR 370 million, around a quarter less than in the same period last year. This year, EUR 1,244 million is earmarked in the current budget for intervention measures. We estimate that the implementation of intervention measures will also be lower than foreseen.
- The growth in "core" expenditure (excluding intervention measures) was 9.0% and slightly higher relative to the same period last year (8.2%), increasing the risks in the event of a reversal of the economic situation.
- The direct impact of the proposed tax changes on public finances is expected to be modest. Based on the draft legal acts, the positive impact is expected to be around EUR 8 million. The possible implementation of an increase in excise duties on certain alcoholic beverages would double the impact.
- At the end of September, the Government will prepare the draft state budgets for 2025 and 2026 and the first four-year fiscal-structural plan under the reformed EU governance system. It is not yet known whether it will be submitted to the Fiscal Council for assessment and presented to the National Assembly before being sent to the EC. This would increase the transparency and credibility of fiscal planning.

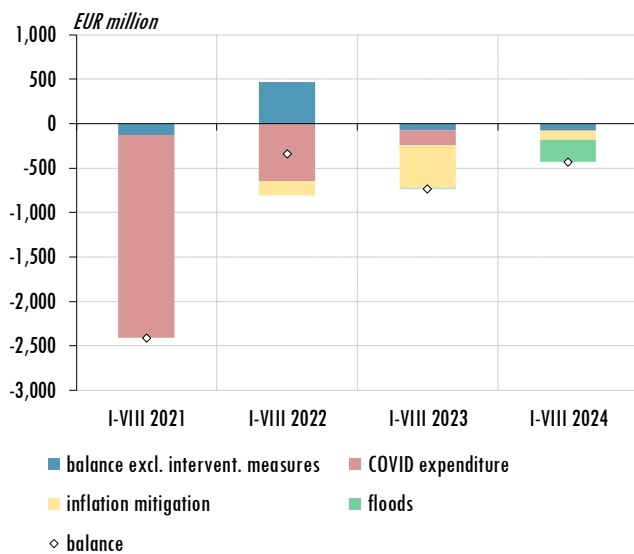
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<sup>1</sup> All comments refer to data known as of 3 September 2024.

### State budget from January to August 2024<sup>2</sup>

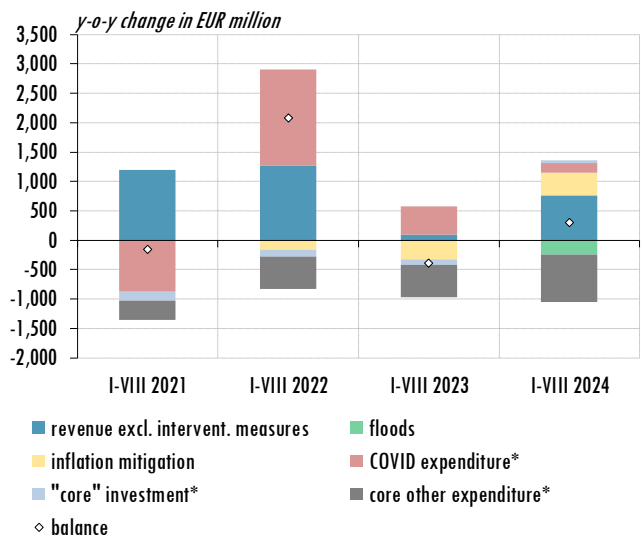
- According to preliminary data, the state budget was in deficit in the first eight months of the year (EUR 431 million), which, excluding the direct effect of the intervention measures, amounted to EUR 72 million.
- The growth of "core" revenue (excluding intervention measures) in the first eight months of 2024 (9.1%) was considerably higher than in the same period last year (1.2%). This year, the main contributors to the growth are higher corporate income tax revenue due to the high growth in April, supported by the settlement of outstanding liabilities from the previous year, and the increased tax rate in connection with the flood recovery. The contribution of income tax revenue

Figure 1: State budget balance



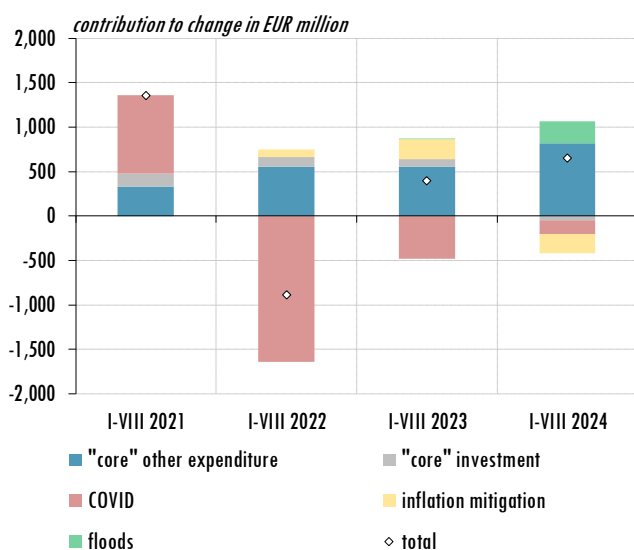
Source: MoF, FC calculations.

Figure 2: Factors of state budget balance change



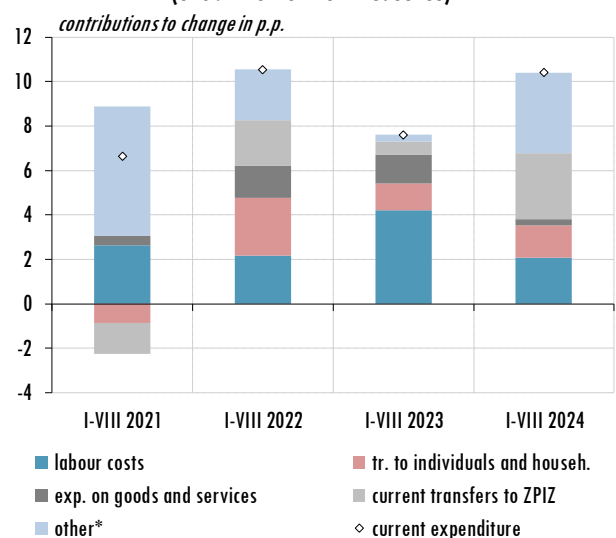
Source: MoF, FC calculations. \*positive sign denotes a decrease, negative sign denotes an increase.

Figure 3: Structure of state budget expenditure growth



Source: MoF, FC calculations.

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



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

<sup>2</sup> 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).

is also more pronounced, due to continued strong growth in the compensation of employees under favourable labour market conditions, and partly due to the non-adjustment of income tax brackets and the general allowance with inflation. Non-tax revenue is also higher year-on-year. In contrast, VAT revenue growth slowed, while excise duties and EU funds revenue were lower on a year-on-year basis.

- The growth in "core" expenditure (excluding intervention measures) was 9.0% and slightly higher relative to the same period last year (8.2%). The main contributors to this year's growth and its strengthening relative to the same period last year were the transfers to the Pension and Disability Insurance Institute of Slovenia (ZPIZ) due to the high regular pension indexation and the higher disbursements of budgetary funds. Other notable contributors to growth were year-on-year increases in labour costs and transfers to individuals and households. The latter were 8.6% higher year-on-year, but should be almost half lower year-on-year in the last four months of the year to meet the budgetary projections. The Fiscal Council already pointed to the under-budgeting of this item when the budget documents were adopted last autumn.

### Implementation of intervention measures January–August 2024

- A total of EUR 262 million was paid out in the first eight months of 2024 for post-flood recovery, with a total of EUR 830 million since August 2023. The year-to-date outturn is less than a quarter of the amount earmarked in the current budget (EUR 1,115 million). In August, the EC

**Table 1: State budget**

<i>EUR million, unless stated otherwise</i>	I-VIII 2023					I-VIII 2024					I-VIII 24/ I-VIII 23, %		I-VIII 24/ I-VIII 23	
	total	COVID mitig.	infl. measures	floods	excl. interv. measures	total	COVID mitig.	infl. measures	floods	excl. interv. measures	total measures	excl. interv. measures	total measures	excl. interv. measures
<b>Revenue</b>	<b>8,225</b>	...	<b>-172</b>	...	<b>8,396</b>	<b>9,175</b>	...	...	<b>11</b>	<b>9,164</b>	<b>11.6</b>	<b>9.1</b>	<b>950</b>	<b>768</b>
VAT	3,279	...	-73	...	3,352	3,476	...	...	...	3,476	6.0	3.7	197	125
Excise duties	1,104	...	-51	...	1,155	1,090	...	...	...	1,090	-1.3	-5.6	-14	-65
Personal income tax	1,037	...	...	...	1,037	1,308	...	...	...	1,308	26.2	26.2	271	271
Corporate income tax	968	...	...	...	968	1,309	...	...	...	1,309	35.3	35.3	341	341
EU funds	539	...	...	...	539	507	...	...	...	507	-6.0	-6.0	-33	-33
Non-tax	470	...	...	...	470	601	...	...	...	601	27.7	27.7	131	131
Other revenue	827	...	-48	...	875	883	...	...	11	872	6.8	-0.3	56	-2
<b>Expenditure</b>	<b>8,956</b>	<b>166</b>	<b>310</b>	<b>10</b>	<b>8,470</b>	<b>9,606</b>	<b>11</b>	<b>96</b>	<b>262</b>	<b>9,236</b>	<b>7.2</b>	<b>9.0</b>	<b>649</b>	<b>766</b>
Total labour costs	2,753	14	7	...	2,732	2,882	0	...	0	2,882	4.7	5.5	129	150
Transfers to individ. and hhs	1,284	8	28	...	1,247	1,372	3	0	15	1,354	6.9	8.6	88	107
Goods and services	880	6	3	...	871	1,025	3	4	127	891	16.5	2.3	145	20
Investment	771	57	...	...	714	693	0	...	29	664	-10.0	-6.9	-77	-49
Current transfers to ZPIZ	897	...	...	...	897	1,112	...	...	...	1,112	23.9	23.9	214	214
Subsidies	566	34	268	...	264	433	1	91	73	268	-23.5	1.4	-133	4
Interest	513	...	...	...	513	574	...	...	...	574	12.0	12.0	62	62
Payments to the EU budget	434	...	...	...	434	404	...	...	...	404	-7.0	-7.0	-30	-30
Other expenditure	858	47	4	10	798	1,110	4	...	19	1,087	29.3	36.2	251	289
<b>Balance</b>	<b>-732</b>	<b>-166</b>	<b>-481</b>	<b>-10</b>	<b>-74</b>	<b>-431</b>	<b>-11</b>	<b>-96</b>	<b>-251</b>	<b>-72</b>			<b>301</b>	<b>2</b>

Source: MoF, FC calculations.

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 August, EUR 253 million was provided from the Solidarity Fund to finance measures to deal with the consequences of last year's floods.

- EUR 96 million was paid out this year to ease the cost-of-living crisis, which is almost the full amount foreseen for this year. The majority of this amount (EUR 88 million) is compensation paid out to electricity and gas suppliers. For COVID-related measures, EUR 11 million was paid from the state budget this year.