6. Fiscal Trends and Policy

In Q1, a consolidated fiscal surplus of 11.2 billion dinars was achieved (0.9% of the quarterly GDP), due to continued solid growth of public revenues (both tax and non-tax), which was somewhat faster (8.3%) than the growth of public spending (6.8%). Tax revenue in Q1 registered a significant growth (6.8%), which was due to the growth of almost all types of tax revenue, excluding revenue from excises, with the highest relative growth recorded in corporate income tax. Growth in tax revenues can mostly be explained by the movement of appropriate tax bases, except for VAT, where revenue growth was faster, which may be the result of deliberate transfer by the state of a portion of revenue from the previous to the current year. The strong growth of revenue from income tax can be partly explained by the growth of the economy's net profit (before taxes), as well as the low base effect, since in 2018 revenue growth from this tax was slower than expected, taking into account the profitability dynamics. On the side of public spending, the increase was recorded for all types of expenditures, and the highest relative growth was recorded in subsidies and capital spending. Spending on pensions and wages grows faster than economic activity, which is assessed as inadequate. The realised fiscal result in Q1 was higher than planned by around 20 billion dinars. If such trends continue, Serbia could again achieve a surplus of 0.5-1% of GDP in 2019. In conditions of slow economic growth, it would be optimal to run a fiscal deficit policy of around 0.5% of GDP. Fiscal space of around 1% of GDP should, above all, be used to increase investment in infrastructure and reduce fiscal burden on labour. Public debt at the end of Q1 amounted to 23.4 billion euros (about 54% of GDP), which is around 380 million euros more than at the end of 2018, primarily due to government borrowing in order to repay debts that will soon mature. If existing trends continue, public debt at the end of the year could amount to around 50% of GDP.

Fiscal Tendencies and Macroeconomic Implications

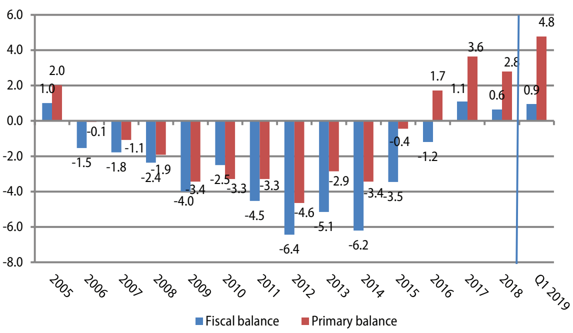
In Q1, a fiscal deficit of 11.2 billion dinars (0.9% of GDP) was realised...

In Q1, year-on-year growth in public revenues as well as public spending continued, with revenue growth being somewhat faster, resulting in a consolidated fiscal surplus of 11.2 billion dinar (0.9% of quarterly GDP). When excluding interest expenses, the primary surplus was about 57.4 billion dinar (about 4.8% of quarterly GDP).

…which is by 20 billion dinars above the plan

Starting from the usual intra-annual dynamics of public revenues and public spending in previous years, as well as from the plan for 2019 and its realisation in the period January-March, it is estimated that the fiscal result achieved in Q1 was higher than planned by around 20 billion dinars. This was mostly due to better realisation of public revenues compared to the plan, both tax and non-tax. In the first quarter, there was a higher collection based on almost all types of taxes, whereby a positive deviation in relation to the plan was especially evident in corporate income tax. On the other hand, public spending in Q1 was also realised in a higher amount compared to the expected dynamics, with the biggest deviation in the payment of interest and capital spending. In addition, in the remaining part of the year, there will also be extraordinary expenses of about 11 billion dinars on government subsidies in order to resolve issues of those who borrowed in Swiss francs. Adoption of the law by which private currency risks are collectivised, i.e. financed at the expense of all taxpayers is assessed as economically and ethically unjustified, since it rewards risky and punishes cautious behaviour.

Graph T6-1. Serbia: Consolidated Fiscal Balance and Primary Balance Sheet (% of GDP)



Source: *QM* calculations

Public revenue accelerated its growth in Q1

In Q1 2019, public revenues continued a real yoy growth of 8.3%, which was a continuation of the trend of accelerated growth from the previous quarters. This is supported by the fact that real seasonally adjusted growth of public revenues was achieved in Q1, as well as in relation to the previous quarter (by 3.3%), which was the result of the growth of both tax and non-tax revenues.[1]

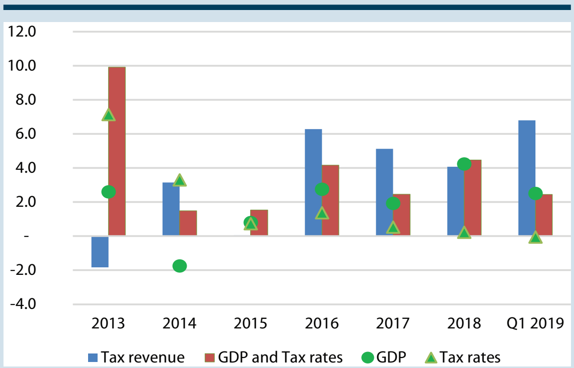
All types of tax revenue recorded a growth, except excise tax

In Q1, the trend of accelerated yoy real growth of tax revenues continued, so they were higher in real terms by 6.8% compared to the same period last year, while a significant increase (of 3.2%) was also achieved compared to the previous quarter. The dynamics of total tax revenues in Q1 was mostly influenced by the strong yoy growth of VAT revenues (by 13.9%) and corporate income tax (by 41.8%), but also by contributions (by 4.3%), personal income tax (by 8.3%) and customs (by 6%). Excise revenues, however, recorded a yoy decline in Q1 (by 11.4%). Intra-annual dynamics of excise revenues is often influenced by extraordinary and specific factors, which is why trends can only be assessed after examining data for a longer period of time. The dynamics of VAT revenues can partly be explained by trends in consumption. However, the double-digit rate of yoy growth in VAT revenues achieved in Q1, followed after their real decline in Q4, which could suggest that at the end of the year there was an intentional transfer of a part of the revenues from the previous to the next calendar year, as it was estimated that the fiscal balance in 2018 will certainly be positive. The trends in customs revenues can be explained by the strong growth of imports, whose effects are partially reduced due to the real appreciation of the exchange rate of the dinar. The strong growth in income from corporate income tax is, among other things, a result of the growth of economy's profitability in 2018 (see: Highlight 1), but also the effect of a low base, since in 2018 growth of revenue from income tax was slower than expected, having in mind the profitability of the economy in 2017. The dynamics of revenue from income taxes and contributions can mostly be explained by the movement of formal employment and earnings.

Box 1. Grey Economy Trends in Serbia

Solid collection of tax revenues, which in some periods was above the plan, can be the result of faster growth of relevant tax bases (income, profit, consumption, etc.), Increase of tax rates or the suppression of the grey economy. With unchanged tax rates and a constant level of grey economy, the dynamics of tax revenues should correspond to the dynamics of tax bases.* In 2016 and 2017, tax revenues in Serbia grew in real terms faster than the cumulative growth of tax bases, while tax rates were generally stable, which could be a sign of a reduction in the informal economy. This trend was halted in 2018, as real growth in tax revenues was approximate to the growth of bases and rates, so it is estimated that there was no further progress in the fight against the grey economy in the past year, but that it stagnated. In the first quarter of 2019, tax revenue growth was faster than the change in bases and rates, but data for the next quarters need to be taken into account in assessing the dynamics of the grey economy, given the specificity of the seasonal dynamics of some types of tax revenues.

Graph T6-2. Tax Revenue Growth Rates, GDP and Average Tax Rates (in%)



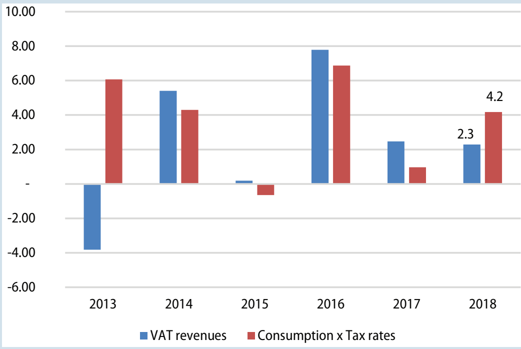
Source: Author's calculations

The efficiency of collecting the most important types of taxes (VAT, contributions and wage taxes) is similar to the dynamics of the efficiency of collection of total tax revenues. VAT revenues in 2018 grew in real terms slower than consumption, with tax rates being constant, indicating that there was a decline in billing efficiency, as indicated by a move in the C-efficiency coefficient. Nevertheless, it is estimated that this is the consequence of the transfer of part of tax revenues from 2018 to 2019, which could mean that the efficiency of VAT collection in 2018 was at about the same level as in 2017.

* For more details, see: Arsić, M., Ranđelović, S. i N. Altiparmakov (2019) *Gde je nestala siva ekonomija?*, Ekonomske ideje i praksa, br. 31.

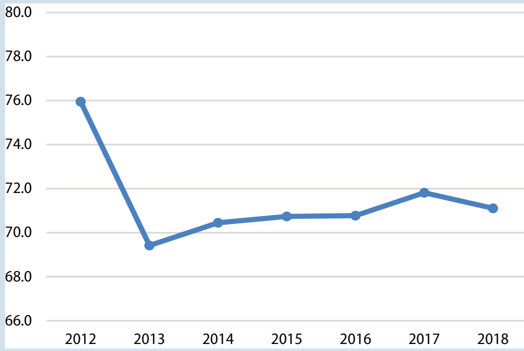
1 The real growth rates of all variables compared to the previous quarter of the current year are calculated on the basis of seasonally adjusted data.

Graph T6-3. Real growth rates of VAT revenue, consumption and tax rates



Source: Author's calculations

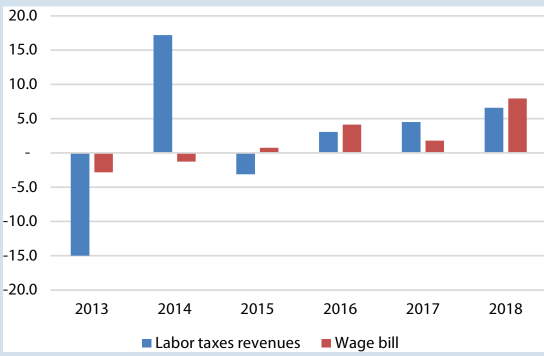
Graph T6-4. C-efficiency of VAT collection



Source: Author's calculations

Regarding taxes and contributions paid on wages, it is estimated that the collection efficiency in 2018 has stagnated, as real growth in revenues is only slightly lower than the increase in the wage mass. There was a more substantial increase in 2018 in the non-taxable part of earnings, which had a negative effect on the movement of tax revenues.

Graph T6-5. Real revenue growth rates from taxes on wages and contributions, wage mass and tax rates

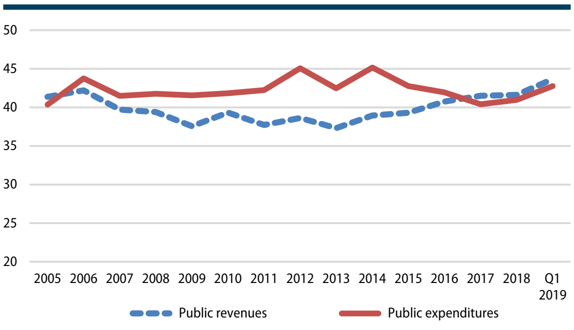


Source: Author's calculations

The lack of further progress in curbing the grey economy, even though it is still relatively high, is the result of the Government's lack of commitment to implement a systemic approach to improving tax collection efficiency through the reform of inspection services, as well as the country's tolerance to certain forms of grey economy. In addition, the negative trends regarding trust in the state and the quality of public services, and often the rewarding of those who do not respect the general rules (through tax amnesties, extraordinary subsidies, as in the case of Swiss francs, etc.) also adversely affect the willingness of taxpayers to fulfil their obligations towards the state on time and in full.

In Q1, non-tax revenue continued to grow

Graph T6-6. Serbia: Consolidated Public Revenues and Public Spending (% of GDP)



Source: *QM* calculations using MF data

In Q1, real year-on-year growth of non-tax revenues (by 19.9%) was achieved, which was consistent with high growth compared to the previous quarter (by 5%).[2] Out of a total of 64.4 billion dinars of non-tax revenues realised in Q1, about 9.4 billion refers to collected dividends, primarily from the National Bank of Serbia (9.3 billion dinars). The fiscal strategy for 2019 anticipates a reduction of non-tax revenues by about 15% (from 5.1% of GDP to 4.3% of GDP). In order for this result to be achieved, it is necessary for the state to gradually abandon the policy of aggressive dividend collection and thereby free the funds for investments of public and state enterprises.

2 Inflows from the concession fee were realised in April 2019, of which 2.5 billion dinar were expressed as non-tax revenues, and 42.2 billion as an inflow based on the source of funding ("below the line"), and so the non-tax revenue growth in Q1 can not be attributed to this transaction.

Public spending – both current and capital, is growing

In Q1 there was an acceleration in the growth of public spending, which in real terms rose by 6.8% yoy compared to the same period of the previous year. The strong growth of spending was also recorded compared to the previous quarter (by 4%). Growth was recorded in all categories of public spending, with the highest relative growth in subsidies (26.4%) and capital spending (22.2%), which in Q1 amounted to around 3% of GDP. Growth of capital spending in Q1 represents a continuation of the trend from the previous three quarters, which is considered favourable to the extent to which it is the result of major investments in infrastructure. Since it was mainly for the procurement of equipment from abroad, the growth of capital spending in Q1 will not have significant positive effects on the growth of the economy. In Q1, spending on employees and pensions, as the two most significant categories of public spending, recorded a significant yoy growth (by 4.3% and 6.6%, respectively), which was primarily due to the increase in nominal salaries and pensions at the beginning of the year. Real growth in employee and pension spending in Q1 was above the upper limit of sustainability, as it was faster than the growth of economic activity.

Box 2. Wages and Employment Policy in the Public Sector and Pension Policy

In 2018, total spending on employees and pensions (9.3% of GDP and 10.4% of GDP) converged towards a long-term sustainable level, although these expenditures in Serbia are still slightly higher than the average amount of the comparable countries from Central and Eastern Europe. In order to keep it at that level, the growth of total spending on wages and pensions in the coming period should not be higher than the GDP growth. Therefore, it is necessary to introduce the practice of increasing wages and pensions once a year (at the beginning of the year), according to pre-determined criteria, and abandon the practice of announcing extraordinary increases in income already at the beginning of the year, of which there is a particularly high risk in the pre-election period. In terms of indexing earnings, it is necessary to introduce the principle of "same salary for the same job", through the application of salary grades, as well as the introduction of rules that would lead to the increase in earnings not faster than the growth of economic activity. For the indexation of pensions, it is justified to use the so-called "Swiss formula", which was announced during the last visit of the IMF delegation. Any extraordinary fiscal space, which would result from a better collection of public revenues, should not be used for the extraordinary increase in wages and pensions, but for productive spending - on infrastructure, education and science.

Total spending, in addition to the amount of wages and pensions, is also affected by the number of employees and pensioners. The implementation of the freezing policy in the past five years had limited effects on the total number of employees in the public sector, which was reduced by less than 30,000 in that period, although the number of those who left the work place as part of a natural outflow was several times higher. At the same time, the implementation of this rule led to the centralisation of decision-making on employment at the level of the Commission of the RS Government. This indicates that the space for abuse of power has increased, primarily in terms of party employment in the public sector. Consequently, in the upcoming period, a general ban on employment in the public sector should be abolished and the systemic regulation of employment policy by sectors introduced, based on objectively defined parameters and criteria, while respecting the prescribed quotas would be monitored at the central government level. With regard to pension insurance, it is necessary to continue with the application of existing rules, including the application of penalties for early retirement. In this regard, greater efforts should be made to clarify the reasons for applying these penalties and their economic and ethical justification, in order to reduce the pressure of abolishing them in the future, which will especially be pronounced after the expiration of the IMF arrangement.

Similar trends continued in April, when public revenues recorded a yoy growth of 6.1%, due to the growth of both tax and non-tax revenue. In that month, there was a further acceleration in the growth of spending by around 10%. Accordingly, a consolidated fiscal deficit of 3.5 billion dinars was achieved in April.

Fiscal policy is not in line with the state of economy

The growth of Serbia's economy in 2018, when excluding the impact of one-off factors (agriculture, energy), was moderate, while in Q1 2019 there was an additional slowdown, so according to the results so far, Serbia's economy in the current year is among the slowest growing in the region (see: Economic activity). Even though fiscal policy's expansiveness increased due to the change in the spending structure, running the fiscal surplus policy under the conditions of slow growth of the economy is assessed as inadequate. Bearing in mind the dynamics of economic activity and the state of public finances, the general framework for fiscal policy management should include a fiscal deficit of around 0.5% of GDP, with changes in the structure of public spending, from current to productive spending. If the trends from Q1 continue, in 2019, there will likely be a consolidated fiscal surplus of around 0.5-1% of GDP.

The fiscals pace of around 1% of GDP should be used to invest in infrastructure, education and science, as well as to ease fiscal earnings

Since the growth rate will be moderate (close to the potential one), a cyclically-adjusted surplus will be close to the real one. This means that there is a fiscal space of about 1% of GDP in Serbia, which can be used for the implementation of discretionary fiscal policy measures. In order to raise the potential rate of economic growth, it is justified to use this fiscal space primarily to increase the investment in infrastructure (road, rail, ecology), as well as in education and science, with the improvement of the allocation criteria. In addition, part of the fiscal space should also be used to further reduce the fiscal burden on labour.

Public Debt Trend Analysis

Public debt at the end of Q1 was 23.4 billion euros (54% of GDP)...

At the end of Q1 2019, Serbia's public debt amounted to 23.4 billion euros (54% of GDP). If we include the non-guaranteed debt of local governments, it was about 54.9% of GDP, which is about 380 million euros more than at the end of 2018. Relative growth of the public debt during Q1 (by around 0.2 % of GDP) was slower than the growth of absolute debt, due to a slight increase in GDP, as well as the real appreciation of the dinar exchange rate.

The debt increased by 380 million euros due to additional borrowing in order to pay the debts that will soon mature

The growth of public debt in Q1 was primarily from the state borrowing abroad, in order to create the reserves necessary for the repayment of debts maturing in the coming period. At the same time, the trend of a slight decrease in indirect debt continued (by about 20 million euros), as there was no need for a significant borrowing of public and state enterprises, with state guarantee.

Real appreciation of dinar had a minor effect on the reduction of debt

During Q1 2019, dinar exchange rate against the euro increased by 1.7% in real terms, and against the US dollar it stagnating in real terms, so observed in total, the exchange rate influenced a slight decrease of debt in this period. However, the real appreciation of the dinar negatively affects the future growth of the economy, which can negatively affect the long-term sustainability of the debt.

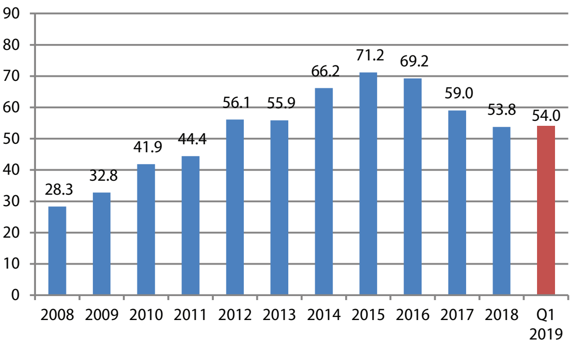
Tabela T6-7. Serbia: Public debt dynamics 2000-2019 (bn. of dinars)

	2000	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Q1 2019
I. Total direct debt	14.2	7.9	8.5	10.5	12.4	15.1	17.3	20.2	22.4	22.7	21.4	21.5	21.9
Domestic debt	4.1	3.2	4.1	4.6	5.1	6.5	7.0	8.2	9.1	8.8	9.1	9.4	9.5
Foreign debt	10.1	4.7	4.4	5.9	7.2	8.6	10.2	12.0	13.4	13.9	12.4	12.1	12.4
II. Indirect debt	-	0.9	1.4	1.7	2.1	2.6	2.81	2.5	2.4	2.1	1.8	1.5	1.5
III. Total debt (I+II)	**14.2**	**8.8**	**9.8**	**12.2**	**14.5**	**17.7**	**20.1**	**22.8**	**24.8**	**24.8**	**23.2**	**23.0**	**23.4**
Public debt / GDP (QM)[3]	**169.3%**	**28.3%**	**32.8%**	**41.9%**	**44.4%**	**56.1%**	**55.9%**	**66.2%**	**70.0%**	**68.0%**	**57.8%**	**53.8%**	**54.0%**

1) According to the Public Debt Law, public debt includes debt of the Republic related to the contracts concluded by the Republic, debt from issuance of the t-bills and bonds, debt arising from the agreement on reprogramming of liabilities undertaken by the Republic under previously concluded contracts, as well as the debt arising from securities issued under separate laws, debt arising from warranties issued by the Republic or counterwarranties as well as the debt of the local governments, guaranteed by the Republic.
2) Estimate of the Ministry of Finance of the Republic of Serbia
3) QM estimate (Estimated GDP equals the sum of nominal GDP in the current quarter and three previous quarters)
Source: QM calculations based on the MoF data

Public debt could reach 50% of GDP by the end of the year

Graph T 6-8 Serbia's Public Debt Trend (% of GDP)



Source: *QM* calculations[3]

If there are no major fluctuations in the exchange rate in real terms, the fiscal surplus is between 0.5% and 1% of GDP, the growth of the economy is about 3%, and the inflows from concession fee and privatisation (e.g. Komercijalna bank) are used for repayment of old debts that will soon mature, the public debt at the end of the year could amount to around 50% of GDP. If the appreciation trends continue, the level of debt at the end of the year could be somewhat lower.

Annexes

Annex 1. Serbia: Consolidated General Government Fiscal Operations, 2010-2019 (bn RSD)

	2010	2011	2012	2013	2014	2015	2016	2017	2018					2019
									Q1	Q2	Q3	Q4	*Q1-Q4*	Q1
I PUBLIC REVENUES	**1,278.4**	**1,362.6**	**1,472.1**	**1,538.1**	**1,620.8**	**1,694.8**	**1,842.7**	**1,973.4**	**473.8**	**526.9**	**536.9**	**567.7**	**2,105.3**	**525.4**
1. Current revenues	1,215.7	1,297.9	1,393.8	1,461.3	1,540.8	1687.6	*1833.3*	1964.9	472.5	525.1	534.3	558.7	2090.6	523.8
Tax revenue	1,056.5	1,131.0	1,225.9	1,296.4	1,369.9	1463.6	*1585.8*	1717.9	420.0	456.4	465.3	480.5	1822.2	459.4
Personal income taxes	139.1	150.8	35.3	156.1	146.5	146.8	*155.1*	167.9	40.1	40.6	48.2	50.5	179.4	44.5
Corporate income taxes	32.6	37.8	54.8	60.7	72.7	62.7	*80.4*	111.8	22.9	44.6	22.9	22.1	112.5	33.3
VAT and retail sales tax	319.4	342.4	367.5	380.6	409.6	416.1	*453.5*	479.3	110.3	125.6	139.7	124.2	499.8	128.7
Excises	152.4	170.9	181.1	204.8	212.5	235.8	*265.6*	279.9	76.9	62.2	71.5	79.4	290.0	69.8
Custom duties	44.3	38.8	35.8	32.5	31.2	33.3	*36.4*	39.7	10.0	10.4	10.9	12.4	43.6	10.8
Social contributions	323.0	346.6	378.9	418.3	440.3	505.7	*527.5*	71.9	142.5	153.5	153.8	170.0	619.7	1.6
Other taxes	46.0	43.5	42.6	43.5	57.3	63.3	*67.3*	567.4	17.2	19.5	18.4	22.1	77.1	20.1
Non-tax revenue	159.2	36.9	37.9	34.9	170.9	224.0	*247.5*	247.0	52.4	68.7	69.1	78.2	268.4	64.4
II TOTAL EXPENDITURE	**-1,419.5**	**-1,526.1**	**-1,717.3**	**-1,750.2**	**-1,878.9**	**-1,844.0**	**-1,899.7**	**1,921.1**	**470.1**	**496.8**	**515.5**	**590.7**	**2,073.0**	**514.1**
1. Current expenditures	-1,224.8	-1,324.8	-1,479.9	-1,549.8	-1,628.0	-1696.6	*-1,717.9*	1745.3	434.8	451.6	453.9	507.0	1847.2	475.0
Wages and salaries	-308.1	-342.5	-374.7	-392.7	-388.6	-419.2	*-417.7*	426.3	116.0	117.4	115.9	119.6	468.8	123.9
Expenditure on goods and services	-202.5	-23.3	-235.7	-236.9	-256.8	-257.6	*-283.6*	301.6	66.4	85.0	82.6	109.3	343.4	72.3
Interest payment	-34.2	-44.8	-68.2	-94.5	-115.2	-129.9	*-131.6*	121.2	42.0	22.1	30.8	13.7	108.6	46.1
Subsidies	-77.9	-80.5	-111.5	-101.2	-117.0	-134.7	*-112.7*	113.3	17.9	29.0	23.0	39.7	109.7	23.2
Social transfers	-579.2	-609.0	-652.5	-687.6	-696.8	-710.0	*-716.8*	720.1	180.3	182.8	181.8	201.0	746.0	194.5
o/w: pensions5)	*-394.0*	*-422.8*	-473.7	-498.0	-508.1	-490.2	*-494.2*	497.8	128.6	130.2	129.6	136.9	525.2	140.3
Other current expenditures	-22.9	-31.7	-37.4	-36.9	-53.7	-45.3	*-55.6*	62.7	12.1	15.3	19.7	23.7	70.8	15.0
2. Capital expenditures	-105.1	-111.1	-126.3	-84.0	-96.7	-114.5	*-139.3*	133.9	28.9	39.7	54.0	76.8	199.3	36.1
3. Called guarantees	-2.7	-3.3	-3.7	-7.9	-29.7	-30.1	*-39.1*	28.8	4.0	4.5	7.1	4.1	19.7	2.3
4. Buget lendng	-30.0	-25.0	-38.2	-35.6	-55.4	-2.7	*-3.3*	13.2	2.4	1.1	0.5	2.7	6.8	0.7
CONSOLIDATED BALANCE	**-141.0**	**-163.5**	**-245.2**	**-212.1**	**-258.1**	**-149.1**	**-57.1**	**52.3**	**3.7**	**30.1**	**21.4**	**-23.0**	**32.2**	**11.2**

Source: *QM* calculations based on the MoF data

Annex 2. Serbia: Consolidated General Government Fiscal Operations, 2010-2019 (real growth rates, %)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018					2019
										Q1-Q4	*Q1*	*Q2*	*Q3*	*Q4*	*Q1-Q4*	*Q1*
I PUBLIC REVENUES	**3.3**	**-8.9**	**-1.5**	**-4.6**	**0.6**	**-2.2**	**3.2**	**3.1**	**7.5**	**4.0**	**3.6**	**2.7**	**5.4**	**6.5**	**4.6**	**8.3**
1. Current revenues	3.5	-9.1	-1.5	-4.4	0.1	-2.6	3.3	*3.3*	*7.4*	*4.1*	*3.3*	*2.4*	*5.1*	*5.7*	*4.3*	*8.3*
Tax revenue	3.7	-8.8	-2.5	-4.1	1.0	-1.7	3.5	*0.3*	*7.2*	*5.2*	7.0	0.8	3.6	5.1	4.0	6.8
Personal income taxes	6.3	-10.8	-3.9	-2.9	2.1	-12.2	-8.1	*-1.2*	*4.5*	*5.1*	5.3	-1.9	8.5	6.8	4.8	8.3
Corporate income taxes	18.5	-27.0	-3.6	3.9	35.1	2.9	17.4	*-15.0*	*26.9*	*35.0*	19.5	-10.6	3.2	-2.7	-1.3	41.8
VAT and retail sales tax	2.5	-10.2	-0.7	-4.0	0.0	-3.8	5.4	*0.2*	*7.8*	*2.6*	-0.9	3.3	7.4	-1.2	2.2	13.9
Excises	0.7	11.6	4.2	0.6	-1.2	5.1	1.6	*9.4*	*11.4*	*2.3*	16.7	-6.2	-10.8	8.7	1.6	-11.4
Custom duties	1.8	-32.4	-14.9	-21.5	-14.0	-15.6	-6.5	*5.9*	*8.1*	*5.8*	5.5	5.9	7.3	12.0	7.8	6.0
Social contributions	4.3	-7.0	-6.5	-3.9	1.9	2.6	3.1	*-2.1*	*3.2*	*3.8*	8.2	5.9	6.8	7.6	7.1	4.3
Other taxes	-2.3	-4.9	14.5	-15.2	-8.8	-5.2	29.2	*8.9*	*5.1*	*4.4*	2.0	3.6	1.1	13.5	5.2	13.8
Non-tax revenue	2.6	-11.3	5.8	-6.1	-6.2	-8.7	1.5	*27.9*	*9.3*	*-3.1*	-16.3	17.3	16.9	9.4	6.5	19.9
II TOTAL EXPENDITURE	**5.0**	**-4.8**	**-1.7**	**3.3**	**4.3**	**-0.3**	**5.2**	**-3.2**	**1.9**	**-1.7**	**5.6**	**3.7**	**9.5**	**4.9**	**5.8**	**6.8**
1. Current expenditures	6.9	-3.3	-2.2	3.1	4.1	-2.7	2.9	*-1.4*	*0.2*	*-1.2*	*2.7*	*1.1*	*5.5*	*2.6*	*3.8*	*6.7*
Wages and salaries	10.9	-6.0	-5.9	0.4	2.0	-2.6	-3.1	*-9.7*	*-1.4*	*-0.9*	*11.4*	*6.6*	*6.4*	*7.3*	*7.8*	*4.3*
Expenditure on goods and services		-5.7	-0.3	4.3	1.5	-6.6	6.2	*-1.1*	*8.9*	*3.3*	*8.1*	*14.9*	*11.8*	*11.2*	*11.6*	*6.3*
Interest payment	-2.8	-5.7	-0.3	17.4	41.9	28.8	19.3	*11.2*	*0.2*	*-10.6*	*-12.8*	*-14.5*	*-3.7*	*-21.8*	*-12.1*	*7.2*
Subsidies	-13.3	19.0	40.6	7.4	29.1	-15.6	13.2	*13.6*	*-17.3*	*-2.3*	*-6.6*	*6.7*	*2.3*	*-15.0*	*-5.1*	*26.4*
Social transfers	10.1	-26.0	13.9	5.8	-0.1	-2.1	-0.7	*0.5*	*-0.1*	*-2.1*	*1.7*	*0.6*	*2.5*	*1.5*	*1.6*	*5.3*
o/w: pensions5)	*9.5*	2.2	-3.9	3.9	*4.4*	*-2.3*	*-0.1*	*-4.8*	*-0.3*	*-2.2*	*2.8*	*2.7*	*2.1*	*6.2*	*3.4*	*6.6*
Other current expenditures	14.9	6.7	-6.1	23.9	9.9	-8.4	42.6	*-16.7*	*21.4*	*9.6*	*-10.1*	*10.6*	*26.8*	*5.5*	*10.7*	*21.4*
2. Capital expenditures	-4.3	-6.7	-11.8	5.3	6.0	-38.2	12.7	*16.8*	*20.3*	*-6.7*	*136.8*	*9.6*	*77.5*	*32.9*	*45.9*	*22.2*
3. Called guarantees	283.5	-2.2	-2.7	-3.3	-3.7	248.7	267.8	0.1	28.5	-28.5	-52.3	-23.4	4.7	-50.5	-32.9	-44.2
4. Buget lending	13.3	-24.0	-30.0	-25.0	-38.2	44.2	52.2	-95.1	20.8	283.9	62.2	-61.0	-83.7	1.8	-49.3	195.0

Source: *QM* calculations based on the MoF data

[3] Including the non-guaranteed debt of the local governments

Trends