6. Fiscal Trends and Policy

Moderate growth of public revenue and spending continued in Q3, with a consolidated fiscal surplus of RSD 16.2 billion (1.2% of quarterly GDP). Public revenue growth in Q3 was fuelled by solid tax revenue growth (from all taxes except VAT), while non-tax revenue continued to moderately decline, even though it was still higher than initially planned. The increase in public spending in Q3 was due to the moderate growth of all current spending (except interest and subsidies) and the strong growth of capital spending. In the first ten months of 2019, a consolidated fiscal surplus of RSD 47.7 billion was achieved (1.1% of GDP), due to the solid growth of both revenue (all types) and spending (current and capital). If the current trends continue, the fiscal result in 2019 could be close to equilibrium. The fiscal framework for 2020 foresees an adequate fiscal deficit (of 0.5% of GDP), with a slight improvement in the structural characteristics of the fiscal policy, through increased public investment and a slight reduction in the fiscal burden on labour. However, the planned faster growth of wages, higher than economically justified, neutralised part of the fiscal space, which made it impossible to make a significant step forward in improving the structure of public spending. The planned increase in public investment to 4.5% of GDP is adequate, but in order to have a positive impact on economic growth, it is necessary to move from discretionary to methodologically founded selection of investment projects, and to improve the efficiency of their realisation. At the same time, there were no concrete measures in the economic and fiscal framework for 2020 to improve public sector efficiency. Public debt at the end of Q3 was EUR 23.9 billion (about 52% of GDP), which was about EUR 930 million more than at the end of 2018, primarily due to government borrowing to provide funds for the purchase of the Komercijalna Banka shares. If current trends continue, public debt could reach around 52-53% of GDP by the end of the year.

Fiscal Tendencies and Macroeconomic Implications

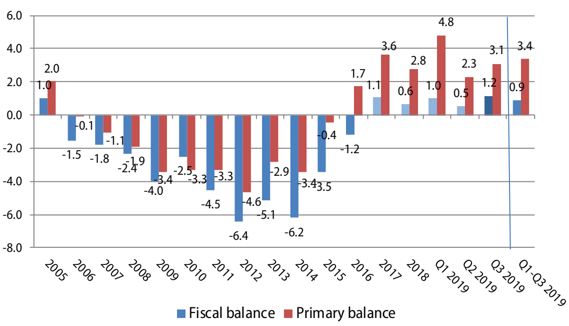
In Q3, a fiscal surplus of RSD 16.2 billion (1.2% of GDP) was achieved

In Q3, the year-on-year real growth of public revenue continued, as well as of public spending, both compared to the same period of the previous year and in relation to the previous quarter[1]. Consequently, a consolidated fiscal surplus RSD 16.2 billion was achieved in that quarter (1.2% of quarterly GDP), while the primary surplus amounted to RSD 43.6 billion (about 3.1% of quarterly GDP). Similar trends continued in October, when a strong real year-on-year growth of both public revenue and public spending continued (by 13.9% and 12.9% respectively).

In the first ten months, the surplus was RSD 47.7 billion - higher than planned, but lower than the last year's

In the first ten months of 2019, a consolidated surplus of around RSD 47.7 billion was achieved (around 1.1% of the 10-month GDP), while the primary surplus amounted to about 3.4% of GDP. Considering the usual annual dynamics of public revenue and public spending from previous years, the plan for 2019 and realisation in the period January-October, it is estimated that the fiscal surplus achieved in that period was higher than planned by about 10-12 billion dinars. This was primarily the result of better realisation of public revenue in relation to the plan, both tax and non-tax. However, in the first ten months of 2019, public spending was also higher than expected, which partially offset the effect of faster revenue growth. The overall estimate is that the fiscal surplus achieved in the first ten months of 2019 was moderately higher

Graph T6-1. Serbia: Consolidated fiscal balance and primary balance (% of GDP)



Source: *QM* calculations

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

than planned, albeit lower than in the same period last year, when the surplus was about RSD 65 billion.

Public revenue continued to grow in Q3...

In Q3 2019, public revenues continued a year-on-year growth, amounting to 4.4%, which was slightly faster than in the previous quarters, primarily due to continued strong growth of tax revenues, while non-tax revenues declined. In the first nine months of 2019, public revenue achieved a real year-on-year growth of 5%, which represents a net result of tax revenue growth (by 6.2%) and a moderate non-tax revenue decline (by 4.7%).

…thanks to increased tax revenue, which was the result of a faster growth of income and spending than GDP

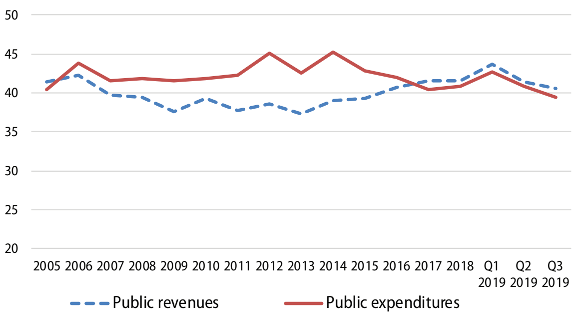
Tax revenue in Q3 increased by 5.8% in real terms compared to the same period of the previous year, which was close to the growth achieved in the previous quarter. And compared to Q2, the tax revenue was 1.1% higher. In the first nine months, tax revenue achieved solid moderate real growth of 4.9%, which is slightly higher than the real growth of Gross Domestic Product. The growth was recorded in all tax revenues, but it was the most pronounced in income tax and corporate income tax, while the lowest growth was from VAT.

The year-on-year increase in tax revenue in Q3 was a result of strong growth in compulsory social security contributions (by 8.7%) and excise taxes (by 13.5%), as well as income taxes, corporate income taxes and customs duties, while revenues from VAT recorded a moderate yoy decline (by 2.4%). In Q3 tax revenue growth was slightly faster than GDP growth, which was due to, among other things, faster growth of income and spending. Therefore, the strong growth of revenue from income tax and social contributions was the result of growth of wages and employment. The growth of revenue from excise tax can be a consequence of the low base effect, as in Q3 2018 the excise tax revenue recorded a significant decline. This conclusion is also indicated supported by the fact that excise tax revenues in Q3 were 0.8% lower in real terms compared to Q2 of the current year. Due to irregular dynamics, estimates of trends in excise duty collection can be given only based on data for several quarters. In the first nine months, excise tax revenue increased by 4.9% in real terms, which was in line with trends in spending and tax rates. The increase in customs revenue, which was over 10% in Q3 (and about 7.4% in the first nine months of 2019), was primarily due to a significant increase in imports. In conditions of growth in retail trade and imports, the decline in VAT revenues in Q3 could be ascribed to higher returns, as well as to the effects of some one-off factors. However, in the first three quarters of 2019, VAT revenue recorded a real year-on-year growth of 3.1%, which was slower than the growth of retail trade and imports. Since the effects of temporary and one-off factors in the long-term may not provide a proper explanation for these dynamics, a slower growth in VAT revenue than expected could also signal a decline in collection efficiency, which is often the case in election periods.

Non-tax revenue continued to decline... but is still high

In Q3, the decline of non-tax revenue continued by 5.3%, so in the first three quarters of 2019, a real 4.7% year-on-year decline of tax revenue was recorded.[2] Although the decline in non-tax revenue, to the extent that it was a consequence of the decline in the collection of dividends from public companies, is estimated to be economically justified, this decline was smaller than planned in 2019 (or foreseen by the Fiscal Strategy). This indicates, however, that the state has continued its policy of aggressively collecting dividends from public and state-owned enterprises, thereby adversely affecting their investment potential. Instead, from the perspective of stimulating economic growth, it would be justified to stop the practice of aggressive dividend collection and introduce an obligation for enterprises to invest retained earnings in fixed assets.

Graph T6-2. Serbia: Consolidated public revenue and public spending (% of GDP)



Source: *QM* calculations using MoF data

2 Inflows from concession fees were generated in April 2019, of which RSD 2.5 billion was reported as non-tax revenues, and RSD 42.2 billion as an inflow from a source of funding (“below the line”). Therefore, the growth of non-tax revenue in Q1 cannot be attributed to this transaction.

Public spending, both current and capital, is growing

In Q3, the trend of accelerating the growth of public spending continued, which increased in real terms by 5.7% yoy, owing to the moderate growth of current spending (by 5.1%) and the strong growth of capital spending (by 14.9%). Spending on goods and services (by 15.9%), as well as employees (8.3%) and pensions (by 6.3%) were most responsible for the increase in current spending, while spending on interest and subsidies declined.

In the first nine months of 2019, public spending recorded a significant year-on-year growth (by 6.6%), which was slightly faster than the growth of the economy. This is estimated to be economically unfavourable, since public spending in Serbia is still higher in relative terms than in comparable countries of Central and Eastern Europe. The growth of public spending was driven by a strong increase in capital spending (by over a quarter), but also by current spending - primarily for goods and services, salaries and pensions. Only subsidy spending recorded a moderate decline (by 2.7%), while interest spending almost stagnated, which is considered positive. The overall estimate is that the public spending structure has improved in the first three quarters, but some types of current spending (goods and services, salaries and pensions) are growing faster than economically justified, and plans for 2020 indicate that similar trends will continue.

Capital spending continued strong year-on-year growth in Q3, so that between January and September, these expenditures increased by about 26.6% compared to the same period last year, amounting to approximately 3.9% of nine-month GDP. Growth of capital spending in 2019 is judged to be economically justified when it comes to increasing investment in infrastructure. However, since the Government does not publish detailed data on the structure of capital spending, the extent to which this is the case cannot be confirmed.

Considering the existing dynamics and the announced one-off measures (on the spending side) that will be implemented in Q4, it is estimated that in 2019, the fiscal result will be close to equilibrium. Given that the Serbian economy is growing relatively slowly, it is estimated that there is significant room for creating fiscal incentives through the transition to a mild deficit policy and a significant improvement in the structural characteristics of the fiscal policy.

Planned fiscal deficit for 2020 is adequate...

The fiscal strategy for 2020 envisages a deficit of the consolidated state sector of 0.5% of GDP. The Budget Law adopted at the end of November, which foresees a budget deficit of 0.3% of GDP, is in line with the projected deficit of the consolidated state sector. The projected level of tax revenues in 2020 is estimated as realistic, i.e. relatively conservative. The planned consolidated fiscal deficit is assessed as adequate, taking into account developments in economic activity and the level of public debt. In addition, the fiscal framework for 2020 foresees a further increase in capital spending to 4.5% of GDP and a slight reduction in the fiscal burden on labour, which is also assessed as positive. Return to the systematic indexation of pensions according to the so-called “Swiss formula” is also assessed as economically adequate, since in the past few years Serbia was one of the few European countries to apply the principle of discretionary (politically-motivated) decision-making regarding indexation. Consequently, the projected increase in pension spending in 2020 is estimated as sustainable. On the other hand, the projected increase in the salaries of public sector employees, on average by 9%, is higher than the expected growth of economic activity, and as such is assessed as inadequate, i.e. politically motivated.

…but the improvement of structural characteristics of the fiscal policy is insufficient

Although the budget for the coming year envisages a certain improvement of the structural characteristics of fiscal policy (increase in the share of public investments and reduction of the fiscal burden on labour), the opportunity was missed to make this improvement more significant, since part of the fiscal space was used for higher wage growth. Increasing public investment to 4.5% of GDP is only a necessary but not sufficient condition to have a positive impact on economic growth. In order to achieve that impact, public investments need to be maintained at that level for a longer period of ten years, while maintaining fiscal deficits at up to 1% of GDP, and increasing the share of infrastructure spending in total public investment.

In addition, a (methodologically based) system of selection of investment projects is needed, which would ensure that only those projects that are unambiguously economically and socially viable are financed from limited public resources. Also, it is necessary to improve the system of contracting and supervision of project implementation, in order to reduce losses on unjustified transaction costs and increase the efficiency of implementation.

Improving the efficiency of planning and realisation of public investments is only one of the segments in which the efficiency of the public sector needs to be significantly improved. For long-term sustainable and dynamic growth of the economy, it is necessary to maintain macroeconomic stability permanently, but also to significantly improve the efficiency of the state through structural reforms, i.e. of the public sector in all its segments, especially in the areas of justice, administration efficiency, education and healthcare. The relatively poor results of Serbian students on the PISA tests are a consequence of the systematic and long-standing underestimating of the importance of education, both in terms of allocating budget funds for education and in affirmation of the value system in a society where education is of little importance.

Public Debt Trend Analysis

Public debt at the end of Q3 was EUR 23.9 billion (52% of GDP)

At the end of Q3 2019, Serbia's public debt stood at EUR 23.9 billion (52% of GDP), including non-guaranteed debt of local self-governments, about 52.8% of GDP, which was about EUR 390 million more than at the end of Q2 and about EUR 930 million more than at the end of 2018. Growth of public debt in Q3 was not caused by fiscal movements, but was a result of government borrowing to provide funds to repay the principal of part of the existing public debt during Q4, as well as to purchase the shares of international financial institutions in the Komercijalna banka's capital, which was realised in November.

Tabela T6-3. Serbia: Public debt dynamics 2000-2019 (bn. of dinars)

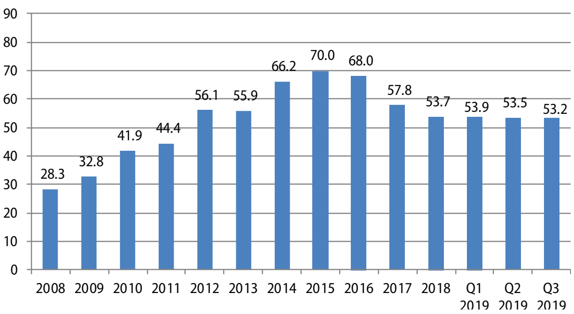
	2000	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Q1 2019	Q2 2019	Q3 2019
I. Total direct debt	14.2	7.9	8.5	10.5	12.4	15.1	17.3	20.2	22.4	22.7	21.4	21.5	21.9	22.0	22.4
Domestic debt	4.1	3.2	4.1	4.6	5.1	6.5	7.0	8.2	9.1	8.8	9.1	9.4	9.5	9.6	9.7
Foreign debt	10.1	4.7	4.4	5.9	7.2	8.6	10.2	12.0	13.4	13.9	12.4	12.1	12.4	12.5	12.7
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	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**	**23.6**	**23.9**
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%**	**53.7%**	**53.9%**	**53.5%**	**52.0%**

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

Borrowing is done under fa Borrowing is carried out on favourable terms - due to the good situation in international markets and the achieved macroeconomic stability

Two Eurobond issues realised in June and November, amounting to EUR 1.55 billion, with a yield rate of 1.5% (on ten-year bonds issued in June) and 1.25% (on ten-year bonds issued in November), are rated as successful. Favourable borrowing conditions were largely influenced by the general positive conditions on the international financial market (which is also reflected in the fact that other countries in the region are borrowing under similar conditions), and the macroeconomic stabilisation achieved in the previous period had a positive effect. Thus, due to the achieved macroeconomic stability, the Serbian EMBI index is low, i.e. lower than in Turkey, Romania and Hungary, and close to the value of this index for Croatia, and slightly higher than in Poland.

Graph T 6-4. Serbia's public debt trends (% of GDP)



Source: *QM* calculations [3]

Real appreciation of the exchange rate had a slight effect on the debt reduction

In Q3, the appreciation trend in the movement of the dinar against the euro and the US dollar continued, which led to a decrease in public debt. Although appreciation trends in the short term have a positive effect on the dynamics and sustainability of debt, it simultaneously has a negative impact on net exports and economic growth, which in the long run has a negative impact on the level and sustainability of public debt.

Public debt at the end of the year could amount to about 52-53% of GDP

If there are no major real fluctuations in the exchange rate and the fiscal balance moves within the expected limits, if the economy grows by about 3-3.5% and there are no major new advance borrowings, the public debt at the end of the year could amount to around 52- 53% of GDP, while, if there are no unforeseen events, it could drop to below 50% of GDP the following year.

Appendices

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	Q2	Q3	*Q1-Q3*
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**	**526.0**	**552.2**	**568.0**	**1,646.2**
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	524.4	549.4	565.0	1638.8
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	495.9	498.7	1454.0
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	51.3	50.5	146.3
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	42.5	26.9	102.7
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	128.2	138.2	395.1
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	74.2	81.5	225.5
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	11.3	12.1	34.3
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	152.2	167.8	169.3	489.4
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	20.6	20.1	60.8
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	65.1	53.5	66.3	184.8
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**	**-545.2**	**-551.9**	**-1,611.1**
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	-474.9	-487.3	-483.4	-1445.6
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	-123.8	-128.8	-127.2	-379.8
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	-91.0	-97.0	-260.3
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	-23.9	-27.4	-97.4
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	-24.8	-21.4	-69.4
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	-194.4	-192.7	-190.8	-578.0
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	-140.0	-139.5	-419.9
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	-15.1	-26.2	-19.5	-60.8
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	-53.4	-62.8	-152.3
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	-2.8	-3.6	-8.6
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	-1.7	-2.1	-4.6
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**	**11.9**	**7.0**	**16.2**	**35.1**

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	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q1-Q3
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**	**8.4**	**2.5**	**4.4**	**5.0**
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*	*8.4*	*2.3*	*4.3*	*4.9*
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	6.3	5.8	6.2
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	8.2	23.5	3.4	11.2
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	-6.8	16.1	11.4
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	-0.2	-2.4	3.1
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	16.6	12.5	4.9
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	6.1	10.1	7.4
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	7.0	8.7	6.7
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	13.7	3.5	7.8	8.1
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	21.1	-23.8	-5.3	-4.7
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***	***7.3***	***5.7***	***6.6***
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*	*5.5*	*5.1*	*5.7*
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*	*4.2*	*7.3*	*8.3*	*6.6*
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*	*6.2*	*4.7*	*15.9*	*9.0*
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*	*5.4*	*-12.4*	*0.5*
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*	*-16.2*	*-8.3*	*-2.7*
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*	*3.1*	*3.6*	*4.0*
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*	*5.1*	*6.3*	*6.0*
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*	*22.3*	*67.0*	*-2.2*	*26.6*
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*	*22.1*	*31.7*	*14.9*	*21.9*
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	-40.0	-50.6	-46.0
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	-70.4	55.7	297.2	11.4

Source: *QM* calculations based on the MoF data

3 Including the non-guaranteed debt of the local self-governments