**Report on the execution of the budget of Montenegro in the period January - June 2021**

**(GDDS table 6)**

Budget execution in the period January - June 2021 is characterized by higher realization of budget revenues than planned, while expenditures are lower than planned.

Starting from the trend of revenues and expenditures, in the period January - June 2021, a budget deficit is realized in the amount of 160.6 mill. € or 3.5% of estimated GDP, which is 100.3 mill. € or 38.4% less than planned.

**At the same time, in June, a budget surplus is realized in the amount of 3.0 mill. €. This is the first recorded positive budget result since September 2019.**

Taking into account the pronounced seasonality when it comes to the collection of budget revenues, primarily on the basis of tourist traffic, during the tourist season a trend of reducing the budget deficit realized in the previous period of the year is expected, and is already visible in June.

**Budget revenues** in the period January - June 2021 amounted to 787.6 mill. € or 17.0% of estimated GDP (4,636.6 mill. €), which is by 14.2 mill. € or 1.8% more than planned, while compared to the comparable period in 2020, the execution of budget revenues is higher by 39.8 mill. € or 5.3%.

Realized budget revenues in June amounted to 158.9 mill. € and are higher by 14.8 mill. € or 10.3% compared to the planned and 26.8 mill. € or 20.2% compared to the same month last year.

The continuation of the established trend of recovery of economic activity and positive results when it comes to the beginning of the summer tourist season, is evidenced by the fact that budget revenues in June were also higher compared to June 2019 by 10.8% or 15.5 mill. €.

The main generators of budget revenue growth in the period January - June are revenues generated on the basis of **Value Added Tax (VAT**), which are higher by 11.1 mill. € or 4.2% compared to the planned and 19.9 mill. € or 7.7% compared to the comparable period of the previous year, which is primarily the result of high VAT collection on imports during the preparation of the tourist season but also the effects of greater tax discipline and the implementation of electronic fiscalization of tax registers. Revenues from VAT in June were realized at the level of 60.3 mill. € which is 41.9% higher compared to June of the previous year. At the same time, revenues on this basis are higher compared to June 2019 by 14.2%. The achieved level of VAT collection in June was not achieved in any month of the previous year, primarily due to the implementation of measures to limit economic activity and the closure of state borders for foreign tourists.

Revenues based on **excises** in the period January - June were realized at the level of 97.5 mill. € and compared to the planned are higher by 6.2 mill. € or 6.8%. Compared to the comparable period of the previous year, revenues on this basis are higher by 2.2 mill. € or 2.3%.

Semi-annual revenues from **taxes and contributions on salaries** were realized at the level of 289.5 mill. € and compared to the previous year are higher by 17.9 mill. € or 6.6%.

The growth of revenues in the half-year period is also contributed by the collection of **Corporate Income Tax**, which is higher than planned by 14.1 mill. € or 33.0%.

The category of **other revenues** recorded a negative deviation of 2.7 mill. € in relation to the plan, whereby already in July a significant collection of this category of income was realized, due to the payment of profit realized in 2020 by companies in majority ownership of the state.

Bearing in mind that the Law on Budget for 2021 was not adopted by December 31 of the previous year, pursuant to Article 37 of the Law on Budget and Fiscal Responsibility, in June the execution of the budget was carried out in the regime of temporary financing.

**Budget expenditures** in the period January - June 2021 amounted to 948.2 mill. € or 20.5% of the estimated GDP and are lower than planned by 86.1 mill. € or 8.3%. Compared to the same period in 2020, budget expenditures are lower by 14.0 mill. € or 1.5%.

In the structure of budget expenditures, **current expenditures** were realized at the level of 414.9 mill. € and are lower by 39.5 mill. € or 8.7% compared to the planned. Lower realization compared to the planned is determined by the lower realization of almost all categories within this group of expenditures. Compared to the comparable period in 2020, current expenditures are lower by 5.5 mill. € or 1.3%.

**Capital expenditures** were realized in the amount of 62.5 mill. €, which is by 28.6 mill. € or 31.4% less than planned, while compared to the realization in the same period in 2020 they are lower by 21.9 mill. € or 26.0%.

Compared to the previous year, higher realization were recorded in:

**Gross salary and contributions** in the amount of 22.0 mill. € or 8.8% due to the increase in salaries in the sectors of Health and Education, as well as the different treatment of the gross salary fund of the University of Montenegro during 2020 compared to the 2021.[[1]](#footnote-1)

**Reserves**, primarily due to the allocation of funds for the founding capital of the new national airline "To Montenegro", but also monthly allocations based on subsidizing the salaries of employees in vulnerable activities defined by packages of measures to support citizens and the economy.

**Repayment of liabilities from the previous period** as a result of enforced collection based on the debt of "Montenegro Airlines" to "Airports of Montenegro".

**Attachment: GDDS 6 montly data.xlsx**

\* The data in the GDDS table represents an overview of income and expenses by economic classification in one month, compared to the plan and the same period of the previous year.

1. In 2020, all costs of the University of Montenegro (including gross salaries) were planned on the expenditure category of Transfers, while temporary financing was used to reclassify expenditures, which increased the total fund of gross salaries in 2021. [↑](#footnote-ref-1)