REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Assessment by the Fiscal Council: Proposal for the Ordinance amending the Ordinance on the Framework for Preparing General Government Budgets for the Period 2018–2020

December 2018

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The assessment is based on proposed Ordinance Amending the Ordinance on the Framework for Preparing General Government Budgets for the 2018–2020 Period and on the proposal for the Draft Budgetary Plan for 2019, which were received by the Fiscal Council on 6 December 2018. Forecast values in EUR are calculated indirectly from shares in GDP, which are included in the above mentioned document, consequently numbers do not necessarily add up. Cut-off date: 7 December 2018.

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EXECUTIVE SUMMARY

Having examined the proposal for the *Ordinance Amending the Ordinance on the Framework for Preparing General Government Budgets for the 2018–2020 Period*, the Fiscal Council has established that the projected fiscal trends could not ensure the sustainability of public finances.

Pursuant to the Fiscal Rule Act, the Fiscal Council is not obliged to give an opinion on the Draft Budget Plan. In mid-October 2018 the Government drew up a Draft Budget Plan for 2019 which was based on the assumption of unchanged policies. The revised proposal for the Draft Budget Plan for 2019, which was made in December 2018 and of which the Fiscal Council has taken note, indeed included the projections of key fiscal policy elements, but the Fiscal Council did not simultaneously receive for assessment a proposal for the revised state budget for 2019, on which it is obliged to give its opinion under the Fiscal Rule Act.

The Fiscal Council's statements about the macroeconomic situation and the projections that served as the basis for the submitted documents are the following:

- Economic growth is expected to slow down in 2019, but the situation will remain sufficiently favourable to allow the adoption of measures that would enable a sustainable improvement of public finances.
- The risks of economic growth below the projected level are increasing particularly in light of uncertainty in the international environment.

In the Fiscal Council's opinion, the expansive fiscal policy set in the current budget documents would not be adequate in 2019. Economic growth is expected to slow down, but the level of activity would still exceed that of the long-term economic potential. The main conclusions reached upon the examination of the available budget document proposals are as follows:

- The proposed amendments to the Ordinance on the Framework for Preparing General Government Budgets changes the target values only for 2019, which does not create a sound basis for ensuring medium-term fiscal sustainability.
- The fiscal rules based on the law would not be complied with in terms of the proposed amendments to the Ordinance on the Framework for Preparing General Government Budgets even though a modest nominal surplus in the general government sector has been projected for 2019. The projected trends thus show a deviation from the achievement of medium-term fiscal sustainability. The anticipated, albeit cyclical, decrease of debt-to-GDP ratio represents an exception in terms of compliance with the valid rules.
- The maximum general government expenditures, determined by the proposed amendments to the Ordinance on the Framework for Preparing General Government Budgets, are too high with respect to the projected revenues and in terms of the medium-term fiscal sustainability. Taking into account the national fiscal rules, they should be below the level determined by the proposed Framework by approximately EUR 270 million in 2019. The general government's nominal surplus should be higher by the same amount and thus reach about 1% of GDP in 2019.

- The approach to fiscal consolidation in the past two years was not sustainable since, in addition to the lifting of the remaining austerity measures and of the already adopted measures with fiscal consequences, a deterioration of the structural balance can be anticipated for 2019. Following two years of structural balance a structural deficit can be expected. A deterioration of the structural balance is even higher in the general government's primary balance, which does not include the currently still favourable trend in interest expenditure.
- In terms of the proposed Draft Budget Plan for 2019, the expenditure rule will not be complied with in 2018–2019, because net expenditure will grow faster than the long-term potential output adjusted for the required structural effort.
- In terms of the proposed Draft Budget Plan for 2019, Slovenia would meet the required dynamic for reducing the debt-to-GDP ratio, which should next year be lower than 70% of GDP, but only on account of cyclical factors.

In light of a major risk of deviation from the fiscal rules in 2019, the Fiscal Council recommends the following:

- In current and in the anticipated macroeconomic environment, a slightly restrictive or, depending on the achievement of the medium-term fiscal objective, at least a neutral fiscal policy should be implemented. In circumstances of a relatively high public debt level, this would facilitate creating space for manoeuvre when a period of considerable slowdown in economic activity might occur;
- Measures should be adopted to ensure a balanced structural position of the general government sector in the draft revised state budget for 2019. The proposed amendments to the Ordinance on the Framework for Preparing General Government Budgets for the 2018–2020 Period show a deviation from the sustainable fiscal policy;
- The Government of the Republic of Slovenia should adopt structural measures to ensure medium-term fiscal sustainability and to simultaneously increase long-term economic potential. These measures and the anticipated schedule for their implementation should be presented at the latest in the updated Stability Programme and in the accompanying National Reform Programme, both of which should be prepared in the spring of 2019;
- While preparing the updated Stability Programme for 2019 the Government of the Republic of Slovenia should prepare a consistent and credible Ordinance for the 2019–2022 period that will define a stable course for a medium-term fiscal policy. This and appropriate adjustments of the final Draft Budget Plan for 2019, which should be made on the adoption of the draft revised state budget for 2019, should help materialise the commitments made by the Government in respect of the fiscal rules.

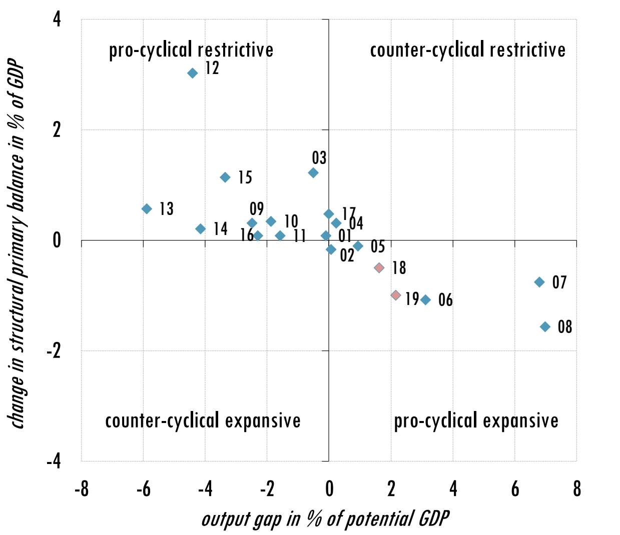
The Fiscal Council also points out that it is essential to observe the precautionary principle in the case of negative risks in the macroeconomic environment in the planning of revenues and expenditures.

Table 1: Compliance with fiscal rules

		2018	2019
A	Medium term objective	✓	✗
	Change in the structural balance	✓	✗
B	Expenditure rule	✗	✗
C	Change in gross public debt	✓	✓
D	Domestic fiscal rule	✗	✗
A	Structural balance (in % GDP)	0.1	-0.6
	Medium term objective	*0.25*	*0.25*
B	Growth in net expenditure - nominal (in %)	4.5	4.1
	Reference rate to be applied - nominal (in %)	*1.9*	*3.5*
C	Gross public debt (in % GDP)	70.3	66.6
	Reference level of debt (in % GDP)	*76.5**	*69.8*
D	Level of public expenditure in DBP 2019 (EUR million)	19,428	20,608
	Maximum level of public expenditure (EUR million)	*19,485*	*20,343*

*Source: SORS, Stability Programme 2018, FC estimates and calculations. Rules A-C assessed in line with Article 15 of ZFisP, rule D in line with Article 3 of ZFisP. *MLSA rule, in force during transitory period until 2018.*

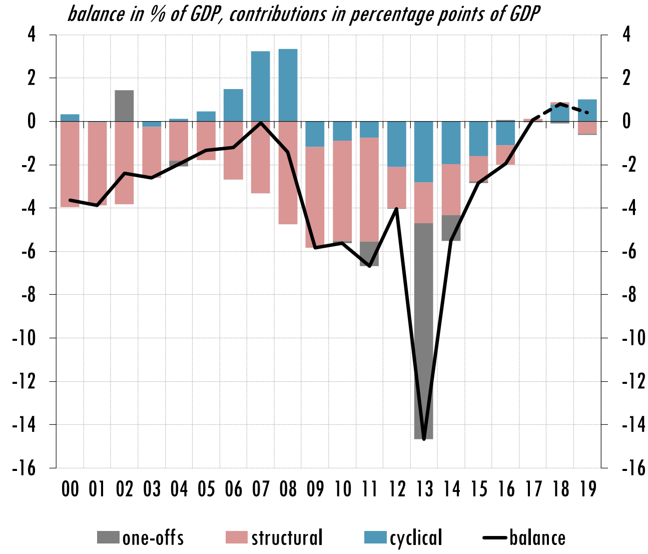
Figure 1: Fiscal policy stance 2001-2019



Source: SORS, MoF, IMAD, IMF, OECD, EC; FC calculations, see note under Table 4.4.

Figure 2: Contributions to general government balance

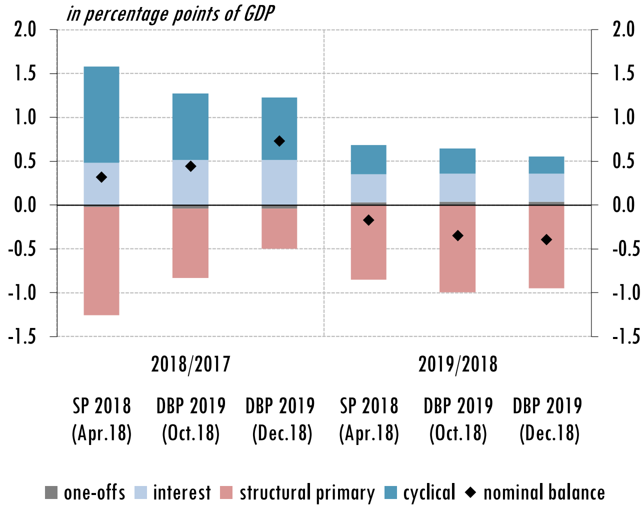
balance in % of GDP, contributions in percentage points of GDP



Source: SORS, MoF DBP 19 (Dec. 18), FC calculations.

Figure 3: Contributions to change in nominal general government balance

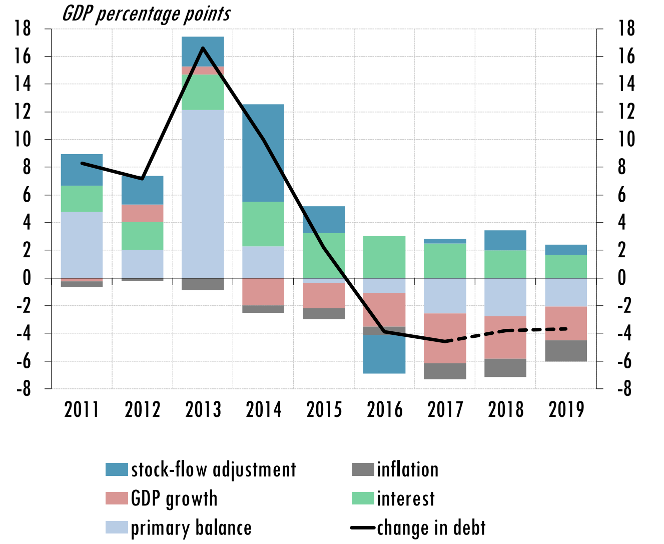
in percentage points of GDP



Note: A decrease in interest expenditure is reflected in improvement in balance.
Source: MoF, FC calculations.

Figure 4: Change in general government debt

GDP percentage points



Source: SORS, MoF DBP 19 (Dec. 18), FC calculations.

Legislative framework

On 6 December 2018, the Ministry of Finance submitted to the Fiscal Council a proposal for the Ordinance Amending the Ordinance on the framework for Preparing the General Government Budgets for the 2018–2020 Period (hereinafter: the proposed Framework) and the Draft Budgetary Plan for 2019 (hereinafter: DBP 2019) for assessment.

Pursuant to paragraph 6 of Article 6 of the Fiscal Rule Act (ZFisP), the Government must submit to the General Assembly and to the Fiscal Council a budget amendment proposal and a Framework amendment proposal if it finds by 15 September of the current year that the circumstances on whose basis the Framework was adopted have changed. Due to the regular parliamentary election and the change of government, the proposed Framework received for assessment by the Fiscal Council was sent outside the regular autumn budget adoption schedule. In this respect, the Fiscal Council did not receive the budget revision proposal to be assessed by the Fiscal Council pursuant to point 2 of Article 7 of the ZFisP.

Pursuant to point 1 of paragraph three of Article 7 of the ZFisP, the Fiscal Council is obliged to assess the sustainability and coherence of public finance policy with fiscal rules. Pursuant to paragraph one of Article 9f of the Act Amending the Public Finance Act (ZJF-H), the Fiscal council must send its assessment of the proposed Framework to the Government and to the National Assembly within seven days of receipt of the proposed Framework. Pursuant to Article 6 of the ZFisP, the Framework shall be adopted by the National Assembly of the Republic of Slovenia upon the proposal of the Government of the Republic of Slovenia.

The Fiscal Council is not obliged to give an opinion on the Draft Budgetary Plan. By 15 October every year the Draft Budgetary Plans must be submitted by EMU Member States to the European Commission and the Eurogroup for evaluation. The Member States present in their draft budgets the main orientations and elements in terms of the objectives and measures at the level of the general government and its subsectors for the coming year prior to their adoption by the national parliaments.

The domestic fiscal rule is embodied in Article 3 of the ZFisP, which stipulates the method for determining the ceiling for general government expenditure in relation to the position in the economic cycle. Compliance with the fiscal rule ensures medium-term fiscal balance as it is used after the attainment of the medium-term fiscal objective. In accordance with Article 15 of the ZFisP, in a period when Slovenia is approaching its medium-term fiscal objective, general government budgets are deemed balanced in the medium term if the structural balance of the general government approaches the medium-term fiscal objective in accordance with the dynamics determined on the basis of the Stability and Growth Pact (SGP). Slovenia's current medium-term fiscal objective has been determined as structural surplus at 0.25% of GDP, with the permitted deviation of 0.25 percentage points under the Stability and Growth Pact rules. According to the Fiscal Council's estimate, Slovenia has approached its fiscal target in the past few years and attained it in 2017 and 2018. Given the fact that the projections within the proposed Framework submitted to the Fiscal Council for assessment indicate a deviation from the fiscal target, the Fiscal Council's approach applied within this assessment verifies (i) compliance with the domestic fiscal rule referred to in Article 3 of the ZFisP and (ii) compliance with the fiscal rules referred to in Article 15 of the ZFisP. In assessing compliance with the fiscal rules referred to in Article 15 of the ZFisP, the data from the DBP were also used.

1. Macroeconomic conditions and forecasts

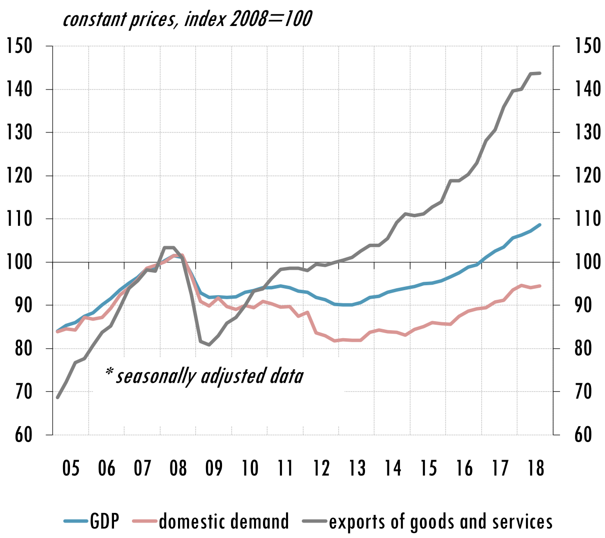
Key findings

- Economic growth remains broadly based, but is gradually slowing down.
- The economic growth forecast for 2019 continues to represent a suitable basis for the adoption of measures aimed at a sustainable improvement of public finances.
- The downside risks of forecast GDP growth are on the rise. In addition to a high level of uncertainty in the international environment, the creation of sufficient space to be used by fiscal policy in circumstances of deteriorated economic conditions has become even more important.

1.1 Overview of macroeconomic conditions and forecasts

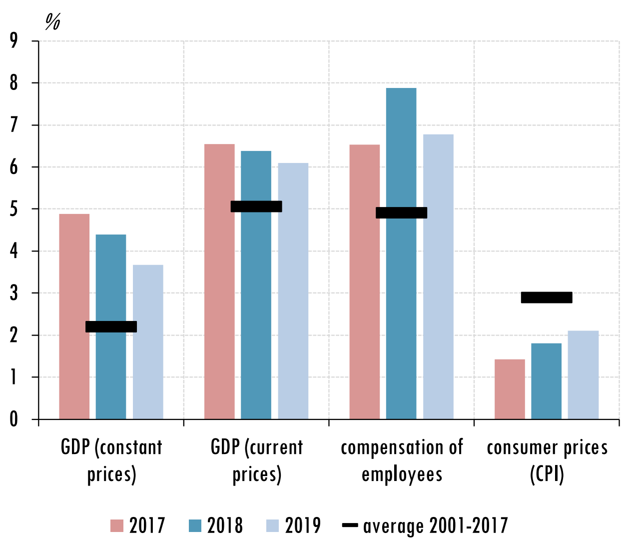
Economic growth slowed down to some extent in the first three quarters of 2018, as forecast. The GDP increase was 4.5% on a year-year basis and again considerably exceeded the average growth in the euro area (2.0%). Due to the relatively high foreign demand, exports continue to significantly fuel economic growth. A high level of production capacity utilisation and favourable financial conditions encourage continued growth of investments in machinery and equipment. Property market recovery and increase in public investments (including in connection with the election) have contributed to higher investments in construction. Private consumption lags behind the increase in disposable income and forecasts. This may be a sign of consumer cautiousness, which is also reflected in a deterioration of the consumer sentiment in the second half of the year. Government consumption showed a more considerable increase in the first three quarters of this year, which is mainly the result of higher expenditure on goods and services and higher employment. In the Fiscal Council's opinion, economic growth in total 2018 will not deviate considerably from the September forecast of the Institute of

Figure 1.1: GDP, domestic demand and exports



Source: SORS, FC calculations.

Figure 1.2: Growth of macroeconomic aggregates



Source: SORS, IMAD forecast, FC calculations.

Macroeconomic Analysis and Development, but will have a different structure according to the trends in the first three quarters.

According to IMAD's[1] forecast, broadly based economic growth will continue next year, but will slow down to 3.7%. Growth is expected to be fuelled by the increase in exports; however, in light of the anticipated cooling of economic activity among Slovenia's main trading partners, this increase will be below the average for the past few years. Contrary applies to aggregates of domestic consumption. The growth of investment activity is expected to remain high due to higher investments in machinery and equipment and in construction resulting from high-capacity utilisation and the anticipated increased drawing of EU funds. Despite considerably lower growth in employment than this year, a higher increase in wages and social transfers should contribute to a relatively high increase in household consumption in 2019.[2] Government consumption growth is expected to slow down somewhat next year in light of the anticipated lower employment growth and lower government expenditure on goods and services. The September IMAD forecast, which serves as the basis for the current fiscal projections, does not deviate from the forecasts by other institutions in terms of the level and structure of economic growth for 2018 and 2019 (see Table 4.1).

Economic trends to date in 2018 and trends forecast for 2019 positively impact tax bases and represent a suitable basis for a lasting improvement in public finances. In the first three quarters of this year, the gross domestic product in current prices increased by 7.2%, which is higher than last year and higher than forecast by IMAD in its September forecast for the entire 2018. Next year, the increase is expected to slow down somewhat (6.1%), but will still considerably exceed the average increase in the period 2014-2017 (4.4%). The situation is similar for compensation of employees, which this year increased considerably more than the year before in line with the continued growth of employment and stronger wage growth. Next year, employment growth is expected to halve due to the shortage of suitable workforce and the continued demographic changes and thus significantly contribute to a lower increase in compensation to employees. The latter will continue to considerably exceed average growth in the previous years. Higher domestic demand and accumulation of cost pressures result in a stronger increase in consumer prices, which, according to IMAD, will remain stable next year at slightly above 2%.

Macroeconomic scenario of DBP 2019 is much more favourable than that from autumn of 2017 which served as the basis for adopting the 2019 budget. As compared to IMAD's forecast from September 2017 (see Table 1.1), its forecast from September 2018 anticipates higher economic growth in 2019, particularly a higher increase in investment and government spending. The anticipated higher economic growth also implies a higher tax base increase. The nominal GDP forecast

Table1.1: IMAD forecasts

	2017		2018			2019		
	Sep.17	outcome	Sep.17	Sep.18	difference	Sep.17	Sep.18	difference
Real GDP, % change	4.4	4.9	3.9	4.4	*0.5*	3.2	3.7	*0.4*
Nominal GDP, EUR million	42,761	43,000	45,265	45,742	*477*	47,507	48,529	*1,022*
Compensation of employees, EUR million	21,200	21,203	22,426	22,875	*449*	23,497	24,426	*929*
Inflation, annual average, %	1.5	1.4	1.6	1.8	*0.2*	2.1	2.1	*0.0*

Sources: Outcome: SORS, IMAD forecasts (Autumn forecast of economic trends 2017 and 2018), FC calculations.

[1] Autumn forecast of economic trends 2018 by IMAD, Ljubljana, September 2018 (http://www.umar.gov.si/fileadmin/user_upload/napovedi/jesen/2018/aJNGG_2018-splet.pdf). In accordance with the Public Finance Act, IMAD's forecast serves as the basis for preparation of budget documents.

[2] IMAD forecasts a 2.7% increase in private consumption in 2019. A 1.7% annual increase was recorded in the period 2001-2017 and in the first three quarters of 2018.

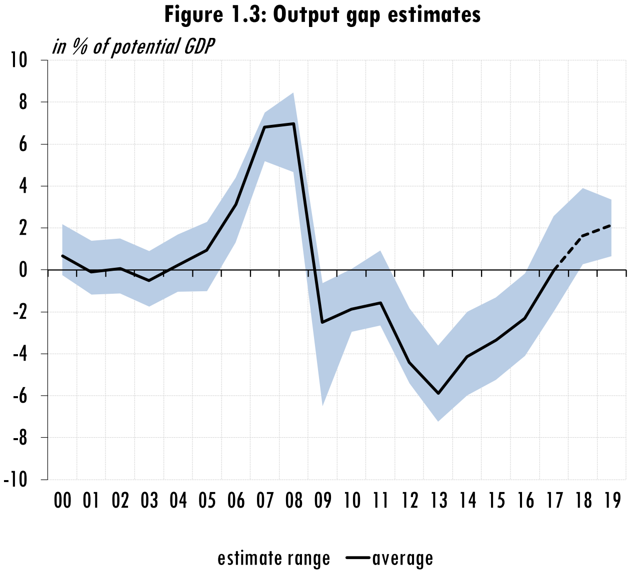
for 2019 is EUR 1 billion higher than anticipated by last year's autumn forecast. The forecast employee compensation is higher by a similar amount, which is due to the anticipated considerable acceleration in wage growth and higher employment growth. There were no significant changes in inflation forecasts for 2018 and 2019.

1.2 Assessment of the cyclical position of the economy

On the basis of the available estimates, the Fiscal Council assesses that Slovenia will continue to record a positive output gap in the next year. According to estimates from most institutions that make assessments for Slovenia, the output gap entered the positive range in 2017.[3] According to the currently available calculations, the average output gap is expected to be approximately 2% in 2019, which is higher than 1.5%, which provides a threshold between normal state and the good times of the economy.[4] The determination of the required fiscal effort depends on this definition if the government has not yet achieved the medium-term fiscal objective. In this respect it should be taken into account that output gap estimates can undergo significant changes in time, which particularly applies to periods when the output gap deviates from the equilibrium level to a larger extent. The European Commission has also established that, under a common methodology, output gaps estimates for Slovenia are subject to large uncertainty and are not necessarily in line with other macroeconomic indicators.[5]

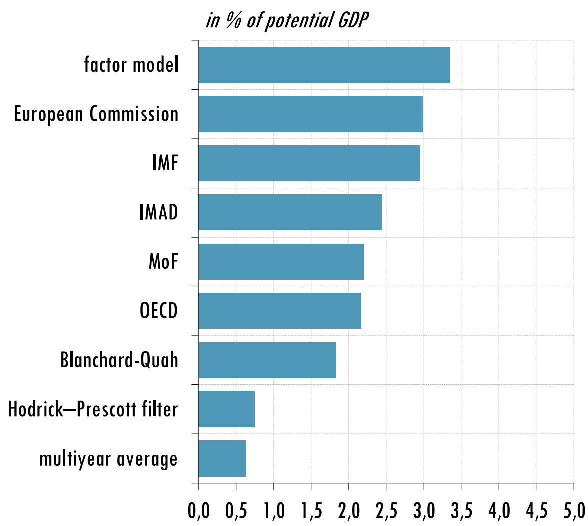
Having examined a wide range of indicators monitored by the Fiscal Council in order to determine the state of the economic cycle, the Fiscal Council estimates that the peak of the economic cycle was reached at the turn of 2018. Economic conditions remain favourable, but economic activity is gradually slowing down. The values of most indicators are lower than the peak values in the period of economic recovery, which began in 2014. This particularly applies to indicators

Figure 1.3: Output gap estimates



Sources: IMAD, EC, OECD, IMF, MoF, FC. See note under Table 4.4.

Figure 1.4: Output gap estimates for 2019



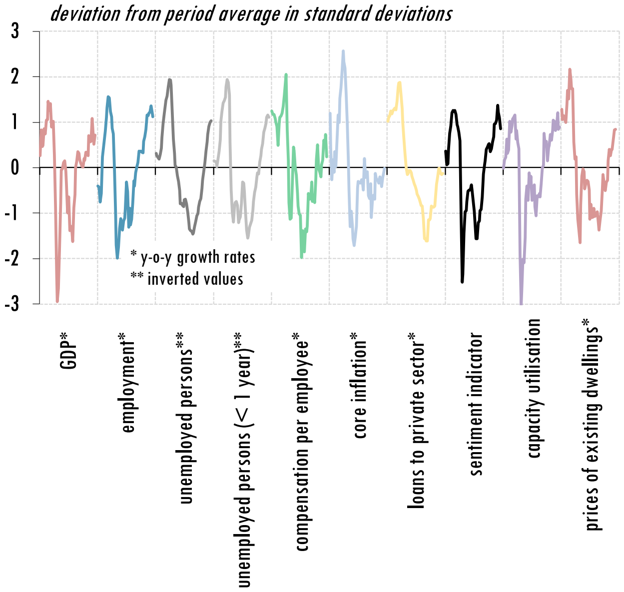
Sources: IMAD, EC, OECD, IMF, MoF, FC. See note under Table 4.4.

[3] The output gap represents the difference between the actual economic activity (in terms of GDP) and the estimated economic activity which is an outcome of all available capacities of the economy, without causing inflationary pressures ("potential output").

[4] The European Commission defines normal times as a period when the output gap equals or exceeds 1.5% (Vade Mecum on the Stability and Growth Pact 2018 Edition, p. 38, March 2018).

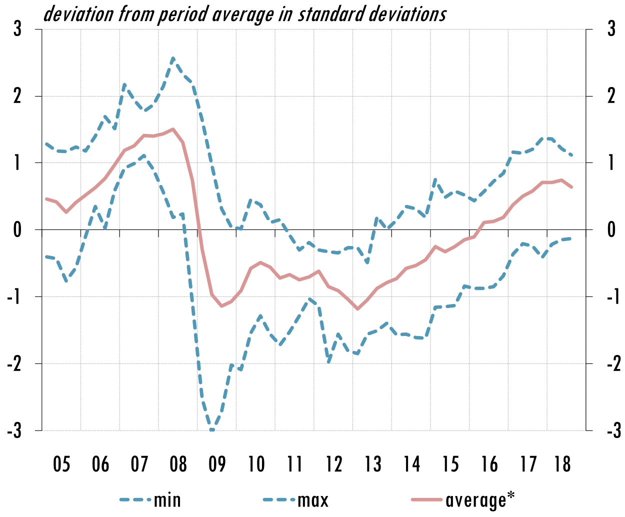
[5] Commission Staff Working Document – Analysis of the Draft Budgetary Plan of Slovenia – Box 3, p. 11 (November 2018).

Figure 1.5: Indicators of economic cycle dynamics 2005-2018



Sources: SORS, ECB, Eurostat, Employment Service of Slovenia, FC calculations.

Figure 1.6: Indicators of economic cycle dynamics



** The prices of existing dwellings are not incuded in the calcuation of the average as the data for Q3 2018 is not available yet.*
Sources: SORS, ECB, Eurostat, Employment Service of Slovenia, FC calculations.

of economic growth, employment and economic sentiment, and partly also to private sector lending and production capacity utilisation. Supply-side restrictions in the labour market continue, including due to demographic changes, but for the time being they are not reflected in an excessive increase in cost and price pressures. According to IMAD's autumn forecast, a stronger increase in wages in circumstances of slower economic activity could be expected next year, but it is not assumed to considerably exceed the increase in productivity. The core inflation is also expected to remain moderate. The increase in prices of used real estate continues to be considerably above the multi-annual average, which is due to continued imbalance between supply and demand after a multi-annual decline in housing investments.

1.3 Risks to the macroeconomic scenario

Risks to the macroeconomic scenario, which serves as the basis for fiscal projections of the proposed Framework and DBP 2019, are on a downside and mainly arise from the international environment. In the months following IMAD's forecast, international institutions reduced their economic growth forecasts for Slovenia's main trading partners for the next year. At the same time, they pointed to considerable negative risks.[6] The key risk is the high level of uncertainty, including in connection with the future functioning of the global institutional architecture in circumstances of the rising trade tensions between the world's key economies. This risk is particularly important for a small open economy that is highly dependent on exports. The European Commission warns that, despite the small direct effects of the introduction of duties, its indirect negative effects could be considerable, especially in terms of the possible restructuring of the global value chains in which Slovenian export companies are highly involved. The high uncertainty level also increases the possibility of postponing or reducing investment activity and negatively affects the consumption of households, which increase precautionary savings in an uncertain environment. Moreover, the ECB predicts a gradual normalisation of monetary policy,

[6] IMF World Economic Outlook 2018, pp. 20–23 (October 2018); EC Autumn Forecast 2018, pp. 58–61 (November 2018); OECD Economic Outlook 2018, Issue 2, pp. 22–34 (November 2018).

which could result in higher interest rates and consequently in an increase of the costs of financing, including the still high public debt. In such uncertain conditions, fiscal aggregates should be planned in accordance with the precautionary principle (Article 4 of the ZFisP).

2. The fiscal trends foreseen in the proposed Draft Budgetary Plan for 2019

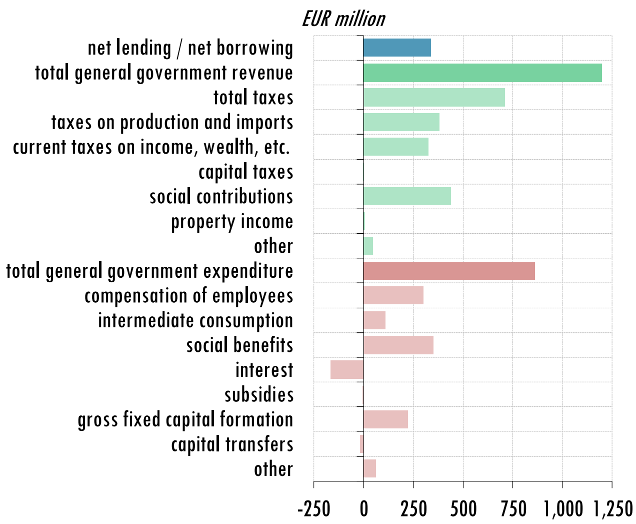
Key findings

- The anticipated nominal general government surplus in the period 2018-2019 is particularly due to favourable economic conditions and might be affected by their potential deterioration.
- Next year, the growth of public expenditure is expected to strengthen further and, for the first time after 2013, exceed the revenue growth, which is expected to slow down in line with the projected lower economic growth.
- The anticipated continued decrease in the share of general government debt in GDP will be mainly due to the increase in economic activity and a result of primary surplus, which will shrink however. In a period of economic growth a decrease in the share of debt in GDP should be achieved by creating sufficient primary surpluses of general government.

2.1 An overview of fiscal trend projections

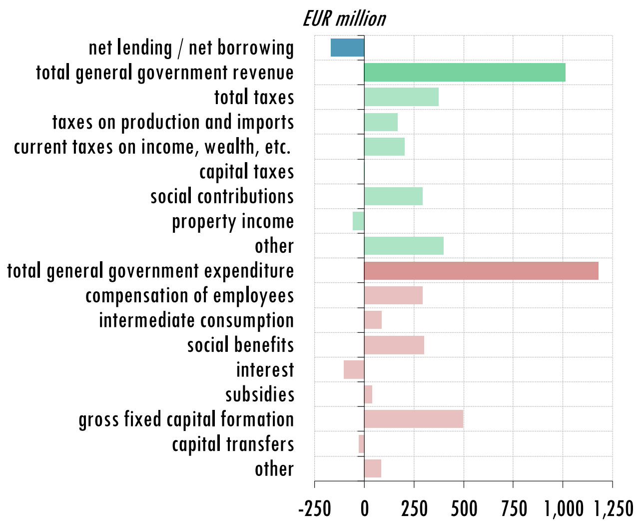
The proposed Framework envisages the maintenance of the minimum general government surplus in the period 2018-2019. In this regard the Fiscal Council estimates that the increase in revenue is predominantly cyclical and results from favourable economic conditions, while structural expenditure, which cannot be reduced quickly in deteriorating conditions and does not address long-term challenges, is on the rise. The structure of the projected revenue and expenditure is thus inadequate in terms of ensuring structural sustainability of public finance. This year, the general government balance is expected to be 0.8% of GDP, which in particular is the result of continued high increase in, particularly, tax revenues from the high growth in economic activity and partly also in one-time revenues. The growth of key expenditure categories is expected to further increase this year, with

Figure 2.1: Differences between forecast for 2018 in DBP 2019 and outcome for 2017



Source: SORS, MoF DBP 19 (Dec.18), FC calculations.

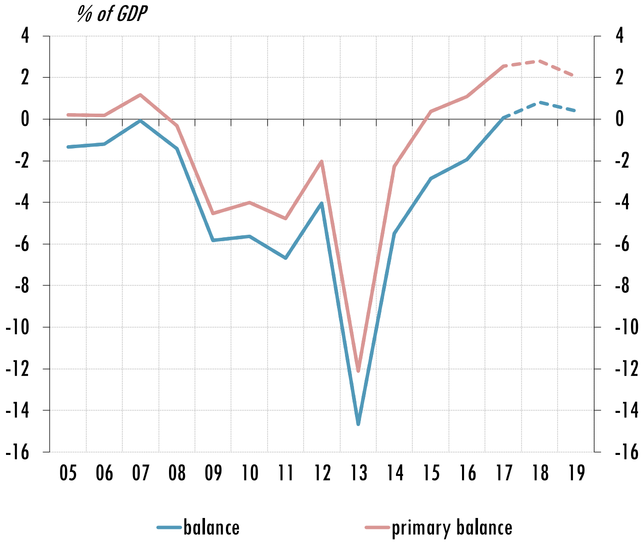
Figure 2.2: Differences between forecasts for 2019 in 2018 in DBP 2019



Source: MoF DBP 2019 (Dec.18), FC calculations.

Figure 2.3: General government balance and primary balance

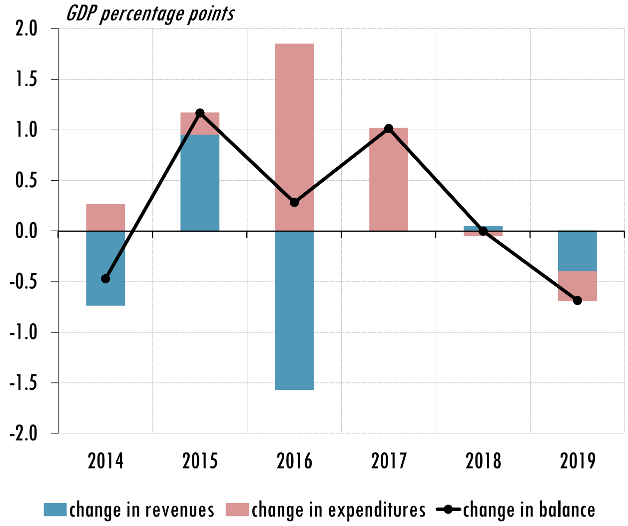
% of GDP



Source: SORS, MoF DBP 19 (Dec.18).

Figure 2.4: Contributions to change in general government structural balance

GDP percentage points



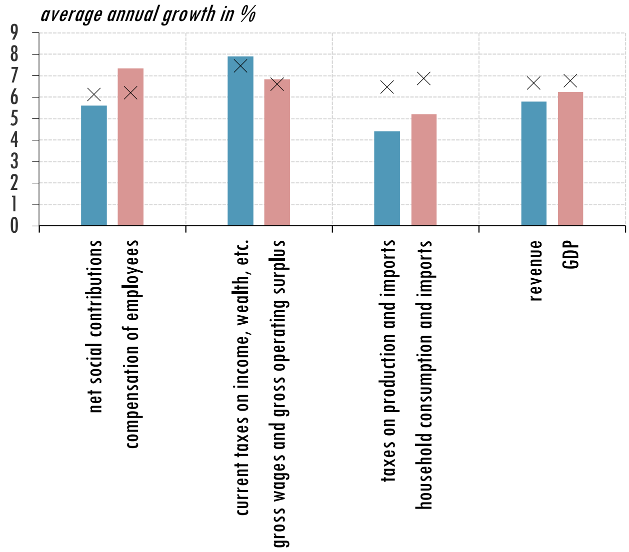
Note: Negative sign for expenditures denotes their increase.
Source: SORS, MoF DBP 19 (Dec. 18), FC calculations.

an exception of expenditure on interest and subsidies. Next year, the nominal balance is expected to decrease by half to 0.4% of GDP, while the increase in expenditure will exceed that in revenue for the first time after 2013. The increase in revenue will be lower than this year, particularly as a result of the anticipated slowing of economic growth. Property income will be lower than in the previous year and in this year. The Ministry of Finance anticipates an increased drawing of EU funds, which is also reflected in the anticipated considerable increase in public investments. A reduction in interest expenditure will continue to play an important role in maintaining the general government's nominal surplus. Next year, the primary surplus will be lower than this and in the previous year.

Next year, the increase in revenue will slow down and will lag behind the forecast nominal GDP increase. Sound economic results and favourable labour market conditions are key factors contributing to the increase in revenue anticipated for this year (6.5%), which is the highest since the onset of the

Figure 2.5: Revenue types and their bases 2018-2019

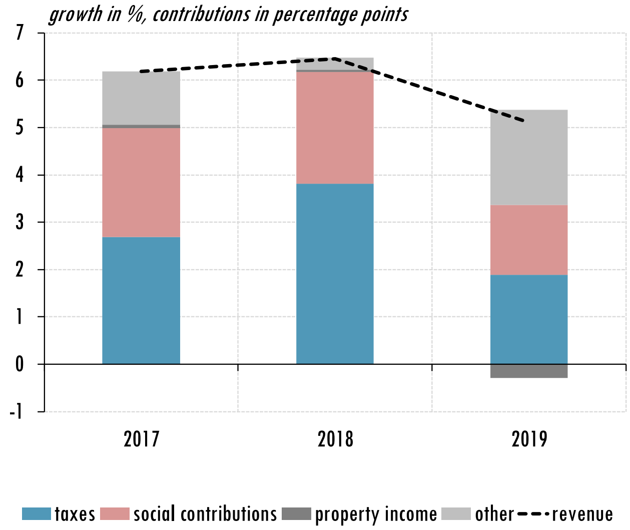
average annual growth in %



Note: Crosses denote average annual growth in the 1996-2017 period.
Sources: SORS, forecasts IMAD, MoF DBP 2019 (Dec.18), FC calculations.

Figure 2.6: General government revenue growth

growth in %, contributions in percentage points



Source: SORS, MoF DBP 19 (Dec.18), FC calculations.

Table 2.1: Key revenue and expenditure categories 2017–2019

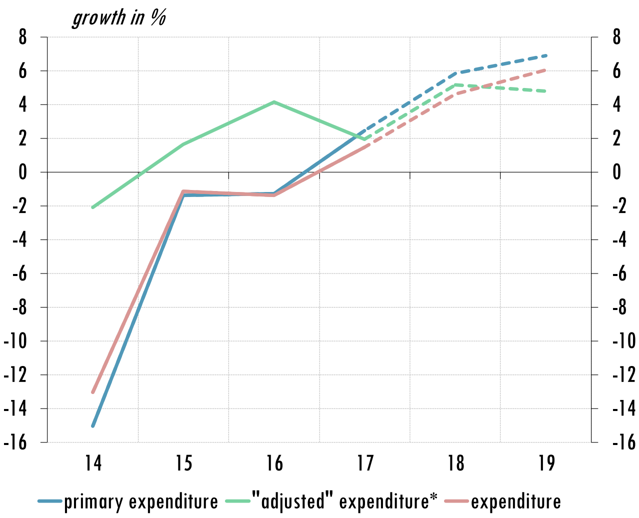
	2017	2018			2019		
	outcome SORS	MoF DBP (Dec.18)	change in EUR million	growth in %	MoF DBP (Dec.18)	change in EUR million	growth in %
Net lending / net borrowing	**28**	**366**	**337**		**199**	**-167**	
Total revenue	**18,593**	**19,793**	**1,200**	**6.5**	**20,804**	**1,012**	**5.1**
Total taxes	9,390	10,100	709	7.6	10,473	373	3.7
Taxes on production and imports	6,142	6,523	381	6.2	6,692	169	2.6
Current taxes on income, wealth, etc.	3,236	3,563	327	10.1	3,766	203	5.7
Capital taxes	12	14	1	12.1	15	1	6.1
Social contributions	6,371	6,811	440	6.9	7,105	294	4.3
Property income	491	499	7	1.5	442	-57	-11.4
Other	2,340	2,383	44	1.9	2,786	402	16.9
Total expenditure	**18,564**	**19,427**	**862**	**4.6**	**20,605**	**1,179**	**6.1**
Compensation of employees	4,812	5,114	302	6.3	5,406	292	5.7
Intermediate consumption	2,698	2,809	110	4.1	2,897	89	3.2
Social benefits	7,326	7,676	349	4.8	7,978	303	3.9
Interest	1,071	906	-166	-15.5	806	-100	-11.1
Subsidies	322	320	-2	-0.6	359	39	12.2
Gross fixed capital formation	1,332	1,555	224	16.8	2,053	498	32.0
Capital transfers	237	220	-18	-7.4	194	-25	-11.6
Other	765	828	63	8.2	912	84	10.2

Source: SORS, MoF DBP 19 (Dec. 2018), FC calculations.

crisis. According to the assessment of achieved targets in 2018 conducted by the Ministry of Finance, the favourable trends in the first half of the year continued into the second half, as shown by cash flow data available until October this year. Tax revenues increased by even more than in the previous year. Property income remained on the same high level as last year due to high dividends and sound performance of state-owned companies. On the contrary, other revenue categories, including drawing of EU funds, show a lower increase than in the previous year and also lag behind the April projections of the 2018 Stability Programme. Next year, the increase in revenue is expected to be more moderate (5.1%), due in particular to a lower increase in revenues from taxes and social contributions. These revenues are expected to increase in line with the anticipated increase in tax bases, derived from IMAD's September forecast. Property income will be lower due to lower dividend payments by state-owned companies, which is partly also due to NLB privatisation. DBP 2019 anticipates a 160% (EUR 328 million) increase in revenues from capital transfers, which would be the highest such increase so far. In the Fiscal Council's opinion, this is an optimistic objective given the previous experiences and problems in drawing of EU funds.

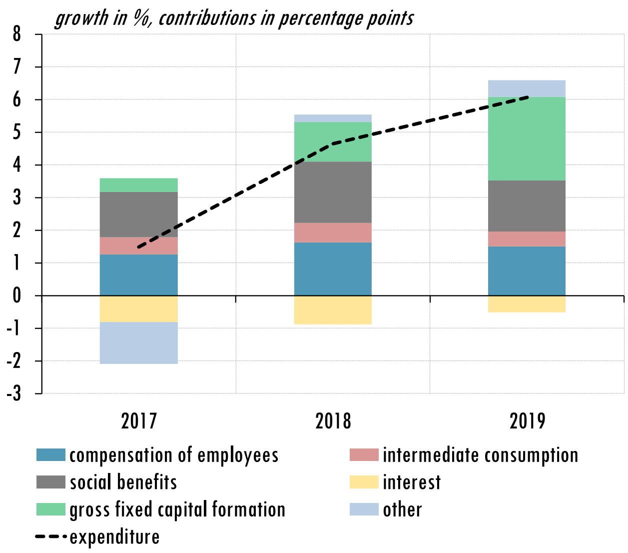
After this year's increase, growth of expenditures is expected to increase further in 2019. The key reason behind a higher increase in expenditures lies in investment expenditures and is related to the expected more effective drawding of EU funds. Given the optimistic assumptions about the drawing of funds on the revenue side, the actual achievement is likely to lag behind the projections next year as well. The »adjusted« expenditure (excluding expenditure on interest, investments and capital transfers) points to a considerable increase in the period 2018-2019. In this period, they are expected to increase on an average by 5%, compared to the 1.4% average annual increase in the period 2014-

Figure 2.7: General government expenditure



** expenditure excluding interest expenditure, gross fixed capital formation and capital transfers.*
Source: SORS, MoF DBP 19 (Dec.18), FC calculations.

Figure 2.8: General government expenditure growth



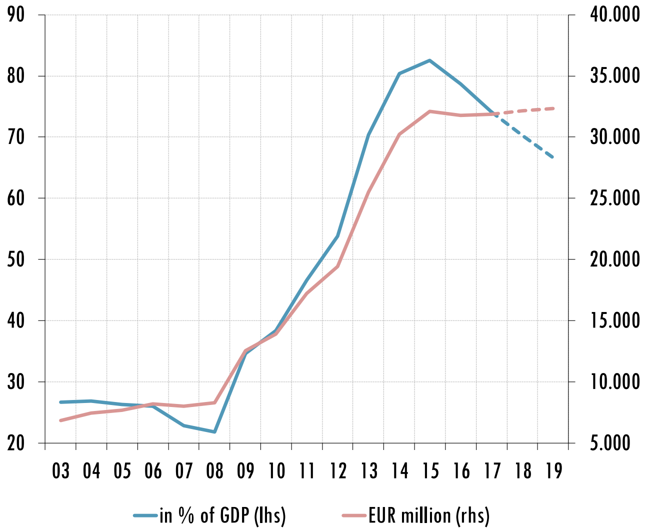
Source: SORS , MoF DBP 19 (Dec.18), FC calculations.

2017. Their increase is due particularly to the relaxation of austerity measures and new arrangements for employee compensations and social transfers.[7] DBP 2019 envisages a considerable increase in expenditure on intermediate consumption, subsidies and other expenditure in this and in the following year, as compared to the average increase in these expenditures in the period 2014-2017. In the Fiscal Council's opinion, measures should be taken as soon as possible to improve the efficiency of spending and functioning of the public sector and thus contribute to the sustainability of public finances. The overall increase in expenditure will continue to be restrained by the decline in interest expenditure, which are expected to decline at a similar pace to the previous two years (slightly above 10%).

The share of gross debt of the general government sector in GDP is expected to decrease next year as well, but in nominal terms it will exceed that of 2017 by almost EUR 500 million and total EUR 32.3 billion at the year-end 2019. The general government debt is expected to gradually decrease from 74.1% of GDP in 2017 to 66.6% of GDP next year. This decrease is particularly brought about by favourable economic conditions and the primary surplus of the general government balance, which is, however, cyclical to a large extent. 2018 and 2019 will see a continued decrease in the contribution of expenditure on interest in the general government debt. With regard to the estimated debt development, its active management in the past few years should be highlighted, as it contributed to the extension of the duration to maturity, a higher diversification of individual debt instrument maturity, and a decrease in the proportion of debt in US dollars. Despite a considerable decrease in the share of debt after 2015, when it reached 82.6% of GDP, the debt level remains high. In 2017 (the latest available data for the entire EU), a share of general government debt in GDP was lower in 17 EU Member States than in Slovenia, and in 13 EU Member States it was below the Maastricht reference value of 60%. Compared with the pre-crisis year of 2008, only three EU Member States faced a stronger increase in the share of general government debt in GDP than Slovenia. The Fiscal Council believes that a further decrease in the share of general government debt

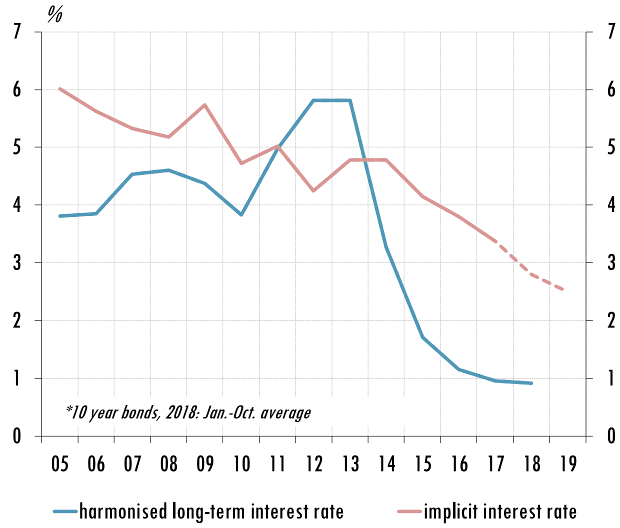
[7] These are particularly the measures referred to in the Act Amending the Implementation of the Republic of Slovenia Budget for 2018 and 2019 and in the Agreement on salaries and other payments of labour costs in the public sector of December 2018.

Figure 2.9: General government debt



Source: SORS, MoF DBP 19 (Dec. 18), FC calculation.

Figure 2.10: Harmonised long-term interest rate* and implicit public debt interest rate



Source: ECB, SORS, MoF DBP 19 (Dec. 18); FC calculation.

in GDP remains one of the fiscal policy's priorities, which in a period of favourable economic conditions should be achieved by creating sufficient primary surpluses in the general government sector.

2.2 Risks to public finance

The materialisation of risks related to economic growth projections could predominantly have an adverse impact on public finance. In connection with the risk of lower economic growth, we simulated the effects of deviation from the anticipated economic activity and the assumed interest rates. Estimates based on a simple model[8] show that, under the assumption of economic growth that is 0.5 percentage points lower compared to baseline and in circumstances of unchanged fiscal policy, the general government balance would be close to a balanced position instead of showing a slight surplus. If the next year's economic growth were 1.5 percentage points lower than in the baseline, it could result in a deficit of approximately 0.3% of GDP.[9] In this case, the share of general government debt in GDP could slightly increase. Stronger impacts on the general government balance and debt would emerge in the following years due to the accumulation of the effects of lower economic growth.[10]

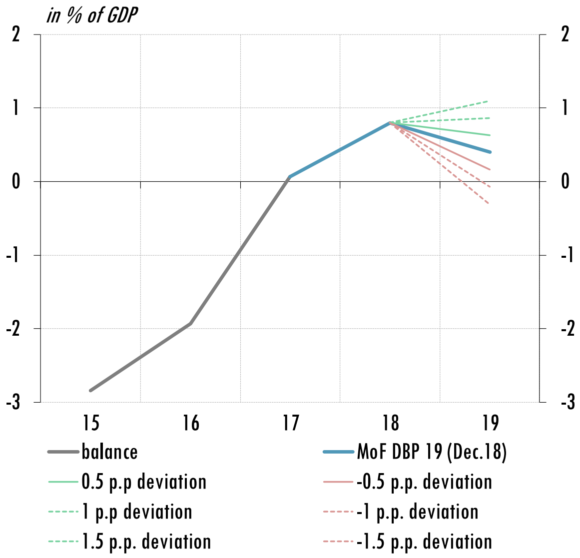
Changes in expected yields or assumed interest rates would have minor short-term direct effects on the general government balance and debt. If the assumed interest rates on the general government debt financing rises by one percentage point in 2019, the balance could deteriorate by approximately 0.1% of GDP in that year by taking into account the current debt maturity structure

[8] A simple model, which enables simulation of the effects of various economic growth assumptions on public finance and of fiscal policy effects on economic growth. In this model, economic activity impacts public finance through automatic stabilisers, and the fiscal policy impacts economic activity reversely through multipliers. For a more detailed explanation of the model see http://www.fiscalcouncil.ie/wp-content/uploads/2012/09/FAR_Sept2012.pdf (Annex B).

[9] Figures 2.11 and 2.12 show the possible general government balance and debt trends with regard to different economic growth assumptions. The baseline scenario shows the projected general government balance and debt from the proposed Framework and the proposed Draft Budget Plan for 2019. According to the baseline scenario in the IMAD forecast (autumn forecast 2018), the economic growth assumptions are 0.5, 1 and 1.5 percentage points higher or lower for 2019. The maximum shock with regard to the deviation of GDP growth by ±1.5 percentage points is determined on the basis of average absolute errors in the IMAD forecasts in the current and the next year in the 2002–2017 period.

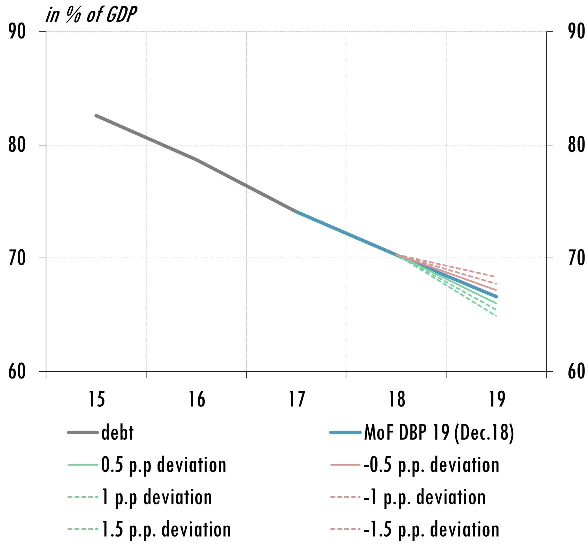
[10] This document shows a simulation of the impact of risks on fiscal trends in 2019 only. The Fiscal Council presented the effects of lower economic growth in its previous publications, where it reviewed budget documents relating to longer periods, such as in the Assessment of the fiscal policy compliance with the fiscal rules on the basis of the Draft Stability Programme – 2018 Amendment (http://www.fs-rs.si/assessment-by-the-fiscal-council-draft-stability-programme-the-2018-update-is-not-in-accordance-with-fiscal-rules/).

Figure 2.11: Estimates of sensitivity of general government balance (ESA) to deviation in GDP growth



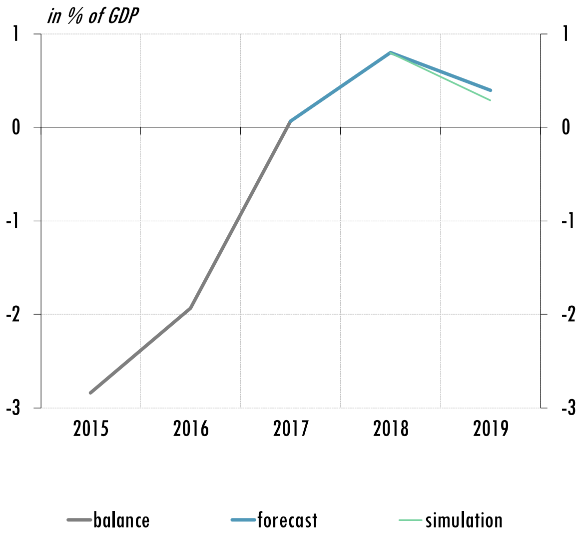
Source: SORS, MoF DBP 19 (Dec.18), FC calculations and simulations.

Figure 2.12: Estimates of sensitivity of general government debt (ESA) to deviation in GDP growth



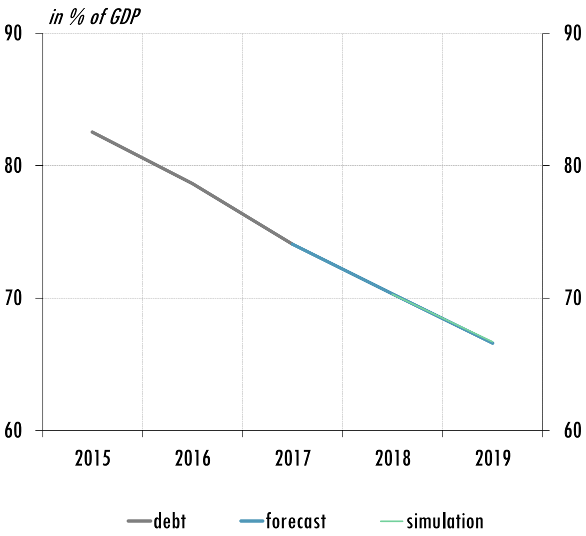
Source: SORS, MoF DBP 19 (Dec.18), FC calculations and simulations.

Figure 2.13: Estimates of sensitivity of general government balance (ESA) to 1 p.p. interest rate deviation



Source: SORS, MoF DBP 19 (Dec.18), FC calculations and simulations.

Figure 2.14: Estimates of sensitivity of general government debt (ESA) to 1 p.p. interest rate deviation



Source: SORS, MoF DBP 19 (Dec.18), FC calculations and simulations.

and the assumed refinancing of the debt principal amounts due in 2019. The risks to which public finance is exposed in the event of a sudden and rapid change in interest rate policy or in the event of deterioration in international financial markets are, at least currently, limited somewhat due to the favourable term and maturity structure of the general government debt.

3. Compliance with the fiscal rules in the proposed Framework

Key findings

- The proposed Framework anticipates changes for 2019 only, which does not reflect the basic purpose of the Framework, whose purpose is a medium-term fiscal policy guideline.
- In the Fiscal Council's opinion, the maximum expenditure level determined by the proposed Framework is too high with regard to the macroeconomic assumptions that support the anticipated revenue level. As a result, the general government's nominal surplus is too low, as it should, in the Fiscal Council's estimate, reach about 1% of GDP in 2019.
- With regard to the proposed Framework, Slovenia will not maintain a structural balance in 2019 and will instead again show a structural deficit. A fiscal policy set in this manner is pro-cyclical in relatively favourable macroeconomic conditions and does not sufficiently contribute to the creation of reserves for fiscal policy upon the reversal of the economic cycle.
- The growth of net general government expenditure will exceed the allowed growth under the expenditure rule in 2018 and 2019.
- Based on proposed DBP 2019, Slovenia will comply with the debt rule in 2019, which will be by more than half a result of the relatively high nominal GDP growth.

3.1 Compliance with the National Fiscal Rule

Due to National Assembly elections, the Government of the Republic of Slovenia submitted the proposed Framework for assessment outside the legal deadlines. The Government of the Republic of Slovenia should send the proposed Framework and the draft Stability Programme in accordance with point 2 of Article 6 of the ZFisP. Pursuant to point 6 of Article 6 of the ZFisP, the Government must submit to the General Assembly and to the Fiscal Council a proposal for amendments to the Framework as well as a central government budget proposal if by 15 September of the current year

Table 3.1: Simulation of maximum expenditure according to Fiscal Rule Act

	2017	2018	2019
Revenue share (% GDP)	43.2	43.3	42.9
Required structural effort (GDP p.p.)	0.6	0.0	0.0
Balance share (% GDP)	0.0	0.8	0.4
Output gap (% potential GDP)	0.0	1.6	2.1
One-offs (% GDP)	-0.1	-0.1	-0.1
GDP (EUR million)	43,000	45,742	48,529
Maximum expenditure share (% GDP)		42.6	41.9
A. Maximum expenditure level (EUR million)		19,485	20,343
B. Proposed expenditure level Framework (EUR million)		19,290	20,610
difference A-B (EUR million)		195	-267

Source: MoF Framework proposal, DBP 2019 (Dec. 18), FC calculations.

it establishes that the circumstances on which the framework was adopted have changed. Since the new Government was still in the process of formation in autumn 2018, the delay in the submission of the amendments to the Framework is understandable.

The proposed Framework submitted for assessment by the Government of the Republic of Slovenia has only been amended for 2019 and again does not reflect the Framework's basic purpose. The latest integral amendments to the Framework were made in May 2017, while in November 2017 and August 2018 the Government partly modified it without ensuring its medium-term orientation.[11] The Fiscal Council has cautioned against a non-integrated and inconsistent modification of the Framework in the past already.[12] Every year, the Framework determines the target balance and the maximum expenditure level for the general government sector and public finance budgets (the central government budget, local government budgets, the Pension and Disability Insurance Institute of Slovenia and the Health Insurance Institute of Slovenia) for at least the next three years. A change in parameters for individual years only, interferes with the basic purpose of the framework for drafting the budgets, i.e. the fiscal policy's medium-term orientation. Despite the uncertainties that accompany fiscal policy planning, a systematic and coherent medium-term framework should provide information on the expected fiscal policy, which also impacts expectations of the economic agents.

Table 3.2: Framework for preparing general government budgets

	General government		State budget		Local government		Pension fund		Health fund		*GDP*
	targ.balance	max E	targ.balance	max E	targ.balance	max E	targ.balance	max E	targ.balance	max E	*(IMAD)*
	GDP %	EUR million	GDP %	EUR million	GDP %	EUR million	GDP %	EUR million	GDP %	EUR million	*EUR million*
A. Ordinance on Framework, August 2018 (OG RS 57/2018)											
2018	0.4	19,290	0.1	9,625	0.0	2,174	0.0	5,381	0.0	2,873	*45,265*
2019	0.2	19,512	-0.6	9,697	0.1	2,174	0.0	5,600	0.0	2,944	*47,507*
2020	0.4	19,952	-0.6	9,942	0.1	2,219	0.0	5,842	0.0	3,087	*49,738*
B. Proposal on amending the Ordinance on Framework, December 2018											
2018	0.4	19,290	0.1	9,625	0.0	2,174	0.0	5,381	0.0	2,873	*45,742*
2019	0.4	20,610	0.3	10,160	0.1	2,235	0.0	5,530	0.0	3,055	*48,529*
2020	0.4	19,952	-0.6	9,942	0.1	2,219	0.0	5,842	0.0	3,087	*51,445*
C. Simulation of Framework, December 2018 (Fiscal Council)											
2019	0.9	20,343	…	…	…	…	…	…	…	…	*48,529*
Difference: B-A											
2019	0.2	1,098	0.9	463	0.0	61	0.0	-70	0.0	111	*1,022*
Difference: C-A											
2019	0.7	831	…	…	…	…	…	…	…	…	*1,022*
Difference: C-B											
2019	0.5	-267	…	…	…	…	…	…	…	…	*0*

Sources: Official Gazette of the Republic of Slovenia, IMAD, MoF Framework proposal and FC calculations.

[11] On the adoption of the Stability Programme – 2018 Amendment, the Government did not modify the framework since it only performed a caretaker function.

[12] The Fiscal Council did so in the assessment of compliance of the budgetary documents for the 2018-2020 period with the fiscal rules in October 2017. Available at: http://www.fs-rs.si/assessment-by-the-fiscal-council-compliance-of-the-budgetary-documents-for-the-2018-2020-period-with-the-fiscal-rules-executive-summary/

The maximum general government expenditure level is determined in the framework with regard to the established cyclical state of the economy and the expected revenue level. The maximum scope of expenditure is determined according to the mathematical expression in points 3 and 4 of Article 3 of the ZFisP according to the economic cycle position. In accordance with the findings referred to in Section 1.2 (Assessment of the cyclical position of the economy), simulations of the period related to the amendment of the current Framework proposal take into account the formula for a case when the actual GDP level is higher than the potential output (point 4 of Article 3 of the ZFisP). In this event, the maximum scope of expenditure is determined by the foreseen scope of general government revenue reduced for the foreseen scope of potential GDP multiplied by the factor reflecting the status of the economy in the business cycle. Temporary or one-off expenditures are not taken into account.

Given the current and anticipated macroeconomic conditions and the objectives indicated in the proposed Framework, the maximum expenditure level is too high and, consequently, the general government surplus is too low. Favourable macroeconomic conditions result in higher revenue level, which depends on macroeconomic bases and impacts the determination of the maximum expenditure level, which in addition depends on the assessment of the cyclical position of the economy. The expenditure level anticipated for 2018 by the proposed DBP 2019 exceeds the level permitted by the current Framework by approximately EUR 140 million. Given the GDP level, which exceeds that taken into account in the previous Framework by more than EUR 1 billion, the maximum allowed expenditure level for 2019 should be approximately EUR 270 million lower than the level determined by the proposed Framework. This level is defined by taking into account the relatively high position in the economic cycle and the higher revenue forecast. A nominal general government balance surplus of approximately 1% of GDP could thus be achieved. In addition, the maximum expenditure level could still exceed the level set out in the current Framework of August 2018 by approximately EUR 830 million. Contrary to the proposed DBP 2019, the increase in expenditure defined in this manner would lag behind the projected revenue increase in 2019.[13]

3.2 Achievement of the MTO and compliance with the rule on the structural effort

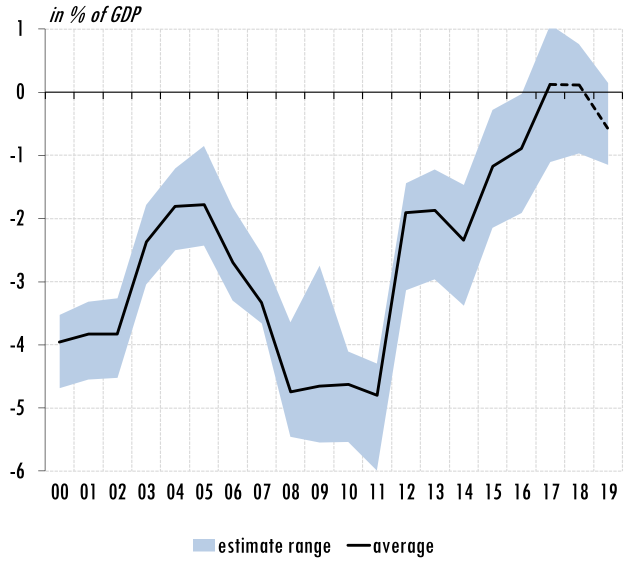
Given the current estimates of the medium-term fiscal objective (MTO), Slovenia should at least maintain a balanced structural balance in the future. The government should determine its medium-term fiscal objective[14] in the form of a target structural balance in its Stability Programme. When the latest budget documents were drafted, the Fiscal Council and the European Commission estimated the required medium-term objective at 0.25% of GDP. Based on the indications in the Stability Programme – 2018 Amendment, the Government set as its objective the achievement of a balanced structural balance by 2020. This is not in accordance with the rules of the Stability and Growth Pact, which do not specify the year in which the medium-term objective should be achieved but only determine the annual dynamics for its achievement. The European Commission and the Government of the Republic of Slovenia should set a new medium-term fiscal objective in the spring of 2019, i.e. one year after the publication of the 2018 Ageing Report.[15]

[13] The Framework determines the revenue implicitly in accordance with the maximum expenditure level and the target general government balance.

[14] Structural balance is defined as the general government balance, which excludes cyclical impacts and one-off and temporary factors.

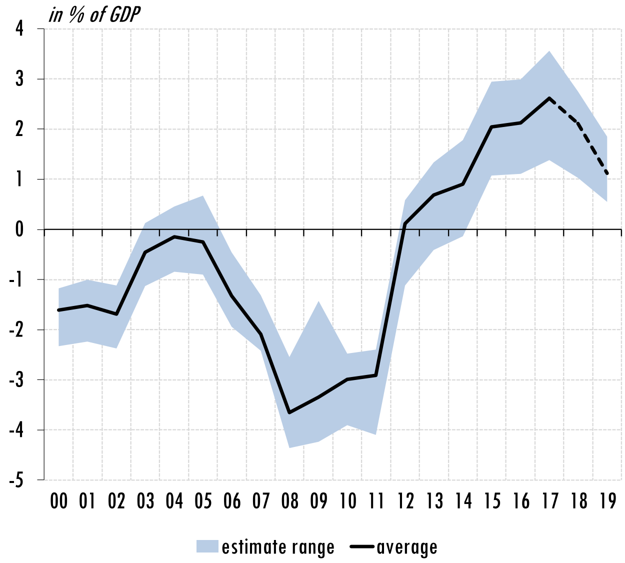
[15] Based on new data, particularly the 2018 Ageing Report, the lower general government debt level and in line with EU regulations (based on Regulation EC 1466/97), the medium-term fiscal objective could be reduced in the future by up to 0.25% of GDP (the estimate is shown in the Report on the Fiscal Council's Operations 2017 (May 2018).

Figure 3.1: Structural balance estimates



Source: SORS, OECD, IMF, IMAD, EC, MoF, FC calculations. See note under Table 4.4.

Figure 3.2: Structural primary balance estimates



Source: SORS, OECD, IMF, IMAD, EC, MoF, FC calculations. See note under Table 4.4.

After progress was made towards achieving the medium-term fiscal objective and the structural balance remained in equilibrium in 2018, there will be considerable non-compliance with this target in 2019. According to all estimates used by the Fiscal Council, the structural balance has decreased considerably in 2017 and, according to the current estimates, reached its equilibrium level in 2017. This level was maintained in 2018, and the projected, i.e. target values of the nominal balance, as determined by the proposed Framework, show that there could be a considerable deviation from the level that facilitates the achievement of medium-term fiscal sustainability. The structural balance is expected to deteriorate and result in a deficit of 0.6% of GDP according to the projections of the proposed Framework and the Fiscal Council's estimates. Approximately one half of the worsening would be due to the shrinking of structural revenue, particularly on account of lower proceeds from the Government's participation in profits from public enterprises, and one half to the increase in expenditure, mostly as a result of the anticipated high investment spending growth.

Not achieving the medium-term fiscal objective is unacceptable in terms of a need to implement a countercyclical fiscal policy and once again forces Slovenia to a relatively high fiscal effort to

Table 3.3: Compliance with the structural effort rule

	2017	2018	2019
Medium-term objective (MTO, in % GDP)	0.25	0.25	0.25
Structural balance (% GDP)	0.1	0.1	-0.6
Change in structural balance (GDP p.p.)	1.0	0.0	-0.7
Required change in structural balance (GDP p.p.)	0.6	0.0	0.0
Deviation (GDP %)	0.4	0.0	-0.7
Deviation (EUR million)	177	-2	-334
Significant deviation		✓	✗
Change in structural balance - 2 year average (GDP p.p.)	0.6	0.5	-0.3
Required change in structural balance - 2 year average (GDP p.p.)	0.6	0.3	0.0
Significant deviation		✓	✗

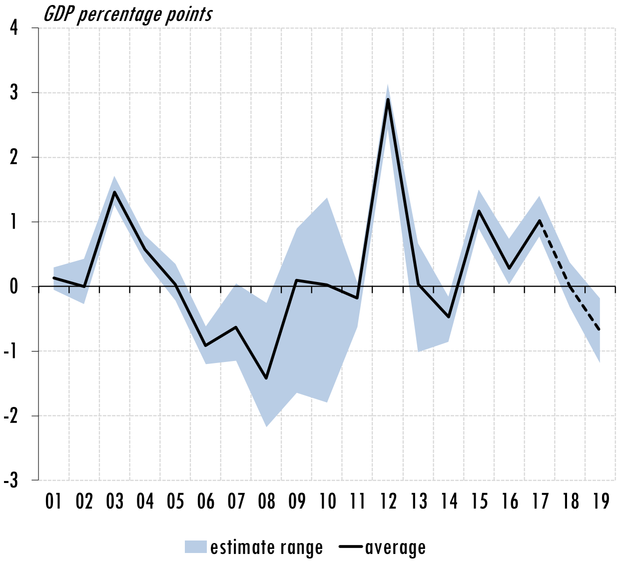
Sources: SORS, OECD, IMF, IMAD, EC, MoF, FC. See also note under Table 4.4.

balance the structural part of public finance. Economic conditions are still expected to be favourable next year despite the slow-down in economic activity to a level close to the growth of the long-term potential output. The implementation of a procyclical policy means missing the opportunity to create sufficient space for manoeuvre in times of prosperity to mitigate the negative consequences of the economy's cooling in the future. The expected considerable deviation from the achievement of the medium-term objective also means that a major structural effort will be required to structurally balance public finances after 2019.[16] The Stability and Growth Pact determines the structural effort with regard to the estimated output gap, the public debt level and the assessment of the risk to long term sustainability of public finances. The required structural effort may exceed one percentage point of GDP per year; according to the currently available data and estimates, the required structural effort for Slovenia could range between 0.5 and 1 percentage point of GDP.

A one-year assessment period is not sufficient for a final assessment of the probability of initiating an Significant Deviation Procedure. The European Commission starts a Significant Deviation Procedure when the deviation from the required adjustment of the central government's structural balance that falls short of the medium-term budgetary objective exceeds 0.5% of GDP or when it exceeds 0.25% of GDP on average of two consecutive years, by taking into account, among other things, compliance with the expenditure rule. The procedure starts with a warning based on ex-post data and may ultimately also involve a penalty in the form of an interest-bearing deposit by the Member State in the amount of up to 0.2% of GDP. Past experience shows that financial markets are particularly sensitive to macroeconomic and fiscal developments in small countries, which may lead to an excessive increase in expected yields on general government financing instruments in these countries in comparison with larger economies.[17]

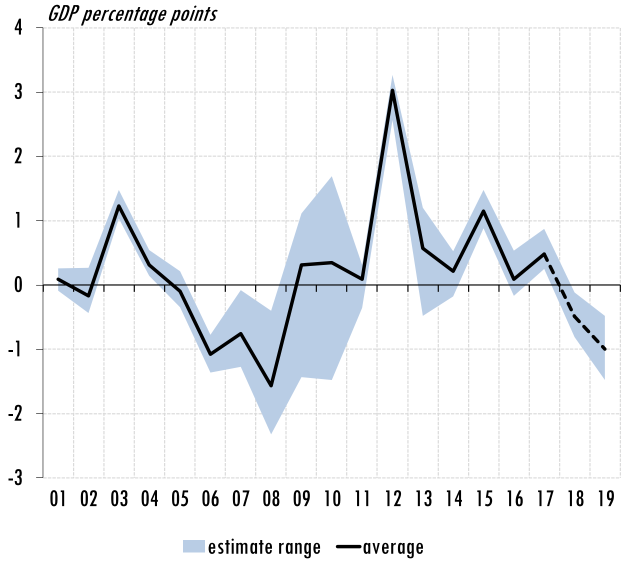
Structural primary balance development is even less favourable than the expected structural balance dynamics, which points to the important role of the reduction in interest expenditure in

Figure 3.3: Structural effort estimates



Source: SORS, OECD, IMF, IMAD, EC, MoF, FC calculations. See note under Table 4.4.

Figure 3.4: Structural primary effort estimates



Source: SORS, OECD, IMF, IMAD, EC, MoF, FC calculations. See note under Table 4.4.

[16] In accordance with Article 15 of the ZFisP, in the period when Slovenia is approaching its medium-term fiscal objective, general government budgets are deemed balanced in the medium term if the structural balance of the general government approaches the medium-term fiscal objective in accordance with the dynamics determined on the basis of the Stability and Growth Pact. .

[17] Empirically confirmed in the case of Slovenia in Žakelj, Roter, Jesenko: Ali so zahtevane donosnosti na slovenske obveznice previsoke? (Are the expected yields on Slovenian bonds too high?) Discussion Papers 6/2011, Bank of Slovenia.

fiscal policy management. The estimates show that the structural primary balance, excluding cyclical and one-off factors and interest expenditure, decreased by approximately 0.5 percentage points as early as in 2018. Interest expenditure, which decreased by 0.5 percentage points of GDP in 2018, thus entirely contributed to maintaining a balanced structural position of public finance. In 2019, the structural primary balance surplus may decrease by an additional one percentage point of GDP to only about 1% of GDP according to the proposed DBP 2019. A considerable decrease in comparison with the structural deficit indicates that the expected reduction in interest expenditure will continue to play a major role in the current pursuit of fiscal targets. However, there is increasingly less room for reducing the implicit interest rate and consequently also for significantly influencing interest expenditure reduction by the anticipated gradual elimination of measures designed to ease monetary policy.

3.3 Compliance with the expenditure rule

The expenditure rule sees the calculation of appropriate expenditure growth exclude certain types of expenditures that cannot be directly influenced by the fiscal policy.[18] These include interest payments, the cyclical component of unemployment benefits, and expenditure resulting from the receipt of EU funds. The rule also takes into account that investments can fluctuate considerably in individual years, wherefore the calculation considers a four-year average of expenditure on investments that does not include funds received from EU funds earmarked for investment spending. The growth of such expenditure must not exceed the 10-year average growth of the potential output. Expenditure growth for countries that do not meet the medium-term fiscal objective must be even lower or adjusted for the convergence margin that ensures the expenditure rule is harmonised with the required adjustment of the structural balance. Due to possible annual fluctuations, the estimate also considers the two-year average of the growth of expenditure determined in this manner. An estimate of expenditure growth is also made, eliminating one-off effects that impact the general government's revenue and expenditure.

Table 3.4: Compliance with the expenditure rule

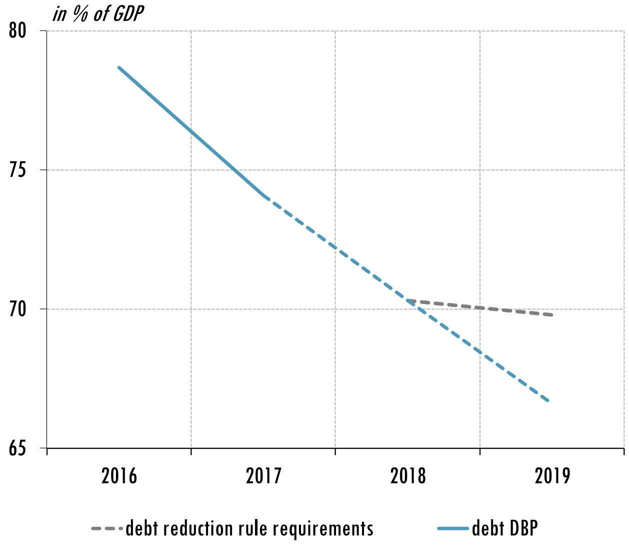
	2017	2018	2019	2017	2018	2019
	according to SGP rules			data available at the time of assessment		
Reference rate to be applied (nominal, in %)	0.0	1.9	3.5	2.2	2.6	3.3
Convergence margin, corrected by required structural effort	1.4	1.5	1.6	1.4	1.6	1.6
Medium-term potential GDP growth (IMAD)	1.2	1.7	2.5	1.9	2.2	2.5
Net public expenditure annual growth in % (nominal)	0.6	4.5	4.1	0.6	4.5	4.1
Deviation in year t (in % GDP)	-0.1	-1.0	-0.3	0.6	-0.7	-0.3
Average deviation in t and t-1 (in % GDP)	-0.5	-0.5	-0.6	0.1	-0.1	-0.5
Net public expenditure annual growth in % (nominal) net of one-offs	0.3	4.5	4.2	0.3	4.5	4.2
Deviation net of one-offs in year t (in % GDP)	-0.3	-1.0	-0.2	0.7	-0.7	-0.3
Average deviation net of one-offs in t-1 and t (in % GDP)	-0.5	-0.6	-0.6	0.2	0.0	-0.5

Sources: SORS, IMAD, MoF DBP 2019 (Dec. 18), FC calculations.

[18] More details on the expenditure rule in Vade Mecum on the Stability and Growth Pact 2018 Edition, pp. 48–53 (March 2018).

According to the DBP 2019 data, the growth of net expenditure exceeds the permitted level in the period 2018-2019 according to both assessment methods (with and without one-off effects). IMAD's data on the long-term growth of potential output, which increases due to a relatively high employment and investment growth, were used in calculations for the assessment of compliance with the expenditure rule. However, the increase in the required structural effort also entails an increase in the convergence margin. Accordingly, net expenditure could increase this and next year by 1.9% and 3.5%, respectively, while, according to DBP 2019 data, the increase in expenditure will exceed the permitted growth in both years.[19] We have also verified whether the increase in expenditure is, on average, similar to the growth of long-term economic potential output, which is according to current estimates at around 5%.[20] The expected expenditure increase for 2019 is at least one percentage point above this limit, which calls for the urgent determination of measures to improve public finance in structural terms.

Figure 3.5: Debt reduction rule



Source: SORS, MoF DBP (Dec.18), FC calculations.

3.4 Compliance with the general government debt rule

According to the proposed DBP 2019, Slovenia will comply with the debt rule in 2019, whereas more than one half will be due to the relatively high nominal GDP growth. Upon the expiry of a three-year transitional period following its withdrawal from the EDP procedure, under which it was bound to reduce its debt in accordance with special rules, Slovenia must comply with the gradual debt reduction rule. The transitional three-year period expired in 2018. Starting in 2019, the share of general government debt in GDP must be reduced following the yearly dynamics, which in a three-year average correspond to a 1/20 deviation in the debt level from the level of 60% of GDP in base -year. In the case of Slovenia, this means a requirement to reduce the share of debt by approximately one-half percentage point a year with regard to the outstanding debt level. Ministry of Finance debt projections in the proposed DBP 2019 indicate that this rule will be complied with in 2019. At the same time, projections show that slightly more than one-half of the anticipated debt reduction will be the result of a relatively high nominal GDP increase.

[19] In accordance with the rules of the Stability and Growth Pact, some of the criteria for expenditure for the year t are determined in the spring of the previous year (t-1). These criteria are data on the medium-term growth of the potential GDP and data on GDP deflator.

[20] The real potential output growth is approximately 3% and the increase in prices or deflator at around 2%. In the 2000-2017 period, the nominal potential output growth was 4.5 %.

4. Statistical annex

Table 4.1: Comparison of macroeconomic projections for 2018 and 2019

	2018					2019				
	BoS	IMAD	IMF	EC	OECD	BoS	IMAD	IMF	EC	OECD
growth in %, except where otherwise noted	(Jun.18)	(Sep.18)	(Oct.18)	(Nov.18)	(Nov.18)	(Jun.18)	(Sep.18)	(Oct.18)	(Nov.18)	(Nov.18)
GDP	4.6	4.4	4.5	4.3	4.4	3.9	3.7	3.4	3.3	3.6
Exports of goods and services	7.6	8.2	8.7	8.1	8.1	7.2	6.6	6.1	6.2	6.4
Imports of goods and services	8.1	8.0	9.6	8.0	8.0	7.7	7.1	7.0	6.9	6.9
External trade balance, contr. to growth	0.3	0.9		0.8	0.9	0.2	0.3		0.1	0.3
Private consumption	3.5	2.7		2.2	2.3	3.1	2.6		2.9	2.6
Government consumption	1.8	2.7		2.8	2.7	1.8	2.0		1.6	2.0
Gross fixed capital formation	10.8	9.0		9.0	9.0	9.5	8.5		7.5	8.5
Changes in inventories, contr. to growth	0.2	-0.1		0.2	-0.1	0.0	0.0		0.0	0.0

Sources: IMF, EC, OECD, BoS, IMAD

Table 4.2: Main aggregates of the General Government

	Q1-Q2				Q3-Q4				MoF forecast			
			change				change				change	
	2017	2018	EUR million	%	2017	2018*	EUR million	%	2017	2018**	EUR million	%
REVENUE	**9,048**	**9,625**	**576**	**6.4**	**9,544**	**10,168**	**623**	**6.5**	**18,593**	**19,793**	**1,200**	**6.5**
TAXES	4,557	4,902	345	7.6	4,834	5,198	364	7.5	9,390	10,100	709	7.6
Taxes on production and imports	2,911	3,078	167	5.7	3,231	3,445	214	6.6	6,142	6,523	381	6.2
Current taxes on income, wealth, etc.	1,641	1,819	178	10.9	1,596	1,744	149	9.3	3,236	3,563	327	10.1
Capital taxes	5	5	0	-6.5	7	9	2	26.6	12	14	1	12.1
SOCIAL CONTRIBUTIONS	3,098	3,324	226	7.3	3,273	3,487	213	6.5	6,371	6,811	440	6.9
PROPERTY INCOME	289	193	-95	-33.0	202	305	103	50.8	491	499	7	1.5
OTHER	1,105	1,206	101	9.1	1,235	1,178	-57	-4.6	2,340	2,383	44	1.9
EXPENDITURE	**9,086**	**9,407**	**321**	**3.5**	**9,479**	**10,020**	**541**	**5.7**	**18,564**	**19,427**	**862**	**4.6**
COMPENSATION OF EMPLOYEES	2,394	2,516	122	5.1	2,418	2,598	180	7.4	4,812	5,114	302	6.3
INTERMEDIATE CONSUMPTION	1,295	1,403	108	8.4	1,403	1,405	2	0.1	2,698	2,809	110	4.1
SOCIAL BENEFITS	3,614	3,726	111	3.1	3,712	3,950	238	6.4	7,326	7,676	349	4.8
INTEREST	530	476	-54	-10.2	542	430	-112	-20.6	1,071	906	-166	-15.5
SUBSIDIES	154	164	11	6.9	168	156	-13	-7.5	322	320	-2	-0.6
GROSS FIXED CAPITAL FORMATION	639	697	58	9.0	692	858	166	24.0	1,332	1,555	224	16.8
CAPITAL TRANSFERS	115	63	-52	-45.4	122	157	35	28.7	237	220	-18	-7.4
OTHER	344	361	18	5.2	421	466	45	10.7	765	828	63	8.2
Balance	**-37**	**218**	**255**		**66**	**148**	**82**		**28**	**366**	**337**	
Primary balance	**492**	**693**	**201**		**607**	**578**	**-29**		**1,100**	**1,272**	**172**	
Balance, GDP %	**-0.2**	**1.0**		**1.2**	**0.3**	**0.6**		**0.3**	**0.1**	**0.8**		**0.7**
Primary balance, GDP %	**2.4**	**3.1**		**0.7**	**2.7**	**2.5**		**-0.3**	**2.6**	**2.8**		**0.2**
Nominal GDP, EUR million	**20,804**	**22,268**		**7.0**	**22,196**	**23,474**	**1,278**	**5.8**	**43,000**	**45,742**	**2,742**	**6.4**

*Source: SORS, MoF. Note: *Implicitly calculated to match MoF forecast,**MoF forecast from DPB 2019 (Dec. 18). Forecast values are calculated indirectly from shares in GDP, consequently numbers do not add up.*

Table 4.3: Main aggregates of the General Government - outcome and forecasts for the 2017-2019 period

EUR million	2017	2018					2019				
	outcome SORS	SP (Apr.18)	DBP (Oct.18)	DBP (Dec.18)	Dec.18 - Apr.18	Dec.18 - Oct.18	SP (Apr.18)	DBP (Oct.18)	DBP (Dec.18)	Dec.18 - Apr.18	Dec.18 - Oct.18
Net lending / net borrowing	**28**	**163**	**229**	**366**	**203**	**137**	**89**	**97**	**199**	**110**	**102**
Total revenue	**18,593**	**19,707**	**19,623**	**19,793**	**86**	**169**	**20,668**	**20,576**	**20,804**	**136**	**228**
Total taxes	9,390	9,988	10,018	10,100	111	82	10,428	10,337	10,473	44	136
Taxes on production and imports	6,142	6,457	6,450	6,523	66	73	6,663	6,600	6,692	29	92
Current taxes on income, wealth, etc.	3,236	3,522	3,568	3,563	41	-5	3,751	3,737	3,766	15	29
Capital taxes	12	14	0	14	0	14	15	0	15	0	15
Social contributions	6,371	6,741	6,816	6,811	70	-5	7,154	7,085	7,105	-49	19
Property income	491	382	457	499	117	41	372	388	442	70	53
Other	2,340	2,595	2,333	2,388	-207	55	2,714	2,718	2,786	72	68
Total expenditure	**18,564**	**19,539**	**19,395**	**19,427**	**-112**	**32**	**20,579**	**20,479**	**20,605**	**27**	**126**
Compensation of employees	4,812	5,120	5,123	5,114	-6	-9	5,388	5,387	5,406	18	19
Intermediate consumption	2,698	2,767	2,836	2,809	41	-27	2,813	2,912	2,897	84	-15
Social benefits	7,326	7,580	7,639	7,676	96	37	7,968	7,959	7,978	11	19
Interest	1,071	932	915	906	-26	-9	833	825	806	-28	-19
Subsidies	322	331	320	320	-11	0	342	340	359	17	19
Gross fixed capital formation	1,332	1,603	1,509	1,555	-47	46	1,915	1,941	2,053	138	112
Capital transfers	237	172	229	220	47	-9	164	243	194	30	-49
Other	765	1,030	823	828	-202	5	1,151	922	912	-239	-10

Sources: 2017 outcome: SORS, forecasts: Stability Programme 2018 (SP Apr. 18), Draft Budgetary Plan 2019 (DBP Oct. 2018), Draft Budgetary Plan 2019 (DBP Dec. 2018), FC calculations. Forecast values are calculated indirectly from shares in GDP, consequently numbers do not add up.

Table 4.4: Output gap estimates*

% pot. GDP	IMF	EC	OECD	IMAD	MoF	HP filter	based on GDP averages	factor models	Blanchard-Quah	average of all estimates	average of institutions
2001	-1.1	0.1	-1.2	-0.3	1.1	-0.7	-0.1	...	1.4	-0.1	-0.3
2002	-0.8	0.8	-1.1	0.3	1.5	-0.7	-0.2	...	0.7	0.1	0.1
2003	-1.4	0.4	-1.7	0.0	0.9	-1.5	-1.3	...	0.5	-0.5	-0.4
2004	-0.3	1.2	-0.7	1.0	1.7	-0.8	-1.0	...	0.8	0.2	0.6
2005	0.9	1.8	0.4	1.9	2.3	-0.3	-1.0	1.1	1.4	0.9	1.4
2006	3.4	3.7	3.2	4.1	4.4	2.2	1.3	2.9	2.9	3.1	3.8
2007	7.3	7.0	7.3	7.2	7.5	6.7	6.1	6.9	5.2	6.8	7.3
2008	7.6	6.7	8.0	6.9	7.5	8.5	7.8	4.7	5.2	7.0	7.3
2009	-1.7	-3.4	-2.1	-3.0	-2.9	-0.8	-1.5	-6.5	-0.6	-2.5	-2.6
2010	-1.5	-3.0	-1.9	-2.5	-2.8	0.0	-0.3	-2.0	-2.8	-1.9	-2.3
2011	-1.5	-2.6	-2.0	-2.4	-2.5	0.4	0.9	-2.2	-2.4	-1.6	-2.2
2012	-4.4	-5.3	-5.3	-5.2	-5.4	-2.7	-1.8	-5.4	-4.3	-4.4	-5.1
2013	-6.2	-6.5	-7.3	-6.5	-6.8	-4.5	-3.6	-4.6	-7.1	-5.9	-6.6
2014	-4.3	-4.5	-5.8	-4.7	-4.9	-3.1	-2.0	-2.1	-6.0	-4.2	-4.8
2015	-3.8	-3.2	-5.2	-3.6	-3.6	-3.0	-1.9	-1.3	-4.6	-3.4	-3.9
2016	-2.5	-1.6	-4.1	-2.2	-2.2	-2.6	-1.8	-0.2	-3.6	-2.3	-2.5
2017	0.2	1.1	-1.3	0.2	0.3	-0.8	-0.3	2.6	-2.0	0.0	0.1
2018	2.3	2.7	0.9	1.8	1.8	0.3	0.5	3.9	0.3	1.6	1.9
2019	3.0	3.0	2.2	2.5	2.2	0.7	0.6	3.4	1.8	2.1	2.6

Sources: IMAD, EC, IMF, OECD, MoF, FC.

** The table shows estimates of the output gap by domestic and international institutions that providethese estimates for Slovenia (IMAD, MoF, EC, IMF, OECD) and estimates of the output gap generatedby statistical models in which the potential product is determined by: (i) HP filters at different values ofthe parameter λ (10, 100, 400), (ii) the 3-, 5- and 7-year average of GDP, (iii) factor models estimatedon the basis of survey about limitations in the economy and forecasts of a simple VAR model thatincludes these factors, and factor models that take into account a large number of IMAD and ECmacroeconomic variables in the estimates and forecasts; and (iv) the SVAR model based on theBlanchard and Quah methodology (1989), which uses restrictions with regard to the assumption thatGDP is affected in the long term only by shocks in the aggregate supply, while demand shocks affectthe level of activity only in the short term).*

Tabela 4.5: Structural balance estimates

% GDP	IMF	EC	OECD	IMAD	MoF	HP filter	based on GDP averages	factor models	Blanchard-Quah	average of all estimates	average of institutions
2001	-3.4	-3.9	-3.3	-3.7	-4.4	-3.5	-3.8	...	-4.5	-3.8	-3.7
2002	-3.4	-4.2	-3.3	-3.9	-4.5	-3.5	-3.7	...	-4.1	-3.8	-3.9
2003	-1.9	-2.8	-1.8	-2.6	-3.0	-1.9	-2.0	...	-2.9	-2.4	-2.4
2004	-1.6	-2.3	-1.4	-2.1	-2.5	-1.3	-1.2	...	-2.1	-1.8	-2.0
2005	-1.8	-2.2	-1.5	-2.2	-2.4	-1.2	-0.9	-1.9	-2.0	-1.8	-2.0
2006	-2.8	-3.0	-2.7	-3.1	-3.3	-2.3	-1.8	-2.6	-2.6	-2.7	-3.0
2007	-3.6	-3.4	-3.6	-3.5	-3.7	-3.3	-3.0	-3.4	-2.6	-3.3	-3.6
2008	-5.0	-4.6	-5.2	-4.7	-5.0	-5.5	-5.1	-3.6	-3.9	-4.7	-4.9
2009	-5.1	-4.2	-4.8	-4.4	-4.5	-5.5	-5.1	-2.7	-5.5	-4.7	-4.6
2010	-4.8	-4.1	-4.6	-4.3	-4.2	-5.5	-5.4	-4.5	-4.2	-4.6	-4.4
2011	-4.9	-4.3	-4.6	-4.4	-4.4	-5.8	-6.0	-4.5	-4.4	-4.8	-4.5
2012	-1.9	-1.5	-1.5	-1.5	-1.4	-2.7	-3.1	-1.5	-2.0	-1.9	-1.6
2013	-1.7	-1.6	-1.2	-1.6	-1.4	-2.5	-3.0	-2.5	-1.3	-1.9	-1.5
2014	-2.3	-2.2	-1.5	-2.1	-2.0	-2.8	-3.4	-3.3	-1.5	-2.3	-2.0
2015	-1.0	-1.3	-0.3	-1.1	-1.1	-1.4	-1.9	-2.1	-0.6	-1.2	-0.9
2016	-0.8	-1.2	0.0	-1.0	-0.9	-0.8	-1.1	-1.9	-0.3	-0.9	-0.8
2017	0.0	-0.4	0.7	0.0	0.0	0.5	0.3	-1.1	1.1	0.1	0.1
2018	-0.2	-0.4	0.5	0.0	0.0	0.7	0.6	-1.0	0.8	0.1	0.0
2019	-1.0	-1.0	-0.6	-0.7	-0.6	0.1	0.1	-1.1	-0.4	-0.6	-0.8

Sources: IMAD, EC, IMF, OECD, MoF, FC calculations on the basis of Table 4.4 .

Table 4.6: Structural effort estimates

p.p. GDP	IMF	EC	OECD	IMAD	MoF	HP filter	based on GDP averages	factor models	Blanchard-Quah	average of all estimates	average of institutions
2001	0.2	-0.1	0.3	0.0	0.1	0.2	0.2	...	0.1	0.1	0.1
2002	-0.1	-0.3	0.1	-0.2	-0.1	0.0	0.1	...	0.4	0.0	-0.1
2003	1.5	1.4	1.5	1.3	1.5	1.6	1.7	...	1.3	1.5	1.4
2004	0.4	0.5	0.4	0.5	0.5	0.6	0.8	...	0.8	0.6	0.5
2005	-0.2	0.1	-0.1	-0.1	0.1	0.1	0.4	...	0.1	0.0	-0.1
2006	-1.1	-0.8	-1.2	-0.9	-0.9	-1.1	-1.0	-0.7	-0.6	-0.9	-1.0
2007	-0.7	-0.4	-0.9	-0.4	-0.4	-1.0	-1.1	-0.8	0.0	-0.6	-0.6
2008	-1.5	-1.2	-1.7	-1.2	-1.3	-2.2	-2.2	-0.3	-1.3	-1.4	-1.4
2009	0.0	0.4	0.4	0.3	0.5	0.0	0.0	0.9	-1.6	0.1	0.3
2010	0.3	0.1	0.2	0.1	0.3	-0.1	-0.3	-1.8	1.4	0.0	0.2
2011	-0.1	-0.2	0.0	-0.1	-0.2	-0.2	-0.6	0.1	-0.2	-0.2	-0.1
2012	3.0	2.8	3.1	2.9	2.9	3.0	2.9	3.0	2.4	2.9	2.9
2013	0.2	-0.1	0.2	-0.1	0.0	0.2	0.2	-1.0	0.7	0.0	0.1
2014	-0.5	-0.6	-0.3	-0.5	-0.5	-0.3	-0.4	-0.9	-0.2	-0.5	-0.5
2015	1.3	0.9	1.3	1.0	0.9	1.5	1.5	1.2	0.9	1.2	1.1
2016	0.2	0.0	0.2	0.1	0.1	0.6	0.7	0.2	0.3	0.3	0.1
2017	0.8	0.8	0.8	1.0	0.9	1.3	1.4	0.8	1.3	1.0	0.9
2018	-0.2	0.0	-0.3	0.0	0.1	0.2	0.4	0.1	-0.3	0.0	-0.1
2019	-0.8	-0.6	-1.0	-0.7	-0.6	-0.6	-0.5	-0.2	-1.2	-0.7	-0.7

Sources: IMAD, EC, IMF, OECD, MoF, FC calculations on the basis of Table 4.4 .

Table 4.7: Structural primary balance estimates

% GDP	IMF	EC	OECD	IMAD	MoF	HP filter	based on GDP averages	factor models	Blanchard-Quah	average of all estimates	average of institutions
2001	-1.0	-1.6	-1.0	-1.4	-2.1	-1.2	-1.5	...	-2.2	-1.5	-1.4
2002	-1.3	-2.0	-1.1	-1.8	-2.4	-1.3	-1.6	...	-2.0	-1.7	-1.7
2003	0.0	-0.9	0.1	-0.7	-1.1	0.0	-0.1	...	-0.9	-0.5	-0.5
2004	0.1	-0.6	0.3	-0.5	-0.8	0.3	0.5	...	-0.4	-0.1	-0.3
2005	-0.2	-0.7	0.0	-0.7	-0.9	0.3	0.7	-0.3	-0.5	-0.3	-0.5
2006	-1.5	-1.6	-1.3	-1.8	-1.9	-0.9	-0.5	-1.2	-1.2	-1.3	-1.6
2007	-2.3	-2.2	-2.3	-2.3	-2.4	-2.0	-1.7	-2.1	-1.3	-2.1	-2.3
2008	-4.0	-3.5	-4.1	-3.6	-3.9	-4.4	-4.0	-2.5	-2.8	-3.6	-3.8
2009	-3.7	-2.9	-3.5	-3.1	-3.1	-4.2	-3.8	-1.4	-4.2	-3.3	-3.3
2010	-3.2	-2.5	-3.0	-2.7	-2.5	-3.9	-3.7	-2.9	-2.5	-3.0	-2.8
2011	-3.0	-2.4	-2.7	-2.5	-2.5	-3.9	-4.1	-2.6	-2.5	-2.9	-2.6
2012	0.1	0.5	0.5	0.5	0.6	-0.7	-1.1	0.6	0.0	0.1	0.5
2013	0.8	1.0	1.3	1.0	1.1	0.0	-0.4	0.1	1.2	0.7	1.0
2014	1.0	1.0	1.7	1.1	1.3	0.4	-0.1	-0.1	1.8	0.9	1.2
2015	2.3	2.0	2.9	2.2	2.2	1.9	1.3	1.1	2.7	2.0	2.3
2016	2.2	1.8	3.0	2.1	2.1	2.3	1.9	1.1	2.8	2.1	2.2
2017	2.5	2.1	3.2	2.5	2.5	3.0	2.8	1.4	3.6	2.6	2.6
2018	1.8	1.6	2.5	2.0	2.0	2.7	2.6	1.0	2.8	2.1	2.0
2019	0.7	0.7	1.1	1.0	1.1	1.8	1.8	0.6	1.3	1.1	0.9

Sources: IMAD ,EC, IMF, OECD, MoF, FC calculations on the basis of Table 4.4 .

Table 4.8: Structural primary effort estimates

p.p. GDP	IMF	EC	OECD	IMAD	MoF	HP filter	based on GDP averages	factor models	Blanchard-Quah	average of all estimates	average of institutions
2001	0.1	-0.1	0.3	0.0	0.1	0.1	0.1	...	0.1	0.1	0.1
2002	-0.2	-0.4	-0.1	-0.4	-0.3	-0.1	0.0	...	0.3	-0.2	-0.3
2003	1.2	1.1	1.2	1.1	1.2	1.3	1.5	...	1.0	1.2	1.2
2004	0.1	0.3	0.2	0.2	0.3	0.3	0.5	...	0.5	0.3	0.2
2005	-0.3	0.0	-0.3	-0.2	-0.1	0.0	0.2	...	0.0	-0.1	-0.2
2006	-1.2	-1.0	-1.4	-1.1	-1.0	-1.2	-1.1	-0.9	-0.8	-1.1	-1.1
2007	-0.9	-0.6	-1.0	-0.5	-0.5	-1.1	-1.3	-0.9	-0.1	-0.8	-0.7
2008	-1.6	-1.3	-1.8	-1.3	-1.5	-2.3	-2.3	-0.4	-1.5	-1.6	-1.5
2009	0.2	0.6	0.6	0.5	0.7	0.2	0.2	1.1	-1.4	0.3	0.5
2010	0.6	0.4	0.5	0.4	0.6	0.3	0.1	-1.5	1.7	0.3	0.5
2011	0.2	0.1	0.3	0.1	0.1	0.0	-0.4	0.3	0.0	0.1	0.1
2012	3.1	2.9	3.3	3.0	3.1	3.1	3.0	3.2	2.6	3.0	3.1
2013	0.7	0.5	0.8	0.5	0.5	0.8	0.7	-0.5	1.2	0.6	0.6
2014	0.2	0.1	0.4	0.2	0.1	0.4	0.3	-0.2	0.5	0.2	0.2
2015	1.3	0.9	1.2	1.0	0.9	1.4	1.5	1.2	0.9	1.1	1.1
2016	0.0	-0.2	0.0	-0.1	-0.1	0.4	0.5	0.0	0.1	0.1	-0.1
2017	0.3	0.3	0.2	0.4	0.4	0.7	0.9	0.3	0.8	0.5	0.3
2018	-0.7	-0.5	-0.8	-0.5	-0.4	-0.3	-0.1	-0.4	-0.8	-0.5	-0.6
2019	-1.1	-0.9	-1.3	-1.0	-0.9	-0.9	-0.8	-0.5	-1.5	-1.0	-1.0

Sources: IMAD, EC, IMF, OECD, MoF, FC calculations on the basis of Table 4.4 .

Table 4.9: Expenditure rule

	EUR million, except when otherwise noted	2017	2018	2019
(1)	General government expenditure	18,564	19,428	20,608
(2)	Interest expenditure	1,071	904	807
(3)	Government expenditure on EU programmes fully matched by EU funds revenue	398	476	898
(4)	Gross fixed capital formation t-3 net of EU funds revenues spent in investment projects	*1,400*	*1,119*	*1,234*
(5)	Gross fixed capital formation t-2 net of EU funds revenues spent in investment projects	*1,119*	*1,234*	*1,258*
(6)	Gross fixed capital formation t-1 net of EU funds revenues spent in investment projects	*1,234*	*1,258*	*1,456*
(7)	Gross fixed capital formation t net of EU funds revenues spent in investment projects	1,258	1,456	1,727
(8)	Annual average gross fixed capital formation t-3 to t	1,252	1,267	1,419
(9)	Cyclical unemployment expenditure	8	9	10
(10)	One-offs on expenditure side	-40	-41	-24
(11)	*Discretionary measures current revenue*	0	0	0
(12)	*Discretionary measures capital transfers received*	0	0	0
(13)	*One-offs on the revenue side*	0	0	0
(14)	Total discretionary revenue measures	0	0	0
(16)	Revenue measures mandated by law	0	0	0
(17)	Corrected expenditure aggregate (nominal)	17,082	17,849	18,584
(18)	Corrected expenditure aggregate net of (14) and (16) (nominal)	17,082	17,849	18,584
(19)	Net public expenditure annual growth in % (nominal)	0.6	4.5	4.1
(20)	MTO (in % GDP)	0.25	0.25	0.25
(21)	Structural balance (in % GDP)	0.1	0.1	-0.6
(22)	Reference rate to be applied (real, in %)	0.5	0.6	0.9
(23)	GDP deflator (% change)	1.6	2.0	2.4
(24)	Reference rate to be applied (nominal, in %)	2.2	2.6	3.3
(25)	Deviation in year t (nominal)	260	-322	-147
(26)	GDP (nominal)	43,000	45,742	48,529
(27)	Deviation in year t (in % GDP)	0.6	-0.7	-0.3
(28)	Average deviation in t-1 and t (in % GDP)	0.1	-0.1	-0.5
(29)	Total discretionary revenue measures net of one-offs	57	0	0
(30)	Corrected expenditure aggregate (nominal) net of one-offs	17,042	17,808	18,560
(31)	Corrected expenditure aggregate net of of one-offs and revenue measures mandated by law (nominal)	16,985	17,808	18,560
(32)	Net public expenditure annual growth in % (nominal) net of one-offs	0.3	4.5	4.2
(33)	Deviation in year t (in national currency) net of one-offs	320	-322	-165
(34)	Deviation net of one-offs in year t (in % GDP)	0.7	-0.7	-0.3
(35)	Average deviation net of one-offs in t-1 and t (in % GDP)	0.2	0.0	-0.5

Sources: SORS, IMAD, MoF, FSC calculations