Press release

The proposed revised state budget and the already adopted Framework for the Preparation of the General Government Budget indicate an expansionary and pro-cyclical fiscal policy in 2019. In the Fiscal Council's opinion, such policy is unsuitable in the current conditions. According to the estimates of the Fiscal Council and of the Government of the Republic of Slovenia, the fiscal situation will deteriorate despite the expected extension of favourable economic conditions. In this regard, the Fiscal Council considers it worrying that the growth in revenue, achieved mainly through economic growth, will be accompanied by a sustained increase in expenditure, which will not simultaneously address structural challenges of public finances.

According to the budgetary documents submitted in January, the Government of the Republic of Slovenia expects an increase in general government expenditure in 2019 by EUR 1.13 billion compared to 2018. Such a level of expenditure, in the opinion of the Fiscal Council, is not in line with the legislation. The provisions of the Fiscal Rules Act would be respected if the overall general government expenditure were increased by approximately EUR 870 million, which is, with the exception of last year, the highest growth in expenditure after 2009. Thus, in the current situation, the fiscal rules require merely limiting the rapid growth of expenditure and ensuring a sufficient nominal surplus to maintain the structural balance of the general government, which has been achieved over the past two years. The Fiscal Council assesses that an increase in expenditure, harmonised with fiscal rules, would not limit the Government's ability to pursue its objectives but would enable the Government to achieve its objectives without endangering medium-term fiscal sustainability and thus the population's long-term well-being.

The reduction of public debt is assumed to continue this year. About half of the reduction in the public debt-to-GDP ratio is expected to be contributed by the projected growth in the nominal GDP and, to a significant extent, by revenues from privatisation. The Fiscal Council believes that the current debt reduction is not in itself a sufficient condition to ensure sustainable public finances in the long run, whereas structurally sustainable public finances are a necessary condition for debt reduction in the long term.

Recent months have seen increased risk of a more severe slowdown in 2019 economic growth than was forecast in projections that served as a basis for the preparation of budgetary documents. In an uncertain environment, the Government should follow the principle of precaution in planning both public revenue and expenditure. According to an assessment by the Fiscal Council, compliance with the precautionary principle, when the negative risks increase, means that the actual envisaged spending level lags behind the maximum allowable level of expenditure. However, the budgetary documents even exceed this limit.

The process of preparing budgetary documents once again does not reflect the legal requirement for synchronising their adoption and fiscal policy planning in the medium term. The proposed revised state budget was drafted more than one month after the adoption of the amendments to the Framework for the Preparation of the General Government Budget in the National Assembly of the Republic of Slovenia. Furthermore, the Framework has been amended again for one year only, although the legislation requires a comprehensive revision for the current and the following three years. In the opinion of the Fiscal Council, this is particularly problematic because following the formation of the government, measures were taken with fiscal consequences for the coming years. The Fiscal Council expects the Government to present credible and comprehensive budgetary plans leading to medium-term fiscal sustainability in the context of the preparation of the Stability Programme and the National Reform Programme in spring 2019.