

Report on the Fiscal Council's operation in 2019

The Fiscal Council has prepared a report on its operation in the past year which it is obliged to submit, pursuant to the Fiscal Rule Act, to the National Assembly of the Republic of Slovenia by the end of May each year.

The Fiscal Council estimates that in 2019 all the obligations imposed by the legislation were duly fulfilled. In 2019, the Council drew up all budgetary document assessments required on this basis and, at the same time, responded to the events related to economic policy that marked the past year. In this respect, the Fiscal Council through relevant opinions and recommendations drew attention to the risks to which the general government sector is exposed and which might jeopardise the fiscal sustainability in the medium and, even more so, in the long term. The economic and social environment were marked by declining economic growth, which was still high compared to EU, but lower than in the previous year. This has left an impact on relevant expectations and forecasts. While over the past two years we have witnessed upward revisions in economic forecasts, downward revisions have appeared in 2019. Optimism slowly diminished, and awareness of a coming recession increasingly started to prevail even in professional circles.

The Fiscal Council began assessing compliance with fiscal rules in budgetary documents in the years of strong economic activity and nominal surpluses of the general government, achieved in a relatively comfortable manner. The year 2019, to which this Fiscal Council report refers, was, it seems, the last year of the economic activity above its potential level before entering a period of longer uncertainty due to exceptional circumstances caused by the pandemic. The current fiscal rules are flexible enough to respond appropriately even in these different circumstances. Given the temporary exemption from pursuing medium-term balance in times of exceptional circumstances, they provide a solid support to fiscal policy in the medium- and long-term where decisions are made on which fiscal sustainability and, in turn, the well-being of the population now and in the future depend. Support in achieving both goals in the medium- and long-term is the guiding principle of the Fiscal Council operation.