

Speech by the President of the Fiscal Council at the consideration of the supplemented draft budget of the Republic of Slovenia for 2024 – amendments (18 November 2022)

According to the proposal already assessed by the Fiscal Council on the basis of the documents of the Government of the Republic of Slovenia dated 30 September 2022, there are no changes in the level of total revenue and expenditure for 2024 in the supplemented draft budget of the Republic of Slovenia for 2024. In that respect, the assessment of the adequacy of the budget of the Republic of Slovenia submitted by the Fiscal Council to the National Assembly and the Government of the Republic of Slovenia on 14 October 2022, does not change.

I would like to reiterate one of the recommendations issued by the European Commission to countries for drafting their budgets, which are also in line with the opinion of the European Fiscal Committee. It refers to the growth in current spending needing to lag behind the estimate of long-term growth in economic potential. Only this would prevent fiscal policy from creating additional inflationary pressures and risks to medium-term fiscal sustainability.

This guidance is particularly relevant in view of the fact that, according to the information currently available, the period of exceptional circumstances will come to an end in 2024. Slovenia will exit this period with a high level of current expenditure, as a result of the discretionary measures taken in the last year and the adjustment of some budget components to high inflation, which will have an unfavourable impact on the position of public finances.

The Fiscal Council estimates that in the short-term, risks of deterioration in the medium-term sustainability of government debt, which is projected at 70% of GDP at the end of 2024 and thus higher than before the COVID-19 crisis, are relatively limited. However, risks to long-term debt sustainability need to be highlighted, in particular as a result of increased demographic challenges and the need for a green transition.