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## Report on the Fiscal Council's operation in 2022

According to the Fiscal Rule Act, the Fiscal Council is obliged to submit a report on its activities in the previous year to the National Assembly of the Republic of Slovenia by the end of May each year. Under this law, adopted in June 2015, the Fiscal Council is an autonomous and independent state authority that prepares and makes publicly available assessments on the compliance of fiscal policy with fiscal rules.

Given the high level of uncertainty in the international environment, the exceptional circumstances, which were put in place in March 2020 following the outbreak of the epidemic, applied throughout 2022. The exceptional circumstances allowed for a temporary deviation from the medium-term fiscal objectives also in 2022, provided that this did not endanger medium-term fiscal sustainability. In 2022, however, there was a strong rebound in economic activity after the end of the epidemic. Slovenia recorded strong economic growth and an increase in employment as well as a rise in inflation. While inflation was largely imported, the adjustment process, which autonomously generates domestic inflation, started already in the second half of the year, while domestic fiscal policy did not work in line with monetary policy, which is designed for the euro area average.

Despite the proposal made by the European Commission in April this year, uncertainties regarding the finalisation of the European fiscal rules are currently still present. Whatever the individual countries' interests in their formulation, it is important that on the financial markets the EU as a whole is perceived as a reliable partner which enjoys the full confidence of investors. Credible fiscal rules that are binding on and acceptable to Member States without any reservations are a prerequisite for government bonds to be sold on financial markets under favourable conditions, thus allowing the smooth financing of development plans.

Even in these uncertain circumstances, the Fiscal Council will consistently pursue its mission to monitor and warn about the sustainability of public finances in the medium and long term. Here the main tool remains the power of argumentation. Therefore the transparency made possible by the wide publication of the Fiscal Council's assessments ensures the continuous follow-up of fiscal policy. In this way, a democratic pressure is created on decision-makers, while at the same time the assessments help decision-makers to take fiscally sustainable decisions on budget documents.