REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Monthly Information

July 2025

Document No: 30-1/2025/7

Key highlights[1]

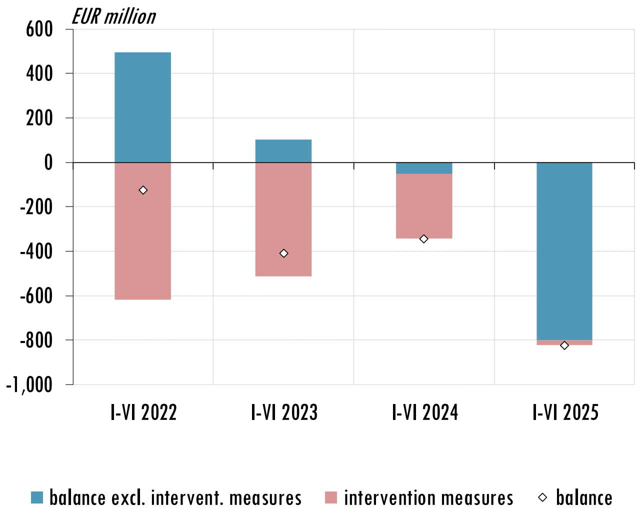
- In the first half of the year, the state budget deficit, excluding intervention measures, was EUR 800 million, i.e. EUR 750 million more than in the same period last year. This deficit increase had been envisaged by the current budget. The deficit for the entire 2025 had been projected at EUR 1.700 million, whereas last year, it stood at around EUR 200 million.
- Compared to the same period of the last year, slower revenue dynamics was a result of slower economic activity, which, at least for the time being, fell short of the projected one. The increase in spending remained relatively high and broad-based. As expected, it was mainly due to higher labour costs in light of the change in the wage system.
- On the revenue side, the deviation of the realisation of spending from the current budget was mainly due to lower receipts from EU funds, which was on the expenditure side reflected primarily ina the lagging behind of investment spending.
- The drafting of the budgets for the next two years, which is due to be made this autumn, should:
  - *be based on precautionary* tax revenue planning and projecting realistic EU funding level due to the many uncertainties regarding macroeconomics trends;
  - *prevent overestimating expenditure*, which, among other things, may result in ineffective expenditure, particularly in investment which should be planned in a reliable and medium-term oriented manner;
  - *address long-term fiscal risks* and avoid increasing them. Adopting the pension reform would significantly mitigate those risks. Key decision-makers should abstain from adopting measures that appeal to voters during pre-election period, but have a negative medium-term fiscal impact. An additional key risk is envisaged in the increase in defence spending. This is why it is important to clearly define the purpose and the scope of this additional spending, and adopt measures to prevent a worsening of fiscal sustainability;
  - *maintain confidence of financial markets*, since the margin on Slovenian Government bonds has been at its lowest rate in the past three years, while the country's credit ratings have been among the highest in the region of Central and East Europe;
  - *ensure a general government debt reduction* to achieve public finance sustainability.

[1] All comments pertain to data as at 2 July 2025.

State Budget, January–June 2025

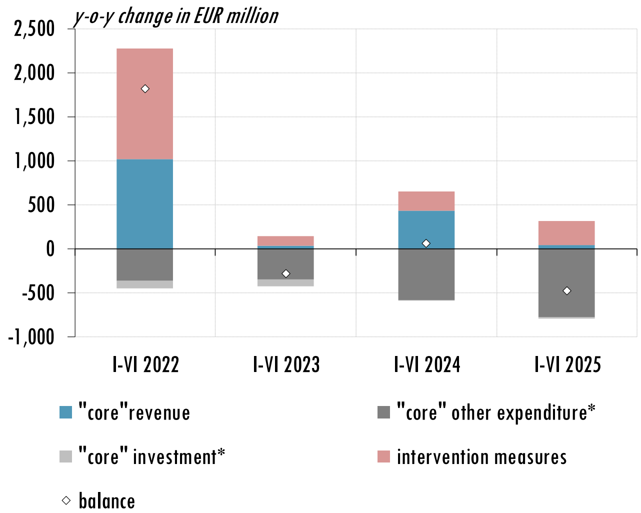
- In the first half of the year, the State budget deficit was EUR 800 million (excluding intervention measures), compared to EUR 50 million in the same period last year. The deficit was projected by the current budget at around EUR 1.700 million for the entire year (2024: around EUR 200 million).
- Compared to projections for the entire year both revenue and expenditure lags behind in the first six months of the year. This was mainly due to the lower than projected absorption of EU funds which, on the expenditure side, is mainly reflected in the lagging behind in investments spending.

Figure 1: State budget balance



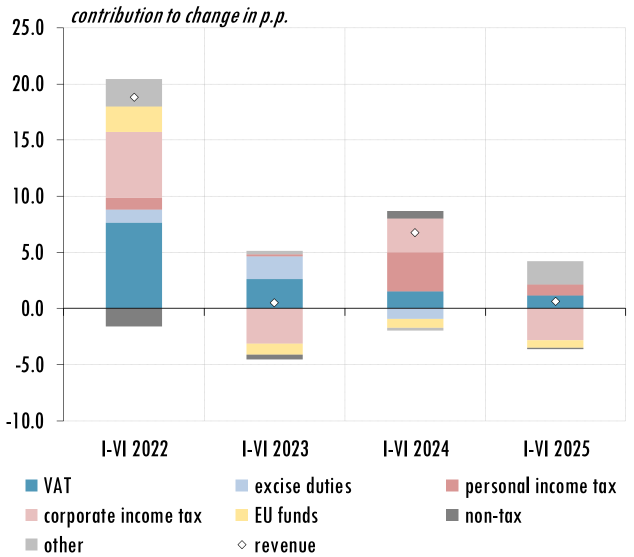
Source: MoF, FC calculations.

Figure 2: Factors of state budget balance change



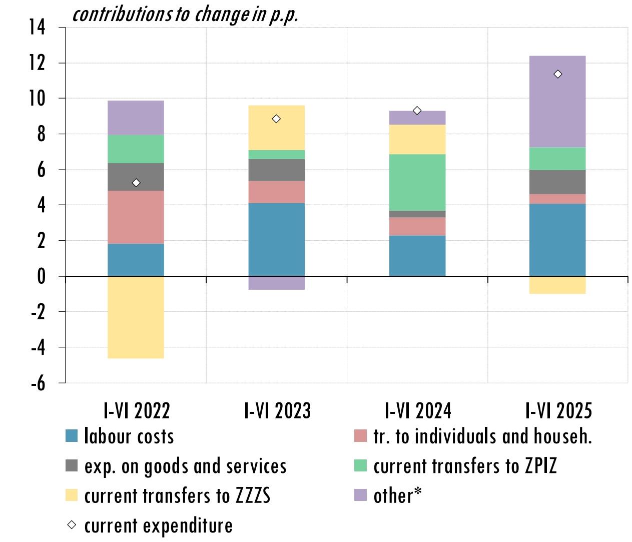
*Source: MoF, FC calculations. *positive sign denotes a decrease, negative sign denotes an increase.*

Figure 3: Structure of state budget revenue change (excluding interention measures)



Source: MoF, FC calculations.

Figure 4: Factors of state budget current expenditure change (excluding intervention measures)



*Source: MoF, FC calculations. Notes: *subsidies, payments to the EU budget, current transfers to ZZZS, other expenditure.*

Revenue:

- In the first half of the year, the budget revenue shows a 0.6% year-on-year increase (a 6.7% increase in the previous year).
- The key reason behind this year's weaker revenue dynamics is a decrease in corporate income tax and self-employment personal income tax charged. Last year, however, the total amount of these taxes was one of the highest amounts ever recorded.
- Lower growth in the gross wage bill and hence in employment income tax also contributed to a more modest growth in income tax revenue compared to the same period last year. The slowdown is also due to the fact that, unlike last year, income tax brackets have been adjusted for inflation this year.
- The VAT revenue growth was also lower than in the same period last year, due to the slowdown in economic activity. Excise duty revenue has been lower year-on-year ever since the beginning of last year.
- Revenue from EU funds was down year-on-year by about one tenth due to the inadequate absorption of funds under the 2021-2027 financial perspective. According to the current state budget projections, the revenue from EU funds was planned to increase by almost 70% this year.
- According to the current budget, a 5.1% increase in revenue (excluding intervention measures) was envisaged for the entire 2025. Given the low level achieved in the first half of the year, the growth in revenue should strengthen considerably in the remaining part of the year to achieve the projections.

Expenditure:

- In the first half of the year, the budget expenditure increased by 11.5% compared with an increase of 9.3% in the same period last year.
- Labour costs, which were up year-on-year by one tenth due to the introduction of a new wage system, were the main contributor to expenditure growth. Their growth is expected to be further boosted by the next adjustment scheduled for October.
- Other important contributors to growth were agricultural subsidies,[2] interest,[3] transfer for the provision of public transport, about one-tenth higher expenditure on goods and services and transfer to the Pension and Disability Insurance Institute of Slovenia.
- Investments increased year-on-year by around 3%, which, despite taking into account the dynamics throughout the year, was much less than the projected around 60% growth in the whole year. The increase in domestic budgetary resources did not fully compensate for the more than 50% decline in EU funding. The key factor behind the modest growth was significantly higher investment in defence spending, while investment in road and rail infrastructure decreased sharply. A significant part of Slovenia's investment activity occurs outside the state budget,

[2] Agricultural subsidies were atypically low in early 2024, which is linked to the start of the implementation of the new financial perspective.

[3] The increase in payments reflects, in particular, the relatively high issuance of RS93 bonds last year (totalling EUR 2.75 billion) with a coupon rate of 3%, as interest payments fell due for the first time this year.

Table 1: State budget

EUR million, unless stated otherwise	I-VI 2024					I-VI 2025					I-VI 25/ I-VI 24, %		I-VI 25/ I-VI 24	
	total	COVID	infl. mitig.	floods	excl. interv. measures	total	COVID	infl. mitig.	floods	excl. interv. measures	total	excl. interv. measures	total	excl. interv. measures
Revenue	**6,963**	**...**	**...**	**88**	**6,874**	**7,138**	**...**	**...**	**221**	**6,917**	**2.5**	**0.6**	**175**	**42**
VAT	2,545	...	...	...	2,545	2,627	...	...	...	2,627	3.2	3.2	82	82
Excise duties	780	...	...	...	780	779	...	...	...	779	-0.1	-0.1	-1	-1
Personal income tax	1,148	...	...	...	1,148	1,212	...	...	...	1,212	5.6	5.6	65	65
Corporate income tax	1,013	...	...	77	936	859	...	...	115	744	-15.2	-20.5	-154	-192
EU funds	420	...	...	...	420	374	...	...	...	374	-11.0	-11.0	-46	-46
Non-tax	377	...	...	...	377	368	...	...	...	368	-2.5	-2.5	-9	-9
Other revenue	679	...	...	11	668	919	...	...	106	813	35.2	21.6	239	144
Expenditure	**7,306**	**10**	**94**	**276**	**6,925**	**7,961**	**...**	**...**	**243**	**7,718**	**9.0**	**11.5**	**655**	**793**
Total labour costs	2,159	0	...	0	2,158	2,392	...	...	0	2,392	10.8	10.8	233	233
Transfers to individ. and hhs	1,013	2	0	14	997	1,028	...	...	...	1,028	1.5	3.1	15	31
Goods and services	750	2	4	114	629	710	...	...	3	708	-5.3	12.5	-40	78
Investment	504	0		13	492	526	...	...	18	508	4.3	3.3	22	16
Current transfers to ZPIZ	887	...	...	...	887	962	...	...	...	962	8.5	8.5	75	75
Subsidies	390	1	90	44	255	325	...	...	0	325	-16.8	27.3	-65	70
Interest	445	...	...	...	445	542	...	...	...	542	21.8	21.8	97	97
Payments to the EU budget	297	...	...	...	297	348	...	...	...	348	17.4	17.4	52	52
Current transfers to ZZZS	247	...	...	...	247	189	...	...	...	189	-23.6	-23.6	-58	-58
Reserves	317	...	...	88	229	475	...	...	221	253	49.8	10.8	158	25
Other expenditure	297	4	...	3	289	463	...	...	...	463	56.2	60.1	167	174
Balance	**-343**	**-10**	**-94**	**-188**	**-50**	**-823**	**...**	**...**	**-21**	**-801**			**-480**	**-751**

Source: MoF, FC calculations.

including through budgetary funds. The Recovery and Resilience Plan Fund thus almost doubled the volume of investment spending in the first half of the year, which totalled approximately EUR 140 million.

Fund for the Reconstruction of Slovenia

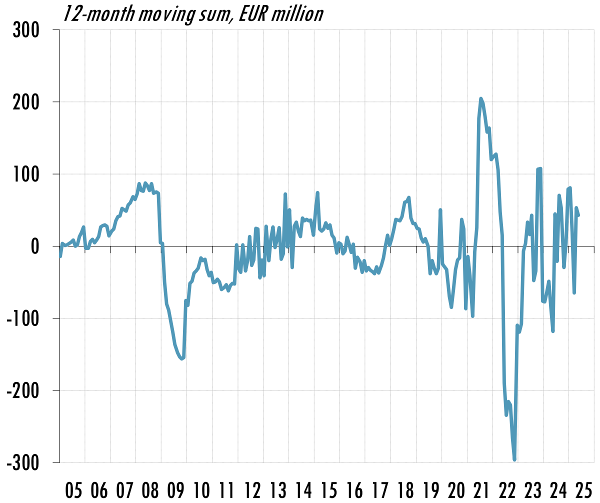
- The Fund for the Reconstruction of Slovenia recorded inflows of EUR 220 million in the first five months due to the payment of a tax on total assets of banks and savings banks and a higher corporate tax rate. At the end of June, the Fund's resources totalled approximately EUR 700 million.
- During this period, the Fund disbursed EUR 85 million, mainly for replacement construction (EUR 40 million), national road infrastructure (EUR 17 million) and local infrastructure (EUR 16 million). In addition to the Fund's resources, EUR 20 million were disbursed for reconstruction from the integral funds of the state budget.
- In the first half of the year, only around a fifth of the total expenditure planned for reconstruction was realised. According to the available programmes[4], the total expenditure had been planned at almost EUR 600 million for the entire current year.

[4] Available at https://www.gov.si/zbirke/projekti-in-programi/ukrepi-drzave-za-pomoc-po-poplavah-avgusta-2023/financiranje-obnove/ (Only in Slovene).

Public finance budgets for the period January–May 2025 (GFS cash flow methodology)

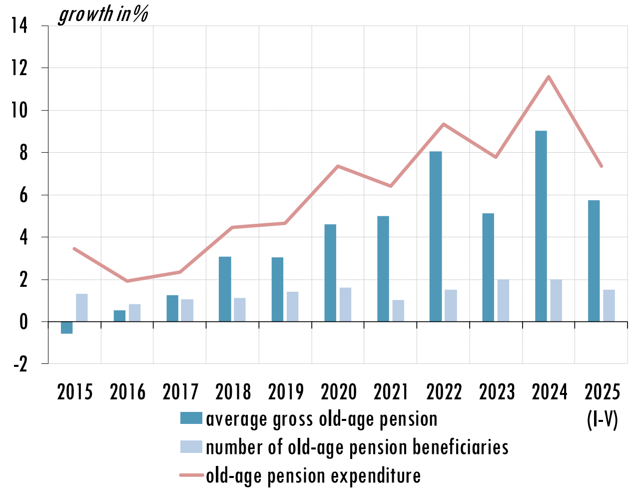
- In the first five months of this year, the **Health Insurance Institute of Slovenia (ZZZS)** recorded a deficit of EUR 57 million, compared to the EUR 20 million deficit incurred in the same period last year. After the last year's sharp increase resulting from the introduction of the compulsory healthcare contribution, the growth of revenue and expenditure slowed down this year. Revenue increased by 11.3% (January-May 2024: 19.1%), mainly due to higher social security contribution receipts in an environment of high employment, nominal wage growth and higher compulsory healthcare contribution. Equally significant was the contribution of other non-tax revenue which considerably deviated from the realisation in previous years. The growth in expenditure was 13% and resulted from the same factors as in the year before, i.e. higher transfers from the ZZZS to public institutes to offset labour costs, the costs of goods and services including medicines, and higher payments to concessionaires.
- In the period up to and including May this year, the annual growth of **the Pension and Disability Insurance Institute of Slovenia's** expenditure averaged around 7.3%, which was less than in the same period last year (10.7%). The key reason for the decline was the lower regular indexation of pensions (4.5%), while the growth in the number of beneficiaries (1.5%) remained at a similar level as before. The increase in revenue from social contributions showed a slight slowdown. This required a further, but much lower than in the previous year, increase in transfers from the state budget necessary to balance the Pension Fund (15%; January-May 2024: 31%).
- In the first five months of this year, **municipal budget accounts** showed a deficit (EUR 20 million) similarly like the same period last year (EUR 33 million). The slowdown in expenditure growth was stronger than that in revenue growth. Revenue growth (2.1%; January-May 2024: 3.7%) was again mainly driven by higher personal income tax revenue (lump sum funding), with a further increase in property tax revenue. The slowdown in total revenue growth was mainly due to lower revenue from EU funds, state budget funds for investment purposes, and lower revenue from community infrastructure levies. Expenditure growth practically came to a halt (0.9%; January-May 2024: 9.4%), largely due to a decline in investment activity, reduced reimbursement of kindergarten costs and lower transfers to public institutes.

Figure 5: ZZZS budget balance



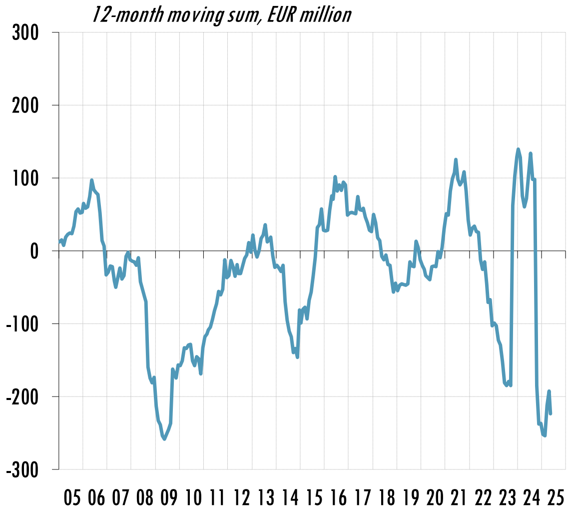
Source: MoF, FC calculations.

Figure 6: Old-age pensions*



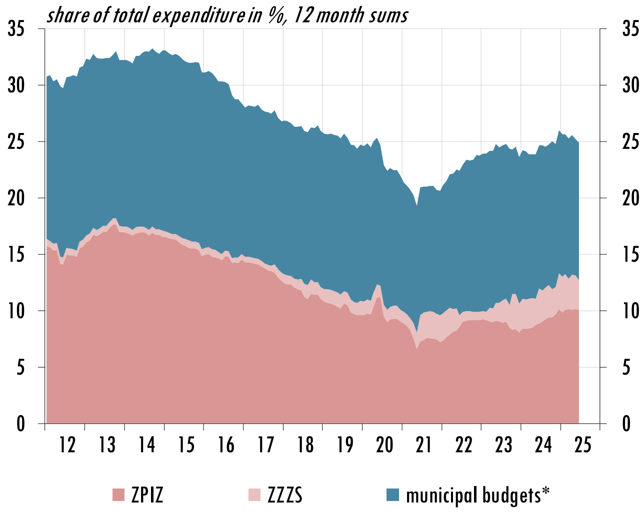
*Source: Pension and Disability Insurance Fund of Slovenia (ZPIZ), MoF, FC calculations. *Old-age pension beneficiaries represented 76% of all beneficiaries last year, while volume of old-age pension expenditure represented 82% of all ZPIZ pension expenditure.*

Figure 7: Local government budget balance



Source: MoF, FC calculations.

Figure 8: Financial flows between state budget and other other public finance budgets (excluding intervention measures)

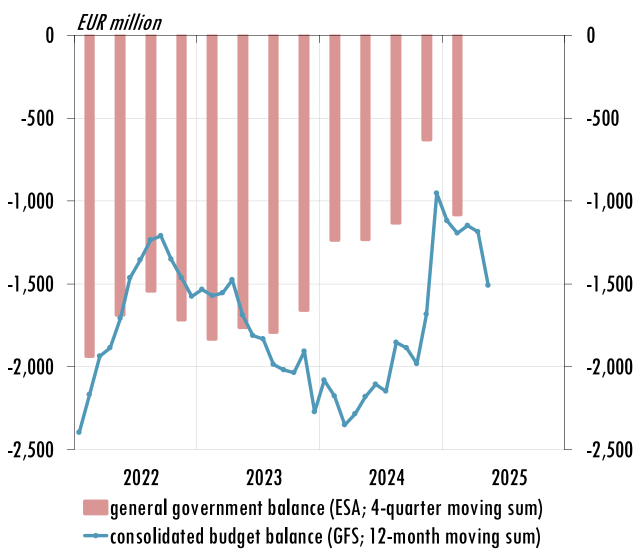


*Source: MoF, FC calculations. Note: * current and capital transfers and income tax resources ceded to local government levels.*

General government – first quarter of 2025

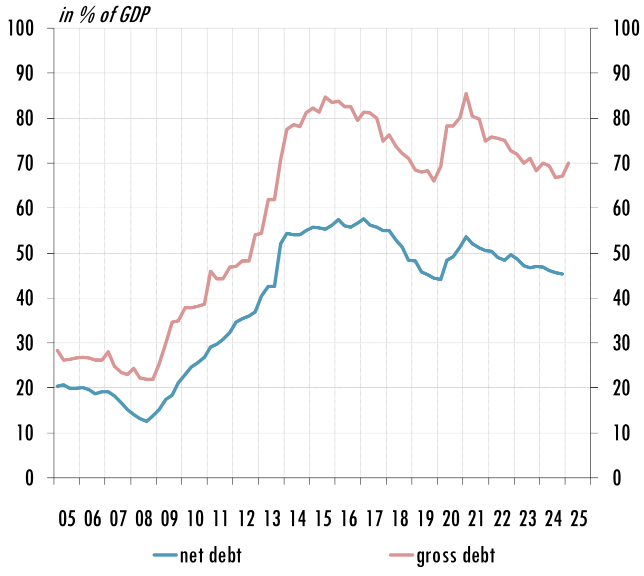
- In the first quarter of 2025, the **deficit**[5] of the general government sector as a whole was 3.4% of GDP in 2024, down 2.8 percentage points of GDP on the previous year. This was primarily a result of slower growth in revenue and faster growth in expenditure, as previously indicated by current data. The Ministry of Finance expects a lower deficit, i.e. 1.9 of BDP, for the entire 2025.
- Revenue increased by 4.8%, i.e. by less than half compared to that in 2024. The lower growth in revenue was due to all main categories, most notably social contributions, while, at the same time, a noticeably lower growth was recorded in all key tax revenues. The growth in expenditure more than doubled and was 11%. This was mainly due to higher expenditures on subsidies, interest and employee benefits, while the relatively high growth in social benefits continued.
- At the end of the first quarter of 2025, the general government **gross debt** stood at 69.9% of GDP, thus remaining at the same level as in the previous year. After a few years, the slowdown in economic growth, lower inflation and higher interest expenditure halted the decline in the gross debt ratio at least temporarily. According to the projections of the Ministry of Finance, the gross debt ratio will reach 66.0% of GDP at the end of 2025. The net government debt was much lower, standing at 45.3% of GDP at the end of last year, mainly due to the maintenance of high liquidity reserves. Reducing the debt of the general government sector should remain one of the top priorities in terms of ensuring Slovenia's fiscal sustainability.

Figure 9: Public finance balances



Source: SORS, MoF, FC calculations.

Figure 10: Gross and net general government debt



Source: Eurostat, ECB, SORS, FC calculations.

[5] On 30 June 2025, the Statistical Office of the Republic of Slovenia (SURS) published the Main Aggregates of the General Government Sector for the first quarter of 2025. Available at: https://www.stat.si/StatWeb/en/News/Index/13719.