



REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Monthly Information

September 2025

Key highlights¹

- In the first eight months of this year, the state budget deficit, excluding intervention measures, was EUR 1.0 billion, whereas it was almost balanced in the same period last year. This deficit increase had been envisaged by the current budget. The projected deficit, excluding intervention measures, for the entire 2025 is EUR 1.9 billion, whereas last year, it stood at around EUR 0.2 billion.
- This year's budget deficit increase was exclusively the result of higher current expenditure. The increase in expenditure was broad-based and, as expected, it was mainly due to higher labour costs in light of the change in the pay system. At the same time, revenue growth stalled, which was partly due to the slowdown in economic activity and partly to a further decline in revenue from EU funds. This year, budget intervention measures have had a negligible impact on the overall state budget balance. Post-flood rehabilitation measures were predominantly funded with dedicated resources, while measures to mitigate the consequences of the epidemic and high cost of living expired last year.
- The drafting of the 2026 and 2027 budgets is in its final stage. The Government must send the budget document proposals for assessment by the Fiscal Council and for adoption by the National Assembly by the end of September. Current data indicate that the realisation of expenditure for 2025 will again deviate from those envisaged by the current budget.
 - Realistic basis for drafting the budget: The experience of the last four years shows that budget expenditures excluding intervention measures were, on average, approximately EUR 750 million lower than the estimates that formed the basis for adopting budgets for the following year. This difference is therefore not a consequence of addressing the impacts of various shocks with intervention measures as demonstrated by governments, but a proof of inadequate planning of regular public expenditure.
 - Consequences of unrealistic budgetary drafting: Overestimating the planned spending brings with it a number of problems: (1) reduced credibility and, in the long term, weakened trust in the state budget as the central economic policy document; (2) encouraged less responsible spending, as it allows the use of pre-planned "surplus" for ad hoc projects; (3) more difficult presentation of the actual picture of available and needed funds, which can lead to inappropriate economic policy decisions; and (4) impaired long-term planning and postponed serious discussion of long-term challenges to future governments.
 - The importance of a credible approach: Budget planning should be prudent and provide room to respond to potentially less favourable macroeconomic conditions. In times of uncertain economic conditions and major long-term challenges, realistic and prudent budget planning is essential to ensure transparent and efficient management of public money.

¹ All comments refer to data known as of 1 September 2025.

State Budget, January–August 2025

- In the first eight months of this year, the state budget deficit was EUR 1,031 million (excluding intervention measures), compared to EUR 62 million in the same period last year. The increase in deficit was projected by the current budget at around EUR 1.850 million for the entire year (2024: around EUR 200 million).
- The projections made for the entire year so far show a deficit, both on the revenue and the expenditure sides. On the revenue side, this was mainly due to a slowdown in economic activity and the lower than projected absorption of EU funds which, on the expenditure side, is mainly reflected in the lagging behind in investments expenditure.

Revenue:

- In the first eight months of the year, the budget revenue (excluding intervention measures) showed a 0.8% year-on-year increase (a 7.3% increase in the previous year).
- The key reason behind this year's weaker revenue dynamics is a decrease in corporate income tax. The year-on-year decline is mainly due to the high base, as last year's balancing payment was one of the highest since data became available. The amount of this year's monthly advances is otherwise similar to those last year.
- 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. An additional reason for the lower growth in personal income tax revenues is lower income tax revenues from activities. This is also a result of the high tax base last year, when the balancing payment was one of the highest ever recorded.
- The VAT revenue growth was similar to that in the same period last year, while 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 fifth 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. To achieve the projections, their year-on-year growth for the rest of the year would need to be around 13%.

Expenditure:

- In the first eight months of this year, the budget expenditure increased by 11.4% compared with an increase of 7.1% in the same period last year.
- Labour costs, which were up year-on-year by one tenth due to the introduction of a new pay 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 included interest,² transfer for the provision of liner shipping services, about one-tenth higher expenditure on goods and services and transfer to the Pension and Disability Insurance Institute of Slovenia.
- The level of investments was similar to that in the same period last year, which, despite taking into account the dynamics throughout the year, was much less than the projected around 60% throughout the year. A year-on-year increase was recorded 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, including through budgetary funds. The latter increased the volume of investment spending this year by two-thirds to EUR 330 million, which is approximately half of the value of this year's investments realised through the state budget.

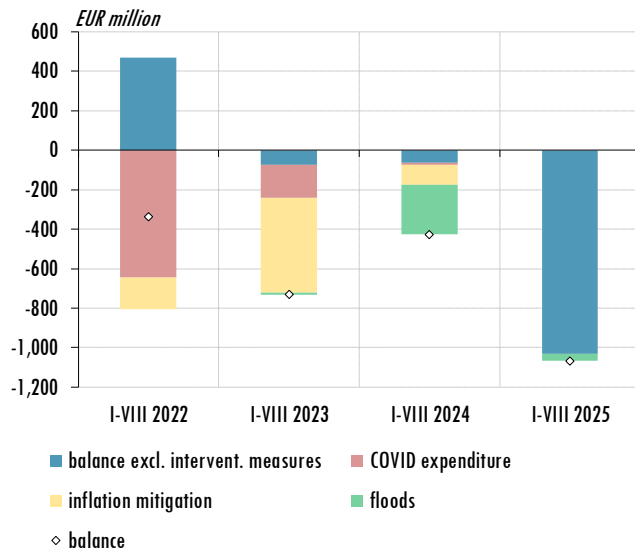
Table 1: State budget

EUR million, unless stated otherwise	I-VIII 2024					I-VIII 2025					I-VIII 25 compared to I-VIII 24, %		I-VIII 25 compared to I-VIII 24	
	total	COVID mitig.	infl.	floods	excl. interv. measures	total	COVID mitig.	infl.	floods	excl. interv. measures	total	excl. interv. measures	total	excl. interv. measures
Revenue	9,176	...	...	167	9,009	9,299	...	...	221	9,078	1.3	0.8	123	69
VAT	3,476	...	...	...	3,476	3,616	...	...	...	3,616	4.0	4.0	140	140
Excise duties	1,090	...	...	...	1,090	1,076	...	...	...	1,076	-1.3	-1.3	-14	-14
Personal income tax	1,308	...	...	...	1,308	1,395	...	...	...	1,395	6.6	6.6	86	86
Corporate income tax	1,309	...	...	77	1,232	1,134	...	...	115	1,019	-13.4	-17.3	-175	-213
EU funds	492	...	...	...	492	398	...	...	...	398	-19.1	-19.1	-94	-94
Non-tax	616	...	...	79	537	522	...	...	...	522	-15.3	-2.9	-94	-15
Other revenue	885	...	...	11	874	1,160	...	...	106	1,054	31.1	20.6	275	180
Expenditure	9,603	12	102	419	9,071	10,367	...	...	258	10,109	8.0	11.4	764	1,038
Total labour costs	2,881	0	...	0	2,881	3,188	...	...	0	3,188	10.7	10.7	307	307
Transfers to individ. and hhs	1,337	3	0	15	1,319	1,350	...	...	...	1,350	1.0	2.3	13	31
Goods and services	1,025	3	4	127	891	1,029	...	...	4	1,025	0.4	15.1	4	134
Investment	694	0	...	29	665	691	...	...	33	659	-0.4	-0.9	-3	-6
Current transfers to ZPIZ	1,112	...	...	...	1,112	1,215	...	...	...	1,215	9.3	9.3	103	103
Subsidies	467	1	97	73	296	338	...	...	0	337	-27.7	14.1	-129	42
Interest	574	...	...	...	574	673	...	...	...	673	17.2	17.2	99	99
Payments to the EU budget	404	...	...	...	404	476	...	...	...	476	17.7	17.7	71	71
Current transfers to ZZS	264	...	...	...	264	290	...	...	...	290	9.9	9.9	26	26
Reserves	442	...	...	167	274	515	...	...	221	294	16.7	7.2	74	20
Other expenditure	404	4	...	8	392	601	...	...	...	601	48.8	53.6	197	210
Balance	-427	-12	-102	-252	-62	-1,068	...	...	-37	-1,031			-641	-969

Source: MoF, FC calculations.

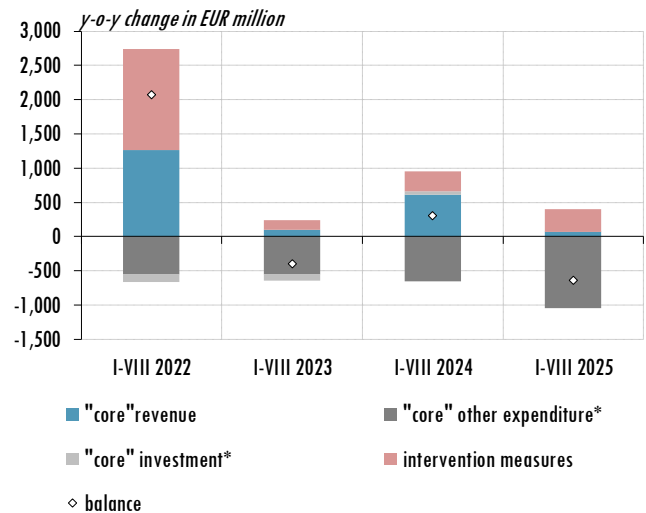
² The increase in payments reflects, in particular, the relatively high issuance of RS93 bonds last year (totalling EUR 2.75 billion) with a coupon interest rate of 3%, as interest payments fell due for the first time this year.

Figure 1: State budget balance



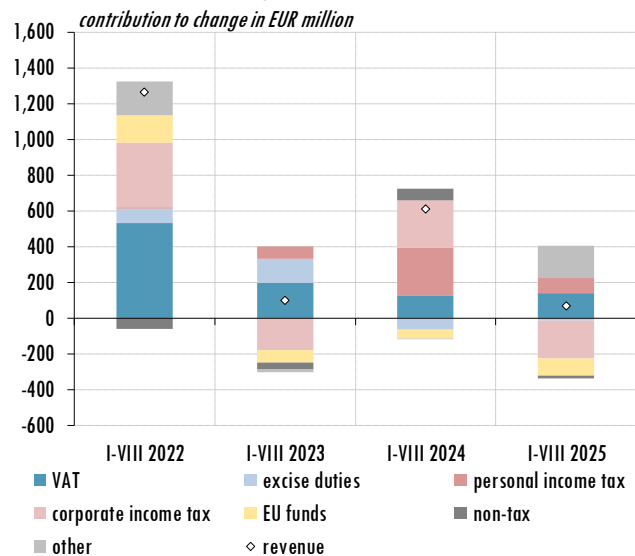
Source: MoF, FC calculations.

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 intervention measures)



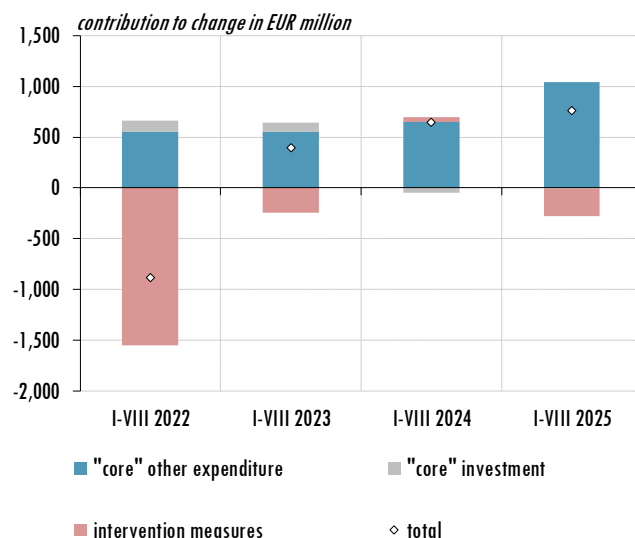
Source: MoF, FC calculations.

Figure 4: Key tax revenues* (excluding intervention measures)



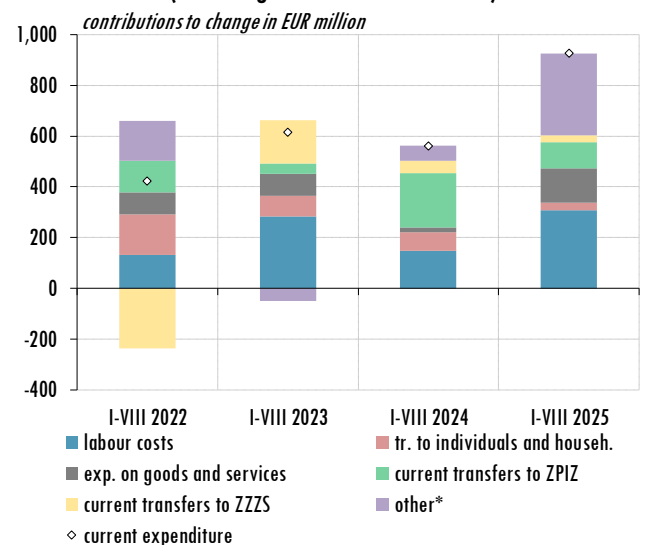
Source: MoF, FC calculations. Note: *VAT, excise duties, personal income tax, corporate income tax.

Figure 5: Structure of state budget expenditure growth



Source: MoF, FC calculations.

Figure 6: Factors of state budget current expenditure change (excluding intervention measures)



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

Fund for the Reconstruction of Slovenia:

- In the first eight months of this year, the Fund for the Reconstruction of Slovenia recorded inflows of approximately EUR 220 million as a result of the payment of a tax on total assets of banks and a higher corporate tax rate. At the end of August, the Fund's resources totalled approximately EUR 630 million. By the end of the year, Slovenian Sovereign Holding's profit for 2024 totalling EUR 85 million will be paid to the Fund and, according to the current budget, around EUR 80 million resulting from the higher corporate income tax rate.
- In the first eight months of this year, the Fund disbursed EUR 124 million, mainly for replacement construction (EUR 51 million), local infrastructure (EUR 29 million) state road infrastructure (EUR 25 million) and rehabilitation of water infrastructure (EUR 10 million). In addition to the Fund's resources, around EUR 37 million was disbursed for reconstruction from the integrated funds of the state budget, predominantly financed by the EU Solidarity Fund.
- In the first eight months of this year, only about one fourth of the total expenditure planned for reconstruction was realised. According to the available programmes,³ the total expenditure had been planned at almost EUR 600 million.

³ Available at <https://www.gov.si/zbirke/projekti-in-programi/ukrepi-drzave-za-pomoc-po-poplavah-avgusta-2023/financiranje-obnove/> (Only in Slovene).