

Speech by the President of the Fiscal Council at the 70th emergency session of the Committee on Finance, 15 November 2025

Fiscal projections of both the Fiscal Council and the Ministry of Finance demonstrate beyond doubt that fiscal policy diverges increasingly from the path set in the medium-term plan. The plan represents the state's commitment to gradual consolidation that would ensure sustainable public finances. But rather than gradually shrinking, the deficit is growing again. Among the Member States that have so far submitted their budget plans to the European Commission, Slovenia's projected deficit increase over the 2024–2026 period will be the fourth highest.

This deviation is not the result of an emergency but rather of discretionary decisions. Current expenditure – mainly due to the rise in labour costs in the public sector – is growing significantly faster than economic activity. In terms of fiscal sustainability, the biggest concern is that this represents a permanent increase in expenditure. Based on macroeconomic forecasts, revenue growth is expected to be slower than in previous years, while average interest rates on public debt are likely to be higher. Together, these two factors further reduce the leeway for sustainable deficit.

The Fiscal Council understands that the state needs investments in areas that represent political priorities and supports such investments if they effectively boost long-term economic growth. However, for every decision that permanently increases expenditure, responsible fiscal policy must also clearly demonstrate how the additional spending will be compensated so as not to jeopardise fiscal sustainability. At the same time, the expectations of various actors are high and continue to grow, partly due to politically driven measures. That is why we need to be prudent. It is crucial to stem the growth in current expenditure – meaning expenditure excluding investments and interest – and align it with the economic reality.

Slovenia still has relatively stable public finances, good access to financing, favourable credit ratings and high liquidity reserves. However, past experience shows that the situation can change abruptly – especially when it doubts arise about the fiscal policy's credibility. And credibility is assessed based on the fulfilment of the commitments set out in the state's medium-term plan.

The time for corrections and adjustments is now – while the market situation is stable, while we have the flexibility to make decisions rather than solve problems ex-post. The experience of 15 years ago should be enough to realise that late actions lead to more extreme and painful adjustments.