

Address by Fiscal Council member Tomaž Perše at the session of the Joint Committee of the National Assembly of the Republic of Slovenia (22 April 2026)

In 2025, fiscal trends diverged from fiscal sustainability, due to exceptionally high expenditure growth. The cumulative deviation from the commitments set in the medium-term fiscal and structural plan remained within the permitted limits, but only because of the use of the fiscal space created in 2024.

Projections by both the Fiscal Council and the Ministry of Finance provided in the draft Progress Report indicate that the cumulative deviation will already exceed the permitted threshold this year. We assess that the deviation could even double by the end of the current plan in 2028.

These trends are not unexpected. The plan is an agreement between the Government and the European Commission on a fiscal path for a four-year period. This path should ensure that public debt is sustainable or that the ratio of public debt to gross domestic product is decreasing. In autumn 2024, when the plan was being adopted, the Fiscal Council already warned that the policies in force at that time would not ensure the fulfilment of commitments. Throughout 2025, we were pointing out in publications and at the meetings of the Committee on Finance that public finance was straying from the set path. Last autumn, the European Commission also warned of a serious risk that the commitments would not be fulfilled.

The key reason for the deviations is the implementation of changes in the public sector pay system. In the first year, it already caused a greater increase in employee compensation than envisaged for the entire implementation period of four years. Furthermore, after the adoption of budget documents in the autumn, a decision was made to additionally introduce the winter bonus.

We must stress that it is not advisable to address the current fiscal situation with quick one-off and partial actions. A serious review of public expenditure, its intended purpose and efficiency is necessary. Potential reserves in tax collection within the existing liabilities must also be sought. Within this context, it is essential to find solutions that will least impair the long-term economic potential. This can be achieved with a transparent and credible Government communication regarding the possibilities for eliminating the current imbalances.

At present, fiscal space, including for addressing the consequences of shocks, is rather limited. In such circumstances, any measures that would further worsen the state of public finances must be avoided. Otherwise, given the current efficiency of public spending, the risks to fiscal sustainability will increase even further.

From the legal point of view, a failure to fulfil the commitments set in the plan is a failure to comply with EU rules, as well as a failure to comply with Slovenia's own Fiscal Rule Act. Beside the formal view of public finance, it is crucial to be aware that the continuation of the current trends could threaten the stability of the economic environment and the well-being of people in an environment marked by uncertainty and increasingly frequent shocks.