Speech by the President of the Fiscal Council at the 3rd regular session of the Commission for Public Finance Control, 15 September 2026

The Fiscal Council is an independent body committed to highlighting risks to the medium-term sustainability of public finances. In my presentation, I will therefore confine myself to assessing the fiscal effects and risks that could arise from the implementation of the Act Determining Intervention Measures for the Development of Slovenia. The Fiscal Council does not assess the appropriateness of individual measures or their other objectives, but solely their potential impact on public finances.

Current public finance projections based on the budget documents in force point to a further deviation from the fiscal path set out in the medium-term fiscal-structural plan. Additional risks to public finances also arise from uncertainty in the international environment.

The Fiscal Council estimates that the implementation of the Act could further increase the risks to the medium-term sustainability of public finances if its impact on public finances is not offset by other measures.

Based on the latest autumn forecast by the Institute of Macroeconomic Analysis and Development, publicly available data and internal estimates from the pension and health insurance funds, we have prepared an assessment of the direct, or static, effects of the measures set out in the Act. The assessment was prepared for 2027, by which time the measures set out in the Act may be fully implemented. It indicates that these measures could increase the deficit by around EUR 1.2 billion, or 1.5% of GDP.

Such fiscal expansion, involving a reduction in the tax burden and an increase in public spending, could have a positive impact on economic activity. We have therefore assessed the extent to which higher economic activity would mitigate the initial deterioration in the general government balance.

The dynamic assessment takes into account the impact of feedbacks between fiscal measures and economic activity on fiscal outcomes. We reviewed the relevant findings of empirical research and used several methods in our simulations. The results show that the more favourable economic developments stimulated by these measures could offset around one quarter of the initial deterioration in public finances in the short term and around half of it over the long term, that is over a ten-year period.

The results depend to a large extent on the fiscal policy response to the increase in the deficit. If the simulations take fiscal policy adjustments into account, the long-term increase in the deficit is smaller, but so is the positive impact on economic activity.

Our assessments are based on a number of assumptions and should therefore be interpreted with caution. Caution is also warranted because a large proportion of the measures are targeted at specific parts of the population, making it difficult to extrapolate their effects to the economy as a whole.

Nevertheless, the key message of our assessments is clear: the positive effects on economic activity would only partially offset the fiscal costs of the Act. Even in the scenario with the smallest estimated long-term deterioration in the balance, the deficit and public debt would be higher in the long term than in a scenario in which the proposed measures are not implemented.

To put it simply: economic growth can reduce the bill. But it cannot pay it instead of us.