Speech by Fiscal Council member Alenka Jerkič at the 10th urgent meeting of the Committee on Finance during consideration of the proposed amendment to the state budget for 2027 (14 November 2026)

Ladies and Gentlemen,

The Government has set itself the target of reducing the general government deficit to 2.5% of GDP in 2027. However, the Fiscal Council notes that the submitted budget documents do not explain how the Government intends to achieve this target.

According to the Ministry of Finance's projections, the general government deficit would reach 3.4% of GDP in the absence of additional measures. To meet the Government's deficit target of 2.5% of GDP, additional measures amounting to approximately EUR 700 million would need to be secured, based on the macroeconomic forecast used. As the budget documents fail to explain how this target will be achieved, it was not possible to independently verify whether the planned effects would indeed materialise.

This applies in particular to the expenditure projections. The proposed amendment to the 2027 state budget envisages lower labour costs and a reduction in transfers to individuals and households compared with 2026. The budget documents also commit that the pay reform will continue and that transfers will be adjusted in line with inflation. The documents therefore do not explain how such substantial planned deficit reductions can be achieved while meeting these commitments.

The ultimate impact of expenditure restraint may also be overestimated. If the measures reduce household incomes and consumption, revenues from tax and social security contribution will also decline. The planned large-scale fiscal consolidation could have an adverse impact on economic activity and confidence, particularly among households. The Government's projections do not take these effects into account. It therefore cannot be assumed that the planned reduction in expenditure will translate into an equivalent reduction in the deficit.

The possible entry into force of the Intervention Measures for the Development of Slovenia Act poses additional risk. According to the Ministry of Finance's dynamic assessment, the Act would increase the deficit by approximately a further EUR 650 million next year. The potential loss of revenue resulting from a possible reduction in consumption should be taken into account here as well. Appropriate measures to boost productivity and rationalise expenditure are, of course, essential to ensuring the long-term sustainability of public finances.

The state of Slovenia's public finances is not favourable despite solid macroeconomic conditions. In their recent assessments, credit rating agencies have stressed the importance of maintaining a stable fiscal position. At a time when the cost of financing liabilities is rising, economic policy should therefore avoid introducing measures that would further weaken the fiscal position.

In addition to setting targets, budget documents should also specify the measures to be taken, provide verifiable estimates of their financial impact and set out a timetable for their implementation. These measures should be incorporated into a credible medium-term fiscal framework that also takes into account the impact of the planned measures on economic growth.