REPUBLIC OF SLOVENIA
FISCAL COUNCIL

Monthly Information

April 2025

Document No.: 30-1/2025/4

Key highlights[1]

- The state budget recorded a deficit of -EUR 451 million in the first three months of the year, which is some EUR 180 million higher than in the same period last year.[2] Revenue growth (6.1%), although strengthening, is lagging behind expenditure growth (10.8%). Revenue growth is to some extent due to some temporary factors, while the dynamics of some major categories are lower than in times of high inflation. The high growth in expenditure at the beginning of the year is due to higher interest payments and some discretionary factors, while in particular the realisation of investments continues to lag significantly behind plans due to a standstill in the absorption of European funds and systemic weaknesses in their planning and implementation.
- In 2024, the general government deficit (-0.9% of GDP) was significantly reduced. At the same time, it was 2 percentage points of GDP lower than the government's projections of last October. The general government projections are largely determined by the state budget, which has been unrealistic for several consecutive years.
- The National Assembly adopted an amendment to the Fiscal Rule Law. In line with its provisions, the Fiscal Council expects a draft Annual Progress Report by 10 April. Under the revised economic governance system, it is the key annual document for monitoring the commitments made by the countries in the Medium-Term Plan. In addition, the European Commission has invited Member States to request, by the end of April, the exercise of the national escape clause related to additional defence expenditure.

[1] All comments pertain to data as at 2 April 2025.

[2] All comparisons are net of the direct impact of the intervention measures.

State budget January–March 2025

- The State budget had a deficit of -EUR 451 million in the first three months of this year (excluding intervention measures), compared to a deficit of -EUR 274 million in the same period last year.

Revenue:

- Revenue was 6.1% higher year-on-year in the first quarter, mainly due to higher VAT and corporate income tax revenues.
- Other notable contributors to the growth were revenues from CO2 levies,[3] customs duties and inflows from the Krško Nuclear Power Plant Decommissioning Fund, which, in absolute terms, represent a relatively small share of total revenues.
- Revenue from European funds was down by a good half due to the slow absorption of funds from the new financial perspective 2021-2027 and the high base last year, when funds from the previous multiannual perspective were still available.
- The dynamics of income tax revenue was much slower than in the same period last year, with a slowdown in the growth of employment income and lower revenues from business income, dividends and capital gains.

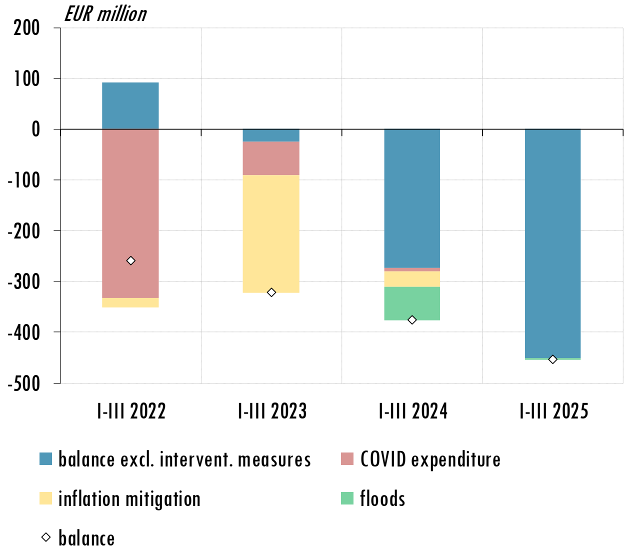
Table 1: State budget

EUR million, unless stated otherwise	I-III 2024					I-III 2025					I-III 25/ I-III 24, %		I-III 25/ I-III 24	
	total	COVID	infl. mitig.	floods	excl. interv. measures	total	COVID	infl. mitig.	floods	excl. interv. measures	total	excl. interv. measures	total	excl. interv. measures
Revenue	**3,105**	**…**	**…**	**11**	**3,094**	**3,301**	**…**	**…**	**20**	**3,281**	**6.3**	**6.1**	**197**	**187**
VAT	1,210	…	…	…	1,210	1,295	…	…	…	1,295	7.1	7.1	85	85
Excise duties	373	…	…	…	373	370	…	…	…	370	-1.0	-1.0	-4	-4
Personal income tax	563	…	…	…	563	558	…	…	…	558	-0.9	-0.9	-5	-5
Corporate income tax	310	…	…	…	310	392	…	…	20	372	26.4	19.9	82	62
EU funds	175	…	…	…	175	80	…	…	…	80	-54.5	-54.5	-95	-95
Non-tax	171	…	…	…	171	166	…	…	…	166	-3.1	-3.1	-5	-5
Other revenue	302	…	…	11	291	441	…	…	0	441	46.1	51.5	139	150
Expenditure	**3,480**	**7**	**30**	**75**	**3,368**	**3,755**	**…**	**…**	**22**	**3,732**	**7.9**	**10.8**	**275**	**365**
Total labour costs	1,131	0	…	0	1,131	1,108	…	…	0	1,108	-2.0	-2.0	-22	-22
Transfers to individ. and hhs	494	1	0	12	481	508	…	…	…	508	2.8	5.6	14	27
Goods and services	310	1	…	44	264	317	…	…	1	316	2.5	19.6	8	52
Investment	254	0	…	4	249	235	…	…	1	234	-7.4	-6.2	-19	-16
Current transfers to ZPIZ	375	…	…	…	375	413	…	…	…	413	10.3	10.3	39	39
Subsidies	143	1	30	1	111	166	…	…	0	166	16.6	50.2	24	56
Interest	351	…	…	…	351	527	…	…	…	527	49.9	49.9	175	175
Payments to the EU budget	143	…	…	…	143	156	…	…	…	156	9.1	9.1	13	13
Other expenditure	280	4	…	14	263	324	…	…	20	304	15.6	15.8	44	41
Balance	**-376**	**-7**	**-30**	**-65**	**-274**	**-454**	**…**	**…**	**-2**	**-451**			**-78**	**-177**

Source: MoF, FC calculations.

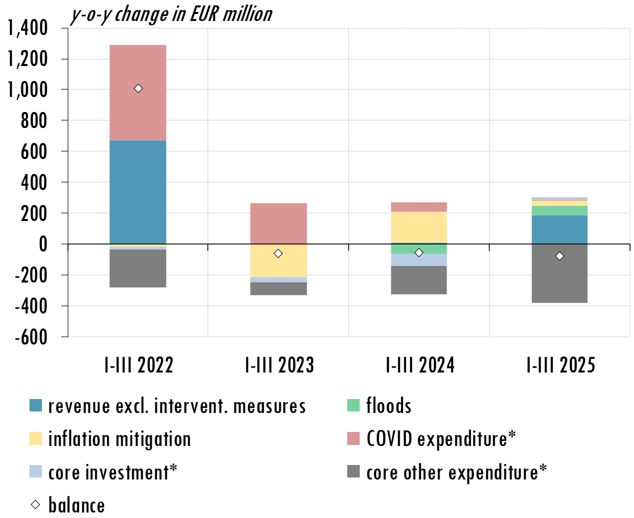
[3] In September last year, the CO2 tax was increased from EUR 17.3 to EUR 30.85 per unit of air pollution.

Figure 1: State budget balance



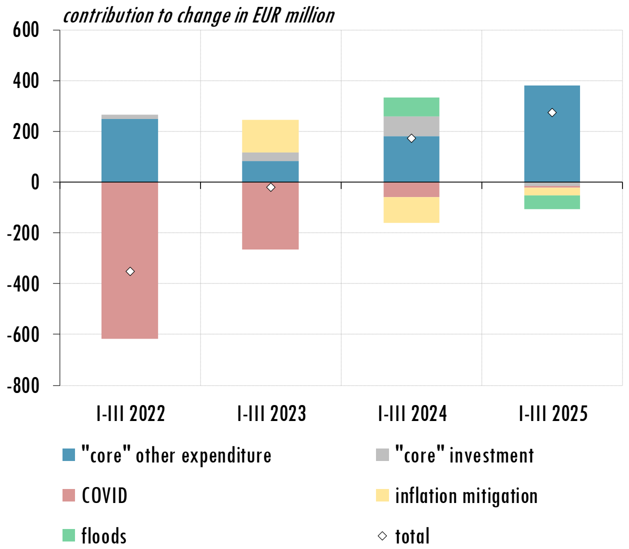
Source: MoF, FC calculations.

Figure 2: Factors of state budget balance change



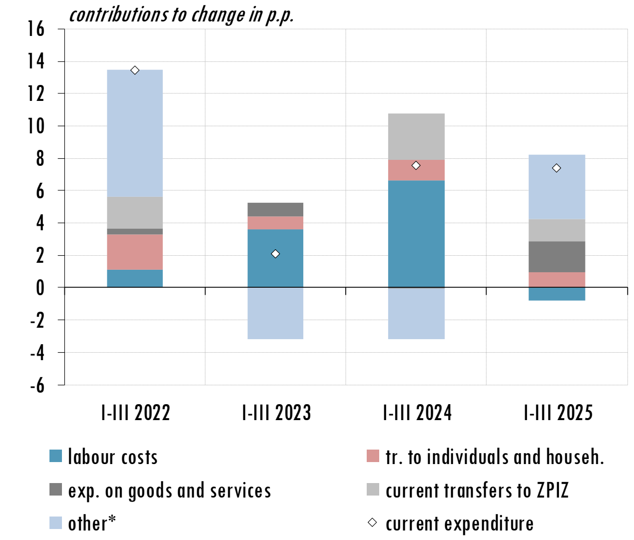
*Source: MoF, FC calculations. *positive sign denotes a decrease, negative sign denotes an increase.*

Figure 3: Structure of state budget expenditure growth



Source: MoF, FC calculations.

Figure 4: Current expenditure factors (excluding intervention measures)



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

Expenditure:

- Expenditure in the first three months of this year was 10.8% higher year-on-year, up from 8.3% in the same period last year.
- The main contributor to the increase is higher interest expenditure, which is about half higher than in the same period last year. The bulk of the increase is due to the first interest payment on the RS93 bond issued last year (total issue amount of EUR 2.75 billion with a coupon rate of 3%). While the bulk of annual interest payments in recent years have been made in March, their contribution to the overall growth in expenditure will gradually decrease in the coming months.
- Other important contributors to growth were agricultural subsidies,[4] the higher transfer for the public transport service and the compensation of the Šoštanj Thermal Power Plant (EUR 50 million).
- Expenditure on goods and services was up by around a fifth and the transfer to the Pension and Disability Insurance Institute of Slovenia[5] by around a tenth.
- Labour costs were lower year-on-year despite the start of the implementation of the wage reform, as last year's holiday allowance was paid in March and this year it will be paid as usual in June.
- Investments have been declining since the beginning of last year, mainly due to the end of the previous European Financial Perspective, with the biggest drop in investments in railway infrastructure.
- The transfer to the Health Insurance Institute of Slovenia was much lower, with EUR 65 million paid last year to shorten waiting times.[6]

Fund for the Reconstruction of Slovenia (FRS)

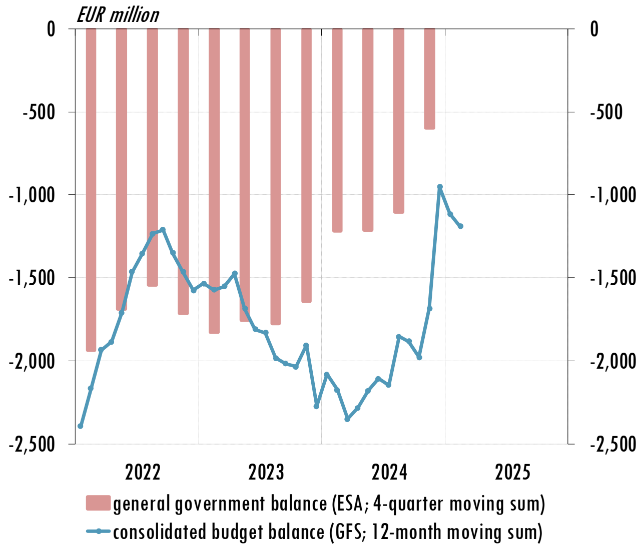
- The Fund for the Reconstruction of Slovenia received an inflow of EUR 20 million in the first quarter, resulting from an increase in the corporate tax rate. According to the budget adopted last year, the Fund for the Reconstruction of Slovenia is expected to receive EUR 342 million in 2025.
- In the first three months, the Fund for the Reconstruction of Slovenia paid EUR 34 million, mainly for replacement construction (EUR 25 million).[7]

[4] Agricultural subsidies were unusually low at the beginning of 2024, which is linked to the start of the implementation of the new financial perspective.
[5] The growth of the transfer to the Pension and Disability Insurance Institute of Slovenia is much lower than last year due to a lower additional transfer for the financial equalisation of the pension envelope, as the regular adjustment of pensions this year (4.5%) was much lower than last year (8.8%).
[6] Payment for services above the regular level under the Act Determining Emergency Measures to Ensure Stability of Healthcare System (ZNUZSZS) adopted in 2022.
[7] In the first three months, in addition to the Fund for the Reconstruction of Slovenia's resources, EUR 2.5 million was paid from the integrated funds of the state budget for natural disaster recovery.

General government 2024

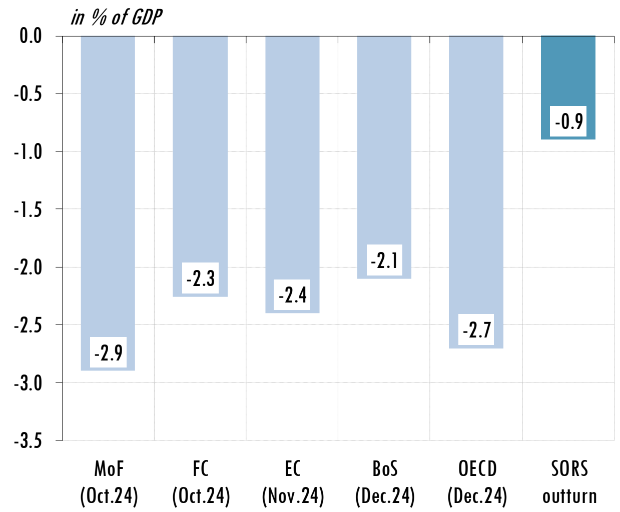
- The **deficit**[8] of the general government sector as a whole was -0.9% of GDP in 2024, down 1.7 percentage points of GDP from a year earlier.
- The reduction in the deficit was driven by higher revenues from social contributions and income tax under favourable labour market conditions, higher corporate income tax receipts due to good corporate performance and a rise in the tax rate for flood recovery, while on the expenditure side, it was mainly driven by a reduction in subsidies as intervention measures to mitigate the effects of the cost-of-living crisis were withdrawn, and by a decline in investment, mainly due to the ending of the previous European Financial Perspective (EFP).

Figure 5: Public finance balances



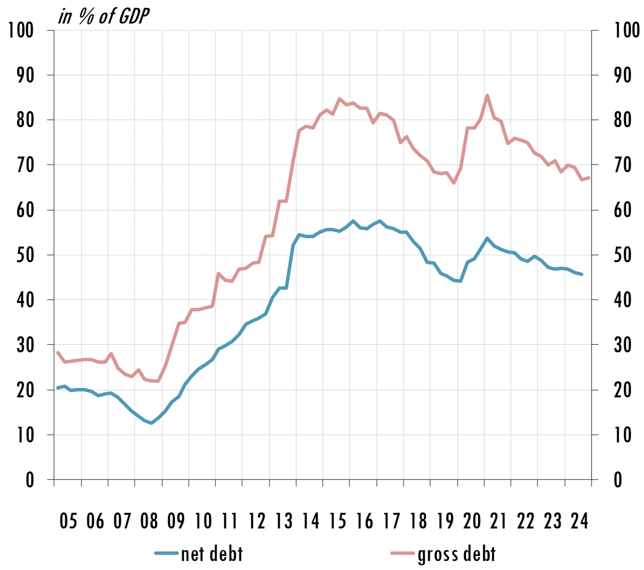
Source: SORS, MoF, FC calculations.

Figure 6: General government balance 2024



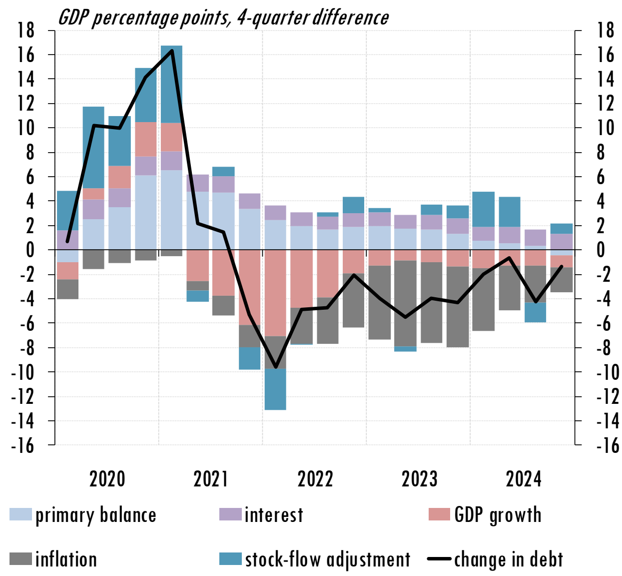
Source: MoF, FC, EC, BoS, OECD, SORS.

Figure 7: Gross and net general government debt



Source: Eurostat, ECB, SORS, FC calculations.

Figure 8: Public debt change



Source: SORS, FC calculations.

[8] On 31 March 2025, the Statistical Office of the Republic of Slovenia (SURS) published the Main aggregates of the general government for 2024. Available at: https://www.stat.si/StatWeb/en/News/Index/13540.

- The deficit was significantly lower than the projection for 2024 in the Draft Budgetary Plan of last October (-2.9% of GDP), in line with the Fiscal Council's expectations. This large deviation confirms assessments that fiscal planning remains flawed and insufficiently realistic, and in need of radical systemic improvements.
- General government gross **debt** stood at 67.0% of GDP at the end of 2024, 1.4 percentage points of GDP lower than at the end of 2023. The reduction continued to be mainly driven by inflation.
- According to the projections in the latest Draft Budgetary Plan, the gross debt ratio is projected to fall to 65.4% of GDP by the end of 2025.
- Net public debt is much lower, at 45.6% of GDP at the end of the third quarter of last year, mainly due to the maintenance of a high liquidity reserves.