GOVERNMENT OF THE REPUBLIC OF SLOVENIA

Annual Progress Report

2025

April 2025

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1 INTRODUCTION

At the end of April 2024, the revised European Union legislation on the governance of economic and fiscal policies entered into force, in the form of a package of three documents: two regulations and one directive.[1] In accordance with the reformed rules of the European Union (hereinafter referred to as 'the EU'), Member States are required to prepare medium-term fiscal-structural plans covering a four-year period. These plans set out fixed fiscal targets for the growth of so-called net expenditure[2] over the four-year period and outline key reforms and investments that will contribute to fiscal consolidation, address country-specific recommendations under the European Semester, and support other EU policy priorities. The medium-term fiscal-structural plans replace the Stability Programmes and National Reform Programmes, which are no longer required, and now serve as the principal medium-term planning document under the revised EU fiscal framework.

In the Medium-Term Fiscal-Structural Plan of the Republic of Slovenia 2025–2028 (hereinafter referred to as 'the MTFSP'), endorsed by the Council of the European Union in January 2025, the maximum annual growth rate of net expenditure is set to ensure that the general government deficit remains below the reference value of 3% of gross domestic product (hereinafter referred to as 'GDP') over the medium term, and sustainability of public debt.

Under the revised EU fiscal rules, the Annual Progress Reports, submitted each April to the European Commission and the Council of the EU, serve as key documents for monitoring compliance with the fiscal commitments outlined in the MTFSP. Expenditure incurred from the date of entry into force of the MTFSP up to the current year, as well as expenditure planned for the following year, must not exceed the net expenditure growth ceiling set in the MTFSP, although they may be lower. The Annual Progress Reports are administrative and factual documents with a retrospective focus, primarily covering the previous year. In contrast, Draft Budgetary Plans, prepared in the autumn, provide a detailed account of the conduct of fiscal policy for the following year. In addition, the Annual Progress Reports represent a key contribution to several procedures under the European Semester for economic policy coordination. They also include content which, prior to the reform of the EU fiscal rules, was covered by the annual National Reform Programmes, including reporting on progress in the implementation of country-specific recommendations and on investments and reforms under the Recovery and Resilience Plan (hereinafter referred to as 'the RRP').

At the end of March 2025, following the adoption of the revised EU fiscal rules, Slovenia adopted a new Fiscal Rule Act (hereinafter referred to as 'ZFisP-1'). To facilitate the conduct of fiscal policy and address the inconsistencies that have emerged in the planning and monitoring of the implementation of fiscal rules, ZFisP-1 harmonises the fundamental provisions of national legislation with the European Union's fiscal rules. Accordingly, the Medium-term Fiscal-Structural Plan is established as the central medium-term planning document under ZFisP-1, while the national fiscal rule is defined in alignment with the revised EU fiscal framework. Article 6 of ZFisP-1 further stipulates that, each year in April, the Government of the Republic of Slovenia (hereinafter referred to as 'the Government') shall prepare an Annual Progress Report, which shall be submitted to the National Assembly of the Republic of Slovenia and the Fiscal Council of the Republic of Slovenia for assessment prior to its final adoption. Under ZFisP-1, further provisions lay down the procedure to be followed in the event of deviations from the fiscal rule, as well as the circumstances requiring the preparation of a revised Medium-term Fiscal-Structural Plan and the conditions under which a

[1] Regulation - 2024/1263 - SL - EUR-Lex; Regulation - EU - 2024/1264 - SL - EUR-Lex; Directive - 2024/1265 - SL - EUR-Lex.

[2] In the Republic of Slovenia, the term *expense* is used to refer to general government expenditure, as defined in Article 2 of the Fiscal Rule Act (ZFisP-1).

deviation from the principle of medium-term budgetary balance may be permitted, to the greatest extent consistent with solutions at the EU level.

The draft Report was submitted to the Fiscal Council and the National Assembly for assessment on 10 April. On 18 April, the Fiscal Council published its assessment of the report, noting that public finance developments in 2024 and 2025 contributed, or are expected to contribute, to medium-term fiscal sustainability. On 22 April, the Government adopted its position on the assessment and forwarded it to the National Assembly. The Committee on Finance of the National Assembly considered the material on the same day and, in the course of the debate, highlighted and endorsed the planned increase in defence investment in the context of applying the national escape clause. The Government remains committed to social dialogue and therefore submitted the draft report also to the Economic and Social Council on 10 April; the Council considered it on 25 April. The discussion focused primarily on maintaining economic growth and an adequate level of investment, strengthening competitiveness, and responding to geopolitical risks. In the context of applying the national escape clause, it was emphasised that the planned increase in defence expenditure and the reprioritisation of the budget must not jeopardise the development orientation of public finances or the systems of social protection.

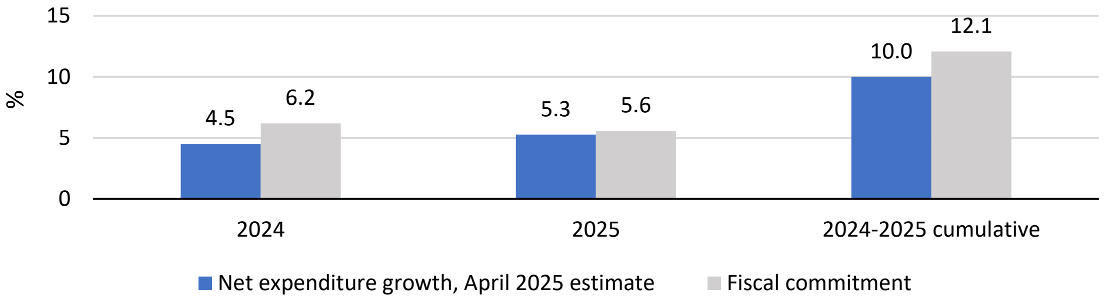
From the perspective of compliance with fiscal rules in 2025, it is important that, in its communication of 19 March 2025[3], the European Commission called on Member States to activate the national escape clause under the revised EU legislation on the governance of economic and fiscal policies, which will provide them with additional fiscal space for increased defence expenditure during the 2025–2028 period. It is essential that Member States, in the current geopolitical situation, in which security is under strain, increase expenditure on investments in defence capabilities. All Member States are facing these exceptional circumstances, and the coordinated activation of the national escape clause will enable continued respect of the fiscal rules while allowing for limited flexibility. On 18 April, the Fiscal Council issued an assessment on the occurrence of exceptional circumstances permitting the use of the national escape clause under the Stability and Growth Pact. On this basis, the Government will submit a request for the activation of the national escape clause to the European Commission and the Council of the EU.

[3] https://defence-industry-space.ec.europa.eu/document/download/a57304ce-1a98-4a2c-aed5-36485884f1a0_en?filename=Communication-on-the-national-escape-clause.pdf.

2 INFORMATION ON RESPECT OF THE FISCAL COMMITMENT

In line with the MTFSP, medium-term public debt sustainability and the maintenance of the general government deficit below the reference value of 3% of GDP are to be ensured through a 6.2% growth in net expenditure in 2024 and a 5.6% growth in 2025, or a cumulative growth of 12.1% in 2024 and 2025. Last year, the growth in net expenditure amounted to 4.5%, while this year, according to estimates by the Ministry of Finance of the Republic of Slovenia (hereinafter referred to as 'MoF'), it is expected to reach 5.3%, resulting in cumulative growth over this period that falls below the fiscal commitment by 2.1 percentage points (Figure 1), and also below the cumulative growth in nominal potential GDP (by one percentage point).

Figure 1: Overview of fiscal commitments



Source: Statistical Office of the Republic of Slovenia (SORS – 22 April 2025); MoF.

The restoration of European defence and the strengthening of the production capacities of the European defence industry require a necessary increase in public expenditure on defence. The transition to higher levels will be enabled by the flexibility provided under the revised EU fiscal rules. To this end, the European Commission has proposed that Member States submit, in a coordinated manner, a proposal for the activation of the national escape clause. The activation of the national escape clause would, during the 2025–2028 period, allow the ceiling on the growth of net expenditure set out in the Medium-term Fiscal-Structural Plan to be exceeded, due to increased current expenditure and investment in defence, by up to 1.5% of GDP annually relative to their level in 2021. The national escape clause may be activated if three conditions are met: (1) exceptional circumstances exist that are beyond the control of the Member State; (2) these circumstances have a significant impact on public finances; and (3) the deviation from fiscal commitments does not endanger fiscal sustainability in the medium term.

Slovenia will request for the activation of the national escape clause due to increased investment needs in defence. A substantial increase in defence expenditure, prompted by the continuation of the war in Ukraine and the current geopolitical situation—representing an exceptional circumstance over which Slovenia has no direct influence—is necessary and will have significant consequences for public finances. This will also result in growth in net expenditure exceeding the level confirmed by the Council of the EU on the basis of the MTFSP. However, Slovenia is aware that any deviation from fiscal commitments not related to the increase in defence expenditure will continue to be treated as a deviation from the EU fiscal rules.

General government expenditure on defence, as classified under COFOG, has increased in recent years, along with its share in GDP. From 2021 to 2023, the share of defence expenditure increased from 1.19% to 1.23% of GDP. According to estimates, defence expenditure last year increased by approximately 0.25 percentage points of GDP compared to 2021, while in 2025 the share is expected to increase by an additional 0.15 percentage points of GDP. The share of investment in total defence expenditure amounted to 25% in 2023 and is expected to remain at a high level in the coming years. Alongside the strategic documents listed below, Slovenia is preparing a new resolution that will include a set of measures for defence, security and resilience. This will also lead to an adjustment of the target share of the financing of defence expenditure as a percentage of GDP and of the financing timeline. The Resolution on the overall long-term programme for the development and equipping of the Slovenian Armed Forces until 2040 currently provides that the share of defence expenditure in GDP — of which 20% will be allocated to investment — will increase to 2% by 2030.

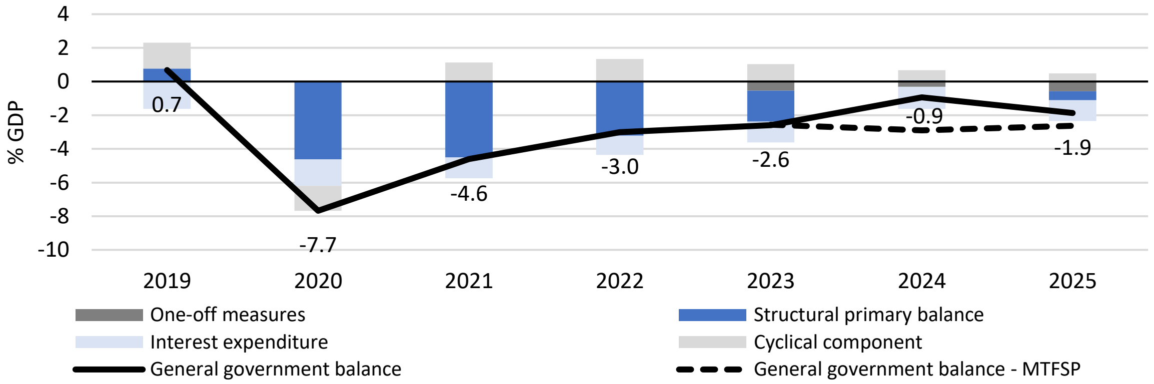
In line with the plans, the accelerated modernisation is under way and staffing procedures are being improved. In 2024, the Civil Defence Strategy was adopted with the aim of ensuring civil capabilities and conditions for the defence of the country, as well as in support of the operation of the armed forces and allied forces on the territory of the Republic of Slovenia. The Defence Strategy was also adopted in 2024. It upgrades the processes and activities of comprehensive adaptation to current and potential security situations at the national level and within NATO and the EU. The Military Strategy, likewise adopted in 2024, defines the military instrument of power and the military strategic objectives, as well as the means for their implementation. The defined level of national ambition in the field of defence, as well as the priority areas for the development of national defence capabilities, also take into account and reflect the priority areas identified within the EU defence capability development. The Republic of Slovenia actively participates in and seeks complementary linkages between key processes in the area of capability development within the EU, such as the Permanent Structured Cooperation (PESCO), the Capability Development Plan (CDP), and the Coordinated Annual Review on Defence (CARD).

In accordance with the Act on the Provision of Funds for Investment in the Slovenian Armed Forces in the Years from 2021 to 2026, EUR 780 million is to be provided for defence purposes. On the basis of the Reconstruction, Development and Provision of Financial Resources Act, the Ministry of Defence may also conclude contracts for the implementation of major investments, under which obligations may be assumed until the end of 2028.

In October 2024, the Resolution on the National Programme for Protection against Natural and Other Disasters 2024–2030 was also adopted, with the aim of shaping and implementing activities for the effective management of all types of natural and other disasters and for strengthening resilience.

In 2024, the general government deficit amounted to 0.9% of GDP, which is lower than planned in the MTFSP (2.9%). This is primarily the result of lower-than-expected investment relative to the autumn projections, which nevertheless remained at a high level, as well as of lower absorption of EU funds. The lower volume of investment implemented was related to post-flood reconstruction. In the current year, the general government deficit is expected to amount to 1.9% of GDP, which is 0.8 percentage points of GDP lower than projected in the autumn. In 2025, the general government deficit will continue to be significantly affected by the planned value of one-off measures related to the floods (Figure 2).

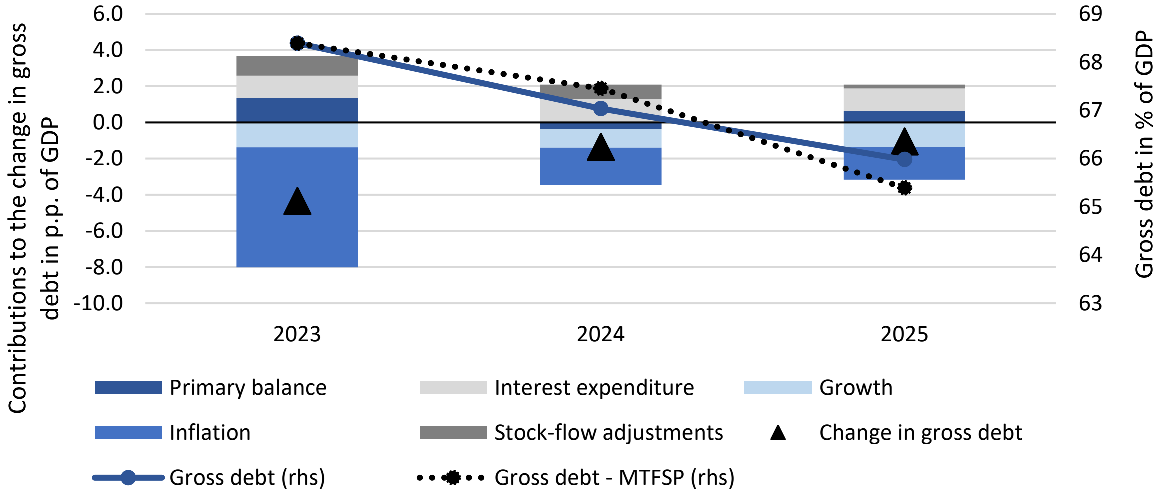
Figure 2: General government balance and its components



Source: SORS; MoF.

General government gross debt decreased last year by 1.4 percentage points, to 67% of GDP, and was thus 0.4 percentage points of GDP lower than projected in the MTFSP. The greater reduction was primarily due to a lower general government deficit. Inflation, solid economic growth, and also a surplus in the primary balance contributed to the reduction of the debt-to-GDP ratio last year. This year, debt is expected to decrease to 66% of GDP, or by one percentage point year-on-year, mainly as a result of inflation and economic growth. The nominal level of gross debt in 2025 will be the same as projected in autumn 2024, but its share of GDP will be slightly higher due to a lower forecast for nominal GDP growth (Figure 3).

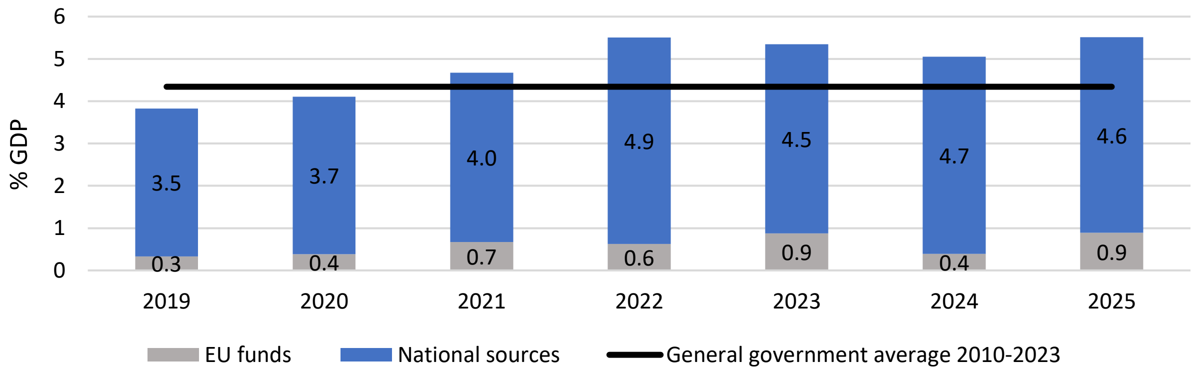
Figure 3: Contributions to the change in general government gross debt (in percentage points of GDP)



Source: SORS; MoF.

The share of general government investment in GDP remained at a high level last year (5.1% of GDP) and, at 5.5% of GDP this year, will exceed the average for the 2010–2023 period by approximately one percentage point of GDP (Figure 4). Last year, investment financed from national sources remained at a high level (4.7% of GDP) and is expected to amount to 4.6% of GDP in 2025. General government investment financed with EU funds is expected to increase this year by half a percentage point of GDP, to 0.9% of GDP.

Figure 4: General government gross fixed capital formation by source of funding

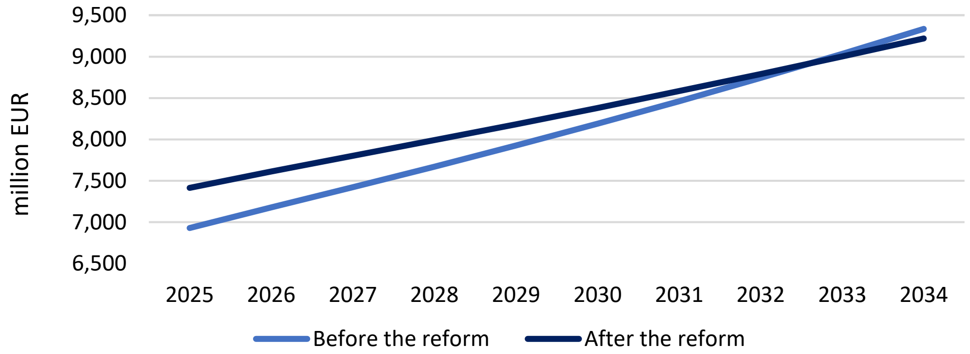


Source: SORS; MoF.

In the coming years, certain structural changes foreseen in the MTFSP will affect the fiscal outlook. A new public sector wage system, which is aimed at ensuring transparency and fiscal sustainability, has been in use since 1 January 2025. The reform addresses: (1) the elimination of equalisation in the lower part of the wage scale due to the impact of the minimum wage; (2)

the establishment of more appropriate wage ratios between office holders, directors and public employees; (3) greater variability; (4) linkage to work performance; and (5) faster advancement through wage grades at the start of a career (with the aim of encouraging the employment of young people). The basis for the renewal of the public sector wage system is the Common Grounds of Public Sector Salary System Act (ZSTSPJS), which entered into force on 1 January 2025. At the same time, various acts also entered into force (sectoral and occupational collective agreements, regulations, general acts of other state authorities), through which job classifications and titles were placed in the wage grades of the new wage scale, thereby eliminating disparities in basic salaries, along with other implementing regulations related to the enforcement and implementation of the new Wage Act. The new wage scale and the method for adjusting its value, which defines 67 wage grades with a 3% range between grades, are more restrictive than in the previous system. Estimates[4] indicate that, under the new system, the wage bill will increase more slowly than it would under the previous one (Figure 5).

Figure 5: Wage bill before and after the reform



Source: Ministry of Public Administration (Draft Budgetary Plan 2025, October 2024).

In March 2025, the social partners reached an agreement on the proposal to amend the Pension and Disability Insurance Act. The objectives of the pension reform are to ensure fiscal sustainability, an adequate level of pensions, as well as transparency of the system. The changes to the basic parameters relate to the gradual increase of the statutory retirement age, in relation to the assessment of pensions, the reference period for calculating the pension base will be extended, accrual rates will be increased, and greater weight in pension indexation will be given to price growth, i.e. inflation (Table 1). The statutory retirement age is expected to increase from 60 to 62 years, or from 65 to 67 years for those who, at that age, have not completed 40 years of insurance period. With the aim of strengthening the link between pension levels and contribution payments, it is planned to extend the reference period for the calculation of the pension base from 24 to 40 years, excluding up to five least favourable years. As a compensatory measure, an increase in the accrual rate is planned — from 63.5% to 70% for 40 years of contributory period, and to 30% for 15 years of contributory period. Incentives to extend working life are maintained: after completing 40 years of contributory period, each subsequent year is valued at 1.5% for every six months of completed contributory peirod, but for no more than three additional years of insurance. A change is also foreseen in the method of the indexation of pensions, to a ratio of 20% wage growth and 80% growth in consumer prices.

[4] The estimate is based on the following assumptions: the transition to the new wage system is fully implemented in January 2025; in both wage systems, indexation reflect 80% of the projected inflation rate; in the previous wage system, an estimated 1.7% increase in the wage bill is included due to advancement through wage grades and titles, while in the new system, this figure is 0.8%. The impact of demographic trends is not included in the estimate, as it is assumed to be the same in both scenarios.

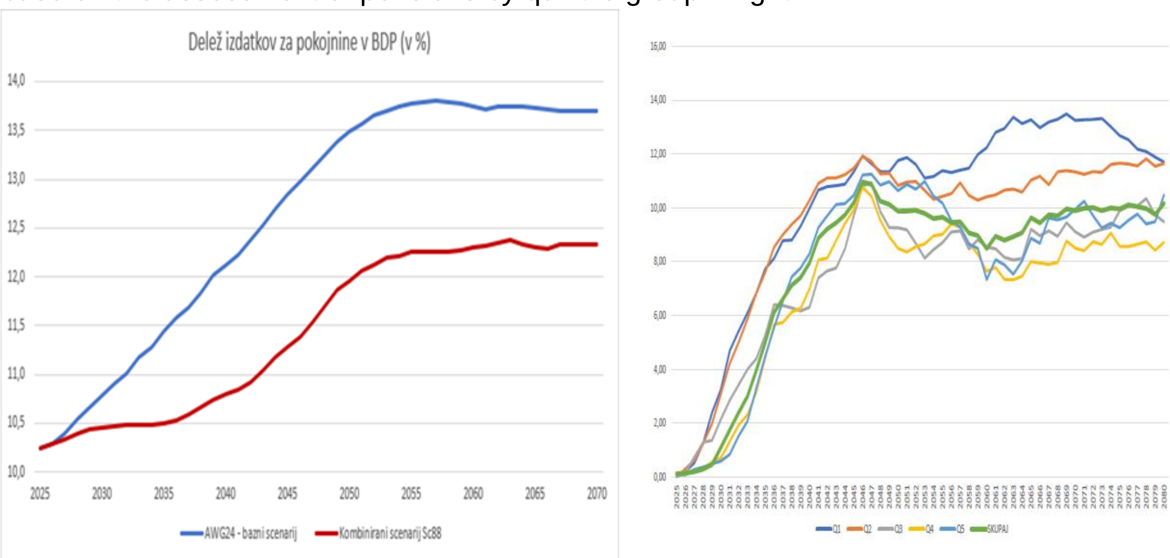
Table 1: Proposed changes to the basic parameters of the assessment of pensions

Year	Accrual rate*	Indexation (%)		Reference period for calculation of the pension base		Statutory retirement age	
		Wage growth	CPI**			40 years of contributory period	15 years of contributory period
2026	63,5	50	50	24		60	65
2027	63,5	50	50	24		60	65
2028	64,75	50	50	26	–0	60'3	65'3
2029	65,5	50	50	28	–1	60'6	65'6
2030	65,25	50	50	30	–1	60'9	65'9
2031	67	47	53	32	–2	61	66
2032	67,75	44	56	34	–3	61'3	66'3
2033	68,5	41	59	36	–3	61'6	66'6
2034	69,25	38	62	38	–4	61'9	66'9
2035	70,0	35	65	40	–5	62	67
2036		32	68				
2037		29	71				
2038		26	74				
2039		23	77				
2040		20	80				

Notes: *Accrual rate for 40 years of contributory period; **CPI = Consumer Price Index.
Source: Ministry of Labour, Family, Social Affairs and Equal Opportunities.

As a result of the proposed measures under the pension reform, the long-term projections of pension expenditure as a share of GDP are more fiscally sustainable. The simulation shows that the combination of measures would maintain the share of pensions, expressed as a percentage of GDP, below 12.5% of GDP in 2070 (Figure 6 – left). Due to the increase in accrual rates and the extension of the reference period for the calculation of the pension base, the assessed pension is expected to increase the most for members of the first and second quintile group (Figure 6 – right).

Figure 6: Long-term projections of pension expenditure – left, and the impact of the increase in accrual rates and the extension of the reference period for the calculation of the pension base on the assessment of pensions by quintile group – right



Source: European Commission; Ministry of Labour, Family, Social Affairs and Equal Opportunities.

3 MACROECONOMIC DEVELOPMENTS

In 2024, real GDP growth in the euro area strengthened to 0.9%, up from 0.4% in 2023. The main contributions to growth in 2024 came from public and private consumption (each contributing approximately 0.6 percentage points). The trade balance also contributed positively (0.4 percentage points), while gross fixed capital formation contracted. In its Spring Forecast of Economic Trends 2025 (hereinafter referred to as 'SF 2025'), the Institute of Macroeconomic Analysis and Development (hereinafter referred to as 'IMAD') projects euro area growth of 0.8% in 2025, rising to 1.1% in 2026. This represents a downward revision of approximately half a percentage point in both years compared to IMAD's autumn expectations.

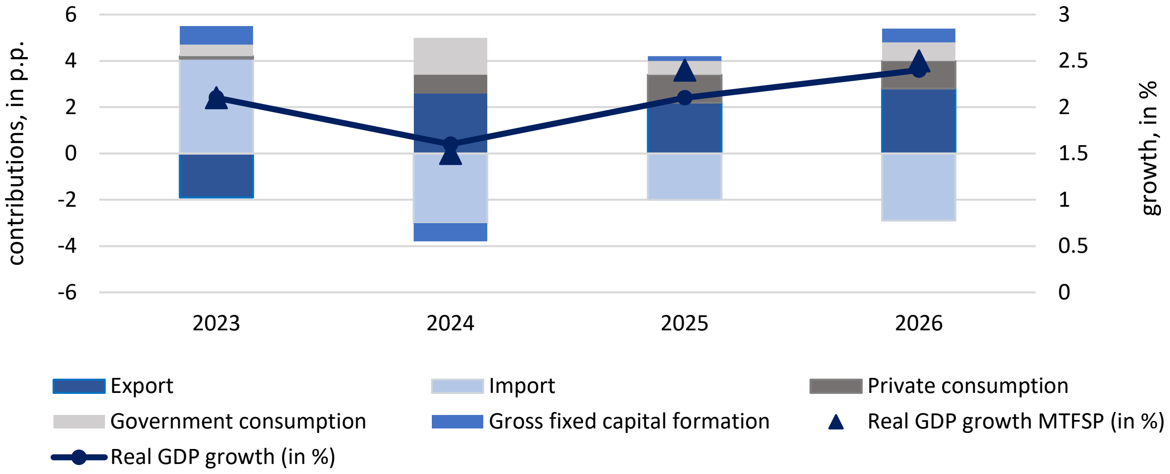
Slovenia recorded higher GDP growth than the euro area average in the past two years. Following growth of 2.1% in 2023, Slovenia's real GDP growth moderated to 1.6% in 2024, which is close to IMAD's autumn 2024 forecast of 1.5% (Figure 7). Compared with its Autumn Forecast of Economic Trends 2024 (hereinafter referred to as 'AF 2024'), which serves as the basis for the MTFSP, the export of goods and services was higher in 2024, increasing by 3.2% in real terms. The main contributors to this increase were exports of pharmaceutical products and motor vehicles. In line with IMAD's autumn projections, imports rose by 3.9% due to stronger activity in the export sector and increased household consumption. Consequently, the contribution of the external trade balance to GDP growth was negative (–0.4 percentage points). Private (1.6%) and government consumption (8.5%) likewise did not deviate from IMAD's autumn projections. The strengthening of private consumption stemmed from lower price pressures and higher growth in real gross disposable income, which was supported by the growth in employment and wages. The strong growth in government consumption was largely related to the transformation of voluntary supplementary health insurance into a mandatory health contribution, as well as increased expenditure for post-flood reconstruction and rising employment in the general government sector[5]. In contrast to IMAD's AF 2024, gross fixed capital formation declined by 3.7% last year. Both the volume of construction investment — mainly due to a decline in public investment — and investment in machinery and equipment decreased. According to IMAD, the latter is linked to the slow pace of recovery and increased uncertainty in the international environment.

In its SF 2025, IMAD expects a gradual strengthening of economic growth in 2025 and 2026, to 2.1% and 2.4% respectively, which is still lower than projected in the AF 2024 (2.4% in 2025 and 2.5% in 2026). According to the SF 2025, expectations regarding investment activity have deteriorated notably. IMAD now projects investment to increase by 1.0% this year (3.5% in the AF 2024) and by 3.0% next year (3.5% in the AF 2024). IMAD continues to expect low growth in private investment, while the strengthening of government investment will be supported by funding from the RRP and the Reconstruction Fund following the 2023 floods. Last year's strong export growth is expected to moderate to 2.6% in 2025 and increase to 3.4% in 2026. Growth in exports of goods in the coming years will be partly driven by certain high-tech-intensive activities and the launch of production of a new car model, while the expected acceleration of growth in exports of services will mainly stem from increased exports of transport and tourism-related services. With the recovery of investment and continued moderate growth in private consumption, import growth is expected to be slightly higher than export growth in both 2025 (2.7%) and 2026 (3.9%). IMAD expects that, with continued growth in real disposable income, private consumption will accelerate to 2.2% this year and remain at a similar level (2.3%) in 2026. Private consumption will thus be the main driver of economic

[5] The abolition of supplementary health insurance and the introduction of the mandatory health contribution in 2024 contributed to relatively lower growth in private consumption and higher growth in government consumption, while the effect at the level of GDP was neutral.

growth this year and next. Growth in government consumption will be more moderate this year (2.7%) than last year, partly due to the methodological effect of the transformation of supplementary health insurance, which contributed to higher growth in government consumption. In 2026, government consumption growth is expected to strengthen to 4.1%, in line with the full implementation of entitlements under the new long-term care system.

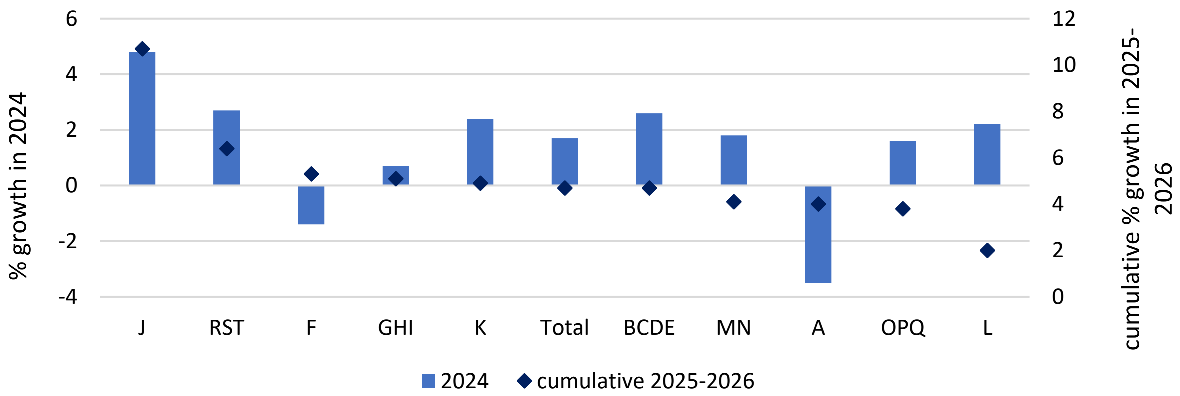
Figure 7: Real GDP growth and contributions to its growth



Source: SORS; IMAD AF 2024; IMAD SF 2025.

Real growth in value added slowed last year to 1.7%, down from 2.5% in 2023. Compared with 2023, growth was lower in activities J, BCDE, MN, and GHI, while it contracted in activities A and F (by 3.5% and 1.4% respectively). In its SF 2025, IMAD expects the growth of total value added to strengthen to 2.2% this year and 2.5% next year. The fastest growth will continue to be recorded in sector J, where cumulative growth over the 2025–2026 period is projected at 10.7%. Cumulative growth of more than 5% over this year and the next is also projected for activities RST (6.4%), F (5.3%), and GHI (5.1%) (Figure 8).

Figure 8: Real growth in value added by NACE activity[6]

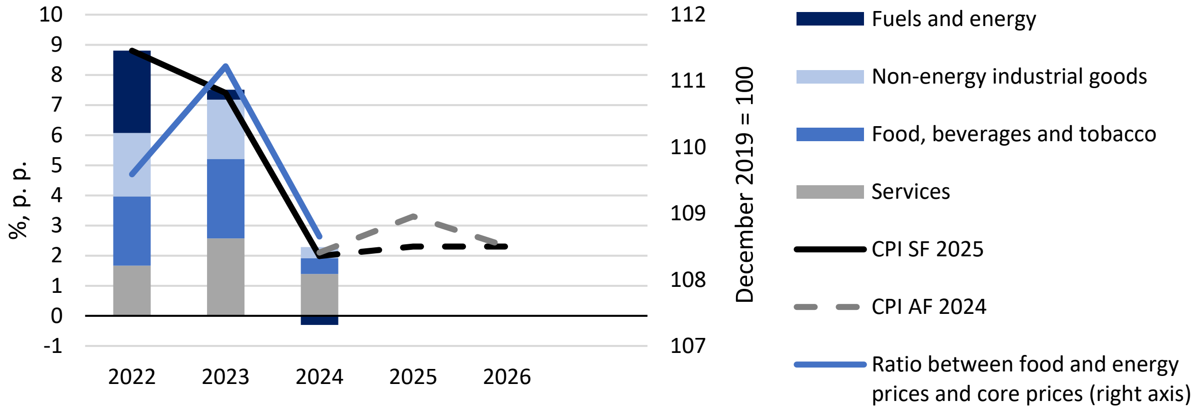


Source: SORS; IMAD SF 2025; MoF calculations.

[6] A = Agriculture, forestry and fishing; BCDE = Mining and quarrying, manufacturing, electricity and water supply, waste management; F = Construction; GHI = Trade, transportation and storage, accommodation and food service activities; J = Information and communication; K = Financial and insurance activities; L = Real estate activities; MN = Professional, scientific, technical, administrative and support services; OPQ = Public administration, education, human health and social work; RST = Other service activities.

In 2024, the average annual change in consumer prices stood at 2.0%, which is 5.4 percentage points lower than in 2023 and close to IMAD's autumn forecast (2.1%). Last year, inflation was primarily driven by higher year-on-year growth in service prices, while the contribution of fuels and energy was slightly negative. Despite the recent decline in food and energy inflation, the ratio between food and energy prices and core prices remained, on average over the past year, 8.7% higher than in December 2019. According to IMAD's SF 2025, inflation is expected to accelerate slightly this year, reaching 2.3%, which remains one percentage point lower than projected in the AF 2024. This year's increase in inflation will be attributable to the expiry of temporary measures aimed at mitigating high energy prices, as well as their impact on the low base in the previous year. In 2026, the inflation rate is expected to remain at 2.3%. In the absence of shocks, price growth is projected to remain moderate across most groups in both 2025 and 2026. However, in the services sector, inflation is expected to persist at an above-average level due to additional demand, labour shortages, and cost pressures (particularly in accommodation and food services) (Figure 9).

Figure 9: Inflation (%) and contributions to inflation (in percentage points), and the ratio between the food and energy price index and the core price index (December 2019 = 100)[7]

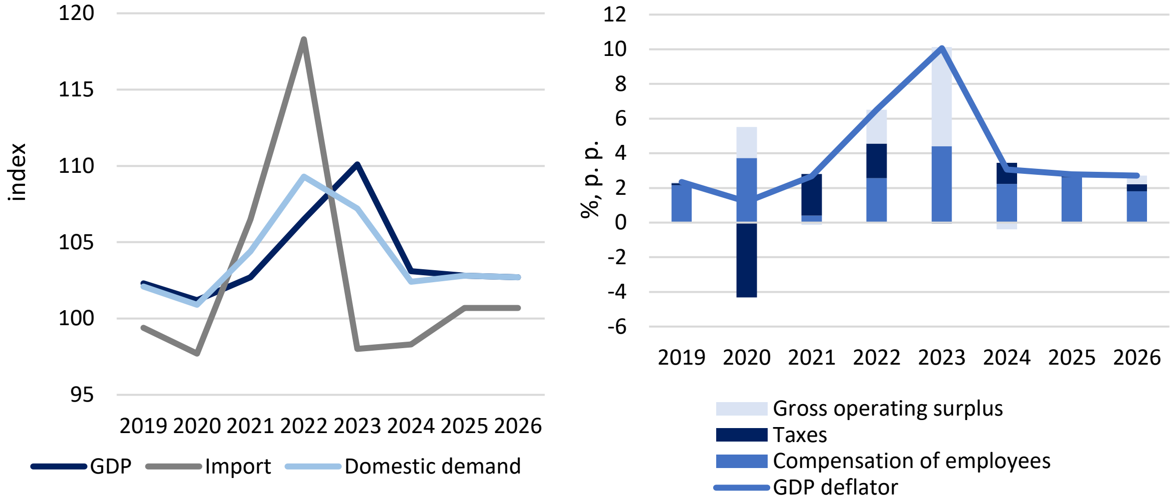


Source: SORS; IMAD SF 2025; IMAD AF 2024; Eurostat; MoF calculations.

Following the decline in inflation in 2023, which in Slovenia was primarily due to the easing of foreign price pressures (the import deflator declined from 118.3 in 2022 to 98.0 in 2023), domestic price pressures also fell last year (Figure 10 – left). The main contributor to the 7.1 percentage point decrease in the GDP deflator last year was the (negative) contribution of the gross operating surplus per unit of output (Figure 10 – right). Relative to 2022, the (still positive) contribution of unit labour cost growth declined, whereas the contribution of tax per unit of output increased. In 2025 and 2026, the main driver of GDP deflator growth will be the growth in labour costs.

[7] The ratio between food and energy prices and core prices represents the annual average of monthly data.

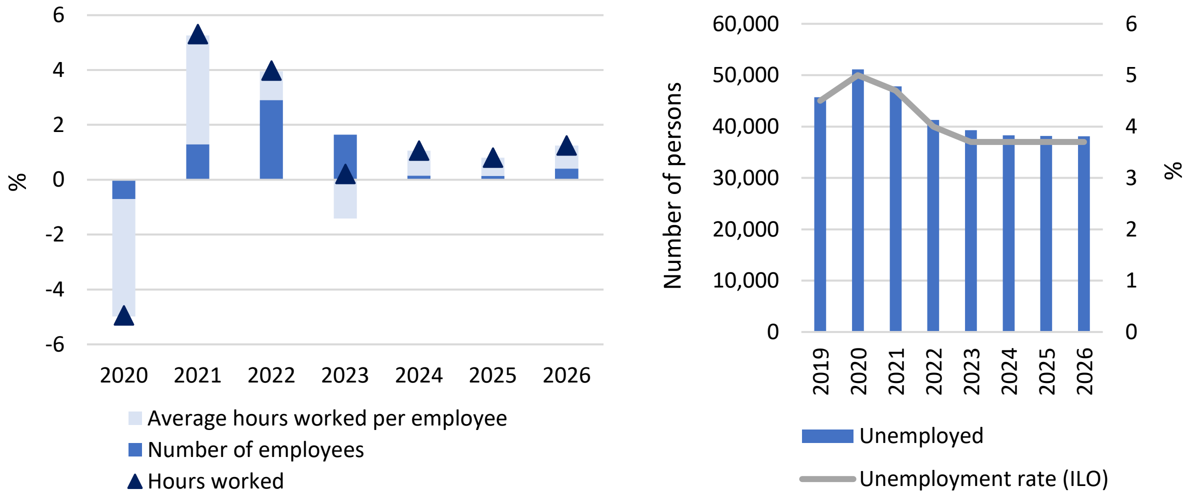
Figure 10: Growth in the GDP deflator, import deflator and domestic consumption deflator (index) – left; and growth in the GDP deflator (%) and its contributions (expressed in real GDP, in percentage points) – right



Source: IMAD SF 2025; MoF calculations.

Following 1.6% growth in employment in 2023, number of employees stagnated in 2024 (0.1%), while the growth in hours worked accelerated to 1.1% (from 0.2% in 2023), reflecting a 0.9% increase in hours worked per employee (Figure 11 – left). In line with the SF 2025, the average number of hours worked per employee is also expected to increase more rapidly than the number of employees this year and next. Growth of number of employees is projected to stagnate again this year, with a modest recovery to 0.4% expected in the following year. IMAD expects employment growth to be driven predominantly by the hiring of foreign nationals, whose share among all employees reached 15.9% in November 2024 (an increase of 1.2 percentage points year-on-year). The unemployment rate, as measured by the Labour Force Survey (LFS), will remain at the level recorded in the past two years (3.7%) in both this year and the next (Figure 11 – right).

Figure 11: Growth in hours worked, number of employees, and average hours worked per employee – left; and number of unemployed persons and unemployment rate – right

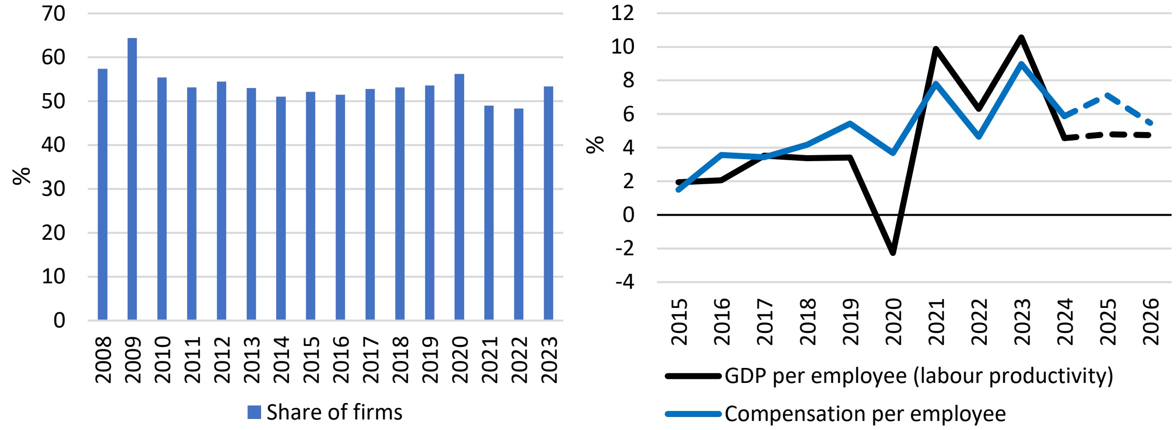


Source: Eurostat; IMAD SF 2025; MoF calculations.

Nominal growth in the aggregate average gross wage moderated in 2024, amounting to 6.2% (9.7% in 2023), while real wage growth strengthened to 4.1% (from 2.2% in 2023) due to lower inflation. Relatively strong real wage growth is also expected this year and in the following year

(3.8% in 2025 and 3.1% in 2026), exceeding the rates recorded a decade ago. Labour shortages and the impact of the public sector wage reform will continue to significantly influence overall wage growth. On the other hand, enterprises' efforts to maintain competitiveness will exert a moderating effect on wage growth. In the 2015–2023 period, with the exception of 2021 and 2022, labour costs increased more rapidly than labour productivity in more than half of Slovenian enterprises (Figure 12 – left). At the aggregate level, labour cost growth exceeded labour productivity growth by an average of 0.5 percentage points per year during this period (Figure 12 – right). Last year, the difference amounted to 1.3 percentage points, due to strong growth in compensation per employee and moderate growth in GDP per employee. IMAD expects that compensation per employee will also increase more rapidly than productivity this year and next.

Figure 12: Share of firms with higher growth in compensation per employee than in value added per employee – left; and nominal growth[8] in compensation per employee and GDP per employee – right

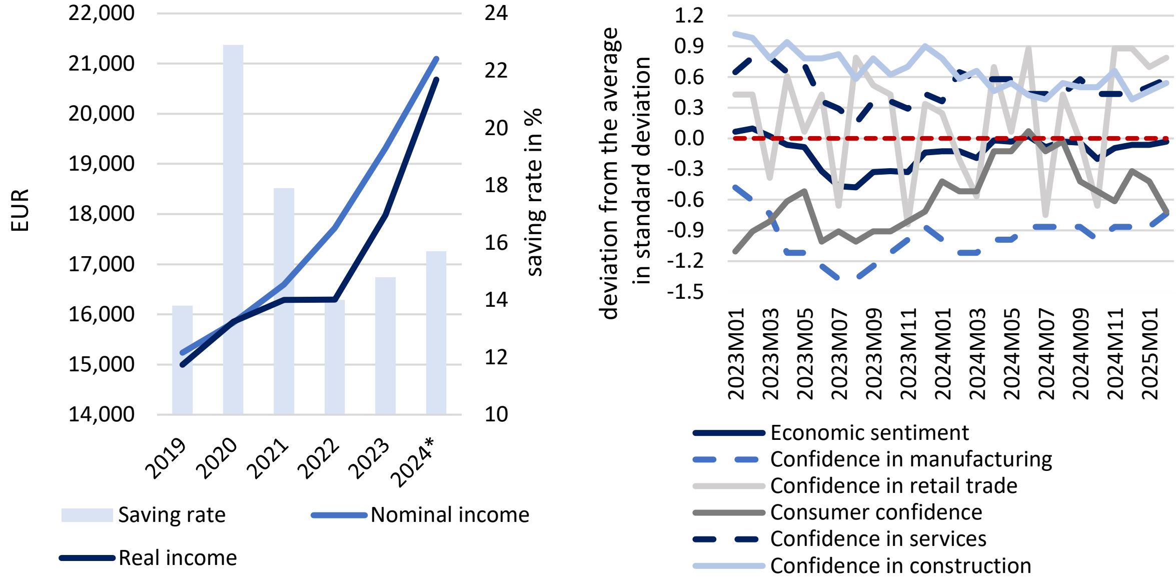


Source: SORS; IMAD SF 2025; AJPES; MoF calculations.

According to the Bank of Slovenia[9], non-financial corporations continued to improve their indebtedness indicators over the past two years. In the first half of 2024, the ratio of debt liabilities declined to 78.2%, from 80.5% at the end of 2023, while leverage declined to 75.2%, from 82.3%. This continued to place Slovenian non-financial corporations among the least indebted in the euro area. The financial position of households also remains favourable. Both nominal and real average equivalent income per household member continued to grow robustly in 2024, with the latter recording a growth rate higher by 5.8 percentage points (Figure 13 – left). Slovenian households maintain a high propensity to save, which in 2023 exceeded the 2019 level (13.8%) by one percentage point and rose to 15.7% in the first quarter of 2024. IMAD expects the household saving rate to remain elevated this year and in the following year. Indeed, the consumer confidence indicator moved notably away from its long-term average in the second half of last year (Figure 13 – right). In the first two months of 2025, the confidence indicator in manufacturing also remained well below its long-term level, while expectations in the services sector and construction remained higher.

[8] As the relationship between wage and productivity dynamics may be affected by the choice of deflator, nominal indicators are used for comparison.
[9] Bank of Slovenia (2024). Financial Stability Review, October 2024. Available at: https://www.bsi.si/sl/publikacije.

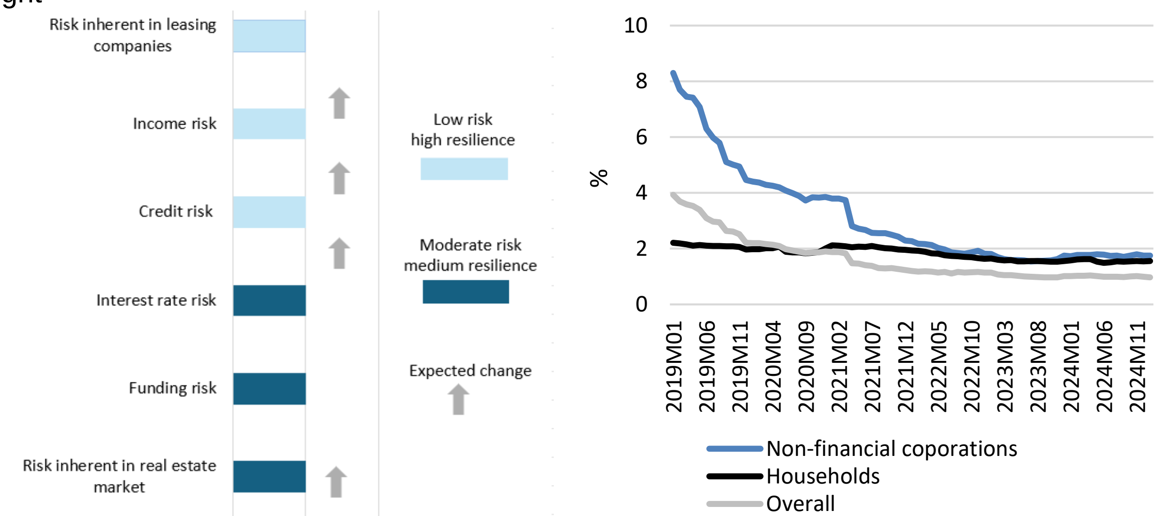
Figure 13: Nominal and real mean disposable equivalised income per household member [10] and average annual household saving rate – left; and confidence indicators – right



*Note: data for the first quarter of 2024.
Source: SORS; MoF calculations.

According to the Bank of Slovenia,[11] the resilience of the Slovenian banking system remains high in terms of solvency, profitability, and liquidity. The Bank of Slovenia lowered its assessment of credit risk in banking system to the lowest level already in the second quarter of last year. The good quality of banks' credit portfolios was maintained in 2023, with the total non-performing exposure (NPE) ratio remaining at 1% and around 2 percentage points lower than in 2019 (Figure 14 – right). The income risk assessment remains low, while the assessments for interest rate risk and real estate market risk continue to be moderate. Amid rising uncertainty, most financial system risks are expected to increase (Figure 14 – left).

Figure 14: Overview of financial system risks in the fourth quarter of 2024 – left; and the share of NPEs in the segment of non-financial corporations and households and the overall level – right



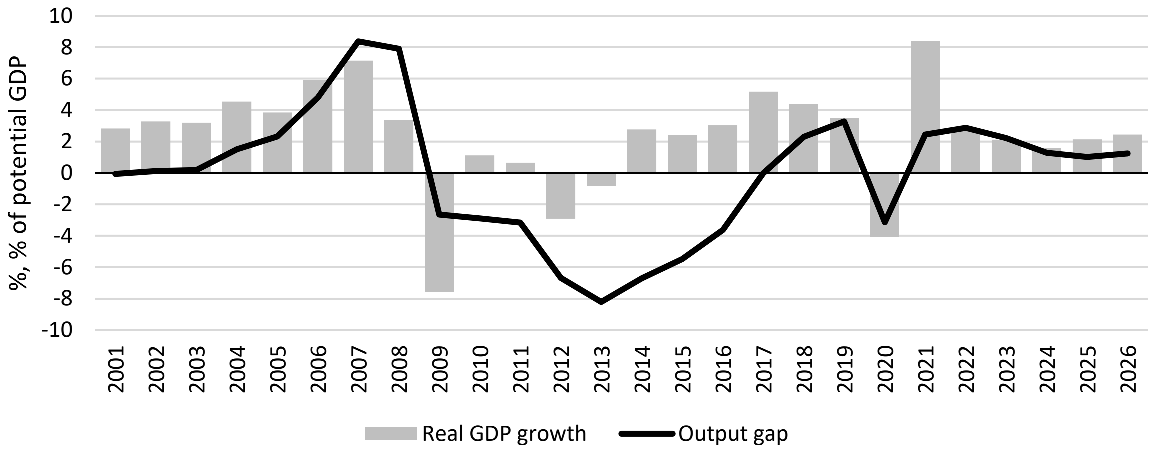
Source: Bank of Slovenia.

[10] The real mean disposable equivalised income per household member is deflated using the annual average CPI.
[11] Bank of Slovenia, *op. cit.*

POSITION IN THE CYCLE AND POTENTIAL GROWTH

According to estimates by the MoF based on the SF 2025, the Slovenian economy reached its cyclical peak in 2022, when the output gap stood at 2.9% of potential GDP (Figure 15). Following a decline to 1.3% in 2024, the output gap is expected to narrow to 1.0%, due to this year's relatively lower real economic growth compared with potential growth. Accordingly, the Slovenian economy will be within the range of the normal phase of the business cycle in both this year and the next, which is defined by the European Commission as a period during which the estimated output gap lies between -1.5% and 1.5% of potential GDP (European Commission, 2019).[12]

Figure 15: Real GDP growth (in %) and output gap (in % of potential GDP)



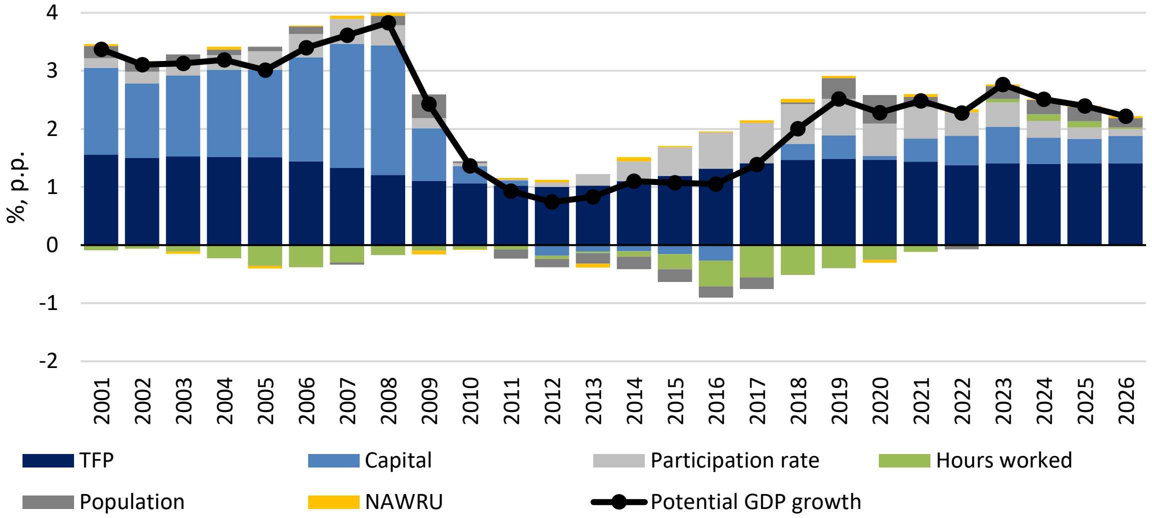
Source: SORS; MoF calculations; IMAD SF 2025.

Potential GDP growth (Figure 16) reached 2.5% in 2024 and is projected to decline slightly to 2.4% in 2025. Total factor productivity will remain the largest contributor to Slovenia's potential GDP growth (1.4 percentage points in 2025, which is also close to the long-term average). The contribution of labour is projected to decrease slightly in 2025, to 0.6 percentage points (from 0.7 percentage points in 2024), due to a lower contribution from hours worked and participation rates. Owing to the projected slowdown in investment growth, the contribution of capital in 2025 is expected to amount to 0.4 percentage points, slightly below the levels observed over the past three years.[13]

[12] European Commission (2019). Vade Mecum on Stability and Growth Pact: 2019 Edition. Institutional Paper 101. April. European Commission. Available at: https://ec.europa.eu/info/sites/default/files/economy-finance/ip101_en.pdf.

[13] The average contribution of capital in the 2009–2019 period amounted to 0.1 percentage points, while in the period before the financial crisis (2000–2008) it stood at 1.7 percentage points.

Figure 16: Potential GDP growth (in %) and contributions to potential growth (in percentage points)



Source: SORS; MoF calculations; IMAD SF 2025.

There is considerable uncertainty surrounding estimates of the output gap and potential GDP, particularly those at the end of the sample period or for the current year. This is due, among other factors, to their sensitivity to revisions of macroeconomic data and changes in forecasts. This is also reflected in the significant variability of estimates based on different economic forecasts by the European Commission (Table 2).

Table 2: Estimates of potential growth (in %) for Slovenia (left) and the euro area 19 (right), based on European Commission's forecasts (from 2019 onwards)

	Slovenia						Euro area					
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
SF19	3.0	3.4	3.6	3.5	3.5	3.3	1.3	1.4	1.3	1.1	1.1	1.0
AF19	2.5	2.9	3.1	3.3	3.3	3.3	1.3	1.4	1.4	1.2	1.1	1.1
SF20	2.4	1.6	2.6	2.8	2.8	2.9	1.4	0.6	1.2	1.0	0.9	1.0
AF20	1.9	1.3	1.9	2.3	2.7	2.8	1.1	0.6	0.7	1.1	1.0	1.0
SF21	2.7	2.4	2.9	3.3	3.2	3.1	1.1	0.8	1.0	1.4	1.3	1.3
AF21	2.6	2.0	2.6	3.0	3.3	3.2	1.2	1.0	1.3	1.6	1.7	1.5
SF22	2.7	2.4	2.7	3.1	3.3	3.0	1.2	0.9	1.1	1.3	1.4	1.3
AF22	2.7	2.4	2.7	3.2	2.9	3.0	1.1	0.8	0.9	1.2	1.1	1.3
SF23	2.6	2.3	2.6	3.1	3.0	3.1	1.2	0.9	1.1	1.3	1.3	1.4
AF23	2.4	2.2	2.4	2.5	2.9	2.9	1.2	0.9	1.0	1.3	1.4	1.3
SF24	2.5	2.2	2.4	2.4	3.0	2.9	1.2	0.9	0.9	1.3	1.4	1.2
AF24	2.5	2.3	2.5	2.4	2.6	2.5	1.3	1.0	1.0	1.3	1.4	1.3
Standard deviation	0.2	0.5	0.4	0.4	0.3	0.2	0.1	0.2	0.2	0.1	0.2	0.2
Difference between the first autumn forecast for its current year and the last estimate (AF24), in p.p.	0.0	1.0	-0.1	-0.8	-0.3		-0.1	0.4	-0.3	0.1	0.0	

Note: SF – Spring Forecast, AF – Autumn Forecast. The estimate of potential GDP growth for the current year is highlighted in blue.
Source: European Commission.

4 BUDGETARY PROJECTIONS

The general government deficit amounted to 0.9% of GDP in 2024, which is 1.7 percentage points of GDP lower than in 2023 (2.6% of GDP). The MoF estimates that the deficit will amount to 1.9% of GDP this year, taking into account the impact of post-flood reconstruction and defence expenditure. Fiscal policy in 2025 will be consistent with the MTFSP and oriented towards gradual consolidation while ensuring high levels of general government investment.

GENERAL GOVERNMENT REVENUE

Favourable labour market conditions and the growth in private consumption will continue to be reflected in the growth of general government revenue in 2025, with revenue growth also supported by discretionary revenue measures (Table 3). General government revenue amounted to EUR 30.7 billion in 2024, which is 9.3% or approximately EUR 2.6 billion more than in 2023. Revenue growth is projected to moderate to 5.7% in 2025. This year, higher tax revenues will make the strongest contribution to revenue growth, driven in part by the Reconstruction, Development and Provision of Financial Resources Act (ZORZFS), higher projected corporate profits, favourable trends in social contributions, and increased projected inflows from the EU.

In 2024, the largest contribution to the growth of tax revenue came from higher revenues from taxes on income and wealth which increased by 12.6%, or approximately EUR 636 million. Personal income tax revenue increased by EUR 325 million, or 10.1%, while revenue from corporate income tax was higher by EUR 294 million, or 19.5%, primarily due to the higher tax rate. Revenue from taxes on production and imports rose by 5%, amounting to EUR 409 million. The largest contribution to this growth came from higher revenues from value added tax (VAT), which increased by EUR 188 million, or 3.7%. Excise duty revenue increased by around EUR 73 million in 2024, or 4.4%. Revenue from other taxes on production was higher by just over EUR 57 million, or 7.4%. Revenue from capital taxes rose by just over 400% in 2024, as a result of revenue from the tax on the balance wealth of banks, which will be levied for the first time in 2025 for the year 2024 and is still estimated at just over EUR 90 million. Revenue from social contributions was higher by nearly EUR 1.4 billion in 2024, or 13.7%, primarily as a result of the introduction of a mandatory health contribution as of 1 January 2024. Among other revenue categories, property income recorded a notable increase in 2024, mainly on account of distributed corporate profits and profit transfers by Slovenian Sovereign Holding to the state budget. Revenue from other capital transfers was lower by a total of EUR 326 million, or 52%, primarily due to the high base in 2023 resulting from the closure of the 2014–2020 financial perspective.

In 2025, personal income tax revenue is projected to increase by EUR 177 million, or 5%, while revenue from corporate income tax will be higher by EUR 89 million, or 4.8%. Revenue from taxes on production and imports will increase by EUR 414 million, or 4.8%, including VAT revenue growth of 4.7%, or EUR 249 million. Excise duty revenue will rise by 1.6%, or EUR 27 million. Increase in revenue from social contributions is projected to amount to EUR 917 million, or 7.9%, primarily as a continued result of high employment levels and the introduction of the long-term care contribution as of 1 July 2025, which is expected to increase social contribution revenue by an estimated EUR 250 million. Among other revenue categories, capital transfer revenue are projected to increase significantly in 2025, by nearly EUR 600 million, or 200%. This growth will be mainly attributable to higher inflows from EU funds under the 2021–2027 programming period and from the Recovery and Resilience Facility. Total property income is projected to decrease by just over EUR 38 million in 2025, or 3.6%, due to lower interest income, while, in line with the forecast by Slovenian Sovereign Holding, higher revenue is expected from profit distributions by state-owned enterprises.

Table 3: General government revenue[14]

			2023	2023	2024	2025
	Revenue	ESA Code	bn EUR	% GDP	% GDP	% GDP
1	Taxes on production and imports	D.2	8.3	12.9	12.9	12.9
2	Current taxes on income, wealth, etc	D.5	5.0	7.9	8.5	8.5
3	Social contributions	D.61	10.2	15.9	17.3	17.8
4	Other current revenue	(P.11+P.12 +P.131) + D.39 + D.4 + D.7	4.0	6.2	6.5	5.6
5	Capital taxes	D.91	0.0	0.0	0.2	0.2
6	Other capital revenue	D.92+D.99	0.6	1.0	0.4	1.3
7	Total revenue (= 1+2+3+4+5+6)	TR	28.1	43.9	45.8	46.2
8	Of which: Transfers from the EU (accrued revenue, not cash)	D.7EU+D.9EU	0.8	1.3	0.9	1.5
9	Total revenue other than transfers from the EU (= 7-8)		27.2	42.6	44.9	44.7
10	p.m. Revenue measures (increments, excluding EU funded measures)		0.1	0.2	1.0	0.3
11	p.m. One-off revenue included in the projections (levels, excluding EU funded measures)					

Source: SORS (22 April 2025); MoF.

DISCRETIONARY REVENUE MEASURES

Discretionary revenue measures for 2023, 2024 and 2025 relate to the provision of funding for post-flood reconstruction, tax changes, and legislative changes.

To support post-flood reconstruction, the Government adopted a number of measures under the Reconstruction, Development and Provision of Financial Resources Act (Official Gazette of the Republic of Slovenia, No. 131/23), including:

- a temporary increase in the corporate income tax rate by three percentage points, from 19% to 22% (applicable for the years 2024 to 2028 inclusive; the effect of the higher tax rate for 2024 will already be reflected in advance tax payments during 2024, with refunds to be made in 2025, if necessary);
- a temporary tax on the total assets of banks and savings banks (introduced for the calendar years 2024 to 2028 inclusive — revenue from this tax will be transferred to the state budget for the first time in 2025 for the calendar year 2024);
- the temporary use of the net and distributable profits of Slovenian Sovereign Holding.

For the purpose of post-flood reconstruction following the August floods, Slovenia received EUR 100 million from the EU Solidarity Fund in 2023 and the remaining EUR 328 million in 2024, whereas the final allocated spending of the funds is to take place in 2025.

For 2024, the measure of non-indexation of the income tax scale and reliefs was adopted, which had a positive impact on public finances, while in 2025, a 100% indexation in line with wage growth was introduced.

[14] The Manual for the Preparation of General Government Revenue Projections (2019) outlines the procedures and methods applied by the MoF in budget planning. Available at: https://www.gov.si/assets/ministrstva/MF/ekonomska-in-fiskalna-poltika/Blagajne-JF/Prirocnik-za-napovedovanje-prihodkov-2019.pdf.

Under the adopted Act Amending the Excise Duty Act (Official Gazette of the Republic of Slovenia, No. 38/24), an additional inflow of EUR 20 million is projected in 2024 due to the increase in excise duties on tobacco. In the new package of tax changes adopted by the Government in August 2024, the value added tax rate on sugar-sweetened beverages and energy drinks was increased from 9.5% to 22%. This measure is expected to generate an additional EUR 20 million in annual revenue.

In the second half of 2025, a long-term care contribution will be introduced to provide funding for long-term care. In 2025, the inflow from this contribution is estimated at EUR 250 million. Inflows from this source are expected to increase in the following years, as the contribution will apply throughout the entire year. Due to the introduction of the contribution, a shortfall in personal income tax revenue of EUR 30 million is projected in 2025.

In 2023, the amendments to the Personal Income Tax Act (Official Gazette of the Republic of Slovenia, No. 158/22) contributed to strengthening and improving the public finance position and to addressing the fiscal consequences of previous amendments to the Act on public revenue (gradual increase in the general allowance), as a result of which the negative fiscal effect was eliminated in 2024. In 2022, the Government also adopted a number of revenue measures to mitigate the effects of high prices, which were gradually phased out in 2023 and 2024 due to the general easing of inflationary pressures.

The amount of the environmental tax on air pollution from carbon dioxide emissions was increased in September 2024 from EUR 17.3 to EUR 30.85, resulting in an increase in revenue of EUR 30 million in 2024. An additional inflow of approximately EUR 110 million is projected for 2025.

Table 4 shows the impact of discretionary revenue measures for the years 2023, 2024, and 2025. The total impact of the listed discretionary measures is estimated at 1.0% of GDP in 2024 and 0.3% of GDP in 2025.

Table 4: Estimated impact of discretionary revenue measures[15]

	Title/description of measure	One-off	Exp / Rev		2023	2024	2025
				ESA Code	% GDP	% GDP	% GDP
1	The amendment ZDoh-2AA, which eliminates the financial consequences due to the increase of the general income tax reliefs in the years 2023, 2024 and 2025.	No	Revenue	D.51	0.2	0.1	0.0
2	Gradual elimination of energy measures to mitigate price increases (reduction of excise duties on energy products for fuels, heating oil, natural gas, reduction of value added taxes for certain energy products from 22% to 9.5%, reduction of CO2 duties).	No	Revenue	D.21	0.1	0.2	0.0
3	Increase of corporate income tax by 3 pp. (Article 64 ZORZFS) for the period 2024 – 2028 (dedicated revenue of the Reconstruction Fund).	No	Revenue	D.51		0.3	0.0
4	Tax on the balance sheet of banks and savings banks (Article 78 ZORZFS) for the period 2024 – 2028 (dedicated revenue of the Reconstruction Fund).	No	Revenue	D.91		0.1	0.0
5	Non-harmonization of the income tax scale and reliefs in 2024 (Article 77 ZIPRS2425) and indexation in 2025.	No	Revenue	D.51		0.2	-0.2
6	Increase in the price per unit with carbon dioxide emissions from the current 17.3 euros to 30.85 euros (2328. Decision on the level of the environmental levy for air pollution with carbon dioxide emissions).	No	Revenue	D.29		0.0	0.1
7	Long-term care contribution.	No	Revenue	D.61		0.4	0.5
	TOTAL				0.2	1.0*	0.3

*Note: The effect on the total general government revenue due to the transformation of supplementary health insurance into compulsory health insurance is neutral.
Source: MoF calculations in accordance with the classification of discretionary measures of the European Commission (2015). Report on public finances in EMU - 2015. Institutional Paper 014. and the European Commission (2016). Report on public finances in EMU - 2016. Institutional Paper 045.

GENERAL GOVERNMENT EXPENDITURE

General government expenditure amounted to EUR 31.3 billion in 2024, which is 5.3% more than in 2023. In 2025, expenditure is projected to increase by 7.8%.

Investments

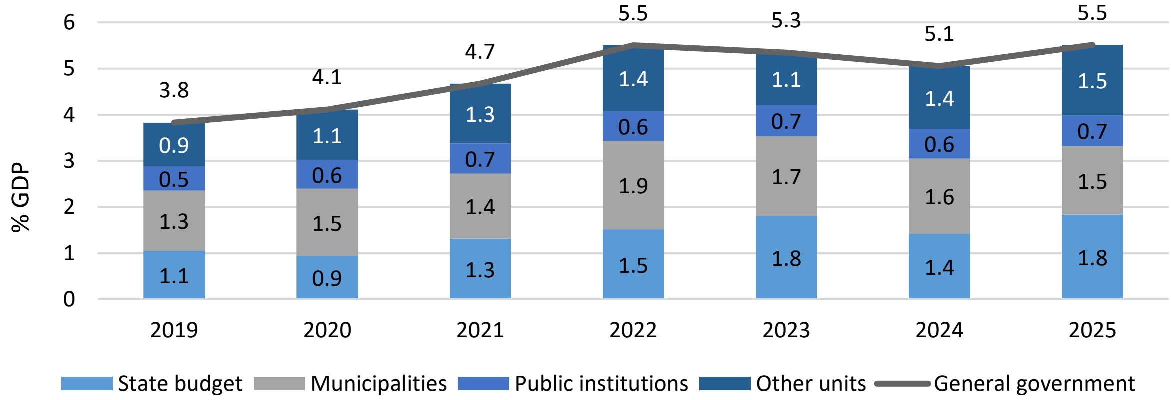
In 2024, investment expenditure remained at a high level, primarily due to investment in post-flood reconstruction and development, transport infrastructure, the environment, healthcare, and security. General government gross fixed capital formation amounted to 5.1% of GDP in

[15] The impact estimates for changes in personal income tax legislation are based on a microsimulation model that includes all personal income taxpayers in the respective year, thereby allowing for the inclusion of all personal allowances and other benefits available to taxpayers. For the assessment of the effects of other tax law changes, models based on individual-level data are also used, with the Financial Administration adjusting the data received accordingly, taking into account selected macroeconomic indicators.

2024 (Figure 17) and was lower than projected in the MFSP, primarily due to the complex nature of post-flood reconstruction.

In 2025, government investment activity is expected to increase to 5.5% of GDP, mainly driven by further growth in investment in the green transition (in particular in railway infrastructure), as well as in defence and protection. Going forward, around one third of investment expenditure will continue to be allocated to the reconstruction and upgrading of railway and road infrastructure. In line with the Resolution on the overall long-term programme for the development and equipping of the Slovenian Armed Forces until 2040 and the Act on the Provision of Funds for Investments in the Slovenian Armed Forces in the Years 2021–2026, investment in defence and protection will also remain at a high level in 2025, focusing on combat capability and its support, logistics, military infrastructure, and command and control capabilities. Due to post-flood reconstruction, substantial funds will also be allocated to environmental investment, with the largest share earmarked for sustainable water use and water management, as well as for waste management. In the field of healthcare, investment will be provided in accordance with the Resolution on the 2016-2025 National Health Care Plan "Together for a Healthy Society" and the Act on Provision of Funds for Investments in Slovenian Healthcare in the Years 2021 to 2031, with the majority of investment to be directed towards public healthcare institutions operating at the secondary and tertiary levels, aimed at ensuring adequate facilities and equipment within the public healthcare network.

Figure 17: General government gross fixed capital formation, by subsector



Source: SORS; MoF.

Compensation of employees

In 2024, expenditure on compensation of employees increased by 6.2%, also as a result of public sector wage indexation in June 2024, reflecting 80% of the previous year's inflation. In 2025, the projected growth in expenditure on compensation of employees is 8.2%, primarily due to the implementation of the public sector wage system reform, which entered into force in January 2025 and will be fully implemented over a four-year period. In planning expenditure on compensation of employees, the gradual introduction of the new system has been taken into account, with an estimated nominal impact of approximately EUR 350 million. The effect of the reform is already incorporated into the macroeconomic forecast and is therefore reflected in the expenditure projections.

Subsidies

Following the high levels recorded during the COVID-19 pandemic, the energy crisis and the period of elevated living costs, expenditure on subsidies decreased by approximately 38% in 2024. The reduction is attributable to a substantial decrease in funding for measures to mitigate the cost-of-living crisis. In 2025, expenditure on subsidies is projected to increase by 12.7%.

The largest share of subsidy expenditure in 2025 will be accounted for by subsidies in the area of the green transition (Borzen).

Social benefits

Expenditure for social benefits increased by 11% in 2024; among them, social transfers in kind increased by just over 34% (EUR 504 million), and transfers in cash by 7.5% (EUR 725 million). The latter mainly resulted of an 8.8% indexation of pensions, which was the highest since 1992 and contributed to the realised 11% growth in gross pensions. The growth was also influenced by the regulation of the guaranteed widow's pension introduced through the legislative amendments (ZPIZ-2N), which came into force on 1 January 2024. The increase in social transfers in kind was partly influenced by the amendments to the Health Care and Health Insurance Act (ZZVZZ-T), which also, as of 1 January 2024, changed voluntary health insurance into mandatory (OZP). In order to ensure full coverage (100%) of rights under compulsory health insurance, which is managed and implemented by the Health Insurance Institute of Slovenia (ZZZS), a higher growth in expenditures for health services to concessionaires and for medicines to pharmacies was realized.

In 2025, social benefits are projected to increase by 6.6%, including a 7.4% growth in gross pensions based on the 4.5% indexation of pensions and a 1.6% increase in the number of beneficiaries. The projection also reflects the planned statutory indexation of household transfers to inflation, considering labour market conditions.

The growth of social transfers in kind will continue in 2025, reaching 8.1% or EUR 162 million, and will primarily stem from higher expenditure on medicines and ongoing payments to other public service providers. Expenditure on medicines are increasing, among other reasons, due to rising consumption and the introduction of new, more expensive medicines. In 2025, the implementation of the Long-Term Care Act (ZDOsk-1) will contribute less to the growth of social transfers in kind, as additional funds allocated to public institutions will be used for the gradual introduction of additional long-term care services. The actual scope of services and related expenditure will also be affected by challenges related to staff shortages.

Despite the intervention Act[16], a 5% increase in wage compensation for temporary absence from work (sick leave) also contributed to the growth of social benefits in 2024. In 2025, growth in sick leave compensation is projected to be more than 1 percentage point lower, primarily due to further measures planned to address absenteeism – specifically through the revised Health Care and Health Insurance Act (ZZVZZ) and the updated Rules on preventive medical examinations of workers, which will introduce an additional targeted medical examination for workers on sick leave, with the aim of facilitating their return to work and enabling employers to adapt the workplace accordingly.[17]

[16]More specifically, the Act on Intervention Measures in the Fields of Health, Labour, and Social Affairs and Health-Related Policies (ZIUZDS; Official Gazette of the Republic of Slovenia, No. 136/2023 of 30 December 2023). Among other provisions, the Act provides certain measures to reduce the financial consequences of absenteeism, thereby contributing to the stabilisation of the health insurance fund. Among these measures, the Act provides wage compensation for the period of absence at the expense of the compulsory health insurance (OZZ) after 30 days (previously 20 days), and introduces a maximum compensation in the amount of two-and-a-half times the average monthly gross wage.

[17]These measures are summarised in the Action Plan of the Ministry of Health for the Implementation of the Strategy for the Development of Primary Level of Healthcare until 2031, for the years 2025 and 2026.

Interest expenditure

In 2024, expenditure on interest payments increased by 9.9% to EUR 872 million, primarily as a result of new borrowing. In 2025, an increase of 0.8% is projected, bringing interest expenditure to EUR 879 million.

Table 5: General government expenditure

			2023	2023	2024	2025
	Expenditure	ESA Code	bn EUR	% GDP	% GDP	% GDP
12	Compensation of employees	D.1	7.2	11.2	11.4	11.7
13	Intermediate consumption	P.2	4.2	6.5	6.7	6.8
14	Interest expenditure	D.41	0.8	1.2	1.3	1.3
15	Social benefits other than social transfers in kind	D.62	9.7	15.2	15.6	15.8
16	Social transfers in kind via market producers	D.632	1.5	2.3	3.0	3.1
17	Subsidies	D.3	1.2	1.9	1.1	1.2
18	Other current expenditure	D.29+(D.4-D.41)+ D.5 + D.7 + D.8	1.3	2.1	2.0	2.0
19	Gross fixed capital formation	P.51	3.4	5.3	5.1	5.5
20	Of which: Nationally financed public investment		2.9	4.5	4.7	4.6
21	Capital transfers	D.9	0.4	0.6	0.7	0.7
22	Other capital expenditure	P.52+P.53 +NP	0.1	0.1	0.1	0.0
23	Total expenditure (=12+13+14+15+16+17+18+19+21+22)	TE	29.7	46.5	46.8	48.1
24	Of which: Expenditure funded by transfers from the EU (= 8)	D.7EU+D. 9EU	0.8	1.3	0.9	1.5
25	Nationally financed expenditure (23-24)		28.9	45.2	45.9	46.6
26	p.m. National co-financing of programmes funded by the Union		0.2	0.3	0.2	0.3
27	p.m. Cyclical component of unemployment benefits		-0.1	-0.1	-0.1	-0.1
28	p.m. One-off expenditure included in the projections (levels, excluding EU funded measures)		0.3	0.5	0.3	0.6
29	Net nationally financed primary expenditure (before revenue measures) (= 25-26-27-28-14)		27.7	43.3	44.2	44.6

Source: SORS (22 April 2025); MoF.

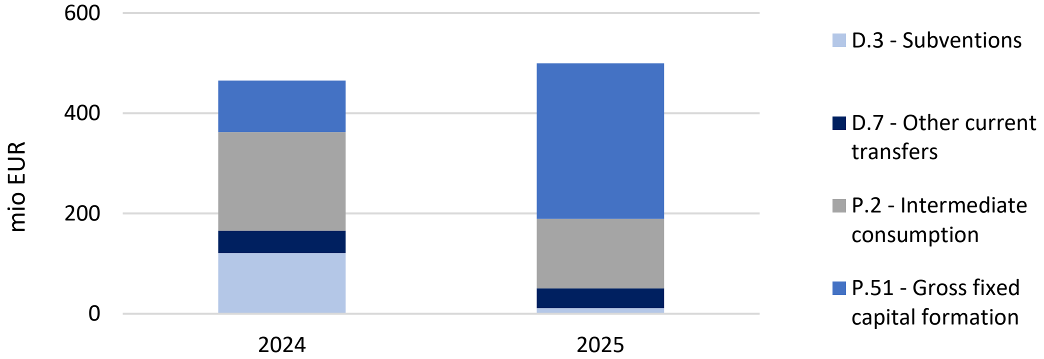
ONE-OFF EXPENDITURE

A total of EUR 1.1 billion, or approximately 1.6% of GDP, was paid from the state budget for post-flood reconstruction in the period from September 2023 to the end of March 2025. In September 2024, additional measures were adopted in accordance with the amendments to the Act on Reconstruction, Development and Provision of Financial Resources. Among these were the extension of the guarantee scheme and the maturity of loans. By the end of 2024, 80% of all payments relating to claims for damages submitted by affected businesses had been disbursed. The largest share of investment expenditure in 2025 is expected to be allocated to the area of water infrastructure. Reconstruction works are being carried out on national road and rail infrastructure. The realisation of approximately half of the projects is planned by the end of 2026. Compensation payments for residential buildings are also approaching completion.

For these purposes, the Reconstruction Fund of Slovenia (SOS Fund) was established in 2024 By the end of 2024, a total of EUR 531.6 million in monetary assets had been collected and earmarked in the SOS Fund. In 2025, the disbursement of funds from the Reconstruction Fund (SOS) began. As of 31 March 2025, the current balance of the fund stood at EUR 518.8 million.

The value of one-off expenditure measures is estimated at 0.7% of GDP in 2024 based on cash flow accounting. In 2025, the use of funds is projected at EUR 500 million (Figure 18), or 0.7% of GDP.

Figure 18: Volume of post-flood reconstruction funds by ESA category



Source: MoF.

UNCERTAINTIES AND RISKS TO THE FISCAL FORECAST

The realisation of IMAD's SF 2025 is accompanied by significant, predominantly negative risks, which are greater than those identified in autumn 2024. These relate primarily to a deterioration in the international environment, as a consequence of escalating protectionist measures by the United States and retaliatory measures by the affected countries, which could hamper the gradual recovery of economic growth and the easing of inflation in Slovenia's trading partners. Risks associated with escalating tensions in the Middle East and Ukraine also remain substantial, as they could lead to higher prices of energy, food and transport, as well as to disruptions in supply chains. Negative risks from the domestic environment are smaller and are mainly linked to the capacity to implement large-scale investment projects and to the effects of rising labour costs on competitiveness. Future macroeconomic developments are therefore subject to a high degree of uncertainty, which in itself also has a negative impact on economic growth.

Table 6 shows the hypothetical impact of a one percentage point higher annual growth in the consumer price index (CPI) or in compensation of employees on expenditure for wages and pensions in the current and following year (denoted as t and t + 1 in Table 6)[18]. Estimates indicate that, due to one percentage point higher annual nominal wage growth, public sector wage expenditure in the following year could be higher by 0.16% of GDP, and pension expenditure by 0.11% of GDP. In the case of a change in the pension indexation method to a ratio of 20% wage growth and 80% CPI growth, the budgetary impact would be significantly lower (0.04% of GDP). Due to one percentage point higher annual inflation, pension

[18] The sensitivity analysis of budgetary expenditure to an increase in inflation or compensation of employees is illustrative in nature and should therefore be interpreted with caution. The estimated budgetary impact represents the static effect of a hypothetical change in the growth of a specific economic variable. The estimated effects are partial in nature, as they do not include the effect of interaction between the assumed change in the economic variable and other factors. The results presented are therefore the outcome of a "what-if" type analysis and do not serve as a forecast.

expenditure in year t + 1 would be higher by 0.08% of GDP, while in the case of a change in the indexation method, the budgetary impact would nearly double.

Table 6: Estimated expenditure sensitivity on a hypothetical change in an economic variable

Hypothetical change in economic variable	**General government expenditure**	**Budget impact (in % of GDP)**	
		Year t	**Year t+1**
Nominal wage growth (1 p.p. higher annual growth)	Wages	0.08	0.16
Nominal wage growth (1 p.p. higher annual growth)	Pensions	0.06	0.11
Nominal wage growth (1 p.p. higher annual growth)	Pensions (indexation 20/80*)	0.02	0.04
CPI (1 p.p. higher annual growth)	Pensions	0.04	0.08
CPI (1 p.p. higher annual growth)	Pensions (indexation 20/80*)	0.08	0.15

*Note: The scenario includes a hypothetical change in the pension indexation to a ratio of 20% wage growth and 80% consumer price growth in year t.
Source: IMAD SF 2025; MoF calculations.

5 KEY REFORMS AND AREAS OF ACTION

Table 7: Progress on reforms and investments

	Recovery and resilience facility (RRF) / Partnership agreement (PA)	Country specific recommendations (CSR)	Common priorities *	On track status:
Pension system	RRF	CSR 2019 -2024	ii	In progress
Health	RRF PA	CSR 2019/1, 2020/1, 2021/3, 2022/1, 2023/1,	ii	Completed
Tax		CSR 2022/1, 2023/1, 2024/1,	ii	Partly completed
Public sector – wage system	RRF		ii	Completed
Productivity (RRI, education, labour market, migration, capital market, business environment)	RRF PA	CSR 2019/1, 2, 3 2020/1, 32023/3, 2024/3	ii	In progress
Green transition (energy, environment)	RRF	CSR 2019/3, 2020/3, 2021/3, 2022/1, 3, 2023/3,	i, iii	In progress
Digital transition	RRF PA	CSR 2019/1, 2020/3, 2021/3, 2023/3	i	In progress
Housing	RRF	CSR 2023	ii	In progress
Public finances		CSR 2024/1		Partly completed

*Note: (i) a fair green and digital transition, including consistency with the European Climate Law; (ii) social and economic resilience, including the European Pillar of Social Rights; (iii) energy security; and (iv) where necessary, the build-up of defence capabilities.

The key reforms for the fiscal outlook of Slovenia are the pension reform, the reform of the public sector wage system, and the healthcare reform. The pension reform and the wage system reform are described in more detail in the chapter Overview of Fiscal Commitments.

Measures in the Area of Healthcare

The Strategy for the Development of Primary Healthcare by 2031 remains the fundamental document enabling a coordinated and comprehensive approach by all stakeholders to the development of primary health care.

At the end of 2024, the Act Determining Additional Intervention Measures to Ensure Accessibility in Healthcare was adopted. Additional measures were introduced to improve access to primary health care, including the establishment of additional family medicine clinics where individuals without a chosen personal physician may register. The Act also provides for incentives for specialising in family medicine. Some measures to improve accessibility under the intervention Act in the area of healthcare (adopted in 2023) have been extended from the end of 2025 to 2026. These include group rehabilitation for persons with disabilities, group programmes for managing health conditions in children up to the age of 18, and the financing of additional specialisations in clinical psychology.

The Healthcare Quality Assurance Act, adopted in December 2024, defines the principles of quality in healthcare and sets out the conditions for the establishment of a healthcare quality assurance system. The emphasis is on continuous quality improvement and patient safety, as well as on the responsibilities of healthcare providers, patients, and other stakeholders. Among other provisions, the Act sets out procedures for the handling of different types of incidents and the prevention of adverse events. It regulates reporting mechanisms, notification protocols, and the measures to be taken in the event of such incidents, while also establishing an improved quality management system. In addition, the Act introduces a public register of quality indicators, enabling the monitoring of treatment outcomes and the identification of risks and potential deviations in the provision of healthcare services. This will contribute to more effective detection of safety incidents, analysis of their causes, and the implementation of corrective measures to prevent future errors.

Measures proposed in the amendments to the Health Care and Health Insurance Act address shortcomings in the operational functioning of the health insurance fund. The objective is to define the health insurance fund as an “active purchaser”, ensure regular cost monitoring, upgrade and modernise payment models, and improve the governance structure. The starting points for drafting the amendments to the Health Care and Health Insurance Act include, among others, improvements in the negotiation process between the Health Insurance Institute of Slovenia (ZZZS) and stakeholders, strengthening of oversight — including supervision of service duplication and sick leave — the abolition of the right to reimbursement of travel expenses, except in certain specified cases, and efforts to implement the conceptual principle that each insured person must have a designated health insurance payer. The aim is to improve the efficiency of the system using existing resources and to address systemic shortcomings related to insured persons.

In the first half of 2025, the entry into force of the Act Amending the Health Services Act, adopted by the National Assembly of the Republic of Slovenia on 2 April 2025, is envisaged. The Act regulates the situation in the area of healthcare and health services and aims to provide more accessible and higher-quality patient care within the healthcare system, while also seeking to motivate healthcare professionals to take up employment in public healthcare institutions. The amendments also strengthen the conditions for issuing consents to work outside public healthcare institutions. The measurement of the daily workload of healthcare professionals is also being introduced, which will serve as a basis for issuing consents to work outside their parent public healthcare institution and for the conclusion of service contracts. The amendment clearly defines the public healthcare service, its providers, and public healthcare institutions that perform both public and market-based healthcare activities, and stipulates that the profits of public healthcare institutions shall be used for the performance and development of healthcare activities. It defines market-based healthcare activity and the conditions for its provision, namely the conditions for performing healthcare activities, for obtaining a licence to carry out healthcare activities, and for the granting of concessions in the healthcare sector, including more detailed legal regulation of concessions. The amended Act regulates the non-profit status of public healthcare institutions and concession holders. Detailed instructions regarding the classification of types of revenue and expenditure by services provided under the public healthcare service and market-based activities carried out by public healthcare institutions and concession holders shall be laid down by the minister responsible for health. The amended Act further regulates the organisation and delivery of out-of-hours and emergency healthcare, applying to all healthcare professionals employed within the public healthcare network (including concession holders) who provide services in areas falling within the scope of out-of-hours and emergency healthcare provision. Health regions are being introduced, and the integration of public institutions is envisaged for the performance of joint functions and the pursuit of common interests, or for the purpose of integrated healthcare and improved accessibility to healthcare services.

In the area of healthcare, efforts are being made to reduce the administrative burden on healthcare professionals, introduce cost efficiency, and improve the quality and effectiveness of patient care, including within the framework of the new Healthcare Digitalisation Act, which is currently under preparation.

To ensure the necessary healthcare workforce, a National Strategy for the Development and Management of Human Resources in Healthcare 2025–2035 is being prepared, with the aim of establishing a sustainable and high-quality healthcare system based on a suitably trained, motivated, and sufficiently staffed workforce. The main objective is to optimise, develop, and strengthen the healthcare workforce for the 2025–2035 period. A draft Act on the Recognition of Professional Qualifications in Healthcare is also in preparation. The draft facilitates, accelerates, and ensures the uniform entry of foreign healthcare professionals into the Slovenian healthcare system, which will shorten the processing time for applications and reduce costs for candidates. It is proposed that, following the recognition of their professional qualification, candidates will be tied to employment with a provider, thereby ensuring greater stability and lower costs for employers. In 2024, the development of specialisations in nursing began, which will ensure better-qualified staff and relieve the workload of doctors. The importance of specialisations lies in providing more accessible, higher-quality, and more comprehensive healthcare, thereby contributing to improved health outcomes and greater efficiency of the healthcare system. To support the development of specialisations in nursing, the Rules on the Types, Content, Duration and Course of Specialisations for Providers of Nursing and Midwifery Care were prepared and are currently under public consultation. In 2024, the Rules on the Register of healthcare professionals and associate professionals in the healthcare sector were adopted. The rules set out the conditions for registration, deregistration, and the registration procedure in the Register of healthcare professionals and associate professionals in the healthcare sector, which will improve the organisation and record-keeping of healthcare professionals and associate professionals in Slovenia. The amendments introduce improvements in the management of healthcare workforce records.

To improve public health and in an effort to reduce healthcare expenditure, the VAT rate on sugar-sweetened beverages and energy drinks has been increased. The aim of this measure is not only fiscal in nature, but also represents an important step towards achieving public health objectives. By increasing the tax rate on these products, the intention is to encourage consumers to opt for healthier alternatives, while also reducing the burden on the healthcare system and the costs associated with treating diseases resulting from excessive consumption of sugary and energy drinks.

In the field of long-term care, the first right – that of a caregiver for a family member – was introduced in 2024. As of 1 July 2025, users will be entitled to long-term home care, e-care, and services for strengthening and maintaining independence. On the same date, the mandatory long-term care contribution will take effect. As of 1 December 2025, the remaining rights will be introduced: the right to full-day institutional long-term care, the right to day long-term care, and the right to a cash benefit.

To reduce staffing shortages in the field of long-term care, the Act on Temporary Measures to Improve Staffing and Working Conditions and Capacity at Providers of Social Care Services and Long-Term Care was drafted. The Act promotes employment in social care and long-term care. It defines the financing of the acquisition of national vocational qualifications, the strengthening of volunteer involvement, the assurance of the quality and safety of care, the co-financing of modern technologies, integration programmes for the employment of foreign experts , the co-financing of employee education, staff scholarships, and other measures.

Tax Changes

In the area of tax policy, a number of measures have already been adopted to improve the position of employed persons and to increase their earnings. In 2023, **the general tax allowance** was increased from EUR 4,500 to EUR 5,000, and the additional general allowance was also adjusted (change in parameters and an increase in the eligibility threshold to EUR 16,000). The amounts of allowances for dependent family members were increased by 7.5%, and an additional allowance was introduced for young recipients of income from employment up to the age of 29.

The non-taxable portion of the reimbursement of expenses associated with in-work meals and transport to and from work was increased. A 7% tax credit was introduced on the gross salary of an individual who returns to Slovenia, or a foreign national who comes to Slovenia, earns at least twice the average wage, and is under 40 years of age. This year, the personal income tax scale and allowances were indexed to the full growth in wages, which has resulted in a reduced tax burden on taxpayers.

When designing measures in the field of taxation, it is necessary to take into account different policies and objectives. With this aim, at the end of 2024 the Government submitted the **Starting points for the residential property tax** and tax relief on labour costs for public consultation. The proposed framework followed the efforts to improve the situation in relation to housing policy. In the future, the Government will also seek to address key factors – growth, development, and stable public finances – through tax policy.

Productivity and Competitiveness

Strategic guidelines are being prepared **for the development of Slovenia's start-up ecosystem**, which include a legal form of company adapted to start-ups, incentives for venture capital investment, improvement of the support environment, and better regulation of procedures for attracting high-tech talent.

Slovenia has in place the **Slovenian Industrial Strategy** 2030, which sets out the vision and objectives for the development of industry and the economy up to 2030. Published in 2021, it focuses on three priorities: green, creative, and smart. By balanced promotion of the components of sustainable development (society, environment, economy), the strategy ensures the competitiveness of the economy and creates the conditions for restructuring industry towards a knowledge- and innovation-based industry, for new and higher-quality jobs, and for the transition to a green, creative, and smart economy.

In 2025, Slovenia successfully completed its integration into full membership of the **European Space Agency (ESA)**, enabling Slovenian companies and research and development institutions to participate in ESA projects in the field of space technologies. Companies and institutions engaged in innovative materials, technologies, processes, or information solutions are eligible to participate. Opportunities to cooperate with ESA are also available to small and medium-sized enterprises, as demonstrated by successful projects of companies from Slovenia that have already taken advantage of this opportunity.

In the area of **tax policy**, several key measures were adopted to strengthen the competitiveness of the Slovenian economy and to create a supportive environment for development personnel. Particular emphasis was placed on attracting and retaining key development personnel from abroad, promoting employee ownership, and supporting innovative start-ups, which will contribute to faster breakthroughs in global markets. Among the important solutions was also the increase in the threshold for mandatory entry into the VAT system (from EUR 50,000 to EUR 60,000), which is a major advantage for small enterprises, as it relieves them of administrative obligations related to VAT. This may contribute to increased productivity and thus to higher value added, thereby supporting the medium- and long-term sustainability of public finances.

In the area of **public procurement**, measures to enhance competitiveness in public procurement continue. In 2024, the Action Plan on Increasing Competitiveness in Public Procurement 2025–2030[19] was adopted, which also includes a list of measures to continue the multiannual efforts to enhance competitiveness. Particular emphasis is placed on the improved result regarding the share of negotiated procedures without prior publication in the Republic of Slovenia[20], as well as on the competitiveness study conducted by the OECD.[21] In 2024, the Digital Transformation Plan for Public Procurement 2025–2030 was adopted, together with measures and activities to achieve the desired final state and a timeline for the implementation of the measures. Measures to enhance competitiveness in public procurement include, among others: the implementation of regular and thematic *ad hoc* training for representatives of contracting authorities and tenderers; the development of new digital tools to facilitate the implementation of procedures; the promotion of various forms of cooperation in public procurement; the identification and definition of indicators reflecting the state of competitiveness in the public procurement market; the provision of regular and effective information flow between the ministry and public interest advocates; cooperation between the ministry and SPOT contact points to provide support to small and medium-sized enterprises in submitting tenders; and other measures.

Reduction of Bureaucracy

An important step in debureaucratisation is the planned reform of the public competition procedure, as envisaged by **the new Civil Servants Act**. The proposed changes aim to shorten and simplify procedures, both in terms of a new procedural framework and in terms of digital solutions. The centralisation of the first stage of the selection procedure represents a

[19] https://ejn.gov.si/direktorat/strateskapolitijajn.html.

[20] According to the Single Market Scoreboard, the share of negotiated procedures without prior publication was 10% in 2023 and 11% in 2022.

[21] https://www.oecd.org/en/publications/maximising-the-benefits-of-effective-competition-in-public-procurement-in-slovenia_c1e5d31f-en.html#:~:text=This%20report%20analyses%20competition%20in%20public%20procurement%20in,of%20competition%2C%20using%20procurement%20data%20and%20several%20variables.

harmonisation of procedures and a reduction of the administrative burden on human resources departments.

In 2025, the establishment of an information system is planned, which will comprehensively support and **digitalise the operations of ENIC-NARIC** centres (a network of information centres dealing with the recognition of qualifications at the national level) and provide data and information to employers in the public sector and the economy, enabling them to automatically obtain opinions regarding qualifications acquired within the EU or on qualifications already assessed online by ENIC-NARIC.

The Act on Measures to Optimise Certain Procedures at Administrative Units introduced a temporary measure that enables a foreign national, upon obtaining a temporary permit, to immediately legally work and reside in the Republic of Slovenia, while the procedure at the administrative unit continues until a final decision is issued. This significantly accelerates the procedure for employing foreign workers and, at the same time, simplifies the process for Slovenian employers to find foreign labour. In addition, administrative units are relieved of pressure, as they face fewer user enquiries regarding the status of their applications.

A **single entry point** has been established – the online portal *Stop birokraciji* – intended for initiatives by citizens, the business sector, and other stakeholders to reduce specific administrative barriers they identify. Each year, the Government takes note of the implementation report on the measures from the Unified Database of Measures. To date, 433 measures have been included in the Unified Database of Measures, and 86% of the measures included have been implemented.

So far, 374 measures have been implemented. For certain measures, evaluations of savings have been carried out, amounting to more than EUR 420 million annually, while evaluations for 2024 are still to be conducted. The most recent evaluations of savings were carried out for the year 2022 (evaluations of three measures showed savings of EUR 3.5 million annually).

In the area of better legislation and the reduction of administrative barriers, activities are being carried out to improve the quality of legislative drafting, in particular with regard to the definition of regulatory impact assessments. Since autumn 2024, training has been under way on the use of the methodology for assessing the impacts on various societal areas within the MOPED-DOCS application. The MOPED-DOCS application was supplemented with a regulatory impact assessment module, which was brought into production use for this purpose in March 2025. An application for carrying out ex-post evaluation of legislation is also to be brought into production.

The information systems used for managing the central criminal records, the central register of penalty points, and the register of final decisions or rulings on minor offences are being upgraded. These records serve as the basis for issuing certificates required in procedures for the employment of foreign nationals and for obtaining various permits or licences to conduct business (for example, a licence for road transport operations). The new information system enables faster and more efficient electronic interaction between the ministry and citizens, as well as other public authorities and holders of public authority.

A total of 26 measures aimed at **reducing administrative barriers**, as foreseen in the final report of the Inter-ministerial Working Group for the Reduction of Administrative Barriers in the Area of Foreign Nationals' Administrative Affairs, have been implemented. Among other objectives, the measures were also aimed at optimising procedures at administrative units.

Knowledge, Labour Market and Migration Policy

In the area of **apprenticeships**, further work-based learning opportunities with employers are being provided. These take place over several consecutive months, in close cooperation between company-based mentors and school-based mentors, who monitor the apprentices throughout the process. Apprentices are able to enter employment immediately upon completing their education and are prepared to work independently within companies. Since 2018, part of the costs borne by employers providing practical training to pupils or apprentices has been co-financed. An increase in the number of concluded apprenticeship contracts is recorded each year. As of the 2023/2024 school year, the Chamber of Craft and Small Business of Slovenia (OZS) has received funding for the promotion of apprenticeship occupations for the first time.

In response to labour market needs, Slovenia has begun actively employing foreign workers, including through the conclusion of bilateral employment agreements with other countries. At present, foreign nationals account for approximately 15% of the labour force.

At the beginning of 2025, the Government adopted the draft amendments to the Aliens Act and to the Employment, Self-employment and Work of ¸Aliens Act. The draft amendment to **the Aliens Act** transposes into the national legal order Directive (EU) 2021/1883 of the European Parliament and of the Council of 20 October 2021 on the conditions of entry and residence of third-country nationals for the purpose of highly qualified employment, repealing Council Directive 2009/50/EC. The amended Act also introduces other provisions, aimed primarily at strengthening the protection of the status of migrant workers in the Slovenian labour market, and defines anew the possibility for performing seasonal work in tourism and hospitality industry.

The economy requires a **skilled and qualified workforce**, a need also driven by the digital and green transitions. In addition to the measures implemented under active labour market policy (such as the programmes Comprehensive Support to Enterprises for Active Ageing of the Workforce /ASI/, competence centres, Competent Slovenia, non-formal education and training programmes, and other similar measures), the **draft short-time work scheme**, which was adopted by the Government in March, establishes the right and obligation of the worker to participate in training and education during the period of short-time work assigned under this Act.

A **comprehensive curriculum reform and modernisation of vocational and professional education** is under way. The main objective of the reform is to adapt educational programmes in order to improve the quality of teaching and to strengthen the link between theory and practice. Curricula, occupational standards and professional competences are being updated, with a focus on digitalisation, sustainability, and the development of core and vocational skills. The process involves representatives of schools, employers and the expert public, thereby ensuring alignment between education and the needs of the labour market.

In January 2025, the Government adopted a **new scholarship policy for deficit professions for the 2025–2029 period**. Due to labour market needs, the shortage areas and educational programmes identified in the previous scholarship policy remain largely recognised as deficit profession , with the exception of a few new ones. In accordance with the scholarship policy, the Republic of Slovenia will, from 2025 to 2029, provide funding each year for approximately 1,000 new scholarships for deficit professions.

In the field of **higher education**, the activities of the Government of the Republic of Slovenia are focused primarily on strengthening the resilience of public universities and on promoting the establishment of sustainable cooperation with the labour market and the broader society.

To enhance the links between knowledge institutions and both the business and non-business sectors, student-centred projects are being successfully implemented under cohesion policy, such as the project Problem-based learning for students in the working environment. During the 2022–2025 period, 38 pilot projects are being implemented at the University of Maribor, the University of Ljubljana, the University of Primorska, and the Faculty of Information Studies in Novo mesto, with the aim of modernising higher professional study programmes, supporting the green and digital transitions (including the area of cybersecurity), and increasing the participation of adults in lifelong learning at the higher education level through the introduction of new forms of shorter education and training programmes for the acquisition of micro-credentials. To support the development of a competitive economy, it is necessary to ensure a highly qualified workforce. This is also the main objective of the **Resolution on the National Higher Education Programme until 2030**, which foresees that at least 50% of Slovenian citizens aged 30 to 34 will have completed at least the first cycle of higher education.

In April 2025, the Government adopted the draft **Higher Education Act**. The draft Act aims to support the core objectives of establishing a comprehensive, high-quality, transparent, regulated, predictable, stable and financially sustainable higher education system. It seeks to achieve key goals, including, among others: a more appropriate regulation of the possibility of delivering study programmes in a foreign language; the legal definition of micro-credentials; the modernisation of forms of delivering study activity, in particular through the transformation of part-time study into time-adjusted study; the preservation of financially sustainable and stable funding of the public service in higher education; and a clearer definition of the status and competences of the Slovenian Quality Assurance Agency for Higher Education. The new Act also introduces a change regarding the requirement for the consent of the competent ministry in accreditation procedures for study programmes in regulated professions. The draft Act defines micro-credentials as shorter education and training programmes aimed at acquiring specific knowledge, skills and competences that correspond to societal, personal or cultural needs, or to the needs of the labour market. The draft Act provides for a gradual increase in funding for higher education activity, namely up to 1.5% of GDP. The volume of budgetary funds for the funding of higher education may be reduced in a given year if GDP growth is negative.

Research and Development

Amendments to the Scientific Research and Innovation Activities Act (ZZrID) were submitted to the National Assembly of the Republic of Slovenia in March 2025. They redefine the system for funding scientific research and innovation activities. The objective is to achieve budgetary funding of up to 1.25% of GDP, with 1% allocated to scientific research activity and 0.25% to innovation activity. A possibility of deviation is foreseen in certain economic and exceptional circumstances, with a guaranteed minimum level of funding. The amendments also establish the mechanism for the gradual increase of funding for scientific research and innovation activities. The share of GDP increases by 0.08 percentage points annually until the specified target values are reached.

As regards the functioning of the Slovenian Research and Innovation Agency (ARIS), the amendments establish the legal and organisational foundations for its operation, covering both scientific research and innovation activities. The new evaluation system includes programme evaluations, institutional self-evaluations, and external evaluations. The amendments also change the method of allocating funding, so that institutional performance is taken more fully into account. It further regulates the areas of personal data, researchers' pay, records, conditions for project leaders, the stable funding of new research organisations, and procedures in the event of non-fulfilment of funding conditions.

Capital Markets

At the beginning of 2025, the Government adopted a new **National Financial Literacy Programme (NFLP)**. The programme provides a comprehensive approach to financial literacy, encompassing aspects of awareness, access to information, knowledge, skills, attitudes, and behaviour. It is tailored to the specific needs of Slovenian citizens, includes the segment of small and medium-sized enterprises, and coordinates various strategies, programmes and initiatives for financial literacy at the local, regional, national, EU and global levels. It foresees the allocation of state budget resources for financial literacy areas as defined in the NFLP, and defines the monitoring of implementation and progress in the field of financial literacy. A key innovation is the programme's orientation towards the inclusion of financial literacy in primary and secondary school curricula, either as a stand-alone subject or as part of another subject or activity, with a minimum of 35 hours in primary school programmes and at least 35 hours in secondary school programmes.

The Government Financial Literacy Council will play a key role in the implementation of the programme. It will determine which areas should be prioritised, how the effectiveness of the programme will be measured, and how it will be adapted. Progress will be reported on a regular basis. Responsibility for the central financial literacy website will rest with an editorial board.

The Capital Market Development Strategy (2023–2030) is currently being implemented. In February 2024, government bonds were issued for retail investors, with a second issuance following in March 2025. Further measures are planned in 2025, reaffirming the commitment to increasing retail investor participation in capital markets and to strengthening the small and medium-sized enterprise segment. The drafting of the Individual Investment Account Act is nearing completion. The Act will create new opportunities for diversifying retail investors' savings and boost activity on the capital market. This is aligned with the objectives of the Savings and Investment Union, particularly in mobilising household savings to support productive investment and broader economic goals. At national level, an experimental regulatory framework for distributed ledger technology (DLT) is being developed at an accelerated pace. In July 2024, Slovenia became the first country to issue digital bonds using this technology.

In March 2025, the National Assembly adopted a revised Ordinance on the State Asset Management Strategy, which strengthened the existing content on the development of the Slovenian capital market. This included the addition of a new chapter under the Republic of Slovenia's development orientations, and the provision that certain key state-owned enterprises may only be privatised through an initial public offering, potentially combined with a sale to other institutional investors.

Green Transition

Energy

A draft of **the new Act on the Promotion of the Use of Renewable Energy Sources ct (ZSROVE-1)** was submitted for public consultation. The purpose of the Act is to transpose the provisions of Directive (EU) 2023/2413 into Slovenian law and to improve the conditions for increased use of renewable energy sources. Key proposals include requirements for the integration of renewable energy into buildings, industry and transport; support for joint projects between Member States; the establishment of a register of renewable energy communities; and measures to increase the share of renewables in district heating systems. The draft sets out sustainability criteria, greenhouse gas emissions savings thresholds, and the methodology for their calculation. Particular emphasis is placed on the cascading use of biomass and on measures to facilitate the system integration of electricity from renewable sources. The Act introduces a new support scheme for renewables and establishes oversight of the implementation of support schemes. It also regulates the reimbursement of costs related to self-supply of electricity from renewable sources, in accordance with the Energy Act (EZ-1), and the operation of the contact point and support centre.

In February 2025, the Government adopted **measures to mitigate the expected sharp increases** in electricity bills during the winter season due to the introduction of the new network charge system. From November of the previous year to February of this year, it implemented price regulation for electricity and extended the exemption from payment of the RES and CHP (combined heat and power) contributions for households. An intervention act reduced network charge payments for all households in January and February 2025. Electricity prices will stabilise from March onwards, despite earlier reports to the contrary.

At the end of 2024, the Government of the Republic of Slovenia adopted **the updated Integrated National Energy and Climate Plan (NECP 2024)**, setting ambitious targets for 2030 aimed at reducing greenhouse gas (GHG) emissions, enhancing energy independence, and accelerating the transition to clean energy sources. The Plan includes measures designed to ensure a sustainable future and safeguard energy security in Slovenia. Slovenia plans to reduce GHG emissions by at least 55% by 2033, while simultaneously stepping up the utilisation of renewable energy sources. The NECP sets out targets and measures across all areas and sectors of energy use, ranging from agriculture and forestry to energy, industry, transport, and research and innovation. It provides appropriate support for phasing out coal by developing other domestic low-carbon supply sources and through more efficient energy use. At the same time, it confirms the continued use of nuclear energy and foresees the construction of a new nuclear power plant, with a sound and transparent decision to be taken by 2028. The Plan also guides the just transition and steers activities aimed at addressing energy poverty. The NECP 2024 contributes to reducing dependence on imported fossil fuels and strengthening domestic renewable energy sources. Supporting responsible climate action and environmental protection is essential for the future of the next generations. It promotes investment in green jobs, sustainable infrastructure, and emissions reduction, accelerates development, and enables the transformation towards a climate-neutral society, delivering long-term benefits.

An impact assessment (achieved CO_2 emissions reduction) will be prepared by the end of 2025 as part of the new national annual report on progress in achieving the energy and climate objectives under the NECP. This report, to be compiled for the first time in 2025 and subsequently on an annual basis, will build on the so-called Climate Mirror (in Slo. *Podnebno ogledalo*), which has in the past been used to monitor progress in reducing GHG emissions, as well as in increasing energy efficiency and the share of renewable energy in gross final energy consumption (corresponding to the first and second dimensions of the NECP).

The adoption of **the Transitional Financing for the Accelerated and Just Coal Phase-Out Act** constitutes an important measure to protect workers at the Velenje Coal Mine and the Šoštanj Thermal Power Plant. The Act lays down conditions and transitional financing arrangements for the temporary provision of heat generation and supply in the Municipality of Velenje and the Municipality of Šoštanj, with a view to supporting an accelerated and just coal phase-out.

As part of the reform agenda, a key measure was adopted to establish the legal basis for shortening and simplifying the procedures for connecting self-supply photovoltaic systems with a capacity of up to 20 kW. Investments are being rapidly implemented to increase the production and use of renewable energy sources, improve energy efficiency, and decarbonise the building stock, as well as to accelerate the transition to zero-emission transport and reduce greenhouse gas emissions, particularly in the transport and heating sectors. In 2024, investments increased notably in new renewable energy production units and in the reinforcement and modernisation of the electricity grid as a key precondition for effectively scaling up renewable energy and electric mobility. Activities under the grant scheme for the purchase of electric vehicles by natural persons and legal entities in both the public and private sectors also intensified significantly, within the framework of the REPowerEU initiative.

Environment

At the end of December 2024, the Government adopted **the draft Act on Public Utility Services in the Field of Drinking Water Supply and the Collection and Treatment of Municipal and Storm Wastewater**, and submitted it to the National Assembly of the Republic of Slovenia. The purpose of the Act is to regulate in more detail the provision of public utility services in this area. The draft sets out both the implementation of Article 70.a of the Constitution of the Republic of Slovenia, which concerns the right to drinking water, and the provision of more effective oversight of the implementation of public utility services for environmental protection. It will ensure that the supply of drinking water and water for household use is provided on a non-profit basis, as required by the Constitution. The draft Act also defines the methodology for setting public utility service prices and the liable party for the payment of such services. It also represents an upgrade of the data collection system, improving the interoperability of existing data repositories.

In December 2024, the **draft Plan for the implementation of Spatial Development Strategy of Slovenia 2050 for the 2025–2034 period** was submitted for public consultation. The document has been prepared in accordance with the Spatial Management Act and serves as the implementation plan for the adopted Resolution on the Spatial Development Strategy of Slovenia 2050 (SDS 2050). The Plan sets out priority tasks and the responsible authorities for implementing the strategy by area or activity.

With the aim of long-term emission reduction, **a number of projects are under way**, including the replacement of heating systems in households and the development of district heating. Financial incentives, such as subsidies for replacing small combustion appliances with more efficient and environmentally friendly systems, are supporting the transition to heat pumps, district heating, and other lower-emission alternatives. Measures to improve household energy efficiency are helping to reduce energy consumption and heating costs, delivering long-term benefits for both the environment and individuals.

Reducing **emissions from transport** is another important measure that can make a significant contribution to improving air quality, as transport accounts for as much as 50 percent of emissions. To this end, programmes are being implemented to accelerate the transition to low-carbon vehicles, to develop efficient public transport with an improved service offering, and to promote the development of transport infrastructure that encourages cycling and walking in urban areas. Measures in the field of transport are actively promoting a shift in travel habits, with the aim of reducing individual use of private motor vehicles, thereby also reducing energy consumption, emissions, and the share of household expenditure on mobility. In 2024, a measure to promote more **environmentally friendly road freight transport** was implemented. Non-repayable financial incentives were granted to the transport sector for the purchase or conversion of lorries and buses powered by synthetic gas and biomethane, electricity or hydrogen, as well as for the upgrading of lorries with aerodynamic components to reduce air resistance.

A change in **the tax area** was also adopted in support of the green transition, extending the period for claiming relief for the green and digital transition to five years. This has enabled natural persons engaged in business activities and companies investing in the digital and green transition to carry forward the unused portion of the relief for such investments over a period of five years following the investment period. Such support is essential for encouraging greater investment in green and digital technologies and contributes to sustainable development, which is the foundation of our green transition.

Digital Transition

The National Strategic Roadmap for the Digital Decade, adopted in November 2023, is currently being implemented. It sets out how the Republic of Slovenia will contribute to the common European objectives of the Digital Agenda 2030 in the areas of digital skills, digital infrastructure, the digital transformation of the economy, and digital public services. The Roadmap, which has already been revised in line with the recommendations of last year's Digital Decade Report,[22] includes measures for which funding has been secured from national or European funds, as well as action plans indicating how specific policy objectives under the Digital Decade programme could be achieved.

As a reform measure, **the Strategy of Digital Transformation of the Economy** was adopted at the beginning of 2022. In addition to integrating advanced digital technologies (AI, IoT, big data, blockchain, Web 3.0, digital twins, AR, VR, XR, 3D printing) into the economy, it also addresses the development of an entrepreneurial, developmental and financial support environment, and sets out the rationale for digital social innovation. Investments in the digital transformation of large enterprises have placed particular emphasis on strengthening their value chains in cooperation with small and medium-sized enterprises and start-ups. Through this, Slovenia is also contributing to the achievement of the European Digital Decade indicator entitled: integration of advanced technologies in the economy.

The digital transition is also significantly supported through Important Projects of Common European Interest (IPCEIs), as Slovenia is participating in IPCEI-CIS (the next generation of European cloud and edge computing), IPCEI ME/CT (microelectronics – semiconductors and microchips), and IPCEI EUBatIN (in the field of batteries). Slovenia is now participating in IPCEI Tech4Cure (in the field of health and medicine) and in the IPCEI on hydrogen. Within the framework of the Joint European Forum, it is also involved in the preparation of future measures aimed at strengthening the resilience and strategic autonomy of both the Slovenian and European markets.

In the area of public services, the implementation of **the Digital Public Services Strategy 2030** plays a key role in increasing the uptake of digital public services. In addition to improving the range of services, investments are being made in promoting the use of digital services, in coordination with end users, and in providing assistance and support to users (such as the so-called Digi Info Points, the Single Contact Centre, and similar services).

New functionalities are being introduced, including the possibility of using **the new identity card as a substitute for the health insurance card**, as well as a number of procedures and features on the eGovernment citizen portal and the SPOT portal for businesses. Among the achievements aimed at increasing the efficiency of public sector employees are the

[22] In line with the 2030 Policy Programme: Path to the Digital Decade, Slovenia submitted the revised roadmap to the European Commission at the beginning of 2025. To facilitate monitoring, the Roadmap has been aligned in substance with the action plan of the Digital Slovenia 2030 Strategy. The Plan is currently undergoing interministerial harmonisation.

introduction of the Krpan document management system and the establishment of the SI-CeV central information system for electronic service of documents.

An amendment to **the Promotion of Digital Inclusion Act (ZSDV)** has been adopted, the key change being the abolition of the mechanism for providing access to computer equipment, which had proved to be overly cumbersome, slow, and administratively burdensome. Computer equipment that had been allocated to beneficiaries on a loan basis has, upon the entry into force of the amendment, become their permanent property. The amended Act also introduced a change whereby, if a beneficiary fails to accept the allocated equipment after three consecutive attempts at delivery, the right to receive the equipment lapses. The Act continues to regulate other measures to promote digital inclusion, while additional new provisions are expected to be included in the forthcoming overarching act on digital transformation.

A draft Act Amending the Electronic Identification and Trust Services Act has also been prepared and was submitted for public consultation in January. Its purpose is to align with the amended Identity Card Act in relation to the regulation of electronic identification means, and to introduce the necessary national adaptations for the implementation of certain requirements under Regulation (EU) 2024/1183 of the European Parliament and of the Council amending Regulation (EU) No 910/2014 on establishing a framework for a European digital identity, adopted last year. In particular, the draft defines offences and establishes a single contact point.

Among the key measures being **prepared by the Government is the Act on Healthcare Digitalisation**. It introduces additional transparency into the Slovenian healthcare system and brings important changes for patients and healthcare professionals. Its purpose is to ensure the effective functioning of the healthcare system as a whole by collecting health data in digital form in one place – within the national electronic health record. The objective is to reduce the administrative burden on healthcare workers, introduce cost-efficiency, and improve the quality and effectiveness of patient care.

Digitalisation in tourism will also remain an important element of all further tourism-related development activities and investments. A key factor in the digital transformation is staff with digital competences. The objective is to ensure, through **formal and non-formal education programmes, an increase in digital competences at all levels**. The goal is for one in three employees in the tourism sector to participate in at least one training programme to enhance competences by 2026.

In 2024, **public calls** were published for the co-financing of adult education in the field of digital competences; for the financing of the establishment, maintenance, and operation of the public warning and notification system, including the submission of warning messages; for the implementation of training for older persons using a mobile unit – Mobile Heroes; for assistance with the use of digital public services – Digi Info Points; and for the co-financing of the construction of high-performance fixed broadband networks or the upgrading of existing fixed networks (GOŠO6).

In January 2025, a public call was published for the co-financing of **the construction of high-performance 5G mobile networks**. Electronic communications operators receiving the funding will offer the infrastructure of open base stations to mobile network operators in areas affected by the August 2023 floods.

In March 2025, a public call was published for the financing of training for children and young people to strengthen digital competences and to promote and encourage interest in science and technical professions for the years 2025 and 2026.

Housing Policy

Slovenia is committed to providing additional housing units and to establishing a robust housing policy framework that includes a predictable financial mechanism, land policy, and experienced operators in the field of public housing construction. Measures and investments set out in the Recovery and Resilience Plan are being implemented; slightly more than 1,000 additional non-profit housing units have already been secured across Slovenia.

The key priority in 2025 is to increase the public housing stock and to reduce the shortfall compared with other countries. To achieve this objective, the following activities are under preparation: financing and launch of major housing projects (more than 500 units are currently under construction, and construction of a further 2,000 units is planned to start over the next two years); the adoption of a long-term financial strategy and development of a stable financial mechanism to support long-term planning of new projects; a reform of the public housing sector through the revision of the Housing Act; the finalisation of the draft National Housing Plan 2026–2035. The new **National Housing Programme** will serve as the fundamental document setting out strategic objectives for the construction of public rental housing in the period from 2026 to 2036. It will provide the basis for the implementation of other housing policy measures in Slovenia, with the aim of improving access to affordable housing for all social groups. In March 2025, an expert group began its work to provide technical assistance in preparing the new National Housing Programme 2026–2036.

The line ministry has submitted for public consultation a draft **amendment to the Housing Act** and a draft Act on the Financing and Promotion of Public Rental Housing Construction. The amended Act addresses the regulation of tenancy relations in public rental housing and the method of allocation, with the aim of making the system more sustainable and attractive for housing funds and municipalities. In addition, the amended Act also addresses the regulation of existing non-profit rents, subsidies, and the organisation of non-profit housing providers. The proposed new Act will establish a systemic framework to ensure up to EUR 100 million per year for housing construction until 2035. This will provide a predictable, substantial, and favourable source of financing for the construction of public rental housing, enabling the national housing fund, local funds and municipalities, as well as non-profit housing organisations, to plan housing projects in a more strategic and predictable manner.

In March 2025, the Government adopted **the draft Hospitality Industry Act**. The draft sets out the types of hospitality activity, the conditions for their pursuit, and specific requirements for particular forms of hospitality activity, including the short-term rental of residential property. The Act introduces a general time limit on the short-term rental of property: 60 days per year for dwellings in multi-apartment buildings and 150 days per year for dwellings in single-family or two-family houses. The measure supports the availability of housing for residents.

Implementation of the Recovery and Resilience Plan

Slovenia is taking the necessary measures to ensure the effective implementation of the Recovery and Resilience Plan (RRP), with the objective of maximising the absorption of available funding from the Recovery and Resilience Facility by 2026. In addition to implementation, the Government regularly monitors potential risks to the implementation of measures and investments.

In 2025, the Government will adopt an amendment to the Recovery and Resilience Plan in order to maximise the absorption of funds from the Recovery and Resilience Facility, due to changed objective circumstances. A reduction in the loan envelope of approximately 0.6% of GDP is foreseen, primarily through a decrease in the value of measures in the areas of flood protection and railways (transferred to the Cohesion Policy Programme 2021–2027). At the same time, elements of the electricity distribution, railways, and greening of educational infrastructure measures are being transferred from loans to grants.

The envelope of grants remains unchanged under the amended plan; within the measures, the changes primarily concern adjustments in amounts related to district heating, distribution networks, socio-economic vulnerability to climate-related disasters, flood safety, railways (transfer from loans), youth mobility, the introduction of more flexible forms of work adapted to the needs of persons with disabilities, faster integration of young people into the labour market, green and digital education, greening of educational infrastructure (transfer from loans), and energy efficiency in the economy.

Efficient Absorption of EU Funds

Slovenia has access to Cohesion Policy funds for the 2021–2027 period in the amount of EUR 3,212 million. By 3 March 2025, the Ministry of Cohesion and Regional Development (MCRD) had processed applications from intermediate bodies totalling EUR 1,450 million, representing 45% of the available funds, of which MCRD approved applications amounting to EUR 898 million (28% of the available funds). The total value of operations already under implementation amounts to EUR 552 million, or 17% of the available funds.

The start of the 2021–2027 programming period coincides with the closing phase of the 2014–2020 European Cohesion Policy programming period. All efforts were initially prioritised towards the completion of projects from the 2014–2020 period, which consequently led to a delay in the full implementation of the new programming period.

On 27 February 2025, the Government adopted **measures to amend the European Cohesion Policy Programme 2021–2027 in Slovenia (ECPP) and to accelerate the absorption of EU funds**. The measures introduced through the amendment of the ECPP will enable more effective implementation of individual specific objectives and will also accelerate the fulfilment of country specific recommendations (CSRs) for Slovenia. Key measures include:

– the integration of the Strategic Technologies for Europe Platform (STEP) into the implementation of the ECPP;
– the preparation of a risk assessment for the implementation of the ECPP and the identification of projects considered to be at risk in terms of timely delivery;
– the identification of projects that could significantly accelerate the absorption of funds and maximise their absorption potential;
– the further strengthening of the capacities of stakeholders involved in the implementation of the ECPP.

Under the proposed amendments to the programme for the 2021–2027 period, changes are planned primarily under Policy Objectives 1, 2, and 4, specifically through the inclusion of STEP measures in the implementation of the European Cohesion Policy Programme, the introduction of a new specific objective to support STEP projects, the definition of targeted measures to promote renewable energy in support of the STEP platform, and the identification of new measures to strengthen skills and improve employability.

The accelerated implementation of funding absorption is also reflected in the fact that, in March 2025, applications totalling EUR 327 million were submitted. These relate to activities in the areas of financial instruments, supporting a total of 450 enterprises (micro, small, medium-sized, and large), and 190 enterprises that will receive support in the form of grants. Vacant and underused sites will be revitalised, and private buildings will be supported to improve energy efficiency. Calls are being implemented under the objectives of a Greener Europe and a More Social Europe, which include the co-financing of projects by social partners and the establishment of a model for integrated early vocational and employment rehabilitation for persons with mental health difficulties. Under the policy objective Europe closer to citizens, investments are planned for the arrangement and improvement of the urban environment.

ANNEX

Table 1a: Fiscal commitment

			Council recommendation		Outturn/projection	
			2024	2025	2024	2025
			(growth rate)	(growth rate)	(growth rate)	(growth rate)
1	Net nationally financed primary expenditure	(annual)	6.2	5.6	4.5	5.3
		(cumulative)		12.1		10.0

Source: SORS (22. 4. 2025); MoF.

Table 1b: Main variables

		2023	2024	2025
		% GDP	% GDP	% GDP
2	Net lending/borrowing	-2.6	-0.9	-1.9
3	Structural balance*	-3.1	-1.2	-1.8
4	Structural primary balance*	-1.8	0.1	-0.5
5	Gross debt	68.4	67.0	66.0
6	Change in gross debt (in p.p.)	-4.3	-1.4	-1.1

* Note: in % of potential GDP.

Source: SORS; IMAD SF 2025; MoF.

Table 2: Macroeconomic developments

			2023	2023	2024	2025	2026
	GDP	ESA Code	bn EUR	growth rate	growth rate	growth rate	growth rate
1	Real GDP	B.1*g		2.1	1.6	2.1	2.4
2	GDP deflator			10.1	3.1	2.8	2.7
3	Nominal GDP	B.1*g	64.0	12.4	4.7	4.9	5.2
	Components of real GDP	ESA Code	bn EUR	growth rate	growth rate	growth rate	growth rate
4	Private consumption expenditure	P.3		0.1	1.6	2.2	2.3
5	Government consumption expenditure	P.3		2.4	8.5	2.7	4.1
6	Gross fixed capital formation	P.51		3.9	-3.7	1.0	3.0
7	Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53		-1.5	0.3	0.0	0.0
8	Exports of goods and services	P.6		-2.0	3.2	2.6	3.4
9	Imports of goods and services	P.7		-4.5	3.9	2.7	3.9
	Contribution to real GDP growth						
10	Final domestic demand			1.3	1.7	2.0	2.5
11	Changes in inventories and net acquisition of value	P.52 + P.53		-1.5	0.3	0.0	0.0
12	External balance of goods and services	B.11		2.3	-0.4	0.1	-0.1
	Deflators and HICP			growth rate	growth rate	growth rate	growth rate
13	Private consumption deflator			7.5	2.2	2.3	2.3
14	p.m. HICP			7.4	2.0	2.3	2.3
15	Government consumption deflator			8.8	3.3	4.7	3.8
16	Investment deflator			5.3	2.3	2.1	2.4
17	Export price deflator (goods and services)			1.6	-0.6	0.9	0.8
18	Import price deflator (goods and services)			-2.0	-1.7	0.7	0.7
	Labour market	ESA Code	Level	growth rate	growth rate	growth rate	growth rate

19	Domestic employment (1000 persons, national accounts)		1,100	1.6	0.1	0.1	0.4
20	Average annual hours worked per person employed		1,588	-1.4	0.9	0.7	0.8
21	Real GDP per person employed			0.5	1.4	2.0	2.0
22	Real GDP per hour worked			1.9	0.5	1.3	1.2
23	Compensation of employees	D.1	32.7	10.8	6.0	7.3	5.9
24	Compensation per employee (= 23/19)		29.7	9.0	5.9	7.1	5.5
				%	%	%	%
25	Unemployment rate (%)			3.7	3.7	3.7	3.7
	Potential GDP and components			growth rate	growth rate	growth rate	growth rate
26	Potential GDP			2.8	2.5	2.4	2.2
	Contribution to potential growth						
27	Labour			0.7	0.7	0.6	0.3
28	Capital			0.6	0.5	0.4	0.5
29	Total factor productivity			1.4	1.4	1.4	1.4
				% pot. GDP	% pot. GDP	% pot. GDP	% pot. GDP
30	Output gap			2.2	1.3	1.0	1.2

*Note: contribution without changes in inventories and net acquisition of valuables.
Source: SORS; IMAD SF 2025; MoF calculations.

Table 3: External assumptions

			2023	2024	2025	2026
1	Short-term interest rate	(%, annual average)	2.92	3.11	2.29	2.16
2	Long-term interest rate	(%, annual average)	3.38	3.09	3.29	3.50
3	USD/EUR exchange rate	(annual average)	1.082	1.082	1.041	1.041
4	NAC/EUR exchange rate (only for non-EA Member States)	(annual average)	1.082	1.082	1.041	1.041
5	World real GDP (excluding EU)	(growth rate)				
6	EU real GDP	(growth rate)	0.4	0.9	1.1	1.3
7	World import volumes, excluding EU	(growth rate)				
8	Oil prices	(Brent, USD/barrel)	82.5	80.5	75.7	71.1

Source: IMAD SF 2025; MoF calculations.

Table 4: Budgetary projections

			2023	2023	2024	2025
	Revenue	ESA Code	bn EUR	% GDP	% GDP	% GDP
1	Taxes on production and imports	D.2	8.3	12.9	12.9	12.9
2	Current taxes on income, wealth, etc	D.5	5.0	7.9	8.5	8.5
3	Social contributions	D.61	10.2	15.9	17.3	17.8
4	Other current revenue	(P.11+P.12 +P.131) + D.39 + D.4 + D.7	4.0	6.2	6.5	5.6
5	Capital taxes	D.91	0.0	0.0	0.2	0.2
6	Other capital revenue	D.92+D.99	0.6	1.0	0.4	1.3
7	Total revenue (= 1+2+3+4+5+6)	TR	28.1	43.9	45.8	46.2
8	Of which: Transfers from the EU (accrued revenue, not cash)	D.7EU+D.9EU	0.8	1.3	0.9	1.5
9	Total revenue other than transfers from the EU (= 7-8)		27.2	42.6	44.9	44.7
10	p.m. Revenue measures (increments, excluding EU funded measures)		0.1	0.2	1.0	0.3
11	p.m. One-off revenue included in the projections (levels, excluding EU funded measures)					
	Expenditure	ESA Code	bn EUR	% GDP	% GDP	% GDP
12	Compensation of employees	D.1	7.2	11.2	11.4	11.7

13	Intermediate consumption	P.2	4.2	6.5	6.7	6.8
14	Interest expenditure	D.41	0.8	1.2	1.3	1.3
15	Social benefits other than social transfers in kind	D.62	9.7	15.2	15.6	15.8
16	Social transfers in kind via market producers	D.632	1.5	2.3	3.0	3.1
17	Subsidies	D.3	1.2	1.9	1.1	1.2
18	Other current expenditure	D.29+(D.4-D.41)+ D.5 + D.7 + D.8	1.3	2.1	2.0	2.0
19	Gross fixed capital formation	P.51	3.4	5.3	5.1	5.5
20	Of which: Nationally financed public investment		2.9	4.5	4.7	4.6
21	Capital transfers	D.9	0.4	0.6	0.7	0.7
22	Other capital expenditure	P.52+P.53 +NP	0.1	0.1	0.1	0.0
23	Total expenditure (=12+13+14+15+16+17+18+19+21+22)	TE	29.7	46.5	46.8	48.1
24	Of which: Expenditure funded by transfers from the EU (= 8)	D.7EU+D.9EU	0.8	1.3	0.9	1.5
25	Nationally financed expenditure (23-24)		28.9	45.2	45.9	46.6
26	p.m. National co-financing of programmes funded by the Union		0.2	0.3	0.2	0.3
27	p.m. Cyclical component of unemployment benefits		-0.1	-0.1	-0.1	-0.1
28	p.m. One-off expenditure included in the projections (levels, excluding EU funded measures)		0.3	0.5	0.3	0.6
29	Net nationally financed primary expenditure (before revenue measures) (= 25-26-27-28-14)		27.7	43.3	44.2	44.6
	Net nationally financed primary expenditure				growth rate	growth rate
30	Net nationally financed primary expenditure growth	Table 1a, row 1		/	4.5	5.3
	Balances	ESA Code	bn EUR	% GDP	% GDP	% GDP
31	Net lending/borrowing (= 7-23)	B.9	-1.7	-2.6	-0.9	-1.9
32	Primary balance (= 31+14)		-0.9	-1.3	0.4	-0.6
	Cyclical adjustment			% GDP	% GDP	% GDP
33	Structural balance			-3.1	-1.2	-1.8
34	Structural primary balance			-1.8	0.1	-0.5
	Debt		bn EUR	% GDP	% GDP	% GDP
35	Gross debt		43.7	68.4	67.0	66.0
36	Change in gross debt		2.3	-4.3	-1.4	-1.1
37	Contributions to changes in gross debt					
38	Primary balance (= minus 32)			1.3	-0.4	0.6
39	Snowball effect			-6.8	-1.8	-1.9
40	Interest expenditure (= 14)			1.2	1.3	1.3
41	Growth			-1.4	-1.0	-1.4
42	Inflation			-6.6	-2.0	-1.8
43	Stock-flow adjustment (= 36-38-39)			1.1	0.8	0.2
				%	%	%
44	p.m. Implicit interest rate on debt (=14/DEBT(t-1))			1.9	2.0	2.0

Source: SORS (22. 4. 2025); MoF.

Table 5: Estimated impact of discretionary revenue measures

	Title/description of measure	One-off	Exp / Rev		2023	2024	2025
				ESA Code	% GDP	% GDP	% GDP
1	The amendment ZDoh-2AA, which eliminates the financial consequences due to the increase of the general income tax reliefs in the years 2023, 2024 and 2025.	No	Revenue	D.51	0.2	0.1	0.0
2	Gradual elimination of energy measures to mitigate price increases (reduction of excise duties on energy products for fuels, heating oil, natural gas, reduction of value added taxes for certain energy products from 22% to 9.5%, reduction of CO2 duties).	No	Revenue	D.21	0.1	0.2	0.0
3	Increase of corporate income tax by 3 pp. (Article 64 ZORZFS) for the period 2024 – 2028 (dedicated revenue of the Reconstruction Fund).	No	Revenue	D.51		0.3	0.0
4	Tax on the balance sheet of banks and savings banks (Article 78 ZORZFS) for the period 2024 – 2028 (dedicated revenue of the Reconstruction Fund).	No	Revenue	D.91		0.1	0.0
5	Non-harmonization of the income tax scale and reliefs in 2024 (Article 77 ZIPRS2425) and indexation in 2025.	No	Revenue	D.51		0.2	-0.2
6	Increase in the price per unit with carbon dioxide emissions from the current 17.3 euros to 30.85 euros (2328. Decision on the level of the environmental levy for air pollution with carbon dioxide emissions).	No	Revenue	D.29		0.0	0.1
7	Long-term care contribution.	No	Revenue	D.61		0.4	0.5
	TOTAL				0.2	1.0*	0.3

*Note: The effect on the total general government revenue due to the transformation of supplementary health insurance into compulsory health insurance is neutral.

Source: calculations by the Ministry of Finance in accordance with the classification of discretionary measures of the European Commission (2015). Report on public finances in EMU - 2015. Institutional Paper 014. and the European Commission (2016). Report on public finances in EMU - 2016. Institutional Paper 045.

Table 6: RRF grants

		2021	2022	2023	2024	2025	2026
	Revenue from RRF grants	% GDP	% GDP	% GDP	% GDP	% GDP	% GDP
1	RRF grants as included in the revenue projections	0.22	0.21	0.61	0.53	0.69	0.68
2	Cash disbursements of RRF grants from EU	0.44	0.00	0.47	0.21	0.54	0.54
	Expenditure financed by RRF grants						
3	Total current expenditure	0.00	0.00	0.07	0.14	0.38	0.32
4	Gross fixed capital formation	0.21	0.11	0.08	0.18	0.33	0.17
5	Capital transfers	0.00	0.01	0.08	0.01	0.14	0.12
6	Total capital expenditure (4+5)	0.21	0.12	0.16	0.19	0.47	0.29
	Other costs financed by RRF grants						
7	Reduction in tax revenue						
8	Other costs with impact on revenue						
9	Financial transactions						

Source: MoF.

Table 7: RRF loans

		2021	2022	2023	2024	2025	2026
	Revenue from RRF loans	% GDP	% GDP	% GDP	% GDP	% GDP	% GDP
1	RRF loans as included in the revenue projections	0.00	0.00	0.48	0.17	0.07	0.13
2	Cash disbursements of RRF loans from EU	0.00	0.00	0.00	0.00	0.00	0.00
	Expenditure financed by RRF loans						
3	Total current expenditure	0.00	0.00	0.00	0.00	0.01	0.04
4	Gross fixed capital formation	0.00	0.00	0.06	0.20	0.05	0.16
5	Capital transfers	0.00	0.00	0.00	0.02	0.02	0.06
6	Total capital expenditure (4+5)	0.00	0.00	0.06	0.22	0.07	0.22
	Other costs financed by RRF loans						
7	Reduction in tax revenue						
8	Other costs with impact on revenue						
9	Financial transactions						

Source: MoF.