



# Long term sustainability of Slovak public finances

November 6, 2025

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# Council for Budget Responsibility

- Independent fiscal institution (IFI)
- Established in 2012 – Constitutional Law on Budget Responsibility
- Council – 3 members, non-renewable
  - Nominated by government, president and central bank governor
- Secretariat – analytical staff to support the council
- Financing – via central bank
- Main tasks
  - [Report on the Long-term sustainability of public finances](#)
  - Report on the Compliance with the Fiscal Responsibility and Fiscal Transparency Rules
  - Opinions on fiscal consequences of proposed legislation
  - Calculation of Expenditure limits
  - Other: opinions on (draft) budget, quarterly macro forecast, working papers ...



# Macroeconomic outlook

# Growth subdued by both domestic and external inhibitors

Growth in % (unless stated otherwise)	Actual	Forecast				
	2024	2025	2026	2027	2028	2029
Real GDP	2.1	0.9	1.3	1.5	1.5	1.4
Household consumption	2.9	1.4	1.0	1.8	1.4	1.6
Gross fixed capital formation	1.8	4.2	0.8	-9.9	1.4	2.1
Government consumption	3.7	1.5	1.2	1.9	0.0	-0.4
Exports	0.3	3.3	2.5	3.8	3.4	3.1
Imports	2.3	4.9	3.0	2.1	2.9	3.1
Employment (ESA)	-0.2	0.0	-0.3	-0.1	-0.2	-0.3
Nominal wage	6.6	6.3	4.0	4.3	4.2	4.3
Real wage	3.7	2.1	1.3	1.7	1.6	1.8
Inflation (CPI)	2.8	4.1	2.7	2.5	2.5	2.5
Output gap	0.2	-0.5	-0.9	-0.8	-0.6	-0.5

**2026:** price cap for regulated prices (until the end of political cycle 2027), RRF, slow implementation of the remaining EU funds, postponing of EA recovery, Tariff agreement (EU, USA) – reduction of global uncertainty

**2027:** start of production at Volvo in 2H, ETS2 spread over 3 years (0.2-0.3 annual contribution to inflation), EU funds fiscal cliff, no more fiscal tightening assumed (political cycle)

**2028-29:** consolidation resumed, decline in the labor force, economic growth similar to 2027

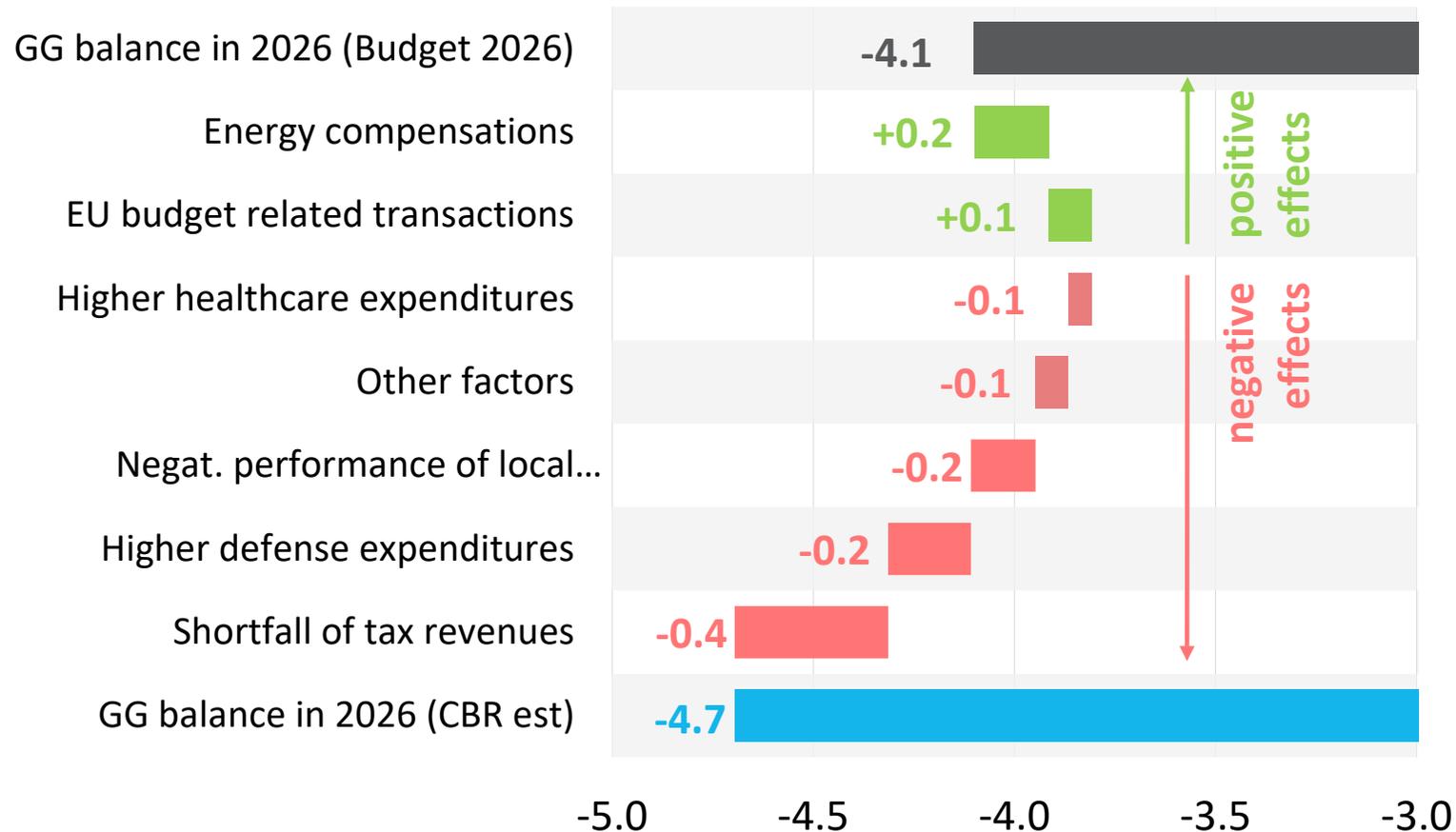
**Risks:** US tariff policy, financial markets (France), only slow recovery of the European automotive, industrial performance of our main trading partners after the US frontloading of imports, consolidation measures

# 2026-2028 fiscal outlook

# 2026 Deficit Forecast Above Government Target

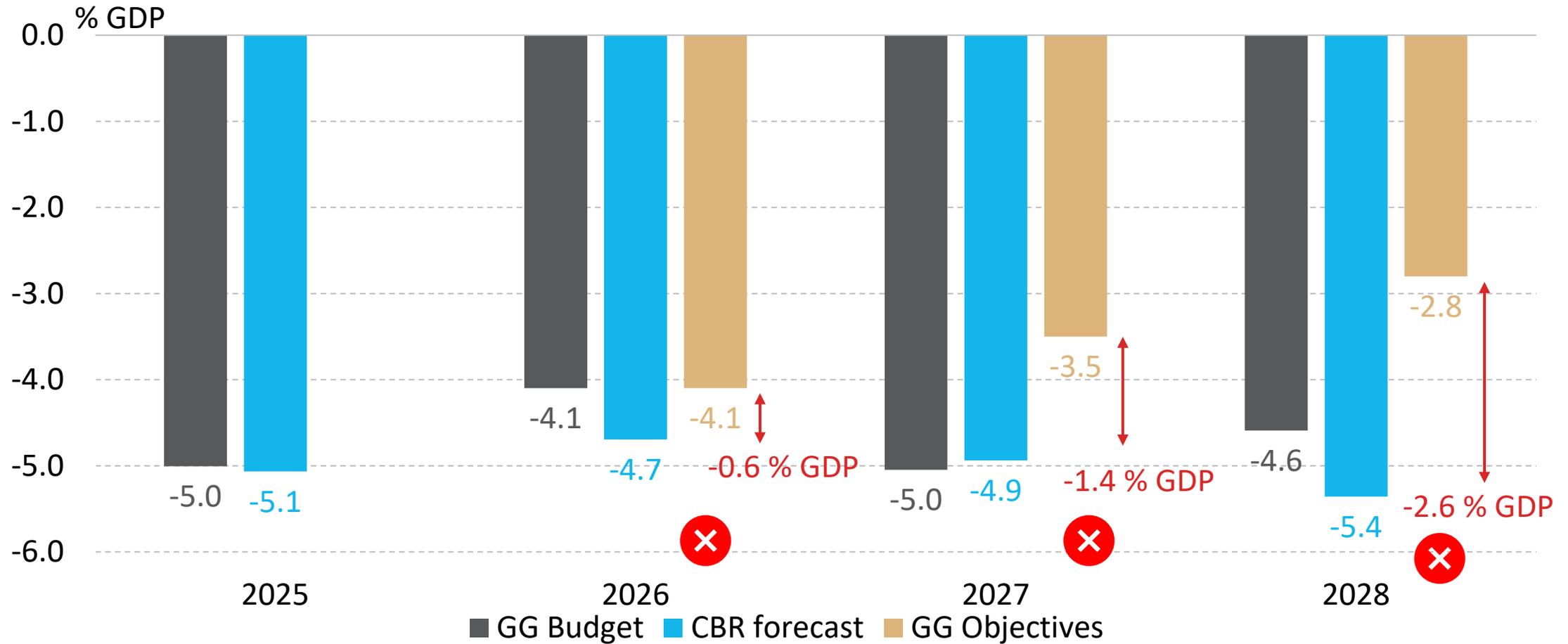
- Significant risk of tax revenue shortfall:
  - labour taxes, CIT and VAT
- Higher defense expenditures
- Positive risk in energy compensations

Main factors contributing to the deviation in the GG balance in 2026 from the 2026 budget (% GDP)



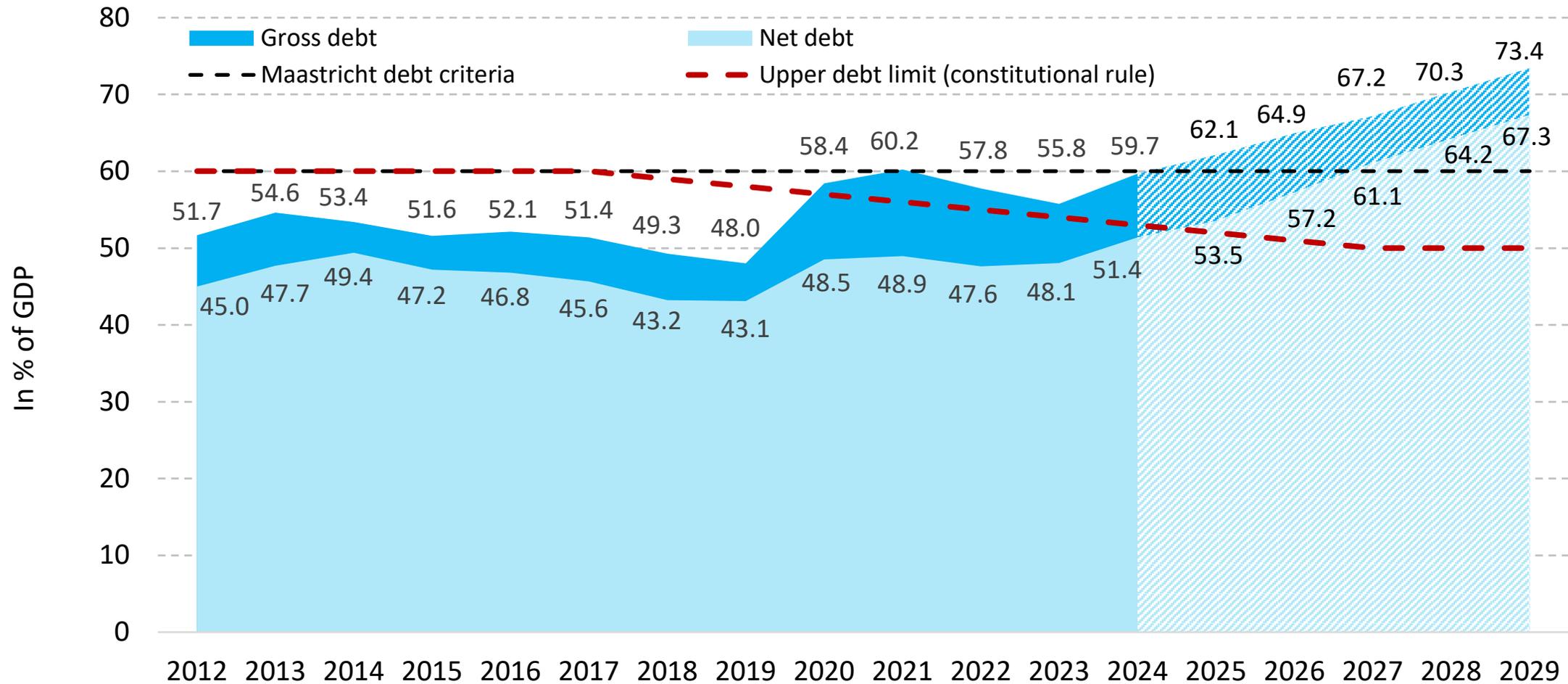
# Fiscal trends 2025-2028 (NPC)

## GG Balance

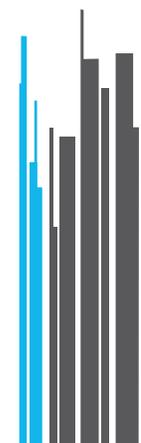


Source: MoF, CBR

# Public debt projected to rise to 73.4 % GDP



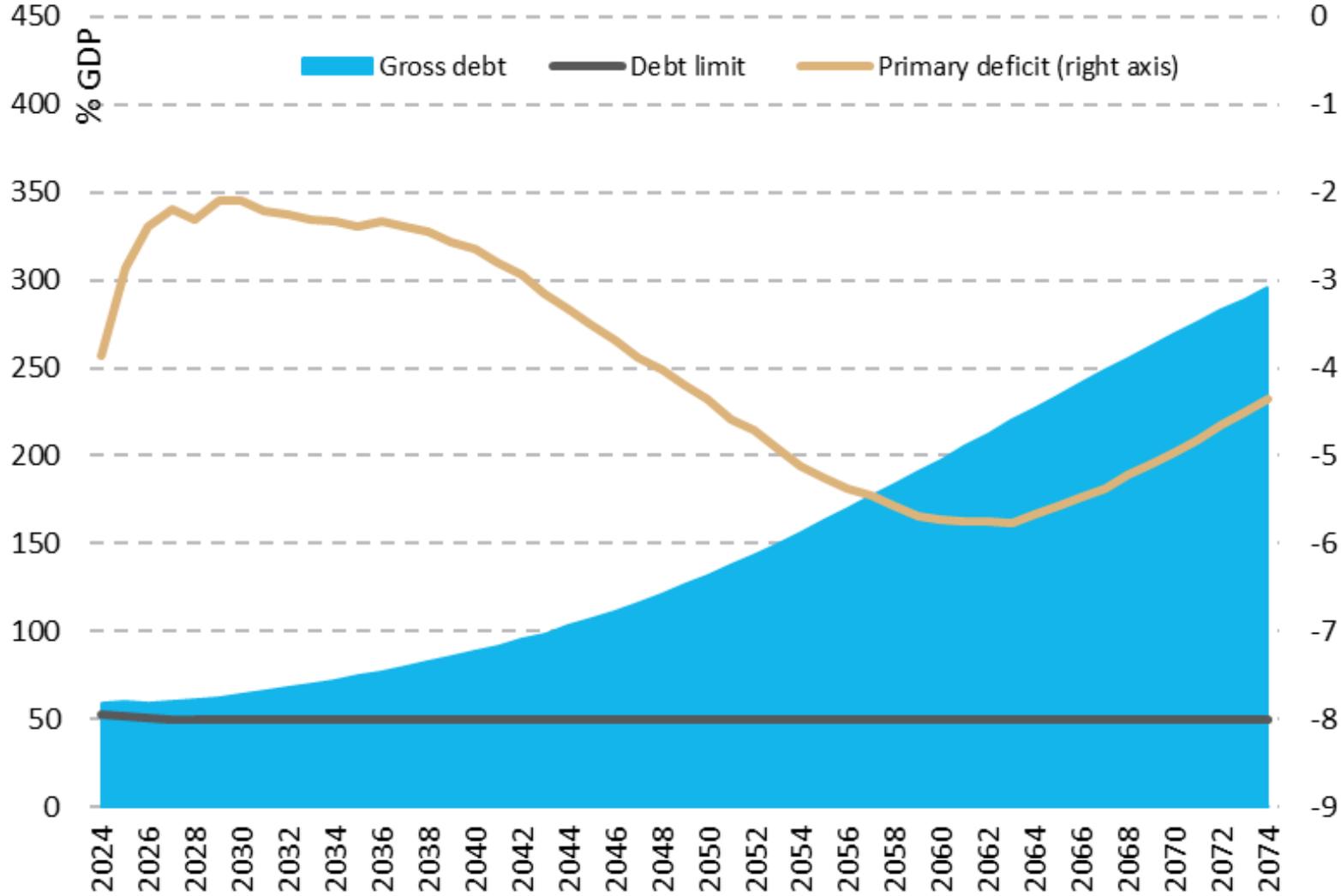
Source: CBR, SO SR, MoF



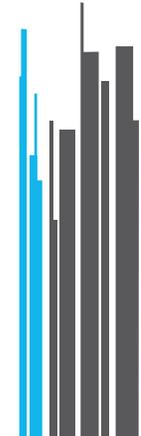
# Long-term sustainability



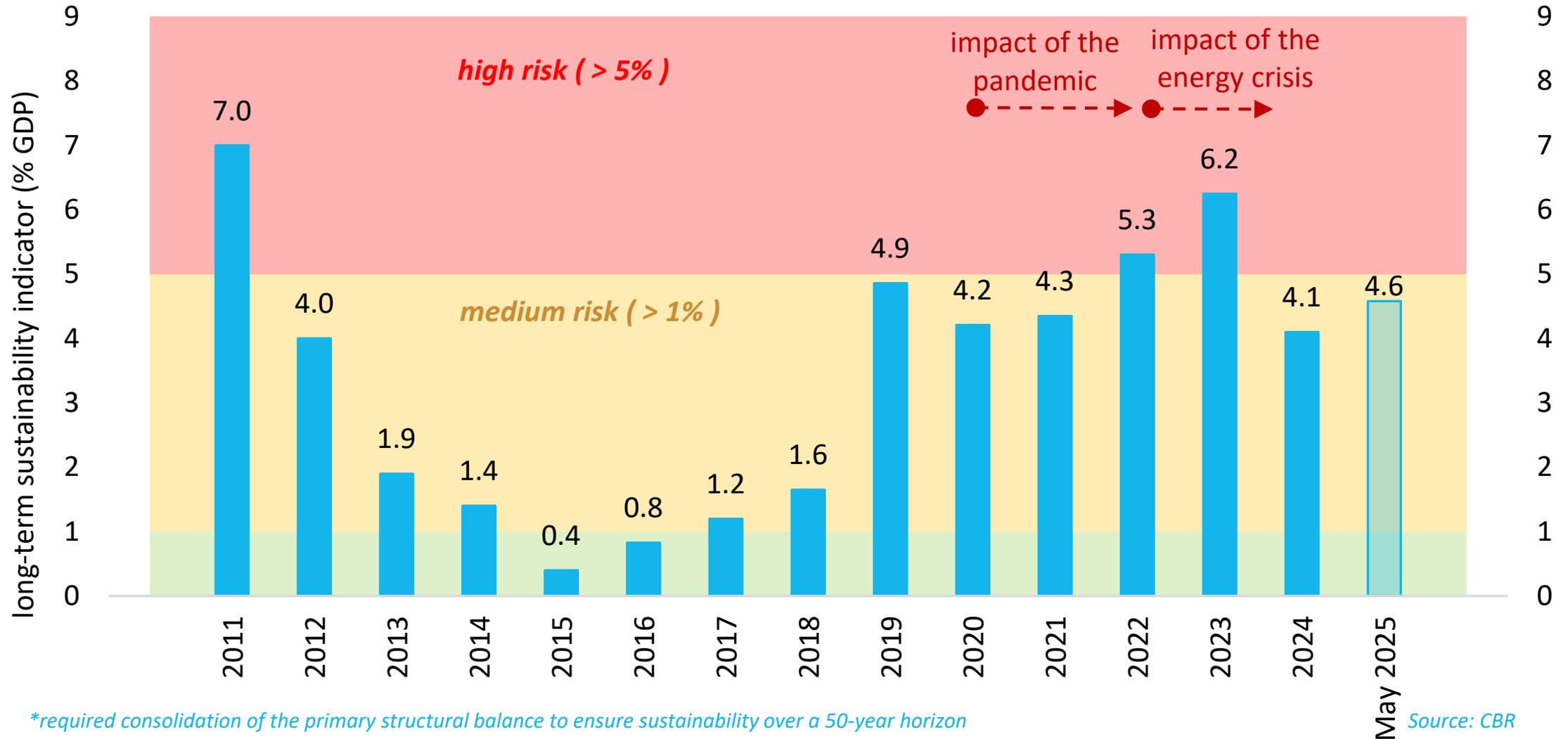
# Main scenario – debt growth



- Debt over 100 % GDP in 2044, by 2074 close to 300%
- Hypothetical scenario – impossible to sustain so high debts



# Long-term sustainability – medium risk



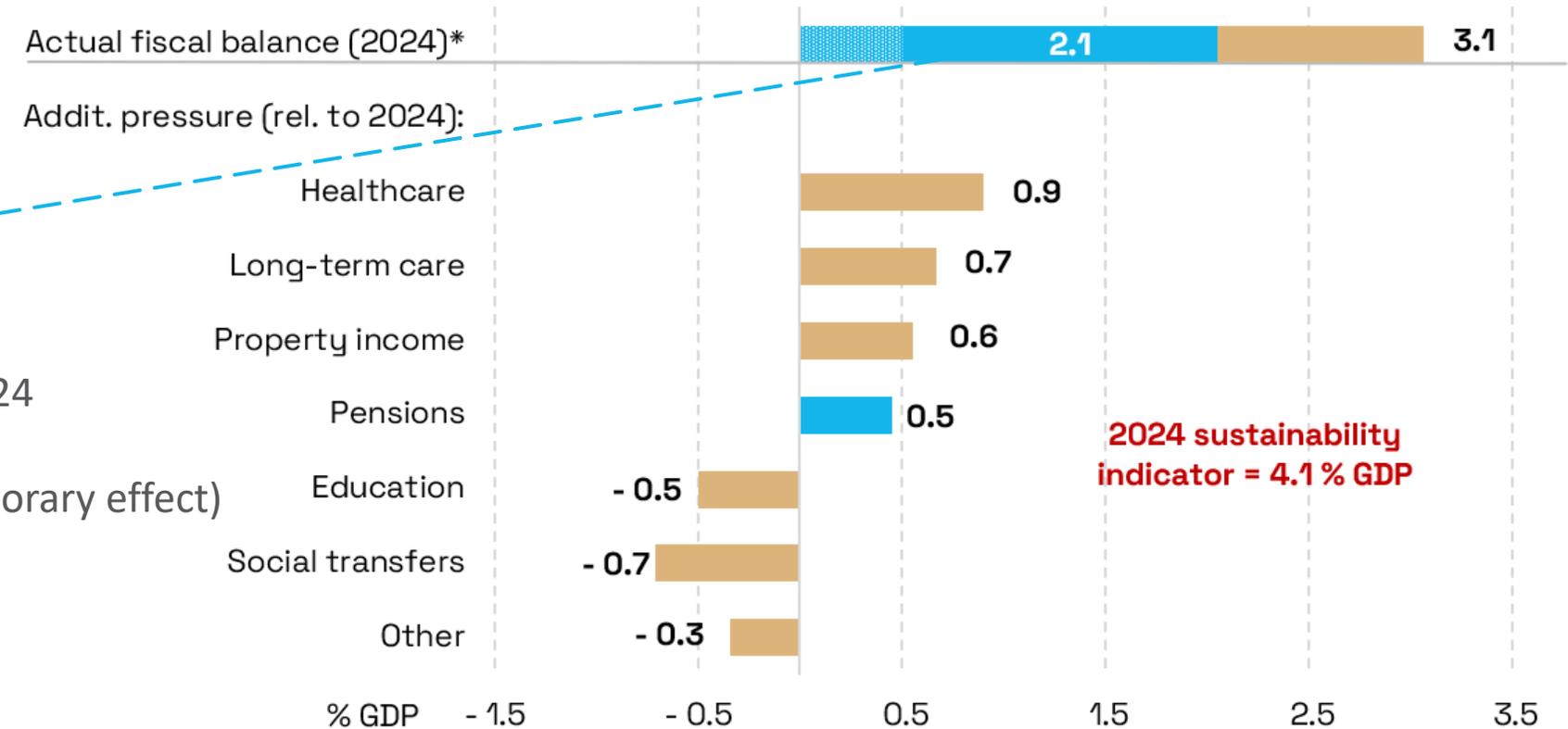
\*required consolidation of the primary structural balance to ensure sustainability over a 50-year horizon

Source: CBR

- **Total impact of the budget is 0.3 % of GDP (improvement in sustainability):**
  - Fiscal package for 2026 – improves by 0.9 % of GDP
  - Other measures adopted in 2025 (salaries of teachers, expenditures in healthcare) – worsens by 0.6 % of GDP
- On y-o-y basis, long-term sustainability indicator might not improve in 2025 – worse macroeconomic outlook and higher deficit in 2025.

# Pension system deficit contributes half of long-term gap

## Long-term sustainability indicator in 2024 - contributions



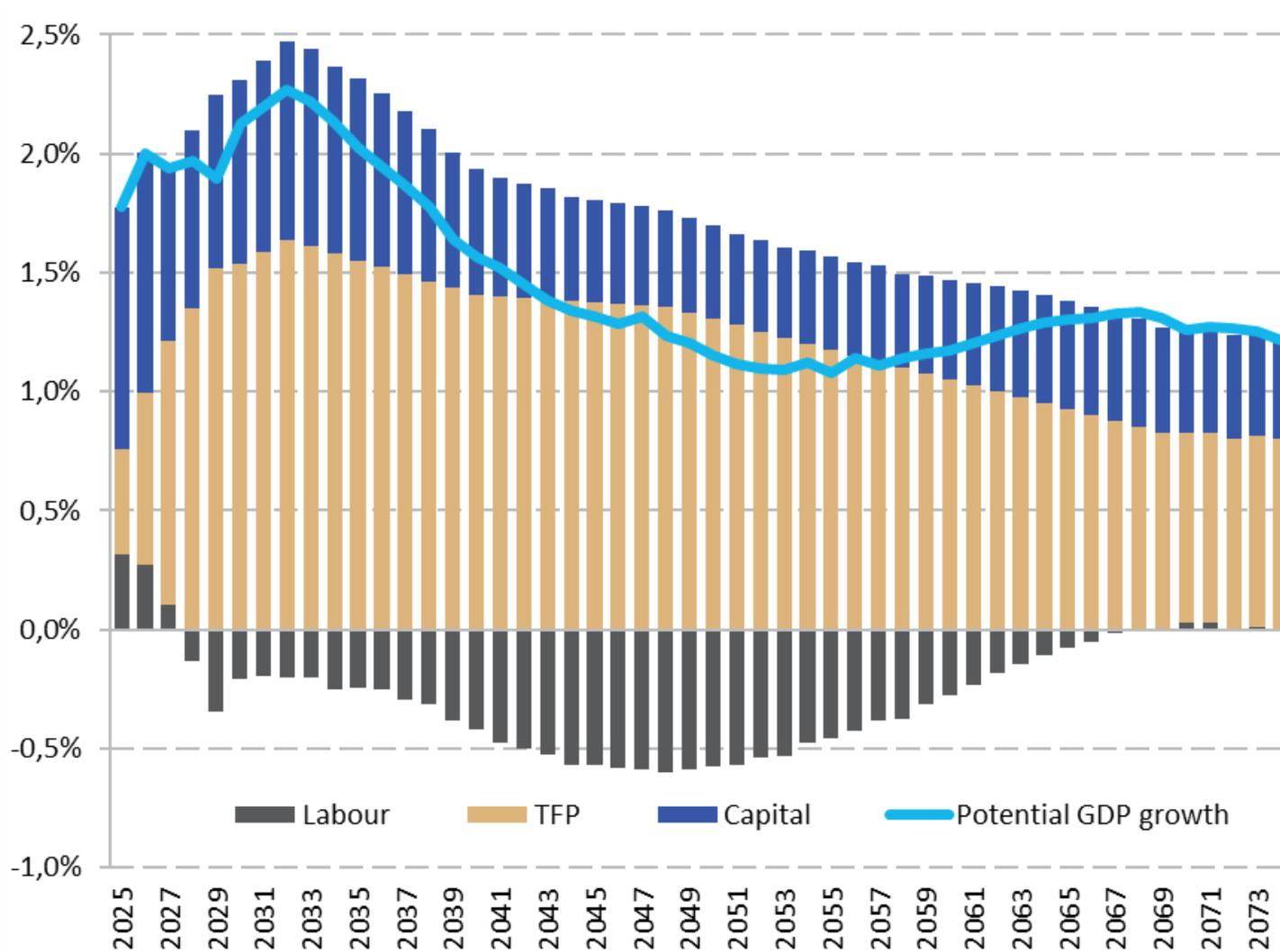
### Current pension system deficit:

- 13. pensions
- Early retirements in 2023 a 2024 (temporary effect)
- Parental pension (mostly temporary effect)

Source: CBR

Note: \* impact of the initial budgetary position, i.e. the structural primary balance and gross debt in 2024  
 Other – refers to the effects of changes in other components of the general government balance that are not shown individually in the chart, compared to 2024. The impact of the adjusted pension system balance is shown in blue under "Actual fiscal balance" with the shaded portion representing temporary effects.

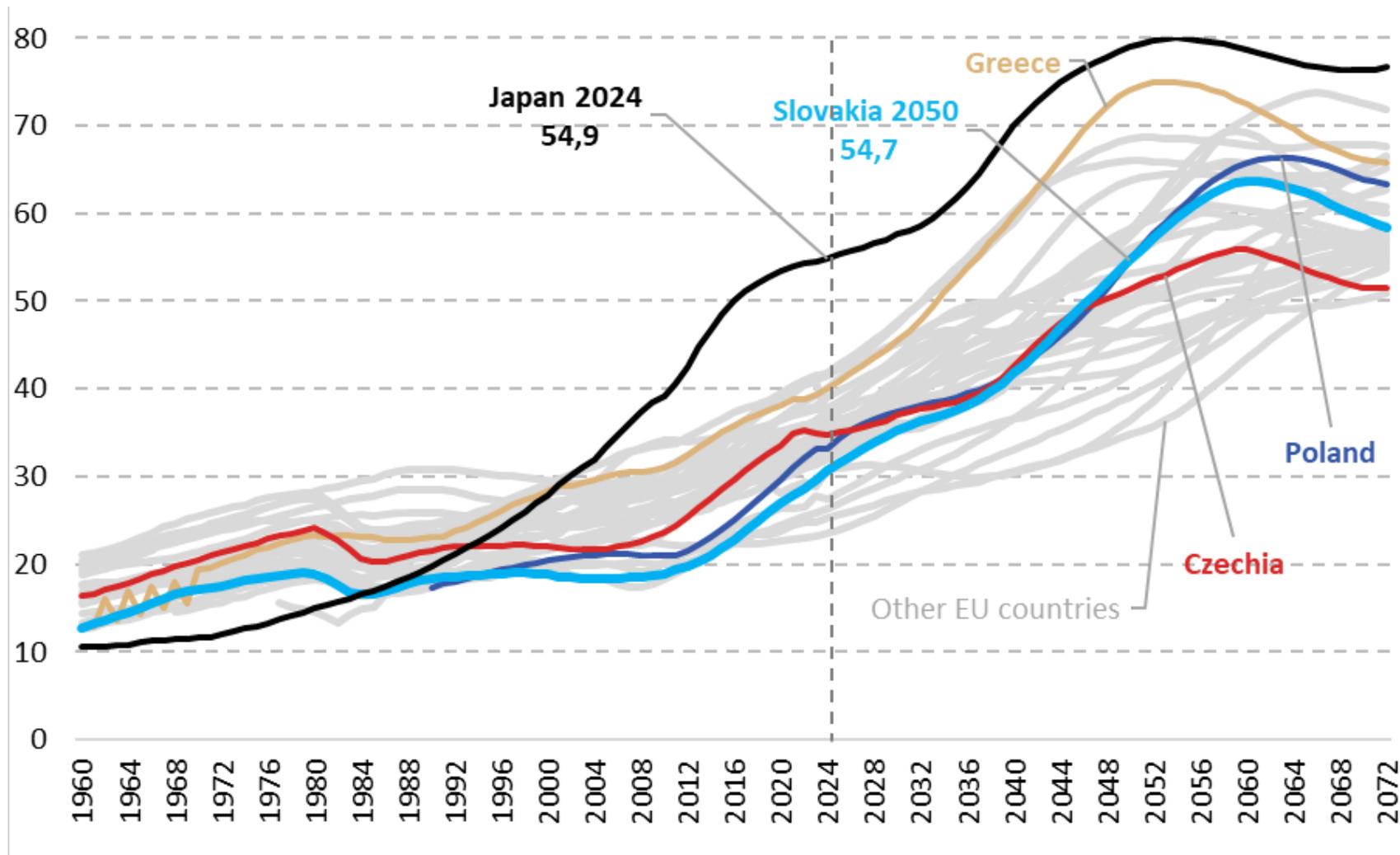
# Demography will slow down growth



- Short term – consolidation decelerates growth
- Long term – demographic decline dominates
  - In 2040 GDP growth below 1,5 %,
  - By 2060 loss of 20 % labour force, plus TFP slowdown

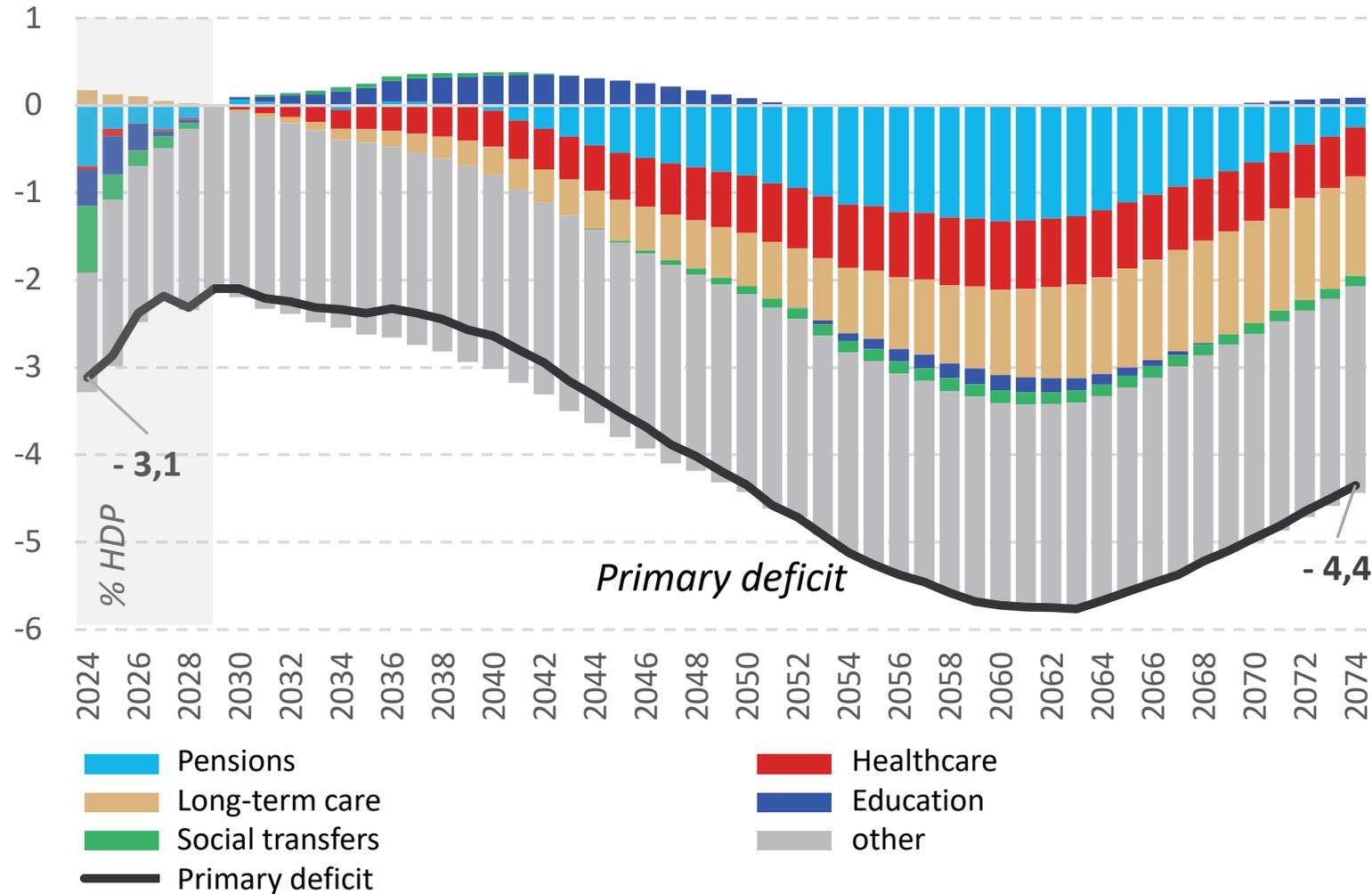
# Ageing

(young per 100 old)



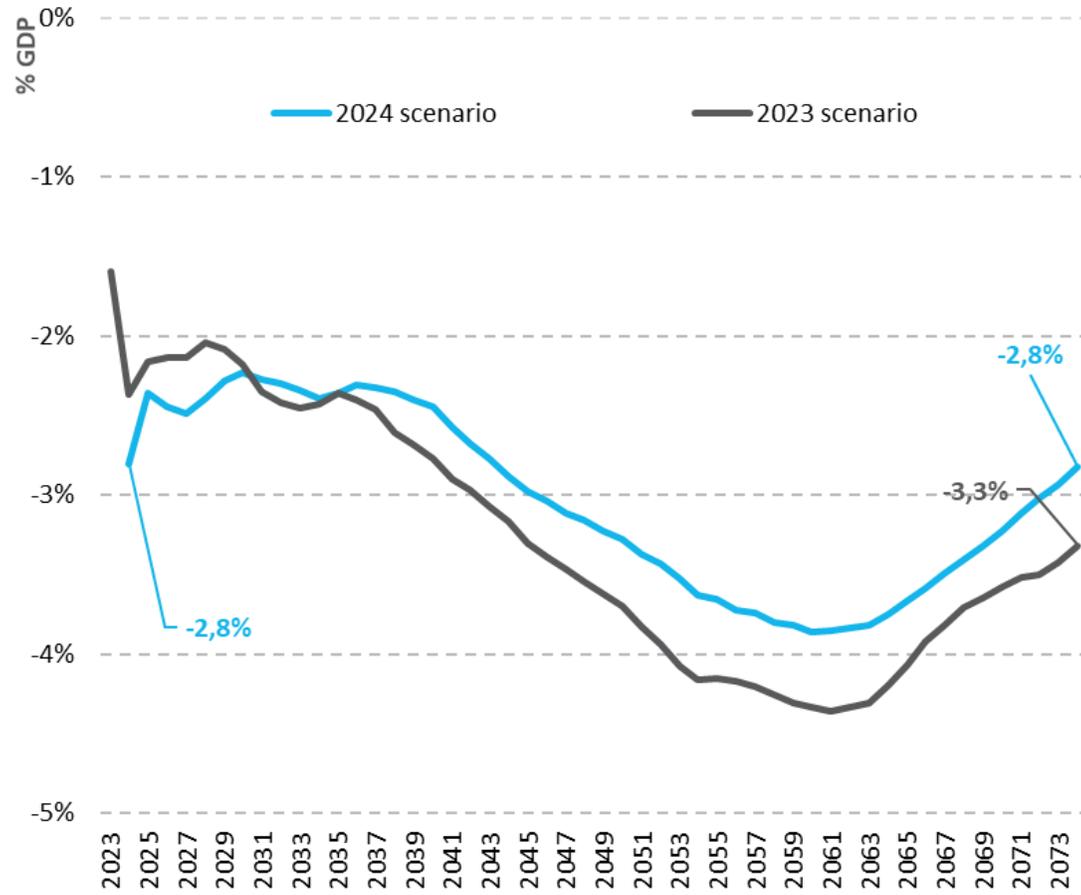
- Change in demographic structure (peak in 2060)
- Negative effects on labour market and public finances mostly mitigated by retirement age linked to life expectancy

# Contributions of ageing-related expenditures

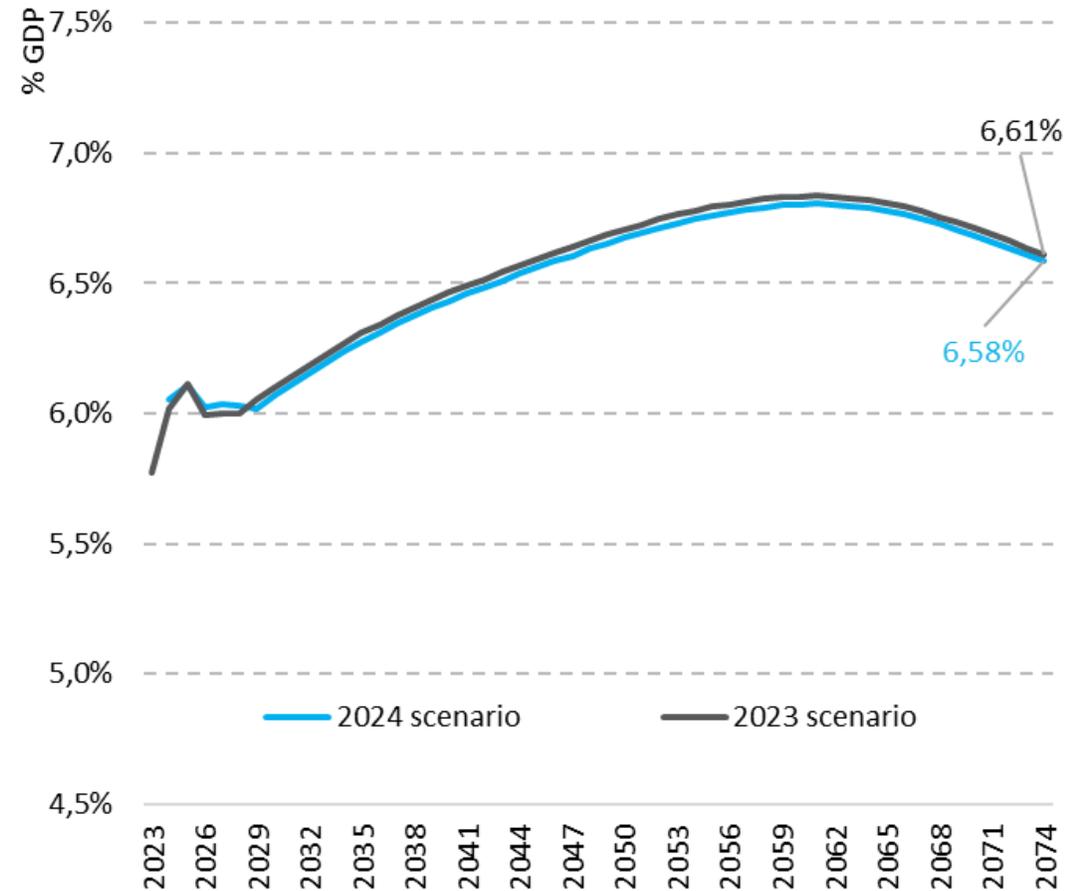


# Pensions and Healthcare

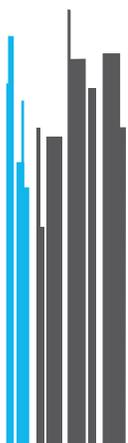
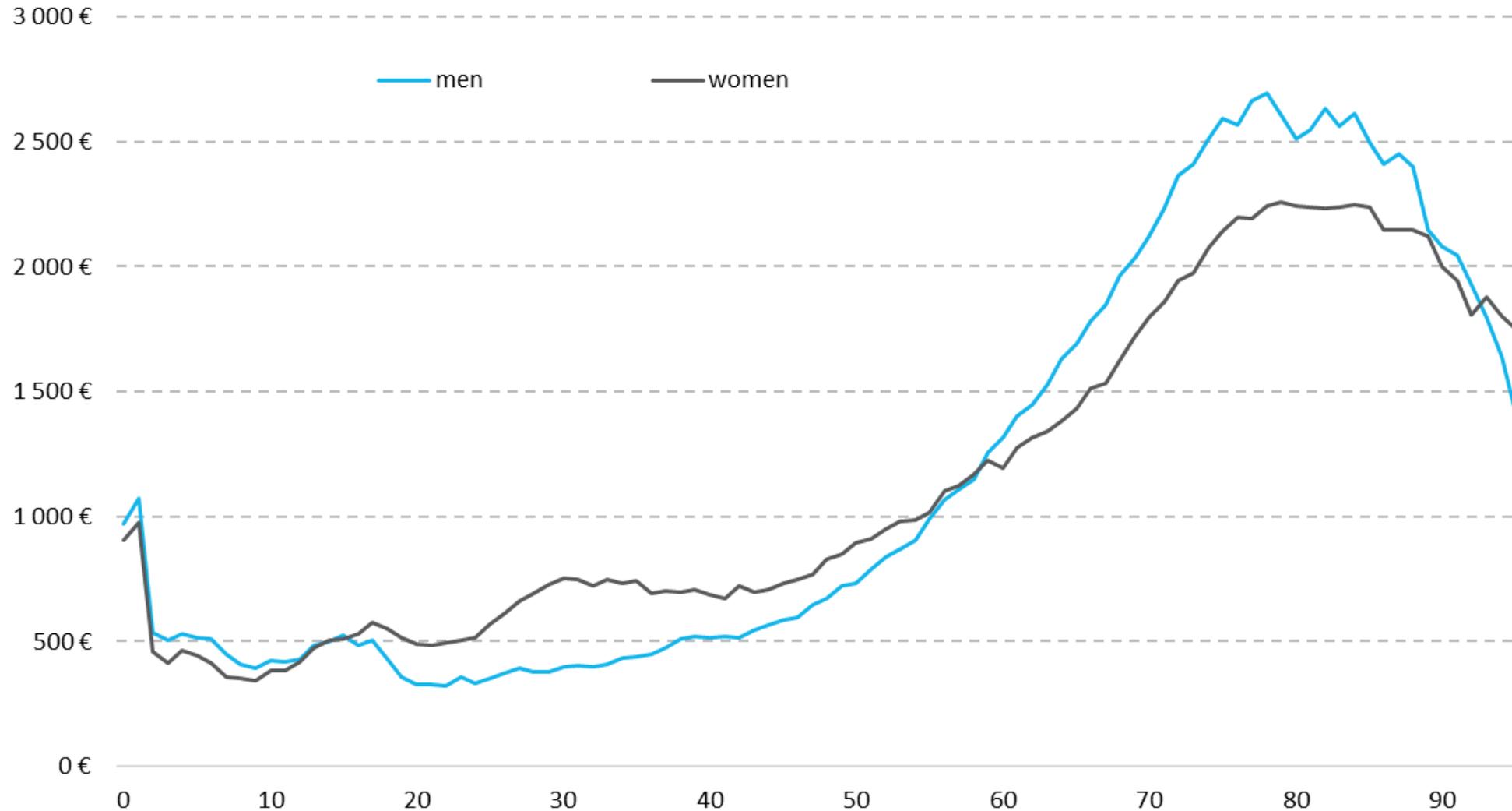
## Pension system deficit



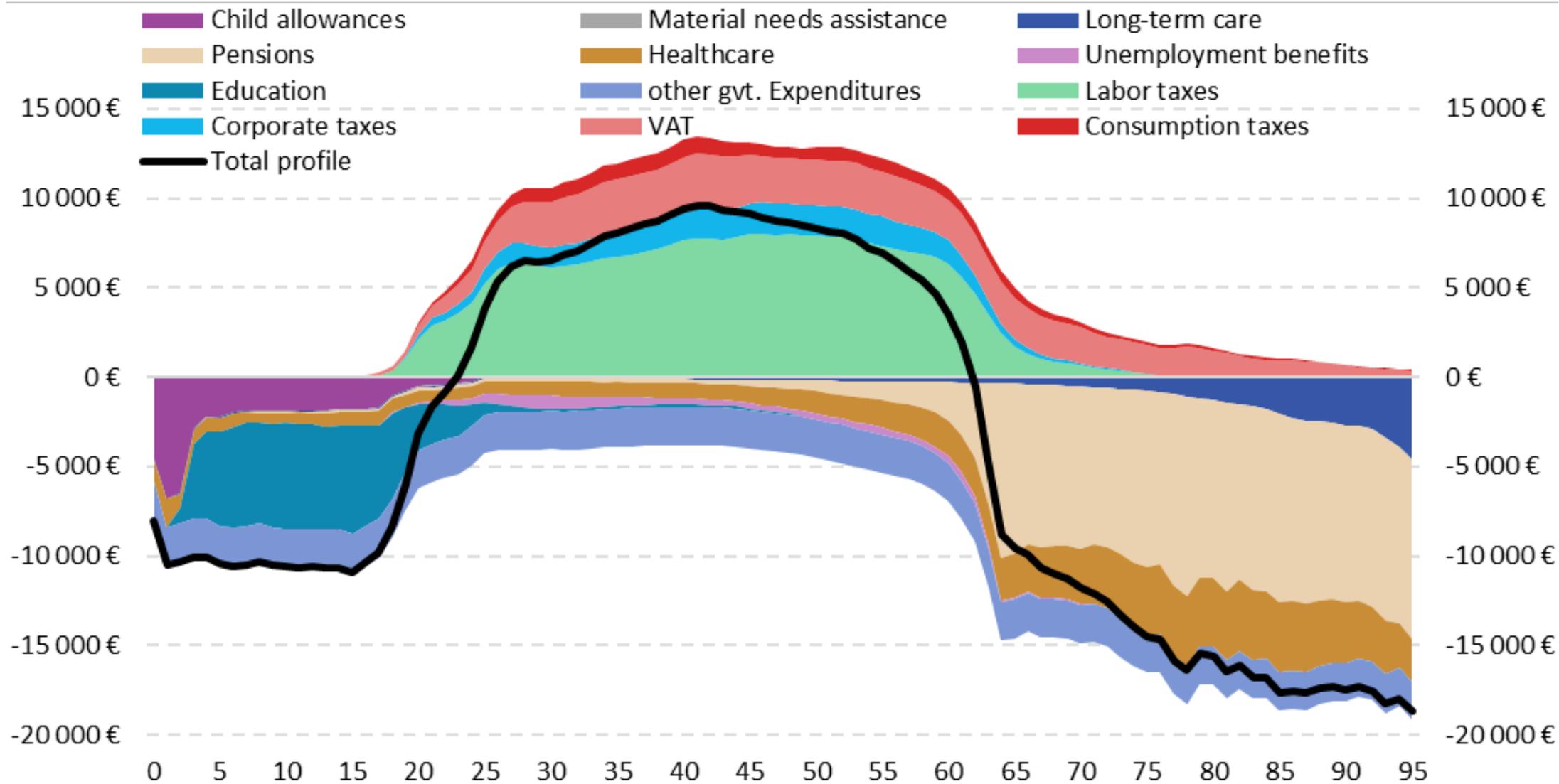
## Healthcare expenditures



# Age profile of healthcare expenditures

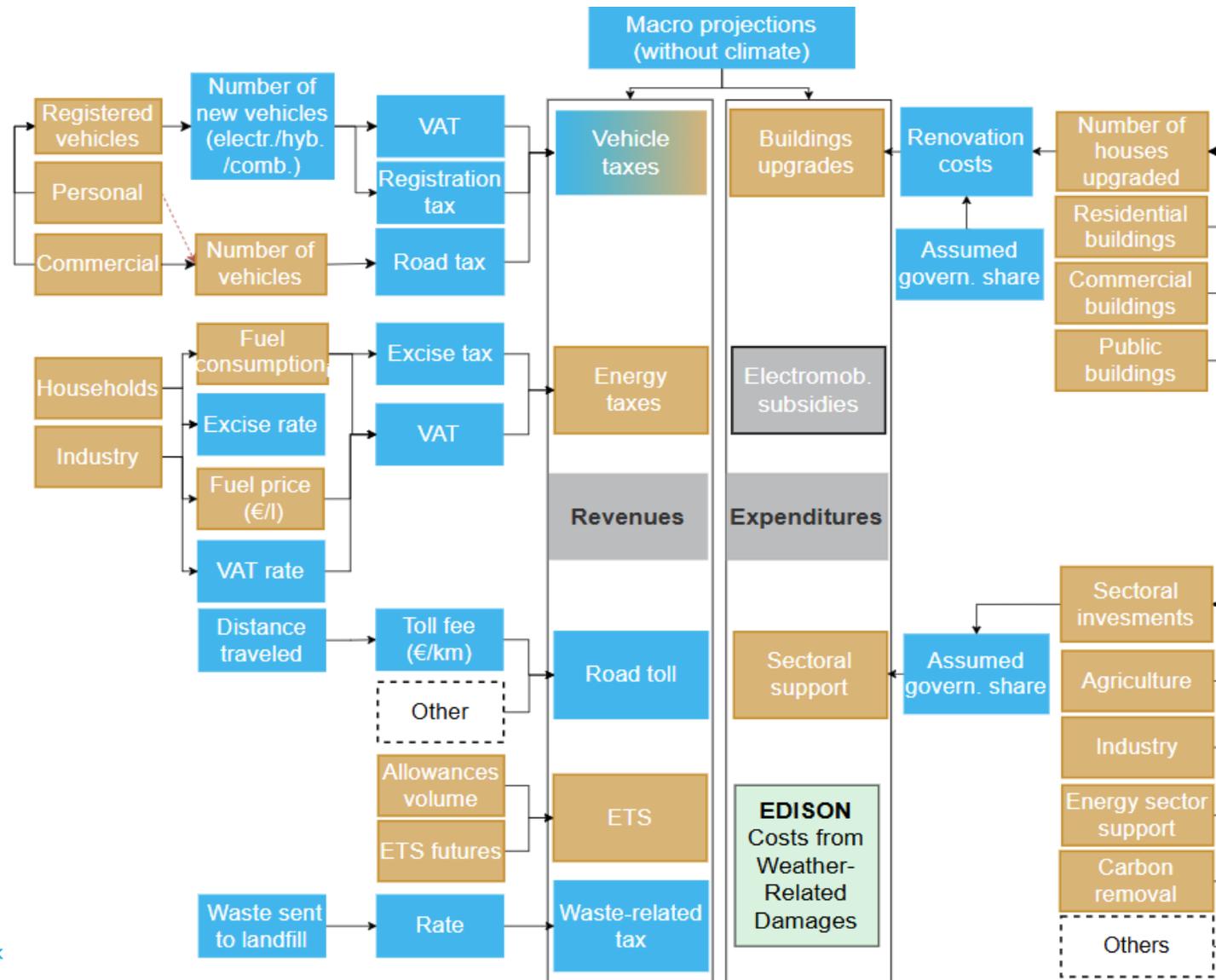


# Generation accounts



# Climate change and Adaptation policies – fiscal evaluation

# Climate transition channels into public finances

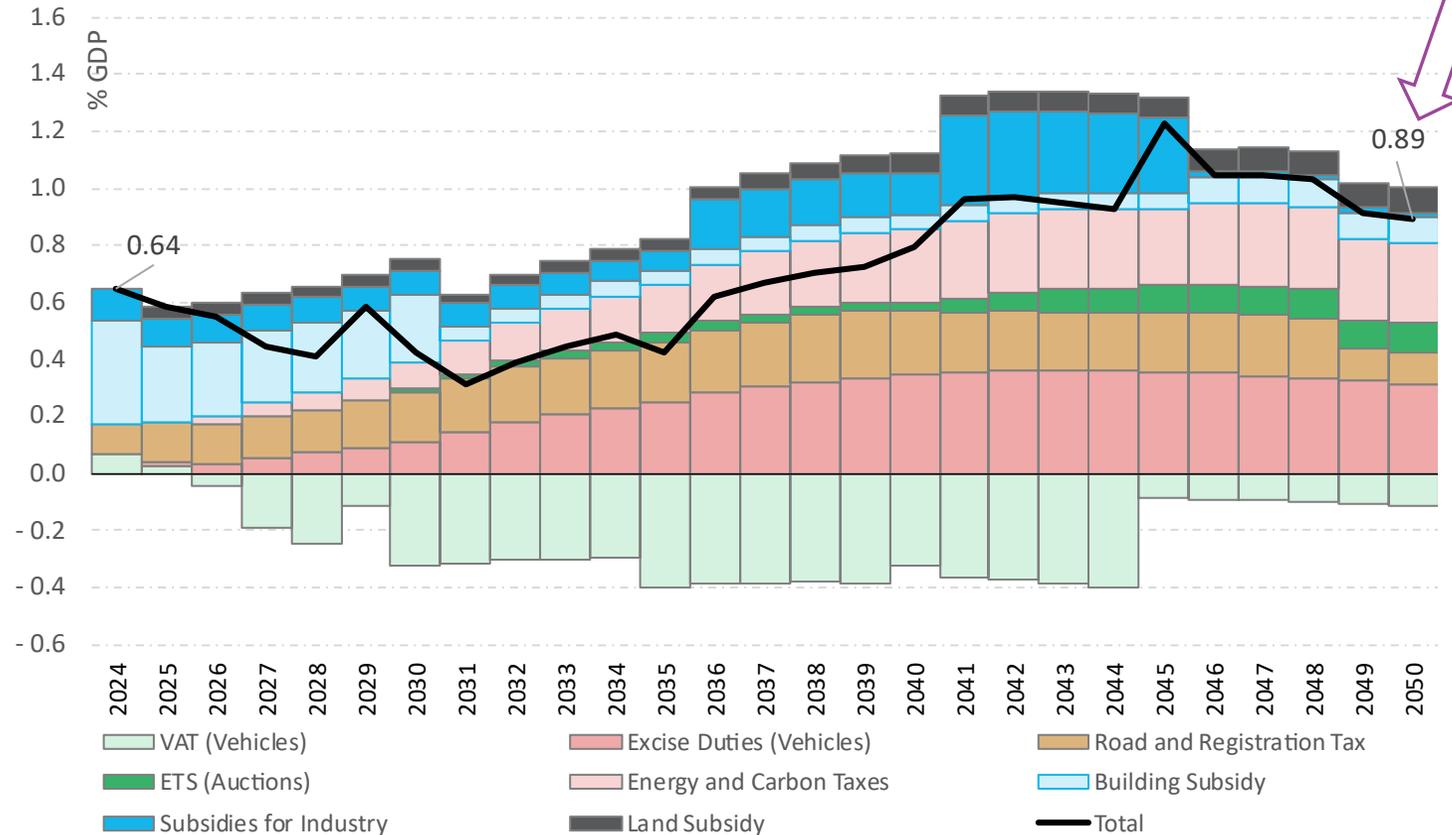


- Schematic overview of the EDISON climate-fiscal model
- **Inputs from SK-PRIMES**
  - A partial equilibrium model for the energy sectors
- **Our inputs / assumptions**
  - CBR projections

# Policy action impact in Slovakia

## Impact on fiscal deficit (WAM - WEM)

- Preliminary estimate of the net fiscal impact of climate action: 0.89% GDP in 2050.
- WEM – continuation of current climate policies  
WAM – further efforts aligned with Net Zero climate targets.
- Both scenarios currently assume the same macroeconomic (GDP) baseline, so the chart isolates the fiscal effect of policy action — not the broader economic impact of climate.

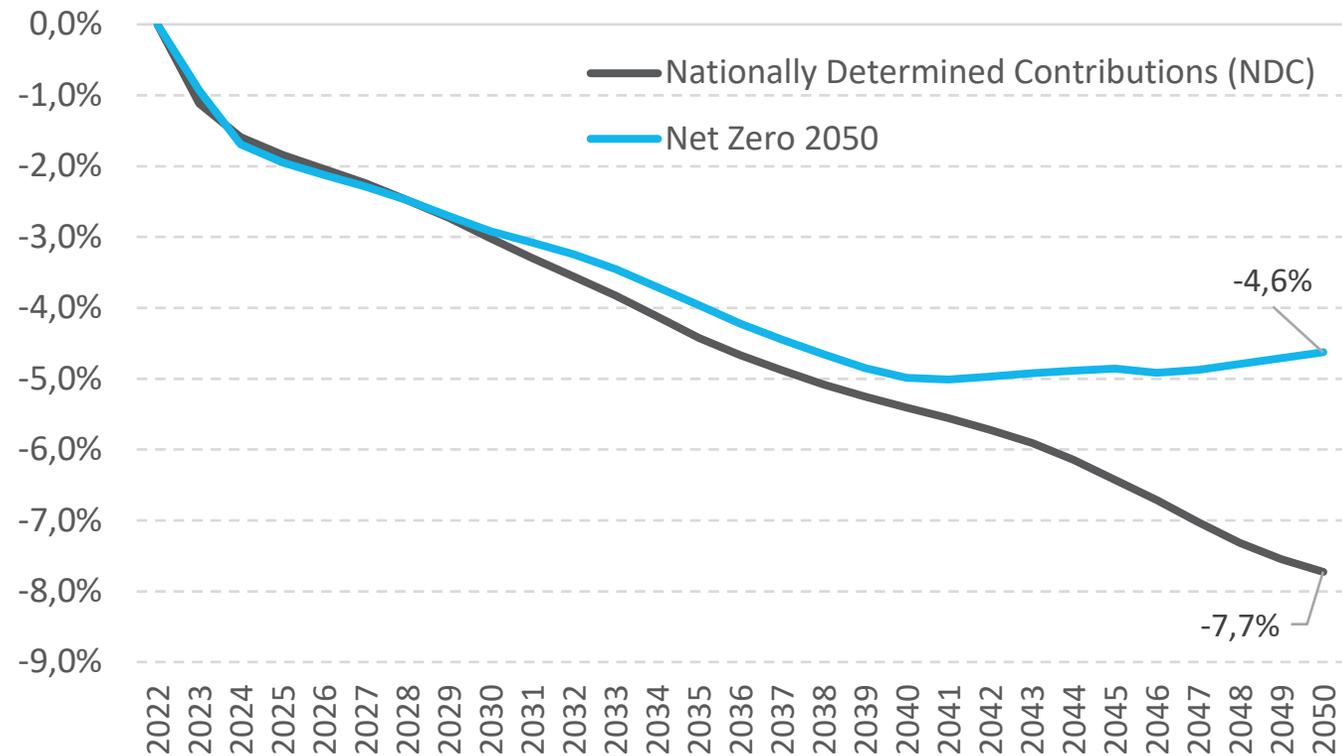


Note: The transition toward electromobility is expected to follow an optimistic trajectory, even though Slovakia currently lags behind the EU according to the latest available data.

# Climate change long-term GDP impact for Slovakia

- While the Net Zero scenario is not costless, **inaction is worse**.
- By 2050, GDP is projected to be approximately **4.6% lower** under the Net Zero 2050 scenario and **7.7% lower** under the currently pledged climate policy scenario (NDC), relative to a baseline path without climate-related shocks.

## Long-term GDP impact of climate policy scenarios

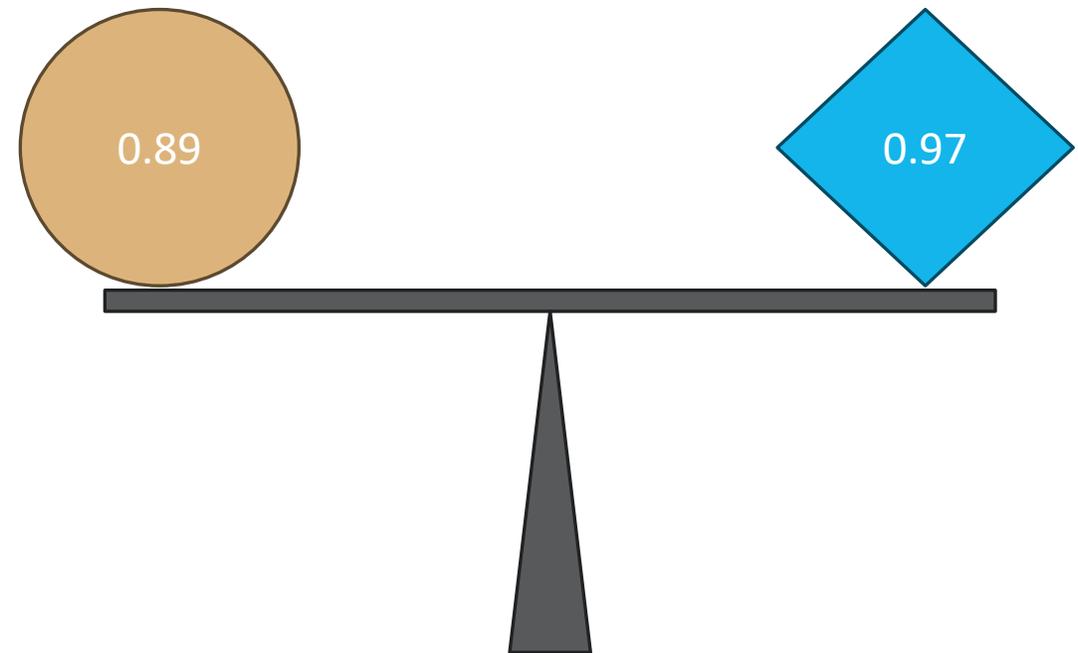


Source: NFGS (2025)

Note: The NDC scenario reflects the implementation of climate policies consistent with the nationally determined contributions submitted by countries under the Paris Agreement, without further strengthening or global coordination. In contrast, the Net Zero 2050 scenario involves globally coordinated mitigation efforts to achieve net zero emissions by mid-century.

# Attempting a fair comparison

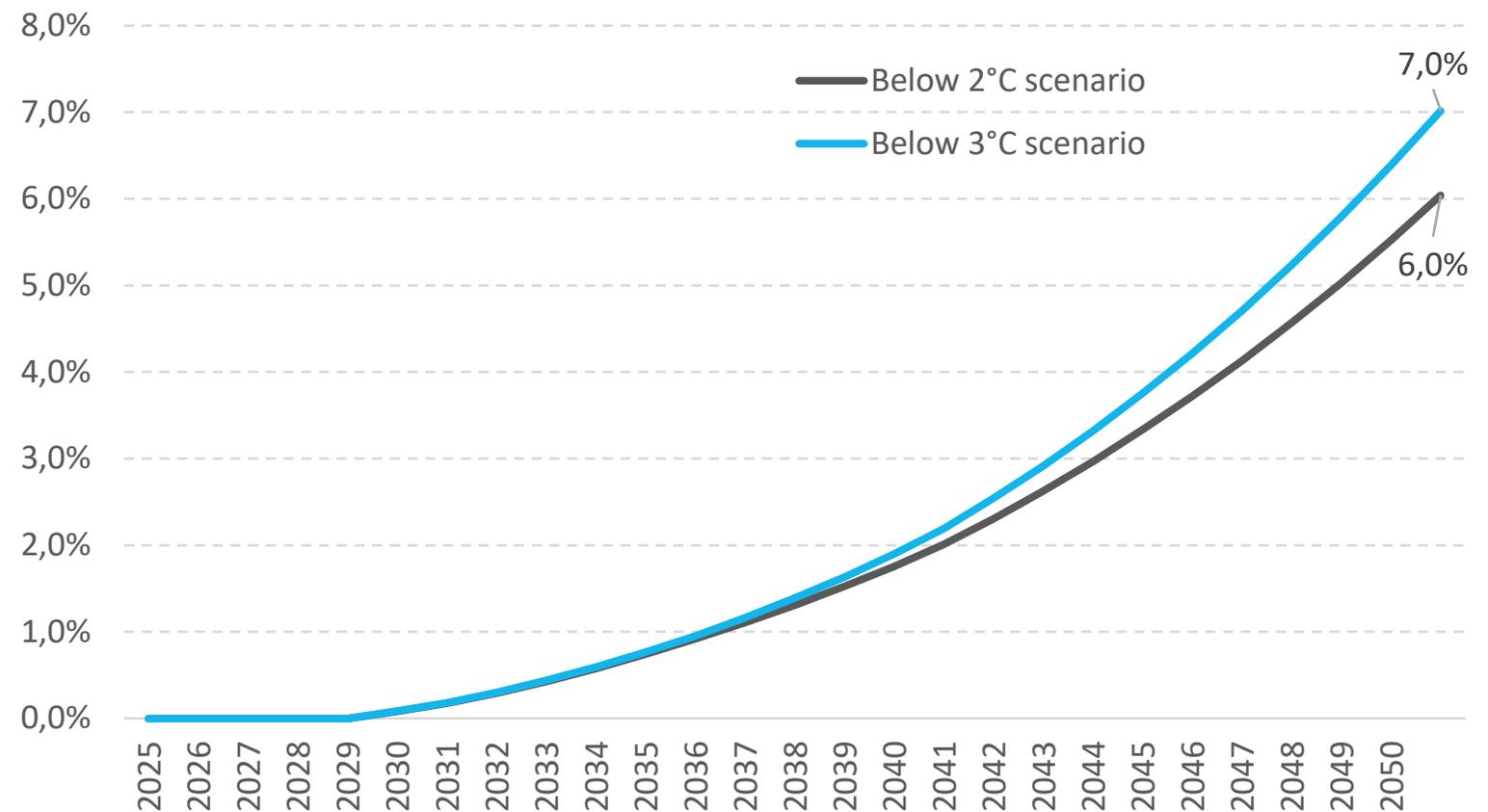
- Coordinated net-zero efforts in all (most) countries:
  - Additional fiscal costs around 0.89% GDP
  - Mostly decline in taxes on “dirty sources” once the transition is well advanced
  - Will open up space for alternative taxes
- Low effort, no/little coordination
  - 3.1% lower GDP by 2050
  - Up to 0.97 % GDP loss of fiscal space



# UK Example: additional public sector net debt by 2050

- By 2050, the additional debt burden in UK is projected to reach approximately 6% of GDP under the <math>2^{\circ}\text{C}</math> scenario and over 7% under the <math>3^{\circ}\text{C}</math> scenario, highlighting how insufficient mitigation leads to higher long-term fiscal pressures.
- This underscores a broader message also relevant for Slovakia: avoiding or delaying climate action does not prevent costs—it shifts them into the future, amplifying fiscal risks and debt levels.

Cumulative additional public sector net debt from climate-related fiscal pressures under two warming scenarios (UK)



Source: United Kingdom, OBR Fiskal risks and sustainability report (2024)



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TWIN CITY B

Mlynské nivy 12

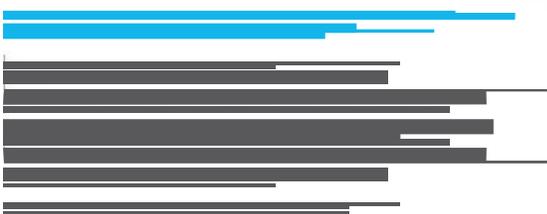
821 09 Bratislava

Slovakia

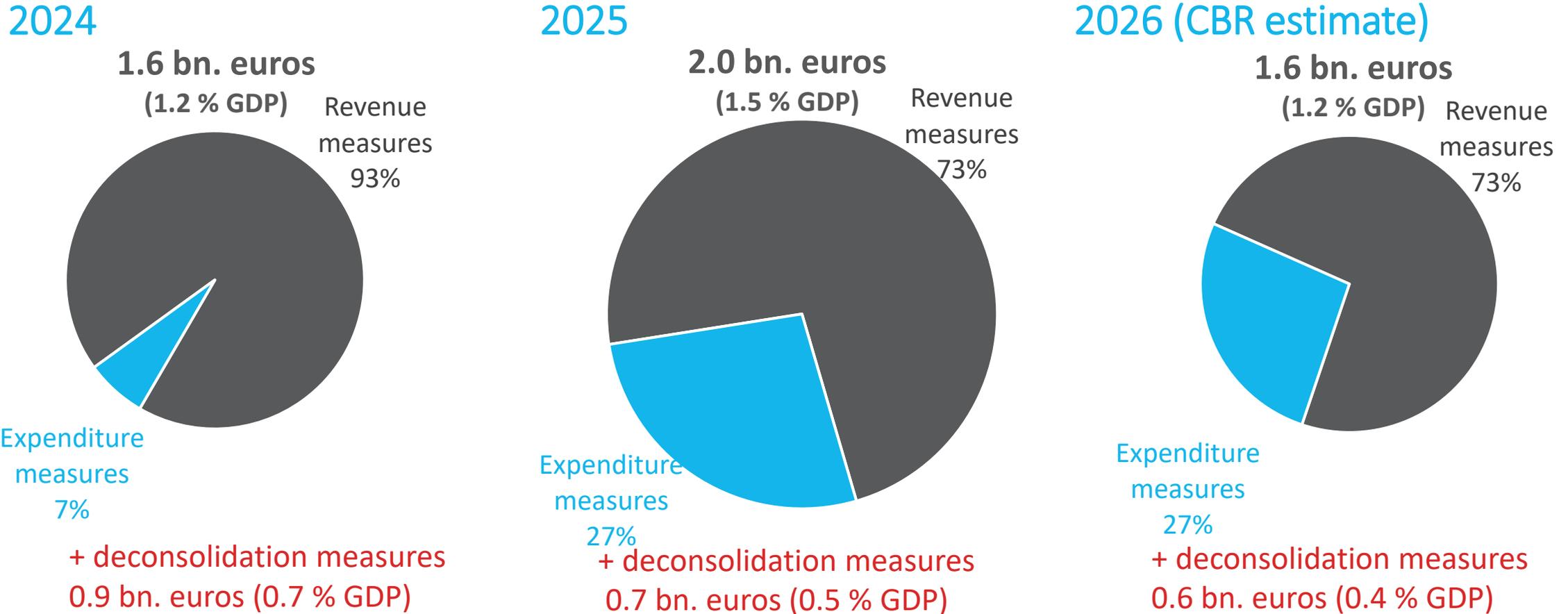
[www.rrz.sk/en/](http://www.rrz.sk/en/)



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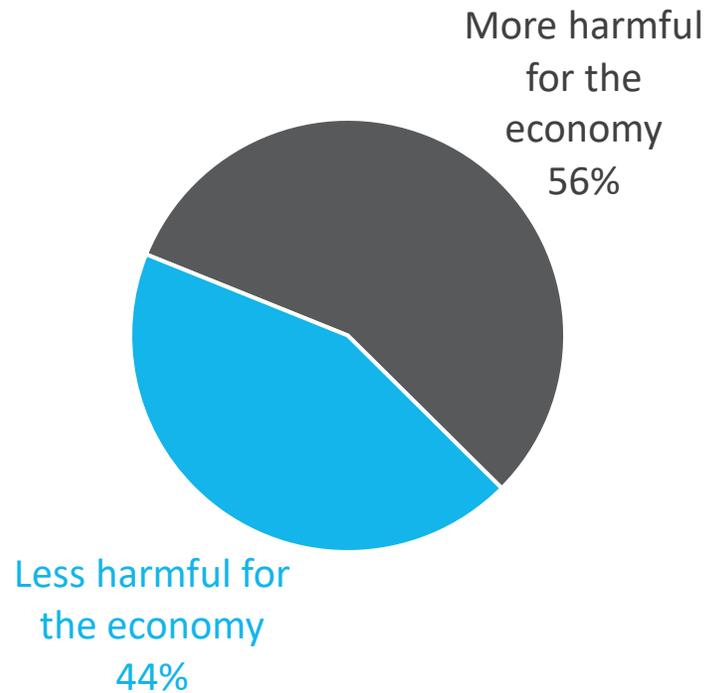
# Measures highly skewed towards revenues



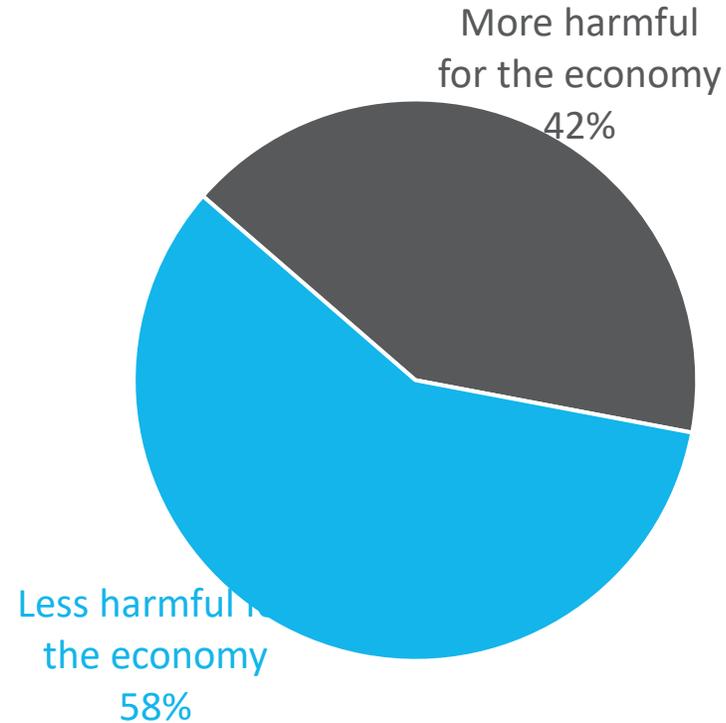
- **The total size of the packages is 3.9 % GDP ( 5.2 bn euros )** in terms of immediate impact
- Revenue-increasing measures contribute a high **79 %** of the total amount

# Half of measures painful for potential output

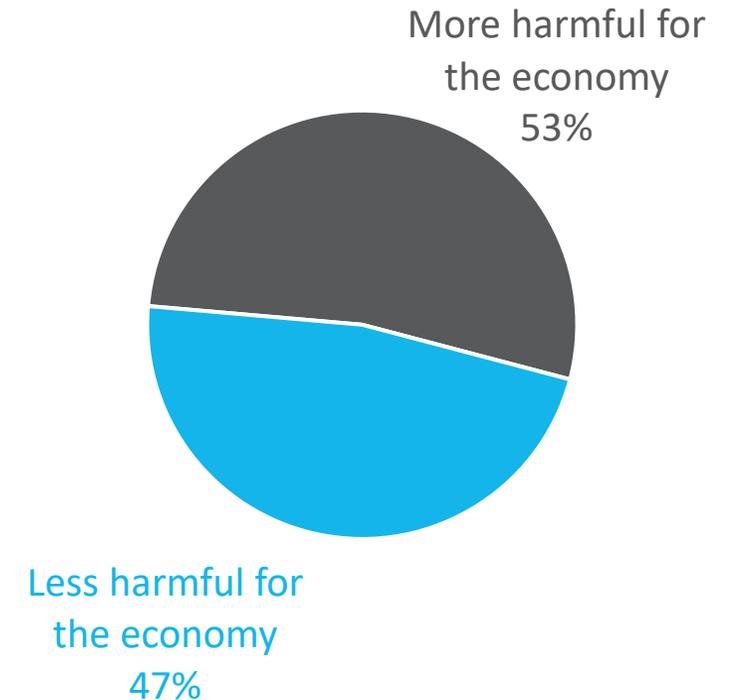
2024



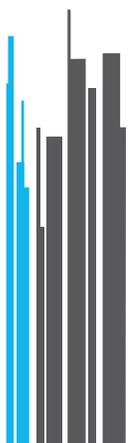
2025



2026 (CBR estimate)

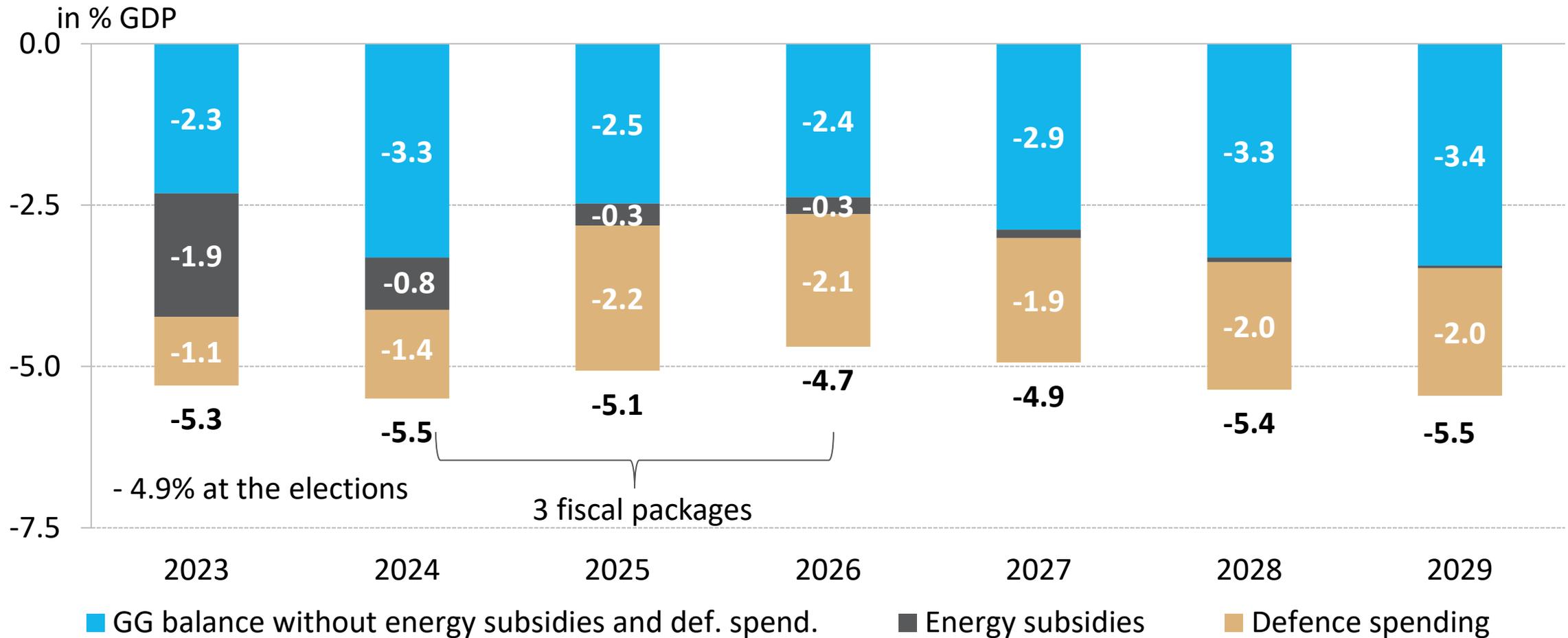


- Total share of measures more harmful for the economy (i.e. taxation of activity, lower investment) cumulatively stands at a high **49 %**



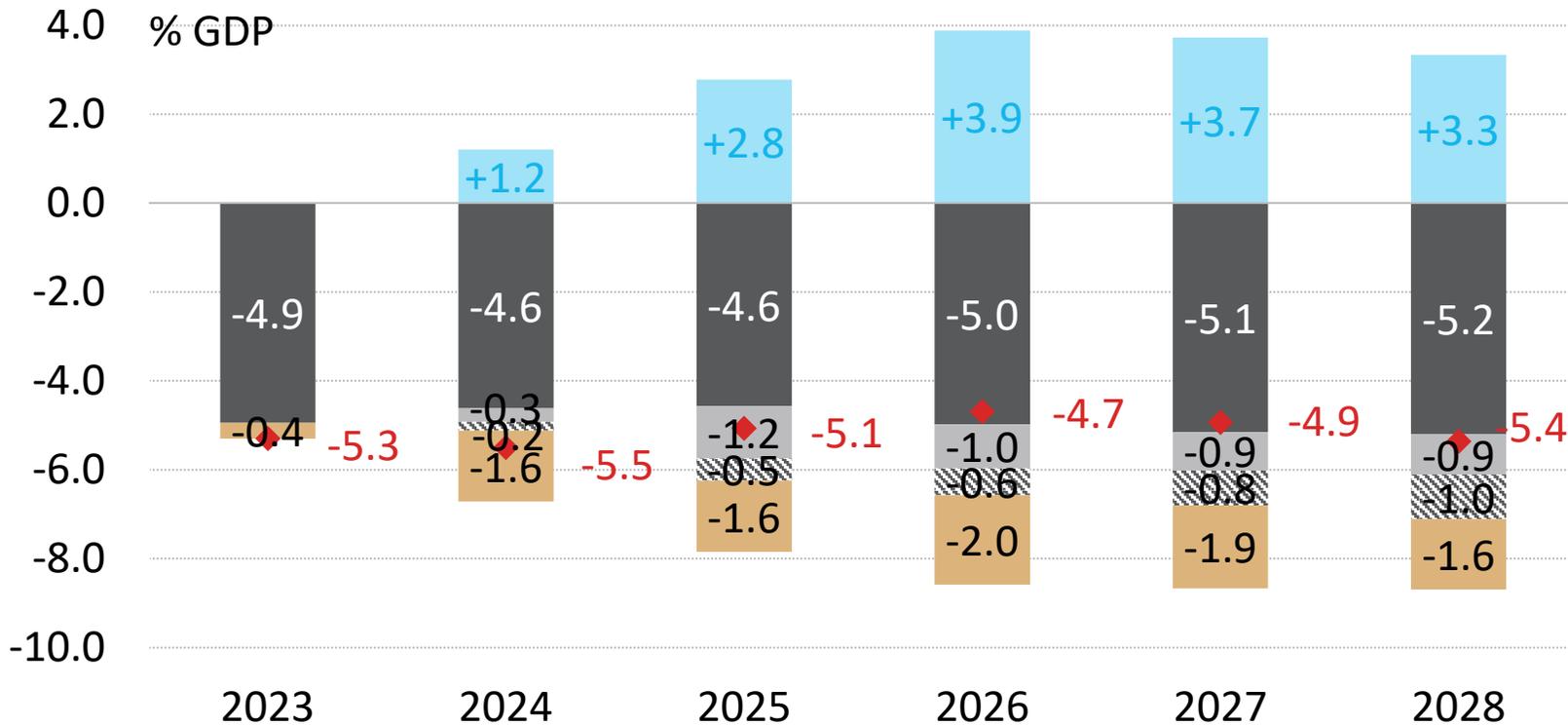
# Deficits remain high despite 3 fiscal packages

The medium-term CBR forecast for the GG balance



# 1/ New expenditures adopted at the same time

Contributions to balance developments during a current election term



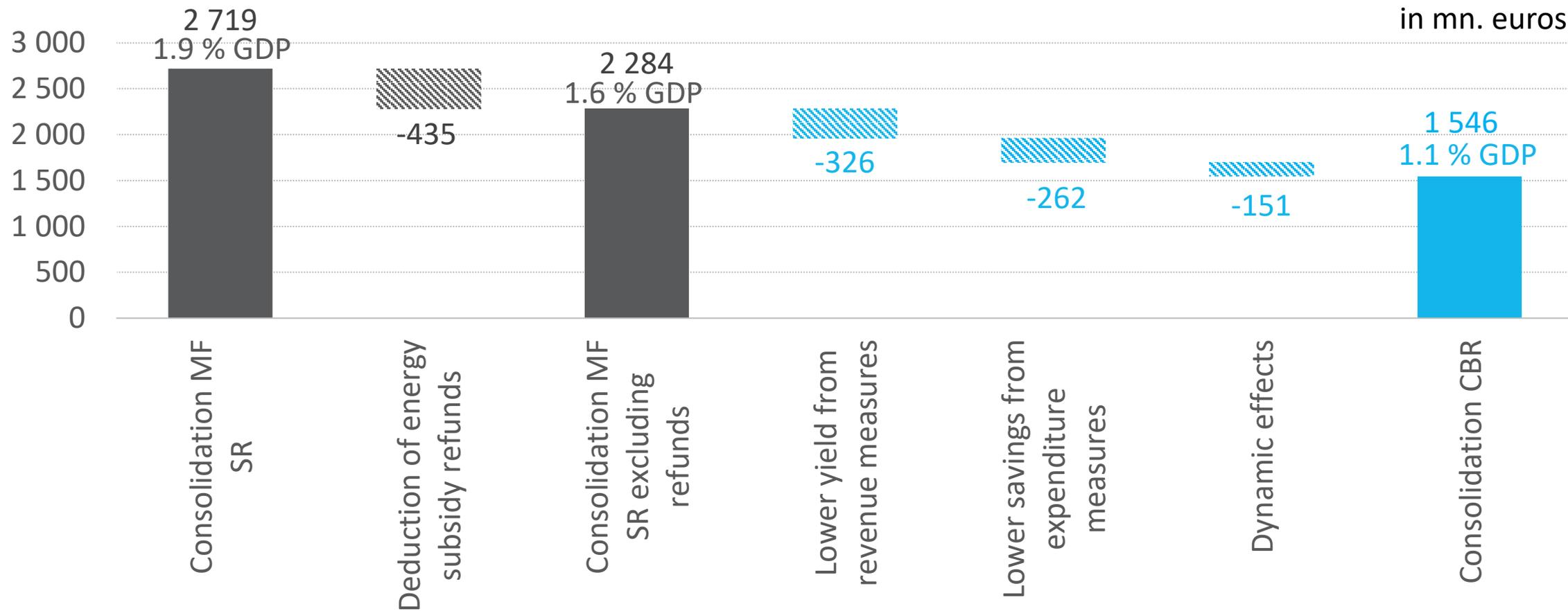
- Full 13<sup>th</sup> pension
- Healthcare
- Education
- Other current expenditures

Balance w/o measures
  Cons packages
  Defense (vs 2023)
  Net interest (vs 2023)
  New expenditures
  Forecasted balance



# Package contribution to the 2026 budget below government assumptions

Differences in expected budgetary impact of fiscal package between MoF and CBR

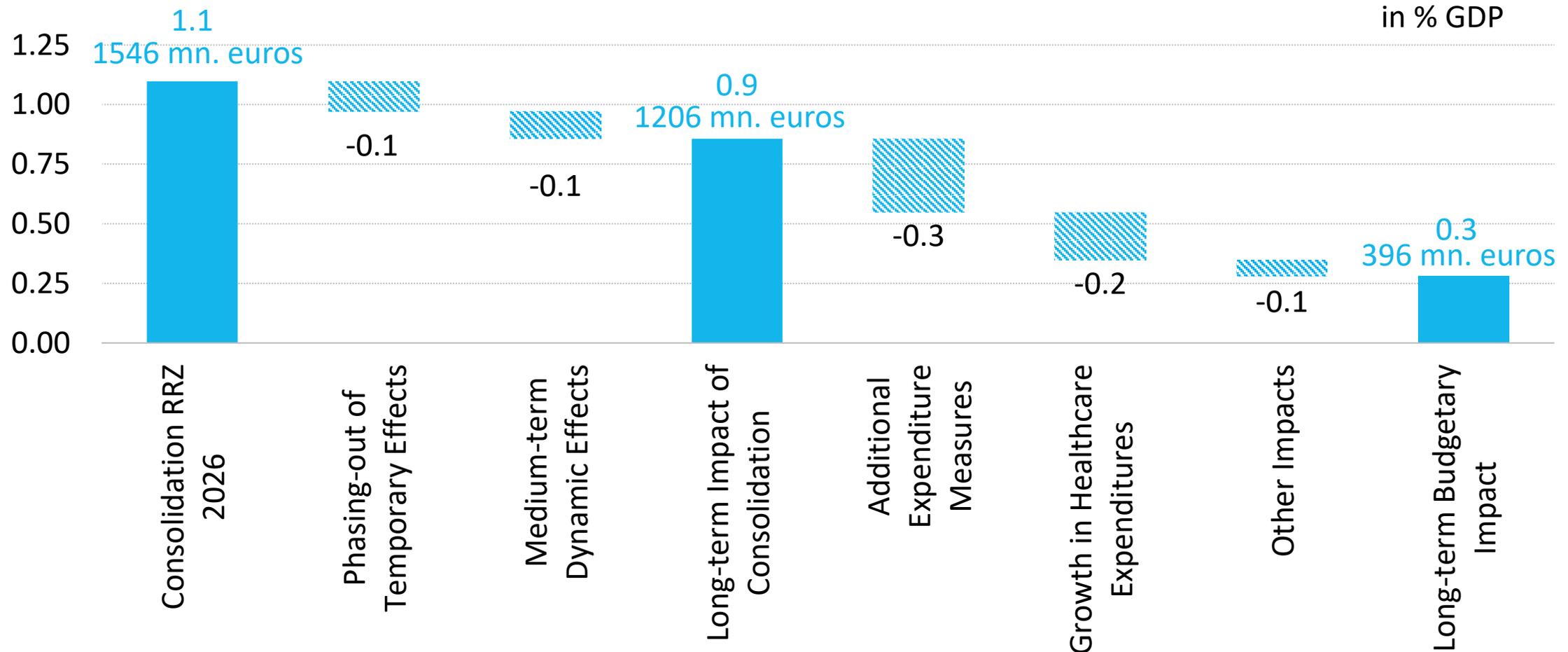


# Fiscal package for 2026 – CBR estimate

Budgetary item	Impact on GG balance 2026 (in mn. euros)	Impact on GG balance 2026 (in % GDP)	Budgetary item	Impact on GG balance 2026 (in mn. euros)	Impact on GG balance 2026 (in % GDP)
Health contributions	349	0.25	Insurance tax	34	0.02
Personal income tax	184	0.13	Unemployment benefits	34	0.02
Social contributions for self-employed persons	113	0.08	Social transfers – sick leave	28	0.02
Social contributions for self-employed persons	89	0.06	Levy on primary materials	27	0.02
Value added tax	86	0.06	Social and health contributions	17	0.01
Value added tax	86	0.06	Social transfers – sick leave	13	0.01
Value added tax. corporate income tax	81	0.06	Corporate income tax	9	0.01
Maternity benefits	66	0.05	Tax revenue and social contributions	8	0.01
Gambling tax	42	0.03	Levy for regulated industries	5	0.00
Allowance for Increased Loan Repayment	37	0.03	State budget savings	388	0.27
Social transfers – pensions	36	0.03	Financial Transaction Taxes	-27	-0.02
Dynamic effects of consolidation	-151	-0.11	Additional impacts on the budget	-8	-0.01
<b>Total effect</b>				<b>1 546</b>	<b>1.1</b>

# Long-term effect of package further diminished due to dynamic effects and new expenditure policies

Factors contributing to long-term impact of fiscal policy from the budget



# Fiscal package for 2026 – approved measures

Budgetary item	Measure specification	Impact on GG balance 2026 (in mn. euros)	Impact on GG balance 2026 (in % of GDP)	Improvement of sustainability?
Health contributions	Increase of the contribution rate for individuals by 1%	349	0.25	Yes
Personal income tax	Increase in the progressivity of personal income tax	184	0.13	Yes
Social contributions for self-employed persons	Abolition of contribution holidays for self-employed. mandatory payments from month 6	113	0.08	Yes
Social contributions for self-employed persons	Increase of minimum social contributions for self-employed persons by 20%	89	0.06	Yes
Value added tax	Limitation of VAT deduction on vehicles used also for private purposes to 50%	86	0.06	Yes
Value added tax	Selected high-sugar and high-salt foods moved from reduced (19%) to standard rate (23%)	86	0.06	Yes
Value added tax. corporate income tax	Forgiveness of sanctions and fines upon participation in the tax amnesty	81	0.06	No
Maternity benefits	Modification of the recognition of the childcare period in pension calculations	66	0.05	No (opp.)
Gambling tax	Increase in gambling tax rates	42	0.03	Yes
Allowance for Increased Loan Repayment	Abolition of the allowance for increased loan repayment	37	0.03	Yes
Social transfers – pensions	Fixed determination of the 13th pension amount	36	0.03	No
Insurance tax	Increase of the insurance tax rate from 8% to 10%	34	0.02	Yes
Unemployment benefits	Progressive decrease in unemployment allowance	34	0.02	Yes

# Fiscal package for 2026 – approved measures

Budgetary item	Measure specification	Impact on GG balance 2026 (in mn. euros)	Impact on GG balance 2026 (in % of GDP)	Improvement of sustainability?
Social transfers – sick leave	Extension of the period during which the employer pays wage compensation during sick leave	28	0.02	No
Levy on primary materials	Introduction of a levy on gravel-sands. sand. and construction stone at €1.35/t	27	0.02	Yes
Social and health contributions	Abolition of the exemption from the obligation to pay insurance contributions during selected periods	17	0.01	Yes
Social transfers – sick leave	Better targeting of inspection activities during the period of sick leave	13	0.01	Yes
Corporate income tax	New Tax License Bracket for the Largest Corporations	9	0.01	Yes
Tax revenue and social contributions	Temporary repeal of 2 days. permanent repeal of 1 day; removal of the sales ban during holidays	8	0.01	Limited
Levy for regulated industries	Increase in the rate	5	0.00	Yes
State budget savings	Freezing the wage growth of public sector employees	128	0.09	Yes
State budget savings	Savings on operational expenditures of the state budget	144	0.10	Yes
State budget savings	Savings on operational expenditures of other entities	56	0.04	Yes
State budget savings	Savings on capital expenditures of the state budget	60	0.04	Yes
Financial Transaction Taxes	Abolition of the financial transaction tax for self-employed persons	-27	-0.02	Yes
<b>Total effect</b>		<b>1 705</b>	<b>1.20</b>	