Draft Budgetary Plan
of the Slovak Republic for 2025

October 2024

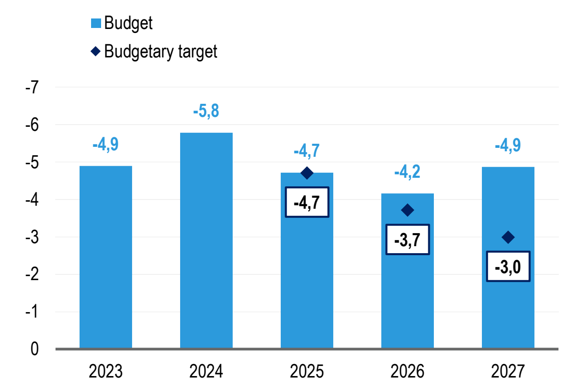
SUMMARY

Even after considering fiscal consolidation, Slovakia's draft budgetary plan anticipates solid economic growth of over 2% both this year and next. Real GDP growth is expected to reach 2.3% this year, supported by declining inflation and a revival in household purchasing power. Strong growth in real wages is leading to increased household consumption, which will be the driving force behind the recovery of domestic demand. The decrease in EU fund drawdowns, due to the end of the third programming period, is partially offset by the gradual implementation of investments from the Recovery and Resilience Plan (RRP). Real growth is also expected to remain at 2.2% in 2025, thanks to the peak in drawing down funds from the RRP. Despite significant fiscal consolidation, the economy will be operating close to its potential. Inflation will be temporarily pushed up by energy prices and adjustments to VAT rates next year, but should subsequently decline closer to its target of 2% price growth.

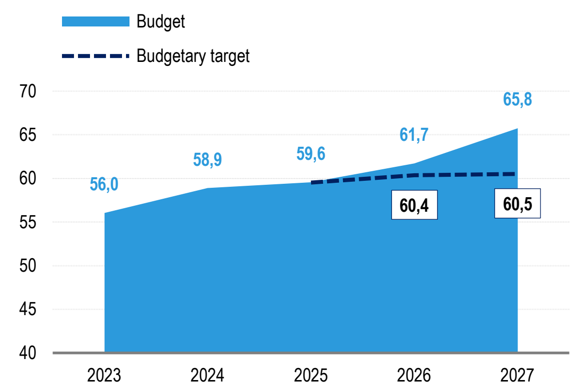
Next year, the government plans to reduce the public finance deficit from this year's level of 5.8% to 4.7% of GDP, in line with the set trajectory of growth in net expenditures according to the new European fiscal rules. In addition to ensuring a year-on-year reduction in the deficit of more than 1 percentage point, it was also necessary to compensate some growing expenditures from the past. This includes, for example, approved increases in spending on education and research, as well as an increase in capital expenditures on defense due to the supply of military equipment, and the growth of interest expenses. Consolidation measures therefore amount to a total of 2.0% of GDP. On the revenue side, the main measures adopted include a broader VAT adjustment, the introduction of a financial transaction tax for companies and entrepreneurs, a higher corporate tax rate for larger companies, and the extension or increase of sectoral taxes. On the expenditure side, the greatest savings will be achieved by targeting several social expenditures on low-income populations and by saving measures on the wage bill. The larger volume of consolidation measures has also created space to cover some new expenditures of the current government. For example, an increase in spending on care allowances, higher spending on kindergartens, and compensatory allowances for members of the armed forces (together 0.3% of GDP). The budget plan also includes a reserve of 0.3% of GDP to address the negative impacts of developments in budgetary management, in connection with the need to manage compliance with the limit on public expenditures.

From 2026, the government will continue to reduce the budget deficit to 3% of GDP, so that Slovakia can exit the excessive deficit procedure by the end of 2027. In 2024, Slovakia entered the excessive deficit procedure, which led to stricter oversight at the European level. The presented consolidation measures are fully sufficient only to meet the target in 2025. However, the government plans to adopt further savings in the coming years, which will also stabilize the debt at around 60% of GDP. Without additional consolidation, on the other hand, the debt would continue to rise above 65% of GDP.

General government deficit (ESA2010, % of GDP)



Gross debt in % of GDP



Source: MoF SR

CONTENT

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I. MACROECONOMIC ASSUMPTIONS FOR THE BUDGET PROPOSAL

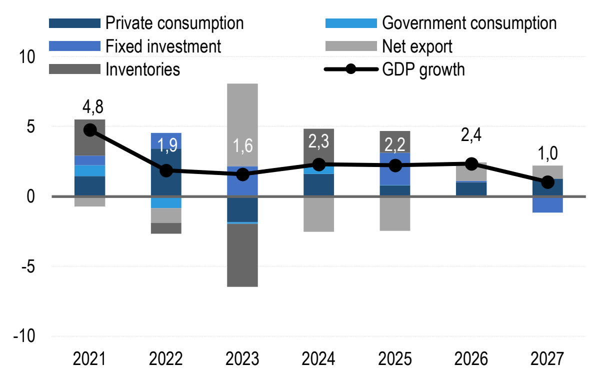
In 2025, Slovakia's GDP will grow by 2.2%, primarily driven by an investment injection from the Recovery and Resilience Plan. Job creation will be gradual, and unemployment will reach historically low levels. Inflation will accelerate due to higher energy prices and increased VAT. Higher prices will dampen household consumption, but the recovery of the eurozone economy will support Slovak exports. Economic growth will peak in 2026 at 2.4% due to the culmination of drawing funds from the Recovery and Resilience Plan. Subsequently, economic dynamics will slow down under the influence of demographic change and a labor shortage. The forecast may be negatively affected by the risks of delayed and incomplete completion of projects under the Recovery and Resilience Plan and the possible slowdown of world trade due to the rise of protectionism in the global economy.

I.1. Macroeconomic forecast[1]

Economic development in the current year (2024)

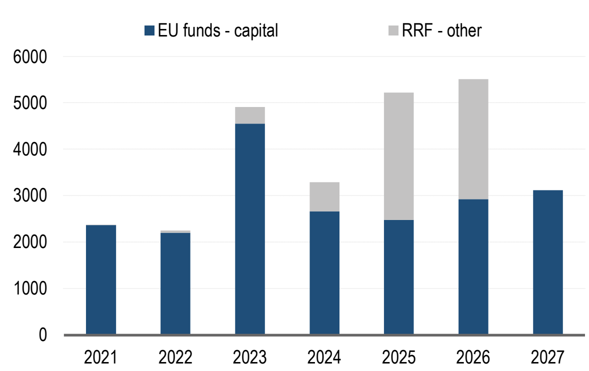
The Slovak economy will grow by 2.3%, driven primarily by domestic demand. Following the easing of the price shock, real incomes of residents have increased, which is reflected in the growth of household consumption, which previously experienced a decline. Investment activity has shifted from the public to the private sector after the exhaustion of EU funds, and overall capital formation will temporarily stagnate as the new EU funding programming period is only gradually starting up. Foreign demand will remain weak, mainly due to problems in the eurozone industry and weakening demand from China. Inflation will accelerate slightly towards the end of the year, mainly due to services. Thanks to regulation, energy prices will remain stable year-on-year, while prices of goods will only increase slightly. However, service prices continue to grow at a rapid pace, and food price growth will also accelerate. At the end of the year, inflation will exceed 3%, with the average price increase for the entire year reaching 2.8%.

FIGURE 1 – Contribution to GDP growth - forecast (p.p.)



Source: MoF SR

FIGURE 2 – Abosrption of EU and RRF funds (EUR million)

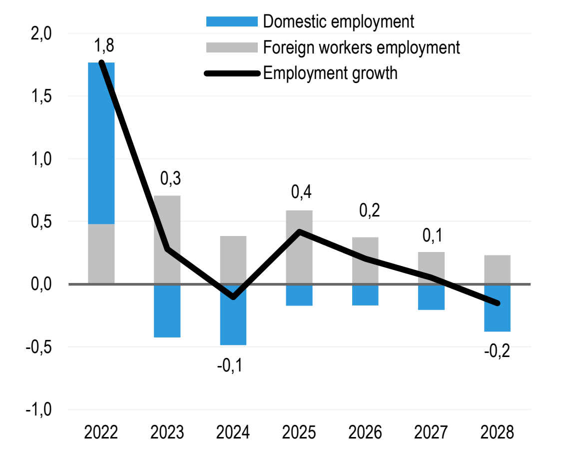


Source: MoF SR

Employment will decrease by 0.1%, representing approximately 3,000 jobs. The labor market will be stable, but job creation is stagnating and labor supply is declining due to a higher number of early retirements. Another wave of such retirements is expected at the turn of this and the next year. The long-term decline in jobs continues in industry and low-skilled services. Conversely, the fastest employment growth is expected in the public sector and construction, despite slower EU fund drawdowns. The participation rate is increasing despite a temporary decline in the older workforce, while the number of foreign workers reached 110,000 in the summer. The unemployment rate will fall to 5.4%, the lowest level in the last 30 years.

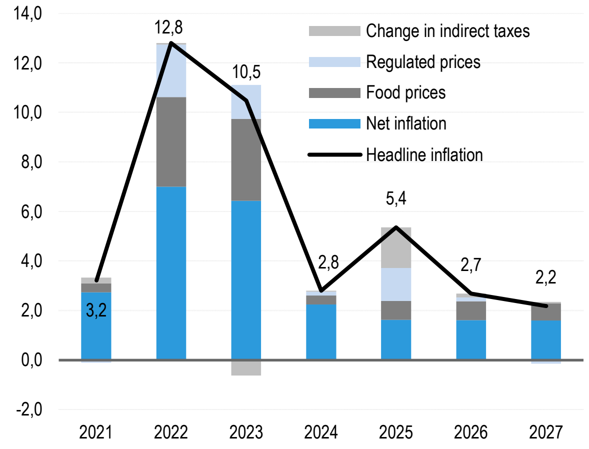
[1] The forecast includes an assumption of a decrease in the nominal government deficit by an average of 1.0% of GDP in the years 2025-2028.

FIGURE 3 – Contributions of domestic and foreign workers to employment growth (p.p.)



Source: SO SR, MoF SR

FIGURE 4 – Contributions of components to inflation (p.p.)



Source: SO SR, MoF SR

Real wages in this year will increase by 4%, the fastest pace in the last four years. Nominal wage growth will slow down slightly year-on-year due to lower productivity growth, lower inflation, and backward indexing[2]. The largest increase will be recorded by employees in the public sector, where wages will rise by more than 8%. The public sector will thus again overtake the private sector in the speed of wage increases.

Economic Development in the Next Year (2025)

Next year, GDP will grow by 2.2%, driven by funds from the Recovery and Resilience Plan. Investments will also grow rapidly due to imports of military equipment. Lower interest rates will contribute to increased investment activity, which will also have a positive impact on employment. Household consumption will slow down due to higher inflation, driven by energy prices and higher VAT as part of fiscal consolidation. Exports will start to recover along with demand in the eurozone, but the trade balance will be dampened by growing imports of investment goods. The number of jobs will increase slightly and unemployment will reach its historically lowest level. However, an unfavorable demographic development will limit the supply of labor, so the economic potential will rely more on capital investment.

Prices in 2025 will increase by 5.4%, with inflation being influenced mainly by the increase in VAT and higher energy prices. The increase in the basic VAT rate will add 1.5 percentage points (p.p.) to the growth of the price level, and regulated energy prices will contribute another 1 p.p.[3] While electricity prices for households will remain stable according to URSO regulations, gas prices are expected to return to the market level, which together with higher VAT represents an increase of about 30% compared to the subsidized level in 2024. The technical assumption of the forecast[4] is that heating prices will gradually increase over several years.

The labor market will remain stable, the number of jobs will increase and real wages will slow down. Employment will grow by 0.4%, supported by funds from the RRP. A slight decrease in early retirements and increased labor activity, supported by the use of funds from the RRP and the recovery of the foreign economy, will contribute to employment growth. On the other hand, employment in the public sector will decrease by 1% due to austerity measures. However, the unemployment rate will reach a new historical minimum. Real wage growth will slow to 0.5% due to higher inflation.

Economic Development After 2025

[2] In the private sector, the inflation of the previous year, in this case 2023, can also enter into negotiations. And since the growth of the price level was slightly slower in 2023 than in 2022, it will slow down the year-on-year wage dynamics in 2024 compared to 2023.
[3] The final effective increase in VAT after the changes in parliament (after taking into account the transfer of a larger part of goods and services to reduced rates) after the amendments was approved in a lower form, therefore the impact on inflation may be slightly lower as a result.
[4] Due to the closure of the forecast before the budget is closed. Energy prices are still under negotiation and the final development may differ from the forecast.

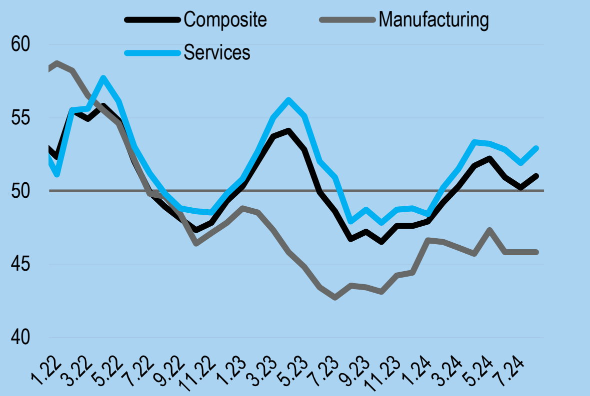
In the coming years, the use of funds from the RRP will support the economy, but the shortage of labor will limit economic growth. Domestic demand will be under pressure from fiscal consolidation, while exports will be supported by Volvo Car Slovakia's investment. The declining supply of domestic labor due to an unfavorable demographic situation will be mitigated by the inflow of workers from abroad. The unemployment rate is expected to fall to around 5%. Real wage dynamics will again exceed 2%.

Market trends indicate a decline in energy commodity prices in the coming years, which should ease inflation. After the inflationary shocks and base effects have subsided, food and tradable goods prices will return to the average growth recorded in the years 2017-2020. Service prices will rise faster, but overall price development will be dampened by fiscal consolidation in the medium term.

BOX 1 – External environment prerequisites

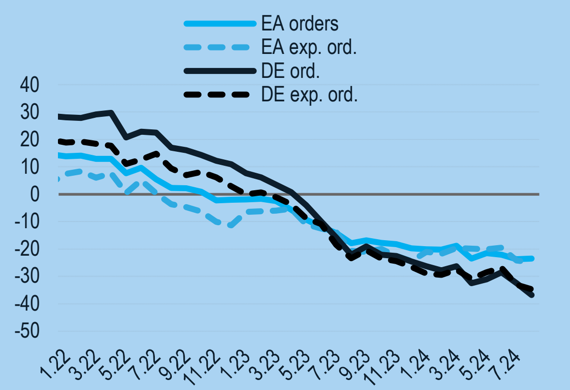
The external environment deteriorated in the third quarter. Problems are deepening, especially in industrially oriented countries. Germany delivered a negative surprise, with its economy slowing down slightly in the second quarter. This was reflected in lower growth for the entire monetary bloc, which slowed down compared to the previous quarter and fell short of expectations. Austria is also struggling, with its economy stagnating for the past two years. On the contrary, countries with a larger share of services and tourism are doing very well. Economic growth in Spain has been continuously surprising on the upside for over a year, and Italy is also recording a solid performance. Positive news for Slovakia is the gradual recovery in the V3 region, which should gain momentum in the coming quarters and support foreign demand. A slight deterioration of the situation is also evident in the rest of the global economy. Chinese growth remains slow by historical standards, and the US economy, despite robust results, shows signs of slowdown, creating nervousness on financial markets.

FIGURE 5 – Purchasing Managers´ Index (readings above 50 = expansion)



Source: Bloomberg, MoF SR

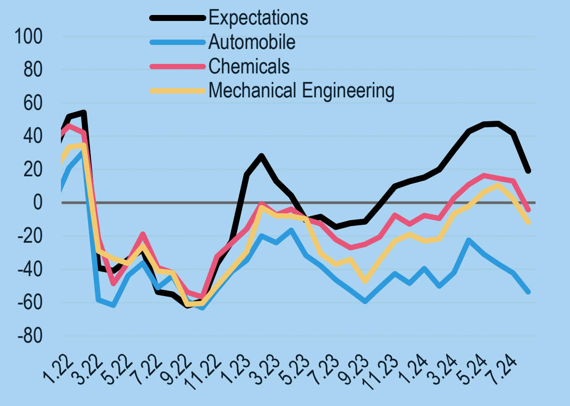
FIGURE 6 – Manufacturing orders in euro area and Germany (ESI, points)



Source: EC, MoF SR

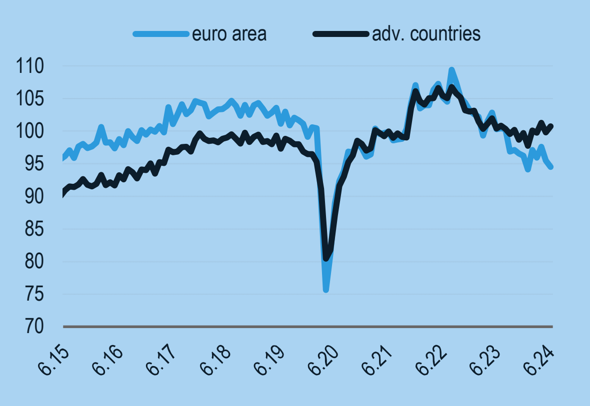
Industry is struggling to emerge from the recession. Leading indicators point to a gradual increase in pessimism about the coming periods. Particularly negative expectations can be observed in the German automotive industry, and pessimistic statements by top representatives of German Volkswagen do not contribute to improving the situation. According to the Purchasing Managers' Index, the eurozone industry has been in a recession for more than two years, and in August, the US industry joined it. The reason is a sharp decline in orders, which the eurozone has been facing since last year and which does not give hope for a significant improvement in the situation in the short term. The weaker performance of industry, especially in the eurozone, is also reflected in the declining volume of global trade in developed countries.

FIGURE 7 – ZEW Index of economic expectations in Germany (points)



Source: Macrobond, MoF SR

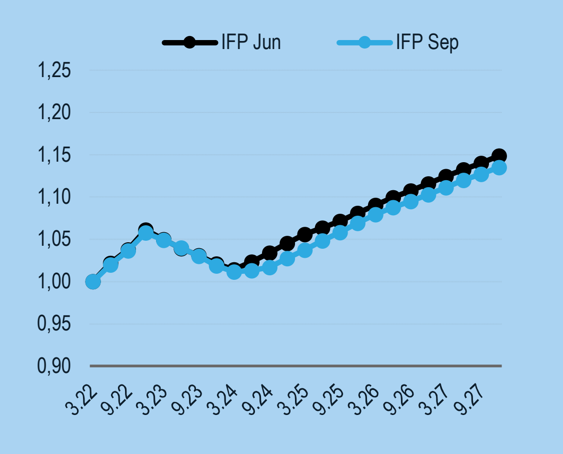
FIGURE 8 – World Trade Monitor Index, imports (points)



Source: Macrobond, MoF SR

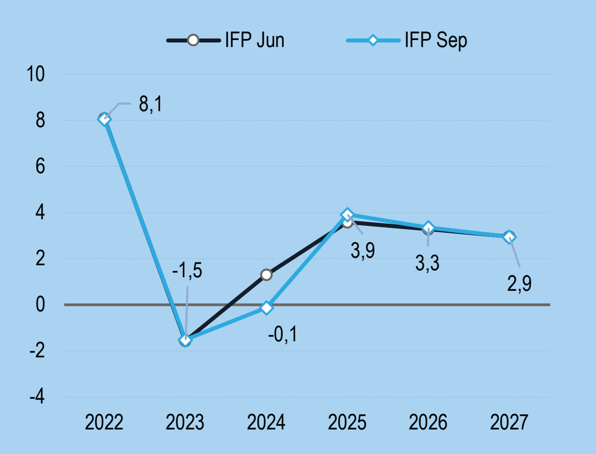
Foreign demand will recover only in 2025 and 2026. Although the recovery in the eurozone is gradually progressing, it currently concerns mainly the service sector. Imports of our trading partners have been stagnating or declining in recent quarters. This, together with negative sentiment in the industry, does not give much hope for an acceleration of foreign demand this year. The situation should change in the coming years. Foreign demand should be stimulated by the easing monetary policy, as well as growing investment appetite supported by projects from the Recovery Plan. The acceleration of the recovery among our close neighbors in the V3, which should support domestic industry, will also be important. A risk for future development is the possible continuation of a slow pace of recovery in Germany and a deepening of problems in the automotive industry.

FIGURE 9 – Weighted index of external demand (level)



Source: MoF SR

FIGURE 10 – Annual growth of weigh. ext. demand ind. (%)



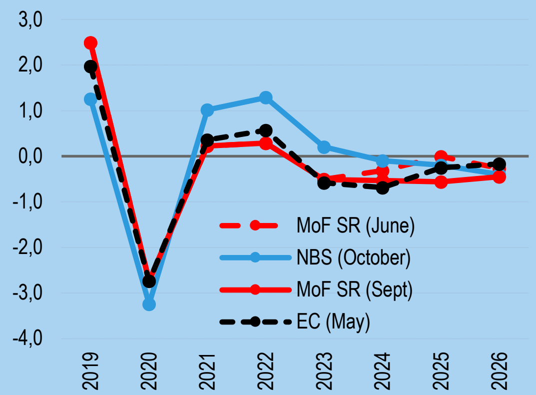
Source: MoF SR

BOX 2 – Estimate of the output gap

European funds are helping to push the growth potential of the economy from 2023 to 2.3%, which is 0.5 percentage points more than during the crisis years marked by the pandemic, the war in Ukraine, and the sharp rise in energy prices. In 2023, the dynamics of potential GDP were driven upwards by the investment impulse from the last year of drawing down EU funds, and from 2024, capital from the Recovery and Resilience Plan will start to flow into the economy at an increased rate. The pace of potential creation will also be driven by overall productivity, with the smallest contribution coming from potential employment. From 2024, it will even have a negative impact on potential, mainly as a result of demographic developments and the retirement of people.

According to the national methodology of the Ministry of Finance of the Slovak Republic[5], the Slovak economy will be slightly below its potential in 2024 and 2025, despite the consolidation of public finances from 2025. Demand will be supported mainly by investment activity in 2024-2026 and subsequently by a recovery in exports with new export capacities in the automotive industry and battery production. Only the shortfall of the Recovery and Resilience Plan in 2027 and the consolidation of public finances will push the economy into negative numbers, which will remain close to 1% below potential.

FIGURE 11 – Output gap (% pot. GDP) – comparing MoF SR, NBS, EC



Source: MoF SR, NBS, AMECO

TABLE 1 – Output gap and factor contributions to potential growth – national methodology

	Output gap (% pot. GDP)	Pot. GDP (growth, %)	TFP*	Capital stock	Labour
2021	0.2	1.7	1.1	0.5	0.0
2022	0.3	1.8	1.1	0.7	0.1
2023	-0.5	2.4	1.4	0.9	0.1
2024F	-0.5	2.3	1.4	1.0	0.0
2025F	-0.6	2.3	1.3	1.1	-0.1
2026F	-0.5	2.2	1.1	1.2	-0.2
2027F	-1.3	1.9	1.0	1.1	-0.2

* Total Factor Productivity

Source: MoF SR

The discrepancy between the European Commission's and the Ministry of Finance's (using the national methodology) estimates of the output gap is primarily due to differing assumptions regarding total factor productivity (TFP)[6]. The European Commission estimates a greater degree of economic underutilization as it does not account for the positive impulses stemming from the expansion of the economy's export capacity. Conversely, the National Bank of Slovakia projects a milder economic underutilization.

[5] The methodology can be found on the MoF SR website.

[6] Since 2024, the EC methodology has estimated the output gap for the next ten years, whereas official forecasts previously only included estimates of the output gap for the next two years. The only difference compared to the national methodology of the Ministry of Finance of the Slovak Republic is the adjustment of TFP for the impact of investments from the Recovery Plan, which we estimated based on panel data from 34 countries (EU, UK, USA, Iceland, Norway, Switzerland, Canada, and Japan) during the years 2010 to 2019. An increase in the growth rate of investments by 1 percentage point is associated with an increase in the growth rate of total productivity by 0.061 percentage points. The growth of total factor productivity was then adjusted based on the volume of planned investments in individual years and the estimated impact on TFP.

II. CURRENT POSITION OF PUBLIC FINANCES AND BUDGETARY OBJECTIVES

The deficit will remain below 6% of GDP this year, as planned in the budget. Compliance with the expenditure rule, as recommended by the European Commission for Slovakia, is also expected. After adjusting for EU funds, revenues are growing at a slower pace compared to expenditures, even after considering consolidation measures amounting to 1.3% of GDP. The slower growth in revenues is mainly due to the slower growth in VAT, excise duties, and the decline in temporary revenues from taxation of excess profits. On the other hand, the expenditure side, adjusted for EU expenditures, is primarily influenced by expenditures in healthcare, social spending, and debt servicing.

In the coming years, the government plans to reduce the deficit by approximately 1% of GDP per year. In a scenario without additional measures, the deficit would, on the contrary, increase slightly, as early as next year. This is mainly due to the growth of defense expenditures, where methodologically reflected are the previously contracted deliveries of military equipment. Growing debt servicing costs also have a negative impact. These factors are, however, largely offset by the phasing out of measures related to high energy prices. Therefore, the government has adopted a larger volume of consolidation measures for 2025, in amount of 2% of GDP. A larger volume of consolidation measures also covers some new expenditures (0.3 % of GDP) and allows for the creation of a prudent reserve to address the negative impacts of the development of budget management at the same level of 0.3% of GDP. To achieve the targets by the end of the electoral term, additional measures totaling 1.9% of GDP are needed according to current estimates.

II.1. The current state of public finances in 2024

The general government deficit is currently above its historical average. This year, the deficit is expected to reach 5.8% of GDP, which is in line with the budget plan (6.0% of GDP). Compared to the previous year, even after considering the impact of consolidation measures, the deficit is increasing year-on-year. The main reasons are strong growth in social spending, influenced by last year's high inflation, increased healthcare spending, and the servicing of government debt.

FIGURE 12 – Development of the nominal balance in % of GDP

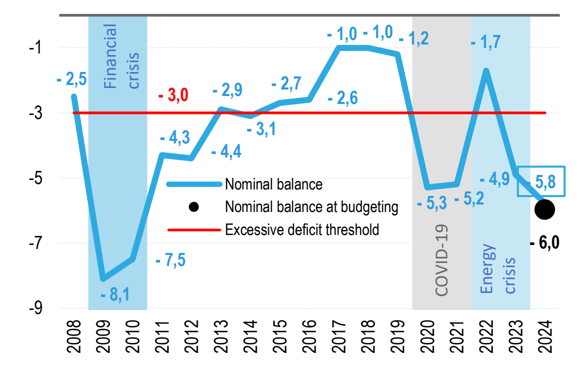
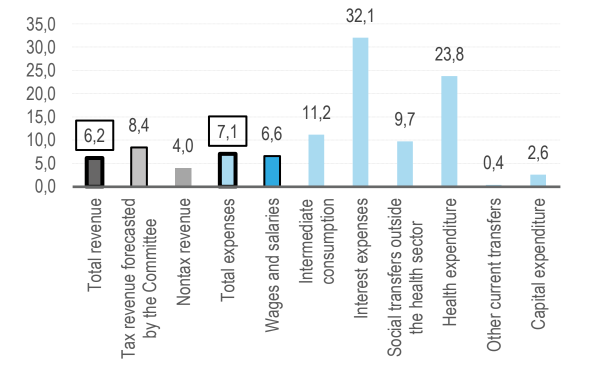


FIGURE 13 – Annual growth rates of selected items in 2024, excluding EU and POO funds (% growth, ESA2010)[7]



Source: MoF SR

Tax and social security contributions revenue, as projected by the independent Tax Forecast Committee, is growing this year primarily due to the adopted consolidation measures. Without them, it would lag behind economic development and expenditures. The adopted government measures, amounting to 1.3% of GDP, significantly contribute to higher tax revenues[8]. Strong economic growth and related macroeconomic bases are

[7] The Eurostat notification from spring 2024 used for the year 2023 has been adjusted to include quantifications of tax revenue from the Tax Revenue Committee of September 2024.

[8] This primarily concerns the introduction of a bank tax, the introduction of a minimum corporate tax, an increase in the employer's social security contributions rate by 1 percentage point, an increase in excise duties on tobacco products, and a decrease in contributions to the second pillar. The increase in property taxes and taxes on specific services has a positive impact on municipal revenues.

driving the revenue dynamics. However, the positive impact of macroeconomic bases is somewhat dampened by the development of effective tax rates, particularly for VAT and personal income tax (PIT). While VAT shows a year-on-year decline in collection efficiency (FIGURE 15), which has stabilized slightly over time, in the case of PIT, this is due to the impact of non-taxable portions of the tax base, which in 2024 are outpacing even the quite brisk wage growth. Conversely, the overall negative effect of effective tax rates is offset by the continued growth in corporate profitability, which is outpacing the growth of the relevant macroeconomic base.

FIGURE 14 – Year-on-year change in taxes by factor (2024, ESA 2010, in p.p.)

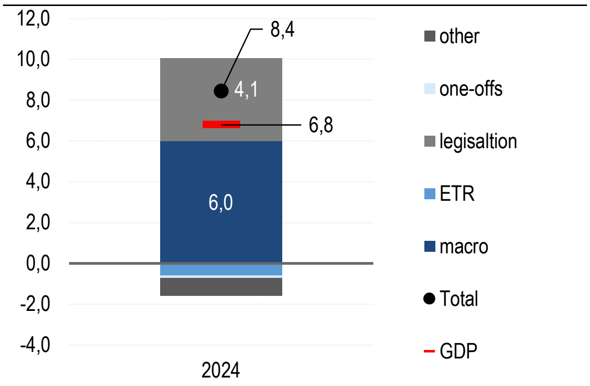
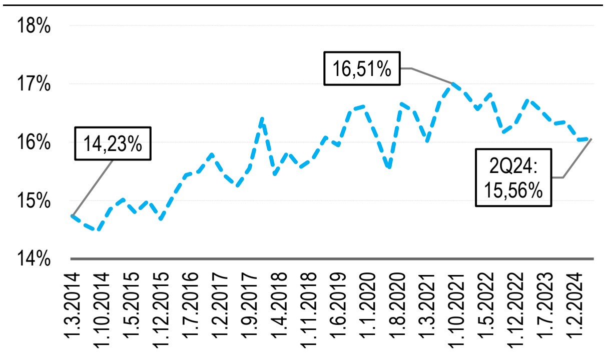


FIGURE 15 – VAT effective tax rate (in %)



Source: MoF SR

The growth of compensation expenditures exceeds the growth of inflation. The largest share in the growth of wage and social security contributions expenditures in the public administration is due to last year's September wage indexation, two-thirds of which are reflected this year. Measures in the areas of education[9], science and research[10], as well as higher resources in healthcare from the increased employer's social security contributions by 1 pp (a total of 0.3% of GDP), also contribute significantly. On the other hand, the growth of expenditures is dampened by a 5% reduction in expenditures at the level of personal expenditures of employees of the central state administration, included in the first consolidation package[11].

The costs of goods and services are growing by more than ten percent year-on-year. Of the government measures, funds allocated to the new Ministry of Tourism and Sports (up to 0.1% of GDP) have an impact on the above-inflation year-on-year growth. At the same time, before the end of the year, expenditures are also standardly reported on this category, which ultimately affect other expenditure categories[12]. The growth of costs is, on the other hand, slightly offset by lower market prices of energy, which are partly reflected in lower energy costs.

Subsidies are declining this year to approximately half the level of the previous year. The decrease in costs is due to a lower need for energy assistance for households and businesses. Expenditures on energy assistance are decreasing year-on-year from 2.5% of GDP to 0.9% of GDP (BOX 3). The decline is, on the other hand, slowed down by subsidies to agriculture, which are increasing by more than half year-on-year. This is mainly due to delayed payments to farmers from last year, which are to be paid this year.

BOX 3 – Government measures aimed at reducing the impact of energy prices in 2024

Compensation for high energy costs for households will decrease year-on-year this year and is estimated at 0.8% of GDP. Gas and heating prices for households in 2024 remained at the level of the previous year. The difference between last year's and the regulated price set by the Regulatory Office for Network Industries (ÚRSO) is covered from the state budget. Thanks to an agreement with Slovenské elektrárne, the government does not

[9] Wage increases as a result of the School Act amendment effective from May 2023. The amendment also includes measures such as increasing the number of social workers and supervisors in schools, making the position of a teaching assistant more attractive, or introducing introductory years. Additionally, a measure was adopted this year to reduce regional disparities between teachers through bonuses.
[10] This year, performance contracts for public universities are being introduced. The measures include diversifying their specialization and linking it to state budget allocations, increasing support for students, promoting career development, and others. A new strategy for science, research, and innovation is also being launched this year.
[11] The consolidation list for 2024 includes a 5% binding of expenditures in the central state administration on personal expenses. However, it is up to the chapters of the state budget to decide on which items to bind the expenditures.
[12] Budget chapters, in addition to the expenditures that belong to the item of intermediate consumption, also budget expenditures that are transferred to other items during the year by budgetary measures.

have to compensate for the energy component of electricity, which remains at the 2022 level this year as well as last year. Costs for public finances arise from compensating for increasing system and distribution fees, as the government guarantees the preservation of the overall electricity price at the 2022 level. Moreover, a change in legislation in 2022 created a new category of regulated customers, so-called "selected vulnerable consumers", which includes house heating plants, social service facilities, rental and social housing, for which the government also compensates for high energy prices.

Expenditures on schemes for businesses will also decrease significantly this year, to the level of 0.1% of GDP. This year, as in the previous year, the government compensates businesses for 80% of costs above the set price cap. For the energy component of electricity, the cap was set at 199 euros without VAT per MWh, and the cap for gas supply was set at 99 euros without VAT per MWh. Small businesses with an annual consumption of 30 MWh of electricity and 100 MWh of gas per year, falling under regulated prices, have even more favorable conditions. The government compensates 100% of costs above the set price cap. The cap is the same as for unregulated companies at 199 euros per MWh for electricity and 99 euros per MWh for gas. Although the schemes are the same as in 2023, due to the positive development of energy prices, significantly lower budget costs are expected this year. This year, compensation for increasing system and distribution fees for electricity is also valid.

Just like the costs of energy measures, temporary revenues from taxation of excess profits are also decreasing significantly. The expenditures on the schemes are partially offset by revenues from the EU regulation concerning a solidarity contribution on excess profits of companies resulting from the energy crisis[13], which was set at 70% in Slovakia for 2023 and 2024. Minimal revenues are also expected from the profits of companies that sell electricity above the set price. Such revenues are taxed at a 90% rate. Year-on-year, the levy from the regulation establishing a levy for the state-owned enterprise Vodohospodárska výstavba (a total of 0.2% of GDP) is also decreasing. This year, reallocation of unspent EU funds is not expected either.

TABLE 2 – Measures taken by the government to combat the energy crisis with budget impact (in EUR millions)

	Measurement	2023	2024 Full Year Estimate[14]	Utilisation as of 31.8.2024
	Total expenditure measures	**-3124**	**-1155**	**-667**
Businesses	Implementation of price ceilings on electricity and gas prices for unregulated businesses	-290	-11	-8
Businesses	Implementation of price ceilings on electricity and gas prices for regulated businesses	-237	-	-
Businesses	Implementation of price ceilings on distribution and system charges for electricity for businesses	-676	-80	-48
Households	Implementation of price ceilings on gas prices for households	-1237	-733	-407
Households	Implementing a price ceiling for gas distribution and system charges	-	-36	-21
Households	Implementation of price ceilings on heat prices for households	-371	-246	-155
Households	Implementation of price ceilings on electricity prices for households (distribution and system fees)	-237	-28	-17
Households	Support of selected vulnerable customers (gas + electricity)	-76	-21	-13
Sources of coverage	Reimbursement of scheme costs from unused EU funds	937	-	-
Sources of coverage	Temporary income from the EU regulation regarding excessive profits	-	193	-
Sources of coverage	Implementation of price ceilings for electricity producers	30	6	-
Sources of coverage	Temporary income from a special levy for the state enterprise Water-management Construction	152	83	-
	Total net effect	**-2005**	**-873**	

Source: MoF SR and MoE SR

Note: The values for 2023 represent the paid cash benefits without adjustment for refunds (approximately 44 million euros, mainly for household heating in the amount of 40 million euros). Cash payments include payments made by the end of August 2024 that relate to schemes valid in 2023 (thus, the values for 2023 are accrued).

At the same time, measures were adopted that did not directly impact public finances. Households have been ensured stable electricity prices since 2022 through an agreement with Slovenské elektrárne, a.s. The price cap on electricity for households in 2023 and 2024 is set at the 2022 level.

[13] The solidarity contribution applies to companies in the petroleum, natural gas, and coal processing sectors, where such activities must account for at least 75% of their turnover.
[14] These are expenses for schemes valid in 2024. It does not include payments made in 2024 for 2023 schemes.

Interest expenses are also growing this year, by a third compared to 2023. The main source of the expected increase in debt servicing costs is the full impact of the ECB's interest rate hikes on the sale of government bonds. Interest expenses are thus growing due to the replacement of old, cheaper debt with new debt at higher rates, including the need to cover the expected state budget deficit this year.

A significant proportion of the increase in expenditure is also due to a 10% increase in social benefits. The main factor driving this development is, once again, a strong pension indexation caused by last year's inflation. The measure allowing retirement after 40 years of work also contributes to the increase in expenditure. The increase in the 13th pension to the level of the average pension also has an impact[15]. Some smaller measures are also causing an increase in spending on social benefits.[16]

Healthcare expenditures are growing by more than 20% year-on-year. Healthcare workers' wages are growing by almost 8% this year[17]. Outside the public sector[18], expenditures have grown primarily in specialized outpatient care, medical devices, and private hospitals. The gradual increase in the impact of the introduction of innovative drugs since 2022 is also putting pressure on healthcare spending.[19]

National capital expenditures are growing by 3%. Among the more significant investments is the construction of the R2 Kriváň – Mýtna expressway section and the D1 Lietavská lúčka – Dubná skala motorway section, together with the Višňové tunnel. Significantly more funds will be spent on defense this year, mainly due to the delivery of a relevant amount of defense equipment, which represents a year-on-year increase in capital expenditures of 0.5% of GDP. F-16 aircraft and 8x8 armored vehicles are to be delivered in 2024.

II.2. Budgetary objectives

In line with the established trajectory of net expenditure growth, the government aims to reduce the deficit to 4.7% of GDP in 2025. In a scenario without further measures, the deficit would increase next year. The volume of necessary consolidation measures to achieve next year's target is increasing mainly due to the expected growth of defense expenditures (-0.8% of GDP). However, their increase is largely due to previously agreed deliveries of military equipment. Rising debt servicing costs also have a negative impact. These factors are, however, largely offset by the phasing out of measures related to high energy prices (0.7% of GDP)[20]. For the coming year, the government plans maximum growth of nationally financed primary government expenditures[21] (hereinafter referred to as net expenditures) at the level of 3.8% (see **BOX 4**). Taking into account the latest forecasts, this corresponds to a reduction of the nominal deficit by 1.1 percentage points (to 4.7% of GDP). The government aims to achieve this year-on-year reduction in the deficit through a set of consolidation measures already approved by parliament in the amount of 2.0% of GDP. A larger volume of consolidation measures also covers new expenditures with an impact of 0.3% of GDP, mainly in the social area, and also allows for the creation of a prudent reserve to address the negative impacts of budget developments of the same level of 0.3% of GDP (for individual measures, see Chapter 3).

[15] The year-on-year growth in expenditure from this measure, after including a one-time payment of 300 euros, is caused by the non-reduction of the 13th pension for recipients with higher pensions. As a result, a lower 13th pension was paid to pensioners with low pensions in the previous year.
[16] Such changes include the adopted reclassification of the type of disability for the payment of disability pensions, pro-family measures such as a new contribution for parents whose children were not admitted to kindergarten, as well as assistance with mortgage payments, changes in housing benefits for people in material need, or the expansion of personal assistance in schools.
[17] Salaries in healthcare are indexed based on the growth of wages in the economy two years prior (currently, 2022). In the ESA2010 classification, this item accounts for the salaries of healthcare professionals in institutions that are not classified in the general government sector.
[18] In the ESA2010 classification, healthcare institutions classified in the general government sector are excluded from this item.
[19] The process of approving a new innovative drug, which is usually expensive, can take up to two years and requires the submission of applications, inspections, and subsequent negotiations. Thanks to the continuity of the process, old drugs are gradually being replaced by newer ones, thus covering some costs, but the increased impact on the growth of healthcare expenditure will persist in the coming years.
[20] The draft budget for the coming year includes a significantly lower amount (235 million euros) within the energy aid sum for assistance to low-income households in the event of gas price increases. Part of the reserve will be used to settle schemes for compensating energy prices for 2024. For now, there are no plans to compensate distributors for the differences between regulated and reduced prices, but various alternatives for targeted assistance to low-income households are being considered to compensate for higher gas prices.
[21] General government expenditure in the ESA2010 methodology is adjusted for resources from the Recovery Plan, European Structural Funds, co-financing expenditure, interest expenses, one-off expenditures, and cyclical expenditure on unemployment. The growth of such adjusted expenditure is also reduced by discretionary revenue measures (DRM) that allow the government to achieve consolidation on the revenue side of the budget as well.

FIGURE 16 – Growth of net expenditures of General Government (%)

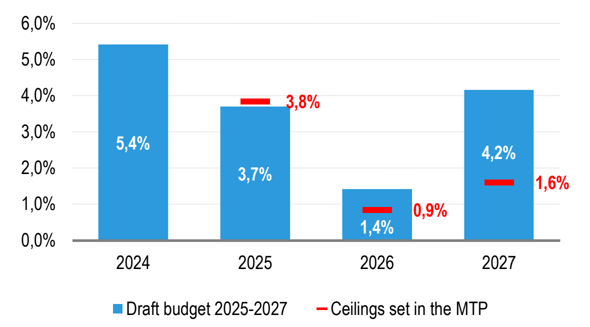


TABLE 3 – The key drivers of the year-on-year change in the nominal deficit in 2025 (% of GDP)

Year-on-year deficit reduction in 2025	1,1
Increase in defense spending	-0,8
Increase in interest expenses	-0,1
Lower energy compensations	0,7
Fiscal consolidation measures	2,0
Government spending measures, including a reserve for addressing negative impacts on budgetary developments	-0,6
Other	-0,1

Note: In 2024, the new EU fiscal rules were not yet in force. Slovakia set a national limit based on the EC's spring 2023 recommendation, at a level of 5.7% year-on-year growth in expenditure, including co-financing expenditures. *Source: MoF SR, EC*

From 2026 onwards, the government will continue to reduce the nominal deficit by an average of almost 1% of GDP per year. The budgetary targets correspond to a reduction of the deficit to the level of 3% of GDP by the end of the electoral term. The pace of deficit reduction of approximately 1 pp per year also reflects the set growth of net expenditures in the following years. The reduction of the deficit to 3% of GDP by the end of the electoral term is a stricter target than mechanically follows from adherence to the binding trajectory of growth of net expenditures. In the case of applying the binding trajectory of growth of net expenditures, the deficit would fall to the level of 3.6% of GDP in 2027. However, the government plans to achieve a stricter deficit target through additional efforts, primarily by improving the success of tax collection, with a view to stabilizing the development of gross debt around 60% of GDP, which would not be possible to achieve when applying the binding trajectory of growth of net expenditures.

TABLE 4 – Government's nominal targets (ESA2010, % of GDP)

	2022	2023	2024 E	2025 F	2026 F	2027 F
Net lending/borrowing (Non policy change) - targets (1)	-1,7*	-4,9*	**-5,8**	**-4,7**	**-3,7**	**-3,0**
Year-on-year change in nominal balance (2)			**0,9**	**-1,1**	**-1,0**	**-0,7**
Current approved budget (3)				**-4,7**	**-4,2**	**-4,9**
The difference between the government's goals and the current budget (3-1)				**0,0**	**0,4**	**1,9**

** According to the data of the spring notification of Eurostat.* *Source: MoF SR*

BOX 4 – The growth of net expenditure as a tool of the new EU fiscal rules.

Deficit and debt remain central elements even in the reformed EU fiscal rules. EU countries agreed in 2024 on the form of new rules for managing and overseeing public finances. Although the reform abandoned several of the original assessment indicators, the nominal deficit and gross debt remain the basic elements of the new rules. The new fiscal framework aims to reduce the deficit to a level that will ensure that even in the following 10 years after the horizon of the medium-term fiscal-structural plan, without further government intervention, the deficit will not return above 3% of GDP. Debt should decrease to 60% of GDP[22] in highly indebted countries, or, in low-debt countries, after adjustment below this level, be maintained even in the 10-year horizon without further government intervention[23].

The only operational tool for reducing deficits and debt from 2025 will be the growth of net expenditures. Although the deficit and debt targets have not changed, new elements of the rules are the multi-year horizon and the single operational tool of net expenditure growth. These are the expenditures of the entire public

[22] Countries with debt above 90% of GDP must ensure a debt reduction of at least 1 percentage point per year on average, while countries with debt between 60% and 90% of GDP must reduce it by 0.5 percentage point per year.
[23] Furthermore, the debt projection is tested against adverse scenarios of a financial shock, a worse development of the primary structural balance, and a deteriorated relationship between the interest rate and GDP growth. It is also assessed whether, after the adjustment, the debt will decrease with a probability of at least 70% in the following five years.

administration, adjusted for influences that the government does not have full control over, such as EU funds or interest costs. The required reduction in the deficit in the metric of the primary structural balance is reflected in the necessary slowdown in the growth of net expenditures[24]. Expenditures can then grow faster only if equivalent revenue measures are adopted in the budget (DRM). This defined growth over a multi-year horizon of 4 to 7 years[25] represents the so-called reference expenditure trajectory. This is the only indicator whose fulfillment will be monitored and deviations recorded over the entire horizon.

The binding expenditure trajectory is anchored in the new multi-annual medium-term fiscal-structural plan (MTP)[26]. The growth of net expenditures is a political commitment of the government, which is declared for the first time in autumn 2024 in a new strategic document. This is a multi-annual fiscal-structural plan that frames the planned development of public finances and represents a set of reforms and investments for the next four years. After approval by the European Commission and the Council of the EU, the MTP becomes binding for budget creation and the implementation of structural reforms. It replaces the Stability Programme and the National Reform Programme and its fulfilment will be evaluated each year at the end of April in a new Annual Progress Report[27].

In order to achieve the planned decline in the deficit, which will be in line with the set growth of net expenditures in the coming years, it is necessary to introduce additional consolidation measures amounting to 1.9% of GDP by 2027. The consolidation measures presented by the government and approved by the parliament ensure the achievement of the target in 2025. For 2026, the deficit of the currently set budget is higher by 0.4% of GDP, or 1.9% of GDP in 2027 (€2.8 billion). However, the government plans to adopt further measures to achieve the set targets for the general government budget deficit.

TABLE 5 – Expenditure and Revenue Balance in ESA 2010 (% of GDP)

			E		F	
	ESA code	**2023**	**2024**	**2025**	**2026**	**2027**
Total revenue	**TR**	**43,0**	**41,0**	**42,8**	**42,2**	**41,6**
Taxes on production and imports	D.2	12,3	11,6	12,5	12,3	12,0
Current taxes on income, wealth	D.5	7,8	8,2	8,4	8,3	8,3
Social security contributions	D.61	15,4	15,6	15,7	15,9	16,1
Property income	D.4R	1,0	1,0	0,9	0,7	0,6
Other*		6,6	4,7	5,3	5,0	4,5
Total expenditure	**TE**	**47,9**	**46,8**	**47,5**	**46,3**	**46,4**
Compensations for employees	D.1P	11,0	10,8	10,8	10,5	10,5
Intermediate consumption	P.2	5,6	5,9	5,9	5,7	5,6
Subsidies	D.3P	3,3	1,8	1,1	0,7	0,7
Interest cost	D.41P	1,2	1,4	1,5	1,6	1,8
Total social transfers	D.6P,D632	19,7	20,7	20,1	20,2	20,3
Gross fixed capital generation	P.51G	4,7	3,5	4,2	3,5	3,3
Capital transfers	D.9P	0,6	0,4	0,7	0,5	0,5
Other**		1,8	2,2	3,1	3,5	3,8
Unspecified measures					0,4	1,9
General Government Balance	**B.9**	**-4,9**	**-5,8**	**-4,7**	**-3,7**	**-3,0**
Balance without unspecified measures			**-5,8**	**-4,7**	**-4,2**	**-4,9**

*Note: * P.11+P.12+P131+D.39rec+D.7rec+D.9rec (other than D.91rec)* *Source: MoF SR*

*** D.29p+D.5p+D.7p+P.5M+NP*

[24] The rule allows adjusted expenditures to grow at the rate of growth of nominal potential GDP, minus the desired change in the primary structural balance.
[25] The EU rules set the reference trajectory for a minimum of 4 years. If a Member State plans to spread the consolidation over a longer period, the trajectory can be extended up to 7 years. However, this requires the adoption of additional reforms and investments aimed at improving economic growth, fiscal sustainability, and maintaining the average level of national investments.
[26] National Medium-Term Fiscal-Structural Plan of the Slovak Republic for the Years 2025-2028.
[27] The official name is: Annual progress report on the implementation of the national medium-term fiscal-structural plan.

III. DESCRIPTION OF GOVERNMENT MEASURES

The government has prepared, and parliament has already approved, a comprehensive set of consolidation measures amounting to 2.0% of GDP for 2025. Among the largest measures on the revenue side are a reform of VAT rates, the introduction of a tax on financial transactions for companies and entrepreneurs, and the introduction or increase of sectoral taxes. Excise duties will also increase through a new tax on sweetened beverages and taxation of electronic cigarettes. Corporate tax for companies with a turnover of over 5 million EUR will also increase, as well as fees for highway vignettes and road tolls, and the contribution burden for high-income employees. On the expenditure side, the largest savings come from targeting part of social transfers by replacing parental pensions with the possibility to assign part of income tax to parents and the gradual loss of entitlement to the tax bonus with increasing income. The growth of expenditures will also be slowed down by measures on the wage bill, as the wage bill of selected state employees is to be reduced by a tenth and the wages of most healthcare workers will grow more slowly than their salary scale.

III.1. Measures incorporated into the budget

Revenue measures

The increase in the standard VAT rate to 23%, along with adjustments to the reduced rates to 19% and 5%, will increase public revenue by 0.5% of GDP. The standard VAT rate is increasing from 20% to 23%. At the same time, basic foodstuffs, medicines and selected medical devices, registered social enterprises, textbooks, books, music, newspapers, magazines, restaurant meals, and services of accommodation facilities and fitness centers will be reclassified from the current reduced 10% rate to the 5% reduced rate. Stadium admissions will also be subject to the new 5% reduced rate. All food (except basic foodstuffs in the reduced 5% rate), restaurant drinks (except alcoholic beverages, which are at the 23% rate) and electricity supplies will be subject to the new 19% VAT rate.

The introduction of a new financial transaction tax (DFT) for companies and sole traders will increase public revenue by 0.5% of GDP. Bank transfers of companies and sole traders will be taxed at a rate of 0.4% of the transaction amount with a maximum of 40 euros per transaction, and cash withdrawals from ATMs will be taxed at double that rate (0.8%), but without applying the maximum cap for withdrawals. At the same time, each debit and credit card will be taxed with a flat fee of 2 euros per year. Paying taxes and contributions will not be subject to DFT. The new tax will be collected and paid to the state by commercial banks. The tax will be paid for the first time from April 1, 2025. The expected revenue in the next year is at the level of 0.4% of GDP, in the remaining years 0.5% of GDP. As a compensatory measure, the threshold for applying the reduced personal income tax rate of 15% will be increased from 60,000 to 100,000 euros per year for small sole traders. Similarly, the threshold will be increased to 100,000 euros for small and medium-sized enterprises, and the tax rate will be further reduced from 15% to 10%. Compensatory measures should positively affect approximately 10,000 sole traders and 22,000 companies.

The new tax rate for businesses with turnover over 5 million euros at the level of 24% will bring 0.3% of GDP. The introduction of a higher tax does not introduce true progressive taxation. With a reduced tax for small and medium-sized enterprises at the level of 10% with taxable income up to 100,000 euros, a system with three tax rates is created. These are applied to the entire tax base in case of exceeding the specified threshold of taxable income. The measure in the form of a higher tax rate will negatively affect approximately 5,500 companies, which is approximately 1.8% of the total number, while the reduced 10% rate will improve the economy of approximately 22,000 companies (7% of the total number)[28]. As an additional compensatory measure, the government has adopted a reduction in the withholding tax on dividends from 10% to 7%. The lower rate will apply to dividends paid from the profits of 2025 and later.

[28] Corporate income tax is subject to further changes: the extension of the super-deduction for investments in Industry 4.0 and the exemption of social enterprises from paying the business license tax. However, both measures have a negligible impact on public finances, amounting to approximately 1 million euros.

The increase in highway vignette prices and the reform of road tolls will bring, in addition to additional revenues (0.1% of GDP), a shift towards greener taxation. The increase in highway vignettes responds to the EC directive (Eurovignette). It introduces the obligation to introduce a one-day highway vignette, as well as to ensure maximum price differences based on the price of the annual highway vignette. From January 2025, the price of the annual vignette will be 90 euros (currently 60 euros), and even after the increase, its price will be the lowest in the V4 and Austria[29]. At the same time, in accordance with the Eurovignette directive, the government is increasing toll prices for trucks by 40%[30] from the second half of 2025. As a compensatory measure for road carriers, the government is reducing the motor vehicle tax for trucks to the minimum level. The loss of revenue from the lower motor vehicle tax for trucks will be compensated by a higher motor vehicle tax for passenger cars[31]. The exemption of non-monetary income from the use of a motor vehicle with alternative propulsion will also contribute to greener taxation.

The increase in the special levy on regulated sectors for selected sectors, which are among the most profitable sectors, and its extension to refineries will bring in up to 0.1% of GDP next year. The increase in the special levy will affect mobile operators[32]. Their total tax burden will increase from almost 24% to 31.0%, and net profitability will decrease by approximately 1.5 percentage points to 14.2%. From next year, refineries will also be included in the special levy on businesses in regulated sectors. The rate of the regulated levy for refineries will correspond to 30% of the profit, and this is a permanent levy at this level.

In order to increase the attractiveness of government bonds and at the same time as a compensatory measure, the government has exempted interest income from government bonds from the base of the special levy.

An increase in the maximum taxable bases for social security contributions will generate income of up to 0.1% of GDP. Social security contributions will increase from 7 times the average wage from two years ago to 11 times[33]. The measure will affect employees with a monthly income of more than 10,700 euros. This represents approximately 16,000 people.

In addition to the measures within the consolidation law, which passed through parliament in September, measures aimed at higher taxation of excise duties were also adopted earlier this year. A new tax on sweetened beverages will be effective from the beginning of 2025. It will apply to beverages with added sugar or artificial sweeteners at a rate of 15 or 30 cents per liter[34]. From the beginning of 2025, electronic cigarettes and nicotine pouches will be taxed[35]. The taxation of these products will ensure a level playing field in the tobacco market. From 2026, the tax calendar (i.e. automatic increase in tax rates) for tobacco products will continue. It is planned to increase the rates in 2026 and 2028 so that the price of a pack of cigarettes increases by 40 cents in both years.

[29] The price of stamps has changed annually: 60→90 euros, monthly: 17→17.1 euros, 10-day: 12→10.8 euros (decrease), and daily: 5.4→8.1 euros.

[30] The Eurovignette Directive introduces a charge for CO2 emissions into the calculation of the total toll. At the same time, the calculation of the total toll includes a charge for infrastructure and a charge for external costs related to air pollution.

[31] The goal of this measure is to shift from taxing vehicle ownership, in the form of motor vehicle tax (MVT), to directly charging for road usage through a toll system. The MVT rates for trucks will be reduced to the minimum level as compensation for higher toll rates, which will ultimately reduce MVT revenue by 32 million euros. Subsequently, unifying the age coefficients for tax calculation on all vehicles will increase taxation for vehicle categories M1, N1, and L (passenger cars, small trucks, motorcycles), which together amounts to 27 million euros. This partially covers the tax shortfall caused by the reduction in rates for trucks (categories N2, N3), trailers (category O), and buses (categories M2, M3).

[32] Currently, a monthly rate of 0.363% (4.356% annually) is applied to the operating result. We propose increasing it to 1.576% (18.908% annually) over a 15-year period. The higher rate will increase the revenue of the state budget by 25.5 million euros per year, taking into account the impact of the tax on corporate income tax (DPPO). In 2022, mobile operators paid a total of 11.1 million euros in the special tax.

[33] Increasing the ceilings for paying social security contributions from 7 times PMt-2 (corresponding to a gross salary of 10,710 euros/month in 2026) to 11 times PMt-2 (corresponding to a gross salary of 16,830 euros/month in 2026) represents an increase in the tax burden on labor for the highest earners, especially increasing the labor costs of their employers.

[34] Public revenue will thus increase by 0.1% of GDP (85 million in 2025 to 118 million in 2027). The goal of the measure is to consolidate public finances, and the government does not automatically expect it to lead to a decrease in obesity or other diseases related to diet.

[35] The level of taxation will be at the average level of EU countries (rates for 2025): 0.20 euros/ml for e-cigarette refills, 0.05 euros/g for other nicotine products. In 2027, they are expected to increase to 0.30 euros/ml for e-cigarette refills and 0.20 euros/g for other nicotine products.

Expenditure measures

Expenditure consolidation measures

The government has decided to reduce the wage bill for selected public sector employees and those in the public interest, and to slow down the wage growth for most healthcare workers (a total of 0.3% of GDP). Personal expenditures and limits on the number of employees in chapters of the state budget will decrease by 10% next year. This corresponds to the dismissal of approximately 5,000 employees[36]. The wage increase for most healthcare workers will be slower than what would result from legislation. According to the legislation, which links the wages of healthcare workers to the growth of the average wage in the economy, their wages should grow by almost 10% next year. The exception is nurses and healthcare workers with the lowest salaries, whose wages will increase by more than 6%. This slowdown in wage growth partially compensates for the massive wage increases for healthcare workers in 2023, when their growth significantly exceeded the growth of other wages as well as inflation.

By replacing the parental bonus with a tax credit and linking the tax bonus to income level, a step has been taken to target the social system at low-income households. From next year, the form of payment of parental benefits will change through the allocation of a portion of the tax paid by parents instead of an amount calculated from the children's wages. The possibility of allocating part of the paid income tax to parents of retirement age will be expanded. It will be possible to allocate 4% in addition to the current allocation (2% for one parent and 2% for the other parent). This change will significantly reduce the average amount of parental bonus[37]. Changes in the tax bonus should lead to higher disposable income for low-income households[38]. On the other hand, with increasing income from gross wages at approximately 1.5 times the average wage, i.e., almost 2,500 euros, the tax bonus will be reduced, and the entitlement will be completely lost at an income above 3,600 euros. At the same time, the tax bonus will no longer be paid for children who have reached the age of 18[39].

Measures by the government increasing expenditures

Transfer of funding for kindergartens to the state budget with an impact of up to 0.1% of GDP. From next year, kindergartens will be funded through a normative payment from the state budget, just like primary schools. Although the government will take part of the revenue from the shared PIT from municipalities. The municipalities financed the operation of kindergartens until now from this source. The transfer that the state will send to local governments will be 0.1% of GDP higher than the reduction in PIT.

Next year, some other expenditures are also expected to grow significantly. The government is increasing some social benefits, expenditures are also increasing due to better wage security for the armed forces or employees in courts. Subsidies and funds related to culture as well as expenditures of the Environmental Fund are growing.

The reserve for addressing the negative impacts of the development of budgetary management is at the level of 0.3% of GDP. The draft budget also includes the creation of a reserve for unexpected budgetary and macroeconomic developments. The reserve is also intended to cover potentially lower fulfillment of revenue measures compared to the expected yield. Its main goal is to ensure the fulfillment of the national medium-term fiscal-structural plan.

[36] Exceptions to the binding of expenditure on compensation are granted to pedagogical and specialist employees, constitutional officials, judges and prosecutors, employees of regional education, healthcare employees, employees of centers for children and families and specialized institutions, professional parents, employees of public universities, judicial and legal trainees of the prosecutor's office, administrative capacities, employees abroad, employees of RRP, employees of transferred state administration to municipalities and regional self-government. The quantification of the measure in 2025 calculates severance pay of 75 million euros.

[37] In most cases, the assigned amount will be relatively smaller compared to the current mechanism. For comparison, the assignment from the average salary for the tax period of 2025 will be approximately 39 euros for each parent (78 euros in total) in 2026, while the parental benefit for 1 parent would be 257.4 euros, and for two parents, 514.8 euros per year.

[38] Entitlement to the full tax bonus for the first child will be granted even to low-income individuals (100% of the tax bonus already at half of the minimum wage). At the same time, the tax bonus for low-income families at the level of the minimum wage is increasing, especially for families with more children.

[39] The tax bonus for children under 15 years of age remains at 100 euros, and for children aged 15 to 18, it remains at 50 euros. The tax bonus will not automatically increase in subsequent years (fixed amounts as currently).

TABLE 6 – Quantification of income and expenditure measures (impact on the budget in ESA2010, in EUR millions)

	ESA2010	2025	2026	2027	2028
Summary of revenue measures		**1 992**	**2 446**	**2 505**	**2 690**
Changes in VAT rates (standard rate of 23% and two reduced rates - 19% and 5%)		**756**	**793**	**760**	**774**
Increased standard VAT rate to 23%	D.2	1 230	1 292	1 281	1 324
Reduced rate of 19% (for food, energy, and beverages in restaurants)	D.2	-80	-84	-88	-92
Reduced rate of 5% (for basic foodstuffs, medicines, textbooks, and others)	D.2	-394	-414	-433	-458
Financial transaction tax and threshold adjustment for the lower income tax rate		**468**	**674**	**706**	**743**
Introduction of a financial transaction tax	D.2	517	723	755	792
Adjustment of the reduced corporate income tax rate (from 15% to 10%)	D.5	-45	-45	-45	-45
Change in the income threshold for micro-entrepreneurs (lower income tax rate)	D.5	-4	-4	-4	-4
Higher corporate income tax and lower withholding tax on dividends		**483**	**494**	**495**	**490**
Increase in corporate income tax to 24%	D.5	489	505	521	543
Adjustment of the withholding tax rate on dividends (and others)[40]	D.5	-6	-11	-26	-53
Increase in excise duties (on sugary drinks and tobacco)		**86**	**230**	**284**	**407**
Introduction of excise duty on sugary drinks	D.2	78	108	110	112
Increase in excise duty rates on tobacco products	D.2	-	106	153	264
Increase in excise duty on products related to tobacco products	D.2	8	16	20	31
Adjustment of prices for highway vignettes, tolls, and motor vehicle taxes		**78**	**130**	**130**	**128**
Increase in tolls for heavy goods vehicles (Eurovignette)	P.11	49	99	101	103
Increase in the price of annual highway vignettes (from €60 to €90)	D.2/P.11	45	50	52	54
Reduction in taxation of heavy goods vehicles	D.2	-32	-32	-32	-32
Increase in tax on all motor vehicles	D.2	27	27	27	27
Tax exemption for non-monetary income from vehicles with alternative fuels	D.5/D.6	-11	-14	-18	-25
Special levy on businesses in regulated sectors		**34**	**32**	**33**	**50**
Introduction of a levy on businesses in the oil processing sector	D.5	36	36	36	36
Increase in the levy on businesses in the telecommunications sector	D.5	25	25	25	25
Exemption of interest income from gov. bonds from the personal income tax base	D.5	-28	-29	-28	-12
Increase in ceilings for social security contributions	**D.61**	**88**	**92**	**96**	**100**
Summary of expenditure measures		**91**	**78**	**89**	**103**
Partial targeting of social transfers		**-525**	**-481**	**-498**	**-514**
Reform of parental pension, including:		-352	-309	-326	-343
Abolition of the link between parental pension and average wage	*D.6*	*-352*	*-374*	*-397*	*-419*
Replacement with an allocation from personal income tax (2% + 2%)	*D.7*	*-*	*65*	*71*	*76*
Reform of child tax benefit	D.6	-170	-168	-168	-166
Dampening the growth of wage bill expenditures		**-268**	**-357**	**-371**	**-384**
Reduction of the wage increase for most healthcare professionals in 2025 to 3%	D.1/D.632	-219	-233	-247	-260
Saving 10% of wage expenditures in central state administration	D.1	-49	-124	-124	-124
Government measures increasing expenditures		**885**	**916**	**959**	**1 001**
Reserve for addressing the negative impacts of budget management	P.2	421	441	462	482
Measures in the social area[41]	D.6	162	186	212	236
Improvement of remuneration conditions for the Slovak Armed Forces	D.1	90	78	75	73
Transfer of kindergartens under state administration[42]	D.1	53	53	53	53
Other[43]	D.1/P.2/D.7	158	157	157	157

Source: MoF SR

[40] In this case, we also consider other minor measures, which, like the adjustment of the withholding tax rate on dividends, have a compensatory nature. These include the extension of the tax super-deduction for investments in Industry 4.0 (for Volkswagen) and the exemption of social enterprises from the obligation to pay a business license fee.
[41] In the social area, expenditures grew in several areas, including contributions to care, which increased by more than 110 million euros in 2025 alone. This also includes measures for other social services (26 million euros) and various smaller measures worth more than 15 million euros.
[42] In addition to the already mentioned 53 million euros, another nearly 55 million euros is already included in the budget of the Ministry of Education. In total, the measure will cost over 108 million euros.
[43] In addition to the measures already mentioned, the deficit will also be increased by other measures: personal allowances for court employees will increase (approximately 33 million euros annually), the deficit will also be affected by subsidies and funds related to culture (approximately 50 million euros), and an increase in expenditures from the Environmental Fund (over 40 million euros). This item also includes measures of the Ministry of Tourism and Sport, specifically newly created or significantly increased tourism and sports funds.

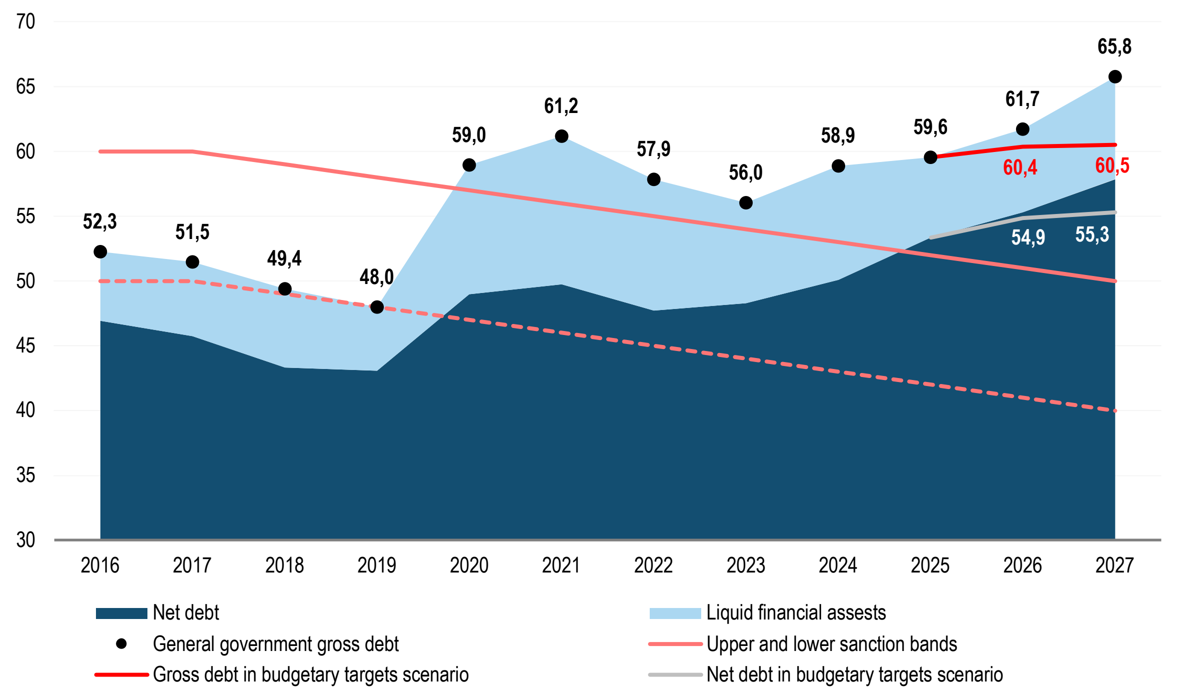
IV. GROSS DEBT AND LONG-TERM SUSTAINABILITY OF PUBLIC FINANCES

Gross debt will increase this year but will remain below the 60% of GDP threshold. The year-on-year increase is driven by a higher deficit and declining inflation. Next year, without a fiscal consolidation, debt would grow, but the growth dynamics will be slowed down by a consolidation reducing the deficit by more than 1% of GDP, with debt again remaining below 60% of GDP. However, stabilizing it around the 60% of GDP level over the electoral term will require further consolidation measures to continue reducing the deficit to 3% of GDP.

IV.1. Gross debt

After a short-term decline in recent years, debt will resume growth in 2024, but will remain below 60% of GDP. The debt-to-GDP ratio has decreased in the last two years mainly due to strong nominal GDP growth driven by high inflation. Thus, through the denominator effect, inflation compensated for the high deficits of the general government. This year, debt will resume growth in line with previous forecasts and reach 58.9% of GDP. The reason is the projected deficit of 5.8% of GDP, which can only be mitigated to a lesser extent by declining inflation.

FIGURE 17 – Projection of gross and net budget debt of the general governemnt (% of GDP)

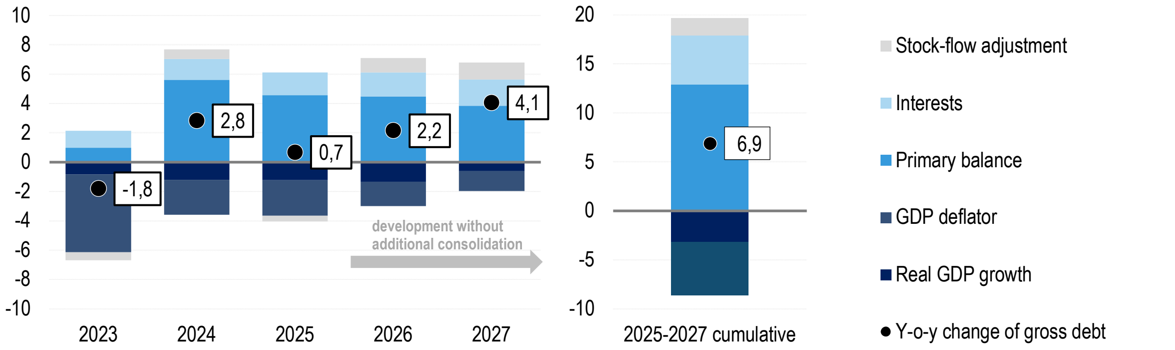


Note: The development of gross and net debt in the scenario of budgetary deficit targets corresponds to the achievement of the accrual deficits of the general government of -4.7% of GDP in 2025, -3.7% of GDP in 2026, and -3.0% of GDP in 2027. Source: MoF SR

The growth rate of debt in 2025 will already be slowed down by a decrease in the deficit of more than 1% of GDP, which is the result of consolidation. Next year, the government will partially fulfill the commitment from its programmatic statement to stabilize debt development by the end of the electoral term. This goal has also been reflected in the new binding medium-term plan for 2025-2028. The approved package of consolidation measures will reduce the deficit next year by 1.1 percentage points, which will mitigate the growth rate of debt (**FIGURE 18**). The impact of deficit spending will also be mitigated by above-average nominal GDP growth through the denominator effect, driven by higher inflation. Debt will therefore increase only slightly year-on-year and will remain below 60% of GDP.

Without continued consolidation, debt would resume a sharp rise beyond next year, and its stabilization by 2027 would therefore require further measures, including greater use of liquid financial assets. Without further measures to reduce the deficit after 2025, debt would return to growth and reach almost 66% of GDP by the end of 2027. The main source of growth would be the primary deficit, but also rising interest costs (FIGURE 19). Debt would thus develop in contradiction with the trajectory expected by the national debt brake[44], as well as the European regulatory framework. On the contrary, the planned gradual decline in the deficit to 3% of GDP by 2027 would stabilize debt at around 60% of GDP, which would require the adoption of additional measures amounting to 1.9% of GDP. Active management of the cash reserve as part of liquid financial assets will also be part of reducing debt. These currently reach above-average levels (around 8% of GDP), reflecting mainly the previous uncertainty, which should now subside. The gradual use of accumulated assets at the expense of new issuances will thus contribute to debt stabilization. The volume of liquid assets could approach the pre-pandemic average level (5% of GDP) in 2027, and net debt at the end of the budget horizon would reach approximately 55% of GDP.

FIGURE 18 & 19 – The drivers of the change in gross debt over the horizon to 2027 (% of GDP)



Source: MoF SR

IV.2. Sustainability of public finances

Long-term sustainability remains in the high-risk zone, but it should move to the medium-risk zone once the budgetary targets are met. The current state of long-term sustainability stems from an unfavorable initial budgetary position, primarily due to a high structural deficit, as well as the future increase in age-sensitive expenditures. If only the measures currently incorporated into the budget are taken into account, long-term sustainability would improve slightly by 2027 but would remain in the high-risk zone. A significant improvement occurs only if the budgetary targets are met, mainly due to a significant reduction in the primary structural balance by 2.7 percentage points compared to 2024. If these targets are met, the risks would decrease to the medium-risk zone, but the value of S2 would still be just below the high-risk threshold[45]. To further reduce long-term sustainability risks deeper into the medium-risk zone, it will be necessary to continue adopting measures beyond the budget horizon.

TABLE 7 – Breakdown of long-term sustainability indicator S2 as of 2028 (% of GDP)

	2024	GGB 2025-2027	Budgetary targets
Total value	**8,7 (high risk)**	**7,0 (high risk)**	**5,2 (medium risk)**
thereof:			
Initial budgetary position of structural balance and debt	3,9	3,0	1,2
thereof the primary structural balance (-)	*-3,5*	*-2,5*	*-0,7*
Pension expenses	1,7	1,2	1,2
Health care	1,2	1,1	1,1
Long-term care	1,1	1,1	1,1
Expenditure on education	0,2	0,1	0,1
Other	0,5	0,5	0,5

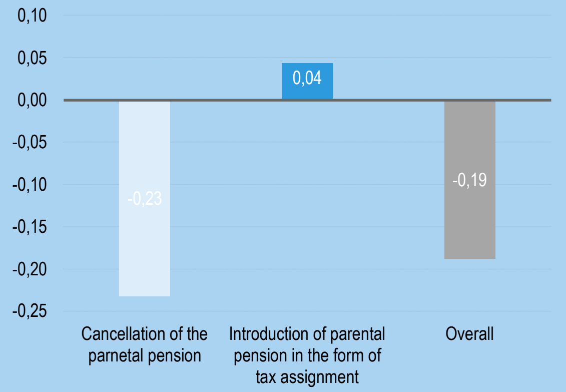
Source: MoF SR

[44] The debt brake sanction bands have been decreasing by 1 percentage point annually since 2018. In 2027, they will reach the target levels of 50% of GDP for the upper band and 40% of GDP for the lower band.
[45] In the EC methodology, the overall risk of debt sustainability is considered moderate only if the value of indicator S2 shows a moderate or lower risk (a value below 6% of GDP). A precise categorization of risks is available in Table 1, Box I.3.1 of the latest edition of the Debt Sustainability Monitor.

BOX 5 – Measures in the pension system

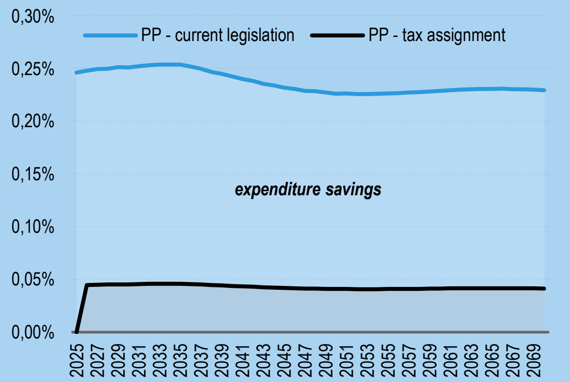
The change to the parental pension scheme improves long-term sustainability by approximately 0.2 percentage points. As part of the government-approved draft law, aimed at improving the state of public finances[46], it also includes replacing the parental pension with an option to assign part of the income tax paid to parents. The new mechanism introduces the possibility of allocating 2% of the tax paid per parent receiving a pension[47], in addition to the current tax assignment. A minimum limit is set at €3, with no assumed upper limit. Given that the parental pension will now be based on a lower base (tax paid instead of the contribution base), the amount of the parental pension will be lower in most cases. The option to decide on the allocation of the tax to parents is proposed to take effect on January 1, 2025, meaning that the new parental pension will be paid for the first time after filing a tax return during 2026. As a result, the measure will reduce age-related expenditures and improve the long-term sustainability of public finances by 0.2 percentage points in terms of the S2 indicator.

FIGURE 20 – The impact of changes in the parental pension on the long-term sustainability indicator S2 (% of GDP)



Source: MoF SR

FIGURE 21 – Expenditure on parental pension (% of GDP)



Note: The child will be able to decide whether a portion of the taxes they paid in 2025 will be transferred to their parent. However, the payment will be made in 2026 after filing the tax return for 2025. Source: MoF SR

[46] https://rokovania.gov.sk/RVL/Material/29963/1.
[47] A recipient of old-age pension or a recipient of disability, retirement, or disability retirement pension paid after reaching retirement age.

V. LINKING THE BUDGET PLAN TO THE GOALS OF THE GROWTH AND EMPLOYMENT STRATEGY AND SPECIFIC RECOMMENDATIONS OF THE COUNCIL OF EU

The Slovak Government's reform efforts in key structural areas will continue to focus primarily on the successful implementation of the Recovery and Resilience Plan (RRP) in the coming years. The gradual implementation of the curriculum reform, along with the enhanced inclusion of children with special educational needs, will contribute to improving the outcomes in the education system. To improve the availability of labour force, the provision of services to facilitate settlement in Slovakia will be expanded. The new law on research, development and innovation will strengthen central coordination and support the development of the ecosystem, including the modernisation of research infrastructure. Digital transformation will be built on the development of electronic services and cybersecurity. The acceleration of business register and insolvency proceedings, as well as the creation of shared service centres, will contribute to improving the institutional environment. In the health sector, the implementation of hospital network optimisation, the gradual centralisation of the management of state hospitals, and the construction of hospitals from RRP funds will continue. RRP measures under the REPowerEU chapter focus on reducing dependence on fossil fuels and significantly integrating renewable energy sources into the energy mix.

V.1. Main priorities in structural policies

The aim of the primary education curriculum reform is to systematically and purposefully develop pupils' comprehensive literacy. This is supported by changes in the preparation and professional development of teachers and other educational staff, a textbook reform, and mentoring support for the implementation of the new curriculum within newly established regional centres. Planned optimisation of the secondary schools networks will enable an increase in the efficiency, purposefulness, and quality of education in secondary education. Expanding the missing capacities of kindergartens, as well as introducing their normative financing, will establish the conditions for implementing the legal right to pre-primary education for children from four years of age and subsequently from the age of three. Other key measures in the field of education include the spatial accessibility improvements of schools and the introduction of a unified system for monitoring desegregation, aimed at strengthening the integration of children with special needs into the educational process. Support for the internationalisation of the academic environment as well as investment in the modernisation and development of the research, teaching and accommodation infrastructure of higher education institutions should contribute to increasing the attractiveness of Slovak higher education.

In order to improve the availability of labour, the expansion of services facilitating settlement in Slovakia will continue. As part of investments aimed at attracting and retaining qualified workers, three client centres (so-called one-stop shops) will be created. At the same time, the services of the Migration Information Centre, which provides comprehensive support and assistance to migrants in Slovakia, will be expanded. These services include legal and social counselling, language and vocational training, and job search assistance to effectively facilitate their integration into Slovak society. In accordance with the newly adopted law on lifelong learning, individual education accounts will be introduced and new training centres will be built at secondary vocational schools. In the area of social policy, the Slovak government has committed in its Manifesto to introduce a new concept of the minimum living standard, which should better reflect the actual minimum expenditures on basic living needs. It should also be modernised to support those in need to improve their social and work integration through more efficient services.

The reform measures and increased investments from the National Research, Development and Innovation Strategy 2030[48] will build on the reforms and investments from the RRP in this area. Investments from the state budget into research, development, innovation, and talent will increase year-on-year by 0.1 % of GDP, primarily for priorities defined in the Smart Specialisation Strategy[49]. The use of foreign evaluators and unified

[48] National Research, Development and Innovation Strategy 2030.
[49] Smart Specialization Strategy.

evaluation standards in accordance with the approved Binding Methodology[50], and in line with international best practice will contribute to the transparent use of funds and maximise their impact. The draft of a new law on research, development, and innovation will further strengthen central coordination and strategic management through common strategic documents, a unified evaluation methodology, and an inter-ministerial budget program. At the same time, it will bring new topics for the development of the ecosystem, such as knowledge transfer, simplified reporting of expenditures, support for independent research institutions, and principles for the use, modernization, and development of research infrastructure. A key element of Slovakia's digital transformation will be the successful implementation of the extensive National Digital Decade Plan. Specific steps to support digitisation will, for example, aim to increase the use of e-government services, develop cybersecurity, and promote projects to develop and apply cutting-edge digital technologies.

Improving the institutional environment will be facilitated by accelerating business register and insolvency proceedings, as well as creating centres providing shared services to residents of multiple municipalities. The implementation of the insolvency framework reform will lead to the launch of a unified digitized insolvency process through the development of a new information system. The investment from the RRP in the modernisation of the business register information systems will reduce administrative burdens for entrepreneurs and courts. Improving the performance of local public administration will be enhanced by the establishment of shared service centres, which are a response to the fragmentation of local government. They will function as common centres providing public services to citizens in one place, serving multiple municipalities on a micro-regional basis.

A significant part of the reform effort in healthcare will focus on continuing the implementation of hospital network optimisation. Further transformation of the network assumes an update of the regulation on hospital categorisation and at the same time, the implementation of maximum waiting times for hundreds of medical services. The government is also continuing the gradual centralisation of the management of state hospitals, which assumes the establishment of a central body for hospital management. It will manage, guide, and evaluate the planning and performance of hospitals. Funds from the RRP are used to finance the construction and renovation of hospitals, as well as emergency medical service stations. The reform of specialised outpatient care includes the creation of a new public minimum network and a new catalogue of health services. The gradual implementation of the DRG system, including a transparent and motivating payment mechanism for hospitals, takes into account the financial burden of hospitalisations and motivates hospitals to provide healthcare efficiently. Within the framework of long-term and palliative care, the emphasis will be primarily on the quality, accessibility, and coordination of services, including improving oversight of their provision.

The measures in the REPowerEU chapter of the RRP aim to reduce dependence on fossil fuels and significantly increase the share of renewable energy sources in the energy mix. These measures include increasing energy efficiency, simplifying and accelerating permitting procedures, or investing in the resilience of the electricity system to enable a faster transition to renewable energy sources. The REPowerEU chapter also includes measures to tackle energy poverty, support sustainable transport, and accelerate the retraining of the workforce for green skills. The land-use planning reform will strengthen the protection of existing landscape structures, which are essential for mitigating and adapting to the impacts of climate change. The revitalisation of watercourses will also help mitigate the impacts of climate change, enabling water retention in the landscape and its gradual release. The adopted Nature Conservation Act has created the conditions for comprehensive zoning of national parks, and a significant part of the effort is now focused on its successful completion in the following year.

[50] Binding Methodology for Management, Financing and Evaluation of Research, Development and Innovation Support.

ANNEXES

Annex 1 – Comparison with the Stability Programme

The proposed budget plan anticipates a slightly weaker economic dynamic for the years 2025 to 2028 compared to the Stability Programme, with the exception of the current year 2024. The macroeconomic forecast from March 2024, on the basis of which the Stability Programme for 2024 to 2027 was prepared, assumed real GDP growth of 2.0% in 2024 and 3.1% in 2025. The current forecast from the September meeting of the Committee for Macroeconomic Forecasts increases the dynamics in 2024, but worsens the expected development for 2025 by almost 1 percentage point. The lower economic performance reflects higher inflation and subsequently weaker household consumption growth, and expectations for drawing down the Recovery and Resilience Plan have deteriorated and shifted to later years. The economy will operate below its potential due to the consolidation of public finances. The labor market will remain stable. Employment developments are very similar in both forecasts, with the Budget Proposal assuming a slightly higher growth in average wages.

TABLE 8 – Forecast of selected economic indicators in SR

No.	Indicator		Stability programme				Draft budgetary plan			
		unit	2024	2025	2026	2027	2024	2025	2026	2027
1	GDP, current prices*	bn. euro	131.4	140.4	147.0	152.7	131.2	139.9	147.3	152.1
2	GDP, constant prices	%	2.0	3.1	2.2	1.6	2.3	2.2	2.4	1.0
3	Final consumption of households and NPISH	%	2.3	2.2	1.9	1.7	2.9	1.4	1.9	2.3
4	Final consumption of general government	%	1.9	1.2	0.8	-0.5	3.6	0.1	-0.4	-0.2
5	Gross fixed capital formation	%	-1.6	10.8	-1.4	-3.8	-0.3	10.6	0.4	-4.9
6	Export of goods and services	%	2.8	3.1	4.5	4.5	1.8	3.7	4.3	4.6
7	Import of goods and services	%	6.3	4.7	3.1	2.9	4.8	6.7	3.0	3.7
8	Output gap (share of potential output)	%	-0.3	0.7	1.0	0.8	-0.5	-0.6	-0.5	-1.3
9	Average monthly wage (nominal growth)	%	6.3	5.5	4.4	4.0	6.9	5.9	5.2	4.9
10	Average employment growth (LFS)	%	0.2	0.2	0.0	-0.3	0.3	-0.2	-0.2	-0.3
11	Average employment growth (ESA 2010)	%	0.2	0.7	0.5	0.1	-0.1	0.4	0.2	0.1
12	Average unemployment rate (LFS)	%	5.5	5.2	5.1	5.0	5.4	5.3	5.1	5.0
13	Average unemployment rate (registered)	%	5.9	5.6	5.4	5.3	6.0	5.9	5.7	5.6
14	Harmonized index of consumer prices (HICP)	%	3.2	4.4	2.4	2.4	3.0	5.6	2.8	2.3
15	Current account balance (share of GDP)	%	-3.2	-3.9	-3.2	-2.5	-2.0	-3.5	-2.8	-2.5

** The budget proposal data has not been adjusted for the 2024 benchmark revision.*

Source: MoF SR

TABLE 9 – Comparison of the budgetary targets with the Stability Programme

	ESA code	2023	2024 E	2025 F	2026 F	2027 F
		% GDP	% GDP	% GDP	% GDP	% GDP
Target balances of general government	**B,9**					
Stability Programme (1)		-4,89	-5,93	-4,97	-3,97	-2,97
Draft Budgetary Plan (2)		-4,89	-5,79	-4,72	-3,72	-3,00
Difference (2-1)		**0**	**0,14**	**0,25**	**0,25**	**-0,03**

E – Expectation
F – Budgetary forecast

Source: MoF SR

Annex 2 – Evaluation of forecasts by committees for macroeconomic and tax forecasts.

The draft budget plan for the years 2024 to 2026 is based on macroeconomic and tax forecasts for the period 2024 to 2026 from September 2024. The macroeconomic scenario, as well as the projected tax revenues, are subject to ongoing discussion, approval, and review by the professional public through committees whose members are national experts from the public and private sectors. The deadlines for publishing forecasts and the principles of committee operation are anchored in the law on budgetary responsibility.

The macroeconomic forecast of the Ministry of Finance of the Slovak Republic (MoF SR) from September 2024 is higher than the median of the other members of the Macroeconomic Forecast Committee due to its impact on budget revenues in 2025. This impact is expressed as a weighted average of the individual relevant bases for budget revenues, with the weights being the shares of individual taxes in total budget revenues. The MoF SR expects a higher dynamics of nominal values, mainly due to a one-time increase in inflation in 2025. The MoF SR forecast was assessed as realistic by most of the members present on the Committee (RRZ, NBS, SAV, Infostat, ČSOB, VÚB, Unicredit), while SLSP and Tatrabanka did not assess the forecast.

TABLE 10 – Evaluation of the forecast of the MoF SR in the Committee for Macroeconomic Forecasts

MFC member	Assessment
RRZ, NBS, SAV, Infostat, ČSOB, VÚB, Unicredit	realistic
SLSP, Tatrabanka	without evaluation

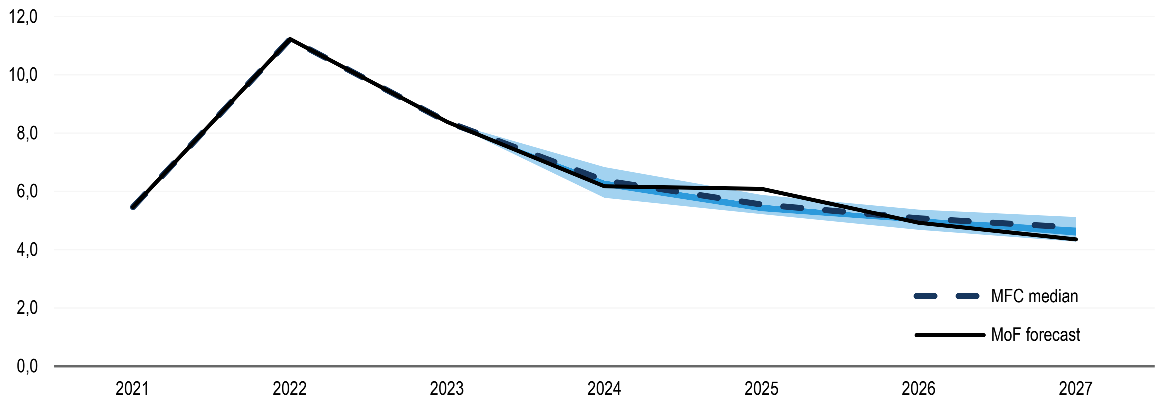
Source: Macroeconomic forecast committee

TABLE 10 – Average forecast of MFC* members and forecast of MoF SR

	2023	2024		2025		2026		2027	
% unless otherwise stated		MFC	MoF SR	MFC	MoF SR	MFC	MoF SR	MFC	MoF SR
GDP, real growth	1,6	2,2	2,3	2,4	2,2	2,5	2,4	2,1	1,0
GDP, current prices	122,8	131,4	131,2	139,7	139,9	146,1	147,3	152,6	152,1
Final consumption of households, real growth	-3,2	3,0	2,9	2,1	1,4	2,3	1,9	2,4	2,3
Final consumption of households, nominal growth	6,8	5,6	6,0	5,6	6,9	5,1	4,7	4,7	4,6
Average monthly wage, real growth	-0,7	4,5	4,0	1,9	0,5	2,4	2,5	2,5	2,6
Average monthly wage, nominal growth	9,7	7,2	6,9	5,8	5,9	5,3	5,2	5,0	4,9
Employment growth	0,2	-0,1	-0,1	0,1	0,4	0,3	0,2	0,2	0,0
CPI (average growth)	10,5	2,8	2,8	3,7	5,4	2,5	2,7	2,3	2,2

** Macroeconomic forecast committee* *Source: Macroeconomic forecast committee*

FIGURE 22 – Comparison of forecasts of macroeconomic bases[51] for tax revenues with MFC members



Source: MoF SR

BOX 6 – Independent Committees for Forecasting Macroeconomic Development and Tax Revenue Development

The Committee for Macroeconomic Forecasts and the Committee for Tax Forecasts were established in accordance with Constitutional Act No. 493/2011 Coll. on budgetary responsibility, the Committee for Macroeconomic Forecasts and the Committee for Tax Forecasts serve as advisory bodies to the Minister of Finance. The committees aim to achieve greater transparency, objectivity, and quality in macroeconomic and tax forecasts. As mandated by the Constitutional Act, the committees prepare forecasts at least twice a year, by February 15th and June 30th of the current budgetary year. However, based on long-standing practice and for the purposes of the budgetary process, they also prepare forecasts by the end of September. In exceptional cases, the committee chair, the Minister of Finance, or a majority of committee members may convene a meeting.

In addition to representatives from the Ministry of Finance, committee members include representatives from independent institutions (the National Bank of Slovakia, the Slovak Academy of Sciences, Infostat, and private banks). Members of the Committee for Macroeconomic Forecasts assess the Ministry of Finance's macroeconomic forecast verbally as either conservative, optimistic, or realistic. Members of the Committee for Tax Forecasts assess the Ministry of Finance's tax forecast by submitting their own forecasts, and their assessments are calculated automatically based on the deviation. The Ministry of Finance's forecast is adopted as the committee's forecast if a majority of members label it as conservative or realistic. If the forecast does not receive such a rating, the Ministry of Finance is obliged to revise the forecast and resubmit it to the committee for evaluation. This process is repeated until the Ministry of Finance's forecast is adopted as the committee's forecast.

During 2021, the Committee for Tax Forecasts was expanded to include forecasts of selected non-tax revenues and expenditures, which are significantly influenced by economic developments. Considering economic developments and evaluating other specific assumptions in forecasts through a commission of experts from the public and private sectors means transparently consulted estimates and a more accurate budget. In March and September 2021, the forecasts were expanded to include a portion of non-tax revenues and a portion of social expenditures. On the revenue side, this includes revenues from the sale of emission allowances, revenues from tolls and highway stickers, proceeds from gambling, and dividends from state-owned enterprises. On the expenditure side, unemployment benefits, sickness benefits, and old-age pensions were added.

[51] Macroeconomic bases for budget revenues (the weight of indicators depends on the share of individual taxes in total tax and contribution revenues); Wage base (employment + nominal wage) - 51.1%, Nominal private consumption - 25.7%, Real private consumption 1 - 6.6%, Nominal GDP growth - 9.9%, Real GDP growth - 6.7%.

Tax Forecast Committee

The current forecast is the result of discussions held at two Committee meetings, which responded to the ongoing developments and amendments to the consolidation package. The first Committee meeting took place on 20 and 24 September 2024. The second Committee meeting on 1 October 2024, which responded to the approved amendments in the National Council of the Slovak Republic Committee on Finance and Budget, was conducted by roll-call vote. Both forecasts (from the first and second meetings) were assessed as **realistic** by all Committee members, with the exception of the General Credit Bank.

TABLE 11 – Assessment of the MoF forecast by the Tax Forecast Committee

TFC member	Assessment
NBS, Infostat, Tatra banka, ČSOB, KRRZ, SLSP, UniCredit Bank, VÚB	realistic
VÚB	optimistic

Source: Tax Forecast Committee

Annex 3 – Forecast of gross government debt based on cash flows

The development of nominal debt will remain influenced throughout the entire horizon by the need to cover cash deficits in the state budget. The lending activity of other public sector entities will contribute to the growth of public sector debt, with the greatest impact coming from Eximbanka and ZSSK. Other public sector entities such as railway transport companies and Eximbanka will also contribute to the increase in public sector debt. The continued high discounts on bond issues will also contribute to the growth of debt. Persistent high interest rates, coupled with low coupons on government bonds from past issues, increase the required discounts at current auctions.

TABLE 12 – Impact of cash changes in nominal gross debt according to the deficits of the current draft budget (in EUR mil.)

	2021	2022	2023	2024 E	2025 F	2026 F	2027 F
A. General government gross debt (as of 1 Jan)	**55 091**	**61 346**	**63 499**	**68 830**	**77 260**	**83 330**	**90 916**
B. Total y/y change in the GG gross debt	**6 255**	**2 153**	**5 331**	**8 430**	**6 069**	**7 586**	**9 161**
- Cash-based state budget deficit	7 014	4 525	7 675	5 801	6 375	6 135	7 367
- State Treasury funds used for the financing of government operations	-2 365	-1 150	-2 587	1 898	-964	467	1 393
- Balance of loans to GG entities	-152	116	201	49	143	181	196
thereof: ŽSR + ŽSSK	-140	-62	-9	-59	68	102	102
thereof: NDS	-6	41	-10	5	31	35	27
thereof: Municipal public transportation companies	18	149	252	17	3	2	2
thereof: Eximbank	-2	14	-1	100	50	50	50
- Issue discount	18	542	454	706	589	837	395
- Discount at maturity	-2	-11	0	-15	-53	-40	-183
- other*	1 743	-1 869	-413	-7	-20	7	-6
C. General government gross debt (as of 31 Dec)	**61 346**	**63 499**	**68 830**	**77 260**	**83 330**	**90 916**	**100 077**
in % of GDP	**61,2**	**57,9**	**56,0**	**58,9**	**59,6**	**61,7**	**65,8**
D. Change of general government gross debt against Stability Programme (p.p.)	**0,1**	**0,1**	**0,0**	**0,3**	**-0,3**	**-1,9**	**-2,1**
thereof: GDP forecast revision	0,0	0,0	0,0	0,1	0,2	-0,2	0,2
Debt forecast revision	0,1	0,1	0,0	0,2	-0,5	-1,7	-2,3
p.m. ESM contribution	*0*	*0*	*-1*	*0*	*0*	*0*	*0*

Note: including change of sources from entities outside the public administration sector. Plus amounts increase the general government debt as at 31 December of the relevant year, minus amounts decrease the debt. E – expected values by the end of year; F – draft of general government budget.

Source: MoF SR

Annex 4 – One-off and temporary measures

The Slovak Republic's 2025 budget plan anticipates the following one-time and temporary measures over the horizon of 2023 to 2027, in accordance with the national methodology.[52]

TABLE 13 – One-off and temporary measures

(ESA 2010, in EUR millions)	2023	2024	2025	2026	2027
Net impact of the government's measures in the fight against the COVID-19 pandemic (reduced by reimbursement from EU funds)	-91	-	-	-	-
Net impact of expenses caused by the war in Ukraine (reduced by reimbursement from EU funds)	-108	-56	-15	-	-
Net impact of support schemes related to high energy prices (reduced by reimbursement from EU funds)	-2167	-1155	-235	-	-
Temporary income from the EU regulation regarding excessive profits	-	193	-	-	-
Implementation of price ceilings for electricity producers	30	6	-	-	-
Total	**-2336**	**-986**	**-250**	**0**	**0**

Source: MoF SR

[52] However, according to the EC methodology, these measures are not classified as one-off. Therefore, the mandatory tables show a zero value for one-off measures.

Annex 5 – Discretionary measures (DRM & DEM)

The EC methodology defines discretionary revenue measures as legislative measures with an impact on government revenue. Their evaluation is carried out using so-called additional effects (marginal changes) of these measures. It is distinguished whether it is a permanent or a one-off measure. A permanent measure is recorded with an impact in the first year (at the time it enters into force) and in the remaining years without an impact. In other words, the change in the impact of the measure in subsequent years due to macroeconomic developments is not taken into account. If there are different impacts due to a delayed validity of the measure, only the marginal change is recorded. For one-off revenue measures, the impact is recorded in one year and a shortfall in the same amount in the following year, i.e. the overall impact of the measure in two consecutive years is zero.

TABLE 14 – Discretionary revenue measures - incremental impact (in EUR millions, ESA2010)

Measure	2023	2024	2025	2026	2027
Modification of the motor vehicle registration fee	-13	-14	-	-	-
Changes to the super deduction (research and development and Industry 4.0)	-15	-	-	-	-
Introduction of a seasonal contribution-deductible item for social contributions	-11	-	-	-	-
Implementation of accounting standard IFRS 17 for insurance companies	23	3	-10	-17	-
Reform of the second pension pillar	-11	-22	-	-	-
Gaming taxes	20	2	-	-	-
Minimum health insurance contributions	20	-6	-	-	-
Abolition of license fees for Radio and Television Slovakia (RTVS)	-35	-41	-	-	-
Revenue from excess profits tax - power plants	30	-24	-6	-	-
Valorization of administrative and court fees - from Q1 2024	-	38	13	-	-
Increase in the fee for maintaining emergency oil reserves by 1 cent	-	33	-	-	-
Regulation on excessive profits - revenue from the special levy for "Vodohospodárska výstavba"	152	-69	-43	-20	-20
Waste charges - ban on landfilling of waste without pre-treatment	-	-	-15	-	-
Extension of the special levy on business in regulated sectors	-	331	-48	-35	-45
Extension of the solidarity contribution from activities in the oil sector and others	-410	193	-193	-	-
Compensatory tax on the enterprise tax	-	49	-	-	-
Increase in the excise duty rate on alcohol from 1.1.2024	40	43	-	-	-
Increase in health contributions for employers by 1%	0	329	-	-	-
Change in property tax rates according to the Municipal Regulation	32	114	-	-	-
Local Waste Fee (local taxes) - increase in rates annually	36	40	-	-	-
Exemption from employer's social security contributions for employees in the food industry	-24	-11	35	-	-
Introduction of excise duty rates on sweetened beverages	-	-	78	-	-
Raising the excise tax on tobacco and nicotine products	-	83	78	115	51
Extension of social security contribution relief for farmers	-	-15	15	-	-
Reduced tax burden on heavy-duty vehicles	-	-	-5	-	-
Implementation of a financial transaction tax	-	-	517	172	-
Tax exemption on non-monetary income derived from alternative fuel vehicles	-	-	-11	-	-
Relief of interest yields on government bonds from the special levy tax base	-	-	-28	-	-
Gradual growth of the contribution to the second pension pillar, its temporary freeze and decrease to 4% from 2024	-	371	-	-	-
Changes to corporate tax rules and benefits for small businesses	-	118	-49	-	-
Special levy on businesses in regulated sectors (energy, fossil fuels)	-	-	61	-	-
Modification (increase) of the dividend withholding tax rate	-	-	5	-4	-
Amendment of toll charges and motorway tolls (Eurovignette)	21	-3	89	51	-
Increase in payments for state insured persons	-	-129	-	275	-
Amendment of VAT rates (standard rate set at 23%, with two reduced rates of 19% and 5%)	-149	27	756	-	-
Elevation of the contribution ceilings for social security	-	-	88	-	-
Enhancement of the corporate income tax rate to 24%	-	-	489	-	-
Total	**-296**	**1 442**	**1 816**	**538**	**-13**

Source: MoF SR

Note: In the case of measures related to the COVID-19 pandemic, the effects of measures taken at the beginning of the pandemic are fading. As these were one-off measures, they initially had a negative impact on revenues in incremental terms and a positive impact in 2021 and partially in 2022.
Note 2: (+) improves the GG balance, (-) worsens the GG balance.

TABLE 15 – Discretionary expenditure measures - incremental impact (in EUR millions, ESA2010)

Measure	2023	2024	2025	2026	2027
Capping the retirement age	16	-18	-	-	-
COVID expenditure	-605	-91	-	-	-
Early retirement for persons who raised children (born in 1957-1965)	-48	1	-7	-14	-
Freezing of the amount of minimum pension in 2021 and its unfreezing in 2023	25	34	-	-	-
Increase of maintenance funds of 1st class roads managed by Slovak Road Administration	-	-10	-	-	-
Time mismatch of deliveries (accrual) of military equipment	-125	651	608	-554	265
Increase in defence expenditure to 2% from 2023	-	-	279	-	-
Introduction of permanent kurzarbeit scheme	-20	-	-	-	-
Expenditure caused by the war in Ukraine	215	-52	-41	-15	-
Inflation aid for families and socially disadvantaged groups	-112	-	-	-	-
Increased transfer from HIC to social service facilities	-29	-	-	-	-
Judicial reform and administrative courts (judicial map project)	24	-15	-	-	-
Law on construction, spatial planning and the establishment of a central construction authority	65	5	-	-	-
Increase in reimbursement of long-term care by the Social Insurance Institution (ZP)	14	-	-	-	-
Retirement after 40 years of work	54	220	-	-274	-
14th pension (one-time transfer)	-208	-	-	-	-
Abolition of the reduction of the pensioner's care allowance	20	16	-	-	-
Increased child allowance	227	-	-	-	-
Total compensation for rising energy prices	2 059	-1031	-920	-235	-
Collective negotiation of healthcare workers	398	-25	-	-	-
Stabilisation allowance for social services workers	44	-44	-	-	-
Increasing the contribution of insurance companies for the emergency health service and NHIC	14	-	-	-	-
Additional financing of the ambulatory sector	190	-	-	-	-
Reintroduction of free lunches measure	113	79	-	-	-
Special valorization of pensions from July 2023	524	-524	-	-	-
Parental pension for parents of workers with service pension	13	-	-	-	-
Accelerated valorization of the parental allowance	35	-35	-	-	-
Amendment to the Education Act (right to admission to kindergarten and right to special support)	-	116	116	50	-
Parental allowance (for children older than 3 years whom are not admitted to kindergarten)	2	38	-	-	-
Expansion of personal assistance in schools	-	14	-	-	-
Increase in the housing allowance within the framework of assistance in material need	10	10	-	-	-
Change in assessment of disability pensions	4	39	-	-	-
Performance contracts for universities and colleges	-	47	20	20	-20
Increase in spending on R&D	-	50	145	146	17
One-time pensioner's allowance of 300 euros	441	-441	-	-	-
Doubling of the 13th pension from 2024 and its subsequent capping	-	506	-	-	-
Compensation for the increase in mortgage payments	-	88	-37	-	-
Cancellation of support for reduction of the final price of electricity for businesses	-	-40	-	-	-
Increased spending on healthcare (unspecified)	-	263	-	-	-
Cancellation of subsidies for night train services and the Košice/Prešov – Prague line	-	-	-22	-	-
Reserve for addressing the negative impacts of budget development	-	-	421	-	-
Increase in personal allowances for court employees	-	-	33	-	-
Enhancement of compensation terms for the Slovak Armed Forces	-	47	52	-	-
Reduction in wages for central government employees (5% initially, followed by an additional 10%)	-	-71	-49	-75	-
Increased government funding for preschool education (by transferring preschools to state administration)	-	-	53	-	-
Support for industrial parks (Valaliky, Šurany)	47	64	138	-88	-
Expansion of support areas of the Art Support Fund	-	-	10	-	-
Increase in spending on the audiovisual industry	-	-	40	-	-
Increased funding for the environmental fund (through a higher allocation of emission allowances)	-	-	41	-	-
Measures related to care allowances (for children with disabilities, seniors, etc.)	-	-	111	-	-
Funding for social services and additional measures (personal assistance and burial allowances)	-	-	51	-	-
Diminishment of salary escalation for medical personnel in 2025 to a rate of 3% (with an exemption for those earning lower wages)	-	-	-219	-	-
Establishment of a new Ministry of Tourism (followed by its measures to support sports and tourism)	-	53	34	-	-
Child tax benefit (phased-in increase from 2022-2024, with subsequent targeting of low-income households)	702	-	-540	-	-
Introduction of a parental pension and its subsequent adjustment to a 2% tax assignment	286	-	-352	65	-
Total	**4 395**	**-56**	**-33**	**-974**	**261**

Source: MoF SR

Note: In the case of measures related to the COVID-19 pandemic, the effects of measures taken at the beginning of the pandemic are fading. As these were one-off measures, they first increased spending in incremental terms (deteriorating the balance) and then their effect gradually decreased (improving the effect on the balance).

Note 2: (+) improves the GG balance, (-) worsens the GG balance.

Annex 6 – Mandatory tables

Table 0a – Basic assumptions

	2023	2024	2025
Short-term interest rate (annual average) [1]	3,4	3,7	2,9
Long-term interest rate (annual average) [2]	3,7	3,6	3,5
USD/EUR exchange rate (annual average)	1,1	1,1	1,1
Nominal effective exchange rate (percentage change)	1,1	-1,0	0,1
World excluding EU, GDP growth			
EU GDP growth	0,4	0,8	1,5
Growth of relevant foreign markets	0,1	1,0	2,1
World import volumes, excluding EU			
Oil prices (Brent, USD/barrel)	75,2	75,4	68,9

Source: MoF SR

[1] 3-month Euribor

[2] 10-year Slovak government bond

Table 0b – Main assumptions

	2023	2024	2025
1. External environment			
Prices of commodities	75,2	75,4	68,9
Spreads of German Bonds	1,2	1,2	1,3
2. Fiscal policy			
General Government net lending/ net borrowing	-4,9	-5,8	-4,7
General gross debt	56,0	58,9	59,6
3. Monetary policy / Financial sector / Interest rates assumptions			
interest rates:			
Euribor 3M (average)	3,4	3,7	2,9
Deposit rates	0,7	1,0	0,9
Interest rates for loans			
Yields to maturity of 10 year government bonds	3,7	3,6	3,5
Evolution of deposits (in EUR bn.)	76,3	81,1	86,5
Evolution of loans (in EUR bn.)			
NPL Trends			
4. Demographic trends			
Evolution of working age population (growth)	3642,9	3623,6	3599,0
Dependency ratios	51,8	52,6	53,2

Source: MoF SR

Table 1a – Macroeconomic Prospects

	ESA code	2023 Level	2023 rate of change	2024 rate of change	2025 rate of change
1. Real GDP	B1*g	93994,6	1,6	2,3	2,2
of which					
1.1 Attributable to the estimated impact of aggregated budgetary measures on economic growth	-	-	-	-	-
2. Potential GDP	-	94476,7	2,4	2,3	2,3
Contributions					
- Labor	-	-	0,1	0,0	-0,1
- Capital	-	-	0,9	1,0	1,1
- Total factor productivity	-	-	1,4	1,4	1,3
3. Nominal GDP	B1*g	122812,8	11,9	6,8	6,6
Components Of real GDP					
4. Private consumption expenditure	P.3	52215,2	-3,1	2,9	1,4

5. Government consumption expenditure	P.3	15801,6	-0,6	3,6	0,1
6. Gross fixed capital formation	P.51g	20967,4	10,6	-0,3	10,6
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	-2005,0	-2,1	0,5	2,0
8. Exports of goods and services	P.6	89039,7	-1,4	1,8	3,7
9. Imports of goods and services	P.7	82015,0	-7,6	4,8	6,7
Contribution to real GDP growth					
10. Final domestic demand	-	-	0,2	2,2	3,1
11. Changes in inventories and net acquisition of valu	P.52 + P.53	-	-5,0	2,8	1,7
12. External balance of goods and services	B.11	-	5,9	-2,5	-2,5

Source: MoF SR

Table 1b – Price developments

	ESA code	2023 Level	2023 rate of change	2024 rate of change	2025 rate of change
1. GDP deflator	-	130,7	10,1	4,4	4,3
2. Private consumption deflator	-	138,6	10,3	3,0	5,4
3. HICP	-	138,8	11,0	3,0	5,6
4. Public consumption deflator	-	156,3	10,2	4,6	4,0
5. Investment deflator	-	128,7	9,1	0,4	4,9
6. Export price deflator (goods and services)	-	126,1	4,5	-2,0	3,8
7. Import price deflator (goods and services)	-	134,9	4,2	-3,4	4,4

[1] Index in 2015 = 100

Source: MoF SR

Table 1c – Labour market developments

	ESA code	2023 Levels	2023 rate of change	2024 rate of change	2025 rate of change
1. Employment, persons (in thousands) [1]	-	2 434,1	0,3	-0,1	0,4
2. Employment, hours worked (in millions) [2]	-	3 946,2	1,0	-0,8	0,2
3. Unemployment rate (%) [3]	-	5,8	5,8	5,4	5,3
4. Labour productivity, persons (in EUR) [4]	-	45 022,2	1,5	2,5	1,8
5. Labour productivity, hours worked (in EUR) [5]	-	23,8	0,6	3,1	2,1
6. Compensation of employees (in EUR millions)	D.1	51 354,4	10,5	6,6	6,0
7. Compensation per employee (in EUR)	-	24 598,1	10,4	6,8	5,6

Source: MoF SR

[1] Total employment according to national accounts, domestic concept
[2] According to the definition of national accounts
[3] Harmonized rate according to Eurostat (levels)
[4] Real GDP per employed person
[5] Real GDP per hour worked

Table 1d – Sectoral balances

	ESA code	2022	2023	2024
1. Net lending/borrowing vis-a-vis the rest of the world	B.9	-1,6	-2,0	-3,5
of which				
- Balance on goods and services		1,8	0,6	-2,4
- Balance of primary incomes and transfers		-2,6	-2,2	-1,4
- Capital account		-0,8	-0,4	0,2
2. Net lending/borrowing of the private sector	B.9	3,3	3,7	1,2
3. Net lending/borrowing of general government	EDP B.9	-4,9	-5,8	-4,7
4. Statistical discrepancy		0,0	0,0	0,0

Source: MoF SR

Table 2a – General government budgetary prospects

	ESA code	2024 % of GDP	2025 % of GDP
Net lending (EDP B.9) by sub-sector			
1. Net lending/net borrowing: General government[1]	S.13	-5,8	-4,7
2. Net lending/net borrowing: Central government	S.1311	-5,4	-4,9
3. Net lending/net borrowing: State government	S.1312		
4. Net lending/net borrowing: Local government	S.1313	-0,3	-0,2
5.Social security funds	S.1314	-0,1	0,4
6. Interest expenditure	D.41	1,4	1,5
7. Primary balance[2]		-4,4	-3,2
8. One-off and other temporary measures		0,0	0,0
8.a Of which one-offs on the revenue side: general government[3]		0,0	0,0
8.b Of which one-offs on the expenditure side: general government[3]		0,0	0,0
9.Real GDP Growth(%) (=1 in Table 1a)		2,3	2,2
10.Potential GDP Growth(%) (=2 in Table 1a)		2,3	2,3
Contributions			
- Labour		0,0	-0,1
- Capital		1,0	1,1
- Total factor productivity		1,4	1,3
11. Output gap (% of potential GDP)		-0,5	-0,6
12. Cyclical budgetary Component (% of potential GDP)		-0,2	-0,2
13. Cyclically adjusted balance (1-12) (% of potential GDP)		-5,6	-4,5
14. Cyclically adjusted primary balance (13+6) (% of potential GDP)		-4,1	-3,0
15. Structural balance (13-8) (% of potential GDP)		-5,6	-4,5

[1] TR-TE= B.9.
[2] Primary balance is calculated as (B.9, item 8) plus (D.41, item 9).
[3] A positive sign represents a positive impact of a one-time measure on the general government balance.

Source: MoF SR

Table 2b – General government debt developments (% of GDP)

	ESA code	2023	2024
1. Gross debt		58,9	59,6
2. Change in gross debt ratio		2,8	0,7
Contributions to changes in gross debt			
3. Primary balance		4,4	3,2
4. Interest expenditure	D.41	1,4	1,5
5. Stock-flow adjustment		0,6	-0,4
of which:			
- Differences between cash and accruals		-1,1	-0,3
- Net accumulation of financial assets		1,6	-2,0
of which: privatisation proceeds		0,0	0,0
- Valuation effects and other		0,2	2,0
p.m.: Implicit interest rate on debt		2,7	2,8
Other relevant variables			
6. Liquid financial assets		8,8	6,2
7. Net financial debt (7=1-6)		50,1	53,3
8. Debt amortization (existing bonds) since the end of the previous year		3,4	4,3
9. Percentage of debt denominated in foreign currency		1,2	1,1
10. Average maturity*		8,3	7,9

*Note: * Maturity of government debt as of 31.12.* *Source: MoF SR*

Table 2c – Contingent liabilities (% of GDP)

	2022	2023
Public guarantees	8,7	
Of which: linked to EFSF and ESM	6,9	6,5
Of which: linked to international financial institutions	1,1	
Of which: linked to anti-COVID19 guarantees*	0,4	0,0
of which: linked to state-owned financial institutions (other than anti-COVID19)	0,3	

*Note: * Balance of outstanding drawn guarantees.* *Source: MoF SR*

Table 3 – General government expenditure and revenue projections at unchanged policies broken down by main components

General government (S13)	ESA code	2024 E % of GDP	2025 NPC % of GDP
1. Total revenue target	**TR**	**41,0**	**40,7**
Of which		-	-
1.1 Taxes on production and imports	D.2	11,6	11,4
1.2 Current taxes on income, wealth, etc	D.5	8,2	8,0
1.3 Capital taxes	D.91	-	-
1.4 social contributions	D.61	15,6	15,6
1.5 Property income	D.4	1,0	0,8
1.6 Other[1]		4,7	4,9
p.m.: Tax Burden (D.2+D.5+D.61+D.91-D.995)		35,3	35,0
2. Total expenditure target	**TE**	**46,8**	**46,1**
Of which		-	-
2.1 Compensation of employees	D.1	10,8	10,5
2.2 Intermediate consumption	P.2	5,9	5,7
2.3 Social payments	D.62, D.632	20,7	20,7
Of which unemployment benefits		0,2	0,2
2.4 Interest expenditure(=9 in table 2.a)	D.41	1,4	1,6
2.5 Subsidies	D.3	1,8	0,9
2.6 Gross fixed capital formation	P.51g	3,5	4,0
2.7 Capital transfers	D.9	0,4	0,6
2.8 Other[2]		2,2	2,1

[1] P.11+P.12+P.131+D.39r+D.7r+D.9r (exceptD.91r Source: *MoF SR*
[2] D.29p + D.4p (except D.41p) +D.5p +D.7p +P.52+P.53+NP+D.8.
Note: Ongoing monitoring in 2024.

Table 4a – General government expenditure and revenue targets broken down by main components

General government (S13)	ESA code	2024 % of GDP	2025 % of GDP
1. Total revenue target	**TR**	**41,0**	**42,8**
Of which		-	-
1.1 Taxes on production and imports	D.2	11,6	12,5
1.2 Current taxes on income, wealth, etc	D.5	8,2	8,4
1.3 Capital taxes	D.91	-	0,0
1.4 social contributions	D.61	15,6	15,7
1.5 Property income	D.4	1,0	0,9
1.6 Other[1]		4,7	5,3
p.m.: Tax Burden (D.2+D.5+D.61+D.91-D.995)		35,3	36,6
2. Total expenditure target	**TE**	**46,8**	**47,5**
Of which		-	-
2.1 Compensation of employees	D.1	10,8	10,8
2.2 Intermediate consumption	P.2	5,9	5,9
2.3 Social payments	D.62, D.632	20,7	20,1
Of which unemployment benefits		0,2	0,2
2.4 Interest expenditure(=9 in table 2.a)	D.41	1,4	1,5
2.5 Subsidies	D.3	1,8	1,1
2.6 Gross fixed capital formation	P.51g	3,5	4,2
2.7 Capital transfers	D.9	0,4	0,7
2.8 Other[2]		2,2	3,1

[1] P.11+P.12+P.131+D.39r+D.7r+D.9r (except D.91r) *Source: MoF SR*
[2] D.29p + D.4p (except D.41p) +D.5p +D.7p +P.52+P.53+NP+D.8.
Note: Ongoing monitoring in 2024.

Table 4c – General government expenditure on education, healthcare and employment

	2024		2025	
	% of GDP	% TE	% of GDP	% TE
Education	4,5	9,7	4,4	9,4
Health	6,9	14,8	7,0	14,6
Employment	0,0	0,1	0,0	0,1

Note: TE - Total Public Expenditure. *Source: MoF SR*

Table 4d – General government expenditure by function

	COFOG code	2024		2025	
		% of GDP	% of TE	% of GDP	% TE
1. General public services	1	5,7	12,1	6,4	13,4
2. Defence	2	1,8	3,7	2,5	5,2
3. Public order and safety	3	2,3	4,8	2,2	4,7
4. Economic affairs	4	5,5	11,8	5,4	11,5
5. Environmental protection	5	0,7	1,5	1,0	2,0
6. Housing and community amenities	6	0,7	1,4	0,6	1,2
7. Health	7	6,9	14,8	7,0	14,6
8. Recreation, culture and religion	8	1,1	2,4	1,1	2,3
9. Education	9	4,5	9,7	4,4	9,4
10. Social protection	10	17,7	37,8	17,0	35,8
11. Total expenditure (=2 in Table 2c)	**TE**	**46,8**	**100,0**	**47,5**	**100,0**

Note: The methodology for recording expenditures according to the functional classification may differ between countries. This can lead to different data appearing for the same item in different countries (e.g., taxable and non-taxable pensions). The COFOG classification also does not take into account expenditures made through the tax system (e.g., tax bonuses). TE – Total general government expenditure. *Source: MoF SR*

Table 9a – RRF impact on programme's projections - GRANTS

	ESA code	2021 (% of GDP)	2022 (% of GDP)	2023 (% of GDP)	2024 (% of GDP)	2025 (% of GDP)	2026 (% of GDP)
1. RRF GRANTS as included in the revenue projections		0,0	0,0	0,3	0,5	0,9	0,4
2. Cash disbursements of RRF GRANTS from EU		0,9	0,4	1,1	1,0	1,0	0,6
Expenditure financed by RRF grants							
3.TOTAL CURRENT EXPENDITURE		0,0	0,0	0,1	0,1	0,2	0,1
of which:							
- Compensation of employees	D.1	0,0	0,0	0,0	0,0	0,0	0,0
- Intermediate consumption	P.2	0,0	0,0	0,0	0,0	0,0	0,0
- Social Payments	D.62+D.632			0,0	0,0	0,0	0,0
- Interest expenditure	D.41						
- Subsidies, payable	D.3			0,0	0,0	0,1	0,0
- Current transfers	D.7	0,0	0,0	0,0	0,0	0,1	0,0
4. TOTAL CAPITAL EXPENDITURE		0,0	0,0	0,2	0,3	0,7	0,3
of which:							
- Gross fixed capital formation	P.51g			0,2	0,2	0,4	0,2
- Capital transfers	D.9			0,0	0,1	0,2	0,0
Other costs financed by RRF grants							
5. Reduction in tax revenue							
6. Other costs with impact on revenue							
7. Financial transactions							

Source: MoF SR

Table 10 – Net expenditure growth

	ESA code	2023 (% of GDP)	2023 (% of GDP)	2024 (% of GDP)	2025 (% of GDP)
1. Total expenditure	**TE**	**58,9**	**47,9**	**46,8**	**47,5**
2. Interest expenditure	D.41p	1,4	1,2	1,4	1,5
3. Cyclical unemployment expenditure		0,0	0,0	0,0	0,0
4. Expenditure funded by transfers from the EU		4,0	3,2	1,4	2,0
4a. Of which: Investments (GFCF)	*P.51g*	*1,9*	*1,5*	*0,6*	*0,6*
5. National co-financing of EU programmes		0,6	0,5	0,4	0,3
6. One-off expenditure (levels, excl. EU funded)		0,0	0,0	0,0	0,0
7. Net nationally financed primary expenditure (before DRM) (= 1-2-3-4-5-6)		**52,8**	**43,0**	**43,5**	**43,6**
8. DRM (excl. one-off revenue, incremental impact)		-	-	1,1	1,3
9. Net nationally financed primary expenditure (after DRM) (= 7-8)		**-**	**-**	**42,4**	**42,3**
				2024 (%)	**2025 (%)**
10. Nominal GDP growth (g) (growth rate)		-	-	6,8	6,6
11. Net expenditure growth (growth rate)		**-**	**-**	**5,4**	**3,7**

Source: MoF SR