



Long term sustainability of Slovak public finances

November 6, 2025

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Council for Budget Responsibility

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



Macroeconomic outlook

Growth subdued by both domestic and external inhibitors



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

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

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

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

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

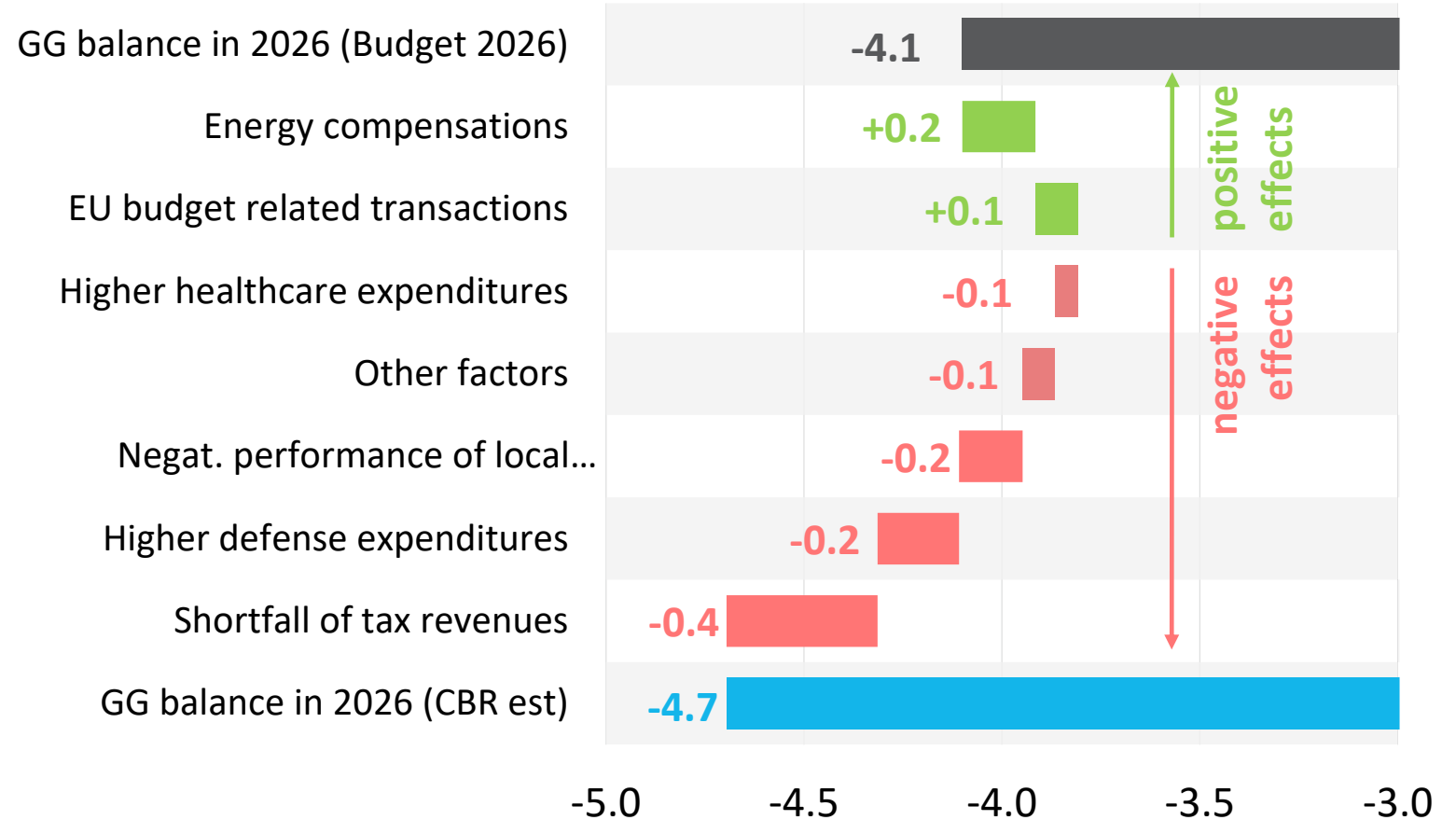


2026-2028 fiscal outlook

2026 Deficit Forecast Above Government Target

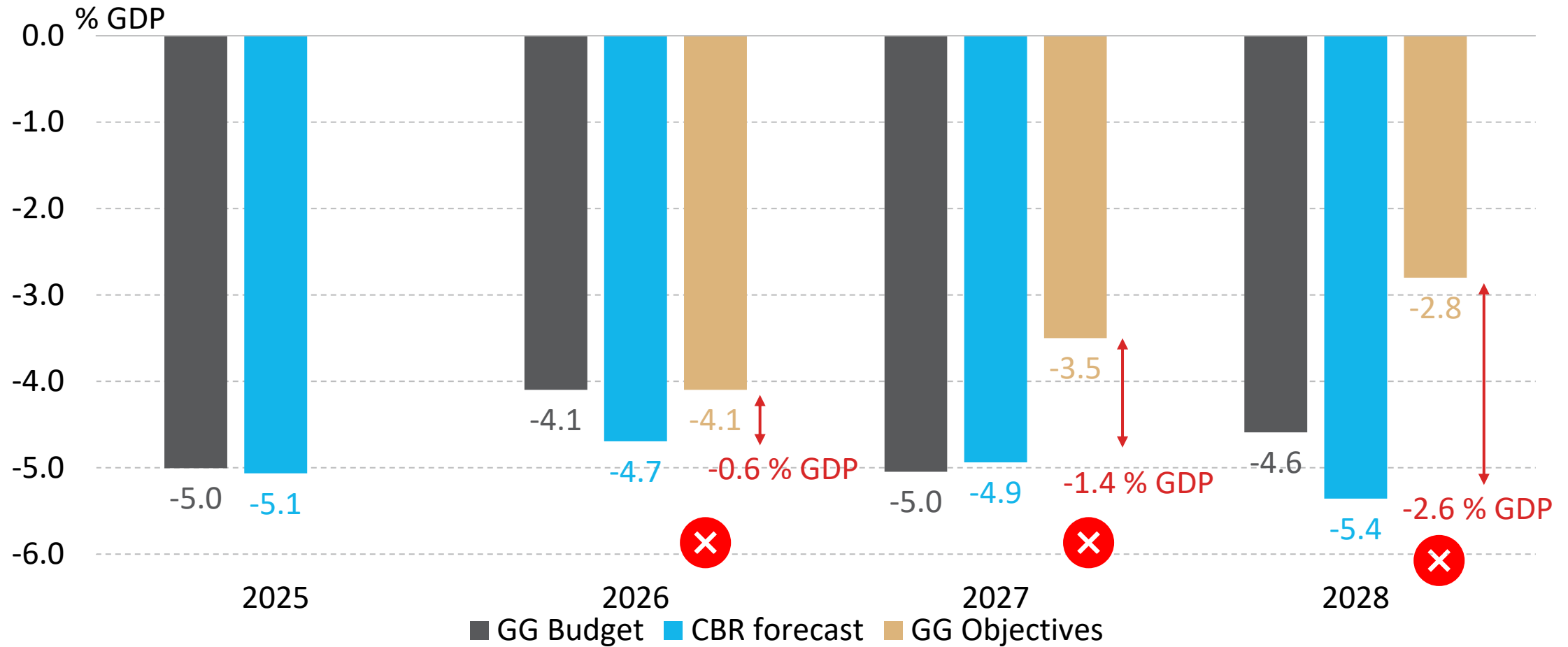
- Significant risk of tax revenue shortfall:
 - labour taxes, CIT and VAT
- Higher defense expenditures
- Positive risk in energy compensations

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



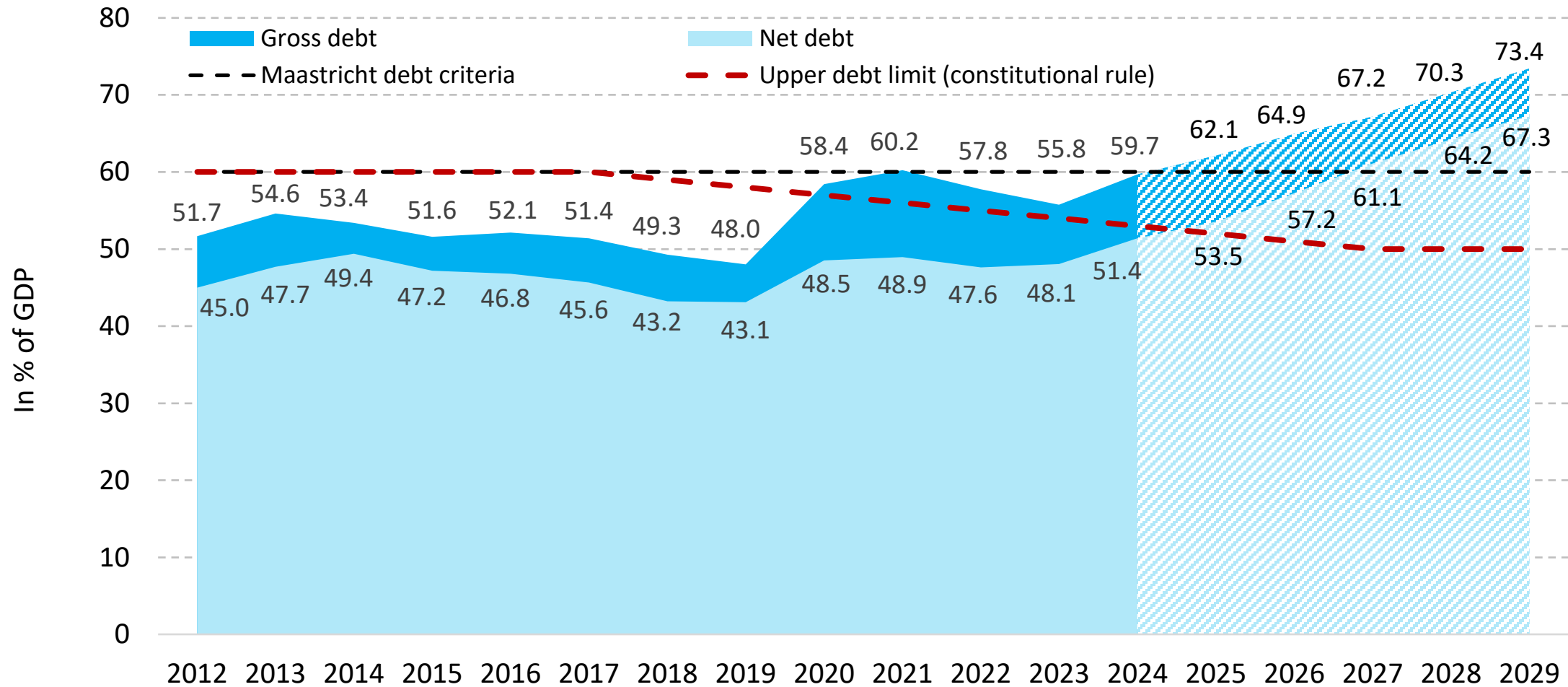
Fiscal trends 2025-2028 (NPC)

GG Balance



Source: MoF, CBR

Public debt projected to rise to 73.4 % GDP

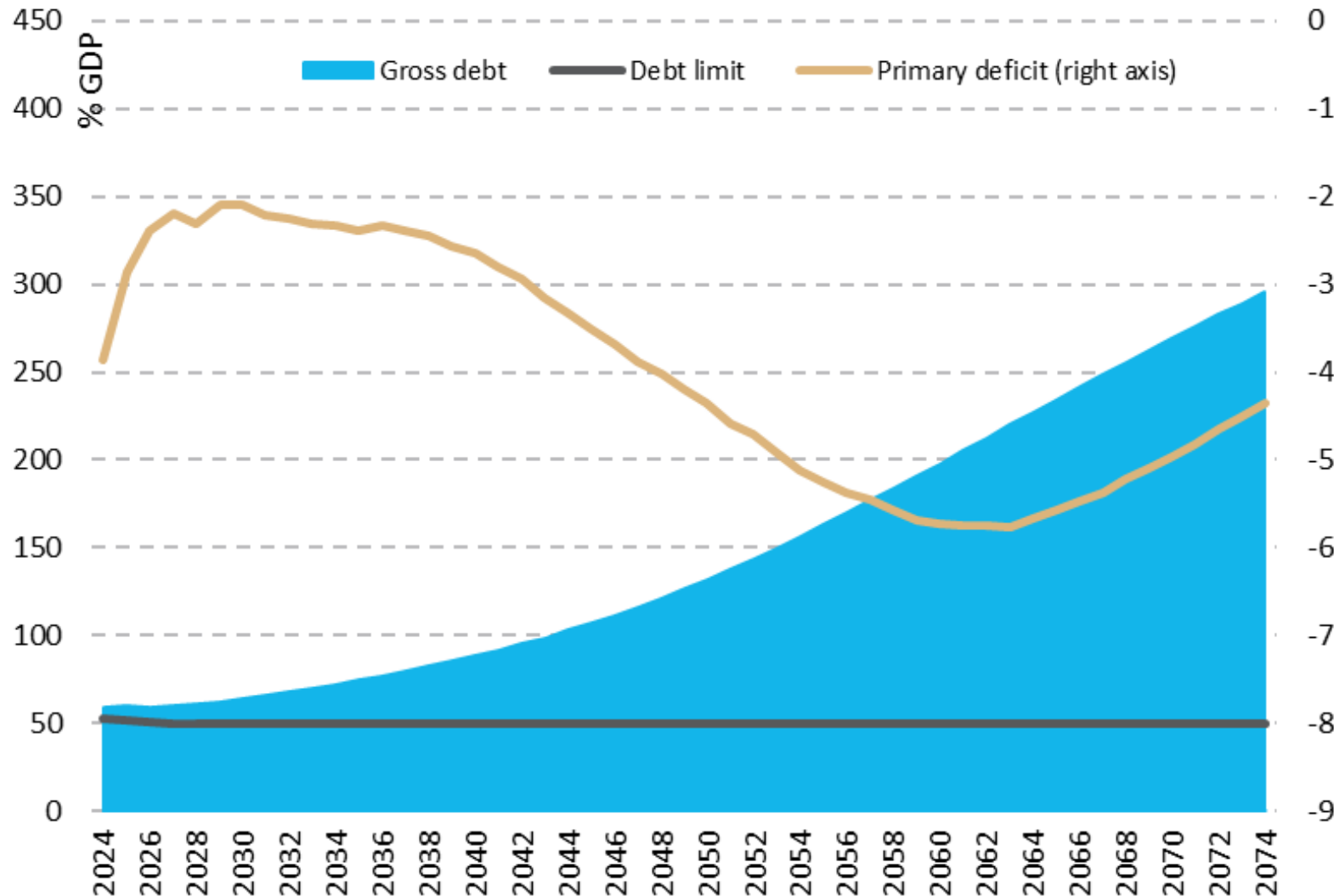


Source: CBR, SO SR, MoF



Long-term sustainability

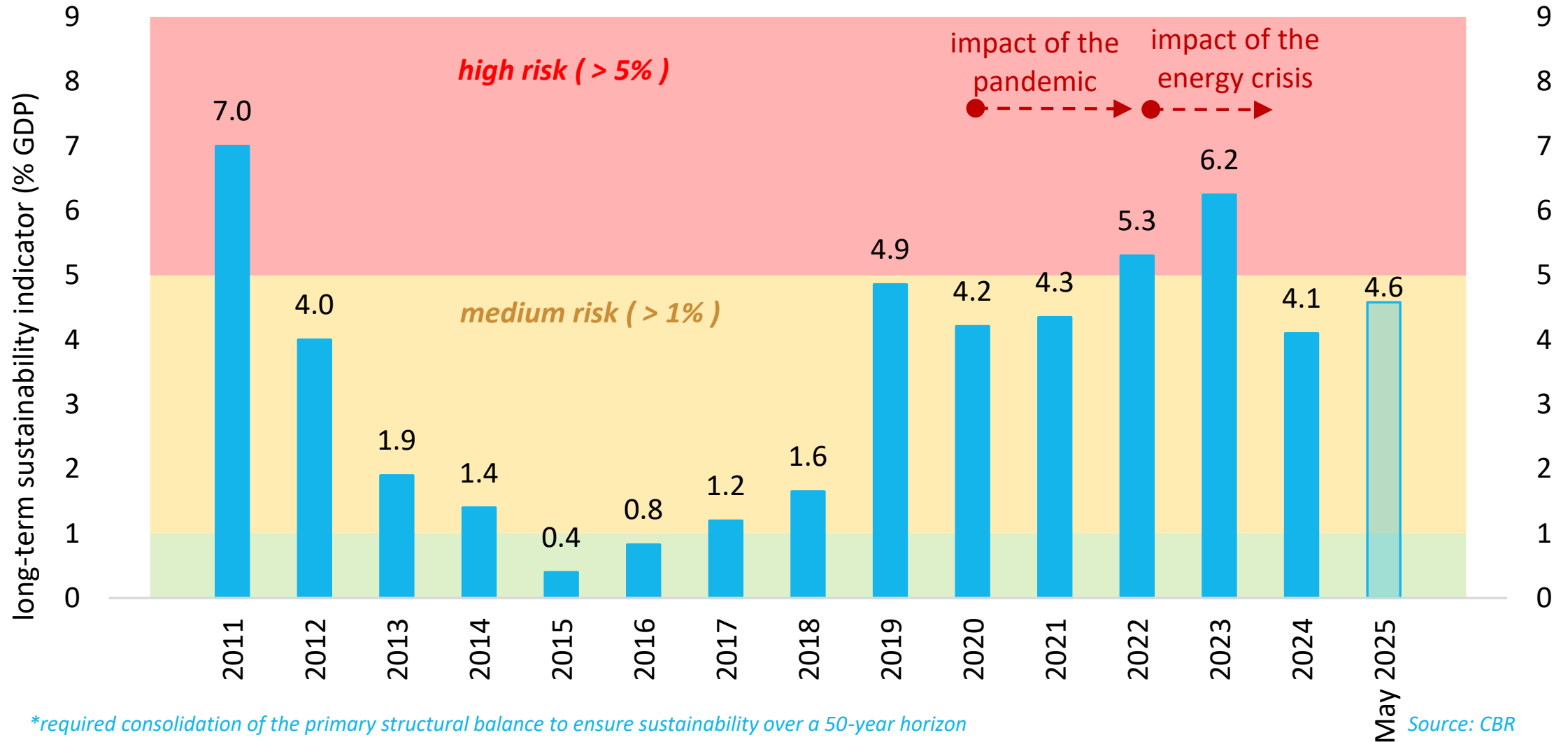
Main scenario – debt growth



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



Long-term sustainability – medium risk



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

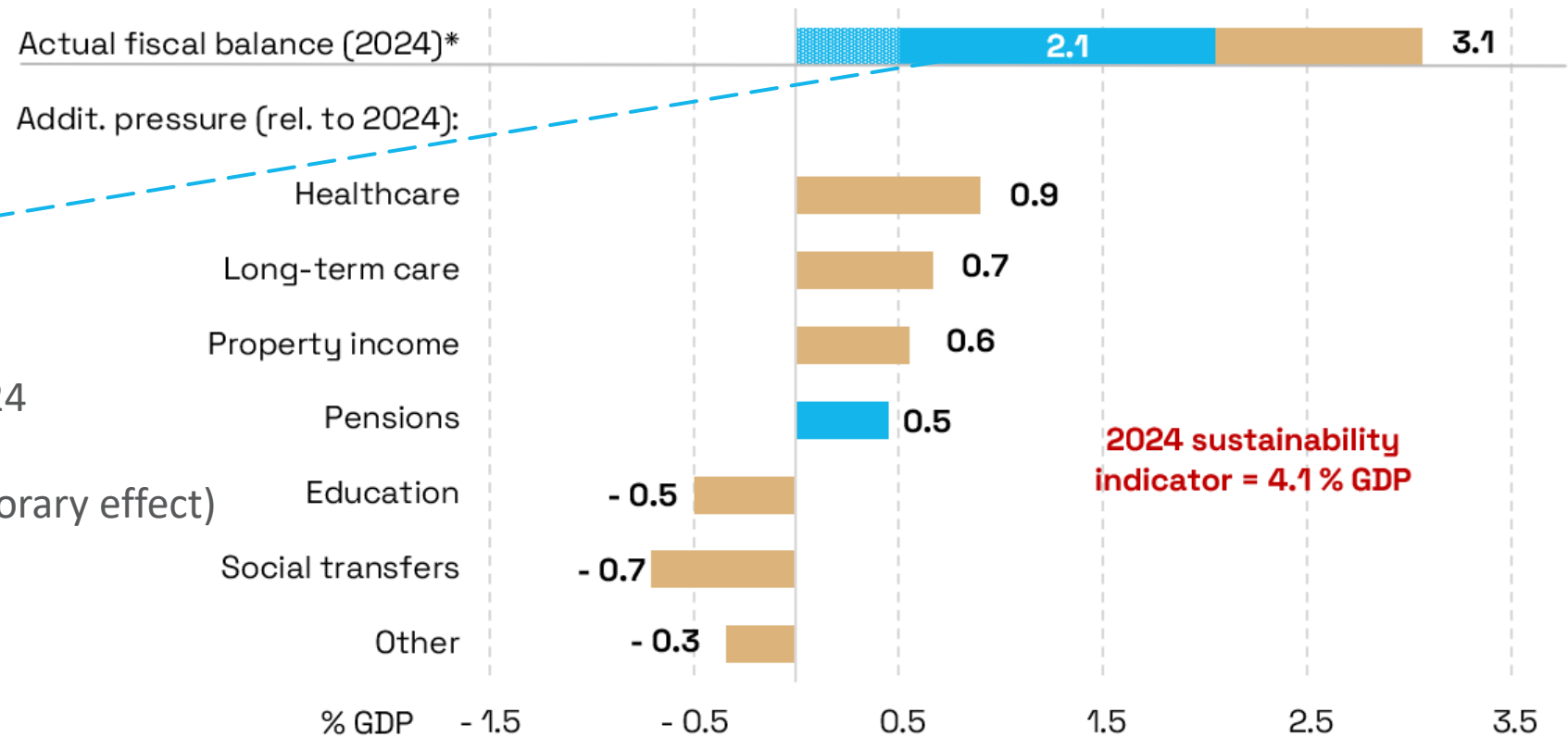
Source: CBR

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



Pension system deficit contributes half of long-term gap

Long-term sustainability indicator in 2024 - contributions



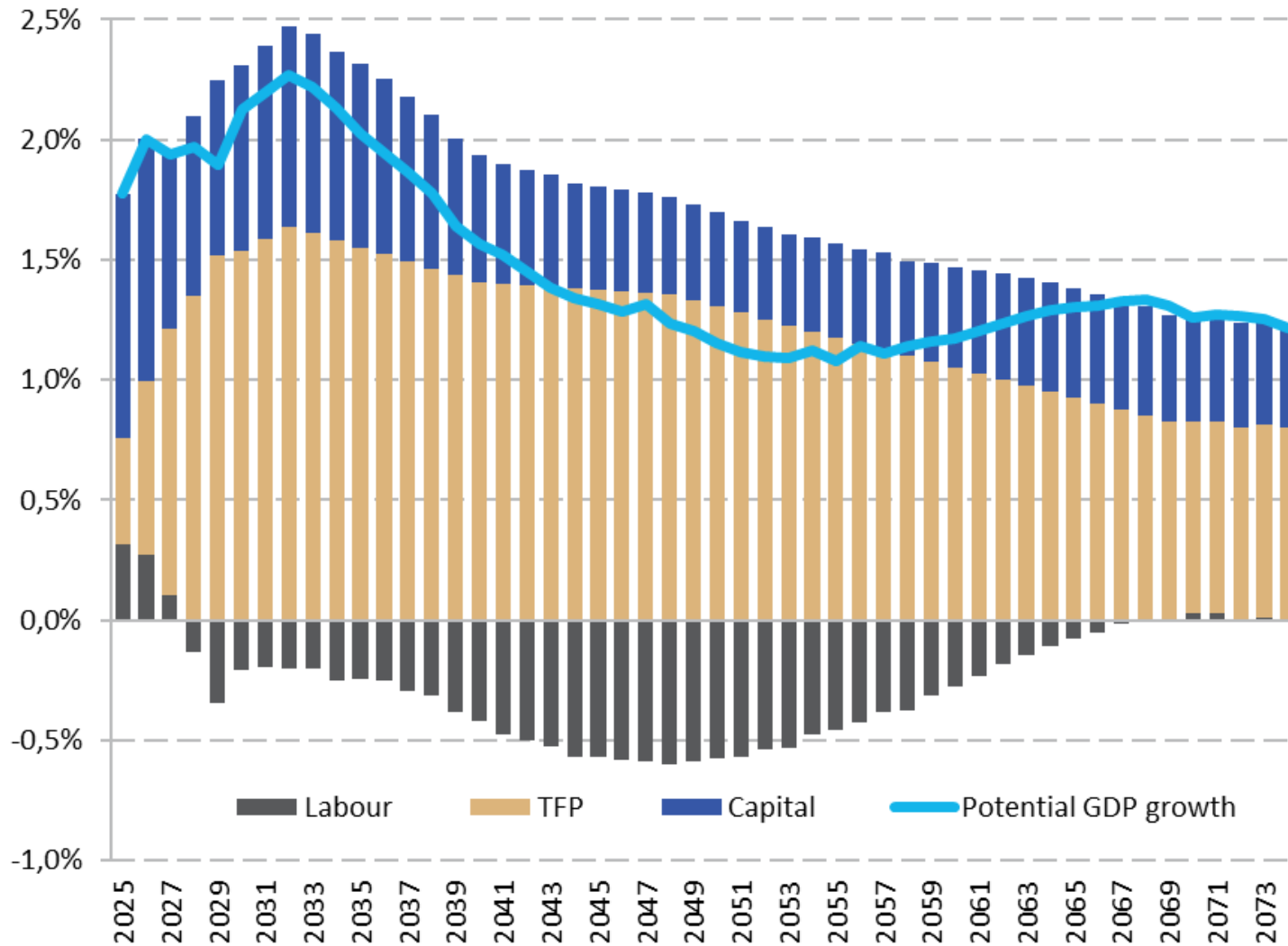
Current pension system deficit:

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

Source: CBR

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

Demography will slow down growth

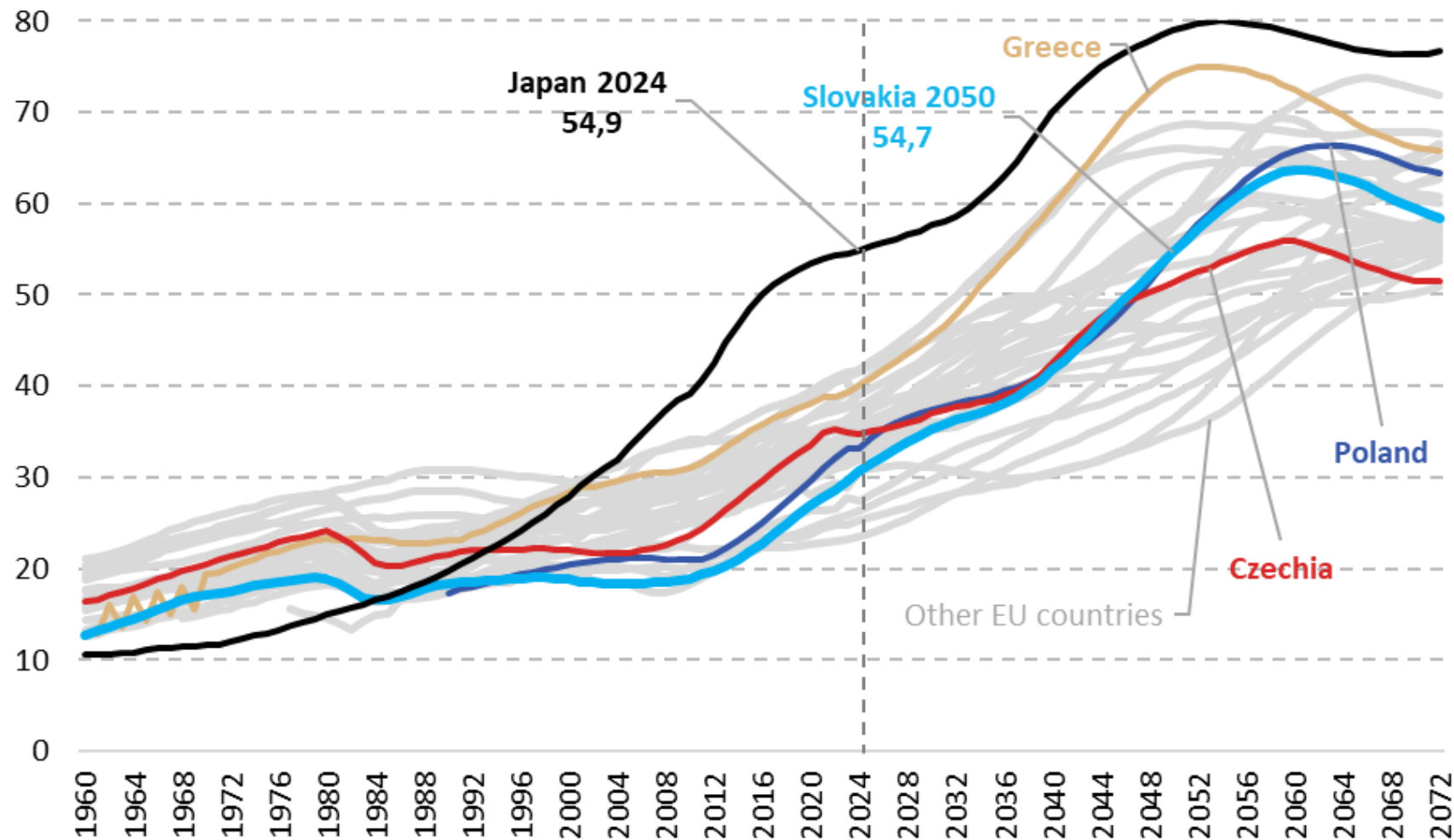


- Short term – consolidation decelerates growth
- Long term – demographic decline dominates
 - In 2040 GDP growth below 1,5 %,
 - By 2060 loss of 20 % labour force, plus TFP slowdown



Ageing

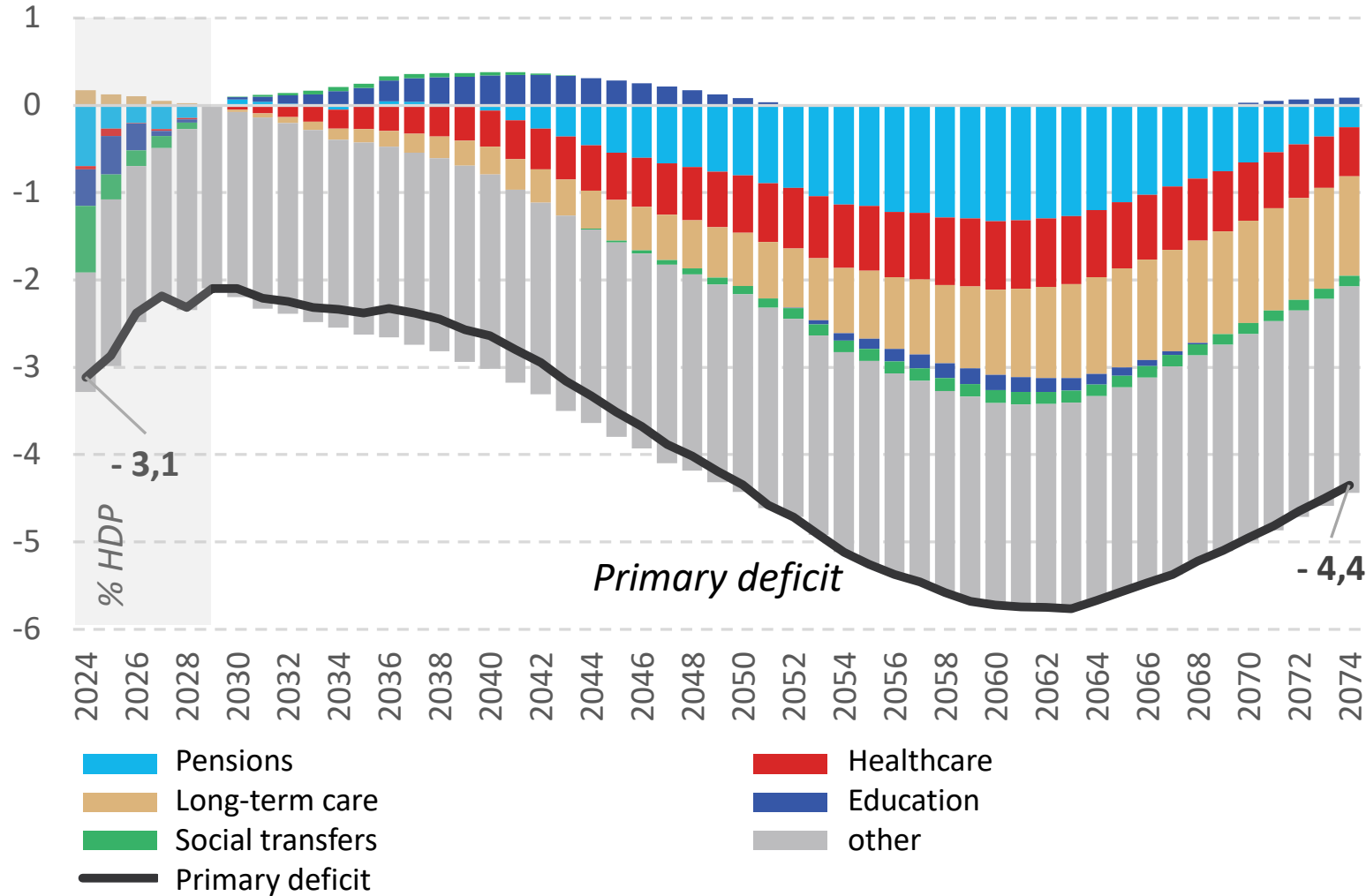
(young per 100 old)



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

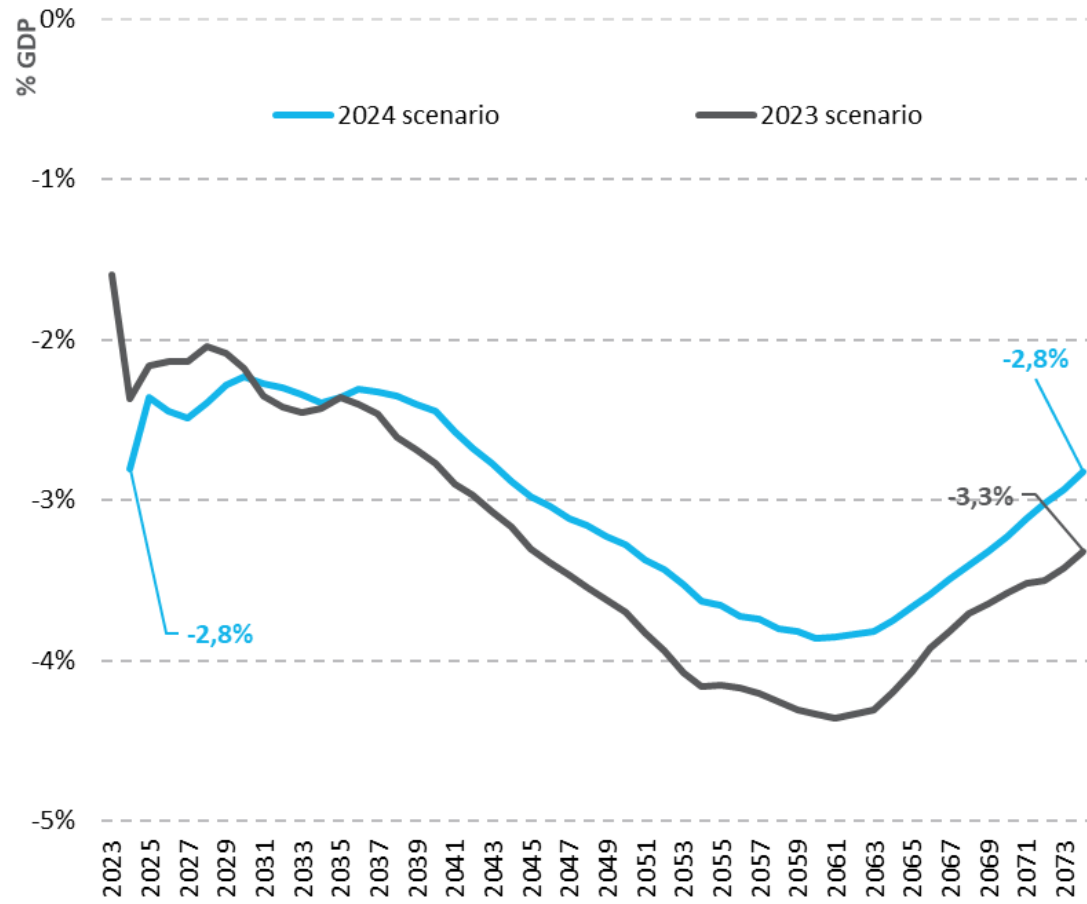


Contributions of ageing-related expenditures

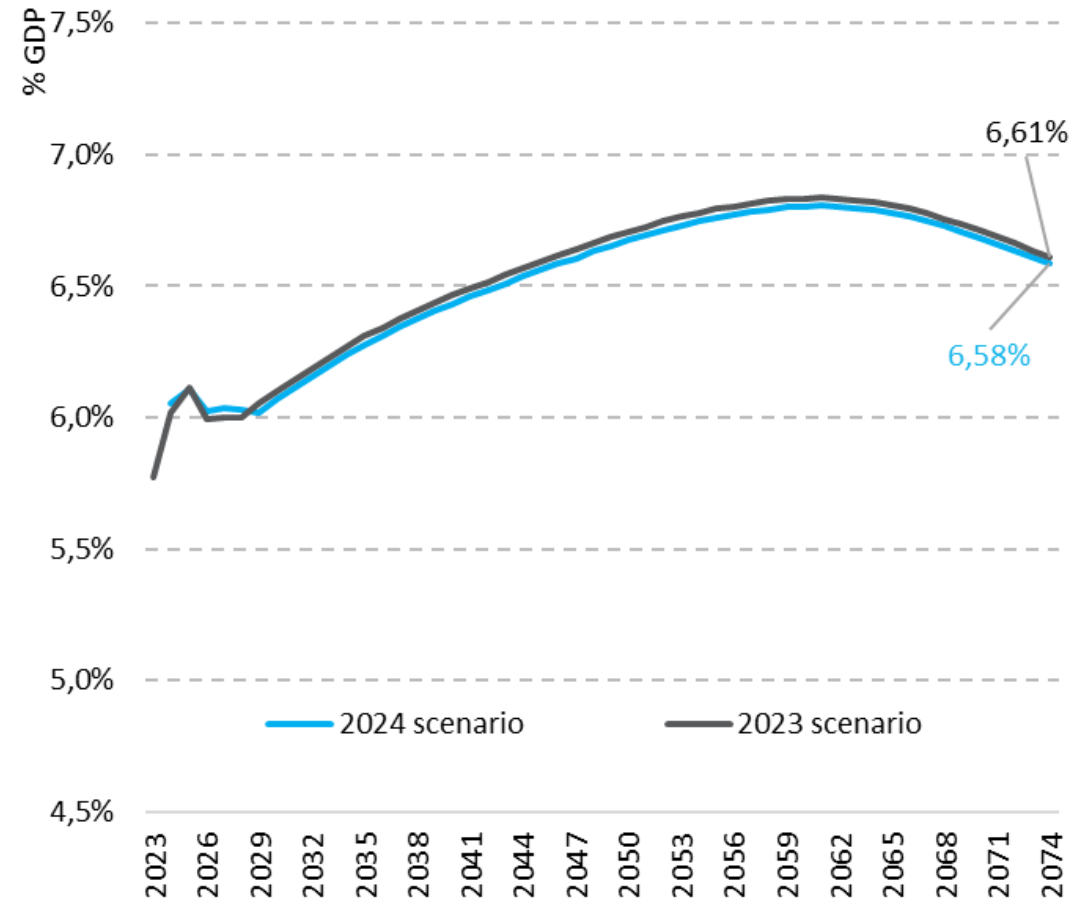


Pensions and Healthcare

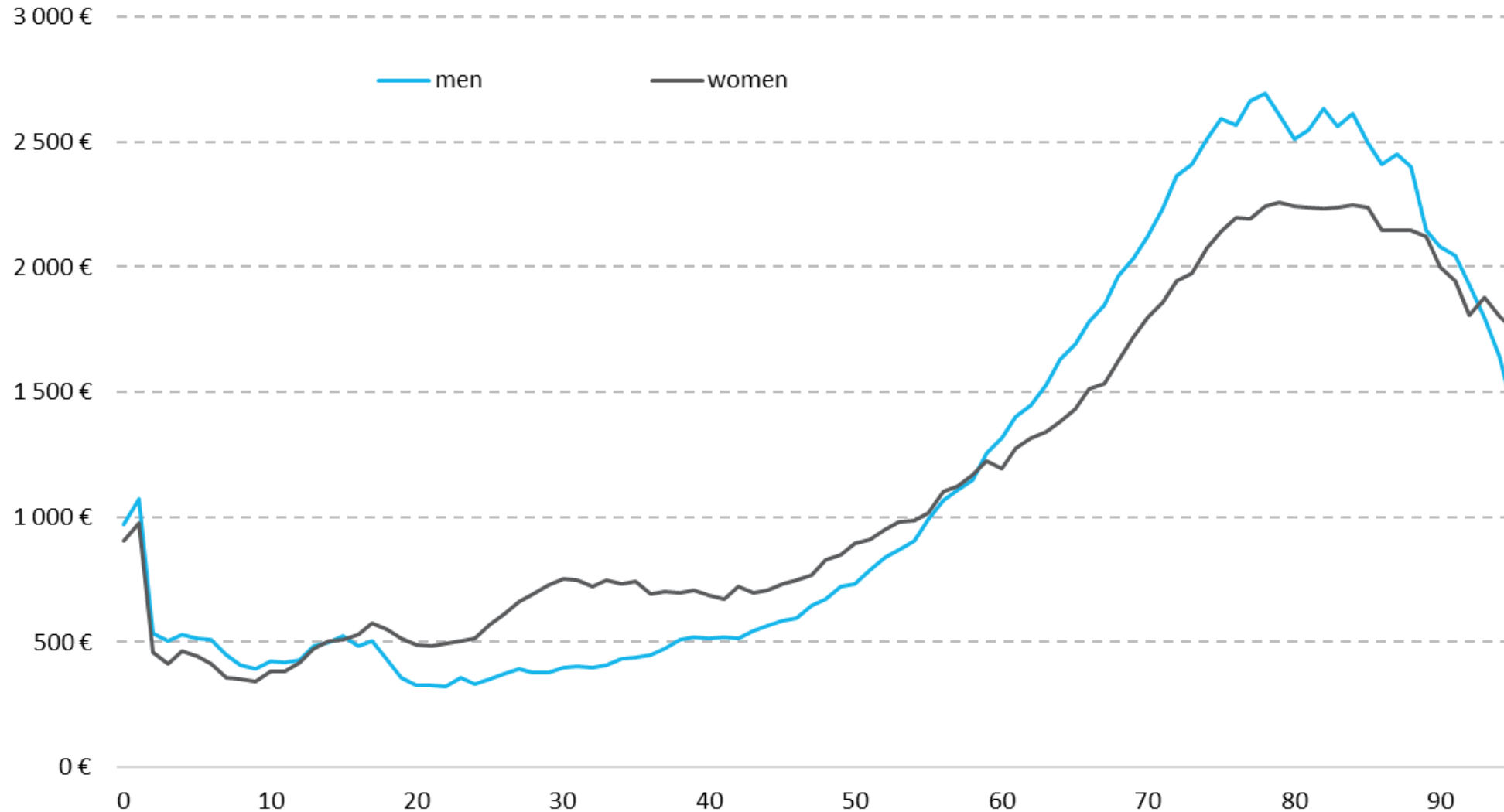
Pension system deficit



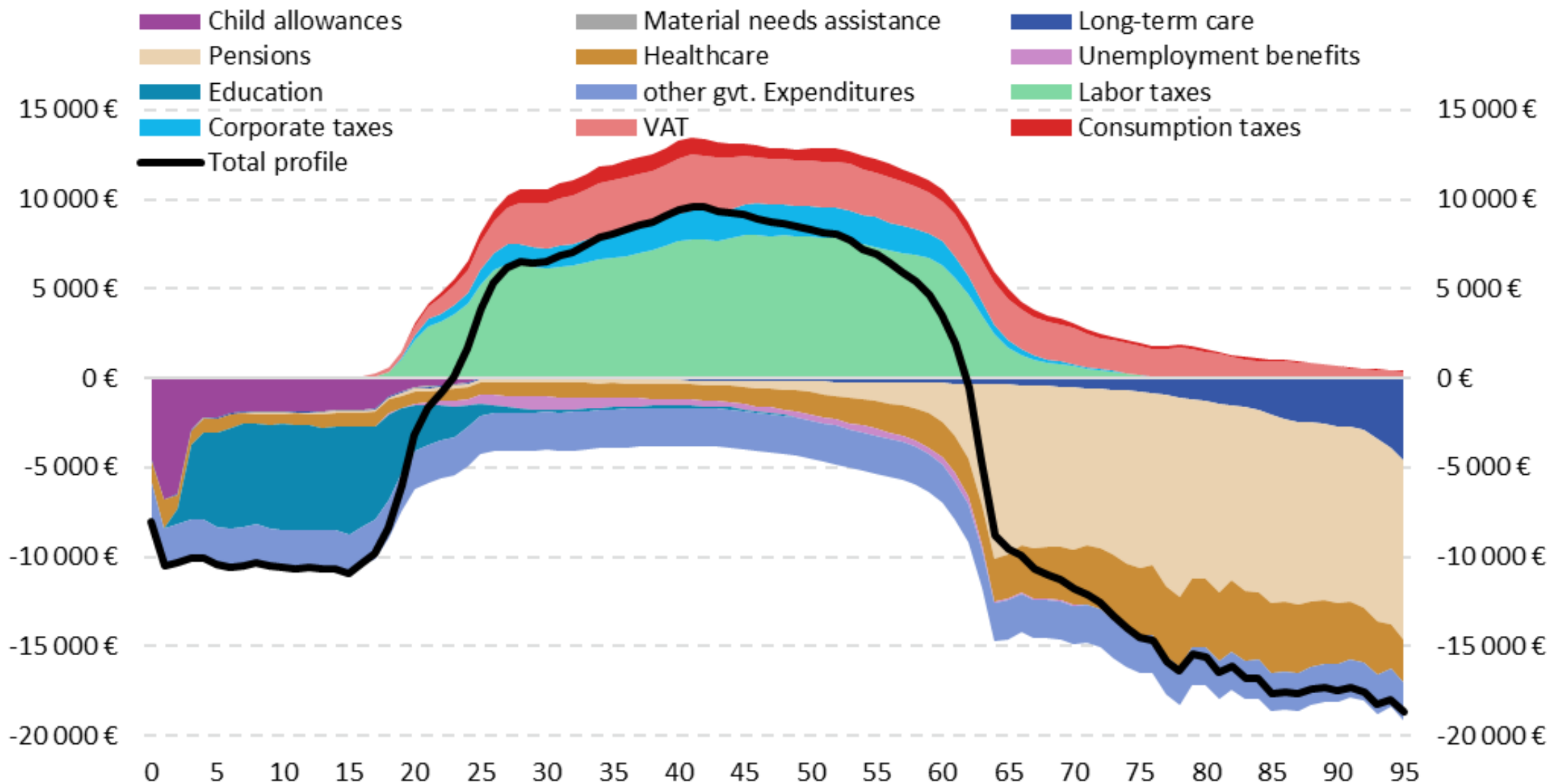
Healthcare expenditures



Age profile of healthcare expenditures

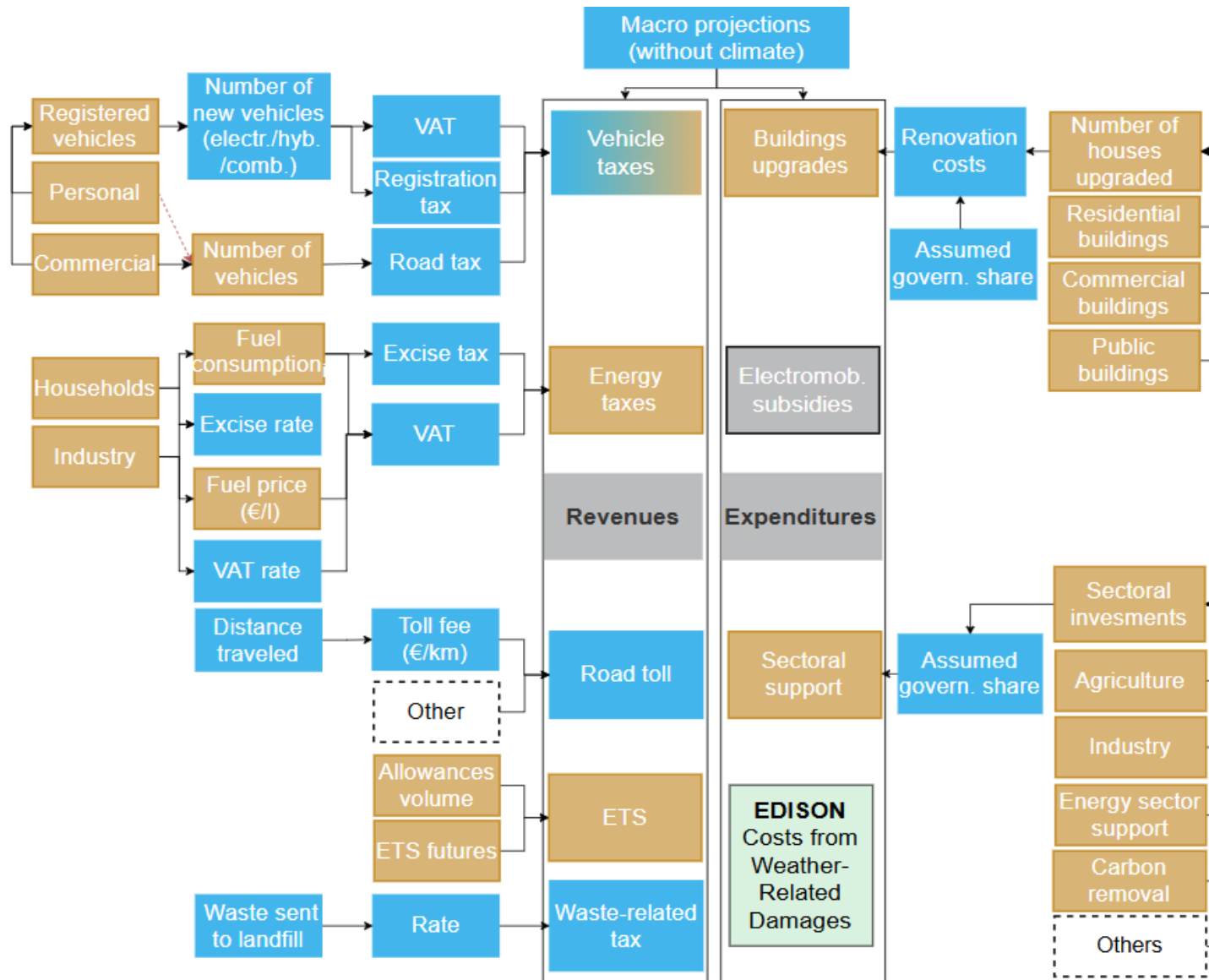


Generation accounts



Climate change and Adaptation policies – fiscal evaluation

Climate transition channels into public finances



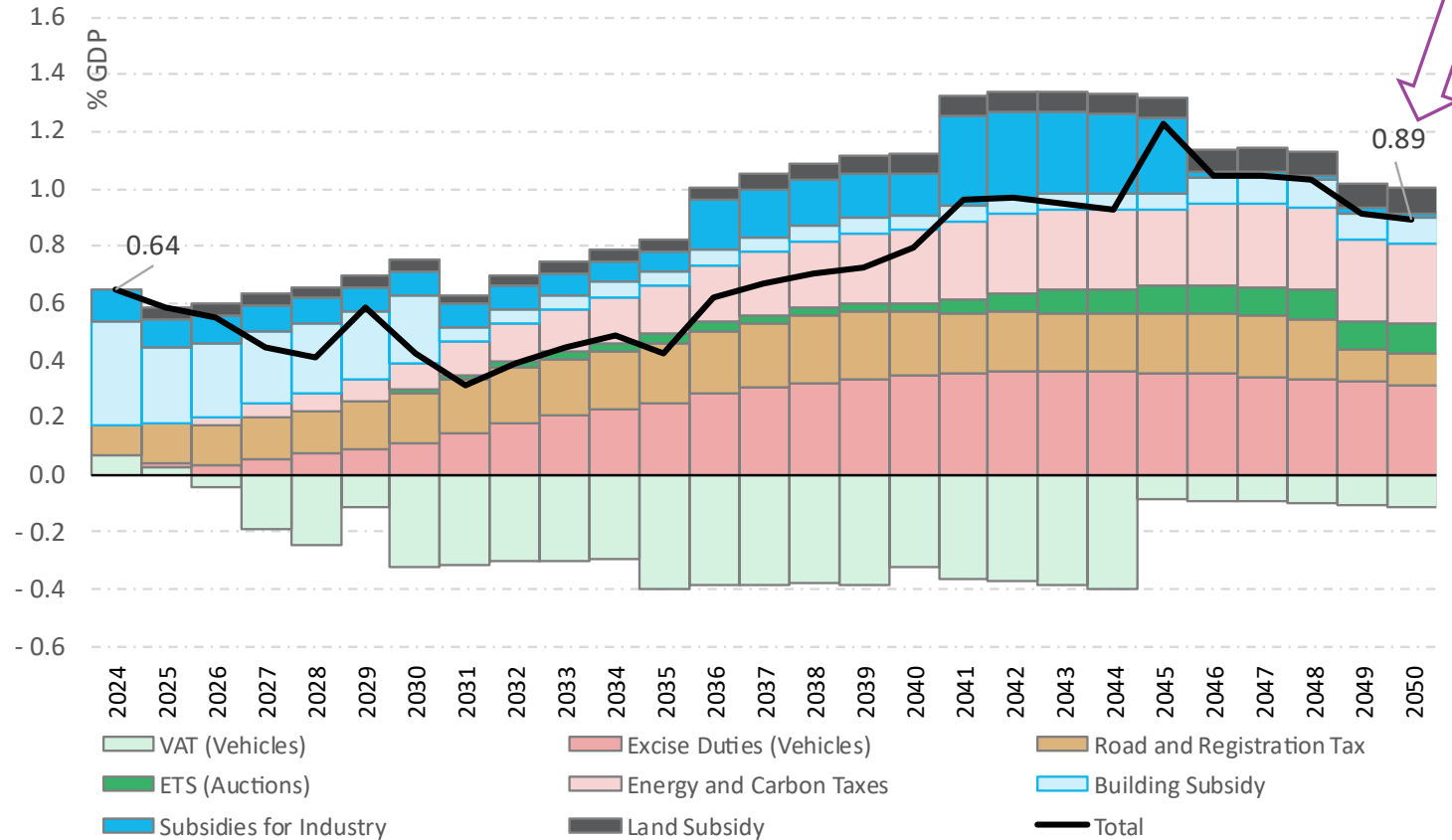
- Schematic overview of the EDISON climate-fiscal model
- **Inputs from SK-PRIMES**
 - A partial equilibrium model for the energy sectors
- **Our inputs / assumptions**
 - CBR projections



Policy action impact in Slovakia

Impact on fiscal deficit (WAM - WEM)

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

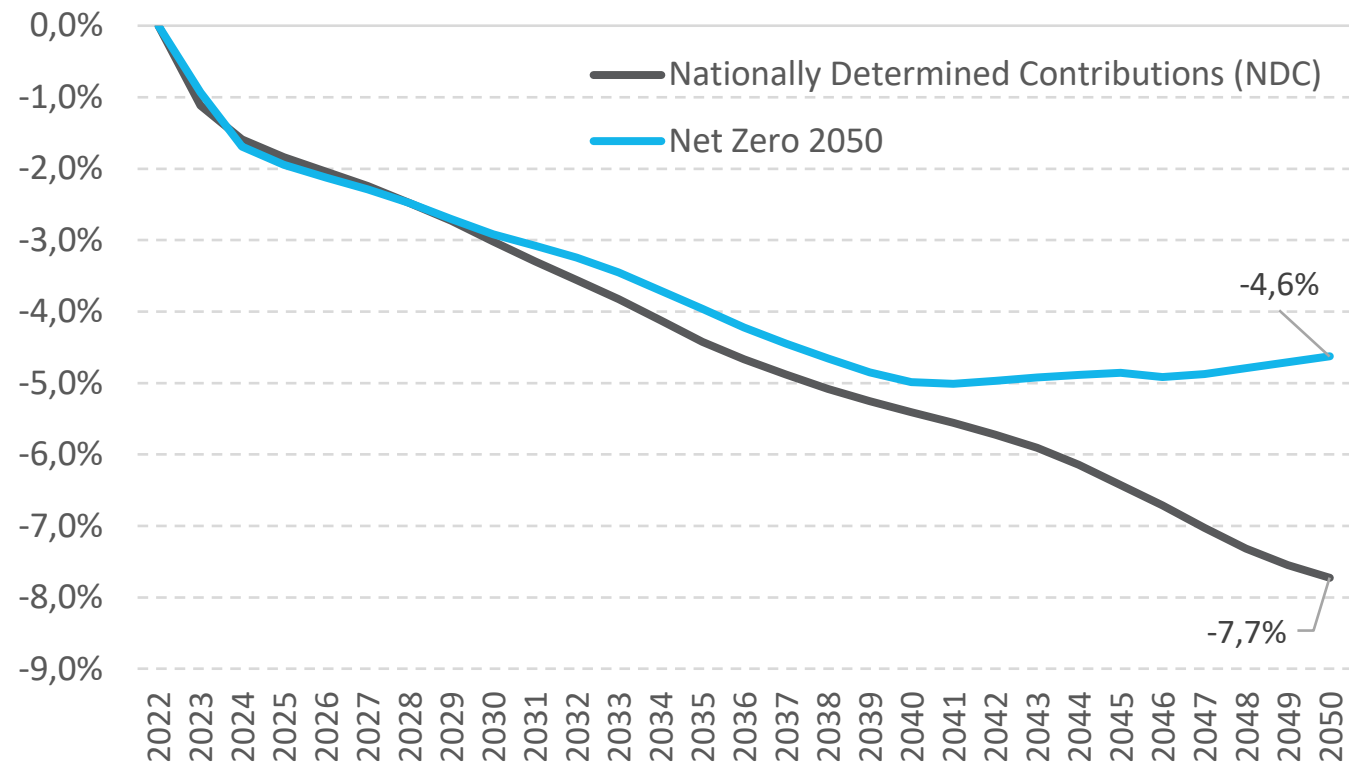


Note: The transition toward electromobility is expected to follow an optimistic trajectory, even though Slovakia currently lags behind the EU according to the latest available data.

Climate change long-term GDP impact for Slovakia

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

Long-term GDP impact of climate policy scenarios



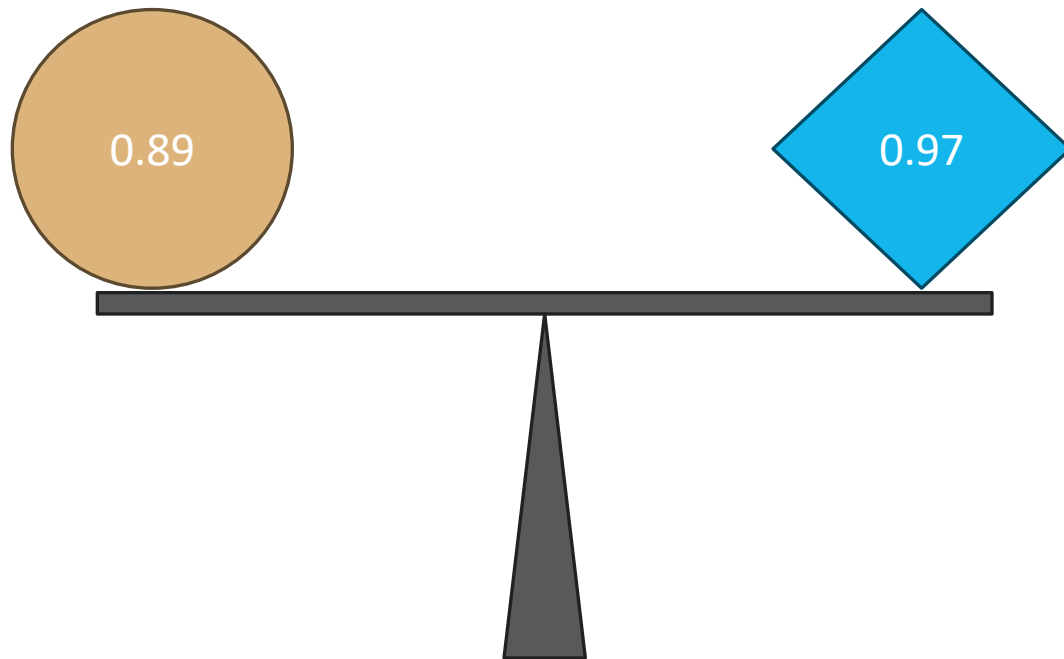
Source: NFGS (2025)

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



Attempting a fair comparison

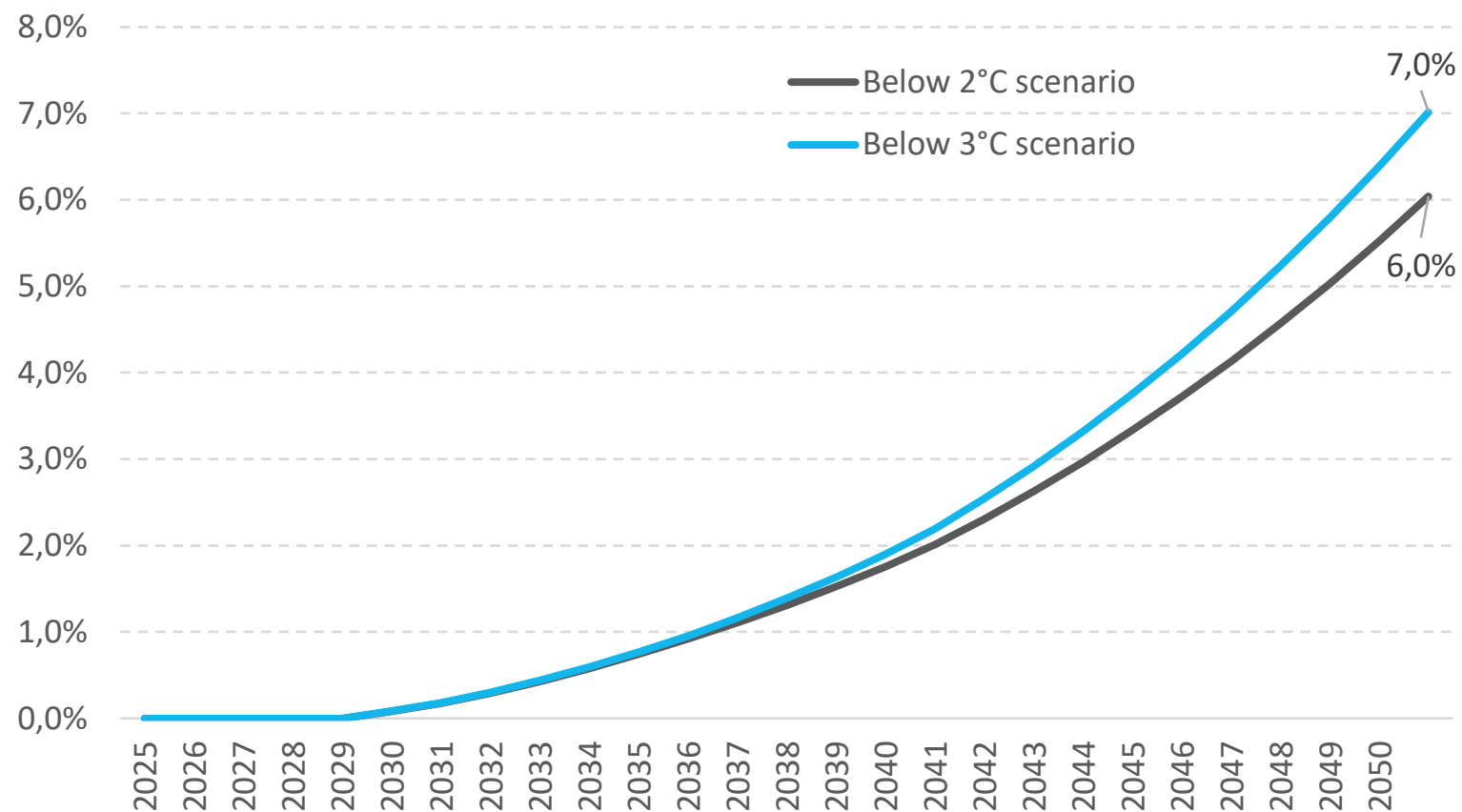
- Coordinated net-zero efforts in all (most) countries:
 - Additional fiscal costs around 0.89% GDP
 - Mostly decline in taxes on “dirty sources” once the transition is well advanced
 - Will open up space for alternative taxes
- Low effort, no/little coordination
 - 3.1% lower GDP by 2050
 - Up to 0.97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



UK Example: additional public sector net debt by 2050

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

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



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





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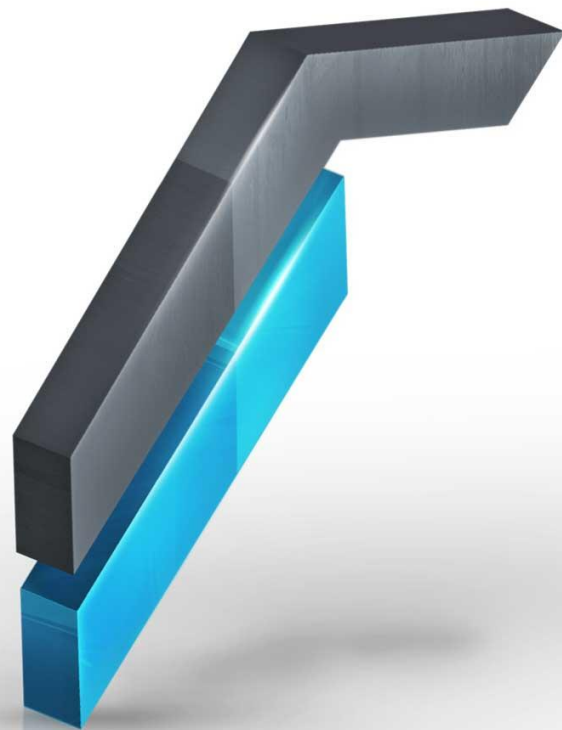
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Thank you for your attention!

