The Hungarian Fiscal Council and The National Bank of Hungary Conference, Budapest

RRZ

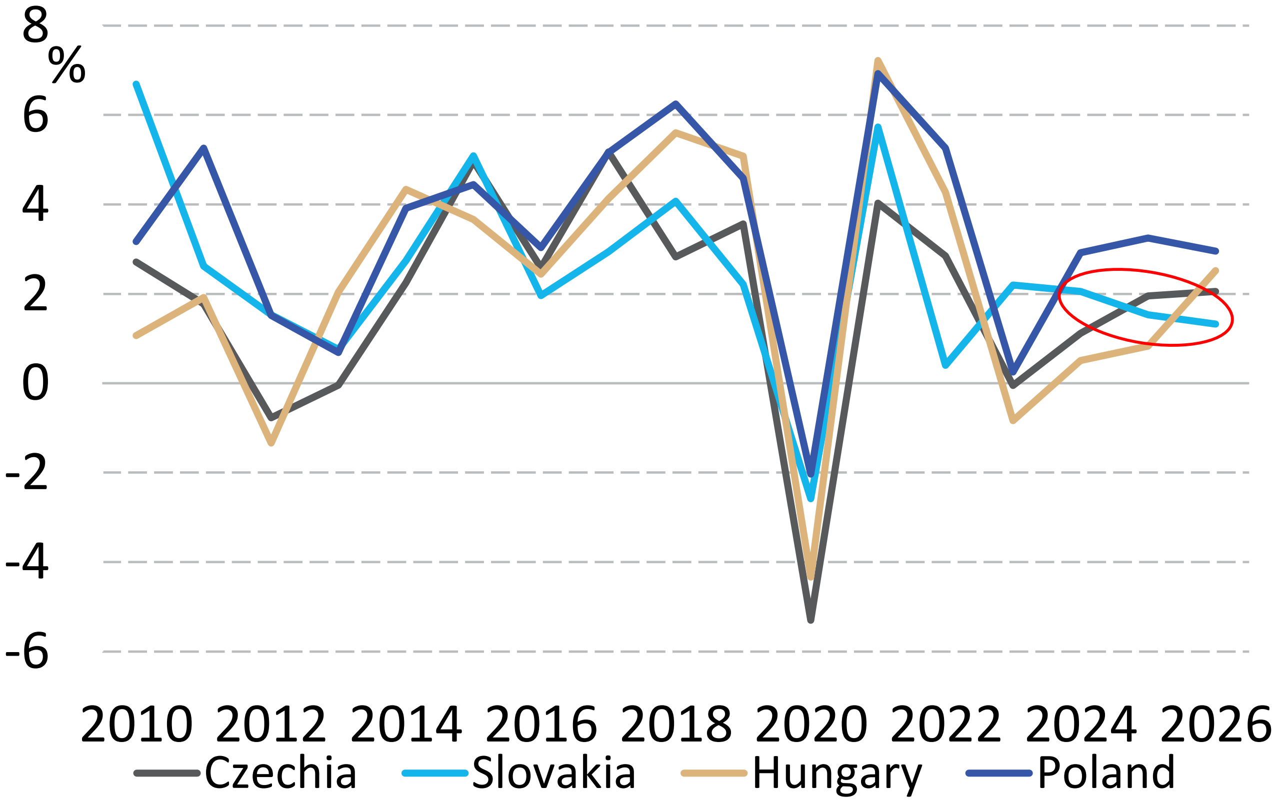
Slovak fiscal packages

Why fiscal trends do not improve after three fiscal packages

27 October 2025

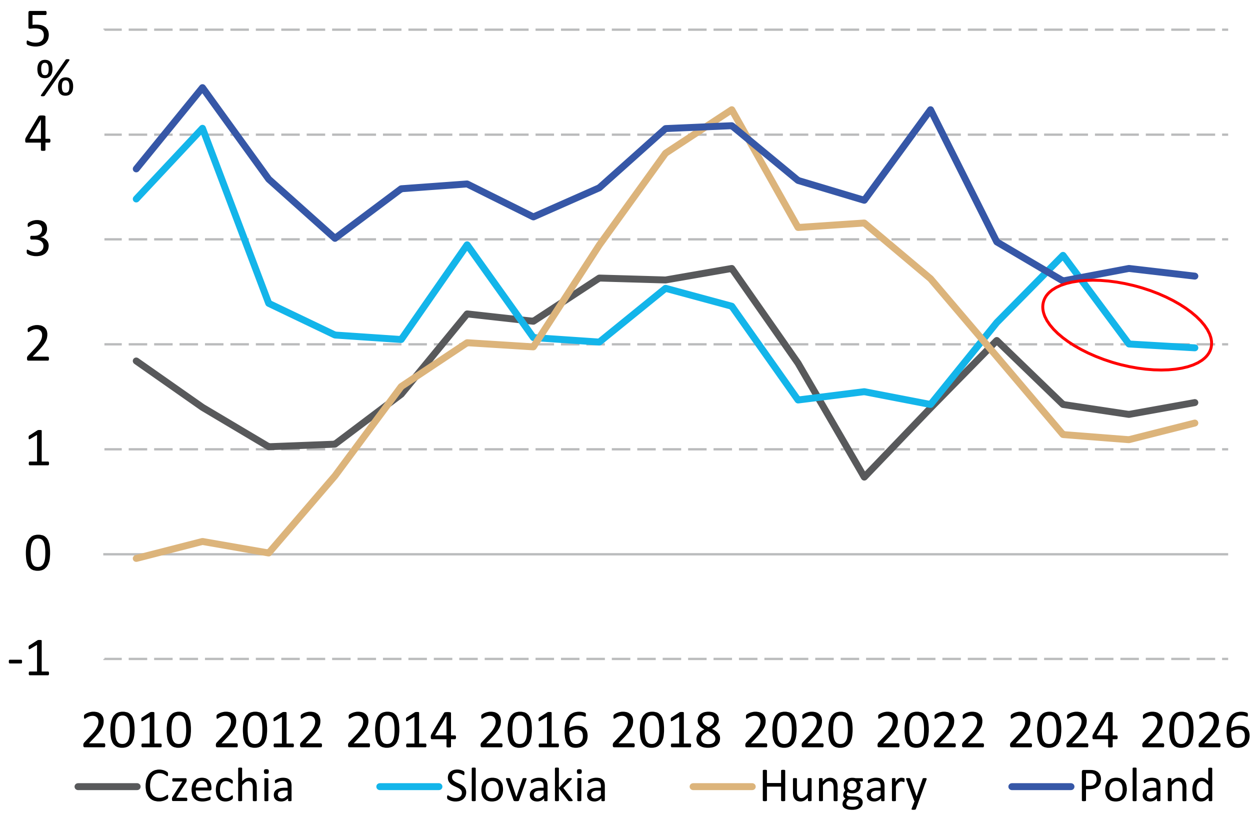
Jan Toth

Slovak growth outlook subdued despite energy subsidies



Source: Eurostat

Slovak potential growth outlook also subdued

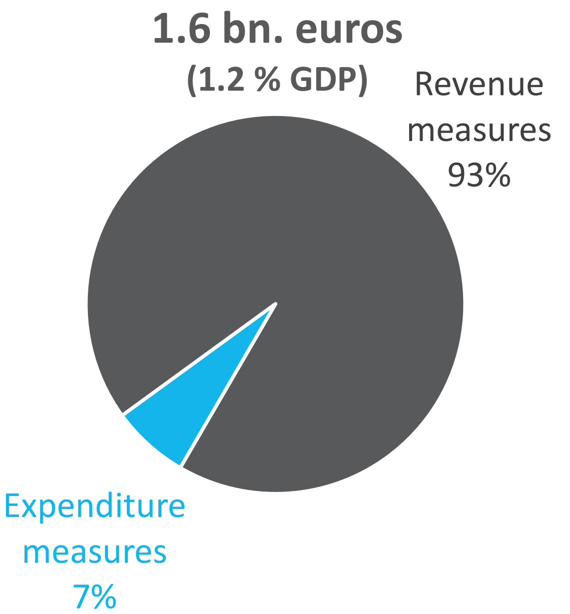


Source: Eurostat

The summary of the three fiscal packages 2024-2026

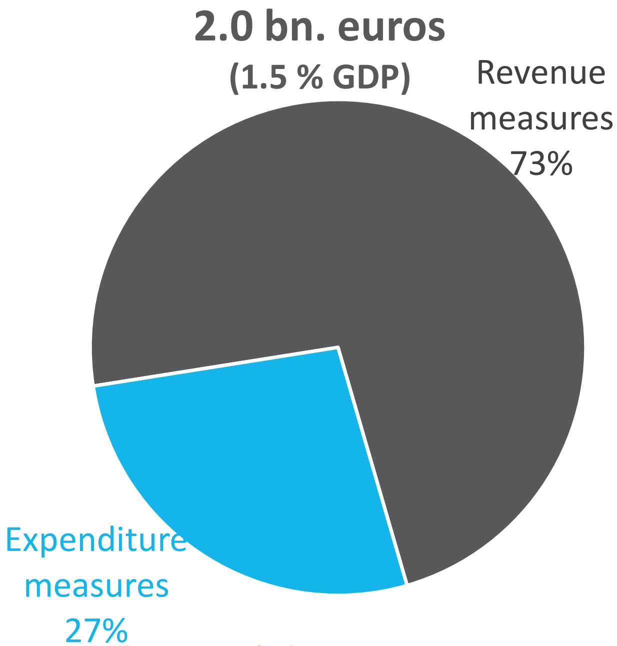
Measures highly skewed towards revenue

2024



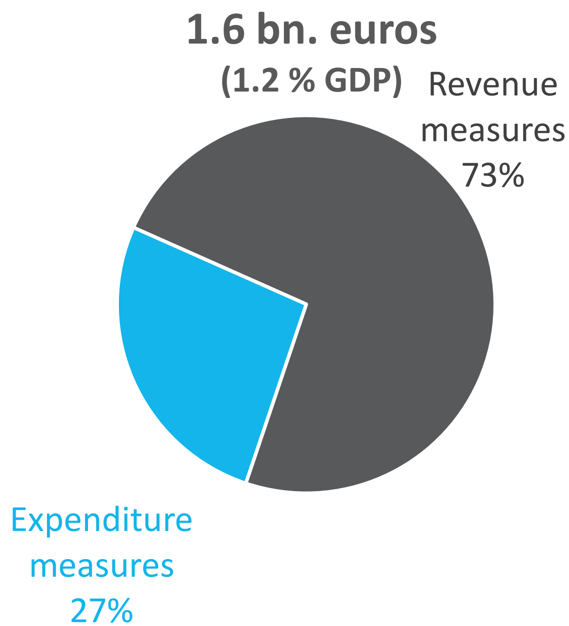
+ deconsolidation measures 0.9 bn. euros (0.7 % GDP)

2025



+ deconsolidation measures 0.7 bn. euros (0.5 % GDP)

2026 (CBR estimate)

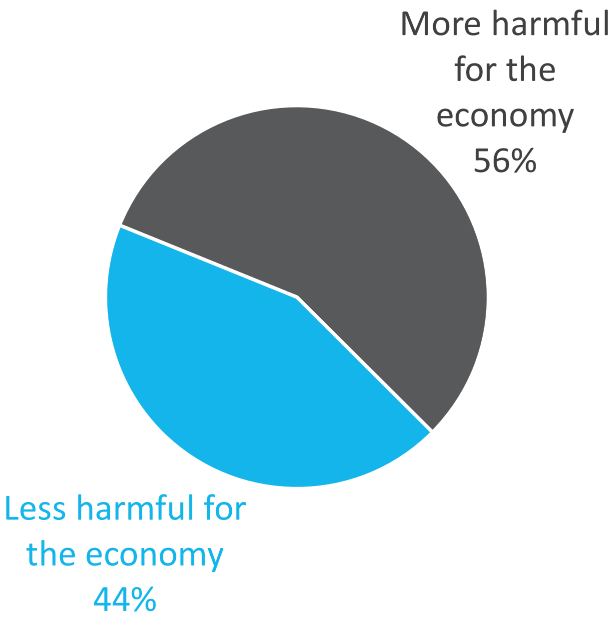


+ deconsolidation measures 0.6 bn. euros (0.4 % GDP)

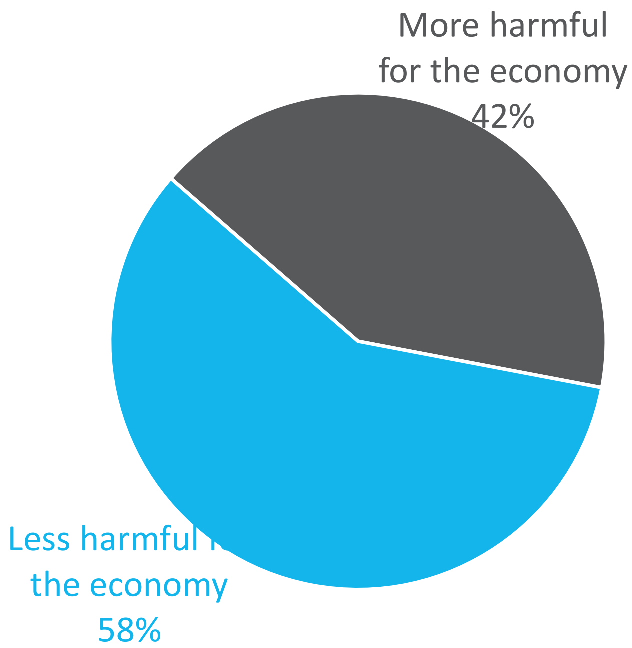
- **The total size** of the packages **is 3.9 % GDP** (5.2 bn euros) in terms of immediate impact
- Revenue-increasing measures contribute a high **79 %** of the total amount

Half of measures painful for potential output

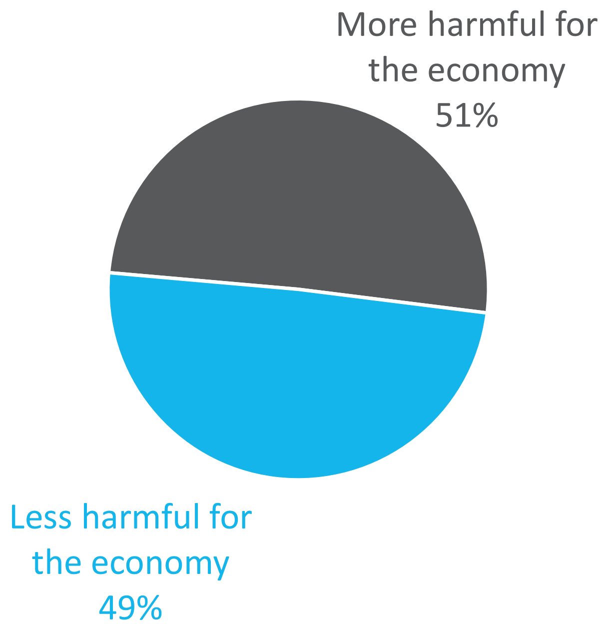
2024



2025

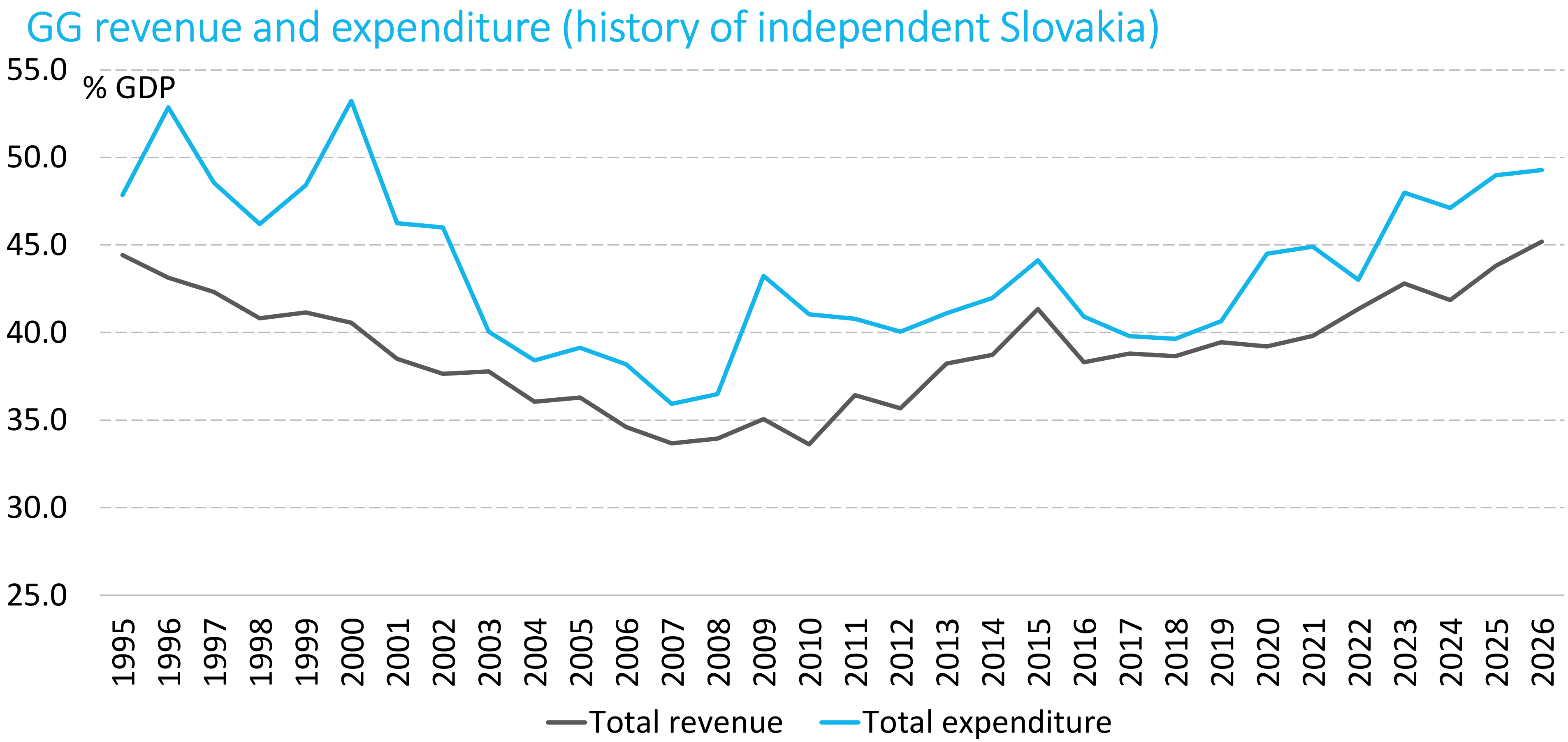


2026 (CBR estimate)



- Total share of measures more harfmul for the economy (i.e. taxation of activity, lower investment) cumulatively stands at a high **51 %**

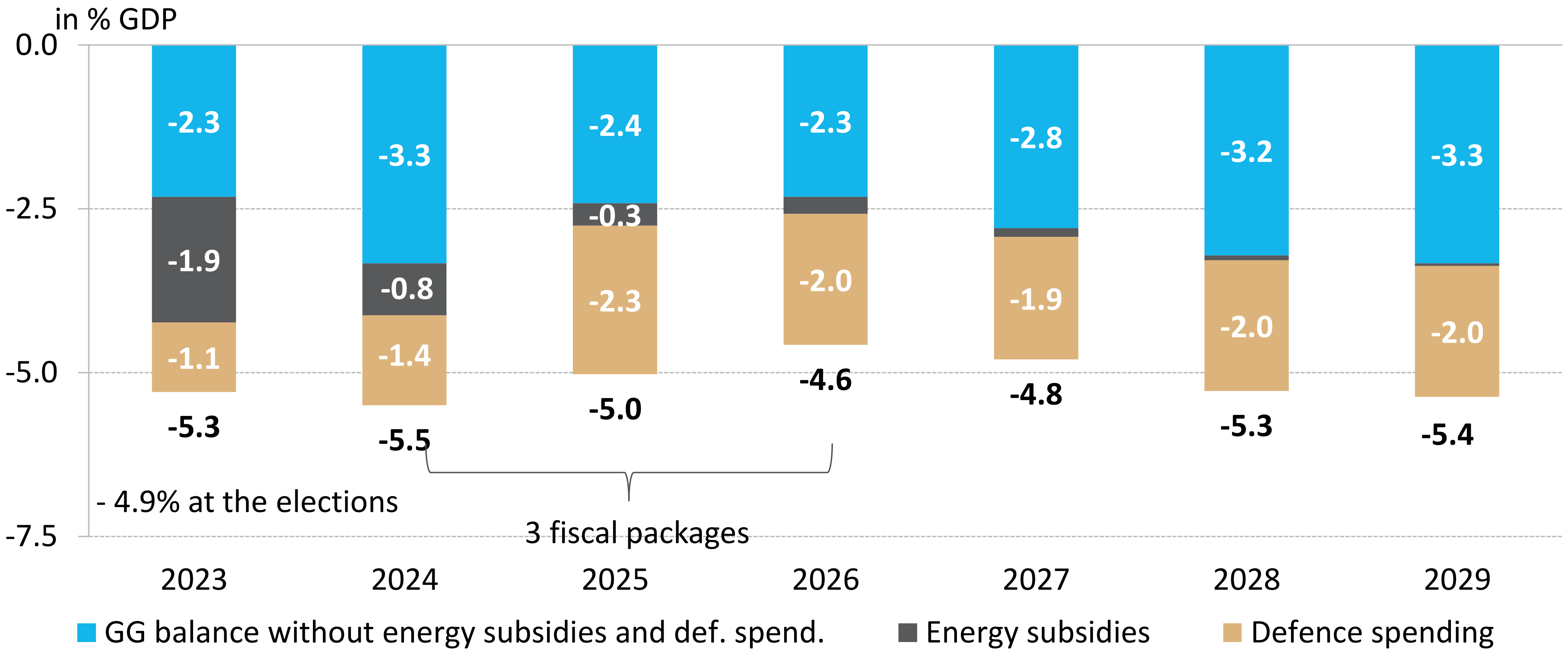
The 2026 total public revenue at the highest level since 1995, yet deficit outlook remains high at 5% GDP



Source: Eurostat, CBR

Deficits remain high despite 3 fiscal packages

The medium-term CBR forecast for the GG balance

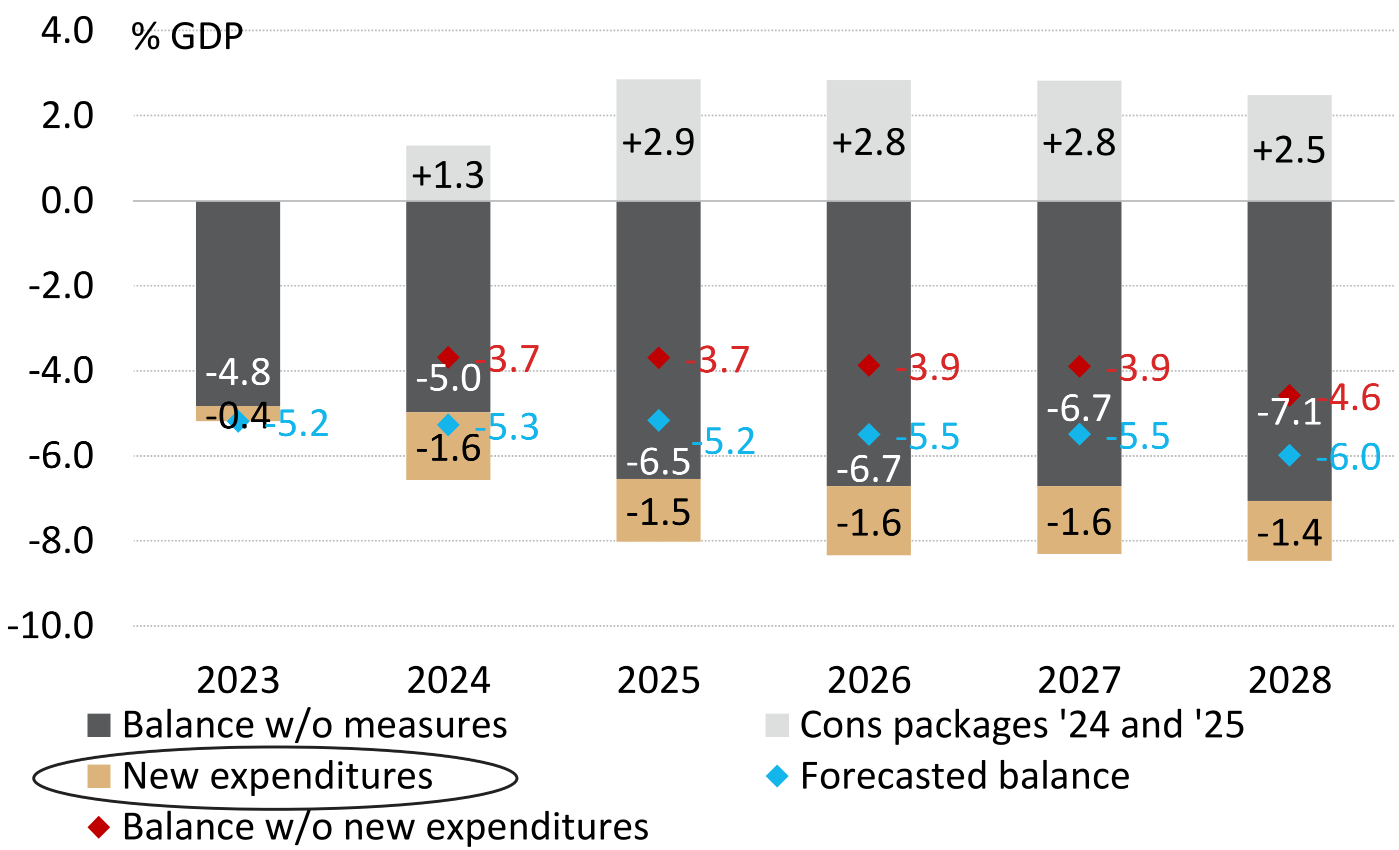


Source: SoSR, CBR

Why deficit at unchanged levels compared to 2023 ?

1/ New expenditures adopted at the same time

Contributions to balance developments during a current election term



- **Full 13th pension**
- Healthcare
- Education
- Other current expenditures

Source: CBR (based on pre-notification figures)

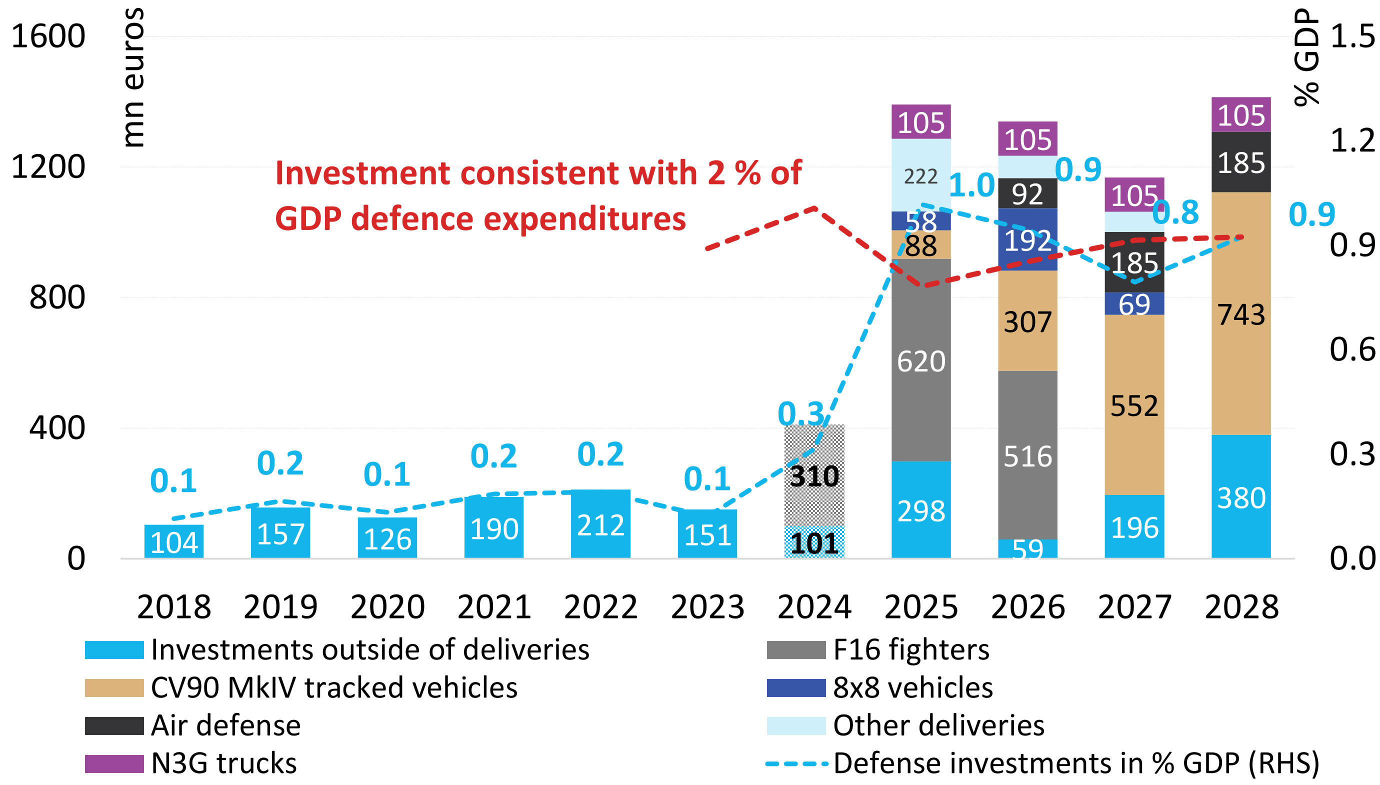
2/ Structure of the packages

- Heavily focused on revenues, including direct taxation (and soc.contributions)
- Temporary nature of some measures
  - some revenue measures only temporary
  - some expenditure measures in practice temporary as not the result of structural changes

3/ Defense Investment: level shift up by around 0.7% od GDP

- The loss of "peace dividend" - defense expenditures at 1.1-1.4% of GDP in the recent past
- Defense expenditures to reach at least 2% of GDP, **permanently**

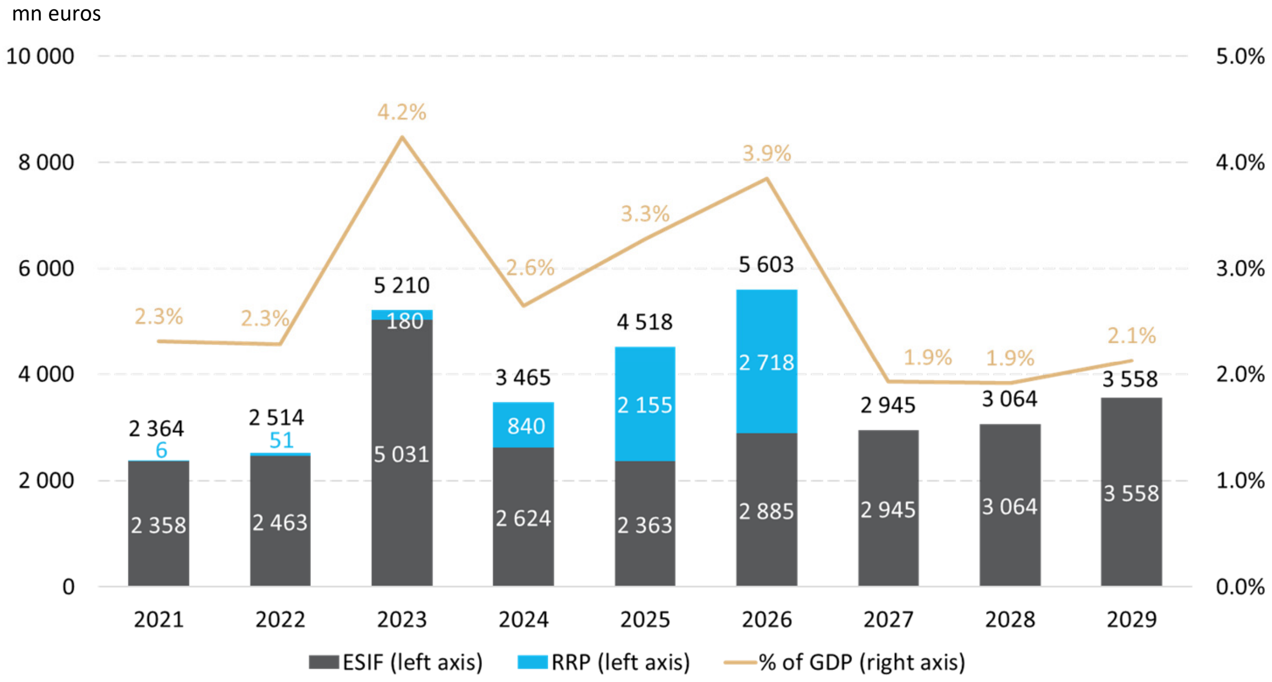
Investment expenditure in defense (ESA 2010)



Source: SoSR, MoF, MoD, own calculations by CBR

EU funds not actively used to boost the economy

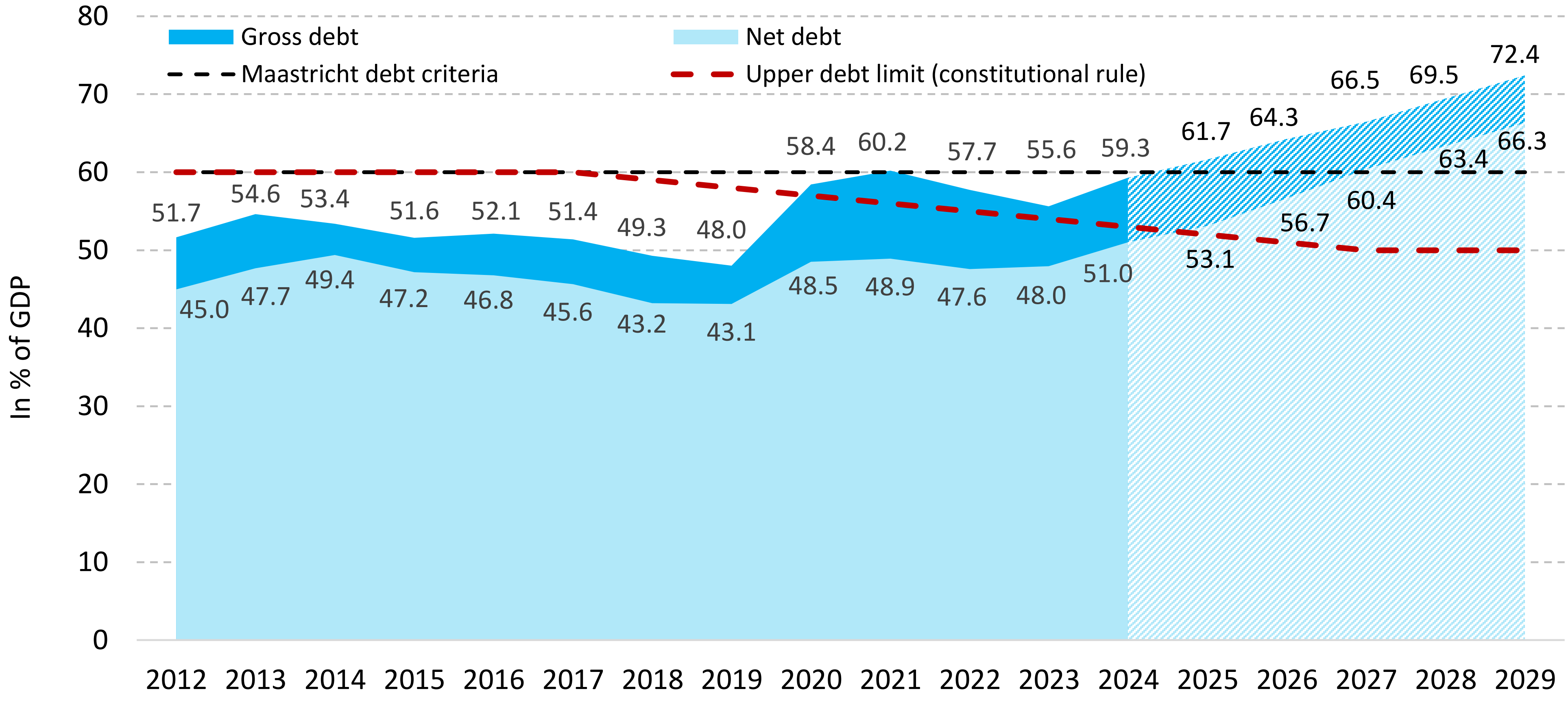
CBR medium-term forecast for EU funds and the RRP



Source: CBR

- **EU funds**: the usual very gradual implementation over the new program period
- **RRP**: the take-up as usual, concentrated at the end of the program

Public debt projected to rise to 72.4 % GDP

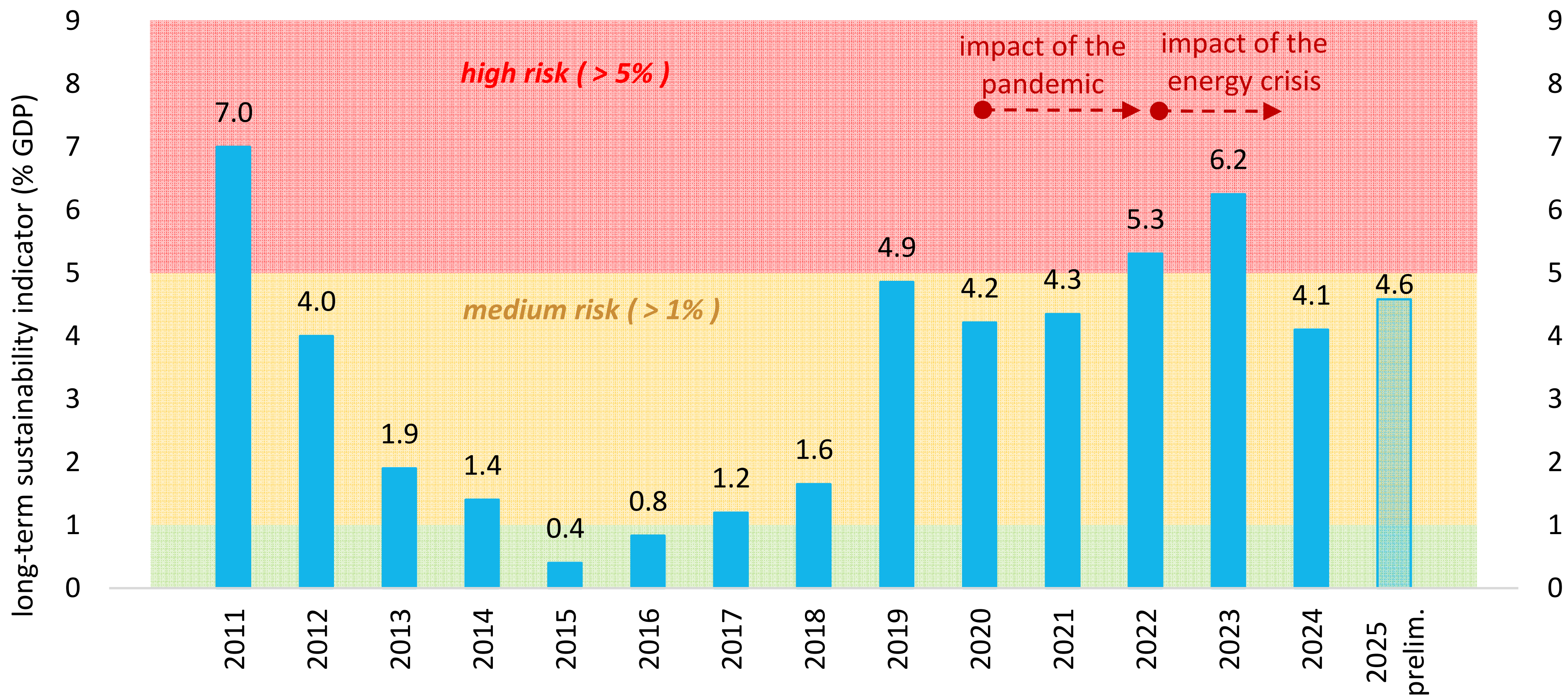


Source: CBR, SO SR, MoF

Long-term sustainability

(in 50 years to keep the debt below 50% of GDP)

Long-term sustainability (% GDP)*



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

Source: CBR

Reformed EU rules - expenditure ceilings not helpful

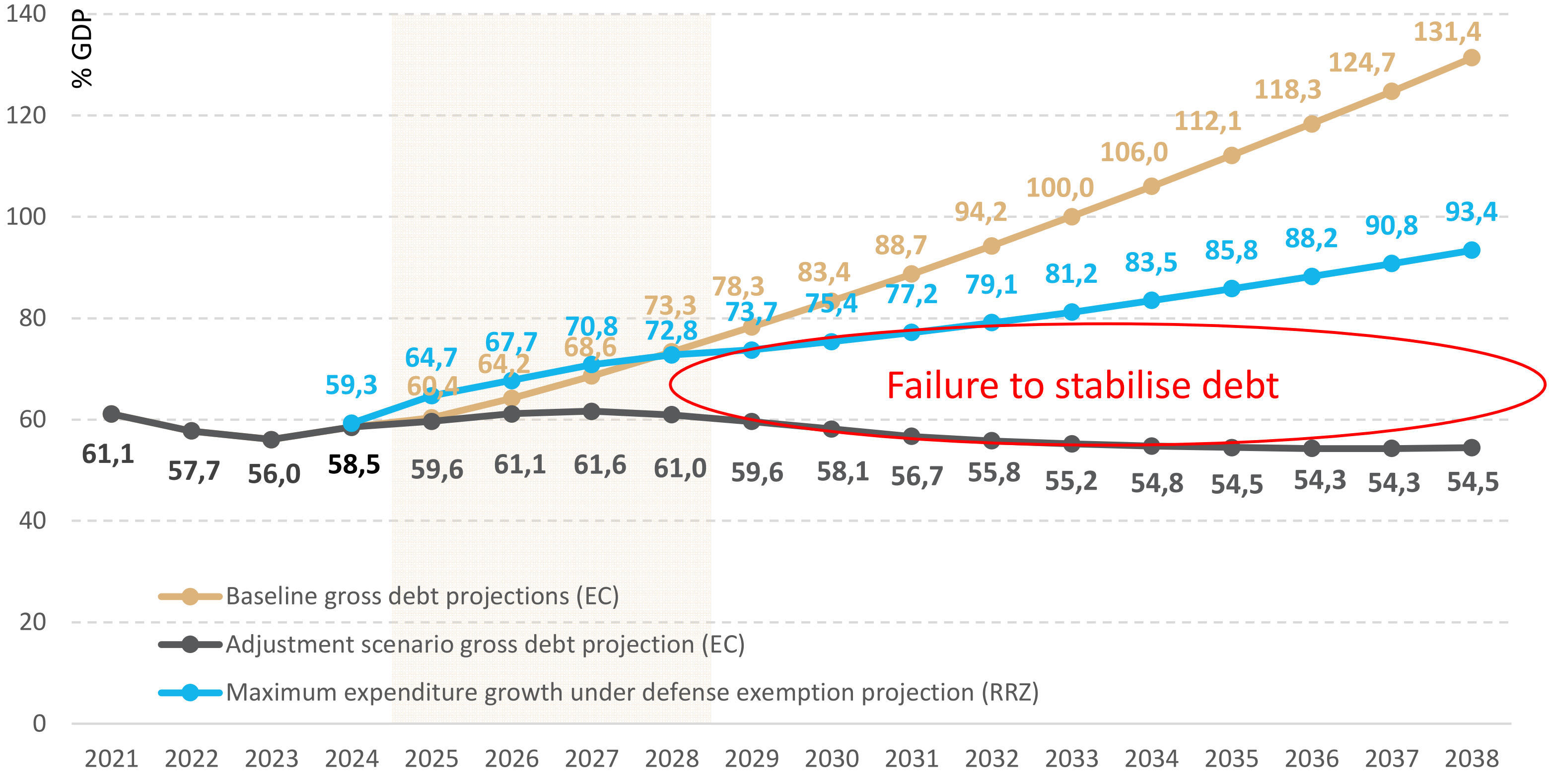
New EU fiscal rules not binding due to wrong implementation

- Wrong assumptions about stable revenues / GDP in the future (in reality declining by 3.1% GDP by 2028)
- Realized inflation lower then assumed with no adjustment following
- Generous escape clause on defense

New EU rules would still allow a deficit at 4.7% of GDP by 2028

By how much the new EU rules failed

Gross debt projection under the new EU rules compared to the initial DSA trajectory



Source: EC, RRZ

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Thank you for your attention!