

Peter Kažimír

Deputy Prime Minister and Minister of Finance
of the Slovak Republic

Bratislava, 20 November 2018

Dear Valdis,

Dear Pierre,

I would like to inform you about the additional circumstances that came to our attention only recently, and which are relevant for the assessment of the Draft Budgetary Plan of Slovakia for 2019 submitted on October 10.

As part of the deliberative process of the Parliament on the general government budget, the fiscal target for 2019 was revised with positive impact on all budget years. Slovakia will achieve a balanced budget already in 2019, one year ahead of plans in the Draft Budgetary Plan, which assumed a deficit of 0.1 % GDP. An amendment to the legal Act on state budget was adopted by the Committee on budget and finance¹ and the revised budget will be subject to discussion by the full parliament in the coming days.

The revised fiscal target is backed by additional structural measures of 0.1 % of GDP on the expenditure side. The legal ceiling on expenditure of the state was revised down by 97 mil. EUR, which results in lower expenditure of the central government in all budgetary years. Previously, the Draft Budgetary Plan assumed higher capital expenditure due to a yet unallocated reserve.

After taking into account the additional structural effort and revised targets, Slovakia will fully achieve the medium term objective in 2019. The fiscal target of a nominally balanced budget translates in a structural deficit of 0.47 % GDP in 2019. The Stability and Growth Pact allows for a further margin of error up to 0.25 % of GDP. Slovakia has set a medium term objective of 0.5 % of GDP structural deficit. This is more ambitious than the minimum medium term objective country specific objective calculated by the European Commission of a structural deficit of 1 % of GDP.

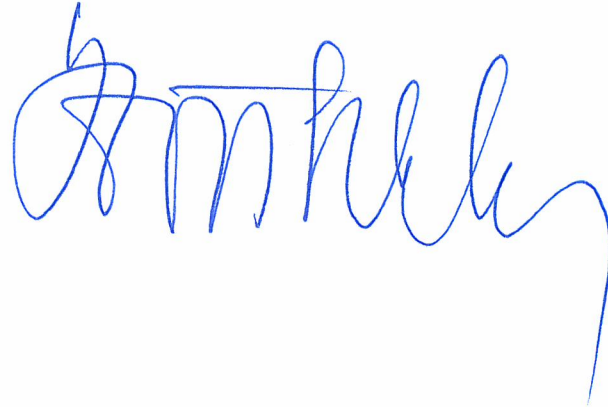
Structural balance and consolidation effort (% GDP)

| | 2016 | 2017 | 2018 | 2019 |
|-----------------------------|-------------|-------------|-------------|-------------|
| Net borrowing/ lending | -2.22 | -0.78 | 0.60 | 0.00 |
| Structural balance | -2.10 | -0.83 | -0.82 | -0.47 |
| Consolidation effort | 0.24 | 1.27 | 0.01 | 0.34 |
| Required consolidation | 0.25 | 0.5 | 0.5 | At MTO |

¹ <https://www.nrsr.sk/web/Default.aspx?sid=vybory/vybor&ID=137>

I would like to emphasize that Slovakia remains strongly committed to the Stability and Growth Pact and we are dedicated to meet our fiscal target of a balanced budget in 2019. Notified outcome for 2017 shows that we have significantly overachieved the 2017 target and current estimates by the European Commission point to a better than budgeted outcome also in 2018. We would very much welcome if you took into account all this up-to-date information, and confirm Slovakia's compliance with the SGP in the assessment of our Draft Budgetary Plan.

Sincerely Yours,

A handwritten signature in blue ink, appearing to read 'D. Mikulec', written in a cursive style.

Cc: Mário Centeno, President, Eurogroup

Valdis Dombrovskis
Vice-President of the European Commission
for the Euro and Social Dialogue

Pierre Moscovici
European Commissioner
for Economic and Financial Affairs, Taxation and Customs