San Marino - Budget at a Glance

(May 16, 2025)

I. Macroeconomic context

1. **The San Marino economy continues its development process based on a new, more sustainable growth model**, led and driven by the manufacturing sector and non-financial services, including tourism. These sectors were supported by competitive labour cost, strong balance sheets and integration in one of Italy's most dynamic industrial regions. Thanks to targeted government policies and initiatives, tourism is performing very well, with levels exceeding the pre-pandemic ones, with over 2 million visitors registered in 2024. The level of employment has remained high, and forecasts for 2025 indicate a further improvement.

2. **The economy continues improving due to the robust manufacturing activity, the strong tourism, and prudent fiscal policies**. The trade balance of goods further improved in 2024 compared to 2023, and overall inflation remained low at 1.2%. In 2024, real GDP grew by 0.7% compared to 2023, while nominal GDP grew by 3%. The unemployment rate is at an all-time low (Table 1).

3. **Forecasts for 2025 show a further improvement for the main macroeconomic indicators**: an increase in real GDP by 1.0%, an increase in nominal GDP by 3.1%. For the following two years 2026-2027, growth is expected to remain around 1% (Table 1).

4. **Despite high global uncertainty, San Marino economy is expected to remain resilient.** Uncertain geo-political and economic global situation can turn San Marino’s small size and speed of adaptation into a strength. The country has shown high resilience in recent years, due to the specialised and niche market of its exporting companies, which can count on a loyal clientele. Also San Marino’s political stability supports the domestic business environment. The government, supported by a large parliamentary majority, guarantees the continuity of the economic policies.

5. **There has been significant progress to resolve the issues of the banking system. The securitisation of NPLs and write-offs have reduced the NPL ratio significantly.** The increased liquidity of the banking system testifies to the confidence of savers. Also the Association Agreement with the European Union will allow access to the EU market with greater integration and development of opportunities.

Palazzo Begni – Contrada Omerelli, 31 - 47890 San Marino
segreteria.finanze@gov.sm - **www.finanze.sm**
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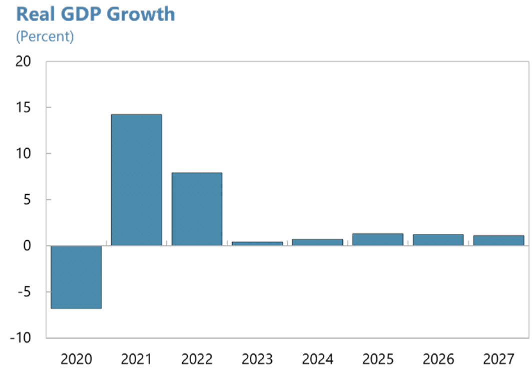

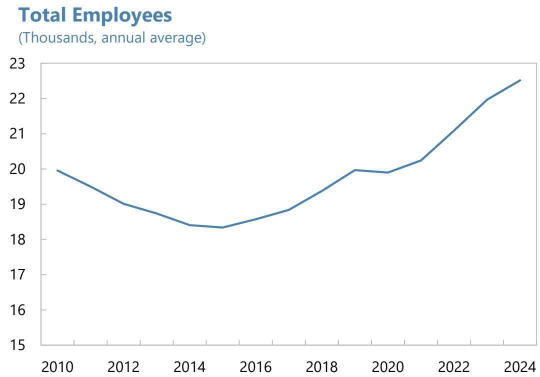

Table 1. Main macro-economic indicators

	2020	2021	2022	2023	2024E	2025F	2026F	2027F
					Percentage			
Real GDP growth	-6.6	13.9	7.9	0.4	0.7	1.0	1.3	1.2
Inflation - average	-0.1	1.6	5.3	5.9	1.2	2.0	2.0	2.0
Nominal GDP growth	-6.3	16.0	10.9	6,5	3.0	3.1	3.4	3.3
Unemployment rate	7.3	6.4	5.1	4.2	4.4	4.4	4,5	4.5
					Percentage of GDP			
Current account balance	2.8	5.4	15.5	13.6	6.3	4.0	3.3	2.5
Overall balance	-4.5	-4.3	0.4	-1.0	-1.0	-0.9	-1.2	-0.8
Primary balance	-3.6	-2.4	1.7	1.3	1.1	1.2	1.2	0.9
Public debt	69.8	62.6	69.5	68.2	63.5	61.3	59.3	57.1
					Millions of Euro			
Nominal GDP	1.352	1.569	1.739	1.852	1.907	1.966	2.033	2.099

Source: Sammarinese authorities, and IMF WEO April 2025.

2024-2027 estimated based on nominal GDP growth from IMF WEO April 2025.

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II. Fiscal Policy Priorities

6. The government continues to strive for balanced growth supported by a sound fiscal position with continued consolidation, with the main aim of gradually reducing the debt level. To achieve these objectives, the government's fiscal policy continues to focus on (i) macroeconomic stabilisation, (ii) ensuring fiscal sustainability, (iii) efficient provision of public services and (iv) protection of vulnerable groups.

- **Macroeconomic stabilisation:** San Marino is a small, open euroized economy, linked in particular to the market of neighbouring Italy and relatively vulnerable to external shocks. Those shocks can cause a drop in domestic demand and a weakening of the fiscal position. Nevertheless, it is crucial to have a large fiscal buffer for macroeconomic stabilisation. Since San Marino does not have an independent monetary policy and its financial sector has limited reserves, fiscal policy is the main instrument for macroeconomic stabilisation. In addition, euroization requires strong public reserves to support the emergency liquidity facility of the Central Bank of San Marino (CBSM), which, however, can rely on a repo line granted by the European Central Bank (ECB).

- **Fiscal sustainability:** Fiscal sustainability is crucial to reduce uncertainty and promote economic growth, but also to ensure that the government has sufficient fiscal margin to implement a countercyclical policy. Fiscal sustainability enhances confidence by increasing the predictability of taxes and public payments, but also by reducing the crowding-out of public funding to the private sector.

- **Efficient provision of public services:** The Government considers that to remain competitive and create jobs in San Marino, it is essential to maintain a competitive tax regime. At the same time, public spending must be kept low, while efficiently providing services of quality.

- **Protection of vulnerable groups:** Targeted social transfers for vulnerable groups are crucial to promote social stability, increase resilience to shocks and strengthen public support for structural reforms.

7. The government is focused on:

- **Pursuing macroeconomic stabilisation, continuing the resolution of the financial sector legacy issues and reducing pressures on domestic liquidity.** The government stabilised the banking system by recapitalising Cassa di Risparmio di San Marino (CRSM), which is state-owned, with a perpetual sovereign bond to cover the losses accumulated during the global financial crisis. To continue strengthening CRSM balance sheet, the government intends to partially and gradually redeem the aforementioned perpetual bond over the next years. The 2025 Budget[1] starts this

[1] Budget Law no. 202 of 20 December 2024.

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process, through issuances of multi-year domestic bonds with a gradual amortization. In addition, the government aims to continue relying on international bond issuances, including through rollover of the Eurobond to maintain good liquidity reserves, increasing confidence in the economy.

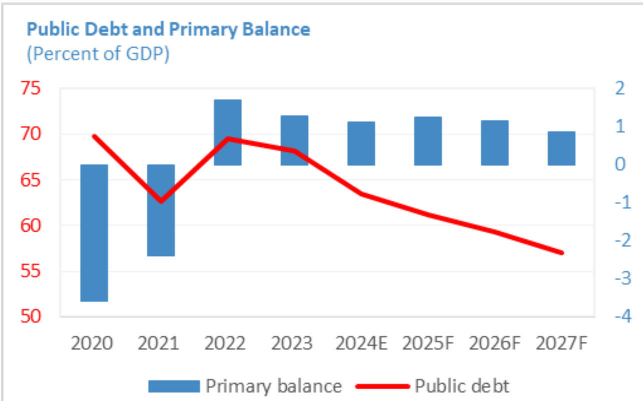
- **Ensuring sustainability:**

  - **Adopting a prudent fiscal policy to build fiscal buffers.** The focus must remain on expenditure restraint, while maintaining a moderate indexation of wages and pensions. Public support for vulnerable groups must continue and effectively target the most vulnerable groups.

  - **Accelerating key reforms.** The pension reform that was approved in 2022 has been very important in containing pension deficits over the next decade. The reform increased contributions and quotas (sum of age and years of contributions), thus delaying the exhaustion of pension fund assets by more than a decade. Preparation for the general income tax (IGR tax) reform and for the introduction of an indirect tax similar to VAT is underway.

III Budget Forecasts

8. **The 2025 budget continues to follow a prudent approach.** As the economy stabilises at high activity levels, tax revenues and primary expenditure are expected to grow in line with the expected nominal GDP growth in 2025. This will maintain a primary balance of about 1% of GDP as in the previous two years. Based on the fiscal improvements achieved so far, the 2025 budget aims to continue fiscal consolidation. Moreover, given the high global uncertainty in 2025, the government is aware of the risks and the need to adopt a prudent expenditure policy in 2025.



9. **In the absence of reforms after 2025, expenditure is expected to decline marginally faster than revenue to support fiscal consolidation.** Revenues are expected to marginally decrease in terms of GDP, since the government adopts a prudent approach to forecasting. As a result, the revenue-to-GDP ratio will stabilise at around 20% of GDP in 2027. Likewise, primary expenditure is expected to decrease in terms of GDP since the government is maintaining moderate wages and pensions. Consequently, primary expenditure is expected to be around 19% of GDP in 2027.

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Table 2. Key Budget Indicators

(Percentage of GDP)

	2020	2021	2022	2023	2024E	2025F	2026F	2027F
Revenues	21.6	20.7	22.1	21.2	21,3	21.2	20.4	19.8
Tax revenues	14.5	16.0	17.0	16.4	17.1	17.2	16.7	16.3
Non-tax revenues	7.1	4.7	5.1	4.8	4.2	4.0	3.7	3.5
Expenditure	26.1	25.0	21.7	22.2	22.3	22.1	21.7	20.5
Primary expenditure	25.2	23.1	20.4	19,9	20.2	20.0	19.3	18.9
Interest payment	1.0	1.9	1.3	2.3	2.1	2.1	2.4	1.6
Balance	**-4.5**	**-4.3**	**0.4**	**-1.0**	**-1.0**	**-0.9**	**-1.2**	**-0.8**
Primary balance	-3.6	-2.4	1.7	1.3	1.1	1.2	1.2	0.9
Gross financial needs	**6.4**	**24.5**	**12.4**	**20.5**	**7.5**	**7.2**	**23.9**	**3.5**
Primary deficit (surplus=-)	3.6	2.4	-1.7	-1.3	-1.1	-1.2	-1.2	-0.9
Interest	1.0	1.9	1.3	2.3	2.1	2.1	2.4	1.6
Amortization	1.9	20.2	12.8	19.6	6.5	6.3	22.6	2.7
Balance of debt	**69.8**	**62.6**	**69.5**	**68.2**	**63.5**	**61.3**	**59,3**	**57.1**
Public deposits (months of expenditure)	3.7	1.6	2.8	4.3	2.7	2.6	1.9	2.0

Main funding sources

(Percentage of GDP)

	2020	2021	2022	2023	2024E	2025F	2026F	2027F
Funding sources	**6.4**	**24.5**	**12.4**	**20.5**	**7.5**	**7.2**	**23.9**	**3.5**
Debt Issuance	11.9	23.2	14.1	21.6	4.6	6.8	22.7	3.4
External issuance	11.1	21.7	0.0	18.9	0.0	0.0	17.2	0.0
Domestic issuance	0.9	1.5	14.1	2.7	4.6	6.8	5.5	3.4
Use of public deposits and other	-5.5	1.3	-1.7	-1.1	2.8	0.4	1.2	0.0

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10. The government plans to cover the gross financial needs of 2025 by relying on the domestic debt market. In 2025, the gross financial needs will reach EUR 142 million. This includes EUR 124 million of amortization and EUR 17 million of public deficit (EUR 42 million of interest payments minus EUR 24 million of primary surplus). The government intends to issue EUR 105 million in government bonds to rollover EUR 50 million of a bond maturing in 2025 and recover EUR 55 million of the perpetual bond by issuing multi-year domestic bonds[2]. As a result, public debt is expected to reach EUR 1,205 million (61.3% of GDP) and public deposits EUR 95 million (2.6 months of expenditure) by the end of 2025 (see Tables 2 and 3).

IV. Medium-term fiscal strategy

11. The government aims to reduce debt to below 60% of GDP by 2027, in line with EU fiscal standards. Under the baseline forecasts, the target will be reached by 2026.

12. To continue to strengthen the fiscal position in 2026-27, the government is committed to implementing structural reforms in 2026-27. The reform programme will increase tax revenues and improve spending efficiency:

- In order to strengthen tax revenues, the government, as specified above, is committed:
  - **to implement a general income tax reform ('IGR'):** The reform aims to broaden the tax base and simplify procedures. The reform will rationalise tax exemptions and mobilise revenue from the segments most prone to tax evasion, without increasing tax rates. The reform will streamline the procedures for submission of tax returns and for control. The government aims to approve the reform in 2025 and enforce in 2026, which could increase revenue by EUR 15-20 million.
  - **to replace the current single-stage tax on imports (monofase)[3] with a tax similar to VAT** to facilitate foreign trade and the competitiveness of San Marino companies. This new tax will be more efficient, reducing distortions on the economy and also allowing San Marino companies to operate with the same type of indirect taxes applied in other countries. In 2026, the law is expected to be finalised and approved, with entry into force in 2027.
  - **to advance on electronic invoicing (e-invoice) to broaden the tax base.** The government, along the lines of the e-invoice with Italy implemented from 2021, has started to implement domestic

[2] This operation aims to improve the capital quality of the state-owned bank (Cassa di Risparmio della Repubblica di San Marino) in light of the forthcoming Association Agreement with the EU and is in line with the IMF recommendations.

[3] The single-stage tax is an *ad valorem* tax on imports of 17%.

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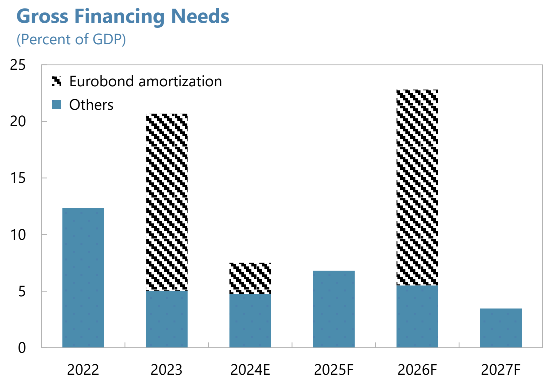
electronic invoicing in transactions and exchanges between San Marino economic operators (B2B). This domestic electronic invoicing will be fully operational in early 2026.

13. **San Marino's medium-term debt strategy aims to find the right balance between minimising funding costs and reducing rollover risks.** A key challenge for San Marino is the high gross financing needs that result from the Eurobond rollover (17% of GDP in 2026).[4] The government's financing plan will combine issuances on domestic and international markets to cover gross financing needs in the 2026-27 period. The financing plan will rely on external markets for the rollover of the Eurobond and on domestic issuances to meet the remaining gross financing needs. To improve the liquidity of domestic bonds, the Ministry of Finance is analysing the possibility of issuing domestic bonds through the Italian local government debt market.



V. Fiscal Risks

14. **The main short-term risk is a decline in the Italian economic activity due to continuing global geo-economic uncertainty.** This may weaken San Marino exports and consequently tax revenues. This risk and its impact are mitigated by the solid performance of the Italian economy in recent years, the relatively diversified San Marino manufacturing sector, and the reasonable level of government deposits. A further element of risk is uncertainty about inflation trends, as well as volatility in the financial markets.

15. **San Marino is facing long-term risks associated with unfavourable demographic trends.** The ageing of the population, a common problem in European countries, will have an impact on economic activity and public finances, adding downward pressure on potential GDP growth and increasing health and pension expenditure. With the ageing of the population, San Marino's pension deficit is set to increase. Although the pension reform of 2022 improved the situation by increasing contributions, the government is aware of the need for another adjustment of pension parameters in the near future.

[4] The current Eurobond matures in January 2027, but rollover is envisioned for 2026.

VI. Data and statistics

Table 3. Key Budget Indicators

(EUR million)

	2020	2021	2022	2023	2024E	2025F	2026F	2027F
Revenues	292	324	384	393	406	417	415	415
Tax revenues	196	251	295	305	326	338	340	341
Non-tax revenues	96	73	89	88	80	80	75	74
Expenditure	353	392	377	411	425	435	440	431
Primary expenditure	340	362	355	369	385	393	391	397
Interest payment	13	30	22	42	40	42	49	34
Balance	**-61**	**-67**	**7**	**-18**	**-19**	**-17**	**-25**	**-16**
Primary balance	-48	-37	30	24	21	24	24	18
Gross financial needs	**87**	**384**	**215**	**380**	**142**	**142**	**485**	**72**
Primary deficit (surplus=-)	48	37	-30	-24	-21	-24	-24	-18
Interest	13	30	22	42	40	42	49	34
Depreciation	25	317	222	362	123	124	460	56
Balance of debt	**944**	**982**	**1,209**	**1,262**	**1,211**	**1,205**	**1,206**	**1,199**
Public deposits (months of expenditure)	109	53	89	148	95	95	71	71

Main funding sources

(EUR million)

	2020	2021	2022	2023	2024E	2025F	2026F	2027F
Funding sources	**87**	**384**	**215**	**380**	**142**	**142**	**485**	**72**
Debt Issuance	162	364	246	400	88	133	461	72
External issuance	150	340	0	350	0	0	350	0
Domestic issuance	12	24	246	50	88	133	111	72
Use of public deposits and other	-75	20	-30	-20	54	8	24	0

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Table 4. Public debt without Contingent Liabilities

(EUR million)

English	2017	2018	2019	2020	2021	2022	2023	2024
Short term advances	25.0	55.0	55.0	55.0	0.0	0.0	0.0	0.0
Short-term external loans	0.0	0.0	0.0	150.0	0.0	0.0	0.0	0.0
Long-term domestic loans	91.8	114.5	108.6	91.3	74.0	56.7	39.2	21.6
Long-term external loans	3.8	3.2	2.5	8.7	10.4	8.9	8.2	7.5
Domestic Government bonds	140.0	141.3	176.6	177.9	84.0	329.6	322.6	319.7
International Government bonds	0.0	0.0	0.0	0.0	340.0	340.0	402.5	350.0
Perpetual public bonds	0.0	0.0	0.0	455.0	474.0	474.0	474.0	474.0
Total public debt without difference between receivables and payables*	260.5	313.9	342.6	937.9	982.4	1,209.1	1,246.5	1,172.9
Difference between receivables and payables*	27.1	16.1	13.9	5.9	0.0	0.0	15.6	38.4
Total public debt	287.6	330.0	356.6	943.8	982.4	1,209.1	1,262.1	1,211.2
Public Debt and Contingent Liabilities (CRSM Provision for risks, and ex-BNS securities)								
CRSM Provision for risks (5-tier)	475.1	465.1	455.1	0.0	0.0	0.0	0.0	0.0
State-guaranteed BNS Securities	0.0	0.0	212.7	212.7	204.0	0.0	0.0	0.0
Total CRSM provision for risks, perpetual bonds and State-guaranteed BNS securities	475.1	465.1	667.9	212.7	204.0	0.0	0.0	0.0
Total Debt and Contingent Liabilities	**762.7**	**795.1**	**1,024.4**	**1,156.6**	**1,186.4**	**1,209.1**	**1,262.1**	**1,211.2**

Source: 2025 Economic Programme.

Receivables and payables mainly concern taxes owed to the State and awaiting reimbursement. The increase in 2024 is due to accrued interest on the Eurobond and temporary outstanding balances with the Social Security Institute (ISS) due to the standard liquidation process.

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