

Review of Macroeconomic Developments

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Summary

Economic growth in Slovenia exceeded expectations in the second quarter despite heightened geopolitical tensions globally. The limited set of available data and estimates point to continued growth also in the third quarter. Inflation remains elevated.

Euro area economic growth of 0.4% in the second quarter exceeded expectations, pointing to the resilience of the economy despite heightened geopolitical tensions and high energy prices. Survey indicators for July and August suggest that growth continued, particularly amid a strengthening of activity in manufacturing. Risks to further growth nevertheless remain elevated owing to persistent geopolitical uncertainty, as reflected in relatively weak business confidence. Following the renewed escalation of the conflict in the Middle East, headline inflation rose to 2.9% in July. In addition to energy prices, the increase reflected higher core inflation, at 2.5%, although the latest data do not yet point to more pronounced indirect effects.

At its June meeting, amid heightened inflationary pressures, the ECB Governing Council raised all three key ECB interest rates by 0.25 percentage points. At its July meeting, it left them unchanged. The Governing Council justified its July decision with the assessment that, despite risks of higher inflation, the level of interest rates following the June increase provided a good basis for further action. At its June and July meetings, the Fed left its policy rate unchanged due to uncertainty surrounding the impact of the conflict in the Middle East on the long-term path of inflation in the US. In view of persistently higher energy prices, investors expect one increase in the Fed's key policy rate this year, while one to two further 0.25 percentage point increases in the key ECB interest rates are expected.

Developments in financial markets since the beginning of July have been shaped primarily by the breakdown of the ceasefire between the US and Iran and by further disruptions to energy supplies. Yields on US and German government bonds increased over this period, amid stronger expectations that disruptions to energy supplies would accelerate price growth. At the same time, major global equity indices mostly increased, owing to more favourable earnings results of large companies and renewed optimism regarding growth of the artificial intelligence sector. The value of the US dollar declined since the beginning of July following the release of weaker US macroeconomic data, while oil and gold prices increased.

Economic growth in Slovenia significantly exceeded expectations in the second quarter; GDP increased by 1.8% quarter-on-quarter and by as much as 5.0% year-on-year. Robust growth continued to be driven primarily by domestic consumption and investment, particularly in construction, which was further supported by ongoing government infrastructure projects, while long-term lending also increased. Sustained real growth in the wage bill and favourable conditions in tourism contributed to a notable strengthening of services, while export growth also boosted activity in logistics. The growth of value added in manufacturing accelerated markedly despite challenging international conditions, with improvements observed across most sectors. Economic sentiment indicators and other high-frequency data suggest that growth will continue in the third quarter, although at a more moderate pace. Forecasting models currently estimate quarterly GDP growth at 0.5%.

International trade strengthened in the second quarter. The growth of nominal goods trade was strongly influenced by increased trade in petroleum and petroleum products. Otherwise, the year-on-year growth of goods exports was mainly driven by the pharmaceutical and automotive sectors. The growth of goods imports was particularly supported by imports of intermediate goods, reflecting frontloading in procurement and increased domestic production activity; price increases also had a significant impact on nominal growth. Service exports also strengthened, especially in transport services and travel. Data on the number of overnight stays by foreign tourists indicate a favourable tourist season. The twelve-month current account surplus reached 3.6% of GDP, contributed exclusively by service trade balance, while goods trade balance again was in deficit.

In the labour market, the number of persons in employment remained stable over the summer months, while substantial differences across activities persisted. Employment in manufacturing continued to decline, while increasing in services. As economic activity picked up, firms' employment expectations strengthened. However, labour shortages remain pronounced, prompting firms to continue hiring foreign workers. Unemployment remains at historically low levels. Wage growth strengthened to 8.3% in June, mainly reflecting the continued implementation of the public-sector pay reform. Amid stronger economic growth, labour productivity improved, while real wage growth remains high.

Headline inflation, as measured by the HICP, increased to 3.4% in August. It has thus remained above 3% since April this year. Price developments in recent months have been driven primarily by energy prices, particularly motor and liquid fuels, whose pronounced increase has been partly offset by government measures. However, food price growth remains relatively low for now, while higher energy prices and the exceptionally dry weather this summer pose significant upside risks. Some price pressures are already emerging along production chains, particularly for intermediate goods. Growth in other goods prices has nevertheless remained subdued, so that core inflation, i.e. inflation excluding energy and food prices, is almost entirely driven by services prices. In August, core inflation stabilised at 2.5%, while services inflation stood at 4.3%, supported by strong growth in labour costs and robust private consumption.

The deficit of the consolidated general government balance increased year-on-year despite solid revenue growth, reaching EUR 1.3 billion in the first seven months, which is approximately EUR 0.3 billion more than in the same period last year. Social security contributions recorded robust growth, while on the expenditure side, wages and social security contributions of public sector employees, investment, and long-term care services stand out. The largest share of the deficit originates from the state budget, for which a budget revision is currently being prepared. Budgetary plans for the next two years are also in preparation, with the key challenge being to ensure the medium-term sustainability of government debt and expenditure control. Public finances remain exposed to numerous risks, including those related to defence expenditure, energy prices, demographic trends, the green transition, and post-flood reconstruction. Additional uncertainty arises from the potential implementation of measures under the Intervention Act to Promote the Development of Slovenia.

In this issue, we take a closer look at energy shocks and their impact on the European and domestic economies, both of which are heavily dependent on energy imports. Through higher energy costs, energy shocks feed into inflation and weigh on economic

activity by putting pressure on cost competitiveness and reducing households' purchasing power and firms' profitability. Their transmission to inflation and the economy varies across countries depending on market characteristics, regulation, tax policy and the energy intensity of production. Energy shocks also intensify competitive pressures from third countries that are more energy self-sufficient, while high energy prices may reduce the attractiveness of investment. Adapting to energy shocks therefore requires greater energy efficiency, economic restructuring and adequate sources of financing for the green transition. An analysis of bank financing shows that energy shocks do not encourage banks with greater exposure to carbon-intensive firms to finance investments in greater energy efficiency. This points to scope for further developing approaches to financing investments that reduce firms' exposure to fluctuations in the prices of imported energy products.

Adapting to energy shocks, however, depends not only on the response of firms and the financial system, but also on adequate support from economic policies. Monetary policy cannot fully offset the direct inflationary effects of energy shocks, but it can limit their persistence and contribute to anchoring inflation expectations. Fiscal measures have also helped mitigate price pressures during the two most recent energy crises, but at the same time increased the general government deficit. Greater fiscal flexibility at the EU level now gives countries more room for manoeuvre to support investment in energy resilience and the green transition. Economic policies can thus help mitigate the short-term effects of energy shocks and create conditions for the economy to adapt over the longer term.

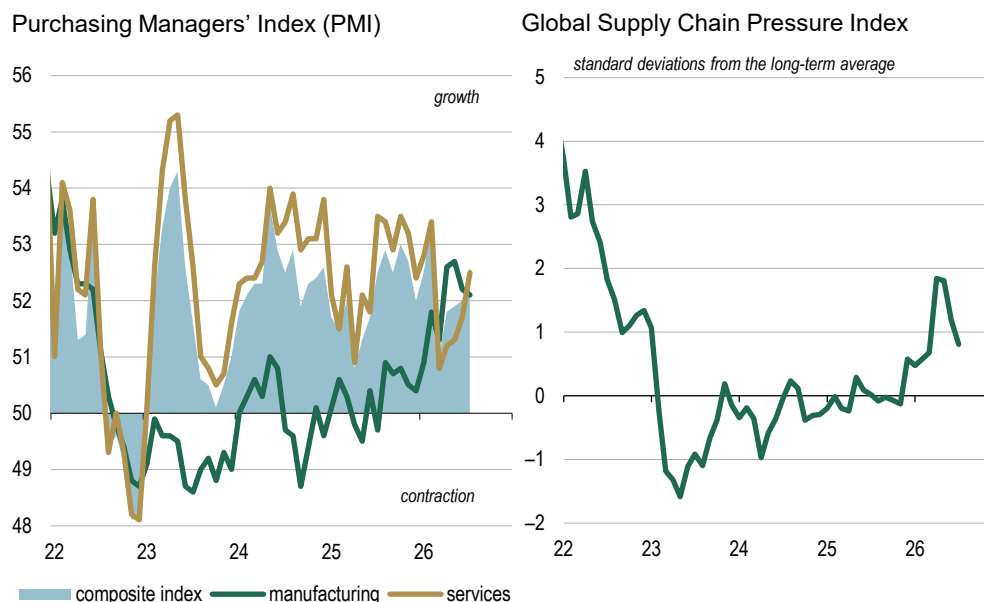
Global economic activity remained positive in the second quarter despite increased geopolitical uncertainty and strong energy price growth, while survey indicators suggest that it continued to expand at the beginning of the third quarter.

Economic growth in the major economies remained positive in the second quarter, even though geopolitical tensions and uncertainty remained elevated. In the United States, the economy grew by 0.4%, somewhat below market expectations. Private consumption was a positive surprise, strengthening after a weaker first quarter. Investment, particularly in artificial intelligence technologies, continued to make a significant contribution to growth, while the contributions of net exports and government consumption were negative. In the United Kingdom, economic growth continued at 0.4%, slightly lower than in the previous quarter, when it stood at 0.6%. Growth was driven primarily by investment in information technology and private consumption. In Japan, economic growth surprised on the downside at 0.3%. Cost pressures related to the war in the Middle East contributed to weaker growth by dampening domestic demand. Amid heightened uncertainty, the contribution of investment was also negative, while exports contributed positively to growth. In China, economic growth slowed to 0.9%. Net exports remained the main driver of growth, while domestic demand remained weak.

According to survey indicators, global economic activity continued to grow at the beginning of the third quarter. The composite PMI increased to 52.6 index points in July, driven mainly by stronger growth in services, indicating an improvement in consumer confidence amid lower energy prices and, consequently, higher disposable income (Figure 1.1, left chart). By contrast, growth in manufacturing slowed slightly, partly owing to the fading effects of frontloading and lower inventory accumulation amid lower energy prices.¹ Nevertheless, the growth rate in manufacturing remains relatively high, supported by strong demand for artificial intelligence-related information technology. Pressures in global supply chains continued to ease in July, as reflected in lower input price pressures and a further decline in the Global Supply Chain Pressure Index (GSCPI, Figure 1.1, right chart).

¹ Data for the global economy are available only up to July and therefore capture the renewed escalation in geopolitical tensions only in part. The effects of this escalation could become more pronounced in the August data through renewed price pressures, frontloading and inventory accumulation, as already indicated by the August data for the euro area.

Figure 1.1: Indicators of global economic developments



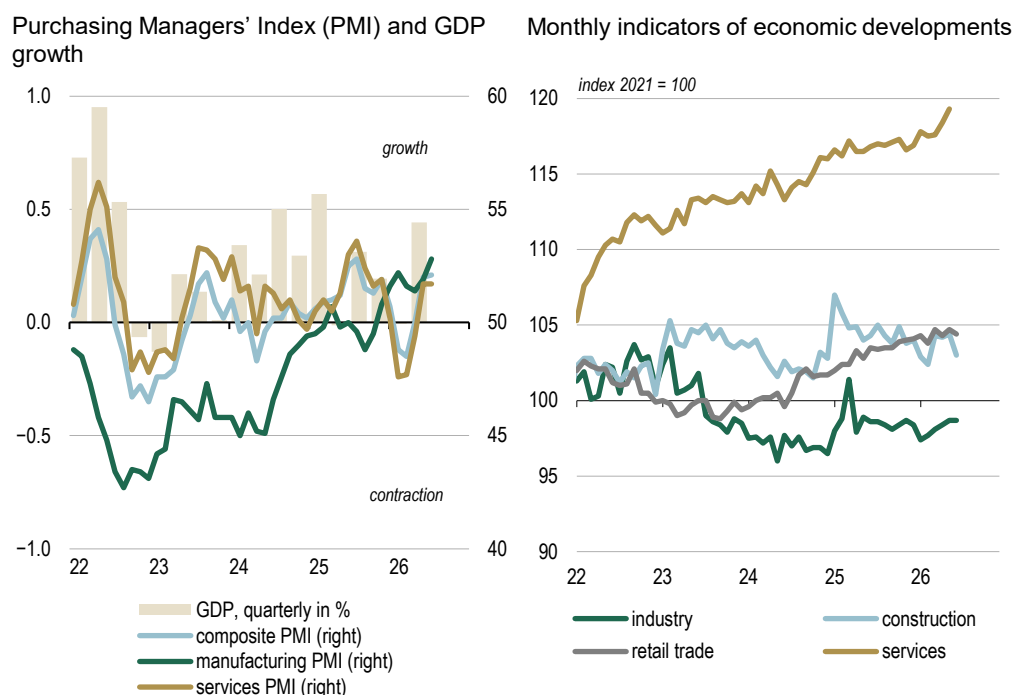
Sources: Bloomberg, [GSCPI](#), Banka Slovenije calculations. Latest data: July 2026.

The euro area economy remained resilient in the second quarter, while survey indicators point to continued growth in the third quarter.

The euro area economy proved more resilient than expected in the second quarter, as the deterioration in the near-term economic outlook indicated by survey indicators at the onset of the war in the Middle East did not materialise in economic activity. Excluding Ireland, the economy expanded by 0.3%, the same rate as in the first quarter, while growth in the euro area as a whole was 0.1 percentage points higher (Figure 1.2, left). According to monthly indicators, growth was driven mainly by services and manufacturing, while activity in construction and retail trade remained weak (Figure 1.2, right). Among the larger euro area economies, growth was highest in Spain, at 0.7%, while it stood at 0.3% in Germany and 0.2% in Italy, whereas economic activity stagnated in France.

The resilience of the euro area economy appears to have continued into the third quarter, according to survey indicators. These strengthened in July and August despite the renewed escalation of geopolitical tensions in the Middle East and a renewed rise in energy prices. The composite PMI stood at 52.1 in August, with manufacturing activity expanding at its fastest pace since May 2022 and services activity continuing to grow steadily. Manufacturing activity was supported by stronger demand, partly related to frontloading and inventory building amid renewed geopolitical uncertainty. Additional support came from demand for technology products related to artificial intelligence and higher defence spending. The resilience of the euro area economy is also reflected in the ZEW indicator of economic sentiment, which rose in August to its highest level in six months and exceeded market expectations. Despite favourable current developments in activity and sentiment indicators, downside risks to growth remain elevated, particularly owing to uncertainty surrounding further geopolitical developments, as reflected in weak business confidence.

Figure 1.2: Indicators of economic developments in the euro area



Sources: Eurostat, Bloomberg, Banka Slovenije calculations. Latest data left: GDP – Q2 2026, PMI – August 2026, right: June 2026, services – May 2026.

Note: The right chart shows real indices: retail trade turnover excluding motor vehicles, industrial production, volume of construction works completed and services excluding financial activities, all adjusted for working days.

Headline inflation in the euro area strengthened in July, following renewed escalation of tensions in the Middle East.

Year-on-year price growth in the euro area, as measured by the HICP, increased by 0.1 percentage point to 2.9% in July (Figure 1.3, left). The uptick was driven by energy prices and core inflation, while food price growth declined. Energy prices were 10.3% higher in year-on-year terms, up from 8.5% in June when monthly declines were recorded due to lower global oil prices, which reflected improved prospects for conflict resolution in the Middle East. In addition to higher global market prices, refining costs and margins are once again also importantly contributing to energy inflation and some fiscal measures implemented by the member states to curb retail fuel prices expired in June as well.²

Conversely, year-on-year food price growth continued to decline, reaching 1.2% (1.5% in June). Processed food inflation, standing at 0.7%, continued its monthslong downward trend under the influence of previous moderation in global food commodity prices and year-on-year cheaper imported and domestic manufactured food products (Figure 1.3, right). Similarly, growth in unprocessed food prices slowed to 2.4%, which is 0.7 percentage points less than in June. This was driven by further moderation in year-on-year rates for fresh fruit, vegetables, and meat. In the coming months, higher cost pressures related to the ongoing increases in energy prices may be reflected in food prices; additional upside risks are posed by the effects of summer heatwaves and the occurrence of El Niño.

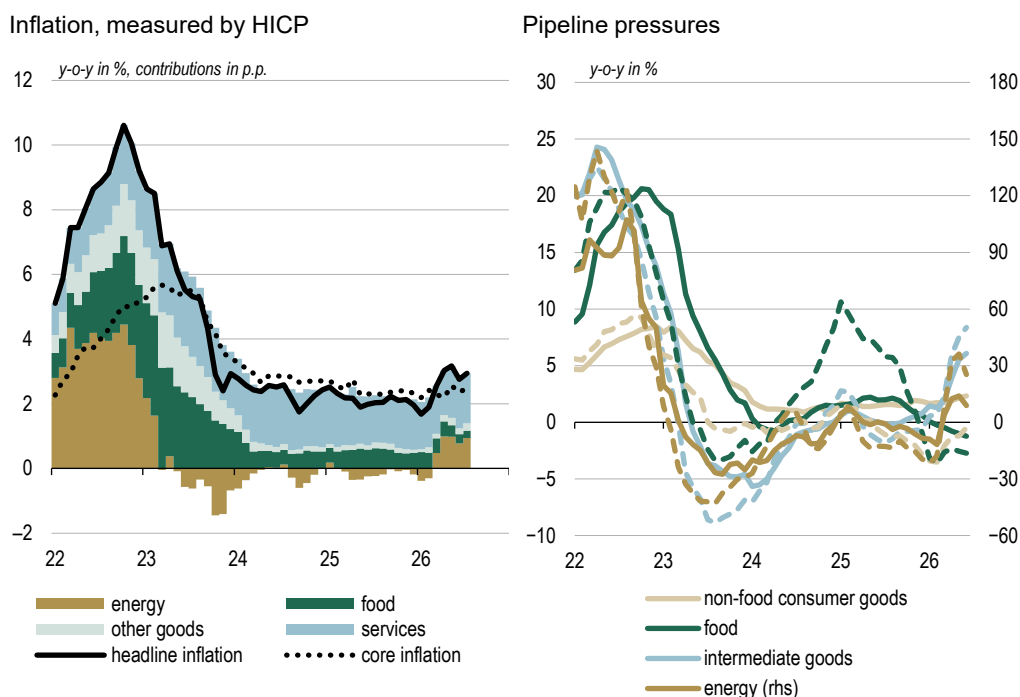
Core inflation, i.e. inflation measured excluding energy and food prices, increased by 0.1 percentage point to 2.5% in July. This is partially due to services inflation, which, at 3.3%, was 0.1 percentage point higher than in the previous month and has remained

² For more information regarding the factors driving retail fuel prices see [From well to pump: how fuel prices are formed](#).

slightly above three percent for over a year. The limited movement continues to be accompanied by relatively stable domestic price pressures, while the newly published ECB indicators signal no major changes in the labour market up to the first quarter of 2027. Year-on-year growth in the prices of non-energy industrial goods (hereinafter: other goods) increased to 0.9% (0.7% in June) in continuation of their slightly higher growth, which coincides with increased pressures along the pricing chain (Figure 1.3, right).

In July, headline inflation in Slovenia was 0.1 percentage point higher than in the euro area. The difference was 0.8 percentage points lower than in June, mainly due to the moderation of the still larger contribution of energy prices in Slovenia, which resulted from the base effect dropping out of the year-on-year rate calculation for electricity and continued regulation of fuel prices. The difference in core inflation was the same, i.e. 0.1 percentage point. The range of headline inflation among the euro area member states amounted to 3.4 percentage points. For the second consecutive month, Lithuania recorded the highest headline inflation (5.4%), while Estonia had the lowest (2.0%).

Figure 1.3: **Euro area inflation and pipeline price pressures**



Sources: Eurostat, ECB, Banka Slovenije calculations. Latest data: left chart – July 2026; right chart – June 2026.

Note: In the right chart, the dashed lines represent year-on-year growth in import prices, while the non-dashed lines represent growth in producer prices for the domestic market.

Monetary policy cannot fully offset the short-term inflationary effects of an oil shock, but it can significantly contain its medium-term consequences.

The escalation of the conflict in the Middle East following the US attack on Iran in February this year triggered a sharp rise in oil prices and thus led to a negative supply shock for the euro area and Slovenia. As both economies are net importers of energy, higher energy prices worsen the terms of trade, reduce purchasing power and increase firms' costs, thereby pushing up inflation while weighing on economic activity (see Boxes 3.4 and 5.1). This poses a particular challenge for monetary policy, as it primarily dampens inflationary pressures by restraining demand through higher interest rates, meaning that the scope for monetary policy to address the consequences of a supply shock is limited. At the same time, under the current circumstances this implies a trade-off between containing inflationary pressures on the one hand and limiting the adverse effects of the oil shock on economic activity on the other. In this box, we therefore use historical data to analyse the effects that oil supply shocks and monetary policy shocks have had on the euro area and Slovenian economies, as well as on firms' expectations, since 2000.

We estimate the dynamic effects of these two types of shocks, namely oil supply shocks and monetary policy shocks, using the local projections method (Jordà, 2005), with both shocks identified outside the model using high-frequency data. Oil supply shocks are based on unexpected changes in oil futures prices around OPEC decision announcements (Känzig, 2021), while monetary policy shocks are based on surprises around ECB monetary policy announcements, purged of the information effect (Jarociński and Karadi, 2020).³ Using this empirical approach, we first estimate the effects of both shocks on key macroeconomic aggregates and then on firms' expectations.⁴

Monetary policy has limited scope to affect the short-term inflationary effects of oil shocks, as its impact on consumer prices strengthens only with a lag, when the initial inflationary effect of a transitory oil shock is already fading.

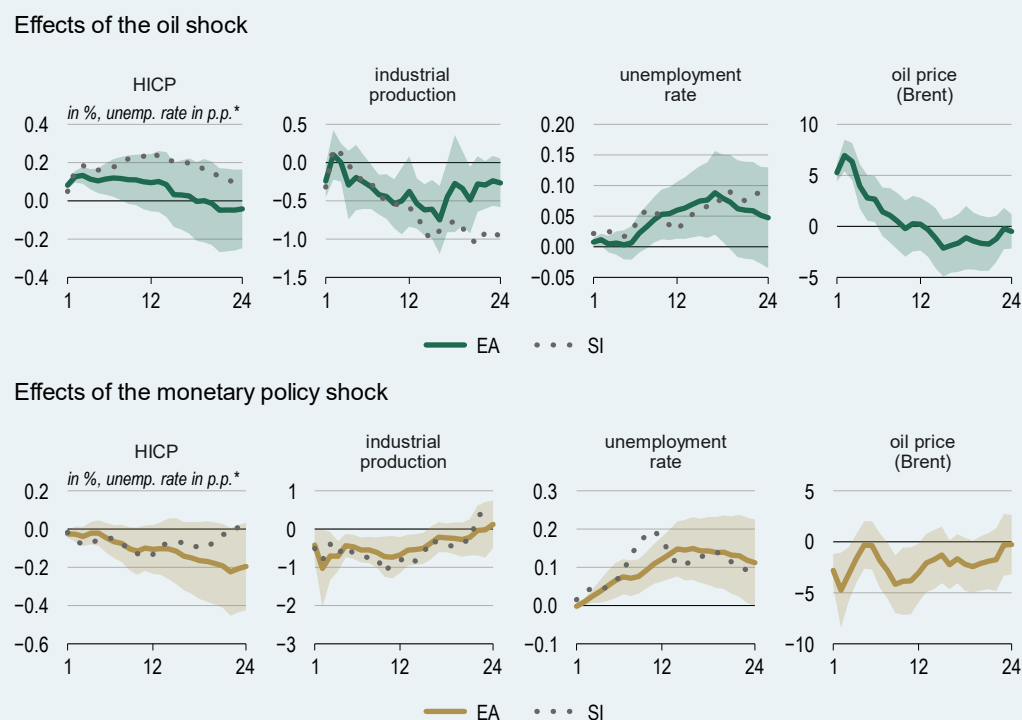
Both shocks reduce industrial production and increase unemployment, while affecting prices in opposite directions (Figure 1.1.1). An oil supply shock immediately raises the oil price and consumer prices (HICP), however, this price effect fades over time, in line with the predominantly transitory nature of the identified oil supply shocks in the sample under consideration. By contrast, a monetary policy tightening lowers both the oil price and consumer prices, although the effect on the latter materialises only gradually and with a certain lag. Unlike an oil shock, a monetary policy shock has more persistent

³ Both shocks are standardised, meaning that the charts show the effects of shocks of one standard deviation in size.

⁴ In the macroeconomic analysis, the dependent variable is the logarithm of the HICP, the logarithm of industrial production, the unemployment rate or the logarithm of the Brent crude oil price, while in the survey analysis it is the balance of firms' expectations regarding selling prices, activity or employment. The local projections include 12 monthly lags of the dependent variable, the shock under consideration, the logarithm of the HICP, the unemployment rate and the logarithm of the Brent crude oil price. For the euro area, the sample covers the period from January 2000 to February 2026, while for Slovenia the sample starts in June 2004, when Slovenia entered ERM II.

effects on the level of consumer prices. Despite some differences, which also reflect a different time profile, the estimated effects on the Slovenian economy are broadly consistent with those presented for the euro area. This indicates a similar transmission of both shocks in Slovenia and the euro area, which is favourable from the perspective of the appropriateness of the common monetary policy response to conditions in the Slovenian economy.

Figure 1.1.1: Responses of macroeconomic variables to an oil supply shock and a monetary policy shock



Sources: Eurostat, ECB, Känzig (2021), Jarociński and Karadi (2020), Banka Slovenije estimates and calculations.

Note: The charts show the estimated responses from local projections to an oil supply shock (Känzig, 2021) and to a monetary policy shock purged of the information component (Jarociński and Karadi, 2020). The charts show the effects of one-standard-deviation shocks. The horizontal axis shows the number of months since the shock occurred. *The responses of the HICP, industrial production and the oil price are expressed as changes in logarithms multiplied by 100 and can be interpreted approximately as percentage changes, while the response of the unemployment rate is expressed in percentage points. The shaded areas show 90% confidence intervals.

The estimated macroeconomic responses also reveal a timing mismatch between the direct inflationary effect of a transitory oil shock and the effect of monetary policy on aggregate consumer prices. The impact of monetary policy on the HICP strengthens only with a lag, when the initial inflationary effect of the oil shock is already fading, while both shocks weigh on economic activity in the intervening period. This suggests that monetary policy has limited scope to affect the short-term inflationary effects of oil shocks, particularly when they are transitory in nature.⁵ However, as monetary policy also affects the formation of expectations, we next examine how firms' expectations respond to the two shocks.

The outbreak of war in Iran has already led to noticeable changes in expectations among euro area firms, which were most pronounced in the first months following the escalation of the conflict between the US and Iran. European Commission (EC) survey results show that between February and April 2026 firms markedly raised their expectations for selling prices while at the same time lowering their expectations for future economic activity, consistent with the stagflationary nature of the oil shock. This effect had largely faded by the beginning of the second half of the year as tensions in the Middle East partially eased. Nevertheless, the volatile course of events highlights the

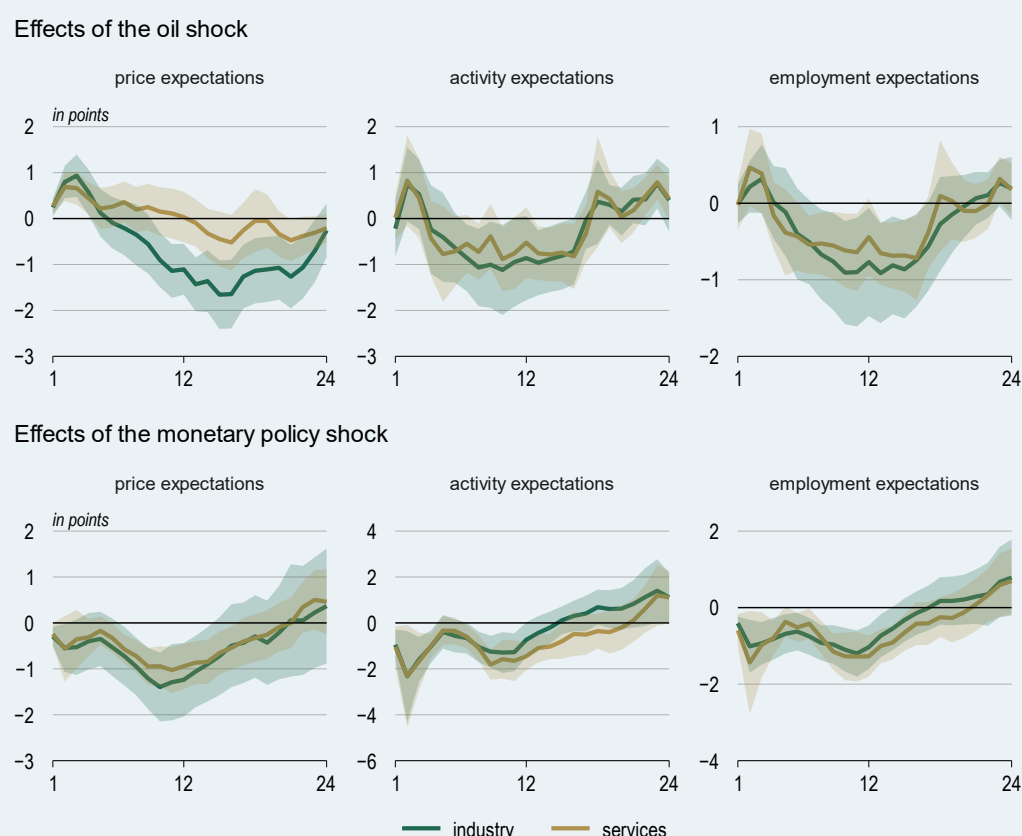
⁵ The delayed effect of monetary policy on consumer prices is expected, as monetary policy affects the aggregate price level indirectly through its impact on interest rate-sensitive domestic demand, financing conditions, the exchange rate, labour demand and wages.

importance of continuing to monitor the pass-through of the initial price pressures to firms' expectations and broader inflationary pressures.

Monetary policy has a significant impact on firms' price expectations, and this effect emerges more rapidly than the impact on consumer prices, in line with the expected sequence of monetary policy transmission.

The estimated responses of firms' expectations to the two shocks analysed are consistent with the estimated macroeconomic effects (Figure 1.1.2).⁶ An oil supply shock initially raises firms' selling price expectations, but this effect fades over time and becomes negative in the medium term. This reflects the fact that, with a certain lag, the oil shock also lowers firms' expectations for activity and employment, thereby exerting downward pressure on price expectations. A monetary policy tightening delivered through higher interest rates, meanwhile, lowers all three groups of firms' expectations. From the perspective of containing inflationary pressures, a particularly important finding is that firms' selling price expectations, in line with the expected sequence of monetary policy transmission, respond to monetary policy considerably faster than the macroeconomic aggregate of consumer prices (HICP). This suggests that even in the short term monetary policy can, at least to some extent, influence the emergence and propagation of inflationary pressures through its effect on firms' price expectations.

Figure 1.1.2: Responses of euro area firms' expectations to the an oil supply shock and a monetary policy shock



Sources: Eurostat, ECB, EC, Känzig (2021), Jarociński and Karadi (2020), Banka Slovenije estimates and calculations.

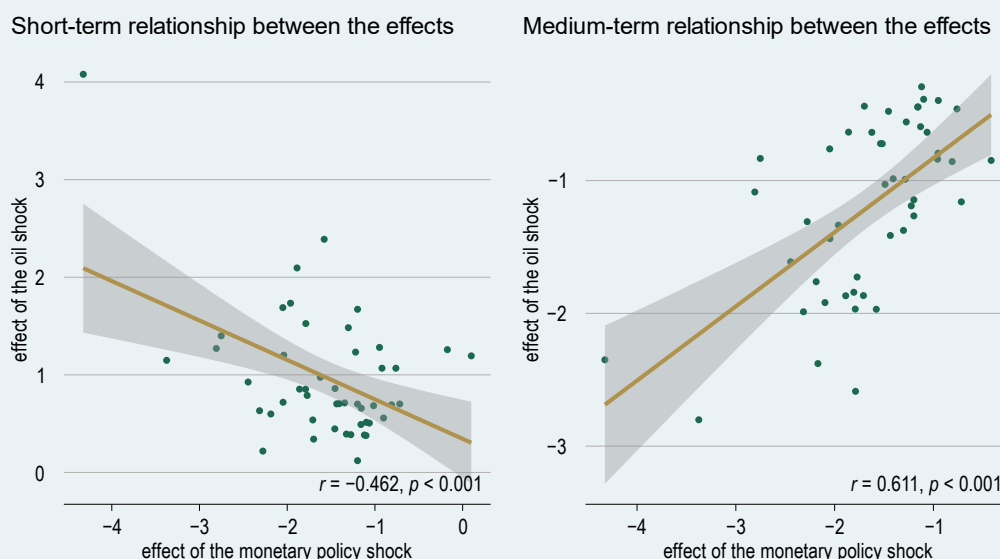
Note: The charts show the estimated responses from local projections to an oil supply shock (Känzig, 2021) and to a monetary policy shock purged of the information component (Jarociński and Karadi, 2020). The charts show the effects of one-standard-deviation shocks. The horizontal axis shows the number of months since the shock occurred. The shaded areas show 90% confidence intervals.

⁶ The estimated responses for Slovenian firms are broadly comparable to those for the euro area, but are more volatile and estimated less precisely owing to the smaller survey sample. They are therefore not shown in the chart.

In the short term, monetary policy counteracts the effects of an oil shock on price expectations, while in the medium term it amplifies them. Under such conditions, the monetary policy response may be excessive from the perspective of containing price pressures and restraining economic activity.

Extending the analysis to a more detailed level covering 48 industries in manufacturing and services shows that activities whose price expectations are more sensitive to oil supply shocks also tend to be more sensitive to monetary policy shocks (Figure 1.1.3). The sensitivity of each activity is measured by the maximum response of price expectations in the expected direction following each shock, separately for the short and medium term. In the short term, when the two shocks affect price expectations in opposite directions, their effects are negatively correlated. This means that the dampening effect of monetary policy tightening on price expectations tends to be stronger precisely in those activities where the oil shock raises them the most. In the medium term, when the estimated effect of the oil shock on price expectations turns negative, the correlation becomes positive. During this period, a restrictive monetary policy shock further amplifies the negative response of price expectations already caused by the oil shock.

Figure 1.1.3: Relationship between the effects of an oil supply shock and a monetary policy shock across activities



Sources: Eurostat, ECB, EC, Känzig (2021), Jarociński and Karadi (2020), Banka Slovenije estimates and calculations.
Note: For each activity, short-term sensitivity is calculated as the largest response of price expectations in the expected direction during the first 12 months after the shock, namely the largest positive response to an oil shock and the largest negative response to a monetary policy shock. Medium-term sensitivity is calculated for both types of shock as the largest negative response over the entire period (24 months).

Overall, the results presented in this box indicate that monetary policy is of limited effectiveness in mitigating the direct inflationary effects of moderate and transitory oil supply shocks.⁷ Its impact on aggregate prices materialises fully only with a lag, when the initial inflationary pressure from the oil shock is already subsiding, while both shocks weigh on economic activity. In the medium term, restrictive monetary policy may also amplify the negative price effects of a transitory oil shock. However, these results do not necessarily imply that a monetary policy response to supply shocks is unwarranted. In the case of large and persistent shocks that could trigger second-round effects or a de-anchoring of inflation expectations, monetary policy becomes an important tool for

⁷ The results are consistent with the broader macroeconomic literature, which emphasises that, in the presence of adverse supply shocks, monetary policy faces a trade-off between stabilising inflation and economic activity. In the case of such shocks, it may therefore be appropriate to accommodate part of the short-term increase in inflation, as fully offsetting it could require a disproportionately large contraction in economic activity (Clarida et al., 1999; Aoki, 2001; Natal, 2012).

limiting inflation persistence and preserving the anchoring of expectations. The key consideration is therefore to assess the persistence of the shock and the risk that the initial cost pressures spill over into broader and more persistent inflation.

2 Monetary Policy, Financial Markets and Terms of Financing

2.1 Monetary policy and financial markets

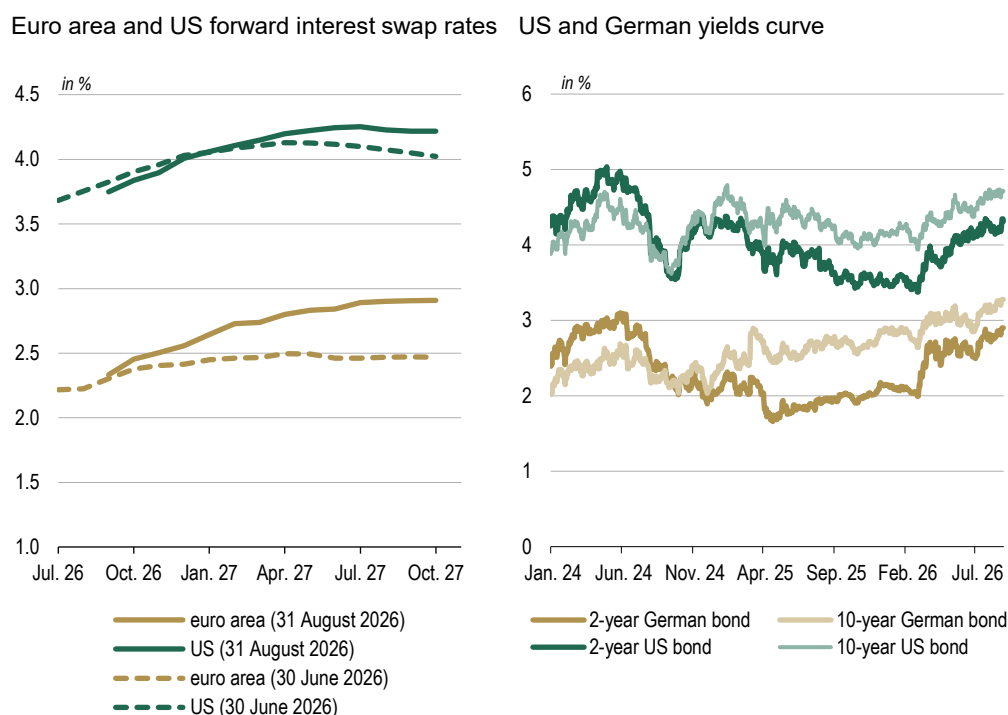
In June, the Eurosystem raised the interest rate on the marginal deposit facility to 2.25%, while the Fed left its policy rate unchanged within the corridor of 3.50% to 3.75% at its two most recent meetings.

In June, the ECB Governing Council raised all three key ECB interest rates by 0.25 percentage points. ECB experts assessed that the war in the Middle East was generating inflationary pressures. The decision to raise interest rates was also considered appropriate across a range of scenarios regarding the evolution of the price shock and its impact on the medium-term outlook for the euro area. At its July meeting, the Governing Council left the interest rates on the deposit facility, the main refinancing operations and the marginal lending facility unchanged at 2.25%, 2.40% and 2.65%, respectively. Given that the inflationary impact of the energy shock has not yet fully materialised, the Governing Council is paying particular attention to monitoring the intensity and duration of the shock, and its indirect and second-round effects.

At both its June and July meetings, the Fed left its key policy rate unchanged within the range of 3.50% to 3.75%, reflecting uncertainty surrounding the impact of the conflict in the Middle East on the long-term path of inflation in the US. Policy rates also remained unchanged at recent meetings in the UK (3.75%), Switzerland (0%), Canada (2.25%), Sweden (1.75%) and Australia (4.35%). At its June meeting, the Bank of Japan raised its policy rate by 0.25 percentage points to 1.00%, in response to persistently elevated inflationary pressures. At its July meeting, it left the rate unchanged.

Since June, expectations have strengthened that disruptions to energy supplies caused by the war in the Middle East will last longer than initially anticipated. Consequently, investors expect central banks to tighten their monetary policy stances. Current overnight index swap (OIS) rates indicate that financial markets now expect one to two further 0.25 percentage point increases in the key ECB interest rates by the end of 2026, which would bring the deposit facility rate to 2.75% (Figure 2.1.1, left). Since the beginning of July, expectations regarding monetary policy tightening by the Fed have decreased slightly, primarily due to somewhat weaker economic growth than previously expected. Nevertheless, market participants expect the Fed to raise its key policy rate by 0.25 percentage points this year, to a range of 3.75% to 4.00%.

Figure 2.1.1: Interest rate swap rate curves and government bond yields



Sources: Bloomberg, Banka Slovenije calculations. Latest data: 31 August 2026.

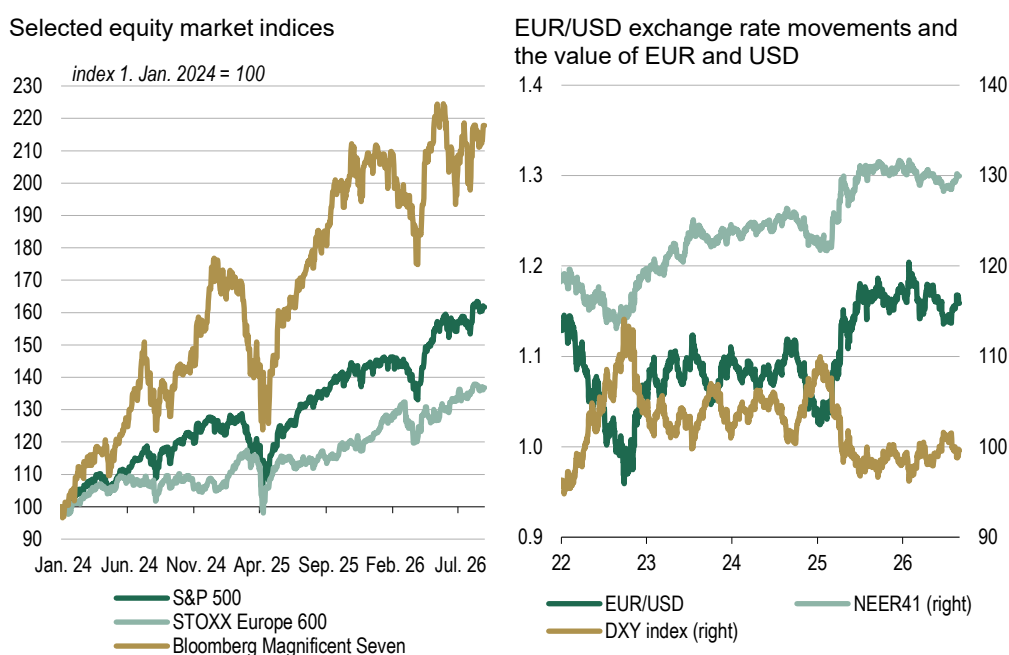
The main global equity indices and yields on German and US government bonds have increased since the beginning of July. Energy prices remain elevated.

Amid heightened expectations of a more persistent increase in inflation and a more restrictive monetary policy stance by the ECB and the Fed, yields on German short-term government bonds have risen by 0.38 percentage points since the beginning of July, whereas yields on German long-term government bonds increased by 0.42 percentage points (Figure 2.1.1, right). Yields on US short-term treasuries similarly increased by 0.14 percentage points, while yields on US long-term treasuries rose by 0.24 percentage points. The increase in yields on US treasuries was constrained by recent releases of weaker than expected economic data. Spreads between yields on euro area bonds with higher credit risk and German government bonds narrowed, despite the continuing war in the Middle East, primarily due to more favourable economic data releases in the euro area. Consequently, investors expect fewer credit rating downgrades of European companies.

Major global equity indices have increased since the beginning of July despite geopolitical uncertainty (Figure 2.1.2, left). This was driven primarily by favourable second-quarter earnings releases by listed companies and by investor optimism regarding growth of the artificial intelligence sector. Consequently, the index comprising the seven largest US tech firms (the Magnificent Seven) has risen by 6.8% since the beginning of July, while the main US index, the S&P 500, has gained 2.8% and is currently close to the record levels reached in the first half of August. Similarly, the main European index, the STOXX Europe 600, has increased by 2.1% since the beginning of July, but currently stands 0.8% below its record level from the first half of August. The tech-oriented Hang Seng index in Hong Kong gained 11.3% over the period, reflecting increased optimism in the tech sector.

The value of the US dollar against the euro has declined by 1.5% since the beginning of July, primarily owing to less favourable US labour market data releases, intervention by the US government in support of the Japanese yen, and the Treasury's announcement of a programme to purchase long-term US sovereign bonds, which raised investor concerns regarding US fiscal credibility. The value of the dollar against a basket of the major global currencies followed a similar path and currently stands 1.6% below its level at the beginning of July (Figure 2.1.2, right). The price of gold has increased by 10.6% since the beginning of July, while the price of Brent crude oil has risen by 24.1%, following the breakdown of the ceasefire between the US and Iran and further disruptions to energy supplies.

Figure 2.1.2:
Developments in equity indices, the euro and the US dollar



Sources: Bloomberg, Banka Slovenije calculations. Latest data: 31 August 2026.

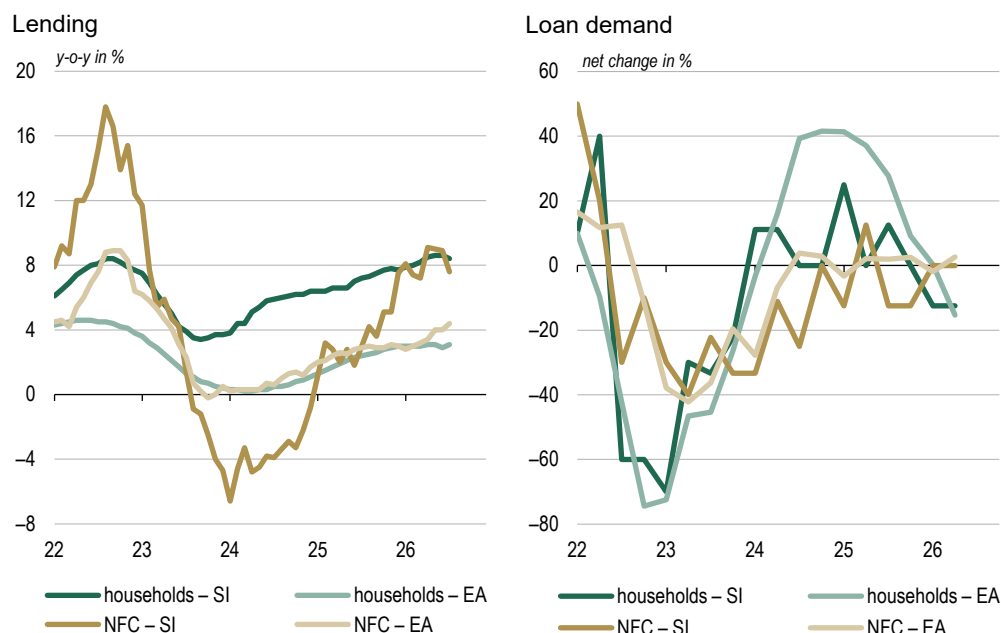
Note: In the left chart the Magnificent Seven comprise Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. In the right chart DXY measures the US dollar against a basket of six currencies (EUR, JPY, GBP, CAD, SEK, CHF) based on trade weights, with the euro having the largest weight at 57%. NEER41 denotes the nominal effective exchange rate of the euro against 41 trading partners. The EUR/USD exchange rate indicates the movement of the euro against the US dollar, where a higher value denotes a stronger euro and vice versa.

2.2 Credit activity and financing conditions

Credit activity in Slovenia remains stronger than in the euro area, particularly for households.

Annual growth in loans to households reached 8.5% in July, compared with 3.1% in the euro area, with the difference mainly driven by housing loans, which grew by 9.7% in Slovenia and 3% in the euro area (Figure 2.2.1). Despite strong loan growth, the latest Bank Lending Survey (BLS) data point to a decline in demand for housing loans in both economies, which could translate into a gradual moderation in credit growth over the coming months. The decline in demand also reflects higher borrowing costs following the recent upward turn in interest rates and points to a possible moderation in housing market activity.

Figure 2.2.1: Lending and loan demand



Sources: ECB, BSI, Bank Lending Survey (BLS). Latest data left: July 2026, right: Q2 2026.

Note: The left chart shows loan data based on the ECB's harmonised monetary financial institution (MFI) statistics and presents adjusted annual growth rates, excluding the effects of changes in stocks that are not related to transactions. Loans are reported on a gross basis, i.e. before impairments, and may therefore differ from supervisory reporting data used in other Banka Slovenije publications. The right chart shows net changes in loan demand reported by banks in the Bank Lending Survey (BLS) relative to the previous quarter. The net change is defined as the difference between the share of banks reporting an increase in demand and the share reporting a decrease. For households, the data refer to demand for housing loans.

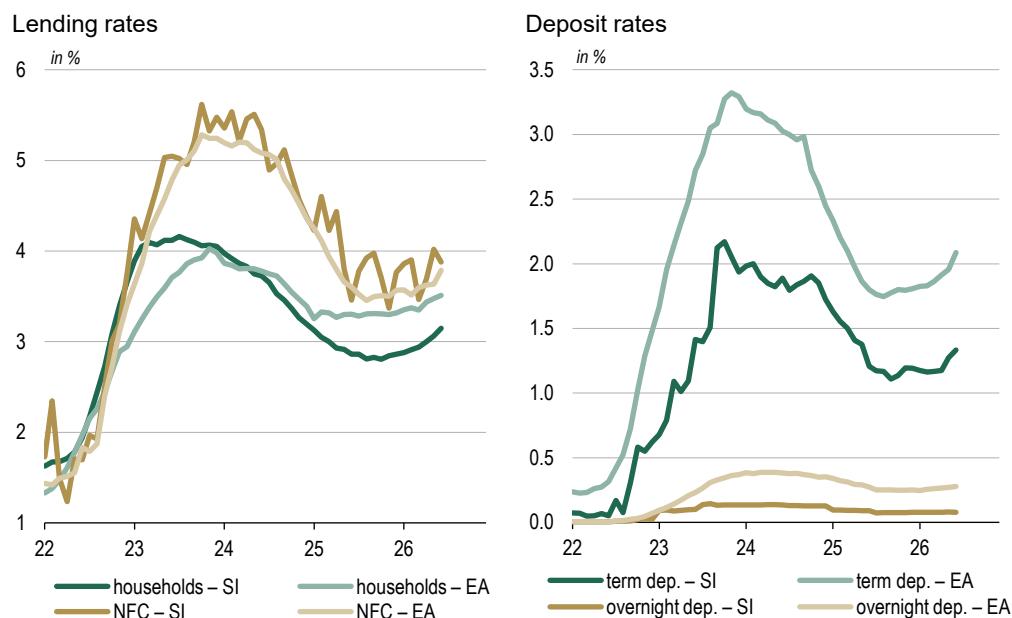
Growth in loans to non-financial corporations (NFCs) is also higher in Slovenia than in the euro area (Figure 2.2.1). In July, annual growth stood at 6.9%, compared with 4.4% in the euro area. In Slovenia, long-term loans grew more strongly (7.6%) than short-term loans with a maturity of up to one year (0.4%), while the opposite was observed in the euro area (3.9% and 7.3%, respectively). The difference partly reflects base effects, as growth in short-term loans in Slovenia was higher last year, while growth in long-term loans was low or negative. Despite the strengthening of long-term lending, this cannot be directly linked to corporate investment activity, as previous analyses for Slovenia point to a relatively weak causal relationship between investment and bank lending.⁸

Following the previous decline, lending and deposit rates have turned upwards in recent months, while borrowing conditions for households in Slovenia remain more favourable than in the euro area.

The upward turn in lending rates reflects a shift in expectations regarding the future path of the ECB's key interest rates and their increase in June (Figure 2.2.2, left). In Slovenia, the interest rate on new housing loans stood at 3.1% in June, remaining below the euro area rate of 3.5%, while the rate on new loans to NFCs, at 3.9%, was broadly in line with the euro area average of 3.8%. Despite the recent upward turn, the cost of new borrowing in Slovenia thus remains relatively favourable, particularly for households.

⁸ For more on firms' access to finance and its impact on investment, see Box 3.4 in the [Review of macroeconomic developments, March 2026](#).

Figure 2.2.2: Lending and deposit rates



Sources: ECB, MIR. Latest data: June 2026.

Note: Interest rates are shown for new business. In the left chart, lending rates for households refer to housing loans. In the right chart, deposit rates refer to household deposits.

An upward turn has also been observed in deposit rates in recent months, although they remain considerably lower in Slovenia than in the euro area (Figure 2.2.2, right). The interest rate on new household term deposits stood at 1.3%, compared with 2.1% in the euro area, while overnight deposits were remunerated at 0.08% and 0.28%, respectively. As with lending rates, the renewed increase in deposit rates is related to changing expectations regarding monetary policy and the increase in the ECB's key interest rates in June. Lower deposit rates in Slovenia reduce households' incentives to shift funds into term deposits and allow banks to maintain relatively favourable deposit funding costs. This is further supported by the structure of household deposits, with overnight deposits accounting for 87% of total household deposits in Slovenia, compared with 56% in the euro area.

3

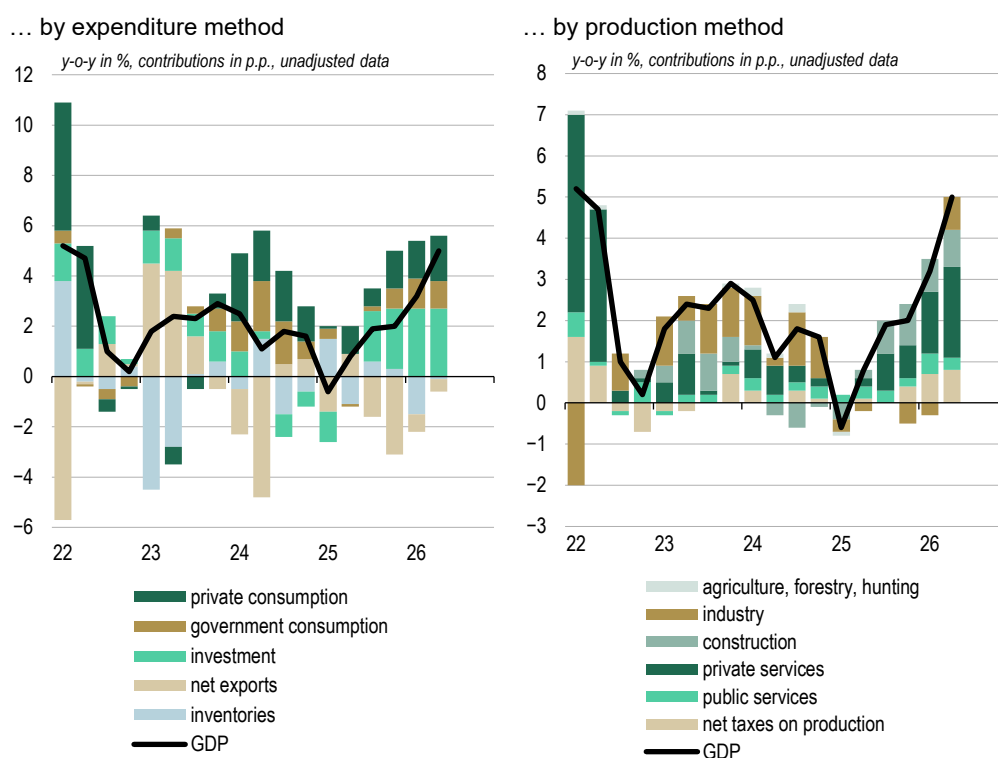
Domestic Economic Activity

The acceleration of GDP growth in the second quarter was broadly based on both the demand and supply sides, with manufacturing performing better than expected given the uncertain international environment.

In the second quarter, economic conditions were better than expected, especially considering the heightened geopolitical tensions. GDP growth accelerated again, reaching 1.8% quarter-on-quarter and 5.0% year-on-year, significantly outpacing the euro area average. Domestic demand factors continued to dominate the growth structure, while stronger exports also contributed to favourable production results in manufacturing.

All components of domestic demand contributed to strong GDP growth, with investment in fixed assets once again providing the most significant boost. For the second consecutive quarter, these investments were up 13.2% year-on-year. Within this category, construction investment remained dominant, largely linked to government infrastructure projects, which this year have been influenced by local elections and the completion of EU funding from the Recovery and Resilience Plan. Despite high uncertainty, investment in equipment and machinery also increased considerably, accompanied by stronger long-term lending (see also subsection 2.2). Together with higher investment in intellectual property, this is favourable for the economy's development potential. Private consumption was further strengthened by solid labour market conditions and continued real growth in the wage bill, with households notably increasing purchases of durable goods – most prominently, the number of passenger car registrations rose by 12.7% year-on-year. Final consumption was also visibly supported by the government, driven by the implementation of long-term care entitlements and additional hiring in this sector. Amid robust domestic consumption, strong import growth was a key factor behind the negative contribution of net trade to GDP growth (Figure 3.1, left).

Figure 3.1: GDP growth structure



Source: SURS. Latest data: Q2 2026.

Strong domestic demand and more favourable exports resulted in high value-added growth across most activity groups (Figure 3.1, right). Construction continued to stand out, with value added up 15.9% year-on-year. Activity increased in all segments, most notably in civil engineering. Private services accelerated, among them logistics benefited from stronger goods trade. At the same time, demand on domestic market was further supported by growth in tourism. Value added in public services also continued to strengthen. In a challenging international environment, manufacturing surprised with a strong rebound. Compared to the first quarter, year-on-year value added growth accelerated by 3.5 percentage points to 4.3% – the highest since the end of 2024. Compared to the beginning of the year, conditions improved in most sectors, including en-

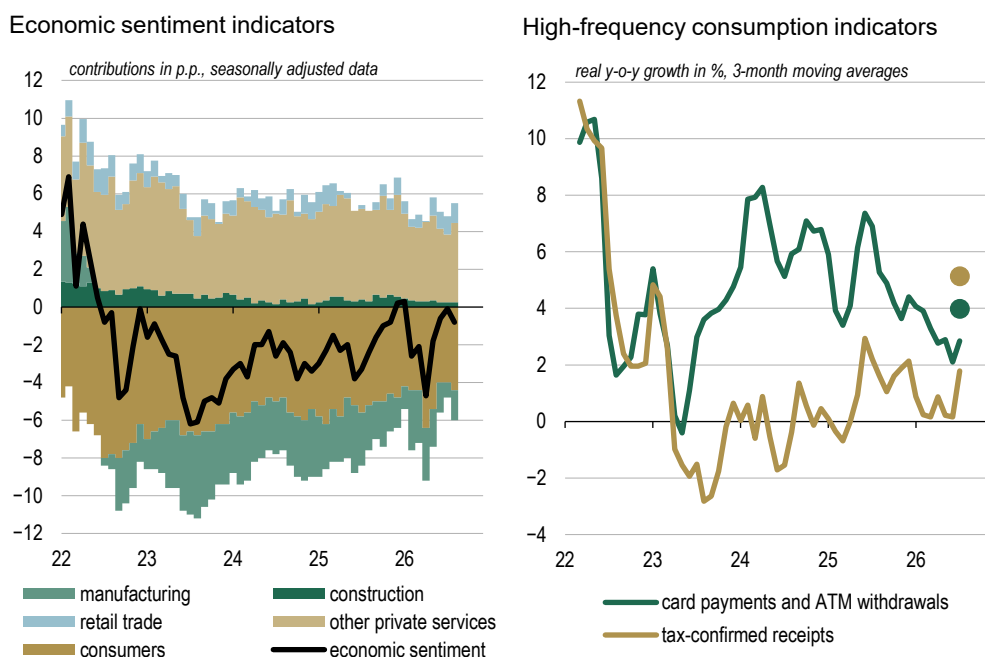
ergy-intensive ones. Among sectors, pharmaceutical industry made a significant contribution to the overall acceleration in production (for a longer-term perspective on manufacturing activities, see Box 3.3).

According to preliminary data, favourable economic conditions continued in July and August.

Business confidence improved noticeably after declining with the outbreak of war in the Middle East (Figure 3.2, left). The value of the economic sentiment indicator edged down slightly in August, but remained above this year's and last year's averages. Confidence remains high in private services, including trade, where companies assess current and expected sales very positively. It is also stable in construction, although in recent months there has been more caution in estimates of expected orders. Conditions in manufacturing remain solid given the challenging international environment. In August, confidence declined somewhat due to higher inventories and less favourable assessments of expected production, but evaluations of export and total orders improved again.

In August, consumers were more cautious in their assessments of future financial and economic conditions and major purchases, but their confidence remained significantly higher than a year ago. Continued robust spending in the domestic market during the summer months is also indicated by the real values of card payments and ATM withdrawals, as well as tax-confirmed receipts in July (Figure 3.2, right). The first was up 4.0% year-on-year, and the second by 5.1%, both exceeding the average growth in the second quarter. For the same month, solid economic conditions are also reflected in increased retail sales, the number of tourist overnight stays, and building permits.

Figure 3.2: Economic sentiment and high-frequency consumption indicators



Sources: SURS, FURS, Bankart, Banka Slovenije calculations. Latest data left: August 2026, right: July 2026.
 Note: In the right chart, the HICP deflator is used to calculate real growth.

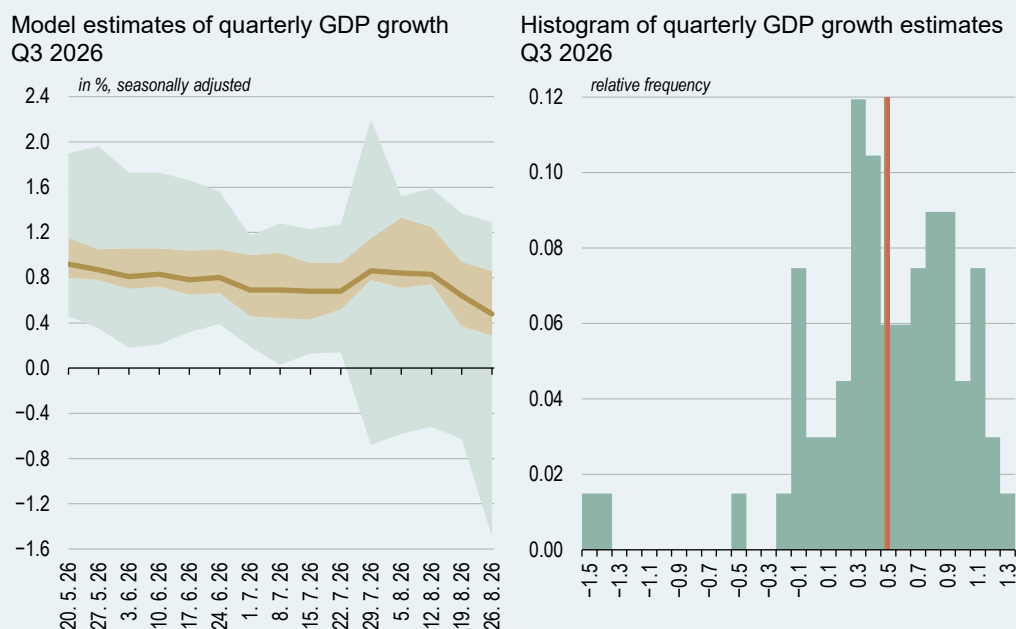
The average estimate from the set of nowcasting models indicates quarterly GDP growth of 0.5% in the third quarter.

In addition to autonomous model dynamics and strong quarterly real GDP growth in the second quarter, the current estimate (Figure 3.1.1, left) reflects mixed developments in economic sentiment in the first two months of the third quarter. The 0.6 percentage point improvement in July was driven mainly by higher confidence in manufacturing and, to a lesser extent, among consumers and in retail trade, while confidence in services deteriorated. In August, economic sentiment deteriorated by 0.7 percentage points, primarily owing to lower confidence in manufacturing and among consumers. The deterioration was partly mitigated by higher confidence in services and, to a lesser extent, in retail trade.

A more significant adjustment to the estimate of quarterly GDP growth is expected in September, when July data for key monthly indicators of economic activity will be released, including industrial production, the value of construction put in place, and the volume of activity in services and trade.

The limited set of information available from high-frequency indicators is also reflected in the histogram of the nowcast distribution (Figure 3.1.1, right). The range of estimates, based on the 25th and 75th percentiles of the distribution, currently stands at between 0.3% and 0.9%.

Figure 3.1.1: Nowcasts for economic growth



Sources: SURS, Banka Slovenije calculations.

Notes: The left chart displays the nowcasts for quarterly GDP growth. The gold area represents the interval between the 25th and 75th percentiles, while the green area represents the interval between the lowest and highest nowcasts. The line indicates the average nowcast of quarterly GDP growth for the third quarter of 2026. The right chart illustrates the distribution of the nowcasts for quarterly GDP growth in the third quarter of 2026. The vertical gold line represents the median, and the red line the mean. The relative frequency represents the share of the total set of models yielding a particular growth nowcast. Nowcast date: 26 August 2026.

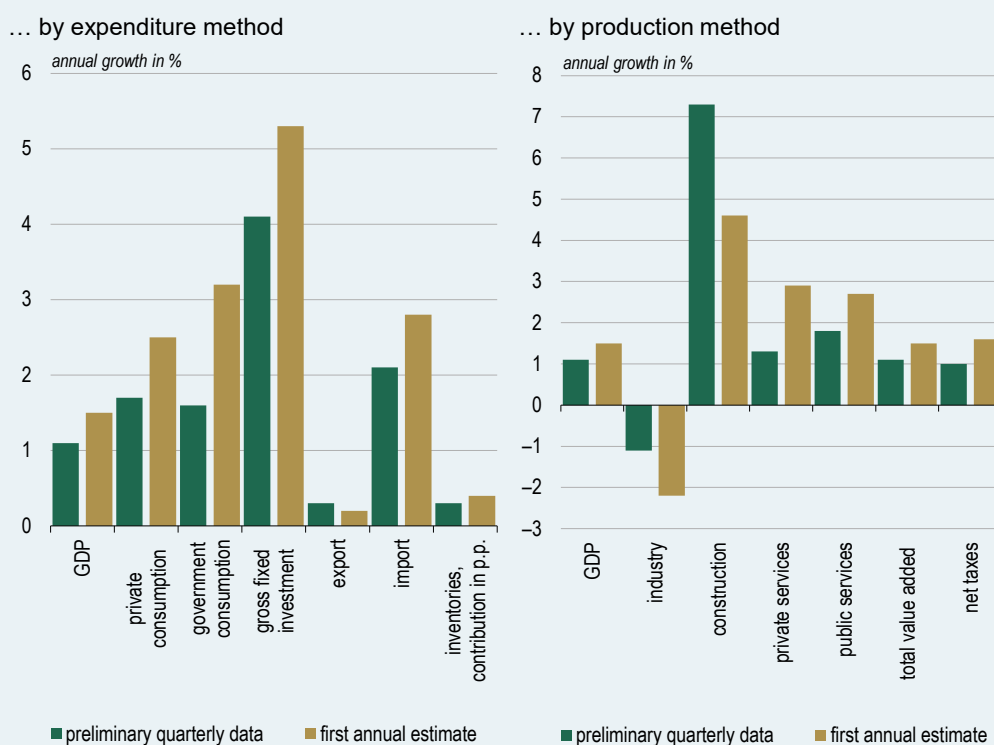
The first annual estimate of GDP growth for 2025 is 0.4 percentage points higher compared to estimates based on quarterly data sources.

On 31 August 2026, the Statistical Office of the Republic of Slovenia published the first annual estimate of national accounts for 2025. Compared to the previous estimate based on quarterly data sources, last year's GDP growth was revised upwards by 0.4 percentage points, to 1.5%.

On the expenditure side, changes were evident in most aggregates, most notably in government final consumption, where growth was revised upwards by 1.6 percentage points to 3.2%. Growth in gross fixed capital formation was also increased, from 4.1% to 5.3%, and private consumption rose somewhat more strongly than initially estimated. In line with higher growth in expenditure aggregates, import growth was revised upwards by 0.7 percentage points to 2.8%. Export growth did not change significantly. Inventories were also minimally adjusted, contributing 0.4 percentage points to last year's GDP growth (Figure 3.2.1, left).

Value added growth was also more favourable than indicated by quarterly data, rising from 1.1% to 1.5% after considering companies' annual financial statements. The new data show weaker conditions in industry, slightly lower growth in construction, and improved conditions in services. The latter is consistent with stronger final consumption in the domestic market. Value added growth in private services was thus revised upwards to 2.9%, and in public services to 2.7% (Figure 3.2.1, right).

Figure 3.2.1: **Changes in the growth of real GDP components in 2025**



Source: SURS.

Quarterly data aligned with the published first annual estimate of national accounts for 2025 will be released by the Statistical Office of the Republic of Slovenia on 23 September. Therefore, it is not yet possible to calculate the new effect of last year's economic growth carry-over into this year. This will be presented in the October edition of the publication.

Box 3.3: Energy supply conditions and their impact on manufacturing activities

Final energy consumption in Slovenia is gradually decreasing, but the share of fossil fuels remains dominant.

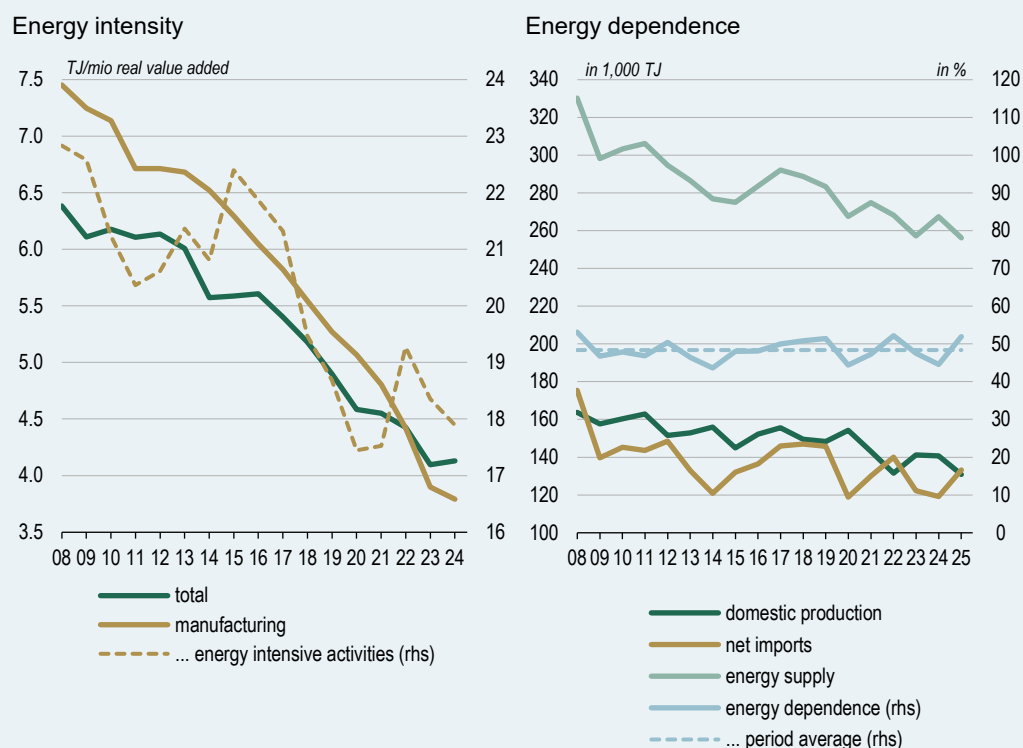
Analysis of the energy balance shows that final energy consumption in Slovenia has gradually decreased since 2008, mainly due to technological progress, restructuring in industry, and greater efficiency in households. In 2024, it was 17.3% lower compared to 2008.⁹ The main constraint is transport, where energy consumption in 2024 was 3.7% above the average for the observed period. Transport thus remains the largest energy consumer, with Slovenia serving as an important transport hub with highly developed logistics, dispersed settlement, and insufficiently developed public transport. Domestic energy production, on the other hand, has been declining in the long term due to the phasing out of coal-based production. At the same time, the share of fossil fuels in final consumption in 2024 was 59.8%. This is 5.4 percentage points lower than in 2008, but at the level of the average for the observed period. This implies considerable exposure to external risks in today's environment of heightened geopolitical tensions and instability in energy markets.

The energy intensity of the economy is decreasing due to technological progress and industrial restructuring, but this has not yet affected energy dependence on imports.

The energy intensity of the economy, measured as energy consumption per unit of value added, is decreasing, especially in manufacturing, where the indicator value in 2024, at 3.8 TJ per million value added, was almost half that of 2008 (Figure 3.3.1, left). Energy-intensive sectors contributed significantly to this, but at the cost of reduced production volume. Meanwhile, energy dependence, measured as the ratio of net imports to total energy supply, is not decreasing and, amid annual fluctuations in domestic production – mostly due to hydrological conditions and maintenance works at the nuclear power plant – remains close to 50% (Figure 3.3.1, right). This means that domestic sources provide only about half of the required energy.

⁹ During the period under review, the contribution of manufacturing activities to the overall reduction in final energy consumption exceeded 40%, predominantly due to the withdrawal of energy-intensive sectors (wood processing, production of paper, chemical products, non-metallic mineral products, and metals). These sectors accounted for more than one third of the total decline, while their annual production also contracted significantly. In June of this year, compared to December 2008, it was lower by one fifth. The contribution of households to the overall reduction in final energy consumption approached one third. A more detailed analysis will be published in the coming months in the section Short economic and financial analyses. See also Luka Žakelj: [Situation in energy-intensive manufacturing sectors in Slovenia](#), November 2024, and Luka Žakelj: [Slovenia's energy balance and its continuing dependence on fossil fuels](#), May 2025.

Figure 3.3.1: Energy intensity and import dependence



Sources: SURS, Banka Slovenije calculations.

Note: In the right chart, data for 2025 are provisional. Energy intensity is measured as final energy consumption in TJ per million real value added. Energy dependence is the ratio of net imports to total energy supply. Total energy supply consists of domestic production and net imports. Time series with a constant base year 2020 are used for value added. 1 TJ (terajoule) = 277.8 MWh.

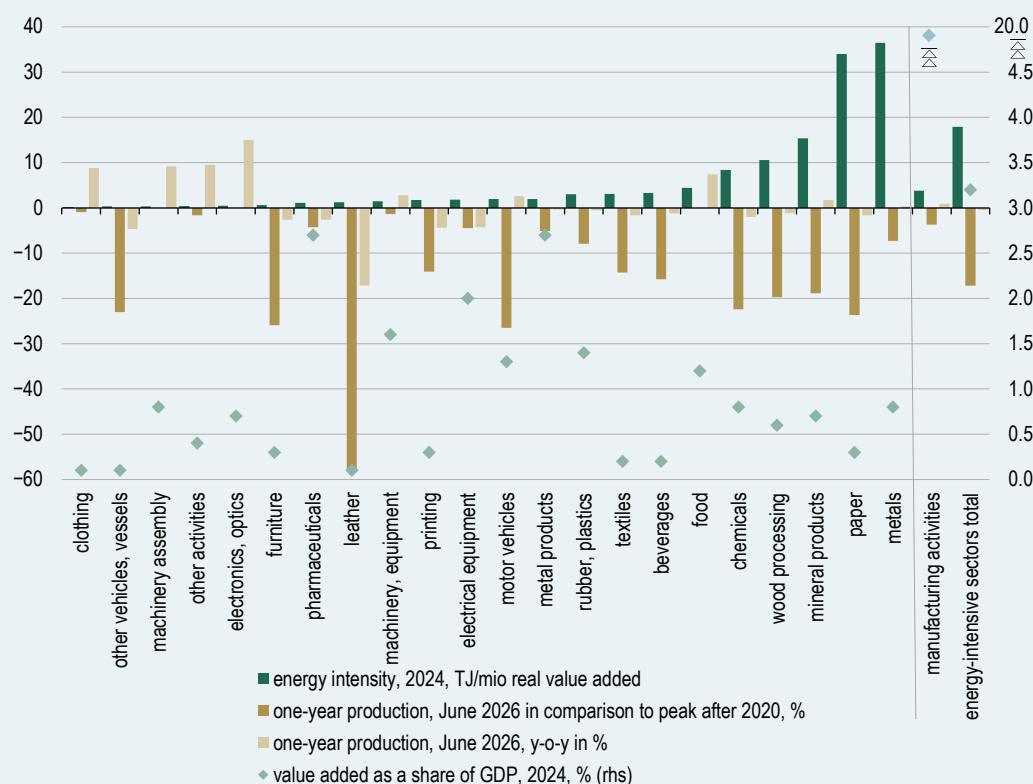
Current challenges in manufacturing, especially in energy-intensive sectors, coincide with a period of high energy prices.

High electricity and natural gas prices after 2021, along with other adverse factors, have negatively affected the performance of manufacturing, especially energy-intensive sectors.¹⁰ Focusing only on the cost aspect, according to the Statistical Office of the Republic of Slovenia, in the first quarter of this year the average electricity price for non-household consumers was 76.5% higher than the average for the period 2012–2021, and the price of natural gas was 59.4% higher, with prices beginning to rise sharply already in the second half of 2021.

Energy-intensive sectors have faced a noticeable decline in production since the onset of the energy crisis, although this trend is not limited to them. Despite at least temporary improvements in recent months, the gap in annual production compared to the peak reached after 2020 remains substantial and is present in most manufacturing activities. In energy-intensive sectors, the gap in June amounted to 17.2% overall, ranging from 7.3% in metal production to 23.7% in paper production (Figure 3.3.2). The total shortfall in manufacturing was 3.7%, and 2.0% excluding energy-intensive sectors.

¹⁰ Some other adverse factors are presented in Box 3.2 in [Review of macroeconomic developments, March 2026 | Banka Slovenije](#) and Box 5.1 in [Review of macroeconomic developments, April 2026 | Banka Slovenije](#).

Figure 3.3.2: Energy intensity and manufacturing production



Sources: SURS, Banka Slovenije estimates and calculations.

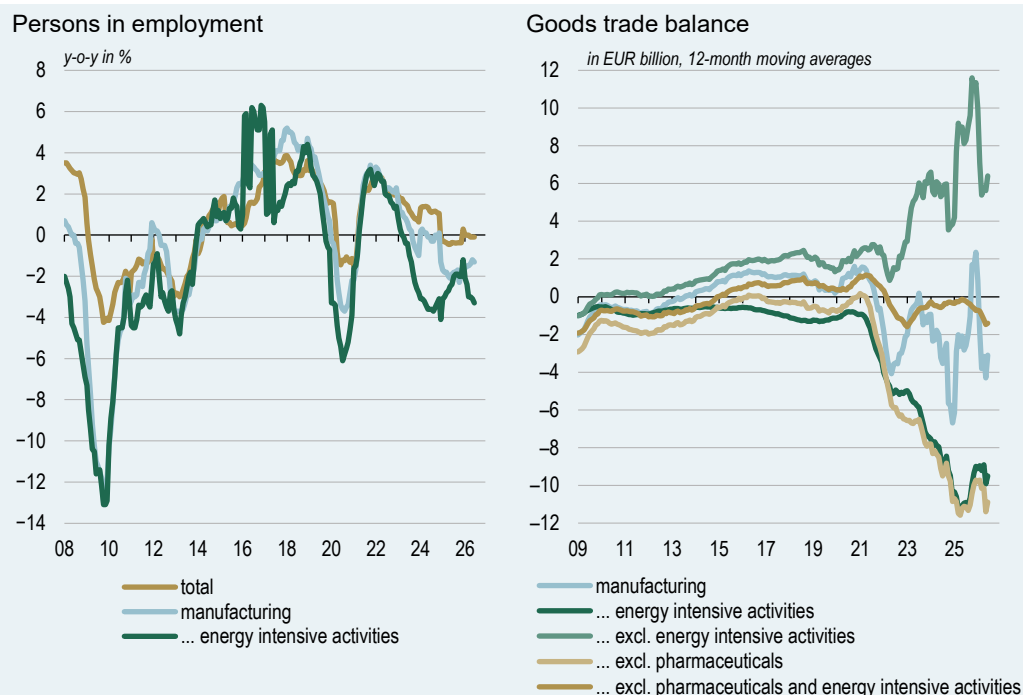
Note: In the chart, arrows indicate a break in the scale on the right axis. Total production of energy-intensive sectors and pharmaceutical production are estimated using shares in value added.

Challenges in manufacturing are already affecting the labour market. In energy-intensive sectors, the total number of employed persons has been declining year-on-year since April 2023. In June this year, the decrease reached 3.3%, with the most pronounced reduction, 6.3%, in paper production, and the smallest, 1.3%, in chemical production. The decline in the aggregate of other sectors, which has persisted since the end of 2024, slowed this year and amounted to 0.8% in June. Difficult conditions in manufacturing are also the main factor behind the overall reduction in the number of employed persons in the country (Figure 3.3.3, left).

The withdrawal of domestic energy-intensive and other production puts pressure on the goods trade balance. Excluding pharmaceutical industry products due to the large volume of processing trade, according to the Statistical Office of the Republic of Slovenia, the annual trade balance of manufacturing products shifted from a small surplus at the beginning of 2021 to a deficit of EUR 10.9 billion by June this year. During this period, the annual deficit in the trade of products from energy-intensive sectors increased by EUR 8.6 billion to EUR 9.5 billion (Figure 3.3.3, right).¹¹ Alongside reduced domestic production, rising prices have also contributed significantly to the increase in the deficit. This is indicated by the weighted index of total producer prices in domestic energy-intensive sectors, which in June was 36.6% above the average for the first half of 2021, that is, before the onset of rapid energy price increases.

¹¹ The presented trade balances according to the SKD classification are not fully comparable with the goods trade balance based on the balance of payments methodology due to methodological differences, so caution is required in interpretation. The main difference between the methodologies lies in processing trade, especially in the pharmaceutical sector and the production of chemical products, the latter being classified as energy-intensive sector (for more on differences between trade statistics, see Selected Topic 8.1 in the publication [Review of macroeconomic developments](#), September 2025 | Banka Slovenije).

Figure 3.3.3: Employment and goods trade in manufacturing products



Sources: SURS, Banka Slovenije calculations. Latest data: June 2026.

Note: In the right chart, for greater clarity, pharmaceutical industry products are excluded from the total goods trade in manufacturing products in two cases. The reason is the significant impact of processing trade, which obscures goods trade as it does not directly relate to production. Processing trade also has a major influence on the trade balance of chemical products, which are classified as energy-intensive. Goods trade balance is presented according to NACE classification.

To preserve the domestic industrial base and achieve a sustainable reduction in emissions, an appropriate balance between the cost aspect of the energy transition and global competitiveness of production will be crucial.

The developments in production and goods trade presented in the box increase import dependence on certain key groups of products essential for the normal functioning of the economy and society, such as toilet, household, hygiene, and office supplies, plastics, fertilizers, paints, disinfectants, detergents, and toiletries, explosives, wooden boards, veneer, construction furniture, glass, ceramics, bricks, insulation materials, cement, concrete, iron, steel, and aluminium.

Increased cost pressures have contributed to reduced competitiveness of Slovenian exporters in international markets and heightened adverse risks to the long-term sustainability of the industrial base. Such challenges are characteristic of the entire EU (see Box 5.1), where high energy prices represent a significant structural barrier to economic competitiveness. This particularly affects energy-intensive activities, reducing their price competitiveness and investment attractiveness. As a result, the risk of shifting production and new investments to environments with more favourable cost conditions is increasing.¹² It should be emphasized that high energy prices are only one of the inhibiting factors for the competitiveness of Slovenia and the EU.

The shift towards further reduction of final energy consumption, energy intensity, and import dependence is a long-term process that is technologically, infrastructurally, and financially demanding, as it requires restructuring final consumption, increasing domestic production without fossil fuels, and a thorough transformation of the energy infrastructure (see also Box 3.5). In an environment of strong global competition, external

¹² See also: [The Draghi report on EU competitiveness](#).

price competitiveness and reliability of energy supply are fundamental factors for the stable functioning of society and prerequisites for achieving cyclical macroeconomic stability, addressing long-term structural challenges, and restructuring the economy. Achieving a balance between the cost aspect of the energy transition and the external competitiveness of domestic industry should therefore become one of the central guiding principles of economic policy both domestically and in the EU. Easing international geopolitical tensions would greatly facilitate the achievement of this balance.

Box 3.4: The implications of the drivers of crude oil price increases for inflation and economic activity

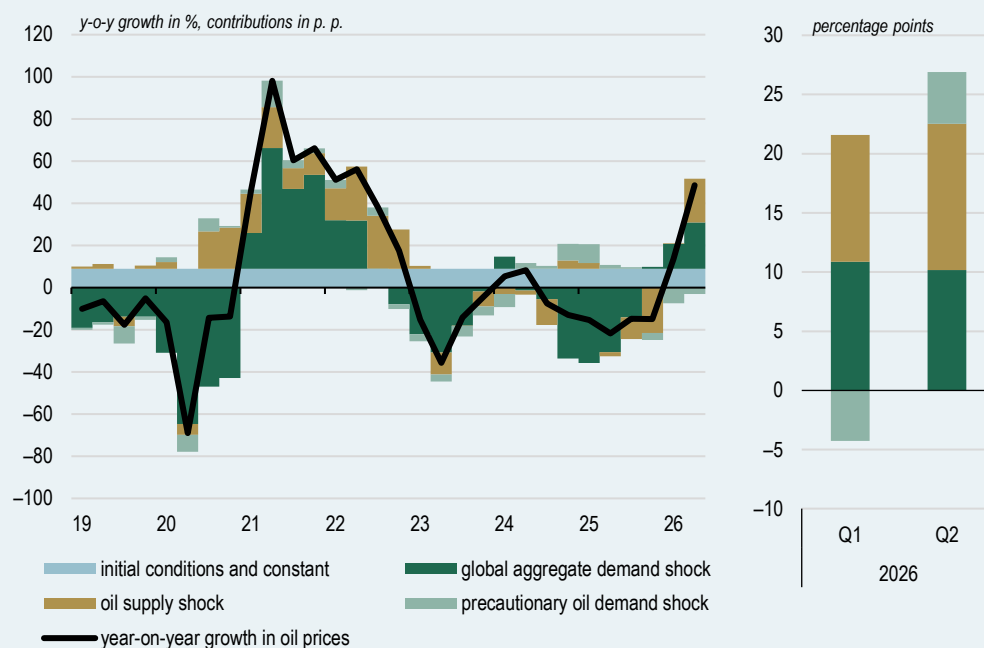
Understanding the causes of the increase is key to assessing the macroeconomic implications of higher oil prices, as supply and demand shocks have different effects on inflation and economic activity.

The recent sharp rise in crude oil prices reflects a combination of supply-side constraints and still relatively strong global demand. Supply constraints are linked to the war in the Middle East and restrictions on shipping through the Strait of Hormuz, one of the world's most important oil shipping routes. At the same time, still relatively robust global economic activity is keeping demand for oil high. As the macroeconomic effects of higher oil prices depend on the factors driving the increase, the first part of the box estimates their contributions to oil price developments this year, while the second assesses their combined effects on real GDP and inflation in Slovenia.

The structural shocks are identified using a quarterly global oil market VAR model that includes global economic activity, global crude oil production, the price of crude oil and global crude oil inventories. By imposing sign restrictions following Kilian and Murphy (2014), we distinguish between oil supply shocks, global aggregate demand shocks and oil inventory demand shocks, with the latter capturing changes in desired inventory holdings arising from precautionary or speculative motives.

The decomposition of Brent crude oil price developments into structural drivers shows that negative oil supply shocks and robust global demand contributed to its increase after the outbreak of the conflict to a broadly similar extent (Figure 3.4.1). The current increase therefore cannot be regarded as an isolated supply shock (the effects of an oil supply shock in Slovenia and the euro area are also presented in Box 1.1). Strong global demand may mitigate the decline in economic activity that typically follows a negative supply shock, but at the same time further increases the persistence of energy price growth and broader inflationary pressures.

Figure 3.4.1:
Decomposition of crude oil price developments



Sources: ECB, Banka Slovenije calculations.

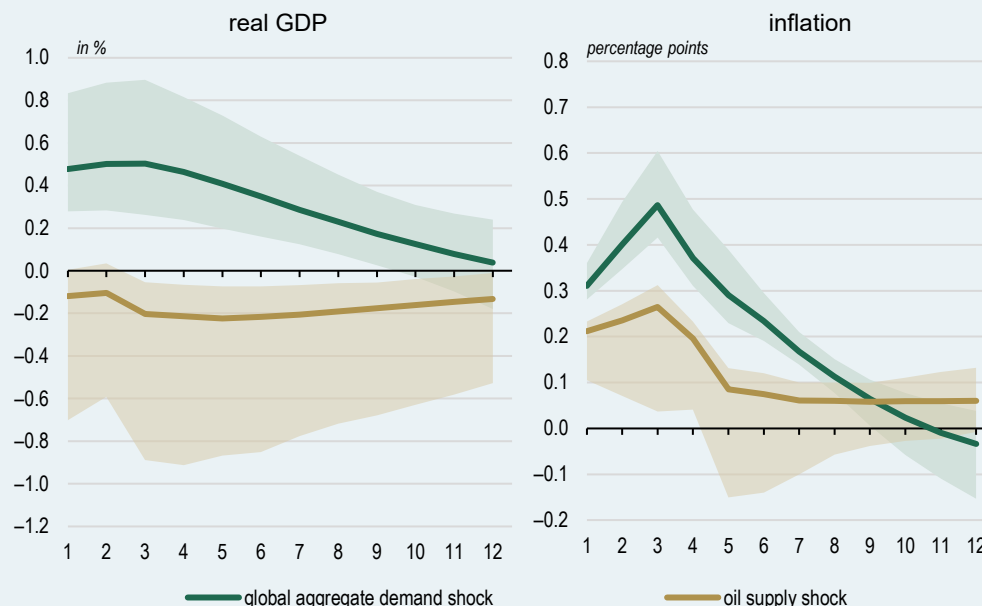
Note: In the left chart, the contributions of the identified structural shocks to the year-on-year rate of change in the Brent crude oil price are shown, while the right chart presents the main drivers of the increase in oil prices in 2026.

The effects on the Slovenian economy are estimated using a block-exogenous VAR model following the approach of Peersman and Van Robays (2012). The global block includes global economic activity, global crude oil production, the price of crude oil and global crude oil inventories, while the Slovenian block includes the quarterly growth rates of real GDP and the HICP. The global block is strictly exogenous with respect to the Slovenian economy: global shocks may affect Slovenian variables contemporaneously and with a lag, while feedback from the Slovenian economy to the global oil market is ruled out. The quarterly responses of GDP growth are cumulated and expressed as percentage deviations of its level from the no-shock path, while the responses of HICP growth are converted into effects on year-on-year inflation, expressed in percentage points. To ensure comparability, the structural shocks are normalised such that each causes a 10% increase in the real oil price on impact.

For the same increase in oil prices, a negative supply shock has a smaller and more short-lived inflationary effect and lowers the level of real GDP, while higher oil prices stemming from a global demand shock raise inflation more markedly and persistently and increase the level of real GDP.

The initial inflationary increase is primarily consistent with the direct pass-through of higher crude oil prices to the prices of motor and other liquid fuels. The inflationary effect then fades relatively quickly as the response of oil prices moderates, while weaker economic activity partly contains broader indirect price pressures and second-round effects. The level of real GDP declines owing to the adverse impact of higher energy costs on production and the reduction in households' real disposable income (Figure 3.4.2).

Figure 3.4.2: Responses of the level of real GDP and year-on-year HICP inflation in Slovenia to global oil market shocks



Source: Banka Slovenije calculations.

Note: The shocks are normalised such that they cause a 10% increase in the real price of crude oil on impact. The response of the level of real GDP in the left chart is expressed as a percentage deviation from the no-shock path, while the response of year-on-year HICP inflation in the right chart is expressed in percentage points. The solid lines show the point estimates, while the shaded areas denote 90% uncertainty bands. The horizontal axis shows the number of quarters since the shock occurred.

This year's rise in oil prices may lead to more persistent inflationary pressures but a less pronounced slowdown in economic activity.

The estimates indicate that this year's rise in oil prices reflects the simultaneous effects of global demand factors and oil supply constraints. Although oil supply constraints are expected to raise inflation only temporarily and dampen economic activity in Slovenia, the contribution from global demand may amplify the impact on inflation and mitigate the negative effect on GDP. Based on the estimated structural shocks in the first and second quarters of 2026, their combined contribution to inflation this year is estimated at approximately 0.7 percentage points, while their contribution to annual real GDP growth is estimated at around -0.1 percentage points. The main risks surrounding these estimates relate to the duration and intensity of supply disruptions and the extent to which their price effects are amplified by persistent global demand and precautionary inventory accumulation in the oil market.

The energy shock does not induce banks with greater exposure to carbon-intensive firms to increase financing for decarbonisation.

The euro area economy's high dependence on energy imports increases its exposure to external energy and geopolitical shocks. The latter are transmitted through higher energy costs to inflation, reduce households' real income and firms' profitability, and dampen economic activity and investment, while also weakening the competitiveness of energy-intensive firms (see Boxes 3.4, 5.1 and 6.1). Decarbonisation reduces emissions and can strengthen economic resilience. Greater energy efficiency and a higher share of domestic low-carbon energy sources reduce dependence on global energy prices. Model-based and empirical analyses for euro area countries show that more decarbonised economies can mitigate the impact of such shocks on their economic activity, electricity prices and, consequently, headline inflation.¹³

Decarbonisation can also help firms reduce their exposure to future energy shocks, raising the question of whether they have sufficient financial resources available to make such adjustments. The role of bank financing in the green transition of euro area firms is examined in the Banka Slovenije analysis by Neža Ahčin (2025), The Impact of Credit Supply on Firms' Green Transition in the Euro Area, which investigates how changes in bank credit supply affect the growth in firms' carbon intensity, measured as the ratio of direct greenhouse gas emissions to revenue.

When assessing the impact of lending activity, a key challenge is to disentangle credit supply from firms' demand for financing. A decline in lending to a particular firm may reflect either tighter lending conditions imposed by the bank or lower demand by the firm, for example due to less favourable investment opportunities.¹⁴

The results of the analysis show that greater credit supply does not necessarily lead to faster decarbonisation. In the short term, a one percentage point increase in credit supply is associated with a 0.01 percentage point higher growth rate of carbon intensity. This shows that firms use additional available funds primarily to expand production and operations, but the estimated responses vary considerably between firms. The effect of greater credit availability on decarbonisation is more favourable for firms that were initially less carbon-intensive¹⁵ and for those operating in sectors with greater capacity or potential for greening.¹⁶ A one percentage point higher growth rate of credit supply reduces carbon intensity growth by 0.07 percentage points for less carbon-intensive firms and by 0.03 percentage points for more carbon-intensive firms with greening potential. The results thus suggest that the green transition depends not only on the

¹³ ECB, 2022; Domínguez-Díaz in Hurtado, 2024.

¹⁴ The analysis addresses this challenge using the identification approach developed by Khwaja and Mian (2008). For further details on the methodology, see the Banka Slovenije analysis by Neža Ahčin (2025), The Impact of Credit Supply on Firms' Green Transition in the Euro Area.

¹⁵ A firm is classified as less carbon-intensive if its carbon intensity is below the 25th percentile within its sector, and as carbon-intensive otherwise.

¹⁶ As AnaCredit data do not contain information on the purpose of individual loans, this capacity is estimated indirectly at the four-digit NACE activity level. Transition risk exposure coefficients (TECs) are used, which are based primarily on the EU taxonomy and measure the share of activities within a given sector that are exposed to high transition risk. For the same sector, TEC values are then compared between euro area countries. A lower value in a given country indicates that the same economic activity can be carried out using cleaner technologies or more sustainable production inputs. Greening potential is therefore defined as the difference between the sectoral TEC value in a given country and the lowest TEC value observed for the same sector elsewhere in the euro area.

amount of financing, but also on its allocation to firms with feasible technological options for reducing emissions.

These results raise the question of how euro area banks adjust lending in the face of energy shocks, when pressures or economic incentives for firms to reduce energy dependence increase. Energy price shocks increase the returns on investment in energy efficiency, but at the same time raise the credit risk of firms that are more exposed to such shocks. This is particularly relevant for banks with greater exposures to these firms. An econometric approach based on local projections allows us to identify whether, following an energy shock, banks with greater pre-existing exposure to carbon-intensive firms increase their lending relatively more to firms with greening potential.

Following the approach of Jordà (2005)¹⁷ we estimate the impulse responses of credit supply to an energy shock using the following model¹⁸

$$\Delta_h \log L_{fbt} = \beta_h (Shock_t \times Potential_f \times Exposure_{b,0}) + \mu_{ft}^h + \eta_{bt}^h + \alpha_{fb}^h + \epsilon_{fb,t+h}$$

where the left-hand side of the equation denotes the cumulative percentage change in lending volume from the period immediately preceding the shock to time horizon h at the bank–firm level. The variable *Shock* denotes the energy shock, measured using Känzig’s oil supply news shock, which captures unexpected changes in expectations regarding future oil supply¹⁹. *Potential* for greening is a binary variable defined in the same way as in Ahčin (2025). A bank’s *exposure* to carbon-intensive firms denotes the share of its credit exposure to these firms in its total credit exposure to firms, measured in January 2019, before the start of the shock period analysed.

As a decline in lending to carbon-intensive firms, with or without potential for greening, following an energy shock does not in itself demonstrate a contraction in credit supply, we include granular fixed effects in the model specification. Firm–time fixed effects²⁰ absorb all time-varying firm-level factors that are common across the banks lending to a given firm and therefore capture, among other factors, changes in credit demand. In addition, bank–firm fixed effects account for persistent characteristics of individual bank–firm relationships, while bank–time fixed effects absorb shocks affecting the bank as a whole, such as changes in funding costs, capital or liquidity. In this model, identification of the effect relies on comparing different banks lending to the same firm in the same period, where banks differ in terms of their pre-existing exposure to carbon-intensive firms. The sample covers the period from 2019 to 2025 and includes all bank loans to firms within the euro area.

The estimated coefficients are not statistically significant, and therefore do not provide evidence that banks with greater pre-existing exposure to carbon-intensive firms increase their lending relatively more to firms with potential for greening following an energy shock (Figure 3.5.1). As the concept of greening potential is more relevant for carbon-intensive firms, we subsequently restrict the sample to these firms. This allows us to examine whether, following an energy shock, credit is reallocated within the group of carbon-intensive firms towards those with greening potential. The results remain statistically insignificant, indicating that, following an energy shock, more exposed banks

¹⁷ Jordà, Ò. (2005). Estimation and Inference of Impulse Responses by Local Projections. *American Economic Review*, 95(1).

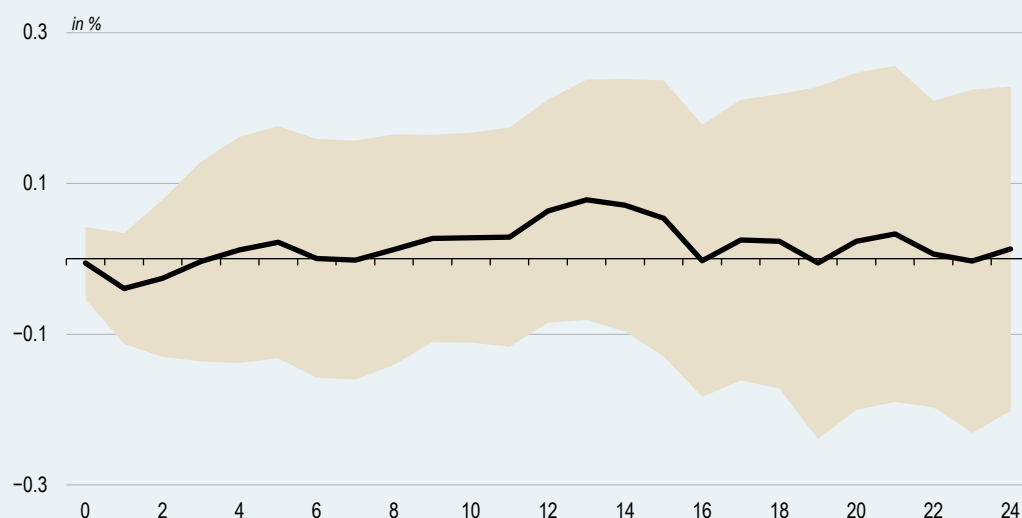
¹⁸ The results remain robust to the inclusion of three lags of credit growth and three lags of the interaction term.

¹⁹ The results also remain robust when the monthly change in the World Bank Energy Price Index is used as an alternative measure of the energy shock.

²⁰ With firm–time fixed effects included, the effect of the interaction $Shock_t \times Potential_f$ cannot be identified, as it is the same in period t across all banks lending to the same firm f . It is only possible to identify interactions that also differ between banks, so we include in the interaction the exposure of an individual bank to firms with high emissions.

do not systematically adjust their lending to carbon-intensive firms with greening potential differently from less exposed banks.

Figure 3.5.1: Response of credit supply to an adverse energy shock



Sources: AnaCredit, ECB climate change-related indicators, TAC & TEC tool (Alessi, L. & Battiston, S.), Känzig (2021), Banka Slovenije calculations.

Note: The chart shows the response of credit supply to firms with greening potential to a one-standard-deviation energy shock by a bank whose exposure to carbon-intensive firms is one standard deviation higher. The shaded area denotes the 95% confidence interval.

The absence of a reallocation of lending by banks with greater exposure to more carbon-intensive sectors towards firms for which access to financing has been found to have a positive effect on decarbonisation likely reflects the limited impact of energy shocks on firms' creditworthiness. Available analyses suggest that firms largely absorb energy shocks through their margins or pass them on along the price–cost chain. The increase in credit risk following energy shocks is generally concentrated among more vulnerable and highly energy-intensive firms.²¹ At the same time, banks are also likely to face difficulties in identifying green investments that could effectively reduce firms' exposure to external shocks.

Energy shocks therefore do not systematically induce banks with greater pre-existing exposure to restructure their loan portfolios towards firms with greater greening potential. Such a reallocation could contribute to greater macroeconomic resilience. This opens up space for economic policies to improve financing conditions for investments with the greatest potential to reduce dependence on fossil fuels. In this context, it would be sensible to focus not only on directly channelling financing towards already green firms, but also on improving the risk-return ratio of investments in the green transition of firms with credible decarbonisation potential, e.g. through investment incentives, public guarantees, co-financing or other risk-sharing instruments.

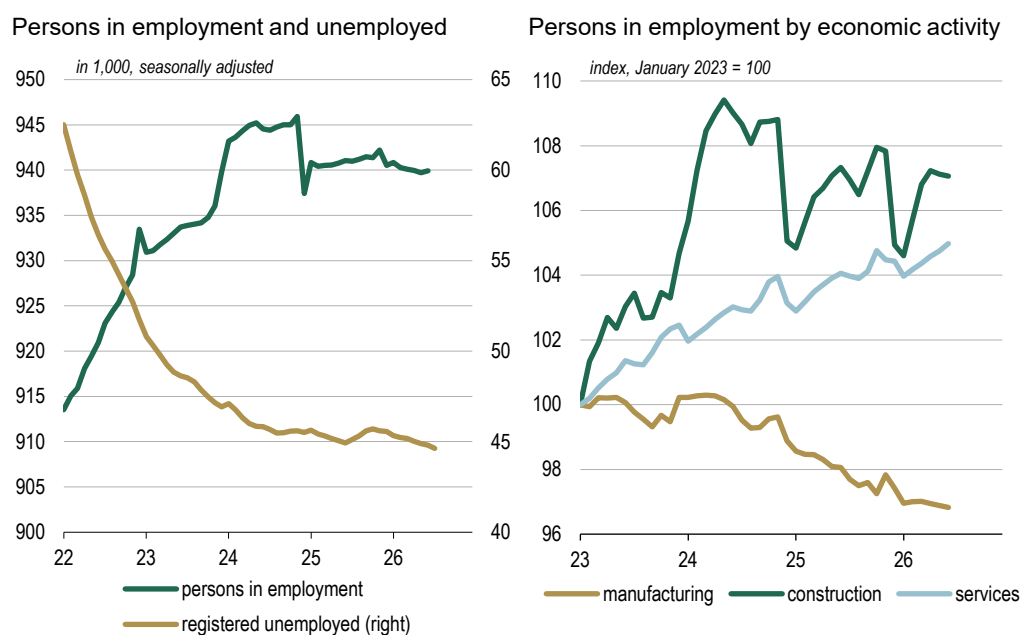
²¹ [ECB Financial Stability Review, 2022](#); [Bundesbank, 2023](#).

The number of persons in employment remains stable, while conditions across sectors are highly diverse.

The number of persons in employment has remained relatively stable in recent months. In June, there were 941,800 persons in employment, which is slightly less than a year ago (Figure 4.1, left). Developments differ significantly across activities. In manufacturing, the number continues to decline, whereas in service activities it is increasing, both in the private and public sectors (Figure 4.1, right). Favourable trends in economic activity in the first half of the year have also improved companies' employment expectations, particularly in manufacturing. More positive prospects regarding labour demand are confirmed by the Employment Outlook of the Employment Service of Slovenia, according to which employers expect a 2.1% increase in employment in the second half of 2026, which is 0.8 percentage points higher than in the forecast for the first half of the year.

Higher demand for workers is also reflected in the job vacancy rate, which increased in the first half of the year and stood at 2.5% in the second quarter, up 0.3 percentage points from the same period last year. Despite stronger employment expectations, companies continue to face structural labour shortages, mainly due to unfavourable demographic trends. Limited domestic labour supply is still being mitigated by the employment of foreign nationals. In June, the number of foreign nationals in employment was 2.7% higher year-on-year, while the number of Slovenian nationals in employment was 0.6% lower. The share of foreign nationals among persons in employment (excluding farmers) rose to a historic high of 16.5%.

Figure 4.1: Persons in employment and registered unemployed



Sources: SURS, Banka Slovenije calculations. Latest data: June 2026, registered unemployed – July 2026.

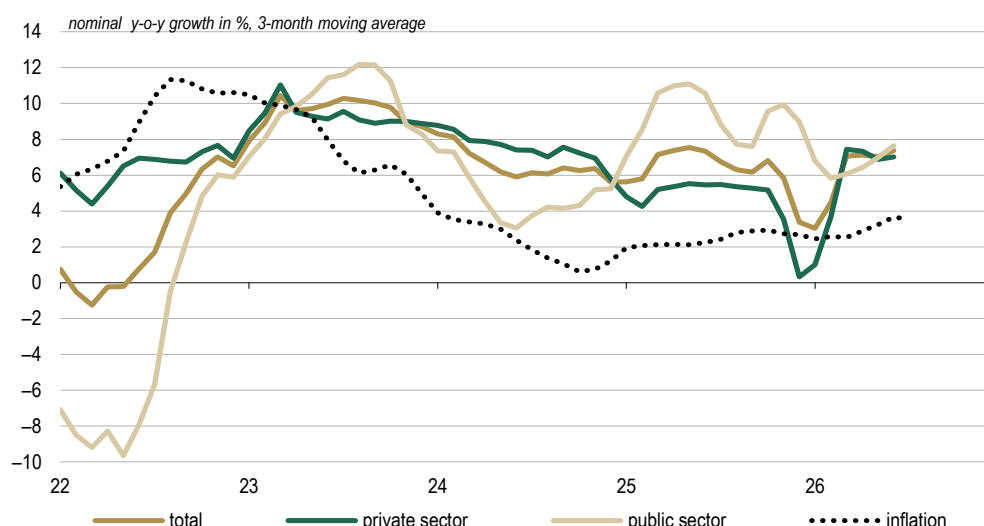
Unemployment remains low.

In July, 43,257 unemployed persons were registered, which is more than 500 fewer than a year ago (Figure 4.1, left). The registered unemployment rate stood at 4.3% in June, while the survey-based unemployment rate was 3.8% in the second quarter. Unemployment thus remains at historically low levels, consistent with the still tight labour market conditions and pronounced labour shortages. By educational structure, the number of unemployed persons has decreased year-on-year mainly among those with lower levels of education, whereas among persons with tertiary education it has increased in recent months.

Wage growth remains elevated in both the public and private sectors.

Growth in average gross wages strengthened again at the end of the first half of the year. In June, year-on-year growth stood at 8.3%, which is one percentage point higher than a year ago. Wage growth increased in both the public and private sectors. In the public sector, it reached 8.8%, mainly due to the continued implementation of the wage reform, while in the private sector it was 7.8% (Figure 4.2). Wage growth continues to be supported by tight labour market conditions and labour shortages. Year-on-year wage growth in the private sector remains influenced by the substantial increase in the minimum wage at the beginning of the year. Despite higher inflation, associated with increased global energy prices due to the conflict in the Middle East, real wage growth remains relatively high. In June, it stood at 4.5%, which is well above the long-term average. Real wage growth is also high compared to the euro area average, but it is supported by stronger growth in labour productivity.²² Labour productivity improved with more robust economic activity and was 4.7% higher year-on-year in the second quarter. Higher productivity growth is favourable from the perspective of cost competitiveness, as it mitigates cost pressures arising from rapid wage growth.

Figure 4.2: **Growth in average gross wages**



Sources: SURS, Banka Slovenije calculations. Latest data: June 2026, inflation – August 2026.

²² In the first quarter, for which data are available for the euro area, year-on-year real wage growth, measured by compensation of employees per employee, was 1.1% in the euro area and 4.4% in Slovenia, while labour productivity growth stagnated in the euro area and reached 2.8% in Slovenia. In Slovenia, labour productivity growth strengthened to 4.7% in the second quarter, while real wage growth moderated somewhat (to 4.1%). In both cases, the GDP deflator was used to calculate real growth rates.

The goods trade balance declined year-on-year for the sixth consecutive quarter, despite encouraging export growth.

In the second quarter, nominal goods exports increased by 11.1% year-on-year, while goods imports rose by 13.6%. As a result, the goods trade balance deteriorated by EUR 249 million, reaching a deficit of EUR 167 million. Both quantity and price effects contributed to the weakening of the balance (Figure 5.1, left). According to national accounts data, real goods exports grew by 6.5% in the second quarter – the highest rate since the third quarter of 2024 – while imports rose by 8.1%. At the same time, the terms of trade deteriorated, as import prices increased more sharply year-on-year than export prices.²³

A breakdown by type of goods shows that trade in petroleum and petroleum products had a significant impact on nominal trade flows, accounting for a quarter of the year-on-year growth in goods exports and almost half of the growth in goods imports (Figure 5.1, right). Export growth was driven by exports of machinery and transport equipment – of which road vehicles accounted for the largest share – and by chemical products, particularly pharmaceuticals. Together, these two groups represented more than half of total goods exports. By trading partner, exports to Croatia and Italy increased most strongly, while excluding the re-export of petroleum products, Germany made the largest contribution to export growth, followed by Italy and Russia.

In the third quarter, export orders suggest somewhat greater optimism in manufacturing compared with the first half of the year. The July indicator of price competitiveness, based on producer prices, points to a continued year-on-year improvement, although firms' self-assessment of their competitive position for the third quarter remained broadly unchanged.²⁴ Economic sentiment also improved slightly in Slovenia's main export partner countries.²⁵

The largest contribution to the year-on-year growth in nominal goods imports came from petroleum and petroleum products, followed by electrical machinery – primarily from China – and road vehicles, particularly from Germany. By main industrial groups, intermediate goods – which also include most energy products – made the largest contribution to import growth. Developments in import prices indicate that higher prices played an important role in the growth of intermediate goods imports, even when energy products are excluded. The outlook points to a further increase in intermediate goods imports, as expected production in Slovenian manufacturing was, on average, higher in July and August than in the first half of the year. Data on imported quantities also show continued strong year-on-year growth in imports of petrol and diesel in July. In the same month, import prices again rose year-on-year, mainly due to intermediate goods and energy products. Price expectations in the industrial sector of Slovenia's

²³ Caution is required when interpreting this figure, given the volatility of petroleum and petroleum product prices, which have had a significant impact on developments in nominal trade.

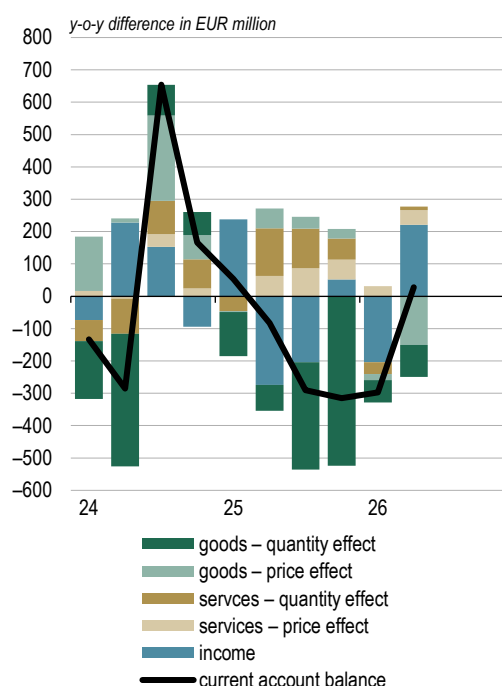
²⁴ The indicator of price competitiveness based on producer prices is calculated using the real effective exchange rate against the currencies of 37 trading partners, adjusted for producer prices, as published by the [ECB](#).

²⁵ The figure is based on a goods export-weighted average of economic sentiment in Germany, Austria, Italy, France and Croatia.

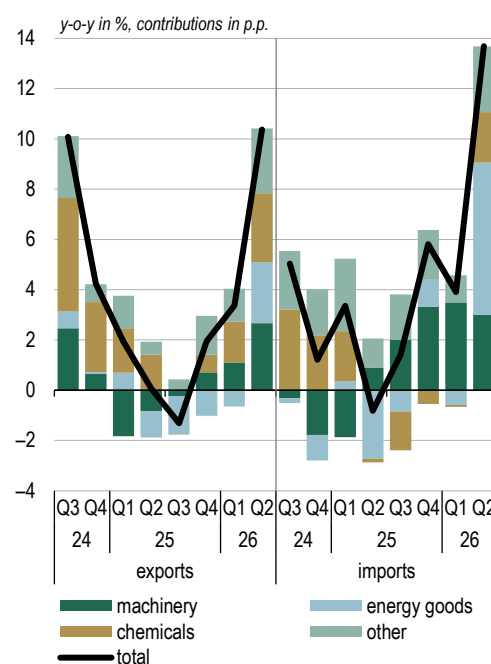
largest import partners moderated somewhat over the summer months but remain elevated compared to the period before the outbreak of war in the Middle East.²⁶

Figure 5.1: **Terms of trade and goods trade**

Price and quantity effect on current account balance dynamics



Goods trade



Sources: SURS, Banka Slovenije, Banka Slovenije calculations. Latest data left: Q2 2026.

Note: In the left chart, the terms-of-trade effect is calculated as the difference between nominal and real trade, based on balance of payments data and national accounts price indices.

The services trade continues to be the only component in surplus, as income remain in deficit.

Nominal exports of services increased by 8.4% year-on-year, while nominal imports rose by 10.0%. The services trade balance increased by EUR 56 million to approximately EUR 1.1 billion. Both price and quantity effects supported these developments (Figure 5.2). According to national accounts data, real growth was also strong in both categories, reaching 6.1% for exports and 5.5% for imports. The terms of trade in services improved slightly.²⁷

The growth in nominal exports was broadly based, with transport services making a significant contribution, increasing by 6.0% year-on-year, in line with the increase in goods trade. The tourism sector also performed strongly, with exports rising by 3.8% and the number of overnight stays by foreign tourists up 5.4% year-on-year, particularly in mountain resorts. Insurance and other business services also contributed to export growth. The outlook for the third quarter points to continued growth in the tourism sec-

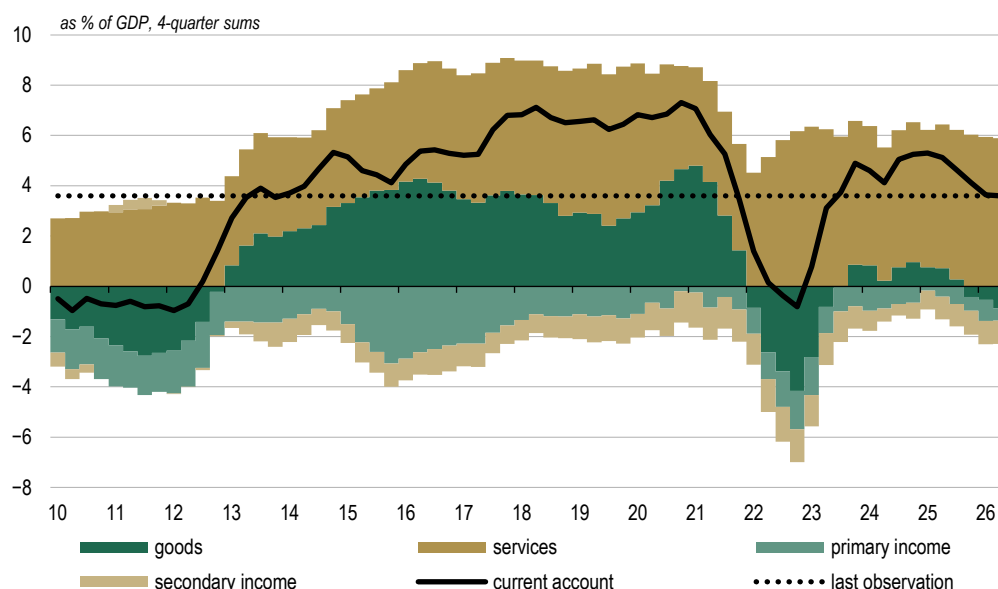
²⁶ The figure is based on an import-weighted average of price expectations among industrial firms in Germany, Austria, Italy, Hungary and Croatia.

²⁷ Caution is required when interpreting the terms of trade, as nominal values differ between the two data sources.

tor, as the number of overnight stays had increased by 8.4% year-on-year by 23 August.²⁸ Growth in imports of services was primarily driven by business services, such as engineering and advertising, as well as by transport and travel.

The surplus in services trade strengthened year-on-year, underpinned primarily by the largest categories, such as transport and tourism. By trading partner, the largest surpluses were recorded with Germany and Austria – mainly in transport and travel – and with Switzerland, in other business services. The largest deficit was recorded with Croatia, primarily due to travel.

Figure 5.2: **The current account**



Sources: SURS, Banka Slovenije, Banka Slovenije calculations. Latest data: Q2 2026.

The deficit in primary income narrowed by EUR 236 million to EUR 21 million. This development is mainly based on the estimate of reinvested earnings, for which data are not yet available. The deficit in secondary income, at EUR 174 million, remained broadly unchanged from the previous year. Both receipts and expenditures increased, primarily as a result of transactions in the insurance sector.

Current account to GDP is at the long-term average.

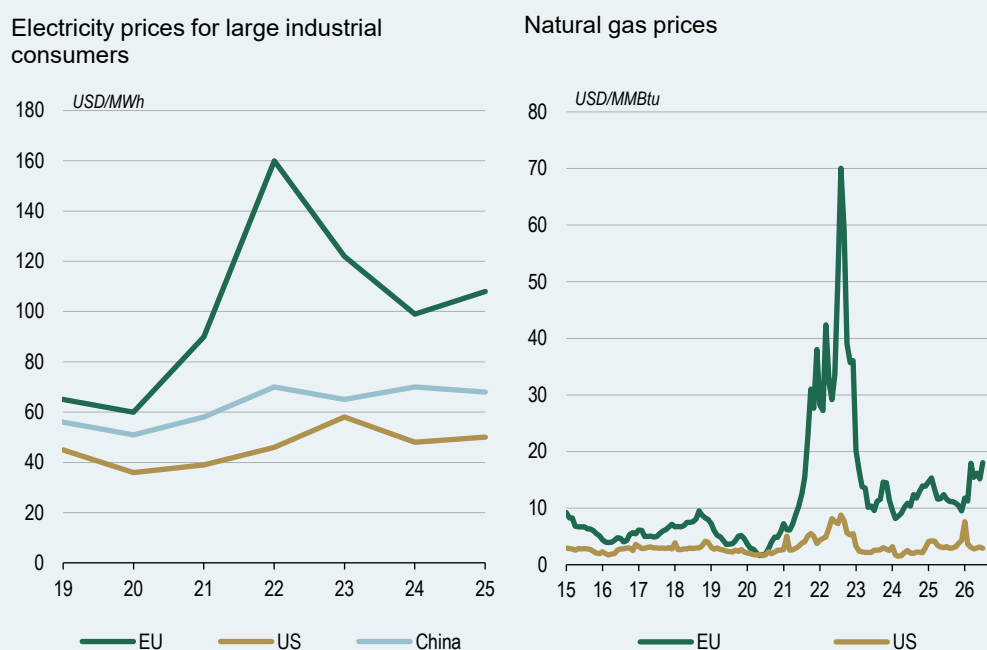
The current account recorded a twelve-month surplus of 3.6% of GDP, which is broadly in line with the long-term average for the period 2010–2025. This surplus was supported solely by services trade, which recorded a surplus of 5.9% of GDP (Figure 5.2). The goods trade deficit has continued to widen, reaching 0.9% of GDP on an annual basis at the end of the second quarter, while the income deficit stood at 1.4% of GDP. A longer-term comparison shows that, except for the period immediately following the pandemic, the current account balance was last this low during the sovereign debt crisis in 2013. The main component behind the deterioration has been the goods trade deficit, which, following the energy crisis in 2022, has never fully recovered, partly due to a decline in the competitiveness of the economy (see Box 5. for more on this topic).

²⁸ The figure is based on experimental (daily) statistics from [SURS](#).

The energy shock in 2021–2022 worsened European industry's relative cost position, as energy prices remain significantly higher than those of major global competitors.²⁹

The energy shock substantially increased production costs in European industry and worsened its position relative to major global competitors.³⁰ Energy prices began to rise markedly already during the recovery of the global economy following the pandemic, with the war in Ukraine causing an additional cost shock. Although energy prices have declined significantly from their peaks in 2022, European industry remains exposed to considerably higher energy costs than its main competitors (Figures 5.1.1 and 5.1.2, left). According to IEA data, final electricity prices in 2025 for large energy-intensive industrial consumers in the EU were approximately twice as high as in the United States and more than half as high than in China. Natural gas prices also remain significantly above US levels.

Figure 5.1.1: **Energy prices in selected economies**



Sources: IEA, WB, SURS. Latest data right: July 2026.

Note: In the left chart, estimated electricity prices are presented. For the EU, prices for industrial consumers with annual consumption above 150 GWh are shown, considering compensation under the EU ETS. For the United States, the industrial price in Texas is used. The data for the United States and China are indicative and reflect average reported levels. In the right chart, reference market prices are presented.

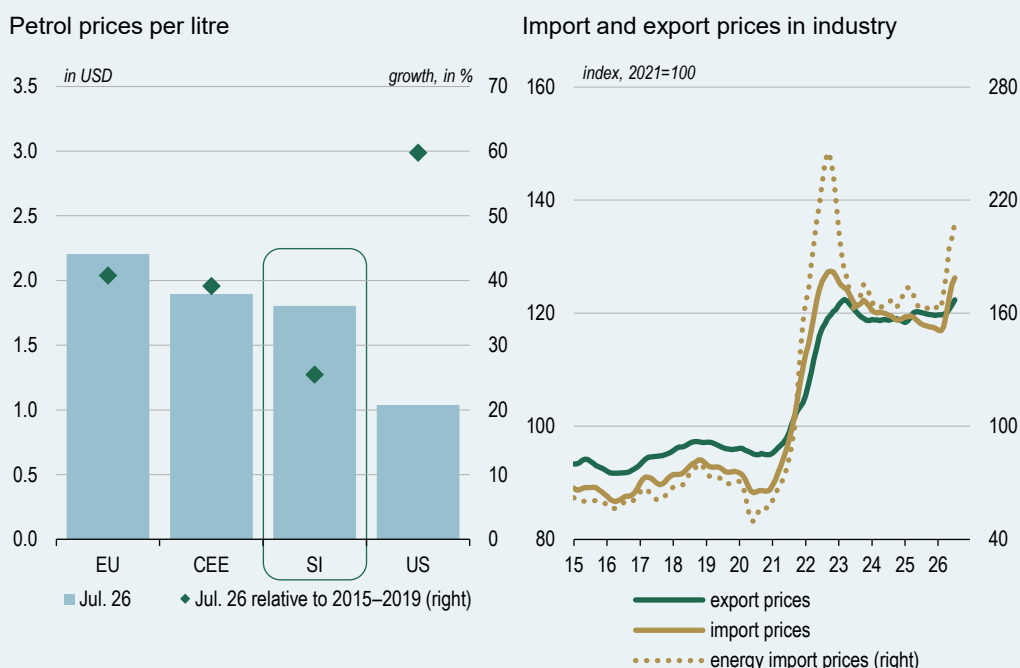
²⁹ A more detailed analysis will be published on the Banka Slovenije website in the Short Economic and Financial Analyses collection.

³⁰ The effects of the shock varied across economies and sectors due to differences in energy dependency and intensity, economic structure, and adaptability.

In Slovenia, unfavourable developments in European energy markets led to a marked rise in energy import costs and a decline in the competitiveness of manufacturing enterprises.

The external energy shock was rapidly transmitted to import prices of energy and the overall import costs of domestic industry, and to a considerable extent also to export prices of industrial products and domestic inflation. Despite subsequent declines, all observed categories of prices remain significantly above pre-crisis levels this year³¹ (Figure 5.1.2, right). Companies limited an even more pronounced pass-through of higher costs to export prices by reducing business margins, to maintain price competitiveness and market share in foreign markets.

Figure 5.1.2: **Petrol prices and import and export prices in domestic industry**



Sources: IEA, SURS, Banka Slovenije calculations. Latest data right: July 2026.

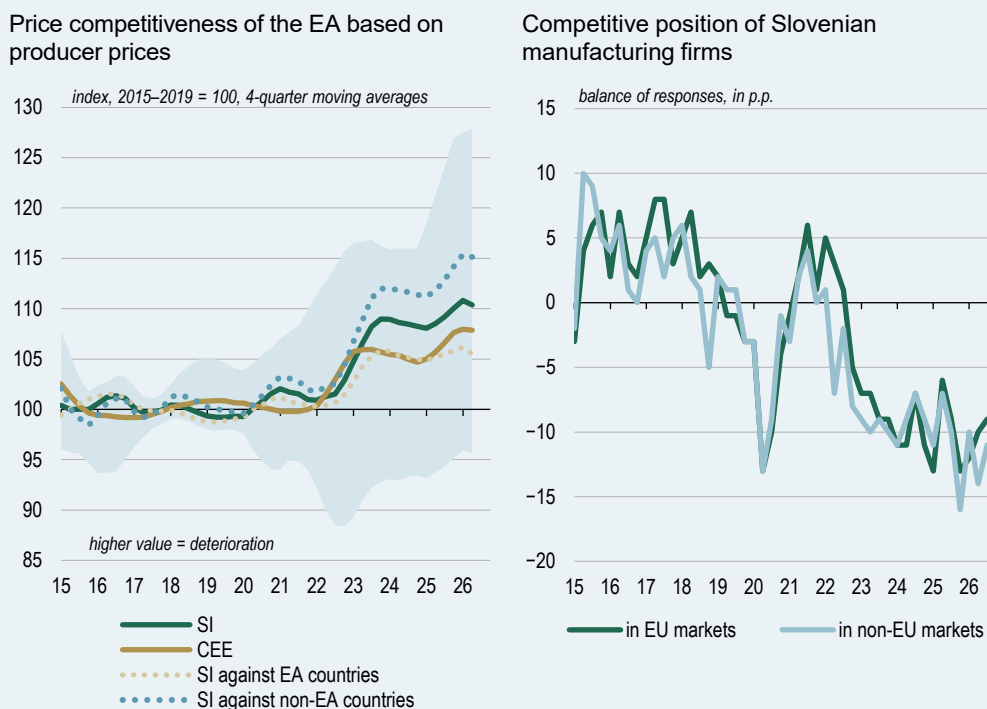
The deterioration in relative production costs is also reflected in broader competitiveness indicators. Price competitiveness of the Slovenian economy based on producer prices, measured by the real harmonised competitiveness indicator (PPI deflator), was around 10% weaker in the second quarter of this year compared to the five-year period preceding the energy shock, i.e. the period 2015–2019 (Figure 5.1.3, left). It worsened both in relation to euro area partners and even more so in relation to partners outside the euro area, the latter primarily due to the relative movement of domestic producer prices compared to prices in partner countries, rather than exchange rate developments. The comparable indicator for the group of Central and Eastern European euro area members (CEE) is estimated to have deteriorated somewhat less, by around 8%.

Domestic manufacturing enterprises also perceive a weaker competitive position. Following relatively favourable assessments in 2021 and at the beginning of 2022, survey

³¹ The level of consumer prices, measured by the HICP, was in July this year approximately one third higher than the average for the period 2015–2019. Meanwhile, the indicator of price competitiveness of the economy, based on the HICP index relative to 37 partner countries, remains only about 3% above the average for the period observed before the energy shock, as comparable price trends have also been recorded among trading partners.

responses regarding their competitive position deteriorated rapidly and have since remained in negative territory, both in EU markets and outside them (Figure 5.1.3, right).

Figure 5.1.3: **Competitive position of manufacturing enterprises**



Sources: ECB, SURS, Banka Slovenije calculations. Latest data left: Q2 2026, right: Q3 2026.

Note: In the left chart, price competitiveness based on producer prices – relative to a group of 37 trading partners, i.e. euro area members and 17 partners outside the euro area – is reflected by the RHCI indicator, deflated by the PPI. For the group of CEE euro area countries (BG, EE, HR, LT, LV, SK), the indicator is roughly estimated using a GDP-weighted average and does not include Slovenia. The range shows the movement of the indicator across all euro area member states.

Despite the deterioration in competitive position, export performance in manufacturing sectors was mixed, with more pronounced losses in global market shares than within the EU.

Changes in export market shares between 2021 and 2025 were not uniform, so it is not possible to establish a clear link between energy intensity and loss of market shares³² (a similar pattern is observed in production; see Box 3.3). Among the more energy-intensive sectors, the metal production and chemical industry lost market share on the global market during the period observed, while market share increased in the production of non-metallic mineral products, as well as in the paper and wood industry (Figure 5.1.4, left; for developments in market shares of energy-intensive products, see also Box 5.2). At the same time, some less energy-intensive but export-relevant sectors, including the manufacture of electrical machinery and equipment and road vehicles, also lost market share.³³ In contrast, the pharmaceutical industry recorded a substantial increase in the market share.

A comparison of developments in the global market and the EU market shows that competitive pressures were stronger outside the European market. Energy-intensive

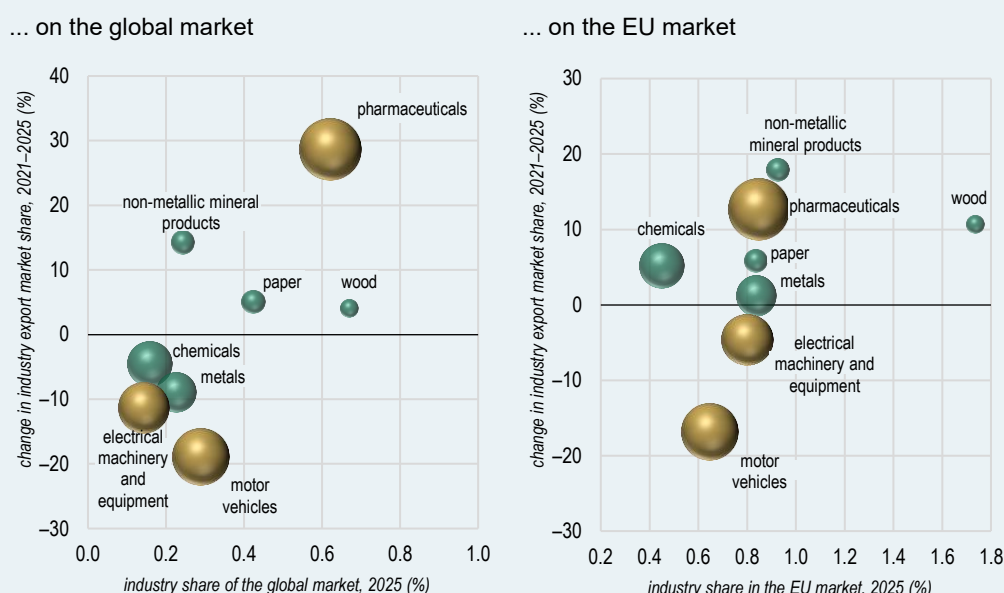
³² According to the analysis by Žakelj (2024), energy-intensive manufacturing sectors include wood processing and manufacturing, the production of paper and paper products, the manufacture of chemicals and chemical products, the production of non-metallic mineral products, and metal production.

³³ For further information on the strengthening of China's competitive position and the exposure of Slovenian exports, see Box 5.1 in the publication *Review of Macroeconomic Developments, April 2026 | Banka Slovenije*.

manufacturing sectors largely maintained or increased their market share in the EU market during the period under review (Figure 5.1.4, right). The decline in market share for electrical machinery and equipment, and to some extent for road vehicles, was also more pronounced in the global market, in line with increased competitive pressure from producers in third countries, particularly China. As the energy shock affected European producers more severely, their relative cost position within the single market deteriorated less than that of European industry in the global market, i.e. vis-à-vis economies with more favourable energy costs.³⁴

The results indicate that the impact of the energy shock on export performance cannot be considered separately from other competitiveness factors, such as technological complexity and product characteristics, productivity trends, the ability to pass higher costs on to sales prices, demand in key export markets, and changes in global supply and production chains. The energy shock can therefore be understood primarily as a common adverse cost factor, whose impact nevertheless varied across sectors depending on their structural characteristics and adaptability.

Figure 5.1.4: **Market shares of Slovenian manufacturing sectors**



Sources: UNCTAD, Eurostat, Banka Slovenije, Banka Slovenije calculations.

Note: Green bubbles indicate energy-intensive sectors, while gold bubbles represent certain major sectors of domestic industry. The size of the bubbles shows the sector's share in Slovenian exports in 2025 (in %). Chemicals do not include pharmaceutical products. The market share of Slovenian goods exports in the global / European market is measured as the ratio between (nominal) Slovenian and global / European goods exports. In both cases, Banka Slovenije data are used for Slovenian exports.

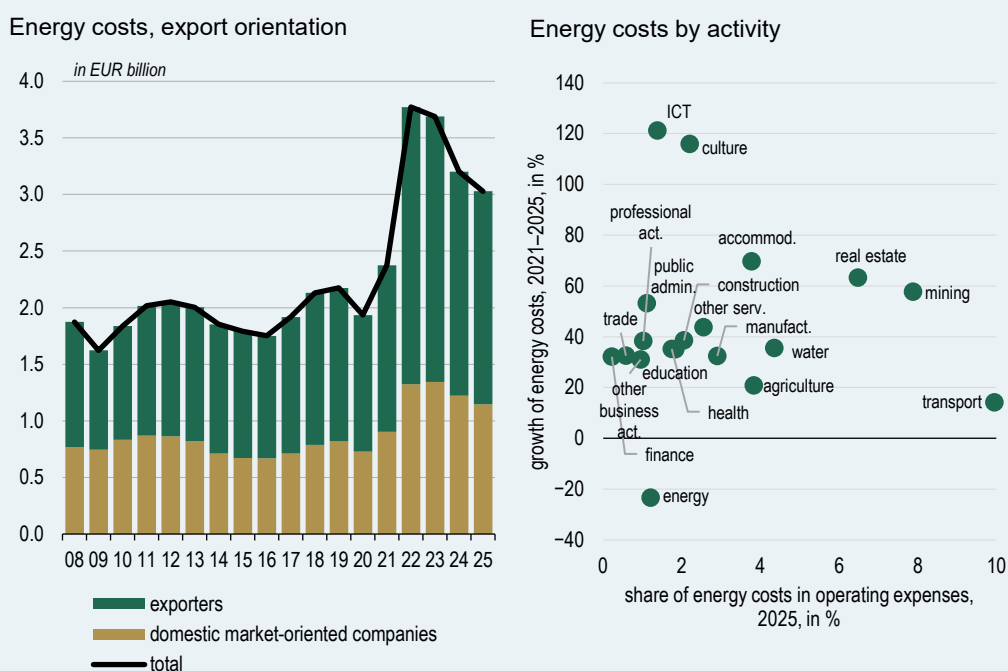
Data from annual reports confirm that the energy shock had the most pronounced impact on the performance of export-oriented companies.

In line with energy price developments (Figures 5.1.1 and 5.1.2, left), energy costs of companies increased most strongly in 2022 and then gradually declined until 2025, with the share of energy costs in operating expenses approaching pre-crisis levels. Nevertheless, the aggregate moderation masks considerable differences between companies and sectors.

³⁴ According to Eurostat data, last year the unweighted average prices of electricity and natural gas for combined categories of non-household consumers were noticeably higher in the EU average than in Slovenia, which represents a relative competitive advantage for domestic producers.

Export-oriented companies show greater exposure to energy shocks (Figure 5.1.5, left). Their energy cost fluctuations after 2021 were more pronounced than those of companies focused on the domestic market, and their share of energy costs in operating expenses remained higher. This is likely related to the sectoral composition of exporters, among whom activities with higher energy consumption play a more significant role, particularly certain manufacturing sectors, and transport and storage (Figure 5.1.5, right). For exporters, energy shocks therefore not only result in higher operating costs but also exert pressure on performance due to deteriorating cost competitiveness compared to partners in foreign markets.³⁵

Figure 5.1.5: **Energy costs and their share in operating expenses**



Sources: AJPES, Banka Slovenije calculations.

Note: Energy costs include companies' expenses for energy within the costs of goods, materials, and services. Domestic market-oriented companies are those generating more than 85% of their total sales revenue in the domestic market.

The vulnerability of companies to energy shocks depends not only on their energy intensity, but also on other business indicators that reflect their ability to absorb such shocks.

In energy-intensive manufacturing sectors, energy costs account for an above-average share of operating expenses. Nevertheless, energy intensity alone does not fully explain the vulnerability of individual sectors; risk assessment should also consider business indicators, productivity, indebtedness, and the share of equity in sources of funds.

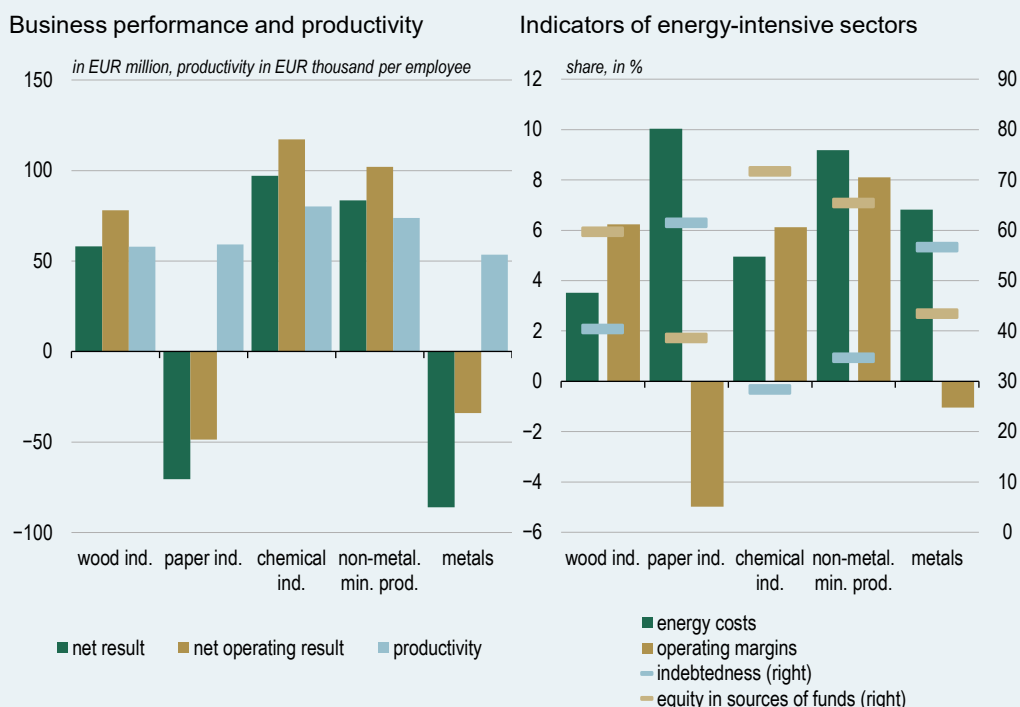
In 2025 the most vulnerable energy-intensive manufacturing sectors were the paper industry and metal production, as both ended the year with a negative operating result, negative margins, and a less favourable capital structure (Figure 5.1.6). Negative operating margins indicate that companies in these sectors did not generate a positive

³⁵ It is important to emphasise that AJPES data do not allow a direct assessment of whether the competitiveness of companies from third countries has increased in the export markets of Slovenian companies. However, when combined with data on relative energy prices, competitiveness indicators, and market shares, they indicate which activities and groups of companies would be most vulnerable to such pressures.

result from core business, as sales revenue was insufficient to cover operating expenses. Any renewed increase in energy prices could therefore further deteriorate their operating performance and competitive position.³⁶

In contrast, the chemical industry and the production of non-metallic mineral products, despite their high energy intensity, exhibit above-average levels of productivity and operating margins, as well as a more favourable financial structure compared to the average for all companies and the average for manufacturing activities (Figure 5.1.6). This indicates that high energy costs do not necessarily imply high vulnerability, provided they are accompanied by higher productivity, a greater ability to pass costs on to prices, or a stronger capital base.

Figure 5.1.6: **Performance of energy-intensive manufacturing sectors in 2025**



Sources: AJPES, Banka Slovenije calculations.

Note: In the left chart, net result is defined as the difference between net profit and net loss; net operating result as the difference between operating profit and operating loss; and labour productivity as the ratio between value added and the number of employees. In the right chart, energy costs show the share of energy costs in operating expenses; operating margins are defined as the ratio between net operating profit and net sales revenue; indebtedness as the ratio between total debt and liabilities to sources of funds; and equity in sources of funds as the share of equity in sources of funds.

The energy shock revealed considerable differences in the resilience of companies. Therefore, restructuring will also be important for maintaining competitiveness.

The results show that the energy shock of 2021–2022 manifested as an asymmetric cost shock across countries, companies, and sectors, while this year's geopolitical tensions in the Middle East have again highlighted economies' exposure to energy price fluctuations. Such shocks should therefore be understood as an important, but not the

³⁶ The finding of greater vulnerability in the paper industry and metal production in 2025 is not inconsistent with developments in market shares during the period 2021–2025. Although the paper industry increased its global market share over this period, it declined in 2025 compared to the previous year, which – together with negative margins and a weaker capital structure – indicates increased pressures in the latter part of the period. Similarly, the global market share of metal production also decreased in 2025, and this sector lost market share throughout the period 2021–2025.

sole, factor affecting the competitiveness of export sectors. In the future, competitiveness will also depend on companies' ability to reduce energy intensity, increase productivity, and shift towards more technologically advanced products. This will be particularly important if geopolitical risks and regional differences in energy prices remain elevated.

Box 5.2: Competition from third countries on export markets for energy-intensive products

The presence of third countries on Slovenia's most important export markets for energy-intensive products increased following the energy shock, but by 2024 this had not translated into a broader decline in Slovenia's market shares or greater competitive overlap.

Slovenia's exports of energy-intensive products (hereinafter EI products³⁷) increased markedly in 2022 (Figure 5.2.1, left), which was likely partly driven by higher prices, as the intensification of the energy shock following the outbreak of the war in Ukraine led to a sharp increase in the prices of many EI products. In 2025, total exports of EI products remained markedly above the average for the 2017–2021 period but lagged behind the growth in total goods exports (Figure 5.2.1, left).³⁸

The share of EI products in Slovenia's goods exports declined in the following year after increasing in 2022 and then remained broadly unchanged (Figure 5.2.1, right). The decline was mainly driven by a reduction in the share of metals and metal products, among which in 2025 the share of iron and steel decreased the most.³⁹

Slovenian exporters maintained their presence on the most important markets for EI products also after the energy shock.⁴⁰ Slovenia's market share on the five most important export markets for EI products increased only slightly between the 2017–2021 and 2022–2024 periods, while the market share of EU exporters declined on average (Figure 5.2.2, left). At the same time, the market share of third countries (outside the EU) increased more markedly, with China recording the largest increase in presence, followed by the United States. Smaller increases in market shares were also observed for India, Turkey, Vietnam and South Korea. The increased presence of third countries was particularly pronounced for chemical products and iron and steel, but at the aggregate level it did not result in a decline in the market share of Slovenian exporters.⁴¹

³⁷ Energy-intensive products comprise the following product groups according to the HS classification: inorganic chemicals, organic chemicals, fertilisers, paints and varnishes, essential oils, perfumes, cosmetics and toilet preparations, soap, organic surface-active agents and washing preparations, proteinaceous substances, modified starches, glues and enzymes, explosives, pyrotechnic products and matches, photographic or cinematographic goods, miscellaneous chemical products, wood and articles of wood, wood pulp and recovered paper, paper and paperboard and articles thereof, articles of stone, plaster, cement and similar materials, ceramic products, glass and glassware, iron and steel, articles of iron or steel, copper and articles thereof, nickel and articles thereof, aluminium and articles thereof, lead and articles thereof, zinc and articles thereof, tin and articles thereof, and other base metals, cermets and articles thereof.

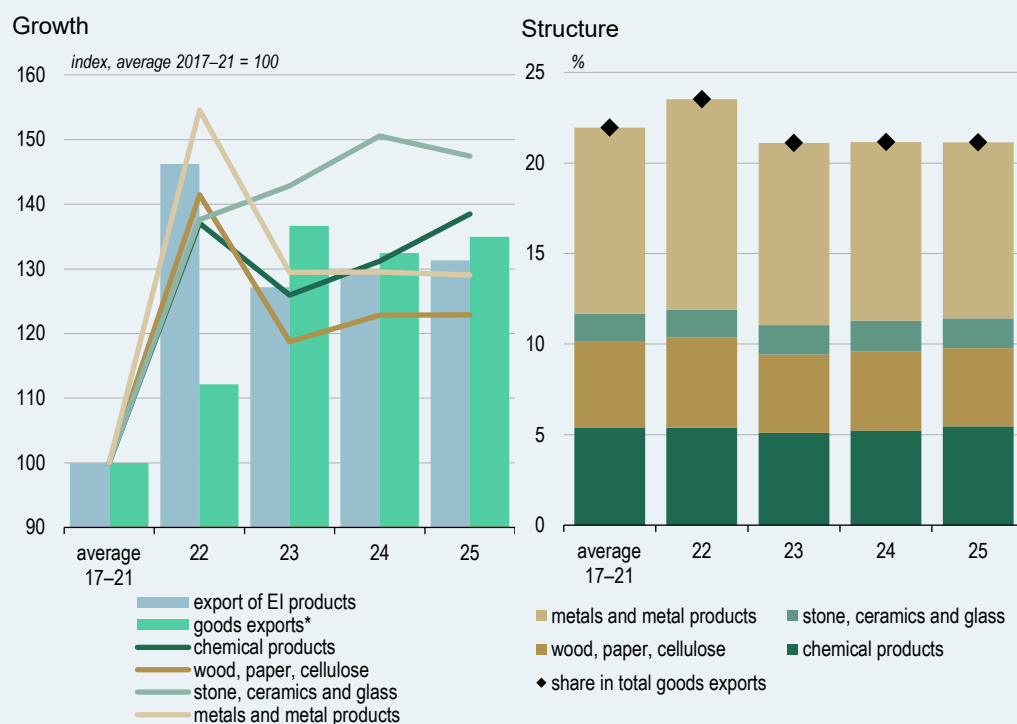
³⁸ Due to the large share of re-exports of chemical products in Slovenia after 2020, the difference between total exports of chemical products and exports of chemical products excluding processing trade has been subtracted from total exports and exports of inorganic chemicals.

³⁹ For more on the impact of high energy prices on the operations and production of energy-intensive industries in Slovenia, see [Luka Žakelj: Energetska bilanca Slovenije v luči odvisnosti od fosilnih goriv](#).

⁴⁰ The five largest Slovenian markets for EI product exports are DE, IT, HR, AT and HU. In 2024, 53% of EI products were exported to these markets.

⁴¹ Conversely, the market share of third countries declined for some other products, including explosives, articles of stone and wood pulp.

Figure 5.2.1: Exports of energy-intensive products



Sources: SURS, Banka Slovenije, Banka Slovenije calculations.

Note: Due to the large share of re-exports of chemical products in Slovenia after 2020, the difference between total exports of chemical products and exports of chemical products excluding processing trade has been subtracted from total exports and exports of inorganic chemicals.

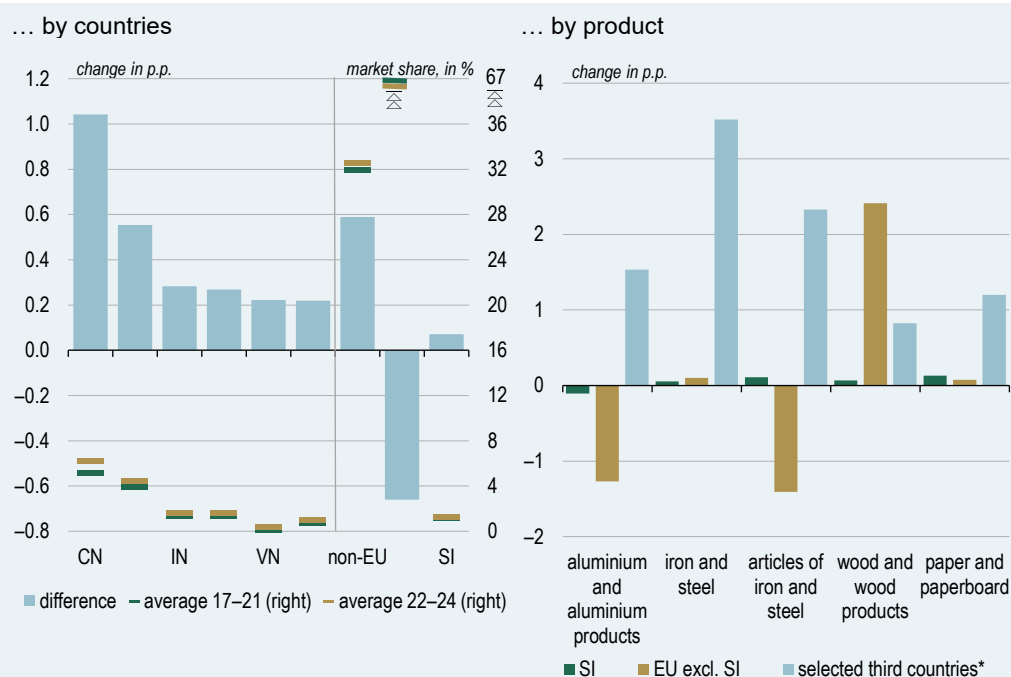
A more detailed analysis by product group also shows that the increased presence of third countries has so far generally not been associated with a decline in Slovenia's market shares in key EI product groups (Figure 5.2.2, right).⁴² Over the period under review, our market share for iron and steel, articles of iron and steel, wood and paper even increased slightly, although the presence of third countries in these groups strengthened. The market share of aluminium and aluminium products, which account for 17% of Slovenian exports of EI products and represent the largest individual group, also remained almost unchanged, declining by 0.1 percentage points. In this group, the share of third countries increased by 1.5 percentage points, while the share of the remaining EU countries declined by 1.3 percentage points, suggesting that Slovenia has so far not been among the more affected European suppliers. Market share changes for Slovenia were also relatively small in the other EI product groups, and systematic competitive pressures on Slovenian exporters have not yet become more pronounced.

For an additional assessment of competitive pressure, we compared the revealed comparative advantages⁴³ of Slovenia and six selected third countries – China, the United States, India, Turkey, Vietnam and South Korea. In this context, we define direct competitive overlap as EI products for which Slovenia has a revealed comparative advantage simultaneously with at least one of these countries.

⁴² The key EI product groups comprise the five EI product groups accounting for the largest share of Slovenia's EI product exports (62% in total in 2024): aluminium and aluminium products, iron and steel, articles of iron and steel, wood and wood products, and paper and paperboard.

⁴³ A country has a comparative advantage in a particular product if the share of that product in its exports exceeds its share in world exports. Two countries are direct competitors when both have a comparative advantage in the same product.

Figure 5.2.2: Change in market shares of EI products on Slovenia's five largest export markets



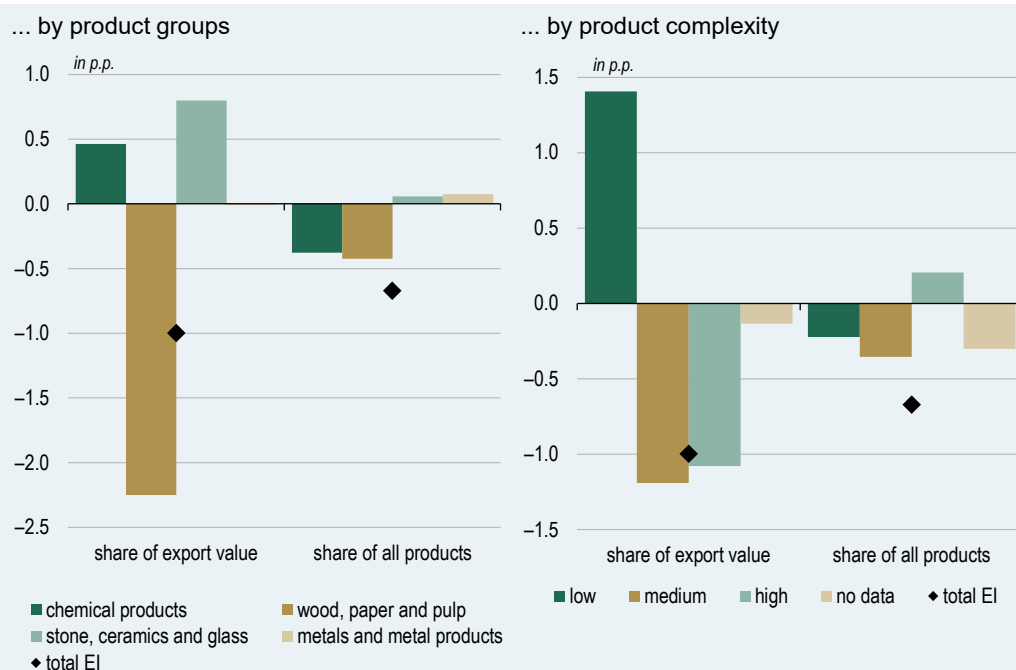
Sources: CEPII – BACI V202601, Observatory of Economic Complexity, Banka Slovenije calculations.

Note: Slovenia's largest markets for EI product exports are DE, IT, HR, AT and HU. The selected third countries comprise the countries with the largest increases in market shares for EI products on these five markets: CN, US, IN, TR, VN and KR. The group of non-EU countries comprise all countries worldwide for which data are available, excluding EU Member States. In the left chart, the arrows indicate a break in the scale on the right axis. The market shares of EU countries excluding Slovenia are 66.8% (2017–2021 average) and 66.2% (2022–2024 average). The right chart shows the five most important EI product groups in Slovenia's EI product exports.

The results indicate that competitive overlap did not increase during the period under review. The share of Slovenia's EI product exports for which Slovenia has a comparative advantage in the same products as at least one of the third countries considered declined slightly in 2022–2024 compared with the period preceding the energy crisis. The share of such products in the total number of EI products also declined slightly. The increased presence of third countries on our main export markets therefore did not translate into either a larger share of export value or a larger number of products in which Slovenia has a comparative advantage alongside third countries. A more detailed analysis by product group indicates only a change in the structure of competitive overlap across individual product groups (Figure 5.2.3, left).

A similar picture emerges from the analysis of product complexity (Figure 5.2.3, right). In terms of export value, the share of competition increased for low-complexity products, while in terms of the number of products, the share of competition increased for high-complexity products.

Figure 5.2.3: Change in competitive overlap between Slovenia and selected third countries for EI products



Sources: CEPII – BACI V202601, Observatory of Economic Complexity, Banka Slovenije calculations.

Note: Change between the 2017–2021 and 2022–2024 periods, in percentage points. The share of export value is the share of the value of Slovenia's EI product exports for which Slovenia has a comparative advantage in the same products as at least one of the third countries considered, while the share of products is the share of EI products with the same overlapping comparative advantages. Calculations are based on the 6-digit HS level. The selected third countries comprise the countries with the largest increases in market shares for EI products on Slovenia's five largest export markets: CN, US, IN, TR, VN and KR. Product complexity: "low" corresponds to the bottom third, "medium" to the middle third and "high" to the top third of the distribution of product complexity in the given year.

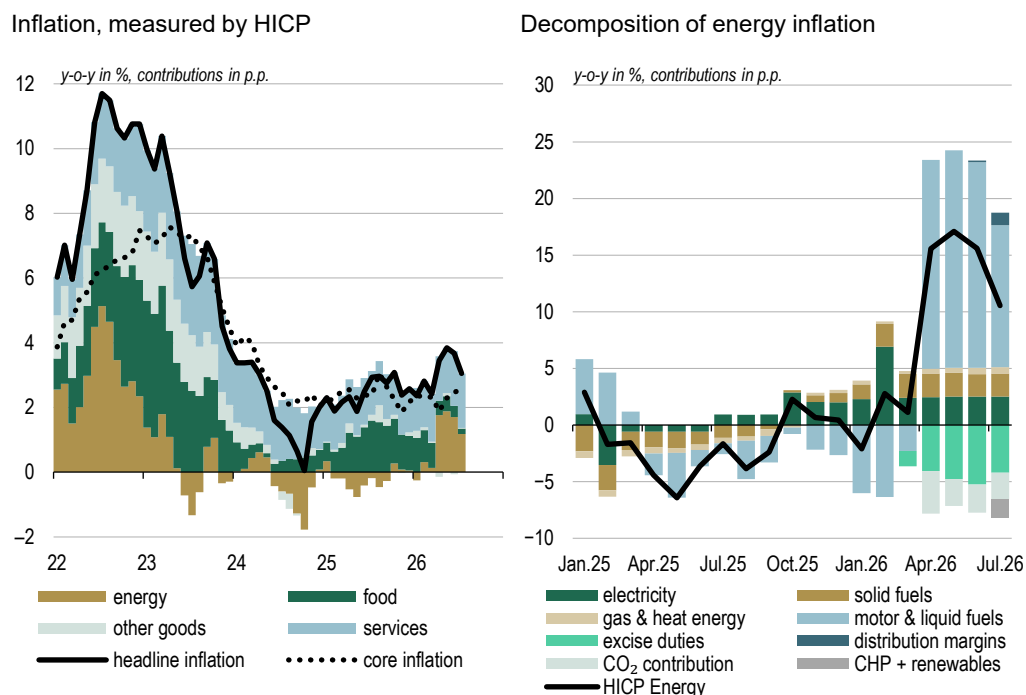
The results presented in this box generally show that third countries increased their presence on Slovenia's most important export markets after 2022, but this has so far resulted neither in a decline in Slovenia's market shares nor in greater competitive overlap. The changes were small and mainly related to individual product groups, so it is not yet possible to speak of a general deterioration in Slovenia's position on EI product markets.

Nevertheless, this does not mean that competitive pressures have not increased. The increase in the market shares of individual third countries indicate their stronger presence in certain product groups, particularly iron and steel and other metal products. Geopolitical developments also pose a risk of a more pronounced deterioration in the competitiveness of Slovenian exporters, as persistent differences in electricity prices between European and non-European producers could further increase competitive pressures on European export markets.

Headline inflation increased again in August, following declines in June and July, driven mainly by developments in energy prices.

The year-on-year growth in consumer prices, measured by the HICP, strengthened to 3.4% in August, up from 3.0% in July. It has thus persisted above three percent since April this year. The acceleration in August was primarily driven by stronger growth in energy prices, while core inflation and food price growth moderated somewhat (Figure 6.1, left).

Figure 6.1: Inflation in Slovenia



Sources: SURS, Eurostat, ECB, Banka Slovenije estimates and calculations.

Note: The right chart shows the contribution of electricity to July 2026 inflation excluding the base effect arising from the reintroduction of the CHP+renewables levy in July 2025. Prior base effects of this levy are not shown. Petroleum products represent the combined contribution of petrol, diesel and liquid fuels. Excise duties show the effect of the reduction in excise tax rates relative to their February 2026 levels. Distribution margins show the effect of the increase in the maximum permitted level by approximately two cents, which, from 16 June onwards, amounts to 11.5 cents per litre. The CO₂ charge shows the effect of the temporary full and partial suspension of the environmental levy between 24 March and 1 June 2026. The CHP+renewables levy effect represents the impact of the base effect dropping out of the year-on-year rate calculation. This is related to the reinstatement of the full levy on 1 July 2025.

Since the outbreak of the conflict in the Middle East in March this year, energy inflation has been primarily driven by motor and liquid fuels prices. These prices have exhibited pronounced volatility, consistent with crude oil prices on global markets and, to an even greater extent, with prices of refined petroleum products (see Box 6.1). Consequently, annual growth in energy prices accelerated above 15% in April, then eased somewhat, and in August strengthened again to 15.1%, owing to a renewed increase in the contribution from motor and liquid fuels prices (Figure 6.1, right). The rise has been partly offset by government measures, which, according to our estimates, reduced energy inflation by an average of 7.3 percentage points between April and July (see Box 7.1),

and in August, due to the temporary exemption from certain levies, by an additional 3.3 percentage points.⁴⁴

However, food inflation continued to moderate during the summer, extending the downward trend that began in August last year. Since then, the overall level of food prices has remained relatively unchanged, bringing year-on-year growth down to 0.3% by August this year. The moderation is thus primarily attributable to base effects stemming from the elevated monthly growth rates recorded last year. In terms of sub-components, the easing of food inflation reflects, to a broadly equal extent, developments in both unprocessed and processed food prices. It is accompanied by an easing of price pressures along the entire production chain. Farm-gate prices in the euro area were 8.2% lower year-on-year in July, and in Slovenia 6.9% lower year-on-year in June. Since May, import prices for food have also been lower year-on-year. Furthermore, year-on-year growth in producer prices of food products has continued to moderate, reaching 0.6% by July. Nevertheless, adverse weather effects, in particular drought, pose an upside risk to food price developments, particularly over the medium term.

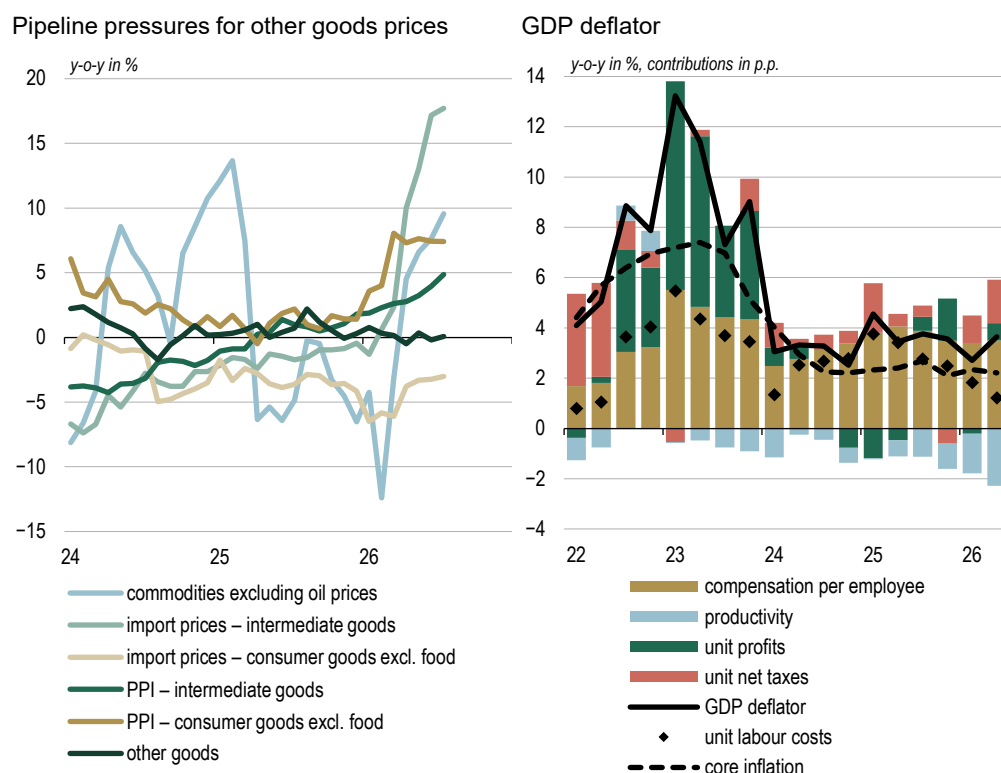
Services prices remain the main driver of core inflation.

Core inflation, i.e. inflation excluding energy and food prices, remained relatively stable over the summer, reaching 2.5% in August. It continues to be driven predominantly by services prices, while the contribution of other goods prices remains limited, reflecting their subdued year-on-year growth of 0.2% in August. At least for now, the strengthening of price pressures along production and supply chains has not yet fed through to retail prices. In addition to developments in labour costs, price pressures are primarily related to higher commodity prices following the outbreak of the war in the Middle East (Figure 6.2, left).

By contrast, services inflation remains elevated, exceeding the 4% threshold for the third consecutive month and standing at 4.3% in August. The increase over the summer was driven primarily by developments in the prices of package holidays packages and accommodation, which recorded atypically high monthly growth rates. The persistence of elevated services inflation can therefore be attributed mainly to the pass-through of higher labour costs into final consumer prices. The importance of wage pressures in price formation is also reflected in developments in the GDP deflator, with compensation of employees continuing to account for the largest share (Figure 6.2, right).

⁴⁴ Between 28 July and 28 September 2026, a temporary suspension of the environmental CO₂ levy and the energy efficiency contribution applies to regulated motor fuels and liquid fuels.

Figure 6.2: **Drivers of core inflation**



Sources: SURS, Eurostat, ECB, Banka Slovenije estimates. Latest data left: July 2026, for other goods August 2026, right: Q2 2026.

Box 6.1: **Heterogeneous transmission of the oil price shock to inflation across euro area countries**

Oil prices have a significant impact on inflation dynamics and volatility. The intensity and speed of the pass-through from oil market prices to consumer prices vary over time and across countries, reflecting economic and institutional factors.

Oil remains one of the most important commodities. It is a key source of energy for transport, agriculture and households, while also being indispensable in numerous industrial sectors. Geopolitical tensions affecting global oil production and supply can therefore have a significant impact on inflation dynamics and volatility. They can lead to higher oil prices, which, through higher fuel prices and production costs, are also passed through to the prices of other goods and services, thereby putting upward pressure on headline inflation. Against the backdrop of heightened geopolitical tensions in the Middle East, crude oil prices have been highly volatile this year. Markets responded to the outbreak of the conflict in early March with an approximately 50% increase in Brent crude oil prices. Prices subsequently eased significantly, particularly following the US President's announcement in mid-June that the Strait of Hormuz would be reopened. From mid-July onwards, however, prices rose again temporarily amid a renewed escalation in attacks.

Against the backdrop of pronounced volatility in global markets, which continued into August, we sought to assess how quickly changes in global prices are reflected in retail

fuel prices and overall consumer expenditure, as well as to what extent the transmission differs across euro area countries. The price of fuel is in fact determined not only by the price of the underlying commodity, but also by refining and distribution costs and margins. In addition, the final price also includes excise duties, VAT and other levies, which provide governments with a policy instrument to mitigate the pass-through of global price changes to consumers (see Box 7.1). To perform such analysis, we used harmonised weekly data on oil product prices published by the EC as part of the Weekly Oil Bulletin. These data show that movements in retail petrol and diesel prices in the euro area follow developments in Brent crude oil prices (Figure 6.1.1)

Figure 6.1.1: **Retail fuel prices in relation to Brent crude oil prices**



Sources: ECB, Weekly Oil Bulletin. Latest data: 24 August 2026.

The long-term impact of higher wholesale oil prices on retail motor fuel prices is comparable across euro area countries.

The analysis focuses on diesel and petrol prices⁴⁵, while daily data on Brent crude oil price developments were aggregated into weekly data so that the resulting weeks correspond to the reporting weeks used in the Weekly Oil Bulletin.⁴⁶ As a first step, for each fuel we estimated how quickly changes in oil markets are reflected in its pre-tax price. In addition to the price of crude oil, this price includes refining, transport and storage costs, the costs of mandatory biofuel blending, as well as the margins of refineries, transport companies and retailers.

To estimate the pass-through, we used data covering the period from 2005 to the end of July 2026 and an Error Correction Model (Engle and Granger, 1987). For each euro area country⁴⁷, we estimated the following long-run equation:

$$\log(p_t) = c_1 + \beta_1 \cdot \log(b_t) + \beta_2 \cdot 2022_t + u_t$$

⁴⁵ For the purposes of the analysis, petrol refers exclusively to 95-octane unleaded petrol.

⁴⁶ The Weekly Oil Bulletin data are published every Monday. The data published on Monday of week t represent the average prices over the period from Friday of week $t-2$ to Thursday of week $t-1$.

⁴⁷ The analysis does not include Malta, which is an outlier in the Weekly Oil Bulletin data. Fuel prices excluding taxes in Malta are considerably more stable than in most other EU countries. This is due to state-administered pricing, a centralised fuel procurement system and limited competition in the market, which cause retail fuel prices to respond more slowly and to a lesser extent to changes in international prices.

Here p_t denotes the pre-tax price of fuel, either diesel or 95-octane unleaded petrol, expressed in euros per litre, while b_t denotes the price of Brent crude oil, expressed in euros per barrel. To account for the changed geopolitical conditions following the outbreak of the war in Ukraine, we also included a dummy variable for all observations from January 2022 onwards (Figure 6.1.1).

The results show that a 10% increase in Brent crude oil prices leads, in the long run, to an average increase of 6.5% in pre-tax diesel prices and 6.2% in pre-tax petrol prices in the euro area. In Slovenia, the estimated elasticities are somewhat higher, at 7.2% for diesel and 6.8% for petrol. Differences across countries are relatively small: long-run elasticities are quite homogeneous, ranging from 5.4% to 7.2% across both fuels.

Most of the pass-through of an oil price shock occurs within the first two weeks, with the pass-through being faster in countries with more developed and competitive markets.

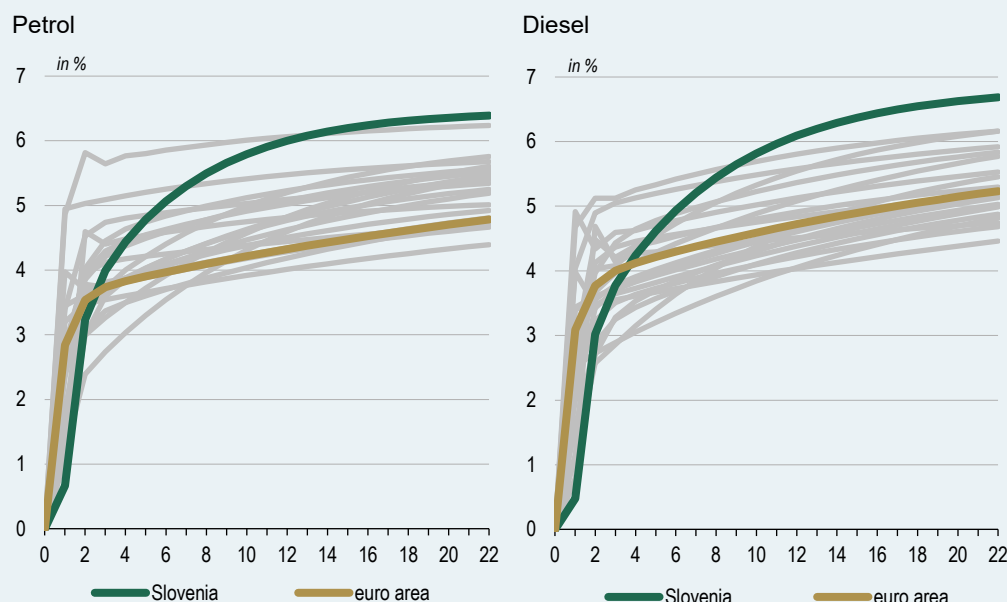
Given some lag in the pass-through of changes in crude oil prices, we sought to determine whether the speed of pass-through is also comparable across countries in the short run. We therefore linked short-term changes in retail fuel prices to changes in global oil prices and to the speed of adjustment towards the long-run relationship, as captured by the coefficient α :

$$\Delta \log(p_t) = c_2 + \delta \cdot \Delta \log(p_{t-1}) + \gamma_1 \cdot \Delta \log(b_t) + \gamma_2 \cdot \Delta \log(b_{t-1}) + \alpha \cdot \hat{u}_{t-1} + \varepsilon_t$$

This allowed us to estimate the impact of an oil price shock on pre-tax fuel prices. We simulated the path of pre-tax fuel prices under two scenarios: (1) a permanent 10% increase in Brent crude oil prices and (2) no change in Brent crude oil prices. The results show that most of the pass-through occurs within the first two weeks following the shock. By the end of the 20-week period, the price of a litre of fuel in the euro area is, on average, around 5.0% higher, compared with 6.5% in Slovenia (Figure 6.1.2). Thus, almost two-thirds of the shock is passed through to pre-tax fuel prices.

Slovenia's relatively higher pass-through compared with the euro area average may be related to the larger role of the refined product price, which forms the basis for retail fuel pricing. In addition, Slovenia is one of the few euro area countries where distributors' margins are regulated. These margins are set at a relatively low level and therefore account for a smaller share of the total pre-tax fuel price, which also limits the scope for adjustment in response to shocks. There are also some differences across euro area countries, particularly during the first two weeks. A faster pass-through is observed in Belgium, France, Luxembourg and Germany, while the pass-through is somewhat more delayed in Slovenia, Cyprus, Ireland, Croatia and Slovakia. These cross-country differences can be related, among other factors, to the way prices are determined (market-based or regulated), the degree of competition in each country, and the time lag between fuel delivery and retail sale. These differences primarily affect short-term adjustment dynamics, while the long-run relationship between Brent crude oil prices and pre-tax fuel prices remains broadly comparable across countries.

Figure 6.1.2: Response of pre-tax fuel prices to a 10% increase in Brent crude oil prices



Sources: Weekly Oil Bulletin, Banka Slovenije calculations.

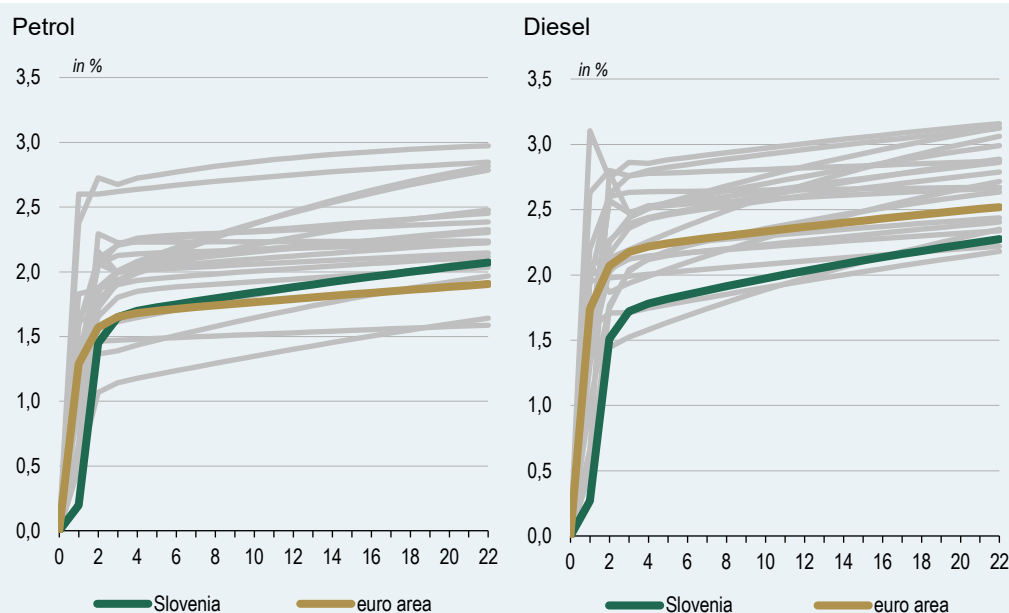
The pass-through to retail prices, which include taxes and other levies, is comparatively smaller.

Compared with pre-tax prices, the pass-through of higher Brent crude oil prices to the retail prices paid by consumers is, as expected, more than half as low (Figure 6.1.3). Retail prices also include taxes and other levies, which means that the share of the underlying commodity in the final price is proportionally lower. In the euro area, taxes and other levies account for approximately 39% of the final price, while VAT accounts for 18%; in Slovenia, the corresponding shares are 38% and 22%, respectively. In Slovenia, particularly in recent years, the government has adjusted the level of taxes and other levies on several occasions with the aim of mitigating the pass-through of market developments to consumers (see Box 7.1). This may also have contributed to the comparatively more muted response of retail prices to the oil price shock. According to the model estimates, approximately one-fifth of the price shock is passed through to final retail prices.

Cross-country differences in pass-through also contribute to differences in measured inflation in the short term.

The methodology used to monitor fuel prices specifies that prices of petroleum products are monitored from the 1st to the 25th day of each month. This means that, in countries with slower pass-through, a spike in crude oil prices may be reflected in measured inflation only in the following month rather than in the current month. In 2026, motor fuels account for an average of 3.7% of household expenditure in the euro area, compared with a considerably higher share of 5.8% in Slovenia. An oil price shock contributes directly to headline inflation through higher fuel prices: a 10% increase in global oil prices would, through this channel alone, raise headline inflation by 0.1 percentage point. The shock also affects inflation indirectly through higher prices of food, services and other goods, particularly via higher transport and production costs.

Figure 6.1.3: **Response of retail fuel prices to a 10% increase in Brent crude oil prices**



Sources: Weekly Oil Bulletin, Banka Slovenije calculations.

7

Fiscal Position

The deficit of the consolidated general government balance is increasing despite solid revenue growth, primarily due to the wage reform, strong investment growth, and the strengthening of long-term care services.

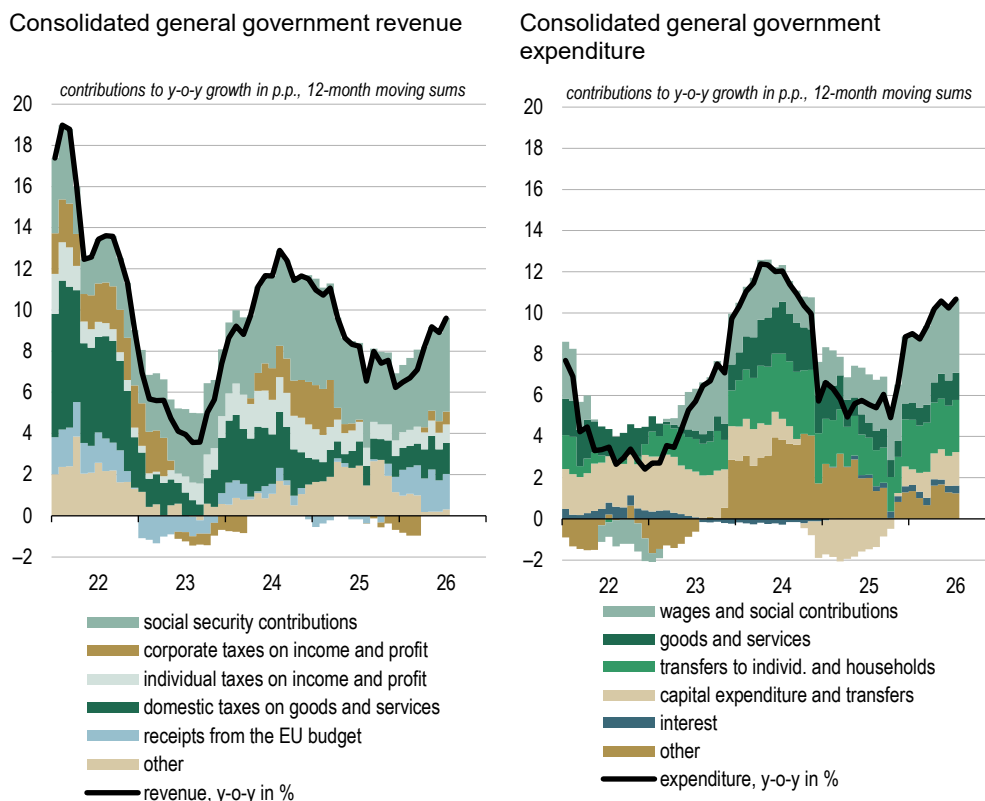
The deficit of the consolidated general government balance reached EUR 1.3 billion in the first seven months, which is EUR 258 million higher year-on-year, mainly reflecting a larger deficit in the state budget. The municipal balance shifted from surplus to deficit due to strong investment growth, while the Health Insurance Institute of Slovenia (ZZZS) recorded a more favourable balance than in the same period last year, owing to a larger transfer from the state budget.

Consolidated general government revenue was 11.2% higher year-on-year up to July. Revenue growth remained relatively strong, mainly due to higher revenue from social security contributions, other tax revenues, and funds from the EU budget (Figure 7.1, left). The largest part of the nominal increase came from social security contributions, reflecting wage developments and the effect of the long-term care contribution introduced last year.⁴⁸ Corporate income tax revenue was about one fifth higher, primarily due to settlements for the previous year. After nearly two years, growth in taxes on goods and services strengthened, reaching 7.3%, with value added tax standing out as a result of robust household consumption growth, especially in purchases of durable goods. Within these taxes, excise duties declined year-on-year due to lower taxation of

⁴⁸ In the second half of 2025, a new contribution for compulsory long-term care insurance was introduced, first applied to July wages and pensions. Employees and employers each pay 1% of gross wages, pensioners pay 1% of net pensions, while the self-employed and farmers with registered activity pay 2% of their wage.

energy products (see Box 7.1). Following the adjustment of tax brackets and allowances, personal income tax growth was 7.4%. The conclusion of the Recovery and Resilience Plan contributed to higher receipts from the EU budget.

Figure 7.1: **Consolidated general government revenue and expenditure**



Sources: Ministry of Finance, Banka Slovenije calculations. Latest data: July 2026.

Consolidated general government expenditure growth reached 12% year-on-year in the first seven months, outpacing revenue growth. The main contributors to nominal expenditure growth were wages and social security contributions of public sector employees, which increased by 14.5%, and transfers to households and individuals, which rose by 7.0% (Figure 7.1, right). The increase in wages and social security contributions reflects the implementation of the wage agreement from the end of 2024, the rise in the minimum wage, indexation to inflation, and promotions. Among transfers to households and individuals, pensions represent the largest share. Pension expenditure increased by 6.9% due to a 5.2% indexation and a 0.9% rise in the number of pensioners. The launch of institutional long-term care in December last year and the gradual expansion of home-based long-term care services have also driven up related costs. Unemployment benefits have increased markedly due to legislative changes, while expenditure on personal assistance has also seen substantial growth. Investment expenditure and transfers have risen significantly as well, with investment activity increasing in both the state budget and at the municipal level.

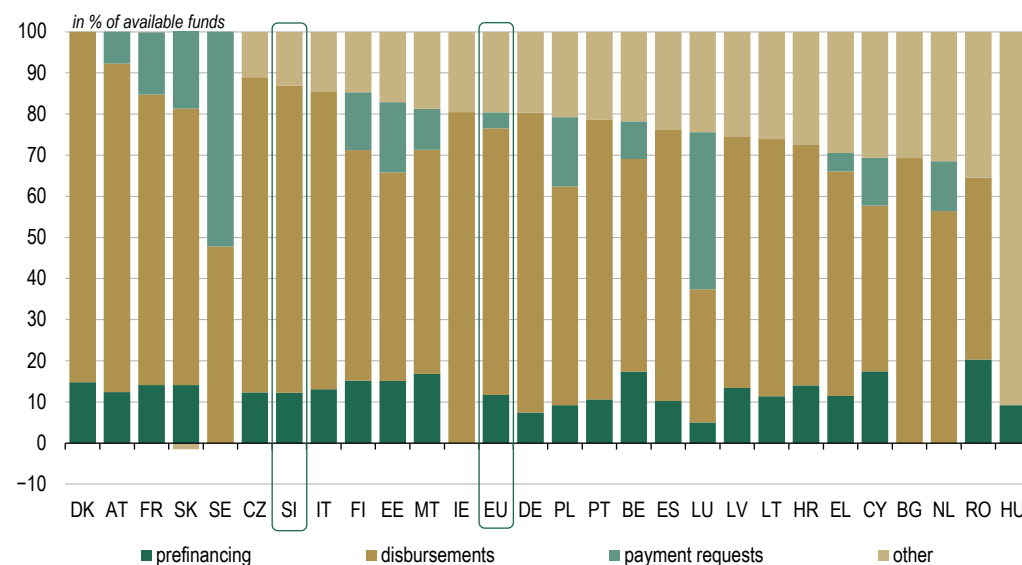
As the Recovery and Resilience Plan nears completion, Slovenia has recorded a higher surplus in its transactions with the EU budget this year.

In the first seven months, the state budget recorded a surplus of EUR 118 million in transactions with the EU budget, whereas a small deficit was recorded in the same

period last year. Despite a significant increase in payments to the EU budget (by almost one fifth), particularly those based on gross national income, the surplus increased substantially, as revenue up to July was more than 50% higher year-on-year, mainly due to inflows from the Recovery and Resilience Facility (RRF).

EU Member States differ in their success in absorbing RRF funds, with Slovenia among those that have drawn down the largest share of available resources to date (Figure 7.2). Denmark has been even more successful, having absorbed all available funds, while Austria, France, Slovakia, and Sweden have already submitted requests to the European Commission for all remaining resources. As of August this year, Slovenia had absorbed 87% of its available allocation, with the final disbursement request scheduled for submission in September. Hungary remains the least advanced in terms of RRF fund absorption. All Member States were required to achieve the relevant RRF targets and milestones by the end of August 2026.

Figure 7.2: Implementation of Recovery and resilience plans in EU member states



Sources: EC (Recovery & Resilience Scoreboard), Banka Slovenije calculations.

Note: Countries are ranked according to the total share of funds received (prefinancing and disbursements) and payment requests in total available resources.

Risks to public finances remain elevated.

A state budget revision for this year and budgetary documents for 2027 and 2028 are currently being prepared, with government approval expected by the end of September. Despite the targeted increase in defence expenditure already this year, the speed of procurement remains uncertain, mainly due to heightened demand from NATO member states and ongoing global conflicts. In addition to defence spending, investment expenditure is higher this year due to local elections and the completion of the Recovery and Resilience Plan, although both factors are expected to subside next year. Additional risks to public finances are linked to the conflict in the Middle East, as various measures are being introduced to mitigate higher energy prices (see Box 7.1). The implementation of measures under the Intervention Act to Promote the Development of Slovenia also remains uncertain and would according to Fiscal Council estimations

worsen the fiscal balance. The Constitutional Court has permitted the collection of signatures for a referendum on this Act.⁴⁹ Other key pressures on public finances include demographic trends, the green transition, and the ongoing post-flood reconstruction.

Box 7.1: Fiscal policy response to energy crisis

The fiscal costs of energy support measures following the outbreak of the war in the Middle East have so far been moderate and significantly lower than after the start of the war in Ukraine.

In recent years, fiscal policy has faced a series of shocks. Among the most prominent are the COVID-19 pandemic, extreme weather events, and two major energy crises – the first following the outbreak of the war in Ukraine in 2022 and the second after the onset of the war in Iran this year. Both events significantly contributed to the rise in global energy prices (see Box 5.1). Slovenia, like other EU Member States, responded to rising energy prices and high import dependence by adopting a range of measures to limit the pass-through of higher energy prices to domestic prices and to contain inflationary pressures (see Box 6.1). These measures had significant fiscal implications, as they increased the general government deficit and, consequently, the need for financing and the level of general government debt.

The fiscal costs of this year's energy shock, associated with the war in the Middle East, are so far considerably lower than those following the start of the war in Ukraine. The fiscal costs of energy and inflation compensatory measures to support households and firms in Slovenia were at their highest in 2022–2023, worsening the general government balance by approximately 2.6% of GDP, which is comparable to the scale of measures implemented in euro area countries (Figure 7.1.1, left).⁵⁰ In 2026, the fiscal cost of measures adopted after the outbreak of the war in the Middle East is estimated at around 0.3% of GDP, while in the euro area the figure is around 0.1% of GDP.⁵¹ Should uncertainty in the international environment persist, additional measures may be adopted.

Fiscal measures significantly mitigated the short-term impact of the energy crisis on inflation, while their effect on economic activity was relatively limited.

According to our empirical estimates, fiscal measures such as those adopted during both energy crises, amounting to 1% of GDP, reduce inflation by an average of 0.5 percentage points and increase real GDP growth by 0.2 percentage points. The estimated effect on GDP is at the lower end of the usual range of government expenditure multipliers. This is primarily related to the nature of the measures, which were aimed at

⁴⁹ The collection of voter signatures in support of the request for a referendum will take place between 1 September and 5 October 2026. If at least 40,000 signatures are collected, the National Assembly will call a referendum. The Intervention Act to Promote the Development of Slovenia, adopted by the National Assembly on 11 May 2026, introduces, among other measures, a lower VAT rate on basic foodstuffs, systemic solutions for self-employed persons under the flat-rate scheme, the introduction of a cap on social security contributions, and the possibility of receiving a full pension while continuing to work after meeting the retirement conditions.

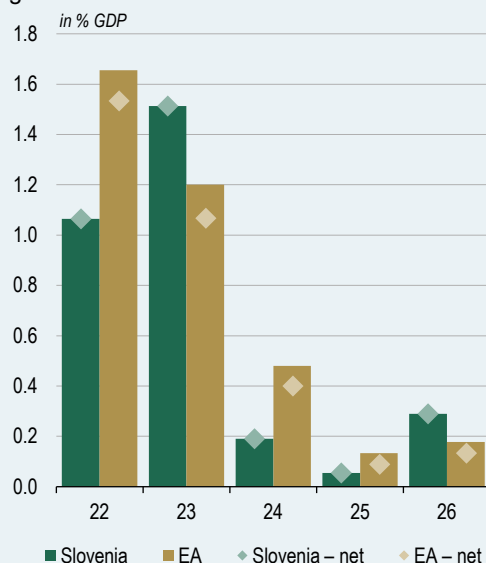
⁵⁰ The chart shows both the gross and net value of the measures. These differ at the euro area level, as some countries have also adopted measures to finance them.

⁵¹ Eurosystem staff macroeconomic projections for the euro area, ECB, June 2026. In 2026, both measures adopted following the outbreak of the war in Iran and the lingering effects of measures approved during the 2022 energy crisis are present.

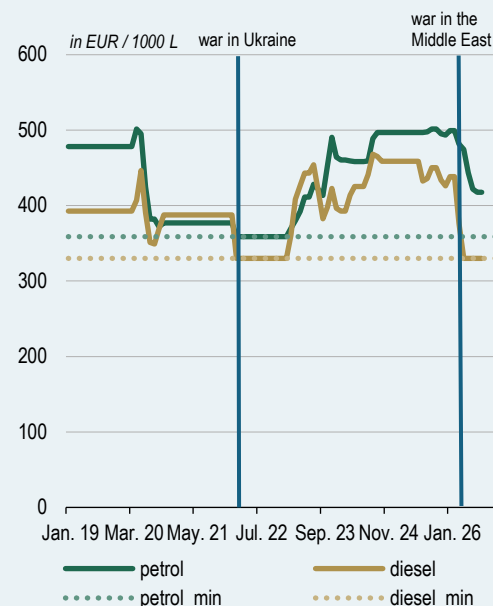
limiting the pass-through of higher energy prices to final prices and preserving the purchasing power of households, rather than directly stimulating aggregate demand.

Figure 7.1.1: The amount of energy measures in Slovenia and the euro area, and excise duties on petrol and diesel in Slovenia

The impact of energy and inflation compensatory measures on the general government balance



Excise duties on petrol and diesel



Sources: ECB, Ministry of finance, Portal Energetika, Banka Slovenije estimates and calculations.

Note: The assessment of measures to mitigate the energy crisis and rising prices for the euro area is taken from the [ECB Economic Bulletin of August](#). The assessment of measures for 2026 for the euro area is based on the Eurosystem projections published in June, while for Slovenia, all measures adopted up to the end of August 2026 are taken into account. Consequently, this assessment is somewhat higher than at the time of the June projections, when the measures were estimated at 0.2% of GDP. The gross value of the measures includes all adopted energy-related measures, whereas the net value takes into account that some euro area countries have also implemented measures to finance these interventions.

These measures primarily served to mitigate the increase in consumer prices. During their period of validity, such measures limit inflation; however, once they expire, some of the suppressed price pressures may re-emerge, resulting in somewhat higher inflation. Nevertheless, it is reasonable to assess their effectiveness mainly from the perspective of short-term mitigation of the inflation shock and the protection of purchasing power.

The measures adopted have often not followed recommendations to be temporary and targeted, which would allow for better containment of fiscal costs.

International organisations recommend that measures adopted in response to energy shocks should be temporary, targeted, and tailored.⁵² Broad and prolonged mitigation of price pressures reduces incentives for energy savings and results in higher fiscal costs. Despite these recommendations, measures implemented in practice have often been general and less targeted, as they have focused on broad-based price mitigation for all users rather than direct support for vulnerable groups and energy-intensive enterprises.

⁵² See, for example, ECB Economic Bulletin, August 2026, box [Assessing the scope for compensatory fiscal measures in response to the recent energy shock](#).

In Slovenia, the measures adopted this year in response to the energy crisis have primarily taken the form of reductions in various fuel duties, which are general and not specifically targeted at the most vulnerable households or energy-intensive enterprises. The largest fiscal cost arises from reductions in excise duties. This approach was also used during the 2022 energy crisis and the pandemic, when excise duties on energy products were similarly reduced, but subsequently increased once conditions stabilised (Figure 7.1.1, right).⁵³ Other measures adopted this year are temporary, including a two-month exemption (from 28 July to 28 September 2026) from the environmental levy on CO₂ emissions and the energy efficiency contribution on regulated fuels and heating oil.

In contrast to this year, the range of measures during the energy crisis following the outbreak of the war in Ukraine was broader and at least partly targeted and temporary. In 2022, measures were distributed roughly equally between reductions in indirect taxes, cash social transfers, and subsidies, while in 2023 subsidies predominated. Targeted measures during this period included transfers to the most vulnerable groups, such as pensioners with low pensions.

The share of environmental taxes in GDP declined during the mitigation of energy crises.

Environmental taxes, the majority of which are energy taxes, declined significantly during the pandemic and after the outbreak of the war in Ukraine (Figure 7.1.2).⁵⁴ This trend has been observed both in Slovenia and across the EU. Over the past two decades, the share of environmental taxes in GDP was lowest in 2023 and remained at a similar level in 2024, while data for 2025 are not yet available. This development is consistent with the structure of support measures adopted during these economic shocks, as such measures were often aimed at reducing the burden of environmental taxes.

Environmental tax revenues in Slovenia exceed the EU average. Between 2009 and 2019, this excess amounted to more than one percentage point of GDP, peaking at around 1.7 percentage points in 2015 and 2016, before gradually declining to 0.75 percentage points of GDP by 2024. In Slovenia, more than half of environmental taxes are paid by households, compared with less in the EU (43% in 2023 and 2024), with this share declining over time in both economies.

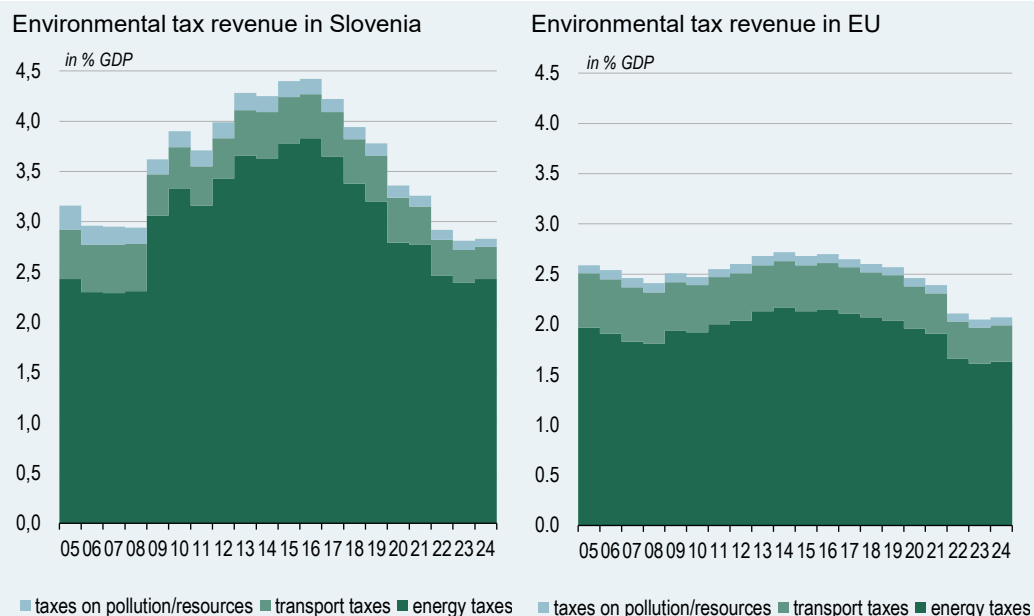
A reduction in environmental taxes is an effective short-term measure for mitigating the effects of an energy shock; however, it may be problematic from the perspective of long-term environmental objectives. Lower taxation of energy products reduces their final cost and thereby weakens the price signal – that is, the information that higher prices would otherwise provide to encourage households and firms to use energy more efficiently and to switch to more environmentally friendly sources.⁵⁵

⁵³ Currently, excise duties on diesel fuel and heating oil, at EUR 330 and EUR 79.25 per 1,000 litres respectively, are at the minimum permitted level, while the excise duty on unleaded petrol, at EUR 417.59 per 1,000 litres, exceeds the minimum threshold (EUR 359 per 1,000 litres). On 30 July 2026, the government requested the European Commission to approve a temporary (six-month) reduction in excise duties on petrol and diesel below the EU-mandated minimum, in light of exceptional and persistently high energy prices. Similar temporary reductions have already been approved for Sweden and Croatia.

⁵⁴ Energy taxes include excise duties and taxes on pollution from CO₂ emissions.

⁵⁵ It is also important to take into account the long-term fiscal implications of decarbonisation. According to the [OECD \(2019\)](#), the transition towards more energy-efficient vehicles and alternative fuel technologies in Slovenia will gradually reduce the tax base linked to the taxation of fossil fuels. It is estimated that revenues from fuels for private vehicles could decline by more than half by 2050 compared to 2017. Decarbonisation will therefore have not only environmental but also

Figure 7.1.2:
Environmental tax revenue in Slovenia and EU



Source: Eurostat.

Greater flexibility in complying with EU fiscal rules is envisaged for energy-related measures.

In August 2026, the European Commission (EC) adopted guidance on fiscal flexibility for energy security measures, thereby extending the national escape clause from fiscal rules, which was initially intended only for increased defence expenditure. Under the new guidelines, measures adopted since 28 February this year – i.e. since the start of the war in the Middle East – will be taken into account. This option is intended to finance urgent investments in energy resilience and the transition to clean energy, as well as to support households and businesses to reduce their reliance on fossil fuels. At the request of Member States, such measures may be excluded from the assessment of deviations from the recommended net expenditure path. Additional flexibility is limited to 0.3% of GDP annually, or 0.6% of GDP cumulative over the period 2026–2028, and remains within the overall of 1.5% of GDP cap. For deviations from fiscal commitments due to energy measures, Member States – similarly to the case of defence expenditure – will need to apply to the EC, which will assess the request, with final approval by the EU Council.

significant fiscal consequences, as it will require adjustments to the tax system and the gradual replacement of fossil fuel tax revenues with other, more stable sources of revenue.

Table 8.1: Key macroeconomic indicators at the monthly level for Slovenia

	2024	2025	12 mths to Jun. 26	3 mths to Jun. 25	3 mths to Jun. 26	2026 Apr.	2026 May.	2026 Jun.	2026 Jul.	2026 Aug.
Economic Activity										
	balance of answers in percentage points									
Sentiment indicator	-2.7	-2.0	-1.7	-2.7	-2.4	-4.7	-1.8	-0.6	-0.1	-0.8
- confidence indicator in manufacturing	-7.8	-6.4	-5.6	-7.7	-5.3	-7.0	-5.0	-4.0	-2.0	-4.0
	year-on-year growth rates in %									
Industry: - total	-1.2	-1.8	-0.7	-2.9	3.0	-0.2	3.6	5.3	...	...
- manufacturing	0.9	-1.4	0.5	-1.6	4.1	0.8	5.1	6.2	...	...
Construction: - total	-9.4	10.1	22.5	3.4	24.8	32.9	19.6	22.9	...	...
- buildings	-12.6	9.1	17.6	9.0	19.6	39.6	5.0	17.8	...	...
Trade and service activities - total	1.9	1.6	3.9	1.0	5.8	3.8	4.8	8.5	...	...
Wholesale and retail trade and repair of motor vehicles	6.7	5.3	6.3	7.0	8.3	2.7	6.6	14.1	...	...
Retail trade, except of motor vehicles and motorbikes	0.7	1.0	0.4	1.9	1.5	0.7	0.1	2.9	...	...
Other private sector services	1.4	1.7	5.0	0.5	7.4	4.6	6.7	10.3	...	...
Labour market										
	year-on-year growth rates in %									
Average gross wage	6.2	5.9	5.9	7.3	7.4	6.9	6.9	8.3	...	...
- private sector	7.1	3.9	4.9	5.5	7.0	6.9	6.4	7.8	...	...
- public sector	4.6	9.4	7.5	10.6	7.7	6.6	7.6	8.8	...	...
Real net wage ¹	1.8	2.6	...	5.0	...	2.0	...	...	...	...
Registered unemployment rate (in %)	4.6	4.6	4.6	4.4	4.4	4.5	4.4	4.3	...	...
Registered unemployed persons	-5.6	-1.2	-0.2	-2.1	-0.4	-0.4	-0.3	-0.4	-1.2	...
Persons in employment	1.1	-0.3	-0.2	-0.4	-0.1	-0.1	-0.1	-0.1	...	...
- private sector	1.1	-0.8	-0.8	-0.9	-0.7	-0.7	-0.7	-0.7	...	...
- public sector	1.2	1.1	1.5	1.0	1.6	1.7	1.5	1.5	...	...
Price Developments										
	year-on-year growth rates in %									
HICP	2.0	2.5	2.9	2.2	3.7	3.4	3.8	3.7	3.0	3.4
- services	4.8	3.8	3.8	4.0	4.1	3.8	3.9	4.6	4.6	4.3
- industrial goods excluding energy	0.5	0.6	0.5	0.5	-0.1	-0.5	0.3	-0.2	0.1	0.2
- food	2.0	4.9	4.3	5.5	1.8	1.9	2.0	1.5	0.7	0.3
- energy	-2.3	-1.6	3.7	-4.8	16.1	15.6	17.1	15.6	10.6	15.1
Core inflation indicator ²	2.8	2.4	2.3	2.4	2.2	1.9	2.3	2.5	2.6	...
Balance of Payments - Current Account										
	in % GDP									
Current account balance	5.2	4.1	3.6	4.1	4.1	2.6	3.8	5.9	...	...
1. Goods	1.0	-0.4	-0.9	0.5	-0.9	-2.8	-2.2	2.3	...	...
2. Services	5.6	6.0	5.9	6.0	6.0	5.1	6.0	6.9	...	...
3. Primary income	-0.7	-0.6	-0.5	-1.4	-0.1	0.5	0.3	-1.1	...	...
4. Secondary income	-0.6	-0.9	-0.9	-0.9	-0.9	-0.1	-0.3	-2.3	...	...
	nominal year-on-year growth rates in %									
Export of goods and services	2.1	2.2	4.7	1.0	10.5	7.0	9.4	14.9	...	...
Import of goods and services	1.9	3.3	6.6	-0.4	12.9	16.2	13.2	9.6	...	...
Public finances	2024	2025	12 mths to Jul. 26	2025 Jan.-Jul.	2025 Jan.-Jul.	2026 Jan.-Jul.	2026 Jan.-Jul.			
Consolidated general government balance ³		EUR m	% GDP	y-o-y, %	EUR m	y-o-y, %	EUR m	y-o-y, %		
Revenue	27,918	29,659	43.1	9.6	16,242	5.2	18,055	11.2		
Tax revenue	24,547	25,964	37.6	8.5	14,793	5.7	16,324	10.3		
From EU budget	1,040	1,248	2.0	50.6	386	-14.3	607	57.3		
Other	2,331	2,447	3.4	4.6	1,063	6.8	1,124	5.8		
Expenditure	28,871	31,425	45.8	10.7	17,321	8.8	19,392	12.0		
Current expenditure	12,910	14,139	20.8	10.8	7,885	11.6	8,964	13.7		
- wages and other personnel expenditure	6,539	7,473	11.1	15.4	4,282	12.4	4,903	14.5		
- purchases of goods, services	4,368	4,596	6.6	8.9	2,471	3.9	2,734	10.6		
- interest	793	836	1.2	-3.4	617	17.6	636	3.2		
Current transfers	12,794	13,758	19.7	8.6	7,948	6.5	8,609	8.3		
- transfers to individuals and households	10,397	11,056	15.8	7.2	6,484	5.6	6,941	7.0		
Capital expenditure, transfers	2,531	2,809	4.2	19.1	1,083	3.9	1,336	23.3		
General government surplus/deficit	-953	-1,766	-2.8		-1,079		-1,337			

Sources: SURS, Banka Slovenije, Ministry of Finance, Banka Slovenije calculations.

Note: The data in the table are unadjusted, except for the sentiment indicators, where the data are seasonally and working-day adjusted. The monthly activity indicators in industry, construction and services are given in real terms. Owing to a change in data source, the series for average wages before 2023 were adjusted based on the growth rates in previous series. (1) HICP deflator. (2) Inflation excluding energy, food, alcohol and tobacco. (3) Consolidated position of the state budget, local government budgets, pension and disability insurance subsector and compulsory health insurance subsector, according to the principle of paid realisation.

Table 8.2: Key macroeconomic indicators at the quarterly level for Slovenia and the euro area

	2023	2024	2025	25Q3	25Q4	26Q1	26Q2	2023	2024	2025	25Q3	25Q4	26Q1	26Q2
	Slovenia							euro area						
Economic developments	q-o-q growth in %													
GDP				1.2	0.7	1.1	1.8				0.3	0.2	0.0	0.4
- industry				0.4	-0.2	0.5	1.6				0.9	-0.9	-0.6	...
- construction				5.8	4.7	-0.3	4.7				0.0	0.6	-0.8	...
- mainly public sector services (OPQ)				0.1	3.8	-2.9	1.2				0.2	0.5	0.0	...
- mainly private sector services (without OPQ)				1.6	-0.2	1.6	2.0				0.4	0.1	-0.1	...
Domestic expenditure				1.5	2.8	-0.3	1.8				0.6	0.6	0.1	...
- general government				1.0	1.3	1.3	1.4				0.7	0.6	0.6	...
- households and NPISH ¹				0.3	1.1	0.8	1.0				0.2	0.4	0.3	...
- gross capital formation				3.4	10.9	-5.8	3.9				1.6	-0.1	0.2	...
- gross fixed capital formation				5.2	2.9	2.0	2.7				1.0	0.8	-0.3	...
	y-o-y growth in %													
GDP	2.6	2.0	1.5	1.9	2.0	3.2	5.0	0.4	1.0	1.2	1.1	1.3	0.5	...
- industry	6.2	4.7	-2.4	-0.0	-2.1	-1.6	3.4	-1.7	0.1	1.1	0.9	0.5	-2.4	...
- construction	11.6	-2.7	4.6	13.3	16.5	14.3	15.9	1.8	-1.5	0.6	0.9	2.3	-0.2	...
- mainly public sector services (OPQ)	1.1	2.1	2.8	2.2	1.7	2.6	2.2	1.0	1.8	1.2	1.1	1.2	1.1	...
- mainly private sector services (without OPQ)	1.5	1.2	2.9	2.1	2.1	3.5	5.0	0.6	0.9	1.2	1.2	1.4	0.3	...
Domestic expenditure	0.5	2.6	3.7	3.8	5.4	4.1	5.9	0.1	0.7	2.0	1.8	2.0	1.7	...
- general government	2.3	7.3	3.2	1.2	3.8	5.6	5.2	1.4	2.3	1.4	1.4	1.6	2.3	...
- households and NPISH	0.6	3.2	2.5	1.3	3.0	2.8	3.4	0.5	1.3	1.4	1.2	1.5	1.3	...
- gross capital formation	-1.1	-2.9	7.2	13.1	13.2	5.6	12.3	-2.2	-1.9	3.8	3.4	2.8	1.1	...
- gross fixed capital formation	6.2	-1.5	5.3	10.0	11.9	13.2	13.2	2.6	-2.2	2.9	2.9	3.4	0.1	...
- inventories and valuables, contr. to GDP growth in p.p.	-1.6	-0.3	0.4	0.6	0.3	-1.5	-0.1	-1.1	0.1	0.2	0.1	-0.1	0.2	...
Labour market	q-o-q growth in %													
Employment				0.1	0.1	0.2	-0.0				0.2	0.2	0.1	0.1
- mainly private sector (without OPQ)				-0.0	-0.1	0.1	-0.1				0.1	0.1	0.0	...
- mainly public services (OPQ)				0.5	0.5	0.6	0.4				0.3	0.2	0.2	...
	y-o-y growth in %													
Employment	1.5	0.4	-0.1	-0.4	-0.3	0.4	0.3	1.5	1.0	0.8	0.7	0.7	0.5	0.5
- mainly private sector (without OPQ)	1.5	0.1	-0.6	-1.0	-0.8	-0.1	-0.1	1.6	0.8	0.6	0.5	0.6	0.4	...
- mainly public services (OPQ)	1.6	2.0	1.9	1.9	2.1	2.3	2.1	1.3	1.5	1.4	1.2	1.1	0.9	...
Labour costs per employee	9.6	6.1	7.3	8.7	5.7	7.5	7.7	5.3	4.6	3.9	4.0	3.7	3.6	...
- mainly private sector (without OPQ)	9.6	6.4	5.9	7.9	3.0	7.3	7.0	5.5	4.4	3.8	3.9	3.4	3.5	...
- mainly public services (OPQ)	9.5	5.1	11.9	10.9	14.6	8.0	9.4	4.8	4.8	4.2	4.1	4.6	3.6	...
Unit labour costs, nominal ²	8.4	4.5	5.6	6.2	3.4	4.5	2.9	6.5	4.5	3.4	3.5	3.1	3.6	...
Unit labour costs, real ³	-1.3	1.3	1.6	2.5	-0.3	1.5	-0.6	0.3	1.5	1.0	1.1	0.6	1.2	...
LFS unemployment rate in %	3.7	3.7	3.9	4.2	4.1	4.1	...	6.6	6.4	6.4	6.3	6.2	6.5	...
Foreign trade	q-o-q growth in %													
Real export of goods and services				1.3	-0.2	2.1	3.1				0.4	0.0	-0.4	...
Real import of goods and services				1.0	2.5	2.1	1.8				1.0	0.3	0.3	...
	y-o-y growth in %													
Real export of goods and services	-1.9	2.4	0.2	-0.4	0.5	2.3	6.4	-1.2	0.9	1.9	2.3	2.6	-0.4	...
Real import of goods and services	-4.2	3.1	2.8	1.7	4.8	3.4	7.6	-2.0	0.4	3.5	3.7	3.9	1.5	...
Current account balance as % GDP ⁴	4.9	5.2	4.1	4.6	4.1	3.6	3.6	0.0	0.0	0.0	0.0	0.0	0.0	...
External trade balance as contr. to GDP growth in p.p.	2.1	-0.4	-1.9	-1.6	-3.1	-0.7	-0.5	0.4	0.3	-0.6	-0.5	-0.5	-0.9	...
Financing	in % GDP													
Banking system's balance sheet	84.8	82.8	83.5	83.5	84.3	84.2	...	253.4	251.2	250.0	250.6	250.0	255.6	...
Loans to NFCs	17.5	16.3	16.3	16.4	16.4	16.7	16.7	33.7	32.7	32.3	32.4	32.3	32.4	...
Loans to households	19.8	20.0	20.5	20.6	20.7	20.7	20.8	44.9	43.3	42.8	43.0	42.8	42.9	...
Inflation	in %													
HICP	7.2	2.0	2.5	2.9	2.7	2.5	3.7	5.5	2.4	2.1	2.1	2.1	2.0	3.0
HICP excl. energy, food, alcohol and tobacco	6.7	2.8	2.4	2.7	2.1	2.3	2.2	5.0	2.8	2.4	2.3	2.4	2.3	2.4
Public finance	in % GDP													
Debt of the general government	68.2	66.3	65.1	67.7	65.7	64.8	...	86.5	86.6	87.7	88.2	87.7	88.9	...
government ⁴	-2.6	-0.9	-2.5	-1.5	-2.5	-2.7	...	-3.5	-3.0	-3.0	-3.0	-3.0	-3.1	...
- interest payment ⁴	1.2	1.3	1.3	1.3	1.3	1.3	...	1.7	1.9	1.9	1.9	1.9	1.9	...
- primary balance ⁴	-1.3	0.4	-1.2	-0.3	-1.3	-1.4	...	-1.8	-1.2	-1.1	-1.1	-1.1	-1.2	...

Sources: SURS, Eurostat, Banka Slovenije, ECB, Ministry of Finance, Banka Slovenije calculations.

Note: Unadjusted figures are used to calculate the year-on-year rates, and seasonally adjusted figures are used to calculate the current rates of growth. (1) The figures for Slovenia are calculated as the difference between the seasonally adjusted figures for aggregate final consumption and government final consumption. (2) Nominal unit labour costs are the ratio of nominal compensation per employee to real labour productivity. (3) Real unit labour costs are the ratio of nominal compensation per employee to nominal labour productivity. (4) 4-quarter moving sums.

Abbreviations

AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
BACI	database on bilateral trade flows, developed by the French Center for research and expertise on the world (CEPII)
BLS	Bank Lending Survey
BS	Banka Slovenije
CEE	euro area countries of central and eastern Europe: Estonia, Croatia, Latvia, Lithuania and Slovakia
CEPII –	Center for research and expertise on the world economy
CHP	combined production of heat and power
DXY	US Dollar Index, measuring the value of the U.S. dollar against a basket of major foreign currencies
EA	euro area
EC	European Commission
ECB	European Central Bank
ECOICOP	European Classification of Individual Consumption according to Purpose
EI	energy-intensive (products)
ESA	European System of Accounts
EU	European Union
ETS	Emissions Trading System
Fed	US Federal Reserve System
FURS	Financial Administration of the Republic of Slovenia
GDP	gross domestic product
GSCPI	Global Supply Chain Pressure Index
GWh	gigawatt-hour
Hang Seng	stock market index of the Hong Kong Stock Exchange that tracks the share price movements of the largest and most significant companies listed on the Hong Kong Stock Exchange
HICP	Harmonised Index of Consumer Prices
HS	Harmonized Commodity Description and Coding System
IEA	International Energy Agency
Magnificent	a group comprising the seven largest and most influential American technology companies: Alphabet, Amazon, Seven, Apple, Meta, Microsoft, NVIDIA in Tesla
MIR	interest rates of monetary financial institutions (data series of Banka Slovenije)
NATO	North Atlantic Treaty Organization
NEER41	nominal effective exchange rate of the euro against 41 trading partners
NFD	non-financial corporations
NPISH	Non-Profit Institutions Serving Households
OECD	Organisation for Economic Co-operation and Development
OIS	Overnight Index Swap
OPEC	International organization of petroleum-exporting countries
PMI	Purchasing Managers' Index
PPI	Producer Price Index
RHCI	Real Harmonised Competitiveness Indicator
RS	Republic of Slovenia
SURS	Statistical Office of the Republic of Slovenia
S&P 500	Standard and Poor's 500
STOXX	
Europe 600	main European share index
TJ	terajoule
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
VAR	vector autoregression
VAT	Value-Added Tax
WB	World Bank
ZEW	Leibniz Centre for European Economic Research (Ger. Leibniz-Zentrum für Europäische Wirtschaftsforschung)
ZRSZ	Employment Service of Slovenia
ZZZS	The Health Insurance Institute of Slovenia

Abbreviations from the standard classification of economic activities (SKD 2025)

A – Agriculture, forestry and fishing, **01** – Crop and animal production, hunting and related service activities, **02** – Forestry and logging, **03** – Fishing and aquaculture **B** – Mining and quarrying, **05** – Mining of coal and lignite, **06** – Extraction of crude petroleum and natural gas, **07** – Mining of metal ores, **08** – Other mining and quarrying, **09** – Mining support service activities, **C** – Manufacturing, **10** – Manufacture of food products, **11** – Manufacture of beverages, **12** – Manufacture of tobacco products, **13** – Manufacture of textiles, **14** – Manufacture of wearing apparel, **15** – Manufacture of leather and related products of other materials, **16** – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials, **17** – Manufacture of paper and paper products, **18** – Printing and reproduction of recorded media, **19** – Manufacture of coke and refined petroleum products, **20** – Manufacture of chemicals and chemical products,

21 – Manufacture of basic pharmaceutical products and pharmaceutical preparations, **22** – Manufacture of rubber and plastic products, **23** – Manufacture of other non-metallic mineral products, **24** – Manufacture of basic metals, **25** – Manufacture of fabricated metal products, except machinery and equipment, **26** – Manufacture of computer, electronic and optical products, **27** – Manufacture of electrical equipment, **28** – Manufacture of machinery and equipment n.e.c., **29** – Manufacture of motor vehicles, trailers and semi-trailers, **30** – Manufacture of other transport equipment, **31** – Manufacture of furniture, **32** – Other manufacturing, **33** – Repair, maintenance and installation of machinery and equipment, **D** – Electricity, gas, steam and air conditioning supply, **35** – Electricity, gas, steam and air conditioning supply, **E** – Water supply; sewerage, waste management and remediation activities, **36** – Water collection, treatment and supply, **37** – Sewerage, **38** – Waste collection, recovery and disposal activities, **39** – Remediation activities and other waste management service activities, **F** – Construction, **41** – Construction of residential and non-residential buildings, **42** – Civil engineering, **43** – Specialised construction activities **G** – Wholesale and retail trade, **46** – Wholesale trade, **47** – Retail trade, **H** – Transportation and storage, **49** – Land transport and transport via pipelines, **50** – Water transport, **51** – Air transport, **52** – Warehousing, storage and support activities for transportation, **53** – Postal and courier activities, **I** – Accommodation and food service activities, **55** – Accommodation, **56** – Food and beverage service activities, **J** – Publishing, broadcasting, and content production and distribution activities, **58** – Publishing activities, **59** – Motion picture, video and television programme production, sound recording and music publishing activities, **60** – Programming, broadcasting, news agency and other content distribution activities, **K** – Telecommunication, computer programming, consulting, computing infrastructure and other information service activities, **61** – Telecommunication, **62** – Computer programming, consultancy and related activities, **63** – Computing infrastructure, data processing, hosting and other information service activities, **L** – Financial and insurance activities, **64** – Financial service activities, except insurance and pension funding, **65** – Insurance, reinsurance and pension funding, except compulsory social security, **66** – Activities auxiliary to financial services and insurance activities, **M** – Real estate activities, **68** – Real estate activities, **N** – Professional, scientific and technical activities, **69** – Legal and accounting activities, **70** – Activities of head offices and management consultancy, **71** – Architectural and engineering activities; technical testing and analysis, **72** – Scientific research and development, **73** – Activities of advertising, market research and public relations, **74** – Other professional, scientific and technical activities, **75** – Veterinary activities, **O** – Administrative and support service activities, **77** – Rental and leasing activities, **78** – Employment activities, **79** – Travel agency, tour operator and other reservation service and related activities, **80** – Investigation and security activities, **81** – Services to buildings and landscape activities, **82** – Office administrative, office support and other business support activities, **P** – Public administration and defence; compulsory social security, **84** – Public administration and defence; compulsory social security, **Q** – Education, **85** – Education, **R** – Human health and social work activities, **86** – Human health activities, **87** – Residential care activities, **88** – Social work activities without accommodation, **S** – Arts, sports and recreation, **90** – Arts creation and performing arts activities, **91** – Libraries, archives, museums and other cultural activities, **92** – Gambling and betting activities, **93** – Sports activities and amusement and recreation activities, **T** – Other service activities, **94** – Activities of membership organisations, **95** – Repair and maintenance of computers, personal and household goods, and motor vehicles and motorcycles, **96** – Personal service activities, **U** – Activities of households as employers and undifferentiated goods- and services-producing activities of households for own use, **97** – Activities of households as employers of domestic personnel, **98** – Undifferentiated goods- and services-producing activities of private households for own use, **V** – Activities of extraterritorial organisations and bodies, **99** – Activities of extraterritorial organisations and bodies

Country Abbreviations

AT – Austria, **BE** – Belgium, **BG** – Bulgaria, **CY** – Cyprus, **CZ** – Czechia, **ME** – Montenegro, **DK** – Denmark, **EE** – Estonia, **FI** – Finland, **FR** – France, **EL** – Greece, **HR** – Croatia, **IE** – Ireland, **IS** – Iceland, **IT** – Italy, **LV** – Latvia, **LT** – Lithuania, **LU** – Luxembourg, **HU** – Hungary, **MT** – Malta, **DE** – Germany, **NL** – Netherlands, **UK** – United Kingdom, **US** – United States of America, **PL** – Poland, **PT** – Portugal, **RO** – Romania, **MK** – North Macedonia, **SK** – Slovakia, **SI** – Slovenia, **RS** – Serbia, **ES** – Spain, **SE** – Sweden, **TR** – Turkey, **IN** – India, **VN** – Vietnam, **KR** – South Korea.

Currency Abbreviations

CAD – Canadian dollar, **CHF** – Swiss franc, **EUR** – Euro, **GBP** – British pound sterling, **JPY** – Japanese yen, **SEK** – Swedish krona, **USD** – US dollar.