BANKA SLOVENIJE

EVROSISTEM

Review of Macroeconomic Developments

March 2026

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Summary

Following a relatively favourable economic performance at the end of last year, domestic demand in Slovenia has moderated at the beginning of this year; meanwhile, risks to economic activity and inflation have increased amid the escalation of the war in the Middle East.

Economic growth in the euro area, which at the end of last year was being driven by domestic demand, has continued at the beginning of this year. However, risks stemming from developments in the Middle East are increasing. Survey indicators suggest that this year economic activity continues to be supported primarily by services, while conditions are also improving in manufacturing, where the PMI indicator in February (which does not yet reflect the escalation of the conflict in the Middle East) rose above the growth threshold for the first time in six months. Despite the improvement in business sentiment, the escalation of the conflict in the Middle East at the beginning of March has heightened risks to economic growth and price stability. This deterioration comes after, according to the latest available data, headline euro area inflation remained below the monetary policy target at 1.9% in February, while core inflation increased to 2.4% amid persistent price pressures in the service sector. An uptick is already expected in March due to a sharp rise in energy prices following the disruptions to global oil and gas supplies.

The ECB and Fed left their key interest rates unchanged at their latest meetings. The Governing Council of the ECB justified its decision by assessing that inflation will stabilise at the 2% target over the medium term, while in the case of Fed, more encouraging data from the US labour market contributed to the maintenance of its policy stance. Following the outbreak of war in the Middle East, market expectations regarding further reductions in the Fed's key interest rate have somewhat diminished, whereas expectations of a possible earlier increase of 25 basis points in the ECB's key interest rates have strengthened.

Developments in international financial markets were broadly stable in February. At the beginning of March volatility increased following the outbreak of war in the Middle East. US treasury yields and German government bond yields increased in early March amid heightened expectations that disruptions in energy supply would push inflation higher. Conversely, major global equity indices declined as investors fled towards safer assets, while the US dollar appreciated.

At the end of last year, economic developments in Slovenia were relatively favourable, primarily owing to stronger domestic demand; however, according to initial data, this momentum has been easing in the first months of this year. In the final quarter of last year, year-on-year GDP growth reached 2.0%, with the continuation of the government investment cycle and stronger private consumption, supported by the introduction of the mandatory Christmas bonus and the payment of the winter allowance for pensioners, providing the largest contributions. Foreign demand remained weak by contrast, as did exports and activity in manufacturing. At the start of this year, survey data suggests that conditions for exporters remained challenging. At the same time some signs of a moderation in domestic consumption are emerging. Real growth in card payment values has slowed, the value of fiscally verified invoices has declined, and survey assessments of demand in construction and services were

somewhat weaker in February. Based on the available set of indicators, nowcasting models point to 0.5% quarterly economic growth in the first quarter.

Amid weak foreign demand and challenging conditions for exporters, the merchandise trade balance recorded a deficit last year. This has occurred only once in the past decade, during the energy crisis in 2022. Real merchandise exports declined last year, reflecting the impact of global trade policy developments on global demand and a further deterioration in external competitiveness. In contrast, real merchandise imports increased significantly, supported by robust domestic demand, particularly in the second half of the year. The current account remained in surplus (3.4% of GDP), solely due to the surplus in services trade, which further strengthened relative to the previous year. Initial indicators for this year suggest a continued contraction in merchandise exports, and the outlook remains unfavourable, as manufacturing firms did not report any significant increase in export orders in February.

At the end of last year, the divergence between the public and private sectors in the labour market continued. After declining for a year, the number of persons in employment increased year-on-year in December (by 0.3%), primarily as a result of hiring in the public sector. However, on average over the year it decreased due to contractions in the private sector, particularly in manufacturing. Registered unemployment at the beginning of this year was down in year-on-year terms, but remained above last year's average. The average gross wage was down in year-on-year terms (by 0.5%) in December, its first fall in a long time, largely as a result of smaller extraordinary payments at the end of the year, which firms most likely replaced in part with the mandatory Christmas bonus. The gap between the public and private sectors widened: wages in the latter fell, while the former saw growth of almost 10%.

Headline inflation as measured by the HICP rose to 2.8% in February. This was largely driven by energy prices, particularly a one-off base effect in electricity prices, which had been significantly reduced by government measures in February last year. Food price inflation remains elevated at 4.3%, but is continuing its moderate slowdown in line with the stabilisation of conditions on global food markets and among euro area producers. Weak demand and moderate external price factors were also reflected in slower growth in prices of other goods, which led to a decline in core inflation to 2.3%. Service price inflation strengthened by contrast, consistent with strong growth in labour costs.

The consolidated general government deficit increased to 2.5% of GDP last year, just over a percentage point higher than a year earlier. The increase reflects the moderation in economic growth and the effects of the public sector wage system reform. Towards the end of the year, investment growth accelerated, employees received a mandatory Christmas bonus, and pensioners received a winter allowance, both for the first time. The surplus in January was lower than in the same period last year. Social security contributions continued to make the largest contribution to revenue growth, while wages were the main driver on the expenditure side. According to the government plans, the deficit is forecast to widen even further this year, despite the projected rise in economic growth, which is reducing the space for fiscal policy to act countercyclically.

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In this edition we provide a more detailed analysis of the macrofinancial environment in Slovenia and the extent to which it supports or constrains corporate investment. Our findings indicate that over the past decade investment by Slovenian

firms has lagged behind that of comparable euro area countries, despite lower corporate indebtedness and similar financing conditions. This gap is particularly evident in investment in intellectual property. In this context, access to finance has not shown to be a key constraint. Instead, firms identify uncertainty and unpredictability in the business environment, shortages of skilled labour, and cost-related and tax-administrative burdens as the most significant factors limiting investment.

Although financing remains one of the least restrictive factors for corporate investment, the structure of the macrofinancial environment still falls short in supporting small and medium-sized enterprises and in fostering innovation and the digital transformation of the economy. Firms still see banks as supportive in traditional types of investment, such as machinery and equipment, and real estate. Looking ahead, the expected composition of corporate investment in the medium term poses a risk of the continuation of the long-standing trend of a declining role of the banking system in corporate financing, observed in Slovenia since the debt crisis. The gradual reduction in the importance of bank financing also poses a challenge for economic policymakers, particularly in the area of monetary policy, as it may weaken their ability to ensure price and financial stability through the bank lending channel.

1   International Environment

According to survey data, global economic growth has continued at the beginning of this year. The escalation of tensions in the Middle East, changes in trade policy in the United States, and the resulting heightened uncertainty represent the main risk going forward.

In the final quarter of last year, economic activity increased across major economies, albeit unevenly. In the United States current economic growth continued but slowed to 0.4% (previously 1.1%), mainly due to the federal government shutdown and a lower contribution from net exports. Private consumption remained the main driver of growth, although it moderated somewhat, while investment also made a significant contribution. Economic activity in the United Kingdom was virtually unchanged (0.1%), with modest growth primarily underpinned by a recovery in manufacturing amid stagnation in services. In Japan economic activity – following a decline in the third quarter – increased only marginally, by 0.1%, while domestic demand remains weak. The same applies to China, where growth strengthened mainly due to a higher contribution from net exports (1.2%, up from 1.1%).

Global economic growth has continued this year, as confirmed by the composite PMI, which rose to 53.3 index points in February[1] (Figure 1.1, left). Activity continues to be driven primarily by services, while conditions in manufacturing have also improved, as reflected in greater business optimism. The easing of trade-related risks has also contributed in part to more favourable conditions, as indicated by an increase in new export orders following ten months of pronounced decline.

Due to the escalation of tensions in the Middle East and the spread of military conflict to other countries, the risks to inflation and economic activity have increased significantly. The sharp rise in the global geopolitical risk indicator[2] (Figure 1.1, right) also confirms the increase in geopolitical risk. The escalation of the conflict is most directly reflected in rising energy prices, particularly for oil and liquefied natural gas. A key factor is the closure of the Strait of Hormuz, one of the most important maritime routes for energy exports, through which approximately 25% of global seaborne oil trade and 20% of global liquefied natural gas shipments pass. Attacks on oil and gas infrastructure are also contributing to higher prices. European liquefied natural gas prices are currently around 60% higher, while oil prices have increased by approximately 20%.[3]

Uncertainty surrounding trade policy has also increased somewhat in the international environment, following the decision of the US Supreme Court to overturn the use of the International Emergency Economic Powers Act as the legal basis for most of the tariff measures introduced by the US administration last year. In response the administration imposed a temporary additional tariff rate of 10% under Section 122 of the Trade Act, with the possibility of an increase to 15% for a period of up to 150 days,[4] while simultaneously seeking to establish a more permanent legal basis for maintaining previously agreed tariff rates. These changes temporarily alter the relative tariff burden between countries. Economies that were previously subject to the highest tariffs, such as China

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[1] The PMI indicator for February does not yet reflect the conflict in the Middle East.

[2] The geopolitical risk indicator was updated on 2 March 2026 and already incorporates the initial phase of escalating conflict.

[3] As at 5 March 2026.

[4] Additional tariffs introduced under Section 122 do not apply to products already subject to Section 232 measures (e.g. steel, aluminium and automobiles), or to goods falling under existing trade agreements and certain explicitly exempted categories.

and Brazil, will be relatively less affected during this period, while countries with previ-ously more favourable arrangements – particularly the United Kingdom and the EU – will see a reduction in their relative trade advantage.

Figure 1.1: **Indicators of activity and geopolitical risks in the global economy**

JPMorgan PMIs for the global economy

Geopolitical risk index
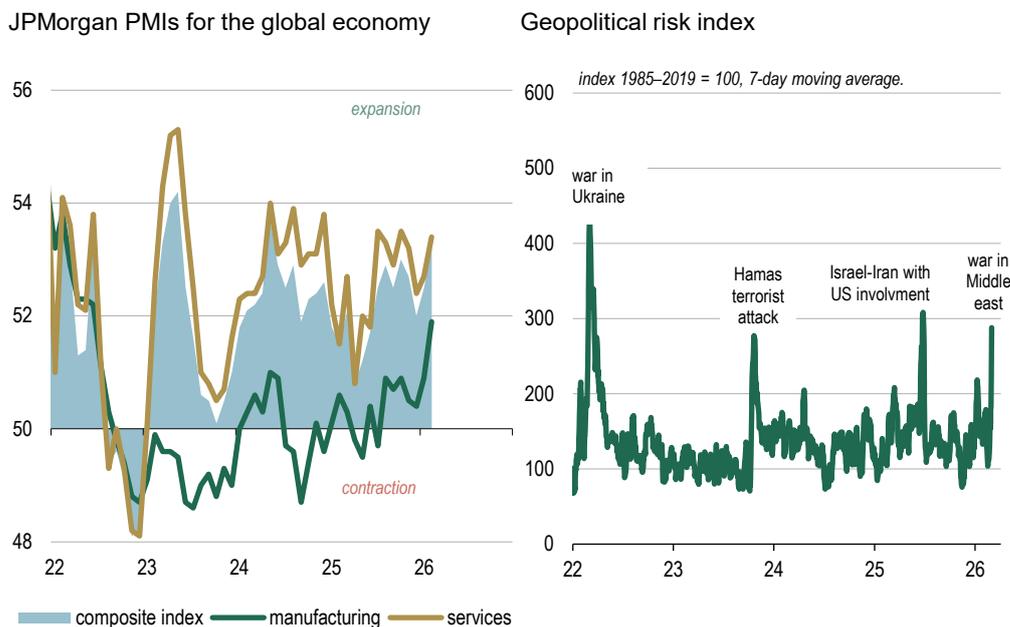
Source: Bloomberg. Geopolitical Risk (GPR) Index. Latest data: left: February 2026, right: March 2026.
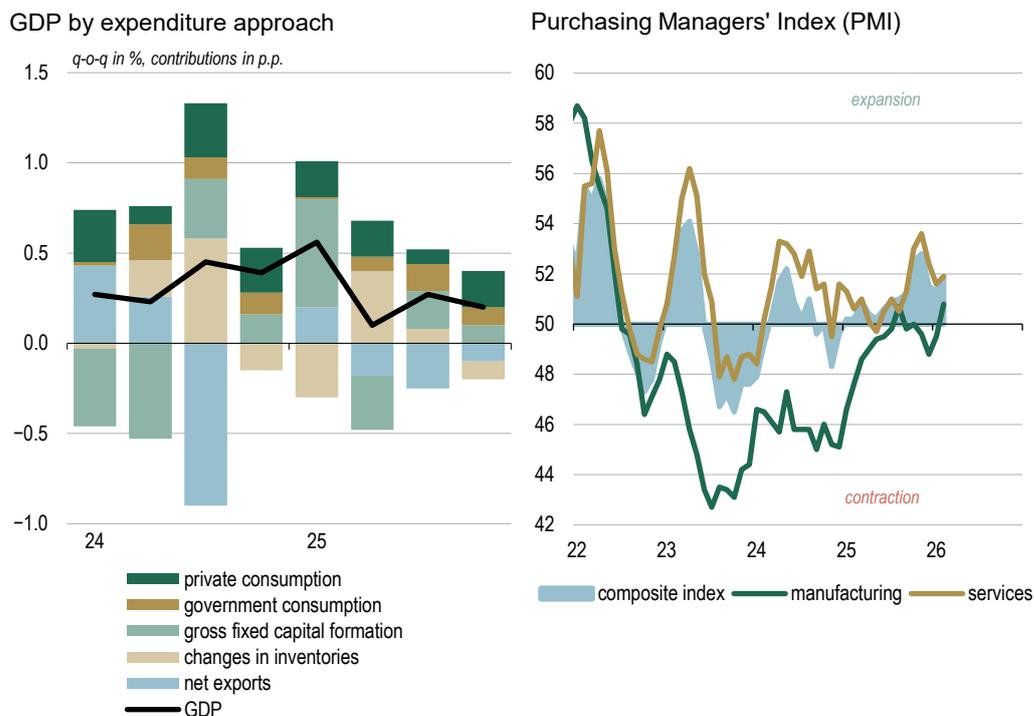
Economic growth in the euro area, which at the end of last year was being driven by domestic demand, has continued at the beginning of this year, supported by services and a renewed strengthening of manufacturing.

The euro area economy grew by 0.2% quarter-on-quarter in the final quarter of 2025 (Figure 1.2, left). Growth was mainly driven by domestic demand: household consumption contributed 0.2 percentage points, government consumption 0.1 percentage points, and gross fixed capital formation a further 0.1 percentage points. The contribution of net exports was negative (in the amount of 0.1 percentage points). By sector, most of the growth originated in services. Among the larger euro area members, GDP increased the most in Spain (0.8%), followed by the Netherlands (0.5%), Germany and Italy (0.3%), and the least in France (0.2%).

Survey data indicates that growth has continued at the beginning of this year. The composite PMI rose to 51.9 index points in February (Figure 1.2, right), with growth still primarily driven by services. Conditions also improved in manufacturing, where the indicator rose above the growth threshold for the first time in six months. The improvement is further confirmed by the European Commission's Economic Sentiment Indicator, which in the early part of this year reached its highest level since the first quarter of 2023.

Risks to the further strengthening of activity and to price stability have increased with the escalation of the conflict in the Middle East. Uncertainty is being further heightened by US trade policy, which has led the EU to temporarily postpone ratification of the trade agreement with the US. Trade-related uncertainty could further weaken export orders, with the negative effects of past changes in trade policies still present.

Figure 1.2: **Indicators of economic developments in the euro area**

GDP by expenditure approach

q-o-q in %, contributions in p.p.

- ■ private consumption
- ■ government consumption
- ■ gross fixed capital formation
- ■ changes in inventories
- ■ net exports
- — GDP

Purchasing Managers' Index (PMI)

- ■ composite index
- — manufacturing
- — services

Sources: Eurostat, Bloomberg, Banka Slovenije calculations. Latest data: left: Q4 2025, right: February 2026.

In February headline inflation in the euro area remained below the 2% target, while risks turned to the upside amid the escalation of tensions in the Middle East.
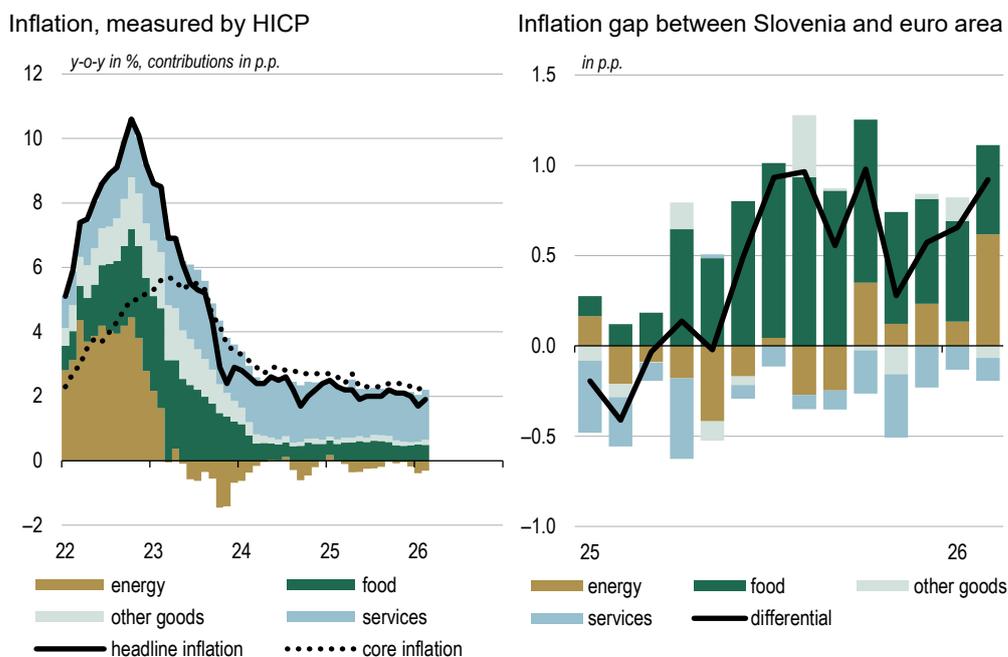
Headline inflation in the euro area as measured by the HICP increased to 1.9 % in February, up 0.2 percentage points on the previous month (Figure 1.3, left). The increase was driven by energy and core inflation, while food price inflation remained unchanged. Energy prices were 3.2% lower in year-on-year terms (4.0% in January), reflecting a positive base effect and ongoing price increases. As the conflict in the Middle East escalated, price pressures increased due to a surge in global oil and natural gas prices. Risks to year-on-year energy price inflation and headline inflation have turned to the upside.

Year-on-year food price inflation remained at 2.6% amid a continued divergence between unprocessed and processed food prices. Unprocessed food inflation accelerated to 4.6%, partly in reflection of current price rises and adverse weather conditions at the beginning of the year. By contrast, processed food inflation declined to 1.8%, falling for the seventh consecutive month, in reflection of the easing of food commodity prices on global markets.

Core inflation excluding energy and food increased by 0.2 percentage points to 2.4% in February. The increase was mainly driven by services prices, which were 3.4% higher in year-on-year terms (3.2% in January). ECB indicators point to a gradual normalisation of wage pressures this year; alongside more moderate domestic price pressures, this could contribute to a gradual easing of service price inflation. Year-on-year growth in prices of non-energy industrial goods (hereinafter: other goods) strengthened to 0.7% (up from 0.4% in January), but remains low. This is consistent with weak import price pressures, reflecting the appreciation of the euro and imports of cheaper goods from China.

In February the gap between headline inflation in Slovenia and the euro area widened to 0.9 percentage points, reflecting a larger contribution of energy prices in Slovenia (Figure 1.3, right). Core inflation rates were almost aligned: Slovenia's rate was 0.1 percentage points lower. The range of headline inflation among euro area member states decreased to 3.0 percentage points, the lowest since the start of the pandemic. Slovakia registered the highest headline inflation rate for the third consecutive month (4.0%), while Cyprus again recorded the lowest (0.9%).

Figure 1.3: **Euro area inflation and its difference to inflation in Slovenia**

Inflation, measured by HICP

y-o-y in %, contributions in p.p.

Inflation gap between Slovenia and euro area

in p.p.

energy — food — other goods — services — headline inflation ····· core inflation

energy — food — other goods — services — differential

Sources: SURS, Eurostat, ECB, Banka Slovenije calculations. Latest data: February 2026.

Box 1.1: **IMF recommendations to Slovenia on productivity and the EU's plans to deepen financial markets**

The International Monetary Fund highlights increased investment in intangible assets as one of the key recommendations for boosting labour productivity growth in Slovenia.

After conclusion of its regular consultations with an individual member country under Article IV of the IMF's Articles of Agreement,[5] the International Monetary Fund publishes a report in which it assesses the country's recent economic developments, and the functioning of its financial sector and banking system, and highlights key challenges for the future. In the latest Report for Slovenia, published on 26 January 2026, special

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[5] Article IV of the IMF's Articles of Agreement stipulates that the IMF conducts regular – usually annual – consultations with its member countries, during which they present their economic policies. The purpose of these consultations is to ensure the stability of the international monetary system by reviewing each country's macroeconomic policies, fiscal measures, and financial system.

attention was given to the role of intangible investments in promoting labour productivity growth.[6]

The IMF emphasises that labour productivity growth in Slovenia has lagged behind the EU average since 2000. One of the main reasons cited is the lack of investment in intangible assets. In Slovenia intangible investments contributed approximately 20% to labour productivity growth between 2001 and 2021, while tangible investments contributed about 21%. The gap in intangible asset investment compared to EU innovation leaders increased to around 4.5% of GDP by 2024. This reflects lower investments in software, databases, R&D, and organisational capital.[7] To reduce this gap and increase investments of this kind, it is necessary to improve access to appropriate financial resources, reduce barriers to investment, and strengthen the innovation and entrepreneurial environment as well as investments in human capital.

The IMF finds that the main challenges in this area for Slovenia are the small size of the venture capital market and the fragmentation of the entrepreneurial and innovation environment. According to the IMF, investments in intangible assets are often financed by venture capital, which is limited in the Slovenian financial system, which relies predominantly on bank financing. Despite the efforts of Slovene promotional development and export bank (SID banka) and the Slovenian Enterprise Fund, which offer new products in this area, companies often have to rely on internal financing. The IMF also notes that bank lending may be unsuitable or too expensive for financing small and medium-sized enterprises, and given the high share of bank debt in the capital structure of Slovenian companies, this poses an additional obstacle.

In addition to the national measures already adopted to promote innovation and intangible investments,[8] initiatives at the EU level to deepen European capital markets are also important.

The IMF recommends actively supporting these initiatives, as they will help Slovenia broaden access to the financial resources needed to finance innovation and thereby accelerate productivity growth.

According to the IMF, completing the Savings and Investments Union (SIU)[9] will play an important role, as a larger pool of capital could offer young and innovative companies broader financing options and exit strategies.[10] The purpose of this European Commission (EC) initiative is to deepen the EU financial system by improving citizens' access to capital markets and expanding financing opportunities for businesses. This would increase the wealth of residents, strengthen economic growth, and enhance the competitiveness of the EU.

As part of the SIU project, the European Commission has recently proposed a new package of measures for further integration of EU financial markets. These measures are aimed at removing existing barriers and making better use of the EU single market's potential. Special emphasis is placed on creating synergies in trading, settlement, asset

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[6] Republic of Slovenia: Selected Issues, January 26, 2026, IMF.

[7] The IMF includes organisational capital in the category of intangible assets, which also comprises organisational structure, business strategy, brand, and intellectual property, in line with the established Corrado-Hulten-Sichel (2005) classification. Organisational capital encompasses knowledge, processes, and established business practices that enable effective management, coordination, and productivity.

[8] Slovenian Scientific Research and Innovation Strategy 2030, National Intellectual Property Strategy 2030, Slovenian start-up strategy.

[9] The Savings and Investment Union and its links to productivity were previously analysed in Box 1.1 of the Review of macroeconomic developments, September 2025 | Banka Slovenije.

[10] Through the stock market or private equity.

management, and innovation, which would enable market participants to operate as smoothly as possible across all member states. To this end, the European Commission proposes measures to: a) improve the possibilities for obtaining a passport for regulated trading markets and central securities depositories (CSDs), b) introduce the status of "Pan-European Market Operator" for operators of trading venues, c) streamline the cross-border distribution of investment funds within the EU, and d) remove regulatory barriers to innovation related to distributed ledger technology.

An important element of the Commission's proposal is the establishment of an integrated EU supervisory framework for capital markets, which, according to the Commission could bring significant benefits such as reducing costs, eliminating duplication of financial market infrastructures, and increasing trust in the market. The Commission also proposes transferring direct supervisory powers over significant and cross-border market infrastructures[11] to the European Securities and Markets Authority (ESMA). In addition, the Commission is preparing measures to address differences in national tax and insolvency procedures, thereby encouraging further (cross-border) investment within the EU. To increase retail investor participation in capital markets, the Commission's initiatives also address areas that Slovenia is already actively developing, such as financial literacy and the establishment of savings and investment accounts, both of which are also supported by the IMF.

In addition to access to finance, the IMF also emphasises the need to improve the business environment and reduce administrative barriers that slow down procedures and increase operating costs for companies. Closer cooperation between the needs of the economy (businesses) and academia is also essential, as this is necessary for effectively addressing challenges related to mismatches between labour market supply and demand.[12] The productivity gap with leading EU innovation countries could be reduced by fostering links between multinationals and small and medium-sized enterprises. According to the IMF, institutionalising cooperation within the innovation ecosystem could unlock knowledge potential, boost innovation, and enable Slovenia to move closer to the level of the EU's innovation leaders.

2 Monetary Policy and Financial Markets

The Eurosystem maintained the interest rate on the deposit facility at 2.00% in February, while the Fed kept its key interest rate within the corridor of 3.50% to 3.75% at its January meeting.

The Governing Council of the ECB assesses that inflation will stabilise at the 2% target over the medium term, while the economy remains resilient despite a challenging global environment. With inflation moderating and inflation expectations remaining stable, the Eurosystem kept all three key interest rates unchanged at its February meeting. Accordingly the interest rates on the deposit facility, main refinancing operations, and the marginal lending facility remain at 2.00%, 2.15%, and 2.40% respectively.

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[11] Such as trading venues (exchanges), central counterparties, CSDs, and all providers of cryptoasset services.

[12] This is also confirmed by the labour market analysis presented in the Short Economic and Financial Analysis: What Determines Labour Costs in Slovenia?, December 2025.

At its January meeting the Fed left its key interest rate within the corridor of 3.50% to 3.75%. This decision primarily reflected more encouraging data from the US labour market.[13] Key interest rates also remained unchanged in the United Kingdom (3.75%), Canada (2.25%), Sweden (1.75%), and Japan (0.75%). In contrast, the central bank of Australia raised its key interest rate by 0.25 percentage points to 3.85%, due to persistently elevated inflationary pressures.

Following the outbreak of war in the Middle East, market participants' expectations of higher inflation strengthened due to disruptions in energy supplies. Since the beginning of February their expectations regarding further reductions in the Fed's key interest rate have consequently diminished, while investors no longer rule out the possibility of a 0.25 percentage point increase in the ECB's key interest rates this year. Current overnight index swap (OIS) rates indicate that markets expect one to two further reductions of 0.25 percentage points in the Fed's key interest rate by the end of 2026, which would lower the corridor to 3.00% to 3.25% (see Figure 2.1, left).

Figure 2.1: **Interest rate swap rate curves and government bond yields**

Euro area and US forward interest swap rates

US and German yields curve
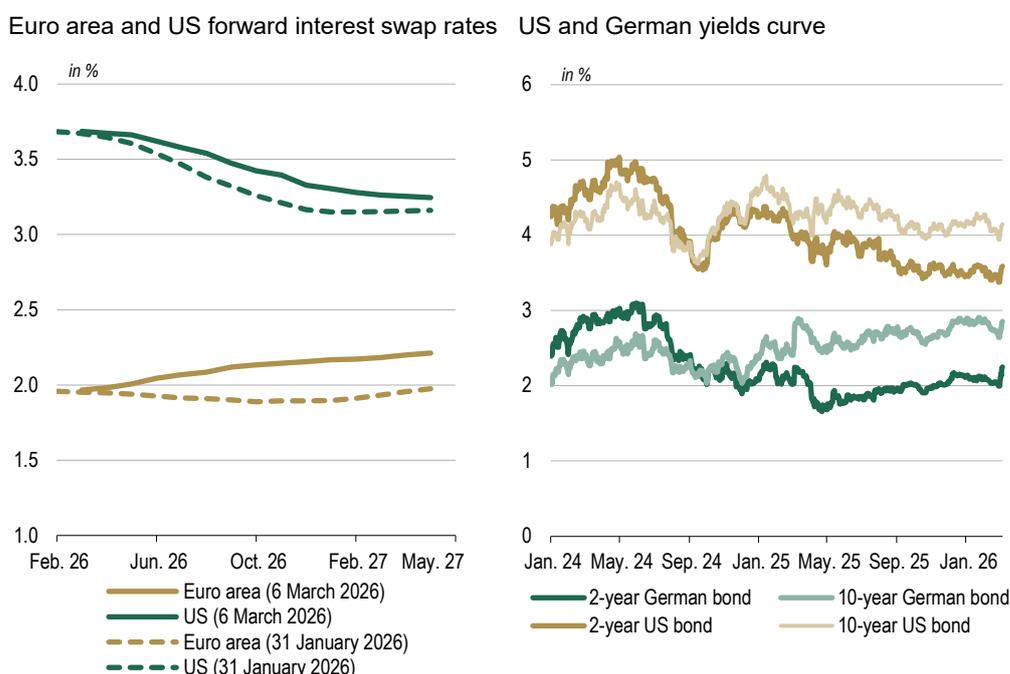
Sources: Bloomberg, Banka Slovenije calculations. Latest data: 6 March 2026.

Major global equity indices have mostly declined since the beginning of February, while both the US dollar and the price of oil have risen following the escalation of the conflict in the Middle East.

US treasury yields declined in February, primarily in response to the release of the January inflation data, which came in below expectations. Similarly German government bond yields also decreased, tracking the movements in US yields. At the beginning of March yields on both markets increased amid concerns that the war in the Middle East would result in a more persistent rise in inflation. Consequently yields on German short-term government bonds have risen by 0.11 percentage points since the beginning of February, while yields at longer maturities have remained unchanged. Yields on US short-term treasuries are also close to their levels at the beginning of February,
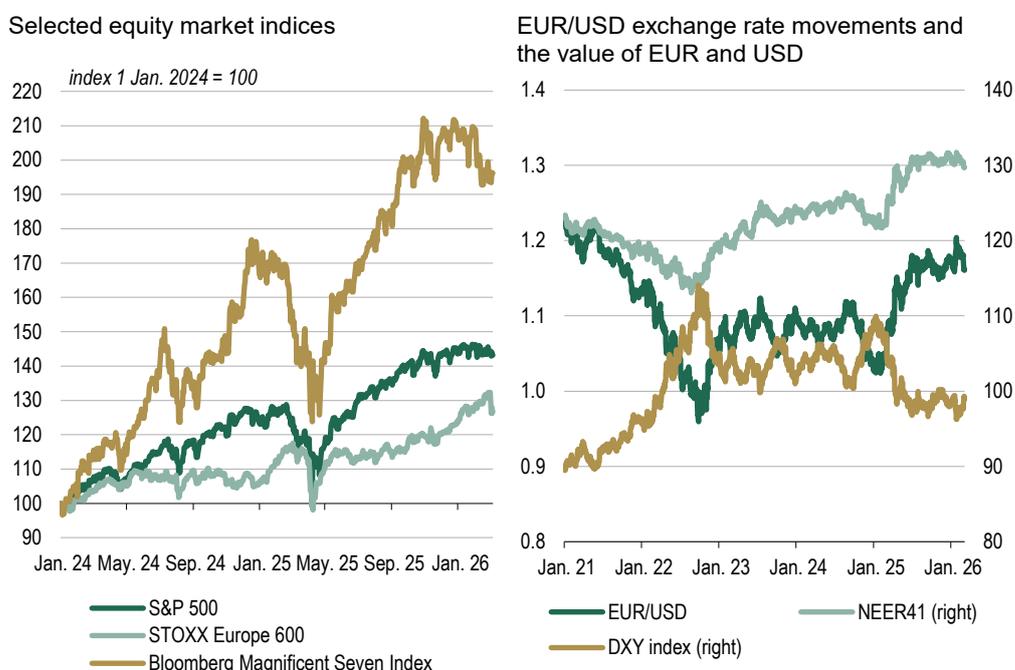
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[13] Both the unemployment rate in December and the number of unemployment benefit claims in January were lower than expected.

whereas yields at longer maturities have decreased by 0.13 percentage points over the entire period (see Figure 2.1, right). Spreads between yields on euro-denominated bonds with higher credit risk and German government bonds have widened slightly during the observation period, as investors moved towards safer assets.

Since the beginning of February major global equity indices have exhibited divergent trends (see Figure 2.2, left), with developments in the Middle East exerting a significant influence. In the United States equity indices declined in February, driven by increased investor concerns over the elevated valuations of US tech firms and the profitability of investments in AI. In early March a reduced appetite for riskier assets further contributed to this downward movement. During this period the S&P 500 fell by 2.1%, while the index comprising the seven largest US tech firms (the Magnificent Seven) declined by 6.1%. The main European index, the STOXX Europe 600, reached an all-time high at the end of February, supported by robust economic data and earnings by European firms, but subsequently fell by 4.3% in early March. The tech-focused Hang Seng index in Hong Kong has lost 3.8% of its value since the start of February.

The US dollar has appreciated by 1.6% against the euro and by 1.4% against a basket of major global currencies since the beginning of February (see Figure 2.2, right), mainly as a result of investors shifting towards safer currencies amid heightened geopolitical tensions in the Middle East. The price of gold has increased by 9.4% since the beginning of February, but remains 8.8% below its record high from the end of January (USD 5,595 per ounce). The recent rise in gold prices has been driven by increased demand following a pronounced decline at the end of January and by escalating tensions in the Middle East, although the rising US dollar has partly limited further gains. The price of Brent crude has risen by 29.6% since the beginning of February, mainly due to disruptions in energy supplies through the Strait of Hormuz.

Figure 2.2: **Developments in equity indices, the euro and the US dollar**

Selected equity market indices

EUR/USD exchange rate movements and the value of EUR and USD

Sources: Bloomberg, Banka Slovenije calculations. Latest data: 6 March 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.

3

Domestic Economic Activity

Growth in domestic market activity strengthened in the final quarter of last year, while foreign demand remained subdued.

At the end of last year quarterly GDP growth stood at 0.4%, only slightly above the euro area average, while year-on-year growth reached 2.0%. Government action was a major driver of the rise in domestic demand, with the government intensifying construction investment last year. This again accounted for the bulk of the overall year-on-year growth in gross fixed capital formation, which reached 12.0%. Final consumption also strengthened notably: the increase in private consumption coincided with the introduction of the mandatory Christmas bonus and the payment of the winter allowance for pensioners, while the rise in government consumption reflected the initial implementation of long-term social care. Given this structure of economic growth, imports were significantly stronger than exports. The negative contribution of net trade widened to 3.1 percentage points and, amid challenging conditions in foreign markets, was the only drag on GDP growth from the expenditure perspective (Figure 3.1, left).

The breakdown of demand was also reflected in developments in value-added. Construction stood out markedly, with value-added rising by 16.5% year-on-year, supported by strong momentum in government-driven infrastructure projects. This contributed 1.0 percentage points to GDP growth (Figure 3.1, right). According to monthly statistics, activity strengthened across all segments of construction. Growth in value-added in private services also remained favourable, again exceeding 2.0%. Overall services growth was held back mainly by weak activity in the segment of transportation and storage linked to international goods trade. Solid growth in value-added in public services continued as employment increased further. By contrast, the challenging conditions in the international environment continued to be reflected in manufacturing, where value-added declined by 2.6%. Of the major industries, the sole year-on-year increase in activity was recorded by food production, while it fell more noticeably in the manufacture of fabricated metal products, electrical equipment, motor vehicles, and other machinery and equipment. According to a rough estimate, it also declined in the pharmaceutical industry. Weak output is gradually spilling over into the labour market (see Section 4).

Figure 3.1: **GDP growth**

GDP by expenditure approach

y-o-y in %, contributions in p.p,unadjusted data

- private consumption
- government consumption
- gross fixed capital formation
- net exports
- changes in inventories
- GDP

GDP by production approach

y-o-y in %, contributions in p.p,unadjusted data

- agriculture, hunting, fishing
- industry excluding construction
- construction
- services
- public admin., educ., health and soc. work
- net taxes on products
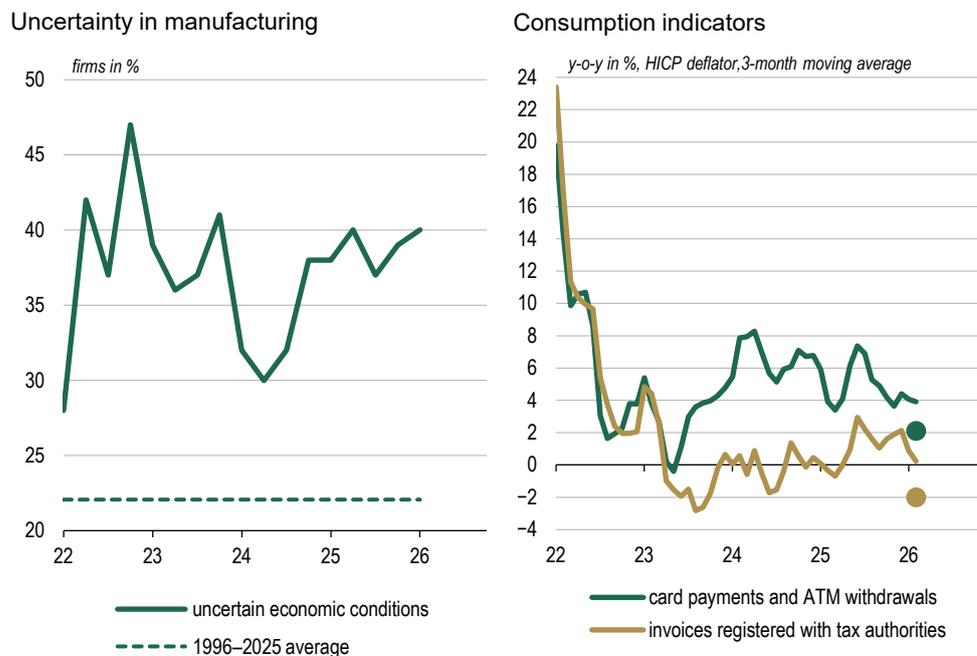- GDP

Source: SURS. Latest data: Q4 2025.

After a stable January, the economic sentiment deteriorated in February, and according to some indicators domestic demand slowed at the beginning of the year.

The economic sentiment indicator remained unchanged in January compared with December, but in February it declined to its lowest level in 12 months. Confidence weakened across all sectors, and slightly among consumers. The more pronounced decline in manufacturing was mainly the result of lower production expectations and an increase in inventories. Assessments of current orders also fell somewhat, and firms continue to report elevated uncertainty regarding economic conditions; the survey was conducted before the outbreak of the conflict in the Middle East (Figure 3.2, left). In construction, survey indicators point to a moderation of activity, with orders decreasing in February for the first time since June of last year. Current and year-on-year declines in assessments of demand in February also contributed to the decline in confidence in private services excluding retail, although it remained at a relatively high level.[14] A similar pattern is observed among consumers, who continue to assess their financial situation relatively favourably, while maintaining elevated inflation expectations.

According to the initial real activity indicators, domestic consumption slowed at the beginning of the year. Real year-on-year growth in the value of card payments and cash withdrawals at ATMs slowed to 2.1% in January and February combined, while the value of fiscally verified invoices actually declined by 2.0% (Figure 3.2, right). Weaker spending is also suggested by January's fall in turnover in retail trade and trade in motor vehicles.

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[14] Retail confidence deteriorated sharply in February, although caution is needed in interpreting this development, as the decline primarily reflects a pronounced drop in the sales indicator (from 33 to 7 percentage points), which is typically more volatile.

Figure 3.2: **Uncertainty in manufacturing and early indicators of domestic market consumption**

Uncertainty in manufacturing

firms in %

— uncertain economic conditions

- - - 1996–2025 average

Consumption indicators

y-o-y in %, HICP deflator, 3-month moving average

— card payments and ATM withdrawals

— invoices registered with tax authorities

Sources: SURS, Bankart, FURS, Banka Slovenije calculations. Latest data left: Q1 2026, right: February 2026.
Note: The left chart shows the share of manufacturing firms that cited uncertain economic conditions among the key factors currently limiting production. In the right chart the HICP deflator is used to calculate real growth. The two points represent the aggregate year-on-year change in January and February.

Box 3.1: **Nowcasts for GDP growth in the first quarter**

The average of the nowcasting models for the first quarter points to 0.5% quarterly GDP growth, which is slightly below the long-term average.

The current average nowcast of quarterly GDP growth for the first quarter stands at 0.5% (Figure 3.1.1, left). The nowcast is supported by the January improvement in economic sentiment by 0.1 percentage points – primarily reflecting higher confidence in manufacturing and among consumers – and by solid GDP growth at the end of last year. Conversely, the growth estimate is lowered by the February deterioration in economic sentiment, which declined by 3.0 percentage points as all five confidence indicators fell, and by a 1.9% monthly decline in retail trade turnover, which was broadly based.

A more pronounced adjustment to the estimate of quarterly GDP growth is expected in the second half of March, when January data for key monthly indicators of economic activity, including industrial production, construction, and services and trade activities, will be released.

The limited dataset of high-frequency indicators is also reflected in the chart showing the distribution of nowcasts (Figure 3.1.1, right). The range based on the 25th and 75th percentiles of the distribution currently lies between 0.2% and 0.7%.

Figure 3.1.1: **Nowcast for economic growth**

Model estimates of quarterly GDP growth Q1 2026

in %, seasonally adjusted
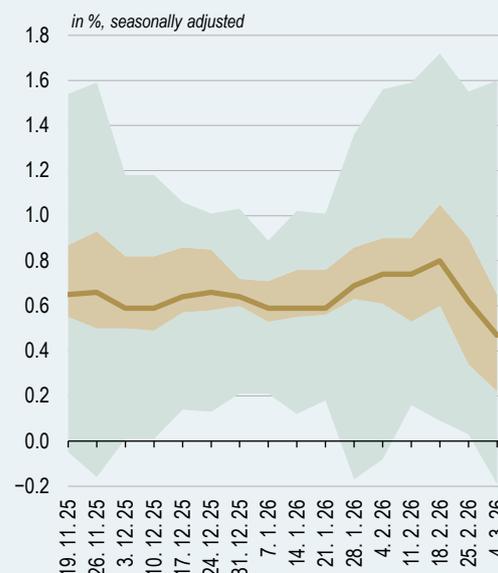
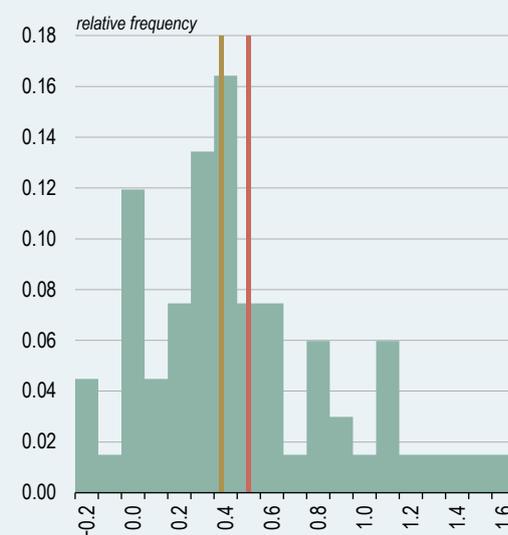Histogram of quarterly GDP growth estimates Q1 2026

relative frequency

Sources: SURS, Banka Slovenije calculations.

Notes: The left-hand 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 first quarter of 2026. The right-hand chart illustrates the distribution of the nowcasts for quarterly GDP growth in the first 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: 4 March 2026.

Box 3.2: **Corporate investment in Slovenia in an international comparison**

Slovenian firms invest significantly less than firms in comparable euro area countries, with access to financing not being the main limiting factor.

Gross fixed capital formation of non-financial corporations (hereinafter corporate investment) represents an important driver of economic activity, and makes a key contribution to the growth of economic potential. In Slovenia corporate investment accounted for slightly more than half of total gross investment in 2024 (54.2%), and was equivalent to 11.3% of GDP.[15] The investment activity of Slovenian firms thus lagged significantly behind that of comparable euro area countries in central and eastern Europe (CEE).[16] Corporate investment was equivalent to 13.0% of GDP in these countries (see Figure 3.2.1). A slight lag is also evident in comparison with the euro area average (11.6% of GDP), which is particularly problematic from the perspective of economic convergence, as the accumulation of fixed assets and capital – alongside productivity growth and the (already virtually exhausted) growth in the labour force – constitutes a fundamental source for increasing the potential output of the Slovenian economy.[17] The lag in investment activity relative to CEE countries and the euro area is even more pronounced

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[15] Data on corporate investment and performance is sourced from the annual non-financial sector accounts, for which the latest available data refers to 2024.

[16] In the analysis we compare CEE countries that are part of the euro area: Estonia, Croatia, Latvia, Lithuania, and Slovakia.

[17] The structure of economic growth and the related challenges faced by the Slovenian economy are analysed in greater detail in Box 3.3 of the Review of macroeconomic developments, September 2025 | Banka Slovenije.

when comparing corporate investment to the value-added generated by firms. In Slovenia corporate investment amounts to 21.4% of value-added, while the CEE average is 3.5 percentage points higher.

The majority of investment by Slovenian firms is allocated to the replacement of depreciated assets.

From the perspective of analysing potential economic growth, it is meaningful to monitor not only developments in gross investment but also net investment, which excludes the consumption of fixed capital, i.e. the replacement of depreciated fixed assets. Net investment determines the pace at which the capital stock in the economy increases, and thus the country's economic potential. Slovenia's investment lag behind CEE countries is even more pronounced under this view. Net corporate investment in Slovenia amounts to only 1.8% of value-added, compared with 7.6% in CEE countries. This suggests that the build-up of corporate fixed capital in CEE countries is proceeding at a rate approximately four times faster than in the domestic economy. Similarly to gross investment, Slovenian firms also slightly lag behind the euro area in terms of net investment, where the share stands at 2.1% of value-added.

An additional perspective on the lag in investment activity at Slovenian firms is provided by the ratio of net corporate investment to net profit after tax, which measures the share of actual net profit that firms allocate to the growth of fixed capital. In this respect Slovenian firms (16.0%) still lag behind CEE countries (32.6%), but in contrast to previous indicators they rank significantly above the euro area average (8.7%). This indicates that Slovenian firms invest a higher share of their net profit after tax compared with firms in the euro area overall, and that relatively weak profitability could be a limiting factor on investment. According to national accounts data, net return on equity after tax in Slovenia is more than half lower than in CEE countries and in the euro area overall. One of the factors contributing to this is relatively high labour costs, which is reflected in their above-average ratio to value-added at Slovenian firms (see Figure 3.2.1).

Figure 3.2.1: **Indicators of corporate investment and performance in Slovenia, the euro area, and CEE countries**

■ Slovenia   ■ euro area   ● CEE
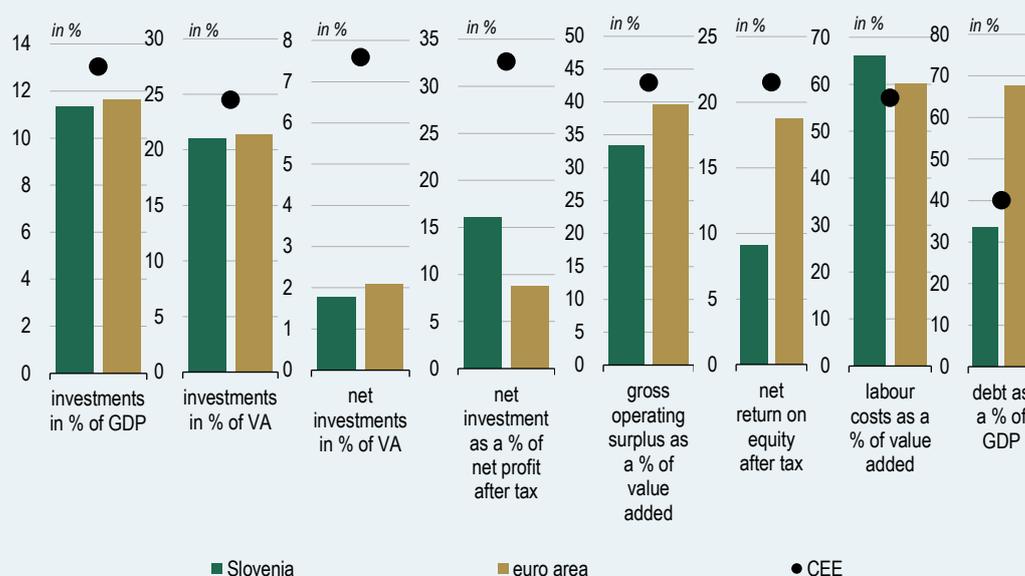
Sources: Eurostat, ECB, Banka Slovenije calculations.
Note: Investment refers to gross fixed capital formation of non-financial corporations (sector S.11). Value-added (VA) refers to the VA of non-financial corporations. The euro area (EA) includes member states excluding Bulgaria, which was not a member of the euro area in the reference year. CEE refers to the group of central and eastern European countries that are members of the euro area (Estonia, Croatia, Latvia, Lithuania, and Slovakia). The figures for CEE countries are GDP-weighted averages. All figures refer to 2024.

One potential constraint on investment by Slovenian firms could be limited access to bank financing; however, a review of the indicators and analysis in Boxes 3.4 and 3.5, as well as in Selected Theme 8.1, does not confirm this. Slovenian firms are less indebted than firms in CEE countries and the euro area overall, while the cost of bank borrowing is comparable to that in the euro area and lower than in CEE countries (see Figure 3.2.2). According to EIB survey data, the share of financially constrained firms in Slovenia (9.0%) is somewhat higher than in CEE countries (7.2%) and the euro area overall (5.7%), but it remains very low and does not explain the difference in investment activity.[18] According to the same survey, only 17.0% of firms assess their level of investment as too low, which is comparable to CEE countries (17.1%). This suggests that the realised investment activity of Slovenian firms largely reflects their investment preferences and the economic fundamentals of the environment in which they operate.

The lower propensity of Slovenian firms to invest could at least partly be explained by their structural characteristics, such as the average size of firms[19] and their integration into global value chains.[20] However Slovenian firms do not differ significantly from firms in CEE countries from this perspective. The ratio value-added to domestic final demand in Slovenia in 2022 was comparable to that in CEE countries, and considerably above the euro area average.[21] Slovenian firms are, on average, smaller than those in the euro area overall, but comparable to firms in CEE countries.

Slovenian firms identify shortages of skilled labour and uncertainty in the business environment as the most significant barriers to investment.

In the EIB survey Slovenian firms cite shortages of skilled labour, uncertainty, and energy costs as the main constraints on investment arising from the broader business environment, and these are also the principal constraints in CEE countries.[22] By contrast the least constraining factors are the availability of digital infrastructure and access to finance, which are identified as problematic by a significantly smaller share of firms in Slovenia than in CEE countries and the euro area.[23] Similar conclusions are drawn by the International Institute for Management Development (IMD) World Competitiveness Survey, which also highlights the shortage of skilled labour as a significant limiting factor, despite relatively high expenditure on education and training. Among the reasons cited are brain drain, weaker practical training, and the lower attractiveness of Slovenia for highly skilled foreign professionals, who, compared with the euro area av-

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[18] Financially constrained enterprises include those that: (a) are not satisfied with the amount of financing obtained (they received less than they sought); (b) applied for external financing but did not receive it (were rejected); or (c) did not apply for external financing because they believed that borrowing costs would be too high or that their application would be rejected.

[19] The data shows that, both in Slovenia and abroad, large enterprises allocate significantly more resources to research and development. In 2024 the average large enterprise (with 250 or more employees) in Slovenia invested EUR 1,790 per employee in research and development, whereas for enterprises with 10 to 49 employees, this amount was only EUR 500 per employee.

[20] The positive effects of integration into international production networks – which enable enterprises to benefit from the transfer of knowledge, technology, and capital flows – depend on the institutional, technological, and structural characteristics of the economy, such as human capital, infrastructure, and the capacity for technological upgrading. These factors help ensure that a country does not remain confined to low value-added segments. But integration into global value chains also entails greater risk and vulnerability to external shocks. For more see WTO (2025), World Bank (2021) and IMF (2019).

[21] The openness of the economy as measured by the ratio of imports and exports to GDP increased in Slovenia from 73.3% in 1995 to 159.7% in 2024, while the ratio of foreign value-added to domestic final demand rose from 35.4% in 1995 to 45.4% in 2022. In the most recent year observed, this ratio stood at 43.8% in CEE countries and at 20.7% in the euro area overall. For more on Slovenia's integration into global value chains, see Lindič (2022) and Damjanović and Banerjee (2018).

[22] Shortages of skilled labour (Slovenia: 85%, CEE: 84%, euro area: 79%), uncertainty (Slovenia: 77%, CEE: 87%, euro area: 83%), and energy costs (Slovenia: 76%, CEE: 73%, euro area: 76%).

[23] Availability of digital infrastructure (Slovenia: 28%, CEE: 33%, euro area: 44%) and access to finance (Slovenia: 33%, CEE: 49%, euro area: 45%).

erage and CEE countries, have less incentive to work and progress due to higher taxation of labour.[24] Another significant limiting factor is the less predictable business environment. In addition, the IMD World Competitiveness Ranking indicates that in terms of investment Slovenia lags behind particularly with regard to investment in intellectual property, insufficient investment incentives for firms, and the amount of foreign direct investment.

Figure 3.2.2: **Indicators of the investment environment in Slovenia, the euro area, and CEE countries**
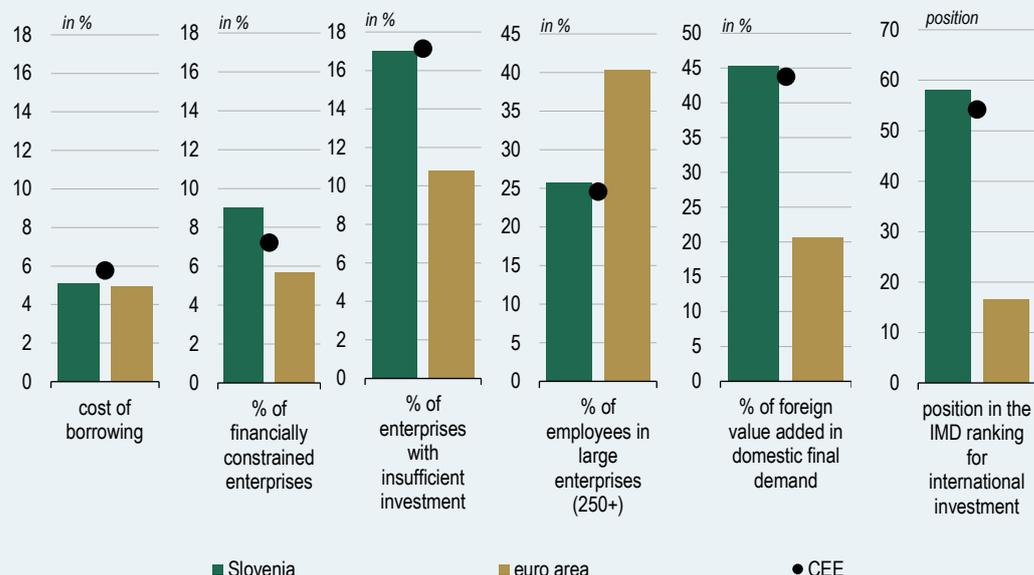
Sources: EIB (Investment Survey 2025), IMF, OECD (TiVA), Eurostat, Banka Slovenije calculations.
Note: The cost of borrowing represents the average for 2024. The shares of financially constrained firms and firms with insufficient investment are based on the EIB survey; for the euro area (EA) and CEE, these are calculated as GDP-weighted averages. The ratio of foreign value-added to domestic final demand refers to 2022, and illustrates the foreign value-added contained in final goods and services purchased by end consumers. The IMD ranking for international investment indicates the position that a country or group of countries occupied in the IMD World Competitiveness Ranking in 2025 (international investment component), with the rankings for the euro area and CEE calculated as GDP-weighted averages. Due to data unavailability, Malta is not included in the calculation for the euro area. The euro area covers the euro area countries other than Bulgaria, which was not a member during the observation period. CEE refers to the group of central and eastern European countries that are members of the euro area (Estonia, Croatia, Latvia, Lithuania, and Slovakia).

Box 3.3: **Loan supply shocks and their impact on private consumption in Slovenia**

Understanding the effects of loan supply shocks on private consumption constitutes an important aspect of monitoring cyclical economic developments.

In Slovenia private consumption accounts for approximately 52% of real GDP, thereby remaining one of the key components of domestic demand and cyclical developments. Although household indebtedness remains relatively low compared to the euro area overall – around 28% of GDP versus 59% in the euro area – household loans represent an important aspect of the broader macrofinancial environment. In 2025 household loans, particularly housing and consumer loans, were the main driver of overall growth

[24] According to the IMD ranking, Slovenia is positioned above the euro area and CEE averages in terms of public expenditure on education; however, brain drain represents a greater challenge for the Slovenian economy than in the euro area overall, and is roughly comparable to the situation in CEE. In addition, apprenticeship programmes are not implemented to a sufficient extent in Slovenia; only Bulgaria ranked lower in this category. Finally, according to the IMD survey, the tax environment in Slovenia is among the less favourable, and is well below the euro area and CEE averages, which is linked to the high tax wedge on labour income. In 2024 this stood at 44.6% according to OECD data, exceeding the averages for both OECD and EU countries.

in bank lending.[25] While year-on-year growth in housing loans stood at 8.8% in December 2025, consumer loans recorded a growth rate of 9.8%. This figure was down slightly from its peaking of 16.7% in June 2024.[26] This analysis examines the effects of negative shocks in the supply of consumer loans on private consumption in Slovenia, and their transmission to individual consumption categories, i.e. durable goods, non-durable goods, and services. This breakdown enables a more accurate assessment of the effects of the loan supply channel on the Slovenian economy, particularly given the key role of household loans in the overall financing structure.

To assess the impact of loan supply on private consumption, we follow the approach of Cavallo et al. (2024) and use data from the Bank Lending Survey (BLS).[27] As a measure of changes in credit standards and loan terms and conditions (hereinafter: lending conditions) for consumer loans to households, the analysis uses the difference between the percentage of banks reporting a deterioration in credit standards and conditions over the last three months and the percentage reporting an improvement.[28] Since changes in lending conditions may also reflect factors affecting loan demand and the broader macroeconomic environment, we adjust the BLS data for the influence of the overall macroeconomic conditions and perceived changes in loan demand.[29] The unexplained residual from the second step represents exogenous unexpected changes in the supply of bank loans, i.e. the bank loan supply indicator (BLSI).[30] The indicator is standardised, with higher values indicating a tightening of loan supply, and vice-versa.

The effects of loan supply shocks, as captured by the BLSI, are estimated using a Bayesian vector autoregression (BVAR) model. For each indicator of private consumption (aggregate private consumption, durable goods, non-durable goods, services), we estimate a separate BVAR model for the period from the first quarter of 2007 to the fourth quarter of 2019.[31] In addition to the BLSI and year-on-year growth in the selected private consumption indicator, the model specifications include core inflation, year-on-year growth in consumer loans, the ECB shadow rate[32] (Krippner, 2013), and year-on-year growth in foreign demand for Slovenia. The shadow rate and foreign demand are

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[25] Banka Slovenije - Report on Bank Performance with Commentary, December 2025.

[26] Year-on-year growth in consumer loans averaged 2.6% between 2007 and 2019, compared with 15.4% in 2007 and 2008, and 11.2% between 2017 and 2019. Average growth in consumer loans after the pandemic, i.e. between 2022 and 2024, stood at 6.4%. Households continued to hold most of their loans with domestic financial institutions, primarily banks (Banka Slovenije, Financial Stability Review, October 2025).

[27] The Bank Lending Survey (BLS) is a quarterly ECB survey that collects qualitative information from banks on credit standards, lending conditions, and loan demand from households and enterprises. Slovenia began participating in the survey in 2007, with the adoption of the euro and its integration into the Eurosystem.

[28] In contrast to the approaches cited above, we use aggregate data from the BLS survey rather than responses from individual banks, which is appropriate given the high degree of concentration in the Slovenian banking sector. While most existing studies focus on the effects of lending standards on investment or output, Cavallo et al. (2024) are among the few to explicitly address the effects on private consumption, using the case of the United States. To our knowledge, this analysis is the first in this strand of literature to focus exclusively on private consumption in a small open economy.

[29] To identify exogenous changes in loan supply, we use a regression in which the index of changes in lending conditions depends on its lag, the contemporaneous index of changes in loan demand (BLS), real GDP growth, changes in the unemployment rate, changes in the real ECB interest rate, changes in the uncertainty index for Slovenia (see Box 3.2 in the Review of Macroeconomic Developments, April 2025), the financial market stress indicator for Slovenia (Drenkovska & Lenarčič, 2025), and an indicator of conditions in the banking sector (NPE ratio or capital adequacy). We estimate three linear specifications: the ordinary least squares (OLS) method and the regularised Ridge and Lasso methods, for the period from the second quarter of 2007 to the fourth quarter of 2019. The Ridge and Lasso methods, by introducing a penalty on the coefficients, reduce the risk of overfitting and multicollinearity in the sample. Both methods serve as complementary robustness checks of the baseline OLS model and contribute to better orthogonalisation of the residuals. The results are generally comparable across different specifications and estimation methods.

[30] In the pioneering work by Bassett et al. (2014) for the United States, and in Cavallo et al. (2024), the indicator of changes in loan supply is referred to as the Credit Supply Indicator (CSI), while in the study for the euro area by Altavilla et al. (2019), the term Loan Supply Indicator (LSI) is used. In this context, we use the latter designation, i.e. BLSI.

[31] The sample period begins in 2007, when Slovenia adopted the euro and started participating in the Bank Lending Survey (BLS). The sample ends in the fourth quarter of 2019, to exclude the pandemic period, during which government guarantee schemes, loan repayment moratoria, and extraordinary ECB measures had a significant impact on lending dynamics and reduced the comparability of survey responses with the pre-pandemic period. The estimated sample thus covers the global financial crisis, the European sovereign debt crisis, and the Slovenian banking crisis, thereby ensuring sufficient variability in loan supply conditions.

[32] The ECB shadow interest rate is used as a measure of the monetary policy stance, capturing both conventional and unconventional monetary policy measures. It represents the hypothetical central bank interest rate that would prevail in the absence of a lower bound on interest rates.

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treated as exogenous variables, which allows for better identification of domestic shocks (Cushman & Zha, 1997; Zha, 1999). Loan supply shocks, similarly to Bassett et al. (2014), are identified using a recursive Cholesky decomposition, with the BLSI ordered first among the domestic variables, followed by consumption growth, core inflation, and loan growth. This econometric approach reflects the assumption that the BLSI, adjusted for contemporaneous demand and overall macroeconomic factors, does not respond simultaneously to other variables in the system, while loan supply shocks can have a direct, within-quarter impact on consumption, inflation, and loan growth.[33]

Figure 3.3.1: **Impulse response of private consumption and its components to a bank loan supply shock**

Impulse response of consumption and its components

Decomposition of the impulse response of private consumption
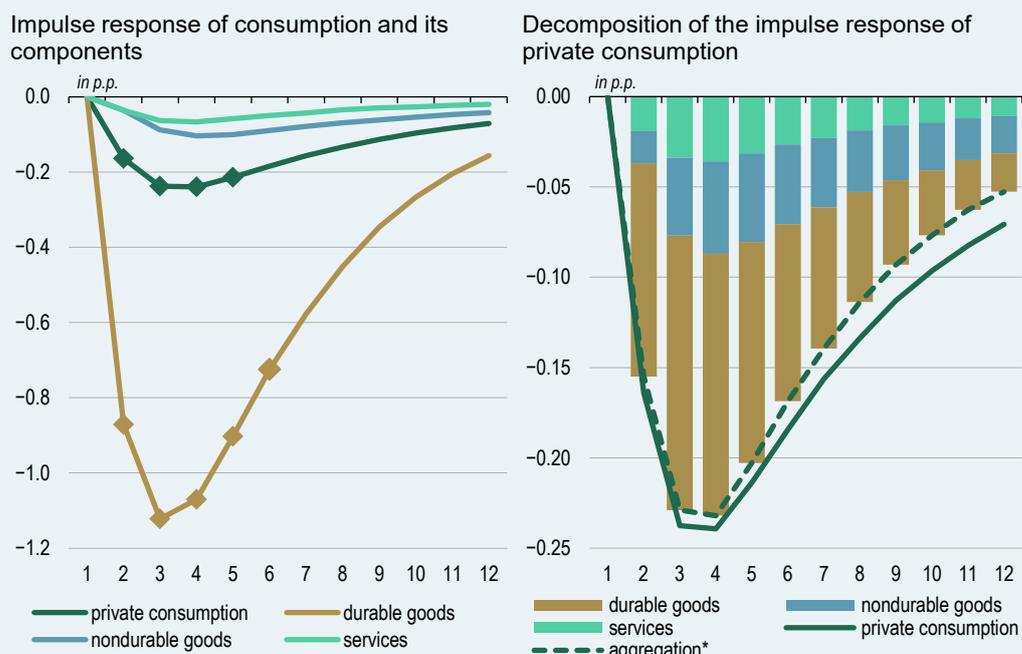
Sources: SURS, ECB, Banka Slovenije calculations.
Note: The lines in the left chart show the median response of private consumption growth and its components to a one-standard-deviation loan supply shock. The diamonds mark the point estimates of impulse responses whose 16th to 84th percentile posterior intervals exclude zero. In the right chart the contributions are computed as the product of the impulse responses of the individual components and their average nominal shares in total private consumption over the period of 2007 to 2019. These shares amount to 9% for durable goods, 48% for non-durable goods, and 43% for services. * The aggregated response of private consumption is calculated as the weighted sum of the contributions of the individual components, and may therefore differ from the response obtained from a separate model specification that includes total private consumption directly.

A loan supply shock has a significant impact on consumption, with the effect being transmitted primarily through the consumption of durable goods.

A negative loan supply shock leads to a decline in private consumption growth, reaching its peak negative effect after approximately three to four quarters at around -0.2 percentage points (Figure 3.3.1, left). The effect gradually dissipates after about two years, which is consistent with theoretical predictions and empirical findings (e.g. Cavallo et al., 2024). At the same time, the aggregate results mask substantial heterogeneity across individual consumption components (Figure 3.3.1, left). Consumption of durable goods responds strongly and persistently, with the largest decline – around 1.1 percentage points – occurring after two quarters. Although the effect gradually fades

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[33] All specifications include a constant and two lags of each variable, as well as the Minnesota-Litterman prior, which is suitable for shorter samples.

thereafter, the response remains significantly more pronounced than that of total consumption. Despite accounting for a relatively small share of total consumption (around 9% over the period 2007–2019), durable goods contribute the most to the overall response of private consumption (Figure 3.3.1, right). In contrast, consumption of non-durable goods and services – which account for 48% and 43% of private consumption respectively – tracks current income more closely, exhibiting more muted responses. This pattern suggests that when lending conditions tighten, households tend to maintain essential consumption, while adjustments are concentrated in expenditure categories that can be postponed and that depend more heavily on external financing, such as purchases of vehicles, household appliances, and furniture.[34]

The results highlight the importance of disaggregating private consumption when assessing the effects of loan supply shocks. Analyses based solely on aggregate consumption may underestimate both the speed and magnitude of the impact of tighter lending conditions, as the strongest effects initially occur in durable goods. Although this component represents a relatively small share of total consumption, it is highly sensitive to lending conditions and may therefore serve as an early indicator of a broader economic slowdown.

Box 3.4: **Firms' access to financing and its impact on investment**

Empirical analysis shows that constraints on access to financing are not a key factor behind the persistently weak investment activity in Slovenia since the global financial crisis.

In discussions on weak investment dynamics following the global financial crisis, the question has often arisen as to whether constraints on access to external financing, particularly bank loans, constituted a significant obstacle to firms' investment activity. The analysis therefore examines the impact of access to bank financing on firms' investment in Slovenia in the post-crisis period.

The analysis distinguishes between changes in firms' demand for loans and the supply of bank credit. To this end, we employ the Khwaja-Mian[35] methodological approach, which, based on credit register data and bank-firm linkages for the period of 2002 to 2025, enables the identification of changes in loan supply originating from the banking system, independently of the business decisions of individual firms. The baseline identification is based on a methodological decomposition of the growth in loans to firm *i* at bank *b*, L_{ibt}, into firm-time fixed effects, α_{it}, and bank-time fixed effects, β_{bt}, using panel regression techniques and the following equation:

$$\Delta log L_{ibt} = \alpha_{it} + \beta_{bt} + \varepsilon_{ibt}$$

In this context, the firm-time fixed effects, α_{it}, are interpreted as firms' demand for loans, while the bank-time fixed effects, β_{bt}, are interpreted as shocks to loan supply.[36]

[34] The results, which indicate relatively unchanged consumption patterns for non-durable goods and services and a strong adjustment in the consumption of durable goods, are consistent with the findings of the empirical literature (see, for example, Chah et al., 1995; Cavallo et al., 2024).

[35] Khwaja A. and Mian A. (2008). Tracing the Impact of Bank Liquidity Shocks: Evidence from an Emerging Market. American Economic Review, 98(4), 1413-1442.

[36] The identification of supply shocks requires firms to maintain relationships with multiple banks, as the equation can only be estimated for firms with more than one banking relationship. Despite this limitation, the annual estimation is based on a large sample comprising nearly half a million observations.

On the basis of the estimated bank shocks and firms' prior exposure to individual banks, we construct an estimated indicator of loan supply at firm level:

$$Supply_{it} = \sum_b w_{ibt-1} \hat{\beta}_{bt}$$

where w_{ib} denotes the share of loans of firm *i* at bank *b* in period *t-1*. This indicator of loan supply captures changes in credit conditions faced by a firm as a result of developments in the banking system, and is independent of the firm's contemporaneous investment decisions.

In the next step we use this indicator as an explanatory variable in the investment equation to analyse the relationship between changes in loan supply and firms' investment activity. The investment equation is based on firms' accounting data from the AJPES database and is estimated at an annual frequency:

$$I_{it} = \gamma\, Supply_{it} + X_{it}\delta + \mu_i + \tau_t + \varepsilon_{it}$$

where I_{it} denotes firms' investment rate, as measured by growth rate of tangible fixed assets; $Supply_{it}$ the estimated indicator of loan supply; X_{it} a vector of control variables;[37] μ_i firm fixed effects; and τ_t time effects. This specification allows us to assess whether, and to what extent, access to bank loans affects firms' investment and whether these effects are more pronounced for firms that are more financially constrained by their characteristics, such as smaller firms and firms with less available collateral.

The results indicate that loan supply has a statistically significant positive effect on firms' investment activity (Figure 3.4.1, left). For the overall estimation sample, a 1 percentage point increase in loan supply increases the investment rate by 0.24 percentage points.[38] The effect is more pronounced for smaller firms and for firms with less available collateral, which are typically more reliant on bank financing and face more limited access to alternative sources of funding. Loan supply thus acts as a channel through which a deterioration in banking sector conditions may further dampen investment activity, while an improvement may stimulate it, particularly among financially constrained firms.

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[37] The vector of control variables X_{it} includes a measure of firm size, an indicator of profitability, a measure of indebtedness, the estimated demand for loans (α_{it}), the number of banking relationships, available collateral, and the firm's credit rating. All control variables are included in the regression with a one-year lag.

[38] Effects of similar magnitude are also estimated for the subsamples after 2010 (0.25 percentage points) and after 2015 (0.20 percentage points). In all cases the estimated effect is highly statistically significant.

Figure 3.4.1: **The impact of loan supply on investment and the dynamics of loan supply and the investment rate**

The impact of loan supply on investment

p.p. – the effect of a 1 p.p. increase in loan supply

Estimated loan supply and the investment rate

index 100 = 2002
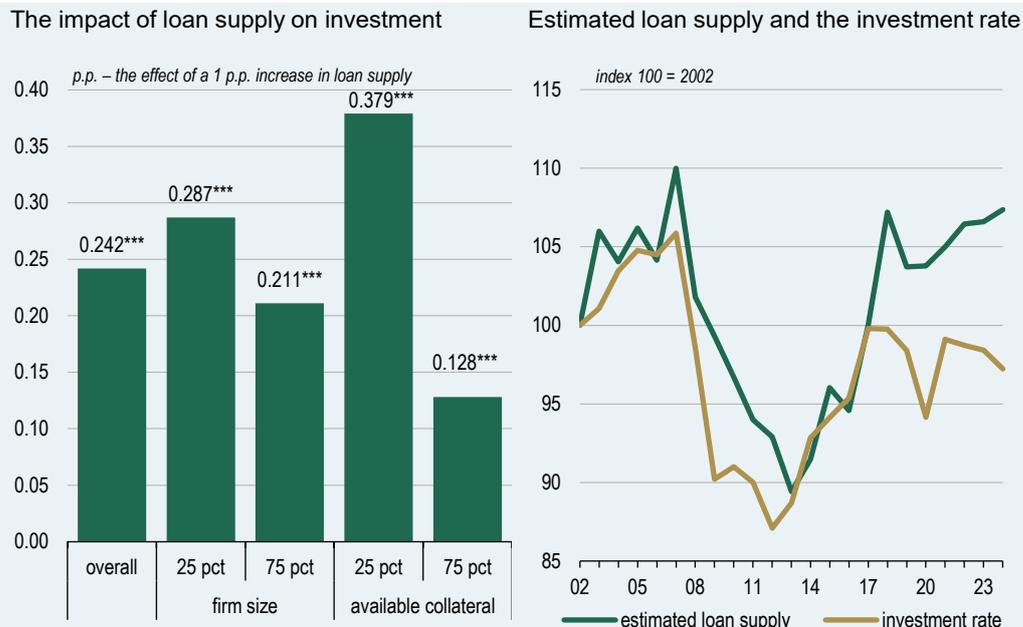
Sources: Banka Slovenije, AJPES, Banke Slovenije estimates. Last observation: 2024.
Note: The left chart shows the estimated effect of bank loan supply on firms' investment activity, with results presented for the full sample and separately by firm size and the availability of collateral. Asterisks denote statistical significance: *** p-value < 0.01. The right chart shows the time profile of the estimated loan supply and the investment rate, with both variables indexed to 2002. The investment rate is measured by growth in firms' property, plant and equipment.

Developments in the estimated loan supply and the investment rate do not support the hypothesis that constraints on access to bank loans explain the persistently weak investment activity following the global financial crisis. As illustrated in Figure 3.4.1 (right), the two variables exhibited a relatively high level of correlation until 2017: prior to the global financial crisis both were at higher levels, while after the sharp contraction in investment in 2009 loan supply also declined until 2013, when a comprehensive recapitalisation of the Slovenian banking system was carried out and non-performing claims were transferred to the Bank Asset Management Company (BAMC). This allowed loan supply to gradually recover in the subsequent years, additionally supported by stronger bank capitalisation and excess liquidity stemming from the expansionary monetary policy in the euro area. The investment rate did not follow this trend, suggesting that constraints on the supply of financing have not been the main factor behind weak investment activity over the past decade.

Box 3.5: **The role of credit market factors in the investment activity of Slovenian firms**

Following the pandemic, the investment activity of Slovenian firms was mostly affected by liquidity demand shocks, driven by an uncertain macroeconomic and business environment. Amid turbulence in energy markets and a sharp increase in firms' operating costs, credit risk shocks also temporarily constrained investment.

Recent analysis by Banka Slovenije[39] and the existing international literature (e.g. Cette et al., 2016) find that a supportive investment environment is crucial for future productivity growth. Business investment is recognised as a key driver of capital deepening, the adoption of new technologies, and the optimisation of business processes. An equally important role is played by the feedback loop generated by higher productivity, as it improves expected returns, strengthens profitability, and encourages firms to expand their production capacity (e.g. Andrews et al., 2016).

In this box we focus on the impact of supply and demand factors in the bank lending market on past developments in investment. For this purpose growth in corporate investment is decomposed into four shocks:

- An investment demand shock reflects changes in incentives for productive investment stemming from fundamental real factors, such as expected corporate profitability, business confidence, capacity utilisation and technology.
- A liquidity demand shock is interpreted as changes in firms' propensity to hold liquid assets as a precautionary buffer rather than invest in capital.
- A bank profit function shock refers to changes in the conditions affecting banks' profitability (e.g. funding costs, interest margins, regulatory conditions and risk appetite), which influence their willingness to lend.
- A credit risk shock captures changes in the perception of risks associated with lending (e.g. a deterioration in firms' creditworthiness or a higher probability of default).

The identification of shocks and the estimation of their impact on business investment are based on an empirical Bayesian vector autoregression (BVAR) model, following the approach of Zabavnik and Verbič (2024). The model includes real business investment, real loans to non-financial corporations (firms), the composite interest rate on loans to firms,[40] and the country-level indicator of financial stress (CLIFS) as endogenous variables.[41] Foreign demand and the ECB shadow interest rate are included as exogenous time series reflecting the global business cycle and the monetary policy stance of the ECB. This set of variables is available for the period from the first quarter of 1999 to the third quarter of 2025. Using a sign restriction identification scheme (Rubio-Ramírez et al., 2010; Arias et al., 2018), we examine the importance of the four

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[39] The drivers of productivity growth were analysed in Box 3.4 of the Review of Macroeconomic Developments, September 2025 | Banka Slovenije.

[40] The composite interest rate on loans represents the average interest rate on newly granted euro-denominated loans to non-financial corporations in Slovenia, as derived from the interest rate statistics of monetary financial institutions (MFIs). It covers loans granted by credit institutions and includes all maturities. The rate is calculated as a weighted average, with loan volumes (weights) smoothed using a moving average. The indicator therefore captures the total volume of new loans to the non-financial sector.

[41] Real variables in the model are derived using the investment deflator and the GDP deflator.

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structural shocks with regard to developments in business investment, capturing the dynamics on the supply and demand sides of the loan market.[42]
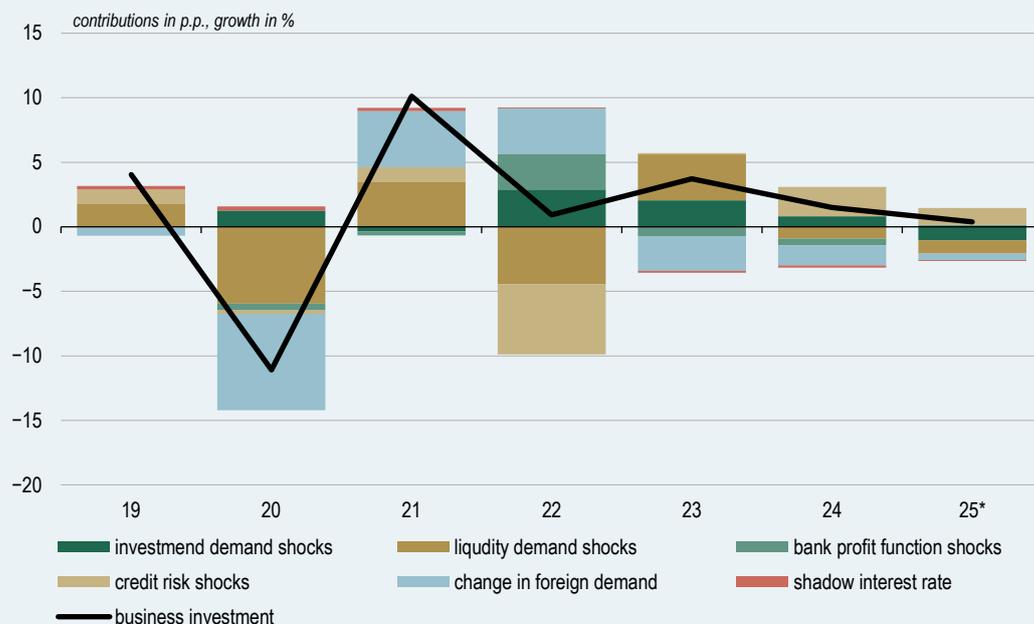
Using the model described, developments in investment growth can be decomposed into the effects of the identified supply and demand shocks in the market for bank lending to firms (Figure 3.5.1). Following the pandemic, liquidity demand shocks represented the most pronounced constraint on firms' investment activity. Amid the markedly heightened uncertainty in the business environment during the pandemic, after the outbreak of the war in Ukraine, and more recently in the context of worsening trade policies, firms' preference for the precautionary build-up of liquidity buffers and the postponement of investment expenditure increased. Increased uncertainty regarding future revenues, energy price developments, and the availability of raw materials prompted firms to adjust their investment plans, with maintaining financial resilience often taking precedence over expanding production capacity.

Credit risk shocks were also a temporary constraining factor in 2022. The strong negative impact of these shocks in that year reflects the significantly more difficult business conditions for firms, particularly in energy-intensive industries, which was the result of turbulence in energy markets, sharply increased uncertainty in the external environment, and the rapid rise in prices and constrained supply of intermediate goods. Alongside persistent structural challenges, these factors also affected economic activity in Slovenia's most important trading partners. This was reflected in 2023 and 2024 in the increased negative impact of foreign demand on the dynamics of firms' investment. The uncertain external environment and the deterioration in trade policies also weighed on investment in 2025, primarily through investment demand shocks and the precautionary build-up of liquidity buffers.

The empirical results therefore indicate that, apart from 2022, firms' investment activity in the post-pandemic period was predominantly constrained by demand-side factors. By contrast, bank lending supply factors, or firms' access to financing, remained neutral or supportive with regard to firms' investment activity during most of the period under review. The model-based results thus corroborate the findings presented in Boxes 3.2 and 3.4 and in Selected Theme 8.1.

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[42] In the model, sign restrictions on the contemporaneous effects of structural shocks are specified as follows: investment demand shock: real business investment (+), real loans to firms (+), composite interest rate on loans to firms (+), CLIFS (+); liquidity demand shock: real business investment (−), real loans to firms (+), composite interest rate on loans to firms (+), CLIFS (+); bank profit function shock: real business investment (−), real loans to firms (−), composite interest rate on loans to firms (+), CLIFS (−); credit risk shock: real business investment (−), real loans to firms (−), composite interest rate on loans to firms (+), CLIFS (+).

Figure 3.5.1:
Decomposition of year-on-year growth in business investment by credit market factors

contributions in p.p., growth in %

Legend: investmend demand shocks; liqudity demand shocks; bank profit function shocks; credit risk shocks; change in foreign demand; shadow interest rate; business investment

Sources: Eurostat, SURS, Banka Slovenije estimates.
Note: * Contributions for 2025 refer to the first three quarters.

Box 3.6: **Developments in digital investment and their contribution to GDP growth**

The euro area and Slovenia lag significantly behind the United States in terms of the ratio of digital investment to GDP and its contribution to GDP growth.

Over the past decade the use of digital technologies at firms has increased markedly, particularly following the spread of generative artificial intelligence (AI) tools; this has stimulated higher investment in hardware and software infrastructure, as well as in research and development. As highlighted in analysis by the Federal Reserve Bank of St. Louis, digital investment had previously been recognised as an important driver of economic growth in the United States, and its contribution strengthened further in 2025. By contrast, according to the IMF's assessment, the positive effects of digital investment in the euro area are expected to remain somewhat more modest.

In this box we analyse the intensity and developments of digital investment in the euro area and Slovenia, and assess its direct contribution to economic growth. Digital investment also includes investments in AI, which in recent years, especially in the United States, has become a key factor in the growth in digital investment.

Figure 3.6.1: **Digital investment share in Slovenia, the euro area and the United States**

in % GDP
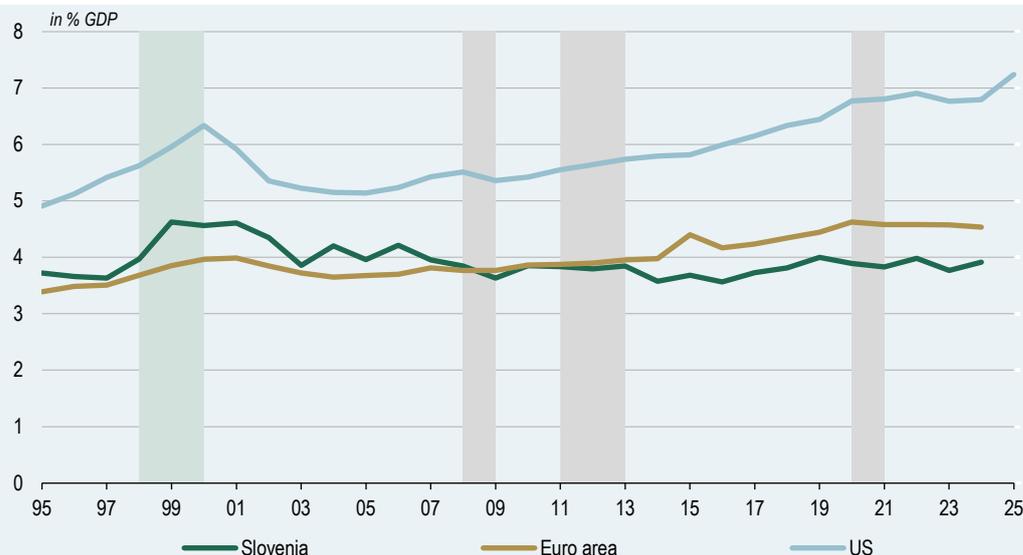
Sources: Eurostat, Fred, Banka Slovenije calculations.
Note: The digital investment share is the ratio of the total investment (in information and communication technology equipment, software and databases, and research and development) to GDP, both expressed at current prices. The grey shaded areas indicate periods of economic crisis in the euro area, while the green shaded area denotes the period of expansion during the dot-com boom. Expenditure on R&D for the euro area is calculated excluding Ireland, due to the pronounced volatility of the data.

Following the approach of Rubinton and Patra (2026), the analysis focuses on investment expenditure in connection with digital investment across all sectors of the economy. Digital investment comprises investment in information and communication technology equipment, software and databases, as well as research and development,[43] which are included under gross fixed capital formation in the national accounts.[44] Data for the euro area is available on an annual basis up to 2024, while comparable data for the United States is available on a quarterly basis up to the third quarter of 2025.

The ratio of digital investment to GDP in 2024 was considerably lower in the euro area (4.5%) than in the United States (6.8%; Figure 3.6.1). While both economies experienced a pronounced increase during the dot-com boom (1995 to 2000) and a decline following its collapse (2001 and 2002), the subsequent growth of digital investment in the United States was markedly faster than in the euro area, particularly after 2014. The structure of digital investment in the euro area indicates that research and development (R&D) recorded the largest ratio in 2024, at 2.1% of GDP; this was followed by software and databases (1.7%), while the smallest ratio was recorded by information and communication technology equipment (0.7%). In the United States the ratios of all components are higher: research and development amounted to 2.3% of GDP, software and databases to 2.4%, and information and communication technology equipment to 1.2%.

The data indicates that the direct contributions of digital investment to GDP growth in the United States are considerably higher than in the euro area (Figure 3.6.2). In 2024 digital investment contributed around 0.05 percentage points to the euro area's real GDP growth of 0.9%, which is substantially less than during the dot-com boom, when it contributed around 0.2 percentage points to economic growth of 3.0%. In the United States these contributions were more pronounced: during the dot-com boom, digital investment contributed almost 1 percentage point to GDP growth of 4.8%, while in 2024 it contributed more than 0.2 percentage points to economic growth of 2.8%. The available data for 2025 for the United States indicates a marked increase in the contribution

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[43] Not all investment in R&D is directly related to digitalisation or AI; however, investment in new models or research projects in AI-related software is typically recorded as R&D.
[44] For the United States, comparable investment categories include information processing equipment, software, and research and development.

of digital investment, which reached approximately 0.9 percentage points by the third quarter. This points to a strong acceleration in digital investment associated with investment in the development and deployment of AI.

in p.p.

Legend: ■ Slovenia ■ Euro area ■ US

Sources: Eurostat, Fred, Banka Slovenije calculations.
Note: The contributions of digital investment to GDP growth are calculated as the product of the real growth in digital investment and its ratio to GDP. The grey shaded areas indicate periods of economic crisis in the euro area, while the green shaded area denotes the period of expansion during the dot-com boom. The data for the United States for 2025 is based on quarterly data up to the third quarter of 2025; the annual contribution is calculated as the average of three annualised quarterly contributions. Expenditure on R&D for the euro area is calculated excluding Ireland, due to the pronounced volatility of the data.

In Slovenia the ratio of digital investment to GDP amounted to 3.9% in 2024, which is lower than in the euro area overall and the United States, while its developments over the observed period were more volatile. Digital investment relative to GDP reached its highest level during the dot-com boom (4.6%), after which it gradually declined until 2009 (3.6%). After 2014 the ratio increased again slightly, but remained below the levels recorded in the euro area and the United States. The contribution of digital investment to GDP growth in Slovenia is also more volatile. This is partly related to the small size of the economy, where individual large investments can significantly affect overall investment developments and consequently the growth of individual investment categories. During the dot-com boom contributions approached 0.5 percentage points amid economic growth of 5.3%, while the long-term average stands at 0.18 percentage points. This is higher than in the euro area overall (0.14 percentage points), but lower than in the United States (0.45 percentage points). In 2024 the contribution of digital investment increased to approximately 0.26 percentage points amid GDP growth of 1.7%. Although this indicates a strengthening of digital investment activity, the extent to which these developments are associated with investment in AI cannot be reliably assessed on the basis of aggregate data.

Given the historically lower ratio of digital investment to GDP in Slovenia and the euro area, any potential increase in 2025 is likely to be less pronounced than in the United States, implying a more modest contribution to economic growth. A long-term shortfall in digital investment intensity could limit the pace of economic restructuring towards more efficient exploitation of the benefits of AI. Among the factors that could constrain growth in digital investment are relatively high energy and labour costs, regulatory burdens, and uncertainties regarding the future regulatory framework for AI.[45]

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[45]The Non-Financial Business Sector Dialogue

4   Labour Market

After a year of decline, the number of persons in employment was up in year-on-year terms in December, with the public sector making the key contribution.

Following a year of falling employment, the number of persons in employment increased by 0.3% year-on-year in December (Figure 4.1, left). This was partly driven by retirement dynamics, as according to estimates by the Pension and Disability Insurance Institute of Slovenia (ZPIZ) retirement conditions at the end of last year were less favourable than a year earlier, prompting some employees close to retirement to postpone their retirement by several months.[46] Most of the positive year-on-year growth was generated by the public sector. This can attributed partly to the aforementioned retirement effect, as the public sector employs a larger share of older workers,[47] and partly to the need to maintain the provision of public services, particularly in education, social work without accommodation (which is linked to the implementation of long-term social care), and healthcare.

The number of persons in employment was down 0.3% on the previous year on average. The contribution of public sector activities remained positive throughout the year, averaging 0.5 percentage points.[48] By contrast, the contribution of private sector activities amounted to –0.8 percentage points, with the most negative contribution recorded in manufacturing, particularly the manufacture of fabricated metal products, motor vehicles, trailers and semi-trailers, and machinery and equipment, where the decline in activity was also the most pronounced. Slovenian nationals made a negative contribution to the year-on-year change in the number of persons in employment (in the amount of –0.5 percentage points), while the contribution by foreign nationals remained positive throughout the year (0.3 percentage points), with their share of the persons in employment averaging 16.0% over the year.[49]

Employment expectations remained modest in February according to the survey by the SURS, with the exception of construction. This is also confirmed by the job vacancy survey, according to which demand for labour has been declining over the last three years. The number of vacancies last year was 8.2% lower than a year earlier. The sector with the most notable decline was transportation and storage, while vacancies increased in manufacturing. Together with monthly data showing falling employment in this sector, this points to persistent structural mismatches in the labour market, which is also confirmed by data on shortages of skilled labour that remain above the long-term average (Figure 4.1, right).

Registered unemployment fell at the beginning of the year, but remained above last year's average.

After four months of year-on-year growth at the end of last year, the number of registered unemployed declined in the first two months of this year. In February there were

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[46] According to calculations by the Pension and Disability Insurance Institute of Slovenia (ZPIZ), retirement conditions at the end of 2024 were more favourable than at the beginning of 2025, which was linked to the year-on-year decline in the number of persons in employment in December 2024. By contrast, the ZPIZ announced at the end of last year that retirement conditions at the beginning of 2026 would be more favourable than at the end of 2025, which had a positive impact in the form of the year-on-year rise in the number of persons in employment in December 2025.

[47] More detailed analysis is available in Box 4.1 of the Review of macroeconomic developments, March 2025 | Banka Slovenije.

[48] Public sector activities comprise public administration (O), education (P), and human health and social work activities (Q) according to the Standard Classification of Activities 2008 (SKD 2008).

[49] Persons in employment exclude self-employed farmers.

48,096 registered unemployed, down 0.4% on a year earlier, but still 5.9% above last year's average (Figure 4.1, left). In structural terms, the year-on-year fall was mainly driven by persons aged over 50 and those with upper secondary education, while there was a rise in unemployment among persons aged under 25 and those with the lowest and highest levels of education. Outflows from unemployment over the first two months of the year were down on the same period last year, mainly as a result of a decline in hiring. At the same time a fall in redundancies meant that fewer persons were entering unemployment. The registered unemployment rate stood at 4.8% in December of last year, unchanged from a year earlier, and 0.2 percentage points above last year's average. The surveyed unemployment rate stood at 4.1% in the final quarter of last year, up 0.6 percentage points on a year earlier, and 0.2 percentage points above last year's average.

Figure 4.1: **Persons in employment, unemployed and labour shortages**

Persons in employment and unemployed
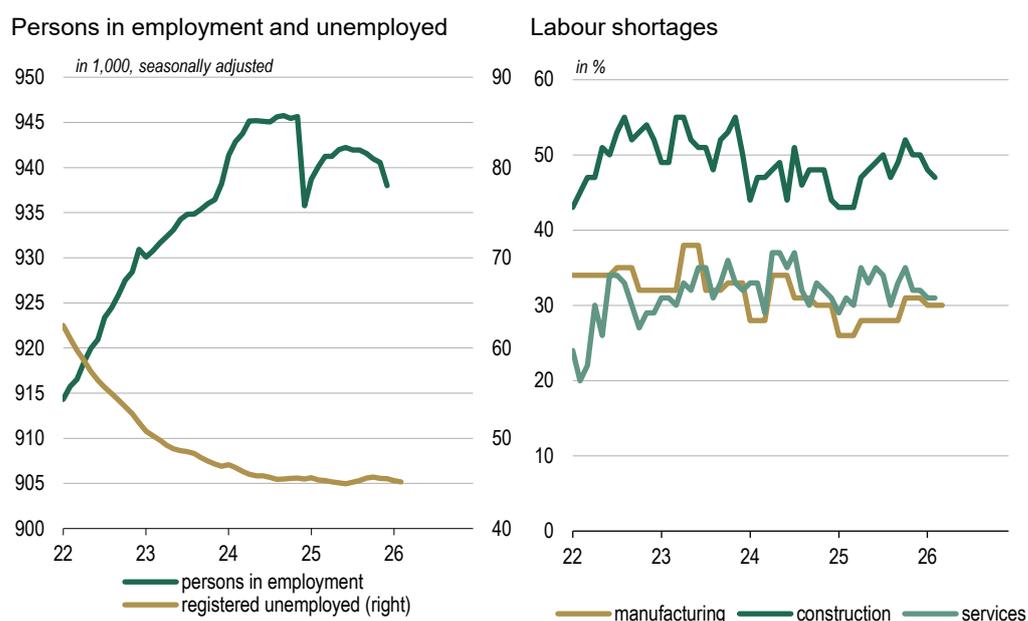
Labour shortages

Sources: SURS, ZRSZ, Banka Slovenije calculations. Latest data: left – registered unemployed: February 2026, persons in employment: December 2025; right: construction and services – February 2026, manufacturing – March 2026.
Note: Labour shortages are measured by the share of firms citing this as a limiting factor on their business. In construction and manufacturing, this refers to shortages of skilled labour.

Wage developments at the end of last year were marked by a year-on-year decline in the average gross wage, and a widening gap between the public and private sectors.

The year-on-year change in the average gross wage turned negative in December of last year for the first time in three and a half years (–0.5%; Figure 4.2, left). The main reason for the decline was smaller extraordinary payments, which firms most likely replaced in part with the mandatory Christmas bonus.[50] Higher inflation meant that the real year-on-year decline in the average gross wage was even more pronounced (–3.0%). Growth in the average gross wage averaged 5.9% over the year, down 0.3 percentage points on the previous year. Real growth stood at 3.3%, down almost 1 percentage point on the previous year.

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[50] The amount of the Christmas bonus, or winter bonus, is not included in the statistics on the average gross wage.

The gap in the year-on-year changes in the average gross wage between the public and private sectors widened further in December. The average gross wage was down 3.9% in year-on-year terms in the private sector, but up 6.1% in the public sector. Wages in the private sector increased by 3.9% on an annual basis, or 1.4% in real terms. Reform of the public sector pay system meant that wage growth was significantly higher in the public sector at 9.4%, or 6.7% in real terms.

The divergence between the two sectors is also confirmed by the national accounts data.[51] Annual growth in compensation of employees per employee in private sector activities (6.4%) was half that recorded in public sector activities (12.9%). In both sectors growth in compensation per employee exceeded growth in labour productivity, which amounted to 4.3% in private sector activities and 9.7% in public sector activities. Last year's growth in compensation of employees was dampened by a larger year-on-year decline in the number of employees and by a smaller contribution of compensation per employee in the private sector, but was supported by the contribution of compensation per employee in the public sector (Figure 4.2, right).

Figure 4.2: **Average gross wage and breakdown of growth in compensation of employees**

Average gross wage

Contributions of the private and public sectors to the growth of compensation of employees
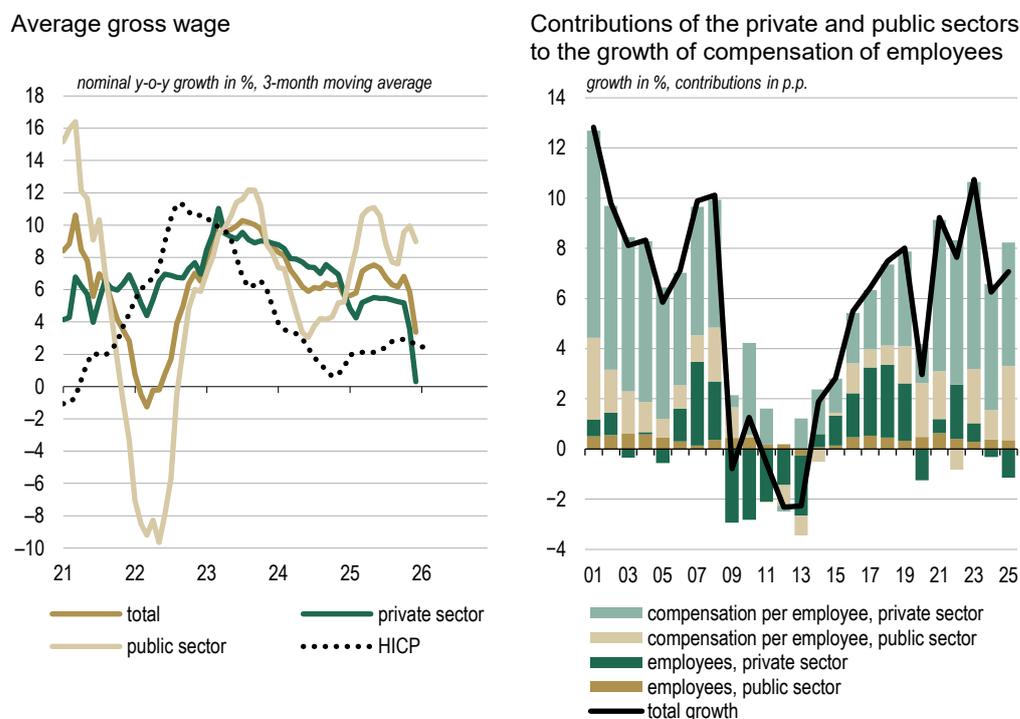
Sources: SURS, Banka Slovenije calculations. Latest data: left – December 2025, HICP – February 2026.
Note: In the right chart contributions to growth are calculated using each sector's weight in compensation of employees from the previous year. Owing to methodological characteristics, the sum may differ slightly from the overall growth rate. The public sector refers to Sectors O, P and Q according to the Standard Classification of Activities 2008 (SKD 2008), while the private sector refers to the remaining sectors. Compensation per employee denotes compensation of employees per employee.

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[51] According to the national accounts definition, compensation of employees is equal to the sum of gross wages and employers' social security contributions, where personal remuneration includes cash allowances paid to employees for food and transport, and annual and winter leave allowance. It also includes estimates of tips in the accommodation and food service and personal service sectors, and estimates of private use of company vehicles. In the monthly statistics gross wages comprise employees' wages for work performed, wage compensation covered by employers, remuneration for past work, and performance-related bonuses. Gross wages do not include compensation not covered by employers, premiums for voluntary supplementary pension insurance, payments charged to material costs, payments based on copyright or service contracts, annual and winter leave allowance, jubilee bonuses and termination benefits.

5 Current Account

The merchandise trade balance recorded a deficit last year, an outcome observed in the past decade only during the energy crisis in 2022.

Real merchandise exports[52] declined by 0.2% last year, while real imports increased by 2.0%, reducing real GDP growth by 1.4 percentage points. The negative contribution of merchandise trade to GDP growth deepened over the course of the year, mainly due to faster growth in imports in the second half of the year, which tracked the strengthening of domestic demand. The terms of trade, calculated as the ratio of export prices to import prices, strengthened over the course of the year, and improved by 0.9% overall. Export prices rose, while import prices declined, which, in the context of falling real exports, points to a deterioration in the price and cost competitiveness of exporters and a shift in the structure of exports.

According to balance of payments data, nominal merchandise exports increased by 0.4% last year, while nominal merchandise imports were 1.7% higher. The merchandise trade balance showed a deficit of EUR 149 million, a development observed in the past decade only during the energy crisis of 2022.

Global uncertainties had the greatest impact last year on merchandise exports to Switzerland and the United States, while exports of road vehicles to France also declined sharply in the first half of the year. Exports to Germany, Slovenia's largest trading partner, decreased for the third consecutive year, primarily as a result of falling exports of industrial machinery and road vehicles.[53] In terms of structure, machinery and transport equipment, most notably road vehicles, accounted for the largest share of nominal merchandise exports, followed by chemical products, particularly medical and pharmaceutical products (see Figure 5.1, left). The shares have shifted slightly over the last three years (see Figure 5.1, right): the share accounted for by machinery and transport equipment has decreased somewhat, while the share accounted for by chemical products has increased.

By contrast, the breakdown of nominal imports according to the main product categories remained relatively unchanged over the same period (see Figure 5.1, right). Machinery and transport equipment continued to account for the largest share, followed by chemical products, most notably medical and pharmaceutical products, and industrial materials such as iron, steel, and non-ferrous metals (see Figure 5.1, left). In terms of partner countries, a certain shift away from the largest trading partners has been noted in the past year, as the share of imports from Germany and Italy declined, while imports from some other central European countries, such as Croatia, Austria, and Poland, increased. The share of imports accounted for by China remains broadly unchanged (around 5%), with the main increases seen in imports of electrical machinery and equipment, road vehicles, metal products, and industrial machinery.

The initial data for this year suggests a further contraction in nominal merchandise exports. According to SURS data, exports declined by 3.7%[54] year-on-year in January,

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[52] According to national accounts data.

[53] The share of Germany's total merchandise imports accounted for by Slovenia's merchandise exports declined to 0.62% in 2025 according to balance of payments data, down from 0.65% in 2024. The highest value was recorded in 2020 and 2021, at 0.67%.

[54] The SURS data excluding operations involving processing.

and the outlook remains unfavourable, as manufacturing firms did not report any significant increase in export orders in February. At the same time the economic sentiment in key partner countries deteriorated slightly in February, although it remained above last year's high; these measurements, however, do not yet reflect the escalation of the conflict in the Middle East.[55] Merchandise imports according to SURS data decreased by 5.8% year-on-year in January, in line with the economic sentiment and initial consumption indicators, which point to a slowdown in domestic demand (see Section 3).

Figure 5.1: **Structure and changes in merchandise trade**

Structure of merchandise trade in 2025

Change in the structure of merchandise trade
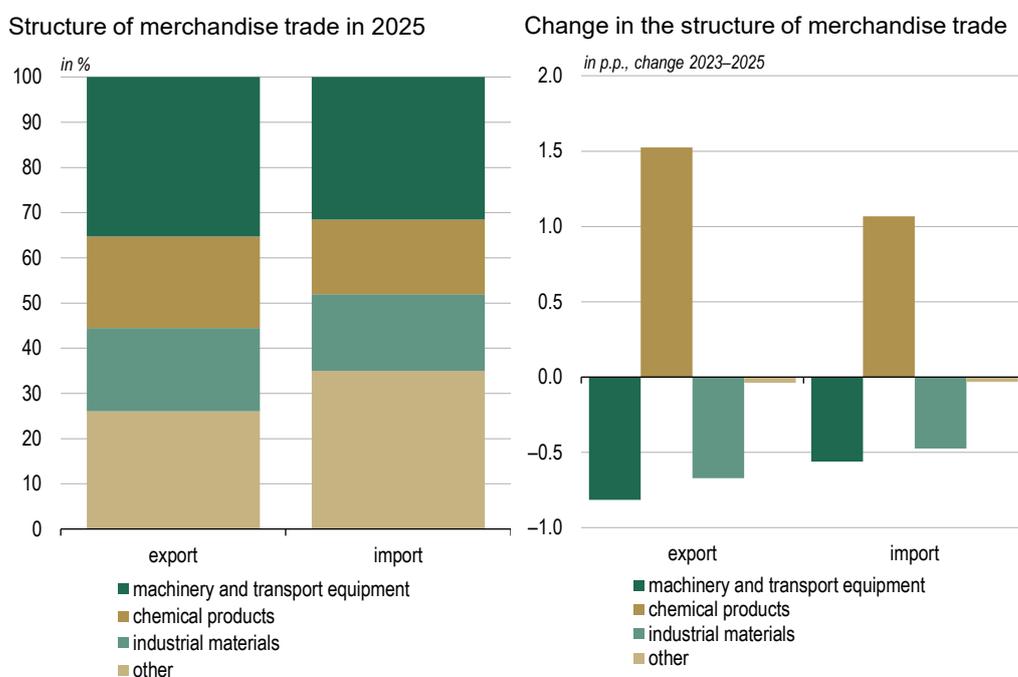
Sources: SURS, Banka Slovenije, Banka Slovenije calculations.
Note: The figure is based on SURS data, except for the category of chemical products, where Banka Slovenije data is partly included.

The current account surplus was attributable solely to the surplus in services trade.

Real exports of services increased by 2.2% last year, while real imports grew by 2.9%. Despite the faster growth in imports, the contribution of services trade to real GDP growth was neutral, owing to the slightly larger volume of exports. The terms of trade in services improved slightly (by 0.2%), particularly in the second half of the year, when export prices increased more markedly than import prices. This partly mitigated the year-on-year decline in the current account surplus (see Figure 5.2, left), which last year was derived exclusively from the surplus in services trade, which reached a record EUR 3.9 billion. Half of this surplus was generated by transport services and travel services, with the surplus in both categories increasing further compared with the previous year (see Figure 5.2, right).

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[55] Calculated as the weighted average of the economic sentiment in Germany, Croatia, Italy, Austria, and France, using merchandise exports as weights.

Figure 5.2: **Terms of trade and services trade balance**
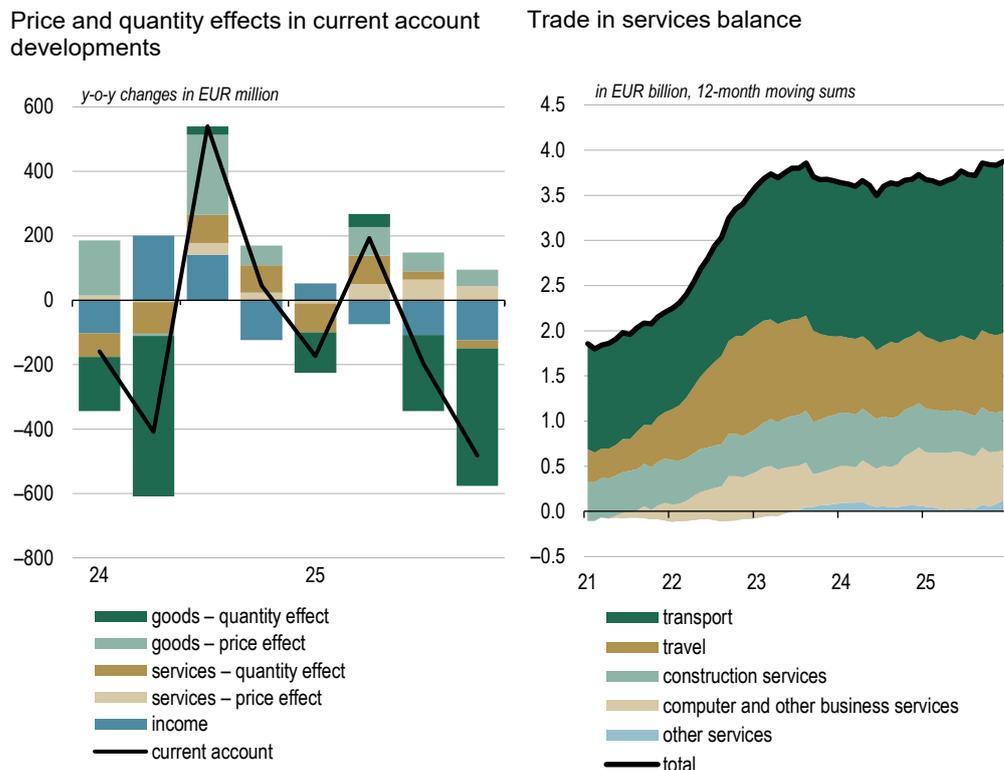
Price and quantity effects in current account developments

y-o-y changes in EUR million

- goods – quantity effect
- goods – price effect
- services – quantity effect
- services – price effect
- income
- current account

Trade in services balance

in EUR billion, 12-month moving sums

- transport
- travel
- construction services
- computer and other business services
- other services
- total

Sources: SURS, Banka Slovenije, Banka Slovenije calculations. Latest data left: Q4 2025, right: December 2025.
Note: In the right chart other business services mostly comprise research and development services and engineering services. Other services include insurance services and goods processing services on behalf of others.

More than half of last year's services exports consisted of travel services, which increased by 4.6%[56] on the back of a record tourist season, and transport services, which were up 2.6%, although transport exports began to decline towards the end of the year. Daily data for the first 60 days of this year indicates a continued increase in travel services exports, with a year-on-year rise of 8.3% in the number of overnight stays by foreign tourists.[57] The share of total services exports accounted for by insurance services doubled to 5.5% last year, as one of the insurers entered into a major long-term contract. Services exports to Germany declined, while exports to Italy increased, primarily as a result of the aforementioned insurance transaction. Imports of insurance and other business services increased, while imports of transport services fell by 15.1%.

The primary income deficit narrowed by EUR 332.0 million last year to EUR 427.5 million. This was mainly the result of a decline in dividend payments on corporate equity holdings, which coincides with weak value-added growth in sectors with a higher share of foreign-owned firms, and an increase in labour income earned abroad by Slovenian residents, which is associated with higher receipts from Austria. The secondary income deficit increased by EUR 586.9 million, partly in reflection of higher expenditure on various current transfers.

The current account surplus amounted to EUR 2.4 billion last year, or 3.4% of GDP, 1.1 percentage points less than in 2024.

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[56] Slovenia recorded the highest number of foreign tourists in 15 years according to the current methodology, and in 28 years when older data is included.

[57] Based on experimental (daily) statistics by SURS.

The current account surplus reflects a combination of relatively high private sector saving, and moderate investment activity, and not merely developments in the trade of goods and services.

The current account records flows of goods and services, and primary and secondary income between residents and non-residents. The balance is the difference between receipts from the rest of the world and payments to the rest of the world. The current account balance[58] is also equal to the difference between national saving (S) and investment (I) in the economy:

$$CA = S - I$$

A current account deficit indicates that domestic investment exceeds domestic saving, resulting in net borrowing in the rest of the world. Conversely a current account surplus reflects domestic saving exceeding investment, and thus net lending to the rest of the world. Excess domestic saving is channelled abroad through net financial flows, either in the form of direct or portfolio investment, loans, or an increase in other net external claims. Domestic sectors may also deleverage by reducing existing financial liabilities to non-residents.[59]

Over the last decade, with the exception of 2022, Slovenia has recorded a relatively high current account surplus, averaging around 4.7% of GDP. Following the financial crisis, net lending to the rest of the world gradually increased, with households and non-financial corporations (firms) contributing to the surplus, alongside a gradual improvement in the general government balance. In the pandemic year of 2020, households' net saving increased significantly as a result of limited consumption opportunities, precautionary saving, and extensive government measures to preserve income. That year firms also recorded excess saving, resulting in a record level of net lending (Figure 5.1.1, left). In 2022 the energy shock and rising price pressures following the outbreak of the war in Ukraine temporarily reduced households' net saving, while firms posted a slight deficit. The current account surplus subsequently increased again, reaching 4.5% of GDP in 2024, accompanied by a rise in the share of saving to GDP and a decline in the share of investment to GDP.

Despite the reduction in the surplus last year, in connection with the slowdown in merchandise exports, it remains relatively high at 3.4% of GDP. In terms of the share of the current account surplus to GDP, Slovenia ranked among the countries with the highest surpluses in the euro area between 2020 and 2024 (Figure 5.1.1, right).

According to IMF estimates, Slovenia's cyclically adjusted external position in 2025 was estimated at 4.4% of GDP.[60] This is somewhat above the level indicated by fundamentals and desirable policies (2.8% of GDP), and reflects weak investment activity in the

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[58] Net lending (or borrowing) is the sum of the balances on the current and capital accounts of the balance of payments, with the capital account balance being very small (averaging only -0.1% of GDP between 2020 and 2024).

[59] At the level of institutional sectors, the current account balance can be expressed as the sum of net lending (or borrowing) by individual sectors: $CA = (S_H - I_H) + (S_C - I_C) + (S_G - I_G)$, where H, C, and G denote the household sector, financial and non-financial corporations, and the general government sector.

[60] The estimate was prepared on the basis of a detailed empirical model (External Balance Assessment, EBA-lite). For further information, see IMF (2025) External Sector Report: Global Imbalances in a Shifting World.

economy. The estimate took into account demographic structure, the level of development, the net international investment position, and fiscal policy with a medium-term orientation.

Figure 5.1.1: **Net lending (borrowing) or the saving-investment gap**

Slovenia

Euro area
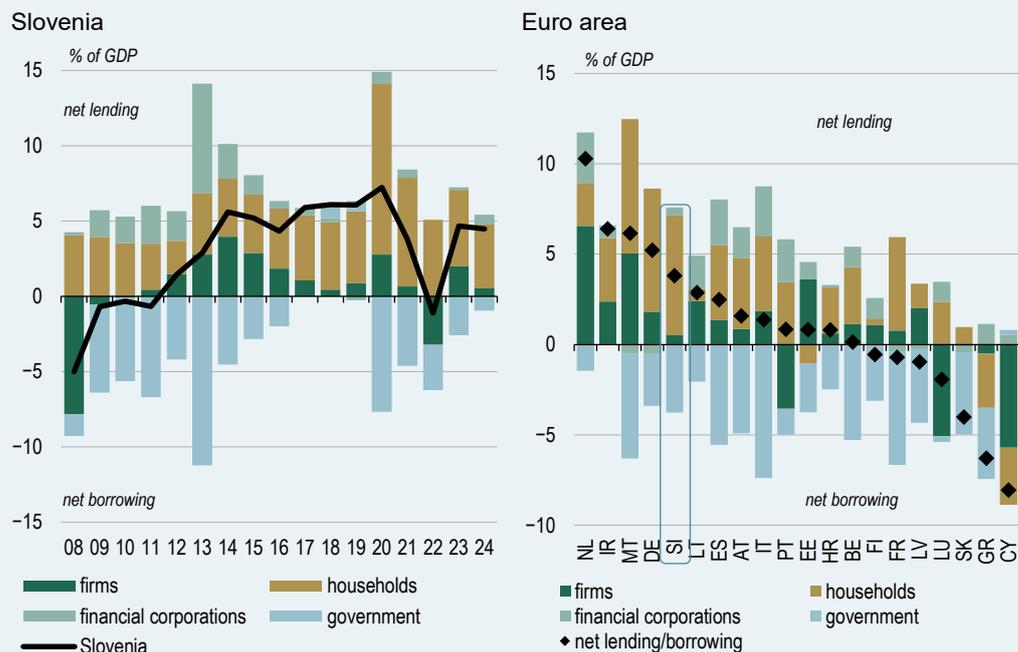
Source: Eurostat.
Note: Firms means non-financial corporations, while households also includes NPISH. In the right figure, the data refer to the average over the period of 2020 to 2024.

Current account deficits and surpluses do not in themselves constitute imbalances, as they may reflect the stage of economic development, demographic trends, or deleveraging processes. However, persistent deviations from levels consistent with fundamentals may indicate imbalances in the structure of domestic demand or investment activity.[61] Measures that foster investment activity and domestic demand, particularly in the areas of human capital, the business environment, and access to finance, can help reduce the deviation of the current account surplus from its estimated equilibrium level.[62]

Sustained current account surpluses and net capital outflows to the rest of the world have significantly improved Slovenia's net international investment position, placing it among the more financially resilient members of the euro area; however, this has also entailed missed investment opportunities at home.

With several years of current account surpluses and limited investment activity by domestic sectors, Slovenia has shifted from a net debtor to a net creditor vis-à-vis the rest of the world over the last decade, its position reaching 11.7% of GDP at the end of the third quarter of last year (Figure 5.1.2, left). The shift into positive territory was driven by the behaviour of all institutional sectors. On the one hand households and financial corporations have consistently increased their net financial claims against the rest of

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[61] European Commission (2012). Current account surpluses in the EU.

[62] IMF (2025). Republic of Slovenia: 2025 Article IV Consultation-Press Release; and Staff Report.

the world – households mainly through precautionary saving and restrained consumption, while banks and other financial corporations, during periods of excess liquidity and subdued domestic investment activity, have channelled surplus funds primarily into foreign (debt) securities and the granting of loans, while also making significant loan repayments themselves. On the other hand non-financial corporations and the government have significantly reduced their traditional debtor position; however, this has also meant missed opportunities for financing domestic development and economic restructuring. Analysis across the main instruments reveals that in recent years Slovenia has been strengthening its creditor position across all items; net investments in securities as well as currency and deposits have increased, while the debtor position from direct investment and loans has also eased slightly (Figure 5.1.2, right).

Figure 5.1.2: **Breakdown of the net international investment position (NIIP)**
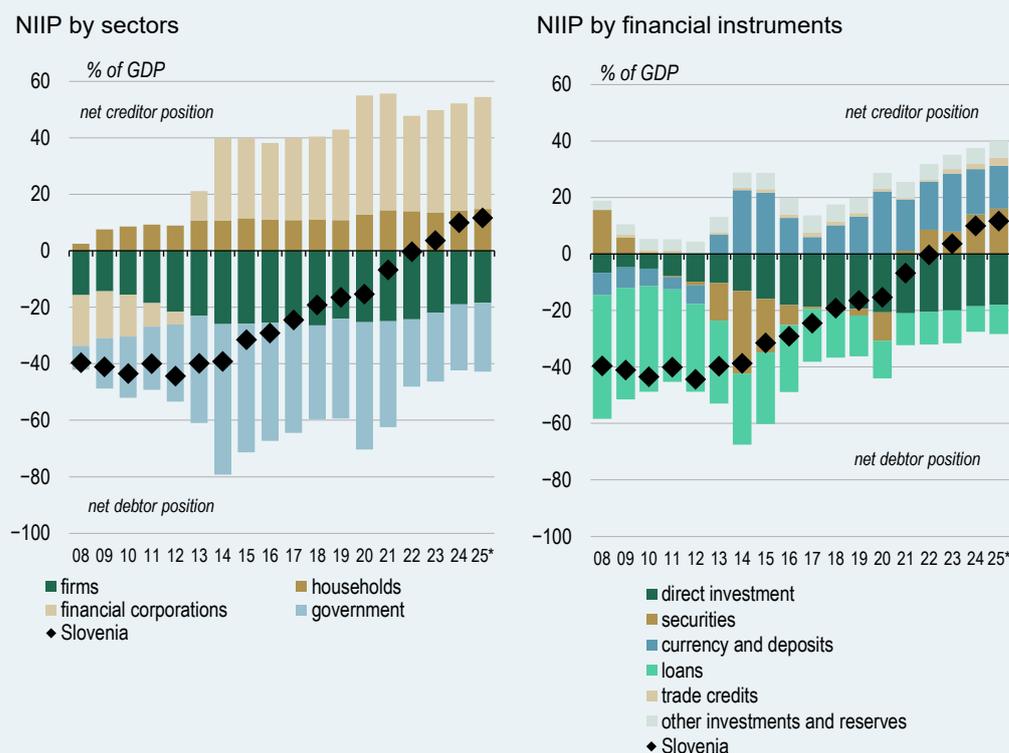
NIIP by sectors

NIIP by financial instruments

Sources: Banka Slovenije, Banka Slovenije calculations.
Note: NIIP stands for net international investment position. * The data for 2025 is for the end of the third quarter. In the left chart households also include NPISH. In the right chart securities also include financial derivatives (of negligible value).

A more detailed look at the financial transactions and net position of non-financial corporations vis-à-vis the rest of the world shows that they have undergone an intensive process of deleveraging, and are now financially more stable than a decade ago (Figure 5.1.3, left). In recent years, amid heightened economic uncertainty and caution, net capital outflows have been driven primarily by the repayment of foreign loans, the placement of funds in accounts with foreign banks, and net trade credit extended to foreign partners. By contrast, net inflows of foreign direct investment have been steadily increasing, reflecting the limited internationalisation of Slovenian firms while also highlighting the important role of foreign investment as a channel for the transfer of capital and technology.

With the transition to a net creditor position, the Slovenian economy has in recent years ranked among the more financially resilient members of the euro area (Figure 5.1.3, right). This has been supported by sustained current account surpluses and the pre-

cautionary financial behaviour of domestic sectors in an environment of subdued investment activity. Both factors have limited economic potential and the process of catching up with more advanced countries; more effective channelling of excess saving into domestic development projects with higher value-added therefore remains essential. This requires improvements in the investment environment, greater corporate profitability, a reduction in uncertainty, and the development of alternative sources of financing that would enable increased investment in advanced technologies and intangible assets. At the same time it remains important to monitor the sectors that generate surpluses and the instruments into which funds are being channelled, as changes in global financial conditions can quickly affect the returns and safety of these investments.

Figure 5.1.3: **NIIP of Slovenian firms and other euro area members**

NIIP of firms

NIIP of euro area member states

direct investment
currency and deposits
trade credits
firms
securities
loans
other investments

2025   2008

Sources: ECB, Banka Slovenije calculations.
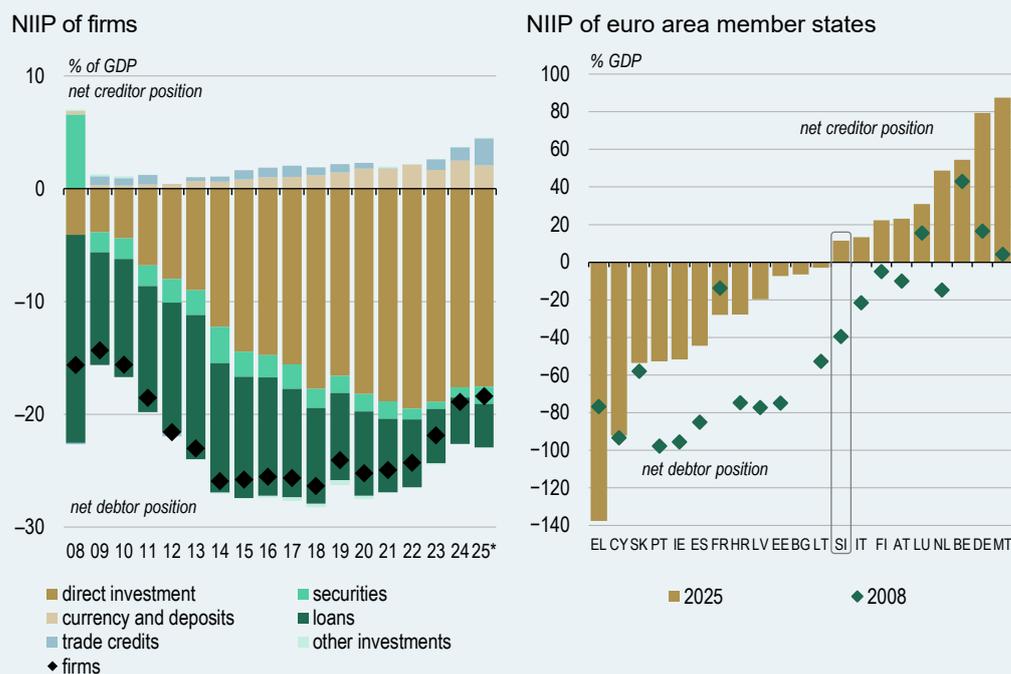Note: NIIP stands for net international investment position. * The data for 2025 is for the end of the third quarter. In the left chart securities include financial derivatives (of negligible value).

6 Inflation

Inflation picked up pace in February, primarily due to an effect from last year's measures in connection with electricity prices.

Year-on-year growth in consumer prices as measured by the HICP strengthened to 2.8% in February, up from 2.4% in January. The rise was driven primarily by energy prices, and to a lesser extent by unprocessed food and services prices. By contrast, growth in prices of processed food and other goods dampened inflation in February (Figure 6.1, left). With the geopolitical tensions in the Middle East intensifying, risks to

the further slowdown of inflation have also increased. Higher oil and natural gas prices on global markets, reflecting the heightened uncertainty and reduced supply, are expected to pass through to consumers with a lag, and to affect other price groups too.

Energy prices were up 2.8% in year-on-year terms in February, having declined by 2.1% in January. The reversal was mainly due to a one-off base effect in electricity prices, resulting from the implementation of the emergency law mitigating the impact of high network charges on households at the beginning of 2025.[63] It is estimated to have raised February's headline inflation rate by 0.5 percentage points. To a lesser extent the rise in energy prices was also driven by solid fuels, which recorded a second consecutive month of pronounced price rises, and were 16.6% more expensive than in December 2025.

Figure 6.1: **Headline inflation and pipeline pressures for other goods prices**

Inflation, measured by HICP

Pipeline pressures for other goods prices
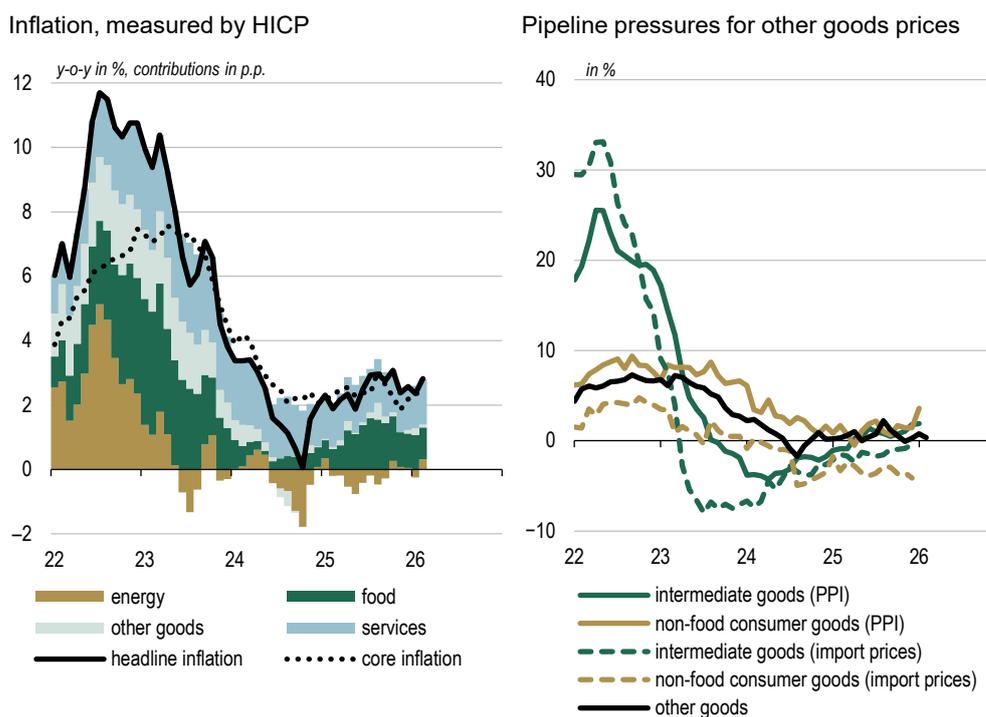
Sources: SURS, Eurostat. Latest data left: February 2026, right: February 2026, domestic producer prices – January 2026 and import prices – December 2025.

By contrast, food price inflation has been easing over the last few months, the year-on-year rate slowing to 4.3% in February, down 0.3 percentage points on January.[64] The slowdown was entirely driven by processed food prices, which have remained practically unchanged since November of last year. Over this period their contribution to food inflation nearly halved, to 1.7 percentage points. Conversely the contribution of unprocessed food prices increased markedly, to 2.5 percentage points, mainly in reflection of higher prices of fruit and vegetables. Conditions along production and supply chains are generally easing, as food commodity prices on global and euro area markets have been falling since the middle of last year. Stabilisation is also evident further downstream in the chain, particularly in import prices, while domestic producer prices remain elevated; most recently, in January, they were up 4.7% year-on-year.

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[63] The law reduced the tariff rates for rated power in the first time block in January and February 2025, but it only affected inflation from its entry into force in February 2025.

[64] As of January 2026 food price inflation no longer includes the effect of the VAT increase on sweet beverages, which came into force in January 2025. Its impact is estimated at 0.5 percentage points.

Core inflation continues to be driven mainly by domestic factors related to developments in the labour market.

Core inflation, i.e. inflation excluding energy and food prices, stood at 2.3% in February, down 0.1 percentage points on January. The slowdown reflected weaker year-on-year growth in prices of other goods, which declined by 0.5 percentage points to 0.3%, mainly due to a base effect in the wake of relatively high current price rises in February of last year. Other goods inflation nevertheless remains supported by domestic cost factors, as evidenced by the divergence between growth in import prices and domestic producer prices (Figure 6.1, right). The divergence is primarily attributable to rising labour costs and their pass-through into consumer prices.

Rising labour costs are also being reflected in service price inflation: the year-on-year rate strengthened to 3.9% in February (up from 3.7% in January), following sharp monthly rises in February.[65] Indeed, the inflation momentum[66] indicator confirms the persistence of service price inflation, which picked up again in recent months after gradually declining last year and signalling fading inflationary pressures. The share of services firms expecting to raise selling prices has been increasing again since November, particularly in rental and leasing activities, services to buildings and landscape activities, warehousing, storage and support activities for transportation, and in accommodation and food service activities (Figure 6.2, left).

Developments in core inflation remain primarily driven by domestic price factors. Growth in the GDP deflator, which measures the rise in prices of domestically produced goods and services, remained at 3.7% in the final quarter of last year. Labour costs continued to be the main driver, although their impact on consumer prices was partly offset by higher labour productivity. Over the same period the contribution of unit profits has also increased, which could indicate a rebound in profit margins (Figure 6.2, right).

[65] The monthly rise in service prices stood at 1.1% in February, marking the most pronounced February increase in services prices since 2002.

[66] The inflation momentum indicator is calculated as the annualised rate of growth in the seasonally adjusted services price index by comparing the average level of prices in the last three months with that from the preceding three months.

Figure 6.2: **Price factors in services prices and GDP deflator**

Services prices

in %   balance

- momentum
- year-on-year inflation
- selling prices expectations in services sector (right)

GDP deflator

y-o-y in %, contributions in p.p.

- compensation per employee
- productivity
- unit profits
- unit net taxes
- ◆ unit labour costs
- GDP deflator
- ‧‧‧ core inflation
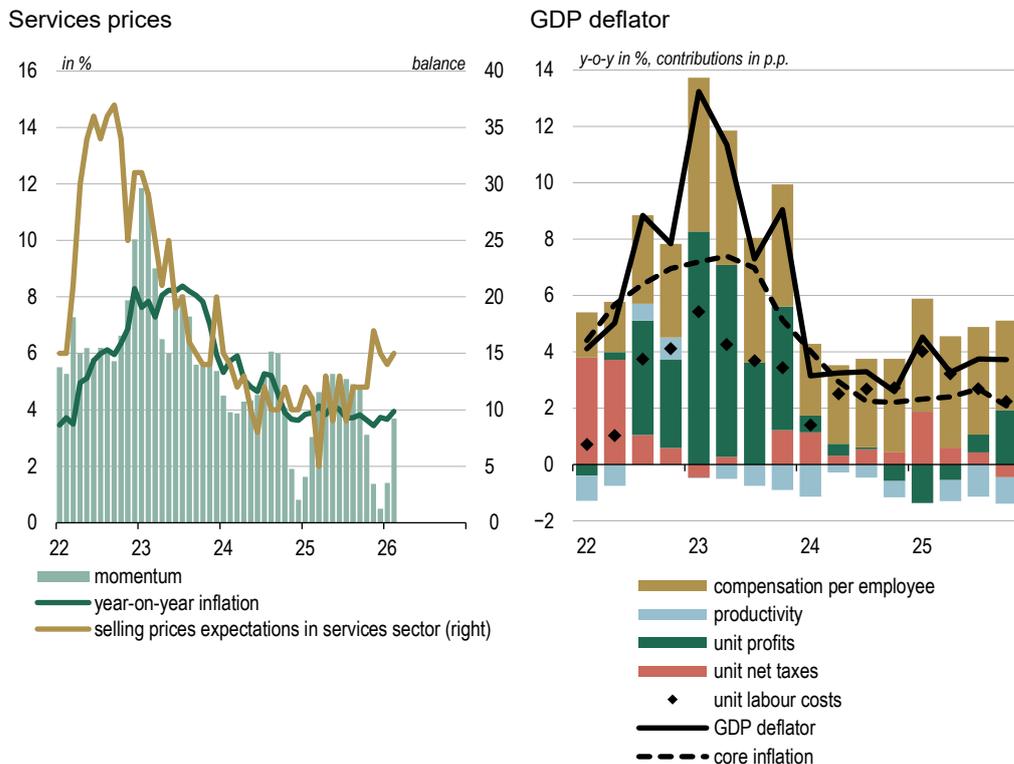
Sources: SURS, Banka Slovenije calculations. Latest data left: February 2026, right: Q4 2025.
Note: In the left chart the selling price expectations in the service sector relate to the next three months, while the inflation momentum indicator is calculated as the annualised rate of growth in the seasonally adjusted services price index by comparing the average level of prices in the last three months with that from the preceding three months. Labour costs in the right chart are employee compensation per employee.

7 Fiscal Position

The consolidated general government deficit widened by just over 1 percentage point last year to 2.5% of GDP, and is expected to increase further this year.

According to the cashflow methodology, the consolidated general government deficit amounted to EUR 1,773 million or 2.5% of GDP last year, up significantly from 1.4% of GDP in the previous year (Figure 7.1). The majority of the deficit originated from the state budget (EUR 1,711 million); municipalities halved their deficit to EUR 112 million, while the Health Insurance Institute of Slovenia (ZZZS) ended the year with a surplus. With the deficit projected to increase further this year – despite the expected improvement in economic growth – the fiscal space for countercyclical measures in the event of larger shocks is narrowing.

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

y-o-y in %, balance in % GDP
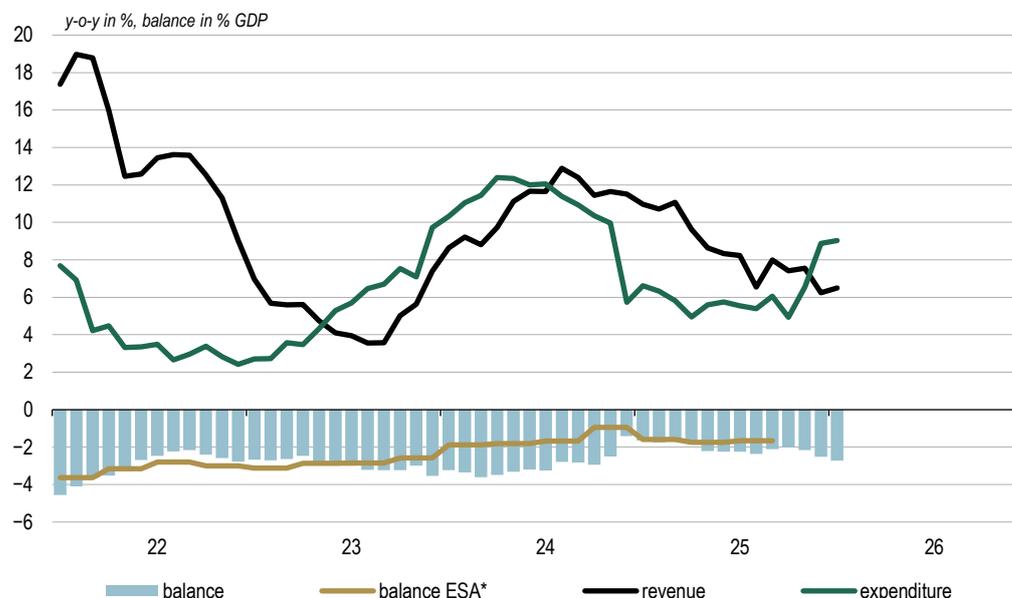
Sources: SURS, Ministry of Finance, Banka Slovenije calculations. Latest data: January 2026, ESA balance – Q3 2025.
Notes: The consolidated general government revenue, expenditure and position (as a percentage of GDP) are disclosed as 12-month moving sums according to the cashflow methodology. * General government sector according to the ESA methodology, four-quarter moving sums.

The main driver of growth in consolidated general government revenue last year was social security contributions, while the main factor of growth on the expenditure side was the public sector pay reform.

Consolidated general government revenue increased by 6.2% or EUR 1.7 billion last year (Figure 7.2, left). Growth was slower than in the previous year, partly due to the decline in economic growth, and partly due to fiscal policy measures. Social security contributions continued to make the largest contribution to revenue growth, although their growth slowed despite the introduction of a new long-term social care contribution in the second half of the year. The slowdown was mainly the result of the high base from 2024, when supplemental health insurance was transformed into a compulsory health contribution. Corporate income tax revenue declined, primarily as a result of a decline in settlements for the previous year. Growth in domestic taxes on goods and services and in personal income tax revenue was also lower than in the previous year, the latter reflecting adjustments in tax brackets and allowances.

Consolidated general government expenditure increased by 8.9% or EUR 2.7 billion last year (Figure 7.2, right). The acceleration in growth towards the end of the year mainly reflected higher investment, and the payment of winter bonuses to employees (Christmas bonuses) and a winter allowance for pensioners. Over the whole year the largest contribution to expenditure growth came from expenditure on wages and social contributions for employees (which was up 14.2%), in connection with the gradual implementation of the new wage agreement from 2025, the wage adjustment in June 2024, promotions at the end of 2024, and the introduction of the winter leave allowance. Employment in the general government sector also increased. Growth in transfers to individuals and households was slightly higher than in the previous year, and was more pronounced in December due to the payment of the winter allowance for pensioners. Investment expenditure and investment transfers increased by 11.0%, and were a notable factor in overall expenditure growth towards the end of the year. Subsidies declined by a quarter. The slowdown in growth in expenditure on goods and services

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reflected the transfer of the majority of the costs of reconstruction following the August 2023 floods to the Recovery Fund, which is not included in the consolidated general government balance. According to data from the Fiscal Council, close to EUR 400 million was spent last year on post-flood reconstruction, mostly from the Recovery Fund and partly from EU funds.

Figure 7.2: **Consolidated general government revenue and expenditure**

General government revenue

y-o-y in %, contributions in p.p.,12-month moving sums

General government expenditure

y-o-y in %, contributions in p.p.,12-month moving sums

- social security contributions
- domestic taxes on goods and services
- individual taxes on income and profit
- corporate taxes on income and profit
- receipts from the EU budget
- other
- revenue

- wages and social contributions
- goods and services
- transfers to individ. and households
- capital expenditures and transfers
- interest
- other
- expenditure

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

The consolidated general government surplus in January was significantly lower than a year earlier, as expenditure grew faster than revenue, primarily reflecting the impact of the public sector pay reform.

The surplus in the consolidated general government position amounted to EUR 39 million in January, considerably less than in January of last year (EUR 196 million). Expenditure increased more strongly than revenue in year-on-year terms. Revenue growth continued to stem mainly from social security contributions. Value added tax and revenue from the EU budget related to the Recovery and Resilience Facility also made a significant contribution to revenue growth in January. The increase in expenditure largely reflected the public sector pay reform. The year-on-year increase was also influenced by higher spending on pensions and certain monthly fluctuations in expenditure, mainly related to transfers to budgetary funds (primarily to the Recovery and Resilience Fund), as well as higher agricultural subsidies. According to consolidated gen-

eral government data, investment was down in year-on-year terms, although a substantial share of government investment is notwithstanding made through the budgetary funds, which increased their investment in January.[67]

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The government will repay most of the debt maturing this year in the first quarter, and Moody's has upgraded Slovenia's long-term sovereign debt rating.

By the end of March this year the government will repay EUR 2.5 billion of debt issued through two bonds, representing the majority of the debt maturing this year. The coupon rate of the two bonds, weighted by the principal, stands at 3.0%. In January the government issued a new 10-year euro-denominated bond (RS98), and increased the size of its issue in February. The total amount of both issuances was EUR 2.5 billion, with a coupon rate of 3.275%. The government is also continuing the issuance of treasury bills this year.

At the end of February Moody's upgraded Slovenia's long-term sovereign debt rating from A3 to A2, and changed the outlook from positive to stable. The key reasons for the upgrade cited by the agency included the adoption of the pension reform. Fitch and S&P had previously upgraded their sovereign ratings last year.

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[67] The increase in investment expenditure in the budgetary funds is noted by the Fiscal Council in its monthly information for February 2026.

8.1 The role of the financial system in corporate investment activity and economic restructuring

Corporate investment is a key determinant of developments in productivity, competitiveness and long-term economic growth, and is closely intertwined with the financial system (Figure 8.1.1).[68] The ratio of gross investment to GDP strengthened sharply in the period before the global financial crisis to reach almost 30% by 2008, which coincided with pronounced growth in corporate financial liabilities, including bank loans. By contrast, the period after the global financial crisis, which in Slovenia was followed by a banking and sovereign debt crisis, was characterised by a sharp decline in the ratio of investment to GDP, in parallel with accelerated corporate deleveraging. Having fallen below 20% between 2010 and 2020, the ratio of investment to GDP strengthened a little again following the pandemic. Corporate financial liabilities subsequently increased too, although only as a result of stronger equity financing, while the ratio of bank loans to GDP continued to decline.

This selected theme analyses whether the weak corporate investment activity in the past was the result of limited access to financing – particularly bank financing – or whether weak lending activity merely reflected conditions in the real sector and lower demand for financial resources. It also examines whether the financial system is adequately supporting the economy's current needs, which are increasingly driven by investment in advanced technologies and in research and development.

Figure 8.1.1: **Ratio of corporate investment and financial liabilities to GDP**
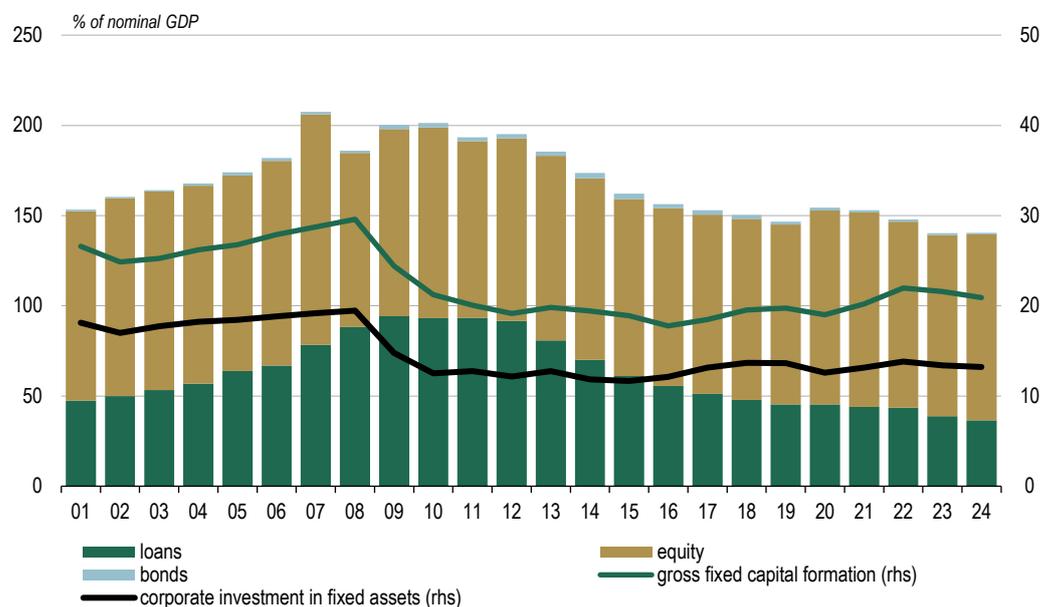
Sources: SURS, Banka Slovenije.

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[68] The relationship between investment and productivity, alongside the change in the structure of growth in the Slovenian economy, is examined in greater detail in the Review of macroeconomic developments, September 2025 | Banka Slovenije.

While financing remains one of the least important limiting factors for corporate investment, the structure of the macrofinancial environment still provides insufficient support for innovation and the digital transformation of the economy.

Survey indicators from the SURS for manufacturing, construction and retail point to a pronounced deterioration in the financial position of firms during the eco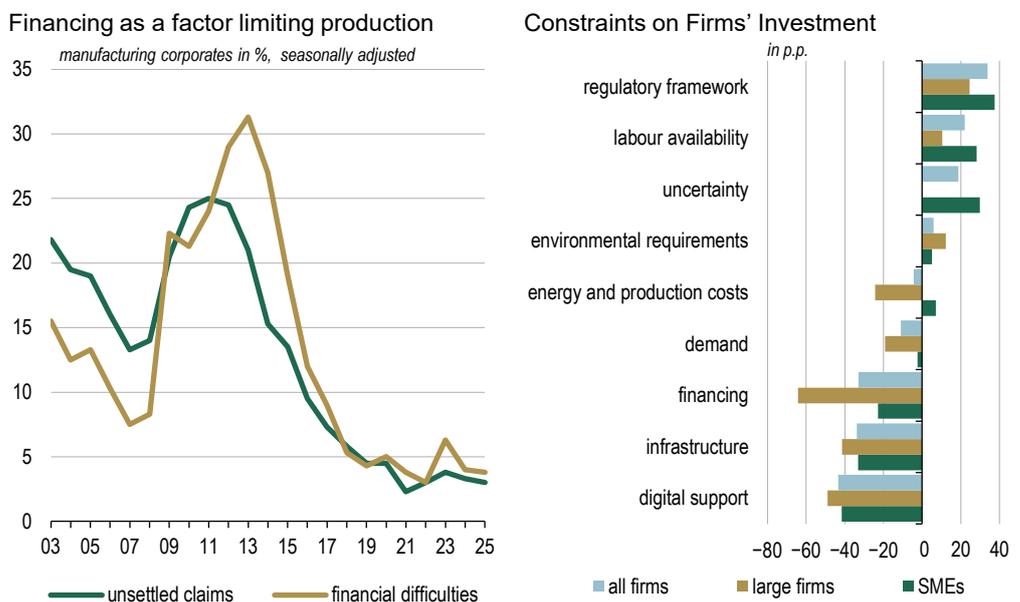nomic and sovereign debt crisis (2009 to 2014), followed by a marked improvement during the period of corporate deleveraging, and a relatively limited impact of monetary policy tightening during the recent period of elevated inflation. The share of firms reporting financial constraints as a limiting factor for current business has been below its long-term average between 2003 and 2025 for almost a decade now, and is currently at historically low levels (Figure 8.1.2, left).

Firms, particularly large enterprises, also cite access to financing as one of the least important limiting factors for investment.[69] By contrast, the most frequently highlighted factors for corporate investment activity relate to uncertainty in the domestic and external macroeconomic environment, the availability of skilled labour, and administrative and tax burdens (Figure 8.1.2, right). Consistent with this, firms assess that investment activity would be most strongly supported by a predictable business environment and a supportive tax and regulatory framework, while measures aimed at improving the development of capital markets and alternative forms of financing are mostly not perceived as important drivers of investment.[70]

Figure 8.1.2: **Access to finance, and factors limiting business and investment**

Financing as a factor limiting production

manufacturing corporates in %, seasonally adjusted

Constraints on Firms' Investment

in p.p.

Sources: SURS, Banka Slovenije.
Note: In the left chart financial difficulties encompass unfavourable lending conditions, problems in obtaining loans, etc. The right chart illustrates the difference between the share of responses in the Banka Slovenije Survey on the Access to Finance of Enterprises indicating that a given barrier is very important or important, and the share indicating that the barrier is unimportant or extremely unimportant.

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[69] The results are based on Banka Slovenije's March 2026 Survey on the Access to Finance of Enterprises.

[70] Similar results are found in the EIB Investment Survey 2025: Slovenia overview.

The empirical findings confirm that constraints on access to financing do not explain the persistently weak corporate investment activity in Slovenia following the global financial crisis.

The signals provided by survey indicators suggesting that the supply and availability of financing generally do not constrain firms in their current operations and investment are also confirmed by empirical analysis of lending activity in Slovenia. This analysis evaluates the extent to which access to bank loans can explain developments in corporate investment following the global financial crisis. The main findings, presented in Box 3.4, indicate that while access to bank loans has a statistically significant impact on corporate investment, the evolution of loan supply over time does not support the hypothesis that financing constraints were the main driver of persistently weak investment activity in the period following the global financial crisis. Similarly, the analysis in Box 3.5, which decomposes investment growth into supply and demand factors in the bank lending market, finds only a limited and temporary impact of bank loan supply on past investment activity.

Despite favourable financing conditions and access to financing, there are signs of segmentation between large enterprises and SMEs.

Based on the Survey on the Access of Enterprises to Finance, the financial gap can be defined as the difference between financing needs and the availability of external financial resources (Figure 8.1.3, left). The results for 2025 indicate that the financial gap for large enterprises turned negative, implying the availability of excess financial resources relative to needs for external funding. By contrast, the financial gap widened for small and medium-sized enterprises (SMEs), reflecting a deterioration in the relationship between their need for external financing and the availability of such resources.

In addition to limited access to equity financing, the wider financial gap for SMEs might also reflect less favourable treatment by domestic banks. Although SMEs across the euro area face higher borrowing costs than large enterprises, the spread in Slovenia was on average 45 basis points wider between 2020 and 2025 (Figure 8.1.3, right). Given the broadly comparable financing conditions for large enterprises, this difference is entirely attributable to the less favourable financing conditions for Slovenian SMEs compared with peers in the euro area. At the same time Slovenian SMEs borrowing from banks abroad face interest rates broadly comparable with the euro area average. These factors may partly explain the smaller share of SME loans in the credit portfolios of domestic banks compared with the euro area, and may point to a stronger orientation of the Slovenian banking system towards large enterprises and traditional investment classes, such as machinery and equipment.

Figure 8.1.3: **Access to financing and limiting factors on business and investment**

Financing gap

Distribution of loan volumes and spreads
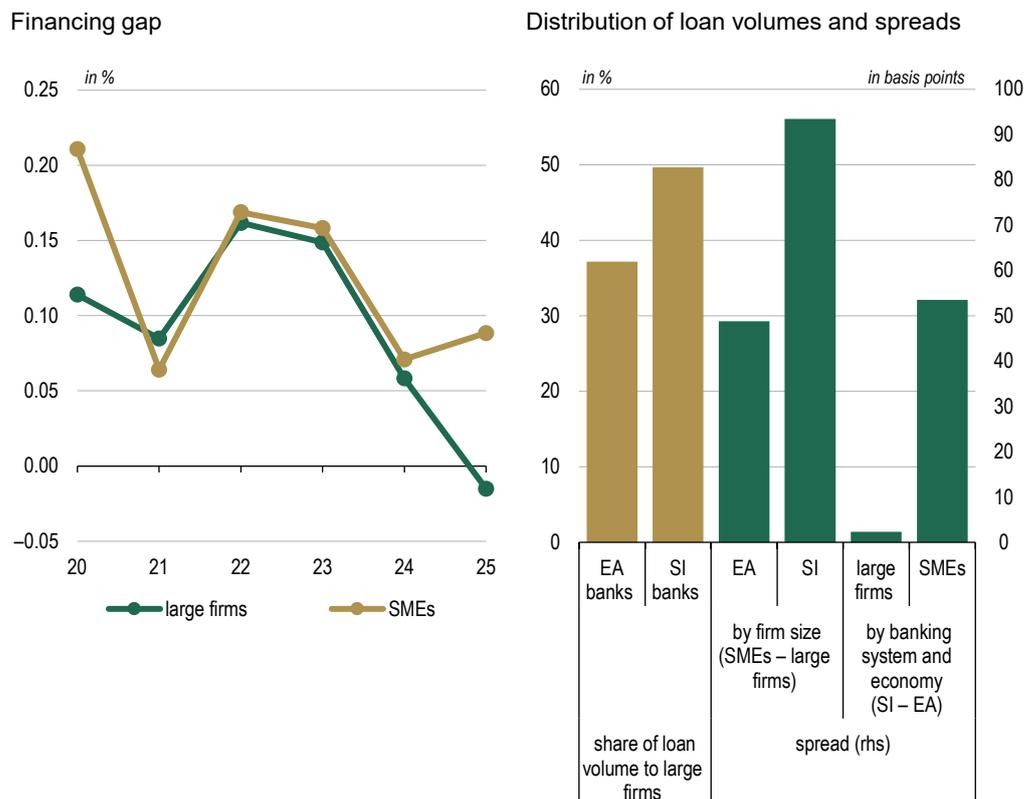
Sources: Banka Slovenije, AnaCredit.
Note: The financial gap refers to the difference between the share of firms reporting an improvement and the share reporting a deterioration in the ratio between the need for and the availability of external financing. The right chart presents a comparison of the shares of loan stock accounted for by large enterprises, and of the interest rate spreads between SMEs and large enterprises at banks in the euro area (EA) and in Slovenia. The spreads in lending rates for Slovenian firms at Slovenian banks compared with euro area firms at banks in the euro area are also illustrated, separately by corporate size. The averages between 2020 and 2025 are presented.

The structure of corporate financing and investment points to an extremely limited transition towards a knowledge-based economy and advanced technologies.

Similarly to the more favourable access to financing for large enterprises, the structure of corporate investment and its financing suggests that the macrofinancial environment in Slovenia remains predominantly oriented towards traditional investment. Since 2015 the ratio of investment to GDP in Slovenia has been below the EU average, with the gap particularly pronounced in investment in intellectual property products (Figure 8.1.4, left).[71] The relatively low level of technologically advanced investment is also reflected in the ratio between investment in tangible and intangible assets, which has remained broadly unchanged over the past three decades (Figure 8.1.4, right). By contrast, most EU countries have seen an increasing divergence between growth in tangible and intangible investment. The share of intangible investment has consequently increased across the EU, reflecting a faster digital transition and more intensive investment in advanced technologies compared with Slovenia (for more, see Box 3.6). In

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[71] This observation is based on the assumption that intangible assets to a greater extent reflect products associated with digital technologies. Intangible assets include, for example, software, databases, studies and project documentation, trademarks, goodwill, patents, licences, and research and development activities (see Fixed Investment 2022).

Slovenia by contrast the ratio of investment in intangible assets to GDP in 2025 was even lower than in 1995.[72]

Figure 8.1.4:
Technological intensity of corporate investment in Slovenia and the EU

Investment intensity

Ratio of intangible to tangible investment
(excluding non-residential buildings)
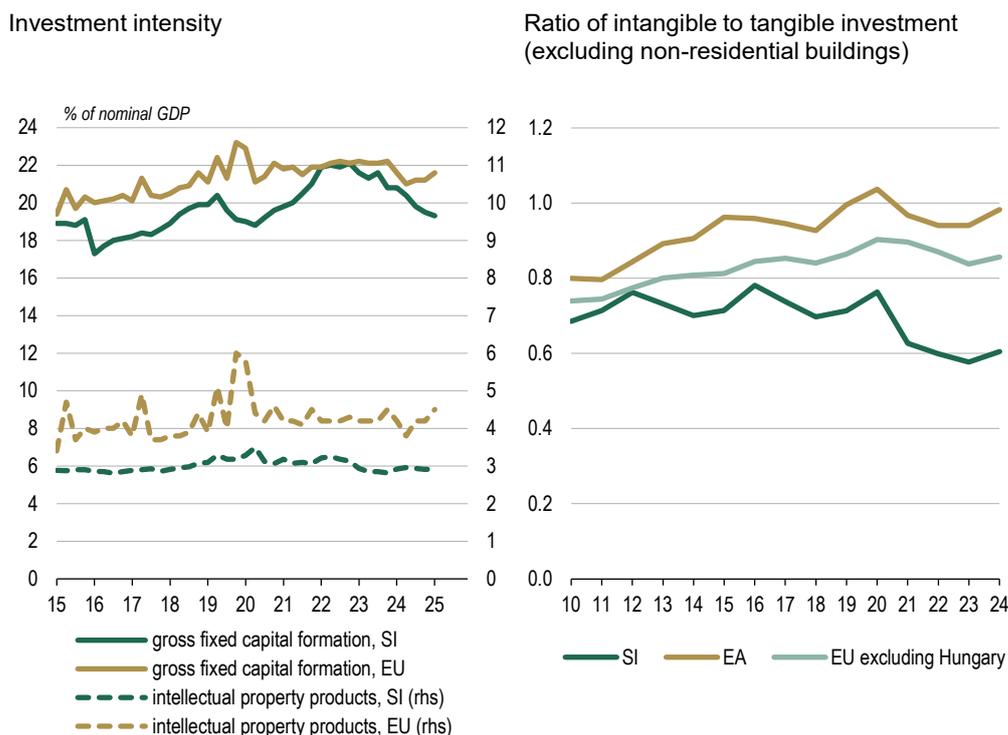
Sources: Banka Slovenije, SURS, WIPO–LBS Global INTAN-Invest Database.
Note: The ratios in the right chart are calculated using data on investment in intangible assets from the Global INTAN-Invest database; this database covers all classes of intangible assets, including those recorded in the national accounts as well as those not yet included in official statistics. Data coverage differs across countries: Ireland (2010-2021), Cyprus (2010-2020), Belgium (2010-2021) and other countries (2010-2024). Hungary is excluded from the figure due to outliers.

The gap between Slovenia and the euro area in exposure to investment in intangible assets is also evident in the financial sector. The share of total bank loans to non-financial corporations secured by at least one item of intangible collateral is around 20% in the euro area overall, while in Slovenia it has been declining steadily towards 5% (Figure 8.1.5, left). In terms of loan volumes, the share is about 20% for euro area banks, while it has approached 10% at Slovenian banks in recent months. The detailed data shows that after the pandemic Slovenian non-financial corporations have gradually reduced their exposure to domestic banks through loans secured by intangible assets, while the volume of such transactions with foreign banks abroad has increased (Figure 8.1.5, right). The stock of these loans at domestic banks amounted to approximately EUR 665 million in December of last year, down almost 40% on January 2020. By contrast, the stock of loans to Slovenian non-financial corporations secured by at least one intangible asset at banks abroad averaged around EUR 170 million in 2025, up approximately a third on 2020. On average in 2025 these loans also accounted for slightly more than a fifth of all secured loans to Slovenian non-financial corporations raised with foreign banks. This suggests that this type of financing represents an important motive for firms to seek financing abroad.

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[72] The data refers to Figure 8 in World Intangible Investment Highlights 2025.

Figure 8.1.5: **Share of loans collateralised by intangible assets in Slovenia and the euro area**

Loans secured by at least one intangible collateral item as a share of total secured loans

Volume of loans to Slovenian firms secured by at least one intangible asset
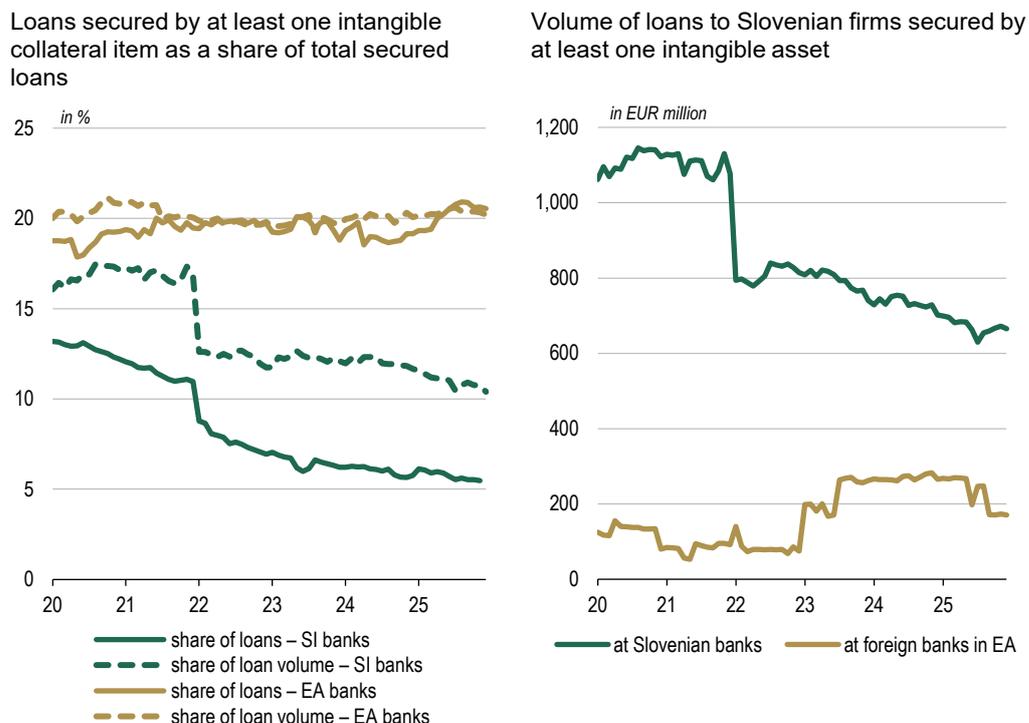
Sources: Banka Slovenije, AnaCredit.
Note: The left chart shows the share of total stock of secured bank loans to firms at banks in Slovenia and the euro area accounted for by loans secured by at least one item of intangible collateral. The right chart shows the stock of bank borrowing by firms in Slovenia where the loans are secured by at least one intangible collateral item, at banks in Slovenia and at foreign banks in the euro area.

Weaker bank support for corporate investment in digital technologies and intellectual property products is also indicated by the Survey on the Access to Finance of Enterprises. The share of firms assessing banks as unsuitable partners for investment in advanced digital technologies and in research and development exceeds the share of positive responses by more than 10 percentage points. Slovenian firms therefore still primarily associate bank support with traditional investment activities, such as investment in machinery and equipment, and investment in real estate (Figure 8.1.6, left). In the absence of alternative sources of financing, this could lead to an inadequate financial structure and insufficient support for the restructuring needs of the economy and expected future investment activity. In particular, the data from Banka Slovenije's Survey on access to finance shows that 60% of surveyed firms plan to invest in advanced digital technologies over the next three years. Investment in human capital and training also ranks high among firms' priorities, at around 70%, while planned investment in research and development is reported by around 40% of firms (Figure 8.1.6, right).

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Figure 8.1.6: **Planned investment over the next three years and the adequacy of banks in supporting corporate investment**

Banks as a source of support for investment

in p.p.

Firms' investment intentions and purposes

in %

■ yes ■ no ■ don't know
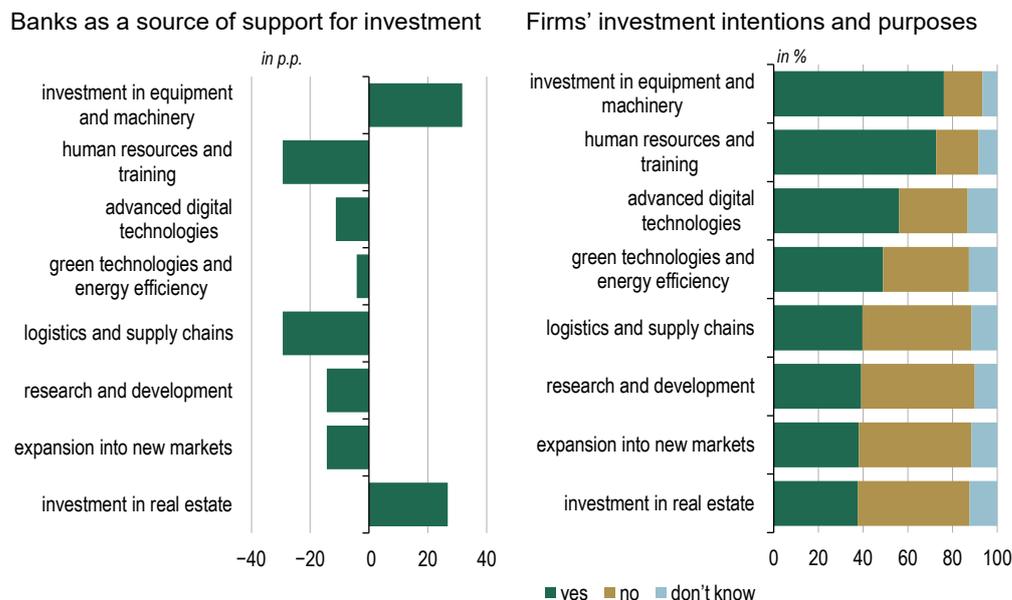
Sources: Banka Slovenije.
Note: The left chart shows the difference between the share of firms assessing banks as highly suitable or suitable partners in supporting specific investments, and the share of firms identifying banks as unsuitable or highly unsuitable in providing such support. The right chart illustrates the share of firms expressing an intention to invest over the next three years, broken down by the purpose of the investment.

The diminishing role of the banking system in corporate investment activity represents a continuation of the trend observed since the global financial crisis. In addition to insufficient support for the transformation of the economy, this also constrains countercyclical action on the part of economic policy.

According to financial accounts data, the share of corporate financial liabilities accounted for by equity has increased since 2005, reaching 58% last year (Figure 8.1.7, left). By contrast, the share accounted for by bank loans has halved from just over 16% to 8%, with the gap partly being filled by the growing prevalence of trade credit.[73] This was strongly influenced by the global financial crisis, and later by corporate deleveraging and the reduction of bank exposures during the recovery and resolution of the banking system.[74] At the same time the replacement of bank loans with trade credit reflected firms' growing integration into supply chains, and the search for flexible instruments for managing working capital, particularly during periods of uncertainty and higher financing costs. The rising share of equity also indicates that firms are making increasing use of internal financing, recapitalisations and retained earnings (Figure 8.1.7, right).

Within loans, which together account for around 20% of all financing, a structural shift is evident towards foreign and non-bank sources of credit, alongside a decline in the relative importance of domestic banks, particularly in short-term financing. Corporate investment has thus been maintained in recent years despite the relatively low presence of bank loans, indicating that the investment cycle is increasingly financed through the internal accumulation of funds and, to some extent, cross-border resources, with the domestic banking channel acting as a weaker accelerator of the cycle than in the past.

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[73] The financial position of NFCs is analysed in greater detail in Box 3.7 of the Review of Macroeconomic Developments and Projections, September 2025 | Banka Slovenije.
[74] The changes in macrofinancial links following the global financial crisis of 2008 are analysed in Box 1 of the Financial Stability Report, October 2025 | Banka Slovenije.

Figure 8.1.7: **Importance of sources of financing for NFCs**

Composition of firms' liabilities by financing source

_in %_

equity | loans | trade credit
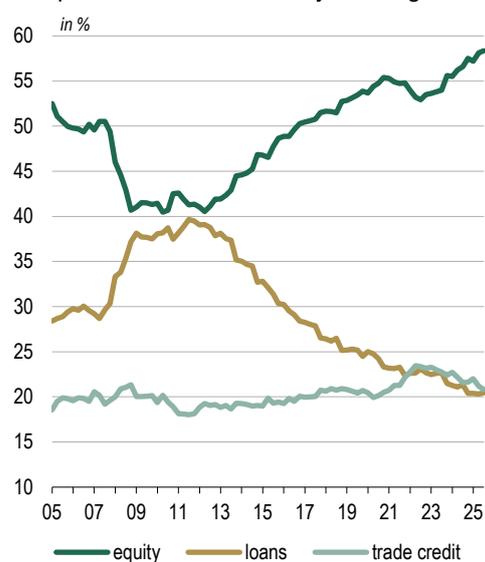
Firms' financing sources: share, growth, and stock
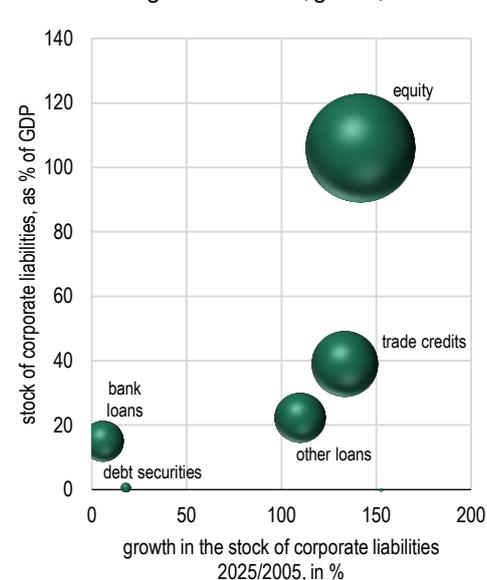
Sources: SURS, Banka Slovenije, Banka Slovenije calculations.
Note: In the right chart the bubble size represents the weight of each source of financing in 2025: equity 58%, trade credits 21%, bank loans 8%, and other loans 12%, while bonds and derivatives account for less than 0.5%.

The continuation of these patterns could lead to a diminishing role for the banking system, and reduce its ability to adapt to firms' future investment needs. Without adequate replacement of bank-based financing, a gap could emerge in the Slovenian macrofinancial environment, leading to insufficient support for growth, particularly for SMEs with limited access to equity financing. At the same time this would reduce the effectiveness of economic policy mechanisms for countercyclical action, such as the bank lending channel of monetary policy.[75]

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[75] The impact of financial structure on monetary policy transmission is analysed in greater detail in Selected Theme 8.2 of the Review of macroeconomic developments and projections, April 2025 | Banka Slovenije.

Table 9.1: **Key macroeconomic indicators at the monthly level for Slovenia**

|	2024	2025	3 mths to Dec. 24	3 mths to Dec. 25	2025 Oct.	2025 Nov.	2025 Dec.	2026 Jan.	2026 Feb.
Economic Activity									
			balance of answers in percentage points						
Sentiment indicator	–2.7	–1.9	–3.4	–0.5	–1.0	–0.8	0.3	0.3	–2.7
- confidence indicator in manufacturing	–7.7	–6.4	–8.0	–5.0	–6.0	–5.0	–4.0	–3.0	–8.0
			year-on-year growth rates in %						
Industry: - total	–1.2	–1.8	0.8	–2.8	–2.7	–1.8	–4.1	...	...
- manufacturing	0.9	–1.5	2.3	–2.9	–2.9	–1.5	–4.5	...	...
Construction: - total	–9.4	10.2	–6.6	18.5	35.3	10.7	10.2	...	...
- buildings	–12.6	9.3	–12.3	13.4	37.9	4.7	–1.4	...	...
Trade and service activities - total	1.9	1.5	0.9	3.3	3.4	4.4	2.3	...	...
Wholesale and retail trade and repair of motor	6.8	5.3	1.9	5.9	6.8	8.5	2.0	...	...
Retail trade, except of motor vehicles and moto	0.7	0.9	–0.0	1.2	0.0	–0.1	3.5	...	...
Other private sector services	1.5	1.7	0.9	3.9	4.5	5.5	1.9	...	...
Labour market			*year-on-year growth rates in %*						
Average gross wage	6.2	5.9	5.5	3.2	7.7	2.9	–0.5	...	...
- private sector	7.1	3.9	5.6	0.0	5.2	–0.3	–3.9	...	...
- public sector	4.6	9.4	5.2	8.9	12.1	8.8	6.1	...	...
Real net wage[1]	1.8	2.6	2.3	–1.2	3.2	–1.4	–5.5	...	...
Registered unemployment rate (in %)	4.6	4.6	4.6	4.7	4.6	4.6	4.8	...	...
Registered unemployed persons	–5.6	–1.2	–3.2	0.3	0.5	0.2	0.3	–0.7	–0.4
Persons in employment	1.1	–0.3	0.6	–0.2	–0.4	–0.4	0.3	...	...
- private sector	1.1	–0.8	0.5	–0.8	–0.9	–1.1	–0.4	...	...
- public sector	1.2	1.1	1.0	1.7	1.1	1.5	2.3	...	...
Price Developments			*year-on-year growth rates in %*						
HICP	2.0	2.5	1.2	2.7	3.1	2.4	2.6	2.4	2.8
- services	4.8	3.8	3.7	3.6	3.6	3.4	3.7	3.7	3.9
- industrial goods excluding energy	0.5	0.6	0.4	0.3	0.5	–0.1	0.3	0.8	0.3
- food	2.0	4.9	2.2	5.1	5.9	4.7	4.8	4.6	4.3
- energy	–2.3	–1.6	–5.6	1.1	2.3	0.7	0.4	–2.1	2.8
Core inflation indicator[2]	2.8	2.4	2.2	2.1	2.2	1.9	2.2	2.4	2.3
Balance of Payments - Current Account			*in % GDP*						
Current account balance	4.5	3.4	3.8	1.0	2.5	0.5	–0.0	...	...
1. Goods	0.6	–0.2	–0.1	–2.2	–1.0	–1.8	–3.8	...	...
2. Services	5.5	5.5	5.5	5.3	5.3	4.3	6.4	...	...
3. Primary income	–1.1	–0.6	–1.3	–0.9	–0.5	–0.5	–1.7	...	...
4. Secondary income	–0.5	–1.3	–0.3	–1.3	–1.3	–1.5	–0.9	...	...
			nominal year-on-year growth rates in %						
Export of goods and services	2.1	1.9	4.0	2.4	2.1	2.0	3.1	...	...
Import of goods and services	2.5	2.9	2.9	5.3	8.4	3.3	4.2	...	...

Public finances	2024	2025	12 mths to Jan. 26			2025 Jan.-Jan.		2026 Jan.-Jan.	
Consolidated general government balance[3]			EUR m	% GDP	y-o-y, %	EUR m	y-o-y, %	EUR m	y-o-y, %
Revenue	27,918	29,660		42.1	6.5	2,340	5.6	2,545	8.7
Tax revenue	24,547	25,964		36.8	5.4	2,217	11.0	2,357	6.3
From EU budget	1,040	1,248		1.9	36.6	26	–74.6	95	268.2
Other	2,331	2,448		3.4	5.8	97	–17.3	93	–4.3
Expenditure	28,871	31,433		44.8	9.0	2,145	15.6	2,506	16.9
Current expenditure	12,910	14,136		20.2	10.2	899	12.2	1,099	22.3
- wages and other personnel expenditure	6,539	7,467		10.6	14.8	552	7.1	636	15.1
- purchases of goods, services	4,368	4,601		6.6	5.6	286	11.8	333	16.2
- interest	793	836		1.2	4.7	26	8.6	23	–10.6
Current transfers	12,794	13,767		19.6	7.7	1,053	14.0	1,202	14.2
- transfers to individuals and households	10,397	11,057		15.7	6.7	848	2.3	907	7.0
Capital expenditure, transfers	2,531	2,810		4.0	8.7	137	60.0	134	–2.4
General government surplus/deficit	–953	–1,773		–2.7		196		39	

Sources: SURS, Banka Slovenije, Ministry of Finance, Banka Slovenije calculations.
Note: The figures for economic developments are calendar-adjusted (with the exception of economic sentiment indicators, which are seasonally adjusted). The other figures in the table are unadjusted. 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 on the basis of 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 9.2: **Key macroeconomic indicators at the quarterly level for Slovenia and the euro area**

	2023	2024	2025	25Q1	25Q2	25Q3	25Q4	2023	2024	2025	25Q1	25Q2	25Q3	25Q4
					Slovenia						euro area			
Economic developments						q-o-q growth in %								
GDP				−0.6	0.9	0.9	0.4				0.6	0.1	0.3	0.2
- industry				−1.7	0.2	0.1	−0.4				1.8	0.1	−0.0	−0.2
- construction				−1.0	6.5	5.8	4.5				0.9	0.1	0.2	0.7
- mainly public sector services (OPQ)				−3.7	1.6	0.1	3.8				0.1	0.1	0.4	0.2
- mainly private sector services (without OPQ)				0.0	0.8	1.3	−0.5				0.8	0.1	0.3	0.2
Domestic expenditure				0.3	0.5	1.5	2.9				0.5	0.4	0.7	0.3
- general government				−0.3	1.9	0.9	1.2				−0.2	0.4	0.7	0.5
- households and NPISH[1]				0.5	0.2	0.3	1.0				0.3	0.3	0.2	0.4
- gross capital formation				0.7	−1.9	3.3	10.8				1.5	0.4	1.9	−0.1
- gross fixed capital formation				0.0	3.2	5.0	2.7				2.7	−1.5	1.3	0.6
						y-o-y growth in %								
GDP	2.4	1.7	1.1	−0.6	0.8	1.9	2.0	0.4	0.9	1.4	1.4	1.4	1.4	1.4
- industry	6.5	3.8	...	−1.8	−0.7	−0.0	−2.1	−1.7	−0.5	2.2	2.3	2.2	2.8	1.4
- construction	11.8	−3.7	...	−6.7	3.9	13.3	16.5	1.7	−1.5	0.5	−1.0	−0.1	0.8	2.2
- mainly public sector services (OPQ)	0.8	1.8	...	1.4	1.9	2.2	1.7	1.0	1.8	1.1	1.5	1.0	1.0	0.9
- mainly private sector services (without OPQ)	1.1	1.2	...	−0.1	0.9	2.1	2.1	0.6	0.7	1.4	1.1	1.3	1.6	1.6
Domestic expenditure	−0.0	3.3	2.6	0.9	−0.1	3.8	5.4	0.1	0.6	2.1	1.9	2.5	2.0	2.0
- general government	2.1	7.3	1.6	2.1	−0.7	1.2	3.8	1.5	2.3	1.5	1.8	1.3	1.5	1.6
- households and NPISH	−0.0	3.8	1.7	0.2	2.3	1.3	3.0	0.5	1.4	1.5	1.3	1.7	1.3	1.5
- gross capital formation	−1.6	−1.3	5.5	1.5	−4.7	13.1	13.2	−2.2	−2.8	4.2	3.5	5.8	4.1	3.5
- gross fixed capital formation	5.5	−0.3	4.1	−5.3	−0.1	10.0	11.9	2.4	−2.5	2.9	2.2	3.1	3.0	3.3
- inventories and valuables, contr. to GDP growth in p.p.	−1.6	−0.2	0.3	1.5	−1.1	0.6	0.3	−1.1	−0.1	0.3	0.3	0.6	0.3	0.0
Labour market						q-o-q growth in %								
Employment				−0.3	−0.0	0.0	0.0				0.2	0.1	0.2	0.2
- mainly private sector (without OPQ)				−0.5	−0.2	−0.1	−0.1				0.2	0.1	0.1	0.2
- mainly public services (OPQ)				0.4	0.6	0.5	0.5				0.4	0.2	0.3	0.2
						y-o-y growth in %								
Employment	1.5	0.5	−0.4	−0.6	−0.5	−0.4	−0.3	1.5	1.0	0.7	0.8	0.7	0.6	0.7
- mainly private sector (without OPQ)	1.5	0.1	−1.0	−1.1	−1.1	−1.0	−0.8	1.6	0.8	0.5	0.6	0.5	0.4	0.5
- mainly public services (OPQ)	1.6	2.0	1.9	1.6	1.9	1.9	2.1	1.3	1.5	1.2	1.6	1.2	1.0	1.0
Labour costs per employee	9.6	6.2	7.9	8.6	8.8	8.7	5.7	5.3	4.5	3.9	3.9	4.0	4.1	3.6
- mainly private sector (without OPQ)	9.6	6.5	...	7.3	7.4	7.9	3.0	5.5	4.4	3.7	3.8	3.9	3.9	3.2
- mainly public services (OPQ)	9.5	5.1	...	12.8	13.1	10.9	14.6	4.8	4.7	4.4	4.1	4.3	4.4	4.7
Unit labour costs, nominal[2]	8.7	4.9	6.3	8.6	7.3	6.2	3.4	6.4	4.5	3.2	3.2	3.4	3.2	2.9
Unit labour costs, real[3]	−1.2	1.4	2.8	5.4	3.8	2.5	−0.3	0.3	1.5	0.7	0.9	0.8	0.8	0.4
LFS unemployment rate in %	3.7	3.7	3.9	4.0	3.2	4.2	4.1	3.4	3.5	4.1	4.0	3.2	4.2	4.1
Foreign trade						q-o-q growth in %								
Real export of goods and services				−0.1	−0.6	0.9	−0.3				2.4	−0.5	0.8	−0.4
Real import of goods and services				2.5	−2.2	1.0	2.5				2.3	−0.0	1.8	−0.2
						y-o-y growth in %								
Real export of goods and services	−1.9	2.3	0.3	0.9	0.3	−0.4	0.5	−1.2	0.5	2.0	2.5	0.2	2.9	2.7
Real import of goods and services	−4.5	4.3	2.1	2.9	−0.9	1.7	4.8	−2.0	−0.1	3.6	3.6	2.5	4.3	4.1
Current account balance as % GDP[4]	4.8	4.5	3.4	4.3	4.5	4.2	3.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External trade balance as contr. to GDP growth in p.p.	2.4	−1.3	−1.3	−1.4	0.9	−1.6	−3.1	0.4	0.3	−0.6	−0.4	−1.0	−0.5	−0.5
Financing						in % GDP								
Banking system's balance sheet	84.9	82.9	84.3	83.7	84.3	83.5	84.3	255.1	253.1	251.4	253.1	253.7	252.0	251.4
Loans to NFCs	17.5	16.3	16.4	16.4	16.4	16.4	16.4	34.0	32.9	32.5	32.8	32.7	32.6	32.5
Loans to households	19.9	20.1	20.7	20.2	20.4	20.6	20.7	45.2	43.7	43.1	43.4	43.3	43.2	43.1
Inflation						in %								
HICP	7.2	2.0	2.5	2.1	2.2	2.9	2.7	5.4	2.4	2.1	2.3	2.0	2.1	2.1
HICP excl. energy, food, alcohol and tobacco	6.7	2.8	2.4	2.3	2.4	2.7	2.1	5.0	2.8	2.4	2.6	2.4	2.3	2.4
Public finance						in % GDP								
Debt of the general government	68.3	66.6	...	69.4	69.3	67.5	...	87.0	87.1	...	87.7	88.1	88.4	...
government[4]	−2.6	−0.9	...	−1.6	−1.8	−1.7	...	−3.5	−3.1	...	−3.0	−2.9	−3.0	...
- interest payment[4]	1.2	1.3	...	1.4	1.3	1.2	...	1.7	1.9	...	1.9	1.9	1.9	...
- primary balance[4]	−1.3	0.3	...	−0.2	−0.5	−0.4	...	−1.8	−1.2	...	−1.1	−1.0	−1.1	...

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

10   List of Abbreviations

Abbreviations

AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
BAMC	Bank Assets Management Company
BLS	Bank Lending Survey
BLSI	bank loan supply indicator
BS	Banka Slovenije
BVAR	Bayesian vector autoregression model
CEE	euro area countries of central and eastern Europe: Estonia, Croatia, Latvia, Lithuania and Slovakia
CSDs	central securities depositories
EA	euro area
EC	European Commission
ECB	European Central Bank
ECOICOP	European classification of individual consumption by purpose
EIB	European Investment Bank
ESA	European System of Accounts
EU	European Union
EUR	euro
Fed	US Federal Reserve System
FROOPP	frequent out-of-pocket purchases
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
IMD	International Institute for Management Development
IMF	International Monetary Fund
IPIT	Inflation Attention Index
NIIP	net international investment position
NPISH	Non-Profit Institutions Serving Households
OECD	Organisation for Economic Co-operation and Development
OIS	Overnight Index Swap
PMI	Purchasing Managers' Index
R&D	research and development
SMEs	small and medium-sized enterprises
SURS	Statistical Office of the Republic of Slovenia
S&P 500	Standard and Poor's 500
STOXX Europe 600	main European share index
UK	United Kingdom
USA	United States of America
USD	United States dollar
ZPIZ	Pension and Disability Insurance Institute of Slovenia
ZRSZ	Employment Service 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** – Türkiye