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Contents

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 has continued at the beginning of this year and was driven by domestic demand. 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 further 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 services sector. An uptick is already expected in March due to a sharp rise in energy prices following the disruptions to global oil and natural gas supply.

The ECB and Fed left their key interest rates unchanged at their latest meetings. The ECB Governing Council 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. In contrast, foreign demand remained weak, as did exports and activity in manufacturing. At the start of this year, survey data suggest that conditions for exporters remained challenging. At the same time, some signs of a moderation in domestic consumption are emerging. The real growth of 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% quarter-on-quarter 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, namely 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 continued to record a 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 lower year on year but remained above last year's average. In December, the average gross wage was lower year on year after a prolonged period (–0.5%), mainly reflecting a smaller volume of extraordinary payments at the end of the year, which companies likely partly replaced with the payment of the mandatory Christmas bonus. At the same time, the gap between the private and public sectors widened further. Wages declined in the former, while in the latter their growth was close to 10%.

Headline inflation, as measured by the HICP, increased 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 growth, at 4.3%, remains elevated but continues to moderate gradually, 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%. By contrast, services inflation strengthened, consistent with strong growth in labour costs.

The deficit of the consolidated general government balance increased last year to 2.5% of GDP, being just over one 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 expenditure on wages was the main driver on the spending side. According to government plans, the annual deficit is expected to increase further this year despite the projected strengthening of economic growth, which reduces the space for countercyclical fiscal policy.

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In this edition, we provide a more detailed analysis of the macro-financial 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 macro-financial environment still falls short in supporting small and medium-sized enterprises and in fostering innovation and the digital transformation of the economy. Companies continue to perceive banks' support primarily in relation to traditional forms of investment, such as equipment, machinery and real estate. Looking ahead, the expected composition of corporate investment in the medium term poses a risk to 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, however unevenly. In the United States, ongoing 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%; previously 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, 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 regarding 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 percentage points under Section 122 of the Trade Act, with the possibility of an increase to 15 percentage points 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 among countries. Economies that were previously subject

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

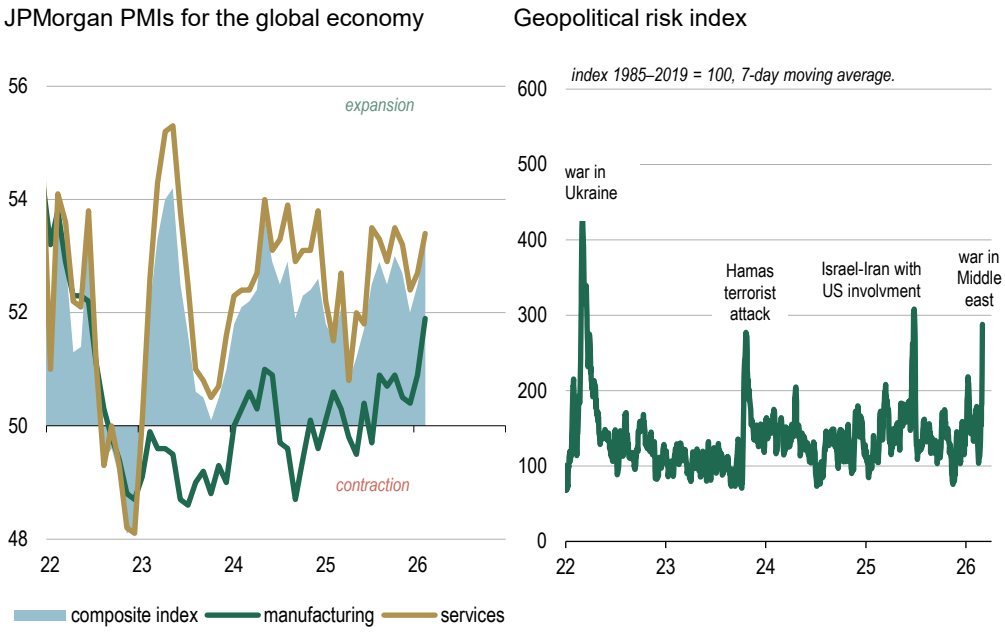
[2] The geopolitical risk indicator was updated on 2 March 2026 and already incorporates the initial phase of the escalation.

[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), nor to goods falling under existing trade agreements and certain explicitly exempted categories.

to the highest tariffs, such as China and Brazil, will be relatively less affected during this period, while countries with previously 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**



Source: Bloomberg. Geopolitical Risk (GPR) Index. Latest data: left: February 2026, right: March 2026.

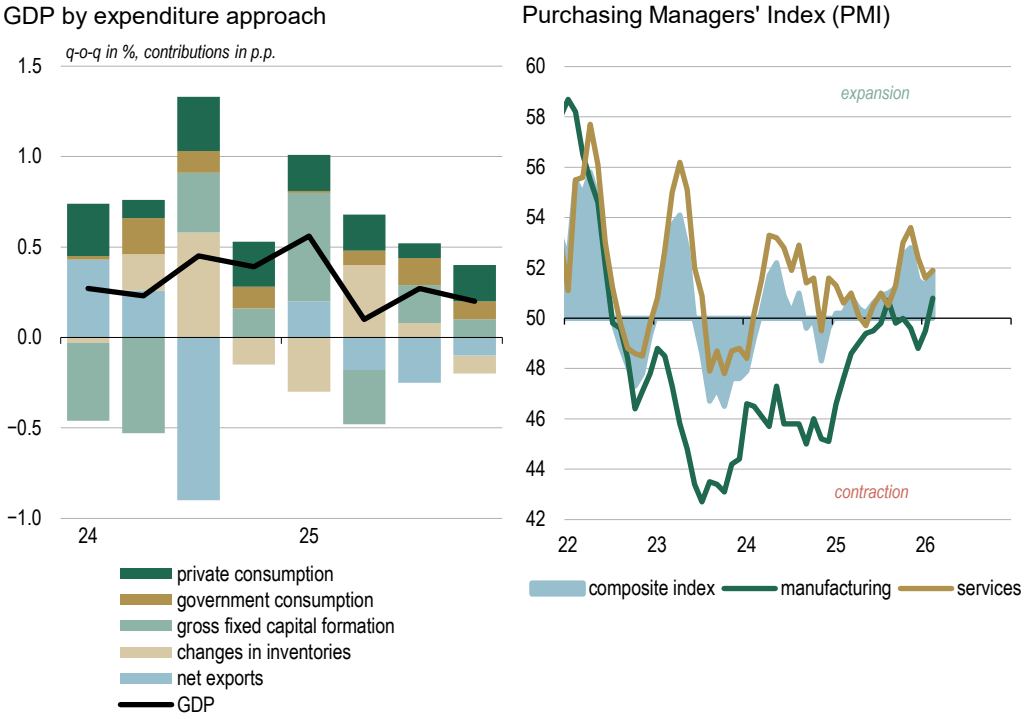
Economic growth in the euro area, which at the end of last year was driven by domestic demand, has continued at the beginning of this year, supported by services and a renewed strengthening of manufacturing.

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 investment in fixed assets a further 0.1 percentage points. The contribution of net exports was negative (–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 indicate 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 reached its highest level since the first quarter of 2023 at the beginning of this year.

Risks to further strengthening of activity and price stability have increased with the escalation of the conflict in the Middle East. Uncertainty is 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**



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

In February, headline inflation in the euro area remained below the two per cent target, while risks turned to the upside amid the escalation of tensions in the Middle East.

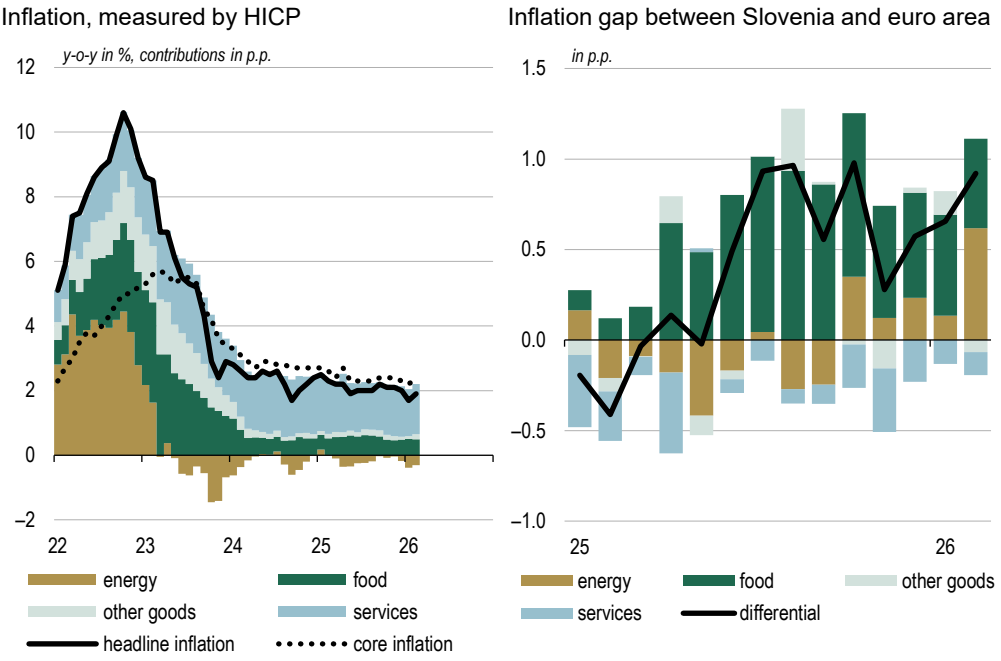
Headline inflation in the euro area as measured by the HICP increased to 1.9 % in February, up by 0.2 percentage points (Figure 1.3, left). The increase was driven by energy and core inflation, while food inflation remained unchanged. Energy prices were 3.2 % lower in year-on-year terms (4.0 % in January), 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. Accordingly, risks to the year-on-year growth in energy prices and headline inflation have turned to the upside.

The year-on-year growth in food prices remained at 2.6 % amid a continued divergence between unprocessed and processed food inflation. Unprocessed food inflation accelerated to 4.6 %, partly reflecting ongoing price increases and adverse weather conditions at the beginning of the year. By contrast, processed food inflation declined to 1.8 % and has fallen for the seventh consecutive month, reflecting 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 moderation in services price growth. The year-on-year growth in prices of non-energy industrial goods (hereinafter: other goods) strengthened to 0.7 % (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. For the third consecutive month, Slovakia registered the highest headline inflation rate (4.0 %), while Cyprus again recorded the lowest (0.9 %).

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



Source: 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 International Monetary Fund Articles of Agreement,[5] the International Monetary Fun (the IMF) publishes a report in which it assesses the country's recent economic developments, the functioning of its financial sector and banking system, and highlights key challenges for the future. In the latest Report for Slovenia, published on

[5] Article IV of the IMF 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.

26 January 2026, special attention was given to the role of intangible investments in promoting labour productivity growth.[6]

The IMF emphasizes that labour productivity growth in Slovenia has lagged behind the EU member state 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 organizational capital.[7] To reduce this gap and increase such investments, it would be 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 that relies predominantly on bank financing. Despite the efforts of the 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 their own funding sources. 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 to actively support 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] plays 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 EC 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 management,

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

[7] The IMF includes organizational capital in the category of intangible assets, which also comprises organizational structure, business strategy, brand, and intellectual property, in line with the established Corrado–Hulten–Sichel (2005) classification. Organizational 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 already analysed in Box 1.1 of the publication Review of macroeconomic developments, September 2025 | Banka Slovenije.

[10] E.g., through stock market or private equity.

and innovation, which would enable market participants to operate as smoothly as possible across all member states. To this end, the EC 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 EC's proposal is the establishment of an integrated EU supervisory framework for capital markets, which, according to the EC, could bring significant benefits such as reducing costs, eliminating duplication of financial market infrastructures, and increasing trust in the market. The EC 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 EC 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 EC'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 emphasizes the need to improve the business environment and reduce administrative barriers that slow down procedures and increase operational 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 labor market supply and demand.[12] Furthermore, the productivity gap with leading EU innovation countries could be reduced by fostering connections between multinational corporations and small and medium-sized enterprises. According to the IMF, institutionalizing 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

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

The ECB Governing Council 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.

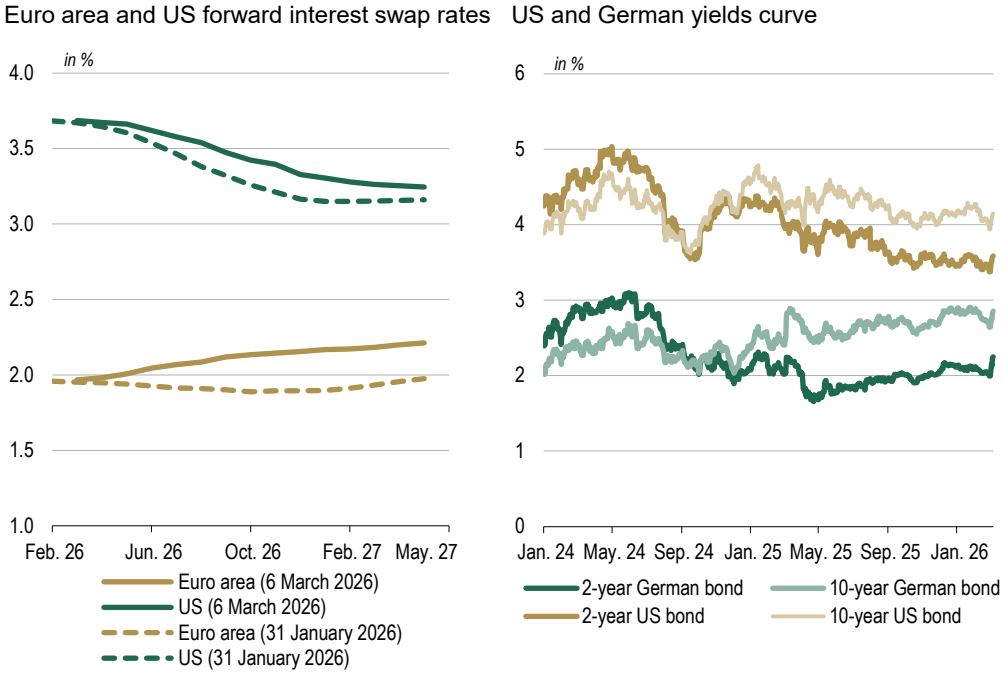
[11] Such as trading venues (exchanges), central counterparties, CSDs, and all providers of crypto-asset services.

[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 range 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 supply. As a result, since the beginning of February, their expectations regarding further reductions in the Fed's key interest rate have 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**



Source: 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 strengthened following the escalation of the conflict in the Middle East.

US treasury yields declined in February, primarily due to the publication of January inflation data, which came in below expectations. Similarly, German government bond yields also decreased, following 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,

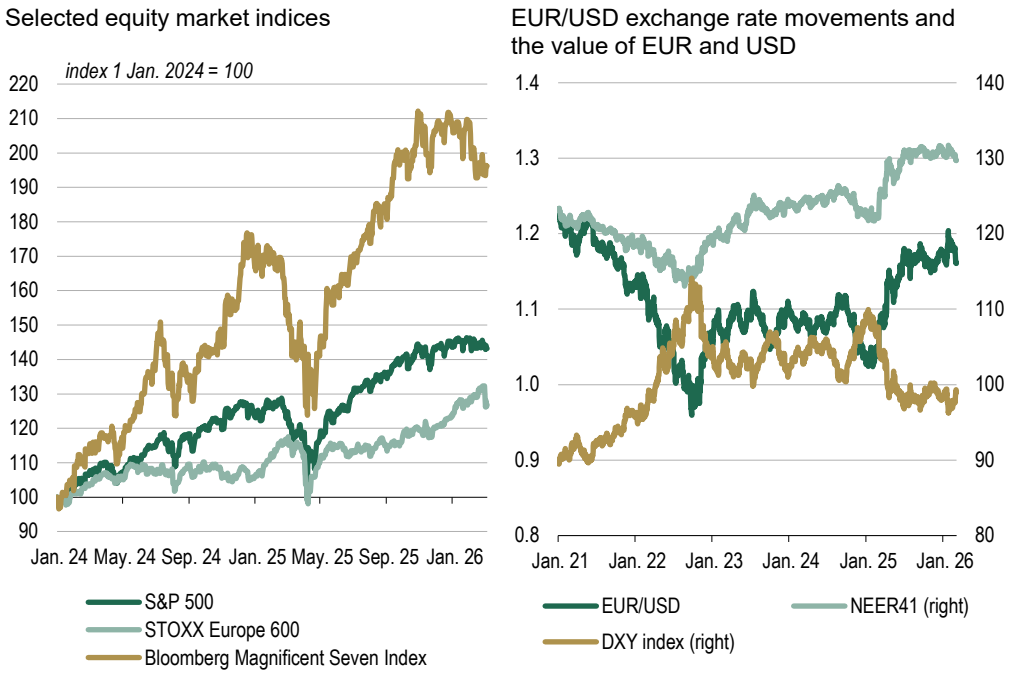
[13] Both the unemployment rate in December and the number of unemployment benefit claims in January were lower than expected.

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 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 technology firms and the profitability of investments in artificial intelligence. In early March, a reduced appetite for riskier assets further contributed to this downward movement. During this period, the S&P 500 index fell by 2.1%, while the index comprising the seven largest US technology companies (the so-called Magnificent Seven) declined by 6.1%. The main European index, STOXX Europe 600, reached an all-time high at the end of February, supported by robust economic data and corporate earnings among European companies, but subsequently decreased by 4.3% at the beginning of March. The technology-oriented Hang Seng index in Hong Kong lost 3.8% of its value since the start of February.

The value of the US dollar 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 historical peak at 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, while the stronger US dollar has partly limited further gains. The price of Brent crude oil has risen by 29.6% since the beginning of February, mainly due to disruptions in energy supply through the Strait of Hormuz.

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



Source: Bloomberg, Banka Slovenije calculations. Latest data: 6 March 2026.
Note: In the left figure, the Magnificent Seven comprises Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla. In the right figure, the DXY index measures the value of 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 shows 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

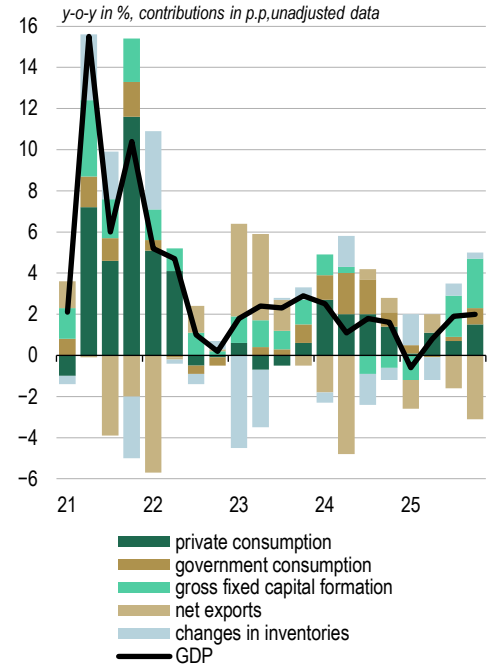
Growth in domestic-market activity strengthened in the final quarter of last year, while foreign demand remained subdued.

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%. The expansion of domestic demand remained strongly influenced by government activity, which among other measures intensified construction investment last year. These investments 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 noticeably: 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 launch of long-term care implementation. Given this structure of economic growth, imports were significantly stronger than exports. The negative contribution of net external 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).

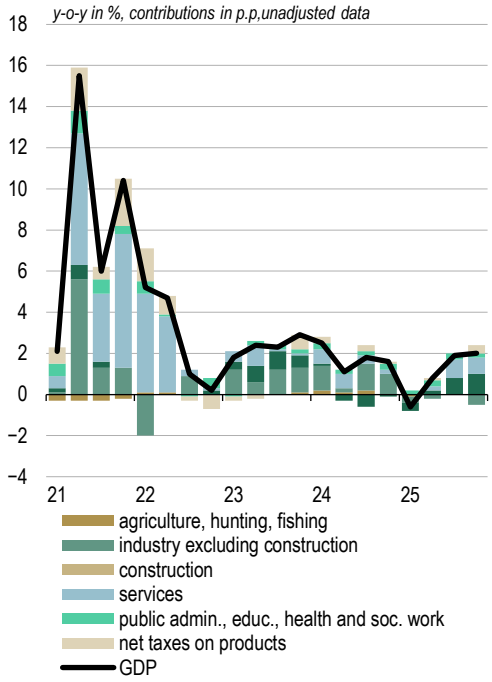
The composition of demand was also reflected in developments in value added. Construction stood out markedly, with value added rising by 16.5% year-on-year, supported by strong momentum in government-driven infrastructure projects. This contributed 1.0 percentage point to GDP growth (Figure 3.1, right). According to monthly statistics, activity strengthened across all segments of construction works. 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 keep reflecting in manufacturing, where value added declined by 2.6%. Among the major industries, activity was higher year-on-year only in 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 production is gradually spilling over into the labour market (see Chapter 4).

Figure 3.1: **GDP growth**

GDP by expenditure approach



GDP by production approach



Source: SURS. Latest data: Q4 2025.

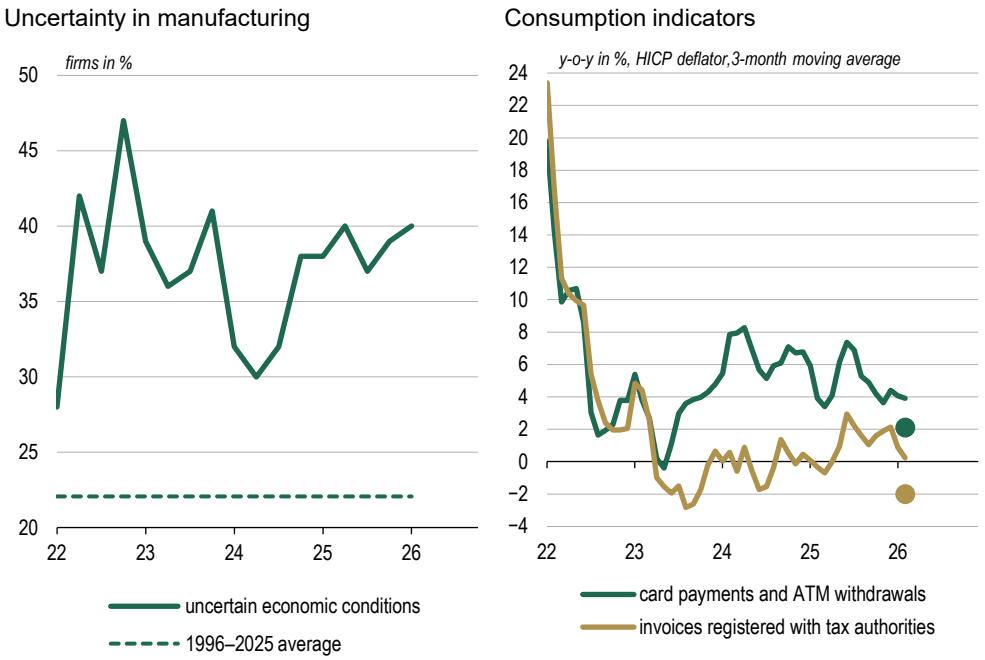
After a stable January, sentiment in the economy deteriorated in February, and according to several indicators domestic demand moderated at the beginning of the year.

The value of the economic sentiment indicator remained unchanged in January compared with December, but in February it declined to its lowest level in the past year. Confidence weakened across all groups of activities 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 last year. Lower month-on-month and year-on-year assessments of demand in February also contributed to the decline in confidence in private services excluding trade, 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 moderated at the beginning of the year. Year-on-year real growth in the value of card payments and cash withdrawals slowed to 2.1% in January and February combined, while the value of fiscally verified invoices even declined by 2.0% (Figure 3.2, right). Weaker spending is also suggested by the January fall in the volume of sales in retail trade and in motor vehicles.

[14] Confidence in retail trade deteriorated sharply in February. However, 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**



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

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

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

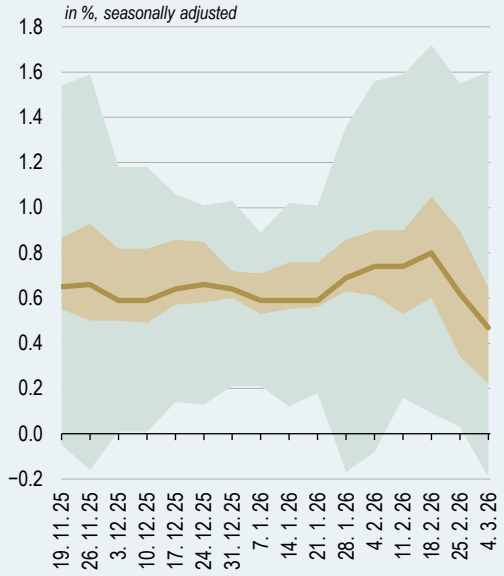
The current average nowcast of quarterly GDP growth for the first quarter stands at 0.5% (Figure 3.1.1, left). The estimate is supported by the January improvement in economic sentiment by 0.1 percentage points – primarily reflecting higher confidence in manufacturing and among consumers – and by solid 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 broad-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.

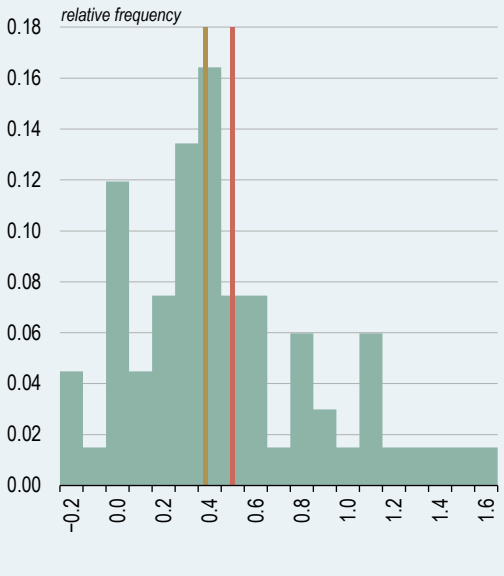
The limited set of information from high frequency indicators is also reflected in the histogram of the distribution of nowcasts (Figure 3.1.1, right). The range of estimates, based on the 25th and 75th percentiles of the distribution, currently lies between 0.2% and 0.7%.

Figure 3.1.1: **Model-based nowcast for economic growth**

Model estimates of quarterly GDP growth Q1 2026



Histogram of quarterly GDP growth estimates Q1 2026



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 of all estimates, while the green area covers the range between the lowest and highest estimates. The line indicates the average nowcast of quarterly GDP growth for the first quarter of 2026. The right-hand chart shows the distribution of nowcasts of quarterly GDP growth in the first quarter of 2026. The vertical gold line marks the median, while the red line indicates the mean of all estimates. The relative frequency denotes the share of models estimating a specific growth rate within the entire set of models. Nowcast date: 4 March 2026.

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

Slovenian firms invest significantly less than companies in comparable euro area countries, with access to finance not being the main constraining 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%), while its share in GDP stood at 11.3%.[15] As a result, the investment activity of Slovenian enterprises lagged significantly behind that of comparable euro area Central and Eastern European (CEE) member states.[16] In these countries, corporate investment accounted for 13.0% of GDP (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 or capital – alongside productivity growth and the (already virtually exhausted) growth of the labour force – constitutes a fundamental source for increasing the economic potential of the Slovenian economy.[17] The lag in investment activity relative to CEE countries and the euro area is even more pronounced when comparing corporate investment to the value

[15] Data on corporate investment and performance are sourced from the annual non-financial sector accounts, for which the latest available data refer to the year 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 publication. Review of macroeconomic developments, September 2025 | Banka Slovenije.

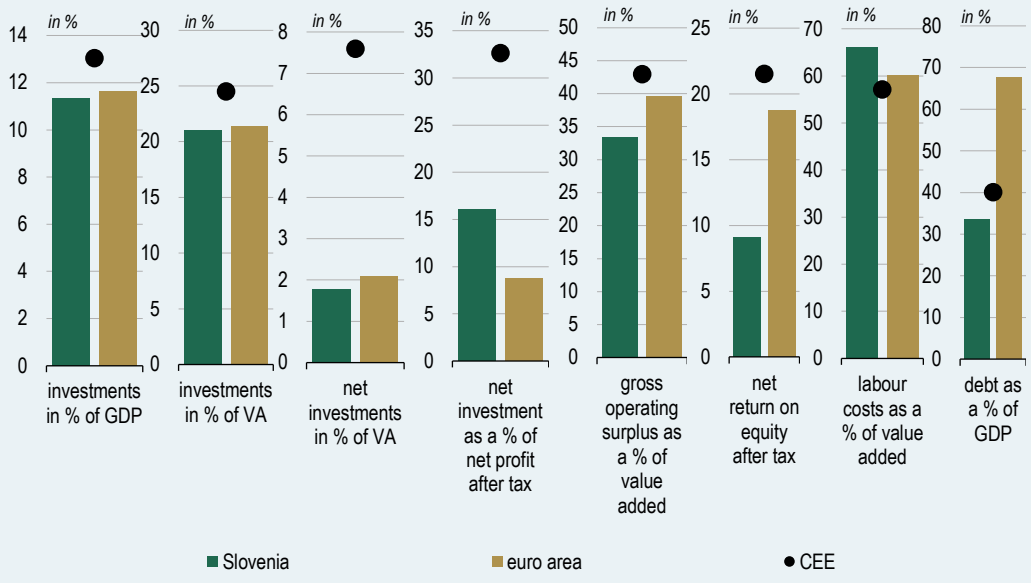
added generated by firms. In Slovenia, corporate investment amounts to 21.4% of value added, while the CEE country average is 3.5 percentage points higher.

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

From the perspective of analyzing 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. In this respect, Slovenia's investment lag behind CEE countries is even more pronounced. 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 among 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 companies 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, are placed significantly above the euro area average (8.7%). This indicates that Slovenian firms invest a relatively higher share of their net profit after tax compared to firms in the euro area, a possible constraining factor for investment could be the relatively weak profitability of operations. According to national accounts data, net return on equity after tax in Slovenia is more than half lower than in CEE countries and the euro area. One of the factors contributing to this is the relatively high labour costs, which is reflected in their above-average share in the value added of 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**



Source: Eurostat, ECB, Banke 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 EA in the reference year. The CEE designation refers to the group of Central and Eastern European countries that are members of the EA (Estonia, Croatia, Latvia, Lithuania, and Slovakia). Data for CEE countries represent a GDP-weighted average. All data refer to the year 2024.

A potential constraint on investment by Slovenian firms could be limited access to bank financing; however, a review of the indicators and analyses in Boxes 3.4 and 3.5, as well as in Selected Topic 8.1, does not confirm this. Slovenian firms are less indebted than companies in CEE countries and the euro area, 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 (5.7%), but it remains very low and does not explain the difference in investment activity.[18] At the same time, 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 realized 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, from this perspective, Slovenian firms do not differ significantly from firms in CEE countries. In 2022, the share of foreign value added in domestic final demand in Slovenia 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, but comparable to firms in CEE countries.

Slovenian firms identify shortages of skilled workers 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 which 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 personnel as an important constraining factor, despite relatively high expenditure on education. Among the reasons cited are brain drain, weaker practical training, and the lower attractiveness of Slovenia for highly skilled foreign professionals, who, compared to the euro area average and

[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 show 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. However, integration into global value chains also entails greater risk and vulnerability to external shocks. More in WTO (2025), World Bank (2021) and IMF (2019).

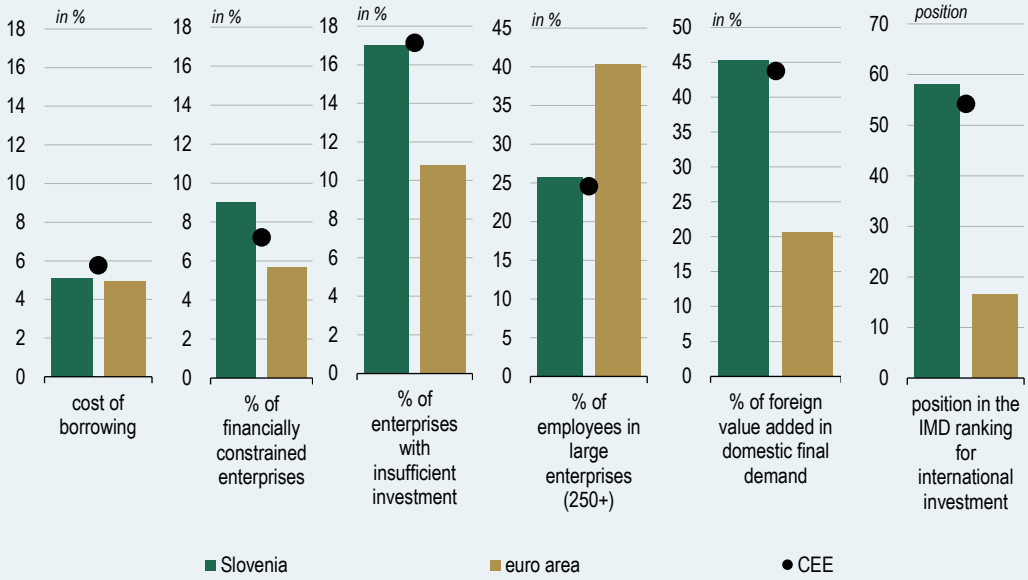
[21] The openness of the economy, measured as the share of exports and imports in GDP, increased in Slovenia from 73.3% in 1995 to 159.7% in 2024, while the share of foreign value added in domestic final demand rose from 35.4% in 1995 to 45.4% in 2022. In the most recent year observed, this share stood at 43.8% in CEE countries and at 20.7% on average in the euro area. See more in Lindič (2022) and Damjanović in 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%).

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

Figure 3.2.2: **Indicators of the investment environment in Slovenia, the euro area, and CEE countries**



Source: EIB (Investment Survey 2025), IMF, OECD (TiVA), Eurostat, Banka Slovenije calculations.
Note: The cost of borrowing represents the average for the year 2024. The shares of financially constrained enterprises and enterprises with insufficient investment are based on the EIB survey; for the euro area (EA) and CEE, these are calculated as GDP-weighted averages. The share of foreign value added in domestic final demand refers to 2022 and shows 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 ranking for the EA and CEE calculated as GDP-weighted averages. Due to data unavailability, Malta is not included in the calculation for the EA. The EA includes euro area member states excluding Bulgaria, which was not a member during the observation period. The CEE designation 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 – around 28% of GDP versus 59% in the euro area – household loans represent an important aspect of the broader macro-financial environment. In 2025, loans to households, 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 on average in the euro area 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 the annual growth of housing loans stood at 8.8% in December 2025, consumer loans recorded a growth rate of 9.8%. The latter moderated somewhat after peaking at 16.7% in June 2024.[26] In this analysis, we examine 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. Such a 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 lending conditions (hereinafter: lending conditions) for consumer loans to households, the analysis uses the net percentages of banks reporting tightening of credit standards and conditions for consumer loans in the past three months.[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 the year-on-year growth rate of the selected private consumption indicator, the model specifications include core inflation, the year-on-year growth rate of consumer loans, the ECB shadow rate[32] (Krippner, 2013) and the year-on-year growth rate of foreign demand for Slovenia. The shadow rate and foreign demand are treated as exogenous variables, which allows for better

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

[26] The average year-on-year growth of consumer loans amounted to 2.6% in the period 2007–2019, while it reached 15.4% in 2007–2008 and 11.2% in 2017–2019. The average growth of consumer loans after the pandemic, i.e. in the years 2022–2024, 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] Different from the literature mentioned 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 and Lenarčič, 2025), and the banking sector conditions indicator (the share of non-performing loans 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.

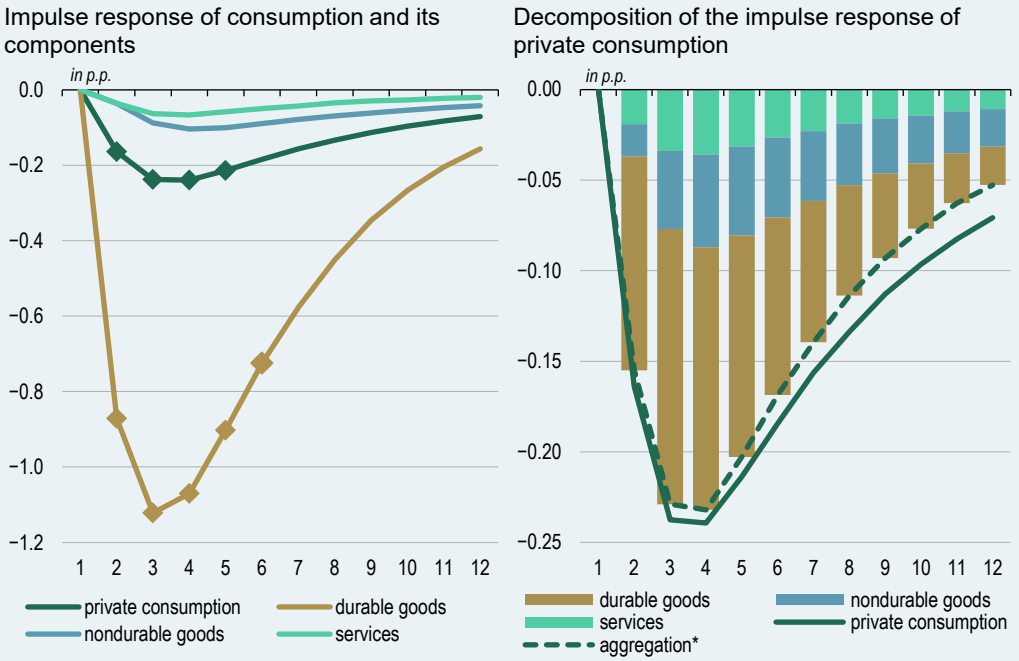
[30] In the pioneering work by Bassett et al. (2014) for the United States, and in Cavallo et al. (2024), the indicator of changes in loan supply is referred to as the Credit Supply Indicator (CSI), while in the study for the euro area by Altavilla et al. (2019), the term Loan Supply Indicator (LSI) 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 the lower bound on interest rates.

identification of domestic shocks (Cushman and 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**



Source: SURS, ECB, Banka Slovenije calculations.
Note: The figure on the left shows the median response of private consumption growth and its components to a one-standard-deviation loan supply shock. Diamonds mark the point estimates of impulse responses whose 16th–84th percentile posterior intervals exclude zero. In the right figure, 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 2007–2019. 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 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-

[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.

durable goods and services – which represent 48% and 43% of private consumption, respectively – follows current income more closely and exhibits more muted responses. This pattern suggests that when lending conditions tighten, households tend to preserve 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 2002–2025, 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] On the basis of the estimated bank shocks and firms' prior exposure to individual banks, we construct an estimated indicator of loan supply at the firm level:

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

[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. in 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.

where w_{ib} denotes the share of loans of firm i at bank b in period t–1. Such an 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 the annual frequency:

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

where I_{it} denotes firms' investment rate, measured by the 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. Such a 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 one-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.

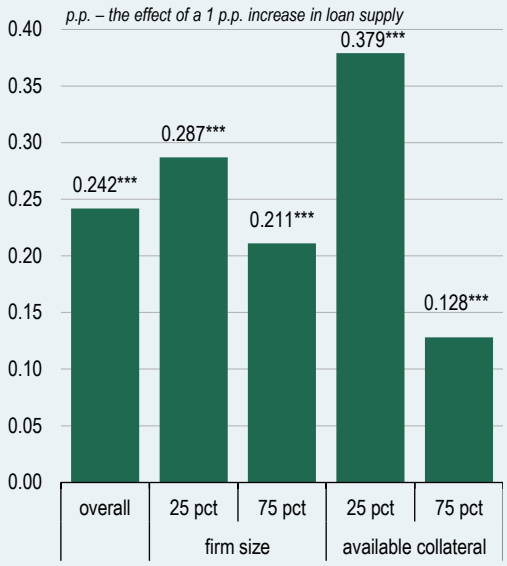
Developments in the estimated loan supply and the investment rate do not support the hypothesis that constraints on access to bank loans explain the persistently weak investment activity following the global financial crisis. As illustrated in Figure 3.4.1 (right), the two variables exhibited a relatively strong co-movement 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.

[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.

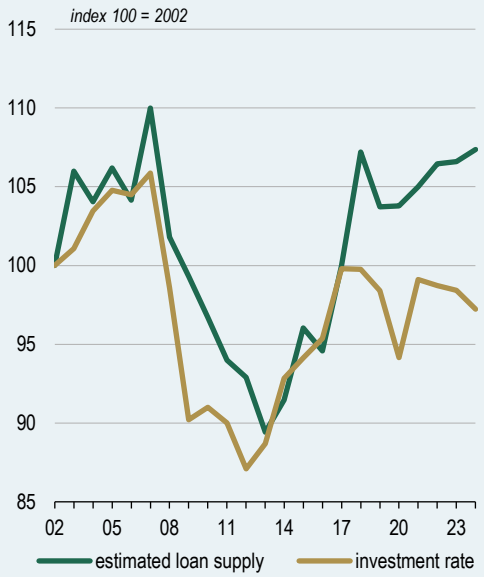
[38] A similar magnitude of the effect is also estimated for the subsamples after 2010 (0.25 percentage points) and after 2015 (0.20 percentage points). In all cases, the estimated effect is highly statistically significant.

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



Estimated loan supply and the investment rate



Source: Banka Slovenije, AJPES, Banke Slovenije estimates. Last observation: 2024.
Note: The left figure 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 figure 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 the growth rate of firms' tangible fixed assets.

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 restrained investment.

A recent analysis by the 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 demand and supply side factors in the bank lending market on past developments in investment. For this purpose, growth in corporate investment is decomposed into four shocks:

- 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.

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

- Liquidity demand shock is interpreted as changes in firms' propensity to hold liquid assets as a precautionary buffer rather than invest in capital.
- 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.
- 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 – hereafter firms, the composite interest rate on loans to firms,[40] and the composite 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 four structural shocks for developments in business investment, capturing the dynamics on the demand and supply sides of the lending market.[42]

Using the model described, developments in investment growth can be decomposed into the effects of the identified demand and supply side shocks in the bank lending market 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 tightening trade policies, firms' preference for precautionary accumulation of liquidity buffers and the postponement of investment expenditure increased. Greater 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 the expansion of 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 operating conditions for firms, particularly in energy-intensive industries, which resulted from 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 is 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 tightening of trade policies also weighed on investment in 2025, primarily through investment demand shocks and the precautionary accumulation of liquidity buffers.

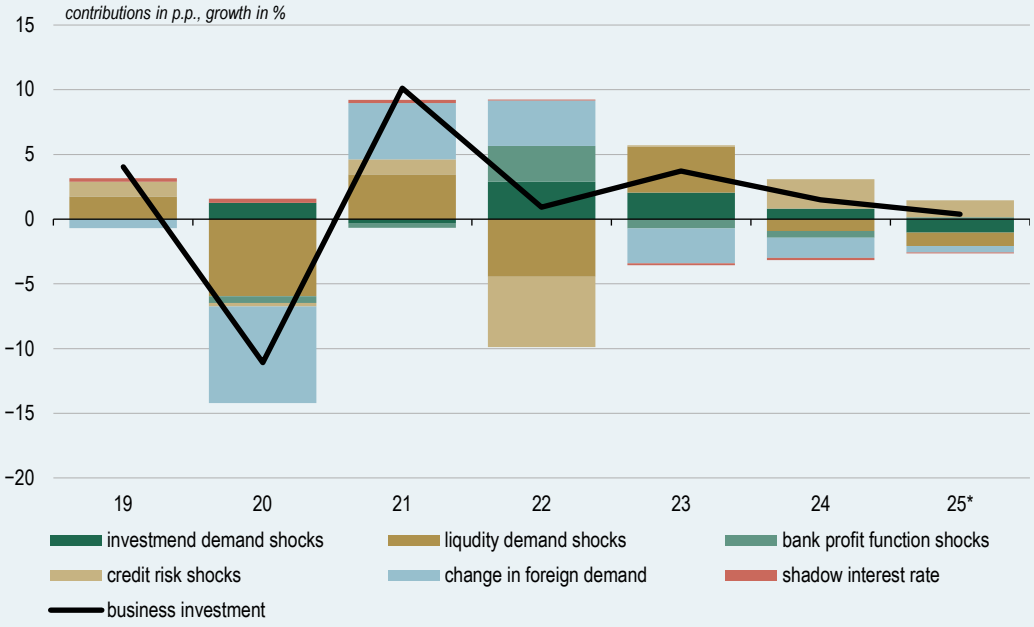
[40] The composite interest rate on loans represents the average interest rate on newly granted euro-denominated loans to non-financial corporations in Slovenia, as derived from the monetary financial institutions (MFI) interest rate statistics. It covers loans granted by credit institutions and includes 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 newly granted loans to the non-financial sector.

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

[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 (+).

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.

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



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

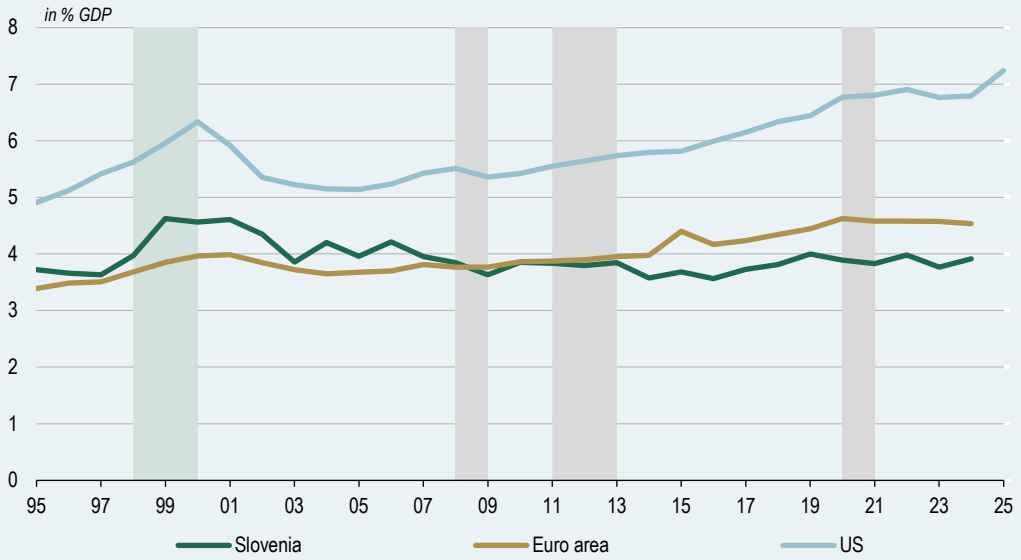
Box 3.6: **Developments in digital investment and their contribution to GDP growth**

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

Over the past decade, the use of digital technologies in 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 an analysis by the Federal Reserve Bank of St. Louis, digital investment had already been recognised in the past 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 share and developments of digital investment in the euro area and Slovenia and assess its direct contribution to economic growth. Digital investments also include investments in artificial intelligence, which in recent years, especially in the United States, has become a key factor in the growth of digital investments.

Figure 3.6.1: **Share of digital investment in Slovenia, the euro area and the United States**



Source: Eurostat, Fred, Banka Slovenije calculations.
Note: The share of digital investment represents the ratio between the sum of investment (in information and communication technology equipment, software and databases, and research and development) and GDP, both expressed at current prices. The grey shaded areas indicate periods of economic crises in the euro area, while the green shaded area denotes the period of expansion during the dot-com cycle. 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 related to 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 in gross fixed capital formation in the national accounts.[44] Data for the euro area are available on an annual basis up to 2024, while comparable data for the United States are available on a quarterly basis up to the third quarter of 2025.

The share of digital investment in 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 (1995–2000) and a decline following its collapse (2001–2002), 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) accounted for the largest share in 2024, at 2.1% of GDP; this was followed by software and databases (1.7%), while the smallest share was accounted for by information and communication technology equipment (0.7%). In the United States, the shares of all components are higher: research and development accounts for 2.3% of GDP, software and databases for 2.4%, and information and communication technology equipment for 1.2%.

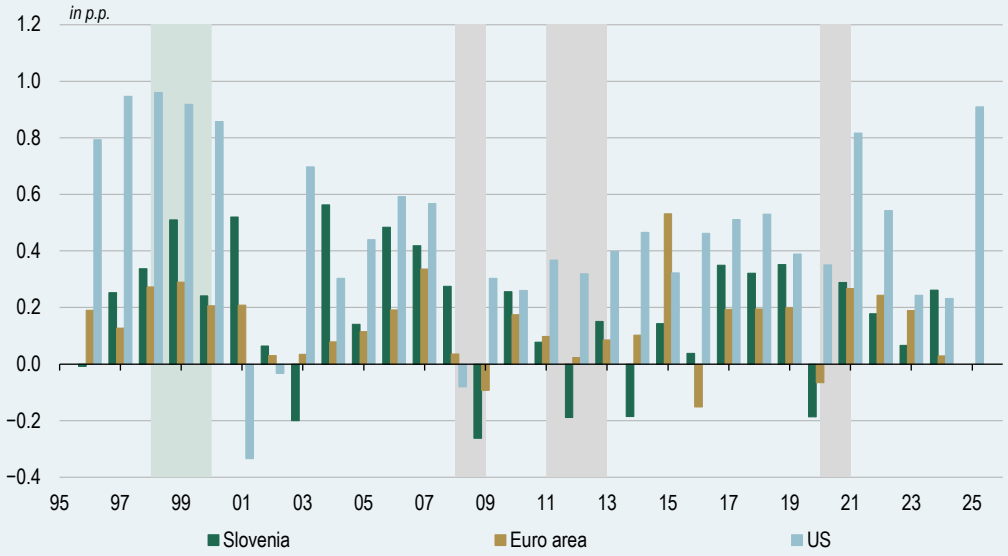
The data indicate that the direct contributions of digital investment to GDP growth in the United States are considerably higher than in the euro area (Figure 3.6.2). In 2024, digital investment contributed around 0.05 percentage points to the euro area's real GDP growth of 0.9%, which is substantially 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 alongside economic growth of 2.8%.

[43] Not all investment in R&D is directly related to digitalisation or artificial intelligence (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.

Available data for 2025 for the United States indicate a marked increase in the contribution 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 artificial intelligence.

Figure 3.6.2: **Contributions of digital investment to GDP growth in Slovenia, the euro area and the United States**



Source: Eurostat, Fred, Banka Slovenije calculations.
Note: The contributions of digital investment to GDP growth are calculated as the product of the real growth of digital investment and its share in GDP. Grey shaded areas indicate periods of economic crises in the euro area, while the green shaded area denotes the period of expansion during the dot-com cycle. Data for the United States for 2025 are 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 share of digital investment in GDP amounted to 3.9% in 2024, which is lower than in the euro area 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 period (4.6%), after which it gradually declined until 2009 (3.6%). After 2014, the share increased slightly again, 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 period, contributions approached 0.5 percentage points alongside economic growth of 5.3%, while the long-term average amounts to around 0.18 percentage points. This is higher than in the euro area (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 alongside 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 artificial intelligence cannot be reliably assessed on the basis of aggregate data.

Given the historically lower share of digital investment in 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 lag in the share of digital investment could limit the pace of economic restructuring towards more efficient utilisation of the benefits of artificial intelligence. Among the factors that could restrain the increase in digital investment are relatively high energy and labour costs, regulatory burdens, and uncertainties regarding the future regulatory framework for artificial intelligence.[45]

[45] The Non-Financial Business Sector Dialogue

4 Labour Market

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

Following a year of declining 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 partly be attributed to the aforementioned retirement effect, as the public sector employs a relatively larger share of older workers,[47] and partly to the need to maintain the provision of public services, particularly in education, social work activities without accommodation, associated with the implementation of long-term care, and healthcare.

On average last year, the number of persons in employment declined by 0.3% compared with the previous year. The contribution of public sector activities remained positive throughout the year and averaged 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 in 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. By citizenship, the contribution of Slovenian nationals to the growth in the number of persons in employment was negative (–0.5 percentage points), while the contribution of foreign nationals remained positive throughout the year (0.3 percentage points), with their share among persons in employment averaging 16.0% over the year.[49]

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

Registered unemployment declined 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 persons declined in the first two months of this year. In February

[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 we associate with the year-on-year decline in the number of persons in employment in December 2024. By contrast, the institute 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 effect on the year-on-year growth in the number of persons in employment in December 2025.

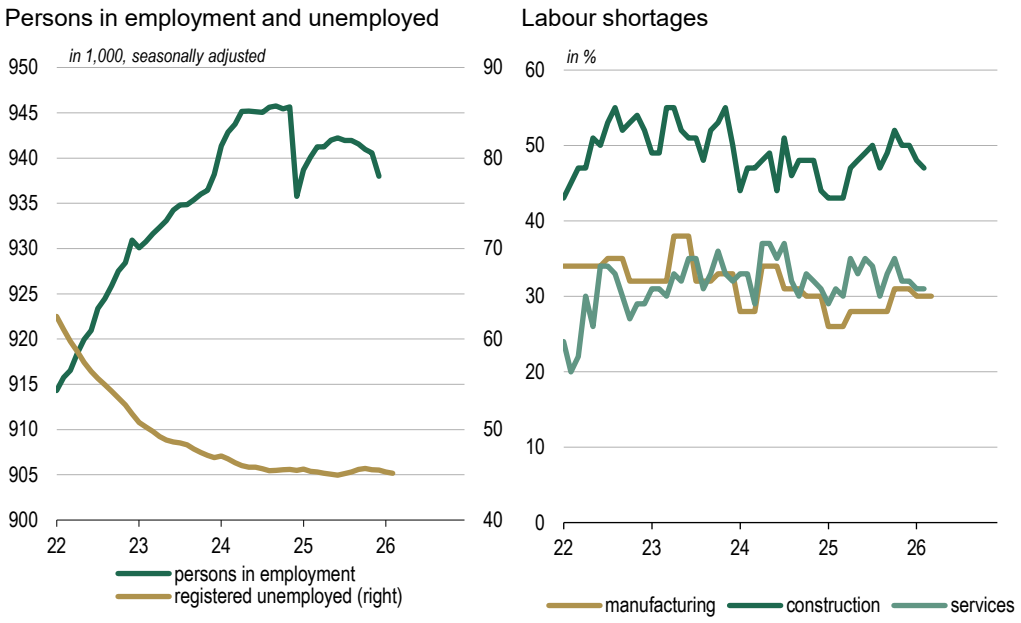
[47] A more detailed analysis is available in Box 4.1 of the publication Review of macroeconomic developments, March 2025 | Banka Slovenije.

[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.

there were 48,096 registered unemployed, which was 0.4% fewer than a year earlier but still 5.9% above last year's average (Figure 4.1, left). In structural terms, the year-on-year decline was mainly recorded among persons aged over 50 and those with upper secondary education, while the number increased among persons aged under 25 and among those with the lowest and highest levels of education. In the first two months of the year, outflows from unemployment were smaller than in the same period last year, mainly owing to fewer transitions into employment. At the same time, fewer persons newly entered unemployment because the number of redundancies was lower. The registered unemployment rate stood at 4.8% in December last year, which was unchanged from a year earlier and 0.2 percentage points above last year's annual average. The survey unemployment rate stood at 4.1% in the final quarter of last year, which was 0.6 percentage points higher than a year earlier and 0.2 percentage points above last year's average.

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



Source: 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 companies citing this as a factor limiting business activity. In construction and manufacturing, this refers to shortages of skilled workers.

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 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 the smaller volume of extraordinary payments, which companies likely partly replaced with the payment of the mandatory Christmas bonus.[50] Owing to relatively stronger price growth, the year-on-year real decline in the average gross wage was even more pronounced (–3.0%). On average over the year, growth in the average gross wage stood at 5.9%, which was 0.3 percentage points lower than a year

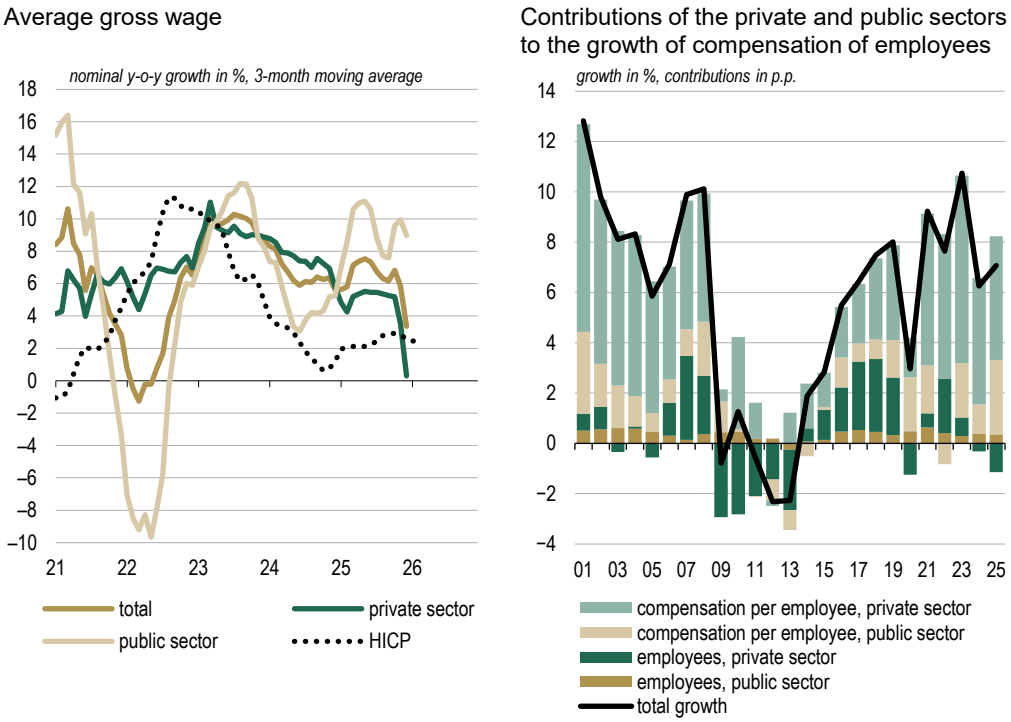
[50] The amount of the Christmas bonus, or winter bonus, is not included in the statistics on the average gross wage.

earlier. Real growth amounted to 3.3%, which was almost one percentage point less than in the previous year.

The divergence in the year-on-year change in the average gross wage between the private and public sectors widened further in December. In the private sector, the average gross wage was 3.9% lower year on year, while in the public sector it was 6.1% higher. On an annual basis, wages in the private sector increased by 3.9% or 1.4% in real terms. In the public sector, wage growth was significantly higher due to the reform of the wage system and amounted to 9.4% or 6.7% in real terms.

The divergence between the two sectors is also confirmed by national accounts data.[51] On an annual basis, 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. At the same time, it 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**



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

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

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 the accelerated growth of imports in the second half, which followed the strengthening of domestic demand. The terms of trade, calculated as the ratio of export to import prices, improved during the year and increased 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 in the first half of the year, exports of road vehicles to France also declined sharply. Exports to Germany, Slovenia's largest trading partner, decreased for the third consecutive year, primarily due to lower exports of industrial machinery and road vehicles.[53] In terms of structure, machinery and transport equipment, especially road vehicles, account for the largest share of nominal merchandise exports, followed by chemical products, in particular medical and pharmaceutical products (see Figure 5.1, left). The shares have shifted slightly over the past three years (see Figure 5.1, right); the share of machinery and transport equipment has decreased somewhat, while the share of chemical products has increased.

By contrast, the structure of nominal imports by main product categories remained relatively unchanged over the same period (see Figure 5.1, right). Machinery and transport equipment continue to account for the largest share, followed by chemical products, particularly 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 from China remains broadly unchanged (around 5%), with growth primarily in imports of electrical machinery and equipment, road vehicles, metal products, and industrial machinery.

Initial indicators for this year suggest a further contraction in nominal merchandise exports. According to SURS, exports declined by 3.7%[54] year-on-year in January, and the outlook remains unfavourable, as manufacturing firms did not report any significant increase in export orders in February. At the same time, economic sentiment in key

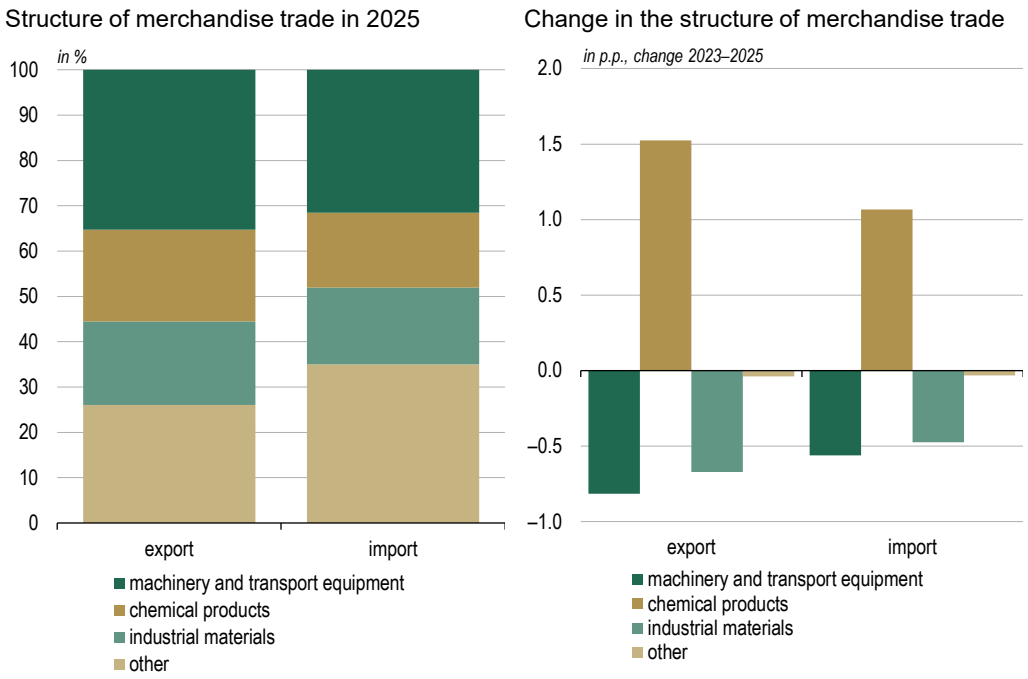
[52] According to national accounts data.

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

[54] SURS data excluding operations involving processing.

partner countries deteriorated slightly in February, although it remained above last year's peak; these measurements, however, do not yet reflect the escalation of conflicts in the Middle East.[55] Merchandise imports, according to SURS, decreased by 5.8% year-on-year in January, in line with the economic sentiment and initial consumption indicators, which point to a moderation in domestic demand (see Chapter 3).

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



Source: 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 are partially included.

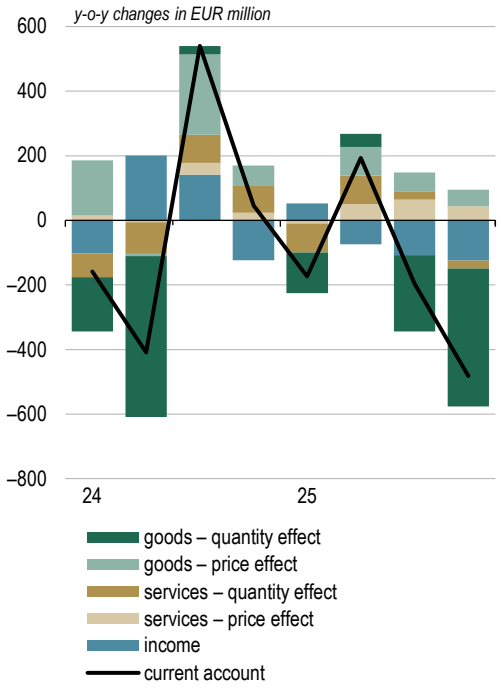
The current account surplus was attributable solely to the surplus in services trade.

Real exports of services increased by 2.2% last year, while real imports grew by 2.9%. Despite the faster growth of imports, the contribution of services trade to real GDP growth was neutral, owing to the somewhat 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 partially 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, reaching a record EUR 3.9 billion. Half of this surplus was generated by transport services and travel, with the surplus in both categories increasing further compared to the previous year (see Figure 5.2, right).

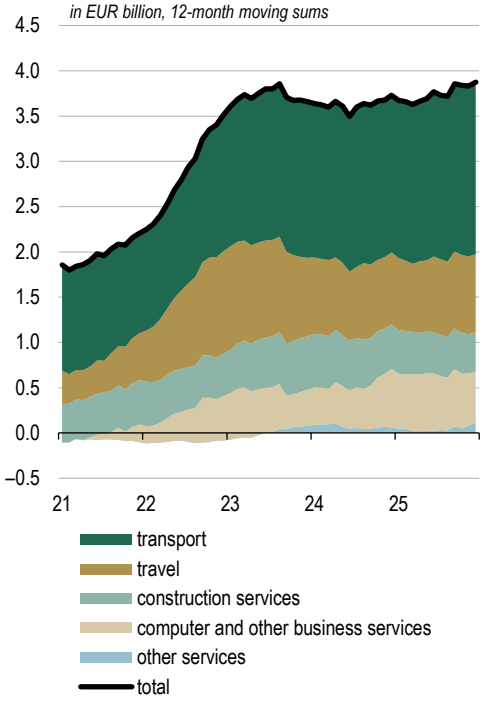
[55] Calculated as the weighted average of the economic sentiment in Germany, Croatia, Italy, Austria, and France, using merchandise exports as weights.

Figure 5.2: **Terms of trade and services balance**

Price and quantity effects in current account developments



Trade in services balance



Source: SURS, Banka Slovenije, Banka Slovenije calculations. Latest data left: Q4 2025, right: December 2025.
Note: In the right figure, research and development services and engineering services stand out among other business services. Other services include, among others, insurance services and goods processing services on behalf of others.

More than half of last year's services exports consisted of travel, which increased by 4.6%[56] amid a record tourist season, and transport, which rose by 2.6%, although transport exports began to decline towards the end of the year. Data for the first 60 days of this year indicate a continued increase in travel services exports, as the number of overnight stays by foreign tourists was 8.3% higher year-on-year.[57] The share of insurance services in total services exports doubled to 5.5% last year, as one of the insurance firms 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. On the import side, 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, amounting to EUR 427.5 million. This was mainly the result of a decline in dividend payments on equity holdings by companies, 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, reflecting, among other factors, higher expenditure on various current transfers.

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

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

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

Box 5.1: **The current account as a reflection of domestic excess savings**

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

The current account records flows of goods and services as well as primary and secondary income between residents and non-residents. Its balance represents the difference between receipts from abroad and payments to abroad. The current account balance[58] is also equal to the difference between national savings (S) and investment (I) in the economy:

$$CA = S - I$$

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

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

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

According to IMF estimates, Slovenia's cyclically adjusted external position in 2025 was assessed 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

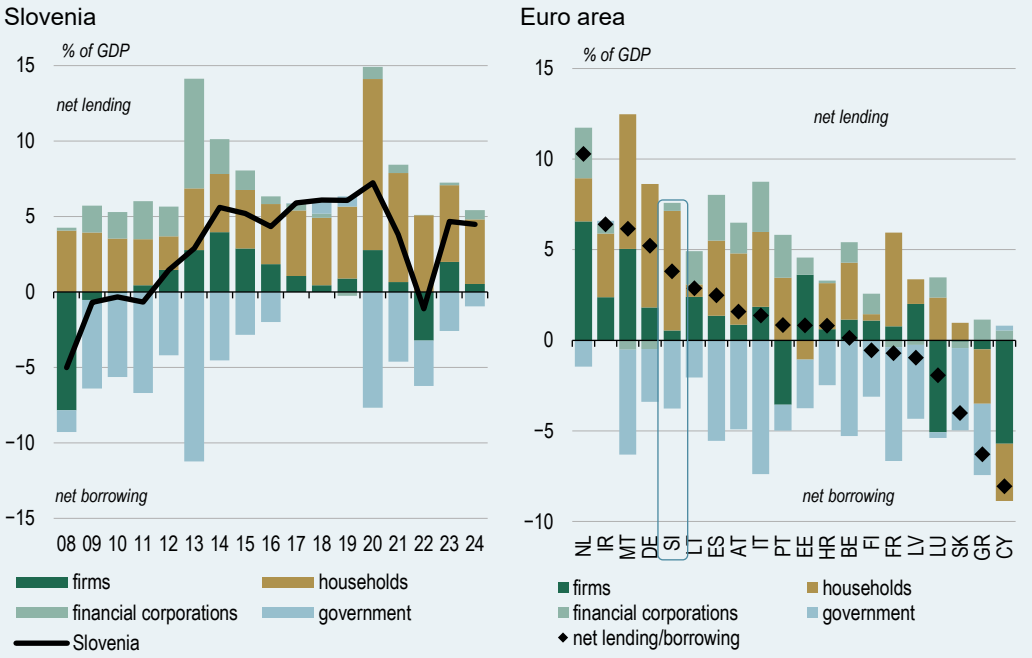
[58] Net lending (or borrowing) is the sum of the balances on the current and capital accounts of the balance of payments, with the capital account balance being very small (averaging only –0.1% of GDP over the period 2020–2024).

[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 estimation was prepared based on 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 assessment took into account demographic structure, level of development, net international investment position, and fiscal policy with a medium-term orientation.

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



Source: Eurostat.
Note: The household sector also includes NPISH. In the right figure, the data refer to the 2020–2024 period average.

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]

Persistent current account surpluses and net capital outflows abroad 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.

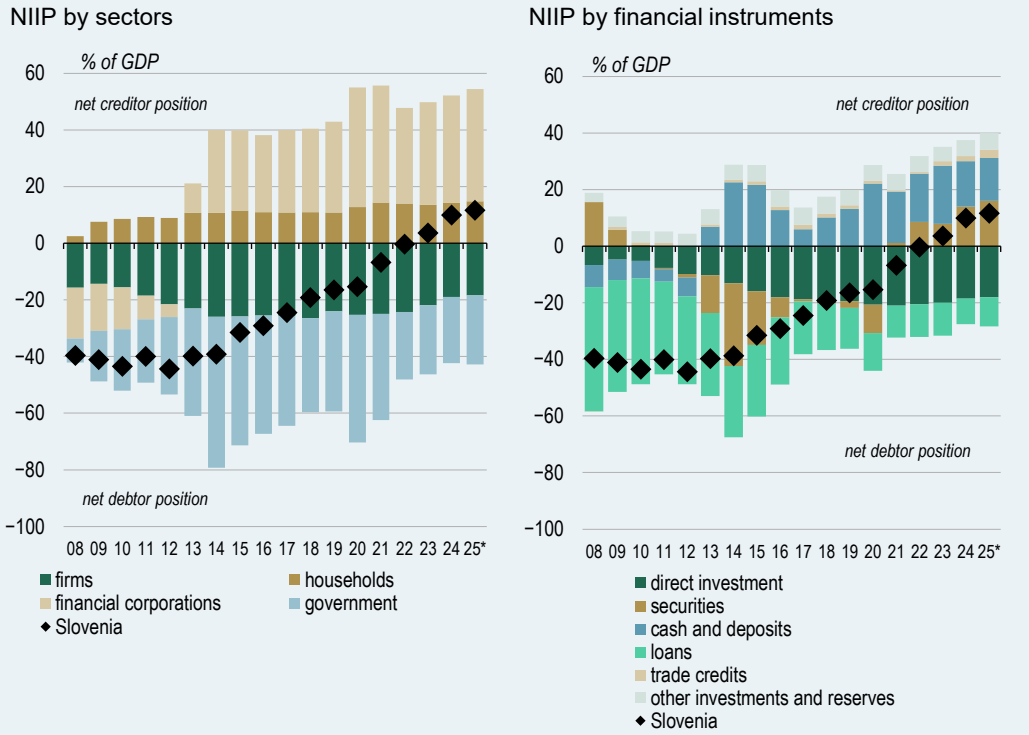
With several years of current account surpluses and limited investment activity by domestic sectors, Slovenia has shifted from a net debtor to a net creditor vis-à-vis the rest of the world over the past decade, reaching 11.7% of GDP at the end of the third quarter of last year (Figure 5.1.2, left). The shift into positive territory was driven by the behaviour of all sectors. On the one hand, households and financial corporations have persistently increased their net financial claims on the rest of the world – households mainly through precautionary savings and restrained consumption, while banks and other financial corporations, during periods of excess liquidity and subdued domestic

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

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

investment activity, have channelled surplus funds primarily into foreign (debt) securities and the granting of loans, while also repaying a significant amount of loans themselves. On the other hand, 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. An analysis by main instruments reveals that in recent years Slovenia has been strengthening its creditor position across all items; net investments in securities as well as cash 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)



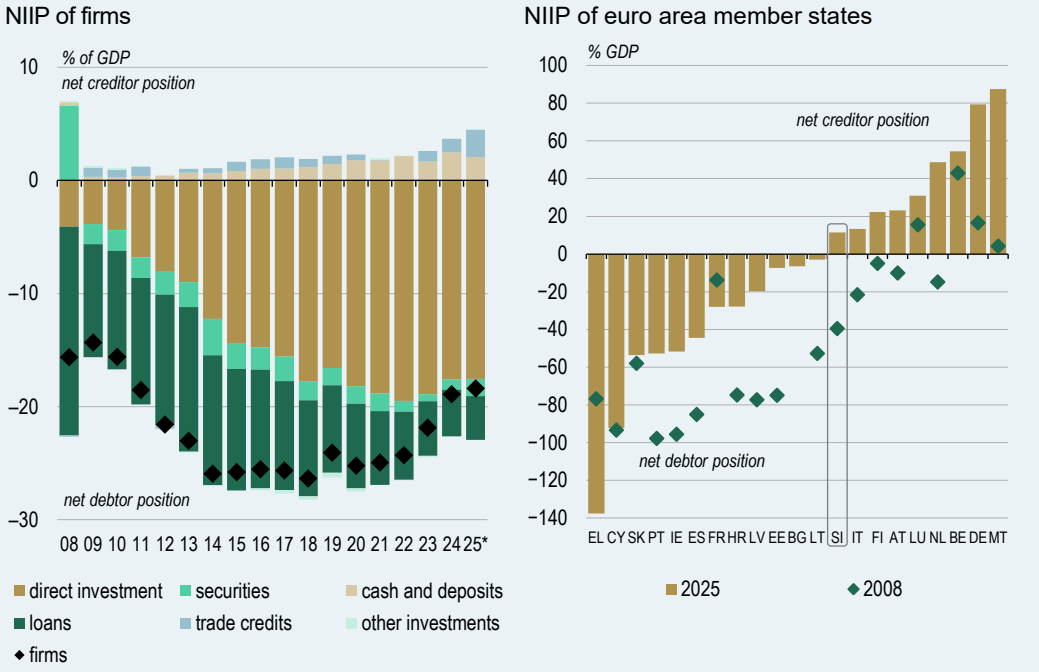
Source: Banka Slovenije, Banka Slovenije calculations.
Note: NIIP stands for net international investment position. * For 2025, data are shown as at the end of Q3. In the left figure, households also include NPISH. In the right figure, securities also comprise financial derivatives (of negligible value).

A more detailed look at financial transactions and the net position of 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 corporations 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 long-standing current account surpluses and the precautionary 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; therefore, more effective channelling of excess savings into domestic development projects with higher value added 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 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**



Source: ECB, Banka Slovenije calculations .
Note: NIIP stands for net international investment position. * For 2025, data are shown as at the end of the third quarter. In the left figure, securities also comprise financial derivatives (of negligible value).

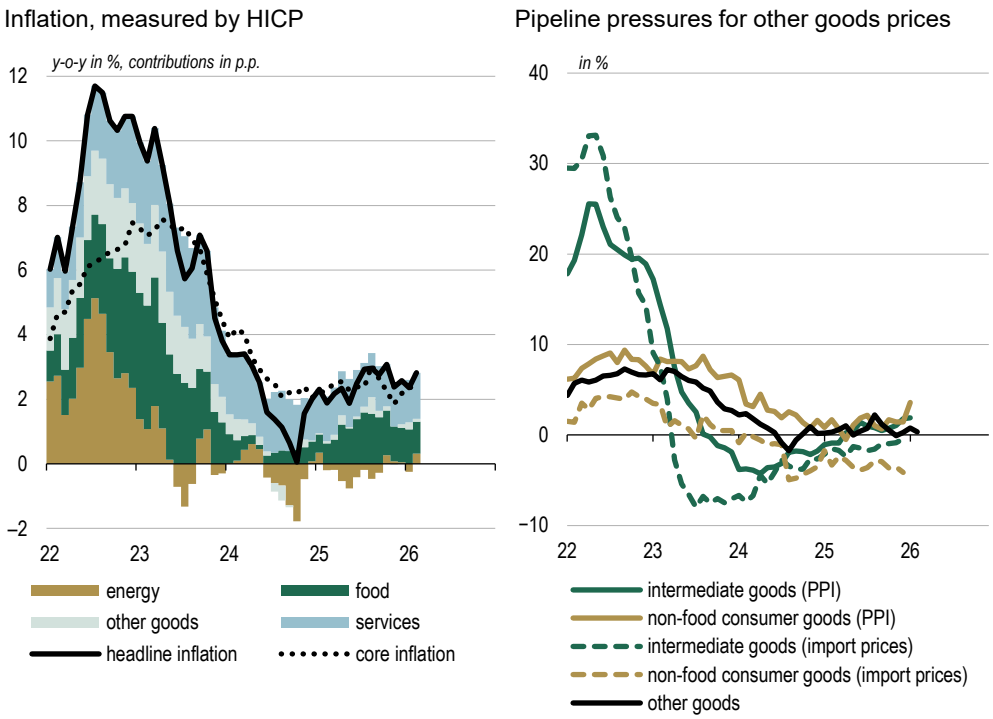
6 Inflation

Inflation accelerated in February, primarily due to the impact of last year's measures on electricity prices.

Year-on-year growth in consumer prices, as measured by the HICP, strengthened to 2.8% in February, after standing at 2.4% in January. The acceleration was driven primarily by energy prices, and to a lesser extent by unprocessed food and services prices. By contrast, price growth in processed food and non-energy industrial goods dampened February's inflation (Figure 6.1, left). With tensions in the Middle East intensifying, risks to the further moderation of price growth have also increased. Higher oil and natural gas prices on global markets, reflecting heightened uncertainty and reduced supply, are expected to pass through to consumers with a lag and affect other price groups too.

Energy prices were 2.8% higher year on year in February, after having declined by 2.1% in January. The turnaround 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] We estimate it contributed 0.5 percentage points to the February's annual inflation rate. To a lesser extent, the rise in energy prices was also supported by solid fuels, which recorded a second consecutive month of pronounced price increases and were 16.6% more expensive than in December 2025.

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



Source: SURS, Eurostat. Latest data left: February 2026, right: February 2026, domestic producer prices – January 2026 and import prices – December 2025.

[63] The law reduced the tariff rates for network charges in January and February 2025, but it affected inflation only from its entry into force in February 2025.

By contrast, food inflation has been easing over the past few months, decelerating to 4.3% in February year-on-year, or 0.3 percentage points lower than in January.[64] The slowdown was entirely driven by developments in processed food prices, which have remained practically unchanged since November last year. Over this period, their contribution to food inflation nearly halved, to 1.7 percentage points. In contrast, the contribution of unprocessed food prices increased markedly, to 2.5 percentage points, mainly reflecting higher prices for fruit and vegetables. Conditions along production and supply chains are generally easing, as food commodity prices on global and euro area markets have been declining since mid-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 4.7% higher year on year.

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

Core inflation, i.e. inflation measured excluding energy and food prices, stood at 2.3% in February, 0.1 percentage points lower than in 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 amid relatively high monthly rate in February last year. Nonetheless, other goods inflation remains supported by domestic cost factors, as evidenced by the divergence between growth rates of import and domestic producer prices (Figure 6.1, right). The gap can be primarily attributed to rising labour costs and their pass-through into consumer prices.

Rising labour costs are also reflected in services inflation, which increased to 3.9% (January 3.7%; Figure 6.2, left), following an exceptional month-on-month increase in February.[65] Indeed, the inflation momentum indicator[66] confirms the persistence of services inflation, having picked up again in recent months after gradually declining last year and signalling fading inflationary pressures. At the same time, since November, the share of services firms expecting to raise selling prices has been increasing again, particularly in rental and leasing activities, services to buildings and landscape activities, warehousing, storage and support activities for transportation, as well as in the accommodation and food service activities.

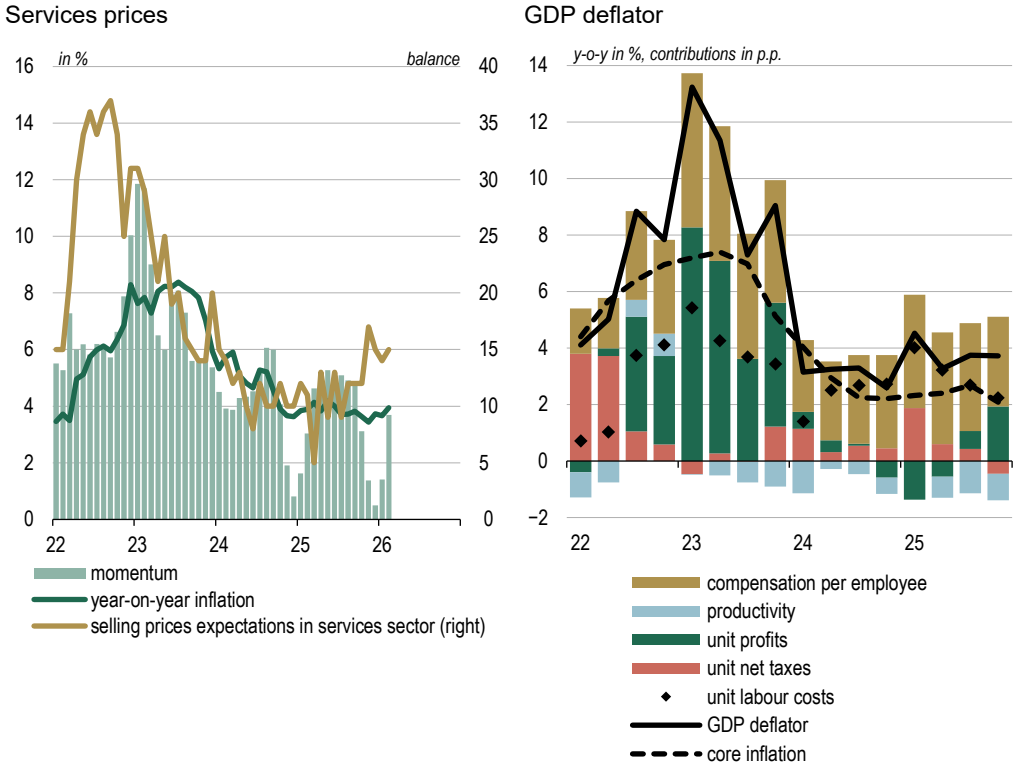
Developments in core inflation remain primarily driven by domestic price factors. In the last quarter of 2025, growth in the GDP deflator, which measures the price growth of domestically produced goods and services, remained at 3.7% year-on-year. Labour costs continued to be its main driver, although 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).

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

[65] Month-on-month growth in service prices stood at 1.1% in February, marking the most pronounced February increase in services since 2002.

[66] The inflation momentum indicator is calculated as the annualised growth rate of the seasonally adjusted services price index, comparing the average price level over the past three months with the average level in the preceding three months.

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



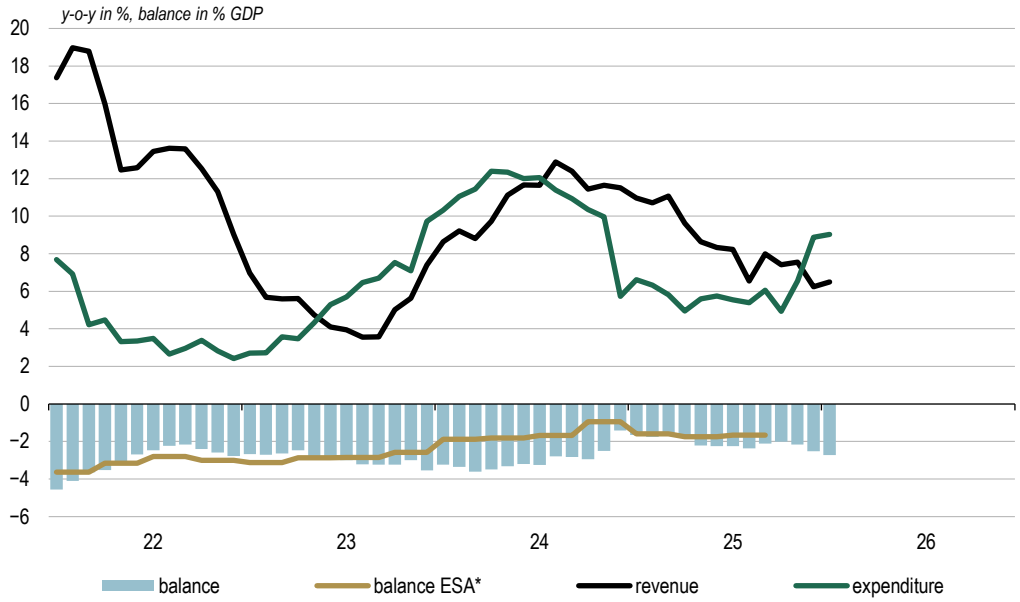
Source: SURS, Banka Slovenije calculations. Latest data left: February 2026, right: Q4 2025.
Note: The left figure shows firms' selling price expectations for the in the next three months, while the inflation momentum indicator is calculated as the annualised growth rate of the seasonally adjusted services price index, comparing the average price level over the past three months with the average level in the preceding three months.

7 Fiscal Position

The deficit of the consolidated general government balance increased by just over one percentage point last year to 2.5% of GDP and is expected to increase further this year.

According to the cash-flow methodology, the deficit of the consolidated general government balance amounted to EUR 1,773 million last year, or 2.5% of GDP, while in the previous year it had been considerably lower at 1.4% of GDP (Figure 7.1). Most of the deficit originated from the central government budget (EUR 1,711 million); municipalities halved their deficit to EUR 112 million, while the Health Insurance Institute of Slovenia (ZZZS) recorded a surplus at the end of the year. With the deficit projected to increase further this year – despite the expected improvement in economic activity – the fiscal space for countercyclical measures in case of larger shocks is narrowing.

Figure 7.1: **Revenue, expenditure and balance of consolidated general government balance and general government balance**



Source: SURS, Ministry of finance, Banka Slovenije calculations. Latest data: January 2026, ESA balance – Q3 2025.
Notes: Revenue, expenditure and balance (in % GDP) of consolidated general government balance are using cash-data methodology, 12-months sum. * General government sector using ESA methodology, four-quarter sum.

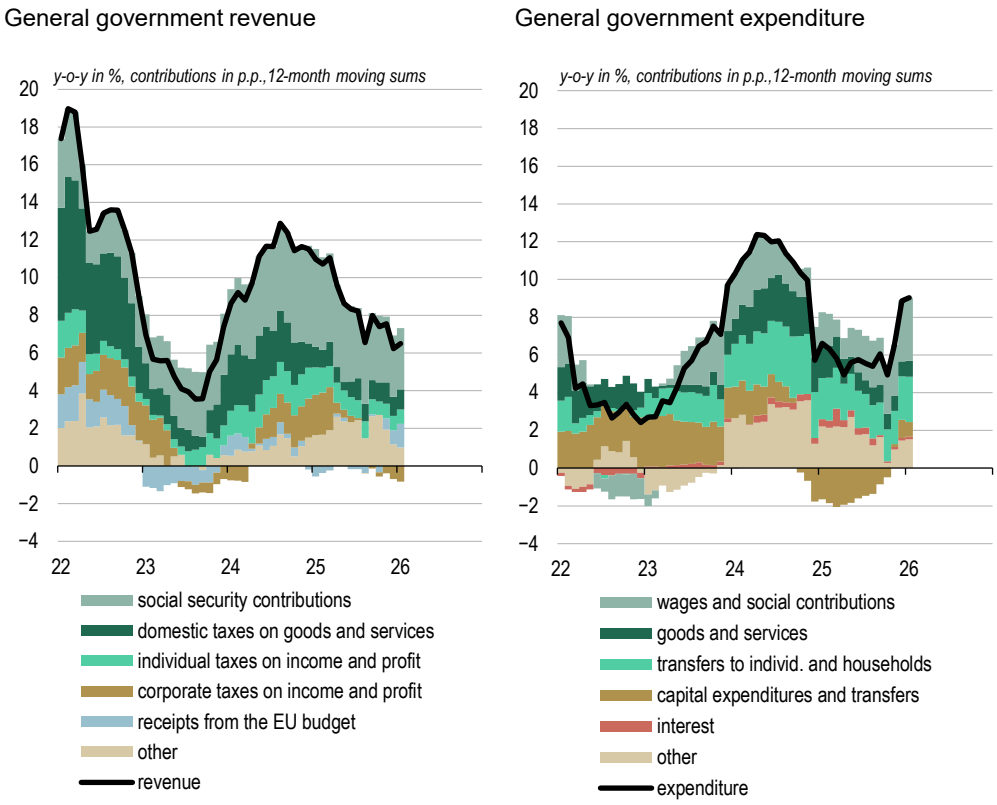
The main driver of growth in consolidated general government revenue last year was social security contributions, while expenditure growth was most strongly marked by the public sector wage reform.

Revenue of the consolidated general government balance increased by 6.2% last year, or by EUR 1.7 billion (Figure 7.2, left). Compared with the previous year, revenue growth moderated; partly owing to slower 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 care contribution in the second half of the year. The slowdown was mainly the result of the high base from 2024, when supplementary health insurance contribution was transformed into a compulsory health contribution. Corporate income tax revenue declined mainly owing to a smaller settlement 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 the adjustment of the tax brackets and allowances.

Expenditure of the consolidated general government balance increased by 8.9% last year, or by EUR 2.7 billion (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 year, the largest contribution to expenditure growth came from spending on wages and social contributions for employees (a 14.2% increase); this was related to the gradual implementation of the wage reform from 2025 onwards, the wage adjustment in June 2024, promotions at the end of 2024, and the introduction of the winter bonus. The number of employees 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%, contributing mainly to overall expenditure growth towards the end of the year. Subsidies

declined by one quarter. The moderation in the growth of expenditure on goods and services reflected the transfer of most recovery costs from 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 floods recovery, mostly covered from the Recovery Fund and partly from EU funds.

Figure 7.2: **Revenue and expenditure of consolidated general government balance**



Source: Ministry of finance, Banka Slovenije calculations. Latest data: January 2026.

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

The surplus of the consolidated general government balance amounted to EUR 39 million in January, which was considerably less than in January 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. In addition, 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 wage 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 data from the consolidated general government balance, investment declined year

on year; however, a substantial share of government investment is carried out through budgetary funds, which increased investment in January.[67]

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

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 interest rate of the two bonds, weighted by the principal, stands at 3.0%. In January, the government issued a new ten-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 interest rate of 3.275%. The government is also continuing the issuance of treasury bills this year.

At the end of February, Moody's upgraded the sovereign long-term debt rating from A3 to A2 and changed the outlook from positive to stable. Among the key reasons for the upgrade, the agency cited the adoption of the pension reform. The agencies Fitch Ratings and S&P Global Ratings had already upgraded the sovereign credit rating last year.

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

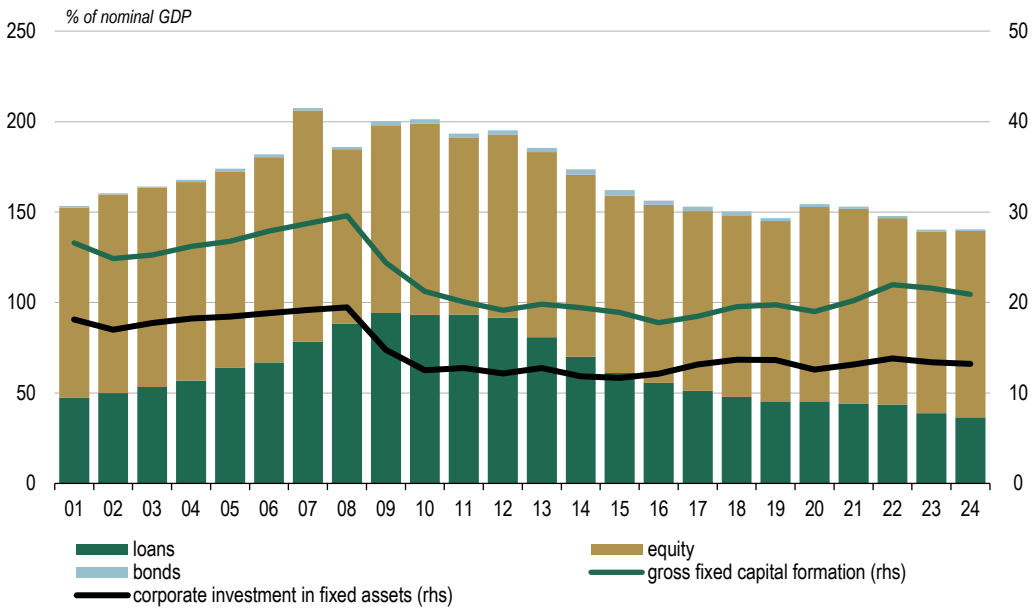
8 Selected Theme

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] By contrast, the period after the global financial crisis, in Slovenia also followed by a banking and sovereign debt crisis, was characterised by a sharp decline in the share of investment in GDP, alongside accelerated corporate deleveraging. After the share of investment in GDP had fallen below 20% in the period 2010–2020, it strengthened somewhat again following the pandemic. Corporate financial liabilities subsequently increased as well, although only as a result of stronger equity financing, while the share of bank loans in GDP continued to decline.

In this selected topic, we analyse whether the weak firms' investment activity in the past period was the result of limited access to financing – particularly bank financing – or whether weak lending activity merely reflected conditions in the real economy and lower demand for financial resources. At the same time, we examine whether the financial system adequately supports the economy's current needs, which are increasingly driven by investment in advanced technologies and research and development.

Figure 8.1.1:
Developments in the share of corporate investment and financial liabilities in GDP



Source: SURS, Banka Slovenije.

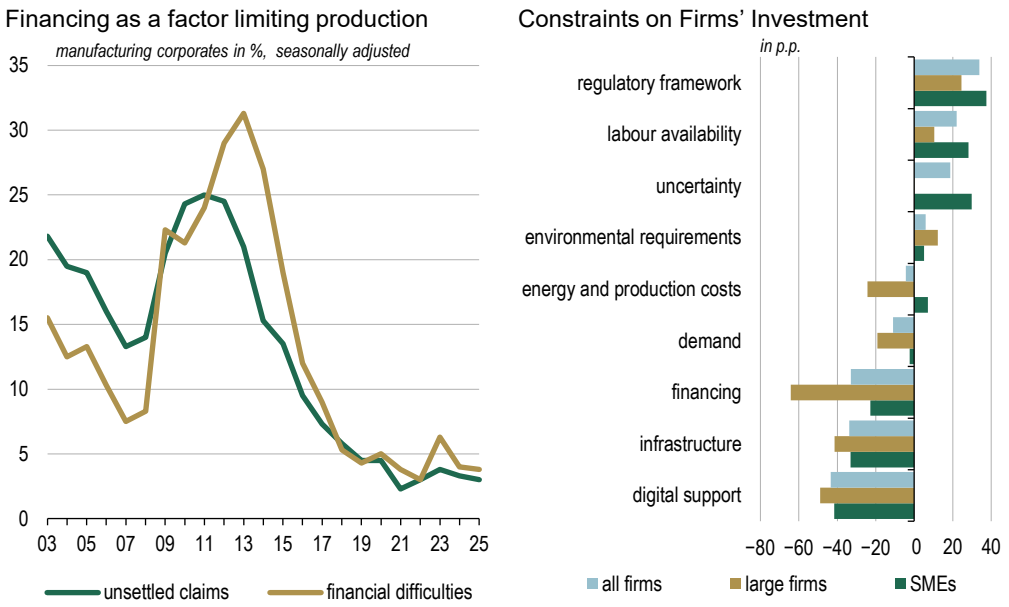
[68] The relationship between investment and productivity, alongside the change in the structure of the growth of Slovenian economy, is in greater detailed examined in Review of macroeconomic developments, September 2025 | Banka Slovenije.

While financing remains among the least constraining factors for corporate investment, the structure of the macro-financial environment still provides insufficient support for innovation and the digital transformation of the economy.

Survey indicators from the Statistical Office of the Republic of Slovenia (SURS) for manufacturing, construction and retail trade point to a pronounced deterioration in the financial position of corporations during the economic and sovereign debt crisis (2009–2014), 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 corporations reporting financial constraints as a limiting factor for current business operations has been below the long-term average for 2003–2025 for almost a decade and is currently at historically low levels (Figure 8.1.2, left).

Corporations, particularly large firms, also continue to report access to financing as one of the least constraining 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, corporations 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 generally not perceived as important drivers of investment.[70]

Figure 8.1.2: **Access to finance and factors limiting production and investment**



Source: SURS, Banka Slovenije.
Note: In the left figure, financial difficulties include unfavourable lending conditions, problems in obtaining loans, etc. In the right figure, the difference between the share of responses in the Banka Slovenije Survey on the Access to Finance of Enterprises indicating that a given obstacle is very important or important, and the share indicating that the obstacle is not important or not at all important is shown.

[69] Results are based on Banka Slovenije's Survey on the access to finance of enterprises 2025: Dostopnost virov financiranja podjetja ocenjujejo pozitivno | Banka Slovenije

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

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 corporate 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 time profile of loan supply 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 demand and supply factors in the bank lending market, finds only a limited and temporary impact of bank loan supply on past investment activity.

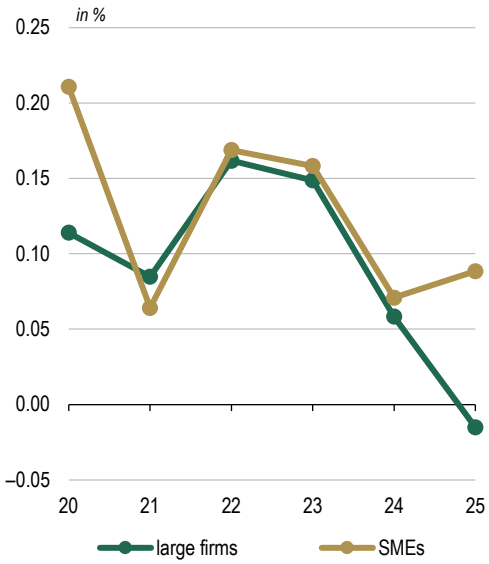
Despite favourable financing conditions and access to funding, there are signs of segmentation between large firms and small and medium-sized enterprises.

Based on the Survey on the Access of Enterprises to Finance, the financial gap can be defined as the difference between corporate 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 corporations 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.

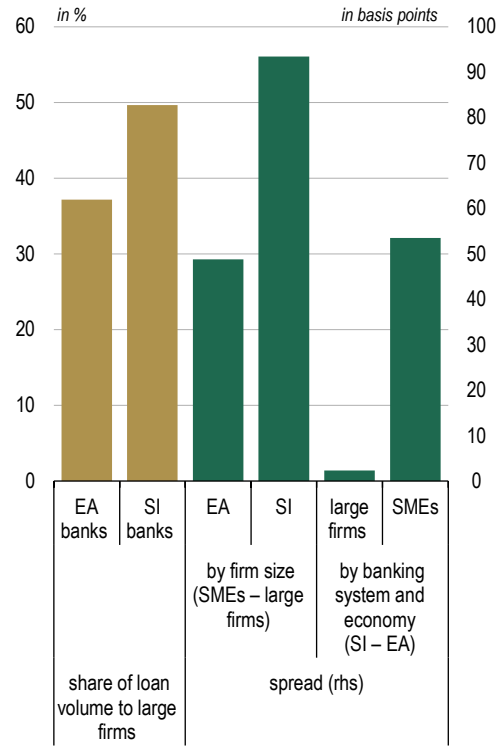
The wider financial gap for SMEs could, in addition to limited access to equity financing, also reflect comparatively less favourable treatment by domestic banks. Although SMEs across the euro area face higher borrowing costs than large corporations, the spread in Slovenia was on average 45 basis points higher over the period 2020–2025 (Figure 8.1.3, right). Given broadly comparable financing conditions for large firms, this difference is entirely attributable to relatively 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 relatively 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 corporations and traditional investment classes, such as investment in machinery and equipment.

Figure 8.1.3: **Access to financing and factors constraining business activity and investment**

Financing gap



Distribution of loan volumes and spreads



Source: Banka Slovenije, AnaCredit.
Note: The financing gap refers to the difference between the shares of responses from firms reporting an improvement and those reporting a deterioration in the relationship between the need for and the availability of external financing. The figure on the right presents a comparison of the shares in the volume of loans to large firms and of interest rate spreads between SMEs and large firms at banks in the euro area (EA) and in Slovenia. In addition, differences in lending interest rates for Slovenian firms at Slovenian banks compared with euro area firms at banks in the euro area are also shown, separately by firm size. Average values for the period 2020–2025 are presented.

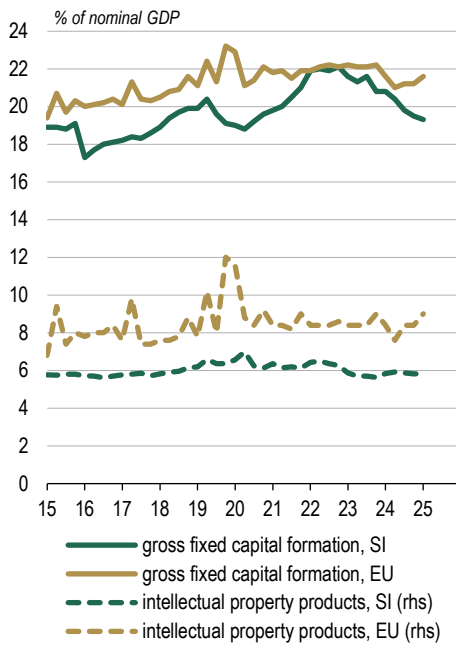
The structure of corporate financing and investment points to a limited transition towards a knowledge-based economy and advanced technologies.

Similarly to the relatively more favourable access to financing for large firms, the structure of corporate investment and its financing suggests that the macro-financial environment in Slovenia remains predominantly oriented towards traditional investment. Since 2015 the share of investment in 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 tangible and intangible investment, 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 the growth of tangible and intangible investment. Consequently, the share of intangible investment has increased across the EU, reflecting a faster digital transition and more intensive investment in advanced technologies compared with Slovenia. In Slovenia, however, the share of intangible investment in GDP in 2025 was even lower than in 1995.[72]

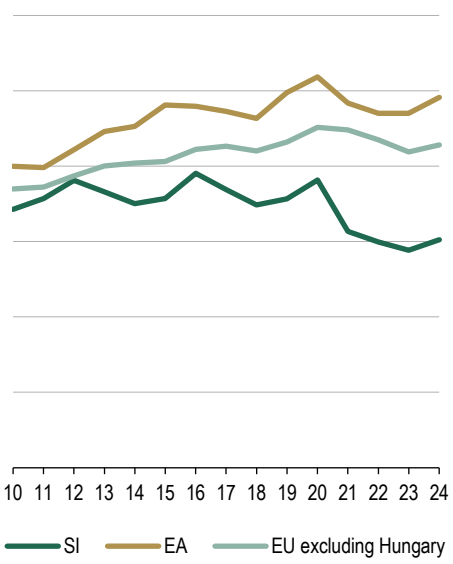
[71] This observation is based on the assumption that intangible assets to a greater extent reflect products associated with digital technologies. Intangible assets include, for example, software, databases, studies and project documentation, trademarks, goodwill, patents, licences and research and development activities (see Investicije v osnovna sredstva, 2022).
[72] The data refer to Figure 8 in the study World Intangible Investment Highlights 2025.

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

Investment intensity



Ratio of intangible to tangible investment (excluding non-residential buildings)

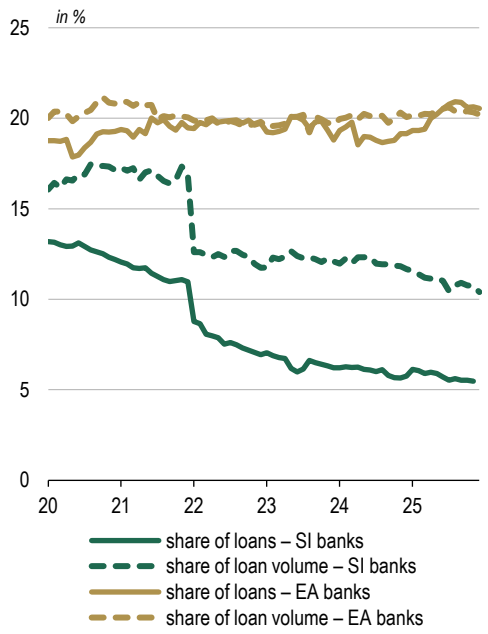


Source: Banka Slovenije, SURS, WIPO–LBS Global INTAN-Invest Database.
Note: In the figure on the right, the ratios are calculated using data on investment in intangible assets from the Global INTAN-Invest database; this database covers all classes of intangible assets, including those recorded in the 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 excessively large deviations.

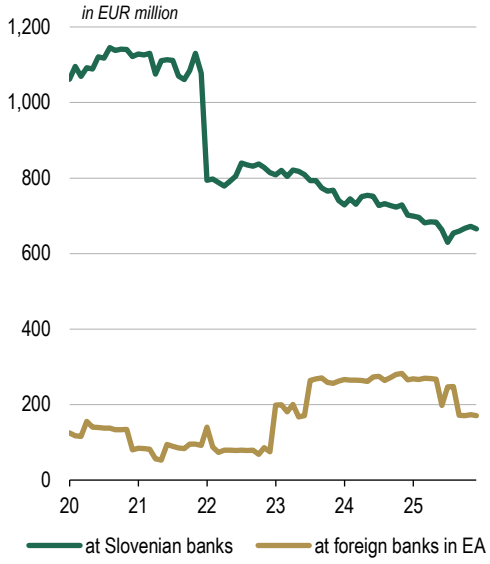
The gap between Slovenia and the euro area in exposure to investment in intangible assets is also visible in the financial sector. The share of bank loans to nonfinancial corporations secured by at least one intangible collateral in total secured corporate loans is around 20% in the euro area, while 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 recently approached 10% at Slovenian banks. Detailed data show that following the pandemic Slovenian nonfinancial 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). In December last year, the volume of these loans at domestic banks amounted to approximately EUR 665 million, representing a decline of almost 40% compared with January 2020. By contrast, loans secured by at least one intangible asset to Slovenian nonfinancial corporations at foreign banks abroad averaged around EUR 170 million in 2025, approximately one third more than in 2020. In addition, in 2025 such loans accounted on average for slightly more than one fifth of all secured loans to Slovenian corporations contracted with foreign banks. This suggests that this type of financing represents an important motive for firms to seek financing abroad.

Figure 8.1.5: **The 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



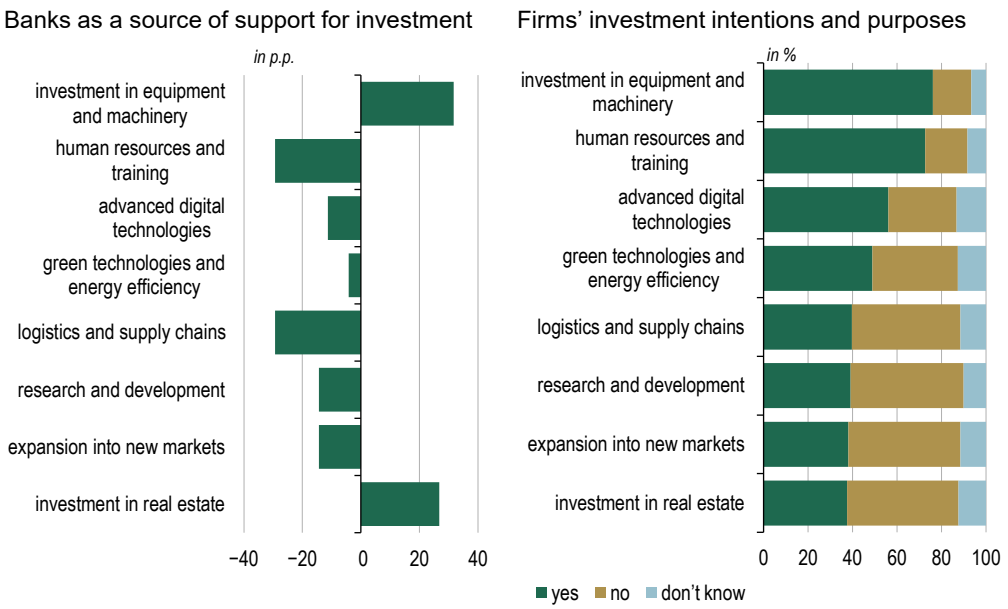
Volume of loans to Slovenian firms secured by at least one intangible asset



Source: Banka Slovenije, AnaCredit.
Note: The figure on the left shows the share (in the volume) of bank loans to firms secured by at least one intangible collateral item in total secured bank loans to firms at banks in Slovenia and the euro area. The figure on the right shows the volume of bank borrowing by firms in Slovenia, taking into account loans 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 of Enterprises to Finance. The share of firms assessing banks as unsuitable partners for investment in advanced digital technologies and 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 equipment and machinery 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 employee 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).

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



Source: Banka Slovenije.
Note: The figure on the left shows the difference between the share of responses from firms assessing banks as very appropriate or appropriate partners in supporting specific investments and the share of responses identifying banks as inappropriate or very inappropriate in providing such support. The figure on the right presents 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 the countercyclical mechanisms of economic policy.

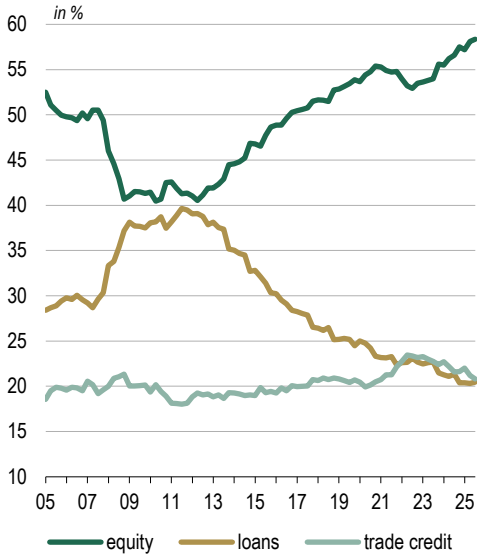
According to financial accounts data, the share of equity in corporate financial liabilities has increased since 2005, reaching 58% last year (Figure 8.1.7, left). By contrast, the share of bank loans has halved from just over 16% to 8%, with the gap being partly filled by the growing prevalence of trade credit among enterprises.[73] This was strongly influenced by the global financial crisis, followed by corporate deleveraging and the reduction of banks' exposures during their restructuring.[74] At the same time, the substitution of bank loans with trade credit reflected the increasing integration of corporations 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 corporations are increasingly financing themselves with own funds, capital injections and retained earnings (Figure 8.1.7, right).

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

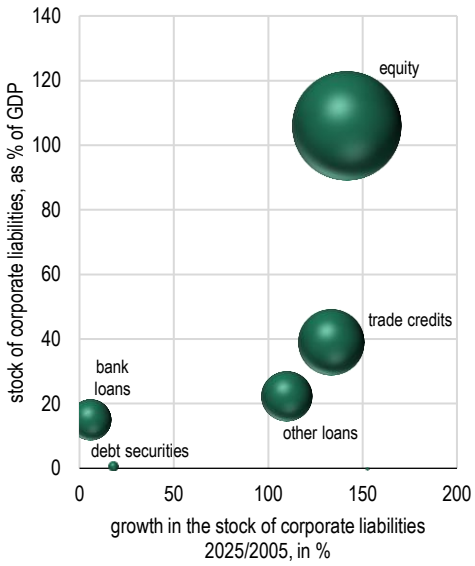
[73] The financial position of NFCs is analysed in greater detail in Box 3.7 of the publication Review of Macroeconomic Developments and Projections, September 2025 | Banka Slovenije.
[74] Changes in macro-financial linkages following the global financial crisis of 2008 are analysed in Box 1 of the publication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

Figure 8.1.7: **The importance of sources of financing for NFCs**

Composition of firms' liabilities by financing source



Firms' financing sources: share, growth, and stock



Source: SURS, Banka Slovenije, Banka Slovenije calculations.
Note: In the right figure, 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 financial derivatives account for less than 0.5%.

The continuation of such patterns could result in a diminishing role for the banking system and its ability to adapt to the future investment needs of corporations. Without adequate substitution of bank-based funding, a gap could emerge in the Slovenian macro-financial environment, leading to insufficient support for growth – particularly for small and medium-sized enterprises with limited access to equity financing. At the same time, this would also reduce the effectiveness of economic policy mechanisms for counter-cyclical action, such as the bank lending channel of monetary policy.[75]

[75] The impact of the financial structure on monetary transmission is analysed in greater detail in Selected Topic 8.2 of the publication Review of Macroeconomic Developments and Projections, April 2025 | Banka Slovenije.

9 Statistical Appendix

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.
Notes: 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.
Notes: 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

Kratice

AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
BLS	Bank Lending Survey
BVAR	Bayesian vector autoregression model
BS	Banka Slovenije
CDD	central securities depositories
CEE	countries of Central and Eastern Europe, member of the euro area: Estonia, Croatia, Latvia, Lithuania and Slovakia
DUTB	Bank Receivables Management Company
EA	euro area
ECB	European Central Bank
ECOICOP	European classification of individual consumption by purpose
EIB	European Investment Bank
EK	European Commission
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
KPP	bank loan supply indicator
MSP	small and medium-sized enterprises
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
SURS	Statistical Office of the Republic of Slovenia
S&P 500	Standard and Poor's 500
STOXX Europe 600	main European share index
USA	United States of America
UK	United Kingdom
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** – Accomodation and food service activities, **55** – Accomodation, **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** – Zdravstvo in socialno varstvo, **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 undiferentiated goods – and service-producing activities of households for own use, **97** – Activities of households as employers of domestic personnel, **98** – Undifferentiated goods- and service-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