BANKA SLOVENIJE

EVROSISTEM

Review of Macroeconomic Developments

October 2026

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Title: Review of Macroeconomic Developments

Issue: October 2026

Issuer:
Banka Slovenije
Slovenska 35, 1505 Ljubljana, Slovenia
www.bsi.si

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Based on data available by 20 October 2026.

The material was discussed at the meeting of the Governing Board of Banka Slovenije of 23 October 2026.

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ISSN 2820-4751

This publication is also available in Slovene.

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Summary

Favourable economic developments in Slovenia continued in the third quarter despite heightened geopolitical tensions and higher energy prices. At the same time, robust domestic demand and more expensive energy are adding to inflationary pressures.

The euro area economy remained resilient in the third quarter according to survey indicators. Economic activity continued to strengthen, as indicated by the composite PMI, which in September reached its highest level since March 2023. Growth in activity was broad-based, and more favourable conditions in services and manufacturing were also reflected in an improvement in business sentiment in September. By contrast, consumer sentiment deteriorated amid renewed price pressures. Headline inflation in the euro area increased to 3.8% in September, owing to both higher energy prices and accelerating food inflation. The latter could already be reflecting the effects of the exceptionally dry summer. Euro area core inflation, i.e. price growth excluding energy and food, also increased slightly, to 2.5%.

At its September meeting, the Governing Council of the ECB raised all three key interest rates by 0.25 percentage points amid persistent inflationary pressures. The Governing Council justified its decision by assessing that the war in the Middle East was continuing to generate inflationary pressures, while inflation was expected to remain significantly above the monetary policy target for a prolonged period. The Fed likewise raised its key interest rate by 0.25 percentage points for the first time this year at its September meeting, citing similar considerations. Given persistently higher energy prices, which could pass through into other price categories, investors expect the ECB and the Fed each to raise their key interest rates by a further 0.25 percentage points by the end of the year.

Developments in financial markets since the beginning of September have been marked by stronger expectations that disruptions to energy supplies from the Middle East will be more prolonged than initially anticipated. As a result, government bond yields increased in numerous economies over the period, with more pronounced rises in countries where risks related to fiscal sustainability emerged. Major equity indices mostly declined over the same period, with political uncertainty in France exerting an additional negative impact in Europe. The price of gold fell from the beginning of September amid a stronger US dollar, while oil prices rose substantially again.

According to the available data, economic conditions in Slovenia remained favourable in the third quarter, with economic growth remaining broad-based. Despite sharply heightened geopolitical tensions and the renewed increase in energy prices, manufacturing output has increased this year in most sectors, with some exceptions in energy-intensive industry, where conditions remain challenging. Construction activity remained at high levels in August, although it is expected to moderate as projects related to EU funds and local elections are completed. Favourable year-on-year developments in the services sector continue to be underpinned by private consumption and strong international tourism. Economic sentiment remained relatively solid in September, although concerns about a rise in inflation are increasing. Forecasting models currently point to quarterly GDP growth of 0.7% in the third quarter.

Real merchandise exports are estimated to have increased by almost 7% year-on-year in July and August, while real import growth was significantly weaker. Nominal merchandise export growth was driven primarily by the pharmaceutical and automotive industries, while trade in petroleum and petroleum products remained significant. Merchandise imports continued to be strongly influenced by energy products, supplies of which also increased from non-EU countries. In services trade, which remains the main driver of the balance of payments surplus, growth was supported primarily by transport services amid increased merchandise trade. The outlook for exports continues to improve, as the indicators of export orders and economic sentiment in key export partner countries both improved again in September.

Labour market conditions remain relatively stable. The number of persons in employment remains at levels similar to those a year earlier, with employment continuing to decline in predominantly private sector activities and increase in predominantly public sector activities. Registered unemployment was again lower year-on-year in September, and remains close to its historical low. Year-on-year wage growth eased somewhat in July but remained high. It stood at 7.6% in nominal terms, and 4.4% in real terms, with growth stronger in the public sector than in the private sector. Robust wage growth continues to support household purchasing power, while also reinforcing domestic price pressures.

Inflation as measured by the HICP has been gradually increasing. In September, it reached 3.7%, mainly reflecting a sharp rise in energy prices, particularly petroleum product prices, driven by heightened geopolitical tensions and reduced refining capacity. These effects have not yet translated into higher food inflation, which remains subdued. However, recent developments in unprocessed food prices, alongside trends in the euro area, point to a gradual strengthening of price pressures. Core inflation excluding energy and food prices fell to 2.3% in September and in contrast to headline inflation has remained relatively stable in recent months. This suggests that the pass-through of the energy shock into core inflation continues to be limited. Nevertheless, the divergence between almost negligible growth in prices of other goods and elevated services inflation persists, with services inflation driven by increases in holiday package and accommodation prices over the summer months.

The general government deficit increased in the first half of the year, while cash-flow data indicates that the widening came to a halt in the third quarter. Nevertheless, fiscal risks remain elevated. According to government estimates, the deficit is expected to remain below 3% of GDP this year and next year. This year it is being increased mainly by social transfers, investment and wages. The effects of measures to mitigate high energy prices have so far been moderate. As yields on financial markets rise, the cost of refinancing debt is gradually increasing, which, together with demographic and environmental challenges and the fulfilment of commitments regarding defence expenditure, is creating pressures on public finances. In addition, short-term uncertainty stems from the measures envisaged in the Act on Intervention Measures for the Development of Slovenia and from the announced, but not yet adopted, fiscal consolidation measures aimed at slowing the strong growth in expenditure. Preserving fiscal space is crucial to mitigating any new macroeconomic shocks and the structural challenges facing the economy.

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In this publication, we take a closer look at manufacturing and the structure of new corporate lending in Slovenia and the euro area. Conditions in manufacturing vary con-

siderably across euro area countries, mainly owing to differences in the levels of industrial activity, the energy intensity of production, and energy prices. Any further increases in the latter could widen the differences in industrial activity across countries. Higher input costs, including energy costs, increase working capital financing needs. In the euro area, this is reflected in stronger growth in short-term lending, particularly to larger and less risky firms, which are also benefiting from a shift in banks' loan supply. No such shift in lending has so far been observed in Slovenia. In Slovenia, the recent growth in manufacturing activity has been supported by more favourable productivity developments. However, as our analysis shows, this does not necessarily indicate a broad-based improvement in conditions, but may also reflect a contraction in less-productive industries and employment aligning with output again, following a period of labour hoarding.

1 International Environment

Global economic activity continued to strengthen in the third quarter, while the IMF projections point to stronger growth next year.

The global economy remains resilient amid the heightened geopolitical uncertainty and high energy prices. The composite PMI increased to 54.3 points in September, from 53.5 in August, reaching its highest level of the last three years (Figure 1.1). It averaged 53.5 points in the third quarter, compared with 51.9 in the second quarter, confirming a further strengthening of economic growth. Growth in September was broad-based, with activity strengthening in both services and manufacturing. Among services, growth was strongest in financial services and somewhat weaker in consumer services.[1] In manufacturing, growth reached its highest rate of the last four years, supported by strong growth in new orders, higher spending on artificial intelligence and defence, and continued inventory build-up amid uncertainty over prices and supply chains. External demand also strengthened significantly, with new export orders recording their fastest growth of the last five years. At the same time, inflationary pressures and supply chain pressures intensified, as reflected in the GSCPI.

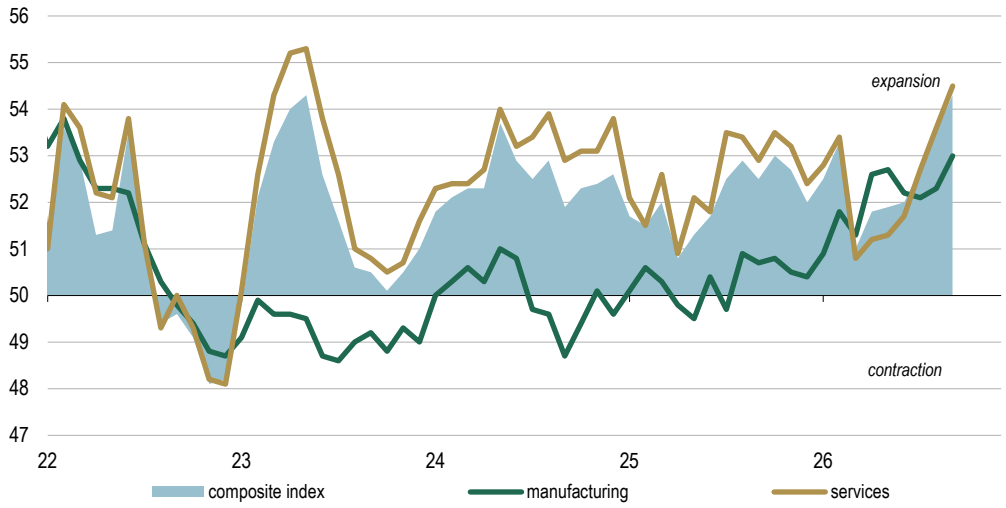
Among the major economies, PMI survey data indicates that economic growth in September was strongest in the United States and India. In the United States, the composite PMI rose to 58.4 points, its highest level of the last five years, while strong growth also continued in India, where the index stood at 55.9 points. In both economies, growth was broad-based, with activity increasing strongly in services and manufacturing. More moderate growth was recorded in China, Japan and the United Kingdom, where the composite PMIs stood at 52.4, 52.3 and 52.0 points respectively.

The IMF's October projections are forecasting global economic growth of 3.1% this year, with private-sector resilience and strong investment in artificial intelligence mitigating the adverse effects of higher energy prices. Growth is expected to strengthen slightly to 3.4% next year, as the effects of the energy shock gradually subside. The risks to global economic growth remain tilted to the downside, primarily owing to the

[1] Consumer services are services intended for final household consumption, such as accommodation and food services, tourism, travel, sports and recreational activities, and cultural services.

possibility of a further escalation of tensions in the Middle East and a potential reversal in expectations regarding the impact of artificial intelligence. Growth in the United States is forecast at 2.3% this year, compared with 1.3% in the United Kingdom, 4.5% in China and 0.9% in Russia, while growth in India is expected to reach 7.0%.

Figure 1.1: **Purchasing manager's index (PMI) for the global economy**



Source: Bloomberg. Latest data: September 2026

Survey indicators suggest that the euro area economy remained resilient in the third quarter, with broad-based growth.

The euro area economy expanded by 0.6% quarter-on-quarter in the second quarter. Growth was supported primarily by net exports and private consumption, which contributed 0.9 and 0.2 percentage points respectively, while changes in inventories reduced GDP growth by 0.5 percentage points. From the production side, growth was broad-based, driven by both private services and industry.

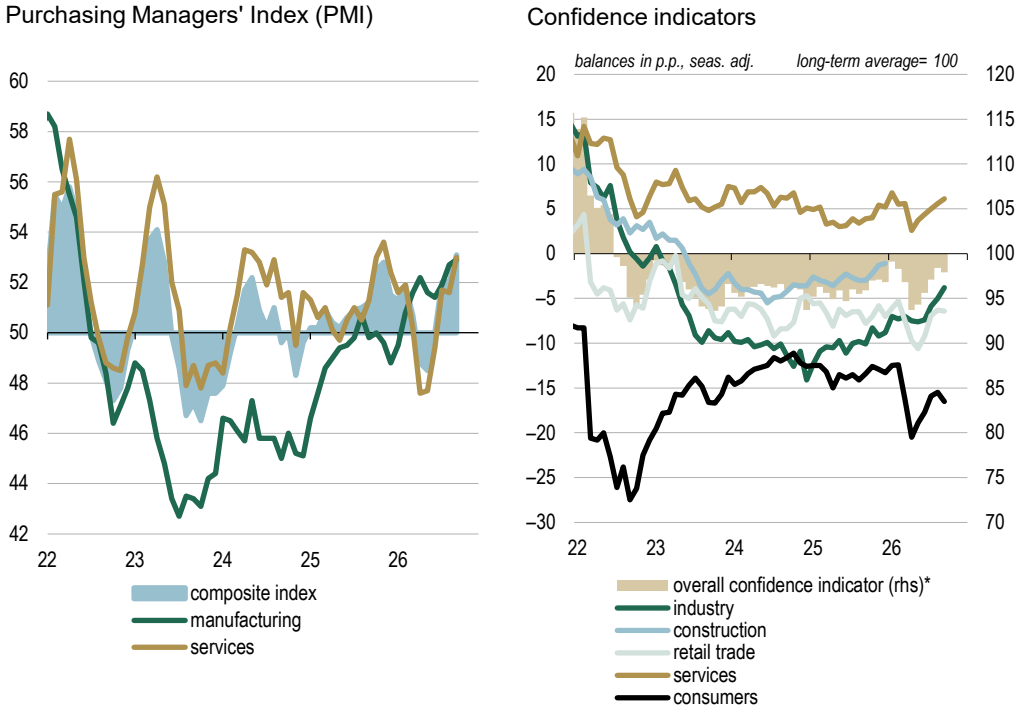
Economic activity in the euro area continued to strengthen in the third quarter, as indicated by the composite PMI, which increased to 53.1 points in September, from 52.0 in August, reaching its highest level since March 2023 (Figure 1.2, left). Growth in September was broad-based and supported primarily by higher spending on artificial intelligence and defence. Growth in services strengthened noticeably, particularly in information and communication services. Positive developments also continued in manufacturing. Strong growth in new orders and a renewed increase in export orders were accompanied by a further intensification of price pressures.

More favourable conditions in services and manufacturing were also reflected in improved business sentiment in these sectors in September (Figure 1.2, right). Nevertheless, the European Commission's economic sentiment indicator declined slightly, primarily owing to deteriorating consumer sentiment. The ZEW economic sentiment indicator for the euro area was also slightly lower in September and October.

According to the ECB's September projections, the euro area will grow at 0.9% this year, 0.1 percentage points higher than forecast in the June projections, mainly on account of an improved short-term outlook for investment, stronger private consumption and a more favourable international environment. Growth is expected to strengthen to 1.4% in 2027, amid a gradual reduction in uncertainty, improving confidence and the

normalisation of energy prices. The IMF's October projections are forecasting growth in the euro area this year at 0.2 percentage points higher than in the ECB projections, and growth next year at 0.2 percentage points lower.

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



Sources: Bloomberg, Eurostat, Banke Slovenije calculations. Latest data: September 2026

Headline inflation in the euro area rose strongly in September amid further increases in energy prices related to the escalation of tensions in the Middle East.

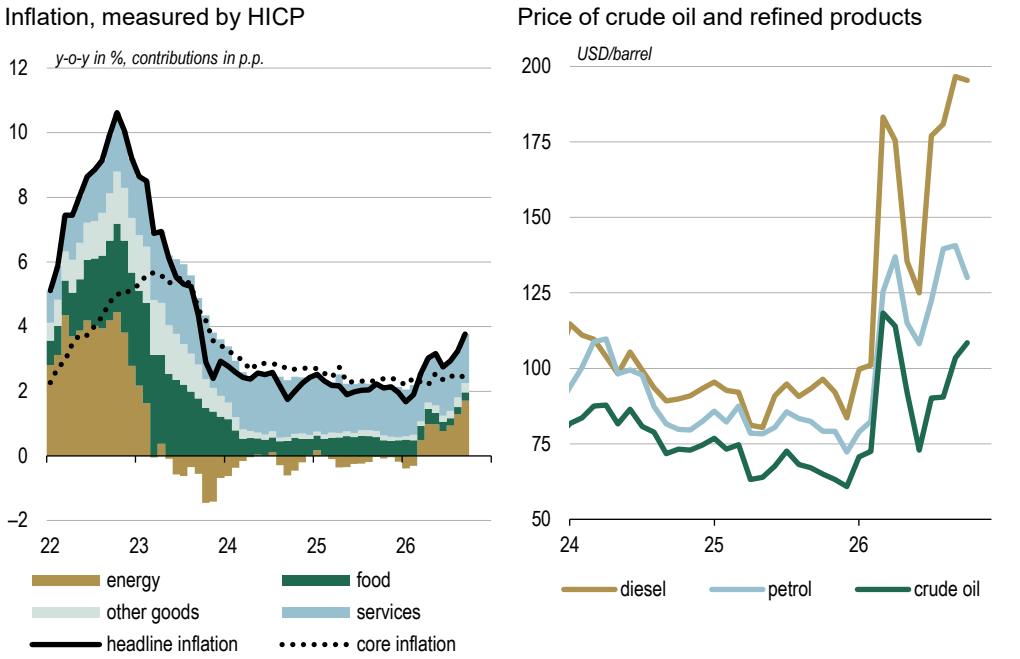
Year-on-year price growth in the euro area as measured by the HICP strengthened by 0.6 percentage points to 3.8% in September (Figure 1.3, left). The increase was again driven mainly by energy prices, while core inflation and food inflation also increased. Energy prices were 18.9% higher year-on-year (compared with 14.3% in August), reflecting accelerating global oil prices and continued high refining costs and margins (Figure 1.3, right). Government tax measures were also less extensive. Since the start of the war, their largest dampening effect on headline inflation was recorded in May, at 0.3 percentage points, compared with 0.1 percentage points in September.

Meanwhile, year-on-year food inflation strengthened again after a decline of several months, reaching 1.3%, 0.2 percentage points higher than in August. The reversal was driven solely by unprocessed food prices, which were 4.0% higher year-on-year after recording above-average monthly growth in September. The ongoing increase mainly reflected higher vegetable prices. Developments in the last two months could already be reflecting the effects of the exceptionally dry summer. By contrast, year-on-year processed food price growth declined again to 0.4%, mainly reflecting the previous moderation in global cocoa prices. The contribution by meat prices also decreased, while producer prices continue to decline year-on-year.

Core inflation, i.e. inflation excluding energy and food prices, increased by 0.1 percentage points to 2.5% in September, solely due to services inflation. At 3.2%, the latter was 0.2 percentage points higher than in the previous month and remains slightly above 3%. The limited movement continues to be accompanied by relatively stable domestic price pressures, while ECB indicators also signal no major changes until the end of the first half of next year. Conversely, year-on-year growth in non-energy industrial goods (hereinafter: other goods) prices fell slightly to 1.1%, from 1.2% in August. Nevertheless, it remains higher than before the start of the war in the Middle East, coinciding with stronger pressures along the pricing chain. Amid renewed increases in energy prices, growth in PMI input and output prices in manufacturing and services also accelerated in September.

Headline inflation in Slovenia was 0.1 percentage points lower than in the euro area overall in September, while core inflation was 0.2 percentage points lower. The range of headline inflation rates among euro area countries narrowed to 3.7 percentage points. Lithuania recorded the highest headline inflation for the fourth consecutive month, at 6.1%, while Malta registered the lowest, at 2.4%.

Figure 1.3: **Euro area inflation, and prices of crude oil and refined petroleum products**



Sources: Bloomberg, Eurostat, ECB, Banka Slovenije calculations. Latest data: left – September 2026; right – October 2026 up to 19 October 2026

Note: In the right chart, prices of refined petroleum products reflect the one-month-ahead futures for products delivered to the ARA (Amsterdam, Rotterdam and Antwerp) region, which are used as a pricing reference for all distillate trading across Europe. Refining margins are calculated as the difference between the refined product and crude oil.

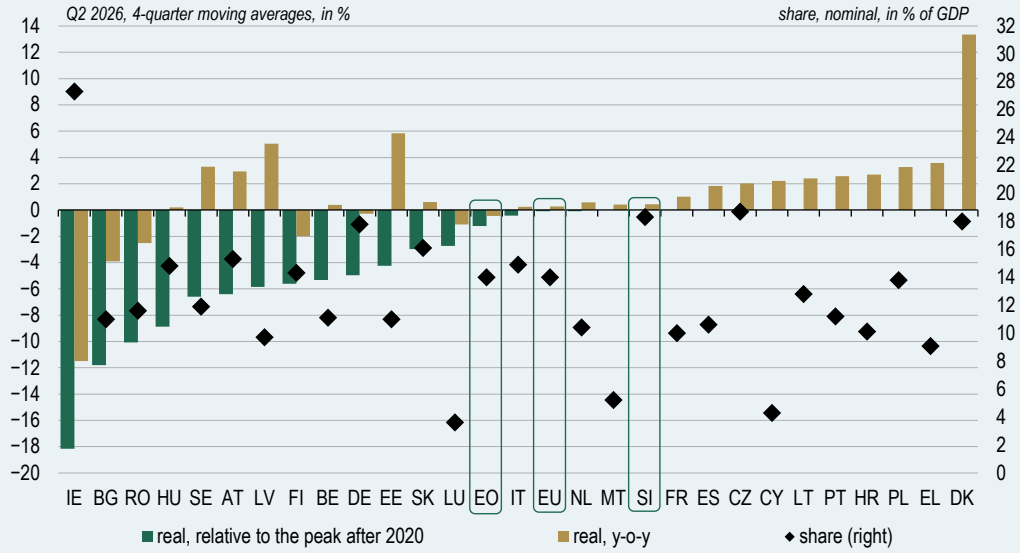
Box 1.1: **Value-added in manufacturing and energy prices in the EU**

Real value-added in EU manufacturing has stagnated overall in recent years, while the worsening of the energy crisis could further exacerbate conditions.

Conditions in EU manufacturing are difficult due to geopolitical tensions, which are driving high energy prices and weaker foreign demand, competitive pressure from China,

labour shortages, and regulatory and investment-related challenges.[2] Despite some signs of recovery, real value-added has stagnated on average in recent years, with substantial differences across Member States (Figure 1.1.1).

Figure 1.1.1: **Value-added in manufacturing**



Sources: Eurostat, Banka Slovenije calculations
Note: The calculations shown are based on seasonally and calendar-adjusted data.

This is partly attributable to considerable differences in energy prices across Member States despite the single energy market. The reasons lie partly in differing systems of taxes and other levies, and partly in differences in the structure and availability of energy resources (Figures 1.1.2 and 1.1.3). According to a rough estimate, the average price of electricity for industrial consumers in Slovenia over the period from the second half of 2021 to the first half of this year (EUR 0.21/kWh) was lower than the EU average (EUR 0.24/kWh), both in terms of the basic price and including taxes and levies, by approximately 15% overall. The difference between the most expensive (Cyprus at EUR 0.30/kWh) and the least expensive (Finland at EUR 0.12/kWh) was almost 150% during this period. There are also substantial differences in gas prices. In the recent period, these were approximately 6% below the EU average in Slovenia (EUR 0.08/kWh, compared with EUR 0.09/kWh in the EU overall), while the difference between the most expensive (Sweden at EUR 0.17/kWh) and the least expensive (Croatia at EUR 0.07/kWh) exceeded 150%. It should be emphasised that energy prices are only one of the factors affecting the competitiveness of the economy.

In addition to the differences mentioned above, the contribution of manufacturing to overall GDP growth also depends on the degree of industrialisation in the individual economy.[3] Improvements or deteriorations in conditions in these sectors therefore have differing effects on aggregate economic activity across Member States. Over the year to the second quarter of this year, the ratio of nominal value-added in manufacturing to GDP stood at 14.0% in the EU overall, while Slovenia recorded the third-highest ratio, at 18.5% (Figure 1.1.1). The importance of manufacturing has nevertheless gradually declined, with the ratio in the EU overall amounting to 15.7% in 2007 and 14.9% in 2022, compared with 20.4% and 19.9% respectively in Slovenia.

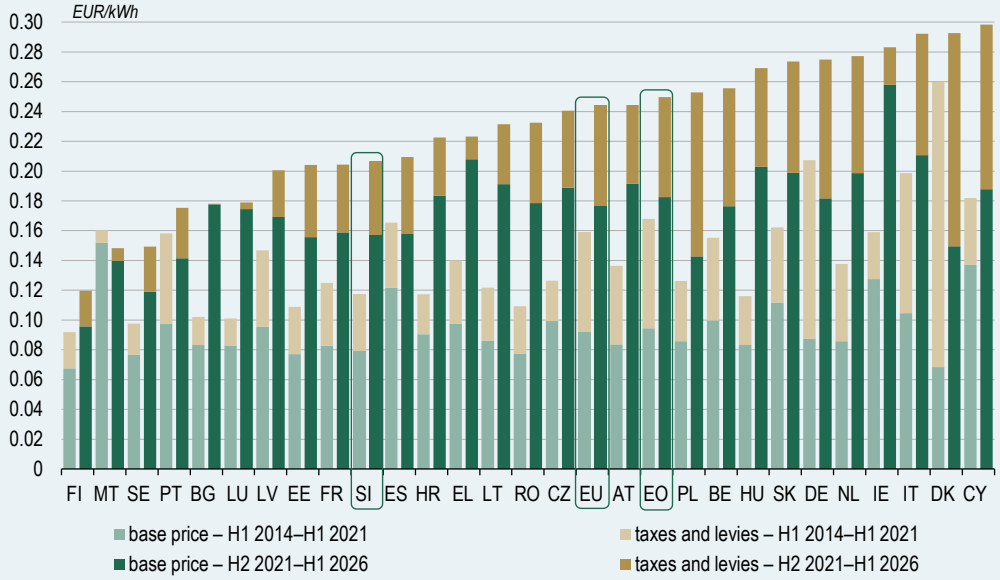
Member States can broadly be divided into two groups: those in which real value-added in manufacturing has not yet returned to its level before the 2022 energy and geopolitical shock, and those that have already closed or overcome this gap (Figure 1.1.1). The

[2] For more on the strengthening of China's competitive position and the exposure of Slovenian exports, see Box 5.1 in the Review of macroeconomic developments, April 2026 | Banka Slovenije.

[3] In this case, the degree of industrialisation is measured as the ratio of nominal value-added in manufacturing to GDP.

first group notably includes Germany, where weakness has been driven primarily by subdued activity in energy-intensive sectors amid high electricity prices, difficulties in the automotive industry, and weak external demand, including from China.[4] Austria, which is closely integrated into German production chains, also belongs to this group,[5] as does Slovakia, where manufacturing was hit by the weak European automotive market, trade tensions and the economy's high exposure to exports.[6] Finland is also facing difficulties, following the disruption of trade relations with Russia and the loss of global market share,[7] while Sweden also remains below its post-covid peak, amid weak growth in export markets, trade tensions and high exposure to international value chains.[8] A decline in value-added was also observed in Bulgaria, Romania and Hungary, where subdued external demand and low investment activity contributed to weaker conditions.[9] Ireland stands out as the most negative outlier, although developments there are strongly influenced by the high concentration of multinational pharmaceutical companies.[10]

Figure 1.1.2: **Electricity prices for industrial consumers**



Sources: Eurostat, Banka Slovenije calculations
Note: Unweighted averages of electricity prices for industrial consumers in the first five consumption bands are shown for two separate periods. The sixth and seventh bands are not included owing to a lack of data. At the time of writing, data for the first half of this year was not yet available for the EU and the euro area.

Slovenia is among the countries that have succeeded in closing the gap in real value-added, although its growth over the year to the second quarter of this year was among the slower rates. This was attributable, among other factors, to the large share of energy-intensive industry and the completion of the investment cycle in the automotive and pharmaceutical industries (Figure 1.1.1). Among the larger Member States, manufacturing recovered somewhat in France, where it was significantly boosted by the

[4] See, for example The recent weakness in the German manufacturing sector | CEPR and What's behind the sustained decline in German export market shares? | Bundesbank publications.

[5] See, for example Austrian Industrial Production in a Country Comparison. Update 2025 and OeNB Report 2026/17: Middle East war leads to significant rise in inflation.

[6] See, for example Country report - Slovakia - Economy and Finance - European Commission and OECD Economic Surveys: Slovak Republic 2026 | OECD.

[7] See, for example Finland struggling to defend its market share in goods exports – Bank of Finland Bulletin and Finland: 2026 Article IV Consultation-Press Release; and Staff Report; IMF Country Report No. 26/006; December 10, 2025.

[8] See, for example Sweden: 2026 Article IV Consultation-Press Release; and Staff Report and Swedish Economy June 2025 - Konjunkturinstitutet.

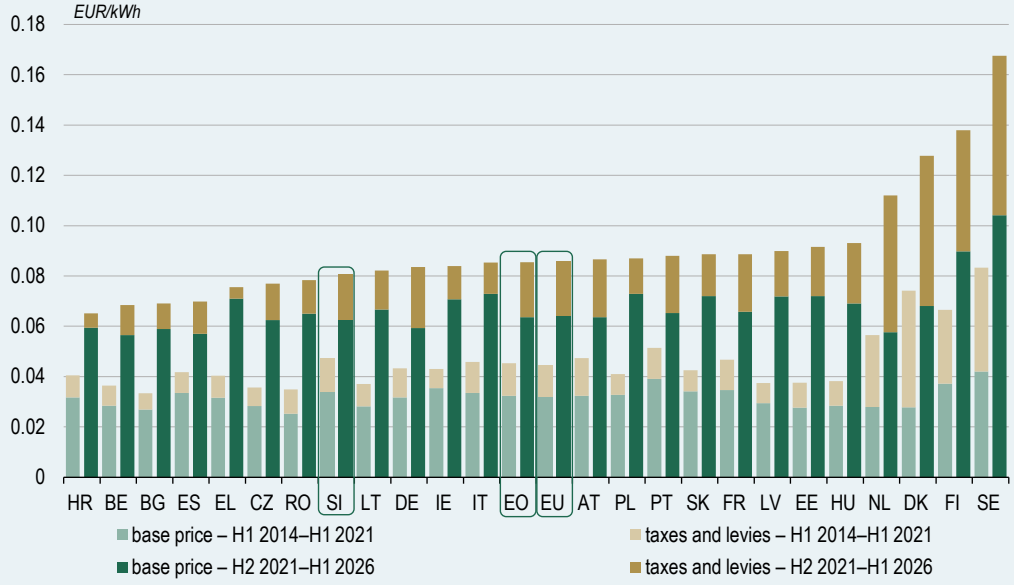
[9] See, for example Country report - Bulgaria - Economy and Finance - European Commission, Country report - Romania - Economy and Finance - European Commission and Country report - Hungary - Economy and Finance - European Commission.

[10] The decline shown in Figure 1.1.1 may partly reflect a base effect following a sharp increase in exports of pharmaceutical products to the US at the beginning of 2025, related to expectations of the introduction of US tariffs and simultaneously strong demand for certain pharmaceutical products. Value-added in Ireland's pharmaceutical industry nevertheless fluctuates markedly from quarter to quarter. See also The Irish pharmaceutical sector.

aerospace and defence industries,[11] more strongly in Spain, where growth was supported by lower energy costs than in most of the EU, strong investment activity, and favourable developments in the chemical and pharmaceutical industries,[12] and in Poland, where growth was supported by strong domestic demand and gains in export market shares.[13] Among the more highly industrialised Member States, Czechia and Denmark have also achieved a recovery. In Czechia, domestic car production plays an important role and has successfully withstood the general crisis in the European automotive industry,[14] whereas Denmark is notable, despite high energy prices, primarily because of rapid growth in the pharmaceutical industry, supported by strong global demand for medicines produced by leading domestic multinational companies, while conditions in most other sectors remain challenging.[15]

The substantial differences across Member States in the level of real value-added in manufacturing and in energy prices point to different starting positions at the onset of a worsening energy crisis. The ongoing wars in Ukraine and the Middle East are already driving a sharper increase in energy prices, while the EU is at present particularly vulnerable because of its lack of domestic resources and geopolitical position.[16] Owing to differences in the structure of manufacturing, the energy intensity of production and export orientation, a deterioration in conditions could lead to even greater divergence in industrial activity across Member States, while a further increase in production costs would weigh on industry across the EU as a whole. The effects of any renewed sharp increase in energy prices would differ significantly across countries and sectors, as was already evident during the cost shock of 2022.[17]

Figure 1.1.3: **Natural gas prices for industrial consumers**



Sources: Eurostat, Banka Slovenije calculations
Note: Unweighted averages of natural gas prices for industrial consumers in the first four consumption bands are shown for two separate periods. The fifth and sixth bands are not included owing to a lack of data. At the time of writing, data for the first half of this year was not yet available for the EU, the euro area and Italy. Luxembourg is not included due to incomplete data, while Eurostat does not publish data for Cyprus and Malta.

[11] See, for example Economic forecast for France - Economy and Finance - European Commission and Overview – Growth under an amber warning | Insee.

[12] See, for example. Observatorio-sectorial-1s-2025_en_forecasts.pdf and Spanish industry spearheads growth.

[13] See, for example Country report - Poland - Economy and Finance - European Commission, Republic of Poland: 2025 Article IV Consultation-Press Release; and Staff Report; IMF Country Report No. 26/025; January 9, 2026

[14] See, for example Over three quarters of a million vehicles produced in the first half of the year. The Czech automotive industry maintains strong performance.

[15] See, for example U.S. demand for Novo Nordisk's weight loss drugs is so huge that the Danish central bank just doubled the nation's entire growth forecast and Country report - Denmark - Economy and Finance - European Commission.

[16] According to Eurostat data, import prices of energy products in August were 48.4% higher year-on-year in Slovenia and 43.0% higher in Germany.

[17] See also Boxes 5.1 and 5.2 in the Review of macroeconomic developments, September 2026 | Banka Slovenije.

2 Monetary Policy, Financial Markets and Financing Conditions

2.1 Monetary policy and financial markets

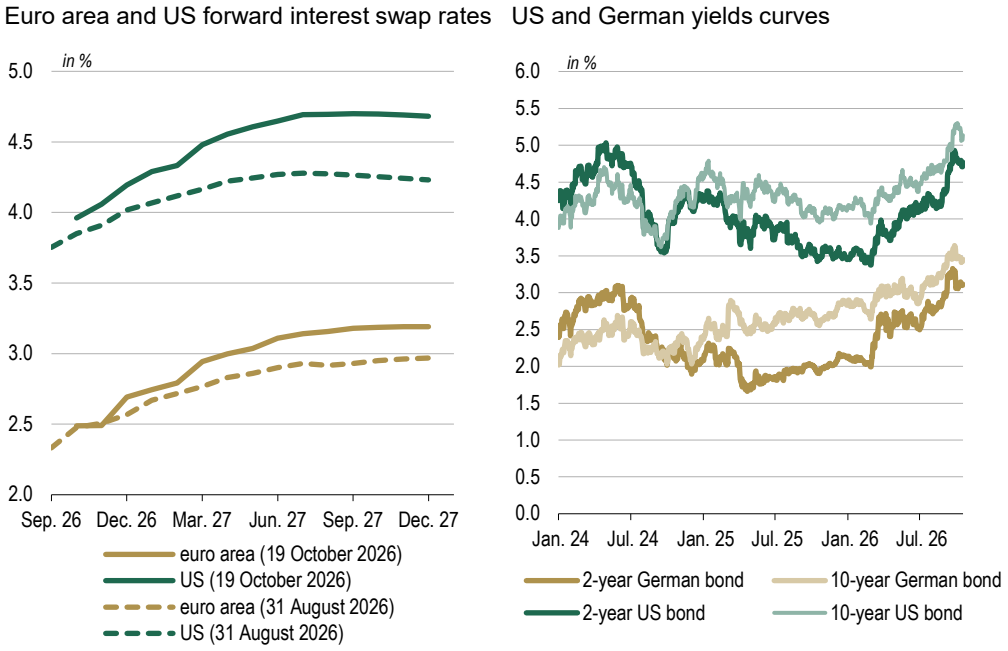
In September, the Eurosystem raised the interest rate on the deposit facility to 2.50%, while the Fed raised its policy rate to the corridor of 3.75% to 4.00%.

In September, the Governing Council of the ECB raised all three key ECB interest rates by 0.25 percentage points for the second time this year. The interest rate on the deposit facility, the main refinancing operations and the marginal lending facility were thus increased to 2.50%, 2.65% and 2.90% respectively. The war in the Middle East continues to generate inflationary pressures, and inflation is expected to remain significantly above the target level for a prolonged period. The Governing Council assessed that the ECB remains well-placed to navigate the uncertainty caused by the conflict. It will continue to determine the appropriate monetary policy stance on a meeting-by-meeting and data-dependent basis.

At its September meeting, the Fed raised its key policy rate by 0.25 percentage points for the first time this year, to a range of between 3.75% and 4.00%, primarily owing to persistent inflation, which has remained above the 2% target for an extended period. The decision was supported by persistently high energy prices amid tensions in the Middle East, strong investment demand related to artificial intelligence, and core inflation in August, which exceeded expectations. At their recent meetings, the central banks of Australia and Japan also raised their key interest rates by 0.25 percentage points, to 4.60% and 1.25% respectively, while rates remained unchanged in the United Kingdom (3.75%), Switzerland (0%), Canada (2.25%) and Sweden (1.75%).

Since the beginning of September, expectations have strengthened that disruptions to energy supplies as a result of the war in the Middle East will last longer than initially anticipated. This heightens the risks of more persistent inflationary pressures, and supports investors' expectations that central banks will further tighten their monetary policy stance. Current overnight index swap (OIS) rates indicate that financial markets expect the ECB and the Fed each to raise their key policy rates by a further 0.25 percentage points by the end of 2026, which would bring the Eurosystem deposit facility rate to 2.75% and the Fed's key policy rate to a range of between 4.00% and 4.25% (Figure 2.1.1, left). For the following year, market participants expect, with a high degree of probability, two further increases of 0.25 percentage points in the key policy rates of both the ECB and the Fed.

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



Sources: Bloomberg, Banka Slovenije calculations. Latest data: 19 October 2026

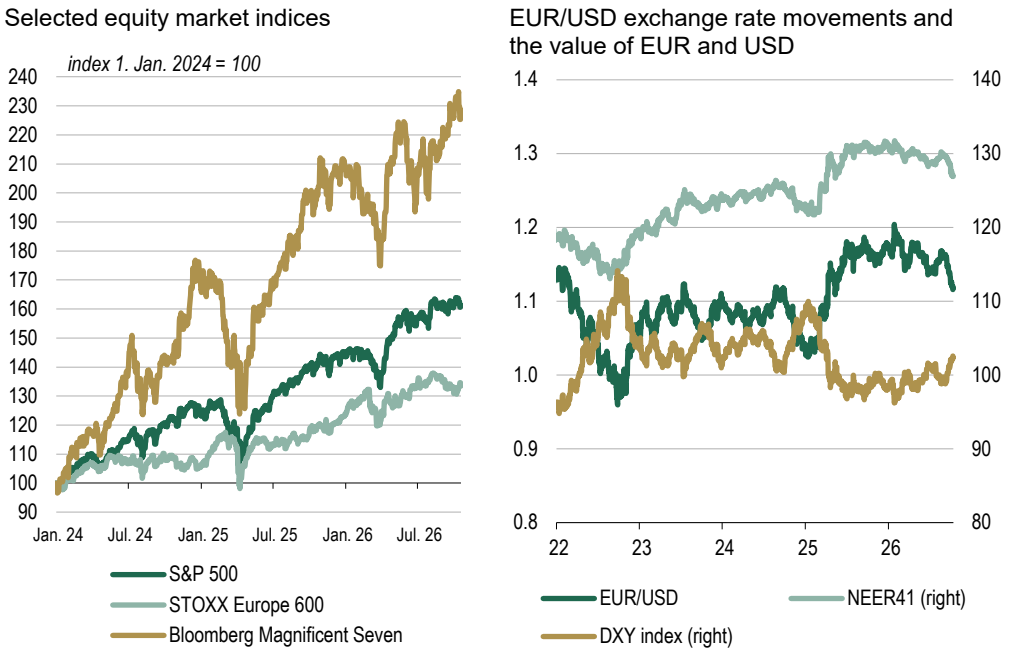
German and US government bond yields have risen since the beginning of September, partly on account of higher energy prices. US equity indices have remained broadly unchanged, while equity prices in Europe have declined.

Amid stronger expectations of a more persistent increase in inflation and a more restrictive monetary policy stance by the ECB and the Fed, yields on short-term German government bonds have risen by 0.18 percentage points since the beginning of September, while those on long-term bonds have increased by 0.13 percentage points (Figure 2.1.1, right). Yields on short-term US government bonds have meanwhile increased by 0.43 percentage points, and those on long-term bonds by 0.39 percentage points. The increase in US government bond yields was more pronounced owing to the unanimous decision by members of the Federal Open Market Committee to raise the key policy rate, and growing investor concerns about long-term fiscal sustainability in the US. Spreads between yields on euro-denominated bonds with higher credit risk and German government bond yields widened over the period in question amid heightened political risks in Europe. This was driven by delays in the adoption of the budget and general political uncertainty in France, as well as the calling of early elections in Spain.

Major global equity indices have mostly declined since the beginning of September (Figure 2.1.2, left). The STOXX Europe 600, the leading European equity index, fell by 1.8%, primarily owing to political uncertainty in France and the downgrading of its sovereign credit rating. The tech-oriented Hong Kong Hang Seng index has lost 6.7% since the beginning of September, reflecting weaker Chinese macroeconomic data and a general deterioration in investor sentiment regarding growth in China's artificial intelligence sector. By contrast, US equities have remained broadly unchanged, with the main US equity index, the S&P 500, gaining 0.1%, as concerns about high inflation and the sustainability of spending on artificial intelligence infrastructure largely offset the positive impact of stronger-than-expected third-quarter earnings releases by tech firms. One exception was the index of the seven largest US tech firms (the Magnificent Seven), which has gained 5.2% since the beginning of September despite declining in October.

The US dollar has appreciated by 3.6% against the euro since the beginning of September, primarily owing to the increase in US government bond yields and expectations of further increases in the Fed's key policy rate. The depreciation of the euro, largely reflecting concerns about France's fiscal position and political uncertainty in the country, also contributed. The US dollar moved similarly against a basket of major global currencies, and is currently 2.6% higher than at the beginning of September (Figure 2.1.2, right). The price of gold fell by 6.7% from the beginning of September, owing to a stronger US dollar and higher US government bond yields, while the price of Brent crude rose by 21.1% amid further disruptions to oil supplies through the Strait of Hormuz.

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



Sources: Bloomberg, Banka Slovenije calculations. Latest data: 19 October 2026
Note: In the left chart the Magnificent Seven comprise Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla. In the right chart DXY measures the US dollar against a basket of six currencies (EUR, JPY, GBP, CAD, SEK, CHF) based on trade weights, with the euro having the largest weight at 57%. NEER41 denotes the nominal effective exchange rate of the euro against 41 trading partners. The EUR/USD exchange rate indicates the movement of the euro against the US dollar, where a higher value denotes a stronger euro and vice-versa.

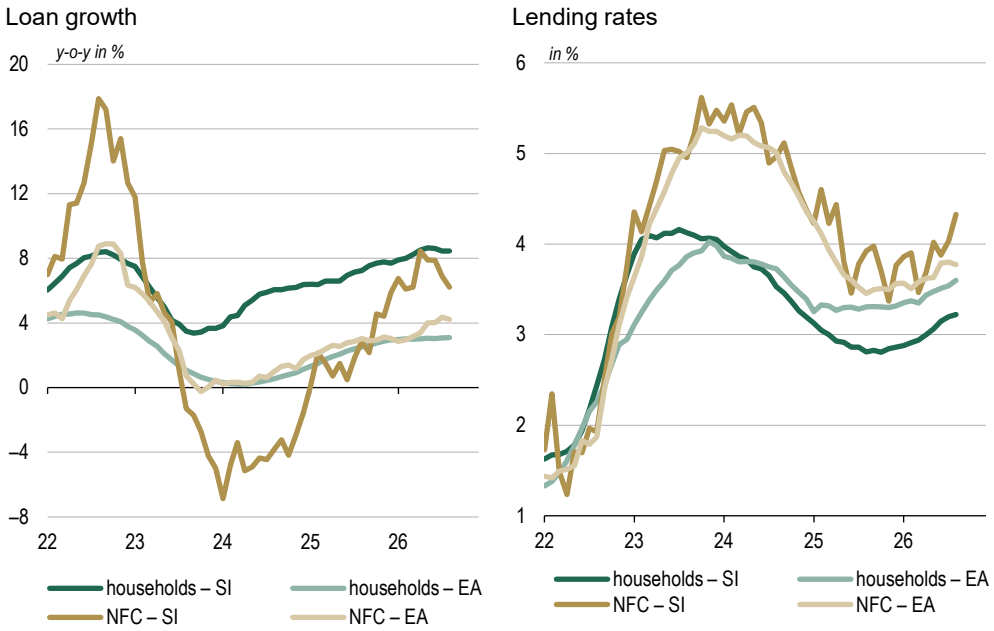
2.2 Credit activity and financing conditions

Credit activity in Slovenia remains stronger than in the euro area overall, particularly in the household segment, supported also by lower interest rates on household loans.

Annual growth in loans to non-financial corporations (NFCs) in Slovenia eased slightly in August, to 6.2%, but remained above the euro area average of 4.2% (Figure 2.2.1, left). In Slovenia, growth was driven mainly by long-term loans, which increased by 7.0% year-on-year, while the stock of short-term loans with maturities of up to one year declined slightly. In the euro area, the pattern was reversed, with growth in short-term loans (7.4%) notably outpacing that in long-term loans (3.7%). This may reflect firms' stronger need to finance working capital, potentially in connection with the slightly higher energy costs than in Slovenia (see Boxes 1.1 and 2.2.1).

Lending to households in Slovenia remains strong, with year-on-year growth of 8.4%. Both housing and consumer loans are contributing to this growth, with annual growth rates exceeding 9% in both segments.

Figure 2.2.1: **Loan growth and interest rates**



Sources: ECB, BSI, MIR. Latest data: August 2026
Note: In the left chart, loan data covers loans to non-financial corporations (NFCs) and households in Slovenia and the euro area (EA). They are based on the ECB's harmonised monetary financial institution statistics and show adjusted year-on-year growth rates, excluding changes in stocks that are not related to transactions. Loans are reported on a gross basis, i.e. before impairments, and may therefore differ from supervisory reporting data used in other Banka Slovenije publications. The right chart shows interest rates on new loans. Household lending rates refer to housing loans.

The average interest rate on new loans to NFCs in Slovenia rose to 4.3% in August (from 4.0% in July), while in the euro area it remained unchanged at 3.8% (Figure 2.2.1, right). A slight increase was also observed in interest rates on housing loans, although at 3.2% in Slovenia they remained below the euro area average of 3.6%. The difference was even more pronounced for consumer loans, where the average interest rate stood at 5.9% in Slovenia compared with 7.9% in the euro area overall. Despite the tightening of monetary policy, the cost of new household borrowing in Slovenia therefore remains relatively favourable.

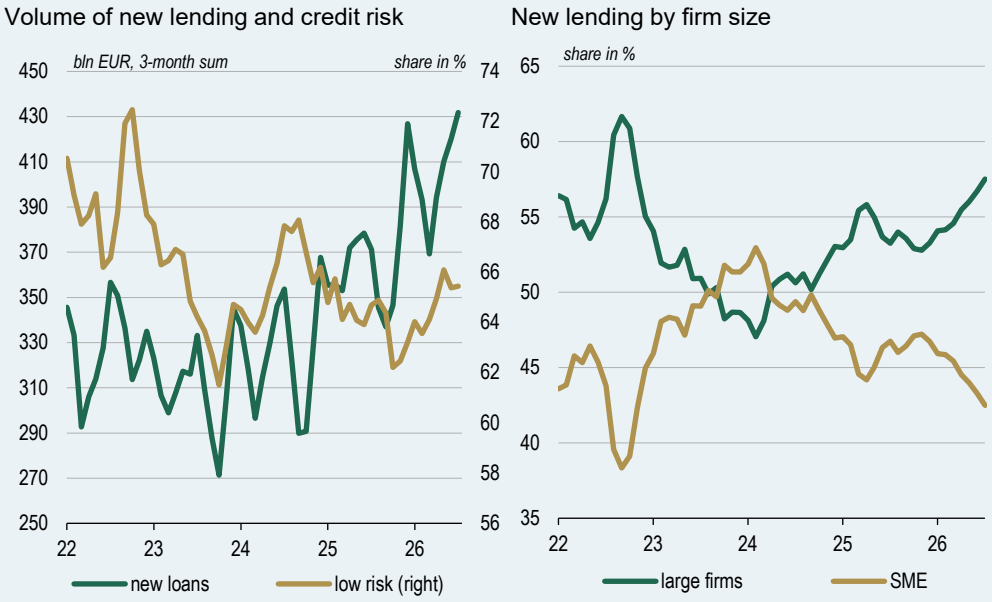
Box 2.2.1: **Structure of new corporate lending in the euro area**

Corporate lending growth in the euro area is concentrated mainly among larger and lower-risk borrowers.

Corporate lending in the euro area has been strengthening since the end of 2025, despite the tightening of monetary policy and credit standards. More granular data shows that credit growth has not been evenly distributed across firms, but has been accompanied by the redirection of new lending towards lower-risk borrowers. As during the

monetary policy tightening of 2022 to 23,[18] the share of new lending to firms with lower probabilities of default has increased, while the share of lending to large firms has also risen (Figure 2.2.1.1). As large firms are typically less risky, both indicators point to a more selective allocation of new lending.

Figure 2.2.1.1: **Volume and composition of new corporate lending**



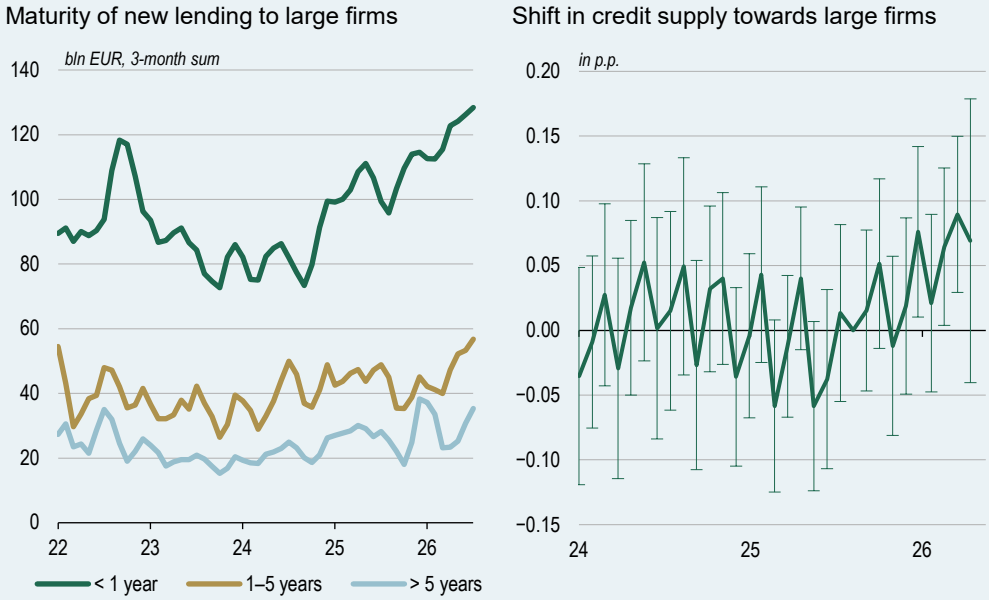
Source: AnaCredit. Latest data: July 2026
Note: The left chart shows the three-month sum of new lending to non-financial corporations in the euro area and the share of loans to low-risk firms. Low-risk firms are defined as those in the first two quintiles of the probability-of-default (PD) distribution, with the share calculated only for banks using the Internal Ratings-Based (IRB) approach.

The increase in lending to large firms reflects both stronger loan demand and a relative shift in bank credit supply in their favour.

According to the Bank Lending Survey (BLS), loan demand increased among large firms in the second quarter of 2026, while it declined further among SMEs. Among the main factors supporting stronger demand from large firms were financing needs for inventories and working capital. This is also consistent with the maturity structure of the new lending, as the increase in lending to large firms was concentrated mainly in loans with maturities of up to one year (Figure 2.2.1.2, left). This points to greater short-term financing needs for current operations, which may also have been influenced by higher input costs, including energy costs.

[18] Volk M. (2026). Pricing Risk or Rationing Credit? Bank Behaviour in a Tightening Monetary Cycle. Working Paper, Banka Slovenije.

Figure 2.2.1.2: **Drivers of lending growth to large firms: maturity and credit supply**



Sources: AnaCredit, Banke Slovenije estimates (right). Latest data: July 2026
Note: The right chart shows estimates of the relative change in credit supply to large firms compared with October 2025. The coefficients indicate whether banks with a stronger pre-existing orientation towards lending to large firms increased lending to these firms more than other banks. Standard errors are two-way clustered at the firm and bank level, and the intervals represent 95% confidence intervals.

Alongside stronger demand, the supply of loans also shifted relatively towards large firms. The estimates show that banks with a stronger pre-existing orientation towards financing large firms have recently increased lending to these firms more than other banks (Figure 2.2.1.2, right).[19] This reflects a relative reallocation of credit supply across borrower groups rather than an increase in aggregate credit supply. Such developments are also consistent with the SAFE, in which large firms reported improved availability of bank loans in the second quarter, while SMEs reported a further deterioration, even though banks continued to tighten credit standards for large firms as well according to the BLS.

A similar reallocation of lending is not evident in Slovenia. Although the volume of new loans has increased somewhat in the recent period, the increase has been more concentrated among SMEs, while there has also been no notable rise in very short-term loans with maturities of up to one year. Econometric estimates likewise do not indicate a reallocation of bank credit supply towards any particular group of firms.

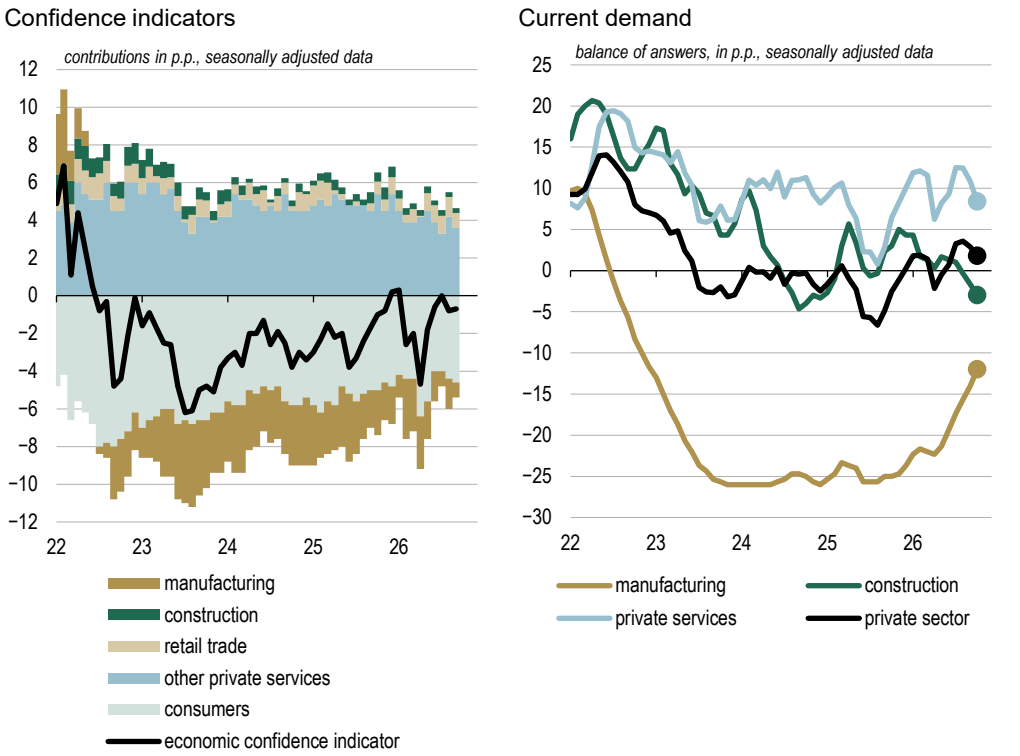
[19] The estimates are based on a monthly bank-firm panel constructed from AnaCredit data. New lending is transformed using the inverse hyperbolic sine, which provides a log-like transformation while allowing zero values to be retained (Bellemare & Wichman, 2020); a similar approach is also used in analyses of credit supply based on bank-firm data (e.g. Altavilla et al., 2022). The specification includes firm-quarter fixed effects, which absorb borrower-side conditions common across banks within a quarter, bank-month fixed effects, which control for changes in each bank's overall lending stance, and bank-firm fixed effects, which capture persistent characteristics of the lending relationship. Relative credit supply is identified from whether banks with greater pre-existing exposure to large firms subsequently increase lending to these firms more than other banks. Bank orientation is measured over the pre-period. Standard errors are two-way clustered at the firm and bank level. The estimates identify differences in the reallocation of loan supply within banks and should not be interpreted as changes in aggregate loan supply.

3 Domestic Economic Activity

Business confidence in the domestic economy remained relatively solid in September, while inflation expectations strengthened again.

The economic sentiment indicator remained favourable in September, despite sharply heightened tensions in the international environment (Figure 3.1, left). Despite high uncertainty and stronger growth in energy prices, confidence in manufacturing has been relatively high and stable in recent months, with firms reporting growth in output and orders. Amid robust private consumption, supported by wage growth, and continued growth in international tourism, firms in private services remained optimistic, and their assessments of demand were again relatively favourable. The survey assessment of the volume of construction work also remained relatively high, although a decline in new orders points to a slowdown in activity in the coming months (Figure 3.1, right). This is also expected owing to the completion of construction projects related to the utilisation of funds under the Recovery and Resilience Plan and this year's local elections. Consumer confidence deteriorated slightly after July, partly as a result of a considerable increase in inflation expectations. These also increased slightly in private services and construction.

Figure 3.1: **Selected economic sentiment indicators**



Sources: SURS, Banka Slovenije calculations. Latest data: September 2026
Note: In the right chart, three-month moving averages are shown, except for the points representing the latest monthly data. The aggregates for the private sector and private services are calculated using value-added shares.

Alongside survey indicators, a broad set of activity indicators also points to favourable economic conditions in the third quarter.

Conditions in manufacturing have been favourable this year. Output was up 8.5% year-on-year in August and 3.0% cumulatively over the first eight months. Growth was broad-based, with all technological-intensity groups contributing. Among the larger sectors, the food, automotive and machinery industries, the construction materials industry, and the manufacture of electronic and optical products stood out in particular. Following a weak start to the year, the pharmaceutical industry has also begun to strengthen, while conditions remain challenging in certain segments of energy-intensive sectors (Figure 3.2, left). The increase in output has also been accompanied by a rise in capacity utilisation, which at 83.1% in the third quarter was its highest level since 2023. Despite the improvement in business performance, the survey indicators of the competitive position in markets inside and outside the EU remain markedly below their levels before the onset of the energy and geopolitical crisis in 2022.

Construction activity also increased year-on-year during the summer months, although a higher base is curbing the rate, while the underlying dynamics have been relatively weak in recent months. The amount of construction put in place in August was 3.6% higher than a year earlier. Growth reached 18.8% cumulatively over the first eight months, with all segments of construction recording increases. Residential construction also posted growth, although supply has long been insufficient to meet market needs, while construction costs and residential property prices continue to rise rapidly.[20] The ratio of nominal value-added in construction to GDP stood at 6.3% over the year to the second quarter of this year, its highest level since 2009. New building permits suggest that demand for construction work has moderated slightly in recent months. There are considerable factors limiting further growth in construction, with firms reporting significant labour shortages and strong growth in construction costs.

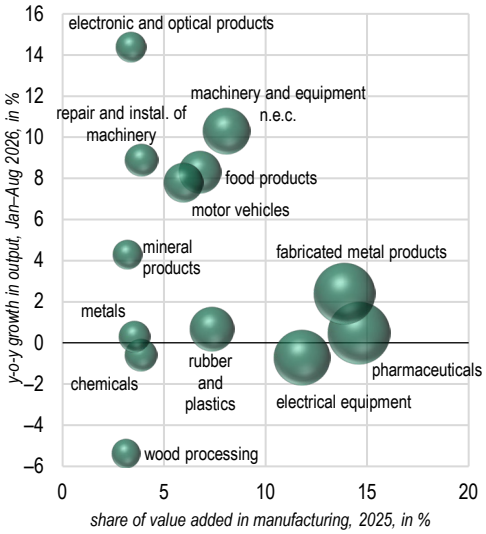
According to the available data, consumption in the domestic market remained robust in the third quarter. The real value of card payments and ATM cash withdrawals was 3.0% higher year-on-year, 0.9 percentage points more than in the second quarter. The increase in the real value of tax-verified invoices was even more encouraging, at 4.6% (Figure 3.2, right). These developments coincide with turnover in services, which was 5.7% higher in July than a year earlier. In year-on-year terms, turnover increased in almost all groups of services, reflecting the combined effects of strong construction activity, improved conditions in manufacturing, a tight labour market, a favourable season in the tourism sector, and further growth in government consumption. Growth in real estate activities was particularly strong, at 66.1%.[21] Initial data for August points to continued year-on-year growth in retail turnover, driven primarily by a rise in spending on more durable goods.

[20] In the second quarter, residential construction costs were 6.0% higher year-on-year, while residential property prices were up 9.1%. Since the second quarter of 2021, costs have increased by 47.5% and prices by 57.0%. At the same time, average nominal compensation of employees per employee increased by 40.3%.

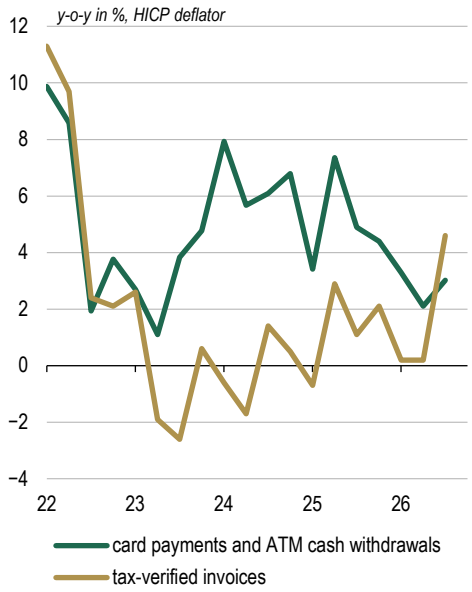
[21] Turnover in real estate activities over the first seven months of this year was up 31.8% year-on-year. This primarily coincided with a 25.6% increase in the floorspace of commercial properties sold in the first half of the year, while the number of transactions involving residential properties was 6.4% lower.

Figure 3.2: **Manufacturing output and consumption indicators**

Manufacturing output



Consumption indicators



Sources: SURS, FURS, Bankart, Banka Slovenije calculations. Latest data right: Q3 2026
Note: In the left chart, the manufacture of pharmaceutical products and preparations is roughly estimated using monthly production indices and the structure of value-added in manufacturing. Sectors accounting for at least 3% of value-added in manufacturing in 2025 are included. SKD 2008 classification labels: food products – C10, wood processing – C16, chemicals – C20, pharmaceuticals – C21, rubber and plastics – C22, mineral products – C23, metals – C24, fabricated metal products – C25, electronic and optical products – C26, electrical equipment – C27, machinery and equipment n.e.c. – C28, motor vehicles – C29, repair and installation of machinery and equipment – C33.

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

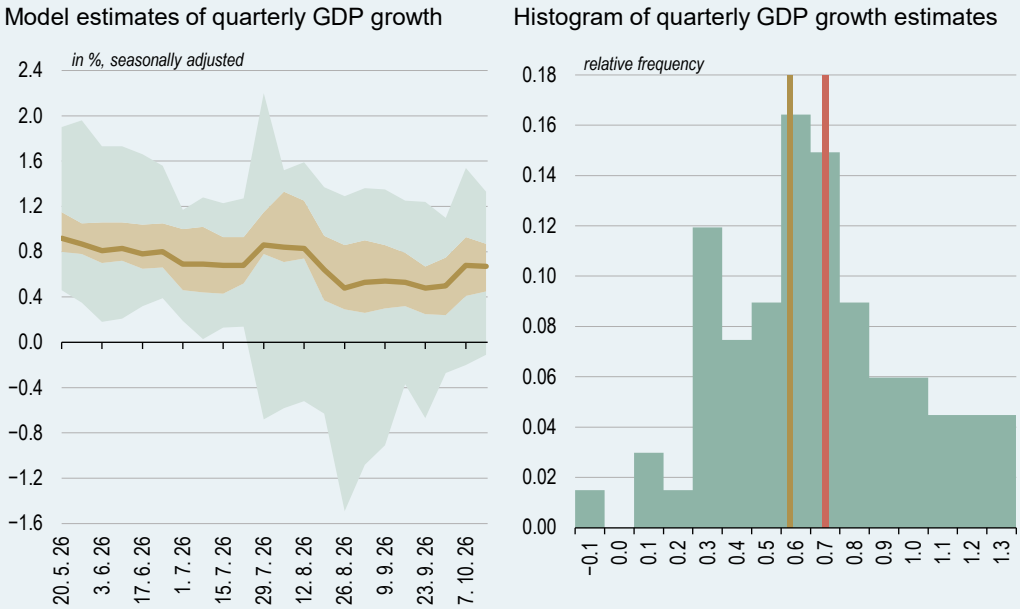
The average estimate from the set of nowcasting models points to quarterly GDP growth of 0.7% in the third quarter.

The current model estimate of quarterly GDP growth at the beginning of the second half of the year (Figure 3.1.1, left) remains encouraging, although it is lower than in the previous quarter, reflecting the slightly less favourable recent developments in survey indicators. In September, economic sentiment was 0.7 percentage points weaker than in July. The deterioration was mainly attributable to lower consumer confidence, while confidence in retail trade also declined. By contrast, confidence in services improved, while the contributions of manufacturing and construction remained unchanged.

Most key indicators of economic activity are currently available only for July, while data for industrial production is also available for August. Industrial production increased month-on-month in both months, by 0.8% in July and 1.6% in August. Growth was driven primarily by higher output in manufacturing, while developments in the other two sectors were volatile. The value of construction put in place also increased in July, by 0.6% compared with June, with growth recorded in both construction of buildings and civil engineering. By contrast, total production in services and trade declined by 1.3% in July as a result of a 2.8% fall in services, while production in trade increased by 0.9%.

The current information set from high frequency indicators is also reflected in the histogram of the distribution of nowcasts (Figure 3.1.1, right). The range of nowcast estimates, based on the 25th and 75th percentiles of the distribution, currently stands between 0.5% and 0.9%.

Figure 3.1.1: **Nowcasts for economic growth**



Sources: SURS, Banka Slovenije calculations
Notes: The left chart shows the nowcasts for quarterly GDP growth. The gold area represents the interval between the 25th and 75th percentiles, while the green area represents the interval between the lowest and highest nowcasts. The line indicates the average nowcast of quarterly GDP growth for the third quarter of 2026. The right chart illustrates the distribution of the nowcasts for quarterly GDP growth in the third quarter of 2026. The vertical gold line represents the median, and the red line the mean. The relative frequency represents the share of the total set of models yielding a particular growth nowcast. Nowcast date: 14 October 2026.

Box 3.2: **Impact of the revision to last year's data on GDP growth this year**

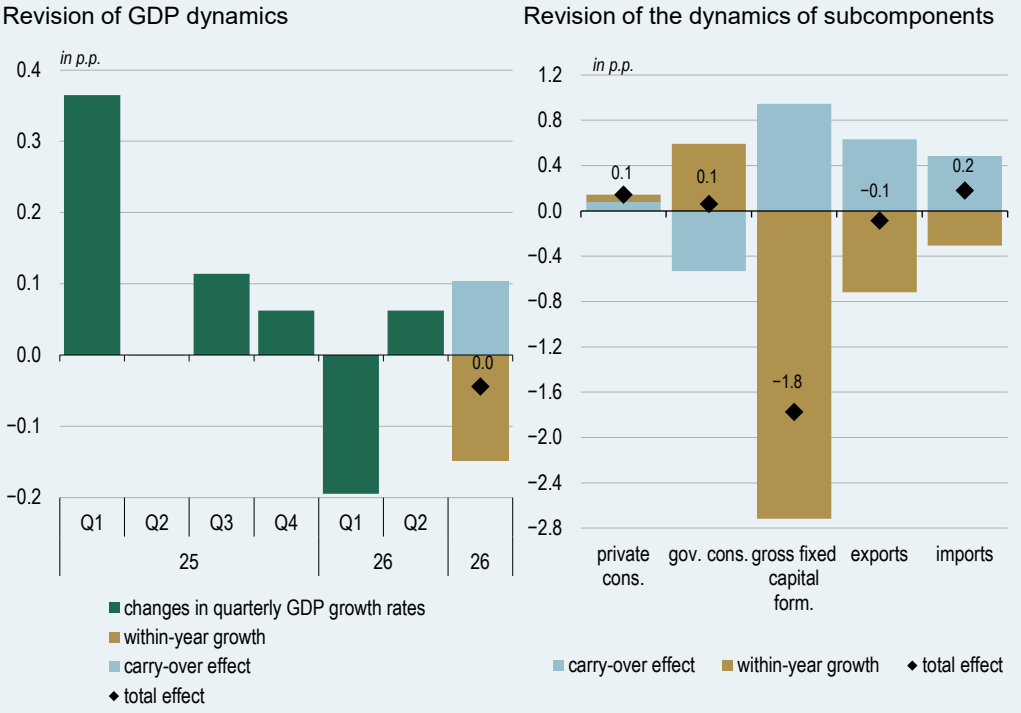
The regular reconciliation of quarterly GDP data with annual data for 2025 points to a neutral effect on economic growth this year.

Following the release of revised annual GDP data and its main subcomponents for 2025, SURS also reconciled the quarterly data for these aggregates (Figure 3.2.1, left) [22]. The revision does not materially affect the decomposition of GDP growth this year, as the changes are small in both the carry-over effect from last year and the contribution of within-year growth. The carry-over effect of last year's GDP growth increased by 0.1 percentage points as a result of the revision, to 1.3 percentage points. By contrast, changes in quarterly growth rates in the first half of this year reduced the contribution of within-year growth in 2026 by 0.1 percentage points, to 2.3 percentage points. The overall effect of revisions to historical quarterly data on GDP growth in 2026 is therefore neutral.

[22] Details of the revision to the annual data, published by SURS on 31 August 2026, are available in Box 3.2 of the Review of Macroeconomic Developments, September 2026 | Banka Slovenije. On 23 September 2026, SURS also published the quarterly reconciliation of the data.

For the main GDP subcomponents, more pronounced effects of the revisions on growth in 2026 are evident in gross fixed capital formation and imports of goods and services (Figure 3.2.1, right). The revision to gross fixed capital formation amounts to -1.8 percentage points and is largely attributable to a smaller contribution from within-year growth, while the 0.2 percentage point revision to imports of goods and services stems from a more favourable carry-over effect from last year. For private consumption, government consumption and exports of goods and services, changes in the overall effect are smaller.[23]

Figure 3.2.1: **Effect of the revision to last year's data on growth in GDP and its main subcomponents in 2026**



Sources: SURS, Banka Slovenije calculations
Note: In the right chart, the difference between the revision to GDP growth and the sum of the contributions of its subcomponents is due to the non-additivity of chain-linked real values and the separate seasonal adjustment of individual time series.

Box 3.3: **Productivity in manufacturing: structural changes and cyclical adjustment**

Amid challenging conditions in the energy-intensive segment of manufacturing, aggregate productivity growth increasingly reflects a greater concentration of activity in industries with higher value-added per employee, rather than broad-based productivity growth within individual industries.

Real value-added per person employed in manufacturing, according to national accounts data, was around 12% higher in 2025 than in 2019. At the same time, real output remained close to its pre-pandemic level, while survey indicators pointed to challenging

[23] The difference between the revision to GDP growth and the sum of the contributions of its subcomponents is due to the non-additivity of chain-linked real values and the separate seasonal adjustment of individual time series.

business conditions in recent years. Understanding this divergence requires a distinction to be made between output and value-added, while also taking account of changes in the structure of activity and adjustments in employment.

Value-added reflects the difference between the value of output and the intermediate consumption of goods and services. Its increase in real terms therefore does not necessarily require comparable growth in the volume of output. Changes in the volume and structure of intermediate consumption are also important in explaining the gap. In Slovenian manufacturing, developments in real value-added have been more favourable than those in real output and the industrial production index since 2019 (Figure 3.3.1, left).

Figure 3.3.1: **Activity indicators and value-added per employee in manufacturing**



Sources: Eurostat, Banka Slovenije calculations. Latest data: 2025
Note: In the right chart, the breakdown of labour productivity growth is based on annual changes in value-added per person employed, calculated in previous year's prices for 19 manufacturing industries. The manufacture of tobacco products (C12) and the manufacture of coke and refined petroleum products (C19) are excluded owing to the very small number of persons employed.

Changes in the breakdown of employment by industry accounted for around one-third of aggregate labour productivity growth in manufacturing over the period of 2019 to 2025.

The decomposition of labour productivity growth shows that the contribution of changes in the breakdown of employment by industry has been more significant since 2019 than in the preceding period of 2013 to 2019 (Figure 3.3.1, right). The share of employment increased in industries with higher value-added per employee, particularly in the pharmaceutical industry, while declining in certain energy-intensive and less technologically complex industries that were most exposed to cost pressures after the pandemic. The greater representation of more-productive industries has therefore made a larger contribution in recent years to aggregate growth in value-added per employee in manufacturing.

This effect does not require productivity to improve across all industries. It may result from the expansion of more-productive activities, the contraction of less-productive

ones, or a combination of both. Aggregate productivity growth may therefore be present even as conditions deteriorate in parts of manufacturing.

The remaining part of labour productivity growth stems from an increase in value-added per employee within industries.

Around two-thirds of aggregate labour productivity growth over the period of 2019 to 2025 was attributable to developments within individual industries. In contrast to the contribution of sectoral restructuring, the contribution of productivity growth within industries declined relative to the pre-pandemic period. This could be linked to relatively weak corporate investment activity over the past decade and slower technological progress.[24] However, this contribution cannot be equated solely with technological progress or improvements in the efficiency of individual firms. It may also reflect changes in production processes, shifts in the composition of firms within industries, and cyclical fluctuations in activity and employment.

One possible explanation is provided by changes in firms' business models. In their study, Lehmann, Linz and Wollmershäuser (2025) present evidence supporting the explanation that German industrial firms are increasingly offering complementary services alongside the sale of goods, such as development, software and post-sales support. Such activities may increase the share of value-added in output and help explain its more favourable developments relative to industrial production indicators. A similar mechanism may also be at work in Slovenia, although its contribution cannot be identified using the available data.

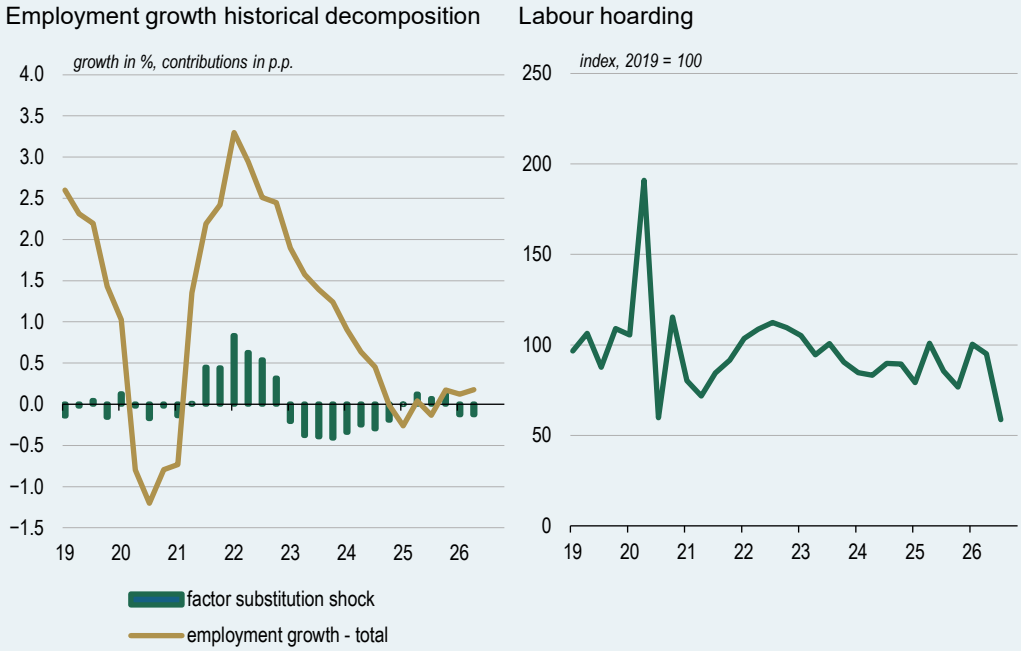
Past productivity developments also reflect the adjustment of employment to economic activity and factor costs.

Employment was relatively high in 2022 and 2023 compared with the level of economic activity and output. This may have been attributable to labour hoarding, as firms retained employees despite weaker activity, partly in order to avoid difficulties in rehiring them at a later stage. At the same time, in the wake of the inflation shock in 2022 and 2023, wages initially adjusted more slowly than prices, reducing real labour costs and encouraging the use of labour relative to capital. These are two distinct mechanisms that are most commonly cited in the literature as the reasons for strong employment growth after the pandemic.

In their study, Consolo, Foroni and Hjelm (2026) find that the fall in real wages and the substitution of labour for capital made an important contribution to the resilience of employment in the euro area. Estimates for Slovenia using the same model specification also support a similar explanation, with the factor-substitution effect being even more pronounced (Figure 3.3.2, left). As this stimulative effect fades, employment may begin to adjust to weaker economic activity. If employment declines faster than output, labour productivity may increase even amid modest output growth. The decline in the labour hoarding indicator in manufacturing since 2022 is also consistent with such cyclical adjustment (Figure 3.3.2, right).

[24] See more about productivity drivers in Box 3.4 in the Review of macroeconomic developments, September 2025 | Banka Slovenije.

Figure 3.3.2: **Cyclical factors behind employment growth**



Sources: SURS, Banka Slovenije calculations
Note: In the left chart, the contribution of the factor-substitution shock is shown, estimated using a BVAR model following the specification set out in Consolo, Foroni and Hjelm (2026). In line with the aforementioned study, the analysis is based on data for the economy as a whole rather than manufacturing alone. The difference between total employment growth and the contribution of the factor-substitution shock represents the contributions of other shocks. In the right chart, the labour hoarding indicator refers to industry only.

Aggregate productivity growth does not imply a uniform improvement in conditions across manufacturing.

More favourable developments in value-added per employee reflect both the greater representation of more-productive industries and productivity growth within them. Some of the developments in recent years may also be related to the adjustment of employment following a period of its marked resilience. These processes may take place alongside weak output and challenging conditions at individual firms.

4 Labour Market

The number of persons in employment remained broadly unchanged from a year earlier.

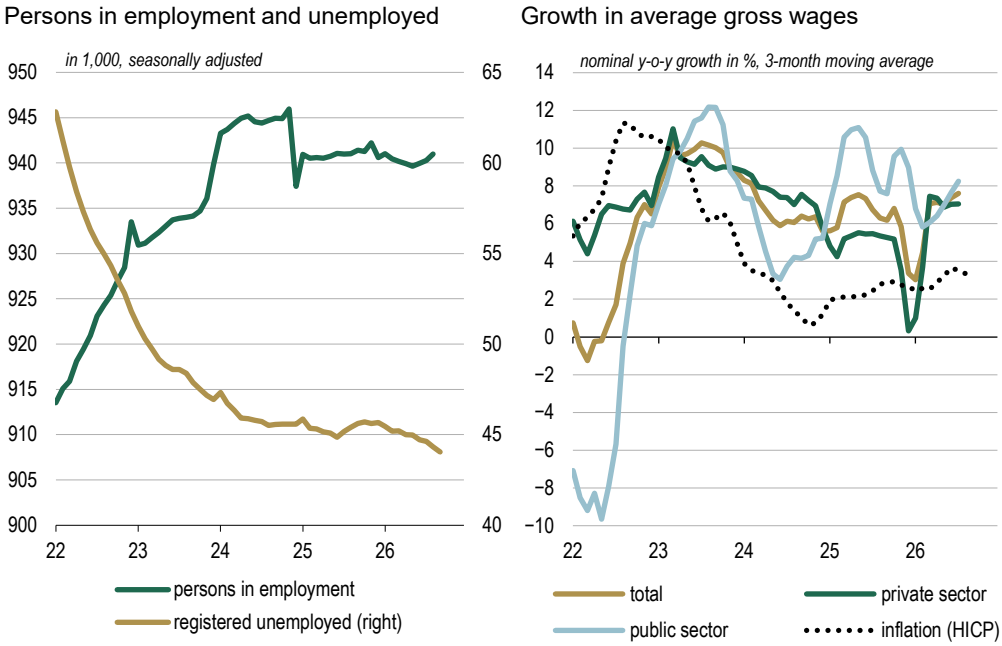
The number of persons in employment amounted to 938,185 in August, almost the same as a year earlier (Figure 4.1, left). Marked differences remain between the private and public sectors. In the former, the year-on-year decline remains largest in manufacturing and trade, while in the latter growth is highest in human health and social work activities, and education. Differences are also evident by employment status. While the number of employees remains lower year on year, the number of self-employed persons is higher.

Employment expectations remain positive, with the exception of retail. They continue to be most favourable in construction, while they have also strengthened somewhat in manufacturing in recent months. According to data from the Employment Service of Slovenia, the number of job vacancies in September was 5.6% higher than a year earlier. Vacancies were most numerous in human health and social work activities, manufacturing, education and construction. Among occupational groups, cleaners, servers and domestic helpers, labourers in elementary occupations, and nursing professionals were the most sought-after. Hiring continues to be constrained by labour shortages, and firms are therefore filling gaps in the labour market primarily by employing foreign nationals. Their number among persons in employment[25] was up 3.4% year-on-year in August, while their share reached a new high of 16.7%.

Registered unemployment declined further in September and thus remains at historically low levels.

At the end of September, there were 42,439 registered unemployed persons, 3.4% fewer than in the same month of last year, and only 0.5% more than the historical low recorded in June of this year (Figure 4.1, left). Among the various groups of unemployed persons, the year-on-year decline in September was particularly pronounced among those aged over 50 and persons with no qualifications or with completed primary education. In the first nine months of the year, the number of exits from the unemployment register was higher than a year earlier, but mainly for reasons not involving employment, such as non-compliance with obligations, transition to inactivity and voluntary deregistration. Among newly registered unemployed persons, there were fewer redundant workers and fewer persons whose fixed-term employment had ended. Unemployment rates remain low: the registered unemployment rate stood at 4.4% in July, while the ILO survey unemployment rate was 3.8% in the second quarter.

Figure 4.1: **Persons in employment, unemployed persons and wages**



Sources: SURS, ZRSZ, Banka Slovenije calculations. Latest data left: persons in employment – August 2026, registered unemployed – September 2026, right: July 2026, inflation – September 2026

[25] Excluding self-employed farmers.

Year-on-year wage growth eased somewhat in July, while the difference in growth between the public and private sectors widened.

Nominal year-on-year growth in the average gross wage stood at 7.6% in July, 0.7 percentage points less than in June (Figure 4.1, right). Compared with the previous month, wage growth was lower in both sectors, but remained higher in the public sector. It stood at 8.4%, supported by the continued implementation of the public sector pay system reform, including the third increase in basic salaries, which had already taken effect in June. In the private sector, wage growth stood at 7.0% and continued to be supported by the relatively tight labour market, shortages of qualified staff and the increase in the minimum wage at the beginning of the year. In the first seven months of the year, the average gross wage was 7.3% above its average level in the corresponding period of the previous year, with growth amounting to 7.2% in the private sector and 7.1% in the public sector. In our assessment, the slightly higher growth in aggregate wages relative to both sectors also reflected a change in the structure of employment in favour of the public sector, which is characterised by a higher average wage level. Although inflation is still elevated, real wage growth remains relatively high. In July, the average gross wage was 4.4% higher in real terms year-on-year, continuing to support household purchasing power, while also reinforcing domestic cost and demand-side price pressures, particularly in services (see Chapter 6).

5 Current Account

The merchandise trade balance improved year-on-year despite a deterioration in the terms of trade.

Merchandise exports in July and August were up 10.0% year-on-year (Figure 5.1, left), while, based on our estimates, real merchandise exports increased by 6.7%.[26] The nominal merchandise export growth was driven primarily by the pharmaceutical and automotive industries, as well as by the re-export of petroleum and petroleum products, which together accounted for half of total growth. Exports of materials such as iron, steel and non-ferrous metals also made a smaller contribution, while import and export prices in the manufacture of basic metals increased sharply year-on-year. In terms of trading partners, growth was based primarily on exports to EU countries, in particular Germany, Hungary and Croatia. In the latter, energy products accounted for the bulk of export growth.

Merchandise imports in July and August were up 9.8% year-on-year, while, based on our estimates, real merchandise imports increased only by 1.4%.[27] The difference between nominal and real growth can partly be explained by the strong impact of energy products. Imports of these products increased by 32.1% in nominal terms but declined

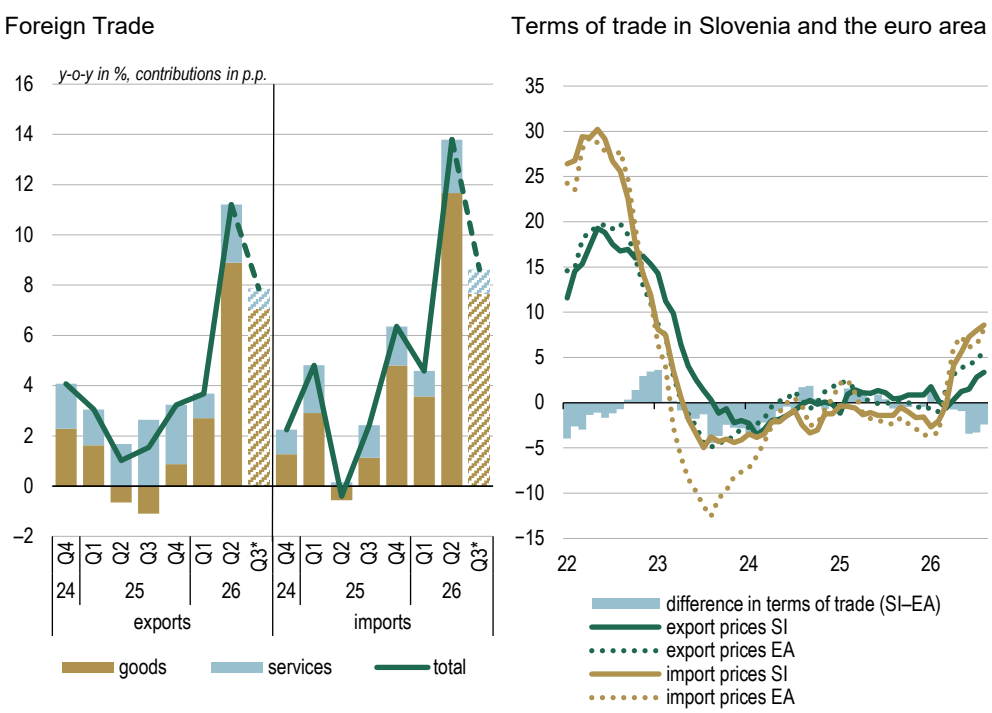
[26] Nominal exports adjusted by producer prices on foreign markets.
[27] Nominal imports adjusted by import prices.

by 5.9% in real terms.[28] In addition to energy products, imports of pharmaceutical products and electrical machinery also contributed significantly to the increase in imports. Imports from non-EU countries increased at an above-average rate, driven primarily by imports of petroleum and petroleum products from the United States. Excluding energy products, nominal import growth stood at 6.9% year-on-year, with Germany and China making the largest contributions.

The merchandise trade balance amounted to EUR 102 million, which is EUR 24 million more than in the same period last year, while export coverage of imports stood at 101.4%. The surplus was recorded despite a year-on-year deterioration in the terms of trade of 4.8%, which was more pronounced than in the euro area overall (Figure 5.1, right). Since the outbreak of the war in the Middle East, Slovenia has differed from the euro area primarily in terms of slower year-on-year growth in export prices. Price expectations of industrial firms in September also do not point to an improvement in Slovenia's relative terms of trade. In the euro area, particularly among Slovenia's most important import partners, these expectations increased, while in Slovenia they remained broadly unchanged.

The outlook for exports points to continued growth, as manufacturing firms' assessments of export orders improved in September to their highest level since 2022. Assessments of competitiveness in foreign markets in this sector remained broadly unchanged in the third quarter, while economic sentiment in key export markets returned to its level from the beginning of the year.[29]

Figure 5.1: **Foreign trade and terms of trade**



Sources: SURS, Eurostat, Banka Slovenije, Banka Slovenije calculations. Latest data right: August 2026
Note: In the left chart, data for the third quarter of 2026 represents the average for July and August. In the right chart, the difference in terms of trade is calculated as the difference between year-on-year growth in the ratio of export to import prices in Slovenia and in the euro area. Positive values indicate a greater improvement or a smaller deterioration in Slovenia than in the euro area. Producer prices on foreign markets are used as export prices.

[28] The difference between nominal and real growth was also affected by import prices of intermediate goods, which increased by 17.0%.

[29] The economic sentiment indicator for key markets is based on a merchandise-export-weighted average of economic sentiment in Germany, Austria, Italy, France and Croatia.

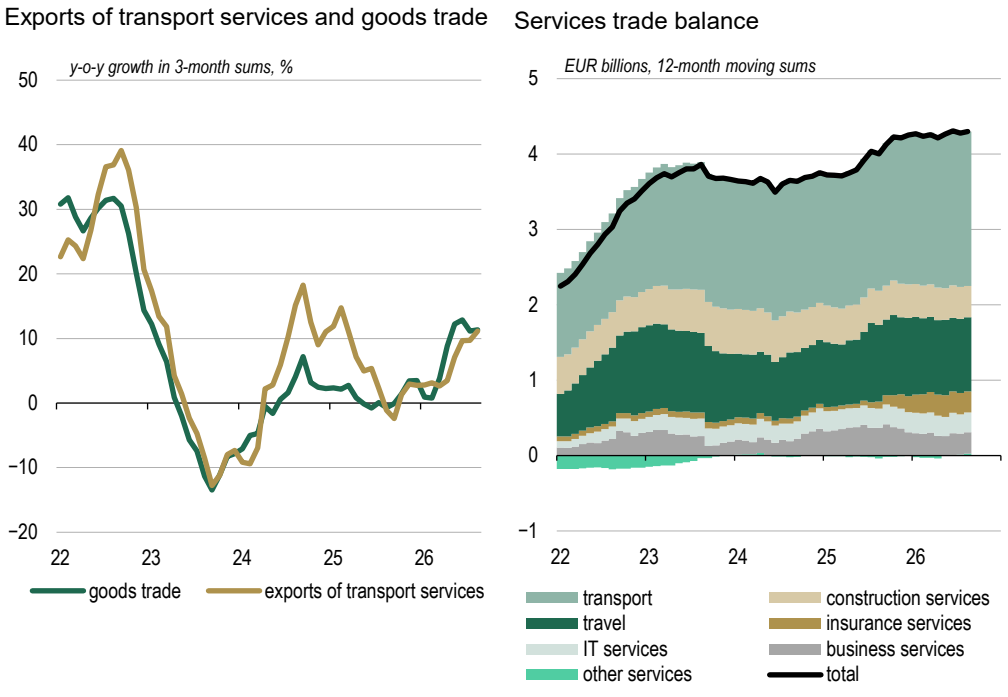
Services trade was driven primarily by transport services.

With a surplus of EUR 903 million, services trade remained the main driver of the balance of payments surplus in July and August. Nominal services exports increased by 2.7% year-on-year, mainly on account of growth in exports of transport services, particularly road freight transport, which rose by 11.9% amid an expansion in merchandise trade (Figure 5.2, left). The contribution of travel services was modest, as travel exports increased by only 1.7% year-on-year, despite an 8.8% increase in overnight stays by foreign tourists. The number of overnight stays nevertheless continues to increase strongly, rising by 14.1% year-on-year in September and early October. Growth in services exports was dampened by a sharp year-on-year decline in insurance services exports, which also affected total services exports to Italy. Services exports increased most to non-EU countries, particularly Switzerland and the United Kingdom. In the 12 months to August, transport services continued to account for the largest share of the services trade surplus (Figure 5.2, right).

Services imports in July and August were up 4.5% year-on-year. Growth was supported by transport services, imports of which increased by 27.1%, driven in particular by maritime and road freight transport. In terms of trading partners, imports from Ireland, mainly of business services, made the largest contribution to growth. Other business services, particularly advertising and market research, also contributed significantly to overall import growth, while lower imports of insurance services slightly dampened overall year-on-year growth in services imports.

The primary income deficit amounted to EUR 173 million in July and August, which is EUR 113 million less than a year earlier. The decrease was mainly due to higher net receipts of dividends and branch profits by non-financial corporations. The secondary income deficit amounted to EUR 166 million, which is EUR 59 million more than last year. The increase was primarily attributable to a larger government sector deficit in international cooperation with EU institutions, excluding the ECB, and in other transactions with the EU.

Figure 5.2: **Transport services and services trade**



Sources: Banka Slovenije, Banka Slovenije calculations. Latest data: August 2026
Note: In the left chart, merchandise trade is the sum of merchandise imports and exports.

The 12-month current account surplus declined year-on-year.

The current account surplus amounted to EUR 2.7 billion, or approximately 3.7% of GDP, in the 12 months to August, which is EUR 484 million less than in the same period last year.[30] The largest contribution came from the services trade balance, which increased slightly year-on-year to EUR 4.3 billion, close to its historical high. Despite the surplus recorded in July and August, the merchandise trade balance declined by EUR 917 million year-on-year, recording a deficit of EUR 616 million. The primary income deficit narrowed by EUR 243 million, mainly due to higher net reinvested earnings and dividends of non-financial corporations. By contrast, the secondary income deficit increased slightly to EUR 744 million, mainly due to higher payments to the EU budget.

6 Inflation

Headline inflation strengthened again in September, mainly owing to petroleum product prices.

HICP inflation rose to 3.7% in September, from 3.4% in August (Figure 6.1, left). Energy prices, which have remained elevated since April following the outbreak of the war in the Middle East, continued to make a significant contribution to inflation. They were up 18.3% year-on-year in September, with the increase driven primarily by higher petroleum product prices.[31] These contributed 1.7 percentage points to headline inflation, the largest contribution since September 2022. Wholesale electricity and gas prices have also been rising in recent months, but have not yet been passed through into consumer prices (Figure 6.1, right).

High energy inflation has not yet been reflected in food prices. Year-on-year food inflation remained subdued for the third consecutive month, standing at 0.6% in September. Excluding alcohol and tobacco, food prices were actually down in year-on-year terms, in September by 0.8%, with a pronounced decline in dairy product prices. This is consistent with developments in producer prices in European and domestic markets, where meat product prices have also been falling. However, the decline in meat prices has not yet been reflected in consumer prices, which have edged up slightly since the beginning of the year. Meanwhile, unprocessed food prices rose markedly month-on-month, with vegetable prices increasing considerably more than is typical for this time

[30] The GDP figure used is the four-quarter sum to the second quarter of 2026.

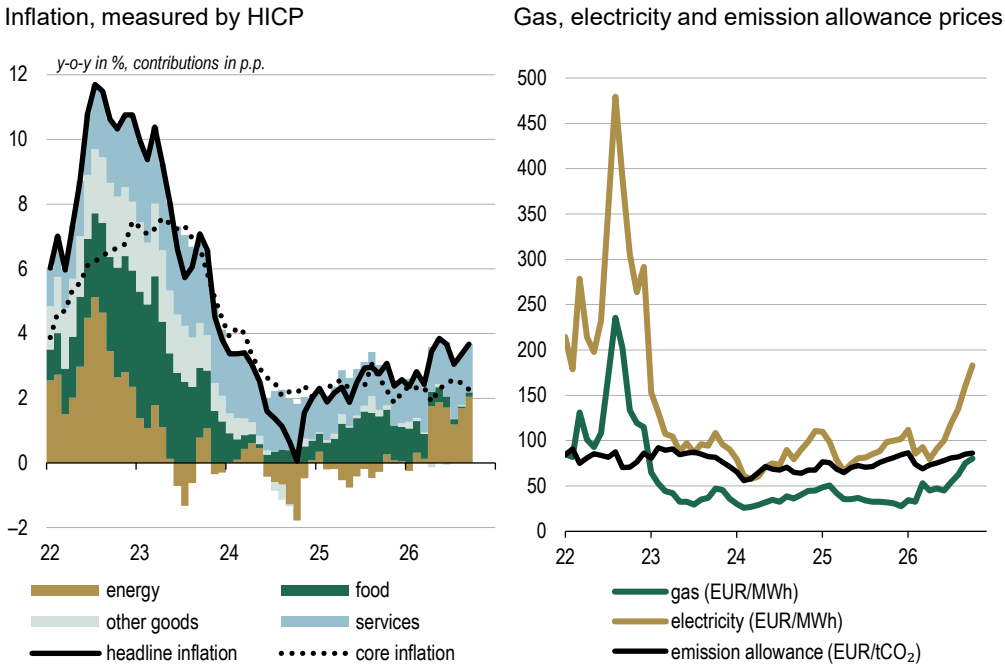
[31] Government measures continued to mitigate high fuel prices in September. We estimate that between April and September these measures reduced year-on-year fuel price growth by an average of 8.0 percentage points. On 22 September 2026, requirements relating to biofuel components were removed from the calculation of petrol and diesel prices, while significantly lower excise duties were set for liquid fuels. Due to the methodology used to collect price data, the effects of these measures on headline inflation will be reflected only in October, together with the impact of the extended exemption from the environmental tax and the energy efficiency contribution. The exemption, which was due to expire on 28 September, was extended until 14 December 2026.

of the year. Although year-on-year food inflation remains subdued, its inflation momentum has strengthened somewhat in recent months.[32] Together with the effects of an exceptionally dry summer, this points to mounting price pressures.

Core inflation remained relatively unchanged, with a limited impact of the energy shock so far.

Core inflation, i.e. inflation excluding energy and food prices, declined to 2.3% in September, from 2.5% in August. Unlike headline inflation, it has remained relatively stable in recent months, indicating that the pass-through of the energy shock into core inflation has so far remained limited. Core inflation thus continued to be driven predominantly by services prices, while other goods inflation remained negligible at 0.1%, mainly reflecting falling car prices. By contrast, services inflation remained elevated at 4.0% in September and, amid continued growth in international tourism, was largely driven by prices of package holidays and accommodation (see Box 6.1). As a result, domestic services inflation has been exceeding the euro area rate by almost 1 percentage point since the beginning of the year. This is partly attributable to comparatively higher real wage growth, which, at the same time, is supporting household purchasing power and sustaining the level of demand.

Figure 6.1: **Headline inflation and energy prices**



Sources: SURS, Eurostat, ECB, Bloomberg. Latest data left: September 2026, right: 15 October 2026

[32] Inflation momentum is calculated as the annualised rate of price growth based on seasonally adjusted data, comparing the average price level over the past three months with the average price level over the preceding three months. In September, it strengthened to 4.9% for unprocessed food and to 1.9% for processed food, exceeding the respective year-on-year rates of 2.9% and –0.2%.

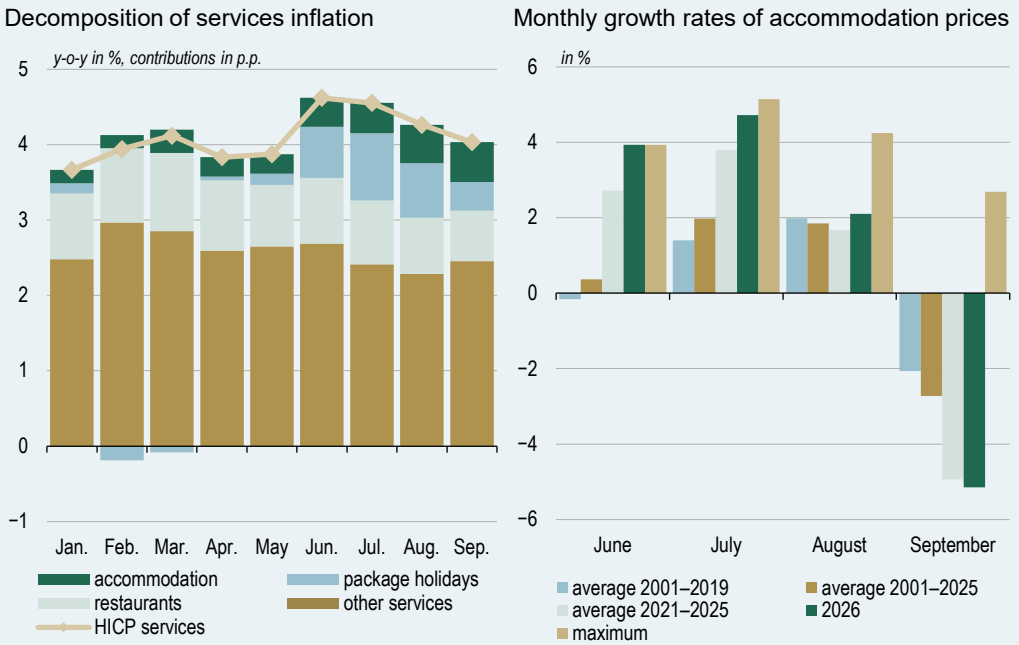
Box 6.1: **The impact of developments in prices of package holidays and accommodation on services inflation**

In the absence of unusually strong growth in prices of package holidays and accommodation prices, services inflation would have been 0.9 percentage points lower on average between June and September.

In addition to energy prices, elevated headline inflation continues to be driven in particular by developments in services prices (Figure 6.1, left). Following a gradual slowdown in 2024 and 2025, year-on-year growth in services prices accelerated again this year, exceeding 4% between June and September. From a structural perspective, the persistence of elevated services inflation is attributable primarily to the pass-through of higher labour costs into final services prices.

This year's summer acceleration was relatively narrowly based across sub-components, stemming mainly from developments in prices of package holidays and accommodation. Although these two components account for less than 13% of the services basket, they accounted for an average of 1.1 percentage points, or 26%, of overall services inflation between June and September (Figure 6.1.1, left). This was mainly due to unusually strong monthly price growth between June and August. Monthly growth in accommodation prices exceeded the pre-pandemic monthly averages during this period (Figure 6.1.1, right), while growth in package holiday prices was particularly pronounced in June, when it recorded its highest rate over the entire period of measurement since 2001 (Figure 6.1.2, left). On the supply side, the strong price growth was supported, among other factors, by the pass-through of higher labour costs into prices and by the rise in energy prices following the outbreak of the war in the Middle East. On the demand side, price pressures were also fuelled by stronger domestic demand for tourism services amid rising disposable income and by stronger demand from foreign tourists.

Figure 6.1.1: **Decomposition of services inflation and monthly growth in accommodation prices**



Sources: SURS, Banka Slovenije calculations

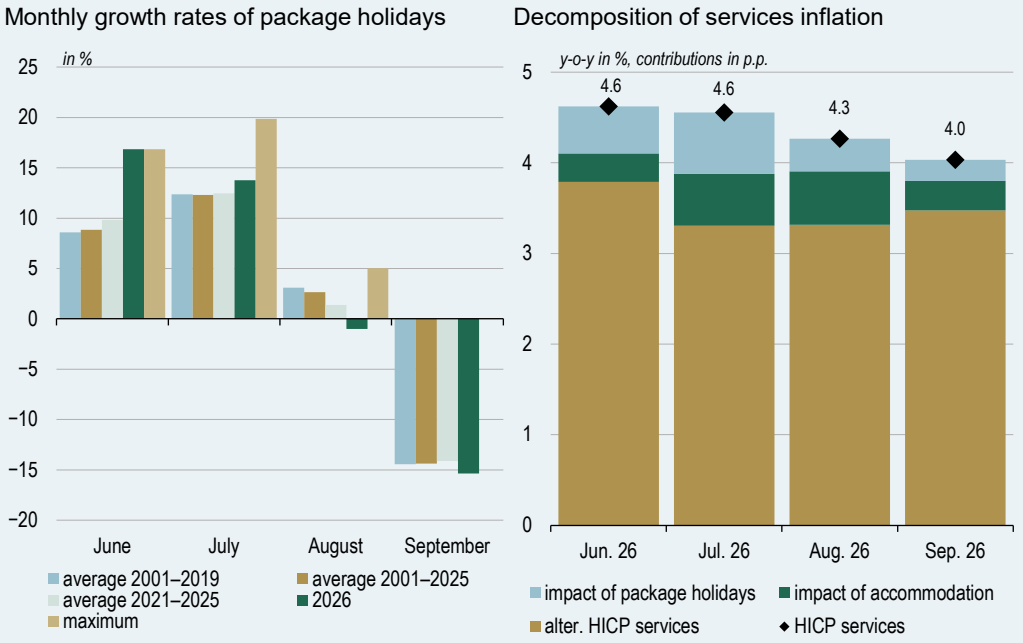
Note: In the right chart, the bars labelled "average 2001–2019", "average 2001–2025" and "average 2021–2025" show average price growth in accommodation for each month over the periods 2001 to 2019, 2001 to 2025 and 2021 to 2025, respectively. The "maximum" bar shows the highest monthly rate recorded in each month between 2001 and 2026, while the "2026" bar shows monthly growth rates in 2026.

In this box, we examine what year-on-year growth in services prices would have been if monthly growth in prices of package holidays and accommodation had been in line with pre-pandemic developments. The analysis was conducted in two steps. First, we calculated the average monthly price growth in the two sub-components over the period from 2001 to 2019. We then replaced the actual growth rates recorded this year with alternative historical average values and estimated the impact on overall services inflation.

The results show that year-on-year growth in services prices would have been significantly lower over the summer months of this year if monthly growth in prices of package holidays and accommodation had been in line with their long-term averages. More specifically, services inflation would have stood at 3.5% between June and September, which is 0.9 percentage points lower than the actual rate. Developments in accommodation prices account for 0.5 percentage points of this difference, while package holiday prices account for the remaining 0.4 percentage points. Lower year-on-year services inflation would also have moderated headline inflation. According to our estimates, it would have been 0.3 percentage points lower on average between June and September (Figure 6.1.2, right).

The box shows that in the absence of unusually strong monthly price growth, services inflation would have declined faster. This confirms that the summer acceleration in services inflation was not broad-based.

Figure 6.1.2: **Monthly growth in prices of package holidays and decomposition of services inflation**



Sources: SURS, Banka Slovenije calculations
Note: In the left chart, the bars labelled "average 2001–2019", "average 2001–2025" and "average 2021–2025" show average price growth in package holiday prices for each month over the periods 2001 to 2019, 2001 to 2025 and 2021 to 2025, respectively. The "maximum" bar shows the highest monthly rate recorded in each month between 2001 and 2026, while the "2026" bar shows monthly growth rates in 2026. In the right chart, the diamonds show year-on-year growth in services prices, i.e. actual services inflation. The gold bar, labelled "alternative services inflation", shows the path of year-on-year growth in services prices under the assumption that monthly growth in prices of package holidays and accommodation between June and September 2026 would be in line with the average for the period 2001–2019. The "impact of accommodation" and "impact of package holidays" bars show the contribution of unusually strong monthly growth in these components during the summer months of 2026. Above average growth is defined as the difference between actual monthly growth and the long-term average for the respective month over the period of 2001 to 2019.

7 Fiscal Position

The general government deficit widened further in the first half of the year, despite strong revenue growth, owing to a marked rise in social transfers, investment and wages.

The general government deficit amounted to EUR 1.4 billion, or 3.9% of GDP, in the first half of the year, up from EUR 1.1 billion, or 3.2% of GDP, in the same period last year.[33] Compared with the end of last year, when the deficit over the preceding 12 months remained at 2.5% of GDP even after the revision, it had increased to 2.9% of GDP by the end of June 2026. With interest expenditure accounting for a similar share of GDP, at around 1.25%, the primary deficit also increased.

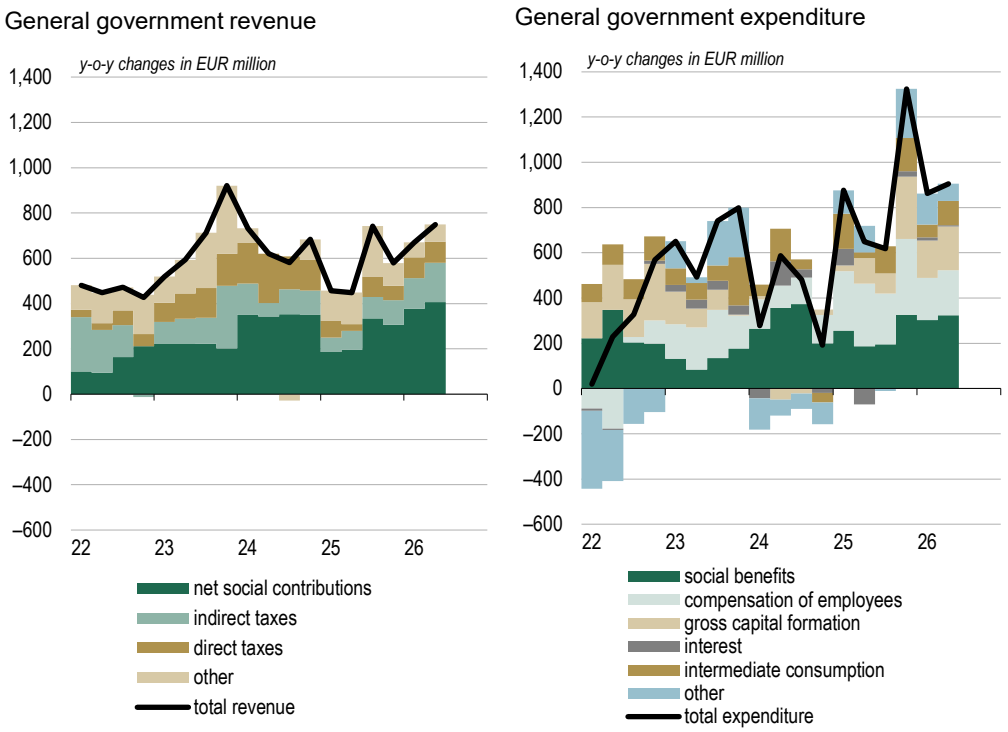
General government revenue was up by EUR 1.4 billion, or 9.1% year-on-year, in the first half of the year. The increase was driven primarily by net social contributions, reflecting conditions in the labour market that were favourable for public finances and the introduction of the long-term care contribution in July 2025 (Figure 7.1, left). The latter contributed around 5.6 percentage points to the growth rate of almost 13%, while growth in net social contributions excluding this effect will be considerably more moderate in the remainder of the year. Growth in indirect taxes strengthened to 7.3%, mainly on account of strong VAT growth, despite energy-related measures that are reducing revenue from excise duties and the environmental tax on CO_2 emissions.[34] VAT revenue was up 12.3% year-on-year, reflecting strong growth in household consumption and, according to the Ministry of Finance, more effective controls and new forms of digital data reporting via FURS systems. Capital transfers also made a more notable contribution to revenue growth, which is attributable to the ending of the Recovery and Resilience Facility (RRF).

General government expenditure increased even more, by EUR 1.8 billion, or 10.6%. Social benefits, gross fixed capital formation and compensation of employees made the largest contributions to expenditure growth (Figure 7.1, right). Within social benefits, social transfers in kind increased by 25.7%, reflecting the implementation of long-term care entitlements. Pension payments were up 7.2% year-on-year in the first half of the year, with the rate remaining similarly high until the end of August. Pensions were increased by 5.2% this year, while the number of pension recipients increased by around 1%. Government investment has been increasing particularly strongly year-on-year since the final quarter of last year. It was up 23.1% in the first half of this year, mainly owing to the completion of projects under the RRF, several other large projects, including the second track of the Divača–Koper railway line, and the electoral cycle. Growth in compensation of employees was more moderate than last year, but still stood at 9.0%, driven primarily by the pay reform, promotions and the 0.9% inflation adjustment in April.

[33] The data is compiled in accordance with the ESA2010 methodology (European System of Accounts). The general government sector includes other institutional units (e.g. public funds and agencies) alongside the four main public finance budgetary accounts (state budget, ZPIZ, ZZZS, local government).

[34] The European Commission has approved Slovenia's request for a temporary reduction in excise duties, for a period of no more than six months, below the minimum level permitted under EU legislation. This will make it possible to mitigate the effects of the energy crisis more effectively for households and businesses. Once the request has also been approved by the Council of the EU, excise duty on 95-octane petrol may be reduced from the current EUR 0.41759 per litre to no less than EUR 0.1395 per litre, while excise duty on diesel fuel may be reduced from EUR 0.33 per litre to no less than EUR 0.105 per litre.

Figure 7.1: **General government revenue and expenditure**



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

Available cash-flow data indicates that the increase in the deficit came to a halt in the third quarter.

The consolidated general government deficit was EUR 320 million larger year-on-year in the first half of the year.[35] According to the available data, the balance most likely improved in the third quarter. The deficit over July and August was EUR 132 million less than a year earlier.[36] The state budget balance improved even more over these two months, by around EUR 220 million, while the ZZZS balance deteriorated by around EUR 90 million, mainly on account of lower transfers from the state budget. According to daily data, the state budget was broadly balanced in September, but was nevertheless around EUR 110 million less favourable than in the same month last year. September data for the remaining government subsectors is not yet available.

In the third quarter, growth in revenue from taxes and contributions remained at around 10%. As the effect of the introduction of the long-term care contribution in the middle of last year gradually faded, growth was driven primarily by strong VAT receipts. Amid continued growth in expenditure on transfers to individuals and households, and on wages and investment, expenditure growth in the third quarter was mainly curbed by slower growth in expenditure on goods and services and interest payments.

[35] The consolidated general government balance includes the ZPIZ, ZZZS and municipal budgets alongside the state budget.

[36] The deficit in the consolidated general government balance amounted to EUR 1,254 million in the first eight months, EUR 188 million more than in the same period last year. Over the year to August, it increased to 2.6% of GDP, compared with 2.5% of GDP last year. According to data from the Ministry of Finance, the available balance of budgetary funds remained broadly unchanged over the first nine months of this year, and stood at EUR 1,619 million in September. Almost half of the funds were held in the Reconstruction Fund (EUR 764 million), which is intended to finance reconstruction following the floods of August 2023. In September, the available balance of the funds was around EUR 70 million lower year-on-year.

This year and next, the government plans for the deficit to remain below 3% of GDP, while the government-debt-to-GDP ratio will continue to decline gradually throughout this period.

According to the latest government estimates in the Draft Budgetary Plan, the general government deficit is forecast at 2.9% of GDP this year, which would be higher than last year (2.5% of GDP). The general government deficit is also forecast to remain high in 2027, at 2.5% of GDP.

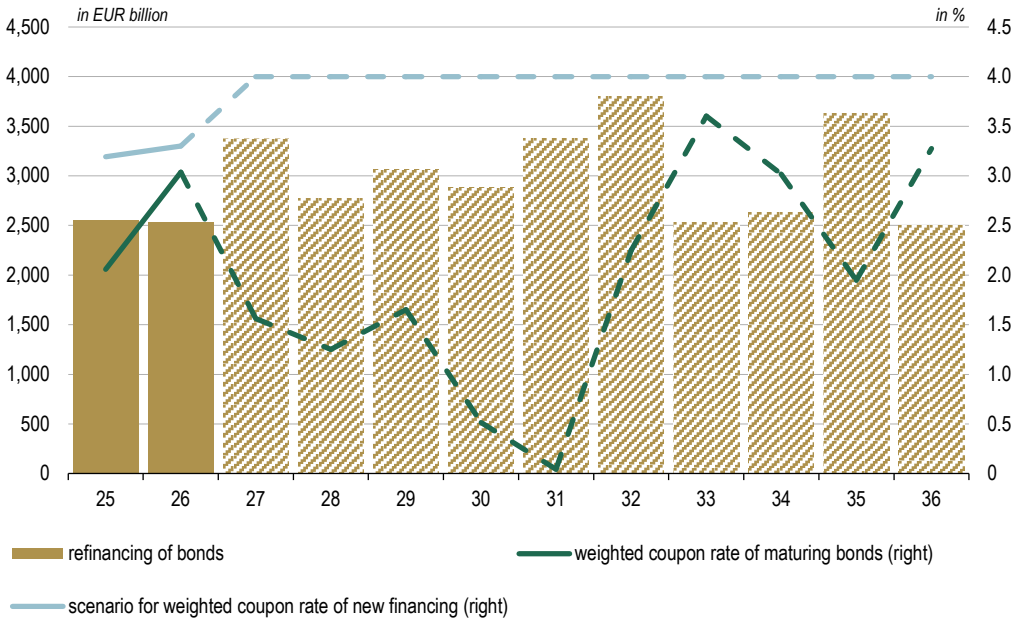
The general government debt stood at EUR 47.7 billion at the end of the first half of the year, or 64.7% of GDP, EUR 1.4 billion more than at the end of last year. Nevertheless, the government-debt-to-GDP ratio continues to decline owing to nominal GDP growth. According to the government's projections, it is forecast to stand at 64.6% of GDP at the end of this year and to decline to 64.1% of GDP next year. This is expected to be driven primarily by GDP growth and inflation.

Rising market yields will increase debt financing costs, adding to the existing risks to public finances.

Amid rising market yields (see also Section 2.1), the implicit interest rate on general government debt has increased. It stood at 1.9% at the end of last year and rose to 2.0% at the midpoint of the year. The Ministry of Finance estimates interest expenditure at 1.3% of GDP this year. Interest expenditure will increase in the coming years as debt issued during the period of low interest rates is refinanced. By 2031, debt issued at coupon rates of around 1.0% will be maturing (Figure 7.2). The refinancing of the principal on maturing bonds will average around EUR 3 billion per year over this period. If the principal were refinanced at an interest rate of 4%, corresponding to the yield on the ten-year government bond in early October, interest expenditure would increase by 0.1% of GDP each year. In addition to the interest rate differential in debt refinancing, the level of interest expenditure will also be affected by the volume of borrowing resulting from deficits in the coming years.[37]

[37] Other euro area countries are also faced with the refinancing of debt issued during the period of low interest rates. Countries with high debt, and consequently greater refinancing needs, already high interest expenditure and projected high deficits are more exposed to the risk of rising interest expenditure. France, Italy and Belgium are among the more exposed countries according to these indicators. In 2025, their general government debt exceeded 100% of GDP, interest expenditure amounted to 2.2% of GDP or more, and their deficits were above 3% of GDP. The deficit projections are particularly unfavourable for France and Belgium, where the deficit is expected to remain above 5% of GDP in 2027.

Figure 7.2: **Refinancing of government bonds**



Sources: Ministry of Finance, Banka Slovenije calculations
Note: The weighted average coupon rate on new financing is based on the yield on the ten-year Slovenian government bond in financial markets in early October 2026, which stood at around 4%.

Fiscal risks remain pronounced. In addition to higher borrowing costs, other risks stemming from the domestic and external environment also remain present. Key risks from the global environment currently include measures to mitigate the effects of high energy prices, and pressures to increase defence expenditure. In the domestic environment, demographic factors, alongside addressing environmental challenges, are the most significant sources of long-term pressure on the public finances. In addition, the measures envisaged under the Act on Intervention Measures for the Development of Slovenia and the announced, but not yet adopted, fiscal consolidation measures aimed at slowing the strong growth in expenditure are sources of short-term uncertainty.[38]

In an uncertain international environment, ensuring sound public finances and compliance with fiscal rules are particularly important, as they create better conditions for maintaining price stability and provide fiscal space to mitigate potential new macroeconomic shocks.

[38] In September, the Fiscal Council published an Analysis of the Fiscal Effects of the Act on Intervention Measures for the Development of Slovenia, in which it estimates the direct impact on the deficit at EUR 1.2 billion, or 1.5% of GDP, in the year in which the measures enter into force. Taking into account the feedback effect of higher economic growth, around one-quarter of the direct deterioration in the balance would be offset on average in the short term, and around one-half after ten years. The government announced fiscal consolidation measures in the Draft Budgetary Plan of the General Government 2027.

8 Statistical Appendix

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

	2024	2025	12 mths to Jul. 26	3 mths to Jul. 25	3 mths to Jul. 26	2026 May	2026 Jun.	2026 Jul.	2026 Aug.	2026 Sep.
Economic Activity										
					balance of answers in percentage points					
Sentiment indicator	–2.7	–2.0	–1.4	–3.0	–0.8	–1.8	–0.6	0.0	–0.8	–0.7
- confidence indicator in manufacturing	–7.8	–6.5	–5.3	–8.0	–3.7	–5.0	–4.0	–2.0	–4.0	–2.0
					year-on-year growth rates in %					
Industry: - total	–1.2	–1.8	–0.6	–1.6	2.0	3.2	5.1	0.6	8.0	...
- manufacturing	0.9	–1.4	0.7	–0.9	3.6	4.6	6.0	3.0	8.5	...
Construction: - total	–9.4	10.1	21.3	11.6	17.7	19.6	22.7	11.4	3.6	...
- buildings	–12.6	9.1	17.8	13.7	13.8	5.0	17.2	20.3	17.3	...
Trade and service activities - total	1.9	1.6	4.6	1.4	6.8	5.8	10.1	5.7	...	...
Wholesale and retail trade and repair of motor vehicles and motorcycles	6.7	5.3	6.3	8.7	8.3	6.6	13.8	7.6	...	...
Retail trade, except of motor vehicles and motorcycles	0.7	1.0	0.9	1.0	2.2	0.2	2.9	4.1	...	...
Other private sector services	1.4	1.7	5.9	1.3	8.9	8.2	12.8	7.3	...	...
Labour market					year-on-year growth rates in %					
Average gross wage	6.2	5.9	6.1	6.7	7.6	6.9	8.3	7.6	...	...
- private sector	7.1	3.9	5.0	5.5	7.1	6.4	7.8	7.0	...	...
- public sector	4.6	9.4	7.7	8.8	8.3	7.6	8.8	8.4	...	...
Real net wage[1]	1.8	2.6	...	3.8	...	...	...	...	...	...
Registered unemployment rate (in %)	4.6	4.6	4.6	4.4	4.4	4.4	4.3	4.4	...	...
Registered unemployed persons	–5.6	–1.2	–0.2	–1.9	–0.6	–0.3	–0.4	–1.2	–2.4	–3.4
Persons in employment	1.1	–0.3	–0.1	–0.4	–0.1	–0.1	–0.1	–0.1	0.0	...
- private sector	1.1	–0.8	–0.8	–0.9	–0.7	–0.7	–0.7	–0.7	–0.6	...
- public sector	1.2	1.1	1.6	1.0	1.5	1.5	1.5	1.5	1.6	...
Price Developments					year-on-year growth rates in %					
HICP	2.0	2.5	2.9	2.4	3.5	3.8	3.7	3.0	3.4	3.7
- services	4.8	3.8	3.9	4.0	4.4	3.9	4.6	4.6	4.3	4.0
- industrial goods excluding energy	0.5	0.6	0.4	0.4	0.1	0.3	–0.2	0.1	0.2	0.1
- food	2.0	4.9	3.8	6.0	1.4	2.0	1.5	0.7	0.2	0.6
- energy	–2.3	–1.6	4.7	–3.9	14.4	17.1	15.6	10.6	15.1	18.3
Core inflation indicator[2]	2.8	2.4	2.3	2.3	2.4	2.3	2.5	2.6	2.5	2.3
Balance of Payments - Current Account					in % GDP					
Current account balance	5.2	4.1	3.6	6.0	6.0	4.4	5.9	7.7	2.6	...
1. Goods	1.0	–0.4	–0.8	0.6	1.0	–2.2	2.0	3.0	–1.4	...
2. Services	5.5	6.0	5.8	6.8	6.8	6.2	6.8	7.5	6.4	...
3. Primary income	–0.7	–0.5	–0.4	–0.5	–0.7	0.5	–0.9	–1.5	–1.1	...
4. Secondary income	–0.6	–0.9	–1.0	–0.9	–1.1	–0.0	–2.1	–1.3	–1.3	...
					nominal year-on-year growth rates in %					
Export of goods and services	2.1	2.2	5.4	1.0	10.6	10.2	16.0	6.0	10.2	...
Import of goods and services	1.9	3.3	7.4	0.7	10.6	13.9	11.5	6.8	10.7	...

Public finances	2024	2025	12 mths to Aug. 26		2025 Jan.-Aug.		2026 Jan.-Aug.	
Consolidated general government balance[3]		EUR m	% GDP	y-o-y, %	EUR m	y-o-y, %	EUR m	y-o-y, %
Revenue	27,918	29,659	42.9	10.9	18,602	4.3	20,752	11.6
Tax revenue	24,547	25,964	37.3	8.7	16,982	5.7	18,685	10.0
From EU budget	1,040	1,248	2.1	65.6	393	–20.3	701	78.3
Other	2,331	2,447	3.5	13.1	1,226	–3.4	1,366	11.4
Expenditure	28,871	31,425	45.5	11.3	19,668	8.0	22,006	11.9
Current expenditure	12,910	14,139	20.7	11.5	8,949	10.5	10,149	13.4
- wages and other personnel expenditure	6,539	7,473	11.0	15.6	4,874	12.2	5,577	14.4
- purchases of goods, services	4,368	4,596	6.5	7.4	2,847	5.5	3,101	8.9
- interest	793	836	1.2	-3.5	693	15.6	712	2.8
Current transfers	12,794	13,758	19.6	9.3	8,977	5.9	9,747	8.6
- transfers to individuals and households	10,397	11,056	15.6	7.3	7,358	5.6	7,878	7.1
Capital expenditure, transfers	2,531	2,809	4.2	20.2	1,266	3.1	1,545	22.1
General government surplus/deficit	–953	–1,766	–2.6		–1,066		–1,254	

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

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

	2023	2024	2025	25Q4	26Q1	26Q2	26Q3	2023	2024	2025	25Q4	26Q1	26Q2	26Q3
				Slovenia							euro area			
Economic developments							q-o-q growth in %							
GDP				0.7	0.9	1.9	...				0.2	–0.0	0.6	...
- industry				–0.2	0.7	1.8	...				–1.0	–0.8	1.7	...
- construction				3.8	–0.0	3.5	...				0.6	–0.9	0.4	...
- mainly public sector services (OPQ)				3.8	–3.1	1.4	...				0.4	0.1	0.5	...
- mainly private sector services (without OPQ)				–0.1	1.4	2.0	...				0.1	–0.1	0.8	...
Domestic expenditure				2.9	–0.2	1.7	...				0.6	0.1	...	...
- general government				0.1	1.4	2.1	...				0.5	0.5	0.2	...
- households and NPISH[1]				1.6	0.8	0.8	...				0.5	0.1	0.4	...
- gross capital formation				11.3	–7.0	4.3	...				–1.0	1.7	–2.5	...
- gross fixed capital formation				0.2	0.3	1.3	...				0.7	–0.2	–0.1	...
							y-o-y growth in %							
GDP	2.6	2.0	1.5	2.6	3.2	5.0	...	0.4	1.2	1.2	1.3	0.6	1.2	...
- industry	6.2	4.7	–2.4	–3.3	–1.6	4.1	...	–1.7	1.3	0.9	0.1	–2.5	1.3	...
- construction	11.6	–2.7	4.6	14.8	14.8	15.7	...	1.6	–0.8	0.6	2.2	–0.1	0.3	...
- mainly public sector services (OPQ)	1.1	2.1	2.8	2.7	2.6	2.3	...	0.8	2.0	1.1	1.1	1.1	1.2	...
- mainly private sector services (without OPQ)	1.5	1.2	2.9	4.1	3.7	4.8	...	0.6	1.0	1.2	1.4	0.3	1.4	...
Domestic expenditure	0.5	2.6	3.7	6.5	4.5	5.5	...	0.1	0.7	2.0	2.0	1.7	...	...
- general government	2.3	7.3	3.2	4.0	4.8	5.7	...	1.2	2.7	1.5	1.7	2.3	1.9	...
- households and NPISH	0.6	3.2	2.5	3.3	3.5	3.5	...	0.6	1.6	1.4	1.5	1.1	1.1	...
- gross capital formation	–1.1	–2.9	7.2	17.5	6.4	9.7	...	–2.4	–2.4	3.8	2.5	1.5	–0.5	...
- gross fixed capital formation	6.2	–1.5	5.3	12.8	13.4	14.2	...	2.6	–1.9	2.8	3.2	0.1	1.4	...
- inventories and valuables, contr. to GDP growth in p.p.	–1.6	–0.3	0.4	1.0	–1.4	–0.8	...	–1.1	–0.1	0.2	–0.2	0.3	–0.4	...
Labour market							q-o-q growth in %							
Employment				0.1	–0.0	0.1	...				0.2	0.1	0.1	...
- mainly private sector (without OPQ)				–0.0	–0.2	–0.0	...				0.1	0.0	0.0	...
- mainly public services (OPQ)				0.5	0.6	0.4	...				0.3	0.2	0.4	...
							y-o-y growth in %							
Employment	1.5	0.4	–0.1	0.1	0.1	0.1	...	1.5	1.0	0.7	0.7	0.5	0.5	...
- mainly private sector (without OPQ)	1.5	0.1	–0.6	–0.4	–0.5	–0.4	...	1.6	0.8	0.5	0.5	0.4	0.2	...
- mainly public services (OPQ)	1.6	2.0	1.9	2.0	2.3	2.1	...	1.3	1.5	1.3	1.1	0.9	1.2	...
Labour costs per employee	9.6	6.1	7.3	5.1	7.8	7.8	...	5.4	4.6	3.8	3.6	3.6	3.4	...
- mainly private sector (without OPQ)	9.6	6.4	5.9	2.6	7.7	7.2	...	5.6	4.5	3.8	3.4	3.6	3.5	...
- mainly public services (OPQ)	9.5	5.1	11.9	13.4	8.0	9.5	...	4.8	4.8	4.0	4.2	3.4	3.1	...
Unit labour costs, nominal[2]	8.4	4.5	5.6	2.6	4.6	2.7	...	6.5	4.3	3.3	3.0	3.6	2.6	...
Unit labour costs, real[3]	–1.3	1.3	1.6	–1.8	1.3	–0.5	...	0.2	1.4	0.9	0.5	1.1	0.1	...
LFS unemployment rate in %	3.7	3.7	3.9	4.1	4.1	3.8	...	6.6	6.4	6.4	6.2	6.5	6.3	...
Foreign trade							q-o-q growth in %							
Real export of goods and services				0.4	1.3	3.1	...				0.4	–0.6	3.4	...
Real import of goods and services				3.3	1.9	1.6	...				0.4	0.6	1.5	...
							y-o-y growth in %							
Real export of goods and services	–1.9	2.4	0.2	1.1	2.4	6.9	...	–1.1	1.0	1.9	2.6	–0.1	4.1	...
Real import of goods and services	–4.2	3.1	2.8	6.1	4.1	7.6	...	–1.8	0.4	3.5	3.8	1.7	3.7	...
Current accout balance as % GDP[4]	4.9	5.2	4.1	4.1	3.6	3.6	...	0.0	0.0	0.0	0.0	0.0	0.0	...
External trade balance as contr. to GDP growth in p.p.	2.1	–0.4	–1.9	–3.6	–1.1	–0.1	...	0.4	0.3	–0.6	–0.5	–0.8	0.3	...
Financing							in % GDP							
Banking system's balance sheet	84.8	82.8	83.5	83.5	83.4	...	...	252.8	250.3	249.1	249.1	254.6	...	...
Loans to NFCs	17.5	16.3	16.3	16.3	16.5	16.6	...	33.7	32.5	32.2	32.2	32.3	32.5	...
Loans to households	19.8	20.0	20.5	20.5	20.5	20.6	...	44.8	43.2	42.7	42.7	42.7	42.6	...
Inflation							in %							
HICP	7.2	2.0	2.5	2.7	2.5	3.7	3.4	5.5	2.4	2.1	2.1	2.0	3.0	3.3
HICP excl. energy, food, alcohol and tobacco	6.7	2.8	2.4	2.1	2.3	2.2	2.4	5.0	2.8	2.4	2.4	2.3	2.4	2.5
Public finance							in % GDP							
Debt of the general government	68.2	66.3	65.1	65.1	64.1	64.7	...	86.3	86.3	87.3	87.3	88.6	...	...
government[4]	–2.6	–0.8	–2.5	–2.5	–2.8	–2.9	...	–3.5	–3.0	–3.0	–3.0	–3.1	...	...
- interest payment[4]	1.2	1.3	1.3	1.3	1.3	1.2	...	1.7	1.9	1.9	1.9	1.9	...	...
- primary balance[4]	–1.3	0.4	–1.3	–1.3	–1.5	–1.7	...	–1.8	–1.2	–1.1	–1.1	–1.2	...	...

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

9 List of Abbreviations

Abbreviations

ARA	Amsterdam–Rotterdam–Antwerp region
BLS	Bank Lending Survey
BS	Banka Slovenije
BSI	Balance sheet items
BVAR	Bayesian vector autoregressive model
CEE	Euro area countries of central and eastern Europe: Estonia, Croatia, Latvia, Lithuania and Slovakia
DXY	US Dollar Index, measuring the value of the U.S. dollar against a basket of major foreign currencies
EA	Euro area
EC	European Commission
ECB	European Central Bank
ESA	European System of Accounts
EU	European Union
EUR/kWh	Euro per kilowatt-hour
Eurostat	European Statistical Office
Fed	Federal Reserve System
FURS	Financial Administration of the Republic of Slovenia
GDP	Gross domestic product
GSCPI	Global Supply Chain Pressure Index
HICP	Harmonised Index of Consumer Prices
HS	Harmonized Commodity Description and Coding System
IMF	International Monetary Fund
IRB	Internal Ratings-Based Approach
Magnificent Seven	Group of seven largest and most influential US tech firms: Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA and Tesla
MIR	Interest rates of monetary financial institutions (data series of Banka Slovenije)
NEER41	Nominal effective exchange rate of the euro against 41 trading partners
NFD	Non-financial corporations
OECD	Organisation for Economic Co-operation and Development
OIS	Overnight Index Swap
PD	Probability of Default
PMI	Purchasing Managers' Index
PPI	Producer Price Index
RRS	Recovery and Resiliance Facility
RS	Republic of Slovenia
SAFE	Survey on the Access to Finance of Enterprises
SMEs	Small and medium-sized enterprises
STOXX Europe 600	Main European share index
SURS	Statistical Office of the Republic of Slovenia
S&P 500	Standard and Poor's 500
UNCTAD	United Nations Conference on Trade and Development
US	United States of America
VAT	Value Added Tax
ZEW	Leibniz Centre for European Economic Research (Ger. Leibniz-Zentrum für Europäische Wirtschaftsforschung)
ZPIZ	Pension and Disability Insurance Institute of Slovenia
ZRSZ	Employment Service of Slovenia
ZZZS	Health Insurance Institute of Slovenia

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

A – Agriculture, forestry and fishing, **01** – Crop and animal production, hunting and related service activities, **02** – Forestry and logging, **03** – Fishing and aquaculture **B** – Mining and quarrying, **05** – Mining of coal and lignite, **06** – Extraction of crude petroleum and natural gas, **07** – Mining of metal ores, **08** – Other mining and quarrying, **09** – Mining support service activities, **C** – Manufacturing, **10** – Manufacture of food products, **11** – Manufacture of beverages, **12** – Manufacture of tobacco products, **13** – Manufacture of textiles, **14** – Manufacture of wearing apparel, **15** – Manufacture of leather and related products of other materials, **16** – Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials, **17** – Manufacture of paper and paper products, **18** – Printing and reproduction of recorded media, **19** – Manufacture of coke and refined petroleum products, **20** – Manufacture of chemicals and chemical products, **21** – Manufacture of basic pharmaceutical products and pharmaceutical preparations, **22** – Manufacture of rubber and plastic products, **23** – Manufacture of other non-metallic mineral products, **24** – Manufacture of basic metals, **25** – Manufacture of fabricated metal products, except machinery and equipment, **26** – Manufacture of computer, electronic and optical products, **27** – Manufacture of electrical equipment, **28** – Manufacture of machinery and equipment n.e.c., **29** – Manufacture of motor vehicles, trailers and semi-trailers,

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

Country Abbreviations

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

Currency Abbreviations

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