

Short economic and financial analyses

# Situation in energy-intensive manufacturing sectors in Slovenia

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Energy-intensive manufacturing sectors supply us with products that it would be difficult to imagine the normal functioning of contemporary societies without. In Slovenia, these sectors still account for significant shares of GDP (3.5%) and employment (3.8%). Because of the energy crisis in Europe, the deteriorating geopolitical situation and the consequent rise in electricity and gas prices to an internationally uncompetitive level, they find themselves in a difficult position in connection with costs. This is being evidenced in a decline in output, weak exports, falling employment and low confidence, while their prices have risen by significantly more than those in the economy overall.

Output over the 12 months to August 2024 was at the level of 2014, while one-year exports were down 8.3% in year-on-year terms, and the workforce in employment was down 3.7%. The confidence indicator was down 10.7 percentage points on its long-term average in October, and producer prices in September were up 38.1% on December 2020. In Slovenia, rising imports of products made by energy-intensive sectors, particularly chemical products from China and India, are the primary reason for the large merchandise trade deficit according to the SORS methodology.

The situation in 2024 was nevertheless less severe than in the previous year, but the future remains uncertain. Persistence of the lack of global competitiveness on the part of domestic energy-intensive sectors and manufacturing as a whole could drive a further increase in import dependence. This could be problematic in times of heightened geopolitical tensions and fragmentation, while the longer transportation routes are already making it harder to meet environmental targets, at least from a global perspective. The situation demands careful consideration about the impact of energy policy, the green transition and geopolitical relations on the long-term international competitiveness of industry in Slovenia and the EU.

## Introduction

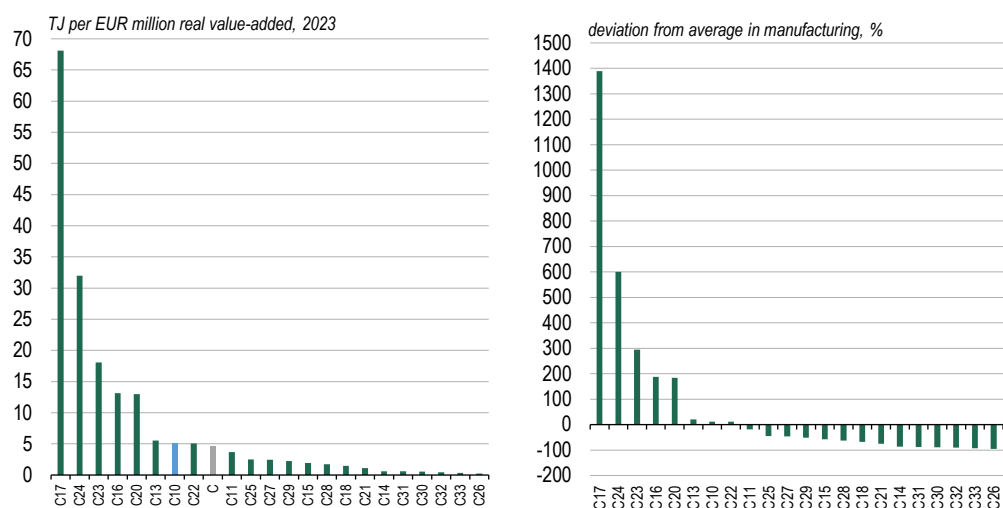
This paper aims to examine the current state of Slovenia's energy-intensive sectors compared with the manufacturing sector overall, and their evolution over time, with an emphasis on the period since the end of the pandemic and the onset of the energy crisis. The analysis covers five manufacturing sectors according to the criterion of energy intensity. Using value-added figures, aggregate time series for the energy-intensive sectors as a whole are calculated from the monthly indicators of output, employment, merchandise trade and the confidence indicators, and the analysis is based on these time series. The data for the individual sectors is mostly illustrated in the footnotes, given that a detailed illustration is not the primary purpose of this analysis, which also applies to the comparison with the euro area overall.

# Identification of energy-intensive manufacturing sectors

*The analysis covers five manufacturing sectors, of which the manufacture of paper and paper products stood out sharply in 2023 in terms of energy intensity.*

For the purposes of this analysis, the energy-intensive manufacturing sectors are determined by means of the formula for calculating energy intensity as illustrated in the methodological notes to the SORS's annual energy statistics, a study by Umanotera (the Slovenian Foundation for Sustainable Development), and the European Commission's Annual Single Market Report 2021.<sup>1</sup> In the selection, the greatest emphasis was placed on calculations of energy intensity, i.e. the ratio of final energy consumption to GDP, in this case value-added, at fixed prices.

Figure 1: Energy intensity of manufacturing sectors



Sources: SORS, author's calculations

Note: Energy intensity shows how much energy is needed to generate value-added. Energy consumption includes fuel consumed for transformation into electricity at self-producers. The reference year for value-added is 2010. 1 TJ = 277,778 kWh. C17 Manufacture of paper and paper products, C24 Manufacture of basic metals, C23 Manufacture of other non-metallic mineral products, C16 Manufacture of wood and of products of wood and cork, except furniture, C20 Manufacture of chemicals and chemical products, C13 Manufacture of textiles, C10 Manufacture of food products, C22 Manufacture of rubber and plastic products, C Manufacturing, C11 Manufacture of beverages, C25 Manufacture of fabricated metal products, except machinery and equipment, C27 Manufacture of electrical equipment, C29 Manufacture of motor vehicles, trailers and semi-trailers, C15 Manufacture of leather and related products, C28 Manufacture of machinery and equipment n.e.c., C18 Printing and reproduction of recorded media, C21 Manufacture of basic pharmaceutical products and pharmaceutical preparations, C14 Manufacture of wearing apparel, C31 Manufacture of furniture, C30 Manufacture of other transport equipment, C32 Other manufacturing, C33 Repair and installation of machinery and equipment, C26 Manufacture of computer, electronic and optical products.

Five sectors are classed as energy-intensive: manufacture of paper and paper products (C17), manufacture of basic metals (C24), manufacture of other non-metallic mineral products (C23), manufacture of wood and of products of wood and cork, except furniture (C16) and manufacture of chemicals and chemical products (C20). They display large deviations from aggregate manufacturing, particularly in the case of the manufacture of paper and paper products (see Figure 1). The average

<sup>1</sup> The documents are available online at [Annual energy statistics](#), [Energy-intensive industry in Slovenia](#), and [Annual Single Market Report 2021](#). The analysis contains data available by 30 October 2024. Unless stated otherwise, the data is unadjusted.

weighted energy intensity of manufacturing stood at 4.6 TJ per EUR million real value-added in 2023, while the weighted aggregate of the energy-intensive sectors stood at 22.1 TJ per EUR million, a deviation of 382.7%. These sectors accounted for 61.3% of final energy consumption in manufacturing in the same year. The Umanotera study of energy-intensive sectors cites four of these, while the European Commission paper also mentions the manufacture of wood and wood products. This paper focuses on analysing aggregates composited from the individual sectors' weighted shares of the total value-added of energy-intensive sectors.

## 2 Importance to GDP and the labour market

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*The energy-intensive sectors' importance to the economy is diminishing but remains discernible: they account for 3.5% of GDP, and 3.8% of employment.*

The energy-intensive sectors provide numerous products without which it would be difficult to imagine the workings of modern-day societies, in that they serve as components or final products in everyday processes seen in the economy and in households. These include sanitary, household, hygiene and office essentials, plastics, fertilisers, dyes, disinfectants and detergents, explosives, wood tiles, veneer, household furniture, glass, ceramics, bricks, insulation, cement, concrete, iron, steel and aluminium.

Since mid-2021, the energy-intensive sectors have faced high prices for electricity and gas,<sup>2</sup> which has hit their performance even harder than other manufacturing sectors, and has resulted in a larger-than-average decline in output. Because we need their products, a sustained decline in domestic output would unavoidably entail a sustained rise in imports. This in today's era of geopolitical fragmentation might pose a risk to the stable functioning of the economy and of society, and, assuming no differences in technology, would also make it harder to meet environmental targets on account of the increased transport involved.<sup>3</sup> The green transition is also a challenge, as it poses a major risk of loss of competitiveness on account of higher energy prices compared with the chief competitors outside Europe.<sup>4</sup>

The value-added of the energy-intensive sectors in Slovenia accounts for a visible share of GDP (3.5% in 2023, 1 percentage point more than pharmaceutical industry), but their importance is gradually diminishing (they accounted for 4.6% of GDP in

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<sup>2</sup> According to Eurostat figures, electricity prices including all taxes and levies for non-household consumers in the first half of 2024 were down by 15.7% in Slovenia compared with their peak in the energy crisis, and by 13.0% in the EU overall. Despite this fall, they were still higher than their average between 2008 and 2023, by 66.6% in Slovenia and by 45.5% in the EU overall. Average electricity prices for non-household consumers were 18.0% lower in Slovenia than in the EU overall on average between 2008 and 2023, but only 6.1% lower in the first half of 2024. Electricity accounted for 31.0% of total final energy consumption in the domestic energy-intensive sectors in 2023, compared with an average of 39.6% in manufacturing overall.

According to Eurostat figures, gas prices including all taxes and levies for non-household consumers in the first half of 2024 were down by 22.5% in Slovenia compared with their peak in the energy crisis, and by 22.2% in the EU overall. Despite this fall, they were still higher than their average between 2008 and 2023, by 32.9% in Slovenia and by 54.1% in the EU overall. Average gas prices for non-household consumers were 13.7% higher in Slovenia than in the EU overall on average between 2008 and 2023, but 1.9% lower in the first half of 2024. Gas accounted for 42.1% of total final energy consumption in the domestic energy-intensive sectors in 2023, compared with an average of 38.6% in manufacturing overall.

The [competitiveness report](#) published by the European Commission in September 2024 states that gas prices are currently three to five times higher than in the US, while electricity prices are two to three times higher than in the US and China.

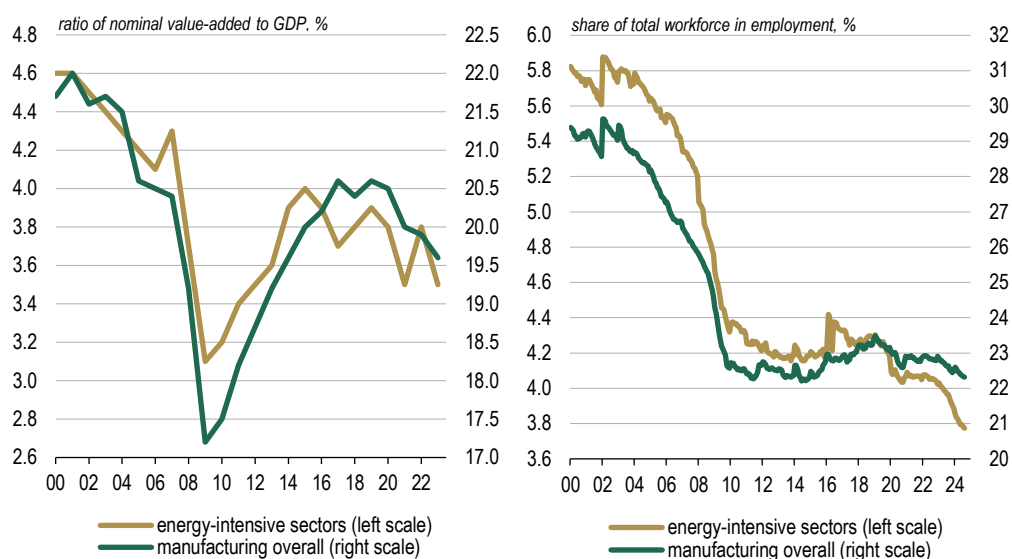
<sup>3</sup> High electricity prices resulted in the final shutdown of domestic aluminium production in March 2023. According to the [CCI](#), the carbon footprint of imported aluminium is five times higher.

<sup>4</sup> [STA: Pierre Wunsch, Belgian central bank governor: The main challenges in the green transition are communication and loss of competitiveness.](#)

2001) in line with the structural changes to the economy, most notably the rise of the service sector.<sup>5</sup> The same applies, but to a slightly greater extent, to manufacturing overall: its value-added declined from 22.0% to 19.6% of GDP over the same period (see Figure 2, left). In both cases the share is higher than in the euro area overall, an indication of Slovenia's higher level of industrialisation, and thus of the possibility of a greater economic impact in the event of the adverse situation persisting.<sup>6</sup>

The energy-intensive sectors are a relatively important employer. They accounted for 3.8% of the total workforce in employment in August 2024, although this share is also declining. According to the available data, it peaked in the first quarter of 2002 at 5.9%.<sup>7</sup> The manufacturing sector's total share declined from 29.6% to 22.3% over the same period (see Figure 2, right).

Figure 2: Shares of GDP and workforce in employment



Sources: SORS, author's calculations; latest data, left chart: 2023, right chart: August 2024

### 3 Output and employment

***The decline in output in the energy-intensive sectors has in recent times significantly outpaced that in manufacturing overall, and the employment situation is also worse.***

After the global financial and economic crisis, which reached its peak in 2009, the recovery in output by the energy-intensive sectors was notably slower than that in manufacturing overall. The recovery that came after the withdrawal of the most stringent

<sup>5</sup> The shares of GDP accounted for by value-added in the individual energy-intensive sectors in 2023 were: C16 manufacture of wood and wood products: 0.7%; C17 manufacture of paper and paper products: 0.4%; C20 manufacture of chemicals and chemical products: 0.7%; C23 manufacture of other non-metallic mineral products: 0.7%; C24 manufacture of basic metals: 1.0%.

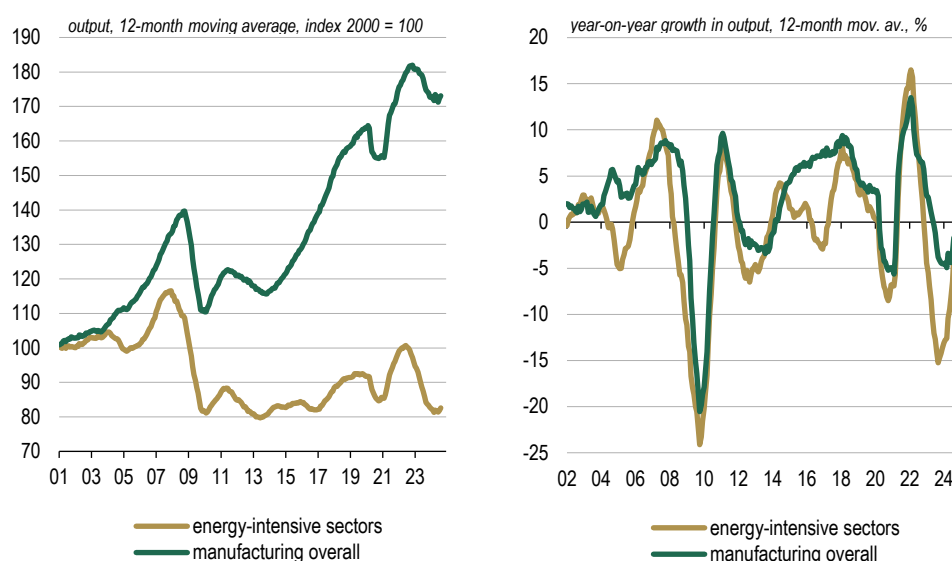
<sup>6</sup> The energy-intensive sectors' value-added accounts for 2.6% of GDP in the euro area overall, although poor data availability means that the figure is not entirely reliable and up-to-date. The value-added of the entire manufacturing sector accounted for 14.7% of GDP in the euro area in 2022.

<sup>7</sup> The shares of the total workforce in employment accounted for by the individual energy-intensive sectors in August 2024 were: C16 manufacture of wood and wood products: 0.9%; C17 manufacture of paper and paper products: 0.4%; C20 manufacture of chemicals and chemical products: 0.7%; C23 manufacture of other non-metallic mineral products: 0.7%; C24 manufacture of basic metals: 1.0%.

pandemic containment measures was then followed by the energy crisis that accompanied the deterioration in the geopolitical situation and the resulting disruption to international trade in 2022.

From its peak in June 2022, the running total of output over the preceding 12 months in the energy-intensive sectors had declined by 18.0% by August 2024, compared with the decline of 4.9% in total manufacturing output since its peak in November 2022.<sup>8</sup> The situation stabilised in 2024. In August, one-year total output in manufacturing stood 5.2% above its pre-pandemic level from February 2020,<sup>9</sup> while in the energy-intensive sectors it was on 2014 levels, when the economy was only beginning to emerge from the long crisis (see Figure 3). Total output over the first eight months of the year was up 0.3% in year-on-year terms in manufacturing overall, but down 0.2% year-on-year in the energy-intensive sectors. There were major differences between the individual energy-intensive sectors over the first eight months of the year, with the manufacturing of basic metals (C24) recording the largest rise in output.<sup>10</sup>

Figure 3: Monthly production index



Sources: SORS, author's calculations; latest data: August 2024

The workforce in employment in the energy-intensive sectors has been declining in year-on-year terms since April 2023. It stood at 35,541 in August 2024, down 3.7% or 1,367 in year-on-year terms, with the manufacture of other non-metallic mineral products (C23) recording the largest decline.<sup>11</sup> This is further evidence of the difficult situa-

<sup>8</sup> Between its post-pandemic peak and August 2024, one-year output declined by 22.3% in the manufacture of wood and wood products (C16), 23.4% in the manufacture of paper and paper products (C17), 24.2% in the manufacture of chemicals and chemical products (C20), 21.3% in the manufacture of other non-metallic mineral products (C23) and 7.8% in the manufacture of basic metals (C24).

According to the seasonally and calendar-adjusted data, between its post-pandemic peak and August 2024, one-year output in the euro area declined by 14.2% in the manufacture of wood and wood products (C16), 11.1% in the manufacture of paper and paper products (C17), 12.6% in the manufacture of chemicals and chemical products (C20), 15.4% in the manufacture of other non-metallic mineral products (C23) and 11.2% in the manufacture of basic metals (C24).

<sup>9</sup> Meanwhile, according to the seasonally and calendar-adjusted data, one-year output in manufacturing overall in the euro area declined by 4.4% between its peak in April 2023 and August 2024 to reach its level of February 2020, i.e. just before the pandemic. Output over the first eight months of this year was down 3.7% in year-on-year terms.

<sup>10</sup> Output over the first eight months of this year was down 5.0% in year-on-year terms in the manufacture of wood and wood products (C16), up 3.1% in the manufacture of paper and paper products (C17), up 2.8% in the manufacture of chemicals and chemical products (C20), down 12.1% in the manufacture of other non-metallic mineral products (C23) and up 8.8% in the manufacture of basic metals (C24).

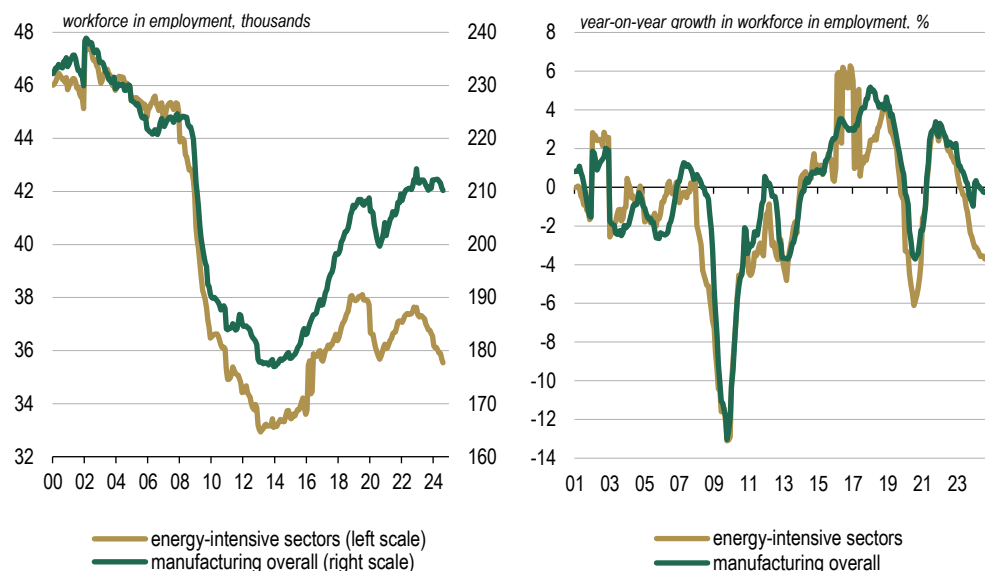
According to seasonally and calendar-adjusted data, output over the first eight months of this year in the euro area was down 2.9% in year-on-year terms in the manufacture of wood and wood products (C16), up 2.8% in the manufacture of paper and paper products (C17), up 3.3% in the manufacture of chemicals and chemical products (C20), down 5.7% in the manufacture of other non-metallic mineral products (C23) and down 3.7% in the manufacture of basic metals (C24).

<sup>11</sup> The workforce in employment in August 2024 was down 3.3% in year-on-year terms in the manufacture of wood and wood products (C16), 2.9% in the manufacture of paper and paper products (C17), 1.1% in the manufacture of chemicals and chemical products (C20), 6.5% in the manufacture of other non-metallic mineral products (C23) and 4.4% in the manufacture of basic metals (C24).



tion in the energy-intensive sectors compared with manufacturing overall, where the workforce in employment stood at 210,161 in August 2024, down only 0.3% or 574 in year-on-year terms. Manufacturing excluding the energy-intensive sectors thus recorded an ongoing rise in employment.<sup>12</sup> Ignoring 2020, when the economy was hit by numerous restrictive containment measures, the last time that the workforce in employment in the energy-intensive sectors was this low was in 2016 (see Figure 4). The comparison with the level of output points to a further fall in overall employment in these sectors.

Figure 4: Workforce in employment



Sources: SORS, author's calculations; latest data: August 2024

## 4 Foreign trade

***Exports of the products of the energy-intensive sectors remain weak, while sharp growth in imports of products of the chemical industry is driving a pronounced widening of the merchandise deficit with non-EU countries.***

Slovenia is running a rapidly widening trade deficit in the products of the energy-intensive sectors.<sup>13</sup> Following the post-pandemic reopening of the economy, the running total of nominal exports over the preceding 12 months peaked at EUR 9.1 billion at the end of 2022, before declining by 14.9% to EUR 7.7 billion by August 2024, with the manufacture of basic metals (C24) recording the largest decline.<sup>14</sup> The situation eased in 2024, particularly in EU markets: exports over the first eight months of the

<sup>12</sup> The workforce in employment in the total economy stood at 941,829 in August, up 1.1% or 10,580 in year-on-year terms.

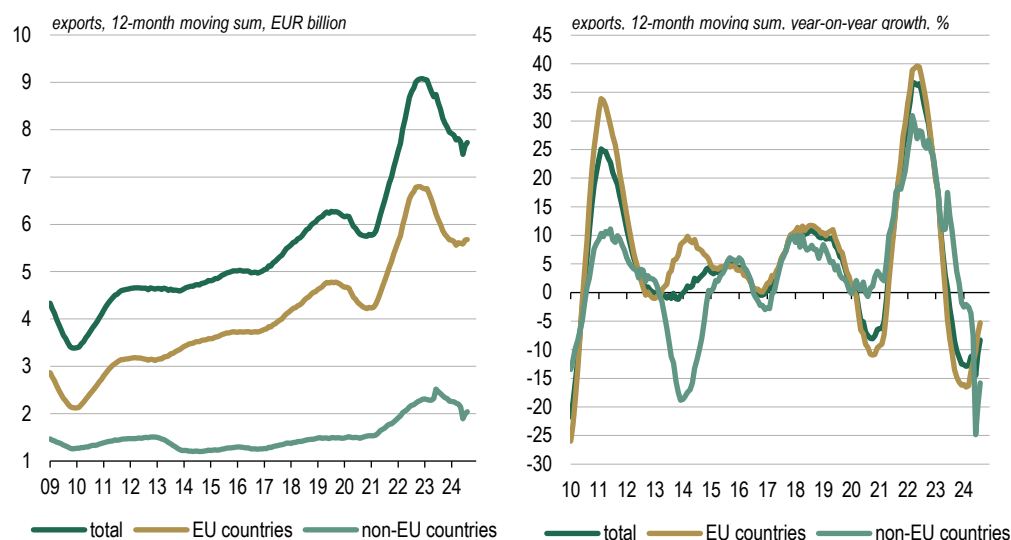
<sup>13</sup> This analysis uses nominal merchandise trade data from the SORS, which differs from the balance of payments data in methodological terms, which means that a direct comparison is not possible. The NACE Rev. 2 classification is used.

<sup>14</sup> Between its post-pandemic peak and August 2024, one-year nominal exports declined by 17.0% in the manufacture of wood and wood products (C16), 14.7% in the manufacture of paper and paper products (C17), 14.0% in the manufacture of chemicals and chemical products (C20) and 23.7% in the manufacture of basic metals (C24). There was no decline in the manufacture of other non-metallic mineral products (C23).

The energy-intensive sectors accounted for 13.1% of total merchandise exports over the 12 months to August 2024. This figure was down 6.3 percentage points on its post-pandemic peak in April 2022, and 9.2 percentage points on its peak from the period of comparable data availability (2008 to 2024) in June 2011.

year recorded a smaller year-on-year decline of 3.8%. In contrast to the energy-intensive sectors, total merchandise trade is increasing in nominal terms (see Figure 5). Merchandise exports over the first eight months of the year were up 10.7% in year-on-year terms, the decline in merchandise exports by the energy-intensive sectors having slowed the year-on-year growth rate by 0.4 percentage points. There was considerable variation in the situation in the individual energy-intensive sectors during the first eight months of this year, with the manufacture of chemicals and chemical products (C20) recording the largest decline in nominal exports.<sup>15</sup>

Figure 5: Exports



Sources: SORS, author's calculations; latest data: August 2024

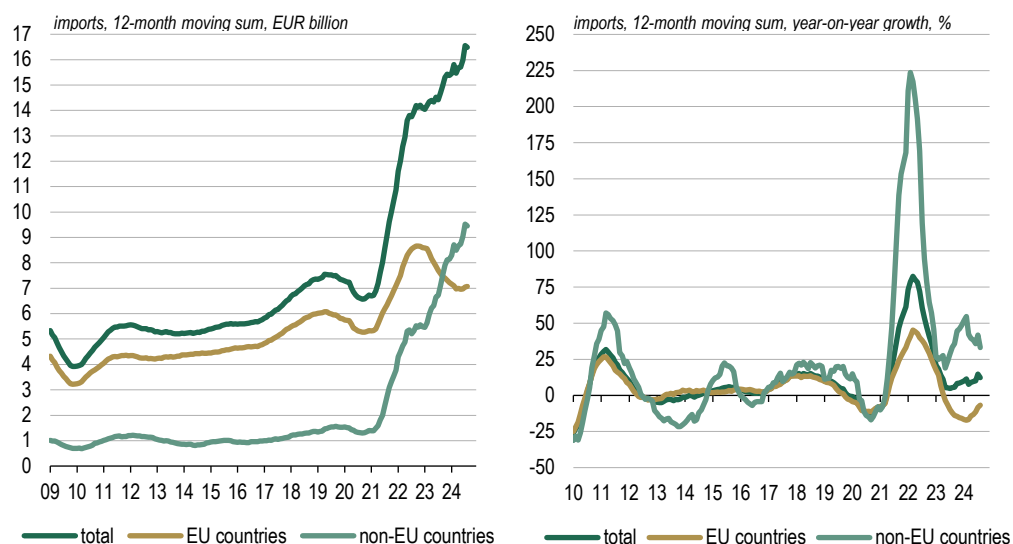
By contrast, the running one-year total of imports of these products has been increasing without interruption since the low in September 2020. It amounted to EUR 16.5 billion in August 2024, having increased by EUR 9.9 billion or 151.2%. Over this period, their share of total merchandise imports increased by 5.5 percentage points to 26.2%. This growth was primarily attributable to increased imports from non-EU countries, which rose by EUR 8.1 billion or 628.8% (see Figure 6), which might be an additional sign of the difficult situation in European energy-intensive sectors, but also of the increased output and logistical activity of pharmaceutical firms in Slovenia.<sup>16</sup> The share of one-year imports of products in energy-intensive sectors accounted for by non-EU countries had reached 57.3% by August 2024. It stood at 19.8% in September 2020. These primarily comprised imports in the sector of the manufacture of chemicals and chemical products (C20).<sup>17</sup>

<sup>15</sup> Nominal merchandise exports over the first eight months of this year were down 6.1% in year-on-year terms in the manufacture of wood and wood products (C16), up 4.7% in the manufacture of paper and paper products (C17), down 11.5% in the manufacture of chemicals and chemical products (C20), up 5.6% in the manufacture of other non-metallic mineral products (C23) and unchanged in the manufacture of basic metals (C24).

<sup>16</sup> A large pharmaceuticals warehouse began operating in the vicinity of Ljubljana Airport in late 2018. Between December 2018 and August 2024 the running 12-month total of international trade in pharmaceutical products increased from EUR 4.9 billion to EUR 39.0 billion, while the trade surplus widened from EUR 1.3 billion to EUR 6.3 billion.

<sup>17</sup> The one-year imports in the sector of the manufacture of chemicals and chemical products (C20) amounted to EUR 11.2 billion in August 2024, up EUR 8.6 billion or 332.0% on September 2020. The increase in imports from non-EU countries, most notably China and India, amounted to EUR 8.0 billion, and non-EU countries accounted for fully 76.6% of total imports in the sector. Imports in the sectors of the manufacture of other non-metallic products (C23) and the manufacture of basic metals (C24) also increased significantly over this period, albeit to a much smaller extent.

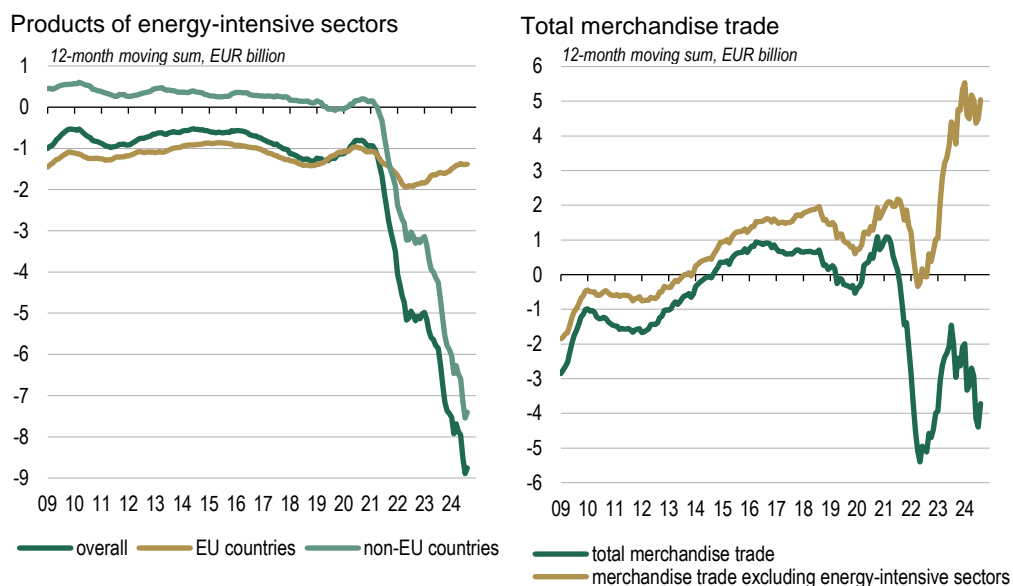
Figure 6: Imports



Sources: SORS, author's calculations; latest data: August 2024

According to the SORS methodology and data, the one-year trade deficit in the products of the energy-intensive sectors is increasing sharply. From EUR 0.8 billion in September 2020, its smallest figure of the last few years, by August 2024 it had widened by EUR 8.0 billion to EUR 8.8 billion (EUR 7.4 billion of which was with non-EU countries), with the increase driven almost entirely by trade in the products of the sector of the manufacture of chemicals and chemical products (C20) with non-EU countries. Excluding the products of the energy-intensive sectors, the one-year merchandise trade balance in August 2024 would actually have been significantly in surplus, in the amount of EUR 5.0 billion (see Figure 7).<sup>18</sup>

Figure 7: Merchandise trade balance



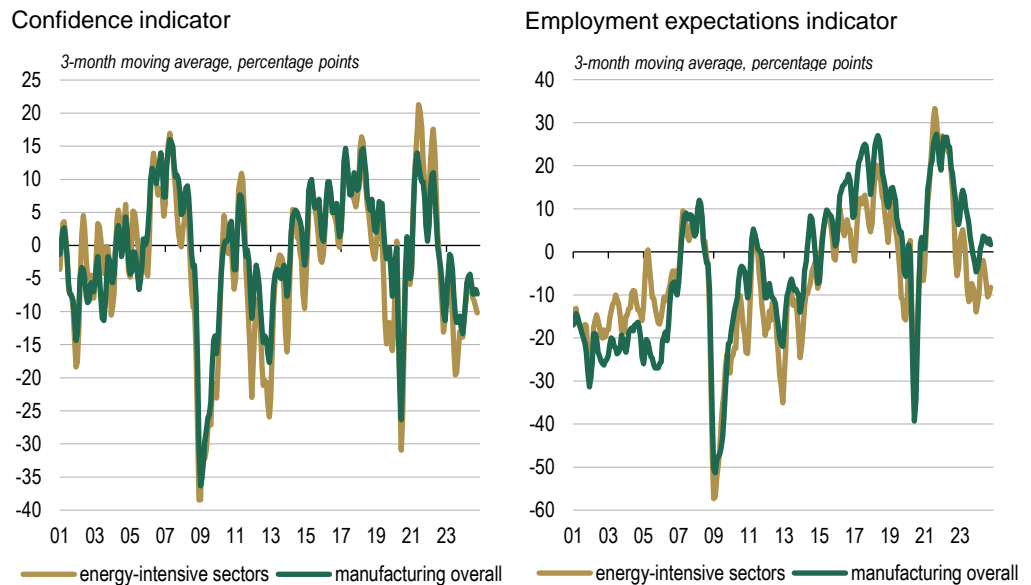
Sources: SORS, author's calculations, latest data: August 2024

<sup>18</sup> The one-year balance of trade in the products of the sector of the manufacture of wood and wood products (C16) was a surplus of EUR 338 million, up EUR 154 million on September 2020. The manufacture of paper and paper products (C17) moved from a deficit into a small surplus. The deficit in the manufacture of chemicals and chemical products (C20) widened by EUR 7.9 billion to EUR 8.6 billion, with the deficit with non-EU countries increasing by EUR 7.7 billion to EUR 7.8 billion. The surplus in the manufacture of other non-metallic mineral products (C23) declined by EUR 45 million to EUR 82 million. The deficit in the manufacture of basic metals (C24) widened by EUR 218 million to EUR 578 million, but has been narrowing significantly since mid-2022.

**Confidence at firms in the energy-intensive sectors is lower than in manufacturing overall, as are employment expectations, the assessment of new orders, and capacity utilisation.**

The confidence indicator in the energy-intensive sectors is low, and slightly below the average for the manufacturing sector as a whole. The three-month moving average stood at  $-10.2$  percentage points in October 2024, down 31.5 percentage points on its peak from June 2021, and down 8.2 percentage points on its average between 2000 and 2023. Only at firms in the manufacture of chemicals and chemical products (C20) was there slight optimism compared with the long-term average.<sup>19</sup> The three-month moving average of the confidence indicator in manufacturing overall stood at  $-7.3$  percentage points in October, down 6.6 percentage points on its long-term average. The gap between the energy-intensive sectors and manufacturing overall has widened in recent months (see Figure 8, left).

Figure 8: Confidence and employment expectations



Sources: SORS, author's calculations; latest data: October 2024

There was an even larger gap in the survey indicator of employment expectations: the three-month moving average in October 2024 stood at  $-8.2$  percentage points in the energy-intensive sectors, 9.9 percentage points less than in manufacturing overall. This gap has also been widening in recent months (see Figure 8, right). Compared with its average between 2000 and 2023, the employment expectations indicator in October 2024 was down 1.7 percentage points in the energy-intensive sectors, but up 6.6 percentage points in manufacturing overall. There is also considerable variation between the individual energy-intensive sectors, with the manufacture of basic metals (C24) the most pessimistic in October 2024.<sup>20</sup>

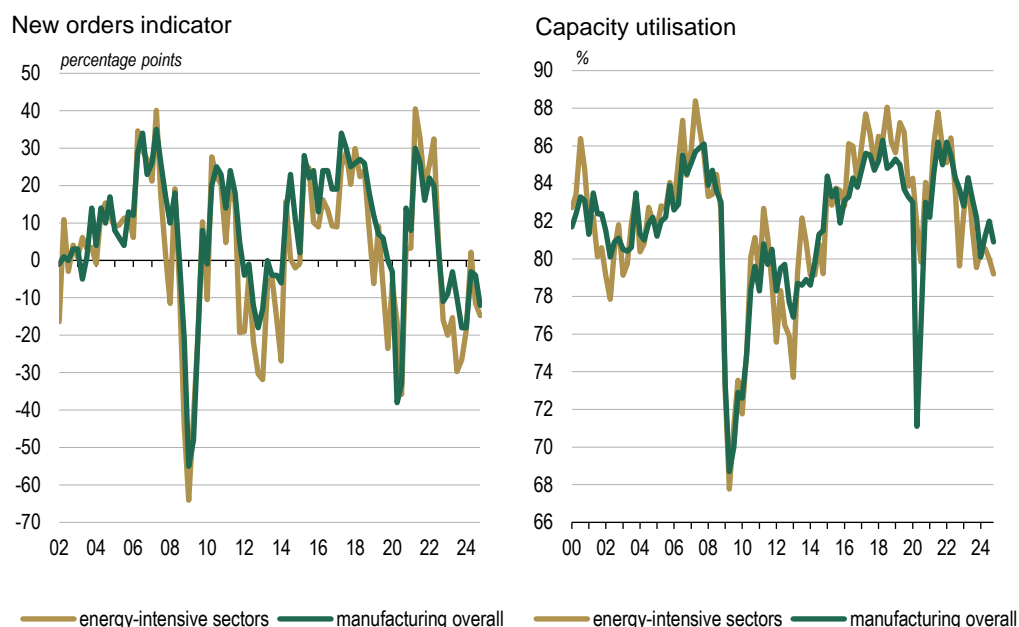
<sup>19</sup> Compared with its average between 2000 and 2023, the three-month moving average of the confidence indicator in October 2024 was down 6.3 percentage points in the manufacture of wood and wood products (C16), 9.1 percentage points in the manufacture of paper and paper products (C17), 11.9 percentage points in the manufacture of other non-metallic mineral products (C23) and 16.2 percentage points in the manufacture of basic metals (C24), but up 4.4 percentage points in the manufacture of chemicals and chemical products (C20).

<sup>20</sup> Compared with its average between 2000 and 2023, the three-month moving average of the employment expectations indicator in October 2024 was down 4.5 percentage points in the manufacture of wood and wood products (C16), up 4.6

Demand for the products of the energy-intensive sectors remains weak according to the survey data. The decline in new orders in late 2022 and 2023 was of similar magnitude to that seen in 2020, and more pronounced than that in manufacturing overall (see Figure 9, left). The situation remained challenging in 2024: the figure of -14.7 percentage points in the final quarter was down 18.0 percentage points on its average between 2002 and 2023, with only the manufacture of chemicals and chemical products (C20) recording any optimism.<sup>21</sup> The gap by which the indicator trailed its long-term average was even larger in manufacturing overall, at 19.9 percentage points. It stood at -12.0 percentage points, 2.7 percentage points better than in the energy-intensive sectors.

The difficulty of the situation is also evidenced in the surveyed level of capacity utilisation. This stood at 79.2% in the energy-intensive sectors in the final quarter of 2024, the lowest figure since 2014, and down 2.9 percentage points on its average between 2000 and 2023. Only in the manufacture of chemicals and chemical products (C20) was it up on its long-term average.<sup>22</sup> Capacity utilisation in manufacturing overall stood at 81.8% in late 2024, down 0.9 percentage points on its long-term average (see Figure 9, right).

Figure 9: New orders and capacity utilisation



Source: SORS; latest data: Q4 2024

percentage points in the manufacture of paper and paper products (C17), up 12.6 percentage points in the manufacture of chemicals and chemical products (C20), up 3.7 percentage points in the manufacture of other non-metallic mineral products (C23) and down 17.2 percentage points in the manufacture of basic metals (C24).

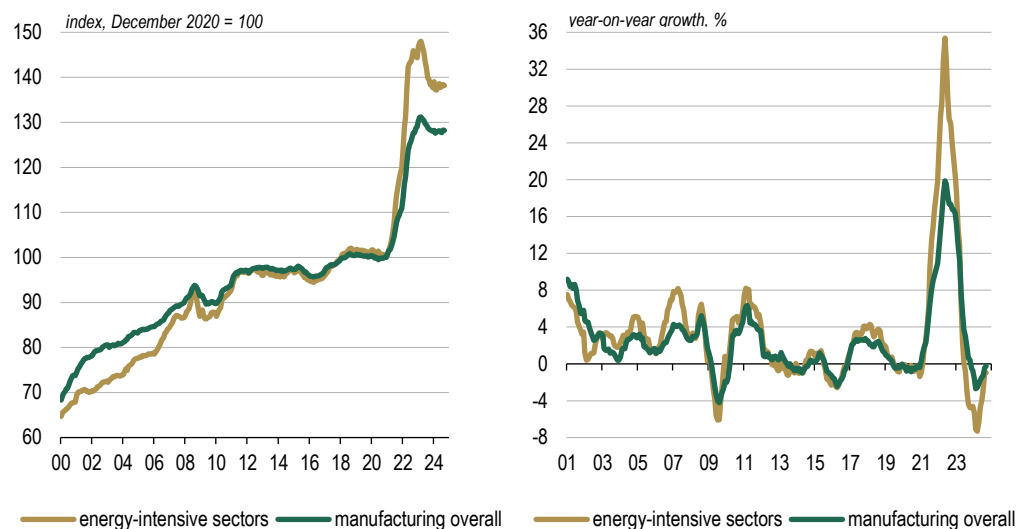
<sup>21</sup> Compared with its average between 2002 and 2023, the new orders indicator in the final quarter of 2024 was down 23.3 percentage points in the manufacture of wood and wood products (C16), 25.4 percentage points in the manufacture of paper and paper products (C17), 16.9 percentage points in the manufacture of other non-metallic mineral products (C23) and 36.6 percentage points in the manufacture of basic metals (C24), but up 14.1 percentage points in the manufacture of chemicals and chemical products (C20).

<sup>22</sup> Compared with its average between 2000 and 2023, capacity utilisation in the final quarter of 2024 was down 0.7 percentage points in the manufacture of wood and wood products (C16), 2.8 percentage points in the manufacture of paper and paper products (C17), 6.5 percentage points in the manufacture of other non-metallic mineral products (C23) and 4.6 percentage points in the manufacture of basic metals (C24), but up 0.5 percentage points in the manufacture of chemicals and chemical products (C20).

*The energy crisis drove a sharper rise in producer prices in the energy-intensive sectors compared with manufacturing overall and compared with the general rise in prices in the economy.*

After the rebooting of the economy in 2021 and the onset of the energy crisis, the aggregate index of industrial producer prices, i.e. on the domestic and foreign markets, rose significantly more sharply in the energy-intensive sectors than in manufacturing overall (see Figure 10). It rose by 48.0% between December 2020 and its peak in March 2023, compared with 31.2% in manufacturing overall. In both cases, the rise was sharper than the general rise in prices in the economy, a reflection of manufacturing's vulnerability to commodity price shocks and energy price shocks. Producer prices have fallen slightly in the last year, but in September 2024 were still significantly higher than in December 2020: they were up by 38.2% in the energy-intensive sectors, most notably in the manufacture of wood and wood products (C16), and by 28.2% in manufacturing overall.<sup>23</sup> The aggregate index of producer prices in manufacturing in August 2024 was up 24.1% on December 2020 in the euro area overall.

Figure 10: Aggregate producer price index



Sources: SORS, author's calculations; latest data: September 2024

<sup>23</sup> Slovenia's GDP deflator rose by 23.8% between the final quarter of 2020 and the second quarter of 2024, while the domestic HICP rose by 22.9% between December 2020 and September 2024.

Compared with December 2020, producer prices in September 2024 were up 52.8% in the manufacture of wood and wood products (C16), 42.3% in the manufacture of paper and paper products (C17), 30.9% in the manufacture of chemicals and chemical products (C20), 40.6% in the manufacture of other non-metallic mineral products (C23) and 33.0% in the manufacture of basic metals (C24).

Compared with December 2020, producer prices in the euro area overall in August 2024 were up 28.3% in the manufacture of wood and wood products (C16), 31.1% in the manufacture of paper and paper products (C17), 32.1% in the manufacture of chemicals and chemical products (C20), 32.2% in the manufacture of other non-metallic mineral products (C23) and 35.6% in the manufacture of basic metals (C24).

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