BANKA SLOVENIJE

EVROSISTEM

Review of macroeconomic developments

January 2025

Title: Review of macroeconomic developments

Issue: January 2025

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

The figures and text herein may only be used or published if the source is cited.

Includes data available by 17 January 2025.

The material was discussed at the meeting of the Governing Board of Banka Slovenije of
21 January 2025.

© Banka Slovenije

ISSN 2820-4751

This publication is also available in Slovene.

Contents

Summary

The economic situation in Slovenia and across the world remains uncertain moving into 2025. The domestic labour market remains tight, but there are signs of cooling, while inflation stood at 2.0% in December, up slightly on the previous month as expected.

- **The euro area economy contracted moderately in the final quarter of last year according to the survey indicators.**Growth remained stable in the service sector, despite slowing, while manufacturing activity continued to contract. The decline in the economic sentiment also continued. The renewed rise in year-on-year energy price inflation saw headline inflation in the euro area strengthen slightly in December, reaching 2.4%. Core inflation remained unchanged at 2.7% for the fourth consecutive month.
- **Most of the leading global central banks are moving ahead with easing of monetary policy.** December saw the Eurosystem make its fourth cut of the year to the interest rate on deposit facility, lowering it by 0.25 percentage points to 3.00%. Market expectations of the pace and scale of policy rate cuts by the ECB and the Fed have eased since the beginning of December. According to current overnight index swap rates, investors are expecting total cuts of 1.0 percentage points by the ECB and 0.25 percentage points by the Fed in 2025.
- **Developments on the financial markets since the beginning of December have mainly been driven by the expectations of slower interest rate cuts by the Fed.** Yields on German and US government bonds have risen, while the leading US and European stock market indices have mostly fallen from their record highs recorded in the first half of December. The US dollar has strengthened.
- **Amid variation in the developments in different sectors, the economic situation in Slovenia remained uncertain in the final quarter of last year, albeit better than a year earlier.** Performance in services and retail remained solid, driven by robust domestic consumption and tourism. Developments in industry were also relatively favourable, given the uncertainty in the international environment, while construction activity increased sharply in November after a few months of stagnation. By contrast the economic sentiment deteriorated slightly in the final quarter. This was driven in particular by downgraded assessments of order books in manufacturing, and a deterioration in consumer confidence. The nowcasts based on the available set of indicators are pointing to quarterly GDP growth of 0.5% in the final quarter. This is in line with our latest projections, which are forecasting growth of 1.4% for 2024 and 2.2% for 2025.
- **The labour market remained tight at the end of the year, although there are signs of cooling.**The persons in employment reached a record high in November. The situation remains favourable in services in particular, while the persons in employment in manufacturing is falling. Seasonal effects drove a rise in registered unemployment in December, and the surveyed unemployment rate also rose. The number of vacancies is gradually falling, but it is still higher than before the pandemic, despite the record level of the persons in employment. This is evidenced in the persistent tightness of the labour market, where wage growth remains robust.

- **The favourable developments in foreign trade seen in the previous quarter continued over the first two months of the final quarter, despite the uncertainty in the external environment.** Aggregate exports were up 4.4% in year-on-year terms according to the balance of payments figures. Merchandise exports strengthened, while services exports performed even better. By contrast aggregate imports remained broadly unchanged from the previous year, with merchandise imports declining slightly, and services imports increasing. The 12-month current account surplus amounted to EUR 3.3 billion in November, the largest figure since May 2021. It is still primarily attributable to the services trade surplus.

- **Inflation strengthened at the end of 2024, as a result of rising energy prices and higher growth in prices of processed food.** Headline inflation as measured by the HICP rose to 2.0% in December, up from 1.6% in November. The change was mainly attributable to a renewed rise in year-on-year energy price inflation, primarily as a result of a base effect in connection with the cuts in excise duties and margins on motor fuels in December 2023. Year-on-year food price inflation also rose slightly. Core inflation meanwhile fell to 2.0% (down from 2.3% in November). This was primarily attributable to slower growth in prices of other goods, while service price inflation remains elevated.

- **The state budget deficit amounted to 1.2% of GDP last year, approximately 1 percentage point less than the government forecast.** A narrowing deficit, driven by a number of temporary factors, was evident not only in the state budget, but also in the consolidated fiscal figures and in the general government accounts. General government revenues were driven up last year by the buoyant labour market, and also by legislative changes, most notably in connection with the financing of the post-flood reconstruction and the transformation of the health insurance contribution. Meanwhile growth in general government expenditure was curtailed by the gradual abolition of extraordinary measures to mitigate high energy prices and by a contraction in investment following the end of the previous European financial framework. The general government debt continued its decline as a ratio to GDP, reaching 66.9% at the end of the third quarter.

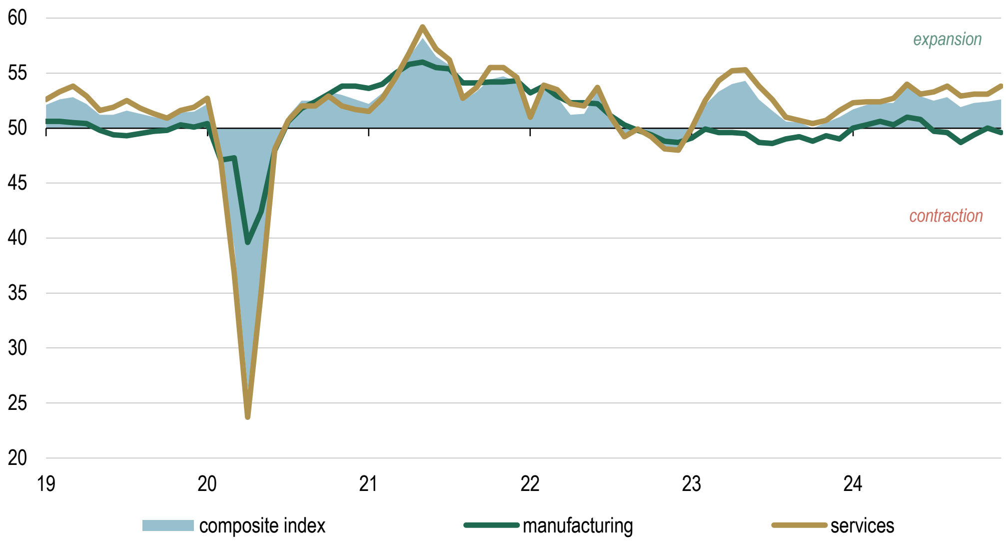
1 International Environment

The global economy was again growing in late 2024, judging by the survey data. Performance in the major economies continued to vary greatly.

The global PMI in the final quarter remained broadly unchanged from the third quarter (see Figure 1.1). While the manufacturing PMI again slid into the zone of contraction in December at 49.6 points, the services PMI strengthened to 53.8 points and continued to point to growth. The composite indicator also remained in the zone of expansion at 52.6 points. Having begun in early 2023, the trend of divergence between the sectors thus continued at the end of last year.

Performance in the major global economies again varied in December. The composite PMI increased in the US, hitting 56.6 points amid strong growth in services.[1] Modest economic growth was signalled in the UK and Japan, with composite PMIs of around 50.5 points, while the euro area was the only advanced economy to lie in the zone of moderate contraction (49.6 points). The composite PMI in India hit almost 60 points, the highest figure of all the major economies. Moderate growth was indicated in China, Russia and Brazil, with indices of around 51.5 points, based on both sectors.

Figure 1.1: **JPMorgan PMI for the global economy**



Sources: Bloomberg, Banka Slovenije calculations. Latest data: December 2024

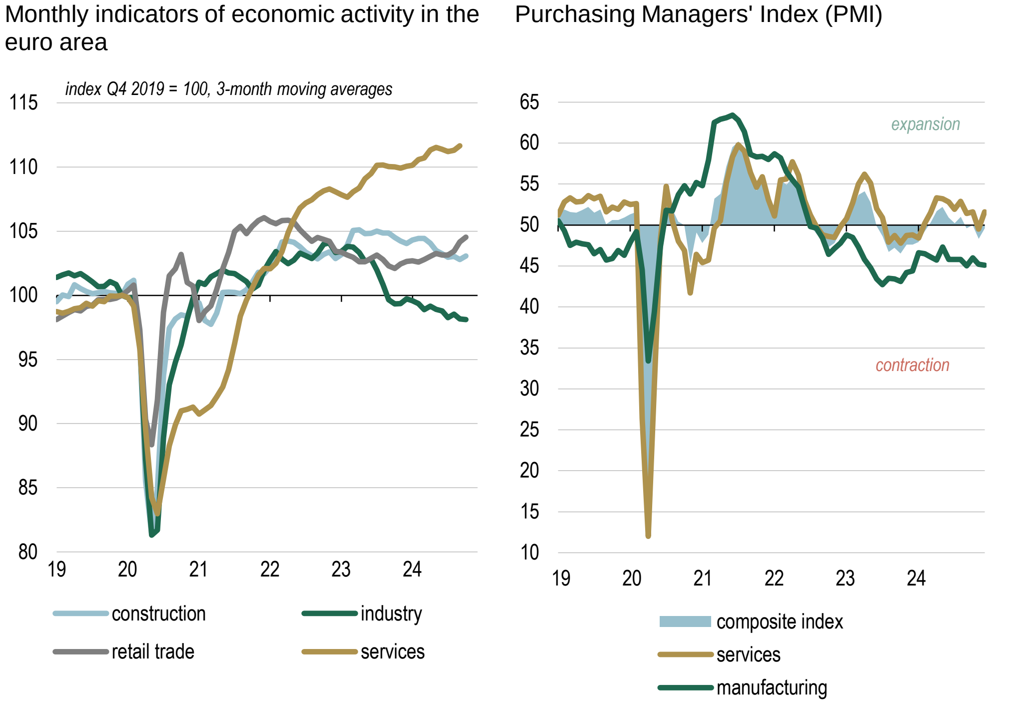
The composite indicator of economic activity for the euro area was pointing to a moderate contraction at the end of 2024. The divergence between services and manufacturing was maintained.

The current developments as measured by the monthly indicators of economic activity were still displaying differences between the sectors in October of last year: economic activity in the euro area was mainly being driven by services, while manufacturing was

[1] By contrast, the manufacturing PMI has been in the zone of contraction since July.

continuing to act as a brake. This was also evidenced in output, where the largest increase relative to the pre-pandemic level was recorded by services, while output in industry is still down on its pre-pandemic level (see Figure 1.2, left).

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



Sources: Eurostat, Bloomberg, Banka Slovenije calculations. Latest data, left chart: October 2024; services: September 2024; right chart: December 2024
Note: The left chart illustrates real indices for retail turnover excluding motor vehicles, industrial production, the amount of construction put in place, and services excluding financial activities, all calendar-adjusted.

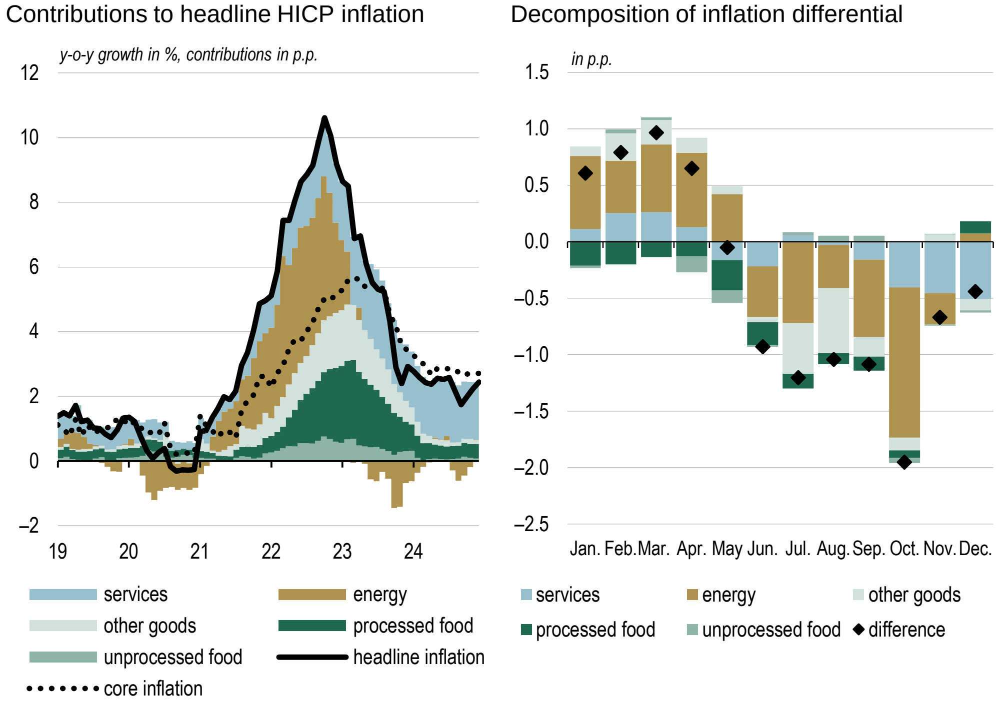
A similar picture is painted by the PMIs, which in December stood in the zone of expansion for services (51.6 points) and the zone of contraction for manufacturing (45.1 points; see Figure 1.2, right). The contraction in manufacturing was the driver of the decline in the indicator of general economic activity in Germany, France and Italy. The aggregate PMI for the euro area also remains in the zone of contraction, at 49.6 points.

Similarly, the European Commission's economic sentiment indicator fell to 93.7 points in December. The deterioration was primarily attributable to a further decline in the sentiment in industry, which is more than 10 percentage points below its long-term average. By contrast the ZEW economic sentiment index surprised slightly on the upside, hitting 17 points, which indicates that slightly more investors and analysts in the euro area are optimistic about the medium-term economic outlook.

Headline inflation in the euro area strengthened slightly again in December, largely as a result of a rise in year-on-year energy price growth.

Headline inflation in the euro area as measured by the HICP stood at 2.4% in December, up slightly on the November figure of 2.2%. Energy price inflation was the main factor in the rise in headline inflation. After falling for several months, energy prices returned to positive year-on-year growth in December (0.1%). This increased their contribution to headline inflation in December by 0.2 percentage points relative to November. The rise in energy price inflation is primarily attributable to a base effect, but also to a lesser extent reflects current price rises. Conversely, food price inflation in December was unchanged from November at 2.7%, although this conceals changes in the sub-categories. Growth in prices of unprocessed food stood at 1.7%, down 0.5 percentage points on November. By contrast, year-on-year growth in prices of processed food stood at 2.9% in December, up 0.1 percentage points on November. The changes in year-on-year growth in both sub-categories were driven mainly by a base effect, with slowdown in prices of unprocessed food being slightly deepened by current price falls (see Figure 1.3, left).

Figure 1.3: **Inflation in the euro area, and decomposition of difference in headline inflation between Slovenia and the euro area in 2024**



Sources: SURS, Eurostat, Banka Slovenije calculations. Latest data: December 2024

Core inflation excluding energy and food stood at 2.7% in December. It thus remained unchanged for the fourth consecutive month, and has exceeded headline inflation in the euro area since the summer of 2023. A faster slowdown is being prevented by stubborn service price inflation, which stood at 4.0% in December, up 0.1 percentage points on November as a result of current price rises. This meant that it was broadly unchanged across 2024, and was mainly kept at relatively high levels by domestic factors related to the pass-through of higher labour costs into final prices. Despite the stubbornly high year-on-year services price growth rate and the current rises in services prices, the service price inflation momentum indicator[2] is pointing to a gradual easing of price pressures (see Figure 6.1, right). Conversely, developments in prices of non-energy industrial goods (henceforth referred to as other goods) are reducing core inflation, as the effects of past shocks have almost entirely dissipated. Year-on-year growth in prices of other goods slowed by 0.1 percentage points to 0.5% in December, and was thus comparable to its pre-pandemic average.[3]

Headline inflation in the euro area stood at 2.4% in 2024, down 3.1 percentage points on 2023. The change was driven primarily by lower growth in prices of food and other goods, whose respective rates of 2.9% and 0.8% were down 7.9 and 4.1 percentage

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

[3] Year-on-year growth in prices of other goods in the euro area averaged 0.5% between 2005 and 2019.

points on the previous year, although the slowdown in service price inflation (from 4.9% in 2023 to 4.0% in 2024) was also a factor in the fall in headline inflation. The contribution by energy prices remained unchanged.

Headline inflation was lower in Slovenia than in the euro area overall in December for the eighth consecutive month. The inflation differential has nevertheless been narrowing in recent months. While headline inflation in the euro area overall was 2.0 percentage points higher in October, the gap had narrowed to 0.4 percentage points by December. The divergence in October was mainly attributable to the lower contribution by energy price inflation, which had mostly dissipated by December. In December, the maintenance of lower inflation in Slovenia was largely attributable to the lower contribution by service price inflation (see Figure 1.3, right). By contrast, the gap in core inflation widened in December: the rate in Slovenia was 0.7 percentage points lower than in the euro area overall, up from a gap of 0.4 percentage points in October.

2 Monetary Policy and Financial Markets

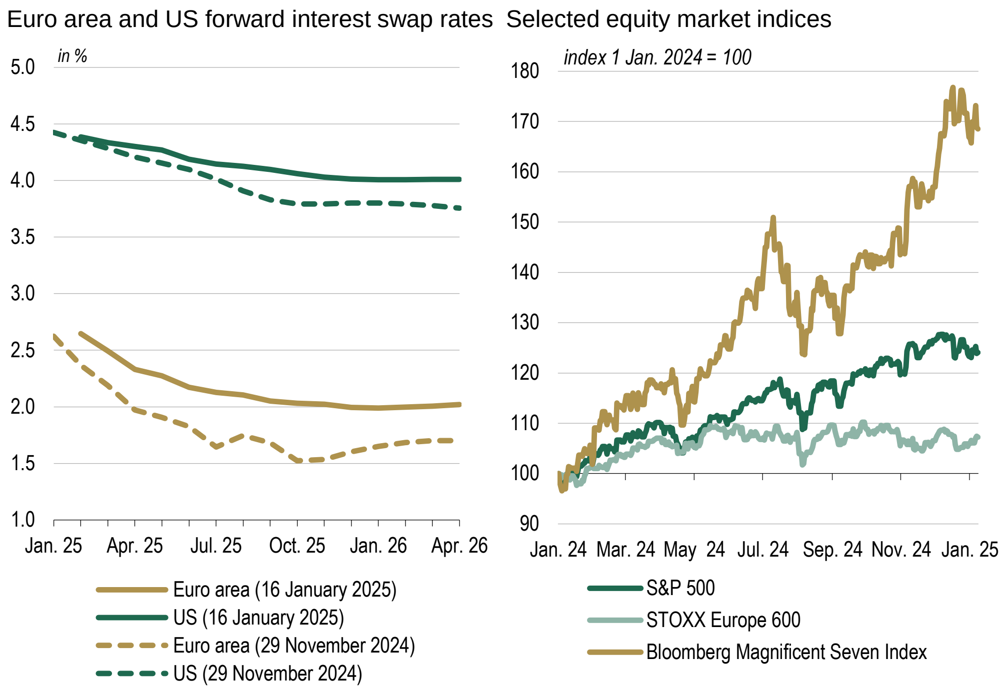
Most of the major global central banks are moving ahead with easing of monetary policy. In December, the Eurosystem cut the interest rate on the deposit facility by 0.25 percentage points, bringing it to 3.00%.

December saw the Eurosystem cut all three key interest rates for the fourth time in 2024, again by 0.25 percentage points. This reduced the interest rates on the deposit facility to 3.00%, on main refinancing operations to 3.15% and on the marginal lending facility to 3.40%. The decision to cut rates was based on the latest macroeconomic projections. The disinflation process remains on track with expectations, and most core inflation criteria indicate that inflation will stabilise near the Governing Council's 2% target rate over the medium term. Eurosystem experts are forecasting headline inflation in the euro area to average 2.4% in 2024, 2.1% in 2025, 1.9% in 2026 and 2.1% in 2027.

The Fed cut its key interest rates for the third consecutive time in December, by 0.25 percentage points to the corridor between 4.25% and 4.50%. According to FOMC's dot plot of policy rate projections, members expect an additional cummulative reduction of 0.50 percentage points in total in 2025, and an equivalent amount in 2026. The Swedish central bank also reduced its key interest rate by 0.25 percentage points in December (to 2.50%), while cuts of 0.50 percentage points were made by the central banks of Canada (to 3.25%) and Switzerland (to 0.50%).

Market expectations for the pace and scale of policy rate cuts by the ECB and the Fed have eased since the beginning of December. This was attributable to improved economic data in the US and more cautious statements by ECB and Fed officials in the direction of a more gradual easing of monetary policy. According to current overnight index swap (OIS) rates, the expectations for 2025 are for four further cuts to the ECB's key interest rates (each of 0.25 percentage points), taking the interest rate on the deposit facility to 2.00%. For the Fed, the markets are expecting only one further interest rate cut in 2025 of 0.25 percentage points with certainty (see Figure 2.1, left), taking the rate to the corridor between 4.00% and 4.25%.

Figure 2.1: **OIS curves and developments in stock market indices**



Sources: Bloomberg, Banka Slovenije calculations. Latest data, right chart: 16 January 2025
Note: In the right chart the Magnificent Seven comprise Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla.

Yields on German and US government bonds have risen since the beginning of December, while the majority of US and European stock market indices have fallen. The US dollar has meanwhile strengthened.

Under the influence of reduced expectations with regard to the pace and scale of key interest rate cuts by the ECB and the Fed, yields on bonds in both monetary zones have risen since the beginning of December, with a more pronounced increase at longer maturities. Yields on short-term German government bonds have risen by 0.31 percentage points since the beginning of December, while yields on long-term bonds have risen by 0.50 percentage points. The markets moved similarly in the US: yields rose by 0.13 percentage points on short-term government bonds, and by 0.50 percentage points on long-term bonds. The rise in market yields on euro area bonds with higher credit risk was slightly less pronounced during this period, despite the increased political uncertainty in France and Germany.

The declining expectations with regard to the easing of monetary policy by the ECB and, even more so, by the Fed also had an impact on stock market indices in Europe and the US. These fell from the record levels reached in the first half of December amid the expectations of a more favourable economic environment under the new US administration. The main US index (S&P 500) and the Magnificent Seven index (see Figure 2.1, right) are currently down 2.3% and 3.7%, respectively, from their record highs. Similarly the leading European index (STOXX Europe 600) has fallen by 0.5% from its peak in mid-December. Stock market indices in China have not changed significantly since the beginning of December. While they have been supported by the strengthened expectations that the Chinese authorities will introduce larger stimulus measures in 2025, they have also been weakened by the uncertainty surrounding a potential trade war with the US.

The rising expectations that the Fed might maintain a more restrictive monetary policy, thereby diverging further from monetary policy stances of other major central banks in the future, drove a rise in the US dollar against the majority of global currencies. Since the beginning of December, it has appreciated 2.9% against the euro, and 2.6% against a basket of major global currencies. The price of gold has risen slightly since the beginning of December, however, due to the US dollar's appreciation, gold remains 2.7% below the record high reached in October of last year (almost USD 2,800 per ounce).

The price of Brent crude has risen by almost 13.8% since the beginning of December. While heightened expectations of larger stimulus measures to support the Chinese economy has supported the price increase, additional factors in January included the increased oil demand in the US caused by heavier snowstorms, and the introduction of US sanctions against the Russian energy industry.

3 Domestic Economic Activity

The economic situation in Slovenia remained uncertain moving into the new year, albeit better than a year earlier. There was little change in the economic sentiment indicator at the end of the year.

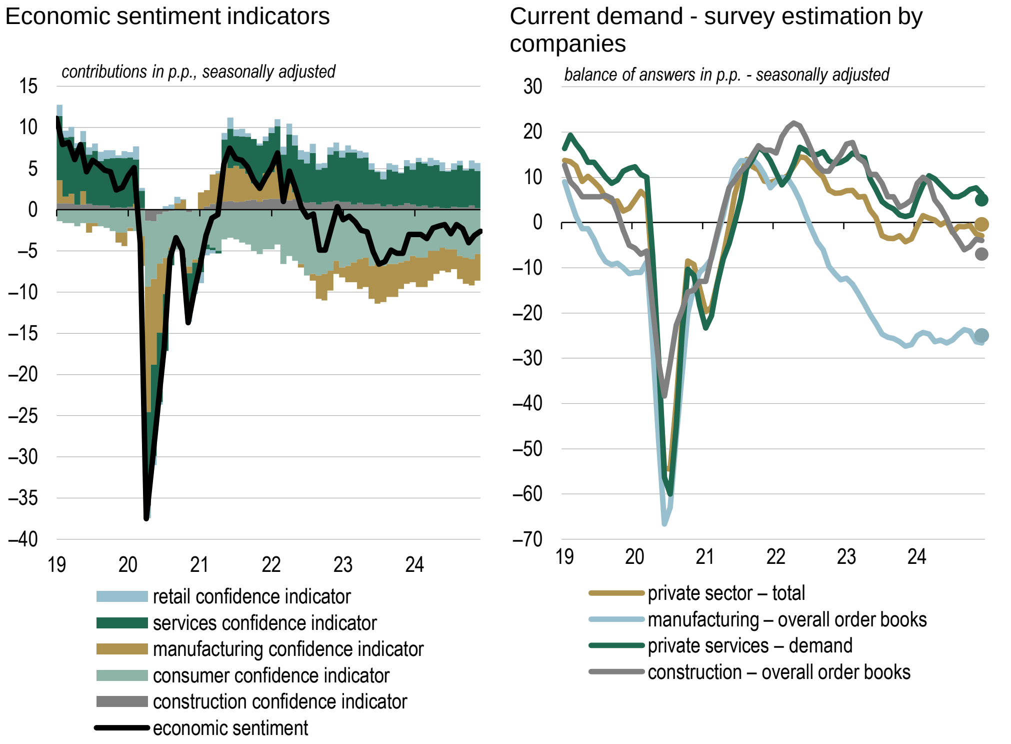
Economic sentiment at the end of the year remained similar to its levels in the previous months, although it was up slightly in year-on-year terms (see Figure 3.1, left). The confidence in retail improved in the final quarter of last year, while the confidence in manufacturing and among consumers worsened amid geopolitical tensions. In an environment of uncertain economic conditions and low demand, the decline in manufacturing confidence was driven in particular by a deterioration in the assessment of order books (see Figure 3.1, right). Manufacturing firms' employment expectations were accordingly weaker at the end of the year.

After two years of improvements, consumer confidence declined in the final quarter as a result of worsening expectations of the economic situation in Slovenia. According to the latest data, households are also more pessimistic with regard to their future financial situation, and are therefore more inclined toward saving.

The situation in construction remains stable, despite December's deterioration in confidence in connection with a decline in order books and the employment outlook. Although the confidence remained relatively good, the outlook in services other than retail deteriorated slightly, with a growing number of firms facing low demand. In the wake of a decline in orders and the difficulties in connection with high labour costs and energy costs, the number of corporate bankruptcies in the second half of the last year was also up in year-on-year terms.[4]

[4] The average number of declarations of bankruptcies of legal units between July and November was up 30.6% in year-on-year terms, although it was still almost 11% lower than the average over the last ten years.

Figure 3.1: **Economic sentiment and demand**



Sources: SURS, Banka Slovenije calculations. Latest data: December 2024
Note: In the right chart the aggregate indicator is calculated by means of shares in value-added. Three-month moving averages are illustrated, with the exception of the dots, which are the latest figures.

Developments in industry remained relatively favourable in the early part of the final quarter of last year, despite the uncertainties in the international environment.

After a strong October, aggregate industrial production in November was down in monthly terms (by 1.4%) and in year-on-year terms (by 3.3%), although its average growth over the two months in question was solid compared with the difficulties in European industry (see Figure 3.2, left). Year-on-year growth in manufacturing output stood at 3.9%, with high-technology recording the largest increase in output of any of the technological complexity categories. Alongside the challenges faced by the car industry, the largest year-on-year declines over the first two months of the final quarter could be seen in the manufacture of leather, the manufacture of motor vehicles and other transport equipment, and the manufacture of computer, electronic and optical products.

The robust domestic consumption was reflected in solid year-on-year growth in turnover in private-sector services at the end of the year.

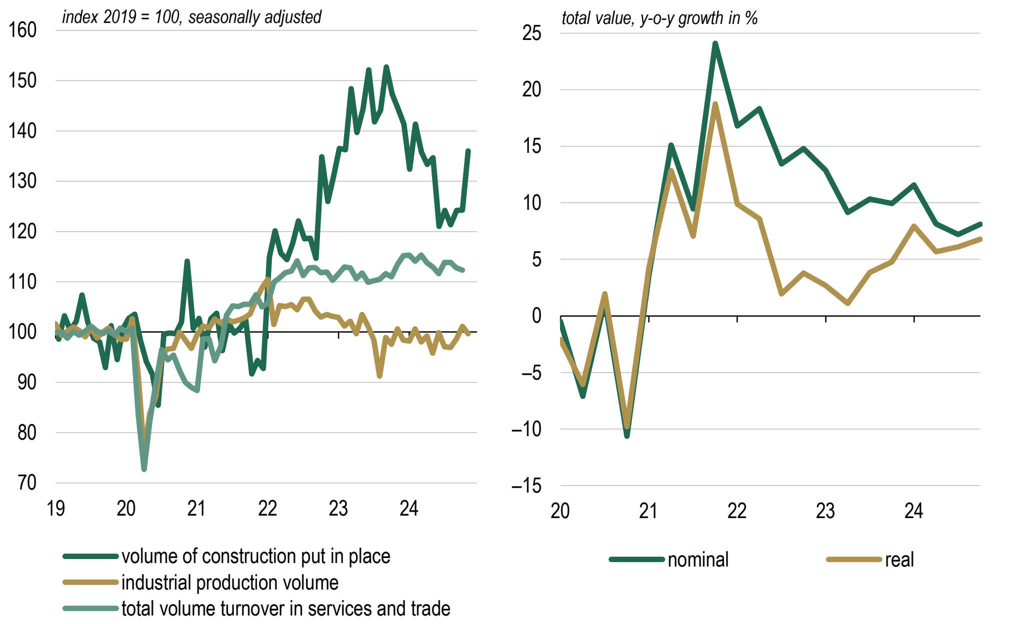
Total volume turnover in services and retail, which were the main driver of domestic economic growth last year, was down 0.4% in monthly terms in October, although it was up 3.2% in year-on-year terms (see Figure 3.2, left). The initial figures suggest that consumption continued to grow over the remainder of the year, thanks to good performance in tourism and further growth in the total wage bill.[5] Year-on-year growth in the total real value of card payments and ATM withdrawals slowed to 3.8% in December, but still averaged almost 7% over the final quarter (see Figure 3.2, right).

After several months of stagnation, construction activity increased sharply in November.

High monthly growth in the amount of construction put in place was seen in all construction segments in November, the aggregate rate reaching 9.5% (see Figure 3.2, left). The high base from 2023 meant that the amount of construction put in place was still down in year-on-year terms, but the contraction diminished by 9.9 percentage points between October and November to 4.2%. The level of construction activity thus remains very high. In November it was up 36.1% on its average in 2019, i.e. the pre-pandemic level (see Figure 3.2, left). Construction costs are continuing to rise more slowly than residential real estate prices, which is increasing the profitability of housing investment. Given the modest number of transactions, this is only slowly being reflected in potential supply as the number of newly issued building permits remains relatively low, while growth in the floorspace of residential buildings was more favourable in the second half of last year.

Figure 3.2: **Economic activity indicators**

Monthly economic activity indicators | Card payments and ATM withdrawals



Sources: Bankart, SURS, Banka Slovenije calculations. Latest data, left chart: November 2024; real turnover in retail and services: October 2024; right chart: Q4 2024
Note: The HICP deflator is used to calculate real growth rates in the right chart.

[5] The number of overnight stays in November was up 14.4% in year-on-year terms, while the real net wage bill (HICP deflator) was up 5.4% in October.

Box 3.1: **Nowcasts for GDP growth in the final quarter of 2024**

The average nowcast for quarterly GDP growth in the final quarter of last year is 0.5%.

The current nowcast for quarterly GDP growth in the final quarter of 2024 stands at 0.5% (see Figure 3.1.1, left). The forecast reflects the slightly less favourable current developments in the survey indicators, particularly in October, while the data for November and December was more encouraging. The average economic sentiment over the final quarter was nevertheless down 0.9 percentage points on the previous quarter. This was attributable to deteriorations in consumer confidence (of 0.7 percentage points), and in manufacturing and services confidence (0.5 percentage points and 0.2 percentage points respectively). Confidence improved by contrast in retail (by 0.2 percentage points) and in construction (0.1 percentage points).

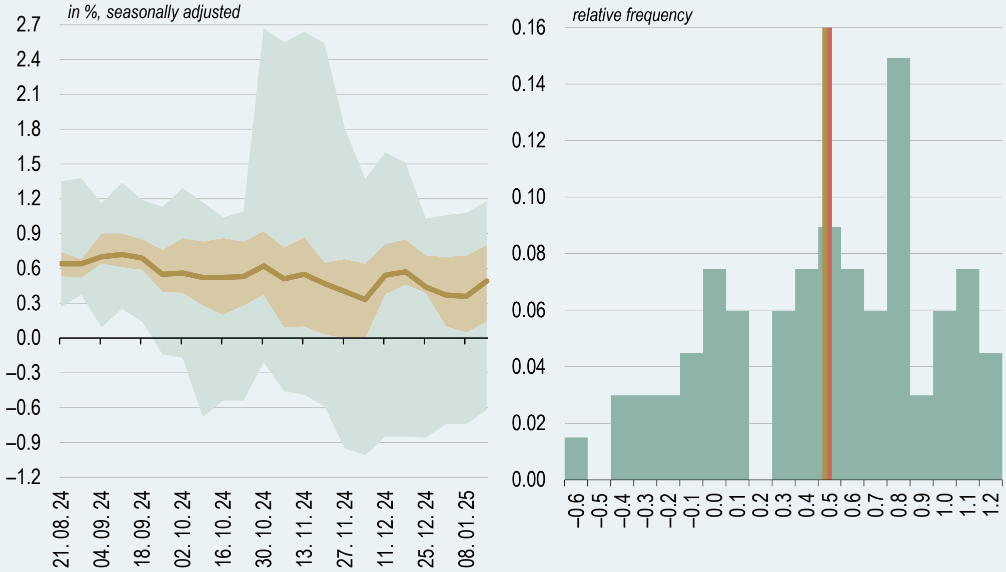
The leading indicators of economic activity are currently available mainly for October. Industrial production was up 2.5% in monthly terms, with growth broadly based across all segments of industry. The monthly decline in output in November (of 1.5%) was attributable to a decline in activity in manufacturing. Production in services and retail declined by 0.4% in October. The deterioration was driven by a decline of 1.6% in services.

The diverse dataset of high-frequency indicators is also reflected in the chart showing the distribution of nowcasts (see Figure 3.1.1, right). The range based on the 25th and 75th percentiles of the distribution currently lies between 0.1% and 0.8%.

Figure 3.1.1: **Nowcasts for GDP growth**

Model estimates of quarterly GDP growth – Q4 2024

Histogram of quarterly GDP growth estimates Q4 2024



Source: Banka Slovenije calculations

Note: The left chart illustrates 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 forecasts. The line represents the average nowcast for GDP growth in the final quarter of 2024. The right chart illustrates the distribution of the nowcasts for quarterly GDP growth in the final quarter of 2024. 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 forecast. Nowcast date: 15 January 2025.

4 Labour Market

The persons in employment was continuing to rise at the end of last year, the labour market thus remaining very tight.

The persons in employment hit 948,444 in November, a new high (see Figure 4.1, left). According to the survey data, firms are still relatively positive in their outlook, with an expectation of further hiring over the next three months. The exception was in manufacturing, where for more than a year now firms have had no expectation of further hiring, which is evidenced in the gradual decline in the number of employees.

Meanwhile construction firms are continuing to report labour shortages. Although these have eased in all sectors in the last year, they are still larger than before the pandemic. Further evidence of the high level of labour shortages comes from the survey data of the Employment Service of Slovenia, with fully half of the surveyed employers facing this limiting factor in the second half of 2024.[6] Meanwhile longer-term structural changes related to demographics lie in the background of the Slovenian labour market. This means that the labour market remains tight, despite the slowdown in demand for labour evidenced in the falling vacancy rate.

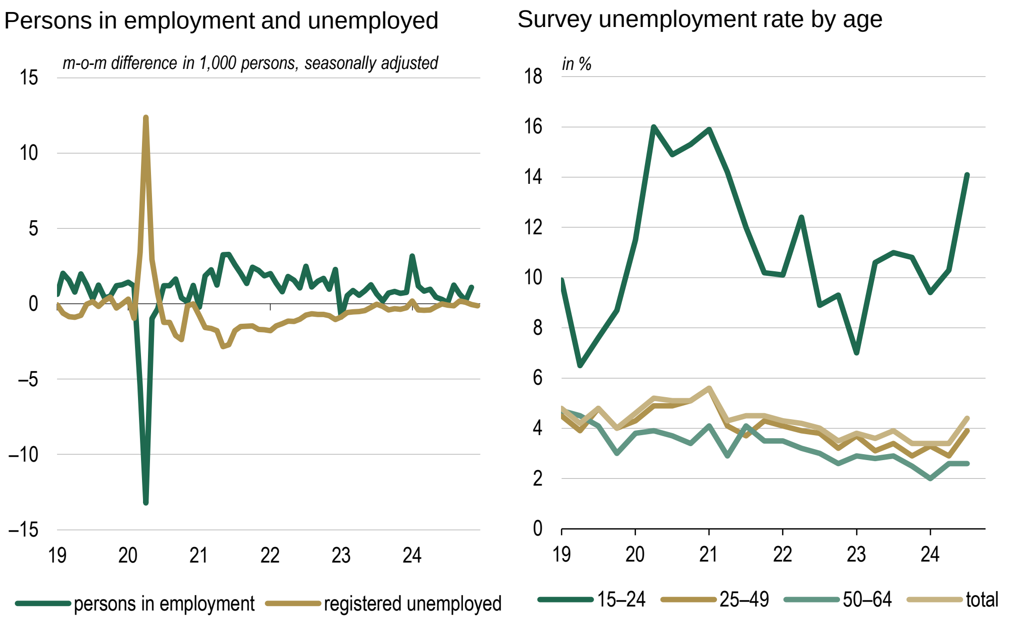
The number of registered unemployed remains low, but the surveyed unemployment rate is showing signs of a cooling labour market.

Seasonal factors saw the number of registered unemployed rise to 47,038 in December of last year, but the seasonally adjusted figure fell (see Figure 4.1, left). The registered unemployment rate stood at 4.6% in October of last year according to the latest figures, just 0.2 percentage points higher than its record low. Meanwhile the developments in the surveyed unemployment rate present the reverse picture: it rose by 1 percentage point in the third quarter to reach 4.4%. Based on the monthly unemployment rate figures, the expectation is for it to have risen further in the final quarter of the year.

More detailed analysis of the developments in the surveyed unemployment rate across age groups reveals that the largest increase was seen among the younger population, with those aged 15 to 24 seeing their rate rise from 10.3% to 14.1% (see Figure 4.1, right). Our assessment is that a trend of this kind mainly reflects reduced demand for student work during the summer months. A rise in the youth unemployment rate might therefore be indicative of a rise in the number of people seeking but not finding student work. Here it should be noted that the statistics are based on sampling, and interpretation of the developments is thus less reliable.

[6] Employment Preview, Employment Service of Slovenia, December 2024.

Figure 4.1: **Selected labour market indicators**



Sources: SURS, Banka Slovenije calculations. Latest data, left chart: registered unemployment: December 2024; persons in employment: November 2024; right chart: Q3 2024

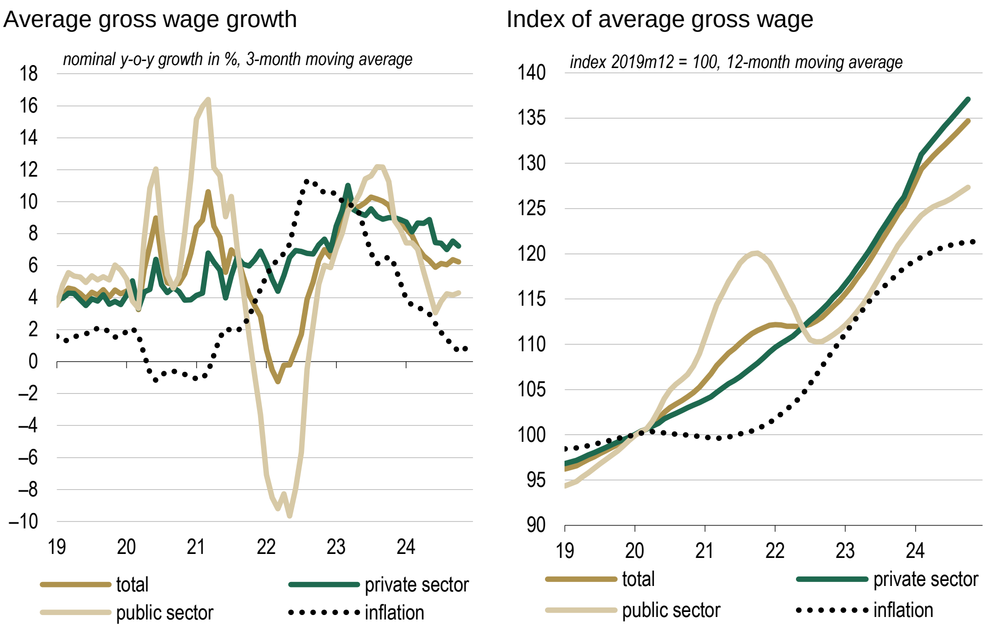
The persistent tightness of the labour market and the effects of past inflation are sustaining relatively high wage growth.

Year-on-year growth in the average gross wage stood at 6.8% in October, up slightly on the previous month. Growth thus remains robust, and higher than its long-term average. It is mainly being driven by the private sector, where the rate stood at 7.9% in October, compared with 4.7% in the public sector (see Figure 4.2). Wages are continuing to rise, largely on account of the very tight labour market and the delayed effects of the past high inflation, which are gradually waning as inflation slows. October's inflation rate of zero drove real wage growth to the heights of 6.8%. Real wage growth is expected to have slowed at the end of the year, with inflation in November and December averaging 1.8 percentage points more than in October.

The robust wage growth seen in the last few years, which is being reflected in high growth in unit labour costs (ULCs), was also identified by the European Commission in its alert mechanism report of last December.[7] The three-year change in ULCs in Slovenia hit 15.2% in 2023, thereby exceeding the indicative threshold of 9%, which is indicative of increased macroeconomic imbalances in this metric, similarly to 20 other EU Member States.

[7] 2025 European Semester: Alert Mechanism report - European Commission.

Figure 4.2: **Average gross wage per employee**



Sources: SURS, Banka Slovenije calculations. Latest data: October 2024; inflation: December 2024

5 Current Account

Developments in foreign trade remained favourable over the first two months of the final quarter, with exports of merchandise and services recording growth of 4.4%. Aggregate imports remained approximately unchanged from a year earlier, on account of a decline in energy imports.

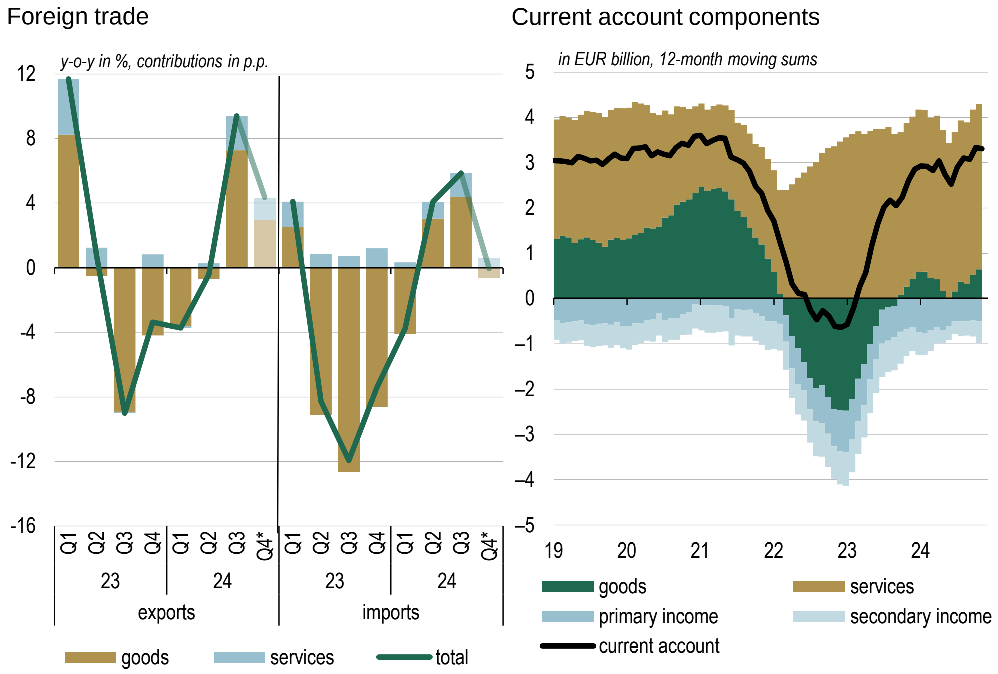
Following the somewhat subdued export activity in the first half of last year, developments in foreign trade were more encouraging in the third quarter. This trend continued in the first two months of the final quarter, although the situation in the external environment remained uncertain. Merchandise exports over the first eleven months of 2024 were up 1.7%, while services exports were up 3.9%. Meanwhile merchandise imports were up by 1.1% over the same period, while services imports were up 4.8%.

Nominal aggregate exports in October and November according to the balance of payments figures were up 4.4% in year-on-year terms, having increased by 9.4% in the third quarter (see Figure 5.1, left). Growth in exports of services strengthened in particular to reach 6.5%, driven above all by other business services and telecommunication services (contributions of 4.0 and 2.1 percentage points respectively). The largest year-on-year increase in value terms was recorded by services exports to Switzerland (mainly other business services), while Austria was alone among Slovenia's main trading partners in seeing positive export growth (1.1%).[8]

[8] Services exports declined to Italy (by 1.8%), Germany (by 3.1%) and Croatia (by 4.3%).

Merchandise exports over October and November were up 3.8% in year-on-year terms, which according to the SURS figures[9] was driven by exports of chemical products[10] and exports of machinery and equipment (the largest component of which was exports of electrical machinery and telecommunications equipment). Sales to Slovenia's largest trading partners remained relatively modest: exports to Italy and Austria continued to decline, while exports to Germany over the first two months of the final quarter were up 3.4% in year-on-year terms and exports to Croatia were up 1.9%. Of the major export markets, merchandise exports to Switzerland, Spain and Russia all strengthened.[11]

Figure 5.1: **Foreign trade and current account**



Source: Banka Slovenije. Latest data: November 2024
Note: * The data for the final quarter of 2024 in the left chart consists of the average over October and November.

According to the balance of payments figures, aggregate imports of merchandise trade and services in October and November were approximately unchanged from a year earlier, with merchandise imports declining slightly (by 0.8%) and services imports rising by 3.5%. Transport services contributed 4.5 percentage points to this growth, while imports of other business services and other services fell.[12] In terms of the geographical breakdown, the largest contribution to the growth in services imports came from imports from the Netherlands, where the main increase was in other business services and transport services, and also imports from Italy, most notably travel services.[13] Services imports have been rising in year-on-year terms since March 2021.

[9] The foreign trade data in balance of payments of Banka Slovenije and SURS foreign trade data are not entirely comparable, as they are based on different methodologies of capture. The main difference between them is that the balance of payments data takes account of a change of ownership, while the SURS's foreign trade data takes account of the crossing of borders. Analysis of changes from the perspective of geographical breakdown can be conducted using both sets of statistics, while analysis of changes in the breakdown of goods can only be done with the SURS statistics.

[10] Excludes exports of medical and pharmaceutical products and exports of organic chemical products to Switzerland.

[11] Primarily exports of medical and pharmaceutical products.

[12] Other services: insurance and pension services, financial services, charges for use of intellectual property, personal, cultural and recreational services, and government goods and services.

[13] Services imports were also up slightly in year-on-year terms from Croatia (by 2.9%) and Germany (by 1.4%), but declined from Austria (by 3.6%).

Merchandise imports over the first two months of the final quarter according to the balance of payments figures were down slightly in year-on-year terms, primarily on account of a decline in energy imports.[14] Imports of other categories of products were up by contrast, with chemical products recording the largest increase in value terms.[15] In the geographical breakdown the largest increases in merchandise imports in value terms were in those from Germany and Spain. Of Slovenia's largest trading partners, merchandise imports from Austria also increased slightly, while those from Italy and Croatia declined.

The 12-month current account surplus amounted to EUR 3.3 billion in November, the largest figure since May 2021 (see Figure 5.1, right). It was still largely attributable to the services trade surplus, which remained at a similar level to 2023 at EUR 3.7 billion. The largest components were the surpluses in transport services (EUR 1.7 billion), travel services (EUR 0.8 billion) and construction services (EUR 0.5 billion). The year-on-year increase in the 12-month current account surplus in the amount of EUR 0.7 billion was the result of an increase of around EUR 0.4 billion in the merchandise trade surplus, and a decline of EUR 0.3 billion in income. The largest factor increasing the 12-month merchandise trade balance was energy exports, while the largest factor reducing it was imports of chemical products.[16]

6 Inflation

December's rise in headline inflation was primarily attributable to the impact of various measures relating to energy prices.

Year-on-year consumer price inflation as measured by the HICP rose to 2.0% in December, up from 1.6% in November. The rise in headline inflation was driven by the change in year-on-year energy price growth, which turned positive for the first time since May of last year at 0.7% in December (up from -3.6% in November). Alongside current price rises, the year-on-year rise in energy prices was primarily attributable to a base effect related to the cuts in excise duties and margins on motor fuels made in December 2023. Energy prices accounted for 0.6 percentage points of the change in headline inflation. Food price inflation also rose in December, and at 2.7% was up 0.4 percentage points on November. This was primarily driven by higher growth in prices of processed food (3.2% in December, compared with 2.5% in November), in particular dairy products and baked products. By contrast, year-on-year growth in prices of unprocessed food slowed to 1.0% in December, down 0.7 percentage points on the previous month (see Figure 6.1, left).

Core inflation excluding energy and food fell slightly: it stood at 2.0% in December, down 0.3 percentage points on November. This was driven mainly by slower growth in prices of other goods (most notably pharmaceutical products and clothing), which was

[14] Energy imports were down 20.9%. All types of energy imports declined, with the largest falls in value being recorded by oil and refined petroleum products, in particular from Italy, Saudi Arabia and India.

[15] Excludes imports of medical and pharmaceutical products from Switzerland, and imports of organic chemical products from Switzerland, China and India.

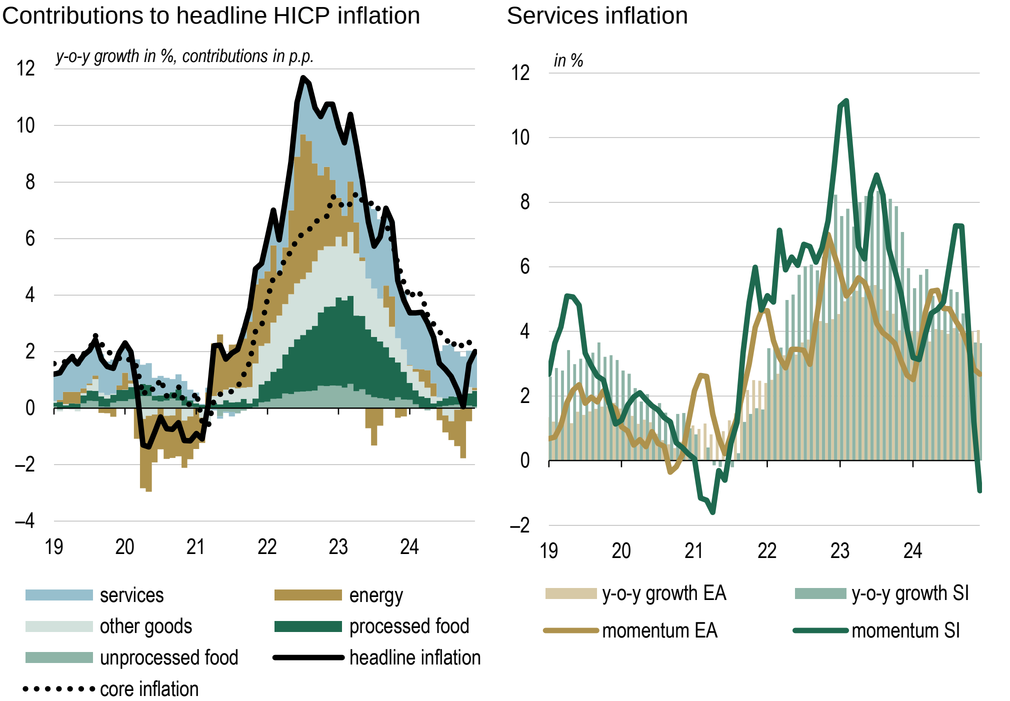
[16] See notes 10 and 15.

down 0.7 percentage points in November at 0.1%, thereby reducing headline inflation by 0.2 percentage points in December.

Current price falls also saw service price inflation slow slightly in December (from 3.7% in November to 3.6%), having long been the main factor in headline inflation on account of domestic factors related to the pass-through of higher labour costs into final prices. Although service price inflation remains elevated, the service price inflation momentum indicator fell to its lowest level since 2021 in December, an indication of the gradual waning of price pressures in this category (see Figure 6.1, right).

Headline inflation stood at 2.0% in 2024, in line with our latest projections, and down 5.2 percentage points on 2023. The slowdown in headline inflation was driven mainly by changes in food price inflation and in growth in prices of other goods, which, at 1.9% and 0.6%, respectively, were down 9.9 percentage points and 4.8 percentage points on 2023. The slowdown in service price inflation (from 7.7% in 2023 to 4.8% in 2024) and the reversal in energy price inflation (from 2.2% in 2023 to -2.3% in 2024) also acted to a lesser extent to slow headline inflation. Tax changes also had an impact on inflation last year: without June's rise in excise duties on tobacco products and the changes in excise duties on refined petroleum products, annual consumer price inflation would have been 0.3 percentage points lower.

Figure 6.1: **Inflation in Slovenia and comparison of service price inflation momentum in Slovenia and the euro area**



Sources: SURS, Eurostat, Banka Slovenije calculations. Latest data: December 2024
Note: The inflation momentum indicator is calculated as the annualised rate of growth in the seasonally adjusted service price index by comparing the level of prices in the last three months with those from the preceding three months.

7 Fiscal Position

As expected, last year's state budget deficit was smaller than forecast by the government in September of last year.

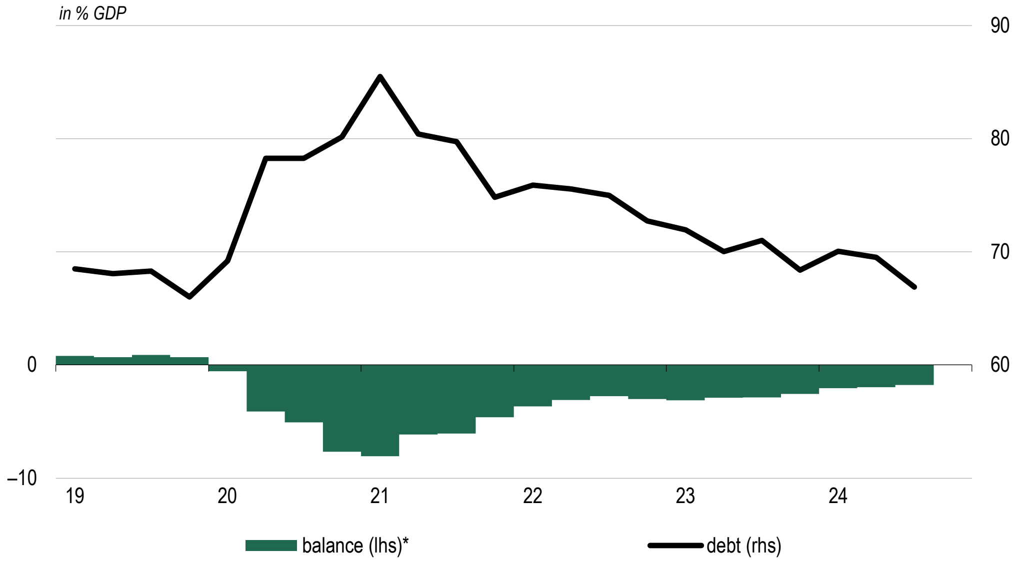
According to the Ministry of Finance's initial data, the state budget deficit amounted to 1.2% of GDP in 2024. This was significantly less than the government's forecast of 2.1% of GDP from September of last year.

The consolidated fiscal data under the cashflow methodology disclose a deficit of EUR 486 million or 0.8% of GDP over the first eleven months of the year (compared with 1.8% of GDP in the same period of the previous year). The year-on-year growth in tax revenues supported by a labour market situation that is favourable to the public finances slowed slightly in the second half of the year, primarily as a result of slower growth in personal income tax and taxes on consumption. Meanwhile growth in social security contributions and corporate income tax remained high, the first as a result of the conversion of the supplementary health insurance into obliagatory contribution, and the second as a result of the five-year rise in corporate taxation rates for the purpose of financing post-flood reconstruction. Growth in non-tax revenues also strengthened, likewise in connection with raising funds for post-flood reconstruction (a rise in SDH profit distributions) and higher dividend payments into the state budget. Growth in expenditure gradually slowed over the first eleven months of the year, as a result of a decline in investment and in payments to mitigate extraordinary developments related to the rise in energy prices.

The general government deficit also remained narrower in year-on-year terms in the third quarter of last year, with growth in revenues continuing to outpace growth in expenditure despite its slowdown.

The general government deficit according to the ESA methodology amounted to EUR 686 million or 1.4% of GDP over the first three quarters of the year, 1 GDP percentage point less than in the same period of the previous year. Although it was gradually slowing, growth in revenues outpaced growth in expenditure, at 8.6% versus 6.0%. The running 12-month deficit amounted to 1.8% of GDP at the end of the third quarter, less than at the end of 2023 (see Figure 7.1). By October the government was forecasting a year-end general government deficit of 2.9% of GDP, but the realisation is expected to have been better, amid a significantly smaller state budget deficit.

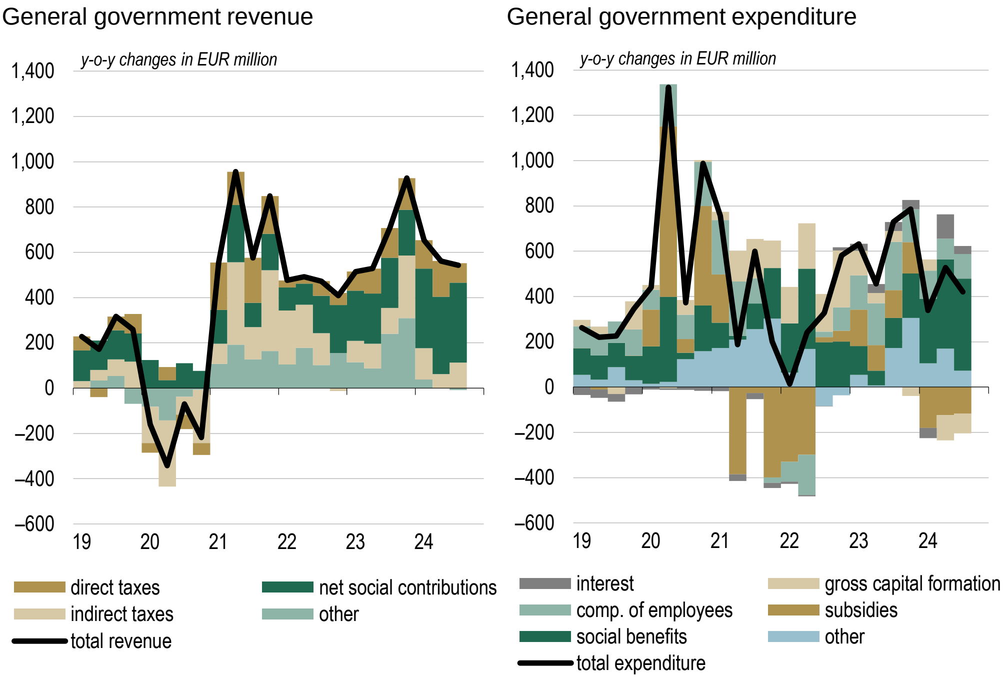
Figure 7.1: **General government balance and debt according to ESA methodology**



Sources: SURS, Banka Slovenije calculations. Latest data: Q3 2024
Note: * 4-quarter moving sums.

General government revenues in the third quarter of 2024 according to the ESA methodology were up EUR 543 million or 7.7% in year-on-year terms (see Figure 7.2, left). The largest factors in the rise were social security contributions and indirect taxes, most notably VAT. The remainder of the rise was driven by revenues on property and by direct taxes on household and corporate income. There was also a decline in revenues from the EU budget, as a result of the ending of the previous European financial framework in 2023.

Figure 7.2: **General government revenue and expenditure according to ESA methodology**



Sources: SURS, Banka Slovenije calculations. Latest data: Q3 2024

General government expenditure in the third quarter was up EUR 420 million or 5.7% in year-on-year terms (see Figure 7.2, right). The largest factor in the increase was social transfers, with rises in pensions and employee compensation to the fore. Conversely there was a decline in subsidies, as a result of cuts in measures to mitigate the energy crisis and in investment.

General government debt declined further as a ratio to GDP.

The general government debt stood at EUR 44.2 billion or 66.9% of GDP at the end of the third quarter of last year, up in nominal terms on the end of 2023 but down as a ratio to GDP (see Figure 7.1). Net indebtedness via long-term securities increased, while net indebtedness via short-term securities and loans declined. Net indebtedness increased slightly further in nominal terms in the final quarter of 2024.

In December of last year the European Commission released its regular alert mechanism report,[17] in which Slovenia's government debt in 2023 was disclosed as above the indicative threshold for macroeconomic imbalance (60% of GDP). This made it one of the two indicators that transgressed the threshold (alongside unit labour costs). Debt has been above the threshold since 2013, but has been gradually declining (except during the pandemic). The European Commission's assessment is that despite transgressing the indicative thresholds for two indicators, Slovenia has no need of an in-depth review in the macroeconomic imbalance procedure.

The government was forecasting the general government debt to have reached 67.5% of GDP by the end of 2024. The government issued new 30-year bonds in early 2025 with a nominal value of EUR 1 billion and a coupon rate of 3.5%. It also issued treasury bills of various maturities up to one year, all with a yield of 2.5%. This made a start on the implementation of this year's state budget financing programme, which envisaged EUR 4.6 billion of borrowing.

[17] 2025 European Semester: Alert Mechanism Report - European Commission.

8 Statistical Appendix

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

	2022	2023	12 m. 'till Oct. 24	3 m. 'till Oct. 23	3 m. 'till Oct. 24	2024 Aug.	2024 Sep.	2024 Oct.	2024 Nov.	2024 Dec.
Economic Activity										
					balance of answers in percentage points					
Sentiment indicator	0.6	-3.8	-2.9	-5.5	-2.7	-1.8	-2.3	-4.0	-3.1	-2.6
- confidence indicator in manufacturing	0.0	-8.3	-7.7	-10.3	-7.0	-6.0	-7.0	-8.0	-8.0	-8.0
					year-on-year growth rates in %					
Industry: - total	2.0	-4.9	-1.7	-7.9	2.9	6.1	-0.3	3.6	-0.7	...
- manufacturing	4.8	-3.7	0.6	-8.2	4.9	7.0	2.4	5.9	1.0	...
Construction: - total	22.2	19.4	-7.2	18.6	-15.9	-16.7	-17.1	-14.1	-4.2	...
- buildings	53.4	10.5	-10.3	3.0	-17.1	-21.4	-12.8	-17.5	-13.3	...
Trade and service activities - total	9.9	0.4	2.2	-1.3	1.7	3.1	1.0	1.2	...	...
Wholesale and retail trade and repair of motor vehicl	0.0	11.5	9.5	10.3	6.8	8.0	4.5	8.0	...	...
Retail trade, except of motor vehicles and motorcycl	4.4	-4.6	0.3	-4.0	1.4	2.9	1.3	0.2	...	...
Other private sector services	12.5	2.6	2.2	0.2	0.9	2.1	0.0	0.6	...	...
Labour market					*year-on-year growth rates in %*					
Average gross wage	2.7	9.7	7.4	9.8	7.2	5.9	7.7	8.0	...	...
- private sector	6.3	11.9	9.3	10.6	7.2	6.9	6.9	7.9	...	...
- public sector	-2.6	10.3	5.3	11.1	4.3	3.6	4.6	4.7	...	...
Real net wage[1]	-5.1	4.0	3.3	3.7	3.1	2.3	2.7	4.2	...	...
Registered unemployment rate (in %)	5.8	5.0	4.7	4.8	4.5	4.5	4.4	4.6	...	...
Registered unemployed persons	-23.8	-14.0	-6.7	-11.5	-4.9	-6.2	-4.7	-3.7	-3.1	-2.7
Persons in employment	2.4	1.3	1.2	0.9	1.1	1.1	1.2	1.1	1.1	...
- private sector	3.0	1.4	1.1	0.9	1.1	1.0	1.1	1.0	1.0	...
- public sector	0.7	0.9	1.2	0.9	1.3	1.4	1.2	1.2	1.3	...
Price Developments					*year-on-year growth rates in %*					
HICP	9.3	7.2	2.4	6.6	0.6	1.1	0.7	0.0	1.6	2.0
- services	5.5	7.7	5.3	8.1	4.6	5.2	4.6	3.9	3.7	3.6
- industrial goods excluding energy	6.3	5.4	1.0	4.5	-0.5	-1.5	-0.2	0.1	0.8	0.1
- food	10.6	11.8	2.5	9.2	1.9	1.8	1.8	2.0	2.3	2.7
- energy	24.8	2.2	-2.5	3.2	-9.3	-5.0	-9.4	-13.1	-3.6	0.7
Core inflation indicator[2]	5.9	6.7	3.3	6.5	2.2	2.2	2.4	2.1	2.3	2.0
Balance of Payments - Current Account					*in % GDP*					
Current account balance	-1.1	4.5	5.0	4.0	6.1	5.3	5.0	8.0	3.9	...
1. Goods	-4.3	0.7	0.8	-0.4	1.7	0.1	1.1	3.8	1.1	...
2. Services	6.1	5.6	5.5	5.9	6.2	7.1	5.7	5.8	4.3	...
3. Primary income	-1.6	-1.0	-0.7	-1.0	-0.8	-1.1	-0.7	-0.5	-0.4	...
4. Secondary income	-1.3	-0.8	-0.5	-0.6	-1.0	-0.9	-1.0	-1.2	-1.0	...
					nominal year-on-year growth rates in %					
Export of goods and services	22.5	-0.4	1.0	-7.7	6.2	7.7	4.2	6.8	1.9	...
Import of goods and services	29.3	-6.1	0.1	-9.5	2.6	1.4	5.6	0.7	-0.9	...

Public Finances	2022	2023	12 m. 'till Nov. 24		2023 Jan.-Nov.		2024 Jan.-Nov.	
Consolidated general government (GG) balance[3]	EUR mio		% GDP	y-o-y, %	% GDP	y-o-y, %	% GDP	y-o-y, %
Revenue	23,311	25,035	40.8	11.6	22,498	6.1	24,937	10.8
Tax revenue	20,557	21,977	36.1	11.7	19,960	6.5	22,288	11.7
From EU budget	961	1,084	1.5	8.0	766	-6.1	666	-13.0
Other	1,794	1,974	3.2	13.2	1,773	8.3	1,983	11.9
Expenditure	24,886	27,308	43.3	9.9	23,579	7.4	25,423	7.8
Current expenditure	10,283	11,572	19.3	17.2	9,964	8.6	11,366	14.1
- wages and other personnel expenditure	5,481	6,094	9.6	6.6	5,557	12.0	5,943	7.0
- purchases of goods, services	3,557	3,869	6.4	13.8	3,330	8.0	3,790	13.8
- interest	661	711	1.2	12.6	694	7.0	778	12.2
Current transfers	11,261	12,050	19.1	7.9	10,818	6.1	11,598	7.2
- transfers to individuals and households	9,294	9,731	15.5	8.8	8,805	3.4	9,507	8.0
Capital expenditure, transfers	2,612	3,014	4.0	-6.2	2,197	14.0	1,887	-14.1
GG surplus/deficit	-1,575	-2,274	-2.5		-1,081		-486	

Sources: SURS, Banka Slovenije, Ministry of Finance, Banka Slovenije calculations
Note: The figures for economic developments are calendar-adjusted (with the exception of economic sentiment indicators, which are seasonally adjusted). The other figures in the table are unadjusted. The monthly activity indicators in industry, construction and services are given in real terms. [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**

	2021	2022	2023	23Q4	24Q1	24Q2	24Q3	2021	2022	2023	23Q4	24Q1	24Q2	24Q3
				Slovenia							*euro area*			
Economic developments								*q-o-q growth in %*						
GDP				0.8	–0.2	0.1	0.3				0.0	0.3	0.2	0.4
- industry				0.7	0.7	–0.5	1.6				0.2	–0.6	–0.2	0.4
- construction				–1.8	–3.0	–1.9	–3.8				–0.3	0.1	–1.0	–0.5
- mainly public sector services (OPQ)				3.7	–3.1	1.1	0.1				0.5	0.2	0.3	0.5
- mainly private sector services (without OPQ)				–0.3	1.4	–0.4	0.5				0.3	0.2	0.1	0.3
Domestic expenditure				3.2	–1.3	1.2	–3.3				–0.0	–0.4	–0.1	1.3
- general government				2.6	1.2	7.2	–1.6				0.7	0.1	1.2	0.5
- households and NPISH [1]				0.3	0.8	–1.0	2.0				–0.0	0.3	0.0	0.7
- gross capital formation				4.7	–4.5	1.5	–14.9				–0.7	–2.4	–1.6	3.8
- gross fixed capital formation				–0.6	–1.0	–1.8	–3.9				1.4	–2.3	–2.4	2.0
								y-o-y growth in %						
GDP	8.4	2.7	2.1	2.7	2.2	0.7	1.4	6.3	3.5	0.4	–0.0	0.2	0.7	1.2
- industry	7.4	–2.1	5.1	4.1	3.9	–0.9	2.9	8.1	0.7	–1.5	–2.5	–2.4	–1.4	0.1
- construction	7.5	8.3	14.0	8.9	1.8	–3.5	–10.3	3.7	0.1	1.2	1.8	–2.4	–1.5	–1.2
- mainly public sector services (OPQ)	4.2	1.9	0.4	0.6	1.4	1.4	1.6	3.7	2.9	1.0	0.9	1.0	1.5	1.7
- mainly private sector services (without OPQ)	10.1	5.0	1.4	0.6	1.4	2.2	2.1	6.8	4.2	0.6	0.3	0.2	0.6	1.2
Domestic expenditure	10.3	4.5	–0.2	3.2	3.3	5.2	–0.4	5.1	3.8	0.1	–0.1	–0.3	–0.6	1.2
- general government	6.2	–0.7	2.4	5.1	6.5	12.6	9.1	4.3	1.1	1.6	2.2	1.8	2.7	2.6
- households and NPISH	10.5	5.3	0.1	0.7	2.0	2.0	1.9	4.7	4.9	0.6	0.6	1.0	0.4	1.1
- gross capital formation	13.9	7.4	–2.8	8.0	3.2	6.2	–13.6	6.7	4.1	–2.3	–3.7	–5.3	–6.1	0.1
- gross fixed capital formation	12.3	4.2	3.9	3.2	1.0	–1.5	–8.2	3.8	2.0	1.6	1.6	–1.8	–2.9	–0.7
- inventories and valuables, contr. to GDP growth in p.p.	0.5	0.8	–1.5	1.1	0.5	1.7	–1.3	0.6	0.5	–0.9	–1.3	–0.9	–0.8	0.2
Labour market								*q-o-q growth in %*						
Employment				0.2	–0.2	–0.1	–0.1				0.3	0.3	0.2	0.2
- mainly private sector (without OPQ)				0.2	–0.3	–0.2	–0.2				0.3	0.2	0.0	0.1
- mainly public services (OPQ)				0.4	0.4	0.4	0.4				0.3	0.4	0.5	0.4
								y-o-y growth in %						
Employment	1.3	2.9	1.6	1.3	0.5	0.2	–0.1	1.6	2.4	1.4	1.3	1.1	0.9	1.0
- mainly private sector (without OPQ)	1.0	3.1	1.7	1.3	0.2	–0.1	–0.5	1.3	2.7	1.4	1.2	1.0	0.7	0.8
- mainly public services (OPQ)	2.7	2.0	1.5	1.7	1.8	1.8	1.7	2.2	1.5	1.3	1.4	1.5	1.6	1.6
Labour costs per employee	8.0	5.0	9.5	8.3	6.9	7.0	7.2	4.3	4.5	5.4	5.0	4.9	4.8	4.3
- mainly private sector (without OPQ)	8.0	7.8	9.5	8.5	7.3	8.2	8.2	5.0	5.0	5.6	5.1	4.6	4.7	4.3
- mainly public services (OPQ)	7.7	–3.2	9.5	7.7	5.4	3.1	4.1	2.6	3.5	4.7	4.6	5.5	5.0	4.5
Unit labour costs, nominal[2]	0.9	5.2	9.0	6.9	5.1	6.5	5.6	–0.5	3.4	6.5	6.4	5.8	5.0	4.1
Unit labour costs, real[3]	–1.7	–1.2	–1.0	–1.4	0.8	4.2	2.5	–2.5	–1.6	0.5	1.2	2.2	2.0	1.3
								in %						
LFS unemployment rate	4.7	4.0	3.7	3.4	3.4	3.4	4.4	7.8	6.8	6.6	6.5	6.8	6.3	6.2
Foreign trade								*q-o-q growth in %*						
Real export of goods and services				2.2	2.8	–0.7	3.2				0.3	1.1	1.5	–1.5
Real import of goods and services				4.9	2.3	0.9	–2.8				0.2	–0.3	1.1	0.2
								y-o-y growth in %						
Real export of goods and services	14.5	6.8	–2.0	–2.3	–0.6	–0.3	8.4	11.4	7.3	–0.7	–3.1	–1.5	2.3	2.0
Real import of goods and services	17.8	9.2	–4.5	–1.8	0.6	4.7	6.5	9.0	8.3	–1.3	–3.4	–2.6	–0.2	1.9
Current account balance as % of GDP[4]	3.8	–1.1	4.5	4.5	4.3	3.8	4.7	2.3	–0.7	0.0	0.0	0.0	0.0	0.0
External trade balance as contr. to GDP growth in p.p.	–1.0	–1.5	2.3	–0.5	–1.0	–3.9	1.9	1.5	–0.2	0.3	0.1	0.5	1.3	0.1
Financing								*in % of GDP*						
Banking system's balance sheet	94.9	91.0	85.0	85.0	83.5	...	...	279.1	273.2	256.4	256.4	257.9	...	...
Loans to NFCs	19.3	20.1	17.6	17.6	16.8	16.8	...	37.0	36.4	34.1	34.1	33.8	33.6	...
Loans to households	21.7	21.5	19.9	19.9	19.8	20.0	...	50.2	48.1	45.4	45.4	44.8	44.4	...
Inflation								*in %*						
HICP	2.0	9.3	7.2	5.0	3.4	2.4	1.1	2.6	8.4	5.4	2.7	2.6	2.5	2.2
HICP excl. energy, food, alcohol and tobacco	0.9	5.9	6.7	5.1	4.0	3.0	2.3	1.5	4.0	5.0	3.7	3.1	2.8	2.8
Public finance								*in % of GDP*						
Debt of the general government	74.8	72.7	68.4	68.4	70.0	69.5	66.9	93.8	89.5	87.4	87.4	87.9	88.1	...
One year net lending/net borrowing of the general government[4]	–4.6	–3.0	–2.6	–2.6	–2.0	–2.0	–1.8	–5.1	–3.5	–3.6	–3.6	–3.5	–3.4	...
- interest payment [4]	1.2	1.1	1.2	1.2	1.2	1.3	1.3	1.4	1.7	1.7	1.7	1.8	1.8	...
- primary balance [4]	–3.4	–1.9	–1.3	–1.3	–0.9	–0.7	–0.4	–3.7	–1.8	–1.8	–1.8	–1.7	–1.6	...

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

Note: Original figures are used to calculate the year-on-year rates, and seasonally adjusted figures are used to calculate the current rates of growth. The SURS quarterly national accounts figures have not yet been reconciled with the initial annual estimate. [1] The figures for Slovenia are calculated as the difference between the seasonally adjusted figures for aggregate final consumption and government final consumption. [2] Nominal unit labour costs are the ratio of nominal compensation per employee to real labour productivity. [3] Real unit labour costs are the ratio of nominal compensation per employee to nominal labour productivity. [4] 4-quarter moving sums.

9 List of abbreviations

Abbreviations

BoS	Banka Slovenije
EA	Euro area
ECB	European Central Bank
ESA	European System of Accounts
EU	European Union
EUR	euro
Fed	US Federal Reserve System
FOMC	Federal Open Market Committee
GDP	Gross domestic product
HICP	Harmonised index of consumer prices
OIS	Overnight index swap
PMI	Purchasing managers' index
S&P 500	Standard and Poor's 500
SDH	Slovenski državni holding (Slovenian Sovereign Holding)
SURS	Statistical Office of the Republic of Slovenia
STOXX Europe 600	Main European share index
ULCs	Unit labour costs
US	United States of America
USD	US dollar
VAT	Value added tax
ZEW	Centre for European Economic Research

Abbreviations from the standard classification of economic activities (SKD 2008)

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, **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 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, treatment and disposal activities, materials recovery; **F**: Construction, **41** – Construction of buildings, **42** – Civil engineering, **43** – Specialised construction activities; **G**: Wholesale and retail trade, repair of motor vehicles and motorcycles, **45** – Wholesale and retail trade and repair of motor vehicles and motorcycles, **46** – Wholesale trade, except of motor vehicles and motorcycles, **47** – Retail trade, except of motor vehicles and motorcycles; **H**: Transportation and storage, **49** – Land transport and transport via pipelines, **50** – Water transport, **51** – Air transport, **52** – Warehousing and support activities for transportation; **I**: Accommodation and food service activities, **55** – Accommodation, **56** – Food and beverage service activities; **J**: Information and communication, **58** – Publishing activities, **59** – Motion picture, video and television programme production, sound recording and music publishing activities, **60** – Programming and broadcasting activities, **61** – Telecommunications, **62** – Information technology service activities, **63** – Information service activities; **K**: Financial and insurance activities, **64** – Financial intermediation, except insurance and pension funding, **65** – Insurance, reinsurance and pension funding, except compulsory social security, **66** – Other financial activities; **L**: Real estate activities, **68** – Real estate activities; **M**: Professional, scientific and technical activities, **69** – Legal and accounting activities, **70** – Activities of head offices, management consultancy activities, **71** – Architectural and engineering activities, technical testing and analysis, **72** – Scientific research and development, **73** – Advertising and market research, **74** – Other professional, scientific and technical activities; **N**: 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** – Security and investigative activities, **81** – Services to buildings and landscape activities, **82** – Office administrative, office support and other business support activities; **O**: Public administration and defence, compulsory social security, **84** – Public administration and defence, compulsory social security; **P**: Education, **85** – Education; **Q**: Human health and social work activities, **86** – Human health activities, **87** – Residential care activities, **88** – Social work activities without accommodation; **R**: Arts, entertainment and recreation, **90** – Creative, arts and entertainment activities, **91** – Libraries, archives, museums and other cultural activities, **92** – Gambling and betting activities, **93** – Sports activities and amusement and recreation activities; **S**: Other service activities, **94** – Activities of membership organisations,

95 – Repair of computers and personal and household goods, **96** – Other personal service activities; **T**: Activities of households as employers, 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; **U**: 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