BANKA SLOVENIJE

EVROSISTEM

Review of macroeconomic developments and projections

December 2024

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Contents

Boxes

Summary

The moderate economic growth in Slovenia in 2024 will be followed by a gradual strengthening of GDP growth over the 2025 to 2027 horizon, with inflation mostly in line with the price stability objective. The macroeconomic projections are accompanied by increased foreign trade risks, and structural challenges in the domestic and euro area economies.

- **Following the rapid post-pandemic recovery, economic growth has slowed in 2024, and is expected to reach the lowest rate since 2020.** In the first half of the year, the economic growth broadly stagnated in current terms, being held back most importantly by reduced investment in construction and by net exports. The economic situation improved in the third quarter, but GDP growth remained relatively weak. It is also expected to have remained so in the final quarter, judging by the available activity indicators. The main sectors keeping economic growth in positive territory are services and retail, which is reflected in resilient private consumption. Activity is also gradually recovering in manufacturing, while value-added in construction remains down in year-on-year terms. Amid these developments, GDP growth is projected to hit 1.4% this year, just over 1 percentage point less compared to the previous projections.

- **GDP growth will strengthen again over the 2025 to 2027 horizon, and is expected to be broadly based in terms of its components.** Real activity growth is projected to rise to 2.2% in 2025 and then to 2.8% in 2026, before slowing to 2.4% in 2027. Private consumption is expected to continue to support economic growth over the entire horizon on the basis of high employment, growth in real incomes and a gradual improvement in confidence. Government investment will strengthen once again in 2025 and 2026, largely in reflection of the intensified utilisation of funds related to the Next Generation EU. Amid the anticipated recovery in economic activity in the main trading partners, we are also expecting stronger export demand, which will simultaneously encourage growth in private investment. The latter will also be supported by the improved financing conditions amid less restrictive monetary policy.

- **Despite signs of cooling, the labour market is expected to remain tight, which will constrain the employment growth over the projection horizon.** Employment growth is projected to stand at 0.1% this year and 0.2% next year, before strengthening slightly again to 0.6% in 2026 and 0.7% in 2027. Unemployment will meanwhile remain low. Amid a decreased contribution by labour, economic growth over the 2025 to 2027 horizon will be importantly conditioned by growth in labour productivity, which is projected to reach 2.0% next year, in line with its long-term average. Amid the persistently tight labour market, and the agreed increases in public sector wages, nominal growth in compensation per employee will average 5% over the 2025 to 2027 horizon.

- **After a sharp moderation in 2024, inflation will remain close to 2% over the projection horizon.** Following a sustained slowdown over the first three quarters of the year, inflation has reached its lowest level since 2021 in the final quarter of 2024. The sharp fall in inflation in 2024 has been driven by the effects of past monetary policy decisions, a fall in wholesale energy prices, a decline in price pressures

in global supply chains, and cyclical cooling of activity in certain sectors of the domestic economy. We are expecting inflation to strengthen temporarily in late 2024 and early 2025, driven in particular by food price inflation, base effects, and by a temporary impact of the new system for network charges in electricity prices. With growth in labour costs remaining relatively high, service price inflation will continue making a significant contribution to inflation over the entire projection horizon, particularly in sectors that are public in nature. In 2027, inflation is also expected to be impacted by rising environmental levies. In line with these factors, inflation is projected to average 2.0% in 2024, 2.2% in 2025 and 2026, and 2.1% in 2027.

▪ **The economic growth projections are mainly accompanied by downside risks, while the risks to the inflation projections are slightly tilted to the upside.** The international environment features persistent geopolitical tensions, which are being reflected in elevated uncertainty in international trade. This has been further exacerbated in recent times by the announcement of protectionist policies by the incoming administration in the US. Growth in foreign demand might also be curtailed over the projection horizon by persistent pressures on the competitiveness of the euro area, and the potential for sustained weak growth in economic activity in Slovenia's main trading partners. Similar structural challenges are evident in the domestic economic environment, which could reduce economic growth and raise inflation over the projection horizon via structurally lower productivity growth. Another risk of inflation being higher than projected is posed by the potential intensification of wage pressures as a result of the persistent tightness of the labour market and a potential tendency towards greater alignment between wage growth in the public and private sectors. Given the increased uncertainty surrounding the baseline projections, on this occasion the publication includes several alternative scenarios in connection with the principal risks identified.

Table 1: **Macroeconomic projections for Slovenia, 2024 to 2027**

	2018	2019	2020	2021	2022	2023	Δ	2024 Dec.	Δ	2025 Dec.	Δ	2026 Dec.	Δ	2027 Dec.	Δ
Prices	*annual growth in %*														
HICP	1.9	1.7	–0.3	2.0	9.3	7.2	0.0	**2.0**	–0.4	**2.2**	–0.8	**2.2**	–0.1	**2.1**	...
HICP excluding energy and food	1.0	1.9	0.8	0.9	5.9	6.7	0.0	**2.9**	–0.6	**2.4**	–1.2	**2.5**	–0.4	**1.8**	...
HICP energy	6.0	0.8	–10.8	11.3	24.8	2.2	0.0	**–2.5**	0.0	**–3.9**	–1.6	**0.4**	1.5	**2.4**	...
HICP food	2.4	1.6	2.8	0.7	10.6	11.8	0.0	**1.9**	–0.2	**4.6**	0.7	**2.5**	0.1	**2.6**	...
Economic activity	*annual growth in %*														
GDP (real)	4.4	3.5	–4.1	8.4	2.7	2.1	0.5	**1.4**	–1.1	**2.2**	–0.4	**2.8**	0.0	**2.4**	...
Private consumption	3.4	5.5	–6.1	10.5	5.3	0.1	–1.2	**1.8**	–0.1	**2.4**	–0.2	**2.3**	0.4	**2.7**	...
Government consumption	2.3	1.9	4.1	6.2	–0.7	2.4	0.0	**8.5**	1.3	**2.4**	–0.4	**4.1**	–0.2	**1.1**	...
Gross fixed capital formation	10.6	4.9	–7.2	12.3	4.2	3.9	–5.6	**–1.8**	–4.8	**1.4**	–2.3	**3.4**	0.4	**1.0**	...
of which Private sector	7.8	4.2	–9.5	10.3	1.9	4.8	–6.4	**–1.9**	–3.9	**0.2**	–3.6	**3.5**	–0.4	**2.0**	...
of which Government sector	24.1	8.1	2.2	19.3	11.7	1.2	–2.8	**–1.5**	–8.1	**5.3**	1.9	**2.8**	2.8	**–2.2**	...
Exports of goods and services (real)	6.2	4.5	–8.5	14.5	6.8	–2.0	0.0	**2.8**	–0.1	**4.2**	–0.2	**4.7**	0.3	**4.5**	...
Imports of goods and services (real)	7.1	4.7	–9.1	17.8	9.2	–4.5	0.6	**4.2**	–0.9	**4.2**	–0.9	**5.1**	0.5	**4.3**	...
Contributions to real GDP growth	*in percentage points*														
Domestic demand (excluding inventories)	4.1	4.1	–3.8	8.9	3.4	1.3	–1.7	**2.2**	–0.8	**2.0**	–0.7	**2.7**	0.2	**1.8**	...
Net exports	–0.1	0.3	–0.3	–1.0	–1.3	1.9	–0.6	**–0.9**	0.6	**0.3**	0.5	**0.0**	–0.2	**0.5**	...
Changes in inventories	0.4	–0.9	0.1	0.5	0.7	–1.4	2.7	**0.1**	–0.9	**0.0**	0.0	**0.0**	0.0	**0.0**	...
Labour market	*annual growth in % (unless stated otherwise)*														
Unemployment growth (% of labour force)	5.1	4.5	5.0	4.7	4.0	3.7	0.0	**3.5**	0.0	**3.4**	–0.1	**3.4**	0.0	**3.4**	...
Total employment	3.2	2.4	–0.7	1.3	2.9	1.6	0.4	**0.1**	–0.5	**0.2**	–0.4	**0.6**	0.0	**0.7**	...
Compensation per employee	4.0	5.2	3.8	8.0	5.0	9.5	–2.3	**7.4**	–0.2	**5.5**	0.0	**5.0**	1.0	**4.5**	...
...Productivity	1.2	1.0	–3.4	7.0	–0.2	0.5	0.1	**1.3**	–0.6	**2.0**	0.0	**2.1**	–0.1	**1.7**	...
...Unit labour costs (ULC)	2.8	4.2	7.5	0.9	5.2	9.0	–2.4	**6.0**	0.3	**3.4**	0.0	**2.8**	1.0	**2.8**	...
Balance of payments	*annual growth in % (unless stated otherwise)*														
Current account: in bn EUR	3.0	3.1	3.6	2.0	–0.6	2.9	0.0	**3.2**	0.7	**3.6**	1.3	**3.7**	1.3	**4.5**	...
in % GDP	6.5	6.4	7.7	3.8	–1.1	4.5	0.0	**4.8**	1.1	**5.1**	1.8	**5.0**	1.8	**5.7**	...
Terms of trade*	–0.1	0.5	0.7	–2.1	–3.1	3.6	0.9	**1.3**	–0.1	**0.2**	0.3	**0.0**	0.1	**0.1**	...

Sources: SURS, Eurostat, Banka Slovenije projections

Note: * Based on national accounts deflators. Δ: difference between current projections and those given in the <u>June 2024 issue of the Review of macroeconomic developments and projections</u>.

1   Current Economic Developments and Assumptions

Slovenia saw modest economic growth during the first three quarters of 2024, driven primarily by government and household consumption, while investment was the main hindering factor. After stagnation in the first half of the year, the situation was slightly more favourable in the third quarter, mainly due to a renewed positive contribution from foreign trade, but GDP growth remained weak at 0.3%, and is expected to have remained at this level in the final quarter.

1.1   International situation and external assumptions

Economic performance in the major economies varied considerably in the third quarter. The survey indicators point to relatively solid growth in the US in the final quarter, but weakness elsewhere.

Current economic growth in the second and third quarters varied considerably between the major global economies. Growth in the US strengthened from 0.3% in the first quarter to 0.7% in the second and third quarters. It was driven primarily by a rebound in private consumption, which was particularly pronounced in the third quarter, while growth in private investment declined significantly by contrast. After recording a rate of 0.5% in the second quarter, the UK and Japan saw economic growth slow to 0.1% and 0.2% respectively in the third quarter. By contrast, euro area GDP growth increased from 0.2% in the second quarter to 0.4% in the third quarter, its highest rate in almost two years. Pushed by fiscal and monetary measures, the Chinese economy expanded by 0.9% in the third quarter, following growth of 0.7% in the previous quarter. The fiscal incentives, which are projected to reach USD 1.4 billion, aim to increase domestic consumption and to mitigate the situation on the real estate market, while the monetary easing includes cuts in interest rates and mortgage rates.

After peaking in May of this year, the global manufacturing PMI gradually declined until October, before global output in the sector stabilised in November after four months of contraction. By contrast the services PMI has been in the zone of solid expansion for the last year. It stood at 53.1 points in November, while the composite PMI stood at 52.4 points. Overall the global economic outlook for the final quarter of 2024, judging by the PMIs, is slightly better than in the previous quarter. There remains considerable variation in the composite PMIs for major global economies: it is highest in the US at around 55 points,[1] but in the euro area it slid into the zone of contraction in November as services output fell sharply. Activity stagnated in Japan and the UK, according to the composite PMIs.

According to the ECB's December projections, global economic growth excluding the euro area is projected at 3.4% in 2024, 3.5% in 2025, 3.3% in 2026 and 3.2% in 2027. The projections are accompanied by significant risks that could weaken GDP growth, such as worsening regional conflicts, tensions in the Middle East, the war in Ukraine, a sustained slowdown in growth in China and the uncertainty surrounding future trade policy in connection with the incoming administration in the US.

In the third quarter euro area GDP growth reached its highest rate in almost two years. The survey indicators point to a weaker final quarter, while the economic growth projections for 2024 as a whole have also been revised downwards from the previous projections.

After growing by 0.2% in the second quarter, euro area GDP expanded by 0.4% in the third quarter, the highest rate in almost two years (see Figure 1.1.1, left).[2] Compared with the September projections, this was a surprise on the upside by 0.2 percentage points. The growth was based on private consumption and investment, while the contribution by net trade was negative. Of the major euro area economies, growth was highest in Spain and the Netherlands, followed by France and Germany, which also surprised on the upside, while growth in Italy under-performed expectations.[3] Growth continues to be driven by services in particular. Meanwhile the sector is continuing to see high inflation, which has mostly remained unchanged at 4% since the end of 2023. Inflation in other price categories also remains relatively stable: the rise in headline

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[1] The composite PMI in the US has been above 54 points since May thanks to robust growth in services, while manufacturing output has been in contraction since July, although the decline in November was the most gentle of the last five months.
[2] Excluding Ireland, growth would be 0.1 percentage points lower, i.e. 0.3%
[3] Economic growth in the third quarter stood at 0.8% in Spain and the Netherlands, 0.4% in France, and 0.1% in Germany in contrast to the forecast of stagnation, while Italy saw stagnation, in contrast to the forecast of growth of 0.1%.

Review of macroeconomic developments and projections
December 2024

inflation in recent months (1.7% in September, 2.0% in October and 2.3% in November) was largely attributable to energy prices, as a result of the negative base effect diminishing.

Figure 1.1.1: **Economic conditions in the euro area and the international macroeconomic outlook**

Purchasing Managers' Index (PMI) and GDP growth in euro area

Projections of world (excluding euro area) real GDP growth, real GDP growt in euro area and foreign demand for Slovenia

GDP, quarterly in %
composite output (rhs)
manufacturing (rhs)
services (rhs)

foreign demand for Slovenia
world (excluding euro area) real GDP
real GDP in euro area
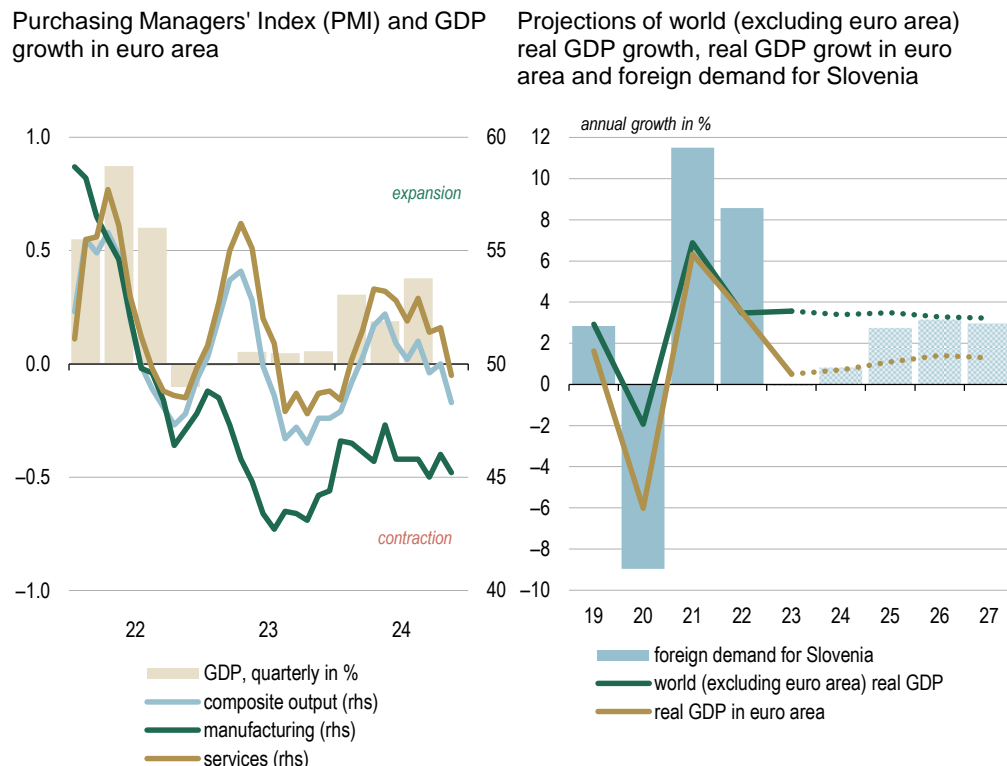
Sources: ECB, Eurostat, Bloomberg, Banka Slovenije calculations. Latest data, left chart: GDP: Q3 2024; PMIs: November 2024

In contrast to the figures for the third quarter, the survey indicators for the final quarter of 2024 point to a deterioration in the euro area economy. The composite PMI, whose previous growth since March had been based on services, slid into the zone of contraction in November at 48.3 points (see Figure 1.1.1, left). The services PMI stood at 49.5 points, having fallen below the 50-point mark for the first time since January, following a decline in new orders and order books, while input costs were driven up by wage rises. The manufacturing PMI also remains in the zone of contraction, and fell further in November to 45.2 points. The ESI also deteriorated in October, and remained close to that level in November at 95.8 percentage points. The deterioration in services confidence and consumer confidence was compensated for by a significant improvement in retail and in industry, although the latter continues to display the largest deviation from its long-term average.

According to the ECB's December projections, economic growth in the euro area is projected at 0.7% in 2024 and 1.1% in 2025, down on the previous projections in September and June (see Figure 1.1.1, right). It is then projected to rise to 1.4% in 2026, before slowing slightly to 1.3% in 2027. The improved growth over the following two years is expected to be driven mainly by private consumption, which is projected to be based on a rise in real wages and higher employment. Domestic demand in the euro area will be additionally driven by relaxation of the financing conditions, and by funding from the Next Generation EU facility, which expires in 2027.

Review of macroeconomic developments and projections
December 2024

Banka Slovenije

The December assumptions for the international environment envisage a slower recovery in external demand for Slovenia, a lower level of oil prices and a faster easing of the financing conditions compared with the June projections.

Having continued to reflect past monetary policy tightening in 2024, the financing conditions are expected to ease over the following years.[4] Together with the stabilisation of the situation in the international environment and the improvement in economic activity in the main trading partners, this is also expected to strengthen foreign demand growth for Slovenia. After falling in 2023, this rose again in 2024, and growth is expected to strengthen over the projection horizon, but to remain below its long-term pre-pandemic average[5] and the projected growth in global economic activity[6] (see Table 1.1.1).

Table 1.1.1: **Assumptions for the international environment**

| | 2019 | 2020 | 2021 | 2022 | 2023 | **Assumptions** | | | |
						2024	**2025**	**2026**	**2027**
Global economic growth excluding euro area, %	2.9	−1.9	6.9	3.5	3.6	3.4	3.5	3.3	3.2
Economic growth in euro area, %	1.6	−6.0	6.3	3.5	0.5	0.7	1.1	1.4	1.3
Growth in foreign demand for Slovenia, %	2.8	−9.0	11.5	8.6	−0.1	0.8	2.7	3.2	3.0
Oil price, USD/barrel	64.9	41.5	71.1	103.7	83.7	81.8	71.8	70.1	69.2
Oil price, EUR/barrel	57.9	36.3	60.1	98.4	77.5	75.5	67.6	66.0	65.2
Change in US dollar oil prices, %	−8.7	−36.0	71.3	45.8	−19.2	−2.3	−12.3	−2.3	−1.3
EUR/USD exchange rate	1.1	1.1	1.2	1.1	1.1	1.1	1.1	1.1	1.1
3-month Euribor, %	−0.4	−0.4	−0.5	0.3	3.4	3.6	2.1	2.0	2.2
Change in primary commodity prices, %	−8.2	2.3	41.8	6.5	12.5	8.9	5.8	-0.4	−1.7

Sources: ECB, Banka Slovenije calculations

Energy prices will also have an impact on the economy. Having remained relatively unchanged in 2024 compared with the previous year, oil prices are expected to fall between 2025 and 2027 and to average USD 66 per barrel over the projection horizon. In contrast to June, we now expect a slower recovery in foreign demand, lower oil prices, and a faster easing of the financing conditions over the entire projection horizon. Similarly to the June projections, the expectation is for the euro exchange rate against the US dollar to remain close to USD 1.1 to the euro throughout the projection horizon (see Table 1.1.1).

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[4] The assumptions for the international environment are based on information available by the cut-off date of 27 November 2024. The assumptions with regard to foreign demand for Slovenia and the external technical assumptions of medium-term projections that serve as the basis for the Banka Slovenije projections were drawn up as part of the joint preparation of projections by Eurosystem experts. For more on the methodology used, see the latest release of projections online, which are also available in Slovene, on the ECB website.

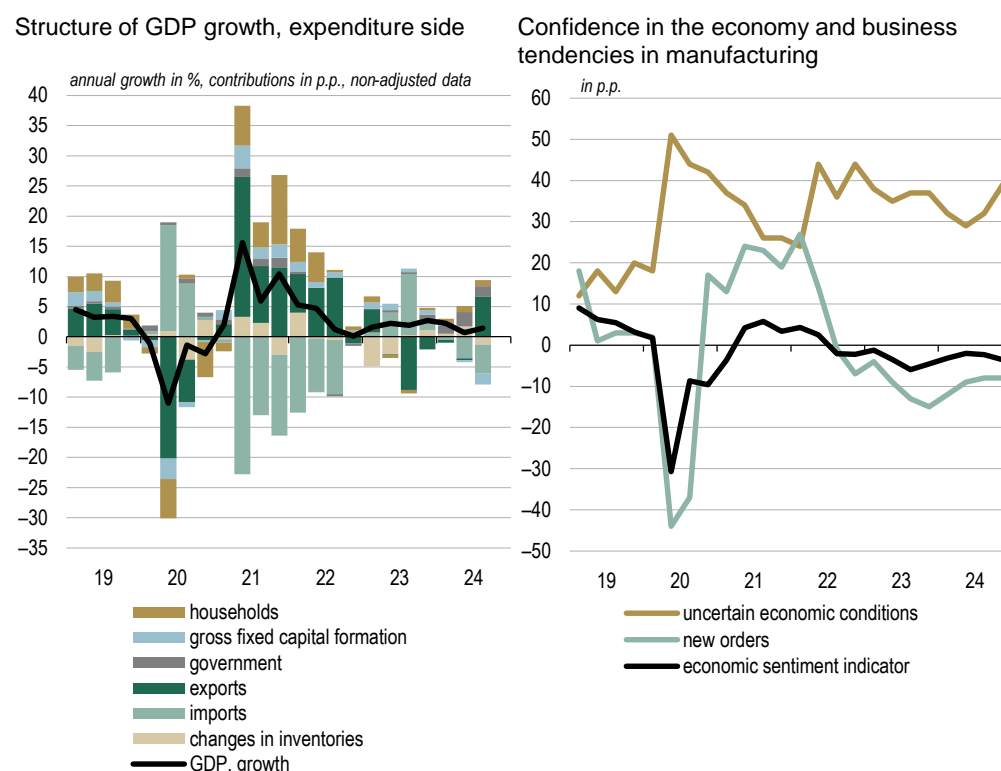[5] Annual growth in foreign demand for Slovenia averaged 4.8% between 1996 and 2019.

[6] The divergence in growth in foreign demand for Slovenia and growth in global economic activity excluding the euro area is largely attributable to the slower recovery in Slovenia's main trading partners.

1.2 Domestic economic environment

GDP growth strengthened slightly in the third quarter as exports picked up, but it was being held back by weak investments.

Quarterly economic growth was up on the previous quarter at 0.3%, while the year-on-year rate rose to 1.4%. Domestic final consumption remained relatively robust. Private consumption is continuing to increase moderately. It was up 0.4% in quarterly terms, and 1.9% in year-on-year terms, comparable to the first half of this year and better than in 2023. Households saw a sharp increase in their spending on car purchases, but again reduced their spending on non-durables, which is partly attributable to high food prices and to the smaller impact of discounted sales of clothing and footwear than in previous years. Private consumption continues to be supported by high employment and relatively high year-on-year growth in the real wage bill. According to the monthly figures, this has averaged between 4% and 7% this year amid the fall in inflation.[7] Consumer loans are also recording high growth this year, the year-on-year rate exceeding 16% in certain months. The government is continuing to play a major role in supporting GDP growth: final government consumption in the third quarter was up 9.1% in year-on-year terms, and accounted for 1.7 percentage points of the growth in GDP (see Figure 1.2.1, left).

Figure 1.2.1: **Domestic economic growth and selected survey indicators**

Structure of GDP growth, expenditure side

Confidence in the economy and business tendencies in manufacturing

Sources: SURS, Banka Slovenije calculations. Latest data, left chart: Q3 2024; right chart: Q4 2024
Note: The economic sentiment indicator for the final quarter of 2024 in the right chart covers data for October and November. The perceived economic uncertainty indicator is weighted by the number of employees at firms. The economic sentiment and new orders indicators are seasonally adjusted.

Export activity in the third quarter was stronger than had been expected in light of the geopolitical tensions and the survey indicators in manufacturing. Merchandise exports were up 3.2% in quarterly terms, while the year-on-year rate of growth was also high

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[7] HICP deflator.

(9.3%) given a low base.[8] Services exports also picked up pace, particularly transport and travel services. The import developments were weaker than those on the export side, which is primarily attributable to the run-down of inventories and weak investment. The contribution by net trade thus re-entered positive territory after three quarters of negativity. It stood at 1.9 percentage points (see Figure 1.2.1, left).

The contraction in investment is becoming an increasingly significant drag on economic growth. It has been declining in quarterly terms for a year now, and the third quarter saw a current decline in all categories. The overall year-on-year decline stood at 8.2%. The decline in construction investment was partly expected, as the investment role played by the government has been significantly less prominent this year, following last year's sharp increase, largely driven by the end of the European financial framework. Despite the issues with supply in the housing market, there has been no acceleration in new-build construction, and firms are reducing investment in new production and retail spaces. In terms of volume and the technological complexity of future production capacity, the decline in investment in machinery and equipment is particularly unfavourable, and is linked to the weak economy in Europe and the high level of uncertainty.[9]

The two most notable features of the growth in value-added in the third quarter were the uptick in manufacturing and the ongoing cyclical decline in construction.

Value-added in manufacturing has been strengthening in quarterly terms for a year now. It increased by 1.2% in the third quarter, raising the year-on-year rate to 5.0% over a low base. These results are decent given the huge uncertainty in the international environment, and the deterioration in the competitiveness indicators. They are based on a relatively small number of major sectors, with pharmaceuticals notable for its export performance. In contrast to manufacturing, value-added in construction has been declining in current terms since the final quarter of 2023. It declined by 3.8% in the third quarter of 2024, deepening the year-on-year decline to 10.3%. Given that construction firms continue to assess the situation as stable in the SURS surveys, this is most likely a case of activity declining to a long-term sustainable level following rapid growth in the three previous years.

The situation in private-sector services remains solid, and mostly dependent on domestic consumption, but the pick-up in exports also had a positive impact in the third quarter. Value-added in private-sector services in the third quarter was up 0.5% on the previous quarter, and up 2.1% in year-on-year terms. The growth is attributable to high employment and wage growth, strengthening international tourism, a pick-up in exports of transport services, and high earnings in the financial sector. The developments are less favourable in the service sectors linked to construction and investment. Compared with 2023, growth in value-added in public services was also higher in 2024. It reached 1.6% in the third quarter.

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[8] The main year-on-year increases were in exports by the pharmaceutical, chemical and steel industries, and electricity exports.

[9] In the fourth quarter 39% of manufacturing firms were citing economic uncertainty as a limiting factor. This was up 18.5 percentage points on the average between 1996 and 2023. The indicator is weighted by the number of employees at individual firms.

Economic growth is expected to be relatively low in the final quarter of 2024, driven largely by private consumption.

The economic sentiment in October and November was down on the third quarter, but remained higher than a year ago (see Figure 1.2.1, right).[10] The survey data for manufacturing points to a continuation of the challenges associated with weak demand and persistent uncertainty (see Figure 1.2.1, right). Confidence in services other than retail, where demand remains solid, is stable and relatively high. Construction firms were more optimistic in November than they had been in October: they reported an increase in construction activity for the first time since March, and an increase in orders for the first time since May. By contrast, consumer confidence is continuing its gradual decline. Since June there has been a notable deterioration in consumer expectations with regard to the future economic situation, with a simultaneous rise in the propensity to save.[11]

The consumer uncertainty is not being reflected in the initial figures for consumption in the domestic market in the final quarter. October saw high growth in car sales, while year-on-year growth in real retail turnover excluding motor vehicles and fuels stood at 2.9%, slightly above its average over the third quarter. Real year-on-year growth in the total value of card payments and ATM withdrawals also picked up pace significantly.[12] It averaged 8.4% across October and November, up 2.4 percentage points on the third quarter. Economic activity continues to be well supported by international tourism: the number of overnight stays by foreign visitors in October was up 10.9% in year-on-year terms.

Based on a relatively modest set of short-term indicators, the nowcast for quarterly GDP growth in the final quarter currently averages 0.4% (see Figure 1.2.2, left).

The current account reached a record surplus over the first three quarters of the year, with the main year-on-year improvement coming in the deficit in income.

The current account was in surplus in the amount of EUR 2.6 billion over the first three quarters of the year, slightly exceeding the previous peak recorded in 2020 (see Figure 1.2.2, right). It was also up EUR 350 million on the same period of the previous year, mainly as a result of the deficit in income narrowing by EUR 325 million. It recorded its lowest figure of the last decade, as a result of an improvement in the positions in secondary income, capital income and other primary income.

This year's cumulative merchandise trade surplus was up EUR 60 million in year-on-year terms, with nominal merchandise exports up 1.0% in year-on-year terms despite the deterioration in the international environment and Slovenia's most important trading partners,[13] and imports up 0.9%. The breakdown of the SURS data by product categories reveals that the slight increase in the surplus was attributable to a decline in imports

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[10] The economic sentiment indicator in November was up 0.9 percentage points on October. The increase was almost exclusively attributable to a monthly rise in the retail confidence indicator, which accounted for 0.8 percentage points of the improvement in the economic sentiment indicator. It typically sees sharp monthly volatility, and is therefore of low short-term analytical value, while also adversely affecting the accuracy of the economic sentiment indicator.

[11] The indicator of the economic situation in Slovenia over the next 12 months declined by 17 percentage points between June and November, while the indicator of the suitability of saving rose by 11 percentage points. These developments might point to an increase in precautionary saving by consumers, the consumer confidence indicator declining by 6 percentage points between June and November.

[12] HICP deflator.

[13] Other than Croatia, which saw economic growth of 3.9% in the third quarter.

of manufactured goods classified chiefly by material, and increased exports of machinery and transport equipment. In the geographical breakdown the largest contributions to the cumulative increase came from merchandise exports to Croatia, Poland and the US, while in the quarterly breakdown it was the third quarter that was most notable, with year-on-year growth of 9.6% in exports and 4.4% in imports. Despite its year-on-year increase, the merchandise trade surplus accounted for just 23% of the current account surplus over the first nine months of 2024, with services trade accounting for the majority.

Figure 1.2.2: **Nowcasts for GDP growth and current account**

Model estimates of quarterly GDP growth – 2024 Q4

Current account balance dynamics in the first three quarters
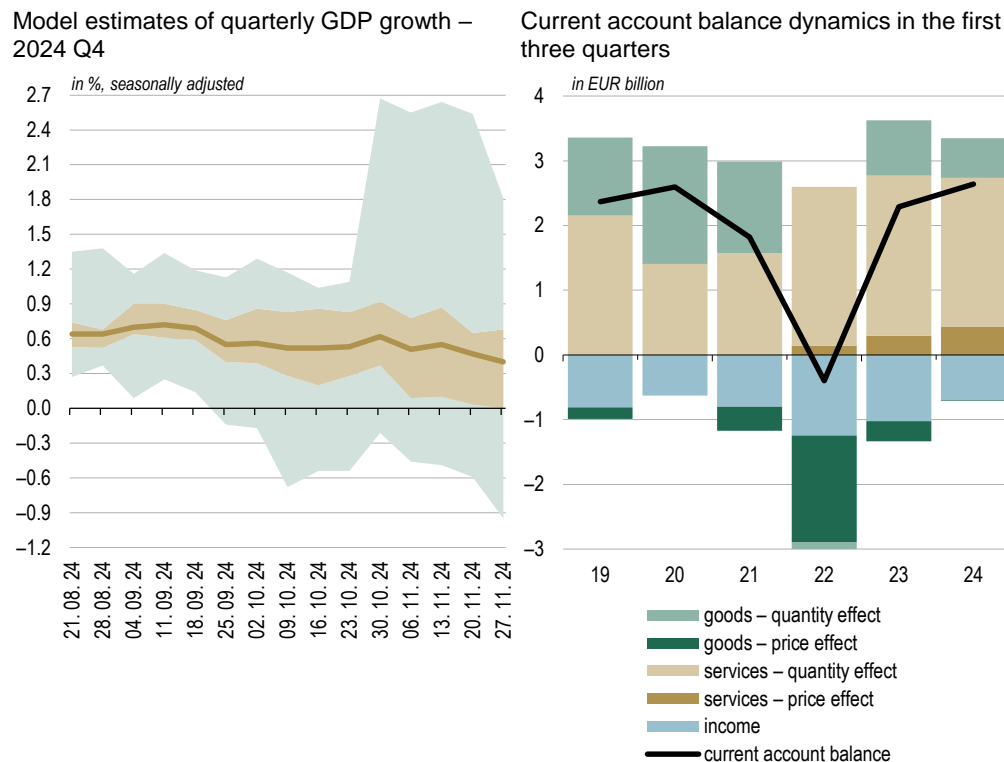
Sources: SURS, Banka Slovenije, Banka Slovenije estimates
Note: The left chart illustrates the nowcasts for quarterly GDP growth. The gold area represents the interval between the 25th and 75th percentiles, while the green area represents the interval between the lowest and highest forecasts. The black line represents the average nowcast for GDP growth in the final quarter of 2024. Nowcast date: 27 November 2024. The right chart illustrates the sum over the first three quarters for each year. The effect of the terms of trade is calculated as the difference between nominal and real trade on the basis of balance of payments figures and national accounts price indices.

The cumulative services trade surplus was down approximately EUR 35 million year-on-year on its record high from 2023, although an even larger decline was prevented by an improvement in the terms of trade. Nominal services exports were up 3.3% in year-on-year terms, while imports were up 5.3%. Despite the decline, the services trade surplus remains large, at more than EUR 2.7 billion. The largest components were transport services (47.9%) and travel services (24.5%).

Following the record developments in recent years, the labour market is slowing, but wage growth remains high.

In the third quarter, the employment level stood at 1,104.4 thousand people, which is 0.1% less than in the same period of the previous year. The halted employment growth is not yet reflected in a higher number of registered unemployed individuals, as their number in October was 3.8% lower year-on-year (see Figure 1.2.3, left). Employment

growth varies sharply between sectors. Year-on-year growth is still very high in the government sector at 1.5%, while employment in the private sector declined over the first three quarters of the year. The cooling of the labour market is also evidenced in the further decline in the vacancy rate, which stood at 2.4% in the third quarter, down 0.3 percentage points in year-on-year terms. Year-on-year growth in compensation per employee remained robust in the third quarter at 7.2%, albeit lower than a year earlier. Real wage growth strengthened considerably amid the significant fall in inflation, and at 6.1% was sharply outpacing growth in labour productivity, which stood at 1.5% in the third quarter (see Figure 1.2.3, right).

Figure 1.2.3: **Selected labour market indicators**

Employment and registered unemployed

Compensation per employee and productivity
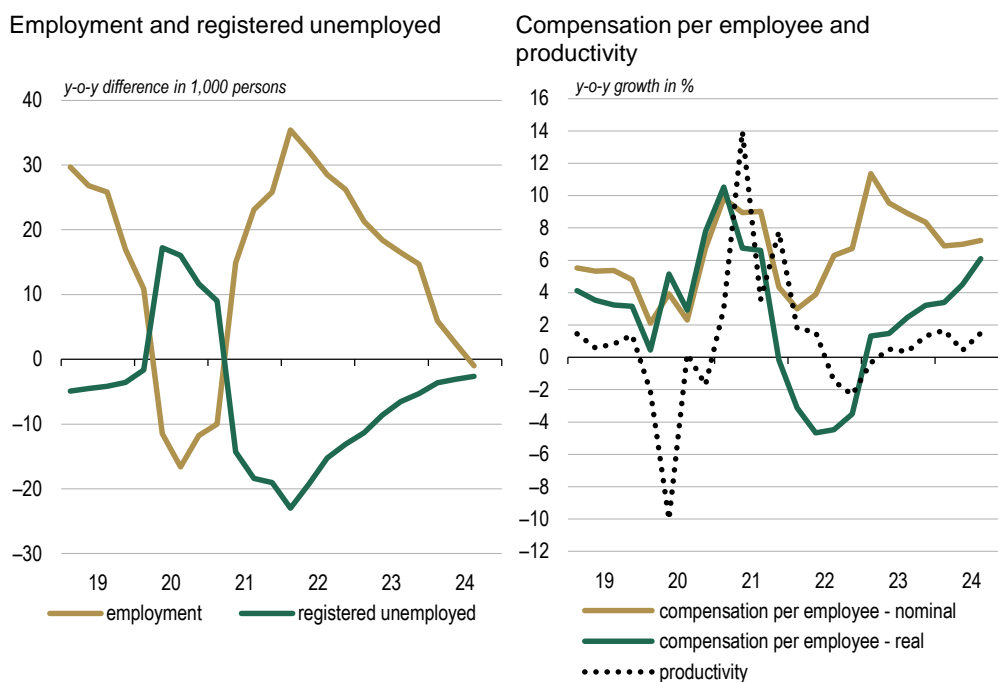
Sources: SURS, Employment Service, Banka Slovenije calculations. Latest data, left chart: employment: Q3 2024; registered unemployment: Q4 2024*; right chart: Q3 2024
Note: * The figure for registered unemployment is compiled from an average over the three months of the quarter. The October data alone is available for the final quarter of 2024. Real growth in compensation per employee is calculated using the HICP deflator.

Inflation moderation has continued in 2024, with electricity prices being the main factor in the inflation developments in recent months.

Headline inflation as measured by the HICP rose to 1.6% in November, from 0.0% in October and 0.7% in September (see Figure 1.2.4, left). This also brought an end to the series of monthly declines observed since the end of 2023. The inflation develop-ments in the last two months were mainly attributable to energy prices, particularly electricity prices in the wake of October's transition to a new network charges regime, which has introduced low and high billing seasons.[14] Future developments will hence-forth be more volatile, with base effects having a major impact on the year-on-year growth rates until October 2025.

[14] The new approach to electricity billing entered into force on 1 October 2024. The legal basis is the Act on the methodology for billing network charges for electricity operators, which was adopted by the Energy Agency on 25 November 2022. Its impact on the level of inflation and the inflation projections is examined in Box 2.3.1.

Compared with the previous month, electricity prices were 9.2% lower in October, a low season month, which reduced headline inflation by 0.2 percentage points (see Figure 1.2.4, right). Conversely, the changeover to the high season resulted in a 16.8% monthly electricity price growth in November, which raised headline inflation by 0.2 percentage points. In November the government lowered the price cap for supplied electricity for four months,[15] thereby mitigating the impact of the changeover to the high season for billing network charges. Our estimate is that without this measure, November's headline inflation would have been 0.3 percentage points higher. Year-on-year energy price growth held at –3.6% in November (up from –13.1% in October). Alongside the current price rises, the smaller year-on-year fall in prices was attributable also to a dissipation of base effects, since the exemption of renewables levies for electricity was established in November 2023.[16]

Figure 1.2.4: **Domestic price developments and impact of regulatory measures on inflation**

Inflation in Slovenia

The impact of regulatory measures on inflation
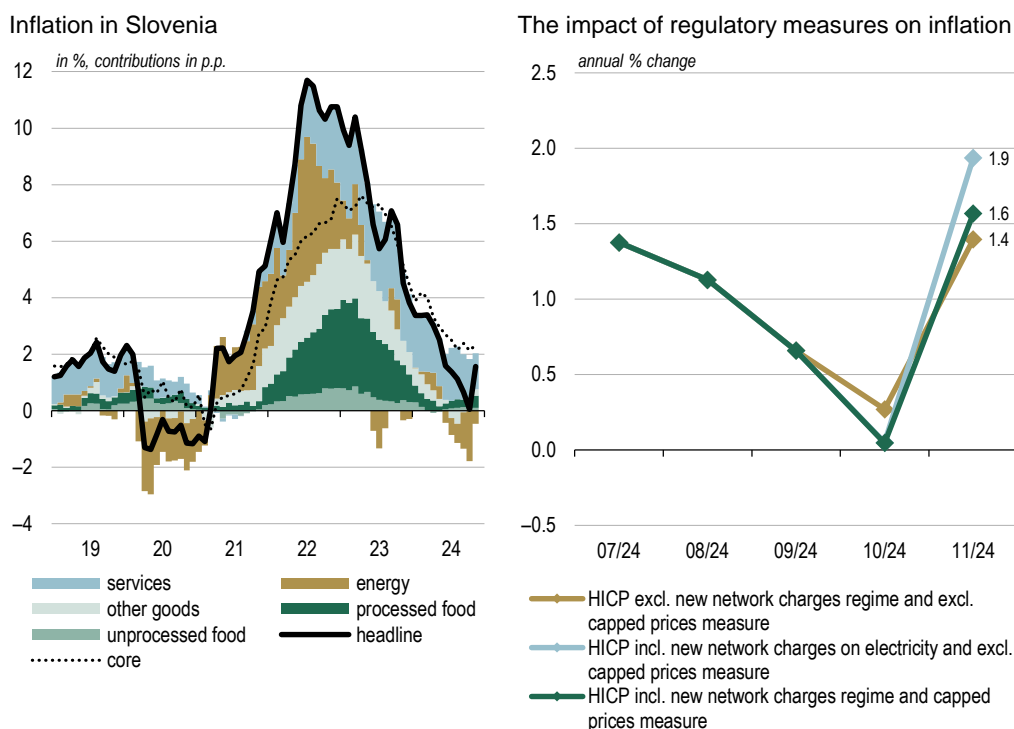
Sources: SURS, Eurostat, Banka Slovenije calculations. Latest data: November 2024

With supply chains in a stable condition, there have been no major changes in growth in food prices and prices of other (non-energy industrial) goods.

Food prices have been less volatile than energy prices in recent months, but are showing signs of strengthening. Year-on-year food price inflation stood at 2.3% in November (up from 2.0% in October), with the increase being driven mainly by prices of processed food, even amid current falls in prices of alcoholic beverages and tobacco. Price pressures in food production chains remain relatively weak. Although import prices of food

[15] The Decree setting electricity prices stipulates a cap of EUR 84 per MWh for high-tariff energy, EUR 70 per MWh for low-tariff energy and EUR 77 per MWh for the standard daily tariff between 1 November 2024 and 28 February 2025.

[16] This was an amendment to the Decree on the method of determining and charging the contribution for providing support to the high-efficiency generation of electricity through cogeneration and from renewable energy sources, available in this link, which envisaged an exemption from the CHP and renewables levies for electricity between November 2023 and 31 December 2024, later extended to 28 February 2025.

and beverages are rising and were up almost 2% in year-on-year terms in October, this is not yet being reflected in producer prices, which have mostly stagnated since the beginning of 2024. Similar developments are evident in the prices of consumer goods excluding food, which is reflected in non-energy industrial goods (subsequently referred to as other goods) inflation. The price growth of other goods declined sharply in 2024, amid the further easing of price pressures in global production chains, surplus production capacity, and weaker domestic demand for non-durables. Growth in prices of other goods strengthened to 0.8% in November (up from 0.1% in October), possibly as a result of developments in prices of clothing and footwear.[17, 18]

Service price inflation, supported by robust labour cost growth, continues to strongly outpace other inflation components.

Core inflation, i.e. inflation excluding energy and food prices, has been less volatile than headline inflation in recent months (see Figure 1.2.4, left). It stabilised at 2.3% in November (having stood at 2.1% in October and 2.4% in September) and continues to be driven mainly by services prices. Service price inflation deviates sharply from the other sub-components, despite slowing to 3.7% in November (from 3.9% in October). Momentum[19] is also slowing, and the share of firms expecting further price rises in the next three months is declining.[20] Growth in labour costs nevertheless remained high in the third quarter even as employment growth slowed, at more than 4% in real terms. The variation in wage intensity within the services category means that there are large differences between inflation in various components: for example, year-on-year inflation in the hotels and restaurants category, which accounts for 28% of all services, strengthened slightly in November to 4.3%.

Box 1.2.1: **Factors in growth in prices of other goods**

After peaking in September 2022, year-on-year growth in prices of other (non-energy industrial) goods began to moderate, and had temporarily turned negative by the summer of 2024, as the effects of the post-pandemic shocks have almost entirely dissipated.

This box analyses the factors that slowed growth in prices of non-energy industrial goods[21] in 2024 (henceforth referred to as other goods; see Figure 1.2.1.1, left), thereby making a significant contribution to the slowdown in headline inflation in Slovenia. The rapid recovery in global economic activity that followed the reopening of economies

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[17] Year-on-year price growth of other goods excluding clothing and footwear has been declining since the end of 2022. According to the SURS's consumer price index figures for November released on 29 November 2024, monthly growth in prices of clothing and footwear stood at 1.8%, compared with 0.6% in November of last year, the November rate in this category having averaged 1.5% between 2005 and 2019. The rise in year-on-year growth in prices of other goods is thus partly attributable to a base effect. In addition to the semi-durables included in the other goods category, the category of clothing and footwear also includes services related to clothing and footwear, although their share is very low (1.2%). Price developments in this category are thus a good indicator of developments in prices of other goods excluding clothing and footwear, which were not available for November 2024 at the time of publication.

[18] A decomposition of the factors affecting growth in prices of other goods is presented in Box 1.2.1.

[19] The annualised rate, which compares average prices in the last three months with average prices in the preceding three months, slowed to 2.4% in November, having stood at 5.7% in September.

[20] The share of firms expecting a rise in prices of their services over the next three months declined over the first nine months of 2024, before rising again slightly.
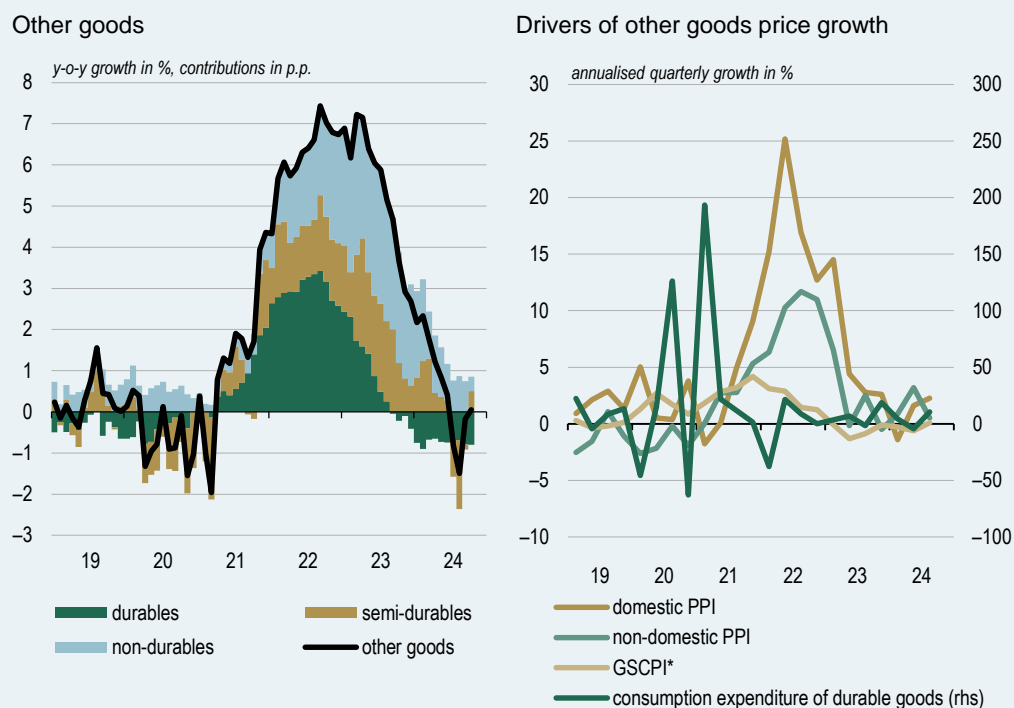
[21] This inflation sub-category includes clothing and footwear, pharmaceutical products, vehicles, and furniture and domestic appliances.

after the withdrawal of Covid-19 containment measures caused bottlenecks in supply chains. Together with the strong recovery in domestic consumption and cost pressures, this drove a rise in prices of other goods (see Figure 1.2.1.1, right). The growth was highest in September 2022, when the year-on-year rate peaked at 7.4%. This was followed by a slowdown, with prices falling in year-on-year terms between July and September of 2024.

From the perspective of the sub-components, the moderating growth of other goods prices since peaking in 2022 was first driven by slower growth in prices of durables (e.g., cars and furniture), which peaked at 8.9% in September 2022. While the developments in prices of durables lowered year-on-year growth in prices of other goods by 2.1 percentage points on average in 2023, year-on-year growth in prices of non-durables (e.g., household maintenance products and printed products) strengthened further in 2023. In 2024 the fall in prices of other goods was broad-based and driven by a slowdown in growth in all sub-components (see Figure 1.2.1.1, left).

The dynamic impact of the easing of domestic and foreign factors in growth in prices of other goods was estimated using a recursively identified VAR model with two lags, where the variables are included in the model in the following sequence: the GSCPI (global supply chain pressure index), which measures pressures in supply chains, the foreign PPI, the domestic PPI, growth in prices of other goods excluding clothing and footwear,[22] and private consumption of durable goods. The sequence and the shock identification method intuitively follow the vertical structure of the production and consumption of other goods. The GSCPI index enters the model in levels, while the other variables are included as annualised quarterly growth rates. All variables are seasonally adjusted.

Figure 1.2.1.1:
Decomposition of growth in prices of other goods and its drivers

Other goods

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

durables · semi-durables · non-durables · other goods

Drivers of other goods price growth

annualised quarterly growth in %

domestic PPI
non-domestic PPI
GSCPI*
consumption expenditure of durable goods (rhs)

Sources: SURS, Eurostat. Latest data, left chart: October 2024; right chart: Q3 2024
Note: The PPI denotes the producer prices index of industrial consumer goods on the domestic or foreign market. * The GSCPI is illustrated as standard deviations from the long-term average.
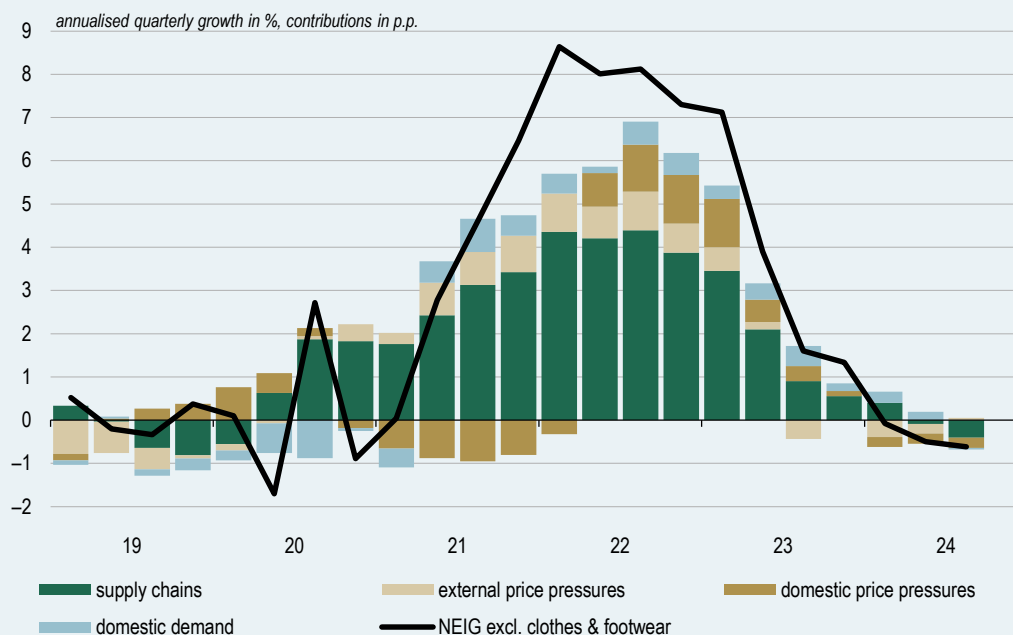
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[22] Given the high volatility in prices of clothing and footwear, the analysis focuses on growth in prices of other goods excluding these components. It thus covers 79% of other goods.

The slowdown in growth in prices of other goods was caused by both domestic and foreign factors.

The decomposition of growth in prices of other goods excluding clothing and footwear on the basis of the estimated model shows that after the pandemic growth was first driven by foreign factors related to the developments in supply chains and foreign price shocks (see Figure 1.2.1.2). In 2021 and 2022, these factors contributed 3.3 percentage points and 5.0 percentage points, respectively, to the annualised quarterly growth in prices of other goods excluding clothing and footwear, which averaged 3.5% and 8.0%, respectively, over this period. The strong contribution by the supply chain shocks during the second half of 2022 and the first half of 2023, when the situation in supply chains had begun to gradually stabilise, was primarily attributable to the accumulated effects of past shocks. At the same time, domestic factors related to the rapid recovery in activity and to the rise in costs of labour and intermediate goods also contributed to the growth, particularly in 2022 and 2023.

With gradual easing of the supply chain pressures, the growth in prices of other goods excluding clothing and footwear began to moderate in 2023, before temporarily turning negative in 2024. Another factor in this was the dissipation of the effects of past price shocks, which have been reducing growth in prices of other goods in 2024. The cooling of domestic demand, particularly in the housing investment segment, which is reflected in prices of durables, also contributed to the slowdown in price growth. The results confirm that the slowdown in the growth of other goods prices was attributable to both domestic and foreign factors, while the effects of past shocks had almost entirely dissipated. The role of domestic factors might also explain the faster post-pandemic rise in prices of other goods in Slovenia compared with price growth in the euro area and the faster slowdown in growth of other goods prices in 2024.

Figure 1.2.1.2: **Impact of structural shocks on growth in prices of other goods excluding clothing and footwear**

annualised quarterly growth in %, contributions in p.p.

Legend: supply chains; external price pressures; domestic price pressures; domestic demand; NEIG excl. clothes & footwear

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

The public finance position is being improved by favourable developments that continue to be driven by one-off factors on both the revenue and expenditure sides.

The consolidated general government deficit over the first ten months of 2024 was down almost a half in year-on-year terms at EUR 483 million, or 0.9% of GDP. The improvement was attributable to good growth in revenues (10.6%), which has slowed slightly in the second half of the year, primarily as a result of lower growth in revenues from consumption taxes. This year's relatively high growth in revenues is being driven by a labour market situation that is favourable to the public finances, and by certain one-off factors. The latter include the transformation of voluntary supplementary health insurance into a compulsory contribution, a temporary rise in the corporate income tax rate to raise funds for reconstruction following last floods in 2023, and increased dividend payments by government-owned firms for the same purpose.

At 8.4%, year-on-year growth in general government expenditure meanwhile remains below growth in revenues, and has also been slowing in the second half of the year. While wages and contributions are growing at a slightly slower rate (7.0%), expenditure on goods and services (12.8%) and on pensions (11.0%) is outpacing overall growth in expenditure. Conversely there has been a notable decline in subsidies, where the measures to mitigate high energy prices have been scaled back, and in investments, as disbursements from the previous European financial framework have ended in 2023. Expenditure on temporary crisis measures (mitigation of high energy prices, floods and to a lesser extent the pandemic) amounted to EUR 444 million over the first ten months of the year according to the Fiscal Council's data, down significantly on the same period of 2023, when they exceeded EUR 1 billion. A surplus was recorded vis-à-vis the EU budget.

2 Projections

After being subdued in 2024, economic growth will rise again over the 2025 to 2027 horizon, supported by a recovery in foreign demand, an easing of the financing conditions, and favourable conditions for private consumption. Despite certain signs of cooling, the labour market will remain tight, and wage growth will be high. Conditioned by the projected growth in labour productivity, inflation will mainly remain in line with the price stability target.

2.1 Economic activity

GDP growth in 2024 was lower than predicted in the previous projections, largely as a result of curtailed investment activity.

Average year-on-year growth in GDP over the first three quarters of the year was below the June projection of the annual rate. The largest factor in the under-performance during the year was the decline in investment, which was particularly pronounced in sectors related to construction (see Figure 2.1.1, left). The reduced construction and

housing investment was attributable to the ending of certain government projects supported by the previous European financial framework, to a slowdown in real estate transactions, and to the reconstruction following last year's floods being slower than originally scheduled. Export demand was also weaker in the first half of the year compared with the previous projections. Export growth recovered in the third quarter, and net trade made a renewed contribution to GDP growth. Quarterly economic growth nevertheless remained relatively modest at 0.3%, and developments are expected to have remained similar in the final quarter. This is reflected in the new GDP growth projection for 2024 of 1.4%, which stands approximately 1 percentage point lower than the June projection.

Figure 2.1.1:
Decomposition of GDP growth

Average y-o-y growth of GDP components in 2024

Contributions to real GDP growth
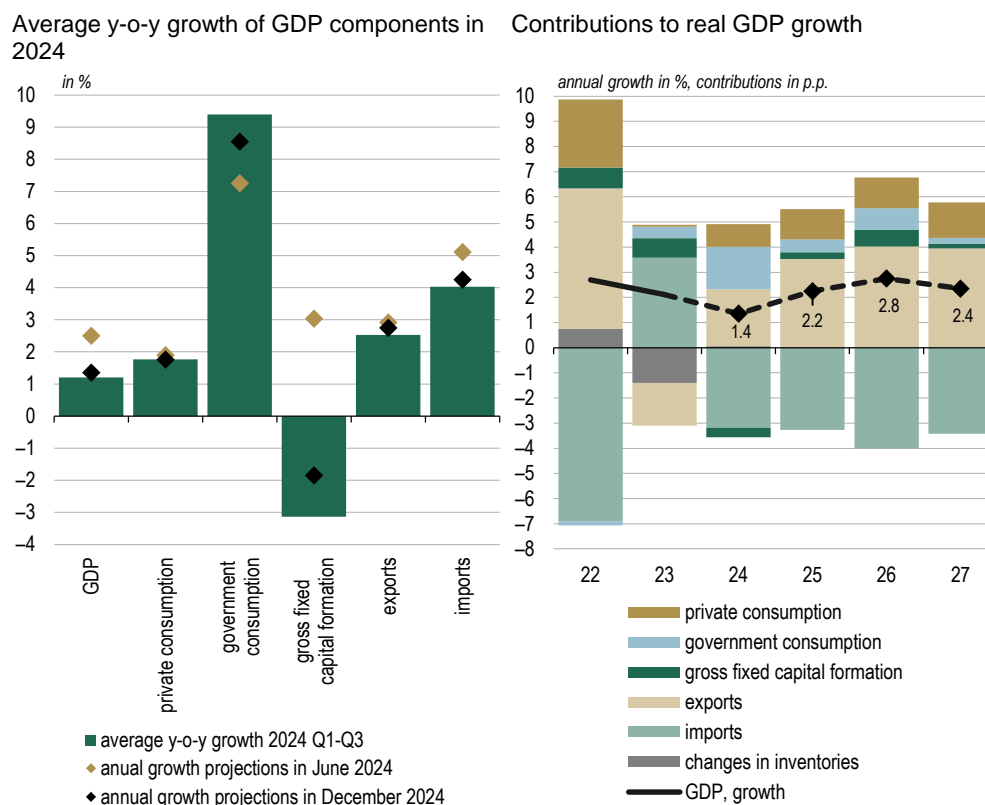
Sources: SURS, Banka Slovenije calculations and projections.
Note: Year-on-year growth in the left chart refers to seasonally and calendar-adjusted figures. Owing to rounding, components may not sum to their aggregate values.

GDP growth will strengthen over the 2025 to 2027 horizon, and will be relatively broadly based.

Having recovered sharply after the pandemic on the basis of the reopening of the economy and the high level of savings built up, private consumption will largely be supported over the projection horizon by underlying factors such as employment and rising purchasing power. Domestic demand will also be strengthened by a recovery in investment activity, which on the government side will reflect projects linked to EU funding and to the post-flood reconstruction, while private investment will mainly be driven by a gradual improvement in the financing conditions and the anticipated growth in new orders. Economic growth is also expected to strengthen in the trading partners inside the euro

area, which will be reflected in export growth and the waning of the negative contribution by net trade. With these factors in place, economic growth is projected to stand at 2.2% in 2025, before strengthening further and approaching its long-term average at 2.8% in 2026 (see Figure 2.1.1, right). Growth is then expected to slow to 2.4% in 2027, mostly as a result of lower government investment activity as projects reliant on EU funding come to a close.

Private consumption will strengthen over the projection horizon, and will be the main driver of economic growth. It will continue to be supported by a robust labour market, and strengthening household purchasing power.

While price pressures, the waning of the stimulus from the post-pandemic reopening of the economy, and uncertainty led to stagnation in private consumption in 2023, it strengthened over the first three quarters of 2024 as inflation eased and real incomes rose. The indicators for the final quarter also point to solid current growth, with the real value of card payments and retail turnover continuing to increase. In light of these developments, our expectation is that private consumption will record growth of 1.8% in 2024, comparable to the June projections (see Figure 2.1.2, left). Growth in consumption is trailing growth in real incomes, which is being reflected in the maintenance of a relatively high household saving rate, partly interpretable through the trend decline in consumer confidence since the pandemic.[23]

Growth in private consumption will strengthen further over the remainder of the horizon, driven in particular by growth in real incomes and the expected gradual improvement in the confidence among consumers amid the expected continuation of the existing conditions on the labour market. Consumption growth is projected at 2.4% in 2025 and 2.3% in 2026, before rising to 2.7% in 2027. Amid these developments, our expectation is for the gradual closure of the gap between growth in private consumption and growth in real household disposable income (see Figure 2.1.2, left). Similarly to the June projections, even higher growth in consumption is being held back in the technical sense by the legislative changes related to the reclassification of supplemental health insurance and its transfer to government consumption, and the gradual enforcement of the new law on long-term social care. The negative impact of the two legislative changes on growth in private consumption is estimated to average approximately 0.8 percentage points between 2024 and 2026.[24]

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[23] See Box 2.1.1 of the December 2023 issue of the Review of macroeconomic developments and projections.

[24] From an economic growth perspective, the negative contribution to private consumption will have no impact, as it will be compensated for in full by the increase in government consumption. The impact is 0.1 percentage points smaller than estimated by the June projections, on account of realisation in the first three quarters of 2024. The legislative changes will begin full implementation in 2026, and from 2027 will therefore no longer have any impact on growth, but only on levels.

Figure 2.1.2:
Decomposition of growth in private consumption, and household saving rate

Decomposition of private consumption growth

growth in %, contributions in p.p.

legislative changes
seasonal component
within-year growth
carry-over
private consumption
real disposable income

Household savings ratio

in %

long-term average
savings ratio without impact of legislative changes
savings ratio
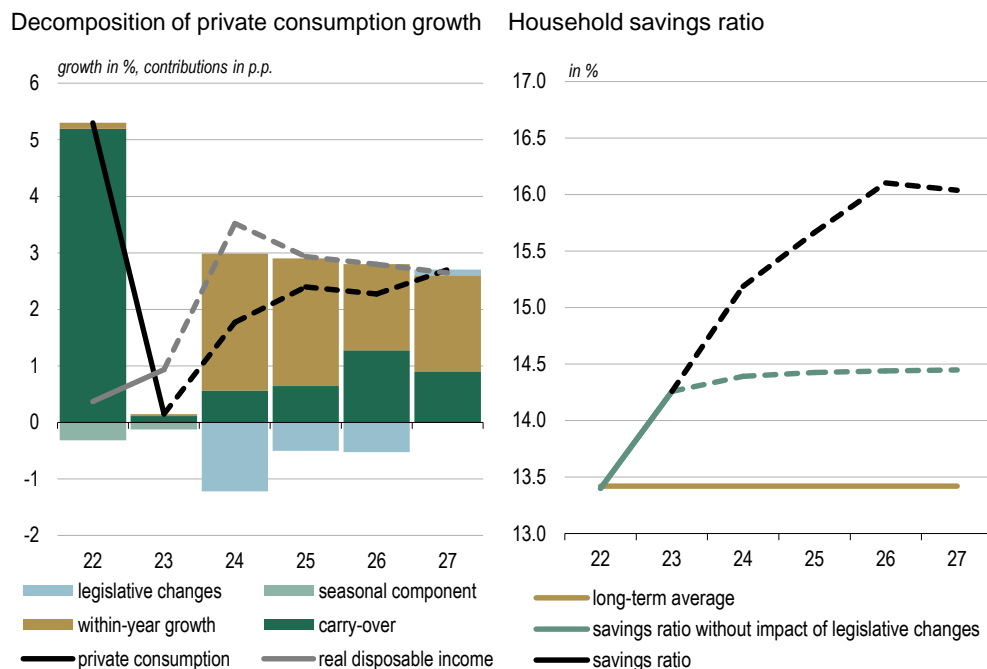
Sources: SURS, Banka Slovenije calculations and projections
Note: The contributions labelled "legislative changes" in the left chart illustrate the impact on growth in private consumption from the conversion of supplemental health insurance into a compulsory contribution, and the gradual enforcement of the long-term social care. The long-term average in the right chart is calculated for the period of 1995 to 2019, and stands at 13.4%.

The negative impact on growth in consumption from the legislative changes is also reflected in the projection for the household saving rate. This will average 15.7% over the projection horizon, 2.3 percentage points higher than its long-term average (see Figure 2.1.2, right). Excluding the impact of these regulatory changes, the household saving rate would settle at 14.2%, still almost 1 percentage point above its pre-pandemic long-term average. This reflects the structural decline in consumer confidence, also as a result of the significantly higher price levels compared with before the pandemic, despite the slowdown in inflation, with the role of precautionary saving having increased during this period.

Private investment declined in 2024, primarily due to the cyclical cooling of the construction sector and the unfavourable economic conditions in Slovenia's main trading partners. Investment activity is expected to gradually recover in 2025 and 2026, though growth is anticipated to slow slightly again in 2027 as the Next Generation EU facility (NGEU) expires.

Despite the gradual improvement in economic sentiment and positive expectations regarding output and export orders in the industrial sector, investment in machinery and equipment remains heavily impacted by the unfavourable economic conditions in Slovenia's key trading partners and the general uncertainty in the international environment. In previous quarters, this was also evident in a larger contribution from inventories and the postponement of investment activity. We anticipate that these factors will continue to suppress investment activity in the final quarter of 2024, resulting in an annual decline of 1.9% in private investment (see Figure 2.1.3, left).

Housing investment was another significant contributor to the decline in private investment in 2024, with a projected decrease of 1.6%. This decline is evident in the reduced volume of construction put in place, lower value-added in the construction sector, and

a drop in the number of building permits issued for residential buildings. These trends have further exacerbated the ongoing imbalance between supply and demand in the real estate market, sustaining strong growth in real estate prices despite a decrease in transaction volumes.

Figure 2.1.3: **Breakdown of growth in gross fixed capital formation, and estimated impact of funding from the NGEU instrument**

Contributions to gross fixed capital formation growth

Contributions to the growth of investments co-financed by funds from the NGEU

government gross fixed capital formation
private gross fixed capital formation
gross fixed capital formation

investments co-financed by NGEU funds
other investments
gross fixed capital formation
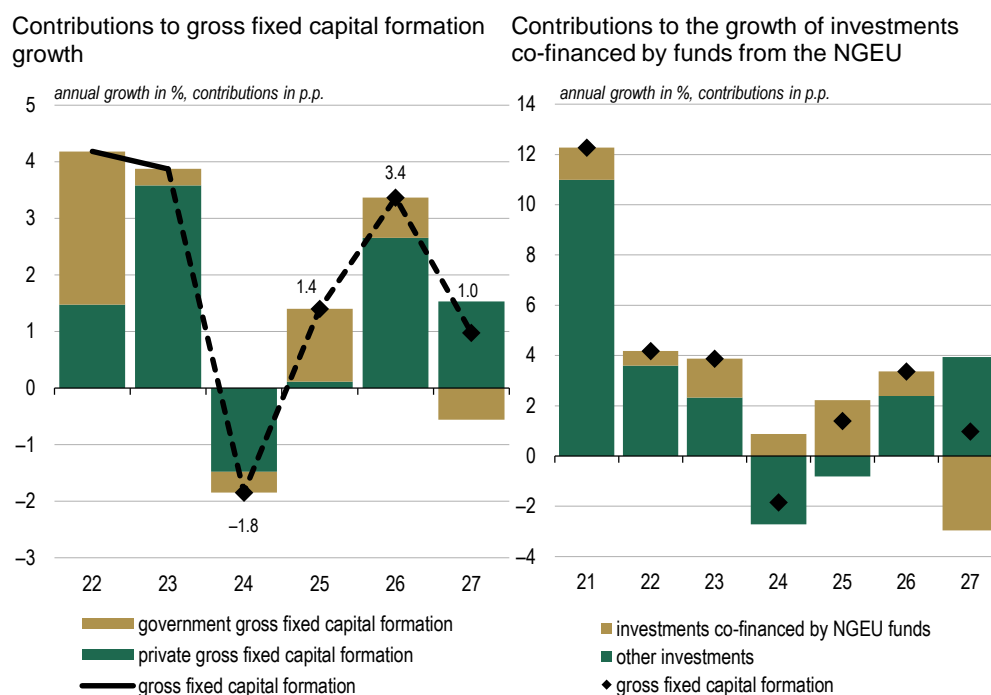
Sources: SURS, Ministry of Finance, RRO, Banka Slovenije estimates and projections
Note: Owing to rounding, components may not sum to their aggregate values.

Private investment growth is expected to gradually strengthen in 2025 and 2026, although the first year will be affected by a pronounced negative carry-over effect from 2024.[25] The recovery will be driven primarily by a gradual improvement in foreign demand from key trading partners and more favourable financing conditions. Investment co-financed by the NGEU (see Figure 2.1.3, right) will also play a significant role in supporting growth during this period. However, its contribution will turn negative in 2027 as the programme concludes. Considering these factors, private investment is projected to grow by 0.2% in 2025, 3.5% in 2026, and 2.0% in 2027.

The general government sector will mainly contribute to growth in domestic demand over the entire projection horizon via consumption, while developments in government investment will be more variable.

Rising government investment will drive economic growth only in 2025 and 2026, when disbursement from the NGEU programme is expected to be more intense, and the elections are expected to have a positive impact. Otherwise its contribution is expected to be slightly negative. The 2024 projection is derived from realisation over the first three quarters of the year, and will mainly reflect the ending of disbursement from the previous European financial framework, while in the final year of the projection horizon it will mainly reflect the ending of the NGEU instrument and the fact that it is a post-election year. The reconstruction following the 2023 floods will also have an impact in

[25] For an explanation of the carry-over effect, refer to Box 2.1.2 of the December 2022 issue of the Review of macroeconomic developments and projections.

the scale of investment over the projection horizon. Government investment is projected to decline by 1.5% in real terms in 2024, before rising by 5.3% in 2025 and 2.8% in 2026. It is then projected to decline again by 2.2% in the final year of the projection horizon as the NGEU programme ends (see Figure 2.1.3, left). Government investment as a ratio to GDP will remain at historically high levels, and will average around 5% of GDP.

Growth in government consumption will be high over the projection horizon, as a result of legislative changes in the area of healthcare and long-term care. It will average around 4%. It will peak in 2024, as a result of the transformation of voluntary supplementary health insurance into a compulsory health contribution. The gradual implementation of changes in the area of long-term care will have an impact on growth in 2025 and, in particular, 2026. From the perspective of economic growth, the impact of the aforementioned changes will compensate for the decline in private consumption. Growth in government consumption in 2024 is expected to be slightly higher compared to the June projections. This is partly attributable to the different structure of expenditure on reconstruction following the floods of 2023, which is being ascribed to a greater extent to the category of goods and services (and not investment), and higher growth in employment in the government sector, which stood at 1.6% over the first three quarters of the year. Growth in government consumption is expected to be slower at the end of the projection horizon, as a result of the diminishing impact of funding from the NGEU, which is ending in 2026. The projections also include an estimate of the impact of the wage agreement from autumn 2024, which begins implementation in 2025. That year is projected to see the highest average compensation per employee growth in the government sector of the projection horizon, as it is boosted not only by the implementation of the wage agreement, but also by the rise in wages from June 2024 and regular promotions at the end of the year.[26]

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[26] A new wage system enters into force in 2025. Employees will see a gradual rise in their base wage in six steps, the last coming in January 2028. The range between wage grades in the new pay scale will be 3% (hitherto 4%). The ratio of the highest wage to the lowest wage is rising to one to seven. Employees may not be assigned to a wage grade that would be lower than the minimum wage. Civil servants who have special knowledge or skills, or who are taking up positions where there are labour shortages may be assigned to a wage grade ten grades higher than their initial wage grade. The projection years of 2026 and 2027 include (partial) increase of wage grades in April, if consumer price inflation exceeds 1.8% or 1.6% respectively in the previous year, taking into account the difference between the actual inflation and the aforementioned thresholds.

Box 2.1.1: **Projections of general government balance and debt**

The general government deficit will remain below 3% of GDP over the projection horizon, while from 2026 the ratio of general government debt to GDP will be below its pre-pandemic level at 65.5%.

The general government deficit will remain below 3% of GDP throughout the projection horizon (see Figure 2.1.1.1, left). The narrowing of the deficit in 2024 is mainly a reflection of the downsizing of the measures to mitigate high energy prices, which are mostly ending at the end of the year.[27] Alongside a labour market situation that is favourable to the public finances, the solid growth in revenues is attributable to the transformation of the supplementary health insurance into a compulsory health contribution, and the introduction of the long-term care contribution in mid-2025, which is increasing social security contributions. The largest increases on the expenditure side are in government consumption, in particular social transfers in kind in connection with the legislative changes in the areas of healthcare and long-term care, and in compensation of employees. The projection is for the latter to increase most in 2025 as the new wage agreement begins implementation, but it will also increase as a ratio to GDP in 2026 and 2027, rising from 11.4% of GDP in 2024 to 12.2% of GDP in 2027. There will be an adverse impact on the public finances from growth in interest expenditure, which is projected to stand at 1.5% of GDP at the end of the projection horizon (up from 1.2% of GDP in 2023).

Estimates of the general government deficit have not been revised significantly since the June projections. On this occasion the revenue side takes account of the rise in excise duties on energy, which occurred in the interim, the rise in the carbon tax from September 2024, and also the implementation of changes in the area of personal income tax and VAT from 2025. Trading in emissions allowances within the framework of the EU ETS 2 is scheduled to begin in 2027.[28] The expenditure side takes account of the implementation of the new wage agreement, which is projected to entail slightly higher expenditure than envisaged in the June projections. Our expectation is that government investment will be lower than the government plans, but the average over the projection horizon should reach around 5% of GDP, a high figure in historical terms and compared with the EU overall. One-off measures should have a minor impact on the public finance position during the projection horizon, with no significant difference compared with the previous projections.[29]

The debt-to-GDP ratio will decline almost exclusively as a result of nominal GDP growth, with Slovenia continuing to run a primary deficit and seeing a rise in its interest expenditure (see Figure 2.1.1.1, right). Growth in nominal GDP, which even in the past was the most important factor in reducing the debt-to-GDP ratio, will slow during the projection horizon, which will consequently reduce the size of its impact. By 2026 the debt-to-GDP ratio will be below its pre-pandemic level, where the assumption is that

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[27] Regulation of electricity prices for households and the exemption from the levies for supporting electricity production with high-efficiency cogeneration and from renewable energy sources are in place until February 2025 inclusive. Between November 2024 and February 2025 the regulated electricity price for households is lower than before, and applies to total consumption (previously 90%).

[28] Slovenia requested a derogation, and is expected to retain its carbon tax until 2030. One condition is that the tax is always higher than the ETS 2 price. This could entail a rise in taxes, and hence in general government revenues.

[29] The estimated impact of the post-flood reconstruction on the general government balance takes account of the planned funding of reconstruction, such as the five-year tax on banks' total assets, the five-year rise of 3 percentage points in the corporate income tax rate (to 22%), an increase in dividend payments by government-owned firms, which allows for the temporary payment of SDH profits into the national reconstruction fund, and the use of funds from the EU Solidarity Fund. The estimated expenditure for this purpose also has an impact on the government balance. There remains considerable uncertainty surrounding the estimates, and the resulting impact on the deficit.

the government will not make use of the sizeable funds from pre-financing to pay down debt.

Our projections for the general government deficit in 2024 and 2025 are lower than the government projections. The government is projecting a deficit of 2.9% of GDP in 2024, which then narrows to 2.6% of GDP in 2025. The deviation from the government projections is largely attributable to the size of government investment (the respective differences are 0.9 GDP percentage points and 0.5 GDP percentage points). The European Commission is also projecting smaller deficits than the government, at 2.4% of GDP in 2024 and 2.1% of GDP in 2025, again in the context of lower investment. The government is projecting debt to end the year at 67.5% of GDP in 2024 and 64.4% of GDP in 2025, less than our projections, having envisaged the utilisation of pre-financing.

The public finance projections are exposed to various risks. In addition to the macroeconomic environment and the broader international situation, these also relate to the progress of the post-flood reconstruction, the implementation of the wage agreement, and the implementation of the long-term care system and the planned investments. The government is planning various reforms (pensions, healthcare, taxes) that would mainly affect developments in the public finances over the long term. An additional risk not considered by the previous projections relates to solving problems of Šoštanj thermal power plant. Deviations from the requirements of the updated fiscal rules could require the preparation of consolidation measures to meet the requirements.[30] The general government debt could be lower than projected if pre-financing is utilised.

Figure 2.1.1.1: **General government balance and debt, and breakdown of change in government debt**

General government balance and debt

Government debt change composition
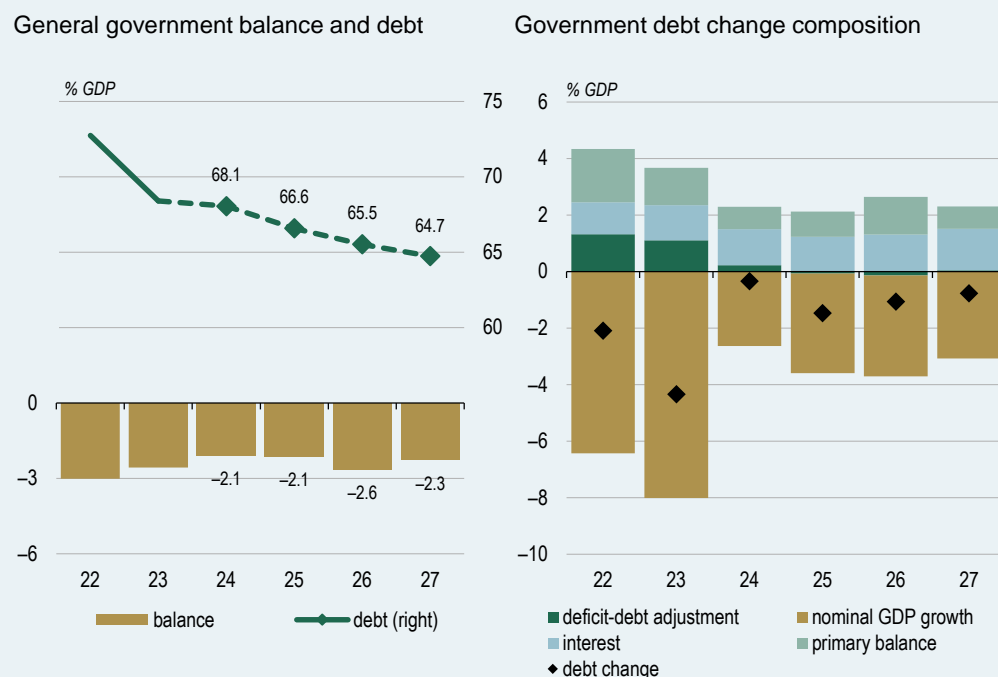
Sources: SURS, Banka Slovenije calculations and projection

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[30] Under the four-year national fiscal-structural plan covering the 2025 to 2028 period, the deficit is projected to narrow to 1.9% of GDP in 2026 and 1.6% of GDP in 2027. The European Commission projection for 2026 (2.1% of GDP) also points to a slightly larger deficit than the government plans, while the European Commission projections do not yet give a forecast for 2027.

In light of the envisaged developments in domestic and foreign demand, growth in international trade is expected to outperform its long-term average over the years ahead.

Since the end of the pandemic the export sector of the economy has faced numerous challenges in connection with the weak economic developments in foreign markets, disruption to supply chains and rising production costs (the impact of competitiveness on export market shares and the cost sensitivity of exports are examined in Box 2.1.2). Certain adverse factors from previous years waned in 2024, but export activity remained subdued in the first half of the year, primarily on account of weak demand from Slovenia's main trading partners. By contrast, the third quarter saw more favourable developments in international trade, with growth in exports picking up significant pace to a year-on-year rate of 8.4%,[31] thus compensating for the decline from the second quarter. The improvement was also evident in firms' export expectations (see Figure 2.1.4, left), which reached their level from the end of 2022. Accordingly, our projection for export growth is 2.8% in 2024 (see Figure 2.1.4, right). The contribution to GDP growth by net trade will nevertheless remain negative this year (in the amount of 1.4 percentage points), with import growth reaching 4.2%, driven by household consumption and government consumption.

In accordance with the expected recovery in foreign demand and the developments in export prices, our expectation is for export growth to hit 4.2% in 2025, before further strengthening to approximately 4.5% in 2026 and 2027. Amid a recovery in domestic demand, with strengthening household consumption and higher investment activity, import growth is projected to rise to 5.1% by 2026, before settling at 4.3% in 2027. The negative contribution to economic growth by net trade will have waned by 2025, and the current account surplus will remain above 5% of GDP over the projection horizon. Growth in international trade will average 4.3% over the projection horizon, outperforming its long-term average of 3.3% since the global financial crisis (2009 to 2023).

Figure 2.1.4: **International trade and export expectations**

Export orders and export expectations in manufacturing

Export, import and curent account balance
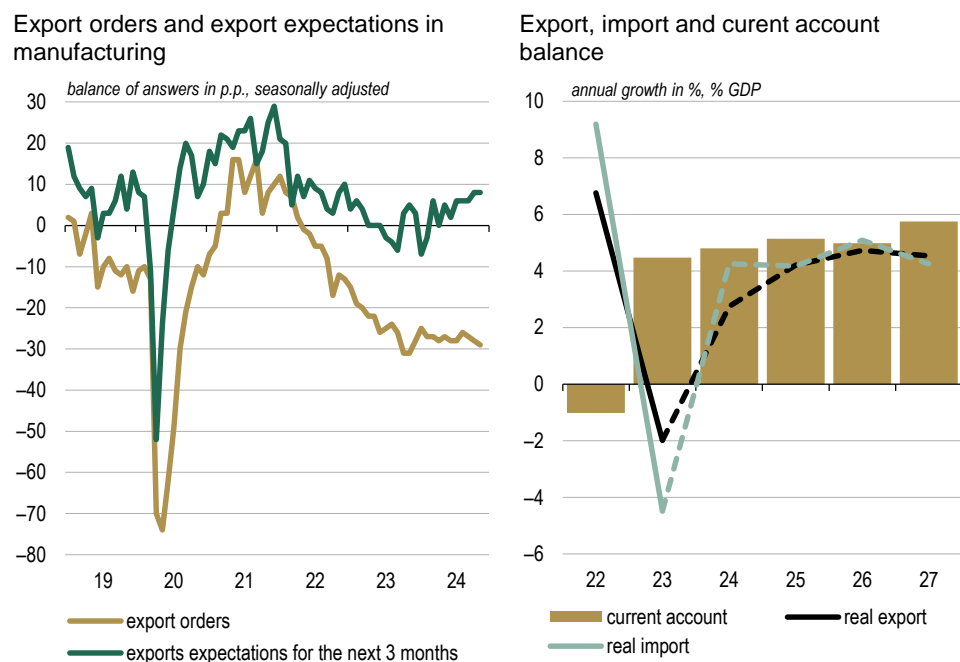
Sources: SURS, Banka Slovenije projections. Latest data, left chart: November 2024

[31] SURS, breakdown of GDP by expenditure.

Box 2.1.2: **The impact of competitiveness factors on market shares and the cost sensitivity of exports**

While the deterioration in price and cost competitiveness has significantly affected market share developments since the pandemic, in 2024, market shares were more influenced by non-price and non-cost competitiveness factors.

Slovenian exporters have faced numerous challenges in the international environment over the past four years. Slovenia and its key trading partners have been exposed to a series of shocks, including the pandemic, increased volatility in international production chains, the energy crisis, and ongoing uncertainty in the international environment. While some negative effects of these factors have subsided, the cost competitiveness position of Slovenian exporters remained 7.9% worse than before the pandemic in the first half of the year.[32] This box examines the impact of these past factors on the growth of export market shares.

The impact of past shocks on developments in market shares is analysed using an empirical Bayesian vector autoregressive (BVAR) model with two lags. The variables included in the analysis are: export market shares (measured as the ratio of Slovenia's exports of goods and services to foreign demand for Slovenia), the real harmonised indices of price and cost competitiveness against 37 selected countries (with consumer prices and unit labour costs as the deflators), the real price of Brent crude (deflated by global consumer prices), and the global supply chain pressure index (GSCPI). [33] The model is estimated using a sample spanning from the first quarter of 1998 to the second quarter of 2024.

The identification of macroeconomic shocks is based on sign restrictions (Rubio-Ramírez et al., 2010; Arias et al., 2018),[34] as detailed in the note to Figure 2.1.2.1. The distinction between oil shocks and supply chain shocks also incorporates narrative sign restrictions (Antolín-Díaz & Rubio-Ramírez, 2018) and forecast error variance decomposition restrictions (Weale & Wieladek, 2016; Volpicella, 2022).

In 2021, the first year after the pandemic, the largest negative impact on the growth in market shares came from supply chain shocks (see Figure 2.1.2.1). These disruptions were primarily caused by bottlenecks in international trade, rising shipping costs, and

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[32] Cost competitiveness is measured using real unit labour costs (RULCs). For more information, refer to the October 2024 issue of the Review of macroeconomic developments.

[33] All variables are expressed as year-on-year growth rates, except for the last, which is presented as a standardised level. The two real harmonised competitiveness indices have been adjusted for changes in the nominal exchange rate against 37 selected countries using OLS regressions, thereby separating the price and cost components of competitiveness. The price of Brent crude and the global supply chain pressure index account for major disruptions in energy markets and global production and supply chains related to the pandemic and the outbreak of the war in Ukraine. For more information on the global supply chain pressure index, see this link.

[34] The following literature is referenced in this box:
Rubio-Ramírez, J.F., Waggoner, D.F. and Zha, T. (2010). Structural Vector Autoregressions: Theory of Identification and Algorithms for Inference. *The Review of Economic Studies, 77*(2), 665-696.
Weale, M. and Wieladek, T. (2016). What Are the Macroeconomic Effects of Asset Purchases? *Journal of Monetary Economics, 79*, 81-93.
Antolín-Díaz, J. and Rubio-Ramírez, J.F. (2018). Narrative Sign Restrictions for SVARs. *American Economic review, 108*(10), 2802-2829.
Arias, J.E., Rubio-Ramírez, J.F. and Waggoner, D.F. (2018). Inference Based on Structural Vector Autoregressions Identified with Sign and Zero Restrictions: Theory and Applications. *Econometrica, 86*(2), 685-720.
Finck, D. and Tillmann, P. (2022). The Macroeconomic Effects of Global Supply Chain Disruptions. *BOFIT Discussion Paper No. 14/2022.*
Volpicella, A. (2022). SVARs Identification Through Bounds on the Forecast Error Variance. *Journal of Business & Economic Statistics, 40*(3), 1291-1301.
Breznikar, M. (2023). Contributions of Global Drivers to Inflation in Slovenia. *Short Economic and Financial Analyses*
Kabaca, S. and Tuzcuoglu, K. (2023). Supply Drivers of US Inflation Since the Covid-19 Pandemic. *Bank of Canada Staff Working Paper No. 2023-19.*
Ascari, G., Bonam, D. and Smadu, A. (2024). Global Supply Chain Pressures, Inflation, and Implications for Monetary Policy. *Journal of International Money and Finance, 142*, 103029.
ECB (2024). ECB Bulletin. *Issue 6/2024.*

longer supply timelines, with their effects only visibly easing towards the end of 2022. Despite this, the growth in market shares in 2021 remained positive, driven by the relatively rapid recovery of the Slovenian economy after the pandemic. This recovery was supported by the easing of containment measures, the normalisation of household demand, and the resumption of operations by many firms.

The factors that hindered the growth in market shares shifted significantly in 2022 and 2023. In the early part of this period, the largest negative impact on market shares stemmed from oil shocks related to the war in Ukraine and the resulting rise in energy prices. These price increases subsequently translated into higher prices for other commodities, materials, and intermediate goods, as well as greater growth in wages and labour costs. These factors accounted for the majority of the negative price and cost competitiveness shocks, thereby limiting the growth in market shares during this period.

Figure 2.1.2.1: **Drivers of growth in export market shares**

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

Legend:
- deterministic component
- non-price and non-cost competitiveness shocks
- price competitiveness shocks
- cost competitiveness shocks
- oil shocks
- supply chain shocks
- market shares
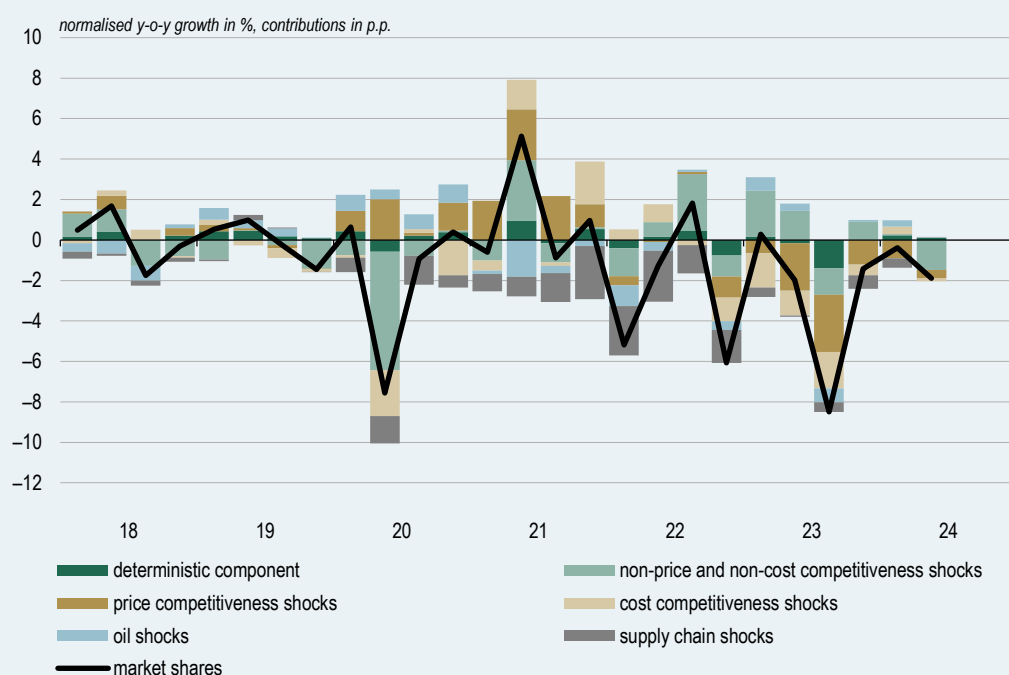
Sources: SURS, ECB SDW, FRED, Banka Slovenije estimates
Note: The sign restrictions set for the impulse responses in the first period are as follows: non-price and non-cost competitiveness shock – export market shares (+), price competitiveness index (+); price competitiveness shock – export market shares (-), price competitiveness index (+), cost competitiveness index (-), real oil prices (-); cost competitiveness shock – export market shares (-), price competitiveness index (+), cost competitiveness index (+), real oil prices (-); oil shock – export market shares (-), price competitiveness index (+), real oil prices (+), global supply chain pressure index (+); supply chain shock – export market shares (-), price competitiveness index (+), global supply chain pressure index (+). The setting of these sign restrictions follows Breznikar (2023), Kabaca and Tuzcuoglu (2023), Ascari et al. (2024) and the ECB (2024).
For the oil shock, the following sign restrictions are applied: unrest in Venezuela (Q4 2002, +); outbreak of war in Iran (Q1 2003, +); outbreak of civil war in Libya (Q1 2011, +); Russian invasion of Ukraine (Q1 2022, +). For the supply chain shock, the following sign restrictions are applied: earthquake and tsunami in Japan (Q1 2011, +); lockdown of Wuhan (Q1 2020, +), blockade of the Suez canal (Q1 2021, +); lockdown of Shanghai (Q2 2022, +). The setting of these sign restrictions follows Antolín-Díaz and Rubio-Ramírez (2018), Finck and Tillmann (2022), Breznikar (2023), Kabaca and Tuzcuoglu (2023), and Ascari et al. (2024). Additionally, it is specified that the supply chain shock has the largest impact on the variance decomposition in the global supply chain pressure index during the first two periods.

Since the beginning of 2024, the primary constraint on the growth in market shares has been the adverse impact of non-price and non-cost competitiveness factors. The sharper deterioration in these factors may be attributed to the ongoing unfavourable economic conditions in Slovenia's key trading partners and the increased uncertainty in the international environment.

Analysis at the firm level shows that a 1% rise in unit labour costs reduces exports by 0.2% on average, with significant variations between sectors.

In addition to the macroeconomic aspect, this box also examines the impact of higher unit labour costs (ULCs) on export performance at the industry level in manufacturing. The analysis is based on AJPES firm-level data, which is used to estimate the correlation between the change in exports of goods and the change in ULCs during the period of 2010 to 2023, considering the change in energy costs, firm's capital intensity, and year and industry fixed effects.[35,36] All the variables used are expressed in logarithms. The results show that a 1% rise in ULCs reduces exports by 0.2% in the average Slovenian manufacturing firm. Elasticity was also estimated for each manufacturing industry, and it was found that sensitivity varied considerably (see Figure 2.1.2.2). It was largest for exporters of motor vehicles and trailers and exporters of other machinery and equipment (–0.4% for both). Each of these industries represents an important part of manufacturing, together accounting for approximately a fifth of aggregate value-added in the sector. Conversely the smallest cost sensitivity of exports was seen in the manufacture of rubber products (–0.1%). The cost sensitivity of exports is also slightly below average in the manufacture of pharmaceutical products, which is the largest manufacturing industry.

Figure 2.1.2.2: **Cost sensitivity of exports**
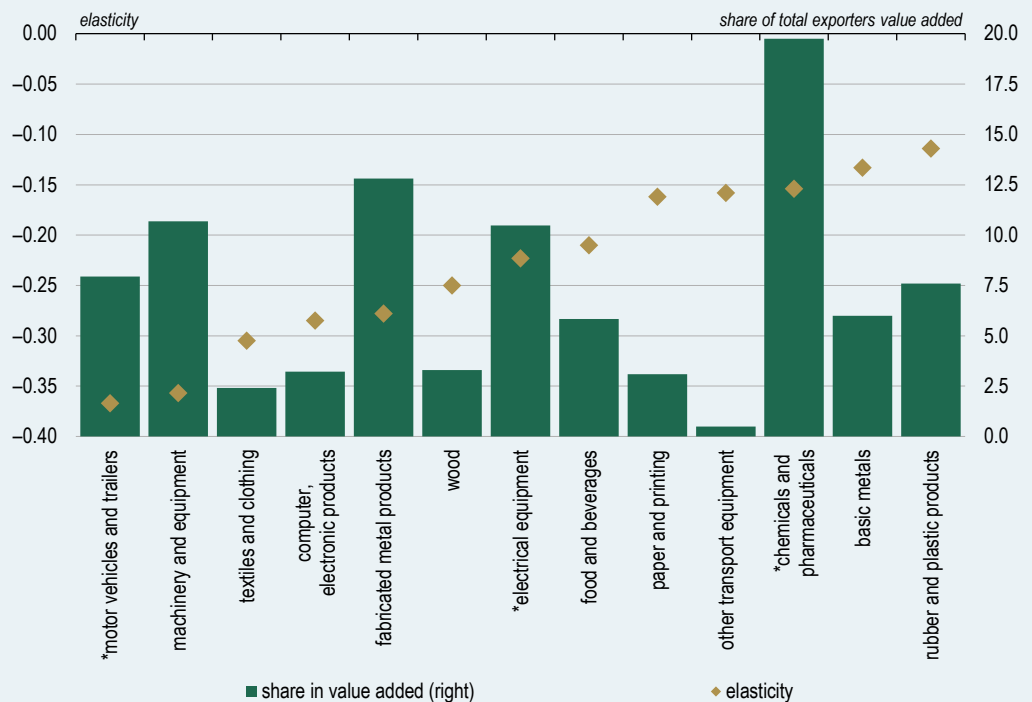
Sources: AJPES, Banka Slovenije estimates
Note: * Denotes largest export industries. The industries of non-metallic mineral products and furniture and other manufacturing are not presented due to insignificant coefficients.

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[35] The analysis follows the approach used in Decramer, S., Fuss, C. and Konings, J. (2016). How Do Exporters React to Changes in Cost Competitiveness? *The World Economy*, *39*(10), 1558-1583.

[36] All variables are defined at firm level: ULCs as the ratio of labour costs to real value-added, exports and energy costs directly from income statement, and firm's capital intensity as fixed assets per number of employees. The first difference is used, with a lagged value taken for capital intensity. The results are similar if the first difference is used for all variables.

Compared with the June projections, the December economic growth projections for 2024 and 2025 are 1.1 percentage points and 0.4 percentage points lower respectively.

The revisions to the projections for 2024 mainly reflect the lower-than-expected investment activity, with developments remaining weak towards the end of the year, thereby reducing the baseline for growth in 2025 (see Figure 2.1.5).[37] In line with the developments in 2024, the projected growth has been lowered most for government investment and housing investment, while the revisions to business investment are smaller. Given the import intensity of investment, growth in imports in 2024 also underperformed expectations, and the latest projections for 2024 and 2025 are just under 1 percentage point lower than in the June projections. Conversely, the projected growth in government consumption in 2024 is slightly revised upwards, also on the account of expenditure related to the post-flood reconstruction, which in the previous projections was included under government investment. The economic growth projections for 2026 remains unchanged from the June projections.

Figure 2.1.5: **Revision to economic growth projections**

Revisions to real GDP growth projections
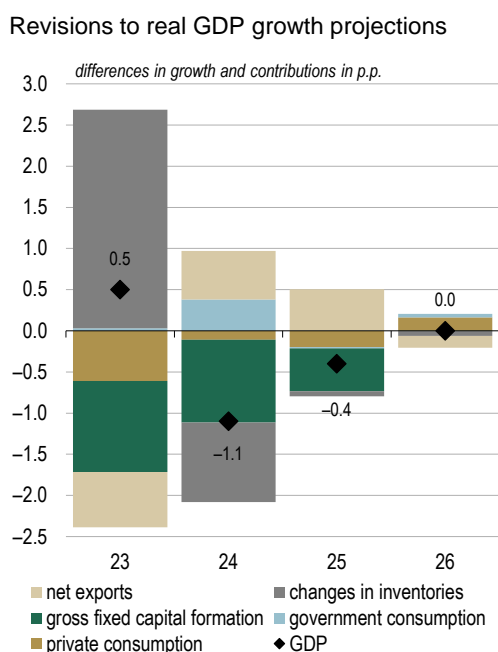
Sources: SURS, Banka Slovenije projections.
Note: The revised SURS data is illustrated for 2023.

2.2   Labour market

Employment growth will be low in 2024 and 2025, but will reach its long-term average by the end of the projection horizon.

The modest employment growth projection for 2024 (0.1%) is based primarily on continued hiring in the government sector. By contrast, the private sector has seen a reversal:

[37] For the relationship between the quarterly developments and annual growth, see Box 2.1.2 of the December 2022 issue of the Review of macroeconomic developments and projections.

employment declined over the first three quarters of 2024. Relatively weak employment growth is also expected in 2025 (see Figure 2.2.1, left). Given the level of economic activity, this will be lower than might have been expected,[38] which will be reflected in a cyclical recovery in labour productivity, based on better utilisation of existing labour capacity. This will also be attributable to the waning of factors that after the pandemic led to excess hiring relative to the level of activity, and precautionary labour hoarding in the context of a tight labour market.[39] Overall employment growth will gradually recover by the end of projection horizon, and will approach its long-term average (0.7%) and the expected rate of growth relative to the level of economic activity (see Figure 2.2.1, right). The strengthening of overall employment growth over the projection horizon will be driven by growth in the private sector, which is more exposed to cyclical developments. Employment growth in the government sector will by contrast be relatively stable over the projection horizon: it will stand at 1.5% in 2024, before settling at 0.9%.

Figure 2.2.1: **Labour market projections**

Projection of employment and unemployment rate

Comparision of employment growth with Okun law
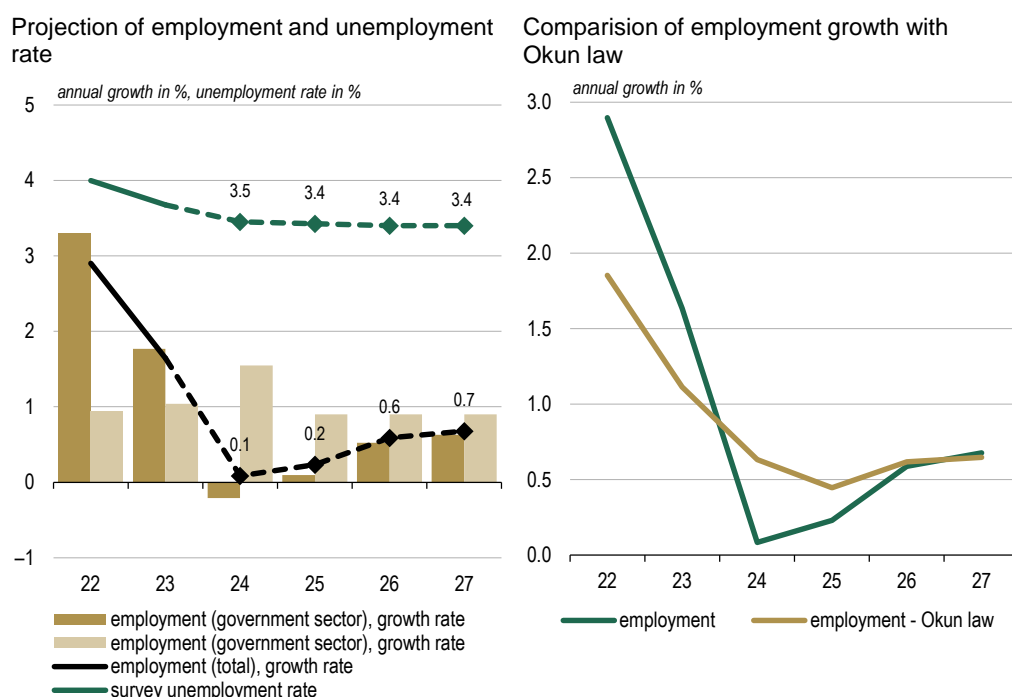
Sources: SURS, Banka Slovenije calculations and projections
Note: An ARDL(1,0) model is used for the Okun's law projection, which uses employment as the dependent variable and the lag in employment and GDP as the explanatory variables. All variables are year-on-year growth rates, and the model is estimated on the sample spanning period from the first quarter of 1996 to the third quarter of 2024.

The surveyed unemployment rate will remain low over the projection horizon.

The current unemployment data is sending mixed signals. The registered unemployment rate has stabilised at the low level of 4.5% over recent months. Meanwhile the surveyed unemployment rate, which had been well below 4% during the first half of the year, rose sharply in the third quarter to hit 4.4%. The differences between the two indicators can be ascribed to the differing methodologies. For example, the surveyed unemployment rate covers students seeking work but not finding it. In addition this in-

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[38] The correlation between economic growth and employment growth is described by Okun's law.

[39] Analysis of excess hiring or labour hoarding after the pandemic can be found in Box 2.2.1 of the December 2023 issue of the Review of macroeconomic developments and projections.

dicator is more exposed to statistical noise, being based on sampling, and is also exposed to seasonal effects. Based on the current developments, our projection is that the surveyed unemployment rate will average 3.5% in 2024, close to its record low (see Figure 2.2.1, left). The expectation is for it to decline slightly over the projection horizon to 3.4%, in line with the economic growth and the rise in employment. A larger decline is nevertheless unlikely, as employment growth will most likely continue to be based on the inclusion of foreign workers in the Slovenian labour market, which has a limited impact in reducing the unemployment rate. The importance of foreign workers to the labour market in Slovenia is examined in Box 2.2.1.

Wage growth will gradually slow over the projection horizon. It will be higher in the government sector than in the private sector.

Wage growth is projected at 7.4% in 2024, down slightly on the previous year, when it stood at 9.5% (see Figure 2.2.2, left). The largest factor in the developments in 2024 is the rise in the private sector, where an 8.3% wage growth is expected, while the projection for the government sector is more moderate at 4.2%. The main factors in wage growth are the ongoing tightness of the labour market, and, to a lesser extent, adjustments for past inflation. In 2025, we anticipate a shift in the dynamics and structure of wage growth. The public sector is expected to see an 8.7% increase as a result of an agreement to reform the pay system, which will also contribute to higher wage growth in 2026 and 2027. Over the entire projection period, wage growth in the public sector is projected to outpace that in the private sector. In the private sector, wage growth is expected to slow significantly to 4.6% in 2025, primarily due to the diminishing impact of inflation and signs of cooling demand for labour. The labour market nevertheless remains tight, and wage growth will remain at similar levels to 2025 in 2026 and 2027. The overall wage growth projections are 5.5% for 2025, 5.0% for 2026 and 4.5% for 2027.

Figure 2.2.2: **Wages and ratio of employee compensation to GDP**

Nominal compensation per employee

Wage share

Sources: SURS, Banka Slovenije calculations and projections

Review of macroeconomic developments and projections
December 2024
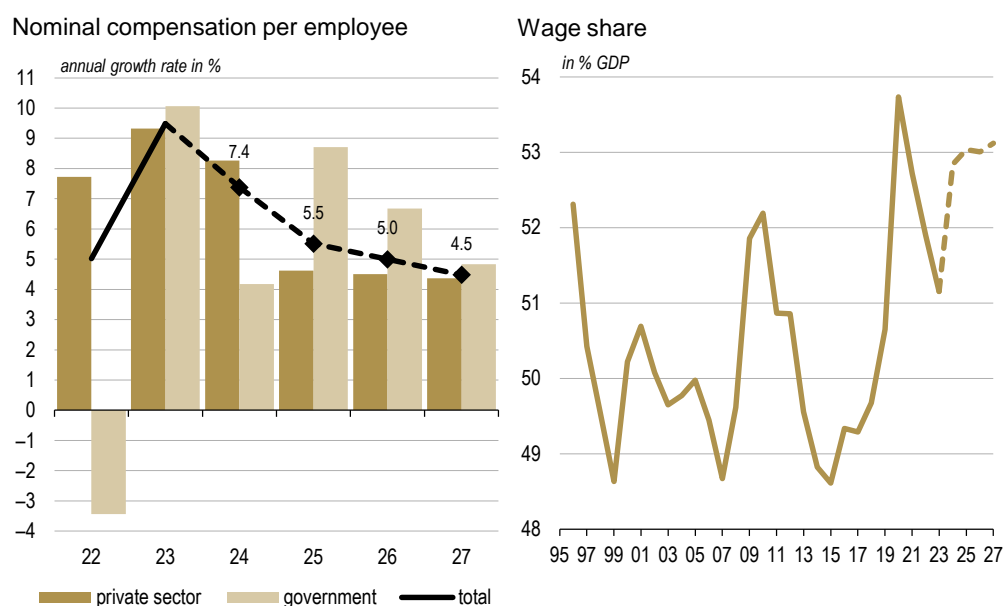
Banka Slovenije

Thanks to robust growth in nominal wages and the significant slowdown in inflation, real wage growth will reach 5.8% in 2024, a record high. This will drive a significant increase in the ratio of employee compensation to GDP, which will rise to 53.0%, above its long-term average of 50.5% (see Figure 2.2.2, right).

Box 2.2.1: **Projection for the share of foreign labour in Slovenia**

Foreign workers are an increasingly important factor in developments on the labour market in Slovenia. Under certain scenarios they might account for more than 20% of the total workforce in employment by the end of the decade.

Foreign nationals are playing a growing role in the labour force in Slovenia, as a result of the ageing population and the resulting shortage of domestic labour. In light of the unfavourable demographic trends, and the relatively high labour intensity of the Slovenian economy compared with the euro area overall, this box analyses the future ability to fill the gaps in the labour market using foreign workers. The share of the workforce in employment in Slovenia that they account for has risen sharply over the last decade, from 6.0% in 2013 to 15.0% in 2023 (see Figure 2.2.1.1, left). This growth trend is not limited to Slovenia alone: other euro area countries are also seeing a rise in the share of foreign workers. The share of foreign workers in Slovenia was 4.1 percentage points less than the euro area average in 2023, but its rise over the last two years has been significantly faster. Compared with neighbouring countries, in the past Slovenia had a lower share of foreign workers than Austria and Italy, but a higher share than Hungary, where the figure is very low. By contrast, by 2006 the share in Austria was already comparable to that now seen in Slovenia (around 15%), while the current figure is 25% (see Figure 2.2.1.1, right).

Figure 2.2.1.1: **Foreign workers' share of the persons in employment by country**

Share of foreign workers
in %, 4-quarter moving average

SI, IT, AT, HR, HU, EA

Share of foreign workers across countries
in %

SK, LT, EL, LV, HR, FI, EE, FR, PT, SI, NL, IT, EO, BE, DE, ES, AT, IE, CY, MT, LU
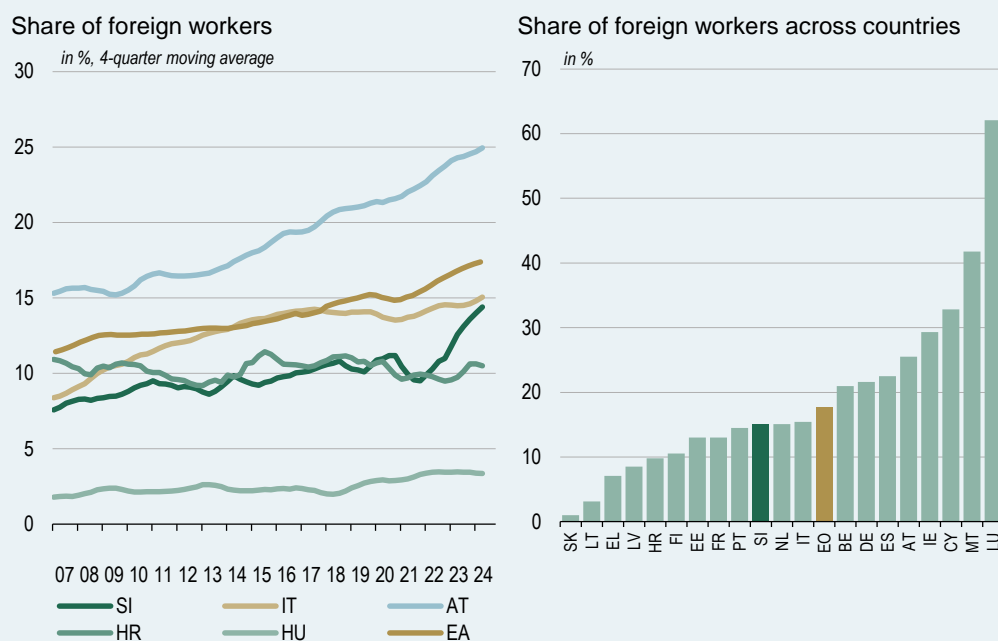
Sources: Eurostat, Banka Slovenije calculations

Four scenarios were drawn up for developments in the share of the persons in employment accounted for by foreign workers in the period of 2024 to 2030. The first three scenarios follow the assumptions of EUROPOP23 with regard to immigration. In contrast to these three scenarios, the fourth is based on an alternative calculation, which most closely tracks the developments on the labour market in recent years. All the scenarios envisage that employment growth between 2024 and 2027 will be in line with the Banka Slovenije projections, and then between 2028 and 2030 will stand at its long-term average (0.7%):[40]

- The scenario of average migration is based on the current long-term net immigration rate (approximately 6,000 people a year).[41] This level of immigration reflects a moderate rise in the number of foreign workers, and consequently an increase in their share of the labour force over the period to 2030.
- The scenario of lower migration takes account of below-average migration flows (less than a thousand per year), which could happen in the event of a decline in demand for foreign labour. In the event of developments of this kind, the share of foreign workers in Slovenia would decline slightly over the projection horizon.
- The scenario of higher migration envisages above-average net migration flows of approximately 11,000 people per year, comparable to 2023. This scenario would allow for faster growth in the share of foreign workers, which could reach approximately 20% by 2030.
- Instead of the migration flows from EUROPOP23, the severe scenario takes account of Slovenia's demographic picture, and envisages that the shortage of Slovenian nationals in the labour force will be filled by foreign labour, with the employment rate for Slovenian nationals remaining unchanged.[42]

In light of the above, our assessment is that the share of foreign workers in Slovenia will most likely continue to rise, as it is only the lower migration scenario that leads to a decline in the share (see Figure 2.2.1.2). This scenario is less likely, in that – under the assumption of positive employment growth – the shortfall in labour inflows would have to be made up with domestic workers. This could only be achieved through reforms of the labour market to encourage the hiring of older workers, and faster entry to the labour market for younger workers. The employment rate in the 25 to 54 age group is 89.3%, one of the highest of all European countries. By contrast Slovenia's employment rates in the 15 to 24 and 55 to 64 age groups are below the euro area averages, and are much lower than those of the leading countries.

An even larger rise in the share of foreign workers is indicated by the severe scenario, which envisages an intensification of the developments on the labour market from the post-pandemic period, where new hiring would entirely consist of foreign nationals. This scenario implicitly assumes that the employment rate of Slovenian nationals does not change. Under this scenario the share of foreign workers could exceed 20% by 2030 (see Figure 2.2.1.2). The realisation of this scenario would require the integration of approximately 10,000 foreign workers into the Slovenian labour market each year,

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[40] The scenarios apply the assumption of an employment rate of 75% among foreign nationals, while 80% of immigrants are aged over 15. It can therefore be assumed that the share of immigrants entering the Slovenian labour market is approximately 60%.

[41] Our assumption is that the net migration flow with the rest of the world will consist entirely of the immigration of foreign nationals, with no Slovenian nationals leaving Slovenia. In fact the data shows that the number of foreign immigrants is higher than the net migration flow with the rest of the world, with Slovenia recording a negative net flow of its own nationals. Given this assumption, our scenarios based on the EUROPOP23 forecasts have a slight negative bias in their estimates of the share of foreign workers.

[42] The consequences of the ageing population could be addressed by the faster inflow of young people into the labour market and by later retirement, which would raise the employment rate of Slovenian nationals, which is excluded under this scenario, with the employment rate remaining unchanged.

which given the estimated share of foreign workers employed would entail a net migration flow of approximately 16,000 people per year.

The increase in foreign labour in Slovenia has been a major factor in overall employment growth in recent times. This will bring Slovenia closer to more advanced economies, where the share of foreign workers in the persons in employment averages more than a fifth. In light of the various scenarios, our expectation is for the share to continue rising, and perhaps to exceed 20% by the end of the decade. Although the projected share is comparable with those in the euro area core countries, given the demographic trends and the demand for labour, the ability to fill gaps of this kind in the absence of suitable reforms to ensure increased participation in the labour force by the domestic population and to ease immigration for foreign workers will become increasingly limited.

Figure 2.2.1.2: **Scenarios for the share of foreign nationals in the labour force in Slovenia**

average migrations — low migrations — high migrations — severe scenario
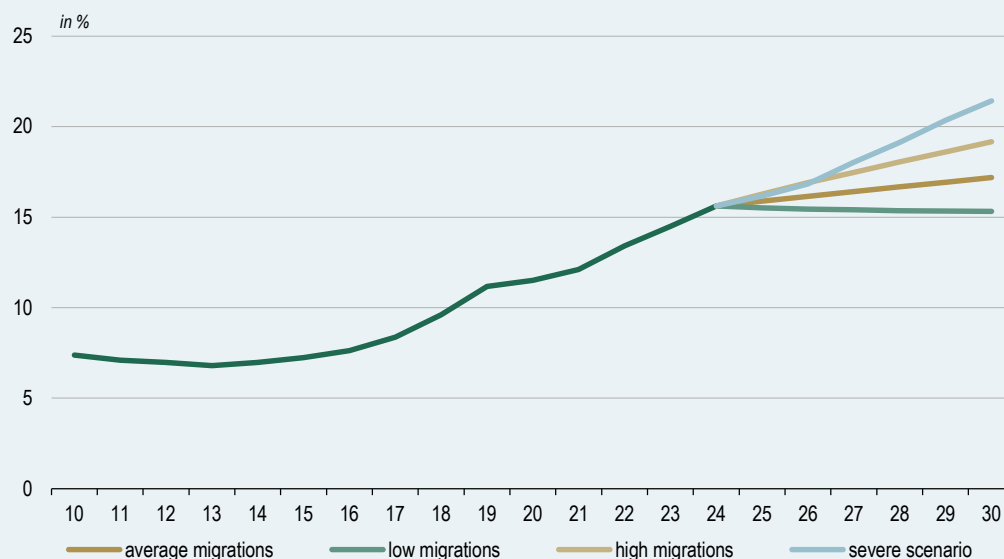
Sources: Eurostat, Banka Slovenije calculations and projections
Note: The first three scenarios are based on the EUROPOP23 projections.

2.3 Inflation

The largest drivers of the projected slowdown in headline inflation to 2.0% in 2024 were declines in food price inflation and core inflation.

Having stood at 3.8% in December 2023, headline inflation as measured by the HICP continued to decline in 2024. The slowdown was broad-based, with contributions from all sub-categories. Food price inflation slowed in the first half of the year in particular, but by November the contributions of services and other goods prices had also declined. The inflation moderation stopped in November, with headline inflation rising from 0.0% in October to 1.6%, amid current price rises and the dissipation of the negative base effect in energy prices.[43] The expectation over the coming months is that inflation will remain elevated, driven in particular by the continued dissipation of the negative contribution by energy prices, the projected rise in prices of food commodities, and the pass-through of higher labour costs into final food and services prices. Accordingly, the headline inflation for Slovenia is projected at 2.0% in 2024 (see Figure 2.3.1, left).

[43] The base effects mainly relate to the measures aimed at mitigating high energy prices, which were introduced in November and December 2023. The high base saw year-on-year growth decline over the first ten months of 2024, but the effect had dissipated by November.

Figure 2.3.1: **Headline and core inflation**

Headline inflation
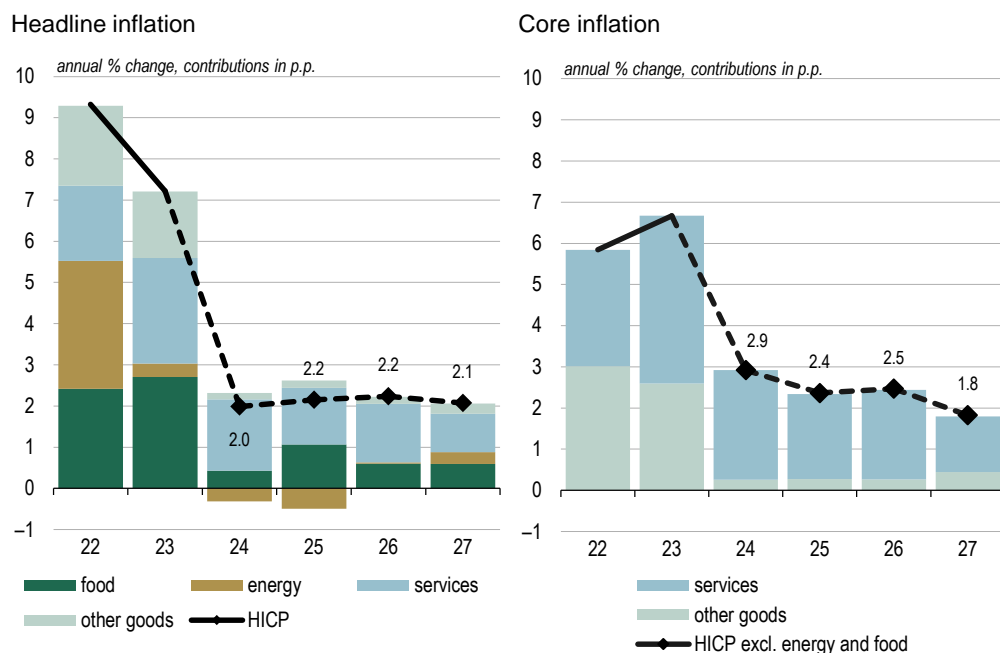
Core inflation

Sources: SURS, Banka Slovenije projections.

Amid the renewed strengthening of food price growth and persistently elevated service price growth, headline inflation will average 2.2% between 2025 and 2027.

Our projection is for headline inflation to strengthen again in 2025 to 2.2%. Furthermore, it is projected to remain at this level in 2026, before slowing to 2.1% in 2027. Because the effect of past shocks related to the commodity markets and the situation in supply chains has almost entirely dissipated,[44] inflation will primarily be based on domestic factors related to rising labour costs, which will be mainly reflected in food and services price inflation. Year-on-year food price inflation will be additionally influenced by rising wholesale prices of food commodities and by the dissipation of past high base effects, which slowed inflation in the first half of 2024 (see Figure 2.3.2, right).

Table 2.3.1: **Inflation projections**

	2019	2020	2021	2022	2023	2024 Dec.	Δ	2025 Dec.	Δ	2026 Dec.	Δ	2027 Dec.	Δ
	annual growth, %												
Consumer prices (HICP)	1.7	−0.3	2.0	9.3	7.2	**2.0**	−0.4	**2.2**	−0.8	**2.2**	−0.1	**2.1**	…
food	1.6	2.8	0.7	10.6	11.8	**1.9**	−0.2	**4.6**	0.7	**2.5**	0.1	**2.6**	…
energy	0.8	−10.8	11.3	24.8	2.2	**−2.5**	0.0	**−3.9**	−1.6	**0.4**	1.5	**2.4**	…
other goods	0.3	−0.5	1.3	6.3	5.4	**0.6**	−0.9	**0.6**	−0.4	**0.5**	−0.1	**0.8**	…
services	3.1	1.8	0.6	5.5	7.7	**4.9**	−0.3	**3.7**	−1.9	**3.8**	−0.6	**2.5**	…
Core inflation indicators (HICP)													
excluding energy and food	1.9	0.8	0.9	5.9	6.7	**2.9**	−0.6	**2.4**	−1.2	**2.5**	−0.4	**1.8**	…
excluding energy and unprocessed food	1.8	1.0	1.0	6.8	7.8	**2.7**	−0.6	**2.7**	−0.9	**2.5**	−0.3	**1.9**	…
excluding energy	1.8	1.3	0.8	7.1	8.0	**2.6**	−0.5	**3.0**	−0.7	**2.5**	−0.2	**2.0**	…

Sources: SURS, Eurostat, Banka Slovenije projections
Note: Δ: difference between current projections and projections given in the June 2024 issue of the Review of macroeconomic developments and projections.

[44] Producer prices have remained relatively unchanged since February 2024.

Review of macroeconomic developments and projections
December 2024

Banka Slovenije

Headline inflation will continue to be curtailed in 2025 by the fall in energy prices, but their contribution to inflation will turn positive again in 2026 and 2027. Alongside the assumed decline in oil prices on global markets (see Figure 2.3.2, left), the changes introduced in electricity billing will also be a major factor in developments in energy prices.[45] In the absence of price shocks and given the continuing stability in supply and production chains, our expectation is that prices of other goods will make a limited contribution to headline inflation throughout the projection horizon.

In addition to the assumed fall in wholesale oil prices, energy price inflation will be in particular influenced by the regulatory measures.

Energy price inflation was exposed to high volatility in 2024. While it was mostly positive in the first half of the year, it was increasingly in negative territory over the remainder of the year. The decline in year-on-year growth was particularly attributable to current falls in prices of solid and motor fuels and the year-on-year fall in electricity prices caused by the exemption from environmental levies. Another major factor in inflation is the introduction of the new approach to billing network charges: energy prices were down 13.2% in year-on-year terms in October as a result of the low season. Conversely, the fall in energy prices slowed to 3.6% in November, largely as a result of the changeover to the high season (see Box 2.3.1). The high volatility in electricity prices, which is due to the transition between high and low season, will also impact energy price growth in the future. The projected growth in electricity and other energy prices is also dependent on the government cap on prices for supplied electricity between November 2024 and February 2025 and the delay in the reintroduction of the renewables levy from January to March 2025.

Figure 2.3.2: **Evolution of inflation assumptions**

Oil price on global markets

Food and meat prices on global markets
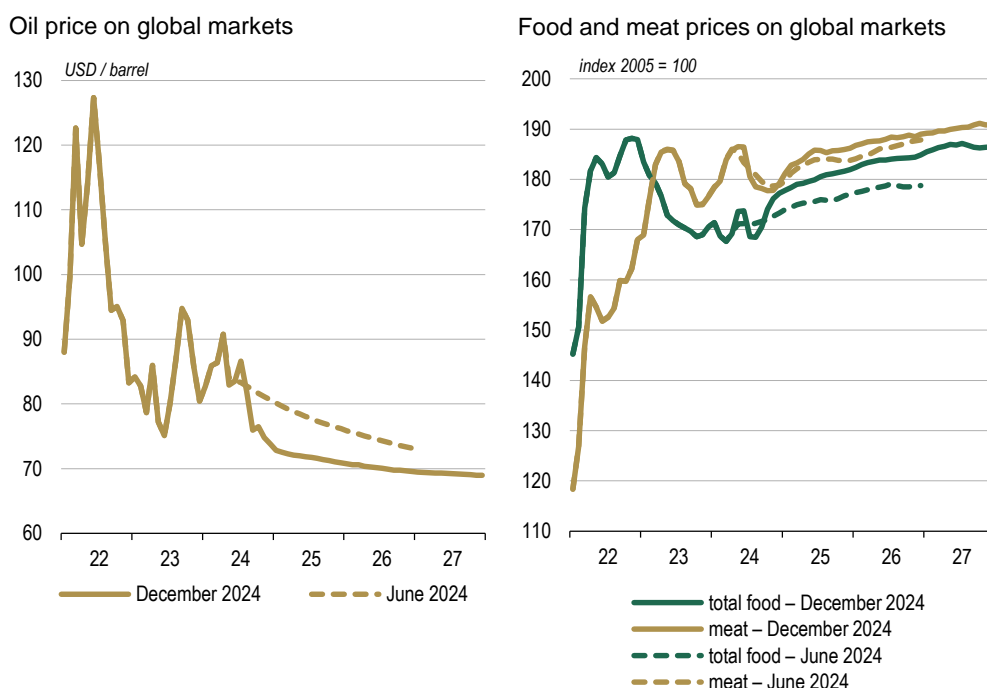
Source: ECB.

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[45] Their impact on the inflation projection is examined in Box 2.3.1.

In light of these factors and the assumed developments in wholesale oil prices, we project that energy prices will decline by 2.5% in 2024 and 3.9% in 2025, before rising again over the remainder of the projection horizon. They will increase by 0.4% in 2026, before growth strengthens to 2.4% in the final year of the projection horizon. This will be attributable in particular to the beginning of trading in emission allowances under the ETS 2.[46] Because the regulated entities envisaged by this system are the fuel suppliers, and not end users, our projections assume that the introduction of the system will be directly reflected in higher prices of motor fuels and natural gas. Our estimate is that energy price growth and headline inflation will be 3.7 and 0.5 percentage points higher in 2027, respectively, as a result of the introduction of the ETS 2.

Alongside rising labour costs, the projected rise in prices of food commodities will be a major factor in food inflation over the projection horizon.

After food prices rose by 11.8% in 2023, the dissipation of the effects of past shocks on the commodity and energy markets has seen food price inflation stabilise at less than 2% since March 2024, although it strengthened to 2.3% in November. We project that food price growth will average at 1.9% in 2024. Alongside dissipating base effects, which reduced inflation in 2024, future food price growth will depend on the anticipated developments in wholesale commodity prices (see Figure 2.3.2) and growth in labour costs. At the same time, food price inflation will be strengthened in 2025 by a rise in the tax on soft drinks from 9.5% to 22%, which is projected to raise the growth rate by 0.3 percentage points. Considering these factors, the food price inflation is expected to strengthen temporarily over the coming months and peak in the first half of 2025, before moderating again. Our projections for food price inflation are 4.6% in 2025 and an average of 2.5% in 2026 and 2027.

Core inflation will outpace headline inflation over the first part of the projection horizon due to the elevated service price growth.

Core inflation as measured by the HICP excluding energy and food slowed down in 2024. Having stood at 6.7% in 2023 and 3.5% in the first half of 2024, it had declined to 2.3% by November. The slowdown is primarily attributable to lower growth in prices of other goods. After rising by 5.4% in 2023, they will record growth of 0.6% in 2024. This is an indication that the effect of past global supply shocks has already dissipated, while growth is also being slowed by weaker domestic demand.[47] These factors also had an impact on our projection, which is for growth in prices of other goods to average 0.6% over the 2025 to 2027 horizon, comparable to its long-term average.[48]

By contrast, service price inflation remains elevated. Given the persistence of domestic factors related to developments on the labour market, we project service price growth at 4.9% in 2024, and the rate will remain slightly elevated even at the end of the projection horizon. Accordingly, our projection is for service price inflation to average 3.7% in 2025 and 2026, before slowing to 2.5% in 2027.

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[46] ETS 2 (also known as the emissions trading system for buildings and road transport or ETS-BRT) is a new system of trading in emission allowances. It will operate on the cap-and-trade principle, and its aim is the cost-effective decarbonisation of the sectors covered. The ETS 2 will operate in parallel with the existing emissions trading system for industry, the energy sector, maritime transport, and aviation (ETS 1). For more information, see this link.

[47] The dissipation of the impact of past shocks on growth in prices of other goods is examined in more detail in Box 1.2.1.

[48] Growth in prices of other goods averaged 0.9% between 2000 and 2019.

The projected developments in service prices and prices of other goods are also reflected in the projection of core inflation, which is 2.9% for 2024, and then a slowdown to 2.4% in 2025 (see Figure 2.3.1, right). As a result of the pass-through of higher labour costs into final prices, service price inflation will pick up again in 2026 to hit 2.5%, followed by a slowdown to 1.8% in 2027. A faster slowdown in the final year is prevented by the indirect impact of higher energy prices caused by the launch of the ETS 2.

Given the stronger impact of domestic factors within price pressures, core inflation will outpace headline inflation by 0.3 percentage points on average over the 2024 to 2027 horizon. The inflation projection and the estimated divergence between core and headline inflation are also significantly dependent on growth in labour productivity and the effect of reduced profit margins, which will partly mitigate the pass-through of higher labour costs into final prices. Any major deviation from these assumptions poses a risk of inflation being higher than projected, which is explained in detail in Section 3.

The headline inflation projections for the entire projection horizon are lower than those in the June projections, mainly as a result of revisions to components of core inflation.

Headline inflation will be lower than expected in the June projections over the entire projection horizon: by 0.4 percentage points in 2024, 0.8 percentage points in 2025, and 0.1 percentage points in 2026. In all three years, the lower headline inflation is attributable to downward revisions to the projection of core inflation components. The main reason that these will be lower in 2024 and 2025 is the lower-than-expected inflation recorded in 2024. At the same time, the revision to the headline inflation projection for 2025 was also influenced by the decline in energy price inflation, which was primarily attributable to the changes introduced to the billing of electricity prices and the government measures to cap supplier prices. Conversely, base effects resulting from regulated electricity prices and the delayed reintroduction of the renewables levy mean that energy price inflation will be higher in 2026 than projected in June. Meanwhile the revision to the food price inflation projection had a positive impact on the headline inflation projections for 2025 and 2026. Food price inflation will be higher in 2025, mainly as a result of the introduction of the tax on soft drinks, while the revision to the projection is also a partial reflection of the higher assumption of wholesale food commodity prices. The latter are also the reason for the upward revision to the food price inflation projection in 2026.

Box 2.3.1: **Impact of electricity price developments on the inflation projection**

Electricity accounts for 2.3% of the consumer spending basket, but despite this relatively low share, the high monthly volatility in electricity prices has a significant impact on inflation and its projections. As a result of the changeover to the new approach to billing network charges, prices fell in October, but rose significantly in November. An even larger increase was prevented by the government cap on supplier prices, which will be in force for the entire period of the current high season for network charges, i.e. from November 2024 to February 2025. Additionally, the resumption of the contribution on renewables has been deferred until the low season, which begins in March 2025. We have analysed how these changes will affect the inflation projections for 2024 and the next three years.

The transition to the new billing system for network charges will make electricity prices more volatile, which will also be reflected in headline inflation, particularly during the changeovers between high and low billing seasons.

In addition to the energy cost and levies, the final price for consumers also includes network charges, i.e. payment for the transmission and distribution of electricity across the network. This sum goes to network operators and the electricity distribution companies. On 1 October 2024 a new approach to billing the network charges for electricity was implemented.[49] Before its introduction, the network charge for energy was determined with regard to the quantity of energy received and the billing approach at the time of consumption (high tariff, low tariff, or standard tariff), while the network charge for power was determined in accordance with the administratively agreed rated power set with regard to fuse size. Under the new approach, the network charge for energy is billed with regard to the time block at the time of consumption, while the network charge for power is determined on the basis of the peak network load in the past in accordance with the agreed rated power across time blocks.

The new system for billing network charges introduces five time blocks, with three seen across the day, four across the month, and five across the year. On working days during the high season, i.e. November to February, blocks 1 to 3 are seen when the network charge for power is highest. Conversely, on weekends and on holidays during the low season, i.e. March to October, blocks 3 to 5 are seen, when the network charge for power is lowest. The network charge for energy is less variable across months, in that the tariff items for each block are very similar and are in 2024 approximately half lower than in the previous regime, which varied according to the high, low, or standard tariff, and approximately two-thirds lower as of 2025. Although the network charge for the average household consumer at an annual level will be comparable to the amount under the previous billing approach, the monthly bills for the network charge will vary considerably between the high season and low season. This will also be reflected in monthly variation in inflation developments.

The projected developments in electricity prices are based on several assumptions with regard to the breakdown and attributes of typical consumers and the distribution of consumption across months.

The calculation of the impact of the change in the approach to billing network charges on the level of inflation was formulated by first calculating the amount based on the bills of typical household consumers for each month of the 2024 to 2027 period. The different types of consumers and their annual consumption were taken from information provided by the Energy Agency[50] (see Table 2.3.1.1). We added small households, which refers to buildings that to date have agreed to a rated power of 3 kW.[51] Our assumption is that these households make up 5%, and households with a heat pump make a total of 13%,[52] 60% of whom also have solar generation capacity. We have also taken into account that 5% of all consumers do not yet have a smart meter,[53] while the remaining

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[49] The legal basis is the Act on the methodology for billing network charges for electricity operators, which was adopted by the Energy Agency on 25 November 2022.

[50] Typical bills of actual consumers can be found in this link.

[51] Here we relied on the information about typical consumers that we obtained from the SURS and the Ministry of the Environment, Climate, and Energy.

[52] SURS data on Energy efficiency of households in 2023.

[53] This estimate relied on data in the report on the situation in the energy sector in Slovenia in 2023.

77% is made up of all other household consumers. For all types of consumers, it has also been assumed that energy consumption is the same in each month, with 48% billed at the high tariff and 52% at the low.[54]

Table 2.3.1.1: **Annual consumption and breakdown of household consumers**

Consumer type	Annual consumption	Share
General households	4050 kWh	77%
Households without smart meter	4050 kWh	5%
Households with heat pump	9600 kWh	5.2%
Self-supply households[55]	9000 kWh	7.8%
Small households	1600 kWh	5%

Sources: Energy Agency, Banka Slovenije estimates.

In addition to the items for the network charge, which relate partly to consumption (kWh) and partly to the rated power (kW/month), both billed across time blocks, the monthly bill for electricity supplied (excluding tax) also consists of the charge for energy supplied, levies, and excise duties, all of which are charged according to energy consumption (kWh). The exception is the contribution for renewables, which is charged according to rated power across time blocks (kWh/month). Calculating the amounts on the bills of typical users required several further assumptions.

With regard to the amount that households earmark each month for their supplied electricity, the government regulation setting a cap on the retail electricity prices between November 2024 and February 2025 has been considered. This means that compared with October, consumers will pay approximately 25% less for their energy.[56] When the regulation expires, it is projected that suppliers of electricity to households will set prices that match the average developments in wholesale prices over the past two years. This approach takes account of the deferred impact of developments in wholesale prices via quantities pre-purchased in the past. Our estimate is that in March 2025 this should average around EUR 100 per MWh, comparable to the prices in October 2024. Our assumption for the remainder of the year is that the price for energy will evolve in line with developments in futures contract prices on the largest European exchanges,[57] while suppliers will continue to modify their price lists in line with the average price of the two-year period.

With regard to the amount earmarked for the network charge for power, we took the agreed rated powers in line with the samples drawn up by the Energy Agency,[58] while for small households it was additionally considered that they now have an agreed power of 2 kW for the first time block and 2.5 kW for the remaining four blocks. With regard to the amount earmarked for the network charge for energy, in addition to the price lists tied to the time blocks under the new system, it was also necessary to estimate household consumption across the time blocks. To select the proper distribution, we made use of the ratios in the calculations by the Energy Agency for the high and

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[54] The assumption of equal consumption across months allows us to obtain a more realistic picture of the price changes across months, while the shares of 48% and 52% reflect the ratio of the number of hours in the week billed at the high tariff and at the low tariff.

[55] Households with solar and a heat pump, whose energy is billed on the principle of net metering.

[56] Between January and October 2024, 90% of the price for energy consumption is billed in accordance with the Decree setting electricity prices. The cap on retail prices for households was set at EUR 118 per MWh for the high tariff, EUR 82 per MWh for the low tariff, and EUR 98 per MWh for the standard tariff. Because suppliers can set 10% of the price freely, households paid slightly more than the caps for their energy, averaging between 5% and 7% higher. The Decree setting electricity prices stipulates a cap of EUR 84 per MWh for high-tariff energy, EUR 70 per MWh for low-tariff energy, and EUR 77 per MWh for the standard daily tariff between November 2024 and February 2025. These tariff items apply to 100% of energy consumption.

[57] We used a time series for the euro area drawn up by the ECB as part of its macroeconomic projections process.

[58] Typical bills of actual consumers can be found in this link.

low seasons separately,[59] and assumed that the same ratios apply to all other types of consumers in addition to average households. Here the reduction in the price lists for the tariff items for power and energy as of January 2025 was also considered.

With regard to the levies for energy efficiency and for market operators and with regard to excise duties, it was taken into account that their tariff items would be unchanged until the end of the projection horizon. Since 1 November 2023, households have been exempted from paying the contribution on renewables. It was initially envisaged that the measure would expire on 31 December 2024, but the government amended the decree to extend the exemption until 28 February 2025.[60] Because this bill item is dependent on the agreed rated power, it has also been assumed that as of March 2025 it will be billed for the average household consumer with regard to the average agreed power across all five time blocks. This means that the new approach to billing the network charge also brings a reduction in this levy for the majority of consumers.

The change in approach to billing network charges would raise inflation in 2024, and lower it in 2025. The government measures to cap supplier prices will temporarily limit these effects.

The developments in electricity prices calculated under the aforementioned assumptions were comparable to the SURS data for October 2024 and the government projections for November 2024,[61] which envisaged a rise of 15% in bills for the average household consumer, or 34% without the cap on retail energy prices. The profile thus obtained was then applied to the baseline projection, where the aim was to further estimate the impact on the inflation projection from the change in the approach to billing network charges and the government measures. Overall, four different pathways were analysed:

- profile 0: initial profile, excludes changes in the approach to billing network charges,
- profile 1: new approach to billing network charges added, excludes government regulation of supplier prices and delay in resumption of the contribution for renewables payments,
- profile 2: government regulation of supplier prices added, excludes delay in resumption of the renewables levy payments,
- final profile: incorporates all the billing and regulatory changes, including the two-month delay in resumption of the contribution for renewables payments from January to March 2025 was added.

Our analysis shows that the introduction of the change in approach to billing network charges[62] alone would raise inflation by 0.1 percentage points in 2024 and would lower it by the same amount in 2025. Its impact on year-on-year inflation would have dissipated by 2026 (see Figure 2.3.1.1, left). These impacts will be different owing to the government intervention in prices of supplied electricity.[63] Inflation will remain unchanged in 2024 compared with the old approach to billing network charges, while in 2025 it will be even lower than in the case of the changeover to the new approach to

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[59] Sample calculations for October and November 2024 can be found on this link.

[60] An amendment to the Decree on the method of determining and charging the contribution for providing support to the high-efficiency generation of electricity through cogeneration and from renewable energy sources, which can be found on this link.

[61] Taken for example from this link. Despite the alignment of the approach with the observed developments in electricity prices in October and November 2024, a major deviation from our assumptions poses a risk to the projection for the 2025 to 2027 horizon.

[62] Excluding the government regulation of supplier prices and the delay in resumption of renewables levy payments.

[63] Excluding the delay in resumption of renewables levy payments.

billing network charges alone, by an additional 0.1 percentage points (see Figure 2.3.1.1, right). As a result of the low base effect, the government measure will raise inflation in 2026, also by 0.1 percentage points. The final profile, which also considers a two-month delay in the resumption of payments of the renewables levy from January to March 2025, amplifies these effects slightly further. Inflation will be slightly lower again in 2025 and higher in 2026, where the size of the impact is less than 0.1 percentage points. The impact on inflation from all the changes is expected to dissipate by 2027.

Figure 2.3.1.1: **Comparison of price developments and impact of changes under various electricity billing scenarios**

Comparison of inflation developments

The impact of billing changes on inflation
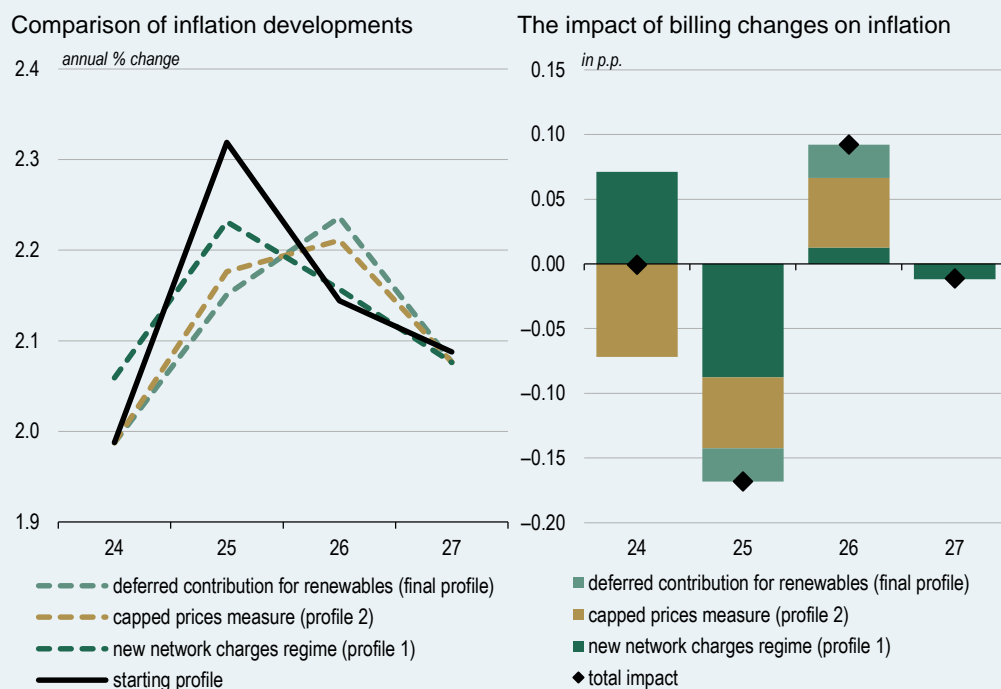
Sources: SURS, Eurostat, Banka Slovenije calculations
Note: Profile 0 is the baseline scenario profile, i.e. annual growth in prices without the changeover to the new approach to billing network charges, which entered into force in October 2024. Profile 1 takes the changeover into account, but not the government cap on supplier prices between November 2024 and February 2025. This is taken into account in profile 2. The final profile differs from profile 2 in that it considers a two-month delay in the resumption of payments of the renewables levy from January to March 2025.

3 Risks and Uncertainties

The uncertain geopolitical situation, protectionist policies and structural challenges related to the competitiveness and productivity of the economy could lead to GDP growth being lower than projected over the 2025 to 2027 horizon.

Figure 3.1 illustrates the principal risks accompanying the baseline macroeconomic projections. Of the domestic factors, the greatest risk is posed by limitations on productivity growth and pressures deriving from labour costs, while the main external risks are those posed by trade policy and persistent geopolitical uncertainty. The persistent tightness of the labour market will limit further employment growth over the projection horizon, meaning that economic growth will primarily be reliant on growth in labour produc-

tivity. This is expected to cyclically strengthen over the following years as a consequence of greater alignment between the level of economic activity and employment, which hit record heights in 2023. Conversely, adverse structural factors related to a slowdown in the automation of the economy and the past relatively weak investment activity might lead to structurally lower productivity growth in the economy.[64] With regard to the baseline projection, this would lead to lower economic growth and, amid rising unit labour costs, higher inflation. Similar structural challenges are also present in the euro area, which might delay the recovery in economic growth in the most important trading partners, thereby having an adverse impact on the export sector of the Slovenian economy. The limiting factors in international trade might be further exacerbated by persistent geopolitical uncertainty, further fragmentation in trade, and the protectionist policies announced by the incoming administration in the US. While direct exposure is low, the indirect effects of these policies would be expected to have a greater impact on the Slovenian economy, particularly via increased uncertainty in trade and reduced activity in production chains related to the euro area's exports to the US.

Alongside the aforementioned downside risks, the baseline projection is also accompanied by certain smaller upside risks to economic growth. Conditioned on a faster improvement in consumer confidence, private consumption growth could be stronger, also on the back of a release of excess household savings, which are still sizeable. Economic growth might also be higher at the end of the projection horizon on account of the increasing need for investment to close productivity gaps in euro area economies with other advanced economies. At the same time, higher-than-projected domestic demand might allow the conditions for a faster recovery in profit margins, which would be passed into final prices. Another potential driver of higher inflation over the projection horizon could be stronger wage pressures in the event of the gap between the wage growth of employees in the private sector and the public sector being smaller than projected. The macroeconomic projections are also to a growing extent exposed to risks related to climate change and extreme weather phenomena, which are increasingly driving volatility in production and prices, particularly of food.

The remainder of this section analyses selected principal risks in detail on the basis of alternative scenarios drawn up using Banka Slovenije's core macroeconomic model.[65]

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[64] Detailed analysis of the factors of past employment growth and their impact on labour productivity can be found in Box 2.2.1 of the June 2024 issue of the Review of macroeconomic developments and projections.

[65] Damjanović, M. (2023). Slovene Quarterly Macroeconomic Model: Overview and Properties. Banka Slovenije Working Papers.

Figure 3.1: **Risks to projections**
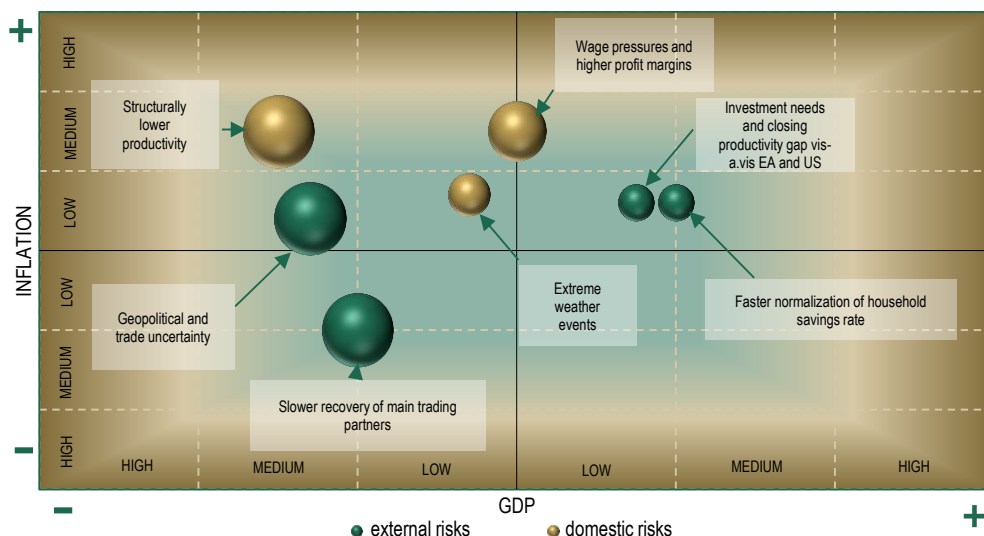
Source: Banka Slovenije estimates
Note: The size of the symbol denotes the likelihood of the realisation of the risk.

3.1 Scenario of structurally lower productivity growth

GDP growth will outpace employment growth according to the baseline projection, which is reflected in the projected gradual strengthening of growth in labour productivity. Having stood at –0.2% in 2022 and 0.5% in 2023, it is expected to have reached 1.3% in 2024, before rising to around 2% in 2025 and 2026, and then slowing again to 1.7% in 2027. This projection is in line with the average growth in labour productivity between 1996 and 2023 of 2.0%, but on the other hand exceeds the average growth in labour productivity of 1.3% in the decade before the pandemic, i.e. 2010 to 2019. The baseline projection also significantly exceeds the foreseen growth in labour productivity in the euro area overall, which averages 0.8% over the 2025 to 2027 horizon according to the December's ECB projections. This scenario examines the impact on GDP growth and inflation under two alternative paths of slower growth in labour productivity. The moderate scenario envisages growth in labour productivity in line with the average developments over the decade before the pandemic (2010 to 2019), i.e. growth of 1.3% in each year of the projection horizon. The severe scenario assumes a further downgrading of growth in labour productivity to less than 1% (0.9%), thereby approaching the projection for the euro area overall (see Figure 3.1.1, left). Under both scenarios the lower growth in labour productivity is in the modelling context derived as a consequence of negative technological shocks.[66, 67]

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[66] The scenario follows the methodological approach employed in Box 3 of the Eurosystem staff macroeconomic projections for the euro area, June 2024.

[67] Alternatively, a decline in labour productivity might also be the result of labour hoarding or excessive employment growth relative to GDP growth. In the current environment of a very tight labour market, our assessment is that the realisation of a scenario of this kind is unlikely.

Figure 3.1.1: **Scenario of structurally lower productivity growth**

Alternative paths for labour productivity growth

Impact on GDP growth and inflation
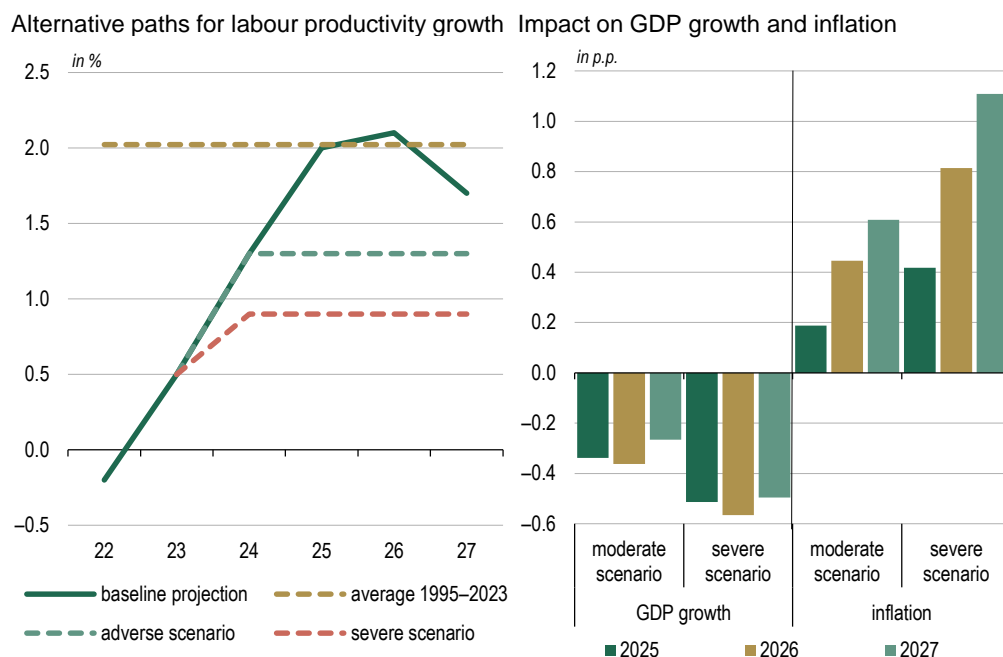
Source: Banka Slovenije estimates

Note: The left chart illustrates the baseline projection and the alternative pathways of growth in labour productivity assumed in the scenario. Labour productivity is defined as the ratio of real GDP to employment. The moderate scenario for the 2024 to 2027 horizon assumes an alternative pathway in line with the average growth in labour productivity between 2010 and 2019. The severe scenario for the 2024 to 2027 horizon assumes growth in labour productivity of 0.9%. The right chart illustrates the impact on GDP growth and inflation expressed as the difference in percentage points relative to the baseline projection. The impact is evaluated by means of Banka Slovenije's core macroeconomic model (Damjanović, 2023).

The analysis indicates that under the alternative scenarios addressed, lower productivity growth could lead to GDP growth that is between 0.3 percentage points and 0.5 percentage points lower on average over the 2025 to 2027 horizon compared with the baseline projection (see Figure 3.1.1, right). The lower economic growth would be accompanied by rising inflation on account of two interconnected transmission channels. The first relates to the stronger adverse impact of the technological shock on the level of potential output compared with the level of observed activity, which is reflected in a widening of the output gap and in the mirrored decline in the production capacity of the economy relative to the given demand. The second, albeit related, channel reflects the pressure on final prices of products from rising unit labour costs as a result of lower-than-projected labour productivity. The cumulative impact of the productivity shocks is quantitatively stronger on the inflation side, as the adverse impact on economic growth is temporarily mitigated by slightly higher employment growth as firms try to compensate for the loss of production capacity caused by the technological shock, but it remains insufficient given the higher costs and limited supply of labour.

3.2 Scenario of delayed recovery in foreign demand from the euro area

Slovenia's exports of goods and services underwent a sustained decline between the first quarter of 2023 and the third quarter of 2024, which averaged 1.4% at the year-on-year level. The decline in exports was attributable to a deterioration in the competitiveness of the Slovenian economy, and weaker economic growth in the main trading partners. In the post-pandemic period they have faced low productivity growth, rising input costs of energy and labour, and increased competition on global markets, China in particular. While the projection horizon envisages the gradual strengthening of activity in the euro area and the regaining of market shares on global markets, the aforementioned structural challenges might delay a recovery of this kind. The scenario envisages two alternative pathways for foreign demand. Under the first, the moderate

scenario, instead of a gradual strengthening of foreign demand from the euro area, the first three quarters of 2025 bring developments in consistent with those seen in 2024, when quarterly growth averaged approximately 0.3%. Under the second, the severe scenario, a stagnation in Slovenia's export demand from the euro area is envisaged over the same period. Amid developments of this kind, the level of foreign demand during the projection horizon would mostly be in line with pre-pandemic trends under the moderate scenario, while under the severe scenario it would be below the trend level derived from the period between 1995 and 2019 (see Figure 3.2.1, left).

Figure 3.2.1: **Scenario of delayed recovery in foreign demand**

Within euro area demand

Impact on GDP growth and inflation
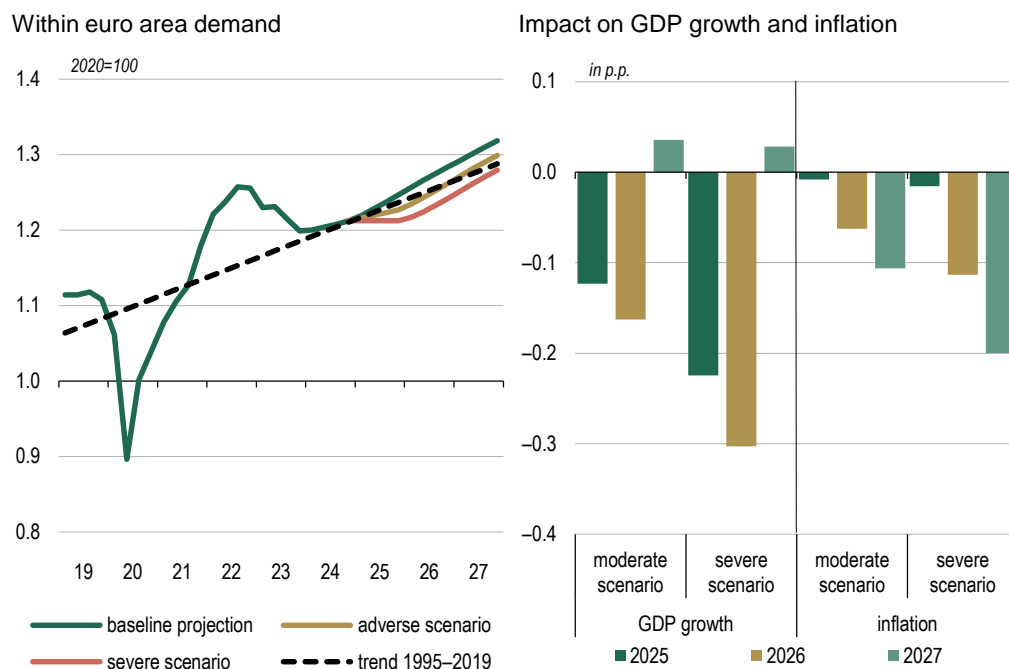
Sources: ECB, Banka Slovenije estimates
Note: The left chart illustrates the alternative pathways for Slovenia's foreign demand from the euro area. The moderate scenario assumes growth in foreign demand from the euro area over the first three quarters of 2025 to be in line with average quarterly growth in 2024. The severe scenario assumes a stagnation in foreign demand from the euro area over the first three quarters of 2025. The right chart illustrates the impact on GDP growth and inflation expressed as percentage points relative to the baseline projection. The impact is evaluated by means of Banka Slovenije's core macroeconomic model (Damjanović, 2023).

Under the moderate scenario a delayed recovery of foreign demand from the euro area would lead to export growth that is 0.8 percentage points and 0.7 percentage points lower than the baseline projection in 2025 and 2026 respectively, which would be reflected in economic growth that is 0.1 percentage points and 0.2 percentage points lower over the same period. Under the severe scenario export growth would be 1.4 percentage points and 1.3 percentage points lower than the baseline projection in 2025 and 2026 respectively, while GDP growth would stand 0.2 percentage points and 0.3 percentage points lower. Under both scenarios the lower economic growth and negative output gap would also lead to lower inflation, which in 2027 would be 0.1 percentage points lower under the moderate scenario and 0.2 percentage points lower under the severe scenario (see Figure 3.2.1, right).

3.3 Protectionist measures and trade policy uncertainty

In addition to a delayed recovery in economic growth in the main trading partners, a major trade risk to the baseline projection is posed by the potential implementation of the protectionist measures announced during the election campaign by the newly

elected US president. Under this scenario we analyse several transmission channels through which such measures could affect Slovenian economy. They encompass the direct effects of tariffs, the indirect impact via the trade flows of Slovenia's export partners, the increased uncertainty and exchange rate developments.[68] Given that the actual measures were not yet known at the time that the scenario was being drawn up, the analysis is subject to considerable uncertainty, and is particularly contingent on the choice of assumptions.

The main assumption of the scenario is a rise in tariffs on the euro area's exports to the US to 10%, taking place from the second quarter of 2025 to the end of the projection horizon. In the event of the implementation of tariffs by the US, the scenario also envisages retaliatory measures by the EU in the form of a 10% tariff on goods imported from the US. The Slovenian economy's direct exposure to protectionist measures of this kind is low, as exports to the US make up just 2.5% of Slovenia's total exports, while the US's share of direct imports into Slovenia is less than 1%. The impact on Slovenia's macroeconomic environment is thus expected to come in particular from indirect trade linkages related to partners in the euro area, whose exports to the US account for approximately a fifth of their total exports, while the US accounts for approximately 13% of total imports into the euro area. In the scenario, the direct impact on the Slovenian economy from tariffs is simulated via a proportionate increase in relative export prices and a proportionate increase in the import deflator.[69] The indirect impact via euro area trade linkages is simulated in two steps. The first analyses the adverse impact on the euro area's exports as a result of a proportionate increase in the relative export prices of the euro area economy.[70] In the second step, the lower export growth in the euro area is applied to adjust euro area imports on the basis of the estimated import intensity of exports, which in turn enables derivation of an alternative pathway of external demand for Slovenia.

In addition, increased indirect effects might also refer to the uncertainty surrounding trade policy, which rose sharply in the wake of the presidential elections in the US and reach its highest levels of the period of 2016 to 2020, when the US administration of that time introduced similar protectionist measures (see Figure 3.3.1, left).[71] In addition to pushing trade towards less efficient patterns of exchange, increased uncertainty might also affect global demand, particularly via reduced global growth in investment, which constitutes an important trade-intensive component of economic growth. In the scenario, the impact on the macroeconomic environment from the increased uncertainty is analysed on the basis of sensitivity analysis of the foreign demand assumption. In particular, developments in the trade policy uncertainty index are used to derive the predictive distribution around the baseline assumption for foreign demand, following the methodology of Adrian et al. (2019).[72] This approach is based on empirical findings that show that sharp jumps in uncertainty are highly likely to be followed by the realisation of year-on-year growth in demand in the lower deciles of the conditional distribution. For the purposes of the scenario, as an alternative pathway of year-on-year growth in foreign demand it is assumed that the developments reach the 25th percentile in the second half of 2025, and then gradually approach the median of the distribution by the

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[68] The scenario addresses tariffs on imports from the EU independently from any simultaneous rises on imports into the US from other countries.

[69] The proportionate adjustment of relative export prices refers to a 10% rise, weighted by export share to the US. In the case of the direct impact of tariffs, the simulation makes use of an $10\% \times 0.025$ increase in relative export prices. Relative export prices are expressed as the difference between the export deflator and the index of export prices of competitors, where the latter is input in the projections as the ESCB assumption.

[70] The impact on euro area exports is estimated on the basis of the equations in Angelini et al. (2019), Introducing ECB-BASE: The blueprint of the new ECB semi-structural model for the euro area. ECB Working Paper Series.

[71] The trade policy uncertainty index refers to Caldara et al. (2019), and can be found at Trade Policy Uncertainty Index.

[72] The predictive distribution of foreign demand conditional on the trade policy uncertainty index is derived using the approach taken by Adrian et al. (2019): Vulnerable Growth. American Economic Review, Vol. 104(4).

end of the projection horizon, in line with the anticipated decline in trade policy uncertainty (see Figure 3.3.1, right).

In addition to tariffs, and increased trade policy uncertainty, the scenario also envisages an additional 2% appreciation in the US dollar against the euro over the 2025 to 2027 horizon. The rise in the US dollar relates to the potential slower easing of monetary policy in the US amid higher inflationary pressures in the context of tariffs on imported goods, and reduced demand for the euro in light of the euro area's greater trade exposure to the US compared with the other way round.

Figure 3.3.1:
Developments in trade policy uncertainty and impact on foreign demand

Trade policy uncertainty index

Conditional predictive distribution of foreign demand growth
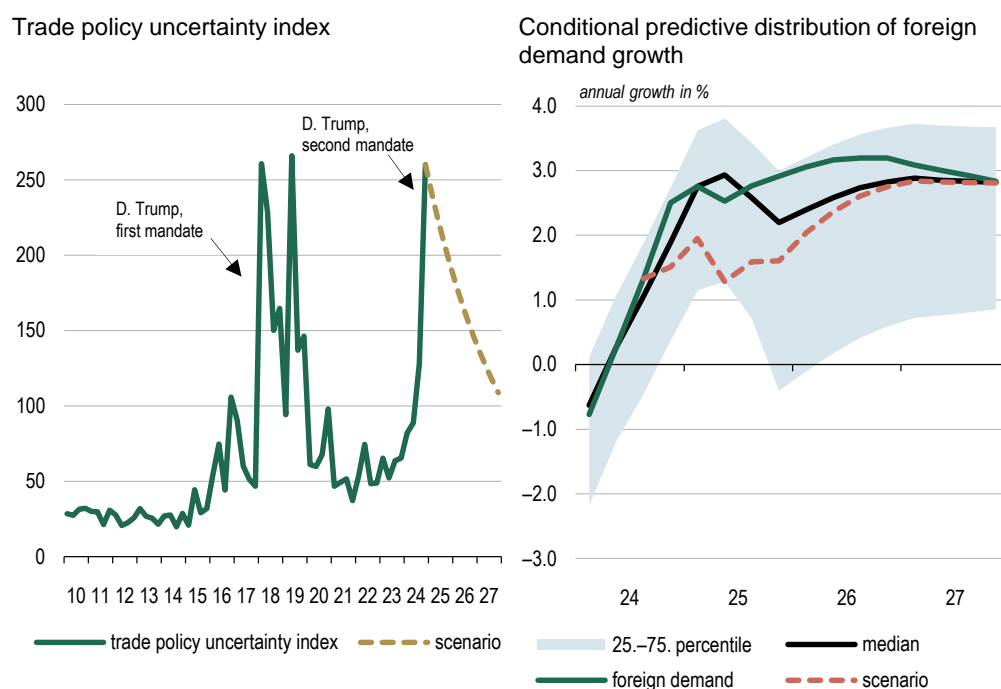
Sources: Caldara et al. (2019), Banka Slovenije estimates
Note: The left chart illustrates the trade policy uncertainty index, which follows the methodological approach employed by Caldara et al. (2019), which can be found at Trade Policy Uncertainty Index. The gold dashed line illustrates the assumed pathway of the trade policy uncertainty index under the scenario. The right chart illustrates the predictive distribution around the projection for foreign demand for Slovenia, conditional on the trade policy uncertainty index and derived on the basis of the approach by Adrian et al. (2019). The blue area illustrates the range between the 25th and 75th percentiles of the distribution of foreign demand, the black curve illustrates the median of the distribution, the green curve illustrates the baseline assumption for growth in foreign demand, and the red dashed curve illustrates the alternative pathway for foreign demand used in the scenario.

Figure 3.3.2 illustrates the impact of protectionist measures and trade policy uncertainty on economic growth and inflation in Slovenia with regard to the individual transmission channel. Of these channels, the largest estimated impact comes from increased uncertainty, which could lead to economic growth in 2025 that is down 0.5 percentage points relative to the baseline projection. Economic growth over the projection horizon would be additionally reduced by the indirect impact of tariffs via euro area partners' trade links with the US. In light of the assumed timetable for the implementation of tariffs and the gradual transmission into export demand for Slovenia, the indirect impact of tariffs would be greatest in 2027, when economic growth would be approximately 0.3 percentage points lower on the basis of this transmission channel. By contrast, the estimated direct impact of tariffs on Slovenia's exports and economic growth over the entire projection horizon remains insignificant. The estimated impact on inflation is smaller. The fall in the euro and potential retaliatory measures by the EU could lead to inflation that is 0.1 percentage points higher than the baseline projection in 2025, while towards

the end of the projection horizon the lower economic growth would be reflected in lower inflation compared to the baseline.

Figure 3.3.2: **Impact on economic growth and inflation**

Impact on GDP growth

Impact on inflation

- trade uncertainty
- indirect impact of tariffs
- exchange rate
- direct impact of tariffs
- retaliation measures
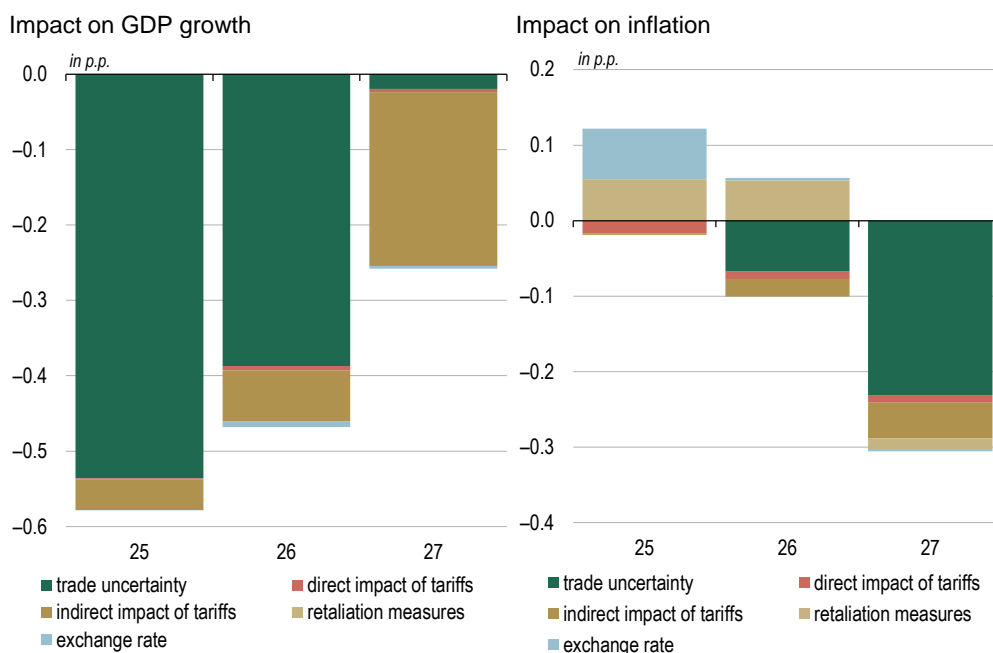
Source: Banka Slovenije estimates
Note: The figure illustrates the impact on GDP growth and inflation from the perspective of the different transmission channels related to protectionist measures and trade policy uncertainty. The impact is expressed as the percentage points difference relative to the baseline projection.

3.4 Scenario of higher wage growth

The baseline projection envisages that on the basis of the wage agreement for civil servants, average wage growth in the government sector over the 2025 to 2027 horizon will outpace wage growth in the private sector by 2.2 percentage points. To a significant extent these developments reflect a catch-up in wage growth in the government sector, having been outpaced by growth in the private sector in 2024. A potential faster economic recovery and exacerbation of the tightness of the labour market would nevertheless pose a risk to the baseline projection from the perspective of the private sector's desire to keep comparable pace with wages in the government sector. This scenario accordingly assumes a faster closing of the wage growth gap between the government and private sectors, which would be reflected in aggregate wage growth that is 1.6 percentage points, 1.2 percentage points and 0.2 percentage points higher than the baseline projection in 2025, 2026 and 2027 respectively (see Figure 3.4.1, left).[73] Should developments in labour productivity remain unchanged, the faster wage growth compared to the baseline would lead to higher inflation, by 0.2 percentage points in 2025 and approximately 0.5 percentage points in 2026 and 2027 respectively (see Figure 3.4.1, right). Higher wage growth would slightly raise economic growth via increased disposable income, but the stronger price and cost pressures would by the end of the projection horizon begin weigh on the economy and eventually yield a lower GDP growth compared with the baseline.

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[73] The scenario envisages a 50%, 75% and 100% smaller gap in wage growth between the government and private sectors between 2025 and 2027 relative to the baseline projection.

Figure 3.4.1: **Scenario of higher wage growth**

Wage growth projections in public and private sector

Impact of higher wage growth on GDP growth and inflation
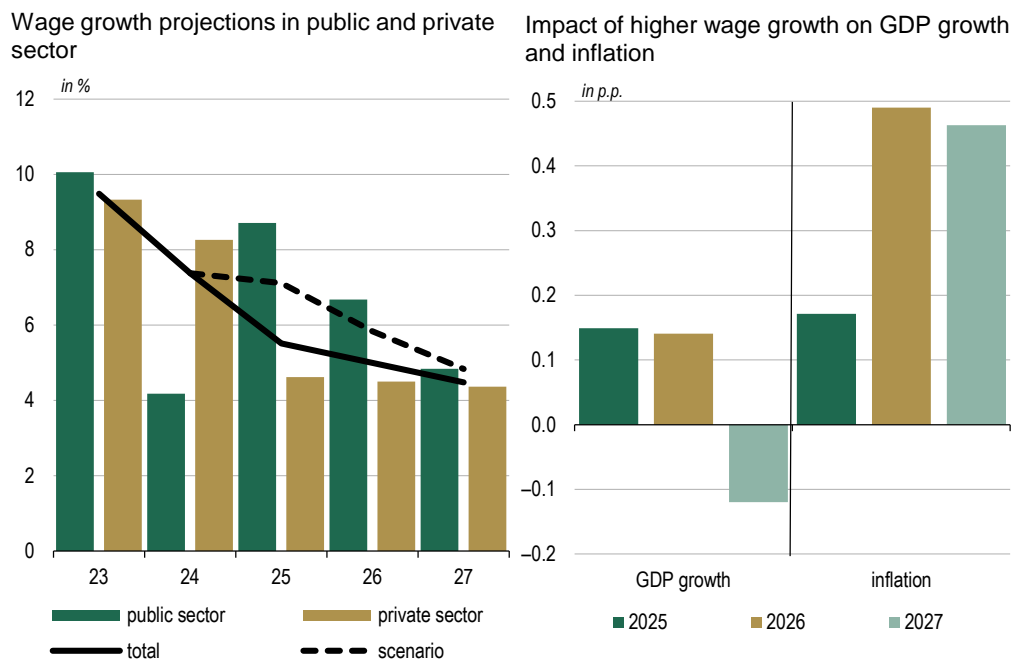
Source: Banka Slovenije estimates
Note: The left chart illustrates the developments in wage growth relative to the baseline projection and the alternative pathway of wage growth used in the scenario. The alternative pathway in 2025 to 2027 assumes a 50%, 75% and 100% narrowing of the gap in wage growth between the government and private sectors relative to the baseline projection. The right chart illustrates the impact on GDP growth and inflation expressed as percentage points deviations from the baseline. The impact is evaluated by means of Banka Slovenije's core macroeconomic model (Damjanović, 2023).

4   Comparison Between Institutions

Compared to the median projections of selected international institutions, Banka Slovenije expects GDP growth and consumer price inflation to be, on average, 0.1 percentage points lower over the 2024–2027 period.

The latest economic growth projections for the 2024–2027 period indicate a slowdown in 2024 (see Figure 4.1, left), primarily due to the adverse economic conditions in key trading partners and general uncertainty regarding the geopolitical situation in the international environment. All institutions expect the situation to gradually stabilise over the remainder of the projection horizon, with economic growth averaging around 2.5%. The highest economic growth projections for 2024 are from Consensus and WIIW, both projecting 1.7%, followed by the EBRD, GZS, IMF, and UMAR, each predicting 1.5%. The lowest projection at 1.1%, comes from the OECD. The Banka Slovenije projection of 1.4%, along with the EC projection, fall within the lower third of the distribution, 0.1 percentage points below the median of all projections.

The highest economic growth projections for 2025 come from the EBRD, IMF, and OECD, all projecting 2.6%, which is 0.1 percentage points higher than the median of all projections. These are followed by projections from the EC, GZS, Consensus, and UMAR, with growth rates of 2.5% or 2.4%. The Banka Slovenije projection of 2.2%, along with the WIIW projection, are at the lower end of the distribution, 0.3 percentage points below the median of all projections. For 2026, economic growth projections are

available from six institutions, with Banka Slovenije's projection of 2.8% being the highest. For 2027, only two projections are available: 2.5% from the IMF and 2.4% from Banka Slovenije.

Following the high consumer price inflation observed in 2022 and 2023, all institutions are predicting a significant slowdown in inflation for 2024 (see Figure 4.1, right). On average, they expect inflation to slightly exceed the ECB's target rate over the remainder of the projection horizon. The highest inflation projection for 2024, at 2.5%, comes from WIIW. This is followed by projections from Consensus, the EC, and UMAR, at 2.2% and 2.1%. The lowest consumer price inflation projection, at 1.9%, is from the OECD. The Banka Slovenije projection of 2.0%, along with the projections by the GZS and the IMF, is 0.1 percentage points below the median of all projections for 2024.

The highest inflation projections for 2025 come from UMAR and the EC, at 3.3% and 3.2%, respectively. These are followed by projections from the IMF, GZS, and OECD, at 2.7%, 2.5%, and 2.4%, respectively. The lowest consumer price inflation projections are from WIIW, Banka Slovenije, and Consensus, at 2.3% and 2.2%. The Banka Slovenije projection is 0.3 percentage points below the median of all projections for the year. Inflation projections for 2026 are available from six institutions. The highest is from the OECD, at 2.6%, while the lowest are from the EC and the IMF, both at 2.1%. The Banka Slovenije projection, at 2.2%, aligns with the median of all projections for that year. As with the economic growth projections, inflation projections for 2027 are available only from Banka Slovenije and the IMF, both predicting 2.1%.

Figure 4.1: **Comparison of GDP and inflation projections between institutions**

Comparison of GDP projections

annual growth in %

Comparison of inflation projections

annual growth in %

■ 2024 ■ 2025 ■ 2026 ■ 2027
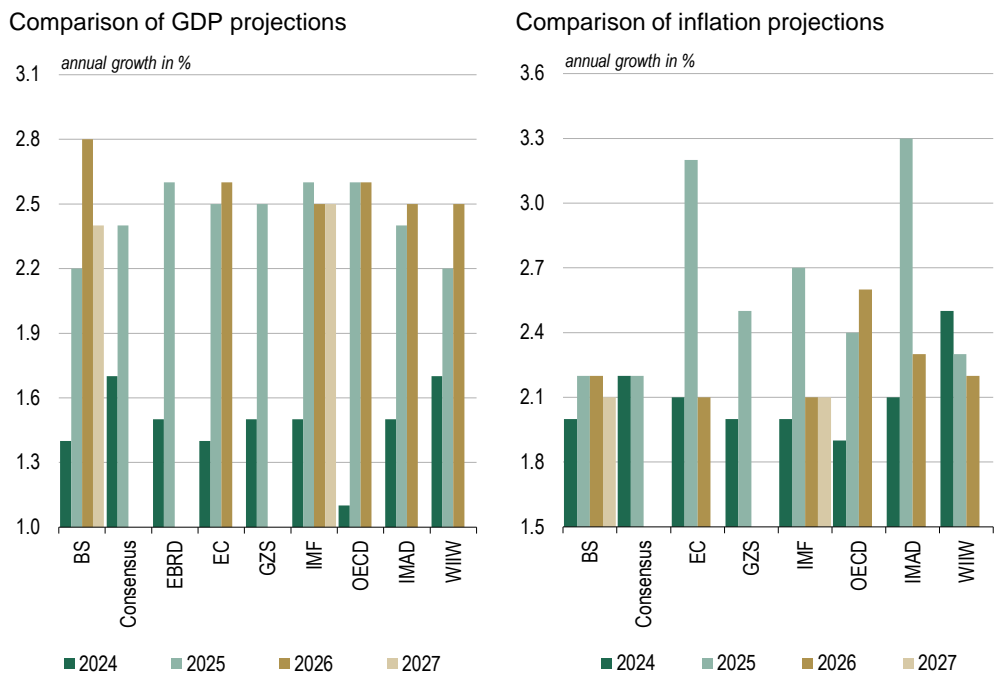
Sources: Projections: Consensus Economics (November), EBRD (September), European Commission (November), GZS (November), IMF (October), OECD (December), UMAR (September), WIIW (October), Banka Slovenije (December).

A comparison of projection accuracy among the institutions shows that, across all observation periods (2001–2023, excluding 2008 and 2009, as well as 2009–2023), Banka Slovenije consistently ranked among the most accurate in projecting economic growth and consumer price inflation.[74]

The accuracy of real GDP growth and consumer price inflation projections over the 2001–2023 period is evaluated by analysing the deviations between observed values and past projections for these variables.[75] To assess accuracy, the following indicators are calculated: mean error (ME), mean absolute error (MAE), standard deviation (STDEV), root mean square error (RMSE), and standardised root mean square error (SRMSE).[76]

Only four of the institutions in question (Banka Slovenije, the EC, the IMF, and UMAR) released projections for the entire observation period, while the majority of the institutions have projections available starting from 2004 (WIIW since 2008, the OECD since 2009, and the EBRD since 2011). Given the significant uncertainty during the early stages of the previous economic crisis, the analysis includes the entire observation period, excluding 2008 and 2009, as well as the period from 2009 to 2023. Furthermore, in light of the impact of the pandemic outbreak in 2020 and the resulting strong economic recovery in 2021 and 2022, a section comparing the projection accuracy between institutions in all the periods up to 2020 and covering 2020–2023 has been added to the current analysis.

According to MAE and RMSE, the most accurate economic growth projections for the 2001–2023 period were produced by the EC, UMAR, and Banka Slovenije, while the most accurate inflation projections came from Banka Slovenije, the GZS, and Consensus. In projecting economic growth, MAE ranged from 0.6 to 2.7 and from 0.9 to 2.6 over the entire period, while RMSE ranged from 0.8 to 3.9 and from 1.1 to 3.8.[77] The institutions were slightly more accurate in projecting inflation, with the observed indicators showing narrower ranges across the institutions: MAE ranged from 0.2 to 1.5, and RMSE ranged from 0.3 to 2.3.

According to MAE and RMSE, the most accurate economic growth projections for the period excluding 2008 and 2009 were provided by the EC, Banka Slovenije, and UMAR, while the most accurate inflation projections came from Banka Slovenije, the GZS, and Consensus. Compared to the entire period, the economic growth projections during this period were slightly more accurate, as excluding 2008 and 2009 removed the impact of increased volatility during the previous economic crisis. In projecting economic growth, MAE ranged from 0.6 to 2.3 and from 0.9 to 2.2 during the period in question, while RMSE ranged from 0.8 to 2.9 and from 1.1 to 2.7. The accuracy of inflation projections remained relatively unchanged compared to the entire observation

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[74] The analysis of the comparison of current projections for real GDP growth and consumer price inflation includes nine institutions (eight in the case of inflation). These institutions are: Consensus Economics (Consensus), the European Bank for Reconstruction and Development (EBRD), the European Commission (EC), the analysis unit at the Chamber of Commerce and Industry of Slovenia (GZS), the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the Institute of Macroeconomic Analysis and Development (UMAR), the Vienna Institute for International Economic Studies (WIIW) and Banka Slovenije (BS). The consumer price inflation projections from the EC, OECD, WIIW, and Banka Slovenije are based on inflation as measured by the HICP, whereas the projections from Consensus, the IMF, GZS, and UMAR are based on inflation as measured by the CPI.

[75] The review of projection accuracy among institutions over the 2001–2023 period, as well as various sub-periods, compares the first and second observed values with the projected variables. The projections from other institutions are selected to align as closely as possible in timing with the Banka Slovenije projections.

[76] For a detailed description of the statistical methods (in Slovene), refer to Cimperman and Savšek (2014): Accuracy of projections of macroeconomic aggregates for Slovenia.

[77] In the analysis of the accuracy of economic growth projections, two intervals are provided for each indicator, corresponding to the comparison with the first and second observed values. This distinction is not needed for inflation projections, as the historical data for this variable from 2007 onward is no longer subject to revision. All calculations are based on the spring and autumn projections from the institutions, which include projections for both the current year and the following year.

period (2001–2023): the ranges of the indicators were 0.2 to 1.6 for MAE and 0.2 to 2.4 for RMSE.

According to MAE and RMSE, the EC and the GZS produced the most accurate economic growth projections for the 2009–2023 period, followed by the OECD, UMAR, and Banka Slovenije. Meanwhile, Banka Slovenije, the OECD, and Consensus delivered the most accurate inflation projections. The accuracy of projecting economic growth improved slightly compared to the entire observation period (2001–2023), particularly reflected in RMSE, which ranged from 0.9 to 3.4 and from 1.2 to 3.2 during the period in question. The MAE range remained relatively unchanged, ranging from 0.7 to 2.7 and from 0.9 to 2.5. The accuracy of inflation projections slightly worsened, as indicated by the RMSE range of 0.1 to 2.7. As with economic growth projections, the MAE range remained similar, at 0.1 to 1.6.

The errors in real GDP growth projections increased significantly in 2020 and 2021, while the errors in 2022 and 2023 were a key factor in the deterioration of inflation projection accuracy.

Errors in economic growth projections became more pronounced in the analysis that includes the period from 2020 to 2023. This was primarily due to the increased volatility at the outbreak of the pandemic in 2020 and the stronger economic recovery in 2021. While the lower bound of the MAE and RMSE intervals for economic growth projections remained relatively unchanged, with differences of between 0.1 and 0.3 percentage points (considering both indicators, the first and second observed values, and various periods), the upper bound for these indicators rose significantly by between 0.2 and 0.7 percentage points when including the period of 2020 to 2023. The accuracy of inflation projections was most affected by the war in Ukraine and the accompanying energy price shock in 2022. The upper bound of the MAE and RMSE intervals for inflation rose by between 0.5 and 1.6 percentage points, while the lower bound remained unchanged.

Table 5.1: Key macroeconomic indicators at the monthly level for Slovenia

	2022	2023	12 m. 'till Sep. 24	3 m. 'till Sep. 23	3 m. 'till Sep. 24	2024 Jul.	2024 Aug.	2024 Sep.	2024 Oct.	2024 Nov.
Economic Activity										
					balance of answers in percentage points					
Sentiment indicator	0.6	–3.8	–3.0	–5.9	–2.3	–2.9	–1.7	–2.3	–4.0	–3.1
- confidence indicator in manufacturing	0.0	–8.3	–7.8	–11.0	–6.7	–7.0	–6.0	–7.0	–8.0	–8.0
					year-on-year growth rates in %					
Industry: - total	2.0	–4.9	–2.4	–8.9	1.1	–1.5	6.2	–0.3	3.4	...
- manufacturing	4.8	–3.7	–0.4	–8.6	3.1	0.7	7.0	2.4	5.7	...
Construction: - total	22.2	19.4	–5.2	23.0	–15.9	–13.1	–16.7	–17.6	...	...
- buildings	53.4	10.5	–9.7	11.8	–17.3	–17.5	–21.4	–13.2	...	...
Trade and service activities - total	9.9	0.4	2.0	–1.3	2.4	3.2	3.1	0.9	...	...
Wholesale and retail trade and repair of motor vehicle	0.0	11.5	9.7	11.2	6.5	7.3	7.9	4.5	...	...
Retail trade, except of motor vehicles and motorcycl	4.4	–4.6	0.2	–5.4	2.4	3.1	2.9	1.3	...	...
Other private sector services	12.5	2.6	2.1	0.8	1.1	1.3	2.1	–0.2	...	...
Labour market					*year-on-year growth rates in %*					
Average gross wage	2.7	9.7	7.5	10.0	7.2	8.1	5.9	7.7	...	...
- private sector	6.3	11.9	9.6	10.3	7.5	8.8	6.9	6.9	...	...
- public sector	–2.6	10.3	5.6	11.9	4.2	4.3	3.6	4.6	...	...
Real net wage1	–5.1	4.0	3.3	4.1	2.7	3.3	2.3	2.7	...	...
Registered unemployment rate (in %)	5.8	5.0	4.7	4.8	4.5	4.5	4.5	4.4	...	...
Registered unemployed persons	–23.8	–14.0	–7.3	–12.3	–5.7	–6.1	–6.2	–4.7	–3.7	–3.1
Persons in employment	2.4	1.3	1.1	1.0	1.1	1.1	1.1	1.2	...	...
- private sector	3.0	1.4	1.1	1.1	1.1	1.0	1.0	1.1	...	...
- public sector	0.7	0.9	1.2	0.9	1.4	1.4	1.4	1.2	...	...
Price Developments					*year-on-year growth rates in %*					
HICP	9.3	7.2	2.9	6.3	1.1	1.4	1.1	0.7	0.0	1.6
- services	5.5	7.7	5.6	8.2	5.0	5.3	5.2	4.6	3.9	3.7
- industrial goods excluding energy	6.3	5.4	1.3	5.2	–0.8	–0.8	–1.5	–0.2	0.1	0.8
- food	10.6	11.8	3.0	10.3	1.7	1.5	1.8	1.8	2.0	2.3
- energy	24.8	2.2	–0.6	–2.3	–6.4	–4.6	–5.0	–9.4	–13.1	–3.6
Core inflation indicator2	5.9	6.7	3.6	6.9	2.3	2.5	2.2	2.4	2.1	2.3
Balance of Payments - Current Account					*in % GDP*					
Current account balance	–1.1	4.5	4.9	3.3	7.2	9.4	5.7	6.5	...	...
1. Goods	–4.3	0.7	0.7	–0.0	2.9	5.5	0.9	2.5	...	...
2. Services	6.1	5.6	5.4	5.9	6.4	6.4	6.9	5.9	...	...
3. Primary income	–1.6	–1.0	–0.8	–1.7	–1.1	–1.5	–1.2	–0.8	...	...
4. Secondary income	–1.3	–0.8	–0.5	–1.0	–1.0	–1.0	–0.9	–1.0	...	...
					nominal year-on-year growth rates in %					
Export of goods and services	22.5	–0.4	0.3	–9.0	9.3	16.3	7.8	3.7	...	...
Import of goods and services	29.3	–6.1	–0.8	–11.9	4.9	10.9	0.7	2.8	...	...

Public Finances	2022	2023	12 m. 'till Oct. 24		2023 Jan.-Oct.		2024 Jan.-Oct.	
Consolidated general government (GG) balance3	**EUR mio**		**% GDP**	**y-o-y, %**	**EUR mio**	**y-o-y, %**	**EUR mio**	**y-o-y, %**
Revenue	23,311	25,035	40.7	11.4	20,328	5.6	22,479	10.6
Tax revenue	20,557	21,977	36.1	11.7	18,045	6.0	20,172	11.8
From EU budget	961	1,084	1.5	12.8	687	–9.0	611	–11.1
Other	1,794	1,974	3.1	8.1	1,596	8.5	1,696	6.2
Expenditure	24,886	27,308	43.6	10.1	21,175	7.9	22,962	8.4
Current expenditure	10,283	11,572	19.2	16.3	9,008	8.9	10,255	13.8
- wages and other personnel expenditure	5,481	6,094	9.7	6.4	5,051	12.9	5,405	7.0
- purchases of goods, services	3,557	3,869	6.4	12.9	2,974	7.4	3,354	12.8
- interest	661	711	1.2	13.7	623	7.0	710	14.0
Current transfers	11,261	12,050	19.2	8.3	9,778	6.4	10,568	8.1
- transfers to individuals and households	9,294	9,731	15.6	8.5	7,987	3.8	8,663	8.5
Capital expenditure, transfers	2,612	3,014	4.2	–2.1	1,840	16.1	1,634	–11.2
GG surplus/deficit	–1,575	–2,274	–2.9		–847		–483	

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 5.2: **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	…	7.8	6.8	6.6	6.5	6.8	6.3	…
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	3.9	4.9	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	…	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	–2.1	–2.0	…	–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	…	1.4	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	…	–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. [1] The figures for Slovenia are calculated as the difference between the seasonally adjusted figures for aggregate final consumption and government final consumption. [2] Nominal unit labour costs are the ratio of nominal compensation per employee to real labour productivity. [3] Real unit labour costs are the ratio of nominal compensation per employee to nominal labour productivity. [4] Four-quarter moving sum.

Review of macroeconomic developments and projections
December 2024

Table 5.3: **Basic measures of forecasting accuracy for real GDP growth measured on the basis of first observed value**

Real GDP	2001–2023			2001–2008			2009–2023			2008 and 2009			excl. 2008–2009			2004–2023		
	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV
spring projections																		
current year																		
BS	0.1	1.2	1.8	0.4	0.9	1.1	–0.1	1.4	2.1	–3.4	3.4	3.8	0.4	1.0	1.2	0.1	1.3	1.9
Consensus	0.2	1.4	2.0	0.4	1.1	1.3	0.1	1.6	2.3	–3.5	3.5	3.3	0.6	1.2	1.5	0.3	1.5	2.1
EBRD							0.8	1.3	1.5									
EC	0.3	1.3	1.7	0.3	1.1	1.3	0.3	1.4	1.9	–2.7	2.7	2.8	0.6	1.2	1.3	0.4	1.4	1.7
GZS	0.4	1.4	1.9	0.8	1.0	1.1	0.3	1.6	2.1	–3.1	3.1	3.6	0.8	1.3	1.4	0.4	1.4	1.9
IMF	0.4	1.5	2.0	0.3	1.0	1.3	0.4	1.8	2.3	–3.0	3.0	3.4	0.7	1.4	1.6	0.5	1.6	2.1
OECD							0.5	1.4	1.8									
UMAR	0.2	1.3	1.7	0.2	1.0	1.2	0.2	1.5	1.9	–2.5	2.5	2.3	0.5	1.2	1.4	0.4	1.4	1.7
WIIW							–0.4	2.3	3.5									
next year																		
BS	–0.8	2.3	3.6	–1.2	2.5	4.6	–0.6	2.3	3.1	–6.3	6.3	8.1	–0.3	2.0	2.7	–0.8	2.6	3.9
Consensus	–0.8	2.6	3.9	–1.4	2.9	5.1	–0.5	2.5	3.3	–6.0	6.6	9.3	–0.2	2.2	2.9	–0.8	2.8	4.1
EBRD							0.0	2.5	3.4									
EC	–0.9	2.3	3.5	–1.4	2.6	4.5	–0.6	2.2	3.0	–5.6	6.3	8.9	–0.4	1.9	2.7	–0.8	2.5	3.8
GZS	–0.6	2.7	4.0	–1.7	3.6	6.1	–0.3	2.4	3.2	–6.3	6.3	8.6	0.0	2.3	3.0	–0.6	2.7	4.0
IMF	–0.8	2.4	3.6	–1.2	2.4	4.4	–0.5	2.3	3.2	–5.8	5.8	8.2	–0.2	2.0	2.8	–0.8	2.6	3.9
OECD							–0.4	2.4	3.3									
UMAR	–0.8	2.6	3.8	–1.4	2.6	4.6	–0.5	2.5	3.3	–5.9	6.3	8.9	–0.3	2.2	2.9	–0.8	2.8	4.0
WIIW							–0.4	2.7	3.5									
autumn projections																		
current year																		
BS	0.3	0.7	0.9	0.2	0.6	0.7	0.3	0.8	1.0	–1.2	1.2	0.3	0.4	0.7	0.8	0.3	0.8	0.9
Consensus	0.1	0.8	1.0	0.0	0.7	0.9	0.2	0.8	1.1	–1.6	1.6	0.5	0.3	0.7	0.9	0.2	0.8	1.0
EBRD							0.6	0.9	1.1									
EC	0.2	0.6	0.8	0.2	0.6	0.7	0.3	0.7	0.9	–0.8	0.8	0.1	0.3	0.6	0.7	0.3	0.6	0.8
GZS	0.3	0.7	0.9	0.0	0.8	1.0	0.4	0.7	0.8	–1.3	1.3	0.2	0.4	0.7	0.7	0.3	0.8	0.9
IMF	0.1	0.9	1.2	0.2	0.8	1.0	0.1	1.0	1.4	–2.1	2.1	1.8	0.3	0.8	1.0	0.2	1.0	1.3
OECD							0.4	0.7	0.9									
UMAR	0.2	0.6	0.8	0.0	0.6	0.8	0.3	0.7	0.9	–1.1	1.1	0.4	0.3	0.6	0.8	0.2	0.7	0.9
WIIW							0.1	1.2	1.7									
next year																		
BS	–0.4	2.3	3.6	–1.0	2.5	4.5	–0.0	2.2	3.2	–5.9	5.9	8.1	0.2	2.0	2.8	–0.4	2.5	3.9
Consensus	–0.5	2.4	3.6	–1.3	2.6	4.4	–0.1	2.2	3.1	–5.5	6.2	8.7	–0.0	2.0	2.7	–0.5	2.5	3.8
EBRD							0.5	2.5	3.5									
EC	–0.4	2.2	3.4	–1.0	2.4	4.3	–0.0	2.0	3.0	–5.5	5.6	7.8	0.1	1.8	2.6	–0.4	2.4	3.7
GZS	–0.3	2.4	3.7	–1.3	3.0	5.2	0.1	2.1	3.0	–5.5	6.2	8.7	0.2	2.0	2.8	–0.4	2.5	3.8
IMF	–0.4	2.4	3.7	–1.0	2.5	4.5	–0.1	2.4	3.3	–5.5	6.3	8.9	0.1	2.0	2.8	–0.5	2.6	4.0
OECD							–0.0	2.2	3.2									
UMAR	–0.6	2.2	3.5	–1.1	2.4	4.3	–0.3	2.1	3.2	–5.4	5.9	8.3	–0.1	1.9	2.8	–0.6	2.5	3.8
WIIW							–0.4	2.2	3.2									

Sources: Banka Slovenije, Consensus Economics, EBRD, European Commission, CCI, IMF, OECD, UMAR, WIIW

Table 5.4: **Basic measures of forecasting accuracy for real GDP growth measured on the basis of second observed value**

Real GDP	2001–2023			2001–2008			2009–2023			2008 and 2009			excl. 2008–2009			2004–2023		
	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV
spring projections																		
current year																		
BS	0.1	1.3	2.0	0.6	0.9	1.1	–0.1	1.6	2.3	–3.3	3.3	3.9	0.5	1.2	1.5	0.2	1.5	2.1
Consensus	0.3	1.5	2.1	0.6	1.1	1.3	0.2	1.8	2.4	–3.3	3.3	3.4	0.7	1.4	1.7	0.4	1.7	2.2
EBRD							0.8	1.3	1.5									
EC	0.3	1.3	1.7	0.4	1.1	1.3	0.3	1.5	2.0	–2.6	2.6	2.9	0.6	1.2	1.4	0.5	1.4	1.8
GZS	0.5	1.4	1.9	1.0	1.1	1.1	0.3	1.5	2.1	–2.9	2.9	3.7	0.8	1.2	1.3	0.5	1.4	1.9
IMF	0.5	1.5	2.1	0.4	1.1	1.3	0.5	1.7	2.4	–2.9	2.9	3.5	0.8	1.4	1.7	0.6	1.6	2.1
OECD							0.6	1.5	2.0									
UMAR	0.3	1.4	1.8	0.3	1.0	1.2	0.3	1.6	2.1	–2.4	2.4	2.3	0.5	1.3	1.6	0.4	1.5	1.9
WIIW							–0.4	2.2	3.3									
next year																		
BS	–0.7	2.3	3.5	–1.0	2.4	4.6	–0.6	2.2	2.9	–6.3	6.3	7.9	–0.2	1.9	2.6	–0.8	2.5	3.8
Consensus	–0.7	2.5	3.7	–1.2	2.9	5.1	–0.5	2.3	3.0	–6.0	6.4	9.1	–0.1	2.1	2.7	–0.7	2.7	3.9
EBRD							–0.0	2.3	3.2									
EC	–0.8	2.2	3.4	–1.2	2.5	4.5	–0.6	2.1	2.8	–5.7	6.2	8.7	–0.3	1.8	2.5	–0.8	2.5	3.7
GZS	–0.6	2.6	3.8	–1.5	3.6	6.1	–0.3	2.3	2.9	–6.3	6.3	8.3	0.1	2.2	2.8	–0.6	2.6	3.8
IMF	–0.7	2.2	3.4	–1.0	2.3	4.4	–0.5	2.2	2.9	–5.9	5.9	8.0	–0.2	1.9	2.6	–0.7	2.5	3.7
OECD							–0.4	2.2	3.0									
UMAR	–0.8	2.4	3.6	–1.2	2.6	4.6	–0.5	2.3	3.1	–6.0	6.2	8.7	–0.2	2.1	2.7	–0.8	2.7	3.9
WIIW							–0.4	2.5	3.3									
autumn projections																		
current year																		
BS	0.3	0.9	1.2	0.3	0.6	0.7	0.3	1.1	1.4	–1.1	1.1	0.4	0.5	0.9	1.2	0.4	1.0	1.3
Consensus	0.2	1.0	1.3	0.2	0.7	0.9	0.2	1.1	1.5	–1.4	1.4	0.6	0.4	0.9	1.2	0.3	1.1	1.3
EBRD							0.6	1.2	1.7									
EC	0.3	0.9	1.2	0.3	0.7	0.7	0.3	1.0	1.5	–0.7	0.7	0.1	0.4	0.9	1.3	0.3	0.9	1.3
GZS	0.3	0.9	1.2	0.2	0.7	0.9	0.4	1.0	1.3	–1.1	1.1	0.1	0.5	0.9	1.1	0.4	1.0	1.2
IMF	0.2	1.1	1.5	0.4	0.9	1.1	0.1	1.2	1.7	–2.0	2.0	1.9	0.4	1.1	1.3	0.2	1.2	1.5
OECD							0.4	0.9	1.3									
UMAR	0.2	0.9	1.1	0.2	0.6	0.8	0.3	1.0	1.2	–0.9	0.9	0.3	0.3	0.9	1.1	0.3	0.9	1.1
WIIW							0.1	1.5	2.0									
next year																		
BS	–0.3	2.2	3.5	–0.8	2.5	4.5	0.0	2.1	3.0	–6.0	6.0	7.8	0.3	1.9	2.6	–0.4	2.5	3.8
Consensus	–0.5	2.2	3.4	–1.2	2.5	4.4	–0.1	2.0	2.8	–5.5	6.0	8.5	0.0	1.8	2.5	–0.5	2.4	3.7
EBRD							0.5	2.5	3.4									
EC	–0.3	2.1	3.3	–0.8	2.4	4.3	–0.0	1.9	2.8	–5.5	5.5	7.6	0.2	1.7	2.4	–0.4	2.3	3.5
GZS	–0.3	2.3	3.6	–1.2	3.0	5.2	0.1	2.0	2.8	–5.5	6.0	8.5	0.3	1.9	2.6	–0.4	2.4	3.7
IMF	–0.4	2.3	3.6	–0.9	2.4	4.6	–0.1	2.3	3.1	–5.6	6.2	8.7	0.2	1.9	2.7	–0.4	2.5	3.9
OECD							–0.0	2.3	3.1									
UMAR	–0.5	2.2	3.4	–1.0	2.3	4.3	–0.3	2.1	3.0	–5.4	5.7	8.1	–0.0	1.8	2.6	–0.6	2.4	3.7
WIIW							–0.4	2.0	2.9									

Sources: Banka Slovenije, Consensus Economics, EBRD, European Commission, CCI, IMF, OECD, UMAR, WIIW

Review of macroeconomic developments and projections
December 2024

Table 5.5: **RMSE and SRMSE for real GDP growth projections measured on the basis of first observed value**

Real GDP	RMSE						SRMSE					
	2001–2023	2001–2008	2009–2023	2008–2009	w/o 08–09	2004–2023	2001–2023	2001–2008	2009–2023	2008–2009	w/o 08–09	2004–2023
spring projections												
current year												
BS	1.7	1.1	2.0	4.3	1.2	1.9	0.5	0.7	0.5	0.5	0.4	0.5
Consensus	2.0	1.3	2.2	4.2	1.6	2.0	0.5	0.9	0.5	0.5	0.5	0.5
EBRD			1.6						0.4			
EC	1.7	1.3	1.9	3.4	1.4	1.7	0.4	0.8	0.4	0.4	0.5	0.4
GZS	1.9	1.3	2.1	4.0	1.5	1.9	0.5	0.9	0.5	0.5	0.5	0.5
IMF	2.0	1.2	2.3	3.8	1.7	2.1	0.5	0.8	0.5	0.5	0.6	0.5
OECD			1.8						0.4			
UMAR	1.7	1.1	1.9	3.0	1.5	1.7	0.4	0.8	0.4	0.4	0.5	0.4
WIIW			3.4						0.8			
next year												
BS	3.6	4.4	3.1	8.5	2.7	3.9	1.0	3.0	0.7	1.0	0.9	1.0
Consensus	3.9	5.0	3.2	8.8	2.9	4.0	1.0	3.3	0.8	1.1	0.9	1.0
EBRD			3.3						0.8			
EC	3.6	4.4	3.0	8.4	2.6	3.8	1.0	3.0	0.7	1.0	0.8	1.0
GZS	3.9	5.7	3.1	8.7	2.9	3.9	1.1	3.8	0.7	1.1	0.9	1.0
IMF	3.6	4.3	3.1	8.2	2.7	3.8	1.0	2.9	0.7	1.0	0.9	1.0
OECD			3.2						0.8			
UMAR	3.8	4.5	3.2	8.6	2.9	4.0	1.0	3.1	0.8	1.1	0.9	1.0
WIIW			3.4						0.8			
autumn projections												
current year												
BS	0.9	0.7	1.0	1.2	0.9	1.0	0.2	0.5	0.2	0.1	0.3	0.2
Consensus	1.0	0.8	1.0	1.6	0.9	1.0	0.3	0.6	0.2	0.2	0.3	0.3
EBRD			1.2						0.3			
EC	0.8	0.6	0.9	0.8	0.8	0.8	0.2	0.4	0.2	0.1	0.3	0.2
GZS	0.9	0.9	0.9	1.3	0.8	0.9	0.2	0.6	0.2	0.2	0.3	0.2
IMF	1.2	1.0	1.3	2.5	1.0	1.3	0.3	0.7	0.3	0.3	0.3	0.3
OECD			0.9						0.2			
UMAR	0.8	0.7	0.9	1.1	0.8	0.9	0.2	0.5	0.2	0.1	0.3	0.2
WIIW			1.6						0.4			
next year												
BS	3.6	4.3	3.1	8.2	2.7	3.8	1.0	2.9	0.7	1.0	0.9	1.0
Consensus	3.5	4.3	3.0	8.2	2.6	3.8	0.9	2.9	0.7	1.0	0.8	0.9
EBRD			3.4						0.8			
EC	3.4	4.1	2.9	7.8	2.5	3.6	0.9	2.8	0.7	0.9	0.8	0.9
GZS	3.6	4.9	2.9	8.2	2.7	3.7	1.0	3.3	0.7	1.0	0.9	0.9
IMF	3.6	4.4	3.2	8.4	2.8	3.9	1.0	2.9	0.7	1.0	0.9	1.0
OECD			3.1						0.7			
UMAR	3.5	4.2	3.1	7.9	2.7	3.8	0.9	2.8	0.7	1.0	0.9	0.9
WIIW			3.1						0.7			

Sources: Banka Slovenije, Consensus Economics, EBRD, European Commission, CCI, IMF, OECD, UMAR, WIIW

Review of macroeconomic developments and projections
December 2024

Table 5.6: **RMSE and SRMSE for real GDP growth projections measured on the basis of second observed value**

Real GDP	RMSE						SRMSE					
	2001–2023	2001–2008	2009–2023	2008–2009	w/o 08–09	2004–2023	2001–2023	2001–2008	2009–2023	2008–2009	w/o 08–09	2004–2023
spring projections												
current year												
BS	1.9	1.1	2.2	4.3	1.5	2.1	0.5	0.8	0.6	0.5	0.5	0.5
Consensus	2.1	1.3	2.3	4.1	1.8	2.2	0.6	0.9	0.6	0.5	0.6	0.6
EBRD			1.6						0.4			
EC	1.7	1.3	1.9	3.3	1.5	1.8	0.5	0.9	0.5	0.4	0.5	0.5
GZS	1.9	1.4	2.1	3.9	1.5	1.9	0.5	1.0	0.5	0.5	0.5	0.5
IMF	2.1	1.3	2.4	3.8	1.8	2.2	0.6	0.9	0.6	0.5	0.6	0.6
OECD			2.0						0.5			
UMAR	1.8	1.2	2.0	2.9	1.6	1.9	0.5	0.8	0.5	0.3	0.6	0.5
WIIW			3.2						0.8			
next year												
BS	3.5	4.4	2.9	8.4	2.5	3.7	1.0	3.1	0.7	1.0	0.9	1.0
Consensus	3.7	4.9	2.9	8.8	2.7	3.9	1.0	3.4	0.7	1.1	0.9	1.0
EBRD			3.0						0.8			
EC	3.4	4.4	2.8	8.4	2.5	3.7	1.0	3.0	0.7	1.0	0.9	1.0
GZS	3.8	5.7	2.8	8.6	2.7	3.8	1.1	3.9	0.7	1.0	0.9	1.0
IMF	3.4	4.3	2.8	8.1	2.5	3.7	1.0	3.0	0.7	1.0	0.9	1.0
OECD			2.9						0.7			
UMAR	3.6	4.5	3.0	8.6	2.6	3.9	1.0	3.1	0.8	1.0	0.9	1.0
WIIW			3.2						0.8			
autumn projections												
current year												
BS	1.2	0.7	1.4	1.1	1.2	1.3	0.3	0.5	0.4	0.1	0.4	0.3
Consensus	1.3	0.9	1.4	1.5	1.3	1.3	0.4	0.6	0.4	0.2	0.4	0.4
EBRD			1.7						0.4			
EC	1.2	0.7	1.4	0.7	1.3	1.3	0.3	0.5	0.4	0.1	0.4	0.3
GZS	1.2	0.9	1.3	1.1	1.2	1.2	0.3	0.6	0.3	0.1	0.4	0.3
IMF	1.5	1.1	1.6	2.4	1.3	1.5	0.4	0.7	0.4	0.3	0.5	0.4
OECD			1.3						0.3			
UMAR	1.1	0.8	1.2	0.9	1.1	1.1	0.3	0.5	0.3	0.1	0.4	0.3
WIIW			1.9						0.5			
next year												
BS	3.5	4.3	2.9	8.1	2.6	3.7	1.0	3.0	0.7	1.0	0.9	1.0
Consensus	3.4	4.3	2.7	8.1	2.4	3.6	0.9	3.0	0.7	1.0	0.8	0.9
EBRD			3.2						0.8			
EC	3.2	4.1	2.7	7.7	2.4	3.5	0.9	2.8	0.7	0.9	0.8	0.9
GZS	3.5	4.9	2.7	8.1	2.5	3.6	1.0	3.4	0.7	1.0	0.9	0.9
IMF	3.5	4.3	3.0	8.3	2.6	3.8	1.0	3.0	0.7	1.0	0.9	1.0
OECD			3.0						0.8			
UMAR	3.4	4.1	2.9	7.9	2.5	3.6	1.0	2.9	0.7	0.9	0.9	1.0
WIIW			2.8						0.7			

Sources: Banka Slovenije, Consensus Economics, EBRD, European Commission, CCI, IMF, OECD, UMAR, WIIW

Review of macroeconomic developments and projections
December 2024

Banka Slovenije

Table 5.7: **Basic measures of forecasting accuracy for inflation measured on the basis of first observed value**

HICP/CPI	2001–2023			2001–2008			2009–2023			2008 and 2009			excl. 2008–2009			2004–2023		
	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV
spring projections																		
current year																		
BS	0.1	0.4	0.5	0.3	0.5	0.6	–0.0	0.3	0.4	0.2	0.3	0.4	0.1	0.4	0.5	0.1	0.3	0.4
Consensus	–0.0	0.6	0.8	0.0	0.6	0.8	–0.1	0.6	0.8	–0.1	0.7	1.0	–0.0	0.6	0.8	0.0	0.6	0.8
EC	0.1	0.5	0.9	–0.0	0.4	0.7	0.2	0.6	1.0	0.2	0.2	0.1	0.1	0.6	0.9	0.2	0.5	0.9
GZS	–0.1	0.4	0.5	0.2	0.5	0.6	–0.2	0.4	0.5	0.1	0.2	0.3	–0.1	0.4	0.6	–0.1	0.4	0.5
IMF	0.4	0.7	0.8	0.4	0.7	0.9	0.3	0.6	0.8	1.0	1.0	0.8	0.3	0.6	0.8	0.4	0.7	0.9
OECD							0.0	0.5	0.8									
UMAR	0.3	0.6	0.8	0.1	0.6	0.8	0.3	0.6	0.9	0.4	0.4	0.1	0.2	0.6	0.9	0.4	0.6	0.8
WIIW							–0.1	1.1	1.6									
next year																		
BS	0.5	1.4	2.2	0.5	1.4	1.8	0.5	1.5	2.4	–1.2	1.5	2.1	0.6	1.4	2.2	0.4	1.5	2.3
Consensus	0.1	1.5	2.3	0.0	1.5	2.0	0.2	1.5	2.5	–1.6	1.6	1.3	0.3	1.5	2.3	0.2	1.5	2.4
EC	0.1	1.5	2.3	–0.4	1.5	1.9	0.4	1.5	2.6	–1.2	1.3	1.8	0.3	1.5	2.4	0.4	1.5	2.4
GZS	0.2	1.5	2.3	0.2	1.5	2.0	0.2	1.5	2.5	–1.2	1.5	2.1	0.3	1.5	2.4	0.2	1.5	2.3
IMF	0.3	1.4	2.2	0.3	1.5	1.8	0.3	1.4	2.4	–0.5	1.1	1.5	0.4	1.5	2.2	0.4	1.4	2.3
OECD							0.3	1.5	2.5									
UMAR	0.4	1.4	2.3	0.2	1.2	1.6	0.5	1.5	2.6	–0.9	1.4	2.0	0.5	1.4	2.3	0.5	1.5	2.4
WIIW							0.5	1.6	2.8									
autumn projections																		
current year																		
BS	–0.1	0.2	0.2	–0.2	0.3	0.4	–0.1	0.1	0.1	–0.4	0.4	0.3	–0.1	0.2	0.2	–0.1	0.1	0.2
Consensus	–0.1	0.3	0.3	–0.2	0.4	0.5	–0.0	0.2	0.2	–0.4	0.4	0.2	–0.0	0.2	0.3	–0.0	0.2	0.3
EC	–0.2	0.3	0.4	–0.5	0.5	0.6	–0.1	0.1	0.2	–0.4	0.4	0.5	–0.2	0.3	0.4	–0.1	0.2	0.2
GZS	–0.1	0.3	0.4	–0.2	0.3	0.4	–0.0	0.3	0.4	–0.2	0.3	0.4	–0.1	0.3	0.4	–0.1	0.3	0.3
IMF	–0.0	0.4	0.5	–0.1	0.5	0.6	0.1	0.3	0.4	0.0	0.4	0.6	–0.0	0.4	0.5	0.0	0.3	0.4
OECD							–0.0	0.2	0.2									
UMAR	–0.1	0.3	0.4	–0.4	0.5	0.5	0.0	0.2	0.3	–0.4	0.4	0.4	–0.1	0.3	0.4	–0.0	0.3	0.3
WIIW							–0.1	0.3	0.4									
next year																		
BS	0.1	1.2	1.7	0.0	1.1	1.5	0.2	1.2	1.8	–1.0	1.6	2.3	0.2	1.1	1.6	0.1	1.2	1.8
Consensus	0.1	1.3	2.1	–0.2	1.5	2.0	0.2	1.2	2.2	–1.6	1.6	2.2	0.3	1.3	2.1	0.2	1.3	2.1
EC	0.1	1.4	2.1	–0.4	1.4	1.8	0.3	1.4	2.3	–1.2	1.6	2.3	0.2	1.3	2.1	0.2	1.3	2.1
GZS	0.0	1.4	2.1	–0.1	1.3	1.7	0.1	1.4	2.3	–1.0	1.8	2.5	0.2	1.3	2.1	0.1	1.4	2.2
IMF	0.2	1.3	2.1	–0.1	1.3	1.6	0.4	1.4	2.3	–0.9	1.5	2.1	0.3	1.3	2.1	0.3	1.4	2.2
OECD							0.2	1.3	2.1									
UMAR	0.1	1.3	2.0	–0.2	1.2	1.6	0.3	1.4	2.3	–1.2	1.8	2.5	0.3	1.3	2.0	0.2	1.4	2.1
WIIW							0.3	1.3	2.4									

Sources: Banka Slovenije, Consensus Economics, European Commission, CCI, IMF, OECD, UMAR, WIIW

Review of macroeconomic developments and projections
December 2024

Table 5.8: **Basic measures of forecasting accuracy for inflation measured on the basis of second observed value**

HICP/CPI	2001–2023			2001–2008			2009–2023			2008 and 2009			excl. 2008–2009			2004–2023		
	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV	ME	MAE	STDEV
spring projections																		
current year																		
BS	0.1	0.4	0.5	0.3	0.5	0.6	–0.0	0.3	0.4	0.2	0.3	0.4	0.1	0.4	0.5	0.1	0.3	0.4
Consensus	–0.0	0.6	0.8	0.1	0.7	0.8	–0.1	0.6	0.8	–0.1	0.7	1.0	–0.0	0.6	0.8	0.0	0.6	0.8
EC	0.1	0.5	0.9	0.0	0.5	0.7	0.2	0.6	1.0	0.2	0.2	0.1	0.1	0.6	1.0	0.2	0.5	0.9
GZS	–0.1	0.4	0.6	0.2	0.5	0.7	–0.2	0.4	0.5	0.1	0.2	0.3	–0.1	0.4	0.6	–0.1	0.4	0.6
IMF	0.4	0.7	0.9	0.5	0.7	0.9	0.3	0.6	0.8	1.0	1.0	0.8	0.3	0.6	0.9	0.4	0.7	0.9
OECD							0.0	0.5	0.8									
UMAR	0.3	0.6	0.8	0.1	0.6	0.8	0.3	0.6	0.9	0.4	0.4	0.1	0.3	0.6	0.9	0.4	0.6	0.8
WIIW							–0.1	1.1	1.6									
next year																		
BS	0.5	1.4	2.2	0.5	1.4	1.8	0.5	1.5	2.4	–1.2	1.5	2.1	0.6	1.4	2.2	0.4	1.5	2.3
Consensus	0.1	1.5	2.3	0.0	1.6	2.0	0.2	1.5	2.5	–1.6	1.6	1.3	0.3	1.5	2.3	0.2	1.5	2.4
EC	0.2	1.5	2.3	–0.4	1.6	1.9	0.4	1.5	2.6	–1.2	1.3	1.8	0.3	1.6	2.4	0.4	1.5	2.4
GZS	0.2	1.5	2.3	0.2	1.5	2.1	0.2	1.5	2.5	–1.2	1.5	2.1	0.3	1.5	2.4	0.2	1.5	2.3
IMF	0.3	1.4	2.2	0.3	1.5	1.8	0.3	1.4	2.4	–0.5	1.1	1.5	0.4	1.5	2.3	0.4	1.4	2.3
OECD							0.3	1.5	2.5									
UMAR	0.4	1.4	2.3	0.2	1.2	1.6	0.5	1.5	2.6	–0.9	1.4	2.0	0.5	1.4	2.3	0.5	1.5	2.4
WIIW							0.5	1.6	2.8									
autumn projections																		
current year																		
BS	–0.1	0.2	0.3	–0.2	0.3	0.4	–0.1	0.1	0.1	–0.4	0.4	0.3	–0.1	0.2	0.2	–0.1	0.2	0.2
Consensus	–0.1	0.3	0.3	–0.2	0.4	0.5	–0.0	0.2	0.2	–0.4	0.4	0.2	–0.0	0.3	0.3	–0.0	0.2	0.3
EC	–0.2	0.3	0.3	–0.5	0.5	0.6	–0.1	0.1	0.2	–0.4	0.4	0.5	–0.2	0.3	0.4	–0.1	0.2	0.2
GZS	–0.1	0.3	0.4	–0.2	0.3	0.4	–0.0	0.3	0.4	–0.2	0.3	0.4	–0.1	0.3	0.4	–0.1	0.3	0.4
IMF	–0.0	0.4	0.5	–0.1	0.5	0.6	0.1	0.3	0.4	0.0	0.4	0.6	–0.0	0.4	0.5	0.0	0.3	0.4
OECD							–0.0	0.2	0.2									
UMAR	–0.1	0.3	0.4	–0.4	0.5	0.5	0.0	0.2	0.3	–0.4	0.4	0.4	–0.1	0.3	0.4	–0.0	0.2	0.3
WIIW							–0.1	0.3	0.4									
next year																		
BS	0.1	1.2	1.7	0.1	1.1	1.5	0.2	1.2	1.8	–1.0	1.6	2.3	0.2	1.1	1.7	0.1	1.2	1.8
Consensus	0.1	1.3	2.1	–0.2	1.5	2.0	0.2	1.2	2.2	–1.6	1.6	2.2	0.3	1.3	2.1	0.2	1.3	2.1
EC	0.1	1.4	2.1	–0.4	1.4	1.8	0.3	1.4	2.3	–1.2	1.6	2.3	0.2	1.3	2.1	0.2	1.4	2.1
GZS	0.1	1.4	2.1	–0.1	1.3	1.7	0.1	1.4	2.3	–1.0	1.8	2.5	0.2	1.3	2.1	0.1	1.4	2.2
IMF	0.2	1.3	2.1	–0.0	1.3	1.6	0.4	1.4	2.3	–0.9	1.5	2.1	0.4	1.3	2.1	0.3	1.4	2.2
OECD							0.2	1.3	2.1									
UMAR	0.1	1.3	2.1	–0.2	1.2	1.6	0.3	1.4	2.3	–1.2	1.8	2.5	0.3	1.3	2.0	0.2	1.4	2.1
WIIW							0.3	1.3	2.4									

Sources: Banka Slovenije, Consensus Economics, European Commission, CCI, IMF, OECD, UMAR, WIIW

Review of macroeconomic developments and projections
December 2024

Table 5.9: RMSE and SRMSE for inflation projections measured on the basis of first observed value

HICP/CPI	RMSE						SRMSE					
	2001–2023	2001–2008	2009–2023	2008–2009	w/o 08–09	2004–2023	2001–2023	2001–2008	2009–2023	2008–2009	w/o 08–09	2004–2023
spring projections												
current year												
BS	0.5	0.6	0.4	0.4	0.5	0.4	0.2	0.3	0.2	0.1	0.2	0.2
Consensus	0.8	0.7	0.8	0.7	0.8	0.8	0.3	0.4	0.3	0.2	0.3	0.3
EC	0.9	0.6	1.0	0.2	0.9	0.9	0.3	0.3	0.4	0.0	0.3	0.4
GZS	0.5	0.6	0.5	0.2	0.6	0.5	0.2	0.3	0.2	0.1	0.2	0.2
IMF	0.9	1.0	0.9	1.1	0.9	0.9	0.3	0.5	0.3	0.3	0.3	0.4
OECD			0.7						0.3			
UMAR	0.9	0.7	0.9	0.4	0.9	0.9	0.3	0.4	0.3	0.1	0.3	0.4
WIIW			1.5						0.6			
next year												
BS	2.2	1.8	2.4	1.9	2.2	2.3	0.8	0.9	0.9	0.6	0.8	0.9
Consensus	2.3	1.8	2.4	1.8	2.3	2.3	0.8	1.0	0.9	0.6	0.8	0.9
EC	2.3	1.8	2.5	1.7	2.4	2.3	0.9	0.9	0.9	0.5	0.9	0.9
GZS	2.3	1.8	2.4	1.9	2.3	2.3	0.9	1.0	0.9	0.6	0.9	0.9
IMF	2.1	1.7	2.4	1.1	2.2	2.2	0.8	0.9	0.9	0.4	0.8	0.9
OECD			2.4						0.9			
UMAR	2.3	1.5	2.6	1.7	2.3	2.4	0.8	0.8	1.0	0.5	0.8	1.0
WIIW			2.7						1.0			
autumn projections												
current year												
BS	0.3	0.4	0.1	0.4	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1
Consensus	0.3	0.5	0.2	0.4	0.3	0.3	0.1	0.3	0.1	0.1	0.1	0.1
EC	0.4	0.7	0.2	0.5	0.4	0.3	0.2	0.4	0.1	0.2	0.2	0.1
GZS	0.4	0.4	0.4	0.3	0.4	0.3	0.1	0.2	0.1	0.1	0.1	0.1
IMF	0.5	0.6	0.4	0.4	0.5	0.4	0.2	0.3	0.2	0.1	0.2	0.2
OECD			0.2						0.1			
UMAR	0.5	0.6	0.3	0.5	0.4	0.3	0.2	0.3	0.1	0.2	0.2	0.1
WIIW			0.4						0.2			
next year												
BS	1.6	1.4	1.8	1.9	1.6	1.7	0.6	0.7	0.7	0.6	0.6	0.7
Consensus	2.0	1.8	2.1	2.2	2.0	2.1	0.8	1.0	0.8	0.7	0.7	0.8
EC	2.1	1.7	2.2	2.0	2.1	2.1	0.8	0.9	0.8	0.6	0.8	0.8
GZS	2.1	1.6	2.3	2.0	2.1	2.1	0.8	0.8	0.8	0.6	0.8	0.9
IMF	2.0	1.5	2.3	1.7	2.1	2.1	0.8	0.8	0.8	0.5	0.8	0.9
OECD			2.0						0.8			
UMAR	2.0	1.5	2.2	2.2	2.0	2.1	0.7	0.8	0.8	0.7	0.7	0.9
WIIW			2.3						0.8			

Sources: Banka Slovenije, Consensus Economics, European Commission, CCI, IMF, OECD, UMAR, WIIW

Review of macroeconomic developments and projections
December 2024

Table 5.10: **RMSE and SRMSE for inflation projections measured on the basis of second observed value**

HICP/CPI	RMSE						SRMSE					
	2001–2023	2001–2008	2009–2023	2008–2009	w/o 08–09	2004–2023	2001–2023	2001–2008	2009–2023	2008–2009	w/o 08–09	2004–2023
spring projections												
current year												
BS	0.5	0.7	0.4	0.4	0.5	0.4	0.2	0.3	0.2	0.1	0.2	0.2
Consensus	0.8	0.7	0.8	0.7	0.8	0.8	0.3	0.4	0.3	0.2	0.3	0.3
EC	0.9	0.7	1.0	0.2	0.9	0.9	0.3	0.4	0.4	0.0	0.3	0.4
GZS	0.6	0.6	0.5	0.2	0.6	0.6	0.2	0.3	0.2	0.1	0.2	0.2
IMF	0.9	1.0	0.9	1.1	0.9	0.9	0.3	0.5	0.3	0.3	0.3	0.4
OECD			0.7						0.3			
UMAR	0.9	0.8	0.9	0.4	0.9	0.9	0.3	0.4	0.3	0.1	0.3	0.4
WIIW			1.5						0.6			
next year												
BS	2.2	1.8	2.4	1.9	2.2	2.3	0.8	0.9	0.9	0.6	0.8	0.9
Consensus	2.3	1.8	2.4	1.8	2.3	2.3	0.8	1.0	0.9	0.6	0.8	0.9
EC	2.3	1.8	2.5	1.7	2.4	2.3	0.9	0.9	0.9	0.5	0.9	0.9
GZS	2.3	1.9	2.4	1.9	2.3	2.3	0.9	1.0	0.9	0.6	0.9	0.9
IMF	2.2	1.7	2.4	1.1	2.2	2.2	0.8	0.9	0.9	0.4	0.8	0.9
OECD			2.4						0.9			
UMAR	2.3	1.5	2.6	1.7	2.3	2.4	0.8	0.8	1.0	0.5	0.8	1.0
WIIW			2.7						1.0			
autumn projections												
current year												
BS	0.3	0.4	0.1	0.4	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1
Consensus	0.3	0.5	0.2	0.4	0.3	0.3	0.1	0.3	0.1	0.1	0.1	0.1
EC	0.4	0.7	0.2	0.5	0.4	0.3	0.2	0.4	0.1	0.2	0.2	0.1
GZS	0.4	0.4	0.4	0.3	0.4	0.3	0.1	0.2	0.1	0.1	0.1	0.1
IMF	0.5	0.6	0.4	0.4	0.5	0.4	0.2	0.3	0.2	0.1	0.2	0.2
OECD			0.2						0.1			
UMAR	0.4	0.6	0.3	0.5	0.4	0.3	0.2	0.3	0.1	0.2	0.2	0.1
WIIW			0.4						0.2			
next year												
BS	1.7	1.4	1.8	1.9	1.6	1.7	0.6	0.7	0.7	0.6	0.6	0.7
Consensus	2.0	1.9	2.1	2.2	2.0	2.1	0.8	1.0	0.8	0.7	0.7	0.8
EC	2.1	1.7	2.2	2.0	2.1	2.1	0.8	0.9	0.8	0.6	0.8	0.8
GZS	2.1	1.6	2.3	2.0	2.1	2.1	0.8	0.8	0.8	0.6	0.8	0.9
IMF	2.0	1.5	2.3	1.7	2.1	2.1	0.8	0.8	0.8	0.5	0.8	0.9
OECD			2.0						0.8			
UMAR	2.0	1.5	2.2	2.2	2.0	2.1	0.7	0.8	0.8	0.7	0.7	0.9
WIIW			2.3						0.8			

Sources: Banka Slovenije, Consensus Economics, European Commission, CCI, IMF, OECD, UMAR, WIIW

6   Figures and tables

Figures

Tables

Review of macroeconomic developments and projections
December 2024

7   List of abbreviations

Abbreviations

AJPES	Agency of the Republic of Slovenia for Public Legal Records and Related Services
ARDL	Autoregressive distributed lag
BS	Banka Slovenije
CHP	Combined heat and power
EA	Euro area
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
ECB SDW	European Central Bank Statistical Data Warehouse
EC	European Commission
ESCB	European System of Central Banks
ESI	Economic sentiment indicator
ETS 1	Emissions trading system for industry, the energy sector, maritime transport and aviation
ETS 2 / ETS-BRT	Emissions trading system for buildings, road transport and additional sectors, mainly small-scale electricity production and small industries not covered by the existing ETS 1
EU	European Union
EUR	Euro
EUROPOP23	European Commission's 2023 population projections
FRED	Federal reserve economic data
GDP	Gross domestic product
GSCPI	Global supply chain pressure index
GZS	Chamber of Commerce and Industry of Slovenia
HICP	Harmonised index of consumer prices
IMF	International Monetary Fund
MAE	Mean absolute error
ME	Mean error
MOPE	Ministry of the Environment, Climate and Energy
NGEU	NextGenerationEU recovery and resilience plan
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary least squares
PMI	Purchasing managers' index
PPI	Producer price index
RES	Renewable energy sources
RMSE	Root mean square error
RRO	Recovery and Resilience Office
SDH	Slovenski državni holding (Slovenian Sovereign Holding)
SHI	Supplementary health insurance
SRMSE	Standardised root mean square error
STDEV	Standard deviation
SURS	Statistical Office of the Republic of Slovenia
ULCs	Unit labour costs
UMAR	Institute of Macroeconomic Analysis and Development
US	United States of America
USD	US dollar
ZDO	Long-Term Care Act
(B)VAR	(Bayesian) vector autoregression
WIIW	Vienna Institute for International Economic Studies

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, **CN** – China, **CY** – Cyprus, **CZ** – Czechia, **ME** – Montenegro, **DK** – Denmark, **EE** – Estonia, **FI** – Finland, **FR** – France, **EL** – Greece, **HR** – Croatia, **IE** – Ireland, **IN** – India, **IS** – Iceland, **IT** – Italy, **JP** – Japan, **LV** – Latvia, **LT** – Lithuania, **LU** – Luxembourg, **HU** – Hungary, **MT** – Malta, **DE** – Germany, **NL** – Netherlands, **PL** – Poland, **PT** – Portugal, **RO** – Romania, **RU** – Russia, **MK** – North Macedonia, **SK** – Slovakia, **SI** – Slovenia, **RS** – Serbia, **ES** – Spain, **SE** – Sweden, **TR** – Turkey, **UK** – United Kingdom, **US** – United States of America