SLOVENIA : MACRO OUTLOOK

Domestic demand against external headwinds

Ivana Rogic Kovac
Economy Slovenia - Analyses and Forecasts | Erste Group Bank AG
September 12, 2025

Spot Rates as of: September 12, 2025
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Domestic demand to support anticipated growth pick-up

After disappointing entry into 2025, GDP delivered expected improvement as headline figure posted mild 0.7% y/y increase in 2Q25, where detailed breakdown revealed more favorable domestic demand performance, especially on the private consumption side, while strong negative contribution came from the net exports.

As far as 2H25 is concerned, we see private consumption keeping steady momentum, coupled with the anticipated improvement of the investment profile, while challenges regarding the external demand would continue to weigh on the export outlook. Following flattish 1H25 performance, we see FY25 growth forecast few notches above 1.0% mark, with risks remaining present and linked to external demand uncertainties.

Following average 1H25 CPI at 2% y/y, going into 2H25 we saw somewhat intensifying pressures as headline figure growth accelerated to 3.0% y/y in August i.e. marking its highest YTD print. Looking ahead, persistent service pressures underpinned by ongoing wage growth and labor market trends, coupled with the shifting base effect, suggest inflation remaining on somewhat higher grounds. Additionally, recent food prices movements were also adding to the pressures. FY25 inflation is expected around 2.5% mark.

Fiscal position is expected to remain overall stable, albeit 2025-26 deficit targets are seen at somewhat higher level as uncertainties regarding international situation and public sector wages and pension reforms imply certain risks when it comes to budget execution.

Source: Eurostat, Refinitiv, Erste Group Research
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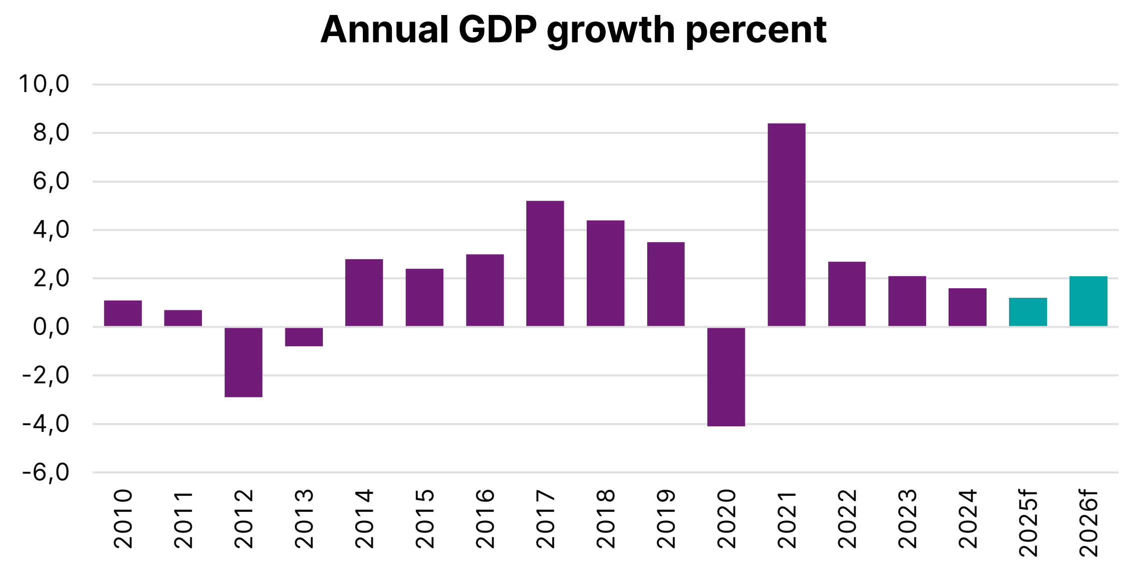
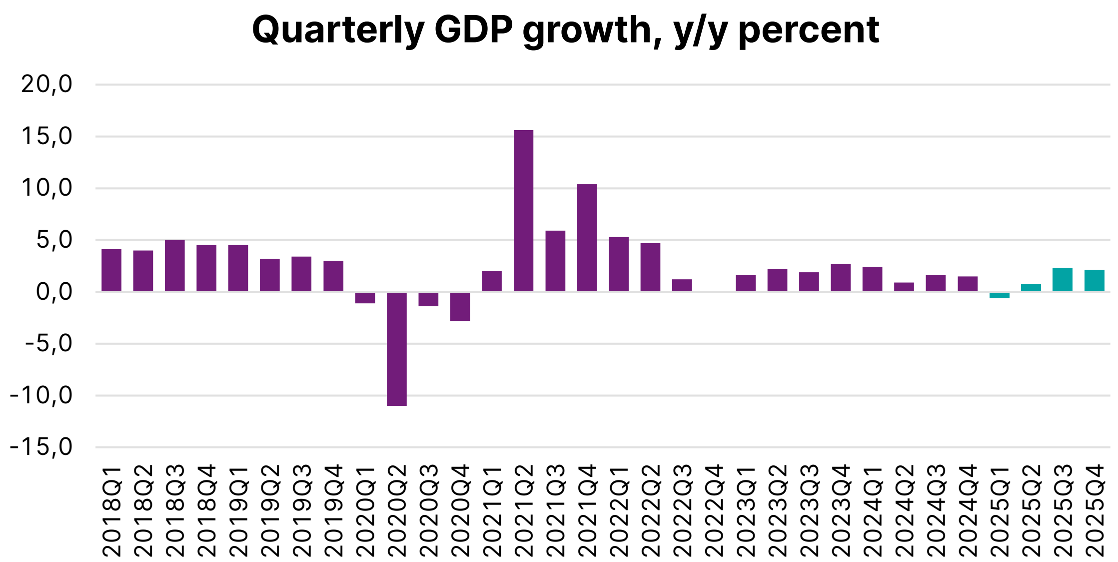
GDP delivered expected mild improvement in 2Q25

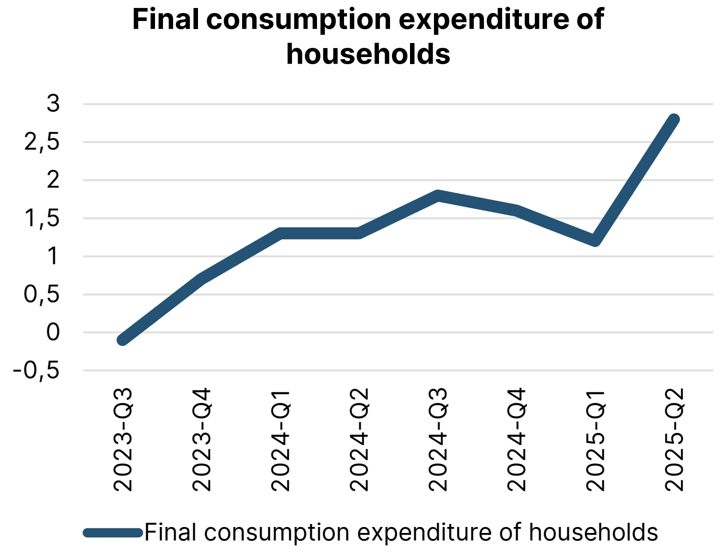


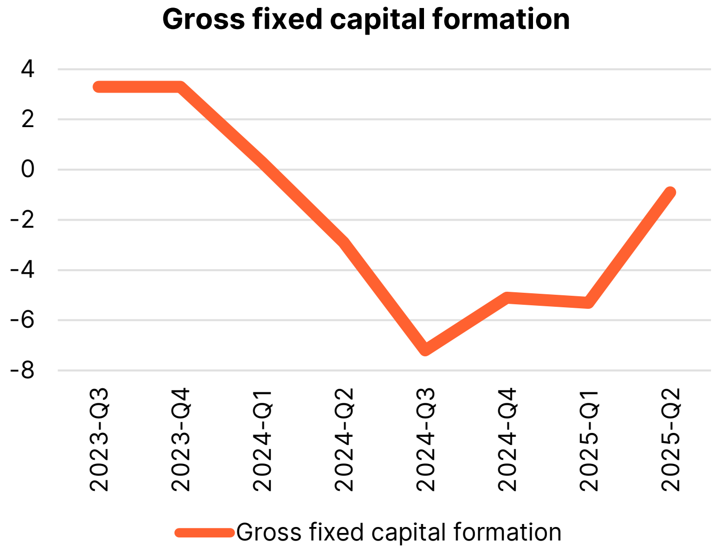


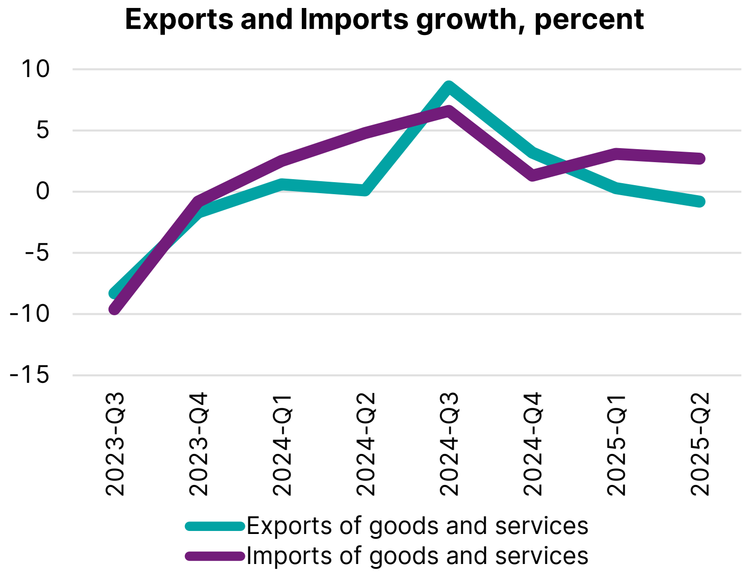
After disappointing entry into 2025, GDP delivered expected improvement as headline figure posted mild 0.7% y/y increase in 2Q25, where detailed breakdown revealed more favorable domestic demand performance, especially on the private consumption side, while strong negative contribution came from the net exports. As far as 2H25 is concerned, domestic demand is expected to remain the key growth engine, with private consumption maintaining steady growth momentum on the back of resilient labor market conditions and steady confidence indicators. Investment profile is expected to improve, supported by the absorption of EU funds and favorable financing conditions. On the other hand, challenges regarding the external demand developments should continue to weigh on the export outlook, thus diminishing net exports contribution in period ahead. Following flattish 1H25 performance, we see FY25 growth forecast few notches above 1.0% mark, with risks remaining present and linked to external demand uncertainties.

Source: Eurostat, Refinitiv, Erste Group Research

Detailed structure revealed more favorable domestic demand performance



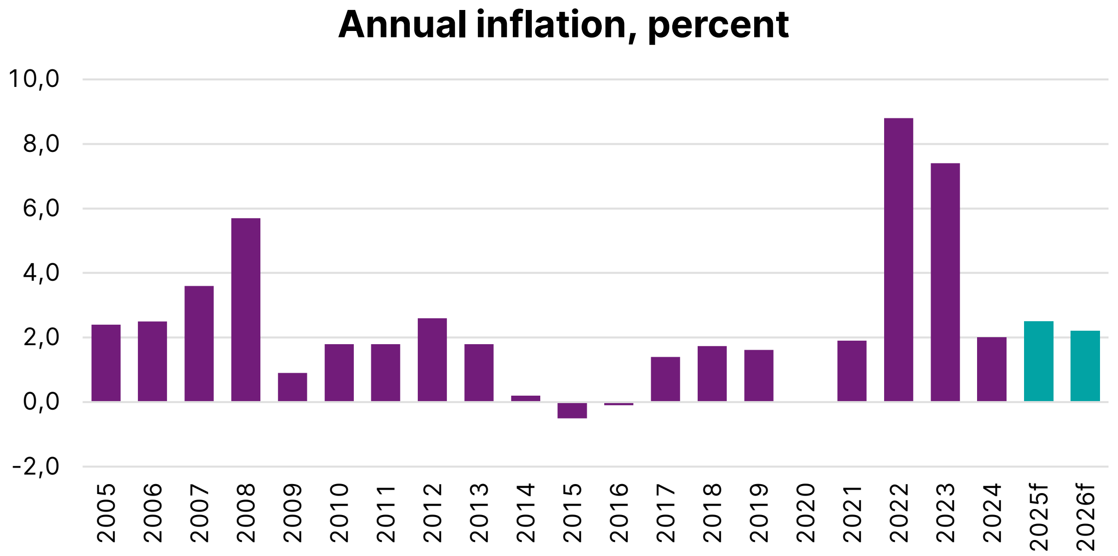


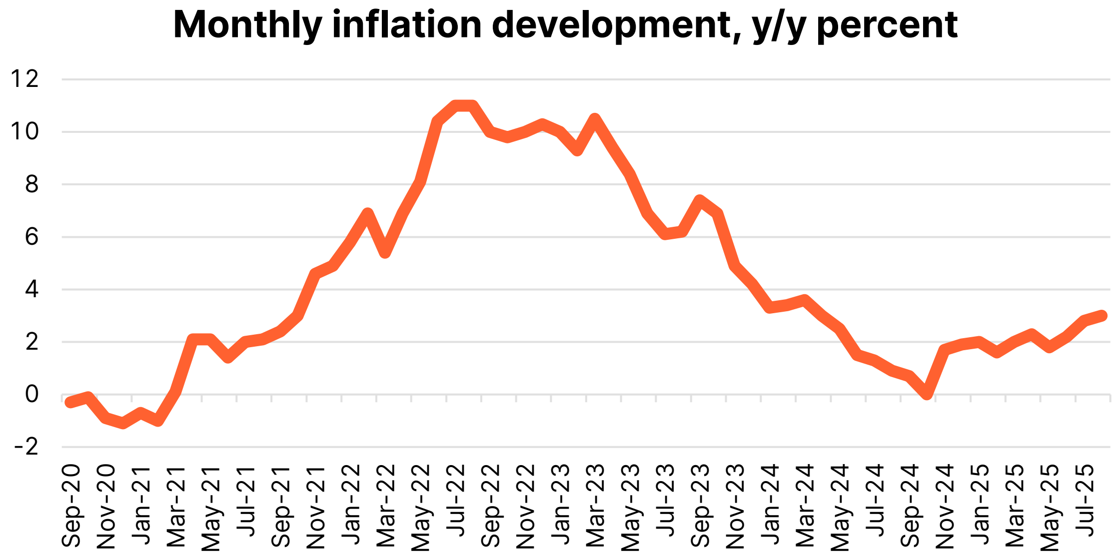


Seasonally adjusted data in 2Q25 indicates the economy expanded by 0.7% q/q, translating to 0.8% increase on the annual level. We saw no major surprises structure-wise, as domestic demand maintained its supportive role – private consumption increased 3.6% y/y, thus pointing to accelerated growth pace compared to 1Q25 output. Investments activity failed to deliver any stronger signs of rebound, albeit the downturn significantly moderated as figure recorded practically flat performance (-0.2% y/y) in 2Q25, reflecting modest rebound in construction investment. After a period of vivid growth dynamics, public consumption shifted into lower gear (-0.5% y/y), while inventories build-up had positive impact by adding 1.7pp to the headline figure. Negative external trade contribution once again pumped the brakes on the overall performance, as exports showed mild decrease vs more vivid imports footprint (-0.8% y/y and 2.7% y/y, respectively), thus resulting in net exports shaving off 2.7pp from the headline figure in 2Q25.

Source: Eurostat, Refinitiv, Erste Group Research

Inflation reaching its intra-year peak going into 2H25





Inflation has been on an overall rising trajectory ever since bottoming out in October 2024, as expiry of temporary support measures introduced during the energy crisis and implementation of the new electricity network charging system fueled the upward trend. Following average 1H25 CPI at 2% y/y, going into 2H25 we saw somewhat intensifying pressures as headline figure growth accelerated to 3.0% y/y in August i.e. marking its highest YTD print. Looking ahead, persistent service pressures underpinned by ongoing wage growth and labor market trends, coupled with the shifting base effect, suggest inflation remaining on somewhat higher grounds. Additionally, recent food prices movements were also adding to the pressures. FY25 inflation is expected around 2.5%, after which we see it gradually declining towards 2% mark in 2026, provided there are no renewed supply side shocks.

Source: Eurostat, Refinitiv, Erste Group Research
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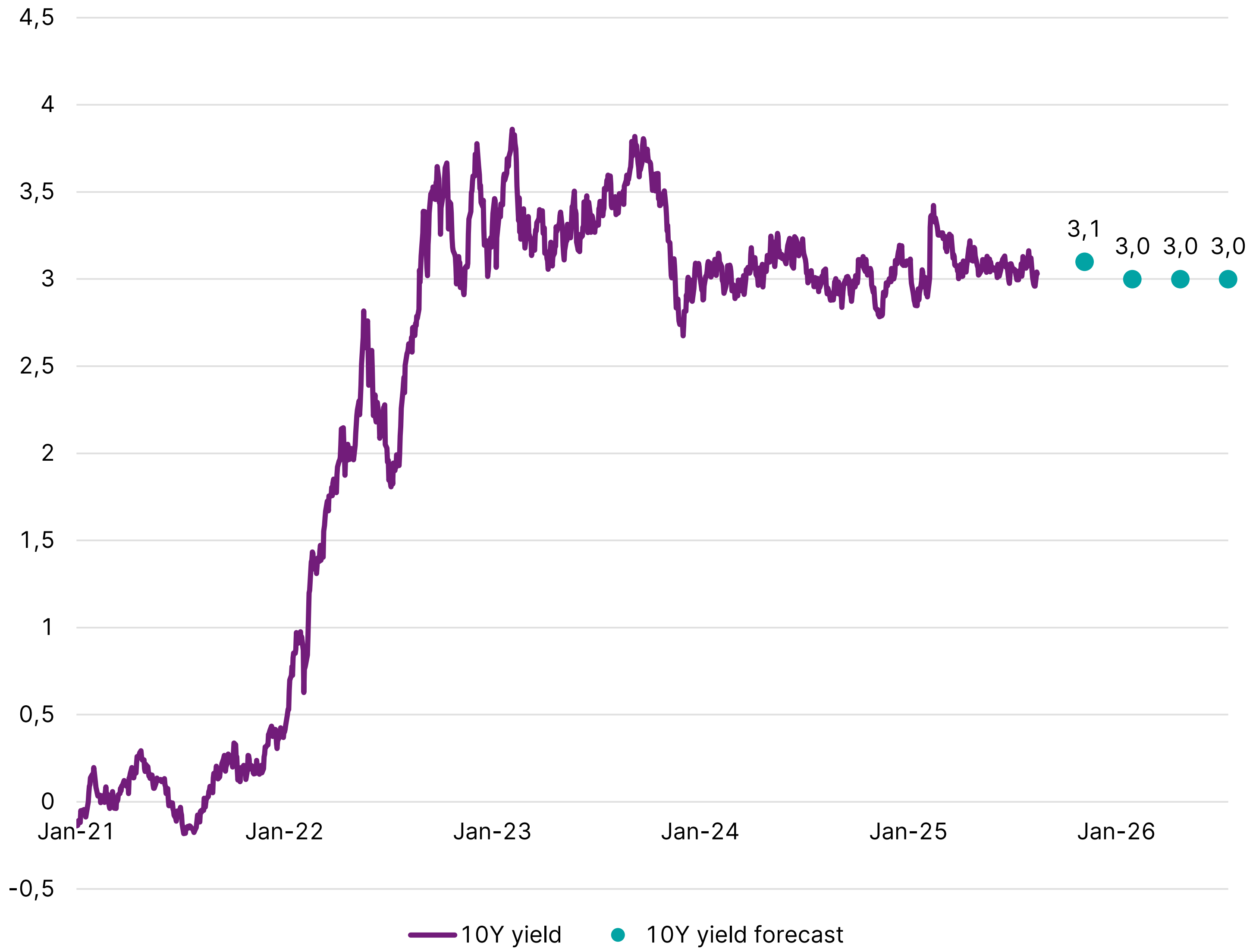
Spread level further narrowing

Yields movements were on the somewhat volatile side during 3Q25, reflecting largely benchmark developments. We saw 10Y tenor on the moderate upward trajectory in the recent weeks, currently moving in the upper part of 2.9-3.1% band. On the other hand, spread levels continued to narrow further below 50bps mark on the longer end of the curve.

Outlook going forward remains unchanged, where we see global factors involving risk appetite and benchmark moves maintaining their role in shaping the yield movements to the largest extent. Still, favorable internal drivers are seen providing support to the yields profile, as overall resilient growth and steady fiscal position would continue to favor stable spread development i.e. keeping it anchored around current levels.

10Y yield development and forecast



Source: Eurostat, Refinitiv, Erste Group Research

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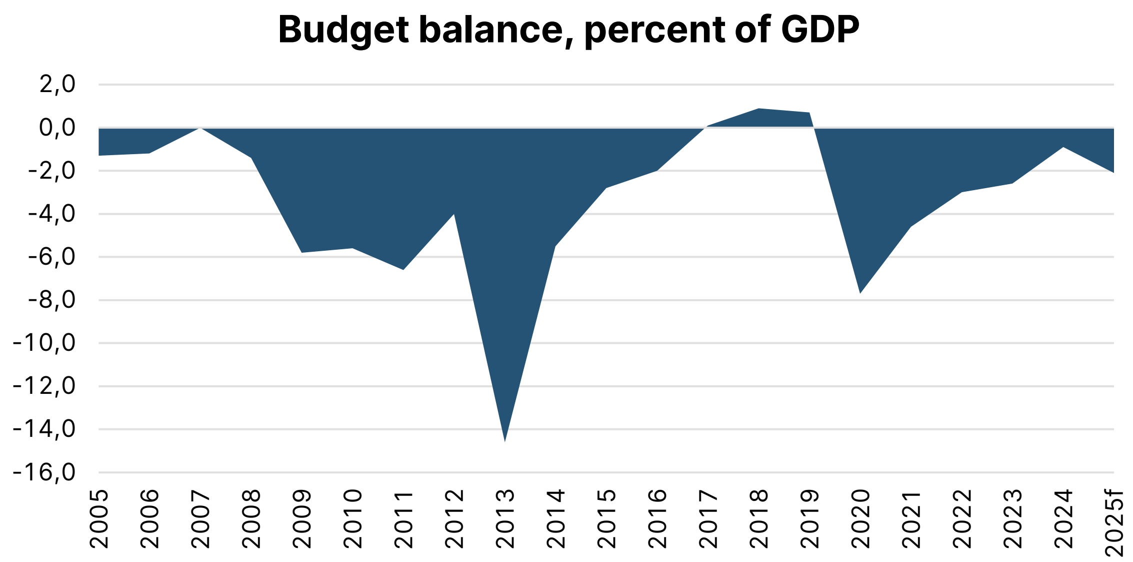
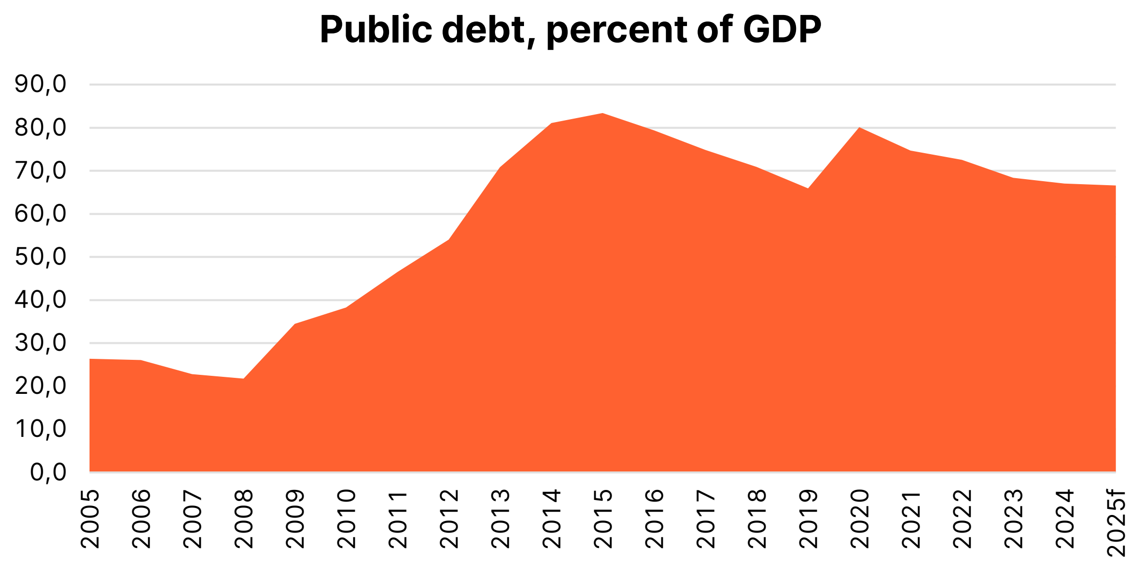
Fiscal position expected to remain in check





2024 budget deficit fell to a five-year low of 0.9% of GDP, supported by higher revenues amid strong employment and steady economic growth, alongside the reduction of one-off measures, while public debt narrowed to 67% of GDP. Looking ahead, the gap is projected to rise towards 2.1% of GDP in 2025, but nevertheless, remain below 3% over the forecast horizon. Such widening reflects, among other, public sector wages reforms and new pension supplements, and while we see it adding pressure to the expenditure side, final withdrawal of energy-related support measures would provide some relief to the budget performance. Additional uncertainty stems from potentially higher defense spending, which could further affect planned budget execution. Despite these challenges, fiscal position is expected to remain overall stable, with public debt gradually declining towards pre-pandemic levels and fiscal consolidation continuing over the mid-term.

Source: Eurostat, Refinitiv, Erste Group Research
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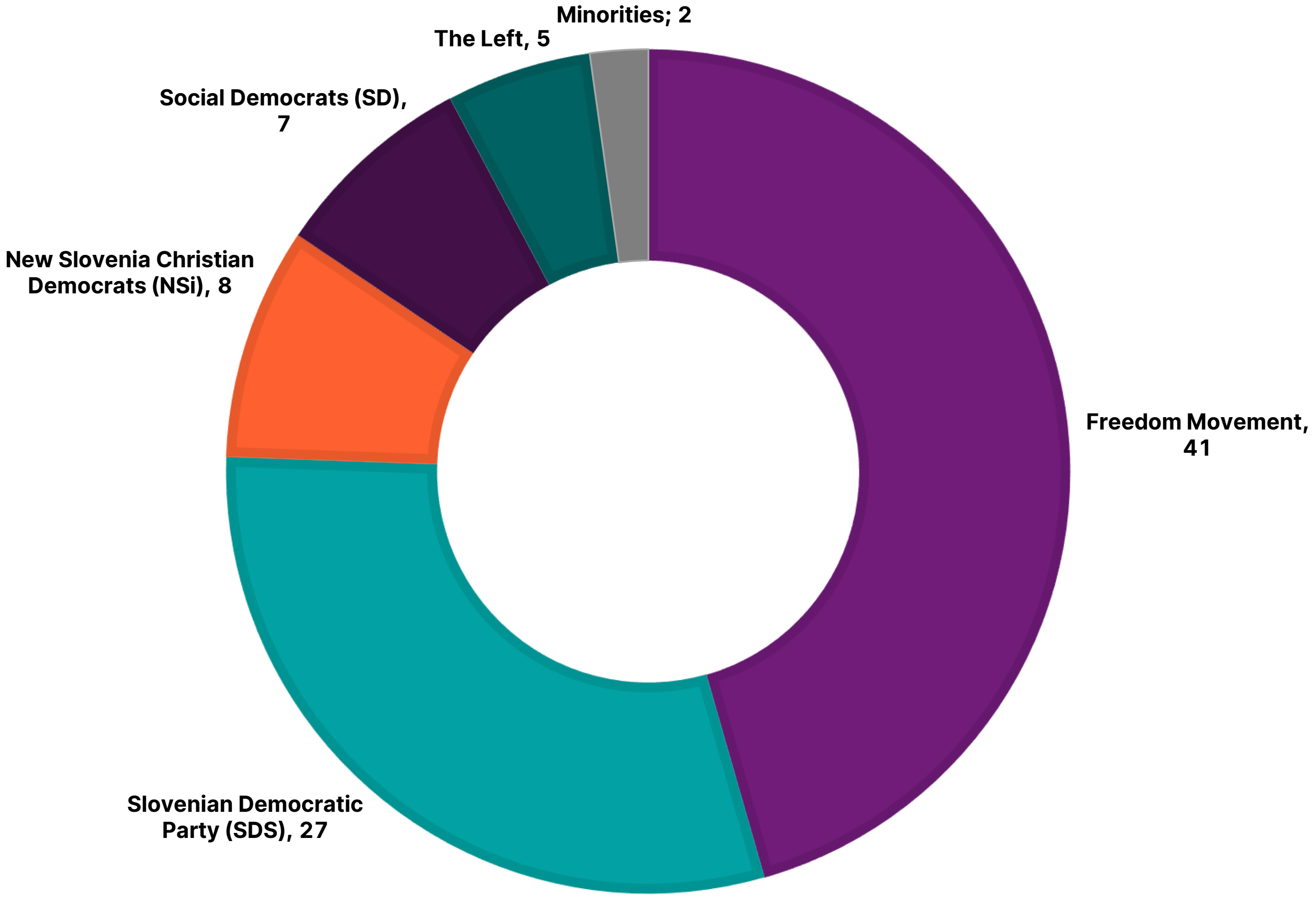
Political landscape

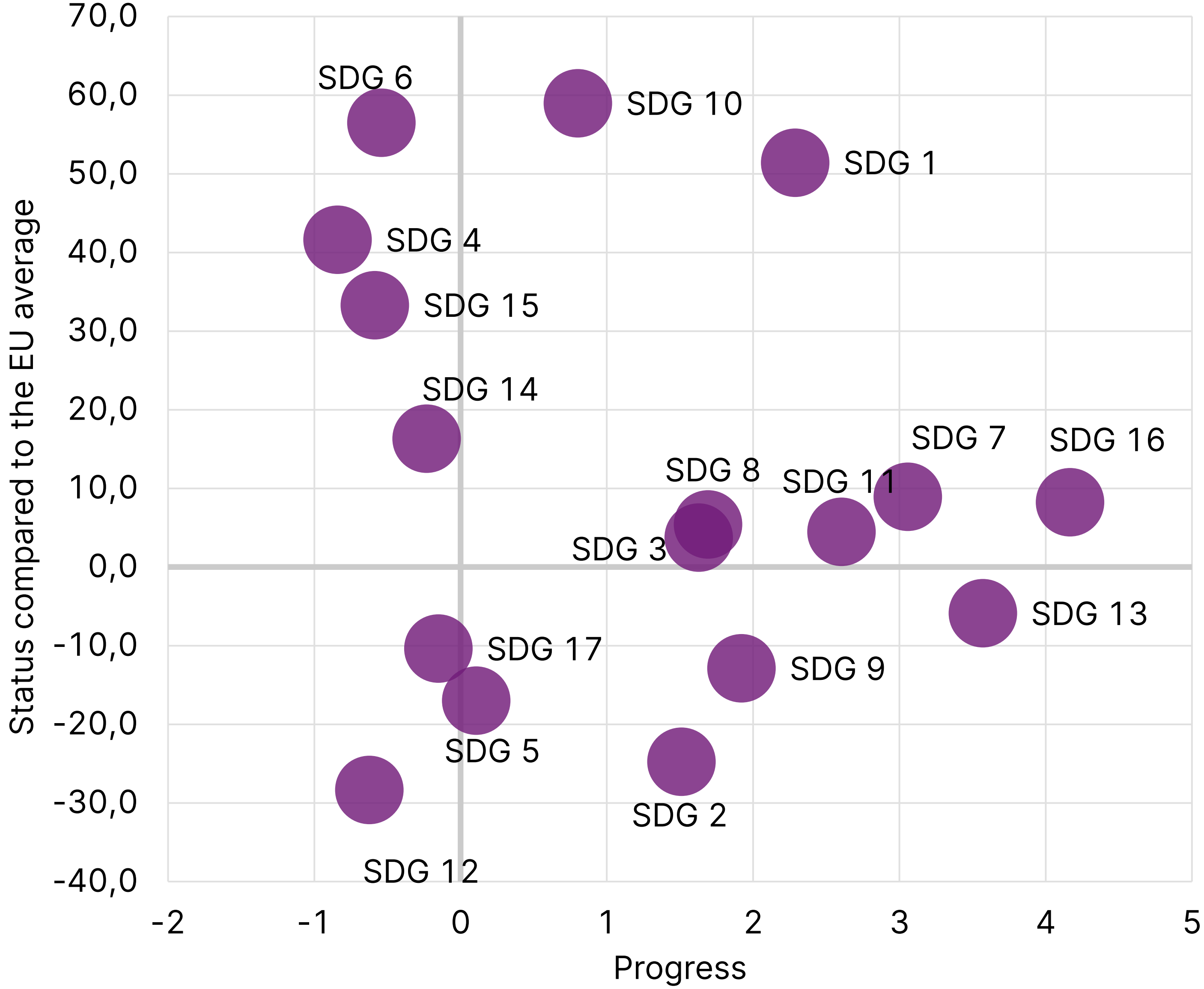
With no major developments on the political scene in recent months, attention is now gradually turning towards the parliamentary elections scheduled for spring of 2026. The latest polls show the Slovenian Democratic Party (SDS) remains the strongest political force, consistently polling its percentage in the low 20s, while support for the ruling Freedom Movement has slipped to the mid-teens by August–September of 2025. Such results confirm ongoing decline in support for Prime Minister Robert Golob's party since 2022, underscoring SDS's steady lead and highlighting a fragmented political landscape ahead of next year's elections, where no single party is currently projected to secure a majority.

Parliamentary seats



Source: Eurostat, Refinitiv, Erste Group Research

Social Development Goals



On the sustainable development front, Slovenia ranks 8th out of 34 European countries (i.e. 12th on a global stage), reflecting its solid performance toward achieving the 17 SDGs.

Slovenia performs particularly well, among others, in reduced inequalities (SDG 10), eradication of poverty (SDG 1) and clean water (SDG 6), while also making a good progress on affordable and clean energy (SDG 7), peace, justice and strong institutions (SDG 16), being above EU average and progressing towards SDGs in those categories. On the other hand, country is facing challenges and falling behind the EU average in the categories involving responsible consumption and production (SDG 12), no hunger (SDG 2) and gender equality (SDG 5).

Source: Eurostat, Refinitiv, Erste Group Research

Slovenia: Forecasts

	2018	2019	2020	2021	2022	2023	2024f	2025f	2026f
Percent					**Annual average**				
Real GDP growth	4,4	3,5	-4,1	8,4	2,7	2,1	1,6	1,2	2,1
Private consumption growth	3,4	5,5	-6,2	10,5	5,0	0,2	1,6	2,1	2,3
Fixed capital formation growth	10,6	4,9	-7,2	12,3	4,2	3,9	-3,7	0,5	3,7
Inflation	1,7	1,6	0,0	1,9	8,8	7,4	2,0	2,5	2,2
Unemployment rate	5,1	4,5	5,0	4,8	4,0	3,7	3,7	3,6	3,6
Percent of GDP									
Budget balance	0,9	0,7	-7,7	-4,6	-3,0	-2,6	-0,9	-2,1	-1,8
Public debt	70,9	65,9	80,1	74,7	72,5	68,4	67,0	66,6	65,9
Current account balance	6,5	6,4	7,3	3,5	-0,9	4,8	4,6	3,4	3,2
					End of year				
10Y Yield	1,00	0,27	-0,10	0,40	3,70	2,90	3,00	3,10	3,00
Spread	80,00	50,00	45,00	60,00	110,00	85,00	65,00	50,00	50,00

Source: Eurostat, Refinitiv, Erste Group Research

Slovenia: Country overview

Official EU language: Slovenian

Capital: Ljubljana

Geographical size: 20 273 km2

Population: 2 116 972

GDP per capita: EUR 31 490, below the EU average

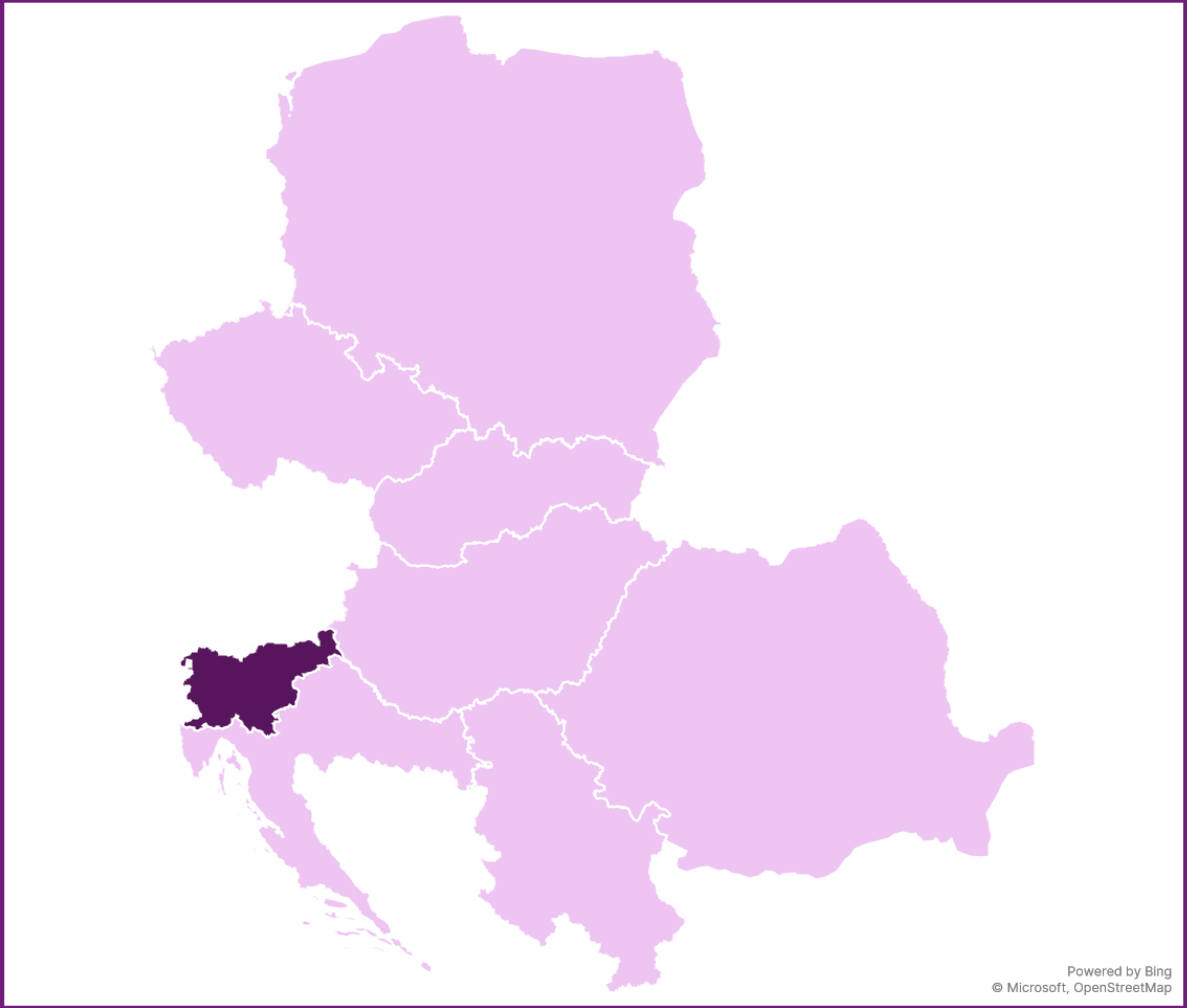
Currency: Euro EUR since January 1 2007

Credit Ratings:

- **Moody's: A3, outlook positive**
- **S&P: AA, outlook stable**
- **Fitch: A, outlook positive**

EU member state: since 1 May 2004

Schengen: member since 21 December 2007



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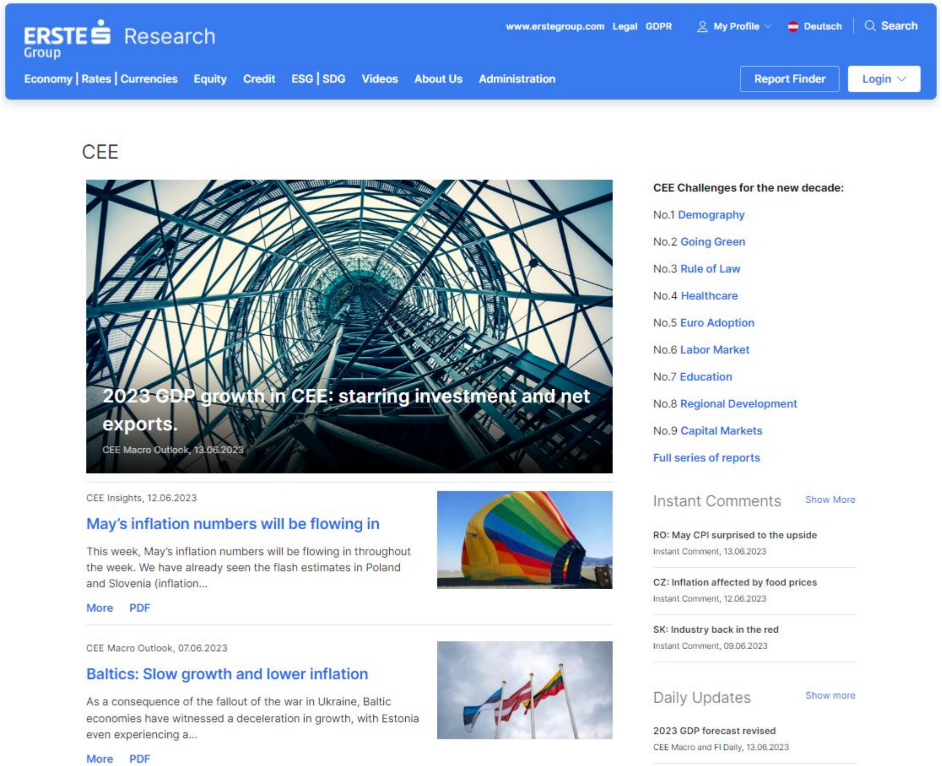

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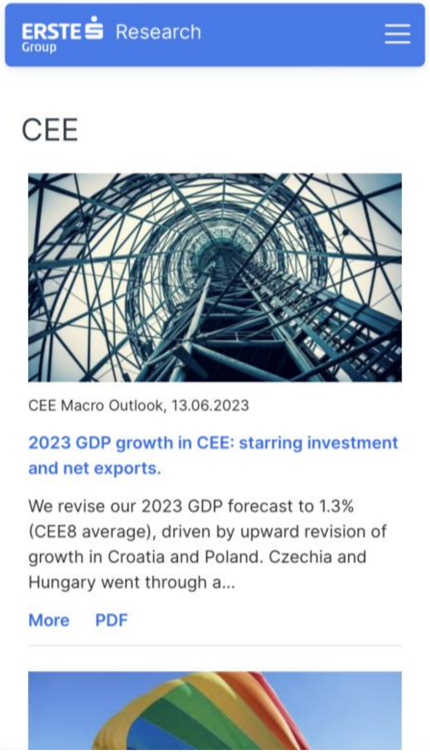

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Contacts

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Erste Group Research (Vienna)

Fritz Mostböck, CEFA®, CESGA®
Head of Group Research
+43 5 0100 11902
friedrich.mostboeck@erstegroup.com

Juraj Kotian
Head of CEE Macro/ FI Research
+43 5 0100 17357
juraj.kotian@erstegroup.com

Henning Eßkuchen
Head of CEE Equity Research
+43 5 0100 19634
henning.esskuchen@erstegroup.com

Rainer Singer, CEFA®
Head of Major Markets & Credit Research
+43 5 0100 11909
rainer.singer@erstegroup.com

Local Research Offices

Bratislava
Slovenska Sporitelna
Head: Maria Valachyova
+421 (2) 4862 4158
valachyova.maria@slsp.sk

Budapest
Erste Bank Hungary
Head: Jozsef Miro
+36 (1) 235 5131
Jozsef.Miro@erstebroker.hu

Bucharest
Banca Comerciala Romana (BCR)
Head: Ciprian Dascalu
+40 3735 10 424
ciprian.dascalu@bcr.ro

Prague
Ceska Sporitelna
Head: David Navratil
+420 224 995 439
DNavratil@csas.cz

Warsaw
Erste Securities Polska
Head: Cezary Bernatek
+48 22 257 5751
Cezary.Bernatek@erstegroup.com

Zagreb/ Belgrade
Erste Bank
Heads: Alen Kovac, Mladen Dodig
+385 72 37 1383, +381 1122 09178
akovac2@erstebank.com
Mladen.Dodig@erstebank.rs

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