

SLOVENIA : MACRO OUTLOOK

Growth momentum to strengthen in 2026

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Economy Slovenia - Analyses and Forecasts | Erste Group Bank AG
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Spot Rates as of: December 11, 2025
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2H25 delivered anticipated pick-up in growth pace

3Q25 GDP surprised on the upside, with headline figure growth accelerating to 1.7% y/y (vs. 0.8% y/y in 2Q). Domestic demand remained the key growth engine, where a much-awaited rebound in investments finally occurred, while private consumption showed more moderate dynamics. On the other hand, net exports shaved off 1.4pp from the headline figure. We expect to see similar developments in the last quarter, which should wrap up average 2025 GDP growth a tad below the 1% mark.

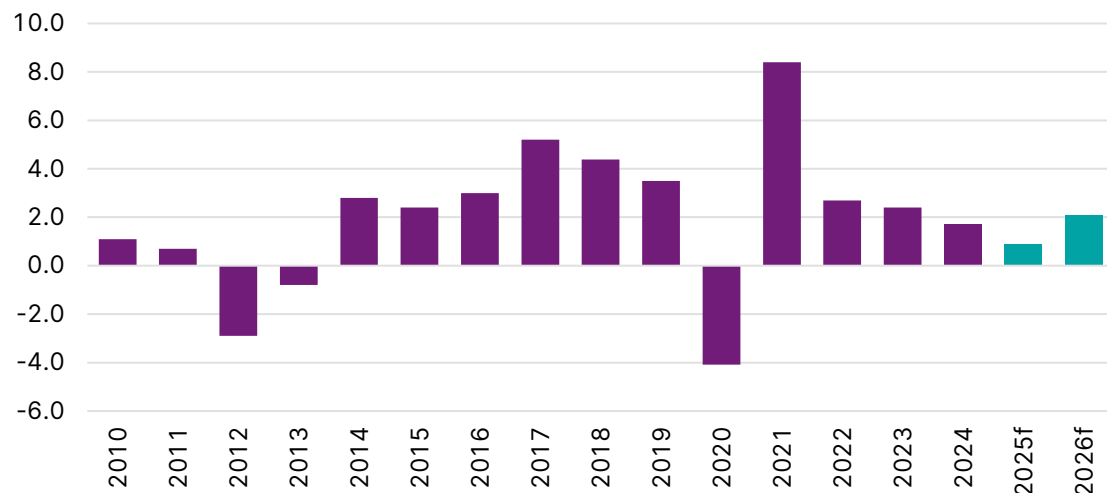
Going into 2026, domestic demand is expected to remain the key growth engine, while challenges regarding external demand developments should continue to weigh on the export outlook, thus diminishing the net export contribution. Following a more moderate 2025 growth performance, we see 2026 GDP accelerating closer to 2%, although risks remain present and are mainly linked to external uncertainties.

inflation has been on a rising trajectory, fueled by the expiry of energy support measures and a new electricity charging system. The headline figure accelerated to 3.1% in October, its highest print of the year, before subsiding in November to 2.3%. Looking ahead, persistent service pressures from ongoing wage growth, coupled with shifting base effects and recent food price increases, suggest inflation will remain on higher ground. We forecast 2025 inflation at 2.3%, declining to 2.1% in 2026.

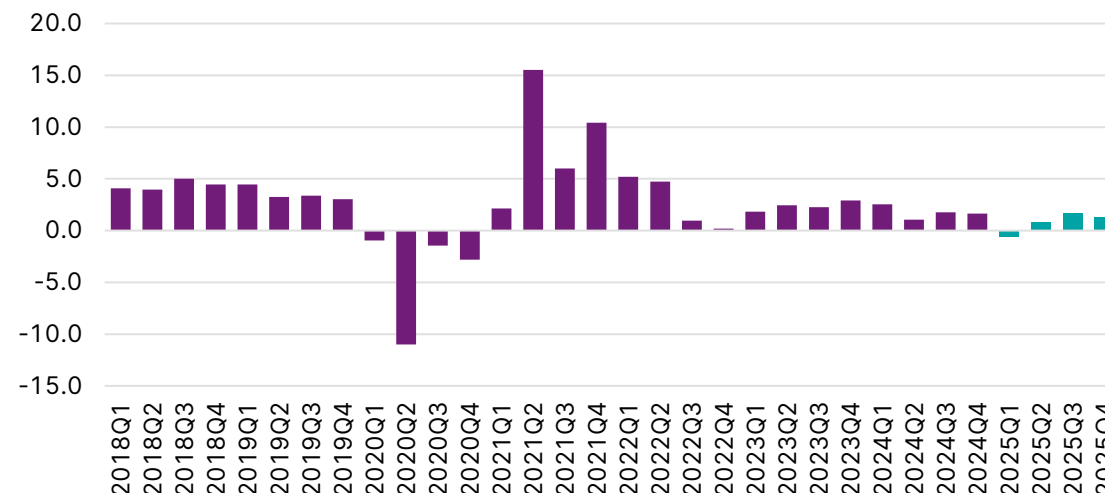
The budget deficit is expected to remain below 3% of GDP, with 2025-26 deficit targets seen at somewhat higher levels as uncertainties regarding the international situation and public sector wages and pension reforms imply certain risks when it comes to budget execution.

Growth dynamics accelerating going into 2H25

Annual GDP growth percent

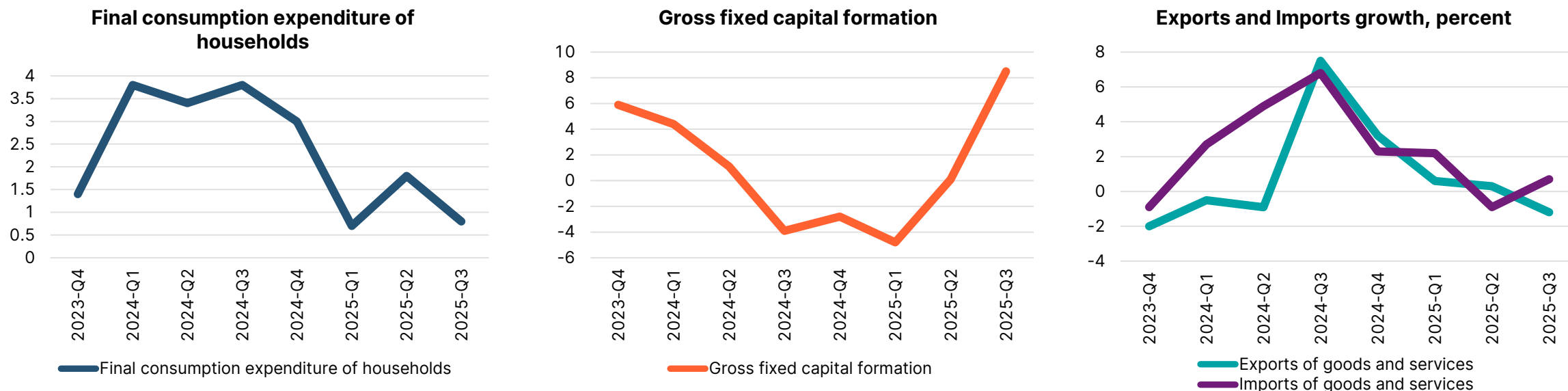


Quarterly GDP growth, y/y percent



3Q25 GDP surprised on the upside, with the headline figure growth accelerating to 1.7% y/y (vs. the flat 1H25 performance). We expect to see similar developments in the last quarter, which should wrap up average 2025 GDP growth a tad below the 1% mark. Going into 2026, 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. The investment profile is expected to further extend the improved footprint, supported by the absorption of EU funds. On the other hand, challenges regarding external demand developments should continue to weigh on the export outlook, thus diminishing the net export contribution in the period ahead. Following a more moderate 2025 growth performance, we see 2026 GDP accelerating towards 2%, although risks remain present and linked to external demand uncertainties.

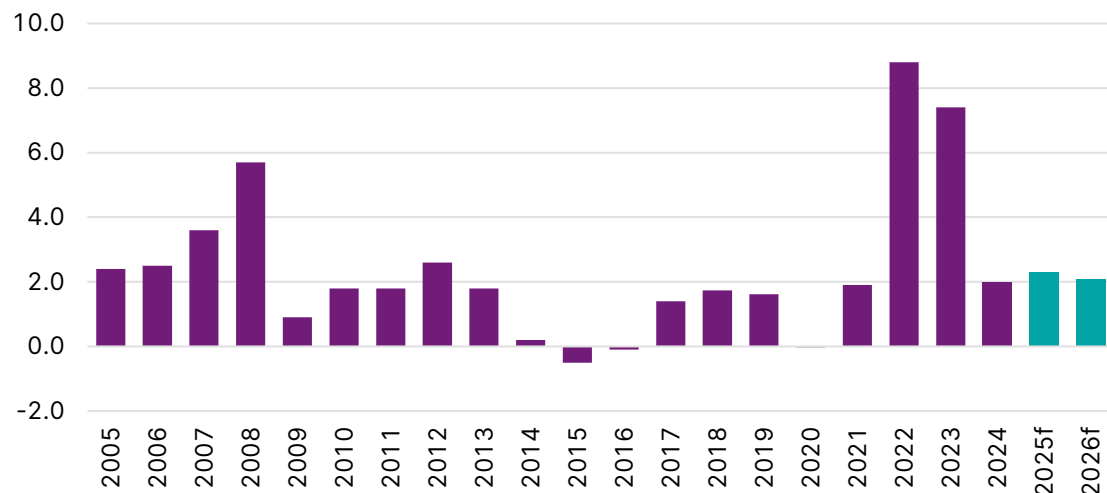
Detailed structure revealed anticipated investment rebound



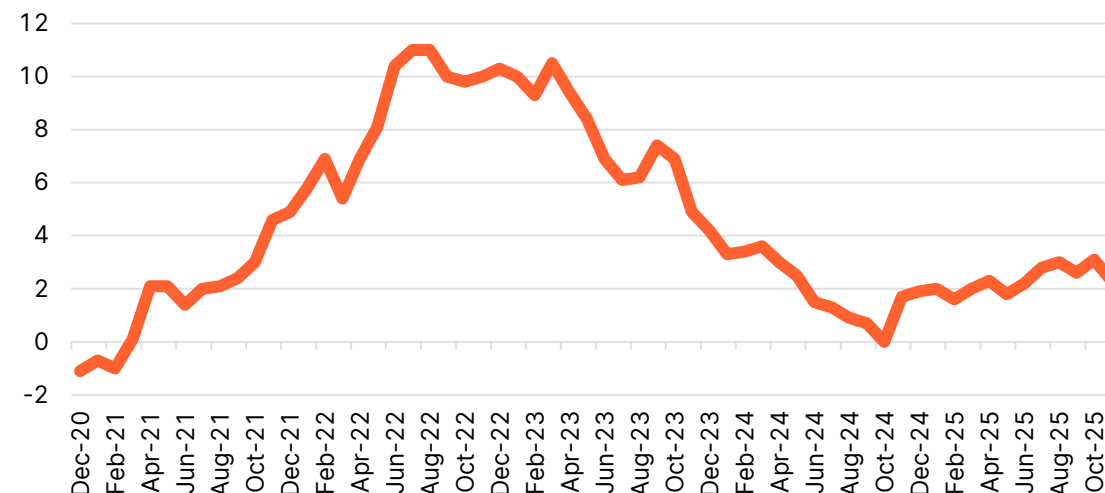
Seasonally-adjusted data in 3Q25 indicates that the economy expanded by 0.8% q/q, translating into a 1.6% increase on the annual level. We saw a similar structure, as domestic demand maintained its supportive role. Private consumption kept a positive footprint, albeit showing more moderate dynamics (as indicated by the short-term data) by increasing 1% y/y. On the other hand, the much-awaited rebound on the investment side finally took place, with the figure growing 9.1% y/y amid increased investments in buildings and structures. Public consumption also had a supportive tone (1.2% y/y), while growth in inventories added 0.6pp to the headline figure. The less favorable external trade contribution weighed on the overall performance, as exports showed a moderate decrease vs. the positive import footprint (-1.1% y/y and 0.7% y/y, respectively), thus resulting in net exports shaving off 1.4pp from the headline figure in 3Q25.

Inflation remaining elevated, albeit showing some easing

Annual inflation, percent



Monthly inflation development, y/y percent



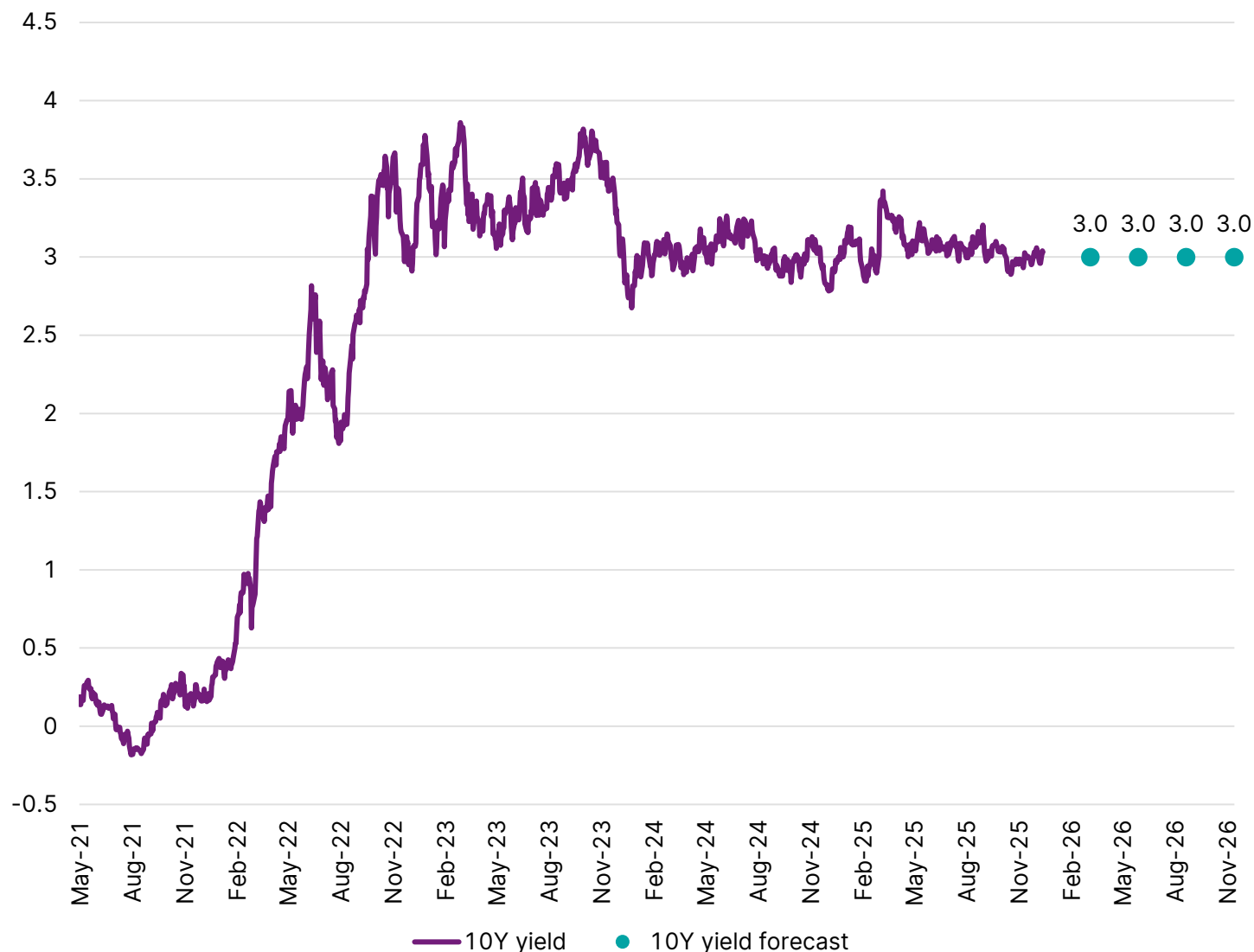
Inflation has been on an overall rising trajectory, fueled by the expiry of energy support measures and a new electricity charging system. Following an average of 2% y/y in the first half of 2025, headline inflation accelerated to 3.1% in October, its highest print of the year, before subsiding in November to 2.3%. 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 ground. Additionally, recent food price movements were also adding to the pressure. FY25 inflation is expected around 2.3%, after which we see it moderating marginally towards 2% in 2026, provided there are no renewed supply-side shocks.

Spread level further narrowing

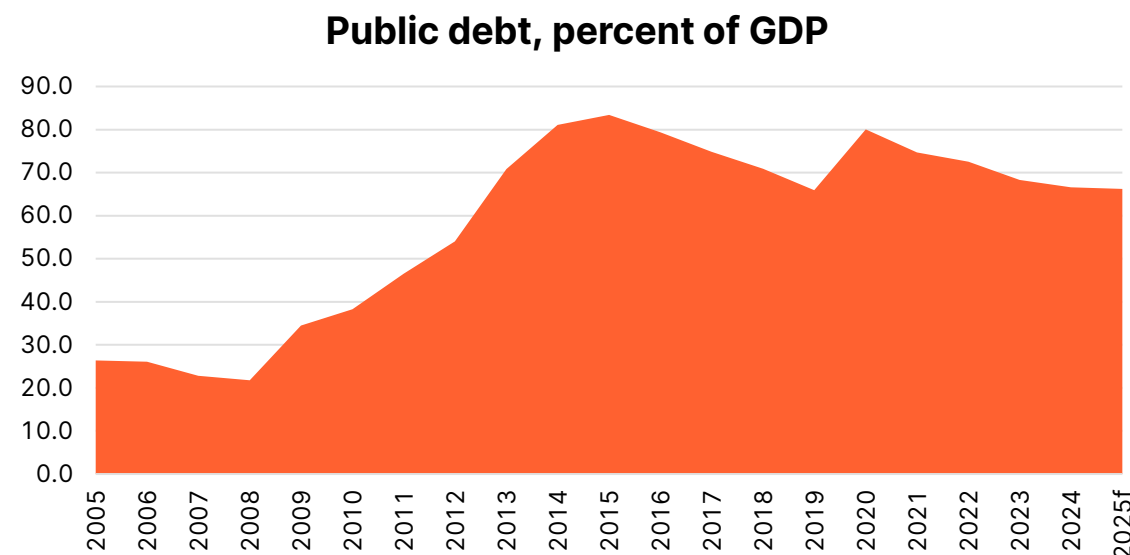
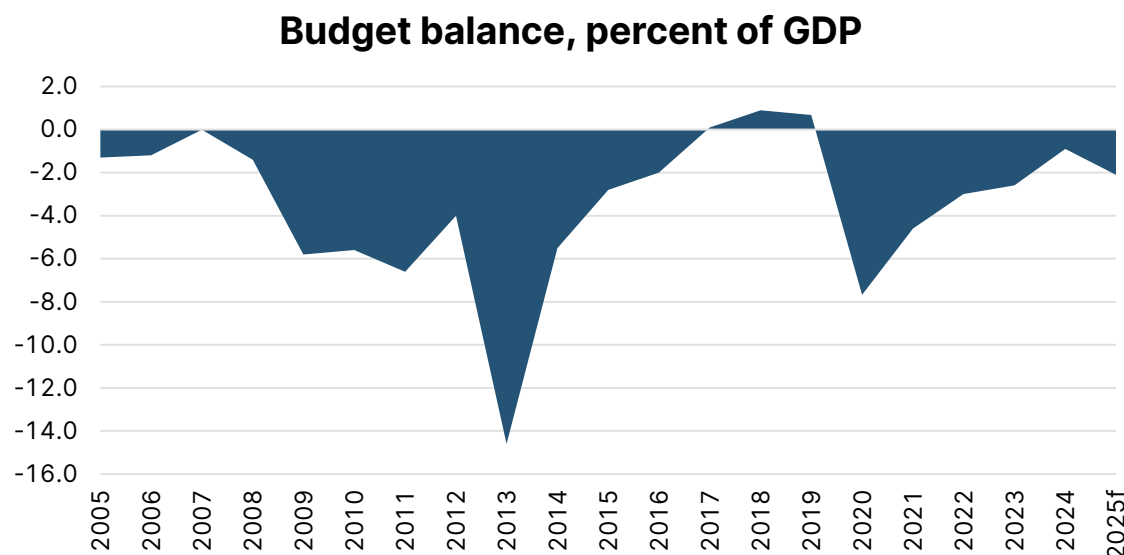
Following a more volatile yield trajectory throughout 2025, going into the last quarter of the year, we saw the 10Y tenor displaying a more stable footprint, currently moving around 3%. On the other hand, spread levels continued to hold their ground around 30bp on the longer end of the curve.

The outlook going forward remains unchanged; 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 yield profile, as the overall resilient growth and steady fiscal position should continue to favor stable spread development, keeping it anchored around current levels.

10Y yield development and forecast



Budget deficit expected to remain below 3% of GDP

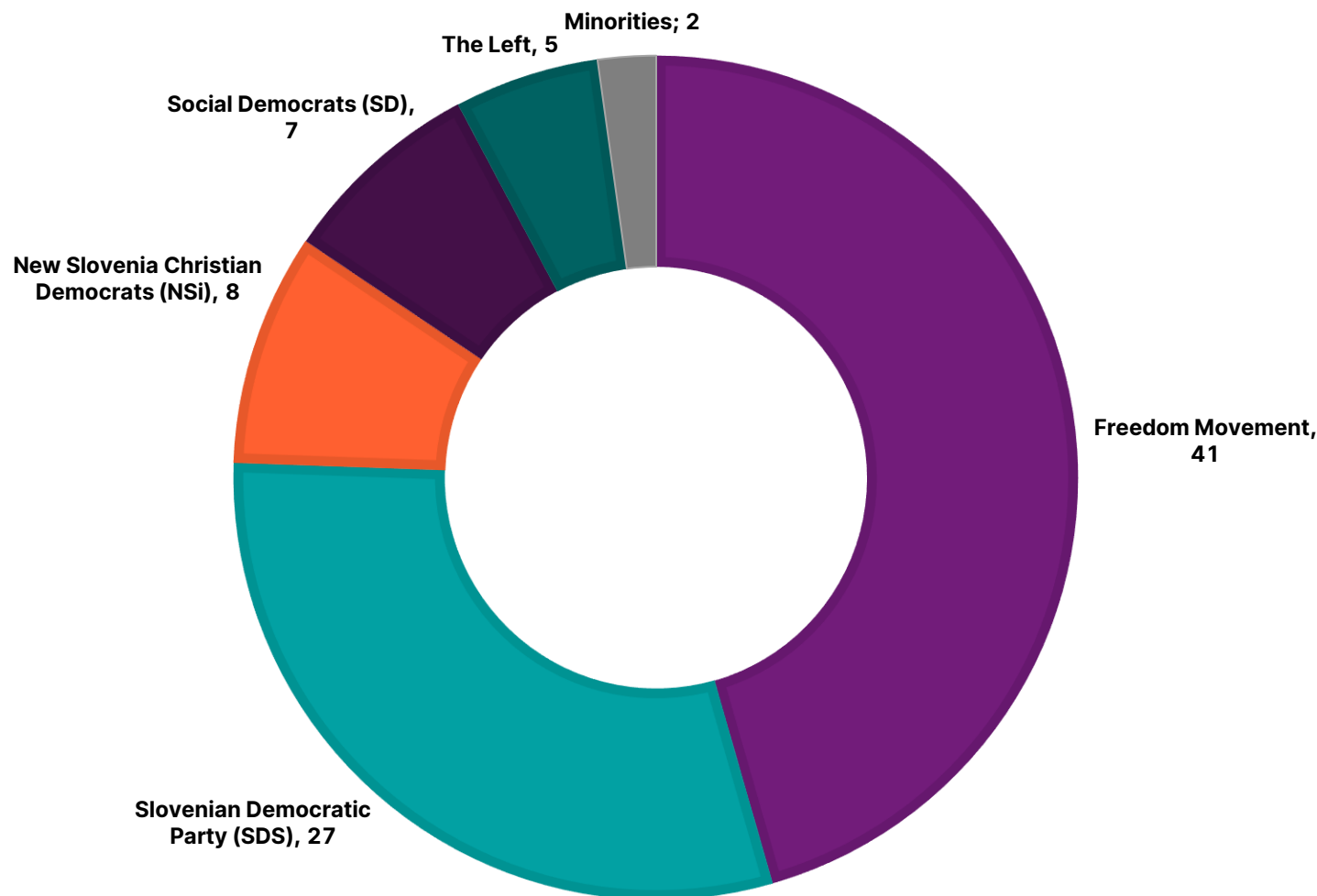


Following the five-year-low deficit of 0.9% of GDP in 2024, the recent budget proposal envisages some deficit widening, with the MoF now projecting gaps at 1.9% and 2.9% of GDP for 2025 and 2026, respectively. Besides the slowdown in revenue growth, such widening (especially for 2026) reflects ongoing reforms, including public sector wages, pensions, healthcare, and long-term social care that are either in the process of being adopted or implemented, on top of the rising defense expenditure. Nevertheless, the MoF's key mid-term objectives remain keeping the fiscal deficit below 3% of GDP and public debt on a downward trajectory, i.e. maintaining fiscal sustainability. The latter was also recognized by Fitch, where, in their latest assessment, the agency upgraded Slovenia's credit rating to 'A+' (with a stable outlook), highlighting sustained fiscal discipline, declining debt and high liquidity reserves as main drivers behind the upgrade.

Political landscape

Ahead of the parliamentary elections scheduled for spring of 2026, the situation on the Slovenian political scene is becoming more turbulent. The left-wing political landscape has further fragmented, as new party We, Socialists! was founded in mid-November 2025 as an alternative to the traditional left. Despite having supporters, the polls currently place the party below the 4% parliamentary threshold. Speaking of the latter, according to recent polls, the Slovenian Democratic Party (SDS) remains the strongest political force, consistently polling in the low 20s, followed by the incumbent Freedom Movement with roughly 16%. With no single party currently projected to secure a majority, uncertainty about the outcome of the 2026 parliamentary elections remains present.

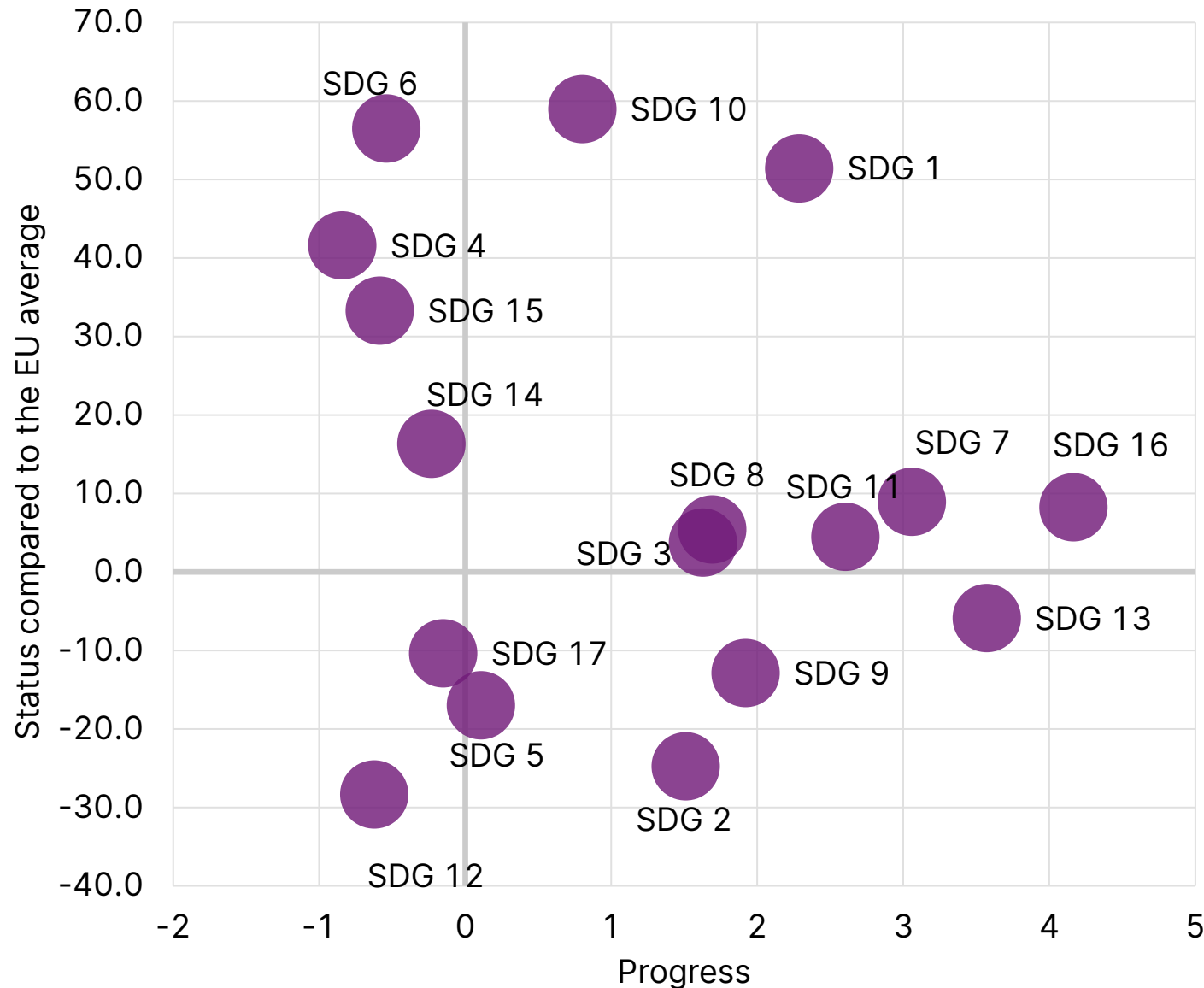
Parliamentary seats



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 good progress on affordable and clean energy (SDG 7), peace, justice and strong institutions (SDG 16), being above the EU average and progressing towards SDGs in those categories. On the other hand, the country is facing challenges and falling behind the EU average in categories involving responsible consumption and production (SDG 12), no hunger (SDG 2) and gender equality (SDG 5).



Slovenia: Forecasts

	2018	2019	2020	2021	2022	2023	2024	2025f	2026f	2027f
Percent				Annual average						
Real GDP growth	4.4	3.5	-4.1	8.4	2.7	2.4	1.7	0.9	2.1	2.3
Private consumption growth	3.4	5.5	-6.2	11.2	3.6	0.0	3.8	1.5	2.3	2.4
Fixed capital formation growth	10.6	4.9	-7.2	11.9	4.7	5.5	-0.3	2.1	3.7	3.5
Inflation	1.7	1.6	0.0	1.9	8.8	7.4	2.0	2.3	2.1	1.9
Unemployment rate	5.1	4.5	5.0	4.8	4.0	3.7	3.7	3.6	3.6	3.5
Percent of GDP										
Budget balance	0.9	0.7	-7.7	-4.6	-3.0	-2.6	-0.9	-2.1	-2.9	-2.5
Public debt	70.9	65.9	80.1	74.7	72.5	68.3	66.6	66.2	65.6	64.8
Current account balance	6.5	6.4	7.7	3.5	-0.9	4.8	4.5	3.2	2.9	2.6
				End of year						
10Y Yield	1.00	0.27	-0.10	0.40	3.70	2.90	3.00	3.10	3.00	3.00
Spread								30.00	40.00	40.00

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:

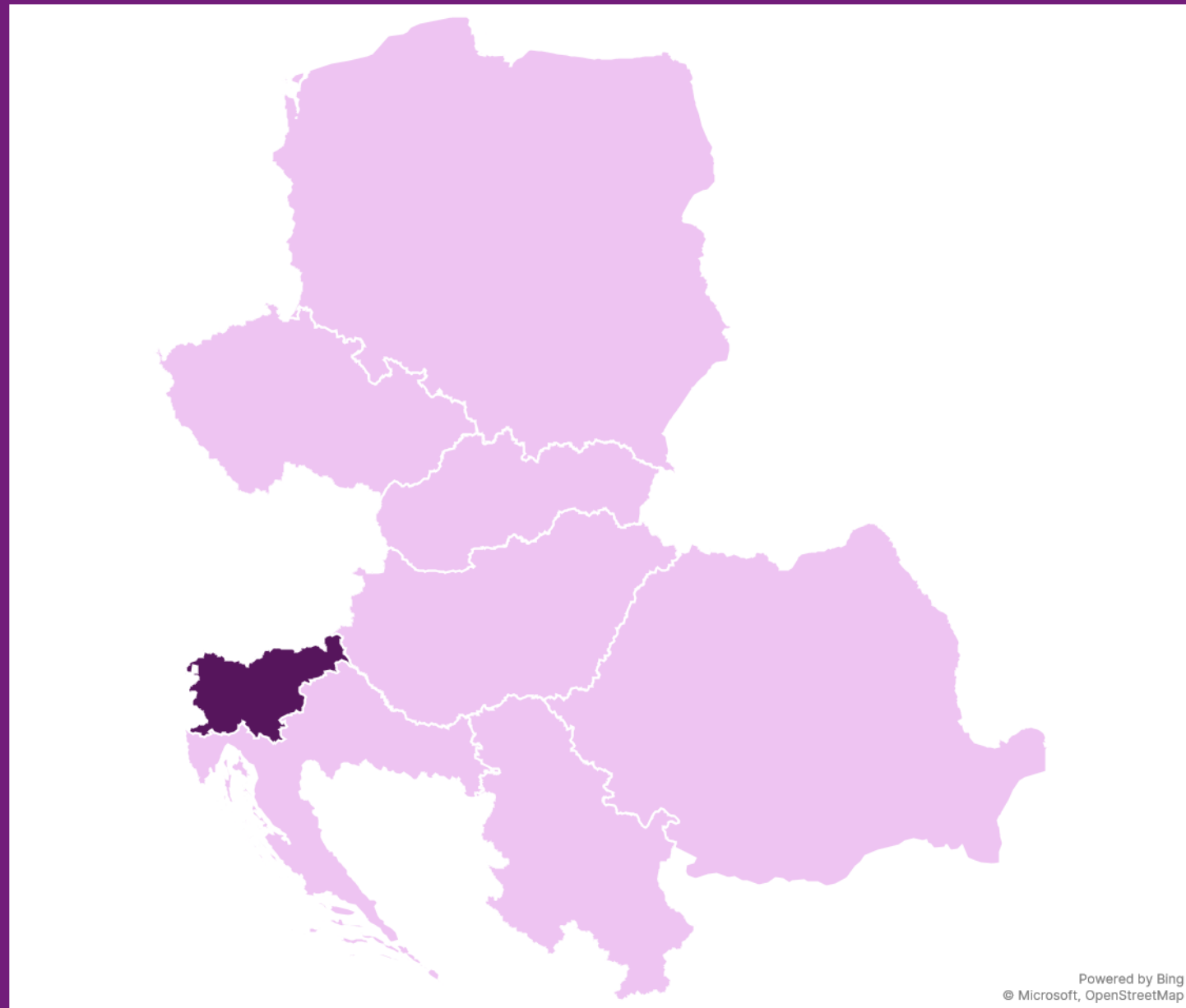
Moody's: A3, outlook positive

S&P: AA, outlook stable

Fitch: A+, outlook stable

EU member state: since 1 May 2004

Schengen: member since 21 December 2007



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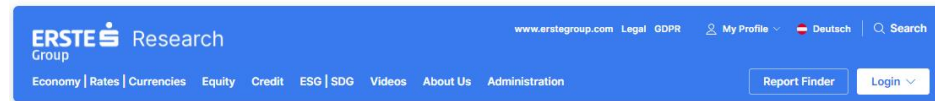


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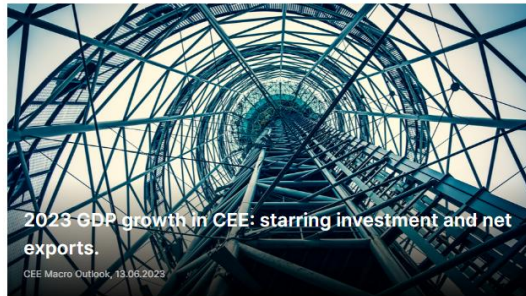


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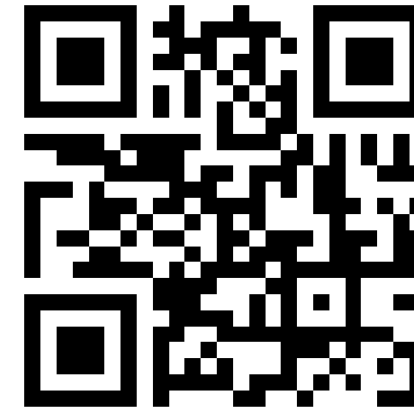
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