

SLOVENIA : MACRO OUTLOOK

Strong start to 2026, but external risks remain

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Economy Slovenia - Analyses and Forecasts | Erste Group Bank AG
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Spot Rates as of: June 15, 2026
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Better than expected entry into 2026 prompted upward GDP growth revision, though risks remain present

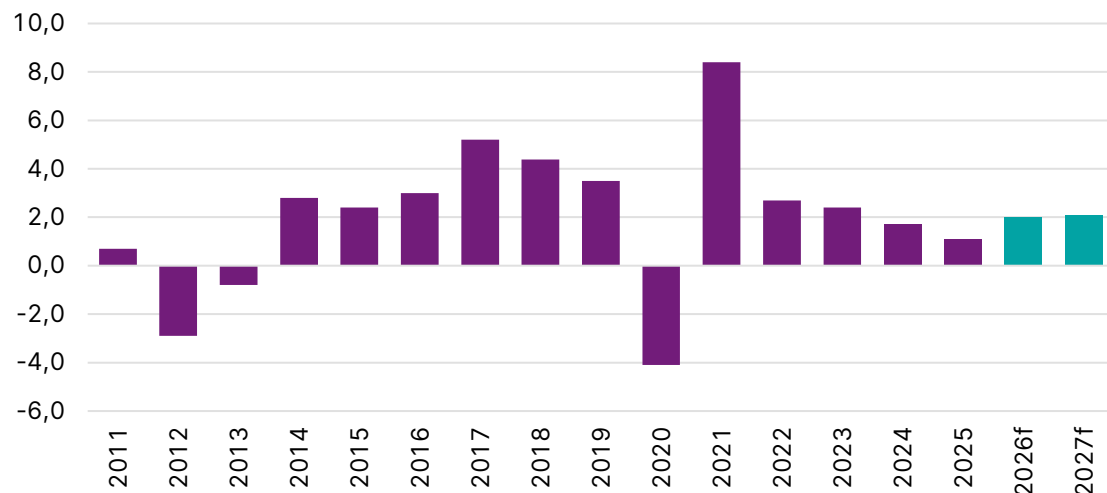
GDP entered 2026 on a strong footing, with headline figure growth accelerating to 3% y/y in 1Q26. Once again, domestic demand remained dominant growth driver, while negative inventories and external trade contribution weighed on the overall performance. Looking at the outlook, domestic demand is expected to stay in the lead, with both investments and private consumption maintaining steady growth momentum, albeit the latter one is facing certain headwinds amid rising inflation pressures. On the other hand, challenges regarding external demand developments should continue to weigh on the export outlook, thus keeping the net export contribution diminished in the period ahead. Stronger than expected entry into 2026 prompted modest upward revision of our current FY26 GDP forecast (2.0%), though risks remain present and predominately linked to challenging environment and geopolitical uncertainties.

Inflation remained relatively contained at the beginning of 2026, averaging 2.7% y/y in the first quarter. However, price pressures intensified going into 2Q26, with pick-up primarily driven by higher energy and services prices. Looking ahead, we expect service-sector pressures to persist, while geopolitical tensions and uncertainty surrounding energy prices continue to represent an upside risk to the near-term inflation outlook. Bottom line, we see CPI averaging at 3.4% mark in 2026.

The fiscal deficit widened to 2.5% of GDP in 2025, driven by stronger expenditure growth – gap is seen gradually moving closer to the 3% of GDP threshold over the 2026–2027 period, reflecting slower revenue dynamics and rising expenditures pressures.

GDP accelerated to 3.0% y/y in 1Q26

Annual GDP growth percent

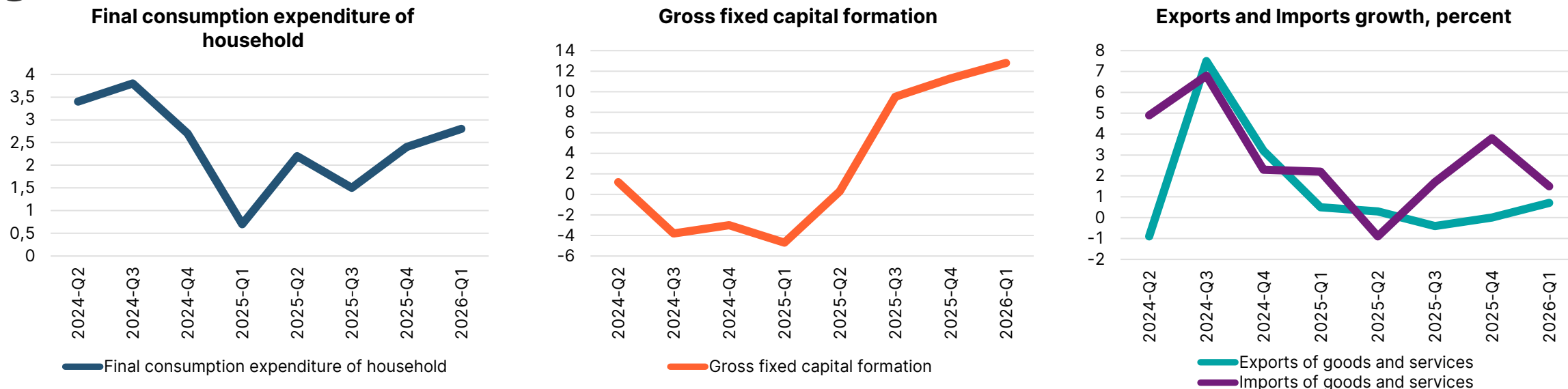


Quarterly GDP growth, y/y percent



GDP entered 2026 on a strong footing, with headline figure growth accelerating to 3% y/y in 1Q26 (vs 2% y/y in 4Q25), thus exceeding expectations. Regarding the outlook for the remainder of the year, domestic demand is expected to remain the key growth engine, with private consumption maintaining steady growth momentum, albeit being burdened by the Middle East effect on the inflation trajectory. The investment profile is expected to further extend its 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 keeping the net export contribution diminished in the period ahead. While stronger than expected entry into 2026 prompted modest upward revision of our current FY26 GDP forecast (from previously 1.7% to 2.0%), risks still remain present and predominately linked to challenging environment and geopolitical uncertainties.

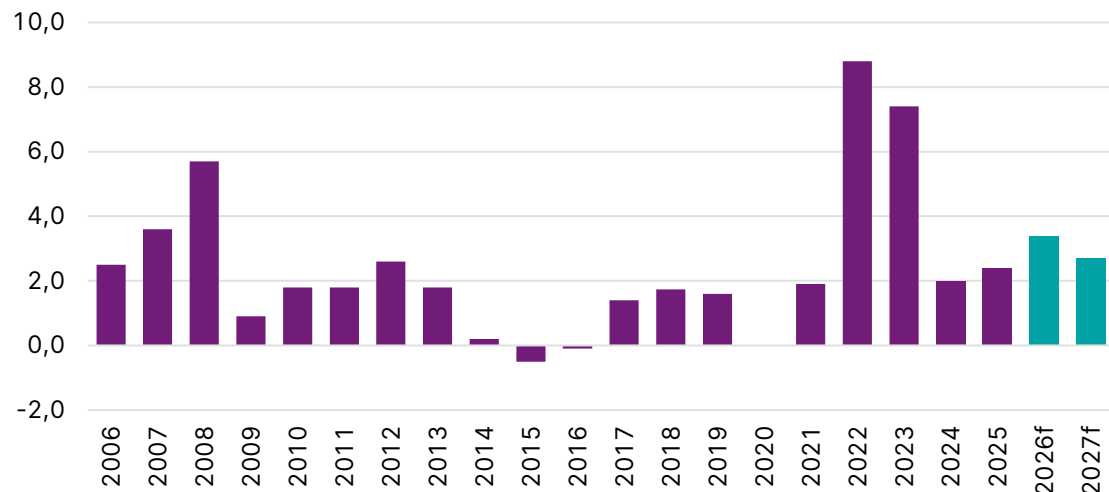
Detailed structure revealed the usual drivers behind the growth



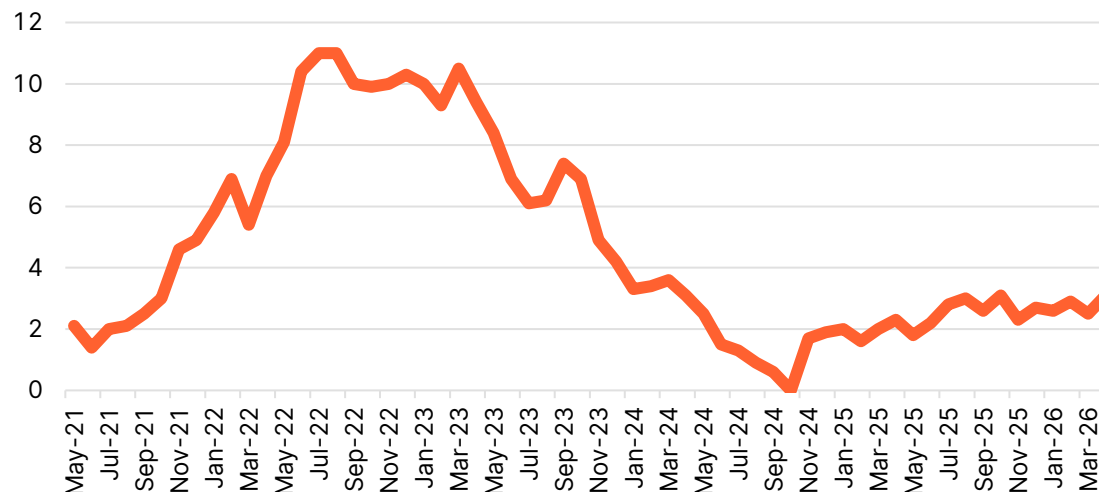
Seasonally-adjusted data in 1Q26 indicates that the economy expanded by 0.7% q/q, translating into a 3.1% increase on the annual level. While detailed structure revealed pretty much unchanged overall structure, positive impact of the domestic demand support was stronger than anticipated. On the private consumption side, we saw 3% alike growth (somewhat contrary to what short-term data suggested), while investments dynamics remained robust with 12.6% y/y increase, again being driven by increased activity in buildings and structures. Public consumption also had supportive tone (3.9% y/y), while on the other hand inventories shaved off 1.4pp from the headline figure growth. Lastly, external trade kept less supportive role, where exports showed somewhat milder increase vs imports footprint (0.7% y/y and 1.5% y/y, respectively), thus resulting in negative net exports contribution of 0.5pp in 1Q26.

Inflation accelerates as energy effects resurface

Annual inflation, percent



Monthly inflation development, y/y percent



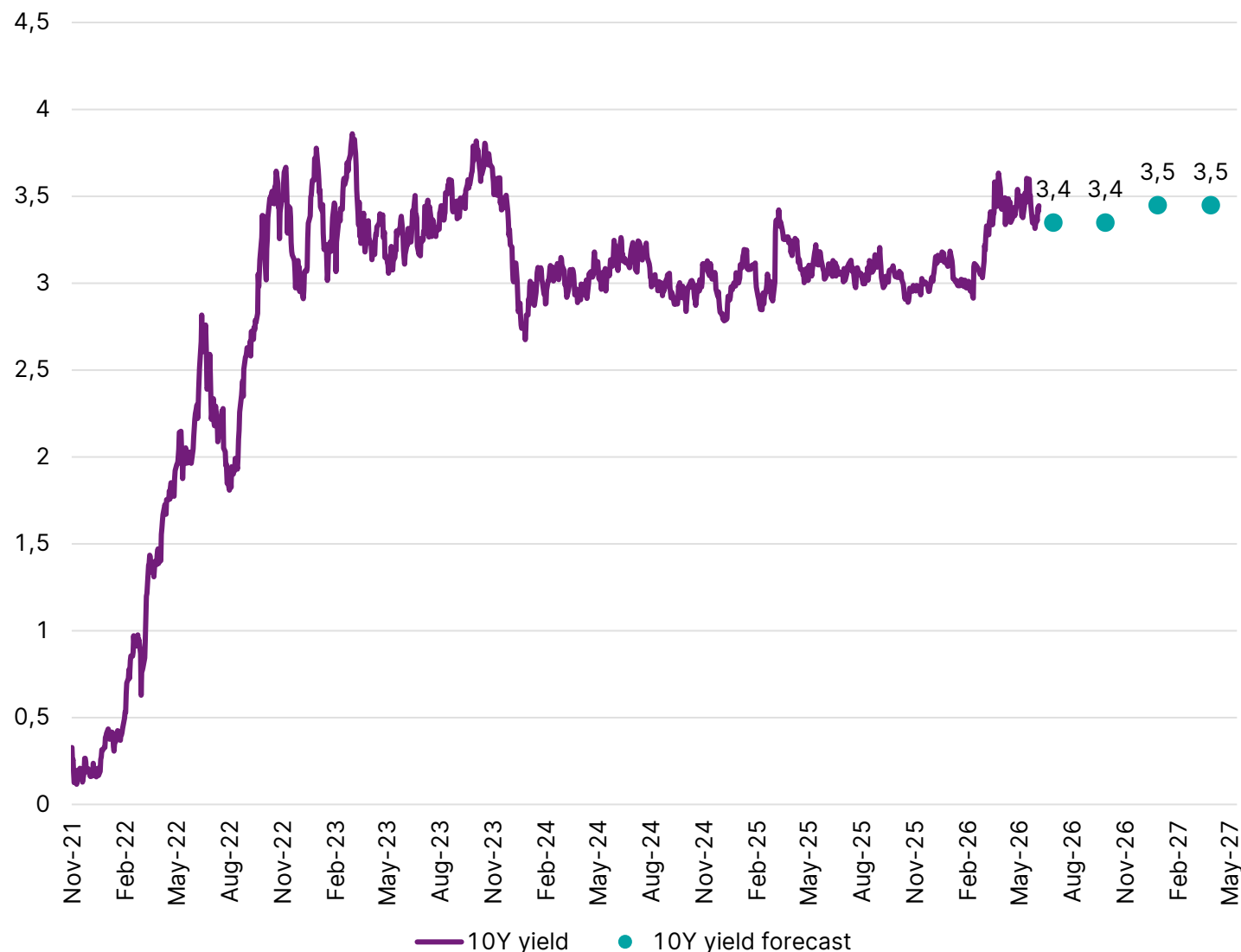
After averaging 2.4% in 2025, inflation remained relatively contained at the beginning of 2026, averaging 2.7% y/y in the first quarter. However, price pressures intensified going into 2Q26, as inflation accelerated to 3.1% y/y in April and further to 3.6% y/y in May. The renewed pick-up was primarily driven by higher energy prices, reflecting both a lower base effect stemming from the expiry of earlier electricity price regulation measures and increased volatility in global markets, while services inflation remained supported by wage growth and still-tight labor market conditions. Looking ahead, we expect service-sector pressures to persist, while geopolitical tensions and uncertainty surrounding energy prices continue to represent an upside risk to the near-term inflation outlook. Despite the recent acceleration, inflation is still expected to gradually moderate over the medium term as energy-related effects fade and underlying price pressures ease. Bottom line, we see CPI averaging at 3.4% mark in 2026.

Spread level showing stable footprint

We saw more volatile yield trajectory thus far in 2Q26, with 10Y tenor moving in the 3.30-3.60% range i.e. currently hoovering in the middle of that band. On the other hand, spread levels remained broadly stable, moving around 40bp on the longer end of the curve. As for the outlook, we see fundamentals remaining supported by the pick-up in GDP growth and manageable fiscal risks going forward. Stronger pressures on spread levels should likely be contained, while global factors are still seen driving volatility as far as yields are concerned.

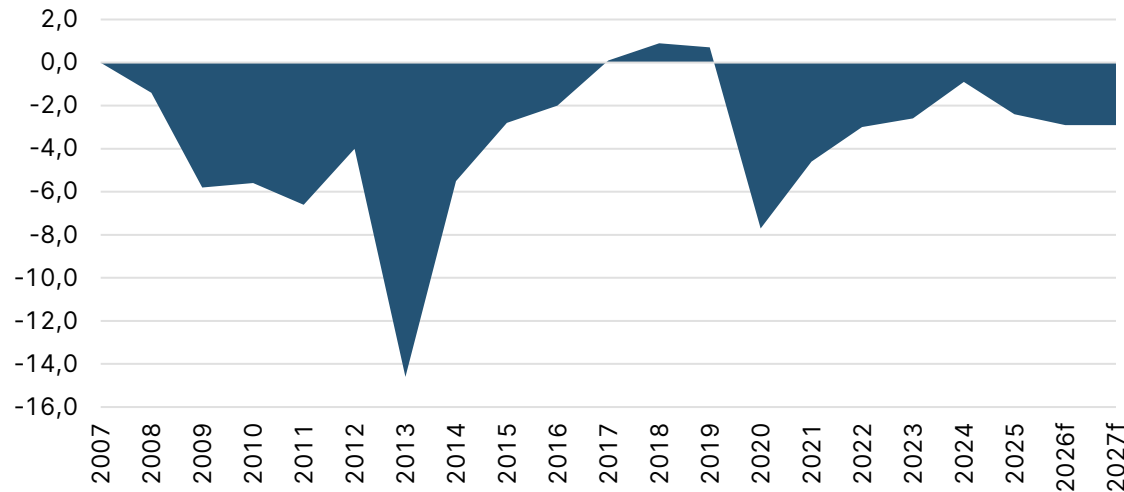
We also saw positive news on the rating agencies side, where Moody's upgraded Slovenia's credit rating from A3 to A2, with stable outlook, while S&P affirmed it at AA (stable outlook).

10Y yield development and forecast

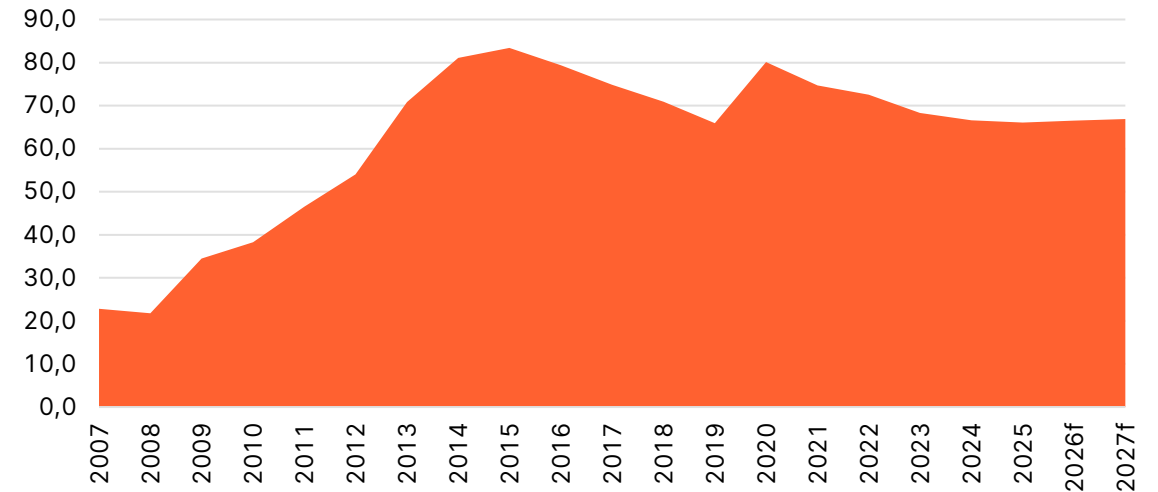


Albeit widened, 2025 fiscal gap still stayed within Maastricht limits

Budget balance, percent of GDP



Public debt, percent of GDP

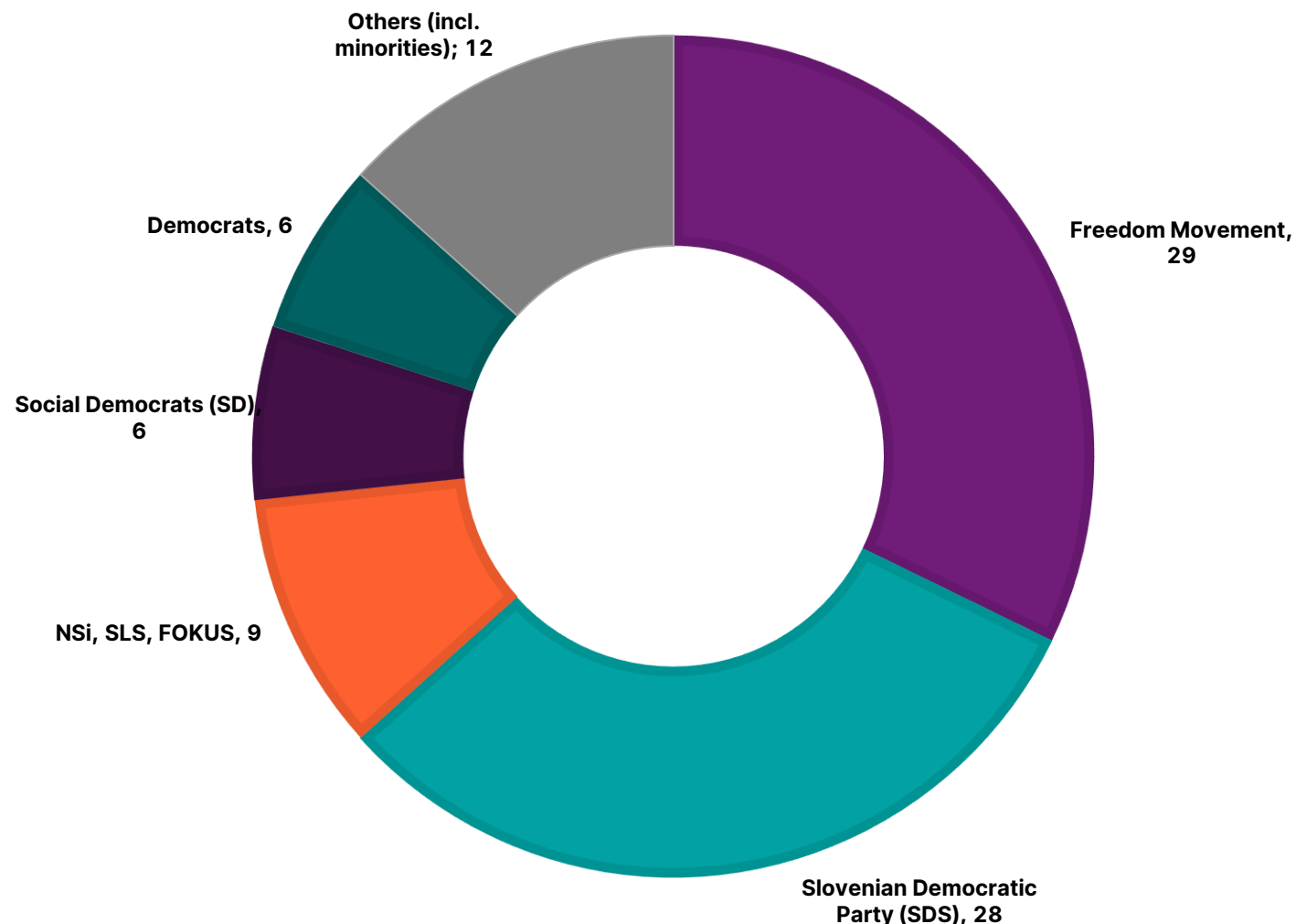


Following positive fiscal developments in 2024 (-0.9% of GDP), Slovenia's consolidation trajectory came to a halt as budget deficit widened to 2.5% of GDP in 2025, while the public debt ratio declined to 65.7% of GDP. The deterioration in the fiscal balance was primarily driven by stronger expenditure growth, notably increase in public sector wages. Looking ahead, the fiscal gap is seen gradually moving closer to the 3% of GDP threshold over the 2026–2027 period. Slower revenue dynamics, public sector wage adjustments, rising social expenditures, as well as stronger investment and defense spending are among main factors contributing to widening deficit position. Moreover, possible one-off fiscal costs linked to energy support measures, as well as downside risks stemming from the conflict in the Middle East could additionally weigh on budget performance.

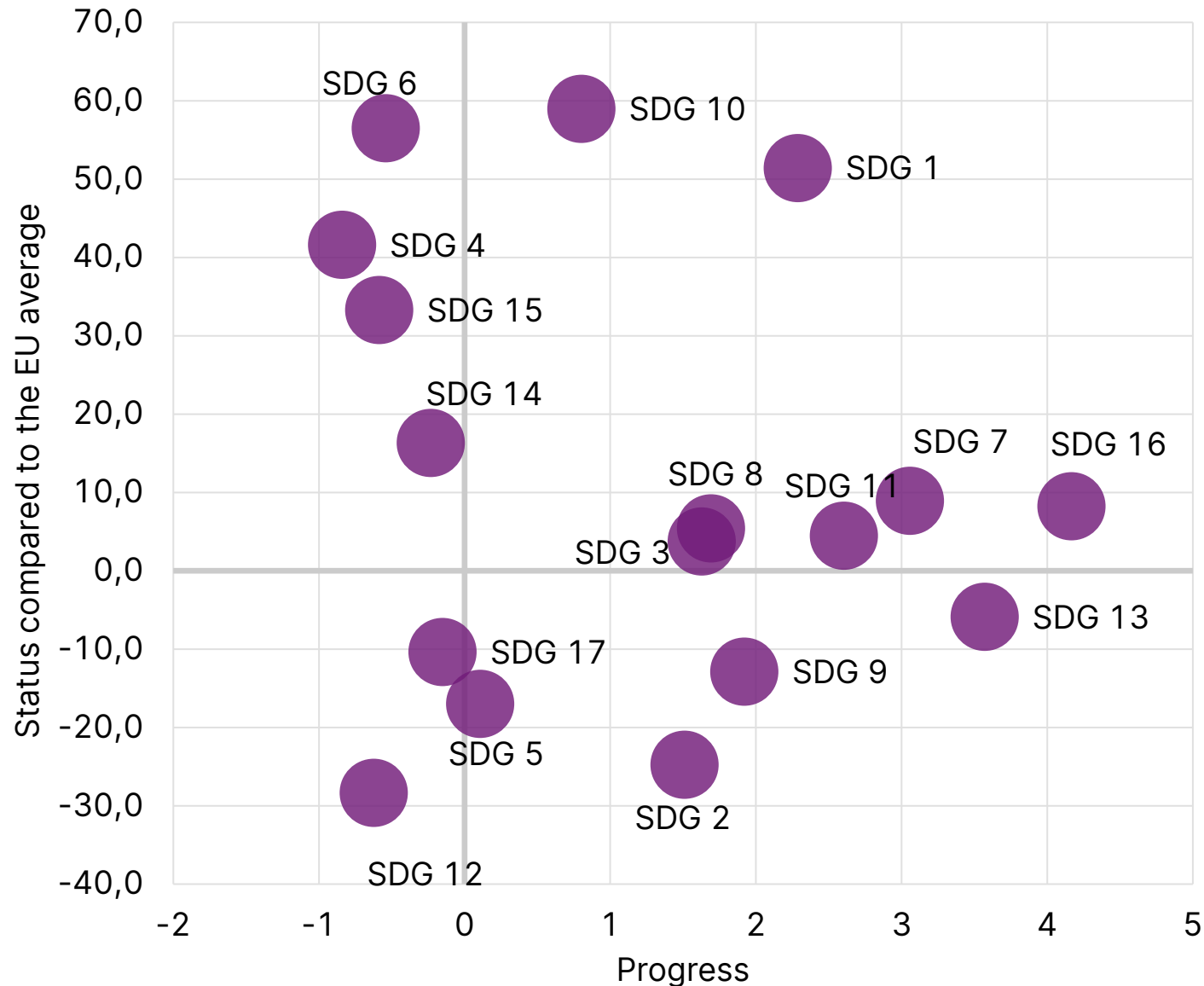
Shift in Slovenia's political direction

Following the parliamentary elections held on March 22nd, Slovenia entered a period of coalition negotiations after neither political bloc produced outright majority. The Freedom Movement (Gibanje Svoboda) came in first with 29 seats, slightly ahead of the Slovenian Democratic Party (SDS), which secured 28 seats. Although Freedom Movement won the largest number of seats, it failed to secure a viable parliamentary majority. After weeks of negotiations, SDS leader Janez Janša succeeded in assembling a centre-right coalition and was confirmed as prime minister in May 2026, marking a shift in Slovenia's political direction. While the formation of a government has reduced immediate political uncertainty, the coalition's multi-party structure may continue to pose challenges for policy implementation.

Parliamentary seats



Social Development Goals



On the sustainable development front, Slovenia continues to rank among the leading European countries in terms of progress towards achieving the Sustainable Development Goals (SDGs), placing 7th among European countries and remaining within the top tier globally (12th).

Slovenia performs particularly well in reduced inequalities (SDG 10), no poverty (SDG 1) and clean water and sanitation (SDG 6), while also recording favorable outcomes in affordable and clean energy (SDG 7) and peace, justice and strong institutions (SDG 16). At the same time, challenges remain in several areas, particularly responsible consumption and production (SDG 12), gender equality (SDG 5) and selected aspects of sustainable food systems and resource efficiency.

Slovenia: Forecasts

	2018	2019	2020	2021	2022	2023	2024	2025	2026f	2027f
Percent	Annual average									
Real GDP growth	4,4	3,5	-4,1	8,4	2,7	2,4	1,7	1,1	2,0	2,1
Private consumption growth	3,4	5,5	-6,2	11,2	3,6	0,0	3,8	1,7	2,2	2,5
Fixed capital formation growth	10,6	4,9	-7,2	11,9	4,7	5,5	-0,3	4,1	6,3	3,7
Inflation	1,7	1,6	0,0	1,9	8,8	7,4	2,0	2,4	3,4	2,7
Unemployment rate	5,1	4,5	5,0	4,8	4,0	3,7	3,7	3,9	3,8	3,7
Percent of GDP										
Budget balance	0,9	0,7	-7,7	-4,6	-3,0	-2,6	-0,9	-2,4	-2,9	-2,9
Public debt	70,9	65,9	80,1	74,7	72,5	68,3	66,6	66,1	65,8	66,1
Current account balance	6,5	6,4	7,3	3,5	-0,9	4,8	4,5	3,4	2,4	1,9
	End of year									
10Y Yield	1,0	0,3	0,2	0,2	2,6	3,3	3,1	3,3	3,4	3,5
Spread									40	40

Slovenia: Country overview

Official EU language: Slovenian

Capital: Ljubljana

Geographical size: 20 273 km²

Population: 2 116 972

GDP per capita: EUR 33 062, below the EU average

Currency: Euro EUR since January 1 2007

Credit Ratings:

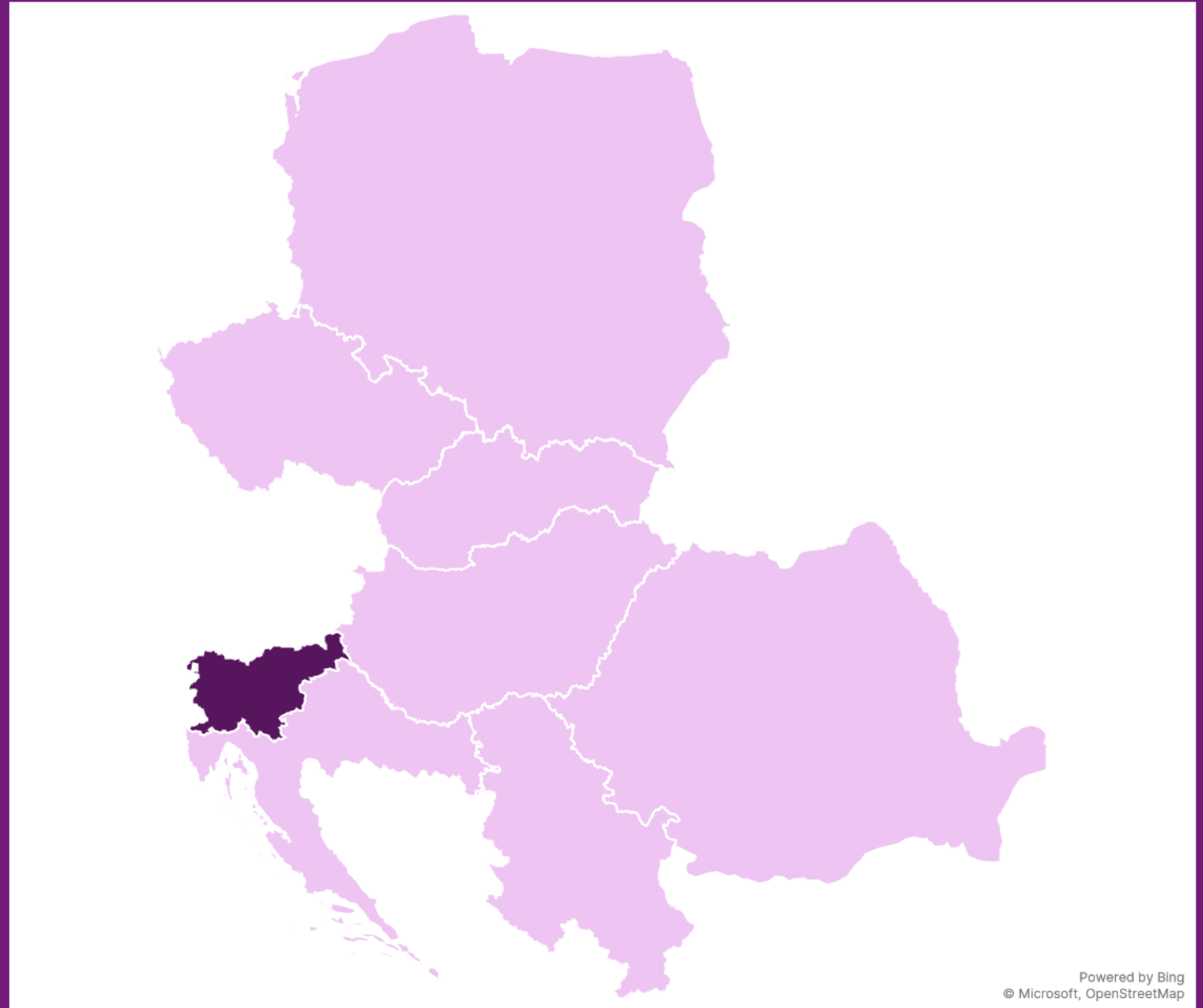
Moody's: A2, outlook stable

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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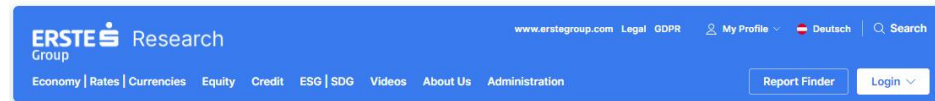


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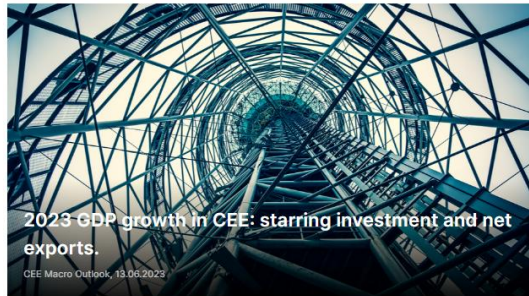


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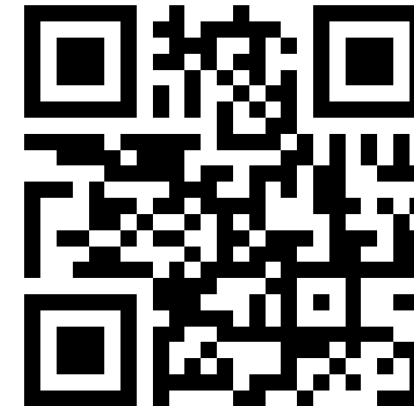
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