



Weekly Briefing

**Slovenia economy briefing:
Outlook and Prospects for 2023**
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Outlook and Prospects for 2023

Summary

In 2022, Slovenia, much like the rest of the European Union, experienced a rather difficult time regarding the state of the economy. While many pundits considered Slovenian economic recovery after the end of the COVID-19 pandemic as successful, the Russo-Ukrainian war and its direct effects brought about a high rate of inflation and the trend of increasingly higher prices of energy and food which had a severely negative impact on the economic ability of Slovenian households and businesses. To mitigate the effects of the crisis, the Slovenian government introduced a large package of measures to aid the Slovenian citizens and business sector.

The efforts to curb the effects of the energy crisis will continue to be among the main concerns of the Slovenian government in 2023. Nevertheless, the government will also need to be careful to follow its promised agenda of higher social security and the struggle against inequality.

Background: The Slovenian economic performance in 2022 and the emergence of the energy crisis

Following the period of economic improvement after the economic slowdown during the height of the COVID-19 health crisis, the Slovenian economy entered another difficult phase in 2022. While being internationally acknowledged as successful in post-COVID recovery,[\[1\]](#) the energy crisis in 2022 and the consequential high inflation damaged the Slovenian GDP and trading ability while increasing Slovenia's government spending. [\[2\]](#)

The Slovenian GDP growth achieved a high 5% in 2022 due to the promising outlook during the post-COVID recovery but is expected to significantly slow in 2023, decreasing to just 0,5%.[\[3\]](#) The economic situation in Slovenia, much like in the rest of the European Union, worsened after the start of the Russian invasion of Ukraine in late February 2022, subsequent economic sanctions against Russia, and the Russian backlash which severely impeded the ability of the member states of the European Union to meet their energy demands.

Due to the increasingly high prices of energy products, the EU states (including Slovenia) were faced with inflation and price increases in several sectors aside from energy. It is stated that the wholesale prices of electricity and gas have surged up to 15-fold since early 2021. [\[4\]](#)

The trend of rising prices of energy is however not just a consequence of the EU-Russian relationship and the war in Ukraine but has been present even before the events of February 2022. As early as mid-to-late 2021, a trend of progressively rising wholesale prices of energy was observed in European Union. [\[5\]](#) As reported by the European Commission, between 2019 and late 2021, the wholesale price of gas rose by more than 500% which led to a chain reaction of distribution issues and price increases in retail prices of most energy products. It was reported that the main causes of price increases were a downward spiral in the demand for energy products and the neglect of the maintenance of energy production during the height of the COVID-19 crisis as well as the unfavorable climate in 2021. The Commission also noted the inadequate response of the Russian energy providers to the energy distribution issues as a possible factor in price increases. [\[6\]](#) It seems that market speculation could also have the hand in the progression of price spikes.

While the Slovenian economy had to cope with external pressure due to the international energy crisis, its general state remained relatively healthy in 2022. As of November 2022, Slovenia has a fairly low unemployment rate (4,1%) and nominal gross wages rose by 5,7% between August 2021 and August 2022. While the inflation rates (mostly due to high prices of energy and food) remain high, the headline inflation decreased from the record-high 11,7% in July 2022 to 10,3% in October 2022 which is slightly below EU-average which stands at 11,1%. [\[7\]](#)

The Slovenian economy achieved rather high marks for its economic performance after the end of the COVID-19 pandemic; despite the above-mentioned setback, the Slovenian economy continues to be comparatively strong even during the term of the 15th Slovenian government which was inaugurated at the beginning of June 2022. [\[8\]](#) The decent performance of the Slovenian economy, especially in contrast to some other EU states, can be reflected in the latest credit rating by the agency Fitch Ratings which gave Slovenia a rating of A with a stable economic outlook. The credit rating agency considered the Slovenian economy and financial state as stable and potentially prosperous, though it warned about future energy supply issues. [\[9\]](#)

As of the end of 2022, the Slovenian economy remains one of the strongest among the former socialist countries of Central and Eastern Europe, topping or ranking in the first three among the members of the EU that joined the institution in 2004 and later in some of the most relevant economic metrics: GDP, [\[10\]](#) Human Development Index, [\[11\]](#) and Gini

coefficient. [\[12\]](#) Nevertheless, the year 2023 will bring about important economic challenges that the Slovenian government and business sector will need to find an answer to.

The outlook of the Slovenian economy in 2023

Due to the effects of the COVID-19 downturn in economic activity and the energy crisis due to the high prices and energy supply issues, a period of steady economic growth from the years preceding the start of the COVID-19 pandemic ended in 2022 when both EU and Slovenian economy endured a period economic decline due to the downturn in economic and trade activity, the increased state expenses due to the efforts to constrain the raging health crisis, and the bleak credit reports. [\[13\]](#) The energy crisis in 2022 negatively impacted trade activity, social stability, GDP growth, and especially inflation rates across the European Union.

Throughout the European Union, the inflation rates hit levels not seen since the 1980s. [\[14\]](#)

After the strong growth in early 2022, the Slovenian GDP growth will decrease below 1% in 2023. [\[15\]](#) Due to the below-mentioned measures in response to the raging energy crisis, the Slovenian budget deficit will grow to 5% in 2023. The measures in order to contain the effects of the energy crisis will relate to the fiscal package of 2% of Slovenian GDP in 2023; the efforts are set to amount to several billion EUR. [\[16\]](#)

The energy crisis will be a factor behind a predicted weaker (foreign) demand on markets and higher interest rates which will negatively impact private consumption in Slovenia. Despite the measures to mitigate the high prices of energy products, private consumption in Slovenia will be hit by the impact of inflation. The pace of GDP growth is predicted to pick up only in 2024 when the headline inflation decreases and foreign demand grows. [\[17\]](#) Interestingly, despite the attempts to break energy dependency from Russia and lower general foreign trade values, there has been a surge in trade activity with Russia in 2022; it is believed that this is due to the higher prices of imported processed petroleum derivatives and the imports of pharmaceutical products. [\[18\]](#)

The measures to mitigate price increases and, indirectly, inflation, are predicted to have a positive impact on the economic ability of Slovenian citizens and businesses in 2023; however, they will also contribute to higher national spending and may comprise the ability of the 15th Slovenian government to follow on their promise of greater social security and struggle against inequality. The latter would be especially pronounced should the government consider the international proposals to implement growth-oriented fiscal policies such as lower labor

taxes. [\[19\]](#) However the execution, the government will need to find a prudent way of maneuvering between welfare-oriented policies and growth resurgence.

Finally, to fully weather the energy crisis, ordinary Slovenian citizens may still need to adapt to the new economic conditions in 2023. As the latest report shows, 45% of the Slovenian citizens who took part in a survey cut their living expenses due to price increases; that is below the global (48%) and European average (54%). [\[20\]](#) This number may, however, increase in the near future. Should the governmental measures be successful and the economic policies sound, the cuts may not need to be overly substantial.

The concrete examples of the response of the Slovenian government to the difficult economic circumstances

In 2022, both the 14th and the succeeding 15th Slovenian governments have already tried to tackle the energy crisis and struggled against the rising prices of energy products and food.

By January 2023, the form and value of measures to mitigate the energy crisis in 2023 are already known. In September 2022, Slovenian Prime Minister Robert Golob announced that the Slovenian government intends to spend nearly EUR 5 billion in resources to help mitigate the energy crisis and allow both households and businesses to withstand the negative consequences of the crisis. Finally, in December 2022, the Slovenian National Assembly confirmed the governmental proposal on the law that will allocate around EUR 1,2 billion in 2023 and partly in 2024 to help the Slovenian business sector during the energy crisis. [\[21\]](#) The measures are believed to be valued at 2% of the Slovenian GDP. [\[22\]](#)

Since March 2022, the prices of petroleum products such as motor fuel and heating oil have been heavily regulated and are currently among the lowest in the European Union. [\[23\]](#) The other measures, active since late 2022 or set to be established in 2023 and 2024, include the singular energy allowance in the value of 200 EUR for citizens in need, the dearness allowance for recipients of child benefits which will help families that are entitled to child benefits, and the maximum resale price of electric energy for households. In regard to the aid for the business sector, the Slovenian government is set to, among others, determine the maximum resale prices of electricity and natural gas while continuing to limit the price of motor fuel and other petroleum products.

The government will also allocate EUR 7.5 million (of which EUR 5.2 million will come from European funds) in aid for agriculture and fisheries which, among others, include

subsidies for fuel and fertilizers, purchase of intermediate goods, and assistance for the dairy sector. In order to mitigate food price increases, the government also intends to adjust the taxation of reimbursements of employee expenses for food. [24]

The extensive package of measures will present a drain on the governmental resources, but the positive impact on inflation, stimulation of economic activity, and social stability should offset the possible drawback. It is clear however that the government will need to adapt to the difficult circumstances and find a reasonable manner of maneuvering between tight and necessary measures and the internationally induced pressure of continuous economic growth.

Conclusion

Slovenia has been long regarded as one of the most successful post-socialist economies in the European Union. Like many other member states of the EU, the Slovenian economy was hit hard in 2022. So far, it seems that the government has found the means to help its citizens in economic distress while the Slovenian economic capacity remains relatively high. Nevertheless, the year 2023 will bring about several economic challenges which will need skillful maneuvering and the ability to adapt to the changing global economic conditions. As of January 2023, the 15th Slovenian government retains the support of the Slovenian citizens; however, economic success in 2023 may very well be an important factor in measuring the success of the current government.

[1] See e.g. OECD's economy survey of Slovenia for July 2022: "Slovenia's strong post-pandemic recovery has been hit by strong headwinds from the war in Ukraine, higher energy prices, and supply chain bottlenecks. At the same time, the strong labour market performance has led to historically high employment, low unemployment and widespread labour shortages. Thus, inflation will remain high as growth slows." ("Economic Survey of Slovenia (July 2022)," OECD, accessed January 15, 2023, <https://www.oecd.org/economy/slovenia-economic-snapshot/>)

[2] For example, between the second and the third quarter of 2022 government spending in Slovenia increased from 2108.10 EUR Million to 2146 EUR Million. (Source: "Slovenia Government Spending, "Trading Economics," accessed January 15, 2023, <https://tradingeconomics.com/slovenia/government-spending>)

[3] Source for the overview and prospects of Slovenian economy can be found here: "Slovenia projection note OECD Economic Outlook November 2022," OECD, accessed January 15, 2023, <https://issuu.com/oecd.publishing/docs/slovenia-oecd-economic-outlook-projection-note-nov>.

[4] See "The EU needs a grand bargain that reduces demand, increases supply, and keeps energy markets open," International Monetary Fund, accessed January 15, 2023, <https://www.imf.org/en/Publications/fandd/issues/2022/12/beating-the-european-energy-crisis-Zettelmeyer>.

[5] See "Household Energy Price Index for Europe," Household Energy Price Index, accessed January 15,

2023, https://static1.squarespace.com/static/616804e3b1bb682181eb927a/t/62221c7de71bf131409ddd09/1646402762378/HEPI_Press_Release_February_2022.pdf.

[6] See the report from the Commission at: “Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic, and Social Committee, and the Committee of the regions titled Tackling rising energy prices: a toolbox for action and support,” EUR-Lex, accessed January 15, 2023, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2021%3A660%3AFIN&qid=1634215984101>.

[7] Data for Slovenian economic measurements is taken from “Slovenia projection note OECD Economic Outlook November 2022,” OECD, accessed January 15, 2023, <https://issuu.com/oecd.publishing/docs/slovenia-oecd-economic-outlook-projection-note-nov>.

The inflation rates across Europe can be found here: “Inflation Rate,” Trading Economics, accessed January 15, 2023, <https://tradingeconomics.com/country-list/inflation-rate?continent=europe>. The current Slovenian inflation rate is around the value of the neighboring Austria and is lower to significantly lower than in the rest of the neighboring countries (Italy, Croatia, and particularly Hungary).

[8] Consult “Slovenija dobila 15. vlado,” STA, accessed January 15, 2023, <https://www.sta.si/v-srediscu/vlada2022>.

[9] Among others, see La. Da., “Bonitetna agencija Fitch potrdila bonitetno oceno Slovenije,” *MMC Radiotelevizije Slovenija*, November 12, 2022, <https://www.rtv slo.si/gospodarstvo/bonitetna-agencija-fitch-potrdila-bonitetno-oceno-slovenije/647075>.

[10] See the 2021 data at: “GDP per capita (current US\$),” The World Bank, accessed January 15, 2023, https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?most_recent_value_desc=true. While there are believed to be some important changes in value after the start of the economic crisis in 2022, the country rankings are believed to not have changed particularly.

[11] “Human Development Insights,” Human Development Report Office, accessed January 15, 2023, <https://hdr.undp.org/data-center/country-insights#/ranks>.

[12] “Gini Coefficient by Country 2023,” World Population Review, accessed January 15, 2023, <https://worldpopulationreview.com/country-rankings/gini-coefficient-by-country>. For years now, Slovenia has consistently had the lowest Gini coefficient in the world, indicating a low level of income inequality.

[13] For the overview of stable credit reports of Slovenia between 2015 and 2020 see: “Slovenia – Credit Rating,” Trading Economics, accessed January 15, 2023, <https://tradingeconomics.com/slovenia/rating>.

[14] Source: “Inflation in Europe Brings Forward Clean Energy Transition,” GreenMatch, accessed January 15, 2023, <https://www.greenmatch.co.uk/blog/energy-prices-drive-inflation>.

[15] See e.g. “Economic forecast for Slovenia: The latest macroeconomic forecast for Slovenia,” European Commission – Economy and Finance, accessed January 15, 2023, https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/slovenia/economic-forecast-slovenia_en.

See also Radomir Ralev, “Slovenia's economic growth to slow to 1% in 2023 – Erste,” *SeeNews*, November 23, 2022, <https://seenews.com/news/slovenias-economic-growth-to-slow-to-1-in-2023-erste-805751>.

[16] The data is taken from “Slovenia projection note OECD Economic Outlook November 2022,” OECD, accessed January 15, 2023, <https://issuu.com/oecd.publishing/docs/slovenia-oecd-economic-outlook-projection-note-nov>; and “Measures to mitigate price increases,” Portal GOV.SI, accessed January 15, 2023, <https://www.gov.si/en/registries/projects/measures-to-mitigate-price-increases/>.

[17] See “Slovenia projection note OECD Economic Outlook November 2022,” OECD, accessed January 15, 2023, <https://issuu.com/oecd.publishing/docs/slovenia-oecd-economic-outlook-projection-note-nov>. Regarding the higher interest rates in Slovenia, consult Urška Jereb, Radio Slovenija, “Poceni zadolževanja za prebivalstvo je nepreklicno konec,” *MMC Radiotelevizije Slovenija*, January 13, 2023, <https://www.rtv slo.si/gospodarstvo/poceni-zadolzevanja-za-prebivalstvo-je-nepreklicno-konec/654158>.

[18] See Marko Milenković, “Slovenija lani močno povečala obseg trgovanja z Rusijo, vzrok predvsem v večji vrednosti blaga,” *MMC Radiotelevizije Slovenija*, January 14, 2023, <https://www.rtv slo.si/gospodarstvo/slovenija-lani-mocno-povecala-obseg-trgovanja-z-rusijo-vzrok-predvsem-v-vecji-vrednosti-blaga/654350>.

[19] See e.g. “Slovenia projection note OECD Economic Outlook November 2022,” OECD, accessed January 15, 2023, <https://issuu.com/oecd.publishing/docs/slovenia-oecd-economic-outlook-projection-note-nov>.

[20] A. S., “Skoraj polovica prebivalcev Slovenije zmanjšala stroške, številni to še načrtujejo,” *MMC Radiotelevizije Slovenija*, January 16, 2023, <https://www.rtvlo.si/slovenija/skoraj-polovica-prebivalcev-slovenije-zmanjsala-stroske-stevilni-to-se-nacrtujejo/654498>.

[21] Among other sources, see Igor Todorović, “PM Golob: Slovenia earmarks EUR 5 billion to ease energy crisis in 2023,” *Balkan Green Energy News*, September 27, 2022, <https://balkangreenenergynews.com/pm-golob-slovenia-earmarks-eur-5-billion-to-ease-energy-crisis-in-2023/>; and Larisa Pukšič, “Za pomoč gospodarstvu sprejet zakon, vreden 1,2 milijarde evrov,” *24ur.com*, December 16, 2022, <https://www.24ur.com/novice/svet/za-pomoc-gospodarstvu-sprejet-zakon-vreden-12-milijarde-evrov.html>.

[22] Consult “Slovenia projection note OECD Economic Outlook November 2022,” OECD, accessed January 15, 2023, <https://issuu.com/oecd.publishing/docs/slovenia-oecd-economic-outlook-projection-note-nov>.

[23] See e.g. the overview of the regulation of prices of petroleum products at “Regulirane cene naftnih derivatov,” Ministrstvo za infrastrukturo: Portal energetika, accessed January 16, 2023, <https://www.energetika-portal.si/podrocja/energetika/cene-naftnih-derivatov/regulirane-cene-naftnih-derivatov/>.

[24] See “Measures to mitigate price increases,” Portal GOV.SI, accessed January 16, 2022, <https://www.gov.si/en/registries/projects/measures-to-mitigate-price-increases/>.