



## **Weekly Briefing**

### **Slovenia economy briefing:**

**The recently published statistics on the Slovenian economic development, the recent issues in the Slovenian economy, and the development of energy sources**

**Gašper Pirc**


### **China-CEE Institute**

Kiadó: Kína-KKE Intézet Nonprofit Kft.

Szerkesztésért felelős személy: Ju Weiwei

Kiadásért felelős személy: Feng Zhongping

 1052 Budapest Petőfi Sándor utca 11.

 +36 1 5858 690

 [office@china-cee.eu](mailto:office@china-cee.eu)

 [china-cee.eu](http://china-cee.eu)

# **The recently published statistics on the Slovenian economic development, the recent issues in the Slovenian economy, and the development of energy sources**

## **Summary**

*After the worsening of the energy distribution issues in mid-2022 and the resulting hyperinflation across the European Union, Slovenia began to experience a slight economic recession, though the current condition of the Slovenian economy appears to be relatively stable. Nevertheless, high state spending may be a cause for concern, especially since many Slovenian households still experience hardships due to high prices of food and energy.*

*In June 2023, the Statistical Office of the Republic of Slovenia published a report on the development of Slovenian which despite the positives nevertheless indicated certain issues in the Slovenian economy. Those are in many ways connected with the energy sector in Slovenia, which has (at least in terms of infrastructure) been otherwise experiencing rejuvenation since the beginning of the energy crisis.*

## **Background: the recent outlook of the Slovenian economy and statistical overview of Slovenian development**

More than one year into the energy crisis, high-inflation period, and general recession, the Slovenian economy seems to have been on the path of stabilization in early 2023 but the unsteady conditions – particularly regarding inflation – will leave their marks on the Slovenian economic output. In June 2023, a new economic snapshot for Slovenia was published by OECD where it is predicted that due to weak domestic and external demand the GDP growth will slow to 1.5% in 2023 but should rise to 2.6% in 2024 as inflationary pressures recede. [\[1\]](#)

On a recently published competitiveness ranking by the Swiss institute IMD Slovenia was given a disappointing 42nd rank, which is four places behind the ranking in 2022. In particular, a great decline was reported in the areas of infrastructure, government, and business efficiency. Slovenia got the comparatively lowest ranking in the sub-categories of international investments, public finances, tax policy, labor market, availability of financing for companies, and attitudes and values that support competitiveness. The ability of the state to draw economic resources from the common market has been below-par.

The poor result can be at least partly traced to the increased spending in times of energy crisis, lower consumption during inflation, and the issues in the governmental leadership during political changes in Slovenia. [2]

On the first summer day on June 21, 2023, ahead of the Statehood Day on June 25, the Statistical Office of the Republic of Slovenia (SURS) published a report on the changes in Slovenian demography and economy since its independence in 1991 and until 2022; [3] the report is especially telling in the face of the general feel of recession and economic instability during the current energy crisis.

According to the report, in 2022 Slovenia had 5.4 % more inhabitants than at the time of independence while its GDP has increased five times its value in 1991, and the value of imports and exports has been constantly increasing since independence despite downturns in economic activity and ability during the financial crisis between 2008 and 2013 and COVID-19 crisis since 2020.

In the researched timeframe, the level of education and GDP have been steadily growing. The current Slovenian GDP is 32214 EUR according to IMF estimation in April 2023. [4] In 2022, the lowest rate of unemployment was reported at 4%; the number remains at record-low levels in 2023 with a recorded 3.8% unemployment rate in the first quarter of 2023. [5]

On the other hand, the prices of food have gone significantly up, and the prices of real estate have grown by as much as 74% compared to the year 2015. [6]

While they do not tell the full story, the problematic growth of prices and anomalies in the real estate market indicate deeper problems in the Slovenian economy, some of which surfaced in recent times.

### **The issues in the Slovenian economy: the problems of the government and public accusations**

In recent months, there has been increased feeling that the government is at a crossroads regarding important economic decisions it will need to take this year and in 2024. In May 2023, the Slovenian government prepared a proposal for the elimination of wage disparities, worth 267 million EUR. [7] That has been, however, somewhat overshadowed by the Sij Group (the biggest employer in the Slovenian steel industry) was accused of the payment of dividends and awards to the management while four companies from the group received state aid (including the companies SIJ Acroni and SIJ Metal which are among the biggest recipients of aid due to high energy prices). Although they are companies of the same group, the umbrella company is

however not subject to restrictions from the Act on Aid in the Energy Crisis, which prohibits aid recipients from paying dividends in or for the year 2023 which has been a source of controversy showcasing the possible issues within Slovenian economy which may point to the systemic deficiencies. [8] The management of the Sij group rejected the accusations but doubts regarding the general condition and transparency in the Slovenian economy in regard to state aid and financial fair play remain.

The Slovenian economic sphere was further by the revelation of the imprisonment of Miloš Milović who was among the advisers of Prime Minister Robert Golob on the matters of security. Milović is convicted of assisting in the execution of a fictitious transaction worth 390000 EUR in 2008 between SŽ ŽGP and the company NB Inženiring. In addition to advising the current Prime Minister and other members of the coalitional Freedom Movement party on the new manners of security conduct, Milović also worked as an external consultant with several state-owned energy companies, among others with the company GEN-i during the time its management was headed by Prime Minister Golob. [9]

The revelations of Milović`s misdeeds come at a very inopportune time when the government is facing pressures from critics and opposition, and the economic situation is still problematic, especially regarding the energy sector in Slovenia.

It was indeed the energy sector where the most development was unveiled in recent times.

### **The recent development in regard to the energy sources in Slovenia: the second unit of JEK and the largest solar power plant in Slovenia**

Since the start of the worsening of the energy crisis which caused the spike in inflation in 2022, the Slovenian government has been actively working on amelioration of the energy deficits and economic issues stemming from the energy concerns according to their mitigation agenda. [10]

On June 19, 2023, the government revealed that the oil (including motor fuel) price regulation which has so far been the reason for comparatively low prices of fuel in Slovenia has been extended for a further year. The prices of petrol and diesel at gas stations outside the motorways are recalculated based on a method based on the movement of oil derivatives prices on the world market and the movement of the US dollar-EUR exchange rate. Model prices are calculated based on 14-day averages of the prices of mineral oil derivatives. At the beginning of last September, the regulation of the price of heating oil was also reintroduced and is set to stay in force until further notice. [11]

However, the mitigation measures also caused state overspending which I wrote in one of the previous briefings. Even at the end of 2022, there has already been a conviction among energy providers and experts in Slovenia that Slovenia will need alternative energy sources for easier energy provision and greater self-sufficiency in the face of global challenges in regard to energy distribution.

Since the start of the crisis (and especially after nuclear energy was declared a sustainable energy resource in the European Union by the EU Parliament in July 2022)[\[12\]](#) there has been a lot of discussion on the attainability of building the second unit of the Krško Nuclear Power Plant, the only nuclear power plant of Slovenia which has been recognized as critical for Slovenian energy needs.

While the original unit of Krško Nuclear Power Plant (JEK) was recently given environmental approval by the Slovenian Ministry of Environment and Spatial Planning due to which the operating life of the plant can be extended from 40 to 60 years,[\[13\]](#) there has been a growing tendency among the experts and politicians to extend and improve nuclear energy capacities in Slovenia and design a second, more powerful and efficient unit of the power plant.

In June 2023, Slovenian Prime Minister Robert Golob who was previously head of the management of the largest Slovenian energy retailer GEN-I attended the public discussion on the future of nuclear energy in Slovenia, where he and the ministers presented the activities related to the construction of a new nuclear power plant. At the meeting the realistic plan for the future development of the nuclear power plant in Krško was laid out: the government is expected to take the final decision on the new unit of the Krško Nuclear Power Plant before the end of the mandate, and in 2027 the Slovenian voters would then decide on the project in a referendum. According to the latest estimates, the facility could be completed in the best case in 2037; according to a more realistic scenario, based on the current legislation, the unit could however only be built by 2047. [\[14\]](#) Regardless of the realization date, the increased amount of discussion on the new sources of energy showcase that the Slovenian government understands the need for increased self-sufficiency and a need for sustainable energy development in the near future.

As such, in June 2023 the largest solar power plant in Slovenia to date was opened next to the hydroelectric power plant Brežice was officially opened. The new power plant will have a power output of 6 megawatts and will present a hybrid system of solar and water energy along with the nearby hydroelectric power plant. Its annual production will allow for meeting the needs of approximately 1800 households. [\[15\]](#)

While fully sustainable energy sources such as solar and wind energy may not yet be capable of sufficient production to cover ever-larger energy needs, it is believed that in the

future they may be able to do so, at least in combination with nuclear energy. Given the recent issues in the global energy market, the optimal time for the development of alternatives in energy provision may be coming very soon.

### **Conclusion**

With many of the measures to mitigate high prices of food and energy still in place and with increased vigor in the building of large-scale infrastructure regarding transport and energy sources, state spending is set to remain high for some time. It is believed that the current Slovenian government intends to further its agenda toward social inclusion and security by increasing public spending for future benefits. However, as the recent IMD report on global competitiveness shows, the economic agenda based on the improvement of the social conditions of many may be regarded as imprudent in times of recession by the representatives of the leading capitalist democracies of the day.

Regardless of the state's intent, the government will need to continue to adhere to certain economic practices of the European Union which may compromise some of its more ambitious projects; given the current state of the Slovenian economy, a balance between a stricter economic regime and socially induced spending may however yet be possible.

[1] Source: “Slovenia Economic Snapshot: Economic Forecast Summary (June 2023),” OECD, accessed June 21, 2023, <https://issuu.com/oecd.publishing/docs/slovenia-oecd-economic-outlook-june-2023?fr=sMjVhZDUwNTY2MTA>.

[2] Among other sources, see A. K. “Slovenija na lestvici konkurenčnosti zdrsnila na 42. mesto,” *Portal24*, June 20, 2023, <https://portal24.si/slovenija-na-lestvici-konkurencnosti-zdrsnila-na-42-mesto/>; or Tanja Smrekar, “Slovenija je na lestvici konkurenčnosti padla za štiri mesta,” *Finance*, June 20, 2023, <https://www.finance.si/9014301/Slovenija-je-na-lestvici-konkurencnosti-padla-za-stiri-mesta>.

[3] See the full report at “Slovenija od leta 1991 do danes: Dan državnosti 2023,” SURS, accessed June 21, 2023, <https://www.stat.si/StatWeb/News/Index/11187>.

[4] Source: “GDP per capita, current prices,” International Monetary Fund, accessed June 21, 2023, <https://www.imf.org/external/datamapper/NGDPDPC@WEO/OEMDC/ADVEC/WEOWORLD?year=2023>.

[5] See “Labour Market,” SURS, accessed June 21, 2023, <https://www.stat.si/StatWeb/en/Field/Index/3>.

[6] Sources of the data: “Slovenija od leta 1991 do danes: Dan državnosti 2023,” SURS, accessed June 21, 2023, <https://www.stat.si/StatWeb/News/Index/11187>; A. M., “Od osamosvojitve več prebivalcev, večji BDP, dražje nepremičnine,” *MMC Radiotelevizije Slovenija*, June 21, 2023, <https://www.rtv slo.si/slovenija/od-osamosvojitve-vec-prebivalcev-vecji-bdp-drazje-nepremicnine/672612>.

[7] See T. K. B., “Vlada in sindikati se bodo prvič pogajali ločeno, po štirih plačnih stebrih,” *MMC Radiotelevizije Slovenija*, May 31, 2023, <https://www.rtv slo.si/slovenija/vlada-in-sindikati-se-bodo-prvic-pogajali-loceno-po-stirih-placnih-stebrih/670078>.

[8] Among other sources, STA, “V Siju zavračajo očitke glede izplačila dividend in nagrad vodstvu,” *Dnevnik*, June 15, 2023, <https://www.dnevnik.si/1043026134>; STA, “GZS ob izplačilu dividend v Siju: Vedno smo zastopali interese gospodarstva,” *NI*, June 20, 2023, <https://n1info.si/novice/slovenija/gzs-ob-izplacilu-dividend-v-siju-vedno-smo-zastopali-interese-gospodarstva/>.

[9] See Klemen Košak, “Zaporna kazen za Miloša Milovića, ki je svetoval tudi premierju, pravnomočna,” *NI*, June 23, 2023, <https://n1info.si/novice/slovenija/zaporna-kazen-za-milosamilovica-ki-je-svetoval-tudi-premierju-pravnomocna/>.

[10] Consult “Measures to mitigate price increases,” Portal GOV.SI, accessed June 21, 2023, <https://www.gov.si/en/registries/projects/measures-to-mitigate-price-increases/>.

[11] Source: G. C., “Bencin in dizel dražja, regulacija cen podaljšana za leto dni, vrača se prispevek za obnovljive vire,” *MMC Radiotelevizije Slovenija*, June 19, 2023, <https://www.rtv slo.si/gospodarstvo/bencin-in-dizel-drazja-regulacija-cen-podaljsana-za-leto-dni-vraca-se-prispevek-za-obnovljive-vire/672313>.

[12] See “European Parliament backs 'green' gas and nuclear energy,” Deutsche Welle, accessed June 21, 2023, <https://www.dw.com/en/european-parliament-backs-listing-nuclear-energy-gas-as-green/a-62377411>.

[13] Source: “Krško Nuclear Power Plant Gets Environmental Approval to Extend Its Lifetime from 40 to 60 Years,” Nuklearna elektrarna Krško, accessed June 21, 2023, <https://www.nek.si/en/news/news/krsko-nuclear-power-plant-gets-environmental-approval-to-extend-its-lifetime-from-40-to-60-years>.

[14] See P. P., R. K., STA, “Golob razkril korake za uresničitev NEK 2 #video,” *Siol.NET*, June 16, 2023, <https://siol.net/novice/slovenija/golob-v-krskem-o-prihodnosti-jedrske-energije-v-sloveniji-609257>.

[15] Source: M. Z., “V Brežicah ob hidroelektrarni odprli do zdaj največjo sončno elektrarno v državi,” *MMC Radiotelevizije Slovenija*, June 21, 2023, <https://www.rtv slo.si/gospodarstvo/v-brezicah-ob-hidroelektrarni-odprli-do-zdaj-najvecjo-soncno-elektrarno-v-drzavi/672595>.