



Slovenia



Did you know...?

History Some scholars believe that a description of how Slovene farmers contractually consented to be governed influenced Thomas Jefferson's drafting of the Declaration of Independence.

Geography Four major European geographic regions meet in Slovenia: the Alps, the Dinaric area, the Pannonian plain and the Mediterranean.

Sports Mountaineering and climbing have a long tradition in Slovenia and Slovenian mountaineers were among the first to ascend some of the most difficult routes in the Himalayas.

Food The Potica is a traditional Slovenian cake made by rolling up a layer of dough covered with walnuts.

Fun Fact Slovenia's current Prime Minister, Borut Pahor, promised to clean the cleats of the national soccer team if they managed to secure a place at the 2010 World Cup in South Africa. After they qualified, he indeed agreed to clean the players' cleats.

An overview of Slovenia's economy

Due to its dependence on trade, this role model for successful economic liberalization and European integration was impacted in the recent crisis.

Slovenia has a strong track record of economic management and performance. Before its independence in 1991, Slovenia was already the most productive of the Yugoslav Republics. It was the trading hub of former Yugoslavia and enjoyed relatively broad cultural, civic and economic liberties. Licensing agreements with Western companies enabled technology transfers to Slovenian factories. Slovenia's economy was therefore well prepared for the economic liberalization that followed after independence. Since then, the authorities have vigorously pursued diversification of trade, privatization of domestic industries, and integration into international institutions.

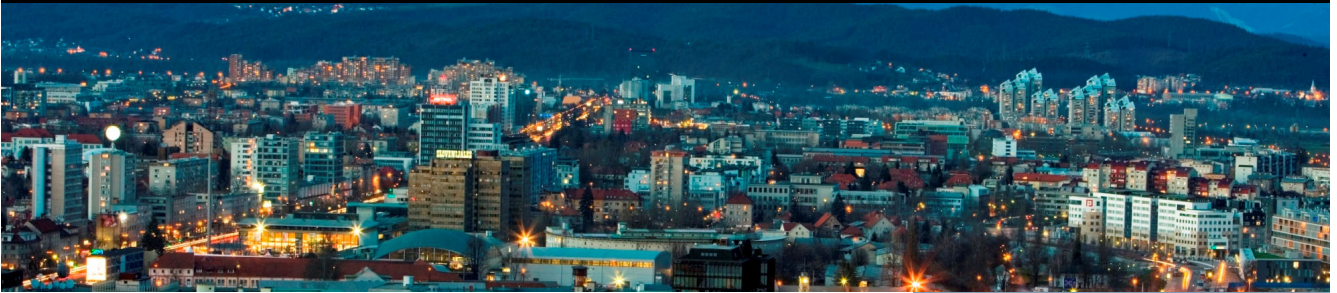
Slovenia joined the European Union in 2004 with broad popular support. It was the first of the so-called "New" member states to adopt the euro, and on January 1, 2007 became the 13th member of the euro area. Over the last decade, those Slovene industries that are highly export-oriented have performed strongly. Many manufacturing and engineering companies managed to integrate very well into the supply-chains of European car companies.

Moreover, Slovenia benefits from its geographical location in the heart of Europe and its well-maintained infrastructure, which enables it to serve as a transit hub for the economies of the Western Balkans.

Slovenia realized strong economic growth in recent years, boosting job creation and capacity utilization. Prudent income policies helped contain wage pressures and keep inflation relatively low. The high level of dependency on trade, however, rendered Slovenia very sensitive to the economic conditions of its main trading partners, as well as to changes in its international competitiveness.

When the economic crisis hit and global demand slumped, the Slovenian economy contracted sharply. GDP decreased by 7.8 percent in 2009. The Slovenian government reacted with a number of stimulus measures, including subsidies to companies for shorter working hours. Long-term policy challenges include the need to enact reforms to raise the economy's growth potential and ensure that public finances are sustainable given the population aging.





Slovenia's Economy – Key Facts

- The Republic of Slovenia has a population of about 2 million people in an area slightly smaller than the US state of New Jersey, making it the fourth-smallest country in the euro area.
- Slovenia is one of the best economic performers in Central and Eastern Europe. GDP per capita in purchasing power parity was \$27,550 in 2009, compared to a regional average of about \$19,750 per capita. The economy is dominated by the service sector (60% of GDP) and is well-integrated in Europe's common market.
- The World Economic Forum (WEF) Global Competitiveness Report for 2011/2012 ranked Slovenia 57th out of 142 countries in terms of competitiveness. The country ranked relatively favorable in higher education (21st), health and primary education (24th), and the macroeconomic environment (35rd). Access to financing, inefficient government bureaucracy and restrictive labor regulations are seen as the most problematic factors for doing business.
- The World Bank's Doing Business Report ranked Slovenia 37nd out of 183 countries in 2011.
- According to the European Commission's Spring 2011 forecast, real GDP is expected to recover modestly and grow by 1.9% in 2011 and 2.5% in 2012. Although growth is expected to pick up, it will probably stay below the pre-crisis annual average of about 5% (2004-2008).

References

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Exports Export performance was still robust until the crisis hit in late 2008. Main export goods are transport vehicles, electrical machinery, furniture, clothing, and chemicals.

Employment In January 2010, the government introduced a 22% increase in the minimum wage, which is expected to erode competitiveness. Wage negotiations are costly and slow. Real wages are higher than in most regional peers.

Inflation is expected to rise to around 2.5% though 2011 and increase to 2% in 2012 as a wage increases lead to additional spending and price increases.

Education Slovenia has a highly educated workforce, with skills concentrated in technical and engineering areas. Higher education was expanded at an impressive pace over the last decade.

Labor Market Observers like the IMF regularly mention the inflexible labor market as one of the biggest structural problems for the economy.