



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 previous 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 followed through on his promise!

An overview of Slovenia's economy

A role model for successful economic liberalization and European integration, Slovenia was hit hard by the crisis due to its dependence on trade. The recession in Slovenia ended in 2013.

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 the diversification of trade, privatization of domestic industries, and integration into international institutions.

Slovenia joined the European Union as its 13th member in 2004 with broad popular support. It was the first of the so-called new member states to adopt the euro on January 1, 2007. Over the last decade, highly export-oriented Slovene industries have performed well. Many manufacturing and engineering companies have integrated into the supply-chains of European car companies.

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

favorable macroeconomic outlook, the Slovenian economy is on pace for solid growth in the coming years. Unemployment is declining and is expected to reach 5.1% in 2020. Increased employment and economic growth are supporting domestic demand. External demand resurgence is supporting the export sector.

Investment growth has been particularly strong and is expected to continue thanks to high capacity utilization rates and a tightening labor market. Although private sector investment is expected to weaken somewhat in 2019, public sector investment should pick up due to an increased use of EU funds under the multiannual financial framework. Despite these positive factors, downside risks to public finances stem from expenditure pressures on wages and social benefits.





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.
- The general government surplus is expected to increase to 0.5% of GDP in 2018. Both tax revenues and social contributions are projected to increase in 2019; however, rising employee compensation and social benefit expenditures will cause the surplus to decrease slightly to 0.4%.
- The projected government deficit of 0.8% in 2017 is expected to be neutral at 0.0% in 2018 followed by a surplus of 0.4% in 2019. This is attributed to higher tax revenues and interest expenditure decreases. Consequently the general government debt should decrease from 74.1% in 2017 to 62.6% of GDP in 2020.
- The World Economic Forum (WEF) Global Competitiveness Report for 2018 ranked Slovenia 35th out of 140 countries in terms of national competitiveness. Slovenia ranks 1st for macroeconomic stability, but its market size is holding the country back in its overall ranking.
- The World Bank's Doing Business Report for 2019 ranked Slovenia 40th out of 190 countries. Slovenia has improved its contract enforcement capabilities but made starting a business more difficult.
- According to the European Commission's Autumn 2018 Forecast, Slovenia is expected to see robust growth of 4.3% in 2018, which will slow down to 3.3% in 2019 and 3.0% in 2020. Growth has been aided by a new EU investment cycle and better domestic demand. Rising disposable incomes have contributed to the growth of private consumption.

References

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Exports Strong industrial production growth and capacity utilization in the exports sector are promoting production capacity investment. While imports are set to increase with domestic demand, exports are currently strong from stable unit labor costs and price competitiveness. Net exports are expected to neutralize and the current account surplus to moderate into 2019.

Employment is set to grow by 3.0% in 2018, and the unemployment rate should decrease from 6.6% in 2017 to 5.6% in 2018. An inflow of foreign workers and a rising participation rate should help alleviate labor supply constraints, but still, wage pressures are expected to increase.

Inflation is expected to reach 2.0% in 2018 and increase to 2.3% in 2019, driven by energy prices and expected wage growth.

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.