Spring Forecast of Economic Trends 2025

Summary

In their latest forecasts for the euro area, international institutions project that GDP growth this year will be only slightly higher than last year, followed by a gradual strengthening, albeit slower than anticipated in the autumn, particularly in Germany. High geopolitical and economic uncertainty, reflected in the record-high trade policy uncertainty index in January 2025, along with measures already taken by the US government, indicate a potential for further forecast downgrades or increased downside risks. Given these factors, we have adopted a conservative approach in our assumptions. We expect economic growth of 0.8% for the euro area this year, strengthening to 1.1% in 2026 and 1.2% in 2027. Among Slovenia's key trading partners, Germany's economy is expected to recover the slowest, with growth projected to reach 0.8% in both 2026 and 2027, following stagnation this year.

Economic growth in Slovenia is expected to accelerate to 2.1% this year, which is slightly lower than expected in autumn 2024. Goods export growth will be somewhat lower this year after last year's high growth, which weakened significantly in the fourth quarter, and will largely align with the growth in foreign demand. Growth in services exports will further accelerate. Domestic consumption will be a key driver of GDP growth this year, in particular continued growth in private consumption supported by rising wages and social transfers, as well as a recovery in investment after last year's decline. Growth in household consumption will enable turnover growth in trade, as well as in tourism- and leisure-related services, further boosted by the continued rise in consumption by foreign tourists. Government investment activity will pick up, supported by the funds from the Recovery and Resilience Plan (RRP) and the Fund for the Reconstruction of Slovenia, established in response to the 2023 floods. Uncertainty and the weak economic recovery in Slovenia's trading partners will lead to cautious investment decisions, particularly in the foreign markets-oriented part of the economy. Some impetus comes from lower interest rates, which will have an impact on housing investment in particular, albeit more in the medium term. In 2025, government consumption growth is expected to moderate (2.7%) compared to last year. As in 2024, we expect the continued recovery from floods to impact growth in general government spending on goods and services (not just on investment) this year. Additionally, the first effects of the new long-term care benefits implemented in mid-2025 are expected to start emerging.

In our baseline scenario, GDP growth is expected to accelerate slightly (to 2.4% in 2026 and 2.3% in 2027). With the gradual recovery in foreign demand, exports of goods and services are expected to continue growing, albeit at a slower pace than in the period before the pandemic and the energy crisis. In addition to the assumed gradual strengthening of growth in foreign demand, the completion of an investment of a pharmaceutical company and the launch of production of a new car model will have a positive impact on the growth of goods exports, which will also boost growth in value added in manufacturing. Domestic consumption will continue to make an important contribution to GDP growth. Growth in household consumption will be similar to this year and will boost further sales growth in trade, accommodation and food service activities, and creative, arts, entertainment, personal and sports activities. Investment growth

will continue to strengthen, driven not only by high levels of government investment but also by increased investment in residential construction, and equipment and machinery. The dynamics of government consumption growth in 2026 and 2027 will be influenced primarily by the introduction of new benefits as part of the new long term care system.

In addition to economic conditions, demographic changes also play a significant role in shaping the labour market: given the high level of employment and labour shortages, employment is expected to increase by 0.1% this year and by 0.4% and 0.5% respectively over the next two years, amid moderate economic growth. After stagnating at record levels for most of last year, employment is expected to grow modestly this year, with a potential slight acceleration over the next two years, driven primarily by the employment of foreign nationals. Unemployment will continue to decline slightly, with the number of registered unemployed falling not only due to the transition into employment, but also due to the increasing transition from unemployment to inactivity or retirement.

Overall growth in the average gross wage will remain relatively high this year (6.2%) and is expected to weaken somewhat thereafter (5.5% and 5.1%), while real growth (around 3%) will be above the levels seen a decade ago. In the public sector, wage growth this year and over the next three years will be significantly influenced by the wage reform implemented on 1 January 2025. The impact will be strongest this year and will gradually decrease in 2026 and 2027, in line with the projected reform dynamics and its estimated effects. In the private sector, wage growth is expected to remain relatively high this year and in the coming years, followed by a gradual weakening. The upward pressure on wage growth will continue to be significantly influenced by labour shortages and partly also by the demonstration effect of public sector wage increases, while on the other hand, companies' efforts to remain competitive will result in real growth being slightly more subdued.

Price growth will be subdued in most groups this year, with services prices continuing to rise faster than overall inflation; inflation dynamics will be significantly influenced by (past and ongoing) measures and their expiry, with inflation expected to be 2.7% at the end of 2025 and 2.3% on average in 2025. Assuming a relatively stable situation on the international energy markets, the year-on-year growth in energy prices will continue to fluctuate considerably due to the expiry of the temporary measures to mitigate soaring energy prices. In particular, the low base effect of the measures taken at the end of last year will also drive up year-on-year inflation at the end of this year. Growth in services prices is expected to remain above average this year and in the coming years, with labour shortages and continued wage growth continuing to have a strong impact. The rise in non-energy industrial goods prices will be moderate, keeping core inflation around 2%, supported by relatively higher service price growth. Assuming no major shocks on the commodity markets and moderate climate impacts, growth in food prices is expected to be subdued. In the absence of shocks, inflation is expected to fall slightly after 2025, hovering around 2%.

The preparation of macroeconomic forecasts is always subject to a certain degree uncertainty, which has increased in recent years. This year, in particular, the realisation of the spring forecast is subject to considerable risks, primarily related to the international environment and, to a lesser extent, to the domestic environment. Most risks are tilted to the downside and have intensified compared to the autumn forecast, but there are also some upside risks to the baseline scenario. The greatest downside risk to GDP growth from the international environment stems from heightened uncertainty (partially incorporated into the baseline assumptions), particularly the potential escalation of US protectionist measures and retaliatory actions by affected countries. Such developments could slow the expected gradual recovery of economic growth and the easing of inflation in Slovenia's trading partners. Additionally, escalation of tariffs on non-EU countries would further heighten the risk of slower global trade growth, supply chain disruptions, and even stronger spillover effects. At the same time, this could expose European (including Slovenian) economies to greater foreign competition, as trade shifts away from the U.S. to markets where Slovenian companies are more directly or indirectly active. If 10% tariffs were imposed, followed by EU retaliatory measures and increased and prolonged uncertainty over trade policies, Slovenia's economic growth could be around half a percentage point lower. A further increase in existing car tariffs to 25% would amplify this effect. Geopolitical uncertainty also remains high, particularly concerning developments in the Middle East and Ukraine, and there are other risks that could slow European economic growth, which has long been hindered by reduced competitiveness and structural challenges. It is about the ability of the European manufacturing sector, particularly the automotive industry, to address structural challenges (higher energy prices, rapid technological progress, changing consumer preferences and global competition). A prolonged period of wage growth outpacing productivity, coupled with a shortage of skilled labour, could heighten inflationary pressures in euro area countries, impacting business competitiveness and investment decisions. Downside risks also arise from the domestic environment, primarily related to the ability to implement large investment projects and the impact of rising labour costs on competitiveness. Economic growth could also be higher than expected in the baseline scenario in the case of more successful attracting of workforce and more efficient absorption of EU funds in conjunction with reform measures.

Slovenia's main macroeconomic aggregates

	2024	Spring forecast (February 2025)		
		2025	**2026**	**2027**
GDP				
GDP, real growth in %	1.6	**2.1**	**2.4**	**2.3**
GDP, nominal growth in %	4.7	**4.9**	**5.2**	**4.8**
GDP in EUR billion, current prices	67.0	**70.3**	**73.9**	**77.5**
Exports of goods and services, real growth in %	3.2	**2.6**	**3.4**	**3.1**
Imports of goods and services, real growth in %	3.9	**2.7**	**3.9**	**3.5**
External balance of goods and services (contribution to growth in p.p.)	-0.4	**0.1**	**-0.1**	**0.0**
Private consumption, real growth in %	1.6	**2.2**	**2.3**	**2.4**
Government consumption, real growth in %	8.5	**2.7**	**4.1**	**2.2**
Gross fixed capital formation, real growth in %	-3.7	**1.0**	**3.0**	**2.6**
Change in inventories and valuables (contribution to growth in p.p.)	0.3	**0.0**	**0.0**	**0.0**
EMPLOYMENT, WAGES AND PRODUCTIVITY				
Employment according to the National Accounts Statistics, growth in %	0.1	**0.1**	**0.4**	**0.5**
Number of registered unemployed, annual average in '000	46.0	**45.4**	**44.8**	**44.3**
Registered unemployment rate in %	4.6	**4.6**	**4.5**	**4.5**
ILO unemployment rate in %	3.7*	**3.7**	**3.7**	**3.7**
Gross wages per employee, nominal growth in %	6.2	**6.2**	**5.5**	**5.1**
Gross wages per employee, real growth in %	4.1	**3.8**	**3.1**	**3.0**
– private sector	4.9	**3.5**	**3.3**	**3.1**
– public sector	2.5	**4.4**	**2.9**	**2.7**
Labour productivity (GDP per employee), real growth in %	1.4	**2.0**	**2.0**	**1.7**
BALANCE OF PAYMENTS STATISTICS				
Current account BALANCE, in EUR billion	3.3	**3.1**	**2.9**	**2.6**
- as a % of GDP	4.9	**4.4**	**3.9**	**3.4**
PRICES AND EFFECTIVE EXCHANGE RATE				
Inflation (Dec./Dec.), in %	1.9	**2.7**	**2.2**	**2.1**
Inflation (annual average), in %	2.0	**2.3**	**2.3**	**2.1**
Real effective exchange rate deflated by unit labour costs	0.9*	**0.7**	**1.3**	**1.1**
ASSUMPTIONS				
Foreign demand (imports of trading partners), real growth in %	0.4	**2.2**	**2.5**	**2.6**
GDP in the euro area, real growth in %	0.7	**0.8**	**1.1**	**1.2**
Oil price (Brent crude, USD/barrel)	80.5	**75.7**	**71.1**	**69.4**
Non-energy commodity prices in USD, growth	8.8	**7.0**	**-0.5**	**-1.5**
USD/EUR exchange rate	1.082	**1.041**	**1.041**	**1.041**

Sources: For 2024, SURS (2025), BoS (2025), ECB (2025a), EIA (2025), Eurostat (2025); for 2025−2027, forecast by IMAD. Note: *IMAD estimates.

The Spring Forecast of Economic Trends is based on statistical data, information and adopted measures known at the cut-off date of 14. February 2025.