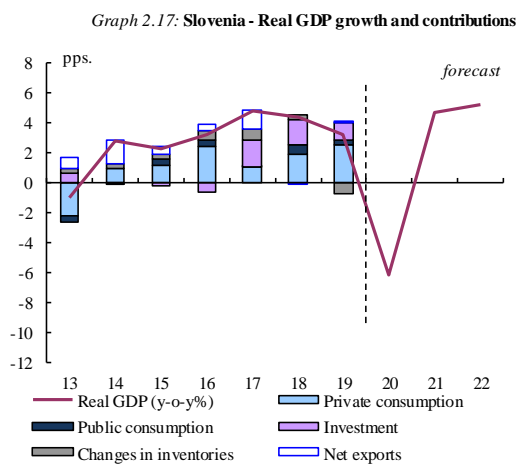


2.17. SLOVENIA

Slovenia's GDP is estimated to have contracted by 6.2% in 2020. Over the first three quarters, private consumption was 8.4% and investment 6.5% lower than in the same period in 2019. Imports fell more than exports, leading to a positive contribution from net exports. The recovery in the third quarter of last year, however, was followed by a strong resurgence in COVID-19 infections and the introduction of new restrictions in the fourth quarter that dampened economic sentiment and reduced private consumption significantly. The impact of the crisis was softened by extensive government measures to support employment and limit insolvencies. Still, employment decreased and the unemployment rate increased slightly.

The pandemic and its associated restrictions continue to exert a strong influence over the economy in early 2021, particularly in the services sector. Industrial production and construction are expected to be less affected. The economic situation is expected to gradually improve as more people are vaccinated and restrictions are relaxed, leading to stronger growth in the second half of the year. Overall, GDP is forecast to grow by 4.7% in 2021 supported by both strong domestic demand and positive net exports. Thereafter, the economy is expected to grow by 5.2% in 2022, driven by the same factors as in 2021. GDP is expected to exceed its end-2019 level by the end of 2022.



Once support measures end, the recent increase in the minimum wage could place additional strain on struggling companies in the services sector. This constitutes a downside risk to the forecast. The forecast factors in some of the measures expected to be funded under the Recovery and Resilience Facility representing about 0.6% of GDP. Higher use of the facility is an upside risk.

The sharp decline in energy prices in March 2020 led to deflationary pressures that were still being felt at the end of 2020 despite the partial recovery in energy prices. Overall, prices decreased by 0.3% in 2020. Inflation is expected to remain very low in the beginning of 2021 and to increase somewhat in the second half of the year. Overall, prices are expected to increase by 0.8% in 2021. In 2022, taking into account the projected recovery and assumed increase in energy prices, inflation is expected to reach 1.7%.