1 SLOVENIA'S DEBUT JPY TRANSACTION

Slovenia has strategically diversified its sources of funding on the global capital markets and this year decided to access the Samurai market. On Thursday, August 29, 2024, the Republic of Slovenia, rated A3 (stable) by Moody's / AA- (stable) by S&P/A (stable) by Fitch /AA- (stable) by JCR, successfully priced a total of JPY50.0bn across a 3-year and a 5-year fixed rate senior unsecured bond. This transaction is the first Social Samurai Bond ever issued by a sovereign. BNP Paribas, Nomura and SMBC Nikko jointly led the issuance.

The total demand exceeded JPY 50 billion and the issue size was set at JPY 50 billion (top end of issuer's expectations): JPY45.1bn for the 3-year and JPY4.9bn for the 5-year. After the final allocation, the split between Japanese onshore and offshore accounts was approximately 50:50, with city banks, trust banks, asset managers, regional banks and shinkin banks participating in the onshore accounts.

The proceeds of the social bonds will be used exclusively to (re)finance expenditures that fall under the categories of eligible social projects in line with the Sustainability Bond Framework (SBF). The Second Party Opinion on the SBF was prepared by Morningstar Sustainalytics in January 2023 and is available on the website of the Ministry of Finance.

With its highly successful Social Samurai offering, Slovenia has now established a strong presence in the Japanese market.

2 SLOVENIA AUTUMN FORECAST OF ECONOMIC TRENDS

According to the Institute of Macroeconomic Analysis and Development (IMAD), economic growth is expected to slow to 1.5% this year, below the 2.4% forecasted in the Spring Forecast. Overall export growth will be lower than forecast due to weaker foreign demand and a decline in service exports, under pressure from rising unit labour costs.

Investment growth is now expected to stagnate rather than increase this year. Government investment, among the highest in the EU as a share of GDP, will increase slightly and continue to rise further in the second half of the year, while private construction investment is expected to stagnate.

Export sector growth will lead to moderate investment in machinery and equipment. **Private consumption**, which stagnated last year, will rise this year due to high employment, wage growth, lower inflation, and increasing consumer optimism.

Government consumption growth will exceed IMAD's spring expectations due to post-flood reconstruction, and will boost spending on goods and services more than investment. Strong domestic consumption, including inventories, will result in import growth significantly exceeding export growth.

GDP growth is expected to return in 2025 to higher levels

GDP growth is expected to increase to 2.4% in 2025 and to 2.5% in 2026. Improved foreign demand will boost exports and value added in manufacturing. Trade in services will increase. Investments in manufacturing and construction is expected to pick up, supported by a strong government consumption, including flood protection and reconstruction efforts and investments under the Recovery and Resilience Plan. Higher income growth will accelerate private consumption.

Employment is at a record high, and unemployment is at a historic low. The severe labour shortage will dampen employment growth over the next two years. Nominal wage growth will strengthen further next year with the reform of the public sector wage system.

Inflation has fallen significantly this year and will be much lower on average (2.1%), below the 2.7% spring forecast, and is expected to remain low until November before rising towards the end of the year and the beginning of next year (due to the low base effect and the expiry of measures to curb high energy prices), and will approach 2% again in 2026.

3 The consolidated general government debt development update

Following the first estimate of GDP for 2023, the estimate of Slovenian GDP growth for 2023 was revised to EUR 63.951 billion, which corresponds to real growth of 2.1% which is 0.5 pps higher than the February estimate (1.6%), based on quarterly data sources. At current prices, the increase in GDP 2023 compared to 2022 was EUR 991 million higher than the previous estimate.

After GDP revision, general government debt amounted to 68.3% of GDP, as compared to 69.2% of GDP before the GDP revision (see Table below).

Table: Consolidated general government debt due to GDP revision

	2019	2020	2021	2022	2023
GG debt, EUR mill	**31.752**	**37.424**	**38.879**	**41.339**	**43.670**
…GDP **before the revision**, EUR mill	48.582	47.045	52.279	57.038	63.090
GG debt, % of GDP (before revision)	65.4%	79.6%	74.4%	72.5%	69.2%
…GDP **after the revision**, EUR mill	48.156	46.739	52.023	56.909	63.951
GG debt, % of GDP (after the revision)	**65.9%**	**80.1%**	**74.7%**	**72.6%**	**68.3%**
Change of GG debt, pps of GDP due to GDP revision	0.6	0.5	0.4	0.2	-0.9

Source: Statistical Office of the Republic of Slovenia (SORS), MoF own calculation, 16.9.2024