

# Coronavirus response in 2021: building back better

## Update on Slovenia (16 June 2021)



### Covid-19 policy response

- **A significant policy response in 2020** was devised by the authorities in several steps, amounting to around 6.5% of GDP and focused on wage subsidies and basic income for the vulnerable.
- **Most Covid-related fiscal measures continued in 2021**, given the epidemiological situation. Among the key measures are the extended furlough scheme and income support, with the fiscal impact estimated at around 3% of gross domestic product (GDP). As such, fiscal policy will remain expansionary and the fiscal deficit has been revised at a projected 8.6% of GDP this year.
- **EU recovery funds require a targeted approach.** Under the current draft National Recovery and Resilience Plan (NRRP), Slovenia will receive €1.8 billion in grants from the EU Recovery Facility, which is lower than the EU average as a share of GDP, and will absorb €666 million in loans.

### Macroeconomic indicators (%)

	2018	2019	2020	
<b>GDP growth</b>	4.4	3.2	-5.5	<b>Short-term indicators</b> <b>EBRD GDP growth forecast (June 2021)</b> <b>2021: 5.0%; 2022: 4.0%</b> Quarterly GDP growth: +1.4% q/q (sa), +1.6% y/y (Q1 2021) Economic sentiment: 109.3 (May 2021) Industrial production (ex. construction): 8.5% y/y (March 2021) Retail sales: 25.2% y/y, (April 2021) Annual inflation: 2.2% (April 2021) Unemployment rate: 5.2% (April 2021)
<b>Annual inflation (end-year)</b>	1.4	2.0	-1.2	
<b>Government balance/GDP</b>	0.7	0.4	-8.4	
<b>Current-account balance/GDP</b>	5.8	5.6	7.1	
<b>Net FDI/GDP</b>	-2.0	-1.5	0.0	
<b>Public debt/GDP (end-year)</b>	70.3	65.6	80.8	
<b>Unemployment rate (end-year)</b>	4.4	4.0	5.4	

### EBRD assessment of transition qualities (ATQs), 2020<sup>1</sup>



### Building back better: key ongoing initiatives

#### Competitive

- The government plans significant public investments this year, while the NRRP focuses on enhancing research and development (R&D) capacity and skills.

#### Green

- Green transition is the largest pillar of the NRRP. It focuses on addressing flood risks, green transport, and improving the power network and energy efficiency of buildings.
- The government announced plans to issue a green bond to finance relevant projects.

#### Inclusive

- The NRRP reforms and investment will aim to improve long-term care and social housing, as well as modernise the healthcare system.
- Tax relief has been brought in at lower income levels to reduce the labour tax wedge.

#### Integrated

- Most mobility projects envisaged in the NRRP cover rail infrastructure.

#### Digital

- The digitalisation component of the NRRP focuses on modernising existing e-governance systems, enhancing civil servants' skills and boosting cybersecurity. Further digitalisation of education is also envisaged.

### Key short-term priorities

- Continue targeted support to affected firms and sectors while gradually phasing out more general support measures.
- Continue addressing labour shortages, long-term care and the sustainability of the pension system.
- Strengthen corporate governance practices in state-owned enterprises.

To learn more about the EBRD's support for Slovenia visit: <https://www.ebrd.com/slovenia.html>.

<sup>1</sup> For more details on ATQs, see EBRD (2020), [Transition Report 2020-21: The State Strikes Back](#), London.