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PROACTIVE STATE BUDGET DEBT MANAGEMENT IN THE YEAR 2022

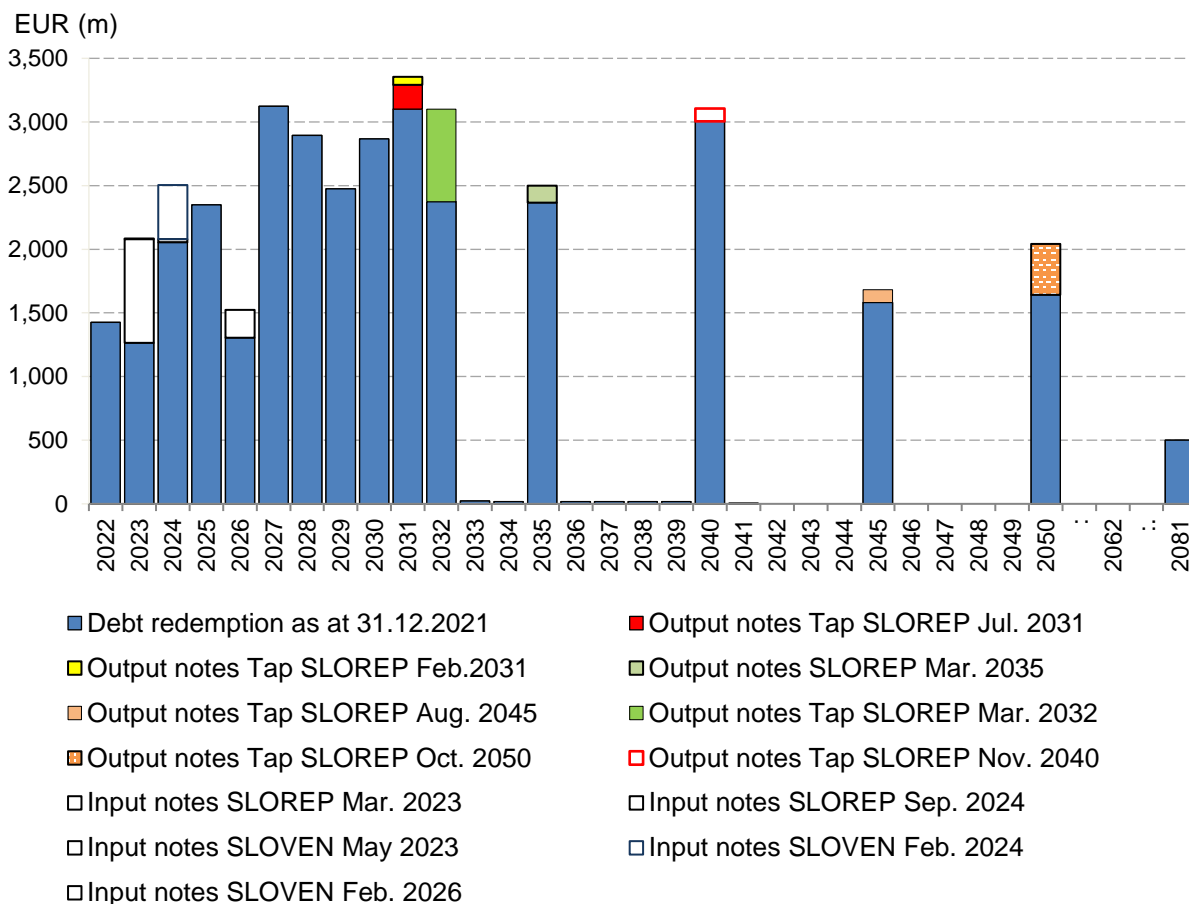
In fiscal year 2022, the Ministry of Finance conducted six liability management transactions buying back the SLOREP and SLOVEN bonds maturing in 2023, 2024 and 2026 and issuing the SLOREP bonds of 2031, 2032, 2035, 2040, 2045 and 2050 maturities. The liability management transactions are through redemption optics presented in Figure 1.

The liability management transactions were executed by means of two public tenders and four bilateral transactions. Ministry of finance bought-back (exchanged) in aggregate value of EUR 1.47bn of SLOREP bonds maturing in 2023, 2024 and 2026. As a matter of policy, the decision for each liability debt management transaction is reached when the net present value of a liability management transactions is non-negative value.

In 2022, Slovenia to date provided long-term state budget funding in aggregate value of EUR 3.15bn by way of new SLOREP lines (EUR 1.75bn), taps of existing euro bonds (EUR 1.15bn) and regular treasury bills auction (EUR 0.25bn). In addition, the funding as part of liability management transactions in the amount of EUR 1.73bn was provided by means of taps of existing euro bonds.

Average weighted long-term financing yield (excl. T-bills programme) stands at 1.44 % with average weighted time to maturity 14.0 years.

Figure 1: Executed six LME's through redemption profile optics



Source: Ministry of Finance, 19.12.2022

Liability debt management strategic objectives

Interest Savings (NPV)	✓
Locked-in favourable implied forward rates	✓
Debt portfolio duration extension	✓
Yield Curve Liquidity enhancement	✓
Active debt management policy	✓
State Budget Debt Impact	✗

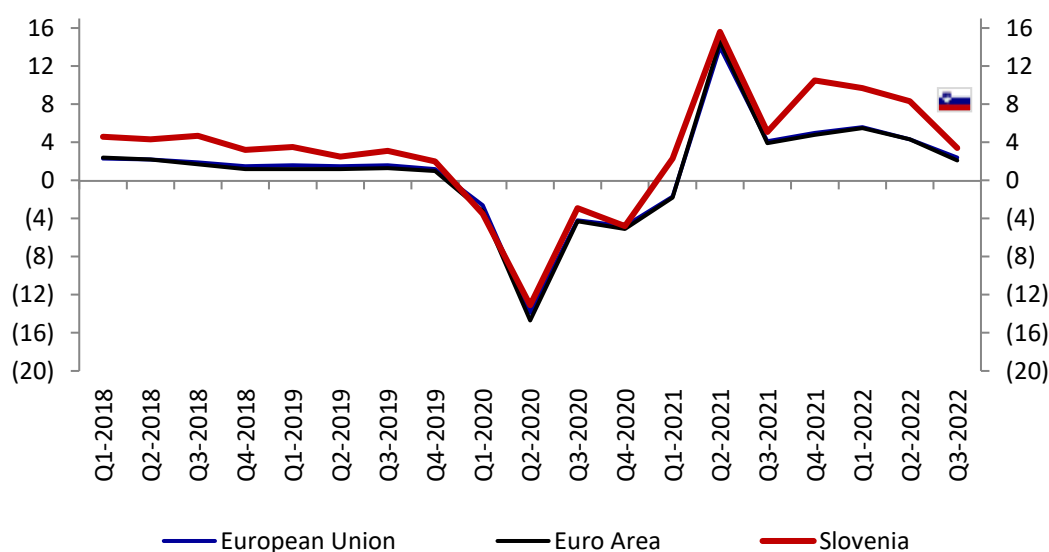
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ECONOMIC GROWTH IN THE THIRD QUARTER OF 2022 AT ANNUAL LEVEL REMAINS ABOVE EU-27 AND EA- 19 AVERAGE

Based on preliminary original data the GDP in Slovenia increased by 3.4% in the third quarter of the year 2022 in comparison to the same quarter of the previous year (YoY).

As shown in Figure 2, based on seasonally and calendar adjusted GDP data Slovenia exhibited in the third quarter of 2022 higher growth of +3.9% (YoY) in comparison to the EA average of +2.1% (YoY) and the EU average of +2.4% (YoY).

Figure 2: Real Quarterly GDP Growth Rate (SA % change Q/Q-4)



Source: Statistical Office of the Republic of Slovenia (SORS), Eurostat, (SA) Seasonally Adjusted data, 19.12.2022

Total Employment

Total employment in the third quarter of 2022 stood at 1,082.000 workers and increased by 2.0% or 21,000 persons YoY, i.e. mostly in construction, manufacturing and professional, scientific and technical activities. The unemployment rate in Slovenia at the end of September 2022 stood at 4.1% which is 0.5 p.p lower in comparison to September 2021 (4.6%). The unemployment rate in Slovenia is outstandingly lower compared to the EA (6.6%) and the EU (6.0%).

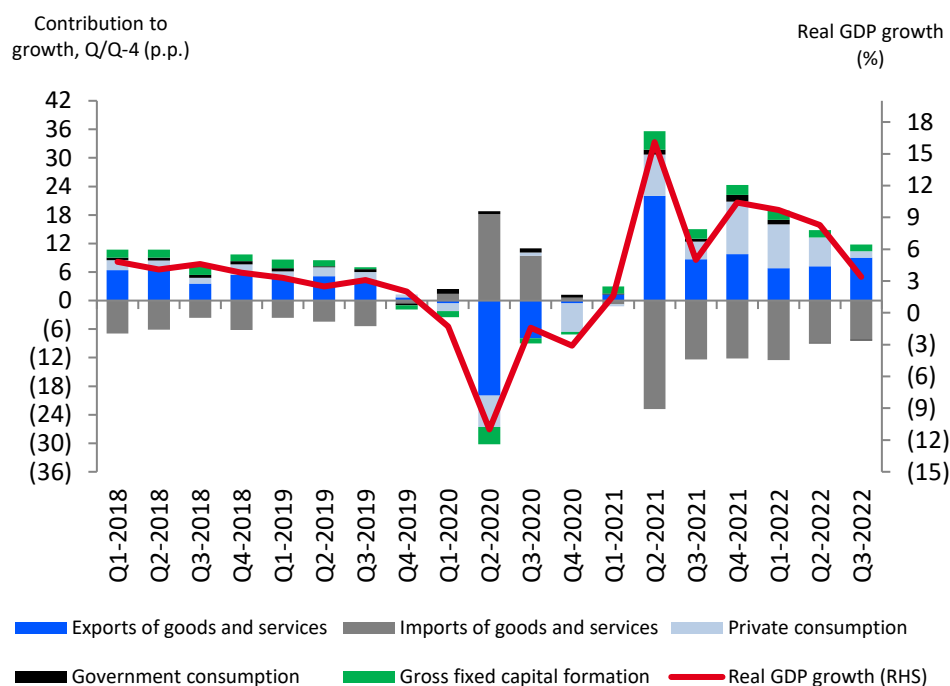
Domestic Expenditure

In the third quarter of 2022 domestic expenditure increased by 2.7%. Household consumption expenditure increased by 2.6%, while gross fixed capital formation increased by 7.1%. The changes in inventories had a neutral impact on GDP growth.

External Demand and Competitiveness

After five consecutive quarters of faster increase in imports than in exports, in the third quarter of 2022 exports increased more than imports. Exports of goods and services increased by 11.0% and imports by 10.7% compared to the same quarter of 2021. Exports of services increased by 21.5% and imports of services went up by 8.4%. The contribution of external trade balance to GDP growth was positive (0.8 p.p.).

Figure 3: Contributions to Real GDP Growth (% chg. Q/Q-4)



Source: Statistical Office of the Republic of Slovenia (SORS), Original data, 19.12.2022

Notes

Unless otherwise specified, all comparisons in this text refer to original data, to volume or real changes and to changes compared with the same quarter of the previous year.

Budget Account

In the first nine months of 2022, the state budget revenues increased by 16.2% to EUR 9.3bn (EUR 8.0bn in 2021) and the expenditures decreased by 8.0% to EUR 9.6bn (EUR 10.4bn in 2021) compared to the same period of the previous year. The budget deficit in the first nine months of 2022 amounted of EUR 318m (EUR 2.5bn in same period of the year 2021).

The full report can be found on the Ministry of finance website:

[Cetrletni-pregled-javnofinancnih-gibanj-oktober-2022.pdf \(gov.si\)](https://www.mf.gov.si/cetrletni-pregled-javnofinancnih-gibanj-oktober-2022.pdf)

Rating Agency: S&P (AA-, Stable Outlook)

On 12 December 2022, S&P Global published their rating review outcome on Slovenia. The rating for Slovenia remains unchanged AA-, *outlook stable*.

The full report can be found on the S&P Global website: <https://www.spglobal.com/ratings/en/>

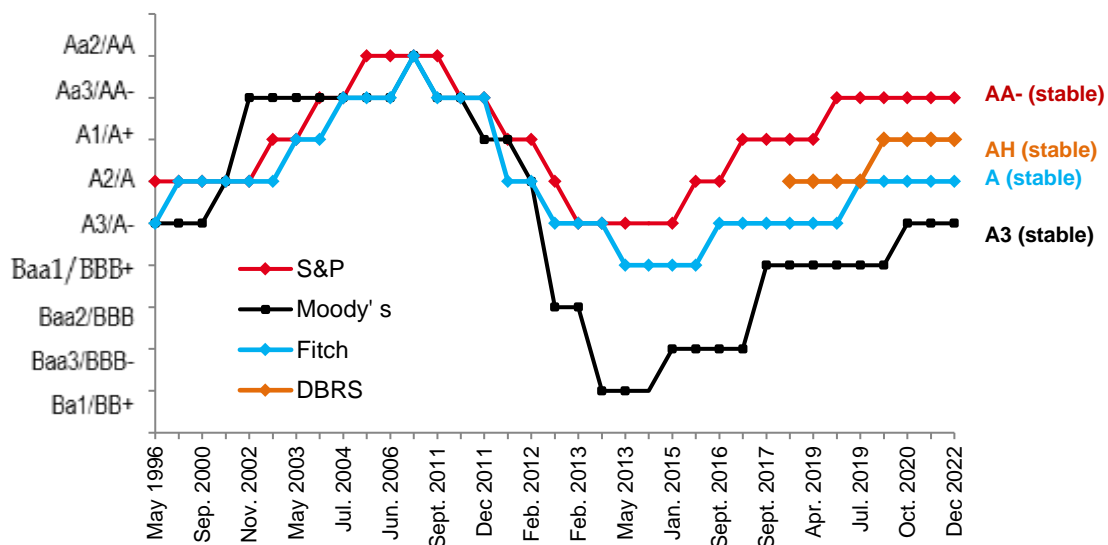
Rating Agency: Fitch Ratings (A, Stable Outlook)

On 11 November 2022, Fitch Ratings affirmed Slovenia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'A' with a Stable Outlook .

The full report can be found on the Fitch Ratings's website: <https://www.fitchratings.com>

The credit rating information of the Republic of Slovenia is presented in Figure 4.

Figure 4: Credit Rating of the Republic of Slovenia Over Time



Source: S&P, Fitch, Moody's and DBRS, 19.12.2022

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