

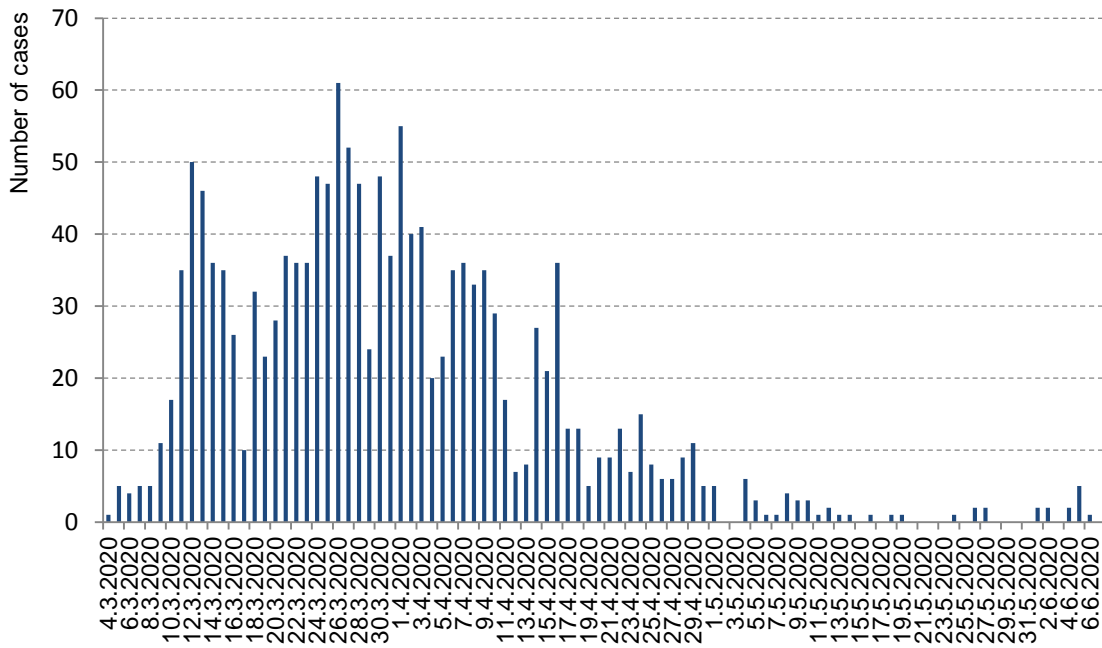


# 1 SOUND EPIDEMIC SITUATION IN SLOVENIA

The Government of the Republic of Slovenia adopted an ordinance declaring the end of COVID-19 epidemic effective from 15 May, based on a joint assessment by healthcare professionals and the Government. Slovenia is thus the first country in Europe to take this step.

The current epidemiological situation makes it possible to ease measures that were urgent to contain and control COVID-19, but they cannot yet be totally lifted. The first confirmed case of SARS-CoV-2 infection was recorded in Slovenia on 4 March 2020, and up to and including 7<sup>th</sup> of June, 1485 confirmed cases (650 men, 835 women) of infection were recorded. The effective reproductive number is currently less than one. Since 12<sup>th</sup> of May 2020 there was on average less than 1 confirmed positive COVID-19 case per 1 million citizens.

**Figure 1:** Number of daily confirmed COVID-19 cases in the period 4.3.2020–7.6.2020



Source: Slovenian National Institute of Public Health, 9.6.2020

The Government and National Parliament adopted a three part intervention packages Laws to stem the COVID-19 epidemic and mitigate its consequences. Adopted laws cover, among other, the following areas:

**Key measures focus to assist citizens and economy**

- Post epidemic health care outcome management
- Protecting potential for economic growth
- Preserving jobs/economy working capacity
- Household revenue stabilisation
- Social protection to vulnerable groups of citizens

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**Package 1.**

- ✓ Adopted: 2 April 2020
- ✓ Valid from/to: 13 March – 31 May 2020
- ✓ Compensation for temporary work lay-offs due to extraordinary circumstances, i.e. epidemic (the Republic pays 80% of the salary but not less than the amount of minimum wage in Slovenia, social contributions paid by the Republic to the level of average wage)
- ✓ Provide basic income on a monthly basis and social contributions for self-employed
- ✓ One-off solidarity assistance for pensioners, students and other vulnerable groups (for pensioners with less than EUR 700 per month)

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**Package 2.**

- ✓ Adopted: 28 April 2020
- ✓ Valid from/to: 1 May – 31 December 2020
- ✓ Liquidity loans guarantee scheme of the Republic in the total amount of 2 billions EUR to cover 70% of the loan principal for big companies and 80% loan principal for SME companies

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**Package 3.**

- ✓ Adopted: 20 May 2020
- ✓ Valid from/to: 1 June – 31 December 2020
- ✓ Extension of the compensation for temporary lay-offs for companies/industry and tourism by end June 2020
- ✓ Additional new measure of subsidising short-time work which aims to encourage businesses to restart their production processes and thus help flatten the unemployment curve. The Republic is subsidising up to 50% of the working time under precondition that workers stay at work for at least 50% or 20 hours a week
- ✓ Tourism vouchers to be granted to all Slovenian citizens.

Based on the latest Bank of Slovenia macroeconomic forecast dated 8 of June 2020, the economic activity in 2020 is expected to shrink by -6.5% of GDP on a yearly basis according to the baseline scenario. The bill of adopted fiscal measures within baseline scenario is estimated to EUR 2.1bn. Bank of Slovenia estimates that in absence of adopted fiscal measures, supported by favourable financing environment created by accommodative ECB monetary policy, the economic growth would decline by -9.7% of GDP in 2020, i.e. for one third more.

By the assumption of the absence of the second wave of epidemic, Bank of Slovenia expects the growth to rebound by 4.9% and 3.6% in 2021 and 2022 respectively.

<b>2020 Central Government Budget Financing Needs (- I. + II. - III. + IV.= V.)</b>		<b>EUR 1.58 bn</b>
I. Surplus of Balance A (Current surplus)		0.42
II. Deficit of Balance B (Lending and Repayment Account)		0.38
III. Change (reduction) of the state budget cash position and prefinancing executed in 2019		0.43
IV. Debt redemption		2.05
V. (Est) Central Government Budget Financing Needs for 2020		1.58
<b>Estimated Central Government Budget Debt Principal Repayments in 2021 and 2022</b>		<b>EUR 4.47 bn</b>
Central government budget debt principal repayments in 2021		3.216
Central government budget debt principal repayments in 2022		1.257
<b>Covid-19 Financing Needs</b>		<b>EUR 2.17 bn</b>
Borrowing needs for Covid-19 fiscal intervention package		2.167

\* In the fall 2020 the supplementary budget will be prepared and adopted by the Government and National Assembly.

In line with paragraph six of Article 48 of the Implementation of the Republic of Slovenia's Budget for 2020 and 2021 Act the Republic is allowed to execute additional borrowing for the purpose of financing the COVID-19 epidemic consequences. The maximum size of the additional borrowing must not exceed the difference between the expenditures, outlined in the adopted central government budget in the amount of EUR 10,358,000,000, and the maximum expenditures of the central government budget, determined by the Parliament in the amendment to the ordinance on the framework for the preparation of the general government budget for the year 2020 in accordance with paragraph one of Article 13 of the Fiscal Rule Act (Official Gazette RS No. 55/15) in the amount of EUR 12,525,000,000.

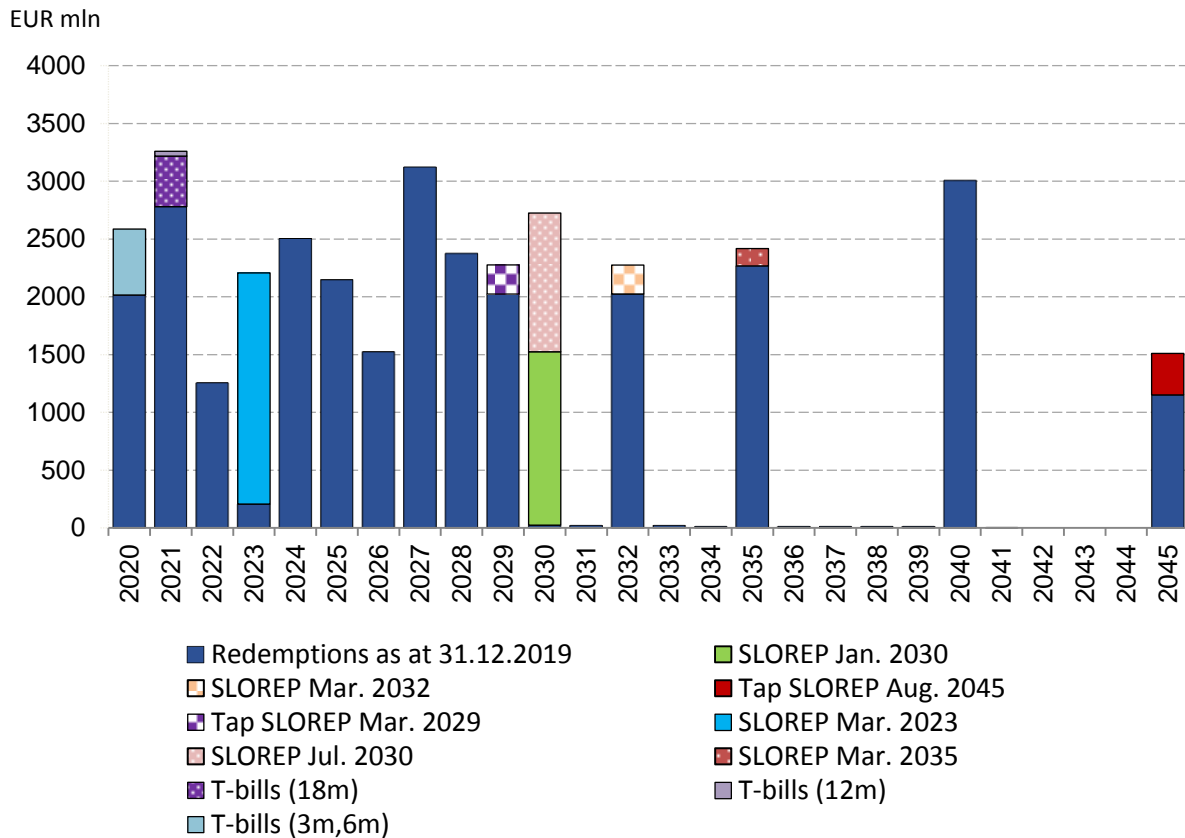
The maximum size of the additional borrowing for the purpose of mitigating the effects of COVID-19 epidemic is therefore permitted up to EUR 2,167,000,000.

According to Public finance Act, Republic of Slovenia is allowed to additionally prefinance for the debt redemptions in the following two years 2021-2022 that is in estimated total amount of EUR 4.47 bn.

In 2020 Slovenia has already provided EUR 6.24 bn financing by issuing long-term euro debt with average weighted issued yield of 0.5% and average weighted time to maturity 8 years. On Figure 2 financing executed in 2020 split by each maturity bucket is graphically presented.

The residual permitted debt financing amount in the rest of the year 2020 is EUR 1.58 bn.

**Figure 2:** Debt maturity profile in perspective of Financing programme 2020 execution



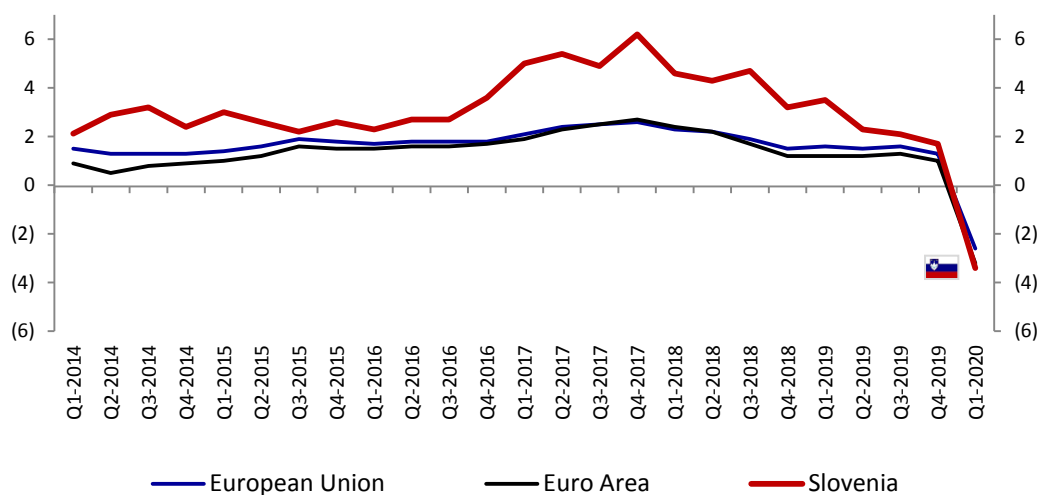
\*Marked Maturity Buckets depict Newly Issued EUR debt (bonds and T-bills) in 2020.

Source: Ministry of finance, 9.6.2020

## SLOVENIA'S GDP DECREASED IN Q1-2020 ROUGHLY IN LINE WITH EURO AREA AVERAGE

Based on original data the GDP in Slovenia decreased by -2.3% in the first quarter of the 2020 in comparison to the same quarter of the previous year (YoY). Seasonally adjusted GDP in Slovenia decreased by -3.4% in the first quarter of 2020 (YoY). The growth rate was slightly below EA-19 average of -3.2% (YoY). However, the EU average growth rate was higher and stood at -2.6% (YoY).

**Figure 3: Real Quarterly GDP Growth Rate (SA % change Q/Q-4)**



Source: Statistical Office of the Republic of Slovenia (SORS), Eurostat, (SA) Seasonally Adjusted data, 9.6.2020

### Total Employment

Total employment in the first quarter of 2020 stood at 1,041.617 workers. It increased by 1.0% or 9,890 persons. Newly employed persons were observed in construction, human health and social work activities. However, there are branches where total employment decreased, i.e. mostly in agriculture, administrative services, support service activities and in manufacturing.

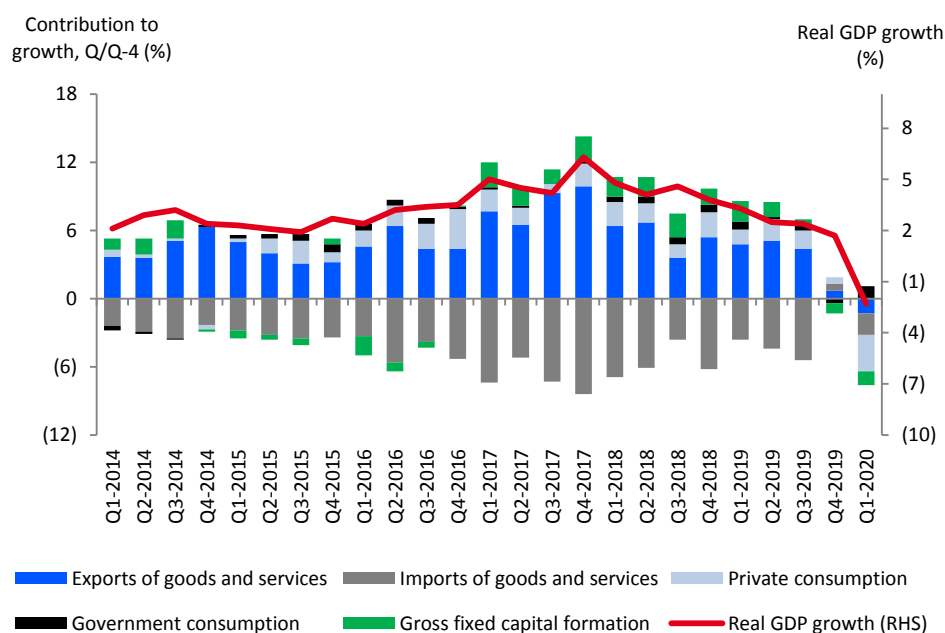
### External Demand and Competitiveness

In the first quarter of 2020 exports decreased by 1.6% and imports by 2.5% compared to the same quarter of the previous year. Consequently the external trade balance had a positive contribution to GDP growth, i.e. 0.5 of a percentage point.

### Domestic Consumption

In the observed period of first quarter 2020 the domestic consumption had more pronounced effect on GDP growth than external demand. Domestic expenditure declined by 3.1% for two key reasons: (1) the final consumption expenditure declined by 3.1% and (2) gross capital formation by 3.3%. However, within the structure of the final consumption the government expenditure part increased by 5.8%.

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



Source: Statistical Office of the Republic of Slovenia (SORS), Original data, 9.6.2020

**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.

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