Coronavirus Covid-19 Update

The risks associated with doing business are likely to be negatively impacted by the global coronavirus pandemic. Severe disruption to supply chains caused by lockdown procedures in many countries will affect country risk ratings. Demand will also be lower than initially anticipated as export earnings will be reduced amid a global economic slowdown and falls in both business and consumer confidence, as well as lower investment due to decreasing corporate earnings. We advise clients to monitor the containment efforts, as the adverse economic and supply chain effects will persist until the outbreak is controlled.

Country Insight Snapshot

Slovenia

June 2020

Written 12 June 2020

OVERVIEW

OVERALL COUNTRY RISK RATING: DB3c

Slight risk: Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.

A

Rating Outlook: Improving

CORE OUTLOOK

+ Slovenia has one of Eastern Europe's most developed economies, which is dominated by high-value-added services.
+ Slovenia is eligible for inflows of EU funding, worth an average of 1.5% of GDP a year until 2020, to develop the country's infrastructure and amenities.

- All sectors of the economy are weighed down by indebtedness resulting from an uncontrolled credit boom in the last decade.
- Slovenia is exposed to slow growth (or worse) in the euro zone's periphery.

KEY DEVELOPMENT

Dun & Bradstreet upgrades Slovenia's country risk rating from DB4a to DB3c as the government eases the lockdown of the country and most businesses reopen.

CREDIT ENVIRONMENT OUTLOOK

A

Trend: Stable

Key Development has had a positive impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK

A

Trend: Improving

Key Development has had a positive impact on the outlook.

MARKET ENVIRONMENT OUTLOOK

A

Trend: Improving

Key Development has had a positive impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK

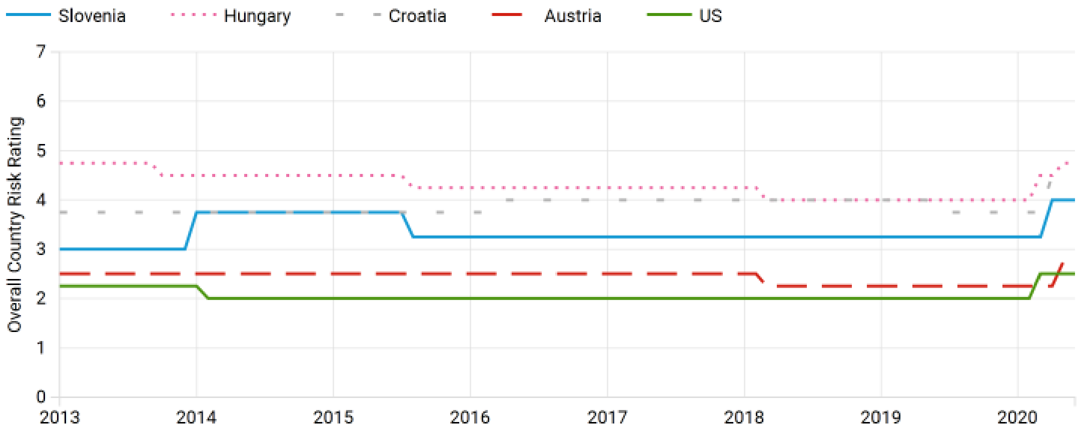
G

Trend: Deteriorating

Key Development has had a positive impact on the outlook.

KEY INDICATORS

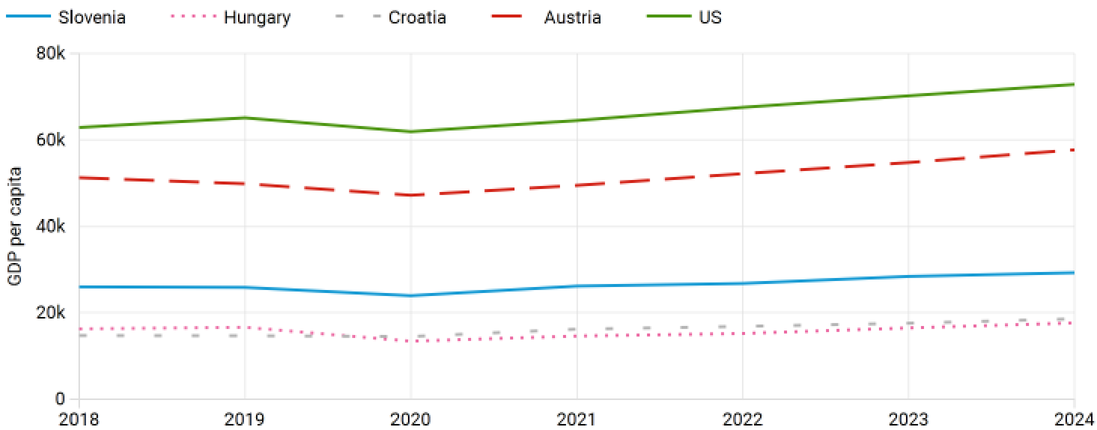
Rating History and Comparison



Source: Dun & Bradstreet

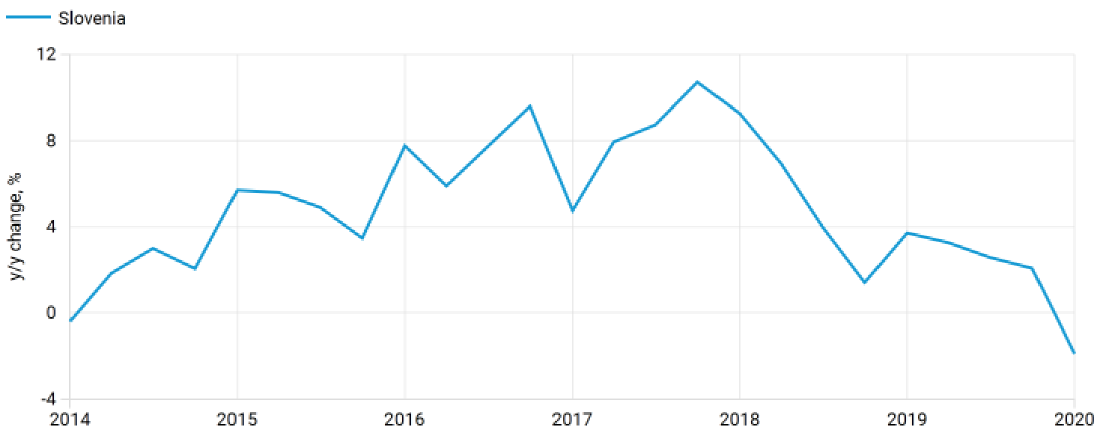
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Industrial Production Growth (Quarterly)



Source: Haver Analytics/Dun & Bradstreet

Economic Indicators

Indicator	2017	2018	2019	2020f	2021f	2022f	2023f	2024f
C/A balance % GDP	6.2	5.7	6.6	-3.1	-2.0	-0.7	0.3	1.3
Govt balance, % GDP	0.0	0.7	0.5	-6.7	-3.5	-2.0	-1.0	-0.8
Inflation, annual avge %	1.6	1.9	1.7	1.3	1.6	2.0	2.1	2.2
Real GDP Growth, %	4.8	4.1	2.4	-8.0	6.5	2.6	2.8	3.0
Unemployment, %	6.6	5.1	4.4	12.5	9.0	7.5	6.3	5.9

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

Cribus Dun & Bradstreet's *Payment Study* 2020 suggests that firms in Slovenia were relatively punctual at settling invoices in 2019, although problems remain. Overall, 49.9% of firms settled invoices by the due date, significantly better than the EU average of 44.3%; another 44.1% of firms paid within 30 days of the due date and 5.0% took 30 days or longer to settle an invoice, including 1.0% which took 90 days to pay. This performance constitutes a small improvement on 2018, when 1.3% of firms settled invoices only after 90 days. In terms of size, large firms are more punctual payers on average, with 62.0% settling invoices on time, compared to 46.3% of micro companies, reflecting the persistent difficulties which small firms have in accessing credit. On a sectoral basis, the slowest payers are in the retail trade, where just 37.4% of firms settle invoices on time and 1.3% pay only after 90 days, followed by construction (46.9%) and transport and distribution (49.3%), while firms in financial services are the most punctual payers, with 59.7% paying on time and just 0.9% settling invoices only after 90 days.

TRADE TERMS AND TRANSFER SITUATION

Minimum Terms: SD

The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms: SD

Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms: 30-60 days

Normal period of credit associated with transactions with companies in the stated country.

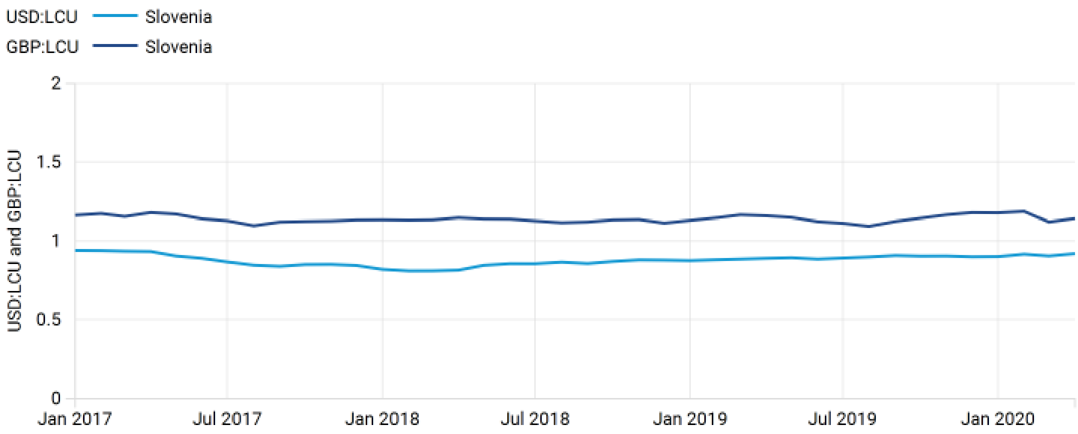
Local Delays: 0-1 month

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: No delays reported

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

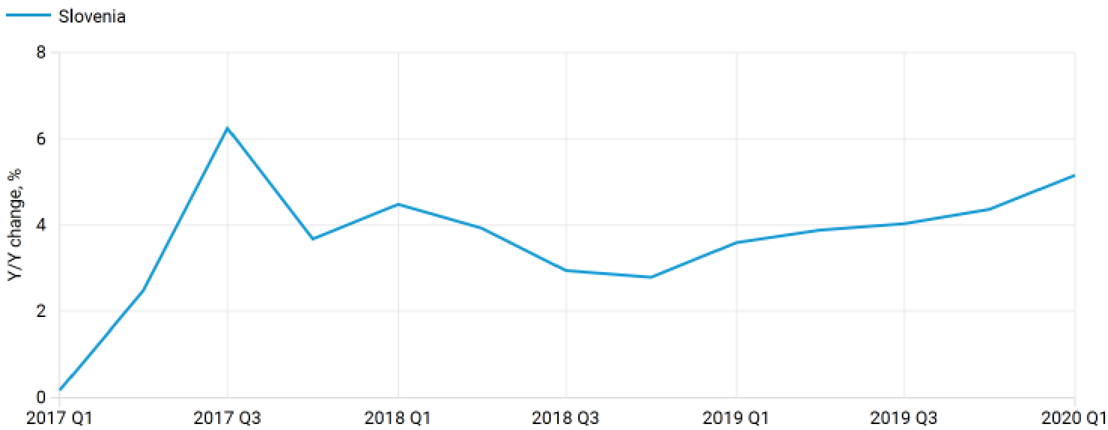
Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = euro

Bank Lending to the Private Sector



Source: IMF, Central Banks, Haver Analytics

RISKS AND OPPORTUNITIES

Business Continuity

Risk rating upgraded

Dun & Bradstreet is upgrading Slovenia's country risk rating from DB4a to DB3c as the government eases the lockdown of the country, against the backdrop of a rapid fall in new infections of coronavirus. Most businesses have now been allowed to reopen, including those which involve physical contact between people (such as hairdressers and fitness centres). So too have the majority of public amenities including kindergartens and primary schools, museums and cinemas, while outdoor gatherings are also now allowed, up to a maximum of fifty people.

Slovenia's international borders have been partially reopened, with EU citizens free to enter Slovenia from Austria, Hungary and Croatia, providing they have confirmation of a hotel booking or meet one of sixteen other exemptions. In the meantime, the government is establishing air corridors between Slovenia and countries which have overcome coronavirus in order to revive the vital tourist sector.

However, some restrictions still apply. Secondary schools remain partially closed. Public places must enforce strict hygiene measures by providing handwashing facilities at entrances, enforcing social distancing and regularly disinfecting premises. Concerts and nightclubs remain shut because of rules on indoor gatherings. And foreigners from outside the EU who do not meet any of the exemptions on entry must self-quarantine for fourteen days after entering Slovenia. Together these imply limited but continuing constraints on business continuity.

Short-Term Economic Outlook

Slovenia allocated EUR5.1bn

The risk to the public finances is diminishing following the publication of proposals by the European Commission for a EUR750bn EU-wide economic recovery fund, which allocates Slovenia EUR5.1bn (10.6% of GDP in 2019), EUR2.6bn in grants and EUR2.5bn in loans. The allocation will help to plug the large gap in the government's finances for this year, caused by a collapse in tax revenues and a sharp increase in spending obligations of around EUR4bn. However, the proposals are facing opposition from some EU members, meaning the overall sum could be reduced in size or the balance shifted from grants to loans. In the meantime, the additional borrowing required to finance the government's rescue package will still raise public debt to around 75% of GDP, up from 66.4% of GDP in December 2019, eliminating the gains made after years of unpopular austerity measures.

Political/Insecurity Risk

Government majority down to one

The government's majority in parliament has been reduced to just one MP, only four months into its term of office, following the defection of two MPs from the Modern Centre Party (one of the junior members of the coalition) to the opposition Social Democrats. In the meantime, the government has come under sustained attack from the street, where opponents of the leading Slovenian Democratic Party have been protesting its handling of the coronavirus crisis, among many other things. However, there is no imminent risk of the government's collapse, as the defection of the MPs has consolidated the Modern Centre Party, and by extension the four-party ruling coalition, implying its probable survival until scheduled elections in 2022.

COUNTRY PROFILE AND STATISTICS

Overview

Slovenia is located in Central Europe, bordering Austria, Croatia, Italy and Hungary. The country gained independence from Yugoslavia in 1991, and joined NATO and the EU in 2004. Slovenia is among the richest countries is Central Europe, having had a developed market economy even before it left Yugoslavia.

Subsequently, Slovenia was able to exploit its excellent infrastructure, well-educated workforce and favourable geographic location to further develop its economy after independence. However, rapid growth rates in the 2000s came to an end with the financial crisis of 2009, which exposed numerous defects in Slovenia's basic economic model, above all the politicisation of the banking sector, which saw favoured firms borrowing funds to excess. The consequence was a long recession, frequent changes of administration, and a massive bailout of the banking sector by the government - whose own debt has escalated accordingly. Since 2015, Slovenia has returned to more steady growth, boosted by exports and inflows of EU structural funds, but many of the country's underlying structural problems remain unresolved.

Key Facts

Key Fact	Detail
Head of government	Prime Minister Janez JANSA
Capital	Ljubljana
Timezone	GMT +01-00
Official language	Slovene
Population (millions)	2.1
GDP (USD billions)	53.8
GDP per capita (USD)	25,866
Life expectancy (years)	80.9
Literacy (% of adult pop.)	99.7
Surface area (sq km)	20,273

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	2.2	3.1	4.8	4.1	2.4
Nominal GDP in USDbn	43	45	48	54	54
Nominal GDP in local currency (bn)	39	40	43	46	48
GDP per Capita in USD	20,813	21,530	23,336	25,997	25,866
Population (year-end, m)	2.1	2.1	2.1	2.1	2.1
Exchange rate (yr avge, USD-LCU)	0.9	0.9	0.9	0.8	0.9
Current Account in USDbn	1.6	2.2	3.0	3.1	3.5
Current Account (% of GDP)	3.8	4.8	6.2	5.7	6.6
FX reserves (year-end, USDbn)	333.9	344.4	353.2	378.4	386.6
Import Cover (months)	1.4	1.5	1.4	1.3	1.4
Inflation (annual avge, %)	-0.8	-0.2	1.6	1.9	1.7
Govt Balance (% GDP)	-2.8	-1.9	0.0	0.7	0.5

Source: Haver Analytics/Dun & Bradstreet

Forecasts

Metric	2020f	2021f	2022f	2023f	2024f
Real GDP growth (%)	-8.0	6.5	2.6	2.8	3.0
Nominal GDP in USDbn	50	54	56	59	61
Nominal GDP in local currency (bn)	45	48	51	53	56
GDP per Capita in USD	23,939	26,171	26,782	28,423	29,274
Population (year-end, m)	2.1	2.1	2.1	2.1	2.1
Exchange rate (yr avge, USD-LCU)	0.9	0.9	0.9	0.9	0.9
Current Account in USDbn	-1.5	-1.1	-0.4	0.2	0.8
Current Account (% of GDP)	-3.1	-2.0	-0.7	0.3	1.3
FX reserves (year-end, USDbn)	407.1	423.6	440.8	463.3	542.0
Import Cover (months)	1.4	1.3	1.3	1.3	1.5
Inflation (annual avge, %)	1.3	1.6	2.0	2.1	2.2
Govt Balance (% GDP)	-6.7	-3.5	-2.0	-1.0	-0.8

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Slovenia	Hungary	Croatia	Austria	US
Income per Capita (USD)	23,939	13,369	14,453	47,169	61,945
Country Population (m)	2.1	9.7	4.1	9.0	331.0
Internet users (% of population)	75.5	79.3	72.7	84.3	76.2
Real GDP Growth (% p.a., 2020 - 2029)	1.0 - 3.5	1.5 - 4.5	1.0 - 3.5	1.7 - 2.2	1.5 - 3.3

Source: Various sources/Dun & Bradstreet

LINKS

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