

spring forecast of economic trends 2011

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Summary

Amid the stimulating impacts from the external environment and a relatively large contribution of changes in inventories, gross domestic product increased by 1.2% in 2010. The positive signals from foreign demand that started to boost economic activity in the second half of 2009 strengthened in 2010. Slovenia's economic recovery was mainly limited to the export-oriented and technology-intensive sectors of the economy, and this became even more pronounced during the year, while domestic factors hampered the recovery. Domestic consumption was only 0.4% higher than in 2009, with a visible positive contribution coming only from change in inventories (1.6 p.p.), while the other main aggregates remained lower than in 2009 (gross fixed capital formation) or recorded modest growth (private and general government consumption).

The Spring Forecast of Economic Trends is based on the implemented or adopted economic policy measures. The basic scenario of the Spring Forecast presented in the following sections is based on the adopted budgets for 2011 and 2012, and takes into account valid regulations and agreements on wage policy in the public sector. The adopted budgetary documents anticipate a slower consolidation compared with the commitments made in the Stability Programme at the beginning of 2010. This does not yet have an inhibitory effect, but nevertheless creates uncertainty regarding Slovenia's meeting of its commitments on fiscal consolidation, which could crucially affect lender risk perception and impair access to sources of finance.

Economic activity is expected to increase by 2.2% or 2.6%, respectively, in 2011 and 2012, which is less than the medium-term average before the crisis. Against a background of slower growth in foreign demand, the chances for a more rapid recovery of Slovenia's economy have narrowed due to loss of competitiveness of the economy, a tighter financial environment for businesses and the deteriorated situation in the public finances. With the impact of these factors continuing, economic growth will remain relatively low compared with pre-crisis levels and lower than projected in the autumn.

Export demand, having already played a crucial role in the recovery of Slovenia's economic activity last year, remains a vital driver of economic growth in the whole period covered by the forecast. Forecasts by international institutions for economic activity and import growth in Slovenia's main trading partners, which were taken into account in our spring forecast, have improved since the autumn, but the positive impact of foreign demand on the export-oriented part of Slovenia's economy will ease gradually this year and the next. Slovenia failed to fully exploit foreign demand, which had already been indicated by last year's movements when Slovenian exports recorded lower growth than foreign demand. Exporters are facing pressures on competitiveness from both labour costs and rises in commodity prices, amid much greater shocks from the international environment than projected in the autumn. Faster recovery of Slovenia's exports is also hampered by problems arising from insufficient technological restructuring in the past. As a result of these factors, total growth in exports will decline from last year's 7.8% to 6.9% this year and to 6.7% in 2012.

The financial conditions for businesses mainly tightened further in Slovenia last year, and this will affect Slovenia's economy significantly in 2011 and in the years to come. Banks continued to repay foreign liabilities last year while the government was withdrawing its deposits from the banking system. Amid a deterioration in the quality of banks' assets, banks were rapidly increasing impairments and provisioning. With regard to banks' risk assessment of clients, the structure of bank loans is shifting towards greater caution in granting corporate loans and towards increasing the volume of household loans. Financial conditions for enterprises, which are heavily indebted in certain industries, are thus fairly tight when it comes to sources of finance. Moreover, with a less expansionary monetary policy, the cost of borrowing is expected to start to rise in the euro area.

The pick-up of investment activity will be crucially affected by the international environment, the availability of financial sources and the situation in the construction sector. Financial conditions will play an important role in the recovery of investment activity, amid the expected movements in the international environment, which influence corporate decision-making on expansion of production capacity. The continuation of economic recovery in Slovenia's main trading partners and related growth in merchandise exports will, as in 2010, favourably impact investment in machinery and equipment. The expressly negative movements in the construction sector that have been recorded over the last two years are set to ease gradually, but economic activity in individual construction segments (residential construction, in particular) is not yet projected to start growing this year. Amid the expected moderation of negative trends in construction investment, gross fixed

investment is also forecast to increase this year (2.9%). Gross fixed investment growth is expected to see a transitory cyclical upswing to 4.5% next year. After three years of strong decline in investment in construction work, activity in this segment is set to recover next year; business investment will also continue to grow.

Economic circumstances are also reflected in poor prospects for growth in private and government consumption. Growth in private consumption will be relatively modest this year and in 2012, consistent with the estimated growth of disposable income amid poor labour-market prospects. It is projected to be 0.7% in 2011 and 2012. Having already eased last year (from 3% to 0.8%), government consumption growth will also be low in this year (0.8%) and the next (0.6%). Amid continuing employment growth in education, and health and social work, and in the absence of additional economic-policy measures, compensation of employees is expected to grow further in real terms according to this scenario. Against the background of high unemployment, social benefits in kind are also projected to grow in real terms, reflecting the increasing need for different types of social support. Expenditure on intermediate government consumption will remain more or less at the level achieved.

The labour market is expected to see a further decline in employment and an increase in unemployment, but both will be less pronounced than last year. The number of employed persons continued to fall last year and similar movements are also expected this year and in 2012, albeit to a lesser extent. Since the beginning of the economic crisis, enterprises have, despite last year's economic revival, continued to cut jobs and to adjust employment to changes in the economic environment, reflected in the level of GDP (which has yet to reach that in 2008), mounting labour-cost pressures and the financial standing of enterprises. This adjustment is expected to continue, albeit to a lesser extent than in 2009 and 2010. In 2011, the average number of employed persons is projected to be by 1.2% lower relative to last year, largely due to the slump at the end of last year, and by 0.3% next year (according to national accounts statistics). Following sizeable increases in unemployment at the end of last and at the beginning of this year, the average number of unemployed persons is set to climb to around 114 thousand in 2011 (116 thousand in 2012); the average registered unemployment rate will rise to 12.1% this year and 12.3% next year. This persistence of unfavourable trends is a consequence of the expected relatively sluggish economic growth, and the age and educational-attainment structure of the unemployed, as well as of regulatory changes in the labour market. Looking at the structure of unemployment, higher unemployment of older people and those with lower education, who are relatively less employable, was recorded last year. Furthermore, a number of amendments to regulation came into force this year, which could increase inflows into unemployment in the short term, but are positive from the aspect of the necessary changes on the labour market.

The expected total nominal growth of wages (2.5%) will this year result from wage growth in the private sector, as it did last year, but next year's acceleration to 3.8% based on the agreements now in force will also be due to wage rises in the public sector. This year, private-sector wages are projected to increase by 3.3% in nominal terms, nearly 2 p.p. less than in last year, as the effects of the adjustment to the new level of minimum wage in that part of the economy where wages have yet to be adjusted and of changes in employment structure will be much smaller this year. However, with a gradual economic recovery, private-sector wages are expected to see higher growth again next year (4.3%). After last year's stagnation, the average gross wage in the public sector will see similar movements this year, increasing by only 0.3% in nominal terms. In 2012, wage growth will strengthen to 2.5%, according to the agreements now in force, due to a gradual reinstatement of some, currently frozen components of wages of public servants.

This year's inflation, projected to reach 3% y-o-y by the end of the year, will be significantly affected by commodity price rises, but is set to decline somewhat next year, assuming that these pressures will ease. Amid relatively sluggish growth in domestic economic activity, upward pressures on prices continue to come from the international environment, particularly from increases in energy prices, which had already spilled over into retail prices last year, while global food and other commodity price rises are beginning to affect retail prices this year. The expected continued growth in economic activity will contribute to somewhat higher core inflation in 2012 than this year, but price growth of commodities is anticipated to slow down consistent with the assumptions on oil and commodity prices in the international environment, which is why lower y-o-y inflation at the end of the year (2.7%) is also expected.

Under the impact of factors that had already widened the deficit of some sub-balances of the current account last year, the current account in total will witness a higher deficit this year and the next. The current-account deficit is set to rise to 2.3% of GDP this year and 2.4% of GDP in 2012. The merchandise trade deficit will thus narrow somewhat next year, after this year's increase, which will be largely related to the assumed movements of export and import prices, as the terms of trade are projected to deteriorate again this year and then stabilise in 2012. At the same time, we anticipate a further increase in net interest payments on the private-sector and government debts. These movements are based on the expected growth of borrowing and the increase in interest rates by central banks and a consequent further rising of interbank interest rates. Due to the dynamics of repayments of interest on government bonds, interest from this source will also increase. The surplus in trade in services will fluctuate around last year's level in 2011 and 2012. Assuming that the absorption rate of EU funds will be similar to last year's, Slovenia's net position will remain relatively favourable in 2011 and 2012. With a somewhat wider deficit in the current transfers of the private sector, the current transfer balance will remain roughly balanced.

Due to the need for fiscal consolidation and weakened potential for growth in the medium-term period, the government has prepared a set of measures to improve the position of the public finances. These measures aim at limiting growth in compensation of employees, investment and subsidies, and increasing the efficiency of the general government sector. In the short term, they may result in somewhat weaker economic growth, but the medium-term prospects would improve compared to the baseline scenario of the spring forecast. The labour-market situation would, similarly, also deteriorate in the short term, but in the medium term, new possibilities for hiring would open up amid faster economic growth than anticipated in the baseline scenario of the spring forecast. These results confirm the pressing need for consolidation, but the consolidation method foreseen seems insufficient, given the persistence of high unemployment rates and the absence of measures to increase the efficiency of the broader public sector.

The risks for realisation of the spring forecast arise from the international environment. They are mainly related to commodity prices and a possible deepening of problems on international financial markets. Instability in a number of oil-producing countries may push oil prices above the current levels in the months to come and higher than assumed in the spring forecast. Higher growth in other commodity and food prices also remains a risk. Realisation of these risks would raise inflation and add pressure on the competitiveness of enterprises. Other risks to the realisation of the forecast relate to the tightening of international financial markets, given that the difficulties of the largest borrowers in the euro area may deepen and affect economic activity in the EU countries, and hence Slovenia. Materialisation of this risk may reduce economic growth in the euro area by 2.5 p.p. relative to the baseline scenario, according to the IMF estimate. If this scenario is realised this year, this is likely to have the greatest impact on economic activity in Slovenia next year. Simulations of this scenario, which would particularly impact investment and exports, show that in this case economic activity would remain at this year's level in 2012.

Spring forecasts of the main macroeconomic aggregates, scenario without additional policy measures

	2009	2010	2011	2012
			Spring forecast	
GROSS DOMESTIC PRODUCT, real				
GDP in EUR m (current prices)	35,384	36,061	36,843	38,788
GDP per capita in EUR (current prices)	17,331	17,597	18,052	18,967
GDP per capita in USD (current prices)	24,174	23,351	24,586	25,890
POPULATION, EMPLOYMENT, WAGES AND PRODUCTIVITY				
Population on 30 June, in '000	2,042.3	2,049.3	2,041.0	2,045.0
Employment according to the SNA, growth in %	-1.9	-2.2	-1.2	-0.3
Number of registered unemployed (annual average, in '000)	86.4	100.5	114.0	115.8
Registered unemployment rate, in %	9.1	10.7	12.1	12.3
ILO unemployment rate, in %	5.9	7.2	7.9	8.0
Gross wage per employee, real	2.5	2.1	0.2	0.8
- private sector	0.9	3.3	1.1	1.3
- public sector	5.6	-1.8	-1.9	-0.5
Labour productivity (GDP per employee), real	-6.4	3.4	3.4	2.9
INTERNATIONAL TRADE				
Exports of goods and services, real	-17.7	7.8	6.9	6.7
Exports of goods	-18.1	10.2	7.7	7.4
Exports of services	-16.1	-1.1	3.4	3.3
Imports of goods and services, real	-19.7	6.6	5.1	6.0
Imports of goods	-20.9	7.7	5.2	6.0
Imports of services	-12.3	1.1	4.7	6.0
Current account BALANCE, in EUR m	-526	-409	-865	-924
- as a % of GDP	-1.5	-1.1	-2.3	-2.4
International trade balance, in EUR m	415	84	-91	69
- as a % of GDP	1.2	0.2	-0.2	0.2
DOMESTIC DEMAND, real				
Final consumption	0.2	0.6	0.8	0.7
of which:				
Private consumption	-0.8	0.5	0.7	0.7
Government consumption	3.0	0.8	0.8	0.6
Gross fixed capital formation	-21.6	-6.7	2.9	4.5
EXCHANGE RATES AND PRICES				
USD/EUR exchange rate	1.393	1.327	1.362	1.365
Real effective exchange rate – CPI deflator*	0.7	-1.4	-0.2	1.1
Inflation, year-end stock	1.8	1.9	3.0	2.7
Inflation rate (annual average)	0.9	1.8	2.2	3.0
Oil price (Brent crude, USD/barrel)	61.7	79.6	110.0	115.0

Source: up to 2010 SORS, BS; 2010–2012 forecasts by IMAD.

Note: * A rise in the value indicates real appreciation of national currency and vice versa.

The Spring Forecast of Economic Trends 2011 has been prepared using statistical data, information and adopted measures available by 14 March 2010.

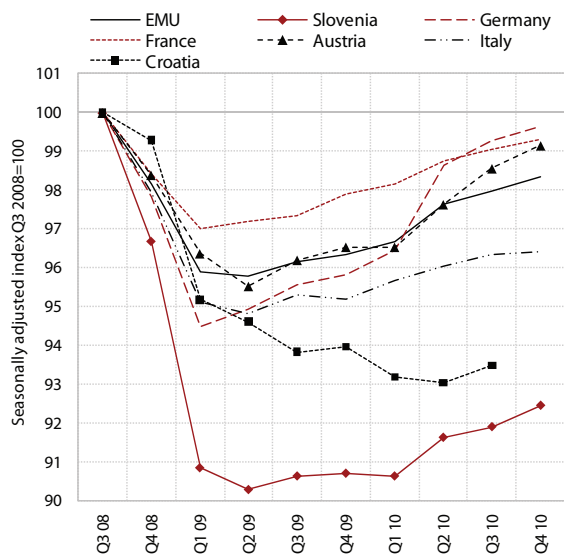
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ECONOMIC GROWTH

Economic growth in 2010: key drivers

Slovenia's GDP expanded by 1.2% in real terms in 2010. Last year's recovery was crucially underpinned by higher exports and the change in GDP was once again significantly affected by the movement of inventories, which contributed as much as 1.6 p.p. to economic growth. Slovenia thus recorded a slower recovery than the euro area as a whole (1.7%) last year and, after an 8.1% real decline in 2009, its GDP still lags significantly behind the 2008 level.

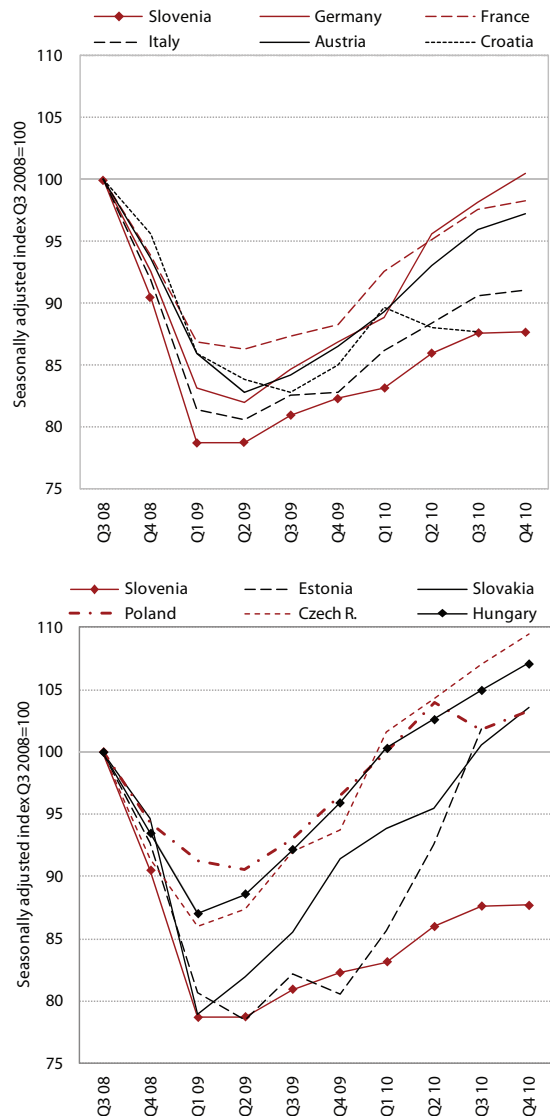
Figure 1: GDP in Slovenia and main trading partners



Source: Eurostat; calculations by IMAD.

Positive signals from foreign demand that had already been observed in the second half of 2009 strengthened in 2010. Growth in merchandise exports (10.2%) was largely based on technology-intensive goods. The recovery of exports was crucially dependent on the recovery in Slovenia's main trading partners in the EU, but the favourable impacts from the international environment eased during the year, consistent with the slowdown of economic growth in these countries as a result of slower growth in global trade, the end of temporary incentives and the implementation of austerity measures to reduce public-finance deficits. Exports to non-EU markets recorded much lower growth, as a result of a continued real decline in exports to the markets of the former Yugoslavia. The regional orientation of Slovenia's exports outside the EU, with markets of the former Yugoslavia accounting for a large share, proved to be (along with the relatively worse technological structure of Slovenian exports) a significant factor last year in the slower recovery of Slovenian exports in comparison with certain other countries of the EU.

Figure 2: Recovery of goods and services exports in Slovenia and its main trading partners



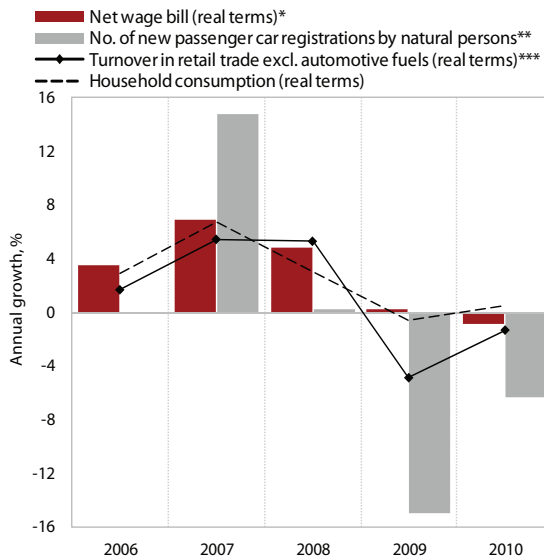
Source: Eurostat; calculations by IMAD.

Household and government final consumption increased last year. Private consumption grew by 0.5% last year. However, the current balance of payment figures for 2009 (particularly in trade in travel services) cannot be used as a final basis for the calculation, as these have not yet been fully revised. We therefore estimate that the positive growth rates of private consumption in 2010 do not necessarily indicate an actual strengthening of Slovenian household consumption. This is also shown by data on the labour market regarding movements of employment and wages, movement of turnover in retail trade and other indicators of household consumption (see Figure 3). Government consumption recorded 0.8% growth last year, which is a much lower level than in 2009 (3.0%). Collective government consumption¹ saw higher

¹ Consumption of administrative, defence, economic, R&D and other non-market services of the government.

growth (1.4%) than individual consumption² (0.4%). The economic structure of consumption shows a particular increase in compensation of employees in real terms amid further growth (by 1.5%) in the number of employees in the general government. In 2010, government intermediate consumption equalled that in 2009, while social benefits in kind increased.

Figure 3: Private-consumption indicators



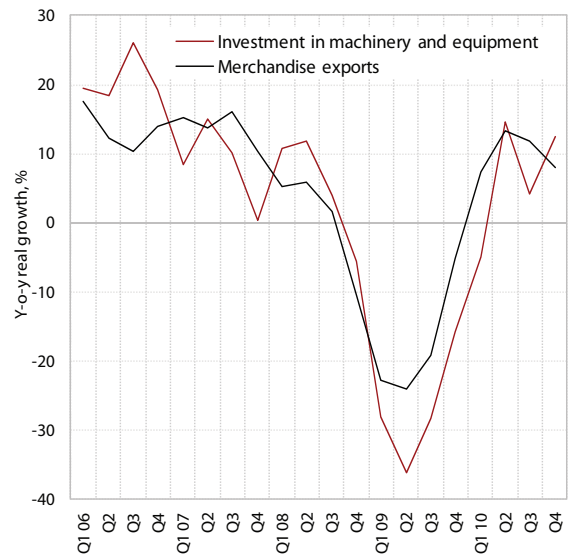
Source: SORS, MI-IAAD.

Notes: *calculated on the month of payment; **data from March 2006 onwards; ***SCA 2008.

Investment activity declined further last year. After the more than 20% decline in 2009, gross investment shrank by a further 6.7% last year, due to a further drop in investment in buildings and structures. The decline in construction investment, which shrank by one third in the two years combined, was also recorded in all construction segments last year, particularly in residential

construction, where the decline is related to a large stock of unsold flats and the tight financial situation. Following the completion of intensive motorway construction, infrastructure investment also dropped much below the level of previous years. The decline in investment in non-residential buildings is chiefly related to the relatively high indebtedness of the corporate sector. On the other hand, investment in machinery and equipment already exceeded the 2009 level (by 6.8%) under the favourable impact of growth in foreign demand and higher capacity utilisation.

Figure 4: Investment in machinery and equipment and merchandise exports



Source: SORS.

Table 1: Gross fixed capital formation

Real growth rates, in %	2008	2009	2010
Gross fixed capital formation	8.5	-21.6	-6.7
Buildings and structures	11.2	-19.2	-15.7
Dwellings	13.1	-20.3	-20.4
Other buildings and structures	10.4	-18.8	-13.8
Machinery and equipment	4.8	-27.2	6.8
Transport equipment	4.0	-47.5	0.0
Other machinery and equipment	5.1	-20.5	8.3

Source: SORS.

² Consumption involving non-market services in education, health and social work, culture and sports, and market services such as medicines, orthopaedic aids, concession rights granted to the private sector and health-resort services.

Economic growth forecasts for 2011–2012

Economic activity is expected to increase by 2.2% or 2.6%, respectively, in 2011 and 2012, which is less than the medium-term average before the crisis. Against a background of slower growth in foreign demand, the chances for a rapid recovery of Slovenia's economy have narrowed due to loss of competitiveness of the economy, a tighter financial environment for businesses and the deteriorated situation in the public finances. With the impact of these factors continuing, economic growth will remain relatively low compared with pre-crisis levels, and lower than projected in the autumn.

Export demand, which already played a crucial role in the recovery of Slovenia's economic activity last year, remains a vital factor in economic growth for the whole period covered by the forecast. Forecasts by international institutions for economic activity and import growth in Slovenia's main trading partners, which served as the basis for our spring forecast (see Box 1), have improved since the autumn, but growth in imports in Slovenia's trading partners will ease gradually over this year and the next, as will its favourable impact on the export-oriented sector of Slovenia's economy. Slovenia failed to fully exploit foreign demand, as had been indicated by last year's movements, as Slovenian exports recorded lower growth than foreign demand. Exporters are facing pressures on competitiveness from both labour costs (see Box 4) and rises in commodity prices, amid much greater shocks from the international environment than projected in the autumn.

The Spring Forecast of Economic Trends is based on the adopted budgetary documents, which anticipate a slower consolidation compared with the

commitments made at the beginning of 2010. After the significant deterioration of public finances in 2009, largely as a consequence of the crisis, but also due to structural factors, there was practically no improvement in 2010. In the short term, a fiscal policy of this kind does not yet have a great inhibitory effect, but nevertheless creates uncertainty regarding Slovenia's meeting of its commitments on the speed of fiscal consolidation.

The financial conditions for businesses mainly tightened further in Slovenia last year, and this will crucially affect Slovenia's economy in 2011 and in the years to come. Banks continued to repay foreign liabilities last year while the government was withdrawing its deposits from the banking system. Amid a deterioration in the quality of their assets, banks rapidly increased impairments and provisioning. With regard to banks' risk assessment of clients, the structure of bank loans is shifting towards greater caution in granting corporate loans and towards increasing the volume of household loans (see Box 3). Financial conditions for enterprises, which are heavily indebted in certain industries, are thus fairly tight as regards availability of sources of finance. Moreover, with a less expansionary monetary policy, the cost of borrowing is expected to start rising in the euro area. Amid the expected movements in the international environment, which importantly contribute to the creation of a proper investment climate and significantly affect corporate decision-making on expansion of production capacity, these circumstances will play an important role in the recovery of investment activity. Investment is expected to increase more slowly than in the period before the crisis. The costs of government borrowing and, indirectly, the private sector's borrowing will also be crucially dependent on how the financial markets respond to the speed and quality of consolidation of the public finances.

Table 2: Forecast for economic growth

	2010	2011		2012	
		Autumn forecast (Sept. 2010)	Spring forecast (March 2011)	Autumn forecast (Sept. 2010)	Spring forecast (March 2011)
Real growth rates, in %					
Gross domestic product	1.2	2.5	2.2	3.1	2.6
Exports of goods and services	7.8	5.9	6.9	7.0	6.7
Imports of goods and services	6.6	4.5	5.1	5.9	6.0
Balance of goods and services (contribution to GDP growth in p.p.)	0.8	0.9	1.2	0.8	0.7
Private consumption	0.5	1.0	0.7	2.0	0.7
Government consumption	0.8	-0.8	0.8	1.4	0.6
Gross fixed capital formation	-6.7	4.0	2.9	4.3	4.5
Change in inventories (contribution to GDP growth in p.p.)	1.6	0.4	-0.3	0.0	0.4

Source: SORS; 2011–2012 forecasts by IMAD.

Box 1: Assumptions of the spring forecast – international environment

The global economic recovery will continue in the next two years, according to forecasts by international institutions. In line with the most recent IMF forecasts (January 2011), global economic activity will rise by 4.4% this year, after a 5% increase last year, and by 4.5% in 2012. Strong growth can again be predicted for emerging markets, particularly those in Asia, while in advanced economies, growth will remain relatively slow. Growth in the volume of global trade is projected to ease more than economic growth (from last year's 12.0% to 7.1% this year, and 6.8% in 2012).

In the euro area, import growth is easing, but a gradual improvement is expected for the markets of the former Yugoslavia. The main reasons for the weaker economic growth this year compared with last year are the slowdown of global economic growth and the effects of austerity measures to consolidate public finances in most EU countries. Economic growth this year will still be largely driven by foreign demand. A gradual pick-up of domestic demand, particularly for investment, will also contribute to a slight strengthening of economic growth in the coming two years. The growth of imports of goods and services in the euro area will record a gradual moderation over this year and the next (from last year's 8.7% to 5.5% this year and 4.7% in 2012, according to the Consensus forecasts). In line with forecasts by international institutions, in 2011–2012, we expect a gradual improvement of economic conditions in Slovenia's other trading partners, of which the former Yugoslav countries are an important group.

The current trends indicate strong growth in commodity prices for this year also. Assuming that the price of Brent crude averages USD 110 a barrel in 2011, prices of this commodity will reach 38.2% average growth in 2011, and 4.5% average growth next year under the technical assumption of even slightly higher oil prices (USD 115/barrel). Non-energy commodity prices (in dollars) are predicted to rise by 27.5% this year and 1% in 2012.

The technical assumption for the USD/EUR exchange rate by the end of this year and in the following two years is based on the average exchange rate between 1 and 28 February, EUR 1.365 to EUR 1 (in the autumn forecast, USD 1.294 to EUR 1).

Table 3: **Spring forecast assumptions of economic growth in Slovenia's main trading partners**

	2009	2010	2011		2012	
			Autumn forecast (Sept. 2010)	Spring forecast (March 2011)	Autumn forecast (Sept. 2010)	Spring forecast (March 2011)
EU	-4.2	1.8	2.0	1.7	2.0	1.9
Euro area	-4.1	1.7	1.6	1.5	1.6	1.7
Germany	-4.7	3.6	1.7	2.5	1.7	2.0
Italy	-5.0	1.3	1.1	1.0	1.1	1.1
Austria	-3.9	2.0	1.5	2.2	1.5	2.0
France	-2.6	1.5	1.9	1.6	1.9	1.8
United Kingdom	-4.9	1.3	2.1	1.9	2.1	2.2
Czech Republic	-4.1	2.4*	3.5	2.2	3.5	2.5
Hungary	-6.3	1.2	3.5	2.5	3.5	3.0
Poland	1.7	3.8	3.4	4.0	3.4	4.2
Croatia	-5.8	-1.5*	2.5	1.3	2.5	2.2
Bosnia and Hercegovina	-3.2	0.8*	3.0	2.2	3.0	3.0
Serbia	-3.0	1.5*	3.0	2.8	3.0	3.5
Macedonia	-0.7	0.5*	3.0	2.0	3.0	3.0
USA	-2.6	2.8	3.3	3.2	3.3	3.0
Russia	-7.9	4.0	4.4	4.4	4.4	4.4

Source: Eurostat; ECB staff macroeconomic projections for the euro area, March 2011; Consensus Forecasts, February 2011; Eastern Europe Consensus Forecasts, February 2011; Economist Intelligence Unit Country Reports (for Serbia, Croatia and Russia), February 2011; WIIW Current Analysis and Forecasts, March 2011; IMF World Economic Outlook update, January 2011; IMAD estimate. Note: * estimate.

Merchandise trade is predicted to grow more slowly this year, but somewhat higher growth is expected in trade in services, which did not greatly recover last year. Growth in merchandise exports is set to decline from last year's 10.2% to 7.7%. In line with the assumptions for the international environment, which predict slower growth of imports in the EU countries, growth in Slovenia's exports to these countries is expected to decline this year. Incentives for the purchase of new passenger cars and light commercial vehicles will come to an end in all EU countries, which will affect Slovenia's road vehicle exports. Exports to non-EU countries, in contrast, are projected to grow more strongly this year, largely as a consequence of recovering exports to former Yugoslav countries, which dropped in real terms last year. We also forecast higher growth in exports to the Russian Federation and further growth in exports to some other non-EU markets.³ After two years of decline, slight growth in exports of services is set to resume this year (from -1.1% to 3.4%), particularly due to renewed growth in exports of travel services, while exports of transport services will see somewhat lower growth than last year due to the expected moderation of merchandise trade. As a result of the expected slowdown of growth in merchandise exports, imports of intermediate goods are also projected to grow at a slower pace this year and total growth in merchandise imports will therefore decline (from 7.7% to 5.2%). Last year's modest growth in services imports will increase somewhat this year (from 1.1% to 4.7%). The greatest contributions to growth are expected from imports of business services, travel and transport services. Against the background of these movements, net exports will contribute 1.2 p.p. to GDP growth in 2011, somewhat more than last year.

Amid the expected moderation of negative trends in construction investment, we also expect growth in gross fixed capital formation this year, and thus higher growth in domestic consumption than last year. Investment in gross fixed capital formation is set to increase by 2.9% in 2011. The expressly negative movements in the construction sector recorded over the last two years are set to ease gradually, but economic activity in individual construction segments (residential construction, in particular) is not yet projected to start growing. Based on data on issued building permits and given the tight situation in this sector, housing investment will continue to drop, but less than in the previous two years.⁴ Less negative movements are expected for non-residential investment where construction activity has already started to pick up in some segments,⁵ and a

³ Switzerland, Turkey, Ukraine – the share of Slovenia's exports to these countries has hovered around 3% over the past few years. After declining in 2008 (-7.6%) and 2009 (-9.1%), it was 14.9% larger last year.

⁴ Data on issued building permits for new flats show that last year, the total planned floor area of residential buildings declined much less than in 2008 and 2009 (last year, 7.3%; in 2008 and 2009, 20.5% and 25.4%, respectively). The total planned floor area for buildings where the investor is a legal entity has already increased.

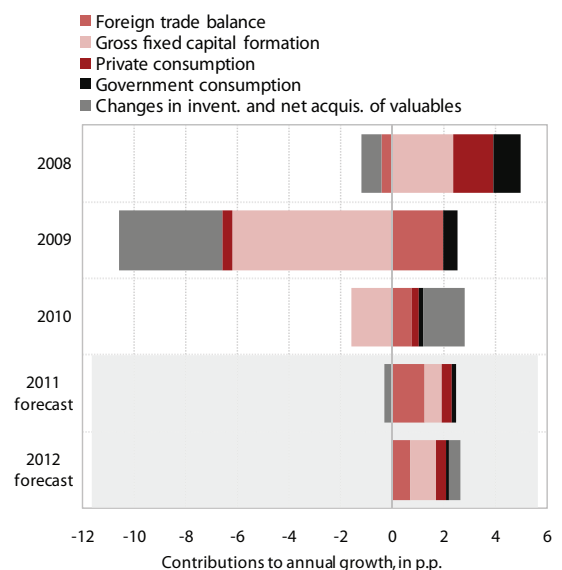
⁵ According to the issued building permits, the total planned floor area for office buildings and buildings for public entertainment, education or hospital and institutional care, and industrial buildings is expected to see

similar situation applies in infrastructure investment, where growth will be favourably affected by the foreseen increase in government expenditure on investment. The strengthening economic recovery in Slovenia's main trading partners and related growth in merchandise exports will, as in 2010, favourably impact investment in machinery and equipment. According to the first available data for 2011, we estimate that strong y-o-y growth in imports in January this year is, as in December last year, highly related to vigorous investment activity.⁶

The contribution of changes in inventories to GDP growth, which had a significant impact on the movement of this aggregate over the last two years, is projected to be more neutral this year. After increasing last year, in our estimation, inventories are also set to expand this year, albeit to a lesser extent, and will thus make a slightly negative contribution to GDP growth. Inventories in industry are expected to increase further, but inventories in real-estate activities will decline, according to our estimate.

Household consumption is also expected to recover this year, while government consumption will grow at a similar rate to last year's level. Private consumption is predicted to follow growth in disposable income, which means 0.7% growth in real terms. The propensity to consume is not likely to increase under current circumstances, by our estimate, as wage growth remains low and the predicted increases in food prices, higher unemployment and a possible increase in interest rates

Figure 5: GDP growth by aggregate demand component



Source: SORS; calculations and forecast for 2011–2012 by IMAD.

strong growth this year. The calculations for this type of investment (non-residential buildings) will be otherwise also affected by the relatively high level at the beginning of last year (related to the construction of a large sports complex at this time).

⁶ Similar movements are recorded for data on first car registrations: the number of first registrations of freight vehicles increased by 28.5% y-o-y in the first two months, the number of road tractors by as much as 141.9%.

are not conducive to consumer optimism. Government consumption is also expected to increase by 0.8% this year. As a result of the adopted austerity measures and the foreseen streamlining of government expenditure in all general government accounts, government intermediate consumption will drop slightly in real terms (by 0.2%). Social benefits in kind will increase by a real 2.8%, however, with some programmes being limited only to socially vulnerable groups and with policies on more rational use of medicines.

Economic growth is predicted to strengthen in 2012, but only to just above 2.5%. The effects of the economic crisis, which have changed circumstances in financial markets at home and abroad and deteriorated public finances, will continue to show in consumer behaviour, and corporate and government performance. According to the projections by international institutions taken into account in our forecast, economic growth in Slovenia's main trading partners will not greatly accelerate next year. In the short term, Slovenia's export sector will struggle to make up for losses resulting from sluggish technological restructuring in the past and a deterioration of the competitive position in the world market. Export growth is therefore set to decline next year (6.7%). Fixed capital formation is expected to see a transitory cyclical upswing

of growth to 4.5% next year. After three years of strongly declining investment in construction work, investment activity is expected to recover in this sector next year, including investment in transport infrastructure. Moreover, we expect further growth in investment in machinery and equipment. However, with the scarcity of sources of finance from banks, enterprises will have to rely more on their own internal sources than they had in the past, and investment will rise more slowly than before the crisis. Private consumption will grow (0.7%) in line with the estimated growth of disposable income, which remains relatively modest amid poor labour-market prospects. Government consumption is set to increase by 0.6%. In view of the employment needs in education and health and social work, the baseline scenario anticipates further real growth in the compensation of employees in the general government. The rationalisation of government expenditure will otherwise continue and the adopted budget documents for 2012 envisage that intermediate consumption will stay at roughly the same level in real terms as in 2011. Against the background of persistent high unemployment, social benefits in kind are also projected to increase in real terms in 2012 (by 1.3%) as a result of the growing need for various types of social support.

Box 2: Growth in potential GDP

Based on the most recent available statistical data and IMAD's spring forecasts for economic growth, we estimated potential GDP growth and output gap using the production function method (PF). The estimate is based on annual data and, for the period from 2011 onwards, IMAD's spring forecast for GDP growth. In Figure 6, we compare the potential GDP growth rates that were calculated using two different methods to extract the cyclical component of total factor productivity (TFP). One is based on a Hodrick-Prescott filter (HP filter) and the other on a bivariate Kalman filter (KF) approach.⁷ For the sake of comparison, we also show potential GDP growth as calculated by the European Commission (EC) in autumn 2010. This calculation is also based on the production function method, but the EC used the HP filter approach to extract the cyclical component of TFP.⁸ The differences between IMAD's calculations with the HP filter and the EC's calculations result from different forecasts used in calculating GDP growth (in the EC's calculations, the EC autumn forecast from 2010 and in IMAD's calculations, IMAD's spring forecast from 2011, which covers a longer period), and partly from differences in input data.⁹

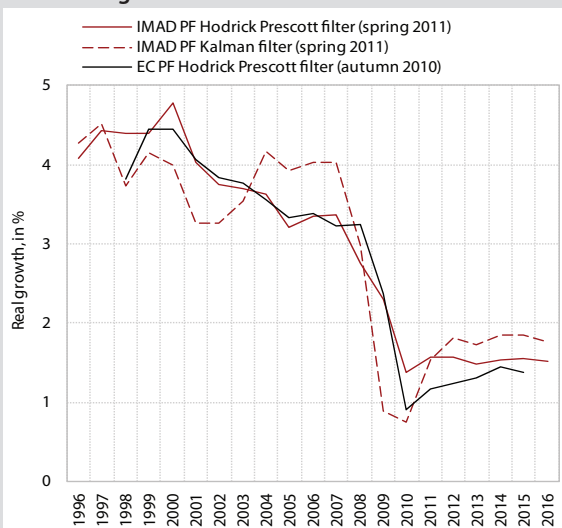
According to the calculations, potential GDP growth will be lower by almost half in the coming years than it was before the crisis. Calculations using the PF method show that, after declining steeply in 2008 and 2009, potential GDP growth dropped below 2% from around 4% in the period before the crisis.

⁷ The cyclical component of TFP and unemployment (NAIRU) were estimated using the GAP programme (Christophe Planas and Alessandro Rossi, European Commission, Joint Research Centre, 2010) available at eemc.jrc.ec.europa.eu/Software-GAP.htm. NAIRU and the cyclical component of TFP were estimated using the series of wage growth and capacity utilisation in a bivariate unobserved component model.

⁸ For a more detailed description of the methodology, see F. D'Auria, Cécile Denis, K. Havik, K. Mc Morrow, C. Planas, R. Raciborski, W. Röger and A. Rossi: »The production function methodology for calculating potential growth rates and output gaps«, Economic Papers 420, July 2010, DG ECFIN.

⁹ When calculating potential growth, we took into account new data for 2010 released since the last estimate was made by the EC. We also made a correction (as in our previous calculations) in the series of data on employment according to national accounts statistics due to the break in the data series in 2002.

Figure 6: Potential GDP growth, comparison of different methodologies for calculation



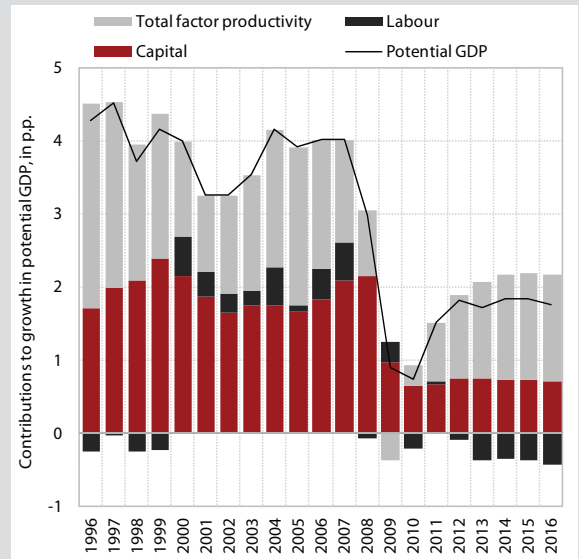
Source: calculations by IMAD, EC.

Box 2: Growth in potential GDP - continue

Among the components of potential GDP growth (calculated using the KF), the contribution of capital will decrease most notably in the coming years. The contribution of capital fell once again last year (to 0.7 p.p.), after the steep decline in 2009, and is also expected to remain at that level in the medium term. Labour contributed relatively little to potential GDP growth throughout the past period and its contribution will turn negative in the years to come, in 2011 and 2012 largely as a consequence of the expected increase in the natural unemployment rate (NAIRU)¹⁰ and later mainly due to the shrinkage of the active population according to Eurostat's demographic projections, which are taken into account in the calculations. The contribution of total factor productivity also diminished significantly during the crisis, but these movements are not likely to continue (see Figure 7).

¹⁰ In calculating the natural unemployment rate (NAIRU), we take into account the forecasts for the survey unemployment rate, which does not seem to be poised for significant recovery in the medium term. NAIRU was estimated by a bivariate unobserved component model using the wage growth series besides the unemployment series. The calculations show an increase and a gradual stabilisation of NAIRU at a level below 8%. The increase in NAIRU, which cannot be directly observed, is also indirectly indicated by increasing long-term unemployment.

Figure 7: Contributions of individual components to potential GDP growth (PF Kalman filter)



Source: IMAD.

Value added by activity

Developments in 2010

Value added rose by 1.6% in real terms in 2010.

Following a significant decline in 2009, value added increased in industry in 2010, mainly on the back of manufacturing, and in certain market services. In public services, value added rose once again, albeit less than in the previous year. In construction, the shrinkage of value added continued, as was the case in agriculture and accommodation and food service activities where, unlike the situation in construction, value added declined much less than a year previously. Value added also dropped in financial intermediation, for the first time during the crisis.

In 2010, value added in manufacturing grew by 8.0% in real terms compared with a year earlier.

The increase was chiefly attributable to growth in predominantly export-oriented industries, given that foreign demand picked up last year while turnover from domestic demand remained at the previous year's level.¹¹ Production volume thus increased in high- and medium-high-technology industries and most medium-low-technology industries, which are more strongly oriented to foreign markets. Among the latter, only the manufacture of non-metal

mineral products fell behind the 2009 level in 2010, as it is largely dependent on domestic construction activity, which continued to shrink last year. Among the high-technology industries, the production level of 2009 was exceeded most in the manufacture of ICT and electrical equipment. Subsidies for the purchase of new passenger and light commercial vehicles, which expired in certain EU countries¹² last year, had contributed to strong y-o-y growth in the manufacture of motor vehicles, and, to certain extent, in some less technology-intensive industries related to the car industry as suppliers of parts and accessories for motor vehicles.¹³ Production in low-technology industries, most of which are predominantly oriented to the domestic market, remained at the 2009 level in 2010 as a whole. The production decline in these industries, which had already started before the beginning of the crisis in 2008, continued in the furniture and textile industries. These industries also lag most behind the 2008 production levels (by around 60% and 50%, respectively) and contribute most notably to the lag in manufacturing (around 13%) behind the pre-crisis levels. However, the 2008 level had already been exceeded in the medium-high-technology manufacture of motor vehicles and electrical equipment.

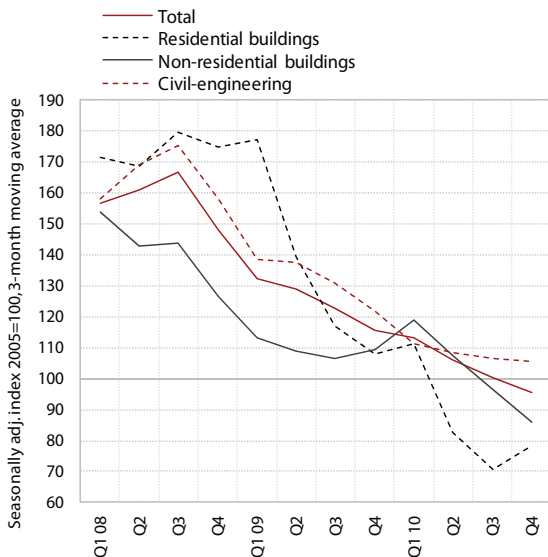
¹² e.g. France, Italy, the UK, Spain, the Netherlands.

¹³ In the manufacture of rubber and plastic products and in the leather industry, which is the only export-oriented low-technology industry, a number of the largest enterprises (which generate around one quarter of value added in these industries) are suppliers in the automotive supply chain.

¹¹ Turnover on the foreign market rose by 11.9% relative to 2009, while turnover on the domestic market remained at the same level as in 2009. Growth in new orders was also lower on the domestic than on the foreign market (4.1% and 15.7%, respectively).

Construction activity plummeted last year for the second year in succession. Value added in construction was down 14.4% y-o-y in real terms. According to the construction statistics, activity dropped most in residential construction (by more than one third), which is related to the large stock of unsold flats. Civil-engineering activity shrank by 20%, largely as a result of less intense construction of transport infrastructure. The smallest drop was recorded in non-residential construction, where, particularly at the beginning of the year, activity was favourably impacted by the construction of a large sports complex. In all construction activities, last year's drop was also partly related to liquidity and solvency problems of enterprises and lack of payment discipline.

Figure 8: Value of construction put in place by construction segment



Source: SORS; seasonal adjustment by IMAD.

Value added in market services (G–K) rose by 1.7% in real terms in 2010. Movements varied significantly in individual types of services. Value added increased most in transport, storage and communications (I) where the volume of road and rail freight transport practically reached the pre-crisis 2008 levels under the impact of the increase in international trade flows. In real estate and business services (K), value added grew almost entirely due to the revival in some business and employment activities,¹⁴ and in the wholesale and retail trade, repair of motor vehicles (G), due to higher turnover in the sale and repair of motor vehicles with increased sales of passenger cars,¹⁵ as turnover in retail and wholesale remained at approximately the same level as last year. In addition to accommodation and food service activities (H), in 2010, value added also declined in financial intermediation

¹⁴ Particularly, turnover in legal and accounting, office administrative, office support and other business-support activities, and employment activities increased in 2010.

¹⁵ The total number of new passenger-car registrations in 2010 was 4.8% higher than in 2009 (within which the number of registrations by legal persons increased by 15.6%, while the number of registrations by natural persons fell relative to last year's level).

(J), where the circumstances tightened significantly in 2010 as a result of a rapid deterioration in banks' assets and highly limited sources of finance, which affected the modest lending activities and business results in this activity.

Real growth in value added in public-service activities (L–O) eased in 2010 (to 1.8%), mainly due to lower growth in health and social work (N) and a new fall in value added in predominantly market-oriented other community, social and personal service activities (O).

For the third year in succession, value added enjoyed strong growth in public administration (L), where employment grew again y-o-y largely in central and local government agencies and funds. In education (M), the strong growth eased only slightly; activity (measured in employment growth) remained high in kindergartens and primary schools and in the field of other education and training (related to the training programmes for the unemployed co-financed by the government). In the health sector, weak growth in value added reflected measures to ensure the financial sustainability of the compulsory health-insurance system, while growth in social-work activities remained high, particularly in long-term care of elderly and disabled people. Value added shrank once again in other community, social and personal service activities, which can be attributed particularly to the slump in gambling and betting activities and other recreational activities.

Forecasts for 2011 and 2012

Amid a further steady recovery in most market services, real growth in total value added will increase to 2.3% this year. Value added is projected to grow in all activities with the exception of construction activity, which will drop further, and financial-intermediation activity, which will stagnate. Growth in other market activities¹⁶ will be moderate. In some market activities, it is expected to be higher than in the previous year. Among the larger market activities, after a significant increase in 2010, growth in value added will slow this year, particularly in manufacturing and transport, storage and communications. In public services (public administration and defence, compulsory social security, and education), growth in value added is expected to ease, while it will be somewhat higher in health and social work and other community, social and personal service activities.

¹⁶ Except mining.

Table 4: Spring forecast of value added by activity (real growth in %)

Real growth rates, in %	2009	2010	2011	2012
			Spring forecast	
Agriculture, forestry, hunting	-8.6	-1.8	1.0	1.0
Fishing	20.7	7.5	1.5	1.0
Mining	-3.4	8.7	-1.0	0.5
Manufacturing	-16.7	8.0	5.0	4.5
Electricity, gas and water supply	-7.8	-1.3	1.5	1.0
Construction	-15.5	-14.4	-2.0	4.5
Wholesale and retail trade, repair of motor vehicles	-9.3	1.6	2.0	2.5
Hotels and restaurants	-11.9	-0.1	1.5	2.0
Transport, storage and communications	-10.1	5.7	2.5	2.7
Financial intermediation	2.9	-3.0	0.0	1.0
Real estate, renting and business activities	-5.4	1.9	2.0	2.0
Public administration, defence and social security	2.6	2.9	2.0	2.0
Education	3.5	3.3	2.5	2.5
Health and social work	4.9	0.5	2.5	2.5
Other community, social and personal services	-6.3	-0.8	0.8	1.5
Private households with employed persons	2.4	0.5	0.5	0.5
VALUE ADDED	-8.1	1.6	2.3	2.7
a) Taxes on products	-8.2	-0.9	1.4	1.7
b) Subsidies by product	-13.3	5.2	-2.0	-5.0
GROSS DOMESTIC PRODUCT	-8.1	1.2	2.2	2.6

Source: SORS; 2011–2012 forecasts by IMAD.

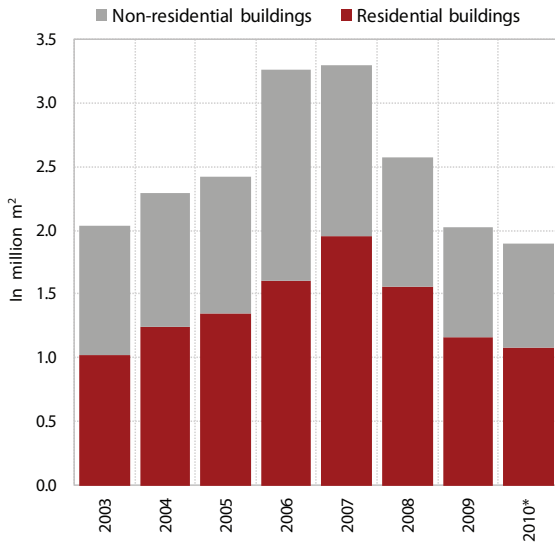
This year, real growth in value added in manufacturing (5.0%) will be somewhat lower than in 2010 as a result of slower economic growth in some of Slovenia's main trading partners and still modest domestic demand. Weaker growth in export demand will mainly affect growth in high- and medium-low-tech industries, which are predominantly oriented to the foreign market. The manufacture of motor vehicles will see the largest slowdown, given the expiry of subsidies for the purchase of new passenger cars and light commercial vehicles in EU countries. Growing commodity prices are expected to add pressure on businesses, particularly in some medium-low-tech industries where commodities account for a significant part of input costs (e.g. the metal industry, the manufacture of rubber and plastic products). As a result of weak domestic construction activity, production will also remain low in the manufacture of non-metal mineral products and, given the expected modest growth in the domestic economy, in low-tech industries, most of which are not expected to recover greatly as they are highly dependent on domestic demand. Furthermore, the chances for further recovery in manufacturing will remain limited due to a significant increase in unit labour costs at the beginning of the crisis, and an additional tightening in borrowing conditions. The share of manufacturing in total debt of the economy nevertheless declined in 2010, and the increase in the volume of non-performing claims was below average¹⁷ (see Box 3). Enterprises will continue to face a lack of payment discipline.

Value added in construction is forecast to drop by 2.0% in real terms this year. Residential construction will continue to decline, though less than in the previous two years.¹⁸ Activity in civil engineering and non-residential construction is projected to remain at the 2010 level in the year as whole. The construction of transport infrastructure will remain similar to last year's after declining strongly in 2009 and 2010. Judging from data on issued building permits for 2010, construction of office buildings will increase during the year (the total planned floor area for these buildings increased by 60.0%), as will construction of buildings for public entertainment, education or hospital and institutional care (by 24.0%) and industrial buildings (by 9.6%). Civil-engineering works (construction of transport infrastructure, in particular) and non-residential construction will be favourably affected by the foreseen increase in government investment.

¹⁷ In 2010, the most indebted enterprises in manufacturing were in the chemical, metal, machinery and food-processing industry and in the manufacture of ICT and electrical equipment. Non-performing claims accounted for the largest share in debt in the metal and machinery industries (where the share of non-performing claims doubled last year), as well as in the food-processing, wood, paper and printing industries where the share of non-performing claims declined.

¹⁸ According to data on issued building permits for new flats, last year, the total planned floor area in residential buildings declined much less than in 2008 and 2009 (last year, 7.3%; in 2008 and 2009, 20.5% and 25.4%, respectively). The total planned floor area for buildings where the investor is a legal entity has already increased.

Figure 9: Total floor area planned by building permits



Source: SORS; calculations by IMAD.

Note: * figures for 2010 are provisional.

Value added in market services will increase by 1.8% in real terms this year.

In 2011, value added is expected to grow in all activities except financial intermediation, where it will remain at the 2010 level. Lending activity will remain low in view of the limited sources of finance due to uncertainty on the domestic financial market and abroad, and with over-indebted enterprises repaying their debts. Value added in other financial-intermediation activities is also not expected to greatly strengthen. Distributive trades and real-estate activities and business services will show a similar growth in value added to that last year, mainly as a result of the otherwise modest growth in private consumption and a further strengthening in manufacturing. Faster recovery of these activities will still be hampered by the low level of construction activity. After the significant increase last year and with slower international trade flows, growth in value added in transport, storage and communications will be lower than last year, close to the average growth in market services. After three years of decline, value added in accommodation and food-service activities will rise this year, mainly as a result of a higher number of overnight stays by foreign tourists.

Public services will see somewhat stronger average real growth in value added this year (2.1%), but only due to the expected slightly higher growth in health and in other community, social and personal service activities, which are more market-oriented.

At the same time, we expect a stronger moderation in growth in value added in public administration, as a result of the adopted government measures to reduce the number of employees. In view of the tightening in the public finances and the high indebtedness of local governments, we also project somewhat slower employment growth in education, despite increasing demand, particularly in pre-

school education. Growth in other education activities is also set to decline, due to contraction of funds for active employment-policy programmes, which provide training for unemployed people. In line with the adopted Health Insurance Institute (HII) Financial Plan, the volume of the public programme of health services should remain at the level of the previous year but, with growing needs, we nevertheless expect moderate growth in employment and an increase in services carried out in private clinics and paid for by patients out of pocket. Capacity in social-work activities with accommodation and home care will expand at a similar rate as last year. Value added in predominantly market-oriented other community, social and personal activities is predicted to increase after two years of decline (recreational and gambling activities in particular could strengthen with the expected growth in the number of foreign tourists).

Real growth in value added will continue to strengthen in 2012.

With stronger motorway construction and with residential-construction activity expected to stop falling, value added in construction will increase next year after several years of decline. Growth in market services should continue to strengthen modestly. In manufacturing, growth in value added will once more slow; in public services, it will maintain approximately the same level as in this year.

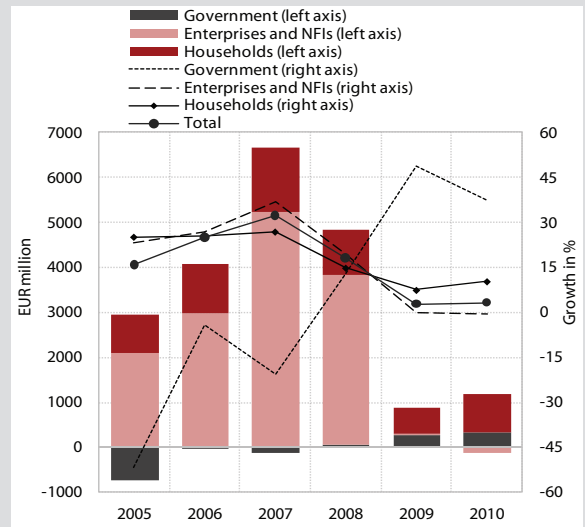
Box 3: Financial markets in 2010 and prospects

The lending activity of domestic banks strengthened somewhat in 2010, by one fifth relative to 2009. The bulk of the increase resulted from stronger household net borrowing, while enterprises and NFIs recorded net repayments of loans with domestic and foreign banks for the first time since comparable data¹⁹ have been available. Household borrowing in the form of housing loans strengthened significantly last year and their net flows were the highest to date (EUR 910.0 m). This growth is also a result of the fact that banks stimulated this type of investment by favourable interest rates on housing loans and transferred part of the risk from over-indebted sectors related to housing construction to relatively less risky households.

In 2009, the net flow of domestic and foreign bank loans to enterprises and NFIs was still positive, albeit modest, while in 2010, enterprises and NFIs made net repayments of loans. Total net repayments amounted to almost EUR 400 m. In the first half of the year, enterprises and NFIs made net repayments of foreign bank loans, while in the second half of the year they mainly net repaid loans taken out with domestic banks. Corporate and NFI borrowing from domestic banks thus dropped by 0.5% last year. This is a relatively small decline, but it should be noted that Slovenian enterprises are particularly highly dependent on bank financing. Given the high loan growth in the past and hence the high level of indebtedness of Slovenian enterprises, one would expect that the volume of loans will decline, particularly of these, more vulnerable, activities. However, the figures show that particularly in the most indebted activities (i.e. those with liabilities to banks exceeding capital at the end of 2009), exposure did not decline but rather strengthened in most cases. These are especially construction and, to a certain extent, financial intermediation.²⁰ We estimate that these movements largely reflect the current mitigation of problems in these sectors, which is not sustainable in the present state of Slovenia's banking system;²¹ in the future, banks will probably have to reduce exposure, particularly to these sectors.

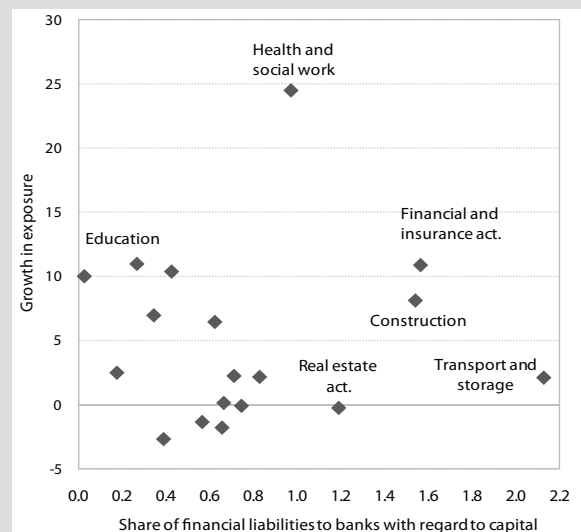
In 2010, banks faced a significant deterioration in the quality of their assets. The volume of all non-performing claims strengthened by nearly two thirds to EUR 1.8 bn, which is already as much as 3.7% of classified assets. With regard to the volume of non-performing claims, manufacturing activities, the most important sector of the economy in terms of value added, are followed by distributive trades, financial intermediation and construction, which (comprising a total EUR 1 bn) account for more than three quarters of non-performing claims of Slovenia's economic activities. The main reason for the deterioration in the quality of banks' assets was the expressly negative movements in financial intermediation and construction, in particular, where the volume of non-performing claims more than tripled last year. Banks significantly strengthened the creation of additional impairments and provisions, which amounted to nearly EUR 800 m and were nearly 60% higher than in 2009. Over the last three years, during which the conditions on financial markets have tightened significantly, banks have already created EUR 1.6 bn in additional impairments and provisions. Banks have continued to increase impairments and provisions in 2011. In the first two months, they created EUR 128.6 m in impairments, double the figure for the same period last year.

Figure 10: Net borrowing of domestic non-banking sectors with domestic banks and y-o-y growth rates in the volume of loans



Source: BS; calculations by IMAD.

Figure 11: Share of financial liabilities to banks with regard to capital and growth in Slovenian banking sector's exposure to individual activities



Source: BS, AJPES; calculations by IMAD.

¹⁹ Since 2005.

²⁰ According to our estimates, the increase in exposure in financial intermediation is a consequence of somewhat greater interbank borrowing rather than a stronger exposure to holding companies, which are the most risky financial-intermediation activities.

²¹ Especially the low capital adequacy of Slovenia's banks and a further deterioration in the quality of total bank assets.

Box 3: Financial markets in 2010 and prospects - continue

Banks continue to face limited sources of finance. After high net inflows in 2009, the government was mainly withdrawing its deposits from the Slovenian banking system last year. Amid tightening labour-market conditions, net inflows of household deposits in banks also continued to decline and financing through issuance of government-guaranteed bonds contracted by half relative to 2009.²² Repayments of foreign loans and deposits remained relatively high, at EUR 1.4 bn, but were down by more than one half relative to 2009. Liabilities to foreign banks amounted to EUR 15 bn at the end of last year, EUR 2 bn lower than at the end of 2008, when exposure was highest. Because of the issuance of bank bonds, the share of deposits and loans contracted by nearly 20 p.p. in that period (to 78.4%) but the maturity structure of the banking system's sources of finance has not improved as the issued bonds are approaching maturity. Pressures on the liquidity of Slovenia's banking system intensified. The share of liabilities that fall due within two years strengthened to almost one half by October 2010, which is 10 p.p. more than at the beginning of the year.

The lending activity of Slovenia's banking system is expected to remain fairly modest in the future.

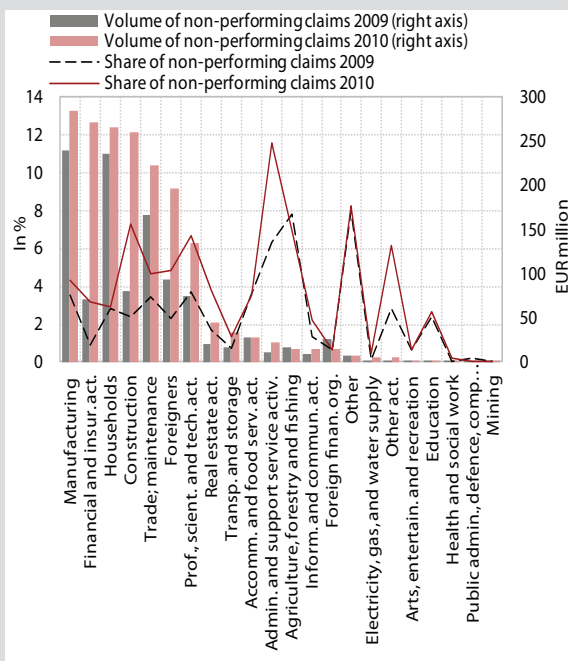
Another limiting factor, besides the expected less expansionary monetary policy, is the situation of Slovenia's banking system. Slovenia's banking system has a very low capital adequacy ratio, which continued to deteriorate in 2010, in our estimation.²³ The credit ratings of the three largest Slovenian banks have already declined and the prospects for the future are negative. There is a risk that banks may have even more difficulties in accessing sources of finance on international financial markets. Moreover, given the unfavourable labour market conditions, household deposits are not likely to increase, and the possibilities of government borrowing for investment in the banking system are, in our view, fairly limited. With interest rates set to be raised in the coming years, borrowing in the banking system will become even more expensive, which will increase the already high interest rates for loans in Slovenia's economy. We estimate that some banks will therefore try to obtain free assets by disinvestment. If that fails, they will increase their borrowing from the Eurosystem, which offers only short-term sources of finance, which are not intended for loans. This would, we estimate, add to liquidity pressures on Slovenia's economy, largely on small and medium-sized enterprises which have, according to our belief, experienced the greatest contraction in the volume of bank financing in the period since the outbreak of the financial crisis.

The model-based simulation shows a characteristic impact of lending activity on economic activity. Using a structural cointegrated vector autoregression model on the quarterly data for 1995q1–2010q4, we estimated the impact of a decline in domestic corporate loans on economic activity in Slovenia. As Slovenia is a small and open economy, we included GDP for the EU-15 within the model (foreign demand) and, as domestic measures of economic activity, corporate loans, GDP, inflation and interest rates. The large fall in GDP was corrected by a dummy variable, which took the value of 1 in the period 2008q4–2009q3. In the model, the lending shock mainly affects GDP through investment with a lag of a year and a half. On average, GDP responds to a 10% decline in loans with a 2.7% decline; in the second quarter of the fourth year, this effect becomes statistically insignificant.

²² Banks thus issued EUR 1 bn in bonds, 80% of which was bonds by SID banka d.d.

²³ In the first half of 2010, the TIER 1 capital ratio on a non-consolidated basis declined by 0.1 p.p. to 9.2%, while the estimates for EMU show an increase for the second year in succession.

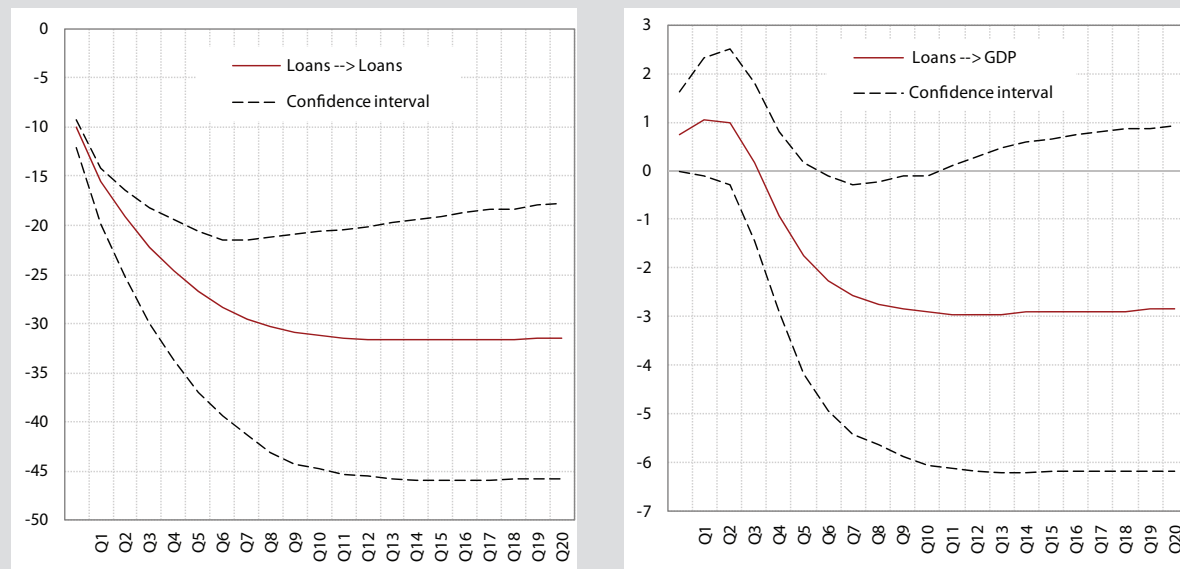
Figure 12: Volume and share of non-performing claims in Slovenia's banking system in 2009 and 2010



Source: BS; calculations by IMAD.

Box 3: Financial markets in 2010 and prospects - continue

Figure 13: Impulse responses of GDP to the decline in domestic corporate loans



Source: calculations by IMAD.

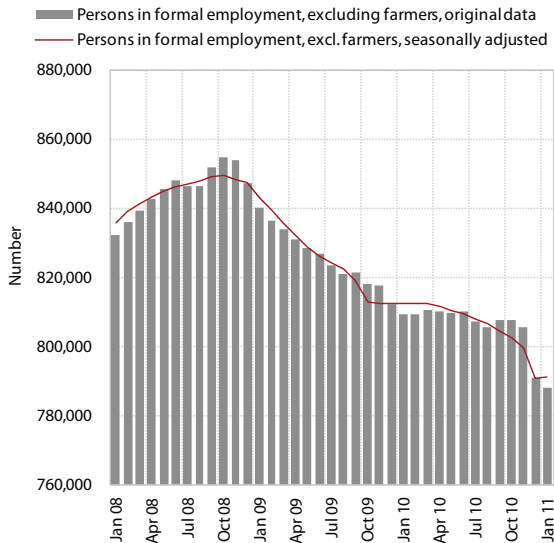
Note: Orthogonal impulse responses, with 95% (Efron percentile) bootstrapped confidence intervals based on 1,000 replications.

LABOUR MARKET

Employment and unemployment in 2010

The number of employed persons further declined in 2010. Despite the gradual strengthening of economic activity last year, enterprises have continued to cut jobs and adjust employment to changes in the economic environment since the beginning of the economic crisis. The changing circumstances are reflected in the level of GDP, which is still lower than in 2008, mounting labour-cost pressures and tighter liquidity of enterprises. The number of employed persons dropped more strongly in the second half of 2010, i.e. in that part of the year, which is, for seasonal reasons, less favourable in terms of employment due to the expiration of fixed-term work contracts;²⁴ however, the decline, particularly in December, was much larger than usual and also above expectations. By our estimate, this is partly due to the difficult situation of enterprises in the industries with the largest drops in employment (manufacturing, construction and distributive trades), and, to some extent, to the expected regulatory changes in the labour market. In 2010, the average number of employed persons, according to national accounts, was thus 2.2% lower and the number of persons in formal employment 2.7% lower than in 2009, which indicates an increase in informal employment, and at the same time, a higher number of hours worked by employed persons.

Figure 14: Persons in formal employment

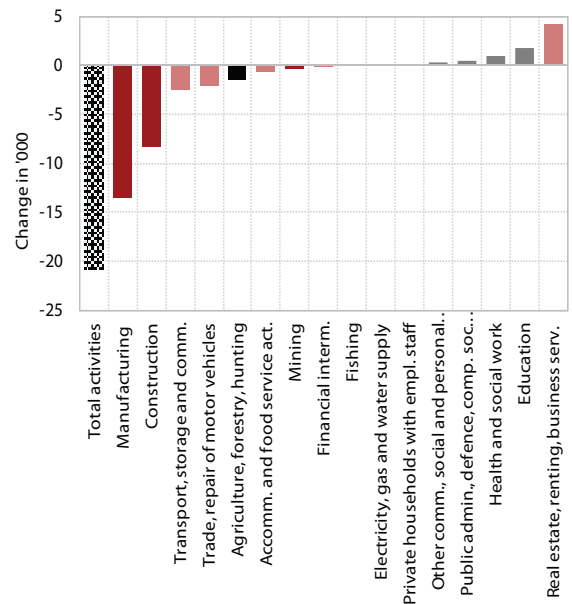


Source: SORS; seasonal adjustment by IMAD.

Last year, employment declined the most in manufacturing, construction, transport, storage and communications activities, and in distributive trades.

Declines in other market activities were relatively smaller, while employment increased in real estate and business services (according to national accounts statistics). With limited budgetary sources for wages, in the latter part of the year, employment had already stopped growing in state administrative bodies, but not yet in agencies and funds at the level of central and local governments. In education, strong employment growth continued due to the rising demands, especially in day care centres and primary schools.²⁵ Employment also increased significantly in social work, with capacities expanding in long term care of the elderly, which is largely financed by private funds.

Figure 15: Change in the number of employed persons by activity, national accounts, 2010/2009



Source: SORS.

The number of registered unemployed persons surged at the end of last year, but the annual increase was nevertheless much smaller than in 2009. The number of registered unemployed, which reached 96,672 in December 2009, rose only slightly by September last year, while it surged in the last quarter, climbing to 110 thousand by the end of the year. On average, 100,504 persons were unemployed in 2010, 16.4% more than in 2009. Both average annual unemployment rates increased amid a decline in employment and an increase in unemployment; the registered unemployment rate by 1.6 p.p. to 10.7%²⁶ and the survey unemployment rate by 1.3 p.p. to 7.2%.²⁷ The former also rose in the first two months of this year (at the end of February, the number of registered unemployed persons amounted to 115,608).

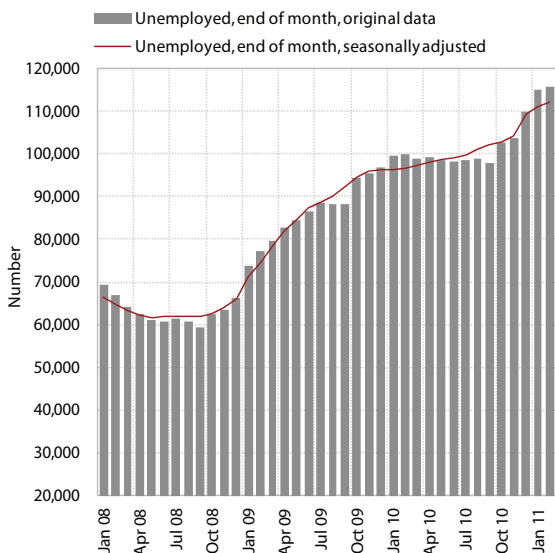
²⁴ In the summer months during the school holidays and at the end of the year during the Christmas and New Year's holidays.

²⁵ Introduction of another foreign language, afternoon day care, inclusion of children with special needs, enrolment of the first larger generation of children (born in 2004) in primary school.

²⁶ According to IMAD's estimate.

²⁷ IMAD calculations based on the quarterly data by SORS.

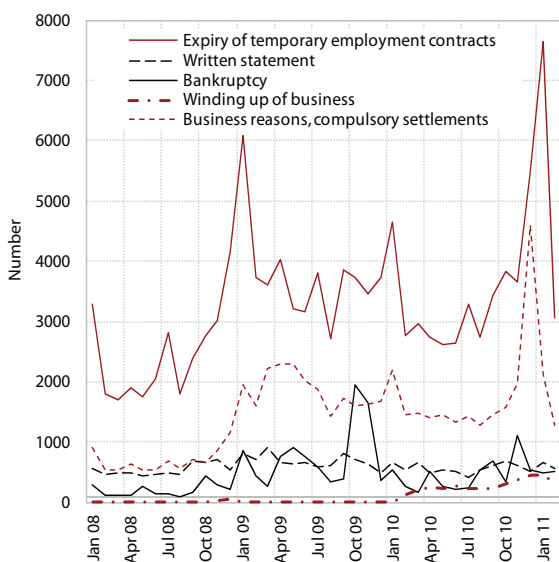
Figure 16: Registered unemployed



Source: ESS; seasonal adjustment by IMAD.

In December 2010 and January this year, the inflow into unemployment was largely related to the expiration of fixed-term work contracts and dismissals for business reasons. Inflows into unemployment typically increase at the end of the year due to the non-renewal of fixed-term contracts, but in December and January these trends were much more pronounced than usual and one of the main reasons why registered unemployment increased in these two months. Particularly in December, the level of dismissals for business reasons and compulsory settlements was much higher than usual and also higher than in 2009. The increased inflow at the end of the year was also due to the expected regulatory changes in the labour market.

Figure 17: Inflows into unemployment due to job loss, by reason



Source: ESS.

Forecasts for 2011 and 2012

In 2011 and in the next two years, the labour market is expected to continue to adjust to the decline in economic activity, albeit to a lesser extent than over the last two years. Over the last two years, the labour market was adjusting to the consequences of the economic crisis and enterprises were struggling to retain competitiveness on foreign markets under the pressure of financial difficulties, which the government tried to cushion with emergency laws aimed at preserving jobs. In 2011, the average number of employed persons (according to the national accounts statistics) will still be 1.2% lower than last year particularly due to the strong contraction at the end of last year, while it is expected to fall by 0.3% next year. Employment is projected to shrink most notably in manufacturing, construction, in the sale and repair of motor vehicles and in transport. Employment will continue to increase in some business and public service activities, in the latter, largely as a consequence of employment growth in elderly and child care and in child education in response to the needs of the growing oldest and youngest generations, taking into account the existing employment norms, and due to the introduction of new subjects in primary education.²⁸

Unemployment is projected to grow this year and the next. The average number of unemployed persons is set to climb to around 114 thousand in 2011 (115.8 thousand in 2012) while the average registered unemployment rate will rise to 12.1% this year and 12.3% next year. This persistence of unfavourable trends is due to several factors, such as the expected relatively sluggish economy, and the age and educational-attainment structure of the unemployed, as well as certain regulatory changes in the labour market. Looking at the structure of unemployment, the number of unemployed persons increased in the relatively less employable categories (older unemployed persons and those with lower education), and this represents a risk that the share of the long-term unemployed could increase in the coming years. Furthermore, a number of amendments to labour regulation came into force this year, which are positive from the perspective of the necessary changes in the labour market towards increasing security of unemployed people, but could increase inflows into unemployment in the short term (the Labour Market Regulation Act made unemployment benefits more accessible for young people who work more frequently in fixed-term jobs and increased these benefits for older persons). In addition, the adopted budgetary documents for 2011 and 2012 envisage a decline in budgetary funds for active employment policy programmes.

²⁸ The generations of children entering school will continue to increase in the coming years.

Table 5: Forecasts for employment and unemployment

	2010	2011		2012	
		Autumn forecast (Sept. 2010)	Spring forecast (March 2011)	Autumn forecast (sept. 2010)	Spring forecast (March 2011)
Employment according to the SNA, growth in %	-2.2	-0.3	-1.2	0.2	-0.3
Number of registered unemployed, (annual average, in '000)	100.5	103.3	114.0	99.4	115.8
Registered unemployment rate, in %	10.7	11.0	12.1	10.6	12.3
ILO unemployment rate, in %	7.2	7.1	7.9	6.9	8.0

Source: SORS, HHS; for 2011–2012 forecasts by IMAD.

Wages

The increase in minimum wage translated into a relatively strong wage growth in the private sector and, consequently, in overall wage growth (3.9%), while the average wage in the public sector remained unchanged last year after increasing strongly in 2008 and 2009. Last year, total nominal growth in the gross wage per employee was thus higher than a year earlier (3.4%). Wage growth in the private sector strengthened to 5.2%, largely on account of the increase in minimum wage (which contributed around 3 p.p.), as contrary to

expectations, a relatively large share of minimum-wage recipients already received minimum wages in the new amount last year despite the legal possibility of a gradual transition to the new minimum wage. Wage growth in this sector continued to be affected by changes in employment structure in the wake of a further decline in the number of low-wage employees (around 0.5 p.p.). As in 2009, Christmas bonuses and 13th month payments were also unexpectedly high last year, from the aspect of adjustment to economic circumstances, and only slightly lower than in 2008. The average wage in the public sector did not change relative to 2009, when it had been

Table 6: Starting points for the preparation of the spring forecast for wage growth in the public sector

Wage policy component	Adopted documents
2010	
January: wage adjustment by 0.2%	Annex No. 2 to the Collective Agreement for the Public Sector (KPJS)
April: regular promotions	Public-Sector Salary System Act (ZSPJS)
July: adjustment by half of predicted y-o-y inflation (0.65%)	Annex No. 2 to the KPJS
October: NO payments to eliminate disparities (the third quarter of funds not to be disbursed)	Annex No. 4 to the KPJS
December: performance-related payments NOT to be reinstated	Agreement on Measures Regarding Public-Sector Salaries for Dec. 09–Nov. 11
2011	
January: wage adjustment by 0.55%	Act of Intervention Steps because of the Economic Crisis
April: NO regular promotions	Agreement on Measures Regarding Public-Sector Salaries for 2011 and 2012
July: NO adjustment by half of predicted y-o-y inflation	Annex No. 4 to the KPJS
October: NO payments to eliminate disparities (the fourth quarter of funds not to be disbursed)	Annex No. 4 to the KPJS
December: performance-related payments NOT to be reinstated	Agreement on Measures Regarding Public-Sector Salaries for 2011 and 2012
2012	
January: adjustment for inflation exceeding 2%	Annex No. 4 to the KPJS
April: regular promotions	Agreement on Measures Regarding Public-Sector Salaries for 2011 and 2012, to be agreed in 2011
December: reinstatement of performance-related bonuses	Agreement on Measures Regarding Public-Sector Salaries for 2011 and 2012

Source: Annex No. 2 to the Collective Agreement for the Public Sector (KPJS; OG RS 91/2009), Act of Intervention Steps because of the Economic Crisis (OG RS 94/2010), Annex No. 4 to the Collective Agreement for the Public Sector (KPJS; OG RS 89/2009), Agreement on Measures Regarding Public-Sector Salaries for Dec. 09–Nov. 11, Agreement on measures Regarding Public-Sector Salaries for 2011 and 2012 (OG RS 89/2010), Public-Sector Salary System Act (ZSPJS; OG RS 56/2002).

6.5% higher (9.7% higher in 2008). These movements were, after the disbursement of two quarters of funds to eliminate wage disparities in 2008 and 2009, a result of measures that had postponed the payment of the remaining two quarters of funds set aside for this purpose, tightened the conditions of wage adjustment for inflation and temporarily abolished most of the stimulative wage-forming components.

The expected 2.5% nominal growth of wages this year will result from wage growth in the private sector, as it did last year, but next year's acceleration to 3.8% will, according to the agreements now in force, also be due to rising wages in the public sector. Private-sector wages are projected to increase by 3.3% in nominal terms this year, nearly 2 p.p. less than last year due to much smaller effects of the adjustment to the new level of minimum wage (where wages have not been adjusted

yet) and changes in employment structure. The number of working days will also be smaller this year (by three days). With a gradual economic recovery, private-sector wages may again see higher growth next year (4.3%). The average gross wage in the public sector, which stagnated last year, will see similar movements this year, as it will increase only by 0.3% in nominal terms. Like in 2010, the other wage policy components will also not be realised this year, except for January's wage adjustment by 0.55%.²⁹ In 2012, wage growth is projected to strengthen to 2.5% according to the agreements now in force (see Table 6), due to a gradual reinstatement of some, currently frozen, components of wages of public servants.

²⁹ In accordance with the intervention act (Act of Intervention Steps).

Table 7: Average annual growth in gross wage per employee and productivity

	2010	2011		2012	
		Autumn forecast (Sept. 2010)	Spring forecast (March 2011)	Autumn forecast (Sept. 2010)	Spring forecast (March 2011)
Nominal growth, in %					
Gross wage per employee	3.9	2.9	2.5	3.5	3.8
Private sector	5.2	3.8	3.3	4.0	4.3
Public sector	0.0	0.8	0.3	2.5	2.5
Labour productivity	4.2	4.3	3.4	4.7	5.5
Real growth, in %					
Gross wage per employee	2.1	0.2	0.2	1.3	0.8
Private sector	3.3	1.1	1.1	1.8	1.3
Public sector	-1.8	-1.9	-1.9	0.3	-0.5
Labour productivity	3.4	2.9	3.4	3.0	2.9

Source: SORS; 2010–2012 forecasts by IMAD. Note: Labour productivity is measured as GDP per employee.

Box 4: Slovenia's price and cost competitiveness and market shares

The decline in the market share on the world goods market, which continued in 2010 for the third successive year, indicates a weakening of the export competitiveness of Slovenia's economy. Price and cost competitiveness improved somewhat in 2010, but the improvement was among the smallest in the EU, which also reduces the possibilities for a more rapid recovery of Slovenia's economy in the future, especially in view of the deterioration in 2008–2009, one of the greatest in the EU.

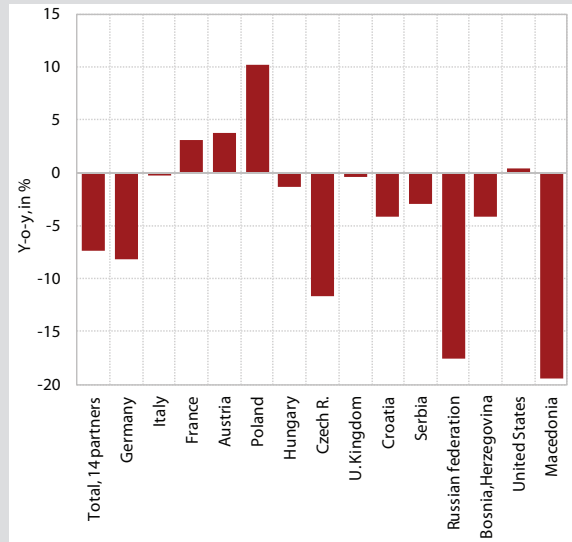
The decline in Slovenia's market share on the world goods market in 2010 was largely a result of smaller market shares outside the EU. Data for the first nine months of last year show that Slovenia's market shares in the EU decreased again in 2010 (-1%), most notably in Germany, which is related to the expiry of incentives for the purchase of cars, while Slovenia's market shares in France and Austria increased. Outside the EU, the falling of market shares deepened; therefore, Slovenia also recorded a larger decline in its overall market share on the world market in 2010 (-9%). Slovenia's market shares continued to shrink in Croatia, Russia and Serbia. In 2010, they also fell in Bosnia and Herzegovina and Macedonia, after two years of growth.

Price and cost competitiveness improved somewhat in Slovenia in 2010, but to a lesser extent than in most other EU countries. The improvement was mainly due to the depreciation of the euro, but the drops in the real effective exchange rate deflated by relative consumer prices (-1.4%) and the real effective exchange rate deflated by relative unit labour costs (-0.6%, data for the first three quarters of 2010) were among the smallest in the euro area. Slovenia's relatively worse position was partly attributable to the structure of its external trade: as Slovenia has an above-average share of merchandise trade with other euro area countries, the positive effect of the depreciation of the euro on the movement of the effective exchange rate is smaller. Another reason for the relatively worse position of Slovenia was relative prices and costs, which increased in Slovenia in 2010 while falling in most other euro area countries. The relatively less favourable dynamics of unit labour cost resulted from wage growth in the private sector, particularly on the back of the higher minimum wage. In 2010, labour productivity growth in Slovenia was higher than on average in the euro area and the EU because of a larger drop in employment, which responded with a lag to the pronounced decline in economic activity in the previous year. On the other hand, the recovery of economic activity in 2010 was weaker in Slovenia than on average in the euro area and the EU.

This year, price competitiveness will remain around the level of last year, but is projected to deteriorate once again in 2012 in view of the expected stronger growth of prices. On the technical assumption of a US dollar/euro exchange rate of 1.365, the real effective exchange rate deflated by relative consumer price growth will drop slightly this year (-0.2%) and increase in the next (1.1%).

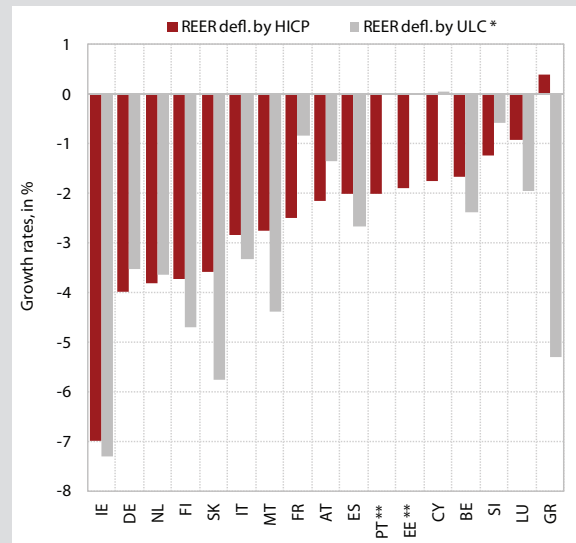
Cost competitiveness will continue to improve this year and the next under the impact of wage growth lagging behind growth in labour productivity. As a result, real unit labour costs will decline this year and in 2012 (-1.0% and -1.7%, respectively), and so will the real effective exchange rate deflated by relative unit labour costs (-1.8%, next year -0.1%). Despite the expected improvement, cost competitiveness will remain far below the pre-crisis level.

Figure 18: Market shares in Slovenia's main trading partners in the first nine months of 2010



Source: SORS, Eurostat, WIIW, US Census Bureau; calculations by IMAD.

Figure 19: Movements of price and cost competitiveness in Slovenia and euro area countries



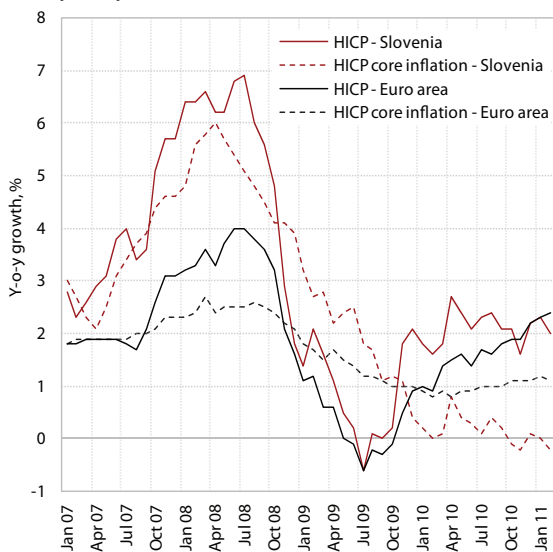
Source: ECB; calculations by IMAD.

Note: *Q1–Q3 2010; ** Data for REER deflated by ULC not available.

INFLATION

Annual consumer price growth was 1.9% in 2010 (HICP 2.2%), which is a similar level as in the previous two years. Most consumer price index groups were characterised by moderate price growth, which reflects the general economic conditions. Only the price rises related to higher prices of energy and non-energy commodities in world markets deviated from these movements, as did the price rises in goods whose excise duties had been raised (tobacco, alcohol, electricity), which had a similar impact on inflation in 2010 as in 2009.

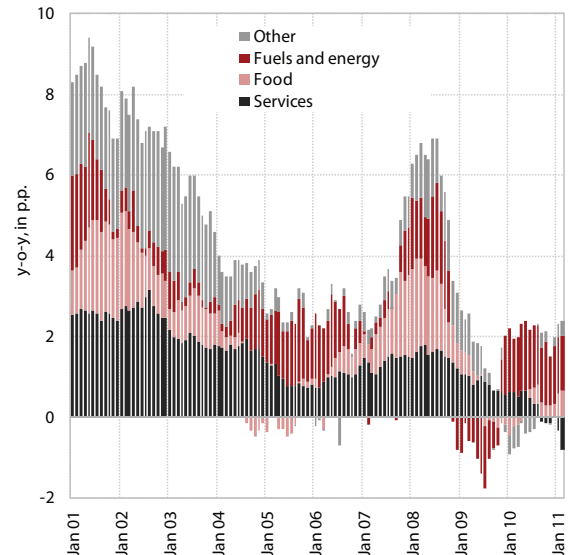
Figure 20: Headline and core inflation in Slovenia and EMU (HICP)



Source: Eurostat.

At the beginning of 2011, inflation was low due to seasonal and one-off factors. The upward pressure on prices still came from the international environment rather than from the domestic economic situation and was related to rising prices of energy. These had already spilled over into retail energy prices last year, unlike world prices of food and other commodities, which are only starting to pass through into other retail prices of goods this year. Despite the decline in excise duties, liquid fuel and food prices therefore continued to see outstanding growth in the first two months (3.1% and 3.5%, respectively). As a result of strong seasonal factors, such as reductions in the prices of certain goods and services (clothing, footwear, recreational services) at the beginning of the year, and the decline in the obligatory contribution for national radio and television programmes, consumer prices nevertheless declined in the first two months of this year, as did y-o-y inflation, which was 1.4% in February.

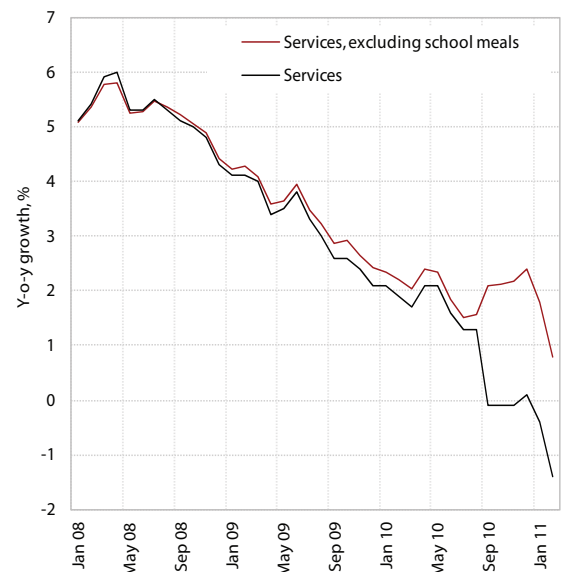
Figure 21: Contribution of individual groups of goods and services to y-o-y inflation



Source: SORS; calculations by IMAD.

This year's inflation will be significantly marked by growing prices of energy and other commodities and will rise to 3.0% y-o-y by December. The factors that were keeping prices down at the beginning of the year are expected to work in the opposite direction in the coming months. As a result of oil price rises, which are already affecting growth in liquid fuel prices, prices of other energy sources (district heating, natural gas) are also set to increase in the coming months, as oil price rises spill over into inflation with a lag of a few months under the current price-setting model. The extent of the further

Figure 22: Prices of services – the impact of prices of school meals



Source: SORS.

pass-through of global food prices into Slovenian retail prices in the coming months will continue to depend on general economic conditions and the situation in the trade sector, which has improved in recent years in terms of the competition on the market but deteriorated with regard to indebtedness. Growth in services prices has declined during the economic crisis, being particularly low since September 2010 (around 0%) due to additional one-off factors such as the introduction of subsidised meals in primary schools. We estimate that this growth will strengthen somewhat during the year, with the current commodity price shock also putting upward pressure on the prices of certain services (such as transport, accommodation and food service activities). Y-o-y growth in services will rise particularly in September this year, as a consequence of last year's decline in the prices of school meals in that month. Public utility prices were frozen from August 2010 until March this year and the new decree adopted in this area this year retains a similar system of regulation, which will contribute to moderate

growth in these prices, by our estimate. The contribution of tax impacts to inflation, which was relatively high last year (0.6 p.p.–0.7 p.p.), will decline this year. Taking into account the adopted regulations (and thus only the increases in excise duties on tobacco products in April and October), the contribution of taxes will total 0.2 p.p., according to the forecast.

In 2012, y-o-y inflation will drop to 2.7% assuming that the pressure of commodity prices on international markets will ease. The expected further strengthening of economic activity will result in somewhat higher core inflation in 2012 than this year, but, in line with the assumptions on the dynamics of oil and commodity prices in the international environment, energy and food prices are projected to see slower growth in 2012 and y-o-y inflation will be somewhat lower than this year. Average inflation, the calculation of which is also impacted by this year's higher growth of prices, will rise to 3.0%.

Table 8: Inflation, consumer price index

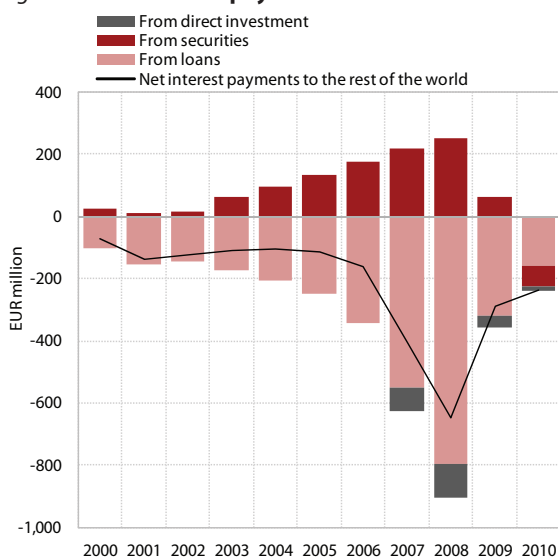
	2010	2011		2012	
		Revised autumn forecast (Oct. 2010)	Spring forecast (March 2011)	Revised autumn forecast (Oct. 2010)	Spring forecast (March 2011)
Inflation (annual average, %)	1.8	2.0	2.2	2.2	3.0
Inflation (year-end stock, %)	1.9	2.3	3.0	2.4	2.7

Source: SORS; 2011–2012 forecasts by IMAD.

CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS

After the substantial decline in 2009, the deficit of the current account of the balance of payments shrank further last year (to EUR 409 m or 1.1% of GDP). The pronounced contraction in 2009 had mainly been a result of a lower deficit in merchandise trade, which increased again in 2010 due to the deterioration of the terms of trade. Last year's narrowing of the current account deficit resulted from a visible improvement in inflows from the EU budget and a further reduction of the deficit in income from capital. The latter was largely due to lower net outflows of income from equity capital of direct investment, after Slovenian enterprises abroad recorded lower outflows of funds from reinvested earnings than in 2009, according to BS estimates.³⁰ Net interest payments also declined in the year as a whole, but in the second half of the year, the situation reversed and they started to exceed their 2009 levels. Namely, interest on loans paid by commercial banks declined at a slower pace, while interest payments on bonds and notes increased further. Slovenia's net budgetary position towards the EU budget, which had already improved in 2009, was the highest thus far in 2010 (EUR 326.4 m) and the deficit in current transfers turned into a surplus after five years. At the same time, the surplus in services trade declined much less than a year earlier. After dropping in 2009, the surplus in trade in transport services widened in 2010 amid stronger merchandise trade, and the decline in the surplus in trade in travel services seen in 2009 stopped deepening last year.

Figure 23: Net interest payments

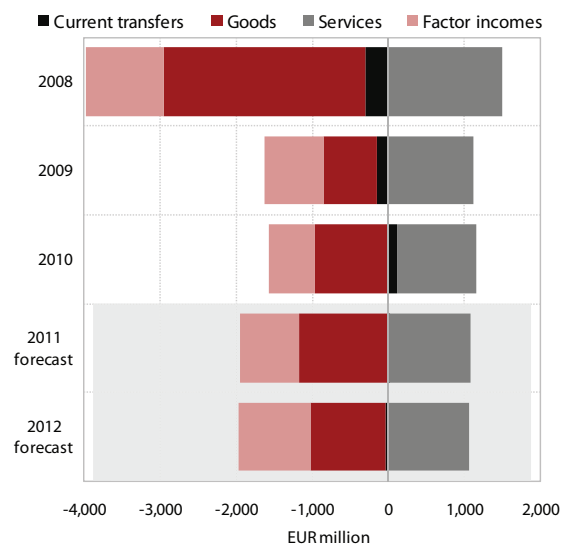


Source: BS.

³⁰ The current balance of payments data on reinvested earnings are an estimate of the Bank of Slovenia based on the average values for several years. The actual data will be included in the balance of payments after the annual accounts of companies have become available. We estimate that also according to the actual data the net outflow of capital from reinvested earnings is not likely to reach the high level of 2009 (EUR 335 m) following disinvestment of Slovenian companies abroad.

Under the impact of factors that had already widened the current-account deficit in individual sub-balances last year, the deficit will be higher this year and the next. In line with the assumptions of the forecast, the terms of trade will deteriorate this year and then stabilise in the next two. The real growth of exports is expected to exceed the real growth of imports throughout the period. Against the background of these movements, the deficit in merchandise trade will increase further this year, and then decline somewhat again next year. Interest payments on private-sector and government debts, which started to rise in the second half of last year, will continue to do so in the future. These movements are based on the expected growth of borrowing and the increase in interest rates by central banks, and a resulting further increase in interbank interest rates. Interest on bonds issued by the government will increase as well, consistent with the dynamics of payments. The surplus in trade in services is projected to fluctuate around last year's level in 2011 and 2012. The surplus in trade in transport and travel services will grow steadily, and we also expect growth in the deficit in trade in other services. Assuming that the absorption rate of EU funds will be similar to last year's, Slovenia's budgetary position will remain relatively favourable in 2011 and 2012, and with a somewhat wider deficit in the current transfers of the private sector, the total current transfers position will remain roughly balanced in the two years. These movements will be reflected in further growth in current account deficits this year and the next, when the deficits are projected to total EUR 865 m (2.3% of GDP) and EUR 924 m (2.4%), respectively.

Figure 24: Current account of the balance of payments



Source: BS; 2011–2012 forecasts by IMAD.

Table 9: Forecast of the current account balance

	2010	2011		2012	
		Autumn forecast (Sept. 2010)	Spring forecast (March 2011)	Autumn forecast (sept. 2010)	Spring forecast (March 2011)
Current account of the balance of payments, EUR m	-409	-386	-865	-427	-924
Current account of the balance of payments, in % GDP	-1,1	-1,0	-2,3	-1,1	-2,4

Source: BS; SORS, 2011–2012 forecasts by IMAD.

SCENARIO OF ECONOMIC TRENDS, TAKING INTO ACCOUNT ADDITIONAL ECONOMIC POLICY MEASURES

In view of the necessary fiscal consolidation and weakened potential for growth in the medium-term period, the government has prepared a set of measures to improve Slovenia's public finance position. Meeting the objectives of structural reforms and reducing the public finance deficit and debt will play a crucial role in preserving lenders' favourable perception and trust, and, consequently, stable sources of financing government and private sector expenditures. Slovenia is also bound to reduce its deficit in line with the provisions of the Stability and Growth Pact, the main instrument of EU fiscal policy coordination and control, which will become even stricter in the future. Slovenia's medium-term recovery will be highly dependent on lending terms for the private sector, which are tightening with regard to the situation in the domestic banking sector and the expected less expansionary monetary policy in the euro area.

In the following paragraphs, we present a scenario of economic trends, taking into account the effects of measures aimed at accelerating the consolidation of public finances. In addition to those that were already taken into account in the baseline forecast (as they were already adopted in previous months), this scenario covers a set of measures determined in the Medium-Term Fiscal Framework, and a number of additional proposals for action in the area of employment and wage bill stabilisation in the public sector and the adjustment of transfers underlying the Stability Programme 2011.

These measures aim at limiting growth in expenditures on compensation of employees, investment and subsidies, and increasing the efficiency of the general government sector. The 3% savings foreseen for the wage bill this year and keeping this expenditure at such level during the consolidation period can be achieved with measures that were already taken by the government last year, and, partly through the redistribution of funds within

the budgets of individual ministries. We have assumed redistribution in expenditure on investment, goods and services, and subsidies, while in the area of employment, this scenario takes into account restrictions on new and substitute jobs during the consolidation period. All this could curb total government expenditure by an amount equal to the foreseen 3% reduction of the wage bill in this year. In the period after 2012, the wage bill is assumed to remain at the same level as this year, with redistributions within individual ministries still being possible in 2012, while the year 2013 should already see first results of measures streamlining the number of employees in the public sector. In line with the goals set in the Medium-Term Fiscal Framework, these measures will result in the planned fiscal consolidation, which will prevent further deterioration in relative lending conditions for Slovenia and contribute to relatively more favourable terms for private sector borrowing.

In the short term, the consolidation may result in somewhat weaker economic growth, but the medium-term prospects would improve relative to the baseline scenario of the spring forecast. By restricting government expenditure on investment and consumption, the anticipated measures will, with lower household consumption as well, reduce economic growth by 0.4 p.p. in 2011 and 2012 compared with the baseline scenario. For 2013 (when additional fiscal effort will be necessary to reach the target deficit, which will be reflected in a further fall in government consumption and government expenditure on investment), we already predict, due to relatively better conditions of financing, faster growth in exports and investments of the private sector, which will be somewhat higher than if public-finance consolidation and the foreseen measures are postponed. Successful consolidation and, consequently, a lower borrowing requirement would also mean relatively lower interest payments and thus a smaller crowding-out effect of government expenditure than if, as a result of delayed consolidation, Slovenia's debt and borrowing costs increased due to a deteriorated perception by lenders.

Table 10: Comparison of certain macroeconomic indicators of the baseline scenario of the spring forecast and the scenario taking into account additional economic-policy measures, in short and medium terms

	Baseline scenario of the spring forecast		Scenario with additional economic-policy measures	
	2011-2013	2014-2016	2011-2013	2014-2016
Gross domestic product, real growth in %	2.3	2.2	2.1	2.8
Exports of goods and services	6.6	5.9	6.9	7.2
Imports of goods and services	5.4	4.7	5.5	6.3
Private consumption	0.8	1.1	0.7	1.5
Government consumption	0.7	0.4	-1.2	-0.3
Gross fixed capital formation	3.5	2.0	3.8	4.5
Employment according to the SNA, growth in %	-0.6	0.0	-1.0	0.3
Registered unemployment rate, in %	12.2	12.0	12.9	12.6
Survey unemployment rate, in %	8.0	7.8	8.5	8.2
Average number of registered unemployed, in '000	115.0	111.1	121.1	116.5
Inflation, annual average	2.5	2.2	2.5	2.4

Source: IMAD.

The labour-market situation would, similarly, also deteriorate in the short term due to the implementation of measures in the area of employment, but in the medium term, new possibilities for hiring would open up with faster economic growth than anticipated in the baseline scenario of the Spring Forecast. As the government was previously a reliable source of new jobs, restrictions on employment during the consolidation period will result in a larger decline in total employment than in the baseline scenario. Restrictions on public sector employment in the next two years will also increase the total number of unemployed persons to a much higher figure than in the baseline scenario, and despite the expected decline, we also project higher unemployment than in the baseline scenario of the Spring Forecast for the period after 2013. As such a policy is not sustainable in the long term, the scenario for the period after 2012 takes into account systemic measures in this area, particularly activities for the rationalisation of certain services to decrease demand for new jobs.

Table 11: Scenario of economic trends taking account of additional economic-policy measures

	2010	2011	2012
		SCENARIO WITH ADDITIONAL MEASURES	
GROSS DOMESTIC PRODUCT, real	1.2	1.8	2.2
GDP in EUR m (current prices)	36,061	36,743	38,509
GDP per capita in EUR (current prices)	17,597	18,003	18,831
GDP per capita in USD (current prices)	23,351	24,520	25,704
POPULATION, EMPLOYMENT, WAGES AND PRODUCTIVITY			
Population on 30 June, in '000	2,049.3	2,041.0	2,045.0
Employment according to the SNA, growth in %	-2.2	-1.6	-0.9
Number of registered unemployed (annual average, in '000)	100.5	115.0	124.2
Registered unemployment rate, in %	10.7	12.3	13.2
ILO unemployment rate, in %	7.2	8.0	8.6
Gross wage per employee, real	2.1	0.2	0.8
- private sector	3.3	1.1	1.3
- public sector	-1.8	-1.9	-0.5
Labour productivity (GDP per employee), real	3.4	3.4	3.1
INTERNATIONAL TRADE			
Exports of goods and services, real	7.8	6.9	6.7
Exports of goods	10.2	7.7	7.4
Exports of services	-1.1	3.4	3.3
Imports of goods and services, real	6.6	4.7	6.0
Imports of goods	7.7	4.7	6.0
Imports of services	1.1	4.7	6.0
Current account BALANCE, in EUR m	-409	-773	-824
- as a % of GDP	-1.1	-2.1	-2.1
International trade balance, in EUR m	84	2	169
- as a % of GDP	0.2	0.0	0.4
DOMESTIC DEMAND, real			
Final consumption	0.6	0.3	0.1
of which:			
Private consumption	0.5	0.6	0.6
Government consumption	0.8	-0.8	-1.3
Gross fixed capital formation	-6.7	1.9	4.5
EXCHANGE RATES AND PRICES			
USD/EUR exchange rate	1.327	1.362	1.365
Real effective exchange rate – CPI deflator	-1.4	-0.2	1.1
Inflation, year-end stock	1.9	3.0	2.7
Inflation rate (annual average)	1.8	2.2	3.0
Oil price (Brent crude, USD/barrel)	79.6	110.0	115.0

Source: up to 2010 SORS, BS; 2010–2012 forecasts by IMAD.

Note: * A rise in the value indicates real appreciation of national currency and vice versa.

RISKS TO THE REALISATION OF THE SPRING FORECAST

The movement of commodity prices on international markets continues to represent a risk, particularly to inflation dynamics in Slovenia. There is a risk that instability in a number of oil-producing countries may push oil prices above the current levels in the months to come, and higher than assumed in the projections of the spring forecast. Moreover, the current price rises in liquid fuels are already lower than if excise duties had not been reduced; however, in view of the public finance situation, there are limitations to the continuation of such policy in the future. However, there are a number of unpredictable elements that can also increase growth in the prices of other commodities and food. Under the assumption of the price of oil rising to an average level of USD 140 a barrel in 2011, taking into account only its direct impact on energy price growth, inflation would be higher this year (y-o-y inflation 5.2%, average inflation 4.0%).

Risks to the realisation of the forecast are also related to the situation on international financial markets, which could indirectly affect economic activity in the EU and thus in Slovenia. A possible tightening on international financial markets as a result of the sovereign-debt crisis

in some peripheral euro-area countries would, according to the IMF estimate, lower economic growth in these countries by 2.5% with regard to the baseline scenario.³¹ If such a scenario is realised this year, this is likely to have the greatest impact on economic activity in Slovenia next year. As Slovenia's recovery is mainly underpinned by the upswing in international trade, a potential slowdown of economic activity in its main trading partners would drag down the expected economic recovery in Slovenia in the future. Simulations of this scenario show that in this case economic activity would remain at this year's level in 2012. These developments would mainly affect exports, which would stagnate as well (exports to EU countries are projected to decline, but could be offset somewhat by exports to non-EU countries), and investment, which would decline by 2.5% due to lower export demand and tighter lending conditions.

³¹ IMF World Economic Outlook Update, January 2011. The scenario assumes that a large shock followed by insufficiently rapid and strong policy action results in significant losses on securities and credit in the euro area periphery. This causes capital ratios to fall substantially in several countries of the euro area. Under such a scenario, European banks tighten lending conditions by a similar magnitude as during the collapse of Lehman Brothers in 2008. As a result, euro-area growth is reduced by about 2.5 p.p. relative to the baseline.

Table 12: Simulation of the effect of the fall of economic activity in the EU on economic activity in Slovenia

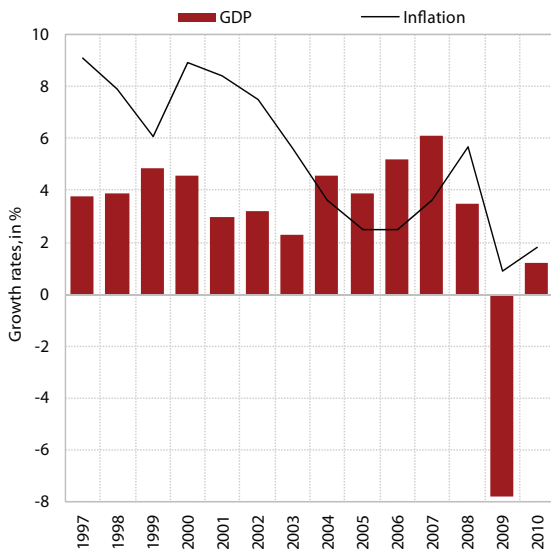
Real growth, in %	2011	2012	2012
	Spring forecast		Simulation
Gross domestic product	2,2	2,6	-0,1
Exports of goods and services	6,9	6,7	0,0
Imports of goods and services	5,1	6,0	-0,4
Private consumption	0,7	0,7	0,0
Government consumption	0,8	0,6	-1,0
Gross fixed capital formation	2,9	4,5	-2,5
Contribution of change in inventories to GDP growth in p.p.	-0,3	0,4	0,4

Source: calculations by IMAD.

ASSESSING FORECASTING PERFORMANCE

In our regular annual analysis, we assess the performance of forecasts by different institutions forecasting economic trends for Slovenia. The analysis is made for the forecasts in the period from 1997 to 2010 by IMAD and SKEP and for the period from 2002 to 2010, when forecasts by other institutions were also available for Slovenia. We have thus covered a period of time when Slovenia recorded very favourable economic movements and the forecasting errors were relatively low, as well as the period of the world economic and financial crisis, which was unpredictable for most forecasters and is also reflected in the magnitude of forecasting errors.

Figure 25: Movement of variables included in the analysis of forecasting performance



Source: SORS.

The analysis covers real economic growth and inflation. All forecasts³² are compared with the first statistical annual estimate, which is, for economic growth, based on the quarterly data. A systematic comparison of how our forecasts diverge from the actual trends over a longer period of time reveals the accuracy of forecasting and mean errors made in forecasting a given aggregate. If errors are evenly distributed, the value of this measure is close to zero. A positive value indicates a systemic underestimation of trends and vice versa.

The quality of the forecast is also dependent on the time when the forecast is released. In forecasting the movement of economic variables, the forecasters deal with various limitations such as the availability of information at the cut-off date, which changes in time. It is thus important to take into account the time when the forecasts were made, as later forecasts may include new

³² Spring forecasts for the year ahead (PNT+1), autumn forecasts for the year ahead (JNT+1), spring forecasts for the current year (PNT) and autumn forecasts for the current year (JNT).

data which can shed a different light on the economic situation. This new information may involve further data on indicator movements in a given month or quarter, revisions of data that have already been released, as well as changed assumptions of movements in the international environment, which represent a strong uncertainty factor for open economies such as Slovenia. The present analysis compares forecasting performance by six institutions³³ publishing forecasts of key macroeconomic variables for Slovenia. All institutions usually publish their forecasts twice a year. The most comprehensive forecasts of macroeconomic categories are provided by IMAD.

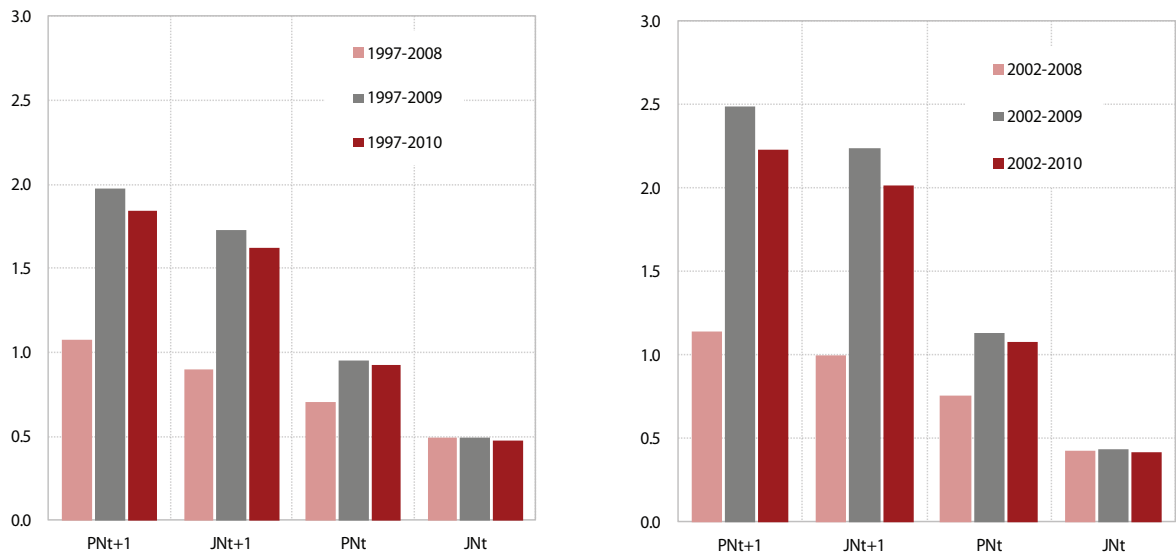
Figure 26: Timeline of forecasts published by individual institutions in 2010

Jan			
Feb	WIIW		
Mar	IMAD	Consensus Forecasts	
Apr	BS	IMF	
May	SKEP	EC	
Jun	OECD	WIIW	
Jul			
Aug			
Sep	IMAD	Consensus Forecasts	
Oct	BS	IMF	
Nov	SKEP	EC	OECD
Dec			

The performance measures for a longer period were significantly affected by a larger error in the forecast for 2009. Because of the uncertainty of future economic trends, individual forecasts tend to deviate from the actual situation and for forecasting to be successful the mean error should be as small as possible over a longer period. If the analysed period is relatively short, any error (whether in the positive or negative direction) can significantly affect the conclusions of previous performance analyses. The errors in the forecasts for 2009, which are much higher, thus notably deteriorated the calculation of the mean errors in the entire period (in a shorter period of 2002–2010, a greater error than for the 1997–2010 period), which is evident from the figures below (see Table 13 in the statistical appendix).

³³ In addition to the forecasts by the Institute of Macroeconomic Analysis and Development (IMAD), the analysis covers the forecasts released by: the Bank of Slovenia (BS) and SKEP – Economic Outlook, Analysis and Forecasts of the Chamber of Commerce and Industry of Slovenia, and among international institutions, the International Monetary Fund (IMF), the European Commission (EC), OECD, Consensus and Wiener Institut fuer Internationale Wirtschaftsvergleiche (WIIW).

Figure 27: Mean absolute error in IMAD's forecasts for real GDP growth for various periods



Source: forecasts by IMAD.

Half of the institutions, including IMAD, underestimated real economic growth in their forecasts for 2010 (0.1 p.p. to 0.7 p.p.) while the other half overestimated it (0.1 p.p. to 1.5 p.p.). The forecasts of real economic growth for 2010 were overestimated

the most in the spring forecasts for the year ahead by the WIIW and the BS (-0.8 p.p. or -0.7 p.p., respectively), while the smallest errors were made by Consensus (-0.1 p.p.), IMAD (0.2 p.p.) and IMF (-0.2 p.p.).

Table 13: Errors made by forecasting institutions in their forecasts of real GDP growth for 2010

Realised: 1.2 %	Spring forecast for the year ahead		Autumn forecast for the year ahead		Spring forecast for the current year		Autumn forecast for the current year	
	Forecast	Error in p.p.	Forecast	Error in p.p.	Forecast	Error in p.p.	Forecast	Error in p.p.
IMAD	1.0	0.2	0.9	0.3	0.6	0.6	0.9	0.3
BS	1.9	-0.7	1.6	-0.4	1.3	-0.1	1.1	0.1
SKEP	1.6	-0.4	0.7	0.5	0.7	0.5	0.8	0.4
EC	0.7	0.5	1.3	-0.1	1.1	0.1	1.1	0.1
IMF	1.4	-0.2	0.6	0.6	1.1	0.1	0.8	0.4
WIIW	2.0	-0.8	1.0	0.2	1.0	0.2	0.5	0.7
OECD	0.7	0.5	2.7	-1.5	1.4	-0.2	1.1	0.1
Consensus Forecasts	1.3	-0.1	0.6	0.6	1.0	0.2	1.0	0.2

Source: forecasts by individual institutions.

The forecasting institutions either underestimated inflation in 2010 by 0.1 p.p. to 0.7 p.p. or overestimated it by 0.1 p.p. to 0.9 p.p. The BS and SKEP made accurate

forecasts of inflation in their spring forecasts for the year ahead, while SKEP, the EC and Consensus were accurate in their spring forecasts for the current year.

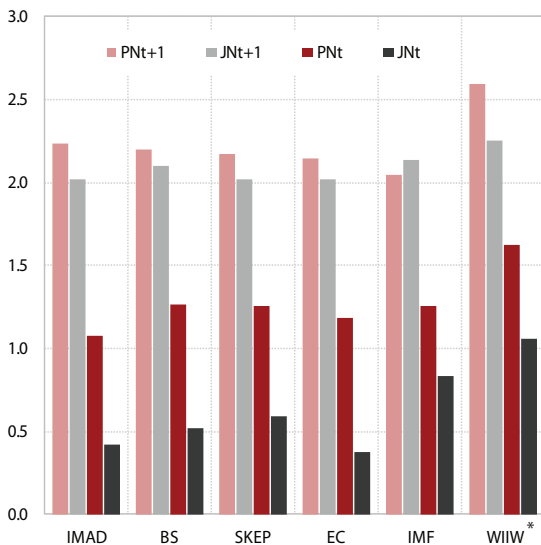
Table 14: Errors made by forecasting institutions in their forecasts of average inflation for 2010

Realised: 1.8 %	Spring forecast for the year ahead		Autumn forecast for the year ahead		Spring forecast for the current year		Autumn forecast for the current year	
	Forecast	Error in p.p.	Forecast	Error in p.p.	Forecast	Error in p.p.	Forecast	Error in p.p.
IMAD	1.6	0.2	1.5	0.3	1.3	0.5	2.1	-0.3
BS	1.8	0.0	1.5	0.3	1.6	0.2	2.3	-0.5
SKEP	1.8	0.0	1.3	0.5	1.8	0.0	1.9	-0.1
EC	2.0	-0.2	1.7	0.1	1.8	0.0	2.1	-0.3
IMF	1.5	0.3	1.5	0.3	1.5	0.3	1.5	0.3
WIIW	2.5	-0.7	2.0	-0.2	1.5	0.3	1.5	0.3
OECD	1.6	0.2	1.1	0.7	1.9	-0.1	2.1	-0.3
Consensus Forecasts	2.7	-0.9	2.1	-0.3	1.8	0.0	1.9	-0.1

Source: forecasts by individual institutions.

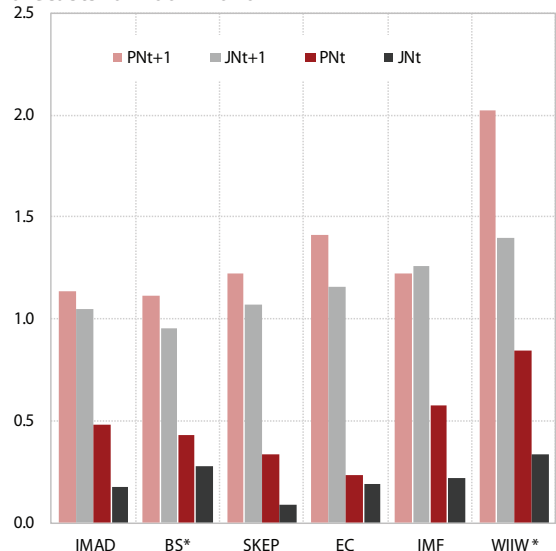
A comparison of the forecasts of economic growth over a longer period shows that the IMAD forecasts of GDP growth are, on average, the most accurate among the Slovenian institutions, particularly for the current year, while SKEP and the Bank of Slovenia were more accurate regarding inflation forecasts. Comparing the forecasting performance measures of different institutions, we find that the mean absolute errors in the forecasts of real economic growth in 2002–2010 ranged between 0.38 and 2.60. The root mean square errors, which assign greater weight to larger errors, were much higher due to an error in 2009 (between 0.46 and 4.38). The mean absolute errors in the forecasts of average inflation were lower than in the GDP forecasts (between 0.09 and 2.02) and the root mean square errors ranged between 0.11 and 2.96.

Figure 28: Mean absolute errors in real GDP growth forecasts for 2002–2010



Source: forecasts by individual institutions.
Note: * WIIW data for PNT+1 for 2003–2010.

Figure 29: Mean absolute errors in average inflation forecasts for 2002–2010



Source: forecasts by individual institutions.

Note: * BS and WIIW data for PNT+1 for 2003–2010.

Based on an analysis of the forecasting performance over a longer period of time, we find that the IMAD forecasts show no systematic over- or underestimation. In view of the uncertainty of future economic trends, individual forecasts can never be entirely accurate; it is important, however, that their mean error is as small as possible over a longer time period. The mean absolute error in the forecasts of real GDP growth for the period 1997–2010 totals 1.62 p.p. in the autumn forecasts for the year ahead, and 0.93 p.p. in the spring forecasts for the current year. The mean absolute error in the spring forecast of inflation is 0.51 p.p. for the current year but somewhat higher, 1.04 p.p., in the autumn forecasts for the year ahead. We estimate that these indicators show that the IMAD forecasts are unbiased over the long term.

statistical appendix

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Table 1: Main macroeconomic indicators of Slovenia

Real growth rates in %, unless otherwise indicated

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
												forecast	
GROSS DOMESTIC PRODUCT	2.8	4.0	2.8	4.3	4.5	5.9	6.9	3.7	-8.1	1.2	2.2	2.6	2.2
GDP in EUR m (at current prices and at current exchange rate)	22,790	24,500	25,752	27,162	28,750	31,055							
GDP in EUR m (at current prices and at fixed exchange rate EUR=239.64)	20,654	23,128	25,114	27,073	28,750	31,050	34,568	37,305	35,384	36,061	36,843	38,788	40,602
GDP per capita in EUR (at current prices and at current exchange rate)	11,441	12,281	12,900	13,599	14,369	15,467	17,123	18,450	17,331	17,597	18,052	18,967	19,820
GDP per capita in USD (at current prices and at current exchange rate)	10,236	11,564	14,556	16,885	17,869	19,400	23,467	27,136	24,174	23,351	24,586	25,890	27,054
GDP per capita (PPS) ¹	15,800	16,800	17,300	18,700	19,700	20,700	22,100	22,800	20,700				
GDP per capita (PPS EU27=100) ¹	80.0	82.0	83.0	86.0	87.0	88.0	88.0	91.0	88.0				
POPULATION, EMPLOYMENT, WAGES AND PRODUCTIVITY													
Population, as on 30. June, in thousand	1,992.0	1,995.7	1,996.8	1,997.0	2,001.1	2,008.5	2,019.4	2,022.6	2,042.3	2,049.3	2,041.0	2,045.0	2,048.6
Employment according to SNA	0.5	-0.1	-0.4	0.3	-0.2	1.5	3.0	2.8	-1.9	-2.2	-1.2	-0.3	-0.3
Registered unemployed (annual average in thousand)	101.9	102.8	97.7	92.8	91.9	85.8	71.3	63.2	86.4	100.5	114.0	115.8	115.3
Rate of registered unemployment in %	11.2	11.3	10.9	10.3	10.2	9.4	7.7	6.7	9.1	10.7	12.1	12.3	12.3
Rate of unemployment by ILO in %	6.4	6.4	6.7	6.3	6.5	6.0	4.9	4.4	5.9	7.2	7.9	8.0	8.0
Gross wage per employee	3.2	2.0	1.8	2.0	2.2	2.2	2.2	2.5	2.5	2.1	0.2	0.8	1.5
- private sector	2.3	2.3	2.1	3.1	2.8	2.8	3.2	2.0	0.9	3.3	1.1	1.3	1.5
- public sector	5.1	1.1	1.0	-0.8	0.9	1.0	0.5	3.9	5.6	-1.8	-1.9	-0.5	1.6
Labour productivity (GDP per employee)	2.4	4.0	3.2	4.0	4.7	4.3	3.8	0.9	-6.4	3.4	3.4	2.9	2.5
INTERNATIONAL TRADE - BALANCE OF PAYMENTS STATISTICS													
Exports of goods and services ²	6.4	6.8	3.1	12.4	10.6	12.5	13.7	3.3	-17.7	7.8	6.9	6.7	6.3
Exports of goods	7.0	6.4	4.4	12.8	10.3	13.4	13.9	0.6	-18.1	10.2	7.7	7.4	6.6
Exports of services	3.5	8.2	-2.5	10.9	12.0	8.6	13.2	16.2	-16.1	-1.1	3.4	3.3	4.8
Imports of goods and services ²	3.1	4.9	6.7	13.3	6.6	12.2	16.7	3.8	-19.7	6.6	5.1	6.0	5.2
Imports of goods	3.2	4.4	7.3	14.6	6.8	12.7	16.2	3.1	-20.9	7.7	5.2	6.0	5.1
Imports of services	2.3	8.4	2.8	5.6	5.5	8.8	19.7	8.7	-12.3	1.1	4.7	6.0	5.9
Current account balance in EUR m	38	247	-196	-720	-498	-771	-1,646	-2,489	-526	-409	-865	-924	-606
- As a per cent share relative to GDP	0.2	1.0	-0.8	-2.6	-1.7	-2.5	-4.8	-6.7	-1.5	-1.1	-2.3	-2.4	-1.5
Balance of goods and services in EUR m	-149	355	-3	-322	-106	-158	-619	-1,157	415	84	-91	69	342
- As a per cent share relative to GDP	-0.7	1.4	0.0	-1.2	-0.4	-0.5	-1.8	-3.1	1.2	0.2	-0.2	0.2	0.8
FINAL DOMESTIC DEMAND - NATIONAL ACCOUNTS STATISTICS													
Final consumption	2.8	2.7	3.0	2.9	2.8	3.2	5.1	3.7	0.2	0.6	0.8	0.7	0.9
As a % of GDP *	76.1	75.0	75.0	73.9	73.2	71.6	70.0	71.1	75.7	76.4	76.7	75.5	74.7
in which:													
Private consumption	2.5	2.5	3.3	2.7	2.6	2.9	6.7	2.9	-0.8	0.5	0.7	0.7	1.0
As a % of GDP *	56.7	55.9	56.0	55.0	54.2	52.8	52.7	53.0	55.4	56.2	56.7	55.8	55.2
Government consumption	3.8	3.3	2.2	3.4	3.4	4.0	0.7	6.2	3.0	0.8	0.8	0.6	0.6
As a % of GDP *	19.4	19.1	19.0	18.9	19.0	18.8	17.3	18.1	20.3	20.1	20.1	19.7	19.6
Gross fixed capital formation	0.7	0.7	8.1	5.6	3.7	10.1	12.8	8.5	-21.6	-6.7	2.9	4.5	3.0
As a % of GDP *	24.7	23.1	24.0	24.9	25.5	26.5	27.7	28.8	23.9	22.3	22.8	23.1	23.2
EXCHANGE RATE AND PRICES													
Average exchange rate SIT/USD, BS	242.7	240.2	207.1	192.4	192.7	191.0	174.8						
Average exchange rate SIT/EUR, BS	217.2	226.2	233.7	238.9	239.6	239.6	239.6						
Ratio of USD to EUR	0.895	0.942	1.128	1.242	1.244	1.254	1.371	1.471	1.393	1.327	1.362	1.365	1.365
Real effective exchange rate - deflated by CPI ³	-0.3	1.7	3.3	0.1	-0.2	0.7	2.3	2.8	0.7	-1.4	-0.2	1.1	0.4
Inflation (end of the year) ⁴	7.0	7.2	4.6	3.2	2.3	2.8	5.6	2.1	1.8	1.9	3.0	2.7	2.2
Inflation (year average) ⁴	8.4	7.5	5.6	3.6	2.5	2.5	3.6	5.7	0.9	1.8	2.2	3.0	2.4
Brent Crude Oil Price USD / barrel	24.5	25.0	28.9	38.3	54.6	65.2	72.4	96.9	61.7	79.6	110.0	115.0	115.0

Source of data: SORS, BS, ECB, Eurostat; calculations and forecasts by IMAD.

Notes: ¹Measured in purchasing power standard (PPS). ²Balance of payments statistics (exports F.O.B., imports F.O.B.); real growth rates are adjusted for inter-currency changes and changes in prices on foreign markets. ³Growth in value denotes real appreciation of national currency and vice versa. ⁴Consumer price index. *Shares in GDP are calculated for GDP in current prices and at fixed exchange rate.

Table 2a: Value added by activities and gross domestic product

EUR million, current prices (fixed 2007 exchange rate)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
											forecast		
A Agriculture, hunting, forestry	547.8	665.1	545.2	634.8	679.5	645.9	757.3	819.9	751.9	752.8	770.1	810.8	850.3
B Fishing	2.4	3.1	3.9	3.3	3.7	3.6	3.3	3.1	4.0	4.6	4.9	5.3	5.8
C Mining and quarrying	93.7	92.1	109.1	127.1	127.0	132.9	135.6	137.5	137.8	137.7	124.6	117.8	107.6
D Manufacturing	4,682.2	5,100.1	5,612.8	5,858.5	6,018.5	6,454.1	7,112.0	7,230.8	6,046.0	6,496.5	6,744.3	7,168.8	7,595.0
E Electricity, gas and water supply	512.2	602.2	621.4	714.5	760.9	817.5	853.9	980.6	985.5	992.6	1,022.0	1,077.1	1,137.0
F Construction	1,124.0	1,210.2	1,357.9	1,480.8	1,681.3	1,957.4	2,393.5	2,727.2	2,428.7	2,113.9	2,093.3	2,275.1	2,334.6
G Wholesale and retail trade, motor vehicle repair	2,059.3	2,317.0	2,543.8	2,737.1	3,012.7	3,207.7	3,713.4	4,139.9	3,856.5	3,872.9	3,881.2	4,021.0	4,170.0
H Hotels and restaurants	414.8	455.1	495.7	524.7	554.2	603.2	703.6	753.8	722.0	715.2	715.6	740.2	768.2
I Transport, storage, communications	1,285.0	1,411.0	1,576.9	1,734.6	1,856.0	2,044.4	2,339.5	2,492.2	2,215.9	2,372.3	2,447.8	2,603.4	2,773.1
J Financial intermediation	760.8	903.0	967.8	1,031.4	1,087.8	1,328.4	1,404.4	1,486.8	1,557.5	1,547.6	1,575.4	1,667.2	1,713.7
K Real estate, renting and business activities	2,881.6	3,362.3	3,669.1	4,025.4	4,274.8	4,638.4	5,269.9	5,799.4	5,626.2	5,783.9	5,917.4	6,228.2	6,565.1
L Public administration and comp. soc. sec.	1,064.4	1,178.8	1,335.2	1,435.2	1,512.1	1,599.5	1,682.6	1,870.5	1,961.1	2,012.2	2,033.4	2,113.9	2,195.6
M Education	1,004.0	1,105.7	1,208.9	1,326.5	1,424.4	1,499.9	1,567.9	1,664.5	1,746.7	1,775.6	1,797.3	1,872.5	1,940.8
N Health and social work	953.9	1,037.1	1,116.8	1,190.4	1,279.8	1,330.6	1,383.5	1,546.2	1,750.0	1,709.4	1,760.3	1,864.9	1,974.9
O Other community, social and personal services	660.4	686.5	738.6	841.2	913.3	947.5	1,000.0	1,065.7	1,054.1	1,166.1	1,150.6	1,176.1	1,203.9
P Private households with employed persons	15.8	16.6	16.5	18.7	18.7	19.3	21.0	23.0	24.3	23.1	25.4	28.7	32.6
1. TOTAL VALUE ADDED, basic prices	18,062.4	20,145.9	21,919.8	23,684.4	25,204.7	27,230.4	30,341.5	32,741.2	30,868.3	31,476.3	32,063.6	33,771.0	35,368.2
2. CORRECTIONS (a-b)	2,591.9	2,982.5	3,194.2	3,389.0	3,544.9	3,820.0	4,226.8	4,563.5	4,516.1	4,584.7	4,779.6	5,016.5	5,234.1
a) taxes on products and services	2,695.7	3,078.7	3,318.8	3,520.2	3,697.3	3,953.5	4,420.4	4,769.2	4,727.8	4,770.7	4,965.9	5,198.7	5,415.1
b) subsidies on products and services	103.8	96.2	124.6	131.2	152.4	133.5	193.7	205.7	211.7	186.0	186.3	182.2	181.0
3. GROSS DOMESTIC PRODUCT (3=1+2)	20,654.3	23,128.5	25,114.0	27,073.4	28,749.6	31,050.4	34,568.2	37,304.7	35,384.4	36,061.0	36,843.2	38,787.5	40,602.4

Source of data: SORS, calculations and forecasts by IMAD.

Table 2b: Value added by activities and gross domestic product

Structure in %, current prices

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
											forecast		
A Agriculture, hunting, forestry	2.7	2.9	2.2	2.3	2.4	2.1	2.2	2.2	2.1	2.1	2.1	2.1	2.1
B Fishing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C Mining and quarrying	0.5	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3	0.3
D Manufacturing	22.7	22.1	22.3	21.6	20.9	20.8	20.6	19.4	17.1	18.0	18.3	18.5	18.7
E Electricity, gas and water supply	2.5	2.6	2.5	2.6	2.6	2.6	2.5	2.6	2.8	2.8	2.8	2.8	2.8
F Construction	5.4	5.2	5.4	5.5	5.8	6.3	6.9	7.3	6.9	5.9	5.7	5.9	5.7
G Wholesale and retail trade, motor vehicle repair	10.0	10.0	10.1	10.1	10.5	10.3	10.7	11.1	10.9	10.7	10.5	10.4	10.3
H Hotels and restaurants	2.0	2.0	2.0	1.9	1.9	1.9	2.0	2.0	2.0	2.0	1.9	1.9	1.9
I Transport, storage, communications	6.2	6.1	6.3	6.4	6.5	6.6	6.8	6.7	6.3	6.6	6.6	6.7	6.8
J Financial intermediation	3.7	3.9	3.9	3.8	3.8	4.3	4.1	4.0	4.4	4.3	4.3	4.3	4.2
K Real estate, renting and business activities	14.0	14.5	14.6	14.9	14.9	14.9	15.2	15.5	15.9	16.0	16.1	16.1	16.2
L Public administration and comp. soc. sec.	5.2	5.1	5.3	5.3	5.3	5.2	4.9	5.0	5.5	5.6	5.5	5.4	5.4
M Education	4.9	4.8	4.8	4.9	5.0	4.8	4.5	4.5	4.9	4.9	4.9	4.8	4.8
N Health and social work	4.6	4.5	4.4	4.4	4.5	4.3	4.0	4.1	4.9	4.7	4.8	4.8	4.9
O Other community, social and personal services	3.2	3.0	2.9	3.1	3.2	3.1	2.9	2.9	3.0	3.2	3.1	3.0	3.0
P Private households with employed persons	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
1. TOTAL VALUE ADDED	87.5	87.1	87.3	87.5	87.7	87.7	87.8	87.8	87.2	87.3	87.0	87.1	87.1
2. CORRECTIONS (a-b)	12.5	12.9	12.7	12.5	12.3	12.3	12.2	12.2	12.8	12.7	13.0	12.9	12.9
a) taxes on products and services	13.1	13.3	13.2	13.0	12.9	12.7	12.8	12.8	13.4	13.2	13.5	13.4	13.3
b) subsidies on products and services	0.5	0.4	0.5	0.5	0.5	0.4	0.6	0.6	0.6	0.5	0.5	0.5	0.4
3. GROSS DOMESTIC PRODUCT (3=1+2)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
GROSS DOMESTIC PRODUCT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
in which:													
1. Agriculture, forestry, fishing (A+B)	2.7	2.9	2.2	2.4	2.4	2.1	2.2	2.2	2.1	2.1	2.1	2.1	2.1
2. Industry and construction (C+D+E+F)	31.0	30.3	30.7	30.2	29.9	30.2	30.4	29.7	27.1	27.0	27.1	27.4	27.5
- Industry (C+D+E)	25.6	25.1	25.3	24.7	24.0	23.8	23.4	22.4	20.3	21.1	21.4	21.6	21.8
- Construction F	5.4	5.2	5.4	5.5	5.8	6.3	6.9	7.3	6.9	5.9	5.7	5.9	5.7
3. Services (G...P)	53.7	53.9	54.4	54.9	55.4	55.5	55.2	55.9	58.0	58.2	57.8	57.5	57.5
4. Corrections	12.5	12.9	12.7	12.5	12.3	12.3	12.2	12.2	12.8	12.7	13.0	12.9	12.9
as a share in total value added in %													
TOTAL VALUE ADDED, basic prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
in which:													
1. Agriculture, forestry, fishing (A+B)	3.0	3.3	2.5	2.7	2.7	2.4	2.5	2.5	2.4	2.4	2.4	2.4	2.4
2. Industry and construction (C+D+E+F)	35.5	34.8	35.1	34.5	34.1	34.4	34.6	33.8	31.1	30.9	31.1	31.5	31.6
- Industry (C+D+E)	29.3	28.8	28.9	28.3	27.4	27.2	26.7	25.5	23.2	24.2	24.6	24.8	25.0
- Construction F	6.2	6.0	6.2	6.3	6.7	7.2	7.9	8.3	7.9	6.7	6.5	6.7	6.6
3. Services (G...P)	61.5	61.9	62.4	62.8	63.2	63.2	62.9	63.7	66.5	66.6	66.4	66.1	66.0

Source of data: SORS, calculations and forecasts by IMAD.

Table 3a: Value added by activities and gross domestic product

EUR million (fixed 2007 exchange rate)

	constant previous year prices									constant 2009 prices			
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
											forecast		
A Agriculture, hunting, forestry	527.0	630.7	531.8	605.2	630.5	649.3	660.3	799.9	749.4	738.7	746.0	753.5	757.3
B Fishing	2.7	2.5	3.3	3.5	3.8	3.2	3.7	3.1	3.7	4.3	4.4	4.5	4.5
C Mining and quarrying	97.6	94.3	102.5	117.0	128.0	134.3	131.6	137.3	132.9	149.8	148.3	149.0	144.5
D Manufacturing	4,332.9	4,927.5	5,381.2	5,864.3	6,108.9	6,457.0	6,956.4	7,121.1	6,021.4	6,529.8	6,856.3	7,161.5	7,447.9
E Electricity, gas and water supply	424.8	557.3	607.9	682.8	750.4	797.1	823.9	892.5	903.7	972.4	987.0	996.4	1,006.4
F Construction	1,066.2	1,156.6	1,246.4	1,381.3	1,558.5	1,935.1	2,285.6	2,525.7	2,305.3	2,079.0	2,037.4	2,129.1	2,150.4
G Wholesale and retail trade, motor vehicle repair	1,895.8	2,167.9	2,377.6	2,645.1	2,863.2	3,200.4	3,467.6	3,898.7	3,753.1	3,917.5	3,995.9	4,093.8	4,194.1
H Hotels and restaurants	395.5	425.0	464.5	480.8	539.4	562.1	637.0	682.3	664.4	721.0	731.8	746.1	762.5
I Transport, storage, communications	1,186.5	1,269.7	1,475.7	1,673.8	1,833.7	2,037.2	2,258.7	2,491.0	2,240.5	2,342.0	2,400.5	2,464.2	2,530.7
J Financial intermediation	789.4	861.7	963.2	1,073.2	1,143.4	1,195.3	1,515.0	1,551.2	1,529.6	1,510.8	1,510.8	1,525.9	1,495.4
K Real estate, renting and business activities	2,603.3	2,951.6	3,440.5	3,748.9	4,163.6	4,529.3	4,975.5	5,498.7	5,485.5	5,730.7	5,845.3	5,959.3	6,078.5
L Public administration and comp. soc. sec.	958.7	1,099.5	1,244.5	1,398.4	1,474.4	1,556.1	1,622.5	1,731.3	1,918.4	2,018.4	2,058.8	2,098.9	2,135.7
M Education	884.4	1,035.2	1,144.6	1,256.5	1,381.1	1,441.7	1,527.4	1,578.8	1,722.1	1,803.6	1,848.7	1,894.9	1,930.3
N Health and social work	849.7	1,004.1	1,060.3	1,151.7	1,252.0	1,304.2	1,339.8	1,419.4	1,622.3	1,759.6	1,803.6	1,847.8	1,890.3
O Other community, social and personal services	614.5	666.1	692.1	760.1	880.8	920.3	924.4	1,023.1	998.8	1,045.4	1,053.8	1,069.1	1,085.2
P Private households with employed persons	15.3	14.2	10.9	15.2	19.8	18.1	19.4	21.4	23.6	24.5	24.6	24.7	24.8
1. TOTAL VALUE ADDED, basic prices	16,644.4	18,863.9	20,747.0	22,857.9	24,731.5	26,740.7	29,148.8	31,375.5	30,074.8	31,347.4	32,053.2	32,918.7	33,638.5
2. CORRECTIONS (a-b)	2,362.8	2,611.1	3,037.2	3,332.6	3,558.2	3,691.5	4,035.8	4,485.9	4,197.5	4,461.6	4,531.6	4,623.4	4,716.6
a) taxes on products and services	2,466.5	2,710.3	3,135.6	3,454.7	3,688.4	3,842.7	4,171.2	4,672.4	4,375.9	4,684.3	4,749.9	4,830.6	4,917.6
b) subsidies on products and services	103.7	99.2	98.4	122.1	130.2	151.2	135.5	186.5	178.3	222.7	218.2	207.2	201.0
3. GROSS DOMESTIC PRODUCT (3=1+2)	19,007.2	21,475.0	23,784.2	26,190.6	28,289.7	30,432.2	33,184.5	35,861.4	34,272.4	35,809.1	36,584.8	37,542.1	38,355.0

Source of data: SORS, calculations and forecasts by IMAD.

Table 3b: Value added by activities and gross domestic product

	Real growth rates in %											Real growth rates in %		
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
											forecast			
A Agriculture, hunting, forestry	-0.7	15.1	-20.0	11.0	-0.7	-4.4	2.2	5.6	-8.6	-1.8	1.0	1.0	0.5	
B Fishing	17.0	2.9	4.8	-10.3	14.0	-13.9	1.3	-5.8	20.7	7.5	1.5	1.0	1.0	
C Mining and quarrying	-4.3	0.6	11.2	7.2	0.7	5.7	-1.0	1.3	-3.4	8.7	-1.0	0.5	-3.0	
D Manufacturing	4.2	5.2	5.5	4.5	4.3	7.3	7.8	0.1	-16.7	8.0	5.0	4.5	4.0	
E Electricity, gas and water supply	-0.1	8.8	0.9	9.9	5.0	4.8	0.8	4.5	-7.8	-1.3	1.5	1.0	1.0	
F Construction	-1.1	2.9	3.0	1.7	5.2	15.1	16.8	5.5	-15.5	-14.4	-2.0	4.5	1.0	
G Wholesale and retail trade, motor vehicle repair	5.9	5.3	2.6	4.0	4.6	6.2	8.1	5.0	-9.3	1.6	2.0	2.5	2.5	
H Hotels and restaurants	6.5	2.5	2.1	-3.0	2.8	1.4	5.6	-3.0	-11.9	-0.1	1.5	2.0	2.2	
I Transport, storage, communications	3.8	-1.2	4.6	6.1	5.7	9.8	10.5	6.5	-10.1	5.7	2.5	2.7	2.7	
J Financial intermediation	4.1	13.2	6.7	10.9	10.9	9.9	14.0	10.5	2.9	-3.0	0.0	1.0	-2.0	
K Real estate, renting and business activities	4.0	2.4	2.3	2.2	3.4	6.0	7.3	4.3	-5.4	1.9	2.0	2.0	2.0	
L Public administration and comp. soc. sec.	5.2	3.3	5.6	4.7	2.7	2.9	1.4	2.9	2.6	2.9	2.0	2.0	1.8	
M Education	2.2	3.1	3.5	3.9	4.1	1.2	1.8	0.7	3.5	3.3	2.5	2.5	1.9	
N Health and social work	0.5	5.3	2.2	3.1	5.2	1.9	0.7	2.6	4.9	0.5	2.5	2.5	2.3	
O Other community, social and personal services	3.5	0.9	0.8	2.9	4.7	0.8	-2.4	2.3	-6.3	-0.8	0.8	1.5	1.5	
P Private households with employed persons	12.3	-10.0	-34.1	-8.1	5.9	-3.5	0.6	2.0	2.4	0.5	0.5	0.5	0.5	
1. TOTAL VALUE ADDED, basic prices	3.4	4.4	3.0	4.3	4.4	6.1	7.0	3.4	-8.1	1.6	2.3	2.7	2.2	
2. CORRECTIONS (a-b)	-1.1	0.7	1.8	4.3	5.0	4.1	5.6	6.1	-8.0	-1.2	1.6	2.0	2.0	
a) taxes on products and services	-1.0	0.5	1.8	4.1	4.8	3.9	5.5	5.7	-8.2	-0.9	1.4	1.7	1.8	
b) subsidies on products and services	0.9	-4.4	2.3	-2.0	-0.8	-0.8	1.5	-3.7	-13.3	5.2	-2.0	-5.0	-3.0	
3. GROSS DOMESTIC PRODUCT (3=1+2)	2.8	4.0	2.8	4.3	4.5	5.9	6.9	3.7	-8.1	1.2	2.2	2.6	2.2	

Source of data: SORS, calculations and forecasts by IMAD.

Table 4a: Expenditure structure of gross domestic product

EUR million, current prices (fixed 2007 exchange rate)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	forecast		
											2011	2012	2013
1 GROSS DOMESTIC PRODUCT (1=4+5)	20,654.3	23,128.5	25,114.0	27,073.4	28,749.6	31,050.4	34,568.2	37,304.7	35,384.4	36,061.0	36,843.2	38,787.5	40,602.4
2 EXPORTS OF GOODS AND SERVICES	11,458.5	12,775.2	13,554.4	15,703.6	17,858.9	20,657.3	24,040.7	25,132.4	20,571.6	22,866.0	25,202.9	27,442.6	29,678.1
3 IMPORTS OF GOODS AND SERVICES	11,629.7	12,504.2	13,612.2	16,054.3	17,976.2	20,818.1	24,635.9	26,265.6	20,111.8	22,676.9	25,184.8	27,260.1	29,214.5
4 SURPLUS WITH THE REST OF THE WORLD (4=2-3)	-171.2	271.0	-57.8	-350.7	-117.2	-160.8	-595.2	-1,133.2	459.8	189.1	18.1	182.4	463.7
5 TOTAL DOMESTIC CONSUMPTION (5=6+9)	20,825.5	22,857.4	25,171.8	27,424.0	28,866.8	31,211.1	35,163.4	38,437.9	34,924.6	35,871.9	36,825.0	38,605.1	40,138.7
6 FINAL CONSUMPTION (6=7+8)	15,712.8	17,357.4	18,845.3	19,996.4	21,039.2	22,226.3	24,207.7	26,519.1	26,775.4	27,535.2	28,262.7	29,296.1	30,334.6
7 PRIVATE CONSUMPTION	11,708.7	12,935.7	14,066.4	14,879.3	15,586.8	16,401.6	18,218.1	19,760.8	19,607.1	20,274.1	20,874.9	21,661.8	22,395.5
- households	11,456.7	12,644.6	13,754.5	14,582.1	15,331.2	16,156.1	17,944.2	19,477.5	19,355.9	20,016.7	20,610.5	21,388.1	22,113.8
- NPISH's	252.0	291.1	311.9	297.1	255.7	245.5	274.0	283.3	251.3	257.4	264.3	273.8	281.7
8 GOVERNMENT CONSUMPTION (individual and collective)	4,004.1	4,421.7	4,778.9	5,117.2	5,452.3	5,824.7	5,989.6	6,758.3	7,168.3	7,261.1	7,387.8	7,634.3	7,939.1
9 GROSS CAPITAL FORMATION (9=10+11)	5,112.7	5,500.0	6,326.5	7,427.6	7,827.7	8,984.8	10,955.7	11,918.8	8,149.2	8,336.7	8,562.4	9,309.0	9,804.1
10 GROSS FIXED CAPITAL FORMATION	5,107.6	5,332.2	6,015.4	6,752.1	7,321.3	8,242.1	9,571.3	10,743.4	8,471.6	8,027.7	8,388.5	8,945.6	9,439.8
11 CHANGES IN INVENTORIES AND VALUABLES	5.1	167.8	311.1	675.5	506.4	742.7	1,384.4	1,175.4	-322.4	309.0	173.9	363.4	364.3

Source of data: SORS, forecasts by IMAD.

Tabela 4b: Expenditure structure of gross domestic product

Structure in %, current prices

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	forecast		
											2011	2012	2013
1 GROSS DOMESTIC PRODUCT (1=4+5)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 EXPORTS OF GOODS AND SERVICES	55.5	55.2	54.0	58.0	62.1	66.5	69.5	67.4	58.1	63.4	68.4	70.8	73.1
3 IMPORTS OF GOODS AND SERVICES	56.3	54.1	54.2	59.3	62.5	67.0	71.3	70.4	56.8	62.9	68.4	70.3	72.0
4 SURPLUS WITH THE REST OF THE WORLD (4=2-3)	-0.8	1.2	-0.2	-1.3	-0.4	-0.5	-1.7	-3.0	1.3	0.5	0.0	0.5	1.1
5 TOTAL DOMESTIC CONSUMPTION (5=6+9)	100.8	98.8	100.2	101.3	100.4	100.5	101.7	103.0	98.7	99.5	100.0	99.5	98.9
6 FINAL CONSUMPTION (6=7+8)	76.1	75.0	75.0	73.9	73.2	71.6	70.0	71.1	75.7	76.4	76.7	75.5	74.7
7 PRIVATE CONSUMPTION	56.7	55.9	56.0	55.0	54.2	52.8	52.7	53.0	55.4	56.2	56.7	55.8	55.2
- households	55.5	54.7	54.8	53.9	53.3	52.0	51.9	52.2	54.7	55.5	55.9	55.1	54.5
- NPISH's	1.2	1.3	1.2	1.1	0.9	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7
8 GOVERNMENT CONSUMPTION (individual and collective)	19.4	19.1	19.0	18.9	19.0	18.8	17.3	18.1	20.3	20.1	20.1	19.7	19.6
9 GROSS CAPITAL FORMATION (9=10+11)	24.8	23.8	25.2	27.4	27.2	28.9	31.7	31.9	23.0	23.1	23.2	24.0	24.1
10 GROSS FIXED CAPITAL FORMATION	24.7	23.1	24.0	24.9	25.5	26.5	27.7	28.8	23.9	22.3	22.8	23.1	23.2
11 CHANGES IN INVENTORIES AND VALUABLES	0.0	0.7	1.2	2.5	1.8	2.4	4.0	3.2	-0.9	0.9	0.5	0.9	0.9

Source of data: SORS, forecasts by IMAD.

Table 5a: Expenditure structure of gross domestic product

EUR million (fixed 2007 exchange rate)

	constant previous year prices									constant 2009 prices			
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
											forecast		
1 GROSS DOMESTIC PRODUCT (1=4+5)	19,007.2	21,475.0	23,784.2	26,190.6	28,289.7	30,432.2	33,184.5	35,861.4	34,272.4	35,809.1	36,584.8	37,542.1	38,355.0
2 EXPORTS OF GOODS AND SERVICES	10,603.5	12,232.3	13,174.8	15,241.4	17,362.4	20,097.5	23,494.6	24,838.5	20,683.1	22,167.1	23,697.2	25,279.0	26,860.0
3 IMPORTS OF GOODS AND SERVICES	10,942.5	12,199.9	13,336.6	15,424.7	17,119.9	20,162.1	24,290.8	25,577.7	21,082.4	21,439.4	22,528.6	23,869.2	25,122.3
4 SURPLUS WITH THE REST OF THE WORLD (4=2-3)	-339.0	32.4	-161.8	-183.2	242.5	-64.6	-796.2	-739.3	-399.3	727.6	1,168.7	1,409.8	1,737.7
5 TOTAL DOMESTIC CONSUMPTION (5=6+9)	19,346.2	21,442.6	23,946.0	26,373.8	28,047.2	30,496.8	33,980.7	36,600.7	34,671.7	35,081.4	35,416.1	36,132.3	36,617.3
6 FINAL CONSUMPTION (6=7+8)	14,481.6	16,140.3	17,877.2	19,388.9	20,563.3	21,716.8	23,361.6	25,112.0	26,566.7	26,931.8	27,140.3	27,336.1	27,569.3
7 PRIVATE CONSUMPTION	10,878.7	12,002.5	13,359.2	14,447.7	15,273.1	16,046.0	17,496.3	18,748.8	19,607.2	19,705.8	19,852.9	20,001.3	20,194.1
- households	10,648.8	11,737.5	13,065.6	14,133.1	14,997.1	15,778.9	17,239.4	18,476.9	19,364.4	19,452.8	19,598.6	19,745.6	19,937.1
- NPISH's	229.8	265.0	293.7	314.6	276.1	267.1	256.9	272.0	242.8	253.0	254.3	255.7	257.0
8 GOVERNMENT CONSUMPTION (individual and collective)	3,602.9	4,137.7	4,518.0	4,941.2	5,290.2	5,670.8	5,865.3	6,363.1	6,959.5	7,226.0	7,287.4	7,334.8	7,375.2
9 GROSS CAPITAL FORMATION (9=10+11)	4,864.6	5,302.3	6,068.8	6,984.9	7,483.9	8,779.9	10,619.2	11,488.7	8,105.0	8,149.7	8,275.8	8,796.3	9,048.0
10 GROSS FIXED CAPITAL FORMATION	4,855.2	5,143.3	5,761.5	6,353.5	7,003.4	8,058.9	9,298.0	10,382.6	8,425.9	7,904.8	8,138.0	8,508.3	8,759.4
11 CHANGES IN INVENTORIES AND VALUABLES	9.5	159.0	307.3	631.4	480.5	721.0	1,321.2	1,106.1	-320.9	244.8	137.8	288.0	288.6

Source of data: SORS, forecasts by IMAD.

Table 5b: Expenditure structure of gross domestic product

Real growth rates in %

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
											forecast		
											2011	2012	2013
1 GROSS DOMESTIC PRODUCT (1=4+5)	2.8	4.0	2.8	4.3	4.5	5.9	6.9	3.7	-8.1	1.2	2.2	2.6	2.2
2 EXPORTS OF GOODS AND SERVICES	6.4	6.8	3.1	12.4	10.6	12.5	13.7	3.3	-17.7	7.8	6.9	6.7	6.3
3 IMPORTS OF GOODS AND SERVICES	3.1	4.9	6.7	13.3	6.6	12.2	16.7	3.8	-19.7	6.6	5.1	6.0	5.2
4 SURPLUS WITH THE REST OF THE WORLD ¹	1.7	1.0	-1.9	-0.5	2.2	0.2	-2.0	-0.4	2.0	0.8	1.2	0.7	0.9
5 TOTAL DOMESTIC CONSUMPTION (5=6+9)	1.2	3.0	4.8	4.8	2.3	5.6	8.9	4.1	-9.8	0.4	1.0	2.0	1.3
6 FINAL CONSUMPTION (6=7+8)	2.8	2.7	3.0	2.9	2.8	3.2	5.1	3.7	0.2	0.6	0.8	0.7	0.9
7 PRIVATE CONSUMPTION	2.5	2.5	3.3	2.7	2.6	2.9	6.7	2.9	-0.8	0.5	0.7	0.7	1.0
- households	2.5	2.5	3.3	2.8	2.8	2.9	6.7	3.0	-0.6	0.5	0.7	0.7	1.0
- NPISH's	4.8	5.2	0.9	0.9	-7.1	4.5	4.6	-0.7	-14.3	0.7	0.5	0.5	0.5
8 GOVERNMENT CONSUMPTION (individual and collective)	3.8	3.3	2.2	3.4	3.4	4.0	0.7	6.2	3.0	0.8	0.8	0.6	0.6
9 GROSS CAPITAL FORMATION	-3.6	3.7	10.3	10.4	0.8	12.2	18.2	4.9	-32.0	0.0	1.5	6.3	2.9
10 GROSS FIXED CAPITAL FORMATION	0.7	0.7	8.1	5.6	3.7	10.1	12.8	8.5	-21.6	-6.7	2.9	4.5	3.0
11 CHANGES IN INVENTORIES AND VALUABLES ¹	-1.2	0.7	0.6	1.3	-0.7	0.7	1.9	-0.8	-4.0	1.6	-0.3	0.4	0.0

Source of data: SORS, forecasts by IMAD.

Note: ¹ Contribution to real GDP growth (percentage points).

Table 6a: Main aggregates of national accounts

EUR million (fixed 2007 exchange rate)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
											forecast		
1 GROSS DOMESTIC PRODUCT	20,654.3	23,128.5	25,114.0	27,073.4	28,749.6	31,050.4	34,568.2	37,304.7	35,384.4	36,061.0	36,843.2	38,787.5	40,602.4
2 Net primary incomes with the rest of the world (a-b)	44.2	-128.6	-193.7	-313.1	-243.6	-368.3	-734.5	-1,015.8	-680.3	-550.4	-775.7	-945.9	-975.2
a) primary incomes receivable from the ROW	449.3	450.1	482.0	563.3	765.4	1,032.5	1,333.5	1,373.4	786.3	985.5	1,062.0	1,199.6	1,402.5
b) primary incomes payable to the ROW	405.0	578.7	675.7	876.3	1,009.0	1,400.8	2,068.0	2,389.2	1,466.6	1,535.9	1,837.7	2,145.5	2,377.7
3 GROSS NATIONAL INCOME (3=1+2)	20,698.5	22,999.9	24,920.3	26,760.3	28,506.0	30,682.1	33,833.8	36,288.9	34,704.0	35,510.6	36,067.5	37,841.6	39,627.2
4 Net current transfers with the rest of the world (c-d)	47.3	61.8	29.2	-44.0	-144.0	-215.5	-227.0	-375.1	-256.0	44.8	1.5	-47.0	27.2
c) current transfers receivable from the ROW	419.6	470.3	463.1	546.1	629.7	672.0	818.7	545.0	702.8	978.8	1,163.8	1,175.1	1,250.4
d) current transfers payable to the ROW	372.3	408.5	433.9	590.1	773.7	887.4	1,045.6	920.0	958.8	933.9	1,162.3	1,222.1	1,223.2
5 GROSS NATIONAL DISPOSABLE INCOME (5=3+4)	20,745.8	23,061.7	24,949.5	26,716.3	28,362.0	30,466.7	33,606.8	35,913.8	34,448.0	35,555.5	36,069.0	37,794.6	39,654.4
6 FINAL CONSUMPTION EXPENDITURE (e+f)	15,712.8	17,356.9	18,845.3	19,996.4	21,039.2	22,226.3	24,207.7	26,519.1	26,775.4	27,535.2	28,262.7	29,296.1	30,334.6
e) Private consumption	11,708.7	12,936.2	14,066.4	14,879.3	15,586.8	16,401.6	18,218.1	19,760.8	19,607.1	20,274.1	20,874.9	21,661.8	22,395.5
f) Government consumption	4,004.1	4,421.7	4,778.9	5,117.2	5,452.3	5,824.7	5,989.6	6,758.3	7,168.3	7,261.1	7,387.8	7,634.3	7,939.1
7 GROSS SAVING (7=5-6)	5,033.0	5,704.8	6,104.1	6,719.8	7,322.8	8,240.3	9,399.1	9,394.7	7,672.6	8,020.3	7,806.3	8,498.5	9,319.7
8 GROSS CAPITAL FORMATION	5,112.7	5,500.0	6,326.5	7,427.6	7,827.7	8,984.8	10,955.7	11,918.8	8,149.2	8,336.7	8,562.4	9,309.0	9,804.1
- Gross fixed capital formation	5,107.6	5,332.2	6,015.4	6,752.1	7,321.3	8,242.1	9,571.3	10,743.4	8,471.6	8,027.7	8,388.5	8,945.6	9,439.8
- Changes in inventories and valuables	5.1	167.8	311.1	675.5	506.4	742.7	1,384.4	1,175.4	-322.4	309.0	173.9	363.4	364.3
9 SURPLUS ON THE CURRENT ACCOUNT WITH THE ROW (9=7-8)	-79.7	204.3	-222.3	-707.8	-504.9	-744.5	-1,556.6	-2,524.1	-476.6	-316.5	-756.1	-810.5	-484.3

Source of data: SORS, forecasts by IMAD.

Table 6b: Main aggregates of national accounts

Structure in %, current prices

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
											forecast		
1 GROSS DOMESTIC PRODUCT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 Net primary incomes with the rest of the world (a-b)	0.2	-0.6	-0.8	-1.2	-0.8	-1.2	-2.1	-2.7	-1.9	-1.5	-2.1	-2.4	-2.4
a) primary incomes receivable from the ROW	2.2	1.9	1.9	2.1	2.7	3.3	3.9	3.7	2.2	2.7	2.9	3.1	3.5
b) primary incomes payable to the ROW	2.0	2.5	2.7	3.2	3.5	4.5	6.0	6.4	4.1	4.3	5.0	5.5	5.9
3 GROSS NATIONAL INCOME (3=1+2)	100.2	99.4	99.2	98.8	99.2	98.8	97.9	97.3	98.1	98.5	97.9	97.6	97.6
4 Net current transfers with the rest of the world (c-d)	0.2	0.3	0.1	-0.2	-0.5	-0.7	-0.7	-1.0	-0.7	0.1	0.0	-0.1	0.1
c) current transfers receivable from the ROW	2.0	2.0	1.8	2.0	2.2	2.2	2.4	1.5	2.0	2.7	3.2	3.0	3.1
d) current transfers payable to the ROW	1.8	1.8	1.7	2.2	2.7	2.9	3.0	2.5	2.7	2.6	3.2	3.2	3.0
5 GROSS NATIONAL DISPOSABLE INCOME (5=3+4)	100.4	99.7	99.3	98.7	98.7	98.1	97.2	96.3	97.4	98.6	97.9	97.4	97.7
6 FINAL CONSUMPTION EXPENDITURE (e+f)	76.1	75.0	75.0	73.9	73.2	71.6	70.0	71.1	75.7	76.4	76.7	75.5	74.7
e) Private consumption	56.7	55.9	56.0	55.0	54.2	52.8	52.7	53.0	55.4	56.2	56.7	55.8	55.2
f) Government consumption	19.4	19.1	19.0	18.9	19.0	18.8	17.3	18.1	20.3	20.1	20.1	19.7	19.6
7 GROSS SAVING (7=5-6)	24.4	24.7	24.3	24.8	25.5	26.5	27.2	25.2	21.7	22.2	21.2	21.9	23.0
8 GROSS CAPITAL FORMATION	24.8	23.8	25.2	27.4	27.2	28.9	31.7	31.9	23.0	23.1	23.2	24.0	24.1
- Gross fixed capital formation	24.7	23.1	24.0	24.9	25.5	26.5	27.7	28.8	23.9	22.3	22.8	23.1	23.2
- Changes in inventories and valuables	0.0	0.7	1.2	2.5	1.8	2.4	4.0	3.2	-0.9	0.9	0.5	0.9	0.9
9 SURPLUS ON THE CURRENT ACCOUNT WITH THE ROW (9=7-8)	-0.4	0.9	-0.9	-2.6	-1.8	-2.4	-4.5	-6.8	-1.3	-0.9	-2.1	-2.1	-1.2

Source of data: SORS, forecasts by IMAD.

Table 7: Gross domestic product and primary incomes

EUR million, current prices (fixed 2007 exchange rate)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
											forecast		
1. Compensation of employees	10,751.1	11,854.7	12,800.2	13,850.4	14,650.9	15,672.6	17,211.6	18,952.7	18,786.3	19,032.1	19,271.3	19,957.6	20,630.4
Wages and salaries	9,375.3	10,266.6	11,044.8	11,889.9	12,569.4	13,443.0	14,782.4	16,301.4	16,128.7	16,345.2	16,546.3	17,134.6	17,713.4
Employers' social contributions	1,375.8	1,588.1	1,755.4	1,960.5	2,081.5	2,229.6	2,429.2	2,651.3	2,657.7	2,686.8	2,725.0	2,823.0	2,917.0
2. Taxes on production and imports	3,221.1	3,667.8	4,019.0	4,288.7	4,527.2	4,725.2	5,154.3	5,361.6	5,092.8	5,155.6	5,368.1	5,623.8	5,859.9
Taxes on products and services	2,695.7	3,078.7	3,318.8	3,520.2	3,697.3	3,953.5	4,420.4	4,769.2	4,727.8	4,770.7	4,965.9	5,198.7	5,415.1
Other taxes on production	525.3	589.0	700.2	768.5	829.9	771.7	733.9	592.4	365.0	384.9	402.2	425.1	444.8
3. Subsidies	378.3	421.4	503.5	521.6	590.2	669.5	753.6	740.2	861.9	898.6	856.3	830.9	818.7
Subsidies on products and services	103.8	96.2	124.6	131.2	152.4	133.5	193.7	205.7	211.7	186.0	186.3	182.2	181.0
Other subsidies on production	274.5	325.2	378.9	390.5	437.8	536.0	560.0	534.5	650.2	712.6	670.0	648.7	637.7
4. Gross operating surplus and mixed income	7,060.4	8,027.4	8,798.2	9,456.0	10,161.7	11,322.1	12,955.9	13,730.5	12,367.2	12,772.0	13,060.1	14,037.0	14,930.7
Consumption of fixed capital	3,505.2	3,768.3	3,884.5	4,158.3	4,390.9	4,613.1	5,020.0	5,490.5	5,664.3	5,903.4	5,981.7	6,429.2	6,838.5
Net operating surplus	3,555.2	4,259.0	4,913.7	5,297.6	5,770.7	6,709.0	7,935.9	8,240.0	6,702.8	6,868.6	7,078.4	7,607.9	8,092.3
5. GDP (5=1+2-3+4)	20,654.3	23,128.5	25,114.0	27,073.4	28,749.6	31,050.4	34,568.2	37,304.7	35,384.4	36,061.0	36,843.2	38,787.5	40,602.4
	structure in %												
1. Compensation of employees	52.1	51.3	51.0	51.2	51.0	50.5	49.8	50.8	53.1	52.8	52.3	51.5	50.8
Wages and salaries	45.4	44.4	44.0	43.9	43.7	43.3	42.8	43.7	45.6	45.3	44.9	44.2	43.6
Employers' social contributions	6.7	6.9	7.0	7.2	7.2	7.2	7.0	7.1	7.5	7.5	7.4	7.3	7.2
2. Taxes on production and imports	15.6	15.9	16.0	15.8	15.7	15.2	14.9	14.4	14.4	14.3	14.6	14.5	14.4
Taxes on products and services	13.1	13.3	13.2	13.0	12.9	12.7	12.8	12.8	13.4	13.2	13.5	13.4	13.3
Other taxes on production	2.5	2.5	2.8	2.8	2.9	2.5	2.1	1.6	1.0	1.1	1.1	1.1	1.1
3. Subsidies	1.8	1.8	2.0	1.9	2.1	2.2	2.2	2.0	2.4	2.5	2.3	2.1	2.0
Subsidies on products and services	0.5	0.4	0.5	0.5	0.5	0.4	0.6	0.6	0.6	0.5	0.5	0.5	0.4
Other subsidies on production	1.3	1.4	1.5	1.4	1.5	1.7	1.6	1.4	1.8	2.0	1.8	1.7	1.6
4. Gross operating surplus and mixed income	34.2	34.7	35.0	34.9	35.3	36.5	37.5	36.8	35.0	35.4	35.4	36.2	36.8
Consumption of fixed capital	17.0	16.3	15.5	15.4	15.3	14.9	14.5	14.7	16.0	16.4	16.2	16.6	16.8
Net operating surplus	17.2	18.4	19.6	19.6	20.1	21.6	23.0	22.1	18.9	19.0	19.2	19.6	19.9
5. GDP (5=1+2-3+4)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source of data: SORS, forecasts by IMAD.

Table 8: Population and labour market

Numbers in thousands, indicators in %

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
												forecast	
POPULATION (thousands)	1992.0	1995.7	1996.8	1997.0	2001.1	2008.5	2019.4	2022.6	2042.3	2049.3	2041.0	2045.0	2048.6
Age structure (in perc.): 0-14 y. of age	15.6	15.2	14.8	14.5	14.2	14.0	13.9	13.9	14.0	14.1	13.9	13.9	13.9
15-64 years of age	70.1	70.2	70.4	70.4	70.3	70.2	70.1	69.7	69.5	69.3	69.4	69.1	68.7
65 years and more	14.3	14.6	14.9	15.2	15.5	15.7	16.0	16.3	16.5	16.6	16.7	17.0	17.3
Yearly growth rate of population (in perc.)													
Total	0.1	0.2	0.1	0.0	0.2	0.4	0.5	0.2	1.0	0.3	-0.4	0.2	0.2
15-64 years of age	0.1	0.3	0.3	0.0	0.1	0.3	0.3	-0.3	0.7	0.1	-0.3	-0.2	-0.4
65 years and more	2.4	2.5	1.7	2.0	2.2	2.2	2.3	2.1	2.0	0.7	0.6	1.7	2.2
Components of demographic development													
Life expectancy: - men	72.1	72.3	73.2	73.5	74.1	74.8	74.6	75.4	75.8	75.1	75.3	75.5	75.7
- women	79.6	79.9	80.7	81.1	81.3	81.9	81.8	82.3	82.3	82.2	82.4	82.5	82.7
Fertility rate	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.5	1.5	1.3	1.3	1.3	1.3
Net migration (per thousand)	1.5	0.9	1.7	1.0	3.2	3.1	7.1	9.2	5.6	2.5	2.5	2.5	2.5
LABOUR SUPPLY													
Participation rate (15-64)	68.3	67.8	67.1	69.8	70.7	70.9	71.3	72.1	71.9	71.8	72.1	72.2	72.3
- 15-24 years of age	37.4	36.7	35.3	40.6	40.6	40.6	42.0	42.9	41.0	39.8	38.7	37.7	36.9
- 25-54 years of age	87.6	87.3	87.0	88.2	88.9	89.0	89.0	89.9	89.6	89.7	90.3	90.5	90.3
- 55-64 years of age	26.8	25.5	23.9	29.4	32.2	33.4	34.6	34.9	36.9	38.3	39.6	41.0	42.3
Participation rate (65 years and more)	8.7	7.4	6.5	8.6	6.8	6.8	8.2	7.7	6.2	6.4	6.5	6.6	6.7
Labour force (LFS concept)	979	971	962	1007	1016	1022	1036	1042	1042	1042	1043	1044	1042
Yearly changes (in perc.)	1.1	-0.8	-1.0	4.7	0.9	0.6	1.4	0.6	0.0	0.0	0.2	0.1	-0.2
LABOUR DEMAND													
Yearly changes (in perc.)													
GDP	2.8	4.0	2.8	4.3	4.5	5.9	6.9	3.7	-8.1	1.2	2.2	2.6	2.2
Productivity	2.4	4.0	3.2	4.0	4.7	4.3	3.8	0.9	-6.4	3.4	3.4	2.9	2.5
Persons in employment (National accounts concept)	0.5	-0.1	-0.4	0.3	-0.2	1.5	3.0	2.8	-1.9	-2.2	-1.2	-0.3	-0.3
Persons in employment (LFS concept)	1.7	-0.7	-1.4	5.1	0.6	1.3	2.5	1.1	-1.5	-1.5	-0.5	-0.1	-0.3
Persons in formal employment * (statistical register)	0.7	0.3	-0.9	0.8	0.7	1.4	3.5	3.0	-2.4	-2.7	-1.0	-0.1	-0.5
- persons in paid employment *	0.9	-0.1	0.1	0.3	1.0	1.4	3.3	3.1	-2.8	-2.6	-1.1	-0.2	-0.6
Numbers (in thousand)													
Persons in employment (National accounts concept) (000)	908.8	922.8	919.4	922.1	920.2	934.2	962.3	988.9	970.2	949.3	938.2	935.9	932.8
Persons in formal employment (statistical register)	806.3	808.7	801.4	807.5	813.1	824.8	854.0	879.3	858.2	835.0	826.9	826.0	822.1
- persons in paid employment*	722.1	721.4	722.1	724.4	731.6	741.6	766.0	789.9	767.4	747.2	738.9	737.1	732.4
- selfemployed	84.2	87.3	79.2	83.1	81.5	83.3	87.9	89.4	90.8	87.8	88.1	88.9	89.7
Persons in employment (LFS concept)	916	910	897	943	949	961	985	996	981	966	961	960	958
- employment rate (15-64 y. of age, in %)	63.9	63.4	62.6	65.3	66.0	66.6	67.8	68.8	67.5	66.5	66.3	66.3	66.3
Economic structure of employment (LFS concept) in %													
agriculture	10.4	9.2	8.4	9.8	9.1	9.6	9.9	8.6	9.2	8.6	8.8	8.6	8.4
industry and construction	38.5	38.6	37.5	36.5	37.1	35.5	35.2	35.3	33.6	32.7	32.1	31.6	31.0
services	51.2	52.2	54.1	53.7	53.8	54.9	54.9	56.2	57.2	58.7	59.1	59.8	60.6
UNEMPLOYMENT													
- ILO concept	63.0	61.7	64.4	63.8	66.5	61.0	50.4	46.3	61.0	75.5	82.2	83.8	83.8
- registered	101.9	102.8	97.7	92.8	91.9	85.8	71.3	63.2	86.4	100.5	114.0	115.8	115.3
Rate of unemployment (ILO concept)	6.4	6.4	6.7	6.3	6.5	6.0	4.9	4.4	5.9	7.2	7.9	8.0	8.0
Rate of registered unemployment	11.2	11.3	10.9	10.3	10.2	9.4	7.7	6.7	9.1	10.7	12.1	12.3	12.3

Source of data: SORS, ESS, forecasts by IMAD and Eurostat (Population projection).

Note: * As in statistical register of persons in employment.

Table 9: Indicators of international competitiveness

Annual growth rates in %

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast	
Effective exchange rate ¹												
Nominal	-5.7	-3.6	-0.5	-1.3	-0.7	0.2	0.8	0.5	0.4	-1.7	-0.4	0.0
Real - based on consumer prices	-0.3	1.7	3.3	0.1	-0.2	0.7	2.3	2.8	0.7	-1.4	-0.2	1.1
Real - based on ULC in economy as a whole	0.4	0.6	2.5	1.7	-0.8	0.3	1.9	2.9	5.0	-0.7	-1.8	-0.1
Unit labour costs components												
Nominal unit labour costs	9.2	6.1	4.5	3.7	0.9	1.0	2.6	5.9	8.5	0.6	-1.0	0.8
Compensation of employees per employee ²	11.8	10.4	7.9	7.8	5.6	5.3	6.4	6.9	1.6	4.1	2.4	3.8
Labour productivity, real ³	2.4	4.1	3.2	4.0	4.7	4.3	3.8	1.0	-6.4	3.4	3.4	2.9
Real unit labour costs	0.5	-1.5	-1.0	0.3	-0.7	-1.0	-1.6	1.8	5.1	-0.1	-1.0	-1.7
Labour productivity, nominal ⁴	11.2	12.1	9.0	7.5	6.4	6.4	8.1	5.0	-3.3	4.2	3.4	5.6

Sources of data: SORS national accounts statistics, BS, ECB, OECD, Consensus Forecasts Feb 2011, calculations and forecasts by IMAD.

Notes: ¹Weighted geometric currency average of 17 trading partners. Weights are shares of trading partners in Slovenia's exports (double-weighted) and imports of goods in manufacturing in 2001-2003 (on average). A rise in the value indicates appreciation of national currency and vice versa. ²Nominal. ³GDP per employee (in constant prices). ⁴GDP per employee (in current prices).

Table 10: Balance of payments - BALANCE OF PAYMENTS STATISTICS

EUR million

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
												forecast	
I. CURRENT ACCOUNT	38	247	-196	-720	-498	-771	-1,646	-2,489	-526	-409	-865	-924	-606
1. GOODS	-684	-265	-543	-1,009	-1,026	-1,151	-1,666	-2,650	-699	-974	-1,175	-981	-738
1.1. Exports of goods	10,454	11,082	11,417	12,933	14,599	17,028	19,798	20,048	16,167	18,381	20,459	22,445	24,335
1.2. Imports of goods	11,139	11,347	11,960	13,942	15,625	18,179	21,464	22,698	16,866	19,354	21,634	23,425	25,074
2. SERVICES	536	620	540	688	920	993	1,047	1,493	1,114	1,057	1,084	1,049	1,081
2.1. Exports	2,178	2,440	2,465	2,783	3,214	3,572	4,145	5,043	4,301	4,363	4,616	4,864	5,200
Transport	559	635	680	809	923	1,058	1,259	1,436	1,059	1,149	1,228	1,307	1,386
Travel	1,105	1,143	1,186	1,312	1,451	1,555	1,665	1,918	1,800	1,743	1,854	1,960	2,119
Other	514	662	599	662	840	959	1,221	1,689	1,441	1,471	1,534	1,597	1,694
2.2. Imports	1,642	1,820	1,925	2,095	2,293	2,580	3,098	3,549	3,187	3,306	3,532	3,814	4,119
Transport	356	385	420	485	525	601	734	875	635	699	735	779	818
Travel	601	635	664	703	707	772	831	948	968	905	951	999	1,054
Other	685	800	841	906	1,061	1,206	1,533	1,727	1,584	1,702	1,846	2,036	2,247
1., 2. BALANCE OF GOODS AND SERVICES	-149	355	-3	-322	-106	-158	-619	-1,157	415	84	-91	69	342
Exports of goods and services	12,632	13,521	13,882	15,715	17,813	20,601	23,944	25,091	20,468	22,744	25,075	27,308	29,535
Imports of goods and services	12,781	13,166	13,885	16,037	17,918	20,759	24,562	26,248	20,053	22,660	25,166	27,240	29,193
3. INCOME	43	-168	-219	-322	-295	-440	-789	-1,030	-782	-597	-776	-946	-975
3.1. Receipts	511	490	510	530	647	872	1,169	1,261	665	904	1,062	1,200	1,403
Compensation of employees	197	207	192	201	205	218	229	237	199	233	200	225	235
Investment	314	282	318	329	442	654	940	1,024	466	670	862	975	1,168
3.2. Expenditures	468	657	728	852	942	1,312	1,957	2,292	1,447	1,500	1,838	2,145	2,378
Compensation of employees	30	47	57	63	77	110	179	230	114	85	110	130	150
Investment	438	610	671	789	866	1,202	1,778	2,062	1,333	1,416	1,728	2,015	2,228
4. CURRENT TRANSFERS	144	60	26	-76	-97	-173	-239	-302	-159	104	1	-47	27
4.1. In Slovenia	436	500	474	561	738	785	941	870	957	1,199	1,164	1,175	1,250
4.2. Abroad	293	439	449	638	835	958	1,180	1,172	1,116	1,095	1,162	1,222	1,223
II. CAPITAL AND FINANCIAL ACCOUNT	-148	3	46	698	970	1,092	1,920	2,545	220	567			
A CAPITAL ACCOUNT	-4	-164	-165	-96	-114	-131	-52	-25	-9	6			
1. Capital transfers	1	-163	-164	-96	-109	-126	-51	-26	-4	14			
2. Non-produced non-financial assets	-5	-1	-2	0	-5	-5	-1	1	-5	-8			
B FINANCIAL ACCOUNT	-144	167	211	794	1,084	1,223	1,972	2,571	230	561			
1. Direct investment	251	1,556	-151	224	-43	-174	-210	381	-539	500			
Abroad	-161	-166	-421	-441	-516	-687	-1,317	-949	-121	-128			
In Slovenia	412	1,722	270	665	473	513	1,106	1,329	-419	628			
2. Portfolio investment	80	-69	-223	-637	-1,313	-1,442	-2,255	572	4,625	1,949			
3. Financial derivatives	0	0	0	6	-10	-13	-15	46	-2	-90			
4. Other investment	964	565	849	945	2,639	1,571	4,313	1,551	-4,021	-1,817			
4.1. Assets	248	-538	-730	-1,308	-1,459	-1,939	-4,741	-427	-273	740			
4.2. Liabilities	716	1,104	1,579	2,252	4,098	3,510	9,054	1,978	-3,747	-2,556			
5. Reserve assets	-1,439	-1,885	-264	256	-189	1,281	140	21	167	19			
III. NET ERRORS AND OMISSIONS	110	-250	150	22	-473	-321	-273	-56	305	-158			

Source of data: BS, forecasts by IMAD.

Table 11a: Consolidated general government revenues; GFS - IMF Methodology

EUR million, current prices (fixed 2007 exchange rate)

CONSOLIDATED GENERAL GOVERNMENT REVENUES	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 prelim.
I. TOTAL GENERAL GOVERNMENT REVENUES	8,547	9,082	10,338	11,196	11,976	12,959	14,006	15,339	14,408	14,790
TAX REVENUES	7,840	8,355	9,560	10,211	10,884	11,762	12,758	13,937	12,955	12,848
TAXES ON INCOME AND PROFIT	1,493	1,648	1,922	2,115	2,242	2,735	2,918	3,442	2,805	2,491
Personal income tax	1,206	1,335	1,474	1,596	1,648	1,793	1,805	2,185	2,092	2,039
Corporate income tax	287	314	448	519	594	942	1,113	1,257	712	449
SOCIAL SECURITY CONTRIBUTIONS	2,927	3,231	3,502	3,753	3,988	4,231	4,598	5,095	5,161	5,234
TAXSES ON PAYROLL AND WORKFORCE	348	392	448	491	526	473	418	258	28	28
Payroll tax	330	371	430	472	506	450	392	230	0	0
Tax on work contracts	18	20	19	19	20	23	27	28	28	28
TAXES ON PROPERTY	138	144	144	165	170	189	206	215	207	220
DOMESTIC TAXES ON GOODS AND SERVICES	2,810	2,807	3,399	3,575	3,915	4,077	4,498	4,805	4,660	4,781
TAXES ON INTERN. TRADE AND TRANSACTIONS	124	131	145	81	39	51	117	120	91	91
OTHER TAXES	1	2	1	31	4	5	2	2	3	4
NON-TAX REVENUES	580	559	623	677	633	633	709	855	684	920
CAPITAL REVENUES	43	63	66	87	113	167	136	118	107	174
GRANTS	45	59	56	8	9	5	12	10	11	12
TRANSFERS REVENUES	39	46	33	31	34	43	43	54	54	109
RECEIPTS FROM THE EU BUDGET	0	0	0	183	302	348	348	365	597	725

Source of data: MF, Ministry of Finance Bulletin and Government Finance Accounts of the Republic of Slovenia.

Table 11b: Consolidated general government revenues; GFS - IMF Methodology

Per cent share relative to GDP

CONSOLIDATED GENERAL GOVERNMENT REVENUES	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 prelim.
I. TOTAL GENERAL GOVERNMENT REVENUES	41.4	39.3	41.2	41.4	41.7	41.7	40.5	41.1	40.7	41.0
TAX REVENUES	38.0	36.1	38.1	37.7	37.9	37.9	36.9	37.4	36.6	35.6
TAXES ON INCOME AND PROFIT	7.2	7.1	7.7	7.8	7.8	8.8	8.4	9.2	7.9	6.9
Personal income tax	5.8	5.8	5.9	5.9	5.7	5.8	5.2	5.9	5.9	5.7
Corporate income tax	1.4	1.4	1.8	1.9	2.1	3.0	3.2	3.4	2.0	1.2
SOCIAL SECURITY CONTRIBUTIONS	14.2	14.0	13.9	13.9	13.9	13.6	13.3	13.7	14.6	14.5
TAXSES ON PAYROLL AND WORKFORCE	1.7	1.7	1.8	1.8	1.8	1.5	1.2	0.7	0.1	0.1
Payroll tax	1.6	1.6	1.7	1.7	1.8	1.4	1.1	0.6	0.0	0.0
Tax on work contracts	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TAXES ON PROPERTY	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
DOMESTIC TAXES ON GOODS AND SERVICES	13.6	12.1	13.5	13.2	13.6	13.1	13.0	12.9	13.2	13.3
TAXES ON INTERN. TRADE AND TRANSACTIONS	0.6	0.6	0.6	0.3	0.1	0.2	0.3	0.3	0.3	0.3
OTHER TAXES	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
NON-TAX REVENUES	2.8	2.4	2.5	2.5	2.2	2.0	2.1	2.3	1.9	2.6
CAPITAL REVENUES	0.2	0.3	0.3	0.3	0.4	0.5	0.4	0.3	0.3	0.5
GRANTS	0.2	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TRANSFERS REVENUES	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.3
RECEIPTS FROM THE EU BUDGET	0.0	0.0	0.0	0.7	1.1	1.1	1.0	1.0	1.7	2.0

Source of data: MF, Ministry of Finance Bulletin and Government Finance Accounts of the Republic of Slovenia.

Table 12a: Consolidated general government expenditure; GFS - IMF Methodology

EUR million, current prices (fixed 2007 exchange rate)

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 prelim.
II. TOTAL EXPENDITURE	8,811	9,733	10,666	11,552	12,276	13,209	13,915	15,442	16,368	16,676
CURRENT EXPENDITURE	4,191	4,668	5,114	5,150	5,354	5,689	5,951	6,557	6,800	6,959
WAGES AND OTHER PERSONNEL EXPENDITURE	1,905	2,149	2,342	2,456	2,521	2,671	2,761	3,037	3,363	3,361
SOCIAL SECURITY CONTRIBUTIONS	336	386	424	466	495	509	515	542	549	553
PURCHASES OF GOODS AND SERVICES	1,610	1,743	1,884	1,794	1,911	2,073	2,212	2,527	2,510	2,510
INTEREST PAYMENTS	304	349	387	384	372	376	357	335	336	488
BUDGETARY RESERVES	38	41	78	50	55	59	105	116	42	47
CURRENT TRANSFERS	3,789	4,202	4,579	5,216	5,599	5,926	6,144	6,743	7,340	7,625
SUBSIDIES	264	252	290	324	381	403	423	477	598	581
TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	3,427	3,799	4,115	4,396	4,629	4,871	5,093	5,619	6,024	6,275
OTHER CURRENT DOMESTIC TRANSFERS	98	151	174	496	589	651	628	647	718	769
CAPITAL EXPENDITURE TOTAL	830	863	972	1,017	1,038	1,306	1,464	1,714	1,789	1,695
CAPITAL EXPENDITURE	534	537	593	631	654	901	1,130	1,256	1,294	1,306
CAPITAL TRANSFERS	296	326	379	386	383	405	334	459	495	389
PAYMENTS TO THE EU BUDGET	0	0	0	170	286	288	356	428	439	397
III. GENERAL GOVERNMENT BUDGETARY SURPLUS / DEFICIT (I. - II.)	-264	-651	-327	-356	-300	-250	91	-103	-1,961	-1,886

Source of data: MF, Ministry of Finance Bulletin and Government Finance Accounts of the Republic of Slovenia.

Table 12b: Consolidated general government expenditure; GFS - IMF Methodology

Per cent share relative to GDP

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 prelim.
II. TOTAL EXPENDITURE	42.7	42.1	42.5	42.7	42.7	42.5	40.3	41.4	46.3	46.2
CURRENT EXPENDITURE	20.3	20.2	20.4	19.0	18.6	18.3	17.2	17.6	19.2	19.3
WAGES AND OTHER PERSONNEL EXPENDITURE	9.2	9.3	9.3	9.1	8.8	8.6	8.0	8.1	9.5	9.3
SOCIAL SECURITY CONTRIBUTIONS	1.6	1.7	1.7	1.7	1.7	1.6	1.5	1.5	1.6	1.5
PURCHASES OF GOODS AND SERVICES	7.8	7.5	7.5	6.6	6.6	6.7	6.4	6.8	7.1	7.0
INTEREST PAYMENTS	1.5	1.5	1.5	1.4	1.3	1.2	1.0	0.9	0.9	1.4
BUDGETARY RESERVES	0.2	0.2	0.3	0.2	0.2	0.2	0.3	0.3	0.1	0.1
CURRENT TRANSFERS	18.3	18.2	18.2	19.3	19.5	19.1	17.8	18.1	20.7	21.1
SUBSIDIES	1.3	1.1	1.2	1.2	1.3	1.3	1.2	1.3	1.7	1.6
TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	16.6	16.4	16.4	16.2	16.1	15.7	14.7	15.1	17.0	17.4
OTHER CURRENT DOMESTIC TRANSFERS	0.5	0.7	0.7	1.8	2.0	2.1	1.8	1.7	2.0	2.1
CAPITAL EXPENDITURE TOTAL	4.0	3.7	3.9	3.8	3.6	4.2	4.2	4.6	5.1	4.7
CAPITAL EXPENDITURE	2.6	2.3	2.4	2.3	2.3	2.9	3.3	3.4	3.7	3.6
CAPITAL TRANSFERS	1.4	1.4	1.5	1.4	1.3	1.3	1.0	1.2	1.4	1.1
PAYMENTS TO THE EU BUDGET	0.0	0.0	0.0	0.6	1.0	0.9	1.0	1.1	1.2	1.1
III. GENERAL GOVERNMENT BUDGETARY SURPLUS / DEFICIT (I. - II.)	-1.3	-2.8	-1.3	-1.3	-1.0	-0.8	0.3	-0.3	-5.5	-5.2

Source of data: MF, Ministry of Finance Bulletin and Government Finance Accounts of the Republic of Slovenia.

Table 13: Comparison of the performance assesment of forecasts for economic growth and inflation of individual institutions*

		Gross domestic product, real				Inflation, year average			
		PNt+1	JNt+1	PNt	JNt	PNT+1	JNT+1	PNT	JNT
ME ... Mean Error									
IMAD	2002 - 2008	-0.03	-0.17	-0.24	0.03	-0.76	-0.36	-0.47	0.11
	2002 - 2009	1.46	1.21	0.26	0.09	-0.38	0.06	-0.48	0.11
	2002 - 2010	1.28	1.04	0.17	0.04	-0.36	0.02	-0.48	0.13
	1997 - 2008	0.01	-0.19	-0.10	0.09	-0.97	-0.45	-0.28	0.14
	1997 - 2009	1.00	0.73	0.20	-0.04	-0.70	-0.17	-0.29	0.14
	1997 - 2010	0.91	0.65	0.14	-0.06	-0.66	-0.18	-0.31	0.15
BS	2002 - 2008	-0.11	-0.43	-0.39	-0.10	-0.88	-0.81	-0.46	-0.03
	2002 - 2009	1.36	1.04	0.39	0.05	-0.39	-0.39	-0.46	0.00
	2002 - 2010	1.29	0.97	0.36	0.03	-0.34	-0.38	-0.43	-0.06
SKEP	2002 - 2008	-0.14	-0.24	-0.33	0.04	-0.63	-0.43	-0.24	0.06
	2002 - 2009	1.38	1.19	0.38	0.14	-0.23	-0.04	-0.20	0.04
	2002 - 2010	1.27	1.00	0.28	0.08	-0.20	-0.09	-0.18	0.04
	1997 - 2008	-0.18	-0.14	-0.26	0.10	-0.99	-0.71	-0.32	0.09
	1997 - 2009	0.83	0.80	0.17	0.15	-0.69	-0.43	-0.28	0.08
1997 - 2010	0.80	0.70	0.12	0.11	-0.64	-0.43	-0.26	0.08	
EC	2002 - 2008	-0.23	-0.34	-0.37	-0.16	-0.36	-0.10	-0.13	0.17
	2002 - 2009	1.25	1.04	0.23	-0.09	-0.01	0.26	-0.14	0.15
	2002 - 2010	1.06	0.93	0.19	-0.09	0.01	0.22	-0.12	0.17
IMF	2002 - 2008	-0.19	-0.39	-0.42	-0.34	-0.66	-0.63	-0.58	0.07
	2002 - 2009	1.25	1.10	0.27	0.09	-0.39	-0.25	-0.56	0.01
	2002 - 2010	1.13	0.91	0.23	0.03	-0.38	-0.26	-0.53	-0.02
WIIW	2002 - 2008	-0.73	-0.29	-0.23	-0.43	-1.53	-0.90	-0.44	-0.01
	2002 - 2009	0.90	1.26	0.78	0.10	-1.01	-0.28	-0.19	0.06
	2002 - 2010	0.89	1.10	0.67	0.01	-0.82	-0.22	-0.20	0.02
MAE ... Mean Absolute Error									
IMAD	2002 - 2008	1.14	1.00	0.76	0.43	1.10	0.87	0.47	0.17
	2002 - 2009	2.49	2.24	1.14	0.44	1.25	1.14	0.48	0.16
	2002 - 2010	2.23	2.02	1.08	0.42	1.13	1.04	0.48	0.18
	1997 - 2008	1.08	0.90	0.71	0.49	1.34	0.93	0.51	0.19
	1997 - 2009	1.98	1.73	0.95	0.49	1.42	1.10	0.51	0.18
	1997 - 2010	1.84	1.62	0.93	0.48	1.32	1.04	0.51	0.19
BS	2002 - 2008	1.06	1.03	0.79	0.50	1.05	0.81	0.46	0.26
	2002 - 2009	2.39	2.31	1.41	0.58	1.27	1.04	0.46	0.25
	2002 - 2010	2.20	2.10	1.27	0.52	1.11	0.96	0.43	0.28
SKEP	2000 - 2008	1.03	0.93	0.79	0.59	1.20	0.91	0.41	0.09
	2002 - 2009	2.40	2.21	1.35	0.61	1.38	1.14	0.38	0.09
	2002 - 2010	2.18	2.02	1.26	0.59	1.22	1.07	0.33	0.09
	1997 - 2008	0.95	1.00	0.76	0.68	1.61	1.11	0.62	0.19
	1997 - 2009	1.87	1.85	1.11	0.69	1.69	1.24	0.58	0.18
1997 - 2010	1.75	1.74	1.06	0.67	1.56	1.18	0.54	0.18	
EC	2002 - 2008	1.03	1.06	0.89	0.41	1.44	1.07	0.27	0.20
	2002 - 2009	2.35	2.26	1.33	0.41	1.56	1.29	0.26	0.18
	2002 - 2010	2.14	2.02	1.19	0.38	1.41	1.16	0.23	0.19
IMF	2002 - 2008	0.99	1.01	0.88	0.57	1.31	1.23	0.64	0.19
	2002 - 2009	2.28	2.33	1.41	0.89	1.34	1.38	0.61	0.21
	2002 - 2010	2.04	2.13	1.26	0.83	1.22	1.26	0.57	0.22
WIIW	2002 - 2008	1.47	1.14	0.94	0.71	2.13	1.19	0.81	0.30
	2002 - 2009	2.83	2.51	1.80	1.10	2.19	1.55	0.91	0.34
	2002 - 2010	2.60	2.26	1.62	1.06	2.02	1.40	0.84	0.33

Table 13: Comparison of the performance assesment of forecasts for economic growth and inflation of individual institutions - continue

		Gross domestic product, real				Inflation, year average			
		PNt+1	JNt+1	PNt	JNt	PNt+1	JNt+1	PNt	JNt
RMSE ... Root Mean Square Error									
IMAD	2002 - 2008	1.31	1.14	0.88	0.60	1.45	1.12	0.64	0.23
	2002 - 2009	4.38	4.00	1.58	0.58	1.58	1.49	0.62	0.22
	2002 - 2010	4.13	3.77	1.50	0.56	1.49	1.41	0.61	0.23
	1997 - 2008	1.21	1.03	0.89	0.63	1.78	1.24	0.67	0.28
	1997 - 2009	3.36	3.30	1.35	0.62	1.83	1.47	0.66	0.27
	1997 - 2010	3.48	3.17	1.32	0.60	1.76	1.42	0.65	0.27
BS	2002 - 2008	1.19	1.19	0.96	0.59	1.47	1.18	0.53	0.32
	2002 - 2009	4.28	4.15	2.24	0.67	1.68	1.44	0.53	0.31
	2002 - 2010	4.05	3.91	2.11	0.64	1.57	1.36	0.50	0.33
SKEP	2002 - 2008	1.17	1.08	0.94	0.70	1.53	1.14	0.53	0.11
	2002 - 2009	4.38	4.09	2.07	0.71	1.70	1.43	0.49	0.11
	2002 - 2010	4.13	3.86	1.96	0.68	1.60	1.36	0.46	0.11
	1997 - 2008	1.08	1.19	0.92	0.86	1.98	1.46	0.74	0.31
	1997 - 2009	3.61	3.43	1.71	0.86	2.04	1.60	0.71	0.30
1997 - 2010	3.47	3.30	1.66	0.83	1.96	1.54	0.68	0.29	
EC	2002 - 2008	1.19	1.21	1.05	0.50	1.71	1.22	0.43	0.26
	2002 - 2009	4.25	3.95	1.84	0.49	1.81	1.51	0.40	0.24
	2002 - 2010	4.01	3.72	1.74	0.46	1.71	1.42	0.38	0.25
IMF	2002 - 2008	1.14	1.19	0.99	0.67	1.58	1.57	0.89	0.22
	2002 - 2009	4.14	4.22	2.03	1.26	1.57	1.69	0.85	0.25
	2002 - 2010	3.90	3.98	1.91	1.20	1.48	1.60	0.81	0.26
WIIW	2002 - 2008	1.73	1.31	1.08	0.79	3.20	1.58	1.00	0.43
	2002 - 2009	4.64	4.45	2.94	1.53	3.13	2.07	1.10	0.46
	2002 - 2010	4.38	4.20	2.77	1.46	2.96	1.95	1.04	0.44
stdMAE ... Standardised Mean Absolute Error									
IMAD	2002 - 2008	0.89	0.78	0.59	0.33	0.58	0.46	0.25	0.09
	2002 - 2009	0.57	0.51	0.26	0.10	0.58	0.53	0.22	0.08
	2002 - 2010	0.54	0.49	0.26	0.10	0.53	0.49	0.22	0.08
	1997 - 2008	1.03	0.86	0.68	0.46	0.55	0.38	0.21	0.08
	1997 - 2009	0.57	0.50	0.28	0.14	0.52	0.40	0.19	0.07
	1997 - 2010	0.55	0.48	0.28	0.14	0.47	0.37	0.18	0.07
BS	2002 - 2008	0.82	0.80	0.61	0.39	0.56	0.43	0.24	0.14
	2002 - 2009	0.55	0.53	0.32	0.13	0.59	0.48	0.22	0.12
	2002 - 2010	0.53	0.51	0.31	0.13	0.52	0.45	0.20	0.13
SKEP	2002 - 2008	0.80	0.72	0.61	0.46	0.64	0.49	0.22	0.05
	2002 - 2009	0.55	0.51	0.31	0.14	0.64	0.53	0.18	0.04
	2002 - 2010	0.53	0.49	0.30	0.14	0.57	0.50	0.16	0.04
	1997 - 2008	0.90	0.95	0.72	0.65	0.66	0.45	0.25	0.08
	1997 - 2009	0.54	0.54	0.32	0.20	0.62	0.45	0.21	0.07
1997 - 2010	0.52	0.52	0.32	0.20	0.56	0.42	0.19	0.06	
EC	2002 - 2008	0.80	0.82	0.69	0.32	0.77	0.57	0.14	0.11
	2002 - 2009	0.54	0.52	0.30	0.09	0.73	0.60	0.12	0.08
	2002 - 2010	0.52	0.49	0.29	0.09	0.66	0.54	0.11	0.09
IMF	2002 - 2008	0.77	0.79	0.68	0.44	0.70	0.65	0.34	0.10
	2002 - 2009	0.52	0.53	0.32	0.20	0.62	0.64	0.28	0.10
	2002 - 2010	0.50	0.52	0.31	0.20	0.57	0.59	0.27	0.10
WIIW	2002 - 2008	1.15	0.89	0.73	0.56	1.13	0.63	0.43	0.16
	2002 - 2009	0.65	0.57	0.41	0.25	1.02	0.72	0.43	0.16
	2002 - 2010	0.63	0.55	0.39	0.26	0.95	0.66	0.40	0.16

Table 13: Comparison of the performance assesment of forecasts for economic growth and inflation of individual institutions - continue

		Gross domestic product, real				Inflation, year average			
		PNT+1	JNT+1	PNT	JNT	PNT+1	JNT+1	PNT	JNT
stdRMSE ... Standardised Root Mean Square Error									
IMAD	2002 - 2008	1.02	0.88	0.69	0.46	0.77	0.60	0.34	0.12
	2002 - 2009	1.00	0.91	0.36	0.13	0.74	0.70	0.29	0.10
	2002 - 2010	1.00	0.91	0.36	0.14	0.70	0.66	0.29	0.11
	1997 - 2008	1.15	0.98	0.84	0.60	0.73	0.51	0.27	0.11
	1997 - 2009	1.05	0.96	0.39	0.18	0.67	0.54	0.24	0.10
	1997 - 2010	1.04	0.95	0.39	0.18	0.47	0.37	0.18	0.07
BS	2002 - 2008	0.93	0.92	0.75	0.46	0.78	0.63	0.28	0.17
	2002 - 2009	0.98	0.95	0.51	0.15	0.79	0.67	0.25	0.14
	2002 - 2010	0.98	0.95	0.51	0.15	0.74	0.64	0.23	0.16
SKEP	2002 - 2008	0.91	0.84	0.74	0.54	0.81	0.61	0.28	0.06
	2002 - 2009	1.00	0.93	0.47	0.16	0.79	0.67	0.23	0.05
	2002 - 2010	1.00	0.94	0.48	0.17	0.75	0.64	0.22	0.05
	1997 - 2008	1.03	1.14	0.87	0.82	0.81	0.60	0.30	0.13
	1997 - 2009	1.05	1.00	0.50	0.25	0.75	0.59	0.26	0.11
	1997 - 2010	1.04	0.98	0.49	0.25	0.70	0.55	0.24	0.10
EC	2002 - 2008	0.92	0.94	0.82	0.39	0.91	0.65	0.23	0.14
	2002 - 2009	0.97	0.90	0.42	0.11	0.84	0.70	0.19	0.11
	2002 - 2010	0.97	0.90	0.42	0.11	0.80	0.67	0.18	0.12
IMF	2002 - 2008	0.89	0.93	0.77	0.52	0.84	0.83	0.48	0.12
	2002 - 2009	0.94	0.96	0.46	0.29	0.73	0.79	0.40	0.12
	2002 - 2009	0.95	0.97	0.46	0.29	0.70	0.75	0.38	0.12
WIIW	2002 - 2008	1.35	1.02	0.84	0.62	1.70	0.84	0.53	0.23
	2002 - 2009	1.06	1.02	0.67	0.35	1.46	0.97	0.51	0.21
	2002 - 2010	1.06	1.02	0.67	0.36	1.39	0.92	0.49	0.21

Signs: *This is the assessment of forecast accuracy that was based on data available at the time of the preparation of the Spring Forecast of Economic Trends 2011. Negative values indicate an overestimation, while positive values indicate an underestimation.

The BS and WIIW data for inflation forecast PNT+1 cover the period since 2003; the WIIW data for GDP PNT+1 cover the period since 2003.

PNT+1 - Spring Forecast for the year ahead
JNT+1 - Autumn Forecast for the year ahead
PNT - Spring Forecast for the current year
JNT - Autumn Forecast for the current year

Source of data:

Spring Forecast of economic trends, Autumn Forecast of economic trends (March, September) 1997-2010, Ljubljana, Institute of Macroeconomic Analysis and Development (IMAD).
Price Stability Report (April, October) 2002-2010, Ljubljana, Bank of Slovenia (BS).

Current Economic Trends and Indicators, (May, November) 1997-2010, Ljubljana, (SKEP)- Economic Outlook, Analysis and Forecasts of the Chamber of Commerce and Industry of Slovenia.

Spring Economic Forecast, Autumn Economic Forecast (May, November) 2002-2010, European Commission (EC).

World Economic Outlook (April, October) 2002-2010, Washington, International Monetary Fund (IMF).

Current Analyses and Forecasts (February, June) 2002-2010, WIIW.

Table 14: Errors in forecasts for economic growth and inflation for 2010 by individual institutions in total errors in 2002-2010 and 1997-2010

Shares in %

		Gross domestic product, real				Inflation, year average			
		PNT+1	JNt+1	PNT	JNt	PNT+1	JNt+1	PNT	JNt
MAE ... Mean Absolute Error									
IMAD	2002 - 2010	-11.4	-10.6	-5.5	-3.6	-10.3	-8.9	0.6	8.6
	1997 - 2010	-7.5	-6.6	-2.7	-3.2	-7.3	-5.9	-0.6	6.7
BS	2002 - 2010	-8.5	-10.1	-11.5	-10.1	-14.3	-8.6	-6.7	10.0
SKEP	2002 - 2010	-10.2	-9.4	-7.5	-4.0	-12.5	-6.6	-12.5	1.6
	1997 - 2010	-6.6	-6.2	-4.3	-2.8	-8.2	-4.7	-8.3	-0.8
EC	2002 - 2010	-9.6	-11.9	-11.4	-9.2	-10.7	-11.4	-12.5	7.4
IMF	2000 - 2010	-11.3	-9.0	-11.5	-6.5	-9.4	-9.5	-5.9	4.4
WIIW	2002 - 2010	-8.7	-11.4	-11.0	-4.2	-8.2	-10.7	-8.1	-1.3
RMSE ... Root Mean Square Error									
IMAD	2002 - 2010	-6.1	-6.0	-5.1	-4.4	-6.0	-5.8	-2.0	4.4
	1997 - 2010	3.5	-4.1	-2.6	-3.1	-4.2	-3.8	-1.8	0.5
BS	2002 - 2010	-5.9	-6.0	-6.1	-5.9	-6.9	-5.8	-5.1	8.0
SKEP	2002 - 2010	-6.0	-6.0	-5.7	-4.0	-6.1	-5.3	-6.1	-0.6
	1997 - 2010	-3.9	-4.0	-3.2	-3.2	-4.2	-3.6	-3.8	-3.8
EC	2002 - 2010	-6.0	-6.1	-6.0	-5.8	-6.0	-6.0	-6.1	3.0
IMF	2002 - 2010	-6.1	-5.9	-6.0	-5.4	-5.8	-5.9	-5.2	2.2
WIIW	2002 - 2010	-5.9	-6.1	-6.0	-4.7	-5.7	-6.0	-5.6	-3.3

Signs: Negative values indicate an overestimation, while positive values indicate an underestimation.

The BS and WIIW data for inflation forecast PNT+1 cover the period since 2003; the WIIW data for GDP PNT+1 cover the period since 2003.

PNT+1 - Spring Forecast for the year ahead

JNt+1 - Autumn Forecast for the year ahead

PNT - Spring Forecast for the current year

JNt - Autumn Forecast for the current year

Source of data:

Spring Forecast of economic trends, Autumn Forecast of economic trends (March, September) 1997-2010, Ljubljana, Institute of Macroeconomic Analysis and Development (IMAD). Price Stability Report (April, October) 2002-2010, Ljubljana, Bank of Slovenia (BS).

Current Economic Trends and Indicators, (May, November) 1997-2010, Ljubljana, (SKEP)- Economic Outlook, Analysis and Forecasts of the Chamber of Commerce and Industry of Slovenia.

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World Economic Outlook (April, October) 2002-2010, Washington, International Monetary Fund (IMF).

Current Analyses and Forecasts (February, June) 2002-2010, WIIW.

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