

# spring forecast of economic trends 2012



## **Spring Forecast of Economic Trends 2012 (Pomladanska napoved gospodarskih gibanj 2012)**

Ljubljana, April 2012

**Publisher:** IMAD, Ljubljana, Gregorčičeva 27

**Responsible person:** Boštjan Vasle, MSc, director

**Editor:** Lejla Fajčič

### **Authors:**

Lejla Fajčič, Matevž Hribernik, Marjan Hafner (assumptions of the spring forecast); Marjan Hafner (lending activity in Slovenia and the situation in the banking sector); Barbara Ferk, MSc, Jasna Kondža, Janez Kušar, Jože Markič, PhD, Ivanka Zakotnik, Lejla Fajčič (economic growth, main aggregates of demand, scenario of a pronounced decline in economic activity in the international environment); Marjan Hafner, Rotija Kmet Zupančič, MSc, Mateja Kovač, MSc, Mojca Koprivnikar Šušteršič, Janez Kušar, Tina Nenadič, MSc, Ana Murn, PhD, Jure Povšnar, Eva Zver (movements of value added); Jure Brložnik, Tina Nenadič, MSc, Jože Markič, PhD (merchandise trade in 2008–2011); Barbara Ferk, MSc, Helena Mervic (household disposable income and private consumption in 2008–2011); Marko Glažar, MSc (potential GDP growth); Tomaž Kraigher, Mitja Perko (employment, unemployment); Ana Tršelič Selan, MSc (wages); Miha Trošt, Janez Dodič (inflation); Slavica Jurančič (price and cost competitiveness, market shares); Janez Kušar, Jože Markič, PhD, Jure Povšnar, Marjan Hafner, Mojca Koprivnikar Šušteršič (current account of the balance of payments); Jasna Kondža (public finances); Ivanka Zakotnik, Branka Tavčar (national accounts); Branka Tavčar (assessing forecasting performance), Marko Glažar, MSc, Urška Lušina, MSc (econometric support for forecasting, seasonal adjustment of time series).

**Editorial board:** Lidija Apohal Vučkovič, Marijana Bednaš, MSc, Lejla Fajčič, Alenka Kajzer, PhD, Rotija Kmet Zupančič, MSc, Janez Kušar, Boštjan Vasle, MSc

**Translated by:** Marija Kavčič

**Graphs, Statistical appendix:** Marjeta Žigman, Bibijana Cirman Naglič

**DTP:** Bibijana Cirman Naglič

**Concept and design:** Katja Korinšek, Pristop

©2012, Institute of Macroeconomic Analysis and Development

The contents of this publication may be reproduced in whole or in part provided that the source is acknowledged.

# Contents

|   |    |
|---|----|
| Summary.....  | 3  |
| Assumptions of the spring forecast.....                               | 9  |
| Economic growth.....  | 14 |
| Consumption aggregates in 2011.....                                   | 14 |
| Forecast of consumption aggregates in 2012–2014.....                  | 15 |
| Value added by activities in 2011.....                                | 19 |
| Economic growth – main demand aggregates.....                         | 20 |
| Risks to the materialisation of the forecast for economic growth..... | 23 |
| Labour market.....  | 24 |
| Employment and unemployment.....                                      | 24 |
| Wages.....  | 26 |
| Inflation.....  | 28 |
| Current account of the balance of payments.....                       | 31 |
| Public finance.....   | 32 |
| Assessing forecasting performance.....                                | 32 |
| <br>  |    |
| Statistical appendix.....   | 37 |

## Contents of boxes:

|   |    |
|---|----|
| Box 1: Lending activity in Slovenia and the situation in the banking sector.....              | 12 |
| Box 2: Household disposable income and private consumption in 2008–2011.....                  | 17 |
| Box 3: Potential GDP growth.....  | 22 |
| Box 4: Scenario of a pronounced decline in economic activity in the international environment |    |
| Box 5: Price and cost competitiveness.....  | 29 |

The publication represents a more detailed Spring Forecast of Economic Trends in 2012, which the Slovenian Government took note of on 15 March of 2012.

## Summary

***In 2011, the recovery of economic activity came to a halt.*** Gross domestic product declined by 0.2% in real terms. Positive impulses for growth came from the export-oriented sector of the economy, while domestic consumption shrank. Specifically, investment, and private and government consumption were lower than in the preceding year, so that it was only changes in inventories that made a positive contribution to growth. Access to finance also deteriorated significantly. Slovenia's poor fiscal position and particularly a lack of a credible consolidation strategy and the deteriorating situation in the banking system amid a general tightening on euro area government bond markets led to an increase in the required yields on Slovenian government bonds, which is why Slovenia had to borrow on the domestic market at the end of the year. The lending activity of banks remained weak in 2011.

***The key assumptions of the Spring Forecast are a deterioration of conditions in the international environment and the beginning of fiscal consolidation in Slovenia.*** The prospects for economic activity in Slovenia's main trading partners have worsened significantly in recent months. The forecast of a decline in euro area GDP arises from a low degree of business and consumer confidence, the austerity measures approved in euro area countries to consolidate public finances, and uncertainties on financial markets. This situation will have a strong impact on economic activity in Slovenia, where fiscal consolidation measures also represent an additional reason for the slowdown. The Forecast takes into account fiscal policy orientations based on the guidelines for drafting the revised budget of the Republic of Slovenia for 2012, as well as those for the following period set in the Stability Programmes. In the context of these guidelines, deficit reduction is focussed on streamlining and cutting all categories of expenditure, which will have negative consequences for economic activity in the short term. However, without successful consolidation it is not possible to improve access to sources of finance and thus facilitate a rebound of economic activity in the coming years.

***Last year's decline in GDP is expected to deepen in 2012 and activity will drop by 0.9%.*** A further contraction of economic activity in 2012 is related to the foreseen decline in foreign demand and tighter financing conditions for the government and banks. The real growth of Slovenia's exports will thus slow substantially relative to 2011 (to 1.4%). At the same time we expect a further decline in gross fixed capital formation (-1.5%), under the influence of a further shrinkage of the highly indebted non-tradable sector of the economy and an additional drop in government investment. Investment is projected to grow only in industry (machinery and equipment), in the energy sector relatively vigorously, while growth in manufacturing will be weak. The foreseen fiscal consolidation will severely affect government consumption, which will be 3.5% lower in real terms than in 2011. In view of the growing labour market tensions and measures limiting the adjustment of social transfers, we expect a further contraction of disposable income (-1.3%), and amid increased uncertainty and precautionary behaviour of consumers, a 1.2% real decline in private consumption.

***The contraction of economic activity will weigh on the labour market and the average number of unemployed persons will come close to 119 thousand this year.*** Against the background of a continued decline in economic activity and measures to limit hiring in the general government sector, employment is expected to decline further in 2012, by 2.2%, while the registered unemployment rate is set to rise to 12.9%. In 2012 and in the next two years, economic conditions will not yet allow for any visible wage growth in the private sector, and considering the assumption that current measures will remain in place until the end of the year, public sector wages will continue to stagnate. The total gross wage per employee is hence set to decline by a real 0.2% in 2012.

***In 2013 and 2014, economic activity will grow steadily but labour market conditions will deteriorate further.*** In the international environment, economic growth is expected to rebound in these two years, which will increase the growth of Slovenia's exports. Domestic consumption should make a positive contribution to economic growth again. It will be underpinned by the pick-up of investment activity, both business investment and the realisation of construction projects that were interrupted or postponed during the crisis, and the recovery of private consumption due to the expected easing of labour market tensions by the end of the forecasting period. As employment adjusts to economic activity with a delay, the number of employed persons will continue to fall in 2013 and 2014, but at a less vigorous pace. Unemployment is set to increase to around 124 thousand in 2013 and then start to decline gradually in 2014.

***Uncertainties regarding the forecasts for the main aggregates from the Spring Forecast remain substantial.***

Forecasting performance depends on the stabilisation of the situation in the international environment, regarding the extent of both economic activity and the stabilisation of financial markets. According to simulations, a deeper decline in economic activity in the euro area as a result of fiscal consolidation or further tensions on financial markets would bring about an additional decline of activity in Slovenia, which would also continue into the following year. However, the risks are also associated with the domestic environment. This year they are mainly associated with the availability of sources of finance for the government and the banking sector. Economic growth in the years to come and, consequently, the stabilisation and improvement in labour market conditions largely rely on successful public finance consolidation and measures to improve the competitiveness of the economy, as well as reform efforts in the area of labour market regulation and social protection systems.

***Based on a comparison of forecasting performance over a longer period of time, we find that IMAD forecasts show no systematic over- or underestimation.***

As in previous years, we assessed the forecasting performance by domestic and foreign forecasting institutions after the release of data for economic activity and inflation in 2011. In assessing the forecasting performance it is important that the mean error of forecasts over a longer time horizon be as small as possible. In the autumn forecasts for the year ahead, the mean absolute error in IMAD's forecasts for real GDP growth in 1997–2011 is 1.70 p.p., and in the spring forecasts for the current year 1.02 p.p. The mean absolute error in the spring forecast for inflation in the current year is 0.50 p.p. In the autumn forecast for the year ahead, the mean absolute error is somewhat higher, 1.03 p.p. These indicator values show that the forecasts by IMAD are unbiased.

## Spring forecast of Slovenia's main macroeconomic aggregates

|   | 2011   | 2012            | 2013   | 2014   |
|---|--------|-----------------|--------|--------|
|   |        | Spring forecast |        |        |
| <b>ECONOMIC ACTIVITY</b>  |        |                 |        |        |
| GDP, real growth, in %  | -0.2   | -0.9            | 1.2    | 2.2    |
| GDP in EUR m, current prices                                      | 35,639 | 35,641          | 36,589 | 38,059 |
| GDP per capita in EUR, current prices                             | 17,364 | 17,428          | 17,860 | 18,551 |
| <b>EMPLOYMENT, WAGES AND PRODUCTIVITY</b>                         |        |                 |        |        |
| Employment according to the SNA, growth in %                      | -1.7   | -2.2            | -1.2   | -0.3   |
| Number of registered unemployed, annual average, in '000          | 110.7  | 118.8           | 123.9  | 121.6  |
| Registered unemployment rate, in %                                | 11.8   | 12.9            | 13.5   | 13.3   |
| ILO unemployment rate, in %                                       | 8.1    | 8.8             | 9.3    | 9.1    |
| Gross wage per employee, real growth, in %                        | 0.2    | -0.2            | 0.1    | 0.9    |
| - Private sector  | 0.8    | 0.4             | 0.8    | 1.3    |
| - Public sector   | -1.8   | -2.0            | -1.8   | 0.0    |
| Labour productivity (GDP per employee), real growth in %          | 1.6    | 1.4             | 2.4    | 2.5    |
| <b>INTERNATIONAL TRADE</b>  |        |                 |        |        |
| Exports of goods and services, real growth, in %                  | 6.8    | 1.4             | 5.4    | 6.1    |
| Exports of goods  | 7.7    | 1.3             | 5.8    | 6.5    |
| Exports of services   | 3.6    | 1.7             | 3.7    | 4.3    |
| Imports of goods and services, real growth, in %                  | 4.7    | -1.6            | 4.9    | 5.5    |
| Imports of goods  | 5.7    | -2.0            | 5.0    | 5.6    |
| Imports of services   | -1.4   | 0.7             | 4.3    | 4.6    |
| <b>CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS</b>                 |        |                 |        |        |
| Current account balance, in EUR m                                 | -168   | 226             | 423    | 588    |
| - as a % of GDP   | -0.5   | 0.6             | 1.2    | 1.5    |
| External balance of goods and services, in EUR m                  | 320    | 983             | 1,152  | 1,411  |
| - as a % of GDP   | 0.9    | 2.8             | 3.1    | 3.7    |
| <b>DOMESTIC DEMAND</b>  |        |                 |        |        |
| Domestic consumption, real growth, in %                           | -1.6   | -3.0            | 0.7    | 1.5    |
| of which:   |        |                 |        |        |
| Private consumption   | -0.3   | -1.2            | 0.2    | 1.5    |
| Government consumption  | -0.9   | -3.5            | -0.7   | 0.3    |
| Gross fixed capital formation                                     | -10.7  | -1.5            | 4.0    | 3.0    |
| <i>Change in inventories, contribution to GDP growth, in p.p.</i> | 1.0    | -1.3            | 0.0    | 0.0    |
| <b>EXCHANGE RATES AND PRICES</b>                                  |        |                 |        |        |
| USD/EUR exchange rate   | 1.392  | 1.320           | 1.322  | 1.322  |
| Real effective exchange rate – CPI deflator                       | -1.0   | -0.7            | 0.0    | 0.0    |
| Inflation (Dec/Dec)   | 2.0    | 2.0             | 1.9    | 2.0    |
| Inflation (annual average)  | 1.8    | 2.0             | 1.8    | 1.9    |
| Oil price (Brent crude, USD/barrel)                               | 111.0  | 115.0           | 112.0  | 110.0  |

Source: up to 2011 SORS, BS, ECB, EIA; 2012–2014 forecasts by IMAD.





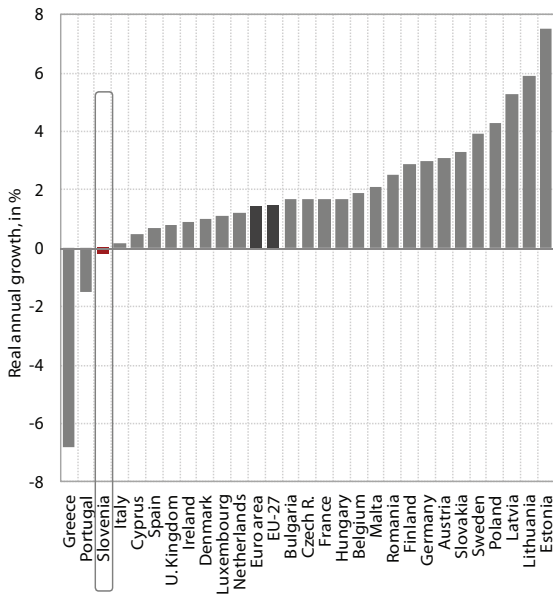
# **spring forecast of economic trends 2012**



## Assumptions of the spring forecast

**Last year economic activity grew in all Slovenia's main trading partners, in some of them even more than a year earlier.** In 2011, GDP in the euro area was 1.4% higher (1.5% in the EU) than in 2010, when it recorded 1.9% growth (2.0% in the EU). Despite the cooling of global economic growth, foreign demand was the main driver of 2011 GDP growth in the euro area, even though export growth nearly halved in comparison with a year earlier. The recovery of domestic demand also eased. In the first half of the year, a positive contribution to economic growth still came from corporate investment activity, while private consumption remained weak due to the tightening on the labour market. With increased risk of the sovereign debt crisis spreading across the euro area, business and household confidence about a further economic recovery in the euro area slumped in the second half of the year. This has deteriorated access to finance and slowed all components of domestic consumption. The differences in economic growth between individual EU Member States increased significantly last year. In countries that were most affected by the sovereign debt crisis, the decline in GDP deepened further, while in some new EU countries (Hungary, Poland), GDP growth rose even faster than in the previous year. As in 2010, relatively high growth rates were recorded in some export-oriented countries (Germany, Austria, Finland, Slovakia and Sweden). Last year, economic activity also accelerated in former Yugoslav countries, mainly on account of the pick-up of export demand and a rebound in investment activity. Despite positive shifts, this area also saw a significant moderation of economic growth in the last quarter of 2011.

Figure 1: GDP growth in EU countries in 2011

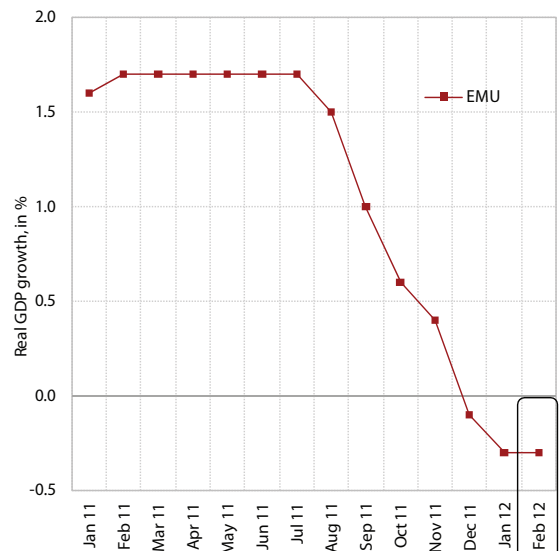


Source: Eurostat.

## The prospects for economic activity in Slovenia's main trading partners have worsened in recent months.

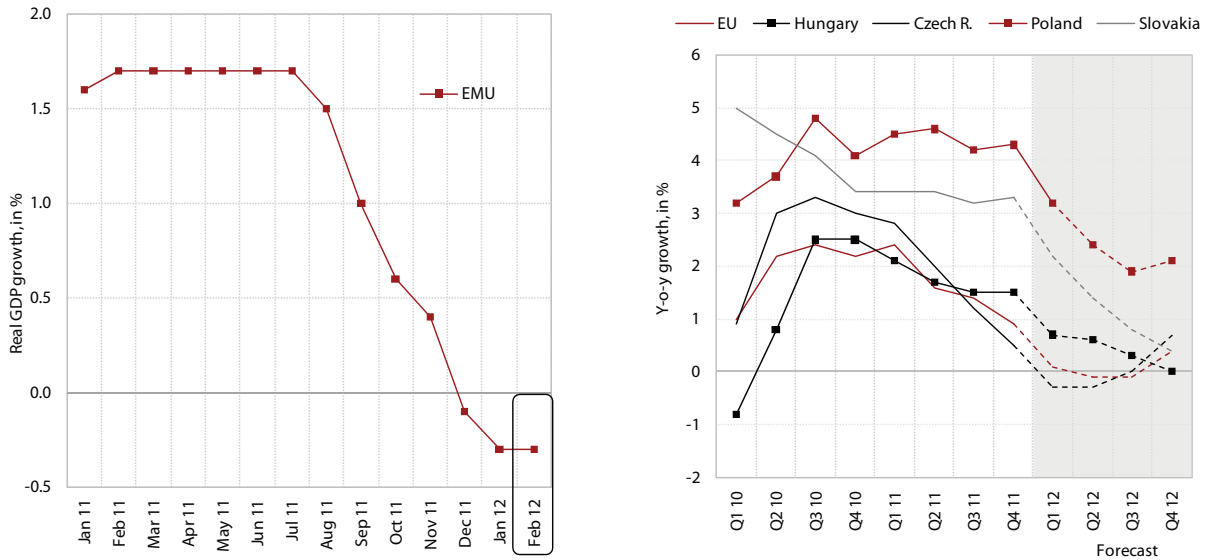
The lower forecasts are related to further tensions on financial markets, low business and consumer confidence and the deteriorating outlook for the global economy. Furthermore, economic activity will also be affected by the countries' consolidation measures in public finances. In the last quarter of 2011, economic activity in euro area countries dropped more than expected, and according to the forecasts by international institutions, the standstill of growth will also continue in the first two quarters of 2012. A gradual, yet still modest, rebound of economic activity is expected only from the middle of 2012. In the last months, the forecasts for the former Yugoslav countries have also been revised down substantially.

Figure 2: Revisions of the forecast for 2012 GDP growth in the euro area



Source: Consensus.

Figure 3: Quarterly forecasts for GDP growth in Slovenia's main trading partners in the EU



Source: Eurostat, European Commission (Interim Forecast, February 2012).

Table 1: Assumptions of the forecast regarding economic growth in Slovenia's main trading partners

| Real growth rates, in % | 2011* | 2012                      |                           | 2013                      |                           | 2014                      |
|-------------------------|-------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                         |       | Winter forecast (Jan. 12) | Spring forecast (Mar. 12) | Winter forecast (Jan. 12) | Spring forecast (Mar. 12) | Spring forecast (Mar. 12) |
| EU                      | 1.5   | 0.2                       | 0.0                       | 1.3                       | 1.2                       | 1.7                       |
| Euro area               | 1.4   | -0.1                      | -0.3                      | 1.2                       | 0.9                       | 1.5                       |
| Germany                 | 3.0   | 0.5                       | 0.6                       | 1.7                       | 1.5                       | 1.7                       |
| Italy                   | 0.4   | -1.0                      | -1.3                      | 0.3                       | 0.1                       | 0.6                       |
| Austria                 | 3.1   | 0.8                       | 0.7                       | 1.6                       | 1.6                       | 1.7                       |
| France                  | 1.7   | 0.1                       | 0.4                       | 1.2                       | 1.0                       | 1.5                       |
| United Kingdom          | 0.8   | 0.7                       | 0.6                       | 1.6                       | 1.8                       | 2.2                       |
| Czech Republic          | 1.7   | 0.3                       | 0.0                       | 2.5                       | 1.9                       | 2.6                       |
| Hungary                 | 1.7   | -0.3                      | -0.5                      | 1.1                       | 1.3                       | 2.6                       |
| Poland                  | 4.3   | 2.4                       | 2.5                       | 2.5                       | 3.2                       | 4.0                       |
| Croatia                 | 0.3   | 0.0                       | -0.5                      | 1.2                       | 1.0                       | 2.0                       |
| Bosnia and Herzegovina  | 1.7   | 1.1                       | 0.8                       | 2.5                       | 2.0                       | 3.0                       |
| Serbia                  | 1.9   | 2.0                       | 0.7                       | 2.5                       | 2.0                       | 3.0                       |
| Macedonia               | 3.1   | 2.6                       | 2.3                       | 3.0                       | 3.0                       | 4.0                       |
| US                      | 1.7   | 2.1                       | 2.2                       | 2.5                       | 2.5                       | 3.2                       |
| Russia                  | 4.3   | 3.5                       | 3.5                       | 4.1                       | 3.8                       | 4.2                       |

Source: Eurostat (for 2011); EC Interim Economic Forecast, February 2012; Consensus Forecasts, February 2012; Eastern Consensus Forecasts, February 2012; EIU Country Reports, February 2012, IMF World Economic Outlook update, January 2012; WIIW Monthly Report, November 2011; IMAD estimate.

Note: \* preliminary data. Data for France and the Czech Republic for 2011 are EC forecasts (February 2012), while 2011 data for Croatia, Bosnia and Herzegovina, Serbia, Macedonia and Russia are Consensus estimates (February 2012).

**The spring forecast is based on the assumption that commodity prices will be more stable than last year.** The price of Brent crude oil rose strongly in the first two months of this year, above USD 120 per barrel. In view of uncertain geopolitical conditions in oil producing countries, oil prices thus remain high despite the expected slowing of the global economic activity. Risks for further oil price growth remain elevated. For 2012 we therefore assume

somewhat higher prices than in 2011 as a whole, and for the following years only a slight decline. In contrast, non-energy commodity prices declined towards the end of 2011. In line with such current trends and the forecasts by international institutions, we therefore assume a drop of these prices for this year, and their stabilisation in the years to come.

Table 2: Assumptions of the forecast regarding commodity prices

|   | 2011  | 2012                         |                              | 2013                         |                              | 2014                         |
|---|-------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|   |       | Winter forecast<br>(Jan. 12) | Spring forecast<br>(Mar. 12) | Winter forecast<br>(Jan. 12) | Spring forecast<br>(Mar. 12) | Spring forecast<br>(Mar. 12) |
| Prices of Brent crude, in USD               | 111.3 | 105.0                        | 115.0                        | 100.0                        | 112.0                        | 110.0                        |
| Prices of Brent crude, in USD, growth       | 39.7  | -5.4                         | 3.3                          | -4.8                         | -2.6                         | -1.8                         |
| Non-energy commodity prices, in USD, growth | 17.8  | -5.0                         | -9.5                         | 0.0                          | 0.0                          | 0.0                          |

Vir: EIA, EIU, ECB, IMF Commodity Price Index; assumptions for 2012–2014 by IMAD.

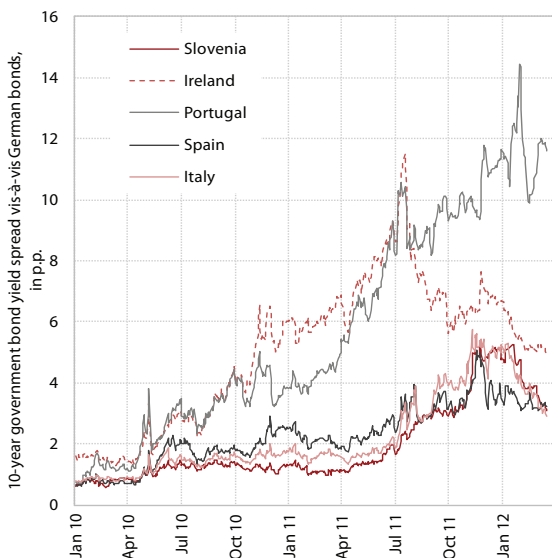
**The spring forecast assumes a US dollar exchange rate of USD 1.322 to EUR 1.** The value of the euro against the US dollar was very volatile in the first two months of this year. In February 2012, the ratio between the two currencies averaged 1.322, which is also the basis for the assumption until the end of the forecast period.<sup>1</sup> This is a 5.2% lower figure than in 2011.

**The conditions on government bond markets remain tight.** At the beginning of this year the rating agencies (Moody's and Standard and Poor's) lowered the credit ratings of several euro area countries, including Slovenia. By downgrading the credit ratings of Austria and France, which had previously enjoyed the top AAA ratings, the agencies also lowered the credit rating of the temporary European Stability Facility (EFSF). Until then, EFSF's top rating had depended on triple-A ratings of six euro area Member States. In the last month, tensions on financial markets have eased. Market confidence was partly regained due to a more pro-active role of the ECB and more decisive action towards fiscal consolidation taken by the governments of EU Member States (particularly in Italy and Spain). This was reflected in a decline in the yields of government bonds in the euro area, which nevertheless remain high. The yield to maturity of the

Slovenian 10-year government bond also decreased, to around 5%.

**The conditions on interbank markets remain very tight, which affects crediting in the real sector.** At the end of 2011, the ECB stepped in and became more pro-active in resolving the crisis, introducing additional non-standard measures to increase bank liquidity. In December 2011 and February this year, the ECB conducted two long-term refinancing auctions with a maturity of three years. Funds were available in an unlimited amount at an interest rate of 1%. In total, banks borrowed EUR 1019 bn.<sup>2</sup> However, the increase in overnight deposits at the ECB following the two auctions shows that the lack of confidence on the interbank market remains. This situation also weighs on the lending activity in the euro area, as the net flow of euro area loans was strongly negative in the last quarter of 2011. According to ECB data, net repayments of loans in the euro area were highest since the beginning of the crisis in 2008. At the same time banks continued to deteriorate the credit standards for enterprises and households, citing low expectations regarding economic recovery, their own liquidity position and aggravated access to market financing among the main reasons. Moreover, amid uncertainties on financial markets, banks also expect a further deterioration of credit standards and a decline in loan demand at the beginning of this year, regardless of the ECB's measures.

Figure 4: 10-year government bond yield spread vis-à-vis German bonds



Source: Eurostat; calculations by IMAD.

<sup>1</sup> The assumed exchange rate for 2012 is USD 1.320 to EUR 1, as it takes into account the actual realisation for January and February.

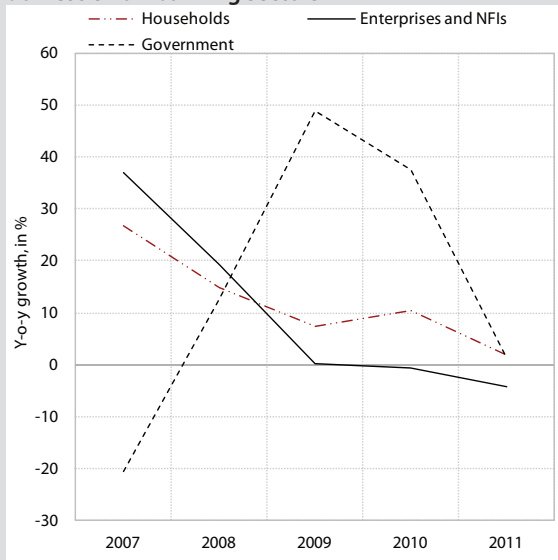
<sup>2</sup> In December 2011, 523 banks borrowed EUR 489 bn from the ECB; in February 2012, 800 banks borrowed EUR 530 bn.

**The lending activity in Slovenia will remain modest in 2012, according to our estimate.** The main limitation to lending activity will be maturing liabilities of banks and their refinancing needs, as well as a further deterioration of the quality of banks' assets. The problem of refinancing the banking sector is compounded by the downgrade of Slovenia's credit rating and the tightening of the sovereign debt crisis, which makes it all the more difficult and expensive for banks to obtain new sources of finance. The ECB's decision to offer euro area banks the possibility of obtaining credit for a period of three years is otherwise easing the pressures on Slovenia's banking system that arise from the repayment of liabilities. However, in view of the increase in non-performing and bad assets in an environment of weak economic activity, it will not be possible to create conditions that would boost the lending activity of banks (see Box 1), according to our estimate, so that no meaningful improvement may be expected before 2013.

### Box 1: Lending activity in Slovenia and the situation in the banking sector

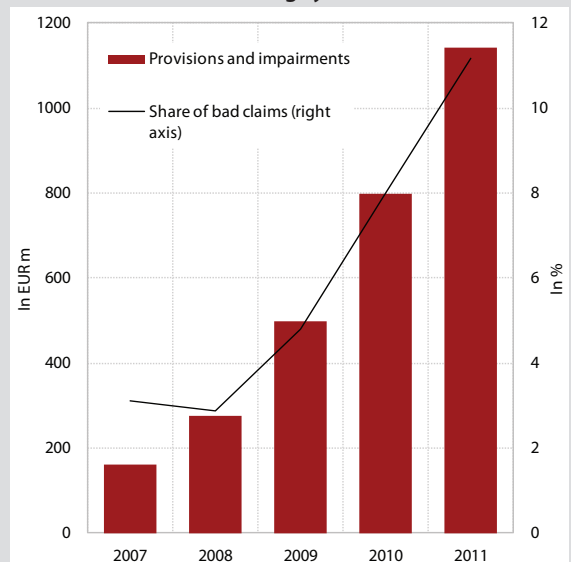
**The lending activity of domestic banks, which declined significantly last year, has not improved in the first months of this year.** The volume of loans to domestic non-banking sectors shrank by nearly EUR 800 m,<sup>3</sup> while in 2010 it had still grown by EUR 1.1 bn. The bulk of the contraction was due to a lower volume of corporate and NFI loans and, to a lower extent, a decline in government loans, while the volume of household loans still increased, albeit at the lowest rate since data have been available (2005). Last year, the financially sounder enterprises took advantage of the pick-up of the lending activity abroad. External borrowing thus strengthened somewhat, but did not offset the shortfall of domestic funds. At the beginning of 2012, the circumstances on the Slovenian credit market remain unfavourable. The lending activity has otherwise strengthened somewhat, but only as a result of the government taking out loans to repay maturing liabilities, while corporate and NFI and household borrowing continues to slow.

Figure 5: Y-o-y growth rates of domestic bank loans to domestic non-banking sectors



Source: BS; calculations by IMAD.

Figure 6: Creation of additional impairments and provisions and the movements of the share of bad claims in Slovenia's banking system



Source: BS; calculations by IMAD.

**The Slovenian banking sector still faces low capital adequacy, a further deterioration of the quality of banks' assets and strong liquidity pressures, which significantly limits the supply of loans.** Banks created EUR 1.1 bn in provisions and impairments last year, a solid 40% more than in 2010. The liquidity pressures on Slovenia's banking sector thus strengthened further last year. At the beginning of 2011,<sup>4</sup> banks had just over a fifth of liabilities to foreign banks with maturities of up to one year, while at the end of 2011,<sup>4</sup> this share expanded to over 30% (approx. EUR 4 bn). As refinancing pressures on banks increased considerably in the entire euro area last year, at the end of the year the ECB took additional measures to soften liquidity problems and stimulate lending. The most important measure is the longer-term refinancing operations with a maturity of 36 months and in its two auctions in December and February the ECB already provided EU banks with almost EUR 1,000 bn of loans. Slovenian banks obtained around EUR 3 bn of long-term assets<sup>5</sup> in these two auctions, according to our estimate.

<sup>3</sup> This significant decline is also a result of the stronger increase in impairments related to a lower quality of bank loans.

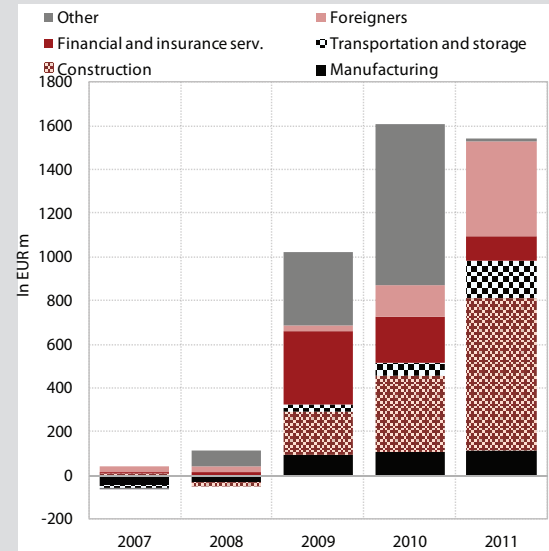
<sup>4</sup> Data for October 2011.

<sup>5</sup> Exact data on the amount that Slovenian banks obtained in the second auction are not yet available; in the first auction, they borrowed close to EUR 900 m.

**Box 1: Lending activity in Slovenia and the situation in the banking sector - continue**

**The rapid deterioration of the quality of bank assets also continued last year.** The volume of bad claims thus rose by EUR 1.5 bn, which is just slightly less than in 2010. Bad assets totalled as much as EUR 5.3 bn, accounting for 11.2% of banks' total assets. Within that, more than three quarters were claims on businesses, particularly on the activities that were hit hardest during the crisis and where the situation continues to tighten. These are the construction sector and some other activities that were involved in takeover activities before the onset of the financial crisis.

**Figure 7: Net inflow of bad claims in certain more vulnerable activities**



Source: BS; calculations by IMAD.

**The Spring Forecast is based on economic policy guidelines aimed at reducing the public finance deficit.**

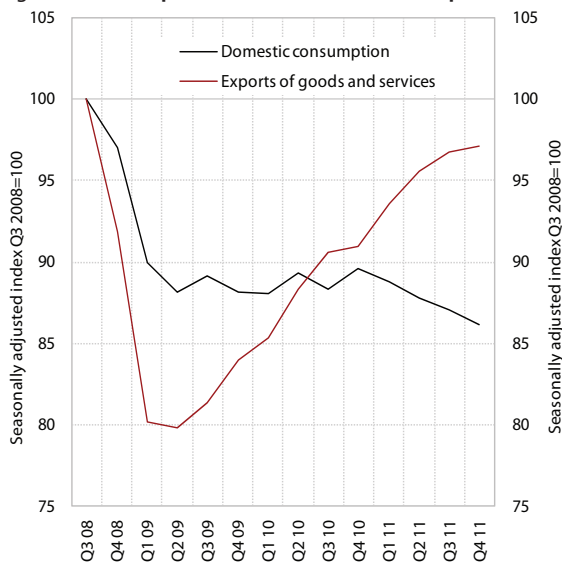
The Forecast takes into account the guidelines for fiscal policy based on the starting points for drafting the revised budget for 2012 and deficit reduction dynamics in the following years that were set in the Stability Programmes. According to these guidelines, deficit reduction is to be achieved by cuts in most categories of general government expenditure. The Act on Additional Intervention Steps for 2012 (Zakon o dodatnih interventnih ukrepih za leto 2012), effective since the beginning of 2012, suspended for half of the year the indexation of public sector wages, transfers to individuals and households, and pensions. Moreover, the implementation of the state budget has also been frozen until the adoption of the revised budget, which is slowing consumption in this period by limiting the use of budgetary funds to the obligations already assumed. We assumed that, in view of the pressing need for fiscal consolidation, the restrictive wage and employment policy would also remain in place in the latter half of 2012 and next year.

## Economic growth

### Consumption aggregates in 2011

**The recovery of economic activity was interrupted in 2011.** The strong decline in 2009 was followed by only modest economic growth in 2010 (1.4%), while in 2011 GDP dropped again (-0.2%). Exports of goods and services were 6.8% higher than in 2010 and thus remained the main engine of economic recovery, but this impulse also eased in the course of the year due to the moderation of economic growth in Slovenia's trading partners. In 2011, real exports thus already reached the average level in 2008. On the other hand, the decline in domestic consumption deepened further last year (-1.6%), being particularly pronounced at the end of the year.

Figure 8: Real exports and domestic consumption

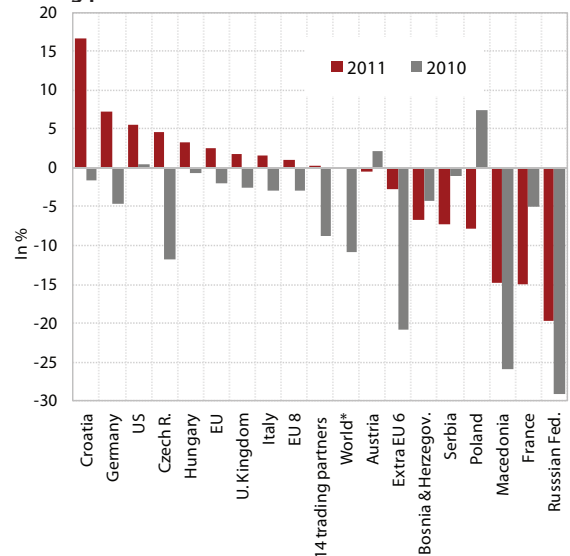


Source: SORS.

**In 2011, the decline of Slovenia's global market share eased, while Slovenia's market share in the EU grew.** After the three-year shrinkage of Slovenia's share on the global market, which was one of the largest in the EU, last year's decline was much less pronounced (-0.2%, data for the first nine months of 2011). This was largely a result of market share growth in Germany and Croatia. On the other hand, the growth of market shares in Germany, Italy and some smaller EU markets<sup>6</sup> increased Slovenia's market share in the EU (by 2.5%), so that (similar to last year) it no longer differed much from the pre-crisis levels. The decline of Slovenia's market share outside the EU eased in 2011 due to market share growth in Croatia, while market shares in Russia, Serbia, Bosnia and Herzegovina and Macedonia continued to decline (see Figure 9).

<sup>6</sup> In the UK, the Czech Republic, Hungary, Slovakia, the Netherlands, Belgium, Denmark, Greece, Finland and Sweden.

Figure 9: Change in Slovenia's market shares in main trading partners



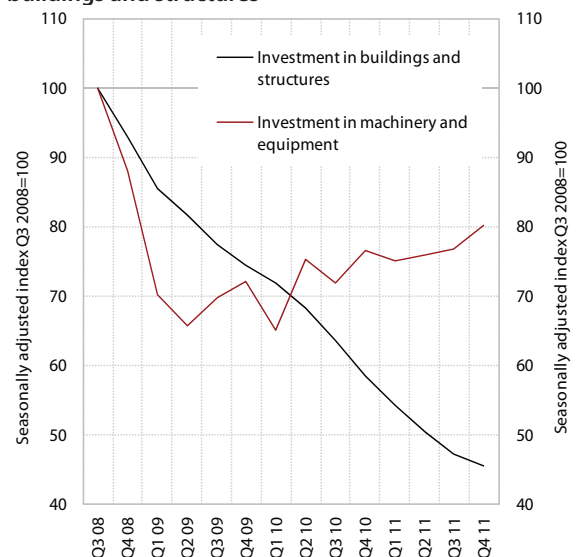
Source: SORS, WIIW, US Census Bureau; calculations by IMAD.

Notes: \*Data for q1 to q3 2011.

The group of 14 trading partners includes: Germany, Italy, France, Austria, Poland, Hungary, the Czech Republic, the UK, Croatia, Serbia, the Russian Federation, Bosnia and Herzegovina, US; Macedonia.

**Last year, gross capital formation was down 5.6% from the previous year in real terms.** Gross fixed capital formation shrank by 10.7%, while inventories increased substantially, contributing 1 p.p. to GDP growth. According to the available data, inventories rose in all sectors (industry, retail and wholesale trade, construction). Domestic investment in machinery and equipment was also increasing in the last two years, as a result of incentives from the international environment.

Figure 10: Investment in machinery and equipment and buildings and structures



Source: SORS; calculations by IMAD.



In 2011 it grew even more (6.4%) than in 2010. On the other hand, investment in construction remains much lower than it was before the crisis. Last year's further decline of construction investment (-25.2%) was affected by a further contraction of investment activity in the non-tradable service sector of the economy as a result of deleveraging, as well as lower general government expenditure on investment (-16%, in nominal terms).

**Private consumption declined for the third consecutive year, while government consumption dropped for the first time since the beginning of the crisis.** The decline in government consumption (-0.9%) was a result of austerity measures in place during the preparation of the supplementary budget and the budget freeze at the middle and towards the end of the year, which contained budgetary spending. This was in turn reflected in lower intermediate consumption. Furthermore, growth in the number of general government employees also slowed, as a result of limited public funds for wages. Household consumption continued to fall last year (-0.3%) amid a modest real increase of wages and a further decline in employment. We estimate that disposable income shrank even more (-0.9%; see also Box 2). The volume of consumer loans fell for the second year in a row (by EUR 110 m). The indicators of wholesale and retail trade indicate that households continued to postpone purchases of durable goods. Turnover in the sale of furniture, household appliances and construction material thus declined by nearly a tenth in real terms and the number of new passenger car registrations by natural persons dropped by 12.6% (i.e. by 10 thousand or 30% relative to 2008). The share of durable goods in the structure of domestic consumption thus declined to 9.1%, reaching the lowest figure since 1995.

## Forecast of consumption aggregates in 2012–2014

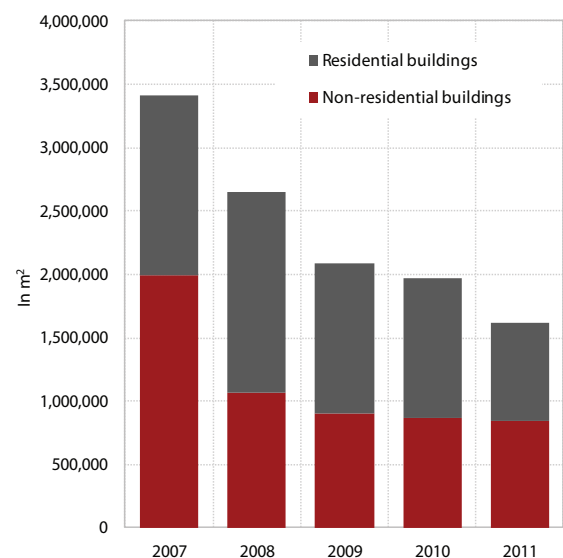
**GDP is expected to be down 0.9% in 2012 in comparison with the previous year.** These expectations are based on the assumptions of a further deterioration in the international environment and tighter financing conditions for government and banks, which are in the process of deleveraging (see also the section Assumptions of the spring forecast). In view of the increase in non-performing and bad assets in banks in an environment of weak economic activity, the conditions for the expansion of banks' lending activity will not yet be established this year, according to our estimate. Economic activity will also be significantly affected by fiscal consolidation measures, which are focussed on streamlining and cutting all categories of expenditure.

**This year's deeper decline in GDP is thus expected to reflect a strong deceleration of export growth and an even more pronounced decline in domestic consumption.** According to the assumed forecasts, GDP

in Slovenia's main partners in the euro area will decline this year relative to 2011 (-0.3%), though somewhat more favourable movements are expected for certain partners outside the EU (see Table 1). Amid modest foreign demand, the real growth of Slovenian exports will thus slow significantly relative to 2011 (to 1.4%), which will, with regard to the predominant share in exports, mainly arise from slower growth of exports to EU markets. Amid a further contraction of investment and a stronger decline in private and government consumption, domestic consumption will shrink by 3.0% this year. These movements will then contribute to a drop in goods imports and thus a total decline in imports of goods and services (by a real 1.6%).

**Gross capital formation is anticipated to drop by 7.4%, which is, due to the expected decline in inventories, more than last year.** In view of the projected decline in construction investment, we anticipate a further lowering of gross fixed capital formation (-1.5%). The issued building permits show a decline in residential investment, which is the result of a large stock of unsold flats. Construction investment will be negatively impacted by lower capital expenditure of the general government. Based on the issued building permits, we also predict a further decline in investment in the private non-trading sector (particularly retail and wholesale trade). Investment will grow only in industry, relatively strongly in the energy sector and modestly in manufacturing. This will contribute to positive growth in investment in machinery and equipment, which was also present in the previous two years. After continuing to grow in 2011, inventories are projected to decline in 2012 and thus make a negative contribution to GDP growth (1.3 p.p).

Figure 11: Total floor area of buildings planned by issued building permits, 2007–2011



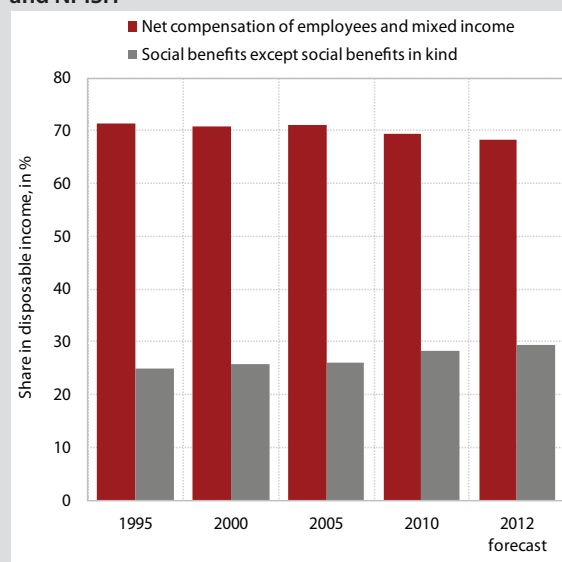
Source: SORS.

### Box 2: Household disposable income and private consumption in 2008–2011

**This year household disposable income is expected to drop for the fourth year in a row.** In 2011, disposable income was 3.4% lower in real terms than in 2008, and is projected to decline by another 1.3% this year. The main reason is the tightened labour market situation since the beginning of the crisis, which shows in a decline in the number of wage recipients. From 2009 to 2011, the number of wage recipients fell by nearly 8% and it is expected to drop further by the end of the forecast period. The average gross wages have risen 4.9% in real terms since the onset of the crisis, and are also not expected to grow much in 2012–2014. This means that the compensation of employees, which includes gross income from labour and is the largest category of disposable income, will decline in real terms this year and in the next two. Entrepreneurial and other household income responded to the crisis immediately, as they have been dropping in real terms ever since 2008. In the tightened economic situation, social transfers<sup>7</sup> are therefore playing a more and more important role.

**In recent years the share of social transfers in disposable income has been growing.** As a result of more restrictive adjustment policy in 2010 and 2011,<sup>8</sup> social transfers have otherwise grown more moderately than in the previous period, by 2.3% annually in real terms, on average, which is one percentage point less than the 2000–2009 average. However, owing to a decline in other earnings, particularly from labour, their share in disposable income has grown by nearly 4 p.p. between 2008 and 2011. The bulk of social transfers (a solid 63% in 2011) are pensions. For fear of the anticipated pension reform and with uncertainties on the labour market, in 2010 and 2011 the number of pension recipients increased even more than it would have for demographic reasons, by 2.5% per year, on average, which is one percentage point below the 2002–2009 average. As a result of a lower valorisation percentage, in 2010–2011 the total expenditure on pensions increased more slowly (by 1.7% annually, on average, in real terms) than in previous years (2002–2009: 4.5%). Transfers to unemployed have grown most notably since the beginning of the crisis, representing a 3.7% share according to the most recent data, which is a solid 2 p.p. more than in 2008. In 2011, the total amount of these payments was three times higher than three years before, due to the fact that while the number of employed persons declined, the number of registered unemployed persons grew (in 2011, it was by as much as three quarters higher than in 2008); also, in 2011 the Labour Market Regulation Act broadened certain rights in this area.<sup>9</sup> The Exercise of Rights to Public Funds Act entered into effect this year, based on which all rights to public funds can be exercised at centres for social work. Preliminary estimates show that because certain new conditions and property are taken into account in determining this right, expenditure on these benefits is lower than according to the previous regulations.

Figure 12: Share of income from labour and social receipts in gross disposable income of households and NPISH



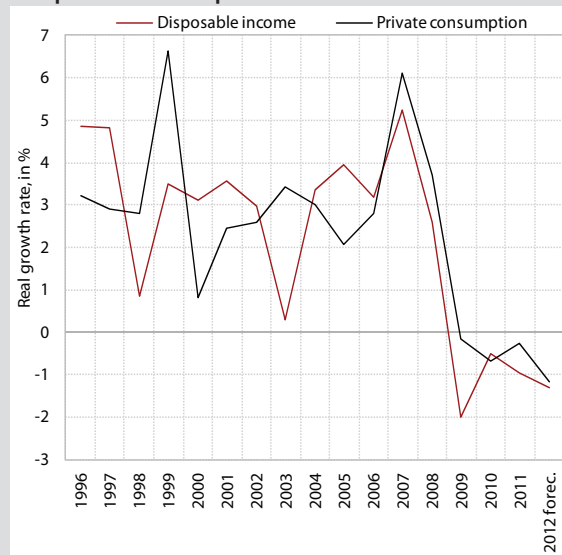
Source: SORS, calculations and forecast by IMAD.

Note: If more recent data on individual categories of disposable income were available (they are published once a year within sector accounts), they were taken into account in the calculation of income. The net compensation of employees and mixed income is an artificial category: (compensation of employees + gross operating surplus and mixed income – taxes on income and property – social security contributions).

### Box 2: Household disposable income and private consumption in 2008–2011 - continue

**Private consumption also moved in line with income.** Under the impact of poor labour market conditions and uncertainties related to the general economic situation, in 2011 private consumption dropped by 1.1%<sup>10</sup> in real terms relative to 2008, which is a slightly smaller decline than in income (by 2.3 p.p.). The propensity to consume increased somewhat in this period.<sup>11</sup> In times of economic crisis, households tend to decrease spending on goods they can more easily do without in adverse economic conditions, i.e. particularly durable goods and certain services (such as recreation and culture). By 2011, households reduced expenditure on durable goods by 9% in real terms relative to 2008. The share of durable goods in the structure of domestic consumption thus declined to 9.1%, which is the lowest figure since 1995. Turnover in the sale of food, beverages and tobacco products also dropped, for the third consecutive year and most notably thus far, which may indicate that consumers are switching from more expensive food products to cheaper alternatives and are increasingly shopping at discount stores. The durable goods market is not expected to rebound for at least two years. At the same time, the propensity to consume, which increased somewhat during the crisis (in 2011 to 86.5%, according to our estimate), will start decreasing this year against the background of persistent crisis.

Figure 13: Household and NPISH disposable income and private consumption



Source: SORS, calculations and forecast by IMAD.

Notes: If more recent data on individual categories of disposable income were available (they are published once a year within sector accounts), they were taken into account in the calculation of income. Private consumption is deflated by the corresponding deflator, while disposable income is deflated by the CPI.

<sup>7</sup> Together with pensions, with the exception of social transfers in kind.

<sup>8</sup> Intervention Measures due to Economic Crisis Act (ZIUZGK), OG RS, No. 98/2009; Act of Intervention Step because of Economic Crisis (ZIU), OG RS, No. 94/2010.

<sup>9</sup> OG RS, No. 80/2010. The Act, which started to be used in 2011, inter alia: extended the rights from compulsory insurance and voluntary unemployment insurance, so that more people are now eligible for the unemployment cash benefit; shortened the condition for the eligibility for the cash benefit from the previous 12 months of employment in 18 months to 9 months in the last 24 months before the unemployment occurred, and thus extended the right to the unemployment cash benefit to the young; increased the amount of the unemployment cash benefit in the first three months from 70% to 80% of the assessment base; extended the duration of the unemployment cash benefit for people older than 50 and with the insurance period exceeding 25 years (up to 19 months) and those over 55 with the insurance period exceeding 25 years (25 months).

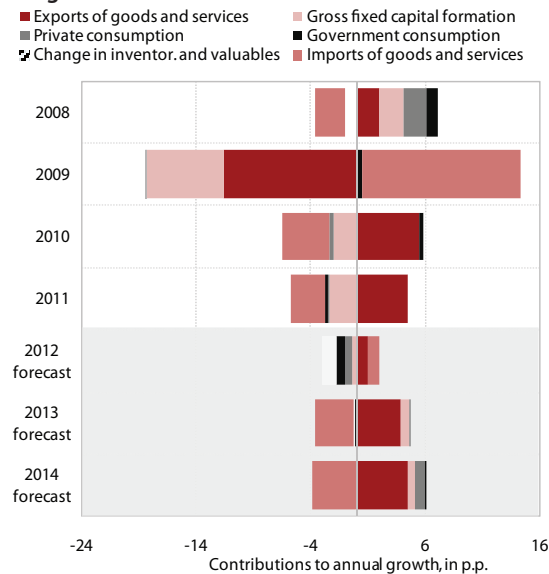
<sup>10</sup> While private consumption is deflated by the private consumption deflator from national accounts, disposable income is deflated by the consumer price index, but in the long-term average the difference between the two does not exceed 0.2 p.p. (with annual fluctuations).

<sup>11</sup> In 2008–2011, nominal growth in private consumption totalled 2.1%; nominal growth in disposable income was 1.0%.

**The decline in household and government final consumption is expected to total 1.8% this year.** In view of growing tensions on the labour market and the foreseen measures limiting the adjustment of social transfers, we expect a further contraction of disposable income (-1.3%), and in an environment of increased uncertainty and precautionary behaviour of consumers, a 1.2% real decline in private consumption. Disposable income will thus decline for the fourth successive

year and will be 4.7% lower in real terms than in 2008, according to our estimate (see also Box 2). The foreseen fiscal efforts to reduce the public finance deficit will also significantly affect government consumption. Government consumption is set to be 3.5% lower in real terms than in 2011, as a result of the foreseen restrictive wage and personnel policy, while the announced streamlining of expenditure on goods and services in all government accounts will contribute to a further decline in intermediate consumption.

Figure 14: Contributions of consumption aggregates to GDP growth



Source: SORS; 2012–2014 forecasts by IMAD.

**Economic activity in 2013 and 2014 is expected to increase due to the recovery of export and domestic demand.**

Economic growth in the international environment is expected to rebound, which will boost the growth of Slovenian exports. Growth in domestic consumption will remain relatively low, also under the impact of the further consolidation of public finances, but at the same time, successful consolidation will help restore confidence and improve the availability of sources of finance. A gradual improvement can therefore also be expected in access to the sources of finance for the private sector, mainly as a result of improved conditions on interbank markets abroad and in the domestic banking sector. The rebound of domestic consumption will also be underpinned by the pick-up of investment activity, both business investment and the realisation of construction projects that were interrupted or postponed during the crisis. With the expected softening in labour market conditions, we also project a rebound in private consumption, especially towards the end of the forecast period. Government consumption will also decline in real terms in 2013 and then increase modestly in 2014.

Table 3: Forecast for economic growth

|   | 2011  | 2012                      |                           | 2013                      |                           | 2014                      |
|---|-------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|   |       | Winter forecast (Jan. 12) | Spring forecast (Mar. 12) | Winter forecast (Jan. 12) | Spring forecast (Mar. 12) | Spring forecast (Mar. 12) |
| Real growth rates, in %   |       |                           |                           |                           |                           |                           |
| Gross domestic product  | -0.2  | 0.2                       | -0.9                      | 2.0                       | 1.2                       | 2.2                       |
| Exports   | 6.8   | 2.9                       | 1.4                       | 6.0                       | 5.4                       | 6.1                       |
| Imports   | 4.7   | 1.0                       | -1.6                      | 4.6                       | 4.9                       | 5.5                       |
| External balance of goods and services (contribution to growth in p.p.) | 1.4   | 1.4                       | 2.1                       | 1.3                       | 0.5                       | 0.7                       |
| Private consumption   | -0.3  | -0.5                      | -1.2                      | 0.3                       | 0.2                       | 1.5                       |
| Government consumption  | -0.9  | -0.7                      | -3.5                      | 0.3                       | -0.7                      | 0.3                       |
| Gross fixed capital formation   | -10.7 | 0.0                       | -1.5                      | 4.0                       | 4.0                       | 3.0                       |
| Change in inventories and valuables (contribution to growth in p.p.)    | 1.0   | -0.8                      | -1.3                      | -0.3                      | 0.0                       | 0.0                       |

Source: SORS; 2012–2014 forecasts by IMAD.

## Value added by activities in 2011

**In 2011, value added remained around the previous year's level (-0.1% in real terms).** After the improvement in 2010, last year activity eased in most sectors. Lower growth than a year before was recorded for value added in industry (B–E), market (G–N, R–T) and public services (O–Q), while value added in the construction sector (F) recorded the largest drop in the last three years of continuous decline. Value added also continued to fall in primary activities (A), but the decline was smaller than in the previous two years.

**In manufacturing, value added grew by 2.9% y-o-y in real terms in 2011.** In the first half of the year it was still rising, in the third quarter it dropped and then maintained that level until the end of the year (seasonally adjusted). The annual growth of value added was mainly a result of growth in technologically more intensive industries, which are most export-oriented. Amid rising foreign demand,<sup>12</sup> production volume in these industries thus increased more than in the manufacturing sector as a whole.<sup>13</sup> However, with a moderation of foreign demand, their growth slowed in the second half of the year, particularly in the last quarter. In most industries with a lower degree of technology intensity, in the last quarter production already dropped below the level seen in the same period a year before, particularly in certain medium-low technology industries (especially in the manufacture of rubber and plastic products<sup>14</sup>) that made the greatest contribution to the overall y-o-y decline in value added in manufacturing in the second half of the year. These industries mainly produce intermediate goods and were therefore among the first to be affected by the slowdown of foreign demand.<sup>15</sup> In industries with lower technology intensity value added thus exceeded the 2010 level only in the leather, metal and wood-processing industries, which are more export-oriented, and in the food-processing industry, which is less dependent on the business cycle.

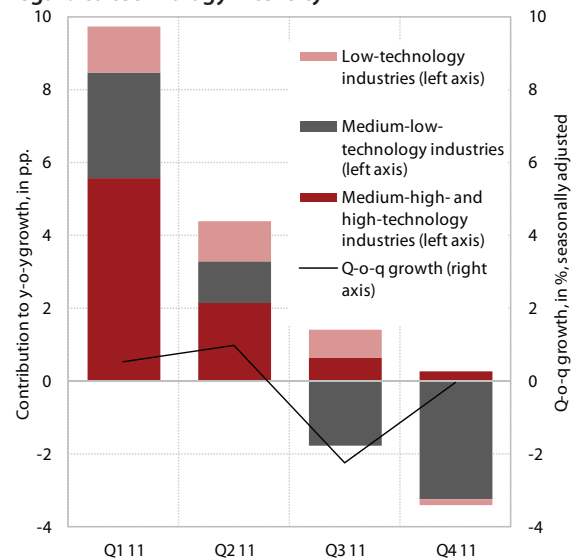
<sup>12</sup> Revenues from sales on the foreign market rose by 3.8%, while revenues from sales on the domestic market remained at a similar level as a year earlier.

<sup>13</sup> Among high-technology industries, only the manufacture of transport equipment declined, particularly in the second half of the year, when it was already a tenth lower than in the same period of 2010. The decline was mainly due to more modest foreign demand and the natural disaster in Japan. After two years of strong foreign demand for vehicles as a result of subsidies for the purchase of new (especially more environmentally friendly) passenger cars and light commercial vehicles in certain countries, foreign demand declined in 2011, as expected. Production volume was higher y-o-y only in the first quarter of 2011, when France, which is, in addition to Germany, the largest importer of Slovenian road vehicles, still co-financed purchases of new road vehicles ordered by the end of 2010. The moderation of activity in the manufacture of transport vehicles was also due to the natural disaster in Japan, which disrupted electronics supply in the car supply chain (particularly in the second quarter).

<sup>14</sup> According to our estimate, the manufacture of rubber and plastic products (which declined by nearly 20%) was also impacted by higher prices of input materials (i.e. natural rubber), which could not be entirely passed on to consumers.

<sup>15</sup> Growth in revenues from the sale of intermediate goods on the foreign market, which had been very strong in 2010, came to a halt at the beginning of 2011 (seasonally adjusted). At the end of the year, revenues from the sale of these goods on the foreign market dropped below the level recorded in the same period a year earlier.

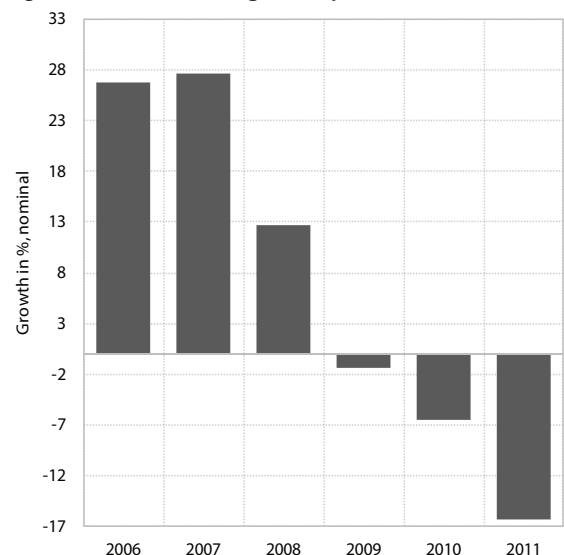
Figure 15 : Production volume in manufacturing with regard to technology intensity



Source: SORS.

**In the construction sector value added dropped by 20.3% y-o-y last year.** In three years, value added in construction thus nearly halved. Last year activity dropped in all construction segments. The decline in residential construction was due to higher stocks of unsold flats, while non-residential construction and civil engineering were negatively impacted by the tightening of the fiscal position and particularly by low investment activity in the non-trading sector of the economy.

Figure 16 : Government gross capital formation

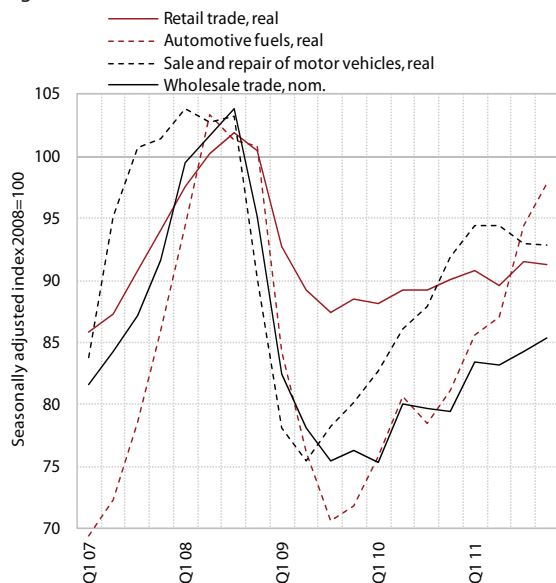


Source: SORS.

**Value added in market services (G–N, R–T) rose by 0.6% y-o-y in real terms in 2011.** Amid weak domestic production and construction activity and the moderation of foreign demand, the movements deteriorated relative

to 2010 in all market service activities. The strongest growth in value added (around 1%) was recorded in predominantly traditional services (G, H, I – trade, transportation and storage, accommodation and food service activities), professional, scientific and technical activities (M, N) and real estate activities (L). In traditional services, a relatively large increase was recorded for turnover in transport activities, particularly turnover in land transport, which was mainly due to a significant increase in the volume of rail freight transport. Turnover also grew in the sale and repair of motor vehicles<sup>16</sup> and in wholesale trade, while turnover in accommodation and food service activities was, despite a higher number of overnight stays, only slightly higher than in the previous year.<sup>17</sup> In main professional, scientific and technical activities, turnover picked up in legal and accounting activities, while it declined in architectural and engineering activities. Financial and insurance activities (K) recorded below-average growth in value added compared with other market services, which we estimate was mainly due to a further deterioration of the situation in the banking sector (see Box 1). Insurance premiums also had a lower growth rate than in 2010. In market services, in addition to other service activities (R, S, T), in 2011 value added also declined in information and communication activities, with turnover shrinking in radio and television activities and in telecommunications and increasing somewhat in computer programming.

Figure 17: Turnover in wholesale and retail trade



Source: SORS, calculations by IMAD.

<sup>16</sup> In 2011, the number of new car registrations was somewhat lower than in 2010, but the sale of small and medium-sized passenger cars dropped, in particular, according to data from the Motor Vehicles Section at the Chamber of Commerce. The increase in the real turnover was also partly due to lower prices of cars (according to the consumer price statistics, in 2011 the prices of new passenger cars were 1.2% and the prices of used cars 8.2% lower than in 2010).

<sup>17</sup> In total, the number of overnight stays increased by 5.3% in 2011, within that, the number of overnight stays of foreign tourists by nearly a tenth, while the number of domestic tourists' overnight stays remained at approximately the same level as in 2010.

**Real y-o-y growth in value added in public services (O–Q) slowed notably in 2011 (to 1.6%).** The easing is related to limited general government funds for public sector wages, which slowed employment growth. In public administration activities, employment declined by 1.3%, most notably in the civilian part of public administration and municipalities. Employment growth in education (M) also declined significantly (1.8%). Particularly in primary education it was notably lower than in previous years, being still relatively high in kindergartens and in the field of other education and training. In human health activities (Q86), employment growth strengthened, despite austerity measures and poor business results of providers, while in social work (Q87, Q88), it slowed due to a decline in the number of employees in social work activities without accommodation.

## Forecasts for value added in 2012–2014

**This year value added will be lower than in 2011 in most activities, by a total of 0.9% in real terms.** In industry, value added will drop below last year's level, largely under the impact of weak foreign demand and hence a lower production volume in manufacturing. A decline in activity is also expected in the construction sector, but value added will decrease less than in the previous year for the first time after three years of significant decline. Against the background of subdued foreign and domestic demand, we expect a drop in value added in the group of market services. As a result of the implementation of the planned fiscal consolidation measures, value added will also decline in public services, for the first time since the onset of the economic crisis.

**Amid modest foreign demand and continuing weak domestic demand, real value added in manufacturing will be 0.5% lower y-o-y in 2012.** The slowdown of foreign demand will continue to weigh down particularly on the manufacture of transport equipment, which will be even lower than in 2011. Low production activity in some of Slovenia's main trading partners will also be reflected in modest demand for intermediate goods. Production in some medium-low and technologically more intensive industries will therefore remain weak (particularly the manufacture of rubber and plastic products and the metal industry) or even lower than last year (the chemical industry). Production in low-technology industries will also drop somewhat, on average. These are either mainly oriented to the domestic market (food-processing, wood-processing, paper industries and the manufacture of non-metal products), where demand is not expected to recover yet, or less competitive (also due to high labour intensity) on foreign markets (particularly the textile and furniture industries). However, the moderation of foreign demand will have a lesser impact on other, mainly export-oriented, industries, among which the high-technology pharmaceutical industry will be affected the least.

**In the construction sector, real value added is expected to be 5.5% lower y-o-y in 2012.** Construction activity

Table 4: Spring forecast of value added by activity

|   | 2010  | 2011  | 2012            | 2013 | 2014 |
|---|-------|-------|-----------------|------|------|
|   |       |       | Spring forecast |      |      |
| Agriculture, forestry and fishing   | -4.6  | -2.3  | 0.0             | 0.0  | 0.5  |
| Mining and quarrying, manufacturing, electricity, gas and water supply  | 6.6   | 2.8   | -0.4            | 2.2  | 2.8  |
| ... of which Manufacturing  | 7.4   | 2.9   | -0.5            | 2.5  | 3.0  |
| Construction  | -19.9 | -20.3 | -5.5            | 4.0  | 1.5  |
| Wholesale and retail trade, repair of motor vehicles, transportation and storage, accommodation and food service activities | 2.5   | 1.2   | -1.1            | 1.3  | 2.7  |
| Information and communication activities  | 3.5   | -1.7  | 0.5             | 2.0  | 2.0  |
| Financial and insurance activities  | 5.0   | 0.3   | -4.0            | -1.0 | 1.0  |
| Real estate activities  | 1.2   | 0.8   | 0.5             | 1.5  | 2.0  |
| Professional, scientific and technical activities   | 4.9   | 1.2   | 1.0             | 2.5  | 2.8  |
| Public administration, education, health and social work  | 2.5   | 1.6   | -0.5            | -0.8 | 1.1  |
| Other personal service activities   | 0.8   | -1.4  | -1.5            | 0.0  | 0.5  |
| VALUE ADDED   | 1.7   | -0.1  | -0.9            | 1.2  | 2.2  |
| a) Taxes on products  | -0.6  | -0.5  | -1.1            | 0.9  | 2.0  |
| b) Subsidies by product   | 2.7   | 4.2   | -4.0            | -2.0 | 0.0  |
| GROSS DOMESTIC PRODUCT  | 1.4   | -0.2  | -0.9            | 1.2  | 2.2  |

Source: SORS; 2012–2014 forecasts by IMAD.

stopped declining at the end of last year,<sup>18</sup> amid monthly fluctuations. It is projected to remain around this level in 2012, but owing to the previous decline it will still be lower, on average, than in 2010. The high stock of unsold flats, coupled with the tightened financial situation of enterprises and their deleveraging, and a decline in government investment remain the key factors of the low activity in construction.

**The y-o-y decline of value added in market services will reach 0.7% in real terms in 2012.** Growth, if modest, is expected only in some predominantly knowledge-intensive (professional and technical and information and communication activities) activities and in the real estate sector.<sup>19</sup> In other groups of market services value added will shrink in 2012. In mainly traditional and other service activities, this year's decline of activity will reflect continuing uncertainties on the labour market and a consequent decline in private consumption, and, in part, lower activity in manufacturing and construction and weaker foreign demand. The largest decline in value added is expected in financial and insurance activities, with lending activity shrinking further due to uncertain conditions on international financial markets and high corporate indebtedness, according to our estimate.

**Amid the anticipated restrictive policy of employment in the general government sector, value added is expected to drop by 0.5% y-o-y in 2012.** In line with the starting points for drafting the revised budget for 2012, the planned restrictive personnel policy would have the

greatest impact on employment in budget-spending units, which are mainly financed from public sources, and hence on the decline in employment in public administration activities. Employment in education and health and social work activities, which are partly financed from private sources, would drop less. The effect would be smaller particularly in preschool education and social work, where demographic trends alone require more hiring. A moderate increase is also projected for employment with private providers of public services (those with concessions and purely private providers).

**In the next two years we expect a gradual recovery of the market-oriented part of the economy, so that value added will increase by 1.2% in 2013 and by 2.2% in 2014.**

Amid growing foreign demand and a gradual recovery of the domestic market, value added is projected to grow again in industry (especially in manufacturing activities) and most market services, except financial services, where it will drop further in 2013 due to continued gradual deleveraging of enterprises. After shrinking for four years, construction activity will rise slightly as well, particularly due to the completion of certain projects that were interrupted or postponed during the crisis. In public services, we expect a continuation of the restrictive policy of employment in the general government sector in line with the measures to balance public finances.<sup>20</sup> Despite the expected moderate growth in employment and value added with private providers, value added in public services is thus projected to decline further in 2013 and then strengthen slightly in 2014.

<sup>18</sup> In the last quarter, construction put in place was at the same level as in the previous quarter, seasonally adjusted.

<sup>19</sup> The bulk of real-estate activities are housing activities of households, which are characterised by relatively low and constant growth rates of value added.

<sup>20</sup> The forecast for value added growth in these activities is made under the assumption of a very limited substitution for the natural attrition in employment in all budgetary spending units..

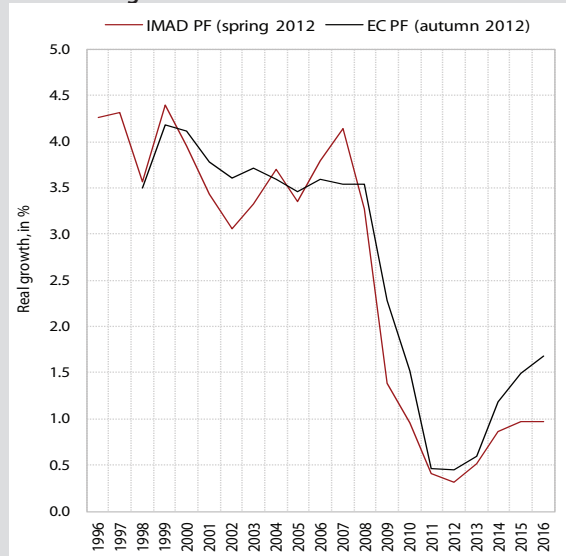
### Box 3: Potential GDP growth

**Based on the spring forecast of economic trends, we estimated potential GDP growth and output gap using a production function method (PF).** Potential GDP growth is calculated based on the production function method, which uses the bivariate Kalman filter (KF) to extract the cyclical component of total factor productivity.<sup>21</sup> For comparison, we also show the latest calculation of potential GDP growth made by the European Commission (EC) in autumn 2011. The EC's calculation uses a production function method that does not differ from IMAD's method in basic characteristics.<sup>22</sup> The differences between IMAD's and the EC's calculations reflect the differences in the forecasts on which they are based (the EC's autumn forecast from 2011 and IMAD's latest spring forecast) and, in part, the differences in input data.<sup>23</sup> Besides, the forecast by IMAD covers a longer period.

**The calculations show that potential GDP growth will be weak in the coming years.** The calculations using the PF approach (Kalman filter) show that after declining steeply in 2008 and 2009, potential GDP growth dropped from close to 4% before the crisis to around 1%, on average, in the next medium-term period.

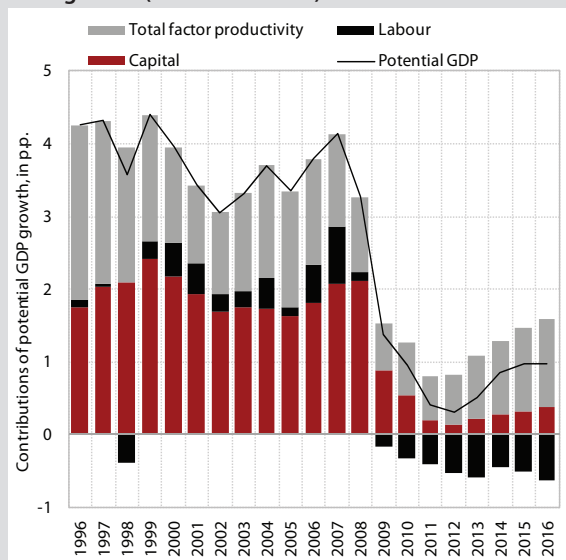
**Among the components of potential GDP growth (calculated using the PF with the KF), in the coming years the contribution of capital will decrease most notably relative to the previous period.** Specifically, after the considerable decline in 2009, the contribution of capital continued to fall (to 0.1 p.p. in 2012) and is also expected to remain below 0.5 p.p. in the medium term. The contribution of labour, which was already relatively low in the whole period before the beginning of the crisis in 2008, has been negative since 2009. Until 2011, this was mainly related to the increase in the natural unemployment rate<sup>24</sup> (NAIRU), while in the calculations for the following years the negative contribution of labour is mainly affected by the shrinkage of the active population according to Eurostat's demographic projections. The contribution of total factor productivity also diminished with the onset of the crisis, but we can expect a gradual recovery of this component (see Figure 19).

Figure 18: Potential GDP growth, comparison of different methodologies for calculation



Source: calculations by IMAD, EC.

Figure 19: Contributions of individual components to GDP growth (PF Kalman filter)



Source: IMAD.

<sup>21</sup> 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](http://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.

<sup>22</sup> 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. Since spring 2011, the European Commission uses the Kalman filter for smoothing the TFP series for Slovenia, instead of the Hodrick-Prescott filter used previously.

<sup>23</sup> Since the last EC's last estimate (autumn 2011), national accounts data for 2011 have been released (GDP, employment). In the series on employment data according to the national accounts statistics we also take account of the correction due to the break in the data series in 2002.

<sup>24</sup> In the calculations of the natural unemployment rate (NAIRU), we take into account the forecasts for the survey unemployment rate, which indicate a deterioration in the medium term (see also the Labour market section). NAIRU is estimated by a bivariate unobserved component model using the wage growth series besides the unemployment series. The calculations show an increase and then a gradual stabilisation of NAIRU at just above 8%. The increase in NAIRU, which cannot be directly observed, is also indirectly indicated by growing long-term unemployment.



## Risks to the materialisation of the forecast for economic growth

**Uncertainty about the forecast for economic activity in 2012–2014 remains high. One of the main downside risks is a greater-than-assumed deterioration in the international environment.** The forecast is mainly based on the assumption that the international environment will improve in the second half of this year as a result of restored confidence with euro area countries gradually overcoming the sovereign debt crisis. These assumptions were also used in the central forecasts for economic trends by international institutions, which predict a return of economic growth in the euro area for 2013 after a mild recession this year. Due to a possible further tightening of the sovereign debt crisis, the forecasts nevertheless remain subject to the risk of an even deeper drop in economic activity this year and the next. Based on the IMF's simulations of the consequences of such a scenario for euro area countries and the global economy, we therefore made a simulation of a similar scenario for Slovenia's economic activity (see Box 4).

**Uncertainty about the forecast is also related to obstacles from the domestic environment.** One of the key assumptions of the forecast is the beginning of fiscal consolidation. In the short term, it will have negative implications for economic activity, but successful consolidation is essential to renew access to sources of finance, which would enable a rebound of economic activity in the years to come. The forecast also assumes a gradual improvement in the Slovenian banking system. To restore the confidence of international financial markets and improve the competitiveness of the economy, it will also be necessary to proceed with reform efforts in the area of social protection and market regulation systems, and the adoption of measures to increase competitiveness and growth in the medium term.

### Box 4: Scenario of a pronounced decline in economic activity in the international environment

**In the next two years, one of the key risks to global economic growth exposed by international institutions is a possible deepening of the sovereign debt crisis in the euro area.** This would be followed by a strong deterioration of the conditions in the financial sector with severe impacts on lending and economic activity. Despite the agreement regarding the fiscal pact at the highest political level, the tensions on financial markets in the EU have continued in the last few months, as this is a measure with foreseen long-term effects. The ECB also became more proactive in resolving the crisis. With the introduction of non-standard measures, it slightly eased the tightened conditions on financial markets and also indirectly helped to lower the costs of borrowing in most euro area countries. However, the confidence on financial markets remains low. The institutions thus estimate that further response by economic policymakers will be needed to calm the financial markets. According to IMF simulations,<sup>25</sup> if these risks materialise, GDP in the euro area would drop lower in the middle of this year than in the baseline scenario. This year's decline in GDP would thus be around 1 p.p. larger than the baseline forecast for these countries (reaching -1.2%), while the decline in 2013 would be even deeper (-1.5%).

**Table 5: Simulation of the effect of an additional 1 p.p. fall of economic activity in the euro area on economic activity in Slovenia**

| Real growth, in %   | 2012            | 2013 | 2012       | 2013 |
|---|-----------------|------|------------|------|
|   | Spring forecast |      | Simulation |      |
| Gross domestic product  | -0.9            | 1.2  | -2.9       | -2.2 |
| Exports of goods and services                                 | 1.4             | 5.4  | -5.0       | -5.9 |
| Imports of goods and services                                 | -1.6            | 4.9  | -6.8       | -6.2 |
| Private consumption   | -1.2            | 0.2  | -1.6       | -1.0 |
| Government consumption  | -3.5            | -0.7 | -3.5       | -0.7 |
| Gross fixed capital formation                                 | -1.5            | 4.0  | -6.0       | -7.5 |
| Contribution of changes in inventories to GDP growth, in p.p. | -1.3            | 0.0  | -1.3       | 0.0  |

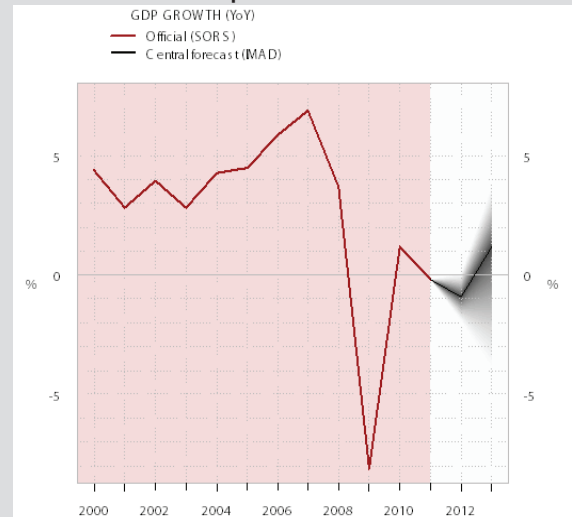
Source: calculations by IMAD.

<sup>25</sup> IMF World Economic Outlook Update, January 2012.

**Box 4: Scenario of a pronounced decline in economic activity in the international environment - continue**

**If this scenario of economic trends in the euro area materialises, Slovenia's GDP would also shrink more in 2012 and 2013.** The simulations show that under the assumption of a 1.2% fall in economic activity in the euro area this year, which would also affect economic activity in countries that are Slovenia's major export markets (the US, Russia, countries of the former Yugoslavia), Slovenia's GDP would drop by 2.9% in real terms in 2012. Exports and fixed capital formation would shrink the most (-5.0% and -6.0%), in addition to lower export demand also under a strong impact of the additional tightening of lending conditions. In an environment of higher uncertainty and an even greater deterioration of labour market conditions than according to the baseline scenario, private consumption would also drop (-1.6%). Economic activity would also continue to decline in the following year (-2.2%).

**Figure 20: Baseline forecast of GDP growth and distribution of the expected risks**



Source: SORS; 2012–2014 forecasts by IMAD.

## Labour market

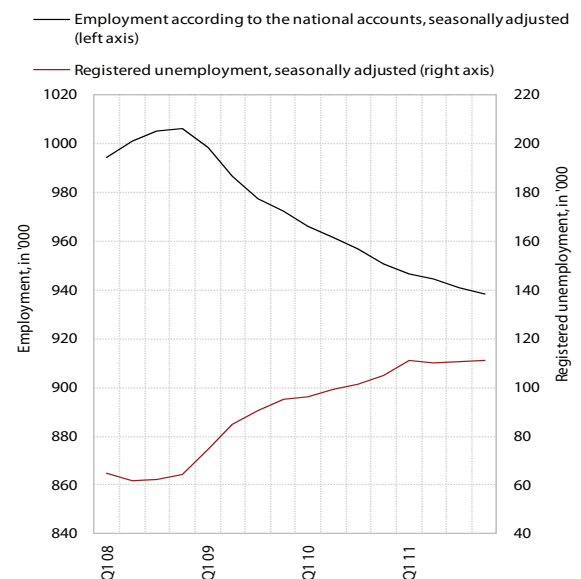
### Employment and unemployment

**With lower economic activity, employment dropped again last year, albeit to a lesser extent than in 2010.**

In the year as a whole, the number of employed persons according to the national accounts statistics was 1.7% lower than in 2010, having dropped by nearly 60 thousand relative to 2008, most notably in manufacturing activities (over 38 thousand). In most private sector activities employment declined more slowly last year. A larger fall than a year before was recorded in construction, real estate activities and in agriculture. In certain market services employment even grew (professional, scientific and technical activities), but the overall number of persons employed in market services was still lower than in 2010. During the economic crisis employment has been increasing only in the general government sector, but in view of limited public funds for wages, employment growth in this sector also slowed visibly last year (from 1.5% in 2010 to 0.4% in 2011). In public administration the number of employees declined, while in other public services the increase in employment was one of the smallest in the last few years.

**Registered unemployment averaged 110,692 persons in 2011.** The increase of the average number of unemployed by a tenth in comparison with the previous year is to a great extent due to a large increase in unemployment at the end of 2010 and the beginning of 2011, while between March and December 2011, unemployment dropped. In 2011, somewhat fewer persons registered

**Figure 21: Employment and registered unemployment**

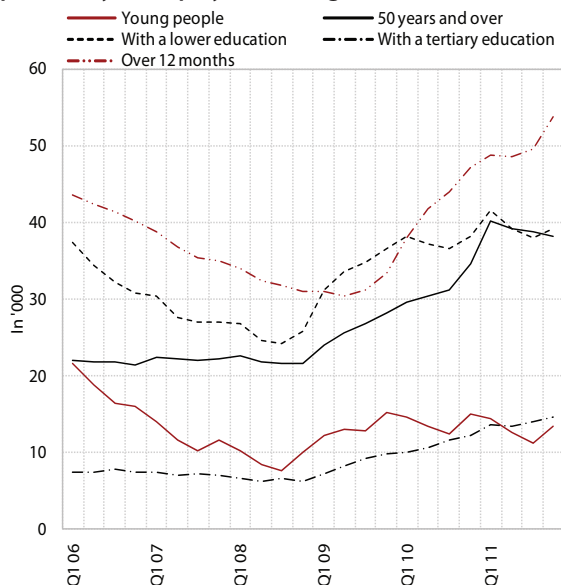


Source: SORS, ESS; seasonal adjustment by IMAD.

as unemployed than in 2010. On the other hand, more unemployed persons than a year previously landed work (by 7%) or were deleted from the unemployment register for reasons other than employment (9.7%). The labour market situation of young people has worsened during

the crisis, which is reflected in a higher unemployment rate of this population group. The unemployment rate in the age group 15–24 thus rose from 10.4% (the 2008 average) to 15.3% in 2011. The deterioration of the situation is also related to a high share of part-time and temporary jobs (the highest in the EU). The number of unemployed persons with a tertiary education and their share in unemployment structure are also growing. Furthermore, structural unemployment problems show particularly in the share of older unemployed persons, which is growing again (it increased especially at the end of 2010), and the share of long-term unemployed persons. Both shrank considerably with the inflow of newly unemployed at the beginning of the crisis. The share of unemployed persons with a lower education fell somewhat in 2011, as the inflow of these persons declines gradually after surging at the beginning of the crisis.

**Figure 22: Increase in the number of unemployed persons by unemployment categories**

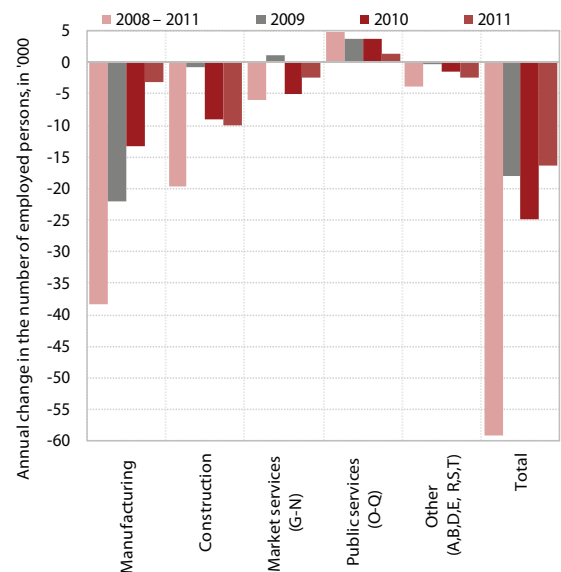


Source: ESS.

**In light of a decline in economic activity in 2012 and a sluggish recovery in the next two years, coupled with the foreseen restrictive personnel policy in the general government sector, the number of employed persons is expected to drop further in this period.** Owing to a further adjustment of employment to the expected dynamics of economic activity and growing structural imbalances reflected through higher long-term and natural unemployment rates, we expect labour market conditions to deteriorate further this year and the next. Moreover, restrictions on public expenditure, which already slowed hiring in the general government sector in 2011, will have even harsher consequences for employment in these two years. In 2012, the total number of employed persons will thus drop even slightly more than in 2011. As employment tends to adjust to economic activity with a delay, it will continue to fall in 2013, but less vigorously.

In the private sector, employment is expected to drop further in most activities, except some business services, but the decline will be more moderate than in previous years. With regard to the restrictive employment policy in the general government as foreseen in the starting points for drafting the revised budget for 2012, we assumed that with a limited replacement of retired persons, the effects of this policy would show particularly in a lower number of employees in public administration, while in other public sector activities the assumed decline is smaller.

**Figure 23: Employment dynamics by activity (national accounts) since the onset of the economic crisis**



Source: SORS.

**We expect unemployment to increase further this year and the next.** Besides the weak business cycle accompanied by a fall in employment, age structure and low educational attainment of the unemployed will be another factor why unemployment will continue to grow in 2012 and 2013, given that particularly at the beginning of the economic crisis the number of older unemployed persons and those with a lower education increased. In 2012, the number of persons registered as unemployed is thus set to average 118.8 thousand, and the registered unemployment rate and the survey unemployment rate will be 12.9% and 8.8%, respectively. Despite the expected beginning of the economic upturn in 2013, the average number of registered unemployed will increase further (123.9 thousand), as a turnaround on the labour market tends to follow the economic recovery with a lag. Unemployment is projected to decline in 2014, but will remain relatively high (121.6 thousand).

Table 6: Forecasts for employment and unemployment

| In %   | 2011  | 2012                      |                           | 2013                      |                           | 2014                      |
|--|-------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|  |       | Winter forecast (Jan. 12) | Spring forecast (Mar. 12) | Winter forecast (Jan. 12) | Spring forecast (Mar. 12) | Spring forecast (Mar. 12) |
| Employment according to the SNA, growth                  | -1.7  | -1.4                      | -2.2                      | -0.7                      | -1.2                      | -0.3                      |
| Number of registered unemployed, annual average, in '000 | 110.7 | 116.1                     | 118.8                     | 118.8                     | 123.9                     | 121.6                     |
| Registered unemployment rate                             | 11.8  | 12.5                      | 12.9                      | 12.8                      | 13.5                      | 13.3                      |
| ILO unemployment rate                                    | 8.1   | 8.6                       | 8.8                       | 8.8                       | 9.3                       | 9.1                       |

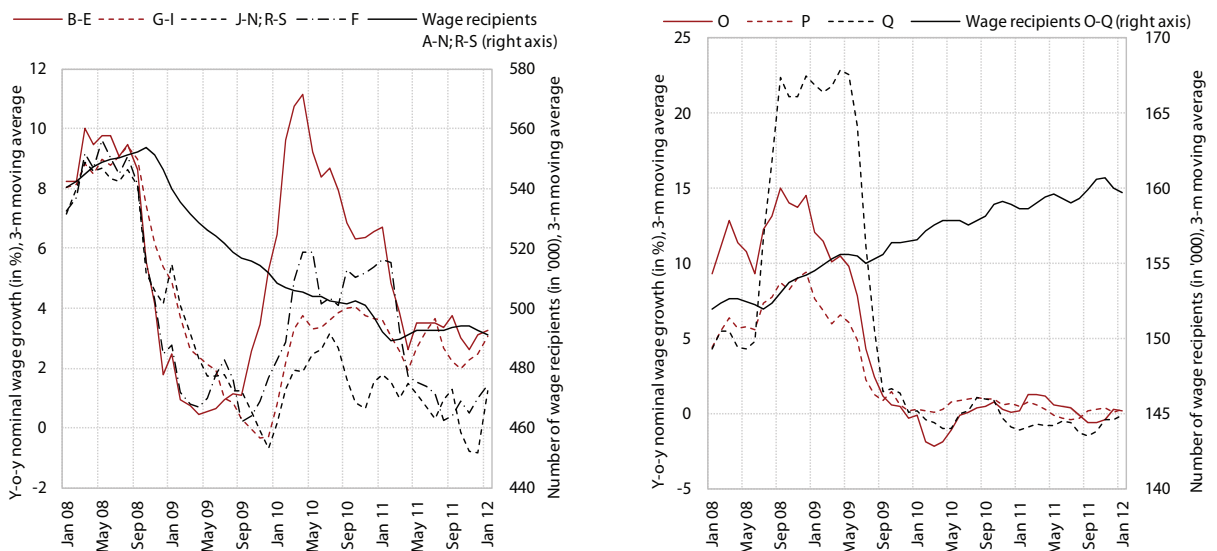
Source: SORS; 2012–2014 forecasts by IMAD.

## Wages

**The 2011 increase in the gross wage per employee was the lowest thus far.** Last year public sector wages remained unchanged again, as a result of a number of intervention austerity measures taken since the beginning of 2009 due to the deterioration of the economic situation and public finances. For the second year in a row, the nominal growth of the total gross wage (2.0%) was thus solely a result of wage growth in the private

sector, but this also eased gradually in the course of the year owing to the stalling economic recovery. Last year, a further increase in the minimum wage had a significantly smaller impact on wage growth in the private sector than in the previous year. Its contribution is estimated to less than one percentage point, in contrast to around 3 p.p. in the previous year. 13th month payments and Christmas bonuses were also the lowest in six years.

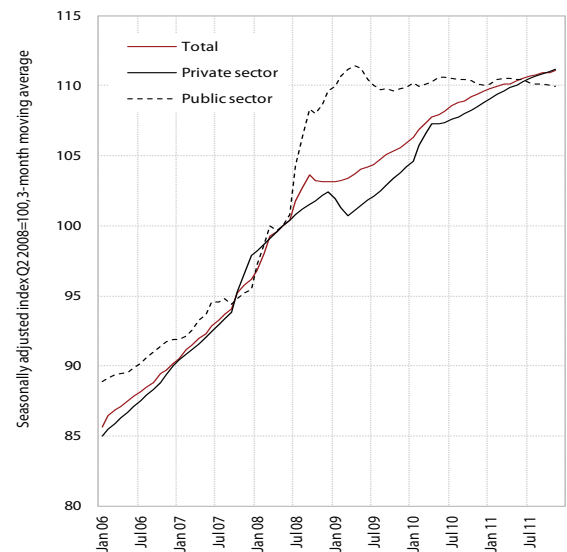
Figure 24: Nominal growth of wages and the number of wage recipients in private and public sector activities



Source: SORS; seasonal adjustment by IMAD.

**In 2012 and in the next two years, economic conditions will not yet allow for more visible wage growth.** The future wage movements in the private sector will be significantly marked by a further contraction of the economy this year and the anticipated slow recovery in the next two, the efforts of businesses to preserve their competitive position and the absence of labour market pressures amid high unemployment and relatively low inflation. In 2012 and 2013, the nominal wage rises in the private sector will thus be similar to that in 2011<sup>26</sup> (2.4% and 2.6%, respectively). Wage growth in 2014 will be, with a gradual strengthening of economic activity, only slightly higher (3.2%). Given the general economic and public finance situation, we assume that the restrictions to more visible growth in public sector wages will also stay in place in this period. The Act on Additional Intervention Steps for 2012 suspends wage adjustments until the end of June, but we expect further measures to keep the restrictive wage policy in the public sector in place. This would lead to nominal stagnation in the average public sector wage this year and the next, while for 2014 we assume other fiscal consolidation measures to take effect and enable wage policies that will keep its real level unchanged.

Figure 25: Gross wage per employee relative to Q2 2008



Source: SORS; seasonal adjustment by IMAD.

Table 7: Forecasts for average growth in the gross wage per employee

|                    |                         | 2011 | 2012                      |                           | 2013                      |                           | 2014                      |
|--------------------|-------------------------|------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                    |                         |      | Winter forecast (Jan. 12) | Spring forecast (Mar. 12) | Winter forecast (Jan. 12) | Spring forecast (Mar. 12) | Spring forecast (Mar. 12) |
| Growth rates, in % |                         |      |                           |                           |                           |                           |                           |
| Nominal growth     | Gross wage per employee | 2.0  | 1.7                       | 1.8                       | 2.1                       | 1.9                       | 2.8                       |
|                    | - Private sector        | 2.6  | 2.4                       | 2.4                       | 2.9                       | 2.6                       | 3.2                       |
|                    | - Public sector         | 0.0  | -0.1                      | 0.0                       | 0.0                       | 0.0                       | 1.9                       |
|                    | Labour productivity     | 2.4  | 3.0                       | 2.3                       | 4.1                       | 3.9                       | 4.4                       |
| Real growth        | Gross wage per employee | 0.2  | -0.1                      | -0.2                      | 0.3                       | 0.1                       | 0.9                       |
|                    | - Private sector        | 0.8  | 0.6                       | 0.4                       | 1.1                       | 0.8                       | 1.3                       |
|                    | - Public sector         | -1.8 | -1.9                      | -2.0                      | -1.8                      | -1.8                      | 0.0                       |
|                    | Labour productivity     | 1.6  | 1.6                       | 1.4                       | 2.7                       | 2.4                       | 2.5                       |

Source: SORS; 2012–2014 forecasts by IMAD.

Note: Labour productivity is measured as GDP per employee. The private sector included activities A–N, R–S, the public sector activities O–Q.

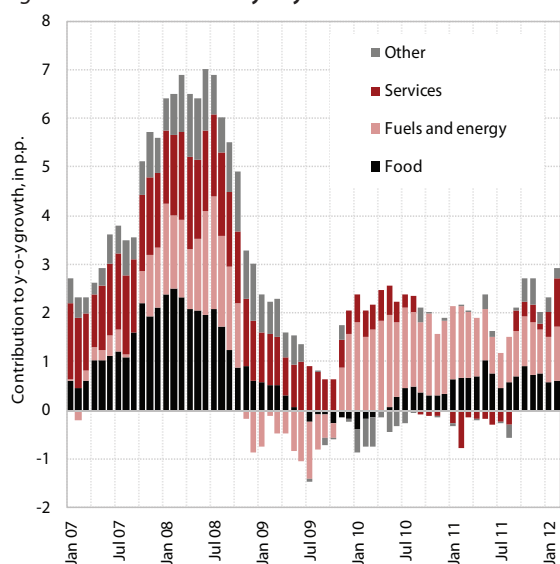
<sup>26</sup> With the final adjustment to the new level of the minimum wage amounting to around 1 p.p. in 2012.

## Inflation

### **The weak growth of economic activity in the last few years is reflected in lower inflationary pressures.**

Last year's annual price growth was at 2%, similar to the previous three years. Consumer price growth was mainly underpinned by higher prices of energy and food (the overall contribution of 1.8 p.p.) as a result of commodity price rises on international markets. Prices of other goods dropped further, while growth in services prices remained moderate. Such movements have been recorded since the beginning of the crisis, which was reflected in lower demand and the absence of upward pressure on prices of goods, the purchases of which can be postponed. Unlike in the previous two years, changes in taxation had a neutral effect last year. The growth of prices under direct government control was otherwise somewhat higher than in 2010 (1.6% compared with 0.8%), but nevertheless in line with the government objective that it should not exceed 2%. Growth in domestic producer prices of goods for sale on the domestic market, which can explain or indicate possible changes in retail prices, dropped last year compared with 2010 (from 3.5% to 2.6%)

Figure 26: Breakdown of y-o-y inflation in Slovenia



Source: SORS; calculations by IMAD.

### **Inflation is expected to remain low in 2012–2014.**

In the first months of this year, consumer price movements remained primarily under the influence of the prices of liquid fuels (and other energy sources), which follow oil price movements on global markets. The continuation of sluggish demand and poor prospects for economic activity continue to show in very moderate movements of core inflation, which totals 2% y-o-y. We estimate that after a transient increase at the beginning of the year, y-o-y inflation will decline again in the coming months and, assuming the absence of price shocks from the international environment, total 2.0% at the end of this year. It is also expected to remain around that level in 2013–2014. Concerning tax policy, the forecast takes into account the foreseen rises in excise duties on tobacco and tobacco products and alcohol, while other possible measures on the revenue side, aimed at reducing the general government deficit, entail a risk of higher price growth. The risks of higher inflation in the total forecast period also arise from a possible deviation of oil prices and the euro exchange rate from the assumptions. In contrast, the planned changes for raising administered prices that are under direct government control<sup>27</sup> anticipate approximately 2% growth and do not put any upward pressure on the general price level; the same goes for the anticipated movements of public and private sector wages.

Table 8: Inflation forecasts

|                            | 2011 | 2012                      |                           | 2013                      |                           | 2014                      |
|----------------------------|------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                            |      | Winter forecast (Jan. 12) | Spring forecast (Mar. 12) | Winter forecast (Jan. 12) | Spring forecast (Mar. 12) | Spring forecast (Mar. 12) |
| In %                       |      |                           |                           |                           |                           |                           |
| Inflation – annual average | 1.8  | 1.8                       | 2.0                       | 1.8                       | 1.8                       | 1.9                       |
| Inflation – Dec/Dec        | 2.0  | 1.8                       | 2.0                       | 1.8                       | 1.9                       | 2.0                       |

Source: SORS; 2012–2014 forecasts by IMAD.

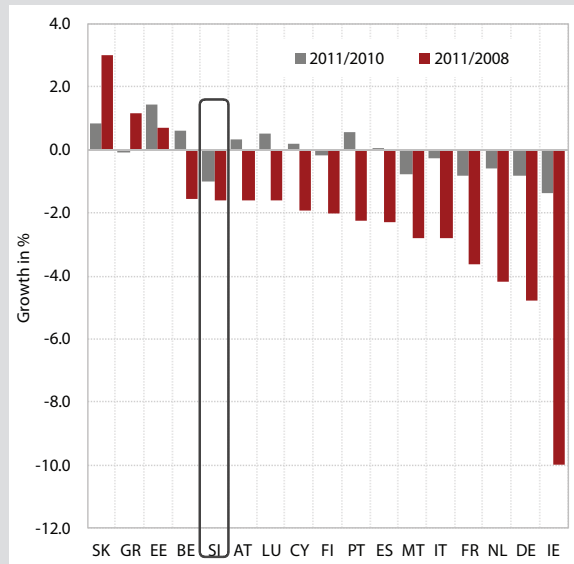
<sup>27</sup> Administered Prices Adjustment Plan for 2012 and 2013.

### Box 5: Price and cost competitiveness

**In 2011, price and cost competitiveness improved more notably than in most euro area countries as a result of falling relative prices and costs. Nevertheless, owing to the deterioration in previous years, Slovenia's competitive position did not improve visibly. In 2012 and 2013, the consumer price growth in Slovenia is expected to be more consistent than last year with that in its main trading partners, so that the gain in price competitiveness will be smaller than last year. On the other hand, cost competitiveness is expected to increase more in these two years than it did in 2011. Namely, this year and the next, labour productivity growth will outpace the anticipated modest wage growth even somewhat more than last year, though it will still be visibly below the long-term average recorded before the crisis.**

**As a result of the decline in relative prices, in 2011 the price competitiveness of the economy improved more than in most countries in the euro area.** In 2011 the real effective exchange rate deflated by the HICP dropped (-1%) due to lower consumer price growth in Slovenia than in its trading partners, while the decline in 2010 had been a result of the depreciation of the euro. In 2011 the euro declined again particularly against the CHF, SEK, JPY and CZK. At the same time, it gained value against the USD, PLN, GBP and HRK. Consequently, the nominal effective exchange rate stagnated at the level recorded in 2010 (-0.1%). Among euro area countries, in 2011 price competitiveness improved more than in Slovenia only in Ireland. The decline in relative prices (which otherwise increased in most euro area countries last year) in Slovenia was one of the largest in the euro area. Regardless of last year's improvement in its competitive position, Slovenia is still in the group of euro area countries with relatively smaller gains in cost competitiveness in the last three years in comparison with the pre-crisis period. This is mainly related to the structure of its external trade. Because of a larger share of merchandise trade with the euro area, the depreciation of the euro had a relatively smaller impact on the improvement in price competitiveness in Slovenia.

Figure 27: Slovenia's lag in price competitiveness\*



Source: ECB; calculations by IMAD.

Note: \* Real effective exchange rate deflated by the relative HICP.

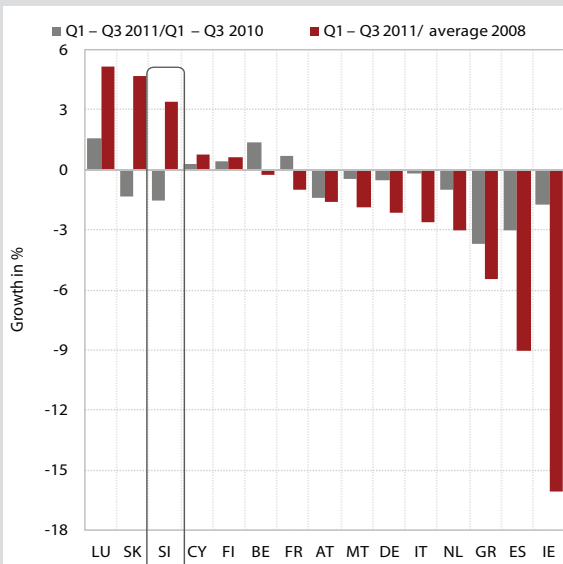
**Price competitiveness is expected to improve somewhat more in 2012 and then maintain the achieved level in 2013.** This year the effective exchange rate will decrease in nominal and real terms (-0.8% and -0.7%, respectively) and stay at the achieved levels next year, under the technical assumption of USD 1.322 to EUR 1 from February this year. The forecasts for 2012 and 2013 predict similar consumer price growth rates in Slovenia and its main trading partners.

**In 2011, cost competitiveness improved more than in most euro area countries as a result of falling relative unit labour costs.** After three years of growth, in 2011 real unit labour costs in Slovenia declined (-0.4%), though less than in most countries in the euro area and the EU. The decline was attributable to the moderation of wage growth, which was thus lower than labour productivity growth, though this also eased substantially last year (to 1.6% from 4% in 2010) due to a decline in economic activity. In 2010, Slovenia was still in a small group of (five) EU countries and the only country in the euro area where unit labour costs rose, while their increase in 2009 was one of the highest. The real effective exchange rate, which had already dropped in 2010 due to the depreciation of the euro, fell once again in the first three quarters of 2011 (-1.6%) under the impact of lower relative unit labour costs. In the first three quarters of 2011, the drop in the real effective exchange rate deflated by relative unit labour costs was among the largest in the euro area; however, its decline in 2010 was among the smallest and its growth rate in 2009 among the highest in the euro area. Last year Slovenia therefore remained in the group of countries with the largest losses in cost competitiveness during the crisis.<sup>28</sup>

<sup>28</sup> In terms of growth in real unit labour costs, Slovenia came second in 2011 relative to 2008 both in the euro area and the EU, among 11 and 21 Member States, respectively, for which data are available for the entire year 2011.

## Box 5: Price and cost competitiveness - continue

Figure 28: Slovenia's lag in cost competitiveness\*

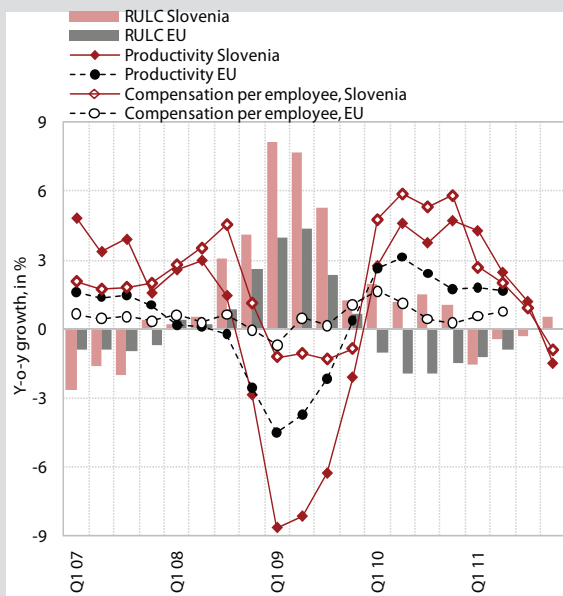


Source: ECB; calculations by IMAD.

Note: \* Real effective exchange rate deflated by relative unit labour costs.

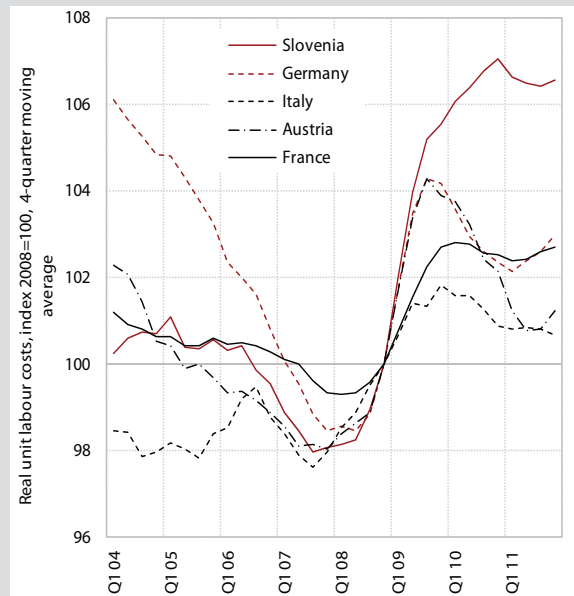
**Cost competitiveness will improve this year and the next due to a further lag in wage growth behind labour productivity growth.** Real unit labour costs will drop (-0.5% in 2012 and -1.9% in 2013), as will the real effective exchange rate deflated by relative unit labour costs (-2.4% and -1.6%, respectively). Nevertheless, Slovenia will not yet be able to compensate for the loss in competitiveness recorded until 2010.<sup>29</sup>

Figure 29: Real unit labour costs (RULC), international comparison



Source: Eurostat; calculations by IMAD.

Note: Data for EU for q3 and q4 2011 are not yet available.



<sup>29</sup> This is evident from the movement of real and relative (relative to Slovenia's trading partners) unit labour costs, which are projected to remain much above the pre-crisis level next year. On the other hand, the real effective exchange rate deflated by relative unit labour costs is expected to come very close to the pre-crisis level as a result of the assumed decline in the exchange rate of the euro.

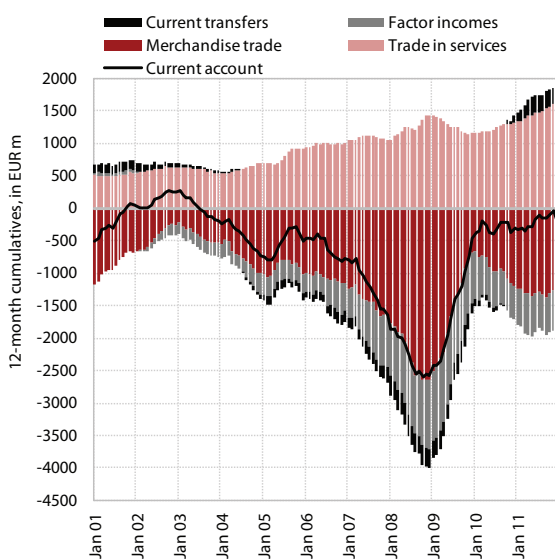


## Current account of the balance of payments

**Last year, the current account of the balance of payments recorded a deficit that accounted for 0.5% of GDP.** The current account deficit has been narrowing since the beginning of 2009, which is mainly related to the dynamics and structure of economic activity. With domestic consumption continuing to shrink, the merchandise trade deficit in 2011 was just slightly higher than that in 2010 despite the deteriorating terms of trade. After the beginning of the crisis, net interest payments were first declining, mainly due to deleveraging and more difficult access to foreign sources of finance, but from the third quarter of 2010, these outflows have been growing again as a result of increased government borrowing and

maturing coupon payments on bonds. Despite strong deleveraging, net interest payments of commercial banks were also higher last year, which can be explained by tighter terms of financing on international financial markets. The deficit in factor incomes was thus higher than a year earlier, regardless of the increase of the surplus in the balance of labour income. In recent years, the decline in the current account deficit has been influenced by improved absorption of EU funds and a widening of the surplus in trade in services. The state budget, which had still been in deficit against the EU budget in 2007 and 2008, had seen a surplus in 2009, which widened further in the last two years. Last year's widening was due to a pronounced increase in receipts from structural funds. After a significant drop in 2009 and increases in the last two years as a result of the widening surplus in trade in travel and transport services, the surplus in services trade also slightly exceeded the 2008 value last year.

Figure 30: Current account of the balance of payments



Source: Bank of Slovenia; calculations by IMAD.

**This year, the current account is expected to post a surplus of 0.6% of GDP, which will increase in the next two years (to 1.2% of GDP in 2013 and 1.5% of GDP in 2014).** The surpluses reflect the foreseen excess of national savings over investment due to corporate sector deleveraging and general government saving. Amid the expected economic activity (which will thus still result from stronger exports rather than higher domestic consumption) and assuming relatively stable terms of trade, the deficit in merchandise trade is projected to decline in these three years. Underpinned by a further widening of the surplus in trade in transport and travel services, the overall surplus in services trade will still be increasing steadily. We expect that Slovenia will continue to hold a favourable budgetary position against the EU in 2012–2014. On the other hand, net payments of interest on general government external debt will keep growing, as will net outflows of dividends and reinvested profits, which will increase the deficit in factor incomes.

Table 9: Current account of the balance of payments

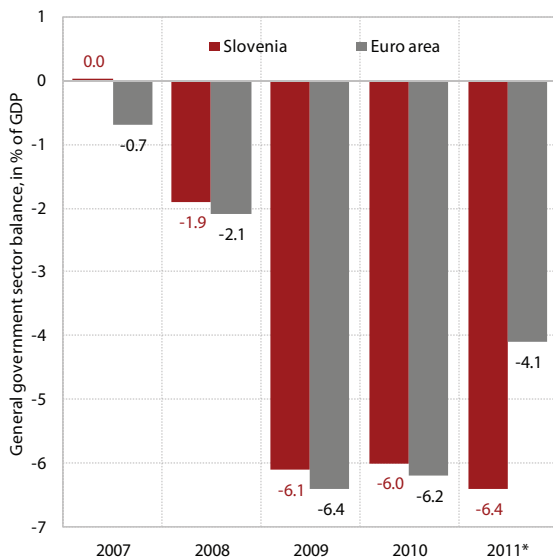
|                              | 2011 | 2012                      |                           | 2013                      |                           | 2014                      |
|------------------------------|------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                              |      | Winter forecast (Jan. 12) | Spring forecast (Mar. 12) | Winter forecast (Jan. 12) | Spring forecast (Mar. 12) | Spring forecast (Mar. 12) |
| Current account, in EUR m    | -168 | -176                      | 226                       | 321                       | 423                       | 588                       |
| Current account, in % of GDP | -0,5 | -0,5                      | 0,6                       | 0,9                       | 1,2                       | 1,5                       |

Source: BS; SORS, 2012–2014 forecasts by IMAD.

## Public finance

**The public finance deficit widened further last year and a lack of credible consolidation plans in an environment of a general tightening on government bond markets in the euro area led to a rise in the required yields on Slovenian government bonds.** After the onset of the crisis, the deficit had widened to 6.1% of GDP in 2009 due to a decline in revenue on one hand and an increase in expenditure on the other (the operation of automatic stabilisers, adoption of measures to preserve jobs and boost activity). It remained at a similar level in 2010 and increased further in 2011. We estimate that the structural component of the deficit increased further as well. The cyclically adjusted deficit, which is used to assess this component, has thus remained at high levels for as long as four years. Amid high deficits, general government debt increased from the pre-crisis 21.9% of GDP to 47.6 % of GDP last year. These movements and the lack of a credible fiscal consolidation strategy, in particular, led to a rise in the required yields on Slovenia's debt, in 10-year government bonds to above 7%. As a result of the unavailability of sources of finance on the euro area bond market, at the end of last year Slovenia issued 18-month treasury bills on the domestic market to finance the deficit and refinance the existing debt.

Figure 31: Changes in the general government deficit in Slovenia and euro area



Source: SORS, Main Aggregates of the General Government, 30 March 2012; Eurostat.

Note: \* data for the euro area for 2011 are from the Autumn forecast of the EC (Nov. 11).

## Assessing forecasting performance

**Based on a comparison of forecasting performance over a longer period of time, we find that IMAD forecasts show no systematic over- or underestimation.** As in previous years, we assessed the forecasting performance by domestic and foreign forecasting institutions after the release of data for economic activity and inflation in 2011. In assessing the forecasting performance it is important that their mean error over a longer time horizon be as small as possible. In the autumn forecasts for the year ahead, the mean absolute error in IMAD's forecasts for real GDP growth in 1997–2011 is 1.70 p.p., and in the spring forecasts for the current year 1.02 p.p. The mean absolute error in the spring forecast for inflation in the current year is 0.50 p.p. In the autumn forecasts for the year ahead, it is somewhat higher, 1.03 p.p. These indicator values show that the forecasts by IMAD are unbiased.

**The accuracy of the forecasts for macroeconomic indicators is measured based on a number of statistical criteria<sup>30</sup> for the quality of the forecast and for various time horizons.** The assessment of the forecasts by two institutions (IMAD and SKEP) is based on a longer horizon, from 1997 to 2011. For the 2002–2011 period we analysed the forecasts by six<sup>31</sup> and for the previous year the forecasts by eight<sup>32</sup> institutions. The analysis thus covers a period of time when Slovenia's economy recorded very favourable and relatively stable economic movements and the forecasting errors were relatively small, as well as the period since the beginning of the global economic and financial crisis when performance indicators have deteriorated. All forecasts<sup>33</sup> are compared against the first statistical annual estimate, which is, for economic growth, based on quarterly data. A systematic comparison of how our forecasts diverge from the statistical estimate over a longer time horizon reveals the accuracy of forecasting, i.e. the mean errors made by institutions in forecasting a given aggregate. If errors are distributed evenly, the value of this measure is close to zero. Negative values indicate overestimation, positive values underestimation.

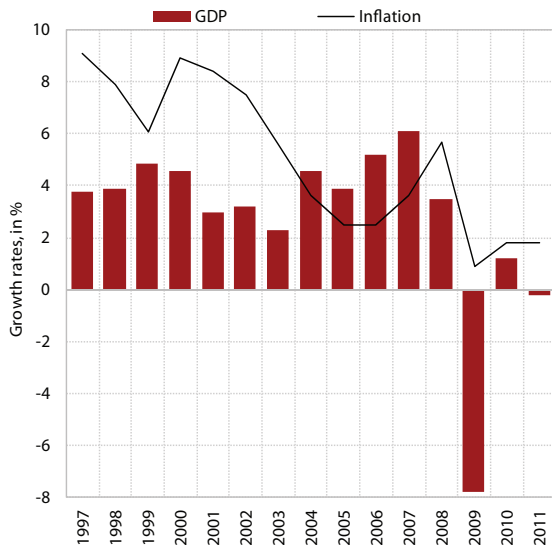
<sup>30</sup> Mean error, mean absolute error, root mean square error, standardised mean absolute error and standardised root mean square error. For detailed results see Table 13 in the statistical appendix.

<sup>31</sup> In addition to the forecasts by the Institute of Macroeconomic Analysis and Development (IMAD), the analysis covers the forecasts 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).

<sup>32</sup> Besides the previously mentioned six institutions, also the Organisation for Economic Co-operation and Development (OECD) and Consensus.

<sup>33</sup> 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).

Figure 32: Movement of variables included in the analysis of forecasting performance



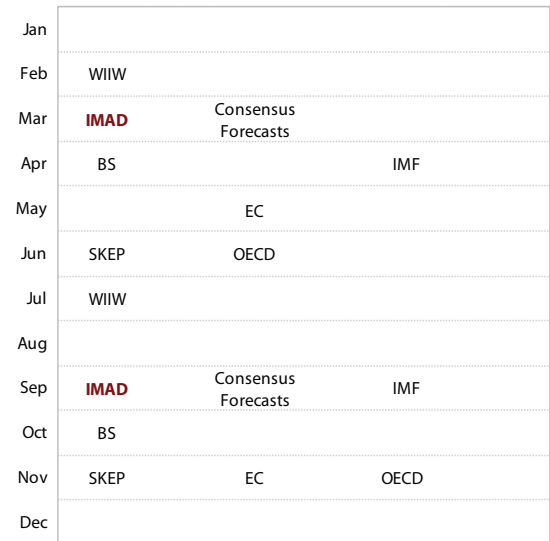
Source: SORS.

Note: GDP – real growth rate of GDP; inflation – average annual inflation rate.

**The institutions that release their forecasts at a later time have an information advantage over other institutions, which can show in smaller forecast errors.**

In forecasting the movements of economic variables, forecasters face various limitations, such as the availability of data at the cut-off date, as data change with time. In analysing the forecast performance is thus important to take into account the time when the forecast was made. If the forecast is made later in the year, it can include new data that can considerably alter the economic picture. This new information may involve further data on indicator movements in a given month or quarter, revisions of the already released figures, as well as changes in the assumptions about the international environment, which represent a strong uncertainty factor for an open economy such as Slovenia. All institutions included in our analysis tend to release their forecasts twice a year, most of them at a later time than IMAD.

Figure 33: Timeline of forecasts published by individual institutions in 2011

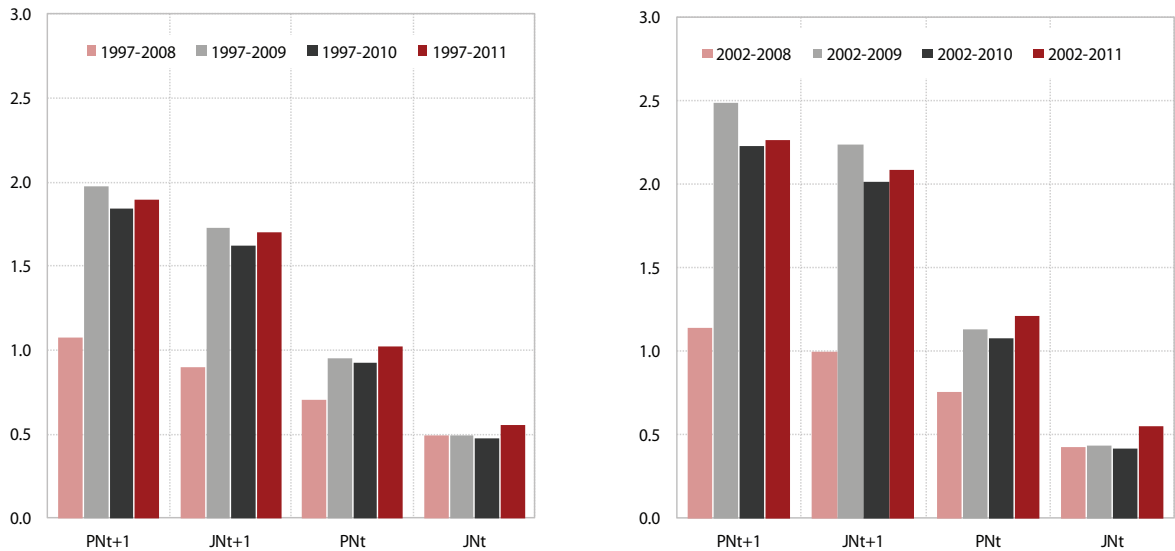


Source: forecasts released in 2011.

**The forecasting performance measures for a longer time horizon were significantly affected by large errors in the forecasts for 2009 and 2011.**

Because of uncertain future economic trends, the forecasts for individual macroeconomic aggregates tend to deviate from the actual situation. For successful forecasting the mean error over a longer time horizon should be as small as possible. If the analysed time horizon is relatively short, any error (whether in the positive or negative direction) can significantly alter the conclusions of the previous performance analyses. The errors in the forecasts for 2009 and 2011 were quite large and had a great impact on the calculation of the mean errors in the entire time horizon (the forecast error in a shorter 2002-2011 period is larger than in the 1997-2011 period), which is evident from the figures below (see also Table 13 in the statistical appendix).

Figure 34: Mean absolute error in IMAD's forecasts for real GDP growth for various periods



Source: calculations by IMAD.

**All institutions overestimated real economic growth for 2011 in their forecasts.** The forecasts were overestimated in a range from 1.2 to 2.7 p.p.; the spring and autumn forecasts for the year ahead were overestimated more than those for the current year. Most optimistic were the autumn forecasts for the year ahead by IMAD and the IMF,

while the smallest errors in the autumn forecast for the current year were made by SKEP and the OECD (-1.2 p.p.). The actual decline in GDP totalled 0.2%; in the forecast for the year ahead, the spring forecasts of the BS and EC came closest to this figure, and in the forecast for the current year, the autumn forecasts by the OECD and SKEP.

Table 10: Errors made by forecasting institutions in the forecasts of real economic growth for 2011

| Realised: -0.2 %    | 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                | 2.4                                | -2.6          | 2.5                                | -2.7          | 2.2                                  | -2.4          | 1.5                                  | -1.7          |
| BS                  | 1.8                                | -2.0          | 1.9                                | -2.1          | 1.8                                  | -2.0          | 1.3                                  | -1.5          |
| SKEP                | 2.0                                | -2.2          | 1.9                                | -2.1          | 1.7                                  | -1.9          | 1.0                                  | -1.2          |
| EC                  | 1.8                                | -2.0          | 1.9                                | -2.1          | 1.9                                  | -2.1          | 1.1                                  | -1.3          |
| IMF                 | 2.0                                | -2.2          | 2.4                                | -2.6          | 2.0                                  | -2.2          | 1.9                                  | -2.1          |
| WIIW                | 2.0                                | -2.2          | 2.0                                | -2.2          | 2.0                                  | -2.2          | 2.0                                  | -2.2          |
| OECD                | 2.4                                | -2.6          | 2.0                                | -2.2          | 1.8                                  | -2.0          | 1.0                                  | -1.2          |
| Consensus Forecasts | 2.4                                | -2.6          | 2.1                                | -2.3          | 2.1                                  | -2.3          | 1.7                                  | -1.9          |

Source: forecasts by individual institutions; calculations by IMAD.

Note: As IMAD's spring forecast for the current year the forecast scenario without additional economic policy measures is used for comparison.

**The forecasts for inflation in 2011 were mainly overestimated as well, but less than the forecasts for economic growth.** In spring 2011, all institutions overestimated 2011 inflation in their forecasts (by -0.4 to -1.0 p.p.), more than in their spring forecasts a year earlier, while in autumn 2011, the forecasts (and thus errors) declined (in a range between +0.2 and -0.7).

Considering the actual average inflation (1.8%), more institutions came close to this figure in their forecasts for both the next and the current years than in the forecasts for economic growth. As to the forecasts for the current year, in the spring the most accurate forecasts were made by IMAD and the IMF and in the autumn by the IMF and the OECD.

Table 11: Errors in average inflation forecasts for 2011

| 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           | 2.7                                | -0.9          | 2.2                                  | -0.4          | 1.6                                  | 0.2           |
| BS                  | 1.4                                | 0.4           | 2.1                                | -0.3          | 2.7                                  | -0.9          | 2.0                                  | -0.2          |
| SKEP                | 2.0                                | -0.2          | 2.3                                | -0.5          | 2.6                                  | -0.8          | 1.6                                  | 0.2           |
| EC                  | 2.0                                | -0.2          | 2.0                                | -0.2          | 2.6                                  | -0.8          | 1.9                                  | -0.1          |
| IMF                 | 2.3                                | -0.5          | 2.3                                | -0.5          | 2.2                                  | -0.4          | 1.8                                  | 0.0           |
| WIIW                | 2.0                                | -0.2          | 2.0                                | -0.2          | 2.8                                  | -1.0          | 2.5                                  | -0.7          |
| OECD                | 1.3                                | 0.5           | 1.9                                | -0.1          | 2.5                                  | -0.7          | 1.8                                  | 0.0           |
| Consensus Forecasts | 2.3                                | -0.5          | 2.2                                | -0.4          | 2.6                                  | -0.8          | 1.9                                  | -0.1          |

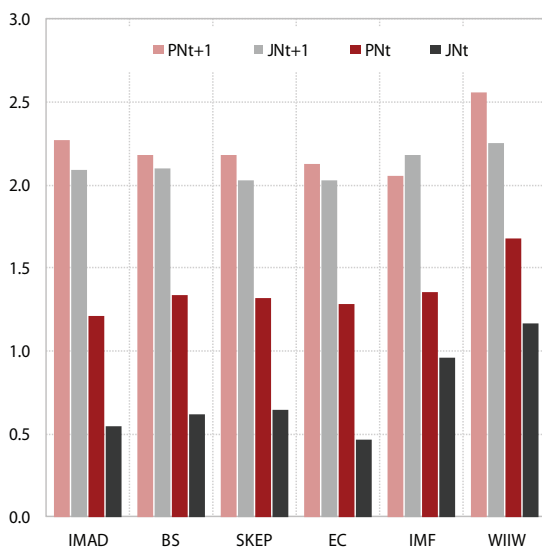
Source: forecasts by individual institutions

Note: \*BS and WIIW data for PNT+1 for 2003-2011.

**Among Slovenian institutions that forecast economic growth for Slovenia, IMAD makes smaller forecast errors for economic growth over a longer horizon, while SKEP makes more accurate forecasts for inflation in the current year.** Comparing the measures of the forecasting performance by various institutions, we find that the mean absolute errors in the forecasts for real economic

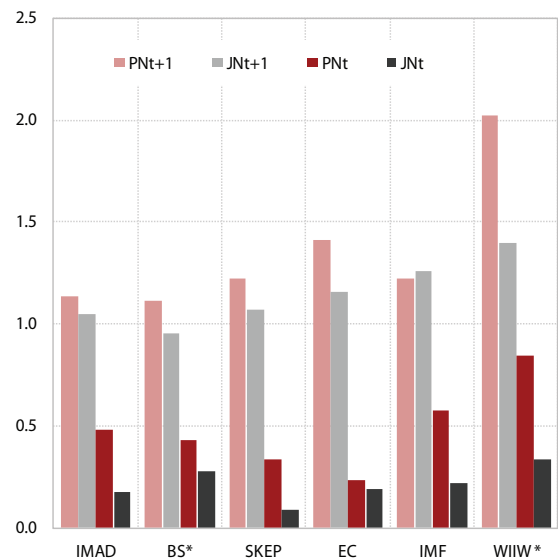
growth in 2002-2011 range between 0.47 and 2.56. The root mean square errors, which assign greater weight to larger errors, are much higher (between 0.60 and 4.22) due to errors in 2009 and 2011. In the forecasts for average inflation the mean absolute errors are smaller than in the forecasts for GDP (between 0.10 and 1.84) and the root mean square errors range between 0.12 and 2.81.

Figure 35: Mean absolute errors in real GDP growth forecasts for 2002-2011



Source: forecasts by individual institutions.  
Note: \*WIIW ddata for PNT+1 for 2003-2011.

Figure 36: Mean absolute errors in average inflation forecasts for 2002-2011



Source: forecasts by individual institutions.  
Note: \*BS and WIIW data for PNT+1 for 2003-2011



# statistical appendix

## Table of contents

|            |  |
|------------|--|
| Table 1:   | Main macroeconomic indicators of Slovenia  |
| Table 2a:  | Value added by activities at basic prices and gross domestic product (current prices)                              |
| Table 2b:  | Value added by activities at basic prices and gross domestic product (structure in %, current prices)              |
| Table 3a:  | Value added by activities at basic prices and gross domestic product (constant prices)                             |
| Table 3b:  | Value added by activities at basic prices and gross domestic product (real growth rates in %)                      |
| Table 4a:  | Gross domestic product and primary incomes (current prices)  |
| Table 4b:  | Gross domestic product and primary incomes (structure in %)  |
| Table 5a:  | Gross domestic product by expenditures (current prices)  |
| Table 5b:  | Gross domestic product by expenditures (structure in %, current prices)  |
| Table 6a:  | Gross domestic product by expenditures (constant prices)   |
| Table 6b:  | Gross domestic product by expenditures (real growth rates in %)  |
| Table 7a:  | Main aggregates of national accounts (current prices)  |
| Table 7b:  | Main aggregates of national accounts (structure in %, current prices)  |
| Table 8:   | Labour market (numbers in thousands, indicators in %)  |
| Table 9:   | Indicators of international competitiveness (annual growth rates in %)   |
| Table 10:  | Balance of payments (EUR m)  |
| Table 11a: | Consolidated general government expenditure; GFS - IMF Methodology, revenues (current prices)                      |
| Table 11b: | Consolidated general government expenditure; GFS - IMF Methodology, revenues (% share relative to GDP)             |
| Table 12a: | Consolidated general government expenditure; GFS - IMF Methodology, expenditures (current prices)                  |
| Table 12b: | Consolidated general government expenditure; GFS - IMF Methodology, expenditures (% share relative to GDP)         |
| Table 13:  | Comparison of the performance assessment of forecasts for economic growth and inflation of individual institutions |



Table 1: Main macroeconomic indicators of Slovenia

Real growth rates in %, unless otherwise indicated

|  | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   | 2011   | 2012     | 2013   | 2014   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|--------|--------|
|  |        |        |        |        |        |        |        |        |        | forecast |        |        |
| <b>GROSS DOMESTIC PRODUCT</b>  | 2.9    | 4.4    | 4.0    | 5.8    | 6.9    | 3.6    | -8.0   | 1.4    | -0.2   | -0.9     | 1.2    | 2.2    |
| GDP in EUR m (at current prices and at current exchange rate)          | 25,835 | 27,253 | 28,723 | 31,050 |        |        |        |        |        |          |        |        |
| GDP in EUR m (at current prices and at fixed exchange rate 2007)       | 25,195 | 27,165 | 28,722 | 31,045 | 34,562 | 37,280 | 35,311 | 35,416 | 35,639 | 35,641   | 36,589 | 38,059 |
| GDP per capita in EUR (at current prices and at current exchange rate) | 12,942 | 13,645 | 14,355 | 15,464 | 17,120 | 18,437 | 17,295 | 17,286 | 17,364 | 17,428   | 17,860 | 18,551 |
| GDP per capita in USD (at current prices and at current exchange rate) | 14,603 | 16,942 | 17,852 | 19,396 | 23,463 | 27,117 | 24,123 | 22,916 | 24,170 | 23,006   | 23,612 | 24,524 |
| GDP per capita (PPS) <sup>1</sup>                                      | 17,300 | 18,800 | 19,600 | 20,700 | 22,100 | 22,700 | 20,500 | 20,700 |        |          |        |        |
| GDP per capita (PPS EU27=100) <sup>1</sup>                             | 84     | 87     | 87     | 88     | 88     | 91     | 87     | 85     |        |          |        |        |
| <b>POPULATION, EMPLOYMENT, WAGES AND PRODUCTIVITY</b>                  |        |        |        |        |        |        |        |        |        |          |        |        |
| Employment according to National Accounts                              | -0.3   | 0.4    | -0.5   | 1.5    | 3.3    | 2.6    | -1.8   | -2.5   | -1.7   | -2.2     | -1.2   | -0.3   |
| Registered unemployed (annual average in thousand)                     | 97.7   | 92.8   | 91.9   | 85.8   | 71.3   | 63.2   | 86.4   | 100.5  | 110.7  | 118.8    | 123.9  | 121.6  |
| Rate of registered unemployment in %                                   | 10.9   | 10.3   | 10.2   | 9.4    | 7.7    | 6.7    | 9.1    | 10.7   | 11.8   | 12.9     | 13.5   | 13.3   |
| Rate of unemployment by ILO in %                                       | 6.7    | 6.3    | 6.5    | 6.0    | 4.9    | 4.4    | 5.9    | 7.3    | 8.1    | 8.8      | 9.3    | 9.1    |
| Gross wage per employee  | 1.8    | 2.0    | 2.2    | 2.2    | 2.2    | 2.5    | 2.5    | 2.1    | 0.2    | -0.2     | 0.1    | 0.9    |
| - Private sector   | 2.1    | 3.1    | 2.8    | 2.8    | 3.2    | 2.0    | 1.0    | 3.2    | 0.8    | 0.4      | 0.8    | 1.3    |
| - Public sector  | 1.0    | -0.8   | 0.9    | 1.0    | 0.5    | 3.9    | 5.8    | -1.8   | -1.8   | -2.0     | -1.8   | 0.0    |
| Labour productivity (GDP/employee)                                     | 3.2    | 4.0    | 4.5    | 4.2    | 3.4    | 1.0    | -6.3   | 4.0    | 1.6    | 1.4      | 2.4    | 2.5    |
| <b>INTERNATIONAL TRADE</b>   |        |        |        |        |        |        |        |        |        |          |        |        |
| Exports of goods and services  | 3.1    | 12.4   | 10.6   | 12.5   | 13.7   | 2.9    | -17.2  | 9.5    | 6.8    | 1.4      | 5.4    | 6.1    |
| Exports of goods   | 4.4    | 12.8   | 10.3   | 13.4   | 13.9   | 0.5    | -18.1  | 11.0   | 7.7    | 1.3      | 5.8    | 6.5    |
| Exports of services  | -2.5   | 10.9   | 12.0   | 8.6    | 13.2   | 14.3   | -13.7  | 4.1    | 3.6    | 1.7      | 3.7    | 4.3    |
| Imports of goods and services  | 6.7    | 13.3   | 6.7    | 12.2   | 16.7   | 3.7    | -19.6  | 7.2    | 4.7    | -1.6     | 4.9    | 5.5    |
| Imports of goods   | 7.3    | 14.6   | 6.8    | 12.7   | 16.2   | 3.0    | -20.8  | 8.0    | 5.7    | -2.0     | 5.0    | 5.6    |
| Imports of services  | 2.8    | 5.6    | 5.5    | 8.8    | 19.7   | 8.2    | -12.0  | 2.6    | -1.4   | 0.7      | 4.3    | 4.6    |
| Current account balance in EUR m                                       | -196   | -720   | -498   | -771   | -1,646 | -2,574 | -456   | -297   | -168   | 226      | 423    | 588    |
| As a per cent share relative to GDP                                    | -0.8   | -2.6   | -1.7   | -2.5   | -4.8   | -6.9   | -1.3   | -0.8   | -0.5   | 0.6      | 1.2    | 1.5    |
| External balance of goods and services in EUR m                        | -3     | -322   | -106   | -158   | -619   | -1,224 | 463    | 103    | 320    | 983      | 1,152  | 1,411  |
| As a per cent share relative to GDP                                    | 0.0    | -1.2   | -0.4   | -0.5   | -1.8   | -3.3   | 1.3    | 0.3    | 0.9    | 2.8      | 3.1    | 3.7    |
| <b>FINAL DOMESTIC DEMAND - NATIONAL ACCOUNTS STATISTICS</b>            |        |        |        |        |        |        |        |        |        |          |        |        |
| Final consumption  | 3.1    | 3.1    | 2.4    | 3.1    | 4.7    | 4.3    | 0.6    | -0.1   | -0.4   | -1.8     | 0.0    | 1.2    |
| As a % of GDP *  | 74.8   | 73.8   | 73.2   | 71.6   | 69.8   | 71.3   | 76.1   | 76.8   | 77.4   | 76.9     | 75.9   | 75.2   |
| in which:  |        |        |        |        |        |        |        |        |        |          |        |        |
| Private consumption  | 3.4    | 3.0    | 2.1    | 2.8    | 6.1    | 3.7    | -0.1   | -0.7   | -0.3   | -1.2     | 0.2    | 1.5    |
| As a % of GDP *  | 55.9   | 55.0   | 54.3   | 52.8   | 52.4   | 53.2   | 55.8   | 56.0   | 56.8   | 57.1     | 56.6   | 56.2   |
| Government consumption   | 2.3    | 3.3    | 3.5    | 4.0    | 0.6    | 6.1    | 2.9    | 1.5    | -0.9   | -3.5     | -0.7   | 0.3    |
| As a % of GDP *  | 19.0   | 18.8   | 19.0   | 18.8   | 17.3   | 18.1   | 20.3   | 20.8   | 20.6   | 19.8     | 19.3   | 19.0   |
| Gross fixed capital formation  | 7.6    | 5.0    | 3.0    | 10.4   | 13.3   | 7.8    | -23.3  | -8.3   | -10.7  | -1.5     | 4.0    | 3.0    |
| As a % of GDP *  | 24.1   | 25.0   | 25.4   | 26.5   | 27.8   | 28.8   | 23.4   | 21.6   | 19.5   | 19.4     | 20.0   | 20.3   |
| <b>EXCHANGE RATE AND PRICES</b>  |        |        |        |        |        |        |        |        |        |          |        |        |
| Average exchange rate SIT/USD, BS                                      | 207.1  | 192.4  | 192.7  | 191.0  | 174.8  |        |        |        |        |          |        |        |
| Average exchange rate SIT/EUR, BS                                      | 233.7  | 238.9  | 239.6  | 239.6  | 239.6  |        |        |        |        |          |        |        |
| Ratio of USD to EUR  | 1.128  | 1.242  | 1.244  | 1.254  | 1.371  | 1.471  | 1.393  | 1.327  | 1.392  | 1.320    | 1.322  | 1.322  |
| Real effective exchange rate - deflated by CPI <sup>2</sup>            | 3.3    | 0.0    | -0.7   | 0.3    | 1.7    | 2.5    | 1.3    | -1.8   | -1.0   | -0.7     | 0.0    | 0.0    |
| Inflation (end of the year) <sup>3</sup>                               | 4.6    | 3.2    | 2.3    | 2.8    | 5.6    | 2.1    | 1.8    | 1.9    | 2.0    | 2.0      | 1.9    | 2.0    |
| Inflation (year average) <sup>3</sup>                                  | 5.6    | 3.6    | 2.5    | 2.5    | 3.6    | 5.7    | 0.9    | 1.8    | 1.8    | 2.0      | 1.8    | 1.9    |
| Brent Crude Oil Price USD / barrel                                     | 28.9   | 38.3   | 54.6   | 65.2   | 72.4   | 96.9   | 61.7   | 79.6   | 111.0  | 115.0    | 112.0  | 110.0  |

Source: SORS, BS, ECB, Ministry of Finance, Eurostat, calculations and forecasts by IMAD.

Notes: <sup>1</sup>Measured in purchasing power standard; <sup>2</sup>Growth in value denotes real appreciation of national currency and vice versa; <sup>3</sup>Consumer price index; \* Shares in GDP are calculated for GDP in current prices and at fixed exchange rate 2007 (EUR=239,64).

Table 2a: Gross value added by activity at basic prices and gross domestic product

EUR million, current prices (fixed 2007 exchange rate)

|  | 2003            | 2004            | 2005            | 2006            | 2007            | 2008            | 2009            | 2010            | 2011            | 2012            | 2013            | 2014            |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  |                 |                 |                 |                 |                 |                 |                 |                 |                 | forecast        |                 |                 |
| A Agriculture, forestry and fishing  | 540.1           | 629.8           | 666.4           | 627.0           | 743.4           | 798.0           | 749.8           | 766.6           | 774.0           | 837.5           | 823.2           | 780.6           |
| BCDE Mining and quarrying, manufacturing, electricity and water supply, waste management | 6,215.2         | 6,678.1         | 6,814.2         | 7,317.2         | 8,070.1         | 8,264.8         | 7,111.4         | 7,258.8         | 7,634.4         | 7,502.4         | 7,775.1         | 8,199.9         |
| of which: C Manufacturing  | 5,377.4         | 5,699.7         | 5,787.6         | 6,208.6         | 6,880.6         | 6,980.7         | 5,840.0         | 5,966.8         | 6,286.8         | 6,165.9         | 6,403.1         | 6,736.5         |
| F Construction   | 1,372.5         | 1,481.5         | 1,671.6         | 1,957.4         | 2,450.8         | 2,761.5         | 2,464.8         | 1,968.8         | 1,615.3         | 1,621.7         | 1,683.1         | 1,694.0         |
| GHI Trade, transportation and storage, accommodation and food service activities         | 4,257.6         | 4,579.6         | 4,966.6         | 5,437.3         | 6,234.1         | 6,852.0         | 6,337.9         | 6,342.4         | 6,555.4         | 6,468.9         | 6,622.6         | 6,888.7         |
| J Information and communication  | 832.8           | 915.4           | 1,011.8         | 1,099.9         | 1,216.1         | 1,293.7         | 1,209.1         | 1,258.1         | 1,214.5         | 1,256.7         | 1,320.0         | 1,389.2         |
| K Financial and insurance activities   | 996.8           | 1,087.6         | 1,163.8         | 1,376.1         | 1,460.3         | 1,539.2         | 1,581.6         | 1,731.2         | 1,666.3         | 1,799.9         | 1,884.3         | 1,960.0         |
| L Real estate activities   | 1,662.9         | 1,779.4         | 1,920.2         | 2,007.6         | 2,150.6         | 2,387.1         | 2,356.9         | 2,265.3         | 2,277.1         | 2,224.4         | 2,277.6         | 2,367.1         |
| MN Professional, scientific, technical, administrative and support services              | 1,843.7         | 2,010.3         | 2,050.1         | 2,269.2         | 2,610.6         | 2,902.1         | 2,755.0         | 2,838.2         | 2,855.3         | 2,958.2         | 3,073.5         | 3,235.0         |
| OPQ Public administration, education, human health and social work                       | 3,649.6         | 3,929.6         | 4,170.6         | 4,370.7         | 4,596.9         | 5,064.3         | 5,360.9         | 5,515.2         | 5,618.5         | 5,524.4         | 5,561.5         | 5,746.9         |
| RST Other service activities   | 629.9           | 684.3           | 742.2           | 762.6           | 802.8           | 853.5           | 860.6           | 877.8           | 886.7           | 855.4           | 841.5           | 875.4           |
| <b>1. TOTAL VALUE ADDED, basic prices</b>  | <b>22,001.1</b> | <b>23,775.7</b> | <b>25,177.4</b> | <b>27,225.0</b> | <b>30,335.6</b> | <b>32,716.1</b> | <b>30,788.1</b> | <b>30,822.4</b> | <b>31,097.4</b> | <b>31,049.5</b> | <b>31,862.5</b> | <b>33,136.9</b> |
| <b>2. CORRECTIONS (a-b)</b>  | <b>3,194.2</b>  | <b>3,389.0</b>  | <b>3,544.9</b>  | <b>3,820.0</b>  | <b>4,226.8</b>  | <b>4,563.5</b>  | <b>4,522.6</b>  | <b>4,593.3</b>  | <b>4,541.2</b>  | <b>4,591.7</b>  | <b>4,726.4</b>  | <b>4,922.4</b>  |
| a) Taxes on products and services  | 3,318.8         | 3,520.2         | 3,697.3         | 3,953.5         | 4,420.4         | 4,769.2         | 4,728.6         | 4,810.4         | 4,762.2         | 4,803.7         | 4,934.2         | 5,130.2         |
| b) Subsidies on products and services  | 124.6           | 131.2           | 152.4           | 133.5           | 193.7           | 205.7           | 206.1           | 217.1           | 221.0           | 212.0           | 207.8           | 207.8           |
| <b>3. GROSS DOMESTIC PRODUCT (3=1+2)</b>   | <b>25,195.3</b> | <b>27,164.7</b> | <b>28,722.3</b> | <b>31,045.0</b> | <b>34,562.3</b> | <b>37,279.5</b> | <b>35,310.6</b> | <b>35,415.8</b> | <b>35,638.6</b> | <b>35,641.2</b> | <b>36,588.9</b> | <b>38,059.3</b> |

Source: SORS, forecasts by IMAD.



Table 3a: Gross value added by activity at basic prices and gross domestic product

EUR million (fixed 2007 exchange rate)

|  | constant previous year prices |                 |                 |                 |                 |                 |                 |                 | constant 2010 prices |                 |                 |                 |
|--|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------|-----------------|-----------------|-----------------|
|  | 2003                          | 2004            | 2005            | 2006            | 2007            | 2008            | 2009            | 2010            | 2011                 | 2012            | 2013            | 2014            |
|  |                               |                 |                 |                 |                 |                 |                 |                 |                      | forecast        |                 |                 |
| A Agriculture, forestry and fishing  | 481.5                         | 692.1           | 604.3           | 661.2           | 645.9           | 740.9           | 742.4           | 715.2           | 749.3                | 749.3           | 749.3           | 753.4           |
| BCDE Mining and quarrying, manufacturing, electricity and water supply, waste management | 5,959.5                       | 6,498.4         | 6,905.0         | 7,314.4         | 7,866.9         | 8,153.9         | 6,992.5         | 7,579.2         | 7,462.9              | 7,429.3         | 7,592.7         | 7,809.1         |
| of which: C Manufacturing  | 5,164.3                       | 5,613.2         | 5,897.6         | 6,216.2         | 6,731.3         | 6,895.7         | 5,793.3         | 6,273.4         | 6,140.2              | 6,109.5         | 6,262.3         | 6,450.1         |
| F Construction   | 1,284.2                       | 1,381.4         | 1,533.0         | 1,914.9         | 2,301.3         | 2,569.1         | 2,332.7         | 1,973.3         | 1,568.4              | 1,481.4         | 1,540.6         | 1,564.5         |
| GHI Trade, transportation and storage, accommodation and food service activities         | 3,989.1                       | 4,389.1         | 4,810.5         | 5,324.2         | 5,816.9         | 6,436.5         | 6,197.3         | 6,494.8         | 6,415.8              | 6,342.0         | 6,424.5         | 6,601.1         |
| J Information and communication  | 830.0                         | 901.6           | 1,019.7         | 1,103.9         | 1,199.4         | 1,334.8         | 1,234.2         | 1,251.6         | 1,236.2              | 1,241.8         | 1,266.6         | 1,292.6         |
| K Financial and insurance activities   | 939.2                         | 1,096.5         | 1,207.4         | 1,228.6         | 1,582.2         | 1,581.5         | 1,580.9         | 1,661.0         | 1,735.6              | 1,665.3         | 1,648.6         | 1,665.9         |
| L Real estate activities   | 1,611.1                       | 1,680.3         | 1,837.7         | 1,971.8         | 2,093.4         | 2,271.8         | 2,317.3         | 2,384.2         | 2,284.4              | 2,294.7         | 2,329.1         | 2,376.8         |
| MN Professional, scientific, technical, administrative and support services              | 1,688.5                       | 1,902.4         | 1,978.7         | 2,205.3         | 2,422.4         | 2,726.8         | 2,697.5         | 2,889.5         | 2,871.2              | 2,898.5         | 2,971.0         | 3,055.6         |
| OPQ Public administration, education, human health and social work                       | 3,447.1                       | 3,784.2         | 4,069.1         | 4,247.2         | 4,454.2         | 4,691.0         | 5,184.2         | 5,493.5         | 5,603.4              | 5,572.6         | 5,528.0         | 5,591.6         |
| RST Other service activities   | 603.6                         | 646.4           | 729.9           | 740.5           | 760.5           | 804.9           | 829.4           | 867.2           | 865.9                | 852.5           | 852.5           | 857.2           |
| <b>1. TOTAL VALUE ADDED, basic prices</b>  | <b>20,833.8</b>               | <b>22,972.5</b> | <b>24,695.2</b> | <b>26,712.2</b> | <b>29,142.9</b> | <b>31,311.1</b> | <b>30,108.5</b> | <b>31,309.5</b> | <b>30,793.1</b>      | <b>30,527.3</b> | <b>30,903.0</b> | <b>31,568.0</b> |
| <b>2. CORRECTIONS (a-b)</b>  | <b>3,040.5</b>                | <b>3,331.8</b>  | <b>3,558.0</b>  | <b>3,690.2</b>  | <b>4,035.0</b>  | <b>4,491.8</b>  | <b>4,185.8</b>  | <b>4,488.2</b>  | <b>4,560.9</b>       | <b>4,517.2</b>  | <b>4,564.2</b>  | <b>4,662.1</b>  |
| a) Taxes on products and services  | 3,138.4                       | 3,454.7         | 3,688.4         | 3,842.7         | 4,171.3         | 4,678.4         | 4,376.4         | 4,700.0         | 4,786.9              | 4,734.3         | 4,776.9         | 4,874.8         |
| b) Subsidies on products and services  | 97.9                          | 122.9           | 130.4           | 152.4           | 136.4           | 186.6           | 190.6           | 211.7           | 226.1                | 217.0           | 212.7           | 212.7           |
| <b>3. GROSS DOMESTIC PRODUCT (3=1+2)</b>   | <b>23,874.4</b>               | <b>26,304.3</b> | <b>28,253.2</b> | <b>30,402.4</b> | <b>33,177.8</b> | <b>35,802.9</b> | <b>34,294.2</b> | <b>35,797.7</b> | <b>35,354.0</b>      | <b>35,044.6</b> | <b>35,467.2</b> | <b>36,230.1</b> |

Source: SORS, forecasts by IMAD.

Table 3b: Gross value added by activity at basic prices and gross domestic product

Real growth rates in %

|  | 2003       | 2004       | 2005       | 2006       | 2007       | 2008       | 2009        | 2010        | 2011        | 2012        | 2013       | 2014       |
|--|------------|------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|------------|------------|
|  |            |            |            |            |            |            |             |             |             | forecast    |            |            |
| A Agriculture, forestry and fishing  | -27.0      | 28.1       | -4.1       | -0.8       | 3.0        | -0.3       | -7.0        | -4.6        | -2.3        | 0.0         | 0.0        | 0.5        |
| BCDE Mining and quarrying, manufacturing, electricity and water supply, waste management | 5.0        | 4.6        | 3.4        | 7.3        | 7.5        | 1.0        | -15.4       | 6.6         | 2.8         | -0.4        | 2.2        | 2.8        |
| of which: C Manufacturing  | 5.4        | 4.4        | 3.5        | 7.4        | 8.4        | 0.2        | -17.0       | 7.4         | 2.9         | -0.5        | 2.5        | 3.0        |
| F Construction   | 5.6        | 0.7        | 3.5        | 14.6       | 17.6       | 4.8        | -15.5       | -19.9       | -20.3       | -5.5        | 4.0        | 1.5        |
| GHI Trade, transportation and storage, accommodation and food service activities         | 3.1        | 3.1        | 5.0        | 7.2        | 7.0        | 3.2        | -9.6        | 2.5         | 1.2         | -1.1        | 1.3        | 2.7        |
| J Information and communication  | 11.2       | 8.3        | 11.4       | 9.1        | 9.0        | 9.8        | -4.6        | 3.5         | -1.7        | 0.5         | 2.0        | 2.0        |
| K Financial and insurance activities   | 4.3        | 10.0       | 11.0       | 5.6        | 15.0       | 8.3        | 2.7         | 5.0         | 0.3         | -4.0        | -1.0       | 1.0        |
| L Real estate activities   | 1.7        | 1.0        | 3.3        | 2.7        | 4.3        | 5.6        | -2.9        | 1.2         | 0.8         | 0.5         | 1.5        | 2.0        |
| MN Professional, scientific, technical, administrative and support services              | 2.2        | 3.2        | -1.6       | 7.6        | 6.7        | 4.5        | -7.0        | 4.9         | 1.2         | 1.0         | 2.5        | 2.8        |
| OPQ Public administration, education, human health and social work                       | 4.1        | 3.7        | 3.5        | 1.8        | 1.9        | 2.0        | 2.4         | 2.5         | 1.6         | -0.5        | -0.8       | 1.1        |
| RST Other service activities   | 1.7        | 2.6        | 6.7        | -0.2       | -0.3       | 0.3        | -2.8        | 0.8         | -1.4        | -1.5        | 0.0        | 0.5        |
| <b>1. TOTAL VALUE ADDED, basic prices</b>  | <b>3.1</b> | <b>4.4</b> | <b>3.9</b> | <b>6.1</b> | <b>7.0</b> | <b>3.2</b> | <b>-8.0</b> | <b>1.7</b>  | <b>-0.1</b> | <b>-0.9</b> | <b>1.2</b> | <b>2.2</b> |
| <b>2. CORRECTIONS (a-b)</b>  | <b>1.9</b> | <b>4.3</b> | <b>5.0</b> | <b>4.1</b> | <b>5.6</b> | <b>6.3</b> | <b>-8.3</b> | <b>-0.8</b> | <b>-0.7</b> | <b>-1.0</b> | <b>1.0</b> | <b>2.1</b> |
| a) Taxes on products and services  | 1.9        | 4.1        | 4.8        | 3.9        | 5.5        | 5.8        | -8.2        | -0.6        | -0.5        | -1.1        | 0.9        | 2.0        |
| b) Subsidies on products and services  | 1.8        | -1.4       | -0.6       | 0.0        | 2.2        | -3.6       | -7.3        | 2.7         | 4.2         | -4.0        | -2.0       | 0.0        |
| <b>3. GROSS DOMESTIC PRODUCT (3=1+2)</b>   | <b>2.9</b> | <b>4.4</b> | <b>4.0</b> | <b>5.8</b> | <b>6.9</b> | <b>3.6</b> | <b>-8.0</b> | <b>1.4</b>  | <b>-0.2</b> | <b>-0.9</b> | <b>1.2</b> | <b>2.2</b> |

Source: SORS, forecasts by IMAD.

Table 4a: **Gross domestic product and primary incomes**

EUR million, current prices (fixed 2007 exchange rate)

|   | 2003            | 2004            | 2005            | 2006            | 2007            | 2008            | 2009            | 2010            | 2011            | 2012            | 2013            | 2014            |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   |                 |                 |                 |                 |                 |                 |                 |                 |                 | forecast        |                 |                 |
| <b>1. Compensation of employees</b>       | <b>12,759.5</b> | <b>13,815.0</b> | <b>14,615.8</b> | <b>15,649.7</b> | <b>17,211.6</b> | <b>18,956.0</b> | <b>18,791.9</b> | <b>18,989.4</b> | <b>18,955.7</b> | <b>18,832.6</b> | <b>18,973.4</b> | <b>19,475.1</b> |
| Wages and salaries                        | 11,000.7        | 11,857.8        | 12,538.6        | 13,420.4        | 14,781.9        | 16,302.8        | 16,130.0        | 16,308.2        | 16,273.3        | 16,167.2        | 16,289.9        | 16,723.5        |
| Employers' social contributions           | 1,758.8         | 1,957.2         | 2,077.1         | 2,229.3         | 2,429.8         | 2,653.2         | 2,661.8         | 2,681.2         | 2,682.4         | 2,665.4         | 2,683.5         | 2,751.6         |
| <b>2. Taxes on production and imports</b> | <b>4,019.0</b>  | <b>4,288.7</b>  | <b>4,527.2</b>  | <b>4,725.2</b>  | <b>5,154.3</b>  | <b>5,361.6</b>  | <b>5,093.4</b>  | <b>5,172.4</b>  | <b>5,132.7</b>  | <b>5,171.4</b>  | <b>5,312.4</b>  | <b>5,523.6</b>  |
| Taxes on products and services            | 3,318.8         | 3,520.2         | 3,697.3         | 3,953.5         | 4,420.4         | 4,769.2         | 4,728.6         | 4,810.4         | 4,762.2         | 4,803.7         | 4,934.2         | 5,130.2         |
| Other taxes on production                 | 700.2           | 768.5           | 829.9           | 771.7           | 733.9           | 592.4           | 364.7           | 362.0           | 370.5           | 367.7           | 378.2           | 393.4           |
| <b>3. Subsidies</b>                       | <b>503.5</b>    | <b>521.6</b>    | <b>590.2</b>    | <b>669.5</b>    | <b>753.6</b>    | <b>764.6</b>    | <b>915.0</b>    | <b>916.2</b>    | <b>870.2</b>    | <b>772.8</b>    | <b>702.6</b>    | <b>657.8</b>    |
| Subsidies on products and services        | 124.6           | 131.2           | 152.4           | 133.5           | 193.7           | 205.7           | 206.1           | 217.1           | 221.0           | 212.0           | 207.8           | 207.8           |
| Other subsidies on production             | 378.9           | 390.5           | 437.8           | 536.0           | 560.0           | 558.8           | 708.9           | 699.1           | 649.2           | 560.8           | 494.8           | 450.0           |
| <b>4. Gross operating surplus/</b>        | <b>6,376.6</b>  | <b>6,838.7</b>  | <b>7,190.9</b>  | <b>8,121.1</b>  | <b>9,306.2</b>  | <b>9,916.7</b>  | <b>8,927.0</b>  | <b>8,837.3</b>  | <b>9,028.9</b>  | <b>9,021.4</b>  | <b>9,454.4</b>  | <b>9,972.5</b>  |
| Consumption of fixed capital              | 3,468.3         | 3,725.1         | 3,949.2         | 4,148.2         | 4,513.8         | 4,967.6         | 5,168.0         | 5,272.2         | 5,361.7         | 5,357.2         | 5,614.3         | 5,922.0         |
| Net operating surplus                     | 2,908.4         | 3,113.6         | 3,241.6         | 3,972.9         | 4,792.4         | 4,949.1         | 3,759.0         | 3,565.1         | 3,667.3         | 3,664.2         | 3,840.1         | 4,050.5         |
| <b>5. Gross fixed income</b>              | <b>2,543.6</b>  | <b>2,743.9</b>  | <b>2,978.6</b>  | <b>3,218.6</b>  | <b>3,643.9</b>  | <b>3,809.7</b>  | <b>3,413.4</b>  | <b>3,332.9</b>  | <b>3,391.4</b>  | <b>3,388.6</b>  | <b>3,551.3</b>  | <b>3,745.8</b>  |
| Consumption of fixed capital              | 415.9           | 434.4           | 456.2           | 479.7           | 525.4           | 546.4           | 538.1           | 496.4           | 506.6           | 506.1           | 530.4           | 559.5           |
| Net mixed income                          | 2,127.7         | 2,309.5         | 2,522.4         | 2,738.8         | 3,118.4         | 3,263.3         | 2,875.3         | 2,836.6         | 2,884.9         | 2,882.5         | 3,020.8         | 3,186.3         |
| <b>6. GDP (6=1+2-3+4+5)</b>               | <b>25,195.3</b> | <b>27,164.7</b> | <b>28,722.3</b> | <b>31,045.0</b> | <b>34,562.3</b> | <b>37,279.5</b> | <b>35,310.6</b> | <b>35,415.8</b> | <b>35,638.6</b> | <b>35,641.2</b> | <b>36,588.9</b> | <b>38,059.3</b> |

Source: SORS, forecasts by IMAD.

Table 4b: Gross domestic product and primary incomes

Structure in %

|   | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012     | 2013  | 2014  |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------|-------|-------|
|   |       |       |       |       |       |       |       |       |       | forecast |       |       |
| <b>1. Compensation of employees</b>       | 50.6  | 50.9  | 50.9  | 50.4  | 49.8  | 50.8  | 53.2  | 53.6  | 53.2  | 52.8     | 51.9  | 51.2  |
| Wages and salaries                        | 43.7  | 43.7  | 43.7  | 43.2  | 42.8  | 43.7  | 45.7  | 46.0  | 45.7  | 45.4     | 44.5  | 43.9  |
| Employers' social contributions           | 7.0   | 7.2   | 7.2   | 7.2   | 7.0   | 7.1   | 7.5   | 7.6   | 7.5   | 7.5      | 7.3   | 7.2   |
| <b>2. Taxes on production and imports</b> | 16.0  | 15.8  | 15.8  | 15.2  | 14.9  | 14.4  | 14.4  | 14.6  | 14.4  | 14.5     | 14.5  | 14.5  |
| Taxes on products and services            | 13.2  | 13.0  | 12.9  | 12.7  | 12.8  | 12.8  | 13.4  | 13.6  | 13.4  | 13.5     | 13.5  | 13.5  |
| Other taxes on production                 | 2.8   | 2.8   | 2.9   | 2.5   | 2.1   | 1.6   | 1.0   | 1.0   | 1.0   | 1.0      | 1.0   | 1.0   |
| <b>3. Subsidies</b>                       | 2.0   | 1.9   | 2.1   | 2.2   | 2.2   | 2.1   | 2.6   | 2.6   | 2.4   | 2.2      | 1.9   | 1.7   |
| Subsidies on products and services        | 0.5   | 0.5   | 0.5   | 0.4   | 0.6   | 0.6   | 0.6   | 0.6   | 0.6   | 0.6      | 0.6   | 0.5   |
| Other subsidies on production             | 1.5   | 1.4   | 1.5   | 1.7   | 1.6   | 1.5   | 2.0   | 2.0   | 1.8   | 1.6      | 1.4   | 1.2   |
| <b>4. Gross operating surplus/</b>        | 25.3  | 25.2  | 25.0  | 26.2  | 26.9  | 26.6  | 25.3  | 25.0  | 25.3  | 25.3     | 25.8  | 26.2  |
| Consumption of fixed capital              | 13.8  | 13.7  | 13.7  | 13.4  | 13.1  | 13.3  | 14.6  | 14.9  | 15.0  | 15.0     | 15.3  | 15.6  |
| Net operating surplus                     | 11.5  | 11.5  | 11.3  | 12.8  | 13.9  | 13.3  | 10.6  | 10.1  | 10.3  | 10.3     | 10.5  | 10.6  |
| <b>5. Gross fixed income</b>              | 10.1  | 10.1  | 10.4  | 10.4  | 10.5  | 10.2  | 9.7   | 9.4   | 9.5   | 9.5      | 9.7   | 9.8   |
| Consumption of fixed capital              | 1.7   | 1.6   | 1.6   | 1.5   | 1.5   | 1.5   | 1.5   | 1.4   | 1.4   | 1.4      | 1.4   | 1.5   |
| Net mixed income                          | 8.4   | 8.5   | 8.8   | 8.8   | 9.0   | 8.8   | 8.1   | 8.0   | 8.1   | 8.1      | 8.3   | 8.4   |
| <b>6. GDP (6=1+2-3+4+5)</b>               | 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: SORS, forecasts by IMAD.

Table 5a: **Gross domestic product by expenditures**

EUR million, current prices (fixed 2007 exchange rate)

|  | 2003     | 2004     | 2005     | 2006     | 2007     | 2008     | 2009     | 2010     | 2011     | 2012     | 2013     | 2014     |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|  |          |          |          |          |          |          |          |          |          | forecast |          |          |
| 1 <b>GROSS DOMESTIC PRODUCT (1=4+5)</b>              | 25,195.3 | 27,164.7 | 28,722.3 | 31,045.0 | 34,562.3 | 37,279.5 | 35,310.6 | 35,415.8 | 35,638.6 | 35,641.2 | 36,588.9 | 38,059.3 |
| 2 EXPORTS OF GOODS AND SERVICES                      | 13,554.4 | 15,703.6 | 17,858.9 | 20,657.5 | 24,040.6 | 25,030.4 | 20,617.7 | 23,170.7 | 25,765.5 | 26,620.0 | 28,592.9 | 30,935.7 |
| 3 IMPORTS OF GOODS AND SERVICES                      | 13,612.2 | 16,054.3 | 17,976.2 | 20,818.1 | 24,635.9 | 26,231.0 | 20,110.6 | 22,970.7 | 25,393.1 | 25,581.3 | 27,382.4 | 29,463.1 |
| 4 EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)     | -57.8    | -350.7   | -117.2   | -160.6   | -595.2   | -1,200.6 | 507.1    | 200.0    | 372.4    | 1,038.6  | 1,210.6  | 1,472.6  |
| 5 TOTAL DOMESTIC CONSUMPTION (5=6+9)                 | 25,253.0 | 27,515.3 | 28,839.5 | 31,205.6 | 35,157.6 | 38,480.1 | 34,803.5 | 35,215.8 | 35,266.1 | 34,602.5 | 35,378.3 | 36,586.7 |
| 6 FINAL CONSUMPTION (6=7+8)                          | 18,858.4 | 20,049.8 | 21,038.9 | 22,228.3 | 24,113.2 | 26,574.9 | 26,856.8 | 27,202.9 | 27,572.4 | 27,412.1 | 27,784.2 | 28,617.7 |
| 7 PRIVATE CONSUMPTION                                | 14,079.5 | 14,932.7 | 15,586.5 | 16,403.6 | 18,123.6 | 19,816.6 | 19,704.7 | 19,840.4 | 20,225.6 | 20,347.0 | 20,714.8 | 21,390.5 |
| Households   | 13,862.5 | 14,703.1 | 15,367.9 | 16,167.4 | 17,841.5 | 19,543.5 | 19,434.3 | 19,577.4 | 19,966.4 | 20,081.9 | 20,444.0 | 21,113.8 |
| NPISH's  | 217.0    | 229.6    | 218.6    | 236.2    | 282.1    | 273.1    | 270.5    | 263.0    | 259.2    | 265.2    | 270.8    | 276.7    |
| 8 GOVERNMENT CONSUMPTION (individual and collective) | 4,778.9  | 5,117.2  | 5,452.3  | 5,824.7  | 5,989.6  | 6,758.3  | 7,152.0  | 7,362.5  | 7,346.8  | 7,065.1  | 7,069.4  | 7,227.2  |
| 9 GROSS CAPITAL FORMATION (9=10+11)                  | 6,394.6  | 7,465.5  | 7,800.6  | 8,977.3  | 11,044.4 | 11,905.2 | 7,946.8  | 8,012.9  | 7,693.7  | 7,190.4  | 7,594.2  | 7,969.0  |
| 10 GROSS FIXED CAPITAL FORMATION                     | 6,079.3  | 6,789.5  | 7,294.4  | 8,234.6  | 9,603.6  | 10,729.7 | 8,267.5  | 7,650.6  | 6,940.9  | 6,905.1  | 7,321.5  | 7,707.1  |
| 11 CHANGES IN INVENTORIES AND VALUABLES              | 315.3    | 676.0    | 506.3    | 742.7    | 1,440.8  | 1,175.5  | -320.8   | 362.3    | 752.9    | 285.2    | 272.7    | 261.9    |

Source: SORS, forecasts by IMAD.

Table 5b: **Gross domestic product by expenditures**

Structure in %, current prices

|  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012     | 2013 | 2014  |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------|------|-------|
|  |       |       |       |       |       |       |       |       |       | forecast |      |       |
| 1 <b>GROSS DOMESTIC PRODUCT (1=4+5)</b>              | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0    | 100  | 100.0 |
| 2 EXPORTS OF GOODS AND SERVICES                      | 53.8  | 57.8  | 62.2  | 66.5  | 69.6  | 67.1  | 58.4  | 65.4  | 72.3  | 74.7     | 78.1 | 81.3  |
| 3 IMPORTS OF GOODS AND SERVICES                      | 54.0  | 59.1  | 62.6  | 67.1  | 71.3  | 70.4  | 57.0  | 64.9  | 71.3  | 71.8     | 74.8 | 77.4  |
| 4 EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)     | -0.2  | -1.3  | -0.4  | -0.5  | -1.7  | -3.2  | 1.4   | 0.6   | 1.0   | 2.9      | 3.3  | 3.9   |
| 5 TOTAL DOMESTIC CONSUMPTION (5=6+9)                 | 100.2 | 101.3 | 100.4 | 100.5 | 101.7 | 103.2 | 98.6  | 99.4  | 99.0  | 97.1     | 96.7 | 96.1  |
| 6 FINAL CONSUMPTION (6=7+8)                          | 74.8  | 73.8  | 73.2  | 71.6  | 69.8  | 71.3  | 76.1  | 76.8  | 77.4  | 76.9     | 75.9 | 75.2  |
| 7 PRIVATE CONSUMPTION                                | 55.9  | 55.0  | 54.3  | 52.8  | 52.4  | 53.2  | 55.8  | 56.0  | 56.8  | 57.1     | 56.6 | 56.2  |
| Households   | 55.0  | 54.1  | 53.5  | 52.1  | 51.6  | 52.4  | 55.0  | 55.3  | 56.0  | 56.3     | 55.9 | 55.5  |
| NPISH's  | 0.9   | 0.8   | 0.8   | 0.8   | 0.8   | 0.7   | 0.8   | 0.7   | 0.7   | 0.7      | 0.7  | 0.7   |
| 8 GOVERNMENT CONSUMPTION (individual and collective) | 19.0  | 18.8  | 19.0  | 18.8  | 17.3  | 18.1  | 20.3  | 20.8  | 20.6  | 19.8     | 19.3 | 19.0  |
| 9 GROSS CAPITAL FORMATION (9=10+11)                  | 25.4  | 27.5  | 27.2  | 28.9  | 32.0  | 31.9  | 22.5  | 22.6  | 21.6  | 20.2     | 20.8 | 20.9  |
| 10 GROSS FIXED CAPITAL FORMATION                     | 24.1  | 25.0  | 25.4  | 26.5  | 27.8  | 28.8  | 23.4  | 21.6  | 19.5  | 19.4     | 20.0 | 20.3  |
| 11 CHANGES IN INVENTORIES AND VALUABLES              | 1.3   | 2.5   | 1.8   | 2.4   | 4.2   | 3.2   | -0.9  | 1.0   | 2.1   | 0.8      | 0.7  | 0.7   |

Source: SORS, forecasts by IMAD.



Table 6a: Gross domestic product by expenditures

EUR million (fixed 2007 exchange rate)

|  | constant previous year prices |          |          |          |          |          |          |          | constant 2010 prices |          |          |          |
|--|-------------------------------|----------|----------|----------|----------|----------|----------|----------|----------------------|----------|----------|----------|
|  | 2003                          | 2004     | 2005     | 2006     | 2007     | 2008     | 2009     | 2010     | 2011                 | 2012     | 2013     | 2014     |
|  |                               |          |          |          |          |          |          |          |                      | forecast |          |          |
| 1 <b>GROSS DOMESTIC PRODUCT (1=4+5)</b>              | 23,874.4                      | 26,304.3 | 28,253.2 | 30,402.4 | 33,177.8 | 35,802.9 | 34,294.2 | 35,797.7 | 35,354.0             | 35,044.6 | 35,467.2 | 36,230.1 |
| 2 EXPORTS OF GOODS AND SERVICES                      | 13,174.8                      | 15,241.4 | 17,363.0 | 20,097.6 | 23,494.5 | 24,739.7 | 20,727.8 | 22,584.3 | 24,748.4             | 25,089.7 | 26,441.1 | 28,046.1 |
| 3 IMPORTS OF GOODS AND SERVICES                      | 13,336.6                      | 15,424.7 | 17,123.8 | 20,162.1 | 24,290.8 | 25,544.1 | 21,081.3 | 21,549.6 | 24,042.7             | 23,648.3 | 24,817.9 | 26,181.3 |
| 4 EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)     | -161.8                        | -183.2   | 242.5    | -64.6    | -796.2   | -804.4   | -353.4   | 1,034.7  | 705.7                | 1,441.3  | 1,623.2  | 1,864.8  |
| 5 TOTAL DOMESTIC CONSUMPTION (5=6+9)                 | 24,036.1                      | 26,487.6 | 28,014.0 | 30,466.8 | 33,974.1 | 36,607.3 | 34,647.7 | 34,763.0 | 34,648.3             | 33,603.2 | 33,844.0 | 34,365.3 |
| 6 FINAL CONSUMPTION (6=7+8)                          | 17,907.4                      | 19,440.4 | 20,540.7 | 21,692.8 | 23,270.0 | 25,151.3 | 26,739.3 | 26,828.0 | 27,080.7             | 26,592.4 | 26,579.5 | 26,901.4 |
| 7 PRIVATE CONSUMPTION                                | 13,384.1                      | 14,502.8 | 15,242.7 | 16,023.1 | 17,407.5 | 18,795.4 | 19,787.5 | 19,571.0 | 19,787.1             | 19,554.0 | 19,593.9 | 19,894.9 |
| - Households   | 13,179.3                      | 14,283.1 | 15,030.4 | 15,793.9 | 17,140.7 | 18,535.5 | 19,521.6 | 19,310.8 | 19,529.7             | 19,295.3 | 19,333.9 | 19,633.6 |
| - NPISH's  | 204.8                         | 219.7    | 212.3    | 229.2    | 266.8    | 260.0    | 265.9    | 260.2    | 257.4                | 258.7    | 260.0    | 261.3    |
| 8 GOVERNMENT CONSUMPTION (individual and collective) | 4,523.3                       | 4,937.6  | 5,298.0  | 5,669.7  | 5,862.5  | 6,355.9  | 6,951.9  | 7,257.0  | 7,293.6              | 7,038.3  | 6,985.6  | 7,006.5  |
| 9 GROSS CAPITAL FORMATION (9=10+11)                  | 6,128.8                       | 7,047.1  | 7,473.3  | 8,774.1  | 10,704.1 | 11,456.0 | 7,908.3  | 7,935.0  | 7,567.5              | 7,010.9  | 7,264.5  | 7,463.9  |
| 10 GROSS FIXED CAPITAL FORMATION                     | 5,817.4                       | 6,381.7  | 6,992.2  | 8,053.1  | 9,328.3  | 10,349.8 | 8,227.7  | 7,580.8  | 6,834.1              | 6,731.6  | 6,997.6  | 7,207.5  |
| 11 CHANGES IN INVENTORIES AND VALUABLES              | 311.4                         | 665.4    | 481.1    | 721.0    | 1,375.8  | 1,106.2  | -319.4   | 354.2    | 733.4                | 279.3    | 267.0    | 256.4    |

Source: SORS, forecasts by IMAD.

Table 6b: Gross domestic product by expenditures

Real growth rates in %

|   | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009  | 2010 | 2011  | 2012     | 2013 | 2014 |
|---|------|------|------|------|------|------|-------|------|-------|----------|------|------|
|   |      |      |      |      |      |      |       |      |       | forecast |      |      |
|   |      |      |      |      |      |      |       |      |       |          |      |      |
| 1 <b>GROSS DOMESTIC PRODUCT (1=4+5)</b>               | 2.9  | 4.4  | 4.0  | 5.8  | 6.9  | 3.6  | -8.0  | 1.4  | -0.2  | -0.9     | 1.2  | 2.2  |
| 2 EXPORTS OF GOODS AND SERVICES                       | 3.1  | 12.4 | 10.6 | 12.5 | 13.7 | 2.9  | -17.2 | 9.5  | 6.8   | 1.4      | 5.4  | 6.1  |
| 3 IMPORTS OF GOODS AND SERVICES                       | 6.7  | 13.3 | 6.7  | 12.2 | 16.7 | 3.7  | -19.6 | 7.2  | 4.7   | -1.6     | 4.9  | 5.5  |
| 4 EXTERNAL BALANCE OF GOODS AND SERVICES <sup>1</sup> | -1.9 | -0.5 | 2.2  | 0.2  | -2.0 | -0.6 | 2.3   | 1.5  | 1.4   | 2.1      | 0.5  | 0.7  |
| 5 TOTAL DOMESTIC CONSUMPTION (5=6+9)                  | 4.9  | 4.9  | 1.8  | 5.6  | 8.9  | 4.1  | -10.0 | -0.1 | -1.6  | -3.0     | 0.7  | 1.5  |
| 6 FINAL CONSUMPTION (6=7+8)                           | 3.1  | 3.1  | 2.4  | 3.1  | 4.7  | 4.3  | 0.6   | -0.1 | -0.4  | -1.8     | 0.0  | 1.2  |
| 7 PRIVATE CONSUMPTION                                 | 3.4  | 3.0  | 2.1  | 2.8  | 6.1  | 3.7  | -0.1  | -0.7 | -0.3  | -1.2     | 0.2  | 1.5  |
| - Households  | 3.4  | 3.0  | 2.2  | 2.8  | 6.0  | 3.9  | -0.1  | -0.6 | -0.2  | -1.2     | 0.2  | 1.5  |
| - NPISH's   | 4.5  | 1.2  | -7.5 | 4.8  | 12.9 | -7.8 | -2.6  | -3.8 | -2.1  | 0.5      | 0.5  | 0.5  |
| 8 GOVERNMENT CONSUMPTION (individual and collective)  | 2.3  | 3.3  | 3.5  | 4.0  | 0.6  | 6.1  | 2.9   | 1.5  | -0.9  | -3.5     | -0.7 | 0.3  |
| 9 GROSS CAPITAL FORMATION                             | 10.2 | 10.2 | 0.1  | 12.5 | 19.2 | 3.7  | -33.6 | -0.1 | -5.6  | -7.4     | 3.6  | 2.7  |
| 10 GROSS FIXED CAPITAL FORMATION                      | 7.6  | 5.0  | 3.0  | 10.4 | 13.3 | 7.8  | -23.3 | -8.3 | -10.7 | -1.5     | 4.0  | 3.0  |
| 11 CHANGES IN INVENTORIES AND VALUABLES <sup>1</sup>  | 0.7  | 1.4  | -0.7 | 0.7  | 2.0  | -1.0 | -4.0  | 1.9  | 1.0   | -1.3     | 0.0  | 0.0  |

Source: SORS, forecasts by IMAD.

Note: <sup>1</sup> Contribution to real GDP growth (percentage points).

Table 7a: Main aggregates of national accounts

EUR million, current prices (fixed 2007 exchange rate)

|  | 2003     | 2004     | 2005     | 2006     | 2007     | 2008     | 2009     | 2010     | 2011     | 2012     | 2013     | 2014     |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|  |          |          |          |          |          |          |          |          |          | forecast |          |          |
| 1 GROSS DOMESTIC PRODUCT                                 | 25,195.3 | 27,164.7 | 28,722.3 | 31,045.0 | 34,562.3 | 37,279.5 | 35,310.6 | 35,415.8 | 35,638.6 | 35,641.2 | 36,588.9 | 38,059.3 |
| 2 Net primary incomes with the rest of the world (a-b)   | -193.7   | -313.1   | -243.6   | -367.7   | -734.5   | -1,047.7 | -717.3   | -522.1   | -588.7   | -800.5   | -814.8   | -836.8   |
| a) Primary incomes receivable from the ROW               | 482.0    | 563.3    | 765.4    | 1,032.5  | 1,333.5  | 1,373.9  | 733.8    | 704.8    | 1,024.7  | 1,130.0  | 1,175.9  | 1,246.3  |
| b) Primary incomes payable to the ROW                    | 675.7    | 876.3    | 1,009.0  | 1,400.3  | 2,068.0  | 2,421.6  | 1,451.2  | 1,226.9  | 1,613.4  | 1,930.5  | 1,990.8  | 2,083.2  |
| 3 GROSS NATIONAL INCOME (3=1+2)                          | 25,001.5 | 26,851.6 | 28,478.7 | 30,677.3 | 33,827.9 | 36,231.9 | 34,593.3 | 34,893.7 | 35,049.9 | 34,840.6 | 35,774.0 | 37,222.5 |
| 4 Net current transfers with the rest of the world (c-d) | 31.6     | -43.4    | -143.1   | -215.3   | -227.3   | -360.8   | -249.3   | 46.4     | 115.4    | 43.5     | 85.7     | 13.7     |
| c) Current transfers receivable from the ROW             | 465.5    | 546.7    | 630.9    | 672.2    | 818.4    | 561.7    | 711.3    | 960.9    | 1,080.8  | 1,307.3  | 1,378.8  | 1,344.4  |
| d) Current transfers payable to the ROW                  | 433.9    | 590.1    | 774.0    | 887.4    | 1,045.6  | 922.5    | 960.6    | 914.5    | 965.4    | 1,263.9  | 1,293.1  | 1,330.8  |
| 5 GROSS NATIONAL DISPOSABLE INCOME (5=3+4)               | 25,033.1 | 26,808.2 | 28,335.5 | 30,462.0 | 33,600.6 | 35,871.0 | 34,344.0 | 34,940.1 | 35,165.3 | 34,884.1 | 35,859.8 | 37,236.1 |
| 6 FINAL CONSUMPTION EXPENDITURE (e+f)                    | 18,858.4 | 20,049.8 | 21,038.9 | 22,228.3 | 24,113.2 | 26,574.9 | 26,856.8 | 27,202.9 | 27,572.4 | 27,412.1 | 27,784.2 | 28,617.7 |
| e) Private consumption                                   | 14,079.5 | 14,932.7 | 15,586.5 | 16,403.6 | 18,123.6 | 19,816.6 | 19,704.7 | 19,840.4 | 20,225.6 | 20,347.0 | 20,714.8 | 21,390.5 |
| f) Government consumption                                | 4,778.9  | 5,117.2  | 5,452.3  | 5,824.7  | 5,989.6  | 6,758.3  | 7,152.0  | 7,362.5  | 7,346.8  | 7,065.1  | 7,069.4  | 7,227.2  |
| 7 GROSS SAVING (7=5-6)                                   | 6,174.7  | 6,758.3  | 7,296.7  | 8,233.7  | 9,487.4  | 9,296.1  | 7,487.2  | 7,737.2  | 7,592.8  | 7,471.9  | 8,075.6  | 8,618.4  |
| 8 GROSS CAPITAL FORMATION                                | 6,394.6  | 7,465.5  | 7,800.6  | 8,977.3  | 11,044.4 | 11,905.2 | 7,946.8  | 8,012.9  | 7,693.7  | 7,190.4  | 7,594.2  | 7,969.0  |
| - Gross fixed capital formation                          | 6,079.3  | 6,789.5  | 7,294.4  | 8,234.6  | 9,603.6  | 10,729.7 | 8,267.5  | 7,650.6  | 6,940.9  | 6,905.1  | 7,321.5  | 7,707.1  |
| - Changes in inventories and valuables                   | 315.3    | 676.0    | 506.3    | 742.7    | 1,440.8  | 1,175.5  | -320.8   | 362.3    | 752.9    | 285.2    | 272.7    | 261.9    |
| 9 SURPLUS ON THE CURRENT ACCOUNT WITH THE ROW (9=7-8)    | -219.9   | -707.1   | -504.0   | -743.6   | -1557.0  | -2609.1  | -459.6   | -275.7   | -100.9   | 281.6    | 481.4    | 649.5    |

Source: SORS, forecast by IMAD.

Table 7b: Main aggregates of national accounts

Structure in %, current prices

|  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012     | 2013  | 2014  |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------|-------|-------|
|  |       |       |       |       |       |       |       |       |       | 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 |
| 2 Net primary incomes with the rest of the world (a-b)   | -0.8  | -1.2  | -0.8  | -1.2  | -2.1  | -2.8  | -2.0  | -1.5  | -1.7  | -2.2     | -2.2  | -2.2  |
| a) Primary incomes receivable from the ROW               | 1.9   | 2.1   | 2.7   | 3.3   | 3.9   | 3.7   | 2.1   | 2.0   | 2.9   | 3.2      | 3.2   | 3.3   |
| b) Primary incomes payable to the ROW                    | 2.7   | 3.2   | 3.5   | 4.5   | 6.0   | 6.5   | 4.1   | 3.5   | 4.5   | 5.4      | 5.4   | 5.5   |
| 3 GROSS NATIONAL INCOME (3=1+2)                          | 99.2  | 98.8  | 99.2  | 98.8  | 97.9  | 97.2  | 98.0  | 98.5  | 98.3  | 97.8     | 97.8  | 97.8  |
| 4 Net current transfers with the rest of the world (c-d) | 0.1   | -0.2  | -0.5  | -0.7  | -0.7  | -1.0  | -0.7  | 0.1   | 0.3   | 0.1      | 0.2   | 0.0   |
| c) Current transfers receivable from the ROW             | 1.8   | 2.0   | 2.2   | 2.2   | 2.4   | 1.5   | 2.0   | 2.7   | 3.0   | 3.7      | 3.8   | 3.5   |
| d) Current transfers payable to the ROW                  | 1.7   | 2.2   | 2.7   | 2.9   | 3.0   | 2.5   | 2.7   | 2.6   | 2.7   | 3.5      | 3.5   | 3.5   |
| 5 GROSS NATIONAL DISPOSABLE INCOME (5=3+4)               | 99.4  | 98.7  | 98.7  | 98.1  | 97.2  | 96.2  | 97.3  | 98.7  | 98.7  | 97.9     | 98.0  | 97.8  |
| 6 FINAL CONSUMPTION EXPENDITURE (e+f)                    | 74.8  | 73.8  | 73.2  | 71.6  | 69.8  | 71.3  | 76.1  | 76.8  | 77.4  | 76.9     | 75.9  | 75.2  |
| e) Private consumption                                   | 55.9  | 55.0  | 54.3  | 52.8  | 52.4  | 53.2  | 55.8  | 56.0  | 56.8  | 57.1     | 56.6  | 56.2  |
| f) Government consumption                                | 19.0  | 18.8  | 19.0  | 18.8  | 17.3  | 18.1  | 20.3  | 20.8  | 20.6  | 19.8     | 19.3  | 19.0  |
| 7 GROSS SAVING (7=5-6)                                   | 24.5  | 24.9  | 25.4  | 26.5  | 27.5  | 24.9  | 21.2  | 21.8  | 21.3  | 21.0     | 22.1  | 22.6  |
| 8 GROSS CAPITAL FORMATION                                | 25.4  | 27.5  | 27.2  | 28.9  | 32.0  | 31.9  | 22.5  | 22.6  | 21.6  | 20.2     | 20.8  | 20.9  |
| - Gross fixed capital formation                          | 24.1  | 25.0  | 25.4  | 26.5  | 27.8  | 28.8  | 23.4  | 21.6  | 19.5  | 19.4     | 20.0  | 20.3  |
| - Changes in inventories and valuables                   | 1.3   | 2.5   | 1.8   | 2.4   | 4.2   | 3.2   | -0.9  | 1.0   | 2.1   | 0.8      | 0.7   | 0.7   |
| 9 SURPLUS ON THE CURRENT ACCOUNT WITH THE ROW (9=7-8)    | -0.9  | -2.6  | -1.8  | -2.4  | -4.5  | -7.0  | -1.3  | -0.8  | -0.3  | 0.8      | 1.3   | 1.7   |

Source: SORS, forecast by IMAD.

Table 8: Labour market

Numbers in thousands, indicators in %

|  | 2003  | 2004  | 2005  | 2006  | 2007  | 2008   | 2009  | 2010  | 2011  | 2012     | 2013  | 2014  |
|--|-------|-------|-------|-------|-------|--------|-------|-------|-------|----------|-------|-------|
|  |       |       |       |       |       |        |       |       |       | forecast |       |       |
| <b>LABOUR SUPPLY</b>                                       |       |       |       |       |       |        |       |       |       |          |       |       |
| Participation rate (15-64)                                 | 67.1  | 69.8  | 70.7  | 70.9  | 71.3  | 72.1   | 71.9  | 71.5  | 70.3  | 69.4     | 69.5  | 69.7  |
| - 15-24 years of age                                       | 35.3  | 40.6  | 40.6  | 40.6  | 42.0  | 42.9   | 41.0  | 40.0  | 36.6  | 35.5     | 34.9  | 34.7  |
| - 25-54 years of age                                       | 87.0  | 88.2  | 88.9  | 89.0  | 89.0  | 89.9   | 89.6  | 89.7  | 90.0  | 88.9     | 88.7  | 88.9  |
| - 55-64 years of age                                       | 23.9  | 29.4  | 32.2  | 33.4  | 34.6  | 34.9   | 36.9  | 36.5  | 33.3  | 34.0     | 35.2  | 35.9  |
| Participation rate (65 years and more)                     | 6.5   | 8.6   | 6.8   | 6.8   | 8.2   | 7.7    | 6.2   | 7.5   | 6.7   | 6.6      | 5.7   | 5.3   |
| Labour force (LFS concept)                                 | 962   | 1007  | 1016  | 1022  | 1036  | 1042   | 1042  | 1042  | 1020  | 1004     | 999   | 996   |
| Yearly changes (in perc.)                                  | -1.0  | 4.7   | 0.9   | 0.6   | 1.4   | 0.6    | 0.0   | 0.0   | -2.1  | -1.5     | -0.5  | -0.3  |
| <b>LABOUR DEMAND</b>                                       |       |       |       |       |       |        |       |       |       |          |       |       |
| <b>Yearly changes (in perc.)</b>                           |       |       |       |       |       |        |       |       |       |          |       |       |
| GDP  | 2.9   | 4.4   | 4.0   | 5.8   | 6.9   | 3.6    | -8.0  | 1.4   | -0.2  | -0.9     | 1.2   | 2.2   |
| Productivity   | 3.2   | 4.0   | 4.5   | 4.2   | 3.5   | 1.0    | -6.3  | 4.0   | 1.6   | 1.4      | 2.4   | 2.5   |
| Persons in employment (National accounts concept)          | -0.3  | 0.4   | -0.5  | 1.5   | 3.3   | 2.6    | -1.8  | -2.5  | -1.7  | -2.2     | -1.2  | -0.3  |
| Persons in employment (LFS concept)                        | -1.4  | 5.1   | 0.6   | 1.3   | 2.5   | 1.1    | -1.5  | -1.5  | -3.1  | -2.2     | -1.0  | -0.1  |
| Persons in formal employment (statistical register)*       | -0.9  | 0.8   | 0.7   | 1.4   | 3.5   | 3.0    | -2.4  | -2.7  | -1.3  | -2.3     | -1.1  | -0.2  |
| - Persons in paid employment *                             | 0.1   | 0.3   | 1.0   | 1.4   | 3.3   | 3.1    | -2.8  | -2.6  | -2.4  | -2.4     | -1.2  | -0.3  |
| <b>Numbers (in thousand)</b>                               |       |       |       |       |       |        |       |       |       |          |       |       |
| Persons in employment (National accounts concept)          | 931.4 | 935.1 | 930.8 | 945.2 | 976.7 | 1001.9 | 983.7 | 958.8 | 942.5 | 921.4    | 910.7 | 907.7 |
| Persons in formal employment (statistical register)        | 801.4 | 807.5 | 813.1 | 824.8 | 854.0 | 879.3  | 858.2 | 835.0 | 824.0 | 805.4    | 796.6 | 794.9 |
| - Persons in paid employment *                             | 722   | 724   | 732   | 742   | 766   | 790    | 767   | 747   | 729   | 712      | 703   | 701   |
| - Selfemployed   | 79.2  | 83.1  | 81.5  | 83.3  | 87.9  | 89.4   | 90.8  | 87.8  | 94.9  | 93.7     | 93.7  | 94.1  |
| Persons in employment (LFS concept)                        | 897.4 | 943   | 949   | 961   | 985.4 | 996    | 981   | 966   | 936   | 915      | 906   | 905   |
| - Employment rate (15-64 y.of age, in %)                   | 62.6  | 65.3  | 66    | 66.6  | 67.8  | 68.8   | 67.5  | 66.2  | 64.4  | 63.1     | 62.9  | 63.2  |
| <b>Economic structure of employment (LFS concept in %)</b> |       |       |       |       |       |        |       |       |       |          |       |       |
| Agriculture  | 8.4   | 9.8   | 9.1   | 9.6   | 9.9   | 8.6    | 9.1   | 8.8   | 8.7   | 8.8      | 8.6   | 8.4   |
| Industry and construction                                  | 37.5  | 36.5  | 37.1  | 35.5  | 35.2  | 35.3   | 33.2  | 32.6  | 31.5  | 31.1     | 31.0  | 30.9  |
| Services   | 54.1  | 53.7  | 53.8  | 54.9  | 54.9  | 56.2   | 57.7  | 58.6  | 59.8  | 60.2     | 60.4  | 60.7  |
| <b>UNEMPLOYMENT</b>  |       |       |       |       |       |        |       |       |       |          |       |       |
| - ILO concept  | 64.4  | 63.8  | 66.5  | 61    | 50.4  | 46.25  | 61    | 75.5  | 83.75 | 88.8     | 92.7  | 91.0  |
| - Registered unemployed (yearly average)                   | 97.7  | 92.8  | 91.9  | 85.8  | 71.3  | 63.2   | 86.4  | 100.5 | 110.7 | 118.8    | 123.9 | 121.6 |
| Rate of unemployment (ILO concept)                         | 6.7   | 6.3   | 6.5   | 6.0   | 4.9   | 4.4    | 5.9   | 7.3   | 8.1   | 8.8      | 9.3   | 9.1   |
| Rate of registered unemployment                            | 10.9  | 10.3  | 10.2  | 9.4   | 7.7   | 6.7    | 9.1   | 10.7  | 11.8  | 12.9     | 13.5  | 13.3  |

Source: 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 %

|   | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013     |  |
|---|------|------|------|------|------|------|------|------|------|------|----------|--|
|   |      |      |      |      |      |      |      |      |      |      | forecast |  |
| <b>Effective exchange rate <sup>1</sup></b> |      |      |      |      |      |      |      |      |      |      |          |  |
| Nominal                                     | -0.4 | -1.3 | -1.0 | -0.1 | 0.4  | 0.7  | 1.1  | -2.1 | -0.1 | -0.8 | 0.0      |  |
| Real - based on consumer prices             | 3.3  | 0.0  | -0.7 | 0.3  | 1.7  | 2.5  | 1.3  | -1.8 | -1.0 | -0.7 | 0.0      |  |
| Real - based on ULC in economy as a whole   | 2.1  | 1.8  | -0.9 | 0.0  | 1.3  | 3.0  | 6.2  | -1.2 | -0.8 | -2.4 | -1.6     |  |
| <b>Unit labour costs components</b>         |      |      |      |      |      |      |      |      |      |      |          |  |
| Nominal unit labour costs                   | 4.4  | 3.6  | 1.5  | 1.1  | 2.6  | 6.2  | 8.7  | 0.3  | 0.4  | 0.4  | -0.5     |  |
| Compensation of employees per employee      | 7.8  | 7.7  | 6.0  | 5.4  | 6.2  | 7.2  | 1.8  | 4.3  | 2.0  | 1.8  | 2.0      |  |
| Labour productivity, real <sup>2</sup>      | 3.2  | 4.0  | 4.5  | 4.2  | 3.4  | 1.0  | -6.3 | 4.0  | 1.6  | 1.4  | 2.4      |  |
| Real unit labour costs                      | -1.0 | 0.3  | -0.2 | -1.0 | -1.5 | 2.0  | 5.6  | 1.4  | -0.4 | -0.5 | -1.9     |  |
| Labour productivity, nominal <sup>3</sup>   | 9.0  | 7.4  | 6.2  | 6.4  | 7.7  | 5.1  | -3.5 | 2.9  | 2.4  | 2.3  | 3.9      |  |

Sources: SORS national accounts statistics, BS, ECB, OECD, Consensus Forecasts Feb 2012, calculations and forecasts by IMAD.

Notes: <sup>1</sup>Harmonised effective exchange rate - 20 group of trading partners and 17 Euro area countries; a rise in the value indicates appreciation of national currency and vice versa; <sup>2</sup>GDP per employee (in constant prices); <sup>3</sup>GDP per employee (in current prices).

Table 10: Balance of payments - balance of payments statistics

EUR million

|  | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   | 2011   | 2012     | 2013   | 2014   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|--------|--------|
|  |        |        |        |        |        |        |        |        |        | forecast |        |        |
| I. CURRENT ACCOUNT                           | -196   | -720   | -498   | -771   | -1,646 | -2,574 | -456   | -297   | -168   | 226      | 423    | 588    |
| 1. GOODS                                     | -543   | -1,009 | -1,026 | -1,151 | -1,666 | -2,648 | -703   | -1,205 | -1,297 | -729     | -638   | -484   |
| 1.1. Exports of goods                        | 11,417 | 12,933 | 14,599 | 17,028 | 19,798 | 20,032 | 16,167 | 18,386 | 20,675 | 21,341   | 23,009 | 24,995 |
| 1.2. Imports of goods                        | 11,960 | 13,942 | 15,625 | 18,179 | 21,464 | 22,680 | 16,870 | 19,591 | 21,971 | 22,070   | 23,647 | 25,478 |
| 2. SERVICES                                  | 540    | 688    | 920    | 993    | 1,047  | 1,424  | 1,165  | 1,308  | 1,617  | 1,712    | 1,791  | 1,895  |
| 2.1. Exports                                 | 2,465  | 2,783  | 3,214  | 3,572  | 4,145  | 4,957  | 4,347  | 4,633  | 4,992  | 5,176    | 5,476  | 5,826  |
| Transport                                    | 680    | 809    | 923    | 1,058  | 1,259  | 1,436  | 1,085  | 1,206  | 1,308  | 1,354    | 1,421  | 1,508  |
| Travel                                       | 1,186  | 1,312  | 1,451  | 1,555  | 1,665  | 1,827  | 1,804  | 1,935  | 2,129  | 2,192    | 2,313  | 2,454  |
| Other  | 599    | 662    | 840    | 959    | 1,221  | 1,694  | 1,458  | 1,492  | 1,556  | 1,631    | 1,741  | 1,864  |
| 2.2. Imports                                 | 1,925  | 2,095  | 2,293  | 2,580  | 3,098  | 3,533  | 3,182  | 3,325  | 3,376  | 3,465    | 3,685  | 3,931  |
| Transport                                    | 420    | 485    | 525    | 601    | 734    | 875    | 648    | 710    | 722    | 732      | 769    | 803    |
| Travel                                       | 664    | 703    | 707    | 772    | 831    | 922    | 913    | 923    | 827    | 843      | 877    | 930    |
| Other  | 841    | 906    | 1,061  | 1,206  | 1,533  | 1,736  | 1,621  | 1,692  | 1,826  | 1,889    | 2,040  | 2,198  |
| 1, 2. EXTERNAL BALANCE OF GOODS AND SERVICES | -3     | -322   | -106   | -158   | -619   | -1,224 | 463    | 103    | 320    | 983      | 1,152  | 1,411  |
| Exports of goods and services                | 13,882 | 15,715 | 17,813 | 20,601 | 23,944 | 24,989 | 20,514 | 23,019 | 25,667 | 26,518   | 28,485 | 30,821 |
| Imports of goods and services                | 13,885 | 16,037 | 17,918 | 20,759 | 24,562 | 26,213 | 20,052 | 22,916 | 25,347 | 25,535   | 27,333 | 29,410 |
| 3. INCOME                                    | -219   | -322   | -295   | -440   | -789   | -1,062 | -766   | -507   | -643   | -801     | -815   | -837   |
| 3.1. Receipts                                | 510    | 530    | 647    | 872    | 1,169  | 1,262  | 666    | 682    | 900    | 1,130    | 1,176  | 1,246  |
| Compensation of employees                    | 192    | 201    | 205    | 218    | 229    | 238    | 198    | 233    | 295    | 298      | 310    | 325    |
| Investment                                   | 318    | 329    | 442    | 654    | 940    | 1,024  | 468    | 449    | 605    | 832      | 866    | 921    |
| 3.2. Expenditures                            | 728    | 852    | 942    | 1,312  | 1,957  | 2,324  | 1,432  | 1,188  | 1,542  | 1,930    | 1,991  | 2,083  |
| Compensation of employees                    | 57     | 63     | 77     | 110    | 179    | 263    | 128    | 94     | 98     | 95       | 97     | 105    |
| Investment                                   | 671    | 789    | 866    | 1,202  | 1,778  | 2,062  | 1,303  | 1,094  | 1,444  | 1,835    | 1,894  | 1,978  |
| 4. CURRENT TRANSFERS                         | 26     | -76    | -97    | -173   | -239   | -287   | -152   | 106    | 154    | 43       | 86     | 14     |
| 4.1. In Slovenia                             | 474    | 561    | 738    | 785    | 941    | 887    | 966    | 1,218  | 1,335  | 1,307    | 1,379  | 1,344  |
| 4.2. Abroad                                  | 449    | 638    | 835    | 958    | 1,180  | 1,174  | 1,118  | 1,112  | 1,181  | 1,264    | 1,293  | 1,331  |
| II. CAPITAL AND FINANCIAL ACCOUNT            | 46     | 698    | 970    | 1,092  | 1,920  | 2,605  | 154    | 319    | -414   |          |        |        |
| A CAPITAL ACCOUNT                            | -165   | -96    | -114   | -131   | -52    | -25    | -9     | 8      | -102   |          |        |        |
| 1. Capital transfers                         | -164   | -96    | -109   | -126   | -51    | -26    | -4     | 16     | -98    |          |        |        |
| 2. Non-produced non-financial assets         | -2     | 0      | -5     | -5     | -1     | 1      | -5     | -8     | -4     |          |        |        |
| B FINANCIAL ACCOUNT                          | 211    | 794    | 1,084  | 1,223  | 1,972  | 2,631  | 164    | 311    | -312   |          |        |        |
| 1. Direct investment                         | -151   | 224    | -43    | -174   | -210   | 346    | -644   | 334    | 794    |          |        |        |
| Abroad                                       | -421   | -441   | -516   | -687   | -1,317 | -983   | -174   | 60     | 8      |          |        |        |
| In Slovenia                                  | 270    | 665    | 473    | 513    | 1,106  | 1,329  | -470   | 274    | 786    |          |        |        |
| 2. Portfolio investment                      | -223   | -637   | -1,313 | -1,442 | -2,255 | 572    | 4,628  | 1,947  | 1,891  |          |        |        |
| 3. Financial derivatives                     | 0      | 6      | -10    | -13    | -15    | 46     | -2     | -117   | -137   |          |        |        |
| 4. Other investment                          | 849    | 945    | 2,639  | 1,571  | 4,313  | 1,645  | -3,985 | -1,872 | -2,933 |          |        |        |
| 4.1. Assets                                  | -730   | -1,308 | -1,459 | -1,939 | -4,741 | -333   | -277   | 683    | -1,734 |          |        |        |
| 4.2. Liabilities                             | 1,579  | 2,252  | 4,098  | 3,510  | 9,054  | 1,978  | -3,708 | -2,555 | -1,199 |          |        |        |
| 5. Reserve assets                            | -264   | 256    | -189   | 1,281  | 140    | 21     | 167    | 19     | 72     |          |        |        |
| III. NET ERRORS AND OMISSIONS                | 150    | 22     | -473   | -321   | -273   | -31    | 302    | -21    | 582    |          |        |        |

Source: 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    | 2003          | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>I. TOTAL GENERAL GOVERNMENT REVENUES</b> | <b>10,338</b> | <b>11,196</b> | <b>11,976</b> | <b>12,959</b> | <b>14,006</b> | <b>15,339</b> | <b>14,408</b> | <b>14,794</b> | <b>14,981</b> |
| <b>TAX REVENUES</b>                         | <b>9,560</b>  | <b>10,211</b> | <b>10,884</b> | <b>11,762</b> | <b>12,758</b> | <b>13,937</b> | <b>12,955</b> | <b>12,848</b> | <b>13,209</b> |
| TAXES ON INCOME AND PROFIT                  | 1,922         | 2,115         | 2,242         | 2,735         | 2,918         | 3,442         | 2,805         | 2,491         | 2,724         |
| Personal income tax                         | 1,474         | 1,596         | 1,648         | 1,793         | 1,805         | 2,185         | 2,092         | 2,039         | 2,054         |
| Corporate income tax                        | 448           | 519           | 594           | 942           | 1,113         | 1,257         | 712           | 449           | 668           |
| SOCIAL SECURITY CONTRIBUTIONS               | 3,502         | 3,753         | 3,988         | 4,231         | 4,598         | 5,095         | 5,161         | 5,234         | 5,268         |
| TAXSES ON PAYROLL AND WORKFORCE             | 448           | 491           | 526           | 473           | 418           | 258           | 28            | 28            | 29            |
| Payroll tax                                 | 430           | 472           | 506           | 450           | 392           | 230           | 0             | 0             | 0             |
| Tax on work contracts                       | 19            | 19            | 20            | 23            | 27            | 28            | 28            | 28            | 29            |
| TAXES ON PROPERTY                           | 144           | 165           | 170           | 189           | 206           | 215           | 207           | 220           | 215           |
| DOMESTIC TAXES ON GOODS AND SERVICES        | 3,399         | 3,575         | 3,915         | 4,077         | 4,498         | 4,805         | 4,660         | 4,781         | 4,856         |
| TAXES ON INTERN. TRADE AND TRANSACTIONS     | 145           | 81            | 39            | 51            | 117           | 120           | 91            | 91            | 100           |
| OTHER TAXES                                 | 1             | 31            | 4             | 5             | 2             | 2             | 3             | 4             | 17            |
| <b>NON-TAX REVENUES</b>                     | <b>623</b>    | <b>677</b>    | <b>633</b>    | <b>633</b>    | <b>709</b>    | <b>855</b>    | <b>684</b>    | <b>923</b>    | <b>828</b>    |
| CAPITAL REVENUES                            | 66            | 87            | 113           | 167           | 136           | 118           | 107           | 176           | 65            |
| GRANTS                                      | 56            | 8             | 9             | 5             | 12            | 10            | 11            | 13            | 10            |
| TRANSFERS REVENUES                          | 33            | 31            | 34            | 43            | 43            | 54            | 54            | 110           | 54            |
| RECEIPTS FROM THE EU BUDGET                 | 0             | 183           | 302           | 348           | 348           | 365           | 597           | 723           | 815           |

Source: 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    | 2003        | 2004        | 2005        | 2006        | 2007        | 2008        | 2009        | 2010        | 2011        |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>I. TOTAL GENERAL GOVERNMENT REVENUES</b> | <b>41.0</b> | <b>41.2</b> | <b>41.7</b> | <b>41.7</b> | <b>40.5</b> | <b>41.1</b> | <b>40.8</b> | <b>41.8</b> | <b>42.0</b> |
| <b>TAX REVENUES</b>                         | <b>37.9</b> | <b>37.6</b> | <b>37.9</b> | <b>37.9</b> | <b>36.9</b> | <b>37.4</b> | <b>36.7</b> | <b>36.3</b> | <b>37.1</b> |
| TAXES ON INCOME AND PROFIT                  | 7.6         | 7.8         | 7.8         | 8.8         | 8.4         | 9.2         | 7.9         | 7.0         | 7.6         |
| Personal income tax                         | 5.8         | 5.9         | 5.7         | 5.8         | 5.2         | 5.9         | 5.9         | 5.8         | 5.8         |
| Corporate income tax                        | 1.8         | 1.9         | 2.1         | 3.0         | 3.2         | 3.4         | 2.0         | 1.3         | 1.9         |
| SOCIAL SECURITY CONTRIBUTIONS               | 13.9        | 13.8        | 13.9        | 13.6        | 13.3        | 13.7        | 14.6        | 14.8        | 14.8        |
| TAXSES ON PAYROLL AND WORKFORCE             | 1.8         | 1.8         | 1.8         | 1.5         | 1.2         | 0.7         | 0.1         | 0.1         | 0.1         |
| Payroll tax                                 | 1.7         | 1.7         | 1.8         | 1.4         | 1.1         | 0.6         | 0.0         | 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         |
| TAXES ON PROPERTY                           | 0.6         | 0.6         | 0.6         | 0.6         | 0.6         | 0.6         | 0.6         | 0.6         | 0.6         |
| DOMESTIC TAXES ON GOODS AND SERVICES        | 13.5        | 13.2        | 13.6        | 13.1        | 13.0        | 12.9        | 13.2        | 13.5        | 13.6        |
| TAXES ON INTERN. TRADE AND TRANSACTIONS     | 0.6         | 0.3         | 0.1         | 0.2         | 0.3         | 0.3         | 0.3         | 0.3         | 0.3         |
| OTHER TAXES                                 | 0.0         | 0.1         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>NON-TAX REVENUES</b>                     | <b>2.5</b>  | <b>2.5</b>  | <b>2.2</b>  | <b>2.0</b>  | <b>2.1</b>  | <b>2.3</b>  | <b>1.9</b>  | <b>2.6</b>  | <b>2.3</b>  |
| CAPITAL REVENUES                            | 0.3         | 0.3         | 0.4         | 0.5         | 0.4         | 0.3         | 0.3         | 0.5         | 0.2         |
| GRANTS                                      | 0.2         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| TRANSFERS REVENUES                          | 0.1         | 0.1         | 0.1         | 0.1         | 0.1         | 0.1         | 0.2         | 0.3         | 0.2         |
| RECEIPTS FROM THE EU BUDGET                 | 0.0         | 0.7         | 1.1         | 1.1         | 1.0         | 1.0         | 1.7         | 2.0         | 2.3         |

Source: 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 exchange rate)

| CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE                           | 2003          | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>II. TOTAL EXPENDITURE</b>  | <b>10,666</b> | <b>11,552</b> | <b>12,276</b> | <b>13,209</b> | <b>13,915</b> | <b>15,442</b> | <b>16,368</b> | <b>16,693</b> | <b>16,544</b> |
| <b>CURRENT EXPENDITURE</b>  | <b>5,114</b>  | <b>5,150</b>  | <b>5,354</b>  | <b>5,689</b>  | <b>5,951</b>  | <b>6,557</b>  | <b>6,800</b>  | <b>6,960</b>  | <b>6,925</b>  |
| WAGES AND OTHER PERSONNEL EXPENDITURE                                 | 2,342         | 2,456         | 2,521         | 2,671         | 2,761         | 3,037         | 3,363         | 3,359         | 3,330         |
| SOCIAL SECURITY CONTRIBUTIONS   | 424           | 466           | 495           | 509           | 515           | 542           | 549           | 553           | 553           |
| PURCHASES OF GOODS AND SERVICES                                       | 1,884         | 1,794         | 1,911         | 2,073         | 2,212         | 2,527         | 2,510         | 2,512         | 2,442         |
| INTEREST PAYMENTS   | 387           | 384           | 372           | 376           | 357           | 335           | 336           | 488           | 527           |
| BUDGETARY RESERVES  | 78            | 50            | 55            | 59            | 105           | 116           | 42            | 47            | 74            |
| <b>CURRENT TRANSFERS</b>  | <b>4,579</b>  | <b>5,216</b>  | <b>5,599</b>  | <b>5,926</b>  | <b>6,144</b>  | <b>6,743</b>  | <b>7,340</b>  | <b>7,629</b>  | <b>7,819</b>  |
| SUBSIDIES   | 290           | 324           | 381           | 403           | 423           | 477           | 598           | 582           | 497           |
| TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS                               | 4,115         | 4,396         | 4,629         | 4,871         | 5,093         | 5,619         | 6,024         | 6,278         | 6,533         |
| OTHER CURRENT DOMESTIC TRANSFERS                                      | 174           | 496           | 589           | 651           | 628           | 647           | 718           | 769           | 789           |
| <b>CAPITAL EXPENDITURE TOTAL</b>                                      | <b>972</b>    | <b>1,017</b>  | <b>1,038</b>  | <b>1,306</b>  | <b>1,464</b>  | <b>1,714</b>  | <b>1,789</b>  | <b>1,707</b>  | <b>1,395</b>  |
| CAPITAL EXPENDITURE   | 593           | 631           | 654           | 901           | 1,130         | 1,256         | 1,294         | 1,311         | 1,023         |
| CAPITAL TRANSFERS   | 379           | 386           | 383           | 405           | 334           | 459           | 495           | 396           | 372           |
| <b>PAYMENTS TO THE EU BUDGET</b>                                      | <b>0</b>      | <b>170</b>    | <b>286</b>    | <b>288</b>    | <b>356</b>    | <b>428</b>    | <b>439</b>    | <b>397</b>    | <b>405</b>    |
| <b>III. GENERAL GOVERNMENT BUDGETARY SURPLUS / DEFICIT (I. - II.)</b> | <b>-327</b>   | <b>-356</b>   | <b>-300</b>   | <b>-250</b>   | <b>91</b>     | <b>-103</b>   | <b>-1,961</b> | <b>-1,899</b> | <b>-1,562</b> |

Source: 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                           | 2003        | 2004        | 2005        | 2006        | 2007        | 2008        | 2009        | 2010        | 2011        |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>II. TOTAL EXPENDITURE</b>  | <b>42.3</b> | <b>42.5</b> | <b>42.7</b> | <b>42.5</b> | <b>40.3</b> | <b>41.4</b> | <b>46.4</b> | <b>47.1</b> | <b>46.4</b> |
| <b>CURRENT EXPENDITURE</b>  | <b>20.3</b> | <b>19.0</b> | <b>18.6</b> | <b>18.3</b> | <b>17.2</b> | <b>17.6</b> | <b>19.3</b> | <b>19.7</b> | <b>19.4</b> |
| WAGES AND OTHER PERSONNEL EXPENDITURE                                 | 9.3         | 9.0         | 8.8         | 8.6         | 8.0         | 8.1         | 9.5         | 9.5         | 9.3         |
| SOCIAL SECURITY CONTRIBUTIONS   | 1.7         | 1.7         | 1.7         | 1.6         | 1.5         | 1.5         | 1.6         | 1.6         | 1.6         |
| PURCHASES OF GOODS AND SERVICES                                       | 7.5         | 6.6         | 6.7         | 6.7         | 6.4         | 6.8         | 7.1         | 7.1         | 6.9         |
| INTEREST PAYMENTS   | 1.5         | 1.4         | 1.3         | 1.2         | 1.0         | 0.9         | 1.0         | 1.4         | 1.5         |
| BUDGETARY RESERVES  | 0.3         | 0.2         | 0.2         | 0.2         | 0.3         | 0.3         | 0.1         | 0.1         | 0.2         |
| <b>CURRENT TRANSFERS</b>  | <b>18.2</b> | <b>19.2</b> | <b>19.5</b> | <b>19.1</b> | <b>17.8</b> | <b>18.1</b> | <b>20.8</b> | <b>21.5</b> | <b>21.9</b> |
| SUBSIDIES   | 1.2         | 1.2         | 1.3         | 1.3         | 1.2         | 1.3         | 1.7         | 1.6         | 1.4         |
| TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS                               | 16.3        | 16.2        | 16.1        | 15.7        | 14.7        | 15.1        | 17.1        | 17.7        | 18.3        |
| OTHER CURRENT DOMESTIC TRANSFERS                                      | 0.7         | 1.8         | 2.0         | 2.1         | 1.8         | 1.7         | 2.0         | 2.2         | 2.2         |
| <b>CAPITAL EXPENDITURE TOTAL</b>                                      | <b>3.9</b>  | <b>3.7</b>  | <b>3.6</b>  | <b>4.2</b>  | <b>4.2</b>  | <b>4.6</b>  | <b>5.1</b>  | <b>4.8</b>  | <b>3.9</b>  |
| CAPITAL EXPENDITURE   | 2.4         | 2.3         | 2.3         | 2.9         | 3.3         | 3.4         | 3.7         | 3.7         | 2.9         |
| CAPITAL TRANSFERS   | 1.5         | 1.4         | 1.3         | 1.3         | 1.0         | 1.2         | 1.4         | 1.1         | 1.0         |
| <b>PAYMENTS TO THE EU BUDGET</b>                                      | <b>0.0</b>  | <b>0.6</b>  | <b>1.0</b>  | <b>0.9</b>  | <b>1.0</b>  | <b>1.1</b>  | <b>1.2</b>  | <b>1.1</b>  | <b>1.1</b>  |
| <b>III. GENERAL GOVERNMENT BUDGETARY SURPLUS / DEFICIT (I. - II.)</b> | <b>-1.3</b> | <b>-1.3</b> | <b>-1.0</b> | <b>-0.8</b> | <b>0.3</b>  | <b>-0.3</b> | <b>-5.6</b> | <b>-5.4</b> | <b>-4.4</b> |

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



Table 13: Comparison of the performance assessment 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   |
| <b>ME ... Mean Error</b> |             |                              |       |       |       |                         |       |       |       |
| <b>IMAD</b>              | 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  |
|                          | 2002 - 2011 | 1.41                         | 1.21  | 0.39  | 0.21  | -0.34                   | 0.11  | -0.39 | 0.10  |
|                          | 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  |
|                          | 1997 - 2011 | 1.03                         | 0.80  | 0.29  | 0.06  | -0.63                   | -0.10 | -0.26 | 0.13  |
| <b>BS</b>                | 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 |
|                          | 2002 - 2011 | 1.36                         | 1.08  | 0.52  | 0.18  | -0.34                   | -0.31 | -0.30 | 0.07  |
| <b>SKEP</b>              | 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  |
|                          | 2002 - 2011 | 1.36                         | 1.11  | 0.44  | 0.19  | -0.16                   | -0.03 | -0.08 | 0.02  |
|                          | 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  |
| 1997 - 2011              | 0.90        | 0.80                         | 0.24  | 0.25  | -0.58 | -0.36                   | -0.19 | 0.06  |       |
| <b>EC</b>                | 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  |
|                          | 2002 - 2011 | 1.15                         | 1.05  | 0.38  | 0.05  | 0.03                    | 0.22  | -0.03 | 0.16  |
| <b>IMF</b>               | 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 |
|                          | 2002 - 2011 | 1.24                         | 1.08  | 0.43  | 0.24  | -0.29                   | -0.18 | -0.44 | -0.02 |
| <b>WIIW</b>              | 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  |
|                          | 2002 - 2011 | 1.02                         | 1.21  | 0.82  | 0.23  | -0.72                   | -0.18 | -0.08 | 0.09  |

Table 13: Comparison of the performance assessment 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  |
| <b>MAE ... Mean Absolute Error</b> |             |                              |       |      |      |                         |       |      |      |
| <b>IMAD</b>                        | 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 |
|                                    | 2002 - 2011 | 2.27                         | 2.09  | 1.21 | 0.55 | 1.04                    | 1.03  | 0.47 | 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 |
|                                    | 1997 - 2011 | 1.90                         | 1.70  | 1.02 | 0.56 | 1.24                    | 1.03  | 0.50 | 0.19 |
| <b>BS</b>                          | 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 |
|                                    | 2002 - 2011 | 2.18                         | 2.10  | 1.34 | 0.62 | 1.03                    | 0.89  | 0.48 | 0.27 |
| <b>SKEP</b>                        | 2002 - 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 |
|                                    | 2002 - 2011 | 2.18                         | 2.03  | 1.32 | 0.65 | 1.12                    | 1.01  | 0.38 | 0.10 |
|                                    | 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 |
| 1997 - 2011                        | 1.79        | 1.77                         | 1.12  | 0.77 | 1.46 | 1.14                    | 0.55  | 0.18 |      |
| <b>EC</b>                          | 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 |
|                                    | 2002 - 2011 | 2.13                         | 2.03  | 1.28 | 0.47 | 1.29                    | 1.06  | 0.29 | 0.18 |
| <b>IMF</b>                         | 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 |
|                                    | 2002 - 2011 | 2.06                         | 2.18  | 1.36 | 0.96 | 1.15                    | 1.18  | 0.56 | 0.20 |
| <b>WIIW</b>                        | 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 |
|                                    | 2002 - 2011 | 2.56                         | 2.25  | 1.68 | 1.17 | 1.84                    | 1.28  | 0.86 | 0.37 |

Table 13: Comparison of the performance assessment 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  |
| <b>RMSE ... Root Mean Square Error</b> |             |                              |       |      |      |                         |       |      |      |
| <b>IMAD</b>                            | 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 |
|  | 2002 - 2011 | 4.00                         | 3.68  | 1.61 | 0.76 | 1.42                    | 1.37  | 0.59 | 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 |
|  | 1997 - 2011 | 3.43                         | 3.14  | 1.41 | 0.73 | 1.69                    | 1.39  | 0.64 | 0.27 |
| <b>BS</b>                              | 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 |
|  | 2002 - 2011 | 3.89                         | 3.77  | 2.10 | 0.77 | 1.49                    | 1.29  | 0.55 | 0.32 |
| <b>SKEP</b>                            | 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 |
|  | 2002 - 2011 | 3.98                         | 3.72  | 1.95 | 0.75 | 1.52                    | 1.30  | 0.51 | 0.12 |
|  | 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 |
| 1997 - 2011                            | 3.40        | 3.23                         | 1.67  | 0.97 | 1.89 | 1.49                    | 0.69  | 0.28 |      |
| <b>EC</b>                              | 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 |
|  | 2002 - 2011 | 3.86                         | 3.59  | 1.78 | 0.60 | 1.62                    | 1.35  | 0.44 | 0.24 |
| <b>IMF</b>                             | 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 |
|  | 2002 - 2011 | 3.76                         | 3.86  | 1.94 | 1.32 | 1.42                    | 1.53  | 0.77 | 0.24 |
| <b>WIIW</b>                            | 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 |
|  | 2002 - 2011 | 4.22                         | 4.04  | 2.72 | 1.55 | 2.81                    | 1.85  | 1.04 | 0.47 |

Table 13: Comparison of the performance assessment 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  |
| <b>stdMAE ... Standardised Mean Absolute Error</b> |             |                              |       |      |      |                         |       |      |      |
| <b>IMAD</b>  | 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 |
|  | 2002 - 2011 | 0.57                         | 0.53  | 0.30 | 0.14 | 0.49                    | 0.49  | 0.22 | 0.09 |
|  | 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 |
|  | 1997 - 2011 | 0.57                         | 0.51  | 0.31 | 0.17 | 0.44                    | 0.36  | 0.18 | 0.07 |
| <b>BS</b>  | 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 |
|  | 2002 - 2011 | 0.55                         | 0.53  | 0.34 | 0.16 | 0.49                    | 0.42  | 0.23 | 0.13 |
| <b>SKEP</b>  | 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 |
|  | 2002 - 2011 | 0.55                         | 0.51  | 0.33 | 0.16 | 0.53                    | 0.48  | 0.18 | 0.05 |
|  | 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 |
|  | 1997 - 2011 | 0.54                         | 0.53  | 0.34 | 0.23 | 0.51                    | 0.40  | 0.19 | 0.06 |
| <b>EC</b>  | 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 |
|  | 2002 - 2011 | 0.54                         | 0.51  | 0.32 | 0.12 | 0.61                    | 0.50  | 0.14 | 0.09 |
| <b>IMF</b>   | 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 |
|  | 2002 - 2011 | 0.52                         | 0.55  | 0.34 | 0.24 | 0.55                    | 0.56  | 0.26 | 0.10 |
| <b>WIIW</b>  | 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 |
|  | 2002 - 2011 | 0.64                         | 0.57  | 0.42 | 0.29 | 0.88                    | 0.61  | 0.41 | 0.18 |

Table 13: Comparison of the performance assessment 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  |
| <b>stdRMSE ... Standardised Root Mean Square Error</b> |             |                              |       |      |      |                         |       |      |      |
| <b>IMAD</b>  | 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 |
|  | 2002 - 2011 | 1.01                         | 0.92  | 0.41 | 0.19 | 0.67                    | 0.65  | 0.28 | 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 |
|  | 1997 - 2011 | 1.03                         | 0.94  | 0.42 | 0.22 | 0.44                    | 0.36  | 0.18 | 0.07 |
| <b>BS</b>  | 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 |
|  | 2002 - 2011 | 0.98                         | 0.95  | 0.53 | 0.19 | 0.71                    | 0.62  | 0.26 | 0.15 |
| <b>SKEP</b>  | 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 |
|  | 2002 - 2011 | 1.00                         | 0.94  | 0.49 | 0.19 | 0.72                    | 0.62  | 0.24 | 0.06 |
|  | 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 |
| 1997 - 2011  | 1.02        | 0.97                         | 0.50  | 0.29 | 0.66 | 0.52                    | 0.24  | 0.10 |      |
| <b>EC</b>  | 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 |
|  | 2002 - 2011 | 0.97                         | 0.90  | 0.45 | 0.15 | 0.77                    | 0.64  | 0.21 | 0.11 |
| <b>IMF</b>   | 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 - 2010 | 0.95                         | 0.97  | 0.46 | 0.29 | 0.70                    | 0.75  | 0.38 | 0.12 |
|  | 2002 - 2011 | 0.95                         | 0.97  | 0.49 | 0.33 | 0.67                    | 0.73  | 0.37 | 0.12 |
| <b>WIIW</b>  | 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 |
|  | 2002 - 2011 | 1.06                         | 1.02  | 0.68 | 0.39 | 1.34                    | 0.88  | 0.49 | 0.23 |

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 2012. 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), Ljubljana, Institute of Macroeconomic Analysis and Development (IMAD).

Price Stability Report (April, October), Ljubljana, Bank of Slovenia (BS).

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

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

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

Current Analyses and Forecasts (February, June), WIIW.

## Acronyms

### Acronyms in the text

**AJPES** – Agency of the Republic of Slovenia for Public Legal Records and Related Services, **BS** – Bank of Slovenia, **CPI** – Consumer Price Index, **EC** – European Commission, **EFSF** – European Financial Stability Facility, **EMU** – European Monetary Union, **ESA** – European System of Accounts, **ESS** – Employment Service of Slovenia, **EU** – European Union, **GDP** – Gross Domestic Product, **IEA** – International Energy Agency, **IMAD** – Institute of Macroeconomic Analysis and Development, **IMF** – International Monetary Fund, **MF** – Ministry of Finance, **MPA** – Ministry of Public Administration, **NFI** – Non-monetary Financial Institutions, **NPISH** – Non-profit institutions serving households, **PMI** – Purchasing Managers Index, **PPA** – Public Payments Administration of the Republic of Slovenia, **RS** – Republic of Slovenia, **RULC** – Real Unit Labour Costs, **SCA** – Standard Classification of Activities, **SITC** – Standard International Trade Classification, **SORS** – Statistical office of the Republic of Slovenia, **SRE** – Statistical Register of Employment, **ULC** – Unit Labour Costs, **TFP** – Total Factor productivity, **WIIW** – The Vienna Institute for International Economic Studies, **ZZZS** – Health Insurance Institute of Slovenia.

### Acronyms of Standard Classification of Activities (SCA)

**A**-Agriculture, forestry and fishing, **B**-Mining and quarrying, **C**-Manufacturing, **10**-Manufacture of food products, **11**-Manufacture of beverages, **12**-Manufacture of tobacco products, **13**-Manufacture of textiles, **14**-Manufacture of wearing apparel, **15**-Manufacture of leather and related products, **16**- Manufacture of wood and of products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials, **17**-Manufacture of paper and paper products, **18**-Printing and reproduction of recorded media, **19**- Manufacture of coke and refined petroleum products, **20**-Manufacture of chemicals and chemical products, **21**-Manufacture of basic pharmaceutical products and pharmaceutical preparations, **22**-Manufacture of rubber and plastic products, **23**- Manufacture of other non-metallic mineral products, **24**-Manufacture of basic metals, **25**-Manufacture of fabricated metal products, except machinery and equipment, **26**-Manufacture of computer, electronic and optical products, **27**-Manufacture of electrical equipment, **28**-Manufacture of machinery and equipment n.e.c., **29**-Manufacture of motor vehicles, trailers and semi-trailers, **30**-Manufacture of other transport equipment, **31**-Manufacture of furniture, **32**-Other manufacturing, **33**-Repair and installation of machinery and equipment, **D**-Electricity, gas, steam and air conditioning supply, **E**-Water supply sewerage, waste management and remediation activities, **F**-Construction, **G**-Wholesale and retail trade, repair of motor vehicles and motorcycles, **H**-Transportation and storage, **I**-Accommodation and food service activities, **J**- Information and communication, **K**- Financial and insurance activities, **L**-Real estate activities, **M**-Professional, scientific and technical activities, **N**-Administrative and support service activities, **O**-Public administration and defence, compulsory social security, **P**-Education, **Q**-Human health and social work activities, **R**-Arts, entertainment and recreation, **S**-Other service activities, **T**-Activities of households as employers, undifferentiated goods - and services - producing activities of households for own use, **U**-Activities of extraterritorial organizations and bodies.

### Acronyms of Countries

**AT**-Austria, **BA**-Bosnia and Herzegovina, **BE**-Belgium, **BG**-Bulgaria, **BY**-Belarus, **CH**-Switzerland, **HR**-Croatia, **CZ**-Czech Republic, **CY**-Cyprus, **DE**-Germany, **DK**-Denmark, **ES**-Spain, **EE**-Estonia, **GR**-Greece, **FR**-France, **FI**-Finland, **HU**-Hungary, **IT**-Italy, **IL**-Israel, **IE**-Ireland, **JP**-Japan, **LU**-Luxembourg, **LT**-Lithuania, **LV**-Latvia, **MT**-Malta, **NL**-Netherlands, **NO**-Norway, **PL**-Poland, **PT**-Portugal, **RO**-Romania, **RS**-Republic of Serbia, **RU**-Russia, **SE**-Sweden, **SI**-Slovenia, **SK**-Slovakia, **TR**-Turkey, **UA**-Ukraine, **UK**-United Kingdom, **US**-United States of America.



**spring forecast of  
economic trends 2012**