The **autumn forecasts** are based on the SORS' economic growth figures for the first half of the year (see p. 4), other short-term indicators, and expectations about economic developments in the domestic and international environments up until the end of this year and next year.

Assumptions about the international environment are based on August and September's forecasts of international institutions (Consensus, IMF; see p. 5). The main factor causing the discrepancy between the autumn and spring forecasts is the absence of the recovery of economic growth in EU members. Drawing on the figures for the first seven months of this year, the forecast of export growth to the markets of former Yugoslavia and the Soviet Union was also downgraded relative to the spring forecast. Following the latest forecasts of international institutions, we assumed lower economic growth for the **euro-zone** than in spring (0.5% for 2003 compared to 0.8%-0.9% projected in spring). Similarly, the assumption about economic growth for the euro-zone for 2004 was downgraded from 2.1% to 1.6%. Economic growth in the **USA** in 2003 is largely moving in line with the spring forecasts. The estimates of this year's economic growth stayed the same (2.4%), while those for 2004 were raised from 2.8% to 3.4%. The **oil price** assumption for 2003 in the spring forecasts is largely being realised (it was corrected upwards slightly from USD 27.8 to USD 28.2 per barrel), while that for 2004 was corrected upwards by one dollar (to USD 26 per barrel) in line with the expectations of international institutions.

The autumn **economic growth forecast for Slovenia for 2003** (2.6%) is half a percentage point lower than the spring one. This correction was underlined by a reduced forecast of real export growth, resulting from trends in the international environment being less favourable than anticipated. Exports of some groups of products are declining more than total export demand (e.g. exports of vehicles and clothing to Germany, exports of food products, electrical machinery and equipment to the countries of former Yugoslavia; also see p. 6). The autumn forecast of real growth in gross fixed capital formation is higher than the spring one (high imports of investment goods seen in the first half of the year and accelerated motorway construction), as is the forecast of private consumption growth. As a result, the contribution of domestic consumption to economic growth should increase more than anticipated in spring.

The spring forecasts included an alternative scenario for **2004**, projecting about half of a percentage point lower economic growth than the original scenario (3.9%); it was based on less favourable developments in the international environment and their impact on export flows and domestic consumption. Following the latest international environment forecasts and figures on domestic consumption aggregates, we may assume that the less favourable scenario is being realised for export demand, while the more favourable scenario is being realised for domestic consumption. Namely, the indicators of private and investment consumption suggest that the upward cycle will be sustained in 2004 (motorway construction, the recovery of housing construction, and the strengthening of the private consumption cycle fuelled by funds released from the national housing savings scheme). So the economic growth forecast for **2004** was downgraded by just 0.3 of a percentage point.

	2003		2004	
	spring forecast	**autumn forecast**	**spring forecast**	**autumn forecast**
GROSS DOMESTIC PRODUCT (real growth, %)	3.1	2.6	3.9	3.6
INFLATION (year-end, %)	5.1	5.5	4.3	4.5

The 2002 autumn forecasts and 2003 spring forecasts included a low and high scenario of **inflation movements**, which were based on different assumptions about the impact of fiscal factors, administered prices, and the euro's exchange rate on inflation. Figures for the first eight months of this year and expectations for the rest of the year and 2004 suggest that fiscal and administered prices policy assumptions from the low inflation scenario are being realised. The upward correction of the inflation forecast for 2003 and 2004 was chiefly due to the fact that our monetary policy assumptions are not being realised. According to our understanding of how the inflationary mechanism works, any rise in the exchange rate fully translates into price growth. Price growth will be higher because, in the first nine months, the rise in the exchange rate decelerated less than anticipated early in the year. The **inflation forecast for 2003 and 2004** was therefore revised upwards to 5.5% and 4.5%, respectively.