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autumn forecast of economic trends 2018

Autumn Forecast of Economic Trends 2018
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Contents

Summary

Economic growth is expected to total 4.4% this year and remain at relatively high levels in the next two (3.7% and 3.4% respectively). Further growth in private and government consumption will contribute more to economic growth than last year. Growth will continue to be underpinned by private sector and government investment, which will increase only slightly less than last year. Export growth will also remain strong, yet somewhat lower than last year, consistent with more moderate growth in foreign demand. The lower growth rates of investment and exports will thus be the main reasons for lower economic growth than last year (4.9%) and than in our Spring Forecast for this year (5.1%). In the next two years economic growth will slow further, not only due to the gradually weaker growth in foreign demand, but increasingly as a consequence of demographic factors, i.e. a decrease in the working age population.

Export growth is expected to be somewhat more moderate this year and in the next two, yet still strong. Economic growth in Slovenia's trading partners will ease somewhat this year according to the latest forecasts by international institutions. After last year's extraordinary high rates, Slovenian exports will see more moderate growth this year. This is associated with slower growth in foreign demand and the absence of one-off factors in the automotive industry, which significantly increased exports particularly in 2017, but also in 2018. Since at the same time the moderation of growth will also be affected by gradually higher growth in labour costs, we expect no further improvement in export competitiveness in the coming years. Amid the continuation of relatively strong growth in domestic consumption, the growth of imports will ease off more slowly than the growth of exports. The contribution of external trade to GDP growth will therefore be smaller, yet still positive.

Investment growth will remain high in 2018–2020; private consumption will also make a significant contribution to growth. Growth is expected for all segments of investment activity, not only in construction (housing and infrastructure investments), but also in investment in machinery and equipment; amid rising demand, this will continue to be boosted by high capacity utilisation and good business performance. The growth of private consumption will strengthen this year under the impact of favourable labour market conditions and moderate optimism among consumers, then fall slightly in the next two, for the most part owing to slower growth in employment. Growth in government consumption is also expected to strengthen somewhat this year amid growth in employment in the general government sector, and then ease gradually in the following years.

Employment growth will remain high this year, before moderating in the coming years, mainly under the impact of demographic change. Employment will continue to rise across most activities, but given the increasingly limited pool of labour, its growth will gradually slow down despite slightly higher labour force participation and the hiring of foreign nationals. The number of registered unemployed will continue to fall. Amid further growth in economic activity and employment, this will also be due to demographic factors (hiring to replace the rising number of retirees, outflows from unemployment into retirement).

Wage growth will be strengthening in the 2018–2020 period, reflecting favourable economic developments and the increasingly limited supply of skilled labour. The working-age population will continue to shrink and enterprises will find it increasingly difficult to find appropriately skilled workers. All of this will put further upward pressure on wage growth. Wage growth will nevertheless remain more or less in line with productivity growth, particularly in the export sector, as companies will be trying to maintain competitiveness. However, the competitive position from the aspect of cost competitiveness could deteriorate gradually, given the expected wage and productivity movements in Slovenia's trading partners. Stronger wage growth is also expected in the general government sector, notably next year with the foreseen relaxation of the remaining cost-containment measures in the area of wages.

Inflation will exceed the rate of 2% slightly by 2020. Price growth, which rose somewhat last year following a period of prolonged very low growth and deflation, will be slightly higher this year (at 1.8%), mainly owing to strong oil price rises and a gradual strengthening of growth in prices of services. With further growth in demand and the strengthening of cost pressures, price growth will continue to increase steadily in the next few years.

The surplus of the current account in the balance of payments will remain very high in 2018–2020 (6%–7% of GDP). The persistent high surplus relative to GDP is attributable to strong private sector savings amid the still relatively low level of investment and moderate private consumption. Slovenia will continue to have a surplus in the balance of trade in goods and services and deficits in the balance of primary and secondary incomes.

In the estimate of the position of the economy in the business cycle, some indicators point in the same direction as the output gap, which has been positive since this year, but this is not corroborated by most other indicators, which remain moderate. Indicators pointing in the same direction as the output gap include, for example, the (rapid) growth rates in the property market (in the volume of transactions and prices) and extraordinarily, in some activities historically, high values of the indicators of labour shortages and capacity utilisation. On the other hand, financial and price indicators, particularly inflation, banks' lending activity and the current account surplus – where positive trends have started to strengthen only recently and should mostly continue at a moderate pace – indicate only modest rates of growth or change.

The main risks to the autumn forecast are possible different conditions in the international environment than assumed in the baseline scenario, which could lead to lower economic growth. The predominantly negative risks in the international environment have strengthened notably since the spring. In the still favourable cyclical economic conditions, they are mainly associated with: i) protectionist measures and the unpredictability of economic measures in the US in general, ii) the consequences of the tightening of monetary policy in the US and, in the medium term, also in the euro area, iii) high valuation of assets on financial markets (especially in the US), and iv) political changes and uncertainty regarding economic policies of some countries in the European economic area. In the domestic environment, risks to the forecast are still broadly balanced in the first two years. The possibilities for higher economic growth (in the short term) are related to i) relatively high consumer and business confidence and ii) rising pressures on wage growth in the private and public sectors. Were favourable borrowing conditions and positive external developments to continue, this could lead to even higher growth in investment and private consumption and, in the short term, higher economic growth. The risks that GDP growth will be lower than forecast are associated with increased uncertainty about tax policy and, in the coming years, higher-than-predicted wage growth and greater uncertainty about policy measures for dealing with demographic change.

Forecast of Slovenia's main macroeconomic aggregates

		Autumn forecast (September 2018)		
	2017	2018	2019	2020
GROSS DOMESTIC PRODUCT				
GDP, real growth (%)	4.9	**4.4**	**3.7**	**3.4**
GDP, nominal growth (%)	6.5	**6.4**	**6.1**	**6.0**
GDP in EUR billion, current prices	43.0	**45.7**	**48.5**	**51.4**
Exports of goods and services, real growth (%)	10.7	**8.2**	**6.6**	**7.1**
Imports of goods and services, real growth (%)	10.3	**8.0**	**7.1**	**7.3**
External balance of goods and services (contribution to growth in pps)	*1.3*	***0.9***	***0.3***	***0.5***
Private consumption, real growth (%)	1.9	**2.7**	**2.6**	**2.2**
Government consumption, real growth (%)	0.5	**2.7**	**2.0**	**1.5**
Gross fixed capital formation, real growth (%)	10.7	**9.0**	**8.5**	**7.5**
Change in inventories and valuables (contribution to growth in pps)	*0.6*	***-0.1***	***0.0***	***0.0***
EMPLOYMENT, EARNINGS AND PRODUCTIVITY				
Employment according to the SNA, growth (%)	2.9	**2.8**	**1.5**	**0.8**
Number of registered unemployed, annual average (in '000)	88.6	**78.5**	**73.9**	**69.3**
Registered unemployment rate (%)	9.5	**8.2**	**7.7**	**7.2**
ILO unemployment rate (%)	6.6	**5.5**	**4.9**	**4.4**
Gross earnings per employee, nominal growth (%)	2.7	**3.5**	**4.9**	**5.0**
Gross earnings per employee, real growth (%)	1.3	**1.7**	**2.8**	**2.6**
- private sector	1.5	**2.3**	**2.6**	**3.0**
- public sector	1.5	**1.3**	**2.9**	**1.8**
Labour productivity (GDP per employee), real growth (%)	1.9	**1.5**	**2.1**	**2.6**
BALANCE OF PAYMENTS STATISTICS				
Current account BALANCE (EUR billion)	3.1	**3.1**	**3.1**	**3.4**
- as a % of GDP	7.2	**6.8**	**6.4**	**6.7**
PRICES AND EFFECTIVE EXCHANGE RATE				
Inflation (Dec/Dec, in %)	1.7	**2.1**	**2.3**	**2.4**
Inflation (annual average, %)	1.4	**1.8**	**2.1**	**2.3**
Real effective exchange rate deflated by unit labour costs	-0.7	**2.0**	**1.1**	**0.7**
ASSUMPTIONS				
Foreign demand (imports of trading partners), real growth (%)	6.0	**4.7**	**4.7**	**4.3**
GDP in the euro area, real growth (%)	2.4	**2.1**	**1.9**	**1.6**
Oil price (Brent crude, USD/barrel)	54.3	**71.6**	**72.2**	**69.3**
Non-energy commodity prices (USD), growth (%)	8.0	**5.8**	**2.0**	**0.0**
USD/EUR exchange rate	1.129	**1.182**	**1.150**	**1.150**

Source: Year 2017 SURS, BoS, ECB, EIA, 2018–2020 IMAD forecasts.

The Autumn Forecast of Economic Trends is based on statistical data, information and adopted measures known at the cut-off date of 7 September 2018.

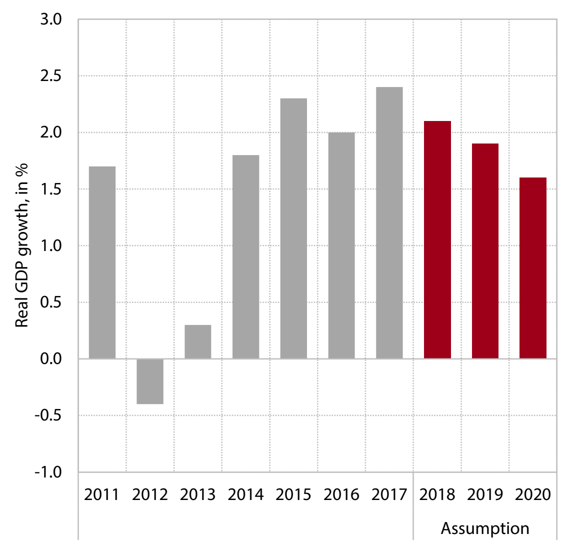
autumn forecast
of economic trends 2018

1. Assumptions of the Autumn Forecast of Economic Trends 2018

1.1 International environment

In preparing the Autumn Forecast, we took into account the latest forecasts by international institutions, which indicate that economic growth in trading partners will ease off somewhat already this year, and point to elevated risks. The strong growth of the world economy continues this year, while the growth of world trade moderated in the second quarter after accelerating last year. International institutions also predict a gradual decline in world trade growth for the coming years, partly owing to increased tariffs and other barriers to trade. A more moderate growth of exports is the key factor behind this year's slightly weaker GDP growth in the euro area, where business confidence, though still high, is deteriorating. International institutions thus revised their forecasts for this year's euro area GDP growth (2.1%) to somewhat below last year's growth (2.4%). Economic growth in the next few years will even be somewhat weaker, in addition to slightly lower growth in foreign demand due in part to limited labour supply. Economic growth is also set to continue at a more moderate pace in most of Slovenia's export markets in the Western Balkans (including Croatia); economic recovery is also expected to continue in Russia. The forecasts for economic growth in the majority of Slovenia's main trading partners are only slightly lower than in the Spring Forecast, but the predominantly negative risks to their realisation are significantly higher.

Figure 1: GDP in the euro area



Source: Eurostat; assumption by IMAD.

The forecast is based on the assumption that oil and non-energy commodity prices will not fluctuate significantly in the coming years. The technical assumption regarding oil prices in the coming years is based on the current prices on futures markets.[1] The price of Brent oil is thus assumed to average USD 71.6 per barrel this year. With the technical assumption of a 5% appreciation of the euro, oil prices in euros will be up more than 26% on average in 2018. In subsequent years, the prices of oil and non-energy commodities are assumed to be relatively stable. The technical assumptions for oil and non-energy commodity prices are notably higher than in the Spring Forecast, given their increase in the period since March.

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

Real growth rates (%)	2017	2018 March 2018	2018 September 2018	2019 March 2018	2019 September 2018	2020 September 2018
EU	2.4	2.3	**2.1**	2.0	**1.9**	**1.6**
Euro area	2.4	2.3	**2.1**	2.0	**1.9**	**1.6**
Germany	2.2	2.3	**1.9**	2.0	**1.9**	**1.7**
Italy	1.5	1.4	**1.3**	1.2	**1.1**	**1.0**
Austria	3.0	2.6	**2.8**	2.1	**2.1**	**1.7**
France	2.2	2.0	**2.0**	1.8	**1.7**	**1.6**
Croatia	2.9	2.8	**2.6**	2.7	**2.6**	**2.5**
Russia	1.8	1.8	**1.8**	1.7	**1.7**	**1.7**

Source: Eurostat (for 2017); Consensus Forecasts, August 2018; Eastern Consensus Forecasts, August 2018; EC Interim Economic Forecast, July 2017; Focus Economics, August 2018; IMF World Economic Outlook Update, July 2018; IMAD estimate.

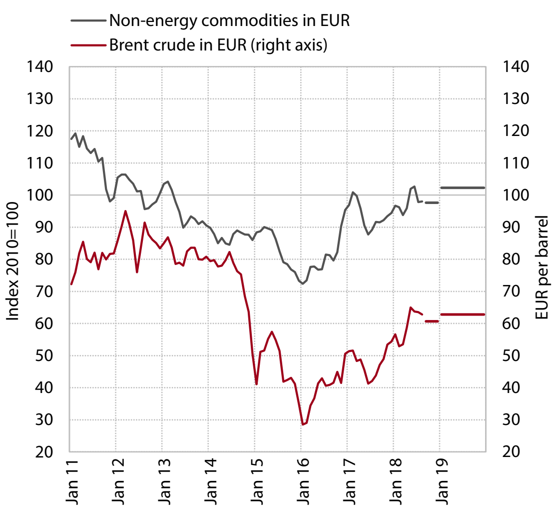
[1] For individual months in the forecast period, we took into account the average futures prices between 1 and 20 August 2018 (with maturity in individual months).

Table 2: Assumptions about oil and non-energy commodity prices and the USD/EUR exchange rate

		2018		2019		2020
	2017	March 2018	September 2018	March 2018	September 2018	September 2018
Brent crude price, in USD	54.3	65.1	**71.6**	60.8	**72.2**	**69.3**
Brent crude price, in EUR	48.1	52.8	**60.7**	49.2	**62.8**	**60.3**
Non-energy commodity prices (USD), growth*	8.0	1.8	**5.8**	0.8	**2.0**	**0.0**
USD/EUR exchange rate	1.129	1.234	**1.182**	1.236	**1.150**	**1.150**

Source: EIA, IMF, ECB, CME, IMAD estimate.
Note: The assumptions are made on the basis of the average prices between 1 and 20 August 2018. * Import composition for EMU.

Figure 2: Oil and non-energy commodity prices



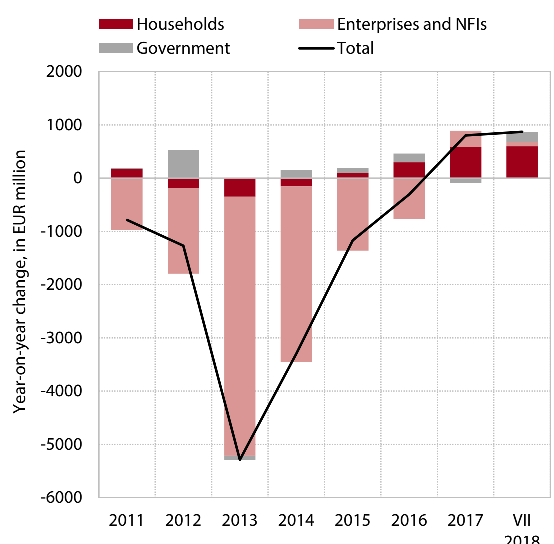
Source: ECB, EIA; calculations by IMAD. Note: The line indicates the annual average based on the assumption of the forecast.

1.2 Sources of finance

A moderate increase in the volume of private sector loans, household loans in particular, continues this year. *Household borrowing* made the greatest contribution to bank loan growth in the first seven months. Households were increasingly borrowing to finance consumption and housing purchases. The volume of new housing loans has otherwise decreased slightly in recent months, consistent with a fall in the number of property transactions following last year's strong growth. Bank *lending to enterprises* remains moderate, despite favourable conditions. Borrowing conditions for enterprises have improved somewhat further and enterprises are receiving higher credit ratings on average than in previous years. Access to sources of finance in Slovenia remains good, according to the enterprises surveyed. Enterprises are increasingly financing increased investment and production by retained earnings,[2] capitalisations[3] and through crowdfunding platforms.[4]

Moderate growth rates in bank loans to the private sector, particularly households, are also expected for the next two years. Household loan demand will be boosted by favourable labour market conditions and a further increase in private consumption. The moderate increase in bank lending to enterprises is also set to continue. Amid good business results, these will continue to report significantly lower levels of debt than a few years ago.

Figure 3: Change in loan volumes in the Slovenian banking sector



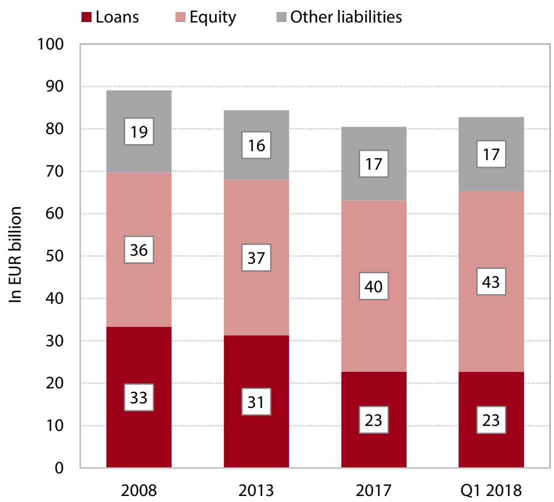
Source: BoS; calculations by IMAD.

[2] A potential source of own resources for the coming years is the rising amount of deposits by non-financial corporations. This reached EUR 6.5 billion at the end of the first half of 2018 in the Slovenian banking system, approximately 60% more than at the end of 2013.

[3] Over the last four years (data for the first quarter of 2018), non-financial corporations' equity increased by 17%. One third of the increase was otherwise accounted for by value adjustments.

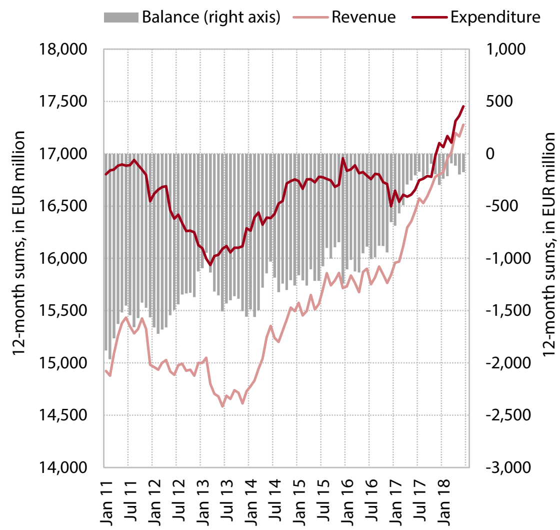
[4] Enterprises obtained EUR 140 million through crowdfunding platforms in 2017 (which corresponds 45% of the increase in the volume of corporate and NFI bank loans) and EUR 40 million in the first quarter of this year (see http://www.silicongardens.si/).

Figure 4: Financing of Slovenian non-financial corporations



Source: BoS.

Figure 5: Revenue, expenditure and consolidated general government balance on a cash basis (GFS)



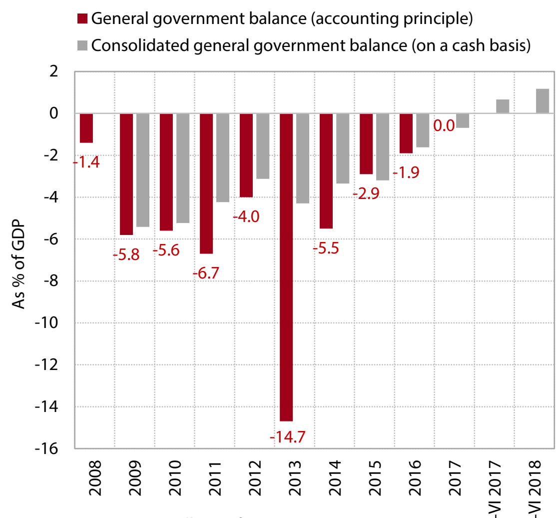
Source: MF, Bulletin of Government Finance; calculations by IMAD.

The situation in the Slovenian banking system remains stable. Net interest receipts stopped declining this year, in part owing to a gradual increase in lending. The operating results of banks are improving, though mainly through lower impairments and provisions. Continuing to fall, the share of non-performing claims[5] was less than 3% at the end of June 2018, in part also due to favourable economic conditions and greater solvency. The share of foreign sources is shrinking further, while deposits by domestic enterprises and households continue to rise. The maturity structure of non-banking sector deposits keeps deteriorating. Owing to low interest rates, particularly overnight deposits continue to expand. They already account for around 70% of all non-banking sector deposits,[6] and thus almost half of the banking system's total assets. With a gradual increase in banks' lending activity, the capital adequacy of the banking system has steadily declined, but remains relatively high.

1.3 Public finance

The autumn report for this year and the coming years assumes a further improvement in the general government balance, consistent with the general fiscal policy orientations.[7] The improvement in the general government balance, which was balanced for the general government sector for the first time last year, continues this year[8] primarily as a consequence of favourable economic conditions, but also due to the retention of the remaining measures that curb expenditure growth, and lower interest expenditure. Government investment is

Figure 6: General government balance (ESA, accounting principle) and consolidated general government balance (GFS, on a cash basis)



Source: MF, Bulletin of Govenrment Finance; SURS, Main national accounts aggregates.

[5] Arrears of more than 90 days.

[6] Between 2007 and 2012, this share was 30–40%

[7] Based on the Draft Budgetary Plan 2018, October 2017, and the Stability Programme – Update 2018. In the latter, we took into account the scenario between the target scenario and the no-policy change scenario.

[8] According to the consolidated general government budgetary accounts on a cash basis in the first half of 2018. In the Report on the Execution of the Budget of the Republic of Slovenia in the Period January–June 2018, the Ministry of Finance estimates that the state budget, which is the main part of the total general government balance, will generate a surplus of EUR 227 million or 0.5% of GDP in 2018. Last year it created a deficit of EUR 326 million or 0.8% of GDP.

rising rapidly this year, partly due to the beginning of the absorption of EU funds for infrastructure projects under the new 2014–2020 financial perspective,[9] which will also continue in the coming years. The forecast assumes that the improvement in the general government balance will also be mainly due to cyclical factors in the coming years (particularly on the revenue side). On the expenditure side, we expect that, with the relaxation of measures relating to earnings and social benefits and transfers, these expenditure categories will increase at the fastest pace. The improvement on the expenditure side will thus be attributable to a decline in interest expenditure and, probably, the containment of growth in other, more flexible, categories, such as expenditure on goods and services. With the foreseen increase in the absorption of EU funds, we expect a further expansion in general government investment in 2018–2020.[10]

[9] According to the Report on the Implementation of the EU Cohesion Policy 2014–2020 for the period from January 2014 to the end of June 2018, 65% of eligible funds were allocated by the end of July, 14% paid, and 6.5% refunded to the budget.

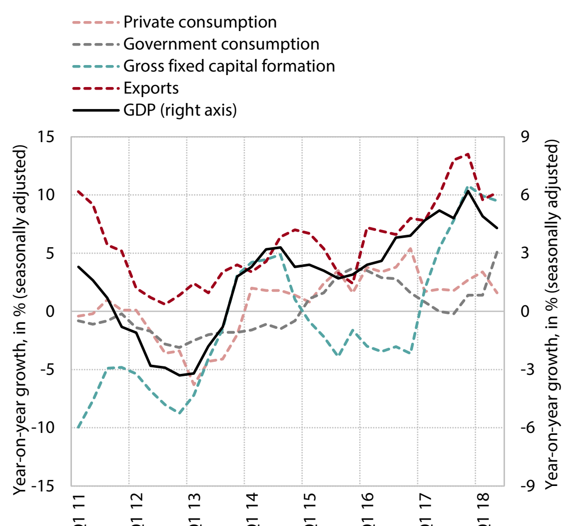
[10] See also the Operational Programme for the Implementation of the EU Cohesion Policy in the 2014–2020 programming period. 8.0, 27.03.2018 (with supplements).

2 Forecast of economic trends in Slovenia

2.1 Gross domestic product – consumption aggregates

Economic growth (4.9%), which accelerated last year, was somewhat more moderate in the first half of the year. Real GDP growth remained broad-based. The robust growth of *domestic consumption* continued, driven particularly by significantly higher gross fixed capital formation. The growth of gross fixed capital formation remained high, primarily as a result of continued growth momentum in construction investment,[11] while the growth of investment in machinery and equipment eased somewhat despite the continuation of favourable conditions.[12] Domestic consumption was also boosted by stronger government consumption supported by, among other things, relatively strong growth in employment. Private consumption growth remained moderate, in spite of the continuation of favourable labour market developments and high consumer confidence. Exports continued to expand in the first half of the year, but made a slightly smaller contribution to GDP growth than their last year's accelerated growth. Reflecting these movements, real GDP growth in the first half of the year (4.2%) was slightly lower than last year (4.9%), but still significantly above the long-term average and

Figure 7: Dynamics of Slovenia's GDP



Source: SURS; calculations by IMAD.

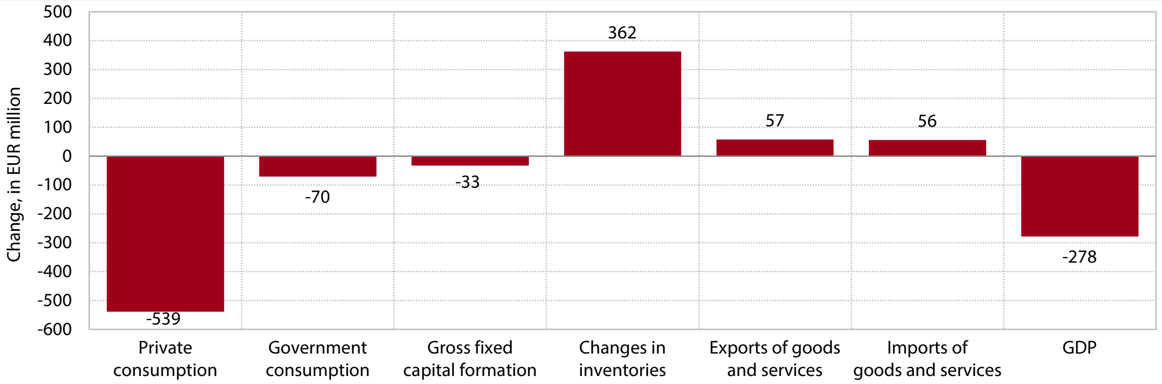
[11] The rapid growth of investment in civil engineering works was also boosted by the beginning of the absorption of EU funds under the new financial perspective.

[12] Increased demand for goods and services, high capacity utilisation, good business results, significantly lower corporate indebtedness than during the crisis, favourable debt financing conditions.

Box 1: The new estimate of 2017 GDP

The release of the new estimate of GDP for 2017 (and a small revision for 2014–2016) changed the starting points for the preparation of the forecast. In August SURS published a new GDP estimate for the period up to and including 2017.[1] The new estimate is EUR 278 million lower than the previous estimate. The estimate of real growth was also revised, down 0.1 pps. Individual components of GDP changed even more. The estimate of private consumption is more than EUR 500 million lower (the estimate of real growth is lower too), which changed significantly the estimate of Slovenian consumer savings and hence the starting point for the preparation of the forecast. The estimate of government consumption also declined, while the estimate of changes in inventories rose by EUR 362 million. The contribution of changes of inventories to economic growth is therefore significantly higher (while being negative according to previous estimates, it is now strongly positive, at 0.6 pps).

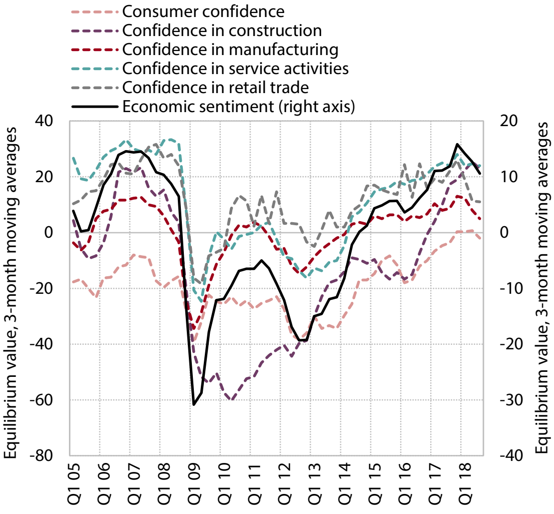
Figure 9: Change in consumption aggregates in 2017



Source: SURS; calculations by IMAD.

[1] Statistical offices tend to revise their estimates of past economic activity when more data become available. The changes in individual components of GDP are often more significant than those for GDP as a whole.

Figure 8: Indicators of consumer and business confidence in the economy



Source: SURS; calculations by IMAD. Note: The data for Q3 2018 is for July.

the average in the EU (both around 2.3%).[13] The gradual decline in the high values of confidence indicators seen from the beginning of the year has continued in the last few months, indicating a further moderation of positive developments.

Economic growth will total 4.4% this year and remain relatively high in the following two (3.7% and 3.4% respectively). The contributions of domestic and foreign consumption to the continuation of strong economic growth in 2018–2020 will be even more balanced than last year. The robust growth of domestic consumption will, in addition to the still rapidly rising investment, be due to the significant contribution of higher growth in *private consumption* boosted by relatively strong growth in disposable income (wage bill in particular). The vigorous growth of *construction investment* related to the low level of this investment in previous years and the increased absorption of EU funds will continue. *Investment in machinery and equipment* will see somewhat more moderate growth than last year, yet still high. Amid

[13] GDP growth in the EU averaged 2.3% in the first half of the year (seasonally adjusted), which is half less than in Slovenia (4.6%, seasonally adjusted). Slovenia's economy grew by 2.3% per year on average in 2000–2017.

Table 3: Forecast for economic growth

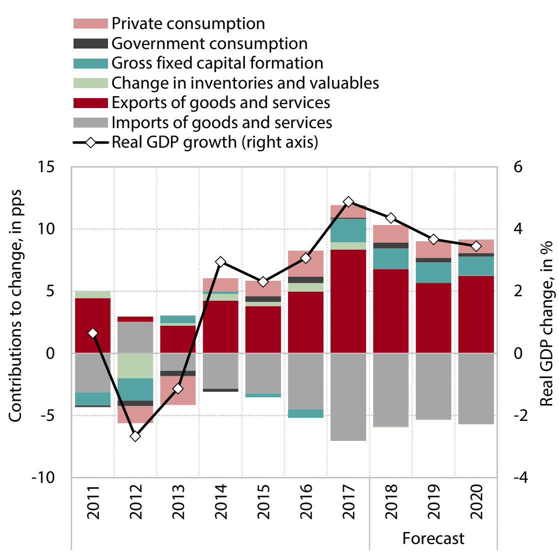
Real growth rates (%)	2017	2018 March 2018	2018 September 2018	2019 March 2018	2019 September 2018	2020 September 2018
GDP	4.9	5.1	**4.4**	3.8	**3.7**	**3.4**
Exports	10.7	9.2	**8.2**	7.5	**6.6**	**7.1**
Imports	10.3	9.3	**8.0**	8.1	**7.1**	**7.3**
External balance of goods and services (contribution to growth in pps)	*1.3*	*0.9*	*0.9*	*0.3*	*0.3*	*0.5*
Private consumption	1.9	3.6	**2.7**	3.0	**2.6**	**2.2**
Government consumption	0.5	1.7	**2.7**	1.4	**2.0**	**1.5**
Gross fixed capital formation	10.7	10.0	**9.0**	8.5	**8.5**	**7.5**
Change in inventories and valuables (contribution to growth in pps)	*0.6*	*0.1*	*-0.1*	*0.0*	*0.0*	*0.0*

Source: SURS; 2018–2020 forecasts by IMAD.
Note: The forecast takes into account the difference in the number of working days between years, which is significant in 2020 (6 days more).

rising demand, it will continue to be driven by high capacity utilisation and strong business performance. We also expect further growth in *government consumption*, which will ease off gradually after accelerating this year. The strong growth of *exports* and, to a somewhat lesser extent, of *imports* will gradually slacken over the forecast period (except in 2020[14]) and the still positive contribution of net exports to GDP growth will diminish. This, together with rising labour shortages, will lead to a moderation of economic growth, which will nevertheless remain relatively high over the forecast period in the absence of external shocks. As economic growth started to ease somewhat earlier than anticipated, the forecasts for 2018 and 2019 are somewhat lower than in the Spring Forecast.

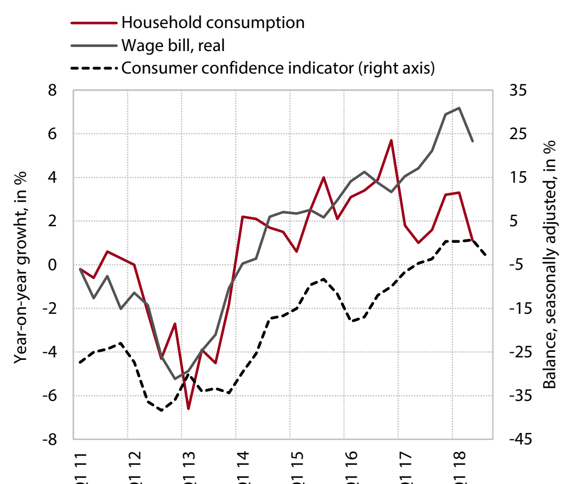
Private consumption growth will strengthen this year and remain similarly strong in 2019, before easing off in subsequent years under the impact of lower growth in employment. With stronger growth in earnings and social transfers and further relatively high growth in employment, we expect more vigorous growth in private consumption than last year, when it was otherwise fairly moderate relative to disposable income growth. With consumer confidence still high,[15] the rise in consumption of durable goods seen for several years is set to continue in the second half of 2018 and in 2019. After the decline in 2017, the consumption of non-durable goods is expected to remain modest for at least this year, while the growth of the consumption of services will strengthen further. With further, yet more moderate, growth in disposable

Figure 10: Slovenia's GDP – expenditure structure



Source: SURS.

Figure 11: Household consumption, wage bill and consumer confidence indicator



Source: SURS; calculations by IMAD. Note: The data for Q3 2018 for the wage bill and the confidence indicator is for July.

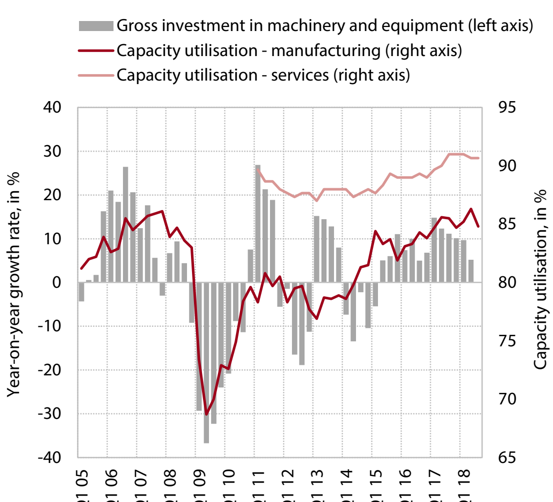
[14] Because of six more working days, the growth of exports in 2020 will be somewhat higher than in the preceding year. The slowdown of growth will thus be interrupted temporarily.

[15] In the first half of July and in August, the indicator of consumer confidence (in the economy and own financial situation) dropped from its historical highs, but remained high above the long-term average.

income, private consumption will continue to expand after 2019, but at a somewhat lower pace, primarily due to the projected weaker growth in employment (see 2.3 Employment and unemployment).

Investment activity will increase strongly again this year; robust growth is also projected for the following two years. The greatest contribution to further vigorous growth in *gross fixed capital formation* will come from higher private and public construction investment; private investment in machinery and equipment will also increase significantly again this year. In the next two years, the high capacity utilisation, together with further growth in demand, will continue to prompt enterprises to further increase investment in machinery and equipment and commercial buildings,[16] where the need for renovation investment was significant after a lengthy period of low investment. Investment will also be supported by strong business performance of the now significantly less indebted enterprises than in previous years and a continuation of favourable borrowing conditions. This, alongside the relatively strong growth of disposable household income, will continue to boost housing demand. Housing investment – still considerably lower than before the crisis – will therefore gradually rise. After declining in 2015–2016 and stagnating in 2017, government investment, mostly in construction, will increase substantially this year and remain relatively high in the next two (also owing to the higher absorption of EU funds). Growth in *total investment* will be lower than in 2017 this year, with no positive contribution expected from changes in inventories. Similar growth dynamics to this year are also expected for total investment in 2019 and 2020.

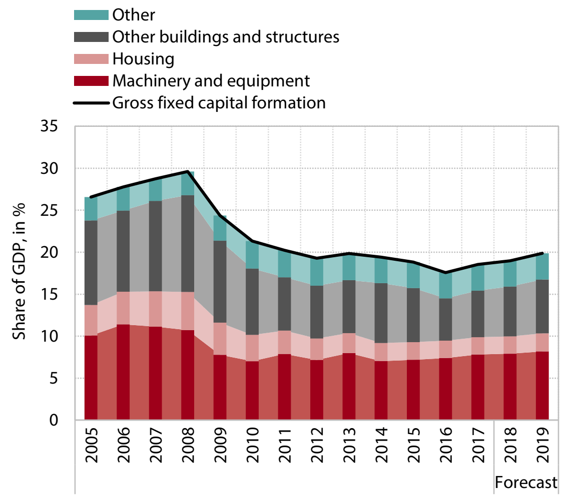
Figure 12: Gross investment in machinery and equipment and capacity utilisation



Source: SURS; calculations by IMAD. Note: The indicator value for Q3 18 is the value from July.

[16] We expect further investment growth not only in the tradable but also in the non-tradable sector, where investment lags more behind the pre-crisis volume and started to increase more visibly only in 2015.

Figure 13: Gross fixed capital formation

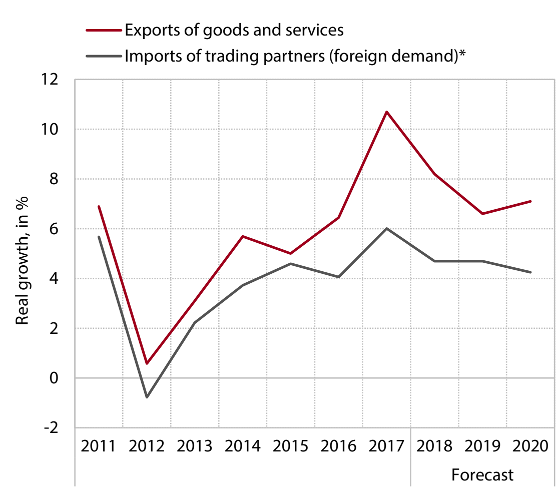


Source: SURS, forecasts by IMAD.

After this year's increase, the growth of government consumption will slacken somewhat in 2019 and 2020. The projected higher real growth in 2018 arises mainly from further growth in employment and growth in expenditure on goods and services in the general government sector. With more moderate growth in these components in the coming years, government consumption growth is expected to slow.

Export growth will start easing this year, but remain high over the total forecast period. The moderation of growth will be the most pronounced this year and next.

Figure 14: Exports of goods and services and foreign demand

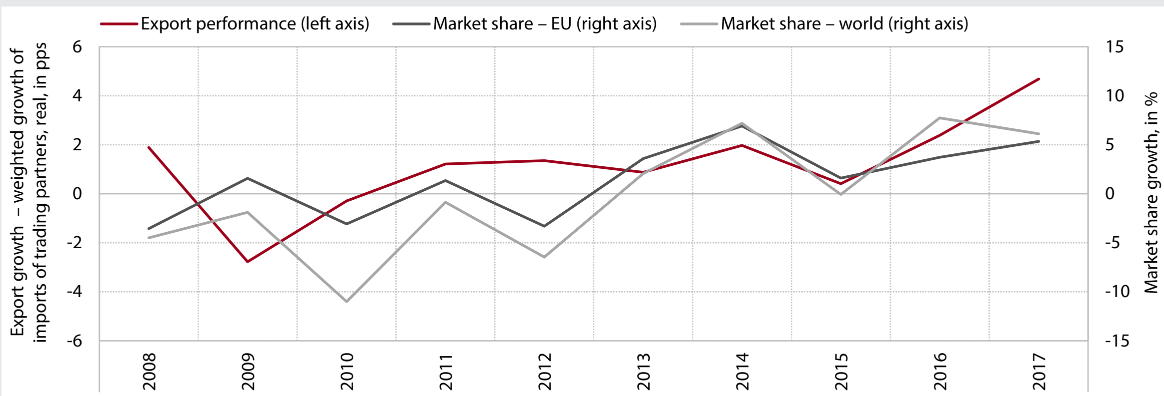


Source: SURS, EC, OECD, Focus Economics; forecast and calculations by IMAD. Note: * Real imports of goods and services of the trading partners weighted by Slovenia's share of exports to these countries.

Box 2: Export performance and breakdown of export market share growth

Slovenia has increased its presence on foreign markets since 2011 and particularly in 2017. Since including 2011, the growth of Slovenian exports of goods and services has exceeded the estimated growth in foreign demand (i.e. the weighted growth of real imports of Slovenia's trading partners). The difference between the two (*export performance)* was greatest in 2017. The dynamics of *export market share growth* are generally similar to export performance dynamics. Despite certain differences[1] between the two indicators, the analysis (breakdown) of the growth of export market shares, where more detailed data are available, helps us to understand the dynamics of export performance. Our analysis focuses on Slovenia's export share in the EU market, which is less subject to exchange rate fluctuations than the export share in the world market; moreover, the composition of EU imports is more comparable with the composition of foreign demand for Slovenian goods and services, which is used to calculate the export performance. Also, owing to the availability of more up-to-date data, the export share in the EU market can also be broken down for 2017 and the first quarter of 2018.

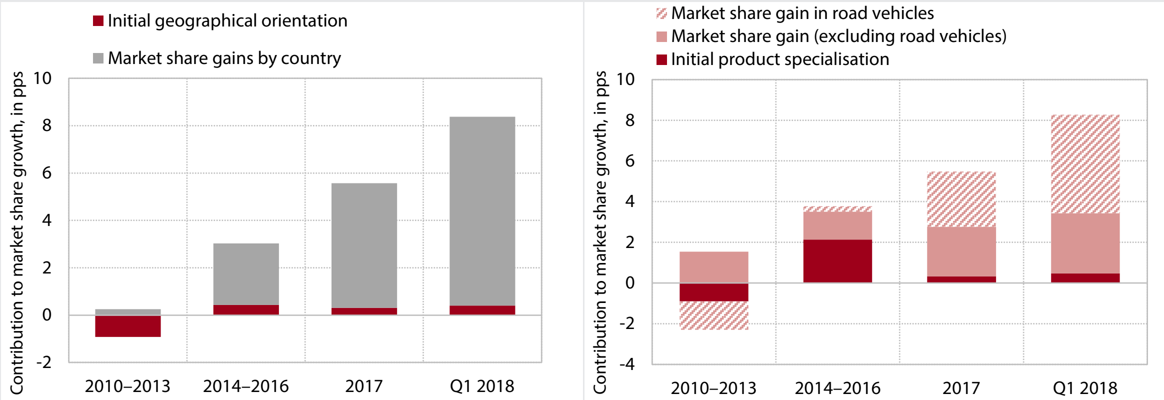
Figure 15: Dynamics of Slovenia's export market shares and export performance



Source: UN Comtrade, SURS; calculations by IMAD.

The growth of export market share and hence export performance in 2014–2016 can be attributed to the favourable composition of exports and gains in export competitiveness; a significant portion of 2017 growth is, in addition to competitiveness, also explained by a temporary factor. In the period since 2011, Slovenia's export performance and export share growth in the EU market have been supported by the improvement in cost competitiveness of Slovenian enterprises,[2] which deteriorated significantly in previous years; at the same time, export market share growth was slightly impeded by the product and geographical composition of exports. A further increase in export market share in the 2014–2016 period was also significantly influenced by the favourable product composition of Slovenian exports, i.e. above-average growth in foreign demand for products that account for a relatively high share in the composition of Slovenia's exports.[3] In 2017, when market share growth and export performance surged, and in the first quarter of 2018, this structural effect was marginal. More than half of the surge can be attributed to higher road vehicle exports, which were strongly influenced by the temporary effect of the start of production of a new car model in an important export company. Had it not been for this one-off factor, market share growth would have been markedly lower, with export growth still higher than growth in foreign demand for Slovenian goods and services. This is related to the improved competitiveness of Slovenian exporters (non-price as well as cost and price competitiveness), which can affect export developments with a time lag.

Figure 16: Breakdown of export share growth in the EU market by countries (left) and products (right)



Source: SURS, Comext; calculations by IMAD

[1] The indicator of export performance is more directly connected with GDP growth, as it includes both goods and services and is based on real values, which offsets the impact of exchange rate fluctuations. Moreover, it weighs the geographical markets according to their importance in the exports of the country analysed. A great advantage of the market share indicator, on the other hand, is that it captures data that give a better insight into the structure of growth.

[2] In unit labour costs, in 2017 Slovenia gradually closed the competitiveness gap with its trading partners due to losses in competitiveness during the crisis; this was then followed by a notable depreciation of the euro, and hence lower prices of exports to most extra-euro area countries. In recent years, the exchange rate has again been appreciating, but has approached the long-term average only this year. The year 2017 was favourable for Slovenia in terms of competitiveness particularly owing to a decline in unit labour costs compared with the trading partners.

[3] See the right graph in Figure 16, where a significant part of the bar for 2014–2016 is accounted for by initial production specialisation. The left graph in the same figure shows that since 2013 the contribution of the geographical structure of exports to market share growth in the EU has been small.

In 2020 growth will again be slightly higher due to more working days (6).[17] The downward trend of export growth is consistent with: (i) the slackening of import growth in Slovenia's trading partners, (ii) the pressure of rising labour costs on competitiveness[18] and (iii) the absence of one-off factors that were at play in 2017 and 2018 (the start of production of a new car model). Real export growth will continue to outpace the growth of imports of trading partners, but the difference between the two (i.e. export performance) will decrease.

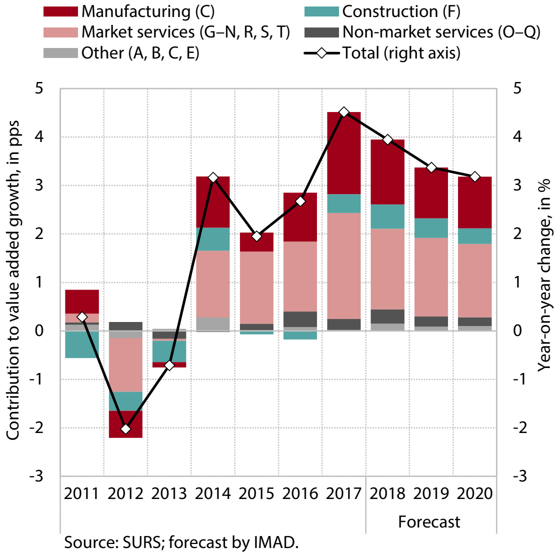
The growth of imports will also slow somewhat in 2018–2020, yet less than that of exports because of further robust growth in domestic consumption. The growth of imports will remain relatively high, consistent with the further strengthening of activity in manufacturing and construction, the (partly) related strong growth in investment and faster growth in private consumption. With the expected slightly lower growth of activity in manufacturing (particularly in export-oriented sectors) and investment consumption than last year, growth will already start slackening off gradually this year. Similar dynamics are also projected for imports of services, where growth will remain broad-based. Like export growth, it will be mainly driven by business and transport services. In connection with higher growth in private consumption, we also expect higher spending by Slovenian tourists abroad.

2.2. Value added by sector

In the first half of this year, value added growth increased across most sectors, albeit more moderately than last year. The increase in value added was, as last year, mainly attributable to stronger activity in manufacturing and construction, and among market services, trade and particularly in sectors related to merchandise trade and, in part, tourism. In the first half of the year, value added otherwise rose in almost all sectors, but its growth was mostly lower than last year (overall 4.2%; 2017: 5.0%). The easing of the still high growth rates in manufacturing, which produces around three quarters of goods for foreign markets, is mainly due to slower growth in more technologically intense industries. This is a consequence of somewhat lower growth in foreign demand, as well as, in recent months, the absence of the effect of accelerated growth in motor vehicle exports after last year's start of production of a new car model. Value added growth was also down year on year in most market services, notably transport and employment services (under the impact of lower activity in industry) and telecommunication services. Last year's growth momentum in construction strengthened somewhat in the first half of the year. In addition to public construction investment, it was also underpinned by private investment in commercial building and housing investment.

The strong growth of value added is expected to ease somewhat this year and then be slightly more moderate in the next two. The contributions of sectors to value added growth will be fairly balanced, similar to last year. The moderation of growth over the forecast period (2018–2020) will reflect the gradual easing of economic growth abroad and the rising limitations on the supply side in the domestic environment, related mainly to ever greater shortages of skilled labour. In manufacturing, the main engine of growth will remain export-oriented activities, where positive trends are expected to continue in most industries. After strengthening last year, value added in construction will increase even more this year, consistent with growth in private and public investment in non-residential buildings and civil-engineering works, and further growth of the property market and hence residential construction. In the next two years the growth of construction activity will gradually slow down, but remain relatively strong with faster growth in the residential segment and a gradual increase in the absorption of EU funds. Under the influence of stronger growth in domestic demand, we expect relatively high value added growth in trade and other market services this year and in 2019 (particularly in transportation, accommodation and food service activities and ICT services), and stronger growth in services related to leisure. In segments related to transportation, tourism and some business services, value added growth will continue to be also driven by foreign demand. Value added growth in public services will be moderate amid slackening growth in employment.

Figure 17: Contributions to value added growth



Source: SURS; forecast by IMAD.

[17] The analysis shows that exports and imports are more sensitive to the number of working days than domestic expenditure components of GDP.

[18] This is reflected in rising unit labour costs (see Table 9 in the Statistical Appendix), which are likely to see less favourable dynamics than in trading partners on average.

Table 4: Forecasts for employment and unemployment

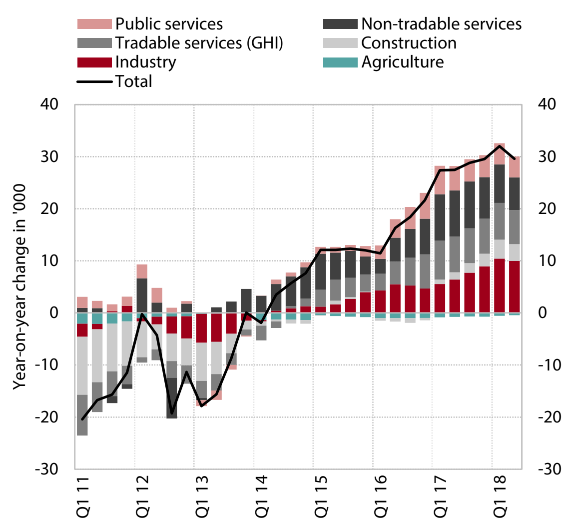
(%)	2017	2018 March 2018	2018 September 2018	2019 March 2018	2019 September 2018	2020 September 2018
Employment according to the SNA, growth	2.9	2.4	**2.8**	1.5	**1.5**	**0.8**
Number of registered unemployed, annual average, in '000	88.6	75.6	**78.5**	68.8	**73.9**	**69.3**
Registered unemployment rate	9.5	8.0	**8.2**	7.2	**7.7**	**7.2**
ILO unemployment rate	6.6	5.3	**5.5**	4.6	**4.9**	**4.4**

Source: SURS; 2018–2020 forecasts by IMAD.

2.3 Employment and unemployment

Employment growth[19] will remain strong this year, before easing notably in the coming years owing to lower economic growth and increasingly unfavourable demographic trends. Reflecting continued strong economic growth, employment exceeded the pre-crisis peak in the first half of the year for the first time since the crisis. Amid the increasingly limited labour supply, employment growth was also a result of a rapid rise in labour market participation due to the inclusion of those who thus far have not been actively seeking employment[20] and the hiring of foreign nationals.[21] Employment was up year on year in all private sector activities, once again especially in manufacturing, trade, accommodation and food service activities, and professional, scientific and technical activities.[22] It was also significantly higher in construction, where it had already started to rise rapidly last year. In the second half of the year total employment will continue to rise. Employment will increase in all activities, but at a somewhat more modest pace than in the first half of the year, according to the short-term indicators of employment. This will be a consequence of both the moderation of economic activity and the shortage of appropriate labour.[23] Towards the end of the forecast period, total employment growth will ease significantly, which we estimate will be due to the further decline in available labour owing to unfavourable demographic trends. These are reflected in declining numbers of the working-age population, which represents an ever greater limitation to value added growth.

Figure 18: Structure of employment growth



Source: SURS; calculations by IMAD. Note: Employment according to national accounts.

The number of registered unemployed will decline further in 2018–2020. Last year's considerable decline in the number of registered unemployed continued at a somewhat slower pace in the first half of this year. The main reason was a smaller outflow into employment and a slightly larger inflow into unemployment owing to the expiry of fixed-term employment contracts. The total inflow in the first half of the year remained lower year on year. There were also fewer first-job seekers, partly owing to smaller generations of young people finishing school. At the end of August, a total of 75,920 persons were registered as unemployed, 9.4% less than one year earlier. The number of unemployed will continue to fall this year and in the next two, yet more slowly than in the previous period. The further decline will be attributable to rising aggregate demand, as well as demographic factors, through transitions from unemployment to retirement and to employment to replace retirees.

[19] Employment according to the national accounts statistics.

[20] According to the survey on active and non-active population (Labour Force Survey), these are persons not currently in the labour market who want to work but are not actively seeking work. In the first quarter of 2018 their number was two thirds or approximately 23,000 persons lower than in the same quarter of 2014.

[21] In the first half of the year the number of employed foreign nationals increased by 17.2% and the number of employed Slovenian citizens by 2.1%. The share of employed foreigners in total employed persons stood at 9.1%, up 1.1 pps from the same period of 2017. Foreign nationals contributed around 40% to the year-on-year growth in the total number of the employed. Higher growth in the number of employed foreigners than Slovenian citizens has been recorded since 2014 as a consequence of strong activity growth in sectors that typically stand out in terms of the share of employed foreigners (transportation and storage, accommodation and food service activities, manufacturing and employment activities).

[22] The only sectors where employment was down year on year are financial and insurance activities and agriculture.

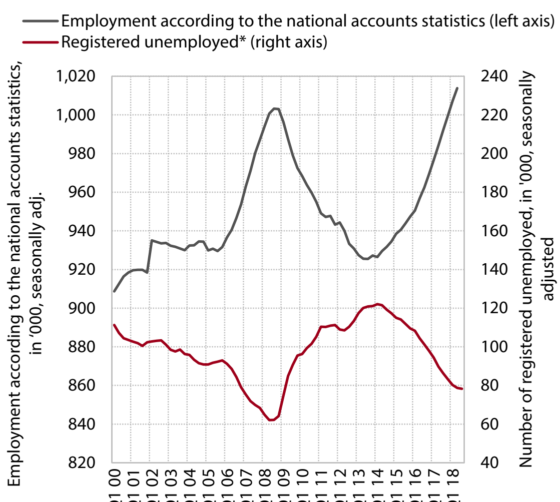
[23] The indicators of labour shortages and available workforce indicate a significant increase in limitations. The share of enterprises reporting a shortage of workers has risen substantially in the last year, to levels similar to those before the crisis. The inability to fill vacancies is also indicated by the job-vacancy rate, which rose further in the second quarter of the year, More than 20,000 vacancies were recorded in the second quarter of the year, almost one fifth more than in the same period of last year.

Table 5: Growth forecasts in average gross earnings per employee

		2018		2019		2020
Growth rates (%)	**2017**	**March 2018**	**September 2018**	**March 2018**	**September 2018**	**September 2018**
Gross earnings per employee – nominal	2.7	4.0	**3.5**	4.5	**4.9**	**5.0**
- private sector	2.9	4.6	**4.2**	4.3	**4.8**	**5.4**
- public sector	2.9	3.6	**3.1**	5.0	**5.1**	**4.2**
Gross earnings per employee – real	1.3	2.5	**1.7**	2.6	**2.8**	**2.6**
- private sector	1.5	3.0	**2.3**	2.4	**2.6**	**3.0**
- public sector	1.5	2.1	**1.3**	3.1	**2.9**	**1.8**

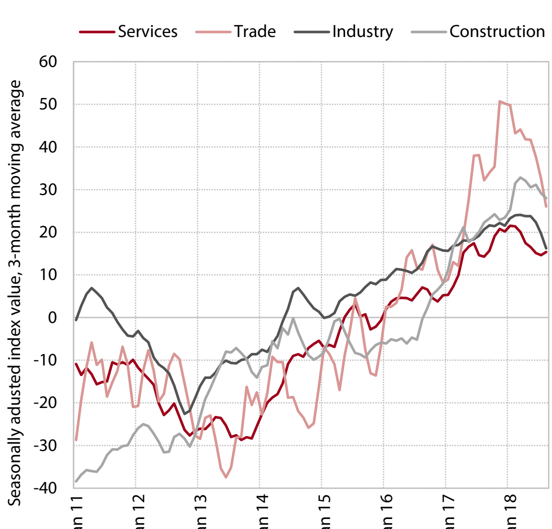
Source: SURS; 2018–2020 forecasts by IMAD.

Figure 19: Number of employed and number of registered unemployed



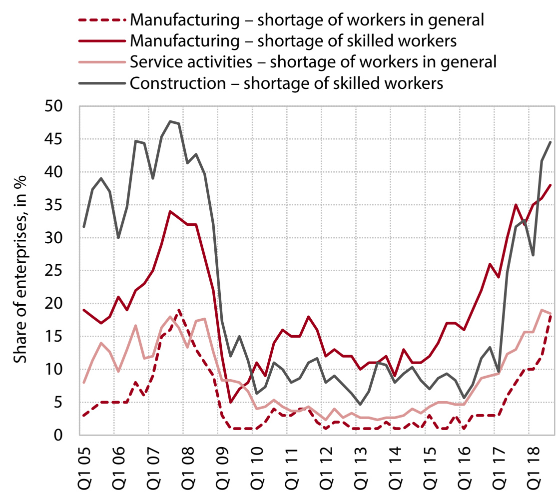
Sources: SURS, ESS; calculations by IMAD. Note: * The data for Q3 2018 is the average of July and August.

Figure 20: Expectations about employment in the next 12 months



Source: Eurostat.

Figure 21: Share of enterprises reporting a shortage of labour



Source: SURS; calculations by IMAD. Note: The data for construction and services activities for the third quarter of 2018 is the average of July and August.

2.4 Earnings

Nominal wage growth is strengthening. After several years of modest rates,[24] wage growth was somewhat higher year on year in 2017 in both the private and public sectors. It was also up year on year in the first half of 2018. Wage growth in the private sector is related to a gradual increase in inflation and productivity, good business performance and a further decline in unemployment and hence limitations in employing workers with appropriate skills. Wages were up year on year particularly in construction, manufacturing and some market services. Wage growth in the public sector is a consequence of the implementation of agreements with trade unions and the regular promotions at the end of last year.

[24] The low growth of nominal wages in previous years was attributable primarily to low price and productivity growth and, to some extent, the relatively high unemployment and changes in the sectoral employment structure. See Autumn Forecast of Economic Trends 2017, p. 15.

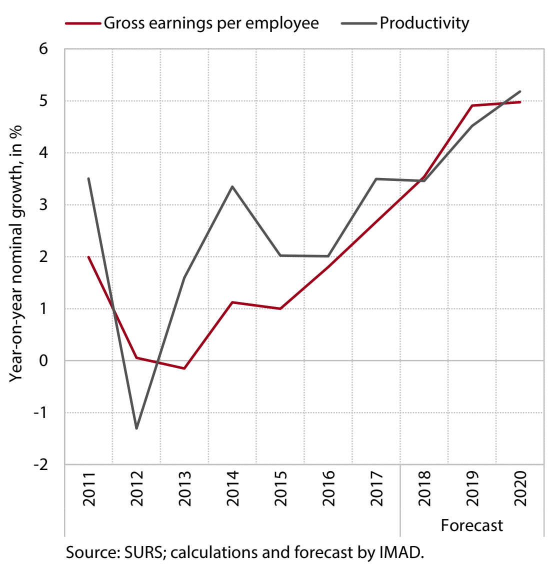
Table 6: Inflation forecast

(%)	2017	2018 March 2018	2018 September 2018	2019 March 2018	2019 September 2018	2020 September 2018
Inflation – Dec/Dec	1.7	1.8	**2.1**	2.1	**2.3**	**2.4**
Inflation – annual average	1.4	1.5	**1.8**	1.9	**2.1**	**2.3**

Source: SURS. 2018–2020 forecasts by IMAD.

Reflecting favourable economic conditions, wage growth will continue to strengthen steadily in the 2018–2020 period, but will be increasingly affected by limited labour supply. In the second half of the year, we expect a continuation of similar wage growth to that in the first quarter. The gradually higher wage growth in the private sector in the next two years will arise from a further strengthening of economic activity, productivity growth and the falling of unemployment. Wage formation in the private sector will continue to reflect companies' efforts to maintain competitiveness, but with higher upward pressures on wages owing to even greater skilled labour shortages, nominal wage growth will no longer lag behind productivity growth. Wage growth is also expected to rise in the general government sector, notably next year due to the foreseen relaxation of the remaining cost-containment measures in the area of wages.[25]

Figure 22: Average gross earnings per employee and productivity

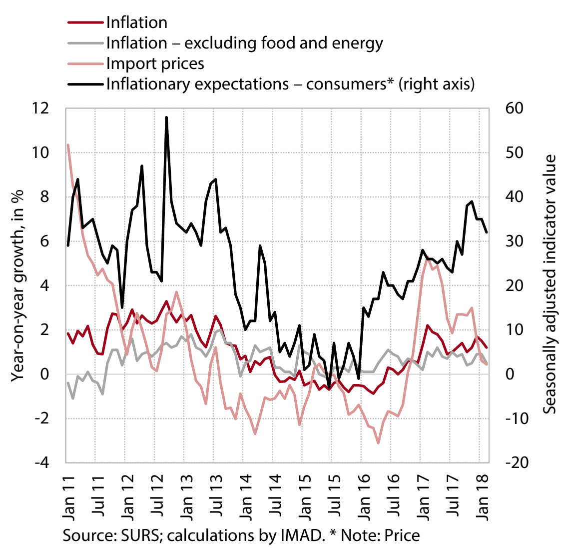


Source: SURS; calculations and forecast by IMAD.

2.5 Inflation

Inflation will rise moderately this year and in the next two. In the first seven months of 2018, inflation (1.6%) was somewhat higher on average than in 2017, when it had risen somewhat from a very low level. It started to rise only in recent months (in July to 1.9%), primarily as a consequence of higher growth in service and energy prices. Prices of non-energy industrial goods continued to decline.[26] Core inflation remained low (0.8%, on average, in the first seven months), hovering just below the euro area average.[27] With further growth in demand and a gradual strengthening of cost pressures,[28] price growth is expected to continue to increase steadily in the coming years. With a smaller contribution of energy price growth, headline inflation will shift around 2%, while core inflation (inflation excluding energy and food) is expected

Figure 23: Inflation, import prices and inflationary expectations of consumers



Source: SURS; calculations by IMAD. * Note: Price movements in the next 12 months.

[25] Measures related to performance-based bonuses (regular work performance and increased workload) and promotions.

[26] The possible domestic reasons include: faster growth in productivity than wages in the manufacturing sector, growth in the volume of online purchases and changes in their structure (see also Ciccarelli, M. and Osbat, C. (2017). Low inflation in the euro area: Causes and consequences. Occasional paper series, No 181. Frankfurt am Main: European Central Bank).

[27] Inflation excluding food and energy.

[28] The main factors exerting upward pressures on prices of goods will be increasingly higher prices of services, stronger wage growth and the relatively high energy prices, which will gradually spill over into prices of goods.

Table 7: Forecast for the current account of the balance of payments (balance of payments statistics)

		2018		2019		2020
	2017	March 2018	September 2018	March 2018	September 2018	September 2018
Current account, EUR m	3,077	3,203	3,119	3,385	3,127	3,429
Current account as a % of GDP	7.2	6.9	6.8	6.8	6.4	6.7

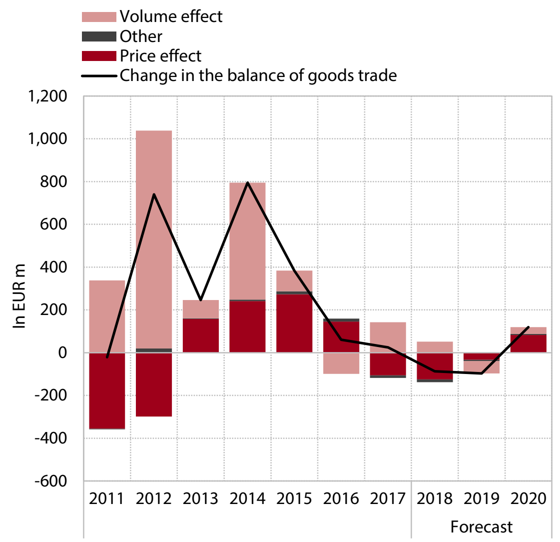
Source: BoS – Balance of payments statistics. 2018–2020 forecasts by IMAD.

to climb to 2.7% by the end of next year. Its growth will, in addition to further growth in service and food prices, be increasingly due to the rising prices of industrial goods excluding energy. Over the entire forecast period, inflation will be slightly higher than projected in the Spring Forecast, which is a consequence of this year's higher rises in oil and services prices and the expected stronger wage growth in the next two years.

2.6 Current account of the balance of payments

The current account surplus will remain very high in the 2018–2020 period (at 6%–7% of GDP). The persistently high surplus relative to GDP is attributable to strong private sector saving amid the still relatively low level of investment and moderate private consumption. With the moderation of growth in foreign demand and thus trade in goods, exports of services will record more and more moderate growth. The widening of the trade surplus in services will thus gradually slow. The trade surplus in *goods* is expected to decline somewhat this year after several years of growth. This will be a consequence of less favourable price movements;[29] cleansed of the effect of prices, the goods trade balance is expected to be slightly higher than last year. In the coming years (except in 2020[30]) the trade surplus in goods will decline further, as export growth will be more moderate and lower than import growth, which will also be driven by relatively robust growth in domestic consumption. The trade surplus in *services* will continue to increase (both in nominal terms and as a share of GDP), which will be mainly due to higher surpluses in trade in transport and travel services. The deficit in *primary income* will widen further in the forecast period, this year as a result of lower receipts for agricultural subsidies from the EU budget and high reinvested earnings of foreign investors, and in the next two owing to higher payments of taxes abroad (amid a further increase in imports) and higher outflows of income owing to the increased hiring of foreign workers amid ever-rising labour shortages. The deficit in *secondary income* will widen over the 2018-2020 period on the back of higher net payments of private sector transfers abroad and higher payments into the EU budget (VAT-based and GNI-based contributions).

Figure 24: Breakdown of change in the nominal international trade balance in goods



Source: SURS; calculations by IMAD.

[29] The terms of trade will deteriorate as a result of spring rises in prices of oil only in the second half of the year. This is expected to cancel out the year-on-year increase in the trade surplus in goods, which is indicated after the first half of this year. The growth of import prices (2.6%) will therefore be higher than the growth of export prices (2.1%) on average this year, according to our estimate.

[30] The dynamics of decline will be temporarily interrupted in 2020 due to the favourable impact of six working days more than in the preceding year.

3 Risks to the forecast

The main risks to the autumn forecast are possible different conditions in the international environment than assumed in the baseline scenario and hence lower economic growth. The predominantly negative risks in the international environment have strengthened notably since the spring. In the still favourable cyclical economic conditions, they are mainly associated with: i) protectionist measures and the unpredictability of economic measures in the US in general, ii) the consequences of the tightening of monetary policy in the US and, in the medium term, also in the euro area, iii) high valuation of assets on financial markets (especially in the US). Risks in the European economic area are related to the uncertainty regarding economic policies of some countries (for example Italy) and, particularly over the medium term, political changes.[31]

In the domestic environment, risks to the forecast are still broadly balanced in the first two years; in 2020 they are already more negative. Upside risks to growth are associated with the still high confidence of consumers and businesses in some sectors (service activities and construction), which could lead to higher forecast growth in investment and private consumption, were favourable borrowing conditions and positive external developments to continue. With faster dynamics of EU funds absorption than assumed, public investment could also be higher in the coming years. Upward pressure on wage growth – primarily as a consequence of low unemployment and demands for wage rises in the public sector – could contribute to higher growth in total gross wages than forecast. While this would increase the growth of consumption and GDP in the short term, it would contribute to a faster tempering of GDP growth in the medium term (due to cost pressures and a deterioration of fiscal position). A downside risk to growth is increased uncertainty regarding tax policy. Furthermore, uncertainty about policy measures for dealing with demographic change also increases towards the end of the forecast period; these will also have an impact on the dynamics of economic growth and the wellbeing of the population.

[31] In some countries political changes may result in significant changes in economic policy orientations. The effects of such changes could spill over to the entire euro area or EU; economic activity in the EU will also be affected by the outcome of Brexit negotiations, particularly after 2019.

Box 3: Macroeconomic effects of the tightening of international trade relations

The growth of world trade has slowed in recent months, partly under the impact of the introduction of new tariffs; increased uncertainty in external trade is also affecting the prospects for the coming years. After accelerating last year, the growth of world trade slowed in the second quarter. International institutions (IMF, OECD, WTO) also predict slightly lower growth rates for the coming years, the main reasons being increasing barriers to trade between the US and its trading partners (China in particular) and mounting uncertainties regarding GDP growth in the coming years. The growth of exports (and imports) also eased off in Slovenia and the EU this year, which was reflected in a moderation of economic growth. These developments, alongside greater uncertainty in international trade, are dampening business expectations about the future.

In Slovenia, higher tariffs on steel and aluminium imports into the US from the EU will, in the initial phase, mainly affect the steel and aluminium industry, while the impact on the total economy will be small, at least over the short term. As of June 2018, the US imposed additional import tariffs on steel (25%) and aluminium (10%) from the EU. The tariffs cover a wide range of steel and aluminium products used in many industrial sectors. According to SURS data, in 2017 Slovenia exported less than EUR 80 million of iron and steel and aluminium and aluminium products *directly* to the US (0.3% of total goods exports). Its indirect exposure to the US at the sectoral level is higher: in iron and steel 6.5% of total exports, in aluminium and aluminium products 1.2% of total exports. The impact of the increase in these tariffs on Slovenia's GDP will be negligible *in the short term*, according to the estimates of the Ifo Institute[1]. It will also be very small in most other EU Member States, in both the short[1] and longer terms,[4] as the bulk of EU steel and aluminium exports are oriented to other markets; the negative impact on the economy will also be mitigated by a favourable effect of lower prices of raw material inputs (steel and aluminium).

Slovenia would also not be highly exposed to an increase in tariffs on imports of cars, though this would have a somewhat greater impact on economic activity. After mentioning, on several occasions, the possibility of imposing additional tariffs on car imports (20-25%), the US launched an investigation in May into whether it should impose tariffs on car imports to protect national security. Trade tensions between the US and the EU then eased off during the summer and new negotiations were started.[2] The imposition of new tariffs was thus halted though not completely excluded. According to Ifo[1] estimates, an increase in tariffs on cars and car parts would not significantly reduce Slovenia's GDP (by 0.02%) in the *short term,* when direct impacts are realised; short-term effects on other EU Member States' GDP would also be negligible. Over the long term, however, the impacts may be greater, compounded by indirect effects through the integration of the Slovenian car industry into global value chains.

According to IMAD estimates, Slovenia's exposure to US imports of cars and car parts is up to 1.3% of total gross exports and 0.3% of GDP. The analysis of world input-output tables for 2014 showed that gross exports from all sectors of the Slovenian economy that were imported into the US through world car industry exports (including exports from Slovenia), accounted for 1.3% of Slovenia's total exports. According to our estimate, this is the upper limit of total exposure (direct and indirect, through different industries and through all countries in the world) of Slovenia's gross exports to US import demand for cars and car parts. In terms of domestic value added embodied in US imports of cars and car parts, Slovenia's exposure is up to 0.3% of GDP. Most of this is a consequence of integration in the EU automotive industry. The estimates by WIIW[3] are similar. According to WIIW calculations, the most exposed countries are Germany, Hungary, Slovakia and the Czech Republic (in terms of value added, between 0.5% and 1% of GDP). How much of this exposure would actually translate into a loss of exports and GDP if tariffs on cars and car parts were raised depends on the nature of the measures (the level and base of tariffs) and actual responses of the market.

Table: Slovenia's exposure to US demand for automobiles and automotive parts, 2014

	In USD million	As a % of gross exports	As a % of GDP
Slovenia's gross exports to the US through global automotive value chains, including direct automotive exports from Slovenia to the US[a]	387.2	1.26	
Slovenian value added embodied in world automotive exports to the US[b]	128.6		0.30

Source: WIOD; calculations by IMAD.
Notes: The automotive industry comprises V29 activities according to NACE Rev. 2.
(a) The calculation takes into account gross exports of all sectors of the Slovenian economy that are imported into the US through world automotive industry exports (including exports from Slovenia); (b) the calculation takes into account value added generated by all sectors of the Slovenian economy, which is embodied in world automotive industry exports (including exports from Slovenia) to the US.

The imposition of trade tariffs on greater part of the world trade would have a significant negative impact on all countries involved, with a general decline in confidence in international trade and economies being even more detrimental for the economy than individual customs measures. According to the estimates of various institutions (CPB[4], Ifo, WIIW), the economic effects of individual trade measures that have already been introduced or announced by the US and its trading partners are limited at the macro level; at the sectoral level, they can lead to significant shifts, particularly in the US and China. An escalation of the trade war, which would lead to the imposition of tariffs on most world imports, would be damaging for all countries involved. Such a tightening could slow not only the volume of international trade, but also – through dampened business and consumer confidence – the dynamics of investment and private consumption.

The measurable effects of the adopted and announced measures are otherwise relatively small; according to IMAD estimates, one of the major risks is the negative impact of measures on confidence in the continuation of strong GDP growth. Simulations by both international institutions and IMAD indicate relatively limited effects of the already adopted or announced measures on economic growth. However, we estimate that the negative effects of these measures on business and consumer confidence could considerably exceed the directly measurable effects and significantly slow the dynamics of economic growth.

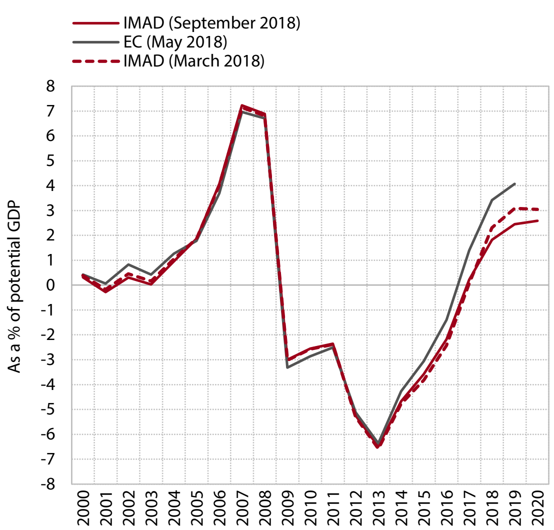
1 Ifo Institute (2018). US Tariffs on Cars would cost Germany Five Billion Euros. Ifo InstitutePress Release. 24 May 2018.
2 European Commission (2018). Joint U.S.-EU Statement following President Juncker's visit to the White House. Washington. 25 July 2018. European Commission STATEMENT/18/4687.
3 Stehrer. R. (2018). US tariffs on cars: An expensive and dangerous gamble. WIIW News & Opinions. 25. 8. 2018.
4 Bollen. J in Rojas-Romagosa. H (2018). Trade Wars: Economic impacts of US tariff increases and retaliations. An international perspective. CPB Background Document. June 2018.

4 Output gap and potential GDP growth

Output gap estimates, which identify the cyclical position of the economy, play a significant role in monitoring the fulfilment of fiscal objectives. Together with the general government debt and the indicator of medium-term fiscal sustainability, the output gap determines the amount of structural deficit reduction required. Owing to factors that affect the calculation of potential growth and revisions of past growth estimates and GDP forecasts, the output gap is a fairly unstable macroeconomic indicator.[32]

The estimates based on the Autumn Forecast indicate that Slovenia has a positive output gap, which is going to increase somewhat in the period up to 2020.[33] After recording a negative output gap in the period after the beginning of the crisis, Slovenia transitioned into positive output gap territory last year according to our estimate. In 2018 and 2019 its output gap will be hovering above 1.5%. However, exceeding the 1.5% threshold means a transition into the good phase of the economic cycle as defined by the European Commission and changes the size of the structural deficit reduction required. In 2020 Slovenia's output gap will reach 2.6% according to our estimate, which is significantly less than in the last three years before the crisis.

Figure 25: Output gap, comparison of calculations by IMAD and the European Commission (EC)



Source: SURS; calculations by IMAD and the EC.

Some indicators of economic activity already point in the same direction as the estimates of the output gap, but most other indicators remain moderate and do not confirm this position. The indicators pointing in the same direction as the output gap include the rapid growth rates in the property market (in the number of transactions and prices) and extraordinarily, in some activities historically high values of the indicators of labour shortages and capacity utilisation. On the other hand, financial and price indicators, where positive trends have started to strengthen only recently and should mostly continue at a moderate pace, record only modest rates of growth. Inflation remains moderate, wage growth, though strengthening, still lags behind productivity growth, banks' lending activity (especially loans to enterprises) remains considerably lower than before the crisis despite a gradual increase, and the surplus in the current account of the balance of payments, which hit record values last year, remains high (related to the still low level of investment and moderate private consumption).

Potential GDP growth is expected to strengthen over the forecast period, from 2.7% in 2018 to 3.3% in 2020.[34] The expected potential growth is approaching the pre-crisis levels, indicating that the more than ten-year period of relatively weak potential GDP growth, which reflected the effects of the crisis, is coming to an end.[35] In 2018–2020 the greatest contribution to potential growth will still arise from total factor productivity (1.5 pps), which will see similar growth to that before the crisis. Despite the decline in the working-age population, a significant contribution will also be made by labour (0.9 pps), as the employment rate and the number of hours worked per employee are expected to increase in the 2018–2020 period. The natural unemployment rate will be just below the pre-crisis level over the entire period. With high growth in investment, the contribution of capital will rise somewhat in 2018–2020, averaging 0.5 pps, which is still considerably lower than the long-term average before the crisis.[36] This is a consequence of low investment volume after the onset of the crisis.

[32] The output gap estimates by IMAD and the European Commission for one and two years ahead have been changing in an interval of 1.0 pp in the last two years (for more on how these changes affect compliance with SPG rules see IMAD Economic Issues 2016, p. 20).

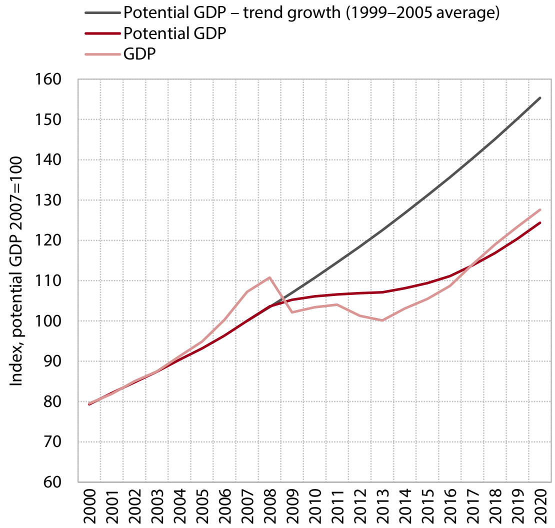
[33] The output gap, the difference between actual and potential GDP expressed as a percentage of potential GDP, is one of the main indicators used by the European Commission to assess the cyclical position of the economy.

[34] Potential GDP (and its growth) from a macroeconomic perspective. Potential output is therefore not the maximum possible output of an economy but rather the output an economy can achieve without creating inflationary pressures. This also means that output is often higher than potential output. IMAD's calculation of potential GDP growth uses a production function method whose basic attributes do not differ from the European Commission's (EC) method. The disparities between the calculations by IMAD and the EC are largely the result of different forecast periods, since IMAD's assessments are based on forecasts for a longer period (t+6), while the EC forecasts are made for a significantly shorter period (t+2). The disparities in output gap estimates also arise from the differences in the forecasts of macroeconomic indicators and some input data (IMAD uses the August revision of SURS data and updated demographic projections calculated using a microsimulation model by the IER (source: SURS); moreover, in the series of data on employment according to national accounts statistics, IMAD's calculations also take into account a correction for the break in the data series in 2002).

[35] The long-term effect of the crisis is still reflected in a lower level of potential GDP (Figure 26).

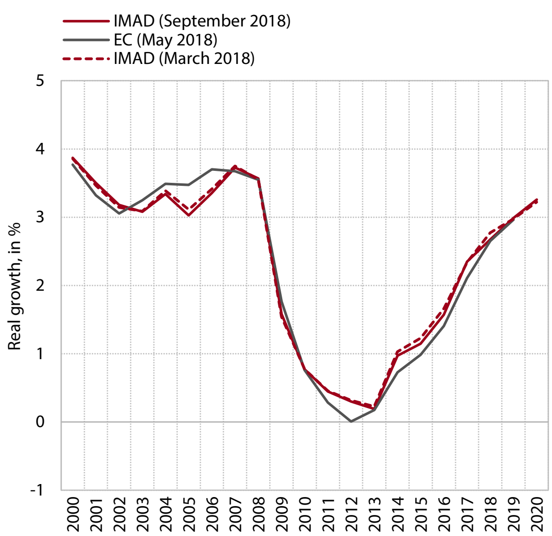
[36] In 2000–2008, when it was also relatively stable, the contribution of capital to potential GDP growth averaged 1.7 pps.

Figure 26: GDP, potential GDP (index 2007=100) and potential GDP without the crisis (potential GDP growth since 2007 according to the average rate of growth in 1999–2005)



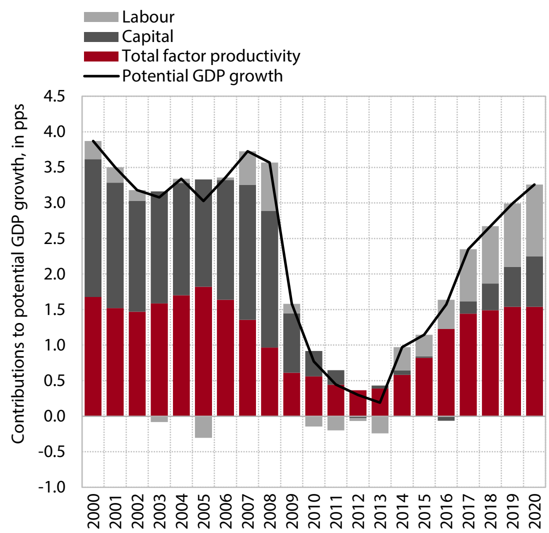
Source: SURS; calculations by IMAD.

Figure 27: Change in potential GDP, comparison of calculations by IMAD and the European Commission



Source: SURS; calculations by IMAD and the EC.

Figure 28: Contributions of individual components to potential GDP growth



Source: calculations by IMAD.

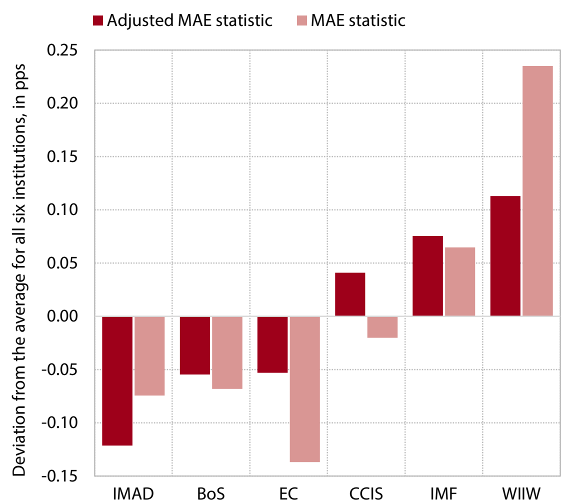
5 Evaluation of the forecast ability of IMAD and other institutions, taking into account differences in the time of publication

In the Autumn Forecast, we have used a corrected method for evaluating the forecasting performance for the first time. IMAD has already been systematically monitoring the accuracy of its forecasts in comparison with other institutions that have regularly and systematically prepared similar analyses[37] for a number of years. We have been comparing the forecasting performance using the mean absolute error (the MAE statistic) as a statistical measure of accuracy.[38] Such comparisons can however be biased, as forecasts are published at different points in time. An institution that publishes its forecasts later than others has more information available, which can be manifested in smaller forecast errors. For this reason, we are now starting to use a new, less biased method, which is based on the calculation of an adjusted MAE statistic that eliminates the timing effect.[39]

In the following paragraphs we present the results[40] of the use of this new method in assessing the forecasting performance of six institutions that have been publishing forecasts of economic trends for Slovenia for a relatively long period. The analysis covers the forecasts for two key aggregates, real economic growth and average annual inflation. All forecasts[41] were compared with the first statistical annual estimates. The analysis is based on the 2002–2017 period. The adjusted MAE statistic is calculated using an econometric model, which is based on the assumption that the absolute forecast errors are influenced by (i) the amount of information available at the time of publication, (ii) the general forecasting ability of forecasters (i.e. individual or fixed effects) and (iii) the fact that different years can be more or less difficult to forecast. The estimated individual (fixed) effects of this model can then be interpreted as adjusted absolute forecast errors.

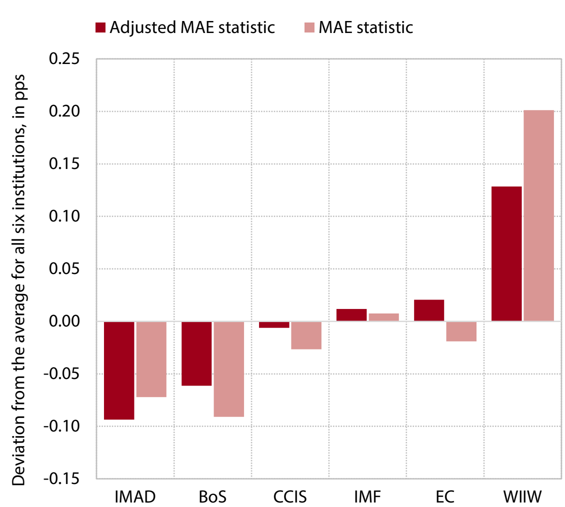
The evaluations of the adjusted MAE statistics for a longer time period show that IMAD's forecasts for real economic growth and average annual inflation are highly accurate. The figures present the rankings of the institutions with regard to the value of the adjusted MAE statistic in the forecasts for real economic growth and average annual inflation (a negative/positive value of the statistic indicates above/below-average forecast ability of the forecaster). The results show that IMAD made the smallest errors on average in its forecasts for real economic growth in the 2002–2017 period, followed by the BoS and the EC, which are similarly successful. IMAD also made the smallest errors on average in forecasting average annual inflation, followed by the BoS.

Figure 29: (Adjusted) mean absolute errors in the forecasts for real GDP growth for 2002–2017



Source: Forecasts by individual institutions; IMAD estimates according to the methodology of Andersson, Aranki and Reslow (2017).

Figure 30: (Adjusted) mean absolute errors in the forecasts for average annual inflation for 2002–2017



Source: Forecasts by individual institutions; IMAD estimates according to the methodology of Andersson, Aranki and Reslow (2017).

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[37] The Bank of Slovenia (BoS), the Chamber of Commerce and Industry of Slovenia (CCIS), the European Commission (EC), the International Monetary Fund (IMF) and Wiener Institut für Internationale Wirtschaftsvergleiche (WIIW)) and, in the most recent period, the Organisation for Economic Co-operation and Development (OECD).

[38] The absolute forecast error is defined as $\varepsilon_{it,h} = \left| x_t - x_{it,h} \right|$, where $x_{it,h}$ is the forecast of variable x_t, published by the institution *i*, *h* months before the period the realised value is known; the mean absolute forecast error is defined as $MAE_t = \Sigma\varepsilon_i/n_i$, where n_i is the number of the forecasts by the institution.

[39] The method was developed by: Andersson, M. K., Aranki, T. and Reslow, A. (2017). Adjusting for Information Content when Comparing Forecast Performance. *Journal of Forecasting, 36*(7), 784–794.

[40] The results of the analysis will be presented in more detail in the IMAD Working Paper Series.

[41] 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).

statistical appendix

Table of contents

Table 1: Main macroeconomic indicators of Slovenia

Real growth rates in %, unless otherwise indicated

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
									forecast		
GROSS DOMESTIC PRODUCT	1.2	0.6	-2.7	-1.1	3.0	2.3	3.1	4.9	4.4	3.7	3.4
GDP in EUR m* (current prices, fixed exchange rate 2007)	36,252	36,896	36,076	36,239	37,603	38,863	40,357	43,000	45,742	48,529	51,445
GDP per capita in EUR (current prices and at current exchange rate)	17,694	17,973	17,540	17,596	18,238	18,836	19,547	20,815	22,154	23,511	24,936
GDP per capita in USD (current prices and at current exchange rate)	23,457	25,019	22,536	23,369	24,229	20,898	21,636	23,515	26,186	27,038	28,677
GDP per capita (PPS)[1]	21,200	21,700	21,800	21,900	22,700	23,800	24,100	25,400			
GDP per capita (PPS EU28=100)[1]	83	83	82	82	82	82	83	85			
EMPLOYMENT AND PRODUCTIVITY											
Employment according to National Accounts	-2.1	-1.7	-0.9	-1.1	0.4	1.3	1.8	2.9	2.8	1.5	0.8
Registered unemployed (annual average in thousand)	100.5	110.7	110.2	119.8	120.1	112.7	103.2	88.6	78.5	73.9	69.3
Rate of registered unemployment in %	10.7	11.8	12.0	13.1	13.1	12.3	11.2	9.5	8.2	7.7	7.2
Rate of unemployment by ILO in %	7.3	8.2	8.9	10.1	9.7	9.0	8.0	6.6	5.5	4.9	4.4
Labour productivity (GDP per employee)	3.4	2.3	-1.8	0.0	2.6	1.0	1.3	1.9	1.5	2.1	2.6
WAGES											
Gross wage per employee - nominal growth in %	3.9	2.0	0.1	-0.2	1.1	1.0	1.8	2.7	3.5	4.9	5.0
Private sector activities	5.6	2.6	0.5	0.6	1.4	0.5	1.7	2.9	4.2	4.8	5.4
Public service activities	0.8	1.0	-0.9	-1.3	0.9	2.0	2.3	2.9	3.1	5.1	4.2
Gross wage per employee - real growth in %	2.0	0.2	-2.5	-1.9	0.9	1.5	2.0	1.3	1.7	2.8	2.6
Private sector activities	3.7	0.8	-2.0	-1.2	1.2	1.0	1.8	1.5	2.3	2.6	3.0
Public service activities	-0.9	-0.8	-3.4	-3.0	0.7	2.6	2.4	1.5	1.3	2.9	1.8
INTERNATIONAL TRADE											
Exports of goods and services	10.2	6.9	0.6	3.1	5.7	5.0	6.4	10.7	8.2	6.6	7.1
Exports of goods	12.0	8.0	0.4	3.3	6.3	5.3	6.2	11.0	8.3	6.8	7.5
Exports of services	3.4	2.5	1.5	1.9	3.4	3.7	7.6	9.9	7.8	5.5	5.1
Imports of goods and services	6.8	5.0	-3.7	2.1	4.1	4.7	6.6	10.3	8.0	7.1	7.3
Imports of goods	7.6	6.0	-4.3	2.9	3.8	5.1	7.0	11.1	8.5	7.4	7.7
Imports of services	3.1	-0.4	0.2	-3.0	6.2	2.3	4.2	5.9	5.0	5.1	4.5

Table 1: Main macroeconomic indicators of Slovenia - continue

Real growth rates in %, unless otherwise indicated

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
									forecast		
BALANCE OF PAYMENTS STATISTICS											
Current account balance in EUR m	-43	68	775	1,594	2,179	1,760	2,224	3,077	3,119	3,127	3,429
- As a per cent share relative to GDP	-0.1	0.2	2.1	4.4	5.8	4.5	5.5	7.2	6.8	6.4	6.7
External balance of goods and services in EUR m	462	432	1,428	2,440	2,878	3,406	3,787	4,280	4,582	4,727	5,094
- As a per cent share relative to GDP	1.3	1.2	4.0	6.7	7.7	8.8	9.4	10.0	10.0	9.7	9.9
FINAL DOMESTIC DEMAND											
Final consumption	0.8	-0.2	-2.4	-3.6	1.1	2.3	3.6	1.5	2.7	2.5	2.0
As a % of GDP	76.3	76.4	77.1	75.0	73.0	72.1	72.1	70.1	69.3	68.7	67.7
in which:											
Private consumption	1.3	0.0	-2.4	-4.1	1.9	2.3	3.9	1.9	2.7	2.6	2.2
As a % of GDP	56.0	56.0	56.9	55.4	54.4	53.6	53.3	51.9	51.3	50.8	50.0
Government consumption	-0.5	-0.7	-2.2	-2.1	-1.2	2.4	2.7	0.5	2.7	2.0	1.5
As a % of GDP	20.3	20.4	20.2	19.5	18.6	18.5	18.8	18.2	18.0	17.9	17.7
Gross fixed capital formation	-13.3	-4.9	-8.8	3.2	1.0	-1.6	-3.7	10.7	9.0	8.5	7.5
As a % of GDP	21.3	20.2	19.2	19.8	19.4	18.8	17.5	18.5	19.4	20.4	21.3
EXCHANGE RATE AND PRICES											
Ratio of USD to EUR	1.327	1.392	1.286	1.328	1.329	1.110	1.107	1.129	1.182	1.150	1.150
Real effective exchange rate - deflated by CPI[2]	-2.1	-1.0	-1.2	1.2	-0.2	-4.1	0.3	0.4	0.8	0.1	0.4
Inflation (end of the year), %[3]	1.9	2.0	2.7	0.7	0.2	-0.4	0.5	1.7	2.1	2.3	2.4
Inflation (year average), %[3]	1.8	1.8	2.6	1.8	0.2	-0.5	-0.1	1.4	1.8	2.1	2.3
Brent Crude Oil Price USD / barrel	79.6	111.3	111.7	108.6	98.9	52.4	44.8	54.3	71.6	72.2	69.3

Source of data: SURS, BoS, Eurostat, calculations and forecasts by IMAD.
[1] Measured in purchasing power standard.
[2] Growth in value denotes real appreciation of national currency and vice versa.
[3] Consumer price index.

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

EUR million, current prices

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
										forecast		
A	Agriculture, forestry and fishing	626.0	733.9	647.0	651.6	758.5	796.3	785.1	736.0	846.7	895.5	900.8
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	7,651.0	8,041.9	8,095.0	8,346.6	8,807.5	9,097.3	9,486.3	10,211.5	11,047.2	11,780.6	12,578.9
	of which: C Manufacturing	6,367.3	6,730.0	6,761.7	6,952.8	7,435.1	7,754.7	8,149.8	8,862.2	9,631.4	10,280.9	10,974.6
F	Construction	2,015.0	1,885.0	1,817.0	1,654.4	1,857.4	1,844.3	1,846.4	2,050.4	2,356.2	2,540.3	2,795.4
GHI	Trade, transportation and storage, accommodation and food service activities	6,299.5	6,441.3	6,228.7	6,266.5	6,475.3	6,763.0	7,117.0	7,706.7	8,165.4	8,732.8	9,318.1
J	Information and communication	1,285.8	1,313.5	1,335.0	1,300.5	1,370.0	1,403.8	1,430.8	1,547.7	1,624.3	1,766.3	1,872.0
K	Financial and insurance activities	1,697.4	1,649.3	1,353.2	1,250.2	1,297.5	1,374.3	1,365.6	1,409.5	1,395.6	1,524.4	1,615.6
L	Real estate activities	2,537.1	2,468.6	2,397.3	2,572.5	2,527.4	2,640.0	2,680.2	2,791.8	2,950.8	3,120.9	3,307.6
MN	Professional, scientific, technical, administrative and support services	2,989.7	3,020.8	2,962.0	2,982.3	3,198.0	3,324.3	3,473.8	3,832.9	4,094.4	4,330.3	4,589.5
OPQ	Public administration, education, human health and social work	5,611.2	5,666.0	5,602.2	5,419.0	5,362.4	5,476.3	5,816.5	6,094.0	6,387.8	6,677.3	6,988.7
RST	Other service activities	870.1	885.0	861.7	850.5	849.2	885.2	945.4	985.7	983.9	1,040.6	1,154.2
1. TOTAL VALUE ADDED		**31,582.7**	**32,105.5**	**31,299.1**	**31,294.2**	**32,503.2**	**33,604.9**	**34,947.0**	**37,366.4**	**39,852.3**	**42,409.1**	**45,120.7**
2. CORRECTIONS (a-b)		4,669.7	4,790.8	4,776.9	4,945.0	5,100.1	5,258.5	5,410.2	5,633.3	5,889.9	6,120.1	6,324.4
a) Taxes on products and services		4,749.7	4,819.1	4,812.1	4,978.4	5,132.5	5,288.6	5,442.1	5,665.6	5,924.7	6,156.8	6,363.1
b) Subsidies on products and services		80.0	28.3	35.1	33.5	32.4	30.1	31.9	32.3	34.8	36.7	38.7
3. GROSS DOMESTIC PRODUCT (3=1+2)		**36,252.4**	**36,896.3**	**36,076.1**	**36,239.2**	**37,603.3**	**38,863.3**	**40,357.2**	**42,999.7**	**45,742.1**	**48,529.2**	**51,445.2**

Source of data: SURS, forecasts by IMAD.

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

Structure in %, current prices

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
										forecast		
A	Agriculture, forestry and fishing	1.7	2.0	1.8	1.8	2.0	2.0	1.9	1.7	1.9	1.8	1.8
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	21.1	21.8	22.4	23.0	23.4	23.4	23.5	23.7	24.2	24.3	24.5
	of which: C Manufacturing	17.6	18.2	18.7	19.2	19.8	20.0	20.2	20.6	21.1	21.2	21.3
F	Construction	5.6	5.1	5.0	4.6	4.9	4.7	4.6	4.8	5.2	5.2	5.4
GHI	Trade, transportation and storage, accommodation and food service activities	17.4	17.5	17.3	17.3	17.2	17.4	17.6	17.9	17.9	18.0	18.1
J	Information and communication	3.5	3.6	3.7	3.6	3.6	3.6	3.5	3.6	3.6	3.6	3.6
K	Financial and insurance activities	4.7	4.5	3.8	3.4	3.5	3.5	3.4	3.3	3.1	3.1	3.1
L	Real estate activities	7.0	6.7	6.6	7.1	6.7	6.8	6.6	6.5	6.5	6.4	6.4
MN	Professional, scientific, technical, administrative and support services	8.2	8.2	8.2	8.2	8.5	8.6	8.6	8.9	9.0	8.9	8.9
OPQ	Public administration, education, human health and social work	15.5	15.4	15.5	15.0	14.3	14.1	14.4	14.2	14.0	13.8	13.6
RST	Other service activities	2.4	2.4	2.4	2.3	2.3	2.3	2.3	2.3	2.2	2.1	2.2
1. TOTAL VALUE ADDED		**87.1**	**87.0**	**86.8**	**86.4**	**86.4**	**86.5**	**86.6**	**86.9**	**87.1**	**87.4**	**87.7**
2. CORRECTIONS (a-b)		12.9	13.0	13.2	13.6	13.6	13.5	13.4	13.1	12.9	12.6	12.3
a) Taxes on products and services		13.1	13.1	13.3	13.7	13.6	13.6	13.5	13.2	13.0	12.7	12.4
b) Subsidies on products and services		0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
3. GROSS DOMESTIC PRODUCT (3=1+2)		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source of data: SURS, forecasts by IMAD.

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

EUR million

		constant previous year prices								constant 2017 prices		
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
										forecast		
A	Agriculture, forestry and fishing	608.4	668.3	673.5	641.1	731.8	829.0	802.2	745.6	772.8	780.1	784.4
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	7,952.4	7,833.0	7,841.5	8,078.0	8,748.2	8,891.5	9,514.1	10,217.0	10,814.0	11,316.9	11,854.5
	of which: C Manufacturing	6,640.1	6,545.7	6,523.5	6,722.8	7,334.2	7,582.6	8,147.7	8,833.2	9,438.2	9,910.2	10,405.7
F	Construction	2,015.0	1,811.9	1,740.4	1,657.5	1,826.6	1,829.9	1,776.3	2,002.6	2,265.7	2,445.8	2,593.8
GHI	Trade, transportation and storage, accommodation and food service activities	6,421.4	6,408.0	6,177.7	6,223.6	6,460.8	6,809.4	7,117.3	7,586.4	8,053.5	8,371.7	8,677.3
J	Information and communication	1,276.9	1,287.1	1,309.0	1,345.0	1,363.1	1,465.1	1,390.7	1,514.9	1,617.3	1,697.4	1,791.6
K	Financial and insurance activities	1,664.6	1,631.7	1,578.0	1,312.5	1,234.0	1,266.0	1,420.8	1,340.5	1,430.6	1,487.2	1,532.5
L	Real estate activities	2,679.2	2,527.2	2,475.4	2,409.7	2,602.5	2,529.6	2,636.1	2,711.6	2,819.7	2,860.6	2,905.0
MN	Professional, scientific, technical, administrative and support services	3,033.7	3,008.6	2,968.5	2,974.8	3,215.2	3,326.3	3,450.5	3,777.0	4,062.9	4,264.0	4,436.7
OPQ	Public administration, education, human health and social work	5,542.6	5,628.6	5,734.1	5,542.5	5,410.9	5,411.1	5,601.5	5,908.5	6,222.0	6,318.5	6,403.8
RST	Other service activities	861.4	882.6	861.0	859.1	846.7	880.3	935.9	964.6	1,005.4	1,035.1	1,077.0
1. TOTAL VALUE ADDED		**32,055.7**	**31,687.2**	**31,359.1**	**31,043.9**	**32,439.9**	**33,238.3**	**34,645.4**	**36,768.8**	**39,063.9**	**40,577.4**	**42,056.6**
2. CORRECTIONS (a-b)		4,558.1	4,800.6	4,552.3	4,623.8	4,868.6	5,231.7	5,410.3	5,558.1	5,810.9	5,944.2	6,068.8
a) Taxes on products and services		4,639.6	4,883.8	4,581.1	4,659.6	4,901.5	5,264.7	5,440.0	5,591.1	5,844.8	5,979.3	6,104.8
b) Subsidies on products and services		81.5	83.1	28.8	35.8	32.9	33.0	29.7	33.0	34.0	35.0	36.1
3. GROSS DOMESTIC PRODUCT (3=1+2)		**36,613.9**	**36,487.8**	**35,911.3**	**35,667.7**	**37,308.5**	**38,470.0**	**40,055.7**	**42,326.9**	**44,874.8**	**46,521.7**	**48,125.4**

Source of data: SURS, forecasts by IMAD.

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

Real growth rates in %

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
										forecast		
A	Agriculture, forestry and fishing	1.6	6.8	-8.2	-0.9	12.3	9.3	0.7	-5.0	5.0	1.0	0.5
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	6.5	2.4	-2.5	-0.2	4.8	1.0	4.6	7.7	5.9	4.7	4.7
	of which: C Manufacturing	7.3	2.8	-3.1	-0.6	5.5	2.0	5.1	8.4	6.5	5.0	5.0
F	Construction	-18.2	-10.1	-7.7	-8.8	10.4	-1.5	-3.7	8.5	10.5	8.0	6.0
GHI	Trade, transportation and storage, accommodation and food service activities	1.2	1.7	-4.1	-0.1	3.1	5.2	5.2	6.6	4.5	4.0	3.6
J	Information and communication	3.3	0.1	-0.3	0.8	4.8	6.9	-0.9	5.9	4.5	5.0	5.5
K	Financial and insurance activities	-0.5	-3.9	-4.3	-3.0	-1.3	-2.4	3.4	-1.8	1.5	4.0	3.0
L	Real estate activities	1.6	-0.4	0.3	0.5	1.2	0.1	-0.1	1.2	1.0	1.5	1.5
MN	Professional, scientific, technical, administrative and support services	5.7	0.6	-1.7	0.4	7.8	4.0	3.8	8.7	6.0	5.0	4.0
OPQ	Public administration, education, human health and social work	1.2	0.3	1.2	-1.1	-0.1	0.9	2.3	1.6	2.1	1.6	1.3
RST	Other service activities	-1.2	1.4	-2.7	-0.3	-0.4	3.7	5.7	1.9	2.0	3.0	4.0
1. TOTAL VALUE ADDED		**1.3**	**0.3**	**-2.3**	**-0.8**	**3.7**	**2.3**	**3.1**	**5.2**	**4.5**	**3.9**	**3.6**
2. CORRECTIONS(a-b)		0.7	2.8	-5.0	-3.2	-1.5	2.6	2.9	2.7	3.2	2.3	2.1
a) Taxes on products and services		0.9	2.8	-4.9	-3.2	-1.5	2.6	2.9	2.7	3.2	2.3	2.1
b) Subsidies on products and services		14.2	4.0	1.7	1.9	-1.7	1.6	-1.2	3.5	3.0	3.0	3.0
3. GROSS DOMESTIC PRODUCT (3=1+2)		**1.2**	**0.6**	**-2.7**	**-1.1**	**3.0**	**2.3**	**3.1**	**4.9**	**4.4**	**3.7**	**3.4**

Source of data: SURS, forecasts by IMAD.

Table 4a: Gross domestic product and primary incomes

EUR million, current prices

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
									forecast		
1. Compensation of employees	19,018.3	18,921.2	18,486.6	18,072.8	18,406.9	18,903.7	19,902.2	21,202.9	22,874.7	24,425.5	25,892.8
Wages and salaries	16,336.1	16,244.7	15,816.8	15,478.7	15,791.5	16,192.8	17,081.3	18,203.2	19,608.2	20,939.3	22,199.6
Employers' social contributions	2,682.1	2,676.5	2,669.8	2,594.1	2,615.4	2,710.9	2,820.9	2,999.7	3,266.5	3,486.2	3,693.2
2. Taxes on production and imports	**5,159.2**	**5,236.8**	**5,274.1**	**5,474.1**	**5,636.2**	**5,796.9**	**5,953.0**	**6,205.0**	**6,493.4**	**6,752.6**	**6,987.2**
Taxes on products and services	4,749.7	4,819.1	4,812.1	4,978.4	5,132.5	5,288.6	5,442.1	5,665.6	5,924.7	6,156.8	6,363.1
Other taxes on production	409.5	417.6	462.0	495.7	503.6	508.4	510.9	539.4	568.8	595.7	624.1
3. Subsidies	**927.2**	**625.0**	**606.0**	**673.7**	**581.5**	**528.1**	**548.1**	**575.3**	**610.0**	**665.7**	**630.0**
Subsidies on products and services	80.0	28.3	35.1	33.5	32.4	30.1	31.9	32.3	34.8	36.7	38.7
Other subsidies on production	847.2	596.6	570.9	640.3	549.1	498.1	516.2	543.0	575.2	629.0	591.3
4. Gross operating surplus / mixed income	**13,002.1**	**13,363.3**	**12,921.3**	**13,366.0**	**14,141.8**	**14,690.8**	**15,050.2**	**16,167.1**	**16,984.0**	**18,016.9**	**19,195.1**
Consumption of fixed capital	7,212.5	7,391.0	7,663.4	7,723.7	7,796.7	8,015.2	8,130.4	8,464.6	8,434.0	8,599.1	8,825.3
Net operating surplus	5,789.7	5,972.3	5,258.0	5,642.3	6,345.0	6,675.7	6,919.8	7,702.6	8,550.0	9,417.8	10,369.8
5. Gross domestic product (5=1+2-3+4)	**36,252.4**	**36,896.3**	**36,076.1**	**36,239.2**	**37,603.3**	**38,863.3**	**40,357.2**	**42,999.7**	**45,742.1**	**48,529.2**	**51,445.2**

Source of data: SURS, forecasts by IMAD.

Table 4b: Gross domestic product and primary incomes

Structure in %, current prices

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
									forecast		
1. Compensation of employees	52.5	51.3	51.2	49.9	49.0	48.6	49.3	49.3	50.0	50.3	50.3
Wages and salaries	45.1	44.0	43.8	42.7	42.0	41.7	42.3	42.3	42.9	43.1	43.2
Employers' social contributions	7.4	7.3	7.4	7.2	7.0	7.0	7.0	7.0	7.1	7.2	7.2
2. Taxes on production and imports	**14.2**	**14.2**	**14.6**	**15.1**	**15.0**	**14.9**	**14.8**	**14.4**	**14.2**	**13.9**	**13.6**
Taxes on products and services	13.1	13.1	13.3	13.7	13.6	13.6	13.5	13.2	13.0	12.7	12.4
Other taxes on production	1.1	1.1	1.3	1.4	1.3	1.3	1.3	1.3	1.2	1.2	1.2
3. Subsidies	**2.6**	**1.7**	**1.7**	**1.9**	**1.5**	**1.4**	**1.4**	**1.3**	**1.3**	**1.4**	**1.2**
Subsidies on products and services	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other subsidies on production	2.3	1.6	1.6	1.8	1.5	1.3	1.3	1.3	1.3	1.3	1.1
4. Gross operating surplus / mixed income	**35.9**	**36.2**	**35.8**	**36.9**	**37.6**	**37.8**	**37.3**	**37.6**	**37.1**	**37.1**	**37.3**
Consumption of fixed capital	19.9	20.0	21.2	21.3	20.7	20.6	20.1	19.7	18.4	17.7	17.2
Net operating surplus	16.0	16.2	14.6	15.6	16.9	17.2	17.1	17.9	18.7	19.4	20.2
5. Gross domestic product (5=1+2-3+4)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source of data: SURS, forecasts by IMAD.

Table 5a: Gross domestic product by expenditures

EUR million, current prices

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
										forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**36,252.4**	**36,896.3**	**36,076.1**	**36,239.2**	**37,603.3**	**38,863.3**	**40,357.2**	**42,999.7**	**45,742.1**	**48,529.2**	**51,445.2**
2	EXPORTS OF GOODS AND SERVICES	23,306.0	25,965.4	26,380.5	27,004.4	28,517.1	29,900.3	31,384.5	35,636.5	39,353.7	42,661.3	46,226.9
3	IMPORTS OF GOODS AND SERVICES	22,785.8	25,288.1	24,858.8	24,989.7	25,734.0	26,566.0	27,686.0	31,455.2	34,879.6	38,049.7	41,255.9
4	EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	520.2	677.3	1,521.7	2,014.7	2,783.1	3,334.3	3,698.5	4,181.2	4,474.1	4,611.6	4,971.1
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	35,732.2	36,219.0	34,554.4	34,224.5	34,820.2	35,529.1	36,658.7	38,818.4	41,268.0	43,917.7	46,474.1
6	FINAL CONSUMPTION (6=7+8)	27,669.7	28,205.1	27,805.8	27,163.4	27,458.5	28,015.0	29,108.4	30,142.1	31,707.9	33,328.9	34,828.1
7	PRIVATE CONSUMPTION	20,316.5	20,667.7	20,509.6	20,090.3	20,461.9	20,817.0	21,516.9	22,304.8	23,482.5	24,632.9	25,727.9
	- Households	19,979.6	20,337.9	20,202.7	19,784.6	20,136.7	20,482.3	21,187.0	21,963.0	23,119.9	24,254.7	25,333.6
	- NPISH's	336.9	329.8	306.9	305.7	325.2	334.7	329.9	341.8	362.6	378.2	394.2
8	GOVERNMENT CONSUMPTION	7,353.3	7,537.4	7,296.3	7,073.1	6,996.6	7,198.0	7,591.5	7,837.3	8,225.4	8,696.0	9,100.3
9	GROSS CAPITAL FORMATION (9=10+11)	8,062.5	8,013.9	6,748.5	7,061.2	7,361.7	7,514.1	7,550.3	8,676.4	9,560.1	10,588.8	11,646.0
10	GROSS FIXED CAPITAL FORMATION	7,726.6	7,450.7	6,933.9	7,174.9	7,286.7	7,313.4	7,082.3	7,961.5	8,886.3	9,916.2	10,953.4
11	CHANGES IN INVENTORIES AND VALUABLES	335.9	563.2	-185.4	-113.8	75.0	200.6	468.1	714.9	673.8	672.6	692.6

Source of data: SURS, forecasts by IMAD.

Table 5b: Gross domestic product by expenditures

Structure in %, current prices

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
										forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2	EXPORTS OF GOODS AND SERVICES	64.3	70.4	73.1	74.5	75.8	76.9	77.8	82.9	86.0	87.9	89.9
3	IMPORTS OF GOODS AND SERVICES	62.9	68.5	68.9	69.0	68.4	68.4	68.6	73.2	76.3	78.4	80.2
4	EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	1.4	1.8	4.2	5.6	7.4	8.6	9.2	9.7	9.8	9.5	9.7
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	98.6	98.2	95.8	94.4	92.6	91.4	90.8	90.3	90.2	90.5	90.3
6	FINAL CONSUMPTION (6=7+8)	76.3	76.4	77.1	75.0	73.0	72.1	72.1	70.1	69.3	68.7	67.7
7	PRIVATE CONSUMPTION	56.0	56.0	56.9	55.4	54.4	53.6	53.3	51.9	51.3	50.8	50.0
	- Households	55.1	55.1	56.0	54.6	53.6	52.7	52.5	51.1	50.5	50.0	49.2
	- NPISH's	0.9	0.9	0.9	0.8	0.9	0.9	0.8	0.8	0.8	0.8	0.8
8	GOVERNMENT CONSUMPTION	20.3	20.4	20.2	19.5	18.6	18.5	18.8	18.2	18.0	17.9	17.7
9	GROSS CAPITAL FORMATION (9=10+11)	22.2	21.7	18.7	19.5	19.6	19.3	18.7	20.2	20.9	21.8	22.6
10	GROSS FIXED CAPITAL FORMATION	21.3	20.2	19.2	19.8	19.4	18.8	17.5	18.5	19.4	20.4	21.3
11	CHANGES IN INVENTORIES AND VALUABLES	0.9	1.5	-0.5	-0.3	0.2	0.5	1.2	1.7	1.5	1.4	1.3

Source of data: SURS, forecasts by IMAD.

Table 6a: Gross domestic product by expenditures

EUR million

		constant previous year prices								constant 2017 prices		
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
										forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**36,613.9**	**36,487.8**	**35,911.3**	**35,667.7**	**37,308.5**	**38,470.0**	**40,055.7**	**42,326.9**	**44,874.8**	**46,521.7**	**48,125.4**
2	EXPORTS OF GOODS AND SERVICES	22,804.8	24,912.6	26,117.6	27,185.2	28,542.2	29,945.0	31,826.7	34,757.8	38,544.5	41,085.0	43,982.7
3	IMPORTS OF GOODS AND SERVICES	21,395.9	23,924.3	24,351.2	25,370.6	26,023.2	26,949.0	28,316.4	30,531.0	33,980.3	36,380.6	39,040.3
4	EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	1,408.9	988.3	1,766.4	1,814.6	2,518.9	2,996.0	3,510.3	4,226.8	4,564.3	4,704.4	4,942.4
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	35,204.9	35,499.5	34,145.0	33,853.1	34,789.5	35,474.0	36,545.4	38,100.1	40,310.5	41,817.2	43,183.0
6	FINAL CONSUMPTION (6=7+8)	27,244.0	27,610.8	27,530.6	26,814.1	27,461.2	28,101.7	29,028.2	29,555.1	30,958.7	31,724.6	32,368.5
7	PRIVATE CONSUMPTION	20,027.3	20,311.7	20,162.7	19,667.8	20,475.7	20,937.0	21,635.3	21,925.5	22,909.8	23,514.7	24,031.4
	- Households	19,692.2	19,984.7	19,857.2	19,362.2	20,152.4	20,603.8	21,307.9	21,590.9	22,556.0	23,153.7	23,663.1
	- NPISH's	335.1	327.0	305.5	305.6	323.3	333.2	327.4	334.6	353.8	361.0	368.2
8	GOVERNMENT CONSUMPTION	7,216.6	7,299.1	7,367.9	7,146.2	6,985.5	7,164.7	7,392.9	7,629.6	8,048.9	8,209.9	8,337.1
9	GROSS CAPITAL FORMATION (9=10+11)	7,961.0	7,888.8	6,614.4	7,039.0	7,328.3	7,372.3	7,517.3	8,544.9	9,351.9	10,092.6	10,814.5
10	GROSS FIXED CAPITAL FORMATION	7,634.2	7,345.7	6,792.4	7,152.9	7,247.3	7,169.1	7,043.8	7,841.1	8,678.0	9,420.0	10,121.9
11	CHANGES IN INVENTORIES AND VALUABLES	326.7	543.1	-178.1	-114.0	81.1	203.2	473.5	703.8	673.8	672.6	692.6

Source of data: SURS, forecasts by IMAD.

Table 6b: Gross domestic product by expenditures

Real growth rates in %

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
										forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**1.2**	**0.6**	**-2.7**	**-1.1**	**3.0**	**2.3**	**3.1**	**4.9**	**4.4**	**3.7**	**3.4**
2	EXPORTS OF GOODS AND SERVICES	10.2	6.9	0.6	3.1	5.7	5.0	6.4	10.7	8.2	6.6	7.1
3	IMPORTS OF GOODS AND SERVICES	6.8	5.0	-3.7	2.1	4.1	4.7	6.6	10.3	8.0	7.1	7.3
4	*EXTERNAL BALANCE OF GOODS AND SERVICES*[1]	*2.0*	*1.3*	*3.0*	*0.8*	*1.4*	*0.6*	*0.5*	*1.3*	*0.9*	*0.3*	*0.5*
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	-0.8	-0.7	-5.7	-2.0	1.7	1.9	2.9	3.9	3.8	3.7	3.3
6	FINAL CONSUMPTION (6=7+8)	0.8	-0.2	-2.4	-3.6	1.1	2.3	3.6	1.5	2.7	2.5	2.0
7	PRIVATE CONSUMPTION	1.3	0.0	-2.4	-4.1	1.9	2.3	3.9	1.9	2.7	2.6	2.2
	- Households	1.1	0.0	-2.4	-4.2	1.9	2.3	4.0	1.9	2.7	2.6	2.2
	- NPISH's	12.6	-2.9	-7.4	-0.4	5.8	2.4	-2.2	1.4	3.5	2.0	2.0
8	GOVERNMENT CONSUMPTION	-0.5	-0.7	-2.2	-2.1	-1.2	2.4	2.7	0.5	2.7	2.0	1.5
9	GROSS CAPITAL FORMATION (9=10+11)	-5.9	-2.2	-17.5	4.3	3.8	0.1	0.0	13.2	7.8	7.9	7.2
10	GROSS FIXED CAPITAL FORMATION	-13.3	-4.9	-8.8	3.2	1.0	-1.6	-3.7	10.7	9.0	8.5	7.5
11	*CHANGES IN INVENTORIES AND VALUABLES*[1]	*1.9*	*0.6*	*-2.0*	*0.2*	*0.5*	*0.3*	*0.7*	*0.6*	*-0.1*	*0.0*	*0.0*

Source of data: SURS, forecasts by IMAD.
Note: [1] Contribution to real GDP growth (percentage points).

Table 7: Balance of payments - balance of payments statistics

EUR million

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
										forecast	
I. CURRENT ACCOUNT	**-43**	**68**	**775**	**1,594**	**2,179**	**1,760**	**2,224**	**3,077**	**3,119**	**3,127**	**3,429**
1. GOODS	-748	-974	-81	708	1,181	1,476	1,536	1,561	1,474	1,377	1,496
1.1. Exports of goods	18,631	21,042	21,256	21,692	22,961	24,039	24,991	28,462	31,519	34,284	37,308
1.2. Imports of goods	19,379	22,016	21,337	20,984	21,780	22,563	23,454	26,901	30,045	32,908	35,813
2. SERVICES	1,210	1,406	1,509	1,732	1,697	1,930	2,251	2,719	3,108	3,350	3,598
2.1. Exports	4,655	4,906	5,106	5,317	5,558	5,936	6,487	7,275	7,944	8,494	9,044
- Transport	1,210	1,309	1,346	1,398	1,529	1,672	1,854	2,099	2,338	2,535	2,709
- Travel	1,925	1,975	2,008	2,043	2,060	2,098	2,190	2,434	2,577	2,715	2,852
- Other	1,520	1,622	1,752	1,877	1,969	2,166	2,443	2,742	3,029	3,245	3,483
2.2. Imports	3,444	3,500	3,597	3,586	3,862	4,007	4,236	4,556	4,837	5,144	5,446
- Transport	716	725	713	738	814	851	922	1,025	1,057	1,121	1,179
- Travel	923	817	730	708	745	823	854	882	919	958	999
- Other	1,805	1,958	2,153	2,140	2,302	2,333	2,461	2,649	2,861	3,066	3,268
1., 2. EXTERNAL BALANCE OF GOODS AND SERVICES	**462**	**432**	**1,428**	**2,440**	**2,878**	**3,406**	**3,787**	**4,280**	**4,582**	**4,727**	**5,094**
Exports of goods and services	23,285	25,948	26,362	27,010	28,519	29,975	31,478	35,737	39,463	42,779	46,352
Imports of goods and services	22,823	25,516	24,934	24,569	25,641	26,569	27,690	31,457	34,882	38,052	41,258
3. PRIMARY INCOME	**-373**	**-279**	**-578**	**-482**	**-428**	**-1,294**	**-1,215**	**-926**	**-1,068**	**-1,112**	**-1,179**
3.1. Receipts	895	1,318	853	822	1,093	1,314	1,487	1,669	1,673	1,714	1,747
- Compensation of employees	240	327	169	201	235	281	314	364	385	390	395
- Investment	287	580	207	54	368	511	636	695	723	728	726
- Other primary income	367	411	478	567	490	522	537	610	565	596	626
3.2. Expenditure	1,268	1,598	1,431	1,303	1,521	2,608	2,702	2,596	2,741	2,826	2,926
- Compensation of employees	89	93	99	100	114	122	128	141	165	185	215
- Investment	1,031	1,328	1,097	917	1,063	2,057	2,084	1,917	1,965	1,973	1,991
- Other primary income	147	176	235	286	344	429	490	538	611	669	720
4. SECONDARY INCOME	**-132**	**-84**	**-75**	**-365**	**-271**	**-352**	**-349**	**-276**	**-395**	**-487**	**-486**
4.1. Receipts	864	993	931	630	709	735	724	838	812	807	831
4.2. Expenditure	996	1,077	1,006	994	980	1,087	1,073	1,115	1,207	1,295	1,316
II. CAPITAL ACCOUNT	**54**	**-85**	**41**	**162**	**79**	**412**	**-303**	**-324**			
1. Non-produced non-financial assets	-3	-12	-4	-10	-24	-37	-45	-76			
2. Capital transfers	57	-73	45	172	102	449	-258	-248			
III. FINANCIAL ACCOUNT	**-1,460**	**-754**	**-142**	**1,004**	**2,251**	**1,710**	**1,153**	**1,754**			
1. Direct investment	-93	-640	-466	-47	-584	-1,269	-864	-414			
- Assets	138	-3	-439	24	155	292	434	551			
- Liabilities	231	636	27	71	739	1,560	1,298	966			
2. Portfolio investment	-1,961	-1,844	220	-4,176	-3,968	2,940	5,094	2,958			
3 Financial derivatives	117	155	89	27	-51	-98	-216	-248			
4. Other investment	497	1,646	45	5,194	6,765	250	-2,764	-630			
4.1. Assets	-1,807	425	456	599	4,737	-650	-2,340	-1,584			
4.2. Liabilities	-2,303	-1,221	411	-4,595	-2,028	-900	423	-954			
5. Reserve assets	-19	-72	-31	5	89	-113	-97	89			
IV. NET ERRORS AND OMISSIONS	**-1,470**	**-737**	**-958**	**-752**	**-6**	**-462**	**-768**	**-999**			

Source of data: BoS, forecasts by IMAD.
Note: The Slovenian Balance of Payments and International Investment Position conforms to the methodology of the the IMF's 'Balance of Payments and International Investment Position Manual'.

Table 8: Labour market

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
									forecast		
LABOUR SUPPLY											
Activity rate (20-64 years, in %)	75.8	74.5	74.9	74.9	75.1	76.0	76.2	78.6	79.8	80.7	81.3
Active population (ILO definition - in thousands)	1,041	1,020	1,013	1,008	1,015	1,008	995	1,027	1,038	1,044	1,047
- yearly growth (in %)	0.0	-2.1	-0.6	-0.6	0.7	-0.7	-1.3	3.2	1.1	0.6	0.2
EMPLOYMENT AND UNEMPLOYMENT											
Employment (National accounts concept, in thousands)	962.1	946.0	937.2	926.7	930.4	942.6	959.5	987.8	1,015.7	1,031.0	1,039.1
- yearly growth (in %)	-2.1	-1.7	-0.9	-1.1	0.4	1.3	1.8	2.9	2.8	1.5	0.8
Employment (ILO concept, in thousands)	966.0	936.2	923.7	906.0	917.0	917.6	915.1	959.0	981.1	993.8	1000.8
- yearly growth (in %)	-1.5	-3.1	-1.3	-1.9	1.2	0.1	-0.3	4.8	2.3	1.3	0.7
Employment rate (20-64 yeras, in %)	70.3	68.4	68.3	67.2	67.8	69.1	70.1	73.4	75.4	76.8	77.7
Formal employment (statistical register, in thousands) *	835.0	824.0	810.0	793.6	797.8	804.6	817.2	845.5	873.3	888.1	895.7
- yearly growth (in %)	-2.7	-1.3	-1.7	-2.0	0.5	0.9	1.6	3.5	3.3	1.7	0.9
Paid employment (in thousands)	747.2	729.1	717.0	698.7	703.0	713.1	730.5	755.3	779.9	793.6	800.7
- yearly growth (in %)	-2.6	-2.4	-1.6	-2.6	0.6	1.4	2.4	3.4	3.3	1.8	0.9
Self employed (in thousands)	87.8	94.9	93.0	94.9	94.8	91.6	86.7	90.2	93.4	94.5	95.0
- yearly growth (in %)	-3.3	8.1	-2.1	2.1	-0.1	-3.4	-5.3	4.0	3.6	1.2	0.5
Unemployment (ILO concept, in thousands)	75.2	83.3	89.7	101.8	98.0	90.5	79.7	67.5	56.8	50.3	45.8
- yearly growth (in %)	23.7	10.8	7.7	13.5	-3.7	-7.7	-11.9	-15.3	-15.8	-11.5	-8.9
Unemployment (registered, in thousands)	100.5	110.7	110.2	119.8	120.1	112.7	103.2	88.6	78.5	73.9	69.3
- yearly growth (in %)	16.4	10.1	-0.5	8.8	0.2	-6.1	-8.5	-14.1	-11.4	-5.8	-6.3
Unemployment rate (ILO concept, in %)	7.3	8.2	8.9	10.1	9.7	9.0	8.0	6.6	5.5	4.9	4.4
Unemployment rate (registered, in %)	10.7	11.8	12.0	13.1	13.1	12.3	11.2	9.5	8.2	7.7	7.2

Sources of data: SURS, ESS, forecasts by IMAD and Eurostat.
Note: * According to the Statistical Register of Employment, including the estimate of self employed farmers.

Table 9: Indicators of international competitiveness

annual growth rates in %

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
										forecast	
Effective exchange rate[1]											
Nominal	-2.3	0.0	-1.4	0.9	0.2	-3.1	1.0	0.5	0.7	0.0	0.0
Real - based on consumer prices	-2.1	-1.0	-1.2	1.2	-0.2	-4.1	0.3	0.4	0.8	0.1	0.4
Real - based on ULC in economy as a whole	-1.7	-2.0	-3.0	0.0	-1.6	-3.7	0.9	-0.7	2.0	1.1	0.7
Unit labour costs components											
Nominal unit labour costs	0.6	-0.8	0.8	0.5	-1.2	0.3	1.8	1.3	3.0	2.6	2.1
Compensation of employees per employee	4.0	1.5	-1.0	0.5	1.3	1.3	3.0	3.2	4.5	4.8	4.8
Labour productivity, real [2]	3.4	2.4	-1.8	0.0	2.5	1.0	1.3	1.9	1.5	2.1	2.6
Real unit labour costs	1.6	-1.9	0.3	-1.1	-2.0	-0.7	1.0	-0.3	1.0	0.2	-0.3
Labour productivity, nominal [3]	2.4	3.5	-1.3	1.6	3.3	2.0	2.0	3.5	3.5	4.5	5.2

Sources of data: SURS national accounts statistics, ECB, OECD, Consensus Forecasts, European Comision, calculations and forecasts by IMAD.
Notes: [1] Harmonised effective exchange rate - 37 group of trading partners; 19 extra Euro area and 18 Euro area countries; a rise in the value indicates appreciation and of national currency and vice versa. [2] GDP per employee (in constant prices); [3] GDP per employee (in current prices).

Table 10a: Consolidated general government revenues; GFS - IMF Methodology

EUR million, current prices

CONSOLIDATED GENERAL GOVERNMENT REVENUES	2010	2011	2012	2013	2014	2015	2016	2017
I. TOTAL GENERAL GOVERNMENT REVENUES	**14,794**	**14,982**	**14,999**	**14,728**	**15,494**	**15,714**	**15,842**	**16,801**
TAX REVENUES	**12,848**	**13,209**	**13,118**	**12,648**	**13,193**	**13,746**	**14,240**	**15,159**
TAXES ON INCOME AND PROFIT	2,491	2,724	2,657	2,137	2,386	2,585	2,681	2,967
Personal income tax	2,039	2,054	2,077	1,868	1,916	1,986	2,079	2,197
Corporate income tax	449	668	577	265	468	595	599	766
SOCIAL SECURITY CONTRIBUTIONS	5,234	5,268	5,244	5,127	5,272	5,474	5,721	6,092
TAXSES ON PAYROLL AND WORKFORCE	28	29	26	23	20	20	20	21
TAXES ON PROPERTY	220	215	234	254	245	238	256	273
DOMESTIC TAXES ON GOODS AND SERVICES	4,781	4,856	4,876	5,027	5,191	5,347	5,433	5,723
Value added tax	2,941	2,992	2,905	3,029	3,153	3,229	3,272	3,504
Excise duties	1,439	1,462	1,560	1,491	1,491	1,515	1,551	1,585
TAXES ON INTERN. TRADE AND TRANSACTIONS	91	100	83	77	78	82	82	83
OTHER TAXES	4	17	-1	1	0	1	48	-1
NON-TAX REVENUES	**923**	**829**	**912**	**989**	**1,184**	**956**	**963**	**1,091**
CAPITAL REVENUES	176	65	63	67	53	96	96	91
DONATIONS RECEIVED	**13**	**10**	**9**	**33**	**19**	**12**	**10**	**10**
TRANSFERED REVENUES	**110**	**54**	**52**	**53**	**5**	**21**	**51**	**52**
RECEIPTS FROM THE EU BUDGET	**725**	**815**	**845**	**938**	**1,040**	**882**	**481**	**399**

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

Table 10b: Consolidated general government revenues; GFS - IMF Methodology

per cent share relative to GDP

CONSOLIDATED GENERAL GOVERNMENT REVENUES	2010	2011	2012	2013	2014	2015	2016	2017
I. TOTAL GENERAL GOVERNMENT REVENUES	**40.8**	**40.6**	**41.6**	**40.6**	**41.2**	**40.5**	**39.2**	**38.8**
TAX REVENUES	**35.4**	**35.8**	**36.4**	**34.9**	**35.1**	**35.4**	**35.2**	**35.0**
TAXES ON INCOME AND PROFIT	6.9	7.4	7.4	5.9	6.3	6.7	6.6	6.9
Personal income tax	5.6	5.6	5.8	5.2	5.1	5.1	5.1	5.1
Corporate income tax	1.2	1.8	1.6	0.7	1.2	1.5	1.5	1.8
SOCIAL SECURITY CONTRIBUTIONS	14.4	14.3	14.5	14.1	14.0	14.1	14.2	14.1
TAXSES ON PAYROLL AND WORKFORCE	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
TAXES ON PROPERTY	0.6	0.6	0.6	0.7	0.7	0.6	0.6	0.6
DOMESTIC TAXES ON GOODS AND SERVICES	13.2	13.2	13.5	13.9	13.8	13.8	13.4	13.2
Value added tax	8.1	8.1	8.1	8.4	8.4	8.3	8.1	8.1
Excise duties	4.0	4.0	4.3	4.1	4.0	3.9	3.8	3.7
TAXES ON INTERN. TRADE AND TRANSACTIONS	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
OTHER TAXES	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
NON-TAX REVENUES	**2.5**	**2.2**	**2.5**	**2.7**	**3.1**	**2.5**	**2.4**	**2.5**
CAPITAL REVENUES	0.5	0.2	0.2	0.2	0.1	0.2	0.2	0.2
DONATIONS RECEIVED	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**	**0.0**	**0.0**	**0.0**
TRANSFERED REVENUES	**0.3**	**0.1**	**0.1**	**0.1**	**0.0**	**0.1**	**0.1**	**0.1**
RECEIPTS FROM THE EU BUDGET	**2.0**	**2.2**	**2.3**	**2.6**	**2.8**	**2.3**	**1.2**	**0.9**

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

Table 11a: Consolidated general government expenditure; GFS - IMF Methodology EUR million, current prices

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2010	2011	2012	2013	2014	2015	2016	2017
II. T O T A L E X P E N D I T U R E S	**16,693**	**16,546**	**16,126**	**16,286**	**16,755**	**16,956**	**16,497**	**17,097**
CURRENT EXPENDITURE	**6,960**	**6,927**	**6,814**	**6,838**	**7,043**	**7,168**	**7,407**	**7,733**
WAGES AND OTHER PERSONNEL EXPENDITURE	3,359	3,330	3,185	3,114	3,116	3,124	3,278	3,406
EMPLOYER'S SOCIAL SECURITY CONTRIBUTIONS	553	553	543	503	494	486	508	533
PURCHASES OF GOODS AND SERVICES	2,512	2,443	2,373	2,239	2,233	2,311	2,371	2,627
INTEREST PAYMENTS	488	527	648	840	1,097	1,043	1,074	985
RESERVES	47	74	65	143	103	204	176	183
CURRENT TRANSFERS	**7,629**	**7,819**	**7,687**	**7,671**	**7,592**	**7,540**	**7,700**	**7,911**
SUBSIDIES	582	496	503	520	467	399	397	425
TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	6,278	6,533	6,384	6,343	6,335	6,371	6,496	6,664
OTHER CURRENT TRANSFERS	769	789	800	809	789	770	807	822
CAPITAL EXPENDITURE AND TRANSFERS - TOTAL	**1,707**	**1,396**	**1,235**	**1,351**	**1,717**	**1,815**	**962**	**1,074**
CAPITAL EXPENDITURE	1,311	1,024	915	1,032	1,451	1,520	784	889
CAPITAL TRANSFERS	396	372	320	319	266	295	178	186
PAYMENTS TO THE EU BUDGET	**397**	**405**	**390**	**425**	**403**	**433**	**427**	**378**
III. GENERAL GOVERNMENT SURPLUS / DEFICIT (I. - II.)	**-1,899**	**-1,564**	**-1,127**	**-1,558**	**-1,261**	**-1,242**	**-654**	**-297**

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

Table 11b: Consolidated general government expenditure; GFS - IMF Methodology Per cent share relative to GDP

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2010	2011	2012	2013	2014	2015	2016	2017
II. T O T A L E X P E N D I T U R E S	**46.0**	**44.8**	**44.7**	**44.9**	**44.5**	**43.7**	**40.8**	**39.5**
CURRENT EXPENDITURE	**19.2**	**18.8**	**18.9**	**18.9**	**18.7**	**18.5**	**18.3**	**17.9**
WAGES AND OTHER PERSONNEL EXPENDITURE	9.3	9.0	8.8	8.6	8.3	8.0	8.1	7.9
EMPLOYER'S SOCIAL SECURITY CONTRIBUTIONS	1.5	1.5	1.5	1.4	1.3	1.3	1.3	1.2
PURCHASES OF GOODS AND SERVICES	6.9	6.6	6.6	6.2	5.9	6.0	5.9	6.1
INTEREST PAYMENTS	1.3	1.4	1.8	2.3	2.9	2.7	2.7	2.3
RESERVES	0.1	0.2	0.2	0.4	0.3	0.5	0.4	0.4
CURRENT TRANSFERS	**21.0**	**21.2**	**21.3**	**21.2**	**20.2**	**19.4**	**19.1**	**18.3**
SUBSIDIES	1.6	1.3	1.4	1.4	1.2	1.0	1.0	1.0
TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	17.3	17.7	17.7	17.5	16.8	16.4	16.1	15.4
OTHER CURRENT TRANSFERS	2.1	2.1	2.2	2.2	2.1	2.0	2.0	1.9
CAPITAL EXPENDITURE AND TRANSFERS - TOTAL	**4.7**	**3.8**	**3.4**	**3.7**	**4.6**	**4.7**	**2.4**	**2.5**
CAPITAL EXPENDITURE	3.6	2.8	2.5	2.8	3.9	3.9	1.9	2.1
CAPITAL TRANSFERS	1.1	1.0	0.9	0.9	0.7	0.8	0.4	0.4
PAYMENTS TO THE EU BUDGET	**1.1**	**1.1**	**1.1**	**1.2**	**1.1**	**1.1**	**1.1**	**0.9**
III. GENERAL GOVERNMENT SURPLUS / DEFICIT (I. - II.)	**-5.2**	**-4.2**	**-3.1**	**-4.3**	**-3.4**	**-3.2**	**-1.6**	**-0.7**

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

Acronyms

Acronyms in the text

BoS – Bank of Slovenia, **CCIS** - Chamber of Commerce and Industry of Slovenia, **CPB** - Netherlands Bureau for Economic Policy Analysis, **ECB** – European Central Bank, **EIA** – Energy Information Administration, **EC** – European Commission, **ESA** – European System of Accounts, **ESS** – Employment Service of Slovenia, **EU** – European union, **EUR** – Euro, **GDP** – Gross domestic product, **GFS** – Government Finance Statistics, **ICT** – Information and Communication Technology, **IER** – Institute for Economic Research, **IMF** – International Monetary Fund, **JN** – (jesenska napoved) Autumn forecast, **LFS**- Labour Force Survey, **MAE** – mean absolute error, **MF** – Ministry of Finance, **OECD** – Organization for Economic Co-operation and Development, **PN** – (pomladanska napoved) Spring forecast, **SGP** - Stability and Growth Pact (SGP), **SRE** – Statistical Register of Employment, **STB** - Slovenian Tourist Board, **SURS** – Statistical Office of the Republic of Slovenia, **ULC** – Unit Labour Costs, **USA** – United States of America, **USD** – US Dollar, **WIIW** - The Wienna Institute for International Economic Studies.

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