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autumn forecast of economic trends 2021

Autumn Forecast of Economic Trends 2021
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Summary

The COVID-19 pandemic, in combination with strict containment measures, affected economic activity in 2020. However, the measures to mitigate its negative impact on the population and the economy have prevented a sharper decline in activity and allowed for a faster recovery. The strict measures to contain the spread of the coronavirus caused a sharp decline in economic activity globally and in Slovenia last year, especially in the second quarter. In subsequent waves of the disease (the second wave in autumn/winter and this year's spring wave), the impact on activity was smaller as businesses and consumers gradually adapted to the new situation and as containment measures were more targeted at service activities, while activities related to international trade (manufacturing and transportation) continued to recover. This year, given the improvement in the epidemiological situation, services also began to recover more visibly. Following the outbreak of the epidemic, a number of measures were adopted both at the national level and by the ECB and European Commission to mitigate the negative consequences for the population and the economy and to speed up economic recovery. The measures significantly mitigated the pandemic-related income losses of the economy and the population and provided companies with liquidity and support to cope with the negative consequences. They significantly cushioned last year's contraction of economic activity and prevented a collapse of some particularly exposed sectors. We estimate that GDP would have fallen by at least 4 p.p. more in 2020 without the measures. The impact of the anti-corona measures is also crucial this year, since they help, in particular, to maintain certain service activities that cannot yet function normally because of certain restrictions that remain in force due to the presence of the virus. Companies that are able to operate again without restrictions are recovering rapidly. Adaptation of measures to the epidemiological and economic situation remains an important component of supporting further recovery.

Economic activity in the euro area recovered beyond expectations in the first half of the year (6.1%, seasonally adjusted), and, according to the international institutions, growth will continue in the future. Economic activity in the euro area, which contracted slightly in the first quarter of this year, recovered more rapidly in the second quarter than international institutions had predicted, as containment measures were gradually eased. Businesses and consumers have continued to adapt to the constraints imposed by the pandemic, and accelerated global economic and trade activity and effective supportive policies have provided an additional boost. According to the available activity and confidence indicators, economic growth in the euro area is expected to remain relatively high in the third quarter, despite the obstacles to international trade and the worsening epidemiological situation, and to slow down in the final quarter with the expected spread of the Delta virus variant. Businesses will continue to adapt to containment measures, which will gradually reduce the impact of restrictions on economic activity. After last year's decline, the euro area GDP is projected to grow by 5.1% this year and by 4.4% in 2022, exceeding pre-crisis levels in the last quarter of this year. With the continued support of fiscal and monetary policy, growth will be driven primarily by private consumption and investment, the latter also with substantial support from the Recovery and Resilience Facility. However, the economic impact of the pandemic is very uneven across euro area countries and the pace of recovery varies considerably, reflecting the evolution of the epidemic and differences in economic structure.

In the Autumn Forecast, we predict that GDP will grow by 6.1% this year, slowing to 4.7% next year and to 3.3% in 2023. After a sharp decline in economic activity last year (by 4.2%), the recovery in activities related to international trade (manufacturing and transportation), which began in the second half of last year, continues this year. Growth of investment in machinery and equipment and imports and exports also continues. Construction activity declined quarter-on-quarter in the first half of the year, mainly because of supply disruptions and high material prices. Turnover in trade is growing year-on-year as containment measures are gradually eased, and since the second quarter, accommodation and food service activities, gambling and betting activities, and sports, cultural, entertainment and personal care services have also been recovering, which is related to recovery of private consumption. As a result, year-on-year GDP growth in the first six months reached 8.8%. According to the available data, we estimate that growth in activities related to international trade continues over the summer, as well as, with the further easing of containment measures and despite the introduction of the recovered/vaccinated/tested rule, the recovery in services and private consumption, which will have a positive impact on the growth of overall economic activity. Further growth in service activities and private consumption is also driven by the redemption of last year's and this year's vouchers. In the second half of the year, we also expect construction activity to recover, which will be stimulated by government investment. We expect overall economic activity growth to slow in the final quarter, as the spread of the virus in the colder months, in addition to the restrictions already in place (e.g. the recovered/vaccinated/tested rule), will lead to more cautious (self-limiting) behaviour by the population, which will hamper growth, especially in service activities and private consumption. Growth in manufacturing, which is facing supply-side constraints, is also expected to slow. We also expect growth in investment in equipment and machinery to slow. We therefore forecast 6.1% GDP growth for this year, which is higher than predicted in our Spring Forecast. Economic activity is expected to exceed 2019 pre-crisis levels already this year, in part due to the retention of certain measures to mitigate the consequences of the epidemic. The economic recovery remains differentiated across sectors. Manufacturing and construction, along with services related to these two activities, will mostly reach 2019 activity levels already this year. The same is true for investment and international trade. Other services and private consumption, which have been hit harder by the epidemic, will mostly reach their pre-crisis levels next year, except tourism-related services, which will reach that level somewhat later. Private consumption will be picking up, reflecting growth in disposable income and also the gradual unwinding of accumulated savings and thus a gradual decline in the household savings rate, which is, nevertheless, expected to remain significantly higher than in 2019. Growth in government consumption will also remain solid this year. Over the next two years, the recovery of the economy will continue and material supply constraints should subside. Certain containment measures are, however, expected to be retained (particularly in 2022), which will limit a full recovery in certain service activities (especially travel).

After deteriorating last year, labour market conditions are improving this year and will continue to improve over the next two years, while limitations related to labour shortage will become an even more pressing problem. In the spring of 2020, the favourable trend in the labour market that had been observed for several years was interrupted by the first wave of the epidemic; employment fell while unemployment soared, but the deterioration was quickly mitigated by intervention job-retention measures. A gradual improvement followed in the middle of the year, but the situation remains dependent on the evolution of the epidemiological situation, especially in high-contact services. The negative effects of the coronavirus crisis on the labour market continue to be mitigated by government measures this year and we expect that the measures will continue to be adapted to the epidemiological and economic situation. For 2021, we expect 0.8% employment growth and a 11% decline in the average number of unemployed, which will be only 2% higher than in 2019. Over the next two years, gradual recovery in the labour market is expected to continue.

After falling last year, consumer prices are expected to rise gradually towards 2% this year and over the next two years as the economy is expected to recover. This year, inflation will average 1.4%. It will mainly be driven by higher energy prices, also due to last year's low base, while prices of non-energy industrial goods are also starting to rise due to production constraints amid solid demand. Growth in prices of food and services will remain modest. Inflation will rise to 2% next year, mainly due to growth in services prices related to the further recovery, which will also to be a major contributor to inflation in 2023, as well as to the high carryover from this year. We also expect higher non-energy commodity prices to be reflected in the consumer prices over a longer period of time.

The greatest risk to the realisation of the forecast is still associated with the epidemiological situation in Slovenia and its main trading partners; another important factor is a well-planned adaptation of measures to mitigate the consequences of the epidemic to the epidemiological and economic situation. Possible more stringent containment measures in the face of new waves of infections, also as a result of new and more infectious coronavirus mutations and/or unwillingness of the population to be vaccinated and thus further major closures of economies, pose the greatest risk to a more stable recovery. The high level of uncertainty and hampered business operations in certain services would also lead to savings being maintained at high levels or spent more slowly. Greater business problems could translate into a greater number of bankruptcies and insolvencies, which could lead to an increase in unemployment and consequently affect the banking and financial sectors. Therefore, a well-planned adaptation of measures to mitigate the consequences of the epidemic to the epidemiological and economic situation remains very important. Higher inflation, which could occur if demand recovers faster and the current supply constraints at the global level last longer, also represents a downside risk. Economic growth could also be higher in the event of a faster and lasting improvement in the epidemiological situation and adequate vaccination coverage. This could lead to a faster unwinding of excess household savings and also faster growth in investment due to higher confidence. Higher global economic growth represents an upside risk, as it could also have a stronger positive impact on growth in the EU. Another key factor will be the speed and efficiency of the absorption of resources from the new multi-annual financial framework and the financial package for the recovery and resilience in Slovenia and its main trading partners and their targeted use to address the main development challenges.

Slovenia's main macroeconomic aggregates

		Autumn forecast (September 2021)		
	2020	**2021**	**2022**	**2023**
GDP				
GDP, real growth in %	-4.2	**6.1**	**4.7**	**3.3**
GDP, nominal growth in %	-3.1	**7.3**	**5.9**	**5.2**
GDP in EUR billion, current prices	46.9	**50.4**	**53.4**	**56.1**
Exports of goods and services, real growth in %	-8.7	**10.9**	**8.2**	**5.6**
Imports of goods and services, real growth in %	-9.6	**12.6**	**8.8**	**5.8**
External balance of goods and services (contribution to growth in p.p.)	-0.1	**-0.2**	**0.2**	**0.3**
Private consumption, real growth in %	-6.6	**5.6**	**6.0**	**3.1**
Government consumption, real growth in %	4.2	**1.8**	**1.5**	**1.0**
Gross fixed capital formation, real growth in %	-8.2	**10.0**	**8.0**	**6.0**
Change in inventories and valuables (contribution to growth in p.p.)	0.1	**1.2**	**-0.3**	**0.0**
EMPLOYMENT AND PRODUCTIVITY				
Employment according to the SNA, growth in %	-0.6	**0.8**	**1.5**	**1.2**
Number of registered unemployed, annual average, in '000	85.0	**75.4**	**67.8**	**65.0**
Registered unemployment rate in %	8.7	**7.7**	**6.9**	**6.6**
ILO unemployment rate in %	5.0	**4.7**	**4.3**	**4.2**
Labour productivity (GDP per employee), real growth in %	-3.7	**5.3**	**3.1**	**2.1**
BALANCE OF PAYMENTS STATISTICS				
Current account BALANCE, in EUR billion	3.5	**2.3**	**2.1**	**2.1**
- as a % of GDP	7.4	**4.6**	**4.0**	**3.8**
PRICES AND EFFECTIVE EXCHANGE RATE				
Inflation (Dec/Dec), in %	-1.1	**2.5**	**1.9**	**2.0**
Inflation (annual average), in %	-0.1	**1.4**	**2.0**	**1.9**
Real effective exchange rate deflated by unit labour costs	3.5	**0.1**	**-1.7**	**-0.5**
ASSUMPTIONS				
Foreign demand (imports of trading partners), real growth in %	-8.9	**9.2**	**6.8**	**4.1**
GDP in the euro area, real growth in %	-6.3	**5.1**	**4.4**	**2.1**
Brent Crude oil price in USD/barrel	41.8	**68.1**	**67.3**	**64.0**
Non-energy commodity prices in USD, growth	3.6	**35.0**	**-1.0**	**-7.0**
USD/EUR exchange rate	1.141	**1.193**	**1.180**	**1.180**

Sources: 2020 SURS (2021b), BoS (2021), ECB (2021c), EIA (2021); 2021–2023 forecasts by IMAD.

The Autumn Forecast is based on statistical data, information and adopted measures known at the cut-off date of 9 September 2021.

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1 Assumptions of the Autumn Forecast of Economic Trends 2021

Economic activity in the euro area strengthened markedly in the second quarter as the epidemiological situation improved. Activity contracted slightly again in the first quarter of this year (-0,3% q-o-q and -1.2% y-o-y, both seasonally adjusted), following the tightening and extension of the containment measures introduced last autumn, and then recovered in the second quarter as the containment measures were gradually eased (2.2% q-o-q and 14.3% y-o-y, both seasonally adjusted). On average, activity in the first half of the year grew by 6.1% year-on-year (seasonally adjusted). With the continued growth in manufacturing, the situation in service activities also improved significantly as containment measures were eased. For most of Slovenia's major trading partners, the broad-based recovery in economic activity has been faster than forecast by international institutions. Businesses and consumers have adapted better than expected to the constraints imposed by the pandemic and accelerated global economic and trade activity and effective supportive policies have provided an additional boost. According to the available activity and confidence indicators, economic growth in the euro area is expected to remain relatively high in the third quarter, despite obstacles to international trade and a worsening epidemiological situation. Growth in manufacturing began to slow due to supply-side constraints. Growth of overall economic activity is therefore mainly driven by higher household consumption.

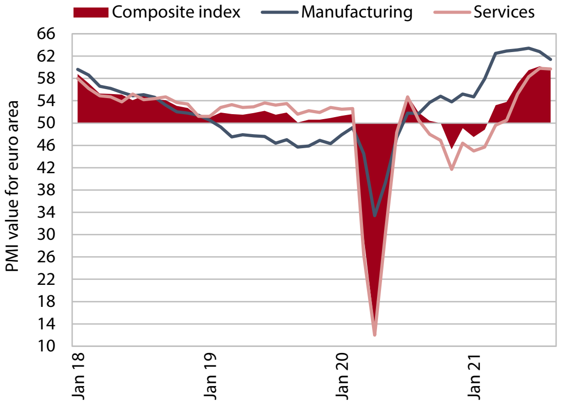
In their latest forecasts, international institutions expect continued growth in economic activity in Slovenia's trading partners in the coming quarters. The assumptions for euro area economic activity for this year and next have improved relative to the Spring Forecast of Economic Trends, as GDP recovered more than expected by international institutions in the first half of 2021. The improved epidemiological situation has allowed for faster easing of containment measures, and expectations for the most important global economies, particularly the United States, have also improved. The growth of activity in the euro area is expected to remain relatively high in the third quarter but is likely to moderate in the final quarter as the Delta virus variant is expected to spread. The forecasts assume that businesses will continue to adapt to containment measures, which will gradually reduce the impact of restrictions on economic activity. After a contraction in 2020, euro area GDP is projected to grow by 5.1% this year and 4.4% in 2022, exceeding pre-crisis levels in the last quarter of this year. However, the economic impact of the pandemic is very uneven across euro area countries and the pace of recovery varies considerably, reflecting the evolution of the epidemic and differences in economic structure. With the continued support of fiscal and monetary policy, growth will be driven primarily by private consumption and investment, the latter also with substantial support from the Recovery and Resilience Facility. Strong growth among Slovenia's main euro area trading partners is expected to have a positive impact on growth in goods exports, which will, however, be somewhat affected by current shortages of commodities and rising costs affecting some parts of the manufacturing sector. The export of services will continue to be curtailed because of the restrictions still in place on international tourism.

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

		2021		2022		2023
Real GDP growth rates, in %	**2020**	**March 2021**	**September 2021**	**March 2021**	**September 2021**	**September 2021**
EU	-5.9	3.7	**5.0**	3.9	**4.4**	**2.4**
Euro area	-6.3	3.8	**5.1**	3.8	**4.4**	**2.1**
Germany	-4.6	3.4	**3.4**	3.1	**4.4**	**1.9**
Italy	-8.9	3.4	**6.2**	3.5	**4.3**	**2.1**
Austria	-6.3	2.0	**4.0**	5.1	**4.4**	**2.4**
France	-7.9	5.5	**6.3**	4.4	**3.9**	**2.2**
Croatia	-8.0	5.3	**8.7**	4.6	**4.4**	**3.4**
Russia	-3.0	2.9	**3.8**	3.9	**2.8**	**2.1**

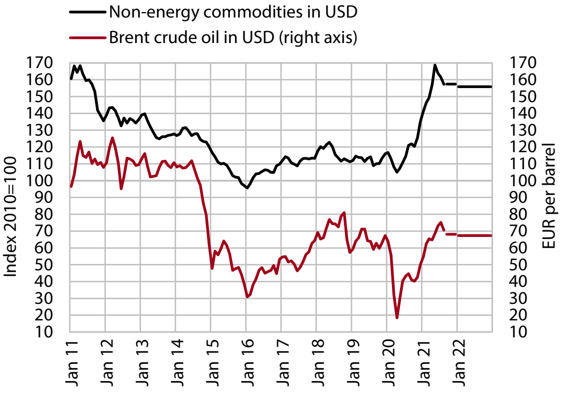
Sources: for 2020 Eurostat (2021); for other years Consensus Economics (2021a, 2021b), EC (2021c), FocusEconomics (2021a, 2021b), IMF (2021b), IMAD estimate.

Figure 1: Confidence indicators in the euro area indicate that growth in the third quarter will be similar to that in the second quarter



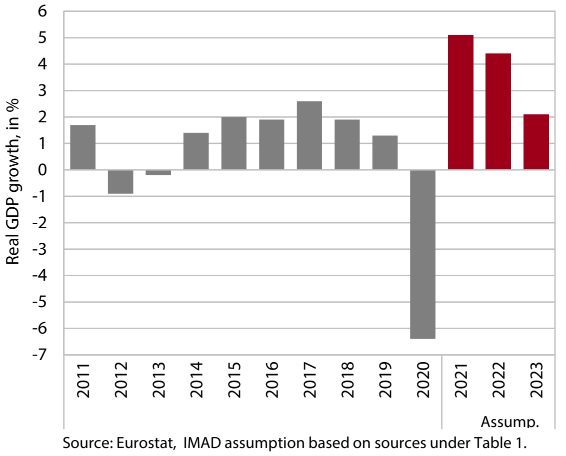
Source: IHS Markit. Note: A reading above 50 signals an expansion, while a figure below 50 indicates a contraction.

Figure 2: Oil and non-energy commodity prices



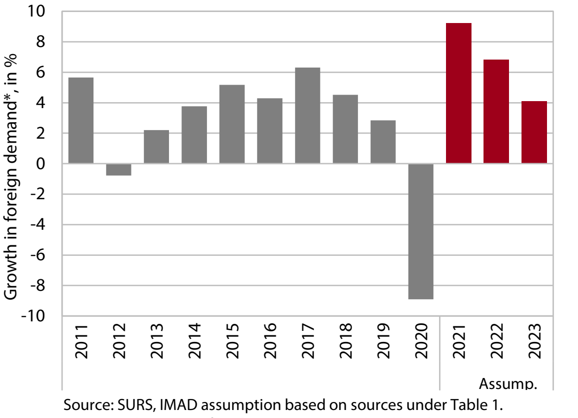
Source: ECB, EIA, calculations by IMAD. Note: The line indicates the annual average taking into account the assumption of the forecast for 2020 and 2021.

Figure 3: After a sharp fall in 2020, we assume a recovery in the euro area, which exceeds our spring expectations



Source: Eurostat, IMAD assumption based on sources under Table 1.

Figure 4: Growth in demand for Slovenian exports will be high



Source: SURS, IMAD assumption based on sources under Table 1.
Note: *Real imports of trading partners weighted by Slovenia's share of exports to these countries.

In 2021, Brent Crude and non-energy commodity prices increased significantly, we expect more moderate development in the coming years. Based on market expectations on futures markets in the two-week period to the cut-off date,[1] the technical assumption for the average Brent Crude price underlying the forecast for 2021 is USD 68.1 per barrel. This is a significant increase on the previous year (by 63%), which is largely a consequence of increased global demand for oil due to the recovery of the global economy and a temporary cut in oil production by OPEC+ members. The technical assumption for the oil price is lowered to USD 64,0 per barrel until 2023. Taking into account the technical assumption for the EUR/USD exchange rate,[2] euro prices of oil will increase by 56.3% this year. We assume a 35% increase in dollar prices of non-energy commodities this year, with prices expected to stabilise next year and fall by 7% in 2023.

[1] The oil price assumption is based on the average futures prices and the USD/EUR exchange rates between 2 and 16 August 2021. The assumption for non-energy commodity prices is based on the ECB's data available up to 16 August 2021.

[2] The assumed USD/EUR exchange rate for the period after 16 August is equal to the average exchange rate between 2 and 16 August 2021.

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

		2021		2022		2023
	2020	March 2021	September 2021	March 2021	September 2021	September 2021
Brent Crude prices, in USD	41.8	58.6	**68.1**	55.3	**67.3**	**64.0**
Brent Crude prices, in EUR	36.6	48.5	**57.2**	45.8	**57.1**	**54.3**
Non-energy commodity prices, in USD, growth*	3.6	10.0	**35.0**	0.5	**-1.0**	**-7.0**
USD/EUR exchange rate	1.141	1.208	**1.193**	1.208	**1.180**	**1.180**

Sources: Barchart (2021), ECB (2021c), EIA (2021), IMAD estimate.
Note: The assumptions are based on the average values and futures prices between 2 and 16 August 2021. *The structure of EMU with regard to commodity consumption.

2 Extensive measures to mitigate the consequences of the pandemic and support the recovery of the economy

Since mid-March 2020, Slovenia has faced several waves of coronavirus infections, with the response characterised by strict measures to limit the spread. An epidemic was declared officially for the first time from mid-March to the end of May 2020, when, to contain the spread of the virus, the government temporarily closed most educational institutions and banned most non-essential services. Due to the improvement in the epidemiological situation, some containment measures were already started to be eased gradually in April, provided that protective measures were respected. Last autumn, the number of infections began to rise again, and in October, when an epidemic was again declared, stricter containment measures followed, similar to those in the first wave. In February this year, certain measures began to be relaxed in regions with a better epidemiological situation. A new tightening followed in early April due to the third wave of infections. Since then, the measures have been largely eased, and on 15 June, the end of the epidemic was declared. The recovered/vaccinated/tested rule still applies. Due to an increase in the number of infections in August and September, employees and service users in many sectors[3] must now meet this rule, while measures continue to be adapted to the epidemic situation (Government of RS, n. d.).[4]

From the first declaration of the epidemic, the government adopted a number of measures to mitigate the negative consequences thereof for the population and the economy and for a faster recovery.[5] Many measures expired at the end of June this year and one of the measures that had the greatest impact on public finances in the first half of the year was wage compensation for temporarily laid-off workers, which was extended until the end of April by the PKP8[6] adopted on 5 February 2021 and later extended till the end of June by the government. One of the important measures was the basic monthly income for the self-employed, farmers and religious employees, which was reintroduced by PKP5[7] in October last year, extended by PKP7[8] at the end of last year and finally extended until the middle of the year by the government's decision in March. PKP7 introduced another important measure, i.e. one-off crisis allowance for the most vulnerable population groups,[9] and PKP8 extended its scope of beneficiaries. Businesses hardest hit by the epidemic were also helped by partial subsidy for fixed costs, which was introduced by PKP6[10] at the end of November 2020, while PKP7 ensured a larger share of fixed cost coverage. The measure was most recently extended until the end of June by the government's decision in March. At the end of June, the option of deferred and instalment payments of tax liabilities and certain contributions also expired. Epidemic-related allowances were also an important category of general government expenditure, and the most important among them was the allowance for work in crisis conditions in accordance with the collective agreement, the funds for which were allocated from the state budget in accordance with PKP6.

The measures currently in force are mainly related to the ninth anti-corona package. The ZIUPGT or the ninth anti-corona package and the ZNUPD[11] were adopted in July. They extended the validity of certain previous measures and introduced some new ones. The measure of partial subsidising of short-time work has been extended until the end of September, with the possibility of extending it until the end of the year, and the measure of reimbursement of 80% of the wage compensation for workers who stay at home due to quarantine or *force majeure* has been extended until the end of the year. The eligibility of allowances for work with patients and other users of healthcare services with COVID-19 was extended to external contractors working for healthcare service providers. The allowance was already introduced by PKP5, and PKP7 extended its scope of beneficiaries and validity until the end of this year, regardless of the declaration of the epidemic. The resources from the state budget for financing health and social care expenditure for various purposes[12] introduced by PKP5 have similar validity. These measures have been supplemented by PKP6[13] and

[3] From the beginning of September, the recovered/vaccinated/tested rule must be met by all persons who come into direct contact with other people in the course of their work or who work in environments or activities in which there is an immediate risk of infection and thus spread of the virus. This applies to employees in healthcare, education and cultural activities, to persons providing services or selling goods, to employees in activities related to sports and recreation, in public administration, to taxi drivers, to cabin lift operators, to police officers, municipal traffic wardens and security guards, to prison staff, to providers of social welfare services and personal assistance, and to inspectors or supervisory staff. Users of these services are also required to meet this rule.

[4] https://www.gov.si/teme/koronavirus-sars-cov-2/ukrepi-za-zajezitev-sirjenja-okuzb/.

[5] For more detailed information on the measures adopted, see the Spring Forecast (IMAD, 2021a).

[6] Act on Additional Measures to Mitigate the Consequences of COVID-19 (ZDUOP, 2021).

[7] Act Determining Temporary Measures to Mitigate and Remedy the Consequences of COVID-19 (ZZUOOP, 2020).

[8] Act Determining Intervention Measures to Assist in Mitigating the Consequences of the Second Wave of the COVID-19 Epidemic (ZIUPOPDVE, 2021).

[9] In addition to allowances for pensioners, students, farmers and families, this includes an allowance for employees whose monthly salary did not exceed twice the minimum wage, who received a crisis allowance of EUR 200 in addition to their salary for the month of December 2020.

[10] Act Determining the Intervention Measures to Mitigate the Consequences of the Second Wave of COVID-19 Epidemic (ZIUOPDVE, 2020).

[11] The Act on Intervention Measures to Assist the Economy and Tourism Sector (ZIUPGT, 2021) and the Healthcare Intervention Measures Act (ZNUPZ, 2021).

[12] Such as financing protective equipment, improving access to health services and covering loss of income due to vacant capacities.

[13] By covering the loss of income to social welfare institutions.

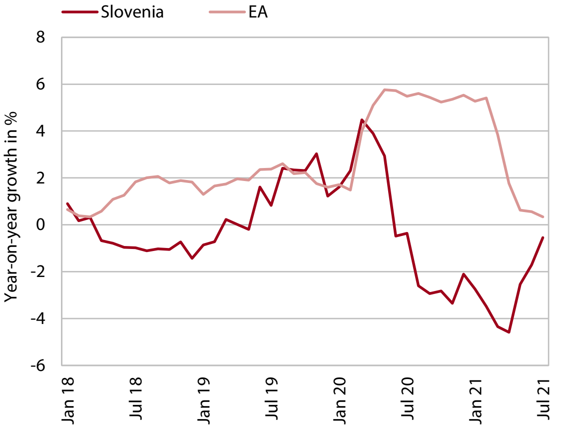
PKP7[14]. The financing of additional staff in social welfare institutions also remains in force, which PKP4 set for a period of two years in July last year. The payment of an allowance for work during the epidemic was extended to certain other occupations[15] that were eligible for allowance payment in the second wave of the epidemic. New vouchers were introduced that can be redeemed in the most affected sectors of tourism, accommodation and food service activities, sports and culture and are valid until the end of this year. At the beginning of December 2020, the government extended the validity of last year's tourism vouchers until the end of 2021. In addition, aid to more affected activities was introduced in the form of aid to finance holiday allowance and partial reimbursement of certain expenses.[16] Additional funds have also been allocated for the specialisation of medical staff in areas with staff shortages and for reducing waiting times for health services. By the end of this year, the last moratoria will expire, for which PKP7 most recently extended the possibility to submit an application to banks until the end of February 2021 to allow affected borrowers a nine-month deferral of obligations under loan agreements. Until 31 December 2021, partial relief for employers has been introduced due to the increase in the minimum wage in January 2020 introduced by PKP8. The government decision[17] adopted at the end of June extended two PKP7 measures until the end of September for companies in the event of insolvency arising from the declaration of an epidemic, namely the postponement of management's obligation to file a petition to initiate the compulsory composition procedure or bankruptcy procedure and the extension by four months of the deadline for the courts to postpone the decision on a creditor's bankruptcy petition.

At the EU level, comprehensive measures were adopted to mitigate the negative consequences of the crisis and support the recovery of economies. In order to mitigate the impact of the novel coronavirus pandemic, the European Commission already in 2020 allowed Slovenia and other EU Member States more flexibility in the use of funds from the current multiannual financial framework[18] and state aid. It has also ensured resources for direct response to the COVID-19 crisis and resources from the EU Solidarity Fund that enabled countries to rapidly respond to the worsened socio-economic conditions caused by the epidemic. A EUR 540 billion fiscal package (3.9% of EU GDP from 2019) intended to support economic recovery was already adopted in the first months of the epidemic.[19] At the end of July 2020, EU Member States reached a political agreement on another financial package for the recovery of the EU economy after COVID-19. The package in the overall amount of EUR 1,824.3 billion (just over 13% of EU GDP from 2019) consists of the standard multi-annual financial framework for 2021–2027 in the total amount of EUR 1,074.3 billion and the extraordinary recovery instrument "NextGenerationEU" (NGEU) amounting to EUR 750 billion (EUR 390 billion in grants and EUR 360 billion in loans). Member States' national plans under the Recovery and Resilience Facility, a key element of the NGEU instrument, are currently in the process of being validated at the EU level.[20] The European Commission will obtain resources for its financing by borrowing on the financial markets, but the Union will also work towards introducing new own resources.[21] Slovenia will be assigned EUR 2.098 billion in grants and EUR 666 million in loans under this extraordinary recovery instrument (with the possibility of additional borrowing).[22] By the end of this year, pre-financing from the Recovery and Resilience Facility is expected in the amount of 13% of total aid.

Supportive fiscal policies and the provision of liquidity to the economy and citizens via commercial banks are being complemented by the monetary policy of the ECB, which has not introduced additional measures in recent months due to favourable conditions. The ECB will insist on the measures taken at the time of the epidemic until it judges that the crisis associated with the outbreak has passed. The pandemic emergency purchase programme (PEPP) amounts to EUR 1,850 billion, which is more than 15% of 2019 euro area GDP. At the end of last year, the measure was extended until at least March 2022. After deciding to significantly increase its purchases of securities in the second quarter due to the tightening of financial market conditions at the beginning of the year, the ECB decided in September to reduce the volume of purchases slightly in view of the stable financial market conditions. However, the total amount of purchases

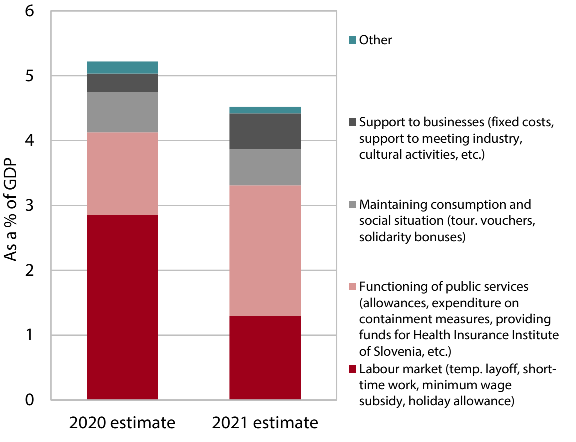
[14] By providing subsidies for medical devices.
[15] Directors in the public sector in the field of education, higher education and research and officials in local communities and municipal administrations.
[16] These include the costs of organising meetings and events, the costs of producing films and audiovisual works, and the costs of cableway installations.
[17] Namely the Decision on prolonging the measures in the field of insolvency proceedings (2021).
[18] Also through the unwinding of unspent resources and cohesion policy resources (from the structural and investment funds), i.e. the investment incentive in response to the COVID-19 epidemic to support healthcare systems, small and medium-sized enterprises, and the labour market.
[19] Within that, EUR 240 billion in precautionary loans from the European Stability Mechanism (ESM) to support Member States in their response to the pandemic crisis, EUR 200 billion from the Pan-European Guarantee Fund of the European Investment Bank (EIB) for loans to enterprises (small and medium-sized enterprises in particular) and EUR 100 billion in the form of favourable loans from the pan-European short-time work scheme (SURE) to prevent layoffs.
[20] At the time of preparing the Autumn Forecast (early September), 18 Member States' plans had been approved at EU level.
[21] New own resources will be based on the Carbon Border Adjustment Mechanism (CBAM) and a digital levy (to be introduced by 2023).
[22] The "NextGenerationEU" instrument is based on four pillars: the Recovery and Resilience Facility (EUR 1,589 million in grants for Slovenia to support investments and reforms essential to a lasting recovery, to improve the resilience of Member States, and to support the green and digital transitions), React-EU (EUR 312 million for investment to repair labour markets, including by providing support to small and medium-sized enterprises), the Just Transition Mechanism (EUR 129 million for regions which have had or will have higher costs due to the structural changes necessary for the transition from fossil-intensive industries to a low-carbon economy and society by 2050), and Fund for Rural Development (EUR 68 million).

Figure 5: Growth in corporate loans in the EMU slowed, while the decline in Slovenia has decreased



Source: BoS.

Figure 6: Estimate of the cost of measures (expenditure on accrual basis) to mitigate the consequences of the COVID-19 epidemic and support recovery



Source: MF, IMAD estimate.

remains unchanged for the duration of the measure. The ECB maintained the increased volume of loans available to commercial banks at exceptionally low interest rates, lower capital requirements from the beginning of the crisis and lower criteria for collateral accepted for Eurosystem credit operations. The ECB did not renew its recommendation that banks refrain from dividends until September 2021. The ECB's measures have boosted bank lending activity in the euro area, so that lending to enterprises first accelerated year-on-year, but growth has slowed considerably in recent months due to the higher base. In Slovenia, lending remains lower year-on-year, but the year-on-year fall is gradually decreasing due to the low base. In mid-2021, the ECB agreed on a new monetary policy strategy to introduce a symmetric inflation target of 2%, which means that both negative and positive deviations from that target are deemed equally undesirable. To achieve the inflation target, the ECB will continue to use both standard and non-standard measures, while allowing inflation to temporarily deviate from the target.

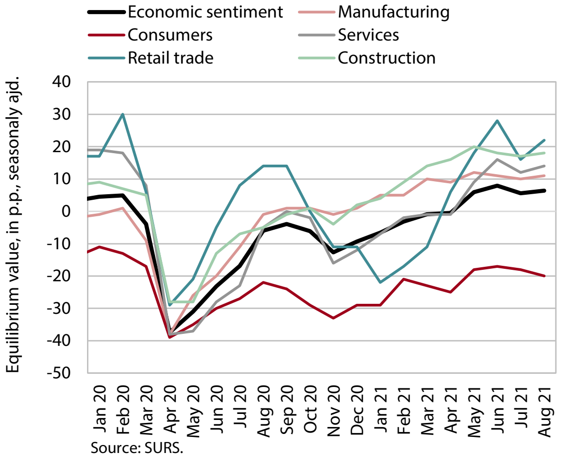
The measures funded from domestic and EU sources prevented an even sharper contraction in economic activity in 2020; this year, the measures are also extensive and support the recovery. According to IMAD's estimate, general government expenditure equivalent to 5.2% of GDP was allocated in 2020 to various measures to support the economy and the population and to the functioning of public services to limit the impact of the COVID-19 epidemic. The measures played a crucial role in preventing an even larger decline in economic activity, at least by 4 p.p.[23] according to our estimate. In addition, tax deferrals, instalment payments and unpaid advance payments of taxes approved under the intervention legislation amounted to just under EUR 400 million. Support to the economy was also provided by liquidity loans and guarantees. Support to various activities that were not yet able to operate due to the containment measures or that operated only to a reduced extent was essential during the early stages of economic recovery. Adaptation of measures directed at the economy and the population to the epidemiological and economic situation remains an important component of supporting further recovery. In the Autumn Forecast we have taken into account that in 2021 the recovery will be underpinned by measures (expenditure on accrual basis) estimated at around EUR 2.3 billion or 4.5% of GDP (Figure 6) financed from domestic and EU sources. The expected recovery of the economy, supported by strong investment activity on the part of the government, will also be influenced by the upcoming termination of the current financial perspective for EU funds absorption (by 2023). We assumed that the financing of projects will be supported by resources from the "NextGenerationEU" instrument, namely the Recovery and Resilience Facility, more intensively from 2022 onwards.

[23] This was assessed on the basis of a multiplier, taking into account only expenditure paid from the state budget (without deferrals, instalment payments and liquidity loans). After 2009, the estimates of multipliers increased (see, for example Blanchard and Leigh, 2013) and were often substantially above 1. Our estimate is that the multiplier for the current year is around 0.8. Its decline is a consequence of two factors: (i) the containment measures and protective practices are changing consumer behaviour (forced saving) and (ii) some fiscal incentives were implemented in the second half of last year (and will thus have an additional positive effect this year).

3 Autumn Forecast of Economic Trends in Slovenia

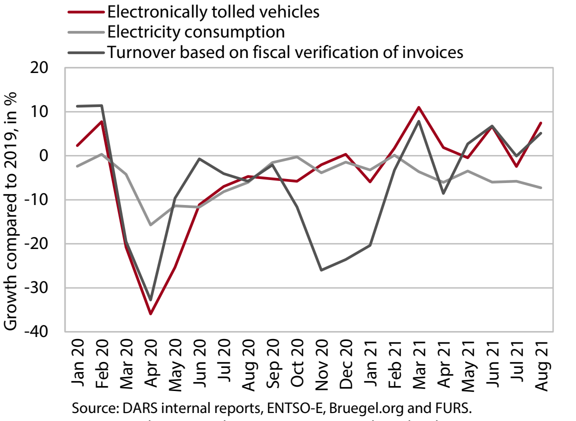
After last year's sharp decline, we expect 6.1% GDP growth this year, slowing to 4.7% next year and 3.3% in 2023. The latest data from SURS show that economic activity contracted by 4.2% last year (see Box 1). After a sharp decline in the second quarter of last year and a rebound in the third quarter, the epidemiological situation deteriorated again and protective and containment measures were reintroduced in the last quarter, restricting or prohibiting the operation of certain service activities. On the other hand, activities related to international trade (manufacturing and transportation) and construction continued their recovery. The recovery continues this year, with the exception of construction, where activity fell q-o-q for the second consecutive time in the first half of the year, mainly because of supply disruptions and high prices of materials. Investments and imports and exports are also growing further. Due to a gradual easing of containment measures,[24] turnover in trade was much higher in the first half of this year than a year ago and in the second quarter, performance also improved in the accommodation food service activities, gambling and sports, and cultural, entertainment and personal care services. This is in line with the recovery in private consumption, which was significantly higher year-on-year in the second quarter (also as a consequence of the low base last year). Year-on-year GDP growth was thus 8.8% in the first half of the year. According to the available data, we estimate that growth in activities related to international trade continues over the summer, as well as, with the continued easing of containment measures and despite the recovered/vaccinated/tested rule, the recovery in services and private consumption, which will have a positive impact on the growth of overall economic activity. Further growth in service activities is also influenced by the redemption of last year's and this year's vouchers. We expect growth to slow in the final quarter, as an increased number of infections in the colder autumn and winter period, in addition to the restrictions already in place (e.g. the recovered/vaccinated/tested rule), could lead to more cautious (self-limiting) behaviour by the population, which will hamper growth, especially in service activities and private consumption. Growth in manufacturing, which is facing supply-side constraints, is also expected to slow. We expect 6.1% GDP growth for 2021, which is higher than predicted in our Spring Forecast. The forecast is higher mainly due to better prospects in the international environment, faster-than-expected growth in activity, especially in the second quarter and the summer months, and the continued adjustment of businesses and consumers to the changed conditions. As a result, economic activity this year will already exceed 2019 pre-crisis levels, also as a result of the retention of certain measures to mitigate the consequences of the epidemic. Over the next two years, the recovery of the economy will continue, while material supply constraints and related price pressures should subside gradually. Certain containment measures are, however, expected to be retained (particularly in 2022), which will limit a full recovery in certain service activities (especially travel). After two years of relatively strong growth, we forecast 3.3% GDP growth for 2023.

Figure 7: Most economic sentiment indicators improved in the first half of the year; growth started to slow in the summer



Source: SURS.

Figure 8: By this summer, freight traffic and turnover based on fiscal verification of invoices already reached the pre-crisis levels of 2019



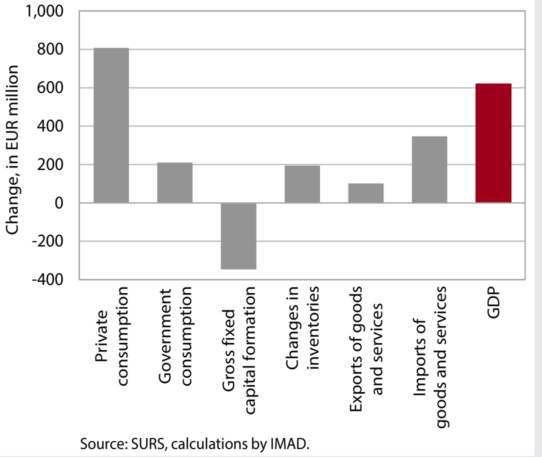
Source: DARS internal reports, ENTSO-E, Bruegel.org and FURS.
Notes: For electricity only consumption on working days between 8.00 and 18.00 is considered. Also corrected for temperature change.

[24] The measures were largely eased for the first time in February and for a second time after a partial closure in early April.

Box 1: The first annual GDP estimate for 2020

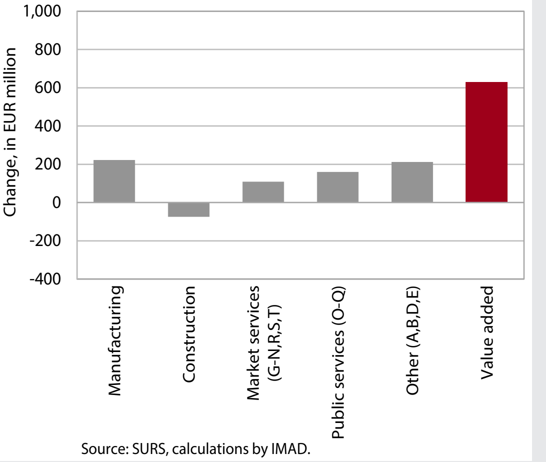
The release of the first GDP estimate for 2020 based on annual data sources (and revised data for the period from 2017 onwards) changed the starting points for the preparation of the forecast. According to the latest data published in August 2021, the decline in GDP in 2020 was less pronounced than estimated on the basis of the quarterly data released at the end of February 2021. The decline was lower by 1.3 p.p. (-4.2%; -5.5% according to the February estimate), or EUR 621 million, and was mainly due to a lower revised estimate of the decline in household consumption. Last year, real government consumption growth was higher than predicted in our first estimate, the fall in gross investment was higher and the contribution of external trade to economic growth was lower. Nominal changes in the estimates of individual GDP components are significant. The estimated fall in private consumption is EUR 807 million lower than the first estimate, which changed the estimate of Slovenian consumer savings and hence the starting point for the preparation of the forecast. The estimate of government consumption rose, by close to EUR 200 million. The change in gross capital formation (-EUR 151 million) arises from a higher fall in gross fixed capital formation, while the contribution of inventories to GDP growth was revised from negative according to the first estimate (-0.4 p.p.) to positive (0.1 p.p.). The change in the fall in exports of goods and services from the first estimate is relatively small and larger for imports. According to the new estimate, the fall in imports is significantly lower than the first estimate, the contribution of the balance of external trade to GDP growth thus dropping from 0.4 to -0.1 p.p. On the production side, the greatest contribution to the lower decline in GDP and value added came from manufacturing (the decline was EUR 222 million lower than the first estimate), while a lower decline was also observed in market services (EUR 109 million lower) and in certain other activities (A, B, D and E – a total of EUR 212 million). The fall in construction was deeper (by EUR 74 million), while value added in public services, which was expected to fall last year according to the first estimate, rose according to the revised data (the difference is EUR 160 million in nominal terms).

Figure 9: Revision of data on expenditure components of GDP at current prices in 2020



Source: SURS, calculations by IMAD.

Figure 10: Revision of data on value added components at current prices in 2020



Source: SURS, calculations by IMAD.

3.1 Gross domestic product – consumption aggregates

This year and in the next few years, we expect private consumption to strengthen; consumption is likely to reach its highest growth in 2022, when it will exceed the 2019 level. The gradual easing of containment measures due to the improved epidemiological situation and thus a decline in uncertainty, in addition to last year's low base, contributed to the recovery in private consumption in the first half of the year, which was also higher year-on-year in the second quarter. Year-on-year growth is also expected in the second half of the year, when consumption will continue to be boosted by the redemption of vouchers to mitigate the consequences of the epidemic in accommodation and food service activities, tourism, sports, and cultural activities. Household spending will still be somewhat limited by certain restrictions on business operations, especially on service activities, which remain in place even after the end of the epidemic has been declared (e.g. the recovered/vaccinated/tested rule), and by more cautious (self-limiting) behaviour on the part of the population in the event of a major increase in infections. We estimate that the impact will not be as great as it was at the beginning of the coronavirus crisis, as consumers and businesses are better adapted to the new situation (e.g. through new business models). With an improvement in the health situation, further improvement in the labour market, less uncertainty and more travel opportunities, we expect faster growth in private consumption in 2022, slowing somewhat thereafter. This year and over the next few years, growth in private consumption will mostly come from growth in disposable income. The savings rate, which was above 25%[25] in 2020 due to precautionary and forced saving, will fall in 2021–2023 but will still be higher than before the epidemic (see Box 2).

For 2021, we forecast 10% growth in gross fixed capital formation and we predict that high growth will continue in the next few years. Gross fixed capital formation, which fell sharply in the second quarter of last year, recovered gradually and was actually higher in the first quarter of 2021 than a year earlier. Growth was stronger in investment in equipment and machinery, mainly in private investment, as firms expanded their production capacity following the recovery in demand. On the other hand, construction investment is stagnating, which is related to high prices[26] and material supply disruptions. The high growth in investment in machinery and equipment recorded in the last few quarters will moderate in the second half of the year. We expect construction investment to recover,[27] which will be stimulated by government investment. According to the adopted budget documents, the government will significantly increase investment in railway infrastructure and environmental projects this year. Over the next two years, government investment is expected to be boosted by EU funds as financing under the previous financial perspective (2014–2020) is coming to an end, which experience shows is the time when investment usually accelerates. Government – but also private sector – investment will, at the same time, also be supported by resources from the Recovery and Resilience Facility. In the private sector, stimulating investment activity will also be affected by low indebtedness. We also expect growth in residential investment, as demand for residential property remains at a high level and the supply of new property has been relatively low in recent years. We expect supply to increase in the coming years, as shown by the data on building permits issued.

Table 3: Forecast of economic growth

Real growth rates, in %	2020	2021 March 2021	2021 September 2021	2022 March 2021	2022 September 2021	2023 September 2021
GDP	-4.2	4.6	**6.1**	4.4	**4.7**	**3.3**
Exports	-8.7	8.6	**10.9**	7.3	**8.2**	**5.6**
Imports	-9.6	8.8	**12.6**	8.1	**8.8**	**5.8**
External balance of goods and services (contribution to growth in p.p.)	*-0.1*	*0.7*	***-0.2***	*0.1*	***0.2***	***0.3***
Private consumption	-6.6	4.0	**5.6**	4.7	**6.0**	**3.1**
Government consumption	4.2	2.4	**1.8**	1.7	**1.5**	**1.0**
Gross fixed capital formation	-8.2	9.0	**10.0**	8.0	**8.0**	**6.0**
Change in inventories and valuables (contribution to growth in p.p.)	*0.1*	*-0.3*	***1.2***	*0.0*	***-0.3***	***0.0***

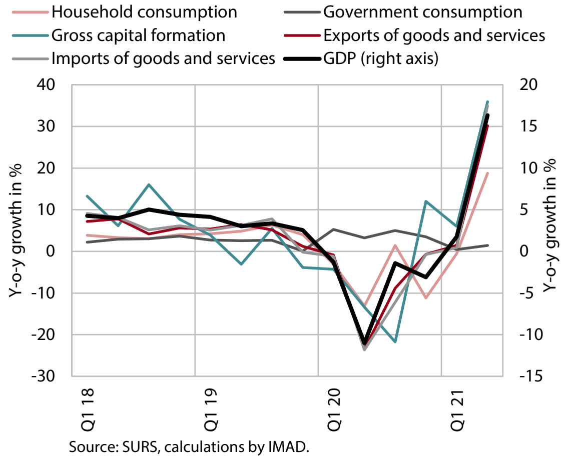
Source: SURS (2021b); 2021–2023 forecast by IMAD.

[25] The 20-year average up to 2020 is 13.6%. After the revision of data on private consumption in 2020 and the adjustments to compensation of employees, data on the savings rate will also be revised but will not be published until 30 September 2021. We estimate that the savings rate in 2020 will be somewhat lower than currently predicted, but still about 10 percentage points above the average of the last 20 years.

[26] The cost of construction materials was 17.3% higher in July than in July last year. Data on business tendencies indicate that 19% of construction companies reported material shortage as a limiting factor in July; prior to the epidemic, few companies had reported material shortage as a limiting factor (the highest value of this indicator was 4%).

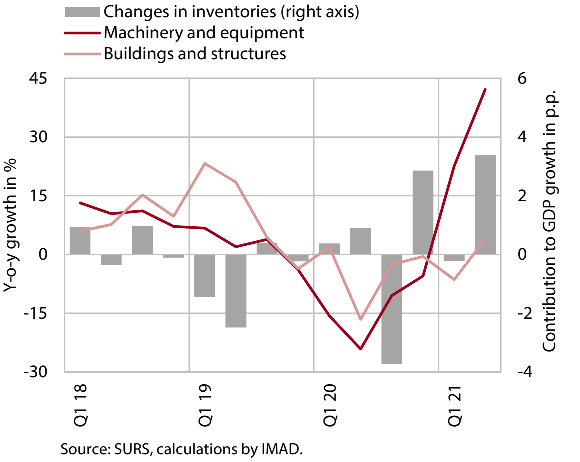
[27] The stock of contracts in the construction sector has increased in recent months, up 25% year-on-year. Government investment has also increased in recent months. In June and July, capital expenditure according to the consolidated general government budgetary accounts was more than 50% higher than a year ago.

Figure 11: After falling sharply in the second quarter of last year, high growth was recorded in the second quarter of this year



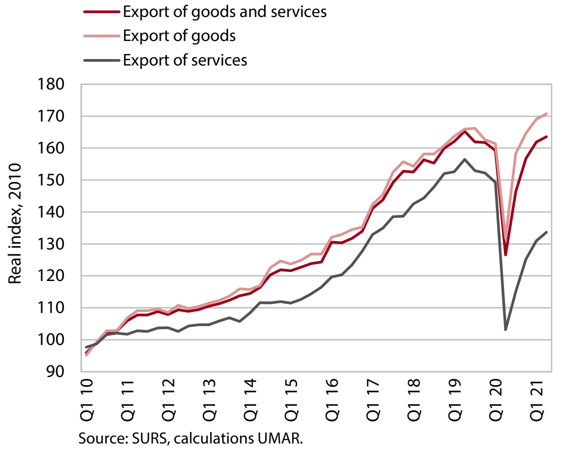
Source: SURS, calculations by IMAD.

Figure 12: Investment started to recover in the second half of last year, notably in machinery and equipment



Source: SURS, calculations by IMAD.

Figure 13: Exports of goods have recovered rapidly to pre-crisis levels, while exports of services are still lagging behind



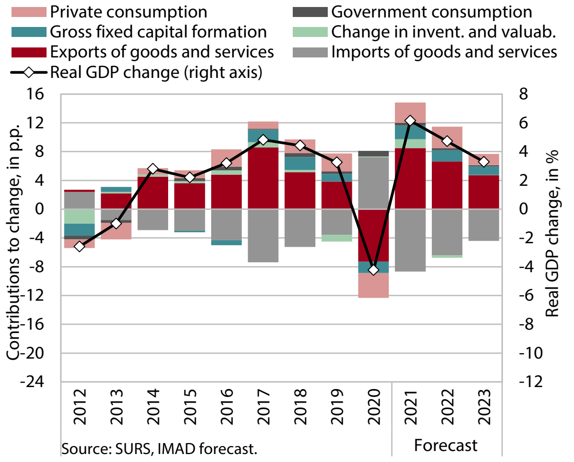
Source: SURS, calculations UMAR.

Growth in government consumption, which was 4.2% last year, is gradually slowing from this year on. Government consumption in 2021 continues to increase under the influence of expenditure to contain the epidemic, especially in the health sector (equipment, tests, vaccines, etc.). This will lead to an increase in the expenditure on goods and services. Social transfers in kind, which fell last year due to cuts in some epidemic-related expenditure (school meals, travel subsidies, etc.), are also increasing. Employment growth in the general government sector will be similar to last year (1.5%). It will continue to be strongest in health and social work. The impact of the epidemic-related increase in expenditure and employment growth in the general government sector in 2020 and 2021, influenced by hiring due to the epidemic and the Slovenian EU Presidency, will be temporary. In 2022 and 2023, government consumption growth will therefore gradually decline.

With the gradual recovery in foreign demand, export and import growth will be high in 2021, and the favourable trends are expected to continue in the coming years. On average, total exports and imports will reach pre-crisis levels already this year, with trade in services recovering somewhat more slowly and therefore not exceeding pre-crisis levels until 2023. Export growth is expected to continue to outpace external demand growth throughout the forecast period.[28] The high forecast growth in 2021 is related to the recovery in economic activity in Slovenia's main trading partners. However, the recovery of vehicle exports will be slower. It will be significantly affected by supply chain disruptions and structural changes, mainly related to climate change adaptation. Growth in goods exports will continue at a slightly slower pace in the next two years. The recovery in services exports will be gradual in 2021 and will only strengthen in 2022 and 2023. Over the next year, most major groups of activities will exceed pre-epidemic levels, with the exception of travel, which was hardest hit by the epidemic and will not reach pre-epidemic levels until 2023. Over the forecast period, imports of goods and services will grow somewhat faster than exports, which we attribute to increased domestic consumption, especially investment growth, and also its sharp decline last year. Imports of services, similar to exports, will not recover more strongly until 2022, when, unlike exports, they will already exceed 2019 levels.

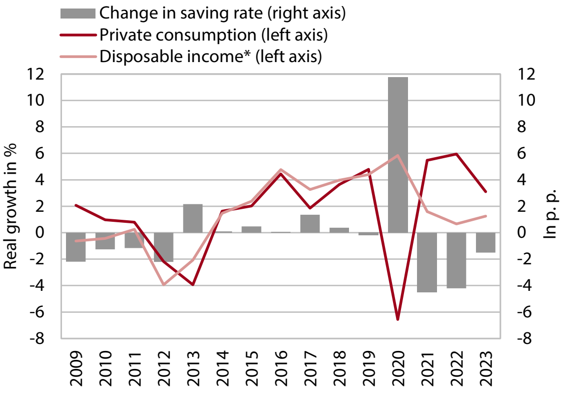
[28] Measured as the weighted growth of trading partners' imports.

Figure 14: Contributions of consumption expenditure components to GDP change



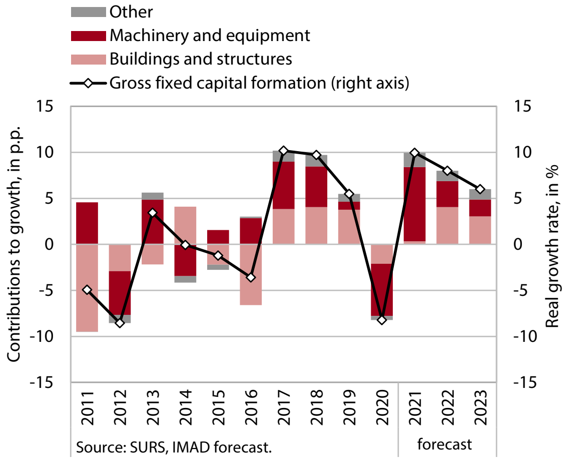
Source: SURS, IMAD forecast.

Figure 15: In the next few years, the savings rate will decline gradually from its high level last year



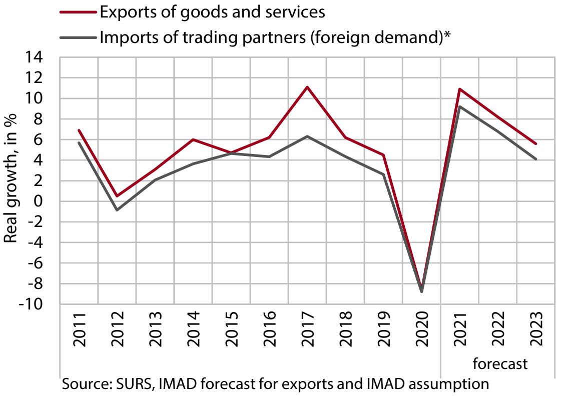
Source: SURS, IMAD forecast.
Note: *deflated by private consumption deflator. Due to the revision, some data will be changed with the publication on 30 September 2021.

Figure 16: Investment in machinery and equipment will contribute the most to the growth of total investments this year, and the contribution of construction investments will also increase in the future



Source: SURS, IMAD forecast.

Figure 17: Export growth is expected to surpass growth in foreign demand in the forecast period

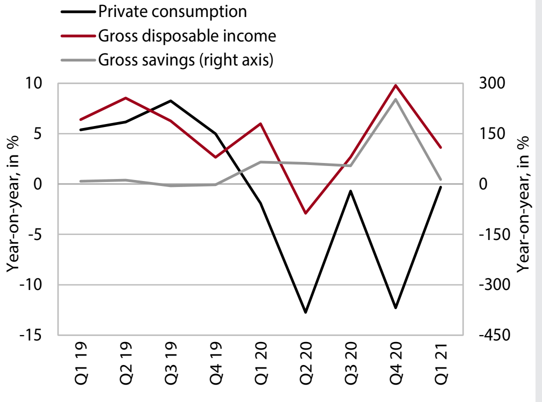


Source: SURS, IMAD forecast for exports and IMAD assumption for foreign demand based on sources under Table 1.
Note: *Real imports of goods and services of the trading partners weighted by Slovenia's share of exports to these countries.

Box 2: The impact of the epidemic on household spending and savings

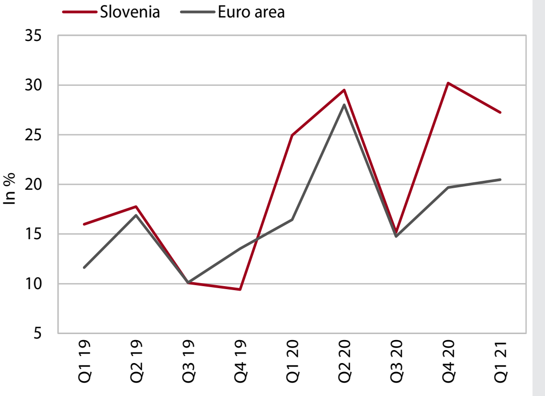
With the COVID-19 epidemic, household spending fell sharply while savings increased in 2020. The epidemic and related measures to contain the spread of infections, along with uncertainty about the future, which has led to more cautious spending decisions by households and their postponement of non-essential purchases, resulted in a substantial fall in household consumption in 2020[1] (by 6.6% in real terms). As nominal disposable income continued to grow, mainly due to government measures to mitigate the consequences of COVID-19, the savings rate increased significantly (by 11.7 p.p.) to 25.1%[2] (the average over the last 20 years is 13.6%).

Figure 18: Household savings rose sharply last year



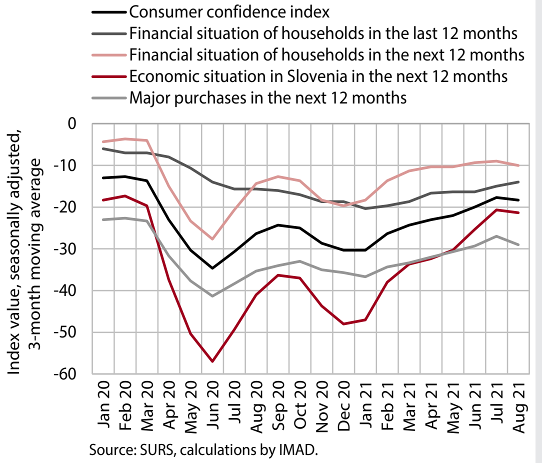
Source: SURS, calculations by IMAD. Note: The figure presents data for gross disposable income and gross savings before revision, as revised data will not be published until 30 September 2021.

Figure 19: Last year, the savings rate in Slovenia increased more than the euro area average



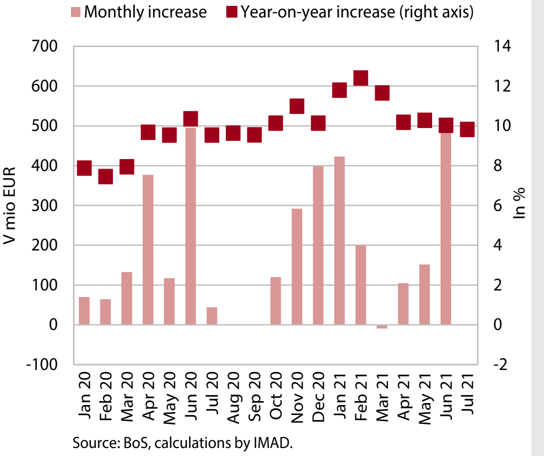
Source: Eurostat, calculations by IMAD.
Note: The figure presents data for savings rate before revision, as revised data will not be published until 30 September 2021.

Figure 20: The increased uncertainty of households was reflected in a decline in the consumer confidence indicator …



Source: SURS, calculations by IMAD.

Figure 21: … and in the increase in household deposits



Source: BoS, calculations by IMAD.

[1] Among households and non-profit institutions serving households.
[2] Following the revision of data on private consumption for 2020, published on 31 August 2021, and the adjustments to compensation of employees, the data on the savings rate will also be revised. However, the savings rate data will only be released after the release of our forecast (30 September 2021). We estimate that the savings rate in 2020 will be slightly lower than currently predicted.

The increase in the savings rate in 2020 was influenced by the fact that spending was severely limited due to strict containment measures (involuntary or forced saving) and by precautionary saving. Given the closure of some non-essential shops and services and other measures to contain the epidemic, household spending was severely limited in the spring, autumn and winter, meaning that households converted a larger part of their disposable income into savings (involuntary saving) than usually. In the last quarter of 2020, the savings rate in Slovenia was higher than the euro area average, which was probably also due to the tight restrictions on economic activity, which were among the strictest in Slovenia compared to its neighbouring countries and main trading partners (Hale et al., 2020). In addition to limited spending opportunities, households have become more cautious in their spending decisions. Greater uncertainty about the future epidemic situation and, consequently, lower expectations about the future economic situation and the financial situation of households contributed to precautionary saving. The increased uncertainty of households was also reflected in a decline in the consumer confidence indicator. Influenced by the epidemic, the indicator value declined sharply during the first wave, improved slightly during the summer and declined again during the second wave. All components of the indicator have declined, but the decline in indicator was mainly due to lower expectations of the future economic situation, which reached their lowest point in November 2020, when they were 39 percentage points below the long-term average (2005–2019), and the future financial situation of households, which lagged the long-term average by 9 percentage points. The current gross household savings (as the difference between disposable income and consumption) almost doubled from EUR 3.9 billion to EUR 7.6 billion in 2020.[3] This is also reflected in the increase in household currency and bank deposits, which grew by more than EUR 2 billion in 2020 and amounted to almost EUR 23 billion at the end of the year.

We estimate that the savings rate will remain higher this year than before the epidemic, which is attributable to various factors:

a) Despite the fact that uncertainty has decreased slightly, it is still higher than before the epidemic.

b) Last year, it was mainly high-income households that experienced increases in their savings (EC, 2021b), as they have a lower propensity to consume and are also able to finance a high level of current consumption with their current income.

c) Much of the decline in private consumption last year was due to lower household spending on services, which is difficult to fully compensate for (hairdressers, restaurants, concerts, trips, travel, etc.). Consumption of durable goods, which is easier to compensate for, rose notably last summer after falling sharply in the first half of 2020.

d) The evidence shows that the propensity to consume out of accumulated savings (or wealth) tends to be lower than out of additional income (de Bondt et al., 2019).

e) Part of the savings accumulated last year will probably go on debt repayments, purchases of stocks and real estate (also because on 1 April and 1 June 2021, banks introduced fees for large deposits held by natural persons). The increased demand in the real estate market has not abated even during the epidemic. Property price data shows a further increase in the average dwelling prices in 2020, although growth has slowed slightly compared to 2018 and 2019. The outlook for major purchases also shows that consumers still have a strong preference for buying or building homes and for home improvements over the next 12 months, which is more likely to cause higher investment than an increase in private consumption.[4]

f) Lower unwinding of excess savings could also be a consequence of the Ricardian equivalence, which suggests that households spend less in the present because they anticipate that they will have to pay higher taxes in the future. The financing of government measures to cushion the loss of income due to the consequences of COVID-19 was largely covered by an increase in the public debt, which will have to be reduced in the future (ECB, 2021b).

g) The extension of the period of validity of last year's tourism vouchers and the introduction of this year's vouchers to mitigate the consequences of the epidemic in the accommodation and food service activities, tourism, sports and cultural sectors, which are to be redeemed before the end of this year, are to some extent crowding out consumption from current income or accumulated savings.

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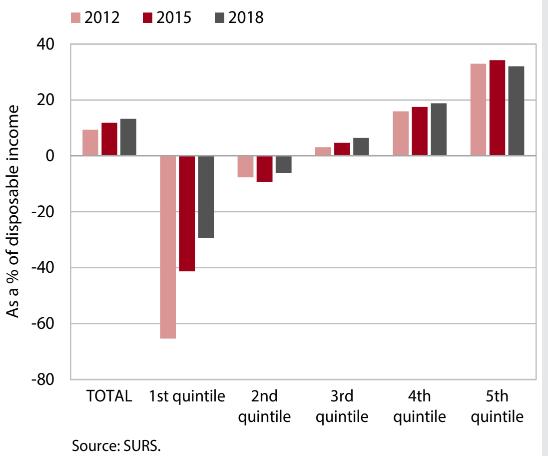
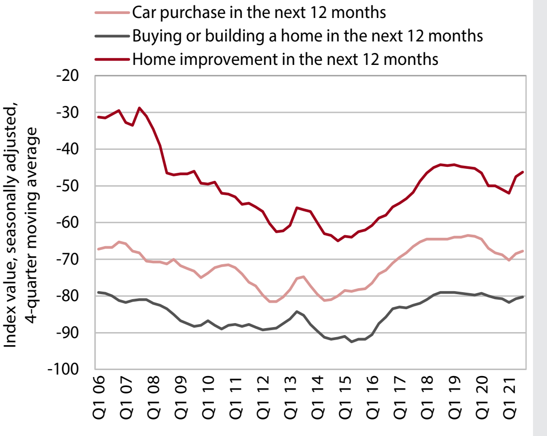
[3] According to the current data, which will be revised after the publication of non-financial sector accounts for 2020 on 30 September 2021.
[4] Gross saving is the part of disposable income that is not used for final consumption. This also includes loan instalments, purchases of dwellings, etc.

Figure 22: Savings are being generated mainly by high-income households with a lower propensity to consume



Source: SURS.

Figure 23: This year, consumers still have a high preference for housing investment



Source: SURS, calculations by IMAD.

Private consumption growth will be relatively high this year (5.5%) as savings remain high, but it will not fully compensate for the last year's decline. After last year's sharp decline, growth in household consumption will be boosted this year by an improvement in the epidemiological situation, especially from May onwards, when the remaining service activities[5] (which had been closed until then) opened, and by further improvement in labour market conditions. All this has helped to boost consumer confidence and reduce uncertainty in the spring and summer. Private consumption thus rose by 18.8% year-on-year in the second quarter, given the strong effect of last year's low base. We expect a further recovery in the third quarter, influenced by a greater focus on overnight stays and visits in the domestic market with the possibility of redeeming last year's tourism vouchers, the validity of which was extended until the end of this year, and this year's vouchers to mitigate the consequences of the epidemic in the accommodation and food service activities, tourism, sports and cultural sectors. As disposable income continues to grow, we expect the savings rate (which fell slightly in the first quarter compared to the last quarter of 2020 but is still much higher than a year ago) to fall in subsequent quarters but that it will still be higher than before the epidemic. Uncertainty, particularly in relation to the development of the epidemiological situation, remains high.

[5] Where some business restrictions (the recovered/vaccinated/tested rule for visitors, seat limitation, maximum number of visitors, working time limit, etc.) remain in place.

3.2 Value added by activity

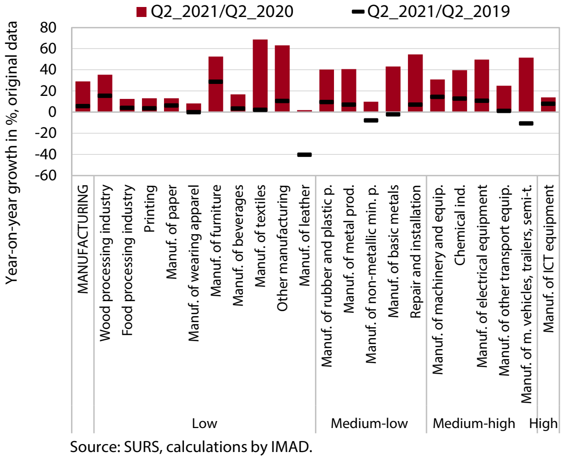
Manufacturing, construction and services related to these activities will also continue to grow this year and mostly reach the pre-crisis levels of 2019. Manufacturing, which was relatively less affected during the second wave of the epidemic and already exceeded pre-crisis levels at the end of last year, continues to grow in the first half of the year and is expected to also do so in the second half, when growth is expected to slow due to supply-side constraints, i.e. shortages of skilled labour and problems in the supply of raw materials and intermediate goods. Most manufacturing activities will thus on average already reach their 2019 levels this year, with the exception of motor vehicle manufacturing, which will be significantly impacted by semiconductor shortage, high commodity prices and structural changes, especially related to climate change adaptation. Over the next two years, high growth in manufacturing will gradually approach the long-term average under the impact of weaker growth in foreign demand. However, we currently expect that problems with the supply of materials will gradually subside. Construction activity, which recovered in the second half of last year and exceeded pre-epidemic levels in Q4 2020, declined quarter-on-quarter in the first half of this year, mainly due to high prices and supply disruptions. In the second half of the year, we expect construction activity to grow again, stimulated by public investment. We expect an even stronger growth over the next two years, largely influenced by government's investment activity, which will be stimulated by EU funds from the Recovery and Resilience Mechanism and the expiry of the 2014–2020 financial perspective. Services more closely linked to construction, manufacturing or the recovery of economic activity in general (such as architectural, engineering, consultancy and transport services) will be recovering faster, some of them expected to achieve pre-crisis levels already this year and others, because of expected further restrictions on public transport, next year. The recovery in manufacturing and transportation and the good performance of industries that supply pharmaceuticals and medical supplies and materials is a reason for the good performance in wholesale trade, which last year prevented a decline in value added in the overall trade industry. Together with the easing of containment measures and growing private consumption, this is helping to boost trade growth this year. Growth in these services and trade will gradually slow over the next two years after high growth this year.

Services, which have been hit harder by the epidemic, started to recover this year and will mostly reach their pre-crisis levels next year, except tourism-related services, which will reach that level later. Following the gradual easing of operating restrictions, performance in accommodation and food service activities, gambling and betting activities, and sports, cultural, entertainment and personal care activities improved in the second quarter. Growth is expected to have picked up further in the summer months. Similar to last year, this will be a result of more overnight stays and visits by domestic tourists, who will have been more focused on the domestic market and the redemption of last year's and this year's vouchers. We also expect some foreign tourists to return, particularly from neighbouring countries, especially in the summer and autumn. However, their activity will still be somewhat limited by certain restrictions on business operations which remain in place even after the end of the epidemic has been declared (e.g. the recovered/vaccinated/tested rule) and by more cautious (self-limiting) behaviour on the part of the population in the event of a major increase in infections. Since the onset of the coronavirus crisis, the impact on activity has gradually diminished as consumers and businesses adapt to the new situation. We expect that the growth in all the above services will strengthen with an increase in the number of foreign tourists in 2022 and halve in 2023, although it will remain relatively high.

Value added in public services will rise by 1.8% this year, after which growth will gradually weaken over the forecast period. This is mainly due to high growth in health and social work this year, which is expected to decline only slightly in the coming years due to increased resources to strengthen health care and social care.[29]

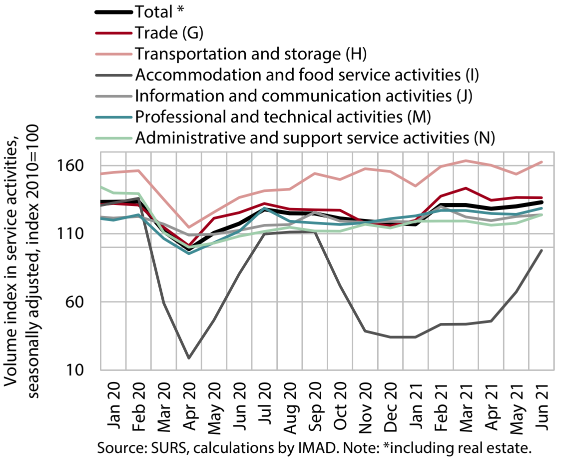
[29] Employment continued to rise in these areas during the first half of this year with the aim of tackling medical staff shortage. Employment was highest in social care, where PKP4 provided additional funding and personal assistance at home. High growth is set to continue this year and in the years ahead as new care homes open and demand for personal assistance at home, which is characterised by a significant shortage of capacity, continues to increase. The growth in these activities is also supported by EU funding to cushion the increased need for ageing-related services.

Figure 24: In the second quarter of this year, most manufacturing sectors exceeded their pre-crisis levels, while the automotive industry is lagging behind



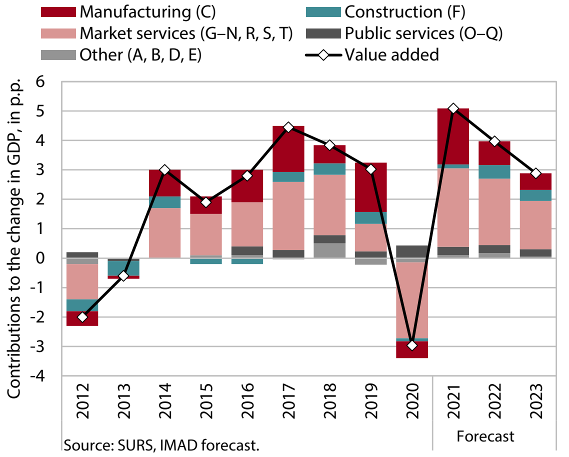
Source: SURS, calculations by IMAD.

Figure 25: The varying pace of recovery in services, most of which have not yet reached their pre-crisis levels



Source: SURS, calculations by IMAD. Note: *including real estate.

Figure 26: Contributions of value added growth to GDP change, by activity

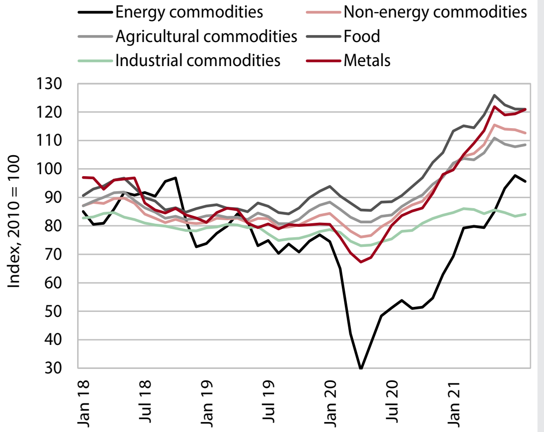


Source: SURS, IMAD forecast.

Box 3: Growth of commodity and semiconductor prices

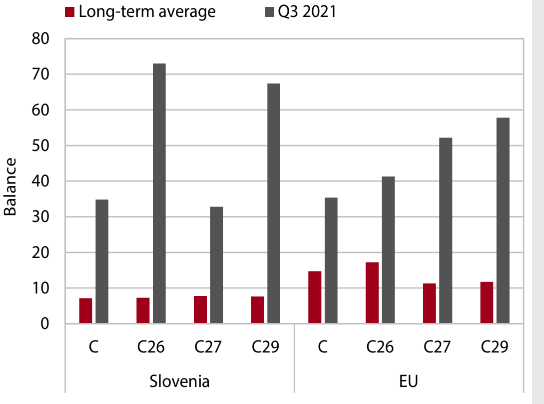
Commodity prices rose significantly in the first half of 2021. After a sharp drop at the beginning of the pandemic in the first four months of 2020, prices began to rise again in the middle of the year, and the price developments intensified in the first months of 2021. The price increase was primarily due to higher global demand associated with the recovery of economies after the initial shock of the epidemic, supported by the announcement of major infrastructure projects in the US and the EU, and partly due to an increase in non-energy commodity stocks among some of the largest consumers. According to the World Bank, price increases moderated in June this year, and almost all non-energy commodity prices are above pre-epidemic levels. Over the past year and a half, the main contributor to growth has been the prices of metals and minerals, which have increased by around 45% compared to 2019. Metal prices are also significantly influenced by the expectation that the energy transition from fossil fuels will lead to a significant increase in demand for metals. Slovenia imports comparatively more metals than most other EU Member States, accounting for between 3 and 3.5% of total imports in recent years (the EU average is around 1%). Aluminium, the price of which has risen by more than 25% compared to 2019, accounts for about half of metal imports. The prices of other raw materials used in Slovenia as important inputs for manufacturing and construction (iron, steel and wood) have also increased significantly, and the prices of food and agricultural products on world markets are also higher. Prices for energy commodities, especially oil, are also higher than before the epidemic, having reached their lowest level in 18 years at the outbreak of the epidemic last year.

Figure 27: Commodity prices in global markets have rebounded since falling last spring and remain higher



Source: The World Bank.

Figure 28: Estimate of material or equipment shortages as a key factor limiting production in industries with a higher input share of electronic equipment



Source: EC. Note: C – Manufacturing; C26 - Manufacture of computer, electronic and optical products; C27 - Manufacture of electrical equipment; C29 - Manufacture of motor vehicles, trailers and semi-trailers.

As global demand has recovered, demand for semiconductors has soared, with a significant impact on individual manufacturing sectors. Semiconductor production is currently limited and it is almost impossible to increase the supply of these products in the short term. In the second quarter of last year, global demand for computer and electronic equipment surged (due to remote working and education and mining at higher cryptocurrency prices), and as production in the automotive industry gradually began to recover, semiconductor production in the beginning of this year could no longer meet the surge in demand. Semiconductors for communications (e.g. mobile phones) and computers account for about 60% of semiconductor demand, while their share for use in the automotive industry is relatively small (about 12%) but growing. Moreover, semiconductor manufacturers currently tend to supply higher value-added products, which means that there is a greater shortage in the market for less sophisticated products (for the automotive industry, household appliances, etc.). This has already had an impact on semiconductor imports into the EU,[1] where import growth rates for these products have lagged behind overall import growth over the past year. The consequences of production disruptions due to semiconductor shortages are most apparent in industries with a higher input share of electronic equipment, such as the manufacture of computers and electronics, electrical equipment, and vehicles. Together with higher prices of other commodities, such shortages can also have a significant impact on delivery times and supplier prices for these products. The

[1] Products classified under headings 8541 and 8542 of the Combined Nomenclature (CN).

semiconductor shortages have not yet had a visible impact on supplier prices in the EU and the US,[2] and the ECB (2021a) notes that upward price effects from semiconductor shortages might materialise with a substantial time lag. One of the most affected sectors in the EU is the automotive industry.[3] The semiconductor shortage has already led to production disruptions in this sector in Slovenia and, together with higher metal and steel prices, this could have a significant impact on production output later in the year.

Higher raw material prices, supply constraints[4] and semiconductor shortage have affected producers' import and export prices; we estimate that the impact on final consumer prices will also gradually increase. Because of its openness, the Slovenian economy is greatly affected by external economic conditions and external price shocks.[5] Higher prices of energy, non-energy commodities and capital goods have already been reflected in Slovenian producer prices, which have risen sharply in domestic and foreign markets in recent months. We estimate that import prices will rise more than export prices this year, which will significantly worsen the terms of trade (see Section 3.6). The rise in commodity prices is already having an impact on final consumer prices (see Section 3.5).

[2] Producer price index for both electronic components and boards in the EU and price index for the production of semiconductors and related devices in the US. Detailed data for Slovenia are not available.
[3] In the first half of this year, the production of vehicles in the EU was about a fifth lower than in the same period in 2019 (in Slovenia it was more than a tenth lower) (C29 according to the NACE Rev. 2).
[4] Shortage of commodities combined with increased demand, closure for several days of the Suez Canal, etc.
[5] Trade in goods and services as a share of GDP reached an average of 154% of GDP over the last five years.

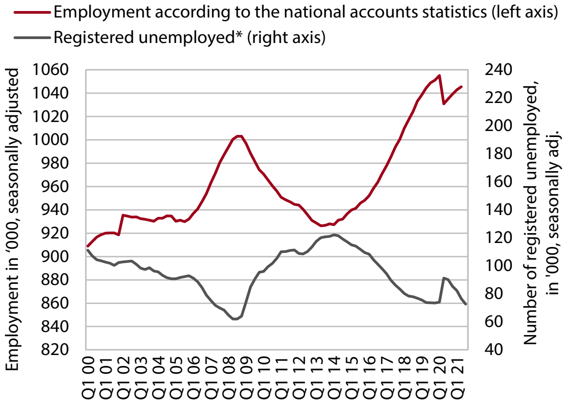
3.3 Employment and unemployment

After years of favourable developments on the labour market were interrupted last year by the first wave of the epidemic, the employment rate has been rising steadily since the second half of last year, while the unemployment rate has been falling. At the end of 2019, employment was still historically high, while unemployment was approaching record lows. Since mid-March last year, with the adoption of measures to contain the coronavirus epidemic, the labour market conditions have deteriorated sharply: the number of employed persons fell notably in April (by 0.9%) and the number of registered unemployed rose (by 19.9%). The rapid adoption of intervention job-retention schemes and measures to mitigate the consequences of the epidemic contributed significantly to the fact that the decline in the employment was much smaller than the decline in GDP and that the adjustment in the labour market was mainly reflected in the number of hours worked (Figure 30).[30] With the rebound of most activities, labour market conditions began to gradually improve. The recovery, which continued at an accelerated pace in the first half of this year, varied widely across activities, influenced by the containment measures that affected some of them. Employment rose by 1.4% year-on-year in the second quarter of 2021, in the private sector with a more marked recovery in construction, manufacturing, trade, and professional, scientific and technical activities.[31] However, it was still lower in accommodation and food service activities (by 1.8%) and in creative, arts and entertainment activities (by 2.1%).[32] In the public sector, employment growth increased this year, as it did last year, with the highest increase in the health sector due to rising demand (by 5.2%). As demand for labour increased, the number of unemployed continued to fall. At the end of August, 69,292 persons were unemployed, 21.4% fewer than a year ago and 1.9% fewer than at the end of August 2019.

Rising demand for labour has led to renewed pressures in some activities in recent months, caused by a shortage of adequately skilled workers. The high demand for labour and its insufficient supply are also reflected in the job vacancy rate,[33] which reached its highest level in the last ten years (2.6%) in the second quarter, with 20,500 vacancies reported, according to SURS data. In some activities, labour shortage is also affecting the volume of production. Labour shortages vary across activities; in the second quarter, labour shortage surpassed its previous peak in manufacturing and approached its peak in construction, transportation and some other activities. With the resumption of activity, shortages increased particularly sharply in accommodation and food service activities, which could be a normal response given that not all vacancies could be filled in such a short time but could also indicate that some labour has moved to other activities. A major reallocation of labour is not yet confirmed by the available indicators (see Box 4).

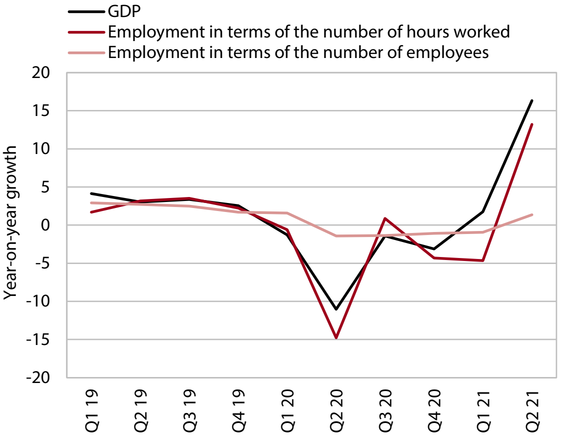
[30] The fact that the labour market response was weaker than expected on the basis of long-term trends is also shown by the analysis of the development of the actual and predicted survey unemployment rate on the basis of Okun's law, i.e. the long-term relationship between GDP and the unemployment rate (see IMAD, 2021b, Section 1.1).
[31] In some activities (e.g. construction, transportation and ICT), employment was also higher than in the second quarter of 2019.
[32] According to the Statistical Register of Employment data.
[33] The job-vacancy rate is the percentage of job vacancies relative to total jobs (vacancies + occupied posts).

Figure 29: The impact of the epidemic on the labour market was significantly mitigated by intervention measures adopted last year and this year



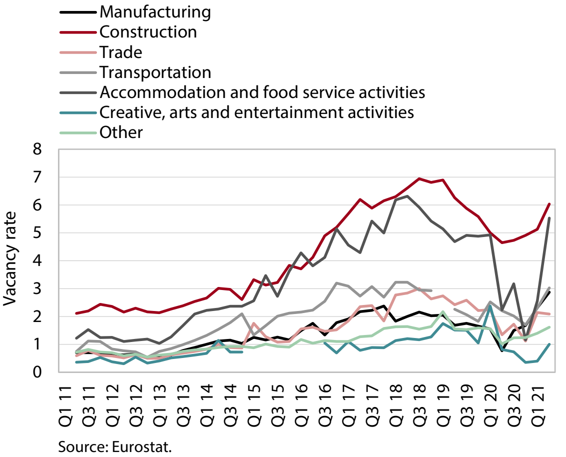
Source: SURS.
Note: *The data for Q3 21 is the average of July and August.

Figure 30: For the most part, the labour market has adjusted to the GDP decline with fewer hours worked



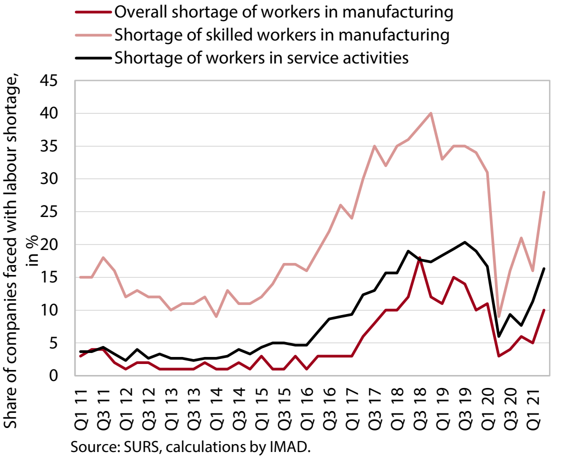
Source: SURS.

Figure 31: The job-vacancy rate has risen sharply in some activities in recent months



Source: Eurostat.

Figure 32: Labour shortage in some activities constitutes a restriction on normal activity

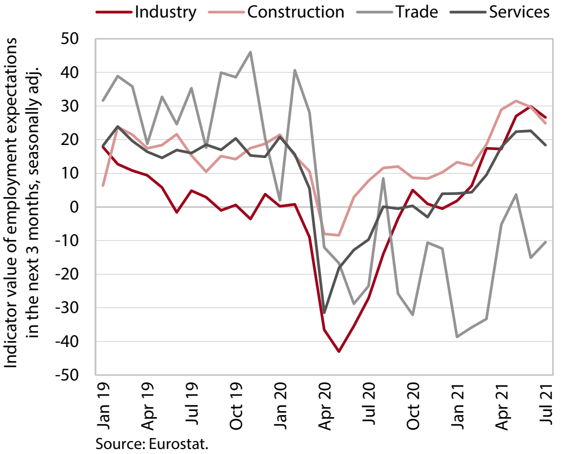


Source: SURS, calculations by IMAD.

This year, employment will further rise, while unemployment will decrease; the impact of the epidemiological situation will still be significant; over the next two years, the favourable trend will continue, but due to demographic trends, Slovenia could be faced by limitations related to labour shortages. For 2021, we expect 0.8% employment growth and a decline in the average number of unemployed, which will be only 2% higher than in 2019. In the second half of the year, we expect further moderate employment growth and a gradual fall in the number of registered unemployed, which is also suggested by the relatively high value of the short-term employment expectations indicator. As the demand for labour will increase, so will the number of hours worked. Labour market developments will still be highly dependent on the evolution of the epidemiological situation. Over the next two years, the recovery in the labour market is expected to continue, with the number of employed persons at around 30,000 higher than in 2019 and unemployment falling to 65,000 towards the end of the forecast period. The activity rate of the 55–64 and also 15–29 age groups is expected to increase and people who (temporarily) moved to inactivity, especially at the beginning of last year, are expected to re-enter the labour market gradually, which will be reflected in a further increase in the activity rate. Demand for labour will remain a driving factor for attracting foreign workers, leading to gradually higher positive net migration, which fell sharply at the end of last year and the beginning of this year.[34] The development of the labour market in the coming years will be increasingly characterised by limitations related to labour shortage affected by demographic changes, which was also the case in the period before the coronavirus crisis. Labour market conditions could therefore represent an ever greater barrier to value added growth.

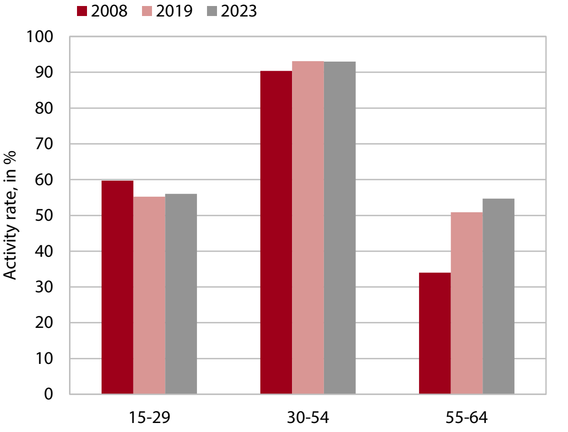
[34] After a very positive net migration (difference between the number of immigrants and the number of emigrants) in 2018 and 2019 (amounting to about 15 thousand persons per year), net migration decreased slightly last year (to 10 thousand persons; adjusted for methodological specifics, in Q3 2020), due to measures and restrictions related to the coronavirus crisis. The decline continued in the first quarter of this year, as many activities were closed for an extended period of time due to the second wave of the epidemic and the increased uncertainty about its duration.

Figure 33: Short-term employment expectations point to further but more moderate increase in employmenti



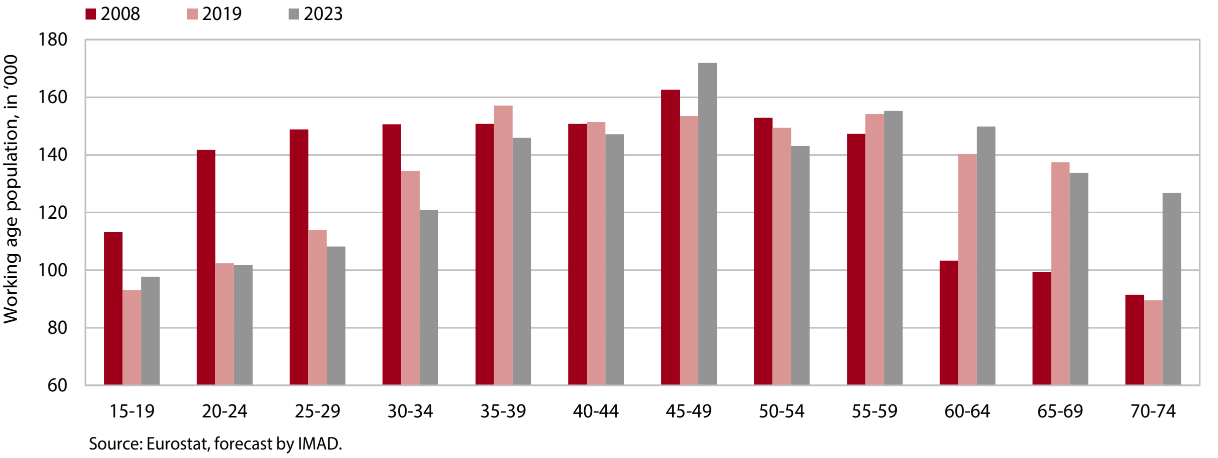
Source: Eurostat.

Figure 34: Labour force participation in the most active age group (30–54 years) is already high, which is why in the future it will increase especially among older persons



Source: Eurostat, forecast by IMAD.

Figure 35: Unfavourable demographic trends (increasing proportion of older population) will continue in the future, leading to labour shortages



Source: Eurostat, forecast by IMAD.

Table 4: Forecasts of employment and unemployment

In %	2020	2021		2022		2023
		March 2021	September 2021	March 2021	September 2021	September 2021
Employment according to the SNA, growth	-0.6	0.8	**0.8**	1.5	**1.5**	**1.2**
Number of registered unemployed, annual average	85.0	83.1	**75.4**	80.7	**67.8**	**65.0**
Registered unemployment rate	8.7	8.5	**7.7**	8.1	**6.9**	**6.6**
ILO unemployment rate	5.0	5.0	**4.7**	4.8	**4.3**	**4.2**

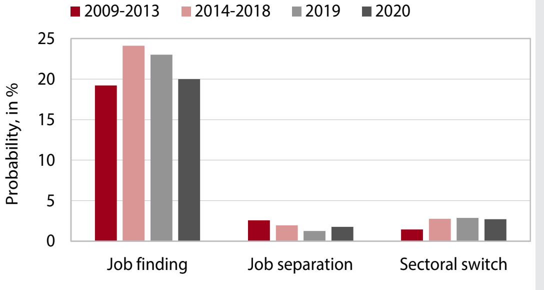
Source: SURS (2021b); 2021–2023 forecast by IMAD.

Box 4: Has there been any major reallocation of labour since the beginning of the epidemic?

Since not all activities are equally affected by the epidemic, labour mobility from more affected to less affected activities may increase. While some activities were less affected by the decline in economic activity and closure, and also recovered quickly, others, notably accommodation and food service activities, creative, arts and entertainment activities, and initially to some extent also trade, were much more affected because of the continuing restrictions on their activities. The longer an activity is impacted, the more likely it is that workers will reallocate from heavily impacted sectors to healthier industries with plenty of job openings (Aaronson et al., 2021).

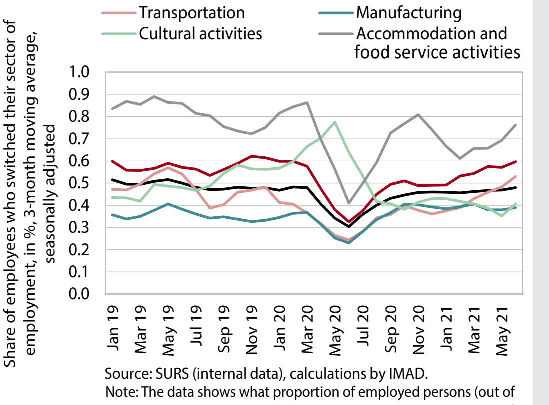
An analysis of sectoral switches and flows offers the possibility of insight into the extent of labour reallocation. Based on the IMF's analysis (2021a), we analysed sectoral switches based on individual survey data from the Labour Force Survey and data from the Statistical Register of Employment. The survey data provide information on an individual's transition from unemployment to employment and vice versa, while the data from Statistical Register of Employment provide information on the total number of sectoral switches. The survey data show (Figure 36) that the probability of the average individual moving from unemployment to employment in 2020 decreased and was similar to the 2009–2013 period, while the probability of losing a job was only slightly higher than in the period of economic expansion before the epidemic, influenced by the adopted job-retention measures. Meanwhile, the probability of moving from one sector to another has not changed significantly at the aggregate level. The register data (Figure 37) show that a slightly higher rate of sectoral switches was recorded only for a short time in the cultural, entertainment and recreational activities, which were the most affected by the containment measures. The trends described may suggest that workers and businesses did not expect the restrictions and lower activity caused by the coronavirus crisis to last.

Figure 36: The probability of finding a job in 2020 was similar to that during the global financial crisis



Source: SURS (microdata), calculations by IMAD.
Note: Labour Force Survey data were available until 2020. They allow the analysis of transitions compared to the year preceding the survey. Job finding is defined as a transition from unemployment to employment, job separation as a transition from employment to unemployment, and sectoral switch as a transition from employment in one sector to employment in another sector. The probability of transitions is estimated using a linear probability model.

Figure 37: The share of employees who changed their sector of employment increased only for a short time in some activities

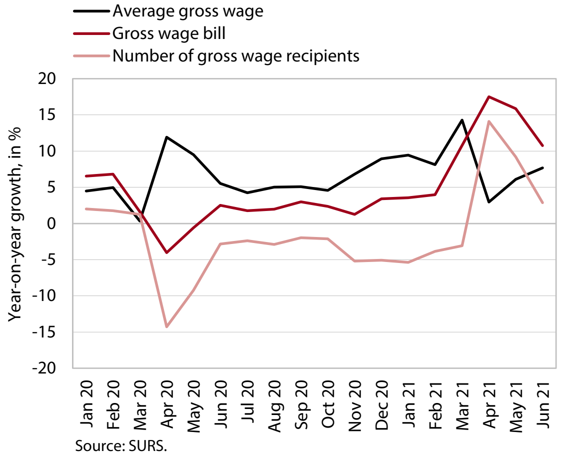


Source: SURS (internal data), calculations by IMAD.
Note: The data shows what proportion of employed persons (out of all employed persons in the original sector) switched their sector of employment in a given month compared to the previous month.

3.4 Wages

Last year's and this year's growth in the statistically recorded average gross wage was marked significantly by intervention job-retention measures in connection with the methodology for calculating the average wage and by the payment of various allowances related to the declaration of the epidemic. Gross wage growth has been gradually increasing in recent years and was still strong year-on-year in the first two months of last year due to the increase in the minimum wage, a general labour shortage and the agreements with public sector trade unions from 2018. During the epidemic and the validity of the job-retention measures, the evolution of the average monthly wage did not reflect the evolution of employees' earnings or the basis for social security contributions. Since March, however, its evolution, especially in the private sector, has been strongly influenced by the method of wage calculation related to the job-retention measures. In wage statistics, only the part of the wage compensation paid by the employer is counted in the statistics and not also the part paid by the government. As many workers have been placed on temporary layoff and the measure of partial subsidisation of full-time work has been applied, the wage bill paid by employers has fallen significantly and the number of wage earners has fallen even more sharply (see Box 1 of the IMAD's Spring Forecast, 2021a, p. 26).[35] Despite the decline in economic activity, this, together with allowances for work in crisis conditions,[36] contributed to strong gross wage growth per employee in the year as a whole (5.8%). In the first half of the year, year-on-year growth of gross wage per employee continued to fluctuate strongly. Growth in the private sector was, in addition to a higher minimum wage[37] and labour shortage pressures, mainly a consequence of the dynamics of the return to employment of workers participating in the job-retention measures. In the public sector, the trend was affected by the dynamics of payment of allowances. In the first half of 2021, the average gross wage was 8.2% higher in nominal terms – 5.4% in the private sector and 12.8% in the public sector.

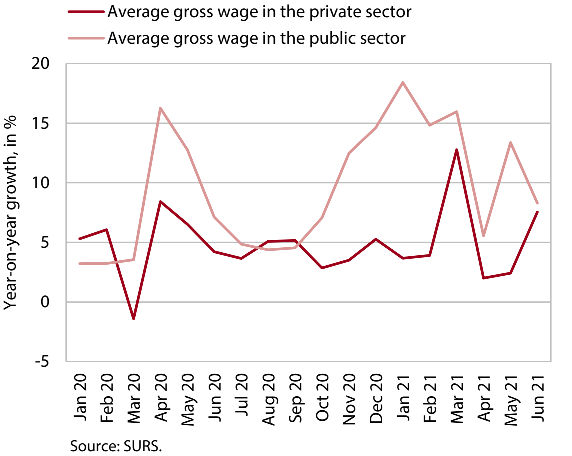
Figure 38: Intervention job-retention measures influenced growth in the statistically recorded wage bill and the number of wage earners, which was reflected in significant fluctuations in average wage growth per employee



Source: SURS.

The growth in the statistically recorded gross wage will remain high on average this year due to high growth in the first half of the year, while next year's growth will be lower due to the absence of the payment of epidemic-related allowances. Growth will gradually strengthen by the end of the forecast period, due in particular to the limited supply of labour. The forecast for gross wages, taking into consideration methodological specifics, is based on some important assumptions.[38] We

Figure 39: Average gross wage dynamics in the private sector were mainly subject to changes in the share of employees participating in job-retention schemes and in the public sector to the payment of the allowance for work during the epidemic



Source: SURS.

[35] The recorded wage bill was to a greater extent affected by the temporary layoff scheme, which was introduced as early as March 2020, while the short-time working scheme was introduced as of June 2020. The number of employees participating in the temporary layoff scheme was also significantly higher than the number of those under the short-time working scheme. Employees participating in the temporary layoff scheme received an allowance in the amount of 80% of their wage.

[36] A temporary introduction of allowances for hazardous work and for higher workloads, as well as the allowance for work in high-risk conditions (according to the collective agreement) in the public sector and the payment of the allowance for work during the epidemic in the private sector.

[37] The increase in the minimum wage, however, was not fully reflected in the statistically recorded average wage, as PKP8 provides for subsidies for the increase in the minimum wage in the amount of EUR 50 per month in the first half of the year, which, because of the methodological specifics, will not be reflected in the average gross wage. In the second half of the year, the Government reduced the tax burden for employers by lowering the minimum base for the calculation of social security contributions to the level of the minimum wage.

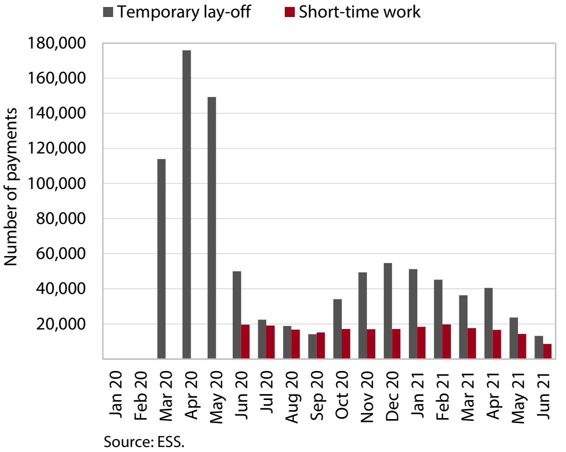
[38] In preparing gross wage forecasts for 2021 and 2022, we had to take into account methodological specifics and, among other things, assess or assume i) the monthly dynamics of the number of employed persons

Table 5: Forecast for growth in the average gross wage and in the average gross wage adjusted for government subsidies

Growth rates, in %	2019	2020	2021	2022	2023
Gross wage per employee (earnings statistics)*	4,3	5,8*	5,8*	1,2*	2,9
Gross wage per employee (adjusted)**	4,3	7,5**	4,9**	0,6**	2,9

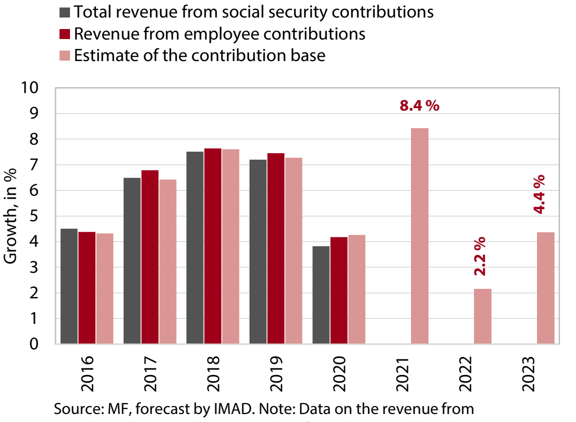
Source: SURS (2021b); 2020–2023 estimate and forecast by IMAD.
Notes: *The growth in the statistically recorded average gross wage (for persons in paid employment by legal persons) in 2020–2022 is marked significantly by intervention job-retention measures in connection with the methodology specifics for calculating the average wage, as such wages do not include wage payments or earners of wages co-financed by the government. Only the part of the payments paid by the employer is included in the wage. As compensation paid by the government under the temporary layoff and part-time work schemes was significant, the stated growth of wages in the period as an indicator of employee income trends is not appropriate and is not directly comparable with wage growth from previous years or income growth from other sources. **The adjusted gross wage shown is an estimate, increased by payments covered by the government and crisis allowances, compared to the published gross wage according to the wage statistics (persons in paid employment by legal persons). The number of wage earners is also adjusted.

Figure 40: The number of employees participating in intervention measures has gradually decreased in recent months



Source: ESS.

Figure 41: Revenue from social security contributions and estimate of the contribution base



Source: MF, forecast by IMAD. Note: Data on the revenue from social security contributions is taken from the consolidated balance of public finances.

expect gross wage growth to slow in the second half of the year due to the expiry of the temporary layoff measure, in which a large proportion of workers participated, and the end of the payment of public sector allowances related to the declaration of the epidemic, and not to be subject to major fluctuations. Due to strong growth in the first half of the year, average growth for the year will remain high. Next year, growth will be much lower, due to the relatively low carryover from the end of this year and the lack of other pressures related to the payment of allowances. At the end of the forecast period, wage growth will pick up slightly, consistent with economic recovery and a gradual increase in limitations related to labour shortage.

Due to the strong impact of the methodological specifics, statistically recorded gross wage in the given situation does not reflect the actual movement of employed persons' earnings or their social security contribution base. We have therefore produced a forecast of adjusted gross wages, which include government payments, and an estimate of the contribution base as a basis for the development of social security contributions. Among the main additional payments that we included in the estimate of adjusted gross wages (for persons in paid employment by legal persons), some of which were paid by the government, are wage compensation for temporary layoffs, subsidies for short-time work, crisis allowance under PKP1, certain contributions on the part of the government, December's crisis allowance and subsidised minimum wage compensation. When assessing the contribution base, we have taken into account only funds from which social security contributions were actually paid (crisis allowances paid during the first wave of last year are included in the adjusted gross wage but not in the adjusted contribution base, as they were not subject to the payment of contributions). The estimate of adjusted gross wages, which includes compensation paid by the government (7.5%), was much higher than the statistically reported gross wages (5.8%) last year, but growth this year will be lower because of last year's high base and the absence of wage compensation for temporary layoffs. The high base from the first half of this year (especially due to the payment of COVID-19 allowances) will also mean that growth in adjusted gross wages will remain low next year. After high rates in previous years, growth in the contribution base was about 4% last year, due in part to a decline in the earnings of workers participating

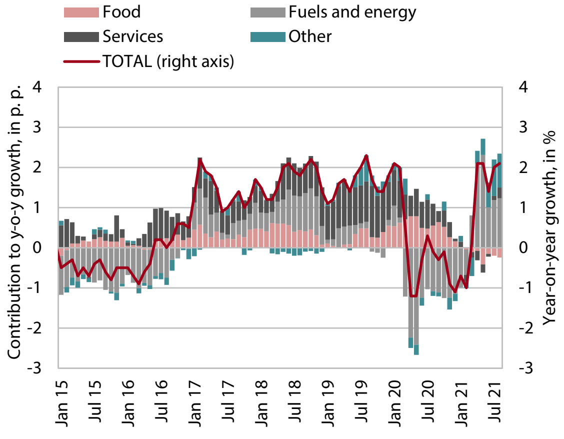
who will participate in the short-time work schemes, ii) their distribution by activity and by the level of gross wage, iii) the share of the month they will participate in the scheme, iv) the number of employed wage recipients and their wage bill which will not be included in the wage statistics, and v) the amount of wage compensation paid by the government.

in job-retention schemes, lower employment and a sharp drop in some other remunerations from employment.[39] Owing to last year's low base, this year's expected employment recovery, high public sector epidemic-related allowances in the first half of the year, the expiry of temporary layoff measure and the recovery of other categories of remunerations, growth in the estimated contribution base will be higher this year (8.4%).[40] Next year, growth will be much more moderate (2.2%) due to the end of payment of allowances, though it is expected to strengthen at the end of the forecast period (4.4%).

3.5 Inflation

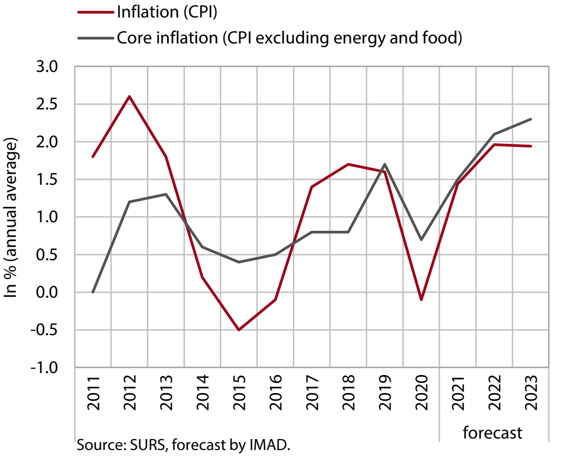
After last year's deflation, consumer prices will again be gradually rising towards 2% growth year-on-year this year and in the next two under the assumption of a moderate economic recovery. In the first eight months of this year, year-on-year price growth accelerated (to 1%[41]). At the end of the first quarter, growth was mainly generated by higher energy prices, both because of the low base at the beginning of the epidemic[42] and because of this year's increase in oil prices. Prices of non-energy industrial goods also started to rise gradually, which we believe was due to the following factors: (i) high commodity prices, (ii) bottlenecks in production, (iii) higher demand due to a gradual easing of restrictive measures, (iv) higher costs[43] and (v) other seasonal price developments in certain groups of products (clothing and footwear). In the coming months, we expect the contribution of energy to inflation to remain at current levels and the constraints on production and solid demand to have a somewhat larger impact on the prices of goods and services, which will further increase inflation. Growth in food and service prices is expected to remain moderate this year. All this will contribute to 1.4% overall consumer price growth in the year as a whole.[44] Price growth will further increase in 2022 (to 2%), influenced by the high carryover from this year and higher growth in services prices as services activity gradually recovers, having been constrained by the containment measures. Inflation will remain around 2% in 2023, with a slight pick-up in services price growth

Figure 42: Rising energy prices are the main contributors to inflation, while the contribution of non-energy industrial goods is also growing



Source: SURS, calculations by IMAD.

Figure 43: In the next two years, inflation will be around 2%



Source: SURS, forecast by IMAD.

Table 6: Inflation forecast

In %	2020	2021 March 2021	2021 September 2021	2022 March 2021	2022 September 2021	2023 September 2021
Inflation – Dec/Dec	-1.1	1.1	**2.5**	1.5	**1.9**	**2.0**
Inflation – annual average	-0.1	0.8	**1.4**	1.2	**2.0**	**1.9**

Source: SURS (2021b); 2021–2023 forecast by IMAD.

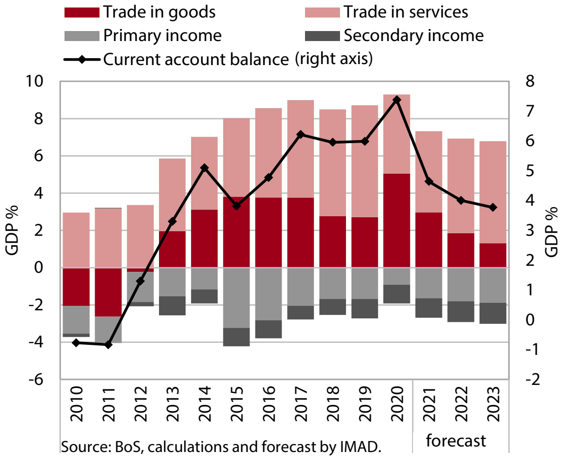
[39] For example, student work, income from contract employment, holiday, lunch and transport allowances.
[40] According to the consolidated general government budgetary accounts, growth in revenue from social security contributions in the first half of the year was 14.9% higher year-on-year.
[41] This is the average year-on-year growth in the first eight months; the year-on-year growth was already 2.1% in August.
[42] At that time, with the fall in global demand, the price of oil products fell, as did the price of electricity, which the government lowered for households and small businesses from the beginning of March until the end of May to mitigate the consequences of the crisis.
[43] Maritime transport prices are up almost 130% year-on-year.
[44] Due to the changed structure of consumption related to the epidemic, the weights for individual groups of the CPI also changed somewhat more in 2021. The share of food strengthened, while the share of energy (oil products in particular) and services (especially package holidays) declined.

due to the smaller impact of the containment measures. The growth of non-energy industrial goods prices will gradually slow but will still be higher than in the years before the epidemic, as we expect that the persistence of non-energy commodity prices at the level reached will spill over into final consumer prices over a longer period of time. Food prices will also gradually increase.

3.6 Current account of the balance of payments

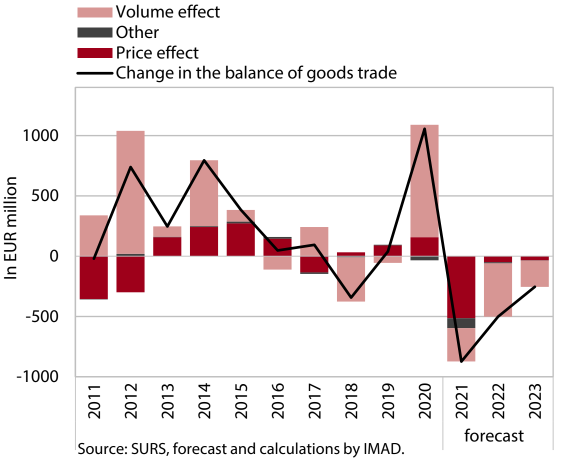
In 2021–2023, the current account surplus will decrease but will maintain its high level (around 4% of GDP). The persistently high surplus relative to GDP is attributable to strong private sector saving (households and non-financial corporations), which exceeds investment. The surplus will continue to be underpinned by trade in both goods and services – the impact of *trade in services* will increase over the forecast period due to its recovery after last year's deep fall, while the surplus in *trade in goods* will decline. This will be the main reason for the decline in the surplus from 4.6% of GDP this year to 3.8% in 2023. This year, the surplus in trade in goods will also narrow under the impact of deteriorated terms of trade in addition to the higher real growth in imports of goods than exports.[45] Due to this year's growth in energy and other primary commodity prices after their fall last year, growth in import prices will be stronger than in export prices, which will worsen the terms of trade by 2%. From 2022 onwards, however, the surplus in goods trade will decline due to further more moderate growth in exports than imports, which will be further supported by solid growth in domestic private and investment consumption. The rising surplus in *trade in services* this year will mainly arise from transportation and other services.[46] Over the next two years, all services will recover, especially travel. The deficits in the balances of *primary and secondary income* will rise over the forecast period, thus contributing slightly to the decline in the current account surplus. The increase in the former will be due to higher net payments of dividends and reinvested earnings owing to the recovery of economic activity. Particularly this year, net payments of interests on external debt will increase due to higher general government borrowing.[47] This year, the surplus of income from labour will also be lower, as we expect lower income of daily migrants working abroad and slightly higher income of foreign workers in Slovenia. The widening of the deficit in primary income will be somewhat cushioned by subsidies from the EU budget.[48] The deficit in *secondary income* will increase particularly due to lower receipts from the European Social Fund[49] and higher GNI- and VAT-based payments into the EU budget and higher net outflows of private sector transfers.

Figure 44: The current account surplus will decrease but still remain quite high in the forecast period



Source: BoS, calculations and forecast by IMAD.

Figure 45: Price developments will have a greater negative impact on goods trade balance this year



Source: SURS, forecast and calculations by IMAD.

[45] In 2022 and 2023, we expect the terms of trade to remain unchanged, as, assuming based on technical assumptions a relatively low volatility of energy and other commodity prices, the ratio of export to import prices will be stable.

[46] This includes all services except travel and transportation. The rising surplus in trade in services this year will mainly arise from other business services (research and development and technical, trade-related services).

[47] Due to the measures to mitigate the consequences of the pandemic, the government significantly increased its indebtedness in 2020 to foreign portfolio investors in order to finance the budget deficit and repay the principal on government debt.

[48] Most subsidies are resources for the implementation of the Common Agricultural and Fisheries Policy, while part of the subsidies are funds from the Recovery and Resilience Facility. The bulk of receipts from the EU budget are investment transfers, which, in terms of the balance of payments statistics, are recorded in the capital account of the balance of payments.

[49] The bulk of ESF resources available under the current multi-annual financial framework have already been drawn.

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

		2021		2022		2023
	2020	March 2021	September 2021	March 2021	September 2021	September 2021
Current account, in EUR million	3,462	3,220	2,337	3,128	2,138	2,116
Current account, as a % of GDP	7.4	6.6	4.6	6.1	4.0	3.8

Source: BoS (2021); 2021–2023 forecast by IMAD.

4 Risks to the forecast

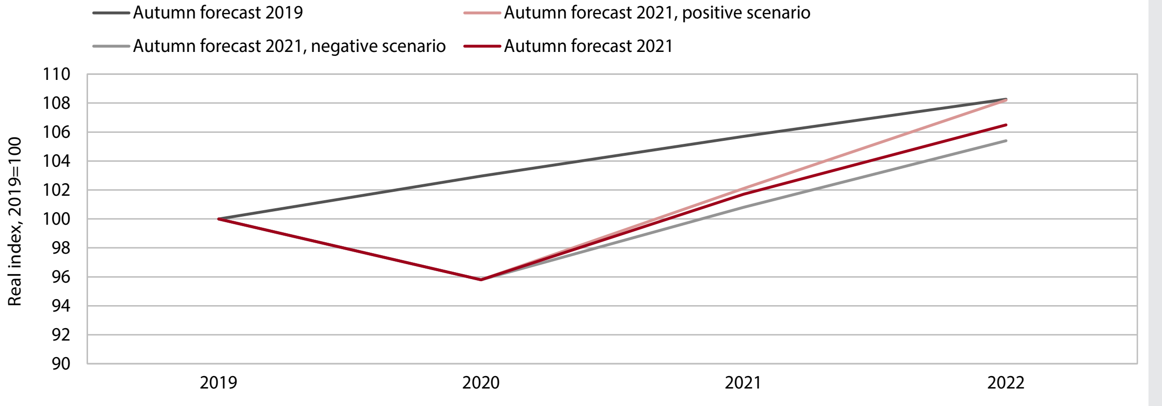
The greatest downside risk to the realisation of the Autumn Forecast is still associated with the epidemiological situation in Slovenia and its main trading partners; another important factor is a well-planned adaptation of the measures to mitigate the consequences of the epidemic to the epidemiological and economic situation. Possible more stringent containment measures in the face of new waves of infections, including as a result of new and more infectious coronavirus mutations and/or insufficient vaccination coverage and thus further major closures of economies, pose the greatest risk to a more stable recovery. High levels of household uncertainty about employment prospects and income insecurity, and the closure or reduced activity, particularly of high-contact service activities, would also affect the maintenance of high levels of precautionary and forced savings or their slower unwinding. The greater impact of business problems, especially in certain more severely affected service sectors, could translate into a greater number of bankruptcies and insolvencies, which would have a greater negative impact on the labour market (especially in the form of higher level of long-term unemployment) and consequently affect the banking and financial sectors. Therefore, a well-planned adaptation of measures to mitigate the consequences of the epidemic to the epidemiological and economic situation remains very important. At the global level, negative risks to economic activity are still associated with trade tensions, geopolitical conflicts, social unrest and climate change consequences. Price growth could be higher if the global economy recovers faster than expected and the current supply constraints last longer (shortages of certain commodities and intermediate goods and higher increases in their prices). Higher inflation could lead to a faster rise in interest rates, which would have a negative impact on lending and investment activity. The pace of fiscal consolidation after 2022 is still uncertain – the Autumn Forecast is based on the assumption that consolidation in the coming years will take place gradually and without significant cuts of flexible expenditure categories.

However, there are also some possibilities that economic growth will be higher than predicted in the central forecast. This could be the case if the epidemiological situation improves permanently faster than expected. Increased international cooperation in vaccine production and distribution would also allow for a faster progress in global vaccination coverage and thus recovery. Faster improvement in the epidemiological situation could lead to faster unwinding of excess household savings and faster investment growth due to higher confidence levels. Higher global economic growth, particularly due to higher growth in the US, represents an additional upward risk, as it could also have a stronger positive impact on the economic situation in the EU. One possibility for a more rapid recovery lies in a faster, efficient start of absorption of resources from the new multi-annual financial framework and the extraordinary financial package (NextGenerationEU) in Slovenia and its main trading partners, both agreed in July 2020. The EU funds represent an opportunity to address development challenges, of which the following are key: strengthening support for research and development, innovation and digital transformation to enhance productivity, green transformation with the transition to more sustainable economic development, and systemic adjustments to social protection systems, which are for the most part dictated by demographic trends; and to mitigate the long-term consequences of the crisis. In addition, the realisation of the baseline scenario could be affected by legislative proposals (in particular tax reform and regulation of long-term care) that are still pending in Parliament. In the short term, their adoption could mean higher economic growth, but also the risk of a higher general government deficit.

Box 5: Alternative scenarios

Uncertainty and risks to the central forecast remain elevated and are dependent on the epidemiological situation and the adaptability of the economy to this situation. In the event of a significant deterioration of the situation in the case of a major virus outbreak and lack of hospital capacities, business operations in some service activities could again be hampered and consumer behaviour would become more cautious. Household consumption would be affected in particular, along with, to some extent, investment and exports. An increased number of bankruptcies and higher unemployment would also lead to a slower recovery next year. There are, however, also some upside risks: a faster improvement in the epidemiological situation and/or effective adaptation of the economy to these conditions (which would enable strengthening of economic activity despite a worse epidemiological situation). All this could lead to faster growth in domestic demand and easing of restrictions on service activities. At the same time, export growth could be higher, as exports of services account for a significant share of exports. In that case, economic growth could be much higher, so that in 2022 we would reach the level of GDP forecast for that year before the outbreak of the epidemic.

Figure 46: The baseline and alternative scenarios



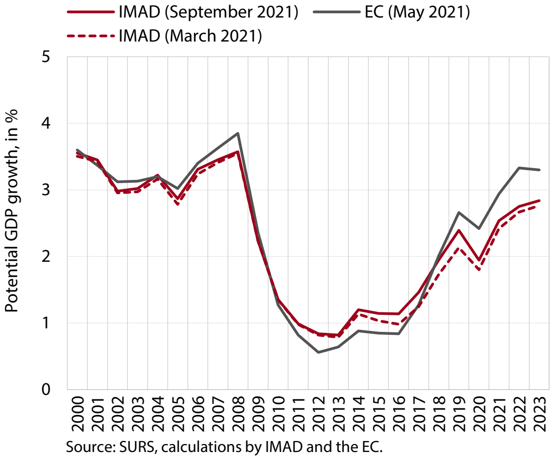
Source: 2019 and 2020 SURS, 2021–2022 IMAD forecast and estimate.

5 Output gap and potential GDP growth

Under the current conditions of domestic and international risks related to the epidemiological situation, the estimate of potential GDP[50] and consequently the output gap is subject to high uncertainties and risks of subsequent changes. As potential GDP cannot be measured directly, the estimates thereof can change depending on input data or methodology. Input data often change due to revisions of GDP growth in previous years, changes in the forecasts of GDP growth or other input categories, and changes in the length of the time series included. As a result of these factors, ex-post estimates for the same period can lead to changes in the level of potential GDP and the output gap. In the present situation, the probability of future revisions of input data is higher than usually. The current estimates of potential GDP and the output gap should therefore be considered only in the context of the assumptions and broader economic picture at the time when they were made.

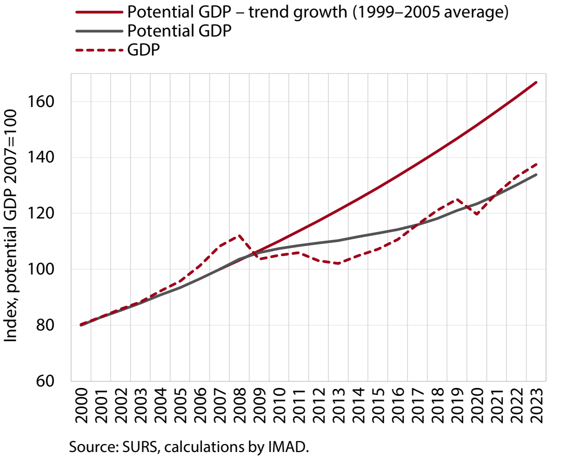
According to the current estimate, potential GDP should recover relatively rapidly this year and in the next two after last year's lower growth, driven by a strengthening of investment and consequently capital and improvement in labour market conditions. After several years of gradual strengthening, potential GDP growth was lower last year, and we estimate that the impact of the coronavirus crisis on production factors was visibly limited due to the intervention measures taken. For the forecast period (2021–2023), potential growth is expected to average 2.7%. The greatest contribution to potential growth in the forecast period will still be made by *total factor productivity* (1.6 p.p.), whose growth is expected to be similar to that before the global financial crisis. With the expected rise in investment related to additional EU funds, the contribution of *capital* should increase gradually in the 2021–2023 period, but it will remain lower on average (at 0.6 p.p.) than in the longer period before the previous crisis.[51] This is a consequence of the low level of investment in the several-year period following the beginning of the global financial crisis. *Labour* is expected to contribute 0.6 p.p. on average to potential growth in the forecast period, which will also be a consequence of the expected further increase in the activity rate and net inflow of foreign workers. This will also significantly mitigate the steady decline in the working-age population (20–64 years), which has had a negative impact on the available pool of labour in the last ten years.

Figure 47: Potential GDP change: a comparison of IMAD and EC calculations



Source: SURS, calculations by IMAD and the EC.

Figure 48: GDP and potential GDP

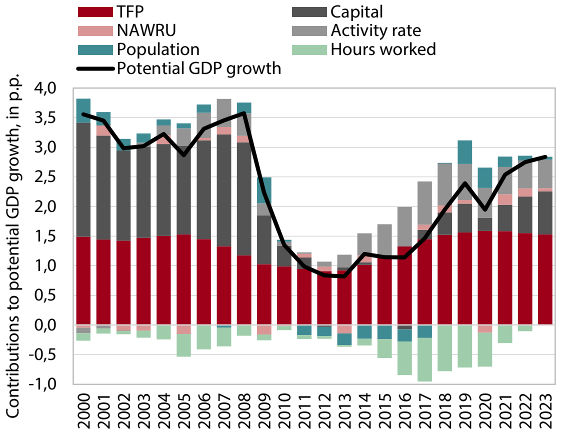


Source: SURS, calculations by IMAD.

[50] Potential GDP is a macroeconomic indicator which shows the output an economy can achieve without creating inflationary pressure (i.e. by overheating). If the actual output of an economy (actual GDP) is greater than the potential output (potential GDP), this causes an increase in inflation (and vice versa). The difference between actual GDP and potential GDP expressed as a percentage of potential GDP is referred to as a country's output gap. IMAD's calculation of potential GDP is based on a production function method, which does not significantly differ from the European Commission's method. The method assumes that potential GDP can be represented by a combination of the production factors labour (this is dependent on demographic factors, the activity rate, number of hours worked and the natural unemployment rate), capital and total factor productivity. The disparities between potential GDP or output gap calculations by IMAD and the EC are largely due to the differences in i) the lengths of the forecast periods, ii) the forecasts of macroeconomic indicators and iii) certain input data (IMAD uses the August revision of SURS data and updated own demographic projections calculated by a microsimulation model by the IER (source: SURS); 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).

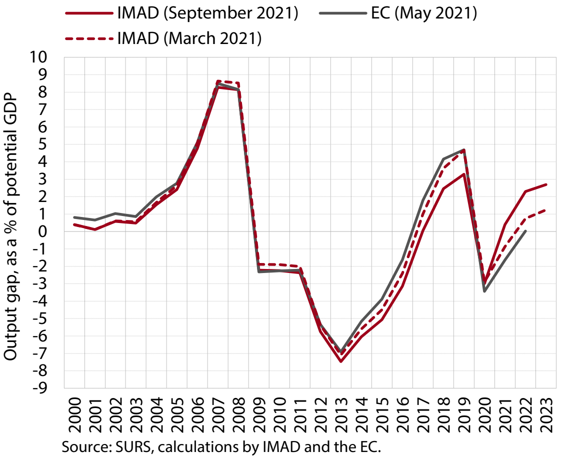
[51] The contribution of capital to potential GDP growth in the 2000–2008 period, when it was relatively stable, averaged 1.7 p.p.

Figure 49: Contributions of individual components to potential GDP growth



Source: SURS, estimates by IMAD.

Figure 50: Output gap: a comparison of IMAD and EC calculations



Source: SURS, calculations by IMAD and the EC.

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statistical appendix

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Table 1: Main macroeconomic indicators of Slovenia

Real growth rates in %, unless otherwise indicated

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
									forecast		
GROSS DOMESTIC PRODUCT	-1.0	2.8	2.2	3.2	4.8	4.4	3.3	-4.2	6.1	4.7	3.3
GDP in EUR m (current prices)	36,454	37,634	38,853	40,443	43,011	45,864	48,397	46,918	50,364	53,352	56,136
GDP per capita in EUR (current prices and at current exchange rate)	17,700	18,253	18,830	19,589	20,820	22,136	23,167	22,312	23,897	25,259	26,496
GDP per capita in USD (current prices and at current exchange rate)	23,508	24,249	20,892	21,683	23,521	26,142	25,936	25,485	28,509	29,805	31,265
GDP per capita (PPS EU27=100)[1]	83	83	83	84	86	87	89	89			
EMPLOYMENT AND PRODUCTIVITY											
Employment according to National Accounts	-1.1	0.4	1.3	1.8	2.9	3.2	2.5	-0.6	0.8	1.5	1.2
Registered unemployed (annual average in thousand)	119.8	120.1	112.7	103.2	88.6	78.5	74.2	85.0	75.4	67.8	65.0
Rate of registered unemployment in %	13.1	13.1	12.3	11.2	9.5	8.2	7.7	8.7	7.7	6.9	6.6
Rate of unemployment by ILO in %	10.1	9.7	9.0	8.0	6.6	5.1	4.5	5.0	4.7	4.3	4.2
Labour productivity (GDP per employee)	0.1	2.4	0.9	1.3	1.8	1.2	0.8	-3.7	5.3	3.1	2.1
WAGES*											
Gross wage per employee - nominal growth in % (wage statistics)[2]	-0.2	1.1	1.0	1.8	2.7	3.4	4.3	5.8	5.8	1.2	2.9
Private sector activities	0.6	1.4	0.5	1.7	2.9	4.0	3.9	4.4	5.6	3.1	2.8
Public service activities	-1.3	0.9	2.1	2.3	2.9	3.0	5.4	7.8	6.3	-1.6	3.1
Gross wage per employee - real growth in % (wage statistics)[2]	-1.9	0.9	1.5	2.0	1.3	1.6	2.7	5.9	4.3	-0.8	1.0
Private sector activities	-1.2	1.2	1.0	1.8	1.5	2.3	2.2	4.5	4.1	1.0	0.9
Public service activities	-3.0	0.7	2.6	2.4	1.5	1.3	3.7	7.9	4.8	-3.5	1.1
Gross wage per employee - nominal growth in % (adjusted)[3]	-0.2	1.1	1.0	1.8	2.7	3.4	4.3	7.5	4.9	0.6	2.9
Private sector activities	0.6	1.4	0.5	1.7	2.9	4.0	3.9	7.5	4.0	1.8	2.8
INTERNATIONAL TRADE											
Exports of goods and services	3.1	6.0	4.7	6.2	11.1	6.2	4.5	-8.7	10.9	8.2	5.6
Exports of goods	3.3	6.3	5.3	5.7	11.0	5.7	4.5	-5.5	11.4	6.6	4.8
Exports of services	2.0	5.0	2.4	8.0	11.2	7.7	4.6	-20.5	8.8	15.2	9.0
Imports of goods and services	2.1	4.2	4.3	6.3	10.7	7.1	4.7	-9.6	12.6	8.8	5.8
Imports of goods	2.9	3.8	5.1	6.6	10.7	7.4	5.0	-8.6	13.4	8.2	5.6
Imports of services	-2.3	6.1	0.1	4.7	10.5	5.4	3.0	-14.9	8.4	12.3	7.3

Table 1: Main macroeconomic indicators of Slovenia - continue Real growth rates in %, unless otherwise indicated

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
									forecast		
BALANCE OF PAYMENTS STATISTICS											
Current account balance in EUR m	1,203	1,918	1,483	1,932	2,674	2,731	2,898	3,462	2,337	2,138	2,116
- As a per cent share relative to GDP	3.3	5.1	3.8	4.8	6.2	6.0	6.0	7.4	4.6	4.0	3.8
External balance of goods and services in EUR m	2,136	2,640	3,122	3,465	3,870	3,896	4,218	4,362	3,688	3,698	3,808
- As a per cent share relative to GDP	5.9	7.0	8.0	8.6	9.0	8.5	8.7	9.3	7.3	6.9	6.8
FINAL DOMESTIC DEMAND											
Final consumption	-3.4	1.1	2.1	3.9	1.5	3.4	4.1	-3.8	4.5	4.7	2.5
As a % of GDP	75.7	73.9	72.8	73.0	71.0	70.3	70.7	70.8	70.6	70.5	70.2
in which:											
Private consumption	-3.9	1.6	2.0	4.4	1.9	3.6	4.8	-6.6	5.6	6.0	3.1
As a % of GDP	56.1	55.0	54.0	54.0	52.5	52.0	52.4	50.2	50.1	51.1	51.0
Government consumption	-2.0	-0.2	2.3	2.4	0.4	3.0	2.0	4.2	1.8	1.5	1.0
As a % of GDP	19.6	18.9	18.8	19.0	18.5	18.3	18.3	20.6	20.5	19.4	19.1
Gross fixed capital formation	3.4	-0.1	-1.2	-3.6	10.2	9.7	5.5	-8.2	10.0	8.0	6.0
As a % of GDP	19.6	19.1	18.7	17.4	18.3	19.3	19.6	18.9	20.0	20.8	21.4
EXCHANGE RATE AND PRICES											
Ratio of USD to EUR	1.328	1.329	1.110	1.107	1.129	1.181	1.120	1.141	1.193	1.180	1.180
Real effective exchange rate - deflated by CPI[4]	1.2	-0.2	-4.1	0.2	0.4	0.8	-0.3	-0.4	-0.9	-0.2	0.1
Inflation (end of the year), %[5]	0.7	0.2	-0.4	0.5	1.7	1.4	1.8	-1.1	2.5	1.9	2.0
Inflation (year average), %[5]	1.8	0.2	-0.5	-0.1	1.4	1.7	1.6	-0.1	1.4	2.0	1.9
Brent Crude Oil Price USD / barrel	108.6	98.9	52.4	44.8	54.3	71.0	64.3	41.8	68.1	67.3	64.0

Source of data: SURS, BoS, Eurostat, calculations and forecasts by IMAD.
[1] Measured in purchasing power standard.
[2] The growth of the statistically recorded average gross wage (for legal entities) in 2020–2022 is marked significantly by intervention job retention measures in connection with the methodology for calculating the average wage, as such wages do not include wage payments or earners of wages co-financed by the government. Only the part of the payments paid by the employer is included in the wage. As compensation paid by the government under the temporary layoff and part-time work schemes was significant, the stated growth of wages in the period as an indicator of employee income trends is not appropriate and is not directly comparable with wage growth from previous years or income growth from other sources.
[3] The adjusted gross salary shown is an estimate, increased by payments covered by the government and crisis allowances, compared to the published gross salary according to the wage statistics (for legal entities). The number of wage earners is also adjusted.
[4] Growth in value denotes real appreciation of national currency and vice versa
[5] Consumer price index.

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

EUR million, current prices

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
										forecast		
A	Agriculture, forestry and fishing	718.6	759.1	814.6	800.8	791.3	1,029.9	947.0	995.7	881.9	933.9	978.9
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	8,363.0	8,736.8	9,080.9	9,492.3	10,187.9	10,691.8	11,483.6	11,274.5	12,415.2	13,045.0	13,613.5
	of which: C Manufacturing	6,984.6	7,385.1	7,747.0	8,156.2	8,848.8	9,312.2	9,998.7	9,692.9	10,828.2	11,417.2	11,957.0
F	Construction	1,657.9	1,852.3	1,808.3	1,817.8	2,002.5	2,286.9	2,529.0	2,501.9	2,644.6	2,961.5	3,228.4
GHI	Trade, transportation and storage, accommodation and food service activities	6,303.8	6,497.2	6,852.4	7,251.2	7,815.4	8,414.3	8,836.9	7,932.8	8,537.2	9,097.0	9,627.9
J	Information and communication	1,321.2	1,391.5	1,357.4	1,388.2	1,488.1	1,544.9	1,700.4	1,750.6	1,838.8	1,974.0	2,105.7
K	Financial and insurance activities	1,257.6	1,304.1	1,362.2	1,337.5	1,407.7	1,514.7	1,604.2	1,631.8	1,738.1	1,734.5	1,825.0
L	Real estate activities	2,572.5	2,529.9	2,652.9	2,771.4	2,853.3	2,974.8	3,053.8	3,068.9	3,047.5	3,068.2	3,172.2
MN	Professional, scientific, technical, administrative and support services	3,011.0	3,222.7	3,346.6	3,459.3	3,795.0	4,089.8	4,208.8	3,908.3	4,256.3	4,588.2	4,856.3
OPQ	Public administration, education, human health and social work	5,446.7	5,389.7	5,469.2	5,805.9	6,087.1	6,419.6	6,906.5	7,528.0	8,072.3	8,443.7	8,787.1
RST	Other service activities	856.5	848.9	847.2	905.0	941.6	982.7	1,058.2	887.8	932.2	1,040.9	1,174.0
1. TOTAL VALUE ADDED		**31,508.8**	**32,532.0**	**33,591.7**	**35,029.6**	**37,370.0**	**39,949.3**	**42,328.5**	**41,480.4**	**44,364.0**	**46,886.9**	**49,369.0**
2. CORRECTIONS		4,945.6	5,102.3	5,260.9	5,413.7	5,641.4	5,915.0	6,068.2	5,437.7	5,999.9	6,464.7	6,767.0
a) Taxes on products and services		4,979.0	5,134.7	5,291.0	5,445.5	5,673.7	5,950.4	6,107.2	5,462.4	6,036.1	6,503.2	6,806.3
b) Subsidies on products and services		33.5	32.4	30.1	31.9	32.3	35.5	39.0	24.8	36.3	38.5	39.3
3. GROSS DOMESTIC PRODUCT (3=1+2)		**36,454.3**	**37,634.3**	**38,852.6**	**40,443.2**	**43,011.3**	**45,864.2**	**48,396.7**	**46,918.0**	**50,363.9**	**53,351.6**	**56,135.9**

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

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
										forecast		
A	Agriculture, forestry and fishing	2.0	2.0	2.1	2.0	1.8	2.2	2.0	2.1	1.8	1.8	1.7
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	22.9	23.2	23.4	23.5	23.7	23.3	23.7	24.0	24.7	24.5	24.3
	of which: C Manufacturing	19.2	19.6	19.9	20.2	20.6	20.3	20.7	20.7	21.5	21.4	21.3
F	Construction	4.5	4.9	4.7	4.5	4.7	5.0	5.2	5.3	5.3	5.6	5.8
GHI	Trade, transportation and storage, accommodation and food service activities	17.3	17.3	17.6	17.9	18.2	18.3	18.3	16.9	17.0	17.1	17.2
J	Information and communication	3.6	3.7	3.5	3.4	3.5	3.4	3.5	3.7	3.7	3.7	3.8
K	Financial and insurance activities	3.4	3.5	3.5	3.3	3.3	3.3	3.3	3.5	3.5	3.3	3.3
L	Real estate activities	7.1	6.7	6.8	6.9	6.6	6.5	6.3	6.5	6.1	5.8	5.7
MN	Professional, scientific, technical, administrative and support services	8.3	8.6	8.6	8.6	8.8	8.9	8.7	8.3	8.5	8.6	8.7
OPQ	Public administration, education, human health and social work	14.9	14.3	14.1	14.4	14.2	14.0	14.3	16.0	16.0	15.8	15.7
RST	Other service activities	2.3	2.3	2.2	2.2	2.2	2.1	2.2	1.9	1.9	2.0	2.1
1. TOTAL VALUE ADDED		**86.4**	**86.4**	**86.5**	**86.6**	**86.9**	**87.1**	**87.5**	**88.4**	**88.1**	**87.9**	**87.9**
2. CORRECTIONS		13.6	13.6	13.5	13.4	13.1	12.9	12.5	11.6	11.9	12.1	12.1
a) Taxes on products and services		13.7	13.6	13.6	13.5	13.2	13.0	12.6	11.6	12.0	12.2	12.1
b) Subsidies on products and services		0.1	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 2020 prices		
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
										forecast		
A	Agriculture, forestry and fishing	704.8	733.0	858.7	803.3	760.6	957.0	956.3	983.8	985.7	1,005.5	1,015.5
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	8,078.2	8,695.4	8,891.7	9,543.7	10,148.1	10,504.9	11,433.8	11,100.8	12,227.3	12,698.1	13,015.5
	of which: C Manufacturing	6,740.2	7,300.8	7,593.1	8,177.8	8,788.3	9,114.3	10,082.5	9,722.6	10,584.6	10,986.9	11,283.5
F	Construction	1,652.1	1,820.9	1,792.9	1,748.8	1,953.9	2,169.8	2,472.6	2,478.9	2,564.4	2,796.5	2,990.9
GHI	Trade, transportation and storage, accommodation and food service activities	6,261.0	6,522.2	6,858.4	7,235.4	7,800.7	8,279.4	8,703.8	8,140.0	8,575.4	9,107.0	9,462.2
J	Information and communication	1,366.6	1,383.8	1,419.0	1,351.6	1,458.3	1,569.4	1,652.6	1,746.3	1,850.4	1,966.0	2,093.8
K	Financial and insurance activities	1,325.1	1,239.6	1,261.4	1,397.8	1,331.9	1,417.6	1,587.7	1,626.1	1,705.2	1,756.4	1,809.1
L	Real estate activities	2,409.6	2,605.0	2,534.5	2,651.8	2,811.9	2,907.1	3,007.7	3,039.7	3,099.6	3,132.1	3,161.9
MN	Professional, scientific, technical, administrative and support services	2,999.7	3,287.1	3,373.6	3,453.2	3,724.3	4,049.3	3,973.4	3,777.2	4,258.1	4,524.3	4,750.5
OPQ	Public administration, education, human health and social work	5,592.5	5,460.5	5,400.5	5,603.0	5,917.1	6,206.6	6,525.7	7,116.6	7,659.9	7,795.2	7,922.7
RST	Other service activities	865.8	847.1	842.5	891.0	922.5	959.0	1,023.1	886.0	941.1	1,063.4	1,127.2
1. TOTAL VALUE ADDED		**31,255.6**	**32,594.5**	**33,233.0**	**34,679.6**	**36,829.0**	**39,020.3**	**41,337.0**	**40,895.4**	**43,867.1**	**45,844.5**	**47,349.4**
2. CORRECTIONS		4,624.6	4,868.9	5,233.0	5,413.1	5,561.7	5,893.2	6,018.1	5,454.4	5,934.6	6,309.3	6,518.7
a) Taxes on products and services		4,660.4	4,901.7	5,266.3	5,442.9	5,594.8	5,927.5	6,054.3	5,474.2	5,970.4	6,346.5	6,556.0
b) Subsidies on products and services		35.8	32.8	33.3	29.7	33.1	34.3	36.2	19.8	35.8	37.2	37.3
3. GROSS DOMESTIC PRODUCT (3=1+2)		**35,880.1**	**37,463.4**	**38,466.0**	**40,092.8**	**42,390.7**	**44,913.5**	**47,355.1**	**46,349.9**	**49,801.8**	**52,153.8**	**53,868.1**

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 %

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
										forecast		
A	Agriculture, forestry and fishing	-1.0	2.0	13.1	-1.4	-5.0	20.9	-7.1	3.9	-1.0	2.0	1.0
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	-0.4	4.0	1.8	5.1	6.9	3.1	6.9	-3.3	8.5	3.8	2.5
	of which: C Manufacturing	-0.7	4.5	2.8	5.6	7.7	3.0	8.3	-2.8	9.2	3.8	2.7
F	Construction	-9.2	9.8	-3.2	-3.3	7.5	8.4	8.1	-2.0	2.5	9.0	7.0
GHI	Trade, transportation and storage, accommodation and food service activities	0.3	3.5	5.6	5.6	7.6	5.9	3.4	-7.9	8.1	6.2	3.9
J	Information and communication	1.4	4.7	2.0	-0.4	5.0	5.5	7.0	2.7	5.7	6.2	6.5
K	Financial and insurance activities	-2.8	-1.4	-3.3	2.6	-0.4	0.7	4.8	1.4	4.5	3.0	3.0
L	Real estate activities	0.4	1.3	0.2	0.0	1.5	1.9	1.1	-0.5	1.0	1.0	1.0
MN	Professional, scientific, technical, administrative and support services	0.5	9.2	4.7	3.2	7.7	6.7	-2.8	-10.3	9.0	6.2	5.0
OPQ	Public administration, education, human health and social work	-0.7	0.3	0.2	2.4	1.9	2.0	1.7	3.0	1.8	1.8	1.6
RST	Other service activities	0.3	-1.1	-0.8	5.2	1.8	1.8	4.1	-16.3	6.0	13.0	6.0
1. TOTAL VALUE ADDED		**-0.7**	**3.4**	**2.2**	**3.2**	**5.1**	**4.4**	**3.5**	**-3.4**	**5.8**	**4.5**	**3.3**
2. CORRECTIONS		-3.2	-1.5	2.6	2.9	2.7	4.5	1.7	-10.1	9.1	6.3	3.3
a) Taxes on products and services		-3.2	-1.6	2.6	2.9	2.7	4.5	1.7	-10.4	9.3	6.3	3.3
b) Subsidies on products and services		2.0	-1.9	2.8	-1.1	3.7	6.2	2.1	-49.4	44.2	4.1	0.2
3. GROSS DOMESTIC PRODUCT (3=1+2)		**-1.0**	**2.8**	**2.2**	**3.2**	**4.8**	**4.4**	**3.3**	**-4.2**	**6.1**	**4.7**	**3.3**

Source of data: SURS, forecasts by IMAD.

Table 4a: Gross domestic product and primary incomes

EUR million, current prices

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
										forecast	
1. Compensation of employees	18,073.4	18,408.0	18,935.4	19,966.0	21,246.0	22,818.7	24,582.6	25,221.1	26,608.3	27,646.0	28,853.5
Wages and salaries	15,479.2	15,792.6	16,223.9	17,167.0	18,270.3	19,608.6	21,130.9	21,656.0	22,847.1	23,738.1	24,774.9
Employers' social contributions	2,594.2	2,615.4	2,711.5	2,799.0	2,975.8	3,210.1	3,451.8	3,565.1	3,761.2	3,907.9	4,078.6
2. Taxes on production and imports	**5,474.7**	**5,638.3**	**5,799.1**	**5,959.8**	**6,187.1**	**6,483.0**	**6,701.5**	**6,024.6**	**6,673.4**	**7,166.4**	**7,495.8**
Taxes on products and services	4,979.0	5,134.7	5,291.0	5,445.5	5,673.7	5,950.4	6,107.2	5,462.4	6,036.1	6,503.2	6,806.3
Other taxes on production	495.7	503.6	508.1	514.3	513.4	532.6	594.4	562.2	637.2	663.2	689.5
3. Subsidies	**673.7**	**581.5**	**528.1**	**548.1**	**575.3**	**604.6**	**630.6**	**2,156.2**	**1,749.0**	**873.0**	**892.0**
Subsidies on products and services	33.5	32.4	30.1	31.9	32.3	35.5	39.0	24.8	36.3	38.5	39.3
Other subsidies on production	640.3	549.1	498.1	516.2	543.0	569.2	591.6	2,131.4	1,712.7	834.5	852.7
4. Gross operating surplus / mixed income	**13,580.0**	**14,169.5**	**14,646.4**	**15,065.5**	**16,153.5**	**17,167.2**	**17,743.2**	**17,828.5**	**18,831.2**	**19,412.2**	**20,678.7**
Consumption of fixed capital	7,705.5	7,792.2	7,991.3	8,093.2	8,306.4	8,601.1	8,883.1	9,179.3	9,705.9	10,299.6	11,046.6
Net operating surplus	5,874.5	6,377.3	6,655.1	6,972.3	7,847.1	8,566.0	8,860.1	8,649.2	9,125.3	9,112.6	9,632.1
5. Gross domestic product (5=1+2-3+4)	**36,454.3**	**37,634.3**	**38,852.6**	**40,443.2**	**43,011.3**	**45,864.2**	**48,396.7**	**46,918.0**	**50,363.9**	**53,351.6**	**56,135.9**

Source of data: SURS, forecasts by IMAD.

Table 4b: Gross domestic product and primary incomes

Structure in %, current prices

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
										forecast	
1. Compensation of employees	49.6	48.9	48.7	49.4	49.4	49.8	50.8	53.8	52.8	51.8	51.4
Wages and salaries	42.5	42.0	41.8	42.4	42.5	42.8	43.7	46.2	45.4	44.5	44.1
Employers' social contributions	7.1	6.9	7.0	6.9	6.9	7.0	7.1	7.6	7.5	7.3	7.3
2. Taxes on production and imports	**15.0**	**15.0**	**14.9**	**14.7**	**14.4**	**14.1**	**13.8**	**12.8**	**13.3**	**13.4**	**13.4**
Taxes on products and services	13.7	13.6	13.6	13.5	13.2	13.0	12.6	11.6	12.0	12.2	12.1
Other taxes on production	1.4	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.3	1.2	1.2
3. Subsidies	**1.8**	**1.5**	**1.4**	**1.4**	**1.3**	**1.3**	**1.3**	**4.6**	**3.5**	**1.6**	**1.6**
Subsidies on products and services	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other subsidies on production	1.8	1.5	1.3	1.3	1.3	1.2	1.2	4.5	3.4	1.6	1.5
4. Gross operating surplus / mixed income	**37.3**	**37.7**	**37.7**	**37.3**	**37.6**	**37.4**	**36.7**	**38.0**	**37.4**	**36.4**	**36.8**
Consumption of fixed capital	21.1	20.7	20.6	20.0	19.3	18.8	18.4	19.6	19.3	19.3	19.7
Net operating surplus	16.1	16.9	17.1	17.2	18.2	18.7	18.3	18.4	18.1	17.1	17.2
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

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
										forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**36,454.3**	**37,634.3**	**38,852.6**	**40,443.2**	**43,011.3**	**45,864.2**	**48,396.7**	**46,918.0**	**50,363.9**	**53,351.6**	**56,135.9**
2	EXPORTS OF GOODS AND SERVICES	27,055.1	28,659.2	29,974.3	31,383.2	35,753.4	38,899.9	40,635.6	36,541.2	41,406.2	45,254.9	47,974.4
3	IMPORTS OF GOODS AND SERVICES	25,350.3	26,117.4	26,865.5	27,929.9	31,892.4	35,026.5	36,448.9	32,212.9	37,755.0	41,599.0	44,213.4
4	EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	1,704.8	2,541.7	3,108.8	3,453.3	3,860.9	3,873.4	4,186.6	4,328.2	3,651.3	3,655.9	3,761.0
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	34,749.5	35,092.6	35,743.8	36,989.9	39,150.4	41,990.9	44,210.1	42,589.8	46,712.6	49,695.7	52,374.9
6	FINAL CONSUMPTION (6=7+8)	27,609.3	27,801.3	28,298.3	29,537.5	30,535.2	32,250.2	34,230.8	33,207.3	35,544.4	37,635.7	39,394.3
7	PRIVATE CONSUMPTION	20,449.4	20,692.9	20,985.0	21,838.9	22,598.4	23,869.7	25,350.3	23,562.4	25,235.7	27,273.7	28,648.1
	- Households	20,107.0	20,339.1	20,640.2	21,475.4	22,218.6	23,463.3	24,918.5	23,160.4	24,787.3	26,802.6	28,158.5
	- NPISH's	342.4	353.8	344.8	363.5	379.8	406.4	431.8	402.0	448.4	471.1	489.6
8	GOVERNMENT CONSUMPTION	7,159.9	7,108.4	7,313.3	7,698.6	7,936.7	8,380.6	8,880.6	9,644.9	10,308.7	10,362.0	10,746.1
9	GROSS CAPITAL FORMATION (9=10+11)	7,140.2	7,291.3	7,445.6	7,452.4	8,615.2	9,740.6	9,979.3	9,382.5	11,168.2	12,060.0	12,980.7
10	GROSS FIXED CAPITAL FORMATION	7,157.3	7,191.0	7,247.8	7,028.7	7,879.8	8,834.4	9,495.4	8,860.5	10,068.2	11,112.9	12,027.0
11	CHANGES IN INVENTORIES AND VALUABLES	-17.1	100.3	197.8	423.8	735.4	906.3	483.8	522.1	1,100.0	947.1	953.7

Source of data: SURS, forecasts by IMAD.

Table 5b: Gross domestic product by expenditures

Structure in %, current prices

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
										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	74.2	76.2	77.1	77.6	83.1	84.8	84.0	77.9	82.2	84.8	85.5
3	IMPORTS OF GOODS AND SERVICES	69.5	69.4	69.1	69.1	74.1	76.4	75.3	68.7	75.0	78.0	78.8
4	EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	4.7	6.8	8.0	8.5	9.0	8.4	8.7	9.2	7.2	6.9	6.7
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	95.3	93.2	92.0	91.5	91.0	91.6	91.3	90.8	92.8	93.1	93.3
6	FINAL CONSUMPTION (6=7+8)	75.7	73.9	72.8	73.0	71.0	70.3	70.7	70.8	70.6	70.5	70.2
7	PRIVATE CONSUMPTION	56.1	55.0	54.0	54.0	52.5	52.0	52.4	50.2	50.1	51.1	51.0
	- Households	55.2	54.0	53.1	53.1	51.7	51.2	51.5	49.4	49.2	50.2	50.2
	- NPISH's	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
8	GOVERNMENT CONSUMPTION	19.6	18.9	18.8	19.0	18.5	18.3	18.3	20.6	20.5	19.4	19.1
9	GROSS CAPITAL FORMATION (9=10+11)	19.6	19.4	19.2	18.4	20.0	21.2	20.6	20.0	22.2	22.6	23.1
10	GROSS FIXED CAPITAL FORMATION	19.6	19.1	18.7	17.4	18.3	19.3	19.6	18.9	20.0	20.8	21.4
11	CHANGES IN INVENTORIES AND VALUABLES	0.0	0.3	0.5	1.0	1.7	2.0	1.0	1.1	2.2	1.8	1.7

Source of data: SURS, forecasts by IMAD.

Table 6a: Gross domestic product by expenditures

EUR million

		constant previous year prices								constant 2020 prices		
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
										forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**35,880.1**	**37,463.4**	**38,466.0**	**40,092.8**	**42,390.7**	**44,913.5**	**47,355.1**	**46,349.9**	**49,801.8**	**52,153.8**	**53,868.1**
2	EXPORTS OF GOODS AND SERVICES	27,234.8	28,681.3	30,018.0	31,821.7	34,857.7	37,954.2	40,656.9	37,115.4	40,527.9	43,831.1	46,288.9
3	IMPORTS OF GOODS AND SERVICES	25,725.4	26,404.1	27,245.3	28,555.1	30,910.5	34,152.6	36,662.5	32,957.6	36,283.3	39,486.2	41,780.0
4	EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	1,509.4	2,277.2	2,772.6	3,266.7	3,947.2	3,801.6	3,994.4	4,157.8	4,244.6	4,344.8	4,508.9
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	34,370.7	35,186.3	35,693.4	36,826.1	38,443.5	41,111.9	43,360.7	42,192.1	45,557.2	47,809.0	49,359.2
6	FINAL CONSUMPTION (6=7+8)	27,255.5	27,923.8	28,387.8	29,408.8	29,984.9	31,579.8	33,562.2	32,945.6	34,710.6	36,335.6	37,247.7
7	PRIVATE CONSUMPTION	20,020.4	20,781.5	21,112.7	21,918.4	22,254.5	23,407.8	25,015.2	23,688.6	24,887.3	26,369.7	27,182.2
	- Households	19,677.9	20,427.7	20,769.2	21,559.8	21,882.1	23,009.4	24,597.5	23,283.2	24,445.1	25,914.3	26,717.6
	- NPISH's	342.5	353.8	343.5	358.6	372.4	398.4	417.7	405.4	442.2	455.5	464.6
8	GOVERNMENT CONSUMPTION	7,235.1	7,142.3	7,275.1	7,490.4	7,730.3	8,172.1	8,546.9	9,257.1	9,823.3	9,965.9	10,065.5
9	GROSS CAPITAL FORMATION (9=10+11)	7,115.3	7,262.4	7,305.6	7,417.3	8,458.6	9,532.1	9,798.5	9,246.4	10,846.5	11,473.4	12,111.5
10	GROSS FIXED CAPITAL FORMATION	7,136.3	7,152.8	7,103.8	6,987.6	7,744.3	8,645.9	9,319.0	8,715.0	9,746.6	10,526.3	11,157.9
11	CHANGES IN INVENTORIES AND VALUABLES	-21.0	109.6	201.8	429.7	714.4	886.1	479.5	531.4	1,100.0	947.1	953.7

Source of data: SURS, forecasts by IMAD.

Table 6b: Gross domestic product by expenditures

Real growth rates in %

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
										forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**-1.0**	**2.8**	**2.2**	**3.2**	**4.8**	**4.4**	**3.3**	**-4.2**	**6.1**	**4.7**	**3.3**
2	EXPORTS OF GOODS AND SERVICES	3.1	6.0	4.7	6.2	11.1	6.2	4.5	-8.7	10.9	8.2	5.6
3	IMPORTS OF GOODS AND SERVICES	2.1	4.2	4.3	6.3	10.7	7.1	4.7	-9.6	12.6	8.8	5.8
4	*EXTERNAL BALANCE OF GOODS AND SERVICES[1]*	*0.8*	*1.6*	*0.6*	*0.4*	*1.2*	*-0.1*	*0.3*	*-0.1*	*-0.2*	*0.2*	*0.3*
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	-1.9	1.3	1.7	3.0	3.9	5.0	3.3	-4.6	7.0	4.9	3.2
6	FINAL CONSUMPTION (6=7+8)	-3.4	1.1	2.1	3.9	1.5	3.4	4.1	-3.8	4.5	4.7	2.5
7	PRIVATE CONSUMPTION	-3.9	1.6	2.0	4.4	1.9	3.6	4.8	-6.6	5.6	6.0	3.1
	- Households	-4.0	1.6	2.1	4.5	1.9	3.6	4.8	-6.6	5.5	6.0	3.1
	- NPISH's	1.5	3.3	-2.9	4.0	2.5	4.9	2.8	-6.1	10.0	3.0	2.0
8	GOVERNMENT CONSUMPTION	-2.0	-0.2	2.3	2.4	0.4	3.0	2.0	4.2	1.8	1.5	1.0
9	GROSS CAPITAL FORMATION (9=10+11)	4.6	1.7	0.2	-0.4	13.5	10.6	0.6	-7.3	15.6	5.8	5.6
10	GROSS FIXED CAPITAL FORMATION	3.4	-0.1	-1.2	-3.6	10.2	9.7	5.5	-8.2	10.0	8.0	6.0
11	*CHANGES IN INVENTORIES AND VALUABLES[1]*	*0.2*	*0.3*	*0.3*	*0.6*	*0.7*	*0.3*	*-0.9*	*0.1*	*1.2*	*-0.3*	*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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
										forecast	
I. CURRENT ACCOUNT	**1,203**	**1,918**	**1,483**	**1,932**	**2,674**	**2,731**	**2,898**	**3,462**	**2,337**	**2,138**	**2,116**
1. GOODS	714	1,175	1,476	1,524	1,617	1,272	1,311	2,366	1,493	991	736
1.1. Exports of goods	21,652	22,860	23,948	24,883	28,372	30,808	32,013	29,656	33,863	36,452	38,278
1.2. Imports of goods	20,938	21,685	22,471	23,360	26,756	29,535	30,702	27,290	32,370	35,461	37,542
2. SERVICES	1,422	1,465	1,646	1,941	2,254	2,624	2,907	1,996	2,196	2,708	3,071
2.1. Exports	5,368	5,710	5,952	6,517	7,394	8,124	8,659	6,900	7,560	8,822	9,717
- Transport	1,398	1,529	1,654	1,839	2,164	2,431	2,512	2,330	2,546	2,695	2,847
- Travel	2,094	2,140	2,162	2,271	2,523	2,704	2,843	1,200	1,305	2,036	2,429
- Other	1,877	2,041	2,136	2,407	2,706	2,989	3,303	3,370	3,709	4,092	4,442
2.2. Imports	3,946	4,245	4,306	4,575	5,140	5,500	5,751	4,904	5,364	6,114	6,646
- Transport	738	814	846	917	1,098	1,107	1,185	1,128	1,275	1,352	1,431
- Travel	1,068	1,119	1,109	1,176	1,322	1,483	1,500	718	833	1,268	1,451
- Other	2,140	2,311	2,351	2,482	2,720	2,911	3,066	3,059	3,257	3,494	3,763
1., 2. EXTERNAL BALANCE OF GOODS AND SERVICES	**2,136**	**2,640**	**3,122**	**3,465**	**3,870**	**3,896**	**4,218**	**4,362**	**3,688**	**3,698**	**3,808**
Exports of goods and services	27,020	28,570	29,900	31,400	35,766	38,931	40,671	36,556	41,423	45,274	47,995
Imports of goods and services	24,884	25,930	26,778	27,935	31,896	35,036	36,453	32,194	37,734	41,576	44,188
3. PRIMARY INCOME	**-562**	**-437**	**-1,256**	**-1,139**	**-879**	**-769**	**-811**	**-426**	**-830**	**-963**	**-1,059**
3.1. Receipts	590	888	1,070	1,259	1,381	1,633	1,758	1,645	1,683	1,800	1,893
- Compensation of employees	205	238	302	355	385	486	536	493	430	440	455
- Investment	54	368	511	637	703	802	845	713	773	850	893
- Other primary income	331	282	258	267	293	345	378	439	479	510	545
3.2. Expenditure	1,152	1,326	2,326	2,398	2,260	2,401	2,569	2,071	2,512	2,762	2,952
- Compensation of employees	105	118	126	132	149	173	195	169	176	190	202
- Investment	917	1,063	2,057	2,081	1,929	2,024	2,164	1,710	2,081	2,318	2,489
- Other primary income	130	144	143	184	182	204	211	192	256	254	262
4. SECONDARY INCOME	**-371**	**-285**	**-384**	**-394**	**-317**	**-396**	**-509**	**-473**	**-522**	**-598**	**-633**
4.1. Receipts	629	706	730	713	828	873	934	972	1,037	985	1,014
4.2. Expenditure	1,000	991	1,114	1,107	1,145	1,270	1,443	1,445	1,559	1,583	1,647
II. CAPITAL ACCOUNT	**162**	**79**	**412**	**-307**	**-324**	**-203**	**-187**	**-226**			
1. Non-produced non-financial assets	-10	-24	-37	-45	-76	-24	-24	-63			
2. Capital transfers	172	102	449	-262	-248	-178	-163	-163			
III. FINANCIAL ACCOUNT	**1,619**	**2,276**	**1,779**	**1,184**	**2,112**	**2,548**	**2,094**	**3,053**			
1. Direct investment	-47	-584	-1,269	-864	-495	-934	-762	266			
- Assets	24	155	292	434	570	373	1,157	697			
- Liabilities	71	739	1,560	1,298	1,065	1,307	1,919	431			
2. Portfolio investment	-4,097	-3,951	3,039	5,024	2,990	744	734	-1,826			
3 Financial derivatives	27	-51	-98	-270	-185	-81	-163	53			
4. Other investment	5,731	6,773	219	-2,610	-287	2,768	2,248	4,394			
4.1. Assets	920	4,812	-643	-2,216	-1,372	2,054	3,250	4,856			
4.2. Liabilities	-4,812	-1,961	-862	395	-1,085	-713	1,002	462			
5. Reserve assets	5	89	-113	-97	89	52	37	167			
IV. NET ERRORS AND OMISSIONS	**255**	**279**	**-116**	**-441**	**-239**	**20**	**-616**	**-184**			

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
									forecast		
LABOUR SUPPLY											
Activity rate (20-64 years, in %)	74.9	75.1	76.0	76.2	78.6	79.5	79.9	79.5	78.0	79.5	80.6
Active population (ILO definition - in thousands)	1,008	1,015	1,008	995	1,027	1,033	1,028	1,029	1,007	1,023	1,035
- yearly growth (in %)	-0.6	0.7	-0.7	-1.3	3.2	0.7	-0.5	0.1	-2.1	1.6	1.1
EMPLOYMENT AND UNEMPLOYMENT											
Employment (National accounts concept, in thousands)	927.7	931.7	943.9	961.2	989.2	1,020.8	1,045.9	1,039.8	1,047.7	1,063.8	1,076.5
- yearly growth (in %)	-1.1	0.4	1.3	1.8	2.9	3.2	2.5	-0.6	0.8	1.5	1.2
Employment (ILO concept, in thousands)	906.0	917.0	917.6	915.1	959.0	980.5	982.4	978.1	960.5	979.7	991.4
- yearly growth (in %)	-1.9	1.2	0.1	-0.3	4.8	2.2	0.2	-0.4	-1.8	2.0	1.2
Employment rate (20-64 yeras, in %)	67.2	67.8	69.1	70.1	73.4	75.4	76.4	75.6	74.4	76.2	77.3
Formal employment (statistical register, in thousands) *	793.6	797.8	804.6	817.2	845.5	872.8	894.2	888.9	901.4	915.6	926.9
- yearly growth (in %)	-2.0	0.5	0.9	1.6	3.5	3.2	2.5	-0.6	1.4	1.6	1.2
Paid employment (in thousands)	698.7	703.0	713.1	730.5	755.3	780.2	801.9	794.6	805.9	818.8	829.2
- yearly growth (in %)	-2.6	0.6	1.4	2.4	3.4	3.3	2.8	-0.9	1.4	1.6	1.3
Self employed (in thousands)	94.9	94.8	91.6	86.7	90.2	92.6	92.3	94.3	95.5	96.8	97.7
- yearly growth (in %)	2.1	-0.1	-3.4	-5.3	4.0	2.7	-0.3	2.1	1.2	1.4	1.0
Unemployment (ILO concept, in thousands)	101.8	98.0	90.5	79.7	67.5	52.8	45.7	51.1	46.8	43.5	43.1
- yearly growth (in %)	13.5	-3.7	-7.7	-11.9	-15.3	-21.8	-13.4	11.8	-8.3	-7.1	-1.0
Unemployment (registered, in thousands)	119.8	120.1	112.7	103.2	88.6	78.5	74.2	85.0	75.4	67.8	65.0
- yearly growth (in %)	8.8	0.2	-6.1	-8.5	-14.1	-11.5	-5.5	14.6	-11.3	-10.1	-4.0
Unemployment rate (ILO concept, in %)	10.1	9.7	9.0	8.0	6.6	5.1	4.5	5.0	4.7	4.3	4.2
Unemployment rate (registered, in %)	13.1	13.1	12.3	11.2	9.5	8.2	7.7	8.7	7.7	6.9	6.6

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 %

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
									forecast		
Effective exchange rate[1]											
Nominal	0.9	0.2	-3.0	0.9	0.5	0.8	-0.4	0.8	0.1	-0.1	0.0
Real - based on consumer prices	1.2	-0.2	-4.1	0.2	0.4	0.8	-0.3	-0.4	-0.9	-0.2	0.1
Real - based on ULC in economy as a whole	-0.1	-1.4	-3.4	1.1	0.1	0.8	0.9	3.5	0.1	-1.7	-0.5
Unit labour costs components											
Nominal unit labour costs	0.4	-1.1	0.6	1.8	1.2	2.7	4.2	7.4	-0.7	-0.9	1.0
Compensation of employees per employee	0.5	1.2	1.5	3.1	3.0	3.9	5.0	3.5	4.6	2.3	3.1
Labour productivity, real [2]	0.1	2.3	0.9	1.3	1.9	1.2	0.8	-3.7	5.3	3.1	2.1
Real unit labour costs	-1.2	-1.5	-0.4	0.9	-0.3	0.6	1.9	6.1	-1.8	-2.0	-0.9
Labour productivity, nominal [3]	1.7	2.8	1.9	2.2	3.3	3.3	3.0	-2.5	6.5	4.3	4.0

Sources of data: SURS national accounts statistics, ECB, 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	2013	2014	2015	2016	2017	2018	2019	2020
I. TOTAL GENERAL GOVERNMENT REVENUES	**14,728**	**15,494**	**15,714**	**15,842**	**16,803**	**18,594**	**19,232**	**18,529**
TAX REVENUES	**12,648**	**13,193**	**13,746**	**14,241**	**15,162**	**16,225**	**17,179**	**16,460**
TAXES ON INCOME AND PROFIT	2,137	2,386	2,585	2,681	2,967	3,296	3,614	3,262
Personal income tax	1,868	1,916	1,986	2,079	2,197	2,447	2,592	2,488
Corporate income tax	265	468	595	600	766	846	997	773
SOCIAL SECURITY CONTRIBUTIONS	5,127	5,273	5,474	5,721	6,092	6,550	7,021	7,290
TAXSES ON PAYROLL AND WORKFORCE	23	20	20	20	21	22	23	22
TAXES ON PROPERTY	254	245	238	256	274	278	296	287
DOMESTIC TAXES ON GOODS AND SERVICES	5,027	5,191	5,347	5,433	5,723	5,989	6,127	5,493
Value added tax	3,029	3,153	3,229	3,272	3,504	3,757	3,872	3,528
Excise duties	1,491	1,491	1,515	1,551	1,586	1,560	1,543	1,314
TAXES ON INTERN. TRADE AND TRANSACTIONS	78	78	83	82	83	90	99	102
OTHER TAXES	1	0	1	48	1	0	-1	4
NON-TAX REVENUES	**989**	**1,185**	**956**	**963**	**1,089**	**1,351**	**1,114**	**1,118**
CAPITAL REVENUES	67	53	96	96	91	153	136	147
DONATIONS RECEIVED	**33**	**19**	**12**	**10**	**10**	**12**	**14**	**18**
TRANSFERED REVENUES	**53**	**5**	**21**	**51**	**52**	**56**	**58**	**55**
RECEIPTS FROM THE EU BUDGET	**938**	**1,040**	**882**	**481**	**399**	**797**	**731**	**731**

Source of data: Ministry of Finance.

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

per cent share relative to GDP

CONSOLIDATED GENERAL GOVERNMENT REVENUES	2013	2014	2015	2016	2017	2018	2019	2020
I. TOTAL GENERAL GOVERNMENT REVENUES	**40.4**	**41.2**	**40.4**	**39.2**	**39.1**	**40.5**	**39.7**	**39.5**
TAX REVENUES	**34.7**	**35.1**	**35.4**	**35.2**	**35.3**	**35.4**	**35.5**	**35.1**
TAXES ON INCOME AND PROFIT	5.9	6.3	6.7	6.6	6.9	7.2	7.5	7.0
Personal income tax	5.1	5.1	5.1	5.1	5.1	5.3	5.4	5.3
Corporate income tax	0.7	1.2	1.5	1.5	1.8	1.8	2.1	1.6
SOCIAL SECURITY CONTRIBUTIONS	14.1	14.0	14.1	14.1	14.2	14.3	14.5	15.5
TAXSES ON PAYROLL AND WORKFORCE	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
TAXES ON PROPERTY	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6
DOMESTIC TAXES ON GOODS AND SERVICES	13.8	13.8	13.8	13.4	13.3	13.1	12.7	11.7
Value added tax	8.3	8.4	8.3	8.1	8.1	8.2	8.0	7.5
Excise duties	4.1	4.0	3.9	3.8	3.7	3.4	3.2	2.8
TAXES ON INTERN. TRADE AND TRANSACTIONS	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
OTHER TAXES	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
NON-TAX REVENUES	**2.7**	**3.1**	**2.5**	**2.4**	**2.5**	**2.9**	**2.3**	**2.4**
CAPITAL REVENUES	0.2	0.1	0.2	0.2	0.2	0.3	0.3	0.3
DONATIONS RECEIVED	**0.1**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
TRANSFERED REVENUES	**0.1**	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
RECEIPTS FROM THE EU BUDGET	**2.6**	**2.8**	**2.3**	**1.2**	**0.9**	**1.7**	**1.5**	**1.6**

Source of data: Ministry of Finance.

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

EUR million, current prices

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2013	2014	2015	2016	2017	2018	2019	2020
II. TOTAL EXPENDITURES	**16,286**	**16,755**	**16,956**	**16,497**	**17,102**	**18,067**	**18,969**	**22,071**
CURRENT EXPENDITURE	**6,838**	**7,043**	**7,168**	**7,407**	**7,733**	**7,967**	**8,228**	**9,128**
WAGES AND OTHER PERSONNEL EXPENDITURE	3,114	3,116	3,124	3,278	3,406	3,583	3,837	4,285
EMPLOYER'S SOCIAL SECURITY CONTRIBUTIONS	503	494	486	508	533	585	634	681
PURCHASES OF GOODS AND SERVICES	2,239	2,233	2,311	2,371	2,627	2,634	2,728	3,021
INTEREST PAYMENTS	840	1,097	1,043	1,074	985	868	792	778
RESERVES	143	103	204	176	183	298	238	364
CURRENT TRANSFERS	**7,671**	**7,592**	**7,540**	**7,700**	**7,913**	**8,237**	**8,704**	**10,868**
SUBSIDIES	520	467	399	397	425	444	468	1,449
TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	6,343	6,335	6,371	6,496	6,665	6,926	7,324	8,251
OTHER CURRENT TRANSFERS	809	790	770	808	822	867	913	1,168
CAPITAL EXPENDITURE AND TRANSFERS - TOTAL	**1,351**	**1,717**	**1,815**	**962**	**1,078**	**1,432**	**1,527**	**1,549**
CAPITAL EXPENDITURE	1,032	1,451	1,520	784	891	1,160	1,253	1,231
CAPITAL TRANSFERS	320	266	295	178	187	272	274	319
PAYMENTS TO THE EU BUDGET	**426**	**403**	**433**	**427**	**379**	**433**	**510**	**526**
III. GENERAL GOVERNMENT SURPLUS / DEFICIT (I. - II.)	**-1,558**	**-1,261**	**-1,242**	**-655**	**-299**	**526**	**264**	**-3,542**

Source of data: Ministry of Finance.

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

Per cent share relative to GDP

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2013	2014	2015	2016	2017	2018	2019	2020
II. TOTAL EXPENDITURES	**44.7**	**44.5**	**43.6**	**40.8**	**39.8**	**39.4**	**39.2**	**47.0**
CURRENT EXPENDITURE	**18.8**	**18.7**	**18.5**	**18.3**	**18.0**	**17.4**	**17.0**	**19.5**
WAGES AND OTHER PERSONNEL EXPENDITURE	8.5	8.3	8.0	8.1	7.9	7.8	7.9	9.1
EMPLOYER'S SOCIAL SECURITY CONTRIBUTIONS	1.4	1.3	1.3	1.3	1.2	1.3	1.3	1.5
PURCHASES OF GOODS AND SERVICES	6.1	5.9	5.9	5.9	6.1	5.7	5.6	6.4
INTEREST PAYMENTS	2.3	2.9	2.7	2.7	2.3	1.9	1.6	1.7
RESERVES	0.4	0.3	0.5	0.4	0.4	0.6	0.5	0.8
CURRENT TRANSFERS	**21.0**	**20.2**	**19.4**	**19.0**	**18.4**	**18.0**	**18.0**	**23.2**
SUBSIDIES	1.4	1.2	1.0	1.0	1.0	1.0	1.0	3.1
TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	17.4	16.8	16.4	16.1	15.5	15.1	15.1	17.6
OTHER CURRENT TRANSFERS	2.2	2.1	2.0	2.0	1.9	1.9	1.9	2.5
CAPITAL EXPENDITURE AND TRANSFERS - TOTAL	**3.7**	**4.6**	**4.7**	**2.4**	**2.5**	**3.1**	**3.2**	**3.3**
CAPITAL EXPENDITURE	2.8	3.9	3.9	1.9	2.1	2.5	2.6	2.6
CAPITAL TRANSFERS	0.9	0.7	0.8	0.4	0.4	0.6	0.6	0.7
PAYMENTS TO THE EU BUDGET	**1.2**	**1.1**	**1.1**	**1.1**	**0.9**	**0.9**	**1.1**	**1.1**
III. GENERAL GOVERNMENT SURPLUS / DEFICIT (I. - II.)	**-4.3**	**-3.4**	**-3.2**	**-1.6**	**-0.7**	**1.1**	**0.5**	**-7.5**

Source of data: Ministry of Finance.

Acronyms

Acronyms in the text

BoS – Bank of Slovenia, **CPI** – Consumer Price Index, **DARS** – Motorway Company of the Republic of Slovenia, **EC** – European Commission, **ECB** – European Central Bank, **EIA** – Energy Information Administration, **EMU** – European Monetary Union, **ENTSO-E** – European Network of Transmission System Operators for Electricity, **ESF –** European Social Fund, **ESS –** Employment Service of Slovenia, **EU** – European Union, **EUR** – euro, **EUROSTAT** – Statistical Office of the European Communities, **FURS** – Financial Administration of the Republic of Slovenia, **GDP** – gross domestic product, **GFS** – Government Finance Statistics, **GNI** – Gross National Income, **HICP** – Harmonised Index of Consumer Prices, **IER** – Institute for Economic Research, **ILO** – International Labour Organization, **IMAD** – Institute of Macroeconomic Analysis and Development, **IMF** – International Monetary Fund, **LFS** – Labour Force Survey, **MF** – Ministry of Finance, **NACE** – Nomenclature statistique des Activités économiques dans la Communauté Européenne, **OPEC** – Organization of the Petroleum Exporting Countries, **PMI** – Purchasing Managers' Index, **PPS** – Purchasing Power Standard, **SNA** – System of National Accounts, **SURS** – Statistical Office of the Republic of Slovenia, **ULC** – Unit Labour Costs, **US** – United States of America, **USD** – US dollar, **VAT** – Value Added Tax, **WB** – World Bank.

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