IMAD

autumn forecast of economic trends 2022

Autumn Forecast of Economic Trends 2022
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Summary

The Autumn Forecast was prepared under conditions of great uncertainty, mainly related to the situation in the energy markets, which is deteriorating as the war in Ukraine continues, contributing to the worsening of the economic outlook in our main trading partners. Growth in euro area economic activity was still relatively favourable in the first half of this year (4.8% year-on-year, seasonally adjusted), in particular due to the fast recovery of services and private consumption after the lifting of COVID-19 restrictions. However, the war in Ukraine and related economic consequences with a further surge in energy and food prices have led to a sharp deterioration in confidence indicators. Together with the disruptions caused by the pandemic in China, this put an additional pressure on global supply chains, which has significantly dampened global economic activity. European countries, especially Germany, are particularly vulnerable to developments in energy markets due to their high reliance on Russian fossil fuels. According to available data and confidence indicators (PMI, ESI), economic activity in the euro area started to cool in the third quarter and international institutions' forecasts for 2023 have been revised downwards since the spring. Difficult access to energy and reducing its consumption and the resulting uncertainty, the impact of high inflation on household purchasing power and high costs for businesses, supply chain disruptions and tighter financing conditions due to the normalisation of monetary policy, will all continue to hamper growth. At the same time, certain factors will dampen these negative effects, notably a resilient labour market, the expected moderation in inflation, support from the Recovery and Resilience Facility and the still large amount of excess savings. For the euro area, we expect a slowdown in economic growth by the end of the year and a 0.4% increase in GDP in 2023 as a whole, mainly resulting from growth in the second half of next year. These assumptions are subject to high uncertainty and strong downside risks, especially in relation to a reduction in Russian gas supplies.

In its Autumn Forecast, IMAD predicts GDP growth of 5% for this year. This is 0.8 p.p. higher than expected in the Spring Forecast, mainly due to higher private consumption growth in the first half of the year, stimulated more than expected (amid high employment levels) by consumption of personal and tourism-related services, including in connection with the redemption of tourism vouchers. Growth was also supported by government measures to mitigate the impact of rising prices. The contribution from the change in inventories was also higher than expected in the spring. Investment growth remains in line with spring expectations, while growth in the export part of the economy will be lower. After favourable development in the first half of the year, we expect a significant slowdown towards the end of the year, which is already indicated by the deterioration of confidence indicators in the summer months. Private consumption already declined quarter-on-quarter in the second quarter due to declining household purchasing power, worsening expectations and high uncertainty. Consumer confidence has deteriorated since May, pointing to a continued decline in durable goods consumption in the second half of the year, as well as a decline in food and beverage consumption, as consumers continue to behave in a more rational and frugal manner. As the deadlines for the redemption of vouchers expired (in June 2022), we also expect a decline in spending on accommodation and food service activities in the domestic market,

while spending on tourism services abroad will remain high, especially in the third quarter. Given the decline in real gross disposable income expected this year, part of the growth in private consumption in 2022 will also come from savings accumulated during the epidemic and lower current savings. Investment activity was also lower in the second quarter than in the first and we do not expect it to pick up significantly by the end of the year. In addition to high uncertainty, corporate sector investment is also being held back by rising prices for capital goods and construction materials, as well as rising interest rates. Government and housing investment is expected to have a positive impact. Year-on-year growth in merchandise exports and manufacturing has slowed even more than domestic consumption. Export trends have been shaped markedly by the slowdown in economic growth in our main trading partners, as well as persistent supply chain disruptions and rising costs, which have been exacerbated by the war in Ukraine. With the expected slowdown in export orders, manufacturing will also be strongly affected by lower gas and electricity consumption and high prices, especially in the last quarter. In the second half of the year we also expect a slowdown in the growth of services trade.

Next year, economic growth will slow down significantly, to 1.4%, mainly due to the tense situation in the first half of the year, and in 2024, in the absence of shocks, it will accelerate to 2.6%. Private consumption growth will be significantly lower than this year. This will be affected by the still high prices, which will limit purchasing power, and prudent spending on non-essential goods and services. Private sector investment will also remain subdued in the face of continued uncertainty, high prices for capital goods and construction materials, and rising interest rates. Similar to this year, investment activity next year will be boosted by government investment stimulated by the end of the 2014–2020 financial perspective and EU funds for recovery from the COVID-19 epidemic (React-EU, RRP). In the first half of next year, value added in manufacturing and merchandise exports will continue to be affected by lower growth in foreign demand, lower gas consumption and the still high prices. Assuming again slightly higher growth in Slovenia's trading partners, a recovery would set in during the second half of the year. This and higher private consumption (with projected real growth in gross disposable income) will contribute to an acceleration of economic growth (to 2.6%) in 2024. Investment growth will slow down, mainly because of the end of the period in which the government can absorb EU funds from the 2014–2020 financial perspective, leading to lower government investment.

Employment will be much higher this year than last, and unemployment will be lower. As economic growth will be lower next year, we expect significantly lower employment growth and a modest decline in unemployment. Employment increased sharply last year as economic activity recovered. Growth continued in the first half of this year, reaching record highs, with a significant contribution from the employment of foreign labour due to the shortage of domestic labour. According to the short-term employment expectations indicator, employment growth is expected to slow in the second half of the year as economic activity weakens. In the year as a whole, it will be 3%. The number of registered unemployed will continue to fall and amount to around 57 thousand on average in 2022. The growth of employment and the decline of unemployment will slow down considerably, especially next year. In addition to the economic situation, problems with the availability of labour will also play a role in view of the demographic trends, which are leading to a shrinking of the population aged 15 to 64. Labour market participation will further increase, especially in the 55–64 and 15–29 age groups, where it is below-average, and we also expect further recruitment of foreign workers.

Real average gross wage will fall this year due to high inflation and especially last year's high base in the public sector, but will gradually rise towards the end of the forecast period. Due to labour shortages, the increase in the minimum wage and other labour market pressures to maintain income growth in an environment of high inflation average gross wage in the private sector will increase this year in nominal terms (by 5.5%) and decrease in real terms (by 3.1%). It will also fall in the public sector, a consequence of the cessation of the payment of COVID-19 bonuses. This will lead to low nominal growth in average gross wage this year (2.2%) and a relatively sharp decline in real wage (-6.2%). Next year, despite the slowdown in economic activity, wage growth will increase (by 6.0% in nominal terms, while it will stagnate in real terms). Difficulties in finding suitable workers and the expected increase in the minimum wage at the beginning of next year will boost growth, especially in the private sector, while growth in the public sector will be particularly affected by the expected trade union agreement.

Consumer price growth accelerated up until the autumn and will remain high until the end of the year despite the expected slowdown. Assuming that price pressures ease, inflation is expected to approach 2% by the end of 2024. Consumer price growth was 11% in August and was broad-based, with energy and food contributing the most to it. Price growth in non-energy industrial goods and services has also strengthened, given strong demand, supply chain problems and labour shortages that have put pressure on wage growth, especially in some service sectors. For the rest of the year, we expect a slowdown in the growth of consumer prices, influenced mainly by measures to mitigate the impact of high energy prices, last year's high base and the expected decline in household spending. All this will contribute to an overall increase in consumer prices of 8.9% in 2022, moderating to 6% in 2023. In 2023, food and services price growth will remain relatively high and the contribution of energy prices is expected to be lower than this year, but will be subject to significant risks. In 2024, inflation could approach 2% towards the end of the year and average 2.9% for the year, with higher wages passing through to final prices, at least to some extent, especially for services that are less exposed to international competition. At the same time, we anticipate that interest rate hikes and the normalisation of the ECB's monetary policy will contribute to the decline in inflation in the following years.

For the first time in ten years, the current account surplus will turn into a deficit this year, and a deficit is also expected in 2023. In 2024, as the price trends are expected to stabilise and as the economy recovers, we expect a surplus again. This year, trade in goods will contribute most to the current account deficit, which is mainly due to the deterioration in the terms of trade, in addition to the higher real growth of imports over exports. This year's sharp rise in the prices of energy and other primary commodities and in industrial producer prices has contributed to import prices rising much more sharply than export prices. In 2023–2024, the trade deficit will widen somewhat amid relatively weak export growth, and the current account of the balance of payments is expected to turn positive again in 2024 amid a rising surplus in services trade.

Uncertainty in the international environment is high, the risks to the forecast are largely on the downside and are still heavily dependent on the evolution of the war in Ukraine and the situation on the energy markets as well as the epidemic situation. A complete halt in Russian gas supplies to European countries would lead to higher energy prices and greater rationalisation, which would have a negative impact on industry in particular, but would also affect other activities. Due to the dependence of the Slovenian economy on external factors, especially the availability and prices of energy and foreign demand, the outlook for Slovenia would deteriorate, especially in 2023, if the economic and energy situation worsens. A deeper recession in Germany and Slovenia's other main trading partners would reduce foreign demand and Slovenian exports. Amid high energy prices, energy-intensive activities would be more affected and business investment would decline in an uncertain environment. Estimates of the impact of a full disruption of Russian gas supplies to the euro area countries are in the range of a few percentage points. If this were to happen already this year or in the winter months, the effect would be stronger due to the pressure of input energy costs and/or additional production constraints, because in the short term a rapid replacement of Russian gas on a large scale is not possible. If GDP growth in the euro area were to be lower by 2 to 2.5 p.p. due to the worsening of the energy situation, economic growth in Slovenia would also be lower than predicted in the baseline scenario, by 1.5 to 2 p.p., with a relatively smaller impact in 2022, as it would only affect developments in the last quarter. Inflation would also be higher, which could lead to a wage-inflation spiral if inflation expectations go up due to demands for wage increases. If this were to happen at the euro area level, it could lead to a faster tightening of monetary policy with negative effects on lending and investment activities. The COVID-19 pandemic also remains a significant downside risk, particularly in the event of the emergence of new variants that could seriously worsen the health situation and require more stringent containment measures. This, especially due to the zero tolerance for COVID-19 in China, and the possible deteriorating situation in Ukraine could lead to additional disruptions in global supply chains. These could also be strengthened in the event of an escalation of geopolitical tensions at the global level. There are, however, also some upside risks to the baseline projections of economic growth, namely in the case of a stabilisation of energy prices and more robust private consumption, resulting to a larger extent from the spending of savings. Investment activity could also be higher than expected in the event of an accelerated reduction in dependence on Russian energy sources and faster absorption of EU funds.

Slovenia's main macroeconomic aggregates

	2021	Autumn forecast (September 2022)		
		2022	2023	2024
GDP				
GDP, real growth in %	8.2	5.0	1.4	2.6
GDP, nominal growth in %	11.0	10.9	7.0	5.4
GDP in EUR billion, current prices	52.2	57.9	62.0	65.3
Exports of goods and services, real growth in %	14.5	5.0	2.5	4.7
Imports of goods and services, real growth in %	17.6	6.5	2.2	3.8
External balance of goods and services (contribution to growth in p.p.)	-0.8	-0.8	0.3	1.0
Private consumption, real growth in %	9.5	5.4	0.3	1.9
Government consumption, real growth in %	5.8	1.4	1.7	1.9
Gross fixed capital formation, real growth in %	13.7	6.5	2.5	2.0
Change in inventories and valuables (contribution to growth in p.p.)	0.4	1.4	0.1	0.0
EMPLOYMENT, WAGES AND PRODUCTIVITY				
Employment according to the National Accounts Statistics, growth in %	1.3	3.0	0.8	0.7
Number of registered unemployed, annual average in '000	74.3	57.1	54.4	52.8
Registered unemployment rate in %	7.6	5.8	5.5	5.3
ILO unemployment rate in %	4.7	4.2	4.1	3.9
Gross wages per employee, nominal growth in %	6.1	2.2	6.0	4.5
Gross wages per employee, real growth in %	4.1	-6.2	0.0	1.5
- private sector	4.1	-3.1	-0.8	2.1
- public sector	4.5	-10.6	1.5	0.5
Labour productivity (GDP per employee), real growth in %	6.8	1.9	0.7	2.0
BALANCE OF PAYMENTS STATISTICS				
Current account BALANCE, in EUR billion	2.0	-0.3	-0.3	0.1
- as a % of GDP	3.8	-0.5	-0.5	0.1
PRICES AND EFFECTIVE EXCHANGE RATE				
Inflation (Dec/Dec), in %	4.9	9.8	3.9	2.2
Inflation (annual average), in %	1.9	8.9	6.0	2.9
Real effective exchange rate deflated by unit labour costs	-1.8	-3.0	1.4	0.6
ASSUMPTIONS				
Foreign demand (imports of trading partners), real growth in %	11.7	4.3	2.0	3.4
GDP in the euro area, real growth in %	5.3	3.1	0.4	1.8
Brent crude oil price in USD/barrel	70.7	103.1	89.5	83.9
Non-energy commodity prices in USD, growth	34.4	7.0	-4.0	-3.5
USD/EUR exchange rate	1.184	1.058	1.022	1.022

Source: Year 2021 SURS (2022), BoS (2022), ECB (2022), EIA (2022); 2022–2024 forecasts by IMAD.

The Autumn Forecast of Economic Trends is based on statistical data, information and adopted measures known at the cut-off date of 8 September 2022.

autumn forecast of economic trends 2022

1 Assumptions of the Autumn Forecast of Economic Trends 2022

Economic growth in the euro area was relatively robust in the first half of the year, but is weakening in the third quarter according to available indicators. The growth of economic activity in the euro area was still relatively favourable in the first half of this year due to the easing of COVID-19 restrictions and high household savings. In the first quarter of 2022, quarterly real GDP growth in the euro area was 0.7% (5.4% y-o-y, both seasonally adjusted), driven by net exports and inventories. In the second quarter it was 0.8% (4.1% y-o-y, seasonally adjusted) as contact-intensive services recovered when COVID-19 restrictions were eased. However, the war in Ukraine and related economic sanctions[1] have led to a sharp further increase in energy and food prices and a strong deterioration of confidence. Together with COVID-19 lockdowns in China, this has exacerbated disruptions in global supply chains, which has severely dampened global economic activity. Due to its high reliance on Russian fossil fuels, the euro area is particularly vulnerable to developments in the energy market, and weakening global growth detracts from external demand. According to the available indicators (PMI, ESI), economic activity in the euro area and in Slovenia's main trading partners is cooling in the third quarter, despite a good summer tourism season, due to the increasingly difficult situation in the energy markets.

In their latest forecasts, international institutions expect that economic growth in Slovenia's trading partners will continue to cool in the coming quarters. Economic activity is driven by a resilient labour market, support from the Recovery and Resilience Facility and the still large amount of excess savings. Based on the forecasts of foreign institutions, we expect economic growth of 3.1% for the euro area this year, to a large extent due to the favourable development in the first half of the year. Difficult access to energy and the resulting uncertainty and price increases, the impact of high inflation on household purchasing power, supply chain disruptions and tighter financing conditions due to monetary policy normalisation will be felt most towards the end of this year and in the first half of 2023, for which IMAD expects economic growth of 0.4% in the euro area, which is lower than was predicted in spring. Growth is expected to rise to 1.8% in 2024 as headwinds ease. The forecasts are subject to high uncertainty, arising in particular from the availability of energy and its prices.

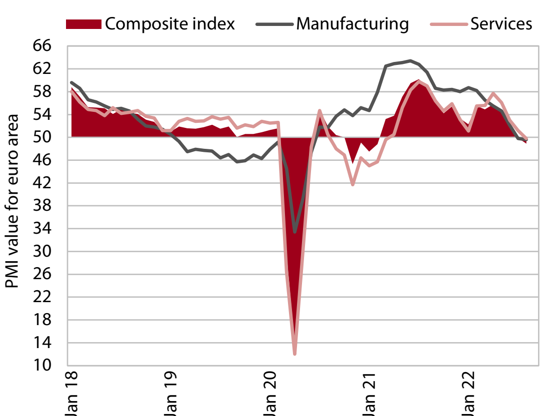
[1] On 26 July 2022, the EU renewed the following economic sanctions for a further six months: restricted access to EU primary and secondary capital markets for certain Russian banks and companies; prohibition on transactions with the Russian Central Bank and the Central Bank of Belarus; SWIFT ban for certain Russian and Belarusian banks; prohibition on the provision of euro-denominated banknotes to Russia and Belarus; prohibition on public financing or investment in Russia; prohibition on investment in and contribution to projects co-financed by the Russian Direct Investment Fund; prohibition on imports from Russia of coal; prohibition on imports from Russia of oil (with limited exceptions); prohibition on exports to Russia of goods and technologies in the oil refining sector; prohibition on new investments in the Russian energy sector; closure of EU airspace to all Russian-owned and Russian-registered aircraft; closure of EU ports to Russian vessels; prohibition on Russian and Belarusian road transport operators from entering the EU; prohibition on exports to Russia of goods and technology in the aviation, maritime and space industry; prohibition on exports to Russia of dual-use goods and technology items that could contribute to Russia's defence and security capabilities; prohibition on trade in arms; prohibition on imports from Russia to the EU of iron, steel, wood, cement, seafood and liquor; prohibition on exports to Russia of luxury goods; prohibition on imports from Russia of gold (Council of the EU, 2022a).

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

Real growth rates, in %	2021	2022		2023		2024
		March 2022	September 2022	March 2022	September 2022	September 2022
EU	5.4	3.4	**3.2**	2.7	**0.5**	**1.9**
Euro area	5.3	3.4	**3.1**	2.6	**0.4**	**1.8**
Germany	2.6	2.8	**1.5**	2.5	**0.0**	**1.4**
Italy	6.6	3.4	**3.3**	2.2	**0.4**	**1.3**
Austria	4.8	3.5	**5.1**	2.2	**0.5**	**1.5**
France	6.8	3.2	**2.4**	2.0	**0.5**	**1.4**
Croatia	10.2	4.3	**6.5**	3.0	**1.5**	**2.5**
Russia	4.7	-8.0	**-5.5**	-2.0	**-3.0**	**2.5**

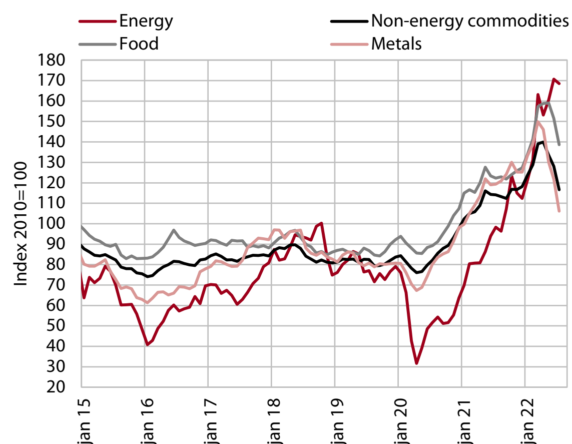
Source: Year 2021 Eurostat (2022); for other years IMAD assumptions based on Consensus Economics (2022), EC (2022b), FocusEconomics (2022), IMF (2022).

Figure 1: Composite PMI has been declining since May, indicating a cooling of the euro area economy



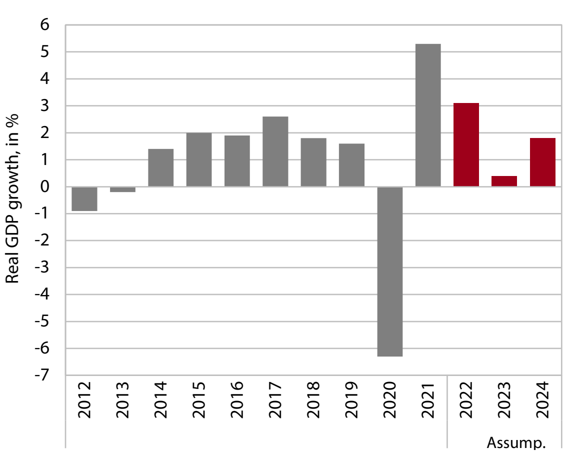
Source: S&P Global. Note: A reading above 50 signals an expansion, while a figure below 50 indicates a contraction.

Figure 2: After falling in the summer months, prices of non-energy commodities remain high



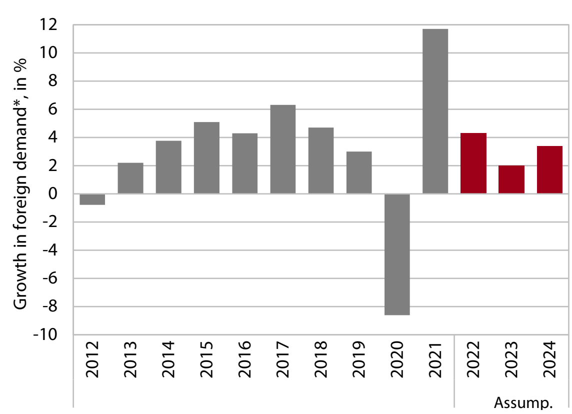
Source: WB.

Figure 3: Economic growth in the euro area is expected to weaken significantly in 2023



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

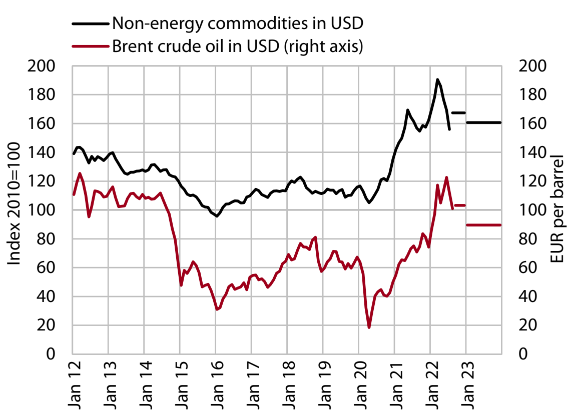
Figure 4: Growth in demand for Slovenian exports has slowed significantly



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.

Brent oil and non-energy commodity prices have weakened in recent months but prices of oil in particular are still higher than last year; TTF gas[2] and electricity prices are reaching record highs with no major signs of weakening. Based on market expectations on futures markets in the period between 1 and 17 August, the technical assumption for the average Brent Crude price underlying the forecast for 2022 is USD 103.1 per barrel. This is a significant increase on the previous year (by 46%), while the assumption has been revised slightly downwards compared to IMAD's Spring Forecast, as prices are falling month-on-month due to lower global demand as a result of the cooling of the global economy. The technical assumption for the oil price is lowered to USD 89.5/barrel in 2023 and to USD 83.9/barrel in 2024. Taking into account the technical assumption for the EUR/USD exchange rate, euro prices of oil will rise significantly more than dollar prices this year, by 63%. The war in Ukraine and ongoing supply chain disruptions also affected the rise in non-energy commodity prices, for which we project 7% year-on-year growth in 2022. As non-energy commodity prices have fallen since peaking in April, the assumption for growth in dollar prices for this year has been revised downwards from the Spring Forecast and prices are expected to fall further (by about 4%) over the next two years. The disruptions of gas supplies from Russia and uncertainty about future supplies drove TTF gas prices to an all-time high in August this year, and electricity prices, which have similar dynamics to gas prices, also reached record levels.[3] Gas prices in August were 361% higher year-on-year. This has led to increased efforts at the EU level for a more financially sustainable energy supply and structural reform of the electricity market.

Figure 5: Prices of oil and non-energy commodities have fallen in recent months but still remain high



Source: Barchart, ECB, EIA, calculations by IMAD. Note: The line indicates the annual average taking into account the assumption of the forecast for 2022 and 2023.

Figure 6: TTF gas prices rose to record levels

Source: ICE. Note: Title Transfer Facility (TTF) is a virtual trading point for natural gas in the Netherlands.

[2] Title Transfer Facility (TTF) is a virtual trading point for natural gas in the Netherlands.

[3] The exchange price of electricity is determined by the production costs of the most expensive unit in the system, which is currently gas-fired power plants.

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

	2021	2022		2023		2024
		March 2022	September 2022	March 2022	September 2022	September 2022
Brent Crude prices, in USD	70.7	111.8	**103.1**	95.7	**89.5**	**83.9**
Brent Crude prices, in EUR	59.9	101.8	**97.6**	87.6	**87.6**	**82.1**
Non-energy commodity prices, in USD, growth*	34.4	15.0	**7.0**	-3.0	**-4.0**	**-3.5**
USD/EUR exchange rate	1.184	1.100	**1.058**	1.093	**1.022**	**1.022**

Source: Barchart (2022), ECB (2022), EIA (2022), IMAD estimate. Note: The assumptions are based on the futures prices between 1 and 17 August 2022. *The structure of EMU with regard to commodity consumption.

In the face of rising inflation, the ECB began normalising monetary policy in the first half of this year. In view of rising inflation, the ECB announced a gradual withdrawal of its monetary stimulus measures adopted in recent years. At the end of the first quarter, it therefore stopped purchasing securities under the Pandemic Emergency Purchase Programme (hereinafter: PEPP).[4] Since 1 July, it has also stopped making net purchases under the Asset Purchase Programme (hereinafter: APP), which it had temporarily increased after discontinuing net purchases under the PEPP.[5] Faced with mounting inflationary pressures, the ECB raised all three key interest rates in the third quarter for the first time in more than ten years, twice so far, by a total of 125 basis points. It also approved the transmission protection instrument (hereinafter: TPI), with which it aims to ensure the smooth functioning of the transmission mechanism in all euro area countries.[6] In view of high inflation, further interest rate hikes are expected, which will further tighten borrowing conditions and have an impact on economic activity. Until July, the last month for which data is available, such trends did not yet have an impact on corporate loans in Slovenia; in July, year-on-year corporate loan growth exceeded that of EMU.

The European Commission also responded to the rise in energy prices, first in October 2021 with a toolbox for action and support, and again in May 2022 when it presented the REPowerEU plan, proposing an additional set of actions, as the geopolitical situation changed due to the war in Ukraine, leading to a further rise in energy prices. The toolbox adopted by the Commission (EC) in October (2021) was produced in response to the price increase, which was also the result of increased global demand for energy in general due to a combination of factors, including the recovery of economies from the COVID-19 epidemic.[7] The toolbox includes immediate measures to protect customers and businesses (income support for vulnerable groups, state aid, etc.) and medium-term measures in the area of storage capacities,

[4] The principal payments from maturing securities purchased under the programme, totalling EUR 1,850 billion. i.e. more than 15% of euro area GDP from 2019, will be reinvested at least until the end of 2024, meaning that the size of the ECB's balance sheet and the amount of money in circulation will not decrease significantly until then.

[5] The ECB intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when it starts raising the key interest rates (the time frame has not yet been determined).

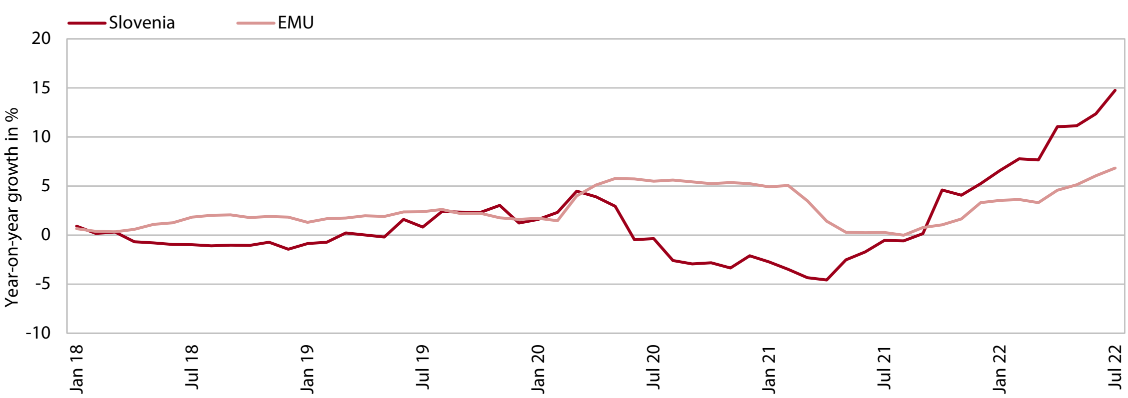
[6] In the event of disorderly and unregulated market dynamics, the ECB will maintain favourable financing conditions, especially for the more vulnerable EMU Member States, by purchasing securities on the secondary market. The volume of purchases under TPI depends on the severity of the risks to the transmission of monetary policy and is not limited in advance.

[7] For other reasons see the Spring Forecast (IMAD, 2022), Box 4. The EC (and the markets) assumed in October 2021 that the price increases would probably be temporary and that wholesale prices would start to fall in April 2022.

increasing renewable energy production, etc. Due to the changed geopolitical situation since February 2022 and with the aim of reducing the EU's dependence on Russian fossil fuels, the EC adopted the REPowerEU Plan (EC, 2022c). An additional set of actions proposed under this plan focuses on energy savings, diversification of energy supply, acceleration of fossil fuel substitution and a smart combination of investments and reforms (a dedicated chapter with new actions to deliver on the REPowerEU objectives is to be added in the Recovery and Resilience Plans). The measures that EU Member States have already taken since last October to protect households and businesses from high energy costs vary in scope and nature, but among the most common are tax cuts on energy and transfer payments to vulnerable groups.

In order to mitigate rising energy costs, Slovenia has taken general measures to curb the increase in energy prices and targeted measures to support the economy, farmers and vulnerable households. Since the beginning of this year, Slovenia has adopted a series of support measures, totalling about 1% of GDP in 2022,[8] of which about half are general and half are targeted. Among the general measures, those aimed at curbing the rise in energy prices (reduction of excise duties, VAT and other energy taxes) predominate, while targeted measures include measures to support the economy, energy-intensive enterprises and the agricultural sector, and energy subsidies for the most vulnerable population groups. The scope of the measures adopted so far for 2023 is smaller than for 2022, about 0.4% of GDP, and mainly relates to measures of a general nature, and the government has also proposed a guarantee act for the provision of liquidity to electricity companies. Considering that the situation on the energy market will remain tight next year, we estimate that the amount of support for 2023 will be higher than currently assumed.

Figure 7: In Slovenia, despite the tightening of credit conditions, lending to enterprises had been increasing until July and its year-on-year growth is higher than in the EMU



Source: BoS and ECB.

[8] Assessment of measures on the side of revenue losses and increased expenditure by the government and the private sector (e.g. network charges, RES, CHP); the assessment does not include the potential compensations due to the regulation of energy prices.

2 Autumn Forecast of Economic Trends in Slovenia

2.1 Gross domestic product

Given the high level of economic activity in the first half of the year, IMAD's Autumn Forecast projects GDP growth of 5.0% for this year, weakening to 1.4% next year due to a rapid deterioration of the situation in the international environment, and accelerating to 2.6% in 2024. The latest data from SURS show that economic activity expanded by 8.2% last year (see Box 1). The economic growth forecast for 2022 (5.0%) is 0.8 p.p. higher than predicted in the Spring Forecast. This is mainly due to higher growth in private consumption and a high contribution of inventory changes in the first half of the year, while year-on-year growth in the export part of the economy already weakened. Year-on-year GDP growth was thus 8.9% in the first half of the year. Economic activity is expected to moderate significantly in the second half of the year. As the energy crisis worsens and economic activity in Slovenia's main trading partners slows, the activity of the export part of the economy will decline towards the end of the year. In manufacturing, high prices for energy products and efforts to reduce gas consumption will have a negative impact, especially on production volumes in energy-intensive industries. By the end of the year, the growth of trade in services, especially transportation, will also slow down. After the expiry of voucher redemption deadlines (in June 2022) and especially due to the decline in the purchasing power of the population in conditions of high inflation, we also expect a decline in private consumption. Under conditions of high uncertainty, high prices and rising interest rates, we do not expect any accelerated strengthening of investment despite continued growth in government and housing investment. In 2023, GDP growth is projected to slow to 1.4% as trends similar to those seen in the second half of this year are expected to continue in the first half of 2023. Then, assuming no shocks in the international environment and stabilising prices, the export part of the economy, private sector investment and private consumption are expected to start recovering. These will also be the main drivers for the acceleration of economic growth to 2.6% in 2024.

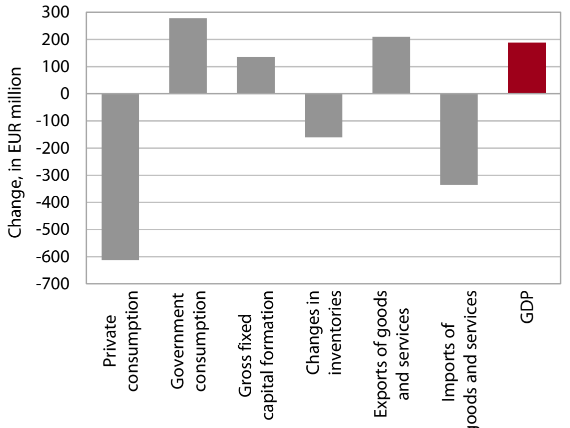
Box 1 The first annual GDP estimate for 2021

The release of the first GDP estimate for 2021 based on annual data sources (and revised data from 2018 onwards) changed the starting points for the preparation of the forecast. According to data published at the end of August 2022, GDP grew by 8.2% in real terms in 2021 (8.1% according to the February estimate based on quarterly data) and by EUR 188 million in nominal terms. The real growth of government consumption is higher than according to the first estimate and the negative contribution of the external balance is lower, as is the real growth of gross investment and especially private consumption.[9] Nominal changes in the estimates of individual GDP components are significant

[9] The quarterly data will not be harmonised with the revised annual data until 30 September 2022, which adds uncertainty to the forecast (especially with regard to the level of carry-over to this year, which is particularly high in some categories according to the quarterly data currently published).

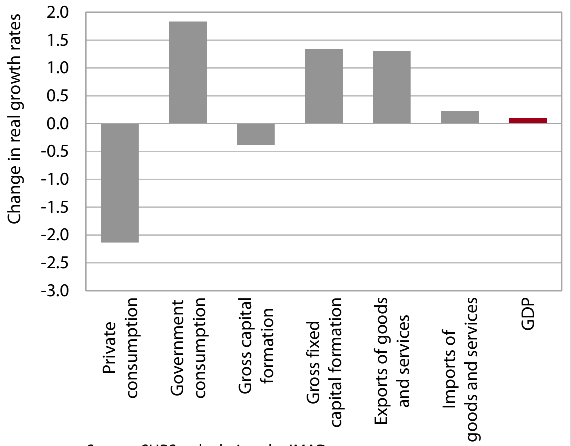
also due to changes in deflators. The estimate of government consumption was thus revised upwards by EUR 278 million. The estimate of exports of goods and services was revised upwards by more than EUR 200 million, mainly due to service exports, while the estimate of imports was revised downwards by more than EUR 300 million,[10] mainly due to goods. This led to a reduction in the negative contribution of the trade balance to GDP growth from -1.6 to -0.8 p.p. The change in gross capital formation (-EUR 22 million) is mainly due to a lower increase in inventories, whose contribution to GDP growth (0.4 p.p.) is more moderate than the initial estimate (0.8 p.p.), while the estimate of real gross fixed capital formation growth was revised upwards by 1.3 p.p. The changes within this category were larger, as the estimate of real growth in investment in buildings and constructions was revised up by 5.6 p.p., and investment in equipment and machinery was revised down by 5.1 p.p. The estimate of private consumption was also revised downwards by EUR 613 million compared to the first estimate, and with it the estimate of Slovenian consumers' propensity to save, which we now estimate (given the change in disposable income) to be about 2–3 p.p. higher than our previous estimate (before the revision it was 16.2%). There have also been major changes on the production side. For example, real growth in value added in construction is now 10% (previously 2.8%), which has significantly changed the basis for the preparation of the forecast.

Figure 8: Revision of data on expenditure components of GDP at current prices in 2021



Source: SURS, calculations by IMAD.

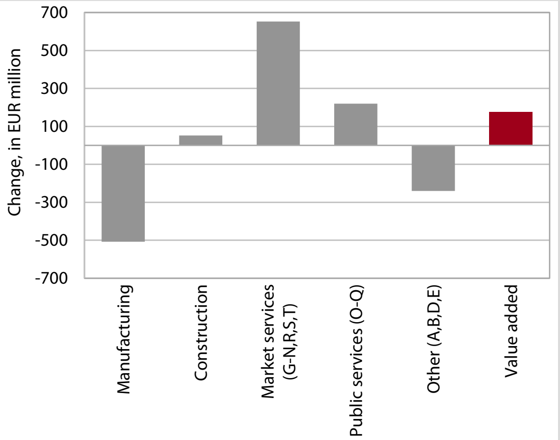
Figure 9: Revision of real growth rates for expenditure components of GDP



Source: SURS, calculations by IMAD.

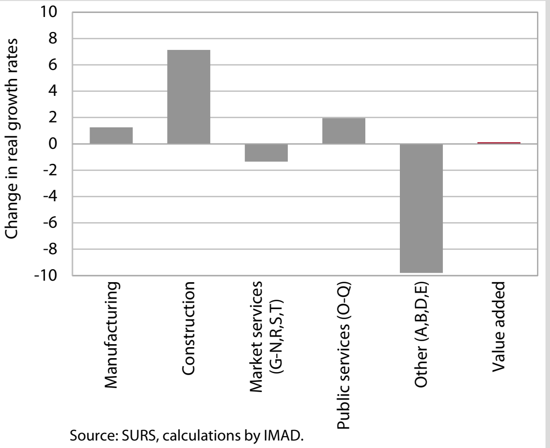
[10] On the other hand, the estimate of imports in constant prices and the estimate of its real growth increased slightly, influenced by the decline in the deflator estimate for this category.

Figure 10: Revision of data on value added components at current prices in 2021



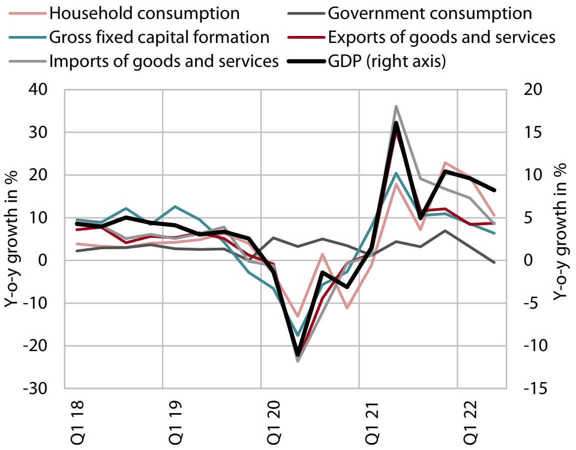
Source: SURS, calculations by IMAD.

Figure 11: Revision of real growth rates in value added components



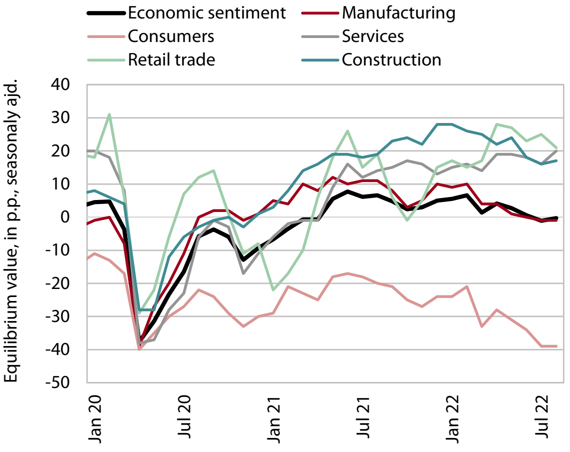
Source: SURS, calculations by IMAD.

Figure 12: Economic growth will remain high this year, especially due to the favourable development in the first half of the year



Source: SURS.

Figure 13: Economic sentiment indicator has been mostly declining this year, mainly due to lower consumer confidence and lower confidence in manufacturing



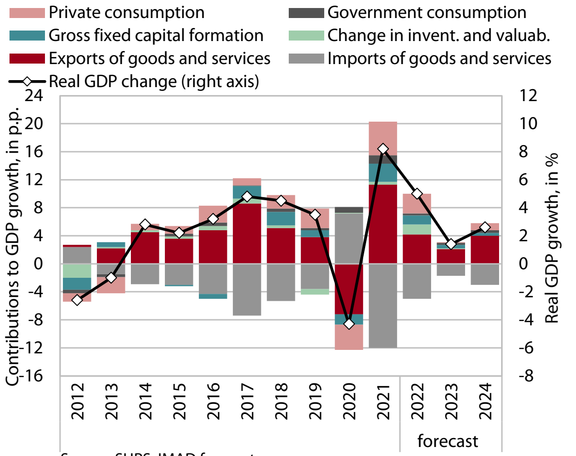
Source: SURS.

Table 3: Forecast of economic growth

Real growth rates, in %	2021	2022		2023		2024
		March 2022	September 2022	March 2022	September 2022	September 2022
GDP	8.2	4.2	**5.0**	3.0	**1.4**	**2.6**
Exports	14.5	7.1	**5.0**	5.5	**2.5**	**4.7**
Imports	17.6	7.2	**6.5**	4.9	**2.2**	**3.8**
External balance of goods and services (contribution to growth in p.p.)	-0.8	0.3	**-0.8**	0.8	**0.3**	**1.0**
Private consumption	9.5	4.3	**5.4**	1.4	**0.3**	**1.9**
Government consumption	5.8	0.6	**1.4**	1.3	**1.7**	**1.9**
Gross fixed capital formation	13.7	6.5	**6.5**	5.0	**2.5**	**2.0**
Change in inventories and valuables (contribution to growth in p.p.)	0.4	0.2	**1.4**	0.1	**0.1**	**0.0**

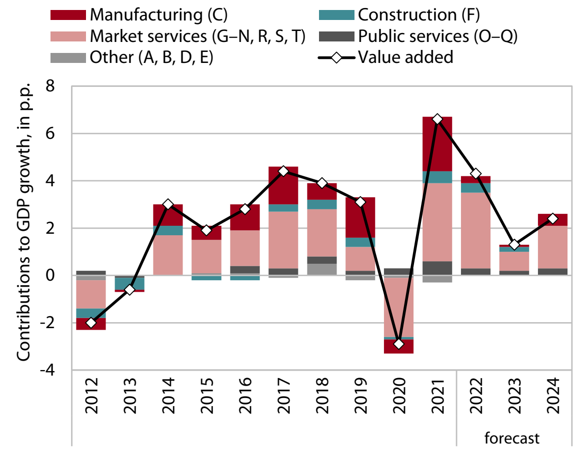
Source: Year 2021 SURS (2022), 2022–2024 forecast by IMAD.

Figure 14: Contributions of consumption aggregates to GDP growth



Source: SURS, IMAD forecast.

Figure 15: Contributions of value added growth to GDP growth, by activity



Source: SURS, IMAD forecast.

Real growth of private consumption will almost halve this year, to 5.4%. The easing of containment measures, high employment levels, voucher redemption and the low base in the first half of last year influenced the high year-on-year growth in private consumption in the first half of the year. At the same time, private consumption already declined quarter-on-quarter in the second quarter under the influence of high prices, which reduce purchasing power and lead to a change in consumption habits, and uncertainty related to rising energy and food prices, and we expect a further decline in the second half of the year. The consumer confidence indicator, which has fallen since May and reached its lowest level since April 2020 in August, points to a deterioration in the outlook for major purchases over the next 12 months. Thus, in the second half of the year, the decline in the consumption of durable goods (cars, furniture and household appliances) is expected to continue and we also expect a more rational consumption of food and beverages. Following the expiry of deadlines for the redemption of tourism and 2021 vouchers (in June 2022), we also expect consumption for food service and accommodation services in the domestic market to decline,[11] while consumption for tourism services abroad is not expected to slow down yet, especially in the third quarter. Gross disposable income will fall in real terms this year, mainly due to the impact of price growth. Part of the growth in private consumption in 2022 will also come from savings accumulated in previous years, and moreover, a larger share of disposable income will be used for current consumption this year than in previous years (the propensity to save will decline). The quarterly and year-on-year decline in private consumption in the second half of the year will also lead to lower growth or a decline in value added in some services, in particular in retail trade, sale of motor vehicles, accommodation and food service activities, and cultural, entertainment, personal care and sports services. Activity growth in wholesale trade will continue to be driven by favourable business results in construction and transportation and in sectors supplying pharmaceuticals and medical supplies and primary commodities, where such moderation is not expected until

[11] In the first half of 2022, the number of overnight stays by domestic tourists increased by 153% year-on-year, while in July it decreased by almost 50%.

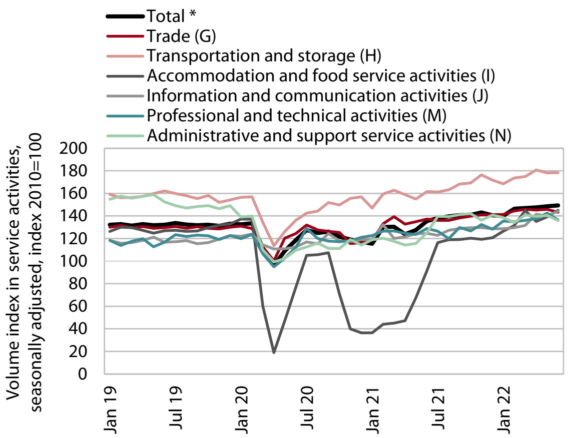
the end of this year. The growth of tourism-related services this year is boosted by the return of foreign tourists to Slovenia. Their number of overnight stays in July this year was similar to the same month in 2019 for the first time since the epidemic began.

Private consumption growth will slow to 0.3% in 2023 but pick up again in 2024. After being high in 2021 and 2022, when it also exceeded pre-epidemic levels, private consumption growth is expected to slow to 0.3% in 2023. This will be influenced by the still high prices, which will limit purchasing power, and prudent spending on non-essential goods and services, which will also be reflected in lower growth of value added in trade, accommodation and food service activities and cultural, entertainment, personal care and sports services. In line with the increased growth in real gross disposable income in 2024, private consumption will also increase by 1.9%. As a result, growth in value added in trade, accommodation and food service activities, cultural, entertainment, personal care and sports services will also strengthen somewhat in 2024. The propensity to save will remain lower than before the epidemic throughout the forecast period.

For 2022, we forecast growth in gross fixed capital formation of 6.5%, which will gradually weaken over the next two years. Gross fixed capital formation fluctuated strongly in the first half of the year. After high quarterly growth of 3.7% in the first quarter, it declined by 1.2% in the second quarter. Fluctuations are also to be expected in the period ahead, and the tense situation in the international environment is not exactly conducive to higher investment. In the second half of the year, we therefore do not expect a stronger increase in investment, while due to the high level at the beginning of the year, average growth this year will still be high (6.5%). At the same time, investment activity this year and next is likely to be supported by government investment stimulated by the end of the 2014–2020 financial perspective and EU funds for the recovery from the COVID-19 epidemic (React-EU, RRP). Based on the data on building permits issued, we also expect growth in housing investment. Private sector investment is negatively affected by the deterioration of expectations and the increase in uncertainty related to the energy crisis. They are further held back by high prices of capital goods and construction materials and the rise in interest rates, which will continue next year. In 2024, after the end of the period in which the state can draw down European funds from the 2014–2020 financial perspective, a decline in government investment is expected based on past experience,[12] which will have a decisive impact on overall investment activity in that year.

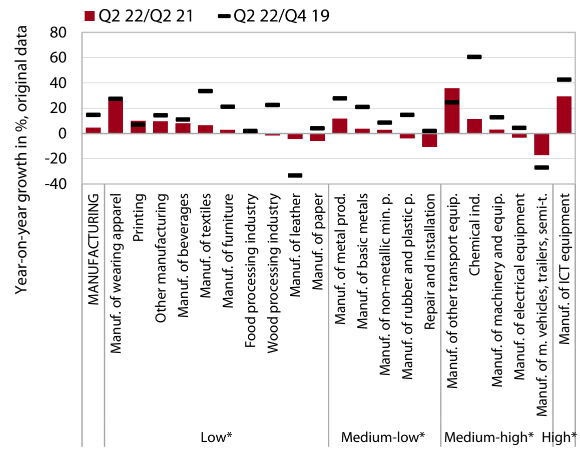
[12] A similar trend was observed in 2016. Until 2015, the state had been able to draw down funds from the 2007–2013 financial perspective, which led to a decline in investment in 2016, especially in construction.

Figure 16: Accommodation and food service activities and professional and technical and other business services will also exceed pre-epidemic levels this year



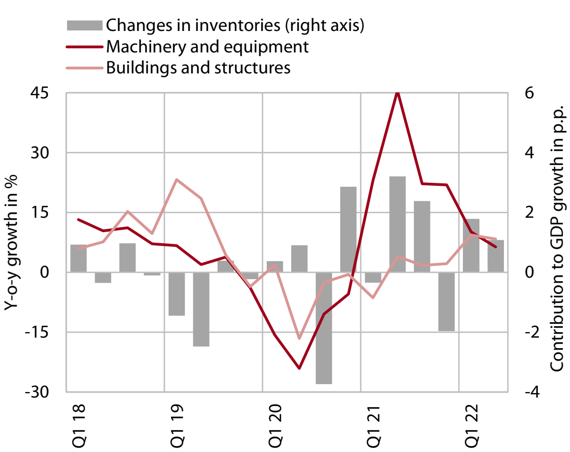
Source: SURS, calculations by IMAD. Note: *including real estate.

Figure 17: Most manufacturing sectors have already exceeded their pre-crisis levels, and of all the major sectors, only the manufacture of motor vehicles is lagging behind



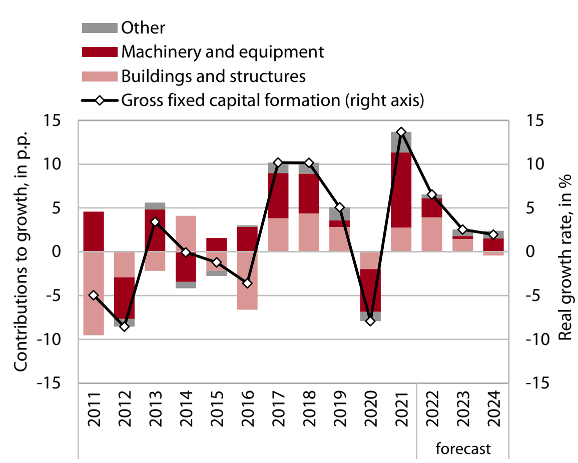
Source: SURS, calculations by IMAD. Note: *according to technological intensity.

Figure 18: In the second quarter of this year, investment growth slowed due to deteriorating expectations and high uncertainty, especially in equipment and machinery



Source: SURS.

Figure 19: Investment growth will continue to weaken over the next few years, mainly due to high uncertainty, and in 2024 it will also be affected by lower revenue from EU funds as the absorption of funds from the financial perspective 2014–2020 comes to an end

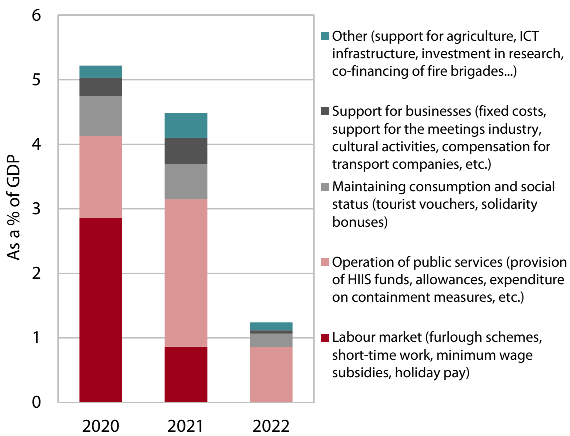


Source: SURS, IMAD forecast.

Mainly due to lower expenditure on measures to mitigate the impact of the epidemic, growth in government consumption will be lower this year than in the two previous years but will increase slightly again in the period 2023–2024. Government consumption growth will slow this year to 1.4% as expenditure to combat the COVID-19 epidemic declines and growth in the prices of goods and services increases. Employment growth in the general government sector is also weakening somewhat this year (from 1.7% to 1.2%), which is also related to the improvement of the epidemiological situation and the end of the Slovenian EU Presidency at the end of 2021. It remains highest in health sector. Despite the slowdown, expenditure on COVID-19 mitigation measures (Figure

20) exceeds spring expectations, which is the main factor for the upward revision of the forecast for growth in government consumption for this year. Growth in government consumption will increase slightly again in 2023 and 2024, to 1.7 % and 1.9 % respectively, which is related in particular to intervention measures in the health sector to stabilise the situation and shorten waiting times. Growth will continue to be driven by sustained growth in government sector employment, which is expected to be around 1% in both years, which is less than in previous years.

Figure 20: Expenditure to mitigate the consequences of the COVID-19 epidemic (on accrual basis)



Source: IMAD estimate based on MF data; SURS.

Figure 21: Goods exports exceeded pre-crisis levels last year and services exports this year

Source: SURS, calculations UMAR.

After last year's upswing, we expect a sharp slowdown in the growth of trade in goods and manufacturing this year due to the exacerbation of the energy crisis, while the growth of trade in services in 2022 will be similar to last year. Year-on-year growth in trade in goods and manufacturing slowed in the first half of this year, while growth in trade in services accelerated (especially trade in travel and transportation services) and the 2022 average is expected to exceed pre-epidemic levels. The slowdown in growth in the export-oriented part of the economy is related to uncertainties in the international environment due to the war in Ukraine, the escalating energy crisis and ongoing supply chain disruptions, which will continue in the second half of the year. With the expected slowdown in economic activity in Slovenia's main trading partners, value added in manufacturing will also decrease towards the end of the year, as indicated by the increase in the share of firms with lower-than-usual new orders according to confidence indicators. Constraints due to supply chain disruptions will remain high in some sectors for the rest of the year, while the manufacture of motor vehicles will be lower than last year and before the epidemic. In the last quarter, we expect the high energy prices (especially of gas) and efforts to reduce gas consumption[13] to have a negative impact on production volumes, especially in energy-intensive industries and in industries where the share of

[13] In the last quarter of this year, we expect a slowdown in activity in manufacturing, partly due to the impact of the recommended 15% reduction in natural gas use in the industrial sector.

gas in total energy consumption is high.[14] By the end of the year, the growth of trade in services, especially in transportation, will also slow down.[15] This year, the growth of imports will be higher than the growth of exports, which is related to the growth of domestic consumption.

Growth in merchandise exports and value added in manufacturing will continue to weaken next year, while growth in trade in services will gradually slow down. These trends result from an assumed slowdown in the growth of foreign demand next year. In the first half of 2023, value added in manufacturing and merchandise exports will continue to be affected by lower gas consumption and high prices, followed by a recovery, in the absence of shocks in the international environment and Slovenia's trading partners. Faced with increasing uncertainty about maintaining vehicle production in Slovenia, the manufacture of vehicles, as part of the automotive industry, faces longer-term structural changes related to EU directives on climate change adaptation and digitalisation (e.g. electrification of vehicles and development of related products and services). From this point of view, the readiness and ability of the industry as a whole to adapt to these changes will be particularly important in order to take advantage of the opportunities arising from bringing supply chains closer to European markets. In 2023–2024, the growth of imports will slow down more than that of exports, which is related to a stronger slowdown in domestic consumption.

2.2 Employment and unemployment

After recovering rapidly last year, employment continued to increase in the first half of this year, while unemployment declined. Employment increased significantly last year as economic activity recovered. Growth continued in the first half of this year and was strongest in accommodation and food service activities, construction and manufacturing. As can be concluded from the high vacancy rates, these activities face a labour shortage.[16] As a result, employment of foreign workers has increasingly contributed recently to employment growth.[17] After high growth last year, the highest increase in public sector employment in the first half of this year was in human health activities (up 3.3%) and education (up 2.3%). Given the growing demand for labour, the number of registered unemployed has continued to fall this year, standing at

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[14] These include the food, paper, rubber, metal and pharmaceutical industries, as well as the manufacture of other non-metallic mineral products and the manufacture of machinery and equipment n.e.c. These industries (gas accounts for over 30% of their energy consumption) generated around 66% of value added in manufacturing in 2021.

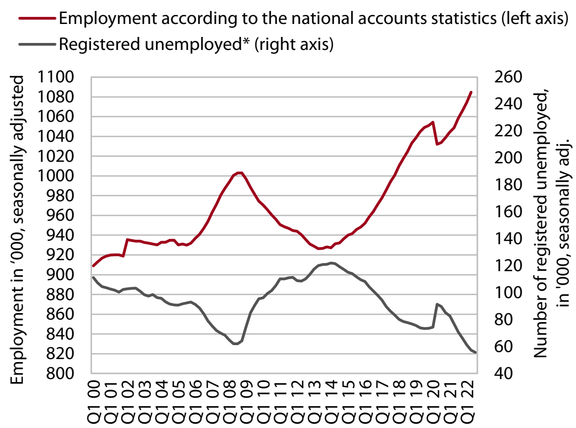
[15] Growth of trade in travel services will remain high this year as, with the continued return of foreign tourists, whose overnight stays in July were similar to the same month in 2019 for the first time since the epidemic began, growth in exports of travel services will accelerate to around 50% this year. Growth in imports of travel services will also remain high, with spending abroad, especially in Croatia, increasing as the deadlines for redeeming vouchers in the domestic market have expired.

[16] The vacancy rate, an indicator of labour shortage, reached its highest level (3.1%) in the second quarter of this year. It was highest in accommodation and food service activities, construction, transportation and manufacturing.

[17] According to SRE (SURS, 2022), the increase in the number of persons in employment who are foreign citizens (14.2 thousand persons) in the first half of 2022 already contributed 56% to the total increase in the number of persons in employment (25.2 thousand persons). The number of persons in employment who are foreign citizens averaged 116.6 thousand in the first half of 2022; their share in the total number of persons in employment was 13%, i.e. 1.3 p.p. more than in the same period of 2021.

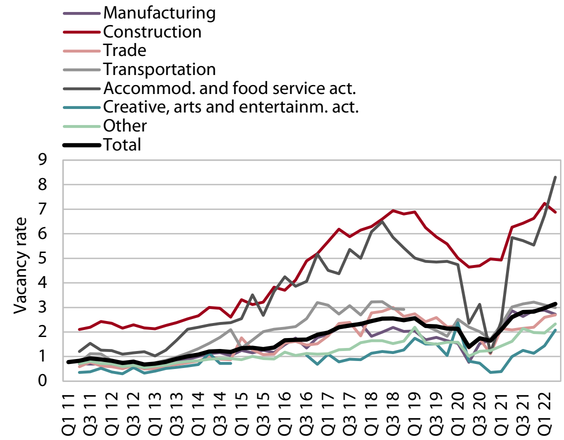
53,935 at the end of August, down 22.2% from a year earlier and 24.6% from the pre-epidemic period (August 2019).

Figure 22: In the first half of this year, employment continued to increase and unemployment continued to decrease; both are at record levels



Source: SURS. Note: *The data for Q3 22 is the average of July and August.

Figure 23: The vacancy rate is record high in certain activities



Source: Eurostat.

Table 4: Forecasts of employment and unemployment

In %	2021	2022		2023		2024
		March 2022	September 2022	March 2022	September 2022	September 2022
Employment according to the SNA, growth	1.3	1.7	**3.0**	1.0	**0.8**	**0.7**
Number of registered unemployed, annual average	74.3	61.1	**57.1**	58.9	**54.4**	**52.8**
Registered unemployment rate	7.6	6.2	**5.8**	6.0	**5.5**	**5.3**
ILO unemployment rate	4.7	4.3	**4.2**	4.1	**4.1**	**3.9**

Source: Year 2021 SURS (2022), 2022–2024 forecast by IMAD.

Employment will continue to increase and unemployment will continue to decline up to the end of this year. In the next two years, we expect employment intensity to be much lower due to the slowdown in economic activity and the shortage of suitable labour. Employment growth will slow in the second half of the year as economic activity weakens, which is also indicated by the short-term employment expectations indicator. In 2022 as a whole, employment will increase by 3.0% and the number of registered unemployed persons will be around 57 thousand. Amid lower growth in economic activity, the increase in employment and the decline in unemployment will slow down significantly, especially next year. Labour market participation will further increase, especially in the 55–64 and 15–29 age groups, where it is below-average. The demand for labour will continue to be a pull factor for attracting foreign workers. Nevertheless, the population aged 15–64, which makes up the bulk of the active labour force, will continue to decline and demographic trends will increasingly restrict the growth of value added.

2.3 Wages

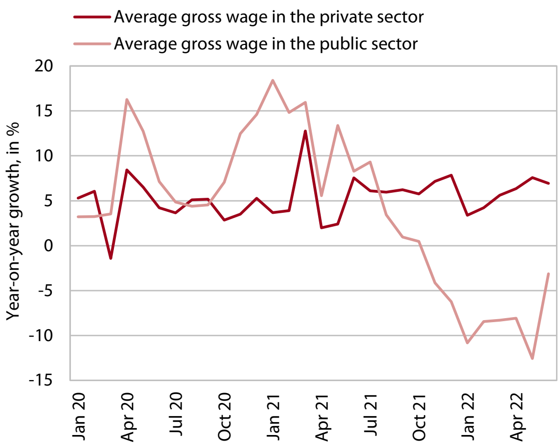
Growth in average gross wage was negative in the first half of this year, due to lower growth in the public sector related to the end of the payment of COVID-19 bonuses (since the middle of last year). In the private sector, it increased in nominal terms (by 4.9%) in the first half of this year, given the ongoing labour shortage, the increase in the minimum wage and also good business results, which means a decrease of 1.5% in real terms, given the high inflation.[18] In the public sector, wages recorded a significant decline in the first six months of this year (-8.9% in nominal terms and -14.8% in real terms), after having increased last year, mainly due to the high COVID-19 bonuses paid in the first half of the year. As a result, overall average gross wage also fell in the first half of the year (by 0.8% in nominal terms and by 7.0% in real terms).

Real average gross wage will fall this year due to high inflation and especially last year's high base in the public sector, but will gradually increase towards the end of the forecast period. In the private sector, average gross wage will rise in nominal terms (by 5.5%) and fall in real terms (by 3.1%) this year, given labour shortages, the increase in the minimum wage and pressures to maintain income growth in an environment of high inflation. In the public sector, it will decline in nominal and real terms (by 2.7% and 10.6% respectively). This will translate into low nominal growth in average gross wage (2.2%) and a relatively sharp decline in real wage (-6.2%) this year. Wage growth will increase next year (by 6.0% in nominal terms, while it will remain unchanged in real terms). Difficulties in obtaining suitable workers and the expected increase in the minimum wage at the beginning of next year will boost growth, especially in the private sector,[19] while growth in the public sector will be affected by the trade union agreement in particular. The forecast for gross wage growth is subject to significant risks: growth could be lower than projected, especially in the event of a slowdown in economic activity, and higher than expected if public sector wages rise more than expected and if broader pressures for higher wages emerge in the face of inflation.

[18] The highest increases were in the sectors where labour shortages were greatest, specifically accommodation and food service activities (12.1%), administrative and support service activities (7.0%), construction (6.9%) and manufacturing (5.8%).

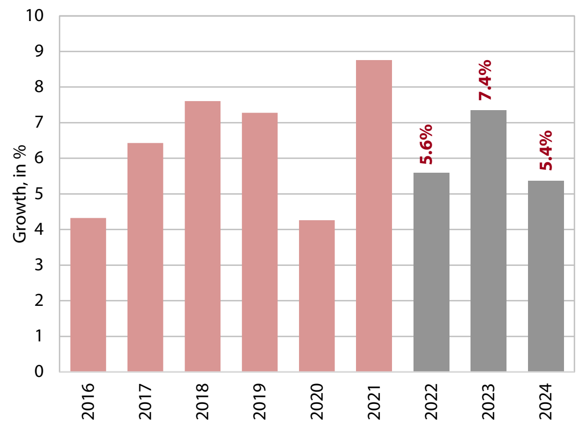
[19] High price growth can pass through to higher wages through certain mechanisms. In Slovenia, this is the case, among other things, with the annual adjustment of the minimum wage, the minimum increase of which is based on the year-on-year price increase in December of the previous year. High inflation can pass through to wages also through some collective agreements that stipulate the indexation of minimum basic wages. For more, see Perko et al. (2022).

Figure 24: In the private sector, growth of nominal wages has been robust in the recent period amid persistent labour shortage (it has declined in real terms amid high inflation); in the public sector, growth dynamics are related to high COVID-19 bonuses in the first half of last year



Source: SURS.

Figure 25: Estimate and forecast of nominal contribution base growth



Source: SURS, forecast by IMAD.

Growth in the estimated nominal contribution base, which forms the basis for the calculation of social security contributions, will be lower this year than last year, but will rise again next year. Last year, growth in the nominal contribution base was high (8.7%) due to the recovery in employment, high COVID-19 bonuses in the public sector in the first half of the year, the phasing out of furlough schemes and the recovery of other remuneration categories.[20] This year, growth will be more moderate (5.6%) because bonuses are no longer paid, but next year it will be stronger again because of the expected wage increases.

Table 5: Forecast for growth in the average wage per employee

Growth rates, in %	2021	2022		2023		2024
		March 2022	September 2022	March 2022	September 2022	September 2022
Gross wage per employee – nominal	6.1	2.4	**2.2**	4.0	**6.0**	**4.5**
- private sector	6.1	5.8	**5.5**	4.2	**5.1**	**5.0**
- public sector	6.5	-2.8	**-2.7**	3.4	**7.6**	**3.4**
Gross wage per employee– real	4.1	-3.7	**-6.2**	0.7	**0.0**	**1.5**
- private sector	4.1	-0.5	**-3.1**	1.0	**-0.8**	**2.1**
- public sector	4.5	-8.6	**-10.6**	0.2	**1.5**	**0.5**

Source: Year 2021 SURS (2022), 2022–2024 forecast by IMAD.

[20] E.g. Student work, other forms of work, holiday allowance.

2.4 Inflation

Consumer price growth had accelerated by the autumn and is expected to remain high until the end of the year despite the projected slowdown. Assuming that price pressures ease, inflation is expected to approach 2% by the end of 2024. Consumer price growth has accelerated since July 2021, averaging 8.2% in the first eight months of this year compared to the same period last year and reaching 11% in August; it was broad-based. Higher energy prices were the main contributor to inflation, mainly because of the tightened geopolitical situation, but also because of higher demand due to favourable economic developments. All this also had an impact on food price growth, which started to accelerate at the end of last year. Together, food and energy account for less than 30% of CPI, and their average contribution to year-on-year inflation this year until August was 4.5 p.p.[21] The above factors, the resulting supply chain problems, the increased demand for services and labour shortages and the resulting pressure on wage growth have also affected the price growth in non-energy industrial goods and services, which increased by 6.5% and 4.5% respectively in the first eight months compared to the same period last year. In anticipation of a slowdown in economic activity and given last year's relatively high base, growth in Slovenian industrial producer prices and import prices started slowing down in recent months, it however remains high, and in the event of a continuation of this trend we can expect the pressure on retail price growth to ease slightly. This, together with measures to mitigate the impact of high energy prices, last year's high base towards the end of the year and the projected decline in household spending, will lead to a moderation of consumer price growth. Lower household spending will be reflected mainly in the gradual slowdown of non-energy industrial goods price growth, which will nevertheless remain relatively high this year. In 2022 as a whole, consumer price growth will stand at 8.9%, in 2023 it will fall to 6% and in 2024 to 2.9%. In 2023, food and services price growth will remain relatively high and the contribution of energy prices is expected to be lower than this year, but the latter is subject to significant risks. Price growth will remain high until the end of the forecast period, also due to at least partial pass-through of higher wages to prices, especially for services that are less exposed to international competition. At the same time, we anticipate that interest rate hikes and the normalisation of the ECB's monetary policy will contribute to the decline in inflation in the coming years.

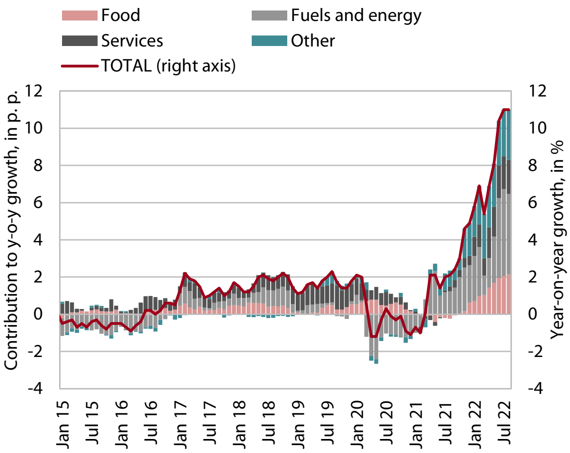
Table 6: Inflation forecast

In %	2021	2022		2023		2024
		March 2022	September 2022	March 2022	September 2022	September 2022
Inflation – Dec/Dec	4.9	5.4	**9.8**	2.4	**3.9**	**2.2**
Inflation – annual average	1.9	6.4	**8.9**	3.2	**6.0**	**2.9**

Source: Year 2021 SURS (2022), 2022–2024 forecast by IMAD.

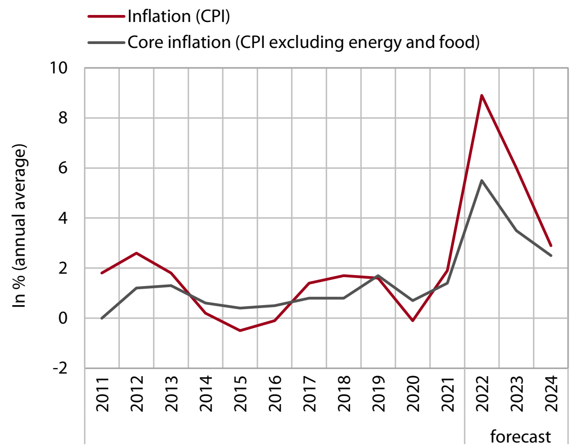
[21] In the first eight months of this year, energy prices rose year-on-year by an average of 25.1%, contributing 3 p.p. to inflation, and their growth continues to strengthen. The largest contribution came from the prices of petroleum products, which rose by more than 30%, and the contribution of heat energy was also important, as its prices rose by almost 50% compared to the previous year. This year, the contribution of gas prices, which were 38.8% higher year-on-year, and solid fuel prices (27.2% year-on-year growth) has increased significantly and continues to rise. However, the contribution of electricity prices was relatively small, as they rose by only 5.9%, due to the government's measure of temporarily exempting households from paying certain levies (in the period from February to April).

Figure 26: The rise in energy prices has been the biggest contributor to inflation for about a year, and in recent months the contribution of food prices has also increased



Source: SURS, calculations by IMAD.

Figure 27: Inflation will rise sharply this year before gradually declining



Source: SURS, forecast by IMAD.

2.5 Current account of the balance of payments

For the first time in ten years, the current account surplus will turn into a deficit this year. A deficit will also occur in 2023. In 2024, when the price trend stabilises and the economy recovers, we expect a surplus again. This year, *trade in goods* will contribute most to the current account deficit, which is mainly due to the deterioration in the terms of trade, in addition to the higher real growth of imports over exports. This year's strong increase in the prices of energy and other primary commodities and in industrial producer prices has affected the growth of import prices (22.1%), which will be higher than that of export prices (16.8%), so the terms of trade will deteriorate by 4.3%.[22,23] In the period 2023–2024, the merchandise trade deficit will widen slightly. Only *trade in services* will make a positive contribution to the current account balance over the forecast period, with the surplus gradually increasing after declining in 2020. Growth in 2022–2024 will be recorded in all segments of *trade in services*, and the highest will be recorded in trade in travel services.[24] The deficits in the *primary* and *secondary income* balances will predominantly increase over the forecast period. The former will increase this year mainly due to higher payments

[22] Slovenian economy is very open, with trade in goods and services as a share of GDP averaging 154% of GDP in 2015–2021. Therefore, external conditions have a significant impact on foreign trade and consequently on GDP. Given the relatively high share of energy, raw materials and food in imports, their prices have a considerable impact on the development of the terms of trade. There is a strong and negative correlation between oil prices and terms of trade (correlation coefficient -0.82) and the same applies to other primary commodities (correlation coefficient -0.78).

[23] We also assume a deterioration in the terms of trade in 2023, which will nevertheless be less pronounced than this year, and a slight improvement in 2024.

[24] The value of travel exports is expected to exceed the 2019 pre-crisis level in 2023 and the value of travel imports in 2024.

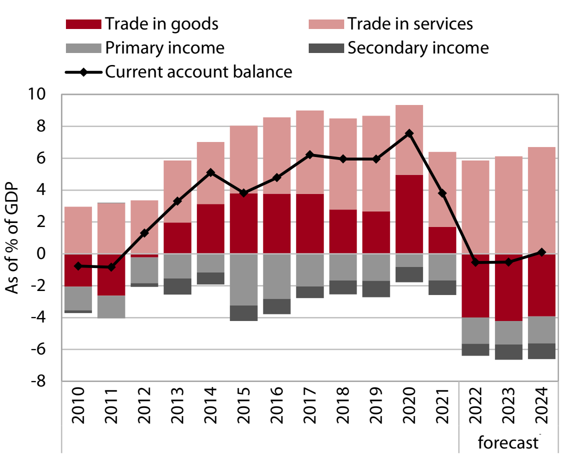
of traditional own resources to the EU budget.[25] Next year, the deficit will be slightly lower because Slovenia will receive more subsidies from the EU budget,[26] and in 2024, it will increase again mainly due to net payments of income on equity (dividends and profits) and debt (interest).[27] The deficit in the *secondary income*, which will decrease this year due to more funds received from the EU budget, will increase in 2023–2024 particularly due to lower receipts from the European Social Fund[28] and higher GNI- and VAT-based payments into the EU budget.

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

	2021	2022		2023		2024
		March 2022	September 2022	March 2022	September 2022	September 2022
Current account, in EUR million	1985	1167	**-312**	1492	**-324**	**64**
Current account, as a % of GDP	3.8	2.1	**-0.5**	2.5	**-0.5**	**0.1**

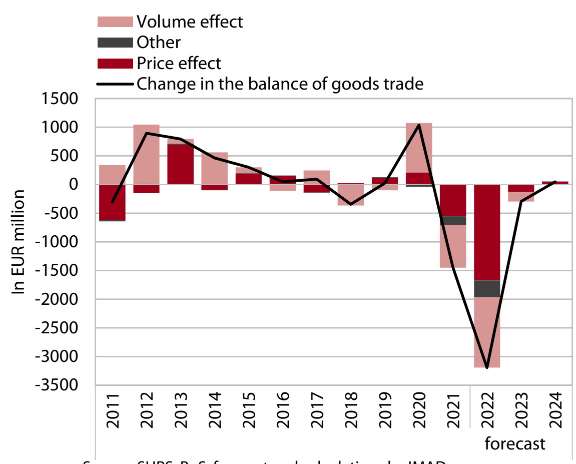
Source: Year 2021 BoS (2022), 2022–2024 forecast by IMAD.

Figure 28: This year, for the first time in 10 years, the current account surplus will turn into a deficit mainly due to a large deficit in trade in goods ...



Source: BoS, calculations and forecast by IMAD.

Figure 29: ... on which price developments (terms of trade) will have a very negative impact



Source: SURS, BoS, forecast and calculations by IMAD.

[25] Import duties will increase and with them the levies paid to the EU budget related to the import of electric vehicles by Luka Koper for the entire EU market.

[26] Most subsidies are resources for the implementation of the Common Agricultural and Fisheries Policy, and 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.

[27] For the entire period 2022–2024, we expect that as conditions in international financial markets tighten and interest rates rise, net interest payments on both private and public sector external debt will be higher.

[28] The bulk of ESF resources available under the 2014–2020 multi-annual financial framework has already been drawn.

3 Risks to the forecast

Uncertainty in the international environment is high, the risks to the forecast are largely on the downside and continue to depend heavily on the evolution of the war in Ukraine and the situation on the energy markets. A complete halt in Russian gas supplies to European countries would lead to higher energy prices and greater rationalisation, which would have a negative impact on industry in particular, but would also affect other activities. Due to the dependence of the Slovenian economy on external factors, especially the availability and prices of energy and foreign demand, the outlook for Slovenia would deteriorate, especially in 2023, in the event that the economic and energy situation worsens. A deeper recession in Germany and Slovenia's other main trading partners would reduce foreign demand and Slovenian exports. Amid high energy prices, energy-intensive activities would be more affected and business investment would decline in an uncertain environment. Estimates of the impact of a full disruption of Russian gas supplies for the euro area countries are in the range of a few percentage points. If this were to happen already this year or in the winter months, the effect would be stronger due to the pressure of input energy costs and/or additional production constraints, because in the short term a rapid replacement of Russian gas on a large scale is not possible.[29] In this case, especially in 2023, additional fiscal incentives would also be needed, and are possible because the escape clause is maintained. It is not yet clear whether it will continue to be applied in 2024, and due to the increase in public debt in EU Member States as a result of the COVID-19 epidemic, room for fiscal manoeuvre is limited. If GDP growth in the euro area were to be lower by 2 to 2.5 p.p. due to the tightening of the energy situation, economic growth in Slovenia would also be lower than predicted in the baseline scenario, by 1.5 to 2 p.p., with a relatively smaller impact in 2022, as it would only affect developments in the last quarter.

There are also other downside risks to economic activity at the global level, related to the pandemic situation, the effect of climatic conditions, the slowdown in growth in China due to the increasingly negative impact of the crisis on the real estate market there, social unrest, including due to rising fuel and food prices, and geopolitical conflicts. The emergence of new variants that could seriously worsen the health situation and require more stringent containment measures, especially in light of China's zero-COVID-19 policy and the deteriorating situation in Ukraine, could lead to further disruptions in global supply chains. The war in Ukraine could split the world into two major geopolitical blocs, which would reduce the effectiveness of international cooperation, including in addressing food crises and the rising negative impacts of climate change. Rising temperatures and the increasing number of extreme weather events are already having an impact on climate-sensitive activities such as agriculture, forestry, energy, transport and tourism.

[29] The EU has already partially adjusted to lower imports of Russian gas, including through higher imports of liquefied natural gas (LNG) (64% year-on-year increase in the first 34 weeks of 2022 (Bruegel, 2022)). However, the complete replacement of this Russian energy source requires more time and investment.

Inflationary pressures could lead to a faster tightening of monetary policy. In addition to higher energy prices, higher food prices – which depend on energy prices – and extreme weather events due to climate change, such as the extremely widespread and prolonged droughts this year, could continue to have a strong impact in terms of maintaining high inflation. These price shocks could lead to a combination of recession and high inflation (stagflation). Higher inflation and the strengthening of inflation expectations could lead to a wage-inflation spiral via demands for wage increases, which – should this happen at the euro area level – could lead to a faster tightening of monetary policy with negative effects on lending and investment activity.

There are, however, also some upside risks to the baseline projections. Private consumption would be less affected by price increases if households were to use more of their savings accumulated during the epidemic. A more effective absorption of the full package of EU funds, both in Slovenia and in our main trading partners, would also have a positive impact on economic growth, providing an opportunity to strengthen the development content, the most important of which are: increased support for research, innovation and digitalisation to boost productivity; green transformation with the transition to more sustainable economic development; and systemic adjustments to social protection systems, driven mainly by demographic trends. This could increase the long-term potential of EU Member States through the reallocation of resources, which has already been accelerated by the epidemic, with significant positive cross-sectoral and transnational impacts. In this context, the realisation of the planned public and private investment projects will play a significant role. The limited availability of fossil fuels and the increase in their prices after the start of the war in Ukraine strengthen the incentives for a faster transition to renewable energy sources and an increase in energy efficiency, which can further boost investment in the medium term, for which, in addition to securing additional public and private funding, faster siting procedures is needed.

4 Output gap and potential GDP growth

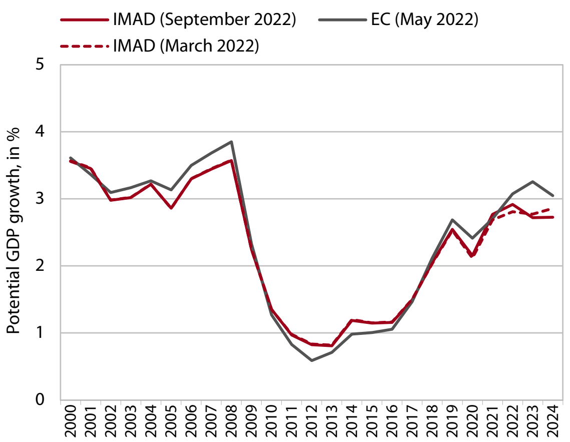
Under the current conditions of domestic and international risks, the estimate of potential GDP[30] and consequently the output gap is subject to high uncertainties and risks of subsequent changes. As potential GDP cannot be measured directly, estimates of it can change depending on input data or the 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 of high risk to the realization of the forecast, the current estimates of potential GDP and the output gap should 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 growth is likely to remain solid this year and over the next two years, despite the slowdown in economic activity. This will be supported by the expected strengthening of investment and thus of capital, and to some extent also by improved labour market conditions. Growth of potential GDP strengthened gradually until 2019. After a slight decrease in 2020, growth increased again last year, and we estimate that the impact of the coronavirus crisis on production factors was limited due to the job retention measures taken. Potential growth is expected to amount to 2.8% on average in the forecast period (2022–2024). The greatest contribution to this will still be made by *total factor productivity* (1.5 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 significantly in 2022–2024, but it will remain lower on average (at 0.7 p.p.) than in the long period of time before the previous crisis.[31] 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.

[30] 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 (based on SURS data); 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).

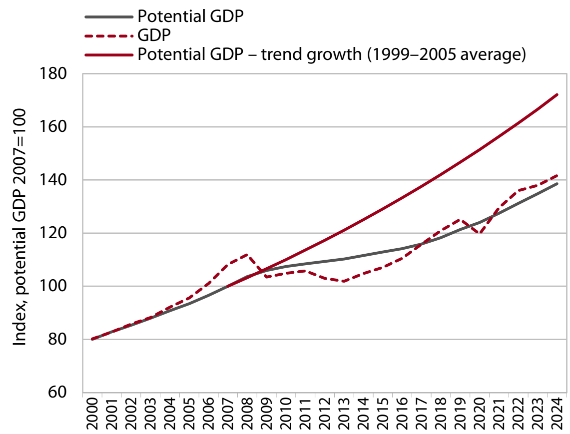
[31] The contribution of capital to potential GDP growth in 2000–2008, when it was relatively stable, averaged 1.7 p.p.

Figure 30: Potential GDP change: a comparison of IMAD and EC calculations



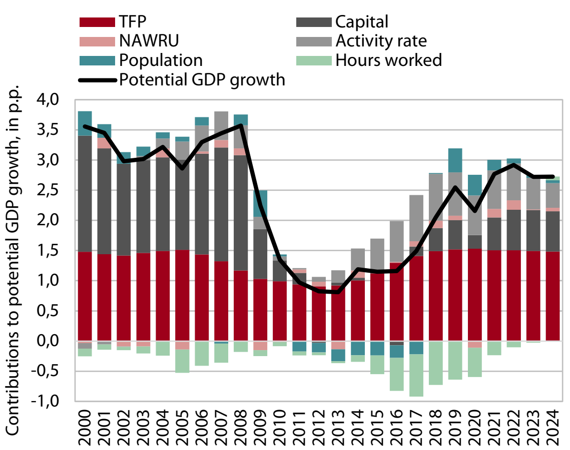
Source: SURS; estimates by IMAD and the EC.

Figure 31: GDP and potential GDP



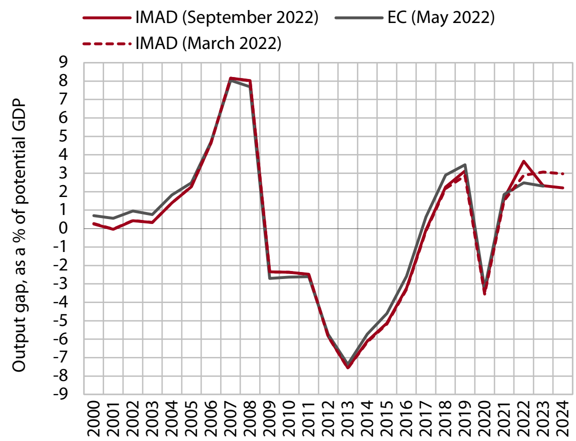
Source: SURS, estimates by IMAD.

Figure 32: Contributions of individual components to potential GDP growth



Source: SURS, estimates by IMAD.

Figure 33: Output gap: a comparison of IMAD and EC calculations



Source: SURS, estimates by IMAD and the EC.

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statistical appendix

Table of contents

Table 1: Main macroeconomic indicators of Slovenia

Real growth rates in %, unless otherwise indicated

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
									forecast		
GROSS DOMESTIC PRODUCT	2.8	2.2	3.2	4.8	4.5	3.5	-4.3	8.2	5.0	1.4	2.6
GDP in EUR m (current prices)	37,634	38,853	40,443	43,011	45,876	48,533	47,021	52,208	57,921	61,951	65,311
GDP per capita in EUR (current prices and at current exchange rate)	18,253	18,830	19,589	20,820	22,142	23,233	22,361	24,770	27,432	29,275	30,792
GDP per capita in USD (current prices and at current exchange rate)	24,249	20,892	21,683	23,521	26,149	26,009	25,541	29,295	29,023	29,919	31,469
GDP per capita (PPS)[1]	22,100	22,700	23,600	25,100	26,400	27,700	26,500	29,100			
GDP per capita (PPS EU27=100)[1]	83	83	84	86	87	88	89	90			
EMPLOYMENT AND PRODUCTIVITY											
Employment according to National Accounts	0.4	1.3	1.8	2.9	3.2	2.5	-0.7	1.3	3.0	0.8	0.7
Registered unemployed (annual average in thousand)	120.1	112.7	103.2	88.6	78.5	74.2	85.0	74.3	57.1	54.4	52.8
Rate of registered unemployment in %	13.1	12.3	11.2	9.5	8.2	7.7	8.7	7.6	5.8	5.5	5.3
Rate of unemployment by ILO in %	9.7	9.0	8.0	6.6	5.1	4.5	5.0	4.7	4.2	4.1	3.9
Labour productivity (GDP per employee)	2.4	0.9	1.3	1.8	1.3	1.0	-3.7	6.8	1.9	0.7	2.0
WAGES											
Gross wage per employee - nominal growth in %	1.1	1.0	1.8	2.7	3.4	4.3	5.8	6.1	2.2	6.0	4.5
Private sector activities	1.4	0.5	1.7	2.9	4.0	3.9	4.4	6.1	5.5	5.1	5.0
Public service activities	0.9	2.1	2.3	2.9	3.0	5.4	7.8	6.5	-2.7	7.6	3.4
Gross wage per employee - real growth in %	0.9	1.5	2.0	1.3	1.6	2.7	5.9	4.1	-6.2	0.0	1.5
Private sector activities	1.2	1.0	1.8	1.5	2.3	2.2	4.5	4.1	-3.1	-0.8	2.1
Public service activities	0.7	2.6	2.4	1.5	1.3	3.7	7.9	4.5	-10.6	1.5	0.5
INTERNATIONAL TRADE											
Exports of goods and services	6.0	4.7	6.2	11.1	6.2	4.5	-8.6	14.5	5.0	2.5	4.7
Exports of goods	6.3	5.3	5.7	11.0	5.7	4.5	-5.5	13.4	1.4	1.3	3.7
Exports of services	5.0	2.4	8.0	11.2	7.7	4.6	-20.0	19.3	20.2	7.2	8.6
Imports of goods and services	4.2	4.3	6.3	10.7	7.1	4.7	-9.6	17.6	6.5	2.2	3.8
Imports of goods	3.8	5.1	6.6	10.7	7.4	5.0	-8.6	17.2	5.0	1.6	3.5
Imports of services	6.1	0.1	4.7	10.5	5.4	3.0	-15.0	19.5	15.0	6.1	5.9

Table 1: Main macroeconomic indicators of Slovenia - continue

Real growth rates in %, unless otherwise indicated

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
										forecast	
BALANCE OF PAYMENTS STATISTICS											
Current account balance in EUR m	1,918	1,483	1,932	2,674	2,731	2,884	3,552	1,985	-312	-324	64
- As a per cent share relative to GDP	5.1	3.8	4.8	6.2	6.0	5.9	7.6	3.8	-0.5	-0.5	0.1
External balance of goods and services in EUR m	2,640	3,122	3,465	3,870	3,896	4,205	4,390	3,337	1,083	1,181	1,813
- As a per cent share relative to GDP	7.0	8.0	8.6	9.0	8.5	8.7	9.3	6.4	1.9	1.9	2.8
FINAL DOMESTIC DEMAND											
Final consumption	1.1	2.1	3.9	1.5	3.3	4.4	-4.1	8.4	4.3	0.7	1.9
As a % of GDP	73.9	72.8	73.0	71.0	70.2	70.8	70.7	71.8	73.0	73.0	72.7
in which:											
Private consumption	1.6	2.0	4.4	1.9	3.5	5.3	-6.9	9.5	5.4	0.3	1.9
As a % of GDP	55.0	54.0	54.0	52.5	52.0	52.4	50.1	51.1	53.9	53.5	53.2
Government consumption	-0.2	2.3	2.4	0.4	2.9	1.8	4.1	5.8	1.4	1.7	1.9
As a % of GDP	18.9	18.8	19.0	18.5	18.2	18.3	20.6	20.6	19.1	19.5	19.4
Gross fixed capital formation	-0.1	-1.2	-3.6	10.2	10.2	5.1	-7.9	13.7	6.5	2.5	2.0
As a % of GDP	19.1	18.7	17.4	18.3	19.3	19.6	18.9	20.3	22.3	22.1	21.8
EXCHANGE RATE AND PRICES											
Ratio of USD to EUR	1.329	1.110	1.107	1.129	1.181	1.120	1.141	1.184	1.058	1.022	1.022
Real effective exchange rate - deflated by CPI[2]	-0.2	-4.1	0.2	0.4	0.8	-0.3	-0.4	-0.7	0.7	1.7	0.8
Inflation (end of the year), %[3]	0.2	-0.4	0.5	1.7	1.4	1.8	-1.1	4.9	9.8	3.9	2.2
Inflation (year average), %[3]	0.2	-0.5	-0.1	1.4	1.7	1.6	-0.1	1.9	8.9	6.0	2.9
Brent Crude Oil Price USD / barrel	98.9	52.4	44.8	54.3	71.0	64.3	41.8	70.7	103.1	89.5	83.9

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

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

EUR million, current prices

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
										forecast		
A	Agriculture, forestry and fishing	759.1	814.6	800.8	791.3	1,030.1	975.4	984.5	882.0	921.7	1,048.8	1,110.3
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	8,736.8	9,080.9	9,492.3	10,187.9	10,696.7	11,495.3	11,240.7	12,045.5	13,495.7	14,496.5	15,316.1
	of which: C Manufacturing	7,385.1	7,747.0	8,156.2	8,848.8	9,316.7	10,009.8	9,658.0	10,455.7	11,642.2	12,699.9	13,388.8
F	Construction	1,852.3	1,808.3	1,817.8	2,002.5	2,287.7	2,530.9	2,504.4	2,824.3	3,591.1	3,934.5	4,147.9
GHI	Trade, transportation and storage, accommodation and food service activities	6,497.2	6,852.4	7,251.2	7,815.4	8,417.3	8,843.2	8,015.3	9,137.0	10,367.9	10,934.9	11,462.8
J	Information and communication	1,391.5	1,357.4	1,388.2	1,488.1	1,545.4	1,701.8	1,768.3	2,016.8	2,172.6	2,478.0	2,645.8
K	Financial and insurance activities	1,304.1	1,362.2	1,337.5	1,407.7	1,514.9	1,605.6	1,631.2	1,955.2	1,709.3	1,766.2	1,731.4
L	Real estate activities	2,529.9	2,652.9	2,771.4	2,853.3	2,975.0	3,054.1	3,066.5	3,256.3	3,852.4	4,182.3	4,409.2
MN	Professional, scientific, technical, administrative and support services	3,222.7	3,346.6	3,459.3	3,795.0	4,091.0	4,213.7	3,914.6	4,452.9	5,126.6	5,607.2	6,172.6
OPQ	Public administration, education, human health and social work	5,389.7	5,469.2	5,805.9	6,087.1	6,420.2	6,907.7	7,556.7	8,335.0	8,372.8	8,786.3	9,124.3
RST	Other service activities	848.9	847.2	905.0	941.6	983.1	1,058.6	886.3	974.9	1,130.0	1,203.7	1,274.2
1. TOTAL VALUE ADDED		**32,532.0**	**33,591.7**	**35,029.6**	**37,370.0**	**39,961.4**	**42,386.2**	**41,568.7**	**45,880.0**	**50,740.2**	**54,438.4**	**57,394.4**
2. CORRECTIONS (a-b)		5,102.3	5,260.9	5,413.7	5,641.4	5,915.0	6,146.9	5,451.9	6,328.0	7,181.3	7,512.4	7,916.7
a) Taxes on products and services		5,134.7	5,291.0	5,445.5	5,673.7	5,950.4	6,185.9	5,476.7	6,363.8	7,227.7	7,561.7	7,967.5
b) Subsidies on products and services		32.4	30.1	31.9	32.3	35.5	39.0	24.8	35.8	46.4	49.3	50.8
3. GROSS DOMESTIC PRODUCT (3=1+2)		**37,634.3**	**38,852.6**	**40,443.2**	**43,011.3**	**45,876.3**	**48,533.1**	**47,020.6**	**52,208.1**	**57,921.4**	**61,950.8**	**65,311.1**

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

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
										forecast		
A	Agriculture, forestry and fishing	2.0	2.1	2.0	1.8	2.2	2.0	2.1	1.7	1.6	1.7	1.7
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	23.2	23.4	23.5	23.7	23.3	23.7	23.9	23.1	23.3	23.4	23.5
	of which: C Manufacturing	19.6	19.9	20.2	20.6	20.3	20.6	20.5	20.0	20.1	20.5	20.5
F	Construction	4.9	4.7	4.5	4.7	5.0	5.2	5.3	5.4	6.2	6.4	6.4
GHI	Trade, transportation and storage, accommodation and food service activities	17.3	17.6	17.9	18.2	18.3	18.2	17.0	17.5	17.9	17.7	17.6
J	Information and communication	3.7	3.5	3.4	3.5	3.4	3.5	3.8	3.9	3.8	4.0	4.1
K	Financial and insurance activities	3.5	3.5	3.3	3.3	3.3	3.3	3.5	3.7	3.0	2.9	2.7
L	Real estate activities	6.7	6.8	6.9	6.6	6.5	6.3	6.5	6.2	6.7	6.8	6.8
MN	Professional, scientific, technical, administrative and support services	8.6	8.6	8.6	8.8	8.9	8.7	8.3	8.5	8.9	9.1	9.5
OPQ	Public administration, education, human health and social work	14.3	14.1	14.4	14.2	14.0	14.2	16.1	16.0	14.5	14.2	14.0
RST	Other service activities	2.3	2.2	2.2	2.2	2.1	2.2	1.9	1.9	2.0	2.0	2.0
1. TOTAL VALUE ADDED		**86.4**	**86.5**	**86.6**	**86.9**	**87.1**	**87.3**	**88.4**	**87.9**	**87.6**	**87.9**	**87.9**
2. CORRECTIONS (a-b)		13.6	13.5	13.4	13.1	12.9	12.7	11.6	12.1	12.4	12.1	12.1
a) Taxes on products and services		13.6	13.6	13.5	13.2	13.0	12.7	11.6	12.2	12.5	12.2	12.2
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 2021 prices		
		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
										forecast		
A	Agriculture, forestry and fishing	733.0	858.7	803.3	760.6	957.2	981.7	1,016.7	887.3	838.3	863.1	871.7
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	8,695.4	8,891.7	9,543.7	10,148.1	10,518.9	11,431.4	11,087.5	12,288.1	12,280.4	12,311.2	12,600.5
	of which: C Manufacturing	7,300.8	7,593.1	8,177.8	8,788.3	9,137.9	10,081.2	9,699.1	10,759.9	10,612.5	10,665.6	10,932.2
F	Construction	1,820.9	1,792.9	1,748.8	1,953.9	2,156.8	2,469.9	2,482.6	2,754.2	3,009.3	3,098.1	3,082.6
GHI	Trade, transportation and storage, accommodation and food service activities	6,522.2	6,858.4	7,235.4	7,800.7	8,294.0	8,703.0	8,226.3	8,538.2	10,162.7	10,279.7	10,644.6
J	Information and communication	1,383.8	1,419.0	1,351.6	1,458.3	1,571.9	1,653.5	1,764.0	2,026.9	2,165.0	2,315.5	2,467.2
K	Financial and insurance activities	1,239.6	1,261.4	1,397.8	1,331.9	1,418.5	1,587.6	1,625.3	1,976.3	1,858.4	1,792.4	1,828.3
L	Real estate activities	2,605.0	2,534.5	2,651.8	2,811.9	2,907.1	3,008.1	3,040.3	3,131.7	3,313.3	3,328.2	3,359.9
MN	Professional, scientific, technical, administrative and support services	3,287.1	3,373.6	3,453.2	3,724.3	4,044.6	3,997.1	3,785.6	4,284.4	4,882.6	5,090.2	5,344.7
OPQ	Public administration, education, human health and social work	5,460.5	5,400.5	5,603.0	5,917.1	6,206.2	6,530.5	7,074.5	7,850.7	8,510.0	8,625.0	8,767.3
RST	Other service activities	847.1	842.5	891.0	922.5	959.4	1,023.6	885.3	947.5	1,102.0	1,124.1	1,169.6
1. TOTAL VALUE ADDED		**32,594.5**	**33,233.0**	**34,679.6**	**36,829.0**	**39,034.3**	**41,386.4**	**40,988.2**	**44,684.9**	**48,122.1**	**48,827.5**	**50,136.3**
2. CORRECTIONS (a-b)		4,868.9	5,233.0	5,413.1	5,561.7	5,892.9	6,073.2	5,447.6	6,196.7	6,693.5	6,777.6	6,937.8
a) Taxes on products and services		4,901.7	5,266.3	5,442.9	5,594.8	5,927.2	6,109.4	5,467.3	6,239.5	6,736.1	6,820.4	6,980.6
b) Subsidies on products and services		32.8	33.3	29.7	33.1	34.3	36.2	19.8	42.8	42.6	42.7	42.8
3. GROSS DOMESTIC PRODUCT (3=1+2)		**37,463.4**	**38,466.0**	**40,092.8**	**42,390.7**	**44,927.2**	**47,459.6**	**46,435.8**	**50,881.6**	**54,815.6**	**55,605.1**	**57,074.2**

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 %

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
										forecast		
A	Agriculture, forestry and fishing	2.0	13.1	-1.4	-5.0	21.0	-4.7	4.2	-9.9	-5.0	3.0	1.0
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	4.0	1.8	5.1	6.9	3.2	6.9	-3.5	9.3	1.9	0.3	2.3
	of which: C Manufacturing	4.5	2.8	5.6	7.7	3.3	8.2	-3.1	11.4	1.5	0.5	2.5
F	Construction	9.8	-3.2	-3.3	7.5	7.7	8.0	-1.9	10.0	6.5	3.0	-0.5
GHI	Trade, transportation and storage, accommodation and food service activities	3.5	5.6	5.6	7.6	6.1	3.4	-7.0	6.5	11.2	1.2	3.5
J	Information and communication	4.7	2.0	-0.4	5.0	5.6	7.0	3.7	14.6	7.3	7.0	6.5
K	Financial and insurance activities	-1.4	-3.3	2.6	-0.4	0.8	4.8	1.2	21.2	-5.0	-3.5	2.0
L	Real estate activities	1.3	0.2	0.0	1.5	1.9	1.1	-0.5	2.1	1.7	0.5	1.0
MN	Professional, scientific, technical, administrative and support services	9.2	4.7	3.2	7.7	6.6	-2.3	-10.2	9.4	9.6	4.3	5.0
OPQ	Public administration, education, human health and social work	0.3	0.2	2.4	1.9	2.0	1.7	2.4	3.9	2.1	1.4	1.6
RST	Other service activities	-1.1	-0.8	5.2	1.8	1.9	4.1	-16.4	6.9	13.0	2.0	4.0
1. TOTAL VALUE ADDED		**3.4**	**2.2**	**3.2**	**5.1**	**4.5**	**3.6**	**-3.3**	**7.5**	**4.9**	**1.5**	**2.7**
2. CORRECTIONS (a-b)		-1.5	2.6	2.9	2.7	4.5	2.7	-11.4	13.7	5.8	1.3	2.4
a) Taxes on products and services		-1.6	2.6	2.9	2.7	4.5	2.7	-11.6	13.9	5.8	1.3	2.3
b) Subsidies on products and services		-1.9	2.8	-1.1	3.7	6.0	2.1	-49.3	72.9	19.0	0.2	0.2
3. GROSS DOMESTIC PRODUCT (3=1+2)		**2.8**	**2.2**	**3.2**	**4.8**	**4.5**	**3.5**	**-4.3**	**8.2**	**5.0**	**1.4**	**2.6**

Source of data: SURS, forecasts by IMAD.

Table 4a: Gross domestic product and primary incomes

EUR million, current prices

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
										forecast	
1. Compensation of employees	18,408.0	18,935.4	19,966.0	21,246.0	22,818.3	24,581.7	25,213.2	27,542.9	29,498.4	31,622.3	33,298.3
Wages and salaries	15,792.6	16,223.9	17,167.0	18,270.3	19,608.3	21,130.0	21,605.0	23,602.0	25,277.7	27,097.7	28,533.9
Employers' social contributions	2,615.4	2,711.5	2,799.0	2,975.8	3,210.1	3,451.7	3,608.2	3,940.9	4,220.7	4,524.6	4,764.4
2. Taxes on production and imports	**5,638.3**	**5,799.1**	**5,959.8**	**6,187.1**	**6,483.0**	**6,780.3**	**6,037.3**	**6,949.4**	**7,912.5**	**8,328.3**	**8,756.7**
Taxes on products and services	5,134.7	5,291.0	5,445.5	5,673.7	5,950.4	6,185.9	5,476.7	6,363.8	7,227.7	7,561.7	7,967.5
Other taxes on production	503.6	508.1	514.3	513.4	532.6	594.4	560.6	585.6	684.8	766.6	789.2
3. Subsidies	**581.5**	**528.1**	**548.1**	**575.3**	**594.7**	**619.2**	**2,092.5**	**1,508.9**	**973.0**	**1,196.0**	**868.0**
Subsidies on products and services	32.4	30.1	31.9	32.3	35.5	39.0	24.8	35.8	46.4	49.3	50.8
Other subsidies on production	549.1	498.1	516.2	543.0	559.2	580.2	2,067.7	1,473.1	926.6	1,146.7	817.2
4. Gross operating surplus / mixed income	**14,169.5**	**14,646.4**	**15,065.5**	**16,153.5**	**17,169.7**	**17,790.3**	**17,862.7**	**19,224.7**	**21,483.5**	**23,196.2**	**24,124.1**
Consumption of fixed capital	7,792.2	7,991.3	8,093.2	8,306.4	8,604.2	8,891.0	9,169.2	9,516.9	10,992.0	11,749.4	12,219.3
Net operating surplus	6,377.3	6,655.1	6,972.3	7,847.1	8,565.5	8,899.3	8,693.5	9,707.8	10,491.5	11,446.8	11,904.8
5. Gross domestic product (5=1+2-3+4)	**37,634.3**	**38,852.6**	**40,443.2**	**43,011.3**	**45,876.3**	**48,533.1**	**47,020.6**	**52,208.1**	**57,921.4**	**61,950.8**	**65,311.1**

Source of data: SURS, forecasts by IMAD.

Table 4b: Gross domestic product and primary incomes

Structure in %, current prices

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
										forecast	
1. Compensation of employees	48.9	48.7	49.4	49.4	49.7	50.6	53.6	52.8	50.9	51.0	51.0
Wages and salaries	42.0	41.8	42.4	42.5	42.7	43.5	45.9	45.2	43.6	43.7	43.7
Employers' social contributions	6.9	7.0	6.9	6.9	7.0	7.1	7.7	7.5	7.3	7.3	7.3
2. Taxes on production and imports	**15.0**	**14.9**	**14.7**	**14.4**	**14.1**	**14.0**	**12.8**	**13.3**	**13.7**	**13.4**	**13.4**
Taxes on products and services	13.6	13.6	13.5	13.2	13.0	12.7	11.6	12.2	12.5	12.2	12.2
Other taxes on production	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.1	1.2	1.2	1.2
3. Subsidies	**1.5**	**1.4**	**1.4**	**1.3**	**1.3**	**1.3**	**4.5**	**2.9**	**1.7**	**1.9**	**1.3**
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	1.5	1.3	1.3	1.3	1.2	1.2	4.4	2.8	1.6	1.9	1.3
4. Gross operating surplus / mixed income	**37.7**	**37.7**	**37.3**	**37.6**	**37.4**	**36.7**	**38.0**	**36.8**	**37.1**	**37.4**	**36.9**
Consumption of fixed capital	20.7	20.6	20.0	19.3	18.8	18.3	19.5	18.2	19.0	19.0	18.7
Net operating surplus	16.9	17.1	17.2	18.2	18.7	18.3	18.5	18.6	18.1	18.5	18.2
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

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
										forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**37,634.3**	**38,852.6**	**40,443.2**	**43,011.3**	**45,876.3**	**48,533.1**	**47,020.6**	**52,208.1**	**57,921.4**	**61,950.8**	**65,311.1**
2	EXPORTS OF GOODS AND SERVICES	28,659.2	29,974.3	31,383.2	35,753.4	38,899.8	40,621.9	36,554.1	43,661.6	52,273.2	54,571.6	57,246.0
3	IMPORTS OF GOODS AND SERVICES	26,117.4	26,865.5	27,929.9	31,892.4	35,026.5	36,448.3	32,206.7	40,351.8	51,225.4	53,429.6	55,475.9
4	EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	2,541.7	3,108.8	3,453.3	3,860.9	3,873.3	4,173.7	4,347.5	3,309.8	1,047.9	1,141.9	1,770.0
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	35,092.6	35,743.8	36,989.9	39,150.4	42,003.0	44,359.5	42,673.2	48,898.3	56,873.6	60,808.8	63,541.1
6	FINAL CONSUMPTION (6=7+8)	27,801.3	28,298.3	29,537.5	30,535.2	32,227.4	34,351.0	33,257.3	37,467.8	42,261.0	45,247.7	47,458.4
7	PRIVATE CONSUMPTION	20,692.9	20,985.0	21,838.9	22,598.4	23,856.5	25,453.2	23,558.4	26,689.6	31,209.0	33,174.5	34,777.3
	- Households	20,339.1	20,640.2	21,475.4	22,218.6	23,449.8	25,021.7	23,145.1	26,205.6	30,674.9	32,597.1	34,173.0
	- NPISH's	353.8	344.8	363.5	379.8	406.7	431.5	413.3	484.0	534.1	577.4	604.3
8	GOVERNMENT CONSUMPTION	7,108.4	7,313.3	7,698.6	7,936.7	8,371.0	8,897.9	9,698.9	10,778.2	11,051.9	12,073.2	12,681.1
9	GROSS CAPITAL FORMATION (9=10+11)	7,291.3	7,445.6	7,452.4	8,615.2	9,775.6	10,008.4	9,415.9	11,430.4	14,612.6	15,561.1	16,082.7
10	GROSS FIXED CAPITAL FORMATION	7,191.0	7,247.8	7,028.7	7,879.8	8,869.3	9,495.6	8,870.0	10,618.5	12,891.9	13,709.8	14,256.9
11	CHANGES IN INVENTORIES AND VALUABLES	100.3	197.8	423.8	735.4	906.3	512.8	545.8	811.9	1,720.7	1,851.3	1,825.8

Source of data: SURS, forecasts by IMAD.

Table 5b: Gross domestic product by expenditures

Structure in %, current prices

		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
										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	76.2	77.1	77.6	83.1	84.8	83.7	77.7	83.6	90.2	88.1	87.7
3	IMPORTS OF GOODS AND SERVICES	69.4	69.1	69.1	74.1	76.3	75.1	68.5	77.3	88.4	86.2	84.9
4	EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	6.8	8.0	8.5	9.0	8.4	8.6	9.2	6.3	1.8	1.8	2.7
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	93.2	92.0	91.5	91.0	91.6	91.4	90.8	93.7	98.2	98.2	97.3
6	FINAL CONSUMPTION (6=7+8)	73.9	72.8	73.0	71.0	70.2	70.8	70.7	71.8	73.0	73.0	72.7
7	PRIVATE CONSUMPTION	55.0	54.0	54.0	52.5	52.0	52.4	50.1	51.1	53.9	53.5	53.2
	- Households	54.0	53.1	53.1	51.7	51.1	51.6	49.2	50.2	53.0	52.6	52.3
	- 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	18.9	18.8	19.0	18.5	18.2	18.3	20.6	20.6	19.1	19.5	19.4
9	GROSS CAPITAL FORMATION (9=10+11)	19.4	19.2	18.4	20.0	21.3	20.6	20.0	21.9	25.2	25.1	24.6
10	GROSS FIXED CAPITAL FORMATION	19.1	18.7	17.4	18.3	19.3	19.6	18.9	20.3	22.3	22.1	21.8
11	CHANGES IN INVENTORIES AND VALUABLES	0.3	0.5	1.0	1.7	2.0	1.1	1.2	1.6	3.0	3.0	2.8

Source of data: SURS, forecasts by IMAD.

Table 6a: Gross domestic product by expenditures

EUR million

	constant previous year prices								constant 2021 prices		
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
									forecast		
1 **GROSS DOMESTIC PRODUCT (1=4+5)**	**37,463.4**	**38,466.0**	**40,092.8**	**42,390.7**	**44,927.2**	**47,459.6**	**46,435.8**	**50,881.6**	**54,815.6**	**55,605.1**	**57,074.2**
2 EXPORTS OF GOODS AND SERVICES	28,681.3	30,018.0	31,821.7	34,857.7	37,954.1	40,643.2	37,128.3	41,854.5	45,853.3	46,993.8	49,195.4
3 IMPORTS OF GOODS AND SERVICES	26,404.1	27,245.3	28,555.1	30,910.5	34,152.6	36,661.8	32,951.2	37,870.2	42,967.3	43,925.0	45,597.1
4 EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	2,277.2	2,772.6	3,266.7	3,947.2	3,801.6	3,981.4	4,177.0	3,984.3	2,886.0	3,068.8	3,598.3
5 TOTAL DOMESTIC CONSUMPTION (5=6+9)	35,186.3	35,693.4	36,826.1	38,443.5	41,125.7	43,478.2	42,258.8	46,897.2	51,929.6	52,536.3	53,475.9
6 FINAL CONSUMPTION (6=7+8)	27,923.8	28,387.8	29,408.8	29,984.9	31,557.6	33,642.1	32,958.3	36,056.7	39,070.7	39,335.5	40,070.9
7 PRIVATE CONSUMPTION	20,781.5	21,112.7	21,918.4	22,254.5	23,394.2	25,118.5	23,693.4	25,797.9	28,141.6	28,220.6	28,750.3
- Households	20,427.7	20,769.2	21,559.8	21,882.1	22,995.6	24,701.1	23,275.6	25,324.2	27,660.0	27,729.4	28,250.7
- NPISH's	353.8	343.5	358.6	372.4	398.6	417.4	417.8	473.7	481.6	491.2	499.6
8 GOVERNMENT CONSUMPTION	7,142.3	7,275.1	7,490.4	7,730.3	8,163.3	8,523.5	9,264.9	10,258.8	10,929.1	11,114.9	11,320.6
9 GROSS CAPITAL FORMATION (9=10+11)	7,262.4	7,305.6	7,417.3	8,458.6	9,568.1	9,836.1	9,300.5	10,840.6	12,858.9	13,200.7	13,405.0
10 GROSS FIXED CAPITAL FORMATION	7,152.8	7,103.8	6,987.6	7,744.3	8,679.8	9,319.8	8,744.8	10,084.0	11,308.7	11,597.1	11,823.3
11 CHANGES IN INVENTORIES AND VALUABLES	109.6	201.8	429.7	714.4	888.2	516.4	555.7	756.6	1,550.2	1,603.7	1,581.6

Source of data: SURS, forecasts by IMAD.

Table 6b: Gross domestic product by expenditures

Real growth rates in %

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
									forecast		
1 **GROSS DOMESTIC PRODUCT (1=4+5)**	**2.8**	**2.2**	**3.2**	**4.8**	**4.5**	**3.5**	**-4.3**	**8.2**	**5.0**	**1.4**	**2.6**
2 EXPORTS OF GOODS AND SERVICES	6.0	4.7	6.2	11.1	6.2	4.5	-8.6	14.5	5.0	2.5	4.7
3 IMPORTS OF GOODS AND SERVICES	4.2	4.3	6.3	10.7	7.1	4.7	-9.6	17.6	6.5	2.2	3.8
4 *EXTERNAL BALANCE OF GOODS AND SERVICES*[1]	*1.6*	*0.6*	*0.4*	*1.2*	*-0.1*	*0.2*	*0.0*	*-0.8*	*-0.8*	*0.3*	*1.0*
5 TOTAL DOMESTIC CONSUMPTION (5=6+9)	1.3	1.7	3.0	3.9	5.0	3.5	-4.7	9.9	6.2	1.2	1.8
6 FINAL CONSUMPTION (6=7+8)	1.1	2.1	3.9	1.5	3.3	4.4	-4.1	8.4	4.3	0.7	1.9
7 PRIVATE CONSUMPTION	1.6	2.0	4.4	1.9	3.5	5.3	-6.9	9.5	5.4	0.3	1.9
- Households	1.6	2.1	4.5	1.9	3.5	5.3	-7.0	9.4	5.5	0.3	1.9
- NPISH's	3.3	-2.9	4.0	2.5	5.0	2.6	-3.2	14.6	-0.5	2.0	1.7
8 GOVERNMENT CONSUMPTION	-0.2	2.3	2.4	0.4	2.9	1.8	4.1	5.8	1.4	1.7	1.9
9 GROSS CAPITAL FORMATION (9=10+11)	1.7	0.2	-0.4	13.5	11.1	0.6	-7.1	15.1	12.5	2.7	1.5
10 GROSS FIXED CAPITAL FORMATION	-0.1	-1.2	-3.6	10.2	10.2	5.1	-7.9	13.7	6.5	2.5	2.0
11 *CHANGES IN INVENTORIES AND VALUABLES*[1]	*0.3*	*0.3*	*0.6*	*0.7*	*0.4*	*-0.8*	*0.1*	*0.4*	*1.4*	*0.1*	*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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
									forecast		
I. CURRENT ACCOUNT	**1,918**	**1,483**	**1,932**	**2,674**	**2,731**	**2,884**	**3,552**	**1,985**	**-312**	**-324**	**64**
1. GOODS	1,175	1,476	1,524	1,617	1,272	1,298	2,333	882	-2,313	-2,610	-2,564
1.1. Exports of goods	22,860	23,947	24,883	28,372	30,808	31,999	29,622	35,255	41,754	43,058	44,586
1.2. Imports of goods	21,685	22,471	23,360	26,756	29,535	30,701	27,289	34,373	44,067	45,668	47,149
2. SERVICES	1,465	1,646	1,941	2,254	2,624	2,907	2,057	2,455	3,396	3,790	4,377
2.1. Exports	5,710	5,952	6,517	7,394	8,124	8,659	6,956	8,447	10,570	11,569	12,721
- Transport	1,529	1,654	1,839	2,164	2,431	2,512	2,316	2,658	3,099	3,274	3,466
- Travel	2,140	2,162	2,271	2,523	2,704	2,843	1,237	1,685	2,683	3,150	3,704
- Other	2,041	2,136	2,407	2,706	2,989	3,303	3,404	4,105	4,788	5,144	5,551
2.2. Imports	4,245	4,306	4,575	5,140	5,500	5,751	4,899	5,992	7,174	7,779	8,345
- Transport	814	846	917	1,098	1,107	1,185	1,128	1,553	1,907	2,037	2,156
- Travel	1,119	1,109	1,176	1,322	1,483	1,500	720	1,020	1,359	1,500	1,671
- Other	2,311	2,351	2,482	2,720	2,911	3,066	3,051	3,419	3,907	4,241	4,517
1., 2. EXTERNAL BALANCE OF GOODS AND SERVICES	**2,640**	**3,122**	**3,465**	**3,870**	**3,896**	**4,205**	**4,390**	**3,337**	**1,083**	**1,181**	**1,813**
Exports of goods and services	28,570	29,900	31,400	35,766	38,931	40,658	36,579	43,702	52,324	54,627	57,307
Imports of goods and services	25,930	26,778	27,935	31,896	35,035	36,453	32,188	40,365	51,241	53,446	55,494
3. PRIMARY INCOME	**-437**	**-1,255**	**-1,139**	**-879**	**-769**	**-821**	**-386**	**-863**	**-954**	**-907**	**-1,103**
3.1. Receipts	888	1,070	1,259	1,381	1,633	1,749	1,653	1,960	1,918	2,048	2,068
- Compensation of employees	238	302	355	385	486	526	498	553	575	580	585
- Investment	368	511	637	703	802	845	716	953	843	875	918
- Other primary income	282	258	267	293	345	378	439	454	500	593	565
3.2. Expenditure	1,325	2,326	2,398	2,260	2,401	2,569	2,039	2,823	2,872	2,955	3,171
- Compensation of employees	118	126	132	149	173	195	178	205	225	230	240
- Investment	1,063	2,057	2,081	1,929	2,024	2,164	1,669	2,354	2,304	2,418	2,620
- Other primary income	144	143	184	182	204	211	192	264	343	306	311
4. SECONDARY INCOME	**-285**	**-384**	**-394**	**-317**	**-396**	**-500**	**-452**	**-489**	**-441**	**-598**	**-646**
4.1. Receipts	706	730	713	828	873	934	994	1,124	1,267	1,169	1,147
4.2. Expenditure	991	1,114	1,107	1,145	1,270	1,434	1,447	1,614	1,708	1,767	1,793
II. CAPITAL ACCOUNT	**79**	**412**	**-307**	**-324**	**-203**	**-222**	**-258**	**54**			
1. Non-produced non-financial assets	-24	-37	-45	-76	-24	-59	-96	-86			
2. Capital transfers	102	449	-262	-248	-178	-163	-163	140			
III. FINANCIAL ACCOUNT	**2,276**	**1,778**	**1,184**	**2,112**	**2,548**	**2,068**	**2,984**	**2,254**			
1. Direct investment	-584	-1,269	-864	-495	-934	-762	262	-398			
- Assets	155	292	434	570	373	1,157	708	1,397			
- Liabilities	739	1,560	1,298	1,065	1,307	1,919	446	1,795			
2. Portfolio investment	-3,951	3,039	5,024	2,990	744	734	-1,826	3,203			
3 Financial derivatives	-51	-98	-270	-185	-81	-163	53	30			
4. Other investment	6,773	219	-2,610	-287	2,767	2,221	4,329	-1,406			
4.1. Assets	4,812	-643	-2,216	-1,372	2,054	3,276	4,832	2,932			
4.2. Liabilities	-1,961	-862	394	-1,085	-713	1,055	502	4,339			
5. Reserve assets	89	-113	-97	89	52	37	166	824			
IV. NET ERRORS AND OMISSIONS	**279**	**-116**	**-441**	**-239**	**20**	**-594**	**-310**	**214**			

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
									forecast		
LABOUR SUPPLY											
Activity rate (20-64 years, in %)	75.1	76	76.2	78.6	79.5	79.9	79.5	78.7	80.1	81	81.7
Active population (ILO definition - in thousands)	1015	1008	995	1027	1033	1028	1029	1020	1033	1040	1045
- yearly growth (in %)	0.7	-0.7	-1.3	3.2	0.7	-0.5	0.1	-0.9	1.3	0.7	0.5
EMPLOYMENT AND UNEMPLOYMENT											
Employment (National accounts concept, in thousands)	931.7	943.9	961.2	989.2	1,020.8	1,045.9	1039.0	1,052.9	1,084.8	1,092.9	1,100.1
- yearly growth (in %)	0.4	1.3	1.8	2.9	3.2	2.5	-0.7	1.3	3.0	0.8	0.7
Employment (ILO concept, in thousands)	916.9	917.6	915.1	959.0	980.5	982.3	978.1	971.7	990.2	997.6	1,004.2
- yearly growth (in %)	1.2	0.1	-0.3	4.8	2.2	0.2	-0.4	-0.7	1.9	0.8	0.7
Employment rate (20-64 yeras, in %)	67.8	69.1	70.1	73.4	75.4	76.4	76	75.0	76.9	77.8	78.6
Formal employment (statistical register, in thousands) *	797.8	804.6	817.2	845.5	872.8	894.2	888.9	900.3	921.5	928.2	935.0
- yearly growth (in %)	0.5	0.9	1.6	3.5	3.2	2.5	-0.6	1.3	2.4	0.7	0.7
Paid employment (in thousands)	703.0	713.1	730.5	755.3	780.2	801.9	794.6	804.4	823.7	830.1	836.7
- yearly growth (in %)	0.6	1.4	2.4	3.4	3.3	2.8	-0.9	1.2	2.4	0.8	0.8
Self employed (in thousands)	94.8	91.6	86.7	90.2	92.6	92.3	94.3	95.8	97.8	98.1	98.3
- yearly growth (in %)	-0.1	-3.4	-5.3	4.0	2.7	-0.3	2.1	1.6	2.1	0.2	0.3
Unemployment (ILO concept, in thousands)	98.0	90.5	79.7	67.5	52.8	45.7	51.1	47.8	43.1	42.8	41.1
- yearly growth (in %)	-3.7	-7.7	-11.9	-15.3	-21.8	-13.4	11.8	-6.5	-9.9	-0.8	-4.0
Unemployment (registered, in thousands)	120.1	112.7	103.2	88.6	78.5	74.2	85.0	74.3	57.1	54.4	52.8
- yearly growth (in %)	0.2	-6.1	-8.5	-14.1	-11.5	-5.5	14.6	-12.6	-23.2	-4.8	-3.0
Unemployment rate (ILO concept, in %)	9.7	9.0	8.0	6.6	5.1	4.5	5.0	4.7	4.2	4.1	3.9
Unemployment rate (registered, in %)	13.1	12.3	11.2	9.5	8.2	7.7	8.7	7.6	5.8	5.5	5.3

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 %

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
									forecast		
Effective exchange rate[1]											
Nominal	0.2	-3.0	0.9	0.5	0.8	-0.4	0.8	0.0	-1.3	-0.3	0.0
Real - based on consumer prices	-0.2	-4.1	0.2	0.4	0.8	-0.3	-0.4	-0.7	0.7	1.7	0.8
Real - based on ULC in economy as a whole	-1.4	-3.4	1.1	0.1	0.8	0.9	3.7	-1.8	-3.0	1.4	0.6
Unit labour costs components											
Nominal unit labour costs	-1.1	0.6	1.8	1.2	2.7	3.9	7.3	1.1	1.9	5.6	2.6
Compensation of employees per employee	1.2	1.5	3.1	3.0	3.9	5.0	3.4	7.9	3.9	6.4	4.6
Labour productivity, real [2]	2.3	0.9	1.3	1.9	1.2	1.0	-3.7	6.8	1.9	0.7	2.0
Real unit labour costs	-1.5	-0.4	0.9	-0.3	0.5	1.7	6.0	-1.5	-3.5	0.2	-0.2
Labour productivity, nominal [3]	2.8	1.9	2.2	3.3	3.4	3.3	-2.5	9.6	7.7	6.2	4.7

Sources of data: SURS, ECB, Consensus Forecasts, European Comision, OECD, 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	2014	2015	2016	2017	2018	2019	2020	2021
I. TOTAL GENERAL GOVERNMENT REVENUES	**15,494**	**15,714**	**15,842**	**16,803**	**18,594**	**19,232**	**18,529**	**21,383**
TAX REVENUES	**13,193**	**13,746**	**14,241**	**15,162**	**16,225**	**17,179**	**16,460**	**18,786**
TAXES ON INCOME AND PROFIT	2,386	2,585	2,681	2,967	3,296	3,614	3,262	3,981
Personal income tax	1,916	1,986	2,079	2,197	2,447	2,592	2,488	2,845
Corporate income tax	468	595	600	766	846	997	773	1,115
SOCIAL SECURITY CONTRIBUTIONS	5,273	5,474	5,721	6,092	6,550	7,021	7,290	7,928
TAXSES ON PAYROLL AND WORKFORCE	20	20	20	21	22	23	22	24
TAXES ON PROPERTY	245	238	256	274	278	296	287	317
DOMESTIC TAXES ON GOODS AND SERVICES	5,191	5,347	5,433	5,723	5,989	6,127	5,493	6,359
Value added tax	3,153	3,229	3,272	3,504	3,757	3,872	3,528	4,231
Excise duties	1,491	1,515	1,551	1,586	1,560	1,543	1,314	1,470
TAXES ON INTERN. TRADE AND TRANSACTIONS	78	83	82	83	90	99	102	177
OTHER TAXES	0	1	48	1	0	-1	4	-1
NON-TAX REVENUES	**1,185**	**956**	**963**	**1,089**	**1,351**	**1,114**	**1,118**	**1,338**
CAPITAL REVENUES	53	96	96	91	153	136	147	228
DONATIONS RECEIVED	**19**	**12**	**10**	**10**	**12**	**14**	**18**	**22**
TRANSFERED REVENUES	**5**	**21**	**51**	**52**	**56**	**58**	**55**	**57**
RECEIPTS FROM THE EU BUDGET	**1,040**	**882**	**481**	**399**	**797**	**731**	**731**	**951**

Source of data: Ministry of finance, Consolidated balance of public financing,

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

per cent share relative to GDP

CONSOLIDATED GENERAL GOVERNMENT REVENUES	2014	2015	2016	2017	2018	2019	2020	2021
I. TOTAL GENERAL GOVERNMENT REVENUES	**41.2**	**40.4**	**39.2**	**39.1**	**40.5**	**39.6**	**39.4**	**41.0**
TAX REVENUES	**35.1**	**35.4**	**35.2**	**35.3**	**35.4**	**35.4**	**35.0**	**36.0**
TAXES ON INCOME AND PROFIT	6.3	6.7	6.6	6.9	7.2	7.4	6.9	7.6
Personal income tax	5.1	5.1	5.1	5.1	5.3	5.3	5.3	5.4
Corporate income tax	1.2	1.5	1.5	1.8	1.8	2.1	1.6	2.1
SOCIAL SECURITY CONTRIBUTIONS	14.0	14.1	14.1	14.2	14.3	14.5	15.5	15.2
TAXSES ON PAYROLL AND WORKFORCE	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
TAXES ON PROPERTY	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6
DOMESTIC TAXES ON GOODS AND SERVICES	13.8	13.8	13.4	13.3	13.1	12.6	11.7	12.2
Value added tax	8.4	8.3	8.1	8.1	8.2	8.0	7.5	8.1
Excise duties	4.0	3.9	3.8	3.7	3.4	3.2	2.8	2.8
TAXES ON INTERN. TRADE AND TRANSACTIONS	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3
OTHER TAXES	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
NON-TAX REVENUES	**3.1**	**2.5**	**2.4**	**2.5**	**2.9**	**2.3**	**2.4**	**2.6**
CAPITAL REVENUES	0.1	0.2	0.2	0.2	0.3	0.3	0.3	0.4
DONATIONS RECEIVED	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
TRANSFERED REVENUES	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
RECEIPTS FROM THE EU BUDGET	**2.8**	**2.3**	**1.2**	**0.9**	**1.7**	**1.5**	**1.6**	**1.8**

Source of data: Ministry of finance, Consolidated balance of public financing, SURS. Main aggregates of national accounts.

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

EUR million, current prices

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2014	2015	2016	2017	2018	2019	2020	2021
II. TOTAL EXPENDITURES	**16,755**	**16,956**	**16,497**	**17,102**	**18,067**	**18,969**	**22,071**	**24,300**
CURRENT EXPENDITURE	**7,043**	**7,168**	**7,407**	**7,733**	**7,967**	**8,228**	**9,128**	**10,394**
WAGES AND OTHER PERSONNEL EXPENDITURE	3,116	3,124	3,278	3,406	3,583	3,837	4,285	5,020
EMPLOYER'S SOCIAL SECURITY CONTRIBUTIONS	494	486	508	533	585	634	681	730
PURCHASES OF GOODS AND SERVICES	2,233	2,311	2,371	2,627	2,634	2,728	3,021	3,351
INTEREST PAYMENTS	1,097	1,043	1,074	985	868	792	778	732
RESERVES	103	204	176	183	298	238	364	559
CURRENT TRANSFERS	**7,592**	**7,540**	**7,700**	**7,913**	**8,237**	**8,704**	**10,868**	**11,319**
SUBSIDIES	467	399	397	425	444	468	1,449	867
TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	6,335	6,371	6,496	6,665	6,926	7,324	8,251	9,168
OTHER CURRENT TRANSFERS	790	770	808	822	867	913	1,168	1,284
CAPITAL EXPENDITURE AND TRANSFERS - TOTAL	**1,717**	**1,815**	**962**	**1,078**	**1,432**	**1,527**	**1,549**	**1,959**
CAPITAL EXPENDITURE	1,451	1,520	784	891	1,160	1,253	1,231	1,545
CAPITAL TRANSFERS	266	295	178	187	272	274	319	414
PAYMENTS TO THE EU BUDGET	**403**	**433**	**427**	**379**	**433**	**510**	**526**	**629**
III. GENERAL GOVERNMENT SURPLUS / DEFICIT (I. - II.)	**-1,261**	**-1,242**	**-655**	**-299**	**526**	**264**	**-3,542**	**-2,917**

Source of data: Ministry of finance, Consolidated balance of public financing,

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

Per cent share relative to GDP

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2014	2015	2016	2017	2018	2019	2020	2021
II. TOTAL EXPENDITURES	**44.5**	**43.6**	**40.8**	**39.8**	**39.4**	**39.1**	**46.9**	**46.5**
CURRENT EXPENDITURE	**18.7**	**18.5**	**18.3**	**18.0**	**17.4**	**17.0**	**19.4**	**19.9**
WAGES AND OTHER PERSONNEL EXPENDITURE	8.3	8.0	8.1	7.9	7.8	7.9	9.1	9.6
EMPLOYER'S SOCIAL SECURITY CONTRIBUTIONS	1.3	1.3	1.3	1.2	1.3	1.3	1.4	1.4
PURCHASES OF GOODS AND SERVICES	5.9	5.9	5.9	6.1	5.7	5.6	6.4	6.4
INTEREST PAYMENTS	2.9	2.7	2.7	2.3	1.9	1.6	1.7	1.4
RESERVES	0.3	0.5	0.4	0.4	0.6	0.5	0.8	1.1
CURRENT TRANSFERS	**20.2**	**19.4**	**19.0**	**18.4**	**18.0**	**17.9**	**23.1**	**21.7**
SUBSIDIES	1.2	1.0	1.0	1.0	1.0	1.0	3.1	1.7
TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	16.8	16.4	16.1	15.5	15.1	15.1	17.5	17.6
OTHER CURRENT TRANSFERS	2.1	2.0	2.0	1.9	1.9	1.9	2.5	2.5
CAPITAL EXPENDITURE AND TRANSFERS - TOTAL	**4.6**	**4.7**	**2.4**	**2.5**	**3.1**	**3.1**	**3.3**	**3.8**
CAPITAL EXPENDITURE	3.9	3.9	1.9	2.1	2.5	2.6	2.6	3.0
CAPITAL TRANSFERS	0.7	0.8	0.4	0.4	0.6	0.6	0.7	0.8
PAYMENTS TO THE EU BUDGET	**1.1**	**1.1**	**1.1**	**0.9**	**0.9**	**1.1**	**1.1**	**1.2**
III. GENERAL GOVERNMENT SURPLUS / DEFICIT (I. - II.)	**-3.4**	**-3.2**	**-1.6**	**-0.7**	**1.1**	**0.5**	**-7.5**	**-5.6**

Source of data: Ministry of finance, Consolidated balance of public financing, SURS. Main aggregates of national accounts.

Acronyms

Acronyms in the text

APP – Asset purchases programme, **BoS** – Bank of Slovenia, **CA** – current account, **CHP** – combined heat and power, **CPI** – Consumer Price Index, **EC** – European Commission, **ECB** – European Central Bank, **EIA** – Energy Information Administration, **EMU** – European monetary union, **ESI** – Economic Sentiment Indicator, **ESS** – Employment Service of Slovenia, **EU** – European union, **EUR** – euro, **EUROSTAT** – Statistical Office of the European Communities, **GDP** – gross domestic product, **GFS** – Government Finance Statistics, **HICP** – harmonised index of consumer prices, **ICP** – index of consumer prices, **IER** – Institute for Economic Research, **IMAD** – Institute of Macroeconomic Analysis and Development, **IMF** – International Monetary Fund, **LFS** – Labour Force Survey, **LNG** – liquefied natural gas, **MF** – Ministry of Finance, **OPEC** – Organization of the Petroleum Exporting Countries, **PEPP** – Pandemic emergency purchase programme, **PMI** – Purchasing Managers' Index, **PPS** – Purchasing Power Standard, **RES** – renewable energy sources, **RRP** – Recovery and resilience plan, **SNA** – System of national accounts, **SRE** – Statistical Register of Employment, **SURS** – Statistical Office of the Republic of Slovenia, **TPI** – Transmission Protection Instrument, **USA** – United Stated of America, **USD** – US dollar, **WB** – World Bank

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