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Autumn Report 2003

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Acronyms in the text have the following meanings:

AP Agency of the Republic of Slovenia for Payments,
BS Bank of Slovenia,
ELES Electro Slovenia,
IMAD Institute of Macroeconomic Analysis and Development,
MF Ministry of Finance,
SORS Statistical Office of the Republic of Slovenia,
Ur.l. RS Uradni list Republike Slovenije (Official Journal of the Republic of Slovenia).

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Foreword

The Autumn Report is an analytical explication of the autumn economic forecasts for the current and next two years. It provides a foundation for formulating economic policy measures and amending the draft national budget before its final reading in the National Assembly.

This year's Autumn Report is published in a condensed form. A complete analysis of economic developments is presented in the Spring Report, published in June, which contains an analysis for the previous year, an analytical explication of the spring forecasts for the current and next year, and a scenario for the following three years. The Spring Report therefore paints a complete picture of macroeconomic developments. The Autumn Report is issued in October and provides an analysis of economic developments in the current year, serving as a basis for changes in the economic forecasts. The Report primarily focuses on discrepancies from the spring projections for the current and next two years. Issues not directly related to current developments or the explication of forecasts (a detailed analysis of macroeconomic aggregates, economic policy measures and structural changes) are presented in the Spring Report or the IMAD's other publications (e.g. Development Report).

In the Autumn Report 2003, macroeconomic aggregates are calculated on the basis of the first annual estimate of gross domestic product for 2002 and the second annual estimate for 2001 released by the Statistical Office of the Republic of Slovenia (SORS) on 24 September 2003. These data provide a new starting point compared to spring, when the forecasts were made on the basis of the SORS' revised estimates of gross domestic product for 2000 and 2001 and a quarterly assessment of national accounts for 2002. Data and short-term indicators referring to the current year are based on the quarterly assessment of gross domestic product for the first and second quarters of 2003 and other current data from the SORS.

Main findings of the Autumn report 2003

The Spring Report projected 3.1% economic growth for 2003 yet it also considered the possibility that the alternative scenario of around four-tenths of a percentage point lower economic growth may emerge this year due to great uncertainty about the economic recovery in the international environment and oil price movements¹. The autumn economic growth forecast has in fact been downgraded by another one-tenth of a percentage point, so the new forecast for 2003 is 2.6%. The assumption of a higher oil price has not materialised², whereas the alternative scenario seems to be holding for Slovenia's trading partners from the EU where growth may even be below the alternative scenario in some members. The risks related to the ability of EU economies to rebound, which were pointed out in spring, have almost fully materialised. Germany's economy almost ground to a halt in the first half of the year and is not likely recover before the end of the year. Economic activity in Italy, France, and to a lesser degree in Austria, shows no signs of revival either, however, economic growth rates are still positive. As a result, export demand is much lower than anticipated in spring, which led to a downward revision of the forecast of real growth in exports of goods and services from 5.4% to 3.2%.

In addition to the weak economic growth in the EU, there are two important reasons for the relatively large downward revision of the export forecast. Firstly, the sale of particular product groups, especially in Germany and France, is falling faster than their overall import demand. This is additionally hampering exports to these two markets, especially in view of the fact that these groups involve important products (motor vehicles, clothing and footwear). As a result, Slovenia's market share is shrinking in these two countries³. Significant differences in export performance in terms of product groups and individual EU markets suggest that this year's weak export growth cannot solely be accounted for by an overall fall in competitiveness or factors having an across-the-board effect (e.g. the tolar's real appreciation). Secondly, growth in exports to the countries of former Yugoslavia and the Soviet Union slowed down much more than anticipated in spring, even though last year's growth rates were forecast to halve. Exports to EFTA countries were also lower than projected. Several factors play a role here, especially the high benchmark of last year and some protective measures taken by former Yugoslav countries in importing food products. Factors also relevant to the markets of Eastern and South-eastern Europe are limited purchasing power and saturation with products whose purchasing cycle extends over several years and which were largely exported there last year. This shows that these markets are clearly important, however, their current levels of development do not allow any sustained export growth. Further, these markets are witnessing a significant rise in Slovenia's direct investment which, following the transfer of production, normally leads to a gradual fall in merchandise exports. These two reasons, which were not part of the alternative scenario in spring,

¹ The alternative scenario projected 0.5% economic growth for the EU instead of 1.1% from the baseline scenario, while the oil price was assumed to be USD 30 per barrel instead of USD 27.8.

² The oil price assumption from the spring baseline scenario is being realised in 2003, and the price was only slightly corrected upwards in the autumn forecasts (from USD 27.8 to 28.2 per barrel).

³ On the other hand, market shares are still increasing in Austria and Italy.

contributed close to one and a half percentage points to the downward revision of the export growth forecast.

Given all the factors above, this revision would have been stronger if there had not been stronger-than-expected export growth in some segments and markets. What particularly stood out was the high exports of pharmaceutical products to the USA and the sustained high export levels in CEFTA countries. High export growth to Italy was also beneficial (unlike Germany and France, Italy imported a large number of motor vehicles and large quantities of electricity), while exports to Russia turned upwards in July chiefly thanks to exports of the pharmaceuticals industry.

While dampened export growth seems to be undermining economic growth more than assumed in the spring alternative scenario, domestic consumption growth is set to be stronger than projected in the spring baseline scenario. The upward revision of private and investment consumption (up by half of a percentage point to 2.5% and 2.7 percentage points to 5.9%, respectively), which was made after the release of encouraging figures for the first half of the year and positive expectations for the upcoming months, suggests that the trend of robust growth continuing from last year is even stronger than projected in spring. The private consumption cycle is estimated to have turned upwards despite the less favourable labour market indicators and moderate wage growth. As regards investment, the main growth factor was motorway construction. The upward correction to the investment forecast was also due to the high imports of investment equipment seen in the first half of the year; these imports did involve some one-off transactions of high value, but imports of machinery and equipment strengthened even if these transactions are excluded. To sum up, not only was the economic growth forecast for 2003 corrected downwards, but its structure also changed to the benefit of domestic demand.

The spring forecasts also included an alternative scenario for **2004**, projecting about half of a percentage point lower economic growth than the baseline scenario (3.9%); it was based on less favourable developments in the international environment and their impact on export flows and domestic consumption. Following the latest international environment forecasts and figures on domestic consumption aggregates, we may assume that the less favourable scenario is being realised for export demand⁴, while the more favourable scenario is being realised for domestic consumption. Namely, the indicators of private and investment consumption suggest that the upward cycle will be sustained in 2004 (motorway construction, the revival of housing construction, and the strengthening of the private consumption cycle additionally fuelled by funds released from the national housing savings scheme). So the economic growth forecast for 2004 was downgraded by just 0.3 of a percentage point.

This downgrading was largely the result of poorer economic conditions in the international environment. In the last two years, most downward corrections were due to similar factors because the saga of a delayed economic recovery in the main trading partners continues (according to international institutions' forecasts), and each new international forecast postpones recovery by about six months. Any

⁴ The assumption of autumn forecasts about economic growth in the euro-zone in 2004 has been downgraded from 2.1% to 1.6%. The alternative scenario of spring forecasts projected around 1.5% economic growth for the euro-zone.

corrections made by foreign institutions inevitably lead to the revision of domestic forecasts. Changes in assumptions about the international environment, resulting from altered conditions and new information, are a constant feature in the process of making forecasts and an important factor in view of the openness of the Slovenian economy. However, the relatively weak economic activity seen in Slovenia for the last few years has not been entirely due to the external environment, i.e. factors that are outside the scope of domestic economic policy measures. Some structural shifts in gross domestic product, which reduced economic growth in the preceding years, were at least partly the result of economic policy measures. In 2001, for example, the fall in investment was caused by measures to curb general government expenditure, and these measures mainly affected capital expenditure. The raising of indirect taxes, which was necessary to narrow the fiscal deficit caused by rapid growth in expenditure on wages and social transfers, pushed prices up and hampered private consumption. In the conditions of dampened economic growth, monetary policy kept domestic interest rates relatively high by closing interest rate parities using the exchange rate, thereby restricting domestic spending (Implementation of Short-term Monetary Policy Objectives, Bank of Slovenia, May 2003, p. 8), even though there were no signs of the economy overheating, which usually call for such measures. At the same time, the Bank of Slovenia significantly changed the structure of banks' investment and crowded enterprises out of the financial market by offering high-return securities emerging from the processes of sterilising capital inflows and sustaining the rise in the exchange rate. Both measures led to modest growth in private consumption and investment, especially in 2002. However, the main factor causing relatively low economic growth in the last few years is the pending structural reforms, according to the IMAD, which is affecting both competitiveness and the quality of exports, and the ability to channel savings into productive investment (see Development Report 2003, IMAD, April 2003, p. 93).

Employment should resume growth in 2004 after having dropped by half a percentage point in 2002 and is assumed to decline further in 2003. After employment recorded favourable trends in the late 1990s, conditions in the labour market deteriorated because of sluggish economic growth after 2000⁵; this year's deterioration is particularly evident and stronger than expected. According to the available employment figures, activities hit hardest are manufacturing, agriculture, mining, energy, financial intermediation, hotels and restaurants, and health. Employment is growing fast in real estate, renting and business activities, and the public administration, but is growing moderately in construction, education, and other community, social and personal services. In 2002, both unemployment rates stayed at the level of 2001, while the average number of unemployed rose. The survey unemployment rate, which is internationally comparable unlike the registered unemployment rate, is estimated to be higher in 2003 than the year before. A positive shift in the labour market should be seen in 2004 (0.3% employment growth according to the national accounts statistics) when unemployment, especially the registered rate, should fall in step with the upward move of the economic cycle. These changes, however, will be less strong than anticipated in spring not only due to lower economic growth, but also due to last and this year's difficulties in the

⁵ Employment increased by 0.5% in 2001 despite the dampened economic growth (employment was up 1.2% in 1999 and 1.1% in 2000), however, labour productivity measured by value added per employee slumped at the same time.

labour market partly related to the dampened economic activity and partly to the slow pace of structural reforms.

The 2002 autumn forecasts already included low and high inflation scenarios, which were not changed in this year's spring forecasts. The low scenario (5.1% year-end inflation in 2003), which the government endorsed as its goal, was subject to radical changes in all key policies affecting inflation. Figures for the first eight months of this year and expectations for the rest of the year and 2004 suggest that fiscal and administered prices policy assumptions from the low inflation scenario are being realised. Measures taken by the government in the fields of administered prices, taxes and wages were even slightly more restrictive than proposed by the low inflation scenario; the same is expected to be the case in 2004. However, the government only slashed the surge of inflation which it had created in the first place; numerical evidence of this is provided by the narrowing gap between the core and measured inflation. Crucial factors for the sustained bringing of inflation down will be structural reforms in the non-tradable sector and the labour market, and monetary and exchange rate policies. The latter are not undergoing any changes at the moment whereby inflation could drop faster than now, i.e. by about one percentage point a year. According to our understanding of how the inflationary mechanism works, any rise in the exchange rate fully translates into price growth, albeit with a delay; in the first nine months, the rise in exchange rate slowed down significantly less than assumed in the low inflation scenario. Therefore, the upward correction of the inflation forecast for 2003 and 2004 (to 5.5% and 4.5%, respectively) was chiefly due to the fact that our monetary policy assumptions are not being realised.

Given that some macroeconomic balances were undermined in 2000 and 2001 (the rise in external and fiscal deficits, rapid public sector wage growth), economic policy measures taken by the government in 2002 and 2003 were primarily aimed at stabilising the economy. In December 2002, the government took several measures to bring inflation down in a sustainable way, ranging from changes in fiscal burdens to setting prices under various regimes of regulation. In early 2003, the government began to adjust excise duties on liquid fuels to prevent the volatility of liquid fuel prices. In 2002, it restricted wage growth in the public sector and therefore achieved the goals of keeping wage growth below the rate of productivity growth and of keeping wage growth in the public sector below that of the private sector. The social partners have agreed a wages policy for the public sector for 2004 and 2005. The new policy introduces changes in the adjustment mechanism for 2004 and 2005 in line with the Social Agreement. The public-sector wages policy agreement ensures that wage growth in the public sector will not create any inflationary pressures on the demand side in 2004. The social partners also signed the Annex to the Collective Agreement for the Public Sector, which replaced August's wage adjustment with a premium of collective voluntary pension insurance. This should further help curb inflation, especially in the medium term. At the same time, fiscal policy operated counter-cyclically as a result of dampened economic growth. In mid-2003, the budget was revised because of the changed macroeconomic conditions which resulted in lower revenues than budgeted. Budget expenditure was cut slightly, however, a partial increase in the budget deficit was allowed and the fiscal stabiliser was retained if conditions deteriorated further unexpectedly. In July this year, the government adopted the Programme for Effective Integration into the European Union. The

Programme should provide more room for a flexible adjustment of economic policies to current economic conditions by rationalising public expenditure, and help boost the private sector's competitiveness by restructuring public expenditure and accelerating structural reforms. The Programme's measures have already taken effect in the structure of the draft national budget for 2004, while the results of the envisaged systemic changes should be seen in 2005. Any solutions adopted in the field of taxation and health will shape the structure and volume of compulsory contributions as well as the structure of financing public health services. This could change the relationship between public and private spending and alter the fiscal burden on particular sectors; these changes will, in turn, be reflected in the national accounts. The Autumn Report's projections of macroeconomic aggregates for 2005 were made on the assumption that the systemic environment remains unchanged. All accounts will have to be revised after regulations enforcing these systemic changes are passed.

1. Economic developments in the first half of the 2003

1.1. Gross domestic product

1.1.1. Expenditure structure of gross domestic product

Gross domestic product (GDP) increased by 2.2% year on year in the first half of 2003 according to quarterly figures from the Statistical Office (SORS). Growth was underpinned by domestic consumption even more than in the last quarter of 2002. Domestic consumption increased by 4.0% year on year and contributed 4.1 percentage points to economic growth (2.1 percentage points in 2002). The negative contribution of net international trade increased from the first to the second quarter, so economic growth was reduced by 1.9 percentage points in the first six months (international trade added 0.8 of a percentage point to growth in 2002).

Export growth of 2.6% was modest compared to both 2002 (6.5%) and the Spring Report's forecast (5.4%) and was mainly hampered by the absence of economic growth recovery in EU members (see p. 35) and low exports to the countries of former Yugoslavia and Russia. The modest growth to the EU, representing close to 60% of Slovenia's exports, was primarily due to falls in exports to Germany (see p. 21). This slowdown in export growth was stronger than projected in spring, which

Table 1: **Expenditure structure of gross domestic product, first and second quarter of 2003**

Real year-on-year growth rates, in % (2000 constant prices)

	2003		
	Q I*	Q II*	1 st six months
Domestic consumption, total	3.8	4.2	4.0
Final consumption	2.9	2.9	2.9
Private consumption	2.4	2.9	2.7
Households	2.4	2.8	2.6
NPISH	4.6	5.9	5.3
Government consumption	4.1	2.9	3.5
Gross capital formation	6.6	8.3	7.5
Gross fixed capital formation	5.5	7.8	6.7
Exports of goods and services	3.1	2.0	2.6
Goods	3.6	3.4	3.5
Services	0.3	-4.2	-2.2
Imports of goods and services	5.8	5.5	5.7
Goods	6.4	5.8	6.1
Services	0.7	3.6	2.2
Gross domestic product	2.3	2.1	2.2

Source of data: SORS, the IMAD's calculations.

Note: *Quarterly data are not harmonised with the annual revision of national accounts.

Annual estimate of gross domestic product for 2001 and 2002

In September this year, the Statistical Office (SORS) released the second annual estimate of gross domestic product for 2001 and the first annual estimate for 2002. Aggregate figures for **2001** in current and constant prices do not differ from those released earlier. The SORS corrected and adjusted the previous estimates of the consumption of fixed capital, compensation of employees, and mixed income for 2000 and 2001 so these categories are comparable for the period of 2000-2002.

Gross domestic product (GDP) totalled SIT 5,276 billion in **2002**, according to the first annual estimate made in current prices. It was 11.3% higher than in 2001 in nominal terms (SIT 4,740 billion) and 0.2% (SIT 9 billion) lower than the estimate made from quarterly figures (SIT 5,285 billion). Real GDP growth was 2.9%, according to the new estimate, 0.3 of a percentage point lower than the estimate made from quarterly figures (3.2%). Gross national income (GNI), the sum of GDP and primary income from the rest of the world, is estimated at SIT 5,258 billion, SIT 18 billion less than GDP because of the negative flow of primary income from rest of the world (GNI was SIT 4,744 billion in 2001, SIT 4 billion more than GDP).

As far as the GDP expenditure structure is concerned, significant discrepancies between the annual assessment and assessment made from quarterly figures (presented in detail in the Spring Report 2003) were seen in inventories and valuables, private consumption, and investment. The new estimate of changes in inventories and valuables was significantly higher and they contributed 0.7 of a percentage point to GDP growth (0.2 of a percentage point according to the previous assessment), or a solid quarter of the total real GDP growth. The new estimate of real private consumption growth is 1.1% (2.0% according to quarterly figures), while that of real gross investment growth is 1.3% (3.1%). Changes in investment were due to much lower new figures on individual private entrepreneurs operating in construction.

As far as the GDP production structure is concerned, a downward revision to value-added growth involved construction (from 3.3% to 1.1%), following the lower investment growth, and other community, social and personal services, and hotels and restaurants, following the subdued household spending. The new estimate of value-added growth is also much lower for mining (down from 6.5% to -0.5%). Conversely, the new figures on value added are higher for transport, storage and communications (up from 0.8% to 2.4%) and real estate, renting and business services. Total value added increased by 3.3%, according to the annual assessment, compared to the 3.4% assessed on the basis of quarterly figures.

Total employment measured in the full-time equivalent dropped in 2002 after having risen for four years. The new figures show that the number of employees was 0.5% lower than in 2001 (-0.1% according to quarterly figures). This fall was mainly due to a lower number of the self-employed (down 2.1%), mainly farmers, while the number of employees in the government sector increased by 1.9% (the same as revealed by quarterly figures).

was the main reason for gross domestic product growth being lower than anticipated in the spring forecasts. As far as domestic consumption aggregates are concerned, investment activity continued to strengthen from 2002, and private consumption intensified as well (see Table 1). Following the substantial domestic spending, import growth remained relatively high.

1.1.2. Production structure of gross domestic product

Value-added growth slowed down markedly in the first six months against the same period last year mainly owing to lower activity in primary activities (A to F), while growth in services (G to P) retained the level of the previous year. Value added increased by 2.2%, going up by 2.1% in primary and 2.9% in service industries.

The slowdown in primary activities was chiefly due to the modest activity seen in **manufacturing**. In spring, we expected value added in manufacturing to slow down, however, the actual trends were poorer than expected. The main reason was the lower exports of goods resulting from the low level of economic activity in Slovenia's

Table 2: **Production structure of gross domestic product, first and second quarter of 2003**

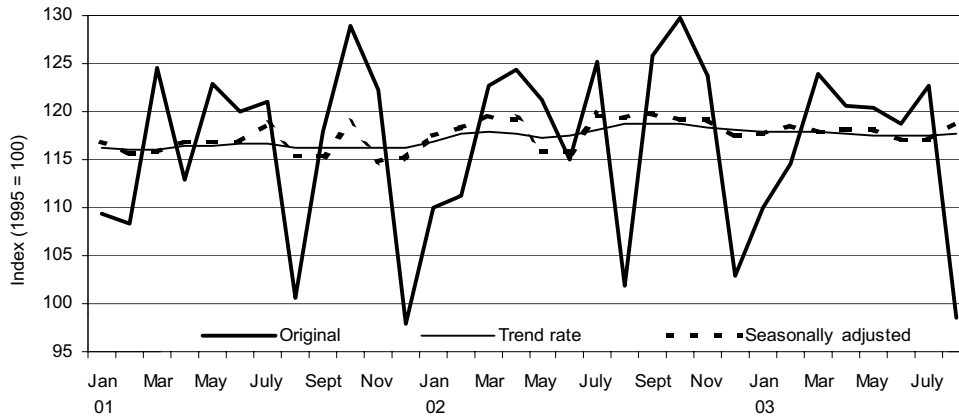
Real year-on-year growth rates, in % (2000 constant prices)

		2003		
		Q I*	Q II*	1 st six months
A	Agriculture, forestry, hunting	-4.3	-4.3	-4.3
B	Fishing	-16.6	-21.1	-18.7
C	Mining	-5.3	12.4	3.2
D	Manufacturing	3.0	1.8	2.4
E	Electricity, gas and water supply	2.2	-6.5	-1.9
F	Construction	4.7	8.8	6.8
G	Wholesale and retail trade; repair of motor vehicles	3.0	3.6	3.3
H	Hotels and restaurants	1.7	6.0	4.0
I	Transport, storage and communications	-0.9	-1.1	-1.0
J	Financial intermediation	-0.3	13.1	5.9
K	Real estate, renting and business activities	2.1	2.3	2.2
L	Public administration & defence; compulsory social security	4.3	5.4	4.9
M	Education	2.4	2.1	2.3
N	Health and social work	3.9	4.0	4.0
O	Other community, social and personal services	4.2	2.0	3.1
P	Private households with employed persons	-43.6	-39.2	-41.5
	FISIM	3.4	29.4	15.0
Total value added (basic prices)		2.2	2.2	2.2
Net taxes on goods and services		2.7	1.7	2.1
Gross domestic product		2.3	2.1	2.2

Source of data: SURS, the IMAD's calculations.

Note: *Quarterly data are not harmonised with the annual revision of national accounts.

Picture 1: **Manufacturing production volumes**



Source: SORS; calculated by the IMAD using the Tramo-Seats method.

main trading partners (see p. 21 and 35). Manufacturing's value added increased by 2.4% in real terms in the first six months over the same period last year (4.6% in 2002), while production volumes rose by 0.5% (2.0%). As in previous years, production shrank the most in labour-intensive industries, down 17.6% in leather and 12.6% in textile industries year on year in the first six months, but expanded significantly in the manufacture of electrical and optical equipment, up 14.1%, where stocks surged by close to 50% at the same time, and in the chemicals industry, up 11%. Further evidence of deteriorated business conditions comes from stock levels and employment. Stock levels climbed by 5.8% year on year in the first six months, close to the rate of increase seen in 1999 (modest growth in manufacturing and exports). The number of employees dropped by 1.9% in the same period.

As regards other **primary activities**, unfavourable developments were also seen in agriculture, forestry and hunting (A), fishing (B), and electricity, gas and water supply (E)⁶, while activity improved markedly in construction (F). These were at the same time the main discrepancies from the spring forecasts. In addition to spring's frost and tree diseases, agriculture was hit hard by drought, causing heavy damage in arable crops, orchards and vineyards⁷. Developments in electricity, gas and water supply were chiefly influenced by lower electricity production, resulting from lower generation in the nuclear and thermal power plants than in 2002. Construction further witnessed intensive motorway construction, which began in the second half of 2002, while sluggish building construction, especially the construction of dwellings, continued (see p. 23). Value-added growth was also higher than expected in mining as a result of stronger-than-planned electricity generation in thermal power plants, leading to higher extraction levels of coal.

⁶ These activities generally contribute a minor share to total value added.

⁷ According to a report released by the National Commission for Assessing Damage Caused by Natural and Other Disasters, the output of most agricultural products was slashed by around 50% as assessed in August.

As far as **service industries** are concerned, value-added growth slowed down markedly relative to the spring forecasts in transport, storage and communications. Activity in road passenger transport is declining for the second year running, and even more so in road freight transport. Activity strengthened slightly in wholesale and retail trade mainly thanks to higher sales of motor vehicles and non-food products. Favourable trends in hotels and restaurants were underpinned by increased turnover in establishments mainly serving drinks and restaurants. As regards public services, value-added growth intensified in the public administration, defence and compulsory social security, health and social work, and other community, social and personal services (mainly in recreational, cultural and sporting activities). Value-added growth in the public administration, defence and compulsory social security was fuelled by strong employment growth (see p. 28), resulting from the processes of setting up the Schengen border and introducing professional armed forces, as well as increased recruitment in other state administration bodies and administrative units.

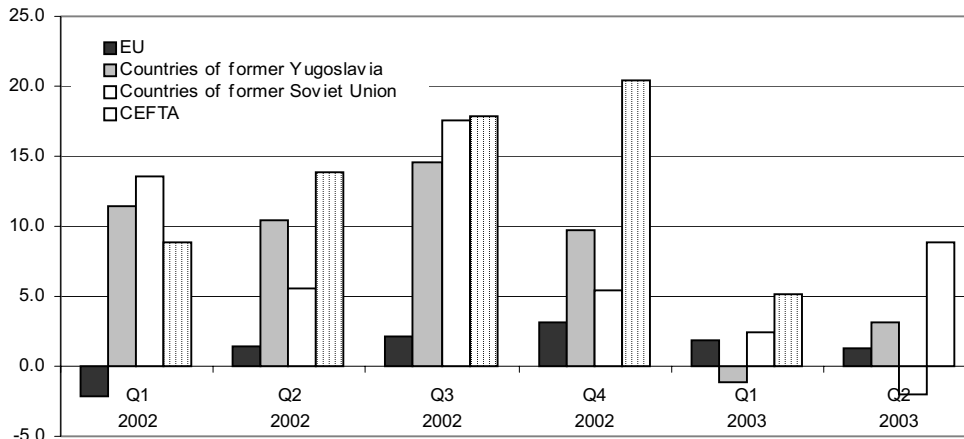
1.2. Consumption aggregates

1.2.1. Export-import flows

The contribution of international trade to economic growth was negative in the **first half of 2003**, amounting to -1.6 percentage points in the first and -2.2 percentage points in the second quarter, when exports declined even further. Export growth was low because of the slowing growth in exports of goods (up 3.5% year on year compared to the 4.8% seen in the same period last year) and the fall in exports of services (down 2% year on year compared to a rise of 9.2% seen in the same period last year). Import growth, on the other hand, was higher than last year (5.6% compared to 3.6%) mainly due to the increased imports of investment goods.

The six-month figures confirm our projections that Slovenia's **exports of goods** to the twelve main trading partners from the OECD would be modest. Growth in exports to the countries of former Yugoslavia and the Soviet Union, however, was unexpectedly lower than anticipated in spring. Following modest economic growth in EU members, especially France (0.5%) and Germany whose economy stagnated in the first half of the year (also see p. 35), the revival of export growth to these markets fell short of the expectations. Exports of goods to EU countries (expressed in euros) climbed by 1.6% in nominal terms in the first six months over the same period last year (down 0.4% in the same period last year), with exports of road vehicles (down 36.2%), footwear (down 29%) and clothing (down 24.6%) falling substantially. The overall export growth was further held back by a modest rise in exports to the countries of former Yugoslavia (up 0.9% in nominal terms compared to 10.9% seen in the same period last year) and the former Soviet Union (0.2% compared to 9.6%). As far as the Yugoslav markets are concerned, exports only increased to Croatia (up 4.3% in nominal terms), while exports to Bosnia and Herzegovina and Macedonia fell, and exports to Serbia and Montenegro rose slightly (up 0.9% in nominal terms). Considerable falls were chiefly seen in exports of food products and electrical machinery and equipment. On the other hand, exports of goods increased the most to non-European OECD members, up 32.6% year on year, primarily to the USA. Medical and pharmaceutical products represented almost

Picture 2: **Growth of exports of goods, measured in euros (quarter on the same quarter of the previous year)**



Source of data: SORS, the IMAD's calculations.

half of total exports to the USA. Exports to CEFTA recorded a robust nominal rise of 6.9%, while exports to EFTA countries dropped by 15.6% in nominal terms mainly due to lower exports to Switzerland⁸.

Exports of services dropped by 2% in real terms in the first six months over the same period last year. Further, these exports were lower than forecast in spring. This was due to a fall in exports of other services (mainly insurance, computer and information, and intermediation services) on one hand, and a high benchmark from last year on the other.

The trend in **imports of goods** moved in line with spring expectations. Imports of goods climbed by 6.1% in real terms year on year in the first six months, however, this growth was underpinned by major one-off transactions involving civil aircraft and helicopters, which added 0.7 of a percentage point to total import growth. Imports of investment goods climbed markedly as a result of these transactions.

Imports of services rose by 2.1% in real terms in the first six months compared to the same period last year. This growth was chiefly fuelled by imports of other services, mainly construction, financial, insurance, communication, computer and information services. Imports of transport services also increased and moved in line with growth in imports of goods.

The six-month trends in goods and services trade continued in **July**, with the exception of the Russian market where exports of goods surged, mainly those of medical and pharmaceutical products and partly those of prefabricated buildings (exports were up 0.3% in the first six months and 6.5% in the first seven months year on year in nominal terms).

⁸ In 2002, the strong export growth to Switzerland was fuelled by electricity exports.

1.2.2. Private consumption

Private consumption strengthened gradually in the first six months. After rising moderately in 2002 (up 1.1%; also see the Box on p. 18), private consumption rose by 2.4% in the first and 2.9% in the second quarter compared to the same period last year. It contributed a solid 68% to gross domestic product growth. This trend is confirmed by figures on value-added tax levied on final consumption; the second-quarter figure was higher in both quarter-on-quarter and year-on-year terms. Similarly, imports of consumer goods rose by 3.9% in real terms in the first six months over the same period last year. The number of new car registrations was also higher, going up by 14.0% year on year⁹. Turnover in retail trade rose by 3.1% in real terms (the strongest rise of 15.9% was seen in the sale of motor vehicles, while the sale of food, beverages and tobacco stagnated). The net wage bill climbed by 2.7% in real terms year on year, according to figures submitted by payment transaction services to the Agency for Public Legal Records and Related Services. Household savings in banks have climbed modestly this year because of the falling interest rates. In the first six months, net flows of tolar and foreign currency deposits were 6.4% lower than in the same period last year in real terms, while net inflows into mutual funds were 31.5% lower (also see p. 32). Household borrowing has increased slightly since the end of 2002, with the volume of household loans climbing by 2.4% year on year in the first six months in real terms (by 0.8% in the same period last year). Households mainly took out long-term tolar loans. The consumer confidence indicator, which is otherwise displaying a low correlation with private consumption, moved above the average of the last six years throughout the first half of 2003, but it dropped below the average in July and August.

1.2.3. Investment

After falling in 2001 (0.4% in real terms) and rising in 2002 (1.3% in real terms), gross fixed capital formation growth began to strengthen in late 2002 and has accelerated further this year (up 5.5% in the first and 7.8% in the second quarter year on year). As was the case in the second half of 2002, growth was largely fuelled by intensified motorway construction, which was in line with the spring projections. In civil engineering (including motorways), the value of construction put in place surged by 33.6%¹⁰ in real terms year on year in the first six months, a rate that exceeded spring expectations. Investment in transport equipment increased mainly thanks to two major purchases. The spring forecasts anticipated a rise in manufacturing's investment activity in the second half of the year; however, imports of machinery and equipment suggest that investment activity already intensified in the first half of the year (imports of machinery specialised for particular industries, expressed in euros, climbed by 23.5% year on year, while imports of general industrial machinery increased by 14.5%).

⁹ This figure may be misleading because it includes registrations made for a few days for those vehicles that are re-exported rather than actually used in domestic final consumption.

¹⁰ Part of this surge was due to the low benchmark from last year.

On the other hand, the building construction figures are less encouraging. According to figures on building permits issued¹¹, the value of building investment is estimated to have dropped in the first half of 2003 over the year before in real terms. However, building investment contracted less than projected in the spring forecasts; the final figures on building permits issued in 2002 were much better than the provisional figures, albeit still the worst in the last three years¹².

1.2.4. Government consumption

Government consumption increased by 3.5% in real terms in the first six months compared to the same period the year before (up 4.1% in the first and 2.9% in the second quarter). **Individual government consumption**, involving non-market services in education, health, social protection, culture and sports, and market services such as medicines, orthopaedic aids, concession rights granted to the private sector and health resort services, rose more than total government consumption, going up by 3.7% in real terms, while **collective government consumption**, involving administrative, defence, economic, R&D and other non-market services, rose less than total government consumption, going up by 3.2% in real terms. Growth in government consumption was mostly underpinned by the increased recruitment of the central government sector, where employment continued to rise and recorded a 2.5% year-on-year rise in the second quarter.

1.3. International economic relations

1.3.1. International competitiveness

Slovenian manufacturing's price and cost competitiveness has fallen in 2003, especially against competitors outside of the euro currency area. Slovenia's market share in the main trading partners has increased for the third year running, however, this increase was weaker than in 2002 and 2001.

In the first eight months of 2003, the tolar's nominal depreciation against the basket of OECD currencies slowed down significantly as a result of the euro's rise against the US dollar, the pound sterling and the Swiss franc¹³ (in August, the tolar's effective exchange rate was just 0.4% lower than in December, while in the first eight months it was 0.2% lower than a year ago). While fluctuating between 0.2% and 0.3% in monthly terms, the tolar's depreciation against the euro slowed down very gradually in annual terms (in August, the tolar fell by 2.0% against the euro compared to December, while in the first eight months it fell by an average of 3.3% compared to the same period a year ago). Slovenian manufacturing's **price competitiveness** fell, following the tolar's real appreciation against the basket of OECD currencies,

¹¹ The number of planned dwellings and their floor space dropped in 2002 for the third year in a row and were the lowest since 1998, when the first comparable figures were released.

¹² The final figure on planned dwellings was 13.2% higher and the final figure on floor space was 8.7% higher than the provisional figures.

¹³ The impact of the Swiss franc and the pound sterling on the basket of OECD currencies was much weaker compared to the US dollar because of their small share in the currency structure of Slovenia's trade.

especially when measured by relative consumer prices (real appreciation was 2.0% in August over December and 4% year on year in the first eight months on average; when measured by relative producer prices, the tolar depreciated by 0.2% in August over December and appreciated by 1.1% year on year in the first eight months in real terms). Price competitiveness dropped much more than on average in the US dollar currency area, as well as in the areas of the pound sterling and the Swiss franc, while competitiveness fell much less or even improved in the euro currency area (by 1.5% and 1.8% when measured by relative producer prices). In the first seven months, price competitiveness also dropped significantly compared to Croatia (by 2.3% and 5.6% on the basis of relative inflation) and CEFTA-4 (by 7.2% and 4.7%).

Slovenian manufacturing's **cost competitiveness** fell in the first seven months according to the trend rate and year-on-year rise in unit labour costs measured against the basket of currencies (up 3.3% in July over December and up 4.4% in the first seven months over the same period last year). Given that the tolar's depreciation was slow, which pushed up the otherwise modest rise in the real compensation of employees in foreign markets (0.2% and 0.9% when deflated by consumer prices), the fall in cost competitiveness was due to the stagnant trend rate or a modest year-on-year rise (2.1%) in labour productivity. Productivity growth was almost solely the result of a contraction in employment (down 1.3% and 2%) since production volumes fell by a trend rate of 1.2% in July over December and edged up just 0.1% year on year.

The slow rise in Slovenia's aggregate market share¹⁴ (from an average of 0.544% in 2002 to 0.557% in the first six months) was chiefly due to falls in the market shares in France and Germany after they had expanded quickly in 2002. Slovenia's market share in the Italian and Austrian markets grew faster this year, while its share in the Russian market increased modestly after having shrunk in 2002. The market share in Croatia continued to shrink moderately.

1.3.2. Balance of payments

In the **first six months** of 2003, the current account ran a **deficit** of EUR 63.2 million (a surplus of EUR 117.5 million in the same period last year), which was chiefly due to stronger import than export flows, while the terms of trade improved slightly (an index of 100.4). The balance of current transfers also deteriorated, while the balance of factor incomes improved.

The **trade deficit** widened to EUR 283.2 million (from EUR 133.6 million in the first half of 2002) because of a larger deficit with EU and EFTA countries and a lower surplus with the countries of former Yugoslavia and the Soviet Union (also see p. 21). At the same time, the surplus in **trade in services** narrowed slightly to EUR 305.3 million (from EUR 339 million in the first half of 2002). The surplus in transport services stayed the same, while the deficit in other services increased more than net inflows from tourism.

¹⁴ Slovenia's 15 main trading partners: Germany, Austria, Italy, France, the UK, Belgium, the Netherlands (EU-7); the USA, Switzerland; Hungary, the Czech Republic, Poland, Slovakia (CEFTA-4); Croatia and Russia.

The deficit in **factor incomes** narrowed by EUR 26.2 million against the same period last year (from EUR 139.2 million to EUR 113 million) because foreign investors reported lower reinvested earnings, while interest payments on loans and debt securities increased. The positive **current transfers** balance halved to EUR 26 million (from EUR 51.4 million in the first half of 2002); transfers from abroad to the government and other sectors fell, while transfers abroad from other sectors increased (insurance and other transfers).

The **net financial flow** (excluding international monetary reserves) totalled EUR 253.9 million in the first half of the year (EUR 467.7 million in the same period last year). The composition of financial flows changed significantly. While the net inflow of foreign direct investment amounted to EUR 401.2 million last year, with foreign direct investment inflow itself totalling EUR 474.7 million, Slovenia's outward foreign direct investment is increasing more than inward investment this year, especially in the countries of former Yugoslavia (outward investment amounted to EUR 117.4 million and inward investment to EUR 72.3 million). The volume of short-term commercial credits dropped from EUR 283.3 million to EUR 56 million because of the sluggish exports of goods. The long-term external borrowing of domestic banks and enterprises increased because of the tolar's slow depreciation and low interest rates abroad (up from EUR 295 million in the first half of 2002 to EUR 519.6 million this year). The government's loan repayment was higher than its borrowing. **International monetary reserves** increased by USD 271 million.

In **July**, the current account deficit narrowed slightly thanks to seasonally higher inflows from exports of services (travel), while trends in the capital and financial account were unchanged.

1.3.3. Slovenia's external debt and foreign exchange reserves

In September 2003, the Bank of Slovenia began to release figures on **gross external debt**, which are compiled in line with the International Monetary Fund's standards and show the outstanding amount of liabilities of residents to non-residents, broken down by sectors and financial instruments. Gross external debt is given in euros and incorporates external debt as it was shown before as well as all debt financial instruments of the private non-guaranteed debt and instruments emerging after the full liberalisation of the capital and financial account (e.g. purchases of government bonds in the secondary capital market). Previously, these liabilities were included in the international investment position of Slovenia and shown as liabilities to affiliated enterprises in the form of short-term commercial credits (now incorporated in private non-guaranteed debt) and money market instruments of the central government (now incorporated in public and publicly-guaranteed debt). External debt amounted to EUR 8,448 million at the end of 2002 (36.2% of GDP), according to the old methodology, while gross external debt compiled on the basis of new methodology totalled EUR 11,483 million (49.2% of GDP).

From end-2002 to **end-July 2003**, Slovenia's gross external debt climbed by EUR 1,080 million to EUR 12,563 million. Two-thirds of this increase was due to the inflow of loans raised by the banking sector (EUR 525 million) and other sectors (EUR 188 million); this external borrowing was fuelled by the tolar's slow

depreciation and low interest rates abroad. Another third came from a rise in liabilities to affiliated enterprises, which rose by EUR 353 million. The government sector repaid more loans than it raised. The rise in gross public and publicly-guaranteed debt came to a halt after 2001 because the government repaid loans in net terms, while private and non-guaranteed debt almost doubled in 1998-2002 (from EUR 4,452 million to EUR 8,277 million) and continued to rise in the first half of this year.

At the end of June, the stock of **international monetary reserves** amounted to EUR 6,963.8 million, while the reserves of commercial banks totalled EUR 1,209.7 million. International monetary reserves were sufficient to cover 6.1 months' worth of average imports of goods and services (4.8 months' worth in June 2002).

After introducing the category of gross external debt, the statistical indicators previously used to measure external debt are no longer compatible; the new dynamic indicators of gross external debt are focused on solvency and liquidity. The **dynamic indicator** of the adequacy of foreign exchange reserves, a ratio of international monetary reserves to gross short-term debt falling due, improved in 1999-2002. However, it was 1.36 at the end of June 2003, deteriorating by 0.19 of an index point compared to the end of 2002.

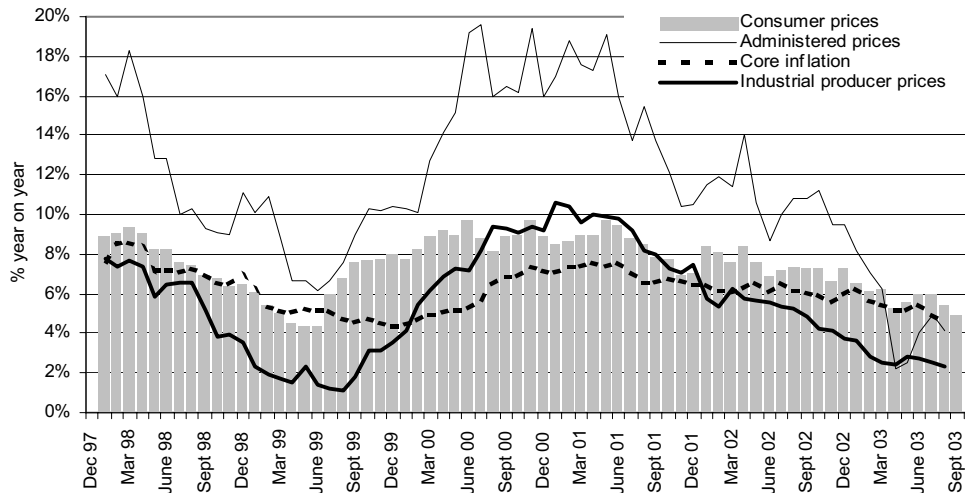
1.4. Price trends

The fall in inflation which began in the second half of 2002 continued in the first nine months of 2003 when the rise in consumer prices slowed down by 2.2 percentage points and September's annual inflation totalled 5.0%.

In the first three quarters of this year, inflation was mostly held back by measures taken through the administered prices policy and by reducing the pressure of **fiscal measures**. Unlike in 2002, when the higher value-added tax rates, excise duties and environmental taxes added 1.7 percentage points to inflation, this year's contribution of fiscal changes was only 0.7 of a percentage point. These changes involved higher excise duties on tobacco products, introduced by law in 1999, higher excise duties on liquid fuels for transport and heating, adding 0.2 of a percentage point to inflation, and the replacement of the reduced with standard rate of value-added tax on wine, adding 0.1 of a percentage point. The counter-cyclical adjustment of excise duties on liquid fuels for transport and heating, which buffered fuel prices' volatility in the first quarter and in summer, helped restrain other price rises and also eased inflationary expectations. In line with the plan of raising **administered prices**, prices under various regimes of regulation are climbing more slowly than freely-floating prices. After rising by 3.6% in the first eight months, they added 0.5 of a percentage point to inflation.

Even though administered prices policy was consistently implemented and the pressure of fiscal factors was reduced, prices rose faster than projected in the Spring Report mainly because some **monetary policy** assumptions are not being realised. Namely, out of all factors that mostly pushed prices up in previous years, only the tolar's nominal depreciation continues to fuel inflation in 2003 at the same rate as

Picture 3: **Growth of consumer prices, selected subgroups of the price index, and industrial producer prices**



Source: SORS, calculations and estimates by the IMAD.

before. Even though the Bank of Slovenia has slowed down the euro's appreciation (by about 1.0 percentage point in the first nine months), the rise in euro's exchange rate has still contributed over 50% to this year's total price rise.

Since price growth is not so much influenced by one-off factors any more, the gap between the actual and core inflation has narrowed. In 2002, this gap averaged 1.4 percentage points, while in the first nine months of this year the actual inflation was 0.6 of a percentage point higher than the core inflation. This suggests that the persistence of inflation at a relatively high level, which is about twice as high as the Maastricht inflation criterion, was primarily due to structural factors, i.e. imbalances that create constant upward pressures on prices (the Balassa-Samuelson effect), in addition to the rising euro's exchange rate. The Balassa-Samuelson effect is estimated to have added 1.5-2.0 percentage points to this year's inflation.

Industrial producer prices decelerated relatively more than consumer prices in the first nine months. They dropped from 3.7% in December last year to 2.5% in September this year primarily thanks to falls in the prices of investment goods and the slow rise in the prices of intermediate goods, while the prices of consumer goods still rose fastest.

1.5. Labour market

1.5.1. Employment and unemployment

Employment is continuing to fall in 2003 after it began declining in 2002 because of weak economic growth seen for the last few years. Employment indicators for

the first six months are poorer than projected in the Spring Report 2003. The total number of **persons in employment** (according to the labour force survey) fell by 3.3% year on year (or by 0.8% compared to the second half of 2002). The number of **persons in formal employment** (employed and self-employed) dropped by 0.6% (by 0.7% compared to the second half of 2002). The number of employees (up 0.1%) rose more slowly than projected in spring, while the number of self-employed fell more as a result of the significant fall in the number of farmers. According to monthly statistics, the number of farmers slumped by 15.0% year on year. The number of persons in informal employment¹⁵ was also lower than projected (by 18.3% according to the IMAD's estimates). The only categories that saw a positive trend were persons employed in enterprises and organisations (up 0.3% year on year or 0.1% over the second half of 2002) and own-account workers. The number of persons employed in the small business sector continued to fall as well. According to monthly statistics **broken down by activities**, the number of persons in formal employment dropped the most in agriculture (down 12.8%), mining (down 5.4%), and electricity, gas and water supply (down 3.1%). Falls were also recorded in financial intermediation, hotels and restaurants, health and social work, and manufacturing. The biggest rises, on the other hand, were seen in the public administration (up 5.1%), real estate, renting and business activities (up 4.8%), and other community, social and personal services (up 4.0%). Despite the fall in the number of persons in employment revealed by both monthly statistics and the labour force survey, **employment in the full-time equivalent** edged up 0.1% in the first six months according to the quarterly national accounts. **Productivity growth** was 2.1%, way below the spring forecasts¹⁶.

The **number of registered unemployed** dropped up until June at the usual seasonal rate, but rose in July and August above the usual seasonal rate chiefly due to more dismissals for business reasons and a low level of recruitment. The **registered unemployment rate** climbed to 11.1% in July mainly due to the growth in female unemployment. The second-quarter **survey unemployment rate** (6.6%) was also above the usual seasonal levels. In the first six months, the average number of unemployed people according to the survey was 3.2% higher than a year ago. As seen with registered unemployment, the female survey unemployment rate was higher than the male rate.

If we look at the **flows into registered unemployment**, the trends of a growing inflow into unemployment due to dismissal and increasingly lower recruitment levels continued from the last few years. In the first six months, 4.9% more people lost their jobs than a year ago mainly due to the expiry of a fixed-term employment contract, while dismissals made for business reasons were much higher than last year. On the other hand, 6.4% fewer unemployed people were hired than the year before. The number of registered unemployed fell primarily thanks to high deletions from unemployment registers for other reasons, of which deletions because of one's own volition or a failure to report at the employment service office were the most

¹⁵ People who are unpaid family workers and other people working part time without any contract of employment.

¹⁶ Quarterly national accounts did not incorporate the fall in the number of farmers. This will probably be corrected in line with trends revealed by other statistics. Consequently, employment growth will be negative and productivity growth stronger.

frequent, while 5,919 people were transferred to registers regulated by other laws (see Spring Report 2003, p. 99). There were 18.5% more first-time job-seekers, 17.5% of whom were people who had completed higher education. This share is increasing, while the period of looking for a first job requiring higher education qualifications is lengthening, but is still below 10 months. The average duration of unemployment is 32 and a half months (a solid month less than a year ago). These flows changed the **structure of registered unemployment**. The share of women increased (from 51.3% in June last year to 53.4% in June this year), as did the share of first-time job-seekers (from 18.5% to 22.2%) and that of young unemployed people (from 22.9% to 25.1%), while falls were seen in the share of older unemployed people (those aged over 40 represented less than 45% and those aged over 50 just 21.5% compared to 26% seen in June last year), the share of long-term unemployed (to 48.9%) and that of unskilled unemployed (to 44.9%). Unemployment fell in all regions except Pomurska, Koroška, Spodnjeposavska, and Zasavska.

1.5.2. Wages

The total gross wage per employee in the private and public sectors rose by 8.1% in nominal terms in the first half of 2003 over the same period the year before. This growth was slightly above the 7.9% projected in spring. Namely, both sectors recorded slightly higher wage growth in the second quarter than projected.

In the **private sector**, the gross wage per employee rose by 8.2% in nominal terms in the first quarter against the same period last year; this matched the spring forecast thanks to the figures which were available for January and February at the time of preparing the spring forecasts. The forecast for the second quarter was 7.9%, a figure that was based on the number of working days and economic conditions, which were thought to improve no earlier than in the second half of the year. The actual wage growth was 0.2 of a percentage point higher, mainly due to faster wage growth in business services (activities J and K).

In the **public sector**, the gross wage per employee rose by 7.3% year on year in the first quarter in nominal terms, the same as projected in spring. In the second quarter, actual wage growth was 0.4 of a percentage point higher than anticipated, amounting to 6.5% mainly due to June's wage increase in the public administration (L) and education (M). The forecast was made on the assumption of a restrictive promotion system, however, adoption of the Civil Servants Act, introducing a new approach to organisation and job classification, caused an early 'reclassification' of employees. Further, recruitment was at a high level in the public administration in the first half of the year which, in turn, pushed the average wage up because this sector generally employs highly skilled people.

1.6. Monetary developments and the capital market

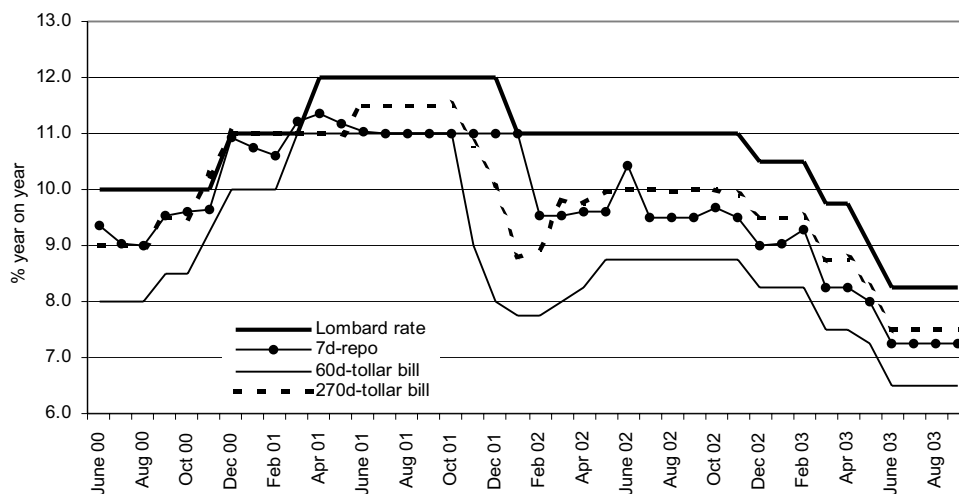
1.6.1. Monetary policy

In its Monetary Policy Implementation Report published in spring, the Bank of Slovenia (BS) reiterated its commitment to bring inflation down to the level allowing early integration into the Economic and Monetary Union. According to the current plans of the BS and the government, Slovenia should enter the exchange rate system (ERM2) in the first half of 2005 and, after two years of being in the ERM2 and fulfilling the Maastricht criteria, Slovenia could introduce the single EU currency.

In spite of this goal, the measures taken by the BS this year are mainly a response to the changed macroeconomic conditions, in particular lower price growth; however, the BS did not trigger these changes. Namely, the BS adjusted its **key interest rates** in March only after inflation had dropped in the first two months (by 1.1 percentage points) and interest rates were cut in the euro-zone. After two further cuts in May and June, the BS' key interest rates were 1.0 to 2.2 percentage points lower at the end of the third quarter than at the end of 2002.

Cuts in interest rates, especially those involving interest rates on the temporary purchase of euros (down by 1.0 percentage point to 3.5%) and tolar bills of the BS (down by 1.75 percentage points to 6.5% on 60-day bills and 2.0 percentage points to 7.5% on 270-day bills), helped slow the **tolar's depreciation** down against the euro. Annual depreciation slowed from 4.0% in December last year to 3.0% at the end of the third quarter this year. Nevertheless, assuming the high pass-through effect of exchange rate on prices, the contribution of the euro's predictable rise to inflation remained at the level of the last two years, and is thereby hampering the disinflation process (see p. 27). While the US dollar's exchange rate continued to fluctuate, the tolar's real effective exchange rate measured by relative consumer

Picture 4: Bank of Slovenia's nominal interest rates, %



Source: Bank of Slovenia.

prices climbed by 2.0% in the first eight months and by 2.9% compared to August 2002 (also see p. 24).

After the broad monetary aggregate M3 had already risen above the upper end of the target band set by the BS in early 2001, and its growth was further fuelled by portfolio adjustments upon introduction of the euro in late 2001 and early 2002, M3 growth began to decelerate in the second half of 2002, but it still exceeded the band set by the BS. This lack of command probably led to an informal abandoning of M3 targeting, since the BS no longer gives the reference values for the upper and lower ends of the band this year. Growth in M3 is still slowing down this year; according to the latest figures, growth declined by 6.3 percentage points to 16.4% in the first five months.

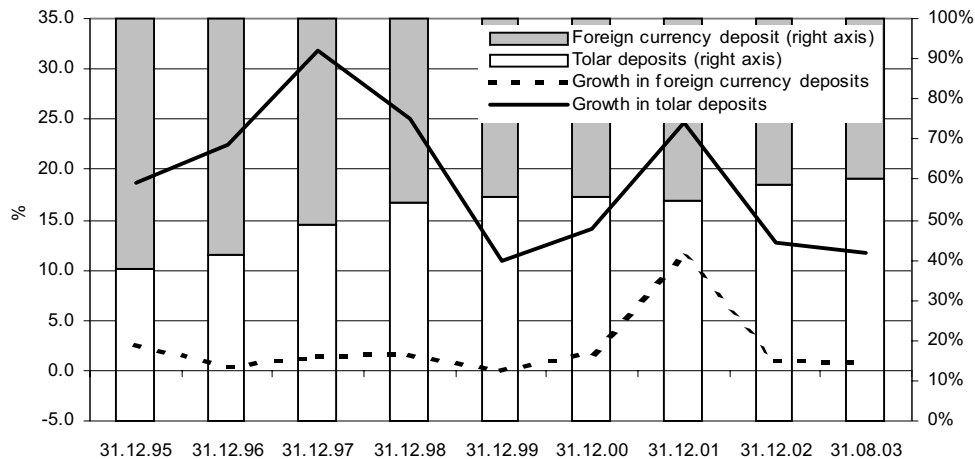
1.6.2. Financial flows and the capital market

The modest growth in **household savings in banks** continued from 2002 into the first half of 2003, when growth was just 2.7% in real terms (2.2% in the same period last year). Total **net flows** of tolar and foreign currency deposits amounted to SIT 64.1 billion, 6.4% less than a year ago in real terms. **Tolar savings** rose by 4.4% in real terms over December (up 5.9% in the first half of 2002), while **foreign currency savings** climbed by 0.6% (down 2% in the first half of 2002). The share of foreign currency savings first shrank to below 40% and totalled 39.4% at the end of June. These low growth rates were chiefly due to falls in deposit interest rates on both tolar and foreign currency savings. Interest rates have dropped markedly since the second quarter of 2002, leading to a shift in the maturity structure of savings. Long-term tolar deposits fell by 1.3% in real terms (despite the regular inflows in the national housing savings schemes). Sight deposits, on the other hand, climbed by 8.2% in real terms. These trends can be explained by low deposit interest rates, since returns no longer correspond to the reduced liquidity caused by tying up funds. Low growth in savings continued in July and August.

Mutual funds are becoming an increasingly popular form of saving and they currently equal about 3% of total household savings held in banks. At the end of June, mutual funds held SIT 62.1 billion, 12.1% more than in December last year in nominal terms. Their average annual return was 14.3% at the end of June mainly thanks to the high returns from 2002, while mutual funds had a negative return of 2.5% in the first half of 2003 on average. Returns were again positive in the third quarter owing to favourable trends in the domestic capital market; this attracted new net inflows, and savings held by mutual funds increased to SIT 75 billion at the end of September.

Falls in lending interest rates have slightly boosted the lending activity of domestic banks. The **volume of domestic banks' tolar lending to enterprises and other financial organisations, households, and the government** rose by 1.1% in real terms in the first six months of this year (the same period last year saw a fall of 5%). This was mainly due to an 11.9% real rise in government borrowing, while household borrowing edged up 0.4% in real terms (down 1.5% in the same period last year). **Enterprises and other financial organisations** took out more foreign currency than tolar loans because they were cheaper. Foreign currency loans climbed by

Picture 5: Currency structure of household savings in banks and real year-on-year growth rates



Source: BS.

19.2% in real terms over December despite the high benchmark of last year. **Net flows** of foreign currency loans amounted to SIT 94.6 billion in the first six months and were 41.8% higher than in the same period last year in real terms. These loans accounted for as much as 35.8% of total domestic banks' lending to enterprises. **Foreign loans** are becoming an increasingly important source of corporate financing; enterprises raised a net of SIT 45.3 billion in foreign loans in the first six months, 82.9% more than a year ago in real terms. According to figures from the BS, corporate borrowing through domestic banks' foreign currency loans and external loans continued in July and August, while borrowing through tolar loans declined in real terms. In these two months, the government repaid tolar loans in a total net amount of SIT 9.8 billion. Household loans, on the other hand, climbed by 2.3% in real terms compared to the end of June, which pushed household loan growth up to 2.7% compared to December.

Both **lending and deposit interest rates** continue to decline in 2003. More rapid falls were seen in long-term interest rates as a result of falls in real interest rates and the tolar indexation clause (TOM); long-term lending interest rates were 12.5% and long-term deposit interest rates were 9% in the first six months on average. Long-term interest rates will drop further as the TOM is being phased out in long-term liabilities and claims (the TOM was abolished for short-term instruments on 1 July 2002).

Interbank interest rates did not move in line with lending and deposit interest rates; they climbed by 1.1 percentage points to 5.8% in the first six months compared to the end of 2002 owing to the banking sector's reduced liquidity. Similar movements were seen in the **SMOMs** of a maturity of less than two months, while the SMOMs of longer maturities dropped by an average of 1.2 percentage points. As a result, the yield curve, which shows interest rates of different maturities and indicates interest rate movements in the future, was much flatter in June than at the end of 2002. However, it is difficult to draw any definite conclusions on the basis of

this yield curve because the SMOM's representativeness is low. This is why a new interest rate called **SITIBOR** was introduced in mid-July, which reflects the actual interest rates used in interbank transactions. However, the SITIBOR as a reference interest rate is also questionable because of the shallowness of the interbank market and Slovenia's anticipated integration into the EMU.

After rising significantly in 2002 (up 55.2%), the **SBI20 index** dropped by 7.8% in the first six months compared to the end of 2002 (the same period last year saw a rise of 33.5%). The **market capitalisation** of all securities traded on the Ljubljana Stock Exchange (including the shares of investment funds) amounted to SIT 2,046.8 billion at the end of June, 5.9% less than at end-2002. This drop was due to the general fall in securities prices, as well as the withdrawal of Lek shares, a pharmaceuticals company, from the stock exchange. **Turnover** on the Ljubljana Stock Exchange, totalling SIT 156.3 billion in the first six months, also dropped and went down by 24.2% in nominal terms over the same period last year. Bonds saw greater trading; their turnover amounted to SIT 67.5 billion in the first six months, 36.1% more than a year ago, while turnover in shares slumped by 47.5% in nominal terms. Stock exchange indices started to rise in the third quarter thanks to good financial results of companies listed on the stock exchange and the resumed acquisition activity. The SBI20 index rose by 17.3% in the third quarter and reached an all-time high of 3,614 points at the end of September; however, it rose by just 8.2% over December because of negative trends from the first half of the year.

1.7. Central government debt

Central government debt grew by SIT 94.4 billion in nominal terms in the first nine months to total SIT 1,517.9 billion on 30 September 2003. Debt increased largely due to financing of the budget deficit (SIT 40.9 billion), compensation for the victims of war and post-war violence and injustice (SIT 7.6 billion), exchange rate changes and the revaluation of principal (SIT 23.6 billion). The share of internal debt expanded to 61.4% of total debt (58.8% at the end of 2002), following the government's strategy to provide as much finance as possible from the domestic financial market. Out of the SIT 132.4 billion which the government borrowed on a long-term basis (SIT 10.3 billion of which was loans taken out with commercial banks while the rest was securities issued in the domestic market), SIT 20.5 billion was earmarked for the early repayment of debt. The government raised just SIT 0.7 billion in foreign loans (loans obtained from international financial institutions).

Debt denominated in euros represented 49.4% of total debt and 95.8% of total external debt at the end of September. Debt denominated in toalars accounted for 48.8% of total debt and 78.8% of total domestic debt. The government has not undertaken any new borrowing in US dollars this year, so the share of dollar-denominated debt dropped to 1.4%.

As far as interest rates are concerned, debt carrying a fixed interest rate represented 81.0% of total debt, going up by 4.6% compared to the end of 2002. This increase was the result of bonds carrying a fixed interest rate which were issued to finance budgetary commitments.

2. Autumn forecasts for 2003-2005

2.1. International environment

The uncertainty of the international environment, relating to the war in Iraq and its possible impact on oil prices, consumer and investor confidence and global economic growth at the time of making the spring forecasts, has eased considerably. Doubts about the revival of economic growth in EU members turned out to be justified, where economic growth is slowing down for the third year running.

The IMAD drew on the autumn forecasts of the IMF, the only international institution that had released its forecasts before we made ours, and the monthly forecasts of Consensus. The IMF kept its forecast of **world economic growth** for 2003 and 2004 unchanged, however, it estimated that the volume of world trade may be lower than expected (see Table 3). Both the IMF and other international institutions project that economic revival in Slovenia's main trading partners from the **EU** will take place no earlier than in 2004, while data for the USA for the first half of the year suggest that economic activity is gaining momentum in line with the spring expectations. The economic growth forecast for the USA for 2003 and 2004 was revised upwards slightly to 2.6% and 3.9%, respectively, while that for the EU was downgraded to 0.8% and 1.9%-2.0%, respectively (see Table 4). The long-awaited economic recovery in Japan was even slightly **above expectations** in the first half of the year, so the economic growth forecast for 2003 was revised upwards to 2.0% and that for 2004 to 1.4% (the spring forecast for both years ranged between 0.8% and 1%). Current economic trends are also favourable in **Russia**; the IMF improved its economic growth forecast by 2 percentage points to 6% for 2003 and 5% for 2004. The upward revision was slightly lower for **India**, up half a percentage point to 5.6%, while the figure for 2004 stayed the same at 5.9%. The forecast for China was unchanged, and the country should enjoy robust economic growth of 7.5% in both 2003 and 2004. **Downward revisions** from spring forecasts were strongest for some **Asian countries** (Hong Kong, Korea, Singapore, Taiwan), where the negative impact of SARS on gross domestic product will be stronger than anticipated in spring even though the disease has been brought under control. These countries can

Table 3: World economic forecasts

	2001	2002	2003		2004	
			April 2003	Sept. 2003	April 2003	Sept. 2003
World economic growth (real terms, %)	2.4	3.0	3.2	3.2	4.1	4.1
Volume of world trade (real growth, %)	0.1	3.2	4.3	2.9	6.1	5.5
World oil price* (growth, %)	-14.0	2.8	24.2	14.2	-19.4	-10.5
World prices of other raw materials** (growth, %)	-4.0	0.6	9.4	5.0	2.3	2.4
6-month LIBOR*** interest rates on USD deposits (%)	3.7	1.9	1.7	1.3	3.5	2.0
6-month LIBOR*** interest rates on EUR deposits (%)	4.2	3.3	2.4	2.2	2.5	2.4

Source: IMF World Economic Outlook (April 2003, September 2003).

Notes: * the average of oil prices of Brent, Dubai and West Texas Intermediate; ** weighted average relative to shares in world exports; *** LIBOR - London interbank offered rate.

expect just 2.3% economic growth in 2003 (the forecast was downgraded by 1.8 percentage points) and 4.2% in 2004.

The spring alternative (and less favourable) **oil price** scenario did not materialise, according to which the oil price could have reached USD 40-60 per barrel if the war in Iraq had carried on. However, in the first nine months a barrel of oil (Brent) was still about USD 4 more expensive than in 2002 on average, totalling USD 28.6. The price climbed the most in the first quarter, to USD 31.4 per barrel, it dropped to USD 26.1 in the second quarter, and climbed to USD 28.4 per barrel in the third quarter. The oil price is estimated to drop slightly in the last quarter, so the average price should be about USD 28.2 per barrel in 2003 and USD 26 in 2004. This is slightly above the IMAD's spring assumptions (USD 27.8 and USD 25 per barrel) and in line with the expectations of international institutions (the IMF projected USD 28.5 and USD 25.5 per barrel of Brent, Dubai and WTI).

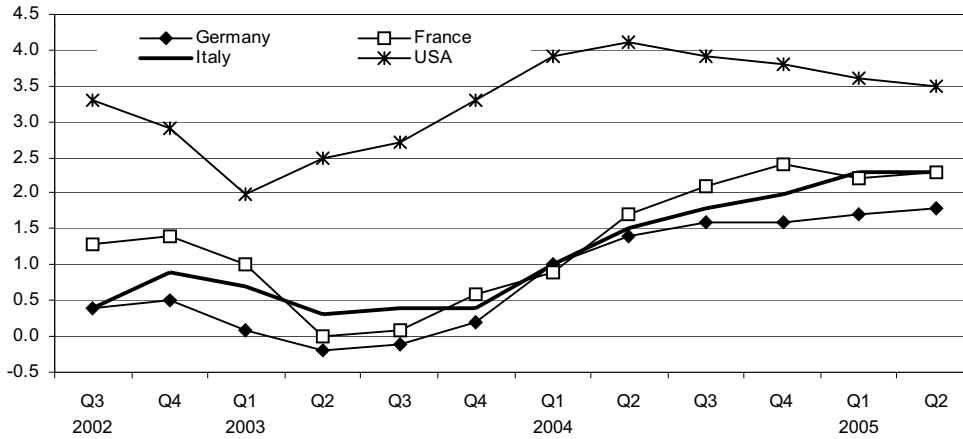
Both the US Federal Reserve and European Central Bank have further cut their **leading interest rates** since spring; in September they were at 1% in the USA and 2% in the euro-zone. Analysts do not expect any raising of interest rates, at least not before there are signs of a marked and sustained recovery of economic activity.

The **euro** rose steadily from the end of 2002 to June this year, when it reached an all-time high against the US dollar (the EUR/USD exchange rate was 1.17), it began to depreciate after June, and September's EUR/USD exchange rate was 1.12. In the first nine months, the euro climbed by 20% against the dollar compared to the same period last year. In the autumn forecasts, the assumption of the EUR/USD exchange rate was revised up from 1.05 to 1.11 for this and the next two years (technical assumption).

2.1.1. An overview of current economic developments in individual countries

In the **USA**, gross domestic product increased by 2% in the first and 2.5% in the second quarter compared to the same period last year. This second-quarter acceleration, which saw business investment intensify after eight quarters of negative year-on-year growth, led to an upward revision of the economic growth forecast for 2003 to 2.6%. The strongest growth was seen in government consumption for a few quarters now; as a result, the fiscal deficit is estimated at 6% of GDP for the fiscal year of 2002/2003 (IMF). Nevertheless, in the first half of the year the greatest contribution to growth came from private consumption, which was stimulated by economic policy measures (tax relief and low interest rates), and the resumed rise in stock market indices. However, sustained long-term growth in private consumption will be impossible without an improvement in the labour market. Unemployment has been on the increase for three years and totalled 6.1% in September. Apart from the worsening conditions in the job market, the relatively optimistic autumn forecast for **2004** (international institutions project 3.9% growth) could be additionally jeopardised if improvement in business investment turned out to be only transitory. The IMAD's autumn forecasts retained the spring assumption of 2.4% growth in the USA in 2003, but we took a more conservative assumption of 3.4% growth in 2004, still 0.6 of a percentage point higher than assumed in spring.

Picture 6: Year-on-year quarterly GDP growth rates for selected countries, %



Sources of data: Eurostat, Consensus Economics (September 2003).
Note: Consensus forecasts for Q3 2003 and onwards.

In EU countries, gross domestic product growth was much weaker than in the USA and weaker than anticipated in spring; growth was just 0.9% in the first and 0.5% in the second quarter compared to the same period last year. The respective figures for the **euro-zone** are 0.7% and 0.2%. These trends led to another downward revision of the economic growth **forecast** for **2003**, primarily reflecting the unfulfilled expectations about the recovery of gross fixed capital formation and lower-than-anticipated exports of goods and services. Instead of rising modestly (0.3%), investment consumption is expected to drop by 1% in the euro-zone this year, according to September's Consensus forecasts, while exports should increase by no more than 1% (the European Commission's spring forecast was 3% and that of Consensus was 3.8%). In the first half of the year, export growth was additionally hampered by the euro's appreciation; it was strongest in the second quarter when euro-zone exports declined 0.6% year on year. The stronger euro (especially against the US dollar), however, is helping bring inflation down, which should be 0.3 of a percentage point lower than in 2002 (2%), and is also boosting households' purchasing power. As a result, the forecast of private consumption growth stayed the same (1.2% growth). Imports of goods and services (2.8% growth) should be lower than projected in spring, but still much higher than in 2002 when growth was negative. The autumn economic growth forecast for the euro-zone for 2003 is 0.5%, lower than anticipated in spring (the spring forecasts were made on the assumption of 0.8% to 0.9% growth). Factors in favour of stronger economic growth in **2004** are positive developments in the international environment and domestic demand: consumer and business confidence indicators have been improving gradually, stock exchange indices have climbed significantly since spring, while the improved balance sheets, coupled with low interest rates, should boost investment. Economic growth should therefore intensify to 1.6%-1.9% in the euro-zone and 1.9%-2.0% in the EU-15. The autumn forecasts took the lower figures as their starting point (the spring assumption was 2.1% growth for the euro-zone).

Table 4: Economic growth in Slovenia's main advanced trading partners¹, %

	Real gross domestic product growth, %												
	2002	2003 forecast						2004 forecast					
		CONS March	EK April	IMF April	CONS Aug.	CONS Sept.	IMF Sept.	CONS March	EK April	IMF April	CONS Aug.	CONS Sept.	IMF Sept.
EU-15	1.1	1.4	1.3	1.3	0.9	0.8	0.8	2.2	2.4	2.4	1.9	2.0	2.0
Germany	0.2	0.7	0.4	0.5	0.1	0.0	0.0	1.8	2.0	1.9	1.5	1.6	1.5
Italy	0.4	1.3	1.0	1.1	0.6	0.5	0.4	2.2	2.1	2.3	1.6	1.6	1.7
Austria	1.4	1.3	1.2	1.5	0.7	0.7	0.7	2.2	2.0	2.4	1.9	1.8	1.5
France	1.2	1.3	1.1	1.2	0.7	0.4	0.5	2.2	2.3	2.4	1.7	1.7	2.0
USA	2.4	2.4	2.4	2.2	2.3	2.6	2.6	3.7	2.5	3.6	3.7	3.9	3.9
UK	1.7	2.1	2.2	2.0	1.8	1.8	1.7	2.5	2.6	2.5	2.5	2.6	2.4

Sources: Consensus Economics Inc. (CONS), March, August, September 2003, IMF World Economic Outlook, April 2003, September 2003, European Commission, April 2003.

Note: ¹ As far as the international environment is concerned, the IMAD's autumn forecasts were made on the basis of September's Consensus forecasts, while those for 2004 drew on the more conservative Consensus forecasts released in August.

If we look at the largest EU economies, economic growth will decelerate markedly in Germany, France and Italy in 2003. In **Germany**, growth was slightly negative in the first six months, so the 0.5% growth forecast in spring was further downgraded, and gross domestic product is expected to stagnate this year. Optimism about next year's recovery is fuelled by the IFO's business climate indicators, which improved in September for the fifth month in a row. We anticipate 1.5% economic growth in 2004, lower than projected in spring, which should be underpinned by increased exports of goods and services (4.3%), while imports should remain at this year's level (about 4.6%). In **France**, economic growth is expected to decelerate to 0.4% in 2003 after it was above the EU average in 2002 (1.2%). The forecast for this year was downgraded significantly after national accounts data for the second quarter had been released; they showed stagnation in gross domestic product compared to the same period last year. Economic growth should be 1.7% in 2004, about half of a percentage point lower than projected in spring mainly due to weakened private and investment consumption. In **Italy**, economic growth should roughly equal that of 2002 (0.5%), while next year's acceleration is expected to be weaker (1.6%) than anticipated in spring mainly due to similar factors as in France. Out of all main trading partners from the EU, **Austria** will enjoy the strongest growth this year (0.7%), with investment in construction having gained momentum after declining for several years. Forecasts for 2004 range from 1.2% to 1.9%.

In **Croatia**, the economic developments of the first six months suggest the spring economic forecasts will be overrun. The first-quarter 4.9% and second-quarter 5% gross domestic product growth reflected a continuation of last year's robust gross fixed capital formation, which was fuelled by motorway construction, as well as private consumption growth, as underpinned by the expanded lending activity of banks. The latest forecasts therefore anticipate stronger growth in 2003, ranging between 4.3% and 4.5% (Zagrebačka banka and the IMF; their spring figures were 3.6% and 4.2%), while growth should be 4.8% or 4.5% in 2004 (in spring both institutions projected 4.5%). For **Serbia and Montenegro**, the WIIW downgraded its economic growth forecast by 2 percentage points to 2%, indicating a slowdown

for the third year running, while the forecast for 2004 remained at 4%. Economic developments will also be less favourable in **Bosnia and Herzegovina**, where economic growth is expected to be almost 1.5 percentage points lower than projected in spring in 2003 (3.3%) and half of a percentage point lower in 2004 (5%), according to the IMF.

As far as **countries in transition** are concerned, this year's economic growth should be weaker than anticipated in Hungary and the Czech Republic and stronger than anticipated in Poland. Russia achieved almost 7% economic growth in the first quarter thanks to the high prices of its main exports (oil and metals) and a surge in investment (10% year on year). The latter was only partly due to the low activity from last year and analysts see this revival of investment as a good foundation for a sustained economic growth in the future, especially in view of Russia's high dependence on the prices of raw materials. The WIIW therefore revised its economic growth forecast for 2003 from 4% to 5% and the IMF to 6%, while the new figures for 2004 are 4.5% and 5%.

2.2. Gross domestic product

2.2.1. Expenditure structure of gross domestic product

Economic growth is estimated to be **2.6% in 2003**, half of a percentage point lower than projected in spring owing to the slowdown in the first half of the year being stronger than anticipated in spring and the further delay of a revival of economic activity in EU members. The alternative scenario of the spring forecasts is beginning to apply in some segments following the downward revision of the economic growth forecast for EU members (see p. 35). The latest forecast of export growth is way below last year's growth (3.2% this and 6.5% last year) and also below the spring projection (5.4%). On the other hand, domestic demand is strengthening; it should rise by 3% this year (2.4% in 2002) and contribute more to economic growth than anticipated in spring. The main levers of domestic spending will be investment and household consumption. Following the robust investment activity of the first half of 2003 (excluding some major individual purchases), the forecast of gross fixed capital formation was corrected upwards to 5.9% (the spring forecast was 3.2%). Similarly, the forecast of private consumption growth was revised from 2.0% to 2.5% thanks to developments in the first half of the year and the downward revision for 2002 (1.1%, see Box on p. 18) on one hand, and despite the poorer labour market indicators and moderate wage growth on the other. According to the latest forecast, government consumption should rise by 2.3%, slightly less than estimated in spring, while intermediate demand should climb by 2.8%, also less than previously foreseen (3.4%). Following the upward revision of private and investment consumption, the forecast of import growth is 0.3 of a percentage point higher (4.8%). As a result, the net contribution of international trade, previously estimated at 0.5 of a percentage point, is expected to be negative and to total 1.0 percentage point (last year's positive contribution was also close to 1.0 percentage point).

Table 5: **Growth in demand components**

	Real growth rates, in % (2000 constant prices)				
	2001	2002	2003	2004	2005
			Forecast		
Total aggregate demand	3.5	3.3	3.1	4.4	4.4
Foreign demand (exports)	6.4	6.5	3.2	5.7	5.8
Domestic demand	2.7	2.4	3.0	4.0	4.0
- intermediate consumption	3.3	3.3	2.8	3.9	4.0
- private consumption	2.4	1.1	2.5	3.5	3.6
- government consumption	4.0	2.5	2.3	2.7	2.6
- gross fixed capital formation	-0.4	1.3	5.9	6.5	5.7

Source: SORS, forecasts by the IMAD.

Export demand is expected to strengthen in **2004** on the assumption of improved conditions in the international environment. Domestic spending should increase as well. Slovenia should therefore achieve about **3.6%** economic growth next year. Given that the revival of economic activity in Slovenia's main trading partners, previously estimated to take place in 2004, will be less strong than expected, according to the latest international institutions' forecasts (see p. 35), export growth (5.7%) will be stronger than in 2003, but lower than estimated in spring (6.3%). Intermediate consumption will move accordingly; it should rise by 3.9%, less than projected in spring (4.3%). Government consumption will also climb more slowly than expected in spring (2.7%), in line with the proposed amendments to the 2004 budget. In addition to improved conditions in the labour market, private consumption (3.5%) will be stimulated by funds released from the national housing savings scheme. Some of these savings should be turned into consumption either indirectly or directly through the purchase of dwellings or other durable and semi-durable

Table 6: **Expenditure structure of gross domestic product**

	Contribution to growth, percentage points				
	2001	2002	2003	2004	2005
			Forecast		
GROSS DOMESTIC PRODUCT	2.9	2.9	2.6	3.6	3.7
Goods and services balance (exports-imports)	1.8	0.8	-1.0	-0.4	-0.4
Domestic consumption, total	1.0	2.1	3.6	4.0	4.2
- Private consumption	1.4	0.6	1.4	1.9	2.0
- Government consumption	0.8	0.5	0.5	0.5	0.5
- Gross fixed capital formation	-0.1	0.3	1.4	1.7	1.5
- Changes in inventories and valuables	-1.0	0.7	0.3	-0.1	0.1

Source: SORS, calculations by the IMAD.

goods (see p. 45). Capital formation should accelerate further (6.5%), while its structure should change to the benefit of housing investment. Given the strong import growth (6.2%) fuelled by the robust domestic consumption, the contribution of net international trade to gross domestic product growth is expected to be negative, but a solid half of a percentage point lower than this year.

In **2005**, export growth should accelerate further to 5.8% on the assumption of favourable trends in the international environment, while domestic demand should rise at the same rate as the year before. Private consumption should increase slightly faster (3.6%) thanks to the improved conditions in the labour market, while intermediate consumption should accelerate as a reflection of higher exports. Investment activity should be slightly weaker than in 2004, going up by 5.7%, with housing investment as well as investment in machinery and equipment advancing further. Gross fixed capital formation relative to gross domestic product should again draw close to 24% (the share of 2001) in line with the intensified investment activity. According to the draft budget for 2005, government consumption should also decline compared to 2004 (2.6%). Import growth (6.4%) is estimated to be slightly stronger than the year before, so the negative contribution of net international trade is likely to stay the same as in 2004 (-0.4 of a percentage point). Economic growth should be **3.7%** in 2005, only slightly stronger than the year before.

The surplus of **gross savings** over gross investment, i.e. the current account surplus, totalled 1.7% of gross domestic product in 2002, the highest since 1994 (see Spring Report 2003, p. 47). The structure of household disposable income changed to the benefit of savings in 2002 as a result of dampened business expectations and undermined consumer confidence. This was also related to the creation of new institutional saving mechanisms (pension and life insurance, housing savings schemes

Table 7: **Supply and use of gross national disposable income**

	% of GDP, current prices				
	2001	2002	2003	2004	2005
			Forecast		
GROSS DOMESTIC PRODUCT	100.0	100.0	100.0	100.0	100.0
Net primary income from the rest of the world	0.1	-0.3	-0.6	-0.6	-0.6
GROSS NATIONAL INCOME	100.1	99.7	99.4	99.4	99.4
Net current transfers from the rest of the world	0.7	0.6	0.4	0.6	0.7
GROSS NATIONAL DISPOSABLE INCOME	100.7	100.3	99.7	100.0	100.1
Final consumption	76.4	75.1	75.5	75.3	75.1
GROSS SAVING	24.3	25.1	24.3	24.7	25.0
Current account balance	0.1	1.7	0.3	0.5	0.2
GROSS CAPITAL FORMATION	24.2	23.5	24.0	24.2	24.8
of which: gross fixed capital formation	24.0	22.6	23.0	23.5	23.9
Fixed capital consumption	17.5	16.9	16.8	16.6	16.5
NET CAPITAL FORMATION	6.7	6.6	7.2	7.6	8.3

Source: SORS, forecasts by the IMAD.

etc) and development of non-banking financial markets. Enterprises financed foreign entities through commercial and other credits (poorer payment discipline in the countries of former Yugoslavia and extended credit terms in the EU) and direct investment. In 2003, net commercial credits are declining owing to modest export growth (see p. 49). At the same time, household saving relative to gross domestic product is expected to fall in line with stronger growth in private consumption, while the saving-investment balance will be re-established thanks to accelerated investment. The current account surplus will therefore narrow to 0.3% of gross domestic product this year. In 2004, growth in capital formation should still slightly lag behind growth in gross saving, while in 2005 the former should overrun the latter, thereby gradually narrowing the surplus of gross saving over investment.

2.2.2. Production structure of gross domestic product

Value added is forecast to rise by 2.8% in real terms in **2003**, slightly less than the year before and less than projected in spring (3.4%). This slowdown was chiefly due to primary activities, whose value added should rise by just 2.6% in real terms (3.1% in 2002), while the service sectors should roughly maintain last year's relatively low levels (2.9% this and 3.1% last year).

This modest growth in primary activities is mainly influenced by **manufacturing**. Manufacturing's value added is expected to rise by 2.9% in real terms, significantly less than anticipated in spring (4.1%) when it was thought the business cycle would turn upwards in autumn in line with recovery in the international environment and the ensuing acceleration in Slovenia's exports. In view of current developments and high stock levels (also see p. 19), manufacturing's activity should strengthen no earlier than late 2003¹⁷. This is also suggested by figures on production volumes; the trend rate improved in August after still being on a downturn in July. Expectations about a rise in order books are tentative, according to a survey conducted by the SORS, despite a moderate rise in orders seen in the last few months. A survey measuring business expectations for the next six months, which is conducted by the Chamber of Commerce and Industry, displays more optimism.

As far as **other primary activities** are concerned, a fall compared to both 2002 and spring forecasts should also hit agriculture, hunting and forestry, electricity, gas and water supply, while growth should strengthen in construction and mining. In agriculture, hunting and forestry, value added is expected to drop by 4% in real terms owing to adverse weather conditions (see p. 19). This forecast assumed favourable weather conditions in autumn, which should help agricultural producer to compensate partly for the shortfalls in the growing season. In electricity, gas and water supply, value added should stagnate because of lower production in thermal and nuclear power plants in the first half of the year and lower production in hydroelectric power plants in the second half of the year caused by unfavourable hydrologic conditions. In construction, value added is estimated to rise by about 6% in real terms (1.1% in 2002). In addition to intensified motorway construction typical of

¹⁷ Similar developments are predicted by a study called A System of Leading Indicators and Trend Analysis carried out by the Institute of Economic Analysis and Projections of the School of Business and Economics of the University of Maribor.

the first half of the year, growth should be fuelled by a gradual improvement in building construction in the second half of the year. This is indicated by the latest figures on building permits which, unlike the provisional figures available during preparation of the spring forecasts, paint a slightly better picture (see p. 43).

In **service industries**, value added is forecast to rise by 2.9% in real terms, slightly less than anticipated in spring. The spring forecasts predicted stronger growth than last year in market-oriented services (activities from G to K) and unchanged dynamics in public services (activities from L to P). However, figures for the first six months revealed worse-than-expected trends in transport, storage and communications, and financial intermediation, while better-than-expected results are foreseen in the public administration, defence and compulsory social security as well as other community, social and personal services (4.8% and 3.5%) thanks to strong employment growth (see p. 28). As a result, real value-added growth should be lower than in 2002 in market-oriented services (2.5% this and 3.1% last year) and higher in public services (3.6% this and 3.3% last year).

In **2004**, value added should rise strongly, albeit not as solidly as projected in spring (3.9% compared to the spring forecast of 4.3%). About the same level should be maintained in **2005**. The main lever of growth should be manufacturing in line with the anticipated strengthening of exports of goods. In construction, this year's positive developments should be sustained, while its structure should change. Building construction is expected to gain momentum, fuelled by demand after the conclusion of the first five-year national housing savings scheme, while motorway construction is likely to slow down over 2003. Robust production activity, coupled with strengthened private consumption growth (see p. 45) especially in 2005, should bolster mainly market-oriented services (business and financial services, transport, storage and communications, wholesale and retail trade, and hotels and restaurants). Growth in public administration, defence and compulsory social security should slow down gradually in the next two years in line with the Strategy of Slovenia's Public Sector Development, which plans to restrict employment in the state administration. Other services should record roughly unchanged value-added growth.

2.2.3. Cost structure of gross domestic product

The forecasts of the **compensation of employees** for 2003 and next two years were downgraded owing to dampened expectations about employment growth (see p. 50) and unchanged estimates of real wage growth (see p. 51) compared to the spring projections. The forecasts were corrected from 2.7% to 2.2% for 2003, from 3.1% to 2.7% for 2004, and from 3.2% to 2.9% for 2005. As in 2002, growth in the compensation of employees will lag behind gross domestic product growth in 2003 (2.2% and 2.6% in real terms, respectively). Nevertheless, total labour costs relative to gross domestic product should edge up by 0.1 of a percentage point because of the expected fall in the terms of merchandise trade. The forecast of the compensation of employees for 2004 (a real rise of 2.7%) took the new public-sector wage system into account, which should enhance the transparency of the salary scale and improve manageability of the gross wage bill. The share of the compensation of employees in gross domestic product should decline further (by 0.1 of a percentage point) given the continued lagging of labour costs behind economic growth and the

Table 8: **Cost structure of gross domestic product**

	% of GDP, current prices				
	2001	2002	2003	2004	2005
			Forecast		
1. COMPENSATION OF EMPLOYEES	53.1	52.7	52.8	52.7	52.6
2. TAXES ON PRODUCTION AND IMPORTS	16.3	16.7	16.7	16.6	16.5
3. SUBSIDIES	1.4	1.4	1.4	1.4	1.4
4. GROSS OPERATING SURPLUS AND GROSS MIXED INCOME (4=5+6)	31.9	32.1	31.9	32.1	32.3
5. Consumption of fixed capital	17.5	16.9	16.8	16.6	16.5
6. Net operating surplus	14.4	15.2	15.2	15.5	15.9
7. GROSS DOMESTIC PRODUCT (7 = 1+2-3+4)	100.0	100.0	100.0	100.0	100.0

Source: SORS, forecasts by the IMAD.

improved terms of trade. A similar decline is expected in 2005.

Taxes on production and imports totalled SIT 879 billion in 2002, or 16.7% of gross domestic product. This share is estimated to stay unchanged in 2003 thanks to faster import growth and strengthened private consumption on one hand and despite lower economic growth on the other. Similarly, this share is unlikely to change in the next two years (see Table 8) given the assumptions about macroeconomic aggregates that influence the dynamics and volume of these taxes. Namely, value-added tax rates will stay unchanged (20% and 8.5%), while exports (they reduce taxes because of tax refunds), imports and private consumption should strengthen gradually. **Subsidies** relative to gross domestic product are expected to remain at 1.4%.

The share of the **gross operating surplus** in gross domestic product (31.9%) should be slightly lower than in 2002 because of a marginal fall in the terms of merchandise trade.

Following an anticipated fall in oil prices, a slow rise in prices of other primary commodities, and improvement in the terms of trade, this share is likely to reach last year's level of 32.1% in 2004, and should rise further to 32.3% in 2005.

2.3. Consumption aggregates

2.3.1. Export-import flows

The spring forecasts already envisaged a slowdown in **export flows** compared to 2002 (to 5.4%), however, the latest estimates show that this slowdown will be even stronger. According to the available figures and prospects for domestic and international markets, total exports are estimated to rise by **3.2%** in real terms in **2003**, with exports of goods going up by 3.7% and exports of services by 1%. One

of the reasons for this slowdown is a downgraded economic growth forecast for EU members compared to the spring projections (see p. 35). Since close to 60% of Slovenia's exports of goods go to the EU, these exports are estimated to decline further in the third and last quarters year on year. This estimate took into account a slump in exports of vehicles to Germany and France, so the contribution of the EU to Slovenia's total exports will shrink from 1.8 percentage points (the spring estimate) to 1.2 percentage points. Further, exports to the markets of former Yugoslavia were envisaged to slow down by 50% compared to 2002, however, current developments show that this slowdown will amount to around 85%. Similarly, exports to the former Soviet Union are declining more than previously expected. Annual growth in exports to these markets will be lower than projected in spring even though exports to Russia should strengthen in the second half of the year mainly thanks to boosted sales of medical and pharmaceutical products. Only exports of goods to CEFTA moved in line with projections, and growth should intensify in the second half compared to the first half of the year. The contribution of CEFTA to Slovenia's exports should equal that of 2002 as well as that of the EU. Exports of services are also expected to slow down markedly compared to the spring forecast, given the real fall seen in the first half of the year. The forecast of exports of services for 2003 was revised from 4.8% to 1% chiefly due to falls in exports of services with high value added.

The spring forecast of 4.5% real growth in **imports of goods and services** was corrected to 4.8% because of intensified investment activity and private spending, even though exports are modest. Current developments indicate that the import structure will change compared to the spring estimate: imports of services will rise more slowly than imports of goods (2% and 5.3% in real terms, respectively).

Following a revival of economic activity in the main trading partners, albeit weaker than envisaged in spring, **real growth in exports of goods and services** should strengthen to **5.7% in 2004**, still 0.6 of a percentage point lower than projected in spring. The abolition of free-trade agreements with the countries of former Yugoslavia, prompted by Slovenia's membership in the EU, is most likely to hit exports of the food and oil industries. Exports of goods to these countries are estimated to climb by just 1%. On the other hand, the volume of intra-EU trade should increase significantly. **Imports of goods and services** should rise by **6.2%** in 2004, slightly less than anticipated in spring (7%). A downward revision was necessary because of lower export growth this year, while imports will continue to be stimulated by investment activity and fast growth in private consumption. Against the background of favourable developments in the international environment, total exports should rise by **5.8%** in real terms in **2005**, slightly more than the year before chiefly due to higher exports of services. Coupled with the economic growth structure continuing from 2004, this should push the rise in imports up to **6.4%**.

2.3.2. Private consumption

Private consumption is estimated to rise by **2.5% in 2003**, more than projected in spring (2.0%), according to developments from the first half of the year and other short-term indicators. This higher growth, envisaged to take place despite the unchanged forecast of real wage growth (see p. 51) and deteriorated conditions in the labour market (see p. 50), was partly due to a downward revision of last year's

private consumption growth (see the Box). Household disposable income should rise by 2.2%, moving in line with the spring projections. The wage bill should climb by 2.2% in real terms, with the number of persons in employment edging up 0.2% and the gross wage per employee rising by 2% in real terms, while total social security benefits should increase by 1.9% in real terms. At the same time, the propensity to save¹⁸ is likely to decline slightly because of falls in interest rates.

In **2004**, private consumption is also expected to increase more than projected in spring (3.3%), going up by **3.5%**. Growth will be underpinned by a one-percentage point stronger rise in household disposable income than the year before and resumed household borrowing (see Spring Report 2003, pp. 56-58). The robust growth in household available income (3.2%) will mainly be due to a rise in employment (the number of persons in employment should climb by 0.7%), while the gross wage per employee should increase at the same rate as this year (2.0%). The wage bill is expected to rise by 2.7% and total social security benefits by 2.4% in real terms. Private consumption will also be boosted by funds released from the first national housing savings scheme. Some of these savings will turn into consumption either directly or indirectly through the purchase of durable and semi-durable goods. Further, household income is expected to be significantly disburdened of loans taken out to buy cars and other durable goods before the introduction of value-added tax in 1999, when household indebtedness in banks surged. This should allow households to borrow again.

In **2005**, household spending is envisaged to rise further, going up by **3.6%**. Household disposable income should increase by 3.4%, more than in the preceding two years. The gross wage per employee should rise faster than in 2004, while employment growth should be the same, so the wage bill is expected to increase by 2.9% in real terms. Total social security transfers are estimated to rise by 2.6% in real terms.

2.3.3. Investment

The high investment activity seen in the first half of this year (gross fixed capital formation was up 6.7% year on year) is expected to continue in the second half. Investment growth, however, should slow down in the second half of the year mainly due to decreased motorway construction (following the intensified activity in the second half of 2002, when civil engineering accelerated)¹⁹. The autumn forecast of gross fixed capital formation now stands at **5.9%** (3.2% projected in the spring forecast).

As regards residential construction, the slowdown seen for over three years is expected to ease off. According to the final figures, the number of building permits issued in 2002 was slightly lower than the year before (the number of planned dwellings and their floor space were 1.6% and 2.0% lower), while provisional figures for the first half of this year show that more building permits were issued than in the

¹⁸ The ratio of gross savings to household gross disposable income.

¹⁹ In July, the value of construction put in place in civil engineering was 10.4% higher than a year ago while, in the first six months, growth was as much as 33.6% stronger than in the same period last year.

same period last year. The issued building permits also indicate better prospects for investment in non-residential building construction. Improvement in building construction (residential and non-residential) is further indicated by employment figures. In July, the number of people employed in general construction works was 2.5% higher than a year ago mainly due to a 4.5% rise in the number of people working for the self-employed (individual private entrepreneurs)²⁰.

Given the level of investment in machinery and equipment, the favourable trends of the first half of the year (see p. 23) are expected to continue. In July, imports of machinery specialised for particular industries rose markedly from the same period last year (up 14.6% in nominal terms), as did imports of general industrial machinery (up 25.4%), according to the SORS' data. Investment should also be bolstered by the expected recovery of the international economic environment and greater export demand.

Investment activity should be further reinforced in **2004**, with gross fixed capital formation rising by **6.5%**. Growth should be stronger in housing investment, as the increased demand following the termination of the first national housing savings scheme should step up the construction of dwellings after four years of decline or stagnation. Investment should also be bolstered by capital expenditure and capital transfers from the state budget (a nominal rise of 20.2%) and strong exports fuelled by improved economic conditions in Slovenia's main trading partners. In **2005**, gross fixed capital formation should increase by 5.7% in real terms, with housing investment strengthening further. According to the draft budget for 2005, appropriations for investment will be lower than the year before, while inflows from the EU should produce a positive effect.

2.3.4. Government consumption

Government consumption is estimated to rise by **2.3%** in real terms in **2003**, 0.1 of a percentage point less than envisaged in the spring forecasts. The spring estimate drew on the proposal of revised budget for 2003, while the new estimate took into account the adopted revised budget, whose expenditure structure is slightly changed, while its nominal value is the same as that of the proposal. Expenditure of local government budgets, close to 50% of which is included in government consumption, was also reviewed. We also took into consideration the new figures on health insurance expenditure, taken from the amended financial plan of the Health Insurance Institute of Slovenia, and expenditure on pension and disability insurance. As before, government consumption is set to rise less than the estimated gross domestic product, while its share relative to gross domestic product should reach 20.7%, 0.2 of a percentage point more than in 2002. Government consumption should contribute 0.5 of a percentage point to economic growth, the same as last year.

The forecasts for **2004** and **2005** were made on the basis of the amended budget for 2004 and the proposed budget for 2005 adopted by the government in September this year (see p. 55). Expenditure on goods and services and expenditure on wages,

²⁰ According to the Standard Classification of Activities, Section 45.21, general construction of buildings and civil engineering works, includes all types of buildings as well as structures such as bridges, tunnels etc. We estimate, however, that individual private entrepreneurs are primarily engaged in building construction.

contributions and other allowances (they constitute government consumption according to the national accounts methodology and represent about 45% of the state budget expenditure) were budgeted in line with the programme of streamlining expenditure, leading to a better structure of general government expenditure. Austerity measures should be taken in budgeting both expenditure on goods and services and expenditure on wages, contributions and other allowances. A restrictive recruitment policy should cut the number of employees by 1%, excluding recruitment planned for setting up professional armed forces and the Schengen border. Expenditure on wages, contributions and other allowances for civil servants should rise slowly thanks to implementation of the Public Sector Wage System Act and austerity measures taken in wage allowances and compensations. The forecasts of local government expenditure were made on the same basis as those of state budget expenditure. Local government expenditure should represent around 5% of the estimated gross domestic product in both 2004 and 2005. If expenditure on compulsory health insurance and expenditure on pension and disability insurance is included, government consumption should rise by **2.7% in 2004** and by **2.6% in 2005** in real terms. Each year, government consumption growth should lag behind gross domestic product growth so the share of government consumption relative to gross domestic product should narrow to 20.3% in 2004 and 20.0% in 2005. Government consumption is estimated to contribute 0.5 of a percentage point to gross domestic product growth in both 2004 and 2005.

2.4. International economic relations

2.4.1. International competitiveness

In **2003**, the **price competitiveness** of Slovenian manufacturing is expected to fall more than estimated in spring. Namely, the tolar should appreciate by an average of 3.6% instead of the 2.9% projected in spring against the basket of OECD currencies when measured by relative consumer prices. Since the tolar's nominal depreciation against the euro (3.3%) should be stronger than projected in spring (2.8%), the difference between the previous and latest forecasts is due to the euro's stronger rise in international foreign exchange markets on one hand and a higher rise in domestic prices on the other. As a result, Slovenia's price competitiveness should fall less than previously projected in the euro currency area (1% real appreciation) and significantly more in the currency areas of the US dollar, the Swiss franc, and the pound sterling. If measured by relative industrial producer prices, price competitiveness is likely to be better than in 2002 in the euro currency area. The fall in Slovenian manufacturing's **cost competitiveness** should match the spring forecast (2.3%). Labour productivity growth (2.8%) will be lower than previously estimated (3.5%) because of a modest rise in production, but the real compensation of employees will rise less than forecast in spring (1.3% when deflated by the consumer price index; 2.1% projected in spring) mainly due to a bigger fall in other remuneration as well as a lower rise in net wages. Slovenian manufacturing's cost competitiveness is unlikely to fall compared to competitors from the euro currency area.

In **2004**, price competitiveness should continue to fall slowly (1.3% appreciation of the tolar against the basket of OECD currencies). The trend of declining cost

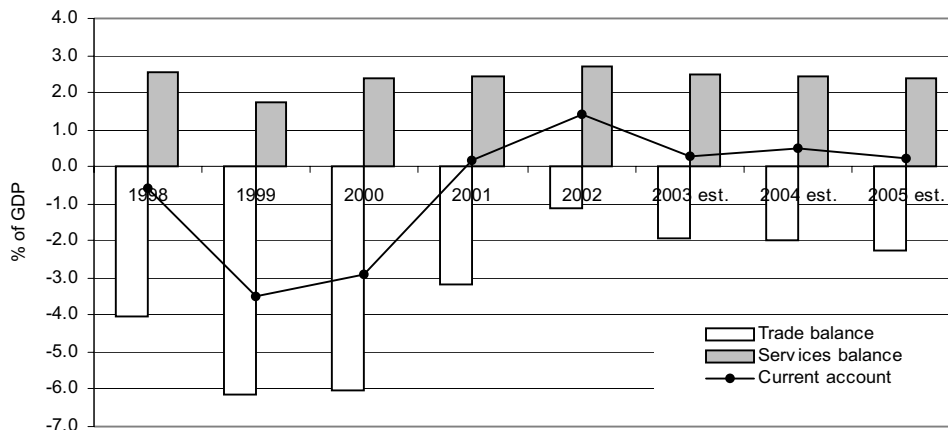
competitiveness is estimated to come to a halt provided that production begins to pick up (a 3.3% rise in production volumes) and labour productivity increases as a result (4.9%), while the real compensation of employees is expected to rise more than before (2.4%).

2.4.2. Balance of payments

In 2003, the trade deficit should widen to EUR 471 million because import flows are expected to be stronger than export flows (also see p. 44) and the terms of merchandise trade are expected to edge down by 0.3 of a percentage point (in spring, the trade deficit was estimated to narrow to EUR 224 million on the assumption of stronger export growth). The surplus in services trade should match the spring forecast (EUR 606 million) because real exports and imports of services should slow down proportionally relative to the spring forecast. The terms of trade in services are estimated to improve by 0.5 of a percentage point thanks to higher export prices of transport, catering and accommodation services. The balance of factor incomes should record a slightly narrower deficit than previously projected, totalling EUR 153 million. The surplus of inflows over outflows in the current transfers account should be lower than forecast in spring (EUR 91 million compared to EUR 142 million) because the receipts of the general government (gifts and foreign aid) and other sectors (insurance, annuities) are estimated to be lower and expenditure of other sectors is estimated to be higher. The **current account** should run a **surplus** of EUR 73 million, or **0.3% of GDP**, significantly narrower than estimated in spring (EUR 357 million).

In 2004, trade in goods and services should intensify more on the export than import side (see p. 44). Nevertheless, the trade deficit is expected to expand to EUR 509 million (the spring estimate was EUR 309 million) because import growth should still be stronger than export growth (further growth is expected in the imports of investment and intermediate goods). The surplus in trade in services should widen

Picture 7: **Current account of the balance of payments and trade and services balance, % of GDP**



Source: BS, forecasts by the IMAD.

to EUR 630 million. The estimates of factor incomes and current transfers are the same as in spring. As regards factor incomes, capital expenditures should rise faster than receipts because of servicing external debt and foreign investors' reinvested earnings, so the deficit should widen slightly over 2003 to EUR 161 million. Net inflows from the EU budget are envisaged in current transfers (a balance of EUR 167 million). The current account should run a **surplus** of EUR 127 million, or **0.5% of GDP**.

In **2005**, the trade deficit should widen more than the surplus in services trade, so the surplus in trade in goods and services should narrow to EUR 42 million. The surplus in current transfers should cover the deficit in labour and capital incomes. The sum of all balances shows that the current account should be in a **surplus** of EUR 67 million, or **0.2% of GDP**.

2.5. Labour market

2.5.1. Employment and unemployment

In 2003 and 2004, employment should rise less than projected in the Spring Report. A seasonal rise is still anticipated in autumn this year when employment growth should record similar dynamics as last year, especially in education and certain other services. In **2003**, the **number of employees** will climb on average (0.2%), but less than projected in spring (0.7%). Since statistics show a fall in the number of farmers, the **number of persons in formal employment** (the employed and self-employed) is likely to be lower in the second than in the first half of the year, while the annual number of persons in formal employment should drop by 0.7% over the year before (a 0.5% rise was forecast in spring). The number of persons in informal employment may record a seasonal rise in the third quarter, however, this may not be enough for a 0.2% rise in the **total number of persons in employment (according to the labour force survey)**. Hence, employment established by the labour force survey is estimate to fall by 1.7%, while employment in the full-time equivalent is expected to drop by 0.6% (a rise of 0.2% was projected in spring). In the **next two years**, economic recovery should bring about a slightly stronger rise in the number of employees and a weaker fall in the number of self-employed and informally employed people. Total employment (the full-time equivalent) should increase by 0.3% in **2004** and 0.5% in **2005**. This is less than envisaged in the spring forecasts owing to sluggish economic growth and, in particular, weak growth in manufacturing (see p. 42). This year, **productivity growth** is estimated to be higher than predicted in spring (3.4% as against 3.1%), while forecasts for the next two years are unchanged at around 3.5%. The **employment rate**²¹ should be 62.4% this year, lower than in 2002 and lower than previously projected. It is expected to stay below the level of 2002 in the next two years.

The **number of unemployed** and the **unemployment rate** are expected to be higher than projected in spring (according to the available figures and anticipated dynamics in autumn): the average number of registered unemployed should total 98,000 (4.2%

²¹ People aged 15–64. For details, see the Development Report 2003, IMAD, p. 122).

less than in 2002 and 2% more than projected in the spring forecasts), while the average unemployment rate should come in at 11.2% (0.3 of a percentage point higher than the spring estimate). The survey unemployment rate should be 6.8% (6.3% estimated in spring). Despite the concerted efforts made by the active employment policy, further falls in unemployment may not be as big as envisaged in spring or set out in the National Programme of Labour Market Development primarily due to the dampened economic growth. In 2004, it is estimated the registered unemployment rate will drop to 11.0% and the survey unemployment rate to 6.7%. In 2005, the former should decline further to 10.6% and the latter to 6.4%. In both 2004 and 2005, the labour force participation rate is estimated to be lower than in 2003, totalling 67.0% (see Table 13 in the Statistical Appendix).

2.5.2. Wages

The forecast of a **2.0%** real rise in the gross wage per employee for **2003** is unchanged. The latest forecast, however, anticipates a slightly stronger rise in the private and a slightly weaker rise in the public sector. The nominal rise in the gross wage per employee should be 7.9%. With labour productivity growing by an estimated 3.4%, the Social Agreement's objective of keeping the real gross wage per employee one percentage point behind labour productivity growth should be met.

In the **private sector**, the gross wage per employee should rise by 8.1% in nominal terms, 0.4 of a percentage point more than projected in the Spring Report. The estimate for the second half of the year assumed a slightly bigger rise in business services (activities J and K) on the basis of actual trends (see p. 30) and unchanged growth in other activities. Since consumer prices are projected to rise 0.3 of a percentage point more than previously estimated (see p. 54), the gross wage per employee should rise by **2.2%** in real terms (2.1% projected in spring).

In the **public sector**, the gross wage per employee should climb by 6.6% in nominal terms, 0.5 of a percentage point less than estimated in spring, and by **0.8%** in real terms on the basis of the projected rise in consumer prices. In July this year, the social partners agreed and signed the Annex to the Collective Agreement for the Public Sector, which replaced August's wage adjustment with a premium of collective voluntary pension insurance. This will enable public-sector employees to save under the second pillar of the pension insurance system, which is already widespread in the private sector. Wages should rise less in the third quarter than projected in spring when wage adjustment was assumed to take place in August, or one percentage point weaker growth was envisaged in the case of a successful agreement on August's adjustment. However, given that wage growth was faster in the first half of the year than previously estimated, the annual rise will be half and not one percentage point weaker.

In **2004**, the gross wage per employee should rise by about 2% in real terms in the private and public sectors combined on the basis of the estimated rise in consumer prices, and should lag behind labour productivity growth by around 1.5 percentage points.

Wages policy for the **private sector** has not yet been formulated, however, the Wages Policy Agreement for 2002-2004 has set an adjustment mechanism that takes into account domestic inflation, inflation in selected EU members (Slovenia's main trading partners), and the SIT/EUR exchange rate. Our projections were made on the basis of the current adjustment mechanism, which already contains built-in de-indexation to some extent since it does not take into account December's inflation and excludes alcohol and tobacco from the consumer price index. Further, 2004 has five more working days than the previous year (mainly in the second half), which should have a strong impact on private sector's wage growth, especially in manufacturing. Wage movements will also be influenced by an improvement of economic conditions envisaged to take place towards the end of this year. The gross wage per employee is therefore estimated to rise by around 2% in the first and 3% in the second half of the year in real terms. The overall rise should be **2.5%**, the same as projected in the spring forecasts.

As far as the **public sector** is concerned, the social partners agreed on a wages policy for 2004-2005 in July this year by adopting the Agreement on the Adjustment Mechanism for the Base Wages and Holiday Allowance for 2004 and 2005. This adjustment mechanism incorporates the three elements defined in the Social Agreement: in 2004, it will take into account 52% of the projected rise in consumer prices, excluding alcohol and tobacco (4.3%), 38% of the projected rise in consumer prices in the EU (1.9%), and 10% of the envisaged rise in the euro's exchange rate (1.7%). This adds up to an adjustment of 3.1%, which will be included in July's wages. An additional payment is also planned in July in education, as agreed in the Annex to the Collective Agreement for Education in 2002. A new pay system will be introduced for civil servants in 2004; it should be as neutral as possible and gradually adjusted where necessary. The gross wage per employee should therefore rise by around **0.3%** in real terms, less than projected in the spring forecasts. This decline is mainly due to the abolition of August's adjustment in 2003, leading to a lower wage level that year as well as in 2004 and therefore resulting in 0.5 of a percentage point lower wage growth.

In **2005**, the gross wage per employee should rise by **2.2%** in real terms in the private and public sectors combined and should lag behind the estimated 3.5% labour productivity growth by 1.5 percentage points. In the **private sector**, the economic recovery is likely to push wages up towards the end of the year (performance-related pay), while the fact the year has three less working days should hold wage growth back slightly. The gross wage per employee is forecast to rise by **2.5%** in real terms, thereby maintaining the dynamics of 2004. In the **public sector**, July's wages should be adjusted by 3% in line with the adjustment mechanism, which takes into account 52% of the projected rise in consumer prices (4.0%) and 48% of the projected rise in consumer prices in the EU (2.0%). This forecast also incorporates July's additional payment for education and a gradual narrowing of the gaps between public-sector wage levels as envisaged by the new pay system for civil servants. The gross wage per employee should therefore climb by **1.2%** in real terms.

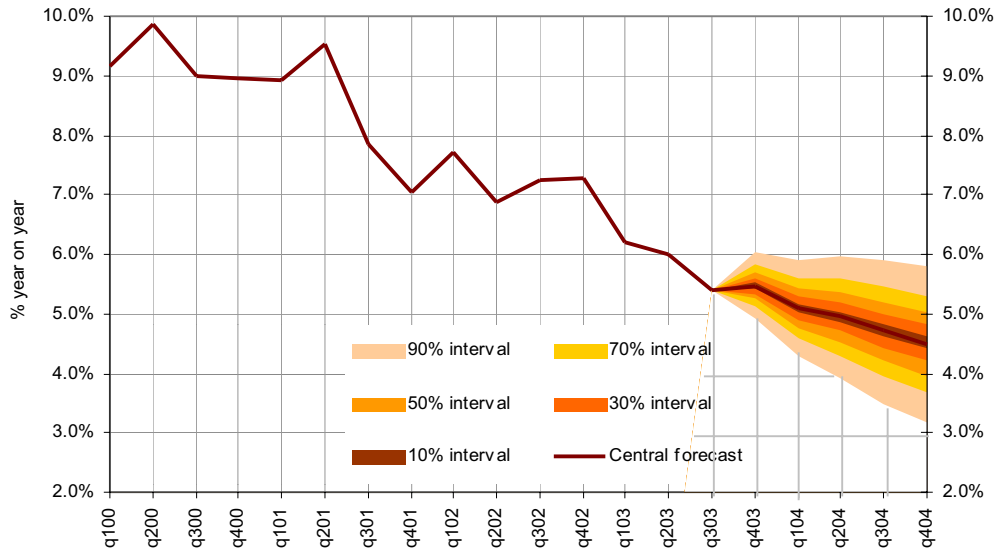
2.6. Inflation forecast

The gradual reduction of inflation from the first three quarters of this year should continue into the last quarter and 2004 since no significant changes are expected in either the key economic policy orientations or their contribution to inflation in the rest of 2003 and 2004.

According to the plan of raising administered prices, prices under direct government regulation should not rise in the last quarter. Further, the two factors which are outside the government's control and influence domestic prices of liquid fuels for heating and transport through the pricing model – world oil prices and the US dollar's exchange rate – are not expected to climb or change markedly. In **2003**, the overall rise in administered prices should thus not exceed the rise in freely-floating prices, and their contribution to inflation should total 0.6 of a percentage point. No changes in tax and excise duty rates producing an inflationary impact are envisaged for the last quarter either, so fiscal factors should add 0.7 of a percentage point to this year's inflation. Given that the monetary policy stance is not changing, the euro's exchange rate will appreciate by close to 3% by the end of the year. Since we assume that the rise in exchange rate almost fully translates into price growth with a six to nine month delay, the tolar's depreciation being faster than anticipated in spring will therefore add more to inflation than projected in the Spring Report, i.e. about 3.0 percentage points. In addition to the factors noted above, last-quarter inflation will be influenced by changes in food prices. Food prices should rise slightly faster towards the end of the year because of the drought in summer, while the cutting or elimination of customs duties on certain products, effective in the last quarter, should help bring food prices down. These two factors combined could additionally push food prices up in the last quarter and contribute up to 0.2 of a percentage point to inflation. If all these inflationary impacts are considered, the **year-end annual rise in consumer prices** should be slightly higher than projected in spring (5.1%), amounting to **5.5%**, while the **average inflation** should be **5.8%**.

The objectives of government-run economic policies with an impact on inflation which have been adopted this year should continue to be pursued in **2004**. Further implementation of a restrictive tax policy means that excise duty rates on tobacco products will continue to be harmonised with EU rates, while excise duties on liquid fuels will be adjusted to the rise in the euro's exchange rate. The overall contribution of fiscal changes to inflation should drop to no more than 0.4 of a percentage point. The government will continue to raise administered prices restrictively even though the long-term gap between rises in administered and freely-floating prices may distort the relative prices and create additional pressure to equal these prices, therefore leading to a higher general price level. Administered prices will not climb more than freely-floating prices, while their contribution to inflation should drop compared to 2003 and total 0.5 of a percentage point. The wage adjustment agreement for the public sector adopted in July this year will ensure that wage growth does not create any inflationary pressures on the demand side. In accordance with our understanding of how the inflationary mechanism works, the pace of bringing inflation down will primarily depend on the Bank of Slovenia's monetary policy measures in addition to structural factors, i.e. imbalances which have added 1.5-2.0 percentage points to inflation in the last few years. If this year's policy stance is maintained, the euro's

Picture 8: Possible discrepancies from the central inflation forecast



Source of data: SORS, forecasts by the IMAD.

exchange rate will climb by 1.8% in 2004, meaning that the faster exchange rate rise will contribute about 2 percentage points to inflation, taking into account the exchange rate’s delayed impact. It was this faster-than-projected depreciation of the tolar that led to an upward correction of the inflation forecast compared to the Spring Report. Drawing on the above assumptions, we expect the year-end **annual inflation** to drop to **4.5%** and **average inflation** to **4.9% in 2004**. Inflation should decelerate further in **2005** when the annual and average rise in consumer prices should fall to **about 4%**.

This rate of inflation projected for 2005 is not entirely compatible with the objective of entering the ERM2 in the first half of 2005 set by the government and the Bank of Slovenia in the Pre-accession Economic Programme 2003. As explained above, the IMAD’s forecast is based on data for the first eight months of 2003 and assumption that current macroeconomic policies with an impact on inflation are pursued further. The government and the Bank of Slovenia will agree on measures that will enable inflation to drop to a level compatible with the Maastricht criteria in the reference period preceding the introduction of the euro. Provided that these measures are implemented consistently, inflation could be around 0.5 of a percentage point lower than projected as early as in 2004.

Picture 8 shows the central inflation forecast, which was made on the basis of the above assumptions, and possible discrepancies from the central forecast. Unlike in previous forecasts, where the main risk factor was rises in oil prices, risks are now slightly asymmetrical, but more evenly distributed around the central inflation forecast. As a result, we can expect, with 50% certainty, that inflation will not be lower than 4.0% or higher than 5.0% at the end of 2004.

2.7. Public finances

In September, the government put forward a **revised state budget for 2004** and a draft budget for 2005. According to the revised budget, expenditure will increase by a total of SIT 89 billion compared to the adopted budget. About half of this increase will come from standard state budget expenditure, while the other half involves payments to the European Union budget. Expenditure of the revised budget is 5.7% higher than originally budgeted, or 2.8% higher if payments to the EU budget are excluded. Expenditure of the revised budget will therefore total SIT 1,647.6 billion, 9.3% more in real terms than expenditure of the revised budget for 2003, or 6.3% more if payments to the EU budget are excluded. Expenditure relative to gross domestic product will total 26.8%, 1.6 percentage points more than in 2003. A rise in expenditure compared to the original budget is envisaged in domestic interest payments, subsidies, transfers to the pension and disability fund, and capital transfers and capital expenditure. On the other hand, the revised budget curbs expenditure on goods and services, reserves, and transfers to households and local government.

Local government expenditure is estimated to rise by 2.2% in real terms in 2003. Its share relative to gross domestic product is planned to be 5.2%, roughly the same as in 2002. Local government expenditure should rise more slowly in 2004 and 2005 and should not exceed gross domestic product growth. Local government expenditure relative to gross domestic product should settle at around 5% in 2004 and 2005.

Expenditure on **pension and disability insurance** (excluding health insurance contributions for pensioners) is estimated to total SIT 723 billion in 2003, 1.1% more than the year before in real terms, and should represent about 12.7% of the projected gross domestic product. In **2004**, expenditure on pensions and other rights guaranteed by the Pension and Disability Insurance Act should amount to 12.6% of gross domestic product, according to projections of the number of beneficiaries, further implementation of the pension reform, and the current indexation of pensions.

Public expenditure on **compulsory health insurance** is estimated to increase by 3.8% in real terms in 2003 and should total 6.7% of the projected gross domestic product. In **2004**, this expenditure should still rise faster than gross domestic product, while its share in gross domestic product should range around 7%.

After consolidating all expenditure, total **general government expenditure** should climb by 3.9% in real terms in **2003** and total 43.3% of the estimated gross domestic product, 0.8 of a percentage point more than in 2002. Consolidated general government expenditure should rise by 5.2% in real terms in **2004**, while its share in gross domestic product should climb to a solid 44%, according to the revised state budget, projections of expenditure on pension and health insurance and local government expenditure.

In **2003**, **consolidated general government revenue** is estimated to total 41.7% of gross domestic product. The **general government deficit** should equal about **1.5% of gross domestic product**, the same as the current general government deficit in

Table 9: **Consolidated general government revenue and expenditure according to the GFS-IMF methodology (as a % of gross domestic product)**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General government revenue	43.1	42.7	42.0	43.0	43.6	40.9	41.5	39.5	41.8	42.5
General government expenditure	43.1	42.4	43.2	43.8	44.2	42.2	42.8	42.5	43.3	44.2
Surplus/deficit	0.0	0.3	-1.2	-0.8	-0.6	-1.3	-1.3	-3.0	-1.5	-1.7

Sources: Ministry of Finance, the Budget Memorandum for 2004 and 2005; shares relative to estimated GDP calculated by the IMAD. For 2005 see the text below.

2002 (excluding the ‘compensatory deficit’ resulting from the alignment of the fiscal with the calendar year). In **2004**, consolidated general government revenue (excluding funds received from the EU) should rise more slowly than gross domestic product. General government revenue collected from domestic tax sources should total about 41% of gross domestic product, while inflows from the EU are estimated to total 1.3% of gross domestic product. Total consolidated general government revenue should equal 42.5% of gross domestic product, while the general government deficit is estimated to reach **1.7% of gross domestic product**.

Public finance projections for **2005** depend not only on the macroeconomic framework, but also on the outcome of discussions held in 2004 to reform the tax and health systems. The ensuing solutions will shape the volume and structure of compulsory levies, while the structure of financing public health services is envisaged to change. In turn, this will influence some macroeconomic aggregates: the relationship between public and private consumption may change and the fiscal burden imposed on particular industries may differ from the one currently in force. The projections of macroeconomic aggregates will take into account the envisaged systemic changes when they are laid down by law.

A preliminary draft budget for 2005 has already incorporated these systemic changes. An increase in the share of public funding in financing public services will push general government expenditure up relative to gross domestic to above 44.3% estimated for 2004. If the current rules and relationship between public and private financing of public services remain the same, consolidated general government expenditure would rise less than in 2004 and less than gross domestic product, while its share in gross domestic product would shrink to about 43.5%.

According to the preliminary draft budget, general government revenue collected from domestic sources should roughly equal the level of 2004, while inflows from the EU are estimated to total 1.6% of gross domestic product. The **general government deficit** is projected to reach around **1.6% of gross domestic product** in 2005.

3. Economic growth projections for 2006-2008

Economic growth is expected to accelerate to around 4% in 2006-2008. Intensified productivity growth should allow wages to rise faster (with the gross wage per employee still lagging behind productivity growth at about the same rate as now), which should in turn push private consumption up. Increased investment activity from previous years should be maintained against the background of stable economic growth and focus more on private investment (machinery and equipment). The latter should bolster the economy's competitiveness and stimulate export growth so the current account of the balance of payments should remain balanced despite the relatively strong import growth. In the period of catching up with the EU's level of economic development, productivity growth in Slovenia (3.5%) is expected to significantly exceed the average EU level, so employment is likely to rise slowly. As a result, the survey and registered unemployment rates are estimated to fall less than as envisaged in the National Programme of Labour Market Development and Employment up until 2006 (because of relatively weaker economic growth than assumed at the time of preparing the labour market strategy). The faster productivity growth relative to the EU will also put structural pressure on inflation¹, while integration into the exchange rate mechanism envisaged to take place in mid-2005 is expected to bring a halt to the nominal rise in the exchange rate and ease off inflationary expectations. Thanks to these two factors, the average inflation rate should decline to about 3%, meaning that, from the point of view of the Maastricht criteria, Slovenia could introduce the euro in 2008.

Economic growth anticipated for 2006-2008 is lower than projected in the medium-term scenario of the Spring Report 2003 owing to the sluggish economic recovery in the international environment². Any further weakening of economic growth in Slovenia's main trading partners could dampen foreign demand, which would in turn hamper export growth as well as investment consumption to some extent. A

Table 10: Forecasts of the main macroeconomic indicators

	real growth rates, %		
	2006	2007	2008
Gross domestic product	4.0	4.3	4.0
Employment (% growth)	0.7	1.1	0.8
Labour productivity (% growth)	3.6	3.5	3.4
Gross wage per employee	2.5	2.5	2.5
Exports of goods and services	6.3	6.6	6.8
Imports of goods and services	6.5	6.5	6.7
Final consumption (government and private)	3.4	3.4	3.4
- private consumption	3.6	3.6	3.6
- government consumption	2.8	2.8	2.8
Gross fixed capital formation	5.5	7.5	4.2
Current account deficit (% of GDP)	0.0	0.0	0.0
Inflation rate (annual average, %)	3.2	2.8	2.7

Source: the IMAD's forecasts.

lower level of orders would slow down manufacturing's production volumes and imports of intermediate goods. The sluggish international economic recovery would therefore also reduce the volume of imports. Hence, the assumption of a stable and steadily growing world economy is one of the main uncertainties threatening the main macroeconomic scenario. Another uncertainty comes from the assumption of a sufficient level of domestic savings to sustain dynamic private consumption and investment activity. If projections of a higher level of national savings, increased inflows of foreign direct and portfolio investment, and the gradual elimination of the fiscal deficit do not materialise, investment relative to gross domestic product would shrink, leading to poorer international competitiveness. The share of products involving high value added in total exports would not increase, and the current account could run a deficit as a result.

In order to maintain stable economic growth at a higher medium-term level after accession to the EU, qualitative changes must bring about investment restructuring, reinforced competitiveness factors, and the elimination of macroeconomic imbalances, mainly involving inflation, which should be reduced to a level comparable to the EU, the general government deficit, which should be gradually reduced, and incomes policy, which should be pursued further. Appropriate restrictiveness of government policies will have to replace the loss of sovereignty of monetary authorities over domestic interest rates and exchange rate movements. In addition to more restrictive policies, it will be necessary to eliminate structural imbalances in order to bring inflation closer to the Maastricht criterion, mainly in those sectors where prices are shaped by the government, the financial sector, and the labour market. If this is realised, in the period right after entering the ERM2 any price rises above the EU average or the Maastricht criterion³ would solely be the result of faster productivity growth in Slovenia relative to the EU average ('real convergence'), which could at first be partly offset by nominal depreciation within the allowed range of exchange rate fluctuations.

The background features large, light gray, stylized letters 'A', 'R', and 'D' arranged vertically. The 'A' and 'R' are at the top, and the 'D' is at the bottom. The letters are rendered in a serif font with a slight shadow effect.

Statistical Appendix

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Table 1: Main Macroeconomic Indicators of Slovenia

	- Real growth rates in %											
	1995	1996	1997	1998	1999	2000	2000	2001	2002	2003	2005	
							Estimate	Forecast				
GROSS DOMESTIC PRODUCT	4.1	3.5	4.6	3.8	5.2	4.6		2.9	2.9	2.6	3.6	3.7
Structure in value added in % ¹												
Agriculture, forestry, fishing (A+B)	4.6	4.5	4.3	4.2	3.7	3.3	3.5	3.3	3.1	2.9	2.9	2.8
Industry and construction (C+D+E+F)	38.5	38.5	38.2	38.5	38.3	38.3	37.2	36.9	36.2	35.9	35.8	35.7
- Industry (C+D+E)	33.4	32.8	32.5	32.8	32.0	32.1	30.9	30.9	30.4	30.0	29.9	29.7
- Construction F	5.1	5.7	5.7	5.7	6.3	6.2	6.3	6.0	5.7	5.9	5.9	5.9
Services (G...P)	59.2	59.5	59.8	59.7	60.3	60.6	62.2	62.3	63.6	64.0	64.1	64.3
FISIM	-2.3	-2.5	-2.3	-2.4	-2.2	-2.2	-2.9	-2.4	-2.8	-2.8	-2.8	-2.7
GDP in mil. SIT (current prices)	2,221,459	2,555,369	2,907,277	3,253,751	3,648,401	4,035,518	4,222,403	4,740,122	5,275,827	5,694,500	6,147,300	6,594,000
GDP in mil. EUR	14,508	15,075	16,116	17,468	18,843	19,682	20,594	21,825	23,321	24,367	25,732	27,270
GDP in mil. US\$	18,745	18,878	18,206	19,585	20,071	18,122	18,962	19,527	21,960	27,014	28,552	30,262
GDP per capita in EUR	7,300	7,571	8,111	8,811	9,490	9,889	10,352	10,957	11,690	12,208	12,887	13,656
GDP per capita in US\$	9,431	9,481	9,163	9,878	10,109	9,105	9,531	9,803	11,004	13,534	14,299	15,154
GDP per capita (PPS)*	11,300	11,800	12,800	13,500	14,500	15,600	15,900	16,800	17,700			

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Table 1: Main Macroeconomic Indicators of Slovenia

- Real growth rates in %

	1995	1996	1997	1998	1999	2000	2000	2001	2002	2003	2004	2005
										Estimate	Forecast	Forecast
INTERNATIONAL TRADE - BALANCE OF PAYMENT STATISTICS												
Exports of goods and services-real ²	1.1	3.6	11.6	6.7	1.7	12.7	12.7	6.4	6.5	3.2	5.7	5.8
Exports of goods	3.0	2.4	13.3	9.2	2.7	12.8	12.8	6.9	6.5	3.7	5.8	5.8
Exports of services	-6.3	8.7	4.9	-3.6	-2.7	11.8	11.8	3.8	6.1	1.0	5.4	5.6
Imports of goods and services-real ²	11.3	2.1	11.9	10.4	8.2	6.1	6.1	3.0	4.9	4.8	6.2	6.4
Imports of goods	13.1	1.8	13.3	10.9	8.8	6.1	6.1	3.2	4.4	5.3	6.1	6.4
Imports of services	-1.2	3.6	3.1	7.0	3.6	6.0	6.0	1.4	8.6	2.0	6.5	6.7
Exports of goods and services in mil. EUR	8,021	8,375	9,248	9,893	9,867	11,626	11,626	12,632	13,530	13,866	14,730	15,636
As a % of GDP	55.3	55.6	57.4	56.6	52.4	59.1	59.1	57.9	57.9	56.9	57.2	57.3
Imports of goods and services in mil. EUR	8,302	8,534	9,372	10,154	10,701	12,364	12,364	12,781	13,169	13,731	14,609	15,594
As a % of GDP	57.2	56.6	58.2	58.1	56.8	62.8	62.8	58.5	56.5	56.4	56.8	57.2
Trade balance in mil. EUR	-281	-160	-123	-261	-835	-738	-738	-149	361	135	121	42
As a % of GDP	-1.9	-1.1	-0.8	-1.5	-4.4	-3.7	-3.7	-0.7	1.5	0.6	0.5	0.2
Current account balance in mil. EUR	-52	32	43	-108	-664	-583	-583	38	330	73	127	67
As a % of GDP	-0.4	0.2	0.3	-0.6	-3.5	-3.0	-3.0	0.2	1.4	0.3	0.5	0.2
Foreign exchange reserves in mil. US\$	3,426	4,124	4,377	4,781	4,115	4,376	4,376	5,747	8,152			
External debt in mil. US\$	2,970	3,981	4,123	4,915	5,400	6,217	6,217	6,717	8,799			
As a % of GDP	15.8	21.1	22.6	25.1	26.9	34.3	32.8	34.4	40.1			

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Table 1: Main Macroeconomic Indicators of Slovenia

	- Real growth rates in %											
	1995	1996	1997	1998	1999	2000	2000	2001	2002	2003	2004	2005
										Estimate	Forecast	
EMPLOYMENT, WAGES AND PRODUCTIVITY												
Employment in full-time equivalent	1.0	-1.0	-0.5	0.0	1.2	1.1	1.1	0.5	-0.5	-0.6	0.3	0.5
Registered unemployed (annual average in thousand)	121.5	119.8	125.2	126.1	119.0	106.6	106.6	101.9	102.6	98.3	96.2	92.6
Rate of registered unemployment in %	13.9	13.9	14.4	14.5	13.6	12.2	12.2	11.6	11.6	11.2	11.0	10.6
Rate of unemployment by ILO in %	7.4	7.3	7.4	7.9	7.6	7.0	7.0	6.4	6.4	6.8	6.7	6.4
Gross wage per employee	5.1	5.1	2.4	1.6	3.3	1.6	1.6	3.2	2.0	2.0	2.0	2.2
Labour productivity	2.5	4.4	5.2	3.6	3.3	4.0	4.0	2.8	3.8	3.4	3.6	3.5
FINAL DOMESTIC DEMAND - NATIONAL ACCOUNTS STATISTICS												
Final consumption		2.3	3.2	3.9	5.6	1.4	1.4	2.8	1.4	2.5	3.3	3.4
As a % of GDP	78.7	77.6	76.7	75.9	76.0	75.8	75.8	76.4	75.1	75.5	75.3	75.1
in which:												
Private consumption		2.0	2.8	3.3	6.0	0.8	0.8	2.4	1.1	2.5	3.5	3.6
As a % of GDP	58.5	57.5	56.4	55.7	55.8	54.9	54.9	55.9	54.6	54.8	55.0	55.1
Government consumption		3.4	4.3	5.8	4.6	3.1	3.1	4.0	2.5	2.3	2.7	2.6
As a % of GDP	20.1	20.1	20.4	20.3	20.2	20.8	20.8	20.6	20.5	20.7	20.3	20.0
Gross fixed capital formation		8.9	11.6	11.3	19.1	0.2	0.2	-0.4	1.3	5.9	6.5	5.7
As a % of GDP	21.4	22.5	23.4	24.6	27.4	26.7	26.7	24.0	22.6	23.0	23.5	23.9

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Table 1: Main Macroeconomic Indicators of Slovenia

- Real growth rates in %

	1995	1996	1997	1998	1999	2000	2000	2001	2002	2003	2004	2005
										Estimate	Forecast	Forecast
CONSOLIDATED GENERAL GOVERNMENT REVENUES, EXPENDITURES AND FINANCING; GFS - IMF METHODOLOGY												
General government revenue as a % of GDP	43.1	42.7	42.0	43.0	43.6	42.8	40.9	41.5	39.5	41.8	42.5	42.5
General government expenditure as a % of GDP	43.1	42.4	43.2	43.8	44.2	44.2	42.2	42.8	42.5	43.3	44.2	44.2
Surplus/deficit as a % of GDP	0.0	0.3	-1.2	-0.8	-0.6	-1.4	-1.3	-1.3	-3.0	-1.5	-1.7	-1.7
EXCHANGE RATE AND PRICES												
Average exchange rate US\$	118.5	135.4	159.7	166.1	181.8	222.7		242.7	240.2	210.8	215.3	217.9
Average exchange rate EUR	153.1	169.5	180.4	186.3	193.6	205.0		217.2	226.2	233.7	238.9	241.8
Effective exchange rate ³	10.3	-2.9	0.7	4.0	-0.7	-1.9		-0.1	2.7	3.6	1.3	1.8
Inflation (end of the year)	8.6	8.8	9.4	6.5	8.0	8.9		7.0	7.2	5.5	4.5	3.8
Inflation (annual average) ⁴	12.6	9.7	9.1	7.9	6.1	8.9		8.4	7.5	5.8	4.9	4.0

Source of data: SORS, BS, Ministry of Finance, * Eurostat (Statistics in Focus, Theme 2-46/2003), IMAD estimates and forecasts.

Notes:

¹ Letters in brackets refer to NACE Rev. 1, Classification of Economic Activities.

² Balance of payments statistics (exports F.O.B., imports F.O.B.); real growth rates are adjusted for inter-currency changes and changes in prices on foreign markets.

³ Growth in index denotes appreciation of tolar and vice versa.

⁴ Retail prices as a measure of inflation until 1998, after 1998 consumer price index.

The table shows two data series. The first one has a base year of 1995. The second one has a base year of 2000 and is based on the revised national accounts figures (SORS, September 2003). The two series are incomparable.

Table 2a: Value Added by Activities and Gross Domestic Product

	1995	1996	1997	1998	1999	2000	2000	2000	2001	2002	2003		2004		2005
											Estimate	Forecast	Estimate	Forecast	
A. Agriculture, hunting, forestry	87,072	98,260	107,700	116,215	114,552	115,101	127,997	133,004	141,026	142,381	154,186	160,239	160,239	154,186	160,239
B. Fishing	386	439	484	519	520	534	565	748	759	734	780	815	780	815	
C. Mining and quarrying	26,006	30,683	33,908	36,023	36,825	36,763	27,095	24,972	24,284	26,106	27,179	27,888	27,179	27,888	
D. Manufacturing	545,730	616,410	706,266	782,651	859,603	970,014	994,856	1,117,933	1,231,154	1,316,474	1,420,781	1,528,579	1,316,474	1,420,781	1,528,579
E. Electricity, gas and water supply	56,693	65,032	73,492	96,503	98,108	112,768	106,454	128,738	132,555	137,747	144,121	148,549	137,747	144,121	148,549
F. Construction	96,588	123,827	143,158	159,312	195,879	214,935	230,721	244,942	260,712	290,043	316,926	339,834	290,043	316,926	339,834
G. Wholesale, retail, trade, repair	232,286	257,269	294,293	326,778	365,101	403,227	423,913	486,274	545,726	596,926	646,073	693,948	596,926	646,073	693,948
H. Hotels and restaurants	57,164	68,467	77,314	84,124	94,979	111,721	95,167	106,350	111,075	121,614	131,627	142,747	121,614	131,627	142,747
I. Transport, storage, communications	148,746	169,275	204,827	233,079	259,090	282,646	269,912	305,719	337,472	360,053	385,930	416,532	360,053	385,930	416,532
J. Financial intermediation	77,067	93,185	108,916	119,023	134,177	156,326	186,803	178,652	248,227	270,990	296,137	327,305	270,990	296,137	327,305
K. Real estate, renting and business activities	224,830	263,568	291,572	334,244	380,744	421,884	545,979	620,529	688,186	745,823	807,228	871,235	745,823	807,228	871,235
L. Public administration and com. sec.	102,937	121,447	149,612	161,704	178,540	203,034	230,036	269,966	306,092	340,000	369,843	397,250	340,000	369,843	397,250
M. Education	108,002	123,881	146,687	157,735	177,098	205,041	205,792	239,217	265,544	288,487	309,221	328,924	288,487	309,221	328,924
N. Health and social work	101,172	118,454	134,589	148,882	169,420	195,243	186,516	213,464	241,465	264,864	286,809	308,162	264,864	286,809	308,162
O. Other community and personal activities	63,580	77,431	88,243	100,449	115,126	133,145	126,702	142,157	152,748	167,484	182,249	196,824	167,484	182,249	196,824
P. Private households with employed persons							1,383	1,761	1,640	1,389	1,460	1,523	1,389	1,460	1,523
FISIM	-43,947	-55,127	-58,554	-66,343	-69,351	-77,324	-106,919	-98,989	-128,748	-139,190	-148,611	-157,463	-139,190	-148,611	-157,463
TOTAL VALUE ADDED (A ... P + PBS), basic prices	1,884,312	2,172,501	2,502,509	2,790,898	3,110,409	3,485,059	3,652,970	4,115,438	4,559,918	4,931,925	5,331,939	5,732,890	4,931,925	5,331,939	5,732,890

- Current prices, SIT million

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Table 2a: Value Added by Activities and Gross Domestic Product

- Current prices, SIT million

	1995	1996	1997	1998	1999	2000	2000	2001	2002	2003		2004		2005
										Estimate	Forecast	Estimate	Forecast	
1. TOTAL VALUE ADDED (A ... P + PBS), basic prices	1,884,312	2,172,501	2,502,509	2,790,898	3,110,409	3,485,059	3,652,970	4,115,438	4,559,918	4,931,925	5,331,939	5,331,939	5,732,890	
2. CORRECTIONS ¹	337,147	382,868	404,768	462,853	537,993	550,460	569,433	624,684	715,910	762,574	815,361	815,361	861,110	
3. GROSS DOMESTIC PRODUCT (3=1+2)	2,221,459	2,555,369	2,907,277	3,253,751	3,648,401	4,035,518	4,222,403	4,740,122	5,275,827	5,694,500	6,147,300	6,147,300	6,594,000	
TOTAL VALUE ADDED (basic prices) in which:	1,884,312	2,172,501	2,502,509	2,790,898	3,110,409	3,485,059	3,652,971	4,115,438	4,559,918	4,931,925	5,331,939	5,331,939	5,732,890	
1. Agriculture, forestry, fishing (A + B)	87,458	98,699	108,184	116,734	115,072	115,635	128,561	133,753	141,785	143,115	154,966	154,966	161,054	
2. Industry and construction (C + D + E + F)	725,017	835,952	956,824	1,074,489	1,190,415	1,334,480	1,359,126	1,516,585	1,648,704	1,770,369	1,909,007	1,909,007	2,044,850	
- Industry (C + D + E)	628,429	712,125	813,666	915,177	994,536	1,119,545	1,128,405	1,271,643	1,387,992	1,480,326	1,592,081	1,592,081	1,705,016	
- Construction F	96,588	123,827	143,158	159,312	195,879	214,935	230,721	244,942	260,712	290,043	316,926	316,926	339,834	
3. Services (G ... P)	1,115,784	1,292,977	1,496,055	1,666,018	1,874,273	2,112,268	2,272,203	2,564,089	2,898,176	3,157,631	3,416,577	3,416,577	3,684,449	
4. FISIM	-43,947	-55,127	-58,554	-66,343	-69,351	-77,324	-106,919	-98,989	-128,748	-139,190	-148,611	-148,611	-157,463	

Source of data: SORS, MAD's estimates and forecasts.
Note: ¹ taxes on products and services, minus subsidies on products and services.

The table shows two data series. The first one has a base year of 1995. The second one has a base year of 2000 and is based on the revised national accounts figures (SORS, September 2003). The two series are incomparable.

Table 2b: Value Added by Activities and Gross Domestic Product

- Shares in GDP in %, current prices

	1995	1996	1997	1998	1999	2000	2000	2000	2001	2002	2003		2004		2005
											Estimate	Forecast	Estimate	Forecast	
A. Agriculture, hunting, forestry	3.9	3.8	3.7	3.6	3.1	2.9	3.0	2.8	2.7	2.5	2.5	2.5	2.4	2.4	2.4
B. Fishing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Mining and quarrying	1.2	1.2	1.2	1.1	1.0	0.9	0.6	0.5	0.5	0.5	0.5	0.5	0.4	0.4	0.4
D. Manufacturing	24.6	24.1	24.3	24.1	23.6	24.0	23.6	23.6	23.3	23.3	23.1	23.1	23.1	23.1	23.2
E. Electricity, gas and water supply	2.6	2.5	2.5	3.0	2.7	2.8	2.5	2.7	2.5	2.4	2.4	2.3	2.3	2.3	2.3
F. Construction	4.3	4.8	4.9	4.9	5.4	5.3	5.5	5.2	4.9	5.1	5.1	5.2	5.2	5.2	5.2
G. Wholesale, retail, trade, repair	10.5	10.1	10.1	10.0	10.0	10.0	10.0	10.3	10.3	10.3	10.5	10.5	10.5	10.5	10.5
H. Hotels and restaurants	2.6	2.7	2.7	2.6	2.6	2.8	2.3	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.2
I. Transport, storage, communications	6.7	6.6	7.0	7.2	7.1	7.0	6.4	6.4	6.4	6.4	6.3	6.3	6.3	6.3	6.3
J. Financial intermediation	3.5	3.6	3.7	3.7	3.7	3.9	4.4	3.8	4.7	4.8	4.8	4.8	4.8	4.8	5.0
K. Real estate, renting and business activities	10.1	10.3	10.0	10.3	10.4	10.5	12.9	13.1	13.0	13.0	13.1	13.1	13.1	13.1	13.2
L. Public administration and com. soc. sec.	4.6	4.8	5.1	5.0	4.9	5.0	5.4	5.7	5.8	6.0	6.0	6.0	6.0	6.0	6.0
M. Education	4.9	4.8	5.0	4.8	4.9	5.1	4.9	5.0	5.0	5.0	5.1	5.1	5.0	5.0	5.0
N. Health and social work	4.6	4.6	4.6	4.6	4.6	4.8	4.4	4.5	4.6	4.6	4.7	4.7	4.7	4.7	4.7
O. Other community and personal activities	2.9	3.0	3.0	3.1	3.2	3.3	3.0	3.0	2.9	2.9	2.9	3.0	3.0	3.0	3.0
P. Private households with employed persons								0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FISIM	-2.0	-2.2	-2.0	-2.0	-1.9	-1.9	-2.5	-2.1	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4
1. TOTAL VALUE ADDED (A ... P + PBS), (basic prices)	84.8	85.0	86.1	85.8	85.3	86.4	86.5	86.8	86.4	86.6	86.6	86.7	86.9	86.9	86.9
2. CORRECTIONS ¹	15.2	15.0	13.9	14.2	14.7	13.6	13.5	13.2	13.6	13.4	13.4	13.3	13.1	13.1	13.1
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	100.0	100.0	100.0	100.0

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Table 2b: Value Added by Activities and Gross Domestic Product

- Shares in GDP in %, current prices

	1995	1996	1997	1998	1999	2000	2000	2001	2002	2003	2004	2005
										Estimate	Forecast	
GROSS DOMESTIC PRODUCT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
in which:												
1. Agriculture, forestry, fishing (A + B)	3.9	3.9	3.7	3.6	3.2	2.9	3.0	2.8	2.7	2.5	2.5	2.4
2. Industry and construction (C + D + E + F)	32.6	32.7	32.9	33.0	32.6	33.1	32.2	32.0	31.3	31.1	31.1	31.0
- Industry (C + D + E)	28.3	27.9	28.0	28.1	27.3	27.7	26.7	26.8	26.3	26.0	25.9	25.9
- Construction F	4.3	4.8	4.9	4.9	5.4	5.3	5.5	5.2	4.9	5.1	5.2	5.2
3. Services (G ... P)	50.2	50.6	51.5	51.2	51.4	52.3	53.8	54.1	54.9	55.5	55.6	55.9
4. FISIM	-2.0	-2.2	-2.0	-2.0	-1.9	-1.9	-2.5	-2.1	-2.4	-2.4	-2.4	-2.4
5. Corrections ¹	15.2	15.0	13.9	14.2	14.7	13.6	13.5	13.2	13.6	13.4	13.3	13.1
shares in value added in %												
TOTAL VALUE ADDED	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
in which:												
1. Agriculture, forestry, fishing (A + B)	4.6	4.5	4.3	4.2	3.7	3.3	3.5	3.3	3.1	2.9	2.9	2.8
2. Industry and construction (C + D + E + F)	38.5	38.5	38.2	38.5	38.3	38.3	37.2	36.9	36.2	35.9	35.8	35.7
- Industry (C + D + E)	33.4	32.8	32.5	32.8	32.0	32.1	30.9	30.9	30.4	30.0	29.9	29.7
- Construction F	5.1	5.7	5.7	5.7	6.3	6.2	6.3	6.0	5.7	5.9	5.9	5.9
3. Services (G ... P)	59.2	59.5	59.8	59.7	60.3	60.6	62.2	62.3	63.6	64.0	64.1	64.3
4. FISIM	-2.3	-2.5	-2.3	-2.4	-2.2	-2.2	-2.9	-2.4	-2.8	-2.8	-2.8	-2.7

Source of data: SORS, IMAD's estimates and forecasts.

Note: ¹ taxes on products and services, minus subsidies on products and services.

The table shows two data series. The first one has a base year of 1995. The second one has a base year of 2000 and is based on the revised national accounts figures (SORS, September 2003). The two series are incomparable.

Table 3a: Value Added by Activities and Gross Domestic Product

- Constant prices 2000, SIT million

	2000	2001	2002	2003	2004	2005
				Estimate	Forecast	
A. Agriculture, hunting, forestry	127,997	124,736	126,126	121,018	125,798	126,364
B. Fishing	565	573	536	493	503	507
C. Mining and quarrying	27,095	25,668	25,551	26,433	26,684	26,684
D. Manufacturing	994,856	1,043,950	1,091,539	1,123,193	1,175,422	1,232,430
E. Electricity, gas and water supply	106,454	113,251	119,545	119,545	121,279	121,824
F. Construction	230,721	225,737	228,265	241,847	256,237	267,767
G. Wholesale, retail, trade, repair	423,913	430,901	441,551	455,680	471,401	487,665
H. Hotels and restaurants	95,167	101,203	102,032	105,399	109,035	113,887
I. Transport, storage, communications	269,912	285,786	292,780	297,172	304,453	316,479
J. Financial intermediation	186,803	196,908	215,275	221,733	231,600	246,538
K. Real estate, renting and business activities	545,979	567,871	579,539	592,579	613,023	637,237
L. Public administration and com. soc. sec.	230,036	243,595	253,962	266,152	276,719	286,265
M. Education	205,792	210,176	215,727	221,120	226,537	232,087
N. Health and social work	186,516	191,150	197,913	204,822	211,991	219,376
O. Other community and personal activities	126,702	129,350	132,231	136,793	142,273	147,986
P. Private households with employed persons	1,383	1,552	1,386	1,108	1,113	1,118
Pripisane bančne storitve (PBS)	-106,919	-118,459	-126,217	-128,742	-131,381	-134,074
1. TOTAL VALUE ADDED (A ... P + PBS)	3,652,970	3,773,950	3,897,740	4,006,346	4,162,686	4,330,142
2. CORRECTIONS ¹	569,433	569,091	573,351	580,055	589,913	600,358
3. GROSS DOMESTIC PRODUCT (3=1+2)	4,222,403	4,343,041	4,471,092	4,586,400	4,752,600	4,930,500
TOTAL VALUE ADDED, (basic prices)	3,652,971	3,773,950	3,897,740	4,006,346	4,162,686	4,330,142
in which:						
1. Agriculture, forestry, fishing (A + B)	128,561	125,309	126,662	121,511	126,300	126,871
2. Industry and construction (C + D + E + F)	1,359,126	1,408,606	1,464,900	1,511,018	1,579,621	1,648,705
- Industry (C + D + E)	1,128,405	1,182,869	1,236,635	1,269,171	1,323,384	1,380,938
- Construction F	230,721	225,737	228,265	241,847	256,237	267,767
3. Services (G ... P)	2,272,203	2,358,494	2,432,396	2,502,559	2,588,146	2,688,639
4. FISIM	-106,919	-118,459	-126,217	-128,742	-131,381	-134,074

Source of data: SORS, IMAD's estimates and forecasts.

Note: ¹ Taxes on products and services, minus subsidies on products and services.

Table 3b: Value Added by Activities and Gross Domestic Product

- Real growth rates in % (constant prices 2000)

		2001	2002	2003	2004	2005
				Estimate	Forecast	
A.	Agriculture, hunting, forestry	-2.5	1.1	-4.0	4.0	0.5
B.	Fishing	1.6	-6.5	-8.0	2.0	1.0
C.	Mining and quarrying	-5.3	-0.5	3.5	1.0	0.0
D.	Manufacturing	4.9	4.6	2.9	4.7	4.9
E.	Electricity, gas and water supply	6.4	5.6	0.0	1.5	0.5
F.	Construction	-2.2	1.1	6.0	6.0	4.5
G.	Wholesale, retail, trade, repair	1.6	2.5	3.2	3.5	3.5
H.	Hotels and restaurants	6.3	0.8	3.3	3.5	4.5
I.	Transport, storage, communications	5.9	2.4	1.5	2.5	4.0
J.	Financial intermediation	5.4	9.3	3.0	4.5	6.5
K.	Real estate, renting and business activities	4.0	2.1	2.3	3.5	4.0
L.	Public administration and com. soc. sec.	5.9	4.3	4.8	4.0	3.5
M.	Education	2.1	2.6	2.5	2.5	2.5
N.	Health and social work	2.5	3.5	3.5	3.5	3.5
O.	Other community and personal activities	2.1	2.2	3.5	4.0	4.0
P.	Private households with employed persons	12.2	-10.7	-20.0	0.5	0.5
FISIM		10.8	6.5	2.0	2.0	2.0
1. TOTAL VALUE ADDED (A ... P + PBS)		3.3	3.3	2.8	3.9	4.0
2. CORRECTIONS ¹		-0.1	0.7	1.2	1.7	1.8
3. GROSS DOMESTIC PRODUCT (3=1+2)		2.9	2.9	2.6	3.6	3.7
TOTAL VALUE ADDED, (basic prices)		3.3	3.3	2.8	3.9	4.0
in which:						
1. Agriculture, forestry, fishing (A + B)		-2.5	1.1	-4.1	3.9	0.5
2. Industry and construction (C + D + E + F)		3.6	4.0	3.1	4.5	4.4
- Industry (C + D + E)		4.8	4.5	2.6	4.3	4.3
- Construction F		-2.2	1.1	6.0	6.0	4.5
3. Services (G ... P)		3.8	3.1	2.9	3.4	3.9
4. FISIM		10.8	6.5	2.0	2.0	2.0

Source of data: SORS, IMAD's estimates and forecasts.

Note: ¹ Taxes on products and services, minus subsidies on products and services.

Table 4: Gross Domestic Product and Primary Incomes

		- Current prices, SIT million											
		1995	1996	1997	1998	1999	2000	2000	2001	2002	2003	2004	2005
											Estimate	Forecast	Forecast
1	GROSS DOMESTIC PRODUCT (1 = 2 + 3 - 4 + 5)	2,221,459	2,555,369	2,907,277	3,253,751	3,648,401	4,035,518	4,222,404	4,740,122	5,275,827	5,694,500	6,147,300	6,594,000
2	Compensation of employees	1,271,699	1,400,005	1,558,686	1,700,323	1,889,714	2,122,115	2,233,795	2,518,626	2,777,896	3,004,433	3,237,879	3,466,296
	Wages and salaries	1,070,010	1,213,825	1,363,936	1,482,608	1,646,253	1,847,245	1,989,952	2,244,981	2,472,864	2,674,596	2,882,490	3,085,916
	Employees' actual soc. cont.	201,689	186,180	194,760	217,716	243,462	274,869	243,843	273,645	305,032	329,837	355,389	380,380
3	Taxes on production and imports	377,964	444,708	493,398	572,126	668,115	697,701	695,106	771,895	878,944	949,838	1,022,615	1,085,059
4	Subsidies	48,001	52,873	59,868	71,771	79,200	77,108	59,180	64,078	73,106	78,584	86,062	92,316
5	Gross operating surplus and gross mixed income	619,797	763,529	915,051	1,053,073	1,169,772	1,292,810	1,352,683	1,513,679	1,692,093	1,818,813	1,972,868	2,134,961
	in which:												
	Consumption of fixed capital	390,891	463,466	522,945	580,989	634,144	706,093	749,951	829,486	889,622	953,871	1,022,725	1,087,604
	Net operating surplus and net mixed income	228,906	300,063	392,106	472,084	535,628	586,717	602,732	684,193	802,471	864,942	950,143	1,047,357

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Table 4: Gross Domestic Product and Primary Incomes

- As a share in GDP in %

	1995	1996	1997	1998	1999	2000	2000	2001	2002	2003		2004		2005	
										Estimate	100.0	Estimate	100.0	Forecast	100.0
1 GROSS DOMESTIC PRODUCT (1 = 2 + 3 - 4 + 5)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 Compensation of employees	57.2	54.8	53.6	52.3	51.8	52.9	52.7	53.1	52.7	52.8	52.8	52.7	52.7	52.7	52.6
Wages and salaries	48.2	47.5	46.9	45.6	45.1	45.8	47.1	47.4	46.9	47.0	47.0	46.9	46.9	46.8	46.8
Employees' actual soc. cont.	9.1	7.3	6.7	6.7	6.7	6.8	6.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
3 Taxes on production and imports	17.0	17.4	17.0	17.6	18.3	17.3	16.5	16.3	16.7	16.7	16.7	16.6	16.6	16.5	16.5
4 Subsidies	2.2	2.1	2.1	2.2	2.2	1.9	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
5 Gross operating surplus and gross mixed income	27.9	29.9	31.5	32.4	32.1	32.0	32.0	31.9	32.1	31.9	31.9	32.1	32.1	32.4	32.4
in which:															
Consumption of fixed capital	17.6	18.1	18.0	17.9	17.4	17.5	17.8	17.5	16.9	16.8	16.8	16.6	16.6	16.5	16.5
Net operating surplus and net mixed income	10.3	11.7	13.5	14.5	14.7	14.5	14.3	14.4	15.2	15.2	15.2	15.5	15.5	15.9	15.9

Source of data: SORS, IMAD's estimates and forecasts.

Note: The table shows two data series. The first one has a base year of 1995. The second one has a base year of 2000 and is based on the revised national accounts figures (SORS, September 2003).

Table 5a: Expenditure on Gross Domestic Product

- Current prices, in SIT million

	1995	1996	1997	1998	1999	2000	2000	2001	2002	2003		2004		2005	
										Estimate	Forecast	Estimate	Forecast		
1 GROSS DOMESTIC PRODUCT (1 = 4 + 5)	2,221,459	2,555,369	2,907,277	3,253,751	3,648,401	4,035,518	4,222,404	4,740,122	5,275,827	5,694,500	6,147,300	6,594,000			
2 EXPORTS OF GOODS AND SERVICES	1,226,101	1,424,628	1,669,985	1,842,906	1,916,217	2,386,009	2,387,289	2,746,628	3,055,212	3,240,600	3,518,933	3,780,670			
3 IMPORT OF GOODS AND SERVICES	1,271,088	1,451,273	1,693,895	1,892,614	2,077,530	2,529,423	2,538,115	2,774,572	2,980,308	3,208,950	3,490,030	3,770,602			
4 EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	-44,987	-26,645	-23,910	-49,708	-161,313	-143,414	-150,826	-27,944	74,904	31,650	28,903	10,068			
5 TOTAL DOMESTIC DEMAND (5=6+9)	2,266,445	2,582,014	2,931,187	3,303,459	3,809,714	4,178,932	4,373,230	4,768,066	5,200,922	5,662,851	6,118,397	6,583,932			
6 FINAL CONSUMPTION (6=7+8)	1,747,843	1,983,661	2,231,217	2,470,719	2,772,403	3,057,282	3,234,886	3,622,054	3,963,731	4,298,873	4,628,536	4,950,704			
7 PRIVATE CONSUMPTION	1,300,324	1,469,142	1,638,682	1,811,730	2,034,015	2,216,174	2,391,945	2,647,733	2,879,777	3,117,919	3,378,435	3,631,002			
- households	1,275,971	1,443,649	1,609,667	1,780,915	2,000,581	2,179,351	2,339,484	2,587,474	2,810,204	3,040,999	3,290,777	3,536,511			
- non-profit institutions	24,353	25,493	29,015	30,815	33,434	36,823	52,461	60,259	69,573	76,920	87,658	94,491			
8 GOVERNMENT CONSUMPTION	447,519	514,518	592,535	656,989	738,388	841,108	842,941	974,321	1,083,953	1,180,954	1,250,101	1,319,702			
9 GROSS CAPITAL FORMATION (9=10+11)	518,602	598,353	699,970	832,740	1,037,311	1,121,650	1,138,345	1,146,012	1,237,192	1,363,977	1,489,861	1,633,227			
10 GROSS FIXED CAPITAL FORMATION	474,626	574,631	679,465	800,629	999,183	1,076,840	1,085,925	1,136,836	1,193,152	1,307,773	1,442,203	1,575,975			
11 CHANGES IN INVENTORIES AND VALUABLES	43,976	23,722	20,505	32,111	38,128	44,810	52,419	9,176	44,040	56,204	47,658	57,252			

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Tabela 5a: Expenditure on Gross Domestic Product

- Structure, in % (current prices)

	1995	1996	1997	1998	1999	2000	2000	2001	2002	2003		2004		2005	
										Estimate	Forecast	Estimate	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	100.0	100.0	100.0	100.0
2 EXPORTS OF GOODS AND SERVICES	55.2	55.8	57.4	56.6	52.5	59.1	56.5	57.9	57.9	56.9	57.2	57.2	57.3	57.3	57.3
3 IMPORT OF GOODS AND SERVICES	57.2	56.8	56.3	58.2	56.9	62.7	60.1	58.5	56.5	56.4	56.8	56.8	57.2	57.2	57.2
4 EXTERNAL BALANCE OF GOODS AND SERVICES (4 = 2 - 3)	-2.0	-1.0	-0.8	-1.5	-4.4	-3.6	-3.6	-0.6	1.4	0.6	0.5	0.5	0.2	0.2	0.2
5 TOTAL DOMESTIC DEMAND (5 = 6 + 9)	102.0	101.0	100.8	101.5	104.4	103.6	103.6	100.6	98.6	99.4	99.5	99.5	99.8	99.8	99.8
6 FINAL CONSUMPTION (6 = 7 + 8)	78.7	77.6	76.7	75.9	76.0	75.8	76.6	76.4	75.1	75.5	75.3	75.3	75.1	75.1	75.1
7 PRIVATE CONSUMPTION	58.5	57.5	56.4	55.7	55.8	54.9	56.6	55.9	54.6	54.8	55.0	55.0	55.1	55.1	55.1
- households	57.4	56.5	55.4	54.7	54.8	54.0	55.4	54.6	53.3	53.4	53.5	53.5	53.6	53.6	53.6
- non-profit institutions	1.1	1.0	1.0	0.9	0.9	0.9	1.2	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4
8 GOVERNMENT CONSUMPTION	20.1	20.1	20.4	20.3	20.2	20.8	20.0	20.6	20.5	20.7	20.3	20.3	20.0	20.0	20.0
9 GROSS CAPITAL FORMATION (9=10+11)	23.3	23.4	24.1	25.6	28.4	27.8	27.0	24.2	23.5	24.0	24.2	24.2	24.8	24.8	24.8
10 GROSS FIXED CAPITAL FORMATION	21.4	22.5	23.4	24.6	27.4	26.7	25.7	24.0	22.6	23.0	23.5	23.5	23.9	23.9	23.9
11 CHANGES IN INVENTORIES AND VALUABLES	2.0	0.9	0.7	1.0	1.0	1.1	1.2	0.2	0.8	1.0	0.8	0.8	0.9	0.9	0.9

Source of data: SORS, BS, IMAD's estimates and forecasts.

Note: The table shows two data series. The first one has a base year of 1995. The second one has a base year of 2000 and is based on the revised national accounts figures (SORS, September 2003). The two series are incomparable.

Table 5b. Expenditure on Gross Domestic Product

- Constant prices 2000, SIT million

	2000	2001	2002	2003	2004	2005
					Estimate	Forecast
1 GROSS DOMESTIC PRODUCT (1 = 4 + 5)	4,222,404	4,343,041	4,471,092	4,586,400	4,752,600	4,930,500
2 EXPORTS OF GOODS AND SERVICES	2,387,289	2,539,243	2,703,108	2,790,591	2,950,570	3,123,178
3 IMPORT OF GOODS AND SERVICES	2,538,115	2,613,158	2,740,866	2,873,266	3,049,978	3,243,652
4 EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	-150,826	-73,915	-37,758	-82,675	-99,408	-120,474
5 TOTAL DOMESTIC DEMAND (5=6+9)	4,373,230	4,416,956	4,508,849	4,669,075	4,852,008	5,050,974
6 FINAL CONSUMPTION (6=7+8)	3,234,886	3,326,409	3,373,779	3,457,495	3,570,369	3,691,254
7 PRIVATE CONSUMPTION	2,391,945	2,450,012	2,475,812	2,538,866	2,627,115	2,723,005
- households	2,339,484	2,395,038	2,417,885	2,478,332	2,561,353	2,654,842
- non-profit institutions	52,461	54,974	57,927	60,534	65,763	68,163
8 GOVERNMENT CONSUMPTION	842,941	876,397	897,967	918,629	943,254	968,250
9 GROSS CAPITAL FORMATION (9=10+11)	1,138,344	1,090,547	1,135,070	1,211,579	1,281,639	1,359,720
10 GROSS FIXED CAPITAL FORMATION	1,085,925	1,081,690	1,096,001	1,160,665	1,236,688	1,307,798
11 CHANGES IN INVENTORIES AND VALUABLES	52,419	8,857	39,069	50,914	44,951	51,922

Cont. on the next page.

Table 5b: Expenditure on Gross Domestic Product

- Real growth rates in % (constant prices 2000)

	2001	2002	2003	2004		2005
				Estimate	Forecast	
1 GROSS DOMESTIC PRODUCT (1 = 4 + 5)	2.9	2.9	2.6	3.6	3.6	3.7
2 EXPORTS OF GOODS AND SERVICES	6.4	6.5	3.2	5.7	5.7	5.8
3 IMPORT OF GOODS AND SERVICES	3.0	4.9	4.8	6.2	6.2	6.4
4 EXTERNAL BALANCE OF GOODS AND SERVICES ¹	1.8	0.8	-1.0	-0.4	-0.4	-0.4
5 TOTAL DOMESTIC DEMAND (5=6+9)	1.0	2.1	3.6	3.9	3.9	4.1
6 FINAL CONSUMPTION (6=7+8)	2.8	1.4	2.5	3.3	3.3	3.4
7 PRIVATE CONSUMPTION	2.4	1.1	2.5	3.5	3.5	3.6
- households	2.4	1.0	2.5	3.3	3.3	3.6
- non-profit institutions	4.8	5.4	4.5	8.6	8.6	3.6
8 GOVERNMENT CONSUMPTION	4.0	2.5	2.3	2.7	2.7	2.6
9 GROSS CAPITAL FORMATION	-4.2	4.1	6.7	5.8	5.8	6.1
in which:						
GROSS FIXED CAPITAL FORMATION	-0.4	1.3	5.9	6.5	6.5	5.7

Source of data: SORS, BS, IMAD's estimates and forecasts.
Note: ¹ Contribution to real GDP growth (percentage points)

Table 6a: Main Aggregates of National Accounts

- Current prices, SIT, million

	1995	1996	1997	1998	1999	2000	2000	2001	2002	2003		2004		2005
										Estimate	Forecast	Estimate	Forecast	
1 GROSS DOMESTIC PRODUCT	2,221,459	2,555,369	2,907,277	3,253,751	3,648,401	4,035,518	4,222,404	4,740,122	5,275,827	5,694,500	6,147,300	6,594,000	6,594,000	
2 Net primary income from the rest of the world	21,022	17,528	5,680	5,048	-6,250	-14,941	6,008	3,686	-17,514	-35,756	-38,393	-41,194		
3 GROSS NATIONAL INCOME (3=1+2)	2,242,481	2,572,897	2,912,957	3,258,799	3,642,151	4,020,577	4,228,412	4,743,808	5,258,313	5,658,744	6,108,908	6,552,806		
4 Net current transfers from the rest of the world	11,273	11,625	19,471	20,701	22,889	27,809	25,746	31,179	32,080	21,267	39,896	47,335		
5 GROSS NATIONAL DISPOSABLE INCOME (5=3+4)	2,253,753	2,584,522	2,932,428	3,279,500	3,665,040	4,048,386	4,254,158	4,774,987	5,290,393	5,680,011	6,148,804	6,600,141		
6 FINAL CONSUMPTION EXPENDITURE	1,747,843	1,983,661	2,231,217	2,470,719	2,772,403	3,057,282	3,234,886	3,622,054	3,963,731	4,298,873	4,628,536	4,950,704		
- private consumption	1,300,324	1,469,142	1,638,682	1,811,730	2,034,015	2,216,174	2,391,945	2,647,733	2,879,777	3,117,919	3,378,435	3,631,002		
- government consumption	447,519	514,518	592,535	658,989	738,388	841,108	842,941	974,321	1,083,953	1,180,954	1,250,101	1,319,702		
7 GROSS SAVING (7=5-6)	505,910	600,861	701,211	808,781	892,637	991,104	1,019,272	1,152,933	1,326,662	1,381,138	1,520,268	1,649,437		
8 GROSS CAPITAL FORMATION	518,602	598,353	699,970	832,740	1,037,311	1,121,650	1,138,344	1,146,012	1,237,191	1,363,977	1,489,861	1,633,227		
in which:														
- gross fixed capital formation	474,626	574,631	679,465	800,629	999,183	1,076,840	1,085,925	1,136,836	1,193,152	1,307,773	1,442,203	1,575,975		
- changes in inventories and valuables	43,976	23,722	20,505	32,111	38,128	44,810	52,419	9,176	44,040	56,204	47,658	57,252		
9 Saldo tekoćih transakcij s tujino (9=7-8)	-12,692	2,508	1,241	-23,959	-144,674	-130,546	-119,072	6,921	89,470	17,161	30,407	16,209		
10 Consumption of fixed capital	390,891	463,466	522,945	580,989	634,144	706,093	749,951	829,486	889,622	953,871	1,022,725	1,087,604		
11 NET CAPITAL SAVING (11=7-10)	115,019	137,395	178,266	227,792	258,493	285,011	269,321	323,447	437,040	427,267	497,543	561,833		

Source of data: SORS, IMAD's estimates and forecasts.

Note: The table shows two data series. The first one has a base year of 1995. The second one has a base year of 2000 and is based on the revised national accounts figures (SORS, September 2003). The two series are incomparable.

Table 6b. Main Aggregates of National Accounts

- Structure in %, current prices

	1995	1996	1997	1998	1999	2000	2000	2001	2002	2003		2004		2005
										Estimate	Forecast	Estimate	Forecast	
1 GROSS DOMESTIC PRODUCT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 Net primary income from the rest of the world	0.9	0.7	0.2	0.2	-0.2	-0.4	0.1	0.1	-0.3	-0.6	-0.6	-0.6	-0.6	-0.6
3 GROSS NATIONAL INCOME (3=1+2)	100.9	100.7	100.2	100.2	99.8	99.6	100.1	100.1	99.7	99.4	99.4	99.4	99.4	99.4
4 Net current transfers from the rest of the world	0.5	0.5	0.7	0.6	0.6	0.7	0.6	0.7	0.6	0.4	0.4	0.6	0.6	0.7
5 GROSS NATIONAL DISPOSABLE INCOME (5=3+4)	101.5	101.1	100.9	100.8	100.5	100.3	100.8	100.7	100.3	99.7	99.7	100.0	100.0	100.1
6 FINAL CONSUMPTION EXPENDITURE	78.7	77.6	76.7	75.9	76.0	75.8	76.6	76.4	75.1	75.5	75.5	75.3	75.1	75.1
- private consumption	58.5	57.5	56.4	55.7	55.8	54.9	56.6	55.9	54.6	54.8	54.8	55.0	55.1	55.1
- government consumption	20.1	20.1	20.4	20.3	20.2	20.8	20.0	20.6	20.5	20.7	20.7	20.3	20.3	20.0
7 GROSS SAVING (7=5-6)	22.8	23.5	24.1	24.9	24.5	24.6	24.1	24.3	25.1	24.3	24.3	24.7	24.7	25.0
8 GROSS CAPITAL FORMATION	23.3	23.4	24.1	25.6	28.4	27.8	27.0	24.2	23.5	24.0	24.0	24.2	24.2	24.8
in which:														
- gross fixed capital formation	21.4	22.5	23.4	24.6	27.4	26.7	25.7	24.0	22.6	23.0	23.0	23.5	23.5	23.9
- changes in inventories and valuables	2.0	0.9	0.7	1.0	1.0	1.1	1.2	0.2	0.8	1.0	1.0	0.8	0.8	0.9
9 Saldo tekoćih transakcij s tujino (9=7-8)	-0.6	0.1	0.0	-0.7	-4.0	-3.2	-2.8	0.1	1.7	0.3	0.3	0.5	0.5	0.2
10 Consumption of fixed capital	17.6	18.1	18.0	17.9	17.4	17.5	17.8	17.5	16.9	16.8	16.8	16.6	16.6	16.5
11 NET CAPITAL SAVING (11=7-10)	5.2	5.4	6.1	7.0	7.1	7.1	6.4	6.8	8.3	7.5	7.5	8.1	8.1	8.5

Source of data: SORS, IMAD's estimates and forecasts.

Note: The table shows two data series. The first one has a base year of 1995. The second one has a base year of 2000 and is based on the revised national accounts figures (SORS, September 2003). The two series are incomparable.

Table 7: Employment and Productivity

	1995	1996	1997	1998	1999	2000*	2001	2002	2003	2004		2005
										Estimate	Forecast	
PERSONS IN EMPLOYMENT (full-time equivalent)	824.7	816.7	812.5	812.6	822.6	831.8	904.3	899.5	894.1	896.8	901.0	
Annual growth rate (in %), Total:	1.0	-1.0	-0.5	0.0	1.2	1.1	0.5	-0.5	-0.6	0.3	0.5	
A+B Agriculture and fishing	-0.2	-9.0	-2.7	0.4	-2.6	-4.1	-3.1	-2.6	-13.2	-4.2	-2.7	
C:F Industries	0.4	-3.6	-3.3	-2.0	-0.3	0.2	0.2	-1.8	-1.0	-1.2	-1.0	
C Mining and quarrying	1.2	-9.3	-1.3	-2.6	-5.3	-15.5	-6.3	-5.5	-4.9	-5.1	-6.4	
D Manufacturing	-1.3	-5.3	-5.0	-2.1	-1.7	-0.3	0.4	-2.0	-1.4	-1.5	-1.4	
E Electricity, gas and water supply	2.5	4.0	-3.1	-5.6	0.0	-1.7	0.0	0.0	-2.5	-0.4	-3.7	
F Construction	9.8	4.2	4.4	-1.0	6.3	4.5	0.6	-1.4	1.3	0.3	1.2	
G:P Services, total	1.7	2.4	2.1	1.6	2.9	2.3	1.4	0.9	2.3	2.1	2.0	
G Wholesale, retail, trade, repair	1.9	1.3	1.1	0.2	1.5	1.6	-0.5	0.3	2.0	1.4	1.2	
H Hotels and restaurants	0.9	4.5	-0.3	1.1	0.0	2.0	-1.5	-2.1	1.0	0.8	0.7	
I Transport, storage, communications	-2.8	-1.0	-0.6	0.4	1.0	1.4	1.5	-0.2	1.3	0.7	0.9	
J Financial intermediation	2.9	0.0	3.9	2.2	1.1	3.1	2.5	2.9	-1.0	1.0	3.9	
K Real estate, renting and business activities	7.6	4.1	1.6	4.4	4.6	2.6	4.9	2.9	5.9	4.3	4.8	
L Public administration and com. soc. sec.	-0.3	6.1	6.3	2.0	3.8	3.9	3.4	2.9	4.1	3.2	1.5	
M Education	2.6	3.1	3.0	1.2	2.3	1.1	1.5	1.7	1.3	1.5	0.9	
N Health and social work	1.4	3.4	2.0	3.5	6.7	4.1	1.6	2.3	0.9	2.4	2.0	
O Other community and personal activities	1.8	2.2	6.0	1.3	5.9	2.5	0.7	-4.4	3.5	3.4	2.3	
P Private households with employed persons							0.0	0.0	-36.2	0.7	0.2	

Cont. on the next page.

Table 7: Employment and Productivity

	1995	1996	1997	1998	1999	2000*	2001	2002	2003	2004	2005
										Estimate	Forecast
PRODUCTIVITY OF LABOUR (Value added on a person in full-time equivalent employment)											
(ECU, EUR, current prices)	14,922	15,693	17,073	18,439	19,528	21,419	20,954	22,411	23,603	24,887	26,228
Annual growth rate (in %)*: Total	2.5	4.4	5.2	3.6	3.3	4.0	2.8	3.8	3.4	3.6	3.5
A+B Agriculture and fishing	1.7	11.0	-0.2	2.7	0.5	3.2	0.6	3.7	10.5	8.4	3.2
C:F Industries	2.5	6.9	10.0	6.4	4.9	6.7	3.4	5.9	4.1	5.8	5.4
C Mining and quarrying	-0.3	12.3	4.5	2.7	6.7	16.7	3.3	5.3	8.8	6.3	6.8
D Manufacturing	3.8	7.2	12.2	6.9	4.9	9.0	4.6	6.6	4.4	6.3	6.3
E Electricity, gas and water supply	-2.2	-2.7	7.5	6.9	-0.8	4.6	6.4	5.6	2.6	1.9	4.3
F Construction	-0.6	8.7	3.2	5.7	8.9	-1.6	-2.8	2.5	4.6	5.7	3.3
G:P Services, total	2.3	1.7	1.6	1.8	1.9	1.8	2.3	2.3	0.5	1.3	1.9
G Wholesale, retail, trade, repair	4.8	1.6	1.7	2.6	4.8	0.8	2.2	2.2	1.2	2.1	2.2
H Hotels and restaurants	2.5	-0.1	3.9	-0.2	3.1	7.7	7.9	3.0	2.2	2.6	3.8
I Transport, storage, communications	8.9	3.7	4.9	4.7	2.1	3.2	4.3	2.6	0.2	1.7	3.0
J Financial intermediation	0.6	11.0	-3.7	2.3	2.2	2.7	2.8	6.2	4.0	3.5	2.5
K Real estate, renting and business activities	-4.2	0.1	0.9	-2.0	0.1	0.4	-0.9	-0.8	-3.4	-0.9	-0.8
L Public administration and com. soc. sec.	3.4	-0.7	3.8	2.9	1.6	1.8	2.4	1.3	0.7	0.7	1.9
M Education	0.3	-2.0	1.8	1.9	1.1	2.6	0.6	1.0	1.2	0.9	1.5
N Health and social work	0.7	2.9	1.1	-1.7	-0.3	0.0	0.9	1.2	2.6	1.1	1.5
O Other community and personal activities	0.3	2.7	-1.8	4.4	-0.3	2.0	1.4	7.0	0.0	0.6	1.7
P Private households with employed persons							12.2	-10.7	-0.1	-0.3	0.3

Source of data: SORS, IMAD's estimates, forecasts and calculations.

Note: *Real growth rates in SIT, constant prices 1995 (up to the year 2000) and 2000, from 2001.

Table 8: Balance of Payments

- In EUR million

	1996	1997	1998	1999	2000	2001	2002	2003	2004		2005	
									Estimate	Forecast	Estimate	Forecast
I. CURRENT ACCOUNT	32	43	-108	-664	-583	38	330	73	127	67		
1. TRADE BALANCE	-671	-684	-708	-1,164	-1,227	-684	-265	-471	-509	-614		
1.1. Exports fob	6,671	7,438	8,088	8,103	9,574	10,454	11,081	11,355	12,037	12,736		
1.2. Imports fob	7,342	8,122	8,796	9,267	10,801	11,139	11,347	11,825	12,547	13,350		
2. SERVICES	511	561	447	330	489	536	627	606	630	656		
2.1. Receipts	1,704	1,810	1,804	1,763	2,052	2,178	2,449	2,511	2,692	2,899		
- Transport	384	412	481	490	534	559	634	677	730	791		
- Travel	989	1,048	971	900	1,045	1,105	1,143	1,192	1,274	1,365		
- Other	331	350	352	373	473	514	672	642	689	743		
2.2. Expenditure	1,193	1,249	1,357	1,434	1,562	1,642	1,822	1,905	2,062	2,244		
- Transport	327	327	366	357	385	356	385	404	439	484		
- Travel	481	463	501	512	556	601	638	661	708	762		
- Other	385	459	490	565	621	685	799	841	915	998		
1-2. GOODS AND SERVICES	-160	-123	-261	-835	-738	-149	361	135	121	42		
Exports	6,375	9,248	9,893	9,867	11,626	12,632	13,530	13,866	14,730	15,636		
Imports	8,534	9,372	10,154	10,701	12,364	12,781	13,169	13,731	14,609	15,594		
3. FACTOR SERVICES	122	66	49	58	29	43	-174	-153	-161	-170		
3.1. Receipts	330	346	368	400	471	511	501	545	559	580		
- Labour income	187	182	183	194	204	197	196	206	215	225		
- Investment income	143	165	184	206	268	314	306	339	344	355		
3.2. Expenditure	208	281	319	342	442	468	676	697	720	750		
- Profits from direct investment	19	23	24	23	29	30	36	40	42	42		
- Interest	189	257	294	319	413	438	639	657	678	708		
4. UNREQUITED TRANSFERS	70	101	104	112	125	144	142	91	167	196		
4.1. Receipts	200	230	266	316	371	436	478	445	616	768		
4.2. Expenditure	130	129	162	203	245	293	336	354	449	572		

Cont. on the next page.

Table 8: Balance of Payments

- In EUR millionR

	1996	1997	1998	1999	2000	2001	2002
II. CAPITAL AND FINANCIAL ACCOUNT	-34	-111	53	625	542	-148	-327
A. CAPITAL ACCOUNT	-1	1	-1	-1	4	-4	2
1. Capital transfers	1	2	0	0	1	1	3
2. Non-produced non-financial assets	-2	-1	-1	-1	3	-5	-1
B. FINANCIAL ACCOUNT	-32	-112	54	625	538	-144	-329
1. Direct investment	133	267	199	55	77	251	1,608
- Foreign in Slovenia	138	295	194	99	149	412	1,707
- Domestic abroad	-6	-28	5	-45	-72	-161	-99
2. Portfolio investment	508	212	82	324	185	80	-69
3. Other long-term capital	-209	549	-81	159	462	964	51
3.1. Assets	-344	230	-405	-540	-576	248	-939
3.2. Liabilities	134	319	324	699	1,038	716	990
4. International reserves	-463	-1,141	-146	88	-187	-1,439	-1,919
III. STATISTICAL ERRORS	2	68	55	40	41	110	-3

Source of data: SORS, BS, IMAD's forecasts and estimates.
Note: Exports & imports of goods by f.o.b. party.

Table 9: Exports and Imports of Goods and Services by End-use of Products

- Million EUR, current exchange rates

	1996	1997	1998	1999	2000	2001	2002	2003		2004		2005
								Estimate	Forecast	Estimate	Forecast	
1. Exports of goods	6,671	7,438	8,088	8,103	9,574	10,454	11,081	11,355	12,037	12,736		
investment goods	803	942	1,045	1,023	1,230	1,432	1,559	1,613	1,733	1,847		
intermediate goods	3,007	3,386	3,672	3,807	4,684	5,091	5,302	5,548	5,850	6,228		
consumer goods	2,861	3,110	3,372	3,273	3,661	3,931	4,220	4,194	4,454	4,661		
2. Exports of services	1,704	1,810	1,804	1,763	2,052	2,178	2,449	2,511	2,692	2,899		
3. EXPORTS TOTAL	8,375	9,248	9,893	9,867	11,626	12,632	13,530	13,866	14,730	15,636		
4. Imports of goods	7,342	8,122	8,796	9,267	10,801	11,139	11,347	11,825	12,547	13,350		
investment goods	1,184	1,310	1,570	1,788	1,948	1,973	2,031	2,180	2,249	2,424		
intermediate goods	4,207	4,735	5,025	5,100	6,443	6,579	6,682	6,963	7,372	7,809		
consumer goods	1,951	2,078	2,202	2,379	2,410	2,587	2,633	2,682	2,926	3,116		
5. Imports of services	1,193	1,249	1,357	1,434	1,562	1,642	1,822	1,905	2,062	2,244		
6. IMPORTS TOTAL	8,534	9,372	10,154	10,701	12,364	12,781	13,169	13,731	14,609	15,594		
7. BALANCE	-160	-123	-261	-835	-738	-149	361	135	121	42		
Services	511	561	447	330	489	536	627	606	630	656		
Goods	-671	-684	-708	-1,164	-1,227	-684	-265	-471	-509	-614		
8. Exports to imports ratio (in %)	91	92	92	87	89	94	98	96	96	95		

Continued on the next page.

Table 9: Exports and Imports of Goods and Services by End-use of Products

	- Percentage change at annual rate (in %)									
	1997	1998	1999	2000	2001	2002	2003 Estimate	2004 Forecast	2005 Forecast	
1. Exports of goods	11.5	8.7	0.2	18.2	9.2	6.0	2.5	6.0	5.8	
investment goods	17.3	10.9	-2.0	20.2	16.4	8.9	3.5	7.5	6.5	
intermediate goods	12.6	8.4	3.7	23.0	8.7	4.1	4.6	5.5	6.5	
consumer goods	8.7	8.4	-2.9	11.9	7.4	7.4	-0.6	6.2	4.7	
2. Exports of services	6.2	-0.3	-2.3	16.3	6.1	12.5	2.5	7.2	7.7	
3. EXPORTS TOTAL	10.4	7.0	-0.3	17.8	8.7	7.1	2.5	6.2	6.2	
4. Imports of goods	10.6	8.3	5.4	16.6	5.0	1.9	4.2	6.1	6.4	
investment goods	10.6	19.9	13.9	8.9	1.3	3.0	7.3	3.2	7.8	
intermediate goods	12.5	6.1	1.5	26.3	2.1	1.6	4.2	5.9	5.9	
consumer goods	6.5	6.0	8.0	1.3	7.3	1.8	1.9	9.1	6.5	
5. Imports of services	4.7	8.7	5.6	9.0	5.1	11.0	4.6	8.2	8.8	
6. IMPORTS TOTAL	9.8	8.3	5.4	15.5	3.4	3.0	4.3	6.4	6.7	

Source of data: SORS, BS, IMAD's estimates and forecasts.
Note: Exports and imports of goods based on f.o.b. parity.

Table 10a: Foreign Trade by Geographical Area

- In EUR million

	EXPORTS (f.o.b.)							IMPORTS (f.o.b.)								
	1996	1997	1998	1999	2000	2001	2002	I-VII 2003	1996	1997	1998	1999	2000	2001	2002	I-VII 2003
TOTAL	6,637	7,405	8,053	8,031	9,492	10,347	10,962	6,589	7,536	8,287	8,999	9,478	10,984	11,344	11,574	7,126
DEVELOPED INDUSTRIAL COUNTRIES	4,665	5,125	5,738	5,820	6,706	7,046	7,249	4,426	5,860	6,375	7,205	7,560	8,595	8,753	8,947	5,488
EUROPEAN UNION	4,286	4,703	5,271	5,303	6,056	6,432	6,509	3,950	5,089	5,586	6,242	6,527	7,444	7,675	7,870	4,826
Germany	2,032	2,174	2,289	2,466	2,575	2,715	2,714	1,537	1,635	1,713	1,860	1,945	2,082	2,178	2,216	1,343
Italy	881	1,103	1,113	1,103	1,290	1,290	1,323	935	1,274	1,380	1,510	1,586	1,917	2,004	2,070	1,342
France	478	409	665	460	672	703	734	382	741	867	1,117	1,033	1,128	1,205	1,190	763
Austria	440	501	553	584	714	773	774	485	668	698	713	757	906	944	956	596
United Kingdom	129	133	143	160	203	290	268	157	167	213	208	290	337	292	278	150
Netherlands	100	109	127	135	164	172	183	122	156	177	200	196	230	219	240	142
Belgium	61	75	140	125	106	112	97	50	116	132	138	140	159	176	170	94
Spain	35	47	61	71	91	100	116	88	136	176	207	219	286	295	356	150
Denmark	38	48	67	75	89	97	97	58	33	41	49	50	57	63	67	38
Greece	18	21	20	23	26	33	36	20	10	13	17	23	24	36	51	28
Ireland	3	5	4	8	15	15	14	10	23	23	31	36	41	42	39	27
Portugal	10	12	11	11	17	17	22	12	4	10	12	10	13	17	19	11
Luxembourg	2	1	3	9	4	3	8	16	6	9	15	17	21	25	29	19
Finland	16	16	17	16	24	30	27	15	31	37	38	50	63	62	72	39
Sweden	43	49	58	57	66	82	97	63	89	97	127	175	180	115	116	83
EFTA	66	76	87	106	136	134	207	104	199	171	185	226	230	192	202	127
Switzerland	54	62	69	84	111	108	180	90	143	143	153	204	175	170	186	114
Norway	10	12	14	17	19	19	22	12	54	26	31	21	53	20	15	12
Liechtenstein	2	2	3	3	5	6	4	2	1	1	1	1	1	1	1	1
Iceland	0	0	1	2	1	1	1	0	1	1	0	0	1	0	0	0

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Table 10a: Foreign Trade by Geographical Area

- In EUR million

	EXPORTS (f.o.b.)							IMPORTS (f.o.b.)								
	1996	1997	1998	1999	2000	2001	2002	I-VII 2003	1996	1997	1998	1999	2000	2001	2002	I-VII 2003
	272	301	340	364	440	400	447	327	487	482	657	673	738	732	715	444
OTHER OECD																
in which:																
United States of America	196	215	225	243	293	273	297	231	260	254	263	275	325	333	333	177
Other countries	76	86	115	121	147	128	150	96	207	228	394	398	413	399	382	267
OTHER DEVELOPED COUNTRIES	42	44	40	47	74	80	85	45	105	136	121	134	183	154	160	91
DEVELOPING COUNTRIES	1,967	2,277	2,310	2,207	2,784	3,301	3,713	2,163	1,675	1,911	1,794	1,917	2,388	2,591	2,627	1,639
COUNTRIES OF EX-YUGOSL.	1,106	1,229	1,244	1,220	1,486	1,750	1,952	1,132	567	525	528	539	648	604	575	342
Croatia	683	742	727	631	750	894	955	592	472	412	385	418	487	451	419	247
Macedonia	136	132	142	167	171	147	159	79	57	50	42	35	53	30	26	12
Bosnia and Herzegovina	210	255	283	342	408	445	492	273	12	26	41	52	63	70	69	44
FR Yugoslavia*	77	100	92	80	157	264	347	188	26	37	60	34	45	53	61	39
FORMER USSR COUNTRIES	312	384	297	201	309	460	509	286	189	250	194	189	286	361	342	225
in which:																
Russian Federation	238	290	212	122	210	315	320	187	166	220	160	150	251	315	269	180
CEFTA COUNTRIES	385	458	540	585	752	828	954	587	518	638	692	801	997	1,081	1,094	655
in which:																
Czech Republic	117	130	133	149	165	188	201	117	189	207	236	264	273	278	288	183
Slovakia	46	50	65	58	76	93	132	91	74	92	80	86	144	160	162	96
Hungary	84	107	126	136	183	175	196	123	191	259	217	252	320	352	341	198
Poland	113	138	161	179	245	271	305	179	39	52	69	104	150	161	168	107
Romania	18	22	38	39	53	65	79	50	19	15	43	43	61	95	98	45
Bulgaria	7	11	17	24	30	36	42	27	6	13	47	52	49	35	36	26
OTHER EUROP. COUNTRIES	10	7	6	6	8	12	13	8	14	2	2	2	2	6	2	1
OTHER DEVELOPING COUNTRIES	154	199	223	195	229	250	285	150	387	496	378	386	455	539	614	416
UNCLASSIFIED	5	3	5	4	2	0	0	0	1	1	0	1	1	0	0	0

Source of data: SORS.
Note: Exports by country of destination, imports by country of origin. * Serbia & Montenegro for 2003.

Table 10b: Foreign Trade by Geographical Area

- Structure in %

	EXPORTS (f.o.b.)										IMPORTS (f.o.b.)									
	1996	1997	1998	1999	2000	2001	2002	I-VII 2003	1996	1997	1998	1999	2000	2001	2002	I-VII 2003				
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0				
TOTAL	70.3	69.2	71.3	72.5	70.7	68.1	66.1	67.2	77.8	76.9	80.1	79.8	78.2	77.2	77.3	77.0				
DEVELOPED INDUSTRIAL COUNTRIES	64.6	63.5	65.5	66.0	63.8	62.2	59.4	59.9	67.5	67.4	69.4	68.9	67.8	67.6	68.0	67.7				
EUROPEAN UNION	30.6	29.4	28.4	30.7	27.1	26.2	24.8	23.3	21.7	20.7	20.7	20.5	19.0	19.2	19.1	18.8				
Germany	13.3	14.9	13.8	13.7	13.6	12.5	12.1	14.2	16.9	16.7	16.8	16.7	17.5	17.7	17.9	18.8				
Italy	7.2	5.5	8.3	5.7	7.1	6.8	6.7	5.8	9.8	10.5	12.4	10.9	10.3	10.6	10.3	10.7				
France	6.6	6.8	6.9	7.3	7.5	7.5	7.1	7.4	8.9	8.4	7.9	8.0	8.2	8.3	8.3	8.4				
Austria	1.9	1.8	1.8	2.0	2.1	2.8	2.4	2.4	2.2	2.6	2.3	3.1	3.1	2.6	2.4	2.1				
United Kingdom	1.5	1.5	1.6	1.7	1.7	1.7	1.7	1.9	2.1	2.1	2.2	2.1	2.1	1.9	2.1	2.0				
Netherlands	0.9	1.0	1.7	1.6	1.1	1.1	0.9	0.8	1.5	1.6	1.5	1.5	1.4	1.6	1.5	1.3				
Belgium	0.5	0.6	0.8	0.9	1.0	1.0	1.1	1.3	1.8	2.1	2.3	2.3	2.6	2.6	3.1	2.1				
Spain	0.6	0.6	0.8	0.9	0.9	0.9	0.9	0.9	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.5				
Denmark	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.1	0.2	0.2	0.2	0.2	0.3	0.4	0.4				
Greece	0.0	0.1	0.0	0.1	0.2	0.1	0.1	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.3	0.4				
Ireland	0.2	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2				
Portugal	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3				
Luxembourg	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.2	0.4	0.4	0.4	0.5	0.6	0.5	0.6	0.5				
Finland	0.6	0.7	0.7	0.7	0.7	0.8	0.9	1.0	1.2	1.2	1.4	1.8	1.6	1.0	1.0	1.2				
Sweden	1.0	1.0	1.1	1.3	1.4	1.3	1.9	1.6	2.6	2.1	2.1	2.4	2.1	1.7	1.7	1.8				
EFTA	0.8	0.8	0.9	1.0	1.2	1.0	1.6	1.4	1.9	1.7	1.7	2.2	1.6	1.5	1.6	1.6				
Switzerland	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.7	0.3	0.3	0.2	0.5	0.2	0.1	0.2				
Norway	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Liechtenstein	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Iceland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				

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Table 10b: Foreign Trade by Geographical area

- Structure in %

	EXPORTS (f.o.b.)							IMPORTS (f.o.b.)								
	1996	1997	1998	1999	2000	2001	2002	I-VII 2003	1996	1997	1998	1999	2000	2001	2002	I-VII 2003
OTHER OECD	4.1	4.1	4.2	4.5	4.6	3.9	4.1	5.0	6.2	5.8	7.3	7.1	6.7	6.5	6.2	6.2
in which:																
United States of America	3.0	2.9	2.8	3.0	3.1	2.6	2.7	3.5	3.5	3.1	2.9	2.9	3.0	2.9	2.9	2.5
Other countries	1.1	1.2	1.4	1.5	1.5	1.2	1.4	1.5	2.7	2.8	4.4	4.2	3.8	3.5	3.3	3.7
OTHER DEVELOPED COUNTRIES	0.6	0.6	0.5	0.6	0.8	0.8	0.8	0.7	1.4	1.6	1.3	1.4	1.7	1.4	1.4	1.3
DEVELOPING COUNTRIES	29.6	30.7	28.7	27.5	29.3	31.9	33.9	32.8	22.2	23.1	19.9	20.2	21.7	22.8	22.7	23.0
COUNTRIES OF EX-YUGOSL.	16.7	16.6	15.4	15.2	15.7	16.9	17.8	17.2	7.5	6.3	5.9	5.7	5.9	5.3	5.0	4.8
Croatia	10.3	10.0	9.0	7.9	7.9	8.6	8.7	9.0	6.3	5.0	4.3	4.4	4.4	4.0	3.6	3.5
Macedonia	2.0	1.8	1.8	2.1	1.8	1.4	1.4	1.2	0.8	0.6	0.5	0.4	0.5	0.3	0.2	0.2
Bosnia and Herzegovina	3.2	3.4	3.5	4.3	4.3	4.3	4.5	4.1	0.2	0.3	0.5	0.5	0.6	0.6	0.6	0.6
FR Yugoslavia*	1.2	1.4	1.1	1.0	1.7	2.5	3.2	2.9	0.3	0.4	0.7	0.4	0.4	0.5	0.5	0.5
FORMER USSR COUNTRIES	4.7	5.2	3.7	2.5	3.3	4.5	4.6	4.3	2.5	3.0	2.2	2.0	2.6	3.2	3.0	3.2
in which:																
Russian Federation	3.6	3.9	2.6	1.5	2.2	3.0	2.9	2.8	2.2	2.7	1.8	1.6	2.3	2.8	2.3	2.5
CEFTA COUNTRIES	5.8	6.2	6.7	7.3	7.9	8.0	8.7	8.9	6.9	7.7	7.7	8.5	9.1	9.5	9.5	9.2
in which:																
Czech Republic	1.8	1.8	1.7	1.9	1.7	1.8	1.8	1.8	2.5	2.5	2.6	2.8	2.5	2.5	2.5	2.6
Slovakia	0.7	0.7	0.8	0.7	0.8	0.9	1.2	1.4	1.0	1.1	0.9	0.9	1.3	1.4	1.4	1.3
Hungary	1.3	1.4	1.6	1.7	1.9	1.7	1.8	1.9	2.5	3.1	2.4	2.7	2.9	3.1	2.9	2.8
Poland	1.7	1.9	2.0	2.2	2.6	2.6	2.8	2.7	0.5	0.6	0.8	1.1	1.4	1.4	1.5	1.5
Romania	0.3	0.3	0.5	0.5	0.6	0.6	0.7	0.8	0.3	0.2	0.5	0.5	0.6	0.8	0.8	0.6
Bulgaria	0.1	0.1	0.2	0.3	0.3	0.4	0.4	0.4	0.1	0.2	0.5	0.5	0.4	0.3	0.3	0.4
OTHER EUROPEAN COUNTR.	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.1	0.0	0.0
OTHER DEVELOPING COUNTR.	2.3	2.7	2.8	2.4	2.4	2.4	2.6	2.3	5.1	6.0	4.2	4.1	4.1	4.8	5.3	5.8
UNCLASSIFIED	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source of data: SORS.

Note: Exports by country of destination, imports by country of origin. * Serbia & Montenegro for 2003.

Table 11: Consolidated General Government Revenues; GFS - IMF Methodology

- Current prices, SIT million

CONSOLIDATED GENERAL GOVERNMENT REVENUES	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
	A C T U A L									
I. TOTAL GENERAL GOVERNMENT REVENUES	958,186	1,091,815	1,222,587	1,397,903	1,590,017	1,726,724	1,967,786	2,083,860	2,377,366	2,613,713
TAX REVENUES	916,328	1,032,285	1,156,099	1,302,752	1,499,430	1,599,594	1,798,344	1,909,595	2,188,207	2,351,183
TAXES ON INCOME AND PROFIT	160,370	196,930	227,624	252,936	273,818	311,429	357,877	395,045	456,220	497,421
Personal income tax	147,429	174,639	194,062	213,342	231,641	259,634	289,102	319,822	349,378	379,960
Corporate income tax	12,941	22,291	33,562	39,593	42,177	51,795	68,775	75,223	106,842	117,461
SOCIAL SECURITY CONTRIBUTIONS	363,000	376,184	400,630	448,398	496,371	552,574	620,908	681,816	736,944	796,916
TAXES ON PAYROLL AND WORKFORCE	3,829	18,259	37,491	45,905	55,416	68,071	83,369	93,897	107,191	118,401
Payroll tax	809	14,943	33,994	42,058	51,454	63,849	79,031	88,994	102,734	118,726
Tax on contracting work	3,020	3,316	3,497	3,847	3,962	4,222	4,338	4,903	4,457	4,675
TAXES ON PROPERTY	12,343	14,628	19,589	27,722	26,597	26,513	32,965	34,428	36,342	38,991
DOMESTIC TAXES ON GOODS AND SERVICES	298,159	349,451	412,094	479,713	601,470	602,895	673,380	672,703	817,395	872,096
TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS	78,176	76,593	58,463	47,291	45,657	38,089	29,607	31,341	33,845	24,075
OTHER TAXES	451	241	208	787	100	23	238	365	270	3,283
NON-TAX REVENUES	39,564	56,851	60,924	88,230	79,825	110,035	148,455	144,877	151,163	154,587
CAPITAL REVENUES, VOLUNTARY DONATIONS	2,294	2,678	5,565	6,920	10,762	17,095	20,987	29,388	37,996	27,579
FUNDS RECEIVED FROM THE EUROPEAN UNION										80,364

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Table 11: Consolidated General Government Revenues; GFS - IMF Methodology

CONSOLIDATED GENERAL GOVERNMENT REVENUES	1995	1996	1997	1998	1999	2000	2000*	2001	2002	2003	2004
	ACTUAL										
I. TOTAL GENERAL GOVERNMENT REVENUES	43.1	42.7	42.0	43.0	43.6	42.8	40.9	41.5	39.5	41.8	42.5
TAX REVENUES	41.2	40.4	39.8	40.0	41.1	39.6	37.9	37.9	36.2	38.4	38.2
TAXES ON INCOME AND PROFIT	7.2	7.7	7.8	7.8	7.5	7.7	7.4	7.5	7.5	8.0	8.1
Personal income tax	6.6	6.8	6.7	6.6	6.3	6.4	6.1	6.1	6.1	6.1	6.2
Corporate income tax	0.6	0.9	1.2	1.2	1.2	1.3	1.2	1.5	1.4	1.9	1.9
SOCIAL SECURITY CONTRIBUTIONS	16.3	14.7	13.8	13.8	13.6	13.7	13.1	13.1	12.9	12.9	13.0
TAXES ON PAYROLL AND WORKFORCE	0.2	0.7	1.3	1.4	1.5	1.7	1.6	1.8	1.8	1.9	1.9
Payroll tax	0.0	0.6	1.2	1.3	1.4	1.6	1.5	1.7	1.7	1.8	1.9
Tax on contracting work	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TAXES ON PROPERTY	0.6	0.6	0.7	0.9	0.7	0.7	0.6	0.7	0.7	0.6	0.6
DOMESTIC TAXES ON GOODS AND SERVICES	13.4	13.7	14.2	14.7	16.5	14.9	14.3	14.2	12.8	14.4	14.2
TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS	3.5	3.0	2.0	1.5	1.3	0.9	0.9	0.6	0.6	0.6	0.4
OTHER TAXES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
NON-TAX REVENUES	1.8	2.2	2.1	2.7	2.2	2.7	2.6	3.1	2.7	2.7	2.5
CAPITAL REVENUES, VOLONTARY DONATIONS	0.1	0.1	0.1	0.2	0.3	0.4	0.4	0.4	0.6	0.7	0.4
CAPITAL REVENUES, VOLONTARY DONATIONS											1.3

Source of data: MF, Ministry of Finance Bulletin and Government Finance Accounts of the Republic of Slovenia, calculations, estimates and forecasts by the IMAD.

Note: *Shares relative to the revised DGP after 2000 (September 2003).

Table 12: Consolidated General Government Expenditure; GFS - IMF Methodology

- Current prices, SIT million

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
	A C T U A L									
CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE										
II. TOTAL EXPENDITURE	957,273	1,083,586	1,256,668	1,423,494	1,613,314	1,781,444	2,030,977	2,241,482	2,464,283	2,720,610
CURRENT EXPENDITURE	169,751	192,816	223,184	262,658	298,448	342,767	406,696	450,858	494,927	518,475
WAGES, SALARIES AND OTHER PERSONNEL EXPENDITURE IN GOVERNMENT AGENCIES AND LOCAL COMMUNITIES	66,826	81,983	96,725	104,147	116,560	131,911	155,275	174,026	196,786	207,950
PURCHASES OF GOODS AND SERVICES IN STATE BODIES AND LOCAL COMMUNITIES	76,102	77,928	90,037	106,076	130,943	149,900	178,612	191,705	204,335	216,602
INTEREST PAYMENTS	25,598	31,121	34,686	41,721	50,945	60,956	72,809	85,127	93,806	93,923
CURRENT TRANSFERS	694,218	783,390	914,039	1,031,185	1,147,096	1,267,732	1,425,336	1,583,717	1,724,422	1,869,209
SUBSIDIES	41,747	34,547	39,961	49,239	63,088	58,951	63,161	60,435	69,573	80,890
CURRENT TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	391,785	444,184	519,109	573,820	648,071	731,077	821,358	910,392	989,200	1,056,455
Current transfers to public institutions and public utilities	251,597	294,132	341,157	379,320	398,925	441,645	508,292	566,881	615,683	653,693
OTHER CURRENT DOMESTIC TRANSFERS	10,315	12,311	13,813	28,806	37,012	36,059	32,525	46,009	49,966	78,171
CAPITAL EXPENDITURE - TOTAL	93,304	107,379	121,181	140,364	167,770	170,945	198,945	206,907	244,934	287,877
CAPITAL EXPENDITURE	57,376	63,643	67,637	82,206	109,476	111,003	127,996	128,733	157,073	183,665
CAPITAL TRANSFERS	35,928	43,736	53,545	58,158	58,294	59,942	70,949	78,174	87,861	104,212
FUNDS RECEIVED FROM THE EUROPEAN UNION										45,049
III. SURPLUS / DEFICIT (I. - II.)	913	8,230	-34,081	-25,591	-23,297	-54,720	-63,191	-157,622	-86,917	-106,897

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Table 12: Consolidated General Government Expenditure; GFS - IMF Methodology

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	1995	1996	1997	1998	1999	2000	2000*	2001	2002	2003	2004
	ACTUAL										Estimate
II. TOTAL EXPENDITURE	43.1	42.4	43.2	43.8	44.2	44.1	42.2	42.8	42.5	43.3	44.2
CURRENT EXPENDITURE	7.6	7.5	7.7	8.1	8.2	8.5	8.1	8.6	8.5	8.7	8.4
WAGES, SALARIES AND OTHER PERSONNEL EXPENDITURE IN GOVERNMENT AGENCIES AND LOCAL COMMUNITIES	3.0	3.2	3.3	3.2	3.2	3.3	3.1	3.3	3.3	3.5	3.4
PURCHASES OF GOODS AND SERVICES IN STATE BODIES AND LOCAL COMMUNITIES	3.4	3.0	3.1	3.3	3.6	3.7	3.6	3.8	3.6	3.6	3.5
INTEREST PAYMENTS	1.2	1.2	1.2	1.3	1.4	1.5	1.4	1.5	1.6	1.6	1.5
CURRENT TRANSFERS	31.3	30.7	31.4	31.7	31.4	31.4	30.0	30.1	30.0	30.3	30.4
SUBSIDIES	1.9	1.4	1.4	1.5	1.7	1.5	1.4	1.3	1.1	1.2	1.3
CURRENT TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	17.6	17.4	17.9	17.6	17.8	18.1	17.3	17.3	17.3	17.4	17.2
Current transfers to public institutions and public utilities	11.4	11.5	11.8	11.7	10.9	10.9	10.5	10.7	10.7	10.8	10.6
OTHER CURRENT DOMESTIC TRANSFERS	0.1	0.1	0.1	0.9	1.0	0.9	0.9	0.7	0.9	0.9	1.3
CAPITAL EXPENDITURE - TOTAL	4.2	4.2	4.2	4.3	4.6	4.2	4.0	4.2	3.9	4.3	4.7
CAPITAL EXPENDITURE	2.6	2.5	2.3	2.5	3.0	2.8	2.6	2.7	2.4	2.8	3.0
CAPITAL TRANSFERS	1.6	1.7	1.8	1.8	1.6	1.5	1.4	1.5	1.5	1.5	1.7
FUNDS RECEIVED FROM THE EUROPEAN UNION											0.7
III. SURPLUS / DEFICIT (I - II.)	0.0	0.3	-1.2	-0.8	-0.6	-1.4	-1.3	-1.3	-3.0	-1.5	-1.7

Source of data: Shares relative to the revised DGP after 2000 (September 2003).

Note: MF, Ministry of Finance Bulletin and Government Finance Accounts of the Republic of Slovenia, calculations, estimates and forecasts by the IMAD.

Table 13: Population and Labour Force

- Numbers in thousands, indicators in percents

	1995	1996	1997	1998	1999	2000
POPULATION, as at 30 June (in thousand)	1987.5	1991.2	1986.8	1982.6	1985.6	1990.3
Age structure (in perc.s): 0-14 years	18.4	17.8	17.2	16.8	16.4	15.9
15-64 years	69.3	69.5	69.7	69.8	69.9	70.1
65 years and more	12.3	12.7	13.0	13.4	13.7	14.0
LABOUR FORCE (A=B+C1)	952.0	946.0	978.0	978.0	959.0	968.0
Persons in employment (B)	882.0	878.0	906.0	901.0	886.0	901.0
Persons in paid employment (B1)*	642.0	634.7	651.2	652.5	670.9	683.0
Formally self-employed persons (B2)	109.6	109.6	92.2	92.7	87.5	85.1
Unformally employed (B3=B-B1-B2)	130.5	133.7	162.6	155.8	127.6	132.8
Survey unemployed -ILO standard (C1)	70.0	69.0	72.0	77.0	73.0	68.0
Registered unemployed persons (C2)	121.5	119.8	125.2	126.1	119.0	106.6
LABOUR MARKET INDICATORS (in perc.s)						
Participation rate (15-64 years)	68.0	66.7	68.7	68.8	67.7	67.8
men	73.5	71.5	73.2	73.3	72.3	72.2
women	62.4	62.0	64.0	64.1	63.0	63.2
Participation rate (65 years and more)	7.0	6.6	8.3	9.4	8.1	8.3
Employment rate (15-64 years)	62.9	61.9	63.5	63.3	62.5	62.9
men	67.7	66.2	68.0	67.6	66.9	67.2
women	58.0	57.7	59.0	58.9	57.8	58.5
Employment rate (55-64 years)	23.5	22.9	23.5	24.2	22.2	22.5
Unemployment rate - ILO definition (C1/A)	7.4	7.3	7.4	7.9	7.6	7.0
men	7.7	7.5	7.1	7.7	7.3	6.8
women	7.0	7.0	7.6	8.1	7.9	7.3
young people (15-24 years)	18.8	18.8	17.6	18.6	18.1	16.8
Registered unemployed rate (C2/(B1+B2+C2))	13.9	13.9	14.4	14.5	13.6	12.2
men	14.1	13.7	13.6	13.4	12.4	11.1
women	13.7	14.0	15.3	15.7	15.0	13.5
Structure of persons in employment according to survey						
in agriculture	10.4	10.2	12.7	11.5	10.2	10.0
in industry and construction	43.2	42.3	40.2	39.4	38.3	38.1
in services	46.3	47.5	47.0	49.1	51.5	51.9
ANNUAL GROWTH RATES (%)						
Persons in employment	3.6	-0.5	3.2	-0.6	-1.7	1.7
Persons in paid employment*	-0.8	-1.1	2.6	0.2	2.8	1.8
Formally self-employed persons	4.2	0.1	-15.9	0.5	-5.6	-2.7
Unformally employed	32.5	2.5	21.6	-4.1	-18.1	4.1
Registered unemployed	-4.4	-1.4	4.5	0.7	-5.7	-10.4
Labour force	1.7	-0.6	3.4	0.0	-1.9	0.9
Working age population	-0.1	0.5	0.1	-0.1	0.3	0.5
Population	-0.1	0.2	-0.2	-0.2	0.1	0.2
Population, 65 years and more	3.4	3.2	2.4	2.6	2.5	2.2

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Table 13: Population and Labour Force

- Numbers in thousands, indicators in percents

	2001	2002	2003	2004	2005
			Estimate	Forecast	
POPULATION, as at 30 June (in thousand)	1992.0	1995.7	1996.0	1996.8	1997.0
Age structure (in perc.s): 0-14 years	15.6	15.2	14.8	14.4	14.1
15-64 years	70.1	70.2	70.4	70.4	70.4
65 years and more	14.3	14.6	14.9	15.1	15.4
LABOUR FORCE (A=B+C1)	979.0	971.0	959.1	960.9	963.1
Persons in employment (B)	916.0	910.0	894.1	896.8	901.0
Persons in paid employment (B1)*	694.8	697.9	699.4	704.2	709.2
Formally self-employed persons (B2)	84.2	85.6	78.4	76.5	75.8
Unformally employed (B3=B-B1-B2)	137.0	126.5	116.3	116.1	116.0
Survey unemployed -ILO standard (C1)	63.0	62.0	64.9	64.1	62.1
Registered unemployed persons (C2)	101.9	102.6	98.3	96.2	92.6
LABOUR MARKET INDICATORS (in perc.s)					
Participation rate (15-64 years)	68.3	67.8	67.1	67.0	67.0
men	73.1	72.5	71.4	71.0	70.5
women	63.5	63.0	62.6	62.8	63.4
Participation rate (65 years and more)	8.2	7.2	5.9	6.2	6.5
Employment rate (15-64 years)	63.9	63.4	62.4	62.4	62.6
men	68.7	68.2	67.8	67.6	67.4
women	58.9	58.6	58.3	58.5	59.3
Employment rate (55-64 years)	25.0	24.4	24.0	24.0	24.1
Unemployment rate - ILO definition (C1/A)	6.4	6.4	6.8	6.7	6.4
men	5.9	5.9	6.5	6.4	6.3
women	7.0	6.8	7.1	7.0	6.6
young people (15-24 years)	18.1	16.7	17.7	17.4	16.8
Registered unemployed rate (C2/(B1+B2+C2))	11.6	11.6	11.2	11.0	10.6
men	10.4	10.4	9.9	10.0	9.8
women	12.9	13.1	12.8	12.1	11.4
Structure of persons in employment according to survey					
in agriculture	10.4	9.0	8.6	7.9	7.7
in industry and construction	38.5	38.0	39.6	38.8	38.2
in services	51.1	51.2	55.3	56.1	56.9
ANNUAL GROWTH RATES (%)					
Persons in employment	1.7	-0.7	-1.7	0.3	0.5
Persons in paid employment*	1.7	0.4	0.2	0.7	0.7
Formally self-employed persons	-1.1	1.7	-8.5	-2.4	-0.9
Unformally employed	3.1	-7.6	-8.1	-0.2	-0.1
Registered unemployed	-4.5	0.8	-4.2	-2.1	-3.7
Labour force	1.1	-0.8	-1.2	0.2	0.2
Working age population	0.1	0.3	0.2	0.2	0.0
Population	0.1	0.2	0.0	0.0	0.0
Population, 65 years and more	2.4	2.5	1.6	1.9	2.0

Source of data: SORS, IPDIS, IMAD's estimates and forecasts.

Opomba: *Monthly statistics; up to and including 1996, excluding companies with 1-2 employees; since 1999: including unemployed working in public works.

Table 14: Labour Force Flows During the Year

- Numbers in thousands, indicators in percents

	1995	1996	1997	1998	1999	2000
FORMAL LABOUR FORCE, year-end	873.1	867.0	871.1	868.3	880.5	873.1
Formal employment	746.4	742.5	742.5	741.7	766.2	768.5
Registered unemployment	126.8	124.5	128.6	126.6	114.3	104.6
Registered unemployment rate, end of year (%)	14.5	14.4	14.8	14.6	13.0	12.0
New first-time job seekers	25.7	25.6	25.4	25.1	25.7	22.7
of whom became unemployed	22.1	21.1	17.9	18.6	19.6	20.5
- in % of the generation	86.3	82.4	70.4	74.1	76.5	90.3
Additional number of work permits for foreigners	2.6	0.2	-2.9	-0.5	2.6	2.9
- share of foreigners in formally active population	4.5	4.7	4.6	4.0	4.3	4.6
Employed having lost their jobs	57.5	65.4	60.6	58.4	61.1	61.8
- on 100 persons in formal employment	7.7	8.8	8.1	7.8	8.1	8.1
Registered unemployed having found a job	60.0	54.6	56.1	55.4	62.4	60.2
- on 100 persons in formal employment	8.0	7.3	7.5	7.4	8.2	7.8
Retirements (-)	11.5	14.8	15.1	14.8	15.1	14.8
of which: registered unemployed persons	3.8	4.9	5.0	4.9	4.9	7.0
Deaths (-)	2.8	2.7	2.7	2.7	2.7	2.5
Other inflows into formal labour force (net)	-12.2	-14.6	-0.6	-9.9	1.7	-15.7
of which: other persons who found a job (net)	0.0	14.3	12.3	8.4	27.1	8.9
other deleted from unemployment registers (-)	12.2	28.9	12.9	18.2	25.4	24.6
- on 100 registered unemployed	10.1	24.1	10.3	14.5	21.4	23.1
Education structure of school-leavers (estimated, %)						
- low or no education	36.7	31.3	38.0	34.3	25.3	15.5
- vocational education	23.4	24.2	21.8	19.5	18.4	18.9
- finished secondary school	20.2	21.8	17.1	23.3	32.1	36.5
- graduates	19.7	22.6	23.0	23.0	24.2	29.1

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Table 14: Labour Force Flows During the Year

- Numbers in thousands, indicators in percents

	2001	2002	2003	2004	2005
			Estimate	Forecast	
FORMAL LABOUR FORCE, year-end	886.4	881.5	874.4	875.1	875.9
Formal employment	782.1	781.9	776.3	779.1	783.5
Registered unemployment	104.3	99.6	98.1	96.0	92.4
Registered unemployment rate, end of year (%)	11.8	11.3	11.2	11.0	10.6
New first-time job seekers	25.6	28.3	27.4	26.8	25.7
of whom became unemployed	21.9	21.4	25.4	22.8	20.4
- in % of the generation	85.6	75.7	92.6	85.0	79.3
Additional number of work permits for foreigners	-8.8	2.1	-1.1	1.0	0.0
- share of foreigners in formally active population	4.6	4.5	4.4	4.5	4.5
Employed having lost their jobs	65.8	66.0	69.2	66.1	63.9
- on 100 persons in formal employment	8.4	8.4	8.9	8.5	8.1
Registered unemployed having found a job	52.7	52.2	48.8	51.4	53.7
- on 100 persons in formal employment	6.8	6.7	6.3	6.6	6.8
Retirements (-)	14.6	14.8	15.1	15.4	15.9
of which: registered unemployed persons	7.6	6.9	5.4	5.3	5.1
Deaths (-)	2.5	2.5	2.4	2.3	2.3
Other inflows into formal labour force (net)	13.6	-18.0	-16.1	-9.2	-6.9
of which: other persons who found a job (net)	41.0	14.8	25.5	24.8	22.0
other deleted from unemployment registers (-)	27.4	32.8	41.5	34.0	28.8
- on 100 registered unemployed	26.9	31.9	42.3	35.3	31.1
Education structure of school-leavers (estimated, %)					
- low or no education	29.6	11.5	22.6	20.9	22.3
- vocational education	22.4	21.1	20.1	18.7	18.6
- finished secondary school	21.9	42.6	27.3	26.7	24.5
- graduates	26.1	24.8	30.0	33.7	34.6

Source of data: SORS, IMAD's estimates, forecasts and calculations.

Table 15: Indicators of International Competitiveness

	- Annual growth in %									
	1995	1996	1997	1998	1999	2000	2001	2002	2003 Estimate	2004 Forecast
Effective exchange rate ¹										
Nominal	-0.5	-9.8	-5.4	-2.6	-5.5	-8.1	-5.8	-2.9	-0.5	-2.1
Real ²	10.3	-2.9	0.7	4.0	-0.7	-1.9	-0.1	2.7	3.6	1.3
Unit labour costs in manufacturing ³										
In SIT nominal	9.8	6.9	7.3	5.9	7.3	4.2	8.5	6.1	4.3	2.4
In the basket of currencies ⁴	9.3	-3.5	1.5	3.1	1.4	-4.2	2.2	3.0	3.8	0.2
In the basket of currencies - relative ⁵	9.9	-5.3	4.6	4.3	0.9	-3.3	0.8	1.7	2.3	-0.2
Components ^{4, 5} :										
Compensation of employees - real ⁶	4.9	3.9	3.4	3.4	2.9	2.6	1.8	2.1	1.3	2.4
Net wages and other remunerations	6.8	7.7	4.3	3.1	2.5	1.9	0.8	1.6	0.6	2.2
Tax burden on wages ⁷	-0.6	-2.6	-0.5	0.6	0.4	0.6	0.6	0.2	0.0	0.0
Labour productivity	8.4	6.7	4.5	5.4	1.8	7.2	1.7	3.5	2.8	4.9
Prices / effective exchange rate	12.9	-0.8	2.5	5.1	0.3	0.1	2.1	4.3	5.3	2.6

Sources of data: APP, BS, SORS, EC, OECD, calculations, estimates and forecasts IMAD.

Note:

- ¹ Growth in index value denotes appreciation of total and vice versa.
- ² Measured by relative consumer prices.
- ³ For enterprises and companies with 3 or more employees.
- ⁴ Only domestic factors.
- ⁵ Relative to growth in unit labour costs in 7 main OECD trading partners.
- ⁶ Deflated by consumer prices.
- ⁷ The ratio of gross wages and employers' contributions to net wages.

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