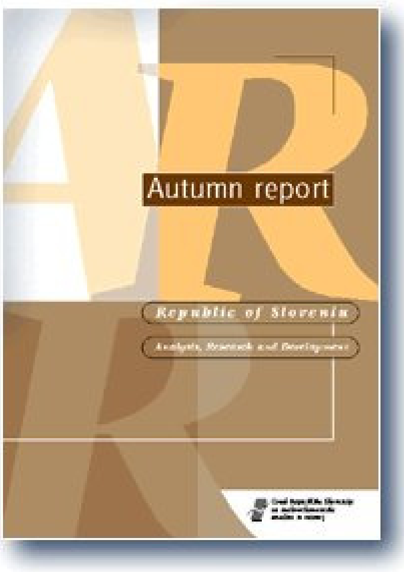

ANALYSIS OF ECONOMIC DEVELOPMENTS IN 1998 AND PROSPECTS FOR 1999

(1998 AUTUMN REPORT)

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FOREWORD

The Autumn Report reviews economic developments and the factors of growth in 1998, and examines the prospects for 1999. For several years, the Report has been prepared by the Institute of Macroeconomic Analysis and Development (hereafter IMAD) in Slovene and English. The Government of the Republic of Slovenia assesses it and draws on it in preparing the Budget and shaping measures of economic policy.

The Report is based on official statistics, in particular those of the Statistical Office of the Republic of Slovenia (SORS), the Bank of Slovenia (BS), the Agency for Payments (AP), and the expert findings of domestic and foreign institutes. Based on these figures, the new estimate of National Accounts for 1998 and 1999 was prepared by IMAD in October this year. They were founded on the national accounts statistics of SORS, who, in its last edition, replaced the 1992 prices with the 1995 ones in the categories using constant prices. This does not allow direct comparison of national accounts prepared in spring with the autumn ones.

The 1998 Autumn Report was prepared by Alenka Kajzer (editor, head of project, summary), Branka Tavčar (national accounts), Lili Figar (investment), Pavle Gmeiner (industry, country risk), Andrej Hrovat (money and liquidity), Slavica Jurančič (export competitiveness), Mateja Kovač (agriculture), Rotija Kmet (international economic environment), Saša Kovačič (wages), Tomaž Kraigher (employment and unemployment), Jasna Kondža and Dušan Kidrič (public finance), Jože Markič (export-import flows and the balance of payments), Nataša Marzidovšek (prices), Jure Povšnar (energy sector, mining, transport and communications), Mateja Pečar (hotels and restaurants, domestic trade), Janja Pečar (unemployment by regions), Matija Rojec (foreign direct investment), Ana Sečnik (manufacturing), Janez Šušteršič (introduction), Ivanka Zakotnik (national accounts).

The 1998 Autumn Report is based on data available up to 5 November 1998.

1 INTRODUCTION

Global economic developments have this year been marked by the Asian and Russian **financial crises** which have developed into an economic recession that will continue to have a strong impact on a large part of the world including some of the most developed countries. Slovenia will be unable to avoid the effects of the crisis, however they are expected to be relatively limited. It is anticipated that the 4 per cent real economic growth forecast in spring will be reached by the end of the year and that next year the real growth in gross domestic product will be between 3.5 per cent and 4 per cent.

Economic indicators in the first half of 1998 were even slightly better than expected. Gross domestic product increased more than expected, which is also true of industrial production, and the exports of goods and services. The rise in the gross wage per employee has lagged behind growth in productivity and the rate of employment has improved a little. Monetary trends have been equally favourable: the inflation rate will be by about 1 percentage point lower than forecast, interest rates are much lower than at the beginning of the year, while in the banking sector long-term corporate lending is increasing significantly along with the level of personal savings. Since it is expected that positive trends, especially those in exports and industrial production, will slow down by the end of the year, and also the Slovene economy's international competitiveness will deteriorate, consequently the **economic growth this year** is unlikely to differ much from the **4 per cent-rate** anticipated in spring.

Next year, favourable trends in the Slovene economy are expected to continue. Real unit labour costs calculated in tolars are likely to drop a bit more, however their level measured in the basket of currencies would probably rise. Next year investments should increase at the same rate as this year, triggered also by favourable credit terms, moderately growing production costs, and the ownership restructuring of companies. Inflation will continue to decrease, whilst the appreciation of the tolar is predicted to be somewhat less pronounced than this year. General government deficit as a share of gross domestic product is expected to slightly decrease. On the other hand, the expected lower rates of economic growth and imports in the most important trading partners of Slovenia, most of which are among the countries least effected by the recession, is estimated to result in **lower growth in Slovene exports** of goods and services and a slightly bigger deficit on the current account of the balance of payments. It is estimated that the deterioration in international environment and the generally favourable domestic situation will result in 3.5 per cent to 4 per cent economic growth.

It is interesting to draw a comparison between the projected trends in the Slovene economy and the forecasts for the European Union (hereinafter: the EU) member-states. According to the autumn projections, economic growth in the EU next year will drop by around one-half of a percentage point and return to the current level in the year 2000. The European Commission believes that the **EU** economy next year will remain an **island of stability** in the recession already affecting almost one-third of the world's production and resulting in halved world economic growth in 1998. The Commission's optimism is primarily based on internal economic stability shown in improving investment profitability, record low interest and inflation rates, and highly growing productivity accompanied by moderately increasing labour costs, all of which positively affect production costs. It has also established that, owing to balanced public finance in the EU countries together with the credible announcement of the introduction of the euro, European capital markets have successfully avoided the impact of the global financial crisis.

This reveals an **important difference** between the position of Slovenia and the EMU states. Even though Slovenia can boast a relatively stable domestic economic situation, its financial stability, especially the stability of the tolar, is not based on participation in the European monetary system nor on the tolar's pegging to any particular currency, but exclusively on the stability of its own economy and the credibility of economic policy. In 1999, which will be probably see further depreciation of certain currencies, it is particularly important that the economic policy's **primary goal** remains sustainable long-term **economic growth combined with the strengthening of economic stability** (lower inflation rate, stable exchange rate, small general government deficit) and positive macroeconomic relationships (wage increase lagging behind productivity growth, relatively low interest rates, growing national savings). Economic policy could seek growth-boosting measures within the framework of these macroeconomic constraints mainly in more wide-use of export insurance instruments of, promotion and attraction of (foreign) investment and technological development.

In view of the global recession, it is possible that the governments of advanced European economies next year decide for a more expansionist economic policy based on the Keynesian approach to boosting domestic demand. Since the financial world's response will be inevitably negative, the effects of such a policy are uncertain - if favourable, the increased economic growth in these countries could be beneficial for Slovenia too. Slovenia has worse initial position for implementing expansionist economic policy than EU member-states, mainly due to its higher and inconstant inflation rate and weaker financial stability. In the given macroeconomic framework there is no room for a policy of raising public expenditure or boosting household consumption, since experience has shown that, after a possible short-term rise in public outlays or wages, it would take too long before the existing favourable relationships could be re-established. Moreover, enforcing expenditure can trigger inflation and jeopardise international financial stability of the country and/or its currency. Negative consequences resulting from short-term promotion of growth are evidenced by data on the situation in those countries in transition whose economic growth is the same or higher than the Slovene, but which is financed through high budget or current account deficits and inflation.

In order to maintain favourable conditions in the Slovene economy and sustainable economic growth based on domestic investment and technological development, the government can do the most by furthering and accelerating **structural reforms** as well as by adapting the institutional framework, which also involves the process of Slovenia's integration into the EU. As described in the World Bank's study (cited in Keefer and Shirley, 1998, p. 10), adequate institutions (in the sense of the rule of law and protection of property rights) are even more important for economic growth than appropriate macroeconomic policy. An important element in this process is the continuing restructuring of the corporate sector along the lines of an open, export-oriented development which the state can help through gradual privatisation of state-owned enterprises and banks, through introducing competition to monopolistic or near-monopolistic sectors, through efforts for a more efficient judiciary and better financial discipline. Company restructuring will be promoted and facilitated also by amendments in labour legislation. The new Labour Relations Act, presently in the parliament discussion, will improve labour market flexibility by increasing on the one hand the flexibility in dismissals and on the other better protection of employees against any breaches of regulations. During implementation of the foreseen reform of indirect taxation (the introduction of value-added tax and excise duties), which will decrease effective taxation of exports and the size of the black economy, appropriate information will have to be disseminated in order to reduce as much as possible the uncertainty in the corporate sector, and possible liquidity problems in the period of introducing the new system will have to be taken care of. Long-term stability of public finance will of course inevitably require the planned pension reform. In the area of health care, measures within the present system will have to be used to keep the share of health care outlays in gross domestic product at the same level over the next few years. All these orientations are clearly defined in state strategic documents connected with the EU integration process.

2 SUMMARY – Economic growth in 1998 estimated at 4 per cent; forecast for 1999 is 3.5 to 4 per cent

2.1 1998 – Favourable economic developments, forecast economic growth will be achieved

With the 3.3 per cent real growth in gross domestic product in 1996, and 3.8 per cent growth in 1997, **Slovenia has reduced the lag behind the EU countries' average in terms of economic development**. In 1995, it reached 65 per cent of the level of average gross domestic product per person (measured in current-price purchasing power standards) in EU, while in 1997, it was 68 per cent (EUROSTAT, 1998). A real gross domestic product per person of ECU 13,000 has allowed Slovenia to maintain the first position among the candidate-countries applying for EU membership. Compared to less developed EU-members, Slovenia's development lags behind Greece by less than 1 per cent (ECU 13,100) and Portugal by 3 per cent (ECU 13,400).

Due to the Slovene economy's smallness and openness, **economic developments in Slovenia depend strongly on economic developments in the international environment**, i.e. particularly those of its most important European trading partners. In recent years, exports of goods and services amounted to around 55 per cent of annual gross domestic product, while around 65 per cent of Slovenia's total exports are sold in the EU market. Owing to the Asian and Russian crises, spreading also to Latin America, global economic growth has already halved this year - following 4.1 per cent economic growth in 1997, the global economy is expected to grow by only 2 per cent in 1998 (IMF, 1998b). Nevertheless, in 1998, economic growth in EU countries has not been affected by the recession due to rise in domestic demand. On average, the gross domestic product is expected to rise in real terms by 2.9 per cent in the EU countries this year, representing 0.1 of a percentage point more than forecast by the European Commission in spring. To a limited extent, the consequences of deteriorated conditions in the international environment will be seen in Europe next year. In 1999, economic growth is expected to be 2.4 per cent, which is 0.6 of a percentage point less than estimated in spring (EC, 1998). The outburst of the Asian and Russian financial crises does not have a strong direct impact on the Slovene economy, owing to the relatively limited scope of trading with these countries (except sectors that appear substantially on the Russian market). By decreasing imports, a drop in EU growth will also impact on economic growth in countries in transition. According to IMF study, Slovenia, among other countries in transition, is considered to be most sensitive to changes in growth of gross domestic product in the member-states of European Monetary Union (IMF; 1998b). Judging from these estimates, growth in EMU countries rising or dropping by 1 per cent causes exports of goods to fluctuate by 1.1 per cent, and economic growth in Slovenia by 0.5 per cent.

In the first half of 1998, economic trends in Slovenia were relatively favourable: in the first half of the year, gross domestic product rose in real terms by 4.8 per cent over the same period in 1997, the physical volume of manufacturing in the first nine months grew by 4.9 per cent over the same period in 1997, and exports of goods in the first eight months increased in real terms by 9.4 per cent over the same period in 1997. Growing stocks, deteriorating international competitiveness in manufacturing, findings of SORS' survey on business tendency in manufacturing (a drop in export orders) and business expectations, recorded by the Chamber of Commerce and Industry in Slovenia (SKEP-GZS, 1998) already reveal less favourable tendencies resulting from deteriorated international environment. Nevertheless, it is estimated that **the 4 per cent-economic growth forecast in spring will be achieved this year.**

Exports of goods (estimated to rise in real terms by 6.5 per cent) are also the **main factor** of economic growth in 1998 (similar to 1997), which in the production area primarily promotes growth in manufacturing (3.5 per cent rise in real terms in value added), transport, storage and communications (4.6 per cent rise in real terms in value added). It is estimated that relatively fast growth in value added will be recorded in hotels and restaurants, financial intermediaries (5.5 per cent), and community and personal services (5.5 per cent). In the framework of domestic demand (4 per cent rise), investment is estimated to record the highest growth (+ 6.7 per cent), whilst government consumption is also above average (+4.6 per cent). In 1998, external trade is characterised by an **about 6.5 per cent-rise in exports of goods** and **slow growth in the exports of services**, estimated to increase in real terms by only 1.5 per cent in 1998 compared to 1997. Slow growth in the exports of services mainly results from a modest inflow from tourism, estimated to decline in real terms by 5 per cent in 1998 over 1997. The moderate foreign currency inflow from tourism primarily results from lower levels of so called shuttle trade from Austrians (restricted imports of tobacco products) and Italians (reduced petrol prices in near-border areas). The **trade deficit** of USD 516.6 million in the first eight months of 1998 is expected to increase to **about USD 780 million** by the end of the year (USD 772 million, in 1997). The surplus in services trade will be lower than in the past few years (about USD 525 million). **The deficit on the current account in the**

balance of payments is estimated to amount to **USD 5 million**.

Despite the fact that in previous years the level and inflows of foreign indirect investments to Slovenia also lagged behind competitive countries in transition, this year's moderate inflow is particularly alarming. In the first seven months, the inflow amounted to USD 141 million, two-thirds of which represents the inflow under an agreement made back in 1997. This modest inflow indicates that Slovene companies are too slow in searching for strategic foreign partners (due to ownership structure), which may be fatal in times of globalisation and integration, especially in more globalised industries that are characterised by increasing returns to scale and the great importance of economies of scale.

Unit labour costs in manufacturing (deflated by consumer prices) will decrease by 1.8 per cent in 1998, resulting from the lag in labour cost growth per employee behind the rise in productivity. When estimating **international competitiveness**, these costs must be measured in a basket of currencies of the most important trading partners. In 1998, unit labour cost measured in the basket of currencies, are expected to rise by about 3.3 per cent over 1997. Even though price and cost competitiveness has deteriorated, **competitiveness** is still **better than in 1995**, when it hit a low.

After a dynamic rise in prices in the first half of 1998, **inflation** levelled off in summer. In October, consumer prices grew by 5.4 per cent over last December, while at the annual level inflation was 6.9 per cent, **the lowest level recorded since independence**. Wage impacts on prices are weaker than expected, since the period of moderate growth in wages has been quite long. Until the end of the year, additional impacts on prices are not expected even from exchange rate movements. In 1998, in spite of expected adjustments of controlled prices in November and December, inflation will not reach 8 per cent as forecast in spring. It is estimated that, in the period from December 1997 to December 1998, prices will increase by less than 7 per cent (spring forecast 8 per cent). Average annual inflation will also be lower than the spring forecast. It is now estimated at around 8 per cent (spring forecast 8.5 per cent).

Last year's agreement of the social partners on wages, which was codified by the Minimum Wage and Wage Adjustment Mechanism Act passed in July, 1997, led to a slowdown in growth in prices even in 1997 (2.4 per cent rise in the average gross wage per employee, in real terms) and also influenced the slowing down of wages in 1998. **Growth in wages is moderate** in both the private and public sectors. In the first eight months of 1998, the average gross wage per employee rose in real terms by only 1.4 per cent over the same period in 1997. Given the usual seasonal rise in wages in the last quarter, it is estimated that in 1998, the average gross wage will increase in real terms by something less than 2 per cent compared to 1997.

The slightly positive trends in the area of employment recorded in the second half of 1997 are also present in 1998. The number of persons in employment fluctuates seasonally, nevertheless in 1998 the number of employees will increase by about 0.5 per cent over last year (according to the definition of SNA). A big gap between registered and survey-estimated unemployment (labour force survey data), which makes the international comparability of unemployment data possible, exists in 1998 as well. In the second quarter of 1998, the survey-estimated unemployment rate was 7.7 per cent, slightly more than last year's average of 7.4 per cent.

The state budget for 1998 was adopted in April 1998. Anticipated state budget expenditure amounted to SIT 879.5 billion (6.8 per cent more than in 1997). The realisation of state budget expenditure in the proposed amount would cause the budget deficit to exceed the planned 1 per cent of gross domestic product, that is why the Government, in compliance with Article 23 of the Public Consumption Financing Act, has temporarily restrained funds allocated in the state budget for 1998, amounting to around SIT 20 billion. Through this measure, the budget deficit will be preserved at the level of **1 per cent of gross domestic product** (according to existing methodology of public finance flows consolidation), i.e. it will arrive at 1.2 per cent of gross domestic product according to new methodology of representing public finance, in compliance with the government finance statistics of the International Monetary Fund[1]. Total general government expenditure, presented according to the existing methodology by means of estimates, will reach 45.7 per cent of gross domestic product, as in 1997, but when presented according to the new methodology, they will reach 44.1 per cent of gross domestic product. According to the existing presentation by estimates, total general government revenue will reach 44.7 per cent of the gross domestic product (44.6 per cent in 1997), whereas according to the new methodology, they will reach 42.9 per cent of the estimated gross domestic product (42.6 per cent in 1997).

The **measures** proposed in the so-called **austerity programme** that the

[1] The difference between the existing and new methodology of representing government finance is explained at the beginning of Chapter 9.

Government presented together with the proposed state budget for 1998 **have brought positive results** in 1998 in the area of wage trends and public administration employment. In 1998, the average number of employees in public administration will not increase for the first time after independence. In August, the average gross wage per employee in public administration decreased in real terms by 1.4 per cent over the average in 1997. New taxes made up for the loss in customs revenues.

Since Euromoney did not publish estimates of regional risk in spring, because of the Asian financial crisis, the autumn estimate brought great changes among first ten as well (see Euromoney, September 1998). This time, Slovenia occupied 38th position and preserved its first place among countries in transition.

2.2 1999 – Economic growth from 3.5 to 4 per cent

In 1999, economic growth in Slovenia will be marked by the slowing down of economic growth in EU-countries, especially in the most important trading partners. In 1999, according to estimates of the European Commission, economic growth in individual EU countries will decrease by 0.2 (Spain) to 3.2 (Ireland) percentage points over 1998. Economic growth is expected to improve only in Italy and Greece. According to European Commission estimates, economic growth in Germany, Slovenia's most important trading partner, is expected to rise by 2.2 per cent in 1999 (2.8 per cent in 1998). Owing to the slowdown in economic growth and lower import growth forecast of Slovene most important trading partners, deteriorated competitiveness of Slovene manufacturing and moderate growth in domestic demand, it is estimated that economic growth could **reach from 3.5 to 4 per cent**.

In the last two years, the main growth factor was foreign demand, but in 1999 the **contribution to growth coming from domestic and foreign demand** will be **more balanced**. With slower growth in exports (estimated 3.8 per cent growth in real terms), it is important that the increase in domestic private consumption (3.2 per cent) and investments (6.8 per cent) will be about the same as in 1998. It is estimated that value-added growth will level off in all industries, while the highest growth rates will be recorded in catering (4 per cent), construction (4 per cent), transport, storage and communications (4.5 per cent), financial intermediaries (4 per cent) and common and personal services (5.3 per cent). In the framework of domestic demand, investment is expected to increase the most also in 1999 (about 6.8 per cent).

In 1999, the slowdown in economic growth and export market growth in Slovenia's most important trading partners will **slightly limit the increase in Slovene exports**. Autumn estimates of real import growth rates (LINK 1998; IMF 1998b; EC 1998) of Slovenia's seven most important trading partners in the OECD indicate 4.5 per cent-growth in the aforementioned export markets (spring estimates indicated a 6.9 per cent growth). Due to lowered forecast of economic growth and import growth, the spring estimate of growth in Slovene exports of goods and services has been lowered. It is estimated that the growth in export of goods and services of about 5.6 per cent in 1998 will level off, thus arriving at about 3.8 per cent. Since a substantial part of goods imports is destined for further manufacturing for export, growth in imports of goods is also anticipated to slow down. With goods imports growing slightly faster (at about 4.3 per cent in real terms) than goods exports (about 4.1 per cent in real terms), the **trade deficit** will expand slightly, amounting to about **USD 900 million.** The surplus in the services trade, amounting to USD 540 million, is anticipated to cover a significant part of the goods trade deficit (as in previous years). The **current account of the balance of payments** would thus remain rather **close to the balanced one**, as in the last four years. Namely, the deficit is estimated to amount to about USD 80 million, which is 0.4 per cent of the estimated gross domestic product.

Moderate economic growth and a moderate rise in wages will enable the positive trends in the labour market to continue. In 1999, **employment** is expected to **rise by about 0.5 per cent**. The active employment policy and amendments to the Law on Employment and Insurance in the Case of Unemployment, which newly defines criteria for acquiring and preserving unemployment status, will lead to a lower registered unemployment rate in 1999 (about 14.1 per cent). The survey unemployment rate is estimated to range between 7 and 8 per cent.

In the first half of 1999, wage policy will be determined by the Minimum Wage and Wage Adjustment Mechanism Act, adopted in 1997. The social partners are still negotiating the wage policy in the second half of the year, taking into account the introduction of value-added tax. Given the presumption that public sector wages will stabilise in real terms and similar trends will continue in other sectors, as in 1998, it is estimated that **the gross wage per employee will increase in real terms by about 1.8 per cent in 1999.**

This year, the government tabled the **state budget draft for 1999** to the parliament in time, so that it will be **adopted by the end of 1998**. The proposal anticipates revenues amounting to SIT 928.8 billion, and expenditure amounting to SIT 958.6 billion. The budget deficit would therefore amount to SIT 29.8 billion, representing 0.8 per cent of the projected gross domestic product in 1999.

Payments from both social security funds will amount to 19.7 per cent of gross domestic product. Social security contributions will make up 15.1 per cent of gross domestic product. By means of transfers, the state budget will finance the outlays of the Pension and Invalidity Insurance Agency to the amount of 4.1 per cent of gross domestic product. State budget transfers for financing social security payments have already reached the level not to be exceeded in future years. The pension reform that will put a stop to increasing public expenditures is ready and, from the public finance point of view, it should be carried out as soon as possible. In the framework of health insurance, it is necessary to ensure, by using measures available in the current system, that public expenditures will not increase.

According to estimates anticipating the introduction of the value-added tax in the middle of the year, as well as the extension of the budget year to January 2000, **public finance revenues** would, under the **new methodology** of presenting general government finance, arrive at **43.3 per cent of gross domestic product**. If the state budget is passed within proposed amount, **general government finance expenditures** will arrive at **44 per cent of gross domestic product**. In 1999, the general government deficit would thus amount to **0.7 per cent of the gross domestic product**.

3 INTERNATIONAL ECONOMIC ENVIRONMENT – Slowdown in economic growth expected in Europe and the USA in 1999

Autumn's forecasts of international institutions on **world economic** growth this and next year are by about one percentage point below those in spring. Hence, economic growth is expected to reach about 2 per cent this year and about 2.5 per cent in 1999 (LINK, 1998; IMF, 1998b). Compared to 1997, this year's world economic growth has been halved. The main reason for the corrections to economic growth estimates is the world financial crisis accompanied by economic recession. Some estimates suggest that the world is facing its most severe financial crisis after the Second World War (for more details see Šlibar, 1988). Even though no cure has been found for the areas hit by the crisis, international institutions (IMF, 1998b; EC, 1998) forecast normalisation of the situation in the year 2000.

In mid-1998, the **United States** saw a halt in its economic downturn. Last year, the American economy recorded a 3.8 per cent-rate of real economic growth compared to 2.8 per cent in 1996. The driving force behind that growth was private consumption (consumer confidence was fuelled by a low unemployment rate, recorded at 4.5 per cent in June) and investment of the business sector. On the other hand, the Asian crisis almost completely handicapped the American export sector (only just over 3 per cent in real growth of exports of goods and services is expected this year), which will to some extent contribute to low economic growth, forecast at 3.2 per cent (EC; 1998) or 3.5 per cent (IMF, 1998b) in 1998, and 2.0 per cent (IMF, 1998b) or 2.5 per cent (LINK, 1998) in 1999.

In the **European Union,** the dynamic trend in economic growth continues this year. The European Commission even corrected its spring estimate upwards by 0.1 of a percentage point (see EC, 1998). In the two most important European economies, the German and French, domestic demand is a more important factor of economic growth this year than last year, when the economic upturn was mainly supported by export growth. Next year, domestic demand is expected to play an important role in Austria and Italy. Fairly favourable economic trends are also forecast to continue in other EU Member States despite subdued economic growth. The economic growth in the EU is on average expected to range between 2.7 per cent (LINK, 1988) and 2.9 per cent (EC, 1998, IMF, 1998b). In the majority of EU Member States, this year has seen an improvement in the labour market – the average unem-

Table 1: Economic growth and real growth rates of imports of goods and services in main Slovene trading partners (1998-1999)

	Real growth in gross domestic product (in per cent)		Real growth rates of imports of goods and services (in per cent)	
	1998	1999	1998	1999
EU	2.9	2.4	7.9	5.9
Germany	2.8	2.2	7.3	6.9
Italy	1.7	2.1	8.8	9.6
Croatia	4.0	4.0	n.p.	n.p.
France	3.1	2.6	6.0	4.2
Austria	3.2	2.8	6.5	4.9
Russia	-3.7	-2.9	-16.0	-15.0
USA	3.5	2.0	10.7	7.6

Sources: GDP growth in USA: IMF World Economic Outlook, September 1998; GDP growth in EU: European Commission. October 1998; imports of goods and services: Project LINK World Economic Outlook, September 1998.

ployment rate in EU countries fell from 11 per cent in 1997 to 10 per cent in August 1998. However, the problem of structural unemployment is still threatening. In its forecast for next year, the European Commission admitted that the worsening of conditions in the international environment will not leave EU economies unaffected. The Commission has revised its spring estimate of 3 per cent average economic growth in EU countries downwards to 2.4 per cent, similar to the International Monetary Fund (IMF, 1988b). Next year's rates of economic growth are expected to be lower in all 15 Member States except Italy and Greece (EC, 1988).

In **Germany,** dynamic economic growth continued in the first half of the year due to stronger domestic demand, particularly for capital investment. Parallel to dynamic economic growth, employment began to rise; the labour market situation is currently improving only in the western part of the country. This year's economic growth estimates range between 2.6 per cent (LINK, 1998; IMF, 1998b; WIFO, 1998) and 2.8& (EC, 1998), and forecasts for 1999 between 2.2 per cent (EC, 1998) and 2.5 per cent (IMF, 1998b; IFO, 1998). Next year's economic growth should be supported by increased private expenditure resulting from a somewhat more favourable labour market situation.

According to the forecasts by the Austrian WIFO institute, economic growth in **Austria** should reach 3 per cent this year, the European Commission's

October estimate is even slightly higher (3.2 per cent). Favourable economic results (2.5 per cent real growth in gross domestic product last year) are expected to be achieved mostly through the exports of goods (real growth estimate at 10 per cent) and capital investment (according to WIFO estimates, 7.5 per cent-real growth this year). Favourable results were contributed to by cyclical recovery in other Member States and further increases of exports into Eastern and Central European countries. WIFO forecasts that, with the rise in private expenditure (by 1.9 per cent in real terms this year and 2.2 per cent next year), gross domestic product should go up by 3.2 per cent in real terms in 1999. The European Commission's October forecast is more modest: it predicts 2.8 per cent-economic growth.

In **France,** the ongoing dynamic economic growth continues (Meary, 1998). The forecast 3.3 per cent real growth in gross domestic product in 1998 should be achieved mostly by domestic expenditure, both private consumption (expected 5.7 per cent-real growth) and investment (5.7 per cent-forecasted real growth). However, net exports should contribute negatively to economic growth in 1998 and 1999. This year's private consumption growth will not be repeated next year due to the more restrictive monetary policy expected in 1999. Hence, the economic growth rate in 1999 should be by 0.3 to 0.5 of a percentage point lower than this year.

According to the latest estimates of the Italian Government and international institutions, this year's economic growth in **Italy** will be lower than expected (1.7 per cent growth instead of the forecast 2.4 per cent). On the one hand, the impact of the Asian and Russian crises is hindering any faster increase in exports and, on the other, the rise in private consumption is still modest. Capital investment does not meet expected growth rates despite lower interest rates. The International Monetary Fund (IMF, 1998b) estimates that the country will see more substantial improvements in economic growth only after short-term interest rates have been lowered to EU levels, which should in turn trigger growth in private consumption and investment.

After the average economic growth rates in **CEFTA** countries in 1997 fell by less than one percentage point compared to the previous year, this year's growth should remain at last year's level (3.8 per cent), according to the LINK model forecasts on economic growth in individual countries. Analysts expect higher average levels of economic growth in CEFTA countries next year, when gross domestic product in these countries should on average increase by 4.8 per cent. This should be largely contributed to by the expected recovery of the Czech and Romanian economies.

In 1998, the **stagnation of the Czech economy** is continuing. In the first quarter, gross domestic product fell by 0.9 per cent in annual terms. The main factor underlying the one-percent economic growth in 1997 was exports. A similar trend continues this year. High real growth rates of industrial production (8.4 per cent in the first quarter in annual terms) are related to accelerated growth of exports (20 per cent-real growth in the first half of the year) due to depreciation of the Czech koruna. Domestic demand, on the other hand, has a negative effect on economic growth in the Czech republic (2.5 per cent real drop in gross fixed capital formation in the first three months of this year, in annual terms). The Czech Statistical Office forecasts this year's real gross domestic product to remain at last year's level. Inflation should reach a one-digit level in 1999 in an environment of falling real wages and the gradually lifting of controlled prices. Further restructuring of the economy is expected to increase unemployment to about 7 per cent in the following few years.

Figures for the first half of 1998 indicate that the period of dynamic economic growth that started in 1997 continues in **Hungary.** Industrial production in the first half of the year rose by 14 per cent in real terms, and gross domestic product by approximately 5 per cent (WIIW estimate, 1998 and the Budapest University of Economics). Economic growth is still largely fuelled by exports, which are rising faster than imports. This year's deficit on the current account of the balance of payments is expected to be lower than originally forecast. Hungarian and foreign analysts' estimates of economic growth in 1998 and 1999 stand at about 5 per cent. According to some estimates, inflation is expected to fall to a one-digit level in 1999 (Simon, 1998). Even though it is still relatively high (this year's estimate is 4.5 per cent of gross domestic product), the proportion of general government deficit in the gross domestic product is gradually going down.

As in previous years, **Poland** has recorded the highest economic growth rates this year among CEFTA countries. According to the latest estimates (Welfe, 1998), gross domestic product rose by 7 per cent in the first half of the year (by 6.5 per cent in the first quarter). Favourable economic trends recorded for the second consecutive year are the result of strong domestic demand, particularly in investment (in the first half of the year investment rose by as much as 24 per cent in real terms; Welfe, 1998). The situation in the foreign trading sector, on the other hand, is not satisfactory, as a rise in this year's imports is expected to exceed exports. Despite the Polish zloty's appreciation, this year's foreign trade imbalance is not increasing. The forecast deficit on the current account of the balance of payments will probably

Table 2: External and internal imbalances in selected transition countries

	Inflation (annual average in per cent)			Central government deficit as percentage of GDP			Current account of balance of payments balance as percentage of GDP		
	1996	1997	1998	1996	1997	1998	1996	1997	1998
Czech Republic	8.8	8.5	10.8	-0.1	-1.0	n.p.	-7.6	-6.1	-2.1
Hungary	23.6	18.3	14.5	-1.9	-4.1	n.p	-3.7	-2.2	-3.2
Poland	19.9	14.9	13.0	-2.5	-1.4	-2.4	-1.0	-3.1	-4.6
Romania	38.8	154.8	70.0	-4.9	-3.6	-4.0	-7.3	-6.7	-5.4
Slovakia	5.8	6.1	8.0	-4.4	-5.7	n.p.	-11.2	-6.9	-8.8
Slovenia	9.7	9.1	8.1	0.6	-1.1	-0.9	0.2	0.2	0.0

Sources: WIIW, October, 1998 (calculations by IMAD); for Slovenia: BS, SORS, IMAD.

result from a worse balance in trade and services and high interest charged on foreign debt (WIIW, 1998). This and next year's economic growth is expected to be around 6 per cent. One serious problem of the Polish economy remains its double-digit inflation.

According to the latest revised data of the Slovak Statistical Office, economic growth in **Slovakia** has been slowing down since 1997 (according to older data since 1996). This year's first quarter figures for gross domestic product growth, at 6.2 per cent annually, were supported by domestic demand, mainly investment, with state investment playing an important role. A large part of these outlays is financed from foreign borrowings resulting in a dangerous rise of public debt as well as the government deficit. Analysts estimate that Slovakia could withhold the foreign trade deficit at last year's level using restrictions imposed on imports. However, they predict a further rise of the current account of the balance of payments, standing at 10 per cent of gross domestic product in the first half of the year. Growing external and internal imbalances are likely to result in slow economic growth for Slovakia in the future. The institute for international comparisons from Vienna forecasts 5 per cent growth in 1998 and only 3 per cent in 1999 (WIIW, 1998). Inflation is also expected to rise gradually (from 6.1 per cent in 1997 to 9 per cent in 1999).

Romania is facing economic stagnation for the second consecutive year. Gross domestic product in the first quarter continued to go down due to the fall in all components of domestic demand and a drop in exports. A real fall in gross domestic product of about 4 per cent is expected this year. At the same time, foreign analysts share the opinion that the economy's significant

Table 3: Real growth in gross domestic product and GDP per capita at purchasing power parity in selected transition countries

	Real growth in gross domestic product in percentage		GDP per capita at PPP in ECU		GDP per capita at PPP in percentage of EU average	
	1998	1999	1995	1997	1995	1997
Czech Republic	0.0	2.0	10,800	12,000	62	63
Hungary	5.0	4.5	7,800	8,900	45	47
Poland	6.0	5.5	6,200	7,500	36	40
Romania	-4.0	0.0	5,600	5,800	32	31
Slovakia	5.0	3.0	7,400	8,900	43	47
Slovenia	4.0	3 3/4	11,300	13,000	65	68

Sources: GDP at purchasing power parity: Eurostat, September 1998; GDP growth rates: WIIW October 1998 Slovenia-GDP growth: IMAD.

revival is unlikely before the end of next year due to the slow restructuring of companies and the inability to increase exports. Inflation is expected to fall from last year's 155 per cent to 80 per cent in 1998 and to 40-50 per cent in 1999.

By modifying the methodology of its national accounts, the Croatian Statistical Office corrected its economic growth estimate for **Croatia** for 1997, which now stands at 6.5 per cent (the previous estimate was 5.6 per cent). In the first quarter of 1998, gross domestic product rose by 3.3 per cent annually. Industrial production in the first seven months of this year went up by 6 per cent, as did the number of foreign overnight stays in the first half of the year by 12 per cent compared to the same period last year. The value-added tax which was introduced in January this year has had a negative effect on aggregate demand and, according to the WIIW's estimates, next year's inflation is expected to rise to about 6 per cent for the same reason. The unexpectedly high revenue from value-added tax should help Croatia balance its state budget this year. However, the foreign trade imbalance, involving the accelerated rise of imports and the stagnation of exports, remains an unresolved problem of the Croatian economy this year. This year's economic growth forecasts range between 4 per cent (WIIW, 1998; Zagrebaeka banka, 1998) and 7 per cent (the Croatian Government).

4 GROSS DOMESTIC PRODUCT – 4 per cent economic growth in 1998, 1999 forecast: 3.5 to 4 per cent growth

4.1 PRODUCTION STRUCTURE OF GROSS DOMESTIC PRODUCT – 3.7 per cent real-term increase in value added in 1998; 3.3 per cent in 1999

In the first quarter of 1998 accelerated economic growth continued. According to the estimates of SORS, gross domestic product was 2.2 per cent higher in real terms than in the last quarter of 1997, while compared to the same period of 1997 it was as much as 6.5 per cent above. Rapid economic growth slowed down in the second quarter – gross domestic product was 0.5 per cent lower than in the first quarter. In the first half of 1998, gross domestic product was in real terms 4.8 per cent higher than in the same period of 1997. Above-average real growth in value added in the first half of the year was seen in the mining (12.6 per cent), transport (8.8 per cent) and manufacturing (6.5 per cent). In the second half of the year, continued moderate growth is expected - growth rates of about 3.2 per cent in the third and last quarter would enable reaching the 4 per cent -economic growth predicted in spring this year. Since economic growth across the world is levelling off, it is expected that growth in Slovenia will also slow down and be slightly lower in 1999 than in 1998. The estimates forecast economic growth of between 3.5 per cent and 4 per cent.

It is projected that **real value-added growth** will be seen this year in **all industries** except fishing. The highest value-added rise is supposed to be recorded in financial intermediation and other community and personal services. The trend of relatively high growth in services continues this year – service sectors will on average increase value added by 4 per cent in real terms. In 1999, rises in value added are expected in all industries although at a slightly slower pace (see Table 4). It is estimated that the total value added next year will improve by 3.3 per cent in real terms (this year it went up by 3.7 per cent).

After three years of relatively rapid growth, agricultural production declined last year, while this year a more favourable crop output is expected. It is anticipated that **growth in value added in agriculture** will be **approximately 1 per cent** this year and **around 2 per cent next year.** The wheat yield was a bit higher than last year and its quality was better. The wheat purchases increased by as much as 54 per cent, the favourable purchase price being

Table 4: Value-added growth and structure by sectors

	Structure in per cent, current prices			Real growth rates in per cent, prices 1995	
	1997	1998	1999	1998	1999
A Agriculture, forestry, hunting	3.7	3.6	3.5	1.0	2.0
B Fishing	0.0	0.0	0.0	-5.0	1.0
C Mining and quarrying	1.2	1.1	1.1	0.5	0.0
D Manufacturing	24.8	24.7	24.4	3.5	2.7
E Electricity, gas and water supply	2.6	2.6	2.5	1.0	1.0
F Construction	5.1	5.1	5.1	4.0	4.0
G Wholesale and retail trade, repair	10.1	10.1	10.0	4.0	3.0
H Hotels and restaurants	2.8	2.8	2.8	4.5	4.0
I Transport, storage and communications	6.8	6.8	6.8	4.6	4.5
J Financial intermediation	3.7	3.7	3.7	5.5	4.0
K Real estate, renting and business activities	10.4	10.4	10.3	3.8	3.5
L Public administration and com. soc. sec.	4.8	4.8	4.8	4.0	4.0
M Education	4.9	4.8	4.8	3.0	3.0
N Health and social work	4.6	4.6	4.5	2.5	3.0
O Other community, social and personal activities	3.1	3.2	3.2	5.5	5.3
FISIM	-2.1	-2.1	-2.1	1.5	2.0
1 VALUE ADDED (A…O + FISIM) in basic prices	86.2	85.9	85.5	3.7	3.3
2 Corrections (taxes on products and services – subsidies)	13.8	14.1	14.5	5.7	6.4
3 GROSS DOMESTIC PRODUCT (3 = 1+2)	100.0	100.0	100.0	4.0	3 3

Source*: IMAD estimates 1997, 1998, 1999.*

one of the reasons. An increased corn yield is also estimated, corn being Slovenia's most important produce. The hops yield was average. A slightly better apples and pears harvest is expected. The grape crop was once again good, which is why the Government for the first time decided to intervene by buying old wine stock accumulated in cellars in 1997 or 1996. Animal husbandry purchases in the first seven months of this year, compared to the same period last year, increased by 1.3 per cent and milk purchases by 8.4 per cent. The number of animals killed in slaughterhouses was lower for cattle (down 3.2 per cent) and poultry (down 5.6 per cent) and higher for pigs (up 3.1 per cent).

The total value of traded agricultural products and foodstuffs measured by the current USD exchange rate remained the same in the first seven months of this and last year. The export-to-import ratio of agricultural products and foodstuffs was 45.1 per cent, which is 1.7 percentage point above last year's level. Total exports of agricultural products and foodstuffs in this period increased by 2.4 per cent, while imports dropped by 1.4 per cent. Goods trade with EU-countries rose (exports by 19.1 per cent, imports by 3.7 per cent) and that with CEFTA- countries, contrary to expectations, declined (exports were 45.1 per cent higher and imports 19.8 per cent lower).

The main activity in the **mining industry** concerns energy products, i.e. lignite and brown coal, accounting for approximately 85 per cent of value added in this industry. The energy balance in 1998 forecasts a drop in lignite extraction by 3.4 per cent and a rise in brown coal extraction by 2.3 per cent in comparison with 1997, which means coal mining output falling by approximately 1.5 per cent. Although energy products data in the first nine months of the year point to a 0.2 per cent-fall compared to the same period last year, it is estimated that the forecast drop will not take in fact place. According to our estimates, coal-mining output will be about 2 per cent higher in 1998 than in 1997. The output of non-energy products in mining in the first eight months of this year is less than 1/10 below that recorded in the same period last year. Based on these trends, it is estimated that this year's value added in mining will grow **by approximately 0.5 per cent** in real terms. In 1999, no real increase in value added in this industry is expected.

The upward trend in **manufacturing** production volume**,** which started last year continues this year and has grown even stronger in recent months. The production volume in the first nine months of this year went up 4.9 per cent over the same period last year or 3.2 per cent above last year's average. The most substantial increase was seen in the production of vehicles and vessels (up 20.7 per cent), while the most considerable fall was recorded in the production of coke, oil derivatives and nuclear fuel (down 52.2 per cent). The slow reduction in the number of employees, which was on average 1.9 per cent lower in the first nine months of this year compared to the same period last year, led to the increase of labour productivity by 6.9 per cent. Real growth in the average gross wage per employee in manufacturing (in the first eight months of 1998 2.9 per cent more than in the same period last year) did not reach growth in labour productivity (up 6.9 per cent).

Production figures by end-use product groups in the first nine months show high annual growth in the production of capital goods (up 7.5 per cent) and intermediate goods (up 4.8 per cent). Growth in these two groups was especially stimulated by the export of capital goods which improved by 12.6 per cent in real terms in the first six months of the year, and the export of intermediate goods which was 14.1 per cent above the same period of 1997. In the first nine months there was a slightly slower rise in the production of consumer goods (by 2.7 per cent) and non-durable goods (by 1.0 per cent). The production of durable goods climbed by 9.3 per cent.

The October survey on business trends in manufacturing indicates, in comparison with September, a worsening of confidence indicator, consisting of production expectations and trends in orders and stock. A drop in the confidence indicator in September was mainly due to lower total volumes of orders, while in October this indicator was primarily influenced by a fall in production expectations and an increase in final-product stocks. Small-sized companies experienced the most noticeable decline in production expectations which were, on the other hand, most favourable in medium-sized companies which, in the next 3 to 4 months, expect more orders from abroad than the whole of manufacturing industry.

In the first six months, compared to the same period last year the value added in manufacturing increased by 6.9 per cent in real terms (9.1 per cent in the first quarter and 4.7 per cent in the second). After relatively high growth in value added in the first half of 1998 and production levels in the first nine months, this upward trend is expected to slow down by the end of the year. It is estimated that **in 1998 value added** will improve by some 3.5 per cent **in real terms. In 1999**, a slower rise in exports and value added in manufacturing is expected due to the more critical situation in foreign markets. The anticipated rate is **2.7 per cent.**

The share of value added (approximately 80 per cent) in the **electricity, gas and water supply** sector is created in electricity production. The energy balance in 1998 forecasts a 1.5 per cent fall in total electricity production (measured in produced MWh). In the first three quarters, compared to the same period last year the total electricity production increased by 1.8 per cent, mostly in traditional thermal electrical power plants (up 4.7 per cent). The energy balance forecasts that the production and distribution of thermal energy in 1998 will rise by 4.5 per cent and gas supply by 1.3 per cent. On the basis of available data on electricity production and forecasts of the energy balance, it is estimated that **electricity, gas and water supply will this year reach 1 per cent real growth in value added.** The same growth (about 1 per cent) is anticipated in 1999.

According to SORS' records, the value of completed **construction** works in the first eight months of the year dropped by more than 14 per cent in real terms compared to the same period last year. The value of completed construction works improved only in housing construction (by 22.6 per cent), while the value of road and building construction fell far behind the results achieved in the same period last year. The slowing down in highway construction can be seen in the dramatic fall in the share of road and railway construction in the total value of completed construction works, only 12 per cent this year compared to last year's 47 per cent. Unfortunately, monthly statistical records do not cover the entire construction sector, which is why they are a poor indicator of construction activities. More than one-third of construction investment is represented by the individual construction of houses, which is not included in monthly statistical records. The rapidly growing small businesses are also not included in these reports. Quarterly estimates of value added by individual sectors published by SORS depict a more favourable picture than the above mentioned monthly statistical data. Value added in construction was, according to these estimates, higher by 3.4 per cent in the first six months of 1998, compared to the same period last year. The data on the number of employees and their wages in the construction industry also reveal a more favourable picture. The number of employees in construction in the first six months of 1998 was 1.7 per cent above that in the same period last year, whilst gross wage per employee in construction was 3 per cent higher in real terms this August than last year's average.

In foreign markets, Slovene construction companies account for only a bit more than one-tenth of the value of total completed works - the situation is still unfavourable. In the first quarter of 1998, the value of completed construction works abroad was more than one-third lower than in the same period of 1997. The value of work contracted for this year is slightly higher than last year. In the structure of contracted work the share of construction agreements for building in Germany and Russia has dropped greatly.

It is estimated that the actual situation in construction is better than indicated in the monthly statistical data, which do not include rapidly growing small-businesses. According to the estimates, **value added in construction** will this year **go up by 4 per cent** and the same growth rate is expected next year.

Previous data on total income in the **retail sector** and the sale of motor vehicles for the first eight months of 1998 point to a slight fall in total income (down by 0.5 per cent in real terms) compared to the same period last year. The greatest reason for this decrease is the retail sector's reduced sales arising from the sub-sector of motor fuels accounting for approximately one-tenth of total income which was generated by 30.3 per cent less income in real terms than in the same period last year (a drop in sales on the Italian border). Income earned in the maintenance and repair of motor vehicles fell by 14.3 per cent. In the group of motor vehicles and fuel, a 9.3 per cent-increase in income was recorded in motor vehicle sales. In the group of non-food products income rose by 8.7 per cent, while the respective increase in the sales of food products, beverages and tobacco was 2 per cent. Real-terms income growth was only seen in large companies (up 3.5 per cent), while in medium-sized and small companies it fell by 2.5 per cent and 9.4 per cent, respectively. The share of large companies in total income earned is increasing this year. In the first eight months, it was 69.8 per cent or 3.7 percentage points above the level recorded in the same period last year. Consequently, the share of medium-sized and small companies is decreasing, from 17.8 per cent to 16.2 per cent and from 16.2 per cent to 14 per cent, respectively. Slovene trading companies are even more inclined towards mergers, which reflects gradual preparation for the common European market and thus even keener international competition. Large trading companies are investing more and more of their capital in the construction of large shopping centres. In the first half of the year, the trade sector generated 3.3 per cent more value added in real terms than last year. On the basis of available data and seasonal invigoration in this sector expected in the last quarter, it is believed that the sectors of trade, repair of motor vehicles and consumer goods will reach **about 4 per cent real growth of value added** this year, while next year, given a more moderate increase in domestic demand, the respective growth is likely to be somewhat lower (by about 3 per cent).

After last year's substantial growth in the number of overnight stays and tourists in the first nine months of this year, the former saw a 2.5 per cent and the latter a 2.7 per cent fall on the levels recorded in 1997. Overnight stays of foreign tourists decreased by 0.7 per cent and those of domestic tourists by 4.1 per cent. The fall in the number of foreign tourists was insignificant (0.2 per cent), while there were 5.6 per cent fewer domestic tourists. Overnight stays of foreign tourists represent 49 per cent of total overnight stays (48.1 per cent last year), whereas in the total number of tourists foreigners accounted for more than a half (54.8 per cent)(53.4 per cent in the same period of 1997 and 49.5 per cent in 1996). Although the number of overnight stays is somewhat lower, income is expected to remain stable, according to some hoteliers' estimates, due to increased prices as a consequence of investment made to improve the quality of services. In the first half of the year, value added in the sector of hotels and restaurants went up 2.7 per cent in real terms on the same period last year. For the entire 1998, it is estimated that **value added growth in real terms in the sector of hotels and restaurants** will be **about 4.5 per cent, while next year** it is forecast to be **about 4 per cent.**

In the period from January to August, foreign exchange inflows from tourism in the amount of USD 748 m were 6.7 per cent lower, in real terms, (nominally down by 9.2 per cent) than in the same period last year. The biggest fall was recorded in the sales of goods in duty-free shops (down by 22.5 per cent in real terms). In real terms, 14 per cent less cash was exchanged in exchange offices. A positive picture can only be seen in payments to companies engaged in tourism which increased by 31.3 per cent in real terms (consequently their share in total foreign exchange inflows rose from 9.9 per cent to 14 per cent) and net exchange of cash for chips in casinos which was 4.7 per cent higher in real terms. The future of duty-free shops is still unknown (this year, they accounted for 9.1 per cent in the foreign exchange inflows and 11 per cent last year), since the EU demands Slovenia close down all such shops at road border crossings by July 1999. Talking about the connection between foreign exchange inflows from tourism and the sector of hotels and restaurants, it must be emphasised that only in the item of payments to companies engaged in tourism (hotels and other accommodation capacities, except tourist agencies), directly belonging to the sector of hotels and restaurants, which is a narrower concept than tourism In 1998, this item experienced a boom. The remaining foreign exchange inflows only have an indirect impact on the sector of hotels and restaurants.

On the basis of extremely dynamically growing transport activities at the beginning of the year, a 5.5 per cent-rise was predicted in spring for the sector of **transport, storage and communications** (in 1997 it was 4.3 per cent). A slower improvement during the summer indicates that transport activities' growth in 1998 will be only slightly higher than last year. In the first eight months compared to the same period last year, the actual volume of freight transport operations increased most considerably in harbour transport and in the entire loading and unloading activities (+16.7 per cent), railway transport (+8.0 per cent) and road transport (+5.7 per cent). A moderate fall was only seen in sea freight transport. Railway passenger transport went up by 2.0 per cent, while road and urban transport went down by 1.8 per cent and 5.2 per cent, respectively. An upsurge was seen in air passenger transport (7.1 per cent) and an even more significant one in airport passenger transport (8.6 per cent). The volume of postal services (measured by delivered packages) fell by 15 per cent. According to our anticipations, the telecommunications sector will record at least 8 per cent growth. On the basis of the aforementioned trends, it is estimated that **value added** the **transport storage and communications sector will this year rise by approximately 4.6 per cent in real terms** (last year's growth was 4.3 per cent) and a similar increase is also expected in 1999 (about 4.5 per cent).

4.2 THE EXPENDITURE SIDE OF GROSS DOMESTIC PRODUCT – Exports were the most important growth factor in 1998; in 1999, the contributions of domestic and foreign demand will be more balanced

Considering the economic growth achieved in the first half of the year (gross domestic product was 4.8 per cent higher in real terms than in the same period last year) and favourable export developments, it is estimated that the 4 per cent-economic growth forecast in spring will be reached this year. Therefore, Slovenia will also this year increase the level of its economic development, measured by gross domestic product per capita, and reduce the lag behind the EU-countries' average. The EUROSTAT figures from its international statistical survey published in September show that gross domestic product per capita in Slovenia, measured by purchasing power standards, amounted to ECU 13,000 in 1997, arriving at 68 per cent of the EU average.

Having a small, open economy Slovenia is very sensitive to external economic factors. Also in 1999, due to Slovenia's smallness, openness and export orientation, its economic growth will be primarily determined by international economic trends and the export competitiveness of the Slovene economy. Since Slovene exports are predominantly oriented towards EU markets, economic trends in the EU Member States play a key role in Slovene economic trends. According to IMAD's autumn estimates Slovenia could **achieve 3.5 to 4 per cent economic growth next year,** taking into account current economic trends in the international and domestic environments, and forecasts by European institutes and international organisations that economic and import growth in Slovenia's most important trading partners will be somewhat lower (see IMF, 1998; EC, 1998; LINK, 1998),.

The main lever of economic growth in 1997 was foreign demand, whilst domestic demand improved only modestly (except investment demand). The particularly fast growth in export demand in 1997 was followed in 1998 by the first signs of moderation. It is estimated that the growth in export demand in 1998 will be half of that in 1997 (the growth rate will drop from 11.3 per cent in 1997 to 5.6 per cent this year). Since the global financial crisis has not yet reached its peak (Štiblar, 1998), it is expected that next year Slovenia will also be influenced mainly by indirect negative effects of the global financial crisis and economic recession. The lower export growth (of about 3.8 per cent) next year will be influenced by direct effects of trading with former Soviet Union countries, as well as indirect effects (lower demand in Slovenia's most important trading partners, increased competition of more competitive exporters from Asia as a result of depreciation). Slovene industrial production is strongly linked with EU reproduction cycles, therefore movements in the EU's industrial production will largely determine the pace of that in Slovenia. The European Commission adjusted its estimates regarding economic growth next year: economic growth in the EU-15 should be 2.4 per cent (the spring forecast was 3 per cent). Piling up of stocks of unsold goods is a warning that the aggregate effects will neither be negligible nor only short-term.

Table 5: Growth in aggregate demand components, in per cent

	1996	1997	1998	1999
Total aggregate demand	3.4	5.8	4.3	3.6
of which:				
Foreign demand (exports)	3.3	11.3	5.6	3.8
Domestic demand	3.4	4.4	4.0	3.6
- intermediate consumption	3.1	3.8	3.7	3.3
- final consumption	2.6	3.5	3.7	3.0
- gross fixed capital formation	8.4	11.2	6.7	6.8

Source: SORS, National Accounts estimates

It is estimated that the rise in this year's domestic demand (4.0 per cent) will be slightly lower than last year (4.4 per cent). With moderately increasing wages and other income per household resulting therefore in slower growth in private consumption (3.2 per cent), further slowing down of domestic demand is expected in 1999 (about 3.6 per cent growth). Despite the fact that this year's relatively favourable investing has continued (about a 6.8 per cent-rise), according to forecasts, it will not be possible to avoid recalculating the economic growth estimated for 1999.

In the framework of domestic demand, capital expenditure is still going up this year, but at a slower pace than in previous years. A particularly rapid increase was recorded in investment in machinery and equipment, as well as in construction investment (housing). It is expected that a similar upward rate will be maintained next year as well. In 1998, growth in the demand of residential households for products and services of final consumption lagged behind the growth in gross domestic product. Given the strict legal framework of the incomes policy, a moderate rise in residential household consumption is expected to continue in 1999 (3.3 per cent in real terms). Government final consumption expenditure this year increased faster than in previous years (last year 3.2 per cent, this year 4.6 per cent). In view of the proposed national budget of the Republic of Slovenia for 1999, the rise in government consumption next year is expected to be slightly lower (2.3 per cent). Therefore, the forecast rise in Slovene government consumption will be at the level of real annual increases recorded in the EU member-states over the last few years (2 to 3 per cent).

Final consumption in Slovenia has exceeded gross domestic product ever since 1995. This year, service trade surpluses will again be insufficient to cover the goods deficit, so the total export and import balance of goods and services is also expected to be negative this year (-1.3 per cent of GDP). In 1998, the share of private consumption in GDP's final consumption has been on the decrease (by 0.6 of a percentage point), the highest rise was recorded in gross fixed capital formation (0.5 of a percentage point), while the share of government consumption in gross domestic product has slightly increased (by 0.1 percentage point). With continued road construction next year, a 6.8 per cent-rise in investment is expected. Consequently, the share of gross fixed capital formation in gross domestic product will go up to 24.6 per cent in 1999.

Owing to positive income and current transfer balance, the gross national disposable income in 1997 was higher than gross domestic product (by 1.3 percentage points). A positive income and current transfer balance (amounting to 1.3 per cent of gross domestic product) is also expected in 1998 and 1999. After covering national final consumption, gross saving in 1997 accounted for 23.8 per cent of GDP, whilst this year, the estimates show that it will climb to 24.3 per cent. The level of savings will probably be sufficient to cover domestic investment. Next year, the volume of gross saving is expected to improve slightly. The share of this key macroeconomic category in GDP, which primarily influences future economic development, is likely to grow further in 1999 (to 24.6 per cent of GDP). Such a level of savings would enable fixed capital expenditure, which in 1999 is expected to increase by 6.8 per cent in real terms, accompanied by a modest level of borrowing.

4.3 COST STRUCTURE OF GROSS DOMESTIC PRODUCT – Positive developments continue

In the last three years, **positive developments** in **the cost structure of GDP** have been recorded. Cuts in employees' social security contributions paid by employers and the lag of the nominal growth in the total wages and other labour costs bill behind the nominal growth in gross domestic product have resulted in a considerable drop in the share of total labour costs (compensation of employees) in gross domestic product (from 57.2 per cent in 1995 to 52.7 per cent of GDP in 1998). The introduction of the value-added tax is scheduled for 1 July 1999. The value-added tax liabilities estimates are based on model calculations (Bole, 1998) and methodological adjustments, arising from the system of recording main aggregates of national accounts. The percentage of taxes on products in gross domestic product is forecast to increase from 14.1 per cent in 1998 to 14.5 per cent in 1999, which is based on an expected drop in tax evasion due to the introduction of value-added tax. As customs tariffs and import duties have been reduced, their share in gross domestic product has fallen from 3.5 per cent in 1995 to 1.4 per cent in

Table 8: Cost structure of gross domestic product, in per cent

	1996	1997	1998	1999
1. COMPENSATION OF EMPLOYEES (1=1a+1b)	54.8	53.5	52.7	51.9
1a wages and salaries	47.6	47.1	46.4	45.6
1b employers' social contributions	7.3	6.3	6.3	6.2
2. NET TAXES ON PRODUCTION AND IMPORTS	15.3	14.9	15.3	15.6
3. GROSS OPERATING SURPLUS (3=3a+3b)	19.0	20.9	21.3	21.6
3a consumption of fixed capital	16.3	16.2	16.3	16.6
3b net operating surplus	2.8	4.8	5.0	5.0
4. GROSS MIXED INCOME (4 = 4a+4b)	10.8	10.7	10.8	11.0
4a consumption of fixed capital	1.8	1.8	1.8	1.9
4b net mixed income	9.0	8.9	9.0	9.1
5. GROSS DOMESTIC PRODUCT (5=1+2+3+4)	100.0	100.0	100.0	100.0

Source: SORS 1996, 1997; IMAD estimate: 1998, 1999.

1998. Cutbacks in customs tariffs and import duties are also forecast for next year (down by 12 per cent in real terms), as a result of implementing the Europe agreement made between Slovenia and the EU, as well as some other free-trade agreements.

According to national accounts methodology (SNA), the payroll tax introduced in the second half of 1996 is not an element of the compensation of employees, but is included in other taxes on production. Consequently, the set policy of tax sources restructuring, aimed at the curbing labour costs, has led to a rise in the share of other taxes on production. Since compensation of employees has lagged behind the growth in GDP and because customs tariffs and import duties have been reduced, the position of capital owners and production managers in the primary distribution of GDP has gradually improved over the last three years. The gross operating surplus (income of capital owners and production managers from the primary distribution of GDP) rose from 17.1 per cent in 1995 to 21.3 per cent in 1998.

Given the slower growth in wages, positive developments in the cost structure should continue next year. Namely, the share of compensation of employees is expected to drop to 51.9 per cent of gross domestic product.

5 EXPORT COMPETITIVENESS AND INTERNATIONAL TRADE

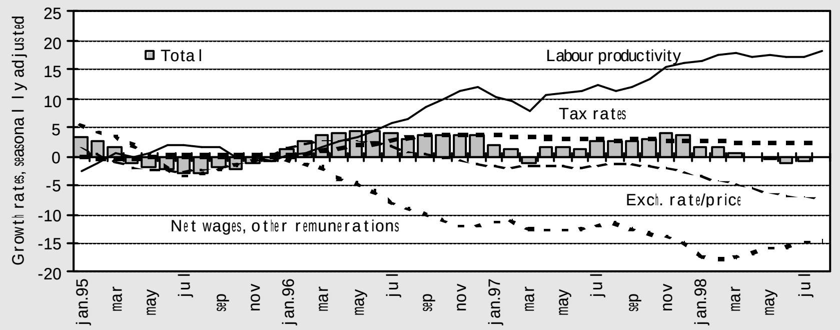
5.1 EXPORT COMPETITIVENESS – Competitiveness of Slovenian manufacturing will deteriorate

In both this and next year, the **price and cost competitiveness** of Slovenian manufacturing will **deteriorate in domestic and foreign markets.** After appreciating steadily from last September until this May in real terms against the basket of currencies (measured by relative inflation by as much as 6.9 per cent), the tolar depreciated in June and July after the intervention of the Bank of Slovenia (by 1.5 per cent), but real appreciation continued again in August and September. In September, the tolar was thus 4.6 per cent stronger than in December last year, and 3.6 pr cent stronger in the first nine months compared to the same period last year.

In August, the **price competitiveness** of Slovenian manufacturing in relation to **Croatia was worse** than in December last year (the tolar strengthened by 3.5 per cent in real terms compared to the Croatian kuna), the eight months' average, however, is similar to last year's. In the same period, the **price competitiveness** of Slovenian manufacturing in relation to **CEFTA countries** did not deteriorate, and compared to last December it even **improved slightly** this year (0.9 per cent real depreciation of the tolar against the currencies of CEFTA countries). A relatively high rise (6.7 per cent) in labour productivity in the first eight months over the same period last year was largely due to accelerated growth recorded in the second half of 1997, this year's labour productivity, however, stagnated more or less at February's level (according to seasonally adjusted data, it was 1.9 per cent higher in August than in December). Real compensation of employees (deflated by producer price index) was only 1.2 per cent higher in August compared to December due to a falling trend recorded since April, whilst the first eight months' average was 3.6 per cent higher than the last year's eight-month figure due to a rising trend recorded between September 1997 and March 1998. Hence, unit labour costs measured in the basket of currencies were 3.8 per cent higher when comparing August with last December, and in the first eight months on average 1.2 per cent up on the same period in 1997, without taking into account the parallel drop in unit labour costs in important trading partners (the available data show approximately 0.7 per cent).

Trends estimated until the end of the year indicate that the worsening of

COMPETITIVENESS COMPONENTS



Sources: SORS, AP, BS, calculations IMAD. Note; Growth indicates an increase in competitiveness.

competitiveness in 1998 will be caused mainly by a substantial strengthening of the tolar (by 3.7 per cent, measured by relative inflation-consumer price index), with a rise in real compensation of employees (3.4 per cent) lagging behind the rise in labour productivity (5.3 per cent). At the same time, unit labour costs in manufacturing of important trading partners are going down. Given the expected rise in labour productivity, relative unit labour costs, measured in the basket of currencies, are expected to increase by 4 per cent. **The deterioration of price and cost competitiveness is expected to continue in 1999.** The tolar's appreciation is expected to be slightly lower than this year (about 2.6 per cent), but still higher than the difference between the real rise in compensation of employees (estimated to be about 3 pr cent higher in real terms) and the rise in productivity (estimated at about 4 per cent). Assuming that unit labour costs in important trading partners remain at this year's levels, the rise in the relative unit labour costs of Slovenian manufacturing measured in the basket of currencies are expected to be about 3.4 per cent in 1999.

5.2 EXPORT-IMPORT FLOWS AND THE BALANCE OF PAYMENTS – A slowdown in world trade flows and subdued economic growth are likely to cause the slower growth of Slovenian exports

As in previous years, **international trade** is an **important factor of economic growth** in 1998. Despite downward corrections of estimates of real export growth rates in Slovenia's important trading partners, which reflect the world financial crisis (IMF, 1998b; LINK, 1998), Slovenian export markets' growth will not be seriously affected this year. The spring estimates of real growth of imports in the seven most important trading partners from OECD in 1998 standing at 6.3 per cent have been corrected to 5 per cent in the autumn estimates. A further slowdown in world trade flows resulting from the financial crisis and world recession is expected in 1999. According to European Commission's estimates (EC, 1998), real growth in imports in the EU-15 will drop from the 7.9 per cent expected in 1998 to 5.9 per cent forecast in 1999.

In the first eight months of this year, total **exports** of goods increased by 9.4 per cent in real terms compared to the same period last year, and **imports** of goods by 9.1 per cent. End-use structure of trade in goods reveals that the exports and imports of investment goods and intermediate goods are rising the fastest. Exports of investment goods increased by 10.6 per cent in real terms compared to the same period a year earlier, exports of intermediate goods by 11.3 per cent, and exports of consumer goods by 7.1 per cent . Looking at trade in goods in the context of the standard international trade classification shows that exports of machinery and transport equipment recorded the highest real-term rises (15.5 per cent) together with exports of chemical products (10.5 per cent). In the first eight months of this year, the exports of industrial products represented 93.2 per cent of the total value of Slovenian exports. Total exports of goods in current US dollars rose by 6.8 per cent compared to the same period in 1997, and total imports of goods by 4.2 per cent in nominal terms.

In the first eight months of this year, trade with EU countries rose by 10.4 per cent in real terms compared to the same period last year. Exports of goods went up by 9.3 per cent, and imports of goods by 11.5 per cent. Growing import flows from the EU were caused by the real appreciation of the tolar as well as the gradual lowering of import duties on industrial products imported from EU countries. Customs duties fell to 30 per cent of the base customs duty on 1 January 1998, whilst the Europe Agreement establishing an association between Slovenia and the EU regulated the reducing of customs duties to 55 per cent of the base customs duty on 1 January 1997. In the first eight months of the year, exports to the EU accounted for 64.5 per cent of total exports of goods, the same as in last year's same eight-month period. The share of goods imported from the EU rose by 1.6 percentage points to 68.6 per cent of total imports of goods. The trade deficit with EU countries increased by USD 36 million and totalled USD 708.4 million compared to the same period last year. Trade with Slovenia's most important trading partner, Germany, which accounts for one-quarter of trade in goods, meant that the traditional trade surplus fell by USD 20 million to USD 316 million. Of all EU

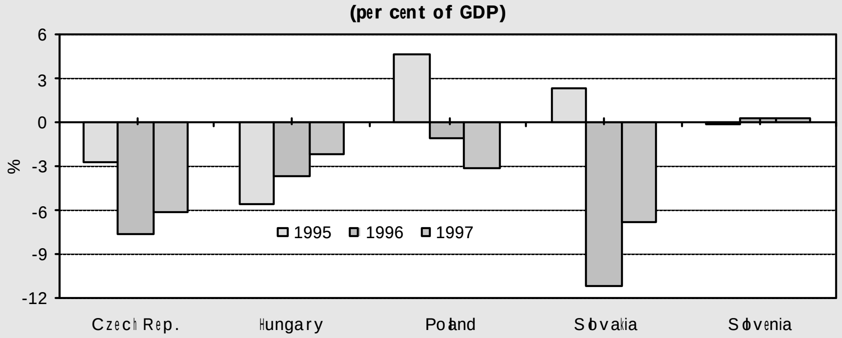
Member States, a surplus in the first eight months was also recorded in trade with Denmark and Greece, however, trade in goods with these two countries is relatively limited (about 1 per cent of total Slovenian trade). The trade deficit with CEFTA countries narrowed by USD 56.8 million compared to the same period last year and totalled USD 89.6 million. Trade in goods with ex-Yugoslav countries is stagnating (a 15.6 per cent-share in total exports and 6 per cent-share in total imports). Nevertheless, the trade surplus with these countries increased by USD 25.8 million and totalled USD 512.8 million.

In the first eight months, exports of services rose by only 0.5 per cent in real terms compared to the same period of 1997. Exports of transport services, also spurred on by real growth in the trade part of current transactions, increased by up to 21.3 per cent in real terms. Foreign exchange inflows from tourism dropped by 7 per cent in real terms due to a fall in purchases of foreign exchange cash and cheques and a decrease in sales to foreigners in duty-free shops. The share of traditional services (tourism and transport) in the structure of exports of services accounted for 81.6 per cent of total exports of services, remaining unchanged compared to the same period last year. The surplus in invisible trade was sufficient to cover 70 per cent of the trade deficit. With a gradual fall in trade deficit and extensive inflows from trade in services in June, July and August, the **current account of the balance of payments** was roughly balanced (USD -2.5 million) **in the first eight months of this year.** In the same period last year, the current account had a deficit of USD 96.8 million.

The **capital and financial account of the balance of payments** shows a USD 103.6 million net outflow of capital in the first eight months of this year, compared to a net inflow of SIT 80.5 million recorded in the same period last year. Foreign direct investment in the first eight months totalled USD 144.7 million, with almost two-thirds of inflows transferred to one single company as a capital injection. Portfolio investment capital inflows were also lower, resulting from reduced investment of foreigners in shares in Slovenian companies. In the first eight months of this year, foreigners bought ownership securities in the amount of USD 28.2 million. Net outflows of capital were also largely caused by commercial credits. Short-term commercial crediting of Slovenian companies increased in particular, by USD 221.7 million (crediting of exports of goods and prepayments for exports). Borrowings of domestic companies abroad is declining due to a gradual fall in domestic interest rates for long-term loans. In the first eight months of the year, borrowings totalled USD 138 million, 23 per cent down on the same period last year. At the end of September, total foreign exchange reserves stood at USD 4,791.2 million and they covered the total foreign debt with a factor of 0.982.

On the basis of the export and import trends predicted until the end of the year, it is estimated that exports of goods will go up by about 6.5 per cent in real terms **in 1998** and exports of goods by 6.9 per cent. Taking into account a fall in average dollar export prices by 1.3 per cent and import prices by 2.4 per cent, where changes in foreign domicile prices and the effects of inter-currency changes are included, the exports of goods will rise by 4.9 per cent in real terms and the imports of goods by 4.6 per cent. Growth of import trade flows exceeding export ones and a widening trade deficit were already predicted in spring, but it seems that the trade deficit will be somewhat narrower. This year's **trade deficit** is expected to total around **USD 780 million,** similar to last year's figure. With an expected nominal rise in exports of services by 4.7 per cent, the surplus in trade in services should amount to USD 525 million, USD 65 million down on last year. The narrower surplus in invisible trade is mainly due to lower inflows from tourism. The **current account of the balance of payments** is estimated to have a **deficit of USD 5 million.**

CURRENT ACCOUNT BALANCE OF SELECTED TRANSITION COUNTRIES
(per cent of GDP)



Source: BS, WIIW, july 1998, calculation IMAD.

The latest estimates of economic growth in the world and EU countries predict a slowdown in growth next year. Slowdown in economic growth will be accompanied by a slowdown in the real growth of imports of goods in Slovenia's most important trading partners. Developments in the EU are expected to cause a slowdown in Slovenia's export growth. With a 4.5 per cent rise in our export markets (real growth of imports of goods in the seven most important OECD trading partners), Slovenia's **exports of goods** are expected to rise by **about 4 per cent in real terms.** Given the fact that the imports of goods are expected to rise slightly (4.3 per cent), the **trade deficit in 1999** will increase by USD 120 million to reach **about USD 900 million** compared to 1998. The surplus in traditional services is expected to contribute to a slight increase in the overall surplus in invisible trade. With 2.6 per cent real growth of exports of services and 3.5 per cent real growth of imports of services, the surplus should total USD 540 million. The **deficit on the current account of the balance of payments** is expected to amount to **USD 80 million (0.4 per cent** of gross domestic product).

5.3 FOREIGN DIRECT INVESTMENT – After accelerated growth in foreign direct investment inflows into Slovenia in 1997, modest developments are expected in 1998

Globally we are witnessing the continuous and rapid growth in inflows of foreign direct investment (FDI). In the 1992-1997 period, **FDI flows doubled** to reach USD 400 million. The share of FDI flows in gross domestic product increased from 1.0 per cent in 1980 to 2.3 per cent in 1996; the share of FDI stock in gross domestic product increased from 10 per cent to 21 per cent in the same period. This gives evidence of growing internationalisation (globalisation) and importance attributed to FDI in the process of integration with the world economy. 1997 again saw record levels of FDI flows, when they for the first time exceeded USD 400 billion, according to UNCTAD data, with the prospect of further growth in 1998. Last year's FDI outflows totalled USD 424 billion and FDI inflows USD 400 billion, compared to USD 333 billion and USD 338 billion, respectively, recorded in 1996.

Despite differences in the economic situations of individual countries, FDI flows reached record levels in all groups of countries in 1997. Developed countries directly invested abroad USD 359 billion dollars (27 per cent up on 1997) and attracted USD 233 billion of FDI (up by 19 per cent). Inflows into developing countries increased by 15 per cent to reach USD 149 billion, outflows rose by 24 per cent to USD 61 billion. The most marked increases, 44 per cent, in FDI flows were recorded in Central and Eastern European countries and they totalled USD 19 billion, outflows, on the other hand, more than tripled and reached USD 3 billion. Positive trends are also continuing in 1998.

Countries in transition as a whole are ever more successful in taking part in international flows of FDI. What about Slovenia? The FDI stock in Slovenia in 1997 increased by 9.6 per cent (from USD 1,934.3 million in 1996 to USD 2,119.7 million in 1997), less than the majority of other countries in transition. However, Slovenia saw a year-on-year increase of 72.5 per cent in FDI inflows in 1997 (from USD 185.5 million in 1996 to USD 320.0 million in 1997), more than the average increases in FDI inflows in Central and Eastern European countries (44 per cent).

Table 9: Foreign direct investment in selected transition countries, as in 1997

	FDI amount (in USD million)	Per cent of FDI in GDP	Per cent of FDI in gross investment	FDI per capita (in USD)
Czech Republic	6,763	13.0	42.5	656
Hungary	17,529	39.3	193.1	1,730
Poland	15,305	11.5	63.5	396
Slovakia	1,410	7.2	18.7	262
Slovenia	2,400	13.7	59.6	1,208
Bulgaria	1,252	12.5	110.6	149
Romania	3,400	9.8	63.6	151

Source: WIIW (1998c)

Despite the fact that the WIIW data (the Vienna-based institute for international comparisons) presented in Table 9 slightly overestimate the FDI stock in Slovenia (13.2 per cent higher than the Bank of Slovenia's official figures) and probably somewhat underestimate the FDI stock particularly in Poland (according to data of the Polish Foreign Investment Agency, the FDI stock exceeded USD 20 billion at the end of 1997) and the Czech Republic, Slovenia did well among the group of other countries in transition in 1997. According to WIIW data, Slovenia is in second place, directly after Hungary, among the countries in transition regarding the share of FDI in GDP (FDI stock at the end of 1997) and also as to FDI per capita. In terms of the percentage of FDI in gross investment, Slovenia is a bit worse off due to modest domestic investment in other countries (especially in Bulgaria and Romania).

The picture for **1998** is completely different since **FDI inflows into Slovenia have dramatically decreased** compared to last year, unlike other countries in transition, where FDI has been growing significantly this year. For example, Poland recorded over USD 5 billion of FDI in the first half of 1998, two and a half times more than the same period last year. While the inflow of FDI into Slovenia in the first seven months of 1997 was USD 224.8 million, it dropped to a mere USD 141.2 million in the same period of 1998. After subtracting the inflows resulting from one large transaction made already last year, FDI inflows into Slovenia were less than a negligible amount of USD 50 million.

By the end of 1997, indicators of FDI in Slovenia were not unfavourable, however, the actual situation of relatively modest FDI in Slovenia has until now been concealed by occasional, for Slovenia relatively large, foreign acquisitions. The moment no similar projects are concluded in a given year, annual FDI inflows fall dramatically. This year, this was accompanied by a general fall in foreign investors' interest in Slovenia, since FDI inflows have been drastically lower in each individual month (apart from July, when the large inflow mentioned above was recorded) compared to the same period last year. Putting aside the small size of Slovenia's market, which will always be an important obstacle to ('greenfield') FDI – although less pronounced with full membership in the EU – there are four main factors that reduce FDI in Slovenia: (i) incomplete transition in terms of incomplete legal framework regulating corporate activities, and discrimination to the benefit of certain categories of companies, which increases the costs of establishing and operating a company; (ii) problems in providing business premises and land to business, especially for production; (iii) privatised companies, especially those with predominant internal ownership, have obviously not started a comprehensive restructuring of their business, which would encourage them to search for strategic foreign partners (this is true especially of industries characterised by increasing returns to scale, i.e. economies of scale); and (iv) ambiguous signals about Slovenia's attitude towards FDI, since in individual cases a negative attitude often prevails over declarations of support for FDI.

6 INVESTMENT – Gradual growth continues

After the real-term drop recorded in the 1988-1992 period, investment rose substantially in the 1993-1995 period (13.4 per cent average real growth) owing to the necessary restructuring of the economy and the beginning of building economic infrastructure. **Over the last three years, the growth in investment has slowed down,** but it is still steady and stable (over 7 per cent per cent average real growth). This year's investment is estimated to rise in real terms by about 6.7 per cent, thus increasing its share in gross domestic product to 24 per cent. With a similar growth rate (6.8 per cent) expected next year, the share of capital formation in gross domestic product should reach 24.6 per cent.

Over the last three years, accelerated growth in investment has also been recorded by other successful countries in transition: 20.5 per cent in Poland, 4 per cent in Hungary. However, the Czech Republic, recorded a real decline of 5 per cent in 1997 after the 15 per cent average real growth recorded from 1994 to 1996 (EBRD, 1998). Gross fixed capital formation in the Czech Republic represents over 30 per cent of gross domestic product.

The only monthly indicator available to assess investment, and that is not even entirely reliable, indicates growth in investment outlays. In the first nine months of this year, investment outlays were up 7 per cent in real terms over the same period last year. The highest rises were recorded in agriculture, transport and construction, the lowest, on the other hand, in electricity, gas and water supply. Manufacturing, which accounted for 14 per cent of all investment outlays in the first nine months, recorded 4 per cent real growth. The amounts of individual investment outlays suggest that companies (except for certain large profitable enterprises) allocate investment funds mainly to renovations, repairs, whilst constructing new buildings is rare. The over one-third increase in investment outlays in transport, storage and communications reflect investment in rail and telecommunications infrastructure. The pace of growth in outlays for motorway construction has slowed down this year, similarly in postal services, where investment has decreased substantially. This year's investment in economic infrastructure is estimated not to record exceptional growth rates. Rates above the average are expected only in investment in transport infrastructure, mainly the railways.

Data on the imports of investment goods – going up by 17 per cent in real terms in the first eight months of this year compared to the same period last year also point to relatively dynamic investment activities. The production of investment goods is also buoyant. Indirect indicators (the value of construction works already completed) indicate that housing construction has begun to strengthen, driven by lower interest rates. The average commercial banks' real interest rates for long-term loans for housing construction have fallen by one-third this year (6.4 per cent in September) compared to last year (9.4 per cent in September). The fact that interest rates for long-term loans to the corporate sector have also fallen should trigger increased investment activities.

Investment analysis of companies by ownership structure reveals that companies with predominantly internal ownership invest less than companies where foreigners hold a majority stake. A relatively high rate of investment has also been recorded in newly established private domestic companies (Simoneti, Rojec, Rems, 1998). **Weak investment** is a serious problem which is, to some extent, an **indicator of slow restructuring** and a deterioration in competitiveness. Reasons for modest investment are (i) absence of core ownership with long-term perspective in most companies; (ii) the lack of investment opportunities as many companies have not yet formed any strategic alliances with foreign strategic partners; and (iii) high costs and limited availability of investment financing from abroad and structural characteristics of the domestic financial sector (Ibid, p. 18).

7 EMPLOYMENT AND UNEMPLOYMENT – The downward trend in employment has been halted

In 1998, the employment trend continues to fluctuate with the number of employed going up slightly in the spring and autumn months and going down in summer and winter. This spring's increase in employment, taking place from February to July, was stronger compared to last year's. September's increase in the number of unemployed resulting from job losses could be an indicator of stagnation in employment in autumn months. Nevertheless, the number of people in employment in Slovenia **is estimated to have risen by about 0.5 per cent** this year compared to last year. With 4 per cent-growth in gross domestic product, this should result in about a 3.5 per cent-rise in global labour productivity, slightly down on last year.

Unlike in previous years, when the number of employed in enterprises and organisations was falling on average and the number of self-employed and employed in small-scale private sector rose substantially, this year's employment picture is somewhat different. Employment in enterprises and organisations is going up slightly, the number of individual private entrepreneurs and own-account workers has been falling for nearly one year, and this year's rise in the number of employed in these types of companies has been moderate compared previous years. Despite the fact that the number of employed in this sector has almost doubled in the period of transition (in July 1998 the figure was 61,377), the share of employment in this sector is still lower than in developed European countries.

This year's falling trend in the total number of employed in manufacturing has been halted, but it is still pronounced in the sectors of oil products (from December 1997 to August 1988 it dropped by 6.3 per cent), furniture and other manufacturing (-5.3 per cent), wood and wood products (-5.2 per cent), paper, pulp and publishing (-2.7 per cent). The number of employed, on the other hand, has risen in the sectors of chemicals and chemical products (+1.9 per cent), machines and equipment (+2.6 per cent), electrical and optical equipment (+2.4 per cent), transport equipment (+4.0 per cent) and particularly in rubber and plastic products manufacture (+11 per cent). It is also going up in agriculture, construction, stone and sand production compared to electricity, gas and water supply, where the number is falling. In the services sector, a drop in the number of employed has again been recorded in trade, hotels and restaurant, however, in other services, the figures are going up, particularly in financial intermediation. For the first time since

1992, the average number of employed in state administration will not be higher than in the previous year, as currently there is a downward trend.

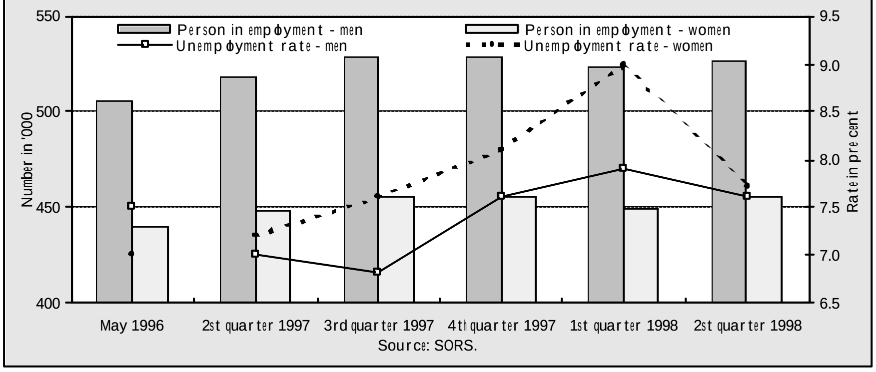
This year's weaker drop in employment in manufacturing will be reflected in smaller labour productivity rises. Labour productivity in manufacturing is estimated to increase by 5.4 per cent (1997 saw a 6.9 per cent increase). This year's growth in global labour productivity has been somewhat modest compared to last year's. Assuming that productivity will increase by about 3 1 per cent next year, a **rise in employment** similar to this year's can also be expected **next year (**about 0.5 per cent).

This year's average **number of registered unemployed** will remain at last year's level, a little over 125,000 people representing **14.4 per cent of the active population.** Prospects of employing the jobless have improved slightly compared to last year (in the first nine months of this year, 43,000 unemployed found jobs, 2.8 per cent up on the same period last year), and the inflow of unemployed due to job losses was roughly equal. Analysis of the active population's formation flows reveals that this year, as in 1997, a large number of people have found jobs without going to employment offices. This year's inflow of young unemployed from schools is slightly higher compared to 1997. The amendments to the Law on Employment and Unemployment Insurance passed in September this year will probably bring about a fall in the number of people listed as being registered unemployed. Consequently, the usual seasonal rise in the number of unemployed will be followed by a drop to below 125,000 or 14.3 per cent of active population before the end of the year. **Next year's unemployment** rate is expected to be **slightly lower** (accompanied by usual seasonal fluctuations) compared to 1998 (about 14 per cent), whereas the rate of labour force participation by the economically active is expected to remain unchanged (63.1 per cent).

Despite the seasonal inflow of young job-seekers, the share of people facing difficulties in finding a job in total unemployed has risen. The share of job-seekers above 40 has reached 47 per cent and the share of long-term unemployed 62 per cent. The proportion of unskilled unemployed remains at about 47 per cent, 70 per cent of whom have been unemployed for more than one year. A comparative study of the educational background of the unemployed and the educational levels required for vacancies reveals a situation similar to last year's: there are on average 4 registered unemployed per vacancy requiring a university degree, about 10 unemployed per vacancy requiring vocational or secondary education and about 15 to 20 unemployed per vacancy for unskilled or semi-skilled workers. Even though half of all vacancies are advertised for jobs requiring low levels of education, they largely offer fixed-term employment with advertisements for the same job published repeatedly during the year.

The **unemployment rate of women,** which was not problematic in Slovenia at the beginning of transition, continues to **increase.** The share of women in registered unemployed exceeded 50 per cent in June. The registered female unemployment rate, exceeding the male unemployment rate since 1996, currently stands at about 15.5 per cent, whilst the registered unemployment of men remains at a rate of about 13.5 per cent. The Labour Force Survey (LFS) data, obtained every quarter since the second quarter of last year by the SORS, also suggest that the unemployment rate of women has been higher than that of men uninterruptedly for the last two years. The **survey unemployment rate,** whose data are internationally comparable owing to the use of EUROSTAT's criteria was **on average 7.4 per cent in 1997,** 7.1 per cent for men and 7.6 per cent for women. In the first quarter of this year, it rose to 8.4 per cent, with rates for women reaching 9 per cent and 7.9 per cent for men. **In the second quarter,** the unemployment by LFS rate fell to **7.7 per cent,** 7.6 per cent for men and 7.7 per cent for women.

PERSON IN EMPLOYMENT IN SLOVENIA BY LFS



Source: SORS.

In the last two years, the discrepancy between the number of registered unemployed and the number of unemployed by the LFS has narrowed compared to previous years, but remains large. According to the LFS, there are about 20,000 people formally registered as unemployed amongst those in employment (by LFS criteria), and about 25 per cent of the registered unemployed do not fall into the category of the active population, according to international criteria (the LFS criteria). The survey data indicate that the number of people in employment fluctuates seasonally, particularly the number of family members working as additional help and occasionally employed people. What is worrying is the fact that a high unemployment rate has been registered among young people (about 18 per cent), particularly women (about 19 per cent).

In 1998, a number of new measures of active labour market policy have been introduced. The changes are in line with the guidelines for EU Member States' labour market policies. The active labour market policy measures will target the following groups: young unemployed without basic or with unsuitable vocational training, the unemployed aged over 40, the disabled, recipients of unemployment benefits and unemployment assistance, unemployed recipients of means-tested welfare allowance, those employed in industries undergoing the restructuring process, and permanently redundant workers. The system of job exchange and co-operation between employment agencies and employers is improving, public works programmes are increasing. Changes and amendments to the Law on Employment and Unemployment Insurance tighten eligibility criteria for unemployment benefits and unemployment assistance.

Year-on-year comparisons of unemployment between regions show **no** marked **changes,** as the rates largely depend on the regional economic structures. Regions where high unemployment has been recorded over the last few years (Podravje, Pomurje and Posavje) have seen no marked changes in unemployment rates. Hence, in the first half of the year, the share of unemployed in the working age population was the highest in the Podravje region, whose 14.2 per cent exceeds the Slovenian average almost by one-third. Rates above the average have also been recorded in the Pomurje, Zasavje, and Savinja regions. Unemployment increased the most in the Zasavje, Pomurje, Koroška, Savinja and Notranjska-Kras regions. The lowest share of unemployed in working-age population (5.9 per cent) was recorded in the Gorica region.

The problems of unemployment of women, young, low-skilled and those aged over 40 are also evident at the regional level. The female unemployment rate is rising gradually in all regions and exceeds the rates of men in the majority of them. This year's unemployment rate of women increased the most in the Posavje, Koroška and Savinja regions, with the highest percentage of women in total unemployed recorded in the Coast-Karst region (56 per cent). The young below 26 hold the highest share among job-seekers in the Pomurje region (35 per cent of all unemployed), nearly 30 per cent have also been recorded in the Zasavje, Posavje, Gorica and Savinja regions.

The lowest qualification structure of the unemployed has been registered in Dolenjska with almost 60 per cent of job-seekers having attained only first or second levels of education, and Pomurje with 57 per cent of job-seekers holding such education. The number of unemployed aged over 40 has increased substantially since 1995. Over one-half of the unemployed being aged over 40 has been recorded in the Central Slovenian and Gorenjska regions.

8 WAGES - Moderate growth

Incomes policy is one of the important issues negotiated on by the social partners. Even though a new social agreement was not achieved last year, an agreement on incomes policy parameters was reached and incorporated in the Minimum Wage and Wage Adjustment Mechanism Act. The agreement, i.e. the Act, has contributed to incomes policy's success in 1997 and 1998, and that is an important contribution of social partnership to the macroeconomic stability of the country. In the coming new social agreement the social partners will have to unanimously approve not only the incomes policy, but also tax, pension and social systems reforms.

The Minimum Wage and Wage Adjustment Mechanism Act passed in July, 1997 will remain valid throughout 1998. Movements in wages in the first half of 1998 were very moderate. In the first eight months of the year, real gross wages per employee grew by a mere 0.5 per cent over last year's average, whilst in 1997 the growth recorded in the same period was 2.2 per cent. Slight changes in wages were also seen in both private and public sectors. A higher increase in wages is expected at the end of the business year, when companies report on their performances. Since it is likely that the projected 6.5 per cent-rise in consumer prices will come to fruition by December, it is as early as January that the wages will be adjusted by 85 per cent of the consumer price index. At the beginning of this year, price projections for 1998 anticipated a somewhat different pace, and it was estimated that early wage adjustment (6.5 per cent-rise in consumer prices) would take place sometime in September. Therefore, the Law on Amendments and Supplements to the Minimum Wage and Wage Adjustment Mechanism Act was passed, stipulating that the early wage adjustment for the public sector be postponed until December. This is one of the austerity measures in the area of public sector wages. Adjustments of wages to price rises will now be made in both sectors at the same time, which clearly represents a substantial improvement since it removes the source of dissatisfaction arising from the different treatment of public and private sectors.

The government's austerity package presented last autumn required inter alia the public sector not to take on more employees, add annexes to collective agreements, nor promote any staff. Nevertheless, this policy may be jeopardised by the annex to the collective agreement for doctors and dentists, which introduced wage supplements for these professions (signed in June) as well as by the new collective agreement on health care professionals which introduced health care allowance (signed in September). Collective bargaining for those professions which traverse several branch collective agreements is decreasing trasparency of what has already been agreed in the area of public sector wages policy.

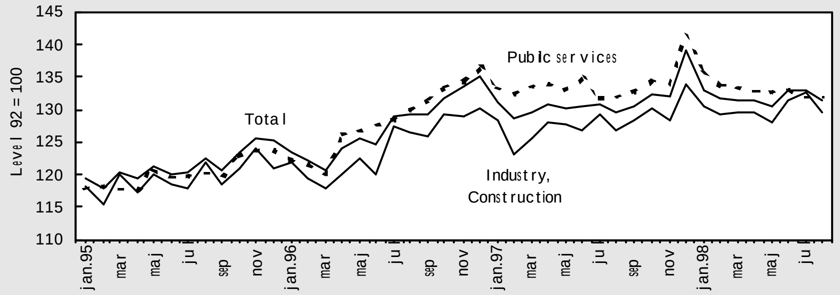
However, the wage supplements and allowances in the public sector that have already been agreed, will not significantly influence general wage movements in 1998. If additional wage supplements in the public sector are not introduced by the end of the year and if wage movements in the private sector at the end of the year are similar to those of last year, we may expect the average gross wage per employee to rise in real terms by about 2 per cent.

The Minimum Wage and Wage Adjustment Mechanism Act expires in June 1999. It is expected that the value-added tax will be introduced in July. **Incomes policy in 1999** will therefore have to be based on an agreement taking into account the consequences of introduction of the value-added tax. Among instruments interfering with personal income tax and social benefits, the most acceptable would be those geared towards social security. Nevertheless, a social consensus will have to be achieved and then incorporated into the social agreement in order to direct the development of macroeconomic policies of wages, tax and social security towards the greater competitiveness of the business sector. In the public sector, more effective austerity measures actions will have to be taken. Wages are to be adjusted only once a year. Over the last three years, the gross wage level per employee in the public sector has been constantly rising, compared to the average level gross wage per employee in the rest of the economy. Consequently, the share of wages in budget expenditure has been increasing accordingly.

If social partners together with representatives of public sector unions reach a reasonable agreement on wages policy in the second half of the next year, the gross wage per employee is estimated to rise by 1.8 per cent in real terms. This increase will then be 1.5 percentage points below growth in labour productivity.

Work-related allowances and other remunerations, as well as payments arising from employment contracts and author's contracts, are growing very slowly this year. Such movements result from the adopted Law on Amendments and Supplements to the Social Security Contributions, which is the basis for calculating and paying social contributions including other types of related remuneration. They also stem from the Work-Related and Other Allowances Act, which equalised payments of these allowances in the public sector - they were higher before - with those in the private sector. If such movements continue, the above mentioned allowances are expected to drop by about 0.5 per cent in real terms by the end of 1998. This year, these allowances would thus amount to 45 per cent of the total wage bill, which is 1 percentage point less than in 1997.

MONTHLY REAL GROSS WAGE PER EMPLOYEE



Source: SORS, calculation by IMAD. Note: index of real gross wage per employee deflated by consumer price index.

9 PUBLIC FINANCE

When drafting the state budget for 1999, the Ministry of Finance adopted a new economic classification of government flows, which complies with the methodology of Government Finance Statistics of the International Monetary Fund (GFS IMF 1986). According to the Decree on Economic Classification of General Government Receipts and Outlays, Loans Granted and Repaid, Borrowing and Loan Servicing (Official Gazette of the Republic of Slovenia, No. 75, 4 November, 1998), the new classification applies from 1 January 1999. In addition to a different classification of general government revenue and expenditure, the new methodology also implies different consolidation of general government finance flows, i.e. exclusion of transfers between individual public finance funds from the general government account. The changes in methodology will bring about changes in public finance flows records mainly in the following areas: i) according to the new methodology, the loans granted and the payments received are regarded neither as general government revenue nor as general government expenditure, and they are recorded within financial assets and claims calculation; ii) the more detailed economic classification enables additional exclusion of transfers between public finance funds. In this way, social security contributions paid by the state as employer are additionally excluded, as well as certain transfers between the state budget and municipality budgets and the so-called own revenue (revenue from sale of products and services, charged by individual administrative bodies to other government bodies or other public finance funds).

Since the Ministry of Finance has prepared the consolidated general government account in accordance with the new methodology only for the 1997-1999 period, public finance is also presented according to the old methodology throughout the Report in order to allow a comparison with previous years. (see the tables in the Statistical Appendix).

9.1 GENERAL GOVERNMENT REVENUE IN 1998 – The share of general government revenue in gross domestic product at approximately the same level as last year

General government revenue was shaped by fiscal instruments in force at the end of 1997, whereby some changes were introduced, influencing both the amount and the structure of fiscal revenue. The austerity programme, introduced by the Government upon drafting the 1998 state budget, included changes in fiscal instruments. Thus, the tax on balance sheet totals of banks was introduced this year, the basis for social security contributions charging was expanded to include other income arising from labour relations, the sales tax rate was raised for services, the rate of tax on petroleum products was increased several times and the special sales tax on beer and tobacco was increased.

It is estimated that this year the **revenue from social security contributions** will exceed last year's **by 4 per cent in real terms**. Wages were burdened by a social contribution rate at a level of 38 per cent of the contribution basis. The modification of the Law on National Insurance Contributions expanded the tax basis to include other income arising from labour relations; from the budgetary point of view, this resulted in slightly increased revenue from social security contributions. Due to the contribution-basis expansion, the growth of revenue from social security contributions is quicker than wage growth.

A new fiscal source was introduced to the state budget by the **tax on the balance sheet totals of banks and savings banks**. Apart from its impact on general government revenue, this tax provides stimulation for banks' tolar placements to the non-financial sector because of the deduction item for tolar loans to the business sector. Revenue arising from this tax will amount to about SIT 4.3 billion.

The **growth of sales tax rates** also contributed to the increase in general government revenue. In January the rate of sales tax on the supply of services in the 1st tariff group was raised from 5 per cent to 6.5 per cent. Tax rates on petroleum products trading also went up several times and the special sales taxes on beer and tobacco were increased as well. As in 1997, prolonged state budget financing is planned this year. Sales taxes, paid up in January 1999 and relating to 1998 sales, will be regarded as 1998 revenues. In this way, the **1998 sales tax revenue** will be **5 per cent higher in real terms than last year**.

Another cause for higher budgetary inflows in 1998 were increases in the tax on CO_2 emissions, court fees and registration fees. The payroll tax remained a fiscal source in 1998. The legislative amendment planned last year aimed at raising the lower taxation limit for wages was withdrawn from the parliamentary procedure.

Due to the Association Agreements, the customs rates were further lowered in 1998, which led to an additional drop in customs and import duties revenue. After an almost 30-percent slash in real terms in 1997, revenues from **customs duties** are expected to **drop further by around 26 per cent in real terms this year**. Thus they will amount to approximately 1.4 per cent of the gross domestic product, which is less than planned when passing the budget.

It is our estimate that in 1998 the total general government revenue, including the prolonged state budget financing in January 1999, will increase by 4.3 per cent in real terms and they will amount to 44.7 per cent of the GDP (42.9 per cent of the GDP according to the Ministry of Finance predictions and the new methodology).

9.2 GENERAL GOVERNMENT EXPENDITURE IN 1998 – Consistent implementation of the Government's resolution on general government expenditure reduction is of utmost importance

In order to enforce the laws and regulations regarding pension and disability insurance, expenditures should grow **by 3 per cent in real terms** over 1997. Growth in the number of pensioners has still not levelled off - it remains at about 1 per cent per year. Additional pressure is being put on retirement by the anticipated pension reform. Together with the pensioners' recreation grant and other allowances guaranteed by the law, the pension payments (excluding health insurance payments for the pensioners) **will amount to 13.2 per cent of the gross domestic product**, which is 0.1 of a percentage point less than last year.

The compulsory health insurance will ensure approximately the same level of programmes and rights in 1998 as in 1997. It is estimated that the **compulsory health insurance expenditures will increase by 3 per cent in real terms**, while their share in the GDP will be about 6.7 per cent, which is 0.1 of a percentage point less than last year.

Budget expenditures of the municipalities are expected to grow by 4 per cent in real terms. They will reach **4.8 per cent of the gross domestic product**, which is equal to last year.

Accumulated problems, causing pressure on increasing state budget expenditure, made balancing of the 1998 state budget a very difficult task in spite of the proposed austerity measures. The **state budget for 1998** passed in April this year anticipated expenditures **in the amount of SIT 879.5 billion**, which is in real terms 6.8 per cent more than the government expenditures in 1997 and also more than originally proposed by the Government. In the structure of the passed state budget for 1998, the share of purchase of goods and services, interest payments, guarantees, subsidies, transfers to the business sector and investments is increasing. Austerity measures (agreement with trade unions on public sector wages) contributed to reducing the share of government expenditure allocated to wages. This year the transfers from the state budget to the pension fund will be higher by 5.6 per cent in real terms than last year and they already account for 14.5 per cent of the total state budget expenditure (3.9 per cent of gross domestic product).

Assuming the anticipated general government revenue, the realisation of the state budget expenditure in the agreed amount would imply a general government deficit in the amount of about 1.5 per cent of the GDP, thus exceeding the permitted dept incurring regulated by the Budget Implementation Act. This is why the Government, in accordance with Art. 23 of the Law on Public Expenditures, withheld the expenditure of appropriations of the state budget for 1998 in the amount of about SIT 20 billion. This measure was introduced to ensure that the **general government deficit would not exceed 1 per cent of gross domestic product (according to the old methodology)** or **1.2 per cent of gross domestic product (according to the new methodology)**.

If budget expenditures are realised in a reduced amount, the net budgetary spending (excluding transfers to other public finance funds) will in increase in 1998 by 5 per cent in real terms and they will amount to 21 per cent of gross domestic product, which is 0.2 of a percentage point more than last year. The **total general government expenditure** is estimated to rise by about 4 per cent. It will amount to **45.7 per cent of gross domestic product (according to the former methodology) or 44.1 per cent of gross domestic product (according to the Ministry of Finance's estimate and the new methodology)**.

9.3 GENERAL GOVERNMENT REVENUE IN 1999 – Characterised by tax reform

The tax reform will continue in 1999. In the middle of 1999 the introduction of the value added tax and excise duties is anticipated. The Law on Value Added Tax and the Law on Excise Duties were passed in November this year. The Law on Value Added Tax introduces two new tax rates (the general rate of 19 per cent and the reduced rate of 8 per cent), which are lower than the originally planned 20-percent universal rate. As the VAT is not applicable to financial services, special taxation is planned for insurance services and gambling and an increase in the rate of the tax on balance sheet totals of banks and saving banks. Since introducing the VAT would lower the taxes on automobile purchase, additional taxation of automobile purchase is being prepared. State budget financing is anticipated to be extended to January 2000 (regarding inflows from the value-added tax), in order to compensate for the deficit caused by the transition to the new system.

On the basis of the decelerated wage growth, it is expected that the growth of government revenue based on wages will level off as well. Our estimate is that the growth of revenue from social security contributions will be of 2.3 per cent in real terms next year.

In 1999 it will still not be possible to abrogate the payroll tax, which had been planned when introducing it. The rates and brackets of this tax are not anticipated to change.

Due to obligations arising from signed trade agreements, customs rates will continue to fall next year, and so will government revenue arising from customs and import duties.

All the novelties introduced by the tax reform will have a substantial effect on the structure and the share of individual revenue sources. All the interrelations among and between payments and taxpayers' liabilities can not be forecast completely. Departures of actual revenue from the estimates are therefore possible. It is estimated that **government revenues will be higher by 4.5 per cent in real terms in 1999 compared to 1998**. According to the new methodology, they will amount to **43.3 per cent of the gross domestic product**.

9.4 GENERAL GOVERNMENT EXPENDITURE IN 1999 – The total general government expenditure will amount to 44 per cent of gross domestic product

In order to realise the benefits arising from the Law on **Pension and Disability Insurance** (excluding health insurance contributions for the pensioners), it will be necessary to allocate **13.1 per cent of gross domestic product** next year, which is 0.1 of a percentage point less than this year. The estimate is based upon a forecast increase in the number of pensioners by 1.1 per cent, as retirement pressure will continue to be created by the anticipated changes of the pension system. On the other hand, the estimate does not take into account the demand for a rise in the pensioners' recreation grant.

The scope of benefits in the compulsory **health insurance** will be roughly the same in 1999 as in 1998. The expenditures for compulsory health insurance are estimated to account for about **6.6 per cent of gross domestic product**, down 0.1 per cent of a percentage point from 1998.

Local government expenditure is not expected to change in 1999 and should represent **4.8 per cent** of GDP, as in 1997 and 1998.

The Government has already drafted the **state budget for 1999**. Government expenditure for 1999, including loans granted and increased equity shares, amount to about SIT 968 billion, which is in real terms 4.1 per cent more than passed budget expenditures for 1998, or 6.3 per cent more in real terms than budget expenditures for 1998 reduced in accordance with the Government's proposal.

Stated **according to the new methodology**, general government expenditure will amount to **44 per cent of gross domestic product**. In 1999 it will still not be possible to avoid general government deficit entirely, but it is estimated to remain within moderate boundaries. General government deficit is expected to represent **0.7 per cent of gross domestic product**. The estimated level of general government deficit can only be reached if all the measures and assumptions taken into account when estimating value added tax are realised, or else the deficit in 1999 can be higher.

10 PRICES – 1998 inflation rate lower than anticipated, average annual inflation to continue falling next year

In the period from January to October 1998, consumer prices rose 5.4 per cent. Inflation dropped to 6.9 per cent at an annual level in October, achieving its lowest rate since Slovenia became independent. Retail prices went up by 6.4 per cent in the first ten months or by 7.3 per cent at the annualised level. In October 1998, manufacturers' prices were 2.8 per cent over those in December 1997, i. e. 3.9 per cent higher than in October 1997.

This year's inflation rate, measured by the consumer price index, **will not reach the 8 per cent annual growth** projected in spring. We estimate that in the December 1998 - December 1997 period prices shall rise by somewhat less than **7 per cent**. Additionally, the average annual inflation rate will be somewhat lower than estimated in spring. It is forecast to be **around 8 per cent** (spring estimate 8.5 per cent)

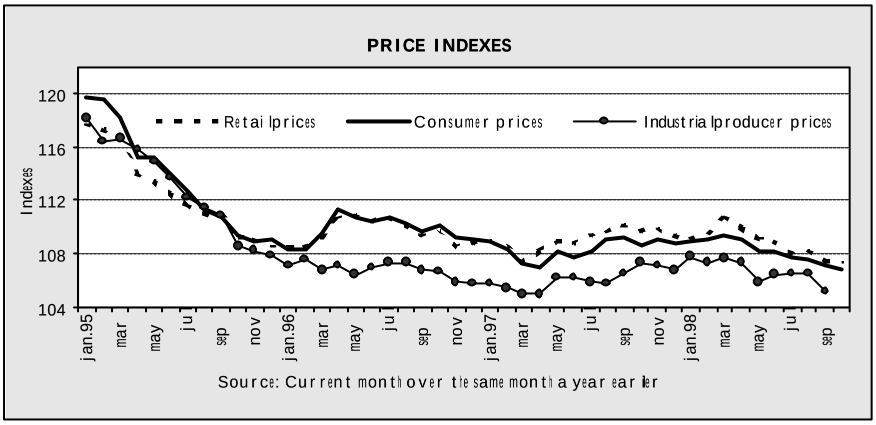
This year's inflation path was characterised by seasonal fluctuations, mainly caused by prices of foodstuffs. In the first three quarters of 1998, price growth was lower than in the same period last year (6.8 per cent). Hence, the average monthly growth rates of prices, which were 0.56 per cent this year and 0.75 per cent in the first nine months of 1997, were also lower. Unregulated prices rose at an average monthly rate of 0.5 per cent (in 1996 by 0.85 per cent) in the first half of this year (last year's rate is similar). The summer months saw a distinctive slowdown in unregulated prices, which even saw negative growth during this time. This contributed to the general levelling off in prices (unchanged prices in June and July and their 0.1 per cent-growth in August) despite fiscal influences (increase in the special beer and tobacco sales tax). Prices in the unregulated market increased on average by 0.33 per cent per month in the first nine months (by 0.4 per cent in the same period last year and by 0.55 per cent the year before). The average monthly growth rates will probably be somewhat higher by the end of the year due to seasonal influences and controlled prices. Nevertheless, the average monthly growth in unregulated prices is going to be far lower than seen in the previous years - estimates predict it will not exceed 0.35 per cent - 0.4 per cent, which is further proof that the **unregulated prices are stabilising**.

Once again it can be noticed that the prices of services are increasing more quickly this year. In September, they rose by 9.3 per cent annually whereas the prices of goods went up by 6.3 per cent. This bigger gap in the growth in the prices of goods and services is partly due to a higher tax on services.

Tax policy also had quite a significant influence on inflation. Together with adjustments of relative petrol prices, the so-called **fiscal influences** contributed 1.3 percentage points to the 5.1 per cent-inflation rate in the first nine months. At the beginning of the year, the government raised turnover taxes in the first tariff tier by 1.5 percentage points. The prices of transport services grew on average by 6.2 per cent. The special beer and tobacco sales excises were also increased during the summer.

The policy concerning products and services whose prices are still government controlled was less active than last year. Thus, in 1998 **controlled prices** contributed 1.4 percentage points to the 5.1 per cent-inflation rate. In the same period last year, this contribution was 2.7 percentage points to the 6.8 per cent-nine month inflation rate.

In the first three quarters of this year, the government was reducing disparities in petrol prices (now approximately 9.8 per cent more expensive), basic local utility services (up by 10.5 per cent), compulsory automobile liability insurance (9.5 per cent) and TV subscription (8.9 per cent). Last year, the government deregulated the formation of certain prices more actively. This



year, according to the Europena Agreement, the wholesale prices of medicines and medicinal products were also deregulated in the spring, as were fresh pork and retail milk prices.

The price of household electricity rose by 8 per cent in January 1998 and, according to SORS' estimates, it will go up by approximately 9 per cent in November 1998 due to the new tariff system. Nevertheless, price disparities have not yet been entirely removed, as they can still be found in basic postal services, telecommunications and compulsory automobile liability insurance.

Price disparity adjustments are set to continue next year, although the disparities were significantly reduced over previous years. This year's favourable inflationary trends will, with the continuing support of all policies influencing prices, enable a continuous gradual fall in inflation next year. It is estimated that the average annual inflation rate in 1999 will be 6.8 per cent.

11 MONEY AND LIQUIDITY – Interest rates have dropped substantially

The **monetary policy goal for 1998** anticipates a rise in the M3 money aggregate within the range of 18 per cent and 26 per cent. From the end of 1997 to September 1998, the M3 money aggregate rose at an average monthly rate of 1.6 per cent, meaning 21.2 per cent in annual terms. The M3 growth rates are closer to the lower edge of the target range due to weak inflows from abroad; the target set by the Bank of Slovenia therefore **is being met.** From the last quarter of 1997 to the third quarter of 1998, growth in the M1 money aggregate was 24.1 per cent in annual terms, and that of the M2 was 29.1 per cent due to strong growth in tolar savings and time deposits.

In the first eight months of this year, the issue of the M3 money aggregate totalled SIT 48.0 billion through a rise in the monetary system's net foreign assets, or SIT 2.3 billion less due to the state's higher foreign exchange deposits with the Bank of Slovenia. Monetisation arising from foreign exchange transactions totalled SIT 52.3 billion, with SIT 37.7 billion going through exchange offices and the foreign exchange market. The release of money through banks' domestic investments amounted to SIT 141.5 billion, the majority being through loans granted to enterprises and households. From the point of view of the monetary policy (necessity of sterilisation), activities on the financial account of the balance of payments were more favourable in the first eight months of this year compared to last year.

At the end of September, total foreign exchange reserves totalled USD 4,791.2 million, 10 per cent up on December 1997. Foreign exchange reserves of the Bank of Slovenia (BS) were USD 3,780.8 million, 14.7 per cent higher than in December last year. The BS had 78.9 per cent of total foreign exchange reserves at the end of September, compared to 75.5 per cent last December.

In the first nine months of this year, banks' **loan granting operations** were **strong,** indicated by the fact that loans to the non-banking sectors increased by 9.2 per cent in real terms in September compared to December 1997. In the same period, long-term loans rose by 14.2 per cent in real terms and short-term loans by 1.7 per cent. Loans granted to households increased by 13.3 per cent in real terms, and their share in the structure of total loans stood at 39.4 per cent at the end of September, 1.4 percentage points above December last year.

After the inter-bank agreement on setting the ceiling for deposit interest rates came into force in July 1998, **interest rates for tolar deposits fell** by 1.0 to 1.5 percentage points. Banks have also introduced the nominal interest rate for 30-day time deposits (6 per cent annually) in order to gradually introduce interest nominalism. The average real interest rate for time deposits with a maturity of over one year fell from last December's 6.2 per cent to the 4.2 per cent recorded in September this year.

The average **real interest rates** – above the revaluation part of the interest rate allowing for inflation (TOM) – for short-term and long-term **loans** granted to the business sector **have been falling this year.** In September, average real interest rates for short-term loans were 5.9 per cent, 3.7 percentage points lower than in December last year; 7.3 per cent for long-term loans, 3.4 percentage points below last December's level. The average real interest rate above the revaluation rate for short-term consumer loans dropped substantially, with the September rate standing at 4.3 per cent compared to 8.0 per cent last December. The interest rate for long-term housing loans granted to households fell from last December's 9.4 per cent to 6.4 per cent in September 1998.

Average nominal interest rates have also dropped. In September, the average nominal interest rates for short-term loans granted to the business sector were 13.9 per cent, 6.4 percentage points down on December 1997. For long-term loans they stood at 15.4 per cent, 6.2 percentage points lower than in December 1997. The average nominal interest rates for time deposits have also fallen, going down from the monthly level of 0.8 per cent recorded in December last year to this September's 0.6 per cent.

In September 1998, the annual nominal interest rate on the inter-bank money market averaged 6.42 per cent, 1.1 percentage points below the base interest rate (TOM), suggesting that **bank liquidity** is sound. Last December, nominal interest rates on the inter-bank money market were 9.8 per cent, the same as the base interest rate (9.84 per cent).

Total tolar and foreign exchange **household savings in banks have been rising this year.** At the end of September, total savings were up 10.9 per cent in real terms compared to December 1997. In the first nine months of this year, household tolar savings with banks were increasing to record a 21.6 per cent real rise at the end of September compared to last December. This strong growth in tolar deposits was largely due to a slower rise in the foreign exchange rate of the German mark compared to the rise in domestic prices. In the same period, foreign exchange deposits recorded only modest increases. At the end of September 1998, they edged up 1.8 per cent in real terms compared to last December. After increasing gradually over the year, the proportion of tolar savings in total households' assets held in banks stood at 50.5 per cent at the end of September, 4.5 percentage points up on December 1997. The increasing proportion of tolar savings suggests that confidence in both the domestic currency and domestic banking system is growing.

The **Slovenian banking system is still not competitive** in comparison with those in developed countries. Labour costs and the relative share of operating expenses are too high in contrast to foreign banks, besides they show no signs of going down. The four foreign banks currently operating in Slovenia have not substantially contributed to improving the banking system's competitiveness. Banks' financial margins have not dropped markedly and are still too high compared to foreign banks. Slovenian banks will face foreign competition after the Association Agreement between Slovenia and the EU comes into force, enabling foreign banks to open up branches in Slovenia. The process of co-operation within the banking system is also weak, as the existing bank groups have no common business policy that would lead to further bank mergers.

12 THE SECURITIES MARKET – Ljubljana Stock Exchange's market capitalisation is growing fast

1997 saw the conclusion of the first phase of Slovenian capital market development characterised by limited supply, low market capitalisation, slow ownership restructuring, a strong indirect influence of monetary policy, the lack of domestic institutional and total foreign demand, and the lack of a regulative framework. The second phase of capital market development, marking the start of its maturing, is characterised by rapidly growing market capitalisation and consequently an increase in supply, the entering of the first foreign institutional investors and the Bank of Slovenia's portfolio capital restrictions, established regulations and their regulator, inappropriate fiscal policy in this field, the absence of the state as an important and positive actor, in all every sense of the word, and demand weaker than supply (Veselinovie, 1998).

The total **market capitalisation** increased from SIT 177 billion at the end of 1996 to SIT 399 billion at the end of 1997. **At the end of September 1998,** it stood at SIT 584 billion, representing **17.8 per cent of gross domestic product.** The number of issuing companies rose from 67 at the end of 1996 to 107 at the end of 1997, or to 125 recorded at the end of September 1998. At the end of September, a total of 150 securities were traded on the stock exchange (65 on the official market and 85 on the open market).

In 1998, the majority of shares issued on the market were the shares of privatised companies, however, the trend was weaker compared to 1997. A stronger share offering can again be expected after the adoption of the Law on the Dematerialisation Process, when also 'stubborn' privatised companies will formally issue their shares, stop trading on the 'grey' market and fulfil promises given to their shareholders and partners (Veselinovie, 1998). In 1998, the debt instruments market was characterised by the issue of government bonds – RS04 and RS11 – first on the Ljubljana stock exchange open market and then under exchange quotation A. The state has thereby ensured that its transferable bond issues are traded in organised and transparent conditions.

Foreign capital represents only about 7 per cent in the **total market capitalisation** of Slovenian securities, and about 9 per cent in the market capitalisation of shares. Foreigners invest exclusively in shares, as they are faced with the Bank of Slovenia's additional credit restrictions when investing in bonds and debentures (deposit). Foreign portfolio investment in Slovenia is not an important source of foreign exchange supply in terms of quantity compared to other sources of foreign exchange (Veselinovie, 1998).

Table 10: Total market capitalisation of the Ljubljana Stock Exchange at the end of the year

	Shares and bonds in total		Shares		Bonds	
	In SIT mio	per cent in GDP	In SIT mio.	per cent in GDP	In SIT mio.	per cent in GDP
1993	62,853	4.38	18,588.5	1.30	44,264.9	3.08
1994	67,264	3.63	21,548.1	1.16	45,715.5	2.47
1995	100,621	4.53	40,477.0	1.82	60,144.2	2.71
1996	177,083	6.94	124,990.4	4.90	52,092.5	2.04
1997	399,345	13.74	315,944.6	10.87	83,399.9	2.87
30.9.98	584,424	17.82*	443,052.3	13.51*	141,371.7	4.31*

Source: The Ljubljana Stock Exchange. Note * GDP estimate for 1998 - IMAD (1998).

In 1997, the SBI index trend was strongly affected by the Bank of Slovenia's regulation on the inflow of foreign portfolio capital (the introduction of custody accounts). The **SBI index** rose at the beginning of the year (driven by foreign demand), slumped after the introduction of measures in February (by about 25 per cent) and with the loosening of the measures (end-June 1997) recovered to the level before their introduction. October's **Asian crisis** had only an **indirect impact** on the Slovenian capital market. Right after its outbreak, the inflow of foreign capital dropped causing a slight fall in share prices towards the end of 1997, also due to the lack of strong and stable domestic demand.

In **1998,** the SBI index continued to rise slightly. In February, March and April, a slightly lower inflow of foreign capital to the stock exchange was recorded, but this did not have a major impact on the capital market. Domestic demand strengthened in the spring months due to domestic banks' lower deposit interest rates and subdued growth in inflation rate. Part of the money from the 'grey' and corporate markets entered the stock exchange, as the household savings in banks continued to rise in the summer months. Another reason for enterprises to invest their financial surpluses in the capital market was an attempt to influence or take over some of the competitive and/or compatible companies. Domestic institutional investors have also become more active on the market (principally some insurance companies).

Domestic demand, reaching a peak in the summer months (July, August), caused a rise in prices on the capital market. The SBI index reached a record high at the beginning of August (it exceeded 2000 points). **The beginning of the Russian crisis halted the rise in securities' prices** driven mainly by increasing domestic demand. At that time, foreigners cut their investments completely. After the start of the crisis, only foreign capital that entered the market before February 1997 (before the introduction of custody accounts) started to withdraw from Slovenia. The existing regulation on foreign portfolio investment thereby reduced the impact of the Russian crisis on the stock exchange developments. The Russian events also halted growth in domestic demand.

In 1998, the Slovenian capital market recorded another increase in market capitalisation (of shares and bonds), number of issuing companies, securities and privatised companies. More authorised privatisation investment funds started to trade on the official markets (9). At the end of September, there were 125 issuing companies registered on the official markets listing 150 different securities. The end of 1998 and particularly 1999 will be characterised by authorised privatisation investment funds entering the official market.

STATISTICAL APPENDIX

LIST OF TABLES

Table 1: Main macroeconomic indicators of Slovenia

real growth rates in %

	1995	1996	1997	1998 estimate	1999 estimate
GROSS DOMESTIC PRODUCT		**3.3**	**3.8**	**4.0**	**3.5 - 4.0***
Structure in value added in %[1]					
Agriculture, forestry and fishing (A+B)	4.6	4.5	4.3	4.2	4.1
Industry and Construction (C+D+E+F)	38.5	38.5	39.0	38.9	38.7
- Industry (C+D+E)	33.4	32.8	33.2	33.0	32.7
- Construction F	5.1	5.7	5.9	5.9	5.9
Services (G...O)	59.2	59.5	59.2	59.4	59.6
FISIM	-2.3	-2.5	-2.5	-2.4	-2.4
GDP in mil. SIT (current prices)	2,221,459	2,552,668	2,906,687	3,267,800	3,620,900
GDP in mil. US$	18,744	18,858	18,202	19,626	21,451
GDP per capita in US$	9,431	9,471	9,161	9,899	10,832
GDP per capita purchasing power in US$	12,600	13,200	14,000		
INTERNATIONAL TRADE - BALANCE OF PAYMENT STATISTICS					
Exports of goods and services- real [2]	6.9	3.5	10.0	5.6	3.8
- Exports of goods[2]	8.1	3.3	11.4	6.5	4.1
- Exports of services[2]	1.7	4.4	4.3	1.5	2.6
Imports of goods and services- real[2]	15.1	1.6	9.9	6.4	4.2
- Imports of goods[2]	15.6	1.5	9.9	6.9	4.3
- Imports of services[2]	11.6	2.5	10.0	3.0	3.5
Exports of goods and serv. in mil. US$	10,373	10,497	10,450	10,825	11,400
As a % of GDP	55.3	55.7	57.4	55.2	53.1
Imports of goods and serv. in mil. US$	10,696	10,675	10,632	11,080	11,760
As a % of GDP	57.1	56.6	58.4	56.5	54.8
Trade balance. in mil. US$	-954.3	-881.6	-771.6	-780.0	-900.0
Current account balance. in mil. US$	-22.9	38.9	36.6	-5.0	-80.0
As a % of GDP	-0.1	0.2	0.2	0.0	-0.4
Foreign exchange reserves. in mil US$	3,426	4,130	4,357	4,791[3]	
As a % of GDP	18.3	21.9	23.9	24.4	
External debt. in mil. US$	2,970	4,010	4,176	4,488[4]	
As a % of GDP	15.8	21.3	22.9	22.9	

(cont. on next page)

Table 1: Main macroeconomic indicators of Slovenia (continue)

real growth rates in %

	1995	1996	1997	1998 estimate	1999 estimate
EMPLOYMENT, WAGE AND PRODUCTIVITY					
Economically active population	0.9	-0.8	0.0	0.5	0.5
Registered unemployed (annual average, in thousand)	121.5	119.8	125.2	125.7	123.4
Rate of registered unemployment in %	14.0	13.9	14.4	14.4	14.1
Rate of unemployment by ILO in %	7.4	7.3	7.4	7.7	
Gross wage per employee	5.1	5.1	2.4	2.0	1.8
Labour productivity		4.1	3.8	3.5	3.3
FINAL DOMESTIC DEMAND - NATIONAL ACCOUNTS STATISTICS					
Final consumption		2.6	3.5	3.7	3.0
As a % of GDP	78.3	77.6	77.5	77.0	76.7
in which:					
- Private consumption	58.1	57.3	57.1	56.5	56.5
- Government consumption	20.2	20.3	20.4	20.5	20.2
Gross fixed capital formation		8.4	11.2	6.7	6.8
As a % of GDP	21.4	22.5	23.5	24.0	24.6
PUBLIC FINANCE					
General government revenue	6.1	3.6	2.9	4.3	
As a % of GDP	45.7	45.2	44.6	44.7	
General government expenditure	5.7	2.9	6.1	4.0	
As a % of GDP	45.7	44.9	45.7	45.7	
in which:					
- pension fund	13.6	13.4	13.3	13.2	
- health care fund	6.9	6.8	6.8	6.7	
- central and local governments	25.2	24.8	25.6	25.8	
Surplus/deficit (as a % of GDP)	0.0	0.3	-1.1	-1.0	

(cont. on next page)

Table 1: Main macroeconomic indicators of Slovenia (continue)

real growth rates in %

	1995	1996	1997	1998 estimate	1999 estimate
CONSOLIDATED GENERAL GOVERNMENT REVENUE AND EXPENDITURE BY THE GFS - IMF METODOLOGY*					
General government revenue (as a % of GDP)			42.6	42.9	43.3
General government expenditure (as a % of GDP)			43.7	44.1	44.0
Surplus/deficit (as a % of GDP)			-1.1	-1.2	-0.7
EXCHANGE RATE AND PRICES					
Average exchange rate. SIT/US$	118.5	135.4	159.7	166.5	168.8
Inflation (annual average)[6]	12.6	9.7	9.1	8.1	6.8

Source of data: SORS, BS, Ministry of Finance, IMAD estimates.
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 = adjusted for inter-currency changes and changes in prices on foreign markets
[3]September 1998
[4]August 1998
[5]Consolidated general government revenue and expenditure by the GFS - IMF methodology (Ministry of Finance, November 1998)
[6]Retail prices as a measure of inflation until 1998, after 1998 consumer price index. For 1999 excluding the value added tax.
*National accounts estimations are prepared under the assupmtion of real GDP growth by 33

Table 2a : Value added at factor cost* by NACE Rev. 1 activities and gross domestic product

current prices, SIT million

	1992	1993	1994	1995	1996	1997 estimate	1998 estimate	1999 estimate
A Agriculture, hunting, forestry	52,634	64,492	73,150	87,072	98,260	106,988	116,899	127,380
B Fishing	246	224	239	386	439	485	498	537
C. Mining and quarrying	17,618	14,681	23,702	26,006	30,683	33,661	36,598	39,097
D. Manufacturing	288,613	371,638	486,015	545,730	616,410	720,445	806,661	885,018
E. Electricity, gas and water supply	20,171	34,553	50,954	56,693	65,032	76,310	83,379	89,964
F. Construction	38,698	58,858	76,423	96,588	123,827	147,152	165,557	183,938
G. Wholesale and retail; trade, repair	95,791	139,346	190,893	232,286	257,273	293,360	330,053	363,171
H. Hotels and restaurants	22,671	36,509	48,410	57,165	68,467	80,050	90,495	100,543
I. Transport, storage, communications	66,489	97,909	121,401	148,746	169,275	196,278	221,995	247,828
J. Financial intermediation	32,043	49,839	53,460	77,067	93,181	106,129	121,068	134,510
K. Real estate, renting and business actvities	95,260	133,606	181,983	226,191	263,568	301,440	338,283	374,038
L. Public administration and com. soc. sec.	40,405	61,768	82,328	102,937	118,746	138,381	155,614	172,975
M. Education	45,017	67,905	87,103	108,178	123,881	141,013	156,973	172,808
N. Health and social work	48,148	63,914	83,398	99,385	118,454	134,198	148,731	163,734
O. Other community, social and personal activities	44,924	65,338	58,449	63,829	77,431	90,663	103,404	116,376
FISIM	-16,586	-25,240	-32,955	-43,947	-55,127	-62,207	-68,266	-74,387
1. TOTAL VALUE ADDED (basic prices)	892,142	1,235,340	1,584,953	1,884,312	2,169,800	2,504,345	2,807,941	3,097,531
2. CORRECTIONS	125,823	199,755	268,044	337,147	382,868	402,342	459,859	523,369
3. GROSS DOMESTIC PRODUCT (3=1+2)	**1,017,965**	**1,435,095**	**1,852,997**	**2,221,459**	**2,552,668**	**2,906,687**	**3,267,800**	**3,620,900**
TOTAL VALUE ADDED (basic prices)	892,142	1,235,340	1,584,953	1,884,312	2,169,800	2,504,345	2,807,941	3,097,531
in which:								
1. Agriculture, forestry,fishing (A+B)	52,880	64,716	73,389	87,458	98,699	107,473	117,397	127,917
2. Industry and construction (C+D+E+F)	365,100	479,730	637,094	725,017	835,952	977,568	1,092,194	1,198,018
Industry (C+D+E)	326,402	420,872	560,671	628,429	712,125	830,416	926,637	1,014,080
Construction F	38,698	58,858	76,423	96,588	123,827	147,152	165,557	183,938
3. Services (G...O)	490,748	716,134	907,425	1,115,784	1,290,276	1,481,512	1,666,616	1,845,983
4. FISIM	-16,586	-25,240	-32,955	-43,947	-55,127	-62,207	-68,266	-74,387

Source of data: SORS , IMAD's calculations for 1997and IMAD's estimates.
Notes: * at factor cost until 1993, in basic prices in 1994 and 1995
** taxes on production and imports until 1993
*** subsidies on production until 1993

Table 2b : Value added at factor cost* by NACE Rev. 1 activities and gross domestic product

shares in GDP in %, current prices

	1992	1993	1994	1995	1996	1997 estimate	1998 estimate	1999 estimate
A Agriculture, hunting, forestry	5.2	4.5	3.9	3.9	3.8	3.7	3.6	3.5
B Fishing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Mining and quarrying	1.7	1.0	1.3	1.2	1.2	1.2	1.1	1.1
D. Manufacturing	28.4	25.9	26.2	24.6	24.1	24.8	24.7	24.4
E. Electricity, gas and water supply	2.0	2.4	2.7	2.6	2.5	2.6	2.6	2.5
F. Construction	3.8	4.1	4.1	4.3	4.9	5.1	5.1	5.1
G. Wholesale and retail; trade, repair	9.4	9.7	10.3	10.5	10.1	10.1	10.1	10.0
H. Hotels and restaurants	2.2	2.5	2.6	2.6	2.7	2.8	2.8	2.8
I. Transport, storage, communications	6.5	6.8	6.6	6.7	6.6	6.8	6.8	6.8
J. Financial intermediation	3.1	3.5	2.9	3.5	3.7	3.7	3.7	3.7
K. Real estate, renting and business actvities	9.4	9.3	9.8	10.2	10.3	10.4	10.4	10.3
L. Public administration and com. soc. sec.	4.0	4.3	4.4	4.6	4.7	4.8	4.8	4.8
M. Education	4.4	4.7	4.7	4.9	4.9	4.9	4.8	4.8
N. Health and social work	4.7	4.5	4.5	4.5	4.6	4.6	4.6	4.5
O. Other community, social and personal activities	4.4	4.6	3.2	2.9	3.0	3.1	3.2	3.2
FISIM	-1.6	-1.8	-1.8	-2.0	-2.2	-2.1	-2.1	-2.1
1. TOTAL VALUE ADDED (basic prices)	87.6	86.1	85.5	84.8	85.0	86.2	85.9	85.5
2. CORRECTIONS	12.4	13.9	14.5	15.2	15.0	13.8	14.1	14.5
3. GROSS DOMESTIC PRODUCT (3=1+2)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(cont. on next page)

Table 2b : Value added at factor cost* by NACE Rev. 1 activities and gross domestic product (continue)

shares in GDP in %, current prices

	1992	1993	1994	1995	1996	1997 estimate	1998 estimate	1999 estimate
GROSS DOMESTIC PRODUCT	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
in which:								
1. Agriculture, forestry,fishing (A+B)	5.2	4.5	4.0	3.9	3.9	3.7	3.6	3.5
2. Industry and construction (C+D+E+F)	35.9	33.4	34.4	32.6	32.7	33.6	33.4	33.1
Industry (C+D+E)	32.1	29.3	30.3	28.3	27.9	28.6	28.4	28.0
Construction F	3.8	4.1	4.1	4.3	4.9	5.1	5.1	5.1
3. Services (G...O)	48.2	49.9	49.0	50.2	50.5	51.0	51.0	51.0
4. FISIM	-1.6	-1.8	-1.8	-2.0	-2.2	-2.1	-2.1	-2.1
5. CORRECTIONS	12.4	13.9	14.5	15.2	15.0	13.8	14.1	14.5

shares in value added %

	1992	1993	1994	1995	1996	1997 estimate	1998 estimate	1999 estimate
TOTAL VALUE ADDED (basic prices)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
in which:								
1. Agriculture, forestry , fishing (A+B)	5.9	5.2	4.6	4.6	4.5	4.3	4.2	4.1
2. Industry and construction (C+D+E+F)	40.9	38.8	40.2	38.5	38.5	39.0	38.9	38.8
Industry (C+D+E)	36.6	34.1	35.4	33.4	32.8	33.2	33.0	32.8
Construction F	4.3	4.8	4.8	5.1	5.7	5.9	5.9	6.0
3. Services (G...O)	55.0	58.0	57.3	59.2	59.5	59.2	59.4	59.5
4. FISIM	-1.9	-2.0	-2.1	-2.3	-2.5	-2.5	-2.4	-2.4

Source of data: SORS , IMAD's calculations for 1997and 1998.
Notes: * at factor cost until 1993, in basic prices in 1994 and 1995
** taxes on production and imports until 1993
*** subsidies on production until 1993

Table 3a : Value added at factor cost by NACE Rev. 1 activities and gross domestic product

prices 1995, SIT million

	1995	1996	1997	1998 estimate	1999 estimate
A Agriculture, hunting, forestry	87,072	88,916	87,045	87,959	89,718
B Fishing	386	423	420	399	403
C. Mining and quarrying	26,006	26,495	26,134	26,278	26,278
D. Manufacturing	545,730	552,318	580,399	601,003	617,230
E. Electricity, gas and water supply	56,693	57,366	60,522	61,157	61,769
F. Construction	96,588	109,383	116,871	121,604	126,468
G. Wholesale and retail, trade, repair	232,286	239,176	245,206	255,137	262,791
H. Hotels and restaurants	57,165	59,680	62,736	65,590	68,214
I. Transport, storage, communications	148,746	152,612	159,101	166,420	173,909
J. Financial intermediation	77,067	81,087	83,036	87,603	91,107
K. Real estate, renting and business activities	226,191	234,402	241,033	250,159	258,916
L. Public administration and com. soc. sec.	102,937	108,363	113,539	118,081	122,863
M. Education	108,178	110,222	112,805	116,133	119,675
N. Health and social work	99,385	101,639	103,529	106,115	109,352
O. Other community, social and personal activities	63,829	66,840	70,365	74,220	78,191
FISIM	-43,947	-45,830	-46,498	-47,191	-48,135
1. TOTAL VALUE ADDED, (basic prices)	1,884,312	1,943,092	2,016,243	2,090,667	2,158,748
2. CORRECTIONS	337,147	351,259	365,826	386,683	411,501
3. GROSS DOMESTIC PRODUCT (3 = 1 + 2)	**2,221,459**	**2,294,351**	**2,382,069**	**2,477,350**	**2,570,250**
TOTAL VALUE ADDED, (basic prices)	**1,884,312**	**1,943,092**	**2,016,243**	**2,090,667**	**2,158,748**
in which:					
1. Agriculture, forestry , fishing (A + B)	87,458	89,339	87,465	88,358	90,121
2. Industry and construction (C+D+E+F)	725,017	745,562	783,926	810,043	831,745
Industry (C+D+E)	628,429	636,179	667,055	688,438	705,277
Construction F	96,588	109,383	116,871	121,604	126,468
3. Services (G...O)	1,115,784	1,154,021	1,191,350	1,239,457	1,285,016
4. FISIM	-43,947	-45,830	-46,498	-47,191	-48,135

Sources of data: SORS, IMAD's estimates.

Table 3b : Value added at factor cost by NACE Rev. 1 activities and gross domestic product

real growth rates in %, prices 1995

	1996	1997	1998 estimate	1999 estimate
A Agriculture, hunting, forestry	2.1	-2.1	1.0	2.0
B Fishing	9.6	-0.7	-5.0	1.0
C. Mining and quarrying	1.9	-1.4	0.5	0.0
D. Manufacturing	1.2	5.1	3.5	2.7
E. Electricity, gas and water supply	1.2	5.5	1.0	1.0
F. Construction	13.2	6.8	4.0	4.0
G. Wholesale and retail, trade, repair	3.0	2.5	4.0	3.0
H. Hotels and restaurants	4.4	5.1	4.5	4.0
I. Transport, storage, communications	2.6	4.3	4.6	4.5
J. Financial intermediation	5.2	2.4	5.5	4.0
K. Real estate, renting and business activities	3.6	2.8	3.8	3.5
L. Public administration and com. soc. sec.	5.3	4.8	4.0	4.0
M. Education	1.9	2.3	3.0	3.0
N. Health and social work	2.3	1.9	2.5	3.0
O. Other community, social and personal activities	4.7	5.3	5.5	5.3
FISIM	4.3	1.5	1.5	2.0
1. TOTAL VALUE ADDED, (basic prices)	3.1	3.8	3.7	3.3
2. CORRECTIONS	4.2	4.1	5.7	6.4
3. GROSS DOMESTIC PRODUCT (3 = 1 + 2)	**3.3**	**3.8**	**4.0**	**3 3**
TOTAL VALUE ADDED, (basic prices)	**3.1**	**3.8**	**3.7**	**3.3**
in which:				
1. Agriculture, forestry , fishing (A + B)	2.2	-2.1	1.0	2.0
2. Industry and construction (C+D+E+F)	2.8	5.1	3.3	2.7
Industry (C+D+E)	1.2	4.9	3.2	2.4
Construction F	13.2	6.8	4.0	4.0
3. Services (G...O)	3.4	3.2	4.0	3.7
4. FISIM	4.3	1.5	1.5	2.0

Sources of data: SORS, IMAD's estimates.

Table 4: Cost structure of GDP

current prices, SIT million

	1992	1993	1994	1995	1996	1997	1998 estimate	1999 estimate
1 GROSS DOMESTIC PRODUCT (1=2+3-4+5)	**1,017,965**	**1,435,095**	**1,852,997**	**2,221,459**	**2,552,668**	**2,906,687**	**3,267,800**	**3,620,900**
2 Compensation of employees	652,814	861,937	1,074,494	1,271,699	1,400,005	1,554,701	1,721,457	1,877,671
Gross wages and salaries	545,185	718,687	902,040	1,070,010	1,213,825	1,370,186	1,514,985	1,652,087
Employees' actual soc. cont.	107,629	143,250	172,454	201,689	186,180	184,515	206,472	225,584
3 Taxes on production and imports	150,962	229,385	306,636	377,964	444,708	493,359	566,170	636,233
Taxes on products	116,662	172,965	234,219	290,463	341,798	385,811	459,332	526,334
Import duties	32,550	51,860	64,717	78,371	76,779	58,425	46,720	44,100
Other taxes on production	1,750	4,560	7,700	9,130	26,131	49,123	60,118	65,799
4 Subsidies	25,139	29,630	43,123	48,001	52,873	60,115	66,284	73,940
5 Gross operating surplus and Gross mixed income (5=6+7)	239,328	373,403	514,990	619,797	760,828	918,742	1,046,457	1,180,936
in which:								
6 Gross operating surplus	139,301	215,616	316,774	380,932	485,599	608,522	695,060	781,989
Consumption of fixed capital	190,336	222,401	299,112	352,315	415,237	469,797	532,651	600,082
Net operating surplus	-51,035	-6,785	17,662	28,617	70,362	138,725	162,409	181,907
7 Gross mixed income	100,027	157,787	198,216	238,865	275,229	310,220	351,397	398,947
Consumption of fixed capital	12,589	22,977	33,442	38,576	45,528	51,237	58,567	67,686
Net mixed income	87,438	134,810	164,774	200,289	229,701	258,983	292,830	331,261

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Table 5a : Expenditure on gross domestic product

current prices, SIT million

	1992	1993	1994	1995	1996	1997	1998 estimate	1999 estimate
1 GROSS DOMESTIC PRODUCT (1=4+5+8)	1,017,965	1,435,095	1,852,997	2,221,459	2,552,668	2,906,687	3,267,800	3,620,900
2 EXPORTS OF GOODS AND SERVICES	642,772	843,148	1,111,321	1,225,659	1,419,884	1,660,733	1,802,363	1,924,320
3 IMPORTS OF GOODS AND SERVICES	571,953	827,540	1,070,777	1,262,128	1,445,023	1,694,631	1,844,820	1,985,088
4 EXTERNAL BALANCE OF GOODS AND SERVICES (4 = 2 - 3)	70,819	15,608	40,544	-36,469	-25,139	-33,898	-42,458	-60,768
5 FINAL CONSUMPTION (5 = 6 + 7)	768,124	1,141,855	1,424,453	1,738,562	1,980,982	2,252,739	2,516,563	2,777,862
6 PRIVATE FINAL CONSUMPTION	561,120	839,249	1,050,165	1,290,411	1,463,249	1,660,326	1,846,706	2,046,000
- households	548,668	823,459	1,033,094	1,266,058	1,437,756	1,631,311	1,814,594	2,011,280
- non-profit institutions	12,452	15,790	17,071	24,353	25,493	29,015	32,112	34,720
7 GOVERNMENT CONSUMPTION (individual and collective)	207,004	302,606	374,288	448,151	517,733	592,413	669,857	731,862
8 GROSS CAPITAL FORMATION (8 = 9 + 10)	179,022	277,632	388,000	519,366	596,825	687,846	793,695	903,805
9 GROSS FIXED CAPITAL FORMATION	189,608	270,237	372,663	475,605	573,355	682,672	784,051	890,166
10 CHANGES IN INVENTORIES	-10,586	7,395	15,337	43,761	23,470	5,174	9,644	13,640

(cont. on next page)

Table 5a : Expenditure on gross domestic product (continue)

current prices, SIT million

	1992	1993	1994	1995	1996	1997	1998 estimate	1999 estimate
				structure in %				
1 GROSS DOMESTIC PRODUCT (1=4+5+8)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2 EXPORTS OF GOODS AND SERVICES	63.1	58.8	60.0	55.2	55.6	57.1	55.2	53.1
3 IMPORTS OF GOODS AND SERVICES	56.2	57.7	57.8	56.8	56.6	58.3	56.5	54.8
4 EXTERNAL BALANCE OF GOODS AND SERVICES (4 = 2 - 3)	7.0	1.1	2.2	-1.6	-1.0	-1.2	-1.3	-1.7
5 FINAL CONSUMPTION (5 = 6 + 7)	75.5	79.6	76.9	78.3	77.6	77.5	77.0	76.7
6 PRIVATE FINAL CONSUMPTION	55.1	58.5	56.7	58.1	57.3	57.1	56.5	56.5
- households	53.9	57.4	55.8	57.0	56.3	56.1	55.5	55.5
- non-profit institutions	1.2	1.1	0.9	1.1	1.0	1.0	1.0	1.0
7 GOVERNMENT CONSUMPTION (individual and collective)	20.3	21.1	20.2	20.2	20.3	20.4	20.5	20.2
8 GROSS CAPITAL FORMATION (8 = 9 + 10)	17.6	19.3	20.9	23.4	23.4	23.7	24.3	25.0
9 GROSS FIXED CAPITAL FORMATION	18.6	18.8	20.1	21.4	22.5	23.5	24.0	24.6
10 CHANGES IN INVENTORIES	-1.0	0.5	0.8	2.0	0.9	0.2	0.3	0.4

Sources of data: SORS 1992-1997, BS, IMAD's estimates.

Table 5b: Expenditure on gross domestic product

prices 1995, SIT million

	1995	1996	1997	1998 estimate	1999 estimate
1 GROSS DOMESTIC PRODUCT (1 = 4 + 5 + 8)	2,221,459	2,294,351	2,382,069	2,477,350	2,570,250
2 EXPORTS OF GOODS AND SERVICES	1,225,659	1,265,691	1,409,093	1,488,002	1,544,546
3 IMPORTS OF GOODS AND SERVICES	1,262,128	1,292,328	1,449,825	1,542,614	1,607,404
4 EXTERNAL BALANCE OF GOODS AND SERVICES (4 = 2 - 3)	-36,469	-26,637	-40,732	-54,612	-62,857
5 FINAL CONSUMPTION (5 = 6 + 7)	1,738,562	1,783,780	1,845,696	1,913,379	1,970,905
6 PRIVATE FINAL CONSUMPTION	1,290,411	1,321,201	1,368,447	1,414,348	1,460,308
- households	1,266,058	1,298,226	1,345,174	1,390,621	1,436,106
- non-profit institutions	24,353	22,975	23,273	23,727	24,202
7 GOVERNMENT CONSUMPTION (individual and collective)	448,151	462,579	477,249	499,031	510,597
8 GROSS CAPITAL FORMATION (8 = 9 + 10)	519,366	537,208	577,105	618,582	662,203
9 GROSS FIXED CAPITAL FORMATION	475,605	515,371	572,974	611,582	653,203
10 CHANGES IN INVENTORIES	43,761	21,837	4,131	7,000	9,000

(cont. on next page)

Table 5b: Expenditure on gross domestic product (continue)

prices 1995, SIT million

	1995	1996	1997	1998 estimate	1999 estimate
real growth rates in %					
1 GROSS DOMESTIC PRODUCT (1 = 4 + 5 + 8)		3.3	3.8	4.0	3.3
2 EXPORTS OF GOODS AND SERVICES		3.3	11.3	5.6	3.8
3 IMPORTS OF GOODS AND SERVICES		2.4	12.2	6.4	4.2
4 EXTERNAL BALANCE OF GOODS AND SERVICES (4 = 2 - 3)					
5 FINAL CONSUMPTION (5 = 6 + 7)		2.6	3.5	3.7	3.0
6 PRIVATE FINAL CONSUMPTION		2.4	3.6	3.4	3.2
- households		2.5	3.6	3.4	3.3
- non-profit institutions		-5.7	1.3	2.0	2.0
7 GOVERNMENT CONSUMPTION (individual and collective)		3.2	3.2	4.6	2.3
8 GROSS CAPITAL FORMATION (8 = 9 + 10)		3.4	7.4	7.2	7.1
9 GROSS FIXED CAPITAL FORMATION		8.4	11.2	6.7	6.8

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

Table 6 : Supply and use of resources (estimates)

current prices, SIT million

	1992	1993	1994	1995	1996	1997	1998 estimate	1999 estimate
1 GROSS DOMESTIC PRODUCT	1,017,965	1,435,095	1,852,997	2,221,459	2,552,668	2,906,687	3,267,800	3,620,900
2 Net primary income from the rest of the world	-1,899	4,064	13,886	24,698	20,716	20,766	23,310	27,008
3 GROSS NATIONAL INCOME (3 = 1 + 2)	1,016,066	1,439,159	1,866,883	2,246,157	2,573,384	2,927,453	3,291,110	3,647,908
4 Net current transfers from the rest of the world	5,630	11,313	17,125	10,937	8,878	16,034	18,315	20,256
5 GROSS NATIONAL DISPOSABLE INCOME (5 = 3 + 4)	1,021,696	1,450,472	1,884,008	2,257,094	2,582,262	2,943,487	3,309,425	3,668,164
6 FINAL CONSUMPTION EXPENDITURE	768,124	1,141,855	1,424,453	1,738,562	1,980,982	2,252,739	2,516,563	2,777,862
- private consumption	561,120	839,249	1,050,165	1,290,411	1,463,249	1,660,326	1,846,706	2,046,000
- government consumption	207,004	302,606	374,288	448,151	517,733	592,413	669,857	731,862
7 GROSS SAVING (7 = 5 - 6)	253,572	308,617	459,555	518,532	601,280	690,748	792,862	890,302
8 SURPLUS OF THE NATION ON CURRENT TRANSACTIONS	74,550	30,985	71,555	-834	4,455	2,902	-833	-13,503
9 GROSS CAPITAL FORMATION (9 = 7 - 8)	179,022	277,632	388,000	519,366	596,825	687,846	793,695	903,805
in which:								
- gross fixed capital formation	189,608	270,237	372,663	475,605	573,355	682,672	784,051	890,166
- change in stocks	-10,586	7,395	15,337	43,761	23,470	5,174	9,644	13,640
10 CONSUMPTION OF FIXED CAPITAL	202,925	245,378	332,554	390,891	460,765	521,034	591,218	667,768
11 NET CAPITAL FORMATION (11 = 9 - 10)	-23,903	32,254	55,446	128,475	136,060	166,812	202,476	236,038

(cont. on next page)

Table 6 : Supply and use of resources (estimates; continue)

current prices, SIT million

	1992	1993	1994	1995	1996	1997	1998 estimate	1999 estimate
structure in %								
1 GROSS DOMESTIC PRODUCT	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	-0.2	0.3	0.7	1.1	0.8	0.7	0.7	0.7
3 GROSS NATIONAL INCOME (3 = 1 + 2)	99.8	100.3	100.7	101.1	100.8	100.7	100.7	100.7
4 Net current transfers from the rest of the world	0.6	0.8	0.9	0.5	0.3	0.6	0.6	0.6
5 GROSS NATIONAL DISPOSABLE INCOME (5 = 3 + 4)	100.4	101.1	101.7	101.6	101.2	101.3	101.3	101.3
6 FINAL CONSUMPTION EXPENDITURE	75.5	79.6	76.9	78.3	77.6	77.5	77.0	76.7
- private consumption	55.1	58.5	56.7	58.1	57.3	57.1	56.5	56.5
- government consumption	20.3	21.1	20.2	20.2	20.3	20.4	20.5	20.2
7 GROSS SAVING (7 = 5 - 6)	24.9	21.5	24.8	23.3	23.6	23.8	24.3	24.6
8 SURPLUS OF THE NATION ON CURRENT TRANSACTIONS	7.3	2.2	3.9	0.0	0.2	0.1	0.0	-0.4
9 GROSS CAPITAL FORMATION (9 = 7 - 8)	17.6	19.3	20.9	23.4	23.4	23.7	24.3	25.0
in which:								
- gross fixed capital formation	18.6	18.8	20.1	21.4	22.5	23.5	24.0	24.6
- change in stocks	-1.0	0.5	0.8	2.0	0.9	0.2	0.3	0.4
10 CONSUMPTION OF FIXED CAPITAL	19.9	17.1	17.9	17.6	18.1	17.9	18.1	18.4
11 NET CAPITAL FORMATION (11 = 9 - 10)	-2.3	2.2	3.0	5.8	5.3	5.7	6.2	6.5

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

Table 7 : Investment in economic infrastructure

	1992	1993	1994	1995	1996 estimate	1997 estimate	1998 estimate	1999 estimate
1. ABSOLUTE FIGURES, SIT million, current prices								
ECONOMIC INFRASTRUCTURE	24,387	48,737	75,115	91,459	122,488	148,475	167,000	193,480
Energy sector	7,697	12,324	22,389	22,747	29,800	32,881	39,000	43,230
-electricity supply	6,709	11,048	21,240	21,151	23,161	25,130	30,500	33,300
-other	988	1,276	1,149	1,596	6,639	7,751	8,500	9,930
Transport infrastructure	12,414	26,549	40,402	57,012	82,256	102,540	113,900	135,550
-railways	1,315	2,578	6,195	8,307	10,355	13,454	26,000	29,200
-air traffic	316	767	847	717	183	600	2,000	1,550
-roads, motor-ways	1,857	8,036	14,925	29,333	39,768	55,990	53,000	70,000
-PTT services	7,024	12,491	16,430					
post				3,500	6,200	6,400	6,000	6,300
telecommunications				12,183	21,212	21,440	22,000	23,400
-other	1,902	2,677	2,005	2,972	4,538	4,656	4,900	5,100
Water supply	233	299	213	200	1,332	864	1,000	1,100
Public utilities	4,043	9,565	12,111	11,500	9,100	12,190	13,100	13,600
2. STRUCTURE IN %, (investment total = 100)								
ECONOMIC INFRASTRUCTURE	12.9	18.0	20.2	19.2	21.4	21.7	21.3	21.7
Energy sector	4.1	4.6	6.0	4.8	5.2	4.8	5.0	4.9
-electricity supply	3.5	4.1	5.7	4.4	4.0	3.7	3.9	3.7
-other	0.5	0.5	0.3	0.3	1.2	1.1	1.1	1.1
Transport infrastructure	6.5	9.8	10.8	12.0	14.3	15.0	14.5	15.2
-railways	0.7	1.0	1.7	1.7	1.8	2.0	3.3	3.3
-air traffic	0.2	0.3	0.2	0.2	0.0	0.1	0.3	0.2
-roads, motorways	1.0	3.0	4.0	6.2	6.9	8.2	6.8	7.9
-PTT services	3.7	4.6	4.4					
post				0.7	1.1	0.9	0.8	0.7
telecommunications				2.6	3.7	3.1	2.8	2.6
-other	1.0	1.0	0.5	0.6	0.8	0.7	0.6	0.6
Water supply	0.1	0.1	0.1	0.0	0.2	0.1	0.1	0.1
Public utilities	2.1	3.5	3.2	2.4	1.6	1.8	1.7	1.5

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Table 7 : Investment in economic infrastructure

	1992	1993	1994	1995	1996 estimate	1997 estimate	1998 estimate	1999 estimate
3. INVESTMENT AS A % OF GROSS DOMESTIC PRODUCT								
ECONOMIC INFRASTRUCTURE	2.4	3.4	4.1	4.1	4.8	5.1	5.1	5.3
Energy sector	0.8	0.9	1.2	1.0	1.2	1.1	1.2	1.2
-electricity supply	0.7	0.8	1.1	1.0	0.9	0.9	0.9	0.9
-other	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3
Transport infrastructure	1.2	1.8	2.2	2.6	3.2	3.5	3.5	3.7
-railways	0.1	0.2	0.3	0.4	0.4	0.5	0.8	0.8
-air traffic	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.0
-roads, motorways	0.2	0.6	0.8	1.3	1.6	1.9	1.6	1.9
-PTT services	0.7	0.9	0.9					
post				0.2	0.2	0.2	0.2	0.2
telecommunications				0.5	0.8	0.7	0.7	0.6
-other	0.2	0.2	0.1	0.1	0.2	0.2	0.1	0.1
Water supply	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0
Public utilities	0.4	0.7	0.7	0.5	0.4	0.4	0.4	0.4

Source of data: SORS, IMAD's estimate.

Table 8: Balance of payments

US$ million

	1992	1993	1994	1995	1996	1997	1998 estimate	1999 target scen.
I. CURRENT ACCOUNT	**926**	**192**	**600**	**-23**	**39**	**37**	**-5**	**-80**
1. TRADE BALANCE	791	-154	-338	-954	-882	-772	-780	-900
1.1. Exports fob	6,683	6,083	6,830	8,350	8,370	8,407	8,820	9,300
1.2. Imports fob	5,892	6,237	7,168	9,304	9,252	9,179	9,600	10,200
2. SERVICES	180	376	676	631	704	590	525	540
2.1. Receipts	1,219	1,393	1,804	2,023	2,127	2,043	2,005	2,100
Transport	276	446	486	505	480	465	520	560
Travel	671	734	911	1,082	1,230	1,188	1,105	1,135
Other	273	213	407	436	417	390	380	405
2.2. Expenditure	1,039	1,017	1,128	1,392	1,423	1,453	1,480	1,560
Transport	439	390	418	435	405	365	385	400
Travel	282	305	374	524	543	544	560	595
Other	318	322	336	433	475	544	535	565
1., 2 GOODS AND SERVICES	971	222	338	-323	-178	-182	-255	-360
Exports	7,902	7,476	8,634	10,373	10,497	10,450	10,825	11,400
Imports	6,931	7,254	8,296	10,696	10,675	10,632	11,080	11,760
3. FACTOR SERVICES	-91	-51	170	210	155	131	140	160
3.1. Receipts	70	115	334	439	420	417	460	485
Labour income	0	8	217	235	234	234	240	255
Investment income	70	107	117	204	186	183	220	230
3.2. Expenditure	161	166	165	229	265	286	320	325
Profits from direct investment	1	16	16	25	24	26	25	25
Interest	160	150	149	204	241	260	295	300
4. UNREQUITED TRANSFERS	46	22	92	91	62	88	110	120
4.1. Receipts	93	155	238	250	207	217	245	260
4.2. Expenditure	47	133	146	159	145	129	135	140

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Table 8: Balance of payments (continue)

US$ million

	1992	1993	1994	1995	1996	1997	1998 estimate	1999 estimate
II. CAPITAL AND FINANCIAL ACCOUNT	**-646**	**-202**	**-524**	**168**	**-47**	**-103**		
A CAPITAL ACCOUNT		4	-5	-18	-5	-4		
1. Capital transfers		5	-3	-16	-2	-3		
2. Non-produced non-financial assets		-1	-2	-2	-3	-1		
B FINANCIAL ACCOUNT	-646	-206	-519	186	-42	-99		
1. Direct investment	113	111	131	170	178	295		
1.1. Foreign in Slovenia	111	112	128	176	186	321		
1.2. Domestic abroad	2	-1	3	-6	-8	-26		
2. Portfolio investment	-9	3	-33	-13	637	236		
3. Other long-term capital	-117	-209	27	264	-270	657		
3.1. Assets	-158	-313	-306	-351	-426	288		
3.2. Liabilities	41	104	333	615	156	369		
4. International reserves	-633	-111	-645	-235	-587	-1,287		
III. STATISTICAL ERRORS	**-280**	**10**	**-76**	**-145**	**8**	**66**		

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

Table 9: Exports and imports of goods and services by end-use of products

In US$ million

	1992	1993	1994	1995	1996	1997	1998 estimate	1999 estimate
CURRENT EXCHANGE RATES								
1. Exports of goods	6,683	6,083	6,830	8,350	8,370	8,407	8,820	9,300
investment goods	661	644	766	944	1,004	1,068	1,165	1,255
intermediate goods	3,041	2,790	3,054	3,941	3,775	3,825	4,119	4,370
consumer goods	2,981	2,649	3,010	3,465	3,591	3,514	3,536	3,675
2. Exports of services	1,219	1,393	1,804	2,023	2,127	2,043	2,005	2,100
3. EXPORTS TOTAL	**7,902**	**7,476**	**8,634**	**10,373**	**10,497**	**10,450**	**10,825**	**11,400**
4. Imports of goods	5,892	6,237	7,168	9,304	9,252	9,179	9,600	10,200
investment goods	817	910	1,144	1,573	1,490	1,479	1,680	1,836
intermediate goods	3,923	3,778	4,406	5,627	5,301	5,351	5,645	6,038
consumer goods	1,152	1,549	1,618	2,104	2,461	2,349	2,275	2,326
5. Imports of services	1,039	1,017	1,128	1,392	1,423	1,453	1,480	1,560
6. IMPORTS TOTAL	**6,931**	**7,254**	**8,296**	**10,696**	**10,675**	**10,632**	**11,080**	**11,760**
7. BALANCE	**971**	**222**	**338**	**-323**	**-178**	**-182**	**-255**	**-360**
Services	180	376	676	631	704	590	525	540
Goods	791	-154	-338	-954	-882	-772	-780	-900
8. Exports to imports ratio (in %)	**113**	**98**	**95**	**90**	**90**	**92**	**92**	**91**
PERCENTAGE CHANGE AT ANNUAL RATE (IN %)								
1. Exports of goods		-9.0	12.3	22.2	0.2	0.4	4.9	5.4
investment goods		-2.6	18.9	23.1	6.4	6.4	9.1	7.7
intermediate goods		-8.3	9.5	28.9	-4.2	1.3	7.7	6.1
consumer goods		-11.1	13.6	15.0	3.6	-2.1	0.6	3.9
2. Exports of services		14.3	30.0	12.0	5.1	-3.9	-1.9	4.7
3. EXPORTS TOTAL		**-5.4**	**16.0**	**20.0**	**1.2**	**-0.4**	**3.6**	**5.3**
4. Imports of goods		5.9	14.9	29.7	-0.6	-0.8	4.6	6.3
investment goods		11.4	25.7	38.0	-5.3	-0.7	13.6	9.3
intermediate goods		-3.7	16.6	27.7	-5.8	0.9	5.5	7.0
consumer goods		34.5	4.5	29.9	17.0	-4.6	-3.2	2.2
5. Imports of services		-2.1	10.9	23.0	2.2	2.1	1.9	5.4
6. IMPORTS TOTAL		**4.7**	**14.4**	**29.0**	**-0.2**	**-0.4**	**4.2**	**6.1**

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

Table 10: Foreign trade by geographical area

	EXPORTS (f.o.b.) in US$ million						1998 (1-8)	IMPORTS (c.i.f.) in US$ million						1998 (1-8)
	1992	1993	1994	1995	1996	1997		1992	1993	1994	1995	1996	1997	
TOTAL	6,681	6,083	6,828	8,316	8,310	8,369	5,743	6,141	6,501	7,304	9,492	9,421	9,366	6,429
DEVELOPED														
INDUSTRIAL COUNTRIES	4,461	4,286	4,954	6,086	5,842	5,796	4,043	4,115	4,834	5,722	7,423	7,325	7,206	5,112
EUROPEAN UNION	3,668	3,489	4,480	5,575	5,367	5,320	3,702	3,078	3,622	5,052	6,532	6,360	6,312	4,411
Germany	1,805	1,798	2,068	2,508	2,545	2,460	1,644	1,394	1,626	1,734	2,206	2,044	1,936	1,327
Italy	880	756	924	1,212	1,103	1,248	735	839	1,051	1,258	1,611	1,593	1,558	1,094
France	616	528	586	682	598	463	477	492	522	613	798	925	980	764
United Kingdom	141	148	208	229	162	150	104	74	103	130	190	208	241	147
Netherlands	92	90	100	117	125	123	93	104	122	168	207	194	200	142
Belgium	48	52	59	71	76	85	90	59	64	84	144	145	149	99
Spain	28	48	36	42	44	53	43	59	71	115	225	170	199	146
Denmark	21	23	32	42	47	54	47	21	25	32	46	42	46	34
Greece	19	18	17	32	23	24	14	2	5	7	11	13	15	10
Ireland	11	18	6	17	4	5	3	10	20	18	20	29	26	22
Portugal	6	8	7	9	13	14	8	22	10	4	5	5	11	9
Luxembourg	1	1	1	2	2	1	2	2	3	5	10	8	10	10
Austria			373	535	551	565	389			756	919	835	789	498
Finland			13	18	20	18	12			45	39	39	41	28
Sweden			50	58	54	56	43			84	101	111	110	81
EFTA	461	423	75	87	83	87	55	689	779	188	237	249	194	132
Austria	341	303						500	553					
Swiss	50	52	58	71	68	70	43	100	127	154	199	178	162	113
Sweden	45	45						64	65					
Norway	12	11	14	12	12	14	10	4	5	31	34	68	30	19
Liechtenstein	2	1	2	3	3	2	1	4	3	4	4	2	1	0
Finland	11	10						18	25					
Island	0	0	0	0	0	0	1	0	1	0	0	1	1	0

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Table 10: Foreign trade by geographical area (continue)

	EXPORTS (f.o.b.) in US$ million						1998 (1-8)	IMPORTS (c.i.f.) in US$ million						1998 (1-8)
	1992	1993	1994	1995	1996	1997		1992	1993	1994	1995	1996	1997	
OTHER OECD	288	323	340	361	340	340	256	303	368	395	549	585	546	481
of which:														
United States of America	195	216	250	261	245	243	168	167	188	197	291	325	287	197
Other countries	93	107	90	100	95	97	88	136	180	198	258	260	259	284
OTHER DEVELOPED COUNTRIES	43	50	60	64	53	50	31	46	65	87	105	132	153	89
DEVELOPING COUNTRIES	2,220	1,797	1,874	2,230	2,462	2,568	1,696	2,026	1,667	1,582	2,069	2,095	2,160	1,316
COUNTRIES OF EX-YUGOSLAVIA	1,508	964	1,040	1,209	1,385	1,387	897	1,218	696	584	671	709	594	385
Croatia	952	739	738	891	855	837	546	852	595	498	576	590	466	285
Macedonia	133	198	218	189	170	149	95	78	89	80	86	72	56	30
Bosnia and Hercegovina	23	20	69	119	264	288	187	20	11	5	8	15	30	28
FR Yugoslavia	400	8	16	9	96	112	70	268	0	0	2	32	42	42
FORMER USSR COUNTRIES	226	298	316	375	390	432	266	251	217	169	275	236	284	157
of which: Russian Federation	130	249	265	305	298	326	195	132	202	147	241	209	250	133
OTHER EUROPE	261	331	342	445	495	525	387	328	371	512	707	664	723	496
of which:														
Czech Republic *	92	59	83	132	147	147	89	117	125	178	247	237	234	176
Slovakia		27	30	52	57	56	46		27	58	82	92	103	58
Hungary	73	88	99	115	105	120	93	152	165	193	267	239	293	157
Poland	69	87	96	105	142	155	116	18	14	22	38	48	58	45
Other countries	27	70	34	42	44	45	43	42	39	61	73	48	35	60
OTHER COUNTRIES	225	204	175	201	193	225	146	228	384	318	416	485	559	279
Unclassified					6	4	4					1	1	0

Source of data: SORS.
Note: Exports by country of destination, imports by country of origin.
*) for 1992 data refer to Czechoslovakia

Table 11: Foreign trade by geographical area

	EXPORTS (f.o.b.) in US$ million						1998 (1-8)	IMPORTS (c.i.f.) in US$ million						1998 (1-8)
	1992	1993	1994	1995	1996	1997		1992	1993	1994	1995	1996	1997	
TOTAL	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
DEVELOPED														
INDUSTRIAL COUNTRIES	66.8	70.5	72.6	73.2	70.3	69.3	70.4	67.0	74.4	78.3	78.2	77.8	76.9	79.5
EUROPEAN UNION	54.9	57.4	65.6	67.0	64.6	63.6	64.5	50.1	55.7	69.2	68.8	67.5	67.4	68.6
Germany	27.0	29.6	30.3	30.2	30.6	29.4	28.6	22.7	25.0	23.7	23.2	21.7	20.7	20.6
Italy	13.2	12.4	13.5	14.6	13.3	14.9	12.8	13.7	16.2	17.2	17.0	16.9	16.6	17.0
France	9.2	8.7	8.6	8.2	7.2	5.5	8.3	8.0	8.0	8.4	8.4	9.8	10.5	11.9
United Kingdom	2.1	2.4	3.0	2.8	1.9	1.8	1.8	1.2	1.6	1.8	2.0	2.2	2.6	2.3
Netherlands	1.4	1.5	1.5	1.4	1.5	1.5	1.6	1.7	1.9	2.3	2.2	2.1	2.1	2.2
Belgium	0.7	0.9	0.9	0.9	0.9	1.0	1.6	1.0	1.0	1.2	1.5	1.5	1.6	1.5
Spain	0.4	0.8	0.5	0.5	0.5	0.6	0.7	1.0	1.1	1.6	2.4	1.8	2.1	2.3
Denmark	0.3	0.4	0.5	0.5	0.6	0.7	0.8	0.3	0.4	0.4	0.5	0.4	0.5	0.5
Greece	0.3	0.3	0.2	0.4	0.3	0.3	0.2	0.0	0.1	0.1	0.1	0.1	0.2	0.2
Ireland	0.2	0.3	0.1	0.2	0.1	0.1	0.0	0.2	0.3	0.2	0.2	0.3	0.3	0.3
Portugal	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.4	0.2	0.1	0.1	0.1	0.1	0.1
Luxembourg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2
Austria			5.5	6.4	6.6	6.8	6.8			10.4	9.7	8.9	8.4	7.7
Finland			0.2	0.2	0.2	0.2	0.2			0.6	0.4	0.4	0.4	0.4
Sweden			0.7	0.7	0.7	0.7	0.7			1.2	1.1	1.2	1.2	1.3
EFTA	6.9	7.0	1.1	1.0	1.0	1.0	0.9	11.2	12.0	2.6	2.5	2.6	2.1	2.1
Austria	5.1	5.0						8.1	8.5					
Swiss	0.8	0.9	0.8	0.9	0.8	0.8	0.7	1.6	1.9	2.1	2.1	1.9	1.7	1.8
Sweden	0.7	0.7						1.0	1.0					
Norway	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.1	0.1	0.4	0.4	0.7	0.3	0.3
Liechtenstein	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Finland	0.2	0.2						0.3	0.4					
Island	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 11: Foreign trade by geographical area (continue)

	EXPORTS (f.o.b.) in US$ million						1998 (1-8)	IMPORTS (c.i.f.) in US$ million						1998 (1-8)
	1992	1993	1994	1995	1996	1997		1992	1993	1994	1995	1996	1997	
OTHER OECD	4.3	5.3	5.0	4.3	4.1	4.1	4.5	4.9	5.7	5.4	5.8	6.2	5.8	7.5
of which:														
United States of America	2.9	3.6	3.7	3.1	3.0	2.9	2.9	2.7	2.9	2.7	3.1	3.4	3.0	3.1
Other countries	1.4	1.8	1.3	1.2	1.1	1.2	1.5	2.2	2.8	2.7	2.7	2.8	2.8	4.4
OTHER DEVELOPED COUNTRIES	0.6	0.8	0.9	0.8	0.6	0.6	0.5	0.7	1.0	1.2	1.1	1.4	1.6	1.4
DEVELOPING COUNTRIES	33.2	29.5	27.4	26.8	29.6	30.7	29.5	33.0	25.6	21.7	21.8	22.2	23.1	20.5
COUNTRIES OF EX-YUGOSLAVIA	22.6	15.9	15.2	14.5	16.7	16.6	15.6	19.8	10.7	8.0	7.1	7.5	6.3	6.0
Croatia	14.2	12.1	10.8	10.7	10.3	10.0	9.5	13.9	9.2	6.8	6.1	6.3	5.0	4.4
Macedonia	2.0	3.3	3.2	2.3	2.1	1.8	1.7	1.3	1.4	1.1	0.9	0.8	0.6	0.5
Bosnia and Hercegovina	0.3	0.3	1.0	1.4	3.2	3.4	3.3	0.3	0.2	0.1	0.1	0.2	0.3	0.4
FR Yugoslavia	6.0	0.1	0.2	0.1	1.2	1.3	1.2	4.4	0.0	0.0	0.0	0.3	0.4	0.6
FORMER USSR COUNTRIES	3.4	4.9	4.6	4.5	4.7	5.2	4.6	4.1	3.3	2.3	2.9	2.5	3.0	2.4
of which: Russian Federation	2.0	4.1	3.9	3.7	3.6	3.9	3.4	2.1	3.1	2.0	2.5	2.2	2.7	2.1
OTHER EUROPE	3.9	5.4	5.0	5.4	5.9	6.3	6.7	5.3	5.7	7.0	7.4	7.0	7.7	7.7
of which:														
Czech Republic *	1.4	1.0	1.2	1.6	1.8	1.8	1.6	1.9	1.9	2.4	2.6	2.5	2.5	2.7
Slovakia	0.0	0.4	0.4	0.6	0.7	0.7	0.8	0.0	0.4	0.8	0.9	1.0	1.1	0.9
Hungary	1.1	1.4	1.4	1.4	1.3	1.4	1.6	2.5	2.5	2.6	2.8	2.5	3.1	2.4
Poland	1.0	1.4	1.4	1.3	1.7	1.9	2.0	0.3	0.2	0.3	0.4	0.5	0.6	0.7
Other countries	0.4	1.2	0.7	0.5	0.4	0.5	0.7	0.7	0.6	0.8	0.8	0.5	0.4	0.9
OTHER COUNTRIES	3.4	3.4	2.6	2.4	2.3	2.7	2.5	3.7	5.9	4.4	4.4	5.1	6.0	4.3
Unclassified					0.1	0.0	0.1					0.0	0.0	0.0

Note: Exports by country of destination, imports by country of origin.
*for 1992 data refer to Czechoslovakia
Source of data: SORS.

Table 12: General government revenue

current prices, SIT million

	1992	1993	1994	1995	1996	1997	1998 estimate
A. TAX REVENUES	**424,495**	**616,054**	**790,256**	**939,396**	**1,054,132**	**1,175,208**	**1,321,011**
1. TAXES	**215,765**	**315,494**	**443,624**	**531,419**	**629,848**	**722,875**	**812,791**
1.1. Corporate income tax	5,947	6,660	14,994	12,941	22,291	33,562	39,300
1.2. Tax on payroll, tax on contracting work	143	0	5,919	3,829	18,259	37,491	45,869
1.3. Personal income tax	68,830	97,997	128,257	147,669	174,658	194,037	216,902
1.4. Domestic taxes on goods and services	108,134	158,842	229,517	288,032	337,076	390,048	442,579
1.5. Customs duties and other import taxes	32,301	51,463	64,267	78,176	76,593	58,463	46,720
1.6. Other income taxes						8,077	15,700
1.7. Tax on CO^2 emissions	410	532	670	772	971	1,197	1,383
1.8. New taxes							4,338
2. CONTRIBUTIONS FOR SOCIAL SECURITY	**208,730**	**300,560**	**346,632**	**407,977**	**424,284**	**452,333**	**508,220**
2.1. Contributions for unemployment insurance	13,882	21,082	9,883	7,294	2,784	2,412	2,654
2.2. Contributions for obligatory health ins.	85,273	102,108	116,466	138,447	166,911	187,185	210,468
2.3. Contributions for maternity leave	0	0	1,121	1,813	2,098	2,365	2,632
2.4. Contributions for pension and disability ins.	109,575	177,370	219,162	260,423	252,491	260,371	292,466
B. NONTAX REVENUES	**42,032**	**55,269**	**57,938**	**65,715**	**88,139**	**102,993**	**127,342**
3.1. Motor vehicle registration duties	1,743	4,475	5,753	6,352	7,232	8,020	12,492
3.2. Tolls on highways	1,543	2,963	13	0	0	0	0
3.3. Charges for water works	617	1,130	1,543	1,666	1,148	1,401	1,170
3.4. Duties on use of agricultural land	122	519	2,658	1,694	1,898	1,758	4,757
3.5. Administrative fees	3,628	5,684	6,491	8,398	10,944	13,679	16,952
3.6. Taxes on gambling machines	0	394	931	1,209	1,226	1,299	1,403
3.7. Charges for the use of building-ground	2,764	5,711	7,299	8,075	11,019	15,352	17,484
3.8. Interest receipts	9,528	7,694	11,092	5,931	6,651	8,282	9,281
3.9. Other nontax revenues (state and local budgets)	9,601	15,593	16,365	29,615	42,646	47,446	50,045
3.10. Other revenues for disability and pension ins.	8,510	5,447	2,667	2,747	4,782	4,969	7,394
3.11. Profit transferred from Bank of Slovenia	158	3,575	1,034	0	0	0	0
3.12. Cash operating surplus of public enterprises	0	0	0	28	593	787	6,364
3.13. Contribution for solidarity	3,818	2,084	2,092	0	0	0	0
C. CAPITAL REVENUES	**250**	**3,502**	**1,561**	**1,684**	**1,188**	**1,862**	**3,914**
3.14. Revenues from sales of flats	0	3,102	0	0	0	0	0
3.15. Revenues from sales of government fixed assets	250	400	1,561	1,684	1,188	1,862	3,914
D. REVENUES FROM PRIVATISATION	**0**	**0**	**0**	**8,555**	**10,361**	**15,781**	**8,111**
TOTAL GENERAL GOVERNMENT REVENUES	**466,777**	**674,825**	**849,755**	**1,015,350**	**1,153,820**	**1,295,844**	**1,460,378**

(cont. on next page)

Table 12: General government revenue (continue)

per cent of GDP

	1992	1993	1994	1995	1996	1997	1998 estimate
A. TAX REVENUES	**41.7**	**42.9**	**42.6**	**42.3**	**41.3**	**40.4**	**40.4**
1. TAXES	21.2	22.0	23.9	23.9	24.7	24.9	24.9
1.1. Corporate income tax	0.6	0.5	0.8	0.6	0.9	1.2	1.2
1.2. Tax on payroll, tax on contracting work	0.0	0.0	0.3	0.2	0.7	1.3	1.4
1.3. Personal income tax	6.8	6.8	6.9	6.6	6.8	6.7	6.6
1.4. Domestic taxes on goods and services	10.6	11.1	12.4	13.0	13.2	13.4	13.5
1.5. Customs duties and other import taxes	3.2	3.6	3.5	3.5	3.0	2.0	1.4
1.6. Other income taxes	0.0	0.0	0.0	0.0	0.0	0.3	0.5
1.7. Tax on CO^2 emissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.8. New taxes	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**
2. CONTRIBUTIONS FOR SOCIAL SECURITY	20.5	20.9	18.7	18.4	16.6	15.6	15.6
2.1. Contributions for unemployment insurance	1.4	1.5	0.5	0.3	0.1	0.1	0.1
2.2. Contributions for obligatory health ins.	8.4	7.1	6.3	6.2	6.5	6.4	6.4
2.3. Contributions for maternity leave	0.0	0.0	0.1	0.1	0.1	0.1	0.1
2.4. Contributions for pension and disability ins.	10.8	12.4	11.8	11.7	9.9	9.0	8.9
B. NONTAX REVENUES	**4.1**	**3.9**	**3.1**	**3.0**	**3.5**	**3.5**	**3.9**
3.1. Motor vehicle registration duties	0.2	0.3	0.3	0.3	0.3	0.3	0.4
3.2. Tolls on highways	0.2	0.2	0.0	0.0	0.0	0.0	0.0
3.3. Charges for water works	0.1	0.1	0.1	0.1	0.0	0.0	0.0
3.4. Duties on use of agricultural land	0.0	0.0	0.1	0.1	0.1	0.1	0.1
3.5. Administrative fees	0.4	0.4	0.4	0.4	0.4	0.5	0.5
3.6. Taxes on gambling machines	0.0	0.0	0.1	0.1	0.0	0.0	0.0
3.7. Charges for the use of building-ground	0.3	0.4	0.4	0.4	0.4	0.5	0.5
3.8. Interest receipts	0.9	0.5	0.6	0.3	0.3	0.3	0.3
3.9. Other nontax revenues (state and local budgets)	0.9	1.1	0.9	1.3	1.7	1.6	1.5
3.10. Other revenues for disability and pension ins.	0.8	0.4	0.1	0.1	0.2	0.2	0.2
3.11. Profit transferred from Bank of Slovenia	0.0	0.2	0.1	0.0	0.0	0.0	0.0
3.12. Cash operating surplus of public enterprises	0.0	0.0	0.0	0.0	0.0	0.0	0.2
3.13. Contribution for solidarity	0.4	0.1	0.1	0.0	0.0	0.0	0.0
C. CAPITAL REVENUES	**0.0**	**0.2**	**0.1**	**0.1**	**0.0**	**0.1**	**0.1**
3.14. Revenues from sales of flats	0.0	0.2	0.0	0.0	0.0	0.0	0.0
3.15. Revenues from sales of government fixed assets	0.0	0.0	0.1	0.1	0.0	0.1	0.1
D. REVENUES FROM PRIVATISATION	**0.0**	**0.0**	**0.0**	**0.4**	**0.4**	**0.5**	**0.2**
TOTAL GENERAL GOVERNMENT REVENUES	45.9	47.0	45.9	45.7	45.2	44.6	44.7

Source of data: Ministry of Finance Bulletin for 1992-97, IMAD's estimates.

Table 12a: Consolidated general government revenues, expenditures and financing; GFS - IMF Methodology

current prices, in SIT 000

CONSOLIDATED GENERAL GOVERNMENT REVENUE	1997	1998 estimate	1999 estimate
I. TOTAL GENERAL GOVERNMENT REVENUES	**1,237,681,934**	**1,401,277,800**	**1,568,937,352**
CURRENT REVENUES	**1,216,294,350**	**1,388,263,253**	**1,564,842,832**
70 TAX REVENUES	**1,160,168,440**	**1,311,740,819**	**1,481,805,469**
700 TAXES ON INCOME AND PROFIT	227,623,667	260,907,342	283,405,899
701 SOCIAL SECURITY CONTRIBUTIONS	404,699,697	450,013,979	496,803,450
702 TAXES ON PAYROLL AND WORKFORCE	37,491,340	44,953,920	49,231,200
703 TAXES ON PROPERTY	19,589,068	25,873,329	29,448,180
704 DOMESTIC TAXES ON GOODS AND SERVICES	412,093,676	482,567,079	578,567,840
705 TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS	58,463,051	47,200,170	44,108,600
706 OTHER TAXES	207,941	225,000	240,300
71 NON-TAX REVENUES	**56,125,910**	**76,522,434**	**83,037,363**
710 ENTERPRENEURIAL AND PROPERTY INCOME	9,792,430	21,363,286	21,874,624
711 FEES AND CHARGES	10,451,857	12,984,275	17,015,300
712 FINES AND FORFEITS	3,920,744	5,255,596	7,826,340
713 SALES OF GOODS AND SERVICES	7,456,922	8,005,160	9,042,232
714 OTHER NON-TAX REVENUES	24,503,957	28,914,117	27,278,867
72 CAPITAL REVENUES	**3,846,432**	**3,947,389**	**4,094,520**
720 SALES OF GOVERNMENT FIXED ASSETS	3,846,432	3,947,389	4,094,520
721 SALES OF STOCKS	0	0	0
722 SALES OF LAND AND INTANGIBLE ASSETS	0	0	0
73 VOLUNTARY DONATIONS	**17,541,152**	**9,067,158**	**0**
730 DONATIONS FROM DOMESTIC SOURCES	15,781,437	8,110,885	0
731 DONATIONS FROM SOURCES ABROAD	1,759,715	956,273	0
74 GRANTS	**0**	**0**	**0**
740 GRANTS FROM OTHER GENERAL GOVERNMENT INSTITUTIONS	0	0	0

(cont. on next page)

Table 12a: Consolidated general government revenues, expenditures and financing; GFS - IMF Methodology (continue)

per cent of GDP

	1997	1998 estimate	1999 estimate
I. TOTAL GENERAL GOVERNMENT REVENUES	**42.6**	**42.9**	**43.3**
CURRENT REVENUES	**41.8**	**42.5**	**43.2**
70 TAX REVENUES	**39.9**	**40.1**	**40.9**
700 TAXES ON INCOME AND PROFIT	7.8	8.0	7.8
701 SOCIAL SECURITY CONTRIBUTIONS	13.9	13.8	13.7
702 TAXES ON PAYROLL AND WORKFORCE	1.3	1.4	1.4
703 TAXES ON PROPERTY	0.7	0.8	0.8
704 DOMESTIC TAXES ON GOODS AND SERVICES	14.2	14.8	16.0
705 TAXES ON INTERNATIONAL TRADE AND TRANSACTIONS	2.0	1.4	1.2
706 OTHER TAXES	0.0	0.0	0.0
71 NON-TAX REVENUES	**1.9**	**2.3**	**2.3**
710 ENTERPRENEURIAL AND PROPERTY INCOME	0.3	0.7	0.6
711 FEES AND CHARGES	0.4	0.4	0.5
712 FINES AND FORFEITS	0.1	0.2	0.2
713 SALES OF GOODS AND SERVICES	0.3	0.2	0.2
714 OTHER NON-TAX REVENUES	0.8	0.9	0.8
72 CAPITAL REVENUES	**0.1**	**0.1**	**0.1**
720 SALES OF GOVERNMENT FIXED ASSETS	0.1	0.1	0.1
721 SALES OF STOCKS	0.0	0.0	0.0
722 SALES OF LAND AND INTANGIBLE ASSETS	0.0	0.0	0.0
73 VOLUNTARY DONATIONS	**0.6**	**0.3**	**0.0**
730 DONATIONS FROM DOMESTIC SOURCES	0.5	0.2	0.0
731 DONATIONS FROM SOURCES ABROAD	0.1	0.0	0.0
74 GRANTS	**0.0**	**0.0**	**0.0**
740 GRANTS FROM OTHER GENERAL GOVERNMENT INSTITUTIONS	0.0	0.0	0.0

Source od data: the Ministry of Finance, November 1998, calculations of percentage in GDP by IMAD

Table 13: General government expenditure

current prices, SIT million

	1992	1993	1994	1995	1996	1997	1998 estimate
A. CENTRAL GOVERNMENT EXPENDITURE	**210,848**	**300,686**	**373,998**	**457,875**	**509,238**	**604,221**	**686,171**
1. Wages, contributions in gov. institutions and defence	52,387	81,534	89,525	142,925	171,623	205,650	
2. Purchases of goods and services in government inst. and def.	23,776	26,536	35,123	36,869	42,453	48,825	
3. Social transfers	20,103	28,206	35,358	29,813	34,676	44,574	
4. Other payments for services	7,021	11,963	13,292	19,341	20,697	20,045	
5. Social transfers (excluding pension fund transfers)	34,825	58,306	72,619	75,481	87,341	113,450	
6. Subsidies and other transfers to business sector	28,373	31,466	30,076	36,351	29,843	36,742	
7. Interest payments	4,795	18,357	27,624	24,566	30,435	33,916	
8. Payments of government guarantees	9,050	4,127	3,901	905	2,168	1,396	
9. Other current expenditure	2,491	3,434	8,654	11,294	11,152	12,613	
10. Payments for refugees	1,443	2,091	2,379	2,220	1,884	1,334	
11. Capital expenditure (without defence and health insurance)	24,318	31,341	52,487	69,209	61,905	66,131	
12. Capital transfers to financial institutions	494	1,572	2,546	8,501	14,061	19,175	
13. Budget reserves	1,772	1,753	414	400	1,000	370	
B. LOCAL GOVERNMENT EXPENDITURE	**50,334**	**74,092**	**98,007**	**102,369**	**123,936**	**139,858**	**155,984**
1. Wages, contrib. and other purchases of goods and services	10,762	15,203	20,798	13,532	15,808	18,823	
2. Transfers to public providers of social services	21,010	29,346	38,186	45,532	49,966	56,074	
3. Subsidies and other transfers to business sector	15,763	24,663	33,779	36,710	50,775	57,147	
4. Other current expenditure	1,772	3,310	2,928	3,590	4,244	4,543	
5. Interest payments	185	250	623	604	551	551	
6. Transfers to lower local communities	627	960	1,310	1,653	1,497	1,619	
7. Budget reserves	215	360	383	748	1,095	1,101	
C. OLD AGE PENSION AND DISABILITY INSURANCE EXP.	**127,398**	**186,053**	**247,989**	**302,531**	**340,783**	**387,702**	**431,770**
D. OBLIGATORY HEALTH INSURANCE EXPENDITURE	**72,275**	**107,253**	**131,911**	**153,232**	**173,173**	**196,636**	**219,131**
E. EXPENDITURE OF SOLIDARITY FUND	**3,430**	**2,085**	**2,092**	**0**	**0**	**0**	**0**
TOTAL EXPENDITURE	**464,286**	**670,169**	**853,997**	**1,016,007**	**1,147,130**	**1,328,417**	**1,493,056**
PUBLIC FINANCING SURPLUS OR DEFICIT	**2,492**	**4,656**	**-4,243**	**-655**	**6,689**	**-32,573**	**-32,678**

(cont. on next page)

Table 13: General government expenditure (continue)

per cent of GDP

	1992	1993	1994	1995	1996	1997	1998 estimate
A. CENTRAL GOVERNMENT EXPENDITURE	**20.7**	**21.0**	**20.2**	**20.6**	**19.9**	**20.8**	**21.0**
1. Wages, contributions in gov. institutions and defence	5.1	5.7	4.8	6.4	6.7	7.1	
2. Purchases of goods and services in government inst. and def.	2.3	1.8	1.9	1.7	1.7	1.7	
3. Social transfers	2.0	2.0	1.9	1.3	1.4	1.5	
4. Other payments for services	0.7	0.8	0.7	0.9	0.8	0.7	
5. Social transfers (excluding pension fund transfers)	3.4	4.1	3.9	3.4	3.4	3.9	
6. Subsidies and other transfers to business sector	2.8	2.2	1.6	1.6	1.2	1.3	
7. Interest payments	0.5	1.3	1.5	1.1	1.2	1.2	
8. Payments of government guarantees	0.9	0.3	0.2	0.0	0.1	0.0	
9. Other current expenditure	0.2	0.2	0.5	0.5	0.4	0.4	
10. Payments for refugees	0.1	0.1	0.1	0.1	0.1	0.0	
11. Capital expenditure (without defence and health insurance)	2.4	2.2	2.8	3.1	2.4	2.3	
12. Capital transfers to financial institutions	0.0	0.1	0.1	0.4	0.6	0.7	
13. Budget reserves	0.2	0.1	0.0	0.0	0.0	0.0	
B. LOCAL GOVERNMENT EXPENDITURE	**4.9**	**5.2**	**5.3**	**4.6**	**4.9**	**4.8**	**4.8**
1. Wages, contrib. and other purchases of goods and services	1.1	1.1	1.1	0.6	0.6	0.6	
2. Transfers to public providers of social services	2.1	2.0	2.1	2.0	2.0	1.9	
3. Subsidies and other transfers to business sector	1.5	1.7	1.8	1.7	2.0	2.0	
4. Other current expenditure	0.2	0.2	0.2	0.2	0.2	0.2	
5. Interest payments	0.0	0.0	0.0	0.0	0.0	0.0	
6. Transfers to lower local communities	0.1	0.1	0.1	0.1	0.1	0.1	
7. Budget reserves	0.0	0.0	0.0	0.0	0.0	0.0	
C. OLD AGE PENSION AND DISABILITY INSURANCE EXP.	**12.5**	**13.0**	**13.4**	**13.6**	**13.4**	**13.3**	**13.2**
D. OBLIGATORY HEALTH INSURANCE EXPENDITURE	**7.1**	**7.5**	**7.1**	**6.9**	**6.8**	**6.8**	**6.7**
E. EXPENDITURE OF SOLIDARITY FUND	**0.3**	**0.1**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**
TOTAL EXPENDITURE	**45.6**	**46.7**	**46.1**	**45.7**	**44.9**	**45.7**	**45.7**
PUBLIC FINANCING SURPLUS OR DEFICIT	**0.2**	**0.3**	**-0.2**	**0.0**	**0.3**	**-1.1**	**-1.0**

Source of data: Ministry of Finance

Table 13a: Consolidated General Government Revenue, Expenditure and Financing; GFS - IMF Methodology

current prices, in SIT 000

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	1997	1998 estimate	1999 estimate
II. TOTAL EXPENDITURE	**1,270,254,936**	**1,441,239,119**	**1,595,147,198**
40 CURRENT EXPENDITURE	**228,995,732**	**261,970,794**	**306,798,723**
400 WAGES, SALARIES AND OTHER PERSONNEL EXPENDITURE	97,875,878	108,986,593	118,371,213
401 EMPLOYER'S CONTRIBUTIONS FOR SOCIAL SECURITY	0	0	0
402 PURCHASES OF GOODS AND SERVICES	94,878,764	104,132,380	120,437,217
403 DOMESTIC INTEREST PAYMENTS	21,574,211	28,205,329	32,290,910
404 INTEREST PAYMENTS ABROAD	12,930,755	16,374,918	24,039,326
409 RESERVES	1,736,124	4,271,574	11,660,057
41 CURRENT TRANSFERS	**915,575,222**	**1,033,846,910**	**1,123,336,577**
410 SUBSIDIES	40,038,391	50,226,136	56,149,820
411 CURRENT TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	521,681,976	581,925,937	640,804,371
412 CURRENT TRANSFERS TO NON-PROFIT INSTITUTIONS	2,307,887	9,192,804	8,942,086
413 OTHER CURRENT DOMESTIC TRANSFERS	348,677,903	388,578,589	413,393,438
414 CURRENT TRANSFERS ABROAD	2,869,065	3,923,444	4,046,862
42 CAPITAL EXPENDITURE	**52,736,113**	**73,708,259**	**80,992,853**
420 ACQUISITION OF FIXED ASSETS	52,736,113	73,708,259	80,992,853
43 CAPITAL TRANSFERS	**72,947,869**	**71,713,156**	**84,019,045**
430 CAPITAL TRANSFERS	72,947,869	71,713,156	84,019,045
III. SURPLUS / DEFICIT (I. - II.)	**-32,573,002**	**-39,961,319**	**-26,209,846**

(cont. on next page)

Table 13a: Consolidated general government revenues, expenditures and financing; GFS - IMF Methodology (continue)

per cent of GDP

	1997	1998 estimate	1999 estimate
II. TOTAL EXPENDITURE	**43.7**	**44.1**	**44.0**
40 CURRENT EXPENDITURE	**7.9**	**8.0**	**8.5**
400 WAGES, SALARIES AND OTHER PERSONNEL EXPENDITURE	3.4	3.3	3.3
401 EMPLOYER'S CONTRIBUTIONS FOR SOCIAL SECURITY	0.0	0.0	0.0
402 PURCHASES OF GOODS AND SERVICES	3.3	3.2	3.3
403 DOMESTIC INTEREST PAYMENTS	0.7	0.9	0.9
404 INTEREST PAYMENTS ABROAD	0.4	0.5	0.7
409 RESERVES	0.1	0.1	0.3
41 CURRENT TRANSFERS	**31.5**	**31.6**	**31.0**
410 SUBSIDIES	1.4	1.5	1.6
411 CURRENT TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	17.9	17.8	17.7
412 CURRENT TRANSFERS TO NON-PROFIT INSTITUTIONS	0.1	0.3	0.2
413 OTHER CURRENT DOMESTIC TRANSFERS	12.0	11.9	11.4
414 CURRENT TRANSFERS ABROAD	0.1	0.1	0.1
42 CAPITAL EXPENDITURE	**1.8**	**2.3**	**2.2**
420 ACQUISITION OF FIXED ASSETS	1.8	2.3	2.2
43 CAPITAL TRANSFERS	**2.5**	**2.2**	**2.3**
430 CAPITAL TRANSFERS	2.5	2.2	2.3
III. SURPLUS / DEFICIT (I. - II.)	**-1.1**	**-1.2**	**-0.7**

Source of data: the Ministry of Finance, November 1998, calculations of percentage in GDP by IMAD

Table 14: Indicators of overall competitiveness

annual growth in %

	1993	1994	1995	1996	1997	1998 estimate	1999 estimate
Effective exchange rate [1]							
Nominal	-21.3	-11.9	-0.5	-9.7	-5.4	-2.5	-2.2
Real [2]	0.8	3.8	10.2	-2.9	0.7	3.7	2.6
Unit labour cost in manufacturing [3]							
In SIT nominal	36.7	14.3	9.8	6.9	7.2	6.0	5.7
In the basket of currencies [4]	7.7	0.7	9.3	-3.5	1.4	3.3	3.4
In the basket of currencies - relative [5]	4.1	3.5	9.3	-4.9	3.4	4.0	3.4
Components 4[)]:							
Compensation of employees - real [6]	10.3	5.7	4.9	3.9	3.4	3.4	3.0
Net wages and other remunerations	15.8	10.9	6.8	7.7	4.3	3.5	3.3
Tax burden on wages [7]	-3.5	-4.0	-0.6	-2.5	-0.5	0.2	0.0
Labour productivity	7.2	11.9	8.4	6.7	4.5	5.3	4.0
Prices / exchange rate	4.6	6.6	12.9	-0.8	2.6	5.2	4.5

Source of data: BS, APP, SORS, OECD, WIFO, calculations IMAD.
Notes:
[1] Growth in index value denotes drop in the value of tolar and vice versa
[2] Measured by relative inflation
[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 retail price index until 1998, after 1998 deflated by consumer prices
[7] The ratio of gross wages and employers' contributions to net wages

Table 15: Labour force, employment and unemployment

in thousand

		1992	1993	1994	1995	1996	1997	1998 estimate	1999 estimate
A	**POPULATION, 30 June**	**1,995.8**	**1,990.6**	**1,988.9**	**1,987.5**	**1,991.2**	**1,986.8**	**1,982.6**	**1,980.2**
A1	of which: age group 15 - 64	1,376.6	1,375.9	1,378.6	1,377.2	1,383.9	1,385.3	1,384.1	1,384.6
B1	**LABOUR FORCE (by current statistics) (C1+D1)**	**894.2**	**897.3**	**878.7**	**870.6**	**864.6**	**868.6**	**872.9**	**874.3**
	- as a % of age group 15 - 64 (B1/A1)	65.0	65.2	63.7	63.2	62.5	62.7	63.1	63.1
B2	**LABOUR FORCE (by LF Survey) (C2+D2)**	**969.0**	**930.0**	**936.0**	**952.0**	**947.0**	**978.0**	**983.0**	
	- as a % of age group 15 - 64 let (B2/A1)	70.4	67.6	67.9	69.1	68.4	70.6	71.0	
C1	PERSONS IN EMPLOYMENT (by monthly reports)	791.6	768.2	751.7	749.1	744.8	743.4	747.1	750.9
C11	Persons in paid employment **	692.1	665.6	647.3	641.4	635.2	651.2	653.0	655.8
C111	- in enterprises and other organisations**	658.9	629.0	605.5	593.8	581.7	593.1	592.3	592.7
C112	- in small scale sector	33.2	36.6	41.8	47.6	53.5	58.1	60.7	63.1
C12	Self-employed persons	99.5	102.7	104.3	107.7	109.6	92.2	94.1	95.0
C121	- independent farmers	55.5	55.5	55.5	55.5	55.5	39.7	42.3	
C122	- other self-employed persons	44.0	47.1	48.8	52.2	54.1	52.5	51.8	
C2	**PERSONS IN EMPLOYMENT by LF Survey**	**889.0**	**845.0**	**851.0**	**882.0**	**878.0**	**906.0**	**907.0**	
	Of which: regulary employed and self-employed	834.0	792.0	781.0	820.0	820.0	841.0	847.0	
	unpaid family workers and other forms of work	55.0	53.0	70.0	62.0	57.0	65.0	60.0	
C3	EMPLOYMENT by national accounts statistics *)	835.7	820.5	822.9	830.0	823.6	823.6	827.7	831.9
C4	**PERSONS IN EMPLOYMENT, not covered by current statistics (C3-C1)**	**44.1**	**52.3**	**71.2**	**80.9**	**78.8**	**80.2**	**80.6**	**81.0**
D1	REGISTERED UNEMPLOYED	102.6	129.1	127.1	121.5	119.8	125.2	125.7	123.4
	Rate of registered unemployment (D1/B1, in %)	**11.5**	**14.4**	**14.5**	**14.0**	**13.9**	**14.4**	**14.4**	**14.1**
	Rate of registered unemployment at the end of year	13.3	15.4	14.2	14.5	14.4	14.8	14.3	14.0
D2	UNEMPLOYED JOB-SEEKERS (by ILO standards)	80.0	85.0	85.0	70.0	69.0	72.0	75.0	
	Standardised unemployment rate (D2/B2, in %)	**8.3**	**9.1**	**9.1**	**7.4**	**7.3**	**7.4**	**7.7**	
E	JOB VACANCIES	6.9	9.1	12.6	12.9	13.1	11.2	11.4	11.7
	- per 100 unemployed (E/D1, in %)	**6.7**	**7.0**	**9.9**	**10.6**	**10.9**	**8.9**	**9.1**	**9.5**
F	WORK PERMITS, FOREIGNERS	36.6	31.5	35.0	39.1	40.4	40.2	34.8	34.8
	- by 100 persons in employment (F/B1, in %)	**4.1**	**3.5**	**4.0**	**4.5**	**4.7**	**4.6**	**4.0**	**4.0**

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Table 15: Labour force, employment and unemployment (continue)

in thousand

	1992	1993	1994	1995	1996	1997	1998 estimate	1999 estimate
ANNUAL GROWTH RATES (in %)***								
POPULATION, 30 June (A)	**-0.3**	-0.3	-0.1	-0.1	0.2	-0.2	-0.2	-0.1
LABOUR FORCE by current statistics (B1)	-2.8	0.3	-2.1	-0.9	-0.7	0.6	0.5	0.2
PERSONS IN EMPLOYMENT (by monthly reports) (C1)	-6.3	-3.0	-2.2	-0.3	-0.6	0.3	0.5	0.5
Of which: Persons in paid employment (C11)	-7.2	-3.8	-2.7	-0.9	-1.0	0.2	0.3	0.4
- in enterprises and other organisations (C111)	-7.6	-4.5	-3.7	-1.9	-2.1	-0.7	-0.1	0.1
Persons in employment in small-scale sector (C112+C122)	0.7	10.2	14.5	13.7	12.6	10.3	4.4	4.0
Independent farmers (C121)	1.1	3.2	1.6	3.2	1.8	0.9	2.1	1.0
PERSONS IN EMPLOYMENT by LF Survey (C2)	-6.3	-4.9	0.7	3.6	-0.5	3.2	0.1	
EMPLOYMENT by national accounts statistics (C3)	-4.1	-1.8	0.3	0.9	-0.8	0.0	0.5	0.5
REGISTERED UNEMPLOYED (D1)	36.6	25.8	-1.6	-4.4	-1.4	4.5	0.4	-1.9
JOB VACANCIES (E)	29.1	32.2	38.7	2.9	1.3	-14.9	2.5	2.6
WORK PERMITS, FOREIGNERS (F)	-2.4	-13.9	11.0	11.8	3.3	-0.6	-13.3	0.0
WORK PERMITS, FOREIGNERS (F)	-2.4	-13.9	11.0	11.8	3.3	-0.6	-0.6	-0.6

Source of data: SORS, IMAD's estimates.
Note:
* by 1997 firms with 1-2 employed included;
** for 1997 IMAD's estimates;
*** estimated growth rate for 1997 based on comparable data.

Table 16: Labour force flows during the year

	1992	1993	1994	1995	1996	1997	1998 estimate	1999 estimate
Redundant	**75.2**	**71.9**	**55.6**	**55.4**	**65.4**	**60.6**	**58.0**	**56.3**
- per 100 persons in employment (in %)	9.5	9.4	7.4	7.4	8.8	8.1	7.8	7.5
Retired	24.2	13.7	11.4	11.5	12.2	14.0	16.0	16.0
- per 100 persons in employment (in %)	2.7	1.5	1.3	1.3	1.4	1.6	1.8	1.8
Dead	3.9	4.1	3.9	3.6	3.5	3.7	3.4	3.6
- per 100 persons in employment (in %)	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Reg. unemployed who found employment	**59.5**	**60.0**	**74.6**	**60.0**	**54.6**	**56.1**	**57.8**	**58.8**
- per 100 persons in employment (in %)	7.5	7.8	9.9	8.0	7.3	7.5	7.7	7.8
Growth in work permits for foreigners during the year	-0.9	-5.1	3.8	2.6	0.2	-2.9	-3.3	0.0
- per 100 persons in employment (in %)	-0.1	-0.7	0.5	0.3	0.0	-0.4	-0.4	0.0
Others who found employment (net)	3.3	17.0	-15.0	6.8	19.5	27.3	26.3	20.9
- per 100 persons in employment (in %)	0.4	2.2	-2.0	0.9	2.6	3.7	3.5	2.8
First-time job seekers	**24.5**	**25.8**	**22.3**	**24.3**	**21.1**	**17.9**	**19.0**	**18.2**
- per 100 persons in employment (in %)	3.1	3.4	3.0	3.2	2.8	2.4	2.5	2.4
Crossed out of register	**13.2**	**18.8**	**17.0**	**16.4**	**34.1**	**18.3**	**23.0**	**18.5**
- per 100 persons in employment (in %)	12.9	14.6	13.4	13.5	28.5	14.6	18.3	15.0
LABOUR FORCE at the end of the year	891.4	892.5	871.4	873.6	864.6	870.9	870.5	871.4
of which: registered unemployed	118.2	137.1	123.5	126.8	124.5	128.6	124.8	122.0
Registered unemployment rate at the end of the year (M1/M, in %)	13.3	15.4	14.2	14.5	14.4	14.8	14.3	14.0

Source of data: SORS, IMAD's estimates.

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