autumn forecast of economic trends 2010

IMAD

Autumn forecast of economic trends 2010 (Jesenska napoved gospodarskih gibanj 2010)
Ljubljana, October 2010

Publisher: IMAD, Ljubljana, Gregorčičeva 27

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Summary

With stronger foreign demand, economic growth is projected to be 0.9% this year, somewhat higher than the spring forecast (0.6%). Incentives for stronger economic activity in Slovenia this year mainly come from the international environment, with economic growth in Slovenia's trading partners being even higher in the second quarter than expected in the spring. At the same time, the phasing-out of anti-crisis stimulus packages and the fiscal austerity measures announced in a number of countries in the EU lowered the values of indicators of expectations in recent months, which suggest that this high growth will not continue in the second half of the year. While export demand picked up, impulses from the domestic environment are weaker, which is linked to the situation in the construction sector and related activities as well as labour market movements, where signs of recovery have yet to be seen.

Exports will increase by 7.0% this year, as strengthening foreign demand has a favourable effect on value added growth in export-oriented activities. Slovenian merchandise exports, which were up 11% y-o–y in the first half of the year, were particularly stimulated by demand from the EU, with growth in exports to other markets being marginal. The pick-up in exports still mainly relies on stronger exports of goods and consequent growth in exports of certain services (particularly transport services), with exports of other services increasing more modestly or declining. Besides the favourable international environment, strong mid-year growth in Slovenian exports also reflects low comparative bases and deep declines in the same period of last year. It can be thus expected to slow visibly, especially in the last quarter of this year, to reach 7% in the year as a whole. Given the upswing in export demand, value added growth will be highest in manufacturing (7.0%) and transport, storage and communications (5.0%).

This year, domestic consumption is not likely to exceed last year's level, largely due to hurdles arising from difficulties in the construction sector, access to sources of finance, lack of payment discipline and the labour market situation. Hurdles to faster economic growth stem from the domestic environment, with problems associated particularly with construction and related activities tightening further since the spring. In the second quarter, domestic consumption otherwise recorded modest y-o-y growth, largely due to a visible contribution of change in inventories (2.8 p.p.), which are growing this year, after a sizeable decline in 2009; this will also importantly contribute to annual GDP growth (1.1 p.p.; 0.5 p.p. in the spring). In mid-2010, other main domestic consumption aggregates were still lower than in the same period last year (private consumption and gross fixed capital formation) or recorded modest growth (government consumption). As such movements are also expected to mark the second half of the year, total domestic consumption will not be higher in 2010 than last year. Households, which had already cut back consumption in real terms last year, will also spend less than last year in 2010 (-0.5%), with income movements reflecting the tightening of labour market conditions. As already predicted in the spring, there will be a strong decline in investment in construction and mid-year data suggest even greater problems in this sector. The greatest declines in construction investment were recorded in residential construction, with the accumulation of inventories as one of the main barriers to the pick-up of construction activity, and in civil-engineering, where current infrastructure investment fell much behind the previous years' levels after the completion of intensive motorway construction and due to the lack of resources to start new projects. In 2010, due to such developments in the construction sector, the 0.5% growth in gross fixed capital formation as projected in the spring cannot be achieved; instead, we expect a 3.5% decline, despite the strengthening of investments in machinery and equipment, which is progressing in line with expectations. Except for the break in the first quarter of this year, these investments have rebounded since the second half of last year, given the uptick in export demand and related increases in production volume and capacity utilisation. The structure of this year's economic growth, which is largely based on exports and investment in machinery and equipment characterised by a strong import component, has also contributed to the strengthening of imports, which will increase by 5.6% this year. Government consumption will be up 0.7% in real terms this year, which is much lower growth than in previous years. The structure of government consumption growth also reflects the macroeconomic situation, given that the highest growth rates are recorded for expenditure on social benefits in kind, with government expenditure on material costs and other expenditure on government intermediate consumption slowing for the second consecutive year. Real compensation of employees in the government sector, in contrast, is still growing at an above-average rate, due to a further increase in the number of employees in certain general government sectors (particularly pre-school child care, elementary schools, and partly the state administration).

With domestic consumption recovering and export demand remaining relatively strong, economic growth will accelerate to 2.5% in 2011 and 3.1% in 2012. According to prevailing projections for Slovenia's main trading partners in the EU, economic growth in these countries will decline slightly in 2011 relative to this year, easing most notably in Germany while accelerating in the countries of the former Yugoslavia. Under these assumptions, Slovenian exports will increase somewhat less (5.9%) than this year in 2011. With labour market conditions continuing to ease, household consumption is expected to be 1.0%. After shrinking strongly for two years, activity is also expected to pick up in construction, particularly non-residential and infrastructure construction (railways), which will be, amid a further strengthening of investment in machinery and equipment, reflected in renewed total growth in fixed capital formation (4%). Activity growth will not be limited only to export-oriented manufacturing and other sectors related to trade in goods as was the case this year, but will also expand to other market services (retail and wholesale trade, accommodation and food service activities, business services). Government consumption, however, will decline (-0.8%) due to further savings measures and streamlining called for by the deteriorated public finance situation. With the expected further strengthening in domestic and export demand, economic growth will accelerate to 3.1% in 2012.

The deterioration of the situation on the labour market slowed significantly this year. The decline in employment was relatively small between January and June this year and similar movements are also expected in the second half of the year. This year, however, the number of employed persons will still be 2.3% lower, on average, than in 2009 (statistical carryover effect). This forecast does not diverge significantly from what we predicted in the spring (-2.4%), but the structure of the decline will be somewhat different. The more favourable economic movements, particularly in manufacturing, will result in a smaller drop in employment in these activities, but there will be more dismissals in the construction sector due to a greater decline in activity than foreseen in the spring. The government continues to soften the employment decline with measures aimed at preserving jobs, which covered 1.7% of all employees in the first half of 2010, much less than in the last year as a whole (4.6%). Due to increased retirements of workers and dismissals of temporarily employed foreign workers in construction, who do not register as unemployed, the increase in registered unemployment will be smaller than predicted in the spring forecast. The number of unemployed persons, which remained below 100,000 until August 2010, is otherwise expected to increase by the end of the year. The inflow into unemployment of first-time job-seekers tends to rise in the second half of the year and more people tend to lose jobs due to the termination of temporary employment contracts. Furthermore, we also expect dismissals for business reasons and bankruptcies. The average number of unemployed persons is thus expected to total around 101,000, the average registered unemployment rate 10.7% and the survey unemployment rate 7.2%.

After a further slowdown in 2011, the situation on the labour market is expected to improve in 2012. The labour market will respond to the rebound in economic activity with a lag and the two emergency acts aimed at preserving jobs will expire. The number of employed persons will still decline during the first quarter of 2011, after which time it is expected to start increasing gradually, but will still be 0.3% lower in the year as a whole than in 2010. Employment will be lower in manufacturing, mining, construction, agriculture and certain market services, but jobs will be created in certain business and public services; within the latter, due to the growing needs and adoption of new employment norms, particularly in child care and care of the elderly, where employment has been rising for several years due to the growing youngest and oldest generations. Amid such movements and assuming that the number of the unemployed included in active employment policy programmes will remain relatively high, the average number of unemployed persons will reach around 103,000 in 2011 and the registered unemployment rate will be 11%. Both indicators are expected to improve in 2012, but gradually due to structural unemployment.

This year, the average level of the gross wage per employee will be 3.7% higher in nominal terms than last year, and is expected to increase by 2.9% and 3.5% in 2011 and 2012, respectively. In the first half of the year, wage growth in the private sector was faster than expected, largely due to the increase in the minimum wage. When preparing the spring forecast, we expected that the minimum wage would be raised gradually, given the tightened economic situation, but according to the latest available data, as many as 70% minimum-wage earners already received the minimum wage in the highest category in the middle of 2010 (between EUR 685 and EUR 734). In addition to the increase in the minimum wage, this relatively strong wage growth is still influenced by changes in the structure of employment (dismissal of employees with the lowest wages), the effect of which is only slightly smaller than last year. The average gross wage per employee in the private sector is thus expected to be 4.5% higher in nominal terms this year than in 2009. Public sector wages, in contrast, recorded lower-than-

expected growth in the first half of the year. If the Agreement on Measures Regarding Public Sector Salaries for 2011 and 2012 (26 August 2010)[1] enters into force, nominal growth in public sector wages will total 0.8% this year and in 2011, while it will strengthen to 2.5% in 2012 with a gradual reinstatement of certain, now frozen, components of public servant wages. Nominal growth in the gross wage in the private sector is expected to be lower (3.8%) in 2011 than this year because of a much smaller effect of wage rises due to the adjustment to the new level of minimum wage (in that part of the economy, where wages have yet to be adjusted) and because of the waning effect of the change in the structure of employment and fewer working days. With a further pick-up in economic activity, private sector wage growth in set to be 4.0% in nominal terms in 2012.

Inflation, marked by increases in energy prices and excise duties this year, is expected to reach 2.8% by the end of the year (average inflation 2.1%). Higher energy prices contributed approx. 0.8 p.p. to 2.0% inflation in the first eight months of this year. The expected increase in excise duties on tobacco and alcohol was followed by another increase in excise duties on tobacco in August, along with rises in excise duties on natural gas and electricity. The total effect of all tax changes amounted to as much as 0.8 p.p. in the first eight months of the year (0.8 p.p., higher excise duties; 0.1 p.p., contribution for efficient energy use, -0.1 p.p., lower VAT on locally-provided services). By the end of the year, this effect will be even greater, taking into account November's increase in excise duties on electricity foreseen according to the documents valid mid-September, and will reach about 1.0 p.p., as much as in 2009. Certain risks have materialised as well (higher prices of public utility services due to changes in their regulation). At the end of the year, price growth will hence be higher than foreseen in the spring (1.3%). The difference between inflation rates in Slovenia and in the euro area is greatest in prices of energy and excise products, while there is no significant discrepancy in core inflation indicators – these remain low, reflecting the impact of relatively weak domestic demand.

Assuming lower growth in commodity prices and excise duties, which have a great impact on inflation this year, y-o-y inflation will ease to 2.2% next year. Amid a gradual strengthening of economic activity, core inflation will increase gradually next year, while headline inflation will be somewhat lower than this year due to a smaller contribution of commodity and energy prices and the announced smaller increase in excise duties; average inflation, the calculation of which is also impacted by this year's higher price growth, will rise in 2011 (to 2.7%).

The deficit in the current account of the balance of payment will narrow from last year's 1.5% to 0.9% of GDP this year and will amount to around 1% of GDP in the next two years. This year, the expected decline in the current account deficit will chiefly result from a lower net outflow of investment income. If Slovenia realises the absorption of EU funds foreseen in the supplementary budget, its net budgetary surplus against the EU budget will be much higher than last year, which is why we expect a lower deficit in the balance of current transfers. However, we project a higher deficit in trade in goods, largely due to significantly faster growth in import than export prices. The surplus in the balance of services will narrow this year, largely due to a higher deficit in the group of other services (construction and communication services, licences, patents and copyrights) and a somewhat lower surplus in travel services. With the foreseen slight decline in the deficit in trade in goods and an increase in the surplus in trade in services, the total trade surplus will increase slightly in the next two years, while net interest payments abroad will increase gradually. The current account deficit will thus remain at around 1% of GDP.

The key risk to the realisation of the forecast for GDP growth is the possibility of a deterioration in the international environment and a renewed tightening in financial markets. As Slovenia's recovery is mainly underpinned by the upswing in international trade, a potential slowdown in economic growth in its main trading partners would also drag down the expected economic recovery in Slovenia in 2011. According to simulations, a 2 p.p. lower economic growth than projected for these countries in the baseline scenario would push Slovenia's economic growth down to 0.5% in 2011. It would mainly affect exports, which would stagnate, and investment, which would increase by a mere 1.2%. Growth in private consumption would also drop slightly (0.8%). Economic activity could also abate due to a further tightening of the situation in financial markets, which may, when the ECB starts to phase out liquidity measures, aggravate access of Slovenian banks to sources of finance and increase their costs. The public and business sectors may also face much higher costs of finance if there is no improvement in domestic public finances, which could also contribute to lower economic activity than foreseen in the baseline scenario.

[1] According to the proposed Agreement, neither the third nor the fourth quarter of funds for the elimination of wage disparities should be disbursed this year and the next, respectively, and there will be no adjustment for inflation and no promotions next year.

Autumn forecast of the main macroeconomic aggregates and a comparison with spring forecast

Real growth rates in % (unless otherwise indicated)

	2009	2010		2011		2012	
		Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)
GROSS DOMESTIC PRODUCT	**-8.1**	**0.6**	**0.9**	**2.4**	**2.5**	**3.1**	**3.1**
GDP in EUR m (current prices)	35,384	34,934	35,792	36,286	37,227	38,202	39,033
INFLATION (Dec/Dec of the preceding year, %)	1.8	1.3	2.8	2.0	2.2	2.5	2.3
INFLATION (Jan-Dec/Jan-Dec annual average, %)	0.9	1.3	2.1	1.6	2.7	2.3	2.2
USD/EUR exchange rate	1,393	1,364	1,310	1,358	1,294	1,358	1,294
EMPLOYMENT according to the SNA, % growth	-1.9	-2.3	-2.2	-0.6	-0.3	0.0	0.2
REGISTERED UNEMPLOYMENT RATE (%)	9.1	11.1	10.7	11.6	11.0	11.2	10.6
ILO UNEMPLOYMENT RATE (%)	5.9	7.2	7.2	7.6	7.1	7.3	6.9
PRODUCTIVITY (GDP per employee), % growth	-6.4	3.0	3.2	3.0	2.9	3.0	3.0
GROSS WAGE PER EMPLOYEE	2.5	1.4	1.6	2.2	0.2	2.2	1.3
EXPORTS OF GOODS AND SERVICES	-17.7	4.3	7.0	6.3	5.9	7.4	7.0
- exports of goods	-18.1	4.7	8.7	6.4	5.9	7.4	7.2
- exports of services	-16.1	2.9	0.6	6.1	5.5	7.6	6.0
IMPORTS OF GOODS AND SERVICES	-19.7	4.1	5.6	6.0	4.5	6.7	5.9
- imports of goods	-20.9	3.9	6.2	6.0	4.4	6.7	5.8
- imports of services	-12.3	4.9	2.8	6.0	5.6	6.6	6.6
CURRENT ACCOUNT BALANCE (EUR m)	-526	-638	-330	-1,095	-386	-1,249	-427
- as % of GDP	-1.5	-1.8	-0.9	-3.0	-1.0	-3.3	-1.1
GROSS FIXED CAPITAL FORMATION	-21.6	0.5	-3.5	3.5	4.0	4.5	4.3
- as % of GDP	23.9	24.0	23.0	24.2	23.3	24.5	23.7
PRIVATE CONSUMPTION	-0.8	-0.5	-0.5	1.7	1.0	2.3	2.0
- as % of GDP	55.4	54.9	55.6	54.4	55.5	53.9	55.1
GOVERNMENT CONSUMPTION	3.0	0.6	0.7	0.2	-0.8	0.8	1.4
- as % of GDP	20.3	20.6	20.4	20.6	19.7	20.6	19.5

Source: SORS, BS, forecast by IMAD.

autumn forecast of economic trends 2010

Background documents and data for the Autumn Forecast of Economic Trends 2010-2012

The Autumn Forecast of Economic Trends for 2010–2012 takes account of figures, information available and economic policy measures in force at the time of finalising the document (9 September 2010).

The Autumn Forecast of Economic Trends 2010 is based on IMAD's expert estimates using the following source data: (i) data on gross domestic product, the main aggregates of national accounts and employment in the first half of 2010 and new annual data for 2006–2009 (SORS), the balance of payments for the first half of 2010 and revised data for 2009; (ii) available statistical data on other current economic trends; (iii) data on GDP growth in the international environment in the first half of 2010; (iv) forecasts by international institutions on economic trends in the international environment released by 9 September; (v) prevailing expectations of international institutions regarding the future prices of oil; (vi) results of the dynamic factor model and other econometric models used in forecasting; (vii) consultations with other organisations preparing forecasts for Slovenia.

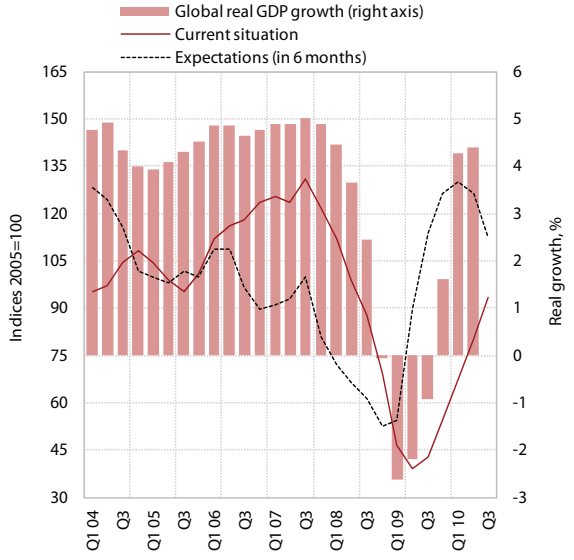
The forecasts of general government final consumption and investment consumption in 2010–2012 are based on the adopted supplementary state budget for 2010, and for 2011 and 2012 the draft budget memorandum and other government documents for the preparation of the revised draft state budgets for 2011 and 2012, and financial plans of other general government budgets. The forecasts of public sector wages for 2010–2012 take into account the proposal of the Agreement on Measures Regarding Public Sector Wages and Other Compensation for 2011 and 2012 (26 August 2010), which also impact wages in 2010. In the area of excise policy, the forecast takes into account the changes that have been foreseen by adopted regulations.

This publication represents a more detailed analysis of the Autumn Forecast of Economic Trends 2010, of which the Government of the RS took note on 16 September 2010.

International environment

The global economic recovery accelerated strongly in the first half of the year, but economic activity is expected to slow down in the second half of the year. The recovery was mainly underpinned by industrial production boosted by higher global trade, with expansionary fiscal and monetary policies still playing important roles. However, confidence indicators suggest a slowdown in economic activity in the second half of 2010 and in 2011; this is also indicated by the forecasts of international institutions. According to the latest IMF forecasts (July), the world economy will grow by 4.6% in 2010, more than the IMF projected at the time when we prepared the spring forecast, and 4.3% in 2011 (the forecast for 2011 is unchanged). The pick-up in the volume of global trade also exceeds the spring expectations for this year, as global trade is expected to increase by 9.0% in 2010, while the forecast for the next year remains unchanged (6.0%). Developing economies, most notably from Asia, will make a much greater contribution to economic growth and global trade than advanced economies.

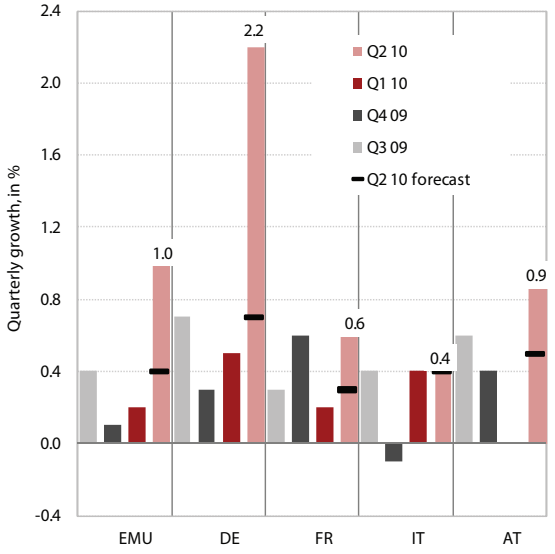
Figure 1: **Ifo – expectations of global economic growth**



Source: IMF, Ifo, August 2010.

In the second quarter, economic growth in the euro area was much higher than expected. After the steep decline at the end of 2008, economic activity has been increasing since mid-2009, while in the second quarter of 2010 GDP was 1.9% higher than in the same period of 2009 (in the first quarter 0.8%). In all of Slovenia's main trading partners, particularly Germany, GDP increased in the second quarter more than predicted by most international institutions in the spring. On the other hand, as expected, GDP growth was relatively lower in the EU countries, which were most affected by the sovereign debt crisis. These countries' poor economic situation is also reflected in financial markets, with the yield to maturity of their 10-year government bonds remaining high. The recovery of the euro area is mainly driven by foreign demand, which was additionally boosted by the depreciation of the euro in the second quarter. In the first half of the year, y-o-y GDP growth was also significantly underpinned by the contribution of inventories, and, to a smaller extent, by private and government consumption. Gross fixed capital formation was still lower in the first six months than in the same period last year.

Figure 2: **Economic growth in Slovenia's main trading partners**



Source: Eurostat, European Commission Spring Forecast (May 2010).

The autumn forecasts of economic growth in Slovenia's main trading partners in the euro area in 2010 are more favourable than the spring forecasts, while the forecasts for the next year have not been substantially changed. Based on the available data and forecasts by international institutions at the beginning of September, we assumed 1.4% growth when preparing the autumn forecast for the euro area for 2010, which significantly exceeds the assumption of the spring forecast (0.8%), and roughly unchanged growth (1.3%) for the next year. Germany is expected to record a slowdown next year, which will be relatively stronger than in the euro area. In 2011, economic growth in the euro area will also be mainly supported by foreign demand and gradually followed by the recovery of other components of aggregate demand. However, this demand will be weak, on the side of households limited by the deteriorated labour market situation and a relatively high degree of excess production capacities on the side of corporate investment. The impact of fiscal anti-crisis measures is waning, and the ECB is expected to start phasing out its extraordinary monetary measures,

albeit more slowly than anticipated in the spring. In 2012, economic growth in the euro area is projected to slightly strengthen (to 1.6%; see Table 1).

The recovery in Slovenia's main trading partners from the group of new EU members will also be slightly faster this year than expected in the spring. The pick-up in external trade, particularly trade with the largest economies in the EU is also the key factor behind the recovery in these countries. With domestic consumption increasing in addition to export demand, Poland will enjoy higher economic growth than Hungary and the Czech Republic, as these two countries have been much more affected by the tightened labour market conditions and austerity measures adopted to overcome difficult fiscal conditions. Economic growth in these countries is forecast to strengthen somewhat in the next two years (see Table 1).

The economic recovery in the countries of the former Yugoslavia is more volatile and slower. Last year, most of the countries in this region, except Croatia, recorded a smaller decline in economic activities than the average of the EU. On the other hand, their growth this year has also been slower in comparison with the average of the EU, which is their main export market. The main limiting factors are weak industrial sectors, low external competitiveness and high unemployment rates. In Croatia we expect GDP to shrink further this year, and even more than foreseen in the spring, as most of the short-term indicators of activity did not improve in the first six months of the year. For other countries of the former Yugoslavia, we assume slightly higher growth in this year compared with the spring assumptions, while the assumptions for the next two years are unchanged. According to the forecasts by international institutions, the main factors behind the recovery in the next two years will be higher foreign demand and resumed investment growth, in which a recovery of capital flows from abroad will play a crucial role; Croatia is also expected to see positive effects of its accession to the EU.

Risks to economic growth in the international environment remain high, which is reflected in frequent revisions of forecasts by international institutions and the large differences between them. The primary challenge for a further recovery of economies is a demand shift to households and enterprises, as demand is currently still fostered by extensive government measures. A key factor that could accelerate economic growth is a more rapid recovery of international trade flows, which in the first half of the year already exceeded the spring forecasts. On the downside, the risk that some Member States will not be able to repay their growing and ever more costly debts has increased, with the deteriorating public finances in the EU countries playing an increasingly important role

Table 1: **IMAD's autumn forecast assumptions of economic growth in Slovenia's main trading partners**

	2008	2009	2010		2011		2012	
			Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)
EU	0.5	-4.2	0.8	1.5	1.6	1.5	2.0	2.0
Euro area	0.4	-4.1	0.8	1.4	1.4	1.3	1.8	1.6
Germany	1.0	-4.7	1.3	2.5	1.6	1.7	1.8	1.7
Italy	-1.3	-5.0	0.7	0.9	1.1	1.0	1.3	1.1
Austria	2.2	-3.9	1.1	1.2	1.5	1.5	1.9	1.5
France	0.2	-2.6	1.3	1.4	1.6	1.4	1.9	1.9
UK	-0.1	-4.9	0.6	1.3	1.9	2.0	2.1	2.1
Czech Republic	2.5	-4.1	1.2	1.6	2.6	2.3	3.5	3.5
Hungary	0.6	-6.3	-0.2	0.5	2.8	2.5	3.5	3.5
Poland	5.0	1.7	2.6	3.0	3.0	3.5	3.4	3.4
Croatia	2.4	-5.8	-1.0	-1.5	2.0	2.0	2.5	2.5
Bosnia and Herzegovina	5.4	-3.2	-1.0	0.0	1.0	1.0	3.0	3.0
Serbia	5.7	-3.0	0.0	1.0	2.0	2.0	3.0	3.0
Macedonia	4.9	-0.7	0.0	1.0	2.0	2.0	3.0	3.0
USA	0.0	-2.6	3.1	2.9	3.0	2.8	3.0	3.3
Russia	5.6	-7.9	3.5	4.0	4.0	4.2	4.3	4.4

Source: Eurostat; ECB staff macroeconomic projections for the euro area, September 2010; Consensus Forecasts, August 2010; Eastern Europe Consensus Forecasts, August 2010; Economist Intelligence Unit Country Reports (Serbia, Croatia, Russia), August 2010; WIIW Current Analysis and Forecasts, July 2010; IMF World Economic Outlook update, July 2010; own estimate.

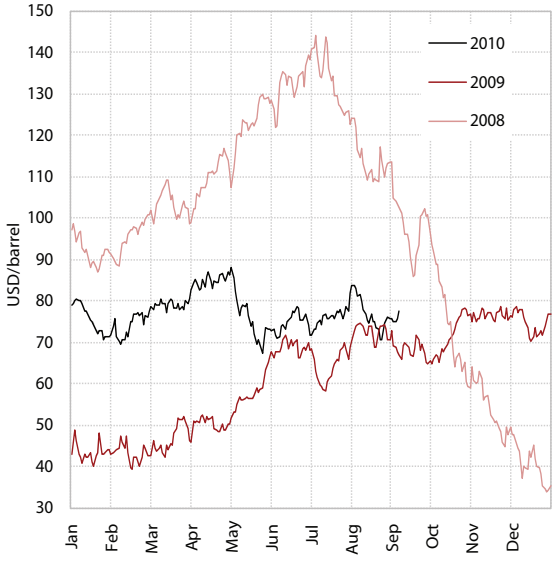
since the spring. Numerous countries have also adopted austerity measures to consolidate their public finances. A significant risk is still associated with the situation in the financial sector, which has yet to fully recover.

The autumn forecast is based on a lower value of the euro against the dollar than the spring forecast. In the first eight months of the year, the average euro exchange rate depreciated to USD 1.316 for EUR 1, down 10.0% on December 2009 and down 5.7% from the 2009 average. Based on the average euro exchange rate between 2 and 25 August 2010, the technical assumption for the euro exchange rate until the end of this year and in the coming two years is set at USD 1.294 to EUR 1 (in the spring, USD 1.358 to EUR 1).

Prices of Brent Crude oil have been relatively stable since as early as the second half of last year. They mainly hovered between USD 70 and USD 86 a barrel in the first eight months of this year, averaging USD 77.1 a barrel. Because of the significantly lower average price in the same period last year, y-o-y oil price growth was high (in USD, 38.2%; in EUR, 41.9%). We assume that prices will remain around USD 77 a barrel until the end of the year and that they will increase in 2011 and 2012, to USD 82 and 85 a barrel.

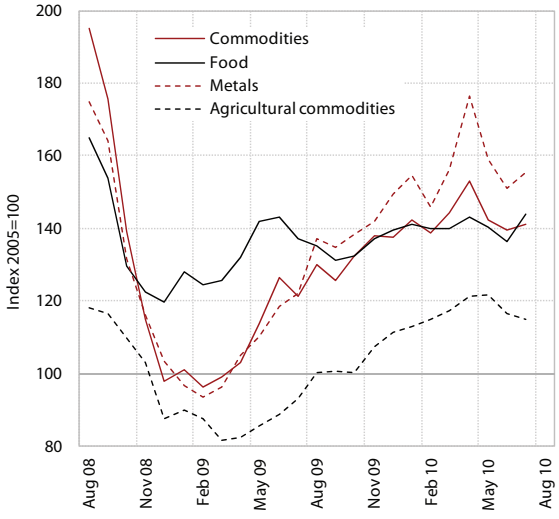
Dollar prices of non-energy commodities were 22% higher y-o-y in the first seven months of 2010, but their movements in the next two years will be moderate. Demand for commodities, particularly by developing countries, increased as expected amid the recovery of economic activity, which led to an increase in commodity prices. The main contribution to the y-o-y increase comes from growth in prices of metals, which were up 47.9% after last year's slump, while prices of food, which are (in addition to demand) also strongly affected by yields of agricultural commodities, increased by 5.6% y-o-y. With regard to current developments and the forecasts by international institutions, we assumed for this year and the next slightly higher growth in non-energy commodity prices than in the spring forecast (see Table 2).

Figure 3: **Prices of Brent Crude**



Source: EIA.

Figure 4: **IMF commodity price index**



Source: IMF.

Table 2: **Autumn forecast assumptions of commodity prices and the exchange rate of the euro**

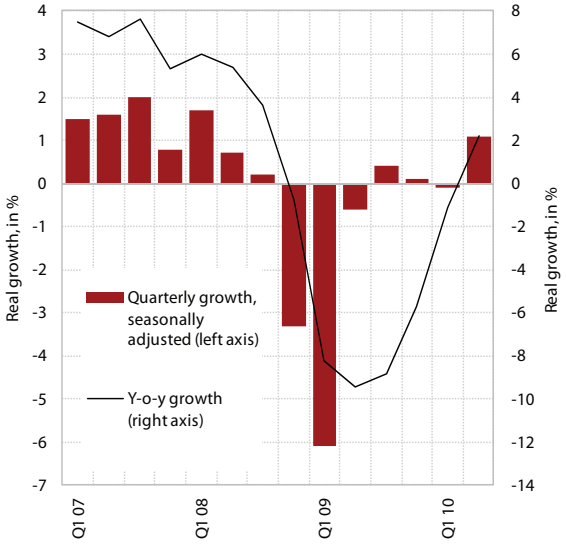
	2008	2009	2010		2011		2012	
			Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)
Average oil price per barrel, in USD	96.9	61.7	77.0	77.0	82.0	82.0	82.0	85.0
Growth of oil prices (USD), in %	33.8	-36.3	24.8	24.8	6.5	6.5	0.0	3.7
Growth of non-energy commodities prices (USD), in %	7.5	-18.7	6.0	16.8	2.0	8.0	5.0	4.0
Ratio of USD to EUR	1.471	1.395	1.364	1.310	1.358	1.294	1.358	1.294

Source: EIA, EIU, ECB, IMF; assumptions for 2010–2012 by IMAD.

Economic growth – main demand aggregates

With stronger foreign demand, economic growth in Slovenia is projected to be 0.9% this year, somewhat higher than the spring forecast (0.6%). Incentives for stronger economic activity this year mainly come from the international environment, with Slovenia's trading partners posting even higher economic growth in the second quarter than expected in the spring. With higher export demand and a great contribution of change in inventories, economic activity also increased more notably in Slovenia in the second quarter of this year for the first time since the onset of the crisis (see Figure 5); in the first half of the year, GDP was by an average of 0.6% higher in real terms than in the same period last year. On the other hand, impulses from the domestic environment are weaker, which is related to the situation in the construction sector and related activities, as well as to labour market movements.

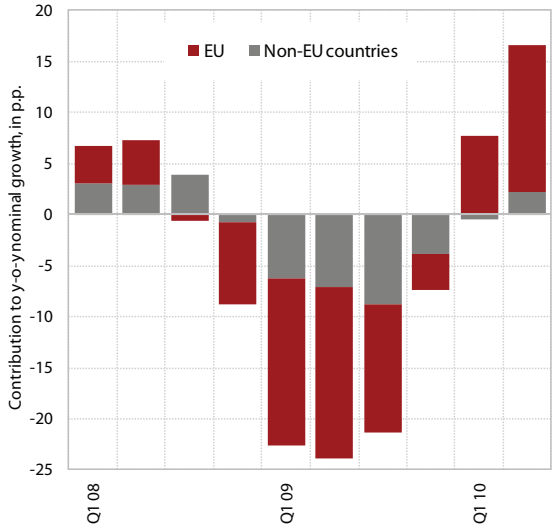
Figure 5: **Economic growth in Slovenia**



Source: SORS.

Exports of goods and services are expected to increase by 7.0% this year. Exports have picked up gradually after strong declines at the end of 2008 and in the first quarter of 2009, according to seasonally adjusted data, and their growth accelerated significantly in the second quarter of this year (see Figure 7). Slovenian goods exports were thus up 11% y-o-y in the first half of the year and were boosted particularly by demand from the EU, while exports to other markets recorded marginal growth.[2] The pick-up in exports still mainly relies on stronger exports of goods and consequent growth in the exports of certain services (particularly transport services), while exports of other services increased more modestly or declined (particularly construction and communication services). Total exports of services therefore also dropped (-0.6%). Besides the favourable international environment, strong growth in Slovenian exports in the first half of the year also reflects low comparative bases, i.e. deep declines in the same period last year. The phasing out of anti-crisis incentives (such as subsidies for new car purchases, which have also proved beneficial for Slovenian exports) and the fiscal austerity measures that have been announced in a number of countries in the EU have lowered the values of indicators of expectations regarding economic growth in these countries in recent months, suggesting that exports are not likely to grow at the same pace in the second half of the year. Export growth is expected to ease visibly y-o-y, particularly in the fourth quarter, to average 7% in the year as a whole.

Figure 6: **Contribution of EU and other countries to total nominal growth of merchandise exports**



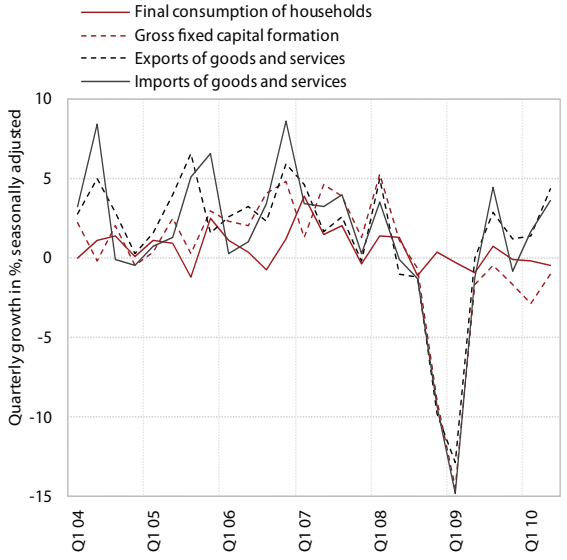
Source: SORS; calculations by IMAD.

Domestic consumption this year is not likely to exceed last year's level, largely due to difficulties in the construction sector, the low availability of sources of finance, lack of payment discipline and the situation in the labour market. Hurdles to faster economic growth stem from the domestic environment, with problems in the construction sector and related activities tightening further since the spring. Domestic consumption recorded

[2] In the first half of this year, the greatest contributions to nominal growth in exports to the EU came from exports of road vehicles, electrical machinery and appliances, and iron and steel. Growth in exports to non-EU countries was mainly attributable to exports of electrical appliances and machinery, and non-ferrous metals. Exports of medicinal and pharmaceutical products, which represent the greatest share of Slovenia's exports to markets outside the EU, increased y-o-y, after a year of decline.

modest y-o-y growth in the second quarter, largely due to a visible contribution of change in inventories (2.8 p.p.), which are growing this year after a substantial decline in 2009, and will also significantly contribute to annual GDP growth (see also Box 2). Other main domestic consumption aggregates were still lower at mid-year than in the same period last year (private consumption and gross fixed capital formation) or recorded modest growth (government consumption). As such movements are also expected for the second half of the year, total domestic consumption in 2010 will not be higher than last year.

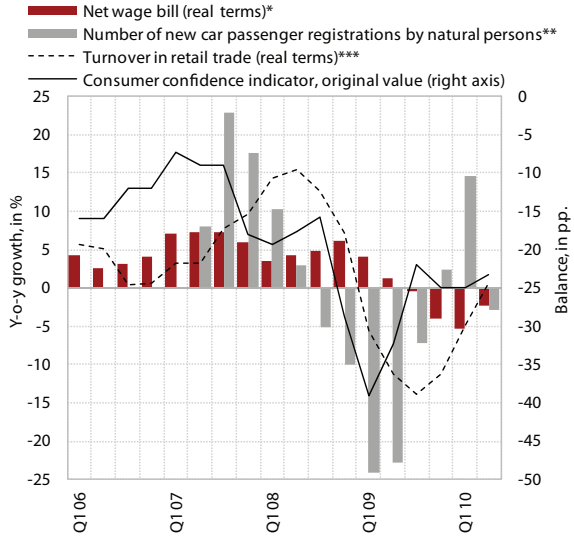
Figure 7: **Movement of selected consumption aggregates, seasonally adjusted**



Source: SORS.

Household consumption will be 0.5% lower than last year in 2010 as a whole. According to seasonally adjusted data, the decline in household consumption, which was characteristic for most of the quarters in 2009, also continued in 2010. Household consumption was down 0.3% y-o-y in real terms in the first half of the year. Household expenditure on non-durable goods, which account for the bulk of household consumption, dropped; purchases of durable goods, which plummeted in the same period last year, were somewhat higher. A slight increase in expenditure on durables was also indicated by data on new passenger car registrations by natural persons, which rose by 5.8%[3] after last year's steep decline in the first half of the year (-23.5%), while households still spent less y-o-y on other durable goods such as furniture and household appliances. Such developments in household consumption were to be expected, given the movements of consumers' income, which reflect the situation in the labour market. Despite moderate growth in social transfers, offsetting the decline in household income, which is mainly attributable to job loss,[4] total disposable household income is projected to be lower than last year, 0.3% in real terms. In the first half of this year, households also net repaid consumer loans. We estimate that given the relatively uncertain macroeconomic conditions, households spend less than they would if the economic situation had been more favourable, and that private consumption is not to recover yet in the second half of the year. It is expected to be 0.5% lower in real terms than last year.

Figure 8: **Private consumption indicators**



Source: SORS, MI–IAAD. Notes: *calculated on the month of payment **data from March 2006 onward. ***SCA 2008.

As already predicted in the spring, there will be a strong decline in investment in construction, and mid-year data indicate even greater problems in this sector, which will also show in the total drop in gross fixed capital formation this year (-3.5%). The decline in investment activity, which started in the third quarter of 2008, was greatest in the first quarter of last year and continued, albeit less vigorously, in the first half of this year.[5] Gross fixed capital formation was thus down 7.8% y-o-y in real terms in the first half of the year. The most pronounced decline in investment was recorded in residential construction (-20%), where the accumulation of inventories after several years of intensive construction of flats represented one of the main barriers to the pick-up of activity (see Figure 11). Investment in civil-engineering

[3] Which is still one fifth less than in the same period of 2008.

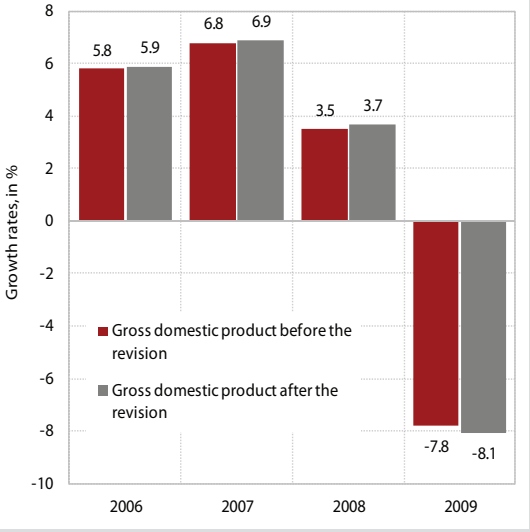
[4] The average number of employed persons (SNA) is projected to be 2.2% lower and the compensation of employees 1.4% lower in real terms this year.

[5] According to seasonally adjusted data, gross fixed capital formation fell by 2.9% in the first quarter and 1% in the second.

Box 1: **Revision of the main national accounts aggregates used in the Autumn Forecast**

At the end of August 2010, the Statistical Office of the RS (SORS) published revised data on GDP, the main national accounts aggregates and employment for the 2006–2008 period, and the first annual estimate for 2009. The values of GDP at current prices were revised for 2008 and 2009, and are 0.5% and 1.4% higher, respectively, than according to the previously published data. In both years, nominal values were revised the most in private consumption and inventories. The rates of real GDP growth were revised for the entire 2006–2009 period (see Figure 9).

Figure 9: **Real GDP growth, before and after revision**

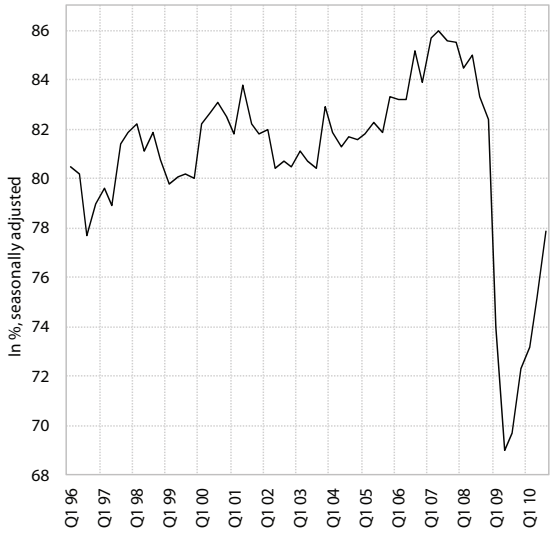


Source: SORS.

also fell much below the previous years' levels after the completion of intensive motorway construction and due to the lack of resources to start new projects. Investment in non-residential buildings, in contrast, was higher than in the same period last year. In 2010, due to such developments in the construction sector, the 0.5% growth in gross fixed capital formation as projected in the spring cannot be achieved; we expect a 3.5% decline instead, despite the strengthening of investment in machinery and equipment, which is progressing in line with expectations. Except for the break in the first quarter of this year, this investment has already been recovering since the second half of last year and was up 7% y-o-y in the first half of the year. The recovery in this investment sector is related to the pick-up in export demand and consequent increases in production volume and capacity utilisation.

Changes in inventories contributed as much as 1.5 p.p. to 0.6% GDP growth in the first half of the year. This high

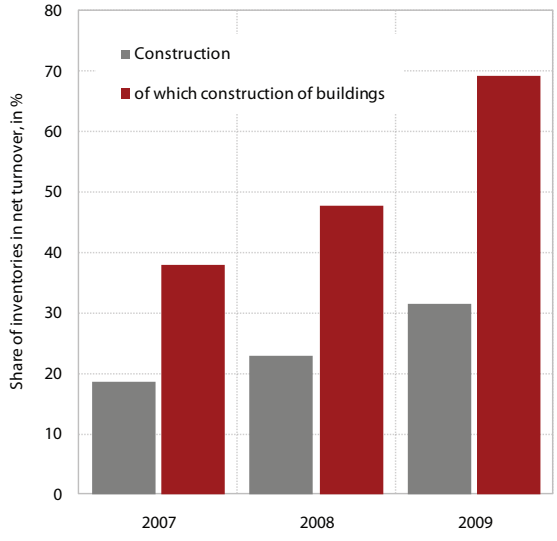
Figure 10: **Movements of capacity utilisation in manufacturing**



Source: SORS; seasonal adjustment by IMAD.

contribution of changes in inventories was not so much due to their increase this year (+EUR 145 m) as to their decline in the same period last year (-EUR 245 m, see also Box 2). According to industrial statistics data, inventories of industrial goods were lower y-o-y in the first half of the year (-0.8%). Inventories in construction did not increase, according to our estimation. Based on the scarce available data, we therefore estimate that in this period inventories most likely increased in distributive trade, the third main sector in terms of inventory accumulation. The contribution of changes in inventories to GDP growth is projected to total 1.1 p.p. in 2010, a higher figure than what we predicted in the spring (0.5 p.p.).

Figure 11: **Inventories in construction**



Source: Ajpes.

Box 2: **Changes in inventories and their impact on GDP growth**

Economic activity shrank significantly in 2009, with changes in inventories accounting for nearly half of the decline in GDP. With the share of changes in inventories averaging 1.4% in 1995–2009, inventory investment represents a relatively low share of total GDP, but the impact of its volatility on the volatility of GDP growth is far from negligible. Table 3 shows the shares of individual components of GDP and standard deviations of their contributions to GDP growth. Household final consumption accounted for 55.0% of GDP in 1995–2009 and the standard deviation of its contribution to GDP growth was 1.0 p.p.; the standard deviation of the contribution of changes in inventories was higher (1.4 p.p.), even though household final consumption accounts for a nearly 40 times greater share of GDP than changes in inventories.

Table 3: **GDP by expenditures, their shares and variability, Slovenia, 1995–2009**

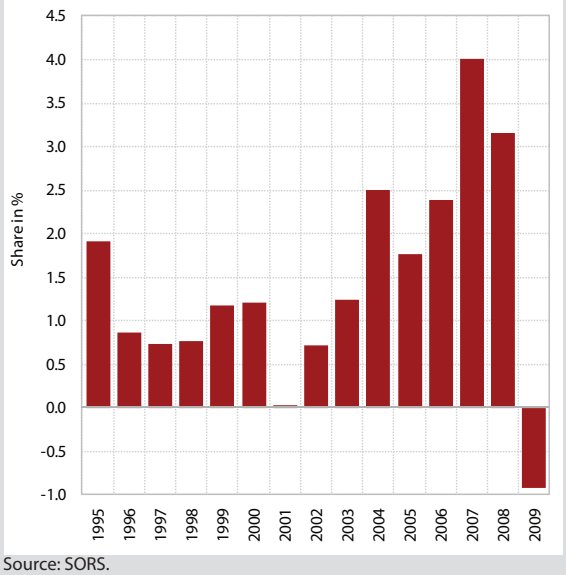
	Share in GDP, in %, average (current prices)	Standard deviation of contribution to GDP growth, in p.p. (previous-year prices)
Household final consumption	55.0	1.0
General government final consumption	18.7	0.2
Gross fixed capital formation	25.0	2.4
Changes in inventories	1.4	1.4
Exports of goods and services	56.7	5.1
Imports of goods and services	58.0	5.6
Gross domestic product	100.0	3.5

Source: SORS; calculations by IMAD.

In 1995–2009, inventories were mainly growing in Slovenia. After increasing by nearly 2% of GDP in 1995, inventories experienced more moderate growth until 2000 (see Figure 12), while they remained practically unchanged in 2001. After 2004, they surged, particularly in 2007 and 2008, up more than EUR 2.5 bn (3.6% of GDP) in both years combined. In 2009, inventories dropped by EUR 191 m.

According to the national accounts figures, the bulk of inventories are generated in manufacturing, distributive trade and real estate or construction. In 2007 and 2008, the increase in inventories was, similar to previous years, most vigorous in industry and distributive trade, with inventories strengthening particularly in activities related to construction and real estate. In 2008, the increase in inventories in the construction and real estate sectors exceeded EUR 500 m. The overall drop in inventories in 2009 reflected the decline in industry (by EUR 461 m) and trade (by EUR 236 m); inventories in activities related to the construction and real estate sectors continued to increase (EUR 108 m and EUR 247 m, respectively).

Figure 12: **Changes in inventories as a share of GDP, current prices**

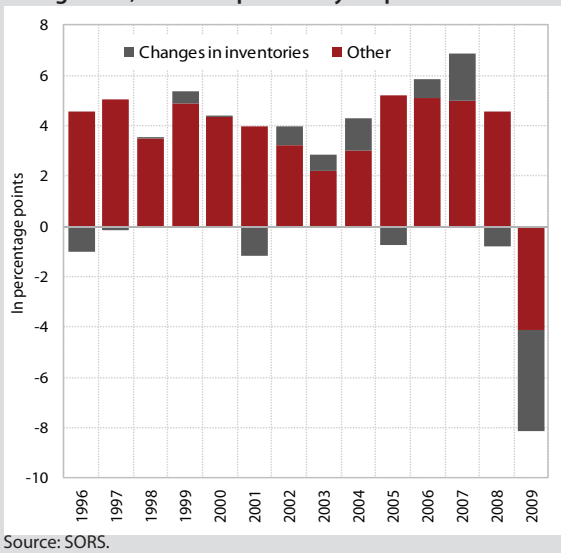


Source: SORS.

Box 2: **Changes in inventories and their impact on GDP growth -** *continue*

Changes in inventories had a significant impact on real GDP growth in the past. In 1996–2008, their contribution to GDP growth hovered between -1.2 p.p. and 1.9 p.p., while last year, changes in inventories contributed as much as 4.0 p.p. to the 8.1% GDP decline (see Figure 13).

Figure 13: **Contribution of changes in inventories to GDP growth, constant previous-year prices**



Source: SORS.

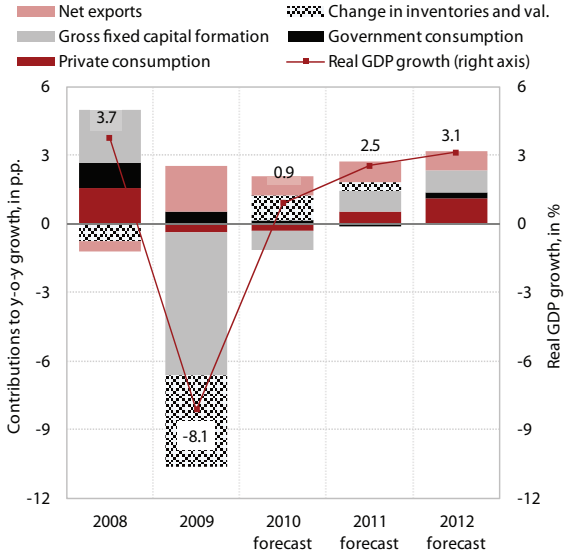
The structure of this year's economic growth, which is largely driven by exports and investment in machinery and equipment characterised by a strong import component, has also contributed to the strengthening of imports, which will increase by 5.6% this year. Imports of goods were up 8.1% y-o-y in real terms in the first half of this year and are estimated to record 6.2% growth in the year as a whole, given the increase in production volume in manufacturing and consequently higher demand for intermediate goods used to produce other goods and, to a somewhat smaller extent, higher imports of investment equipment. Imports of services were up by a real 2.2% in the first half of the year, largely under the impact of higher imports of all categories of transport services (except air transport). Imports of construction services such as construction and installation works carried out by foreign workers were still much below last year's level. Imports of services are expected to increase 2.8% annually.

Government consumption will be up a mere 0.7% in real terms this year, which is a much lower figure than in previous years. In the first half of the year, government consumption was 0.8% higher y-o-y. The highest growth rates were recorded for social benefits in kind, while on the other hand, the government expenditure on material costs and other expenditures on intermediate consumption is slowing significantly for the second year in a row. Real compensation of employees in the government sector, in contrast, is still growing at an above-average rate, due to a further increase in the number of employees in certain general government sectors (particularly pre-school child care, primary schools and the state administration).

With the recovery of domestic consumption and further relatively strong export demand, economic growth will accelerate to 2.5% in 2011 and 3.1% in 2012. The key factors behind this acceleration in the next two years are the expected improvement in labour market conditions and in construction and related activities, which will be reflected in resumed growth in private and investment consumption. It is also vital, particularly for the recovery of investment consumption, that the situation improve in the financial sector. Since the very beginning of the economic and financial crisis, banks have had to cope with a lower availability of funding in international capital markets and have also rapidly created impairments in anticipation of possible losses. They are therefore much more cautious in extending investment loans to the private sector than they were before the crisis (see also the Financial Markets section). If these movements continued to tighten, the recovery of investment activity might be slower than foreseen.

Exports are expected to grow by 5.9% in 2011 and 7% in 2012. In line with the assumptions for the international environment, in 2011 we expect lower growth in exports to EU countries, among which Germany is likely to see the greatest slowdown in economic growth, and higher growth in exports to the countries of the former Yugoslavia, which have been recovering more slowly after the crisis. Under these assumptions, Slovenian exports will increase somewhat less (5.9%) in 2011 than this year. Within exports, exports of goods are expected to slow (5.9%). On the other hand, the recovery will extend to a

Figure 14: **GDP growth by aggregate demand component**

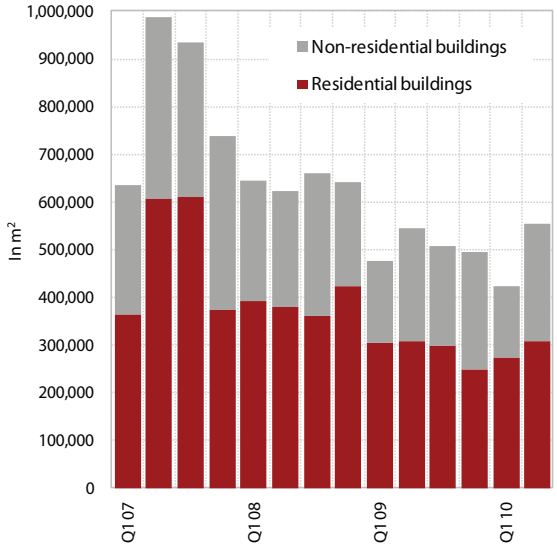


Source: SORS; forecast by IMAD.

broader group of services than this year and imports of services will therefore enjoy more visible growth for the first time in the crisis (5.5%). Besides exports of transport services, which have already picked up this year, we also expect growth in exports of travel services and a halt in the decline of construction services, as well as an increase in exports of certain business services. In 2012, when economic growth should be strengthened in all of Slovenia's main trading partners, higher growth is also expected for exports (7%; goods 7.2% and services 6.0%). Against the background of lower GDP growth in Slovenia's trading partners than before the international economic and financial crisis, growth rates of Slovenian exports will thus also be relatively lower in the next two years. According to our estimation, export growth will also be affected by certain structural weaknesses of the Slovenian economy as a consequence of the slow restructuring of exports towards high-tech products, as well as restrictions due to the weak competitive position of Slovenian enterprises. Despite the halt in negative movements, Slovenia will most probably be among the euro area and EU members with relatively less favourable price and cost competitiveness movements in the next two years (see also the Price and Cost Competitiveness section).

Gross fixed capital formation is projected to increase by 4% in 2011 and by 4.3% in 2012. With a further improvement in the international environment and a consequent pick-up in export demand and capacity utilisation increase, investment in machinery and equipment is likely to be strengthened further in both years. After declining strongly for two years, investment in buildings and structures will increase in the next two years due to the expected higher government expenditure on railway infrastructure construction and a continuation of this year's favourable movements in investment in non-residential buildings. However, amid high inventory levels and a low level of issued building permits, investment in new flats is not expected to resume growth before 2012.

Figure 15: **Total floor area planned by issued building permits**



Source: SORS.

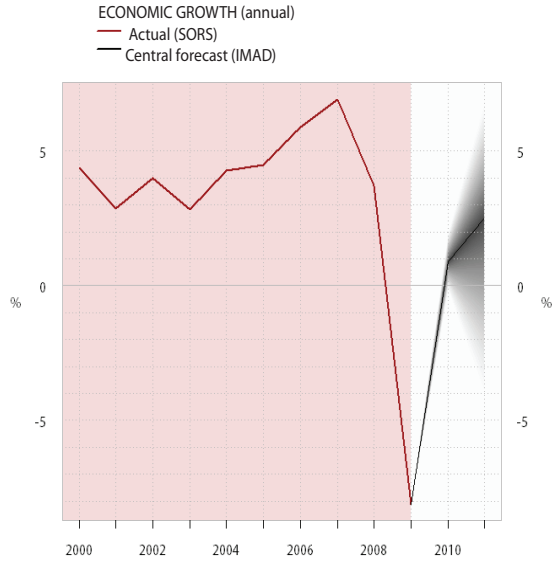
Growth in private consumption will be modest in the next two years, 1% in 2011 and 2% in 2012. With employment expected to stop falling over the next year, household disposable income will resume growth. A gradual improvement of the macroeconomic environment will also be reflected in increased consumer optimism and an increased propensity to spend on goods the purchases of which were postponed in this and in the previous year.

Growth in imports of goods and services is expected to slow to 4.5% next year, but will rise to 5.9% in 2012. In the next two years, economic growth will also be largely driven by exports and investment in machinery and equipment, characterised by a strong import component, which will have the greatest impact on growth in goods imports in these years (4.4% and 5.8%, respectively). With the pick-up in private consumption, imports of consumer goods will also contribute to higher growth in goods exports in the next two years, to a slightly greater extent than this year. After the modest recovery this year, a further strengthening is also expected for growth in services imports (5.6% and 6.6%, respectively).

The contribution of government consumption to economic activity, however, will be negative next year due to the further savings measures and streamlining called for by the deteriorated public finances; it will remain relatively modest in 2012 compared with other consumption components. Government consumption is projected to decline by 0.8% in real terms next year. The greatest contraction is expected for intermediate consumption by the government (5%, in real terms), which has already eased substantially over the last two years as a result of austerity measures and the expenditure rationalisation foreseen in all general government budgets. Real growth in the compensation of employees is forecast to slow as well, due to slower growth in the number of employees in the general government sector. The forecast anticipates employment growth to be limited only to the fields where it will be necessary due to the expanding demand, i.e. child care, primary schools and health care. Social benefits in kind will increase in real terms also in 2011; however, due to measures limiting certain programmes to the most socially vulnerable groups and with more rational use of medicines, not by more than 2.6%. In 2012, government consumption is anticipated to increase by 1.4%, as its intermediate consumption will stop falling and the real compensation of employees will continue to grow.

Due to deteriorated terms of trade, real gross domestic income will still drop this year, while in 2011, its growth will be lower than GDP growth. Real gross domestic income, which in addition to real GDP movements also measures changes in the purchasing power of residents' income, i.e. relative movements of export and import prices, dropped by 5.8% last year. As a result of better terms of trade, its decline was smaller than the real decline in GDP (-8.1%). In 2010 and 2011, domestic producers are expected to face deteriorating terms of trade, i.e. higher growth in import prices than in export prices (by 2.3 p.p. and 1 p.p., respectively). Real gross domestic income will therefore still drop this year (-0.5%). In 2011, it will increase less (1.8%) than GDP.

Figure 16: **Central forecast of GDP growth and expected risks**



Source: SORS; 2010-2012 forecasts by IMAD.

Table 4: **Autumn forecast of GDP growth and consumption aggregates**

Real growth rates in %	2009	2010		2011		2012	
		Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)
GROSS DOMESTIC PRODUCT	**-8.1**	**0.6**	**0.9**	**2.4**	**2.5**	**3.1**	**3.1**
Exports of goods and services	-17.7	4.3	7.0	6.3	5.9	7.4	7.0
Imports of goods and services	-19.7	4.1	5.6	6.0	4.5	6.7	5.9
Net exports, contribution to growth in p.p.	*2.0*	*0.1*	*0.8*	*0.1*	*0.9*	*0.4*	*0.8*
Private consumption	-0.8	-0.5	-0.5	1.7	1.0	2.3	2.0
Government consumption	3.0	0.6	0.7	0.2	-0.8	0.8	1.4
Gross fixed capital formation	-21.6	0.5	-3.5	3.5	4.0	4.5	4.3
Inventories, contribution to growth in p.p.	*-4.0*	*0.5*	*1.1*	*0.5*	*0.4*	*0.2*	*0.0*

Source: SORS; forecast by IMAD.

The key risk to the realisation of the forecast for GDP growth is the possibility of a deterioration in the international environment and a renewed tightening in financial markets. As Slovenia's recovery is mainly underpinned by the upswing in international trade, a potential slowdown in economic growth in its main trading partners would also drag down the expected economic recovery in Slovenia. According to simulations for 2011, a 2 p.p. lower economic growth than projected for these countries in the baseline scenario would push Slovenia's economic growth down to 0.5% in 2011. It would mainly affect exports, which would stagnate, and investment, which would increase only by 1.2%. Growth in private consumption would also drop slightly (0.8%). Economic activity could also abate due to a further tightening of the situation in financial markets, which may, when the ECB starts to phase-out liquidity measures, aggravate the access of Slovenian banks to sources of finance and increase their costs. The public and business sectors may also face much higher costs of finance if there is no improvement in domestic public finances, which could also contribute to lower economic activity than foreseen in the baseline scenario.

Box 3: **Savings-investment gap**

After the significant narrowing to 1.3% of GDP in 2009, the negative savings-investment gap is expected to remain around 1% of GDP in the coming years, amid relatively similar growth in both categories. With gross capital formation falling by more than gross savings last year, the gap narrowed to -1.3% of GDP, or EUR 477 m (from -6.8% of GDP, or EUR 2,524 m, in 2008). As gross savings are projected to increase more than gross capital formation, the negative savings-investment gap will close somewhat further this year (-0.8% of GDP). As forecast, the increase in gross savings will be impacted by a lower net outflow of primary income to the rest of the world (by 0.4 p.p. of GDP) and a lower net outflow of current transfers abroad (by 0.6 p.p. of GDP), which is why gross national disposable income will increase more than final consumption (of households and the government). Next year, the difference between gross capital formation and gross savings is expected to remain at a similar level as this year, at -0.9% of GDP.

Table 5: **Gross savings and gross capital formation as a % of GDP**

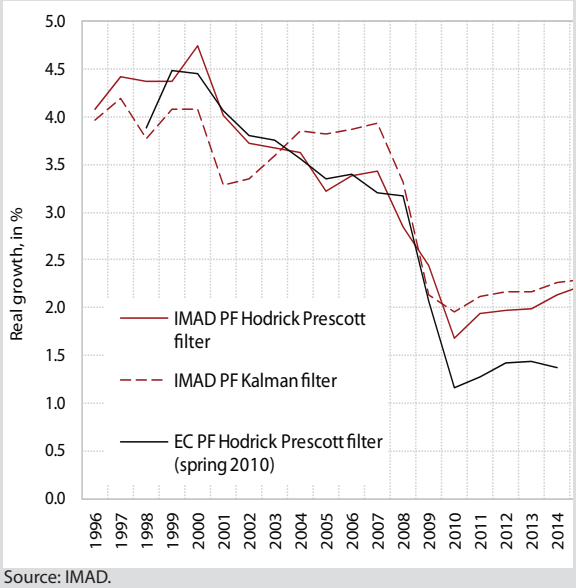
	2006	2007	2008	2009	2010 Autumn forecast (Sept. 2010)	2011 Autumn forecast (Sept. 2010)
GROSS SAVINGS	26.5	27.2	25.2	21.7	22.4	23.0
Gross operating surplus	26.0	26.8	26.6	25.0	25.2	25.6
GROSS CAPITAL FORMATION	28.9	31.7	31.9	23.0	23.2	23.9
Gross fixed capital formation	*26.5*	*27.7*	*28.8*	*23.9*	*23.0*	*23.3*
Changes in inventories	2.4	4.0	3.2	-0.9	0.2	0.5
Balance of current external transactions	-2.4	-4.5	-6.8	-1.3	-0.8	-0.9

Source: SORS, forecast by IMAD.

Box 4: **Potential GDP growth and output gap**

Based on the most recent available statistical data and IMAD's autumn forecasts for economic growth, we made estimates of potential GDP growth and production gap using the production function method. The model is estimated on the basis of annual data; for the period from 2010 onwards, we used IMAD's autumn forecasts for GDP growth. In Figure 17, we compare the potential GDP growth rates calculated using two different methods to extract the cyclical component of total factor productivity (TFP). One is based on a Hodrick-Prescott filter (HP filter) and the other on a bivariate Kalman filter (KF) approach.

Figure 17: **Potential GDP growth, comparison of different methodologies for calculation**



Source: IMAD.

For the sake of comparison, we also show potential GDP growth as calculated by the European Commission (EC) in the spring. Its calculations are also based on the production function method. The EC has thus far used the HP filter approach to extract the cyclical component of TFP,[6] but will replace it with the KF approach, which is to become the official EC method for most EU members in the future. Using the degree of capacity utilisation to assess the TFP cycle, the bivariate KF approach has several advantages over the HP filter method. With the KF, the problem of final values is less pronounced than with the HP filter and TFP is less subject to revisions due to the arrival of new data.[7] The differences between the EC's and IMAD's calculations by the HP filter are due to different forecasts used in calculating GDP growth (the EC's spring forecast and IMAD's autumn forecast), and partly to differences in input data.[8]

According to the calculations, potential GDP growth will be lower in the coming years than it was before the crisis. Calculations by means of the KF method show that in the period before the crisis, potential GDP growth increased slightly, coming close to 4% in the last years, while it will be somewhat above 2% in the years to come, given the slump in 2008 and 2009.

Among the components of potential GDP growth (using the KF), the contribution of capital will decrease most notably in the coming years. The contribution of capital fell more than 1 p.p. in 2009 and is not set to return quickly to its pre-crisis level in the medium term. Labour contributed relatively little to potential GDP growth throughout the previous period and its contribution will be even smaller in the years to come, mainly due to the decline in the active population according to the Eurostat projections taken into account in the calculations. The contribution of TFP also declined significantly in 2009, but its recovery will be faster (see Figure 18).

We also simulated a loss in the potential GDP level due to the crisis. A comparison between actual GDP (in constant prices) and the latest calculations of potential GDP shows that after significantly exceeding potential GDP until 2008 (positive output gap), Slovenia's GDP dropped much below potential in 2009, and according to projections, the negative output gap will persist through 2015. In Figure 19, we also show a projected loss in potential GDP compared with a no-crisis scenario, taking into account the average potential GDP growth in 2000–2007.

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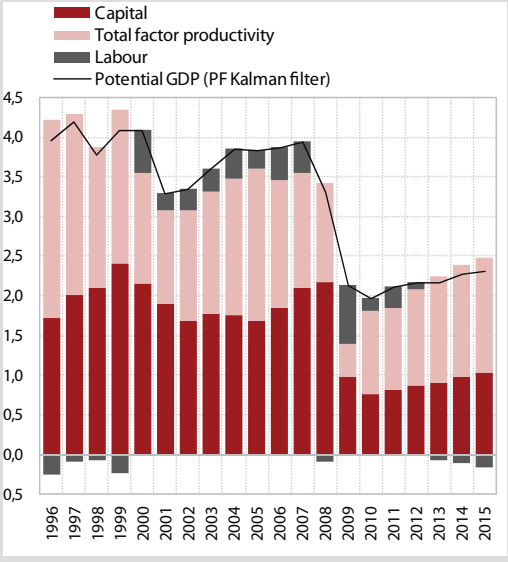
[6] For a more detailed description of the methodology, see F. D'Auria, Cécile Denis, K. Havik, K. Mc Morrow, C. Planas, R. Raciborski, W. Röger and A. Rossi: "The production function methodology for calculating potential growth rates and output gaps", Economic Papers 420, July 2010, DG ECFIN.

[7] For more on other advantages of the KF, see D'Auria et al. (2010).

[8] When calculating potential growth, we took into account new data on annual growth rates of GDP and employment in 2006–2009 released since the spring. We also made a correction in the series of data on employment according to the national accounts statistics due to the break in the data series in 2002.

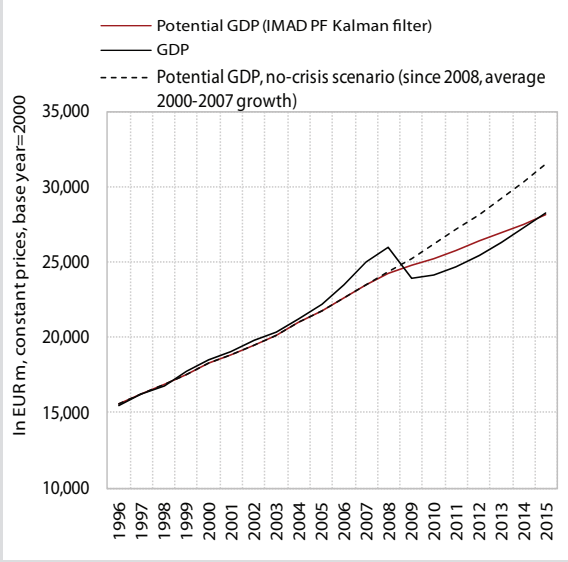
Box 4: **Potential GDP growth and output gap** - *continue*

Figure 18: **Contributions of individual components to potential GDP growth (PF Kalman filter)**



Source: IMAD.

Figure 19: **GDP and potential GDP**



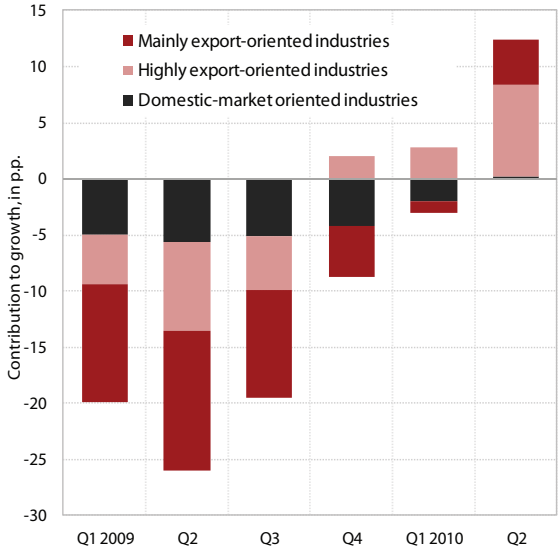
Source: IMAD.

Dynamics of value added by activity

In the first half of the year, value added increased by 1.2% in real terms compared with the same period last year. In the first quarter, it still lagged behind the level recorded a year before (by 0.8%), but in the second quarter, it increased y-o-y (3.0%) for the first time since the beginning of the crisis. The dynamics of value added by activity reflect differences in the recovery of foreign and domestic demand. The largest growth was thus recorded by manufacturing industries (D), which are the most export-oriented sector of Slovenia's economy. Positive movements were also observed in market services (G–K) that are more closely linked to flows in goods trade and the recovery in manufacturing. Activity continued to decline strongly in the construction sector (F). Value added also dropped in financial intermediation. Public services (L–P) once again recorded value added growth, only slightly lower than last year.

With the pick-up of foreign demand and hence goods exports, growth in value added in manufacturing was mainly driven by more export-oriented and high-technology activities this year. Value added in the manufacturing sector, which was hit hard, particularly in the first phase of the economic crisis due to the slump in foreign demand, exceeded the last year's level by 8% in real terms in the first half of the year. After it more or less stagnated at the level of the previous quarter in the first quarter (seasonally adjusted), value added picked up significantly (7.1%, seasonally adjusted) in the second, which means, given last year's low base, 1.8% y-o-y growth in the first and 13.9% y-o-y growth in the second quarter of this year. Growth was largely boosted by new orders from abroad, which were up 22.3% y-o-y in the first half of the year (domestic orders, up 8.1%), while turnover in foreign markets increased by 13.3% (on the domestic market, -0.2%). This was reflected in the structure of growth by activities, as production volume was up y-o-y only in predominantly export-oriented activities (9.6%), while it still lagged behind last year's level in those primarily oriented to the domestic market (3.6%). Subdued domestic demand is highly related to the fall in construction activity and, to a certain extent, movements in the labour market. In the first half of the year, the greatest y-o-y declines were thus recorded in those predominantly domestic-market-oriented sectors that are closely tied to construction and private consumption of durable goods (the manufacture of non-metal mineral products, the furniture industry). The highest y-o-y growth in production volume was seen in export-oriented and high-tech activities (the manufacture of ICT and electrical appliances, chemical and pharmaceutical industry, the manufacture of motor vehicles and other transport equipment).

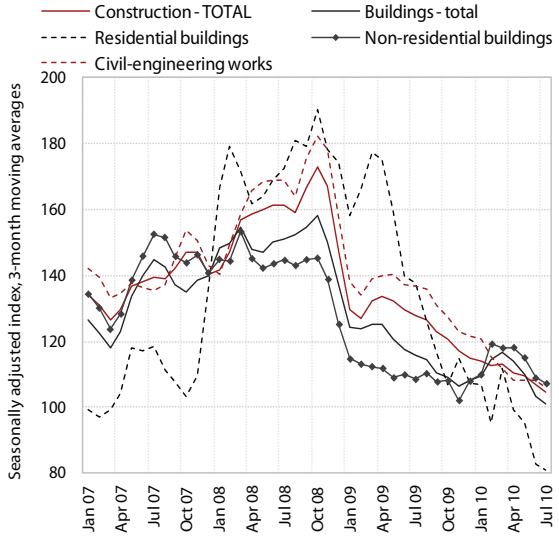
Figure 20: **Contributions of individual groups of manufacturing industries to total growth in value added in manufacturing, by export orientation**



Source: SORS; calculations by IMAD.

Value added in construction was down 14% y-o-y in the first half of the year, with activity dropping once again in all main construction sectors. In the second quarter of 2010, in residential construction the value of construction put in place was as much as 53% below its pre-crisis peak, in civil engineering 37% and non-residential construction 30%. The decline in the value of residential construction works is, by our estimate, related to large inventories, which have accumulated particularly in residential construction. Activity in non-residential construction had already strengthened in the

Figure 21: **Value of construction put in place**



Source: SORS; calculations by IMAD.

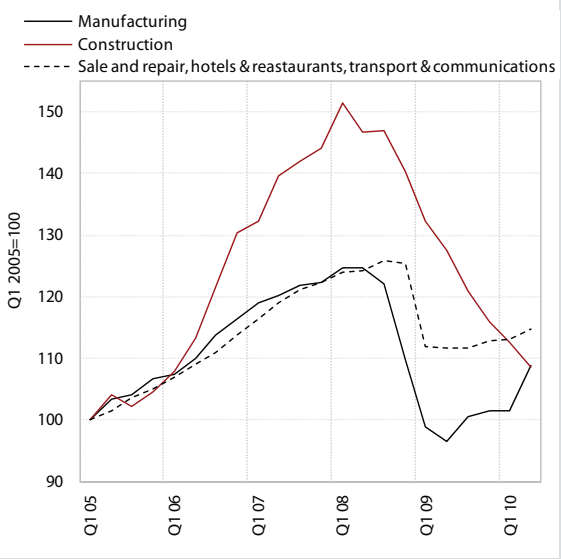
first quarter of this year, but declined again in the second; however the situation is nevertheless more favourable in this sector than in the construction of flats. This is partly related to the recovery of industry, and, by our estimate, to a lower level of inventory accumulation in this segment of construction. In civil engineering, the decline in the value of construction put in place was largely related to a lower volume of transport infrastructure construction.

Box 5: **Movements in construction activity**

Activity in construction dropped significantly in 2009 and in the first half of 2010, after the sector recorded above-average growth in the preceding years. In the years prior to the crisis, vigorous growth in construction activity reflected high liquidity and the favourable economic situation conducive to business investment and residential construction, as well as accelerated construction of infrastructure, especially motorways. Value added has thus grown much faster in construction than in industry and certain market-oriented services in recent years, but was in all sectors around 10% higher in the second quarter of 2010 than at the beginning of 2005 (see Figure 22).

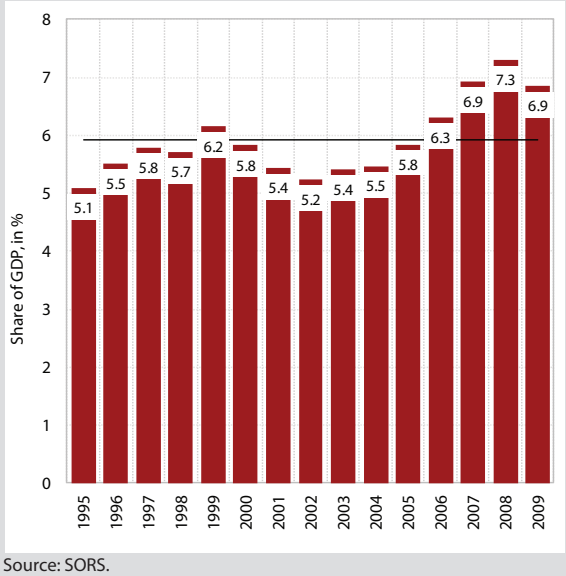
Value added in construction as a share of GDP declined in 2009 but was still much above long-year average. Despite the 2009 decline, the share of value added in construction was still higher than before 2007 (see Figure 23). This share is also relatively high compared with other European countries, being higher in only five countries of the EU than in Slovenia in 2009.

Figure 22: **Value added in selected activities in Slovenia, seasonally adjusted**



Source: SORS.

Figure 23: **Value added in construction as a share of GDP**

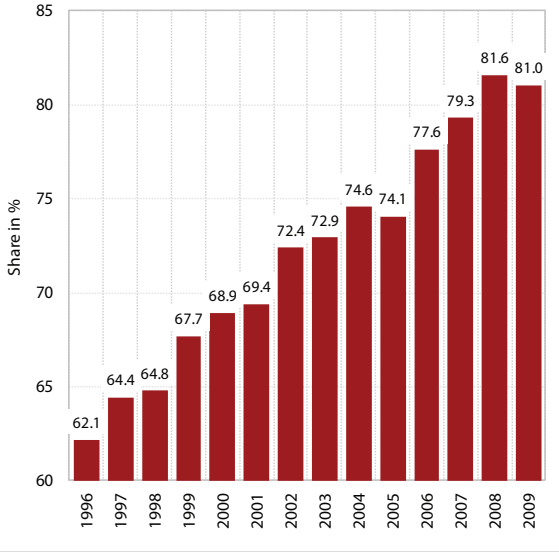


Source: SORS.

The crisis affected the construction sector through a decline in orders but also due to tightened financial conditions. The private sector reduced investment in view of the deteriorated macroeconomic situation and lower availability of financial resources while the public sector cut orders for investment in road infrastructure construction. At the onset of the crisis, builders and investors who had borrowed significant amounts to finance their projects in the years of rapid construction activity growth (see Figure 24) were not able to sell their stocks, which were mainly financed through loans. The lending conditions tightened significantly as well, which is why enterprises with higher market power started to put off payments to suppliers and sub-contractors. The problems in the construction sector were compounded by strong borrowing in the past, troubles in the domestic banking sector and a consequently smaller decline in interest rates for loans (see Figure 25).

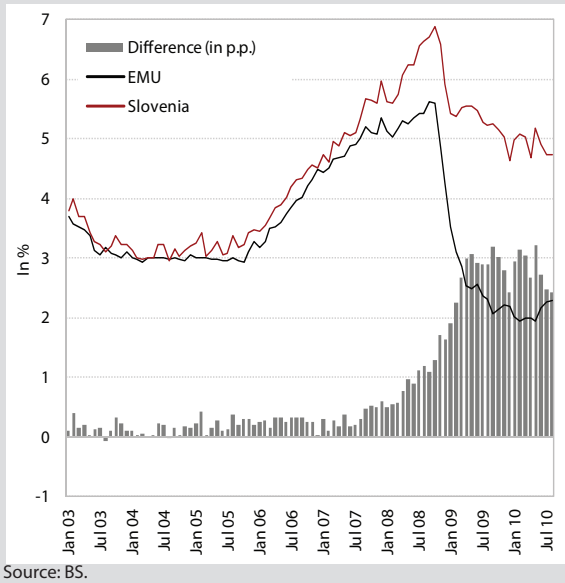
Box 5: **Movements in construction activity** - *continue*

Figure 24: **Share of debt in sources of finance**



Source: Ajpes.

Figure 25: **Interest rates in Slovenia and EMU for loans over EUR 1 m with a variable or up to one year with a fixed interest rate**



Source: BS.

Value added in market services (G–K) in the first half of the year was only slightly higher y-o-y (1.0%). The structure of its growth by activities also reflects significant differences in the recovery of domestic and foreign demand. In the first quarter, value added was still below the last year's level in most market services, while in the second quarter, better results were recorded for all activities except financial intermediation. Only transport, storage and communications (I) generated relatively strong growth (7.1%) in the first half of the year, which we estimate was chiefly due to stronger goods transport, which was related to higher flows in trade in goods and consequently higher domestic industrial production. In other services, where in the first half of the year as a whole, value added still lagged behind or was just slightly higher than in the same period of last year (in business services – K), positive movements were also mainly recorded in services that are more closely related to goods trade and manufacturing (various business and management consultancy activities and support service activities); activity in the sale of motor vehicles also picked up y-o-y, after a strong decline in 2009. Less favourable results were recorded for services that are dependent on labour movements at home and abroad (hotels and restaurants and, to a lesser extent, communications) and domestic construction (particularly architectural and civil-engineering activities and, to a lesser extent, wholesale trade). This year, value added also declined in financial intermediation. Growth in net interest income was otherwise somewhat stronger, but banks increased the creation of impairments and provisions. Negative movements also continued in other financial intermediation sectors, such as insurance and other activities auxiliary to financial intermediation.

In public services (L–P), relatively strong growth in value added continued in the first half of the year in public administration and education, but eased notably in the health sector. Value added in public administration was up 2.7% y-o-y amid a 1.4% increase in the number of employees. Employment increased in state administration, municipalities, police, and justice and judicial activities. Growth in value added in education (3.2%) remains relatively strong as a result of increased activity in pre-primary and primary education due to increased numbers of children, but also the co-financing of pre-school payments introduced in 2008. Activity also continued to strengthen in the field of other education and training. The health and social work sector recorded a slowdown in health care activities (1.0%), but capacity expansion continued in the care of the elderly and the disabled. In other community, social and personal services, which also include certain market-oriented services, value added declined once again y-o-y (by 1.7%), albeit by much less than in 2009. Positive movements were observed in the field of cultural activities, while the predominantly market-oriented entertainment and recreation activities once again posted a decline.

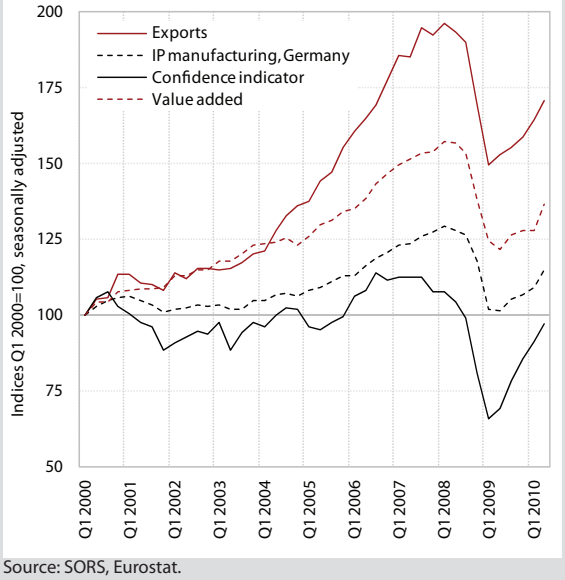
Box 6: **Model-based forecast of value added in manufacturing**

The impact of international movements on the economy sector which is represented by highly export-oriented manufacturing industries was also assessed using a model. Accounting for 20% of total value added and more than 90% of Slovenian exports of goods, manufacturing is the most important sector of Slovenia's economy. Given that international movements also represent one of the main risks to the GDP forecast, particularly for 2011, the analysis of the relationship between exports and value added is all the more interesting. As manufacturing industries also provide approximately 23% of all jobs, value added movements also have a significant impact on the labour market.

We estimated value added in manufacturing using a Vector Error Correction model based on the quarterly data for 2000q1–2010q2. An additional endogenous variable used in the model is exports of goods (in constant prices), i.e. foreign demand, which is one of the key variables influencing value added in manufacturing. The model also includes two exogenous variables: the confidence indicator in manufacturing and the index of industrial production in Germany. The confidence indicator, which is released monthly by SORS, is made up of thirteen sub-indices which show enterprises' expectations about production, inventories, prices, exports and other business trends in the next three months. We moved it one month ahead and calculated the average in a given quarter, which means that enterprises' expectations in the previous period influence value added in the current period; there is, however, no reverse relationship. The strong drop in value added and exports in 2008q4 was corrected by including a dummy variable, which takes the value of 1 in the period 2008q4–2009q3. The increase in the values of variables over time was controlled by a trend variable. We eliminated the impact of seasonal fluctuations by seasonally adjusting all variables. We also took a logarithm of the variables. We started the analysis using a model that included three lags of endogenous and two lags of exogenous variables. In the next steps, we simplified the model sequentially by excluding non-significant lags and deterministic terms, while checking the statistical properties of the residuals.*

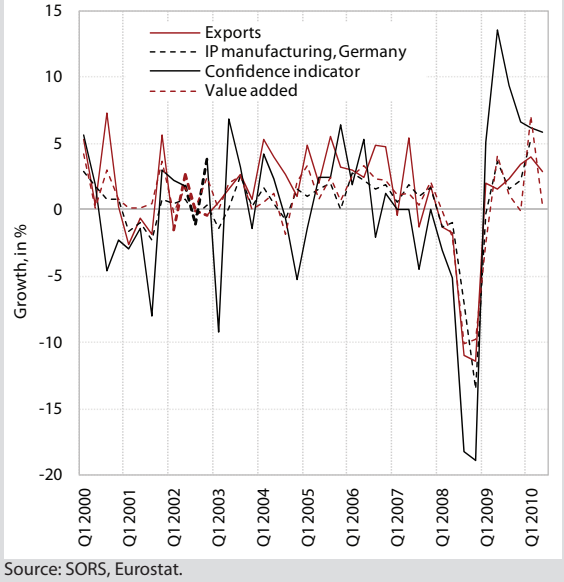
The movement of the series included in the model is evident from Figures 26 and 27. The movements of all series are similar, with both the upward and downward turn being first reflected in the confidence indicator. The estimated equilibrium relationship shows that value added responds to a 1% increase in exports by a 0.77% increase in the long term. Assuming that the exogenous variables included in the model (confidence indicator in Slovenia, production in manufacturing in Germany) remain at the second quarter levels also in the following quarters, the model-based forecast for annual growth in value added in manufacturing in 2010 is 7.7%.

Figure 26: **Value added in manufacturing, exports in constant prices, confidence indicator in Slovenia and industrial production in manufacturing in Germany, seasonally adjusted**



Source: SORS, Eurostat.

Figure 27: **Real growth in value added in manufacturing and exports of goods, confidence indicator in Slovenia and real growth in industrial production in manufacturing in Germany, seasonally adjusted**



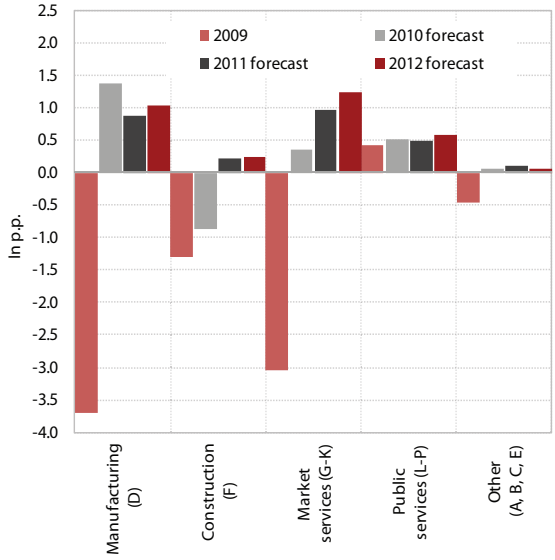
Source: SORS, Eurostat.

Note:*The model errors are normally distributed and there is no autocorrelation or conditional heteroskedasticity. The model will be presented in-depth in a forthcoming IMAD working paper.

The structure of value added growth is expected to remain similar in the second half of the year. In the year as a whole, value added growth will exceed its last year's level by 1.4% in real terms. In the period to the end of the year, growth in value added will also be mainly driven by foreign demand, which will increase more slowly than in the second quarter, according to the forecasts by international institutions. Through lower growth in merchandise exports, this will impact export-oriented *manufacturing industries*, where activity will remain at approximately the same level as at the end of the second quarter until the end of the year. Annual growth in value added in manufacturing will thus average 7% in 2010. Value added in *construction,* which continued to decline in the first half of the year, is expected to stabilise at the achieved level by the end of the year. In 2010, it will be 11.0% lower, on average, than in 2009. Value added in *market services,* particularly business, real estate and trade services, which are strongly dependent on domestic production and construction activity, will remain close to its last year's level in the year as a whole. The exceptions are transport, storage and communications, where value added is expected to grow 5% in real terms this year amid the favourable movements in goods transport, and financial intermediation, where value added will decline by 3.5%. Specifically, lending activity is not set to improve much, as the banking sector continues to be exposed to bad loans while facing limited sources of finance (see also the Financial Flows chapter). In *public services,* value added growth will slow gradually until the end of the year in public administration and education, while strong activity in social work is set to continue; in the year as a whole, value added growth in public services will thus be approximately the same as last year (2.0%).

Growth in value added will gradually pick up in the next two years, to 2.6% in 2011 and 3.2% in 2012. The recovery will still be mainly fuelled by export-oriented *manufacturing industries*, even if, after this year's relatively high activity, value added will grow at somewhat lower rates than in 2010 (4.2% in 2011 and 4.9% in 2012). After two years of strong decline in construction activity, value added in *construction* is expected to increase gradually once again, particularly in infrastructure (railways) and non-residential construction. Along with a somewhat more favourable situation on the labour market and consequently higher household consumption, and amid the pick-up in external trade in services, this will contribute to a gradual improvement in *market service activities.* In *public services,* value added growth is expected to be similar to this year's, albeit at a somewhat different structure. Amid further restrictions in employment, value added growth will decelerate in public administration, while it will strengthen in health services and in the group of predominantly market-oriented other, community and personal services.

Figure 28: **Contributions of individual groups of activities to real value-added growth**



Source: SORS; forecasts by IMAD.

Table 6: **Autumn forecasts of value added by activity**

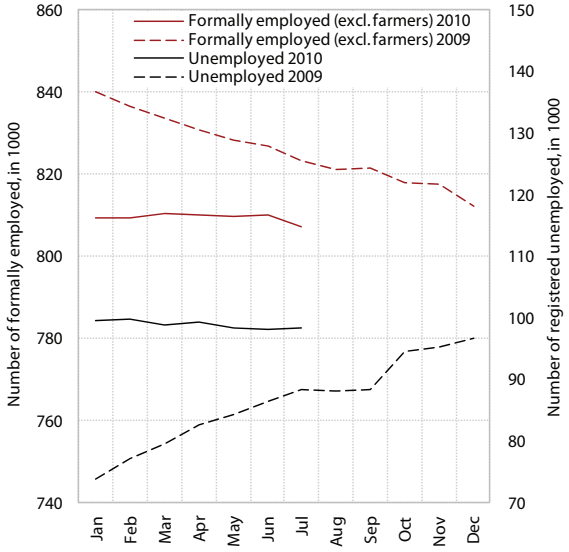
growth rates, %		2009	Autumn forecast		
			2010	2011	2012
A	Agriculture, forestry, hunting	-8.6	4.0	1.5	1.0
B	Fishing	20.7	9.0	1.0	1.0
C	Mining	-3.4	-2.0	1.0	0.5
D	Manufacturing	-16.7	7.0	4.2	4.9
E	Electricity, gas and water supply	-7.8	-1.0	2.0	1.0
F	Construction	-15.5	-11.0	3.0	3.5
G	Distributive trades	-9.3	0.7	2.5	2.7
H	Hotels and restaurants	-11.9	-1.0	1.5	2.6
I	Transport, storage and communications	-10.1	5.0	2.0	3.2
J	Financial intermediation	2.9	-3.5	2.0	3.5
K	Real estate, renting and business activities	-5.4	0.5	2.0	2.3
L	Public administration, defence and social security	2.6	2.5	1.8	2.0
M	Education	3.5	3.2	3.0	3.0
N	Health and social work	4.9	2.0	2.5	3.0
O	Other community, social and personal services	-6.3	-1.0	1.5	3.0
P	Private households with employed persons	2.4	1.5	1.0	1.0
VALUE ADDED		**-8.1**	**1.4**	**2.6**	**3.2**
a) Taxes on products and services		-8.2	-2.4	1.7	2.7
b) Subsidies on products and services		-13.3	-5.0	-2.0	-2.0
GROSS DOMESTIC PRODUCT		**-8.1**	**0.9**	**2.5**	**3.1**

Source: SORS; forecasts by IMAD.

Employment and unemployment

After the strong decline in 2009, employment fell much more slowly in 2010. The number of persons in formal employment (excluding self-employed farmers[9]) decreased vigorously between October 2008, when it reached the highest level in recent years, and January 2010. In December 2009, it was as much as 5.0% (42,611 persons) smaller than in October 2008. The number of employed persons (excluding self-employed farmers) fell much more slowly this year, but was still 0.3% lower in June than in December 2009.

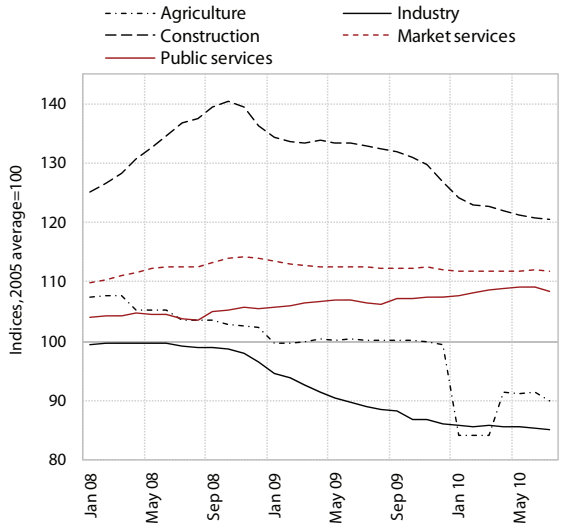
Figure 29: **Movements of the number of persons in formal employment (excluding self-employed farmers) and registered unemployed**



Source: Statistical Register of Employment – SORS, ESS.

This year, employment is declining in the same private sector activities as last year. After declining steeply last year, the number of employed persons is still dropping, particularly in construction and to a certain extent in manufacturing, trade, transport and hotels and restaurants, albeit much less than last year. In professional and miscellaneous business services, employment growth was not interrupted during the crisis. Employment also continues to grow in the group of public services, particularly in care of the elderly, and in kindergartens and primary education, where it is related to growing demand; to a certain extent, employment also rose in public administration in the first half of the year. After dropping since November 2008, the number of persons employed with legal entities ceased to decline in the second quarter this year (+0.1%). While having increased for several years as a result of large enterprises outsourcing certain works and services to the small business sector and (in 2009) also thanks to active employment policy (AEP) programmes promoting self-employment, the number of self-employed persons outside agriculture declined somewhat in the first half of the year.

Figure 30: **Movements of the number of persons in formal employment by activity**



Source: Statistical Register of Employment, SORS.

The government continues to soften the employment decline with measures aimed at preserving jobs. The measures based on the Partial Subsidising of Full-Time Work Act and the Partial Reimbursement of Payment Compensation Act covered 1.7% of all employed persons in the first half of 2010, much less than in the year 2009 as a whole (4.6).[10] The number of unemployed persons participating in AEP programmes in the first eight months, in contrast, was 41.8% higher than in the same period last year.

[9] SORS estimates the number of self-employed farmers based on data from the Labour Force Survey for the previous quarter. The number of farmers within formally employed persons thus tends to fluctuate every three months. It is thus estimated to have declined by 5,781 (17.9%) between December 2009 and January 2010 and increased again by 2,718 or 10.3% between March and April 2010. As these strong fluctuations are not based on real developments on the labour market, it is sensible to exclude them from the analysis of the dynamics of persons in formal employment.

[10] Estimate based on data on paid subsidies (ESS) and the number of the employed (SORS).

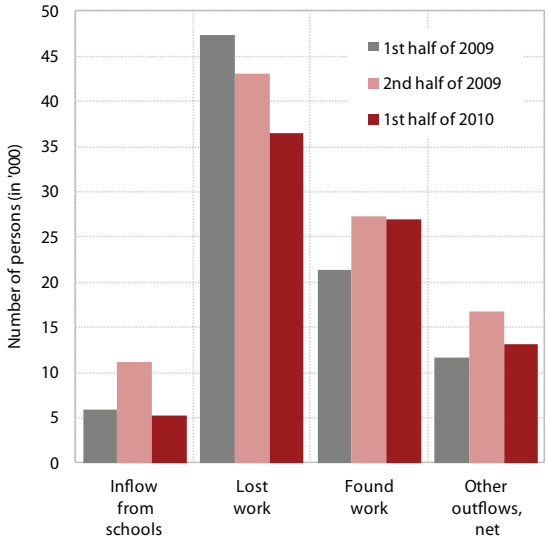
Table 7: **Number of persons in employment, different methodologies**

	Number in ´000			Growth in %
	2009	I-VI 2009	I-VI 2010	I-VI 2010/ I-VI 2009
National accounts statistics	970.2	974.4	949.9	-2.5
Labour Force Survey	981	971.5	966.5	-0.5
Statisticts on formal employment:	858.2	865.0	837.7	-3.2
- persons in formal employment	767.4	775.2	750.6	-3.2
- self-employed persons (without farmers)	58.5	57.5	59.4	3.2
- self-employed farmers	32.3	32.3	27.8	-13.8
Temporarily employed foreigners (estimate)	40.8	43.1	33.9	-21.3

Source: SORS, ESS; estimate by IMAD.

The number of registered unemployed remained below 100,000 in the first half of the year. Inflows into unemployment were significantly slower this year than in 2009, particularly inflows of persons who lost work for business reasons and due to the termination of temporary employment contracts. Fewer persons thus registered as unemployed in the first half of the year and more unemployed found jobs than in the same period last year. In August, the number of registered unemployed persons was 2.4% higher than in December last year, when the increase topped 45% y-o-y. The registered unemployment rate climbed to 10.5% in July 2010 (9.4% in July last year) since December 2009 when it had been 10.3%. The unemployment rate of men continues to grow faster than the unemployment rate of women and the share of long-term unemployed persons is rising once again.

Figure 31: **Flows to registered unemployment (in '000)**

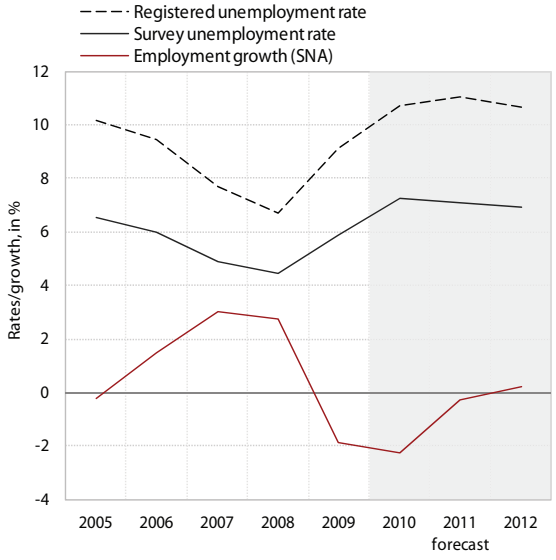


Source: ESS.

In the second half of this year, employment movements will be similar to those in the first. The decline in the number of employed persons is also expected to be very slow in the second half of the year. Due to a faster decline in the second half of last year, the number of persons in formal employment will still be 2.3% lower this year, on average, than last year (the statistical carryover effect). This forecast does not diverge significantly from what we predicted in the spring (-2.4%), but the structure of the decline will be somewhat different. The more favourable economic movements, particularly in manufacturing, will translate into a smaller drop in employment in manufacturing activities, but the construction sector will cut more jobs this year due to a greater decline in activity than foreseen in the spring.

The number of unemployed persons is set to increase by the end of the year, albeit less than projected in the spring. The number of unemployed persons, which remained below 100,000 until August 2010, is expected to increase, as the inflow into unemployment of first-time job-seekers typically rises in the second half of the year and more persons lose jobs due to the termination of temporary contracts at the end of the year. We also expect further dismissals because of business reasons and bankruptcies. The average number of unemployed persons is thus expected to total around 101,000, the average registered unemployment rate 10.7% and the survey unemployment rate 7.2%. The increase in the number of registered unemployed persons and in the registered unemployment rate will thus be lower than what we expected in the spring, particularly due to an increase in retirements of workers and increased dismissals of temporarily employed foreign workers in construction, who do not register as unemployed.

Figure 32: **Unemployment rates and employment growth (SNA)**



Source: SORS; forecast by IMAD.

After easing further in 2011, the labour market situation is expected to improve in 2012. In 2011, the labour market will respond to the rebound in economic activity with a lag, and the two emergency acts aimed at preserving jobs will expire. The number of employed persons will still decline in the first quarter of 2011, after which time it will start growing slowly, but will nevertheless still be 0.3% lower in the year as a whole, on average, than this year. It will be lower in manufacturing, mining, construction, agriculture and certain market services, and higher in certain business and public services, within the latter, due to the growing needs and existing norms, particularly in child care and care of the elderly, where employment has been rising for several years due to the growing youngest and oldest generations. Amid such movements and assuming that the level of the unemployed included in active employment policy programmes remains relatively high, the average number of unemployed persons will reach around 103,000 in 2011 and the registered unemployment rate 11%. Both indicators are expected to improve in 2012, but slowly due to structural unemployment.

Table 8: **Autumn forecast of labour market trends**

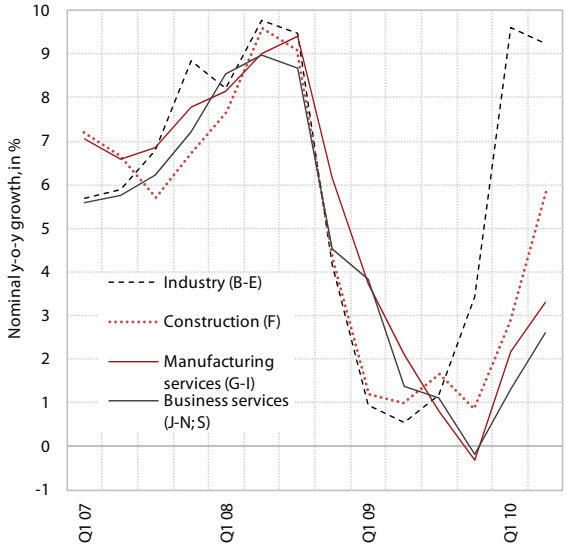
	2009	2010		2011		2012	
		Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)
Persons in formal employment (growth in %)	-2.4	-2.4	-2.3	-0.5	-0.2	0.2	0.3
Employment according to national accounts (increase in %)	-1.9	-2.3	-2.2	-0.6	-0.3	0.0	0.2
Registered unemployment rate (%)	9.1	11.1	10.7	11.6	11.0	11.2	10.6
ILO unemployment rate (%)	5.9	7.2	7.2	7.6	7.1	7.3	6.9

Source: SORS, forecasts by IMAD.

Wages

In the first half of the year, wage growth in the private sector rose faster than expected, which will also be reflected in higher annual growth (4.5%) than projected in the spring. The gross wage in the private sector rose 5.4% in nominal terms in the first half of the year. This higher-than-foreseen growth mainly resulted from the increase in the minimum wage. When preparing the spring forecast, we expected that the minimum wage would be raised gradually, considering the tight economic situation, but, according to the latest available data, as many as 70% of minimum-wage earners already received the minimum wage in the highest category in the middle of 2010 (between EUR 685 and EUR 734). The volume of paid overtime work and payments in arrears also strengthened slightly. The effect of the change in the structure of employment (layoffs of employees with the lowest wages), which had already increased gross wage growth in the private sector last year, is also only slightly smaller than last year. Growth is thus expected to reach 4.5% this year, nearly 2 p.p. more than we predicted in the spring.

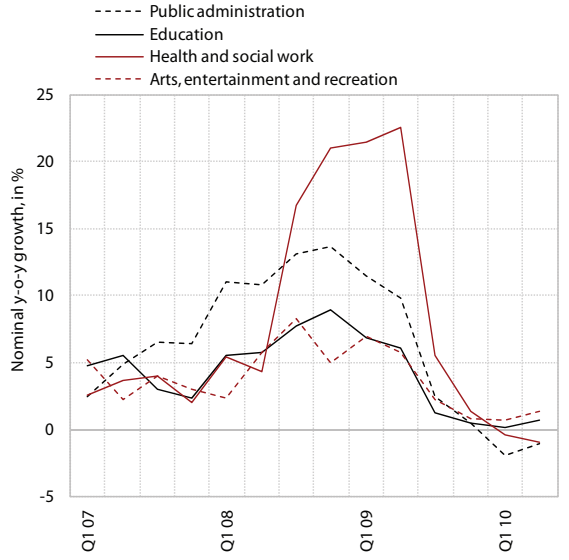
Figure 33: **Growth wage per employee in private sector activities**



Source: SORS; calculations by IMAD.

Wage growth in the public sector,[11] in contrast, was lower than expected in the first half of the year, which will, besides a change in government policy regarding public sector wages, also contribute to lower wage growth in the year as a whole (0.8%) than forecast in the spring. In the first half of the year, the gross wage per employee in the public sector was 0.4% lower in nominal terms than in the same period last year. This is a greater drop than expected in the spring, reflecting a greater wage decline in the first two months of this year than what is usual for that period.[12] The average wage in the first half of the year was thus lower than in the same period last year, despite the regular promotions carried out in April this year and the general wage adjustment in January for last year's higher-than-predicted inflation.[13] In the second half of the year, public sector wages are projected to increase as a result of the general adjustment of wages in July;[14] however, the third quarter of funds to eliminate wage disparities will not be disbursed in October this year, considering the proposed Agreement on Measures Regarding Public Sector Salaries for 2011 and 2012 (see Box 7 and Table 10), which will also impact this year's wages. This year, the gross wage per employee in the public sector will thus be 0.8% higher in nominal terms than last year, but 1.3% lower in real terms.

Figure 34: **Growth wage per employee in public sector activities**



Source: SORS; calculations by IMAD.

[11] The public sector includes activities O–R according to SCA 2008.

[12] At the beginning of the year, public sector wages tend to drop after increasing at the end of the year largely due to increased workload.

[13] According to Annex No. 2 to the Collective Agreement for the Public Sector; by half of the difference between last year's y-o-y inflation (1.8%) and the foreseen inflation (IMAD Spring Forecast 2009, 1.4%).

[14] By half of the y-o-y inflation forecast in spring 2010, which is by 0.65%.

The gross wage per employee in Slovenia is expected to be 3.7% higher in nominal terms than last year. The average nominal growth in 2010 will thus be 0.3 p.p. higher relative to last year; on the other hand, real growth will be almost 1 p.p. lower than last year.

With the expected slowdown in average wage growth in the private sector and further modest growth in the public sector, total nominal growth in the gross wage will decline to 2.9% in 2011. Average growth in the gross wage in the private sector in 2011 (3.8% in nominal and 1.1% in real terms) will be lower than in 2010, despite the improvement in macroeconomic conditions. This will be a result of a smaller effect of wage rises due to the adjustment to the new level of minimum wage in that part of the economy in which this adjustment has yet to be made, a diminishing effect of changes in the structure of employment, and fewer working days. If the proposed August agreement enters into force, average growth in the gross wage per employee in the public sector will be much lower than anticipated in the spring and lower than in the private sector. Public sector wages will be 0.8% higher in nominal terms, but in real terms, they will be 1.9% lower than this year. A higher nominal level of the gross wage in the year as a whole will be attributable solely to the carryover of the increase in wages from 2010, as, in line with the proposed August agreement, other wage policy components will not be realised in 2010 (there will be no regular promotions, no wage adjustments for inflation and no payments of regular performance bonuses, and the disbursement of the two remaining quarters of funds to eliminate wage disparities will be postponed; for details see Box 7 and Table 10).

Figure 35: **Average gross wage per employee and labour productivity**

Source: SORS; calculations and forecasts by IMAD.

Total gross wage growth is expected to strengthen to 3.5% in 2012. In the year that will otherwise be another three working days shorter than the preceding year and with a further improvement in the macroeconomic environment, nominal wage growth in the private sector is estimated to strengthen to 4.0% (real growth 1.8%). Wage growth will also increase in the public sector, as the proposed August agreement allows for the possibility of reintroducing wage policy components that were abolished temporarily due to the crisis. In this case, the gross wage per employee in the public sector will be around 2.5% in nominal and 0.3% in real terms higher than in 2011.

Table 9: **Autumn forecast of average wage growth and productivity**

		2009	2010		2011		2012	
			Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)
Nominal growth, %	Gross wage per employee	3.4	2.7	3.7	3.8	2.9	4.6	3.5
	Private sector	1.8	2.7	4.5	3.0	3.8	4.2	4.0
	Public sector	6.5	2.3	0.8	5.6	0.8	5.7	2.5
	Labour productivity	-3.3	2.5	3.4	4.5	4.3	5.3	4.7
Real growth, %	Gross wage per employee	2.5	1.4	1.6	2.2	0.2	2.2	1.3
	Private sector	0.9	1.4	2.4	1.4	1.1	1.8	1.8
	Public sector	5.6	1.0	-1.3	4.0	-1.9	3.3	0.3
	Labour productivity	-6.4	3.0	3.2	3.0	2.9	3.0	3.0

Source: SORS; forecasts by IMAD.
Note: Labour productivity growth is measured by GDP growth per employee.

Box 7: **Proposal of Annex No. 4 to the Collective Agreement for the Public Sector and proposal of the Agreement on Measures Regarding Public Sector Wages and Other Compensation for 2011 and 2012**

In 2009, the social partners concluded two agreements on public sector wages with adjacent annexes to the Collective Agreement for the Public Sector (KPJS)[15] to curb excessive growth in public sector wage rises in a period of low economic activity, which would further jeopardise public finance and macroeconomic balances. The agreements postponed the disbursement of the last two quarters of funds to eliminate wage disparities to 2010 and 2011, temporarily held up the disbursement of performance-related payments and tightened the mechanism of wage adjustment for inflation. As the postponement of the disbursement of the third and fourth quarters of funds to 2010 and 2011 mainly puts off the problem to 2011, when public finance will still be tight, the government started negotiations this year to sign a new agreement on measures regarding public sector wages.

According to the changed position of the government regarding wage policy as laid down in the proposed August *Agreement on Measures Regarding Public Sector Wages and Other Compensation for 2011 and 2012* and in the proposed *Annex No. 4 to the Collective Agreement for the Public Sector*, the disbursement of the remaining two quarters of funds to eliminate wage disparities should be shifted to the period when real GDP growth will exceed 3%. Moreover, the mechanism of wage adjustment for inflation for 2011 is stricter, stipulating that wages should be adjusted only if y-o-y inflation in 2011 exceeds 2% (in January 2012, for the difference above 2%). The general wage adjustment for inflation for 2012 would be agreed by the social partners in 2011. According to the proposed agreement, there should also be no promotions in 2011; the promotion period for the first promotion after 2011, either to a higher wage class or a higher title should be extended by one year (from three to four years). The measures regarding promotions in 2012 would be determined in 2011. The period of the suspension of regular performance-based payments was extended again (this time until November 2012), as were the restrictions on performance-based payments related to above-average workload. The government also undertakes that it will not reduce the number of employees in the public sector more than 1% annually, up to and including 2013. The amount of holiday allowance for 2011 and 2012 is determined as well; negotiations regarding the elimination of the deficiencies of the new wage system, which became evident in the period since the implementation, should be completed by the end of 2011.

If the stipulations in the proposed agreement are not carried out, public sector wages will record high growth particularly in 2011 and 2012. Taking into account October's payment of the third quarter of funds to eliminate wage disparities, the average gross wage in the public sector in 2010 would be 1.4% higher in nominal terms than last year. In 2011, wage growth would be much higher, 6.8%. This increase in the level of the average gross wage in 2011 would result from the carryover of the disbursement of the third quarter of funds, which would be reflected in higher wages during the whole year (in 2010, only from October to December); January's adjustment for half of the difference between actual and forecast inflation for 2010; April's regular promotions; July's adjustment for half of forecast inflation for 2011, October's disbursement of the fourth quarter of funds to eliminate wage disparities, and reintroduction of regular performance-related payments starting December 2011. In 2012, the average wage in the public sector would be 7% higher in nominal terms than in 2011, as a result of the effects of the carryover of the disbursement of the fourth quarter of funds and regular performance-related payments in the previous year, in particular, in addition to regular promotions and July's adjustment for half of forecast inflation for 2012.

[15] The Agreement on Measures Regarding Public Sector Salaries due to the Changed Macroeconomic Situation in the 2009–2010 period and Annex No. 1 to the Collective Agreement for the Public Sector (February 2009; stipulating that the disbursement of the third quarter of funds to eliminate wage disparities should be postponed from 1 September 2009 to 1 January 2010, that the regular July adjustment of wages should not be carried out in 2009 and that regular performance-related payments would be temporarily withheld (from April to December 2009)) and the Agreement on Measures Regarding Public Sector Salaries for the Period December 2009–November 2011 and Annex No. 2 to the Collective Agreement for the Public Sector (October 2009; postponing again the disbursement of the third (to 1 October 2010) and this time also the fourth quarter (from 1 March 2010 to 1 October 2011)), of funds to eliminate wage disparities, stipulating that wages will be adjusted for half of anticipated y-o-y inflation in July 2010, and deferring the disbursement of regular performance-related payments until November 2011).

Table 10: **Comparison of starting points for the preparation of the spring and autumn forecasts for wage growth in the public sector**

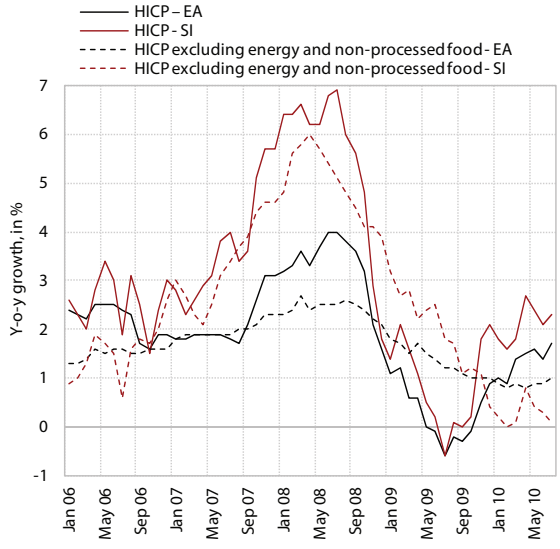
Spring forecast 2010 (Starting points – agreement in October*)	Autumn forecast 2010 (Starting points – agreement in August**)
2010	
January: adjustment by 0.2%	Implemented
April: regular promotions	Implemented
July: adjustment by ½ of predicted y-o-y inflation (0.65%)	Implemented
October: disbursement of 3rd quarter of funds to eliminate disparities	Postponed
December: performance-related payments not to be reintroduced yet	No change
2011	
April: regular promotions	Not to be implemented
July: adjustment by ½ of predicted y-o-y inflation	Not to be implemented
October: disbursement of 4th quarter of funds to eliminate disparities	Postponed
December: performance-related payments not to be reintroduced yet	No change
2012	
	January: Adjustment for inflation exceeding 2%
April: regular promotions	To be agreed in 2011
July: adjustment by ½ of predicted y-o-y inflation	To be agreed in 2011
July: 1% of performance-related payments to be reintroduced	Not to be implemented
December: 1% of performance-related payments to be reintroduced	December: 2% of performance-related payments to be reintroduced

* Agreement of Measures Regarding Public Sector Wages and Other Compensation for the Period December 2009–November 2011
** Proposal of the Agreement on Measures Regarding Public Sector Wages and Other Compensation for 2011 and 2012.

Inflation

This year, inflation is marked particularly by rises in energy prices and excise duties. Energy price rises are related to oil price dynamics in the international environment and the USD/EUR exchange rate, which was reflected in the high growth of oil prices in euros, particularly in the second quarter of this year. Excise duty rises also have a relatively great impact on inflation for the second year in a row. As a result of growing prices of energy and higher excise duties and, to some extent, prices of non-processed food, inflation in Slovenia exceeds that in the euro area, which was 1.6% y-o-y in August (HICP)[16]; in Slovenia, 2.4%.

Figure 36: **HICP and core inflation in Slovenia and in the euro area**



Source: Eurostat.

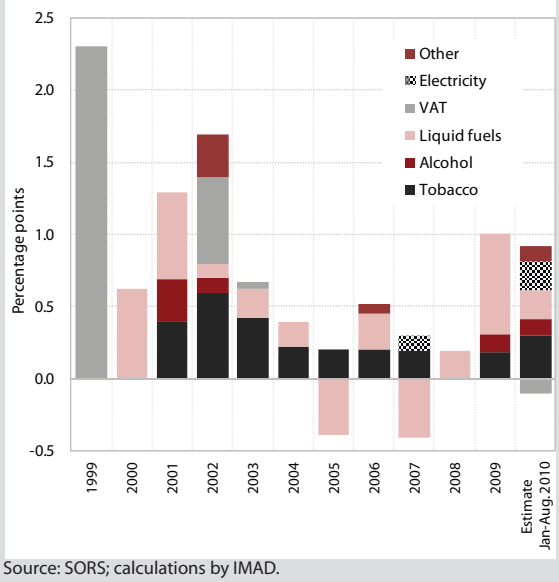
Energy price growth excluding the increase in excise duties accounts for approximately 40% of consumer price growth this year. Relatively strong growth was recorded for all energy prices – prices of district heating, natural gas, solid fuels, electricity for households, and liquid fuels for transport and heating. Energy prices contributed around 0.8 p.p. to 2.0% inflation in the first eight months of this year; taking into account excise duty rises, their contribution was even greater (see Box 8).

[16] Comparisons between price movements in the euro area and Slovenia are based on the harmonised index of consumer prices (Eurostat). Price movements for Slovenia are analysed on the basis of the consumer price index.

Box 8: **Impact of tax changes on inflation**

Government tax policy measures had a significant impact on inflation both in 2009 and 2010. Mainly in order to secure additional public finance inflows, the government has also changed the level of taxes and excise duties several times this year. In January it reduced the rate of VAT on certain locally provided services, such as hairdressing, small repair services (shoes, bicycles) and domestic care services in an effort to reduce the shadow economy. The system of calculating motor vehicles tax was also revised in March, which was, according to SORS data, reflected in a mild decline in retail prices of personal cars. As a result of all these changes, inflation was somewhat lower. However, in prices of electricity for households, the government introduced a new contribution in January to improve the efficiency of electric energy use and raised the contribution to support the production of electricity in high-efficiency co-generation and from renewable sources. In this year, duties were also raised, on liquid fuels for transport and heating 0.2 p.p., tobacco 0.3 p.p., alcohol 0.1 p.p., natural gas 0.1 p.p., and electricity 0.1 p.p. The effect of all tax changes combined thus amounted to as much 0.8 p.p. in the first eight months of the year (0.8 p.p., higher excise duties; 0.1 p.p., increased contributions on electricity use; around -0.1 p.p., lower VAT on locally provided services and changes in calculating motor vehicle taxes).

Figure 37: **Contribution of tax changes to inflation**



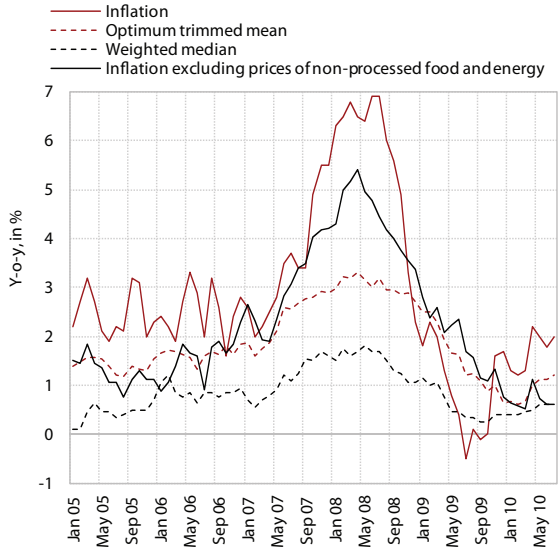
Source: SORS; calculations by IMAD.

Energy prices are also the main driver of administered price growth. Prices that are under various regimes of regulation increased more this year than foreseen in the Administered Prices Adjustment Plan, but their excessive growth is largely related to growth in prices that are determined by a model based on international oil price movements and are only indirectly controlled by the government (liquid fuels for transport and heating, district heating and natural gas). The overall increase in administered prices thus totalled around 10.3% in the first eight months of the year: energy prices rose 12.6% and prices under direct government control 0.7%, which is in line with the government's primary objective in this area, i.e. keeping the annual growth rate of administered prices not higher than 2%.

The relatively weak demand is reflected in low growth in prices of other product groups and prices of services and the consequent easing in core inflation indicators, which are otherwise rising modestly. The movements in prices of other goods and services are moderate, similar to those last year, owing to sluggish demand as a result of a stronger precautionary saving motive in the deteriorated labour market situation. This is most visible in the prices of non-energy manufactured goods, particularly prices of durables and semi-durables, items whose purchases can be postponed, which continued to fall in Slovenia (-4.4% in the first eight months of this year; -4.5% in the same period last year). In the euro area, these prices slightly increased in the same period, which is a key reason for somewhat higher core inflation in the euro area (HICP excluding energy and non-processed food) than in Slovenia. Prices of processed food rose 3.3% in the first eight months, more than last year (2.4%), being slightly accelerated by higher growth in prices of products whose excise duties were raised (alcohol, tobacco) and even more by the acceleration of prices of other food products. Growth in services prices was somewhat lower than in the same period last year (4.4%; last year, 4.9%). Besides the price index, which excludes the prices of energy and non-processed food, other, more technical, indicators of core inflation (weighted median and optimum trimmed mean) also remain much below measured inflation, but are increasing mildly.

Among services prices, which increased relatively slowly in the first eight months of the year, public utility prices recorded outstanding growth this year and were hence frozen by the government at the end of August. Growth in prices of public utility services had already been high last year (9.8%) and similar growth also continued in the first eight months this year (6.2%). To stem high growth in these prices as seen after the change in their regulation, the government determined maximum prices of public utility services (at the level of 28 August 2010) for the September 2010–March 2011 period, during which time a decree should be adopted to tighten control over the implementation of the methodology for setting public utility prices and to define appropriate sanctions for violations, which the current system lacks.

Figure 38: **Dynamics of various core inflation measures**

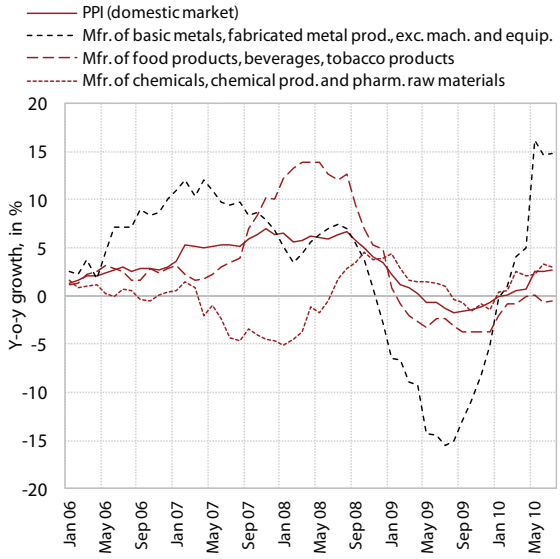


Source: SORS, calculations by IMAD.

Under the impact of commodity price movements in the international environment, prices of manufactured goods on the domestic market continue to rise gradually. Y-o-y growth in producer prices of manufactured goods on the domestic market increased slightly during the year and totalled 2.7% in July. This growth is still mainly attributable to the movement of prices in manufacturing, largely prices of metals and metal products, which increased by close to 15% y-o-y, to a large extent owing to higher prices of metals in the international environment, after these declined significantly last year. Given that in this period of last year, the drops were deepest, the y-o-y growth in the summer months will most probably also be highest this year. Price growth in the manufacture of pharmaceutical and chemical products, textiles and clothing, and paper has also increased somewhat in recent months, but is much lower than in the manufacture of metals.

The autumn forecast of inflation is higher than the spring forecast. This is mainly attributable to the materialisation of risks associated with oil price movements (in euros) and consequently higher prices of liquid fuels and other energy sources, excise duty rises and, to a lesser extent, growth in prices of non-processed food, which also exceeded our expectations in the spring. Due to the same

Figure 39: **Movement of domestic producer prices of manufactured goods (for selected manufacturing industries)**



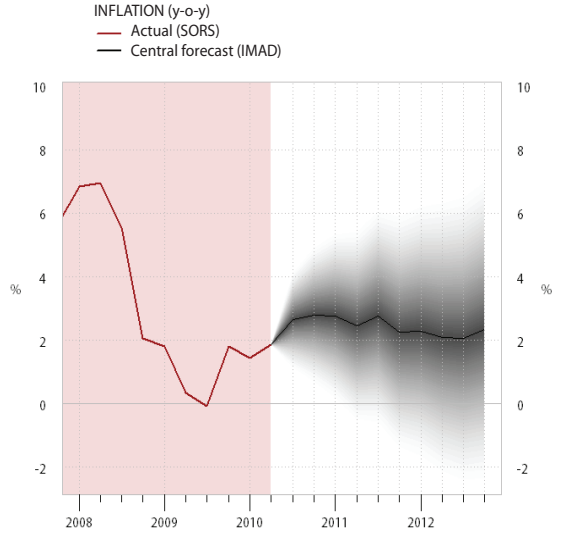
Source: SORS.

factors that have already had the greatest impact on price growth thus far, price growth is expected to strengthen somewhat further over the last few months of the year and rise above that recorded in the first eight months (2%). Taking into account the documents that were in force mid-September and which envisaged another increase in excise duties on electricity in November, y-o-y inflation will total 2.8% and average inflation 2.1% in December this year.

Assuming lower growth in commodity prices and excise duties, y-o-y inflation will ease to 2.2% next year and remain at a similar level in 2012. According to the prevailing forecasts by international institutions regarding oil and other energy prices, used as the basis for the assumptions underlying our autumn forecast for inflation (see also the International Environment section), the pressure of oil and other energy price rises should abate next year and so would their direct impact on prices of liquid fuels and other energy sources in Slovenia. Similar movements are expected for non-energy commodity prices. On the other hand, in certain sectors, this year's high growth of all commodity prices is passing through to higher producer prices of manufactured goods, for instance in the manufacture of metal, chemical and food products, which will put upward pressure on retail prices. Core inflation is also projected to increase amid the further strengthening of economic activity expected both in the entire euro area and Slovenia. Taking into account the government measures regarding excise duty movements, which were in force mid-September and envisaged an increase in excise duties on tobacco and tobacco products, the contribution of excise duty rises to y-o-y inflation will be much lower (0.2 p.p.) than in 2009 and 2010. The orientation of other government policies, i.e. regarding the movements of wages and administered prices, which are under direct government control, remains restrictive, similar to this year. Under such assumptions, y-o-y inflation will ease to 2.2% next year. Average inflation, the calculation of which is also impacted by this year's higher growth in prices, will rise to 2.7%. In 2012, when the economic recovery is set to continue, y-o-y inflation is expected to be 2.3% (average inflation 2.2%).

The risks that inflation may diverge from the forecast are symmetrically distributed, according to our assessment. The greatest risks to the realisation of the central forecast for inflation are still associated with uncertainty in the international environment, global economic recovery and prices of energy and non-energy commodities in world markets. Upward inflationary pressures are also associated with certain factors which arise from the domestic environment and are related to possible tax policy measures the government may put in place to reduce the general government deficit, which has already led to relatively strong price rises of certain goods and services in 2009 and 2010.

Figure 40: **Central inflation forecast and the probability of expected divergence**



Source: SORS; 2010–2012 forecasts by IMAD.

Table 11: **Autumn forecasts of inflation**

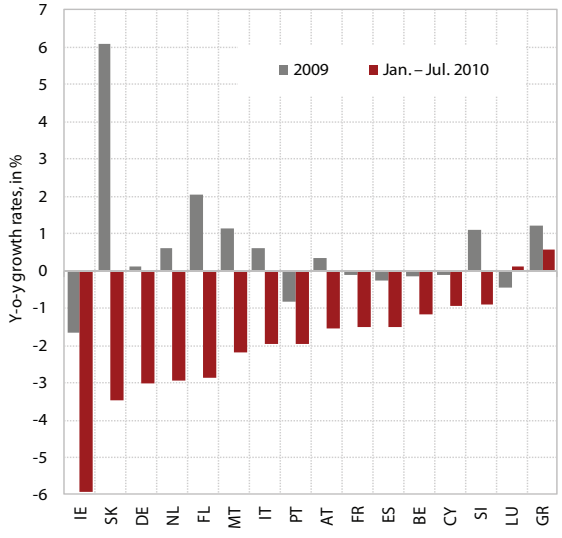
	2009	2010		2011		2012	
		Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)
Inflation (annual average, %)	0.9	1.3	2.1	1.6	2.7	2.3	2.2
Inflation (Dec/Dec, %)	1.8	1.3	2.8	2.0	2.2	2.5	2.3

Source: SORS; forecasts by IMAD.

Price and cost competitiveness

The price competitiveness of the economy is improving with the depreciation of the euro, but less noticeably than in most other euro area members. The real effective exchange rate measured by relative[17] consumer price growth declined in the first seven months this year due to the depreciation of the euro, after it had already started to slow in 2009 in the wake of substantial growth in 2007 and 2008. In July, it was 1.8% lower than in December last year and in the first seven months of 2010, 0.9% lower than in the comparable period last year. This year's improvement in Slovenia's price competitiveness was less pronounced than in most other euro area countries, which is partly attributable to the movements of growth in relative consumer prices, which were less favourable this year in Slovenia than in most other euro area countries.[18] Price competitiveness also improved less in Slovenia due to the structure of Slovenia's foreign trade, which is characterised by an above-average share of trade with euro area countries, meaning that the depreciation of the euro has a smaller impact on the country's price competitiveness.

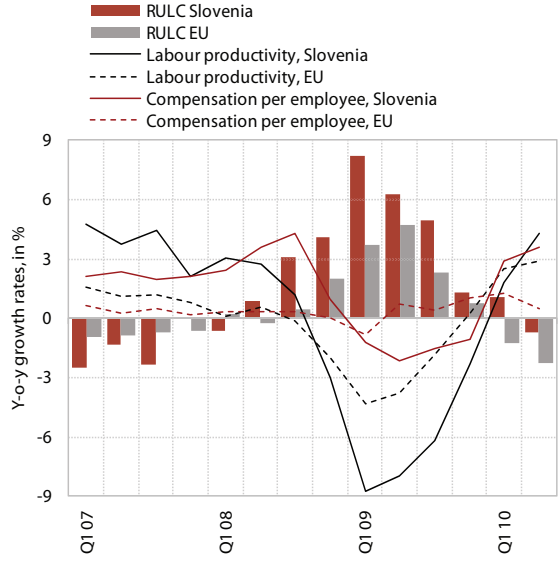
Figure 41: **Real effective exchange rates of euro area members deflated by HICP**



Source: ECB; calculations by IMAD.

The cost competitiveness of the economy improved in the second quarter after a longer period of decline, but less than in most euro area and EU countries due to relatively high wage growth in the private sector. After a year of a gradual moderation of growth, real unit labour costs and the real effective exchange rate deflated by relative unit labour costs declined y-o-y in the second quarter (the former by 0.7% and the latter by 0.6%, according to the estimation), while they were only slightly higher in the first six months than the year before (0.7% and 0.8%, respectively). The improvement reflected resumed labour productivity growth. Labour productivity growth was due to a rebound in economic growth, with the decline in employment slowing only moderately y-o-y (see the Employment and Unemployment section). Growth in the compensation of employees per employee accelerated under the impact of stronger growth in private sector wages (see the Wages section), but was lower than labour

Figure 42: **Real unit labour costs (RULC) in Slovenia and in the EU average**



Source: Eurostat; calculations by IMAD.

[17] In Slovenia, compared with its trading partners.

[18] Amid faster inflation than in its trading partners, Slovenia recorded growth in relative consumer prices compared with most of the other euro area members, which posted declines due to lower inflation than in their trading partners.

productivity growth in the second quarter. After Slovenia had been in the group of euro area and EU countries with the greatest losses in cost competitiveness since mid-2008 (with a gradual narrowing of the differences), it recorded an improvement this year, one of the smallest in the euro area and the EU. This year, Slovenia's relatively worse position was attributable to faster wage growth in Slovenia than in most other countries, while last year it resulted from a greater drop in productivity.

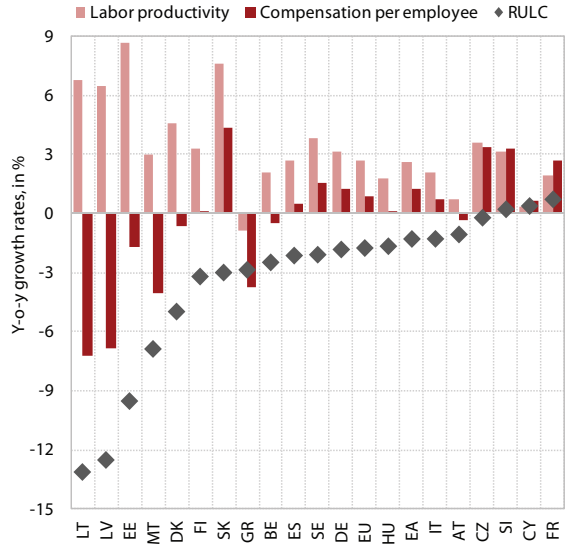
Slovenia's price competitiveness will improve this year under the impact of a weaker euro, but will deteriorate slightly next year due to stronger relative growth in consumer prices. The real effective exchange rate deflated by growth in relative consumer prices[19] will drop this year (by 1.2%), on the technical assumption of USD 1.294 to EUR 1,[20] and increase slightly next year (by 0.5%).

Cost competitiveness will improve this year due to the expected growth in labour productivity and next year also under the impact of slower wage growth. Resumed labour productivity growth will reflect a gradual recovery of economic activity and a further adjustment of employment. Growth in the compensation of employees per employee is not expected to become any slower before next year, when this year's rapid wage growth in the private sector is set to ease (see the Wages section). After posting high growth last year, real unit labour costs will drop slightly this year (-0.3%) and more noticeably next year (-1.9%). The real effective exchange rate will already drop somewhat more this year (-1.3%, next year -1.6%), in light of the expected decline in the value of the euro.

[19] This year by 0.7% and next year by 1.1%.
[20] Until the end of the year and next year, averaging USD 1.310 to EUR 1 in 2010.

Even though negative movements came to a halt, Slovenia will very likely remain among the euro area and EU members with relatively less competitive price and cost competitiveness movements this year and the next. Due to the structure of Slovenia's external trade, the positive effects of the assumed depreciation of the euro on the business operations of Slovenian enterprises will be relatively smaller; the negative effects of the expected deterioration of terms of trade, however, will be greater as small open economies such as Slovenia are relatively more vulnerable to the deterioration of foreign trade. Amid a relatively smaller gap between wage growth and productivity growth, the profitability of Slovenia's economy might be lower compared with our foreign competitors.

Figure 43: **Real unit labour costs (RULC) in selected EU members in the first half of 2010***



Source: Eurostat; calculations by IMAD.
Note: *Mid-year data are available only for 19 EU countries.

Table 12: **Indicators of price and cost competitiveness**

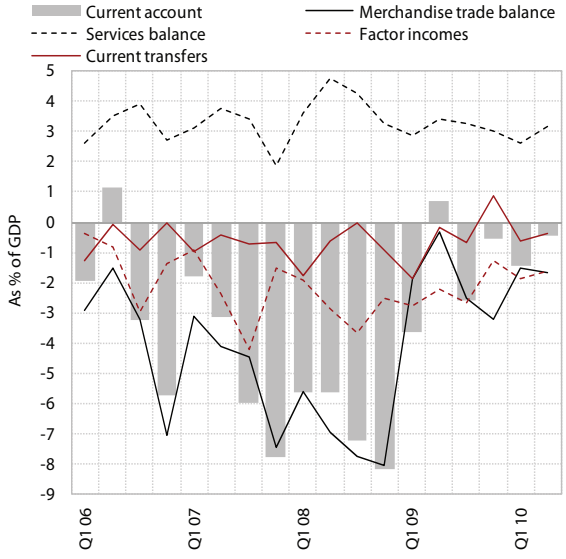
Y-o-y growth, in %	2009	Q1 2010	Q2 2010	2010	2011
				forecast	
Effective exchange rate*					
Nominal	0.4	-0.3	-1.9	-1.8	-0.6
Real, deflator CPI	0.7	-0.3	-1.3	-1.2	0.5
Real, deflator PPI	2.8	-2.4	-3.3	-	-
Real, deflator ULC	5.0	2.1	-0.6	-1.3	-1.6
Unit labour costs components					
Nominal unit labour costs	8.5	1.5	0.6	-0.1	-0.5
Compensation per employee, nominal	1.6	3.4	5.0	3.1	2.3
Labour productivity, real	-6.4	1.9	4.4	3.2	2.9
Real unit labour costs	5.1	1.0	-0.7	-0.3	-1.9
Labour productivity, nominal	-3.3	2.4	5.8	3.4	4.3

Source: SORS. ECB. Eurostat. OECD; calculations by IMAD.
Note: *relative to 17 trading partners

Current account of the balance of payments

The deficit in current transactions continues to narrow this year after last year's significant decline, but with different factors in play. The current account of the balance of payments recorded a deficit of EUR 158.9 m in the first half of this year (EUR 240.1 m in the same period last year). The current account deficit, which had strengthened in the period of favourable economic trends and high rises of commodity prices in world markets, shrank notably last year (see Figure 44), mainly due to a lower deficit in merchandise trade, which last year fell to its lowest level ever due to a significant improvement in terms of trade and imports declining more in real terms than exports. According to mid-year data, the deficit declined further this year mainly due to lower net outflows of investment income and a lower deficit in general government current transfers. The deficit in merchandise trade, in contrast, was higher, due to deteriorated terms of trade. The surplus in trade in services also narrowed slightly.

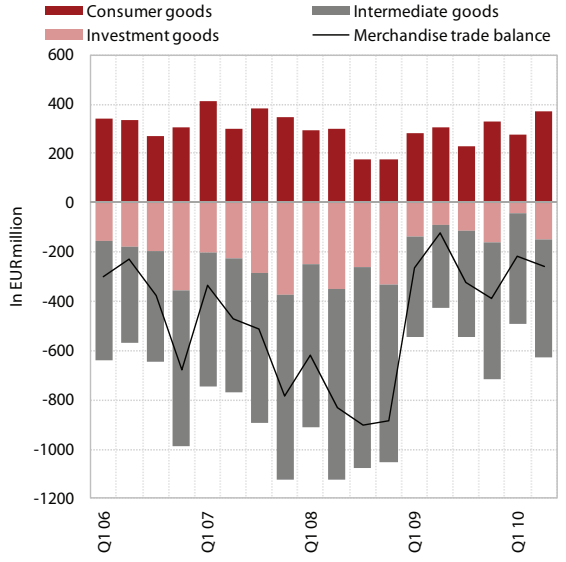
Figure 44: **Components of the current account balance**



Source: BS, calculations by IMAD.

In the first half of the year, the current account deficit was higher y-o-y due to faster growth in import than export prices. The merchandise deficit totalled EUR 281.4 m in the first half of the year, compared with EUR 184.9 m in the same period last year. Volume growth in exports was somewhat higher than in imports, but the movement of export-import prices, which was conducive to a decline in the merchandise trade deficit last year, this year is contributing towards its increase. The terms of merchandise trade deteriorated in the first half of the year (3.4% y-o-y), with import prices increasing 4.3% and export prices a mere 0.7% amid higher prices of oil and other primary commodities.[21] Broken down by end-use categories, the deficit widened as a result of a higher deficit in trade in intermediate goods (see Figure 45). The deficit in trade in investment goods contracted, with domestic investment activity still being relatively weak. The surplus in consumer goods trade strengthened, in contrast, as exports of passenger cars and durables (home furnishings, household appliances), the main components of the structure of consumer goods trade, recorded higher growth than imports of those goods in that period. This is related to the pick-up in export demand (also under the impact of fiscal incentives to stimulate car purchases in certain countries) on one side, and weak domestic private demand on the other.

Figure 45: **Balance of merchandise trade by end-use categories**

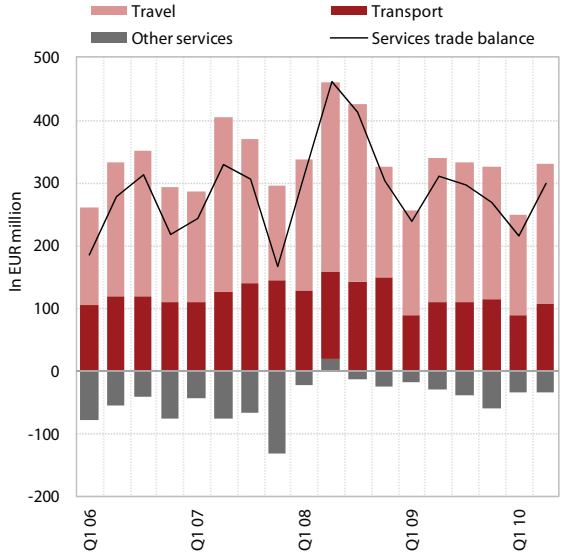


Source: SORS, BS, calculations by IMAD.

The surplus of the balance of services in the first half of this year was only slightly lower than in the same period last year. The surplus in services trade amounted to EUR 514.9 m in the first half of the year, compared with EUR 549.9 m in the same period last year. The decline was mainly related to a lower trade surplus in construction services and a higher trade deficit in licences, patents and copyrights, and communication services. The trade surplus in travel services also shrank somewhat, with imports of these services increasing faster than exports. The trade surplus in transport services was the same as last year (see Figure 46).

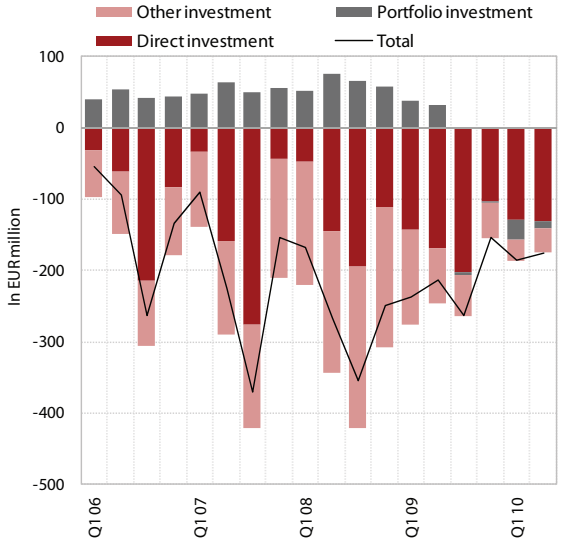
[21] Data on the terms of trade have been taken from the national accounts statistics.

Figure 46: **Services trade balance**



Source: BS, calculations by IMAD.

Figure 47: **Investment income**

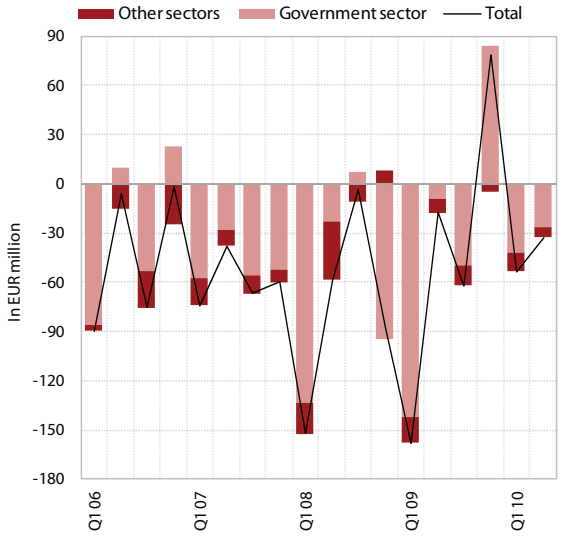


Source: BS, calculations by IMAD.

In the first half of this year, the deficit in factor incomes declined primarily as a result of net outflows of investment income. The deficit in the balance of factor incomes amounted to EUR 306.3 m in the first half of the year, compared with EUR 429.9 m in the same period of 2009. The lower net outflow of investment income reflected lower net payments of interest to the rest of the world[22] due to lower net payments of interest on loans, which is related to interest rates being kept low and to the deleveraging of domestic commercial banks. A net outflow was in the same period also recorded for portfolio investment (a net inflow in the same period of last year), as a result of increased government and bank indebtedness due to issued bonds.[23] The net inflow of income from labour, which had already started to increase last year, is also slightly higher this year, which is, due to a declining number of foreign workers employed in Slovenian companies, mainly attributable to a lower outflow of their earnings abroad.

The deficit in the balance of current transfers narrowed, mainly due to a lower deficit in general government transfers. The deficit in current transfers amounted to EUR 86.2 m in the first half of the year (EUR 175.3 m last year). Net payments of taxes on production and other government transfers to the rest of the world were lower, in particular. In the first half of this year, Slovenia's budget deficit realised only a slightly higher surplus against the EU budget (EUR 7.5 m) than in the same period last year (EUR 4.0 m). Slovenia received significantly fewer funds under the Common Agricultural and Fisheries Policies and fewer funds from the Cohesion Fund, but increased the absorption of funds from the European Fund for Regional Development and European Social Fund.

Figure 48: **Balance of current transfers**



Source: BS, calculations by IMAD.

[22] According to the methodology, data on reinvested earnings (also an important category of investment income) are estimations only during the year. The actual figures on reinvested earnings are only included in the balance of payments after companies' annual balance sheets for the previous year become available. Last year, the net investment outflow from this source was at a historical high and contributed more than the net outflow from interest on loans to the total net outflow of investment income. The net investment outflow from reinvested earnings thus increased significantly relative to 2008 (due to disinvestment of Slovenian enterprises abroad), while the net outflow from interest declined.

[23] The impact of government borrowing by bonds issued last year has only shown this year, when the first coupons matured, while the payments of the first coupons of this year's bonds fall due next year.

The deficit in the current account of the balance of payments is projected to decline from last year's 1.5% of GDP to 0.9% of GDP this year. This year, the expected decline in the current account deficit will chiefly result from a lower net outflow of investment income. As it was in the first six months, the net outflow from interest payments is also projected to be lower in the year as a whole. However, the total decline in the net outflow of investment income will be even more impacted by the anticipated decline in the net outflow of reinvested earnings. Last year, these experienced the greatest net outflow since data have been available, as a result of disinvestment of Slovenian companies abroad. In our estimate, such an outflow is not likely to recur this year. If Slovenia realises absorption as foreseen in the supplementary budget, its net budgetary surplus against the EU budget is expected to be much higher than last year, which is why we also expect a lower deficit in the balance of current transfers. However, we project an increase in the deficit in merchandise trade, which has already been seen in the middle of the year, particularly as a result of significantly faster growth in import prices than export prices. As in the first half of the year, the surplus in the balance of services is also expected to be lower than in 2009 in the year as a whole, largely due to a higher trade deficit in the group of other services (construction and communication services, licences, patents and copyrights) and a somewhat lower trade surplus in travel services.

In 2011 and 2012, the deficit in the current account of the balance of payment is expected to remain at 1% of GDP. The surplus in goods and services trade is projected to widen slightly in the next two years, largely as a result of the expected surplus in services trade due to a higher surplus in trade in transport and travel services. Amid faster growth in merchandise exports than imports, faster growth of exports is also expected for trade in transport services. The merchandise trade deficit is likely to remain at this year's level in 2011 and decline somewhat in 2012. However, net payments of interest on foreign loans are expected to increase in 2011, and further in 2012. Taking into account the planned absorption of EU funds (according to MF data), Slovenia's net positive budgetary position against the EU budget will improve further in 2011 relative to this year, but in 2012 it will worsen slightly relative to 2011. As the planned net surplus of Slovenia's state budget against the EU budget will not be able to cover the deficit expected in other current transfers of the government and private sectors, the balance of current transfers is projected to record a modest deficit in these two years.

Table 13: **Autumn forecast of the current account of the balance of payments**

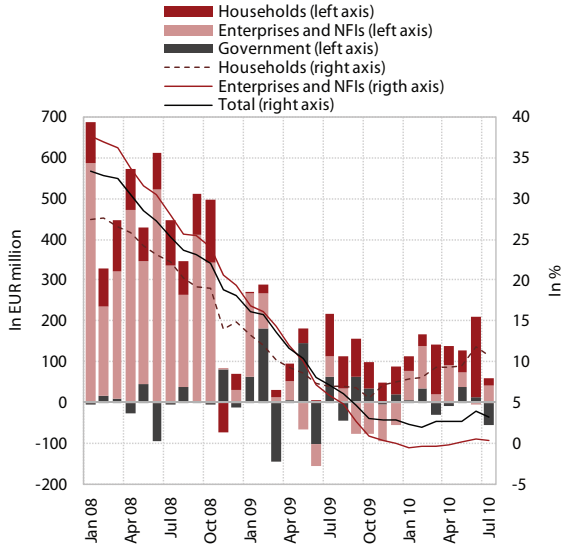
	2009	2010		2011		2012	
		Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2010)
Current account of the balance of payments, EUR m	-526	-638	-330	-1,095	-386	-1,249	-427
Current account of the balance of payments, % GDP	-1.5	-1.8	-0.9	-3.0	-1.0	-3.3	-1.1

Source: BS, forecasts by IMAD.

Financial markets

The borrowing of domestic non-banking sectors from domestic banks has been strengthening somewhat this year, after slowing significantly in 2009, while enterprises and non-monetary financial institutions (NFIs) repay their foreign loans, which were an important source of finance as recently as in the first half of the previous year. Total net flows of domestic banks' loans to domestic sectors reached EUR 866.5 m in the first seven months this year, almost one fifth more than in the comparable period last year, but still 75% less than in the comparable period of 2008. The bulk of the increase came from household borrowing, with enterprises also contributing a sizeable share, while the government net repaid a small amount of its bank loans. Enterprises and non-monetary financial institutions (NFIs) made relatively large net repayments of foreign loans (EUR 280 m). Therefore, the liquidity of Slovenia's economy, which is provided by bank loans abroad and at home, did not improve in the first half of the year.

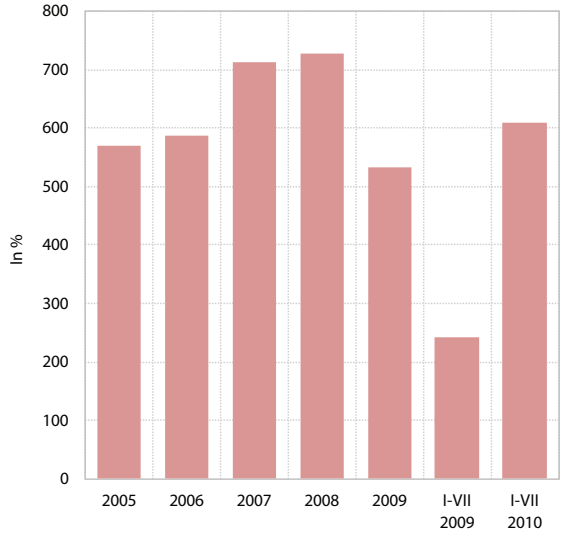
Figure 49: **Net flows and y-o-y growth rates of loans to households, enterprises and NFIs, and the government**



Source: BS.

Housing loans are playing an important role in household borrowing this year. Households took out a net EUR 609.8 m in housing loans in the first seven months this year, more than double the value in the same period of last year and more than one third higher than in the first seven months of 2008, when net flows were highest to date. Household net repayment of consumer loans and loans for other purposes also strengthened further in 2010 (EUR 105.7 m). The boost in housing loans could partly be explained by the increased volume of transactions on Slovenia's real estate market.[24] We estimate that banks also encourage borrowing in the form of housing loans, as spreads on this type of loans strengthened less than on some other loans.

Figure 50: **Net flows of housing loans**



Source: BS, calculations by IMAD.

Net flows of domestic and foreign loans to enterprises and NFIs in the first seven months of this year account for just slightly over 16% of those in the same period last year. Corporate borrowing at domestic banks started to pick up in 2010, after almost ceasing last year. In the first seven months, enterprises and NFI borrowed a net EUR 362.9 m at home, almost 30% more than in the same period last year, yet still less than 15% of the value from the comparable period in 2008. Enterprises alone borrowed a net EUR 490 m at domestic banks in that period, about three quarters more than in the comparable period of 2009, while NFIs repaid their debts. Even though lending activity is not expected to pick up markedly by the end of the year, we estimate that growth may strengthen further

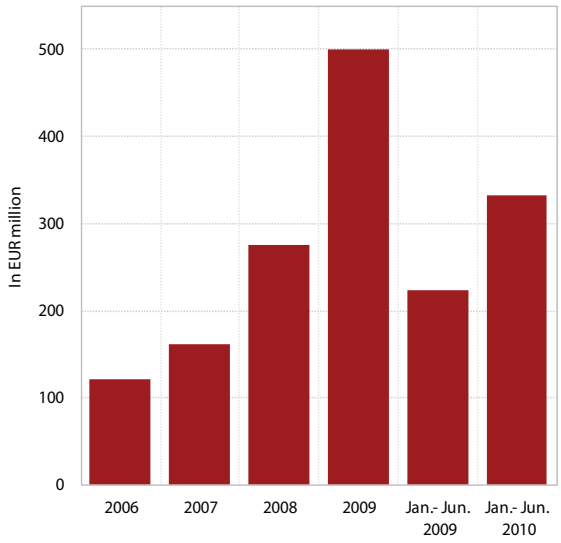
[24] These rose noticeably y-o-y, but remained much below the 2007 level.

due to last year's net repayments in the latter part of the year. Enterprises and NFIs net repaid close to EUR 280 m in foreign loans in the first seven months of the year. Total net flows of domestic and foreign loans to enterprises and NFIs were hence still modest in that period, EUR 84.5 m, one sixth of the value recorded in the comparable period last year.

Non-monetary financial institutions repaid debts this year for various reasons. Some of them participated in takeover activities and therefore raised significant loans at banks, also insuring them by pledging their shares. However, the value of shares contracted significantly during the crisis, as did business operations, and banks were therefore no longer willing to reschedule matured liabilities. According to the Bank of Slovenia, the share of delayed classified claims in financial intermediation, which also includes NFIs, thus amounted to 30.9%[25] at the end of June, which is approximately one half higher than the average of all activities.

The quality of total bank assets continues to deteriorate at a relatively rapid pace,[26] which is also indicated by the level of additional impairments and provisions this year. In the first eight months of this year, banks created additional impairments and provisions in the amount of EUR 373.4 m, a solid half more than in the comparable period last year. If the creation of impairments and provisions continues at this pace in the last four months of 2010, it may exceed the upper limit assessed by the Bank of Slovenia (EUR 600 m, Financial Stability Review, 2010), by our estimate. The general economic situation has otherwise improved somewhat, but the banking system is highly exposed to the construction sector, in which negative movements persist. The construction sector had one of the highest shares of delayed classified claims in June (31.1%).[27] In June, this proportion also increased in transport and storage, to 39.9%, which is greater than in May by a factor of 1.5.

Figure 51: **Impairments and provisions**



Source: BS.

Banks saw domestic sources of liquidity shrink significantly this year. In the previous year, the primary source of financing was government deposits, which grew by EUR 2.1 bn. The government also deposited almost EUR 1 bn in banks at the beginning of this year. However, government deposits recorded a sizeable net outflow in the first seven months of the year, in the amount of EUR 0.5 bn. Having dropped significantly last year, inflows of household deposits to banks saw a much slower decline in 2010. In the first seven months of this year, net flows were only 3% lower than in the comparable period in 2009. Household deposits, however, recorded great structural changes. Among time deposits, deposits redeemable at notice dropped significantly, as did short-term deposits, a large part of which was shifted to long-term deposits, according to our estimate. These posted a net inflow of EUR 1.0 bn, while other time deposits recorded an almost equal net outflow (EUR 1.1 bn). This movement largely reflects the unfavourable situation in international financial markets, as banks are trying to offset the shortage of foreign long-term sources by domestic sources. The interest rates for long-term deposits in Slovenia hence significantly exceed the average value in the euro area.

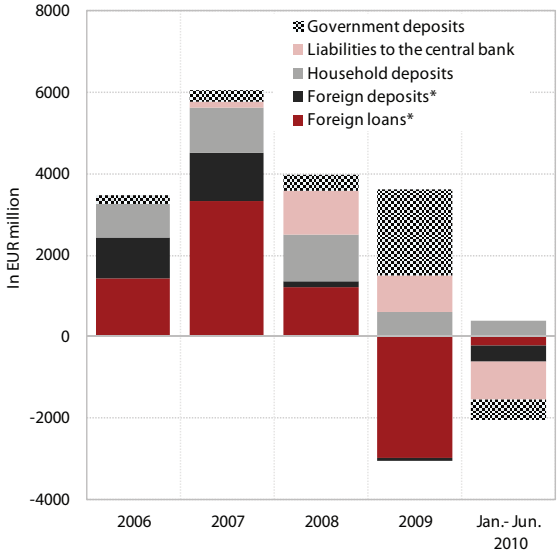
[25] See Poslovanje bank v tekočem letu, gibanja na kapitalskem trgu in obrestne mere, avgust 2010 (Banking operations in the current year, developments on capital markets and interest rates, August 2010).

[26] The share of non-performing loans strengthened from 2.2% in December 2009 to 2.7% in June 2010, see Poslovanje bank v tekočem letu, gibanja na kapitalskem trgu in obrestne mere, julij 2010 (Banking operations in the current year, developments on capital markets and interest rates, July 2010).

[27] See Poslovanje bank v tekoèem letu, gibanja na kapitalskem trgu in obrestne mere, avgust 2010 (Banking operations in the current year, developments on capital markets and interest rates, August 2010).

Domestic banks continue to face a decline in sources of finance on international interbank markets. Banks only recorded net inflows from these sources once in the first seven months of this year, with total outflows amounting to EUR 1.1 bn in that period, half less than in the comparable period last year. In July, banks significantly reduced their obligations against the ECB, by EUR 0.9 bn, which we estimate is largely due to the maturing of 12-month long-term refinancing operations. Banks will still be able to borrow from the ECB, which continues to enable refinancing operations at fixed interest rates, without restrictions, but only for short-term liquidity. This will only help banks to meet current liquidity needs, but will not enable them to broaden lending activity.

Figure 52: **Annual net flows of foreign loans and deposits, household deposits, borrowing at the central bank, and government deposits**

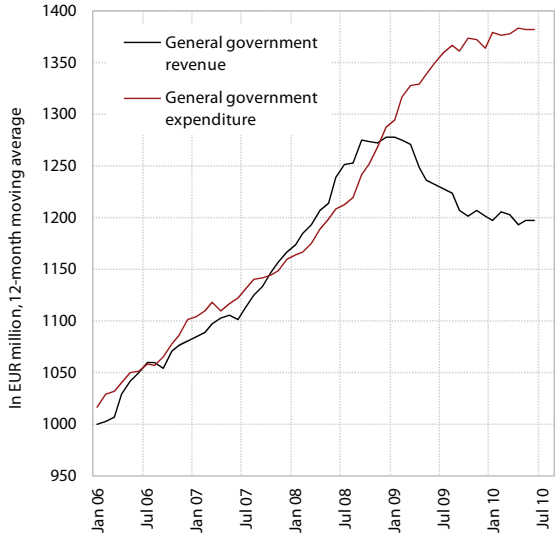


Source:: BS; calculations by IMAD.
Note:* The figures for 2010 covers the period until June.

Public finance

The general government deficit remains high this year. According to the consolidated balance,[28] general government revenue totalled EUR 6.8 bn in the first six months, general government expenditure EUR 8.2 bn and the deficit EUR 1,370 m. The deficit of the state budget including the transfer to the pension fund (EUR 800 m) amounted to EUR 1,321 m. Because of the growing gap between the realised and anticipated general government revenues, the government adopted a supplementary budget for 2010 in June. In the supplementary budget, the state budget deficit is estimated at EUR 1.768 bn, or 4.9% of GDP from the autumn forecast, which is at the level of the deficit in 2009 (see Table 14).

Figure 53: **Consolidated general government revenue and expenditure**



Source: MF; calculations by IMAD.

In the first half of the year, general government revenue was 0.6% lower than in the same period last year. Only revenue from the value added tax (VAT) increased visibly in that period (4.1%). Revenue from social security contributions was just slightly higher (0.5%). Revenue from personal income tax also increased (8.2%), but mainly due to the timing of personal income tax refunds, which were paid in June last year and this year in July, which will slow growth in revenue from personal income tax in the following months, also due to significantly lower inflows from taxes on income from entrepreneurial profits and income from capital gains. Revenues from all other main tax categories declined. Even though excise duties are generated at higher rates than in the same period last year, revenue from excise duties declined by 2.7% amid a concurrent significant decline in the quantity of excise goods sold. Revenue from corporate income tax reached only 47% of the value recorded in the first half of last year, as a result of high refunds paid according to tax assessments based on business results for the previous year, tax relief and a lower tax rate. The new monthly prepayments are also much lower than last year: they have been determined according to business results for 2009, but tax payers are also able to request a reduction on the basis of deteriorated business performance in the current year; in addition, the statutory tax rate is now 1 percentage point lower (20.0%).

In the first half of the year, general government expenditure was 2.7% higher than in the same period last year. All categories of general government expenditure according to the economic classification increased except capital expenditure and capital transfers (-3.4%), expenditure on subsidies (-2.9%), and expenditure on wages and other personnel expenditures, which were roughly at the same level as in the same period last year. Expenditure on goods and services rose by 1.2%. Interest payments recorded nearly 30% growth. Transfers to individual and households rose by 4.9% (excluding pensions, by 7.3%), most notably expenditure on transfers to the unemployed (43.6%) given the deteriorated situation on the labour market. However, the increases in transfers to the unemployed have been slowing down in recent months. Strong growth was also posted for social security transfers (9.8%). Expenditure on pensions was 3.6% higher y-o-y, much less than in the same period last year.

In light of lower-than-foreseen revenues, the government revised the state budget for 2010 to match expenditures with lower revenues, but the budget deficit will not narrow significantly in comparison with the previous budget, which remains a challenge for the fiscal policy in the following years. According to the structure of expenditures, funds for investment were cut the most, compared with those in the previously adopted budget. However, the supplementary budget does not envisage any major systemic savings measures, such as those that have already been put in place in some other European countries, which would be vital for a more sustainable consolidation of public finances. After the deterioration of public finances in 2009 and 2010 and an increase in the general government deficit and debt, the key challenge in drafting the state budgets for 2011–2012 will be to narrow the gap between general government revenue and expenditure, reduce the level of public financing and decide which programs/policies should be supported by the available public funds.

[28] The consolidated balance (according to the cash flow methodology) includes revenues and expenditures of the state and local government budgets, as well as the pension and health funds.

Table 14: **State budget revenue and expenditure**

In EUR m	2007	2008	2009	2010 previously adopted budget	2010 supplementary budget
STATE BUDGET REVENUE	7,799	8,535	7,530.7	8,647.6	8,106.6
- share of GDP	22.6	22.9	21.3	24.2	22.7
- nominal growth in %	5.5	9.4	-11.8	14.8	7.6
STATE BUDGET EXPENDITURE	7,762	8,470	9,259.5	10,473.7	9,874.2
- share of GDP	22.5	22.7	26.2	29.3	27.6
- nominal growth in %	1.8	9.1	9.3	13.1	6.6
SURPLUS / DEFICIT	37	65	-1,728.8	-1,826.1	-1,767.5
- share of GDP	0.1	0.2	-4.9	-5.1	-4.9

Source: MF; shares in GDP for 2010 based on the IMAD's Autumn Forecast.

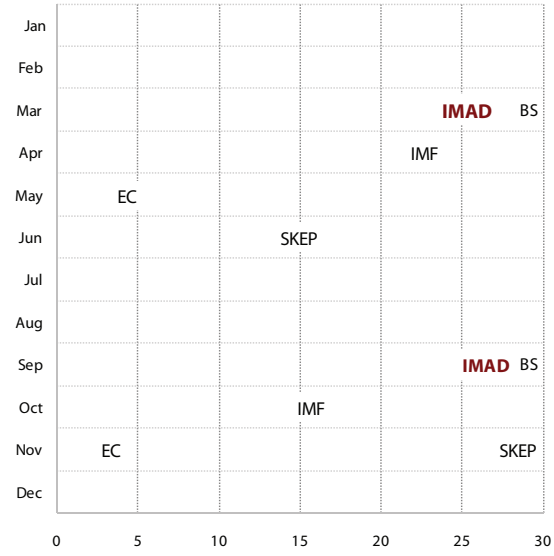
Assessing the performance of the IMAD forecasts

The following section contains the forecast accuracy assessment that was already published in the Spring Forecast of Economic Trends 2010. As the accuracy of GDP forecasts is analysed on the basis of the first release of the quarterly statistical data and not on later annual data or their revisions, these calculations represent the latest accuracy assessment. A new accuracy assessment will thus be made in the spring of 2011 (for 2010 and for the 1997–2010 period.

At IMAD, we have been regularly analysing the performance of forecasts for the main macroeconomic aggregates for a number of years. The present analysis now includes data for 2009. It covers two key aggregates: real economic growth and inflation. A systematic comparison of how our forecasts diverge from actual trends over a longer period of time reveals the accuracy of forecasting and mean errors made in forecasting a given aggregate. A mean error that significantly deviates from the value "zero" may indicate a systematic underestimation or overestimation of future economic trends. The analysis should cover a sufficiently long period of time, for in a short period every error can significantly affect the conclusions about the accuracy of the forecasts. This is also shown in forecasting performance measures for the "crisis" year 2009, which, due to their size, notably deteriorated the performance parameters for the entire period (1997–2009, or 2002–2009).

The analysis also includes a comparison of forecasting performance between the forecasts by IMAD and other domestic and foreign institutions publishing forecasts of economic trends for Slovenia. In addition to IMAD, forecasts for Slovenia are regularly published by the Bank of Slovenia and SKEP – Economic Outlook, Analysis and Forecasts of the Chamber of Commerce and Industry of Slovenia (CCIS), and among international institutions, by the International Monetary Fund and the European Commission. The forecast aims to achieve the best possible results with regard to the information sources available at the cut-off date. It is thus important to consider the time when the forecasts were made, as later forecasts may take into account new data which can shed a different light on the economic situation. This new information may involve further data on indicator movements in a given month or quarter, revisions of data that have already been published, legislative and economic policy changes, as well as changed assumptions of movements in the international environment, which represent a strong uncertainty factor for very open economies such as Slovenia. All institutions usually publish their forecasts

Figure 54: **Timeline of forecasts published by individual institutions in 2009**



twice a year. The most comprehensive forecasts are provided by IMAD and BS, while other institutions predict a much narrower set of macroeconomic categories.

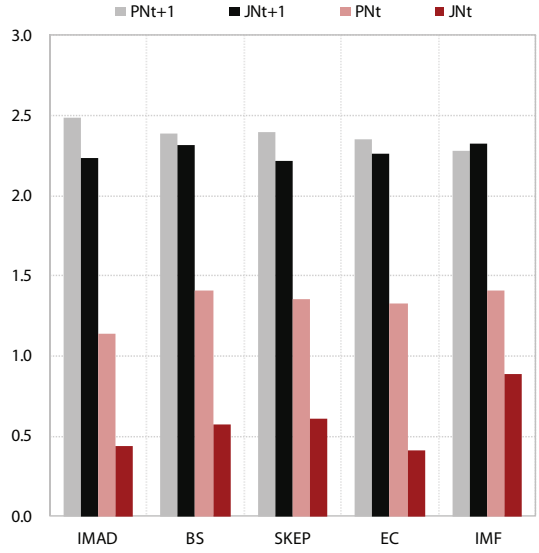
A comparison of forecasting performance measures for various institutions shows that the most accurate spring forecast for real economic growth for the current year (2009) was made by IMAD. With all institutions significantly underestimating the 2009 decline in economic activity in their spring forecasts for the current year (2009), IMAD's error was relatively the smallest. The spring forecasts of GDP for the current year (2009) ranged between -2.0% (BS) and -4.0% (IMAD), and the autumn forecasts between -4.7% (IMF) and -7.4% (EC), with IMAD at -7.3%. In the autumn, the EC and IMAD thus came closest to the preliminary SORS estimate on economic growth based on the quarterly data (-7.8%).

The greater error in the forecast for 2009 had a significant impact on the forecast accuracy measures for a longer period. The mean absolute errors in the spring forecasts of economic growth for the current year ranged between 1.14 p.p. (IMAD) and 1.41 p.p. (BS and IMF) in 2002–2009.[29] The root mean square errors were

[29] A comparison between all institutions can only be made for the period 2002–2009, while the forecasts by IMAD and SKEP can also be compared over the longer period of 1997–2009. The absolute error of IMAD's spring forecast for the current year for the period 1997–2009 is 0.95 p.p. (SKEP: 1.11 p.p.), while for the shorter period of 2002–2009, this error amounts to 1.14 p.p. (SKEP: 1.35 p.p.). Excluding 2009, IMAD's error totalled 0.71 p.p. in 1997–2008 (SKEP: 0.76 p.p.), and 0.76 p.p. in 2002–2008 (SKEP: 0.79 p.p.).

somewhat higher: between 1.58 p.p. (IMAD) and 2.24 p.p. (BS). The mean absolute errors in the forecasts for 2009 as a share of the error for the period 2002–2009 as a whole totalled between 41.5% (EC) and 51.3% (BS), and for IMAD 41.8%. The errors in the autumn GDP forecast for the current year (2009) and, consequently, their shares in the error for the period 2002–2009 as a whole were much smaller, between 12.1% (EC) and 43.7% (IMF), and for IMAD 14.3%. Table 15 shows errors in the forecasts for 2009 by all institutions as a share of errors in individual analysed periods as a whole.

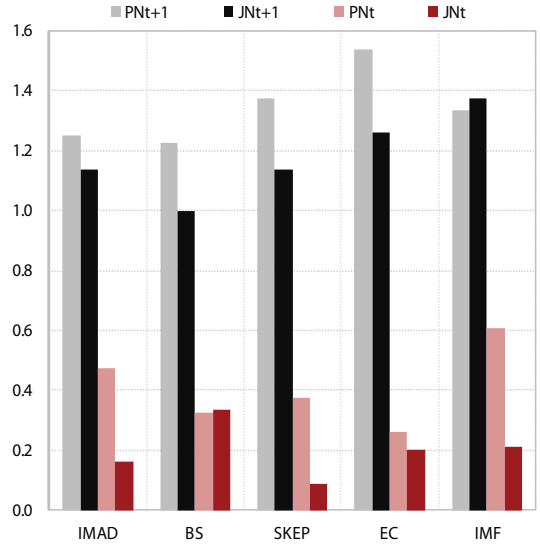
Figure 55: **Mean absolute errors in real GDP growth forecasts for 2002–2009**



Source: Spring and autumn forecasts by individual institutions. For details see the source of data under Table 15.

Analysis of the spring and autumn inflation forecasts for the current year (2009) shows significant forecast accuracy for all institutions. The spring forecasts of inflation for the current year moved between 0.4% (IMAD and BS) and 1.0% (SKEP), and the autumn forecasts between 0.5% (IMF) and 1.1% (BS), with IMAD at 1.0%. The spring forecast by SKEP proved to be the most accurate, in view of the realised average inflation of 0.9%, while in the autumn, the most accurate forecasts were published by IMAD and SKEP.

Figure 56: **Mean absolute errors in average inflation forecasts for 2002–2009**



Source: Spring and autumn forecasts by individual institutions. For details see the source of data under Table 15.
Note: BS data for PNt+1 for 2003–2009.

Table 15: **Shares of errors in forecasts for 2009 in total errors in 2002–2009 and 1997–2009, in %**

		Gross domestic product, real growth				Inflation (year average)			
		PNt+1	JNt+1	PNt	JNt	PNt+1	JNt+1	PNt	JNt
Mean Absolute Error, MAE									
IMAD	2002-2009	59.8	60.9	41.8	14.3	23.0	33.0	13.2	7.7
	1997-2009	50.1	52.4	30.8	7.9	13.5	22.7	7.6	4.2
BS	2002-2009	61.3	61.1	51.3	23.9	30.2	32.5	19.2	7.4
SKEP	2002-2009	62.5	63.3	49.1	16.3	23.6	29.7	3.3	14.3
	1997-2009	53.6	50.6	36.8	8.9	12.8	18.1	1.3	4.2
EC	2002-2009	61.7	59.1	41.5	12.1	19.5	27.7	9.5	0.0
IMF	2002-2009	62.1	61.8	45.3	43.7	14.0	21.8	8.2	23.5
Root Mean Square Error, RMSE									
IMAD	2002-2009	96.0	96.4	85.2	30.3	51.4	71.1	28.5	16.0
	1997-2009	94.8	95.4	77.8	22.4	36.3	58.9	21.1	10.3
BS	2002-2009	96.6	96.3	91.6	57.8	61.8	67.1	38.8	19.0
SKEP	2002-2009	96.8	96.9	90.4	39.8	54.1	66.6	7.2	33.3
	1997-2009	95.8	94.3	85.8	25.9	36.8	48.7	3.9	9.3
EC	2002-2009	96.5	95.8	84.5	28.9	48.1	67.0	15.8	0.0
IMF	2002-2009	96.6	96.4	89.0	86.9	33.8	50.1	16.7	56.0

Note: PNt+1, JNt+1 – spring/autumn forecast for the year ahead; PNt, JNt – spring/autumn forecast for the current year.
Source:
Spring, Autumn Forecast of Economic Trends (March, September). Ljubljana, Institute of Macroeconomic Analysis and Development (IMAD).
Price Stability Report (March, September). Ljubljana, Bank of Slovenia (BS).
Current Economic Trends (May, November). Ljubljana, Chamber of Commerce and industry of Slovenia (CCIS), Economic Outlook, Ananysis and Forecasts (SKEP).
Spring Economic Forecast, Autumn Economic Forecast (April, October). European Commission (EC).
World Economic Outlook (April, October). Washington, International Monetary Fund (IMF).

statistical appendix

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Table 1: **Main macroeconomic indicators of Slovenia**

Real growth rates in %, unless otherwise indicated

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
										forecast		
GROSS DOMESTIC PRODUCT	2.8	4.0	2.8	4.3	4.5	5.9	6.9	3.7	-8.1	0.9	2.5	3.1
GDP in EUR m (at current prices and at current exchange rate)	22,790	24,500	25,752	27,162	28,750	31,055						
GDP in EUR m (at current prices and at fixed exchange rate EUR=239.64)	20,654	23,128	25,114	27,073	28,750	31,050	34,568	37,305	35,384	35,792	37,227	39,033
GDP per capita in EUR (at current prices and at current exchange rate)	11,441	12,281	12,900	13,599	14,369	15,467	17,123	18,450	17,331	17,575	18,240	19,087
GDP per capita in USD (at current prices and at current exchange rate)	10,236	11,564	14,556	16,885	17,869	19,400	23,467	27,136	24,174	23,023	23,602	24,699
GDP per capita (PPS)[1]	15,800	16,800	17,300	18,700	19,700	20,700	22,100	22,800	20,300			
GDP per capita (PPS EU27=100)[1]	80.0	82.0	83.0	86.0	87.0	88.0	89.0	91.0	86.0			
POPULATION, EMPLOYMENT, WAGES AND PRODUCTIVITY												
Population, as on 30. June, in thousand	1,992.0	1,995.7	1,996.8	1,997.0	2,001.1	2,008.5	2,019.4	2,022.6	2,042.3	2,036.6	2,041.0	2,045.0
Employment according to SNA	0.5	-0.1	-0.4	0.3	-0.2	1.5	3.0	2.8	-1.9	-2.2	-0.3	0.2
Registered unemployed (annual average in thousand)	101.9	102.8	97.7	92.8	91.9	85.8	71.3	63.2	86.4	100.5	103.3	99.4
Rate of registered unemployment in %	11.2	11.3	10.9	10.3	10.2	9.4	7.7	6.7	9.1	10.7	11.0	10.6
Rate of unemployment by ILO in %	6.4	6.4	6.7	6.3	6.5	6.0	4.9	4.4	5.9	7.2	7.1	6.9
Gross wage per employee	3.2	2.0	1.8	2.0	2.2	2.2	2.2	2.5	2.5	1.6	0.2	1.3
- private sector	2.3	2.3	2.1	3.1	2.8	2.8	3.2	2.0	0.9	2.4	1.1	1.8
- public sector	5.1	1.1	1.0	-0.8	0.9	1.0	0.5	3.9	5.6	-1.3	-1.9	0.3
Labour productivity (GDP/employee)	2.4	4.0	3.2	4.0	4.7	4.3	3.8	0.9	-6.4	3.2	2.9	3.0
INTERNATIONAL TRADE - BALANCE OF PAYMENTS STATISTICS												
Exports of goods and services[2]	6.4	6.8	3.1	12.4	10.6	12.5	13.7	3.3	-17.7	7.0	5.9	7.0
Exports of goods	7.0	6.4	4.4	12.8	10.3	13.4	13.9	0.6	-18.1	8.7	5.9	7.2
Exports of services	3.5	8.2	-2.5	10.9	12.0	8.6	13.2	16.2	-16.1	0.6	5.5	6.0
Imports of goods and services[2]	3.1	4.9	6.7	13.3	6.6	12.2	16.7	3.8	-19.7	5.6	4.5	5.9
Imports of goods	3.2	4.4	7.3	14.6	6.8	12.7	16.2	3.1	-20.9	6.2	4.4	5.8
Imports of services	2.3	8.4	2.8	5.6	5.5	8.8	19.7	8.7	-12.3	2.8	5.6	6.6
Current account balance in EUR m	38	247	-196	-720	-498	-771	-1,646	-2,489	-526	-330	-386	-427
- As a per cent share relative to GDP	0.2	1.0	-0.8	-2.6	-1.7	-2.5	-4.8	-6.7	-1.5	-0.9	-1.0	-1.1
Balance of goods and services in EUR m	-149	355	-3	-322	-106	-158	-619	-1,157	415	242	316	422
- As a per cent share relative to GDP	-0.7	1.4	0.0	-1.2	-0.4	-0.5	-1.8	-3.1	1.2	0.7	0.8	1.1
FINAL DOMESTIC DEMAND - NATIONAL ACCOUNTS STATISTICS												
Final consumption	2.8	2.7	3.0	2.9	2.8	3.2	5.1	3.7	0.2	-0.2	0.5	1.8
As a % of GDP *	76.1	75.0	75.0	73.9	73.2	71.6	70.0	71.1	75.7	76.0	75.2	74.6
in which:												
Private consumption	2.5	2.5	3.3	2.7	2.6	2.9	6.7	2.9	-0.8	-0.5	1.0	2.0
As a % of GDP *	56.7	55.9	56.0	55.0	54.2	52.8	52.7	53.0	55.4	55.6	55.5	55.1
Government consumption	3.8	3.3	2.2	3.4	3.4	4.0	0.7	6.2	3.0	0.7	-0.8	1.4
As a % of GDP *	19.4	19.1	19.0	18.9	19.0	18.8	17.3	18.1	20.3	20.4	19.7	19.5
Gross fixed capital formation	0.7	0.7	8.1	5.6	3.7	10.1	12.8	8.5	-21.6	-3.5	4.0	4.3
As a % of GDP *	24.7	23.1	24.0	24.9	25.5	26.5	27.7	28.8	23.9	23.0	23.3	23.7
EXCHANGE RATE AND PRICES												
Average exchange rate SIT/USD, BS	242.7	240.2	207.1	192.4	192.7	191.0	174.8					
Average exchange rate SIT/EUR, BS	217.2	226.2	233.7	238.9	239.6	239.6	239.6					
Ratio of USD to EUR	0.895	0.942	1.128	1.242	1.244	1.254	1.371	1.471	1.393	1.310	1.294	1.294
Real effective exchange rate - deflated by CPI[3]	-0.3	1.7	3.3	0.1	-0.2	0.7	2.3	2.8	0.7	-1.2	0.5	0.2
Inflation (end of the year)[4]	7.0	7.2	4.6	3.2	2.3	2.8	5.6	2.1	1.8	2.8	2.2	2.3
Inflation (year average)[4]	8.4	7.5	5.6	3.6	2.5	2.5	3.6	5.7	0.9	2.1	2.7	2.2
Brent Crude Oil Price USD / barrel	24.5	25.0	28.9	38.3	54.6	65.2	72.4	96.9	61.7	77.0	82.0	85.0

Source: SORS, BS, ECB, Ministry of Finance, Eurostat, calculations and forecast by IMAD.
Notes: [1]Measured in purchasing power standard; [2]Balance of payments statistics (exports F.O.B., imports F.O.B.); real growth rates are adjusted for inter-currency changes and changes in prices on foreign markets; [3]Growth in value denotes real appreciation of national currency and vice versa; [4]Consumer price index;
* Shares in GDP are calculated for GDP in current prices and at fixed exchange rate 2007 (EUR=239.64).

Table 2a: **Value added by activities and gross domestic product**

EUR million, current prices (fixed 2007 exchange rate)

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
A	Agriculture, hunting, forestry	547.8	665.1	545.2	634.8	679.5	645.9	757.3	819.9	751.9	787.4	769.3	765.5
B	Fishing	2.4	3.1	3.9	3.3	3.7	3.6	3.3	3.1	4.0	4.6	4.4	4.2
C	Mining and quarrying	93.7	92.1	109.1	127.1	127.0	132.9	135.6	137.5	137.8	136.3	129.4	125.2
D	Manufacturing	4,682.2	5,100.1	5,612.8	5,858.5	6,018.5	6,454.1	7,112.0	7,230.8	6,046.0	6,319.7	6,775.3	7,143.0
E	Electricity, gas and water supply	512.2	602.2	621.4	714.5	760.9	817.5	853.9	980.6	985.5	1,035.1	1,098.2	1,073.4
F	Construction	1,124.0	1,210.2	1,357.9	1,480.8	1,681.3	1,957.4	2,393.5	2,727.2	2,428.7	2,215.7	2,313.7	2,485.1
G	Wholesale and retail trade, motor vehicle repair	2,059.3	2,317.0	2,543.8	2,737.1	3,012.7	3,207.7	3,713.4	4,139.9	3,856.5	3,882.4	3,967.6	4,158.5
H	Hotels and restaurants	414.8	455.1	495.7	524.7	554.2	603.2	703.6	753.8	722.0	680.0	837.6	878.2
I	Transport, storage, communications	1,285.0	1,411.0	1,576.9	1,734.6	1,856.0	2,044.4	2,339.5	2,492.2	2,215.9	2,326.5	2,289.8	2,420.0
J	Financial intermediation	760.8	903.0	967.8	1,031.4	1,087.8	1,328.4	1,404.4	1,486.8	1,557.5	1,489.0	1,433.6	1,541.8
K	Real estate, renting and business activities	2,881.6	3,362.3	3,669.1	4,025.4	4,274.8	4,638.4	5,269.9	5,799.4	5,626.2	5,642.4	5,696.5	5,907.2
L	Public administration and comp. soc. sec.	1,064.4	1,178.8	1,335.2	1,435.2	1,512.1	1,599.5	1,682.6	1,870.5	1,961.1	1,999.2	2,177.8	2,244.4
M	Education	1,004.0	1,105.7	1,208.9	1,326.5	1,424.4	1,499.9	1,567.9	1,664.5	1,746.7	1,777.2	1,896.6	2,072.9
N	Health and social work	953.9	1,037.1	1,116.8	1,190.4	1,279.8	1,330.6	1,383.5	1,546.2	1,750.0	1,737.0	1,728.9	1,771.0
O	Other community, social and personal services	660.4	686.5	738.6	841.2	913.3	947.5	1,000.0	1,065.7	1,054.1	1,145.3	1,191.8	1,288.9
P	Private households with employed persons	15.8	16.6	16.5	18.7	18.7	19.3	21.0	23.0	24.3	23.2	23.0	23.3
	1. VALUE ADDED	18,062.4	20,145.9	21,919.8	23,684.4	25,204.7	27,230.4	30,341.5	32,741.2	30,868.3	31,201.0	32,333.6	33,902.7
	2. CORRECTIONS (a-b)	2,591.9	2,982.5	3,194.2	3,389.0	3,544.9	3,820.0	4,226.8	4,563.5	4,516.1	4,590.9	4,893.3	5,130.2
	a) taxes on products and services	2,695.7	3,078.7	3,318.8	3,520.2	3,697.3	3,953.5	4,420.4	4,769.2	4,727.8	4,796.2	5,099.9	5,337.2
	b) subsidies on products and services	103.8	96.2	124.6	131.2	152.4	133.5	193.7	205.7	211.7	205.3	206.6	207.0
	3. GROSS DOMESTIC PRODUCT (3=1+2)	20,654.3	23,128.5	25,114.0	27,073.4	28,749.6	31,050.4	34,568.2	37,304.7	35,384.4	35,791.9	37,226.9	39,032.9

Source: SORS, calculations and forecast by IMAD.

Table 2b: **Value added by activities and gross domestic product**

structure in %, current prices

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
A	Agriculture, hunting, forestry	2.7	2.9	2.2	2.3	2.4	2.1	2.2	2.2	2.1	2.2	2.1	2.0
B	Fishing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C	Mining and quarrying	0.5	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3
D	Manufacturing	22.7	22.1	22.3	21.6	20.9	20.8	20.6	19.4	17.1	17.7	18.2	18.3
E	Electricity, gas and water supply	2.5	2.6	2.5	2.6	2.6	2.6	2.5	2.6	2.8	2.9	2.9	2.7
F	Construction	5.4	5.2	5.4	5.5	5.8	6.3	6.9	7.3	6.9	6.2	6.2	6.4
G	Wholesale and retail trade, motor vehicle repair	10.0	10.0	10.1	10.1	10.5	10.3	10.7	11.1	10.9	10.8	10.7	10.7
H	Hotels and restaurants	2.0	2.0	2.0	1.9	1.9	1.9	2.0	2.0	2.0	1.9	2.2	2.2
I	Transport, storage, communications	6.2	6.1	6.3	6.4	6.5	6.6	6.8	6.7	6.3	6.5	6.2	6.2
J	Financial intermediation	3.7	3.9	3.9	3.8	3.8	4.3	4.1	4.0	4.4	4.2	3.9	3.9
K	Real estate, renting and business activities	14.0	14.5	14.6	14.9	14.9	14.9	15.2	15.5	15.9	15.8	15.3	15.1
L	Public administration and comp. soc. sec.	5.2	5.1	5.3	5.3	5.3	5.2	4.9	5.0	5.5	5.6	5.8	5.7
M	Education	4.9	4.8	4.8	4.9	5.0	4.8	4.5	4.5	4.9	5.0	5.1	5.3
N	Health and social work	4.6	4.5	4.4	4.4	4.5	4.3	4.0	4.1	4.9	4.9	4.6	4.5
O	Other community, social and personal services	3.2	3.0	2.9	3.1	3.2	3.1	2.9	2.9	3.0	3.2	3.2	3.3
P	Private households with employed persons	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
	1. VALUE ADDED	87.5	87.1	87.3	87.5	87.7	87.7	87.8	87.8	87.2	87.2	86.9	86.9
	2. CORRECTIONS (a-b)	12.5	12.9	12.7	12.5	12.3	12.3	12.2	12.2	12.8	12.8	13.1	13.1
	a) taxes on products and services	13.1	13.3	13.2	13.0	12.9	12.7	12.8	12.8	13.4	13.4	13.7	13.7
	b) subsidies on products and services	0.5	0.4	0.5	0.5	0.5	0.4	0.6	0.6	0.6	0.6	0.6	0.5
	3. GROSS DOMESTIC PRODUCT (3=1+2)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
	GROSS DOMESTIC PRODUCT	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
	in which:												
	1. Agriculture, forestry, fishing (A+B)	2.7	2.9	2.2	2.4	2.4	2.1	2.2	2.2	2.1	2.2	2.1	2.0
	2. Industry and construction (C+D+E+F)	31.0	30.3	30.7	30.2	29.9	30.2	30.4	29.7	27.1	27.1	27.7	27.7
	- Industry (C+D+E)	25.6	25.1	25.3	24.7	24.0	23.8	23.4	22.4	20.3	20.9	21.5	21.4
	- Construction F	5.4	5.2	5.4	5.5	5.8	6.3	6.9	7.3	6.9	6.2	6.2	6.4
	3. Services (G…P)	53.7	53.9	54.4	54.9	55.4	55.5	55.2	55.9	58.0	57.8	57.1	57.1
	4. Corrections	12.5	12.9	12.7	12.5	12.3	12.3	12.2	12.2	12.8	12.8	13.1	13.1
											as a share in total value added in %		
	TOTAL VALUE ADDED	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
	in which:												
	1. Agriculture, forestry, fishing (A+B)	3.0	3.3	2.5	2.7	2.7	2.4	2.5	2.5	2.4	2.5	2.4	2.3
	2. Industry and construction (C+D+E+F)	35.5	34.8	35.1	34.5	34.1	34.4	34.6	33.8	31.1	31.1	31.9	31.9
	- Industry (C+D+E)	29.3	28.8	28.9	28.3	27.4	27.2	26.7	25.5	23.2	24.0	24.8	24.6
	- Construction F	6.2	6.0	6.2	6.3	6.7	7.2	7.9	8.3	7.9	7.1	7.2	7.3
	3. Services (G…P)	61.5	61.9	62.4	62.8	63.2	63.2	62.9	63.7	66.5	66.4	65.7	65.8

Source: SORS, calculations and forecast by IMAD.

Table 3a: **Value added by activities and gross domestic product**

EUR million (fixed 2007 exchange rate)

		constant previous year prices									constant 2008 prices		
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
A	Agriculture, hunting, forestry	527.0	630.7	531.8	605.2	630.5	649.3	660.3	799.9	749.4	782.4	794.5	802.8
B	Fishing	2.7	2.5	3.3	3.5	3.8	3.2	3.7	3.1	3.7	4.4	4.5	4.5
C	Mining and quarrying	97.6	94.3	102.5	117.0	128.0	134.3	131.6	137.3	132.9	135.1	136.5	137.3
D	Manufacturing	4,332.9	4,927.5	5,381.2	5,864.3	6,108.9	6,457.0	6,956.4	7,121.1	6,021.4	6,472.3	6,747.4	7,081.3
E	Electricity, gas and water supply	424.8	557.3	607.9	682.8	750.4	797.1	823.9	892.5	903.7	976.1	996.1	1,006.6
F	Construction	1,066.2	1,156.6	1,246.4	1,381.3	1,558.5	1,935.1	2,285.6	2,525.7	2,305.3	2,162.7	2,228.7	2,307.8
G	Wholesale and retail trade, motor vehicle repair	1,895.8	2,167.9	2,377.6	2,645.1	2,863.2	3,200.4	3,467.6	3,898.7	3,753.1	3,885.4	3,984.5	4,094.0
H	Hotels and restaurants	395.5	425.0	464.5	480.8	539.4	562.1	637.0	682.3	664.4	715.2	726.2	745.5
I	Transport, storage, communications	1,186.5	1,269.7	1,475.7	1,673.8	1,833.7	2,037.2	2,258.7	2,491.0	2,240.5	2,327.8	2,375.5	2,452.7
J	Financial intermediation	789.4	861.7	963.2	1,073.2	1,143.4	1,195.3	1,515.0	1,551.2	1,529.6	1,503.7	1,534.3	1,588.3
K	Real estate, renting and business activities	2,603.3	2,951.6	3,440.5	3,748.9	4,163.6	4,529.3	4,975.5	5,498.7	5,485.5	5,657.1	5,770.3	5,905.9
L	Public administration and comp. soc. sec.	958.7	1,099.5	1,244.5	1,398.4	1,474.4	1,556.1	1,622.5	1,731.3	1,918.4	2,011.1	2,047.3	2,089.3
M	Education	884.4	1,035.2	1,144.6	1,256.5	1,381.1	1,441.7	1,527.4	1,578.8	1,722.1	1,803.5	1,857.6	1,914.3
N	Health and social work	849.7	1,004.1	1,060.3	1,151.7	1,252.0	1,304.2	1,339.8	1,419.4	1,622.3	1,785.9	1,830.5	1,886.3
O	Other community, social and personal services	614.5	666.1	692.1	760.1	880.8	920.3	924.4	1,023.1	998.8	1,044.1	1,059.8	1,092.1
P	Private households with employed persons	15.3	14.2	10.9	15.2	19.8	18.1	19.4	21.4	23.6	24.7	25.0	25.2
	1. VALUE ADDED	16,644.4	18,863.9	20,747.0	22,857.9	24,731.5	26,740.7	29,148.8	31,375.5	30,074.8	31,291.5	32,118.6	33,133.9
	2. CORRECTIONS (a-b)	2,362.8	2,611.1	3,037.2	3,332.6	3,558.2	3,691.5	4,035.8	4,485.9	4,197.5	4,415.6	4,498.1	4,631.1
	a) taxes on products and services	2,466.5	2,710.3	3,135.6	3,454.7	3,688.4	3,842.7	4,171.2	4,672.4	4,375.9	4,616.7	4,695.1	4,824.3
	b) subsidies on products and services	103.7	99.2	98.4	122.1	130.2	151.2	135.5	186.5	178.3	201.0	197.0	193.2
	3. GROSS DOMESTIC PRODUCT (3=1+2)	19,007.2	21,475.0	23,784.2	26,190.6	28,289.7	30,432.2	33,184.5	35,861.4	34,272.4	35,707.1	36,616.7	37,765.0

Source: SORS, calculations and forecast by IMAD.

Table 3b: **Value added by activities and gross domestic product**

real growth rates in %

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
A	Agriculture, hunting, forestry	-0.7	15.1	-20.0	11.0	-0.7	-4.4	2.2	5.6	-8.6	4.0	1.5	1.0
B	Fishing	17.0	2.9	4.8	-10.3	14.0	-13.9	1.3	-5.8	20.7	9.0	1.0	1.0
C	Mining and quarrying	-4.3	0.6	11.2	7.2	0.7	5.7	-1.0	1.3	-3.4	-2.0	1.0	0.5
D	Manufacturing	4.2	5.2	5.5	4.5	4.3	7.3	7.8	0.1	-16.7	7.0	4.2	4.9
E	Electricity, gas and water supply	-0.1	8.8	0.9	9.9	5.0	4.8	0.8	4.5	-7.8	-1.0	2.0	1.0
F	Construction	-1.1	2.9	3.0	1.7	5.2	15.1	16.8	5.5	-15.5	-11.0	3.0	3.5
G	Wholesale and retail trade, motor vehicle repair	5.9	5.3	2.6	4.0	4.6	6.2	8.1	5.0	-9.3	0.7	2.5	2.7
H	Hotels and restaurants	6.5	2.5	2.1	-3.0	2.8	1.4	5.6	-3.0	-11.9	-1.0	1.5	2.6
I	Transport, storage, communications	3.8	-1.2	4.6	6.1	5.7	9.8	10.5	6.5	-10.1	5.0	2.0	3.2
J	Financial intermediation	4.1	13.2	6.7	10.9	10.9	9.9	14.0	10.5	2.9	-3.5	2.0	3.5
K	Real estate, renting and business activities	4.0	2.4	2.3	2.2	3.4	6.0	7.3	4.3	-5.4	0.5	2.0	2.3
L	Public administration and comp. soc. sec.	5.2	3.3	5.6	4.7	2.7	2.9	1.4	2.9	2.6	2.5	1.8	2.0
M	Education	2.2	3.1	3.5	3.9	4.1	1.2	1.8	0.7	3.5	3.2	3.0	3.0
N	Health and social work	0.5	5.3	2.2	3.1	5.2	1.9	0.7	2.6	4.9	2.0	2.5	3.0
O	Other community, social and personal services	3.5	0.9	0.8	2.9	4.7	0.8	-2.4	2.3	-6.3	-1.0	1.5	3.0
P	Private households with employed persons	12.3	-10.0	-34.1	-8.1	5.9	-3.5	0.6	2.0	2.4	1.5	1.0	1.0
	1. VALUE ADDED	3.4	4.4	3.0	4.3	4.4	6.1	7.0	3.4	-8.1	1.4	2.6	3.2
	2. CORRECTIONS (a-b)	-1.1	0.7	1.8	4.3	5.0	4.1	5.6	6.1	-8.0	-2.2	1.9	3.0
	a) taxes on products and services	-1.0	0.5	1.8	4.1	4.8	3.9	5.5	5.7	-8.2	-2.4	1.7	2.7
	b) subsidies on products and services	0.9	-4.4	2.3	-2.0	-0.8	-0.8	1.5	-3.7	-13.3	-5.0	-2.0	-2.0
	3. GROSS DOMESTIC PRODUCT (3=1+2)	**2.8**	**4.0**	**2.8**	**4.3**	**4.5**	**5.9**	**6.9**	**3.7**	**-8.1**	**0.9**	**2.5**	**3.1**

Source: SORS, forecasts by IMAD.

Table 4: **Gross domestic product and primary incomes**

EUR million, current prices (fixed 2007 exchange rate)

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
1.	**Compensation of employees**	10,751.1	11,854.7	12,800.2	13,850.4	14,650.9	15,672.6	17,211.6	18,952.7	18,786.3	18,919.8	19,344.4	20,062.9
	Wages and salaries	9,375.3	10,266.6	11,044.8	11,889.9	12,569.4	13,443.0	14,782.4	16,301.4	16,128.7	16,296.7	16,679.1	17,313.2
	Employers' social contributions	1,375.8	1,588.1	1,755.4	1,960.5	2,081.5	2,229.6	2,429.2	2,651.3	2,657.7	2,623.1	2,665.2	2,749.7
2.	**Taxes on production and imports**	3,221.1	3,667.8	4,019.0	4,288.7	4,527.2	4,725.2	5,154.3	5,361.6	5,092.8	5,165.2	5,488.7	5,746.5
	Taxes on products and services	2,695.7	3,078.7	3,318.8	3,520.2	3,697.3	3,953.5	4,420.4	4,769.2	4,727.8	4,796.2	5,099.9	5,337.2
	Other taxes on production	525.3	589.0	700.2	768.5	829.9	771.7	733.9	592.4	365.0	369.0	388.8	409.3
3.	**Subsidies**	378.3	421.4	503.5	521.6	590.2	669.5	753.6	740.2	861.9	902.3	893.8	867.2
	Subsidies on products and services	103.8	96.2	124.6	131.2	152.4	133.5	193.7	205.7	211.7	205.3	206.6	207.0
	Other subsidies on production	274.5	325.2	378.9	390.5	437.8	536.0	560.0	534.5	650.2	697.0	687.2	660.2
4.	**Gross operating surplus**	5,046.4	5,674.4	6,406.9	6,848.5	7,157.9	8,087.6	9,265.1	9,940.9	8,858.6	9,032.0	9,518.0	10,093.2
	Consumption of fixed capital	3,127.6	3,361.8	3,468.8	3,724.1	3,935.4	4,132.3	4,505.4	4,948.0	5,129.1	5,229.5	5,510.9	5,844.0
	Net operating surplus	1,918.8	2,312.7	2,938.0	3,124.4	3,222.6	3,955.3	4,759.6	4,992.8	3,729.5	3,802.5	4,007.1	4,249.2
5.	**Gross mixed income**	2,014.0	2,353.0	2,391.3	2,607.4	3,003.7	3,234.5	3,690.9	3,789.7	3,508.5	3,577.2	3,769.7	3,997.5
	Consumption of fixed capital	377.6	406.6	415.7	434.2	455.6	480.8	514.5	542.5	535.2	545.7	575.0	609.8
	Net mixed income	1,636.5	1,946.4	1,975.7	2,173.2	2,548.2	2,753.7	3,176.3	3,247.2	2,973.3	3,031.5	3,194.7	3,387.7
6.	**GDP (6=1+2-3+4+5)**	20,654.3	23,128.5	25,114.0	27,073.4	28,749.6	31,050.4	34,568.2	37,304.7	35,384.4	35,791.9	37,226.9	39,032.9
												structure in %, current prices	
1.	**Compensation of employees**	52.1	51.3	51.0	51.2	51.0	50.5	49.8	50.8	53.1	52.9	52.0	51.4
	Wages and salaries	45.4	44.4	44.0	43.9	43.7	43.3	42.8	43.7	45.6	45.5	44.8	44.4
	Employers' social contributions	6.7	6.9	7.0	7.2	7.2	7.2	7.0	7.1	7.5	7.3	7.2	7.0
2.	**Taxes on production and imports**	15.6	15.9	16.0	15.8	15.7	15.2	14.9	14.4	14.4	14.4	14.7	14.7
	Taxes on products and services	13.1	13.3	13.2	13.0	12.9	12.7	12.8	12.8	13.4	13.4	13.7	13.7
	Other taxes on production	2.5	2.5	2.8	2.8	2.9	2.5	2.1	1.6	1.0	1.0	1.0	1.0
3.	**Subsidies**	1.8	1.8	2.0	1.9	2.1	2.2	2.2	2.0	2.4	2.5	2.4	2.2
	Subsidies on products and services	0.5	0.4	0.5	0.5	0.5	0.4	0.6	0.6	0.6	0.6	0.6	0.5
	Other subsidies on production	1.3	1.4	1.5	1.4	1.5	1.7	1.6	1.4	1.8	1.9	1.8	1.7
4.	**Gross operating surplus**	24.4	24.5	25.5	25.3	24.9	26.0	26.8	26.6	25.0	25.2	25.6	25.9
	Consumption of fixed capital	15.1	14.5	13.8	13.8	13.7	13.3	13.0	13.3	14.5	14.6	14.8	15.0
	Net operating surplus	9.3	10.0	11.7	11.5	11.2	12.7	13.8	13.4	10.5	10.6	10.8	10.9
5.	**Gross mixed income**	9.8	10.2	9.5	9.6	10.4	10.4	10.7	10.2	9.9	10.0	10.1	10.2
	Consumption of fixed capital	1.8	1.8	1.7	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.6
	Net mixed income	7.9	8.4	7.9	8.0	8.9	8.9	9.2	8.7	8.4	8.5	8.6	8.7
6.	**GDP (6=1+2-3+4+5)**	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SORS, forecasts by IMAD.

Table 5a: **Expenditure structure of gross domestic product**

EUR million, current prices (fixed 2007 exchange rate)

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	20,654.3	23,128.5	25,114.0	27,073.4	28,749.6	31,050.4	34,568.2	37,304.7	35,384.4	35,791.9	37,226.9	39,032.9
2	EXPORTS OF GOODS AND SERVICES	11,458.5	12,775.2	13,554.4	15,703.6	17,858.9	20,657.3	24,040.7	25,132.4	20,571.6	22,424.0	24,021.2	25,903.6
3	IMPORTS OF GOODS AND SERVICES	11,629.7	12,504.2	13,612.2	16,054.3	17,976.2	20,818.1	24,635.9	26,265.6	20,111.8	22,141.6	23,661.9	25,434.1
4	SURPLUS WITH THE REST OF THE WORLD (4=2-3)	-171.2	271.0	-57.8	-350.7	-117.2	-160.8	-595.2	-1,133.2	459.8	282.4	359.4	469.5
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	20,825.5	22,857.4	25,171.8	27,424.0	28,866.8	31,211.1	35,163.4	38,437.9	34,924.6	35,509.5	36,867.5	38,563.4
6	FINAL CONSUMPTION (6=7+8)	15,712.8	17,357.4	18,845.3	19,996.4	21,039.2	22,226.3	24,207.7	26,519.1	26,775.4	27,208.3	27,979.0	29,130.3
7	PRIVATE CONSUMPTION	11,708.7	12,935.7	14,066.4	14,879.3	15,586.8	16,401.6	18,218.1	19,760.8	19,607.1	19,911.0	20,644.5	21,520.5
	- households	11,456.7	12,644.6	13,754.5	14,582.1	15,331.2	16,156.1	17,944.2	19,477.5	19,355.9	19,663.5	20,390.3	21,255.7
	- NPISH's	252.0	291.1	311.9	297.1	255.7	245.5	274.0	283.3	251.3	247.4	254.1	264.8
8	GOVERNMENT CONSUMPTION (individual and collective)	4,004.1	4,421.7	4,778.9	5,117.2	5,452.3	5,824.7	5,989.6	6,758.3	7,168.3	7,297.3	7,334.5	7,609.8
9	GROSS CAPITAL ORMATION(9=10+11)	5,112.7	5,500.0	6,326.5	7,427.6	7,827.7	8,984.8	10,955.7	11,918.8	8,149.2	8,301.2	8,888.6	9,433.1
10	GROSS FIXED CAPITAL FORMATION	5,107.6	5,332.2	6,015.4	6,752.1	7,321.3	8,242.1	9,571.3	10,743.4	8,471.6	8,231.7	8,689.4	9,246.1
11	CHANGES IN INVENTORIES AND VALUABLES	5.1	167.8	311.1	675.5	506.4	742.7	1,384.4	1,175.4	-322.4	69.5	199.2	187.0

Source: SORS, forecasts by IMAD.

Table 5b: **Expenditure structure of gross domestic product**

structure in %, current prices

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2	EXPORTS OF GOODS AND SERVICES	55.5	55.2	54.0	58.0	62.1	66.5	69.5	67.4	58.1	62.7	64.5	66.4
3	IMPORTS OF GOODS AND SERVICES	56.3	54.1	54.2	59.3	62.5	67.0	71.3	70.4	56.8	61.9	63.6	65.2
4	SURPLUS WITH THE REST OF THE WORLD (4=2-3)	-0.8	1.2	-0.2	-1.3	-0.4	-0.5	-1.7	-3.0	1.3	0.8	1.0	1.2
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	100.8	98.8	100.2	101.3	100.4	100.5	101.7	103.0	98.7	99.2	99.0	98.8
6	FINAL CONSUMPTION (6=7+8)	76.1	75.0	75.0	73.9	73.2	71.6	70.0	71.1	75.7	76.0	75.2	74.6
7	PRIVATE CONSUMPTION	56.7	55.9	56.0	55.0	54.2	52.8	52.7	53.0	55.4	55.6	55.5	55.1
	- households	55.5	54.7	54.8	53.9	53.3	52.0	51.9	52.2	54.7	54.9	54.8	54.5
	- NPISH's	1.2	1.3	1.2	1.1	0.9	0.8	0.8	0.8	0.7	0.7	0.7	0.7
8	GOVERNMENT CONSUMPTION (individual and collective)	19.4	19.1	19.0	18.9	19.0	18.8	17.3	18.1	20.3	20.4	19.7	19.5
9	GROSS CAPITAL FORMATION (9=10+11)	24.8	23.8	25.2	27.4	27.2	28.9	31.7	31.9	23.0	23.2	23.9	24.2
10	GROSS FIXED CAPITAL FORMATION	24.7	23.1	24.0	24.9	25.5	26.5	27.7	28.8	23.9	23.0	23.3	23.7
11	CHANGES IN INVENTORIES AND VALUABLES	0.0	0.7	1.2	2.5	1.8	2.4	4.0	3.2	-0.9	0.2	0.5	0.5

Source: SORS, forecasts by IMAD.

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

EUR million (fixed 2007 exchange rate)

		constant previous year prices									constant 2009 prices		
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	19,007.2	21,475.0	23,784.2	26,190.6	28,289.7	30,432.2	33,184.5	35,861.4	34,272.4	35,707.1	36,616.7	37,765.0
2	EXPORTS OF GOODS AND SERVICES	10,603.5	12,232.3	13,174.8	15,241.4	17,362.4	20,097.5	23,494.6	24,838.5	20,683.1	21,998.6	23,285.8	24,910.6
3	IMPORTS OF GOODS AND SERVICES	10,942.5	12,199.9	13,336.6	15,424.7	17,119.9	20,162.1	24,290.8	25,577.7	21,082.4	21,248.2	22,214.9	23,536.7
4	SURPLUS WITH THE REST OF THE WORLD (4=2-3)	-339.0	32.4	-161.8	-183.2	242.5	-64.6	-796.2	-739.3	-399.3	750.4	1,070.9	1,373.8
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	19,346.2	21,442.6	23,946.0	26,373.8	28,047.2	30,496.8	33,980.7	36,600.7	34,671.7	34,956.7	35,545.8	36,391.2
6	FINAL CONSUMPTION (6=7+8)	14,481.6	16,140.3	17,877.2	19,388.9	20,563.3	21,716.8	23,361.6	25,112.0	26,566.7	26,716.4	26,849.0	27,339.4
7	PRIVATE CONSUMPTION	10,878.7	12,002.5	13,359.2	14,447.7	15,273.1	16,046.0	17,496.3	18,748.8	19,607.2	19,501.4	19,688.3	20,081.9
	- households	10,648.8	11,737.5	13,065.6	14,133.1	14,997.1	15,778.9	17,239.4	18,476.9	19,364.4	19,259.1	19,445.9	19,834.8
	- NPISH's	229.8	265.0	293.7	314.6	276.1	267.1	256.9	272.0	242.8	242.3	242.3	247.1
8	GOVERNMENT CONSUMPTION (individual and collective)	3,602.9	4,137.7	4,518.0	4,941.2	5,290.2	5,670.8	5,865.3	6,363.1	6,959.5	7,214.9	7,160.7	7,257.5
9	GROSS CAPITAL FORMATION (9=10+11)	4,864.6	5,302.3	6,068.8	6,984.9	7,483.9	8,779.9	10,619.2	11,488.7	8,105.0	8,240.3	8,696.9	9,051.8
10	GROSS FIXED CAPITAL FORMATION	4,855.2	5,143.3	5,761.5	6,353.5	7,003.4	8,058.9	9,298.0	10,382.6	8,425.9	8,170.9	8,497.7	8,864.8
11	CHANGES IN INVENTORIES AND VALUABLES	9.5	159.0	307.3	631.4	480.5	721.0	1,321.2	1,106.1	-320.9	69.5	199.2	187.0

Source: SORS, forecasts by IMAD.

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

real growth rates in %

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**2.8**	**4.0**	**2.8**	**4.3**	**4.5**	**5.9**	**6.9**	**3.7**	**-8.1**	**0.9**	**2.5**	**3.1**
2	EXPORTS OF GOODS AND SERVICES	6.4	6.8	3.1	12.4	10.6	12.5	13.7	3.3	-17.7	7.0	5.9	7.0
3	IMPORTS OF GOODS AND SERVICES	3.1	4.9	6.7	13.3	6.6	12.2	16.7	3.8	-19.7	5.6	4.5	5.9
4	*SURPLUS WITH THE REST OF THE WORLD* [1]	*1.7*	*1.0*	*-1.9*	*-0.5*	*2.2*	*0.2*	*-2.0*	*-0.4*	*2.0*	*0.8*	*0.9*	*0.8*
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	1.2	3.0	4.8	4.8	2.3	5.6	8.9	4.1	-9.8	0.1	1.7	2.4
6	FINAL CONSUMPTION (6=7+8)	2.8	2.7	3.0	2.9	2.8	3.2	5.1	3.7	0.2	-0.2	0.5	1.8
7	PRIVATE CONSUMPTION	2.5	2.5	3.3	2.7	2.6	2.9	6.7	2.9	-0.8	-0.5	1.0	2.0
	- households	2.5	2.5	3.3	2.8	2.8	2.9	6.7	3.0	-0.6	-0.5	1.0	2.0
	- NPISH's	4.8	5.2	0.9	0.9	-7.1	4.5	4.6	-0.7	-14.3	-3.5	0.0	2.0
8	GOVERNMENT CONSUMPTION (individual and collective)	3.8	3.3	2.2	3.4	3.4	4.0	0.7	6.2	3.0	0.7	-0.8	1.4
9	GROSS CAPITAL FORMATION	-3.6	3.7	10.3	10.4	0.8	12.2	18.2	4.9	-32.0	1.1	5.5	4.1
10	GROSS FIXED CAPITAL FORMATION	0.7	0.7	8.1	5.6	3.7	10.1	12.8	8.5	-21.6	-3.5	4.0	4.3
11	*CHANGES IN INVENTORIES AND VALUABLES* [1]	*-1.2*	*0.7*	*0.6*	*1.3*	*-0.7*	*0.7*	*1.9*	*-0.8*	*-4.0*	*1.1*	*0.4*	*0.0*

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

Table 7a: **Main aggregates of national accounts**

EUR million, current prices (fixed 2007 exchange rate)

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
1	**GROSS DOMESTIC PRODUCT**	20,654.3	23,128.5	25,114.0	27,073.4	28,749.6	31,050.4	34,568.2	37,304.7	35,384.4	35,791.9	37,226.9	39,032.9
2	Net primary incomes with the rest of the world (a-b)	44.2	-128.6	-193.7	-313.1	-243.6	-368.3	-734.5	-1,015.8	-680.3	-536.2	-674.9	-810.0
	a) primary incomes receivable from the ROW	449.3	450.1	482.0	563.3	765.4	1,032.5	1,333.5	1,373.4	786.3	889.0	1,029.1	1,102.1
	b) primary incomes payable to the ROW	405.0	578.7	675.7	876.3	1,009.0	1,400.8	2,068.0	2,389.2	1,466.6	1,425.2	1,704.0	1,912.1
3	GROSS NATIONAL INCOME (3=1+2)	20,698.5	22,999.9	24,920.3	26,760.3	28,506.0	30,682.1	33,833.8	36,288.9	34,704.0	35,255.7	36,552.0	38,222.9
4	Net current transfers with the rest of the world (c-d)	47.3	61.8	29.2	-44.0	-144.0	-215.5	-227.0	-375.1	-256.0	-35.7	-26.6	-39.8
	c) current transfers receivable from the ROW	419.6	470.3	463.1	546.1	629.7	672.0	818.7	545.0	702.8	1,052.6	1,107.4	1,177.2
	d) current transfers payable to the ROW	372.3	408.5	433.9	590.1	773.7	887.4	1,045.6	920.0	958.8	1,088.3	1,134.0	1,217.0
5	GROSS NATIONAL DISPOSABLE INCOME (5=3+4)	20,745.8	23,061.7	24,949.5	26,716.3	28,362.0	30,466.7	33,606.8	35,913.8	34,448.0	35,220.0	36,525.4	38,183.1
6	FINAL CONSUMPTION EXPENDITURE (e+f)	15,712.8	17,356.9	18,845.3	19,996.4	21,039.2	22,226.3	24,207.7	26,519.1	26,775.4	27,208.3	27,979.0	29,130.3
	e) Private consumption	11,708.7	12,936.2	14,066.4	14,879.3	15,586.8	16,401.6	18,218.1	19,760.8	19,607.1	19,911.0	20,644.5	21,520.5
	f) Government consumption	4,004.1	4,421.7	4,778.9	5,117.2	5,452.3	5,824.7	5,989.6	6,758.3	7,168.3	7,297.3	7,334.5	7,609.8
7	GROSS SAVING (7=5-6)	5,033.0	5,704.8	6,104.1	6,719.8	7,322.8	8,240.3	9,399.1	9,394.7	7,672.6	8,011.8	8,546.5	9,052.8
8	GROSS CAPITAL FORMATION	5,112.7	5,500.0	6,326.5	7,427.6	7,827.7	8,984.8	10,955.7	11,918.8	8,149.2	8,301.2	8,888.6	9,433.1
	- Gross fixed capital formation	5,107.6	5,332.2	6,015.4	6,752.1	7,321.3	8,242.1	9,571.3	10,743.4	8,471.6	8,231.7	8,689.4	9,246.1
	- Changes in inventories and valuables	5.1	167.8	311.1	675.5	506.4	742.7	1,384.4	1,175.4	-322.4	69.5	199.2	187.0
9	SURPLUS ON THE CURRENT ACCOUNT WITH THE ROW (9=7-8)	-79.7	204.3	-222.3	-707.8	-504.9	-744.5	-1556.6	-2524.1	-476.6	-289.4	-342.1	-380.3

Source: SORS, forecast by IMAD.

Table 7b: **Main aggregates of national accounts**

structure in %, current prices

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
1	**GROSS DOMESTIC PRODUCT**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2	Net primary incomes with the rest of the world (a-b)	0.2	-0.6	-0.8	-1.2	-0.8	-1.2	-2.1	-2.7	-1.9	-1.5	-1.8	-2.1
	a) primary incomes receivable from the ROW	2.2	1.9	1.9	2.1	2.7	3.3	3.9	3.7	2.2	2.5	2.8	2.8
	b) primary incomes payable to the ROW	2.0	2.5	2.7	3.2	3.5	4.5	6.0	6.4	4.1	4.0	4.6	4.9
3	GROSS NATIONAL INCOME (3=1+2)	100.2	99.4	99.2	98.8	99.2	98.8	97.9	97.3	98.1	98.5	98.2	97.9
4	Net current transfers with the rest of the world (c-d)	0.2	0.3	0.1	-0.2	-0.5	-0.7	-0.7	-1.0	-0.7	-0.1	-0.1	-0.1
	c) current transfers receivable from the ROW	2.0	2.0	1.8	2.0	2.2	2.2	2.4	1.5	2.0	2.9	3.0	3.0
	d) current transfers payable to the ROW	1.8	1.8	1.7	2.2	2.7	2.9	3.0	2.5	2.7	3.0	3.0	3.1
5	GROSS NATIONAL DISPOSABLE INCOME (5=3+4)	100.4	99.7	99.3	98.7	98.7	98.1	97.2	96.3	97.4	98.4	98.1	97.8
6	FINAL CONSUMPTION EXPENDITURE (e+f)	76.1	75.0	75.0	73.9	73.2	71.6	70.0	71.1	75.7	76.0	75.2	74.6
	e) Private consumption	56.7	55.9	56.0	55.0	54.2	52.8	52.7	53.0	55.4	55.6	55.5	55.1
	f) Government consumption	19.4	19.1	19.0	18.9	19.0	18.8	17.3	18.1	20.3	20.4	19.7	19.5
7	GROSS SAVING (7=5-6)	24.4	24.7	24.3	24.8	25.5	26.5	27.2	25.2	21.7	22.4	23.0	23.2
8	GROSS CAPITAL FORMATION	24.8	23.8	25.2	27.4	27.2	28.9	31.7	31.9	23.0	23.2	23.9	24.2
	- Gross fixed capital formation	24.7	23.1	24.0	24.9	25.5	26.5	27.7	28.8	23.9	23.0	23.3	23.7
	- Changes in inventories and valuables	0.0	0.7	1.2	2.5	1.8	2.4	4.0	3.2	-0.9	0.2	0.5	0.5
9	SURPLUS ON THE CURRENT ACCOUNT WITH THE ROW (9=7-8)	-0.4	0.9	-0.9	-2.6	-1.8	-2.4	-4.5	-6.8	-1.3	-0.8	-0.9	-1.0

Source: SORS, forecasts by IMAD.

Table 8: **Population and labour market**

Numbers in thousands, indicators in %

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
										forecast		
POPULATION (thousands)	1992.0	1995.7	1996.8	1997.0	2001.1	2008.5	2019.4	2022.6	2042.3	2036.6	2041.0	2045.0
Age structure (in perc.): 0-14 y. of age	15.6	15.2	14.8	14.5	14.2	14.0	13.9	13.9	14.0	13.9	13.9	13.9
15-64 years of age	70.1	70.2	70.4	70.4	70.3	70.2	70.1	69.7	69.5	69.5	69.4	69.1
65 years and more	14.3	14.6	14.9	15.2	15.5	15.7	16.0	16.3	16.5	16.6	16.7	17.0
Yearly growth rate of population (in perc.)												
- Total	0.1	0.2	0.1	0.0	0.2	0.4	0.5	0.2	1.0	-0.3	0.2	0.2
- 15-64 years of age	0.1	0.3	0.3	0.0	0.1	0.3	0.3	-0.3	0.7	-0.3	0.1	-0.2
- 65 years and more	2.4	2.5	1.7	2.0	2.2	2.2	2.3	2.1	2.0	0.6	0.7	1.7
Components of demographic development												
Life expectancy: - men	72.1	72.3	73.2	73.5	74.1	74.8	74.6	75.4	74.9	75.1	75.3	75.5
- women	79.6	79.9	80.7	81.1	81.3	81.9	81.8	82.3	82.1	82.2	82.4	82.5
Fertility rate	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.5	1.3	1.3	1.3	1.3
Net migration (per thousand)	1.5	0.9	1.7	1.0	3.2	3.1	7.1	9.2	5.6	2.5	2.5	2.5
LABOUR SUPPLY												
Participation rate (15-64)	68.3	67.8	67.1	69.8	70.7	70.9	71.3	72.1	71.9	72.2	71.4	71.4
- 15-24 years of age	37.4	36.7	35.3	40.6	40.6	40.6	42.0	42.9	41.0	39.7	38.6	37.7
- 25-54 years of age	87.6	87.3	87.0	88.2	88.9	89.0	89.0	89.9	89.6	90.3	89.3	89.2
- 55-64 years of age	26.8	25.5	23.9	29.4	32.2	33.4	34.6	34.9	36.9	38.3	39.6	41.0
Participation rate (65 years and more)	8.7	7.4	6.5	8.6	6.8	6.8	8.2	7.7	6.5	6.6	6.6	6.6
Labour force (LFS concept)	979	971	962	1007	1016	1022	1036	1042	1042	1044	1034	1032
- Yearly changes (%)	1.1	-0.8	-1.0	4.7	0.9	0.6	1.4	0.6	0.0	0.2	-0.9	-0.2
LABOUR DEMAND												
Yearly changes (%)												
GDP	2.8	4.0	2.8	4.3	4.5	5.9	6.9	3.7	-8.1	0.9	2.5	3.1
Productivity	2.4	4.0	3.2	4.0	4.7	4.3	3.8	0.9	-6.4	3.2	2.9	3.0
Persons in employment (National accounts concept)	0.5	-0.1	-0.4	0.3	-0.2	1.5	3.0	2.8	-1.9	-2.2	-0.3	0.2
Persons in employment (LFS concept)	1.7	-0.7	-1.4	5.1	0.6	1.3	2.5	1.1	-1.5	-1.3	-0.8	-0.1
Persons in formal employment * (statistical register)	0.7	0.3	-0.9	0.8	0.7	1.4	3.5	3.0	-2.4	-2.3	-0.2	0.3
-persons in paid employment *	0.9	-0.1	0.1	0.3	1.0	1.4	3.3	3.1	-2.8	-2.3	-0.1	0.4
Numbers (in thousand)												
Persons in employment (National accounts concept) (000)	908.9	922.8	919.2	922.1	920.3	934.2	962.3	988.9	970.2	949.2	946.2	947.9
Persons in formal employment (statistical register)	806.3	808.7	801.4	807.5	813.1	824.8	854.0	879.3	858.2	838.1	836.1	838.7
- persons in paid employment*	722.1	721.4	722.1	724.4	731.6	741.6	766.0	789.9	767.4	749.6	749.0	751.8
- selfemployed	84.2	87.3	79.2	83.1	81.5	83.3	87.9	89.4	90.8	88.5	87.1	86.9
Persons in employment (LFS concept)	916	910	897	943	949	961	985	996	981	969	961	960
- employment rate (15-64 y. of age, %)	63.9	63.4	62.6	65.3	66.0	66.6	67.8	68.8	67.5	66.8	66.3	66.3
Economic atructure of employment (LFS concept) in %												
agriculture	10.4	9.2	8.4	9.8	9.1	9.6	9.9	8.6	9.2	8.9	8.9	8.7
industry and construction	38.5	38.6	37.5	36.5	37.1	35.5	35.2	35.3	33.6	32.3	31.4	31.1
services	51.2	52.2	54.1	53.7	53.8	54.9	54.9	56.2	57.2	58.8	59.7	60.2
UNEMPLOYMENT												
ILO concept	63.0	61.7	64.4	63.8	66.5	61.0	50.4	46.3	61.0	75.4	73.1	71.6
registered	101.9	102.8	97.7	92.8	91.9	85.8	71.3	63.2	86.4	100.5	103.3	99.4
Rate of unemployment (ILO concept)	6.4	6.4	6.7	6.3	6.5	6.0	4.9	4.4	5.9	7.2	7.1	6.9
Rate of registered unemployment	11.2	11.3	10.9	10.3	10.2	9.4	7.7	6.7	9.1	10.7	11.0	10.6

Source of data: SORS, ESS, forecasts by IMAD and Eurostat (Population projection.
Note: * As in statistical register of persons in employment.

Table 9: **Indicators of international competitiveness**

Annual growth rates in %

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
										forecast	
Effective exchange rate [1]											
Nominal	-5.7	-3.6	-0.5	-1.3	-0.7	0.2	0.8	0.5	0.4	-1.8	-0.6
Real - based on consumer prices	-0.3	1.7	3.3	0.1	-0.2	0.7	2.3	2.8	0.7	-1.2	0.5
Real - based on ULC in economy as a whole	0.3	0.6	2.5	1.6	-0.9	0.3	1.8	3.1	5.0	-1.3	-1.6
Unit labour costs components											
Nominal unit labour costs	9.2	6.1	4.5	3.7	0.9	1.0	2.6	5.9	8.5	-0.1	-0.5
Compensation of employees per employee [2]	11.8	10.4	7.9	7.8	5.6	5.3	6.4	6.9	1.6	3.1	2.3
Labour productivity, real [3]	2.4	4.1	3.2	4.0	4.7	4.3	3.8	1.0	-6.4	3.2	2.9
Real unit labour costs	0.5	-1.5	-1.0	0.3	-0.7	-1.0	-1.6	1.8	5.1	-0.3	-1.9
Labour productivity, nominal [4]	11.2	12.1	9.0	7.5	6.4	6.4	8.1	5.0	-3.3	3.4	4.3

Sources: SORS national accounts statistics, BS, ECB, OECD, calculations and forecasts by IMAD.
Notes: [1]Weighted geometric currency average of 17 trading partners. Weights are shares of trading partners in Slovenia's exports (double-weighted) and imports of goods in manufacturing in 2001-2003 (on averege). A rise in the value indicates appreciation of national currency and vice versa.; [2] Nominal; [3] GDP per employee (in constant prices); [4] GDP per employee (in current prices).

Table 10: **Balance of payments - balance of payments statistics**

EUR million

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
										forecast		
I. CURRENT ACCOUNT	38	247	-196	-720	-498	-771	-1,646	-2,489	-526	-330	-386	-427
1. GOODS	-684	-265	-543	-1,009	-1,026	-1,151	-1,666	-2,650	-699	-810	-801	-749
1.1. Exports of goods	10,454	11,082	11,417	12,933	14,599	17,028	19,798	20,048	16,167	17,905	19,158	20,645
1.2. Imports of goods	11,139	11,347	11,960	13,942	15,625	18,179	21,464	22,698	16,866	18,715	19,959	21,395
2. SERVICES	536	620	540	688	920	993	1,047	1,493	1,114	1,052	1,117	1,172
2.1. Exports	2,178	2,440	2,465	2,783	3,214	3,572	4,145	5,043	4,301	4,413	4,749	5,135
Transport	559	635	680	809	923	1,058	1,259	1,436	1,059	1,167	1,261	1,378
Travel	1,105	1,143	1,186	1,312	1,451	1,555	1,665	1,918	1,800	1,855	1,986	2,127
Other	514	662	599	662	840	959	1,221	1,689	1,441	1,392	1,502	1,629
2.2. Imports	1,642	1,820	1,925	2,095	2,293	2,580	3,098	3,549	3,187	3,361	3,633	3,963
Transport	356	385	420	485	525	601	734	875	635	706	762	834
Travel	601	635	664	703	707	772	831	948	968	1,033	1,104	1,192
Other	685	800	841	906	1,061	1,206	1,533	1,727	1,584	1,622	1,766	1,938
1., 2. BALANCE OF GOODS AND SERVICES	-149	355	-3	-322	-106	-158	-619	-1,157	415	242	316	422
Exports of goods and services	12,632	13,521	13,882	15,715	17,813	20,601	23,944	25,091	20,468	22,318	23,907	25,780
Imports of goods and services	12,781	13,166	13,885	16,037	17,918	20,759	24,562	26,248	20,053	22,076	23,591	25,358
3. INCOME	43	-168	-219	-322	-295	-440	-789	-1,030	-782	-536	-675	-810
3.1. Receipts	511	490	510	530	647	872	1,169	1,261	665	889	1,029	1,102
Compensation of employees	197	207	192	201	205	218	229	237	199	175	180	210
Investment	314	282	318	329	442	654	940	1,024	466	714	849	892
3.2. Expenditures	468	657	728	852	942	1,312	1,957	2,292	1,447	1,425	1,704	1,912
Compensation of employees	30	47	57	63	77	110	179	230	114	80	94	120
Investment	438	610	671	789	866	1,202	1,778	2,062	1,333	1,345	1,610	1,792
4. CURRENT TRANSFERS	144	60	26	-76	-97	-173	-239	-302	-159	-36	-27	-40
4.1. In Slovenia	436	500	474	561	738	785	941	870	957	1,053	1,107	1,177
4.2. Abroad	293	439	449	638	835	958	1,180	1,172	1,116	1,088	1,134	1,217
II. CAPITAL AND FINANCIAL ACCOUNT	-148	3	46	698	970	1,092	1,920	2,545	220			
A CAPITAL ACCOUNT	-4	-164	-165	-96	-114	-131	-52	-25	-9			
1. Capital transfers	1	-163	-164	-96	-109	-126	-51	-26	-4			
2. Non-produced non-financial assets	-5	-1	-2	0	-5	-5	-1	1	-5			
B FINANCIAL ACCOUNT	-144	167	211	794	1,084	1,223	1,972	2,571	230			
1. Direct investment	251	1,556	-151	224	-43	-174	-210	381	-539			
Abroad	-161	-166	-421	-441	-516	-687	-1,317	-949	-121			
In Slovenia	412	1,722	270	665	473	513	1,106	1,329	-419			
2. Portfolio investment	80	-69	-223	-637	-1,313	-1,442	-2,255	572	4,625			
3. Financial derivatives	0	0	0	6	-10	-13	-15	46	-2			
4. Other investment	964	565	849	945	2,639	1,571	4,313	1,551	-4,021			
4.1. Assets	248	-538	-730	-1,308	-1,459	-1,939	-4,741	-427	-273			
4.2. Liabilities	716	1,104	1,579	2,252	4,098	3,510	9,054	1,978	-3,747			
5. Reserve assets	-1,439	-1,885	-264	256	-189	1,281	140	21	167			
III. NET ERRORS AND OMISSIONS	110	-250	150	22	-473	-321	-273	-56	305			

Source: BS, forecasts by IMAD.

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

EUR million, current prices (fixed exchange rate)

	CONSOLIDATED GENERAL GOVERNMENT REVENUES	2001	2002	2003	2004	2005	2006	2007	2008	2009
I.	**TOTAL GENERAL GOVERNMENT REVENUES**	**8,547**	**9,082**	**10,338**	**11,196**	**11,976**	**12,959**	**14,006**	**15,339**	**14,408**
	TAX REVENUES	**7,840**	**8,355**	**9,560**	**10,211**	**10,884**	**11,762**	**12,758**	**13,937**	**12,955**
	TAXES ON INCOME AND PROFIT	1,493	1,648	1,922	2,115	2,242	2,735	2,918	3,442	2,805
	Personal income tax	1,206	1,335	1,474	1,596	1,648	1,793	1,805	2,185	2,092
	Corporate income tax	287	314	448	519	594	942	1,113	1,257	712
	SOCIAL SECURITY CONTRIBUTIONS	2,927	3,231	3,502	3,753	3,988	4,231	4,598	5,095	5,161
	TAXSES ON PAYROLL AND WORKFORCE	348	392	448	491	526	473	418	258	28
	Payroll tax	330	371	430	472	506	450	392	230	0
	Tax on work contracts	18	20	19	19	20	23	27	28	28
	TAXES ON PROPERTY	138	144	144	165	170	189	206	215	207
	DOMESTIC TAXES ON GOODS AND SERVICES	2,810	2,807	3,399	3,575	3,915	4,077	4,498	4,805	4,660
	TAXES ON INTERN. TRADE AND TRANSACTIONS	124	131	145	81	39	51	117	120	91
	OTHER TAXES	1	2	1	31	4	5	2	2	3
	NON-TAX REVENUES	**580**	**559**	**623**	**677**	**633**	**633**	**709**	**855**	**684**
	CAPITAL REVENUES	43	63	66	87	113	167	136	118	107
	GRANTS	**45**	**59**	**56**	**8**	**9**	**5**	**12**	**10**	**11**
	TRANSFERS REVENUES	**39**	**46**	**33**	**31**	**34**	**43**	**43**	**54**	**54**
	RECEIPTS FROM THE EU BUDGET	**0**	**0**	**0**	**183**	**302**	**348**	**348**	**365**	**597**

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

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

per cent share relative to GDP

	CONSOLIDATED GENERAL GOVERNMENT REVENUES	2001	2002	2003	2004	2005	2006	2007	2008	2009
I.	**TOTAL GENERAL GOVERNMENT REVENUES**	**41.4**	**39.3**	**41.2**	**41.4**	**41.7**	**41.7**	**40.5**	**41.1**	**40.7**
	TAX REVENUES	**38.0**	**36.1**	**38.1**	**37.7**	**37.9**	**37.9**	**36.9**	**37.4**	**36.6**
	TAXES ON INCOME AND PROFIT	7.2	7.1	7.7	7.8	7.8	8.8	8.4	9.2	7.9
	Personal income tax	5.8	5.8	5.9	5.9	5.7	5.8	5.2	5.9	5.9
	Corporate income tax	1.4	1.4	1.8	1.9	2.1	3.0	3.2	3.4	2.0
	SOCIAL SECURITY CONTRIBUTIONS	14.2	14.0	13.9	13.9	13.9	13.6	13.3	13.7	14.6
	TAXSES ON PAYROLL AND WORKFORCE	1.7	1.7	1.8	1.8	1.8	1.5	1.2	0.7	0.1
	Payroll tax	1.6	1.6	1.7	1.7	1.8	1.4	1.1	0.6	0.0
	Tax on work contracts	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
	TAXES ON PROPERTY	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
	DOMESTIC TAXES ON GOODS AND SERVICES	13.6	12.1	13.5	13.2	13.6	13.1	13.0	12.9	13.2
	TAXES ON INTERN. TRADE AND TRANSACTIONS	0.6	0.6	0.6	0.3	0.1	0.2	0.3	0.3	0.3
	OTHER TAXES	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
	NON-TAX REVENUES	**2.8**	**2.4**	**2.5**	**2.5**	**2.2**	**2.0**	**2.1**	**2.3**	**1.9**
	CAPITAL REVENUES	0.2	0.3	0.3	0.3	0.4	0.5	0.4	0.3	0.3
	GRANTS	**0.2**	**0.3**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
	TRANSFERS REVENUES	**0.2**	**0.2**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**
	RECEIPTS FROM THE EU BUDGET	**0.0**	**0.0**	**0.0**	**0.7**	**1.1**	**1.1**	**1.0**	**1.0**	**1.7**

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

Table 12a: **Consolidated general government expenditure; GFS - IMF Methodology**

EUR million, current prices (fixed exchange rate)

	CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2001	2002	2003	2004	2005	2006	2007	2008	2009
II.	**TOTAL EXPENDITURE**	**8,811**	**9,733**	**10,666**	**11,552**	**12,276**	**13,209**	**13,915**	**15,442**	**16,368**
	CURRENT EXPENDITURE	**4,191**	**4,668**	**5,114**	**5,150**	**5,354**	**5,689**	**5,951**	**6,557**	**6,800**
	WAGES AND OTHER PERSONNEL EXPENDITURE	1,905	2,149	2,342	2,456	2,521	2,671	2,761	3,037	3,363
	SOCIAL SECURITY CONTRIBUTIONS	336	386	424	466	495	509	515	542	549
	PURCHASES OF GOODS AND SERVICES	1,610	1,743	1,884	1,794	1,911	2,073	2,212	2,527	2,510
	INTEREST PAYMENTS	304	349	387	384	372	376	357	335	336
	BUDGETARY RESERVES	38	41	78	50	55	59	105	116	42
	CURRENT TRANSFERS	**3,789**	**4,202**	**4,579**	**5,216**	**5,599**	**5,926**	**6,144**	**6,743**	**7,340**
	SUBSIDIES	264	252	290	324	381	403	423	477	598
	TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	3,427	3,799	4,115	4,396	4,629	4,871	5,093	5,619	6,024
	OTHER CURRENT DOMESTIC TRANSFERS	98	151	174	496	589	651	628	647	718
	CAPITAL EXPENDITURE TOTAL	**830**	**863**	**972**	**1,017**	**1,038**	**1,306**	**1,464**	**1,714**	**1,789**
	CAPITAL EXPENDITURE	534	537	593	631	654	901	1,130	1,256	1,294
	CAPITAL TRANSFERS	296	326	379	386	383	405	334	459	495
	PAYMENTS TO THE EU BUDGET	**0**	**0**	**0**	**170**	**286**	**288**	**356**	**428**	**439**
III.	**GENERAL GOVERNMENT BUDGETARY SURPLUS / DEFICIT (I. - II.)**	**-264**	**-651**	**-327**	**-356**	**-300**	**-250**	**91**	**-103**	**-1,961**

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

Table 12b: **Consolidated general government expenditure; GFS - IMF Methodology**

per cent share relative to GDP

	CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2001	2002	2003	2004	2005	2006	2007	2008	2009
II.	**TOTAL EXPENDITURE**	**42.7**	**42.1**	**42.5**	**42.7**	**42.7**	**42.5**	**40.3**	**41.4**	**46.3**
	CURRENT EXPENDITURE	**20.3**	**20.2**	**20.4**	**19.0**	**18.6**	**18.3**	**17.2**	**17.6**	**19.2**
	WAGES AND OTHER PERSONNEL EXPENDITURE	9.2	9.3	9.3	9.1	8.8	8.6	8.0	8.1	9.5
	SOCIAL SECURITY CONTRIBUTIONS	1.6	1.7	1.7	1.7	1.7	1.6	1.5	1.5	1.6
	PURCHASES OF GOODS AND SERVICES	7.8	7.5	7.5	6.6	6.6	6.7	6.4	6.8	7.1
	INTEREST PAYMENTS	1.5	1.5	1.5	1.4	1.3	1.2	1.0	0.9	0.9
	BUDGETARY RESERVES	0.2	0.2	0.3	0.2	0.2	0.2	0.3	0.3	0.1
	CURRENT TRANSFERS	**18.3**	**18.2**	**18.2**	**19.3**	**19.5**	**19.1**	**17.8**	**18.1**	**20.7**
	SUBSIDIES	1.3	1.1	1.2	1.2	1.3	1.3	1.2	1.3	1.7
	TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	16.6	16.4	16.4	16.2	16.1	15.7	14.7	15.1	17.0
	OTHER CURRENT DOMESTIC TRANSFERS	0.5	0.7	0.7	1.8	2.0	2.1	1.8	1.7	2.0
	CAPITAL EXPENDITURE TOTAL	**4.0**	**3.7**	**3.9**	**3.8**	**3.6**	**4.2**	**4.2**	**4.6**	**5.1**
	CAPITAL EXPENDITURE	2.6	2.3	2.4	2.3	2.3	2.9	3.3	3.4	3.7
	CAPITAL TRANSFERS	1.4	1.4	1.5	1.4	1.3	1.3	1.0	1.2	1.4
	PAYMENTS TO THE EU BUDGET	**0.0**	**0.0**	**0.0**	**0.6**	**1.0**	**0.9**	**1.0**	**1.1**	**1.2**
III.	**GENERAL GOVERNMENT BUDGETARY SURPLUS / DEFICIT (I. - II.)**	**-1.3**	**-2.8**	**-1.3**	**-1.3**	**-1.0**	**-0.8**	**0.3**	**-0.3**	**-5.5**

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

Table 13: Comparison of the performance of forecasts for economic growth and inflation of individual institutions

		Gross domestic product, real				Inflation, year average			
		PNt+1	JNt+1	PNt	JNt	PNt+1	JNt+1	PNt	JNt
ME ... Mean Error									
IMAD	2000 - 2008	-0.03	-0.17	-0.24	0.03	-0.76	-0.36	-0.47	0.11
	2002 - 2009	1.46	1.21	0.26	0.09	-0.38	0.06	-0.48	0.11
	1997 - 2008	0.01	-0.19	-0.10	0.09	-0.97	-0.45	-0.28	0.14
	1997 - 2009	1.00	0.73	0.20	-0.04	-0.70	-0.17	-0.29	0.14
BS	2002 - 2008	-0.11	-0.43	-0.39	-0.10	-0.67	-0.57	-0.21	0.21
	2002 - 2009	1.36	1.04	0.39	0.05	-0.20	-0.18	-0.25	0.21
SKEP	2000 - 2008	-0.14	-0.24	-0.33	0.04	-0.63	-0.43	-0.24	0.06
	2002 - 2009	1.38	1.19	0.38	0.14	-0.23	-0.04	-0.20	0.04
	1997 - 2008	-0.18	-0.14	-0.26	0.10	-0.99	-0.71	-0.32	0.09
	1997 - 2009	0.83	0.80	0.17	0.15	-0.69	-0.43	-0.28	0.08
EC	2002 - 2008	-0.23	-0.34	-0.37	-0.16	-0.39	-0.13	-0.16	0.14
	2002 - 2009	1.25	1.04	0.23	-0.09	-0.04	0.24	-0.16	0.13
IMF	2000 - 2008	-0.19	-0.39	-0.42	-0.34	-0.66	-0.63	-0.58	0.07
	2002 - 2009	1.25	1.10	0.27	0.09	-0.39	-0.25	-0.56	0.01
MAE ... Mean Absolute Error									
IMAD	2000 - 2008	1.14	1.00	0.76	0.43	1.10	0.87	0.47	0.17
	2002 - 2009	2.49	2.24	1.14	0.44	1.25	1.14	0.48	0.16
	1997 - 2008	1.08	0.90	0.71	0.49	1.34	0.93	0.51	0.19
	1997 - 2009	1.98	1.73	0.95	0.49	1.42	1.10	0.51	0.18
BS	2002 - 2008	1.06	1.03	0.79	0.50	1.00	0.77	0.30	0.36
	2002 - 2009	2.39	2.31	1.41	0.58	1.23	1.00	0.33	0.34
SKEP	2000 - 2008	1.03	0.93	0.79	0.59	1.20	0.91	0.41	0.09
	2002 - 2009	2.40	2.21	1.35	0.61	1.38	1.14	0.38	0.09
	1997 - 2008	0.95	1.00	0.76	0.68	1.61	1.11	0.62	0.19
	1997 - 2009	1.87	1.85	1.11	0.69	1.69	1.24	0.58	0.18
EC	2002 - 2008	1.03	1.06	0.89	0.41	1.41	1.04	0.27	0.23
	2002 - 2009	2.35	2.26	1.33	0.41	1.54	1.26	0.26	0.20
IMF	2000 - 2008	0.99	1.01	0.88	0.57	1.31	1.23	0.64	0.19
	2002 - 2009	2.28	2.33	1.41	0.89	1.34	1.38	0.61	0.21
RMSE ... Root Mean Square Error									
IMAD	2000 - 2008	1.31	1.14	0.88	0.60	1.45	1.12	0.64	0.23
	2002 - 2009	4.38	4.00	1.58	0.58	1.58	1.49	0.62	0.22
	1997 - 2008	1.21	1.03	0.89	0.63	1.78	1.24	0.67	0.28
	1997 - 2009	3.63	3.30	1.35	0.62	1.83	1.47	0.66	0.27
BS	2002 - 2008	1.19	1.19	0.96	0.59	1.35	1.08	0.45	0.39
	2002 - 2009	4.28	4.15	2.24	0.67	1.59	1.37	0.46	0.37
SKEP	2000 - 2008	1.17	1.08	0.94	0.70	1.53	1.14	0.53	0.11
	2002 - 2009	4.38	4.09	2.07	0.71	1.70	1.43	0.49	0.11
	1997 - 2008	1.08	1.19	0.92	0.86	1.98	1.46	0.74	0.31
	1997 - 2009	3.61	3.43	1.71	0.86	2.04	1.60	0.71	0.30
EC	2002 - 2008	1.19	1.21	1.05	0.50	1.65	1.17	0.47	0.31
	2002 - 2009	4.25	3.95	1.84	0.49	1.76	1.48	0.45	0.29
IMF	2000 - 2008	1.14	1.19	0.99	0.67	1.58	1.57	0.89	0.22
	2002 - 2009	4.14	4.22	2.03	1.26	1.57	1.69	0.85	0.25

Table 13: Comparison of the performance of forecasts for economic growth and inflation of individual institutions - *continue*

		Gross domestic product, real				Inflation, year average			
		PNt+1	JNt+1	PNt	JNt	PNt+1	JNt+1	PNt	JNt
stdMAE ... Standardised Mean Absolute Error									
IMAD	2000 - 2008	0.89	0.78	0.59	0.33	0.58	0.46	0.25	0.09
	2002 - 2009	0.57	0.51	0.26	0.10	0.58	0.53	0.22	0.08
	1997 - 2008	1.03	0.86	0.68	0.46	0.55	0.38	0.21	0.08
	1997 - 2009	0.57	0.50	0.28	0.14	0.52	0.40	0.19	0.07
BS	2002 - 2008	0.82	0.80	0.61	0.39	0.57	0.44	0.17	0.21
	2002 - 2009	0.55	0.53	0.32	0.13	0.62	0.50	0.16	0.17
SKEP	2000 - 2008	0.80	0.72	0.61	0.46	0.64	0.49	0.22	0.05
	2002 - 2009	0.55	0.51	0.31	0.14	0.64	0.53	0.18	0.04
	1997 - 2008	0.90	0.95	0.92	0.65	0.66	0.45	0.25	0.06
	1997 - 2009	0.54	0.54	0.32	0.20	0.62	0.45	0.21	0.07
EC	2002 - 2008	0.80	0.82	0.69	0.32	0.76	0.56	0.15	0.12
	2002 - 2009	0.54	0.52	0.30	0.09	0.72	0.59	0.12	0.09
IMF	2000 - 2008	0.77	0.79	0.68	0.44	0.70	0.65	0.34	0.10
	2002 - 2009	0.52	0.53	0.32	0.20	0.62	0.64	0.28	0.10
stdRMSE ... Standardised Root Mean Square Error									
IMAD	2000 - 2008	1.02	0.88	0.69	0.46	0.77	0.60	0.34	0.12
	2002 - 2009	1.00	0.91	0.36	0.13	0.74	0.70	0.29	0.10
	1997 - 2008	1.15	0.98	0.84	0.60	0.73	0.51	0.27	0.11
	1997 - 2009	1.05	0.96	0.39	0.18	0.67	0.54	0.24	0.10
BS	2002 - 2008	0.93	0.92	0.75	0.46	0.78	0.62	0.26	0.22
	2002 - 2009	0.98	0.95	0.51	0.15	0.80	0.69	0.23	0.19
SKEP	2000 - 2008	0.91	0.84	0.74	0.54	0.81	0.61	0.28	0.06
	2002 - 2009	1.00	0.93	0.47	0.16	0.79	0.67	0.23	0.05
	1997 - 2008	1.03	1.14	0.87	0.82	0.81	0.60	0.30	0.13
	1997 - 2009	1.05	1.00	0.50	0.25	0.75	0.59	0.26	0.11
EC	2002 - 2008	0.92	0.94	0.82	0.39	0.89	0.63	0.26	0.17
	2002 - 2009	0.97	0.90	0.42	0.11	0.83	0.70	0.21	0.14
IMF	2000 - 2008	0.89	0.93	0.77	0.52	0.84	0.83	0.48	0.12
	2002 - 2009	0.94	0.96	0.46	0.29	0.73	0.79	0.40	0.12

Note: *This is the assessment of forecast accuracy that was published in the Spring Forecast of Economic Trends 2010. As the accuracy of GDP forecasts is analysed on the basis of the first release of the quarterly statistical data and not on later, annual data or their revisions, these calculations represent the latest accuracy assessment. A new assessment will thus be made in the spring of 2011 (for 2010 and 1997–2010).

Signs: *Negative values indicate an overestimation, while positive values indicate an underestimation.
PNt+1 - Spring Forecast for the year ahaed
JNt+1 - Autumn Forecast for the year ahaed
PNt - Spring Forecast for the current year
JNt - Autumn Forecast for the current year

Sources of data:
Spring Forecast of economic trends, Autumn Forecast of economic trends (March, September) 1997-2009, Ljubljana, Institute of Macroeconomic Analysis and Development (IMAD).
Price Stability Report (March, September) 2002-2009, Ljubljana, Bank of Slovenia (BS).
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