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autumn forecast of economic trends 2013

Autumn Forecast of Economic Trends 2013 (Jesenska napoved gospodarskih gibanj 2013)
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Summary

The economic situation is not yet expected to improve this year and in 2014. The recovery of the Slovenian economy will continue to be impeded by domestic factors, despite the first signs of recovery in the euro area. The pressing need for fiscal consolidation and the stabilisation of the banking system will affect the consumption of households, firms and the government, which is set to decline further this year and in 2014. A positive contribution to economic activity will come only from international trade, even though exports are still recovering more slowly than in comparable countries. Given these circumstances, the labour market conditions will continue to deteriorate.

The autumn forecast is based on assumptions of fiscal consolidation and the beginning of the stabilisation of the banking system. After last year's reduction, the public finance deficit will increase again this year, alongside unfavourable developments in public finances also on account of expenditure related to the stabilisation of the banking system. Because of increased difficulties in accessing financing, and in order to fulfil the commitments under the excessive deficit procedure, additional fiscal effort will be needed, which will also affect economic activity in the next two years. Furthermore, given the current state of affairs as regards loans and the delays in the restructuring of the banking system, lending activity is expected to drop further, albeit at a slightly lower rate.

As a result of a further fall in domestic consumption, GDP will decline by 2.4% this year. Having contracted again in the first two quarters, GDP was down 3.2% year-on-year in the first half of 2013 as a result of lower investment, private and government consumption. Given the ongoing adverse situation on the labour market and limited public funds, final consumption is also anticipated to drop in the second half of the year. The fall in investment in 2013 will otherwise be smaller than in previous years, due to a large investment in the energy sector and a relatively smaller fall in construction investment. Export growth will strengthen slightly this year amid the expected beginning of the recovery in main trading partners, so that a positive contribution to economic activity will again come solely from international trade.

As a result of the continuation of fiscal consolidation, the adverse situation on the labour market and the restructuring of the banking system, GDP will also contract in 2014 (-0.8%). With a further fall in disposable income, the decline in GDP in 2014 will again be mainly attributable to private consumption. The decline in government consumption will be smaller, but the fall in investment will deepen again. Growth in business investment will continue to be hampered by limited financing and there will also be a decline in construction investment. Growth in exports will strengthen slightly next year amid a gradual improvement in the international environment. With the realisation of the anticipated positive shifts regarding public finance consolidation and the stabilisation of the banking system in 2014, we expect a modest recovery of economic activity in 2015 (0.4%).

Employment will decline significantly this year because of a decline in economic activity and a high rate of transition into inactivity at the beginning of the year, and it is also projected to fall in 2014 and 2015. This year employment will decline in all activities, for the first time also in the government sector due to public finance restrictions. This year's significant decline in total employment is also impacted by a substantial fall at the beginning of the year, which was, in large part, a consequence of a high rate of transition into inactivity related to the adoption of the pension reform. Registered unemployment is expected to average 120,600 persons this year. With the continuation of adverse economic conditions and a typical delay in labour market adjustment, employment will also decline in the next two years, while the number of registered unemployed will continue to hover around 120,000 amid the expected decline in active population.

The average gross earnings will fall this year in nominal terms due to a decline in public service activities, while in the next two years they will rise slightly due to modest growth in private sector activities. Average gross earnings in private sector activities, whose growth came practically to a halt in the first half of the year, are expected to stagnate in the year as a whole. The average gross earnings in public service activities will decline in nominal terms as a result of last year's measures and additional measures adopted this year. In the next two years the overall gross earnings will increase modestly on account of growth in the private sector, while gross earnings in public service activities will drop slightly again due to the continuation of fiscal consolidation.

This year's inflation (2.3%), otherwise lower than last year due to a further contraction in economic activity, will be marked by tax effects; if there are no price shocks from the international environment, price movements will remain moderate in the next two years. Despite July's increase in VAT, inflation in the first eight months was lower than in the same period last year, which is related to a further decline in economic activity and, in turn, a further deterioration of labour market conditions. The latter is also the main reason for the limited transfer of VAT into final prices. Taking into account the adopted tax policy changes and assuming an absence of price shocks from the international environment, inflation in the following two years will be lower than this year mainly due to the ongoing adverse economic situation.

The risks of lower-than-expected economic activity stem from the domestic environment. The main downside risk is associated with the process of stabilising the banking system, which has yet to begin. Were it to be delayed again, next year lending activity would decline even more than assumed in the forecast, while a possible increase in funding needed for the stabilisation scheme would inhibit fiscal consolidation. There is also uncertainty regarding the financial effects of the adopted fiscal consolidation measures, while further measures necessary to reduce the public finance deficit have yet to be defined. If these risks were to materialise, the perception of Slovenia on international markets would deteriorate again, resulting in a further increase in borrowing costs. On the other hand, for the first time after a long period, the developments in the international environment represent no additional risks to economic activity in Slovenia.

Autumn forecast of Slovenia's main macroeconomic aggregates

	2012	Autumn forecast (Sep 13)		
		2013	2014	2015
ECONOMIC ACTIVITY				
GDP, real growth, in %	-2.5	-2.4	-0.8	0.4
GDP in EUR m, current prices	35,319	34,908	35,132	35,747
EMPLOYMENT, WAGES, PRODUCTIVITY				
Employment according to the SNA, growth in %	-0.8	-2.3	-1.4	-0.7
Number of registered unemployed, annual average, in '000	110.2	120.6	122.1	120.4
Registered unemployment rate, in %	12.0	13.3	13.6	13.5
ILO unemployment rate, in %	8.9	10.7	11.0	10.6
Gross wage per employee, real growth, in %	-2.4	-2.5	-1.4	-0.4
Private sector activities	-1.7	-2.0	-1.1	0.1
Public service activities	-4.7	-4.3	-2.3	-1.6
Labour productivity (GDP per employee), real growth in %	-1.7	-0.1	0.6	1.1
INTERNATIONAL TRADE				
Exports of goods and services, real growth, in %	0.6	2.0	3.0	4.1
Exports of goods	-0.1	1.6	3.1	4.3
Exports of services	3.7	3.8	2.7	3.2
Imports of goods and services, real growth, in %	-4.7	0.1	2.1	3.9
Imports of goods	-5.1	0.3	2.0	3.9
Imports of services	-2.2	-1.0	2.5	4.2
CURRENT ACCOUNT OF THE BALANCE OF PAYMENTS				
Current account balance, in EUR m	1,159	1,731	1,765	1,817
- as a % of GDP	3.3	5.0	5.0	5.1
External balance of goods and services, in EUR m	1,694	2,344	2,629	2,805
- as a % of GDP	4.8	6.7	7.5	7.8
DOMESTIC DEMAND				
Domestic consumption, real growth, in %	-6.4	-4.1	-1.8	0.0
of which:				
Private consumption	-4.8	-3.5	-2.7	0.5
Government consumption	-1.3	-2.5	-1.5	-1.0
Gross fixed capital formation	-8.2	-1.6	-4.0	-0.9
Change in inventories, contribution to GDP growth, in p.p.	-1.8	-1.0	0.9	0.1
EXCHANGE RATES AND PRICES				
USD/EUR exchange rate	1.286	1.320	1.331	1.331
Real effective exchange rate – CPI deflator	-1.1	1.2	0.2	-0.5
Inflation (Dec/Dec)	2.7	2.3	1.4	1.7
Inflation (annual average)	2.6	2.0	1.9	1.4
Oil price (Brent crude, USD/barrel)	111.7	110.0	108.0	108.0

Source: Year 2012 SURS, BS, ECB, EIA; years 2013–2015 IMAD forecasts

The Autumn Forecast is based on statistical data, information and adopted measures known at the cut-off date of 6 September 2013.

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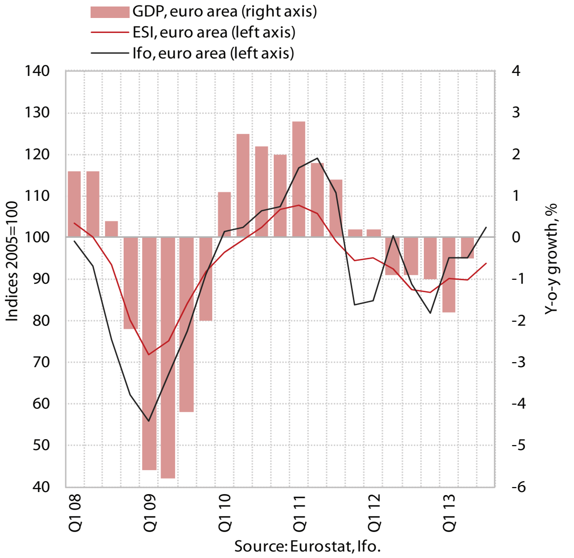
Assumptions of the Autumn Forecasts 2013

International environment

In the second half of this year and in 2014 international institutions expect a weak and gradual recovery of economic activity in Slovenia's main trading partners in the euro area. After six quarters of decline, euro area GDP rose by 0.3% in the second quarter (seasonally adjusted), which is more than expected by the European Commission in May. The values of short-term indicators of economic activity and confidence indicators improved during the summer months, confirming the expectations of international institutions about a modest economic recovery in the second half of this year. With several major emerging economies recording a slowdown, which, according to the OECD, should only be temporary, growth is picking up in some advanced countries (USA), so that world economic activity is expected to continue to increase gradually in the next period. Exports will thus continue to contribute significantly to the expected strengthening of economic activity in the euro area. According to the ECB, domestic demand will also make a positive contribution to economic growth next year, with business confidence increasing in an environment of declining uncertainty on financial markets. Lending conditions should no longer hamper economic activity next year, which will, together with low interest rates and the need to replace equipment, contribute to a gradual increase in business investment, while construction and public investment will not recover yet. With a less restrictive fiscal policy stance, government and private consumption should also rise somewhat next year, the latter also as a result of the expected, albeit weak, growth in real income amid low inflation and less adverse labour market conditions.

Figure 1: **GDP and confidence indicators for the euro area**



Source: Eurostat, Ifo.

Banking system

Banks continue to reduce the stock of loans to domestic non-banking sectors. In the first seven months of this year the stock of loans to the private sector declined by EUR 1.1 bn. Corporate and household loans dropped almost twice as much as in the same period last year, by around EUR 810 m and EUR 210 m, respectively, while NFI deleveraging slowed significantly this year (around EUR 60 m). Having increased by more than EUR 300 m in the same period last year, the stock of loans extended to the government declined this year. The further decline in lending activity is, in our assessment, attributable to both the supply and demand side, as the credit standards for lending to non-financial corporations have remained significantly worse than in the euro

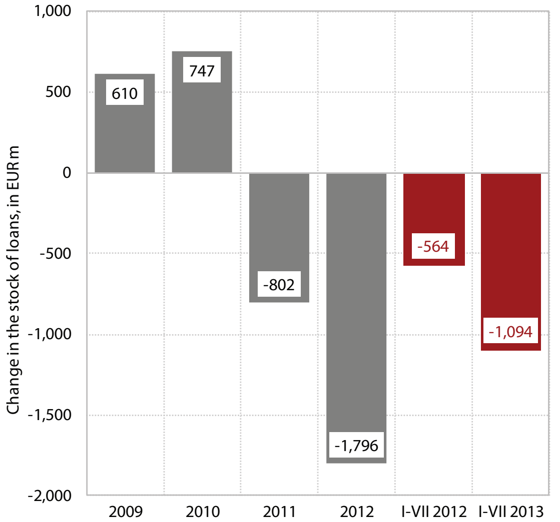
Table 1: **Assumptions of the forecast about economic growth in Slovenia's main trading partners**

Real growth rates, in %	2012	2013		2014		2015
		Summer forecast (Jun 13)	Autumn forecast (Sep 13)	Summer forecast (Jun 13)	Autumn forecast (Sep 13)	Autumn forecast (Sep 13)
EU	-0.3	-0.3	-0.1	1.1	1.0	1.6
Euro area	-0.6	-0.6	-0.4	0.9	0.8	1.4
Germany	0.7	0.4	0.5	1.6	1.3	1.7
Italy	-2.2	-1.8	-1.6	0.4	0.3	0.9
Austria	0.7	0.5	0.3	1.5	1.5	1.4
France	0.0	-0.3	0.3	0.7	0.6	1.3
Croatia	-1.9	-1.0	-1.0	0.2	0.2	2.1
Russia	3.4	2.8	2.3	3.6	2.9	3.6

Source: Eurostat (for 2012); Consensus Forecasts, August 2013; Eastern Consensus Forecasts, August 2013; IMF World Economic Outlook update, July 2013; WIIW Current Analyses and Forecasts, July 2013; IMAD estimate.

area overall.[1] The difficulties on the demand side are also indicated by high corporate indebtedness in Slovenia, as last year the debt-to-equity ratio recorded a much higher figure (132.9%) than in the euro area as a whole (93.1%).[2]

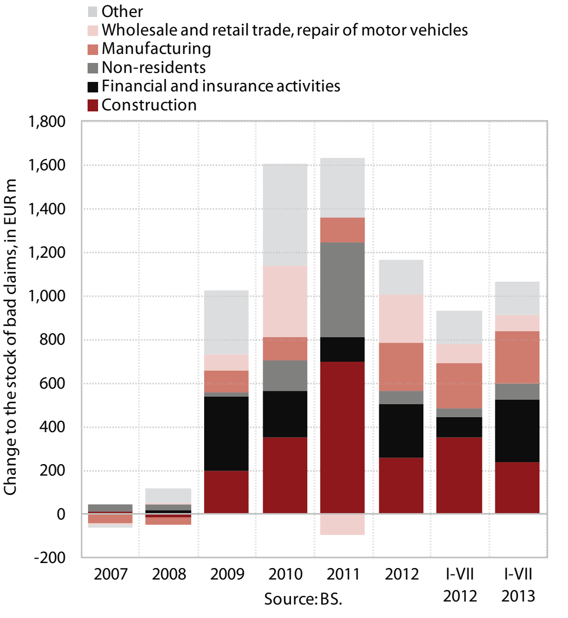
Figure 2: **Change in the stock of loans extended to the private sector**



Source: BS.

The quality of banks' assets continues to deteriorate and as the beginning of the banking system stabilisation has been postponed, we assume that its first effects will not be visible before 2015. In the first seven months of this year the share of bad claims[3] reached EUR 7.8 bn, which is as much as 16.9% of the Slovenian banking sector's total claims, while the banks' impairments were at EUR 4.7 bn, according to our estimate. The stock of bad claims rose by EUR 1.1 bn, which is around 15% more than in the same period last year. Around 70% of the increase is a consequence of a stronger deterioration in the quality of claims against the financial sector (EUR 290.2 m), construction (EUR 234.7 m) and manufacturing (EUR 238.1 m). In line with the European Council recommendations, the Bank of Slovenia ordered an asset quality review at the banking sector level and new stress tests.[4] The results should be revealed by the end of this year, so that the actual amount of the necessary funds for the stabilisation of the banking system will not be known before that time. This, in turn, also means a delay in the transfer of bad claims to the BAMC planned to be carried out by the end of September. The recapitalisation of banks, which was supposed to take place by the end of July, has also not been carried out yet. If the procedures are completed within the deadlines, the effects of the banking system stabilisation will be visible in 2015.[5] Consequently, it is assumed that the stock of corporate and NFI loans will also decline next year, but at a slightly less vigorous pace than this year.[6]

Figure 3: **Change to the stock of bad claims (C-, D- and E-rated claims)**



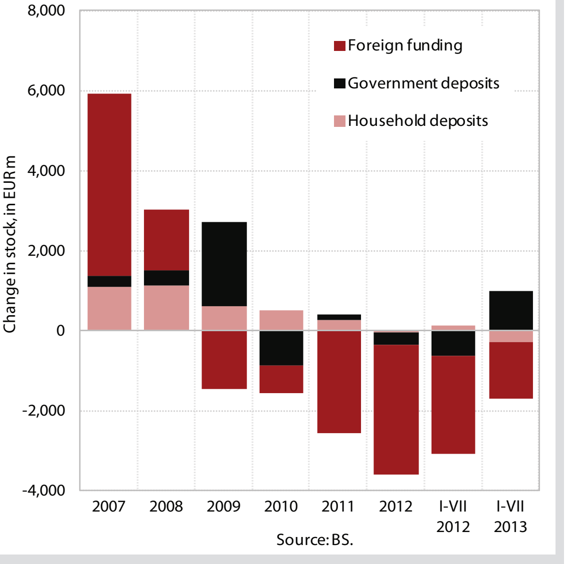
Source: BS.

[1] The gap between domestic and foreign interest rates for loans of over EUR 1 m with variable, and up to one year with fixed interest rates stood at 210 basis points in July, according to the latest available data.
[2] The most recent available data for the euro area are for 2011.
[3] C-, D- and E-rated claims.
[4] Besides the three systemically important banks, seven other largest banks will be included in the review.
[5] September saw the beginning of a controlled liquidation of two banks with a 4.5% market share. This was the first step towards the stabilisation of the banking system, which will be conducted in line with the measures specified in the Act Determining the Measures of the Republic of Slovenia to Strengthen Bank Stability.
[6] According to the most recent data, it was down 9.4% year-on-year in July.

Box 1: **Liquidity pressures and capitalisation of the Slovenian banking system**

The liquidity pressures on the Slovenian banking system have temporarily eased somewhat this year, but remain significant. At the end of the first quarter, the liquidity pressure from households otherwise rose substantially due to the uncertainty regarding the developments in Cyprus (bailout agreement), so that household deposits declined by around EUR 500 m between March and May. In recent months the situation has improved slightly, but the stock of household deposits in domestic banks is increasing only modestly and was at EUR 14.8 bn at the end of July, according to the most recent available data. The government is mainly placing the proceeds from issuing securities in short-term deposits, using them to cover the current budgetary needs. The banks continue to make net repayments of maturing foreign liabilities this year. In the first seven months of 2013 net repayments were otherwise down 42% year-on-year, at EUR 1.4 bn. According to Bank of Slovenia figures, EUR 0.8 bn of the banks' liabilities will fall due next year, almost a tenth of all foreign liabilities. At the end of 2014 the liquidity pressures on the Slovenian banks will intensify notably again, as the ECB's three-year refinancing operations will start to mature (around EUR 3 bn).[7] In addition, more than a quarter of the banks' total foreign liabilities will fall due in 2015 (around EUR 2.3 bn).

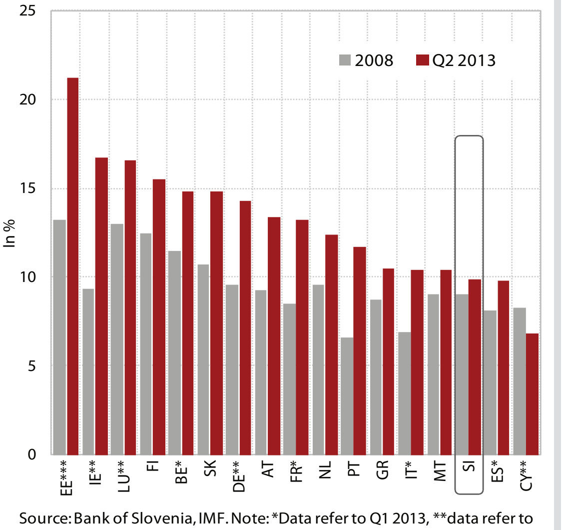
Figure 4: **Sources of funding for banks**



Source: BS.

The capital adequacy of the Slovenian banking sector is among the lowest in the euro area. Low capital adequacy is also limiting the banks' access to funding, which is impairing their ability to absorb losses and stifling the lending activity. In the period since the outbreak of the crisis to the end of the first quarter this year, the government allocated more than 2% of GDP for bank recapitalisations, but the funds sufficed only to meet the minimum capital requirements at the state-owned banks. The capital adequacy of the entire banking system increased only marginally in this period, to 9.8%, which is significantly lower than on average in the euro area (12.9%). With further rapid growth in bad claims, the banks again needed fresh capital to meet the minimum capital requirement relatively quickly after recapitalisation. The revised state budget for 2013 thus earmarked EUR 1.2 bn for the recapitalisation of three state-owned banks, but the actual costs will only be known after the new stress test results have been released at the end of this year. The general lack of capital is also revealed by the latest stress tests carried out by the Bank of Slovenia,[8] according to which ten banks failed to meet the minimum requirements for the Core Tier 1 capital ratio at the end of 2012. The deficit in capital amounted to EUR 274 m. Under the baseline scenario, it would rise almost to EUR 1 bn in 2014, and under the adverse scenario, to as much as EUR 2.4 bn.

Figure 5: **Tier 1 capital ratio**



Source: Bank of Slovenia, IMF. Note: *Data refer to Q1 2013, **data refer to 2012, *** data refer to Q2 2012.

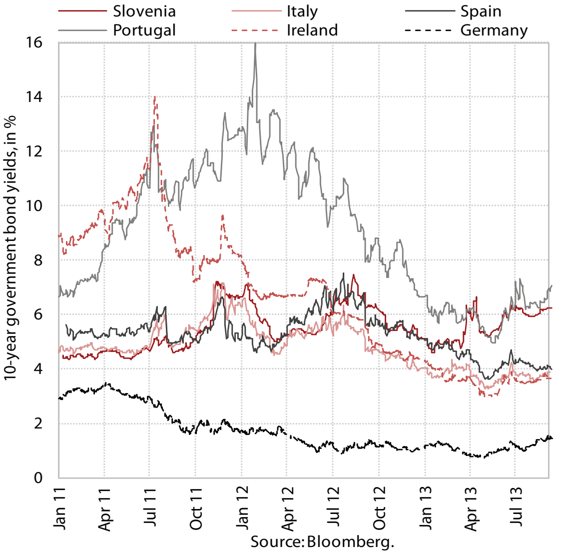
[7] Approximately EUR 1 bn in liabilities will mature at the end of 2014; EUR 2 bn in March 2015.

[8] The stress tests were conducted in April 2013 and the results were released in May. The scenarios took account of the latest available GDP growth forecasts published by the Bank of Slovenia, while the reference interest rates were determined on the basis of futures contracts.

Public finance

Fiscal consolidation will remain one of the key factors impeding economic activity in the next few years. After declining to 4.0% of GDP, the general government deficit will increase again this year. The increase will be significantly influenced by expenditure related to the stabilisation of the banking system and a wider deficit of the state budget than last year. According to the adopted revised state budget for 2013, the deficit will total EUR 1,547 m this year, EUR 308 m more than last year and EUR 538 m more than envisaged in the adopted budget for 2013. Even though certain measures to increase revenue were put in place this year, the deficit widened as a result of a larger increase in expenditure. Regardless of additional measures to reduce compensation of employees adopted this year, expenditure is rising faster than anticipated last year due to higher expenditure on interest and transfers to the PDII as a result of a higher number of pensioners. Because of difficulties in accessing financing on international markets[9] and to fulfil Slovenia's commitments under the excessive deficit procedure, additional fiscal effort will be needed amid these developments, which will also weigh on economic activity in the next two years. In the Autumn Forecast we therefore assume that additional expenditure cuts will be needed in 2014, in addition to those set in the Stability Programme – 2013 Update. In our estimation, they will mainly affect investment activity and household disposable income.

Figure 6: **Yields of government bonds**



Source: Bloomberg.

[9] Payments of the principal of government bonds in the amount of EUR 3 bn will mature next year.

Box 2: **Slovenia's credit rating and yields on government bonds**

Rating agencies downgraded Slovenia's sovereign debt again this year. With the deteriorated perception of Slovenia on financial markets, the credit ratings for Slovenia also started to decline more notably in 2011. The downgrading continued this year. Standard&Poors downgraded Slovenia's sovereign debt by one notch from A to A- in February, with the outlook changed from negative to stable; Moody's by two notches from Baa2 to Ba1 (to speculative grade) at the end of April; and Fitch by one notch to BBB+ with a negative outlook in mid-May. The downgrades were prompted by the weakening of the banking system (the credit ratings of the largest Slovenian banks were also lowered again this year) and the growing public debt, but the agencies also cited poor prospects for economic growth.

In the last two years the yields on Slovenian government bonds increased, reaching similar levels as in the most vulnerable euro area countries. Slovenia's credit ratings otherwise remain higher than in some other vulnerable countries, but the borrowing costs for Slovenia have increased more in recent months, hovering above 6% at the beginning of September, which is approximately 2 percentage points higher than in Spain, Italy and Ireland (see Figure 6).

Table: **Ratings (September 2013) and changes between 2008 and 2013**

Country	Agency	As of September 2013	Change 2013 to 2008	Latest rating change
Greece	Fitch	B-	↓10*	May 2013
	Moody's	C	↓16	Mar 2012
	S&P	B-	↓10*	Dec 2012
Ireland	Fitch	BBB+	↓7	Jan 2012
	Moody's	Ba1 (neg)	↓10	Jul 2011
	S&P	BBB+	↓7	Apr 2011
Portugal	Fitch	BB+ (neg)	↓8	Nov 2011
	Moody's	Ba3 (neg)	↓10	Feb 2012
	S&P	BB	↓8	Jan 2012
Cyprus	Fitch	B- (neg)	↓12	Jun 2013
	Moody's	Caa3	↓18	Jan 2013
	S&P	CCC	↓16	Mar 2013
Spain	Fitch	BBB (neg)	↓9	Jun 2012
	Moody's	Baa3 (neg)	↓12	Oct 2012
	S&P	BBB- (neg)	↓8	Jun 2012
Italy	Fitch	BBB+ (neg)	↓4	Mar 2012
	Moody's	Baa2 (neg)	↓6	Jul 2012
	S&P	BBB+ (neg)	↓3	Jan 2012
Slovenia	**Fitch**	**BBB+ (neg)**	**↓5**	**May 2013**
	Moody's	**Ba1 (neg)**	**↓8**	**Apr 2013**
	S&P	**A-**	**↓4**	**Feb 2013**

Sources: Standard&Poor's, Moody's, Fitch.
Note: * In December 2012 Greece was first downgraded to SD (selective default), whereupon its rating was upgraded to B-.

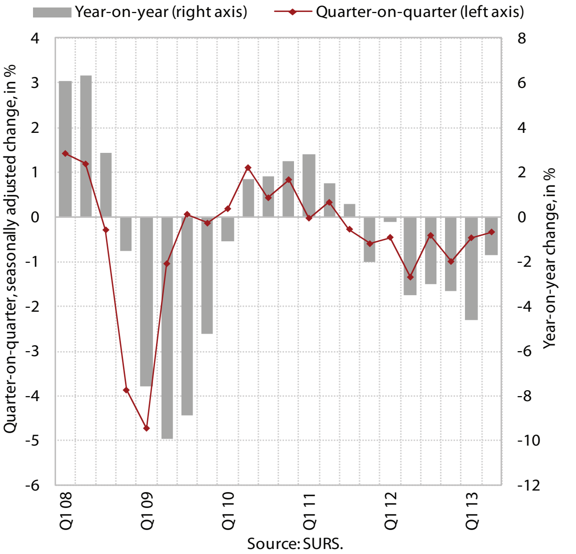
Economic activity in Slovenia

Consumption aggregates

This year's decline in GDP (-2.4%) will be a result of a fall in domestic consumption again. In the first two quarters of 2013 GDP continued to decline (seasonally adjusted), being down 3.2% in the first half of the year relative to the same period of last year. Private and government consumption declined, and limited public funds and the adverse situation on the labour market are expected to also remain the main reasons for the decline in the second half of the year. Final consumption will thus fall by 3.3% in the year as a whole. The falling of gross fixed capital formation eased in the first half of the year (-3.2%)[10] as a result of increased investment in an energy facility and a smaller decline in construction investment. With the continuation of the relatively favourable movements seen in the first half of the year, investment will drop only 1.6% in 2013 as a whole. Exports will thus remain the only factor that will make a positive contribution to economic growth in 2013. Consistent with the expected beginning of modest economic recovery in main trading partners, their growth will strengthen slightly this year. Imports will stagnate after last year's decline, so that the contribution of net exports (1.5 percentage points) will be smaller than last year regardless of the expected faster growth in exports.

Given the deterioration in labour market conditions, wage cuts, restrictions on public finance expenditure on transfers and increased consumer caution, private consumption will continue to decline this year (-3.5%) This year's significant fall in private consumption will mainly be attributable to a decline in compensation of employees, which will be more pronounced than last year due to a decline in the average gross earnings, after last year's stagnation, and a more pronounced fall in wage earners. Total social transfers will also drop, as a result of measures adopted in 2012, according to which social transfers and pensions will not be indexed to inflation in 2013. The fall in social transfers will otherwise be smaller than last year because of the increase in the number of beneficiaries at the beginning of the year, in particular pensioners. This year's consumption movements are also influenced by the increase in VAT, which is reflected particularly in the consumption of durables.[11] Since last year, consumer caution has been increasing and, given that consumer confidence deteriorated again in the second quarter, such movements are expected to continue.

Figure 7: **GDP in Slovenia**



Source: SURS.

Table 2: **Forecast of changes in economic activity**

Real growth rates, in %	2012	2013 Summer forecast (Jun 13)	2013 Autumn forecast (Sep 13)	2014 Summer forecast (Jun 13)	2014 Autumn forecast (Sep 13)	2015 Autumn forecast (Sep 13)
Gross domestic product	-2.5	-2.4	-2.4	-0.2	-0.8	0.4
Exports	0.6	1.8	2.0	3.2	3.0	4.1
Imports	-4.7	-0.4	0.1	2.0	2.1	3.9
External balance of goods and services (contribution to growth in p.p.)	*3.8*	*1.6*	*1.5*	*1.0*	*0.9*	*0.4*
Private consumption	-4.8	-4.2	-3.5	-2.5	-2.7	0.5
Government consumption	-1.3	-1.7	-2.5	-1.4	-1.5	-1.0
Gross fixed capital formation	-8.2	-1.2	-1.6	0.8	-4.0	-0.9
Change in inventories and valuables (contribution to growth in p.p.)	*-1.8*	*-0.9*	*-1.0*	*0.4*	*0.9*	*0.1*

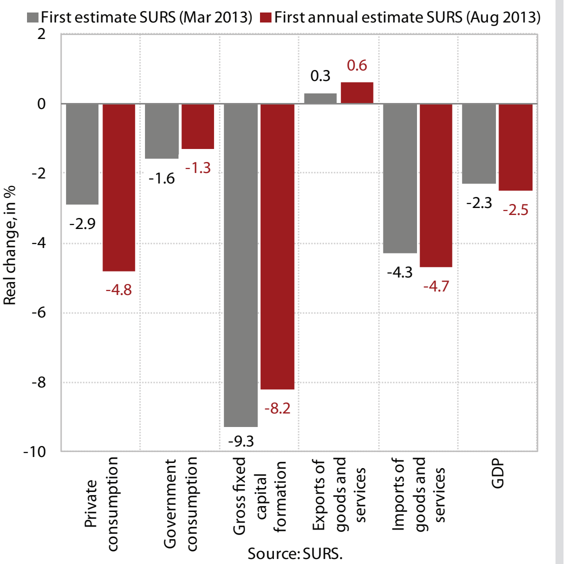
Source: SURS; 2010-2015 forecasts by IMAD.

[10] In 2009–2012 it declined by an average of 13.5% per year.
[11] The rise in the VAT rate was, in our estimation, an important reason for the increase in consumption of durable goods in the second quarter (seasonally adjusted), but this is expected to decline again in the third quarter after the tax increase in July.

Box 3: **Revision of the main national accounts aggregates**

According to the first annual estimate by SURS released in August 2013, GDP declined by 2.5% in real terms in 2012, in contrast to 2.3% according to the first estimate from March 2013 based on quarterly accounts. In August SURS released the routine annual revision of data on GDP, main national accounts aggregates and employment for 2009–2012. The estimate of nominal GDP for 2012 is EUR 148 m lower (-0.4%) than the first estimate based on quarterly accounts, while the new estimate of real GDP growth rates differs by 0.2 percentage points from the previous estimate. The estimates of economic activity in previous years tend to change and improve with each new set of data, as the quantity and quality of data available to the statistical institutes for estimating GDP growth rates in previous years increase and improve over time. However, the revisions of previous GDP growth estimates increase the uncertainty in the forecasting process and affect the forecasts for future economic activity, all the more so because the revisions of GDP sub-categories are often more significant than those of the total GDP, which can show the economy in a completely different light. In consumption components, the largest downward revision of last year's growth rate was seen in private consumption and the largest upward revision in gross fixed capital formation (see Figure 8). On the production side, real declines were much smaller than before the revision in the construction sector (-6.8%; previously -11.6%) and information-communication activities (-0.4%; previously -2.3%); upward revisions were also made in real estate (0.5%; previously -0.8%) and public service activities (1.5%; previously -0.3%), which recorded growth last year, according to the annual estimate, in contrast to the decline shown in the first release. The largest downward revisions were in manufacturing (-2.9%; previously -0.9%), wholesale and retail trade, transportation, accommodation and food service activities (-3.8%; previously -2.7%), and professional, scientific, technical and other administrative and support service activities (-2.7%; previously -1.0%).

Figure 8: **Consumption aggregates in 2012 before and after revision**



Source: SURS.

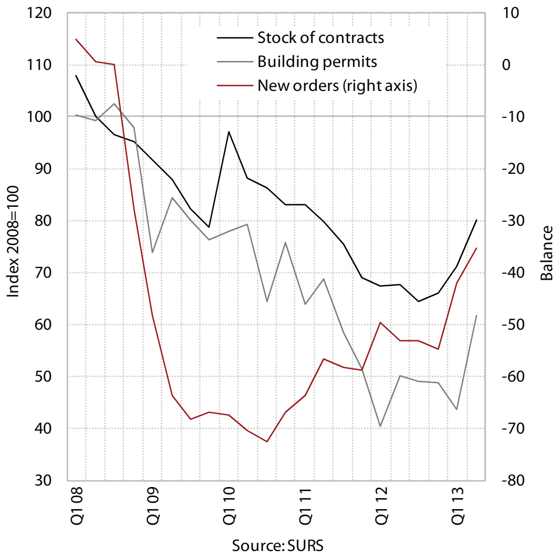
Figure 9: **Household consumption and consumer confidence indicator**

Source: SURS. Note: * The Q3 13 data for the consumer confidence indicator is the July and August average.

With a further reduction in expenditure on final consumption, government consumption will fall by 2.5% this year. In the first half of the year government consumption was down 2.5% year-on-year, and an identical fall is also expected in the year as a whole. The more pronounced decline than in 2012 will be a consequence of a larger fall in compensation of employees and intermediate consumption. In contrast to pensions and social transfers, the effect of the ZUJF measures will be larger this year than in 2012. Moreover, in 2013 additional measures were adopted in the area of wages. Compensation of employees will decline in nominal terms due to lower average gross earnings and cuts in the number of employees. Expenditure on goods and services will continue to be rationalised. On the other hand, social benefits in kind will increase due to higher expenditure on subsidies for school transport and school meals and the anticipated increase in expenditure on medicines.

This year's smaller decline in gross fixed capital formation (-1.6%) will mainly be attributable to the purchase of investment equipment for an energy facility and less unfavourable movements in construction investment. Construction investment was down 13.7% year-on-year in the first half of the year, but its quarter-on-quarter decline slowed notably in the second quarter (seasonally adjusted) and we expect a modest increase in the second half of the year. This is indicated by an improvement in some indicators of future construction activity, which reached the highest values during the crisis. In June the stock of contracts was up 17.9% year-on-year, primarily due to growth in civil-engineering works. Data on issued building permits are also favourable, as the number of dwellings planned by building permits was almost a fifth higher year-on-year[12] in the second quarter of 2013, and there was also an increase in the floor area planned for non-residential buildings. The improvement in construction investment is also indicated by a higher value of the construction confidence indicator. In the year as a whole, construction investment will nevertheless be lower than last year, but the decline will be much smaller than in previous years. Low demand, high corporate indebtedness and limited sources of financing continue to have a negative impact on business investment, but it will increase relative to last year due to larger purchases of investment equipment for an energy facility.

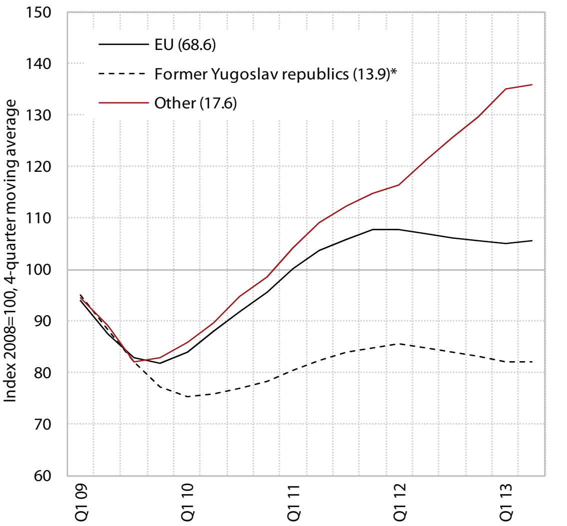
Figure 10: **Selected indicators of construction activity**



Source: SURS

Growth in exports will strengthen this year due to the expected growth in merchandise exports, while growth in services exports will remain similar to last year. Having recorded relatively strong growth in the first quarter, exports declined in the second quarter but are projected to resume growth in the second half of the year (seasonally adjusted) due to the recovery of economic activity in the international environment. Growth in merchandise exports will continue to rely primarily on growth in exports of medical and pharmaceutical products. Exports to Slovenia's traditional trading partners in the EU are expected to recover this year after last year's decline, which is consistent with the expectations of international institutions about the beginning of a modest recovery of their economies in the second half of this year. Exports to non-EU countries will also continue to grow, in particular to the countries of the former Soviet Union, northern Africa and Asia. Growth in exports of services will continue to depend on exports of business services, primarily intermediation and other services related to trade, and construction services arising from construction works carried out by Slovenian construction companies abroad.

Figure 11: **Nominal merchandise exports – geographical breakdown**



Source: SURS. Note: Figure in brackets is share of total merchandise exports in 2012. * Including Croatia.

Total imports are expected to stagnate this year after the decline in 2012. The stagnation will be a result of modest growth in merchandise imports, which is related to the purchases of investment equipment for an energy facility. Imports of services will continue to decline this year mainly due to lower household spending abroad and smaller imports of transport services.

[12] The increase is a result of a higher number of building permits issued for dwellings in single-dwelling buildings, while the corresponding number for multi-dwelling buildings remained lower.

Amid the continuation of fiscal consolidation and the adverse conditions on the labour market and in the banking system, GDP is set to shrink further in 2014 (-0.8%). Because of the need for fiscal consolidation, additional fiscal effort will be required next year, which will, in our estimation, mainly affect investment activity and household disposable income. Despite the anticipated beginning of the banking system restructuring, the credit market situation will remain adverse and access of firms to funding limited. The decline in private consumption (-2.7%) will remain the main driver of the contraction in GDP next year. The fall in compensation of employees and social transfers will otherwise be smaller than this year, but the decline in disposable income will be similar, mainly as a result of the introduction of the anticipated fiscal consolidation measures, which have yet to be specified. Government consumption will fall at a slower pace next year (-1.5%). It is assumed that the number of employees in the government sector will decline by 1% and that restrictive wage policy will remain in effect. Intermediate consumption is expected to remain at this year's level in nominal terms, while social benefits in kind will decline. The fall in gross fixed capital formation (-4.0%) is set to deepen next year, largely as a consequence of a smaller positive contribution of investment in the energy system. The unfavourable conditions for government investment will continue, while private sector investment will still be hampered by the situation in the banking system and the high level of corporate indebtedness. Meanwhile, growth in exports (3.0%) will strengthen further next year amid the anticipated gradual improvement in the international environment.

Assuming positive shifts in fiscal consolidation and the stabilisation of the banking system according to plans, we expect modest economic growth in 2015. With the process of fiscal consolidation and banking sector stabilisation carried out as planned, the effects will be seen in 2015 and economic activity will begin to recover modestly after three years of decline. The falling in government consumption and investment activity will slow, while private consumption will increase slightly after three years of decline. Amid the continuation of the economic recovery in main trading partners, exports will remain the key engine of the recovery of the Slovenian economy.

Value added by sector

In the first half of 2013 value added declined again year-on-year in most private sector activities and for the first time also in public services. The year-on-year decline in value added was once again largest in the construction sector, where activity has been shrinking for the fifth year in a row. Value added also continued to drop in manufacturing, mainly due to lower output in industries of lower technology intensity, particularly those that mainly focus on the domestic market. The production of the majority of more technology-intensive and predominantly export-oriented activities was up year-on-year. With the decline in domestic demand, value added also dropped again in most market services.[13] Under the impact of a further deterioration of the situation in the banking system, the year-on-year decline was most pronounced in financial and insurance activities. Value added also declined relatively steeply in services that are predominantly oriented to the domestic market, despite increased consumption of durable and semi-durable goods before the increase in VAT. The decline in value added in transportation activities, which are more strongly integrated in international trade flows, was smaller, according to our estimate. Value added in public services has been declining quarter-on-quarter (seasonally adjusted) since mid-2012 due to the implementation of austerity measures in the public sector. In the first half of the year it was also for the first time down year-on-year.

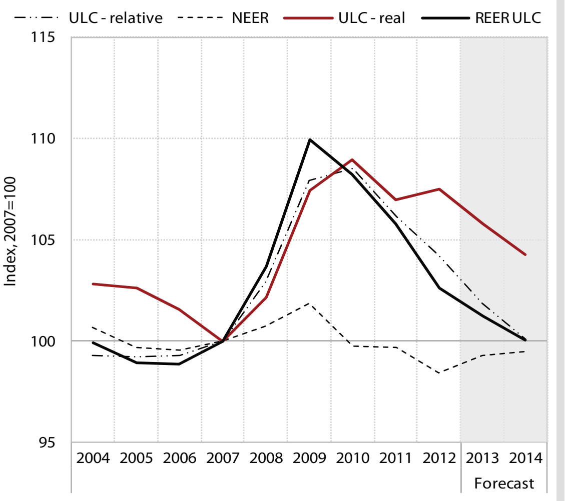
Value added will also decline in the second half of this year and in 2014, while it is expected to recover slightly in 2015. Similar to the first half of the year, value added will also decline in most activities in the year as a whole. Amid a slight improvement in the international environment and with the recovery in foreign demand, value added in manufacturing is expected to stop deteriorating in the second half of the year (seasonally adjusted). Short-term indicators (the stock of contracts, building permits issued) also indicate similar trends for the construction sector. As a result of lower consumption in some market services after the increase in VAT, particularly in trade, the decline in value added is expected to deepen in the second half of the year. With the implementation of fiscal consolidation measures, in 2014 value added will decline further in public service activities, construction

[13] Year-on-year real growth in value added was recorded only in information and communication activities, which, amid a nominal decline in revenue, recorded an even larger decline in prices.

Box 4: **Cost competitiveness**

This year and in 2014 the cost competitiveness of the economy will improve. Because of a further adjustment of employment and wages to lower economic activity, the ratio of labour costs per employee to productivity will improve. With a substantial decline in employment, productivity will fall less than labour costs in real terms in 2013, despite the considerable drop in economic activity. Amid a further real decline in labour costs, productivity will increase again next year. Real unit labour costs will thus decline in 2013 and in 2014 (by 1.6% and 1.5%, respectively), after last year's growth. As a result of the concurrent increase in unit labour costs in main trading partners, the real effective exchange rate[14] will also continue to fall (by 1.4% this year, by 1.1% in 2014) amid the strengthening of the euro.

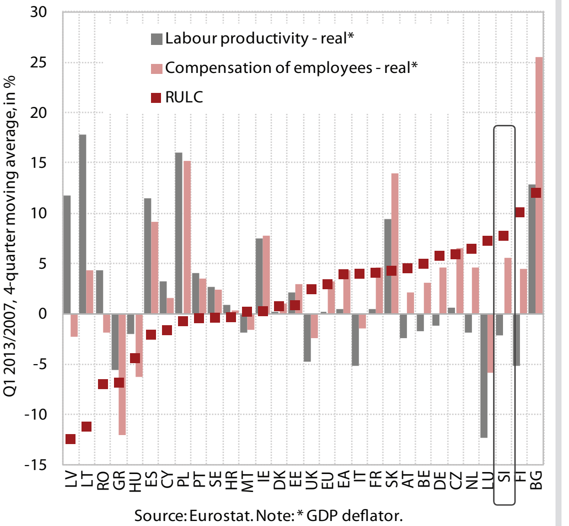
Figure 12: **Slovenia's cost competitiveness**



Source: ECB, Eurostat, Consensus Forecast, OECD; calculations by IMAD.

The improvement in its cost competitiveness being slow, Slovenia will not approach the 2007 level[15] before 2014. In view of more pronounced losses in cost competitiveness in 2008 and 2009, Slovenia remains in the group of euro area and EU countries where cost competitiveness will continue to lag behind the 2007 levels this year,[16] despite the relatively more favourable developments in the last two years. With regard to the expected dynamics, the trend of a gradual improvement in the otherwise relatively worse position of Slovenia in the euro area and the EU will continue in the next two years. This is mainly indicated by the movement of the effective exchange rate, according to which Slovenia will come close to the pre-crisis level next year. However, real unit labour costs will still be higher than in 2007 (by 4.3%), despite the expected decline.

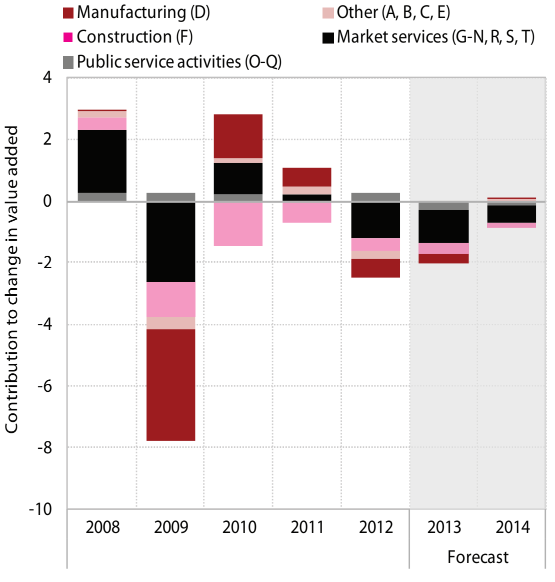
Figure 13: **Cost competitiveness in EU Member States in the first quarter of 2013, relative to 2007**



Source: Eurostat. Note: * GDP deflator.

[14] Deflated by relative (Slovenian compared with those in trading partners) unit labour costs.
[15] The year 2007 was the last year before the substantial loss in cost competitiveness.
[16] In the first quarter a smaller group of euro area countries (7) recorded growth in the real effective exchange rate deflated by the ULC in comparison with the 2007 average. Slovenia was sixth in terms of growth (1.3%); the remaining countries (10) recorded a decline. In terms of growth in real unit labour costs in the same period (7.8%, 4-quarter moving averages) it was in 2nd place in the euro area and 3rd in the EU.

Figure 14: **Change in value added**



Source: SURS; forecast by IMAD.

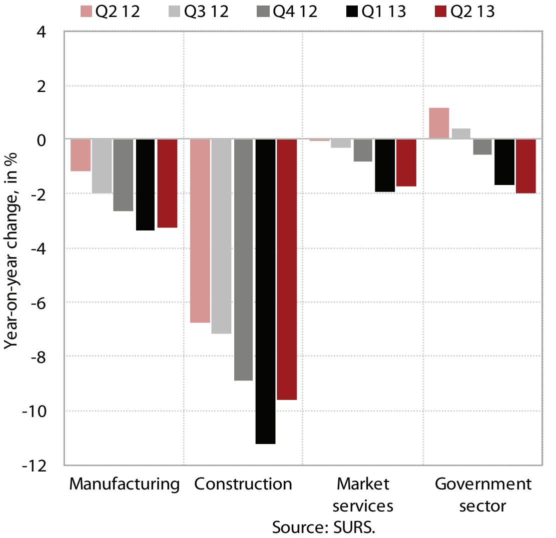
and those market services that are relatively more dependent on domestic household consumption (particularly trade, accommodation and food service activities, arts, entertainment and recreation and other personal service activities). Value added will also drop in financial and insurance activities, but the situation is expected to stop deteriorating gradually by the end of the year due to the banking system restructuring. Despite the predicted further recovery in the international environment, given the high corporate indebtedness and the adverse situation on financial markets, no improvement is expected in manufacturing and knowledge-intensive services, where value added will remain around the same level as a year earlier. In 2015 value added will increase slightly, given the expected recovery in the international environment, most notably in manufacturing. Modest growth is also expected in most market services.

Labour market

Employment and unemployment

Employment is projected to decline in 2013 amid a further decline in economic activity and a high rate of transitions into inactivity at the beginning of the year. In 2013 employment (-2.3%) will decline in all activities, most notably again in the construction sector. As a result of public finance restrictions, in 2013 employment will, for the first time, also fall in the government sector, where it was down 1.8% year-on-year in the first half of the year.[17] Employment in the government sector is also projected to drop further in the second half of the year, consistent with the goal of reducing compensation of employees set in the Stability Programme – 2013 Update. This year's total decline in employment is also due to the high rate of transitions into inactivity, particularly into retirement, which is mainly related to the adopted pension reform at the beginning of the year.

Figure 15: **Change in employment by activity**



Source: SURS.

Table 3: **Forecasts for employment and unemployment**

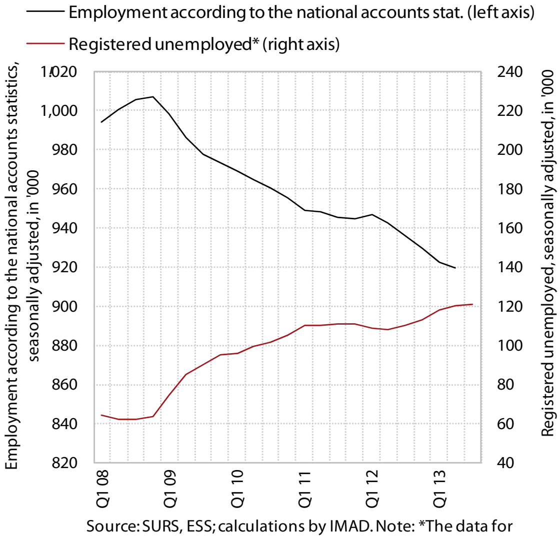
In %	2012	2013		2014		2015
		Summer forecast (Jun 13)	Autumn forecast (Sep 13)	Summer forecast (Jun 13)	Autumn forecast (Sep 13)	Autumn forecast (Sep 13)
Employment according to the SNA, growth	-0.8	-2.4	-2.3	-1.5	-1.4	-0.7
Number of registered unemployed, annual average, in '000	110.2	121.8	120.6	122.8	122.1	120.4
Registered unemployment rate	12.0	13.4	13.3	13.6	13.6	13.5
ILO unemployment rate	8.9	10.8	10.7	11.0	11.0	10.6

Source: SURS; 2013–2015 forecasts by IMAD.

[17] According to the National Accounts Statistics.

With the continuation of adverse economic conditions, employment is expected to decline further in the next two years. With economic activity projected to shrink further next year, employment will continue to fall. It will drop again in most private sector activities next year. Despite the anticipated modest recovery in economic activity, employment will also decline slightly in 2015 due to the typical delay in the labour market's response to economic activity. Employment in the government sector is assumed to decline by 1.0% annually in the coming years.

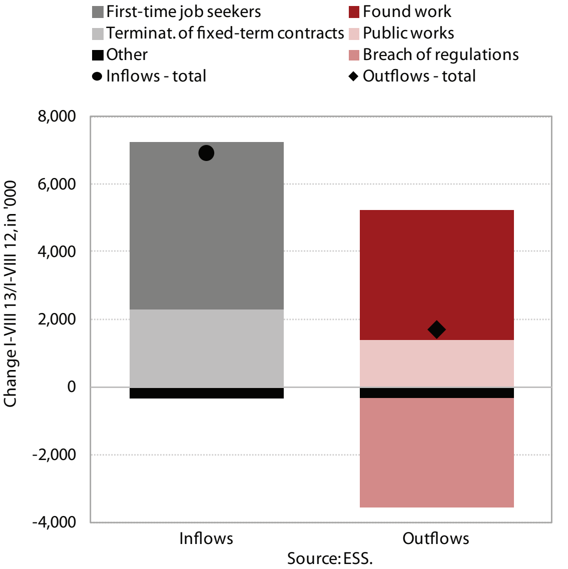
Figure 16: **Employment and registered unemployment**



Source: SURS, ESS; calculations by IMAD. Note: *The data for Q3 2013 refers to the July and August average.

This year the number of registered unemployed (120.6 thousand) will be 10% higher than last year, on average, while the survey unemployment rate will total 10.7%. The inflows into unemployment in the first eight months were much larger than last year. This year's increase was mainly due to a higher number of people who registered as unemployed due to the termination of their fixed-term employment contracts (up 4,965 more) and first-time jobseekers (up 2,293). The outflow from unemployment was also larger than last year (up 1,696), as more unemployed persons found work, also due to a more effective implementation of active labour market policy programmes.[18] Consistent with seasonal dynamics, the number of unemployed persons declined slightly in the second quarter after a significant increase in the first, but it will rise again in the second half of the year due to the inflow of first-time jobseekers in particular. We estimate that, given the tightened economic situation, more first-time jobseekers will register as unemployed this year than in 2012, despite the smaller generation. In 2014 the number of registered unemployed will rise somewhat again due to the continuation of adverse economic conditions. In 2015 it will drop only slightly, but will still move around 120 thousand. The expected number of registered unemployed in 2014 and 2015 is also impacted by demographic changes: as the size of the active population (20–64 years) is declining,[19] the expected number of unemployed is slightly lower. Our forecast of the number of unemployed persons in the next two years is based on the assumption that the number of people participating in active labour market policy schemes will continue to be high. After this year's significant increase (10.7%), the survey unemployment rate will remain high over the next two years.

Figure 17: **Inflows to and outflows from registered unemployment**



Source: ESS.

Earnings

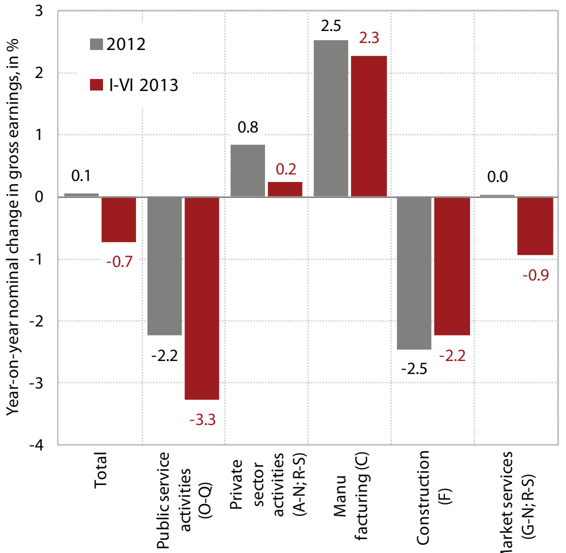
Amid the stagnation in private sector activities, the average gross earnings per employee will fall this year due to a decline in public service activities. After remaining almost unchanged in nominal terms in 2012, the average gross earnings are expected to decline by 0.5% this year due to a further contraction in economic activity and limited public funds. Growth in private sector activities came practically to a halt in the first half of the year. Year-on-year growth was recorded only in manufacturing and electricity supply, while the average gross earnings in the construction sector and all service activities were lower than in the same period last year. In view of adverse economic conditions and in the absence of labour market

[18] In the first eight months of this year 6,315 persons participated in the programme aimed at promoting self-employment (3,015 more than in the same period of last year), 10.944 in the on-the-job training programme (4,191 more) and 4.603 in public works (1,481 more).

[19] According to IMAD's demographic projections, the number of active persons in this age group will decline by around 7,000 in 2014, and by around 9,000 in 2015.

pressures due to high unemployment, the average gross earnings in the private sector are thus expected to remain at the 2012 level in 2013 in nominal terms. The average gross earnings in public service activities are projected to decline by the same degree as last year, in nominal terms (-2.4%). The wage policy measures adopted last year[20] will have a full-year effect this year, and in May 2013 another agreement[21] on measures in the area of wages was reached to enable the realisation of the planned reduction in compensation of employees in the government sector. According to the available data, the effects of the agreed reduction were otherwise smaller than expected.

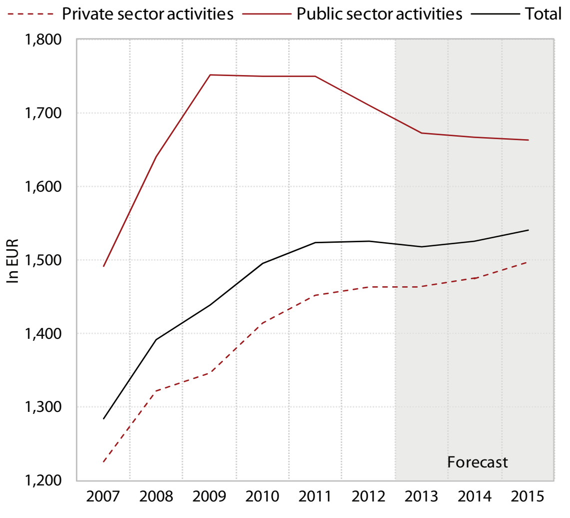
Figure 18: **Change in the average gross earnings per employee by activity**



Source: SURS; calculations by IMAD.

In the next two years we expect modest growth in the overall gross earnings due to growth in private sector activities, while gross earnings in public service activities will drop slightly again due to the continuation of fiscal consolidation. The average gross earnings per employee will rise somewhat next year in nominal terms, and in 2015 their growth will strengthen slightly amid the expected modest recovery of the economy. Growth will be solely the result of the expected modest nominal growth in private sector activities, but this will be lower than in previous years.[22] The movement of private sector earnings will continue to be affected by the contraction in economic activity, the efforts to maintain corporate competitiveness and

Figure 19: **Average gross earnings per employee**



Source: SURS; calculations by IMAD.

Table 4: **Forecasts for average growth in gross earnings per employee**

Growth rates, in %	2012	2013		2014		2015
		Summer forecast (Jun 13)	Autumn forecast (Sep 13)	Summer forecast (Jun 13)	Autumn forecast (Sep 13)	Autumn forecast (Sep 13)
Gross wage per employee – nominal	0.1	-0.8	-0.5	1.0	0.5	1.0
- Private sector activities	0.8	0.0	0.0	1.0	0.8	1.5
- Public service activities	-2.2	-3.0	-2.4	1.0	-0.4	-0.2
Gross wage per employee – real	-2.4	-2.6	-2.5	-0.7	-1.4	-0.4
- Private sector activities	-1.7	-1.9	-2.0	-0.7	-1.1	0.1
- Public service activities	-4.7	-4.8	-4.3	-0.7	-2.3	-1.6

Source: SURS; 2013–2015 forecasts by IMAD.
Note: Private sector activities include activities A–N, R–S; public service activities include activities O–Q.

[20] The Agreement on measures in the field of wages, compensation and other benefits in the public sector to balance the public finances for the period 1 June 2012 to January 2014 adopted in May 2012 (Official Gazette of the RS, No. 38/12), which (together with the ZUJF) supported the realisation of the revised budget for 2012 by setting even more restrictive wage policy for the public sector for 2012 and 2013. As of 1 June, the remaining two quarters of funds for eliminating wage disparities were paid, but at the same time the basic earnings of all public servants were reduced by 8%. The total net effect (savings) amounted to 3% of public servants' total annual wage bill.

[21] Agreement on further measures in the field of salaries and other labour costs in the public sector aiming to balance public finances in the period from 1 June 2013 to 31 December 2014, Official Gazette, No. 46/13. The measures include a decline in basic earnings (partly in a linear and partly in a progressive manner, by around 1.3% on average), abolition of the increased seniority bonus paid to women for each completed year of service over 25 years, a reduction of the allowance for specialisation and master's and doctoral studies (by half) and a cut in sickness benefits.

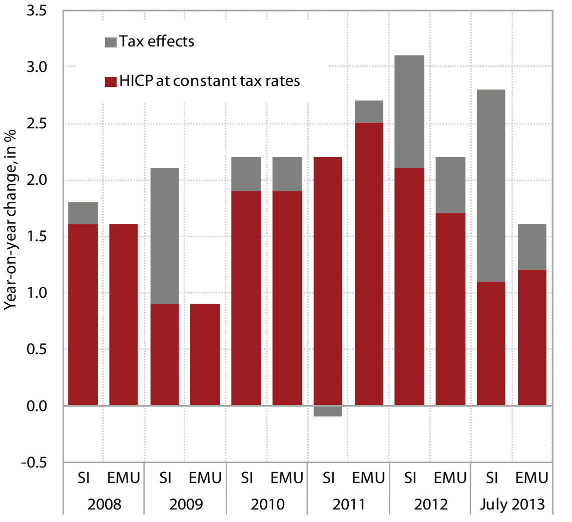
[22] In 2009–2012 growth in the average gross earnings in private sector activities averaged 2.6%. The relatively high growth rates in 2010 and 2011 (5.1% and 2.6%, respectively) were mainly influenced by the increase in the minimum wage and changes in employment structure.

the absence of labour market pressures amid high unemployment. The average gross earnings in public service activities will also drop slightly in nominal terms in the next two years, which will be, in addition to the goal of keeping the basic earnings at this year's level, mainly due to the impact of retirements and a decline in payments for overtime work and payments for increased workload. The restrictive wage policy in public service activities will thus remain in place, consistent with the continuation of the necessary fiscal consolidation. In real terms the average gross earnings will continue to fall in the next two years, after the 2012 and 2013 declines.

Inflation

Similar to last year, inflation (2.3%) will mainly be marked by the impact of tax changes, but as a result of a further contraction in economic activity, price growth will be lower than last year despite the increase in VAT. Regardless of the VAT increase in July,[23] in the first eight months of this year inflation was down relative to the same period of 2012, which is mainly related to a further decline in economic activity and hence a further deterioration in the labour market situation. The latter is, in our estimation, also the main reason for the smaller transfer of the VAT increase into final prices than previously. It is estimated at 0.7 percentage points and according to SURS data, in the first month after the tax change it was mainly reflected in higher prices of energy, tobacco products, telephone and internet services, and prices of certain other goods and services. The forecast does not exclude the possibility that by the end of the year price changes in response to the VAT increase may also be seen in some other groups. Higher environmental taxes and higher annual road use charges will add 0.1 percentage points to year-on-year price growth. Price rises in energy and food products will again make a significant contribution to year-on-year inflation this year. On the other hand, the year-on-year growth of services prices will be lower at the end of the year, mainly due to the absence of one-off factors, which were to a large extent a consequence of economic policy measures.[24] Impacted by the falling of economic activity, core inflation will remain low this year.

Figure 20: **Tax effects**



Source: Eurostat.

Taking into account the adopted measures in taxation and in the absence of price shocks from the international environment, inflation in the following two years will be lower than this year. Amid the anticipated further contraction in economic activity next year, followed by a weak recovery in 2015, price growth will remain moderate in 2014–15, slightly below 2%. However, a significant risk to the inflation forecast for these years is related to the possibility of additional measures in taxation. Another risk is that prices of energy and other commodities could increase more than currently assumed. Core inflation excluding energy and unprocessed food will remain moderate in the next two years, hovering around 1%.

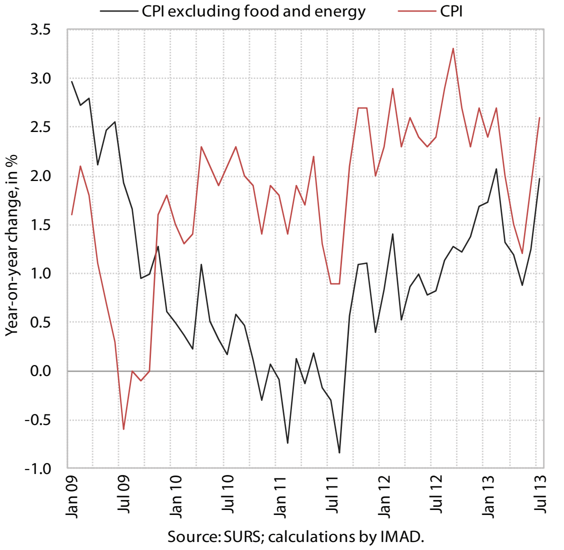
Table 5: **Inflation forecast**

In %	2012	2013		2014		2015
		Summer forecast (Jun 13)	Autumn forecast (Sep 13)	Summer forecast (Jun 13)	Autumn forecast (Sep 13)	Autumn forecast (Sep 13)
Inflation (annual average)	2.6	2.1	2.0	1.4	1.9	1.4
Inflation (Dec/Dec)	2.7	1.9	2.3	1.7	1.4	1.7

Source: SURS; 2013–2015 forecasts by IMAD.

[23] As of 1 July, the reduced VAT rate was raised by 1 percentage point to 9.5% and the standard VAT rate by 2 percentage points to 22%.
[24] Abolition of the subsidy on school meals contributed 0.5 percentage points to the 2.7% year-on-year price growth last year; an increase in the annual road user charges 0.2 percentage points; and a reduction in the subsidy for the second child in a family attending kindergarten an additional 0.1 percentage points.

Figure 21: **Consumer price index, all items and excluding food and energy**

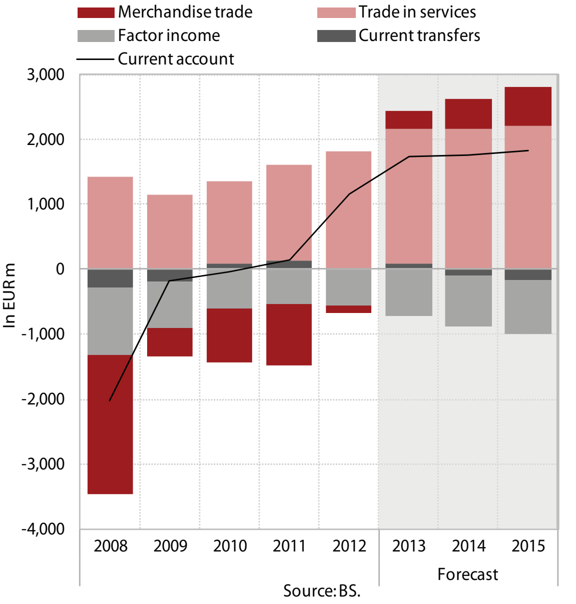


Source: SURS; calculations by IMAD.

Current account of the balance of payments

The current account surplus will total around 5% of GDP this year and in the next two. The wide surplus mainly reflects the process of deleveraging and limited access to funding, so that the surplus of gross savings over gross investment is increasing. The improvement in the balance of current transactions is mainly the result of a pronounced decline in domestic demand and, in turn, wider surpluses in international trade. Amid the expected further contraction in domestic consumption and the otherwise modest growth in foreign demand, the balance of merchandise trade will – for the first time since data have been available[25] – record a surplus this year, which will widen further in 2014 and 2015. The surplus in services trade is also expected to increase further in 2013–2015, mainly due to a smaller deficit in trade in other services and larger surpluses in trade in transport and travel services. The surplus in current transfers will widen this year primarily due to the anticipated slight improvement in the absorption of EU funds. Next year's absorption is expected to be smaller, resulting (amid higher payments of private sector transfers) in a deficit in current transfers, which will increase slightly in 2015. The deficit in the balance of factor income will be rising in 2013–2015 due to larger net outflows for interest payments on account of an increase in repayments of the government sector. The widening deficit in factor income will be mitigated by relatively large net inflows of income from labour of daily migrants abroad.

Figure 22: **Current account of the balance of payments**



Source: BS.

Table 6: **Current account of the balance of payments**

	2012	2013		2014		2015
		Summer forecast (Jun 13)	Autumn forecast (Sep 13)	Summer forecast (Jun 13)	Autumn forecast (Sep 13)	Autumn forecast (Sep 13)
Current account, EUR m	1,159	1,454	1,731	1,496	1,765	1,817
Current account, as % of GDP	3.3	4.2	5.0	4.2	5.0	5.1

Source: BS; SURS, 2011–2015 forecasts by IMAD.

[25] Since 1996.

Risks to the realisation of the forecast

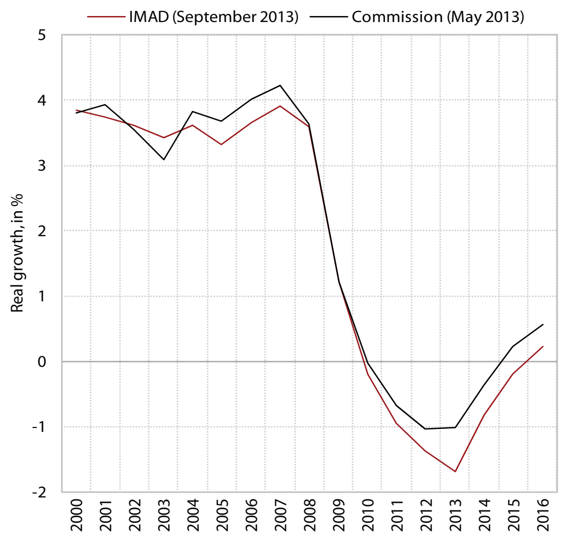
The downside risks to economic activity remain elevated and they mainly stem from the domestic environment. The main risk is still associated with the stabilisation of the banking sector, i.e. the transfer of bad claims to the Bank Assets Management Company and bank recapitalisation, which have yet to begin. The costs of the stabilisation and their impact on public finances will also remain uncertain until the completion of the asset quality review of the banking system. Were the beginning of the stabilisation to be postponed again, lending activity could decline even more next year than assumed in the forecast, while a possible increase in funding needed for the stabilisation scheme could inhibit fiscal consolidation. There is also uncertainty regarding the actual financial effects of the adopted fiscal consolidation measures, as well as with regard to the additional measures necessary to reduce the public finance deficit, which had been announced in the Stability Programme – Update 2013 but were not yet sufficiently specified at the cut-off date for the forecast. If these risks to the banking system and fiscal consolidation were to materialise, the perception of Slovenia on international markets could deteriorate again, leading to a further increase in borrowing costs for the government and other economic entities. On the other hand, after a longer period, developments in the international environment pose no additional risks to economic activity in Slovenia, given that international institutions forecast a recovery of economic activity in Slovenia's main trading partners, which is a positive signal for the Slovenian economy.

Potential GDP growth

Based on IMAD's Autumn Forecast of Economic Trends, potential GDP growth has been estimated using a production function method (PF). Potential GDP growth is calculated by means of a production function method (PF), which uses a bivariate Kalman filter (KF) to extract the cyclical component of total factor productivity.[26] The latest calculation of potential GDP growth made by the European Commission (Commission) in May 2013 is also illustrated for comparison. The Commission's calculation uses a production function method (PF) whose basis attributes do not differ from IMAD's method.[27] The differences between the IMAD and the Commission calculations are the result of the differences in the forecasts on which they are based (the Commission's spring forecast from 2013 and the latest autumn forecast by IMAD) and, in part, differences in input data.[28] Besides, the forecast by IMAD covers a longer period.

The calculations indicate a substantial weakening of potential GDP growth in the upcoming period. The calculations using the PF approach show that after starting to drop strongly in 2008 from around 4% before the crisis, potential GDP growth will fall to as low as -1.7% in 2013 and is expected to turn positive only after 2016.

Figure 23: **Potential GDP growth, comparison of different calculations**



Source: SURS; calculations by IMAD, Commission.

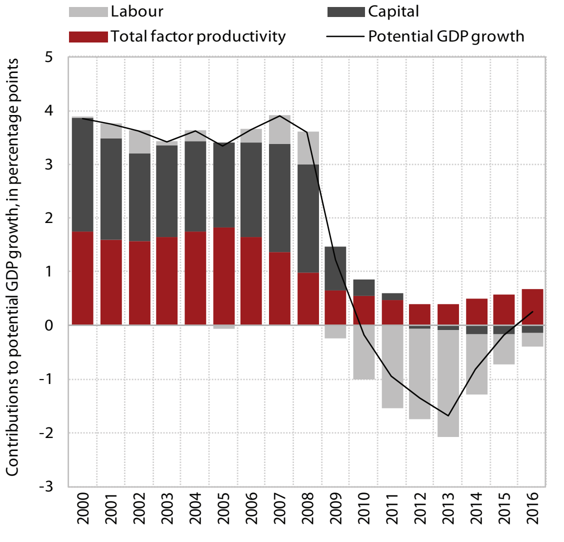
[26] The cyclical component of TFP and unemployment (NAWRU) were estimated using the GAP programme (Christophe Planas and Alessandro Rossi, European Commission, Joint Research Centre, 2010) available at eemc.jrc.ec.europa.eu/Software-GAP.htm. NAWRU and the cyclical component of TFP were estimated using the series of wage growth and capacity utilisation in a bivariate unobserved component model.

[27] 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.

[28] IMAD's calculation already takes into account the annual revision of SURS in input data. The employment data series according to national accounts statistics takes account of a correction for the break in the data series in 2002. IMAD's calculation is based on its own demographic projection (15–74), while the Commission uses Eurostat's Europop (15–74).

Among individual components of the calculated potential GDP growth, the contribution of labour will decline most relative to the pre-crisis period in the coming years. The contribution of labour, which was relatively low in the entire period before the outbreak of the crisis in 2008, has been consistently negative since 2009. The negative contribution in 2013 amounted to 2 percentage points. The increase in the natural unemployment rate[29] (NAWRU) has the largest impact. The contributions of the participation rate, hours worked per employee and the decline in the population of active working age (according to IMAD's demographic projections) are also negative. After a significant decline in 2009, the contribution of capital continued to fall (to -0.2 percentage points in 2014–16), and is also expected to remain around zero in the medium term. The contribution of total factor productivity also diminished with the outbreak of the crisis, but a gradual recovery can be expected in this component, although not to the pre-crisis levels (see Figure 24).

Figure 24: **Contributions of individual components to potential GDP growth**



Source: IMAD.

[29] The calculations of the natural unemployment rate (NAWRU) take account of the forecasts for the survey unemployment rate, which indicate a deterioration in the medium term (see also the Labour market section). NAWRU is estimated by a bivariate unobserved component model using the wage growth series in addition to the unemployment series. The calculations show that NAWRU increased above 10% and no improvement is expected in the medium term. An increase in NAWRU, which cannot be directly observed, is also indirectly indicated by rising long-term unemployment.

statistical appendix

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

Real growth rates in %, unless otherwise indicated

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
										forecast		
GROSS DOMESTIC PRODUCT	4.4	4.0	5.8	7.0	3.4	-7.9	1.3	0.7	-2.5	-2.4	-0.8	0.4
GDP in EUR m (at current prices and at current exchange rate)	27,253	28,723	31,050	34,594								
GDP in EUR m (at current prices and at fixed exchange rate 2007)	27,165	28,722	31,045	34,594	37,244	35,420	35,485	36,150	35,319	34,908	35,132	35,747
GDP per capita (at current prices and at current exchange rate)	13,645	14,355	15,464	17,135	18,420	17,349	17,320	17,610	17,172	16,942	17,027	17,305
POPULATION, EMPLOYMENT, WAGES AND PRODUCTIVITY												
Employment according to National Accounts	0.4	-0.5	1.5	3.3	2.6	-1.8	-2.2	-1.6	-0.8	-2.3	-1.4	-0.7
Registered unemployed (annual average in thousand)	92.8	91.9	85.8	71.3	63.2	86.4	100.5	110.7	110.2	120.6	122.1	120.4
Rate of registered unemployment in %	10.3	10.2	9.4	7.7	6.7	9.1	10.7	11.8	12.0	13.3	13.6	13.5
Rate of unemployment by ILO in %	6.0	6.5	6.0	4.9	4.4	5.9	7.3	8.2	8.9	10.7	11.0	10.6
Gross wage per employee	2.0	2.2	2.2	2.2	2.5	2.5	2.1	0.2	-2.4	-2.5	-1.4	-0.4
Private sector activities	3.1	2.8	2.8	3.2	2.0	1.0	3.2	0.8	-1.7	-2.0	-1.1	0.1
Public service activities	-0.8	0.9	1.0	0.5	3.9	5.8	-1.8	-1.8	-4.7	-4.1	-2.3	-1.6
Labour productivity (GDP/employee)	4.0	4.5	4.2	3.5	0.8	-6.2	3.5	2.4	-1.7	-0.1	0.6	1.1
INTERNATIONAL TRADE												
Exports of goods and services	12.4	10.6	12.5	13.7	4.0	-16.1	10.2	7.0	0.6	2.0	3.0	4.1
Exports of goods	12.8	10.3	13.4	13.9	1.8	-16.6	12.0	8.2	-0.1	1.6	3.1	4.3
Exports of services	10.9	12.0	8.6	13.2	14.3	-14.0	3.5	1.9	3.7	3.8	2.7	3.2
Imports of goods and services	13.3	6.7	12.2	16.7	3.7	-19.2	7.4	5.6	-4.7	0.1	2.1	3.9
Imports of goods	14.6	6.8	12.7	16.2	3.0	-20.2	8.3	6.6	-5.1	0.3	2.0	3.9
Imports of services	5.6	5.5	8.8	19.7	8.2	-12.4	2.6	-0.6	-2.2	-1.0	2.5	4.2
BALANCE OF PAYMENTS STATISTICS												
Current account balance in EUR m	-720	-498	-545	-1,441	-2,028	-173	-50	146	1,159	1,731	1,765	1,817
As a per cent share relative to GDP	-2.6	-1.7	-1.8	-4.2	-5.4	-0.5	-0.1	0.4	3.3	5.0	5.0	5.1
External balance of goods and services in EUR m	-322	-106	74	-409	-716	725	450	519	1,694	2,344	2,629	2,805
As a per cent share relative to GDP	-1.2	-0.4	0.2	-1.2	-1.9	2.0	1.3	1.4	4.8	6.7	7.5	7.8
FINAL DOMESTIC DEMAND - NATIONAL ACCOUNTS STATISTICS												
Final consumption	3.1	2.4	3.1	4.8	3.2	0.5	1.4	0.2	-3.8	-3.3	-2.4	0.1
As a % of GDP *	73.8	73.2	71.6	69.8	70.7	75.8	77.9	78.3	77.7	76.8	75.7	75.4
in which:												
Private consumption	3.0	2.1	2.8	6.3	2.3	-0.1	1.5	0.8	-4.8	-3.5	-2.7	0.5
As a % of GDP *	55.0	54.3	52.8	52.5	52.6	54.8	56.4	56.8	56.3	55.7	54.8	54.7
Government consumption	3.3	3.5	4.0	0.6	5.9	2.5	1.3	-1.6	-1.3	-2.5	-1.5	-1.0
As a % of GDP *	18.8	19.0	18.8	17.3	18.1	20.2	20.8	20.8	20.8	20.4	20.3	20.0
Gross fixed capital formation	5.0	3.0	10.4	13.3	7.1	-23.8	-15.3	-5.5	-8.2	-1.6	-4.0	-0.9
As a % of GDP *	25.0	25.4	26.5	27.8	28.6	23.1	19.7	18.6	17.8	17.7	17.2	17.1
EXCHANGE RATE AND PRICES												
Average exchange rate SIT/USD, BS	192.4	192.7	191.0	174.8								
Average exchange rate SIT/EUR, BS	238.9	239.6	239.6	239.6								
Ratio of USD to EUR	1.243	1.245	1.256	1.371	1.471	1.393	1.327	1.392	1.286	1.320	1.331	1.331
Real effective exchange rate - deflated by CPI[1]	0.0	-0.7	0.3	1.7	2.5	1.3	-1.8	-1.0	-1.1	1.2	0.2	-0.5
Inflation (end of the year)[2]	3.2	2.3	2.8	5.6	2.1	1.8	1.9	2.0	2.7	2.3	1.4	1.7
Inflation (year average)[2]	3.6	2.5	2.5	3.6	5.7	0.9	1.8	1.8	2.6	2	1.9	1.4
Brent Crude Oil Price USD / barrel	38.3	54.6	65.2	72.4	96.9	61.7	79.6	111.3	111.7	110.0	108.0	108.0

Source: SURS, BS, ECB, calculations and forecasts by IMAD.
Notes: [1]Growth in value denotes real appreciation of national currency and vice versa; [2]Consumer price index; * Shares in GDP are calculated for GDP in current prices and at fixed exchange rate 2007 (EUR=239,64).

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

EUR million, current prices (fixed 2007 exchange rate)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
											forecast	
A Agriculture, forestry and fishing	629.8	666.4	627.0	774.7	762.9	729.2	769.9	876.9	827.0	890.2	931.0	947.3
BCDE Mining and quarrying, manufacturing, electricity and water supply, waste management	6,678.1	6,814.2	7,317.2	8,070.1	8,264.8	7,111.2	7,242.2	7,701.5	7,724.8	7,819.4	7,904.8	8,078.7
of which: C Manufacturing	5,699.7	5,787.6	6,208.6	6,880.6	6,980.7	5,839.7	5,954.6	6,369.0	6,396.2	6,437.1	6,534.6	6,684.6
F Construction	1,481.5	1,671.6	1,957.4	2,450.8	2,761.5	2,464.8	2,016.6	1,887.2	1,822.2	1,760.4	1,739.4	1,787.3
GHI Trade, transportation and storage, accommodation and food service activities	4,579.6	4,966.6	5,437.3	6,234.1	6,852.0	6,338.2	6,286.3	6,469.3	6,271.6	6,150.1	6,131.0	6,255.7
J Information and communication	915.4	1,011.8	1,099.9	1,216.1	1,293.7	1,209.1	1,256.0	1,285.7	1,312.1	1,319.5	1,317.8	1,341.6
K Financial and insurance activities	1,087.6	1,163.8	1,376.1	1,460.3	1,539.2	1,582.1	1,730.2	1,607.7	1,370.5	1,239.6	1,247.6	1,286.9
L Real estate activities	1,779.4	1,920.2	2,007.6	2,150.6	2,387.1	2,612.9	2,507.3	2,438.8	2,305.1	2,251.6	2,248.5	2,269.9
MN Professional, scientific, technical, administrative and support services	2,010.3	2,050.1	2,269.2	2,610.6	2,902.1	2,755.0	2,837.0	2,863.2	2,781.2	2,705.7	2,741.9	2,752.5
OPQ Public administration, education, human health and social work	3,929.6	4,170.6	4,370.7	4,596.9	5,064.3	5,361.0	5,480.2	5,545.1	5,464.4	5,254.0	5,217.5	5,254.8
RST Other service activities	684.3	742.2	762.6	802.8	853.5	860.6	855.8	855.9	828.6	778.5	743.8	758.0
1. TOTAL VALUE ADDED, basic prices	23,775.7	25,177.4	27,225.0	30,366.9	32,681.0	31,024.0	30,981.6	31,531.3	30,707.8	30,169.0	30,223.3	30,732.7
2. CORRECTIONS (a-b)	3,389.0	3,544.9	3,820.0	4,226.8	4,563.5	4,396.2	4,502.9	4,618.7	4,610.8	4,739.2	4,909.2	5,014.0
a) Taxes on products and services	3,520.2	3,697.3	3,953.5	4,420.4	4,769.2	4,599.3	4,728.3	4,789.0	4,782.5	4,900.8	5,064.9	5,167.6
b) Subsidies on products and services	131.2	152.4	133.5	193.7	205.7	203.1	225.4	170.3	171.7	161.6	155.7	153.6
3. GROSS DOMESTIC PRODUCT (3=1+2)	27,164.7	28,722.3	31,045.0	34,593.6	37,244.4	35,420.2	35,484.6	36,150.0	35,318.6	34,908.1	35,132.5	35,746.6

Source: SURS, forecasts by IMAD.

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

Structure in %, current prices

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
										forecast		
A Agriculture, forestry and fishing	2.3	2.3	2.0	2.2	2.0	2.1	2.2	2.4	2.3	2.5	2.6	2.6
BCDE Mining and quarrying, manufacturing, electricity and water supply, waste management	24.6	23.7	23.6	23.3	22.2	20.1	20.4	21.3	21.9	22.4	22.5	22.6
of which: C Manufacturing	21.0	20.2	20.0	19.9	18.7	16.5	16.8	17.6	18.1	18.4	18.6	18.7
F Construction	5.5	5.8	6.3	7.1	7.4	7.0	5.7	5.2	5.2	5.0	5.0	5.0
GHI Trade, transportation and storage, accommodation and food service activities	16.9	17.3	17.5	18.0	18.4	17.9	17.7	17.9	17.8	17.6	17.5	17.5
J Information and communication	3.4	3.5	3.5	3.5	3.5	3.4	3.5	3.6	3.7	3.8	3.8	3.8
K Financial and insurance activities	4.0	4.1	4.4	4.2	4.1	4.5	4.9	4.4	3.9	3.6	3.6	3.6
L Real estate activities	6.6	6.7	6.5	6.2	6.4	7.4	7.1	6.7	6.5	6.4	6.4	6.4
MN Professional, scientific, technical, administrative and support services	7.4	7.1	7.3	7.5	7.8	7.8	8.0	7.9	7.9	7.8	7.8	7.7
OPQ Public administration, education, human health and social work	14.5	14.5	14.1	13.3	13.6	15.1	15.4	15.3	15.5	15.1	14.9	14.7
RST Other service activities	2.5	2.6	2.5	2.3	2.3	2.4	2.4	2.4	2.3	2.2	2.1	2.1
1. TOTAL VALUE ADDED	87.5	87.7	87.7	87.8	87.7	87.6	87.3	87.2	86.9	86.4	86.0	86.0
2. CORRECTIONS (a-b)	12.5	12.3	12.3	12.2	12.3	12.4	12.7	12.8	13.1	13.6	14.0	14.0
a) Taxes on products and services	13.0	12.9	12.7	12.8	12.8	13.0	13.3	13.2	13.5	14.0	14.4	14.5
b) Subsidies on products and services	0.5	0.5	0.4	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.4
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)	2.3	2.3	2.0	2.2	2.0	2.1	2.2	2.4	2.3	2.5	2.6	2.6
2. Industry and construction (B+C+D+E+F)	30.0	29.5	29.9	30.4	29.6	27.0	26.1	26.5	27.0	27.4	27.5	27.6
3. Services (G…T)	55.2	55.8	55.8	55.1	56.1	58.5	59.0	58.3	57.6	56.4	55.9	55.7
4. Corrections	12.5	12.3	12.3	12.2	12.3	12.4	12.7	12.8	13.1	13.6	14.0	14.0
										As a share in total value added in %		
TOTAL VALUE ADDED, basic prices	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)	2.6	2.6	2.3	2.6	2.3	2.4	2.5	2.8	2.7	3.0	3.1	3.1
2. Industry and construction (B+C+D+E+F)	34.3	33.7	34.1	34.6	33.7	30.9	29.9	30.4	31.1	31.8	31.9	32.1
Industry (B+C+D+E)	28.1	27.1	26.9	26.6	25.3	22.9	23.4	24.4	25.2	25.9	26.2	26.3
Construction F	6.2	6.6	7.2	8.1	8.5	7.9	6.5	6.0	5.9	5.8	5.8	5.8
3. Services (G…T)	63.0	63.6	63.6	62.8	63.9	66.8	67.6	66.8	66.2	65.3	65.0	64.8

Source: SURS, calculations and forecasts by IMAD.

Table 3a: **Gross value added by activity at basic prices and gross domestic product**

EUR million (fixed 2007 exchange rate)

	constant previous year prices									constant 2012 prices		
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
										forecast		
A Agriculture, forestry and fishing	692.1	604.3	661.2	661.3	769.8	698.9	739.0	822.9	808.9	793.9	809.8	817.9
BCDE Mining and quarrying, manufacturing, electricity and water supply, waste management	6,498.4	6,905.0	7,314.4	7,866.9	8,152.6	7,009.9	7,586.1	7,456.4	7,500.5	7,663.0	7,690.3	7,771.0
of which: C Manufacturing	5,613.2	5,897.6	6,216.2	6,731.3	6,893.0	5,794.5	6,280.9	6,151.2	6,184.5	6,300.3	6,319.2	6,382.3
F Construction	1,381.4	1,533.0	1,914.9	2,301.3	2,570.7	2,387.4	2,023.9	1,806.6	1,758.7	1,712.9	1,661.5	1,661.5
GHI Trade, transportation and storage, accommodation and food service activities	4,389.1	4,810.5	5,324.2	5,816.9	6,444.5	6,237.9	6,424.9	6,418.1	6,220.8	6,096.0	5,998.5	6,019.5
J Information and communication	901.6	1,019.7	1,103.9	1,199.4	1,335.5	1,246.3	1,251.2	1,261.6	1,280.5	1,326.5	1,333.2	1,340.5
K Financial and insurance activities	1,096.5	1,207.4	1,228.6	1,582.2	1,513.1	1,551.7	1,600.2	1,648.5	1,578.6	1,295.1	1,269.2	1,269.2
L Real estate activities	1,680.3	1,837.7	1,971.8	2,093.4	2,285.6	2,378.5	2,647.9	2,496.8	2,449.8	2,292.4	2,281.0	2,281.0
MN Professional, scientific, technical, administrative and support services	1,902.4	1,978.7	2,205.3	2,434.9	2,719.6	2,734.9	2,897.4	2,859.1	2,786.1	2,745.0	2,745.0	2,759.9
OPQ Public administration, education, human health and social work	3,784.2	4,069.1	4,247.2	4,454.2	4,675.8	5,156.4	5,434.7	5,493.7	5,628.2	5,377.0	5,334.0	5,318.0
RST Other service activities	646.4	729.9	740.5	760.5	805.1	829.4	849.2	854.2	829.4	783.9	752.5	748.8
1. TOTAL VALUE ADDED, basic prices	22,972.5	24,695.2	26,712.2	29,170.8	31,272.3	30,231.5	31,454.3	31,118.1	30,841.7	30,085.7	29,874.9	29,987.2
2. CORRECTIONS (a-b)	3,331.8	3,558.0	3,690.2	4,035.0	4,491.8	4,054.6	4,411.6	4,617.9	4,388.9	4,380.6	4,322.7	4,343.4
a) Taxes on products and services	3,454.7	3,688.4	3,842.7	4,171.3	4,678.4	4,244.5	4,620.5	4,851.2	4,550.8	4,538.6	4,472.8	4,489.0
b) Subsidies on products and services	122.9	130.4	152.4	136.4	186.6	189.9	208.9	233.3	161.9	158.0	150.1	145.6
3. GROSS DOMESTIC PRODUCT (3=1+2)	26,304.3	28,253.2	30,402.4	33,205.8	35,764.1	34,286.1	35,865.9	35,736.1	35,230.6	34,466.4	34,197.6	34,330.6

Source: SURS, forecasts by IMAD.

Table 3b: **Gross value added by activity at basic prices and gross domestic product**

Real growth rates in %

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
											forecast	
A Agriculture, forestry and fishing	28.1	-4.1	-0.8	5.5	-0.6	-8.4	1.3	6.9	-7.8	-4.0	2.0	1.0
BCDE Mining and quarrying, manufacturing, electricity and water supply, waste management	4.6	3.4	7.3	7.5	1.0	-15.2	6.7	3.0	-2.6	-0.8	0.4	1.0
of which: C Manufacturing	4.4	3.5	7.4	8.4	0.2	-17.0	7.6	3.3	-2.9	-1.5	0.3	1.0
F Construction	0.7	3.5	14.6	17.6	4.9	-13.5	-17.9	-10.4	-6.8	-6.0	-3.0	0.0
GHI Trade, transportation and storage, accommodation and food service activities	3.1	5.0	7.2	7.0	3.4	-9.0	1.4	2.1	-3.8	-2.8	-1.6	0.3
J Information and communication	8.3	11.4	9.1	9.0	9.8	-3.7	3.5	0.4	-0.4	1.1	0.5	0.5
K Financial and insurance activities	10.0	11.0	5.6	15.0	3.6	0.8	1.1	-4.7	-1.8	-5.5	-2.0	0.0
L Real estate activities	1.0	3.3	2.7	4.3	6.3	-0.4	1.3	-0.4	0.5	-0.5	-0.5	0.0
MN Professional, scientific, technical, administrative and support services	3.2	-1.6	7.6	7.3	4.2	-5.8	5.2	0.8	-2.7	-1.3	0.0	0.5
OPQ Public administration, education, human health and social work	3.7	3.5	1.8	1.9	1.7	1.8	1.4	0.2	1.5	-1.6	-0.8	-0.3
RST Other service activities	2.6	6.7	-0.2	-0.3	0.3	-2.8	-1.3	-0.2	-3.1	-5.4	-4.0	-0.5
1. TOTAL VALUE ADDED, basic prices	4.4	3.9	6.1	7.1	3.0	-7.5	1.4	0.4	-2.2	-2.0	-0.7	0.4
2. CORRECTIONS (a-b)	4.3	5.0	4.1	5.6	6.3	-11.2	0.4	2.6	-5.0	-5.0	-1.3	0.5
a) Taxes on products and services	4.1	4.8	3.9	5.5	5.8	-11.0	0.5	2.6	-5.0	-5.1	-1.4	0.4
b) Subsidies on products and services	-1.4	-0.6	0.0	2.2	-3.6	-7.7	2.9	3.5	-4.9	-8.0	-5.0	-3.0
3. GROSS DOMESTIC PRODUCT (3=1+2)	4.4	4.0	5.8	7.0	3.4	-7.9	1.3	0.7	-2.5	-2.4	-0.8	0.4

Source: SURS, forecasts by IMAD.

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

EUR million, current prices (fixed 2007 exchange rate)

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
												forecast	
1.	**Compensation of employees**	13,815.0	14,615.8	15,649.7	17,211.6	18,956.0	18,791.9	19,000.6	18,905.5	18,513.6	17,945.9	17,743.5	17,795.0
	Wages and salaries	11,857.8	12,538.6	13,420.4	14,781.9	16,302.8	16,130.0	16,317.1	16,227.1	15,885.9	15,400.6	15,229.7	15,276.5
	Employers' social contributions	1,957.2	2,077.1	2,229.3	2,429.8	2,653.2	2,661.8	2,683.5	2,678.4	2,627.6	2,545.2	2,513.8	2,518.5
2.	**Taxes on production and imports**	4,288.7	4,527.2	4,725.2	5,154.3	5,361.6	4,964.0	5,089.4	5,155.9	5,153.4	5,351.2	5,521.7	5,632.6
	Taxes on products and services	3,520.2	3,697.3	3,953.5	4,420.4	4,769.2	4,599.3	4,728.3	4,789.0	4,782.5	4,900.8	5,064.9	5,167.6
	Other taxes on production	768.5	829.9	771.7	733.9	592.4	364.7	361.0	366.9	370.8	450.4	456.8	465.1
3.	**Subsidies**	521.6	590.2	669.5	761.6	779.5	911.9	986.0	663.5	623.5	603.0	525.0	502.0
	Subsidies on products and services	131.2	152.4	133.5	193.7	205.7	203.1	225.4	170.3	171.7	161.6	155.7	153.6
	Other subsidies on production	390.5	437.8	536.0	568.0	573.7	708.9	760.7	493.1	451.8	441.4	369.3	348.4
4.	**Gross operating surplus/mixed income**	9,582.6	10,169.5	11,339.6	12,989.4	13,706.2	12,576.3	12,380.7	12,752.0	12,275.2	12,214.1	12,392.3	12,821.1
	Consumption of fixed capital	4,159.5	4,405.5	4,627.9	5,039.2	5,514.0	5,860.1	5,820.5	5,885.8	5,912.0	5,953.4	5,995.0	6,037.0
	Net operating surplus	5,423.1	5,764.0	6,711.7	7,950.2	8,192.2	6,716.2	6,560.2	6,866.2	6,363.2	6,260.7	6,397.3	6,784.1
	Gross operating surplus	6,838.7	7,190.9	8,121.1	9,314.2	9,916.0	9,182.7	9,055.6	9,318.1	8,921.7	8,903.8	9,016.8	9,366.9
	Consumption of fixed capital	3,725.1	3,949.2	4,148.2	4,513.8	4,967.6	5,322.0	5,319.2	5,403.5	5,442.5	5,480.6	5,519.0	5,557.6
	Net operating surplus	3,113.6	3,241.6	3,972.9	4,800.4	4,948.4	3,860.8	3,736.4	3,914.6	3,479.2	3,423.1	3,497.8	3,809.3
	Gross mixed income	2,743.9	2,978.6	3,218.6	3,675.2	3,790.2	3,393.6	3,325.1	3,433.9	3,353.5	3,310.3	3,375.5	3,454.2
	Consumption of fixed capital	434.4	456.2	479.7	525.4	546.4	538.1	501.3	482.3	469.5	472.7	476.1	479.4
	Net mixed income	2,309.5	2,522.4	2,738.8	3,149.7	3,243.8	2,855.4	2,823.9	2,951.6	2,884.1	2,837.6	2,899.5	2,974.8
6.	**GDP (6=1+2-3+4+5)**	27,164.7	28,722.3	31,045.0	34,593.6	37,244.4	35,420.2	35,484.6	36,150.0	35,318.6	34,908.1	35,132.5	35,746.6

Source: SURS, forecasts by IMAD.

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

Structure in %, current prices

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
												forecast	
1.	**Compensation of employees**	50.9	50.9	50.4	49.8	50.9	53.1	53.5	52.3	52.4	51.4	50.5	49.8
	Wages and salaries	43.7	43.7	43.2	42.7	43.8	45.5	46.0	44.9	45.0	44.1	43.3	42.7
	Employers' social contributions	7.2	7.2	7.2	7.0	7.1	7.5	7.6	7.4	7.4	7.3	7.2	7.0
2.	**Taxes on production and imports**	15.8	15.8	15.2	14.9	14.4	14.0	14.3	14.3	14.6	15.3	15.7	15.8
	Taxes on products and services	13.0	12.9	12.7	12.8	12.8	13.0	13.3	13.2	13.5	14.0	14.4	14.5
	Other taxes on production	2.8	2.9	2.5	2.1	1.6	1.0	1.0	1.0	1.0	1.3	1.3	1.3
3.	**Subsidies**	1.9	2.1	2.2	2.2	2.1	2.6	2.8	1.8	1.8	1.7	1.5	1.4
	Subsidies on products and services	0.5	0.5	0.4	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.4	0.4
	Other subsidies on production	1.4	1.5	1.7	1.6	1.5	2.0	2.1	1.4	1.3	1.3	1.1	1.0
4.	**Gross operating surplus/mixed income**	35.3	35.4	36.5	37.5	36.8	35.5	34.9	35.3	34.8	35.0	35.3	35.9
	Consumption of fixed capital	15.3	15.3	14.9	14.6	14.8	16.5	16.4	16.3	16.7	17.1	17.1	16.9
	Net operating surplus	20.0	20.1	21.6	23.0	22.0	19.0	18.5	19.0	18.0	17.9	18.2	19.0
	Gross operating surplus	25.2	25.0	26.2	26.9	26.6	25.9	25.5	25.8	25.3	25.5	25.7	26.2
	Consumption of fixed capital	13.7	13.7	13.4	13.0	13.3	15.0	15.0	14.9	15.4	15.7	15.7	15.5
	Net operating surplus	11.5	11.3	12.8	13.9	13.3	10.9	10.5	10.8	9.9	9.8	10.0	10.7
	Gross mixed income	10.1	10.4	10.4	10.6	10.2	9.6	9.4	9.5	9.5	9.5	9.6	9.7
	Consumption of fixed capital	1.6	1.6	1.5	1.5	1.5	1.5	1.4	1.3	1.3	1.4	1.4	1.3
	Net mixed income	8.5	8.8	8.8	9.1	8.7	8.1	8.0	8.2	8.2	8.1	8.3	8.3
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: SURS, forecasts by IMAD.

Table 5a: **Gross domestic product by expenditures**

EUR million, current prices (fixed 2007 exchange rate)

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
											forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	27,164.7	28,722.3	31,045.0	34,593.6	37,244.4	35,420.2	35,484.6	36,150.0	35,318.6	34,908.1	35,132.5	35,746.6
2	EXPORTS OF GOODS AND SERVICES	15,703.6	17,858.9	20,657.5	24,040.6	25,293.1	21,022.1	23,688.2	26,389.0	26,869.7	27,452.7	28,441.7	29,897.3
3	IMPORTS OF GOODS AND SERVICES	16,054.3	17,976.2	20,818.1	24,635.9	26,231.0	20,252.8	23,163.1	25,829.9	25,166.9	25,095.3	25,798.3	27,077.8
4	EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	-350.7	-117.2	-160.6	-595.2	-937.8	769.3	525.1	559.1	1,702.8	2,357.4	2,643.5	2,819.6
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	27,515.3	28,839.5	31,205.6	35,188.9	38,182.3	34,650.9	34,959.5	35,590.9	33,615.8	32,550.7	32,489.0	32,927.1
6	FINAL CONSUMPTION (6=7+8)	20,049.8	21,038.9	22,228.3	24,136.5	26,341.5	26,833.8	27,635.2	28,310.1	27,435.7	26,816.1	26,603.6	26,956.1
7	PRIVATE CONSUMPTION	14,932.7	15,586.5	16,403.6	18,146.9	19,583.2	19,681.8	20,266.4	20,776.8	20,103.1	19,681.6	19,467.5	19,798.4
	Households	14,703.1	15,367.9	16,167.4	17,864.8	19,310.1	19,411.3	20,004.0	20,534.0	19,873.0	19,455.0	19,241.7	19,570.0
	NPISH's	229.6	218.6	236.2	282.1	273.1	270.5	262.4	242.8	230.1	226.5	225.8	228.5
8	GOVERNMENT CONSUMPTION (individual and collective)	5,117.2	5,452.3	5,824.7	5,989.6	6,758.3	7,152.0	7,368.8	7,533.2	7,332.6	7,134.5	7,136.1	7,157.7
9	GROSS CAPITAL FORMATION (9=10+11)	7,465.5	7,800.6	8,977.3	11,052.4	11,840.7	7,817.1	7,324.3	7,280.8	6,180.1	5,734.6	5,885.4	5,970.9
10	GROSS FIXED CAPITAL FORMATION	6,789.5	7,294.4	8,234.6	9,603.6	10,662.6	8,166.7	6,992.7	6,718.8	6,274.2	6,195.4	6,036.8	6,102.1
11	CHANGES IN INVENTORIES AND VALUABLES	676.0	506.3	742.7	1,448.8	1,178.1	-349.6	331.6	562.0	-94.1	-460.7	-151.3	-131.1

Source: SURS, forecasts by IMAD.

Table 5b: **Gross domestic product by expenditures**

Structure in %, current prices

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
											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	100.0
2	EXPORTS OF GOODS AND SERVICES	57.8	62.2	66.5	69.5	67.9	59.4	66.8	73.0	76.1	78.6	81.0	83.6
3	IMPORTS OF GOODS AND SERVICES	59.1	62.6	67.1	71.2	70.4	57.2	65.3	71.5	71.3	71.9	73.4	75.7
4	EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	-1.3	-0.4	-0.5	-1.7	-2.5	2.2	1.5	1.5	4.8	6.8	7.5	7.9
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	101.3	100.4	100.5	101.7	102.5	97.8	98.5	98.5	95.2	93.2	92.5	92.1
6	FINAL CONSUMPTION (6=7+8)	73.8	73.2	71.6	69.8	70.7	75.8	77.9	78.3	77.7	76.8	75.7	75.4
7	PRIVATE CONSUMPTION	55.0	54.3	52.8	52.5	52.6	54.8	56.4	56.8	56.3	55.7	54.8	54.7
	Households	54.1	53.5	52.1	51.6	51.8	0.8	0.7	0.7	0.7	0.6	0.6	0.6
	NPISH's	0.8	0.8	0.8	0.8	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	GOVERNMENT CONSUMPTION (individual and collective)	18.8	19.0	18.8	17.3	18.1	20.2	20.8	20.8	20.8	20.4	20.3	20.0
9	GROSS CAPITAL FORMATION (9=10+11)	27.5	27.2	28.9	31.9	31.8	22.1	20.6	20.1	17.5	16.4	16.8	16.7
10	GROSS FIXED CAPITAL FORMATION	25.0	25.4	26.5	27.8	28.6	23.1	19.7	18.6	17.8	17.7	17.2	17.1
11	CHANGES IN INVENTORIES AND VALUABLES	2.5	1.8	2.4	4.2	3.2	-1.0	0.9	1.6	-0.3	-1.3	-0.4	-0.4

Source: SURS, forecasts by IMAD.

Table 6a: **Gross domestic product by expenditures**

EUR million (fixed 2007 exchange rate)

		constant previous year prices									constant 2012 prices		
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
											forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	26,304.3	28,253.2	30,402.4	33,205.8	35,764.1	34,286.1	35,865.9	35,736.1	35,230.6	34,466.4	34,197.6	34,330.6
2	EXPORTS OF GOODS AND SERVICES	15,241.4	17,363.0	20,097.6	23,494.5	25,000.6	21,229.3	23,162.1	25,339.8	26,545.7	27,415.4	28,250.0	29,401.7
3	IMPORTS OF GOODS AND SERVICES	15,424.7	17,123.8	20,162.1	24,290.8	25,544.1	21,201.9	21,758.8	24,449.2	24,616.2	25,199.4	25,720.3	26,728.6
4	EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	-183.2	242.5	-64.6	-796.3	-543.5	27.4	1,403.3	890.6	1,929.5	2,216.0	2,529.7	2,673.1
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	26,487.6	28,014.0	30,466.8	34,002.1	36,307.6	34,258.7	34,462.6	34,845.5	33,301.2	32,250.4	31,667.9	31,657.5
6	FINAL CONSUMPTION (6=7+8)	19,440.4	20,540.7	21,692.8	23,291.6	24,911.8	26,484.0	27,217.5	27,691.1	27,224.1	26,536.4	25,894.0	25,916.9
7	PRIVATE CONSUMPTION	14,502.8	15,242.7	16,023.1	17,429.1	18,569.3	19,555.9	19,971.0	20,437.7	19,786.6	19,390.7	18,859.2	18,952.4
	- Households	14,283.1	15,030.4	15,793.9	17,162.3	18,309.3	19,290.0	19,710.9	20,194.8	19,557.6	19,167.5	18,640.4	18,733.6
	- NPISH's	219.7	212.3	229.2	266.8	260.0	265.9	260.1	242.9	229.0	223.2	218.7	218.7
8	GOVERNMENT CONSUMPTION (individual and collective)	4,937.6	5,298.0	5,669.7	5,862.5	6,342.5	6,928.1	7,246.6	7,253.4	7,437.5	7,145.6	7,034.9	6,964.5
9	GROSS CAPITAL FORMATION (9=10+11)	7,047.1	7,473.3	8,774.1	10,710.5	11,395.7	7,774.7	7,245.1	7,154.4	6,077.1	5,714.1	5,773.9	5,740.6
10	GROSS FIXED CAPITAL FORMATION	6,381.7	6,992.2	8,053.1	9,328.3	10,283.6	8,126.6	6,921.3	6,610.5	6,169.9	6,170.7	5,923.9	5,870.5
11	CHANGES IN INVENTORIES AND VALUABLES	665.4	481.1	721.0	1,382.1	1,112.2	-351.9	323.7	543.9	-92.8	-456.6	-150.0	-130.0

Source: SURS, forecasts by IMAD.

Table 6b: **Gross domestic product by expenditures**

Real growth rates in %

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
											forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	4.4	4.0	5.8	7.0	3.4	-7.9	1.3	0.7	-2.5	-2.4	-0.8	0.4
2	EXPORTS OF GOODS AND SERVICES	12.4	10.6	12.5	13.7	4.0	-16.1	10.2	7.0	0.6	2.0	3.0	4.1
3	IMPORTS OF GOODS AND SERVICES	13.3	6.7	12.2	16.7	3.7	-19.2	7.4	5.6	-4.7	0.1	2.1	3.9
4	*EXTERNAL BALANCE OF GOODS AND SERVICES* [1]	*-0.5*	*2.2*	*0.2*	*-2.0*	*0.1*	*2.6*	*1.8*	*1.0*	*3.8*	*1.5*	*0.9*	*0.4*
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	4.9	1.8	5.6	9.0	3.2	-10.3	-0.5	-0.3	-6.4	-4.1	-1.8	0.0
6	FINAL CONSUMPTION (6=7+8)	3.1	2.4	3.1	4.8	3.2	0.5	1.4	0.2	-3.8	-3.3	-2.4	0.1
7	PRIVATE CONSUMPTION	3.0	2.1	2.8	6.3	2.3	-0.1	1.5	0.8	-4.8	-3.5	-2.7	0.5
	- Households	3.0	2.2	2.8	6.2	2.5	-0.1	1.5	1.0	-4.8	-3.5	-2.7	0.5
	- NPISH's	1.2	-7.5	4.8	12.9	-7.8	-2.6	-3.9	-7.4	-5.7	-3.0	-2.0	0.0
8	GOVERNMENT CONSUMPTION (individual and collective)	3.3	3.5	4.0	0.6	5.9	2.5	1.3	-1.6	-1.3	-2.5	-1.5	-1.0
9	GROSS CAPITAL FORMATION	10.2	0.1	12.5	19.3	3.1	-34.3	-7.3	-2.3	-16.5	-7.5	1.0	-0.6
10	GROSS FIXED CAPITAL FORMATION	5.0	3.0	10.4	13.3	7.1	-23.8	-15.3	-5.5	-8.2	-1.6	-4.0	-0.9
11	*CHANGES IN INVENTORIES AND VALUABLES* [1]	*1.4*	*-0.7*	*0.7*	*2.1*	*-1.0*	*-4.1*	*1.9*	*0.6*	*-1.8*	*-1.0*	*0.9*	*0.1*

Source: SURS, 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)

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
											forecast		
1	**GROSS DOMESTIC PRODUCT**	27,164.7	28,722.3	31,045.0	34,593.6	37,244.4	35,420.2	35,484.6	36,150.0	35,318.6	34,908.1	35,132.5	35,746.6
2	Net primary incomes with the rest of the world (a-b)	-313.1	-243.6	-367.7	-734.5	-982.6	-597.4	-456.9	-390.5	-387.6	-712.6	-770.0	-836.4
	a) Primary incomes receivable from the ROW	563.3	765.4	1,032.5	1,333.5	1,406.7	832.6	779.9	1,147.7	923.5	887.4	1,162.7	1,215.9
	b) Primary incomes payable to the ROW	876.3	1,009.0	1,400.3	2,068.0	2,389.4	1,430.1	1,236.9	1,538.2	1,311.1	1,600.0	1,932.7	2,052.3
3	GROSS NATIONAL INCOME (3=1+2)	26,851.6	28,478.7	30,677.3	33,859.2	36,261.8	34,822.8	35,027.6	35,759.4	34,931.1	34,195.6	34,362.5	34,910.2
4	Net current transfers with the rest of the world (c-d)	-43.4	-143.1	-215.3	-241.1	-339.1	-304.3	-152.5	-79.8	-209.9	99.0	-94.0	-152.0
	c) Current transfers receivable from the ROW	546.7	630.9	672.2	731.4	506.5	645.4	738.0	862.7	864.4	1,566.0	1,398.0	1,365.0
	d) Current transfers payable to the ROW	590.1	774.0	887.4	972.5	845.5	949.7	890.5	942.5	1,074.4	1,467.0	1,492.0	1,517.0
5	GROSS NATIONAL DISPOSABLE INCOME (5=3+4)	26,808.2	28,335.5	30,462.0	33,618.1	35,922.7	34,518.5	34,875.1	35,679.6	34,721.1	34,294.6	34,268.5	34,758.2
6	FINAL CONSUMPTION EXPENDITURE (e+f)	20,049.8	21,038.9	22,228.3	24,136.5	26,341.5	26,833.8	27,635.2	28,310.0	27,435.7	26,816.1	26,603.6	26,956.1
	e) Private consumption	14,932.7	15,586.5	16,403.6	18,146.9	19,583.2	19,681.8	20,266.4	20,776.8	20,103.1	19,681.6	19,467.5	19,798.4
	f) Government consumption	5,117.2	5,452.3	5,824.7	5,989.6	6,758.3	7,152.0	7,368.8	7,533.2	7,332.6	7,134.5	7,136.1	7,157.7
7	GROSS SAVING (7=5-6)	6,758.3	7,296.7	8,233.7	9,481.6	9,581.2	7,684.6	7,239.9	7,369.6	7,285.4	7,478.5	7,664.9	7,802.1
8	GROSS CAPITAL FORMATION	7,465.5	7,800.6	8,977.3	11,052.4	11,840.7	7,817.1	7,324.3	7,280.8	6,180.1	5,734.6	5,885.4	5,970.9
	- Gross fixed capital formation	6,789.5	7,294.4	8,234.6	9,603.6	10,662.6	8,166.7	6,992.7	6,718.8	6,274.2	6,195.4	6,036.8	6,102.1
	- Changes in inventories and valuables	676.0	506.3	742.7	1,448.8	1,178.1	-349.6	331.6	562.0	-94.1	-460.7	-151.3	-131.1
9	SURPLUS ON THE CURRENT ACCOUNT WITH THE ROW (9=7-8)	-707.1	-504.0	-743.6	-1,570.8	-2,259.5	-132.4	-84.4	88.8	1,105.3	1,743.9	1,779.5	1,831.1

Source: SURS, forecast by IMAD.

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

Structure in %, current prices

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
											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)	-1.2	-0.8	-1.2	-2.1	-2.6	-1.7	-1.3	-1.1	-1.1	-2.0	-2.2	-2.3
	a) Primary incomes receivable from the ROW	2.1	2.7	3.3	3.9	3.8	2.4	2.2	3.2	2.6	2.5	3.3	3.4
	b) Primary incomes payable to the ROW	3.2	3.5	4.5	6.0	6.4	4.0	3.5	4.3	3.7	4.6	5.5	5.7
3	GROSS NATIONAL INCOME (3=1+2)	98.8	99.2	98.8	97.9	97.4	98.3	98.7	98.9	98.9	98.0	97.8	97.7
4	Net current transfers with the rest of the world (c-d)	-0.2	-0.5	-0.7	-0.7	-0.9	-0.9	-0.4	-0.2	-0.6	0.3	-0.3	-0.4
	c) Current transfers receivable from the ROW	2.0	2.2	2.2	2.1	1.4	1.8	2.1	2.4	2.4	4.5	4.0	3.8
	d) Current transfers payable to the ROW	2.2	2.7	2.9	2.8	2.3	2.7	2.5	2.6	3.0	4.2	4.2	4.2
5	GROSS NATIONAL DISPOSABLE INCOME (5=3+4)	98.7	98.7	98.1	97.2	96.5	97.5	98.3	98.7	98.3	98.2	97.5	97.2
6	FINAL CONSUMPTION EXPENDITURE (e+f)	73.8	73.2	71.6	69.8	70.7	75.8	77.9	78.3	77.7	76.8	75.7	75.4
	e) Private consumption	55.0	54.3	52.8	52.5	52.6	55.6	57.1	57.5	56.9	56.4	55.4	55.4
	f) Government consumption	18.8	19.0	18.8	17.3	18.1	20.2	20.8	20.8	20.8	20.4	20.3	20.0
7	GROSS SAVING (7=5-6)	24.9	25.4	26.5	27.4	25.7	21.7	20.4	20.4	20.6	21.4	21.8	21.8
8	GROSS CAPITAL FORMATION	27.5	27.2	28.9	31.9	31.8	22.1	20.6	20.1	17.5	16.4	16.8	16.7
	- Gross fixed capital formation	25.0	25.4	26.5	27.8	28.6	23.1	19.7	18.6	17.8	17.7	17.2	17.1
	- Changes in inventories and valuables	2.5	1.8	2.4	4.2	3.2	-1.0	0.9	1.6	-0.3	-1.3	-0.4	-0.4
9	SURPLUS ON THE CURRENT ACCOUNT WITH THE ROW (9=7-8)	-2.6	-1.8	-2.4	-4.5	-6.1	-0.4	-0.2	0.2	3.1	5.0	5.1	5.1

Source: SURS, forecast by IMAD.

Table 8: **Labour market**

Numbers in thousands, indicators in %

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
										forecast		
LABOUR SUPPLY												
Participation rate (15-64)	69.9	70.7	70.9	71.3	71.8	71.8	71.5	70.3	70.4	70.3	70.2	70.3
- 15-24 years of age	39.3	40.5	40.6	41.8	42.9	40.9	39.9	37.4	34.4	33.4	32.6	32.3
- 25-54 years of age	88.8	88.8	89.0	89.3	90.1	89.6	90.0	90.1	90.8	90.1	90.0	90.0
- 55-64 years of age	31.1	32.1	33.4	34.6	34.2	36.9	36.5	33.3	35.1	35.5	35.8	36.2
Participation rate (65 years and more)	7.2	7.8	7.7	8.8	6.4	7.6	7.3	6.3	5.0	5.1	5.1	5.2
Labour force (LFS concept)	1006	1015	1022	1035	1042	1042	1041	1019	1014	1013	1006	999
Yearly changes (in perc.)	5.0	0.9	0.7	1.3	0.6	0.0	0.0	-2.1	-0.6	-0.1	-0.7	-0.7
LABOUR DEMAND												
Yearly changes (in perc.)												
GDP	4.4	4.0	5.8	7.0	3.4	-7.9	1.3	0.7	-2.5	-2.4	-0.8	0.4
Productivity	4.0	4.5	4.2	3.5	0.8	-6.2	3.5	2.4	-1.7	-0.1	0.6	1.1
Persons in employment (National accouts concept)	0.4	-0.5	1.5	3.3	2.6	-1.8	-2.2	-1.6	-0.8	-2.3	-1.4	-0.7
Persons in employment (LFS concept)	5.5	0.4	1.3	2.5	1.1	-1.5	-1.5	-3.1	-1.3	-2.1	-1.1	-0.2
Persons in formal employment (statistical register)*	0.8	0.7	1.4	3.5	3.0	-2.4	-2.7	-1.3	-1.7	-2.6	-1.7	-0.9
- Persons in paid employment *	0.3	1.0	1.4	3.3	3.1	-2.8	-2.6	-2.4	-1.6	-2.6	-1.7	-0.8
Numbers (in thousand)												
Persons in employment (National accouts concept)	935.1	930.8	945.2	976.7	1001.9	983.7	962.5	946.9	939.1	917.6	904.7	898.5
Persons in formal employment (statistical register)	807.5	813.1	824.8	854.0	879.3	858.2	835.0	824.0	810.0	788.9	775.8	768.7
- Persons in paid employment *	724.4	731.6	741.6	766.0	789.9	767.4	747.2	729.1	717.0	698.2	686.3	680.6
- Selfemployed	83.1	81.5	83.3	87.9	89.4	90.8	87.8	94.9	93.0	90.7	89.5	88.1
Persons in employment (LFS concept)	946	949	961	985	996	981	966	936	924	905	895	893
- Employment rate (15-64 y.of age, in %)	65.8	65.9	66.6	67.9	69.5	67.5	66.2	64.4	64.1	63.0	62.6	62.8
Economic structure of employment (LFS concept in %)												
Agriculture	9.7	9.1	9.6	9.9	8.6	9.1	8.8	8.6	8.4	8.4	8.4	8.4
Industriy and construction	36.4	37.1	35.5	35.3	35.2	33.2	32.6	31.7	31.0	31.0	30.9	31.0
Services	53.9	53.8	54.9	54.9	56.2	57.7	58.6	59.7	60.6	60.6	60.7	60.6
UNEMPLOYMENT												
- ILO concept	60.5	66.0	60.8	49.9	45.5	61.0	75.4	83.2	89.9	108.3	110.8	106.3
- Registered	92.8	91.9	85.8	71.3	63.2	86.4	100.5	110.7	110.2	120.6	122.1	120.4
Rate of unemployment (ILO concept)	6.0	6.5	6.0	4.9	4.4	5.9	7.3	8.2	8.9	10.7	11.0	10.6
Rate of registered unemployment	10.3	10.2	9.4	7.7	6.7	9.1	10.7	11.8	12.0	13.3	13.6	13.5

Source: SURS, ESS, Eurostat, 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 %

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
										forecast	
Effective exchange rate [1]											
Nominal	-1.3	-1.0	-0.1	0.4	0.7	1.1	-2.1	-0.1	-1.2	0.9	0.2
Real - based on consumer prices	0.0	-0.7	0.3	1.7	2.5	1.3	-1.8	-1.0	-1.1	1.2	0.2
Real - based on ULC in economy as a whole	2.0	-1.1	-0.1	1.2	3.7	6.1	-1.6	-2.2	-3.0	-1.4	-1.1
Unit labour costs components											
Nominal unit labour costs	3.6	1.5	1.1	2.6	6.4	8.6	0.4	-0.7	0.8	-0.3	-0.1
Compensation of employees per employee	7.7	6.0	5.4	6.2	7.2	1.8	3.9	1.6	-1.0	-0.4	0.6
Labour productivity, real [2]	4.0	4.5	4.2	3.5	0.8	-6.2	3.5	2.4	-1.7	-0.1	0.6
Real unit labour costs	0.3	-0.2	-1.0	-1.6	2.2	5.1	1.5	-1.9	0.5	-1.6	-1.5
Labour productivity, nominal [3]	7.4	6.2	6.4	7.8	5.0	-3.1	2.4	3.6	-1.5	1.2	2.1

Sources: SURS national accounts statistics, BS, ECB, OECD, Consensus Forecasts August 2013, calculations and forecasts by IMAD.
Notes: [1]Harmonised effective exchange rate - 20 group of trading partners and 17 Euro area countries; a rise in the value indicates appreciation of national currency and vice versa; [2]GDP per employee (in constant prices); [3]GDP per employee (in current prices).

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

EUR million

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
										forecast		
I. CURRENT ACCOUNT	-720	-498	-545	-1,441	-2,028	-173	-50	146	1,159	1,731	1,765	1,817
1. GOODS	-1,009	-1,026	-919	-1,456	-2,144	-440	-830	-957	-110	280	468	588
1.1. Exports of goods	12,933	14,599	17,276	20,022	20,529	16,585	18,973	21,450	21,631	21,911	22,642	23,852
1.2. Imports of goods	13,942	15,625	18,194	21,478	22,673	17,026	19,804	22,407	21,741	21,632	22,175	23,264
2. SERVICES	688	920	993	1,047	1,428	1,165	1,281	1,476	1,803	2,065	2,161	2,217
2.1. Exports	2,783	3,214	3,572	4,145	4,952	4,333	4,593	4,842	5,166	5,465	5,720	5,962
Transport	809	923	1,058	1,259	1,436	1,085	1,206	1,305	1,334	1,346	1,399	1,468
Travel	1,312	1,451	1,555	1,665	1,827	1,804	1,925	1,975	2,090	2,118	2,180	2,266
Other	662	840	959	1,221	1,689	1,444	1,462	1,562	1,742	2,001	2,140	2,228
2.2. Imports	2,095	2,293	2,580	3,098	3,524	3,168	3,312	3,365	3,363	3,400	3,558	3,745
Transport	485	525	601	734	875	648	710	720	704	698	723	760
Travel	703	707	772	831	922	913	923	817	734	697	684	712
Other	906	1,061	1,206	1,533	1,727	1,607	1,679	1,829	1,925	2,005	2,152	2,273
1., 2. EXTERNAL BALANCE OF GOODS AND SERVICES	-322	-106	74	-409	-716	725	450	519	1,694	2,344	2,629	2,805
Exports of goods and services	15,715	17,813	20,848	24,167	25,481	20,919	23,566	26,291	26,797	27,376	28,362	29,814
Imports of goods and services	16,037	17,918	20,774	24,576	26,197	20,194	23,116	25,772	25,104	25,032	25,733	27,009
3. INCOME	-322	-295	-440	-789	-1,030	-724	-588	-524	-552	-713	-770	-836
3.1. Receipts	530	647	872	1,169	1,262	683	583	936	699	887	1,163	1,216
Compensation of employees	201	205	218	229	238	212	240	327	476	515	520	525
Investment	329	442	654	940	1,024	471	343	609	223	372	643	691
3.2. Expenditures	852	942	1,312	1,957	2,292	1,406	1,172	1,460	1,251	1,600	1,933	2,052
Compensation of employees	63	77	110	179	230	116	89	93	99	97	110	150
Investment	789	866	1,202	1,778	2,062	1,290	1,082	1,367	1,152	1,503	1,823	1,902
4. CURRENT TRANSFERS	-76	-97	-178	-243	-282	-174	88	151	18	99	-94	-152
4.1. In Slovenia	561	738	785	941	893	982	1,231	1,404	1,410	1,566	1,398	1,365
4.2. Abroad	638	835	963	1,185	1,176	1,155	1,143	1,253	1,392	1,467	1,492	1,517
II. CAPITAL AND FINANCIAL ACCOUNT	698	970	1,092	1,920	2,593	162	530	-474	-1,206			
A CAPITAL ACCOUNT	-96	-114	-131	-52	-30	9	54	-85	-92			
1. Capital transfers	-96	-109	-126	-51	-26	16	57	-73	-88			
2. Non-produced non-financial assets	0	-5	-5	-1	-3	-6	-3	-12	-4			
B FINANCIAL ACCOUNT	794	1,084	1,223	1,972	2,622	153	476	-389	-1,114			
1. Direct investment	224	-43	-174	-256	327	-663	428	633	166			
Abroad	-441	-516	-687	-1,362	-1,002	-189	156	-85	212			
In Slovenia	665	473	513	1,106	1,329	-474	272	718	-46			
2. Portfolio investment	-637	-1,313	-1,442	-2,255	572	4,628	1,956	1,839	-218			
3. Financial derivatives	6	-10	-13	-15	46	-2	-117	-155	-203			
4. Other investment	945	2,639	1,571	4,358	1,656	-3,977	-1,810	-2,777	-890			
4.1. Assets	-1,308	-1,459	-1,939	-4,696	-322	-271	779	-1,490	-1,474			
4.2. Liabilities	2,252	4,098	3,510	9,054	1,978	-3,706	-2,589	-1,287	584			
5. Reserve assets	256	-189	1,281	140	21	167	19	72	31			
III. NET ERRORS AND OMISSIONS	22	-473	-547	-479	-564	10	-480	328	47			

Source: BS, forecasts by IMAD.

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

EUR million, current prices (fixed 2007 exchange rate)

CONSOLIDATED GENERAL GOVERNMENT REVENUES	2004	2005	2006	2007	2008	2009	2010	2011	2012
I. **TOTAL GENERAL GOVERNMENT REVENUES**	11,196	11,976	12,959	14,006	15,339	14,408	14,794	14,982	14,999
TAX REVENUES	10,211	10,884	11,762	12,758	13,937	12,955	12,848	13,209	13,118
TAXES ON INCOME AND PROFIT	2,115	2,242	2,735	2,918	3,442	2,805	2,491	2,724	2,657
Personal income tax	1,596	1,648	1,793	1,805	2,185	2,092	2,039	2,054	2,077
Corporate income tax	519	594	942	1,113	1,257	712	449	668	579
SOCIAL SECURITY CONTRIBUTIONS	3,753	3,988	4,231	4,598	5,095	5,161	5,234	5,268	5,244
TAXSES ON PAYROLL AND WORKFORCE	491	526	473	418	258	28	28	29	26
Payroll tax	472	506	450	392	230	0	0	0	0
Tax on work contracts	19	20	23	27	28	28	28	29	26
TAXES ON PROPERTY	165	170	189	206	215	207	220	215	233
DOMESTIC TAXES ON GOODS AND SERVICES	3,575	3,915	4,077	4,498	4,805	4,660	4,781	4,856	4,876
TAXES ON INTERN. TRADE AND TRANSACTIONS	81	39	51	117	120	91	91	100	83
OTHER TAXES	31	4	5	2	2	3	4	17	0
NON-TAX REVENUES	677	633	633	709	855	684	923	829	912
CAPITAL REVENUES	87	113	167	136	118	107	176	65	63
GRANTS	8	9	5	12	10	11	13	10	9
TRANSFERS REVENUES	31	34	43	43	54	54	110	54	52
RECEIPTS FROM THE EU BUDGET	183	302	348	348	365	597	723	815	845

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	2004	2005	2006	2007	2008	2009	2010	2011	2012
I. **TOTAL GENERAL GOVERNMENT REVENUES**	41.2	41.7	41.7	40.5	41.2	40.7	41.7	41.5	42.5
TAX REVENUES	37.6	37.9	37.9	36.9	37.4	36.6	36.2	36.5	37.1
TAXES ON INCOME AND PROFIT	7.8	7.8	8.8	8.4	9.2	7.9	7.0	7.5	7.5
Personal income tax	5.9	5.7	5.8	5.2	5.9	5.9	5.7	5.7	5.9
Corporate income tax	1.9	2.1	3.0	3.2	3.4	2.0	1.3	1.8	1.6
SOCIAL SECURITY CONTRIBUTIONS	13.8	13.9	13.6	13.3	13.7	14.6	14.8	14.6	14.8
TAXSES ON PAYROLL AND WORKFORCE	1.8	1.8	1.5	1.2	0.7	0.1	0.1	0.1	0.1
Payroll tax	1.7	1.8	1.4	1.1	0.6	0.0	0.0	0.0	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	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7
DOMESTIC TAXES ON GOODS AND SERVICES	13.2	13.6	13.1	13.0	12.9	13.2	13.5	13.4	13.8
TAXES ON INTERN. TRADE AND TRANSACTIONS	0.3	0.1	0.2	0.3	0.3	0.3	0.3	0.3	0.2
OTHER TAXES	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NON-TAX REVENUES	2.5	2.2	2.0	2.0	2.3	1.9	2.6	2.3	2.6
CAPITAL REVENUES	0.3	0.4	0.5	0.4	0.3	0.3	0.5	0.2	0.2
GRANTS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TRANSFERS REVENUES	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.1	0.1
RECEIPTS FROM THE EU BUDGET	0.7	1.1	1.1	1.0	1.0	1.7	2.0	2.3	2.4

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	2004	2005	2006	2007	2008	2009	2010	2011	2012
II.	**TOTAL EXPENDITURE**	11,552	12,276	13,209	13,915	15,442	16,368	16,693	16,546	16,126
	CURRENT EXPENDITURE	5,150	5,354	5,689	5,951	6,557	6,800	6,960	6,927	6,814
	WAGES AND OTHER PERSONNEL EXPENDITURE	2,456	2,521	2,671	2,761	3,037	3,363	3,359	3,330	3,185
	SOCIAL SECURITY CONTRIBUTIONS	466	495	509	515	542	549	553	553	543
	PURCHASES OF GOODS AND SERVICES	1,794	1,911	2,073	2,212	2,527	2,510	2,512	2,443	2,373
	INTEREST PAYMENTS	384	372	376	357	335	336	488	527	648
	BUDGETARY RESERVES	50	55	59	105	116	42	47	74	65
	CURRENT TRANSFERS	5,216	5,599	5,926	6,144	6,743	7,340	7,629	7,819	7,687
	SUBSIDIES	324	381	403	423	477	598	582	496	503
	TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	4,396	4,629	4,871	5,093	5,619	6,024	6,278	6,534	6,384
	OTHER CURRENT DOMESTIC TRANSFERS	496	589	651	628	647	718	769	789	800
	CAPITAL EXPENDITURE TOTAL	1,017	1,038	1,306	1,464	1,714	1789	1,707	1,395	1,235
	CAPITAL EXPENDITURE	631	654	901	1,130	1,256	1,294	1,311	1,023	915
	CAPITAL TRANSFERS	386	383	405	334	459	495	396	372	320
	PAYMENTS TO THE EU BUDGET	170	286	288	356	428	439	397	405	390
III.	**GENERAL GOVERNMENT BUDGETARY SURPLUS / DEFICIT (I. - II.)**	-356	-300	-250	91	-103	-1,961	-1,899	-1,564	-1,127

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	2004	2005	2006	2007	2008	2009	2010	2011	2012
II.	**TOTAL EXPENDITURE**	42.5	42.7	42.5	40.2	41.5	46.2	47.1	45.8	45.7
	CURRENT EXPENDITURE	19.0	18.6	18.3	17.2	17.6	19.2	19.6	19.2	19.3
	WAGES AND OTHER PERSONNEL EXPENDITURE	9.0	8.8	8.6	8.0	8.2	9.5	9.5	9.2	9.0
	SOCIAL SECURITY CONTRIBUTIONS	1.7	1.7	1.6	1.5	1.5	1.5	1.6	1.5	1.5
	PURCHASES OF GOODS AND SERVICES	6.6	6.7	6.7	6.4	6.8	7.1	7.1	6.8	6.7
	INTEREST PAYMENTS	1.4	1.3	1.2	1.0	0.9	0.9	1.4	1.5	1.8
	BUDGETARY RESERVES	0.2	0.2	0.2	0.3	0.3	0.1	0.1	0.2	0.2
	CURRENT TRANSFERS	19.2	19.5	19.1	17.8	18.1	20.7	21.5	21.6	21.8
	SUBSIDIES	1.2	1.3	1.3	1.2	1.3	1.7	1.6	1.4	1.4
	TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	16.2	16.1	15.7	14.7	15.1	17.0	17.7	18.1	18.1
	OTHER CURRENT DOMESTIC TRANSFERS	1.8	2.0	2.1	1.8	1.7	2.0	2.2	2.2	2.3
	CAPITAL EXPENDITURE TOTAL	3.7	3.6	4.2	4.2	4.6	5.1	4.8	3.9	3.5
	CAPITAL EXPENDITURE	2.3	2.3	2.9	3.3	3.4	3.7	3.7	2.8	2.6
	CAPITAL TRANSFERS	1.4	1.3	1.3	1.0	1.2	1.4	1.1	1.0	0.9
	PAYMENTS TO THE EU BUDGET	0.6	1.0	0.9	1.0	1.1	1.2	1.1	1.1	1.1
III.	**GENERAL GOVERNMENT BUDGETARY SURPLUS / DEFICIT (I. - II.)**	-1.3	-1.0	-0.8	0.3	-0.3	-5.5	-5.4	-4.3	-3.2

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

Acronyms

Acronyms in the text

BS – Bank of Slovenia, **CPI** – Consumer Price Index, **EC** – European Commission, **ECB** – European Central Bank, **EIA** – Energy Information Administration, **ESS** – Employment Service of Slovenia, **EU** – European Union, **GDP** – Gross Domestic Product, **IMAD** – Institute of Macroeconomic Analysis and Development, **IMF** – International Monetary Fund, **MF** – Ministry of Finance, **NAWRU** – Non-Accelerating Wage Rate of Unemployment, **OECD** – Organization for Economic Co-operation and Development, **PDII** – Pension and Disability Insurance Institute, **RS** – Republic of Slovenia, **SNA** – System of National Accounts, **SURS** – Statistical Office of the Republic of Slovenia, **VAT** - Value added Tax, **WIIW** - The Wienna Institute for International Economic Studies, **ZUJF** – The Public Finance Balance Act.

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