IMAD

spring forecast of economic trends 2010

Spring forecast of economic trends 2010
Ljubljana, March 2010

Publisher: IMAD, Ljubljana, Gregorčičeva 27

Director: Boštjan Vasle, MSC, direktor
Editor: Lejla Fajić

The spring forecast of economic trends 2010 was prepared by:
Marijana Bednaš, MSc (summary); Matevž Hribernik, Jure Brložnik, MSc (international environment); Barbara Ferk, MSc, Jasna Kondža, Janez Kušar, Jože Markič, PhD, Ivanka Zakotnik, Lejla Fajić (economic growth, the main demand aggregates); Ivanka Zakotnik (investment-savings gap); Marjan Hafner, Rotija Kmet Zupančič, MSc, Mateja Kovač, MSc, Janez Kušar, Urška Lušina, Tina Nenadič, MSc, Ana Murn, PhD, Jure Povšnar, Eva Zver (dynamics of value added); Marjan Hafner (financial markets); Ana Tršelič Selan, MSc, Saša Kovačič (wages); Tomaž Kraigher, Alenka Kajzer, PhD (employment, unemployment); Slavica Jurančič (price and cost competitiveness, market shares); Jože Markič, PhD (current account of the balance of payments); Jasna Kondža (public finance), Gonzalo Caprirolo (stability programme - 2009 update); Miha Trošt (inflation); Ivanka Zakotnik, Branka Tavčar (national accounts); Branka Tavčar (assessing the performance of the IMAD forecasts)

Graphs, statistical appendix: Marjeta Žigman, Bibijana Cirman Naglič
Concept and Design: Katja Korinšek, Pristop
DTP: Bibijana Cirman Naglič

Contents

Summary

Gross domestic product (GDP) declined by 7.8% in real terms in 2009, largely attributable to the impact of the economic and financial crisis. The steepest decline, more than one fifth, was recorded for investment activity, which fell in all areas. In construction investment, which is characterised by strong cyclical swings and had grown at very high rates in the years before the crisis, this decline resulted from lower infrastructure investment, which was expected, as well as from tightened conditions for securing sources of financing. In addition to lower demand and consequently lower existing capacity utilisation in production, the contraction in investment in machinery and equipment also reflected financial difficulties and significantly lower demand for transport equipment purchases compared with previous years. With Slovenia's high integration in international trade flows, exports dropped by nearly 16%. Private consumption shrank somewhat due to deteriorating labour market conditions and consumers' putting off major purchases. Inventories dropped, as in most other EU countries, deepening the GDP fall by 3.5 p.p. General government consumption was the only consumption aggregate to increase in the year as a whole, but was lower in the last quarter than in the same period of 2008. The sectors most affected by the slump in foreign and domestic demand were manufacturing, construction and trade. Value added in other market services recorded a relatively smaller decline, while value added in financial intermediation and predominantly non-market-oriented sectors was higher than a year earlier.

Economic growth is projected to be 0.6% in 2010, slightly below the autumn forecast (0.9%). The economic recovery, first seen in the second quarter of last year, will be slow, with possible fluctuations between quarters. This year's slight strengthening of economic activity compared with the year before will mainly reflect positive impulses from the international environment, where the situation has slowly begun improving. Assumptions about the international environment behind the spring forecast, in line with forecasts by international institutions, mainly expect positive, albeit modest GDP growth in Slovenia's main trading partners this year and the next. Export demand in EU countries, Russia and the US is expected to pick up faster than in the countries of the former Yugoslavia. The situation on international financial markets has improved from the previous year, with a revival in lending activity in the euro-area banking system still being the main challenge. The situation in Slovenia remains tight, as indicated by movements of some financial and monetary flow indicators, particularly regarding solvency and credit flows, which have remained weak in the first months of this year. The labour market situation is also not yet expected to be any better this year.

Under these assumptions, economic growth this year will mainly be based on higher foreign demand, amid significantly weaker growth stimuli from the domestic environment. With a gradual recovery in the international environment, exports are projected to increase by 4.3% in real terms. The sale of goods and services abroad will also be positively influenced by last year's relatively greater presence (measured by market share) of Slovenian exporters on certain markets. Pressures from unit labour costs are also easing. Looking at various sectors, predominantly export-oriented sectors of the economy (manufacturing) and, in particular, certain export-related market services, are expected to record growth. Domestic demand will nevertheless be only slightly higher than last year (0.5%). Investment activity is expected to increase slightly (0.5% growth), after plummeting last year, and unlike last year, changes in inventories will again make a positive contribution to economic growth. Growth in gross fixed capital formation will be boosted by higher investment in machinery and equipment, which already started to rise in the second quarter of last year owing to higher foreign demand and consequently stronger production and capacity utilisation. Other investment activities are expected to see a further decline, which will be greatest for investment in new flats; investment in other buildings and structures will stop falling during the year but will be lower than last year in the year as a whole. There are already some positive signs in investment in non-residential construction, as well as in civil engineering, which will benefit from increased investment spending by the government, particularly on railway construction. Government consumption growth will be modest (0.6%) and lower than last year, owing to employment restrictions foreseen for the public sector and moderate growth of expenditure on goods and services amid continuing implementation of austerity measures. Household consumption will not yet increase this year (-0.5%), given that disposable income is expected to drop slightly due to the tightening labour market situation and related uncertainty that will also be reflected in further precautionary saving behaviour on the part of consumers and their postponing major purchases, especially of durable goods. The structure of this year's economic growth is largely based on exports and investment in machinery and equipment with a relatively strong import component, which will induce the strengthening of imports, and thus international trade will make a negligible contribution to economic growth this year.

The contraction of economic activity was, albeit with some delay, followed by the tightening of labour market conditions, which will also continue this year. Employment dropped by 2.2% last year, most notably in manufacturing and construction. The greatest decline was recorded for the number of persons in employment, particularly temporarily employed foreigners, while the number of sole proprietors increased as a result of large enterprises outsourcing certain works and services to the small business sector, as has been the practice for several years, and owing to last year's increased subsidising through active labour-market policy measures. Last year, the government softened the decline in employment mainly with measures aimed at preserving jobs, covering around 10% of the total number of employees. With significant increases in the number of persons who lost jobs and unemployed first-job seekers, the number of registered unemployed persons was nevertheless more than 45% higher by the end of 2009 than a year earlier. The annual registered unemployment rate, having dropped in 2008 to the lowest level since 1990 (6.7%), thus increased to 9.1% in 2009 as a whole. The survey unemployment rate was 5.9% last year (4.4% in 2008). Employment is projected to decline further this year, while unemployment will grow. Employment will record a similar fall as in 2009, which will mainly be attributable to a stronger decline in the construction sector, particularly due to fewer foreign workers. In 2010, the labour market situation will still be impacted by the two interventive acts aimed at preserving jobs. With employment growth adjusting to the decline in economic activity with a lag, the number of persons employed in manufacturing, mining and certain market services will continue to drop, albeit less notably than last year. On the other hand, further employment growth is expected, especially in certain business and public services, within the latter particularly in services related to growing needs and norms adopted in child care and in the care of the elderly. Amid such labour market movements, the number of unemployed persons will rise further this year, reaching around 105,000 in the year as a whole, with unemployment rates set to increase to 7.2% (survey unemployment rate) and 11.1% (registered unemployment rate), respectively.

Total wage growth, last year still relatively high due to significant wage increases in the public sector, is projected to decline somewhat this year. Last year, the private sector responded to deteriorating economic conditions by shrinking overtime hours and slowing wage increases. Due to dismissals of low-wage employees, the level of the average gross wage per employee rose, which was also reflected in last year's relatively high growth of wages in the private sector. Wage growth last year was also marked by unexpectedly high extraordinary year-end payments (13^{th} month payments, Christmas bonuses) in sectors with a monopoly position on the market and high levels of state ownership, and in financial intermediation. The public sector recorded much higher wage growth than the private sector, as a result of the January disbursement of the second quarter of funds to eliminate wage disparities and the impact of wage increases in 2008. The forecast for 2010 anticipates slower growth of the average gross wage. The gross wage in the public sector will increase much more slowly despite further implementation of the process of eliminating wage disparities, so that the gap between wage increases in the public and private sectors will narrow. Wage growth in the private sector, in contrast, is expected to be higher than last year, on account of several factors. In particular, the minimum wage increase will be an important factor this year, besides the slight economic recovery and one additional working day, amid further employment structure changes, the influence of which will be smaller than last year.

Price movements were fairly moderate last year and are also expected to remain so this year. In 2009, price movements were significantly affected by lower economic activity in Slovenia as well as in its trading partners, which has resulted in slower growth in most price index groups or even a decline in some. Prices of non-energy industrial goods, which largely follow the price movement of goods, purchases of which can be postponed in the short term, thus dropped last year. However, boosted by higher excise duties, the contribution of energy prices to inflation strengthened. Prices of services also increased, particularly those of public utility services, which soared in the last few months of 2009 after the system of setting prices had changed. Inflation thus stood at 1.8% at the end of the year, averaging 0.9% in the year as a whole. Amid a slight economic recovery and assuming the absence of price shocks from the international environment, year-on-year and average inflation rates are expected to be at 1.3% this year. The impact of increased excise duties on inflation will be much lower this year compared with last year, when this impact was very strong. This is the underlying reason for the lower forecast of inflation at the end of this year relative to the end of 2009, even if this year, price growth excluding the influence of higher excise duties will be somewhat greater than last year.

This year, the current account deficit will widen slightly again, after last year's significant drop. The current account deficit, which had been strengthening in the period of favourable economic trends and high commodity price rises on world markets, shrank notably last year. This decline was largely due to a lower merchandise trade deficit, more than half of which came from the ratio of movements in export and import prices, which were declining throughout the year. Amid a significantly lower level of investment and export demand, the narrowing of the merchandise trade deficit also reflected a greater decline in the volume of merchandise imports than exports. The deficit in factor incomes also narrowed, due to lower net interest payments abroad, while the surplus of the current transfers balance increased, owing to higher absorption of EU funds. The surplus in the services balance, which had been widening since 2003, shrank last year. The current account deficit is estimated to rise from last year's 1% to 1.8% of GDP this year, almost solely due to a higher merchandise trade deficit under the influence of deteriorating terms of trade, with real growth of exports exceeding growth of imports. The surplus in the services balance will be slightly lower than last year, largely on account of a higher trade deficit in the group of other services and a lower trade surplus in travel services, despite an increase in the surplus in transport services trade following the recovery of international trade. The deficit in factor incomes will make a negligible contribution to the increase in the current account deficit this year. Net payments of interest on net external debt will increase, but net payments of dividends and reinvested earnings may be lower than last year. With Slovenia's net budgetary surplus in the absorption of EU funds projected to increase further, the balance of current transfers will run a surplus this year.

The fiscal stance deteriorated significantly in 2009 due to the impact of the economic and financial crisis. Amid a deteriorated macroeconomic environment, general government revenue fell significantly due to the effects of automatic stabilisers and tax reform enacted in previous years. At the same time, general government expenditure increased significantly due to the financial effects of measures adopted when conditions were still favourable in 2008, measures to offset the financial and economic crisis passed in 2009, and automatic stabilisers (higher expenditure on transfers to the unemployed, in particular). The consolidated balance of public financing (according to the cash flow methodology) thus ran a deficit of EUR 1,961 m, or 5.6% of GDP. State indebtedness increased significantly, given the widening general government deficit and further borrowing to mitigate the consequences of the financial and economic crisis. Even if state indebtedness was still relatively low last year (relative to the EU), it increased more notably relative to GDP than in most euro-area countries. Movements such as this bring about an increase in debt service obligations of the general government or a higher share of expenditure on interest in total general government expenditure. Given that ageing-related expenditure will also start increasing in the coming years, the present high growth of debt aggravates the risk to the medium- and long-term stability of public finance.

Assuming a further revival of global trade and domestic investment and private demand, Slovenia's economy will gradually recover in 2011 and 2012. The spring forecast of economic growth is 2.4% for 2011 and 3.1% for 2012. Growth is thus not expected to reach pre-crisis rates, which were attributable to an exceptionally favourable international economic situation and high domestic construction investment coupled with relatively inexpensive liquidity on international and domestic monetary markets. With relatively modest GDP growth in Slovenia's main trading partners, recovery will also be impeded by certain structural weaknesses of the Slovenian economy related to the slow rebalancing of exports towards the strengthening of the share of high-technology products. The crisis will also leave traces on the purchasing power of households, with no visible improvement in labour market conditions expected before 2012, and the construction sector will pick up only gradually after the deepening of this year's negative trends. In the next two years, the strengthening of economic activity will also be influenced by changing international and domestic conditions on financial and inter-bank markets, according to our estimate, which will make banks take a more cautious approach in lending to the private sector than in the years before the crisis.

Particularly this year, the forecast for economic growth is vulnerable to risks associated with the recovery in the international environment and the situation on financial markets. The rate of economic recovery in Slovenia's main trading partners remains uncertain; in the majority, the projected economic growth is not yet autonomous but strongly depends on anti-crisis measures, a fact that might slow recovery, when these measures are withdrawn. The baseline scenario of the spring forecast does not anticipate any further deterioration in the availability of financial sources at home and abroad. There is nonetheless still a lot of uncertainty in this area, as banks may face liquidity pressures when, as expected, the ECB starts gradually withdrawing the non-standard measures of 2009. Sources of financing to banks will become much more expensive; the availability of sources on international financial markets is also uncertain, as demand for these sources will strengthen notably. In addition to repayment of foreign loans, the bulk of the obligations of Slovenian banks to the Eurosystem will also fall due this year. Additional liquidity pressure will come from the deteriorating quality of bank assets, requiring a larger volume of impairments and an increased need for additional capital.

Spring forecasts of the main macroeconomic aggregates and a comparison with autumn forecasts

Real growth rates in % (unless otherwise indicated)

	2009	2010		2011		2012
		Autumn forecast (Sept. 2009)	**Spring forecast (Mar. 2010)**	**Autumn forecast (Sept. 2009)**	**Spring forecast (Mar. 2010)**	**Spring forecast (Mar. 2010)**
GROSS DOMESTIC PRODUCT	**-7.8**	**0.9**	**0.6**	**2.5**	**2.4**	**3.1**
GDP in EUR m (current prices)	34,894	36,386	34,934	38,058	36,286	38,202
INFLATION (Dec/Dec of the preceding year, in %)	1.8	2.0	1.3	2.7	2.0	2.5
INFLATION (Jan-Dec/Jan-Dec annual average, in %)	0.9	1.5	1.3	2.5	1.6	2.3
GDP deflator (%)	1.9	0.6	-0.5	2.0	1.5	2.2
USD/EUR exchange rate	1.393	1.430	1.364	1.430	1.358	1.358
EMPLOYMENT according to the SNA, growth in %	-2.2	-1.6	-2.3	-0.9	-0.6	0.0
REGISTERED UNEMPLOYMENT RATE (%)	9.1	10.6	11.1	10.9	11.6	11.2
ILO UNEMPLOYMENT RATE (%)	5.9	6.7	7.2	7.3	7.6	7.3
PRODUCTIVITY (GDP per employee), growth in %	-5.8	2.5	3.0	3.4	3.0	3.0
GROSS WAGE PER EMPLOYEE	**2.5**	**0.6**	**1.4**	**1.4**	**2.2**	**2.2**
EXPORTS OF GOODS AND SERVICES	-15.6	4.1	4.3	6.8	6.3	7.4
- Exports of goods	-15.2	3.6	4.7	6.5	6.4	7.4
- Exports of services	-16.9	6.1	2.9	7.8	6.1	7.6
IMPORTS OF GOODS AND SERVICES	-17.9	1.8	4.1	4.9	6.0	6.7
- Imports of goods	-19.1	1.3	3.9	4.8	6.0	6.7
- Imports of services	-10.2	4.4	4.9	5.6	6.0	6.6
CURRENT ACCOUNT BALANCE* (EUR m)	-340	10	-638	29	-1,095	-1,249
- As % of GDP	-1.0	0.0	-1.8	0.1	-3.0	-3.3
GROSS FIXED CAPITAL FORMATION	-21.6	-2.0	0.5	3.0	3.5	4.5
- As % of GDP	24.0	23.2	24.0	23.3	24.2	24.5
PRIVATE CONSUMPTION	-1.4	0.0	-0.5	1.0	1.7	2.3
- As % of GDP	54.8	53.8	54.9	53.2	54.4	53.9
GOVERNMENT CONSUMPTION	3.1	-1.5	0.6	0.0	0.2	0.8
- As % of GDP	20.2	19.7	20.6	19.4	20.6	20.6

Note: * Balance of payments statistics.
Source: SORS, BS; forecasts by IMAD.

spring forecast of economic trends

Background documents and data for the Spring Forecast of Economic Trends 2010–2012

The Spring Forecast of Economic Trends is based on IMAD's expert estimates using the following source data: (i) data on gross domestic product, the main aggregates of national accounts and employment, released on 4 March this year (SORS), and the balance of payments according to data assembled by 12 March of this year; (ii) available statistical data on current economic trends; (iii) data on GDP growth in the international environment in 2009; (iv) forecasts by international institutions on economic trends in Slovenia's main trading partners; (v) prevailing expectations of international institutions regarding the price dynamics of oil; (vi) results of the dynamic factor model and other econometric models used in forecasting; (vii) consultations with other organisations preparing forecasts for Slovenia.

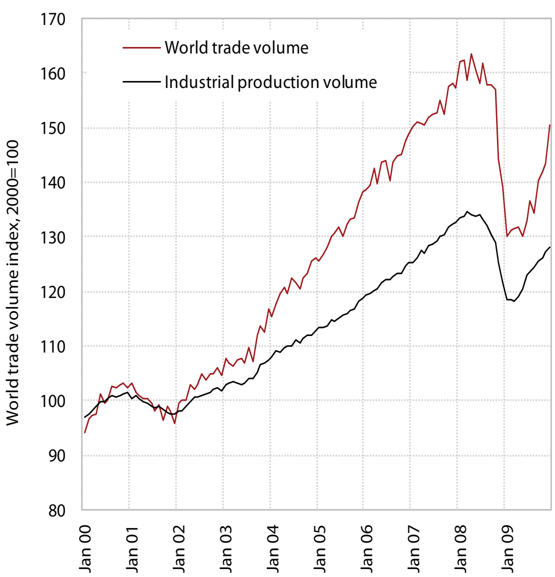
The Spring Forecast of Economic Trends is based on implemented or adopted economic policy measures. It takes into account the effects of measures put in place to mitigate the consequences of the financial and economic crisis. In the area of excise duty policy measures, it takes account of excise duty rises envisaged in the adopted state budgets. The forecasts of general government final and investment consumption in 2010 and 2011 are based on the adopted state budgets and financial plans of other general government budgets and guidelines from the Stability Programme – 2009 Update. The forecasts of public sector wages for 2010–2012 take into account the adopted wage agreements.

The Spring Forecast of Economic Trends 2010 takes account of figures and information available at the time of finalising the document (19 March 2010).

International environment

After falling last year, economic activity and global trade flows will strengthen steadily in the next two years, according to the forecasts by international institutions. Massive fiscal and monetary packages have managed to stem the significant decline in economic activity, which was already increasing in the second half of 2009 in most regions, albeit very unevenly. In advanced countries (EU, US), where economic activity fell at the annual level, the recovery is sluggish, while some rapidly growing Asian economies (China, India) are recovering faster, as due to stronger domestic demand they only recorded a slowdown of economic growth. The strengthening of industrial production was boosted particularly by the recovery of global trade (Figure 1). After dropping by 0.8% last year, global economic activity will grow by 3.9% this year and 4.3% in 2011, according to the most recent forecasts by the International Monetary Fund. The volume of global trade is projected to increase by around 6% in both years, after dropping by as much as 12.3% last year.

Figure 1: **World trade and industrial production**



Source: CPB.

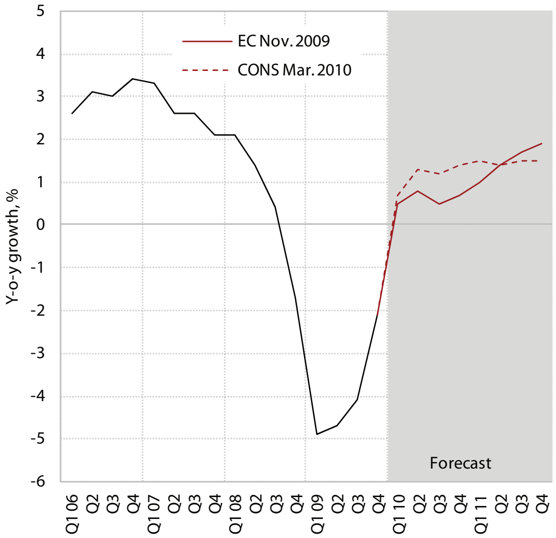
Last year, gross domestic product contracted by 4.1% in the euro area and 4.2% in the EU. Economic activity kept declining up to the middle of last year, when negative movements were brought to a halt as the effects of measures implemented to promote private consumption and investment and measures to preserve jobs managed to boost demand amid the pick-up of international trade. With divergences in fiscal and monetary measures, as well as different economic conditions at the onset of the crisis, annual declines in economic activity varied across countries. According to the European Commission, countries with a higher share of bad financial assets and greater imbalances in the real estate market and those with a higher degree of openness of the economy have been more vulnerable to the crisis.

The latest forecasts for economic growth in Slovenia's main trading partners in the euro area are more favourable than what was predicted in the autumn, but they still anticipate a sluggish recovery. In line with forecasts by international institutions, we expect somewhat higher GDP growth in Slovenia's main trading partners and in the entire euro area than projected in the autumn (Table 1). Our forecast for this year is thus based on the assumption of 0.8% economic growth in the euro area and its strengthening to 1.4% next year. These forecasts are based on expectations that the strengthening in international trade flows and the recovery resulting from the adjustment of inventories, which made a significant contribution to last year's third-quarter growth, will also be gradually followed by the recovery of other components of aggregate demand. However, this demand will remain weak, being limited by the deteriorated labour market situation on the side of households and a high degree of excess capacities on the side of corporate investment. The expansiveness of fiscal policies and monetary measures will thus remain the key driver of this year's recovery. According to the EC estimate, fiscal anti-crisis measures remain almost unchanged as a share of GDP this year, but are changing in nature, as instead of temporary measures with short-term effects on aggregate demand the countries are introducing structural measures with longer-term effects.

After last year's sizeable GDP drop, Slovenia's main trading partners from the group of new EU Member States will see subdued growth, though somewhat faster than predicted in the autumn. New EU countries were hit harder by the crisis last year, posting greater GDP declines than the EU average, which was largely a result of lower foreign demand and aggravated conditions in financial markets. A significant contribution to the decline in GDP also came from inventories, which dropped much more than in the EU average. Poland was the only EU Member State to post positive economic growth last year, expecting further acceleration this year as a consequence of strength in domestic demand. In other new EU countries the recovery will be slower, as it is more dependent on the recovery of foreign demand in the main markets in other EU countries, where growth prospects are modest as well.

In the countries of the former Yugoslavia, the recovery will, in contrast, be slower than what was expected in the autumn. Last year, GDP dropped notably in practically all countries in the region (except Kosovo). With the exception of Croatia, the first estimates (WIIW) indicate a significantly smaller drop in economic activity than recorded on average in the EU, which was to a certain extent also due to assistance by international financial

Figure 2: **Forecast for economic growth in the euro area**



Source: Eurostat, Consensus Forecasts (March 2010), European Commission Autumn Forecast (November 2009).

institutions ensuring bank liquidity in the region.[1] The countries in this region are expected to see their GDPs decline further or stabilise at last year's levels. The main drivers of the expected acceleration of growth in 2011 and 2012 are a further recovery of foreign demand and resumed investment growth, in which a recovery of capital inflows from abroad will play a crucial role.

The exchange rate of the euro is on a falling trend. The technical assumption for the USD/EUR exchange rate by the end of this year and in the following two years is set at USD 1.358 to EUR 1, based on the average exchange rate of the euro between 15 and 26 February 2010. This means a further decline in the exchange rate, which totalled USD 1.395 to EUR 1 in 2009 as a whole, 5.2% less than in 2008.

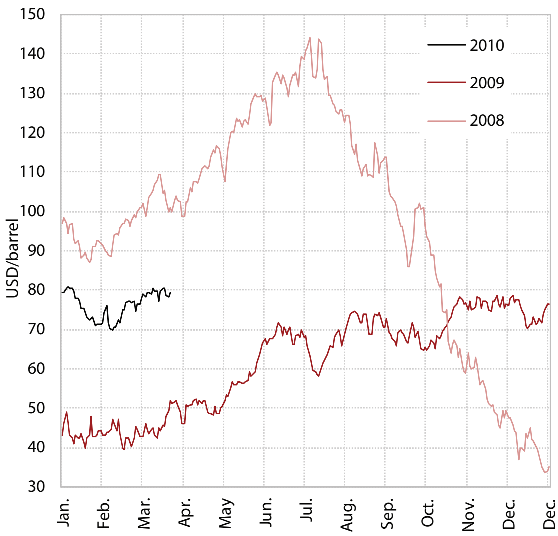
[1] The so-called Vienna Initiative, with the EBRD reaching an agreement with foreign banks in the region that they will not reduce credit exposure significantly until the end of 2010, as well as an agreement on the provision of liquidity to banks by the ECB and direct assistance to countries by the IMF.

Table 1: **IMAD's spring forecast assumptions of economic growth in Slovenia's main trading partners in 2010–2012 and a comparison with the autumn forecasts**

	2008	2009*	2010		2011		2012
			Autumn forecast (Sept. 2009)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2009)	Spring forecast (Mar. 2010)	Spring forecast (Mar. 2010)
EU	0.8	-4.2	0.2	0.8	1.6	1.6	2.0
Euro area	0.6	-4.1	0.4	0.8	1.6	1.4	1.8
Germany	1.3	-5.0	0.9	1.3	1.5	1.6	1.8
Italy	-1.3	-5.0	-0.2	0.7	0.9	1.1	1.3
Austria	2.0	-3.6	0.0	1.1	1.6	1.5	1.9
France	0.4	-2.2	0.6	1.3	1.7	1.6	1.9
U.K.	0.5	-5.0	-0.3	0.6	1.8	1.9	2.1
Czech Republic	2.5	-4.2	1.2	1.2	3.2	2.6	3.5
Hungary	0.6	-6.3	-1.0	-0.2	2.0	2.8	3.5
Poland	5.0	1.7	1.5	2.6	3.0	3.0	3.4
Croatia	2.4	-6.0	0.3	-1.0	1.5	2.0	2.5
Bosnia and Herzegovina	5.4	-3.0	0.0	-1.0	1.0	1.0	3.0
Serbia	5.4	-2.9	0.3	0.0	1.5	2.0	3.0
Macedonia	5.5	-2.0	0.5	0.0	1.5	2.0	3.0
USA	0.4	-2.4	0.9	3.1	3.0	3.0	3.0
Russia	5.6	-7.9	2.0	3.5	3.5	4.0	4.3

Source: Eurostat; Consensus Forecasts, February 2010, March 2010; Eastern Europe Consensus Forecasts, February 2010, March 2010; European Commission, DG ECFIN – Interim Forecast, February 2010; ECB staff macroeconomic projections for the euro area, March 2010; Economist Intelligence Unit Country Reports (for Russia, Serbia and Croatia), March 2010, September 2009; OECD Economic Outlook, November 2009; WIIW Current Analysis and Forecasts, February 2010; IMAD's estimate.
Note: *Data for Croatia, Bosnia and Herzegovina, Serbia and Macedonia are a WIIW estimate (February 2010).

Figure 3: **Prices of Brent Crude**



Source: EIA.

Prices of Brent Crude oil were relatively stable in the last six months. They hovered between USD 75 and USD 80 a barrel when the spring forecast was made, which is a similar level as at the time of the autumn forecast. These relatively stable movements in the last period also served as the basis for the technical assumption of oil prices for this year (USD 77 a barrel) and the next two years (USD 82 a barrel).

Risks to economic growth in the international environment remain high, which is reflected in the frequent revisions of forecasts of international institutions and the great spread between them. The primary challenge for the further recovery of economies represents shifting of demand, which is currently provided through ample government packages, to households and enterprises. The key driver of faster-than-forecast economic growth is the more rapid recovery of international trade flows, which is, however, under the threat of increasing protectionism, according to some analysts. On the downside, deteriorating public finances in the EU countries increase the risk that some Member States will not be able to repay (growing and ever more costly) debts. A significant risk is also still associated with the situation in the financial sector, which has yet to fully recover, while the regulatory framework governing the operation of financial institutions in the coming years is still fairly unclear.

International institutions expect non-energy prices to grow this year, after dropping sharply last year. Amid a significant decline in economic activity, demand for commodities also dropped last year, as expected. According to IMF data, commodity prices dropped significantly in the time of the deepest global economic decline from the second half of 2008 up to the end of the first quarter of 2009, and have been increasing ever since, mainly due to the faster economic recovery in developing countries, which have made the greatest contribution to growth in global demand for commodities in recent years. Prices of non-energy raw materials nevertheless dropped less than one fifth in 2009 as a whole, while they are expected to rise this year and the next, according to international institutions.

Table 2: **Spring forecast assumptions of Brent crude and non-energy commodity prices in 2010–2012 and a comparison with the autumn forecast**

	2008	2009	2010		2011		2012
			Autumn forecast (Sept. 2009)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2009)	Spring forecast (Mar. 2010)	Spring forecast (Mar. 2010)
Average oil price per barrel, in USD	96.9	61.7	75.0	77.0	80.0	82.0	82.0
Growth of non-energy commodities, in %	7.5	-18.7	10.0	6.0	10.0	2.0	5.0

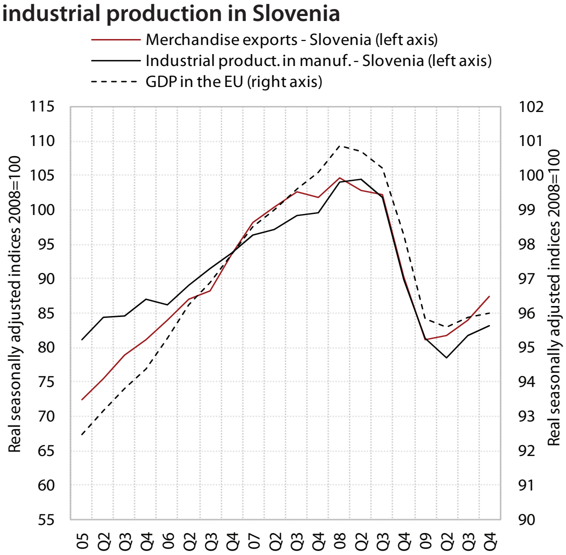
Source: EIA, EIU, ECB, IMF, assumptions for 2010–2012 by IMAD.

Economic growth - main demand aggregates

Slovenia's gross domestic product declined by 7.8%[2] in the year of the greatest economic crisis since Slovenia gained independence. Investment and exports of goods and services dropped most notably in the year as a whole and household consumption was also somewhat lower. With import demand already dropping more that exports, net exports were positive, at 1.8 p.p. After increasing in previous years, though in 2008 already much more slowly, inventories declined last year, contributing 3.5 p.p. to the decline in GDP. Only government consumption increased, but enjoyed only half of its 2008 growth. The decline in economic activity was deepest in the last quarter of 2008 and in the first quarter of 2009, but since the second quarter of 2009, Slovenian exports and manufacturing production have already shown signs of strengthening under the influence of recovering global trade and economic activity in the main partners in the EU, which also boosted a revival of investment in machinery and equipment. Last year's real drop in economic activity was in line with our expectations of the autumn forecast (-7.3%). The structure of the decline itself was also not much different from what we forecast.

The volume of the sale of goods and services abroad dropped by 15.6% in real terms last year. Merchandise exports were a real 15.2% lower than a year before. The y-o-y drop in exports had otherwise already slowed considerably in the third quarter, being lowest in the fourth quarter (-0.3%); with exports picking up gradually since the second quarter of 2009, this was a result of a low base, as export activity had already dropped significantly in the last quarter of 2008 with the onset of the international crisis. Exports to EU countries declined by a nominal 18.1% in 2009, amid even larger drops witnessed for exports to other main trading partners (the countries of the former Yugoslavia, the Russian Federation, the US). Exports of services dropped even somewhat more in real terms than merchandise exports (16.9%). A significant drop was recorded for all main services in the structure – transport, travel and other services (various business services, construction services, etc.).

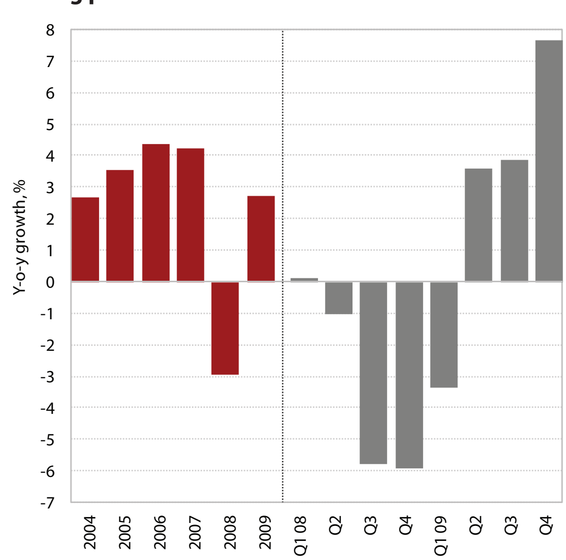
Figure 4: **GDP in the EU and merchandise exports and industrial production in Slovenia**



Source: SORS, Eurostat; seasonal adjustment of exports and industrial production for Slovenia by IMAD.

After a drop in 2008, Slovenia again increased its aggregate market share in the markets of its main trading partners in 2009, particularly owing to higher shares in France, Germany and Croatia. Before the 2008 decline (-2.9%), which was especially pronounced in the second half of the year, Slovenia's aggregate market share had been increasing for seven years. Amid significantly lower import demand, last year's resumption of growth (2.7%) was mainly stimulated by growing market shares in France, Germany and Croatia, and to a much lesser extent also in Austria. The market share in Italy continued to decline moderately at the annual level (although it had been rising since the third quarter), as did the market share in Russia, which did not resume growth before the fourth quarter. In 2009, Slovenia was in the middle of a relatively large group of the 18 EU countries with market share increases in internal markets. The increase in Slovenia's market share in the EU was crucially underpinned by exports of medical and pharmaceutical products, road vehicles, as well as electrical machinery and appliances. The market share gain in these sectors, where last year exports declined, indicates that exports were falling as a result of lower demand rather than deteriorated export competitiveness.

Figure 5: **Slovenia's market shares in the 15 main trading partners**



Source: SORS, Eurostat, WIIW, US Census Bureau; calculations by IMAD.

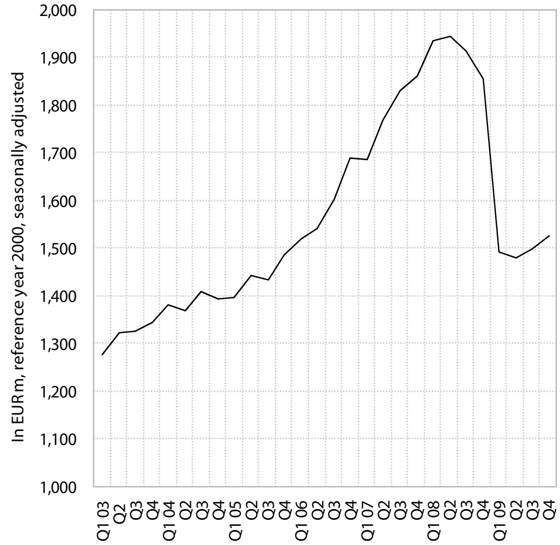
[2] GDP fell by 6% in nominal terms last year, which is more than projected in our autumn forecast.

Gross fixed capital formation dropped by a high of 21.6% last year. Investment in buildings and structures, as well as in machinery and equipment dropped last year (-19.9% and -26.7%, respectively), after enjoying vigorous growth rates in previous years. According to seasonally adjusted data, investment activity had already started to decline in the third quarter of 2008, posting the steepest fall in the first quarter of 2009. In the second half of the year, it picked up somewhat, but was still much lower than before the crisis. On one hand, the decline in investment activity was related to the pronounced deterioration of the international environment and diminishing activity in the entire market sector of the economy, and on the other, with tightened conditions in financial markets. In construction, the economic crisis translated into a significantly worse-than-expected slowdown in investment, which had been strong in all construction areas in previous years (motorway construction, residential and non-residential construction). The real estate market recorded declines in prices of flats and in the number of transactions. At the same time, the stock of unsold flats increased, by our estimate, and expectations deteriorated significantly, which put the brakes on already launched projects and adversely affected new investment plans.

Changes in inventories contributed as much as 3.5 percentage points to last year's GDP decline. After increasing significantly in 2006–2008, by an average of 3.2% of GDP, or a total of EUR 3.3 bn, inventories dropped by 0.5% of GDP last year and thus made a sizeable contribution to its decline.[3] The negative contribution of inventories last year is thus related to the increase of inventories in previous years, which was most intense, by our estimate, in residential and non-residential construction and in trade.

Private consumption dropped by 1.4% in real terms last year. Given the deteriorated situation and higher uncertainty on the labour market in a time of crisis, households spent what we estimate is the lowest share of disposable income[4] from 1995 onwards (since data have been available), as they were postponing major purchases. Unlike exports and investment in machinery and equipment, where activity has been improving steadily q-o-q since the second quarter of 2009, private consumption was dropping in all quarters but the third.

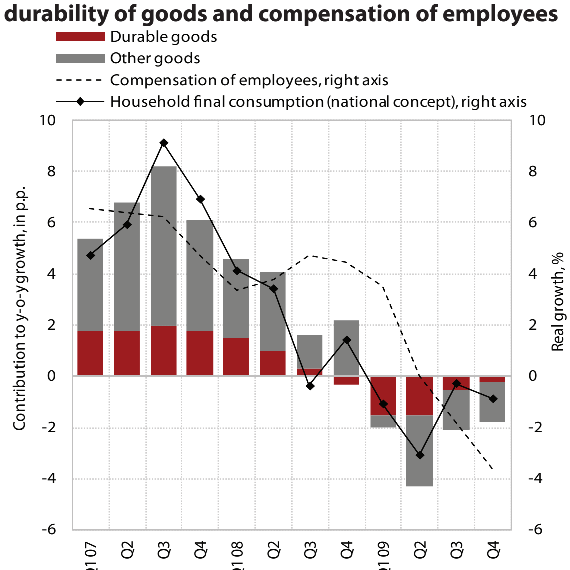
Figure 6: **Gross fixed capital formation**



Source: SORS; seasonal adjustment by IMAD.

Year-on-year, consumption shrank most notably in the second quarter (Figure 7): in addition to the consumption of durables, which posted a sizeable decline (-12.5%) continuing from the first quarter, consumption of other goods also recorded what was its greatest drop in 2009 (-3.2%). In the second quarter, turnover in retail trade declined by more than one tenth y-o-y (in the first quarter, by half less), and this decline did not diminish much by the end of the year.

Figure 7: **Household consumption with regard to durability of goods and compensation of employees**



Source: SORS; calculations by IMAD.
Note:The compensation of employees is deflated by the CPI; consumption on the domestic market (by non-residents and residents) is divided into durable and other goods; only consumption by residents is part of the expenditure structure of GDP (national concept).

[3] The contribution of inventories to GDP growth is, according to the national accounts methodology, the difference between the changes of inventories in the current year and in the previous year. An increase in inventories in a year therefore does not necessarily signify a positive contribution to economic growth. Inventories in Slovenia, for instance, increased by EUR 1,188 m in 2008, which is less than a year before, when they had increased by EUR 1,363; the contribution of the change in inventories to 2008 GDP growth was therefore negative. To make a positive contribution to GDP growth, the change in inventories has to be higher than in the previous year. Likewise, a smaller decline in inventories than in the preceding year is also an example of a greater change in inventories and thus a positive contribution to GDP growth.

[4] Based on the available data, disposable income diminished by 2.2% in real terms (1.4% in nominal terms), by our estimate, and private consumption by a nominal 2.3%.

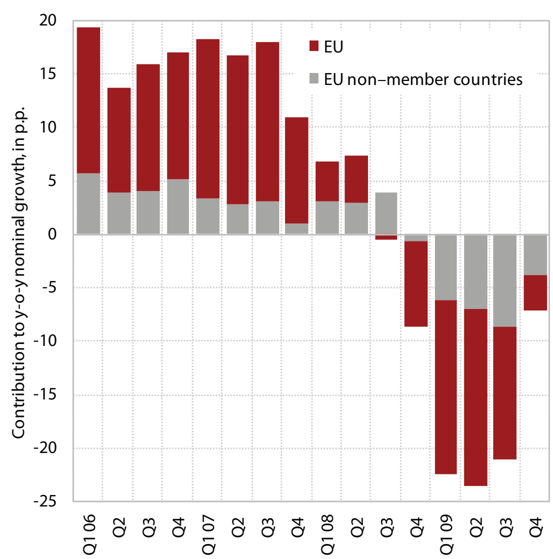
Last year, government consumption recorded significantly lower growth than the year before. The greatest contribution to the growth of government consumption, which slowed to 3.1% from 6.2% in 2008, mainly came from higher compensation of employees following an increase in the number of employees in the general government, which was even higher (2%) than a year before (1.4%).[5] Employment rose most notably in education, and health and social work, and somewhat more modestly in public administration, defence and compulsory social security services. Intermediate consumption dropped somewhat in real terms in 2009 compared with 2008, partly due to rationalisations and the financial impacts of austerity measures dictated by deteriorating public finance relationships, and in part also due to the base effect of 2008, the year when Slovenia presided over the Council of the EU and the election year, with high general government expenditure on goods and services, and consequently much stronger intermediate consumption. The year 2009 also saw an above-average increase in social benefits in kind, where stronger growth was mainly attributable to the financial effects of the year-long implementation of measures introduced in the second half of 2008 (new expenditure on meals for secondary-school pupils and kindergarten payments for the second child in a family attending kindergarten), while growth in expenditure on medicines was moderate.

Imports of goods and services dropped by 17.9% in real terms last year. The decline in imports of goods was even deeper, 19.1%, and was mainly a result of lower export and investment demand. Imports of durable consumer goods also declined, as did imports of services, by 10.2% in real terms. Looking at the structure, all main types of services declined, except imports of travel services, which increased.

The spring forecast projects 0.6% economic growth for 2010, which is slightly below what was forecast in the autumn (0.9%). The relatively modest economic growth of the last quarter of 2009 shows that Slovenia's economic recovery, which started in the second quarter of 2009, will be slow and unstable, and strongly dependent on movements in the international environment, where recovery is also slow, particularly in EU partners, while the Balkan markets have yet to see signs of recovery. In 2010, the level of economic activity is thus expected to increase only just above that of the fourth quarter of 2009. This increase will reflect a further strengthening of the recovery that already started in the export sector last year, while hurdles to faster economic growth largely stem from the domestic environment.

Slovenian exports are estimated to increase by 4.3% in real terms this year. Amid the expected gradual recovery in the international environment, Slovenia's exports will be positively affected by last year's resumption of market share growth, easing of unit labour cost pressure and the declining exchange rate of the euro. We estimate that merchandise exports will increase chiefly due to the resumption of growth in exports to the EU, while the increase of exports to the countries of the former Yugoslavia, which have poor prospects for economic recovery this year, will be modest. According to the expected structure of merchandise export growth by SITC, exports of road vehicles are expected to drop in real terms this year (y-o-y in the second half of the year), after last year's record road vehicle production stimulated by subsidised new car purchases in some European countries. Exports of most other products are projected to increase in real terms. Higher than last year will also be exports of services (2.9% in real terms), boosted mainly by exports of transport and business services. Lower growth is, however, expected for travel services, with the development goals of Slovenian tourism not yet being fully realised due to the global economic crisis.

Figure 8: **Growth/decline of total merchandise exports by contribution of the EU and other countries**



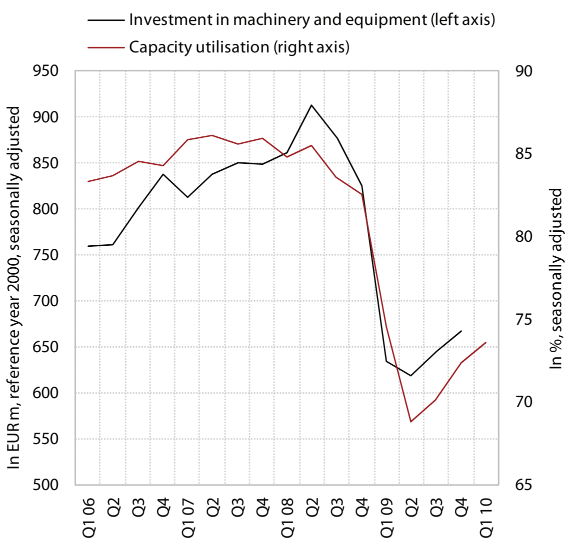
Source: SORS; calculations by IMAD.

Gross fixed capital formation will increase by 0.5% this year. The pick-up of investment in machinery and equipment seen from the third quarter of 2009 will continue. The improved situation in the international environment and the consequent strengthening of industrial production in Slovenia are reflected in higher capacity utilisation (Figure 9), which accelerates investment activity. Investment in construction, on the other hand, is expected to decline further this year. Judging from data on issued building permits and new contracts, the construction sector is expected to record the greatest decline for investment in new flats. Investment in other buildings and structures is expected to stop falling

[5] According to the national accounts methodology, wage growth in the public sector has no effect on real government consumption growth, as it is a component of the deflator.

during this year, but will still post a lower volume than last year in the year as a whole. Investment in non-residential construction, on the other hand, is already showing the first positive signs. In non-residential construction, the value of construction put in place increased y-o-y in December last year and January 2010, and a slight improvement was also recorded for data on building permits and new contracts. A similar improvement is also suggested by contracts for civil engineering works. This type of investment will also benefit by increased investment spending by the government, particularly on railway construction.

Figure 9: **Movements in capacity utilisation in manufacturing and investment in machinery and equipment**



Source: SORS; seasonally adjusted by IMAD.

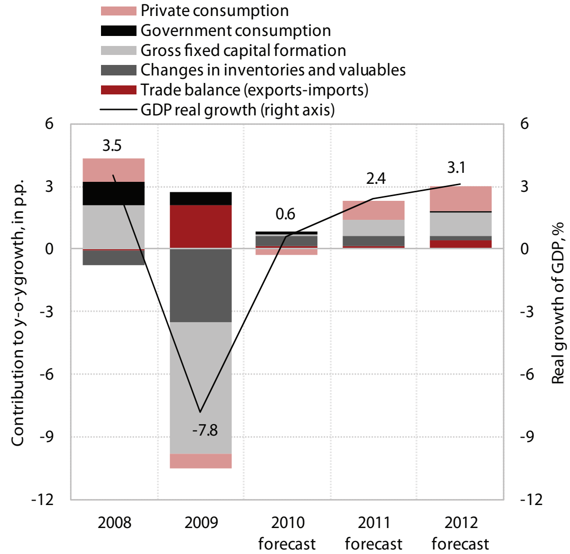
Inventories are expected to remain roughly unchanged in 2010, contributing 0.5 p.p. to GDP growth due to the decline in 2009. Inventories in the industry will already be cyclically replenished, while in light of the situation in the construction sector, inventories in the construction of buildings are expected to continue to decline.

Reflecting a further tightening in the labour market and a precautionary saving behaviour on the part of consumers, private consumption is also projected to decline in 2010, by 0.5%. This assessment, based on the expected decline in the compensation of employees and lower household income from entrepreneurial activity and on the expected moderate growth in social transfers, shows that household disposable income will also decline in real terms this year, by 0.3%. These income movements reflecting the deterioration of labour market conditions and the overall economic situation do not create an environment conducive to consumer optimism, by our estimate. Households will therefore remain cautious, particularly about spending on goods, the purchase of which they can postpone.

Government consumption growth will slow further in 2010. Government consumption growth, based on the adopted documents,[6] should be 0.6%. The forecast of modest growth is based on the assumption of highly restricted employment in the government sector, which will only be possible in child care and care of the elderly, the areas that are facing a growing need for employees due to demographic factors and to comply with applicable norms. Amid the continuation of austerity measures, intermediate consumption growth will also be moderate, only 1% in real terms. Growth in expenditure on social benefits in kind will slow notably after being very strong in 2009; within that, expenditure on medicines will increase moderately in real terms (by a good 2%).

Imports will increase by 4.1% in real terms with higher levels of exports and investment activity. Merchandise imports will rise by 3.9% compared with the previous year. In view of stronger investment in machinery and equipment, imports of investment goods are expected to see the strongest growth. Imports of intermediate goods will also rise compared to last year, given the expected increase in production volume in the manufacturing sector. Imports of consumer goods, however, will remain at its last year's level, due to the expected decline in private consumption. Imports of services will increase by 4.9% in real terms, with the greatest contribution to

Figure 10: **GDP growth by aggregate demand component**



Source: SORS; forecasts by IMAD.

[6] Adopted state budget for 2010 and financial plans of other general government budgets and guidelines from the Stability programme – Supplement 2009.

Table 3: **Spring forecasts of GDP growth and consumption aggregates for 2010–2012, and a comparison with the autumn forecasts**

Real growth rates, %	2009	2010		2011		2012
		Autumn forecast (Sept. 2009)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2009)	Spring forecast (Mar. 2010)	Spring forecast (Mar. 2010)
GROSS DOMESTIC PRODUCT	**-7.8**	**0.9**	**0.6**	**2.5**	**2.4**	**3.1**
Exports of goods and services	-15.6	4.1	4.3	6.8	6.3	7.4
Imports of goods and services	-17.9	1.8	4.1	4.9	6.0	6.7
Net exports, contribution to growth in p.p.	*2.1*	*1.4*	*0.1*	*1.2*	*0.1*	*0.4*
Private consumption	-1.4	0.0	-0.5	1.0	1.7	2.3
Government consumption	3.1	-1.5	0.6	0.0	0.2	0.8
Gross fixed capital formation	-21.6	-2.0	0.5	3.0	3.5	4.5
Inventories, contribution to growth in p.p.	*-3.5*	*0.2*	*0.5*	*0.0*	*0.5*	*0.2*

Source: SORS, forecasts by IMAD.

growth coming from imports of transport and travel services. Growth in construction services imports such as construction and assembly services and investment works carried out by foreigners will be weak, reflecting a further fall in construction investment in Slovenia.

While having made a sizeable contribution to GDP growth last year, net exports of goods and services will be minimal this year. The structure of this year's economic growth, largely based on exports and investment in machinery and equipment characterised by a relatively strong import component, will induce the strengthening of imports, and thus international trade will make a negligible positive contribution to economic growth this year (+0.1 p.p.).

Assuming a further revival of global trade, domestic investment and private demand, Slovenia's economy will gradually recover in 2011 and 2012. The spring forecast of economic growth for 2011 is 2.4% and for 2012 3.1%, meaning that growth is not expected to reach the pre-crisis rates, which were a result of an exceptionally favourable international economic situation and significant domestic construction investment coupled with high and relatively inexpensive liquidity on international and domestic monetary markets. With significantly lower GDP growth rates in Slovenia's main trading partners than before the international economic and financial crisis, export growth will be impeded primarily by certain structural weaknesses of the Slovenian economy related to the slow restructuring of exports towards a higher share of high-technology products. With no visible improvement in the labour market situation to be expected before 2012, the crisis will also leave traces on the purchasing power of households, and the construction sector will pick up only gradually after the deepening of negative trends as recently as this year. In the next two years, the strengthening of economic activity will also be influenced by changing international and domestic conditions on financial markets,[7] according to our estimate, which will make banks take a more cautious approach in lending to the private sector than in the years before the crisis.

Trade in goods and services is projected to increase by 7% on average in 2011 and 2012. In our spring forecast, growth in exports of goods and services is estimated at 6.3% for 2011, and at 7.4% for 2012. With a faster recovery in the international environment, exports to EU countries will strengthen further and exports to Slovenia's main trading partners outside the EU are again expected to see somewhat higher growth. In 2011, growth of services exports will be largely fuelled by increased exports of transport services related to stronger exports of goods, and the increase in exports of travel services, given that Slovenian touristic activity is expected to pick up in view of a better global situation; the year 2012 may also already see faster growth in exports of the group of services based on knowledge and higher value added (various business, professional and technical services, financial and communication services, patents and licences).

Investment growth should strengthen steadily in 2011 and 2012. Private sector investment will strengthen further under the influence of further improvement of the international situation. After two years, the extremely negative movements in construction investment may come to a halt, as construction investment is expected to start picking up, within that also investment in construction of flats. It should be favourably affected by European funds, particularly for investment in municipal infrastructure.

[7] Changes in the regulatory framework governing financial institutions in the world, a gradual raising of interest rates by central banks, a shift from lending to the private sector towards lending to the government sector due to countries' growing debts may all impact the availability of domestic banks' funds on interbank markets.

Following two years of decline, private consumption is expected to start growing gradually in 2011 and 2012. Consumption will increase by 1.7% in 2011, amid the predicted growth of disposable income, which is at a similar level. With higher economic activity and the labour market situation slowly improving, mainly owing to higher wage rises and a slower fall in the number of wage recipients,[8] the environment will be more conducive to spending, which will trigger moderate growth of durable goods purchases. Consumption of durable goods is expected to strengthen further in 2012, when total private consumption is set to rise by 2.3%, somewhat above the estimated growth of disposable income (by around half a percentage point), as amid a general economic recovery, the propensity to consume may be somewhat higher than in previous years.

In the next two years, rising export activity and further domestic consumption growth will also contribute to an increase in import flows. Imports of goods and services are estimated to increase by 6.0% in real terms in 2011 and by 6.7% in 2012. Faster growth than this year will be recorded for all components of goods imports (intermediate, capital and consumption goods). A more rapid increase in services imports compared to this year will come from strengthening growth in imports of travel services and imports in the group of business services.[9]

[8] Real growth of the average gross wage in 2011 is expected to be 0.8 p.p. higher than in 2010 (projected at 1.4%), while the number of wage recipients is projected to decline by 0.5% (in 2010 projected at -2.3%).
[9] Leasing, merchanting and various business, professional and technical services.

Demand arising from general government expenditure will not contribute much to economic growth in 2011 and 2012. Fiscal consolidation with a view to reducing the general government deficit below 3% in the medium-term will be reflected in modest growth in government consumption in the following two years. Government consumption growth is thus also predicted to slow in 2011, to a mere 0.2%. Within that, the compensation of employees is expected to record modest growth, and intermediate government consumption will drop (2% in real terms), while social benefits in kind will rise somewhat, particularly owing to the expected increase in expenditure on medicines. In 2012, government consumption is set to strengthen somewhat again (to 0.8%), but will still not contribute much to economic growth. Given the austerity measures, intermediate consumption and social benefits will continue to decline in real terms; growth will only by underpinned by the compensation of employees, due to the increase in the number of employees, which is projected to be somewhat stronger.

With better terms of trade in 2009, the decline in real gross domestic income was nearly three percentage points less than that of real gross domestic product, but in the next two years, real GDP movements will be relatively more favourable. Real gross domestic income, which in addition to real GDP movements also measures changes in the purchasing power of residents' income, i.e. relative movements of export and import prices, dropped by 5% last year. In 2010 and 2011, growth of import prices is expected to be higher than that of prices reached by exporters, by 2.3 p.p. in 2010 and 0.4 p.p. in 2011. Real gross domestic income will therefore drop further this year (-0.9%), while in 2011, the growth of real domestic income (2.1%) will be lower than GDP growth.

Box 1: **Savings - investment gap**

The negative savings-investment gap narrowed significantly in 2009, but is expected to widen again in the following years. With gross capital formation falling more than gross savings, this gap narrowed to 0.5% of GDP, or EUR 177 m, last year (from 6.1% of GDP, or EUR 2,266 m, in 2008). According to the accounts by institutional sectors released to date, last year's narrowing was attributable to a higher general government deficit, while the private sector recorded a surplus of savings over investment for the first time last year. Amid the decline in economic activity and a significant deterioration in primary distribution (increase in subsidies on production and imports and compensation of employees), gross savings declined (by 3.2 p.p. of GDP) last year compared with the previous year. The private sector's own gross savings (gross operating surplus) dropped last year due to the lower volume of available own resources of enterprises. Along with aggravated access to bank sources of financing, this affected corporate investment demand, but it was lower capacity utilisation, in particular, that strongly deepened the decline in corporate investment and contributed to the surplus of savings over investment in the private sector. As a consequence of government consumption growth, government consumption as a share of GDP increased in 2009 (by 2.1 p.p.) compared with the previous year, so that gross savings also decreased in the general government. Last year, the real drop in gross capital formation still exceeded the decline in gross savings (by 8.7 p.p. of GDP). The level of gross capital formation dropped to the 2006 level (in nominal terms) last year, being as much as 4.9 p.p. of GDP lower than in the previous year. Last year, a significant portion of the decline in gross capital formation (and half of the drop in GDP) came from changes in inventories. Although this expenditure component is usually small, it is highly volatile and sensitive to financial restrictions arising from movements on capital markets, liquidity problems and the expected decline in demand. The share of changes in inventories in GDP, which amounted to 1.6% of GDP in the last fourteen years as a whole, dropped to -0.5% last year, while it had still totalled 3.2% a year earlier. Gross savings as a share of GDP are projected to drop somewhat further this year and the next, while the share of gross capital formation will increase; the savings-investment gap will therefore widen to 1.4% of GDP this year and 2.6% of GDP next year.

Box 1: **Savings - investment gap - continue**

Table 4: **Gross savings and gross capital formation as a % of GDP**

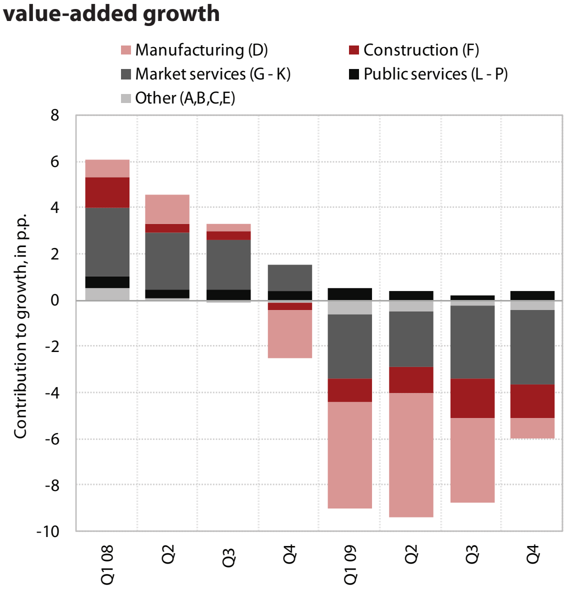
	2006	2007	2008	2009	2010	2011
					Spring forecast	
GROSS SAVINGS	26.5	27.2	26.1	22.9	22.7	22.0
Gross operating surplus	25.9	26.8	26.5	24.6	24.3	24.6
GROSS CAPITAL FORMATION	28.9	31.7	32.2	23.5	24.1	24.6
Gross fixed capital formation	26.5	27.7	28.9	24.0	24.0	24.2
Changes in inventories	2.4	4.0	3.2	-0.5	0.1	0.4
Current external balance	-2.4	-4.4	-6.1	-0.5	-1.4	-2.6

Source: SORS, forecasts by IMAD.

Dynamics of value added by activity

Value added dropped by 7.9% in real terms in 2009, most notably in manufacturing, construction and trade. With the onset of the economic crisis, value added had already declined slightly y-o-y in the final quarter of 2008. In the first quarter of 2009, the y-o-y drop deepened to more than 8%, and remained at this level up to the last quarter, when it dropped to 5.5% largely due to the low base effect. In the year as a whole, value added was lower in real terms than in 2008 in all activities except financial intermediation and predominantly non-market oriented activities (L, M, N). Amid a strong reduction in foreign demand, the greatest decline was recorded for value added in manufacturing, followed by construction, where the (otherwise expected) cyclical slowdown of activity worsened significantly due to the economic crisis, and trade (including the repair of motor vehicles), which in the period of favourable economic trends had enjoyed significant growth due to intense activity in manufacturing and construction and purchases of durable goods, i.e. sectors hit hardest by the crisis.

Figure 11: **Contributions of individual activities to real value-added growth**



Source: SORS; calculations by IMAD.

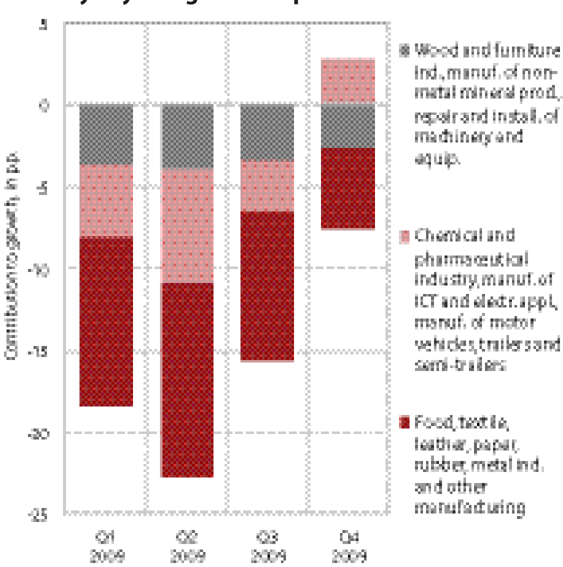
In 2009, value added in manufacturing dropped by 16.5% in real terms from a year earlier. Value added dropped more than 20% y-o-y in the first half of the year, while in the second half of the year this decline was much smaller, particularly in the last quarter, when it was at 4.3%. Since the end of the first quarter of 2009, value added has also been strengthening slightly quarter-on-quarter (seasonally adjusted), but the slowing y-o-y drops at the end of the year were nevertheless largely attributable to the low base, as value added in manufacturing had already dropped significantly in the last quarter of 2008. Movements by individual manufacturing industry varied significantly depending on the export orientation of the industry and the level of technology intensity. At the beginning of the crisis at the end of 2008, production volume dropped most notably in predominantly export-oriented industries, particularly those with a low level of technology intensity, and in the manufacture of transport equipment. During 2009, especially towards the end of the year, the y-o-y production decline in export-oriented industries slowed gradually, partly as a consequence of the base effect (the steep fall at the end of 2008) and partly also due to the gradual recovery of certain high-technology industries, in particular, amid a further increase in foreign demand.[10] The manufacture of transport equipment especially stood out,[11] where last year,

[10] This is also indicated by data on the turnover on foreign markets, which has been strengthening q-o-q since the end of the second quarter and in the last quarter of 2009 was already somewhat higher (as were new orders from abroad) than a year before.

[11] In the last quarter of 2009, the manufacture of transport equipment recorded 29.4% higher production volume than a year earlier. Besides this industry, positive y-o-y growth was only recorded for the manufacture of ICT and electrical equipment (6.1%).

production growth was boosted by anti-crisis measures adopted in certain European countries to mitigate the impact of the economic crisis on the automobile industry. The y-o-y drop in production volume in low-technology export-oriented industries (especially in the textile and metal industries), on the other hand, remained at the level of the previous quarter in the last quarter of 2009. In the second half of the year, less favourable y-o-y movements were also typical for industries that are predominantly oriented to the domestic market, given that domestic demand has yet to recover and that in these industries the base effect was less pronounced at the end of the year, as they were hit by the crisis with a delay. In the last quarter of 2009, production volume thus lagged behind the 2008 level most notably in certain industries that are related to domestic movements in construction (especially the manufacture of non-metal mineral products) and domestic private demand for durable goods (furniture industry).

Figure 12: **Contribution of individual industry groups to total y-o-y real growth in production volume**



Source: SORS; calculations by IMAD.

Value added in construction dropped by 15.9% in real terms in 2009. Unlike in manufacturing, the negative movements in construction continued in 2009. In the first half of the year, value added declined by 13% y-o-y, in the second half by close to 19%; the q-o-q fall in value added (seasonally adjusted) was thus, as in the last quarter of 2008, at around 5% throughout 2009. Data on the value of construction put in place show roughly the same drops in activity for all three construction sectors, albeit quite different quarterly dynamics. In non-residential construction and civil engineering, activity had peaked in the first quarter of 2008 and was declining steadily until the end of 2009, while activity in residential construction had remained vigorous throughout 2008, reaching the highest level in the first quarter of 2009 only to drop significantly in the following three.

Value added in market services (G–K) declined by 6.5% last year. The y-o-y dynamics by quarter show greater declines for most market services in the second half of the year, largely due to the base effect, as value added in market services did not start to drop y-o-y before 2009. With the exception of travel and transport of goods, market services were, to a much lesser extent, directly hit by the drop in foreign demand, feeling the crisis with a lag, through lower activity in manufacturing and construction (wholesale trade, transport of goods, employment agency activities, miscellaneous business activities) and lower demand for durable goods, automobiles (retail trade), and accommodation and food service activities as a result of the economic crisis. In 2009, value added declined in real terms in all market services except financial intermediation, where interest margins increased, by our estimate, with deposit interest rates falling more than lending interest rates.

Real growth of value added in public services (L–O) slowed in 2009 (to 2.1%), but mainly due to the decline in value added in the predominantly market-oriented group of other community, social and personal services. Y-o-y growth of value added otherwise moderated significantly, on average, in health and social care, even though the growth in activity (measured by employment growth) in the long-term care of the elderly and the disabled remains high. In 2009, public administration recorded significant growth in value added for the second year in a row, which is related to stronger activity (measured by employment growth) in municipalities and the non-civil part of public administration. Value added also posted stronger growth in education, where, as expected in view of demographic movements, strong employment growth was recorded, particularly in kindergartens. Employment also increased significantly in the field of other education and training, which is attributable to increased participation of the unemployed in active employment policy programmes and their inclusion in training programmes co-financed by the government.

After a significant decline in 2009, value added of Slovenia's economy in 2010 will be only slightly higher than in the previous year (by 0.6%). Amid a further gradual revival of foreign demand, value added is expected to grow particularly in predominantly export-oriented sectors of the economy (manufacturing), while in activities that are more dependent on the domestic environment (construction, market services), value added will remain more or less below the 2009 level in real terms in the year as a whole. In public services, value added growth will slacken significantly, with the implementation of measures to stabilise public finance.

After stagnating in 2008 and falling sharply in 2009, value added in manufacturing will increase by 4% in real

terms this year. In 2010, the manufacturing sector will record practically the same level of activity as at the end of 2009; the higher level of value added in 2010 as a whole will therefore largely result from increased activity during 2009. Amid what will otherwise be a gradual increase in foreign demand, particularly from EU markets, we project a gradual strengthening of activity in export-oriented industries with higher technology intensity (particularly the pharmaceutical industry and the manufacture of ICT and electrical equipment). Meanwhile, given the low domestic demand, particularly by the construction sector, unfavourable movements will continue in certain industries (furniture industry, manufacture of non-metal mineral products, repair and installation of machinery and equipment), where production activity had already declined strongly last year. The risks to the recovery in manufacturing are associated with high indebtedness in certain industries,[12] as well as the adopted increase in the minimum wage, which might put pressure on the cost competitiveness of labour intensive industries (textile, leather, furniture and wood-processing industries), in particular. Furthermore, subsidies for new automobile and commercial vehicle purchases, which in the previous year had a highly favourable impact on the volume of transport equipment production in Slovenia, are expected to be abolished in EU countries in 2010. Production volume in this industry is therefore projected to drop below the 2009 level in the second half of the year, when subsidies will also be abolished in France, the country to which Slovenia exports the bulk of its road vehicles.

Construction activity will decline further in 2010, and value added will be 6% lower in real terms than a year earlier. A further contraction is projected particularly for the construction of flats, while non-residential construction and civil engineering are expected to stagnate or fluctuate around the level recorded at the end of last year. Construction activity, particularly in the construction of buildings, will be negatively impacted by limited sources of financing, uncertain conditions on the housing market and subdued activity in other sectors of the economy, so that investment in business premises cannot be expected to accelerate this year. In civil engineering, railway infrastructure construction is expected to speed up in 2010, in view of the earmarked budgetary funds, while the construction of roads will continue to decline.

Value added of market services will drop somewhat further in real terms in 2010 (by 0.4%). Amid a further decline in private consumption and construction investment, and relatively low activity in manufacturing, value added in the sale and repair of motor vehicles (G), hotels and restaurants (H) and real estate and business activities (K) is expected to drop somewhat further in real terms in 2010. Transport, storage and communications are projected to record a gradual strengthening of freight transport (road and railway), in particular, in view of the foreseen merchandise export growth, and thus a slight increase in total value added. Value added in financial intermediation is projected to stagnate at the level of last year. As sources of financing will remain limited and with the deteriorating quality of banks' total assets (in 2009, the share of non-performing loans increased to 2.3%,[13] while banks increased impairments by EUR 500 m), growth in banking sector loans, constituting the most important part of financial intermediation, will also remain very modest this year.

In public services, real value added growth will slow to 1.4% this year. Value added growth is expected to slow in public administration, education and health, which will be attributable to the austerity measures adopted by the government, envisaging, among other things, restricted growth in the number of employees in the public sector. At the same time, activity is set to increase in certain public services, where new capacities have already been planned to meet the increased demand (kindergartens, homes for the elderly).

In 2011 and 2012, value added growth is expected to strengthen gradually, but will remain much below the long-term average. It will rise by 2.3% in 2011 and 3% in 2012 in real terms. Amid a further revival of foreign demand and, consequently, domestic merchandise exports, value added growth in manufacturing will be at the level of 4% to 5% in the following two years, and will, largely due to structural weaknesses, reflected in a relatively high share of low- and medium-low-technology industries and limited access to sources of finance as a result of the crisis, still lag behind the growth rates recorded in the years before the economic crisis. Construction activity will start picking up gradually (2.0% and 3.5%, respectively), after shrinking for two years. Railway infrastructure construction will strengthen and, amid improved economic conditions, activity is also expected to increase in the construction of buildings. Increasingly stronger activity in production and gradually also in construction, and private consumption will be followed by movements in market services, where value added growth will also remain much below the year-long average (1.7% and 2.5%, respectively). For 2011 and 2012 we also expect somewhat higher growth of value added in all public services (1.9% and 2.8%, respectively), particularly in health and social work, where further restrictions in employment growth might end in a significant deterioration of access to services.

[12] According to the BS, the highest shares of bad and non-performing assets are recorded in food-, wood-processing, paper and metal industries and in the manufacture of machinery, in particular.

[13] Data for November 2009.

Table 5: **Spring forecasts of value added by activity, 2010–2012, real growth rates in %**

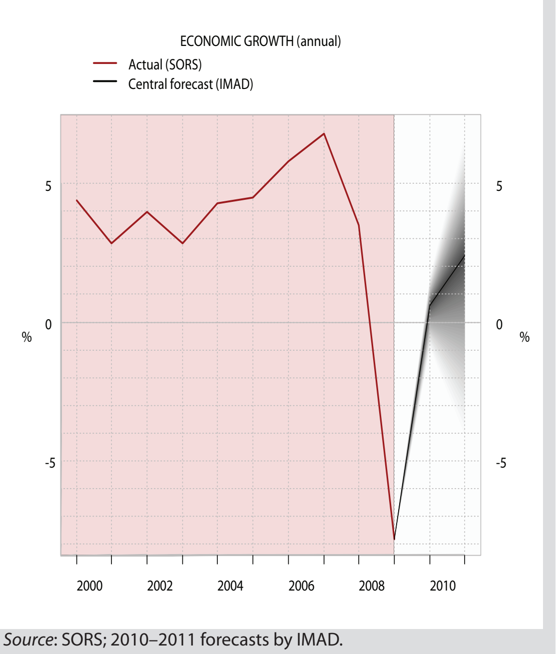
		2009	Forecast		
			2010	2011	2012
A	Agriculture, forestry, hunting	-4.2	4.0	1.5	1.0
B	Fishing	0.2	0.5	1.0	1.0
C	Mining	-5.3	-4.0	1.0	0.5
D	Manufacturing	-16.5	4.0	4.5	4.8
E	Electricity, gas and water supply	-9.5	0.0	2.0	1.0
F	Construction	-15.9	-6.0	2.0	3.5
G	Wholesale and retail trade, repair of motor vehicles	-12.9	-0.5	2.5	2.5
H	Hotels and restaurants	-5.1	-2.5	1.5	2.5
I	Transport, storage and communications	-6.2	1.5	2.0	3.0
J	Financial intermediation	5.3	0.0	2.0	3.5
K	Real estate, renting and business activities	-5.1	-1.0	1.0	2.0
L	Public administration, defence and social security	3.2	1.6	1.8	2.5
M	Education	3.0	2.0	2.0	2.7
N	Health and social work	1.9	1.3	2.5	3.0
O	Other community, social and personal services	-0.7	0.0	1.0	3.0
P	Private households with employed persons	2.6	1.0	1.0	1.0
VALUE ADDED		**-7.9**	**0.6**	**2.3**	**3.0**
	Taxes on products and services	-7.6	0.3	2.3	3.0
	Subsidies on products and services	-10.3	-8.0	-5.0	-5.0
GROSS DOMESTIC PRODUCT		**-7.8**	**0.6**	**2.4**	**3.1**

Source: SORS, forecasts by IMAD.

Box 2: **Risks to the realisation of the forecast for economic growth**

The forecast for economic growth is vulnerable to risks associated with the recovery in the international environment and the situation on financial markets. The rate of economic recovery in Slovenia's main trading partners remains uncertain; in the majority, the projected economic growth is not yet autonomous but strongly depends on anti-crisis measures, a fact that might slow recovery when these measures are withdrawn (see also "International environment"). The baseline scenario does not anticipate any further deterioration in the availability of financial sources at home and abroad. There is nonetheless still a lot of uncertainty in this area, as banks may face liquidity pressures when, as expected, the ECB starts gradually withdrawing the non-standard measures of 2009. Sources of financing to banks will become much more expensive; the availability of sources on international financial markets is also uncertain, as demand for these sources will strengthen notably. In addition to repayments of foreign loans, the bulk of Slovenian banks' obligations to the Eurosystem will also fall due this year. Additional liquidity pressure also comes from the deteriorating quality of bank assets. Under such international and domestic conditions on financial markets, banks may become all the more cautious when granting loans to enterprises and households.

Figure 13: **Central forecast of GDP growth and expected risks**



Source: SORS; 2010–2011 forecasts by IMAD.

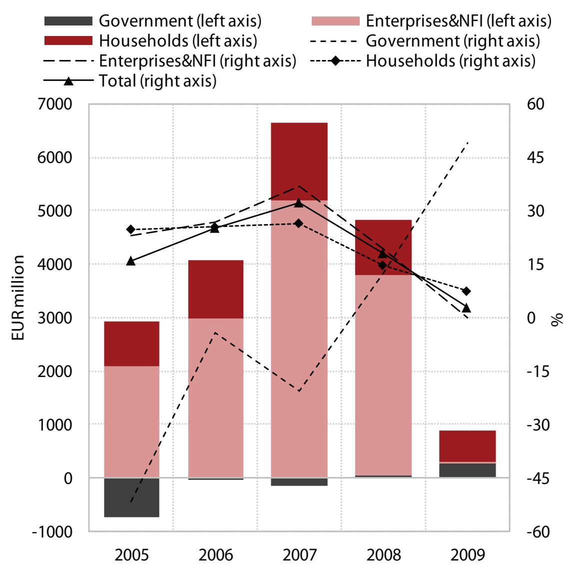
Finacial markets

The lending activity of domestic banks moderated significantly in the previous year. Banks' net lending to domestic non-banking sectors only amounted to EUR 896.7 m, less than one fifth of the figure for 2008, when net borrowing by non-banking sectors had already started to decline. This decline was due to several reasons, with the situation on international financial markets surely among the most important, given the much tighter access of banks to foreign sources of finance; at the same time, demand for loans also decreased as a result of lower production and investment activity. Last year, banks thus used the bulk of funds to repay existing obligations. With the deteriorated overall economic situation, the credit rating of borrowers worsened as well, and thus they were not able to raise loans under as favourable conditions as in previous years. On the demand side, there was a shift in the structure of borrowing by purpose, by our estimate. Borrowers are presently in dire need of financial resources to bridge liquidity problems. Given that these loans are normally not intended for financing development projects, which create new monetary flows, banks are all the more cautious when granting this type of loans, charging additional collateral and even higher interest rates to accommodate the additional risk exposure and thus deterring many a potential borrower from raising a loan.

The greatest decline was recorded in net flows of corporate and NFI loans, which, at EUR 24.4 m, only reached 0.6% of the 2008 level. Net corporate borrowing slowed significantly, while NFI even recorded net repayment of loans. The breakdown by purpose of corporate and NFI loans shows that enterprises and NFI largely reported net repayment of loans for other purposes, which reached nearly EUR 240 m; on the other hand, a positive net flow was only recorded for investment loans, but even these, amounting to just over EUR 330 m, lagged behind the 2008 level by nearly three quarters. The relatively high volume of net flows of these loans is most likely also related to the rebalancing of short-term loans into long-term loans. Net repayment of working capital loans stood at EUR 70 m. These loans would have fallen even more, in our view, had the guarantee scheme for enterprises not been put in place, as working capital loans accounted for more than two thirds of the total of EUR 534.6 m of loans granted last year. Rather than from domestic sources, enterprises borrowed abroad last year, but these net flows were also fairly modest, at EUR 69.4 m, reaching only just over one tenth of the value of 2008. This significant decline is largely attributable to net repayment of these loans in December, which exceeded EUR 300 m. Through to November, the decline of this type of loans was significantly smaller, which was also attributable to lower lending interest rates abroad, as the average level of interest rates on corporate loans in the EMU was more than 300 basis points lower than in Slovenia, a fact that mainly larger enterprises could take advantage of.

The decline in net household borrowing was much less pronounced than in net borrowing by enterprises and NFI. Enterprises and NFI recorded net borrowing of EUR 585.9 m, just below 60% of the 2009 figure. This relatively small decline is in great part due to the volume of housing loans, which was still strong and stable, only just above one quarter lower than a year before, accounting for over 90% of total net household borrowing. Net flows of consumer loans, on the other hand, only reached a good tenth, and loans for other purposes, a good quarter of the values recorded in 2008.

Figure 14: **Net borrowing of domestic non-banking sectors from domestic banks**

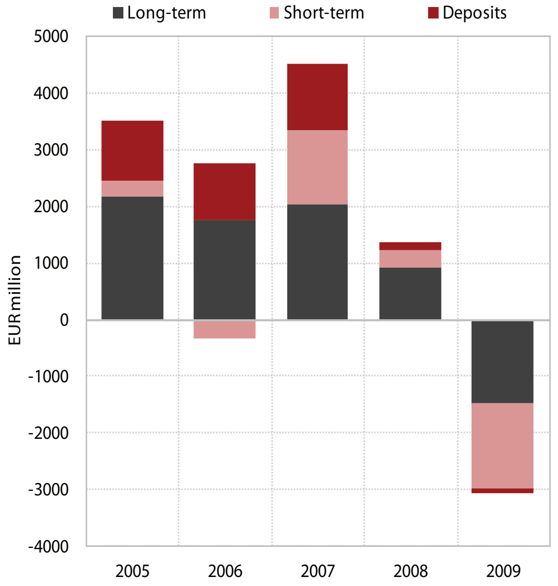


Source: BS.

In 2009, banks experienced a drastic crunch in international financial markets,[14] which in previous years were the main source of financing the strong lending activity. After banks recorded net borrowing abroad in the amount of nearly EUR 12 bn (including deposits) between 2005 and 2008, net repayments reached EUR 3.0 bn last year. The primary source of liquidity in 2009 was ECB instruments, and to even a greater extent, measures put in place by the government. With state guarantees, the government enabled two bank bond issues of EUR 2 bn, and also issued bonds itself, in the amount of EUR 4.0 bn, investing a significant portion of the proceeds[15] in bank deposits. These deposits were largely long-term, which improved the maturity structure of bank sources. The maturity structure of sources was also rapidly improving on the side of household deposits, but in this case the improvement was not so much attributable to new inflows to banks as to rebalancing

[14] The situation had already started to tighten in 2007 and 2008, but in that period it was only long-term borrowing that came to a halt.
[15] Net inflows of government deposits thus totalled EUR 2.1 bn last year.

Figure 15: **Net flows of foreign loans and deposits to the banking sector**



Source: BS.

of short-term into long-term deposits. Specifically, net inflows of household deposits to banks, totalling EUR 624 m, were nearly one half lower than a year before, which is mainly related to significantly lower net inflows from capital markets and unfavourable labour market movements.

Following the high level of lending activity in the years since Slovenia joined EMU, the share of non-performing loans (loans with credit ratings of D and E) started to increase in the previous year due to deteriorating economic conditions. In November, this share was approximately 30% higher than at the end of 2008, reaching 2.3% of classified claims of the Slovenian banking sector. The highest growth of non-performing assets was recorded for sectors that were more exposed to takeover activities and real estate investments in the past, as enterprises in these sectors were hit hardest by the economic crisis. The deteriorating quality of banks' total assets is also reflected in the creation of impairments, which strengthened as early as at the end of 2008, recording EUR 481.5 m in 2009, which is nearly two thirds more than a year earlier.

Box 3: **Lending activity at the beginning of 2010 and future prospects**

In the first two months of this year, the lending activity of domestic banks strengthened with regard to previous months. Net flows of loans to domestic non-banking sectors were thus at EUR 282.1 m, which is nevertheless almost half less than in the comparable period in 2009, when banks' lending activity rebounded somewhat again after the shock at the end of 2008. With household borrowing prevailing at the end of last year, this time stronger borrowing was recorded by enterprises and NFI. In contrast to December, when enterprises and NFI made net repayments of foreign loans, the net flow in January was again positive. Long-term loans prevailed, as in previous months.

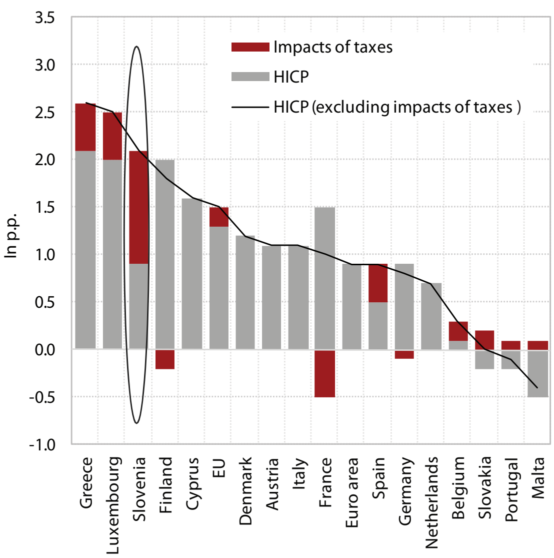
On the other hand, banks still face limited sources on interbank markets and continue to increase impairments. The net outflow of loans and deposits reached nearly EUR 600 m in the first two months of the year. As a result of a government bond issue, general government deposits strengthened again in January, by nearly EUR 1 bn, but the bulk of the proceeds were in the form of overnight deposits. February had already largely recorded a net outflow of these funds from the banking system, with only a minor portion being shifted to long-term deposits. In the first two months of 2010, banks continued to form impairments, which reflects a deterioration in their asset portfolio. Impairments thus increased by EUR 56.7 m, which is 2.5 times the amount recorded in the comparable period last year.

Even though lending activity improved somewhat in the first two months of this year, uncertainty remains high. In addition to repayments of foreign loans, the bulk of the obligations to the Eurosystem will also fall due this year; banks may face even stronger liquidity pressure if, in line with expectations, the ECB gradually starts withdrawing the non-standard measures of 2009. Sources of financing to banks will become much more expensive; the availability of sources on international financial markets is uncertain as well, with demand for these sources expected to become much stronger. Additional liquidity pressure will also come from the deteriorating quality of bank assets, requiring a larger volume of impairments and an increased need for additional capital.

Inflation

Inflation continued to moderate in Slovenia in 2009, but, even if relatively low, was still one of the highest in the euro area. From June 2008, when it reached the highest level (7.0%) in the period since 2003, inflation had been almost continuously slowing until July 2009, when it turned negative to reach its 2009 low. The inflation rate had been hovering around zero through to November, when it rose, largely as a result of prices of liquid fuels that increased y-o-y (due to higher global oil prices and excise duty rises). At the end of the year inflation was 1.8% (2.1%, HICP), which is consistent with the autumn forecast (1.9%). Average inflation, which follows y-o-y inflation dynamics with a lag, was at 0.9% last year, recording its all-time low. During the year, similar price movements as in Slovenia were also recorded in the euro area, which nonetheless saw lower consumer price growth at the end of 2009 (0.9%, HICP), given a negligible contribution of rising tax, in contrast to Slovenia, where tax rises accounted for around one half of the annual price increase.

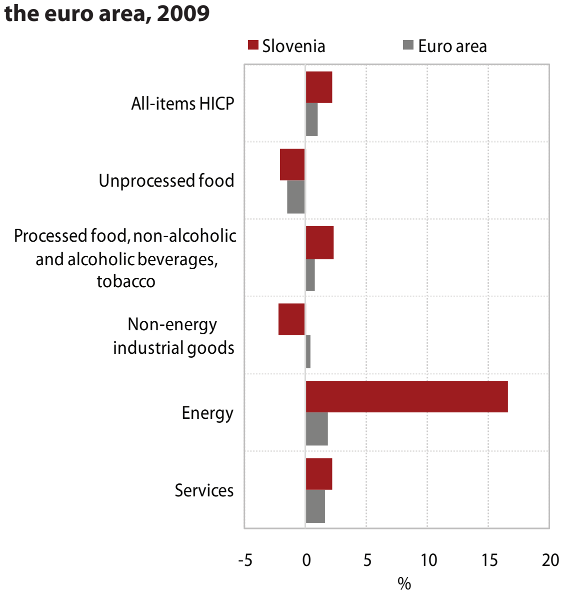
Figure 16: **Inflation rates (HICP) in euro area countries in 2009, with and without the impact of taxes**



Source: Eurostat.

The moderate price movements in 2009 were related to weak demand and were mainly in line with expectations. Weak demand for consumer goods and services in both Slovenia and the euro area due to a stronger precautionary saving motive and rising unemployment translated into adjustment on the supply side; growth in most price groups thus slowed to a relatively low level, except for those directly related to oil price dynamics and excise duty rises. The movement of prices of non-energy industrial goods, which largely follows the movement of passenger car prices and prices of clothing and footwear, purchases of which can be postponed in the short term, was very moderate in 2009. Prices of these goods otherwise rose negligibly in the euro area as a whole, while they declined in Slovenia. A similar moderation was also recorded for food price movements, which declined in the euro area and in Slovenia last year, which according to the ECB estimate is also due the impact of the past decline in global food prices being passed through to retail prices. As a consequence of weak demand, service prices also recorded slower growth in both the entire euro area and Slovenia last year. The relatively greatest slowdown was recorded for prices of services related to leisure-time activities (holiday packages, airline tickets, accommodation and food services).

Figure 17: **Contribution of growth in major price groups to total consumer price growth (HICP) in Slovenia and the euro area, 2009**

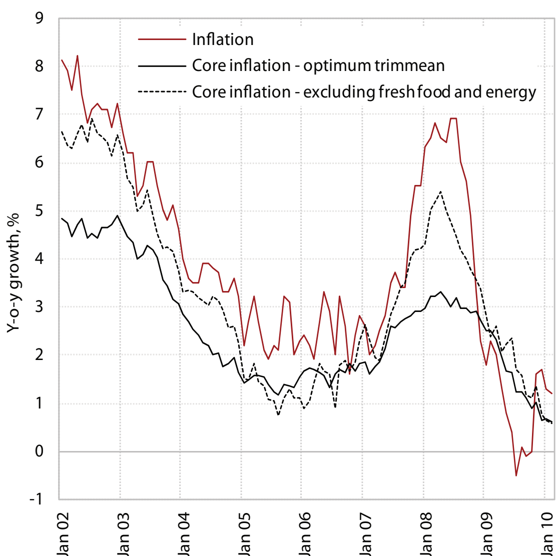


Source: Eurostat.

A slowdown in inflationary pressures is also indicated by core inflation. The measures of core inflation, showing the effects of long-term factors on inflation, declined in 2009 from the relatively high y-o-y levels at the end of 2008, when they had concentrated around 3%. In December 2009, these measures stabilised between 0.5% and 1.5%, where they also persisted in the first two months this year. The moderation at a relatively low level of the different core inflation measures, which exclude one-off short-term impacts, thus confirms the absence of inflationary pressures.

In 2009, prices under various regulation regimes increased more than planned. Last year, administered prices rose by 12.0%, by our estimate, which is largely related to 22% growth in the prices of liquid fuels, to which higher excise duties contributed more than half. Prices of natural gas and district energy, which are, like prices of liquid fuels, determined by a model, declined last year, while other administered prices rose by 4.0%, among other reasons due to unplanned rises in the radio and television (RTV) contribution and prices of vignettes, along with a rise in passenger railway transport prices, which was higher than envisaged in the Administered Prices Adjustment Plan for 2008 and 2009. Growth in administered prices was also higher than planned due to changes in the system of setting prices of public utility services, as in August, the government passed the responsibility for approving these prices to local communities. Prices of public utility services thus rose by 9.8% last year, recording the highest growth in the euro area.

Figure 18: **Movements of inflation and various core inflation measures in Slovenia**

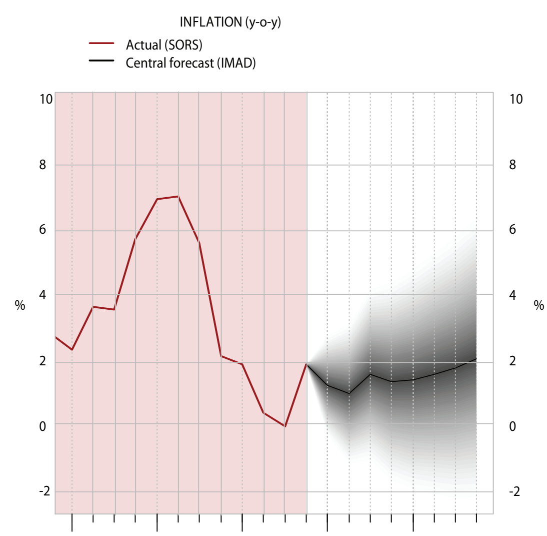


Source: SORS; calculations by IMAD.

Y-o-y and average inflation rates are expected to record 1.3% growth in 2010. Economic activity in Slovenia and in the euro area is expected to record modest growth this year, only allowing modest price rises, assuming there will be no price shocks from the international environment. Low inflationary expectations for 2010, which also arise from consumer surveys for Slovenia and the euro area, have already been confirmed by data for the first two months of this year, during which most price index groups recorded moderate movements with the exception of prices of certain services, particularly public utility services and energy. Assuming that the oil price persists at USD 77 a barrel for the entire year, the contribution of rises in prices of liquid fuels for transport and heating to y-o-y inflation will be negligible in Slovenia at the end of the year (0.1 p.p.), much lower than last year (1.2 p.p.), when oil prices and excise duties on liquid fuels surged. Until the end of the first half of the year, however, the contribution of liquid fuel prices will be more pronounced, given that the assumed oil price is significantly higher than the actual prices in the first half of 2009. The impact of higher excise duties (on tobacco and alcohol) on inflation will be much less than last year, when it was very strong. Not including the impacts of excise duty rises on inflation last year and in 2010, this means that price growth this year will be slightly higher than in 2009. The contribution of administered price rises to this year's inflation will be negligible, in line with the Administered Prices Adjustment Plan for 2010 and 2011, which envisages that administered prices will increase by 0.2%.

Consistent with the anticipated economic recovery, inflation will strengthen to 2% y-o-y in 2011, totalling 1.6% in the year as a whole. Amid the expected strengthening of economic growth in the whole euro area and in Slovenia, demand will gradually become an increasingly important determinant of price movements for more and more goods and services. In view of the improved international situation, the assumed increase in the average oil price (by USD 5 from the previous year) will contribute a mere 0.1 p.p. to inflation. Approximately the same contribution will come from higher prices of tobacco and tobacco products as a result of the foreseen excise duty rises, while raising other excise duties represents one of the upside risks to the price growth forecast. In line with the adopted plan, administered price rises will also have a negligible impact on inflation in 2011. In 2012, when the economic recovery is expected to continue, inflation will be somewhat stronger (2.5% y-o-y and 2.3%, on average).

Figure 19: **Central inflation forecast and the probability of expected divergence**



Source: SORS; 2010–2011 forecasts by IMAD.

The risks of inflation diverging from what was expected are symmetrically distributed, in our assessment. We estimate that the risks for the realisation of the central forecast are distributed symmetrically (Figure 19). The greatest risk for the realisation of the central forecast is, as in the autumn forecast, still associated with uncertainty regarding the dynamics of economic recovery in the international environment and, consequently, at home. A longer period of low capacity utilisation and excess aggregate demand may also mean that inflation will be lower than the central forecast (especially in 2011). The duration of the economic crisis is also to a great extent related to the risks associated with future movements of energy prices and prices of raw materials on global markets. There is still a risk associaed with the timing of the withdrawal of monetary packages put in place by the ECB in 2008 and 2009 to ensure the stability of financial and interbank markets. Upward inflationary pressures may also be seen as a result of certain factors in the domestic environment, particularly those related to the liberalisation of public utility service prices and possible tax policy measures taken by the government to reduce the general government deficit, which already translated into relatively strong price rises of certain goods and services in 2009. With this year's legislative changes in excise duty policy, the government has much leeway in adjusting excise duties on alcohol and tobacco, as well as on liquid fuels for transport and heating. If the latter are raised to the highest permitted level, inflation could increase by around 1.4 p.p.

Table 6: **Spring forecasts of inflation for 2010–2012 and a comparison with the autumn forecasts**

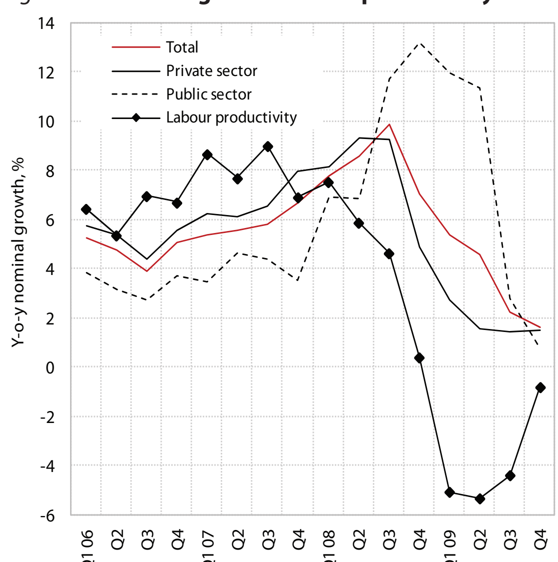
	2009	2010		2011		2012
		Autumn forecast (Sept. 2009)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2009)	Spring forecast (Mar. 2010)	Spring forecast (Mar. 2010)
Inflation (annual average, %)	0.9	1.5	1.3	2.5	1.6	2.3
Inflation (Dec/Dec, %)	1.8	2.0	1.3	2.7	2.0	2.5

Source: SORS, forecasts by IMAD.

Wages

In 2009, nominal wage growth in the private sector adapted to the economic situation and the total gross wage therefore increased much less than in the preceding year, while the process of eliminating wage disparities in the public sector continued. The gross wage per employee increased by 3.4% in nominal terms in 2009, which is a much lower figure than a year before (8.3%). However, amid a strong decline in inflation, the real increase in the figure was equal to that in 2008 (2.5%). The total gross wage recorded half a percentage point higher growth than projected in the autumn, due to higher growth in the private sector (by 1 p.p.), while in the public sector growth was lower than what was forecast (by half a percentage point). Last year saw a significant gap between the average annual wage growth rates in the public and private sectors (4.7 p.p.), but this gap had narrowed considerably by the end of the year (1.0 p.p.). The average gross wage grew faster than labour productivity last year, by 7.3 p.p. in nominal and 8.3 p.p. in real terms. This gap is attributable to last year's slump in economic activity, while the downward adjustment in employment has been slower, largely thanks to measures for subsidised working time and in part also due to the fact that the labour market tends to adjust with a lag. Labour productivity growth as measured by GDP growth per employee was therefore strongly negative.

Figure 20: **Gross wages and labour productivity**



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

Growth of the gross wage in the private sector slowed notably in 2009, under the impact of shrinking economic activity, and was marked by significant changes in employment structure and a decline in overtime work, but also unexpectedly high extraordinary year-end payments in certain economic activities. The gross wage per employee in the private sector increased by a nominal 1.8% and by a real 0.9% last year, which is much less than a year before (7.8% and 2.0%, respectively). Nominal growth was somewhat higher than predicted in the autumn, in particular due to November's higher-than-expected disbursement of Christmas bonuses and 13th month payments, which despite the crisis were only slightly lower than in 2008.[16] November's wage growth was exceptionally high (29%, on average), particularly in four activities (water supply, electricity and gas supply, financial and insurance activities, and mining). With the exception of financial intermediation, these are activities characterised by a specific monopoly position on the market and high levels of state ownership, which recorded relatively high 13th month payments despite deteriorated economic conditions. Major changes in employment structure resulting from dismissals of low-wage employees translated into a greater (measured) increase in the level of the average gross wage per employee. The nominal growth of this sector's gross wage would have otherwise only totalled 0.9%, instead of 1.8% as actually published (see Box 4). Wage adjustments[17] that had been foreseen for last year were, in light of economic difficulties, most likely realised to a lesser extent or in some activities not at all. The subsidised wage compensation[18] paid in the last third of the year did not affect the level of the average wage either, given the relatively low number of recipients and the statutory provision that the compensation should not be lower than the minimum wage. The trend of decelerating y-o-y wage growth, which had already started in mid-2008, thus continued last year, particularly in overtime payments, which were down by 41.0% compared with the preceding year.

Even though wage growth in the public sector slowed compared with 2008, it was still high in 2009 as a whole, which was related to January's disbursement of the second quarter of funds to eliminate wage disparities and the carry-over of high wage growth from 2008. The gross wage per employee in the public sector increased by 6.5% in nominal and 5.6% in real terms in 2009 (a year before: 9.8% and 3.9%, respectively). Wage growth was easing throughout the year (see Box 5) as a result of agreements concluded last year but also due to the base effect. In the first half of the year, wage growth was still exceptionally high y-o-y (11.7% in nominal terms), particularly due to the carry-over of high wage growth from the second half of 2008,[20] January's disbursement of the second quarter of funds to eliminate wage disparities and regular promotions in April, while it dropped to 1.7% in the second half of the year, which slowed y-o-y growth to 1.0% by the end of the year.

Box 4: **Impact of changes in employment structure on the increase in the gross wage per employee in 2009**

Part of the increase in the gross wage per employee in private sector activities, as well as in the total gross wage in 2009, is due to changes in employment structure[19] that took place with the crisis. From October 2008, when the number of persons employed by legal entities in the private sector started slowly decreasing, to December 2009, nearly 42,000 persons were left jobless, most of whom were low-wage workers. The share of low-wage employees thus declined, which resulted in a higher level of the average gross wage per employee.

The impact of changes in employment structure on last year's wage growth was most pronounced in manufacturing, in industry and in the private sector, and consequently contributed to a higher total gross wage per employee. The nominal gross wage in manufacturing increased by 0.8% in 2009 as a whole; assuming that employment structure remained unchanged, this figure would be 0.9 p.p. lower (-0.1%). An equal contribution to growth (0.9 p.p.) was also estimated for the gross wage in industry (B–F), in the private sector and for the total gross wage per employee. Not including the structural effect, i.e. with an unchanged employment structure, the gross wage per employee would increase only by 0.4% in industry and 0.9% in the private sector last year, and the total gross wage by 2.5% (in contrast to 1.3%, 1.8% and 3.4%, respectively, as actually published).

[19] How employment structure changes affect the gross wage per employee is calculated as the difference between actual or officially published y-o-y wage growth (calculated from the weighted average of wages per employee and the current employment structure) and so-called y-o-y wage growth with an unchanged employment structure (calculated from the weighted average of wages per employee and the employment structure of 2008). The calculation was made at the level of the categories of activities according to SKD 2008.

[16] Averaging EUR 683 (EUR 698 a year earlier); the share of employees who received these payments was similar to that in 2008 (18.1%; in 2008: 19.9%).

[17] According to the Collective Agreement on Extraordinary Wage Adjustment for 2007 and the Wage Adjustment Mechanism, Reimbursement of Work-Related Costs, and Holiday Allowances for 2008 and 2009; adjustment of the starting-level and minimum basic wages by 1.15% in January (due to higher than 4.55% average inflation in the preceding year) and regular adjustment of starting-level wages (by 2.3%) in August.

[18] According to the Partial Reimbursement of Payment Compensation Act, which took effect in June 2009, employers facing a decline in business operations but wishing to preserve jobs can put workers on temporary layoff (waiting for work), with part of the burden also being borne by the state. While waiting for work, workers are entitled to 85% of their average monthly earnings for full working time in the last three months. The burden of this compensation is borne by the employer (35%) and the state (50%).

[20] Due to the first quarter of funds to eliminate wage disparities paid in arrears for the period since May, a greater extent of promotions and increases in other year-end payments.

Box 5: **Agreements on public sector wages concluded in 2009**

As in this period of economic crisis growing public sector wages according to the starting points of the 2008 wage reform would pose a great risk to stable macroeconomic relationships, two agreements were concluded for wages in this sector in 2009, which have managed and will continue to manage to stem wage increases in 2009 and 2010 significantly, but not in 2011. The first agreement[21] between the government and the trade unions was concluded in February 2009, stipulating that the third quarter of funds to eliminate wage disparities would be postponed from 1 September 2009 to 1 January 2010, that there would be no regular wage adjustment in July 2009 and that regular performance bonuses would be temporarily abolished (from April to December 2009). With growth in public sector wages still representing a major risk to economic movements and the stability of public finance in 2010 despite the February agreement, a new agreement[22] was reached between the government and the trade unions in October. It further postponed the disbursement of the third quarter of funds to eliminate wage disparities (to 1 October 2010), as well as the payment of the fourth quarter (from 1 March 2010 to 1 October 2011), setting the general adjustment (to be carried out in July 2010) at half of the anticipated y-o-y inflation[23] and deferring the payment of regular performance bonuses until November 2011. By postponing the last two quarters of funds to eliminate wage disparities and disbursement of regular performance bonuses, the agreements have managed and will continue to manage to stem wage growth in 2009–2010; however, in 2011–2012, wage growth will therefore again be significantly higher.

[21] The Agreement on Measures Regarding Public Sector Salaries due to the Changed Macroeconomic Situation for the Period 2009–2010 and Annex I to the Collective Agreement for the Public Sector.
[22] The Agreement on Measures Regarding Public Sector Salaries for the Period December 2009 – November 2011, along with Annex II to the Collective Agreement for the Public Sector.
[23] According to the Spring Forecast of Economic Trends 2010 (IMAD); the adjustment for 2011 will be determined subsequently.

Growth of the average gross wage is expected to ease in 2010, due to slower wage growth in the public sector, and the gap between wage rises in the private and public sectors will narrow. The average gross wage per employee is expected to increase by 2.7% in nominal and 1.4% in real terms this year. Both sectors will record fairly similar growth rates for the year as a whole (private sector 2.7%, public sector 2.3%), but at the end of the year, y-o-y growth will be significantly higher in the public (5.9%) than in the private sector (2.7%), due to disbursement of the third quarter of funds to eliminate wage disparities (October 2010). In nominal terms, this year's growth of the total gross wage will be fairly equal to labour productivity growth (only 0.2 p.p. faster), while in real terms it will lag behind it (by 1.6 p.p.).

Box 6: **Impact of the increase in the minimum wage on wage growth in the private sector**

According to our estimate,[24] the increase in the minimum wage will impact this year's growth of the gross wage in the private sector. This impact, however, will depend on how enterprises will adjust to the new minimum wage. Given the legal provision allowing enterprises to accommodate to the new minimum wage level over a period of two years, the minimum wage increase will be gradual, in our assessment.

Assuming that the adjustment to the new minimum wage will be gradual (up to the level of each year's transitional amount of the new minimum wage), the contribution to gross wage growth in the private sector is expected to total 0.7 p.p. in 2010, 0.4 p.p. in 2011, and in 2012, when the minimum wage should be adjusted to the final mandatory level, 0.9 p.p. These increases in the average gross wage in the private sector in individual years result from higher wages of employees whose wages had been below the level of the new minimum wage. Pressures to also raise the wages of all other employees with wages above the minimum wage threshold could increase growth by 0.6 p.p. to 1.0 p.p. in 2010 (between 0.4 p.p. and 0.8 p.p. in 2011 and 2012), assuming that these pressures will only be felt in activities where the concentration around the minimum wage is highest.[25] Our forecast takes account of the lower limit of the interval, as in a time of crisis, such pressures are not expected in all activities and wage brackets, but are likely to occur only in activities (if at all) that have the greatest share of employees receiving the minimum wage and where wage relations will be most disrupted.

If the minimum wage is raised to the new level in all activities at the same time, which is not very likely, the impact of the increase on nominal wage growth in the private sector will be greater this year, 2.1 p.p. This estimate is also based on the assumption that the average gross wage in the private sector will only grow as a result of increases in the wages of employees whose wages had been below the level of the new minimum wage. The impact of pressures on wage growth in the private sector due to the increase in wages of other employees with wages above the new minimum wage threshold (only in activities with the greatest number of minimum-wage recipients) is estimated at an additional 0.4 p.p. to 1.9 p.p.[26]

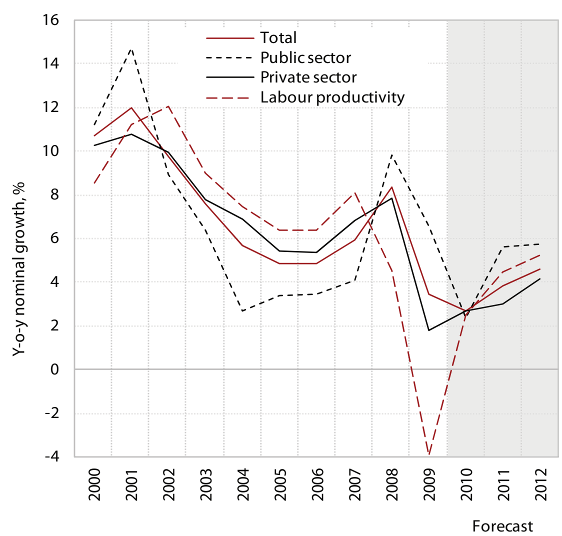
[24] The estimates are based on the most recent available data on the distribution of persons in paid employment by amount of gross earnings of 2008 (SORS, ZAP/STRU/L survey). All estimates and shares of persons in paid employment by individual wage brackets have been calculated with regard to the number of persons working full time. These estimates are explained in detail in the IMAD Working Paper No. 3/2010, Ocena posledic dviga minimalne plače (Estimate of the consequences of the increase in the minimum wage).
[25] If all private sector activities were taken into account, these pressures would be higher.
[26] The upper limit of the interval would only be reached if wages of other employees increased by half of the increase in the minimum wage (12.5%). If all private sector activities were taken into account, these pressures would be significantly higher.

We estimate that this year the average gross wage in the private sector will record higher growth than last year, which will be the result of several factors. The forecast for wage growth totals 2.7% in nominal and 1.4% in real terms.[27] Besides the slight economic recovery and one additional working day, higher growth will be underpinned in particular by the increase in the minimum wage. The forecast is also based on the assumption that the volume of extraordinary year-end payments will be similar to last year. The impact of changes in employment structure, which last year accounted for as much as half of the increase in the gross wage per employee in the private sector (see Box 4), will be smaller this year. Gross wage growth will strengthen by slightly over 1 p.p., by our estimate, as a result of the higher minimum wage and increases in wages of other employees which are just above the minimum wage threshold (only in activities with the greatest number of minimum wage recipients) (see Box 6). After exceeding labour productivity growth for two years, gross wage growth will lag behind labour productivity growth in real terms (by 1.6 p.p.), outpacing it only slightly in nominal terms (by 0.2 p.p.).

Despite continuing elimination of wage disparities,[28] this year's growth of the public sector gross wage will be much lower than in 2009, and also lower than in the private sector. The gross wage per employee is expected to increase by a nominal 2.3% and a real 1.0% this year, which is somewhat more than anticipated in the autumn, when wage policy negotiations were still underway[29] (1.0% and -0.5%, respectively). The bulk of this year's growth of the average wage in the public sector will come from promotions of public servants in April and disbursement of the third quarter of funds to eliminate wage disparities in October, in addition to July's adjustment for half of the foreseen inflation and wage rises in January[30] (by 0.2%). From July onwards, y-o-y wage growth will strengthen steadily to reach 5.9% in nominal and 4.6% in real terms by the end of the year. After exceeding labour productivity growth for two years, this sector's gross wage growth will fall behind labour productivity growth this year (by 0.2 p.p. in nominal and 2.0 p.p. in real terms).

In 2011, wage growth will strengthen in both sectors relative to this year, though more notably in the public sector, with growth of the total gross wage lagging behind labour productivity growth. Being still influenced by the increase in the minimum wage and, to a lesser extent, by changes in employment structure, the increase in the gross wage in the private sector (3.0% in nominal and 1.4% in real terms) will be proportional to the improvement in the economic environment in a year, which will otherwise be three working days shorter than the previous year. The gross wage per employee in the public sector will be growing faster next year (by 5.6% in nominal and 4.0% in real terms), mainly on account of a higher carry-over of wage growth from the second half of 2010, and partly also due to regular promotions of public servants in April and disbursement of the fourth quarter of funds to eliminate wage disparities in October. With 3.8% nominal growth and 2.2% real growth, the gross wage per employee will lag behind labour productivity growth by 0.7 p.p. in nominal and 0.8 p.p. in real terms.

Figure 21: **Gross wage per employee and productivity, forecast**



Source: SORS; forecasts by IMAD.

In 2012, wage rises in the private and public sectors will again be somewhat more equal and growth of the total gross wage will continue to lag behind labour productivity growth. *Private sector* wages are projected to increase (by 4.2% in nominal and 1.8% in real terms) in line with further improvement in the economic environment in a year that will otherwise be another three working days shorter than the preceding year. The impact of the final adjustment of the minimum wage will again be somewhat larger (see Box 6). The forecast of the *public sector's* 5.7% nominal and 3.3% real growth includes promotions and a gradual resumption of regular performance-based payments. Nominal growth of the total gross wage per employee (4.6 %) will be 0.7 p.p. lower than nominal labour productivity growth (5.3%); a similar lag will be recorded for real growth, with 2.2% wage growth and 3.0% labour productivity growth.

[27] The estimates are based on the most recent available data on the distribution of persons in paid employment by amount of gross earnings of 2008 (SORS, ZAP/STRU/L survey). All estimates and shares of persons in paid employment by individual wage brackets have been calculated with regard to the number of persons working full time. These estimates are explained in detail in the IMAD Working Paper No. 3/2010, Ocena posledic dviga minimalne plače (Estimate of the consequences of the increase in the minimum wage).

[28] The process of eliminating wage disparities is to continue according to the October 2009 Agreement on Measures Regarding Public Sector Salaries for the Period December 2009 – November 2011.

[29] As wage policy for the public sector had not yet been agreed upon when the Autumn Forecast was issued, only the regular April promotions were anticipated for this year, based on the Budget Memorandum for 2010–2011 and on the position of Slovenia's government for negotiations with the public sector trade unions.

[30] As stipulated in the Agreement of October 2009; by half of the difference between last year's y-o-y inflation (1.8%) and the foreseen inflation (Spring Forecast 2009, 1.4%).

Table 7: **Spring forecasts of wage and productivity movements for 2010–2012 and a comparison with the autumn forecasts**

		2009	2010		2011		2012
			Autumn forecast (Sept. 2009)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2009)	Spring forecast (Mar. 2010)	Spring forecast (Mar. 2010)
Nominal growth, in %	Gross wage per employee	3.4	2.1	2.7	3.9	3.8	4.6
	Private sector	1.8	2.4	2.7	3.9	3.0	4.2
	Public sector	6.5	1.0	2.3	3.9	5.6	5.7
	Labour productivity	-3.9	3.1	2.5	5.5	4.5	5.3
Real growth, in %	Gross wage per employee	2.5	0.6	1.4	1.4	2.2	2.2
	Private sector	0.9	0.9	1.4	1.4	1.4	1.8
	Public sector	5.6	-0.5	1.0	1.4	4.0	3.3
	Labour productivity	-5.8	2.5	3.0	3.4	3.0	3.0

Source of data: SORS; forecasts by IMAD.

Employment and unemployment

The decline in employment, which started in the last quarter of 2008, continued throughout 2009. According to seasonally adjusted data, the falling of employment otherwise eased somewhat towards the end of the year, but remained high y-o-y. The number of people in formal employment dropped by 2.4% in the year as a whole, which is in line with the autumn forecast (2.5%). The greatest decline was recorded for the number of persons in paid employment, particularly of temporarily employed foreigners (by 3%), and among self-employed persons for the number of farmers, while the number of individual private entrepreneurs has been growing for several years, as a result of large enterprises outsourcing certain works and services to the small business sector. Last year, the number of self-employed persons also grew due to reinforced implementation of active employment policy measures aimed at promoting self-employment. In the autumn, we anticipated – in view of labour market movements in the first half of the year – a decline in various types of informal employment, but a smaller y-o-y drop in survey employment compared with formal employment[31] suggests that the volume of informal work increased in 2009, which contributed to a somewhat smaller-than-anticipated decline in survey employment.

[31] In addition to employed and self-employed persons, the number of persons in employment according to the Labour Force Survey also includes informal employment such as occasional work, work by unpaid family workers and similar, but does not include temporarily employed foreigners.

Table 8: **Number and growth of persons in employment, different methodologies[32]**

	2008	2009	2009/2008
	Number in '000		Growth in %
National accounts statistics	989	967	-2.2
Labour Force Survey	996	981	-1.6
Statistics on formal employment	879	858	-2.4
within that: - persons in paid employment	790	767	-2.8
- self-employed persons	89	91	1.6
of whom farmers	34	32	-4.9
Temporarily employed foreigners (estimate*)	42	41	-3.0
Informal employment (estimate*)	159	163	2.9

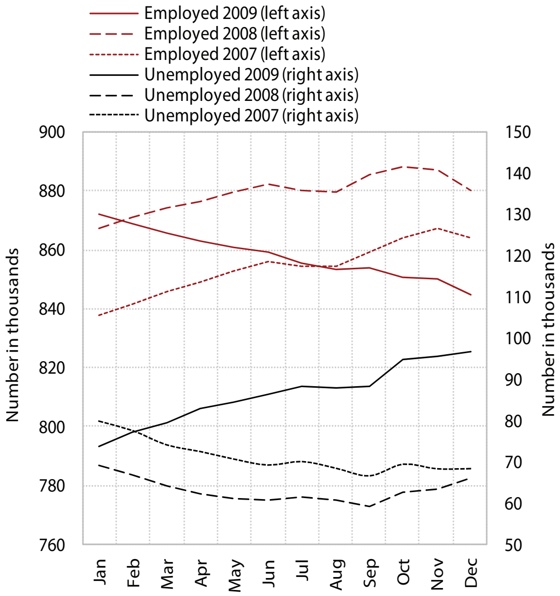
Source: SORS, ESS. Note: * festimate by IMAD.

In 2009, easing of economic activity was also reflected in lower labour demand. The number of vacancies and persons hired dropped by one third on average compared with the previous year. The number of vacancies declined most notably in construction (by 45%), which was also reflected in a lower number of employed foreigners (-3%) and fewer work permits (13.6% fewer in December 2009 than a year earlier).

Measures adopted to preserve jobs mitigated the decline in employment in 2009. The government intervened in

[32] The number (growth) of persons in employment depends on the statistical source and methodology, as individual methodologies take into account different categories of employed persons.

Figure 22: **Number of persons in formal employment and registered unemployed**



Source: SORS, ESS.

the labour market by passing two acts,[33] thereby including over 80,000 employed persons in subsidy schemes (around 10% of the total number of employed persons) and preventing even faster unemployment growth. The decline in the number of employed persons was also partly mitigated by active employment policy measures, which were allocated more funds last year than in 2008 and which helped around 13,000 unemployed persons find jobs.

The number of employed persons declined most notably in manufacturing, while it increased in certain services. The average annual number of persons in formal employment declined by 22,539, or 10.1%, in manufacturing, but it also dropped, albeit much less, in agriculture, transport, construction, distributive trades, mining and other miscellaneous business activities. In all other activities employment increased, the most in professional, scientific and technical activities, education and health.

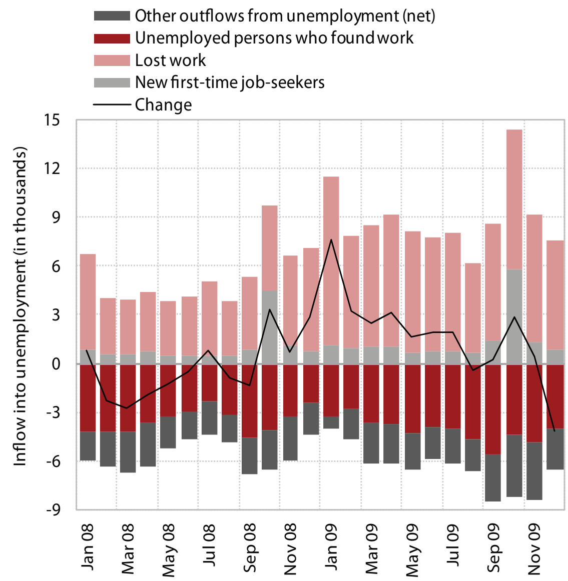
Unemployment continued to rise in 2009 amid falling employment. The number of registered unemployed persons and the number of the unemployed according to the Labour Force Survey increased throughout the year. According to seasonally adjusted data, the increase in unemployment was easing towards the end of the year according to both statistics. With a strong increase in the numbers of persons who lost work and unemployed first-time job-seekers, the annual registered unemployment rate rose to 9.1% on average in 2009 and 10.3% by the end of the year, after bottoming out in 2008 (7.0% at the end of 2008). The number of unemployed persons who found jobs and the number of those who were deleted from the register for reasons other than employment[34] also grew. The internationally comparable survey unemployment rate also increased (Table 9), but remains one of the lowest in the EU.

Table 9: **Average number of unemployed and unemployment rates, 2008–2009, different methodologies**

	2008	2009	2009/ 2008
Number of registered unemployed	63,2	86,4	36.6%
Number of survey unemployed (ILO)	46,0	61,5	33.7%
Registered unemployment rate*	6.7%	9.1%	-
Survey unemployment rate (ILO)*	4.4%	5.9%	-

Source of data: SORS. Note: *The rate for 2009 calculated by IMAD is based on quarterly data from SORS.

Figure 23: **Components of monthly inflows into and outflows from unemployment**



Source: ESS; calculations by IMAD.

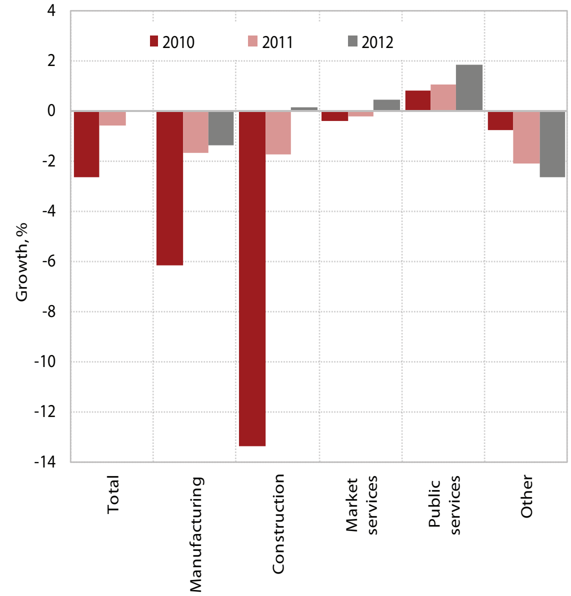
The number of employed persons will continue to decline this year. Employment is expected to contract further this year, while unemployment will increase, more than projected in our autumn forecast. Employment will drop at a similar rate as in 2009, largely due to a stronger decline in employment in construction, which has yet

[33] The Partial Subsidising of Full-Time Work Act, OG RS 5/2009, and the Partial Reimbursement of Payment Compensation Act, OG RS 42/2009.

[34] These reasons are education, retirement, maternity leave and other transitions to inactivity, failing to fulfil one's duties as an unemployed person, deletion on one's own volition and similar.

to follow the 2009 construction activity slump; the number of foreign workers, who represent around half of all employed persons in construction, is particularly expected to decline. In 2010, the labour market will still be influenced by the two interventive acts aimed at preserving jobs. With employment growth adapting to lower economic activity with a lag, the number of persons employed in manufacturing, mining and certain market services will continue to drop, albeit less notably than last year. Employment will also decline as a result of the higher minimum wage.[35] On the other hand, we expect further employment growth in certain business and public services, within the latter especially in services related to the growing needs and according to employment norms adopted in child care and care of the elderly; however, this growth will be slower than last year. The number of employed persons is thus expected to decline by 2.3% this year (according to the national accounts statistics). Amid such labour market movements, the number of unemployed persons will rise further this year, reaching around 105,000 in the year as a whole, with unemployment rates set to increase to 7.2% (survey unemployment rate) and 11.1% (registered unemployment rate), respectively.

Figure 24: **Gains and declines in the number of persons in employment by sector**



Source: forecast by IMAD.

The expected recovery of GDP growth will not yet be reflected in improvement in the labour market in 2011. The average number of persons in employment will drop by another 0.6% compared with this year. With the labour market responding to changes with a delay, the decline in economic activity is typically followed by a decline in employment with a lag; a similar lag will now be visible when economic activity strengthens. Enterprises will adapt only gradually to the modest economic growth, and, rather than increasing the number of employees, will most likely first reinstate full-time employees who work shorter hours and those waiting for work at home (workers on temporary layoff).[36]The unemployment rates will increase further: the survey unemployment rate to 7.6% and the registered unemployment rate to 11.6%.

Table 10: **Spring forecasts of labour market trends for 2010–2012 and comparison with the autumn forecasts**

	2009	2010		2011		2012
		Autumn forecast (Sept. 2009)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2009)	Spring forecast (Mar. 2010)	Spring forecast (Mar. 2010)
Formal employment (growth in %)	-2.4	-1.9	-2.4	-0.8	-0.5	0.2
Employment according to the national accounts (growth in %)	-2.2	-1.6	-2.3	-0.9	-0.6	0.0
Registered unemployment rate (in %)	9.1	10.6	11.1	10.9	11.6	11.2
Survey unemployment rate (in %)	5.9	6.7	7.2	7.3	7.6	7.3

Source: SORS; forecasts by IMAD.

[35] The estimate of how the increase in the minimum wage will affect employment is explained in more detail in the IMAD Working Paper No. 3/2010, Ocena posledic dviga minimalne plače (Estimate of the consequences of the increase in the minimum wage).

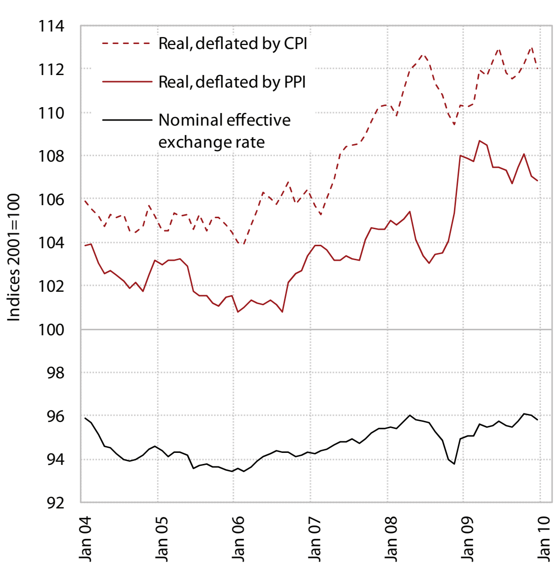
[36] Under the schemes aimed at preserving jobs according to the Partial Subsidising of Full-Time Work Act, OG RS 5/2009, and the Partial Reimbursement of Payment Compensation Act, OG RS 42/2009.

Price and cost competitiveness

The deterioration of price competitiveness eased in 2009 due to slower consumer price growth, but Slovenia was nevertheless among the euro area countries with relatively less favourable movements of price competitiveness for the third consecutive year.[37] Growth in the real effective exchange rate as measured by relative[38] consumer prices slowed in 2009 (to 0.7%), after increasing significantly for two years. The nominal effective exchange rate recorded modest growth (0.4%) despite higher volatility of the euro, as in 2009 as a whole the impacts of the appreciation of the euro against other EU currencies were in large part offset by its depreciation against currencies outside the EU. Growth in relative consumer prices, which were a decisive factor in the deterioration of the price competitiveness of Slovenia's economy in 2007 and 2008, slowed last year (to 0.3%). Price competitiveness improved in nearly half of the euro area countries in 2009 as a whole, while in more than half it deteriorated. Among the latter, greater deterioration than in Slovenia was recorded in four.

The price competitiveness of manufacturing deteriorated more notably in 2009. Accelerated growth in the real effective exchange rate deflated by relative producer prices in manufacturing (to 2.9%) largely resulted from higher relative prices. These had been declining at the monthly level since the second quarter of 2009, but still posted significant y-o-y growth, as producer prices in Slovenia started to adjust to prices in its trading partners with a lag.

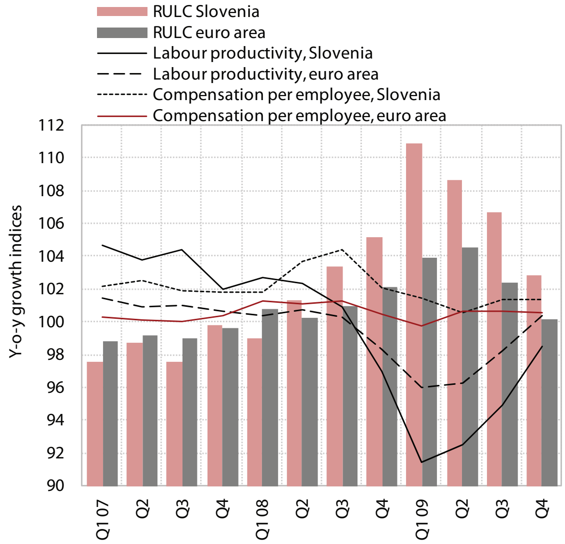
Figure 25: **Nominal and real effective exchange rates**



Source: ECB, SORS, Eurostat, OECD; calculations by IMAD.

Slovenia was one of the euro area and EU countries where cost competitiveness deteriorated the most in 2009. Although slowing considerably since the second quarter, the growth rates of real unit labour costs and the real effective exchange rate deflated by their nominal growth were very high in 2009 as a whole (7.2% and 5.6%, respectively). This was attributable to a significant drop in labour productivity, which was otherwise easing gradually due to the y-o-y deepening of the decline in employment.[39] As a result of a significantly smaller drop in labour productivity, the deterioration of cost competitiveness in the euro area and in the EU was much less pronounced than in Slovenia, but Slovenia's gaps with the euro area average and the EU have narrowed noticeably since the second quarter of the year (Figure 26). Growth in the compensation of employees per employee in Slovenia in 2009 was similar to that in the euro area and in the EU.

Figure 26: **Cost competitiveness of the economy in Slovenia and in the euro area, and its components**



Source: ECB, SORS, Eurostat, OECD; calculations by IMAD.

This year and the next, the price competitiveness of the economy will improve under the impact of a weaker euro against the dollar, amid similar consumer price rises in Slovenia and its trading partners. Owing to

[37] In the three years before the adoption of the euro, price competitiveness movements in Slovenia were relatively more favourable than in most euro area countries.

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

[39] In manufacturing, where the y-o-y drop in labour productivity had been above average in the first three quarters of the year, labour productivity rose significantly in the last quarter of the year (8.5%), when manufacturing industries adjusted, with a lag, to the above-average drop in activity by a more pronounced shrinkage of employment. Unit labour costs in manufacturing consequently dropped in the last quarter of the year: 3.9% in nominal and 1.4% in real terms (growth rates of 9.8% and 8.1%, respectively, in 2009 as a whole). In construction, where economic activity dropped only slightly less than in manufacturing in 2009, no such adjustment took place, and unit labour costs therefore increased significantly in the last quarter: 15.2% and 15.9%, respectively (in 2009 as a whole, 18.9% and 17.7%, respectively).

the expected recovery in international trade flows, the impact of cost competitiveness on Slovenian exports and business operations of enterprises will be positive in this period. The real effective exchange rate deflated by relative consumer prices will, on the technical assumption of USD 1.358 to EUR 1, drop this year and the next (by 1% and 0.1%, respectively).

Pressures from unit labour costs on competitiveness will ease this year and the next, as labour productivity is projected to increase again. With the compensation of employees per employee expected to continue its moderate growth, negative cost competitiveness movements will turn positive largely as a result of the expected resumption in labour productivity growth arising from a gradual economic recovery amid a further adjustment of employment. Last year's strong growth in real unit labour costs will thus come to a halt this year (0.2% growth), and next year, unit labour costs are expected to drop (-0.8%). The real effective exchange rate will already drop this year (-1.1%, next year -0.3%), in light of the expected depreciation of the euro. Given the high degree of openness of Slovenia's economy, the easing of pressures from growing unit labour costs on competitiveness (which were much greater in Slovenia over the last two years than in most countries of the euro area and in the EU) is exceptionally important for business operations of Slovenian enterprises in foreign markets, as well as in Slovenia.

Table 11: **Indicators of price and cost competitiveness in 2008 and 2009**

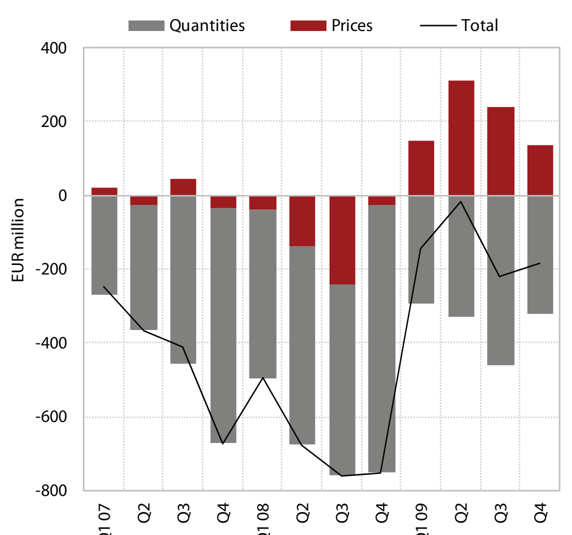
	2008	2009	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Effective exchange rate [1]						
Nominal	0.5	0.4	-0.3	-0.3	0.3	1.8
Real, deflator CPI	2.8	0.7	0.4	0.0	0.2	2.3
Real, deflator PPI	0.8	2.9	3.0	3.4	3.7	1.5
Real, deflator ULC	3.4	5.6	8.5	5.4	4.5	4.8
Unit labour costs, economy and components						
Nominal unit labour costs	6.2	9.3	15.2	11.4	7.5	3.7
Compensation per employee, nominal	7.0	3.0	5.3	3.0	2.0	2.0
Labour productivity, real	0.7	-5.8	-8.6	-7.6	-5.0	-1.6
Real unit labour costs	2.3	7.2	10.9	8.7	6.7	2.9
Labour productivity, nominal	4.5	-3.9	-5.0	-5.3	-4.4	-0.8

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

Current account of the balance of payments

The current account deficit, which had been strengthening during the period of strong economic growth and high commodity price rises on world markets, shrank to EUR 340.4 m, or 1.0% of GDP in 2009. Compared with the previous year, when it reached a record high, the deficit dropped by EUR 1,946.2 m, or 5.2 p.p. as a share of GDP. This decline was largely due to a lower deficit in merchandise trade, more than half of which came from the ratio of movements in export and import prices, which were declining throughout last year. With lower prices of oil and other primary commodities, import prices recorded a much greater fall (-8.9%) than export prices (-4.7%), and consequently the terms of trade thus improved by as much as 4.6%. Amid significantly lower investment and export demand, the merchandise trade deficit also narrowed due to a greater decline in the volume of merchandise imports than exports. The merchandise trade deficit thus recorded EUR 621.2 m, or 1.8% of GDP (a 5.4 p.p. lower figure than in 2008).

Figure 27: **Merchandise deficit, contribution of prices and quantities**



Source: SORS – National accounts; calculations by IMAD.

The deficit in the balance of factor incomes declined mainly as a result of net interest payments abroad. The deficit in factor incomes, which had widened more noticeably after 2007 with increased private sector borrowing and consequently higher repayment of loans raised at relatively higher interest rates before the crisis, narrowed significantly last year due to banks and enterprises repaying loans and as a result of falling interest rates.[40] With the ECB reducing interest rates to mitigate the consequences of the financial crisis, net repayments of interest on commercial bank loans recorded the greatest decline. After increasing for several years, the surplus in interest on portfolio investment also declined last year, under the influence of lower net interest receipts of the banking sector as well as higher net interest payments of the general government on bonds and notes.[41] After the modest deficit of 2008, there was, at the same time, a surplus in labour income as a consequence of a lower outflow of earnings of foreign workers working in Slovenian enterprises. The deficit in the factor income balance thus amounted to EUR 651.0 m, or 1.9% of GDP last year (0.9 p.p. less than a year earlier).

Figure 28: **General government net interest payments abroad**

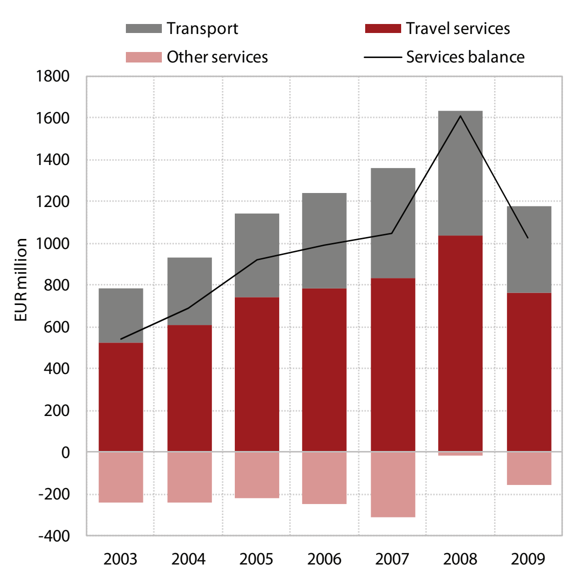
Source: BS, Balance of payments statistics.

[40] The implicit interest rate on total gross external debt dropped from 4.5% in 2008 to 2.3% in 2009, by our estimate.
[41] Except for interest prepayments, no interest on any of the three issued government bonds fell due last year.

Higher absorption from the EU budget last year also contributed to a decline in the deficit of current transfers. Slovenia's net budgetary position recorded a surplus of EUR 155.7 m relative to the EU budget. Realised revenue from the EU budget accounted for 73.1% of what was envisaged for 2009 (EUR 814.1 m), which is the highest figure since 2006. The bulk of resources came under the Common Agricultural Policy and from structural funds, while higher realisation compared with the previous year was due in particular to increased absorption from the Cohesion Fund, the greatest thus far; absorption from structural funds also increased relative to previous years, but was nevertheless still half of what had been envisaged in the state budget. Slovenia paid 97.2% of the foreseen EUR 452 m into the European budget, most of which came, as usual, from GNI-based payments. The deficit in private sector transfers narrowed last year. With such private and government transfer movements, the deficit in current transfers fell to EUR 90.3 m (down from EUR 206.4 m in 2008).

The surplus in the services balance, which had been widening since 2003, shrank last year. This figure totalled EUR 1,022.2 m, or 2.9% of GDP (a 1.4 p.p. lower figure than a year before). Among the main categories in the structure, only imports of travel services increased last year, which, amid a decline in exports of travel services, narrowed the surplus in trade in travel services. The surplus in road transport trade also declined. After being balanced in 2008, trade in the group of other services ran a deficit again: the greatest declines were recorded for surpluses in construction and merchanting services, while the trade deficit in licences, patents and copyrights widened.

Figure 29: **Services trade balance**



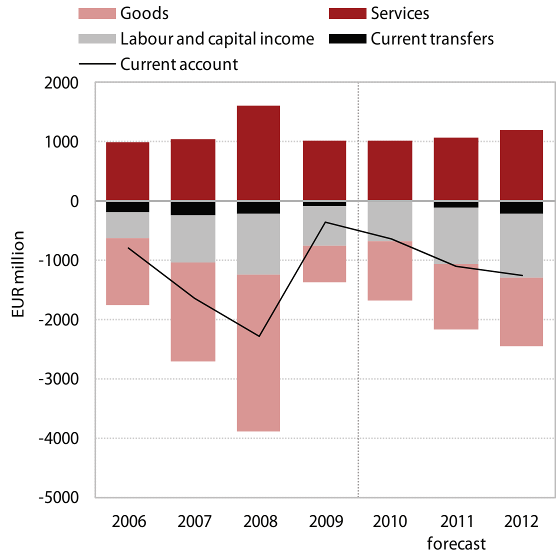
Source: BS.

The current account deficit is expected to widen this year, according to our spring forecast. The widening of the current account from last year's EUR 340 m (1.0% of GDP) to EUR 638 m (1.8% of GDP) will almost solely be due to a higher merchandise trade deficit as a result of deteriorated terms of trade, while real growth of exports will exceed real growth in imports this year. In line with the assumed movements of oil and other commodity prices and industrial producer prices in Slovenia and abroad, import prices for Slovenia's economy will increase more rapidly than export prices this year, and the terms of trade will thus deteriorate by 2.6%. As in previous years, price movements will therefore have a significant impact on the current account – with unchanged terms of trade, the merchandise trade deficit would be EUR 477 m lower this year, by our estimate. This year, the surplus in the services balance will contract further, largely on account of a higher trade deficit in the group of other services[42] and a lower trade surplus in travel services, despite a higher trade surplus in transport services. The deficit in factor incomes will make a negligible contribution to the deepening of the current account deficit this year. Net payments of interest on net external debt will otherwise increase, given that, in the structure of private sector external debt, payments of interest on loans with somewhat higher interest rates than in the previous year are expected to fall due this year. Owing to increased borrowing, we also anticipate higher payments of interest on government debt. Net payments of dividends and reinvested earnings, by contrast, are expected to be lower than last year. Meanwhile, the surplus in the labour income sub-balance is estimated to be somewhat higher than last year. Amid an approximately unchanged level of receipts from abroad, this will be a consequence of a further decline in the compensation of foreign workers, as a result of the expected further reduction in the number of these workers in Slovenia. With Slovenia's net budgetary surplus in the absorption of EU funds projected to increase further,[43] the balance of current transfers will run a surplus this year.

The current account deficit will continue to widen in 2011. The deficit will increase to EUR 1,095 m, or 3.0% of GDP, not only as a result of a growing merchandise trade deficit as this year, but also of higher deficits in the sub-balances of factor incomes and current transfers. In 2011, the terms of trade and, consequently, the merchandise trade balance are expected to deteriorate less than this year, with exports recording higher volume growth than imports next year as well. The balance of factor incomes will deteriorate most notably in 2011, by our estimate, given the anticipated interest rate growth on international financial markets and further increase in debt and thus higher debt service expenses. The expected 2010 surplus in current transfers will only be transitory, in our view, being influenced by the estimated decline in net inflows of EU funds[44] in 2011, which will not cover the deficit in other current transfers of the government and private sectors. The surplus in trade of services recorded in all previous years will increase again after two years of decline, due to a higher trade surplus in trade in travel and transport services.

The deficit is set to see slower growth in 2012. The current account deficit will widen to 3.3% of GDP compared with that in 2011, under the impact of the same factors as in 2011.

Figure 30: **Current account of the balance of payments**



Source: BS, forecasts by the IMAD.

Table 12: **Spring forecasts of the current account of the balance of payments for 2010–2012 and a comparison with the autumn forecasts**

	2009	2010		2011		2012
		Autumn forecast (Sept. 2009)	Spring forecast (Mar. 2010)	Autumn forecast (Sept. 2009)	Spring forecast (Mar. 2010)	Spring forecast (Mar. 2010)
Current account of the balance of payments, EUR m	-340	10	-638	29	-1,095	-1,249
Current account of the balance of payments, in % GDP	-1.0	0.0	-1.8	0.1	-3.0	-3.3

Source: BS, forecasts by IMAD.

[42] Communication, construction, financial and other business services, etc.
[43] Envisaged in the adopted state budget for 2010.
[44] Envisaged in the adopted state budget for 2011.

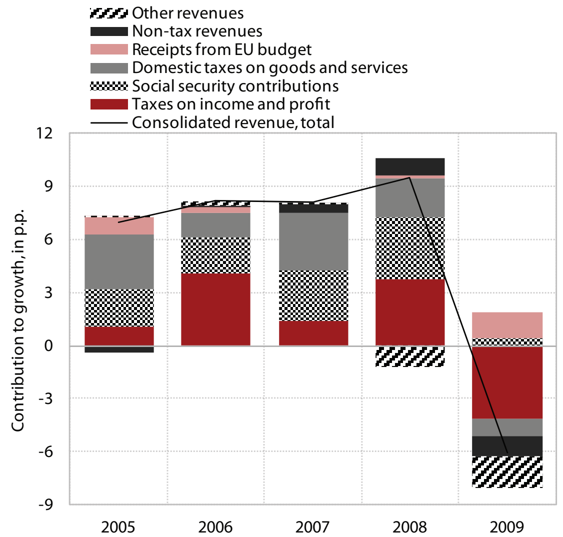
Public finance

The fiscal astance deteriorated significantly in 2009 due to the impact of the economic and financial crisis. Amid a deteriorated macroeconomic environment, general government revenue fell significantly under the influence of automatic stabilisers and tax reforms enacted in previous years. General government expenditure, meanwhile, increased substantially due to the financial effects of measures adopted when conditions were still favourable in 2008, measures to offset the financial and economic crisis enacted in 2009, and automatic stabilisers (higher expenditure on transfers to the unemployed, in particular).

Consolidated general government revenue declined by 6.1% in 2009.[45] With higher duties on all excise products, revenue from excise duties was the only category of general government revenue to increase significantly in 2009 y-o-y (16.6%). Modest growth was also recorded for revenue from social security contributions (1.3%), which reflected the positive wage bill of last year. Revenues from all other main tax categories declined. Revenue from personal income tax dropped by 4.2% in 2009 y-o-y, largely due to tax refunds based on personal income tax assessments for 2008, which were much higher than a year earlier, also due to additional tax relief in lower income brackets (2009: EUR 81.2 m, 2008: EUR 59 m). Modest growth was also recorded for revenue from tax on income from employment (1.6%) as the main category of personal income tax, while inflows from other categories of this tax shrank by 20%, most notably those from taxes on entrepreneurial profits (-22.3%) and income from capital gains (-64.1%). Revenue from corporate income tax dropped by as much as 43.3% in 2009 due to the fact that taxpayers can request a prepayment reduction as a result of deteriorated business performance in the current year and a lower statutory tax rate (21.0%); after the assessment of business results for 2008, revenue from this tax thus declined by more than EUR 100 bn. Amid lower domestic consumption, revenue from the value added tax decreased by 9.7%. In 2009, the decline in general government revenue also deepened as a result of the full phase-out of the payroll tax. Non-tax revenues also dropped in 2009, by a total of 20%, most noticeably revenues from the entrepreneurial and property income of the government. Increasing by 60%, the inflow of payments from the EU budget was more favourable than in the previous year.

Consolidated general government expenditure increased by 6% in 2009, mainly due to expenditure on transfers to individuals and households, and expenditure on wages and other personnel expenditures. In the economic structure of expenditures, the greatest increase

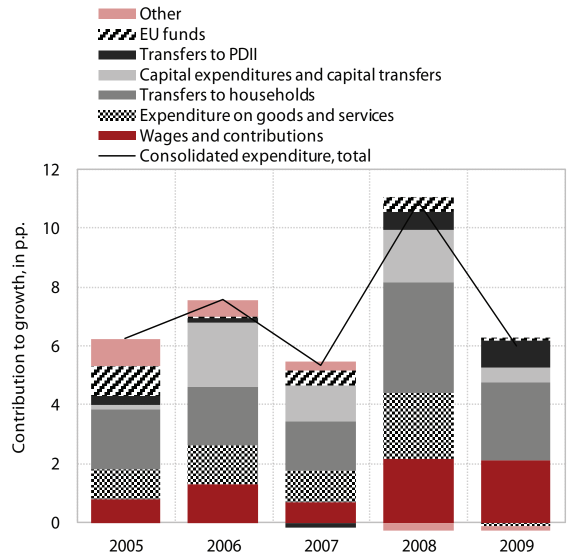
Figure 31: **Structure of growth in consolidated general government revenue**



Source: MF.

in 2009 relative to 2008 was recorded for expenditure on subsidies (25.5%) related to the implementation of anti-crisis measures, which, however, does not account for a significant share in the structure of expenditures. Expenditure on transfers to individuals and households excluding pensions increased by 11.9%, with expenditure on transfers to the unemployed recording stronger growth (93.3%) due to the deteriorated labour market situation. Above-average growth was also recorded for wages and other personnel expenditures (9.3%), as a result of wage reform implementation and a greater

Figure 32: **Structure of growth in consolidated general government expenditure**



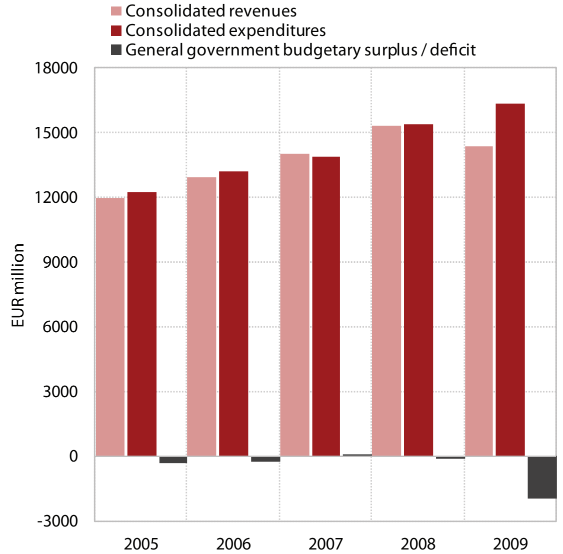
Source: MF.

[45] According to the consolidated balance sheet of the Ministry of Finance, which (according to the cash flow methodology) includes revenues and expenditures of state and local government budgets, as well as revenues and expenditures of the pension and health funds.

number of employees. Expenditure on pensions rose by 4.8%. Pensions were only adjusted in February 2009, given that in November the statutory conditions for valorisation were not fulfilled. Expenditure on goods and services, having still grown at the beginning of the year, started to decline towards the end of the year, dropping by 0.8% in the year as a whole.

The consolidated balance of public financing recorded a deficit of EUR 1,961 m, or 5.6% of GDP in 2009. Practically all general government budgets closed the year with deficits, except the pension fund, which is systemically balanced with a transfer from the state budget, which last year amounted to EUR 1,287 m. This is as much as 12.4% more than a year earlier, accounting for 3.7% of GDP. The widest deficit was recorded by the state budget, EUR 1,729 m, or 5% of GDP. In 2009, a deficit was also recorded by the *health fund* (EUR 76 m, or 0.2% of GDP), and by the total *balance of local budgets* (EUR 157 m, or 0.4% of GDP).

Figure 33: **Consolidated general government revenue, expenditure and balance**



Source: MF.

Box: **Stability Programme – 2009 Update**

The international financial and economic crisis seriously affected the public finance position. The MF estimates that the general government deficit (according to the ESA95 methodology) accounted for 5.7% of GDP, while general government debt increased from 22.5% to 34.4% of GDP. In view of the general government deficit exceeding the permitted 3% of GDP reference value determined by the Stability and Growth Pact, the European Commission launched the excessive deficit procedure last December. In line with this procedure, Slovenia is required to take appropriate measures to bring the general government deficit below 3% of GDP by 2013, which is specified in the Stability Programme adopted by the government in January of this year.

according to the Stability Programme, the severe economic downturn resulted in a sizeable loss of general government revenue, which was estimated at 2.5% of GDP in 2009. With economic recovery set to be slow, general government revenue is not expected to return to its past trend in the medium-term. Despite the significant decline in general government revenue, the government decided to implement a strategy of fiscal consolidation with measures on the expenditure side, while leaving the share of general government revenue in GDP approximately unchanged throughout the medium-term. Target-oriented and temporary measures put in place to mitigate the impact of the crisis are slated to be withdrawn starting this year, and the first effects of the consolidation are expected to show next year. The Stability Programme also anticipates a gradual decline and rebalancing of general government expenditure, particularly by rationalisation and containment according to the principles of results-oriented budgeting. An important component of fiscal consolidation that will also underpin economic recovery will be to maximise absorption of EU funds to finance investment. The programme also envisages wage policy and employment measures to mitigate the increase in the compensation of employees, and measures to restrict intermediate government consumption. The next set of measures relates to the rationalisation of services provided by the state and involves redefining the standards of services provided by the public sector (public services), taking into account quality aspects. The set of measures concerning the rationalisation of the distributive role of the state involves social transfers, pensions and healthcare benefits, in particular the envisaged change in the valorisation of pensions. The deficit is thus expected to decline to 1.6% of GDP by 2013, which means a ¾ p.p. annual decline of the structural deficit in the period until 2013. It should be noted, however, that the deterioration of the public finance position and higher debt result in increased expenditure on interest payments (0.6% of GDP in 2010, and a further 0.3% of GDP by 2013), thus posing an even greater challenge to the foreseen restructuring of other general government expenditures.

Box 7: **Stability Programme – 2009 Update, continue**

Table 13: **General government deficit and debt, in % of GDP**

	2009	2010	2011	2012	2013
Deficit	-5.7	-5.7	-4.2	-3.1	-1.6
Debt	34.4	39.6	42.0	42.7	42.1

Source: Stability Programme – 2009 Update, Ministry of Finance, January 2010.

Assessing the performance of the IMAD forecasts

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

Figure 34: **Timeline of forecasts published by individual institutions**

Jan		
Feb		
Mar	IMAD	BS
Apr	IMF	EC
May	SKEP	
Jun		
Jul		
Aug		
Sep	IMAD	BS
Oct	IMF	EC
Nov	SKEP	
Dec		

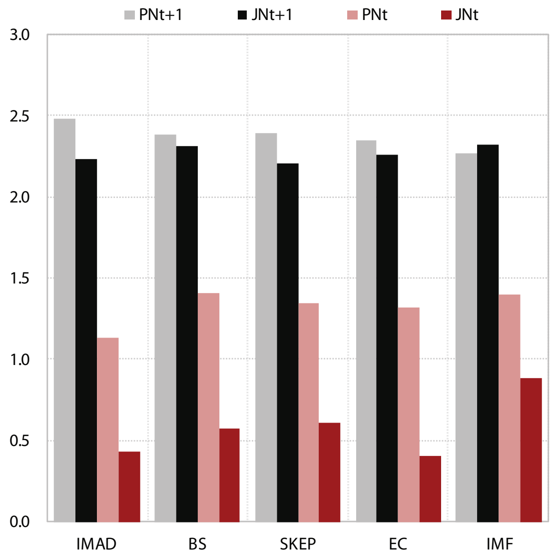
The analysis also includes a comparison of forecasting performance between the forecasts by IMAD and other domestic and foreign institutions publishing forecasts of economic trends for Slovenia. In addition to IMAD, forecasts for Slovenia are regularly published by the Bank of Slovenia and SKEP – Economic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

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

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

IMF) in 2002–2009.[46] The root mean square errors were somewhat higher: between 1.58 p.p. (IMAD) and 2.24 p.p. (BS). The mean absolute errors in the forecasts for 2009 as a share of the error for the period 2002–2009 as a whole totalled between 41.5% (EC) and 51.3% (BS), and for IMAD 41.8%. The errors in the autumn GDP forecast for the current year (2009) and, consequently, their shares in the error for the period 2002–2009 as a whole were much smaller, between 12.1% (EC) and 43.7% (IMF), and for IMAD 14.3%. Table 14 shows errors in the forecasts for 2009 by all institutions as a share of errors in individual analysed periods as a whole.

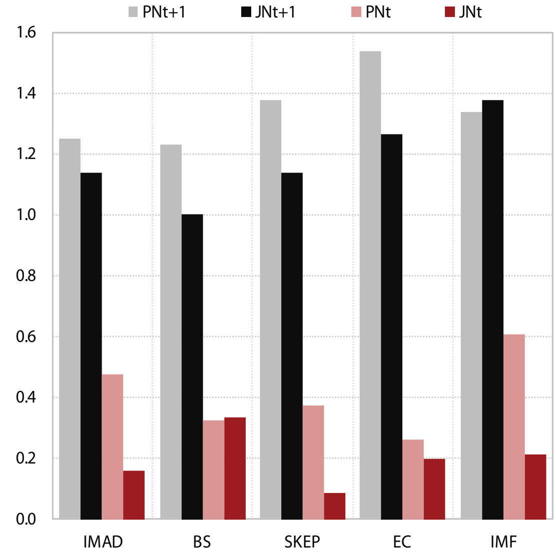
Figure 35: **Mean absolute errors in real GDP growth forecasts for 2002–2009**



Source: Spring and autumn forecasts by individual institutions. For details see the source of data under Table 14.

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

Figure 36: **Mean absolute errors in average inflation forecasts for 2002–2009**



Note: BS data for PNt+1 for 2003–2009.
Source: Spring and autumn forecasts by individual institutions. For details see the source of data under Table 14.

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

Table 14: **Shares of errors in forecasts for 2009 in total errors in 2002-2009 and 1997-2009, in %**

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

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

statistical appendix

Table of contents

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

Real growth rates in %, unless otherwise indicated

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast	
GROSS DOMESTIC PRODUCT	2.8	4.0	2.8	4.3	4.5	5.8	6.8	3.5	-7.8	0.6	2.4	3.1
GDP in EUR m (at current prices and at current exchange rate)	22,790	24,500	25,752	27,162	28,750	31,055	34,568					
GDP in EUR m (at current prices and at fixed exchange rate EUR=239.64)	20,654	23,128	25,114	27,073	28,750	31,050	34,568	37,135	34,894	34,934	36,286	38,202
GDP per capita in EUR (at current prices and at current exchange rate)	11,441	12,281	12,900	13,599	14,369	15,467	17,123	18,367	17,085	17,153	17,778	18,681
GDP per capita in USD (at current prices and at current exchange rate)	10,236	11,564	14,556	16,885	17,869	19,400	23,467	27,014	23,800	23,397	24,143	25,369
GDP per capita (PPS)[1]	15,800	16,800	17,300	18,700	19,700	20,700	22,100	22,800				
GDP per capita (PPS EU27=100)[1]	80.0	82.0	83.0	86.0	88.0	88.0	89.0	91.0				
POPULATION, EMPLOYMENT, WAGES AND PRODUCTIVITY												
Population, as on 30. June, in thousand	1,992.0	1,995.7	1,996.8	1,997.0	2,001.1	2,008.5	2,019.4	2,022.6	2,042.3	2,036.6	2,041.0	2,045.0
Employment according to SNA	0.5	-0.1	-0.4	0.3	-0.2	1.5	3.0	2.8	-2.2	-2.3	-0.6	0.0
Registered unemployed (annual average in thousand)	101.9	102.8	97.7	92.8	91.9	85.8	71.3	63.2	86.4	104.9	109.6	105.6
Rate of registered unemployment in %	11.2	11.3	10.9	10.3	10.2	9.4	7.7	6.7	9.1	11.1	11.6	11.2
Rate of unemployment by ILO in %	6.4	6.4	6.7	6.3	6.5	6.0	4.9	4.4	5.9	7.2	7.6	7.3
Gross wage per employee	3.2	2.0	1.8	2.0	2.2	2.2	2.2	2.5	2.5	1.4	2.2	2.2
- private sector	2.3	2.3	2.1	3.1	2.8	2.8	3.2	2.0	0.9	1.4	1.4	1.8
- public sector	5.1	1.1	1.0	-0.8	0.9	1.0	0.5	3.9	5.6	1.0	4.0	3.3
Labour productivity (GDP per employee)	2.4	4.0	3.2	4.0	4.7	4.2	3.7	0.7	-5.8	3.0	3.0	3.0
INTERNATIONAL TRADE - BALANCE OF PAYMENTS STATISTICS												
Exports of goods and services[2]	6.4	6.8	3.1	12.4	10.6	12.5	13.7	2.9	-15.6	4.3	6.3	7.4
Exports of goods	7.0	6.4	4.4	12.8	10.3	13.4	13.8	0.0	-15.2	4.7	6.4	7.4
Exports of services	3.5	8.2	-2.5	10.9	12.0	8.6	13.2	16.2	-16.9	2.9	6.1	7.6
Imports of goods and services[2]	3.1	4.9	6.7	13.3	6.6	12.2	16.3	2.9	-17.9	4.1	6.0	6.7
Imports of goods	3.2	4.4	7.3	14.6	6.8	12.7	15.8	2.6	-19.1	3.9	6.0	6.7
Imports of services	2.3	8.4	2.8	5.6	5.5	8.8	19.7	4.9	-10.2	4.9	6.0	6.6
Current account balance in EUR m	38	247	-196	-720	-498	-771	-1,646	-2,287	-340	-638	-1,095	-1,249
- As a per cent share relative to GDP	0.2	1.0	-0.8	-2.6	-1.7	-2.5	-4.8	-6.2	-1.0	-1.8	-3.0	-3.3
Balance of goods and services in EUR m	-149	355	-3	-322	-106	-158	-619	-1,041	401	3	-33	48
- As a per cent share relative to GDP	-0.7	1.4	0.0	-1.2	-0.4	-0.5	-1.8	-2.8	1.1	0.0	-0.1	0.1
FINAL DOMESTIC DEMAND - NATIONAL ACCOUNTS STATISTICS												
Final consumption	2.8	2.7	3.0	2.9	2.8	3.2	5.1	3.0	-0.3	-0.2	1.3	1.9
As a % of GDP *	76.1	75.0	75.0	73.9	73.2	71.6	70.0	70.9	75.0	75.5	75.1	74.5
in which:												
Private consumption	2.5	2.5	3.3	2.7	2.6	2.9	6.7	2.0	-1.4	-0.5	1.7	2.3
As a % of GDP *	56.7	55.9	56.0	55.0	54.2	52.8	52.7	52.7	54.8	54.9	54.4	53.9
Government consumption	3.8	3.3	2.2	3.4	3.4	4.0	0.7	6.2	3.1	0.6	0.2	0.8
As a % of GDP *	19.4	19.1	19.0	18.9	19.0	18.8	17.3	18.1	20.2	20.6	20.6	20.6
Gross fixed capital formation	0.7	0.7	8.1	5.6	3.7	9.9	11.7	7.7	-21.6	0.5	3.5	4.5
As a % of GDP *	24.7	23.1	24.0	24.9	25.5	26.5	27.7	28.9	24.0	24.0	24.2	24.5
EXCHANGE RATE AND PRICES												
Average exchange rate SIT/USD, BS	242.7	240.2	207.1	192.4	192.7	191.0	174.8					
Average exchange rate SIT/EUR, BS	217.2	226.2	233.7	238.9	239.6	239.6	239.6					
Ratio of USD to EUR	0.895	0.942	1.128	1.242	1.244	1.254	1.371	1.471	1.393	1.364	1.358	1.358
Real effective exchange rate - deflated by CPI[3]	-0.3	1.7	3.3	0.1	-0.2	0.7	2.3	2.8	0.7	-1.0	-0.1	
Inflation (end of the year)[4]	7.0	7.2	4.6	3.2	2.3	2.8	5.6	2.1	1.8	1.3	2.0	2.5
Inflation (year average)[4]	8.4	7.5	5.6	3.6	2.5	2.5	3.6	5.7	0.9	1.3	1.6	2.3
Brent Crude Oil Price USD / barrel	24.5	25.0	28.9	38.3	54.6	65.2	72.4	96.9	61.7	77.0	82.0	82.0

Source of data: SORS, BS, ECB, Ministry of Finance, Eurostat - New Cronos; calculations and forecasts by IMAD.

Notes: [1]Measured in purchasing power standard; for 2008 Eurostat estimate; [2]Balance of payments statistics (exports F.O.B., imports F.O.B.); real growth rates are adjusted for inter-currency changes and changes in prices on foreign markets; [3]Growth in value denotes real appreciation of national currency and vice versa; [4]Consumer price index; * Shares in GDP are calculated for GDP in current prices and at fixed 2007 exchange rate (EUR=239.64).

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

EUR million, current prices (fixed 2007 exchange rate)

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
A	Agriculture, hunting, forestry	547.8	665.1	545.2	634.8	679.5	645.9	757.3	763.3	621.5	535.8	526.9	520.7
B	Fishing	2.4	3.1	3.9	3.3	3.7	3.6	3.3	3.1	3.0	2.9	2.8	2.7
C	Mining and quarrying	93.7	92.1	109.1	127.1	127.0	132.9	135.6	137.4	140.6	142.4	138.4	135.2
D	Manufacturing	4,682.2	5,100.1	5,612.8	5,858.5	6,018.5	6,454.1	7,112.0	7,213.3	6,102.5	6,274.9	6,549.9	6,934.1
E	Electricity, gas and water supply	512.2	602.2	621.4	714.5	760.9	817.5	853.9	977.4	1,002.1	1,030.6	1,070.4	1,050.6
F	Construction	1,124.0	1,210.2	1,357.9	1,480.8	1,681.3	1,957.4	2,393.5	2,720.4	2,310.8	2,141.4	2,266.7	2,364.4
G	Wholesale and retail trade, motor vehicle repair	2,059.3	2,317.0	2,543.8	2,737.1	3,012.7	3,207.7	3,713.4	4,130.1	3,701.0	3,698.6	3,867.7	4,084.7
H	Hotels and restaurants	414.8	455.1	495.7	524.7	554.2	603.2	703.6	753.4	765.1	779.0	816.4	859.5
I	Transport, storage, communications	1,285.0	1,411.0	1,576.9	1,734.6	1,856.0	2,044.4	2,339.5	2,488.9	2,264.3	2,183.7	2,231.9	2,368.5
J	Financial intermediation	760.8	903.0	967.8	1,031.4	1,087.8	1,328.4	1,404.4	1,446.7	1,368.2	1,345.3	1,397.4	1,509.0
K	Real estate, renting and business activities	2,881.6	3,362.3	3,669.1	4,025.4	4,274.8	4,638.4	5,269.9	5,803.6	5,624.5	5,553.5	5,695.8	5,958.1
L	Public administration and comp. soc. sec.	1,064.4	1,178.8	1,335.2	1,435.2	1,512.1	1,599.5	1,682.6	1,856.0	1,990.1	2,049.8	2,122.7	2,196.6
M	Education	1,004.0	1,105.7	1,208.9	1,326.5	1,424.4	1,499.9	1,567.9	1,672.7	1,766.8	1,803.7	1,872.2	1,976.0
N	Health and social work	953.9	1,037.1	1,116.8	1,190.4	1,279.8	1,330.6	1,383.5	1,558.8	1,666.8	1,728.7	1,853.4	2,016.7
O	Other community, social and personal services	660.4	686.5	738.6	841.2	913.3	947.5	1,000.0	1,064.1	1,054.5	1,026.4	1,038.5	1,120.0
P	Private households with employed persons	15.8	16.6	16.5	18.7	18.7	19.3	21.0	23.0	24.6	25.3	26.5	28.0
	1. TOTAL VALUE ADDED, basic prices	18,062.4	20,145.9	21,919.8	23,684.4	25,204.7	27,230.4	30,341.5	32,612.2	30,406.4	30,321.9	31,477.5	33,124.9
	2. CORRECTIONS (a-b)	2,591.9	2,982.5	3,194.2	3,389.0	3,544.9	3,820.0	4,226.8	4,523.3	4,487.5	4,612.2	4,808.0	5,077.5
	a) taxes on products and services	2,695.7	3,078.7	3,318.8	3,520.2	3,697.3	3,953.5	4,420.4	4,733.5	4,723.6	4,832.2	5,020.4	5,283.9
	b) subsidies on products and services	103.8	96.2	124.6	131.2	152.4	133.5	193.7	210.2	236.1	220.0	212.4	206.4
	3. GROSS DOMESTIC PRODUCT (3=1+2)	**20,654.3**	**23,128.5**	**25,114.0**	**27,073.4**	**28,749.6**	**31,050.4**	**34,568.2**	**37,135.4**	**34,893.9**	**34,934.1**	**36,285.6**	**38,202.4**

Source of data: SORS, calculations and forecasts by IMAD.

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

structure in %, current prices

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 forecast	2011 forecast	2012 forecast
A	Agriculture, hunting, forestry	2.7	2.9	2.2	2.3	2.4	2.1	2.2	2.1	1.8	1.5	1.5	1.4
B	Fishing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C	Mining and quarrying	0.5	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
D	Manufacturing	22.7	22.1	22.3	21.6	20.9	20.8	20.6	19.4	17.5	18.0	18.1	18.2
E	Electricity, gas and water supply	2.5	2.6	2.5	2.6	2.6	2.6	2.5	2.6	2.9	2.9	2.9	2.7
F	Construction	5.4	5.2	5.4	5.5	5.8	6.3	6.9	7.3	6.6	6.1	6.2	6.2
G	Wholesale and retail trade, motor vehicle repair	10.0	10.0	10.1	10.1	10.5	10.3	10.7	11.1	10.6	10.6	10.7	10.7
H	Hotels and restaurants	2.0	2.0	2.0	1.9	1.9	1.9	2.0	2.0	2.2	2.2	2.2	2.2
I	Transport, storage, communications	6.2	6.1	6.3	6.4	6.5	6.6	6.8	6.7	6.5	6.3	6.2	6.2
J	Financial intermediation	3.7	3.9	3.9	3.8	3.8	4.3	4.1	3.9	3.9	3.9	3.9	3.9
K	Real estate, renting and business activities	14.0	14.5	14.6	14.9	14.9	14.9	15.2	15.6	16.1	15.9	15.7	15.6
L	Public administration and comp. soc. sec.	5.2	5.1	5.3	5.3	5.3	5.2	4.9	5.0	5.7	5.9	5.8	5.7
M	Education	4.9	4.8	4.8	4.9	5.0	4.8	4.5	4.5	5.1	5.2	5.2	5.2
N	Health and social work	4.6	4.5	4.4	4.4	4.5	4.3	4.0	4.2	4.8	4.9	5.1	5.3
O	Other community, social and personal services	3.2	3.0	2.9	3.1	3.2	3.1	2.9	2.9	3.0	2.9	2.9	2.9
P	Private households with employed persons	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
	1. TOTAL VALUE ADDED	87.5	87.1	87.3	87.5	87.7	87.7	87.8	87.8	87.1	86.8	86.7	86.7
	2. CORRECTIONS (a-b)	12.5	12.9	12.7	12.5	12.3	12.3	12.2	12.2	12.9	13.2	13.3	13.3
	a) taxes on products and services	13.1	13.3	13.2	13.0	12.9	12.7	12.8	12.7	13.5	13.8	13.8	13.8
	b) subsidies on products and services	0.5	0.4	0.5	0.5	0.5	0.4	0.6	0.6	0.7	0.6	0.6	0.5
	3. GROSS DOMESTIC PRODUCT (3=1+2)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
	GROSS DOMESTIC PRODUCT	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
	in which:												
	1. Agriculture, forestry, fishing (A+B)	2.7	2.9	2.2	2.4	2.4	2.1	2.2	2.1	1.8	1.5	1.5	1.4
	2. Industry and construction (C+D+E+F)	31.0	30.3	30.7	30.2	29.9	30.2	30.4	29.8	27.4	27.4	27.6	27.4
	- Industry (C+D+E)	25.6	25.1	25.3	24.7	24.0	23.8	23.4	22.4	20.8	21.3	21.4	21.3
	- Construction F	5.4	5.2	5.4	5.5	5.8	6.3	6.9	7.3	6.6	6.1	6.2	6.2
	3. Services (G…P)	53.7	53.9	54.4	54.9	55.4	55.5	55.2	56.0	58.0	57.8	57.7	57.9
	4. Corrections	12.5	12.9	12.7	12.5	12.3	12.3	12.2	12.2	12.9	13.2	13.3	13.3

as a share in total value added in %

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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+B)	3.0	3.3	2.5	2.7	2.7	2.4	2.5	2.4	2.1	1.8	1.7	1.6
2. Industry and construction (C+D+E+F)	35.5	34.8	35.1	34.5	34.1	34.4	34.6	33.9	31.4	31.6	31.8	31.7
- Industry (C+D+E)	29.3	28.8	28.9	28.3	27.4	27.2	26.7	25.5	23.8	24.6	24.6	24.5
- Construction F	6.2	6.0	6.2	6.3	6.7	7.2	7.9	8.3	7.6	7.1	7.2	7.1
3. Services (G…P)	61.5	61.9	62.4	62.8	63.2	63.2	62.9	63.8	66.5	66.6	66.5	66.8

Source of data: SORS, calculations and forecasts by IMAD.

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

EUR million (fixed 2007 exchange rate)

		constant previous year prices								constant 2006 prices			
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 forecast	2011 forecast	2012 forecast
A	Agriculture, hunting, forestry	527.0	630.7	531.8	605.2	630.5	649.3	660.3	759.0	731.5	760.8	772.2	779.9
B	Fishing	2.7	2.5	3.3	3.5	3.8	3.2	3.7	3.1	3.2	3.2	3.2	3.3
C	Mining and quarrying	97.6	94.3	102.5	117.0	128.0	134.3	131.6	137.5	130.0	124.8	126.0	126.7
D	Manufacturing	4,332.9	4,927.5	5,381.2	5,864.3	6,108.9	6,452.5	6,950.6	7,122.5	6,025.3	6,269.3	6,551.4	6,865.9
E	Electricity, gas and water supply	424.8	557.3	607.9	682.8	750.4	797.1	829.5	892.1	884.9	884.9	902.1	911.1
F	Construction	1,066.2	1,156.6	1,246.4	1,381.3	1,558.5	1,935.1	2,285.6	2,525.3	2,288.3	2,152.1	2,195.1	2,271.9
G	Wholesale and retail trade, motor vehicle repair	1,895.8	2,167.9	2,377.6	2,645.1	2,863.2	3,200.4	3,467.6	3,899.9	3,597.2	3,580.9	3,670.5	3,762.2
H	Hotels and restaurants	395.5	425.0	464.5	480.8	539.4	562.1	637.0	683.7	714.9	697.0	707.5	725.2
I	Transport, storage, communications	1,186.5	1,269.7	1,475.7	1,673.8	1,833.7	2,037.2	2,258.7	2,492.7	2,335.1	2,371.2	2,418.7	2,491.2
J	Financial intermediation	789.4	861.7	963.2	1,073.2	1,143.4	1,193.1	1,520.7	1,504.7	1,523.2	1,523.2	1,553.7	1,608.0
K	Real estate, renting and business activities	2,603.3	2,951.6	3,440.5	3,748.9	4,163.6	4,523.6	4,946.3	5,505.7	5,505.2	5,452.8	5,507.3	5,617.5
L	Public administration and comp. soc. sec.	958.7	1,099.5	1,244.5	1,398.4	1,474.4	1,556.1	1,622.5	1,732.4	1,915.5	1,946.1	1,981.1	2,030.7
M	Education	884.4	1,035.2	1,144.6	1,256.5	1,381.1	1,441.7	1,527.4	1,583.5	1,722.5	1,757.0	1,792.1	1,840.5
N	Health and social work	849.7	1,004.1	1,060.3	1,151.7	1,252.0	1,304.2	1,339.8	1,435.6	1,588.6	1,609.2	1,649.4	1,698.9
O	Other community, social and personal services	614.5	666.1	692.1	760.1	880.8	920.3	924.4	1,023.2	1,057.1	1,057.1	1,067.7	1,099.7
P	Private households with employed persons	15.3	14.2	10.9	15.2	19.8	18.1	19.4	21.4	23.6	23.8	24.1	24.3
	1. TOTAL VALUE ADDED, basic prices	16,644.4	18,863.9	20,747.0	22,857.9	24,731.5	26,728.3	29,124.9	31,322.3	30,045.7	30,213.4	30,922.1	31,857.0
	2. CORRECTIONS (a-b)	2,362.8	2,611.1	3,037.2	3,332.6	3,558.2	3,691.5	4,035.8	4,453.2	4,186.1	4,214.2	4,323.8	4,466.7
	a) taxes on products and services	2,466.5	2,710.3	3,135.6	3,454.7	3,688.4	3,842.7	4,171.2	4,638.6	4,374.5	4,387.7	4,488.6	4,623.2
	b) subsidies on products and services	103.7	99.2	98.4	122.1	130.2	151.2	135.5	185.4	188.6	173.5	164.8	156.6
	3. GROSS DOMESTIC PRODUCT (3=1+2)	**19,007.2**	**21,475.0**	**23,784.2**	**26,190.6**	**28,289.7**	**30,419.8**	**33,160.7**	**35,775.5**	**34,231.9**	**34,427.6**	**35,245.9**	**36,323.3**

Source of data: SORS, forecasts by IMAD.

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

real growth rates in %

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
A	Agriculture, hunting, forestry	-0.7	15.1	-20.0	11.0	-0.7	-4.4	2.2	0.2	-4.2	4.0	1.5	1.0
B	Fishing	17.0	2.9	4.8	-10.3	14.0	-13.9	1.3	-5.6	0.2	0.5	1.0	1.0
C	Mining and quarrying	-4.3	0.6	11.2	7.2	0.7	5.7	-1.0	1.4	-5.3	-4.0	1.0	0.5
D	Manufacturing	4.2	5.2	5.5	4.5	4.3	7.2	7.7	0.1	-16.5	4.0	4.5	4.8
E	Electricity, gas and water supply	-0.1	8.8	0.9	9.9	5.0	4.8	1.5	4.5	-9.5	0.0	2.0	1.0
F	Construction	-1.1	2.9	3.0	1.7	5.2	15.1	16.8	5.5	-15.9	-6.0	2.0	3.5
G	Wholesale and retail trade, motor vehicle repair	5.9	5.3	2.6	4.0	4.6	6.2	8.1	5.0	-12.9	-0.5	2.5	2.5
H	Hotels and restaurants	6.5	2.5	2.1	-3.0	2.8	1.4	5.6	-2.8	-5.1	-2.5	1.5	2.5
I	Transport, storage, communications	3.8	-1.2	4.6	6.1	5.7	9.8	10.5	6.5	-6.2	1.5	2.0	3.0
J	Financial intermediation	4.1	13.2	6.7	10.9	10.9	9.7	14.5	7.1	5.3	0.0	2.0	3.5
K	Real estate, renting and business activities	4.0	2.4	2.3	2.2	3.4	5.8	6.6	4.5	-5.1	-1.0	1.0	2.0
L	Public administration and comp. soc. sec.	5.2	3.3	5.6	4.7	2.7	2.9	1.4	3.0	3.2	1.6	1.8	2.5
M	Education	2.2	3.1	3.5	3.9	4.1	1.2	1.8	1.0	3.0	2.0	2.0	2.7
N	Health and social work	0.5	5.3	2.2	3.1	5.2	1.9	0.7	3.8	1.9	1.3	2.5	3.0
O	Other community, social and personal services	3.5	0.9	0.8	2.9	4.7	0.8	-2.4	2.3	-0.7	0.0	1.0	3.0
P	Private households with employed persons	12.3	-10.0	-34.1	-8.1	5.9	-3.5	0.6	2.0	2.6	1.0	1.0	1.0
	1. TOTAL VALUE ADDED, basic prices	3.4	4.4	3.0	4.3	4.4	6.0	7.0	3.2	-7.9	0.6	2.3	3.0
	2. CORRECTIONS (a-b)	-1.1	0.7	1.8	4.3	5.0	4.1	5.6	5.7	-7.5	0.7	2.6	3.3
	a) taxes on products and services	-1.0	0.5	1.8	4.1	4.8	3.9	5.5	4.9	-7.6	0.3	2.3	3.0
	b) subsidies on products and services	0.9	-4.4	2.3	-2.0	-0.8	-0.8	1.5	-4.3	-10.3	-8.0	-5.0	-5.0
	3. GROSS DOMESTIC PRODUCT (3=1+2)	**2.8**	**4.0**	**2.8**	**4.3**	**4.5**	**5.8**	**6.8**	**3.5**	**-7.8**	**0.6**	**2.4**	**3.1**

Source of data: SORS, calculations and forecasts by IMAD.

Table 4a: **Expenditure structure of gross domestic product**

EUR million, current prices (fixed 2007 exchange rate)

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**20,654.3**	**23,128.5**	**25,114.0**	**27,073.4**	**28,749.6**	**31,050.4**	**34,568.2**	**37,135.4**	**34,893.9**	**34,934.1**	**36,285.6**	**38,202.4**
2	EXPORTS OF GOODS AND SERVICES	11,458.5	12,775.2	13,554.4	15,703.6	17,858.9	20,657.3	24,040.7	25,134.3	20,558.0	21,721.8	23,346.8	25,403.0
3	IMPORTS OF GOODS AND SERVICES	11,629.7	12,504.2	13,612.2	16,054.3	17,976.2	20,818.1	24,635.9	26,258.0	20,027.1	21,579.9	23,229.5	25,190.0
4	SURPLUS WITH THE REST OF THE WORLD (4=2-3)	-171.2	271.0	-57.8	-350.7	-117.2	-160.8	-595.2	-1,123.7	530.9	141.9	117.3	213.0
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	20,825.5	22,857.4	25,171.8	27,424.0	28,866.8	31,211.1	35,163.4	38,259.1	34,363.0	34,792.2	36,168.3	37,989.4
6	FINAL CONSUMPTION (6=7+8)	15,712.8	17,357.4	18,845.3	19,996.4	21,039.2	22,226.3	24,207.7	26,315.7	26,178.1	26,373.5	27,233.7	28,444.5
7	PRIVATE CONSUMPTION	11,708.7	12,935.7	14,066.4	14,879.3	15,586.8	16,401.6	18,218.1	19,580.3	19,123.5	19,168.1	19,741.8	20,591.2
	- households	11,456.7	12,644.6	13,754.5	14,582.1	15,331.2	16,156.1	17,944.2	19,296.9	18,851.6	18,888.6	19,453.7	20,292.3
	- NPISH's	252.0	291.1	311.9	297.1	255.7	245.5	274.0	283.3	271.9	279.4	288.0	298.9
8	GOVERNMENT CON-SUMPTION (individual and collective)	4,004.1	4,421.7	4,778.9	5,117.2	5,452.3	5,824.7	5,989.6	6,735.4	7,054.6	7,205.4	7,491.9	7,853.3
9	GROSS CAPITAL FOR-MATION(9=10+11)	5,112.7	5,500.0	6,326.5	7,427.6	7,827.7	8,984.8	10,955.7	11,943.4	8,184.9	8,418.7	8,934.6	9,544.9
10	GROSS FIXED CAPITAL FORMATION	5,107.6	5,332.2	6,015.4	6,752.1	7,321.3	8,242.1	9,571.3	10,742.4	8,368.9	8,368.7	8,787.4	9,362.1
11	CHANGES IN INVENTORIES AND VALUABLES	5.1	167.8	311.1	675.5	506.4	742.7	1,384.4	1,201.0	-184.0	50.0	147.2	182.8

Source of data: SORS, BS, forecasts by IMAD.

Tabela 4b: **Expenditure structure of gross domestic product**

structure in %, current prices

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2	EXPORTS OF GOODS AND SERVICES	55.5	55.2	54.0	58.0	62.1	66.5	69.5	67.7	58.9	62.2	64.3	66.5
3	IMPORTS OF GOODS AND SERVICES	56.3	54.1	54.2	59.3	62.5	67.0	71.3	70.7	57.4	61.8	64.0	65.9
4	SURPLUS WITH THE REST OF THE WORLD (4=2-3)	-0.8	1.2	-0.2	-1.3	-0.4	-0.5	-1.7	-3.0	1.5	0.4	0.3	0.6
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	100.8	98.8	100.2	101.3	100.4	100.5	101.7	103.0	98.5	99.6	99.7	99.4
6	FINAL CONSUMPTION (6=7+8)	76.1	75.0	75.0	73.9	73.2	71.6	70.0	70.9	75.0	75.5	75.1	74.5
7	PRIVATE CONSUMPTION	56.7	55.9	56.0	55.0	54.2	52.8	52.7	52.7	54.8	54.9	54.4	53.9
	- households	55.5	54.7	54.8	53.9	53.3	52.0	51.9	52.0	54.0	54.1	53.6	53.1
	- NPISH's	1.2	1.3	1.2	1.1	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.8
8	GOVERNMENT CONSUMPTION (individual and collective)	19.4	19.1	19.0	18.9	19.0	18.8	17.3	18.1	20.2	20.6	20.6	20.6
9	GROSS CAPITAL FORMATION (9=10+11)	24.8	23.8	25.2	27.4	27.2	28.9	31.7	32.2	23.5	24.1	24.6	25.0
10	GROSS FIXED CAPITAL FORMATION	24.7	23.1	24.0	24.9	25.5	26.5	27.7	28.9	24.0	24.0	24.2	24.5
11	CHANGES IN INVENTORIES AND VALUABLES	0.0	0.7	1.2	2.5	1.8	2.4	4.0	3.2	-0.5	0.1	0.4	0.5

Source of data: SORS, BS, forecasts by IMAD.

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

EUR million (fixed 2007 exchange rate)

		constant previous year prices								constant 2007 prices			
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**19,007.2**	**21,475.0**	**23,784.2**	**26,190.6**	**28,289.7**	**30,419.8**	**33,160.7**	**35,775.5**	**34,231.9**	**34,427.6**	**35,245.9**	**36,323.7**
2	EXPORTS OF GOODS AND SERVICES	10,603.5	12,232.3	13,174.8	15,241.4	17,362.4	20,097.2	23,480.3	24,733.2	21,220.8	22,132.9	23,524.5	25,263.9
3	IMPORTS OF GOODS AND SERVICES	10,942.5	12,199.9	13,336.6	15,424.7	17,119.9	20,160.9	24,206.3	25,345.8	21,567.4	22,442.6	23,798.5	25,400.9
4	SURPLUS WITH THE REST OF THE WORLD (4=2-3)	-339.0	32.4	-161.8	-183.2	242.5	-63.7	-726.0	-612.5	-346.6	-309.7	-274.0	-137.1
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	19,346.2	21,442.6	23,946.0	26,373.8	28,047.2	30,483.5	33,886.7	36,388.1	34,578.5	34,737.3	35,519.9	36,460.8
6	FINAL CONSUMPTION (6=7+8)	14,481.6	16,140.3	17,877.2	19,388.9	20,563.3	21,716.8	23,361.6	24,945.3	26,245.1	26,192.1	26,522.9	27,015.5
7	PRIVATE CONSUMPTION	10,878.7	12,002.5	13,359.2	14,447.7	15,273.1	16,046.0	17,496.3	18,586.1	19,304.0	19,212.8	19,533.1	19,973.2
	- households	10,648.8	11,737.5	13,065.6	14,133.1	14,997.1	15,778.9	17,239.4	18,314.2	19,034.0	18,938.9	19,255.2	19,691.3
	- NPISH's	229.8	265.0	293.7	314.6	276.1	267.1	256.9	272.0	270.0	273.9	277.9	281.9
8	GOVERNMENT CON-SUMPTION (individual and collective)	3,602.9	4,137.7	4,518.0	4,941.2	5,290.2	5,670.8	5,865.3	6,359.2	6,941.0	6,979.3	6,989.8	7,042.3
9	GROSS CAPITAL FOR-MATION (9=10+11)	4,864.6	5,302.3	6,068.8	6,984.9	7,483.9	8,766.7	10,525.1	11,442.8	8,333.4	8,545.2	8,997.0	9,445.2
10	GROSS FIXED CAPITAL FORMATION	4,855.2	5,143.3	5,761.5	6,353.5	7,003.4	8,045.7	9,204.0	10,308.4	8,420.9	8,463.0	8,755.1	9,144.8
11	CHANGES IN INVENTORIES AND VALUABLES	9.5	159.0	307.3	631.4	480.5	721.0	1,321.2	1,134.4	-87.5	82.2	241.9	300.5

Source of data: SORS, forecasts by IMAD.

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

real growth rates in %

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**2.8**	**4.0**	**2.8**	**4.3**	**4.5**	**5.8**	**6.8**	**3.5**	**-7.8**	**0.6**	**2.4**	**3.1**
2	EXPORTS OF GOODS AND SERVICES	6.4	6.8	3.1	12.4	10.6	12.5	13.7	2.9	-15.6	4.3	6.3	7.4
3	IMPORTS OF GOODS AND SERVICES	3.1	4.9	6.7	13.3	6.6	12.2	16.3	2.9	-17.9	4.1	6.0	6.7
4	*SURPLUS WITH THE REST OF THE WORLD [1]*	*1.7*	*1.0*	*-1.9*	*-0.5*	*2.2*	*0.2*	*-1.8*	*-0.1*	*2.1*	*0.1*	*0.1*	*0.4*
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	1.2	3.0	4.8	4.8	2.3	5.6	8.6	3.5	-9.6	0.5	2.3	2.6
6	FINAL CONSUMPTION (6=7+8)	2.8	2.7	3.0	2.9	2.8	3.2	5.1	3.0	-0.3	-0.2	1.3	1.9
7	PRIVATE CONSUMPTION	2.5	2.5	3.3	2.7	2.6	2.9	6.7	2.0	-1.4	-0.5	1.7	2.3
	- households	2.5	2.5	3.3	2.8	2.8	2.9	6.7	2.1	-1.4	-0.5	1.7	2.3
	- NPISH's	4.8	5.2	0.9	0.9	-7.1	4.5	4.6	-0.7	-4.7	1.5	1.5	1.5
8	GOVERNMENT CONSUMPTION (individual and collective)	3.8	3.3	2.2	3.4	3.4	4.0	0.7	6.2	3.1	0.6	0.2	0.8
9	GROSS CAPITAL FORMATION	-3.6	3.7	10.3	10.4	0.8	12.0	17.1	4.4	-30.2	2.5	5.3	5.0
10	GROSS FIXED CAPITAL FORMATION	0.7	0.7	8.1	5.6	3.7	9.9	11.7	7.7	-21.6	0.5	3.5	4.5
11	*CHANGES IN INVENTORIES AND VALUABLES [1]*	*-1.2*	*0.7*	*0.6*	*1.3*	*-0.7*	*0.7*	*1.9*	*-0.7*	*-3.5*	*0.5*	*0.5*	*0.2*

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

Table 6a: **Main aggregates of national accounts**

EUR million (fixed 2007 exchange rate)

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
1	**GROSS DOMESTIC PRODUCT**	**20,654.3**	**23,128.5**	**25,114.0**	**27,073.4**	**28,749.6**	**31,050.4**	**34,568.2**	**37,135.4**	**34,893.9**	**34,934.1**	**36,285.6**	**38,202.4**
2	Net primary incomes with the rest of the world (a-b)	44.2	-128.6	-193.7	-313.1	-243.6	-367.7	-714.7	-857.3	-513.1	-672.1	-965.2	-1,098.3
	a) primary incomes receivable from the ROW	449.3	450.1	482.0	563.3	765.4	1,032.5	1,353.2	1,432.9	1,156.2	1,044.9	1,123.0	1,185.7
	b) primary incomes payable to the ROW	405.0	578.7	675.7	876.3	1,009.0	1,400.3	2,068.0	2,290.2	1,669.3	1,716.9	2,088.2	2,284.0
3	GROSS NATIONAL INCOME (3=1+2)	20,698.5	22,999.9	24,920.3	26,760.3	28,506.0	30,682.7	33,853.5	36,278.1	34,380.8	34,262.0	35,320.4	37,104.1
4	Net current transfers with the rest of the world (c-d)	47.3	61.8	29.2	-44.0	-144.0	-215.5	-227.0	-284.8	-194.7	31.0	-96.2	-199.1
	c) current transfers receivable from the ROW	419.6	470.3	463.1	546.1	629.7	672.0	818.7	462.1	568.7	1,069.0	1,057.8	1,032.7
	d) current transfers payable to the ROW	372.3	408.5	433.9	590.1	773.7	887.4	1,045.6	746.9	763.5	1,038.0	1,154.0	1,231.7
5	GROSS NATIONAL DISPOSABLE INCOME (5=3+4)	20,745.8	23,061.7	24,949.5	26,716.3	28,362.0	30,467.2	33,626.6	35,993.3	34,186.1	34,293.0	35,224.1	36,905.0
6	FINAL CONSUMPTION EXPENDITURE (e+f)	15,712.8	17,356.9	18,845.3	19,996.4	21,039.2	22,226.3	24,207.7	26,315.7	26,178.1	26,373.5	27,233.7	28,444.5
	e) Private consumption	11,708.7	12,936.2	14,066.4	14,879.3	15,586.8	16,401.6	18,218.1	19,580.3	19,123.5	19,168.1	19,741.8	20,591.2
	f) Government consumption	4,004.1	4,421.7	4,778.9	5,117.2	5,452.3	5,824.7	5,989.6	6,735.4	7,054.6	7,205.4	7,491.9	7,853.3
7	GROSS SAVING (7=5-6)	5,033.0	5,704.8	6,104.1	6,719.8	7,322.8	8,240.9	9,418.9	9,677.7	8,008.0	7,919.6	7,990.5	8,460.5
8	GROSS CAPITAL FORMATION	5,112.7	5,500.0	6,326.5	7,427.6	7,827.7	8,984.8	10,955.7	11,943.4	8,184.9	8,418.7	8,934.6	9,544.9
	- Gross fixed capital formation	5,107.6	5,332.2	6,015.4	6,752.1	7,321.3	8,242.1	9,571.3	10,742.4	8,368.9	8,368.7	8,787.4	9,362.1
	- Changes in inventories and valuables	5.1	167.8	311.1	675.5	506.4	742.7	1,384.4	1,201.0	-184.0	50.0	147.2	182.8
9	SURPLUS ON THE CURRENT ACCOUNT WITH THE ROW (9=7-8)	-79.7	204.3	-222.3	-707.8	-504.9	-744.0	-1,536.9	-2,265.8	-176.9	-499.1	-944.1	-1,084.4

Source of data: SORS, BS, forecasts by IMAD.

Table 6b: **Main aggregates of national accounts**

structure in %, current prices

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
											forecast		
1	**GROSS DOMESTIC PRODUCT**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2	Net primary incomes with the rest of the world (a-b)	0.2	-0.6	-0.8	-1.2	-0.8	-1.2	-2.1	-2.3	-1.5	-1.9	-2.7	-2.9
	a) primary incomes receivable from the ROW	2.2	1.9	1.9	2.1	2.7	3.3	3.9	3.9	3.3	3.0	3.1	3.1
	b) primary incomes payable to the ROW	2.0	2.5	2.7	3.2	3.5	4.5	6.0	6.2	4.8	4.9	5.8	6.0
3	GROSS NATIONAL INCOME (3=1+2)	100.2	99.4	99.2	98.8	99.2	98.8	97.9	97.7	98.5	98.1	97.3	97.1
4	Net current transfers with the rest of the world (c-d)	0.2	0.3	0.1	-0.2	-0.5	-0.7	-0.7	-0.8	-0.6	0.1	-0.3	-0.5
	c) current transfers receivable from the ROW	2.0	2.0	1.8	2.0	2.2	2.2	2.4	1.2	1.6	3.1	2.9	2.7
	d) current transfers payable to the ROW	1.8	1.8	1.7	2.2	2.7	2.9	3.0	2.0	2.2	3.0	3.2	3.2
5	GROSS NATIONAL DISPOSABLE INCOME (5=3+4)	100.4	99.7	99.3	98.7	98.7	98.1	97.3	96.9	98.0	98.2	97.1	96.6
6	FINAL CONSUMPTION EXPENDITURE (e+f)	76.1	75.0	75.0	73.9	73.2	71.6	70.0	70.9	75.0	75.5	75.1	74.5
	e) Private consumption	56.7	55.9	56.0	55.0	54.2	52.8	52.7	52.7	54.8	54.9	54.4	53.9
	f) Government consumption	19.4	19.1	19.0	18.9	19.0	18.8	17.3	18.1	20.2	20.6	20.6	20.6
7	GROSS SAVING (7=5-6)	24.4	24.7	24.3	24.8	25.5	26.5	27.2	26.1	22.9	22.7	22.0	22.1
8	GROSS CAPITAL FORMATION	24.8	23.8	25.2	27.4	27.2	28.9	31.7	32.2	23.5	24.1	24.6	25.0
	- Gross fixed capital formation	24.7	23.1	24.0	24.9	25.5	26.5	27.7	28.9	24.0	24.0	24.2	24.5
	- Changes in inventories and valuables	0.0	0.7	1.2	2.5	1.8	2.4	4.0	3.2	-0.5	0.1	0.4	0.5
9	SURPLUS ON THE CURRENT ACCOUNT WITH THE ROW (9=7-8)	-0.4	0.9	-0.9	-2.6	-1.8	-2.4	-4.4	-6.1	-0.5	-1.4	-2.6	-2.8

Source of data: SORS, BS, forecasts by IMAD.

Table 7: **Gross domestic product and primary incomes**

EUR million, current prices (fixed 2007 exchange rate)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
										forecast		
1. **Compensation of employees**	**10,751.1**	**11,854.7**	**12,800.2**	**13,850.4**	**14,650.9**	**15,672.6**	**17,211.6**	**18,954.9**	**19,017.4**	**19,021.3**	**19,601.0**	**20,518.7**
Wages and salaries	9,375.3	10,266.6	11,044.8	11,889.9	12,569.4	13,443.0	14,782.4	16,313.9	16,362.9	16,356.5	16,854.8	17,641.9
Employers' social contributions	1,375.8	1,588.1	1,755.4	1,960.5	2,081.5	2,229.6	2,429.2	2,641.0	2,654.5	2,664.7	2,746.1	2,876.9
2. **Taxes on production and imports**	**3,221.1**	**3,667.8**	**4,019.0**	**4,288.7**	**4,527.2**	**4,725.2**	**5,154.3**	**5,327.5**	**5,091.9**	**5,206.2**	**5,409.5**	**5,694.3**
Taxes on products and services	2,695.7	3,078.7	3,318.8	3,520.2	3,697.3	3,953.5	4,420.4	4,733.5	4,723.6	4,832.2	5,020.4	5,283.9
Other taxes on production	525.3	589.0	700.2	768.5	829.9	771.7	733.9	594.0	368.3	374.0	389.1	410.4
3. **Subsidies**	**378.3**	**421.4**	**503.5**	**521.6**	**590.2**	**669.5**	**753.6**	**800.2**	**959.6**	**923.6**	**905.8**	**852.6**
Subsidies on products and services	103.8	96.2	124.6	131.2	152.4	133.5	193.7	210.2	236.1	220.0	212.4	206.4
Other subsidies on production	274.5	325.2	378.9	390.5	437.8	536.0	560.0	590.0	723.5	703.6	693.4	646.2
4. **Gross operating surplus**	**5,046.4**	**5,674.4**	**6,406.9**	**6,848.5**	**7,157.9**	**8,057.5**	**9,265.1**	**9,848.0**	**8,567.3**	**8,494.5**	**8,919.1**	**9,417.9**
Consumption of fixed capital	3,127.6	3,361.8	3,468.8	3,724.1	3,935.4	4,134.2	4,505.4	4,780.4	4,809.1	4,811.4	5,003.9	5,254.8
Net operating surplus	1,918.8	2,312.7	2,938.0	3,124.4	3,222.6	3,923.2	4,759.6	5,067.7	3,758.2	3,683.1	3,915.2	4,163.1
5. **Gross mixed income**	**2,014.0**	**2,353.0**	**2,391.3**	**2,607.4**	**3,003.7**	**3,264.6**	**3,690.9**	**3,805.1**	**3,176.9**	**3,135.7**	**3,261.7**	**3,424.1**
Consumption of fixed capital	377.6	406.6	415.7	434.2	455.6	478.9	514.5	538.2	541.2	542.7	596.7	619.3
Net mixed income	1,636.5	1,946.4	1,975.7	2,173.2	2,548.2	2,785.7	3,176.3	3,266.9	2,635.7	2,593.0	2,665.0	2,804.8
6. **GDP (6=1+2-3+4+5)**	**20,654.3**	**23,128.5**	**25,114.0**	**27,073.4**	**28,749.6**	**31,050.4**	**34,568.2**	**37,135.4**	**34,893.9**	**34,934.1**	**36,285.6**	**38,202.4**
												structure in %
1. **Compensation of employees**	**52.1**	**51.3**	**51.0**	**51.2**	**51.0**	**50.5**	**49.8**	**51.0**	**54.5**	**54.4**	**54.0**	**53.7**
Wages and salaries	45.4	44.4	44.0	43.9	43.7	43.3	42.8	43.9	46.9	46.8	46.5	46.2
Employers' social contributions	6.7	6.9	7.0	7.2	7.2	7.2	7.0	7.1	7.6	7.6	7.6	7.5
2. **Taxes on production and imports**	**15.6**	**15.9**	**16.0**	**15.8**	**15.7**	**15.2**	**14.9**	**14.3**	**14.6**	**14.9**	**14.9**	**14.9**
Taxes on products and services	13.1	13.3	13.2	13.0	12.9	12.7	12.8	12.7	13.5	13.8	13.8	13.8
Other taxes on production	2.5	2.5	2.8	2.8	2.9	2.5	2.1	1.6	1.1	1.1	1.1	1.1
3. **Subsidies**	**1.8**	**1.8**	**2.0**	**1.9**	**2.1**	**2.2**	**2.2**	**2.2**	**2.8**	**2.6**	**2.5**	**2.2**
Subsidies on products and services	0.5	0.4	0.5	0.5	0.5	0.4	0.6	0.6	0.7	0.6	0.6	0.5
Other subsidies on production	1.3	1.4	1.5	1.4	1.5	1.7	1.6	1.6	2.1	2.0	1.9	1.7
4. **Gross operating surplus**	**24.4**	**24.5**	**25.5**	**25.3**	**24.9**	**25.9**	**26.8**	**26.5**	**24.6**	**24.3**	**24.6**	**24.7**
Consumption of fixed capital	15.1	14.5	13.8	13.8	13.7	13.3	13.0	12.9	13.8	13.8	13.8	13.8
Net operating surplus	9.3	10.0	11.7	11.5	11.2	12.6	13.8	13.6	10.8	10.5	10.8	10.9
5. **Gross mixed income**	**9.8**	**10.2**	**9.5**	**9.6**	**10.4**	**10.5**	**10.7**	**10.2**	**9.1**	**9.0**	**9.0**	**9.0**
Consumption of fixed capital	1.8	1.8	1.7	1.6	1.6	1.5	1.5	1.4	1.6	1.6	1.6	1.6
Net mixed income	7.9	8.4	7.9	8.0	8.9	9.0	9.2	8.8	7.6	7.4	7.3	7.3
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 of data: SORS, calculations and forecast by IMAD.

Table 8: **Population and labour market**

Numbers in thousands, indicators in %

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
										forecast		
POPULATION (thousands)	**1992.0**	**1995.7**	**1996.8**	**1997.0**	**2001.1**	**2008.5**	**2019.4**	**2022.6**	**2042.3**	**2036.6**	**2041.0**	**2045.0**
Age structure (in perc.): 0-14 y. of age	15.6	15.2	14.8	14.5	14.2	14.0	13.9	13.9	14.0	13.9	13.9	13.9
15-64 years of age	70.1	70.2	70.4	70.4	70.3	70.2	70.1	69.7	69.5	69.5	69.4	69.1
65 years and more	14.3	14.6	14.9	15.2	15.5	15.7	16.0	16.3	16.5	16.6	16.7	17.0
Yearly growth rate of population (in perc.)												
- Total	0.1	0.2	0.1	0.0	0.2	0.4	0.5	0.2	1.0	-0.3	0.2	0.2
- 15-64 years of age	0.1	0.3	0.3	0.0	0.1	0.3	0.3	-0.3	0.7	-0.3	0.1	-0.2
- 65 years and more	2.4	2.5	1.7	2.0	2.2	2.2	2.3	2.1	2.0	0.6	0.7	1.7
Components of demographic development												
Life expectancy: - men	72.1	72.3	73.2	73.5	74.1	74.8	74.6	75.4	74.9	75.1	75.3	75.5
- women	79.6	79.9	80.7	81.1	81.3	81.9	81.8	82.3	82.1	82.2	82.4	82.5
Fertility rate	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.5	1.3	1.3	1.3	1.3
Net migration (per thousand)	1.5	0.9	1.7	1.0	3.2	3.1	7.1	9.2	6.3	2.5	2.5	2.5
LABOUR SUPPLY												
Participation rate (15-64)	68.3	67.8	67.1	69.8	70.7	70.9	71.3	72.1	71.3	71.7	72.0	72.4
- 15-24 years of age	37.4	36.7	35.3	40.6	40.6	40.6	42.0	42.9	38.3	40.9	40.9	41.0
- 25-54 years of age	87.6	87.3	87.0	88.2	88.9	89.0	89.0	89.9	89.6	89.3	89.3	89.4
- 55-64 years of age	26.8	25.5	23.9	29.4	32.2	33.4	34.6	34.9	36.4	38.4	40.5	42.7
Participation rate (65 years and more)	8.7	7.3	6.5	8.7	6.9	6.8	8.2	7.7	8.8	6.1	4.6	3.1
Labour force (LFS concept)	979	971	962	1007	1016	1022	1036	1042	1042	1036	1036	1034
- Yearly changes (in perc.)	1.1	-0.8	-0.9	4.7	0.9	0.6	1.4	0.6	0.0	-0.6	-0.1	-0.1
LABOUR DEMAND												
Yearly changes (in perc.)												
GDP	2.8	4.0	2.8	4.3	4.5	5.8	6.8	3.5	-7.8	0.6	2.4	3.1
Productivity	2.4	4.0	3.2	4.0	4.7	4.2	3.7	0.7	-5.8	3.0	3.0	3.0
Persons in employment (National accouts concept)	0.5	-0.1	-0.4	0.3	-0.2	1.5	3.0	2.8	-2.2	-2.3	-0.6	0.0
Persons in employment (LFS concept)	1.7	-0.7	-1.4	5.1	0.6	1.3	2.5	1.1	-1.5	-2.0	-0.4	0.1
Persons in formal employment * (statistical register)	0.7	0.3	-0.9	0.8	0.7	1.4	3.5	3.0	-2.4	-2.4	-0.5	0.2
-persons in paid employment *	0.9	-0.1	0.1	0.3	1.0	1.4	3.3	3.1	-2.8	-2.5	-0.6	0.2
Numbers (in thousand)												
Persons in employment (National accouts concept) (000)	908.9	922.8	919.2	922.1	920.3	934.2	962.3	988.9	967.2	944.6	939.0	939.2
Persons in formal employment (statistical register)	806.3	808.7	801.4	807.5	813.1	824.8	854.0	879.3	858.2	837.2	832.8	834.1
- persons in paid employment*	722.1	721.4	722.1	724.4	731.6	741.6	766.0	789.9	767.4	748.3	744.0	745.6
- selfemployed	84.2	87.3	79.2	83.1	81.5	83.3	87.9	89.4	90.8	88.9	88.8	88.5
Persons in employment (LFS concept)	916	910	897	943	949	961	985	996	981	961	957	959
- employment rate (15-64 y. of age, in %)	63.9	63.4	62.6	65.3	66.0	66.6	67.8	68.8	67.5	66.4	66.5	67.0
Economic structure of employment (LFS concept) in %												
agriculture	10.4	9.2	8.4	9.8	9.1	9.6	9.9	8.6	9.3	9.4	9.8	9.7
industry and construction	38.5	38.6	37.5	36.5	37.1	35.5	35.2	35.3	33.4	32.1	31.6	31.1
services	51.2	52.2	54.1	53.7	53.8	54.9	54.9	56.2	57.2	58.5	58.7	59.2
UNEMPLOYMENT												
ILO concept	63	62	64	64	67	61	50	46	62	75	78	75
registered	101.9	102.8	97.7	92.8	91.9	85.8	71.3	63.2	86.4	104.9	109.6	105.6
Rate of unemployment (ILO concept)	6.4	6.4	6.7	6.3	6.5	6.0	4.9	4.4	5.9	7.2	7.6	7.3
Rate of registered unemployment	11.2	11.3	10.9	10.3	10.2	9.4	7.7	6.7	9.1	11.1	11.6	11.2

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

Table 9: **Indicators of international competitiveness**

Annual growth rates in %

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
										forecast	
Effective exchange rate [1]											
Nominal	-5.7	-3.6	-0.5	-1.3	-0.7	0.2	0.8	0.5	0.4	-0.9	-0.1
Real - based on consumer prices	-0.3	1.7	3.3	0.1	-0.2	0.7	2.3	2.8	0.7	-1.0	-0.1
Real - based on ULC in economy as a whole	0.3	0.6	2.5	1.6	-0.9	0.3	1.9	3.4	5.6	-1.1	-0.3
Unit labour costs components											
Nominal unit labour costs	9.2	6.1	4.5	3.7	0.9	1.0	2.6	6.2	9.3	-0.2	0.6
Compensation of employees per employee [2]	11.8	10.4	7.9	7.8	5.6	5.3	6.4	7.0	3.0	2.6	3.6
Labour productivity, real [3]	2.4	4.1	3.2	4.0	4.7	4.2	3.7	0.7	-5.8	2.8	3.0
Real unit labour costs	0.5	-1.5	-1.0	0.3	-0.7	-1.0	-1.5	2.3	7.2	0.2	-0.8
Labour productivity, nominal [4]	11.2	12.1	9.0	7.5	6.4	6.4	8.1	4.5	-3.9	2.3	4.5

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

Table 10: **Balance of payments - BALANCE OF PAYMENTS STATISTICS**

EUR million

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
										forecast		
I. CURRENT ACCOUNT	38	247	-196	-720	-498	-771	-1,646	-2,287	-340	-638	-1,095	-1,249
1. GOODS	-684	-265	-543	-1,009	-1,026	-1,151	-1,666	-2,650	-621	-993	-1,105	-1,160
1.1. Exports of goods	10,454	11,082	11,417	12,933	14,599	17,028	19,798	20,048	16,203	17,135	18,350	19,857
1.2. Imports of goods	11,139	11,347	11,960	13,942	15,625	18,179	21,464	22,698	16,825	18,128	19,455	21,017
2. SERVICES	536	620	540	688	920	993	1,047	1,609	1,022	996	1,071	1,209
2.1. Exports	2,178	2,440	2,465	2,783	3,214	3,572	4,145	5,040	4,319	4,550	4,955	5,500
Transport	559	635	680	809	923	1,058	1,259	1,437	1,072	1,149	1,261	1,406
Travel	1,105	1,143	1,186	1,312	1,451	1,555	1,665	1,932	1,800	1,862	2,008	2,196
Other	514	662	599	662	840	959	1,221	1,672	1,447	1,539	1,686	1,898
2.2. Imports	1,642	1,820	1,925	2,095	2,293	2,580	3,098	3,431	3,297	3,554	3,884	4,291
Transport	356	385	420	485	525	601	734	846	657	712	781	865
Travel	601	635	664	703	707	772	831	894	1,037	1,108	1,202	1,314
Other	685	800	841	906	1,061	1,206	1,533	1,691	1,604	1,734	1,901	2,112
1., 2. BALANCE OF GOODS AND SERVICES	-149	355	-3	-322	-106	-158	-619	-1,041	401	3	-33	48
Exports of goods and services	12,632	13,521	13,882	15,715	17,813	20,601	23,944	25,089	20,522	21,684	23,306	25,357
Imports of goods and services	12,781	13,166	13,885	16,037	17,918	20,759	24,562	26,130	20,121	21,682	23,339	25,309
3. INCOME	43	-168	-219	-322	-295	-440	-789	-1,039	-651	-672	-965	-1,098
3.1. Receipts	511	490	510	530	647	872	1,169	1,264	982	1,045	1,123	1,186
Compensation of employees	197	207	192	201	205	218	229	235	200	205	215	230
Investment	314	282	318	329	442	654	940	1,029	782	840	908	956
3.2. Expenditures	468	657	728	852	942	1,312	1,957	2,303	1,633	1,717	2,088	2,284
Compensation of employees	30	47	57	63	77	110	179	239	117	109	119	150
Investment	438	610	671	789	866	1,202	1,778	2,064	1,517	1,608	1,969	2,134
4. CURRENT TRANSFERS	144	60	26	-76	-97	-173	-239	-206	-90	31	-96	-199
4.1. In Slovenia	436	500	474	561	738	785	941	783	871	1,069	1,058	1,033
4.2. Abroad	293	439	449	638	835	958	1,180	989	961	1,038	1,154	1,232
II. CAPITAL AND FINANCIAL ACCOUNT	-148	3	46	698	970	1,092	1,920	2,395	32			
A CAPITAL ACCOUNT	-4	-164	-165	-96	-114	-131	-52	-43	-11			
1. Capital transfers	1	-163	-164	-96	-109	-126	-51	-44	-5			
2. Non-produced non-financial assets	-5	-1	-2	0	-5	-5	-1	1	-5			
B FINANCIAL ACCOUNT	-144	167	211	794	1,084	1,223	1,972	2,438	42			
1. Direct investment	251	1,556	-151	224	-43	-174	-210	381	-673			
Abroad	-161	-166	-421	-441	-516	-687	-1,317	-932	-625			
In Slovenia	412	1,722	270	665	473	513	1,106	1,313	-48			
2. Portfolio investment	80	-69	-223	-637	-1,313	-1,442	-2,255	575	4,656			
3. Financial derivatives	0	0	0	6	-10	-13	-15	46	-9			
4. Other investment	964	565	849	945	2,639	1,571	4,313	1,415	-4,099			
4.1. Assets	248	-538	-730	-1,308	-1,459	-1,939	-4,741	-562	-314			
4.2. Liabilities	716	1,104	1,579	2,252	4,098	3,510	9,054	1,977	-3,785			
5. Reserve assets	-1,439	-1,885	-264	256	-189	1,281	140	21	167			
III. NET ERRORS AND OMISSIONS	110	-250	150	22	-473	-321	-273	-108	308			

Source of data: BS, forecasts by IMAD.
Note: Balance of payments statistics.

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

EUR million, current prices (fixed 2007 exchange rate)

CONSOLIDATED GENERAL GOVERNMENT REVENUES	2001	2002	2003	2004	2005	2006	2007	2008	2009
I. **TOTAL GENERAL GOVERNMENT REVENUES**	**8,547**	**9,082**	**10,338**	**11,196**	**11,976**	**12,959**	**14,006**	**15,338**	**14,404**
TAX REVENUES	**7,840**	**8,355**	**9,560**	**10,211**	**10,884**	**11,762**	**12,758**	**13,937**	**12,955**
TAXES ON INCOME AND PROFIT	1,493	1,648	1,922	2,115	2,242	2,735	2,918	3,442	2,805
Personal income tax	1,206	1,335	1,474	1,596	1,648	1,793	1,805	2,185	2,092
Corporate income tax	287	314	448	519	594	942	1,113	1,257	712
SOCIAL SECURITY CONTRIBUTIONS	2,927	3,231	3,502	3,753	3,988	4,231	4,598	5,095	5,161
TAXSES ON PAYROLL AND WORKFORCE	348	392	448	491	526	473	418	258	28
Payroll tax	330	371	430	472	506	450	392	230	0
Tax on work contracts	18	20	19	19	20	23	27	28	28
TAXES ON PROPERTY	138	144	144	165	170	189	206	215	207
DOMESTIC TAXES ON GOODS AND SERVICES	2,810	2,807	3,399	3,575	3,915	4,077	4,498	4,805	4,660
TAXES ON INTERN. TRADE AND TRANSACTIONS	124	131	145	81	39	51	117	120	91
OTHER TAXES	1	2	1	31	4	5	2	2	3
NON-TAX REVENUES	**580**	**559**	**623**	**677**	**633**	**633**	**709**	**855**	**683**
CAPITAL REVENUES	43	63	66	87	113	167	136	117	104
GRANTS	**45**	**59**	**56**	**8**	**9**	**5**	**12**	**10**	**11**
TRANSFERS REVENUES	**39**	**46**	**33**	**31**	**34**	**43**	**43**	**54**	**54**
RECEIPTS FROM THE EU BUDGET	**0**	**0**	**0**	**183**	**302**	**348**	**348**	**365**	**597**

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

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

per cent share relative to GDP

CONSOLIDATED GENERAL GOVERNMENT REVENUES	2001	2002	2003	2004	2005	2006	2007	2008	2009
I. **TOTAL GENERAL GOVERNMENT REVENUES**	**41.4**	**39.3**	**41.2**	**41.4**	**41.7**	**41.7**	**40.5**	**41.3**	**41.3**
TAX REVENUES	**38.0**	**36.1**	**38.1**	**37.7**	**37.9**	**37.9**	**36.9**	**37.5**	**37.1**
TAXES ON INCOME AND PROFIT	7.2	7.1	7.7	7.8	7.8	8.8	8.4	9.3	8.0
Personal income tax	5.8	5.8	5.9	5.9	5.7	5.8	5.2	5.9	6.0
Corporate income tax	1.4	1.4	1.8	1.9	2.1	3.0	3.2	3.4	2.0
SOCIAL SECURITY CONTRIBUTIONS	14.2	14.0	13.9	13.9	13.9	13.6	13.3	13.7	14.8
TAXSES ON PAYROLL AND WORKFORCE	1.7	1.7	1.8	1.8	1.8	1.5	1.2	0.7	0.1
Payroll tax	1.6	1.6	1.7	1.7	1.8	1.4	1.1	0.6	0.0
Tax on work contracts	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TAXES ON PROPERTY	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
DOMESTIC TAXES ON GOODS AND SERVICES	13.6	12.1	13.5	13.2	13.6	13.1	13.0	12.9	13.4
TAXES ON INTERN. TRADE AND TRANSACTIONS	0.6	0.6	0.6	0.3	0.1	0.2	0.3	0.3	0.3
OTHER TAXES	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
NON-TAX REVENUES	**2.8**	**2.4**	**2.5**	**2.5**	**2.2**	**2.0**	**2.1**	**2.3**	**2.0**
CAPITAL REVENUES	0.2	0.3	0.3	0.3	0.4	0.5	0.4	0.3	0.3
GRANTS	**0.2**	**0.3**	**0.2**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
TRANSFERS REVENUES	**0.2**	**0.2**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**
RECEIPTS FROM THE EU BUDGET	**0.0**	**0.0**	**0.0**	**0.7**	**1.1**	**1.1**	**1.0**	**1.0**	**1.7**

Source of data: 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 2007 exchange rate)

	CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2001	2002	2003	2004	2005	2006	2007	2008	2009
II.	**TOTAL EXPENDITURE**	**8,811**	**9,733**	**10,666**	**11,552**	**12,276**	**13,209**	**13,915**	**15,442**	**16,365**
	CURRENT EXPENDITURE	**4,191**	**4,668**	**5,114**	**5,150**	**5,354**	**5,689**	**5,951**	**6,557**	**6,797**
	WAGES AND OTHER PERSONNEL EXPENDITURE	1,905	2,149	2,342	2,456	2,521	2,671	2,761	3,037	3,363
	SOCIAL SECURITY CONTRIBUTIONS	336	386	424	466	495	509	515	542	549
	PURCHASES OF GOODS AND SERVICES	1,610	1,743	1,884	1,794	1,911	2,073	2,212	2,527	2,507
	INTEREST PAYMENTS	304	349	387	384	372	376	357	335	336
	BUDGETARY RESERVES	38	41	78	50	55	59	105	116	42
	CURRENT TRANSFERS	**3,789**	**4,202**	**4,579**	**5,216**	**5,599**	**5,926**	**6,144**	**6,743**	**7,340**
	SUBSIDIES	264	252	290	324	381	403	423	477	598
	TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	3,427	3,799	4,115	4,396	4,629	4,871	5,093	5,619	6,024
	OTHER CURRENT DOMESTIC TRANSFERS	98	151	174	496	589	651	628	647	718
	CAPITAL EXPENDITURE TOTAL	**830**	**863**	**972**	**1,017**	**1,038**	**1,306**	**1,464**	**1,714**	**1,788**
	CAPITAL EXPENDITURE	534	537	593	631	654	901	1,130	1,256	1,293
	CAPITAL TRANSFERS	296	326	379	386	383	405	334	459	495
	PAYMENTS TO THE EU BUDGET	**0**	**0**	**0**	**170**	**286**	**288**	**356**	**428**	**439**
III.	**GENERAL GOVERNMENT BUDGETARY SURPLUS / DEFICIT (I. - II.)**	**-264**	**-651**	**-327**	**-356**	**-300**	**-250**	**91**	**-103**	**-1,961**

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

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

per cent share relative to GDP

	CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2001	2002	2003	2004	2005	2006	2007	2008	2009
II.	**TOTAL EXPENDITURE**	**42.7**	**42.1**	**42.5**	**42.7**	**42.7**	**42.5**	**40.3**	**41.6**	**46.9**
	CURRENT EXPENDITURE	**20.3**	**20.2**	**20.4**	**19.0**	**18.6**	**18.3**	**17.2**	**17.7**	**19.5**
	WAGES AND OTHER PERSONNEL EXPENDITURE	9.2	9.3	9.3	9.1	8.8	8.6	8.0	8.2	9.6
	SOCIAL SECURITY CONTRIBUTIONS	1.6	1.7	1.7	1.7	1.7	1.6	1.5	1.5	1.6
	PURCHASES OF GOODS AND SERVICES	7.8	7.5	7.5	6.6	6.6	6.7	6.4	6.8	7.2
	INTEREST PAYMENTS	1.5	1.5	1.5	1.4	1.3	1.2	1.0	0.9	1.0
	BUDGETARY RESERVES	0.2	0.2	0.3	0.2	0.2	0.2	0.3	0.3	0.1
	CURRENT TRANSFERS	**18.3**	**18.2**	**18.2**	**19.3**	**19.5**	**19.1**	**17.8**	**18.2**	**21.0**
	SUBSIDIES	1.3	1.1	1.2	1.2	1.3	1.3	1.2	1.3	1.7
	TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	16.6	16.4	16.4	16.2	16.1	15.7	14.7	15.1	17.3
	OTHER CURRENT DOMESTIC TRANSFERS	0.5	0.7	0.7	1.8	2.0	2.1	1.8	1.7	2.1
	CAPITAL EXPENDITURE TOTAL	**4.0**	**3.7**	**3.9**	**3.8**	**3.6**	**4.2**	**4.2**	**4.6**	**5.1**
	CAPITAL EXPENDITURE	2.6	2.3	2.4	2.3	2.3	2.9	3.3	3.4	3.7
	CAPITAL TRANSFERS	1.4	1.4	1.5	1.4	1.3	1.3	1.0	1.2	1.4
	PAYMENTS TO THE EU BUDGET	**0.0**	**0.0**	**0.0**	**0.6**	**1.0**	**0.9**	**1.0**	**1.2**	**1.3**
III.	**GENERAL GOVERNMENT BUDGETARY SURPLUS / DEFICIT (I. - II.)**	**-1.3**	**-2.8**	**-1.3**	**-1.3**	**-1.0**	**-0.8**	**0.3**	**-0.3**	**-5.6**

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

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

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

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

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

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

Sources of data:
Spring Forecast of economic trends, Autumn Forecast of economic trends (March, September) 1997-2009, Ljubljana, Institute of Macroeconomic Analysis and Development (IMAD).
Price Stability Report (March, September) 2002-2009, Ljubljana, Bank of Slovenia (BS).
Current Economic Trends and Indicators, (May, November) 1997-2009, Ljubljana, (SKEP)- Economic Outlook, Ananysis and Forecasts of the Chamber of Commerce and Industry of Slovenia.
Spring Economic Forecast, Autumn Economic Forecast (April, October) 2002-2009, European Commision (EC)
World Economic Outlook (April, October) 2002-2009, Washington, International Monetary Fund (IMF).