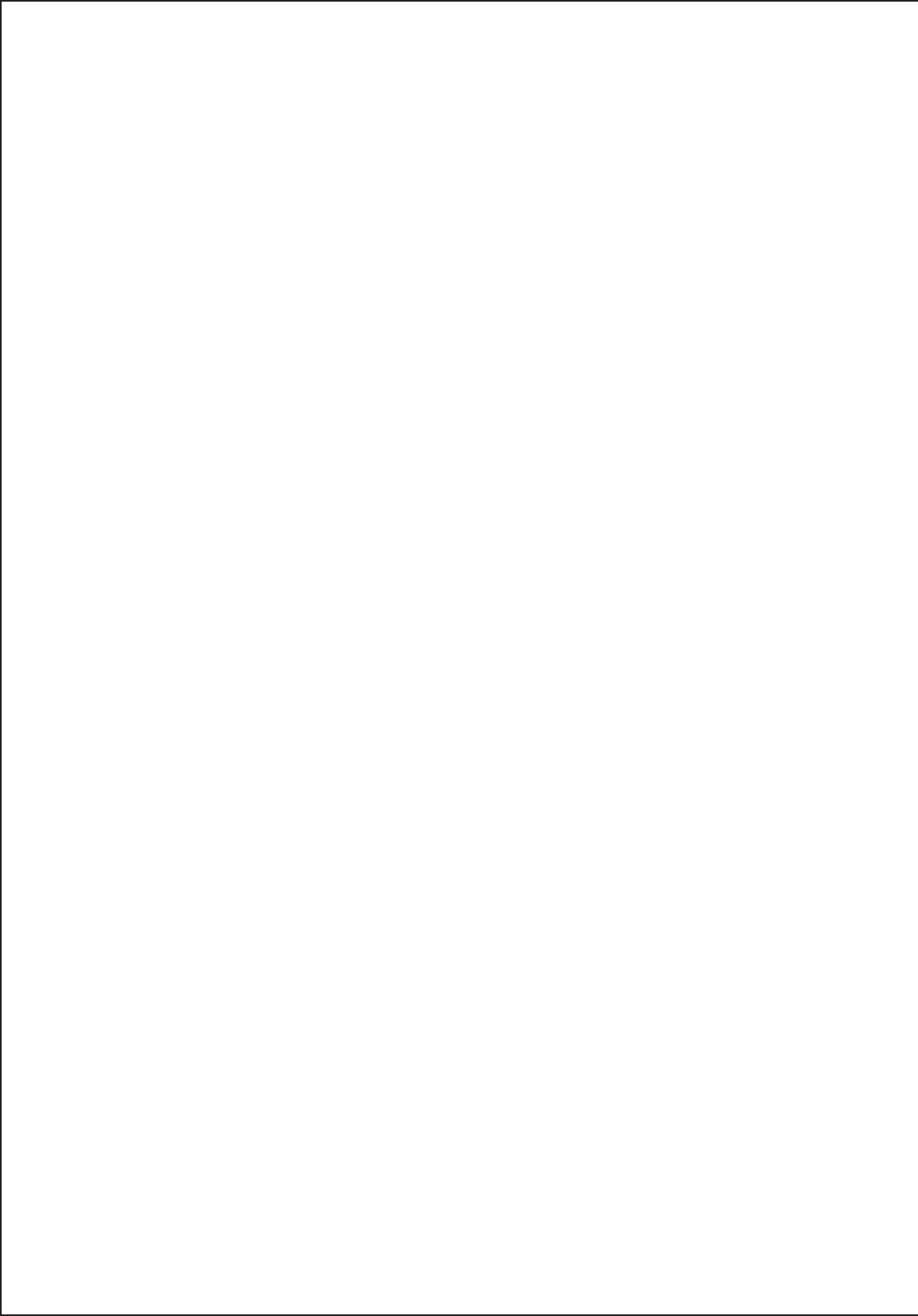


# autumn forecast of economic trends 2016



**Autumn Forecast of Economic Trends 2016 (Jesnska napoved gospodarskih gibanj 2016)**

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## Summary

**The Autumn Forecast is based on the favourable economic developments recorded in previous quarters and assumes that the current economic policies and stability in the euro area will continue.** International institutions expect economic growth in the euro area to maintain its pace. The UK's decision to leave the EU (Brexit) has not significantly affected business results or the stability of the financial market thus far. The forecast for the domestic environment assumes that the economic policies planned, including fiscal consolidation, will continue. Given the improved situation in the banking system, we have also assumed that there will be a rebound in bank lending to the corporate sector, as well as a further increase in the importance of non-banking and internal sources of funding. All this will support Slovenia's further economic growth, which has strengthened in recent quarters and become broad-based. The labour market and fiscal performance will be increasingly affected by demographic change that is characterised by an expected decline in the working-age population and a rise in the share of the older population.

**The autumn forecast for GDP growth in 2016 and the two years that follow envisages a continuation of favourable economic trends; GDP growth dynamics will be marked primarily by government investment related to the absorption of EU funds.** The forecasts for GDP growth are 2.3% in 2016, 2.9% in 2017 and 2.6% in 2018. Exports will remain the key driver of economic activity over the entire forecasting period. They will continue to be fuelled by not only the expected growth in foreign demand but also competitiveness gains in the tradable sector. Economic growth is becoming broad-based as the contribution of domestic consumption gradually rises. Household consumption is therefore expected to increase significantly in 2016, with a marked improvement in labour market conditions and a high level of consumer confidence, and these positive trends will also continue in 2017 and 2018. From 2017 onwards, higher growth will also be recorded for government investment co-financed by EU funds, where delays and a lower absorption rate than planned continue to be seen this year. This will have a pivotal influence on the growth of total investment. Throughout the period, we also expect further growth in investment in machinery and equipment and a gradual rebound in housing investment growth owing to the continued recovery of the real estate market. The reasons for this increase in private investment, which is now financed by internal and other non-banking sources to a greater extent than in the past, will be similar to those in the last two years. With high capacity utilisation, the growth in private investment primarily reflects the favourable and more stable expectations of businesses, the persistence of low interest rates, strong business performance and the improving ratio of profit to debt. Government consumption will also continue to increase this year and next, chiefly on account of public sector pay rises, a larger number of employees and an increase in some other forms of expenditure, particularly health care.

**Favourable labour market trends will persist, but they will be increasingly characterised by demographic change.** In 2016 employment continues to rise, not only in most private sector activities but also in the public sector owing to the relaxation of hiring restrictions. Given the improvements to the indicator for expected employment, employment growth should be significantly higher this year (at 1.9%) than in 2015, with the number of unemployed falling to around 103,000 for the year as a whole. In addition to the further recovery of the economy generally, higher employer confidence in economic growth and increased use of flexible forms of employment will also contribute to employment growth in 2017 and 2018. Towards the end of the forecasting period, the labour market will be increasingly affected by changes in the demographic structure, particularly the contraction of the working-age population.

**Nominal growth in average earnings will hover around 2.0% in 2016 and the next two years; it will rise steadily in the private sector, but will slow down in the public sector after this year's high.** In the first half of this year, both sectors recorded the highest wage growth in the past five years, and this figure will reach 1.9% for the year as a whole. Nominal wage growth in the private sector will continue to rise in 2017 and 2018. In addition to strong business performance, wage growth will also be underpinned by a considerable decline in unemployment. However, owing to the efforts made by companies to maintain competitiveness, wage growth is projected to hover around the level of productivity growth. The public sector wage rises this year are a consequence of the payment of deferred promotions and the elimination of some austerity measures. In the next two years growth is forecast to slow.

**Although consumer prices will rise in the next two years, inflation will remain relatively low.** In 2016 average consumer prices will remain unchanged, mainly due to the influence of the low price of oil. The impact of energy prices on the total price decline is gradually easing. Core inflation is rising slightly, fuelled by the higher prices of services, while the average prices of non-energy goods remain unchanged. Given the assumed growth in import prices for oil and commodities over the next two years, we expect rises in energy prices, as well as a slightly higher rate of core inflation owing to a rebound in domestic consumption and a gradual closing of the output gap. With stronger domestic demand, businesses (particularly those in the non-tradable sector) will have more leeway to convert the rising costs into higher prices. Price rises will, however, continue to be restrained by the efforts made by companies to improve competitiveness, which means that inflation will remain relatively low (below 2%).

**The current account surplus will remain high.** The surplus of trade in goods and services continues to rise under the influence of the relatively strong growth of exports and better terms of trade. The current account surplus in 2016 will therefore be the highest thus far (6.7% of GDP), despite the slightly higher deficits in the balances of primary and secondary income (together around 4% of GDP). On the one hand, the large surplus of gross savings over investment is mainly due to a strong decline in gross investment and the vigorous deleveraging of banks and enterprises since the beginning of the crisis, which slowed domestic consumption among other effects. On the other hand, in addition to favourable terms of trade, the growth in surplus is also influenced by exports amid several years of improvement in Slovenia's competitive position on foreign markets. The expected further recovery in domestic consumption will boost the growth of imports, but the growth rates of private consumption and fixed capital formation will remain modest. With export growth similar to that recorded thus far, the surplus will decline very gradually (to 5.6% of GDP in 2017 and 5.3% of GDP in 2018). The narrowing of the current account surplus in the next two years will also be partly attributable to deteriorated terms of trade. The deficits in primary and secondary income will remain roughly the same as this year.

**The key risks to the central scenario of IMAD's Autumn Forecast arise from the international environment; the risks associated with the domestic situation are less pronounced and more balanced than in previous forecasts.** To a greater extent than in previous forecasts, the risks relate to the narrower international environment, particularly the effects of Brexit. Global challenges remain, which are partly geopolitical and these are reflected in the uncertainty regarding future migration flows; however, for the most part, these challenges are increasingly associated with the different speeds of recovery of the largest world economies and thus the expected different directions of economic policy actions taken. The risks in the domestic environment are less pronounced and more balanced than in previous forecasts. The prospects regarding the future absorption of EU funds and hence the volume of government investment are particularly uncertain. On the upside, however, an improvement to Slovenia's competitive position in the years to come could lead to stronger growth in exports and private investment than assumed in the baseline scenario. Upside risks also predominate in terms of final consumption and stem primarily from favourable developments on the labour market.

## Autumn forecast of Slovenia's main macroeconomic aggregates

	2015	Autumn forecast (September 2016)		
		2016	2017	2018
<b>GROSS DOMESTIC PRODUCT</b>				
GDP, real growth (%)	2.3	2.3	2.9	2.6
GDP in EUR m, current prices	38,570	40,004	41,416	42,885
<b>EMPLOYMENT, EARNINGS AND PRODUCTIVITY</b>				
Employment according to the SNA, growth (%)	1.1	1.9	1.4	1.1
Number of registered unemployed, annual average (in '000)	112.7	103.4	94.5	88.1
Registered unemployment rate (%)	12.3	11.2	10.2	9.5
ILO unemployment rate (%)	9.0	8.2	7.5	6.8
Gross earnings per employee, real growth (%)	1.2	1.8	0.8	0.7
- private sector	1.0	1.4	0.6	0.9
- public sector	1.7	2.6	1.1	0.4
Labour productivity (GDP per employee), real growth (%)	1.2	0.4	1.5	1.5
<b>EXTERNAL TRADE</b>				
Exports of goods and services, real growth (%)	5.6	5.7	5.5	5.0
Exports of goods	5.3	5.9	5.8	5.1
Exports of services	6.5	4.9	4.3	4.4
Imports of goods and services, real growth (%)	4.6	5.3	5.9	5.1
Imports of goods	5.0	5.8	6.2	5.2
Imports of services	2.2	2.8	4.3	4.4
<b>BALANCE OF PAYMENTS STATISTICS</b>				
Current account BALANCE (EUR m)	1,998	2,700	2,326	2,272
- as a % of GDP	5.2	6.7	5.6	5.3
External balance of goods and services, in EUR m	3,517	4,157	3,980	3,981
- as a % of GDP	9.1	10.4	9.6	9.3
<b>DOMESTIC DEMAND</b>				
Domestic consumption, real growth (%)	1.0	2.3	2.0	1.7
of which:				
Private consumption	0.5	2.3	2.2	2.0
Government consumption	2.5	2.0	1.3	0.7
Gross fixed capital formation	1.0	-4.0	6.0	5.0
Change in inventories, contribution to GDP growth, in pps	0.4	0.7	0.1	0.1
<b>EXCHANGE RATES AND PRICES</b>				
USD/EUR exchange rate	1.110	1.116	1.118	1.118
Real effective exchange rate – CPI deflator	-3.8	0.2	-0.3	0.0
Inflation (Dec/Dec)	-0.5	1.1	1.4	1.5
Inflation (annual average)	-0.5	0.1	1.4	1.5
Oil price (Brent crude, USD/barrel)	52.4	42.5	49.0	52.0

Source: Year 2015 SURS, BoS, ECB, EIA, 2016–2018 IMAD forecasts.

The Autumn Forecast of Economic Trends is based on statistical data, information and adopted measures known at the cut-off date of 8 September 2016.



# **autumn forecast of economic trends 2016**



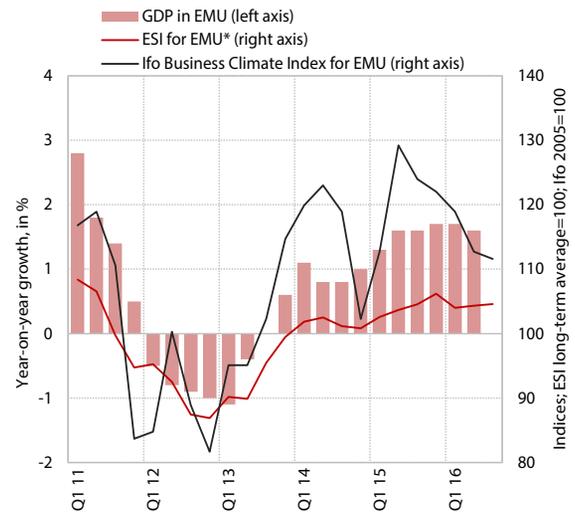
## 1. Assumptions of the Autumn Forecast of Economic Trends 2016

### 1.1. International environment

**The forecast assumes a continuation of the current GDP growth rates among most of Slovenia's main trading partners.** According to forecasts made by international institutions, GDP growth in the euro area should hover between 1.4% and 1.6% during the 2016–2018 period. It will continue to rely mainly on growth in private consumption, boosted by a further improvement in labour market conditions. The modest recovery of investment is expected to continue, reflecting better financing conditions, higher profits for enterprises and the need to replace equipment. Amid the expected growth in the global economy, the growth in euro area exports will continue to slow down this year before starting to pick up gradually again in 2017. Forecasts made by international institutions for Slovenia's main trading partners outside the euro area indicate a further gradual strengthening of GDP growth in Croatia. Given the projected rises in oil and other commodity prices, the economic situation in Russia should also gradually improve.

**The autumn forecast is based on the assumption of low growth in oil and other commodity prices over the next two years.** The US dollar price of oil has been rising gradually since January, when it stood at USD 30 per barrel. In the eight months to August it averaged

Figure 1: GDP and confidence indicators for the euro area (ESI, Ifo)



Source: Eurostat, EC, Ifo. Note: \* The figures for Q3 2016 are the average for July and August.

USD 40.9 per barrel, which is still almost 30% less than for the same period in 2015. The technical assumption of the autumn forecast for the average price of a barrel of Brent crude oil in 2016 is USD 42.5. The price of oil will rise gradually over the next two years. For non-energy commodities, the forecast assumes a further decline this year, followed by modest growth in 2017 and 2018.

Table 1: Assumptions about economic growth in Slovenia's main trading partners

Real growth rates, (%)	2015	2016		2017		2018
		March 2016	September 2016	March 2016	September 2016	September 2016
EU	2.2	1.8	1.8	1.9	1.6	1.9
euro area	2.0*	1.4	1.5	1.7	1.4	1.6
Germany	1.7	1.4	1.6	1.7	1.4	1.4
Italy	0.8	1.0	0.9	1.4	1.0	1.1
Austria	1.0	1.4	1.4	1.6	1.4	1.4
France	1.3	1.2	1.4	1.5	1.4	1.5
Croatia	1.6	1.5	1.9	1.8	2.1	2.2
Russia	-3.7	-1.4	-1.0	1.2	1.0	1.6

Source: Eurostat (for 2015); Consensus Forecasts, August 2016; Eastern Consensus Forecasts, August 2016; EC Spring Forecast, May 2016; Focus Economics, August 2016; ECB staff macroeconomic projections, June 2016; IMF World Economic Outlook Update, July 2016; IMAD estimate. Note: \*The growth is largely the result of the 26.3% GDP growth in Ireland.

Table 2: Assumptions about oil and non-energy commodity prices and the USD/EUR exchange rate

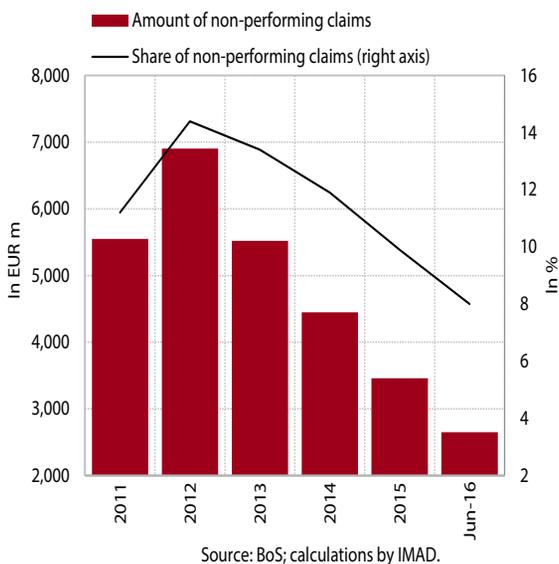
	2015	2016		2017		2018
		March 2016	September 2016	March 2016	September 2016	September 2016
Brent crude price (USD)	52.4	35.0	42.5	41.5	49.0	52.0
Brent crude price (EUR)	47.2	31.4	38.1	37.2	43.8	46.5
Non-energy commodity prices (USD), growth	-17.5	-5.0	-2.0	0.0	3.0	3.0
USD/EUR exchange rate	1.110	1.111	1.116	1.114	1.118	1.118

Source: EIA, IMF, ECB, CME, IMAD estimate. Note: The assumptions for the oil price and the exchange rate are based on futures prices and the USD/EUR exchange rate between 1 and 18 August 2016.

## 1.2. The banking system and sources of finance

**Conditions in the banking system are improving and the forecast assumes that lending to enterprises will rebound.** The share of non-performing claims is rapidly falling, which is a consequence of their restructuring and sale and the liquidation of two smaller banks. Despite the contraction in the net interest margin, the performance of Slovenia's banking system has improved significantly this year, primarily owing to the lower provisions and impairments created.<sup>1</sup> The capital adequacy of Slovenia's banking system is increasing and is among the highest in the EU. Liquidity pressures related to the maturing of foreign liabilities<sup>2</sup> continue to abate. In terms of sources of finance, deposits by the domestic non-banking sector continue to rise; however, since only overnight deposits are increasing, their maturity structure is not particularly favourable.

Figure 2: Non-performing claims in Slovenia's banking system



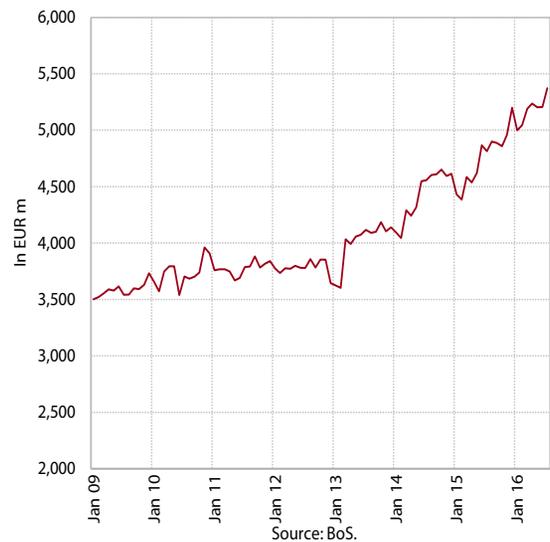
**Although the conditions for an increase in bank loans will improve as the banking system continues to remain stable, we assume that non-banking and internal sources of funding will play an increasingly important role in financing the economy.** The stock of corporate sector loans continues to decline. New lending to enterprises has stopped falling in recent months, but significant growth has yet to materialise. The interest rates at domestic banks have dropped considerably, but remain above the euro area average, particularly for larger loans. However, the level of real interest rates remains high, which in our view also has a bearing on the decisions made by enterprises regarding new long-term borrowing; this is, amid relatively low potential returns on

<sup>1</sup> In the first six months of 2016, the banks more than doubled their year-on-year profits after taxes to over EUR 250 million.

<sup>2</sup> In July these amounted to EUR 4.7 billion or just above 10% of the banks' total assets, which is approximately EUR 14 billion less than in August 2008. In 2008 this type of liabilities accounted for over 35% of the banking system's total assets. These figures include liabilities to all foreign sectors, not just foreign banks.

investment, as GDP growth is still expected to be lower than before the crisis. With better access to funding on capital markets, the amount of debt securities issued by non-financial corporations rose by nearly one-tenth year-on-year in the first quarter of 2016. According to our estimates, the ECB's non-standard measures (purchases of corporate debt securities) could bolster the importance of this type of finance. Small and medium-sized enterprises, in particular, still find it difficult to obtain funding as they have limited access to non-banking sources of finance. An increasingly important source of finance is the internal resources of enterprises. Enterprise deposits at banks amount to EUR 5.4 billion, almost 50% higher than at the end of 2008.

Figure 3: Deposits of non-financial corporations



## 1.3. Public finance

**The autumn forecast takes into account the government's policy of continuing fiscal consolidation for the coming years.** The general government deficit has continued to narrow this year, not only because of the expenditure limits set in the state budget but also due to revenue growth (excluding EU funds), which, the economic environment being more favourable, exceeds expectations. We assume that fiscal consolidation will continue in the years to come under the influence of further GDP growth and the retention of some of the measures taken in areas that have contained growth in general government expenditure in recent years. These have mainly affected employee compensation in the general government, social benefits and transfers to individuals and households, as well as the intermediate consumption of the government and municipalities through measures taken in public procurement and other areas. The delays in absorbing EU funds from the new 2014–2020 financial perspective, which have been even more pronounced than what was expected in the spring, are reflected in a significant contraction of government investment. Government investment is anticipated to increase in 2017 and 2018.<sup>3</sup>

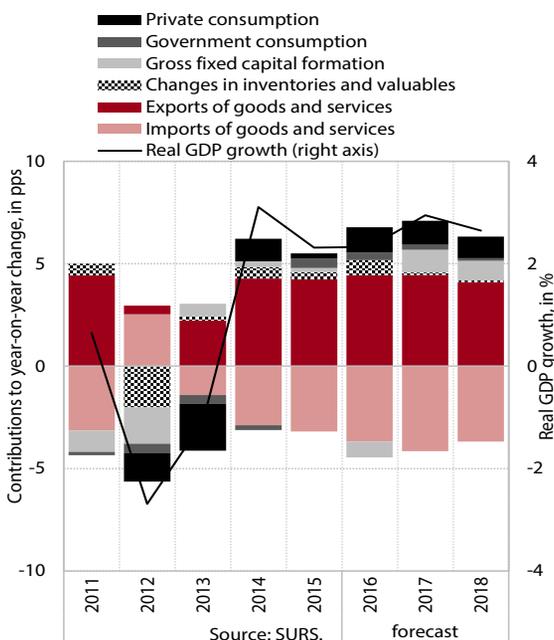
<sup>3</sup> The adopted Operational Programme for the Implementation of the EU Cohesion policy (August 2016).

## 2. Forecast of economic trends in Slovenia

### 2.1. GDP – consumption aggregates

**Gross domestic product will be up 2.3% this year, reflecting the continuation of favourable export trends and the strengthening of private consumption.** GDP was 2.5% higher year-on-year in the first half of 2016, and the activity and confidence indicators available also indicate similar trends for the rest of the year. Exports remain the key driver behind economic activity, but the economic recovery is now becoming more broad-based as other segments of the economy have also been improving in recent quarters. This year's continuation of favourable export trends stems from the rise in foreign demand and the competitive gains made in the tradable sector in recent years. With a significant improvement in the labour market, where the growth of employment and wages is on the rise, stronger growth has also been recorded for household disposable income, which is reflected in stronger growth in private consumption. Investment activity is lower, primarily owing to the significant contraction in government investment as a result of the reduced absorption of EU funds during the transition to the new financial perspective. After last year's turn we expect the weak recovery in housing investment to continue with a rebound of the real estate market, while good business performance and the prospects for stable economic growth in the future contribute to further growth in private investment in machinery and equipment. Government consumption will also rebound, largely as a result of higher employee compensation owing to the relaxation of some austerity measures and the growth in spending on goods and services in the health sector.

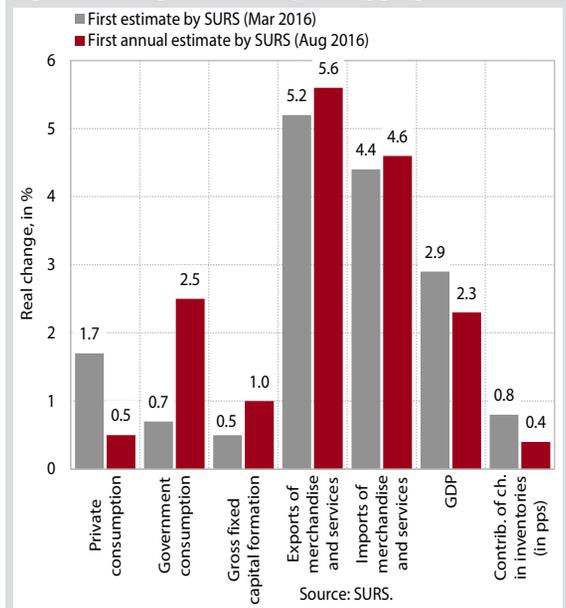
Figure 4: Slovenia's GDP – expenditure structure



#### Box 1: Revision of the main national account aggregates

**In August SURS published the first annual estimate of real GDP change in 2015 (2.3%), which is 0.6 of a percentage point lower than the first estimate based on quarterly accounts (2.9%).** Using a broader set of data, statistical offices tend to revise their estimates of past GDP growth, which also affects the forecasts for future economic activity. The revisions of GDP sub-categories are often more significant than those for total GDP. In terms of the components of consumption, the largest upward revision of last year's growth was made for government consumption, and the largest downward revision was made for private consumption. On the production side, and when compared with the first release, the largest upward revision was in information and communication activities (7.8% compared to 3.5%) and the largest downward revisions in manufacturing (2.0% compared to 5.8%) and financial and insurance activities (-4.8% compared to -1.3%).

Figure 5: Change in consumption aggregates in 2015



**The broad-based economic growth will continue in 2017 and 2018; the rise in 2017 will result from renewed growth in government investment.** Assuming that government objectives regarding the increased absorption of EU funds from the new financial perspective come to fruition, government investment growth should resume next year. This will lead to an increase in total investment consumption, where we expect favourable developments in private investment similar to those in 2015 and 2016 to continue. Against the backdrop of rising foreign demand and domestic consumption, investment in machinery and equipment will continue to expand, while the recovery in the real estate market will contribute to a further rebound in housing investment. Exports will remain the main source of GDP growth in 2017 and

2018. According to the forecasts made by international institutions, growth in foreign demand should strengthen gradually, and Slovenia's competitive position will also improve further. The growth in merchandise exports in 2017 and 2018 will continue to be driven by higher exports of most manufacturing activities. The growth in the export of services will also continue, particularly on the back of further growth in foreign tourist spending and transport services. Reflecting the favourable labour market conditions and growth in social transfers and pension expenditure, disposable income will rise further in the next two years; consequently, private consumption will also continue to rise. The changes envisaged to personal income tax<sup>4</sup> will also have a favourable impact on growth. Government consumption will also rise in the next two years, but this growth will be somewhat weaker than in 2016. Higher employee compensation and expenditure on goods and services in health sector public institutes will remain the main growth factors in 2017–2018.

**Private consumption growth will be higher over the forecasting period than in previous years, particularly as a result of favourable labour market conditions.** The growth of private consumption picked up in the first half of 2016 (1.9% year-on-year), and the improvement in the indicator of consumer confidence, which is above the long-term average, indicates that this will strengthen further during the remainder of the year. The consumption of durables, which has surpassed the pre-crisis level after two years of rapid growth, continues to rise. The consumption of other goods, which accounts for the bulk of consumption, is also recovering. According to our estimates, the consumption of semi-durable goods and services, in particular, is gaining momentum. This year's strengthening in private consumption growth reflects the significantly higher level of disposable

income, which is mainly due to higher growth in wages and employment. Owing to the easing of some austerity measures,<sup>5</sup> higher growth has also been recorded for social benefits and transfers. In 2017 and 2018 the wage bill will rise more slowly, but disposable income in 2017 will also be favourably affected by the envisaged changes in personal income tax. Both years will witness further growth in social transfers as well as stronger growth in pension expenditure owing to the expected increase in the number of pensioners. Continued growth of household spending will also reflect higher consumer confidence in economic growth after several years of improvement.

Figure 6: Household consumption and the wage bill

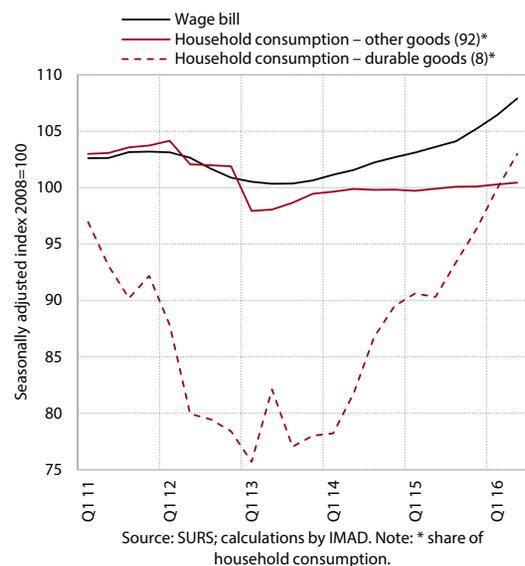


Table 3: Forecast for economic growth

Real growth rates (%)	2015	2016		2017		2018
		March 2016	September 2016	March 2016	September 2016	September 2016
GDP	2.3	1.7	2.3	2.4	2.9	2.6
Exports	5.6	3.7	5.7	4.8	5.5	5.0
Imports	4.6	3.0	5.3	5.1	5.9	5.1
External balance of goods and services (contribution to growth in pps)	1.1	0.8	0.8	0.3	0.3	0.4
Private consumption	0.5	2.1	2.3	1.7	2.2	2.0
Government consumption	2.5	0.9	2.0	0.2	1.3	0.7
Gross fixed capital formation	1.0	-3.0	-4.0	6.0	6.0	5.0
Change in inventories and valuables (contribution to growth in pps)	0.4	0.2	0.7	0.0	0.1	0.1

Source: SURS; 2016–2018 forecasts by IMAD.

<sup>4</sup>They involve changes to the personal income tax brackets (introducing a new bracket with a 34% tax rate between the second and third brackets); an increase (of EUR 300) in the threshold for entitlement to the highest general tax allowance; and the disburdening of part of performance-related pay (such as 13th month pay and Christmas bonuses) to up to 70% of the average wage in Slovenia. According to the Ministry of Finance, the financial effect of these changes is estimated to be EUR 106 million.

<sup>5</sup>In 2016 the full level of the basic amount of the minimum income started to apply; child benefits for parents in the 5th and 6th income brackets were increased; the eligibility threshold for state scholarships was raised; and a partial subsidy for primary and secondary school meals was introduced for the 2nd and 3rd child benefit class. Pensions were also indexed.

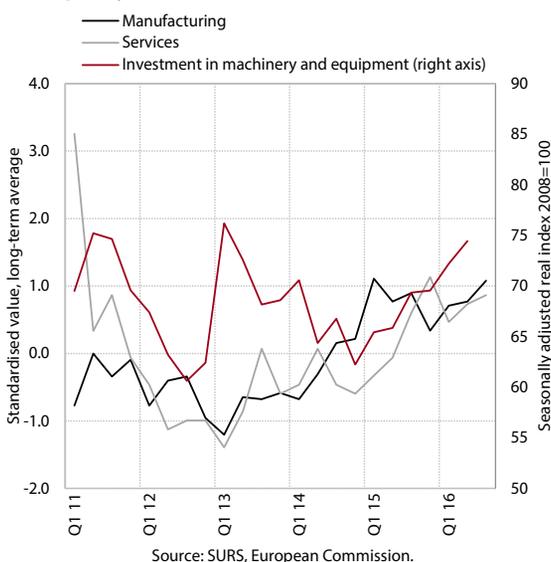
### General government consumption will continue to rise in 2016–2018.

In the first half of this year, this figure was up 2.7% year-on-year in real terms. This year's growth is mainly underpinned by higher employee compensation due to the growth in earnings and rise in employment in the general government after the removal of some austerity measures. The growth of intermediate consumption and social benefits in kind arises primarily from public institutes in the health sector. This is also attributable to the improved labour market conditions, which has increased HHS revenue from contribution bases this year. These factors will also be the main drivers behind growth in 2017 and 2018, but their contributions will be slightly smaller.

### The main factor in this year's decline in investment activity and the expected growth in the next two years is the dynamics of government investment, against the backdrop of further growth in private investment in machinery and equipment over the entire forecasting period.

The possibility of absorbing EU funds from the previous financial perspective, which were the main source of government investment growth in 2014 and 2015, expired in 2015. During the transition to the new financial perspective, the absorption of EU funds dropped considerably, which has resulted in substantially lower government investment this year. With regard to the estimated realisation of the state budget, investment expenditure will fall by over half a billion euros in 2016 (i.e. more than 40%), which is the main reason for the decline in construction investment this year. Over the next two years, government investment will start gradually rising again, assuming that the government objectives regarding the absorption of EU funds materialise. With the real estate market continuing to recover, we expect growth in housing investment in 2016 and the next two years; this investment already strengthened slightly in

Figure 7: Gross investment in machinery and equipment and capacity utilisation

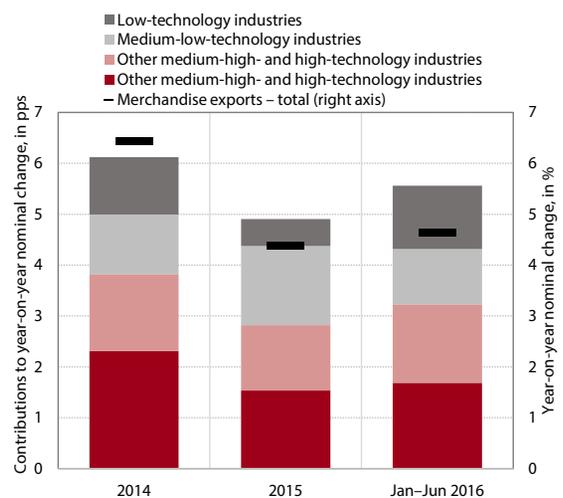


2015. Better prospects for this construction segment are also indicated by the higher number of building permits issued for flats.<sup>6</sup> Over the entire forecasting period we also project further growth in private investment in machinery and equipment. This will be favourably affected by good business results, several years of deleveraging and the expected lower real interest rates. Its growth is also suggested by capacity utilisation rates, which have reached their five-year highs not only in manufacturing but also services. Amid rising demand on Slovenia's key markets, this will boost the growth of investment in industry while growth in final consumption will help create an environment which is conducive for investment in the services sector.

### Export growth will remain relatively high over the forecasting period due to a gradual increase in foreign demand and a further improvement in competitiveness.<sup>7</sup>

It will continue to rely on exports to EU markets, but the expected stronger growth in foreign demand in 2016–2018 will be mainly due to the improvement of economic activity among Slovenia's non-EU trading partners, particularly Russia. In view of the improvement in the price and cost competitiveness indicators for the tradable sector, we also project a

Figure 8: Breakdown of nominal export growth in manufacturing industries



<sup>6</sup> The number of flats planned by issuing building permits was up 1.7% in 2015. In the first quarter of 2016, this figure declined, but this was related to methodological changes, according to our estimate. In 2016 SURS began using a new administrative source of data in the building permit statistics, meaning that the data from 2016 onwards are published according to the date of validity of the building permits rather than the date of issue, as was the case up to the end of 2015. The figures for the first quarter of 2016 do not include the building permits that were issued in the last quarter of 2015 and became valid in the first quarter of 2016, as they were already included in data for the last quarter of 2015.

<sup>7</sup> The export movements in 2015 and 2016 are also significantly affected by the number of working days. While there were three more working days in 2015 than the preceding year, 2016 has three days less. The rate of working-day adjusted export growth will therefore increase even more in 2016 than in 2015.

further increase in export performance,<sup>8</sup> which has been improving significantly for the past three years. Exports of all groups of manufactured goods are projected to rise throughout the forecasting period. The main driver of growth will be the exports of goods of higher technology intensity, particularly the exports of motor vehicles, which are expected to accelerate in 2017 due to the commencement of the production of a new car model. Exports of services will also continue to expand, but will see weaker growth than in 2015. This will largely be due to the slower growth in travel exports (after last year's considerable hike in foreign tourist spending) and exports of transport services. These two services groups will nevertheless still contribute the most to total growth. Exports of services with higher value added (telecommunication, computer, information and other business services) will rise further; revenues from construction services abroad have also risen significantly this year.

**Against the background of continued relatively high export growth in addition to rising domestic consumption, the growth of imports will strengthen this year and remain at similarly high levels in 2017 and 2018.** This year's strengthening of merchandise imports is influenced by higher growth in value added, particularly in manufacturing. The faster growth of household consumption is reflected in the higher growth of imports of consumer goods. With the expected increase in investment, growth in merchandise imports will strengthen further next year. The growth of services imports will rise steadily this year and next, fuelled primarily by the imports of administrative and support service activities and telecommunication, computer and information services. We also expect a gradual increase in the growth of spending by domestic tourists abroad and imports of transport services.

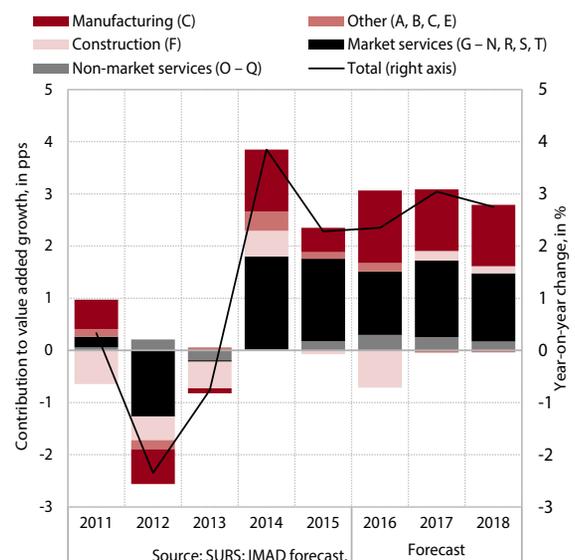
## 2.2. Value added by sector

**Value added growth continued in the first half of 2016 (2.6% year-on-year); negative developments were again only recorded for the construction and financial service sectors.** Boosted by rising foreign demand and competitiveness gains, value added strengthened significantly in manufacturing as a result of production growth in most industries. Owing to high domestic production activity and a rebound in private consumption, favourable trends also continued across most market service activities,<sup>9</sup> which have also been rapidly increasing revenues on foreign markets in recent years. Meanwhile, the decline in value added

in construction deepened, mainly owing to lower government investment during the transition to the new financial perspective. The value of construction output fell sharply for civil-engineering works, while the data on residential construction indicate a further steady recovery. In the first half of 2016, value added was also down year-on-year in financial and insurance activities, where it has been declining for seven consecutive years. The negative developments stem particularly from the banking sector, where lending activity has yet to pick up. The moderate growth of value added in public service activities (public administration, education, health and social work) continued. Employment figures show significant increases in activity, particularly in health and social work, as well as primary schools, kindergartens and other education and training activities; with the loosening of hiring restrictions, employment also rose in the public administration after several years of decline. Similar movements and value added growth structure to those recorded in the first half of the year are expected in the second half.

**Value added will continue to increase in 2017 and 2018.** The main growth factor will remain export-oriented manufacturing activities, where we expect further steady growth in industries of higher technology intensity and a further recovery in their less technology-intensive counterparts. With the strengthening of the absorption of EU funds from the new financial perspective, an upturn in construction activity is envisaged, particularly civil-engineering works, and a continuation of the gradual rebound in housing construction. The growth in domestic production and construction activity, together with private consumption growth, will contribute to a further rise in value added in non-financial market services. For transportation and knowledge-intensive services, in particular, the additional impetus for growth is again expected to come from the increased exports of these

Figure 9: Contributions to value added growth



<sup>8</sup> Export performance is calculated as the ratio of Slovenia's real exports of goods and services to the real imports of the goods and services of its trading partners, weighted by Slovenia's share of exports to these countries.

<sup>9</sup> Turnover was up, particularly in trade, transportation, accommodation and food service activities, information services, management consultancy activities and the activities of recruitment agencies; data on transactions also indicate stronger activity in the real estate sector.

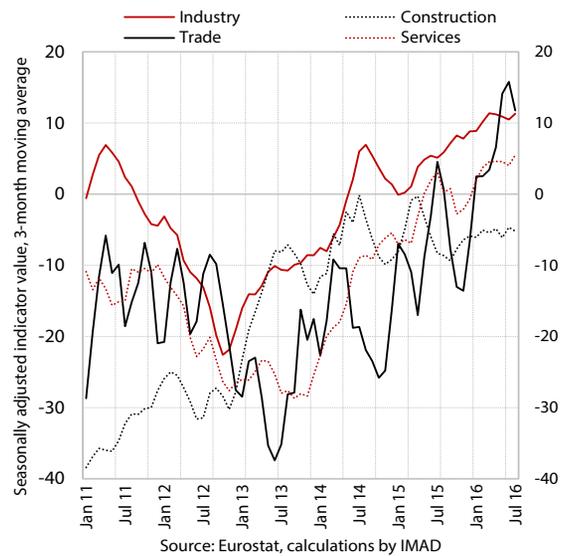
services. In the next two years, the negative movements in financial and insurance services should come to a halt. Value added growth in public services will remain modest, primarily in segments that are expected to see rising demand (particularly health and social work and part of education and training).

### 2.3. Employment and unemployment

**Employment<sup>10</sup> growth is strengthening further this year; a continuation of favourable trends is expected in 2017 and 2018 but slightly more modest growth, which is due in part to rising demographic pressures.**

Employment has been recovering since the end of 2013, but its growth strengthened significantly in the first half of 2016 (1.8% year-on-year) as a result of new hires in most private sector activities, especially manufacturing; accommodation and food service activities; distributive trades; and professional, scientific and technical activities. Employment also continued to increase in employment activities which provide labour to other sectors, but their contribution to total growth continued to decline. The favourable trends are mainly attributable to higher employer confidence in the recovery of economic activity, but are also due to greater use of flexible forms of employment.<sup>11</sup> Provided that growth in economic activity continues, we expect employment to increase further in the next two years. This is also confirmed by data from the Business Tendency Survey, where the expected employment indicator continues to improve for all private sector activities. Alongside further growth in activity and employment in export-related sectors, we also expect a gradual increase in employment in market services that are focused mainly on the domestic market and in construction. In the general government, employment growth is rising this year, owing to the loosening of restrictions on new hires; employment will also continue to increase in the next two years, but at a slower rate. Towards the end of the forecasting period, the expected moderation of total employment growth will, in addition to weaker economic growth, also be

Figure 10: Expectations about future hiring



increasingly influenced by demographic trends, i.e. the decline in the working-age population, which reduces labour force supply.<sup>12</sup>

**Owing to increase in economic activity and upturn in recruitment, registered unemployment will decline further in 2016–2018.** The decline in the number of registered unemployed, having started in early 2014, continued in the first eight months of 2016. It was mainly due to the outflow from registered unemployment into employment, which was particularly pronounced at the beginning of the year. The inflow into registered unemployment continues to fall primarily as fewer people are losing jobs because of the termination of fixed-term contracts or for business reasons. There were also fewer first-time jobseekers, which in our view is partly due to smaller generations of young people finishing school. Overall, 97,895 persons were registered as unemployed at the end of August, 9.3% or 10,040 persons less than

Table 4: Forecasts for employment and unemployment

(%)	2015	2016		2017		2018
		March 2016	September 2016	March 2016	September 2016	September 2016
Employment according to the SNA, growth	1.1	0.9	1.9	0.9	1.4	1.1
Number of registered unemployed, annual average, in '000	112.7	107.4	103.4	101.0	94.5	88.1
Registered unemployment rate	12.3	11.7	11.2	11.0	10.2	9.5
ILO unemployment rate	9.0	8.6	8.2	8.1	7.5	6.8

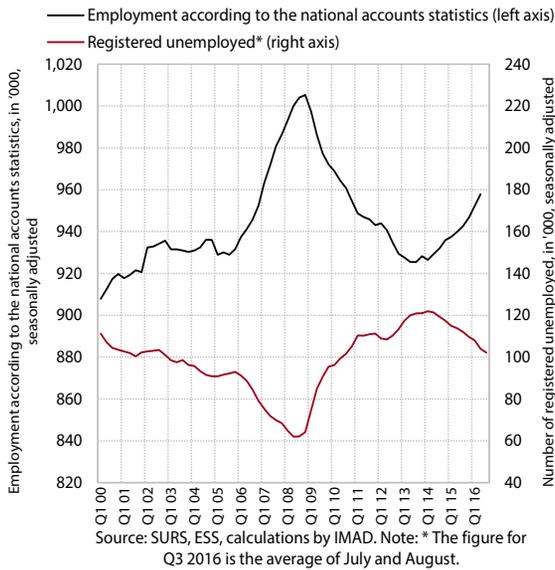
Source: SURS; 2016–2018 forecasts by IMAD.

<sup>10</sup> Employment according to the national accounts statistics.

<sup>11</sup> According to data from the Statistical Register of Employment, the number of new employment contracts rose by 13.5% in the first half of the year, of which the number of permanent employment contracts rose by 7.9% and the number of fixed-term employment contracts rose by 15.4%. Consequently, the number of new fixed-term jobs as a share of total new jobs also increased, totalling 76.4%. The number of self-employed persons (excluding farmers) was also up again in the first half of the year (by 2.7%).

<sup>12</sup> For more on this, see the Spring Forecast of Economic Trends 2016, Box 1: Impact of demographic trends on the labour market, p. 16.

Figure 11: Number of employed and registered unemployed

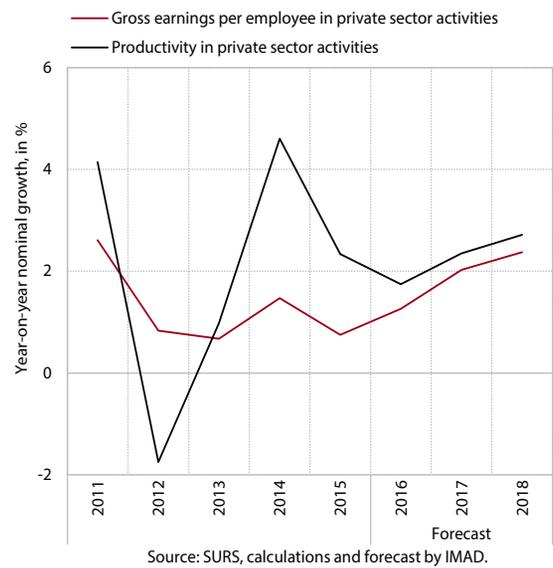


in the same month of 2015. This number will continue to decline for the remainder of the year, as the inflow into the unemployment register will continue to decline for similar reasons to the ones so far while the outflow will remain large amid continued economic growth. With further growth in employment, unemployment will also be falling in the next two years. Its decline will be more and more related to the contraction in the working-age population.<sup>13</sup>

## 2.4. Earnings

**After slowing in 2015, the nominal growth of average gross earnings will strengthen this year (1.9%) owing to higher growth rates in the private and public sectors.** In the first half of this year, both sectors recorded the highest wage growth of the past five years. In the private

Figure 12: Average gross earnings per employee and private sector productivity



sector, this was mainly related to strong business results, according to our estimates. Earnings were up year-on-year in almost all activities. As in the last few years, outstanding levels of growth were recorded particularly in industry; after four years, more vigorous growth was also seen in service activities (trade in particular). In the second part of the year, nominal growth in private sector earnings should ease slightly, primarily owing to there being three fewer working days, but will be noticeably higher in the year as a whole (1.5%) than in 2015. Average gross earnings in the general government will rise significantly in 2016 because of the payment of last year's promotions, as well as September's rise in the pay scale and new promotions due in December 2016.

**In 2017–2018 we expect the nominal growth of average gross earnings to accelerate moderately, to 2.2%; growth in the private sector will strengthen while growth in the public sector will weaken.** The acceleration

Table 5: Forecasts for growth in average gross earnings per employee

Growth rates (%)	2015	2016		2017		2018
		March 2016	September 2016	March 2016	September 2016	September 2016
Gross earnings per employee – nominal	0.7	1.7	1.9	2.0	2.2	2.2
- private sector	0.5	0.6	1.5	1.8	2.0	2.4
- public sector	1.2	3.5	2.7	2.4	2.5	1.9
Gross earnings per employee – real	1.2	2.0	1.8	0.7	0.8	0.7
- private sector	1.0	0.9	1.4	0.5	0.6	0.9
- public sector	1.7	3.8	2.6	1.1	1.1	0.4
Inflation – annual average	-0.5	-0.3	0.1	1.3	1.4	1.5

Source: SURS; 2016–2018 forecasts by IMAD.

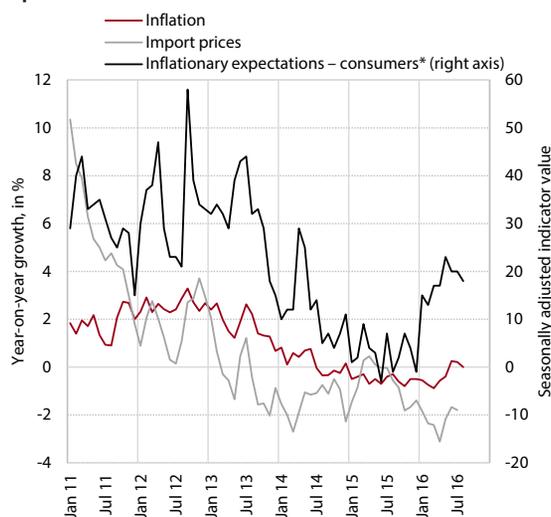
<sup>13</sup> We estimate that demographic trends could contribute to the decline in unemployment through increased transition into inactivity and recruitment to replace retirees.

of private sector growth will be gradual, stemming from the expected further pick-up in economic activity. This will also be partly due to higher inflationary pressures. However, since wage formation will continue to reflect companies' efforts to maintain competitiveness, we estimate that the wage rises in the private sector will be in line with productivity growth. The forecast for general government earnings assumes that the growth in 2017 will derive from the already agreed payment of promotion raises and the increase in the pay scale; over the next two years, the growth in the earnings of public corporations should strengthen further and to a similar level as that in the private sector.

## 2.5. Inflation

**Average prices will remain unchanged in 2016, primarily owing to the low price of oil, but they are expected to rise in the next two years.** The impact of the falling energy prices is easing. This year's growth in core inflation stems from the higher prices for services, with the prices for non-energy goods remaining similar to last year. Taking into account the assumed prices of commodities, price pressures from abroad will strengthen gradually

Figure 13: Inflation, import prices and inflationary expectations of consumers



Source: SURS; calculations by IMAD.

\* Note: Price movements in the next 12 months.

over the next two years, which will have a direct impact on headline inflation through higher import prices; indirectly, the pass-through of higher commodity prices into core inflation<sup>14</sup> could be influenced by the recovery in domestic consumption and the gradual closing of the output gap. These are the key variables that may increase the contribution of domestic factors to price growth in the forecasting period. Amid favourable economic conditions, we expect the price of services to continue to grow in 2017 and 2018, as well as a gradual increase in non-energy commodity prices after several years of decline. In such an environment, price growth will also be supported by companies' efforts to make profits amid rising costs, particularly in the non-tradable sector. Despite the growth in nominal wages being higher than in the past few years, inflation will continue to be limited by the need of companies to preserve competitiveness. Unit labour costs in the tradable sector are thus expected to increase only gradually, meaning that their contribution to core inflation will be modest. Despite the increase, inflation will therefore remain relatively low – lower than the ECB's medium-term target of below or close to 2%.

## 2.6. Current account

**The current account surplus will remain high in 2016–2018.** Strong export performance and modest investment activity were again the reasons for the high surplus in 2015 (5.2% of GDP). In 2016 the total surplus will continue to widen, driven primarily by the further growth of the surplus in international trade in merchandise and services; a gradual decline is expected in the next two years. The growth of the surplus in the merchandise and service trades in 2016 will be driven to a similar extent by quantity and price factors. Exports will increase slightly more than imports. Assuming a further decline in average oil and other commodity prices, terms of trade will improve for the fourth consecutive year (1.5%). The enhanced terms of trade are estimated to contribute around EUR 300 million to the increase in the merchandise trade surplus this year, which is similar to 2015. Amid similar volume growth rates for imports and exports, the surplus in merchandise trade will narrow gradually over the next two years, mainly as a result of the assumed growth of commodity prices and the consequent deterioration in the terms of merchandise trade. The surplus in the balance of services will continue

Table 6: Inflation forecast

v %	2015	2016		2017		2018
		March 2016	September 2016	March 2016	September 2016	September 2016
Inflation – Dec/Dec	-0.5	0.6	1.1	1.2	1.4	1.5
Inflation – annual average	-0.5	-0.3	0.1	1.3	1.4	1.5

Source: SURS; 2016–2018 forecasts by IMAD.

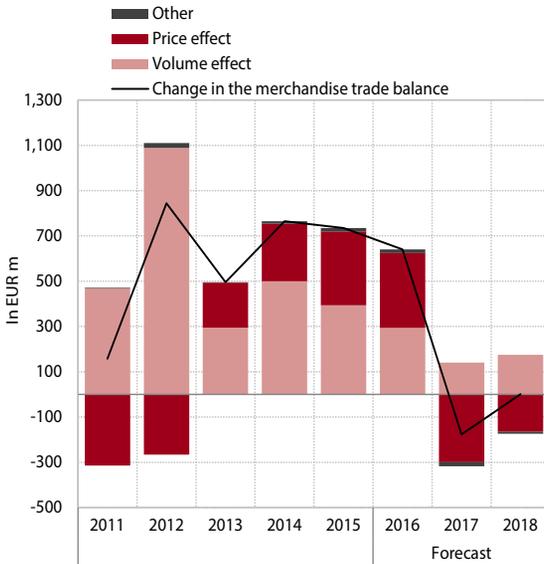
<sup>14</sup> For more on core inflation drivers, see the Spring Forecast of Economic Trends 2016, Box 2: Drivers of core inflation in Slovenia, p. 21.

Table 7: Forecast for the current account balance – the balance of payments statistics

	2015	2016		2017		2018
		March 2016	September 2016	March 2016	September 2016	September 2016
Current account, in EUR m	1,998	2,960	2,700	2,754	2,326	2,272
Current account, as a % of GDP	5.2	7.5	6.7	6.8	5.6	5.3

Source: BoS; 2016–2018 forecasts by IMAD.

Figure 14: Breakdown of the change in the nominal international trade balance



Source: SURS; calculations by IMAD.

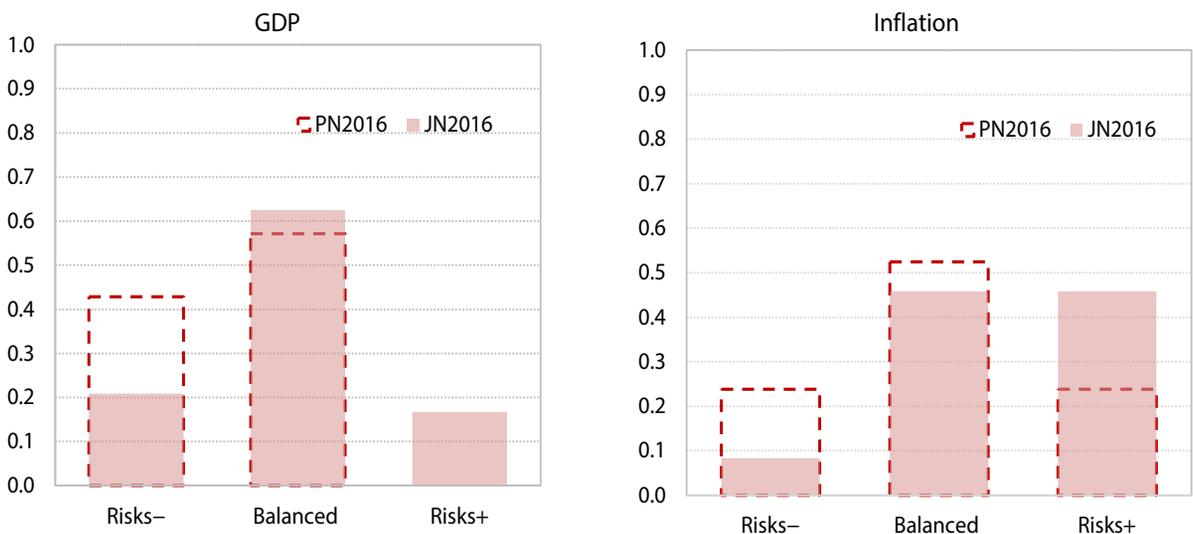
to rise over the forecasting horizon. Its growth will still be chiefly due to a larger surplus in trade in travel and transport services and, in 2016, also to a lower deficit of trade in all other services. The deficit in primary income will narrow in 2016, largely on account of a smaller net outflow of direct investment income and a larger inflow of agricultural subsidies from the EU budget. The deficit will also persist in 2017 and 2018 and will still be mainly attributable to the higher net interest payments. The deficit in secondary income will remain at similar levels over the 2016–2018 period.

### 3. Risks to the forecast

**At the time of preparing the Autumn Forecast, negative risks from the international environment prevail.** To a greater extent than in previous forecasts, these risks pertain to the narrower international environment (particularly Brexit) as opposed to the global situation. It is still too early to make a quantitative assessment of the potential implications of the UK leaving the EU because negotiations about the terms of the exit and the nature of the UK's future relationship with the EU have yet to begin. The short-term impact of the vote has otherwise been negligible, with the financial markets stabilising rapidly after initial swings. Another significant risk concerns the uncertainties about future migration flows and the policy measures to be taken by EU Member States in this regard. Global challenges still persist and, although partly geopolitical in nature, are increasingly related not only to the different rates of recovery in the largest world economies but also to the different economic policy directions expected to be taken as a result. Any tightening of monetary policy in the US could have many consequences, one of which is that capital flows are affected, thereby destabilising the transition to more sustainable GDP growth models in emerging economies. A materialisation of these risks could directly and indirectly reduce the growth in demand from Slovenia's trading partners.

**The risks in the domestic environment are less pronounced and more balanced than in previous forecasts.** The risks regarding GDP growth in the forecasting period are, in our view, fairly balanced, which was not the case in previous forecasts, when downside risks predominated. In our opinion, prospects regarding the future absorption of EU funds, and hence the volume of government investment, are particularly uncertain. Furthermore, a deterioration in the international environment could affect the growth of exports; nevertheless, the efforts made to maintain a competitive position indicate that export growth could be higher in the coming years than indicated in the baseline scenario. Upside risks are also related to final consumption, stemming primarily from the recent favourable developments in the labour market and the fact that the political cycle is moving into its second half. The latter of these triggers could lead to increases in expenditure items that raise disposable income, although this could put Slovenia at risk of not only failing to meet its fiscal commitments but also crowding out of other categories of general government expenditure. Higher household consumption caused by a further increase in disposable income could translate into higher price growth than predicted in the baseline scenario, particularly in the second half of the forecasting period. This could also be attributable to the higher prices of energy, which are due not only to higher prices on the global markets but also to the further deregulation of oil product prices in Slovenia.

Figure 15: Assessment of risks in 2016–2018

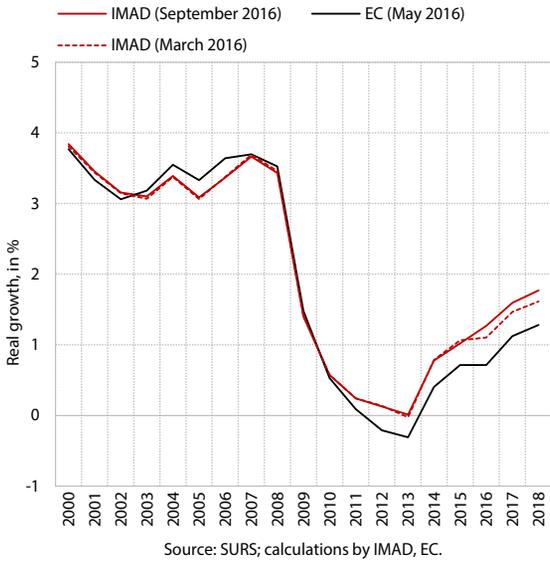


Source: IMAD estimate. Note: The figures show the relative risk values (minimum value=0, maximum value=1) for the entire 2016–2018 period, which were observed when individual forecasts were made (PN2016: Spring Forecast of Economic Trends, March 2016; JN2016: Autumn Forecast of Economic Trends, September 2016). They were obtained on the basis of IMAD expert estimates.

### 4. Potential GDP growth and output gap

**Potential GDP growth in 2016 is expected to be 1.3% before gradually recovering to around 2%.<sup>15</sup>** Better prospects for growth are also reflected in expected potential growth, which will be higher than forecast in the spring but still significantly lower than before the crisis. The contribution of capital, the main factor of potential growth before the crisis, will be only 0.1 pps in 2016–2018 because of the low level of low fixed capital formation. The contribution of total factor productivity is rising. It will contribute the most to potential growth, but will remain lower than before the crisis. Despite the negative impact of the approx. 0.2 pp decline in the working-age population, the contribution of labour will be positive. This is mainly related to the improvement in labour market conditions and higher expectations regarding further developments, which raises the positive contribution of the activity rate to 0.5 pps in 2016–2018. The positive contribution of labour is also partly due to the number of hours worked per employee, while the natural unemployment rate remains above 7%.

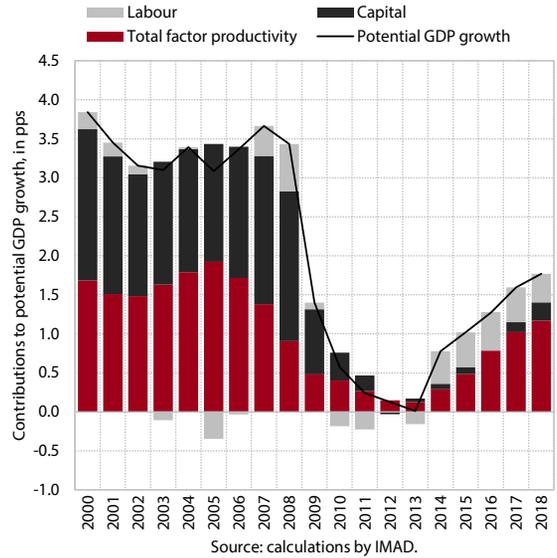
Figure 16: Potential GDP growth, comparison of calculations by IMAD and the EC



<sup>15</sup> Potential GDP (and its growth) from a macroeconomic perspective. Potential output is therefore not the maximum possible output of an economy but rather the output an economy can achieve without creating inflationary pressures. This means that output is often higher than potential output. IMAD's calculation of potential GDP growth uses a production function method whose basic attributes do not differ from the EC's method.

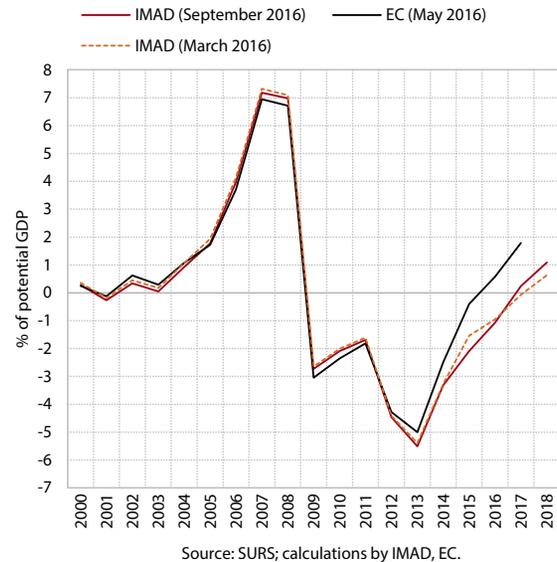
<sup>16</sup> The output gap, the difference between actual and potential GDP expressed as a percentage of potential GDP, is one of the main indicators of the phase of the economic cycle. However, as a result of factors that affect the calculation of potential growth, revisions of past growth estimates and GDP forecasts, the output gap is also quite an unstable macroeconomic indicator because its value can also change significantly for previous periods each time a new calculation is made.

Figure 17: Contributions of individual components to potential GDP growth



**Current estimates indicate that Slovenia will move into positive output gap territory over the forecast horizon.<sup>16</sup>** According to the estimates currently available, Slovenia has been in negative output gap territory since the beginning of the crisis. As a consequence of the August revision by SURS (see Box 1), the latest forecasts show a more negative output gap in 2015 and that this will narrow at a faster rate than envisaged in the spring forecast. According to our estimates, the output gap will be only slightly positive over the medium term, and will not yet have a significant impact on price and wage movements.

Figure 18: Output gap, a comparison of calculations by IMAD and the EC



**Estimates of potential GDP and the output gap also play a significant role in monitoring the fulfilment of fiscal objectives.** The output gap estimate (which shows the phase of the economic cycle), the general government debt and the indicator of medium-term fiscal sustainability together determine the pace of the structural deficit reduction required. The latest calculations by IMAD also indicate that, over the forecasting period, Slovenia's economy will remain in the phase of the economic cycle defined as normal by the EC, with its positive output gap not exceeding the 1.5% threshold for transition into the good phase of the economic cycle. This would require an annual reduction in the structural deficit of 0.6 pps during the 2016–2018 period.

**A significant factor in calculating the output gap (or its rate of change) is the length of the forecast horizon, which is the main reason for the disparities between the IMAD and EC calculations.** While the IMAD's calculations of the output gap are based on forecasts for a longer period ( $t+4/5$ ), the EC takes a significantly shorter period into account ( $t+2$ ). There are also differences in some of the input data.<sup>17</sup> The EC spring forecast therefore envisaged that Slovenia's economy would transition more swiftly from normal to good times conditions, which would require a more rapid yearly reduction in the structural deficit (1 pp). Given the uncertainty regarding the output gap calculations, several Member States, including Slovenia, suggested that the output gap estimates used in assessments should cover a longer period. The EC thus used the extended forecast period in its opinion on Slovenia's Stability Programme 2016. This led to changes to the output gap estimates for 2016 and 2017 which resulted in the structural effort requirements for 2017 being reduced to below the estimates from the EC's Spring Forecast.<sup>18</sup>

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<sup>17</sup> The autumn calculation by IMAD is based on SURS data from annual national accounts for 2015 released in August 2016. It also takes into account updated demographic projections calculated using a microsimulation model by the IER (source: SURS). Moreover, in the series of employment according to national accounts statistics, the IMAD's calculation also takes into account a correction for a break in the data series in 2002.

<sup>18</sup> The EC used the longer period of the forecast in its assessment of the 2016 Stability Programme for Slovenia, while it has retained the shorter period in the standard methodology for EU Member States.



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Table 1: Main macroeconomic indicators of Slovenia

Real growth rates in %, unless otherwise indicated

	2010	2011	2012	2013	2014	2015	2016	2017	2018
							forecast		
<b>GROSS DOMESTIC PRODUCT</b>	1.2	0.6	-2.7	-1.1	3.1	2.3	2.3	2.9	2.6
GDP in EUR m (at current prices, fixed exchange rate 2007)	36,252	36,896	36,003	35,917	37,332	38,570	40,004	41,416	42,885
GDP per capita in EUR (at current prices and at current exchange rate)	17,694	17,973	17,504	17,439	18,107	18,693	19,376	20,056	20,770
GDP per capita in USD (at current prices and at current exchange rate)	23,457	25,019	22,490	23,161	24,055	20,740	21,624	22,423	23,221
GDP per capita (PPS) <sup>1</sup>	21,100	21,500	21,500	21,500	22,600	23,700			
GDP per capita (PPS EU28=100) <sup>1</sup>	83	82	81	80	82	83			
<b>EMPLOYMENT AND PRODUCTIVITY</b>									
Employment according to National Accounts	-2.1	-1.7	-0.9	-1.1	0.4	1.1	1.9	1.4	1.1
Registered unemployed (annual average in thousand)	100.5	110.7	110.2	119.8	120.1	112.7	103.4	94.5	88.1
Rate of registered unemployment in %	10.7	11.8	12.0	13.1	13.1	12.3	11.2	10.2	9.5
Rate of unemployment by ILO in %	7.3	8.2	8.9	10.1	9.7	9.0	8.2	7.5	6.8
Labour productivity (GDP per employee)	3.4	2.4	-1.8	0.0	2.6	1.2	0.4	1.5	1.5
<b>WAGES</b>									
Gross wage per employee - nominal growth in %	3.9	2.0	0.1	-0.2	1.1	0.7	1.9	2.2	2.2
- Private sector activities	5.6	2.6	0.5	0.6	1.4	0.5	1.5	2.0	2.4
- Public service activities	0.8	1.0	-0.9	-1.3	0.9	1.2	2.7	2.5	1.9
Gross wage per employee - real growth in %	2.1	0.2	-2.4	-2.0	0.9	1.2	1.8	0.8	0.7
- Private sector activities	3.7	0.8	-2.0	-1.2	1.2	1.0	1.4	0.6	0.9
- Public service activities	-1.0	-0.8	-3.4	-3.0	0.7	1.7	2.6	1.1	0.4
<b>INTERNATIONAL TRADE</b>									
Exports of goods and services	10.2	6.9	0.6	3.0	5.7	5.6	5.7	5.5	5.0
Exports of goods	12.0	8.0	0.4	3.3	6.3	5.3	5.9	5.8	5.1
Exports of services	3.4	2.5	1.5	1.9	3.4	6.5	4.9	4.3	4.4
Imports of goods and services	6.8	5.0	-3.7	2.1	4.2	4.6	5.3	5.9	5.1
Imports of goods	7.6	6.0	-4.3	2.9	3.8	5.0	5.8	6.2	5.2
Imports of services	3.1	-0.4	0.2	-3.1	6.3	2.2	2.8	4.3	4.4

Table 1: Main macroeconomic indicators of Slovenia - continue

Real growth rates in %, unless otherwise indicated

	2010	2011	2012	2013	2014	2015	2016	2017	2018
							forecast		
<b>BALANCE OF PAYMENTS STATISTICS</b>									
Current account balance in EUR m	-43	68	930	1,732	2,325	1,998	2,700	2,326	2,272
As a per cent share relative to GDP	-0.1	0.2	2.6	4.8	6.2	5.2	6.7	5.6	5.3
External balance of goods and services in EUR m	462	432	1,428	2,440	2,878	3,517	4,157	3,980	3,981
As a per cent share relative to GDP	1.3	1.2	4.0	6.8	7.7	9.1	10.4	9.6	9.3
<b>FINAL DOMESTIC DEMAND - NATIONAL ACCOUNTS STATISTICS</b>									
Final consumption	0.8	-0.2	-2.4	-3.5	1.2	1.0	2.3	2.0	1.7
As a % of GDP	76.3	76.4	77.0	74.7	72.7	70.8	70.1	70.0	69.7
in which:									
Private consumption	1.3	0.0	-2.5	-4.0	2.0	0.5	2.3	2.2	2.0
As a % of GDP	56.0	56.0	56.8	55.0	54.0	52.1	51.3	51.3	51.1
Government consumption	-0.5	-0.7	-2.2	-2.1	-1.2	2.5	2.0	1.3	0.7
As a % of GDP	20.3	20.4	20.3	19.7	18.7	18.7	18.8	18.8	18.5
Gross fixed capital formation	-13.3	-4.9	-8.8	3.2	1.4	1.0	-4.0	6.0	5.0
As a % of GDP	21.3	20.2	19.3	20.0	19.6	19.5	18.2	19.0	19.7
<b>EXCHANGE RATE AND PRICES</b>									
Ratio of USD to EUR	1.327	1.392	1.286	1.328	1.329	1.110	1.116	1.118	1.118
Real effective exchange rate - deflated by CPI <sup>2</sup>	-2.1	-1.0	-1.2	1.3	-0.1	-3.8	0.2	-0.3	0.0
Inflation (end of the year) <sup>3</sup>	1.9	2.0	2.7	0.7	0.2	-0.5	1.1	1.4	1.5
Inflation (year average) <sup>3</sup>	1.8	1.8	2.6	1.8	0.2	-0.5	0.1	1.4	1.5
Brent Crude Oil Price USD / barrel	79.6	111.3	111.7	108.6	98.9	52.4	42.5	49.0	52.0

Source: SURS, BS, Eurostat, calculations and forecasts by IMAD.

Notes: <sup>1</sup> Measured in purchasing power standard. <sup>2</sup> Growth in value denotes real appreciation of national currency and vice versa. <sup>3</sup> Consumer price index

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

current prices, EUR million,

	2010	2011	2012	2013	2014	2015	2016	2017	2018
							forecast		
A Agriculture, forestry and fishing	626.0	733.9	647.0	652.6	778.7	794.3	819.7	726.4	751.2
BCDE Mining and quarrying, manufacturing, electricity and water supply, waste management	7,651.0	8,041.9	8,085.9	8,347.5	8,809.9	9,081.9	9,761.0	10,204.9	10,640.0
..of which: C Manufacturing	6,367.3	6,730.0	6,754.4	6,954.2	7,430.1	7,737.8	8,400.9	8,918.9	9,352.9
F Construction	2,015.0	1,885.0	1,816.8	1,654.7	1,837.4	1,826.3	1,608.2	1,700.8	1,801.9
GHI Trade, transportation and storage, accommodation and food service activities	6,299.5	6,441.4	6,228.6	6,268.8	6,505.6	6,802.4	7,080.7	7,342.5	7,636.8
J Information and communication	1,285.8	1,313.5	1,335.0	1,300.8	1,351.5	1,394.6	1,480.2	1,534.9	1,587.4
K Financial and insurance activities	1,697.4	1,649.3	1,353.2	1,246.5	1,297.0	1,388.0	1,316.1	1,364.8	1,411.5
L Real estate activities	2,537.1	2,468.6	2,333.7	2,249.8	2,217.5	2,305.7	2,452.3	2,542.9	2,574.2
MN Professional, scientific, technical, administrative and support services	2,989.7	3,020.8	2,961.5	2,982.3	3,190.8	3,318.6	3,400.3	3,526.1	3,646.8
OPQ Public administration, education, human health and social work	5,611.2	5,666.1	5,602.2	5,418.5	5,377.8	5,496.6	5,731.4	5,873.0	6,033.4
RST Other service activities	870.1	885.0	861.7	850.6	864.9	903.1	928.1	995.6	1,029.7
<b>1. TOTAL VALUE ADDED, basic prices</b>	<b>31,582.7</b>	<b>32,105.5</b>	<b>31,225.6</b>	<b>30,972.1</b>	<b>32,231.0</b>	<b>33,311.4</b>	<b>34,577.9</b>	<b>35,811.8</b>	<b>37,112.9</b>
<b>2. CORRECTIONS (a-b)</b>	<b>4,669.7</b>	<b>4,790.8</b>	<b>4,776.9</b>	<b>4,945.0</b>	<b>5,101.4</b>	<b>5,258.7</b>	<b>5,426.2</b>	<b>5,604.4</b>	<b>5,772.0</b>
a) Taxes on products and services	4,749.7	4,819.1	4,812.1	4,978.4	5,132.8	5,288.7	5,457.1	5,636.3	5,805.2
b) Subsidies on products and services	80.0	28.3	35.1	33.5	31.4	30.0	30.9	31.9	33.2
<b>3. GROSS DOMESTIC PRODUCT (3=1+2)</b>	<b>36,252.4</b>	<b>36,896.3</b>	<b>36,002.5</b>	<b>35,917.1</b>	<b>37,332.4</b>	<b>38,570.0</b>	<b>40,004.1</b>	<b>41,416.2</b>	<b>42,884.9</b>

Source: SURS, forecasts by IMAD.

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

current prices, structure in %,

	2010	2011	2012	2013	2014	2015	2016	2017	2018
							forecast		
A Agriculture, forestry and fishing	1.7	2.0	1.8	1.8	2.1	2.1	2.0	1.8	1.8
BCDE Mining and quarrying, manufacturing, electricity and water supply, waste management	21.1	21.8	22.5	23.2	23.6	23.5	24.4	24.6	24.8
..of which: C Manufacturing	17.6	18.2	18.8	19.4	19.9	20.1	21.0	21.5	21.8
F Construction	5.6	5.1	5.0	4.6	4.9	4.7	4.0	4.1	4.2
GHI Trade, transportation and storage, accommodation and food service activities	17.4	17.5	17.3	17.5	17.4	17.6	17.7	17.7	17.8
J Information and communication	3.5	3.6	3.7	3.6	3.6	3.6	3.7	3.7	3.7
K Financial and insurance activities	4.7	4.5	3.8	3.5	3.5	3.6	3.3	3.3	3.3
L Real estate activities	7.0	6.7	6.5	6.3	5.9	6.0	6.1	6.1	6.0
MN Professional, scientific, technical, administrative and support services	8.2	8.2	8.2	8.3	8.5	8.6	8.5	8.5	8.5
OPQ Public administration, education, human health and social work	15.5	15.4	15.6	15.1	14.4	14.3	14.3	14.2	14.1
RST Other service activities	2.4	2.4	2.4	2.4	2.3	2.3	2.3	2.4	2.4
<b>1. TOTAL VALUE ADDED</b>	<b>87.1</b>	<b>87.0</b>	<b>86.7</b>	<b>86.2</b>	<b>86.3</b>	<b>86.4</b>	<b>86.4</b>	<b>86.5</b>	<b>86.5</b>
<b>2. CORRECTIONS (a-b)</b>	<b>12.9</b>	<b>13.0</b>	<b>13.3</b>	<b>13.8</b>	<b>13.7</b>	<b>13.6</b>	<b>13.6</b>	<b>13.5</b>	<b>13.5</b>
a) Taxes on products and services	13.1	13.1	13.4	13.9	13.7	13.7	13.6	13.6	13.5
b) Subsidies on products and services	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
<b>3. GROSS DOMESTIC PRODUCT (3=1+2)</b>	<b>100.0</b>								
<b>GROSS DOMESTIC PRODUCT</b>	<b>100.0</b>								
in which:									
1. Agriculture, forestry, fishing (A)	1.7	2.0	1.8	1.8	2.1	2.1	2.0	1.8	1.8
2. Industry and construction (B+C+D+E+F)	26.7	26.9	27.5	27.8	28.5	28.3	28.4	28.7	29.0
3. Services (G...T)	58.7	58.1	57.4	56.6	55.7	56.0	56.0	55.9	55.8
4. Corrections	12.9	13.0	13.3	13.8	13.7	13.6	13.6	13.5	13.5
<b>TOTAL VALUE ADDED, basic prices</b>	<b>100.0</b>								
in which:									
1. Agriculture, forestry, fishing (A)	2.0	2.3	2.1	2.1	2.4	2.4	2.4	2.0	2.0
2. Industry and construction (B+C+D+E+F)	30.6	30.9	31.7	32.3	33.0	32.7	32.9	33.2	33.5
Industry (B+C+D+E)	24.2	25.0	25.9	27.0	27.3	27.3	28.2	28.5	28.7
Construction F	6.4	5.9	5.8	5.3	5.7	5.5	4.7	4.7	4.9
3. Services (G...T)	67.4	66.8	66.2	65.6	64.5	64.9	64.7	64.7	64.5

Source: SURS, calculations and forecasts by IMAD.

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

EUR million

	constant previous year prices						constant 2015 prices		
	2010	2011	2012	2013	2014	2015	2016	2017	2018
							forecast		
A Agriculture, forestry and fishing	608.4	668.3	673.5	642.2	756.5	838.4	853.5	844.5	831.4
BCDE Mining and quarrying, manufacturing, electricity and water supply, waste management	7,952.5	7,833.1	7,832.4	8,078.9	8,725.5	8,941.2	9,540.6	9,936.7	10,349.1
..of which: C Manufacturing	6,640.1	6,545.7	6,516.3	6,724.2	7,321.3	7,580.4	8,202.1	8,604.0	9,017.0
F Construction	2,015.0	1,811.9	1,740.2	1,657.9	1,807.3	1,814.1	1,588.0	1,650.7	1,699.4
GHI Trade, transportation and storage, accommodation and food service activities	6,421.3	6,408.0	6,177.6	6,225.8	6,489.1	6,842.0	7,078.0	7,315.1	7,538.3
J Information and communication	1,276.9	1,287.1	1,309.0	1,345.3	1,344.8	1,456.4	1,450.4	1,504.8	1,549.2
K Financial and insurance activities	1,664.6	1,631.7	1,578.1	1,325.8	1,230.0	1,234.8	1,276.3	1,320.3	1,359.3
L Real estate activities	2,679.2	2,527.2	2,477.4	2,345.8	2,282.3	2,208.6	2,410.6	2,452.8	2,488.4
MN Professional, scientific, technical, administrative and support services	3,033.7	3,008.6	2,968.4	2,966.3	3,238.9	3,295.6	3,376.7	3,462.8	3,551.2
OPQ Public administration, education, human health and social work	5,542.6	5,628.6	5,734.1	5,542.1	5,425.9	5,434.3	5,595.5	5,682.3	5,742.0
RST Other service activities	861.4	882.6	861.0	857.2	863.9	900.0	924.8	961.3	989.7
<b>1. TOTAL VALUE ADDED, basic prices</b>	<b>32,055.7</b>	<b>31,687.2</b>	<b>31,351.7</b>	<b>30,987.4</b>	<b>32,164.1</b>	<b>32,965.2</b>	<b>34,094.4</b>	<b>35,131.5</b>	<b>36,098.1</b>
<b>2. CORRECTIONS (a-b)</b>	<b>4,558.1</b>	<b>4,800.6</b>	<b>4,552.3</b>	<b>4,623.8</b>	<b>4,868.7</b>	<b>5,232.0</b>	<b>5,374.6</b>	<b>5,501.1</b>	<b>5,610.9</b>
a) Taxes on products and services	4,639.6	4,883.8	4,581.1	4,659.6	4,901.7	5,264.0	5,405.1	5,532.1	5,642.8
b) Subsidies on products and services	81.5	83.1	28.8	35.8	33.1	32.0	30.5	31.1	31.8
<b>3. GROSS DOMESTIC PRODUCT (3=1+2)</b>	<b>36,613.9</b>	<b>36,487.8</b>	<b>35,904.0</b>	<b>35,611.2</b>	<b>37,032.8</b>	<b>38,197.3</b>	<b>39,469.0</b>	<b>40,632.5</b>	<b>41,709.1</b>

Source: SURS, forecasts by IMAD.

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

Real growth rates in %

	2010	2011	2012	2013	2014	2015	2016	2017	2018
							forecast		
A Agriculture, forestry and fishing	1.6	6.8	-8.2	-0.7	15.9	7.7	7.5	-1.0	-1.5
BCDE Mining and quarrying, manufacturing, electricity and water supply, waste management	6.5	2.4	-2.6	-0.1	4.5	1.5	5.1	4.2	4.2
..of which: C Manufacturing	7.3	2.8	-3.2	-0.4	5.3	2.0	6.0	4.9	4.8
F Construction	-18.2	-10.1	-7.7	-8.7	9.2	-1.3	-13.0	4.0	3.0
GHI Trade, transportation and storage, accommodation and food service activities	1.2	1.7	-4.1	0.0	3.5	5.2	4.1	3.4	3.1
J Information and communication	3.3	0.1	-0.3	0.8	3.4	7.8	4.0	3.8	3.0
K Financial and insurance activities	-0.5	-3.9	-4.3	-2.0	-1.3	-4.8	-8.0	3.5	3.0
L Real estate activities	1.6	-0.4	0.4	0.5	1.4	-0.4	4.6	1.8	1.5
MN Professional, scientific, technical, administrative and support services	5.7	0.6	-1.7	0.2	8.6	3.3	1.8	2.6	2.6
OPQ Public administration, education, human health and social work	1.2	0.3	1.2	-1.1	0.1	1.1	1.8	1.6	1.1
RST Other service activities	-1.2	1.4	-2.7	-0.5	1.6	4.1	2.4	4.0	3.0
<b>1. TOTAL VALUE ADDED, basic prices</b>	<b>1.3</b>	<b>0.3</b>	<b>-2.3</b>	<b>-0.8</b>	<b>3.8</b>	<b>2.3</b>	<b>2.4</b>	<b>3.0</b>	<b>2.8</b>
<b>2. CORRECTIONS (a-b)</b>	<b>0.7</b>	<b>2.8</b>	<b>-5.0</b>	<b>-3.2</b>	<b>-1.5</b>	<b>2.6</b>	<b>2.2</b>	<b>2.4</b>	<b>2.0</b>
a) Taxes on products and services	0.9	2.8	-4.9	-3.2	-1.5	2.6	2.2	2.4	2.0
b) Subsidies on products and services	14.2	4.0	1.7	1.9	-1.2	2.0	1.5	2.0	2.5
<b>3. GROSS DOMESTIC PRODUCT (3=1+2)</b>	<b>1.2</b>	<b>0.6</b>	<b>-2.7</b>	<b>-1.1</b>	<b>3.1</b>	<b>2.3</b>	<b>2.3</b>	<b>2.9</b>	<b>2.6</b>

Source: SURS, forecasts by IMAD.

Table 4a: Gross domestic product and primary incomes

EUR million, current prices

	2010	2011	2012	2013	2014	2015	2016	2017	2018
							forecast		
<b>1. Compensation of employees</b>	19,018.3	18,921.2	18,486.7	18,073.1	18,389.7	18,900.7	19,797.7	20,590.0	21,289.0
Wages and salaries	16,336.1	16,244.7	15,816.9	15,479.0	15,775.0	16,187.4	16,963.8	17,644.2	18,244.9
Employers' social contributions	2,682.1	2,676.5	2,669.8	2,594.1	2,614.7	2,713.2	2,833.9	2,945.8	3,044.1
<b>2. Taxes on production and imports</b>	5,159.2	5,236.8	5,264.0	5,473.1	5,635.7	5,782.1	5,949.5	6,146.1	6,332.0
Taxes on products and services	4,749.7	4,819.1	4,812.1	4,978.4	5,132.8	5,288.7	5,457.1	5,636.3	5,805.2
Other taxes on production	409.5	417.6	451.9	494.6	502.9	493.4	492.5	509.9	526.8
<b>3. Subsidies</b>	927.2	625.0	606.0	673.7	581.4	531.1	646.4	730.8	673.9
Subsidies on products and services	80.0	28.3	35.1	33.5	31.4	30.0	30.9	31.9	33.2
Other subsidies on production	847.2	596.6	570.9	640.3	550.0	501.0	615.5	698.9	640.7
<b>4. Gross operating surplus / mixed income</b>	13,002.1	13,363.3	12,857.8	13,044.7	13,888.4	14,418.4	14,903.2	15,410.8	15,937.9
Consumption of fixed capital	7,212.5	7,391.0	7,663.4	7,725.3	7,802.1	7,995.1	7,519.8	7,594.7	7,671.5
Net operating surplus	5,789.7	5,972.3	5,194.4	5,319.4	6,086.4	6,423.3	7,383.4	7,816.1	8,266.4
<b>5. GDP (5=1+2-3+4)</b>	36,252.4	36,896.3	36,002.5	35,917.1	37,332.4	38,570.0	40,004.1	41,416.2	42,884.9

Source: SURS, forecasts by IMAD.

Table 4b: Gross domestic product and primary incomes

Structure in %, current prices

	2010	2011	2012	2013	2014	2015	2016	2017	2018
							forecast		
<b>1. Compensation of employees</b>	52.5	51.3	51.3	50.3	49.3	49.0	48.5	48.4	48.1
Wages and salaries	45.1	44.0	43.9	43.1	42.3	42.0	41.6	41.5	41.3
Employers' social contributions	7.4	7.3	7.4	7.2	7.0	7.0	6.9	6.9	6.8
<b>2. Taxes on production and imports</b>	14.2	14.2	14.6	15.2	15.1	15.0	14.9	14.8	14.8
Taxes on products and services	13.1	13.1	13.4	13.9	13.7	13.7	13.6	13.6	13.5
Other taxes on production	1.1	1.1	1.3	1.4	1.3	1.3	1.2	1.2	1.2
<b>3. Subsidies</b>	2.6	1.7	1.7	1.9	1.6	1.4	1.6	1.8	1.6
Subsidies on products and services	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other subsidies on production	2.3	1.6	1.6	1.8	1.5	1.3	1.5	1.7	1.5
<b>4. Gross operating surplus / mixed income</b>	35.9	36.2	35.7	36.3	37.2	37.4	38.2	38.5	38.7
Consumption of fixed capital	19.9	20.0	21.3	21.5	20.9	20.7	18.8	18.3	17.9
Net operating surplus	16.0	16.2	14.4	14.8	16.3	16.7	19.5	20.2	20.8
<b>5. GDP (5=1+2-3+4)</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: SURS, forecasts by IMAD.

Table 5a: Gross domestic product by expenditures

EUR million, current prices

	2010	2011	2012	2013	2014	2015	2016	2017	2018
							forecast		
<b>1 GROSS DOMESTIC PRODUCT (1=4+5)</b>	36,252.4	36,896.3	36,002.5	35,917.1	37,332.4	38,570.0	40,004.1	41,416.2	42,884.9
2 EXPORTS OF GOODS AND SERVICES	23,306.0	25,965.4	26,380.5	27,004.9	28,518.1	30,059.9	31,187.1	33,157.4	34,988.4
3 IMPORTS OF GOODS AND SERVICES	22,785.8	25,288.1	24,858.8	24,987.9	25,736.3	26,543.3	27,030.2	29,177.7	31,007.9
4 EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	520.2	677.3	1,521.7	2,017.0	2,781.8	3,516.6	4,156.9	3,979.6	3,980.5
5 TOTAL DOMESTIC CONSUMPTION (5=6+9)	35,732.2	36,219.0	34,480.8	33,900.1	34,550.6	35,053.5	35,847.2	37,436.5	38,904.4
6 FINAL CONSUMPTION (6=7+8)	27,669.7	28,205.1	27,732.3	26,838.0	27,152.5	27,315.0	28,053.7	29,000.5	29,869.6
7 PRIVATE CONSUMPTION	20,316.5	20,667.8	20,436.0	19,765.7	20,152.8	20,111.5	20,541.2	21,233.5	21,928.6
Households	19,979.6	20,337.9	20,129.1	19,459.9	19,826.8	19,772.9	20,193.1	20,874.6	21,558.1
NPISH's	336.9	329.8	306.9	305.8	326.0	338.6	348.1	358.9	370.5
8 GOVERNMENT CONSUMPTION	7,353.3	7,537.4	7,296.3	7,072.3	6,999.7	7,203.6	7,512.5	7,766.9	7,941.0
9 GROSS CAPITAL FORMATION (9=10+11)	8,062.5	8,013.9	6,748.5	7,062.1	7,398.1	7,738.4	7,793.5	8,436.1	9,034.8
10 GROSS FIXED CAPITAL FORMATION	7,726.6	7,450.7	6,933.9	7,174.9	7,315.9	7,524.6	7,292.3	7,888.1	8,452.2
11 CHANGES IN INVENTORIES AND VALUABLES	335.9	563.2	-185.4	-112.9	82.2	213.9	501.1	548.0	582.6

Source: SURS, forecasts by IMAD.

Table 5b: Gross domestic product by expenditures

Structure in %, current prices

	2010	2011	2012	2013	2014	2015	2016	2017	2018
							forecast		
<b>1 GROSS DOMESTIC PRODUCT (1=4+5)</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 EXPORTS OF GOODS AND SERVICES	64.3	70.4	73.3	75.2	76.4	77.9	78.0	80.1	81.6
3 IMPORTS OF GOODS AND SERVICES	62.9	68.5	69.0	69.6	68.9	68.8	67.6	70.5	72.3
4 EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	1.4	1.8	4.2	5.6	7.5	9.1	10.4	9.6	9.3
5 TOTAL DOMESTIC CONSUMPTION (5=6+9)	98.6	98.2	95.8	94.4	92.5	90.9	89.6	90.4	90.7
6 FINAL CONSUMPTION (6=7+8)	76.3	76.4	77.0	74.7	72.7	70.8	70.1	70.0	69.7
7 PRIVATE CONSUMPTION	56.0	56.0	56.8	55.0	54.0	52.1	51.3	51.3	51.1
Households	55.1	55.1	55.9	54.2	53.1	51.3	50.5	50.4	50.3
NPISH's	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
8 GOVERNMENT CONSUMPTION	20.3	20.4	20.3	19.7	18.7	18.7	18.8	18.8	18.5
9 GROSS CAPITAL FORMATION (9=10+11)	22.2	21.7	18.7	19.7	19.8	20.1	19.5	20.4	21.1
10 GROSS FIXED CAPITAL FORMATION	21.3	20.2	19.3	20.0	19.6	19.5	18.2	19.0	19.7
11 CHANGES IN INVENTORIES AND VALUABLES	0.9	1.5	-0.5	-0.3	0.2	0.6	1.3	1.3	1.4

Source: SURS, forecasts by IMAD.

Table 6a: Gross domestic product by expenditures

EUR million

	constant previous year prices						constant 2015 prices		
	2010	2011	2012	2013	2014	2015	2016	2017	2018
							forecast		
1 GROSS DOMESTIC PRODUCT (1=4+5)	36,613.9	36,487.8	35,904.0	35,611.2	37,032.8	38,197.3	39,469.0	40,632.5	41,709.1
2 EXPORTS OF GOODS AND SERVICES	22,804.8	24,912.6	26,117.6	27,185.6	28,542.2	30,101.2	31,773.2	33,531.7	35,199.4
3 IMPORTS OF GOODS AND SERVICES	21,395.9	23,924.3	24,351.2	25,368.7	26,025.9	26,926.2	27,962.8	29,603.1	31,099.3
4 EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	1,408.9	988.3	1,766.4	1,816.9	2,516.3	3,175.0	3,810.5	3,928.7	4,100.1
5 TOTAL DOMESTIC CONSUMPTION (5=6+9)	35,204.9	35,499.5	34,137.6	33,794.3	34,516.5	35,022.3	35,658.5	36,703.9	37,609.0
6 FINAL CONSUMPTION (6=7+8)	27,244.0	27,610.8	27,523.3	26,754.4	27,150.5	27,415.9	27,930.0	28,491.4	28,974.8
7 PRIVATE CONSUMPTION	20,027.3	20,311.7	20,155.4	19,609.0	20,160.0	20,244.7	20,582.4	21,044.6	21,475.8
- Households	19,692.2	19,984.7	19,849.9	19,304.1	19,835.1	19,907.6	20,233.6	20,688.8	21,113.0
- NPISH's	335.1	327.0	305.5	304.9	324.9	337.1	348.8	355.7	362.8
8 GOVERNMENT CONSUMPTION	7,216.6	7,299.1	7,367.9	7,145.4	6,990.4	7,171.2	7,347.7	7,446.9	7,499.0
9 GROSS CAPITAL FORMATION (9=10+11)	7,961.0	7,888.8	6,614.4	7,039.9	7,366.0	7,606.3	7,728.4	8,212.4	8,634.2
10 GROSS FIXED CAPITAL FORMATION	7,634.2	7,345.7	6,792.4	7,152.9	7,276.2	7,389.6	7,227.3	7,664.5	8,051.5
11 CHANGES IN INVENTORIES AND VALUABLES	326.7	543.1	-178.1	-113.1	89.8	216.7	501.1	548.0	582.6

Source: SURS, forecasts by IMAD.

Table 6b: Gross domestic product by expenditures

Real growth rates in %

	2010	2011	2012	2013	2014	2015	2016	2017	2018
							forecast		
							forecast		
1 GROSS DOMESTIC PRODUCT (1=4+5)	1.2	0.6	-2.7	-1.1	3.1	2.3	2.3	2.9	2.6
2 EXPORTS OF GOODS AND SERVICES	10.2	6.9	0.6	3.1	5.7	5.6	5.7	5.5	5.0
3 IMPORTS OF GOODS AND SERVICES	6.8	5.0	-3.7	2.1	4.2	4.6	5.3	5.9	5.1
4 EXTERNAL BALANCE OF GOODS AND SERVICES <sup>1</sup> (4=2-3)	2.0	1.3	3.0	0.8	1.4	1.1	0.8	0.3	0.4
5 TOTAL DOMESTIC CONSUMPTION (5=6+9)	-0.8	-0.7	-5.7	-2.0	1.8	1.4	1.7	2.9	2.5
6 FINAL CONSUMPTION (6=7+8)	0.8	-0.2	-2.4	-3.5	1.2	1.0	2.3	2.0	1.7
7 PRIVATE CONSUMPTION	1.3	0.0	-2.5	-4.0	2.0	0.5	2.3	2.2	2.0
- Households	1.1	0.0	-2.4	-4.1	1.9	0.4	2.3	2.2	2.0
- NPISH's	12.6	-2.9	-7.4	-0.7	6.3	3.4	3.0	2.0	2.0
8 GOVERNMENT CONSUMPTION	-0.5	-0.7	-2.2	-2.1	-1.2	2.5	2.0	1.3	0.7
9 GROSS CAPITAL FORMATION (9=10+11)	-5.9	-2.2	-17.5	4.3	4.3	2.8	-0.1	6.3	5.1
10 GROSS FIXED CAPITAL FORMATION	-13.3	-4.9	-8.8	3.2	1.4	1.0	-4.0	6.0	5.0
11 CHANGES IN INVENTORIES AND VALUABLES <sup>1</sup>	1.9	0.6	-2.0	0.2	0.6	0.4	0.7	0.1	0.1

Source: SURS, forecasts by IMAD.

Note: <sup>1</sup> Contribution to real GDP growth (percentage points).

Table 7: Balance of payments - balance of payments statistics

EUR million

	2010	2011	2012	2013	2014	2015	2016	2017	2018
							forecast		
I. CURRENT ACCOUNT	-43	68	930	1,732	2,325	1,998	2,700	2,326	2,272
1. GOODS	-748	-974	-81	708	1,181	1,498	1,924	1,613	1,480
1.1. Exports of goods	18,631	21,042	21,256	21,692	22,961	24,039	24,795	26,401	27,836
1.2. Imports of goods	19,379	22,016	21,337	20,984	21,780	22,541	22,871	24,788	26,356
2. SERVICES	1,210	1,406	1,509	1,732	1,697	2,019	2,233	2,366	2,501
2.1. Exports	4,655	4,906	5,106	5,317	5,558	6,025	6,396	6,761	7,157
Transport	1,210	1,309	1,346	1,398	1,529	1,672	1,768	1,863	1,968
Travel	1,925	1,975	2,008	2,043	2,060	2,257	2,341	2,455	2,576
Other	1,520	1,622	1,752	1,877	1,969	2,096	2,286	2,443	2,612
2.2. Imports	3,444	3,500	3,597	3,586	3,862	4,006	4,163	4,394	4,656
Transport	716	725	713	738	814	851	882	924	971
Travel	923	817	730	708	745	822	848	884	924
Other	1,805	1,958	2,153	2,140	2,302	2,333	2,434	2,587	2,761
1., 2. EXTERNAL BALANCE OF GOODS AND SERVICES	462	432	1,428	2,440	2,878	3,517	4,157	3,980	3,981
Exports of goods and services	23,285	25,948	26,362	27,010	28,519	30,064	31,191	33,162	34,993
Imports of goods and services	22,823	25,516	24,934	24,569	25,641	26,547	27,034	29,182	31,012
3. PRIMARY INCOME	-373	-279	-271	-192	-125	-982	-866	-1,070	-1,123
3.1. Receipts	895	1,318	1,159	1,117	1,396	1,632	1,742	1,702	1,719
Compensation of employees	240	327	474	495	537	609	625	630	625
Investment	287	580	207	54	368	501	549	566	573
Other primary income	367	411	478	567	490	522	568	506	521
3.2. Expenditure	1,268	1,598	1,430	1,309	1,521	2,614	2,607	2,773	2,842
Compensation of employees	89	93	98	106	114	120	130	155	170
Investment	1,031	1,328	1,097	917	1,063	2,065	2,033	2,138	2,162
Other primary income	147	176	235	286	344	429	444	480	510
4. SECONDARY INCOME	-132	-84	-227	-516	-428	-537	-592	-584	-586
4.1. Receipts	864	993	931	632	709	725	697	733	755
4.2. Expenditure	996	1,077	1,157	1,148	1,137	1,262	1,288	1,317	1,341
II. CAPITAL ACCOUNT	54	-85	41	187	157	371			
1. Non-produced non-financial assets	-3	-12	-4	-10	-24	-37			
2. Capital transfers	57	-73	45	197	181	408			
III. FINANCIAL ACCOUNT	-1,460	-754	-142	1,042	2,377	1,772			
1. Direct investment	-93	-640	-466	-47	-584	-1,238			
Assets	138	-3	-439	24	155	278			
Liabilities	231	636	27	71	739	1,516			
2. Portfolio investment	-1,961	-1,844	220	-4,176	-3,968	2,929			
3. Financial derivatives	117	155	89	32	-3	28			
4. Other investment	497	1,646	45	5,227	6,843	166			
4.1. Assets	-1,807	425	456	632	4,815	-672			
4.2. Liabilities	-2,303	-1,221	411	-4,595	-2,028	-837			
5. Reserve assets	-19	-72	-31	5	89	-113			
IV. NET ERRORS AND OMISSIONS	-1,470	-737	-1,113	-877	-105	-596			

Source: BS, forecasts by IMAD.

Note: Note: The Slovenian Balance of Payments and International Investment Position conforms to the methodology of the the IMF's 'Balance of Payments and International Investment Position Manual'.

Table 8: Labour market

	2010	2011	2012	2013	2014	2015	2016	2017	2018
							forecast		
<b>LABOUR SUPPLY</b>									
Activity rate (20-64 years, in %)	75.8	74.5	74.9	74.9	75.1	76.0	75.8	76.4	77.2
Active population (ILO definition- in thousand)	1,041	1,020	1,013	1,008	1,015	1,008	999	1,001	1,005
- yearly growth (in %)	0.0	-2.1	-0.6	-0.6	0.7	-0.7	-0.9	0.2	0.4
<b>EMPLOYMENT AND UNEMPLOYMENT</b>									
Employment (National accounts concept, in thousands)	962.1	946.0	937.2	926.8	930.9	941.5	959.8	973.6	984.2
- yearly growth (in %)	-2.1	-1.7	-0.9	-1.1	0.4	1.1	1.9	1.4	1.1
Employment (ILO concept, in thousands)	966.0	936.2	923.7	906.0	917.0	917.6	917.6	926.8	937.0
- yearly growth (in %)	-1.5	-3.1	-1.3	-1.9	1.2	0.1	0.0	1.0	1.1
Employment rate (20-64 years, in %)	70.3	68.4	68.3	67.2	67.8	69.1	69.5	70.6	71.9
Formal employment (statistical register, in thousands) *	835.0	824.0	810.0	793.6	797.8	804.6	816.7	828.0	837.2
- yearly growth (in %)	-2.7	-1.3	-1.7	-2.0	0.5	0.9	1.5	1.4	1.1
- Paid employment (in thousands)	747.2	729.1	717.0	698.7	703.0	713.1	729.5	741.9	751.1
- yearly growth (in %)	-2.6	-2.4	-1.6	-2.6	0.6	1.4	2.3	1.7	1.2
- Self employed (in thousands)	87.8	94.9	93.0	94.9	94.8	91.6	87.1	86.1	86.1
- yearly growth (in %)	-3.3	8.1	-2.1	2.1	-0.1	-3.4	-4.8	-1.2	0.0
Unemployment (ILO concept, in thousands)	75.2	83.3	89.7	101.8	98.0	90.5	81.5	74.4	68.3
- yearly growth (in %)	23.7	10.8	7.7	13.5	-3.7	-7.7	-10.0	-8.7	-8.2
Unemployment (registered, in thousands)	100.5	110.7	110.2	119.8	120.1	112.7	103.4	94.5	88.1
- yearly growth (in %)	16.4	10.1	-0.5	8.8	0.2	-6.1	-8.2	-8.7	-6.7
Unemployment rate (ILO concept, in %)	7.3	8.2	8.9	10.1	9.7	9.0	8.2	7.5	6.8
Unemployment rate (registered, in %)	10.7	11.8	12.0	13.1	13.1	12.3	11.2	10.2	9.5

Source: SURS, ESS, Eurostat; forecasts by IMAD and Eurostat.

Note: \* According to the Statistical Register of Employment, including the estimate of self-employed farmers.

Table 9: Indicators of international competitiveness

Annual growth rates in %

	2010	2011	2012	2013	2014	2015	2016	2017
							forecast	
<b>Effective exchange rate <sup>1</sup></b>								
Nominal	-2.3	0.0	-1.4	1.0	0.3	-2.8	0.8	-0.1
Real - based on consumer prices	-2.1	-1.0	-1.2	1.3	-0.1	-3.8	0.2	-0.3
Real - based on ULC in economy as a whole	-1.8	-1.9	-3.2	-0.3	-1.7	-4.0	1.1	-0.9
<b>Unit labour costs components</b>								
Nominal unit labour costs	0.6	-0.8	0.8	0.4	-1.3	0.3	1.8	0.8
Compensation of employees per employee	4.0	1.5	-1.0	0.5	1.3	1.4	2.2	2.3
Labour productivity, real <sup>2</sup>	3.4	2.4	-1.8	0.0	2.7	1.2	0.4	1.5
Real unit labour costs	1.6	-1.9	0.5	-0.4	-2.1	-0.7	0.4	0.2
Labour productivity, nominal <sup>3</sup>	2.4	3.5	-1.5	0.9	3.5	2.2	1.7	2.1

Source: SURS national accounts statistics, BS, ECB, OECD, Consensus Forecasts August 2016, calculations and forecasts by IMAD.

Notes: <sup>1</sup> Harmonised effective exchange rate - 37 group of trading partners; 19 extra Euro area and 18 Euro area countries; a rise in the value indicates appreciation and of national currency and vice versa. <sup>2</sup>GDP per employee (in constant prices); <sup>3</sup>GDP per employee (in current prices).

Table 10a: Consolidated general government revenues; GFS - IMF Methodology

EUR million, current prices

CONSOLIDATED GENERAL GOVERNMENT REVENUES	2010	2011	2012	2013	2014	2015
<b>I. TOTAL GENERAL GOVERNMENT REVENUES</b>	14,794	14,982	14,999	14,728	15,494	15,714
<b>TAX REVENUES</b>	12,848	13,209	13,118	12,648	13,193	13,746
TAXES ON INCOME AND PROFIT	2,491	2,724	2,657	2,137	2,386	2,585
Personal income tax	2,039	2,054	2,077	1,868	1,916	1,986
Corporate income tax	449	668	577	265	468	595
SOCIAL SECURITY CONTRIBUTIONS	5,234	5,268	5,244	5,127	5,272	5,474
TAXSES ON PAYROLL AND WORKFORCE	28	29	26	23	20	20
TAXES ON PROPERTY	220	215	234	254	245	238
DOMESTIC TAXES ON GOODS AND SERVICES	4,781	4,856	4,876	5,027	5,191	5,347
Value added tax	2,941	2,992	2,905	3,029	3,153	3,229
Excise duties	1,439	1,462	1,560	1,491	1,491	1,515
TAXES ON INTERN. TRADE AND TRANSACTIONS	91	100	83	77	78	82
OTHER TAXES	4	17	-1	1	0	1
<b>NON-TAX REVENUES</b>	923	829	912	989	1,184	956
CAPITAL REVENUES	176	65	63	67	53	96
DONATIONS RECEIVED	13	10	9	33	19	12
TRANSFERRED REVENUES	110	54	52	53	5	21
RECEIPTS FROM THE EU BUDGET	725	815	845	938	1,040	882

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

Table 10b: Consolidated general government revenues; GFS - IMF Methodology

Per cent share relative to GDP

CONSOLIDATED GENERAL GOVERNMENT REVENUES	2010	2011	2012	2013	2014	2015
<b>I. TOTAL GENERAL GOVERNMENT REVENUES</b>	40.8	40.6	41.7	41.0	41.5	40.7
<b>TAX REVENUES</b>	35.4	35.8	36.4	35.2	35.3	35.6
TAXES ON INCOME AND PROFIT	6.9	7.4	7.4	6.0	6.4	6.7
Personal income tax	5.6	5.6	5.8	5.2	5.1	5.1
Corporate income tax	1.2	1.8	1.6	0.7	1.3	1.5
SOCIAL SECURITY CONTRIBUTIONS	14.4	14.3	14.6	14.3	14.1	14.2
TAXSES ON PAYROLL AND WORKFORCE	0.1	0.1	0.1	0.1	0.1	0.1
TAXES ON PROPERTY	0.6	0.6	0.6	0.7	0.7	0.6
DOMESTIC TAXES ON GOODS AND SERVICES	13.2	13.2	13.5	14.0	13.9	13.9
Value added tax	8.1	8.1	8.1	8.4	8.4	8.4
Excise duties	4.0	4.0	4.3	4.2	4.0	3.9
TAXES ON INTERN. TRADE AND TRANSACTIONS	0.3	0.3	0.2	0.2	0.2	0.2
OTHER TAXES	0.0	0.0	0.0	0.0	0.0	0.0
<b>NON-TAX REVENUES</b>	2.5	2.2	2.5	2.8	3.2	2.5
CAPITAL REVENUES	0.5	0.2	0.2	0.2	0.1	0.2
DONATIONS RECEIVED	0.0	0.0	0.0	0.1	0.1	0.0
TRANSFERRED REVENUES	0.3	0.1	0.1	0.1	0.0	0.1
RECEIPTS FROM THE EU BUDGET	2.0	2.2	2.3	2.6	2.8	2.3

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

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

EUR million, current prices

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2010	2011	2012	2013	2014	2015
<b>II. TOTAL EXPENDITURES</b>	16,693	16,546	16,126	16,286	16,755	16,956
<b>CURRENT EXPENDITURE</b>	6,960	6,927	6,814	6,838	7,043	7,168
WAGES AND OTHER PERSONNEL EXPENDITURE	3,359	3,330	3,185	3,114	3,116	3,124
EMPLOYER'S SOCIAL SECURITY CONTRIBUTIONS	553	553	543	503	494	486
PURCHASES OF GOODS AND SERVICES	2,512	2,443	2,373	2,239	2,233	2,311
INTEREST PAYMENTS	488	527	648	840	1,097	1,043
RESERVES	47	74	65	143	103	204
<b>CURRENT TRANSFERS</b>	7,629	7,819	7,687	7,671	7,592	7,540
SUBSIDIES	582	496	503	520	467	399
TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	6,278	6,533	6,384	6,343	6,335	6,371
OTHER CURRENT DOMESTIC TRANSFERS	769	789	800	809	789	770
<b>CAPITAL EXPENDITURE TOTAL</b>	1,707	1,396	1,235	1,351	1,717	1,815
CAPITAL EXPENDITURE	1,311	1,024	915	1,032	1,451	1,520
CAPITAL TRANSFERS	396	372	320	319	266	295
<b>PAYMENTS TO THE EU BUDGET</b>	397	405	390	425	403	433
<b>III. GENERAL GOVERNMENT BUDGETARY SURPLUS / DEFICIT (I. - II.)</b>	-1,899	-1,564	-1,127	-1,558	-1,261	-1,242

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

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

Per cent share relative to GDP

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2010	2011	2012	2013	2014	2015
<b>II. TOTAL EXPENDITURES</b>	46.0	44.8	44.8	45.3	44.9	44.0
<b>CURRENT EXPENDITURE</b>	19.2	18.8	18.9	19.0	18.9	18.6
WAGES AND OTHER PERSONNEL EXPENDITURE	9.3	9.0	8.8	8.7	8.3	8.1
EMPLOYER'S SOCIAL SECURITY CONTRIBUTIONS	1.5	1.5	1.5	1.4	1.3	1.3
PURCHASES OF GOODS AND SERVICES	6.9	6.6	6.6	6.2	6.0	6.0
INTEREST PAYMENTS	1.3	1.4	1.8	2.3	2.9	2.7
RESERVES	0.1	0.2	0.2	0.4	0.3	0.5
<b>CURRENT TRANSFERS</b>	21.0	21.2	21.4	21.4	20.3	19.5
SUBSIDIES	1.6	1.3	1.4	1.4	1.3	1.0
TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	17.3	17.7	17.7	17.7	17.0	16.5
OTHER CURRENT DOMESTIC TRANSFERS	2.1	2.1	2.2	2.3	2.1	2.0
<b>CAPITAL EXPENDITURE TOTAL</b>	4.7	3.8	3.4	3.8	4.6	4.7
CAPITAL EXPENDITURE	3.6	2.8	2.5	2.9	3.9	3.9
CAPITAL TRANSFERS	1.1	1.0	0.9	0.9	0.7	0.8
<b>PAYMENTS TO THE EU BUDGET</b>	1.1	1.1	1.1	1.2	1.1	1.1
<b>III. GENERAL GOVERNMENT BUDGETARY SURPLUS / DEFICIT (I. - II.)</b>	-5.2	-4.2	-3.1	-4.3	-3.4	-3.2

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

## Acronyms

### Acronyms in the text

**BoS** – Bank of Slovenia, **CME** – Chicago Mercantile Exchange, **ECB** – European Central Bank, **EIA** – Energy Information Administration, **EC** – European Commission, **ES** – European Council, **ESS** – Employment Service of Slovenia, **GDP** – Gross domestic product, **GZS** – Chamber of Commerce and Industry of Slovenia, **IMAD** – Institute of Macroeconomic Analysis and Development, **IMF** – International Monetary Fund, **MF** – Ministry of Finance, **SKEP** – Analysis and Forecasts of the Chamber of Commerce and Industry of Slovenia, **SURS** – Statistical Office of the Republic of Slovenia.

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