IMAD

autumn forecast of economic trends 2023

Autumn Forecast of Economic Trends 2023
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Summary

Economic growth is slowing this year, especially in the export-oriented part of the economy, growth in private consumption is also lower, while construction investment continues to rise. IMAD forecasts real GDP growth of 1.6% this year, which is slightly lower than expected in the Spring Forecast (1.8%), with the level and structure of GDP having changed significantly since the last forecast. In nominal terms, the forecast is heavily influenced by the revised base following the release of the first annual GDP estimate for 2022 by SURS, which lowered the initial estimate of nominal GDP based on quarterly data by almost EUR 2 billion. Real growth rates are affected in particular by the slowdown in the economies of Slovenia's main trading partners, which is more pronounced than expected in the spring, especially in Germany, weighing on export growth. The forecast is also affected by changes in the real growth of some aggregates in the release of the first annual estimate for last year, in particular private consumption, and value added in manufacturing and construction. In general, it appears that, in contrast to previous estimates, the post-COVID-19 recovery was more concentrated in 2021 and economic growth last year was below the EU average. There have also been some changes in the indicators of the household saving rate, which is now much higher, and productivity, especially in manufacturing, which has declined. This also substantially changes the base for the preparation of the forecast, as it suggests that the impact of the drop in purchasing power was greater, that households were more cautious in their spending than originally assumed, and that cost pressures had a greater impact on activity in the predominantly export-oriented part of the economy. Growth in exports of goods and services will therefore lag slightly behind that of foreign demand this year. In construction investment, however, we expect the high level of activity to continue, even if it will gradually weaken. According to the data on business trends in construction, the indicator for new orders is declining, and the data on building permits also point to a weakening of activity. In contrast, recovery from the August floods will have a stimulating effect on construction activity. We estimate that the direct negative impact of the floods on manufacturing and transportation activity and on exports will be temporary and, although significant at the local level, will not have a major effect at the macroeconomic level. Investment in equipment and machinery will be lower this year than last, given the weakening of activity in the international environment and higher interest rates. Private consumption growth will be lower than last year; we expect moderate growth in the second half of the year (after an estimated decline in the second quarter), driven by high employment, continued moderate real wage growth, and government measures to mitigate rising energy costs and eliminate the consequences of natural disasters and, to a smaller extent, also by the replacement of durable and non-durable goods damaged in the August floods. Turnover in trade will be lower this year than last. Although slowing, growth in the consumption of services, especially related to tourism, will continue. Government consumption will be higher than last year, in the second half of the year due to higher expenditure on goods and services in connection with the elimination of the consequences of floods.

In the next two years, GDP growth is expected to return to slightly higher levels (2.8% in 2024 and 2.5% in 2025). With a gradual strengthening of external demand growth in the next two years, we expect renewed growth in exports, a strengthening of growth in value added in manufacturing and continued growth in trade in services. For 2024, we forecast further growth in investment (5.5%), boosted by the recovery and reconstruction after this year's floods and renewed growth in business investment in machinery and equipment. Investment growth is higher than expected in the Spring Forecast, due to additional investment related to flood recovery and reconstruction. However, the construction sector is subject to a number of uncertainties, given the relatively high capacity utilisation. In particular, the additional demand associated with the elimination of the consequences of the floods could drive up prices in the construction sector and crowd out other investments. Investment growth is expected to slow in 2025 (to 4.3%). Private consumption will be 2.3% and 1.8% higher in 2024 and 2025 respectively, amid strengthened real income growth. This will be driven by continued employment and wage growth and a slowdown in price growth, which will boost the consumption of non-essential goods and services. We expect that the propensity to save will be similar in 2024 and 2025 as in 2023 and 2022, when (according to revised data) it was higher than before the epidemic. Higher growth in government consumption over the next two years (1.9% in 2024 and 2.2% in 2025) will be driven also by continued growth in health expenditure and the gradual implementation of the long-term care system.

Continued moderation of growth in employment and decline in unemployment is expected until the end of this year, while severe labour shortages will not allow for stronger employment growth over the next two years. The tight situation will be eased slightly by certain measures to facilitate the recruitment of foreign labour. The demographic trends, i.e. a marked decline of the population aged 20–64 since 2012, will become an even greater obstacle to the growth of value added.

Average nominal gross wage growth will be high this year (8.6%) but subdued in real terms (1.0%) given the still-high inflation; real growth will gradually accelerate over the next two years as inflation eases and labour shortages persist. Nominal wage growth will exceed 8% this year in both the private and public sectors. The acceleration of growth in the private sector compared to last year will be influenced by continued pressures in the labour market in the face of labour shortages, increased efforts to maintain purchasing power in the context of elevated inflation and the January increase in the minimum wage. In the public sector, wage growth will be mainly influenced by the implementation of last year's agreement with public sector unions. Nominal wage growth will weaken somewhat over the next two years amid lower price pressures but will remain relatively high due to labour market pressures, which will persist given the unfavourable demographic trends. The forecast for gross wage growth is subject to significant risks related to labour market pressures and the announced reform of the public sector wage system. However, the dynamics of its implementation and the assessment of its impact on wage growth are difficult to assess at this stage.

We expect inflation to continue to ease over the rest of the year, although at a slower pace than in recent months; it could only gradually decline towards 2% by the end of 2025. We expect services price growth to start moderating towards the end of this year but still to remain relatively high and to make a significant contribution to inflation throughout the forecast horizon. The contribution of food prices will also remain relatively high this year, but growth in food prices is declining after reaching high levels at the beginning of the year. In the absence of shocks, the contribution of energy prices is expected to be moderate over the entire forecast horizon (although year-on-year fluctuations are to be expected, due to the base effect related to past government measures[1]), and the gradual slowdown in non-energy industrial goods price growth is also expected to continue. As price growth gradually weakens, inflation at the end of this year is expected to be at 5.4% and average 7.6% in 2023 a whole, mainly due to the high levels at the beginning of the year. For 2024–2025, we expect inflation to weaken further in the absence of external shocks; supported by monetary policy measures, it is expected to fall to slightly above 3% by the end of 2024 and close to 2% by the end of 2025.

The Autumn Forecast is subject to some uncertainties, notably related to the international economic environment, where activity is weakening, the broader economic impact of the recent floods in Slovenia, the pace of inflation moderation and the impact of deteriorating cost competitiveness on the export-oriented part of the economy. Economic growth in Slovenia and its trading partners is weakening this year, especially in the export-oriented part of the economy. This is related to the slowdown in global growth, which could be even weaker than currently expected. In addition to weaker demand, the export-oriented part of the economy is also facing a deterioration in cost competitiveness, which could have a greater impact on export activity than expected in the forecast. Uncertainties and risks to economic growth in the euro area are also related to the possible persistence of inflation, which could further constrain household purchasing power and lead to a stronger tightening of monetary policy, with negative consequences on lending and investment activity. In this context, upside risks to inflation arise from a number of factors, including higher energy prices, potentially higher growth of services prices and faster-than-expected increases in food prices, which could be highly volatile given the increasing frequency of extreme weather events. The uniqueness of the event, incomplete damage assessment, incomplete reconstruction plans and non-final government measures make it difficult to accurately predict the broader economic impact of the recent natural disaster. At the same time, there is a growing risk that additional demand for construction work will drive up construction prices, given the relatively high capacity utilisation, while higher demand for labour could lead to a faster increase in wages, given the already acute labour shortage, thus creating headwinds for the decline in inflation. There are also some upside risks to economic growth. These arise in particular from successful efforts to attract labour and efficient absorption of EU funds, as well as from reform measures.

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[1] Especially in the period between September 2023 and May 2024, as the reduced VAT rate on certain energy products used for heating purposes was in force in the same period of the previous year. As of 1 September this year, *the Decree on the method of determining and calculating the contribution for ensuring support for the production of electricity from high-efficiency cogeneration and renewable energy sources* (2022) expired. According to *the Decree*, the monthly contribution for the promotion of the production of electricity from high-efficiency cogeneration and renewable energy sources was reduced by 50%.

Slovenia's main macroeconomic aggregates

	2022	Autumn Forecast (September 2023)		
		2023	2024	2025
GDP				
GDP, real growth in %	2.5	1.6	2.8	2.5
GDP, nominal growth in %	9.1	10.4	6.9	5.6
GDP in EUR billion, current prices	57.0	63.0	67.3	71.1
Exports of goods and services, real growth in %	7.2	0.1	3.3	3.8
Imports of goods and services, real growth in %	9.0	-3.9	5.3	3.9
External balance of goods and services (contribution to growth in p.p.)	-1.0	3.7	-1.5	0.1
Private consumption, real growth in %	3.6	0.9	2.3	1.8
Government consumption, real growth in %	-0.5	1.4	1.9	2.2
Gross fixed capital formation, real growth in %	3.5	4.5	5.5	4.3
Change in inventories and valuables (contribution to growth in p.p.)	1.0	-3.8	1.5	0.0
EMPLOYMENT, WAGES AND PRODUCTIVITY				
Employment according to the National Accounts Statistics, growth in %	2.9	1.2	1.0	0.7
Number of registered unemployed, annual average in '000	56.7	48.8	46.6	44.9
Registered unemployment rate in %	5.8	5.0	4.7	4.5
ILO unemployment rate in %	4.0	3.6	3.5	3.4
Gross wages per employee, nominal growth in %	2.8	8.6	5.6	5.5
Gross wages per employee, real growth in %	-5.6	1.0	1.7	2.7
- private sector	-2.4	0.9	2.5	2.7
- public sector	-10.4	1.2	0.1	2.6
Labour productivity (GDP per employee), real growth in %	-0.4	0.4	1.9	1.7
BALANCE OF PAYMENTS STATISTICS				
Current account BALANCE, in EUR billion	-0.6	2.8	1.9	2.0
- as a % of GDP	-1.0	4.4	2.8	2.8
PRICES AND EFFECTIVE EXCHANGE RATE				
Inflation (Dec/Dec), in %	10.3	5.4	3.1	2.3
Inflation (annual average), in %	8.8	7.6	3.9	2.7
Real effective exchange rate deflated by unit labour costs	-0.4*	3.9	1.3	0.7
ASSUMPTIONS				
Foreign demand (imports of trading partners), real growth in %	9.4	1.4	2.7	3.2
GDP in the euro area, real growth in %	3.3	0.8	1.3	1.6
Oil price (Brent crude, USD/barrel)	100.8	82.2	81.8	77.6
Non-energy commodity prices in USD, growth	5.3	-11.0	-3.0	1.0
USD/EUR exchange rate	1.054	1.090	1.096	1.096

Sources: For 2022, SURS (2023), BoS (2023), ECB (2023a), EIA (2023), Eurostat (2023); for 2023−2025, forecasts by IMAD.

Note: *IMAD estimate.

The Autumn Forecast of Economic Trends is based on statistical data, information and adopted measures known at the cut-off date of 7 September 2023.

autumn forecast of economic trends 2023

1 Assumptions of the Autumn Forecast of Economic Trends 2023

After modest growth in the first half of the year, economic activity in the euro area is slowing in the third quarter, according to the available indicators. In the first and second quarters, real GDP rose by 0.1% quarter-on-quarter (by 1.1% year-on-year in the first quarter and by 0.5% in the second quarter, all seasonally adjusted). In both quarters, private consumption remained unchanged and fixed capital formation increased. The contribution of net exports increased in the first quarter and decreased in the second, while the contribution of inventories moved in the opposite direction. The slowdown in the first half of the year was mainly due to weak demand and tightening financing conditions. Available indicators point to a possible contraction of economic activity in the euro area in the third quarter. This is mainly due to a further decline in manufacturing activity, with activity in the services sector also contracting in August. After robust growth in the first half of the year, the global economy lost momentum in the third quarter, according to available indicators, as global trade weakened and monetary policy tightened further in most developed countries.

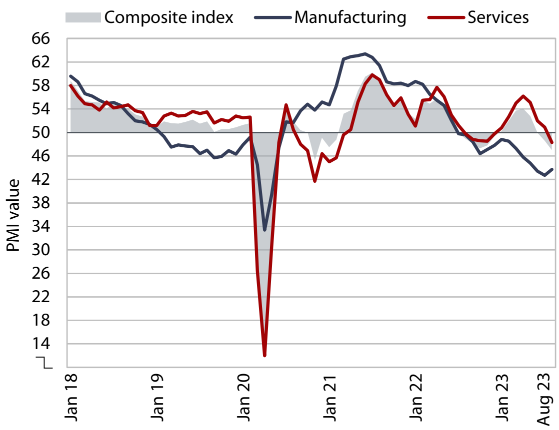
In their latest forecasts, international institutions expect modest economic growth in the euro area this year and moderate strengthening over the next two years. After slowing this year, GDP growth in the euro area is expected to pick up gradually, thanks to more stable energy market conditions, high employment, strengthening of wage growth and the normalization of supply chain problems. The easing of inflationary pressures should lead to a strengthening of disposable income, boosting private consumption, which will be the main driver of economic growth over the next two years. An opposite effect will result from the expected weakening of global demand, the growing impact of tighter financing conditions and the gradual withdrawal of fiscal support. Based on the forecasts of foreign institutions, we expect economic growth of 0.8% for the euro area this year, strengthening to 1.3% and 1.6% in 2024 and 2025 respectively. Growth in foreign demand for Slovenian exports is also expected to be significantly lower this year (1.4%) than in the past two years. However, as the situation in our main trading partners gradually improves, we expect it to strengthen again in 2024 and 2025.

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

Real growth rates, in %	2022	2023		2024		2025
		February 2023	September 2023	February 2023	September 2023	September 2023
EU	3.4	0.8	**0.7**	1.6	**1.4**	**1.8**
Euro area	3.3	0.9	**0.8**	1.5	**1.3**	**1.6**
Germany	1.8	0.2	**-0.3**	1.3	**1.1**	**1.3**
Italy	3.7	0.8	**1.0**	1.0	**1.0**	**1.2**
Austria	4.8	0.5	**0.4**	1.4	**1.4**	**1.7**
France	2.5	0.6	**0.8**	1.4	**1.2**	**1.6**
Croatia	6.2	1.2	**2.9**	1.9	**2.6**	**2.8**
Russia	-2.1	0.3	**1.5**	2.1	**1.3**	**1.5**

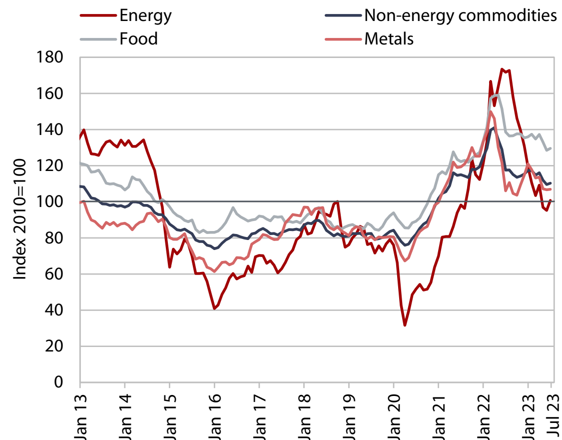
Sources: For 2022, Eurostat (2023); for 2023−2025, IMAD assumptions based on Consensus Economics (2023a, 2023b), ECB (2023b), EC (2023), FocusEconomics (2023a, 2023b), IMF (2023), WIIW (2023), IMAD estimate.

Figure 1: The composite PMI for the euro area indicates a decline in economic activity in the third quarter



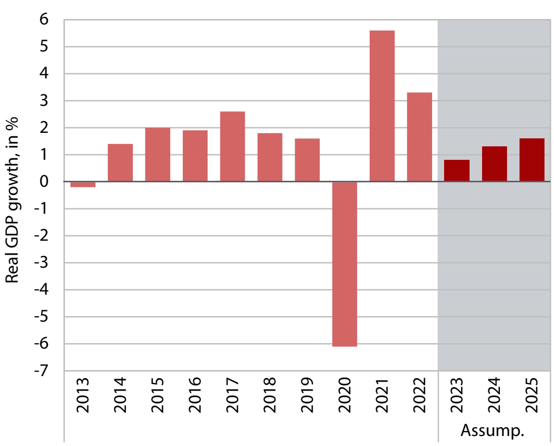
Source: S&P Global. Note: A reading above 50 signals an expansion, while a figure below 50 indicates a contraction.

Figure 2: Commodity prices declined to the levels recorded before the war in Ukraine but are still well above the 2019 levels



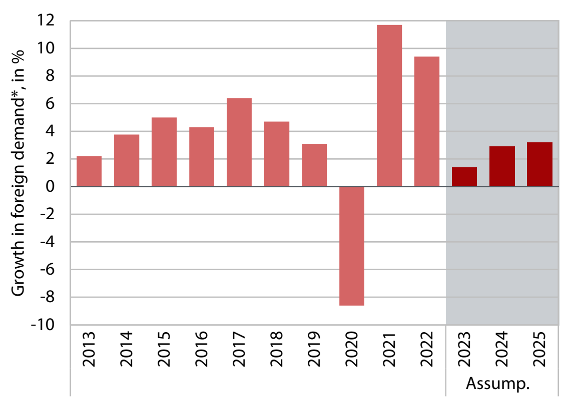
Source: World Bank.

Figure 3: In 2023, euro area GDP growth will be significantly lower than in the period of the post-COVID-19 recovery, with a gradual strengthening expected in the coming years



Source: Eurostat, IMAD assumption based on sources under Table 1.

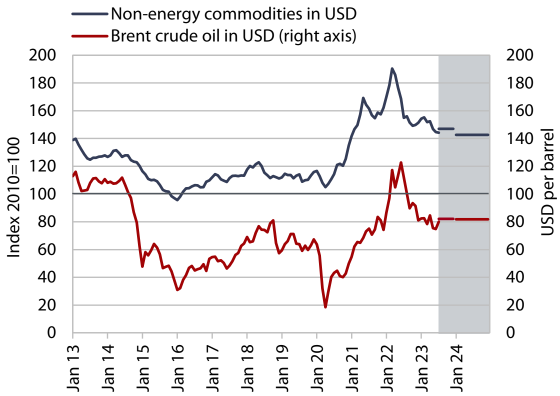
Figure 4: Growth in demand for Slovenian exports will strengthen slightly over the next two years



Source: Eurostat, IMAD assumption based on sources under Table 1.
Note: *Real imports of trading partners weighted by Slovenia's share of exports to these countries.

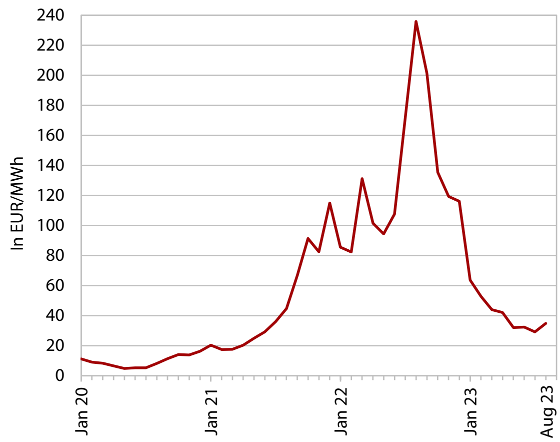
The technical assumption for energy prices is slightly lower than assumed in the Spring Forecast. Based on expectations on futures markets in the period between 1 and 16 August 2023, the technical assumption for the average Brent Crude price underlying the forecast for 2023 is USD 82.2 per barrel. This is a significant decrease compared to the previous year (by 18.5%), even slightly more pronounced than assumed in the Spring Forecast. Oil prices are expected to continue to fall slightly in 2024 and 2025, in line with market expectations. Taking into account the technical assumption for the EUR/USD exchange rate, euro prices of oil are expected to fall slightly more than dollar prices this year. The prices of non-energy commodities are expected to decline by 11% in 2023. Prices are expected to continue to fall slightly next year before rising somewhat in 2025. TTF[2] gas prices have fallen significantly year-on-year, given the high storage levels, as have electricity prices, which follow a similar dynamic as gas prices.

Figure 5: Oil and non-energy commodity prices are significantly lower year-on-year



Source: Barchart, ECB, EIA, calculations by IMAD.
Note: The line indicates the annual average taking into account the assumption of the forecast for 2023 and 2024.

Figure 6: With storage capacities relatively full, TTF gas prices fell significantly year-on-year



Source: ICE.

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

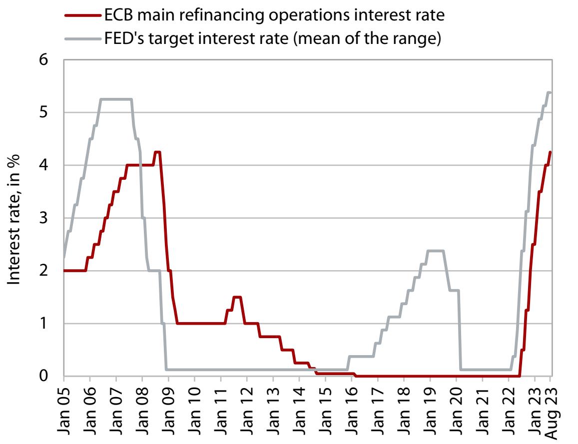
	2022	2023		2024		2025
		February 2023	September 2023	February 2023	September 2023	September 2023
Brent Crude prices, in USD	100.8	85.2	**82.2**	80.3	**81.8**	**77.6**
Brent Crude prices, in EUR	95.8	78.4	**75.4**	73.8	**74.7**	**70.8**
Non-energy commodity prices, in USD, growth*	5.3	-5.5	**-11.0**	-0.5	**-3.0**	**1.0**
USD/EUR exchange rate	1.054	1.087	**1.090**	1.087	**1.096**	**1.096**

Sources: Barchart (2023), ECB (2023a), EIA (2023), IMAD estimate. Note: The assumptions are based on the futures prices between 1 and 16 August 2023. *The structure of the euro area with regard to commodity consumption.

In response to persistently high core inflation,[3] the ECB continues to pursue a restrictive monetary policy. In July 2023, the Governing Council of the ECB raised the key interest rates for the ninth time in a row.[4] The interest rate on the main refinancing operations thus reached 4.25%, the highest level since July 2008. This is leading to a tightening of credit conditions in the euro area, which have deteriorated since the beginning of 2022, leading to a slowdown in economic and credit activity in the euro area and in Slovenia. With the termination of reinvestment of principal payments from maturing securities in July 2023, the volume of funds under the asset purchase programme (APP) is gradually decreasing. However, the ECB intends to fully reinvest the funds under the Pandemic Emergency Purchase Programme (PEPP) at least until the end of 2024.

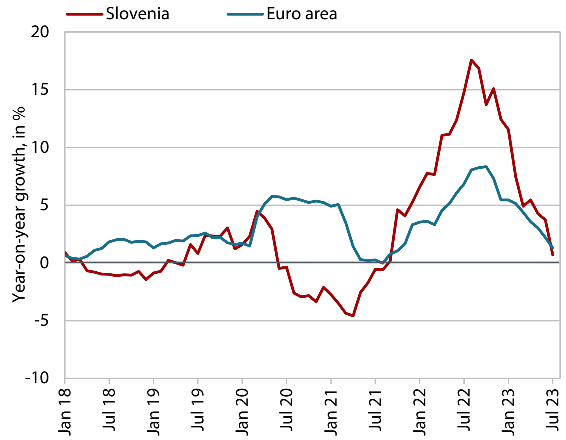
[2] Title Transfer Facility (TTF) is a virtual trading point for natural gas in the Netherlands.
[3] Price growth excluding energy and food.
[4] The pace of rate hikes has slowed in the second half of this year, with interest rates being raised by 25 basis points from May.

Figure 7: The ECB main refinancing operations interest rate was 4.25% at the beginning of September 2023



Source: BIS.

Figure 8: Corporate credit growth in Slovenia and the euro area is already slowing, as borrowing conditions are tightening



Source: BoS and ECB.

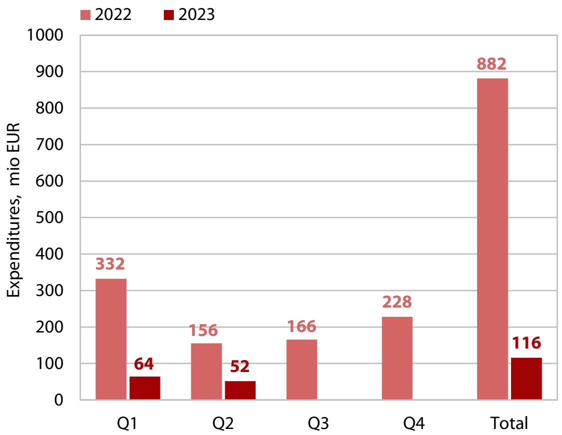
The fiscal stimulus measures taken by Slovenia in recent years to mitigate the consequences of COVID-19 and the energy crisis are gradually being withdrawn. COVID-19-related expenditure amounted to EUR 161 million in the first eight months of this year, compared to EUR 643 million in the same period last year. The bulk of this year's expenditure is accounted for by investments financed under the REACT-EU programme, wage compensation due to isolation, and expenditure related to the cost of vaccines and vaccination. Last year, Slovenia adopted a number of measures to mitigate the impact of rising energy prices, which are due to expire by the end of the year. Measures in the form of tax revenue forgone or expenditure payments amounted to about 1.3% of GDP in 2022,[5] of which about 1.1% of GDP with an impact on the general government balance.[6] The value of the measures in 2023 is estimated at about 1.6% of GDP (all with an impact on the general government sector). This year's measures include the reduction of taxes, the payment of certain dearness allowances to the population, the payment of aid to companies and special aid to energy-intensive companies, measures to support the labour market and compensation payments to electricity and gas suppliers for price caps, and temporary payments to pensioners at the end of the year. In addition to these measures with a direct impact on public finances, guarantee laws for electricity companies and other liquidity measures for the transmission system operator in the Republic of Slovenia were adopted and liquidity loans were made available to companies.

[5] Assessment of measures on the side of revenue losses and increased expenditure by the government and the private sector, excluding the impact of guarantees and measures to provide liquidity to firms.

[6] This includes, in particular, expenditure to mitigate the impact of rising prices on households (one-off solidarity bonuses, energy subsidies for the most vulnerable population groups, additional child benefits, etc.), measures to reduce energy taxes (excise duties, VAT and CO_2 emission taxes), and subsidies for businesses and the agricultural sector. For more detail, see Government of RS (2023a).

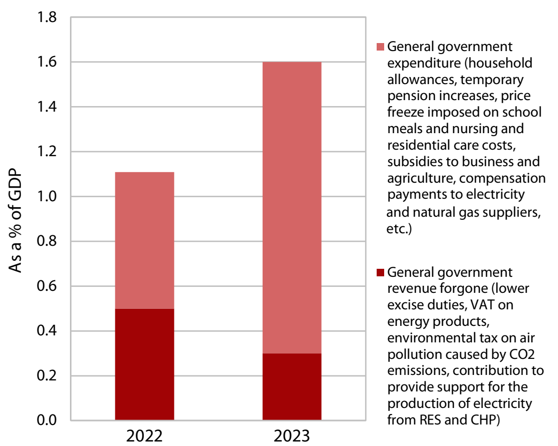
New measures are being taken to deal with the consequences of the floods; however, the assessment of the damage and the financial planning for reconstruction have not yet been completed. A number of measures have been taken or are in preparation to address the consequences of the August floods and landslides and to ensure reconstruction. The immediate measures are regulated by two laws, the ZOPNN-F (2023) and the ZIUOPZP (2023), and a systemic law is also being prepared, which will regulate medium-term measures for various aspects of recovery from the floods. Temporary measures are aimed at the urgent reconstruction of damaged or destroyed public infrastructure, at the simplification of procedures for and obtaining permits and public contracts, and measures to help municipalities, the economy, farmers and the population – with advance payments of aid, extraordinary solidarity aid, job-retention measures, crisis accommodation, tax exemptions and other measures.[7] For the financing of these measures, additional funds are foreseen in the proposal to rebalance the state budget II (EUR 220 million for urgent aid measures this year and EUR 300 million for recovery measures in the coming years). In addition, funds from the EU Solidarity Fund will also be available to finance the measures. The Act (ZIUOPZP, 2023) also provides for the establishment of the Fund for the Reconstruction of Slovenia, in which funds will be collected from various sources (solidarity Saturdays or obligatory solidarity contribution, donations, etc.), the extent of which was not yet known at the time the forecast was prepared, nor was the damage assessment. In view of the public financial constraints and the priority financing of the flood recovery, the government also proposed to postpone the planned implementation of the salary reform from 2024 to 2025. We estimate that due to the fiscal constraints the government could change the project financing priorities in the coming years also in the field of other expenditures, e.g. investments.

Figure 9: The fiscal stimulus measures taken by Slovenia to mitigate the consequences of COVID-19 are gradually being withdrawn



Source: MF.

Figure 10: Measures to mitigate the energy crisis are more substantial this year than last



Source: IMAD estimate.

[7] For more information on the measures, see Government of RS (2023b).

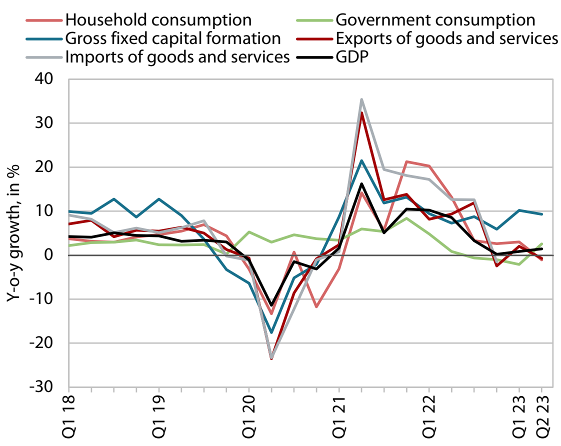
2 Autumn Forecast of Economic Trends in Slovenia

2.1 Gross domestic product

Economic growth continues to weaken this year (1.6%); growth will be slightly lower than expected in the spring due to stronger cost pressures on businesses and households and a more pronounced slowdown in external demand growth. The latest data from SURS show that economic activity expanded by 2.5% last year. This is 2.9 p.p. or EUR 1,951 million in current prices less than initially estimated, which significantly changed the basis for the preparation of the forecast (see Box 1). The economic growth forecast for 2023 (1.6%) is slightly lower than in the Spring Forecast (1.8%), but due to the revised base, the new IMAD forecast for 2023 is as much as EUR 1,753 million lower in nominal terms (EUR 62,970 million). In the Autumn Forecast, growth in investment (especially in construction) and government consumption is higher, while growth in private consumption, exports and especially imports is lower, also due to weaker realisations in the first half of the year. GDP growth was 1.1% year-on-year in the first half of the year. For the second half of the year, we expect neither an improvement in trade in goods nor a visible increase in trade in services and value added in manufacturing. This is influenced by the economic slowdown in the international environment and the deterioration in competitiveness due to cost pressures, which will lead to lower growth in exports of goods and services than growth in external demand this year. High-technology industries will continue to be the main contributors to the low manufacturing growth this year. However, output of all energy-intensive industries will be lower than a year ago. The impact of the floods on some manufacturing companies and transport routes in the affected regions is expected to be relatively limited and temporary. However, we expect continued growth in construction investment, though this will weaken. According to data on business trends in construction, the new orders indicator is declining, with data on building permits also pointing to a slowdown in activity. Elimination of the consequences of the August floods will have a favourable impact on construction activity. With the economic slowdown in the international environment and higher interest rates, investment in machinery and equipment is expected to further decline in the second half of the year. Government consumption growth will be higher in the second half of the year, due to higher spending on goods and services in connection with the elimination of the consequences of the floods. Private consumption will grow moderately in the second half of the year (after a decline in the second quarter), driven by high employment, moderate real wage growth, and government measures to mitigate rising energy costs and eliminate the consequences of natural disasters and also by the replacement of durable and non-durable goods damaged in the August floods. Growth in tourism-related services will slow this year and turnover in trade will be lower than last year.

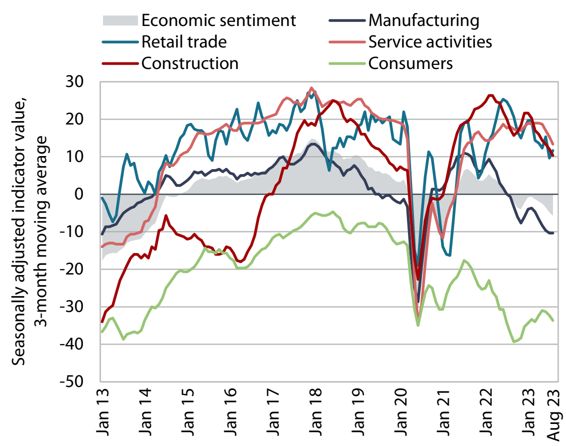
In the next two years, as price and cost pressures ease and investment growth picks up, GDP growth is expected to return to slightly higher levels (2.8% in 2024 and 2.5% in 2025). With a gradual strengthening of external demand growth in the next two years, we expect a renewed growth in exports, a strengthening of growth in value added in manufacturing and continued growth in trade in services. We expect investment growth to pick up in 2024 (to 5.5%), partly due to renewed growth in investment in machinery and equipment. Contrary to our expectations in the spring, when we foresaw a decline in public investment due to the completion of the 2014–2020 Cohesion Policy and REACT-EU projects, we expect the level of public investment to be maintained next year, linked to the elimination of the consequences of the August floods. However, the construction sector is subject to a number of uncertainties given the relatively high capacity utilisation. In particular, the additional demand associated with eliminating the consequences of the floods could drive up prices in the construction sector and crowd out other investments. Given the high level reached in 2024, investment growth will slow slightly in 2025 (to 4.3%). Private consumption will be 2.3% and 1.8% higher in 2024 and 2025 respectively, as real income rises. Government consumption growth will be higher in the next two years than this year (1.9% in 2024 and 2.2% in 2025). In 2024, this will be temporarily affected by flood recovery, but also by continued growth in health expenditure and the gradual implementation of the long-term care system in both years.

Figure 11: Economic growth was subdued in the first half of 2023, with growth in investment in fixed assets being the highest



Source: SURS.

Figure 12: The economic climate in recent months is at its lowest level since the epidemic



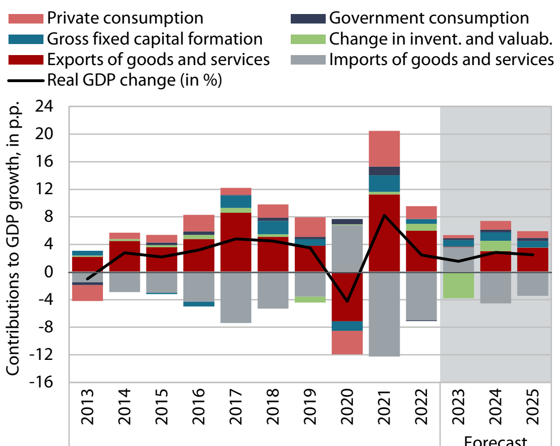
Source: SURS, calculations by IMAD.

Table 3: Economic growth forecasts for 2023–2025

Real growth rates, in %	2022 (SURS)		2023		2024		2025
	February 2023	August 2023	February 2023	September 2023	February 2023	September 2023	September 2023
Gross domestic product	5.4	2.5	1.8	1.6	2.5	2.8	2.5
Exports	6.5	7.2	2.7	0.1	4.1	3.3	3.8
Imports	9.8	9.0	1.8	-3.9	3.6	5.3	3.9
External balance of goods and services (contribution to growth in p.p.)	-2.1	-1.0	0.8	3.7	0.6	-1.5	0.1
Private consumption	8.9	3.6	1.2	0.9	1.8	2.3	1.8
Government consumption	0.9	-0.5	1.2	1.4	1.8	1.9	2.2
Gross fixed capital formation	7.8	3.5	2.8	4.5	2.2	5.5	4.3
Change in inventories and valuables (contribution to growth in p.p.)	1.1	1.0	-0.5	-3.8	0.0	1.5	0.0

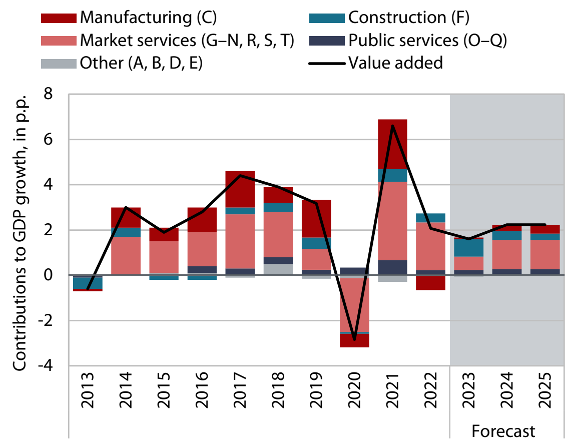
Sources: For 2022, SURS (2023); for 2023–2025, forecast by IMAD.

Figure 13: Contributions of consumption aggregates to GDP growth



Source: SURS, IMAD forecast.

Figure 14: Contributions of value added growth to GDP growth, by activity



Source: SURS, IMAD forecast.

Box 1 **The first annual GDP estimate for 2022**

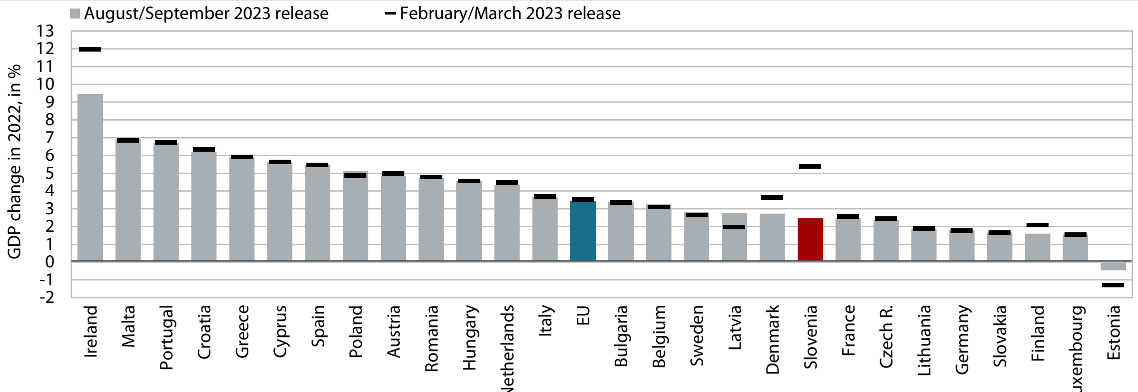
The release of the first GDP estimate for 2022 based on annual data sources significantly changed the basis for the preparation of the forecast. According to SURS data released at the end of August 2023, real GDP growth in 2022 was 2.5%, 2.9 p.p. lower than the February estimate, which was based on quarterly data. This is a decline of EUR 1,951 million in current prices. This time the revision was significantly greater than in previous years, which SURS explains is due to the better quality and more numerous data sources on the price indicator side and (as usually) to the availability of higher quality of annual data on the previous year's business performance at the time the first annual estimates were published. The quarterly data (both for this year and last year) will not be reconciled with the revised annual data until 29 September 2023, which adds uncertainty to the forecast.[8] The revision of GDP growth has also affected the change in real labour productivity growth (GDP per employee),[9] which was estimated at 2.9% in February but it actually fell by 0.4% according to the new estimate. The revision of the data for 2019–2021 was small.

Real growth in all expenditure components of GDP, except exports of goods and services, is lower than the February estimate, and the first estimate also changes the trend in some other economic indicators. The estimate of private consumption was revised downwards by as much as EUR 1,675 million, and this has also changed the estimate of Slovenian consumers' propensity to save, which is, according to our estimate, now higher than the previous estimate by about 5 p.p. (9.3% before the revision). The change in gross capital formation (-EUR 626 million) is mainly due to lower real growth in gross fixed capital formation (-4.3 p.p.). Within this category, there was a significant change in the growth of investment in other buildings and structures (excluding dwellings) – while quarterly data showed growth of over 11%, the new data now show that there was no growth at all in this category last year. The contribution of inventories to GDP growth was slightly revised down (by 0.1 p.p.) from the first estimate (1.1 p.p.). The estimate of exports of goods and services was revised upwards by EUR 385 million (alignment with new balance of payments sources), mainly due to the higher exports of goods. Imports of goods and services also increased in current prices, but much less than exports (by EUR 53 million),[10] reducing the negative contribution of the trade balance to GDP growth from -2.2 to -1.0 p.p. In current prices; the estimate of government consumption also increased slightly (by EUR 18.5 million).[11] There were also big changes on the production side of GDP, where the estimate of value added in the trade, transportation, and accommodation and food service activities group (GHI) fell by EUR 1,020 million, while real growth is now 1.7% (previously 13.4%). The estimate of value added in construction is also EUR 258 million lower,

[8] Especially with regard to the level of carry-over to this year and the second half of this year, which is particularly high in some categories according to the quarterly data currently published.
[9] The change in labour productivity is also affected by the revision in employment growth, which is now 2.9% (previously 2.4%).
[10] The estimate of imports in constant prices and the estimate of their real growth decreased slightly, influenced by the increase in the deflator estimate for this category.
[11] The estimate of government consumption in constant prices and the estimate of its real growth decreased slightly, influenced by the increase in the deflator estimate for this category.

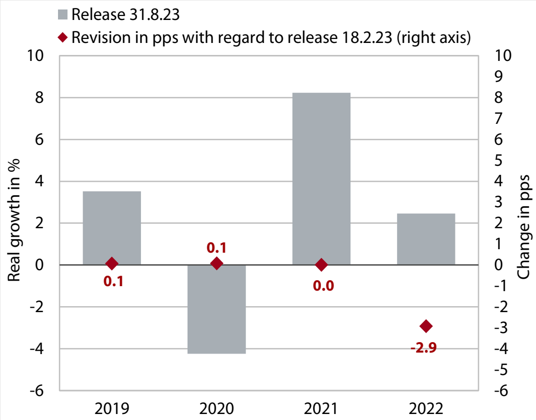
which contributed in large part to the lower real growth of this activity (7.2%, previously 10.4%). Manufacturing value added is now estimated to have fallen by 3.3% in real terms compared to 2021 (previously 1.8% growth).

Figure 15: Before the revision, Slovenia was among the top performing EU Member States in terms of economic growth in 2022, but according to the new data it was below the EU average



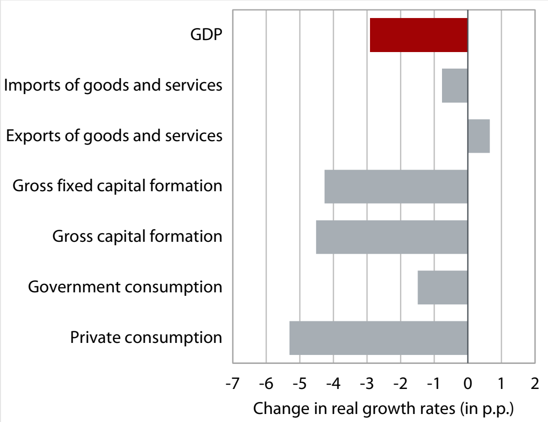
Source: Eurostat, calculations by IMAD.

Figure 16: Revision of data on real GDP growth



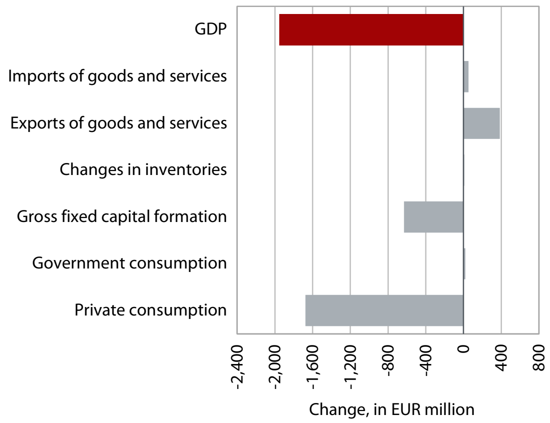
Source: SURS.

Figure 17: Changes of real growth rates for expenditure components of GDP after the publication of the first annual estimate for 2022



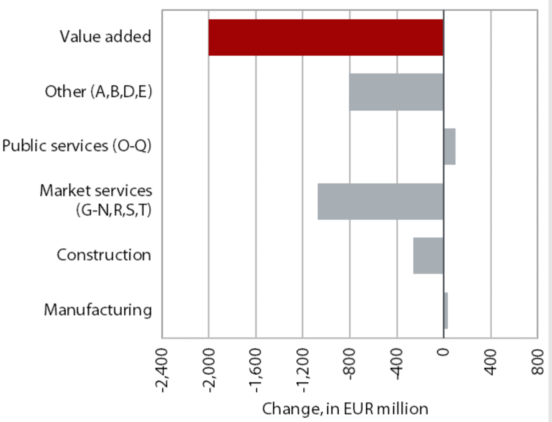
Source: SURS, calculations by IMAD.

Figure 18: Changes of expenditure components of GDP in current prices after the publication of the first annual estimate for 2022



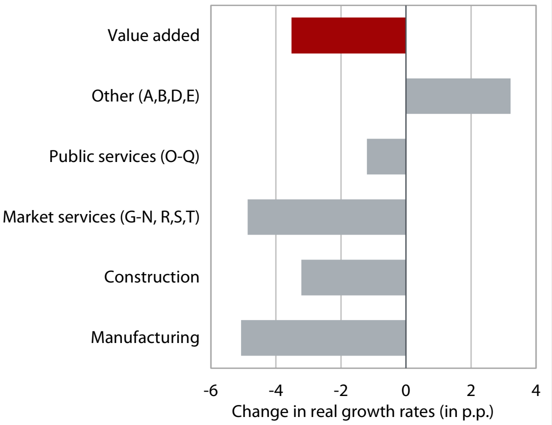
Source: SURS, calculations by IMAD.

Figure 19: Changes of value added components in current prices after the publication of the first annual estimate for 2022



Source: SURS, calculations by IMAD.

Figure 20: Changes of real growth rates for value added components after the publication of the first annual estimate for 2022

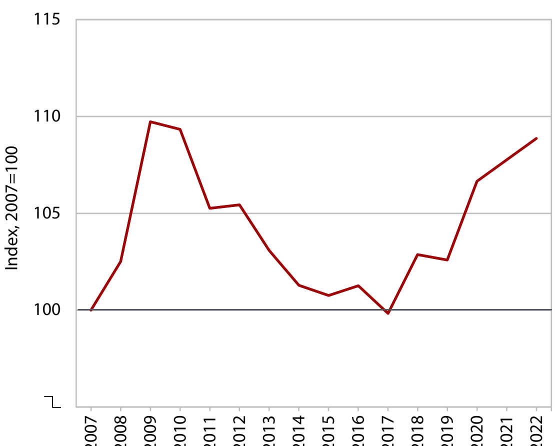


Source: SURS, calculations by IMAD.

2.1.1 Export-oriented part of the economy

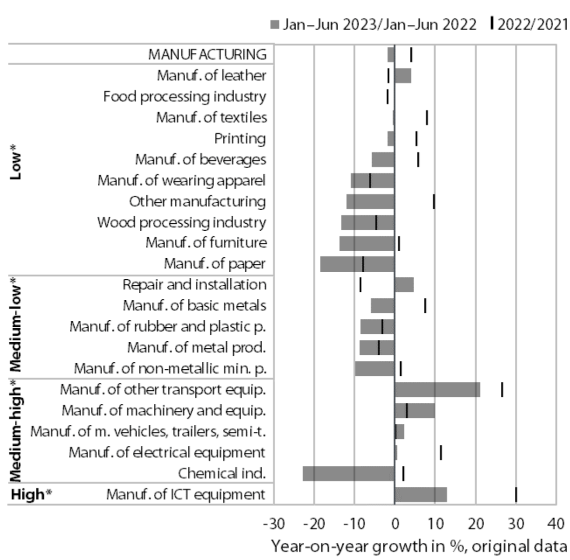
In line with the slowdown in economic activity in Slovenia's main trading partners, growth in exports will weaken this year and value added in manufacturing will increase only moderately after last year's decline. Given the decline in exports and an even greater decline in imports of goods in the first half of the year and the deterioration in expectations for external demand, we forecast a decline in trade in goods and value added in transportation and storage and low growth in value added in manufacturing this year. To some extent, this will also be affected by the deterioration in competitiveness as a result of increased cost pressures (including domestic ones), which is also reflected in the rise in unit labour costs in manufacturing (see Figure 21). Therefore, we do not expect any improvement in the export-oriented part of the economy in the second half of this year, which will also be temporarily affected by the loss of production by some manufacturing companies due to the floods and disruption of transport routes in some regions. High-technology industries will continue to be the main contributors to low manufacturing growth this year. However, output of all energy-intensive industries will be lower than a year ago. The largest declines are expected in the chemical and paper industries. This year we also expect a slowdown in the growth of services trade, which experienced a robust recovery after the epidemic. The slowdown is due to somewhat lower growth in tourism-related services and a decline in trade in transport services, which are also linked to manufacturing activity and export-import trade flows. While overall growth in exports of goods and services will remain positive due to rising services exports, imports will decline due to moderate final consumption growth and a sharp decline in inventories.

Figure 21: Real unit labour costs in manufacturing



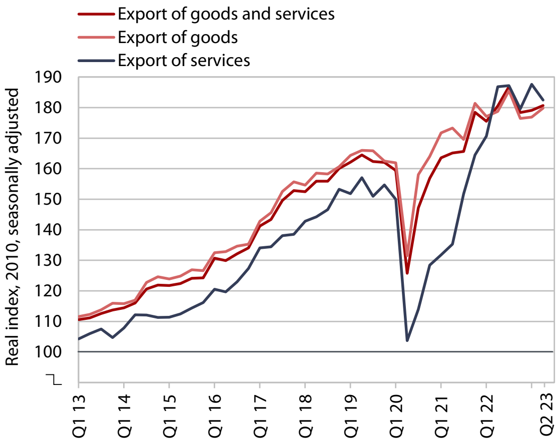
Source: SURS, calculations by IMAD. Note: Real unit labour costs are defined as the ratio of nominal compensation per employee to productivity. In 2020 and to a lesser extent in 2021, growth in compensation of employees was supported by subsidies under the COVID-19 mitigation packages, so that in these years unit labour costs indicator overestimates the actual cost pressure on companies.

Figure 22: In manufacturing, the strongest growth is still in high-technology industries, while production in energy-intensive industries remains down year-on-year



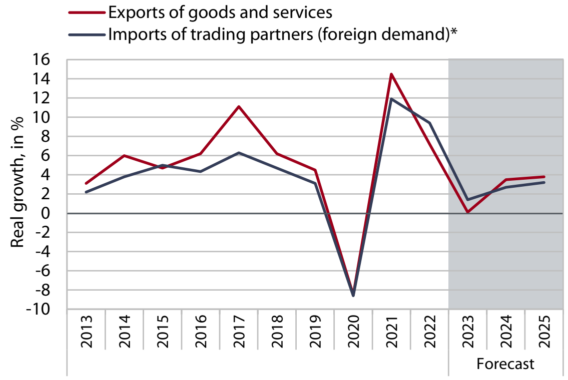
Source: SURS, calculations by IMAD. Note: *according to technological intensity.

Figure 23: Goods exports were lower this year than last, while growth in services exports is slowing



Source: SURS, calculations by IMAD.

Figure 24: Growth in exports of goods and services will remain lower than that of foreign demand this year



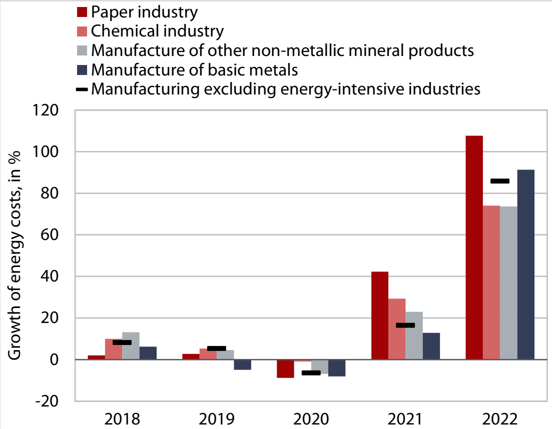
Source: SURS, IMAD forecast for exports and IMAD assumption for foreign demand based on sources under Table 1.
Note: *Real imports of goods and services of the trading partners weighted by Slovenia's share of exports to these countries.

With a gradual strengthening of external demand growth in the next two years, we expect a renewed growth in exports, a strengthening of growth in value added in manufacturing and continued growth in trade in services. High-technology industries will continue to contribute most to manufacturing growth. As energy prices are expected to fall, energy-intensive industries are also expected to recover. Higher domestic consumption is expected to lead to higher import growth than export growth over the next two years, resulting in a negative contribution of the foreign trade balance to economic growth in 2024, while in 2025 the contribution will be neutral.

Box 2 Impact of energy costs on business results of companies in the energy-intensive manufacturing sector in 2022[12]

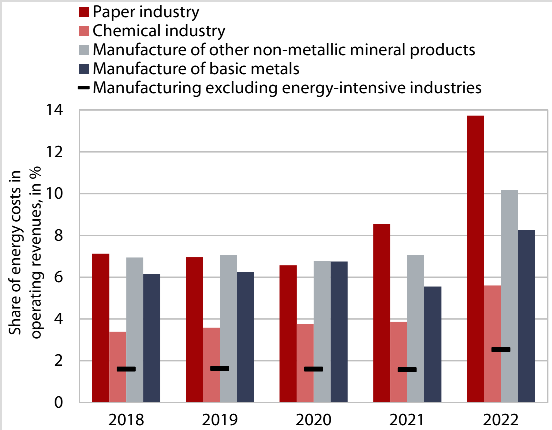
For the second year in a row, the increase in energy costs was stronger for energy-intensive companies than for other manufacturing companies. After rising by 22.6% in 2021, energy costs increased by 88.3% in 2022 (by 16.5% and 85.9% respectively for other manufacturing companies). The burden of energy costs on business revenues, which is the highest among all manufacturing companies in these industries, increased on average from 5.8% to 8.7% (from 1.6% to 2.5% for other manufacturing companies). Taken together, the energy costs of companies in the four energy-intensive industries account for almost half of these costs of all manufacturing companies.

Figure 25: The paper industry recorded the highest increase in energy costs among energy-intensive industries for the second year in a row



Source: AJPES, calculations by IMAD.

Figure 26: The burden of energy costs on business revenues remained highest in the paper industry



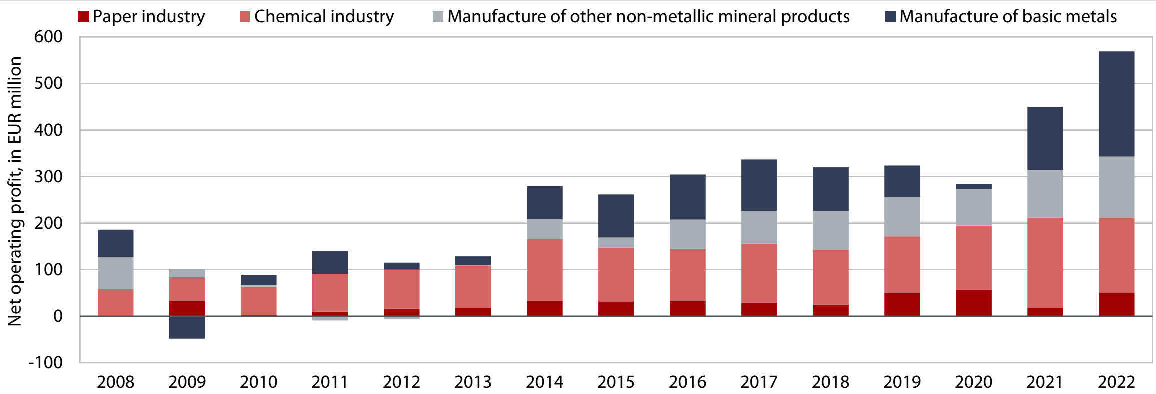
Source: AJPES, calculations by IMAD.

Amid continued strong growth of turnover from trade, energy-intensive companies increased their net operating profit more than other manufacturing companies in 2022.[13] The growth of operating revenue in energy-intensive industries continued in 2022 (only revenue growth in non-EU markets was lower). After 26.5% growth in 2021, growth averaged 25.4% last year. Net operating profit of companies in energy-intensive industries grew by a quarter on average (by 15.5% in other manufacturing companies), despite lower net operating profit in the chemical industry.

[12] For a performance analysis of all manufacturing companies in 2022, see Nenadič (2023).

[13] Sales revenues account for the largest part of the operating income. Subsidies, which have increased the most in energy-intensive industries, account for a small share (0.5% on average for all manufacturing companies in 2008–2022; the highest increase was 1.2% in 2020). In 2022, they accounted for 0.7% of the operating revenues of companies in energy-intensive industries and 0.6% on average of other manufacturing companies.

Figure 27: The highest increase in net operating profit among energy-intensive companies was recorded by companies in the manufacture of basic metals



Source: AJPES, calculations by IMAD.

2.1.2 Investment activity

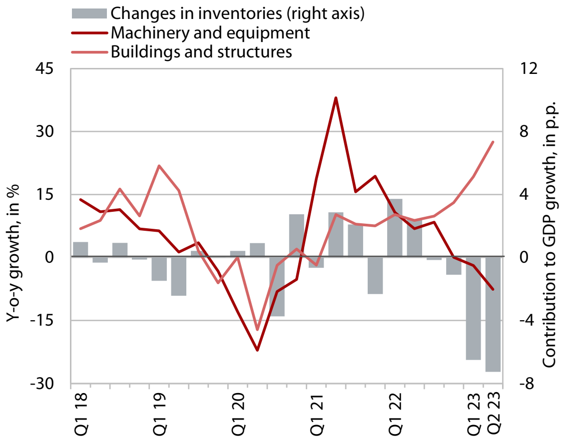
We forecast 4.5% growth in gross fixed capital formation in 2023, which will accelerate next year. Gross fixed capital formation was 10% higher in the first half of the year. Construction investment increased markedly (by 23%, partly driven by higher public investment[14]). Accordingly, the strong growth in value added in construction continued in the first half of the year, as shown by national accounts data. Construction activity[15] increased by 24%, with the highest growth in specialised construction (39%) and high growth also in civil engineering (23%) and building construction (19%). However, investment in machinery and equipment declined (by 5%), due to moderation of international activity. In the second half of the year, we expect further growth in construction investment, which will, however, weaken. According to data on business trends in construction, the new orders indicator is declining, with data on building permits also pointing to a slowdown in activity. In contrast, elimination of the consequences of the August floods will have a stimulating effect on construction activity. With the weakening of activity in the international environment and higher interest rates, investment in machinery and equipment is expected to further decline in the second half of the year. For 2024, we forecast further growth in investment (5.5%). The higher activity in the international environment will have a stimulating effect on the private sector and its investments, which will be reflected in renewed growth in investment in machinery and equipment. The assessment of the damage caused by the floods is still ongoing and

[14] According to the consolidated balance of public financing, investments increased by 14%, but this aggregate does not include the construction of the second railway track in Primorska or the second tube of the Karavanke Tunnel.

[15] However, some other data suggest significantly lower growth in construction activity. According to the VAT data, the growth in construction activity in the first half of the year was 17 p.p. lower than is evident from the data on the value of work put in place. Data on the value of industrial production in two activities traditionally strongly linked to construction also do not point to such high growth: production in other mining and quarrying was 8% lower in the first half of the year than last year, while it was 10% lower in the manufacture of other non-metallic mineral products.

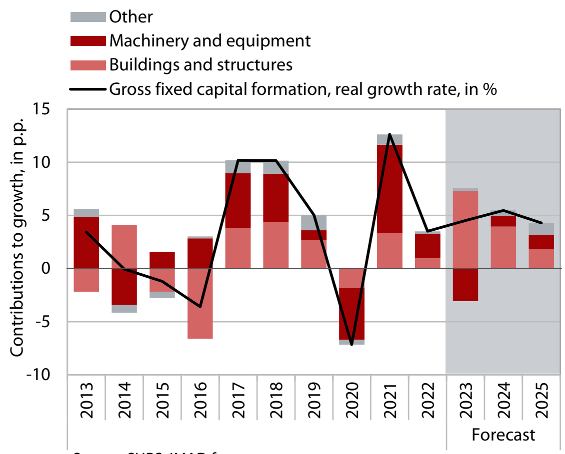
reconstruction plans have not yet been finalised at the time of the forecast, but we expect reconstruction[16] to be intensive in the coming year and thus have a significant impact on overall investment growth. The construction sector is subject to a number of uncertainties given the relatively high capacity utilisation[17]. In particular, the additional demand associated with eliminating the consequences of the floods could drive up prices in the construction sector and crowd out other investments. Investment growth is expected to slow in 2025 (to 4.3%).

Figure 28: This year's investment growth comes from the construction sector



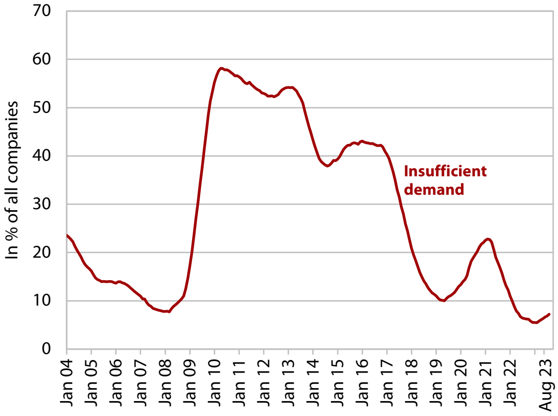
Source: SURS.

Figure 29: Investment growth will be 4.5% this year and will accelerate further next year



Source: SURS, IMAD forecast.

Figure 30: There is high capacity utilisation in the construction sector (similar to 2008)



Source: SURS, calculations by IMAD. Note: Limiting factors in construction, 12-month moving averages.

[16] This will also have an impact on the growth of architectural and engineering services.

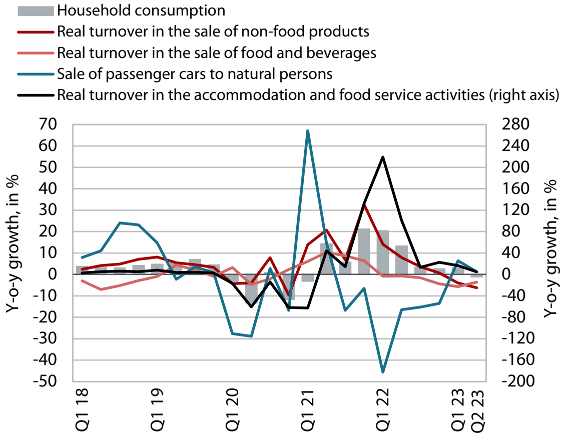
[17] The share of construction companies citing labour shortages as a limiting factor has been slightly below the record levels of 2008 in the past year. The data on insufficient demand in construction also show that the share of companies facing this restriction is as low as in 2008.

2.1.3 Final household and government consumption

Real growth of private consumption will slow to 0.9% this year. Relatively high inflation, tighter credit conditions and prudent spending on non-essential goods and services, together with the fading effects of the resumption of business activity after the epidemic, have already contributed to the slowdown in growth in the first half of the year (1.1%). After increasing by 3.1% in the first quarter, it fell by 0.9% year-on-year in the second quarter, according to the national accounts figures, partly influenced by last year's high base at the end of the period for the redemption of tourism vouchers. Households spent more on tourism services abroad and car purchases in the first half of the year compared to the same period last year but less on food, non-food products and overnight stays in Slovenia. Private consumption will grow at a moderate pace in the second half of the year (after a decline in the second quarter), also influenced by the replacement of durable and non-durable goods damaged in the August floods. The latter will also have an impact on a somewhat smaller decline in trade than at the half-year mark. Private consumption growth, which will be modest in 2023, will be supported by high employment, moderate real wage growth, and government measures to mitigate the rising energy prices and eliminate the consequences of natural disasters (e.g. emergency financial assistance, financing of kindergartens and electricity costs, wage compensation for employees, solidarity subsidies, and aid for the self-employed[18]). Growth in value added in tourism- and leisure-related services (accommodation and food service activities and cultural, entertainment, sports and personal activities) will also slow. Here growth will be boosted by the continued return of foreign tourists to Slovenia, while the consequences of the floods will have only a minor negative impact. However, we expect turnover in trade to be lower than last year, in line with the developments in the first half of the year. In addition to lower turnover in retail trade, this will also be influenced by lower turnover in wholesale trade, due to the expected very low growth and a decline in value added in manufacturing and transportation, respectively.

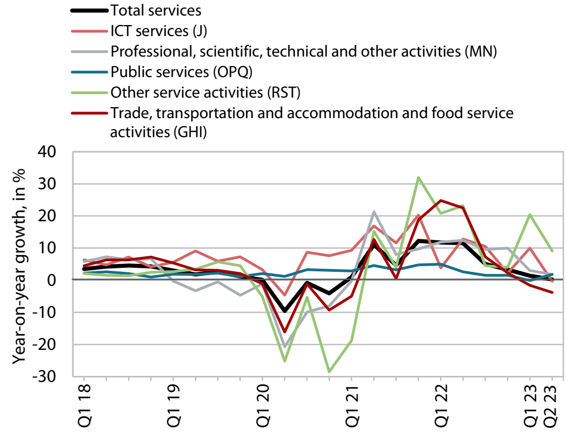
[18] Measures are regulated by *the Act Amending the Natural Disaster Recovery Act* (ZOPNN-F, 2023) and *the Act Determining Intervention Measures for Flood and Landslide Recovery of August 2023* (ZIUOPZP, 2023). For more about the measures, see Government of RS (2023b).

Figure 31: Growth in household consumption and non-essential services is weakening this year, while turnover in trade is lower than a year ago



Source: SURS, calculations by IMAD.

Figure 32: The growth in value added in services is slowing



Source: SURS, calculations by IMAD.

Private consumption growth will increase over the next two years. Amid stronger real income growth, private consumption will be 2.3% and 1.8% higher in 2024 and 2025 respectively. This will be driven by continued employment and wage growth and slowdown in price growth, which will boost the consumption of non-essential goods and services. This will translate into a renewed growth in turnover in trade and continued growth in accommodation and food service activities and in creative, arts, entertainment, personal and sports activities. We expect the propensity to save (according to the revised data) to remain at a slightly higher level than before the epidemic.

Government consumption will be higher this year (1.4%) than last year and growth will accelerate slightly over the next two years. After declining in the first quarter of this year due to lower expenditure related to the COVID-19 epidemic, government consumption picked up in the second quarter and a similar trend is expected for the rest of the year. Growth will come from employment growth (1.0%), which is similar to last year, an increase in health expenditure, and an increase in expenditure on goods and services related to the elimination of the consequences of the floods in the second half of the year. Government consumption will be affected by the elimination of the consequences of the floods also next year, while its strengthening over the next two years (1.9% in 2024 and 2.2% in 2025) will also be influenced by the continued growth in health expenditure and the gradual implementation of the long-term care system.

2.2 Employment and unemployment

Employment growth has been gradually slowing since the middle of last year. This is mainly due to the weakening of economic growth amid persistent labour shortages.[19] In the first six months of this year, growth eased most notably compared to the same period last year in accommodation and food service activities, construction, and manufacturing, although these are the sectors with the highest employment growth (similar to last year) and the largest labour shortages (although labour shortages are present in most sectors). About 50% of companies solve their labour shortage problems by scheduling overtime and one-fifth by retraining existing employees, outsourcing work or turning down new orders (ESS, 2023). The staff shortage in recent times is also reflected in the large contribution of foreign employment to overall employment growth, which was over 90% in June this year. The number of registered unemployed has also continued to fall this year, albeit at a more moderate pace than last year. At the end of August, 47,383 persons were unemployed, 12.1% fewer than a year ago and a good third fewer than before the epidemic (August 2019).[20]

Continued moderation of growth in employment and decline in unemployment is expected until the end of this year, while severe labour shortages will not allow for stronger employment growth over the next two years. We expect employment to slow further in the second half of this year, as shown by the short-term indicator of employment expectations. In 2023, employment will increase by 1.2% on average, with most of the growth coming from high growth at the beginning of this year (and part also from the expected, albeit moderate, growth in the second half of the year).[21] The number of registered unemployed will fall for the first time below 50,000 on average in 2023. Despite the projected higher economic growth, employment will not increase significantly over the next two years, due to already high levels and labour supply bottlenecks, but the tight situation will be eased slightly by certain measures to facilitate the recruitment of foreign labour.[22] The demographic

[19] Cyclical and structural factors have an impact on severe labour shortage, both in Slovenia and in other developed countries. Structural factors include the ageing of the labour force, with large numbers of workers retiring, changes in the structure of demand for certain skills, changes in migration flows and less favourable working conditions (e.g. unsociable working hours or low pay) in certain sectors/occupations. The size of the domestic labour force that could be available for employment (both unemployed and inactive persons) is measured by the non-employment index; its record low value, similar to the unemployment rate, indicates an extremely small domestic labour potential. For a more detailed overview of labour availability indicators, see Perko and Rogan (2023).

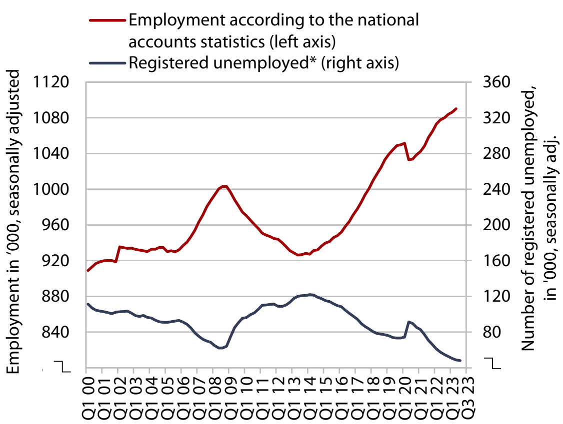
[20] The severe labour shortage is also reflected in the lower number of long-term unemployed, which fell 22.5% year-on-year this August.

[21] In August 2023, *the Act Determining the Intervention Measures to Remedy the Consequences of the Floods and Landslides in August 2023* (ZIUOPZP, 2023) was adopted; this provides for a temporary measure on employment of foreign workers and removes administrative obstacles to their employment in occupations needed to eliminate the consequences of the floods. The measure is in force until August 2024.

[22] In April this year, amendments to *the Employment, Self-employment and Work of Foreigners Act* (ZZSDT-D, 2023) and *the Foreigners Act* (ZTuj-2G, 2023) were adopted, which remove administrative obstacles and speed up the procedures for issuing permits and certificates, among other things facilitating the process of changing employers, changing jobs with the same employer, or working for two or more employers under a valid single residence and work permit, facilitating the process of employing foreigners in the public sector, and speeding up the procedure for applicants for international protection to enter the Slovenian labour market. In August, the ZIUOPZP (2023) was passed, facilitating the employment of foreigners for a period of one year to deal with the consequences of the floods.

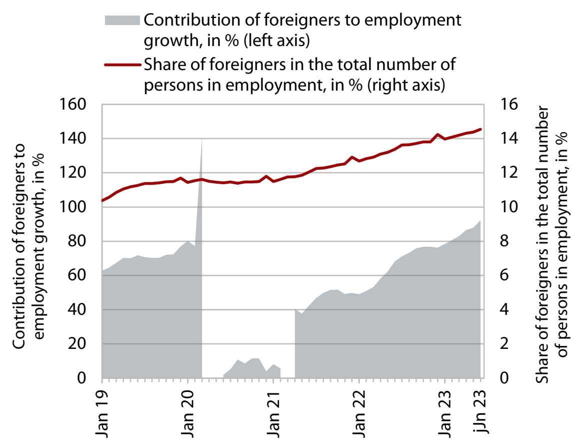
trends, i.e. a decline of the population aged 20–64 since 2012, will become an even greater obstacle to the growth of value added.[23]

Figure 33: Employment and unemployment are at record record high and low levels respectively, but their dynamics has moderated since the middle of last year



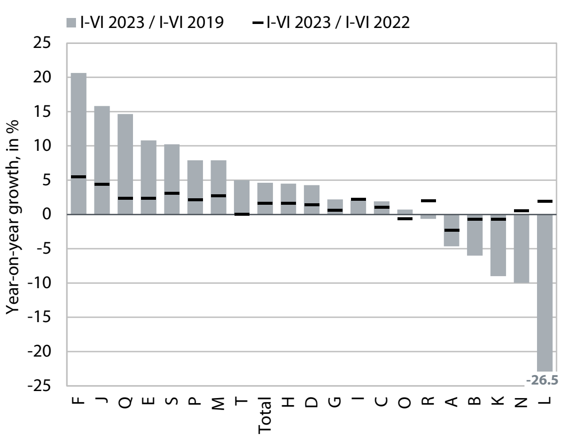
Source: SURS.
Note: *The data for Q3 23 is the average of July and August.

Figure 34[24]: The contribution of foreign nationals to year-on-year employment growth is high and their share in the total number of persons in employment is increasing



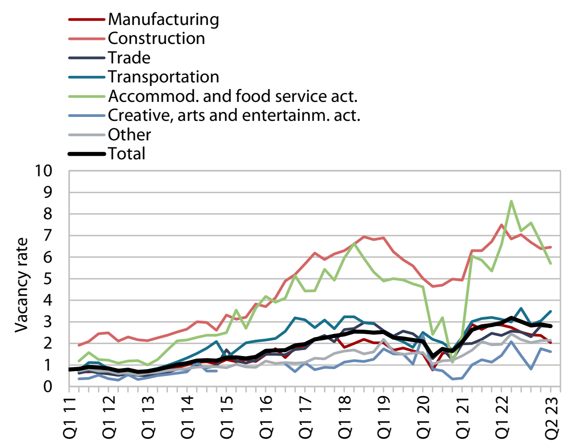
Source: SURS, calculations by IMAD.

Figure 35: The number of people in employment rose in most sectors in the first six months of the year



Source: SURS, calculations by IMAD.

Figure 36: Unmet demand for labour (the vacancy rate) is moderating, though it remains high



Source: Eurostat.

[23] At the beginning of 2023, there were 69,410 fewer people aged 20–64 in Slovenia than at the beginning of 2012 (their number decreasing on average by 6,310 per year). Their number will continue to decrease in the future. In the forecast, we have used the higher migration scenario of the EUROPOP2023 projection (Eurostat, 2023), which assumes an average annual migration growth of 12,223 persons in the period 2023–2028, which would cushion the decline of this population group, so that 7,874 fewer persons aged 20–64 would be living in Slovenia at the beginning of 2028 than at the beginning of 2023 (1,575 fewer per year on average).

[24] In the figure, the blank period for the contribution of foreigners to employment growth is the period in which the contribution was negative. The high contribution in March 2020 (over 100%) was due to a decrease in the number of employed Slovenian citizens compared to the previous year and an increase in the number of employed foreign nationals, which was therefore higher than the increase in the total number of persons in employment.

Figure 37: Despite a slowdown in economic growth, labour shortage remains a major limiting factor for businesses

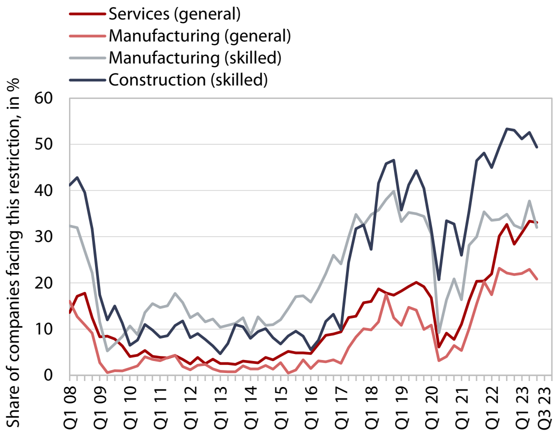


Figure 38: Short-term employment expectations are declining in all activities

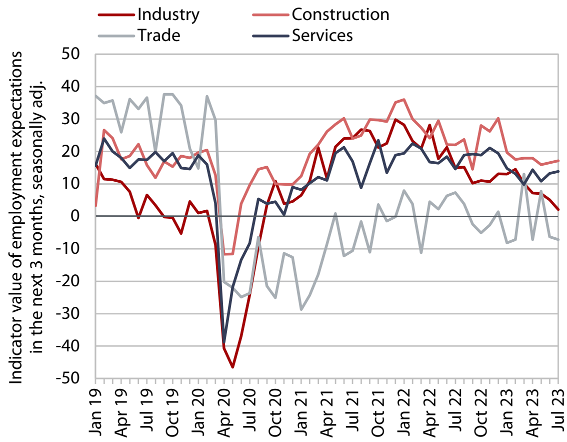


Table 4: Forecasts of employment and unemployment

In %	2022	2023		2024		2025
		February 2023	September 2023	February 2023	September 2023	September 2023
Employment according to the SNA, growth	2.4	1.0	**1.2**	0.7	**1.0**	**0.7**
Number of registered unemployed, in '000, annual average	56.7	49.6	**48.8**	47.8	**46.6**	**44.9**
Registered unemployment rate	5.8	5.1	**5.0**	4.9	**4.7**	**4.5**
ILO unemployment rate	4.0	4.0	**3.6**	3.8	**3.5**	**3.4**

Sources: For 2022, SURS (2023); for 2023–2025, forecast by IMAD.

2.3 Wages

Nominal growth in the average gross wage has strengthened significantly since the middle of last year, while real growth has been subdued in the face of high inflation. In the first half of this year, the average gross wage was 10.2% higher year-on-year in nominal terms (10.0% in the private sector and 10.4% in the public sector). Average wage growth began to accelerate in the second half of last year and this trend is continuing this year. The increase in the private sector is driven by increasing pressures in the labour market due to labour shortages, the increase in the minimum wage and pressures to maintain income growth in an environment of high inflation. After a sharp decline due to the cessation of payment of COVID-19 bonuses in the first half of last year, growth of the average wage in the public sector also resulted from the agreement with the public sector trade unions reached in October last year.[25]

[25] Last year's *Agreement regulating measures relating to salaries and other labour costs in the public sector for 2022 and 2023* (2022) resulted in 2022 in higher meals allowance from September, a 4.5% increase in the value of salary grades in October and the payment of the rest of annual leave allowance for 2022 in November. This was followed by a higher classification of posts, titles and functions (by one salary grade) in April 2023, and a payment as part of the implementation of agreements concluded during the terms of past

This year, wage growth was again highest in the sectors with the greatest labour shortages and a high proportion of minimum wage earners.[26] In the first half of the year, real wage growth was around 1% and was similar in the public and private sectors.

Average gross wage growth will be 8.6% in nominal terms this year but subdued in real terms (1.0%), due to the still-high inflation; real growth will gradually accelerate towards the end of the forecast period. Private sector wage growth will be higher this year (8.5% in nominal terms) than last year (6.2%).[27] This will be due to continued labour market pressures in the face of labour shortages and increased pressures to maintain purchasing power in the context of elevated inflation, as well as the January increase in the minimum wage, which was the highest since 2010.[28] Wage growth will also be high in the public sector (8.9% in nominal terms and 1.2% in real terms), due to the implementation of last year's agreement with public sector unions. Nominal wage growth will slow somewhat over the next two years amid lower price pressures, although it will remain relatively high, due to labour market pressures, which are not expected to ease given the unfavourable demographic trends. The forecast for gross wage growth is again subject to significant risks. Upside risks arise from pressure for higher wages in the event of a prolonged period of elevated inflation and a rise and possibly stronger spillover of minimum wage growth to other wages. Public sector wage growth will be affected by the announced reform of the wage system. However, the dynamics of its implementation and the assessment of its impact on wage growth are difficult to assess at this stage.

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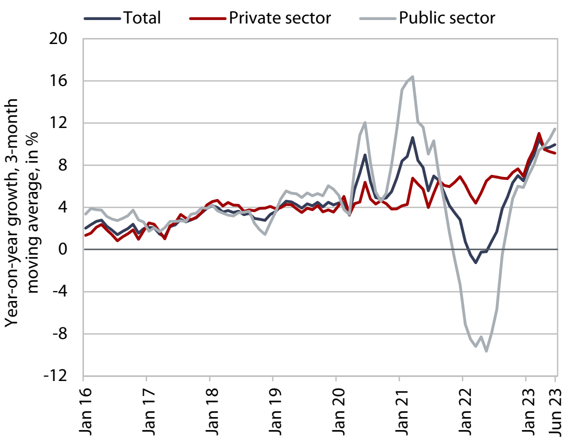
governments is also envisaged. The timing of the payment of the latter point of *the Agreement* was not known at the time this forecast was prepared.

[26] In the first six months of this year, year-on-year growth was highest in accommodation and food service activities (12.2%), manufacturing (11.1%), transportation (10.4%) and construction (10.1%), and it was also high in administrative and support service activities, which include employment agencies (11.9%). These activities have a relatively higher proportion of minimum wage earners than other activities, which is why they were more affected by the increase in the minimum wage in January this year (by 12.0%). The increase in the minimum wage often spills over to wages above the minimum wage, which can have a visible impact on the average wage. For an analysis of the spillover effect of minimum wage increases on other wages, see Perko and Rogan (forthcoming).

[27] At the beginning of August, *the Act Amending the Natural Disaster Recovery Act* (ZOPNN-F, 2023) came into force, granting employers reimbursement of wage compensation to temporarily laid-off workers or due to force majeure related to the consequences of the floods. The reimbursement of wage compensation to workers for both reasons could affect the calculated average wage published by SURS, similarly to the case during the epidemic. The method of calculating the average wage takes into account as wages only the part of the wage compensation paid by the employer, but not that paid by the State. We estimate that the methodological impact on the average wage will therefore manifest itself as downward pressure this year and next but will be relatively small due to the limited number of recipients and limited period of validity of both measures.

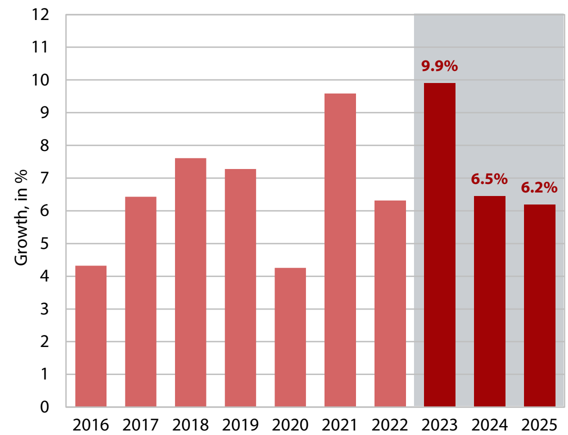
[28] See also Box 2 in the Spring Forecast of Economic Trends 2023 (IMAD, 2023).

Figure 39: Nominal growth in average gross wage has strengthened since the middle of last year



Source: SURS, calculations by IMAD

Figure 40: Estimate and forecast of nominal contribution base growth



Source: SURS, forecast by IMAD.

The growth in the estimated nominal contribution base, which forms the basis for the estimate of social security contributions, will be about 10% this year but will moderate over the next two years. Growth in the nominal contribution base was lower last year (6.3%) than in 2021 (9.6%), due to the cessation of COVID-19 bonuses. Given the high nominal wage growth, projected growth in both the private and public sectors will be strong this year (9.9%), before moderating over the next two years.

Table 5: Forecast for growth in the average wage per employee

Growth rates, in %	2022	2023		2024		2025
		February 2023	September 2023	February 2023	September 2023	September 2023
Gross wage per employee – nominal	2.8	8.3	**8.6**	6.0	**5.6**	**5.5**
- private sector	6.2	8.0	**8.5**	6.5	**6.5**	**5.5**
- public sector	-2.5	8.7	**8.9**	5.1	**4.0**	**5.4**
Gross wage per employee – real	-5.5	1.1	**1.0**	1.8	**1.7**	**2.7**
- private sector	-2.4	0.9	**0.9**	2.2	**2.5**	**2.7**
- public sector	-10.4	1.5	**1.2**	0.9	**0.1**	**2.6**

Sources: For 2022, SURS (2023); for 2023–2025, forecast by IMAD.

2.4 Inflation

Inflation is gradually weakening but remains high; the price increase this year is mainly driven by prices of services and food. After peaking in mid-2022 (at 11%), it remained around 10% until the end of the first quarter of this year, before falling to 6.2% by August, close to the euro area average.[29] In the first eight months of 2023, the average inflation was 8.1% (8.2% in the same period last year). The main contributors to the decline in inflation were falling energy prices (down 5% year-on-year in August, from a high base) and a gradual moderation in food price growth, which, although still relatively high (at 10%), has almost halved since the beginning of this year, when it exceeded 19%. As economic activity slows, commodity markets stabilise, supply chain problems ease and credit conditions tighten due to restrictive monetary policy, price growth in non-energy industrial goods, especially durable goods, is also moderating, with prices up by only 1.8% year-on-year in August (they had risen by 7.9% at the beginning of the year). Price growth in non-durable non-energy industrial goods remains high, at around 6%, according to our estimate. The growth of services prices, stimulated by high demand and wage growth, has remained roughly unchanged in recent months (8%). Core inflation (excluding food and energy prices) therefore remains higher than overall consumer price inflation, at 7.3% in August.

We expect inflation to continue to moderate over the rest of the year, but at a slower pace than in recent months; we estimate that it could only gradually decline towards 2% by the end of 2025. We expect services price growth to start moderating towards the end of the year but still to remain relatively high and to make a significant contribution to inflation throughout the forecast horizon. The contribution of food prices will remain relatively strong. The growth of food prices is slowing, although the pace of decline will be more modest in the coming months, mainly due to unfavourable weather conditions in Slovenia and also in major food-producing countries. In the absence of shocks, the contribution of energy prices is expected to be moderate over the entire forecast horizon (although year-on-year fluctuations are to be expected due to the base effect related to past government measures[30]), and the gradual slowdown in non-energy industrial goods price growth is also expected to continue. As price growth gradually weakens, inflation at the end of this year is expected to be 5.4% and average 7.6% in 2023 as a whole, mainly due to the high levels at the beginning of the year. For 2024–2025, we expect inflation to weaken further in the absence of external shocks and, supported by monetary policy measures, to fall to slightly above 3% by the end of 2024 and close to 2% by the end of 2025.

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[29] In August, year-on-year inflation (measured by HICP) averaged 5.3% in the euro area and 6.1% in Slovenia. At the end of the first quarter, inflation in Slovenia was still 3.5 p.p. higher than in the euro area. This was mainly due to the lower base from last year, when the government reduced the price of electricity by exempting it from some taxes and duties, and to the different weights representing the share of consumption of each good or service in total consumption.

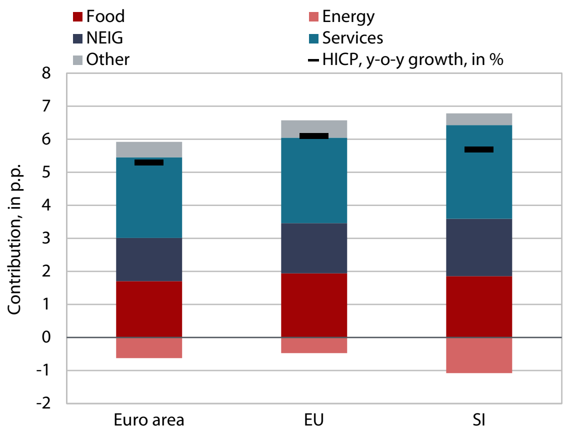
[30] Especially in the period between September 2023 and May 2024, as the reduced VAT rate on certain energy products used for heating purposes was in force in the same period of the previous year. As of 1 September this year, *the Decree on the method of determining and calculating the contribution for ensuring support for the production of electricity from high-efficiency cogeneration and renewable energy sources* (2022) expired. According to *the Decree*, the monthly contribution to support electricity generation from high-efficiency cogeneration and renewable energy sources was reduced by 50%.

Table 6: Inflation forecast

In %	2022	2023		2024		2025
		February 2023	September 2023	February 2023	September 2023	September 2023
Inflation – Dec/Dec	10.3	5.1	**5.4**	2.8	**3.1**	**2.3**
Inflation – annual average	8.8	7.1	**7.6**	4.2	**3.9**	**2.7**

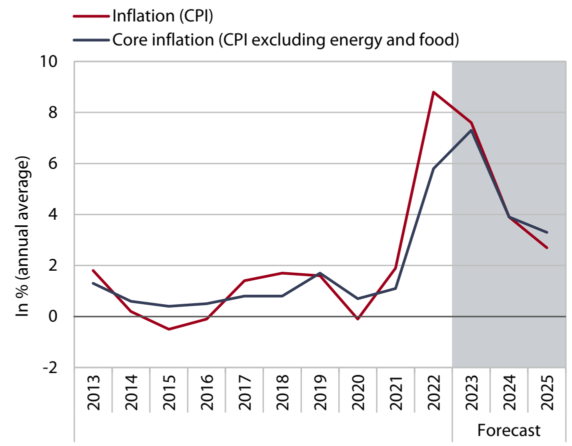
Sources: For 2022, SURS (2023); for 2023–2025, forecast by IMAD.

Figure 41: Services were the biggest contributor to inflation in Slovenia and the EU in July this year



Source: Eurostat, calculations by IMAD.

Figure 42: In the absence of shocks, inflation will continue to moderate



Source: SURS, forecast by IMAD.

2.5 Current account of the balance of payments

After last year's deficit, the current account will again show a strong surplus this year (4.4% of GDP). With imports declining much more than exports of goods, the trade balance will again show a surplus this year and make the largest contribution to the change in the current account balance. We estimate that the quantity fluctuations will contribute EUR 1.8 billion to the change in the nominal trade balance (EUR 2.8 billion) and the terms of trade[31] EUR 1 billion. The surplus in services will also increase in all segments of services trade, most markedly in travel and all other services (especially construction, but also to some extent in higher value-added services such as telecommunications, computer and information services). Receipts from foreign tourists in Slovenia will be significantly higher this year than expenditure of Slovenian tourists abroad. The improvement in the balance of payments will also be supported by a lower primary income deficit. This will be due to lower net

[31] Given the relatively high share of energy, raw materials and food in Slovenian imports, their prices have a considerable impact on the terms of trade. Due to falling prices for energy and other raw materials, import prices will fall by 1.6% this year, while export prices will rise by 0.7%. This represents a 2.3% improvement in the terms of trade.

outflows of dividends and profits and more subsidies received from the EU budget.[32] The secondary income deficit will widen.

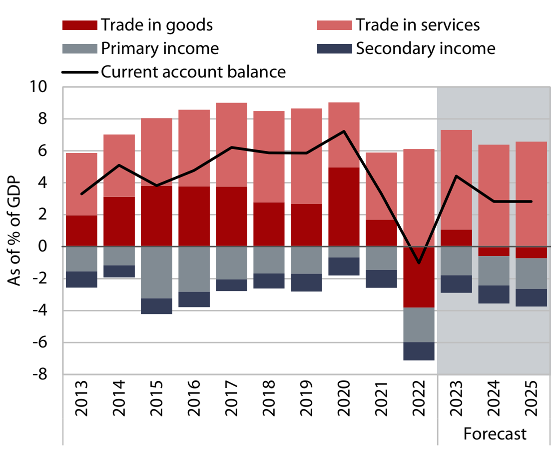
In 2024–2025, the current account surplus will fall to just below 3% of GDP. The trade balance will turn into a deficit in 2024, which will widen somewhat in 2025, with the terms of trade remaining roughly unchanged.[33] The trade deficit will result from lower growth in exports than in imports, the growth of which will pick up as domestic consumption growth increases. Growth in the services surplus will continue in all segments of services trade over the next two years, particularly in travel and, with the projected recovery of the export sector, again in transport services. Deficits in the primary and secondary income balances will increase in 2024–2025. The former will increase due to net outflows of income from equity capital (dividends and profits) and higher debt servicing costs. The surplus of income from labour will decrease as the employment of foreign nationals continues to increase. The secondary income deficit will widen primarily due to higher net payments to the EU budget.

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

	2022	2023		2024		2025
		February 2023	September 2023	February 2023	September 2023	September 2023
Current account, in EUR million	-578	196	2,779	492	1,898	2,011
Current account, as a % of GDP	-1.0	0.3	4.4	0.7	2.8	2.8

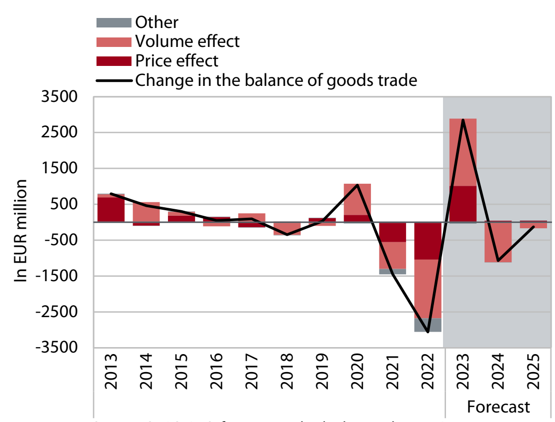
Sources: For 2022, BoS (2023); for 2023–2025, forecast by IMAD.

Figure 43: The current account balance is in surplus again this year, after a deficit last year, as the trade deficit has turned into a surplus ...



Source: BoS, calculations and forecast by IMAD.

Figure 44: ... under the impact of price developments (terms of trade) and quantity fluctuations



Source: SURS, BoS, forecast and calculations by IMAD.

[32] Most subsidies are resources for the implementation of the Common Agricultural and Fisheries Policy, and part of the subsidies are funds from the Recovery and Resilience Facility. The bulk of receipts from the EU budget are investment transfers, which, in terms of the balance of payments statistics, are recorded in the capital account of the balance of payments.

[33] With low volatility in energy and other commodity prices in 2024–2025, the growth of export and import prices will tend to be subdued.

3 Risks to the forecast

The Autumn Forecast is subject to some uncertainties, notably related to the international economic environment, where activity is weakening, the broader economic consequences of the recent floods in Slovenia, the pace of inflation moderation and the impact of deteriorating cost competitiveness on the export-oriented part of the economy.

Economic growth in Slovenia and its trading partners is weakening this year, especially in the export-oriented part of the economy. This is related to the slowdown in global growth, which could be even weaker than currently expected. China's real estate crisis could worsen, which could weigh on global growth, especially through lower demand. The global geopolitical situation also remains an important risk factor. A deepening of the geopolitical divide, including in relation to the continuation of the war in Ukraine, would have a negative impact on world trade and economic activity. Uncertainties and risks to economic growth in the euro area are also related to the possible persistence of inflation, which could further constrain household purchasing power and lead to a stronger tightening of monetary policy, with negative effects on lending and investment activity. In this context, upside risks to inflation arise from a number of factors, including higher energy prices, potentially higher growth of services prices and faster-than-expected increases in food prices. Food prices are heavily dependent on the extreme weather events that have affected Slovenia and many other major European food producing countries this year. In addition to weaker demand, the export-oriented sector of the economy is also facing increased electricity, gas and labour costs, leading to the deterioration of its cost competitiveness, which could affect export activity more than predicted in the forecast.

At the time the forecast was prepared, it was difficult to accurately predict the wider economic consequences of the recent natural disaster. Due to the uniqueness of the event, incomplete damage assessment, incomplete reconstruction plans and non-final government measures, the uncertainty lies in the assessment of the short- and medium-term impact on economic activity. The uncertain medium-term impacts are particularly related to the level of financial resources and the timing of recovery and reconstruction works and to the possible crowding out of other investment projects or other public expenditure in the context of fiscal constraints. At the same time, there is a growing risk that additional demand for construction work could drive up construction prices given the relatively high capacity utilisation, while higher demand for labour could lead to a faster increase in wages given the already acute labour shortage, thus creating headwinds for the decline in inflation.

The upside risks to economic growth arise mainly from a possible faster decline in inflation, successful attraction of workforce and more efficient absorption of EU funds in conjunction with reform measures. A faster than expected decline in inflation, partly due to a further drop in energy prices, would have a positive impact on household purchasing power and also reduce pressures to tighten monetary policy. Successful recruitment of foreign labour with the help of the adopted and possible additional measures could further mitigate labour shortages, which would have a favourable impact on economic activity. A more effective absorption of the full package of EU funds and effects of reform measures both in Slovenia and in its main trading partners would also have a positive impact on economic growth. This provides an opportunity to strengthen the development content, in which the following are key: strengthening support for research, innovation and digital transformation to enhance productivity, green transformation with the transition to more sustainable economic development, and systemic adjustments of social protection systems, which are for the most part dictated by demographic trends. Systemic adjustments of social protection systems towards greater long-term sustainability would also have a positive impact on the greater medium-term fiscal space of the public finance policy.

4 Potential GDP growth

Under the current conditions of domestic and international risks, the estimate of potential GDP[34] and consequently the output gap is particularly subject to high uncertainties and risks of subsequent changes. As potential GDP cannot be measured directly, estimates of it can change depending on input data or the methodology used. Input data often change due to revisions of GDP growth in previous years, changes in the forecasts of GDP growth or other input categories, and changes in the length of the time series included. As a result of these factors, ex-post estimates for the same period can lead to changes in the level of potential GDP and the output gap. In the present uncertain environment, the current estimates of potential GDP and the output gap should be considered only in the context of the assumptions and broader economic picture at the time when they were made.

According to the current estimate, potential GDP growth will remain moderate this year and over the next two years, supported by the expected strengthening of investment and thus of capital, and to some extent also by high employment. Growth of potential GDP strengthened gradually between 2012 and 2019, before temporarily declining in 2020 due to the impact of the health crisis and recovering slightly to almost 2.7% on average in 2021 and 2022. We estimate that the impact of the COVID-19 crisis on production factors was limited, due to the intervention measures taken. The publication of the first annual GDP estimate for 2022, which differs significantly from the February estimate based on quarterly data, and revised data for previous years (see Box 1) have also had an impact on the new estimate of potential GDP.[35] In the coming years, growth of potential GDP is expected to remain largely unchanged (2.9% on average in 2023–2025). The greatest contribution will still be made by *total factor productivity* (1.2 p.p.), whose growth is expected to be similar to that before the global financial crisis. With the expected rise in investment, the contribution of *capital* should increase significantly. However, it will remain lower (0.7 p.p. on average) than in the long period of time before the previous crisis.[36] This is a consequence of the relatively low level of investment in the several-year period following the beginning of the global financial crisis.

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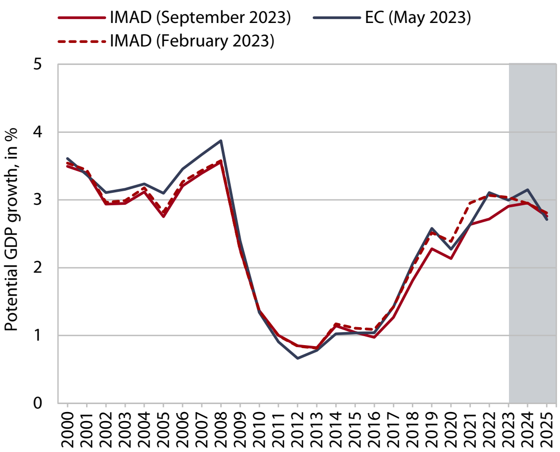
[34] Potential GDP is a macroeconomic indicator which shows the output an economy can achieve without creating inflationary pressure (i.e. by overheating). If the actual output of an economy (actual GDP) is greater than the potential output (potential GDP), this causes an increase in inflation (and vice versa). The difference between actual GDP and potential GDP expressed as a percentage of potential GDP is referred to as a country's output gap. IMAD's calculation of potential GDP is based on a production function method. The method assumes that potential GDP can be represented by a combination of the production factors *labour* (this is dependent on demographic factors, the activity rate, number of hours worked and the natural unemployment rate), *capital* and *total factor productivity*. The method does not significantly differ from the EC's method. The disparities between potential GDP or output gap calculations by IMAD and the EC are largely due to the differences in i) the lengths of the forecast periods, ii) the forecasts of macroeconomic indicators and iii) certain input data (IMAD uses the August revision of SURS data, in the series of data on employment according to national accounts statistics, IMAD's calculations also take into account a correction for the break in the data series in 2002, and from autumn 2023, we also use the higher migration scenario of the EUROPOP2023 population projection with correction of past population data for the break in the data series in 2007–2008).

[35] According to SURS data, GDP growth in 2022 was 2.5%, 2.9 p.p. lower than the February estimate. Due to the specificities of the methodology used, the revision of these input data has had a particular impact on the latest estimate of potential GDP, especially on the estimate for 2022 but also to some extent for the period 2016–2021. Potential GDP growth is estimated at 2.7% for 2022, 0.4 p.p. lower than the estimate in IMAD's Spring Forecast, while growth for 2016–2021 is 0.2 p.p. lower on average.

[36] The contribution of capital to potential GDP growth in 2000–2008, when it was relatively stable, averaged 1.7 p.p.

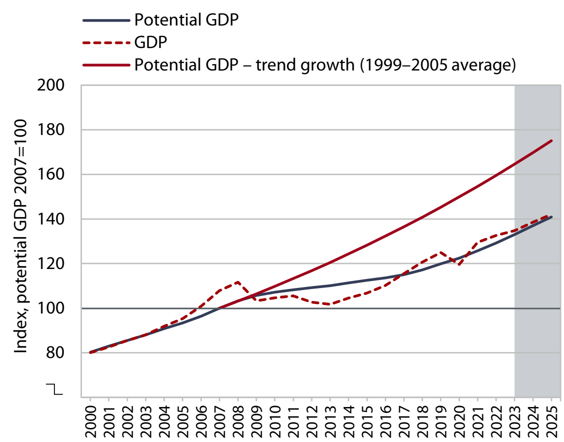
Labour is expected to contribute 0.9 p.p. on average to potential growth in 2023–2025, but its contribution will gradually become more modest due to the already high employment and activity rates, especially in the 30–54 age group, and the trend decline in hours worked.

Figure 45: Potential GDP change: a comparison of IMAD and EC calculations



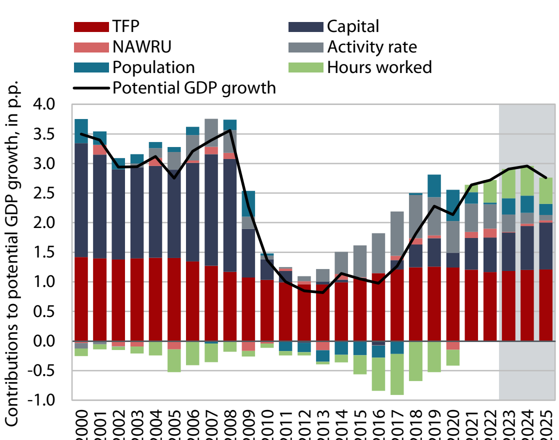
Source: SURS, estimates by IMAD and the EC.

Figure 46: GDP and potential GDP



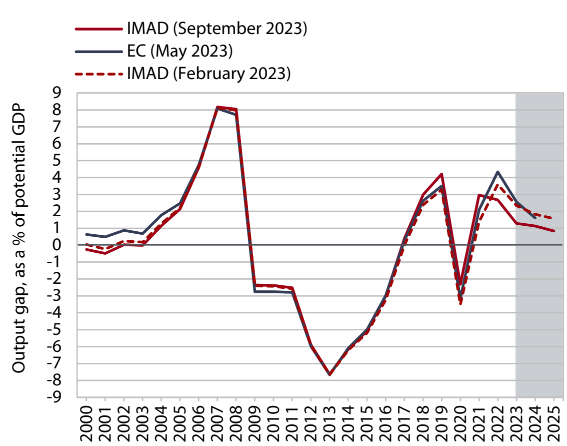
Source: SURS, estimates by IMAD.

Figure 47: Contributions of individual components to potential GDP growth



Source: SURS, estimates by IMAD.

Figure 48: Output gap: a comparison of IMAD and EC calculations



Source: SURS, estimates by IMAD and the EC.

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statistical appendix

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Table 1: Main macroeconomic indicators of Slovenia

Real growth rates in %, unless otherwise indicated

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
									forecast		
GROSS DOMESTIC PRODUCT	2.2	3.2	4.8	4.5	3.5	-4.2	8.2	2.5	1.6	2.8	2.5
GDP in EUR m (at current prices and at fixed exchange rate 2007)	38,853	40,443	43,011	45,876	48,582	47,045	52,279	57,038	62,970	67,318	71,105
GDP per capita in EUR (at current prices and at current exchange rate)	18,830	19,589	20,820	22,142	23,256	22,373	24,803	27,040	29,672	31,588	33,254
GDP per capita in USD (at current prices and at current exchange rate)	20,892	21,683	23,521	26,149	26,035	25,554	29,335	28,473	32,329	34,634	36,461
GDP per capita (PPS)[1]	22,700	23,600	25,100	26,400	27,800	26,800	29,200	32,500			
GDP per capita (PPS EU28=100)[1]	83	84	86	87	89	89	90	92			
EMPLOYMENT AND PRODUCTIVITY											
Employment according to National Accounts	1.3	1.8	2.9	3.2	2.4	-0.7	1.3	2.9	1.2	1.0	0.7
Registered unemployed (annual average in thousand)	112.7	103.2	88.6	78.5	74.2	85.0	74.3	56.7	48.8	46.6	44.9
Rate of registered unemployment in %	12.3	11.2	9.5	8.2	7.7	8.7	7.6	5.8	5.0	4.7	4.5
Rate of unemployment by ILO in %	9.0	8.0	6.6	5.1	4.5	5.0	4.7	4.0	3.6	3.5	3.4
Labour productivity (GDP per employee)	0.9	1.3	1.8	1.3	1.1	-3.6	6.8	-0.4	0.4	1.9	1.7
WAGES											
Gross wage per employee - nominal growth in %	1.0	1.8	2.7	3.4	4.3	5.8	6.1	2.8	8.6	5.6	5.5
Private sector activities	0.5	1.7	2.9	4.0	3.9	4.4	6.1	6.2	8.5	6.5	5.5
Public service activities	2.1	2.3	2.9	3.0	5.4	7.8	6.5	-2.5	8.9	4.0	5.4
Gross wage per employee - real growth in %	1.5	2.0	1.3	1.6	2.7	5.9	4.1	-5.6	1.0	1.7	2.7
Private sector activities	1.0	1.8	1.5	2.3	2.2	4.5	4.1	-2.4	0.9	2.5	2.7
Public service activities	2.6	2.4	1.5	1.3	3.7	7.9	4.5	-10.4	1.2	0.1	2.6
INTERNATIONAL TRADE											
Exports of goods and services	4.7	6.2	11.1	6.2	4.5	-8.5	14.5	7.2	0.1	3.3	3.8
Exports of goods	5.3	5.7	11.0	5.7	4.5	-5.5	13.4	2.9	-1.0	2.4	3.2
Exports of services	2.4	8.0	11.2	7.7	4.6	-19.7	19.1	24.9	4.2	6.1	5.6
Imports of goods and services	4.3	6.3	10.7	7.1	4.7	-9.1	17.8	9.0	-3.9	5.3	3.9
Imports of goods	5.1	6.6	10.7	7.4	5.0	-8.6	17.2	7.7	-5.1	5.2	3.6
Imports of services	0.1	4.7	10.5	5.4	3.0	-12.0	20.7	15.9	3.1	5.8	5.2

Table 1: Main macroeconomic indicators of Slovenia - continue

Real growth rates in %, unless otherwise indicated

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
									forecast		
BALANCE OF PAYMENTS STATISTICS											
Current account balance in EUR m	1,483	1,932	2,674	2,695	2,844	3,398	1,732	-578	2,779	1,898	2,011
- As a per cent share relative to GDP	3.8	4.8	6.2	5.9	5.9	7.2	3.3	-1.0	4.4	2.8	2.8
External balance of goods and services in EUR m	3,122	3,465	3,870	3,896	4,205	4,246	3,081	1,308	4,598	3,897	4,148
- As a per cent share relative to GDP	8.0	8.6	9.0	8.5	8.7	9.0	5.9	2.3	7.3	5.8	5.8
FINAL DOMESTIC DEMAND											
Final consumption	2.1	3.9	1.5	3.3	4.5	-3.7	9.1	2.4	1.0	2.2	1.9
As a % of GDP	72.8	73.0	71.0	70.2	70.8	71.0	72.4	73.5	72.3	71.9	71.6
in which:											
Private consumption	2.0	4.4	1.9	3.5	5.5	-6.5	10.3	3.6	0.9	2.3	1.8
As a % of GDP	54.0	54.0	52.5	52.0	52.5	50.4	51.7	54.0	53.1	52.8	52.3
Government consumption	2.3	2.4	0.4	2.9	1.8	4.2	6.1	-0.5	1.4	1.9	2.2
As a % of GDP	18.8	19.0	18.5	18.2	18.3	20.6	20.7	19.5	19.3	19.1	19.3
Gross fixed capital formation	-1.2	-3.6	10.2	10.2	5.0	-7.2	12.6	3.5	4.5	5.5	4.3
As a % of GDP	18.7	17.4	18.3	19.3	19.6	18.9	20.2	21.6	21.5	22.0	22.3
EXCHANGE RATE AND PRICES											
Ratio of USD to EUR	1.110	1.107	1.129	1.181	1.120	1.141	1.184	1.054	1.090	1.096	1.096
Real effective exchange rate - deflated by CPI[2]	-4.2	0.2	0.4	0.9	-0.4	-0.5	-0.5	-0.4	1.6	0.8	0.6
Inflation (end of the year), %[3]	-0.4	0.5	1.7	1.4	1.8	-1.1	4.9	10.3	5.4	3.1	2.3
Inflation (year average), %[3]	-0.5	-0.1	1.4	1.7	1.6	-0.1	1.9	8.8	7.6	3.9	2.7
Brent Crude Oil Price USD / barrel	52.4	44.8	54.3	71.0	64.3	41.8	70.7	100.8	82.2	81.8	77.6

Source: SURS, BoS, Eurostat, calculations and forecasts by IMAD.
[1] Measured in purchasing power standard.
[2] Growth in value denotes real appreciation of national currency and vice versa.
[3] Consumer price index.

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

EUR million, current prices

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
										forecast		
A	Agriculture, forestry and fishing	814.6	800.8	791.3	1,030.1	981.8	982.0	880.4	1,047.8	1,066.1	1,111.4	1,137.7
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	9,080.9	9,492.3	10,187.9	10,696.7	11,492.7	11,239.8	12,035.7	12,624.0	14,168.2	14,810.0	15,643.0
	of which: C Manufacturing	7,747.0	8,156.2	8,848.8	9,316.7	10,007.2	9,657.3	10,439.0	11,333.6	12,530.9	13,329.0	14,078.7
F	Construction	1,808.3	1,817.8	2,002.5	2,287.7	2,530.5	2,504.2	2,825.2	3,425.1	4,187.4	4,577.6	4,906.2
GHI	Trade, transportation and storage, accommodation and food service activities	6,852.4	7,251.2	7,815.4	8,417.3	8,842.0	8,014.7	9,141.0	10,207.8	10,989.4	11,713.4	12,372.2
J	Information and communication	1,357.4	1,388.2	1,488.1	1,545.4	1,701.6	1,769.2	1,998.1	2,184.7	2,455.8	2,692.7	2,986.4
K	Financial and insurance activities	1,362.2	1,337.5	1,407.7	1,514.9	1,605.6	1,631.7	1,924.9	2,081.7	2,235.4	2,356.1	2,488.7
L	Real estate activities	2,652.9	2,771.4	2,853.3	2,975.0	3,044.6	3,057.4	3,250.6	3,741.2	4,093.0	4,308.4	4,479.6
MN	Professional, scientific, technical, administrative and support services	3,346.6	3,459.3	3,795.0	4,091.0	4,213.1	3,918.3	4,461.0	5,121.7	5,856.2	6,327.9	6,754.9
OPQ	Public administration, education, human health and social work	5,469.2	5,805.9	6,087.1	6,420.2	6,906.8	7,557.8	8,403.0	8,569.0	9,474.9	9,983.4	10,532.2
RST	Other service activities	847.2	905.0	941.6	983.1	1,058.5	886.6	977.7	1,196.2	1,398.4	1,481.0	1,493.2
1. TOTAL VALUE ADDED		**33,591.7**	**35,029.6**	**37,370.0**	**39,961.4**	**42,377.1**	**41,561.6**	**45,897.5**	**50,199.2**	**55,924.9**	**59,362.0**	**62,794.0**
2. CORRECTIONS (a-b)		5,260.9	5,413.7	5,641.4	5,915.0	6,205.2	5,483.3	6,381.3	6,838.5	7,044.7	7,956.3	8,310.5
a) Taxes on products and services		5,291.0	5,445.5	5,673.7	5,950.4	6,367.2	5,632.7	6,544.5	6,981.4	7,538.9	8,110.4	8,471.1
b) Subsidies on products and services		30.1	31.9	32.3	35.5	162.0	149.5	163.2	142.9	494.2	154.1	160.7
3. GROSS DOMESTIC PRODUCT (3=1+2)		**38,852.6**	**40,443.2**	**43,011.3**	**45,876.3**	**48,582.3**	**47,044.9**	**52,278.8**	**57,037.7**	**62,969.6**	**67,318.3**	**71,104.5**

Source: SURS, forecasts by IMAD.

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

Structure in %, current prices

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
										forecast		
A	Agriculture, forestry and fishing	2.1	2.0	1.8	2.2	2.0	2.1	1.7	1.8	1.7	1.7	1.6
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	23.4	23.5	23.7	23.3	23.7	23.9	23.0	22.1	22.5	22.0	22.0
	of which: C Manufacturing	19.9	20.2	20.6	20.3	20.6	20.5	20.0	19.9	19.9	19.8	19.8
F	Construction	4.7	4.5	4.7	5.0	5.2	5.3	5.4	6.0	6.6	6.8	6.9
GHI	Trade, transportation and storage, accommodation and food service activities	17.6	17.9	18.2	18.3	18.2	17.0	17.5	17.9	17.5	17.4	17.4
J	Information and communication	3.5	3.4	3.5	3.4	3.5	3.8	3.8	3.8	3.9	4.0	4.2
K	Financial and insurance activities	3.5	3.3	3.3	3.3	3.3	3.5	3.7	3.6	3.5	3.5	3.5
L	Real estate activities	6.8	6.9	6.6	6.5	6.3	6.5	6.2	6.6	6.5	6.4	6.3
MN	Professional, scientific, technical, administrative and support services	8.6	8.6	8.8	8.9	8.7	8.3	8.5	9.0	9.3	9.4	9.5
OPQ	Public administration, education, human health and social work	14.1	14.4	14.2	14.0	14.2	16.1	16.1	15.0	15.0	14.8	14.8
RST	Other service activities	2.2	2.2	2.2	2.1	2.2	1.9	1.9	2.1	2.2	2.2	2.1
1. TOTAL VALUE ADDED		**86.5**	**86.6**	**86.9**	**87.1**	**87.2**	**88.3**	**87.8**	**88.0**	**88.8**	**88.2**	**88.3**
2. CORRECTIONS (a-b)		13.5	13.4	13.1	12.9	12.8	11.7	12.2	12.0	11.2	11.8	11.7
a) Taxes on products and services		13.6	13.5	13.2	13.0	13.1	12.0	12.5	12.2	12.0	12.0	11.9
b) Subsidies on products and services		0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.8	0.2	0.2
3. GROSS DOMESTIC PRODUCT (3=1+2)		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: SURS, forecasts by IMAD.

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

EUR million

		constant previous year prices								constant 2022 prices		
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
										forecast		
A	Agriculture, forestry and fishing	858.7	803.3	760.6	957.2	989.1	1,019.2	885.5	857.9	1,026.3	1,057.1	1,067.2
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	8,891.7	9,543.7	10,148.1	10,518.9	11,429.3	11,100.7	12,236.4	11,714.8	12,642.9	12,806.7	13,056.4
	of which: C Manufacturing	7,593.1	8,177.8	8,788.3	9,137.9	10,079.9	9,712.7	10,693.1	10,097.2	11,367.6	11,526.7	11,757.3
F	Construction	1,792.9	1,748.8	1,953.9	2,156.8	2,520.2	2,493.5	2,764.5	3,028.9	3,872.1	4,102.5	4,268.7
GHI	Trade, transportation and storage, accommodation and food service activities	6,858.4	7,235.4	7,800.7	8,294.0	8,701.5	8,220.4	8,538.1	9,299.7	10,110.7	10,358.5	10,617.5
J	Information and communication	1,419.0	1,351.6	1,458.3	1,571.9	1,653.3	1,755.3	2,006.4	2,195.9	2,323.4	2,473.3	2,620.5
K	Financial and insurance activities	1,261.4	1,397.8	1,331.9	1,418.5	1,587.6	1,626.9	1,985.7	1,942.4	2,029.7	2,079.4	2,132.4
L	Real estate activities	2,534.5	2,651.8	2,811.9	2,907.1	2,999.3	3,031.4	3,128.2	3,317.0	3,763.6	3,799.4	3,839.3
MN	Professional, scientific, technical, administrative and support services	3,373.6	3,453.2	3,724.3	4,044.6	3,984.1	3,789.3	4,299.3	4,960.6	5,329.1	5,550.3	5,791.8
OPQ	Public administration, education, human health and social work	5,400.5	5,603.0	5,917.1	6,206.2	6,531.6	7,073.9	7,873.5	8,523.6	8,701.8	8,828.1	8,964.9
RST	Other service activities	842.5	891.0	922.5	959.4	1,023.3	886.4	949.0	1,140.8	1,316.4	1,355.3	1,381.7
1. TOTAL VALUE ADDED		**33,233.0**	**34,679.6**	**36,829.0**	**39,034.3**	**41,419.0**	**40,997.1**	**44,666.5**	**46,981.7**	**51,116.2**	**52,410.7**	**53,740.4**
2. CORRECTIONS (a-b)		5,233.0	5,413.1	5,561.7	5,892.9	6,073.5	5,524.8	6,249.5	6,583.6	6,814.2	7,166.3	7,320.7
a) Taxes on products and services		5,266.3	5,442.9	5,594.8	5,927.2	6,109.7	5,669.8	6,420.9	6,740.3	6,963.9	7,211.2	7,366.3
b) Subsidies on products and services		33.3	29.7	33.1	34.3	36.2	144.9	171.4	156.7	149.7	44.8	45.5
3. GROSS DOMESTIC PRODUCT (3=1+2)		**38,466.0**	**40,092.8**	**42,390.7**	**44,927.2**	**47,492.4**	**46,522.0**	**50,916.0**	**53,565.2**	**57,930.3**	**59,577.0**	**61,061.1**

Source: SURS, forecasts by IMAD.

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

Real growth rates in %

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
										forecast		
A	Agriculture, forestry and fishing	13.1	-1.4	-5.0	21.0	-4.0	3.8	-9.8	-2.6	-2.0	3.0	1.0
BCDE	Mining and quarrying, manufacturing, electricity and water supply, waste management	1.8	5.1	6.9	3.2	6.8	-3.4	8.9	-2.7	0.1	1.3	1.9
	of which: C Manufacturing	2.8	5.6	7.7	3.3	8.2	-2.9	10.7	-3.3	0.3	1.4	2.0
F	Construction	-3.2	-3.3	7.5	7.7	10.2	-1.5	10.4	7.2	13.0	6.0	4.0
GHI	Trade, transportation and storage, accommodation and food service activities	5.6	5.6	7.6	6.1	3.4	-7.0	6.5	1.7	-1.0	2.5	2.5
J	Information and communication	2.0	-0.4	5.0	5.6	7.0	3.2	13.4	9.9	6.3	6.5	6.0
K	Financial and insurance activities	-3.3	2.6	-0.4	0.8	4.8	1.3	21.7	0.9	-2.5	2.5	2.5
L	Real estate activities	0.2	0.0	1.5	1.9	0.8	-0.4	2.3	2.0	0.6	1.0	1.0
MN	Professional, scientific, technical, administrative and support services	4.7	3.2	7.7	6.6	-2.6	-10.1	9.7	11.2	4.0	4.2	4.3
OPQ	Public administration, education, human health and social work	0.2	2.4	1.9	2.0	1.7	2.4	4.2	1.4	1.5	1.5	1.5
RST	Other service activities	-0.8	5.2	1.8	1.9	4.1	-16.3	7.0	16.7	10.0	3.0	2.0
1. TOTAL VALUE ADDED		**2.2**	**3.2**	**5.1**	**4.5**	**3.6**	**-3.3**	**7.5**	**2.4**	**1.8**	**2.5**	**2.5**
2. CORRECTIONS (a-b)		2.6	2.9	2.7	4.5	2.7	-11.0	14.0	3.2	-0.4	5.2	2.2
a) Taxes on products and services		2.6	2.9	2.7	4.5	2.7	-11.0	14.0	3.0	-0.3	3.6	2.2
b) Subsidies on products and services		2.8	-1.1	3.7	6.0	2.1	-10.7	14.9	-4.0	4.8	-70.0	1.5
3. GROSS DOMESTIC PRODUCT (3=1+2)		**2.2**	**3.2**	**4.8**	**4.5**	**3.5**	**-4.2**	**8.2**	**2.5**	**1.6**	**2.8**	**2.5**

Source: SURS, forecasts by IMAD.

Table 4a: Gross domestic product and primary incomes

EUR million, current prices

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
									forecast		
1. Compensation of employees	18,935.4	19,966.0	21,246.0	22,818.3	24,581.7	25,209.2	27,556.3	29,671.9	33,084.1	35,598.5	37,934.3
Wages and salaries	16,223.9	17,167.0	18,270.3	19,608.3	21,130.0	21,601.5	23,615.9	25,494.1	28,426.0	30,586.3	32,473.0
Employers' social contributions	2,711.5	2,799.0	2,975.8	3,210.1	3,451.7	3,607.7	3,940.4	4,177.7	4,658.2	5,012.2	5,461.3
2. Taxes on production and imports	**5,799.1**	**5,959.8**	**6,187.1**	**6,483.0**	**6,961.3**	**6,193.2**	**7,130.1**	**7,705.6**	**8,284.3**	**8,897.5**	**9,299.5**
Taxes on products and services	5,291.0	5,445.5	5,673.7	5,950.4	6,367.2	5,632.7	6,544.5	6,981.4	7,538.9	8,110.4	8,471.1
Other taxes on production	508.1	514.3	513.4	532.6	594.1	560.5	585.6	724.2	745.4	787.1	828.4
3. Subsidies	**528.1**	**548.1**	**575.3**	**594.7**	**742.2**	**2,219.4**	**1,637.2**	**978.5**	**1,767.0**	**1,018.0**	**991.0**
Subsidies on products and services	30.1	31.9	32.3	35.5	162.0	149.5	163.2	142.9	494.2	154.1	160.7
Other subsidies on production	498.1	516.2	543.0	559.2	580.2	2,070.0	1,473.9	835.6	1,272.8	863.9	830.3
4. Gross operating surplus / mixed income	**14,646.4**	**15,065.5**	**16,153.5**	**17,169.7**	**17,781.5**	**17,861.9**	**19,229.6**	**20,638.7**	**23,368.1**	**23,840.3**	**24,861.7**
Consumption of fixed capital	7,991.3	8,093.2	8,306.4	8,604.2	8,897.3	9,168.6	9,920.4	11,224.6	11,842.0	12,363.0	12,795.7
Net operating surplus	6,655.1	6,972.3	7,847.1	8,565.5	8,884.2	8,693.3	9,309.2	9,414.1	11,526.2	11,477.3	12,066.0
5. Gross domestic product (5=1+2-3+4)	**38,852.6**	**40,443.2**	**43,011.3**	**45,876.3**	**48,582.3**	**47,044.9**	**52,278.8**	**57,037.7**	**62,969.6**	**67,318.3**	**71,104.5**

Source: SURS, forecasts by IMAD.

Table 4b: Gross domestic product and primary incomes

Structure in %, current prices

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
									forecast		
1. Compensation of employees	48.7	49.4	49.4	49.7	50.6	53.6	52.7	52.0	52.5	52.9	53.4
Wages and salaries	41.8	42.4	42.5	42.7	43.5	45.9	45.2	44.7	45.1	45.4	45.7
Employers' social contributions	7.0	6.9	6.9	7.0	7.1	7.7	7.5	7.3	7.4	7.4	7.7
2. Taxes on production and imports	**14.9**	**14.7**	**14.4**	**14.1**	**14.3**	**13.2**	**13.6**	**13.5**	**13.2**	**13.2**	**13.1**
Taxes on products and services	13.6	13.5	13.2	13.0	13.1	12.0	12.5	12.2	12.0	12.0	11.9
Other taxes on production	1.3	1.3	1.2	1.2	1.2	1.2	1.1	1.3	1.2	1.2	1.2
3. Subsidies	**1.4**	**1.4**	**1.3**	**1.3**	**1.5**	**4.7**	**3.1**	**1.7**	**2.8**	**1.5**	**1.4**
Subsidies on products and services	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.8	0.2	0.2
Other subsidies on production	1.3	1.3	1.3	1.2	1.2	4.4	2.8	1.5	2.0	1.3	1.2
4. Gross operating surplus / mixed income	**37.7**	**37.3**	**37.6**	**37.4**	**36.6**	**38.0**	**36.8**	**36.2**	**37.1**	**35.4**	**35.0**
Consumption of fixed capital	20.6	20.0	19.3	18.8	18.3	19.5	19.0	19.7	18.8	18.4	18.0
Net operating surplus	17.1	17.2	18.2	18.7	18.3	18.5	17.8	16.5	18.3	17.0	17.0
5. Gross domestic product (5=1+2-3+4)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: SURS, forecasts by IMAD.

Table 5a: Gross domestic product by expenditures

EUR million, current prices

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
										forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**38,852.6**	**40,443.2**	**43,011.3**	**45,876.3**	**48,582.3**	**47,044.9**	**52,278.8**	**57,037.7**	**62,969.6**	**67,318.3**	**71,104.5**
2	EXPORTS OF GOODS AND SERVICES	29,974.3	31,383.2	35,753.4	38,899.8	40,621.9	36,582.5	43,685.7	53,698.8	54,666.8	56,890.9	59,764.3
3	IMPORTS OF GOODS AND SERVICES	26,865.5	27,929.9	31,892.4	35,026.5	36,448.3	32,378.9	40,632.5	52,406.7	50,087.0	53,014.3	55,638.2
4	EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	3,108.8	3,453.3	3,860.9	3,873.3	4,173.7	4,203.5	3,053.2	1,292.1	4,579.8	3,876.5	4,126.1
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	35,743.8	36,989.9	39,150.4	42,003.0	44,408.6	42,841.4	49,225.6	55,745.6	58,389.8	63,441.7	66,978.4
6	FINAL CONSUMPTION (6=7+8)	28,298.3	29,537.5	30,535.2	32,227.4	34,385.0	33,403.7	37,863.7	41,896.6	45,549.9	48,381.1	50,884.8
7	PRIVATE CONSUMPTION	20,985.0	21,838.9	22,598.4	23,856.5	25,490.7	23,707.9	27,016.7	30,787.4	33,409.1	35,524.8	37,158.2
	- Households	20,640.2	21,475.4	22,218.6	23,449.8	25,059.2	23,293.4	26,530.1	30,156.5	32,659.6	34,785.1	36,385.5
	- NPISH's	344.8	363.5	379.8	406.7	431.5	414.5	486.6	630.9	749.4	739.7	772.6
8	GOVERNMENT CONSUMPTION	7,313.3	7,698.6	7,936.7	8,371.0	8,894.3	9,695.8	10,847.0	11,109.2	12,140.8	12,856.3	13,726.6
9	GROSS CAPITAL FORMATION (9=10+11)	7,445.6	7,452.4	8,615.2	9,775.6	10,023.7	9,437.7	11,361.9	13,849.0	12,839.9	15,060.6	16,093.6
10	GROSS FIXED CAPITAL FORMATION	7,247.8	7,028.7	7,879.8	8,869.3	9,514.7	8,892.8	10,581.6	12,329.5	13,522.2	14,815.0	15,831.0
11	CHANGES IN INVENTORIES AND VALUABLES	197.8	423.8	735.4	906.3	509.0	544.9	780.3	1,519.5	-682.3	245.6	262.6

Source: SURS, forecasts by IMAD.

Table 5b: Gross domestic product by expenditures

Structure in %, current prices

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
										forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
2	EXPORTS OF GOODS AND SERVICES	77.1	77.6	83.1	84.8	83.6	77.8	83.6	94.1	86.8	84.5	84.1
3	IMPORTS OF GOODS AND SERVICES	69.1	69.1	74.1	76.3	75.0	68.8	77.7	91.9	79.5	78.8	78.2
4	EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	8.0	8.5	9.0	8.4	8.6	8.9	5.8	2.3	7.3	5.8	5.8
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	92.0	91.5	91.0	91.6	91.4	91.1	94.2	97.7	92.7	94.2	94.2
6	FINAL CONSUMPTION (6=7+8)	72.8	73.0	71.0	70.2	70.8	71.0	72.4	73.5	72.3	71.9	71.6
7	PRIVATE CONSUMPTION	54.0	54.0	52.5	52.0	52.5	50.4	51.7	54.0	53.1	52.8	52.3
	- Households	53.1	53.1	51.7	51.1	51.6	49.5	50.7	52.9	51.9	51.7	51.2
	- NPISH's	0.9	0.9	0.9	0.9	0.9	0.9	0.9	1.1	1.2	1.1	1.1
8	GOVERNMENT CONSUMPTION	18.8	19.0	18.5	18.2	18.3	20.6	20.7	19.5	19.3	19.1	19.3
9	GROSS CAPITAL FORMATION (9=10+11)	19.2	18.4	20.0	21.3	20.6	20.1	21.7	24.3	20.4	22.4	22.6
10	GROSS FIXED CAPITAL FORMATION	18.7	17.4	18.3	19.3	19.6	18.9	20.2	21.6	21.5	22.0	22.3
11	CHANGES IN INVENTORIES AND VALUABLES	0.5	1.0	1.7	2.0	1.0	1.2	1.5	2.7	-1.1	0.4	0.4

Source: SURS, forecasts by IMAD.

Table 6a: Gross domestic product by expenditures

EUR million

		constant previous year prices								constant 2022 prices		
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
										forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**38,466.0**	**40,092.8**	**42,390.7**	**44,927.2**	**47,492.4**	**46,522.0**	**50,916.0**	**53,565.2**	**57,930.3**	**59,577.0**	**61,061.1**
2	EXPORTS OF GOODS AND SERVICES	30,018.0	31,821.7	34,857.7	37,954.1	40,643.2	37,157.2	41,877.5	46,814.9	53,737.0	55,490.2	57,597.4
3	IMPORTS OF GOODS AND SERVICES	27,245.3	28,555.1	30,910.5	34,152.6	36,661.8	33,125.0	38,138.2	44,286.3	50,343.7	52,986.7	55,037.1
4	EXTERNAL BALANCE OF GOODS AND SERVICES (4=2-3)	2,772.6	3,266.7	3,947.2	3,801.6	3,981.4	4,032.2	3,739.4	2,528.6	3,393.3	2,503.4	2,560.3
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	35,693.4	36,826.1	38,443.5	41,125.7	43,511.0	42,489.8	47,176.7	51,036.6	54,537.1	57,073.6	58,500.9
6	FINAL CONSUMPTION (6=7+8)	28,387.8	29,408.8	29,984.9	31,557.6	33,683.1	33,102.4	36,429.4	38,780.0	42,308.6	43,255.2	44,094.9
7	PRIVATE CONSUMPTION	21,112.7	21,918.4	22,254.5	23,394.2	25,159.3	23,837.5	26,142.3	27,992.2	31,049.3	31,776.4	32,363.5
	- Households	20,769.2	21,559.8	21,882.1	22,995.6	24,741.9	23,418.6	25,666.3	27,402.8	30,352.8	31,114.7	31,690.6
	- NPISH's	343.5	358.6	372.4	398.6	417.4	418.9	476.0	589.4	696.5	661.7	672.9
8	GOVERNMENT CONSUMPTION	7,275.1	7,490.4	7,730.3	8,163.3	8,523.7	9,264.9	10,287.1	10,787.9	11,259.3	11,478.8	11,731.4
9	GROSS CAPITAL FORMATION (9=10+11)	7,305.6	7,417.3	8,458.6	9,568.1	9,828.0	9,387.3	10,747.3	12,256.6	12,228.4	13,818.4	14,406.0
10	GROSS FIXED CAPITAL FORMATION	7,103.8	6,987.6	7,744.3	8,679.8	9,315.9	8,832.8	10,015.6	10,952.5	12,878.3	13,593.0	14,170.9
11	CHANGES IN INVENTORIES AND VALUABLES	201.8	429.7	714.4	888.2	512.0	554.5	731.7	1,304.1	-649.8	225.3	235.1

Source: SURS, forecasts by IMAD.

Table 6b: Gross domestic product by expenditures

Real growth rates in %

		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
										forecast		
1	**GROSS DOMESTIC PRODUCT (1=4+5)**	**2.2**	**3.2**	**4.8**	**4.5**	**3.5**	**-4.2**	**8.2**	**2.5**	**1.6**	**2.8**	**2.5**
2	EXPORTS OF GOODS AND SERVICES	4.7	6.2	11.1	6.2	4.5	-8.5	14.5	7.2	0.1	3.3	3.8
3	IMPORTS OF GOODS AND SERVICES	4.3	6.3	10.7	7.1	4.7	-9.1	17.8	9.0	-3.9	5.3	3.9
4	*EXTERNAL BALANCE OF GOODS AND SERVICES*[1]	*0.6*	*0.4*	*1.2*	*-0.1*	*0.2*	*-0.3*	*-1.0*	*-1.0*	*3.7*	*-1.5*	*0.1*
5	TOTAL DOMESTIC CONSUMPTION (5=6+9)	1.7	3.0	3.9	5.0	3.6	-4.3	10.1	3.7	-2.2	4.7	2.5
6	FINAL CONSUMPTION (6=7+8)	2.1	3.9	1.5	3.3	4.5	-3.7	9.1	2.4	1.0	2.2	1.9
7	PRIVATE CONSUMPTION	2.0	4.4	1.9	3.5	5.5	-6.5	10.3	3.6	0.9	2.3	1.8
	- Households	2.1	4.5	1.9	3.5	5.5	-6.5	10.2	3.3	0.7	2.5	1.9
	- NPISH's	-2.9	4.0	2.5	5.0	2.6	-2.9	14.8	21.1	10.4	-5.0	1.7
8	GOVERNMENT CONSUMPTION	2.3	2.4	0.4	2.9	1.8	4.2	6.1	-0.5	1.4	1.9	2.2
9	GROSS CAPITAL FORMATION (9=10+11)	0.2	-0.4	13.5	11.1	0.5	-6.3	13.9	7.9	-11.7	13.0	4.3
10	GROSS FIXED CAPITAL FORMATION	-1.2	-3.6	10.2	10.2	5.0	-7.2	12.6	3.5	4.5	5.5	4.3
11	*CHANGES IN INVENTORIES AND VALUABLES*[1]	*0.3*	*0.6*	*0.7*	*0.4*	*-0.9*	*0.1*	*0.4*	*1.0*	*-3.8*	*1.5*	*0.0*

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

Table 7: Balance of payments - balance of payments statistics

EUR million

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
									forecast		
I. CURRENT ACCOUNT	**1,483**	**1,932**	**2,674**	**2,695**	**2,844**	**3,398**	**1,732**	**-578**	**2,779**	**1,898**	**2,011**
1. GOODS	1,476	1,524	1,617	1,272	1,298	2,333	882	-2,174	675	-395	-522
1.1. Exports of goods	23,947	24,883	28,372	30,808	31,999	29,622	35,255	42,628	42,497	43,669	45,494
1.2. Imports of goods	22,471	23,360	26,756	29,535	30,701	27,289	34,373	44,802	41,821	44,064	46,015
2. SERVICES	1,646	1,941	2,254	2,624	2,907	1,913	2,198	3,482	3,923	4,292	4,670
2.1. Exports	5,952	6,517	7,394	8,124	8,659	6,985	8,471	11,133	12,238	13,297	14,351
- Transport	1,654	1,839	2,164	2,431	2,512	2,316	2,658	3,431	3,475	3,683	3,933
- Travel	2,162	2,271	2,523	2,704	2,843	1,237	1,685	2,972	3,386	3,745	4,026
- Other	2,136	2,407	2,706	2,989	3,303	3,432	4,128	4,730	5,377	5,869	6,392
2.2. Imports	4,306	4,575	5,140	5,500	5,751	5,072	6,273	7,651	8,316	9,005	9,681
- Transport	846	917	1,098	1,107	1,185	1,128	1,553	1,944	1,906	1,990	2,126
- Travel	1,109	1,176	1,322	1,483	1,500	805	1,173	1,733	1,955	2,201	2,357
- Other	2,351	2,482	2,720	2,911	3,066	3,138	3,547	3,974	4,455	4,813	5,199
1., 2. EXTERNAL BALANCE OF GOODS AND SERVICES	**3,122**	**3,465**	**3,870**	**3,896**	**4,205**	**4,246**	**3,081**	**1,308**	**4,598**	**3,897**	**4,148**
Exports of goods and services	29,900	31,400	35,766	38,931	40,658	36,607	43,726	53,761	54,735	56,965	59,845
Imports of goods and services	26,778	27,935	31,896	35,035	36,453	32,361	40,645	52,453	50,137	53,069	55,697
3. PRIMARY INCOME	**-1,255**	**-1,139**	**-879**	**-769**	**-821**	**-314**	**-756**	**-1,232**	**-1,126**	**-1,238**	**-1,361**
3.1. Receipts	1,070	1,259	1,381	1,633	1,749	1,725	2,086	2,156	2,323	2,432	2,549
- Compensation of employees	302	355	385	486	526	570	627	654	665	671	682
- Investment	511	637	703	802	845	716	1,005	1,051	1,143	1,186	1,232
- Other primary income	258	267	293	345	378	439	454	450	515	575	635
3.2. Expenditure	2,326	2,398	2,260	2,401	2,569	2,039	2,841	3,387	3,448	3,670	3,910
- Compensation of employees	126	132	149	173	195	178	205	235	275	295	310
- Investment	2,057	2,081	1,929	2,024	2,164	1,669	2,372	2,788	2,800	3,014	3,219
- Other primary income	143	184	182	204	211	192	264	364	373	361	382
4. SECONDARY INCOME	**-384**	**-394**	**-317**	**-432**	**-540**	**-535**	**-594**	**-655**	**-694**	**-761**	**-776**
4.1. Receipts	730	713	828	873	934	994	1,113	1,243	1,285	1,259	1,281
4.2. Expenditure	1,114	1,107	1,145	1,306	1,474	1,529	1,707	1,898	1,978	2,020	2,057
II. CAPITAL ACCOUNT	**412**	**-307**	**-324**	**-203**	**-222**	**-258**	**163**	**-220**			
1. Non-produced non-financial assets	-37	-45	-76	-24	-59	-96	-86	-181			
2. Capital transfers	449	-262	-248	-178	-163	-163	248	-39			
III. FINANCIAL ACCOUNT	**1,778**	**1,184**	**2,112**	**2,537**	**2,014**	**3,670**	**1,774**	**-1,678**			
1. Direct investment	-1,269	-864	-495	-934	-762	262	-414	-1,288			
- Assets	292	434	570	373	1,157	708	1,442	763			
- Liabilities	1,560	1,298	1,065	1,307	1,919	446	1,856	2,051			
2. Portfolio investment	3,039	5,024	2,990	744	734	-1,136	2,778	-12			
3 Financial derivatives	-98	-270	-185	-81	-163	53	30	-176			
4. Other investment	219	-2,610	-287	2,757	2,168	4,325	-1,444	-371			
4.1. Assets	-643	-2,216	-1,372	2,052	3,274	4,830	2,923	2,940			
4.2. Liabilities	-862	394	-1,085	-705	1,106	505	4,367	3,311			
5. Reserve assets	-113	-97	89	52	37	166	824	168			
IV. NET ERRORS AND OMISSIONS	**-116**	**-441**	**-239**	**45**	**-607**	**531**	**-121**	**-880**			

Source: BoS, forecasts by IMAD.
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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
									forecast		
LABOUR SUPPLY											
Activity rate (20-64 years, in %)	76.0	76.2	78.6	79.5	79.9	79.5	79.8	81.1	81.2	81.7	82.2
Active population (ILO definition - in thousands)	1008	995	1027	1033	1028	1029	1020	1026	1029	1036	1043
- yearly growth (in %)	-0.7	-1.3	3.2	0.7	-0.5	0.1	-0.9	0.7	0.2	0.8	0.6
EMPLOYMENT AND UNEMPLOYMENT											
Employment (National accounts concept, in thousands)	944	961	989	1021	1046	1039	1052	1082	1095	1105	1114
- yearly growth (in %)	1.3	1.8	2.9	3.2	2.4	-0.7	1.3	2.9	1.2	1.0	0.7
Employment (ILO concept, in thousands)	918	915	959	981	982	978	972	986	991	1001	1008
- yearly growth (in %)	0.1	-0.3	4.8	2.2	0.2	-0.4	-0.7	1.5	0.5	1.0	0.7
Employment rate (20-64 yeras, in %)	69.1	70.1	73.4	75.4	76.4	75.6	76.1	77.9	78.3	79.0	79.5
Formal employment (statistical register, in thousands) *	805	817	845	873	894	889	900	922	935	945	953
- yearly growth (in %)	0.9	1.6	3.5	3.2	2.5	-0.6	1.3	2.4	1.4	1.0	0.8
Paid employment (in thousands)	713	731	755	780	802	795	804	824	836	845	852
- yearly growth (in %)	1.4	2.4	3.4	3.3	2.8	-0.9	1.2	2.4	1.4	1.1	0.9
Self employed (in thousands)	91.6	86.7	90.2	92.6	92.3	94.3	95.8	97.9	99.3	99.9	100.3
- yearly growth (in %)	-3.4	-5.3	4.0	2.7	-0.3	2.1	1.6	2.1	1.5	0.6	0.4
Unemployment (ILO concept, in thousands)	90.5	79.7	67.5	52.8	45.7	51.1	47.8	40.2	37.4	35.7	35.0
- yearly growth (in %)	-7.7	-11.9	-15.3	-21.8	-13.4	11.8	-6.5	-15.9	-6.9	-4.5	-2.0
Unemployment (registered, in thousands)	112.7	103.2	88.6	78.5	74.2	85.0	74.3	56.7	48.8	46.6	44.9
- yearly growth (in %)	-6.1	-8.5	-14.1	-11.5	-5.5	14.6	-12.6	-23.8	-13.9	-4.5	-3.5
Unemployment rate (ILO concept, in %)	9.0	8.0	6.6	5.1	4.5	5.0	4.7	4.0	3.6	3.5	3.4
Unemployment rate (registered, in %)	12.3	11.2	9.5	8.2	7.7	8.7	7.6	5.8	5.0	4.7	4.5

Source: SURS, ESS, Eurostat, forecasts by IMAD.
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 %

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
									forecast		
Effective exchange rate[1]											
Nominal	-3.1	0.9	0.5	0.8	-0.5	0.6	0.0	-1.7	0.9	0.1	0.0
Real - based on consumer prices	-4.2	0.2	0.4	0.9	-0.4	-0.5	-0.5	-0.4	1.6	0.8	0.6
Real - based on ULC in economy as a whole	-3.5	1.1	0.0	0.7	0.5	3.7	0.3	-0.4	3.9	1.3	0.7
Unit labour costs components											
Nominal unit labour costs	0.6	1.8	1.2	2.7	3.9	7.2	1.1	5.4	9.7	4.6	4.0
Compensation of employees per employee	1.5	3.1	3.0	3.9	5.0	3.4	8.1	5.0	10.2	6.5	5.8
Labour productivity, real [2]	0.9	1.3	1.9	1.2	1.1	-3.6	6.8	-0.4	0.4	1.9	1.7
Real unit labour costs	-0.4	0.9	-0.3	0.5	1.6	6.0	-1.5	-1.0	0.9	0.6	0.9
Labour productivity, nominal [3]	1.9	2.2	3.3	3.4	3.4	-2.5	9.7	6.0	9.1	5.9	4.9

Source: SURS, ECB, Consensus Forecasts, European Comision, OECD; calculations, estimate and forecasts by IMAD.
Notes: [1] Harmonised effective exchange rate - 37 group of trading partners; 18 extra Euro area and 19 Euro area countries; a rise in the value indicates appreciation and of national currency and vice versa. [2] GDP per employee (in constant prices); [3] GDP per employee (in current prices).

Table 10a: Consolidated general government revenues; GFS - IMF Methodology EUR million, current prices

CONSOLIDATED GENERAL GOVERNMENT REVENUES	2015	2016	2017	2018	2019	2020	2021	2022
I. TOTAL GENERAL GOVERNMENT REVENUES	**15,714**	**15,842**	**16,803**	**18,594**	**19,232**	**18,529**	**21,383**	**23,311**
TAX REVENUES	**13,746**	**14,241**	**15,162**	**16,225**	**17,179**	**16,460**	**18,786**	**20,557**
TAXES ON INCOME AND PROFIT	2,585	2,681	2,967	3,296	3,614	3,262	3,981	4,517
Personal income tax	1,986	2,079	2,197	2,447	2,592	2,488	2,845	2,944
Corporate income tax	595	600	766	846	997	773	1,115	1,553
SOCIAL SECURITY CONTRIBUTIONS	5,474	5,721	6,092	6,550	7,021	7,290	7,928	8,504
TAXSES ON PAYROLL AND WORKFORCE	20	20	21	22	23	22	24	27
TAXES ON PROPERTY	238	256	274	278	296	287	317	337
DOMESTIC TAXES ON GOODS AND SERVICES	5,347	5,433	5,723	5,989	6,127	5,493	6,359	6,884
Value added tax	3,229	3,272	3,504	3,757	3,872	3,528	4,231	4,747
Excise duties	1,515	1,551	1,586	1,560	1,543	1,314	1,470	1,446
TAXES ON INTERN. TRADE AND TRANSACTIONS	83	82	83	90	99	102	177	289
OTHER TAXES	1	48	1	0	-1	4	-1	0
NON-TAX REVENUES	**956**	**963**	**1,089**	**1,351**	**1,114**	**1,118**	**1,338**	**1,410**
CAPITAL REVENUES	96	96	91	153	136	147	228	268
DONATIONS RECEIVED	**12**	**10**	**10**	**12**	**14**	**18**	**22**	**57**
TRANSFERED REVENUES	**21**	**51**	**52**	**56**	**58**	**55**	**57**	**58**
RECEIPTS FROM THE EU BUDGET	**882**	**481**	**399**	**797**	**731**	**731**	**951**	**962**

Source: Ministry of Finance.

Table 10b: Consolidated general government revenues; GFS - IMF Methodology Per cent share relative to GDP

CONSOLIDATED GENERAL GOVERNMENT REVENUES	2015	2016	2017	2018	2019	2020	2021	2022
I. TOTAL GENERAL GOVERNMENT REVENUES	**40.4**	**39.2**	**39.1**	**40.5**	**39.6**	**39.4**	**40.9**	**40.9**
TAX REVENUES	**35.4**	**35.2**	**35.3**	**35.4**	**35.4**	**35.0**	**35.9**	**36.0**
TAXES ON INCOME AND PROFIT	6.7	6.6	6.9	7.2	7.4	6.9	7.6	7.9
Personal income tax	5.1	5.1	5.1	5.3	5.3	5.3	5.4	5.2
Corporate income tax	1.5	1.5	1.8	1.8	2.1	1.6	2.1	2.7
SOCIAL SECURITY CONTRIBUTIONS	14.1	14.1	14.2	14.3	14.5	15.5	15.2	14.9
TAXSES ON PAYROLL AND WORKFORCE	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TAXES ON PROPERTY	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
DOMESTIC TAXES ON GOODS AND SERVICES	13.8	13.4	13.3	13.1	12.6	11.7	12.2	12.1
Value added tax	8.3	8.1	8.1	8.2	8.0	7.5	8.1	8.3
Excise duties	3.9	3.8	3.7	3.4	3.2	2.8	2.8	2.5
TAXES ON INTERN. TRADE AND TRANSACTIONS	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.5
OTHER TAXES	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0
NON-TAX REVENUES	**2.5**	**2.4**	**2.5**	**2.9**	**2.3**	**2.4**	**2.6**	**2.5**
CAPITAL REVENUES	0.2	0.2	0.2	0.3	0.3	0.3	0.4	0.5
DONATIONS RECEIVED	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**
TRANSFERED REVENUES	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
RECEIPTS FROM THE EU BUDGET	**2.3**	**1.2**	**0.9**	**1.7**	**1.5**	**1.6**	**1.8**	**1.7**

Source: Ministry of Finance, SURS.

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

EUR million, current prices

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2015	2016	2017	2018	2019	2020	2021	2022
II. TOTAL EXPENDITURES	**16,956**	**16,497**	**17,102**	**18,067**	**18,969**	**22,071**	**24,300**	**24,886**
CURRENT EXPENDITURE	**7,168**	**7,407**	**7,733**	**7,967**	**8,228**	**9,128**	**10,394**	**10,283**
WAGES AND OTHER PERSONNEL EXPENDITURE	3,124	3,278	3,406	3,583	3,837	4,285	5,020	4,729
EMPLOYER'S SOCIAL SECURITY CONTRIBUTIONS	486	508	533	585	634	681	730	752
PURCHASES OF GOODS AND SERVICES	2,311	2,371	2,627	2,634	2,728	3,021	3,351	3,557
INTEREST PAYMENTS	1,043	1,074	985	868	792	778	732	661
RESERVES	204	176	183	298	238	364	559	584
CURRENT TRANSFERS	**7,540**	**7,700**	**7,913**	**8,237**	**8,704**	**10,868**	**11,319**	**11,261**
SUBSIDIES	399	397	425	444	468	1,449	867	690
TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	6,371	6,496	6,665	6,926	7,324	8,251	9,168	9,294
OTHER CURRENT TRANSFERS	770	808	822	867	913	1,168	1,284	1,277
CAPITAL EXPENDITURE AND TRANSFERS - TOTAL	**1,815**	**962**	**1,078**	**1,432**	**1,527**	**1,549**	**1,959**	**2,612**
CAPITAL EXPENDITURE	1,520	784	891	1,160	1,253	1,231	1,545	2,053
CAPITAL TRANSFERS	295	178	187	272	274	319	414	559
PAYMENTS TO THE EU BUDGET	**433**	**427**	**379**	**433**	**510**	**526**	**629**	**730**
III. GENERAL GOVERNMENT SURPLUS / DEFICIT (I. - II.)	**-1,242**	**-655**	**-299**	**526**	**264**	**-3,542**	**-2,917**	**-1,575**

Source: Ministry of Finance.

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

Per cent share relative to GDP

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2015	2016	2017	2018	2019	2020	2021	2022
II. TOTAL EXPENDITURES	**43.6**	**40.8**	**39.8**	**39.4**	**39.0**	**46.9**	**46.5**	**43.6**
CURRENT EXPENDITURE	**18.5**	**18.3**	**18.0**	**17.4**	**16.9**	**19.4**	**19.9**	**18.0**
WAGES AND OTHER PERSONNEL EXPENDITURE	8.0	8.1	7.9	7.8	7.9	9.1	9.6	8.3
EMPLOYER'S SOCIAL SECURITY CONTRIBUTIONS	1.3	1.3	1.2	1.3	1.3	1.4	1.4	1.3
PURCHASES OF GOODS AND SERVICES	5.9	5.9	6.1	5.7	5.6	6.4	6.4	6.2
INTEREST PAYMENTS	2.7	2.7	2.3	1.9	1.6	1.7	1.4	1.2
RESERVES	0.5	0.4	0.4	0.6	0.5	0.8	1.1	1.0
CURRENT TRANSFERS	**19.4**	**19.0**	**18.4**	**18.0**	**17.9**	**23.1**	**21.7**	**19.7**
SUBSIDIES	1.0	1.0	1.0	1.0	1.0	3.1	1.7	1.2
TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	16.4	16.1	15.5	15.1	15.1	17.5	17.5	16.3
OTHER CURRENT TRANSFERS	2.0	2.0	1.9	1.9	1.9	2.5	2.5	2.2
CAPITAL EXPENDITURE AND TRANSFERS - TOTAL	**4.7**	**2.4**	**2.5**	**3.1**	**3.1**	**3.3**	**3.7**	**4.6**
CAPITAL EXPENDITURE	3.9	1.9	2.1	2.5	2.6	2.6	3.0	3.6
CAPITAL TRANSFERS	0.8	0.4	0.4	0.6	0.6	0.7	0.8	1.0
PAYMENTS TO THE EU BUDGET	**1.1**	**1.1**	**0.9**	**0.9**	**1.0**	**1.1**	**1.2**	**1.3**
III. GENERAL GOVERNMENT SURPLUS / DEFICIT (I. - II.)	**-3.2**	**-1.6**	**-0.7**	**1.1**	**0.5**	**-7.5**	**-5.6**	**-2.8**

Source: Ministry of Finance, SURS.

Acronyms

AJPES	Agency for Public Legal Records and Related Services
APP	Asset Purchase Programme
BIS	Bank for International Settlements
BoS	Bank of Slovenia
CO_2	carbon dioxide
CPI	Consumer Price Index
EC	European Commission
ECB	European Central Bank
e.g.	for example
EIA	U.S. Energy Information Administration
ESS	Employment Service of Slovenia
etc.	et cetera
EU	European Union
EUR	Euro
EUROSTAT	Statistical Office of the European Union
FED	Federal Reserve
GDP	gross domestic product
GFS	government finance statistics
HICP	Harmonised Index of Consumer Prices
IMAD	Institute of Macroeconomic Analysis and Development
IMF	International Monetary Fund
LFS	Labour Force Survey
MF	Ministry of Finance
NEIG	non-energy industrial goods
PEEP	pandemic emergency purchase programme
PMI	Purchasing Managers' Index
p.p.	percentage point
PPS	purchasing power standard
REACT-EU	Recovery Assistance for Cohesion and the Territories of Europe
S&P	Standard and Poor's
SNA	system of national accounts
SURS	Statistical Office of the Republic of Slovenia
TTF	Title Transfer Facility
US	United States of America
USD	US dollar
VAT	value added tax
WIIW	Wiener Institut für Internationale Wirtschaftsvergleiche

Abbreviations of the Standard Classification of Activities (SKD 2008)

A – agriculture, forestry and fishing, **B** – mining and quarrying, **C** – manufacturing, **10** – manufacture of food products, **11** – manufacture of beverages, **12** – manufacture of tobacco products, **13** – manufacture of textiles, **14** – manufacture of wearing apparel, **15** – manufacture of leather and related products, **16** – manufacture of wood and of products of wood and cork, except furniture, manufacture of articles of straw and plaiting materials, **17** – manufacture of paper and paper products, **18** – printing and reproduction of recorded media, **19** − manufacture of coke and refined petroleum products, **20** – manufacture of chemicals and chemical products, **21** − manufacture of basic pharmaceutical products and pharmaceutical preparations, **22** – manufacture of rubber and plastic products, **23** – manufacture of other non-metallic mineral products, **24** – manufacture of basic metals, **25** – manufacture of fabricated metal products, except machinery and equipment, **26** – manufacture of computer, electronic and optical products, **27** – manufacture of electrical equipment, **28** – manufacture of machinery and equipment n.e.c., **29** – manufacture of motor vehicles, trailers and semi-trailers, **30** − manufacture of other transport equipment, **31** – manufacture of furniture, **32** – other manufacturing, **33** – repair and installation of machinery and equipment, **D** – electricity, gas, steam and air-conditioning supply, **E** – water supply, sewerage, waste management and remediation activities, **F** – construction, **G** – wholesale and retail trade, repair of motor vehicles and motorcycles, **H** – transportation and storage, **I** – accommodation and food service activities, **J** – information and communication, **K** – financial and insurance activities, **L** – real estate activities, **M** – professional, scientific and technical activities, **N** – administrative and support service activities, **O** – public administration and defence, compulsory social security, **P** – education, **Q** – human health and social work activities, **R** – arts, entertainment and recreation, **S** – other service activities, **T** – activities of households as employers; undifferentiated goods- and services-producing activities of households for own use, **U** – activities of extraterritorial organisations and bodies.

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