

spring forecast of economic trends 2009

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Summary

Real GDP is expected to fall in real terms in 2009 (-4.0%) for the first time since 1992, as a result of the increasingly negative impacts of the international financial and economic crisis. Owing to a rapid decline in exports and investment, economic activity in Slovenia had already eased in the last quarter of 2008, for the first time in the last 16 years. Amid deteriorating economic conditions in the international environment and shrinking foreign demand, negative export trends deepened somewhat further in the first months of this year. Increased uncertainty and financial restraints also contributed to a decline in construction activity. In view of the ever stronger impacts of the financial crisis on real flows of goods and services worldwide, the forecasts of international institutions have continued to decline since last September when the global economic crisis started to deepen. Since the time of preparing the Revised Autumn Forecast (December 2008), the forecast of economic growth in the euro area has dropped by more than 3.5 p.p.; in the euro area countries, GDP is expected to drop by 4.1% on average in real terms in 2009, with a considerable risk that the recession might even be deeper. Compared with the assumptions in our December's Revised Autumn Forecast, even greater downward revisions were made to the forecasts for economic growth in the non-EU countries that are Slovenia's main trading partners and where Slovenia realises more than a quarter of all its merchandise exports. While in December it still seemed that these countries would be spared from the effects of the financial crisis, the latest figures and forecasts indicate that they will fall in recession as well.

A strong decline in foreign demand and limited sources of finance are thus the key reason for the downward revision of the economic growth forecast for 2009 from 1.1% to -4.0%. In most private sector activities, value added is thus expected to decline, most notably in manufacturing and construction. The key limiting factor to production will be low demand, both foreign and domestic, while the measures adopted in response to the crisis are mainly alleviating current financing difficulties of enterprises. Given Slovenia's high dependency on exports, the conditions in the international economic environment have a relatively greater impact on investment decisions of enterprises regarding machinery and equipment purchases and on business operations in manufacturing and market services, which are integrated in international flows. The slowdown of economic growth compared with last year is thus relatively more pronounced in Slovenia than in the euro area on average. In addition, after the high levels posted in previous years and due to financial restraints, infrastructure investment is not expected to increase, except for energy sector, while construction of residential and non-residential buildings is set to decline.

Against the background of this tougher economic situation, the movements on the labour market are also expected to worsen this year, given that unemployment has been increasing since last October. The number of persons in employment is thus projected to drop by more

than 4% in 2009; without the measure of subsidising full-work time effective from the beginning of the year, this decline might have been even more pronounced. Owing to lower employment, the survey unemployment rate will increase from 4.4% to 6% and the registered unemployment rate from 6.7% to 8.9%, meaning that the number of registered unemployed might approach 100,000 by the end of this year. The decline in economic activity will also impact wage dynamics in the private sector, where gross wage growth will post a significant slowdown (to 0.1%). The forecast predicts that enterprises will try to tide over difficulties through streamlining their business operations and, even though trying to preserve jobs, also by cutting the number of employees (especially lower-skilled workers, so that the slowdown of the growth of the gross wage per employee will be relatively smaller than the decline in economic activity). Extraordinary year-end payments will also be significantly lower than last year. Real growth of the gross wage per employee in the public sector will remain relatively strong on average in the year as a whole (6.2%) due to the process of eliminating wage disparities, and will be mainly underpinned by the influence of high wage growth in 2008 and January's disbursement of the second quarter of funds to eliminate wage disparities. The tightened conditions on the labour market will also contribute to a drop in private consumption. Even though disposable income growth is projected to be positive, mainly due to the impact of high wage rises in the public sector and higher social transfers, the propensity of households to save and postpone major purchases, especially of durable goods, will increase significantly due to the uncertainty this year. The volume of private consumption will be therefore lower in real terms than last year.

Only government consumption will increase in real terms this year, based on the adopted supplementary state budget for 2009 and financial plans of the health and pension funds and local government budgets. Social transfers in kind supplied by market producers will post the largest real increase, partly as a financial consequence of measures adopted in the run-up to elections in the second half of 2008 (subsidies for pupils' meals, free kindergarten for the second child of families and all subsequent children attending kindergarten at the same time) and partly due to the remarkable real growth of expenditure on medicines. Real growth of intermediate consumption will slow somewhat compared with that in 2008, but will nevertheless remain relatively strong. The real increase in the compensation of employees will be relatively modest, given that the growth in the number of employees in the public administration will slow significantly this year.

Inflation is expected to slow further in 2009, mainly due to lower prices of oil and other primary commodities and moderate food price rises, but also as result of shrinking economic activity. Inflation may also swing down sharply in the first half of the year, mainly owing to the base effect, i.e. strong oil price growth on the global market in

the first half of 2008. Towards the end of the year, growth rates of consumer prices are set to increase again mainly due to the base effect, this time in the opposite direction than in the first half of the year. The spring forecast of y-o-y inflation at the end of 2009 is 1.4%, totalling 0.4% on average in the year as a whole.

Assuming that recession in the international environment will abate, the economy will post a slightly positive growth of 1.0% in 2010, with a gradual increase or a smaller drop in all consumption aggregates. Value added in manufacturing activities will start strengthening again, first in the export-oriented part of the economy, followed by market services. Owing to the high export dependency of Slovenia's economy and its integration in international financial and economic flows, the recovery of domestic economic growth will crucially depend on developments in the international economic environment and the efficacy of economic policies in Europe and at the global level. In response to the financial and economic crisis, the European countries have already approved various stimulus packages in line with the European Economic Recovery Plan, which is the framework for the formulation of short-term measures to fight the crisis, which are

consistent with the long-term goals and, at the same time, support the structural reforms in line with the Lisbon Strategy. In view of these measures, individual Member States adopted their national packages of measures last year, and are now supplementing them with regard to the tightening of the economic situation. In the US, the government also took proactive steps to fight the crisis, passing a large fiscal package and measures to restore the functioning of the financial system. With regard to the current situation, it cannot be reliably assessed when and to what extent the adopted measures will start to work, but their implementation and efficacy will be crucial for how fast recessionary tendencies will turn around and economic growth will rebound. At this time, the estimates of international institutions still show a high uncertainty with regard to the dimensions, depth and duration of the crisis. The risks that the international environment will see an even lower growth than assumed in the baseline scenario are thus higher than the possibility that the crisis will be shorter. The risks to the realisation of the spring forecast of economic growth in Slovenia for 2009–2011 thus remain very high and are distributed asymmetrically in the direction of lower-than-forecast growth.

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

Real growth rates in % (unless otherwise indicated)

	2008	2009		2010		2011
		Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Spring forecast (Mar. 2009)
GROSS DOMESTIC PRODUCT	3.5	1.1	-4.0	3.1	1.0	2.7
GDP in EUR m (current prices)	37,126	38,905	36,598	41,435	37,427	39,266
INFLATION (Dec/Dec of the preceding year, %)	2.1	3.0	1.4	3.0	2.2	3.0
INFLATION (Jan-Dec/Jan-Dec annual average, %)	5.7	1.1	0.4	3.0	1.6	2.6
GDP deflator, %	4.0	2.9	2.7	3.3	1.2	2.1
USD/EUR exchange rate	1.47	1.27	1.27	1.27	1.27	1.27
EMPLOYMENT according to the SNA, % growth	2.9	-1.3	-5.4	0.3	-1.7	-0.4
REGISTERED UNEMPLOYMENT RATE (%)	6.7	7.7	8.9	8.1	10.3	10.2
ILO UNEMPLOYMENT RATE (%)	4.4	5.2	6.0	5.4	7.0	7.0
PRODUCTIVITY (GDP per employee), % growth	0.6	2.5	1.5	2.8	2.8	3.1
GROSS WAGE PER EMPLOYEE	2.5	3.9	2.2	3.3	2.6	1.6
EXPORTS OF GOODS AND SERVICES	3.3	1.5	-8.6	4.8	1.7	5.4
- exports of goods	1.0	1.3	-10.2	4.1	1.0	4.9
- exports of services	13.9	2.4	-2.1	7.5	4.4	7.0
IMPORTS OF GOODS AND SERVICES	3.5	0.5	-10.3	5.3	1.6	5.2
- imports of goods	3.4	0.1	-11.5	5.3	1.1	5.0
- imports of services	4.5	3.1	-2.6	5.5	4.3	6.1
CURRENT ACCOUNT BALANCE (EUR m)	-2,180	-1,630	-809	-1,717	-1,311	-1,528
- as % of GDP	-5.9	-4.2	-2.2	-4.1	-3.5	-3.9
GROSS FIXED CAPITAL FORMATION	6.2	-2.0	-12.0	5.0	1.0	4.0
- as % of GDP	28.0	26.5	25.0	26.8	25.1	25.5
PRIVATE CONSUMPTION	2.2	2.8	-0.6	3.8	1.0	2.0
- as % of GDP	52.7	52.5	53.2	52.7	53.4	53.3
GOVERNMENT CONSUMPTION	3.7	2.2	3.2	2.6	3.8	3.2
- as % of GDP	17.9	18.9	19.6	19.2	20.8	21.1

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

Background documents and data for the Spring Forecast of Economic Trends 2009–2011

The Spring Forecast of Economic Trends is based on IMAD's expert estimates using the following source data: (i) data on gross domestic product, main aggregates of national accounts and employment, released on March 9, 2009 (SORS); (ii) available statistical data on current economic trends; (iii) data on GDP growth in the international environment in 2008; (iv) forecasts of international institutions on economic trends in Slovenia's main trading partners; (v) prevailing expectations of international institutions regarding the price dynamics of oil and other commodities and the euro/dollar exchange rate; (vi) results of the dynamic factor model and other econometric models used in forecasting; (vii) consultations with other organisations preparing the forecasts for Slovenia.

The Spring Forecast of Economic Trends is based on implemented or adopted economic policy measures. It takes into account the effects of the first and second packages of measures in response to the financial and economic crisis, among them the already enacted changes in excise duties on oil products, but it does not factor in any possible excise duty rises in the future. The forecasts of general government current and investment consumption in 2009 take into account the supplementary budget for 2009 adopted by the Government in February 2009.

The report takes account of figures and information available by the time of finalising the document at the end of March.

spring forecast of economic trends

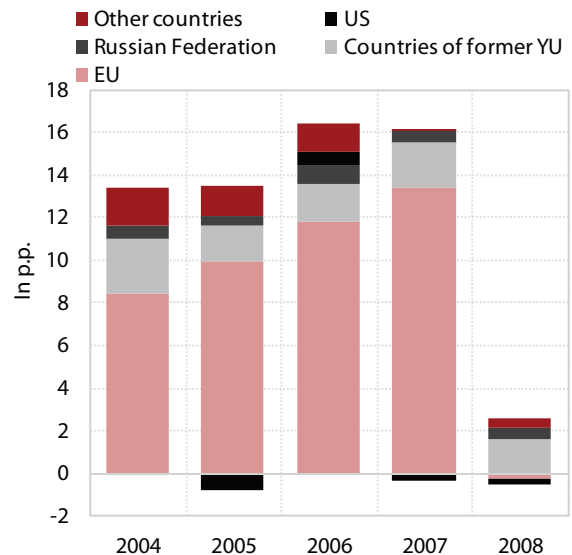
Economic developments in 2008

Economic growth

Against the background of the strongly deteriorated external environment in the second half of the year, the slowdown of economic growth (to 3.5%) in 2008 was greater than expected. After recording strong growth in 2007 (6.8%), economic activity had already slowed somewhat in the first half of 2008, but nevertheless remained relatively high (5.5%). A more notable slowdown was recorded in Q3, while Q4 saw a real GDP decline (to 0.8%) year-on-year, for the first time since Q2 1993. The main reasons for the more pronounced deceleration of real GDP growth were significantly weaker growth of exports and investment, which nevertheless remained the main engines of economic growth. Growth of final domestic consumption was also substantially lower, mainly due to more moderate growth of private consumption, while the increase in government consumption was significantly higher than in the year before. The contraction of economic activity was significantly impacted by the decline in order-books and lower availability of loans; consumer and business confidence indicators also deteriorated remarkably due to the deepening of the international financial crisis. Amid the faster deterioration of economic conditions towards the end of the year, real GDP growth was 0.6 p.p. lower compared with the revised autumn forecast.

With markedly slower foreign demand against the background of the global financial crisis, export growth slowed notably last year. Exports of goods and services, which had been increasing at a rapid pace since 2004, reaching 10% growth, increased by a mere 3.3% in real terms as a result of a fast decline in new orders, particularly in the final quarter of 2008. Merchandise exports were 1.0% higher relative to the year before. Their growth has been slowing since Q4 2007 as a consequence of a more moderate foreign demand linked to the economic cooling in Slovenia's main economic partners in the EU. With ever faster deterioration of the situation in the international environment in the second half of the year, export growth started to slow at an accelerated pace. In Q4, merchandise exports dropped in real terms for the first time since 1993, by nearly 10%. Exports to EU members were lower in 2008 than in the year before. In the structure according to products, total growth of merchandise exports mainly came from exports of medicinal and pharmaceutical products, automatic data-processing machines and machinery specialised for particular industries. After the exceptionally strong growth in 2007, the contribution of road vehicle exports was negative last year. An even greater slowdown in total export growth was offset somewhat by the 13.9% growth of services exports, which

Figure 1: Contributions of countries/regional groups to merchandise export growth, 2004–2008, in p.p.

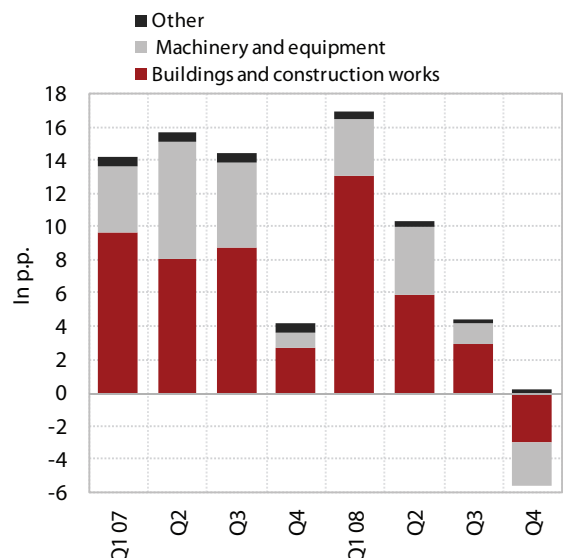


Source: BS; calculations by IMAD.

slowed somewhat relative to the year before, but was still relatively strong. Last year's growth mainly came from rises in travel services, road transport and other business services (leasing, merchanting services, various business, professional and technical services).

Investment activity slowed notably in 2008, particularly in the second half of the year as a consequence of the international financial crisis. Real growth in gross fixed capital formation decelerated to 6.2% (11.9% in 2007). Infrastructure investment (including highway

Figure 2: Contribution of components to growth in gross fixed capital formation, 2007–2008, in p.p.

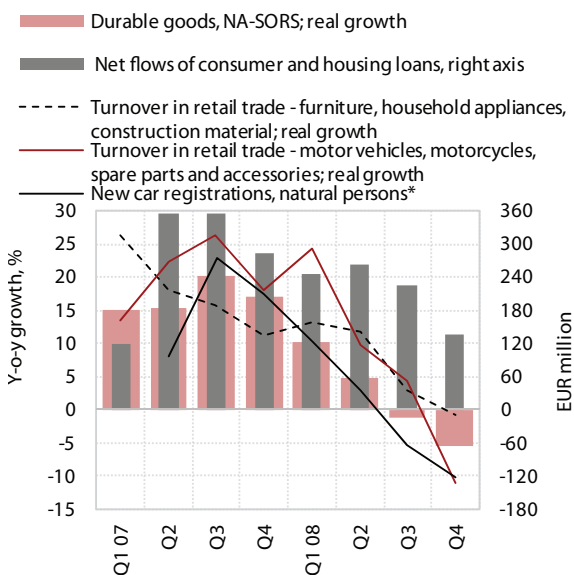


Source: BS, calculations by IMAD.

construction) strengthened again last year. Investment in new dwellings also increased (by 5.9%), while investment in non-residential buildings remained at approximately the same level as in the year before, according to our estimate. Investment activity moderated more notably in Q3, particularly in investment in buildings and construction, but also in machinery and equipment largely as a result of lower capacity utilisation. Towards the end of the year, business investment shrank owing to the deteriorated international situation and limited sources of finance due to the financial crisis. Investment in machinery and equipment thus recorded the lowest annual rise in the past five years (3.5%).

Private consumption growth slowed notably last year, while households saving increased. Reaching 2.2% growth, private consumption was essentially lower in 2008 than in the year before (5.0%). The slowdown was pronounced particularly due to lower expenditure on durable goods and partly also on account of the difference between residents' spending abroad and non-residents spending in Slovenia¹. Growth of turnover in the sale of durable goods² started to moderate rapidly in the second half of 2008; at the end of the year, it had already become negative (see

Figure 3: Household expenditure on durable goods, 2007–2008, %



Source: SORS, MI-AAD.

Notes: NA – national accounts; *data available from March 2006 onward.

¹ Residents' spending abroad is added, and non-residents' spending in Slovenia subtracted from spending on the domestic market. It can be indicated by growth of turnover in total retail sale, which was even higher last year than in 2007, despite considerably weaker growth in consumption (retail trade together with the sale of vehicles and automotive fuels; only retail trade see Figure 2).

² Groups: 50.1+50.3+50.4 Motor vehicles, motorcycles, spare parts and equipment and 52.44+52.45+52.46 Furniture, household appliances, construction material (specialised shops).

Figure 3). In Q3, the number of new car registrations by natural persons dropped year-on-year, for the first time in two years. This decline was linked to increased consumer caution as a result of deteriorated economic conditions, reflected in falling consumer confidence. Given the ever more modest spending amid further disposable income growth in the second half of the year, household savings are estimated to have strengthened notably last year, at the end of the year already for precautionary motives. Borrowing thus also started to slow, most notably in the area of consumer loans.

Last year, government consumption growth was much higher than in the year before. Real growth of government consumption strengthened from 2.5% to 3.7%, mainly due to stronger growth in the compensation of employees as a result of a higher number of persons employed in the public sector. Growth of expenditure on material costs was also much stronger than in the year before, due to the Slovenian presidency of the EU Council in the first half of the year. Expenditure on medicines and expenditure on other social transfers in kind increased considerably as a result of measures adopted in May 2008 (subsidies for transport costs, food, housing etc. and newly introduced subsidies for pupils' meals and kindergarten care).

Import activity moderated significantly against the background of slower export activity and investment and amid more modest private consumption. Imports of goods and services increased by a real 3.5% last year. The 3.4% growth of merchandise imports was a result of a significant slowdown in the second half of the year, in the wake of a strong decline in Q4, particularly of imports from EU countries, which account for 80% of total merchandise imports. Regarding the structure according to products, total merchandise import growth was mainly driven by rising imports of oil and oil products and specialised machinery for particular industries. The contribution of road vehicle imports was, similar to exports, negative. Imports of services also posted much weaker growth (4.5%) last year relative to the year before (19.7%). Imports of services were still increasing notably in the first half of the year, but shrank somewhat in the second half of the year. Imports of services mainly rose on account of import growth in other business services (merchandise and various business, professional and technical services).

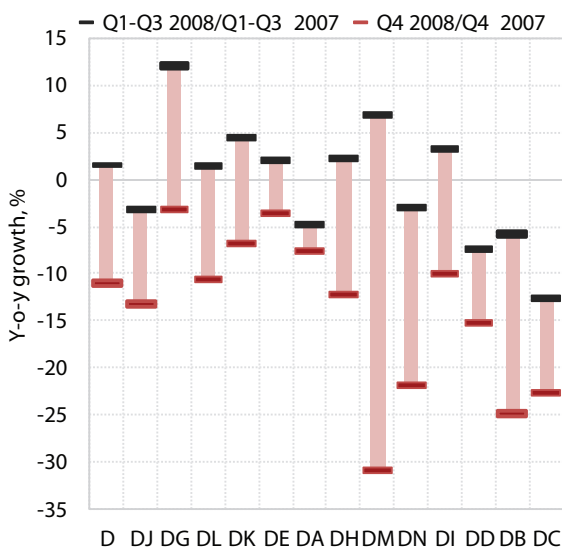
Given that import activity slowed more rapidly than export activity in 2008, the negative contribution of net exports to economic growth declined to 0.2 p.p. (-1.3 in 2007).

Value added by activity

In 2008, value added growth slowed significantly largely on account of a remarkable slowdown of activity in the most export-oriented part of the economy. Value added growth more than halved relative to 2007, reaching 3.2%. Weaker growth was mainly due to a drop of value added in manufacturing; total growth of value added in market services also recorded a notable slowdown. In 2008 as a whole, growth in construction was still at the high level of 2007, though it moderated markedly toward the end of the year. Only public services posted stronger value added growth relative to the year before.

As a result of a stronger deceleration of foreign demand growth and, consequently, domestic merchandise exports, real value added in manufacturing was 1.5% lower in 2008 than in the year before. After posting modest growth in the first half of the year (2.5%), it dropped slightly y-o-y in Q3, while in Q4 it was already 10.5% below the level recorded in the same period of 2007. In y-o-y terms (seasonally adjusted), value added growth in manufacturing began to slow toward the end of 2007; in Q3 2008, it was negative for the second quarter in a row (-10.1%). In 2008, the most substantial drop in the volume of production was recorded by moderately export-oriented low-technology industries (the leather, textile, wood-processing and furniture industries), where production activity had already dropped below the 2007 level in the first half of last year. Negative developments on international markets intensified towards the end of the year. In Q4 2008, the turnover from sales declined markedly on all markets;³ in all manufacturing industries, the volume of production therefore dropped below the level achieved in the year before. In Q4, the most notable

Figure 4: Growth in industrial production volume in manufacturing, year-on-year, %



Source: SORS; calculations by IMAD.

Note: Sub-industries are arranged by industrial production volume.

³ Most notably in the euro area (by 18.5%).

contraction of production volume was recorded in the manufacture of transport equipment (31%), which had boasted a high level of capacity utilisation until then. The lowest drops were recorded in the chemical, food-processing and paper industries, i.e. industries that are, by our estimates, less dependent on cyclical trends.

Slower value added growth in construction in Q4 2008 was attributable to a decline in construction of buildings and notably slower growth in infrastructure construction. In the wake of the strong growth at the beginning of the year and the slowdowns in Q2 and Q3, value added in construction posted notably slower growth in Q4⁴ (3.1% y-o-y). Thanks to relatively favourable movements in the first three quarters of the year, in 2008 growth of value added (14.1%) as well as growth in the value of construction put in place (15.1%) remained on average at relatively high levels of the previous year. Q4 saw deterioration in all construction sectors; in civil engineering and residential construction,⁵ growth in the value of construction put in place slowed, while the decline in non-residential construction was even deeper.

Against the background of accelerated contraction of industrial production and lower construction activity at the end of the year, growth of value added in market services also slowed last year. Totalling 4.5%, it was about twice as low as in 2007. The largest contribution (1.4 p.p.) to the decline in total value added growth in market services came from weaker value added growth in business services, which is by our estimate closely linked to the less favourable domestic developments in the industrial and construction sectors. For the same reason, somewhat lower growth rates were also recorded for value added in transport, storage and communications. Q4 saw a more notable slowdown in trade, partly due to unfavourable developments in wholesale trade, which is to a great extent dependent on domestic production activity and construction, and partly also as a result of lower turnover in the sale of motor vehicles. With a lower number of foreign tourists' overnight stays, after posting very strong growth in 2007, value added in hotels and restaurants remained merely at the level of the year before. Value added growth in financial intermediation did not yet slow significantly in 2008, mainly thanks to high inter-bank interest rates; y-o-y growth of net interest income thus remained relatively strong.

After slowing for two years, real growth of value added of public services strengthened notably last year (to 2.7%). Higher value added growth compared to 2006 and 2007 was achieved in all public service activities and was linked to relatively strong employment growth.

⁴ Data on the value of completed construction work indicate that Q4 growth was a result of the favourable movements in October, as November and December posted y-o-y declines.

⁵ In interpreting data on the value of residential construction, it should be noted that these figures exclude the activity of smaller enterprises, where the main activity is judged to be the construction of residential buildings.

Inflation

By the end of the year, y-o-y inflation dropped significantly from the high levels recorded in the first half of the year; with a time lag, average inflation also started to slow. In the first half of last year, consumer price growth hovered between 6% and 7%, but dropped to 2.1% until December. Average inflation also started to fall, but, totalling 5.7%, was higher than in 2007 (3.6%) due to high rates in the first half of the year. Under the impact of price shocks on world commodity markets, inflation dynamics were similar as in the total euro area⁶ (see Figure 5); however, due to the specificity of the Slovenian market, these shocks were to a larger extent passed through to domestic growth of prices.⁷

Inflation was mainly determined by oil and food prices.

While oil price rises were pushing up prices of liquid fuels for transport and heating in the first half of the year and contributed 1.6 p.p. to inflation, this contribution turned negative by the end of the year due to oil price drops on the global market (-1.4 p.p.).⁸ Similarly, the contribution of food price growth to inflation diminished significantly (0.6 p.p. at the end of 2008, relative to 2.1 p.p. in the year before) as a result of falling food prices on global markets against the background of slowing economic activity.

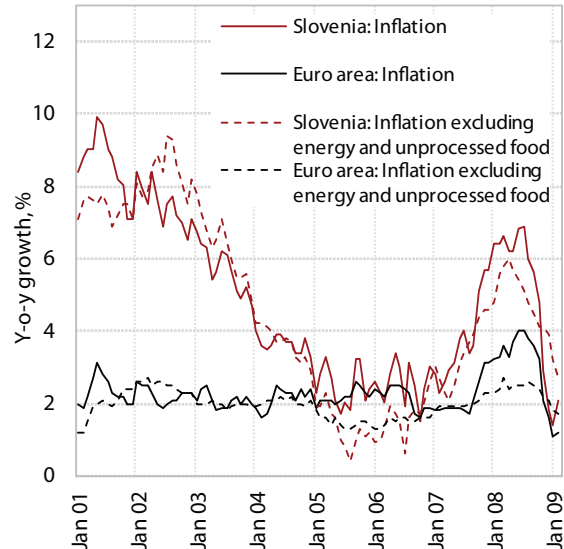
Price growth in other merchandise groups accelerated last year, partly due to the spillover of the past oil price rises and partly to the impact of past strong economic activity. Other product groups (except food and liquid fuel prices), which accounted for approximately 40% of the consumer basket in 2008, contributed around 1.7 p.p. to inflation last year (1 p.p. in 2007). Within that, the contribution of certain energy price rises (gas, electricity, district energy and solid fuels) was mainly a result of the past oil price movements, which besides the EUR/USD ratio form the price of natural gas, determining the district heating price. Price rises in other groups (clothing and footwear, alcoholic beverages and tobacco, means of transport, housing equipment) were by our estimate linked to relatively strong past growth of economic activity; these prices were on a moderate upward trend for the whole year, also when the contribution of liquid fuels and food to inflation started to decline. Growth of goods prices (excluding energy and food prices) totalled 2.9% in 2008 (about 1.9% in 2007). After having increased

⁶ As a result of the process of real convergence, in the long run the level of inflation diverges from average inflation in the euro area. By our estimate, the long-term equilibrium level stands at around 3% and differs from the ECB medium-term inflation target (around 2%) by the spread attributable to the economic convergence with the more developed EMU countries (the Balassa-Samuelson effect), which is around 1% by the latest estimates.

⁷ In 2008, oil prices accounted for a 60% higher share in the basket of consumer goods in Slovenia compared to the euro area average. Faster food price rises resulted from the specificity of the market structure and organisation in Slovenia.

⁸ Brent oil price dropped from the average of USD 133 to the average of USD 40 per barrel in the period from July 2008 to December.

Figure 5: Measured and core inflation in Slovenia and euro area, 2001–2008, %

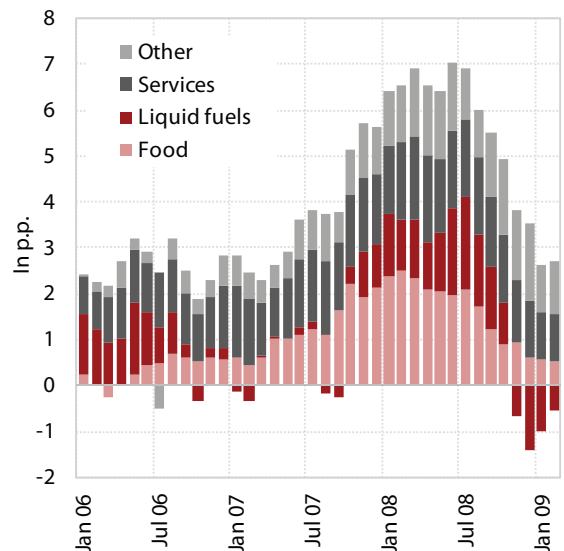


Source: SORS, Eurostat.

for several years, growth of services prices also started to slow in the second half of the year, contributing 1.2 p.p. to inflation (1.5 p.p. in 2007).

Core inflation⁹ also started to slow in the second half of 2008. After rising y-o-y from June 2007 and reaching its peak in July 2008 (5.1%), core inflation dropped to 3.9% in the second half of 2008. The key factors in the rising and falling of core inflation were the movements of processed-food price growth, which slowed from its peak level of

Figure 6: Contributions of price rises to y-o-y inflation, 2006–2008, in p.p.



Source: SORS; calculations by IMAD.

⁹ Consumer price index, excluding non-processed food and energy prices.

11.3% in April 2008 to 5.2% in December; to a lower extent weaker service price growth also was a factor.

Prices under various regimes of regulation dropped in 2008. In total, they were 7.8% lower; energy prices declined by 11.9%, while other administered prices increased by 0.4%. In line with the Plan of Administered Prices Adjustment for 2008 and 2009, administered price growth thus lagged behind market-determined price growth, which was 3.6%, by our estimate.

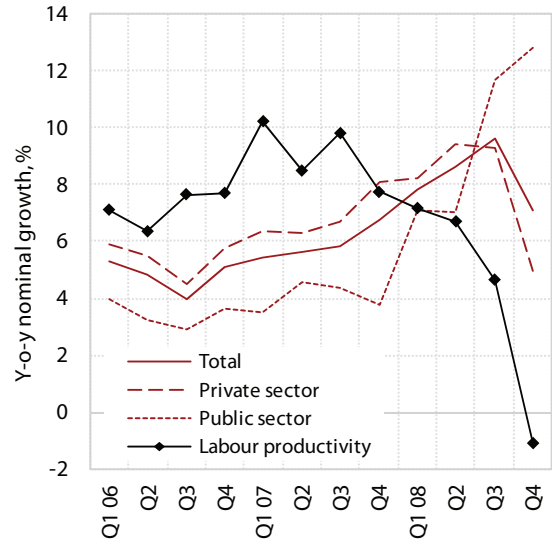
Wages

In 2008, after seven years, wage growth surpassed labour productivity growth again. In 2008, the gross wage per employee increased by a nominal 8.3% and by a real 2.5%. Growth of the gross wage in the private sector was in line with the forecast, while in the public sector it was half percentage point higher. Growth of the average gross wage exceeded labour productivity growth in nominal and in real terms (by 3.6 p.p. and 1.9 p.p., respectively).

In the first half of 2008, growth of gross wages in the private sector was mainly marked by the extraordinary adjustment of basic wages, while toward the end of the year it slowed notably due to the decline in economic activity. Growth of the gross wage per employee in the private sector amounted to 7.8% in nominal and 2.0% in real terms last year. Y-o-y nominal gross wage growth in the private sector was 8.8% in the first half of 2008, partly due to disbursement of payments related to company performance in the previous year and mainly as a result of the extraordinary adjustment of basic wages due to higher-than-expected inflation in 2007.¹⁰ This adjustment had a significantly higher effect on wage rises than August's regular adjustment of starting wages and the lowest basic wages for anticipated inflation. In the second half of the year, y-o-y growth of wages was slower (7.0%), particularly due to the exceptional slowdown in Q4. With falling economic activity, disbursement of 13th month payments and Christmas bonuses was much more modest last year than in 2007; the average amount of these extra payments declined as did the percentage of recipients.

Last year's strong growth of public sector wages was mainly a consequence of the beginning of elimination of wage disparities in that sector.¹¹ In 2008, the gross wage per employee in the public sector was higher by 9.7% in nominal and 3.8% in real terms. In the first half of the year, y-o-y growth of wages was slower than in the private sector (7.1%, in nominal terms). In February, public sector wages were adjusted by 3.4% for higher-than-expected

Figure 7: Gross wages and labour productivity, 2006–2008, nominal growth, %



Source: SORS, calculations by IMAD.

2007 inflation, with a settlement for January. In the first half of the year, wage growth was also impacted by increased workload due to the Slovenian presidency of the EU. In the second half of the year, y-o-y wage growth jumped to 12.3%. This strong growth was already partly due to the regular wage adjustment in July,¹² but to a larger extent to the beginning of disbursement of funds to eliminate wage disparities last August. The highest wage rises were recorded in health and social care,¹³ due to the highest volume of elimination of disparities. Annual wage growth by activity also came from regular promotions.

Employment and unemployment

In 2008, employment growth remained approximately at the same level as in the year before and the number of unemployed persons declined more than seasonally expected only in December. In 2008, even more notably than in the year before, the number of employed increased due to the higher employment of foreign workers, which accounted for around 80% of the increase. The growth according to the labour force survey which does not include foreign workers was thus significantly lower than the growth according to the other two statistics (see Table 1). Due to a significant time lag in the slowdown of employment growth behind the slowdown of economic growth, labour productivity growth dropped notably in 2008 (to 0.6%, from 3.7% in 2007, and on average in the period 2000–2007). Slower growth of economic

¹⁰ Agreed in the Collective Agreement on Extraordinary Wage Adjustment for 2007 and the Wage Adjustment Mechanism, Reimbursement of Work-Related Costs, and Other Remuneration for 2008 and 2009.

¹¹ Agreed in the Collective Agreement for the Public Sector.

¹² By 2% or by half of anticipated last year's inflation.

¹³ Average nominal gross wage growth in health care and in the public administration was 12.2% last year (wage rises in the public administration were also a result of the presidency of the EU in the first half of the year), and 7.0% and 6.4%, respectively, in education and other public services.

Table 1: Number (in '000) and growth of the number of persons in employment, 2007–2008, different methodologies

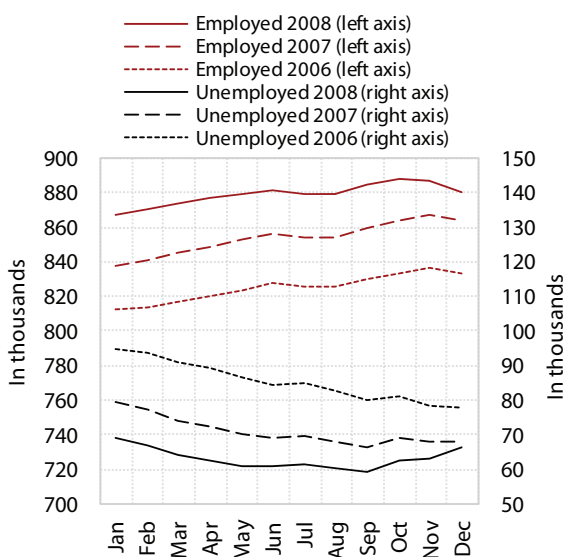
	2007	2008	2008/ 2007
National Accounts Statistics	963	990	2.9 %
Labour Force Survey	925	942	1.9 %
Statistics on Formal Employment	854	879	3.0 %

Source of data: SORS.

activity in the second half of the year was first reflected in a lower number of vacancies and persons hired. The number of vacancies and persons hired declined by more than a fifth by the end of the year, compared with the same period of 2007. Employment of foreign workforce increased in the year as a whole. The number of work permits for foreigners amounted to 90,696 in December (up 37.3% from the year before). The greatest increase in the number of permits was recorded in construction and in occupations in shortage within manufacturing, trade, transport and hotels and restaurants.

Also in 2008, the number of employed persons increased the most in construction, while in manufacturing it was declining from the first half of the year. Last year, the strongest growth was recorded in the construction sector, which employed as much as over 9% of all employed persons and almost half of all foreign workers with work permits. Strong employment growth also continued in business activities. Above-average increases were posted in transport, financial services, trade and other community, social and personal services. The number of employed persons decreased in agriculture, fisheries and mining. The largest decline was recorded in manufacturing, where the number of employed began

Figure 8: Employed and unemployed persons in 2006–2008, in '000



Source: SORS.

Table 2: Average number of unemployed and unemployment rates, 2007–2008, different methodologies

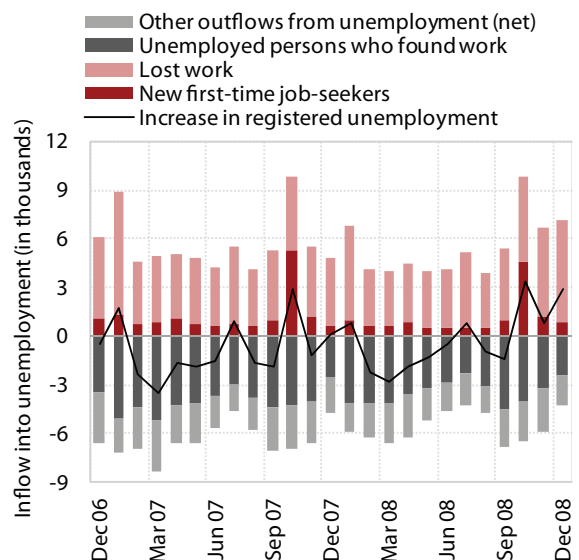
	2007	2008	2008/ 2007
Number of registered unemployed	71,336	63,215	-11.4 %
Number of survey unemployed (ILO)	50,000	46,000	-8.8 %
Registered unemployment rate	7.7 %	6.7 %	
Survey unemployment rate (ILO)	4.9 %	4.4 %	

Source of data: SORS.

to fall in the first half of the year, and was down by as much as 3.1% by December, relative to the year before. It declined by 0.6% compared to the average for 2007.

Amid increasing employment, the decline in the number of unemployed continued in 2008, and stopped only in the last quarter. Given the decline in the number of unemployed, the registered unemployment rate declined as well. In September, it reached the lowest level (6.3%) since 1991. In Q4, the unfavourable economic situation started to show on the labour market. Due to a higher number of persons who lost work and a lower number of unemployed who found it, the registered unemployment rate increased again, to 7.0% (see Table 2). Due to higher informal employment, the survey unemployment rate remained low also in the second half of the year; the average annual rate was the lowest since the beginning of measurement.

Figure 9: Structure of inflows into and outflows from unemployment, 2006–2008, in '000

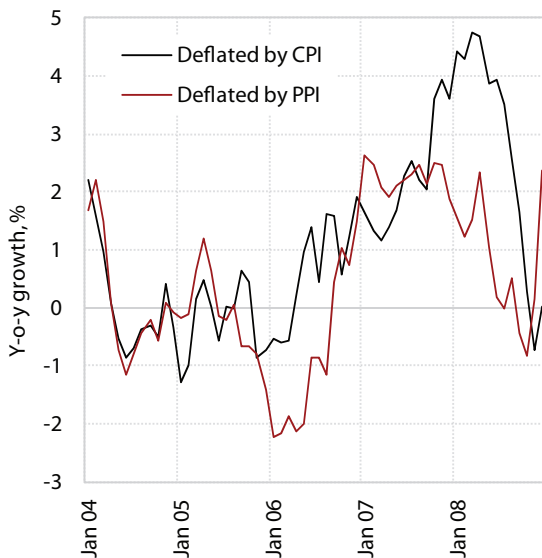


Source: ESS; calculations by IMAD.

Price and cost competitiveness

Worsening of price competitiveness in 2008, somewhat greater than in the year before, was a result of accelerated growth of relative consumer prices.¹⁴ The increase in the nominal effective exchange rate (0.5%) was lower than in 2007, due to a rapid depreciation of the EUR against the USD, JPY and CHF since August 2007. In the second half of 2008, relative consumer prices also recorded slower growth, but higher on average than the

Figure 10: Real effective exchange rate, 2004–2008



Source: BS, ECB, OECD, SURS, calculations by IMAD.

Note: The effective exchange rate against the 17 trading partners includes 7 countries from the euro area (Austria, Belgium, Germany, Italy, France, Netherlands, Spain) and 10 extra-euro area trading partners (UK, Denmark, Sweden, Czech Republic, Hungary, Poland, Slovakia, USA, Switzerland, Japan).

year before, owing to their accelerated growth in the first half of the year. Real growth of the effective exchange rate measured by relative consumer prices was, therefore, also stronger (2.8%, 2.3% in 2007),¹⁵ even though in Q4 the exchange rate was already slightly falling, after posting considerable growth in the first half of the year and slower growth in Q3. Real growth of the effective exchange rate deflated by relative producer prices in manufacturing was much weaker (at 1%) in 2008. Relative growth of producer prices in manufacturing was modest in 2008, except in Q4, when its moderation in Slovenia was slower than in Slovenia's trading partners.

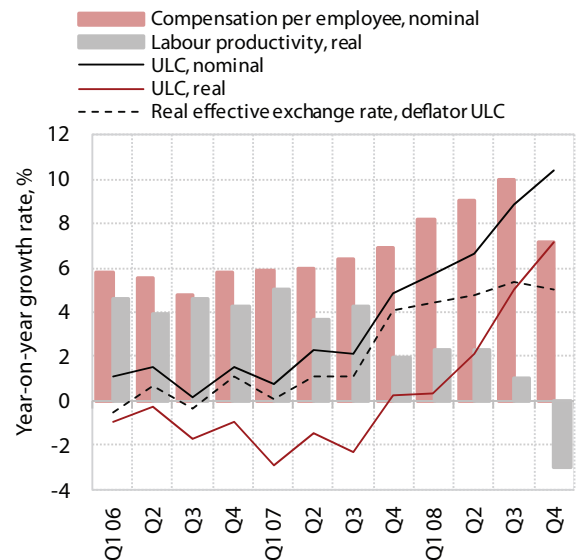
The significantly greater deterioration of cost competitiveness relative to 2007 resulted from notably

¹⁴ Inflation in Slovenia compared to Slovenia's trading partners.

¹⁵ Price competitiveness measured by relative consumer prices also deteriorated more notably in most other euro area members. Six Member States recorded higher deterioration of price competitiveness than Slovenia, compared with 2007 (only Ireland in 2007).

slower labour productivity growth combined with a faster increase in the compensation of employees per employee. Accelerated growth in the compensation of employees per employee (8.5%, compared with 6.3% in 2007) in the first half of 2008 was a result of the wage adjustment for high inflation and productivity, particularly in the private sector; in the second half of the year, it was due to the beginning of the elimination of wage disparities in the public sector. Due to accelerated relative growth of the nominal unit labour costs, the increase in the real effective exchange rate was more pronounced last year (4.9%, compared with 1.6% in 2007). Given that the compensation of employees per employee also increased at a much faster rate compared with labour productivity growth, the increase of real unit labour costs was more pronounced as well (by 3.7%, an 1.5% drop since 2007) and was among the largest in the EU.¹⁶ The strong softening of labour productivity growth (0.6%, 3.7% in 2007) was a result of slower economic activity, while employment growth remained high.

Figure 11: Cost competitiveness of the economy and its components, 2006–2008



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

Current account of the balance of payments

In 2008, the current account deficit was the highest since Slovenia gained independence. It totalled EUR 2,179.6 m or 5.9% of GDP (1.7 p.p. more than in 2007). For the third year in a row, the deficit in current transactions mainly came from a higher deficit in merchandise trade, nearly half on account of deteriorated terms of trade (index 98.0). The merchandise trade deficit reached EUR

¹⁶ In 2008, real unit labour costs increased by 1.6% in the EU and 1.5% in the euro area, according to the available estimates.

2,661.5 m or 7.2% of GDP (2.3 p.p. more than in 2007). With unchanged terms of trade, the merchandise deficit would have been more than EUR 460 m lower, by our estimates. Amid a strong deceleration of merchandise export growth, the higher trade deficit was also partly a result of domestic consumption growth which was still relatively strong.

The factor income deficit also widened, largely due to higher net payments of interest. For the second year in a row, net interest payments were the main driver of factor income deficit growth. Due to the strong borrowing in the first half of the year, the increase in interest payments to the rest of the world was higher than the increase in interest receipts from foreign loans.

Current transfers recorded a lower deficit last year than in 2007. The deficit narrowed mainly thanks to the surplus in insurance premiums and other transfers of the private sector, while the general government deficit

was higher again than in 2007. For the second year in a row, the widening was also due to the net outflow into the EU budget (EUR 64.7 m, compared to a mere EUR 8.7 m in 2007) as a result of the less-than-50% realisation of revenue from the EU budget, but also higher-than-foreseen payments to the EU budget. The bulk of the general government deficit otherwise came from net payments of taxes and contributions to the rest of the world.¹⁷

The deterioration of the current account deficit was offset by the surplus in the services balance, which was higher than in 2007. Last year, the surplus in the services balance totalled EUR 1,702.5 m or 4.6% of GDP (1.1 p.p. more than in the year before). The surplus mainly increased as a result of a higher surplus in travel services, but also in transport services (particularly in road and air transport), while the deficit in the group of other services declined, chiefly on account of higher net exports of construction and merchanting services.

¹⁷The bulk of the general government deficit in current transfers is due to remittances of pensions (other current transfers) and social security contributions and benefits in cash to non-residents.

Forecasts of economic trends in 2009 - 2011

Assumptions of the spring forecasts

World economic growth and the volume of world trade will decline this year. According to the OECD assumptions released at the end of March 2009, global GDP is set to shrink by 2.75% in real terms this year for the first time in 60 years (6 p.p. less than last year). The recession is a consequence of the deepening of the financial crisis of September 2008. Through different channels, the crisis spread relatively rapidly to other sectors of the economy and will contribute to a considerable decline in the volume of world trade. According to the latest forecasts of international institutions, the volume of world trade is set to drop by 10% to 15% this year. Advanced countries will face a real GDP decline this year, while in developing countries economic growth will slow considerably due to the decreasing of capital inflows and shrinking trade flows.

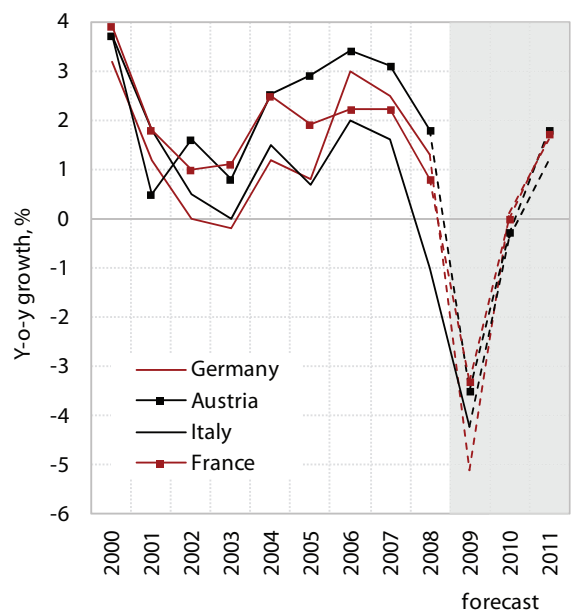
Amid a notable worsening of the economic situation and prospects for recovery, this forecast is made under the assumption of a significantly deteriorated international environment. Consistent with the forecasts by international institutions, this forecast's assumptions for the international environment (see Table 3) anticipate recession in most our trading partners in 2009. The key reason for the considerable worsening of the outlook for this year remains the financial crisis, which spilled over to other sectors of the economy through tightened lending conditions coupled with a steep business confidence decline. The latest projections suggest that recessionary tendencies might ease towards the end of this year. A gradual recovery of economic growth can only be expected in the second half of 2010, though individual countries are still forecast to post GDP declines in the year as a whole.

Countries have already adopted various stimulus packages in response to the financial and economic crisis, but the key risk is their efficacy. At its December summit, the European Council launched the European Economic Recovery Plan to boost the economy. It set the framework for the formulation of timely and targeted, yet temporary measures, which are consistent with the long-term goals and at the same time support the structural reforms in line with the Lisbon Strategy. In view of these measures, individual Member States have already adopted their national fiscal packages aimed at stabilising the financial markets and mitigating economic and social consequences of the recession. By January 2009, these measures accounted for 4.0% of the total EU GDP according to the EC estimate. This year, the Member States continued introducing additional, mainly fiscal, measures to kick-start the economy. In the US, the

government passed a major fiscal package of USD 787 bn to help solve the crisis. At the end of March, the US government also announced a plan to buy USD 1,000 bn of bad bank assets through public-private partnerships (particularly mortgage bonds and other non-performing financial derivatives, which are the main reason for stagnant credit flows) to get the financial system working. In February, the Fed announced the launch of a new scheme to increase buying of mortgage bonds (by an additional USD 700 bn) and start buying long-term government bonds (in the amount of USD 300 bn). With regard to the current situation, it cannot be reliably assessed when the adopted measures will start to work, but their implementation and efficacy will be crucial for the speed at which recessionary tendencies will turn around and for the rebound of economic growth.

The decline of economic activity in our main trading partners from the euro area will be higher than expected. Due to the decline in world trade and foreign demand, exports are set to drop considerably in the total euro area despite the depreciation of the euro. Along with tight lending conditions and lower capacity utilisation, this will contribute to a dramatic decline in investment (particularly investment in machinery and equipment and investment in construction). The situation on the labour market will deteriorate significantly as well. Despite falling inflation, higher unemployment and lower wage rises will contribute to slower private consumption growth this year; in some key trading partners, it will even decline. Weaker economic activity and weaker private consumption growth will also have a negative effect on euro area imports. The sole component of demand to remain at the level of previous years will be general

Figure 12: Economic growth in Slovenia's main trading partners from the EU area, 2000–2011, %



Source: Eurostat.

Table 3: IMAD's assumptions of economic growth in Slovenia's main trading partners in 2009–2011 and comparison with revised autumn forecasts

	2007	2008	2009		2010		2011
			Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Spring forecast (Mar. 2009)
EU	2.9	0.9	-0.2	-3.9	1.1	-0.3	1.9
Euro area	2.7	0.8	-0.5	-4.1	0.9	-0.3	1.8
Germany	2.5	1.3	-0.6	-5.1	1.0	0.1	1.6
Italy	1.5	-1.0	-0.6	-4.2	0.6	-0.4	1.2
Austria	3.1	1.8	0.5	-3.5	1.2	-0.3	1.8
France	2.2	0.7	-0.5	-3.3	1.0	0.0	1.7
U.K.	3.1	0.7	-1.3	-3.5	0.8	-0.2	2.1
Czech Rep.	6.5	3.5	3.0	-1.8	4.2	1.7	3.8
Hungary	1.3	0.5	0.3	-4.0	1.5	0.7	3.0
Poland	6.5	5.4	3.5	0.2	4.0	2.3	3.8
Croatia	5.6	2.2	3.0	-3.0	4.0	1.0	4.0
Bosnia and Herzegovina	6.0	5.6	4.0	-2.0	4.5	-1.0	0.0
Serbia	7.5	5.6	4.5	-3.0	4.8	0.0	2.0
Macedonia	5.1	4.6	4.5	-2.0	5.0	0.0	2.0
USA	2.0	1.1	-0.7	-4.0	1.3	0.0	3.3
Russia	8.1	5.6	5.5	-4.0	6.0	2.5	4.6

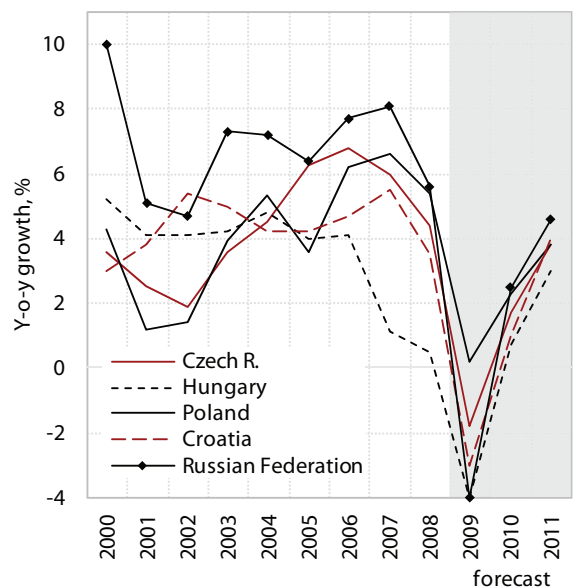
Source of data: Eurostat; Consensus Forecasts, January 2009, February 2009, March 2009; European Commission, DG Ecfm – Interim Forecast, January 2009; ECB staff macroeconomic projections for the euro area, March 2009; Economist Intelligence Unit Country Reports (for Bosnia and Herzegovina, Serbia, Croatia), January 2009, February 2009; WIIW Current Analysis and Forecasts, February 2009; IMAD estimates.

government consumption, preventing an even greater contraction of euro area economies. A gradual recovery of the euro area economy is expected for 2011, but with economic growth still below the long-term average.

After the slowdown of economic growth in 2008, a faster-than-projected GDP decline in 2009 is also expected in Slovenia's trading partners from Eastern and South-Eastern Europe. As a result of a decline in foreign demand and high indebtedness, the economic crisis will have a much greater impact on these countries than anticipated in December. After considerable downward revisions of economic growth, a significant slowdown is projected for Poland this year; economic growth will be much lower than last year also in Slovakia, while Hungary and the Czech Republic are set to post GDP declines. All countries in this group are projected to record slight economic growth next year, which is set to strengthen somewhat further in 2011. In 2009, GDP is also expected to decline substantially in the countries of the former Yugoslavia. In Russia, where the first signs of moderation were already visible last year, GDP will fall in real terms this year, in addition to the shrinking domestic and foreign demand also on account of lower prices of oil. A gradual recovery in Russia and in the area of the former Yugoslavia (except for Bosnia and Herzegovina) is predicted for 2010, picking up slightly in 2011.

This year, a significant GDP decline is also expected in the US. The shrinkage of GDP will be mainly underpinned by the expected drop in private consumption and, in

Figure 13: Economic growth in Slovenia's main trading partners from South-Eastern Europe, 2000–2011, %



Source: Eurostat.

Table 4: **Spring forecast assumptions of Brent crude prices in 2009–2011 and comparison with the revised autumn forecast, USD/barrel**

	2007	2008	2009		2010		2011
			Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Spring forecast (Mar. 2009)
Average oil price	72.4	96.9	50.0	45.0	50.0	55.0	60.0

Source of data: World Bank, assumptions for 2009–2011 by IMAD.

particular, private investment, due to the non-functioning of financial markets resulting in a lower availability of loans, continuation of the housing market crisis and increasing unemployment. Export growth will also decline, given the shrinking global demand. Assuming that the major fiscal stimulus package approved by the US government will take effect, the economy should start recovering in 2010; owing to higher flexibility of the American economy, the recovery may be somewhat faster than in Europe.

The spring forecast assumes that oil prices will remain relatively low, between USD 45 and USD 60 a barrel. The price of Brent crude plummeted in the second half of 2008, from more than USD 140/barrel in July to around USD 40/barrel in December. In the first two months of this year, the price stabilised at an average of USD 43.4 per barrel. This low level is mainly attributable to lower demand for oil as a result of significantly diminished economic activity this year. The technical assumption of the average oil price for this year anticipates its stabilisation at USD 45/barrel. In the next two years, the assumption on oil prices is slightly higher, based on a gradual recovery of the economy (to USD 55 a barrel in 2010 and USD 60 in 2011).

The assumption of the euro exchange rate is based on a stable euro to US dollar ratio in the recent period. The

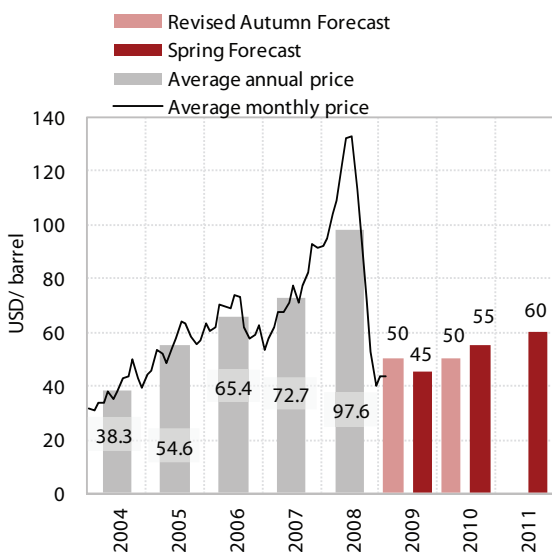
average US dollar/euro exchange rate was USD 1.47 to EUR 1 last year, 7.3% higher than in 2007. On the basis of the average exchange rate of the euro between February 9 and March 6, the technical assumption of the euro exchange rate in 2009 and in the next two years is USD 1.27 to EUR 1 (USD 1.52 to EUR 1 in the autumn).

Economic growth

Spring projections are substantially revised downward with regard to the revised autumn forecasts from the end of December. The spring forecast is based on the assumption that the international environment will continue to deteriorate in 2009, as in most of our main trading partners the negative effects of the financial crisis on the real sector will not start to abate before the end of the year. According to these assumptions, the first signs of recovery might be visible in 2010, but no major rebound of economic activity is expected before the middle of the year.

Under the influence of the global crisis, Slovenia's economy will post negative growth this year for the first time since 1992. GDP is predicted to decline by 4.0% in real terms. The contraction of economic activity will be largely attributable to a significant slowdown of key factors of economic growth in previous years – real drops in exports and investment. Real private consumption will also be lower than in 2008. Only government consumption is thus expected to post a real increase. The forecast is based on the adopted supplementary budget for 2009 and measures to offset the consequences of the crisis.¹⁸ As a result of the high export dependency of Slovenia's economy and its integration in international financial and economic flows, the domestic economic recovery will be crucially dependent on developments in the international economic environment and the efficacy of economic policies across Europe and in the whole world.

Figure 14: **Price of Brent crude oil -- actual dynamics, spring forecast assumptions and comparison with the revised autumn forecast**



Source: World Bank, assumptions for 2009–2011 by IMAD.

¹⁸The first package of measures in response to the financial and economic crisis was adopted last December. The measures were mainly aimed at increasing the banking system liquidity, cutting public expenditure and keeping jobs. The second stimulus package, which upgraded the first package with concrete measures, was adopted in February 2009. A considerable amount of funds are still aimed at boosting the lending activity of banks to improve liquidity and enhance lending to enterprises, while some of the funds are intended for development-oriented measures.

Exports will decline significantly in real terms as a consequence of recession in Slovenia's main trading partners. Exports will drop by a real 8.6% relative to last year. The decline in merchandise exports (-10.2%) will be a consequence of the economic crisis in Slovenia's main trading partners, especially in the EU countries, which account for 70% of total merchandise exports. Merchandise exports to the EU countries will drop by around 14% in real terms, by our estimate. Exports to the countries of the former Yugoslavia will also shrink, as will exports to the Russian Federation and the US. Exports of services (-2.1%) will drop relative to those last year as well, and will be, coupled with lower merchandise exports, mainly a result of diminished exports of transport services. Given the financial and economic crisis, exports of financial, insurance and construction services are set to decline as well.

Amid the tightened financial and economic conditions, investment activity is expected to post a significant decline. Gross fixed capital formation is projected to decline by a real 12%. Both construction investment and investment in machinery and equipment will drop. Compared to last year, which boasted vigorous highway construction, investment in road infrastructure will see a substantial decline, while investment in energy infrastructure is expected to pick up. Judging by the number of issued building permits and housing market inactivity, investment in new dwellings is projected to drop this year, after five years of growth. Given the decline in the total floor area planned by building permits, investment in non-residential buildings is predicted to decrease as well.¹⁹ Investment activity in the private sector will also be affected significantly by the considerable worsening of the situation in the international environment and deteriorating lending conditions on financial markets. With notably lower capacity utilisation in manufacturing (see Figure 15), investment in machinery and equipment is set to decline by some 15% this year.

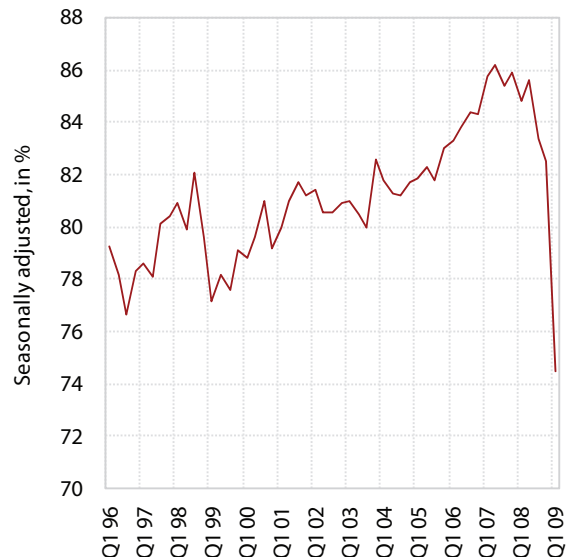
As a result of increased pressure to reduce inventories, their contribution to economic growth will be negative this year. After strong increases in inventories over the past few years,²⁰ inventories are expected to make a negative contribution to GDP growth this year (2.2 p.p.). With declining foreign demand, lower demand for dwellings and more modest household spending on durables, coupled with increasingly difficult access to finance, the downward pressure on inventories will increase in all sectors.

Given the anticipated worsening of the situation on the labour market and higher propensity of households to save, private consumption is also projected to drop in 2009. Consumption is expected to post 0.6% negative real growth, which will thus be nearly one percentage

¹⁹ The total floor area of non-residential buildings planned by building permits issued last year was 26.7% smaller than in 2007, when it dropped by 18.0%.

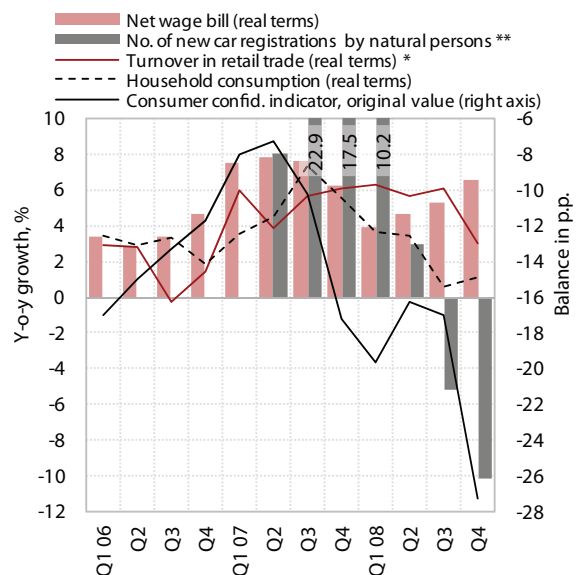
²⁰ Inventories increased by an average of 4.1% of GDP in 2007 and 2008.

Figure 15: Capacity utilisation in manufacturing in 1996–2008, seasonally adjusted, %



Source: SORS; calculations by IMAD.

Figure 16: Short-term indicators of private consumption and household consumption in 2006–2008, growth in % and flows in EUR m



Source: SORS, MI-IAAD.

Note: *Turnover in retail trade excluding vehicles and fuels.

**Data available since March 2006.

point lower than the estimated disposable income growth. Disposable income growth will be positive this year, despite a 2.7% reduction in the wage bill (mainly as a result of the anticipated 4.9% decline in the number of persons in employment), given that expenditure on social transfers will increase. However, propensity to save will increase at the same time in 2009, as (due to the deteriorated economic situation) households will postpone purchases of durable goods, which have already been decreasing since the end of last year.

Only government consumption will increase in real terms this year. The forecast of 3.2% real growth is based on the adopted supplementary state budget and financial plans of the health and pension funds and local government budgets. Social transfers in kind supplied by market producers will post the largest increase (by more than 10% in real terms), partly as a financial consequence of measures adopted in the run-up to elections in the second half of 2008 (subsidies for pupils' meals, free kindergarten care for the second child of families and all subsequent children attending kindergarten at the same time) and partly due to a remarkable real growth of expenditure on medicines (around 5%). Real growth of government intermediate consumption will slow somewhat relative to 2008, but will remain relatively strong (around 5.5%). The real increase in the compensation of employees will be modest this year when the public administration will post a substantial slowdown in the growth of the number of employees (0.4%).

With waning export activity and considerably lower domestic consumption, particularly due to a decline in investment, imports will post a strong real decline. With regard to our expectations regarding modest foreign and domestic demand, imports are projected to drop by 10.3%. Merchandise imports will drop considerably (-11.5%) as a result of a remarkable decline in imports of intermediate goods in view of the anticipated drop in manufacturing production volumes, and lower imports of investment goods as a consequence of limited investment of enterprises in machinery and equipment. Consistent with more modest household spending, imports of consumer goods will also be lower than last year. Imports of services will decline (-2.6%) in light of lower imports of transport services associated with weaker industrial activity; in view of the tougher situation on the labour market, imports of travel services are set to decline as well.

Given that the real decline in imports will exceed the fall of exports, the net exports are expected to make a positive contribution to economic growth this year (1.4 p.p.).

Under the assumption that recession in the international environment will slow, economic activity will strengthen slightly in 2010. Under these assumptions, GDP is expected to increase by 1.0% in real terms next year, thanks to accelerated domestic consumption. Growth of general government consumption will remain vigorous; private consumption and investment will also start to rise at a moderate pace. Exports will strengthen in line with the anticipated economic recovery in Slovenia's main trading partners, particularly outside the EU.

Assuming that economic recovery in the international environment will be slow, exports will only post a slight increase. In 2010, real export growth is projected to be at 1.7%. Given that economic activity in Slovenia's main trading partners is not expected to recover before the second half of the next year, exports to the EU will continue

to drop in real terms in 2010, albeit at a slower pace than this year. A more notable strengthening is projected for exports to non-EU countries; total merchandise exports are therefore projected to record modest growth (1.0%). Exports of services are set to post stronger growth (4.4%), mainly on account of export growth in the group of other business services (of which merchanting services and consultancy, financial and construction services) and travel services.

The increase in investment activity will be mainly generated by investment in transport infrastructure.

Gross fixed capital formation is expected to increase by 1.0% in real terms next year. Based on infrastructure construction plans for 2010, investment in highways is expected to increase again; investment in railway infrastructure is also set to grow, while investment in energy infrastructure will decline. In the wake of the significant slowdown of construction investment in 2009, investment in new dwellings is not yet expected to increase in 2010. Investment in machinery and equipment is projected to stagnate in 2010, in line with the expectations that, with a gradual recovery of economic activity in the second half of the year, capacity utilisation will increase, though it will still be rather low, given the significant decline in the year before. Relatively low capacity utilisation will have a negative impact on business investment, even though the international economic environment will gradually improve.

Private consumption growth is also expected to start increasing at a moderate pace next year.

The 1.0% real growth of private consumption is projected to be the result of a slightly stronger wage bill growth²¹ (0.8%), despite a further drop in employment. In line with the current expectation for the duration of the economic crisis, consumers are likely to remain cautious when making major purchases. Owing to precautionary saving, the strengthening of household consumption will be slow.

Government consumption growth is expected to strengthen further in 2010.

Government consumption is set to increase by 3.8% in real terms.²² According to our expectations, real intermediate consumption growth will remain relatively strong. Expenditure on social transfers in kind is also predicted to increase, as a result of the measures adopted in response to the crisis.

The increase in domestic demand will, in addition to revived export activity, have a favourable impact on imports.

According to our forecast, imports will increase by 1.6% in real terms next year. Merchandise imports will start rising (1.1%) with the rebound of production in manufacturing and higher private consumption. Imports of services will strengthen at an even faster pace (4.3%).

²¹ For most households, wages are the main source of income.

²² Government consumption as a share of GDP will increase significantly in the following two years, from 17.9% in 2008 to 19.7% in 2009 and 20.8% of GDP in 2010.

Table 5: Spring forecasts of GDP growth and consumption aggregates for 2009–2011 and comparison with spring forecasts

Real growth rates, %	2008	2009		2010		2011
		Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Spring forecast (Mar. 2009)
GROSS DOMESTIC PRODUCT	3.5	1.1	-4.0	3.1	1.0	2.7
Exports of goods and services	3.3	1.5	-8.6	4.8	1.7	5.4
Imports of goods and services	3.5	0.5	-10.3	5.3	1.6	5.2
External trade balance, contribution to growth in p.p.	-0.2	0.8	1.4	-0.5	0.1	0.1
Private consumption	2.2	2.8	-0.6	3.8	1.0	2.0
Government consumption	3.7	2.2	3.2	2.6	3.8	3.2
Gross fixed capital formation	6.2	-2.0	-12.0	5.0	1.0	4.0
Inventories, contribution to growth in p.p.	0.2	-1.0	-2.2	-0.2	-0.5	-0.1

Source of data : SORS, forecasts by IMAD.

Box 1: Movement of main aggregates of national accounts in 2009 and 2010

With improved terms of trade in 2009, the declines in real gross domestic income and national income will be lower than the decline in real GDP. In addition to changes in the GDP level, growth of real gross domestic income also measures changes in the purchasing power of income resulting from the changed terms of trade. If domestic producers post higher price growth in exports than imports (improvement in the terms of trade), their external terms of trade are improving, which is reflected in their higher real incomes or, in other words, in an increase in the purchasing power of their income and the national economy's income as a whole relative to the rest of the world. Vice-versa, if price growth is higher in imports than exports (deterioration in the terms of trade), real gross domestic income increases at a slower pace than GDP. After last year's deterioration of the terms of trade, when real gross domestic income posted its lowest growth (2.0%) in the total period for which comparable data are available (since 1995), the terms of trade are expected to improve for Slovenia's economy in 2009, as the decline on the import side is estimated to be 2.5 index points higher than the decline in export prices (particularly due to the drop of oil prices on the global market, which is also likely to be followed by a drop in prices of other primary commodities). Amid a 4.0% decline in economic growth, real gross domestic income is thus projected to shrink by 2.1% this year. Due to these movements of real gross domestic income, the real decline of gross national income (-2.2%), which also takes account of net inflows of primary income from abroad, will be less pronounced than the real GDP decline as well. As a result of the foreseen deterioration in the terms of trade by another 1.6 index points in 2010 and amid 1.0% economic growth, we expect a marginal real gross domestic income drop (0.1%) while real gross national disposable income is estimated to shrink by 0.5%.

Despite a decline in gross savings, the negative saving/investment gap will narrow significantly in 2009, given an even greater drop in gross capital formation. The movement of gross national disposable income aggregates (final consumption expenditure, gross capital formation and gross savings) also affects the size of the saving/investment gap. Amid a decline in gross national disposable income, final consumption growth will be positive in 2009, on account of an increase in government consumption and a relatively smaller drop in private consumption. Despite the higher propensity of households to save, total gross savings will decline, largely due to a higher general government deficit. Given that the decline in gross capital formation will be even more pronounced than the decline in gross savings this year, the negative saving/investment gap will narrow to 2.5% of GDP in 2009 (from 5.9% in 2008). In 2010, the growth of final consumption expenditure will strengthen further, and will be again higher than growth of gross national disposable income. The level of gross savings will, also due to the deteriorated terms of trade, drop further, presumably even more than the level of gross capital formation. Next year, the negative saving/investment gap will thus be higher (3.8% of GDP) than this year again.

Table 6: Gross savings and gross capital formation, in % of GDP

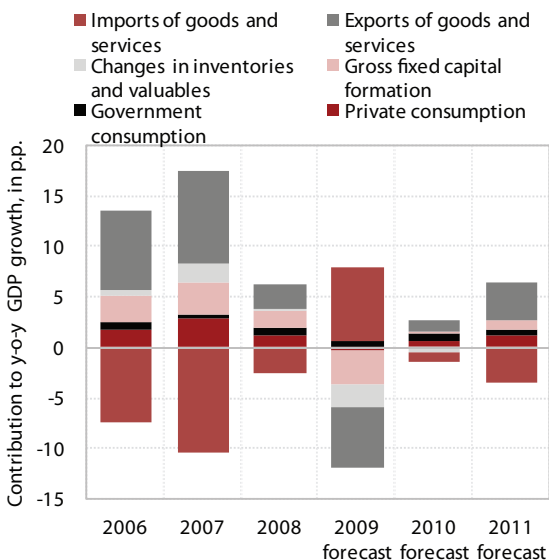
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
GROSS SAVINGS	24.1	24.4	24.7	24.3	24.8	25.3	26.3	27.4	26.4	24.5	22.6
GROSS CAPITAL FORMATION	27.3	24.8	23.8	25.2	27.4	27.1	28.7	31.4	32.2	26.9	26.4
Gross fixed capital formation	26.1	24.7	23.1	24.0	24.9	25.3	26.3	27.5	28.0	25.0	25.1
Current account balance (saving/investment gap)	-3.2	-0.4	0.9	-0.9	-2.6	-1.8	-2.4	-4.0	-5.9	-2.5	-3.8

Source of data: SORS.

The contribution of net exports to economic growth is expected to drop to 0.1 p.p. relative to the previous year.

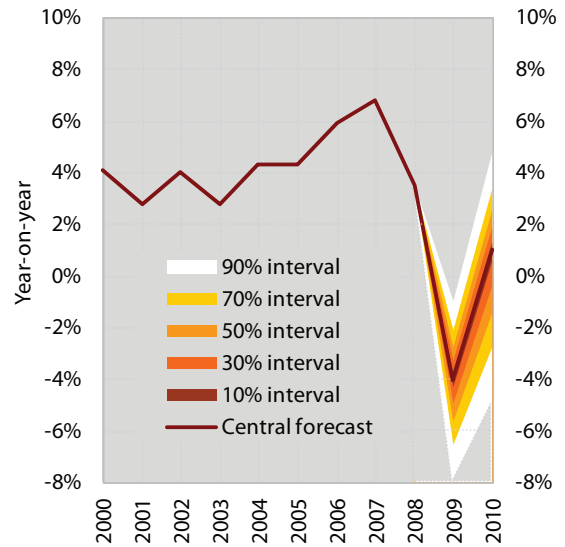
Under the assumption of a cyclical global recovery, economic growth is projected to increase further in 2011. GDP is set to increase by 2.7%. With regard to the predicted improvement of the situation in the international environment, *growth in exports of goods and services* is expected to strengthen rapidly in 2011, but will remain below the levels recorded in the period since 2000. Growth of merchandise exports to the EU will start increasing once again and growth of exports to non-EU countries will strengthen as well. Our forecasts also predict faster growth for services exports, the fastest for services based on knowledge and higher value added (such as various business, professional and technical services). The year 2011 is likely to see a rebound in *investment activity*. In view of the anticipated economic recovery in the international environment, investment of the business sector is expected to increase, particularly in industry, which is also expected to have a favourable impact on investment in non-residential construction. Against the background of the cyclical improvement of economic conditions, residential investment is expected to strengthen somewhat more once again. With increased consumer confidence, *private consumption growth* is set to pick up in 2011 in line with disposable income growth (by about 2.0%). Amid the beginning of the economic recovery, *government consumption growth* will be somewhat more moderate (3.2%). Stronger *growth in imports of goods and services* will thus be largely due to stronger growth in domestic investment amid higher export and production activity. Stronger growth of services imports will also mainly be related to a further strengthening of imports of services associated with various business, professional and technical activities.

Figure 17: Contributions to economic growth by component, 2000–2010, in p.p.



Source: SORS; calculations by IMAD.

Figure 18: Central forecast and probability of expected deviations



Source: IMAD.

Risks for the realisation of the forecast remain extremely high and are asymmetrically distributed downwards. The greatest risk still comes from the uncertainty regarding the dimensions of the financial and economic crisis. Frequent revisions of forecasts for the international economic environment and high disparities between consecutive forecasts show that the uncertainty about the depth and duration of the global economic crisis is still exceptionally high. If the recession in the international environment proves to be deeper and of longer duration, economic growth in this and in the next year may even be lower than predicted in the central forecast. The upside risk is the efficacy of anti-crisis measures in the international environment. If the packages aimed at stabilising the developments on financial markets start to work earlier than expected in the basic assumptions for the international environment, the economy may respond sooner or more vigorously than anticipated now.

Value added by activity

In 2009, value added will drop by 4.0% in real terms relative to the year before. A decline is expected in most private sector activities, and will be the deepest in industry and construction. In public services, value added growth will slow, after strengthening in 2008.

Value added in manufacturing will continue to decline in 2009, and will be, on average, a real 9.0% lower than in 2008. The key limiting factor to production will be low demand, both foreign and domestic, while the measures adopted in response to the crisis are mostly only alleviating current financing difficulties of enterprises. The large contraction of imports predicted for Slovenia's

main trading partners and, consequently, low investment activity in Slovenia and abroad will contribute to the shrinkage of demand, particularly in investment and intermediate goods. This is also corroborated by the available figures on capacity utilisation in Slovenia and in the rest of the world, which are currently very low, and on a significant decline in new orders in these sectors. The lowest decline in demand is expected in industries manufacturing non-durable consumer goods, such as the pharmaceutical industry.

Following three years of vigorous growth, value added in construction will fall by 10% in real terms in 2009. Lower activity is expected in both of the most important construction sectors, civil engineering and construction of buildings. Based on the plans of the Motorway Company in the Republic of Slovenia (DARS), investment in motorway construction is expected to shrink, after several years of vigorous growth. In terms of volume, this decline will significantly exceed the slight increase anticipated in investment in railway and energy infrastructure. The decline in residential and non-residential construction is indicated by data on the floor area planned by issued building permits. We estimate that in addition to financial restraints, this construction sector will be significantly impacted particularly by lower demand for non-residential as well as residential buildings in 2009.

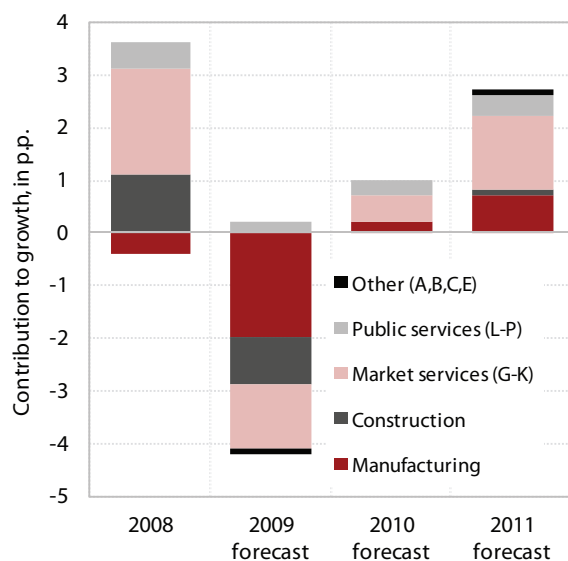
The deterioration in manufacturing and construction will be followed by lower activity in all market services. The total real drop in value added of market services will be at 2.8% in 2009. The contraction is set to be the largest in market services which are closely linked to domestic industrial and construction activities (business and real estate services, freight transport, wholesale trade). The

Table 7: **Spring forecasts of value added by activity, 2009–2011, real growth rates, %**

	2008	Forecast			
		2009	2010	2011	
A	Agriculture, forestry, hunting	-1.8	1.5	1.0	1.0
B	Fishing	-2.8	0.5	0.5	1.0
C	Mining	-4.3	-6.0	-4.0	-2.0
D	Manufacturing	-1.5	-9.0	1.0	3.5
E	Electricity, gas and water supply	2.1	-5.0	1.0	2.0
F	Construction	14.1	-10.0	0.0	1.0
G	Distributive trades	5.5	-2.0	2.0	3.5
H	Hotels and restaurants	0.1	-3.0	1.5	2.0
I	Transport, storage and communications	5.3	-4.0	0.0	3.0
J	Financial intermediation	11.9	-3.5	1.0	3.5
K	Real estate, renting and business activities	2.0	-2.5	1.0	3.0
L	Public administration, defence and social security	2.8	1.2	1.4	1.5
M	Education	2.0	1.7	1.9	2.5
N	Health and social work	2.7	2.0	2.2	3.0
O	Other community, social and personal services	3.4	0.3	0.5	2.5
P	Private households with employed persons	2.0	-1.0	1.0	1.0
VALUE ADDED		3.2	-4.0	1.0	2.7
a) Taxes on products and services		5.1	-3.4	1.0	2.5
b) Subsidies on products and services		-7.1	8.7	0.0	0.0
GROSS DOMESTIC PRODUCT		3.5	-4.0	1.0	2.7

Source of data: SORS, forecasts by IMAD.

Figure 19: **Contributions to value added growth by activity, 2008-2011, in p.p.**



Source: SORS; calculations by IMAD.

movements in the real sector will be reflected in a further decline in the lending activity of the banking sector. While in 2008 the main limitation to the lending activity was on the side of supply, we mainly expect lower demand for new investment loans and loans for financing production this year, as a consequence of the deteriorated situation in the real sector; a large part of demand will thus only be related to refinancing of the existing loans. At the same time, the measures adopted by the government in response to the financial crisis are expected to contribute to a somewhat lower increase in the share of bad loans in the total assets of commercial banks. Activity is also expected to contract in other financial sector areas, particularly those whose operations are dependent on movements on the capital markets. The expected decline in household spending will also contribute to a further deterioration of movements in the retail sale of motor vehicles and consumer goods. After the stagnation in 2008, value added will also decline in hotels and restaurants, which will (amid more modest domestic household spending) mainly result from a lower number of foreign tourists' overnight stays.

Real value added in public services will slow to 1.3%.

In 2009, the slowdown of value added in public services will be attributable to the savings measures for the public sector adopted by the government to limit the growth in the number of employees in government bodies and all direct budget spending units (public institutes in education, health and social care).

Value added is expected to increase gradually in 2010 and 2011.

With a gradual recovery in the international environment and on the assumption of restored confidence in the financial system, activity will start to pick up through revived domestic exports in the most export-oriented sector of the economy (manufacturing) first. This sector will be followed by services which are more closely linked to production activities (business and financial services, freight transport, wholesale trade), and gradually, with the expected household spending increase, also other market services (retail trade, hotels and restaurants). Construction activity might also strengthen slightly in the next two years, particularly due to investment in non-residential buildings and a gradual increase in residential construction. Growth of value added in public services will strengthen somewhat, but will remain modest.

Inflation

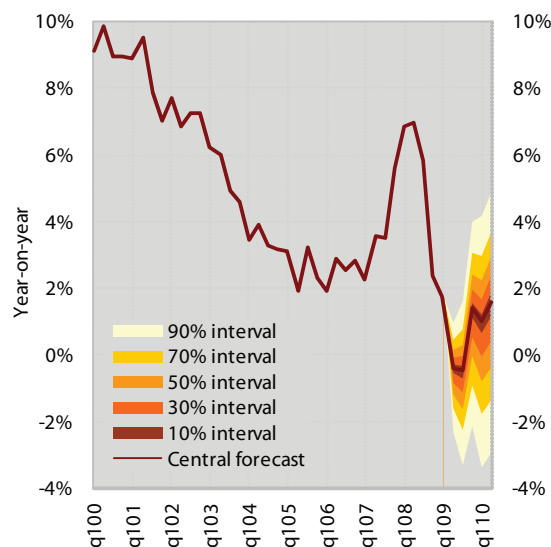
In the first two months of 2009, y-o-y inflation remained at around 2%.

After dropping to 1.6% in January, y-o-y inflation reached 2.1% again in February, due to a rise in excise duties on fuels. In the first two months, prices increased by 0.1%.

Inflation is set to slow further in 2009, totalling 1.4% in December and 0.4% on average in the year as a whole.

Y-o-y inflation will continue to decline gradually to the middle of the year, mainly due to the base effect. Owing to high oil price rises on the global market in the first half of last year, inflation is expected to drop significantly below 1%. This downward swing is expected to be of short duration, and will be technical and not substantive in nature. Oil price movements will not have a significant impact on the dynamics of domestic inflation, given the assumption of this year's average price of oil (USD 45 a barrel). Based on the latest forecasts by international institutions for food prices on the global market, food price rises are expected to remain moderate as well,

Figure 20: Central forecast and probability of expected deviations



Source: IMAD.

exerting no upward pressure on inflation. Inflationary pressures will also continue to abate due to increasingly slower economic activity. Implementing the administered price adjustment plan is one economic policy that will contribute to slower growth of prices, as administered prices will contribute less than 0.1 p.p. to inflation according to the adopted plan. Taking into account the hitherto adopted excise duty policy measures, no further changes in taxation and excise duties are included in the forecast.

Consistent with the expected recovery of economic activity, y-o-y inflation is projected to increase to 2.2% in 2010, and average inflation to 1.6%.

Assuming a global economic recovery, upward pressures on prices should increase in the total euro area. In addition, measures aimed at mitigating the consequences of the financial and economic crisis will have a greater impact on price growth than in 2009. With regard to the assumption on a gradual oil price increase (USD 55 a barrel), the rise in prices of liquid fuels for transport and heating is expected to contribute around 0.2 p.p. to inflation. With rising oil and non-oil commodity prices on global markets, y-o-y inflation in 2011 is projected to increase somewhat more and stabilise at an estimated long-term equilibrium level of around 3%, while average inflation will be at 2.6%.

Table 8: Spring forecast of inflation for 2009–2011 and comparison with the revised autumn forecast

	2008	2009		2010		2011
		Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Spring forecast (Mar. 2009)
Inflation (annual average, %)	5.7	1.1	0.4	3.0	1.6	2.6
Inflation (Dec/Dec, %)	2.1	3.0	1.4	3.0	2.2	3.0

Source of data: SORS, forecasts by IMAD.

The risks that inflation will diverge from anticipated levels of inflation are distributed asymmetrically, according to our estimate. We estimate that the risks for the realisation of the central forecast are distributed asymmetrically; it is less likely that inflation will exceed our central forecast by 0.5 p.p. than be 0.5 p.p. lower (see Figure 20). The largest risk to the central forecast for inflation is related to the uncertainty regarding the duration and depth of the expected recession in the international environment, which is also linked to the risks to the realisation of forecasts for future energy and commodity price movements on global markets. Additional risks arising from the domestic environment, which are adding to the upward pressure on inflation (yet to a lesser extent than risks associated with the international environment), are related to the possible government measures in the area of excise duties on tobacco and liquid fuels.

Wages

Real growth of the average gross wage, which will largely come from last year's implementation of the new wage system in the public sector, will exceed labour productivity growth in 2009. The average gross wage per employee will increase by 2.6% in nominal and by 2.2% in real terms. Owing to the changed economic conditions, nominal gross wage rises in the private sector will be modest (0.5%); the main contribution to total wage growth will come from wage rises in the public sector (6.6%), mainly on account of last year's strong growth in the second half of the year²³ while the effect of the quarter of funds disbursed this January, funds for regular promotions and limited disbursement of performance-related payments combined will represent only an additional 0.3 p.p. of annual public sector wage growth.²⁴ Growth of public sector wages will be thus 6.1 p.p. higher on average than growth of private sector wages in the year as a whole, and 1.8 p.p. higher y-o-y (0.8% in the private sector, 2.6% in the public sector). Total gross wage growth will lag behind labour productivity growth by a 1.6 p.p. in nominal terms, while in real terms it will be higher for the second year in a row (by 0.7 p.p.).

With tougher conditions on the labour market as a result of weaker economic activity, the average gross wage in the private sector will only be slightly higher than last year. The gross wage per employee will increase by a nominal 0.5% this year, but only by a real 0.1%. The forecast predicts that enterprises will try to tide over difficulties by streamlining their business operations and, even though

trying to preserve jobs, also by cutting the number of employees (especially lower-skilled workers, which will increase the growth of the gross wage per employee). Year-end payments are projected to be substantially down from last year. Somewhat faster nominal growth of wages is thus expected in the first half of the year²⁵ (1.6% y-o-y), while in the second half wages are set to drop in nominal terms (-0.6% y-o-y). Due to deteriorated economic conditions, the wage adjustment in 2009 will be somewhat lower than expected last year.²⁶

As a result of the process of the elimination of wage disparities, growth of public sector wages will remain relatively strong on average in 2009, mainly due to the influence of high wage growth in 2008 and January's disbursement of the second quarter of funds to eliminate wage disparities. The gross wage per employee will increase by a nominal 6.6% and by a real 6.2%. Without the adoption of the Agreement,²⁷ the average wage growth would have been approximately another 3 p.p. higher.²⁸ This year's average wage growth in the public sector will be mainly underpinned by January's disbursement of the second quarter of funds to eliminate wage disparities and strong growth in the second half of last year and partly also by funds for regular promotions in April and the otherwise limited disbursement of performance related payments. In the first half of 2009, gross earnings would thus be 11.2% higher y-o-y, and in the second half by 2.0% due to February's agreement on adjusted implementation of the wage system. Y-o-y wage growth will gradually decline, posting 2.6% nominal and 1.2% real growth at the end of the year.

Even though public sector wages will increase at a much faster pace than private sector wages, total gross wage growth will be consistent with labour productivity growth in 2010. Reaching 4.2%, nominal growth in the gross wage per employee will exceed labour productivity growth by 0.2 p.p.; in real terms, it will be 0.2 p.p. lower (2.6%). Amid

²⁵ The first half of the year is a few working days shorter than the second, but in the increasingly tougher conditions, working days will not have the usual effect on growth dynamics, by our estimate.

²⁶ In line with the "Collective Agreement on the Wage Adjustment Mechanism for 2007 and the Wage Adjustment Mechanism, Reimbursement of Work-Related Costs, and Other Remuneration for 2008 and 2009," the starting-level and the lowest basic wages were, due to higher-than-4.55% average inflation in the previous year, already adjusted in January (by 1.15%), while the regular adjustment of the starting-level wages (by 2.3%) will be carried out in August.

²⁷ Agreement on measures in the area of public sector wages due to changed macroeconomic conditions for the period 2009-2010 (February, 2009).

²⁸ By 1.3 p.p. annually due to the restriction imposed on disbursement of regular performance-related payments (which are not to be paid from April through November), by 1.2 p.p. due to the postponement of disbursement of the third quarter of funds for the elimination of wage disparities (from September 2009 to January 2020), and the rest due to the cancellation of the general July adjustment of basic wages for anticipated inflation.

²³ Due to disbursement of the first quarter of funds to eliminate wage disparities, a larger volume of funds related to promotions, and other increases in payments at the end of the year.

²⁴ Without January's quarter of funds to eliminate wage disparities, the high December's level of wages would have dropped significantly this January. Actually, it increased slightly due to disbursement of the second quarter of funds in January.

Table 9: Spring forecasts of wage and productivity growth in 2009–2011 and comparison with revised autumn forecasts

		2009		2010		2011	
		Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)
Nominal growth, in %	Gross wage per employee	5.0	2.6	6.4	4.2	5.3	4.2
	Private sector	3.0	0.5	5.5	2.0	5.4	4.1
	Public sector	9.9	6.6	8.6	8.5	5.2	4.4
	Labour productivity growth	5.4	4.2	6.1	4.0	7.3	5.3
Real growth, in %	Gross wage per employee	3.9	2.2	3.3	2.6	2.4	1.6
	Private sector	1.9	0.1	2.4	0.4	2.5	1.5
	Public sector	8.7	6.2	5.4	6.8	2.3	1.8
	Labour productivity growth	2.5	1.5	2.8	2.8	3.6	3.1

Source of data: SORS, forecasts by IMAD.

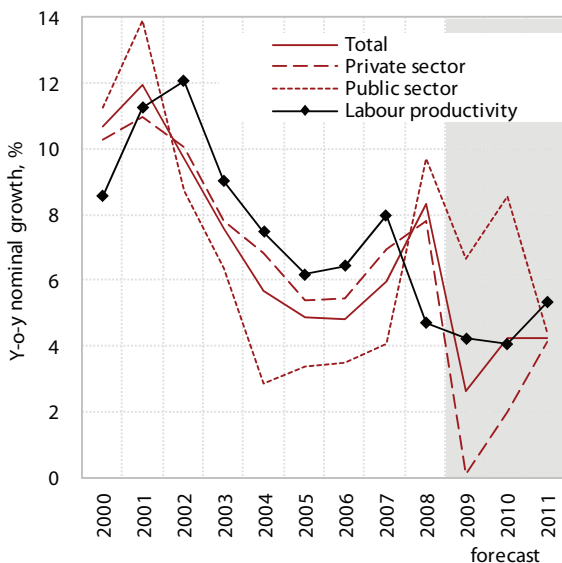
the foreseen slow recovery of economic activity, the *private sector* wage will increase by a nominal 2.0% and by a real 0.4%. The gross wage per employee in the *public sector* will increase much faster also in the next year (by a nominal 8.5% and a real 6.8%) due to the process of eliminating wage disparities. The forecast taking into account regular promotions and performance-related payments is based on the adjustment mechanism and wage increases by the third and fourth quarters of funds disbursed to eliminate wage disparities in January and March.

In 2011, private and public sector wages will grow at fairly equal paces again; growth of wages will lag behind labour productivity. Nominal growth of the total gross wage per employee (4.2%) will lag behind nominal labour productivity growth (5.3%) by slightly over 1 p.p.;

in real terms, the lag will be even more pronounced (1.6% wage growth and 3.1% labour productivity growth). In the *private sector*, wages are projected to increase by 4.1% in nominal and 1.5% in real terms – in line with a further improvement of the economic conditions in the year with three fewer working days than the year before. In the *public sector*, the forecast of 4.4% nominal and 1.8% real wage rises includes funds for July's adjustment for anticipated inflation, promotions and performance-related payments.

Considering the negative prospects for economic recovery, wage growth might be lower than expected. If the global economic crisis proves to be deeper and longer, wages in the private sector are likely to drop. High wage rises in the public sector would add to the deterioration of macroeconomic sustainability of public finance and deepen the problem of social acceptability of huge disparities in wage rises predicted for the private and public sectors in the period of accelerated cooling of the economy.

Figure 21: Nominal growth of gross wage per employee and overall labour productivity, 2000–2011, %



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

Employment and unemployment

Given the rapidly decelerating economic activity, employment will decline and unemployment rise this year. A 5.4% decline in employment (according to the national accounts) is expected this year, while productivity is set to increase by 1.5%. The greatest decline in employment is projected for manufacturing and construction, but the drop in the number of employed persons will be cushioned somewhat by the measure of subsidising shorter working hours. The number of persons in employment will also drop in all groups of predominantly market services and in public administration. A further increase in employment is only predicted for education, health and social care groups, but it will be slower than last year. The decline in employment will result in a higher number of unemployed and, consequently, higher unemployment rates: the survey unemployment will rise to 6.0% and the registered

Table 10: Spring forecasts of labour market trends for 2009–2011 and comparison with revised autumn forecasts

	2008	2009		2010		2011
		Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Spring forecast (Mar. 2009)
Employment according to national accounts (increase in %)	2.9	-1.7	-5.4	0.3	-1.7	-0.4
Registered unemployment rate (%)	6.7	8.1	8.9	8.1	10.3	10.2
Survey unemployment rate (%)	4.4	5.5	6.0	5.6	7.0	7.0
Employment rate (%)	68.8	67.5	65.5	67.8	64.8	64.7

Source of data: SORS, forecasts by IMAD.

unemployment rate to 8.9%. The activity rate and the employment/population ratio will fall as well.

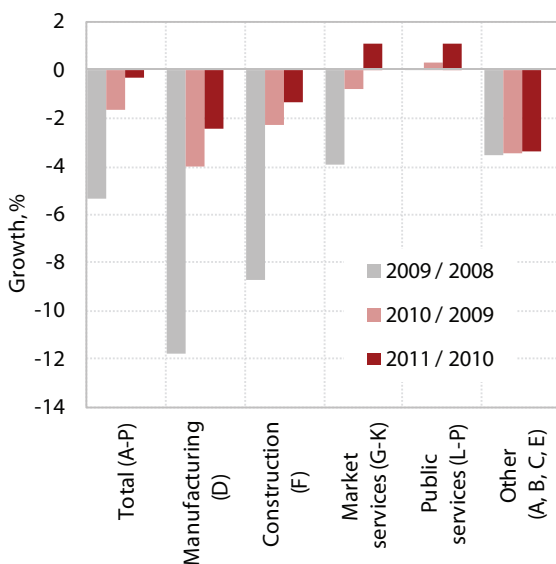
In 2010, the anticipated recovery of economic growth will not yet be reflected in average employment growth.

In 2010, the average number of persons in employment will still be around 1.7% lower than this year. Amid anticipated economic growth and a further decline in employment, labour productivity growth will increase to 2.8%. Unemployment rates will increase further: the survey unemployment rate to 7.0% and the registered unemployment rate to 10.3%.

Employment will start to rise slowly at the end of 2011.

The average annual number of persons in employment will be by another 0.4% lower than in 2010. Productivity growth will strengthen to 3.1%, and unemployment rates will remain high: the survey unemployment rate at 7.0%, the registered unemployment rate at 10.2%.

Figure 22: Gains/declines in the number of employees by activity, 2009–2011, %



Source: SORS; calculations and forecasts by IMAD.

Price and cost competitiveness

With similar consumer price growth as in Slovenia's trading partners, price competitiveness will be relatively stable in 2009 and 2010.

On the technical assumption of USD 1.27 to EUR 1, the nominal effective exchange rate will remain at its 2008 level in 2009 (0.1% drop).²⁹ Given that relative consumer prices will fall somewhat in 2009 and rise slightly in 2010, the real effective exchange rate will be relatively stable as well (0.3% drop in 2009 and 0.1% increase in 2010).

In the wake of the substantial deterioration in 2008, cost competitiveness will improve somewhat this year and remain around the 2009 level also in 2010.

As a result of the notably slower rising of the compensation of employees per employee³⁰ and a gradual strengthening of labour productivity growth,³¹ the real effective exchange rate deflated by relative unit labour costs will post a drop this year (-1.5%), and only a marginal increase in 2010 (0.4%). This year's improvement in cost competitiveness is also suggested by a decline in real unit labour costs (-1.4%), which will slightly increase next year (by 0.2%).

Current account of the balance of payments

Assuming improved terms of trade, the current account deficit will narrow to 2.2% of GDP (EUR 809 m) this year.

The deficit will lower than last year mainly as a result of a lower trade deficit. Merchandise imports are predicted to

²⁹ The technical assumption of USD 1.27 to EUR 1 in 2009 as a whole entails a drop of over 13% compared with last year (USD 1.47 to EUR 1), but this drop is almost entirely offset by the concurrent (also technically assumed) growth of the euro against most other EU currencies.

³⁰ With much lower inflation and moderate growth of private sector wages, nominal growth of the compensation of employees per employee will slow from 8.5% in 2008 to 2.7% in 2009, totalling 4.2% in 2010.

³¹ Particularly under the influence of a significant contraction of employment, labour productivity growth will strengthen from 0.6% in 2008 to 1.5% in 2009 and 2.8% in 2010, which is still considerably below the long-term 3.8% average.

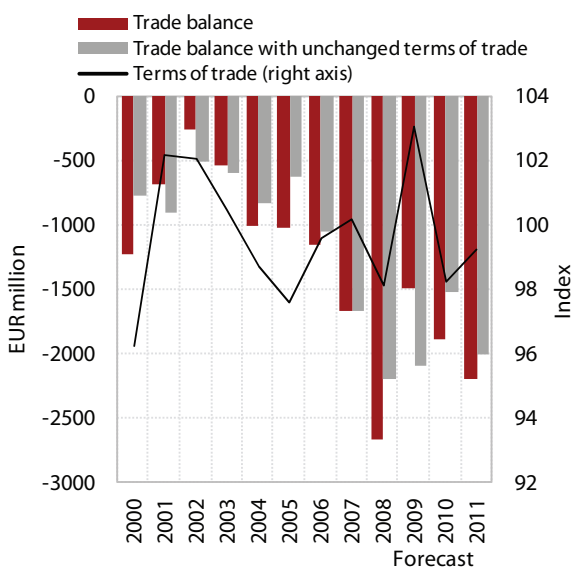
Table 11: **Spring forecasts of the current account of the balance of payments for 2009–2011 and comparison with revised autumn forecasts**

	2008	2009		2010		2011
		Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Revised forecast (Dec. 2008)	Spring forecast (Mar. 2009)	Spring forecast (Mar. 2009)
Current account of the balance of payments, EUR m	-2,180	-1,630	-809	-1,717	-1,311	-1,528
Current account of the balance of payments, % GDP	-5.9	-4.2	-2.2	-4.1	-3.5	-3.9

Source of data: SORS, forecasts by IMAD.

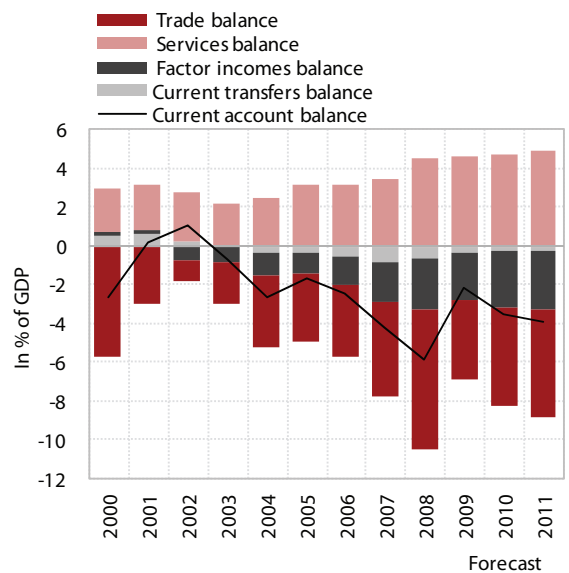
post a greater real decline than exports. Besides that, a significant improvement of the terms of trade (by 3 index points) will also contribute to a lower current account deficit. With unchanged terms of trade, the merchandise deficit would be EUR 600 m higher this year. A lower deficit in current transactions will also be due to a lower deficit in factor incomes, which will be, according to our estimates, a consequence of a much lower net outflow of dividends and reinvested profits from equity capital. Net interest payments to the rest of the world are projected to increase somewhat again, given that with anticipated interest rate cuts on international financial markets and lower gross external assets in debt instruments compared with external liabilities, external interest receipts will decline more than external interest payments. The current account deficit will be slightly offset by a lower deficit in current transfers. According to the supplementary budget, the state budget of the RS will realise a surplus against the EU budget. The surplus in services trade is set to post a decline, in contrast to last year, particularly in transport services, while the trade deficit in the group of other services is expected to widen.

Figure 23: **Trade account of the balance of payments and impact of the terms of trade in 2000–2011, EUR m**



Source: BS; calculations by IMAD.

Figure 24: **Components of the current account of the balance of payments, 2000–2011, % of GDP**



Source: BS; calculations by IMAD.

In 2010 and 2011, the current account deficit will be somewhat higher again, but significantly below the level of 2008. In the next two years, the higher deficit in current transactions will be mainly due to a deteriorated balance of merchandise trade. With approximately equal real growth rates of merchandise exports and imports, the merchandise deficit is set to increase due to deteriorating terms of trade under the assumption of higher oil and non-oil commodity prices. The surplus in the services balance is expected to be somewhat higher, but the deficit in factor incomes will widen again as a result of higher net interest payments to the rest of the world and a slightly higher net outflow of income from equity capital.

Assessing the validity of the IMAD forecast

Regular analysis of the accuracy of forecasts has shown slightly higher values of errors in the forecasts for the last two years, which affected the accuracy of statements in the 1997-2008 period. In view of the uncertainty of future economic trends, individual forecasts can never be entirely accurate; it is important, however, that their mean error is as small as possible over a longer period of time. A mean error deviating from the value "zero" may indicate a systematic underestimation or overestimation of future economic trends. If the analysed period is relatively short, every error, whether in a positive or negative direction, may significantly affect the conclusions from the previous forecast accuracy analyses. It is also the case with our latest analysis, which is conducted to assess the validity of the forecasts of main macroeconomic aggregates. The analysis includes a comparison of the validity of the forecasts by various domestic and international institutions in the period from 1997 onward. In the forecasts for the last two years, the errors were somewhat higher and have significantly affected the calculation of the average errors in the whole period.

Similar to other institutions, IMAD also overestimated real economic growth for 2008 in its forecasts. In autumn 2007, most institutions overestimated their forecasts of real economic growth for 2008 by around 1 p.p. Spring forecasts 2008 came closer to the realisation and the errors were lower (on average, the analysed institutions missed the actual growth by 0.8 p.p.). In autumn 2008, all institutions revised their forecasts upward again and thus overestimated economic growth by 0.8 p.p. to 1.4 p.p. IMAD made larger errors in the nominal GDP growth forecast (which is only published by IMAD) than in the real GDP growth forecast in the 2008 autumn forecast for the current year. In contrast, in the spring and autumn forecasts for the next year, its error in the nominal GDP growth was lower than the error in the real GDP growth.³²

Amid external price shocks in the first half of the year, all institutions underestimated average inflation for 2008 until the autumn. While all institutions significantly underestimated inflation in their autumn 2007 and spring 2008 forecasts, all institutions overestimated average inflation for 2008 in their latest autumn forecasts. Last autumn, IMAD overestimated the average inflation forecast by 0.5 p.p.

The analysis shows the accuracy of IMAD forecasts for economic growth and inflation. For the period since 1997, the mean error of the forecasts of real GDP growth

totals -0.19 in the autumn forecasts p.p. for the year ahead and -0.10 p.p. in the spring forecasts for the current year. The corresponding mean errors in the forecasts of nominal GDP growth total -0.22 p.p. and -0.16 p.p., respectively.³³ The mean errors in the forecasts of average inflation amount to a respective -0.45 p.p. and -0.28 p.p. The mean error in the spring forecasts of year-on-year inflation for the current year amounts to -0.25 p.p. and, in the autumn forecasts for the year ahead, to -0.62 p.p. The negative values of the absolute measures, which show a tendency of underestimation of the analysed categories, mainly reflect the fact that negative errors (underestimations) are higher than positive errors (overestimations) in absolute terms. As in most analysed variables, the forecasts after 1997 have been overestimated or underestimated in the same number of cases, we estimate that this does not indicate a systematic deviation of our forecasts.

The most accurate forecasts of GDP growth were made by IMAD, whereas the Bank of Slovenia and the European Commission were more accurate regarding inflation forecasts. The mean absolute errors (MAE)³⁴ in the forecasts of real and nominal economic growth ranged between 0.49 p.p. and 1.37 p.p. in 1997(8)–2008. The root mean square errors (RMSE), which assign greater weight to larger errors, were slightly higher (between 0.63 p.p. and 1.79 p.p.). In forecasts of average inflation for the current year, the mean absolute errors totalled 0.19 in the autumn forecasts and 0.51 p.p. the spring forecasts, whereas in the forecasts for the year ahead they totalled 0.93 in the autumn forecasts and 1.34 p.p. in the spring forecasts. The errors in year-on-year inflation are somewhat higher.³⁵ A comparison of absolute accuracy measures shows that the IMAD forecasts of GDP growth exhibit the lowest absolute accuracy measures among Slovenian forecasters, whereas the BS and the European Commission achieve slightly better results in inflation forecasts. The same results are found if we compare the standardised values of accuracy measures (stdMAE and stdRMSE), which take into account the variability of the forecast phenomenon.³⁶

³² Forecasts of nominal GDP growth have been less accurate so far, given that for the nominal forecast it is also necessary to forecast the value of implicit deflators.

³³ The spring forecasts of nominal GDP growth for the year ahead are especially important from the aspect of budget planning, since they provide the macroeconomic basis for budget preparation for the coming year. The mean error of these forecasts for the period after 2002 totals -0.02 p.p.

³⁴ For methodological explanations, see Ferjančič, M. (2005): "Analysis of the accuracy of IMAD forecasts," Working Paper 2005/13, Ljubljana.

³⁵ Accuracy measures are presented in detail in the Statistical Appendix, Table 14.

³⁶ Compared to the European Commission's forecasts for the old EU Member States, the absolute accuracy measures are slightly worse, whereas in the relative accuracy measures no significant differences were found.

These findings generally apply to all new EU Member States (see e.g. Keereman, F. (2005): "Economic forecasts and fiscal policy in the recently acceded Member States," European Commission, Economic Paper, No. 234, November 2005.).

Table 12: Errors in forecasts for real economic growth and average inflation

	Real GDP growth						Average inflation					
	Autumn forecast for the year ahead		Spring forecast for the current year		Autumn forecast for the current year		Autumn forecast for the year ahead		Spring forecast for the current year		Autumn forecast for the current year	
	MAE	RMSE	MAE	RMSE	MAE	RMSE	MAE	RMSE	MAE	RMSE	MAE	RMSE
IMAD (1997-2008) ¹	0.90	1.03	0.71	0.89	0.49	0.63	0.93	1.24	0.51	0.67	0.19	0.28
SKEP (1997-2008) ²	1.00	1.19	0.76	0.92	0.68	0.86	1.11	1.46	0.62	0.74	0.19	0.31
BS (2002-2008) ³	1.03	1.19	0.79	0.96	0.50	0.59	0.77 ⁶	1.08 ⁶	0.33 ⁶	0.47 ⁶	0.36 ⁶	0.39 ⁶
IMF (1998-2008) ⁴	1.06	1.21	0.88	0.99	0.73	0.92	1.77	2.21	0.98	1.46	0.48	0.71
EC (2002-2008) ⁵	1.06	1.21	0.89	1.05	0.41	0.50	1.04	1.17	0.27	0.47	0.23	0.31

Sources of data: ¹ Spring Forecast of Economic Trends, Autumn Forecast of Economic Trends, various issues. IMAD; ² Economic trends, various issues. CCIS, SKEP. ³ Monetary Policy Framework, 2001; Monetary Policy Implementation Report, 2002–2004; Monetary Policy Report, 2005–2007; Price Stability Report, 2008 Ljubljana: BS. ⁴ World Economic Outlook, IMF. ⁵ Economic Forecasts for the Candidate Countries, 2001; Economic Forecasts, 2002-2008. EC. ⁶ The errors in the BS inflation forecasts partly refer to inflation at the end of the year and partly to average inflation and can therefore not be directly compared with the errors by other institutions.

Notes: The European Commission forecasts inflation based on the harmonised index of consumer prices. Upon Slovenia's entry to the euro area, the BS also started to forecast inflation based on the harmonised index of consumer prices. The calculated accuracy measures are adjusted to the changes.

MAE - Mean Absolute Error

RMSE - Root Mean Square Error

statistical appendix

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Table 1: Main macroeconomic indicators of Slovenia

Real growth rates in %, unless otherwise indicated

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									forecast		
GROSS DOMESTIC PRODUCT	2.8	4.0	2.8	4.3	4.3	5.9	6.8	3.5	-4.0	1.0	2.7
GDP in EUR m (at current prices and at current exchange rate)	22,790	24,500	25,752	27,162	28,704	31,013	34,471				
GDP in EUR m (at current prices and at fixed exchange rate EUR=239.64)	20,654	23,128	25,114	27,073	28,704	31,008	34,471	37,126	36,598	37,427	39,266
GDP per capita in EUR (at current prices and at current exchange rate)	11,441	12,281	12,900	13,599	14,346	15,446	17,076	18,204	18,015	18,377	19,239
GDP per capita in USD (at current prices and at current exchange rate)	10,246	11,612	14,592	16,916	17,848	19,394	23,403	26,578	22,880	23,339	24,433
GDP per capita (PPS) ¹	15.800	16.800	17.300	18.700	19.600	20.700	22.200	23.100			
GDP per capita (PPS EU27=100) ¹	79.7	82.3	83.4	86.4	87.4	87.6	89.2	92.1			
POPULATION, EMPLOYMENT, WAGES AND PRODUCTIVITY											
Population, as on 30. June, in thousand	1,992	1,996	1,997	1,997	2,001	2,009	2,019	2,039	2,031	2,037	2,041
Employment according to SNA	0.5	-0.1	-0.4	0.3	-0.1	1.5	3.0	2.9	-5.4	-1.7	-0.4
Registered unemployed (annual average in thousand)	101.9	102.6	97.7	92.8	91.9	85.8	71.3	63.2	82.1	94.8	93.5
Rate of registered unemployment in %	11.2	11.3	10.9	10.3	10.2	9.4	7.7	6.7	8.9	10.3	10.2
Rate of unemployment by ILO in %	6.4	6.4	6.7	6.3	6.5	6.0	4.9	4.4	6.0	7.0	7.0
Gross wage per employee	3.2	2.0	1.8	2.0	2.2	2.2	2.2	2.5	2.2	2.6	1.6
- private sector	2.3	2.3	2.1	3.1	2.8	2.8	3.2	2.0	0.1	0.4	1.5
- public sector	5.1	1.1	1.0	-0.8	0.9	1.0	0.5	3.8	6.2	6.8	1.8
Labour productivity (GDP per employee)	2.4	4.0	3.2	4.0	4.5	4.3	3.7	0.6	1.5	2.8	3.1
INTERNATIONAL TRADE - BALANCE OF PAYMENTS STATISTICS											
Exports of goods and services ²	6.4	6.8	3.1	12.4	10.6	12.5	13.8	3.3	-8.6	1.7	5.4
Exports of goods	7.0	6.4	4.4	12.8	10.3	13.4	13.1	1.0	-10.2	1.0	4.9
Exports of services	3.5	8.2	-2.5	10.9	12.0	8.6	17.0	13.9	-2.1	4.4	7.0
Imports of goods and services ²	3.1	4.9	6.7	13.3	6.6	12.2	15.7	3.5	-10.3	1.6	5.2
Imports of goods	3.2	4.4	7.3	14.6	6.8	12.7	15.1	3.4	-11.5	1.1	5.0
Imports of services	2.3	8.4	2.8	5.6	5.5	8.8	19.7	4.5	-2.6	4.3	6.1
Current account balance in EUR m	38	247	-196	-720	-498	-771	-1,455	-2,180	-809	-1,311	-1,528
- As a per cent share relative to GDP	0.2	1.0	-0.8	-2.6	-1.7	-2.5	-4.2	-5.9	-2.2	-3.5	-3.9
Balance of goods and services in EUR m	-149	355	-3	-322	-106	-158	-473	-959	191	-120	-263
- As a per cent share relative to GDP	-0.7	1.4	0.0	-1.2	-0.4	-0.5	-1.4	-2.6	0.5	-0.3	-0.7
FINAL DOMESTIC DEMAND - NATIONAL ACCOUNTS STATISTICS											
Final consumption	2.8	2.7	3.0	2.9	2.8	3.2	4.4	2.6	0.4	1.7	2.3
As a % of GDP *	76.1	75.0	75.0	73.9	73.3	71.8	69.9	70.6	72.8	74.2	74.3
in which:											
Private consumption	2.5	2.5	3.3	2.7	2.6	2.9	5.0	2.2	-0.6	1.0	2.0
As a % of GDP *	56.7	55.9	56.0	55.0	54.4	53.0	52.2	52.7	53.2	53.4	53.3
Government consumption	3.8	3.3	2.2	3.4	3.3	4.1	2.5	3.7	3.2	3.8	3.2
As a % of GDP *	19.4	19.1	19.0	18.9	19.0	18.8	17.7	17.9	19.6	20.8	21.1
Gross fixed capital formation	0.7	0.7	8.1	5.6	3.8	10.4	11.9	6.2	-12.0	1.0	4.0
As a % of GDP *	24.7	23.1	24.0	24.9	25.3	26.3	27.5	28.0	25.0	25.1	25.5
EXCHANGE RATE AND PRICES											
Average exchange rate SIT/USD, BS	242.7	240.2	207.1	192.4	192.7	191.0					
Average exchange rate SIT/EUR, BS	217.2	226.2	233.7	238.9	239.6	239.6					
Ratio of USD to EUR	0.89	0.94	1.13	1.24	1.24	1.25	1.37	1.47	1.27	1.27	1.27
Real effective exchange rate - deflated by CPI ³	-0.3	1.7	3.3	0.1	-0.2	0.7	2.3	2.8	-0.3	0.1	
Inflation (end of the year) ⁴	7.0	7.2	4.6	3.2	2.3	2.8	5.6	2.1	1.4	2.2	3.0
Inflation (year average) ⁴	8.4	7.5	5.6	3.6	2.5	2.5	3.6	5.7	0.4	1.6	2.6
Brent Crude Oil Price USD / barrel	24.5	25.0	28.9	38.3	54.6	65.2	72.4	96.9	45.0	55.0	60.0

Source of data: SORS, Bank of Slovenia, Eurostat - New Cronos; calculations and forecast by IMAD.

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

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

EUR million, current prices (fixef 2007 exchange rate)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									forecast		
A Agriculture, hunting, forestry	547.8	665.1	545.2	634.8	676.3	642.7	712.1	741.4	785.0	810.6	848.6
B Fishing	2.4	3.1	3.9	3.3	3.6	3.7	3.3	3.2	3.2	3.1	3.2
C Mining and quarrying	93.7	92.1	109.1	127.1	126.8	134.6	134.4	128.7	119.8	111.6	107.6
D Manufacturing	4,682.2	5,100.1	5,612.8	5,858.5	5,983.7	6,412.3	7,070.3	7,194.5	6,533.0	6,648.2	6,891.1
E Electricity, gas and water supply	512.2	602.2	621.4	714.5	761.7	818.0	781.8	847.7	830.4	847.7	885.9
F Construction	1,124.0	1,210.2	1,357.9	1,480.8	1,694.9	1,980.1	2,407.4	2,907.9	2,564.8	2,513.5	2,486.6
G Wholesale and retail trade, motor vehicle repair	2,059.3	2,317.0	2,543.8	2,737.1	2,994.7	3,178.4	3,673.0	3,986.3	4,030.2	4,159.7	4,416.0
H Hotels and restaurants	414.8	455.1	495.7	524.7	573.9	627.0	752.6	766.1	777.4	809.1	865.9
I Transport, storage, communications	1,285.0	1,411.0	1,576.9	1,734.6	1,853.7	2,041.2	2,340.9	2,526.1	2,487.5	2,502.1	2,626.6
J Financial intermediation	760.8	903.0	967.8	1,031.4	1,085.1	1,326.6	1,370.4	1,598.4	1,555.4	1,628.1	1,786.5
K Real estate, renting and business activities	2,881.6	3,362.3	3,669.1	4,025.4	4,256.0	4,597.5	5,300.8	5,703.4	5,789.1	5,965.9	6,358.3
L Public administration and comp. soc. sec.	1,064.4	1,178.8	1,335.2	1,435.2	1,512.1	1,599.9	1,682.7	1,807.4	1,878.6	1,918.5	1,977.2
M Education	1,004.0	1,105.7	1,208.9	1,326.5	1,421.1	1,496.1	1,565.3	1,682.9	1,771.2	1,831.9	1,931.8
N Health and social work	953.9	1,037.1	1,116.8	1,190.4	1,277.6	1,331.2	1,382.6	1,494.0	1,573.4	1,628.4	1,721.1
O Other community, social and personal services	660.4	686.5	738.6	841.2	918.6	979.3	1,032.5	1,155.9	1,194.4	1,213.3	1,273.7
P Private households with employed persons	15.8	16.6	16.5	18.7	18.7	19.3	21.0	22.8	25.8	26.2	27.7
1. VALUE ADDED	18,062.4	20,145.9	21,919.8	23,684.4	25,158.7	27,187.9	30,231.2	32,566.6	31,919.2	32,618.0	34,207.9
2. CORRECTIONS (a-b)	2,591.9	2,982.5	3,194.2	3,389.0	3,544.9	3,820.0	4,239.8	4,559.4	4,678.9	4,808.7	5,057.7
a) taxes on products and services	2,695.7	3,078.7	3,318.8	3,520.2	3,697.3	3,953.5	4,440.2	4,766.4	4,905.0	5,038.7	5,293.9
b) subsidies on products and services	103.8	96.2	124.6	131.2	152.4	133.5	200.4	207.0	226.1	230.0	236.2
3. GROSS DOMESTIC PRODUCT (3=1+2)	20,654.3	23,128.5	25,114.0	27,073.4	28,703.6	31,008.0	34,470.9	37,126.0	36,598.1	37,426.7	39,265.6

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

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

EUR million (fixed 2007 exchange rate)

	constant previous year prices							constant 2006 prices			
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
								forecast			
A Agriculture, hunting, forestry	527.0	630.7	531.8	605.2	627.4	649.0	571.4	698.9	709.4	716.2	723.0
B Fishing	2.7	2.5	3.3	3.5	3.8	3.5	3.7	3.2	3.2	3.3	3.3
C Mining and quarrying	97.6	94.3	102.5	117.0	127.8	135.8	130.5	128.6	120.9	116.0	113.6
D Manufacturing	4,332.9	4,927.5	5,381.2	5,864.3	6,075.1	6,429.7	6,910.7	6,962.8	6,336.2	6,396.4	6,617.0
E Electricity, gas and water supply	424.8	557.3	607.9	682.8	751.2	806.3	764.8	797.9	758.0	765.2	780.1
F Construction	1,066.2	1,156.6	1,246.4	1,381.3	1,571.2	1,956.1	2,297.7	2,746.9	2,472.2	2,472.2	2,495.7
G Wholesale and retail trade, motor vehicle repair	1,895.8	2,167.9	2,377.6	2,645.1	2,863.7	3,157.6	3,364.3	3,873.9	3,796.5	3,870.5	4,004.0
H Hotels and restaurants	395.5	425.0	464.5	480.8	546.5	584.8	681.5	753.0	730.4	741.0	755.5
I Transport, storage, communications	1,186.5	1,269.7	1,475.7	1,673.8	1,833.8	2,033.9	2,228.8	2,466.1	2,367.4	2,367.4	2,437.3
J Financial intermediation	789.4	861.7	963.2	1,073.2	1,167.5	1,184.2	1,510.0	1,533.9	1,480.2	1,494.3	1,545.8
K Real estate, renting and business activities	2,603.3	2,951.6	3,440.5	3,748.9	4,114.5	4,523.5	5,112.4	5,409.0	5,273.8	5,323.9	5,481.0
L Public administration and comp. soc. sec.	958.7	1,099.5	1,244.5	1,398.4	1,474.4	1,556.0	1,622.8	1,730.0	1,750.7	1,775.2	1,801.0
M Education	884.4	1,035.2	1,144.6	1,256.5	1,375.1	1,437.8	1,524.9	1,596.9	1,623.3	1,653.5	1,694.0
N Health and social work	849.7	1,004.1	1,060.3	1,151.7	1,251.3	1,305.0	1,343.4	1,420.1	1,448.2	1,480.1	1,523.7
O Other community, social and personal services	614.5	666.1	692.1	760.1	889.4	925.2	958.9	1,067.8	1,070.5	1,075.9	1,102.2
P Private households with employed persons	15.3	14.2	10.9	15.2	19.8	18.1	19.4	21.4	21.2	21.4	21.6
1. VALUE ADDED	16,644.4	18,863.9	20,747.0	22,857.9	24,692.3	26,706.6	29,045.1	31,210.6	29,962.2	30,272.4	31,098.8
2. CORRECTIONS (a-b)	2,362.8	2,611.1	3,037.2	3,332.6	3,558.4	3,691.3	4,060.4	4,480.8	4,305.9	4,353.2	4,467.1
a) taxes on products and services	2,466.5	2,710.3	3,135.6	3,454.7	3,688.6	3,842.6	4,190.2	4,667.0	4,508.3	4,555.6	4,669.5
b) subsidies on products and services	103.7	99.2	98.4	122.1	130.2	151.3	129.8	186.2	202.4	202.4	202.4
3. GROSS DOMESTIC PRODUCT (3=1+2)	19,007.2	21,475.0	23,784.2	26,190.6	28,250.7	30,397.9	33,105.5	35,691.4	34,268.1	34,625.6	35,565.9

Source of data: SORS, forecast by IMAD.

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

	2001	2002	2003	2004	2005	2006	2007	2008	real growth rates in %		
									2009	2010	2011
									forecast		
A Agriculture, hunting, forestry	-0.7	15.1	-20.0	11.0	-1.2	-4.0	-11.1	-1.8	1.5	1.0	1.0
B Fishing	17.0	2.9	4.8	-10.3	12.6	-1.9	0.6	-2.8	0.5	0.5	1.0
C Mining and quarrying	-4.3	0.6	11.2	7.2	0.5	7.1	-3.0	-4.3	-6.0	-4.0	-2.0
D Manufacturing	4.2	5.2	5.5	4.5	3.7	7.5	7.8	-1.5	-9.0	1.0	3.5
E Electricity, gas and water supply	-0.1	8.8	0.9	9.9	5.1	5.9	-6.5	2.1	-5.0	1.0	2.0
F Construction	-1.1	2.9	3.0	1.7	6.1	15.4	16.0	14.1	-10.0	0.0	1.0
G Wholesale and retail trade, motor vehicle repair	5.9	5.3	2.6	4.0	4.6	5.4	5.8	5.5	-2.0	2.0	3.5
H Hotels and restaurants	6.5	2.5	2.1	-3.0	4.2	1.9	8.7	0.1	-3.0	1.5	2.0
I Transport, storage, communications	3.8	-1.2	4.6	6.1	5.7	9.7	9.2	5.3	-4.0	0.0	3.0
J Financial intermediation	4.1	13.2	6.7	10.9	13.2	9.1	13.8	11.9	-3.5	1.0	3.5
K Real estate, renting and business activities	4.0	2.4	2.3	2.2	2.2	6.3	11.2	2.0	-2.5	1.0	3.0
L Public administration and comp. soc. sec.	5.2	3.3	5.6	4.7	2.7	2.9	1.4	2.8	1.2	1.4	1.5
M Education	2.2	3.1	3.5	3.9	3.7	1.2	1.9	2.0	1.7	1.9	2.5
N Health and social work	0.5	5.3	2.2	3.1	5.1	2.1	0.9	2.7	2.0	2.2	3.0
O Other community, social and personal services	3.5	0.9	0.8	2.9	5.7	0.7	-2.1	3.4	0.3	0.5	2.5
P Private households with employed persons	12.3	-10.0	-34.1	-8.1	5.9	-3.5	0.6	2.0	-1.0	1.0	1.0
1. VALUE ADDED	3.4	4.4	3.0	4.3	4.3	6.2	6.8	3.2	-4.0	1.0	2.7
2. CORRECTIONS (a-b)	-1.1	0.7	1.8	4.3	5.0	4.1	6.3	5.7	-3.9	1.1	2.6
a) taxes on products and services	-1.0	0.5	1.8	4.1	4.8	3.9	6.0	5.1	-3.4	1.0	2.5
b) subsidies on products and services	0.9	-4.4	2.3	-2.0	-0.8	-0.7	-2.8	-7.1	8.7	0.0	0.0
3. GROSS DOMESTIC PRODUCT (3=1+2)	2.8	4.0	2.8	4.3	4.3	5.9	6.8	3.5	-4.0	1.0	2.7

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

Table 4: Gross domestic product and primary incomes

EUR million, current prices (fixed 2007 exchange rate)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									forecast		
1. Compensation of employees	10,741.9	11,844.5	12,788.7	13,837.4	14,606.9	15,649.4	17,164.2	19,236.9	18,902.3	19,370.0	20,138.7
Wages and salaries	9,366.2	10,256.4	11,033.3	11,876.8	12,527.9	13,418.6	14,738.0	16,531.0	16,255.2	16,660.3	17,322.5
Employers' social contributions	1,375.8	1,588.1	1,755.4	1,960.5	2,079.0	2,230.8	2,426.2	2,705.9	2,647.1	2,709.7	2,816.2
2. Taxes on production and imports	3,221.1	3,667.8	4,019.0	4,288.7	4,527.2	4,725.2	5,163.2	5,341.7	5,238.5	5,380.9	5,654.5
Taxes on products and services	2,695.7	3,078.7	3,318.8	3,520.2	3,697.3	3,953.5	4,440.2	4,766.4	4,905.0	5,038.7	5,293.9
Other taxes on production	525.3	589.0	700.2	768.5	829.9	771.7	723.1	575.4	333.5	342.2	360.6
3. Subsidies	378.3	421.4	503.5	521.6	590.2	669.5	785.2	809.7	1,200.7	963.0	899.0
Subsidies on products and services	103.8	96.2	124.6	131.2	152.4	133.5	200.4	207.0	226.1	230.0	236.2
Other subsidies on production	274.5	325.2	378.9	390.5	437.8	536.0	584.8	602.7	974.6	733.0	662.8
4. Gross operating surplus	5,046.4	5,674.4	6,406.9	6,848.5	7,173.9	8,073.2	9,274.2	9,736.0	9,844.8	9,831.0	10,359.0
Poraba stalnega kapitala	3,127.6	3,361.8	3,468.8	3,724.1	3,935.4	4,134.2	4,503.2	4,806.7	4,820.2	4,813.4	5,071.9
Neto presežek	1,918.8	2,312.7	2,938.0	3,124.4	3,238.5	3,939.0	4,771.0	4,929.3	5,024.7	5,017.6	5,287.1
5. Gross mixed income	2,023.2	2,363.2	2,402.9	2,620.5	2,985.8	3,229.7	3,654.5	3,621.0	3,813.2	3,807.8	4,012.4
Poraba stalnega kapitala	377.6	406.6	415.7	434.2	456.4	480.8	517.9	556.9	559.0	558.2	588.2
Neto raznovrstni dohodek	1,645.6	1,956.6	1,987.2	2,186.2	2,529.4	2,748.8	3,136.6	3,064.1	3,254.2	3,249.6	3,424.2
6. GDP (6=1+2-3+4+5)	20,654.3	23,128.5	25,114.0	27,073.4	28,703.6	31,008.0	34,470.9	37,126.0	36,598.1	37,426.7	39,265.6
											structure in %
1. Compensation of employees	52.0	51.2	50.9	51.1	50.9	50.5	49.8	51.8	51.6	51.8	51.3
Wages and salaries	45.3	44.3	43.9	43.9	43.6	43.3	42.8	44.5	44.4	44.5	44.1
Employers' social contributions	6.7	6.9	7.0	7.2	7.2	7.2	7.0	7.3	7.2	7.2	7.2
2. Taxes on production and imports	15.6	15.9	16.0	15.8	15.8	15.2	15.0	14.4	14.3	14.4	14.4
Taxes on products and services	13.1	13.3	13.2	13.0	12.9	12.7	12.9	12.8	13.4	13.5	13.5
Other taxes on production	2.5	2.5	2.8	2.8	2.9	2.5	2.1	1.5	0.9	0.9	0.9
3. Subsidies	1.8	1.8	2.0	1.9	2.1	2.2	2.3	2.2	3.3	2.6	2.3
Subsidies on products and services	0.5	0.4	0.5	0.5	0.5	0.4	0.6	0.6	0.6	0.6	0.6
Other subsidies on production	1.3	1.4	1.5	1.4	1.5	1.7	1.7	1.6	2.7	2.0	1.7
4. Gross operating surplus	24.4	24.5	25.5	25.3	25.0	26.0	26.9	26.2	26.9	26.3	26.4
Consumption of fixed capital	15.1	14.5	13.8	13.8	13.7	13.3	13.1	12.9	13.2	12.9	12.9
Net operating surplus	9.3	10.0	11.7	11.5	11.3	12.7	13.8	13.3	13.7	13.4	13.5
5. Gross mixed income	9.8	10.2	9.6	9.7	10.4	10.4	10.6	9.8	10.4	10.2	10.2
Consumption of fixed capital	1.8	1.8	1.7	1.6	1.6	1.6	1.5	1.5	1.5	1.5	1.5
Net mixed income	8.0	8.5	7.9	8.1	8.8	8.9	9.1	8.3	8.9	8.7	8.7
6. GDP (6=1+2-3+4+5)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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

Table 5a: Expenditure structure of gross domestic product

EUR million, current prices (fixed 2007 exchange rate)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									forecast		
1 GROSS DOMESTIC PRODUCT (1=4+5)	20,654.3	23,128.5	25,114.0	27,073.4	28,703.6	31,008.0	34,470.9	37,126.0	36,598.1	37,426.7	39,265.6
2 EXPORTS OF GOODS AND SERVICES	11,458.5	12,775.2	13,554.4	15,703.6	17,859.5	20,660.5	24,186.5	25,455.4	23,145.7	23,721.6	25,334.2
3 IMPORTS OF GOODS AND SERVICES	11,629.7	12,504.2	13,612.2	16,054.3	17,977.8	20,819.6	24,635.9	26,523.3	23,055.0	23,947.8	25,710.9
4 SURPLUS WITH THE REST OF THE WORLD (4=2-3)	-171.2	271.0	-57.8	-350.7	-118.3	-159.1	-449.4	-1,067.9	90.6	-226.2	-376.7
5 TOTAL DOMESTIC CONSUMPTION (5=6+9)	20,825.5	22,857.4	25,171.8	27,424.0	28,821.9	31,167.1	34,920.3	38,193.9	36,507.5	37,652.9	39,642.3
6 FINAL CONSUMPTION (6=7+8)	15,712.8	17,357.4	18,845.3	19,996.4	21,053.1	22,263.0	24,080.0	26,224.9	26,646.4	27,768.9	29,175.5
7 PRIVATE CONSUMPTION	11,708.7	12,935.7	14,066.4	14,879.3	15,600.7	16,438.3	17,984.4	19,563.8	19,484.0	19,976.8	20,909.7
- households	11,456.7	12,644.6	13,754.5	14,582.1	15,323.8	16,135.1	17,691.4	19,244.3	19,147.8	19,625.4	20,538.4
- NPISH's	252.0	291.1	311.9	297.1	276.9	303.2	293.0	319.5	336.1	351.4	371.3
8 GOVERNMENT CONSUMPTION (individual and collective)	4,004.1	4,421.7	4,778.9	5,117.2	5,452.3	5,824.7	6,095.6	6,661.1	7,162.4	7,792.1	8,265.8
9 GROSS CAPITAL FORMATION (9=10+11)	5,112.7	5,500.0	6,326.5	7,427.6	7,768.8	8,904.0	10,840.3	11,969.0	9,861.1	9,884.0	10,466.8
10 GROSS FIXED CAPITAL FORMATION	5,107.6	5,332.2	6,015.4	6,752.1	7,263.2	8,161.5	9,477.5	10,404.8	9,156.2	9,382.0	10,006.3
11 CHANGES IN INVENTORIES AND VALUABLES	5.1	167.8	311.1	675.5	505.6	742.6	1,362.8	1,564.3	704.9	502.0	460.5

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

Tabela 5b: Expenditure structure of gross domestic product

structure in %, current prices

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									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	55.5	55.2	54.0	58.0	62.2	66.6	70.2	68.6	63.2	63.4	64.5
3 IMPORTS OF GOODS AND SERVICES	56.3	54.1	54.2	59.3	62.6	67.1	71.5	71.4	63.0	64.0	65.5
4 SURPLUS WITH THE REST OF THE WORLD (4=2-3)	-0.8	1.2	-0.2	-1.3	-0.4	-0.5	-1.3	-2.9	0.2	-0.6	-1.0
5 TOTAL DOMESTIC CONSUMPTION (5=6+9)	100.8	98.8	100.2	101.3	100.4	100.5	101.3	102.9	99.8	100.6	101.0
6 FINAL CONSUMPTION (6=7+8)	76.1	75.0	75.0	73.9	73.3	71.8	69.9	70.6	72.8	74.2	74.3
7 PRIVATE CONSUMPTION	56.7	55.9	56.0	55.0	54.4	53.0	52.2	52.7	53.2	53.4	53.3
- households	55.5	54.7	54.8	53.9	53.4	52.0	51.3	51.8	52.3	52.4	52.3
- NPISH's	1.2	1.3	1.2	1.1	1.0	1.0	0.8	0.9	0.9	0.9	0.9
8 GOVERNMENT CONSUMPTION (individual and collective)	19.4	19.1	19.0	18.9	19.0	18.8	17.7	17.9	19.6	20.8	21.1
9 GROSS CAPITAL FORMATION (9=10+11)	24.8	23.8	25.2	27.4	27.1	28.7	31.4	32.2	26.9	26.4	26.7
10 GROSS FIXED CAPITAL FORMATION	24.7	23.1	24.0	24.9	25.3	26.3	27.5	28.0	25.0	25.1	25.5
11 CHANGES IN INVENTORIES AND VALUABLES	0.0	0.7	1.2	2.5	1.8	2.4	4.0	4.2	1.9	1.3	1.2

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

Table 6a: Expenditure structure of gross domestic product

EUR million (fixed 2007 exchange rate)

	constant previous year prices							constant 2007 prices			
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									forecast		
1 GROSS DOMESTIC PRODUCT (1=4+5)	19,007.2	21,475.0	23,784.2	26,190.6	28,250.7	30,397.9	33,105.5	35,691.4	34,268.1	34,625.6	35,565.9
2 EXPORTS OF GOODS AND SERVICES	10,603.5	12,232.3	13,174.8	15,241.4	17,363.0	20,100.5	23,515.6	24,994.7	22,856.1	23,252.9	24,503.7
3 IMPORTS OF GOODS AND SERVICES	10,942.5	12,199.9	13,336.6	15,424.7	17,121.5	20,162.5	24,081.7	25,509.4	22,888.3	23,250.6	24,452.7
4 SURPLUS WITH THE REST OF THE WORLD (4=2-3)	-339.0	32.4	-161.8	-183.2	241.5	-62.0	-566.1	-514.7	-32.2	2.3	51.0
5 TOTAL DOMESTIC CONSUMPTION (5=6+9)	19,346.2	21,442.6	23,946.0	26,373.8	28,009.2	30,459.8	33,671.6	36,206.1	34,300.3	34,623.3	35,514.9
6 FINAL CONSUMPTION (6=7+8)	14,481.6	16,140.3	17,877.2	19,388.9	20,549.2	21,723.6	23,238.5	24,701.1	24,795.3	25,221.0	25,797.8
7 PRIVATE CONSUMPTION	10,878.7	12,002.5	13,359.2	14,447.7	15,260.8	16,049.5	17,267.8	18,377.8	18,266.5	18,447.4	18,810.8
- households	10,648.8	11,737.5	13,065.6	14,133.1	14,991.3	15,759.1	16,983.7	18,074.5	17,948.0	18,119.4	18,472.9
- NPISH's	229.8	265.0	293.7	314.6	269.5	290.4	284.1	303.3	318.4	328.0	337.8
8 GOVERNMENT CONSUMPTION (individual and collective)	3,602.9	4,137.7	4,518.0	4,941.2	5,288.4	5,674.1	5,970.7	6,323.3	6,528.8	6,773.6	6,987.0
9 GROSS CAPITAL FORMATION (9=10+11)	4,864.6	5,302.3	6,068.8	6,984.9	7,459.9	8,736.2	10,433.1	11,505.0	9,505.1	9,402.3	9,717.2
10 GROSS FIXED CAPITAL FORMATION	4,855.2	5,143.3	5,761.5	6,353.5	7,007.4	8,015.3	9,132.8	10,062.6	8,855.1	8,939.4	9,292.6
11 CHANGES IN INVENTORIES AND VALUABLES	9.5	159.0	307.3	631.4	452.5	720.9	1,300.3	1,442.4	650.0	462.9	424.6

Source of data: SORS, forecast by IMAD.

Table 6b: Expenditure structure of gross domestic product

real growth rates in %

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									forecast		
1 GROSS DOMESTIC PRODUCT (1=4+5)	2.8	4.0	2.8	4.3	4.3	5.9	6.8	3.5	-4.0	1.0	2.7
2 EXPORTS OF GOODS AND SERVICES	6.4	6.8	3.1	12.4	10.6	12.5	13.8	3.3	-8.6	1.7	5.4
3 IMPORTS OF GOODS AND SERVICES	3.1	4.9	6.7	13.3	6.6	12.2	15.7	3.5	-10.3	1.6	5.2
4 SURPLUS WITH THE REST OF THE WORLD ¹	1.7	1.0	-1.9	-0.5	2.2	0.2	-1.3	-0.2	1.4	0.1	0.1
5 TOTAL DOMESTIC CONSUMPTION (5=6+9)	1.2	3.0	4.8	4.8	2.1	5.7	8.0	3.7	-5.3	0.9	2.6
6 FINAL CONSUMPTION (6=7+8)	2.8	2.7	3.0	2.9	2.8	3.2	4.4	2.6	0.4	1.7	2.3
7 PRIVATE CONSUMPTION	2.5	2.5	3.3	2.7	2.6	2.9	5.0	2.2	-0.6	1.0	2.0
- households	2.5	2.5	3.3	2.8	2.8	2.8	5.3	2.2	-0.7	1.0	2.0
- NPISH's	4.8	5.2	0.9	0.9	-9.3	4.9	-6.3	3.5	5.0	3.0	3.0
8 GOVERNMENT CONSUMPTION (individual and collective)	3.8	3.3	2.2	3.4	3.3	4.1	2.5	3.7	3.2	3.8	3.2
9 GROSS CAPITAL FORMATION	-3.6	3.7	10.3	10.4	0.4	12.5	17.2	6.1	-17.4	-1.1	3.3
10 GROSS FIXED CAPITAL FORMATION	0.7	0.7	8.1	5.6	3.8	10.4	11.9	6.2	-12.0	1.0	4.0
11 CHANGES IN INVENTORIES AND VALUABLES ¹	-1.2	0.7	0.6	1.3	-0.8	0.8	1.8	0.2	-2.2	-0.5	-0.1

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

Note: ¹ Contribution to real GDP growth (percentage points).

Table 7a: Main aggregates of national accounts

EUR million (fixed 2007 exchange rate)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									forecast		
1 GROSS DOMESTIC PRODUCT	20,654.3	23,128.5	25,114.0	27,073.4	28,703.6	31,008.0	34,470.9	37,126.0	36,598.1	37,426.7	39,265.6
2 Net primary incomes with the rest of the world (a-b)	44.2	-128.6	-193.7	-313.1	-243.6	-368.4	-678.7	-826.8	-862.5	-1,112.9	-1,191.5
a) primary incomes receivable from the ROW	449.3	450.1	482.0	563.3	765.5	1,032.6	1,309.5	1,441.2	832.4	987.1	1,118.0
b) primary incomes payable to the ROW	405.0	578.7	675.7	876.3	1,009.1	1,401.0	1,988.2	2,268.0	1,694.9	2,100.0	2,309.5
3 GROSS NATIONAL INCOME (3=1+2)	20,698.5	22,999.9	24,920.3	26,760.3	28,460.0	30,639.6	33,792.2	36,299.2	35,735.6	36,313.8	38,074.1
4 Net current transfers with the rest of the world (c-d)	47.3	61.8	29.2	-44.0	-144.0	-215.8	-261.6	-280.7	-137.6	-77.6	-74.1
c) current transfers receivable from the ROW	419.6	470.3	463.1	546.1	629.7	671.8	782.9	825.5	1,194.5	1,288.5	1,362.5
d) current transfers payable to the ROW	372.3	408.5	433.9	590.1	773.7	887.6	1,044.5	1,106.2	1,332.1	1,366.2	1,436.6
5 GROSS NATIONAL DISPOSABLE INCOME (5=3+4)	20,745.8	23,061.7	24,949.5	26,716.3	28,316.0	30,423.8	33,530.6	36,018.4	35,598.0	36,236.2	37,999.9
6 FINAL CONSUMPTION EXPENDITURE (e+f)	15,712.8	17,356.9	18,845.3	19,996.4	21,053.1	22,263.0	24,080.0	26,224.9	26,646.4	27,768.9	29,175.5
e) Private consumption	11,708.7	12,936.2	14,066.4	14,879.3	15,600.7	16,438.3	17,984.4	19,563.8	19,484.0	19,976.8	20,909.7
f) Government consumption	4,004.1	4,421.7	4,778.9	5,117.2	5,452.3	5,824.7	6,095.6	6,661.1	7,162.4	7,792.1	8,265.8
7 GROSS SAVING (7=5-6)	5,033.0	5,704.8	6,104.1	6,719.8	7,262.9	8,160.7	9,450.6	9,793.6	8,951.7	8,467.3	8,824.4
8 GROSS CAPITAL FORMATION	5,112.7	5,500.0	6,326.5	7,427.6	7,768.8	8,904.0	10,840.3	11,969.0	9,861.1	9,884.0	10,466.8
- Gross fixed capital formation	5,107.6	5,332.2	6,015.4	6,752.1	7,263.2	8,161.5	9,477.5	10,404.8	9,156.2	9,382.0	10,006.3
- Changes in inventories and valuables	5.1	167.8	311.1	675.5	505.6	742.6	1,362.8	1,564.3	704.9	502.0	460.5
9 SURPLUS ON THE CURRENT ACCOUNT WITH THE ROW (9=7-8)	-79.7	204.3	-222.3	-707.8	-505.9	-743.3	-1,389.7	-2,175.5	-909.5	-1,416.7	-1,642.3

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

Table 7b: Main aggregates of national accounts

structure in %, current prices

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									forecast		
1 GROSS DOMESTIC PRODUCT	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2 Net primary incomes with the rest of the world (a-b)	0.2	-0.6	-0.8	-1.2	-0.8	-1.2	-2.0	-2.2	-2.4	-3.0	-3.0
a) primary incomes receivable from the ROW	2.2	1.9	1.9	2.1	2.7	3.3	3.8	3.9	2.3	2.6	2.8
b) primary incomes payable to the ROW	2.0	2.5	2.7	3.2	3.5	4.5	5.8	6.1	4.6	5.6	5.9
3 GROSS NATIONAL INCOME (3=1+2)	100.2	99.4	99.2	98.8	99.2	98.8	98.0	97.8	97.6	97.0	97.0
4 Net current transfers with the rest of the world (c-d)	0.2	0.3	0.1	-0.2	-0.5	-0.7	-0.8	-0.8	-0.4	-0.2	-0.2
c) current transfers receivable from the ROW	2.0	2.0	1.8	2.0	2.2	2.2	2.3	2.2	3.3	3.4	3.5
d) current transfers payable to the ROW	1.8	1.8	1.7	2.2	2.7	2.9	3.0	3.0	3.6	3.7	3.7
5 GROSS NATIONAL DISPOSABLE INCOME (5=3+4)	100.4	99.7	99.3	98.7	98.6	98.1	97.3	97.0	97.3	96.8	96.8
6 FINAL CONSUMPTION EXPENDITURE (e+f)	76.1	75.0	75.0	73.9	73.3	71.8	69.9	70.6	72.8	74.2	74.3
e) Private consumption	56.7	55.9	56.0	55.0	54.4	53.0	52.2	52.7	53.2	53.4	53.3
f) Government consumption	19.4	19.1	19.0	18.9	19.0	18.8	17.7	17.9	19.6	20.8	21.1
7 GROSS SAVING (7=5-6)	24.4	24.7	24.3	24.8	25.3	26.3	27.4	26.4	24.5	22.6	22.5
8 GROSS CAPITAL FORMATION	24.8	23.8	25.2	27.4	27.1	28.7	31.4	32.2	26.9	26.4	26.7
- Gross fixed capital formation	24.7	23.1	24.0	24.9	25.3	26.3	27.5	28.0	25.0	25.1	25.5
- Changes in inventories and valuables	0.0	0.7	1.2	2.5	1.8	2.4	4.0	4.2	1.9	1.3	1.2
9 SURPLUS ON THE CURRENT ACCOUNT WITH THE ROW (9=7-8)	-0.4	0.9	-0.9	-2.6	-1.8	-2.4	-4.0	-5.9	-2.5	-3.8	-4.2

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

Table 8: Population and labour market

Numbers in thousands, indicators in %

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
										forecast	
POPULATION (thousands)	1992.0	1995.7	1996.8	1997.0	2001.1	2008.5	2019.4	2039.4	2031.5	2036.6	2041.0
Age structure (in perc.): 0-14 y. of age	15.6	15.2	14.8	14.5	14.2	14.0	13.9	13.8	13.8	13.9	13.9
15-64 years of age	70.1	70.2	70.4	70.4	70.3	70.2	70.1	70.0	69.7	69.5	69.4
65 years and more	14.3	14.6	14.9	15.2	15.5	15.7	16.0	16.2	16.5	16.6	16.7
Yearly growth rate of population (in perc.)											
- Total	0.1	0.2	0.1	0.0	0.2	0.4	0.5	1.0	-0.4	0.3	0.2
- 15-64 years of age	0.1	0.3	0.3	0.0	0.1	0.3	0.3	0.8	-0.8	0.1	0.1
- 65 years and more	2.4	2.5	1.7	2.0	2.2	2.2	2.3	2.1	1.4	1.0	0.7
Components of demographic development											
Life expectancy: - men	72.1	72.3	73.2	73.5	74.1	74.8	75.0	74.7	74.9	75.1	75.3
- women	79.6	79.9	80.7	81.1	81.3	81.9	82.3	81.9	82.1	82.2	82.4
Fertility rate	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.3	1.3	1.3	1.3
Net migration (per thousand)	1.5	0.9	1.7	1.0	3.2	3.1	7.1	2.9	2.7	2.5	2.5
LABOUR SUPPLY											
Participation rate (15-64)	68.3	67.8	67.1	69.8	70.7	70.9	71.3	72.1	69.8	69.7	69.6
- 15-24 years of age	37.4	36.7	35.3	40.6	40.6	40.6	42.0	42.9	42.3	41.8	41.4
- 25-54 years of age	87.6	87.3	87.0	88.2	88.9	89.0	89.0	89.8	86.3	86.4	86.4
- 55-64 years of age	26.8	25.5	23.9	29.4	32.2	33.4	34.6	34.9	35.9	36.8	37.6
Participation rate (65 years and more)	8.7	7.3	6.5	8.7	6.9	6.8	8.2	4.1	5.4	4.0	3.9
Labour force (LFS concept)	979.0	971.0	962.0	1007.0	1016.0	1022.0	1036.0	1042.0	1005.0	1001.0	999.0
- Yearly changes (in perc.)	1.1	-0.8	-0.9	4.7	0.9	0.6	1.4	0.6	-3.6	-0.4	-0.2
LABOUR DEMAND											
Yearly changes (in perc.)											
GDP	2.8	4.0	2.8	4.3	4.3	5.9	6.8	3.5	-4.0	1.0	2.7
Productivity	2.4	4.0	3.2	4.0	4.5	4.3	3.7	0.6	1.5	2.8	3.1
Persons in employment (National accounts concept)	0.5	-0.1	-0.4	0.3	-0.1	1.5	3.0	2.9	-5.4	-1.7	-0.4
Persons in employment (LFS concept)	1.7	-0.7	-1.4	5.1	0.6	1.3	2.5	1.1	-5.1	-1.5	-0.2
Persons in formal employment * (statistical register)	0.7	0.3	-0.9	0.8	0.7	1.4	3.5	3.0	-4.2	-1.7	-0.4
- persons in paid employment *	0.9	-0.1	0.1	0.3	1.0	1.4	3.3	3.1	-4.3	-1.7	-0.3
Numbers (in thousand)											
Persons in employment (National accounts concept) (000)	908.9	922.8	919.2	922.1	921.0	934.8	962.6	990.3	936.8	920.8	917.3
Persons in formal employment (statistical register)	806.3	808.7	801.4	807.5	813.1	824.8	854.0	879.3	842.0	827.6	824.4
- persons in paid employment*	722.1	721.4	722.1	724.4	731.6	741.6	766.0	789.9	755.7	743.0	740.7
- selfemployed	84.2	87.3	79.2	83.1	81.5	83.3	87.9	89.4	86.3	84.6	83.7
Persons in employment (LFS concept)	916.0	910.0	897.0	943.0	949.0	961.0	985.0	996.0	945.0	931.0	929.0
- employment rate (15-64 y. of age, in %)	63.9	63.4	62.6	65.3	66.0	66.6	67.8	68.8	65.5	64.8	64.7
Economic structure of employment (LFS concept) in %											
agriculture	10.4	9.2	8.4	9.9	9.1	9.6	9.9	8.6	8.1	7.7	7.3
industry and construction	38.5	38.7	37.8	36.7	37.0	35.5	35.1	34.9	34.0	33.3	32.7
services	51.1	52.1	53.8	53.4	53.9	54.9	54.9	56.4	57.9	59.0	60.0
UNEMPLOYMENT											
ILO concept	63.0	62.0	64.0	64.0	67.0	61.0	50.5	46.0	60.0	70.0	70.0
registered	101.9	102.6	97.7	92.8	91.9	85.8	71.3	63.2	82.1	94.8	93.5
Rate of unemployment (ILO concept)	6.4	6.4	6.7	6.3	6.5	6.0	4.9	4.4	6.0	7.0	7.0
Rate of registered unemployment	11.2	11.3	10.9	10.3	10.2	9.4	7.7	6.7	8.9	10.3	10.2

Source of data: SORS, ESS, forecasts by IMAD and Eurostat (Population projection).

Note: * As in statistical register of persons in employment.

Table 9: **Employment and productivity (according to the national accounts methodology)**

Annual growth rate (in %)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									forecast		
Employment according to the national accounts methodology *	0.5	-0.1	-0.4	0.3	-0.1	1.5	3.0	2.9	-5.4	-1.7	-0.4
A Agriculture, hunting, forestry	-3.3	-2.7	-3.5	-2.4	-2.6	-3.1	-2.3	-1.7	-2.9	-3.4	-3.4
B Fishing	-2.5	42.5	1.3	-22.1	-5.9	-3.8	-1.7	-2.9	-1.3	-1.3	-0.8
C Mining and quarrying	-6.8	-5.9	-5.2	-9.7	-4.7	-4.2	-5.9	-5.3	-11.0	-10.6	-9.1
D Manufacturing	0.4	-1.9	-2.2	-0.8	-2.0	-1.6	0.8	-0.5	-11.8	-4.0	-2.5
E Electricity, gas and water supply	-0.5	0.2	-0.6	-1.6	0.9	0.3	-0.1	1.7	-6.4	-2.7	-2.2
F Construction	0.0	-1.0	-0.1	-1.6	4.4	6.9	10.9	12.0	-8.7	-2.3	-1.3
G Wholesale and retail trade, motor vehicle repair	-0.3	0.6	-0.1	0.3	0.0	1.8	3.9	3.7	-4.2	-1.9	1.3
H Hotels and restaurants	-0.5	-0.6	-0.8	0.9	3.0	2.9	4.6	3.2	-4.4	-1.0	-0.8
I Transport, storage, communications	1.5	1.3	-0.4	-1.4	1.4	2.5	6.9	5.2	-5.0	-2.0	-0.3
J Financial intermediation	2.6	1.8	-0.9	2.7	2.9	2.6	3.0	5.0	-6.9	-2.9	-2.4
K Real estate, renting and business activities	4.4	6.9	2.9	3.6	-2.6	8.3	7.5	6.7	-2.3	1.3	2.7
L Public administration and comp. soc. security	3.5	2.8	3.9	4.9	-0.2	0.7	-0.3	1.3	0.1	0.3	0.4
M Education	1.3	1.7	1.5	1.6	2.2	1.1	0.7	1.6	0.2	0.4	1.0
N Health and social work	1.6	2.2	2.4	2.9	3.0	2.1	1.1	1.7	0.6	0.8	1.6
O Other community, social and personal services	0.9	-5.6	1.5	2.4	2.7	4.5	4.7	3.6	-1.1	-0.9	1.0
P Private households with employed persons	2.7	-4.3	-13.4	2.4	3.2	-2.6	2.9	2.0	-1.0	1.0	0.9

LABOUR PRODUCTIVITY (GDP per person in employment, according to national accounts)

Nominal growth	11.2	12.1	9.0	7.5	6.2	6.4	8.0	4.7	4.2	4.0	5.3
Real growth	2.4	4.0	3.2	4.0	4.5	4.3	3.7	0.6	1.5	2.8	3.1
- business sector (A-K)	3.4	3.0	4.0	4.8	5.0	5.8	4.7	4.4	1.7	3.2	3.7
- public and personal services (L-P)	1.0	2.5	1.0	0.8	2.2	0.0	-0.4	0.8	1.3	1.3	1.2
LABOUR PRODUCTIVITY (current prices, EUR)	22,724	25,063	27,321	29,361	31,167	33,172	35,811	37,491	39,067	40,645	42,808

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

Note: * in 2002, increase in employment due to contract-based work is not taken into account.

Table 10: Indicators of international competitiveness

Annual growth rates in %

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
									forecast	
Effective exchange rate ¹										
Nominal	-5.7	-3.6	-0.5	-1.3	-0.7	0.2	0.8	0.5	-0.1	0.0
Real - based on consumer prices	-0.3	1.7	3.3	0.1	-0.2	0.7	2.3	2.8	-0.3	0.1
Real - based on ULC in economy as a whole	0.4	0.2	2.4	1.6	-1.0	0.3	1.6	4.9	-1.5	0.4
Unit labour costs components										
Nominal unit labour costs	9.2	6.0	4.5	3.7	0.8	1.1	2.5	7.9	1.2	1.4
Compensation of employees per employee ²	11.8	10.4	7.9	7.8	5.3	5.5	6.3	8.5	2.7	4.2
Labour productivity, real ³	2.4	4.0	3.2	4.0	4.5	4.3	3.7	0.6	1.5	2.8
Real unit labour costs	0.5	-1.5	-1.0	0.3	-0.8	-0.9	-1.5	3.7	-1.4	0.2
Labour productivity, nominal ⁴	11.2	12.1	9.0	7.5	6.2	6.4	8.0	4.7	4.2	4.0

Sources of data: SORS national accounts statistics, BS, ECB, OECD, calculations and forecasts by IMAD.

Notes: ¹Weighted geometric currency average of 17 trading partners. Weights are shares of trading partners in Slovenia's exports (double-weighted) and imports of goods in manufacturing in 2001-2003 (on average). A rise in the value indicates appreciation of national currency and vice versa.; ² Nominal; ³ BGDGP per employee (in constant prices); ⁴ GDP per employee (in current prices).

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

EUR million, current prices (fixed 2007 exchange rate)

CONSOLIDATED GENERAL GOVERNMENT REVENUES	2001	2002	2003	2004	2005	2006	2007	2008 preliminary
I. TOTAL GENERAL GOVERNMENT REVENUES	8,547	9,082	10,338	11,196	11,976	12,959	14,006	15,335
TAX REVENUES	7,840	8,355	9,560	10,211	10,884	11,762	12,758	13,937
TAXES ON INCOME AND PROFIT	1,493	1,648	1,922	2,115	2,242	2,735	2,918	3,442
Personal income tax	1,206	1,335	1,474	1,596	1,648	1,793	1,805	2,185
Corporate income tax	287	314	448	519	594	942	1,113	1,257
SOCIAL SECURITY CONTRIBUTIONS	2,927	3,231	3,502	3,753	3,988	4,231	4,598	5,095
TAXSES ON PAYROLL AND WORKFORCE	348	392	448	491	526	473	418	258
Payroll tax	330	371	430	472	506	450	392	230
Tax on work contracts	18	20	19	19	20	23	27	28
TAXES ON PROPERTY	138	144	144	165	170	189	206	215
DOMESTIC TAXES ON GOODS AND SERVICES	2,810	2,807	3,399	3,575	3,915	4,077	4,498	4,805
TAXES ON INTERN. TRADE AND TRANSACTIONS	124	131	145	81	39	51	117	120
OTHER TAXES	1	2	1	31	4	5	2	2
NON-TAX REVENUES	580	559	623	677	633	633	709	853
CAPITAL REVENUES	43	63	66	87	113	167	136	115
GRANTS	45	59	56	8	9	5	12	10
TRANSFERS REVENUES	39	46	33	31	34	43	43	54
RECEIPTS FROM THE EU BUDGET	0	0	0	183	302	348	348	365

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

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

per cent share relative to GDP

CONSOLIDATED GENERAL GOVERNMENT REVENUES	2001	2002	2003	2004	2005	2006	2007	2008 preliminary
I. TOTAL GENERAL GOVERNMENT REVENUES	41.4	39.3	41.2	41.4	41.7	41.8	40.6	41.3
TAX REVENUES	38.0	36.1	38.1	37.7	37.9	37.9	37.0	37.5
TAXES ON INCOME AND PROFIT	7.2	7.1	7.7	7.8	7.8	8.8	8.5	9.3
Personal income tax	5.8	5.8	5.9	5.9	5.7	5.8	5.2	5.9
Corporate income tax	1.4	1.4	1.8	1.9	2.1	3.0	3.2	3.4
SOCIAL SECURITY CONTRIBUTIONS	14.2	14.0	13.9	13.9	13.9	13.6	13.3	13.7
TAXSES ON PAYROLL AND WORKFORCE	1.7	1.7	1.8	1.8	1.8	1.5	1.2	0.7
Payroll tax	1.6	1.6	1.7	1.7	1.8	1.4	1.1	0.6
Tax on work contracts	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
TAXES ON PROPERTY	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6
DOMESTIC TAXES ON GOODS AND SERVICES	13.6	12.1	13.5	13.2	13.6	13.1	13.0	12.9
TAXES ON INTERN. TRADE AND TRANSACTIONS	0.6	0.6	0.6	0.3	0.1	0.2	0.3	0.3
OTHER TAXES	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0
NON-TAX REVENUES	2.8	2.4	2.5	2.5	2.2	2.0	2.1	2.3
CAPITAL REVENUES	0.2	0.3	0.3	0.3	0.4	0.5	0.4	0.3
GRANTS	0.2	0.3	0.2	0.0	0.0	0.0	0.0	0.0
TRANSFERS REVENUES	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
RECEIPTS FROM THE EU BUDGET	0.0	0.0	0.0	0.7	1.1	1.1	1.0	1.0

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

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

EUR million, current prices (fixed 2007 exchange rate)

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2001	2002	2003	2004	2005	2006	2007	2008 preliminary
II. TOTAL EXPENDITURE	8,811	9,733	10,666	11,552	12,276	13,209	13,915	15,435
CURRENT EXPENDITURE	4,191	4,668	5,114	5,150	5,354	5,689	5,951	6,556
WAGES AND OTHER PERSONNEL EXPENDITURE	1,905	2,149	2,342	2,456	2,521	2,671	2,761	3,038
SOCIAL SECURITY CONTRIBUTIONS	336	386	424	466	495	509	515	542
PURCHASES OF GOODS AND SERVICES	1,610	1,743	1,884	1,794	1,911	2,073	2,212	2,526
INTEREST PAYMENTS	304	349	387	384	372	376	357	335
BUDGETARY RESERVES	38	41	78	50	55	59	105	114
CURRENT TRANSFERS	3,789	4,202	4,579	5,216	5,599	5,926	6,144	6,741
SUBSIDIES	264	252	290	324	381	403	423	477
TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	3,427	3,799	4,115	4,396	4,629	4,871	5,093	5,616
OTHER CURRENT DOMESTIC TRANSFERS	98	151	174	496	589	651	628	648
CAPITAL EXPENDITURE TOTAL	830	863	972	1,017	1,038	1,306	1,464	1,710
CAPITAL EXPENDITURE	534	537	593	631	654	901	1,130	1,252
CAPITAL TRANSFERS	296	326	379	386	383	405	334	458
PAYMENTS TO THE EU BUDGET	0	0	0	170	286	288	356	428
III. GENERAL GOVERNMENT BUDGETARY SURPLUS / DEFICIT (I. - II.)	-264	-651	-327	-356	-300	-250	91	-99

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

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

per cent share relative to GDP

CONSOLIDATED GENERAL GOVERNMENT EXPENDITURE	2001	2002	2003	2004	2005	2006	2007	2008 preliminary
II. TOTAL EXPENDITURE	42.7	42.1	42.5	42.7	42.8	42.6	40.4	41.6
CURRENT EXPENDITURE	20.3	20.2	20.4	19.0	18.7	18.3	17.3	17.7
WAGES AND OTHER PERSONNEL EXPENDITURE	9.2	9.3	9.3	9.1	8.8	8.6	8.0	8.2
SOCIAL SECURITY CONTRIBUTIONS	1.6	1.7	1.7	1.7	1.7	1.6	1.5	1.5
PURCHASES OF GOODS AND SERVICES	7.8	7.5	7.5	6.6	6.7	6.7	6.4	6.8
INTEREST PAYMENTS	1.5	1.5	1.5	1.4	1.3	1.2	1.0	0.9
BUDGETARY RESERVES	0.2	0.2	0.3	0.2	0.2	0.2	0.3	0.3
CURRENT TRANSFERS	18.3	18.2	18.2	19.3	19.5	19.1	17.8	18.2
SUBSIDIES	1.3	1.1	1.2	1.2	1.3	1.3	1.2	1.3
TRANSFERS TO INDIVIDUALS AND HOUSEHOLDS	16.6	16.4	16.4	16.2	16.1	15.7	14.8	15.1
OTHER CURRENT DOMESTIC TRANSFERS	0.5	0.7	0.7	1.8	2.1	2.1	1.8	1.7
CAPITAL EXPENDITURE TOTAL	4.0	3.7	3.9	3.8	3.6	4.2	4.2	4.6
CAPITAL EXPENDITURE	2.6	2.3	2.4	2.3	2.3	2.9	3.3	3.4
CAPITAL TRANSFERS	1.4	1.4	1.5	1.4	1.3	1.3	1.0	1.2
PAYMENTS TO THE EU BUDGET	0.0	0.0	0.0	0.6	1.0	0.9	1.0	1.2
III. GENERAL GOVERNMENT BUDGETARY SURPLUS / DEFICIT (I. - II.)	-1.3	-2.8	-1.3	-1.3	-1.0	-0.8	0.3	-0.3

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

Table 13: Balance of payments - BALANCE OF PAYMENTS STATISTICS

EUR million

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
									forecast		
I. CURRENT ACCOUNT	38	247	-196	-720	-498	-771	-1,455	-2,180	-809	-1,311	-1,528
1. GOODS	-684	-265	-543	-1,009	-1,026	-1,151	-1,666	-2,662	-1,493	-1,891	-2,199
1.1. Exports of goods	10,454	11,082	11,417	12,933	14,599	17,028	19,798	20,278	18,028	18,299	19,445
1.2. Imports of goods	11,139	11,347	11,960	13,942	15,625	18,179	21,464	22,940	19,521	20,190	21,644
2. SERVICES	536	620	540	688	920	993	1,193	1,703	1,684	1,771	1,936
2.1. Exports	2,178	2,440	2,465	2,783	3,214	3,572	4,291	5,064	5,007	5,306	5,763
Transport	559	635	680	809	923	1,058	1,259	1,500	1,361	1,395	1,485
Travel	1,105	1,143	1,186	1,312	1,451	1,555	1,811	2,041	2,061	2,176	2,341
Other	514	662	599	662	840	959	1,221	1,523	1,586	1,736	1,937
2.2. Imports	1,642	1,820	1,925	2,095	2,293	2,580	3,098	3,362	3,323	3,536	3,826
Transport	356	385	420	485	525	601	734	812	729	752	805
Travel	601	635	664	703	707	772	831	865	830	859	898
Other	685	800	841	906	1,061	1,206	1,533	1,685	1,764	1,924	2,123
1., 2. BALANCE OF GOODS AND SERVICES	-149	355	-3	-322	-106	-158	-473	-959	191	-120	-263
Exports of goods and services	12,632	13,521	13,882	15,715	17,813	20,601	24,089	25,342	23,035	23,605	25,208
Imports of goods and services	12,781	13,166	13,885	16,037	17,918	20,759	24,562	26,301	22,844	23,725	25,471
3. INCOME	43	-168	-219	-322	-295	-440	-708	-1,008	-862	-1,113	-1,192
3.1. Receipts	511	490	510	530	647	872	1,169	1,273	832	987	1,118
Compensation of employees	197	207	192	201	205	218	225	190	200	205	210
Investment	314	282	318	329	442	654	943	1,083	632	782	908
3.2. Expenditures	468	657	728	852	942	1,312	1,877	2,281	1,695	2,100	2,310
Compensation of employees	30	47	57	63	77	110	148	204	185	190	200
Investment	438	610	671	789	866	1,202	1,730	2,077	1,510	1,910	2,110
4. CURRENT TRANSFERS	144	60	26	-76	-97	-173	-274	-212	-138	-78	-74
4.1. In Slovenia	436	500	474	561	738	785	905	996	1,194	1,289	1,362
4.2. Abroad	293	439	449	638	835	958	1,178	1,208	1,332	1,366	1,437
II. CAPITAL AND FINANCIAL ACCOUNT	-148	3	46	698	970	1,092	1,713	2,271			
A CAPITAL ACCOUNT	-4	-164	-165	-96	-114	-131	-52	-93			
1. Capital transfers	1	-163	-164	-96	-109	-126	-51	-87			
2. Non-produced non-financial assets	-5	-1	-2	0	-5	-5	-1	-6			
B FINANCIAL ACCOUNT	-144	167	211	794	1,084	1,223	1,765	2,364			
1. Direct investment	251	1,556	-151	224	-43	-174	-269	257			
Abroad	-161	-166	-421	-441	-516	-687	-1,319	-978			
In Slovenia	412	1,722	270	665	473	513	1,050	1,235			
2. Portfolio investment	80	-69	-223	-637	-1,313	-1,442	-2,264	606			
3. Financial derivatives	0	0	0	6	-10	-13	-21	6			
4. Other investment	964	565	849	945	2,639	1,571	4,179	1,474			
4.1. Assets	248	-538	-730	-1,308	-1,459	-1,939	-4,877	-711			
4.2. Liabilities	716	1,104	1,579	2,252	4,098	3,510	9,057	2,185			
5. Reserve assets	-1,439	-1,885	-264	256	-189	1,281	140	21			
III. NET ERRORS AND OMISSIONS	110	-250	150	22	-473	-321	-258	-92			

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

Table 14: Comparison of forecasters' errors in GDP growth and inflation forecasts*

PNt - Spring Foresact for the current year

PNt+1 - Spring Foresact for the year ahaed

JNt - Autumn Foresact for the current year

JNt+1 - Autumn Foresact for the year ahaed

Negative values indicate an overestimation, while positive values indicate an underestimation.

IMAD (from 1997 /1998 to 2008)								
	Economic growth - real				Economic growth - nominal			
	PNt	JNt+1	JNt	PNt+1	PNt	JNt+1	JNt	PNt+1
ME:	-0.10	-0.19	-0.09	0.01	-0.16	-0.22	-0.10	-0.34
MAE:	0.71	0.90	0.49	1.08	1.09	1.11	1.05	1.37
RMSE:	0.89	1.03	0.63	1.21	1.32	1.33	1.14	1.79
stdMAE:	0.68	0.82	0.46	0.98	0.40	0.44	0.38	0.54
stdRMSE:	0.84	0.94	0.60	1.10	0.48	0.52	0.42	0.71
IMAD (from 1997 /1998 to 2008)								
	Inflation - end of the year				Inflation - year average			
	PNt	JNt+1	JNt	PNt+1	PNt	JNt+1	JNt	PNt+1
ME:	-0.25	-0.62	0.45	-0.89	-0.28	-0.45	0.14	-0.97
MAE:	1.20	1.47	0.75	1.65	0.51	0.93	0.19	1.34
RMSE:	1.56	2.01	1.10	2.15	0.67	1.24	0.28	1.78
stdMAE:	0.46	0.61	0.29	0.68	0.21	0.40	0.08	0.57
stdRMSE:	0.60	0.83	0.42	0.89	0.27	0.53	0.11	0.76
IMAD (from 2002 /2002 to 2008)								
	Economic growth - real				Economic growth - nominal			
	PNt	JNt+1	JNt	PNt+1	PNt	JNt+1	JNt	PNt+1
ME:	-0.24	-0.17	0.03	-0.03	-0.50	-0.08	0.05	-0.02
MAE:	0.76	1.00	0.43	1.14	1.15	1.39	1.00	1.32
RMSE:	0.88	1.14	0.60	1.31	1.40	1.58	1.10	1.73
stdMAE:	0.59	0.78	0.33	0.89	0.54	0.65	0.47	0.62
stdRMSE:	0.69	0.88	0.46	1.02	0.66	0.74	0.52	0.82
IMAD (from 2002 /2002 to 2008)								
	Inflation - end of the year				Inflation - year average			
	PNt	JNt+1	JNt	PNt+1	PNt	JNt+1	JNt	PNt+1
ME:	-0.31	-0.24	0.47	-0.40	-0.47	-0.36	0.11	-0.76
MAE:	1.09	1.16	0.99	1.17	0.47	0.87	0.17	1.10
RMSE:	1.47	1.41	1.38	1.55	0.64	1.12	0.23	1.45
stdMAE:	0.57	0.61	0.52	0.62	0.25	0.46	0.09	0.58
stdRMSE:	0.77	0.74	0.73	0.81	0.34	0.60	0.12	0.77
BS (from 2002 /2002 to 2008)								
	Economic growth - real				Inflation - end of the year ^o			
	PNt	JNt+1	JNt	PNt+1	PNt	JNt+1	JNt	PNt+1
ME:	-0.39	-0.43	-0.10	-0.11	-0.10	-0.57	0.21	
MAE:	0.79	1.03	0.50	1.06	0.33	0.77	0.36	
RMSE:	0.96	1.19	0.59	1.19	0.47	1.08	0.39	
stdMAE:	0.61	0.80	0.39	0.82	0.19	0.44	0.21	
stdRMSE:	0.75	0.92	0.46	0.93	0.27	0.62	0.22	

Note: ^oInflation at the end of the year is calculated as Q_t/Q_{t-1} . The accuracy measures of the autumn forecast of inflation for the current year are not calculated due to the missing forecast in 2002.

Table 14: Comparison of forecasters' errors in GDP growth and inflation forecasts* - *continue*

SKEP (from 1997/1998 to 2008)								
	Economic growth - real				Inflation - end of the year			
	PNt	JNt+1	JNt	PNt+1	PNt	JNt+1	JNt	PNt+1
ME:	-0.26	-0.14	0.10	-0.18	-0.32	-0.71	0.09	-0.99
MAE:	0.76	1.00	0.68	0.95	0.62	1.11	0.19	1.61
RMSE:	0.92	1.19	0.86	1.08	0.74	1.46	0.31	1.98
stdME:	-0.25	-0.13	0.10	-0.17	-0.13	-0.30	0.04	-0.42
stdRMSE:	0.87	1.09	0.82	0.98	0.30	0.62	0.13	0.84
EC (from 2002/2002 to 2008)								
	Economic growth - real				Inflation - end of the year			
	PNt	JNt+1	JNt	PNt+1	PNt	JNt+1	JNt	PNt+1
ME:	-0.37	-0.34	-0.16	-0.23	-0.16	-0.13	0.14	-0.39
MAE:	0.89	1.06	0.41	1.03	0.27	1.04	0.23	1.41
RMSE:	1.05	1.21	0.50	1.19	0.47	1.17	0.31	1.65
stdMAE:	0.69	0.82	0.32	0.80	0.15	0.56	0.12	0.76
stdRMSE:	0.82	0.94	0.39	0.92	0.26	0.63	0.17	0.89
IMF (from 1998/2000 to 2008)								
	Economic growth - real				Inflation - end of the year			
	PNt	JNt+1	JNt	PNt+1	PNt	JNt+1	JNt	PNt+1
ME:	-0.26	-0.21	-0.22	-0.01	-0.76	-1.30	-0.30	-1.21
MAE:	0.88	1.06	0.73	0.99	0.98	1.77	0.48	1.72
RMSE:	0.99	1.21	0.92	1.15	1.46	2.21	0.71	2.12
stdMAE:	0.80	0.89	0.66	0.83	0.42	0.71	0.21	0.70
stdRMSE:	0.90	1.02	0.83	0.96	0.62	0.89	0.30	0.86

Note: * Validity assessments are based on data that were available upon the preparation of the Spring Forecast 2008.

Abbreviations:

- ME ... Mean Error
- MAE ... Mean Absolute Error
- RMSE ... Root Mean Square Error)
- stdMAE ... Standardised Mean Absolute Error
- stdRMSE ... Standardised Root Mean Square Error)

Sources of data:

¹ Spring Report, 1997–2008. Ljubljana: IMAD.

² Economic Trends, 1997–2008. Ljubljana: SKEP.

³ Monetary Policy Objectives, 2001; Implementation of Short-term Monetary Policy Objectives, 2002–2004; Monetary Policy Report.2005–2007. Ljubljana: BS.

⁴ World Economic Outlook, 1998–2008. Washington: IMF.

⁵ Economic Forecasts for the Candidate Countries, 1996–2001; Economic Forecasts, 2002–2008.

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