

# Manufacturing

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Selected indicators in manufacturing	In absolute terms			Growth rates, in %		
	May 2003	Jan-May 2003	Jan-Dec 2002	May 2003/ April 2003	Jan-May 03/ Jan-May 02	Jan-Dec 02/ Jan-Dec 01
Production volume <sup>1</sup>	-	-	-	-0.1	-0.1	2.0
Average number of employees <sup>1</sup>	N/A	N/A	N/A	-0.3 <sup>2</sup>	-1.7 <sup>2</sup>	-2.8
Labour productivity	-	-	-	-2.6 <sup>2</sup>	1.8 <sup>2</sup>	4.9
Stock volume	-	-	-	3.1	6.3	-2.0
Average gross wage, in SIT	205,119 <sup>2</sup>	202,388 <sup>2</sup>	194,100	1.3 <sup>2-3</sup>	1.9 <sup>2-3</sup>	1.7 <sup>3</sup>
Producer prices	-	-	-	0.2	3.6	5.2
Producer prices / inflation	-	-	-	-0.3	-2.3	-2.1

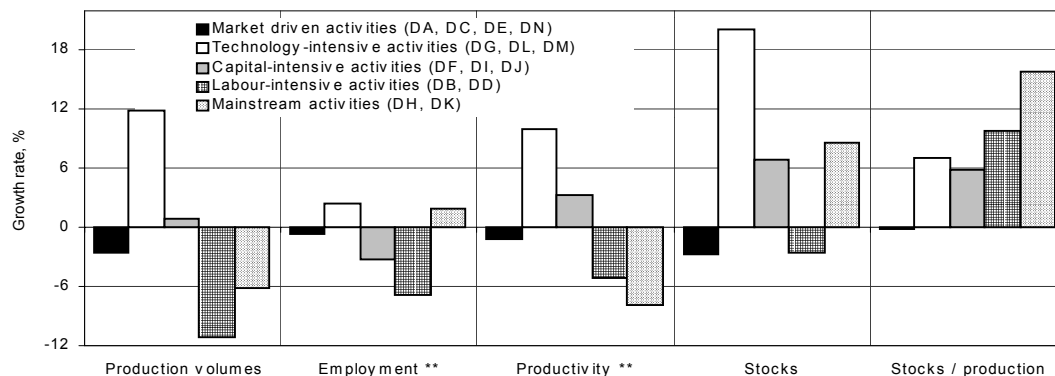
Sources of data: SORS, AP; calculations by IMAD. Notes: <sup>1</sup>figures cover companies with 10 or more employees; <sup>2</sup>figures for March 2002; <sup>3</sup>real growth – calculated by the consumer price index; N/A – not available.

According to the SORS' provisional figures, manufacturing's **value added** increased by 3.0% year on year in the first quarter in real terms. This was in line with the spring economic forecasts (see the IMAD's Spring Report 2003). In May, **production volumes** stayed roughly at April's level despite there being one working day less (about 5% of the working time; see table). In the first five months, they edged down 0.1% over the same period last year. Compared to May last year, which was one working day longer, production volumes fell by 0.7%. These short-term dynamics had little effect on the long-term trend; production volumes were on a **stagnant trend** for the third month running (calculated by the TramoSeats method).

If **manufacturing industries** are divided into five groups depending on the **structure of inputs** in accordance with the Landesmann's methodology (for more, see *Landesmann, M. A.: Structural Features of Economic Integration in an Enlarged Europe: Patterns of Catching-up and Industrial Specialisation, 2003*), **technology-intensive industries** recorded the strongest growth in their production volumes year on year in the first five months (11.9%). Highly positive outcomes were seen in the manufacture of chemicals and chemical products, where production volumes increased by 13.8%. At the same time, stock levels dropped by 2.0%, while employment rose by 6.6% year on year in the first four months. The manufacture of electrical and optical equipment also recorded strong production volumes growth (15.2%), however, stock levels surged by 49.7%. Capital-intensive industries saw 0.6% growth in their production volumes. The biggest falls were recorded in **labour-intensive industries**, down by an average of 11.1%, while employment dropped by 6.8% year on year in the first four months.

The business climate deteriorated for the third month in a row and was way below the average of the last four years. According to the SORS' **survey on business trends in manufacturing**, the **composite confidence indicator** (see SEM 05/2003:13) achieved this year's lowest value. The seasonally adjusted value was also negative and did not show any improvement. The number of companies surveyed which expected a deterioration in the business climate was 12.0 percentage points higher than the number of companies expecting an improvement. Compared to April, the confidence indicator lost 4.7 percentage points and was 7.2 percentage points below this year's average monthly level. This year's average monthly value of the indicator was just 2.5 percentage points above the average monthly level of 1999, the last recession year, when production volumes recorded zero year-on-year growth. From May to June, a further deterioration was seen in expectations about total and export demand. June's number of surveyed managers who anticipated an improvement in international economic conditions in the next 3-4 months was just 8.0 percentage points more than the number of those expecting a worsening (19.0 percentage points in May and 4.0 percentage points in June 1999).

Graph: **Selected economic indicators for manufacturing industries\*, Jan-May 2003/Jan-May 2002**



Source of data: SORS, calculations by the IMAD. Note: \* activities are divided into different groups on the basis of the intensity of factor inputs, using the Landesmann's methodology ([http://europa.eu.int/com/m/economy\\_finance](http://europa.eu.int/com/m/economy_finance)). \*\* Jan.-Apr. 2003/ Jan.-Apr. 2002.