

Competitiveness

Price and costs competitiveness indicators, indices	Φ Q3 2003/ Φ Q2 2003		Φ Q3 2003/ Φ Q3 2002	Φ Q1-Q3 2003/ Φ Q1-Q3 2002
	Original	Seas. adj.	Original	Original
Tolar's effective exchange rate ¹ - nominal	99.1	-	99.2	99.7
Real exchange rate – based on consumer prices	99.5	-	103.0	103.8
Real exchange rate – based on producer prices	99.4	-	100.8	101.1
Unit labour costs and components				
Unit labour costs, in nominal terms, in SIT ²	99.3	100.0	105.4	105.0
In SIT in real terms ³	99.0	99.4	102.9	102.2
In the basket of currencies ⁴	98.4	99.1	104.6	104.7
Compensation of employees, in real terms ⁵	95.5	99.8	100.6	101.1
Net wages and other remuneration	91.5	99.3	99.5	100.3
Tax burden ⁶	100.0	100.0	100.2	100.2
Labour productivity	98.1	100.9	101.1	102.1
Consumer prices/nominal effective exchange rate ⁷	99.8	100.2	104.6	105.5

Sources of data: SORS, AP, BS, OECD Main Economic Indicators. Calculations by the IMAD.
Notes: ¹based on market exchange rates; growth in index value denotes appreciation of the tolar and vice versa; ²in manufacturing, for entities with three or more employees; ³measured by producer prices, ⁴nominal, ⁵deflated by consumer prices, ⁶gross wages and employers' contributions relative to net wages, ⁷foreign currencies. Seasonally adjusted by the TRAMO-SEATS method.

The price and cost competitiveness of Slovenian manufacturing improved in the **third quarter** over the preceding one, but continued to worsen moderately in year-on-year terms. Slovenia's market share in the 15 main trading partners increased in the first eight months compared to the same period last year, however, this increase was much weaker than in 2002 and 2001.

After appreciating in nominal terms in the first and second quarters, mainly due to the US dollar's fall in international foreign exchange markets, the **tolar depreciated against the basket of OECD currencies** in the third quarter. With the dollar rising by 1.1% against the euro, the tolar depreciated by 0.9% over the second quarter and 0.8% over the same period last year in nominal terms. The tolar depreciated by 0.7% in nominal terms **against the euro** compared to the second quarter (the same as in the second quarter), while its nominal depreciation continued to slow down in year-on-year terms (from 3.3% to 3.1%). As relative prices grew slowly, the tolar also depreciated in real terms against the basket of OECD currencies. The tolar fell by 0.5% over the second quarter (down 0.4% against the euro) when measured by relative consumer prices, or by 0.6% (0.3% against the euro) when measured by relative industrial producer prices. Appreciation of the tolar's real effective exchange rate slowed down from 4.4% in the second to 3% in the third quarter year on year, or from 1.9% to 0.8%. After rising against the **Croatian kuna** since the last quarter of 2002 (measured by relative inflation), the tolar dropped by 1% in real terms in the third over the second quarter, but it rose by 5.3% over the same period last year (after appreciating by 6.2% in the second quarter). Compared to **CEFTA-4**, Slovenian manufacturing's price competitiveness declined in both quarter-on-quarter and year-on-year terms, going down by 1.9% and 3.9%, respectively.

The **cost competitiveness of Slovenian manufacturing** improved in the third over the second quarter, however, this was short-lived, as suggested by the 0.9% fall in unit labour costs against the basket of currencies according to seasonally adjusted figures. The trend rate of unit labour costs roughly stagnated at the level of the second quarter (down 0.1%), while unit labour costs continued to rise slowly in year-on-year terms. This quarter-on-quarter improvement of cost competitiveness was due to the tolar's nominal depreciation on one hand, and a slightly stronger rise in labour productivity on the other, which was fuelled by increased production (up 0.6% and 0.8%, respectively). The real compensation of employees fell slightly according to seasonally adjusted figures, but its trend continued to be on the upturn (by 0.4%). Labour productivity growth slowed down in year-on-year terms for the fourth quarter running (from 1.7% in the second to 1.1% in the third quarter) as a result of contracting production, while the real compensation of employees dropped more strongly (down from 2.5% to 0.6%).

The slowing rise in Slovenia's **aggregate market share** (from 0.539% in the first eight months of 2002, through 0.544% in 2002 as a whole to 0.545% in the first eight months of this year) was due to falls in market shares in German and French markets and a slow increase in CEFTA-4 markets (see graph).

Graph: Slovenia's market shares in the 15 main trading partners

