

Price and costs competitiveness indicators, indices	Φ Q4 2003/ Φ Q3 2003		Φ Q4 2003/ Φ Q4 2002	Φ Q1-Q4 2003/ Φ Q1-Q4 2002
	Original	Seas. adj.	Original	
Tolar's effective exchange rate <sup>1</sup> - nominal	100.3	-	100.1	99.8
Real exchange rate – based on consumer prices	100.7	-	103.3	103.8
Real exchange rate – based on producer prices	100.6	-	101.5	101.2
<b>Unit labour costs and components</b>				
Unit labour costs, in nominal terms, in SIT <sup>2</sup>	101.6	98.9	98.7	103.3
In SIT in real terms <sup>3</sup>	100.9	98.8	96.7	100.8
In the basket of currencies <sup>4</sup>	101.9	99.4	98.9	103.1
Compensation of employees, in real terms <sup>5</sup>	108.7	101.4	101.5	101.2
Net wages and other remuneration	109.0	101.4	100.6	100.3
Tax burden <sup>6</sup>	100.7	100.2	100.4	100.3
Labour productivity	107.3	103.2	107.3	103.4
Consumer prices/nominal effective exchange rate <sup>7</sup>	100.9	101.2	104.9	105.4

Sources of data: SORS, AP, BS, OECD Main Economic Indicators. Calculations by the IMAD.

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

In the **last quarter of 2003**, the price competitiveness of Slovenian manufacturing dropped while its cost competitiveness improved. Slovenia's market share in the 15 main trading partners increased in 2003 for the third year running, however, this increase weakened considerably (see p. 5).

As in the first and second quarters, deterioration in price competitiveness was primarily due to the US dollar's fall in international foreign exchange markets. As the dollar lost 5.5% of its value against the euro in quarterly terms and 15.9% in annual terms, the **tolar appreciated against the basket of OECD currencies** in both nominal and real terms (see table) even though the dollar's share is relatively small (about 15%), and the rise in relative prices continued to slow down. The tolar depreciated in nominal terms **against the euro** (representing around 82% of the basket) by 0.6% in quarterly terms (0.7% in the third quarter) and by 2.8% in annual terms (slowing down from 3.1% in the third quarter). The tolar also depreciated in real terms over the previous quarter (by 0.2%), but it appreciated by 0.4% over the same quarter of the previous year (decelerating from 0.8% in the third quarter) on the basis of consumer prices. The tolar continued to depreciate on the basis of industrial producer prices (by 1.1% in the last and 1% in the third quarter). Compared to Croatia, manufacturing's price competitiveness fell over the third quarter. The tolar gained 1% **against the Croatian kuna** quarter on quarter (measured by relative inflation) and 3.6% year on year. Compared to **CEFTA-4**, manufacturing's price competitiveness improved slightly quarter on quarter (by 0.2%), while its competitiveness continued to fall rapidly in year-on-year terms (by 5.2%).

Since unit labour costs in the basket of currencies continued to fall in quarterly terms (by 0.5% according to the trend rate and 0.6% according to seasonally-adjusted data) for the second quarter in a row (see graph), the **cost competitiveness of Slovenian manufacturing** improved by 1.1% in annual terms in the last quarter after almost three years of continued decline. This was due to accelerated labour productivity growth resulting from the revival of production: production rose by 2.4% over the third quarter according to the trend rate and by 3.3% according to seasonally-adjusted data, while year-on-year growth was 5.9%. Employment increased over the third quarter after having dropped for over two years, while the fall in employment eased off in year-on-year terms. The rise in real compensation of employees accelerated slightly from the third quarter, according to seasonally-adjusted data, while its year-on-year rise was relatively strong, albeit still contained (up 1.5%).

Graph: **Components of competitiveness**

