

Manufacturing

Slovenian Economic Mirror

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Selected economic indicators	Growth rates, %			
	May 2004/ April 2004	May 2004/ May 2003	Jan–May 2004/ Jan–May 2003	Jan–Dec 2003/ Jan–Dec 2002
Production volume ¹	11.9	11.1	4.6	1.6
- highly export-oriented industries ^{1a}	13.5	11.8	5.7	3.6
- mainly export-oriented industries ^{1b}	13.9	15.3	6.0	1.3
- mainly domestic-market-oriented industries ^{1c}	6.5	3.2	0.6	0.4
Average number of employees ¹	0.2 ²	-1.7 ²	-1.9 ²	-2.0
Labour productivity ²	16.8 ²	10.5 ²	6.2 ²	3.7
Stock levels	6.4	12.1	12.8	5.9
Average gross wage ³	-2.8 ³	2.9 ³	4.0 ³	1.9 ³
Industrial producer prices	0.7	3.4	2.9	2.9
- producer prices/inflation	0.2	-0.1	-0.7	-2.6

Source of data: SORS, calculations by the IMAD Notes: ¹figures cover enterprises employing 10 or more workers;

^{1a}manufacturing industries (DF, DG, DK, DM) which earn over 70% of their average revenues from sales in foreign markets, according to data for Slovenian commercial companies released by the Agency for Public Legal Records and Related Services;

^{1b}manufacturing industries (DB, DC, DD, DH, DJ, DL, DN) which earn 50% to 70% of their average revenues from sales in foreign markets; ^{1c}manufacturing industries (DA, DE, DI) which earn less than 50% of their average revenues from sales in foreign markets;

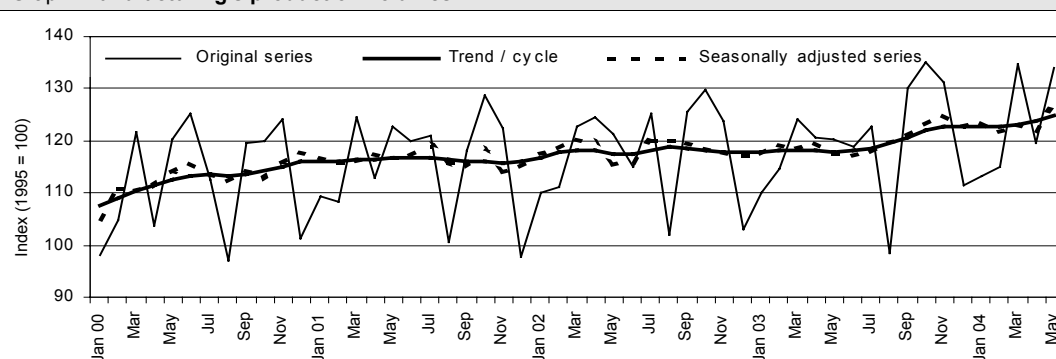
²production volumes per employee; a figure for April 2004; ³real growth – calculated by the consumer price index.

Manufacturing's **production activity** rose by 11.9% in **May** over the preceding month, with May being one working day longer (about 5% of work time). Production increased by 11.1% over May last year, which was one working day shorter, and by 4.6% in the first five months compared to the same period last year. The trend-cyclical component of industrial production has increased notably since March, while the seasonally adjusted component also climbed in the last month (see graph). These movements, serving as a basis for forecasting value-added growth, are currently slightly above the expectations from the Spring Report.

The biggest rise in production activity was seen in the **manufacture of electrical and optical equipment (DL)**, going up by 20.8% year on year in the first five months. This is one of the mainly export-oriented industries, where production activity surged by 48.9% in May over the year before, however, stock levels leapt by 96.9% at the same time. A high level of production activity was also maintained in the **manufacture of chemicals and chemical products (DG)**, a highly export-oriented industry, with production rising by 8.7% year on year in the first five months. The lowest levels of production activity were seen in labour-intensive industries – the manufacture of textiles and textile products (DB) and the manufacture of leather and leather products (DC) – whose production dropped by 8.6% and 10.1%, respectively, and the manufacture of coke, petroleum products and nuclear fuel, where production dropped by 10.7%.

After improving in the first four months and deteriorating in May and June, the **business climate** in manufacturing stagnated in **July** at the level of the preceding month. According to the SORS' business tendency survey, the **composite confidence indicator** comprising total order books, stock levels and production expectations continued to be negative in July. The share of surveyed companies that expected a fall in the business climate was 1.0 percentage point higher than the share of companies expecting its improvement. The confidence indicator was 3.6 percentage points above last year's average monthly value and 0.3 of a percentage point below this year's monthly average. The seasonally-adjusted series of monthly values was still positive in July and at the same level as in June (2.0), while being 1.0 percentage point below this year's highest value seen in April.

Graph: **Manufacturing's production volumes**



Source of data: SORS, IMAD's calculations using the Tramo-Seats method.