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Executive Summary

Forecasts for this year's global economic growth remain relatively stable in the wake of slightly weaker activity in advanced economies and a gradual recovery in individual developing countries that are commodity exporters. Quarterly economic growth in the euro area slowed in the second quarter. The situation on the labour market is improving, although growth in the euro area is likely to remain merely moderate this year, which is also suggested by the confidence indicators. The latest weighted forecasts based on the Consensus forecasts also suggest that aggregate growth in Slovenia's main trading partners will be moderate but stable, which provides a solid outlook for growth in Slovenian exports and industrial production. The monetary policies of the ECB and the Fed have remained divergent in the third quarter, which is maintaining the euro's stability against the US dollar. After falling briefly in July, the oil price rose again and stabilised, as did prices of certain other commodities.

The economic situation in Slovenia is continuing to improve. Year-on-year economic growth reached 2.7% in the second quarter, its out-performance of the euro area overall having been driven by industry this year. At the same time domestic final consumption is also strengthening more quickly than last year, households having increased purchases of durables, which was partly attributable to the slightly faster recovery in real disposable income. The government is continuing to contribute to domestic final consumption, via a less restrictive fiscal policy. The gradual strengthening of domestic demand is also strengthening merchandise imports, although net trade still accounted for a third of GDP growth in the second quarter, export growth having remained high. At the same time there have been favourable changes in aggregate investment from the perspective of the economy's output potential, as investment in machinery and equipment in the second quarter was up in year-on-year terms for the fifth consecutive quarter.

On the labour market, the rise in employment and the fall in unemployment strengthened further in the second quarter. Growth in employment strengthened to 2% in the second quarter, while surveys of employment expectations suggest further growth over the remainder of the year. The fall in unemployment in the summer of this year was the sharpest in recent years. Unemployment stood at 97,895 in August, down 9.3% on last August. Despite the favourable developments on the labour market, structural unemployment is deepening, which is being reflected mainly in rising proportions of older unemployed people and those unemployed for more than three years. After trailing for several years, year-on-year growth in labour costs was comparable to the euro area average in the first half of the year.

The current account surplus continued to widen in year-on-year terms over the first seven months of this year, primarily as a result of the further year-on-year widening of the trade surplus. Nominal growth in merchandise trade was relatively low as a result of a fall in trade prices, although the national accounts figures indicate real year-on-year growth of 9% in the second quarter. Growth in industrial production and exports and faster growth in final consumption have brought a sharp increase in merchandise imports this year. The significant year-on-year narrowing in the deficit in capital income has contributed to the maintenance of the large overall surplus.

With the exception of the general government sector, all the domestic institutional sectors have recorded financial surpluses for the fourth consecutive year. The 12-month surplus vis-à-vis the rest of the world stood at 5.3% of GDP in the first quarter of 2016. Firms have been generating high profits for three years now, and a slight pick-up in the investment cycle has been evident in the last year. The corporate sector's financial surplus has primarily been directed towards debt reduction or invested in domestic banks in the form of sight deposits. Households are even more attracted to invest-

ments of this type: sight deposits have increased by EUR 2.9 billion over the last two years, while fixed-term deposits have declined by EUR 1.7 billion. The banks are continuing to reduce their total assets, on the investment side by reducing lending activity, and on the funding side primarily by repaying ordinary liabilities to the rest of the world.

The nominal general government deficit is forecast at 2.2% of GDP for this year, a small surplus in fact having been recorded in the second quarter. General government expenditure declined in the first half of the year as revenues increased moderately. The changeover to the disbursement of EU funds from the new 2014-2020 financial framework has brought slower growth in both aggregates. Growth in revenues from taxes and contributions remains solid, and reflects the ongoing strengthening of economic activity, and above all the favourable labour market indicators.

Inflation in Slovenia moved more reliably into positive territory for the first time in two years, reaching 0.2% in September. This was primarily attributable to the gradual slowdown in the year-on-year fall in energy prices, while year-on-year core inflation reached around 1% in May, before again falling slightly in the following months. There were rises in food prices and, more notably, in services prices. The latter rose by 2%, well above the comparable rate across the euro area. This acceleration has coincided with favourable developments on the labour market, with growth in employment and the wage bill, and with this year's increased growth in household consumption.

Main macroeconomic indicators

	2013	2014	2015	15Q4	16Q1	16Q2	2013	2014	2015	15Q4	16Q1	16Q2
	Slovenia						*euro area*					
Economic developments	*y-o-y growth rates in %*											
GDP	-1.1	3.1	2.3	2.8	2.3	2.7	-0.3	1.1	2.0	2.3	1.6	2.2
- industry	-0.1	4.5	1.5	1.6	4.6	7.2	-0.9	2.0	3.8	4.2	0.9	2.7
- construction	-8.7	9.2	-1.3	1.6	-18.2	-12.8	-3.5	-0.8	0.4	1.6	1.0	1.8
- mainly public sector services	-1.1	0.1	1.0	1.2	1.1	1.4	0.1	0.5	1.1	1.1	1.1	1.4
- mainly private sector services	-0.7	4.7	2.5	3.3	2.5	3.2	-0.2	1.3	2.1	2.4	1.5	2.4
Domestic expenditure	-2.0	1.8	1.4	2.9	1.3	2.0	-0.6	1.1	1.9	2.5	2.1	2.3
- general government	-2.1	-1.2	2.4	3.4	3.4	2.1	0.2	0.6	1.4	1.9	2.0	1.7
- households and NPISH	-4.0	2.0	0.5	0.6	1.2	2.6	-0.6	0.8	1.8	1.7	2.0	2.0
- gross capital formation	4.3	4.3	2.8	10.0	-0.7	0.6	-1.7	2.6	2.7	5.3	2.7	3.9
- gross fixed capital formation	3.2	1.4	1.0	5.4	-7.8	-3.6	-2.4	1.5	3.1	4.1	2.2	4.0
- inventories and valuables, contr. to GDP growth in pp	0.2	0.6	0.4	0.7	1.4	0.8	0.2	0.2	-0.1	0.2	0.1	-0.1
Labour market												
Employment	-1.1	0.4	1.1	1.1	1.6	2.0	-0.7	0.6	1.1	1.3	1.4	1.4
- mainly private sector services	-1.2	0.5	1.2	1.1	1.6	2.0	-1.0	0.4	1.1	1.3	1.6	1.5
- mainly public sector services	-0.6	0.4	0.8	1.1	1.5	2.1	0.3	0.9	1.0	1.1	1.1	1.2
Labour costs per employee	0.5	1.3	1.4	2.0	2.6	1.0	1.6	1.3	1.2	1.2	1.3	1.1
- mainly private sector services	1.6	2.3	1.5	1.8	1.8	1.7	1.6	1.4	1.3	1.2	1.3	1.0
- mainly public sector services	-3.2	-2.0	1.2	1.2	2.3	1.8	1.5	1.1	1.1	1.2	1.3	1.3
Unit labour costs	0.1	-2.0	0.3	0.3	1.9	0.2	1.1	0.7	0.4	0.3	1.3	0.3
- industry	0.8	-0.8	1.1	2.0	0.2	-1.9	2.1	0.0	-1.7	-2.5	1.2	-1.0
	in %											
LFS unemployment rate	10.1	9.8	9.0	8.4	8.9	7.8	12.0	11.7	10.9	10.6	10.7	10.0
Foreign trade	*y-o-y growth rates in %*											
Current account balance as % of GDP	4.8	6.2	5.2	5.6	6.2	8.0	2.2	2.3	0.0	0.0	0.0	0.0
External trade balance as contr. to GDP growth in pp	0.8	1.4	1.1	0.1	1.2	0.9	0.4	0.0	0.2	-0.1	-0.4	0.0
Real export of goods and services	3.1	5.7	5.6	4.3	5.9	7.5	2.2	4.4	6.3	5.6	2.1	3.6
Real import of goods and services	2.1	4.2	4.6	4.7	4.9	7.2	1.5	4.8	6.3	6.3	3.4	4.0
Financing	*in % of GDP*											
Banking system's balance sheet	128.8	116.6	107.7	107.7	104.4	101.7	297.4	299.0	284.2	284.2	286.8	288.8
Loans to NFCs	45.1	31.5	26.5	26.5	25.1	24.1	42.0	40.2	38.9	38.9	38.7	38.6
Loans to households	22.6	21.4	21.2	21.2	21.0	21.1	51.8	50.6	50.1	50.1	49.8	49.6
Inflation	*in %*											
HICP	1.9	0.4	-0.8	-0.9	-0.9	-0.4	1.3	0.4	0.0	0.2	0.0	-0.1
HICP excl. energy, food, alcohol and tobacco	0.9	0.6	0.3	0.4	0.3	0.9	1.1	0.8	0.8	1.0	1.0	0.8
Public finance	*in % of GDP*											
Debt of the general government	71.0	80.9	83.1	83.1	83.5	82.3	91.0	91.9	90.3	90.3	91.3	...
One year net lending/net borrowing of the general government	-15.0	-5.0	-2.9	-2.9	-2.8	-1.9	-3.0	-2.6	-2.1	-2.1	-1.9	...
- interest payment	2.6	3.2	2.9	2.9	2.9	2.9	2.8	2.6	2.4	2.4	2.4	...
- primary balance	-12.5	-1.9	0.1	0.1	0.2	1.0	-0.2	0.1	0.3	0.3	0.4	...
- balance excl. bank recapitalisations	-4.9	-4.1	-2.9	-2.9	-2.8	-1.9						
- primary balance excl. bank recapitalisations	-2.3	-0.9	0.1	0.1	0.2	1.0						

Source: SORS, Eurostat, Bank of Slovenia, ECB, Ministry of Finance.

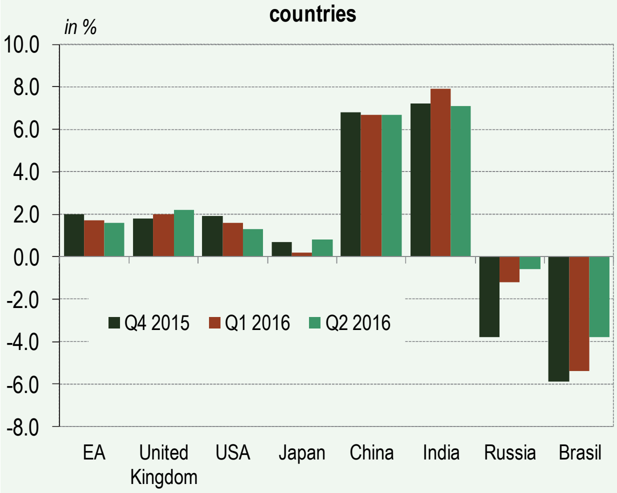
1 International Environment

Forecasts for this year's global economic growth remain relatively stable in the wake of slightly weaker activity in advanced economies and a gradual recovery in individual developing countries that are commodity exporters. Economic growth in the euro area slowed in the second quarter. The situation on the labour market is improving, although growth in the euro area is likely to remain merely moderate this year, which is also suggested by the confidence indicators. The latest weighted forecasts based on the Consensus forecasts also suggest that aggregate growth in Slovenia's main trading partners will be moderate but stable. The monetary policies of the ECB and the Fed have remained divergent in the third quarter, which is maintaining the euro's stability against the US dollar. After falling briefly in July, the oil price rose again and stabilised, as did prices of certain other commodities.

Global economy

Global economic growth remains stable, albeit at a relatively low level. Real GDP was up 1.3% in year-on-year terms in the US during the second quarter of this year, slightly less than in the first quarter. Economic growth strengthened in the first half of the year, primarily as a result of private consumption as the unemployment rate continued to fall. At the beginning of the third quarter it stood at 4.9%, down 0.4 percentage points in year-on-year terms. Of the BRIC countries, the largest slowdown in growth in the first half of the year was recorded by China, where the rate of 6.7% was its lowest of the last five years. Compared with last year, the recessions in Brazil and Russia eased in the first half of the year, while economic growth remained strong in India. Economic growth remained solid in the UK as the main engines of global growth remain diverse.

Figure 1.1 : Annual growth in important developed and BRIC countries



Source: Eurostat.

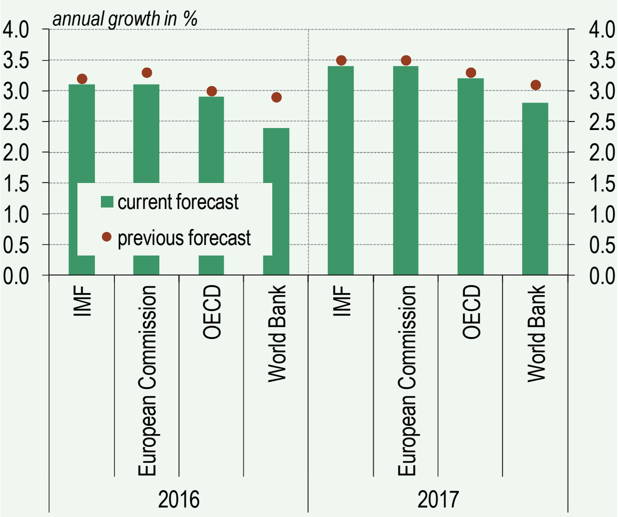
According to the latest forecasts by international institutions, global economic growth will be slightly more modest in 2016, and will also be slightly lower in 2017 than projected in previous forecasts. The outlook for advanced economies is slightly weaker, partly as a result of the estimated effects of Brexit, while there were slight improvements in the forecasts for developing countries, where activity is stabilising. The international institutions' current forecasts for global GDP growth in 2016 range from 2.4% to 3.1%,[1] down 0.3 to 0.5 percent-

[1] IMF: 3.1%; European Commission: 3.1%; OECD: 2.9%; World Bank: 2.4%.

age points on this year's first forecasts. The forecasts for 2016 and 2017 for advanced economies were reduced more, while those for the BRIC countries improved slightly. In September the OECD was still forecasting growth of 6.5% for China in 2016, while it had raised its growth forecast for Brazil by 1 percentage point. The contraction in GDP in Russia is forecast to continue diminishing, while other emerging markets will continue growing, most notably India, for which the OECD left its forecast unchanged at 7.4%. The recovery is expected to remain relatively weak and uneven in the majority of advanced economies.

There are numerous downside risks to global economic growth. The economic risks in advanced economies include the persistence of low growth and the deterioration in expectations, which are bringing a slowdown in trade, investment, productivity and wages. At the same time the great inequality and stagnation in employee compensation is placing further strain on the capacity of the political environment to formulate economic policy. In the EU the effects of the uncertainty surrounding the UK's exit and the agreements over trade and other relations with the rest of the EU have been relatively small to date, but are expected to be larger in 2017. The risk to financial stability is also increasing as a result of the extremely low interest rates and their impact on prices of financial assets and real estate. The potential further slowdown in growth in emerging countries, lower commodity prices, and the impact of the normalisation of monetary policy in the US on the financial markets in developing countries are additional risks to global economic growth. Geopolitical risks are also high.

Figure 1.2: Global GDP growth in 2016 and 2017

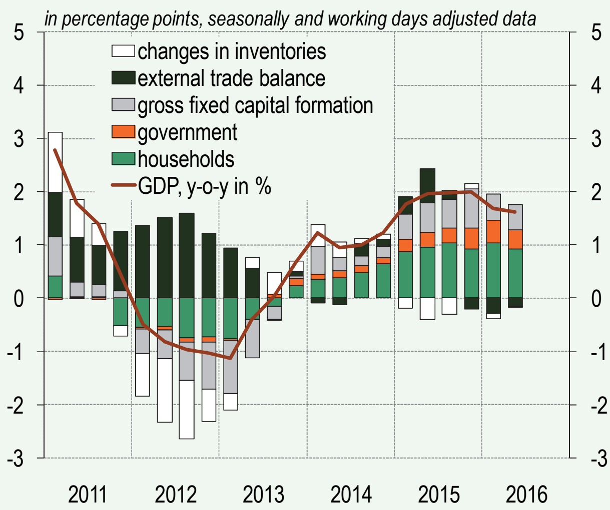


Vir: MDS, Evropska komisija, OECD, Svetovna banka.

Euro area

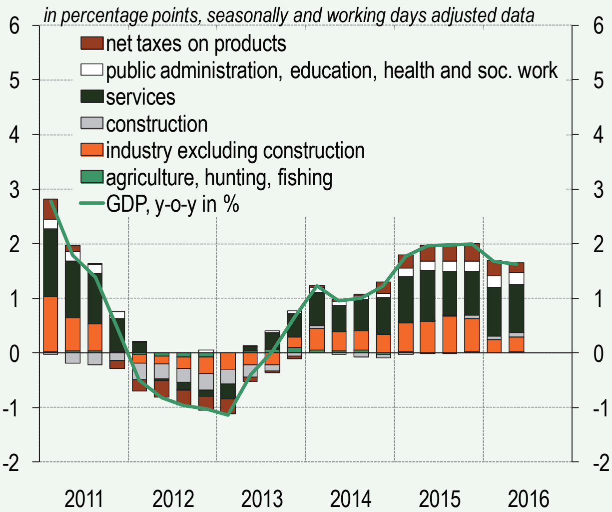
Economic growth in the euro area slowed in the second quarter on the basis of figures adjusted for the season and the number of working days. Quarterly growth stood at 0.3%, down almost a half on the first quarter. Year-on-year growth reached 1.6% in the second quarter, 0.9 percentage points of which was attributable to growth in private consumption, encouraged by employment growth. Employment in the second quarter was up

Figure 1.3: Structure of GDP growth in the euro area, demand side



Source: Eurostat, Bank of Slovenia calculations.

Figure 1.4: Structure of GDP growth in the euro area, production side



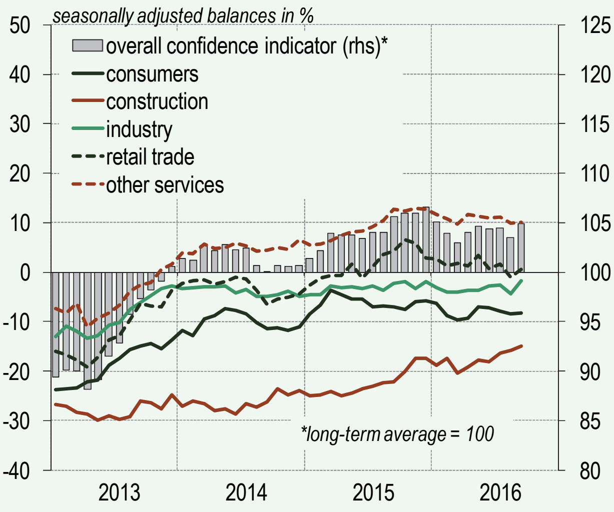
Source: Eurostat, Bank of Slovenia calculations.

0.4% on the first quarter, and up 1.4% in year-on-year terms. Gross fixed capital formation accounted for 0.5 percentage points of GDP growth, the year-on-year rate reaching 2.4%. Government consumption accounted for 0.4 percentage points, while the contribution made by inventories was neutral, and the contribution made by net exports was slightly negative. In terms of sector, the largest contribution to growth was made by services, at 0.9 percentage points. This was followed by industry (excluding construction), with a contribution of 0.3 percentage points. The contributions made by public services and construction stood at 0.2 percentage points and 0.1 percentage points.

After declining in August, the economic sentiment improved significantly again in September, in almost all segments, although growth in economic activity remains moderate. The economic sentiment remained stable in the second quarter of this year relative to the first quarter, then deteriorated in August in almost all sectors (other than construction), primarily as a result of a fall in orders and reduced business expectations. There was an improvement in September with manufacturing and retail recording the largest increases in confidence. The amount of construction put in place in July was up 1.8% on June, turnover in the retail sector was up 1.1%, and industrial production was down 1.1%. Growth in industrial production was also negative in year-on-year terms, in the amount of 0.5%. The situation on the labour market remains stable, and the harmonised unemployment rate was unchanged in August at 10.1%, having fallen to this level in the second quarter.

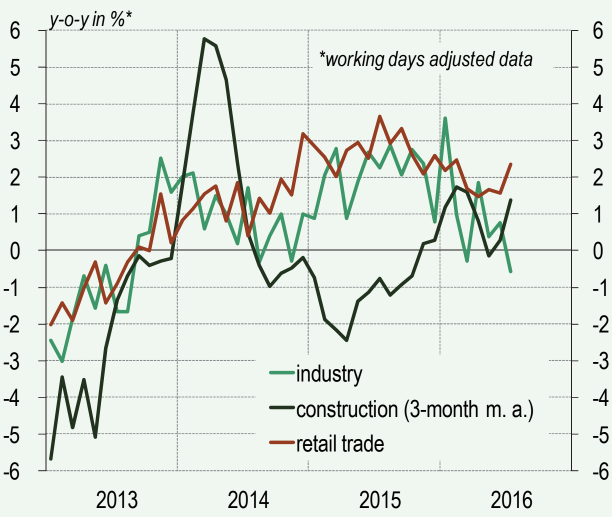
Consensus left its forecasts for this year's economic growth in the euro area unchanged in September. The Consensus forecast for 2016 remained at 1.5%, the same as in August. In its interim forecasts in July the European Commission slightly lowered the spring forecast for GDP growth in 2016 from 1.5% to 1.6%, as a result of the anticipated impact of the referendum in the UK. According to the European Commission, the risks of growth being lower than forecast have increased, primarily as a result of the uncertainty surrounding the referendum and the related fluctuations on the financial markets and in exchange rates. In the European Commission's assessments, the uncertainty surrounding the exit nego-

Figure 1.5: Confidence indicators – euro area



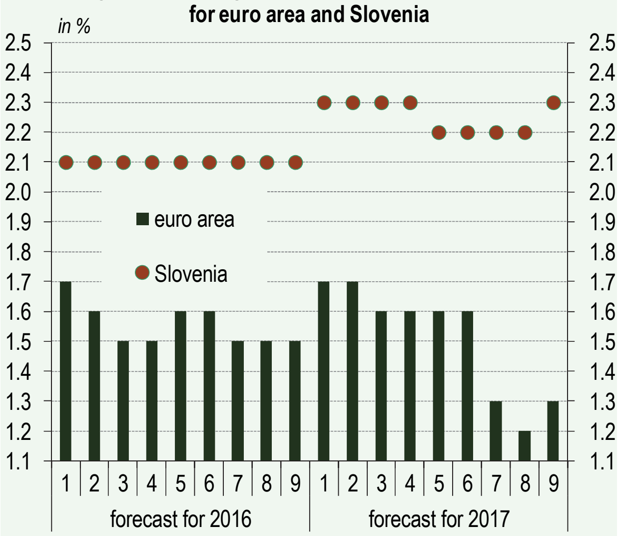
Source: European Commission.

Figure 1.6: High frequency indicators for euro area



Source: Eurostat, Bank of Slovenia calculations.

Figure 1.7: GDP growth forecast for 2016 and 2017 for euro area and Slovenia



Source: Consensus.

tiations with the UK and the changes in economic and political relations between the UK and EU Member States could have a long-lasting impact on the medium-term and long-term economic developments in the euro area and the EU. Relatively low energy prices and low interest rates will continue to contribute to the moderate economic growth. The uncertainty in connection with Brexit is also likely to have an impact on the labour market in the euro area and the EU, slowing the further recovery, although unemployment rates are nevertheless forecast to continue falling.

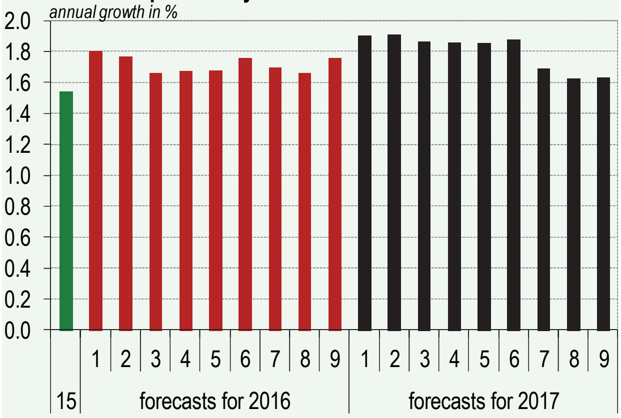
Slovenia's trading partners

The weighted economic growth in Slovenia's trading partners is expected to remain merely moderate this year. In September Consensus left its economic growth forecasts for some of Slovenia's largest trading partners unchanged from August, at 1.3% for Austria, 0.8% for Italy and 1.4% for France. It raised its forecast for Germany by 0.2 percentage points to 1.8%. A slight improvement in economic activity is also expected in south-eastern Europe, and in Russia. The latter is still expected to be in recession, but the contraction is forecast to be significantly smaller. This year's forecasts for Croatia and Serbia have also been revised upwards, to 2.3%. The favourable forecasts were attributable to growth in household consumption in the wake of low inflation. The main factors acting to slow further economic growth in individual countries are internal political risks and geopolitical risks.

Commodity prices and euro exchange rate

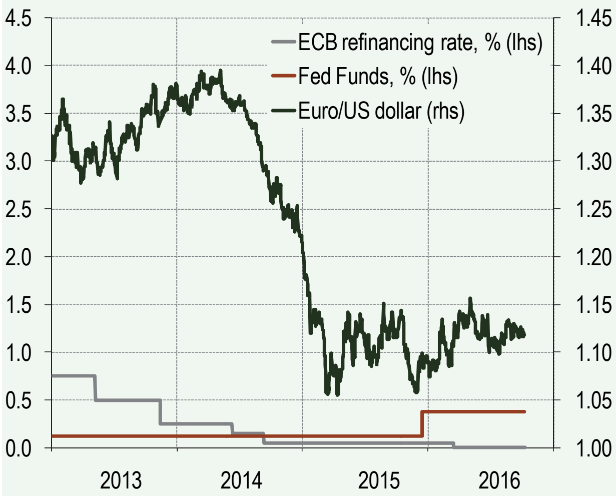
The divergence between the monetary policies of the ECB and the Fed remained unchanged in the third quarter, and the euro exchange rate against the US dollar remained stable. The Fed initially planned to make four rises in the main interest rate this year, but to date has not yet raised rates. This was primarily attributable to certain deteriorations in the global economic situation, while the uncertainty has been increased by Brexit. The ECB again left the rate on its deposit facility

Figure 1.8: Weighted forecasts for Slovenia's major trading partners by month for 2016 and 2017



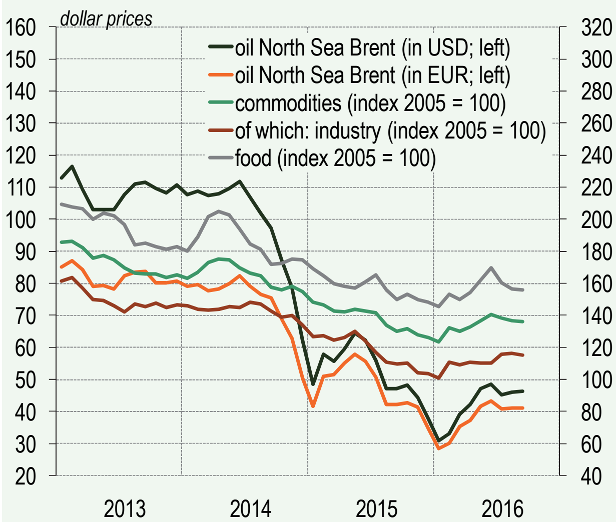
Note: Included are trading partners with at least 1% share in Slovenia's total exports of goods in the last 12 months with available data (more than 20 trading partners with a total share of around 90 %). Growth estimates for 2016 and 2017 are weighted with each country's share in total exports of goods.
Source: Consensus, Bank of Slovenia calculations

Figure 1.9: Euro/US dollar exchange rate and central bank interest rates



Sources: ECB, Federal Reserve.

Figure 1.10: Commodities



Source: The Economist, Bloomberg, Bank of Slovenia calcuations.

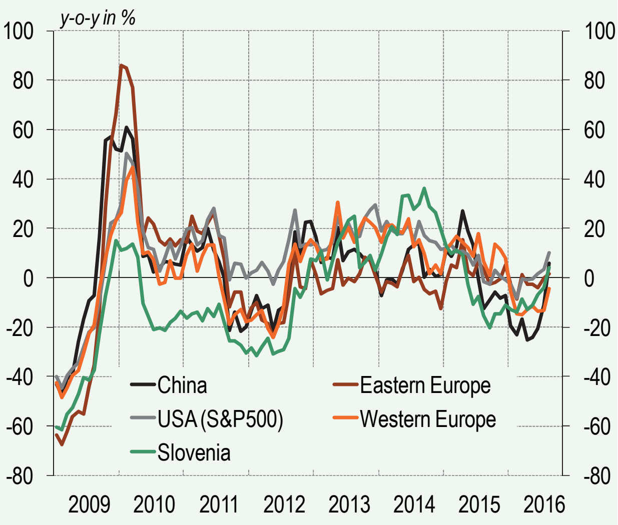
unchanged at -0.40% in September. It also left the interest rates on main refinancing operations and on the marginal lending facility at zero and 0.25% respectively. As part of the non-standard measures, the monthly purchases of securities, which have amounted to EUR 80 billion since April, will remain in place until at least March 2017. The continuation of the loose monetary policy in the euro area on one side and the expectations of the gradual normalisation of monetary policy in the US on the other side are holding down the euro, which has fluctuated slightly above USD 1.1 since the beginning of 2016.

After reaching their low in January, oil prices rose until the summer, fell in July, then recovered and remained stable in August and September. A barrel of Brent crude averaged just USD 30.8 in January of this year, down almost a fifth on December. The price later began to rise, fell in July, then stabilised in August and September to stand at just under USD 46. The rebound in oil prices in the first half of this year was partly attributable to an agreement between the largest oil producers to freeze pumping, while the fall in mid-summer was attributable to an increase in stocks and the uncertainty surrounding global economic growth and the potential decline in demand in light of the uncertainty surrounding Brexit. After falling sharply in 2015, prices of other commodities also rose in the first half of this year, and remained relatively stable in July and August, with the exception of food prices, which fell sharply in current terms over those two months.

International capital markets

The main developments affecting European stock markets this summer were Brexit and the expectations of additional stimulus measures by the ECB and the continuation of measures by the Fed. According to an estimate drawn up by the European Commission, economic growth in 2017 is forecast to be 1 to 2.5 percentage points lower in the UK and 0.2 to 0.5 percentage points lower across the euro area because of Brexit. The reference stock market index for Western Europe (the SXXE) nevertheless gained more than 7.8% in July and August, thereby more than compensating for the fall in June. Investor confidence was based primarily on the expectation that the ECB would announce additional stimulus measures as early as September, either in the form of an extension of the EAPP, or as a relaxation of the existing criteria applying to purchases within the framework of the programme. The mixed economic figures from the US, slower economic growth and falling inflation expectations led to substantial divisions between members of the Federal Open Market Committee with regard to subsequent decisions to raise interest rates. The divisions were also reflected on the stock market, although share prices reached new record levels in July and August as a result of the FOMC's increased reluctance to raise interest rates. Volatility on the stock markets increased in September. The absence of additional ECB measures and new speculation on the next moves by the Fed had an adverse impact on stock markets in the first half of September, but the risk appetite increased again in the second half of the month.

Figure 1.11: Foreign stock exchange indices



Source: Bloomberg.

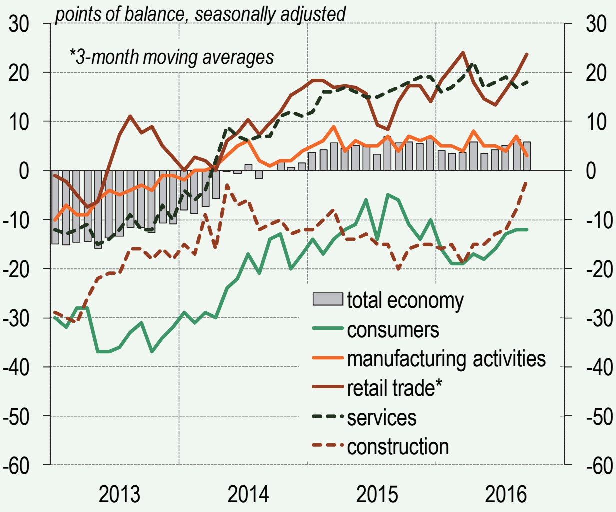
2 Economic Developments

The economic situation is continuing to improve. Year-on-year GDP growth in Slovenia reached 2.7% in the second quarter, its out-performance of the euro area average having been driven this year by industry, whose exports have out-performed the estimated strength of foreign demand. At the same time domestic final consumption is also strengthening more quickly than last year, households having increased purchases of durables, which was partly attributable to the slightly faster recovery in real disposable income. The government is continuing to contribute to domestic final consumption due to a less restrictive fiscal policy, which is being reflected positively in economic growth. The gradual strengthening of the domestic market is providing growth in value-added in services, which in the second quarter remained at the level of the euro area overall, despite weaker growth in turnover on the foreign market. There was also an increase in merchandise imports, although net trade still accounted for a third of GDP growth. The only factor acting to reduce domestic demand was, as expected, construction investment. Nevertheless, there have been favourable changes in aggregate investment from the perspective of the economy's output potential, as investment in machinery and equipment in the third quarter was up in year-on-year terms for the fifth consecutive quarter. The activity and confidence indicators available as at 10 October suggest that the economic situation will remain solid until the end of this year.

Confidence indicators

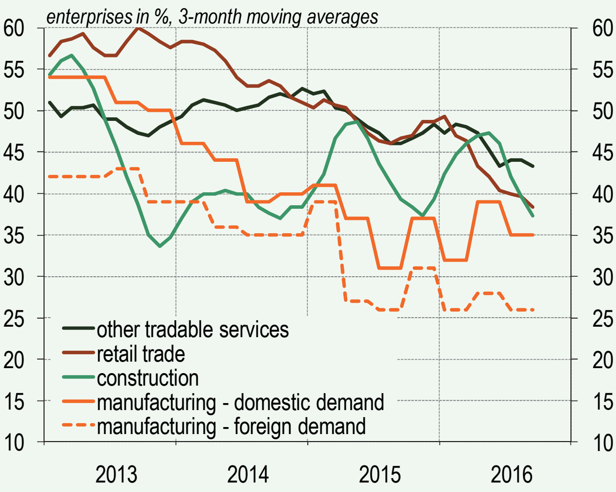
The confidence indicators suggest a continuation of solid economic growth in the third quarter of this year, with demand set to strengthen further by the end of the year. The averages of the indicators in the third quarter relative to the second quarter reveal an increase in confidence in retail and construction, and the maintenance of the relatively high level in manufacturing and services other than retail. The indicators of demand expectations remained strongly positive in all sectors at the end of the third quarter. Consumer confidence also improved in the third quarter, a positive sign for growth in domestic final consumption.

Figure 2.1: Confidence indicators



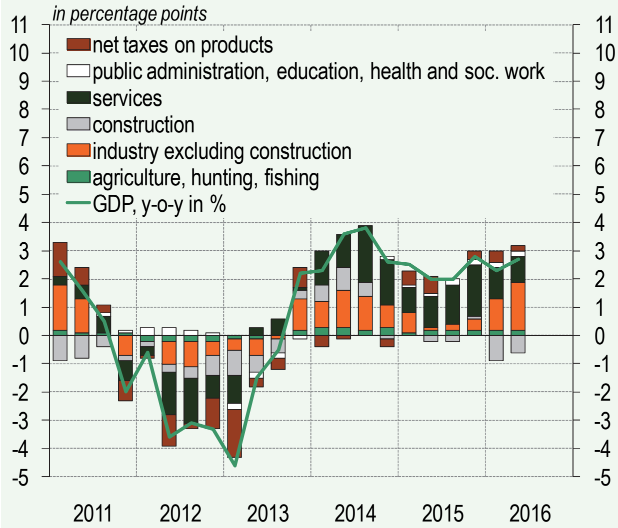
Source: SORS, Bank of Slovenia calculations.

Figure 2.2: Limiting factors – insufficient demand



Note: Quarterly data for manufacturing.
Source: SORS, Bank of Slovenia calculations.

Figure 2.3: Contributions to y-o-y GDP growth, production side



Source: SORS.

Limiting factors

Weak demand remains the main limiting factor in corporate performance, although the situation is improving. The proportion of firms in retail and other services that face insufficient demand is falling, while demand for construction work also increased significantly at the beginning of the second half of the year. The sole deterioration in the domestic situation this year has been reported by manufacturing firms, but they are also citing a stable situation on the foreign market. Manufacturing firms are also of the opinion that the uncertainty in the economy is continuing to diminish. The indicator of uncertainty in the economy eased in the third quarter to its lowest level since the end of 2008.

Figure 2.4: Differences in y-o-y growth rates of GDP components between Slovenia and the euro area, production side*

Soures: Eurostat, Bank of Slovenia calculations.

GDP

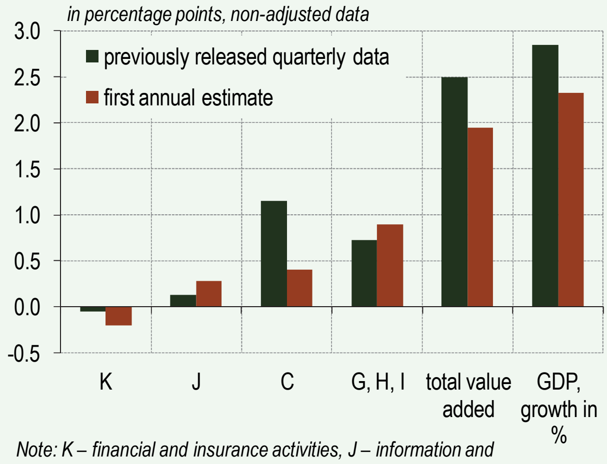
Growth in the domestic economy is continuing, with a stable quarterly dynamic, and contributions from the vast majority of sectors. Quarterly growth remained at 0.5% in the second quarter, which was largely attributable to the reversal in construction activity, as growth in industry's value-added declined slightly. Value-added in construction in the first quarter was down 12.5% on the previous quarter, but increased by almost 3% in the second quarter. Quarterly growth in value-added in public and private-sector services remained stable. Year-on-year growth strengthened to 2.7% in the second quarter according to the initial figures, 0.5 percentage points more than in the euro area overall. The increase in domestic GDP growth was attributable to the slightly lower basis from last year and the rise in the number of working days. The base effect and the effect of the number of working days were largest in manufacturing, where value-added was up more than 7% in year-on-year terms in the second quarter. The main sectors to record negative results were financial and insurance activities, and construction, where the year-on-year decline in value-added was more than 10% in the second quarter.

Growth in industrial production has strongly outperformed the euro area average this year, and is the sole factor in the stronger domestic economic

Box 2.1: Illustration of first annual estimate of GDP for 2015

In its first annual estimate of GDP the SURS significantly revised the pace and structure of economic growth in 2015. According to the previously released quarterly figures, growth in the Slovenian economy stood at 2.9% in 2015, but in the first annual estimate the rate was reduced to 2.3%. There have been notable changes in growth in value-added in numerous sectors, the most important of which from the perspective of GDP was the downward revision of growth in value-added in manufacturing. There are also major changes in the expenditure structure of GDP. Most notable is the downward revision in estimated growth in final consumption owing to weaker household consumption. The contribution to GDP growth made by changes in inventories was also revised downwards.

Figure 1: Changes in contributions to real GDP growth according to SORS' first annual estimate – production side, 2015

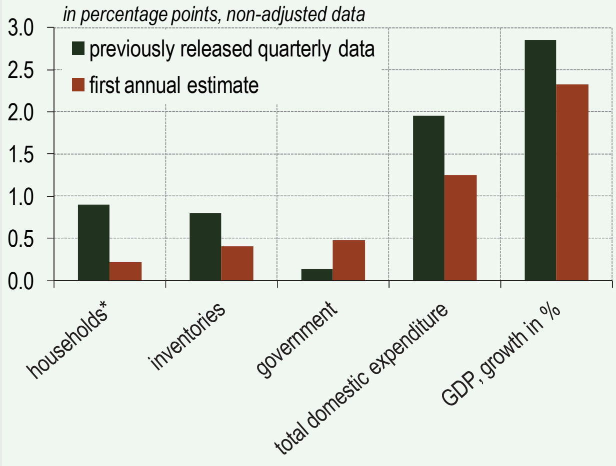


Note: K – financial and insurance activities, J – information and communication, C – manufacturing, G, H, I – trade, transportation and storage, accommodation and food service activities.
Source: SORS.

The estimated growth in real value-added in manufacturing was low in 2015, despite solid growth in both merchandise exports and sales on the domestic market, and a sharp increase in profits. Growth in value-added in manufacturing was reduced from 5.8% under the previously released quarterly figures to just 2.1% under the first annual estimate of GDP, and its contribution to GDP was reduced from 1.2 percentage points to 0.4 percentage points. Growth in output in 2015 was estimated at 3.1% in the national accounts, compared with 5.6% measured by the monthly real index. The downward revision in growth in value-added in manufacturing in 2015 has had, in technical terms, a negative impact on the calculation of unit labour costs in manufacturing, and thus on the estimated foreign competitiveness of Slovenia's export sector. This is not supported by the real growth in merchandise exports, which was actually revised slightly upwards under the first annual estimate from 5.2% to 5.3%. At the same time manufacturing firms increased their turnover on the domestic market by 5.9% last year, and their total profits were up 23% according to the annual accounts released by AJPES.

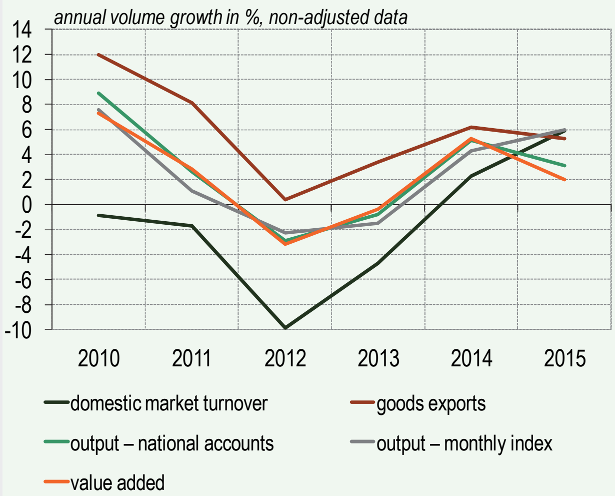
The recovery in final household consumption was very weak in 2015 according to the first annual estimate. Final household consumption according to the national concept increased by just 0.4% under the first annual estimate, 1.3 percentage points less than under the previously released quarterly figures. The downward revision in growth is attributable to a lower estimate of consumption of non-durables,[1] which was practically unchanged despite a sharp increase in residents' spending in the rest of the world[2] and an increase, albeit moderate, in turnover in the retail of non-durables.[3] The contribu-

Figure 2: Changes in contributions to real GDP growth according to SORS' first annual estimate – expenditure side, 2015



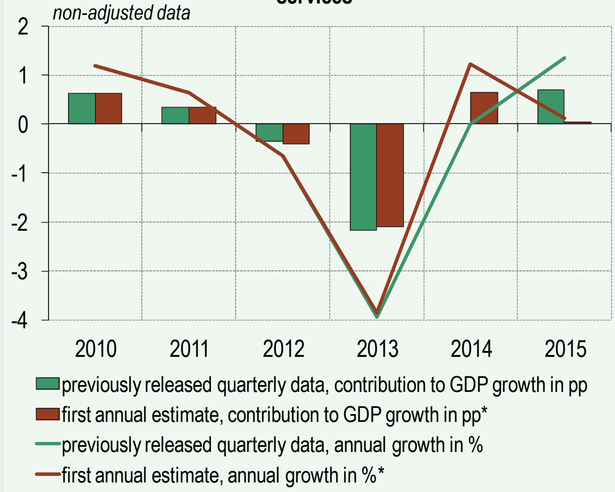
*Note: * Final consumption of households according to national concept.*
Source: SORS.

Figure 3: Comparison of selected time series for manufacturing and exports



Source: SORS, Bank of Slovenia calculations.

Figure 4: Final consumption of households – other goods and services

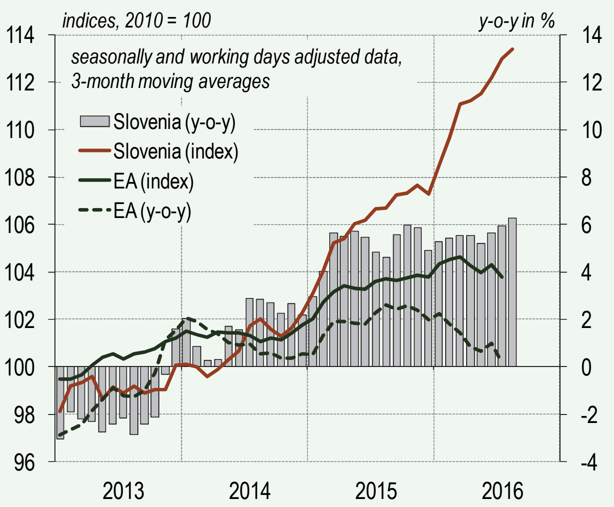


*Note: * Time series include routine revision of 2012–2014 period.*
Source: SORS.

tion to GDP growth made by household consumption was revised downwards from 0.9 percentage points to 0.2 percentage points. Because final household consumption represents more than 70% of total final consumption, aggregate final consumption was revised downwards from 1.5% to 1%, despite an increase in estimated government consumption.[4] The contribution to GDP growth made by net taxes on production, in which VAT and excise duties are prevalent, nevertheless remained unchanged at 0.4 percentage points under the first annual estimate.

[1] Other products account for more than 90% of final household consumption.
[2] Imports of travel services increased by 10.4% in 2015 according to balance of payments figures.
[3] Under the regular revision of national accounts figures for the 2012 to 2014 period, the SURS revised growth in final consumption of non-durables in 2014 sharply upwards, from 0% to 1.2%.
[4] Under the first annual estimate of GDP, growth in final government consumption in 2015 was revised upwards from 0.7% to 2.5%, primarily as a result of a higher estimate of intermediate consumption, market sales and compensation of employees.

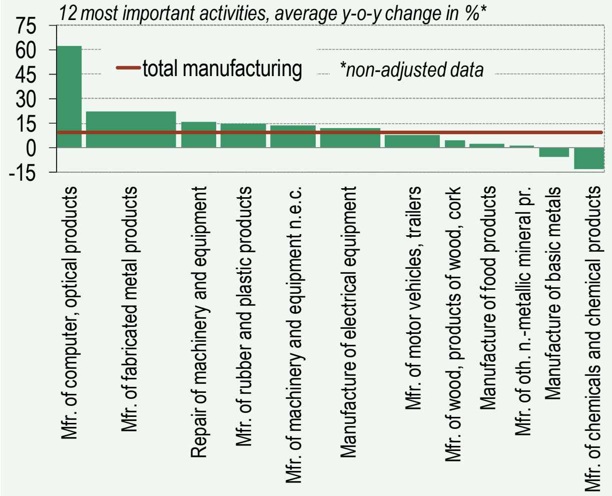
Figure 2.5: Industrial production



Source: Eurostat, Bank of Slovenia calculations.

Figure 2.6: Manufacturing production: Apr. 2016 – Jun. 2016

*12 most important activities, average y-o-y change in %**



Source: SORS, Bank of Slovenia calculations. Notes: Width of each column represents a share of activity in total value added in manufacturing in 2015. Pharmaceuticals are not included due to data confidentiality.

growth. The vast majority of major manufacturing segments recorded year-on-year growth in output in the second quarter. There was a particularly notable reversal in the manufacture of vehicles, where output increased by 8% in the second quarter after falling by almost 13% in the first quarter. The sole significant deterioration was in the manufacture of basic metals, while the situation in the chemical industry remained unfavourable, as output declined by more than 13%. Growth in industrial production this year is for now being driven solely by an increase in turnover on foreign markets, most notably markets outside the euro area, following weaker growth in 2015. Year-on-year growth in turnover on these markets exceeded 16% in the second quarter. Total turnover in industry on the domestic market again declined significantly in the second quarter, although the decline was almost entirely attributable to changes in the sale of motor vehicles.[2] Growth in value-added in domestic industry in the second quarter was 4.5 percentage points higher than in the euro area overall, while its contribution to GDP growth was 1.2 percentage points higher.

[2] Turnover in the sale of motor vehicles on the domestic market in the first half of 2015 was up 2.2 times in year-on-year terms, statistically speaking, while turnover on the foreign market was merely up just over 3%. This year these developments have reversed. Turnover on the domestic market in the first half of the year was down 80% in year-on-year terms, while turnover on the foreign market was up 26%. The change is likely the result of the replacement of a resident dealer by a non-resident.

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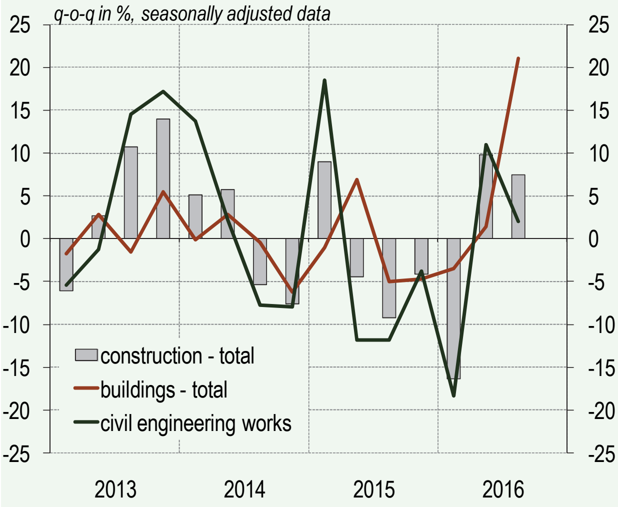
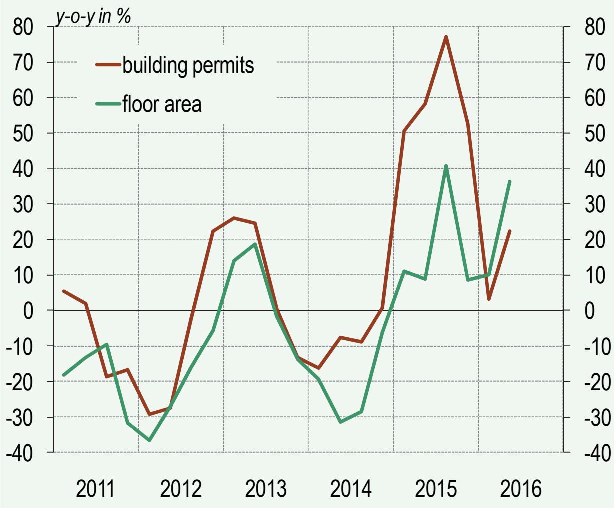
Figure 2.7: Volume of construction put in place



Source: SORS, Bank of Slovenia calculations.

Figure 2.8: Issued building permits and corresponding floor area



Source: SORS, Bank of Slovenia calculations.

Despite a year-on-year decline in value-added, a number of figures suggest a stabilisation of the situation in construction. The quarterly rates of growth in the amount of construction put in place indicate a positive reversal in the construction of buildings as a result of a sharp increase in residential construction, while civil engineering work was also up in quarterly terms, despite weak government investment. The value of new contracts and the number of building permits issued for the construction of buildings are increasing sharply this year. The real estate market is also continuing to grow. The number of transactions in residential real estate is already comparable to its pre-crisis peak. Residential real estate prices have also begun to rise, albeit very moderately for now.

Figure 2.9: Real value added in public and private services

Source: SORS, private services estimates and calculations Bank of Slovenia.

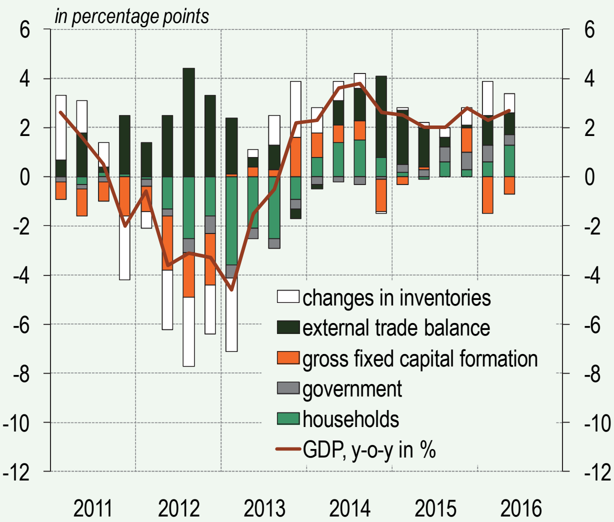
Year-on-year growth in value-added in construction was nevertheless almost 15 percentage points less than in the euro area overall in the second quarter. The decline in value-added in construction slowed GDP growth by 0.6 percentage points, while construction contributed 0.1 percentage points to GDP growth across the euro area.

Growth in value-added in services in the second quarter was driven primarily by domestic demand, as growth in turnover in services on the foreign market slowed sharply. Aggregate value-added in private-sector services was up 2.5% in year-on-year terms as employment growth remained rapid, while growth in exports of services was significantly weaker than in the first quarter. The largest increase relative to last year was recorded by value-added in real estate activities, in line with growth in the market, while growth in activity in the sectors of wholesale and retail trade, transportation and storage, and accommodation and food service activities also remained solid. The slowdown in growth in private-sector services compared with the end of last year is the result of slower growth in information and communication activities and in professional, scientific and technical activities, and a sharper fall in activity in the financial sector. Value-added in public services is strengthening as a result of rising employment, at year-on-year rates ranging from 1% to 1.5%. Year-on-year growth in value-added in private-sector services in the second quarter was the same as in the euro area overall, while its contribution to GDP growth was 0.9 percentage points, 0.3 percentage points lower than in the euro area overall owing to the smaller share of services in GDP. Growth in value-added in public services also became comparable to the average across the euro area, as did its contribution to economic growth, which stood at 0.2 percentage points in the second quarter.

Aggregate demand

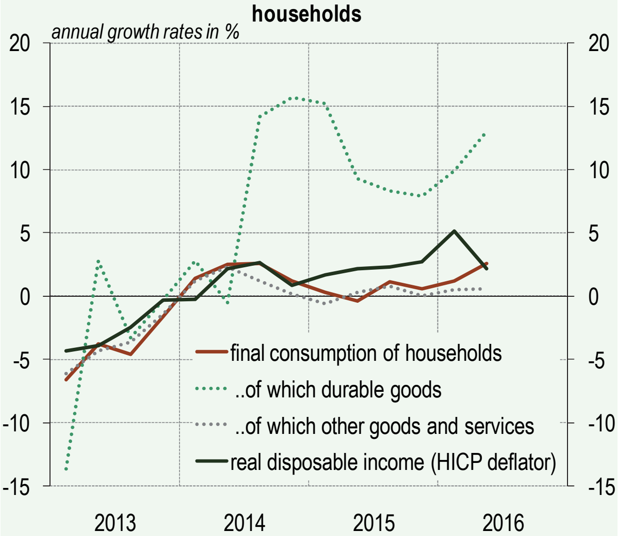
Of the domestic demand aggregates, only gross fixed capital formation remained out-performed by the euro area average in the second quarter. Year-on-year growth in domestic demand strengthened to 2% in the second quarter, down just 0.3 percentage points on the average across the euro area. After several years of being outpaced, growth in final consumption was stronger, owing to household and government consumption. Only gross fixed capital formation continued to be outperformed: it was down 3.6% in year-on-year terms in the second quarter, while across the euro area it was up 4%. The gap was solely the result of weaker construction investment, which had been expected in light of the changeover to the new European financial perspective. Aggregate domestic demand contributed almost 2 percentage points to year-on-year GDP growth in the second quarter, comparable to the average figure across the euro area.

Figure 2.10: Contributions to y-o-y GDP growth, expenditure side



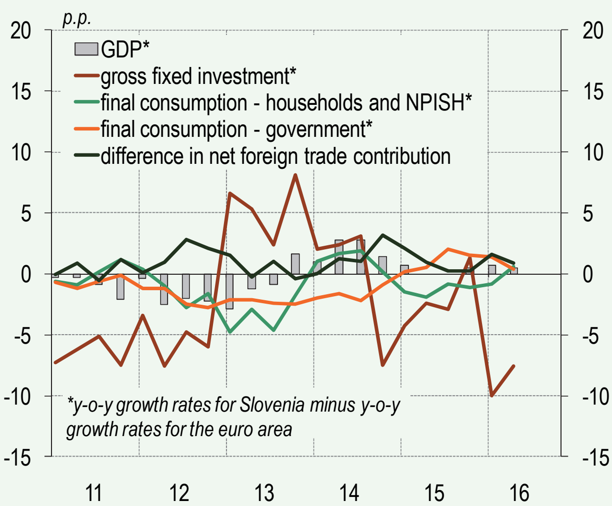
Source: SORS.

Figure 2.12: Final consumption and disposable income of households



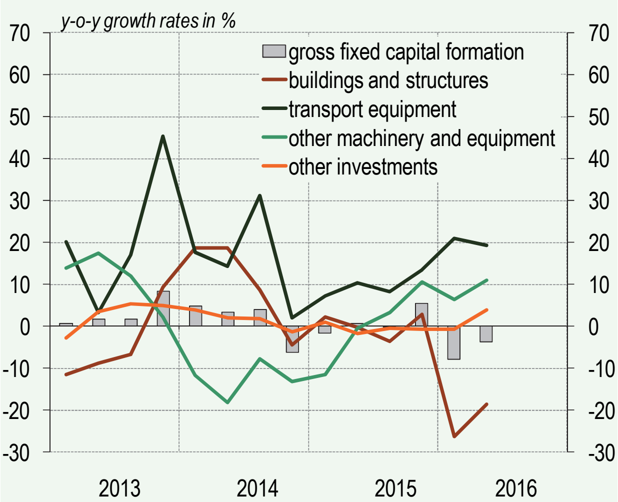
Source: SORS, Bank of Slovenia calculations.

Figure 2.11: Differences in y-o-y growth rates of GDP components between Slovenia and the euro area, expenditure side*



Soures: Eurostat, ECB, Bank of Slovenia calculations.

Figure 2.13: Gross fixed capital formation

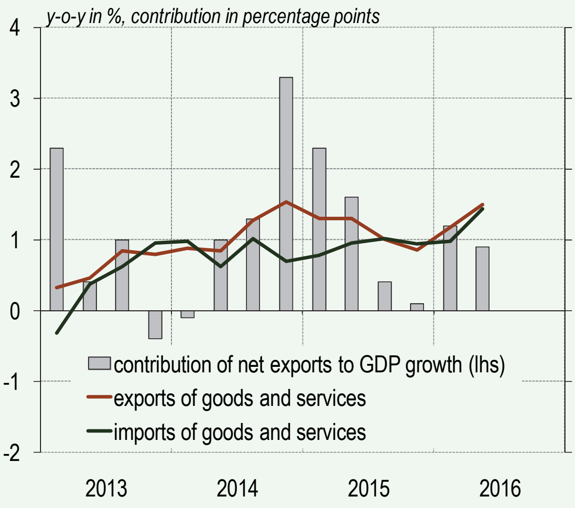


Source: SORS.

Domestic final consumption is being strengthened by households via increased purchases of durables, and by the government via less restrictive fiscal policy. After weak growth in 2015, year-on-year growth in final consumption strengthened to 2.5% in the second quarter of this year. There was also an increase in final household consumption, as households increased their purchases of durables by 13%. According to retailers' revenues, household consumption was directed most notably towards purchases of cars, household and telecommunications appliances, and furniture. The strengthening of domestic final consumption is also being supported by government consumption, primarily through growth in employment and wages, and increased intermediate consumption. Household consumption contributed 1.3 percentage points towards GDP growth in the second quarter, while government consumption contributed 0.4 percentage points.

The structure of investment is improving from the perspective of the economy's potential output. Government resources for financing construction investment declined sharply at the beginning of the new European financial framework. As a consequence, there was a large fall in investment in infrastructure, which has a prevailing share in overall construction investment. However, a gradual reversal in residential investment is already underway. After weak investment in machinery and equipment during the crisis, a reversal is also underway in this segment, as year-on-year growth in the second quarter of this year exceeded 10% for the third consecutive quarter. In manufacturing at least, the level of investment is not yet bringing a reduction in capacity utilisation,

Figure 2.14: Foreign trade



Source: SORS - national accounts.

Table 2.1: Economic activity

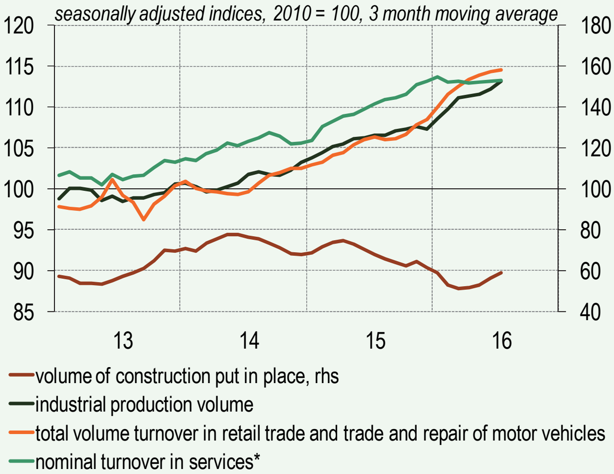
	12 months to Jul.15	12 months to Jul.16	2016 May	2016 Jun.	2016 Jul.	2016 Apr.	2016 Jul.
			y-o-y in %			*monthly ++*	
Industrial production: - total *	4.0	5.4	5.2	6.3	7.4	2.5	*1.7*
- manufacturing	5.3	6.5	6.7	7.6	9.4	3.1	*1.8*
Construction: - total **	-1.9	-16.1	-19.5	-12.5	-7.4	-12.3	*13.8*
- buildings	-1.8	-5.7	-13.4	-9.4	10.7	-4.2	*10.8*
- civil engineering	-1.7	-19.8	-21.7	-13.6	-13.9	-14.4	*12.8*
Trade (volume turnover)							
Total retail trade	0.5	1.0	0.3	1.9	3.4	0.3	*1.4*
Retail trade except automotive fuel	0.9	2.1	2.1	2.3	2.2	1.9	*-0.3*
- food, beverages, tobacco	0.6	-0.9	-0.3	-3.0	-0.5	-0.2	*-1.1*
- non-food (except automotive fuel)	1.1	4.9	4.3	7.6	4.9	3.1	*0.5*
Retail trade and repair of motor vehicles	11.6	18.1	24.8	13.6	19.7	8.9	*2.3*
Private sector services * +**	3.5	4.6	3.3	2.1	2.3	-0.6	*0.3*
Transport and storage +	3.5	2.6	2.5	1.6	-0.3	-0.1	*-0.2*

Notes: Data are working days adjusted.
** Volume of industrial production. ** Real value of construction put in place. *** Excluding trade and financial services. + Nominal turnover.*
++: 3-month moving average compared to the corresponding average 3 months earlier. Data are seasonally and working days adjusted (except for construction where data are seasonally adjusted).
Source: SORS, Bank of Slovenia calculations.

which remains high at over 83%. Investment is most likely financed primarily from internal resources, as lending activity by the domestic banking system remains weak.

Net trade accounted for a third of year-on-year GDP growth in the second quarter. The actual contribution declined slightly compared with the first quarter, as increased domestic consumption strengthened imports. Growth in merchandise imports was actually higher than corresponding growth in exports in real terms, while in the aggregate figure growth in exports was stronger solely because of a fall in imports of services. This was primarily attributable to a decline in imports of construction services, which was in line with the decline in construction investment.

Figure 2.15: Monthly economic activity indicators



*Note: **Private sector services excluding trade and financial services.*
Source: SORS.

Economic developments in the third quarter

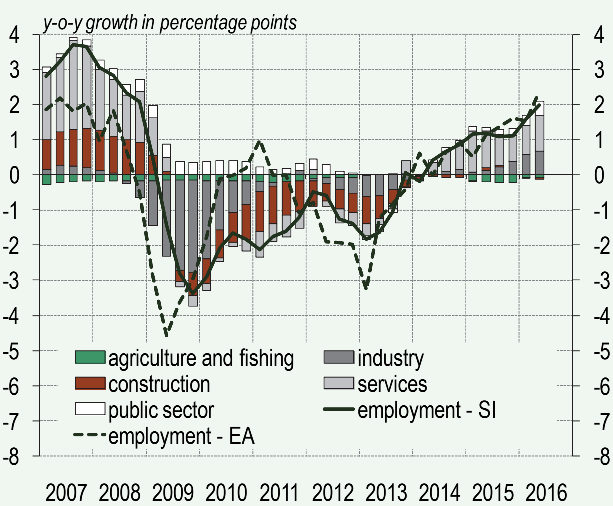
The available activity indicators for the third quarter suggest a continuation of the economic growth dynamic seen in the first half of the year. The monthly rates of growth in turnover suggest a slowdown in wholesale and retail trade and stagnation in the aggregate of other private-sector services, but on the other hand growth in industrial production increased further at the same time, and a reversal is underway in construction. Monthly growth in the amount of construction put in place was positive in July for the fourth consecutive month. Activity is increasing sharply in particular in residential construction: it was up more than 110% in year-on-year terms in July.

3 Labour Market

On the labour market, the growth in employment and the fall in unemployment strengthened further in the second quarter. Growth in employment strengthened to 2% in the second quarter, while, taking into account the average of the first half of the year, the rate was the highest in last eight years. The largest contributions to total employment growth in the second quarter came from industry and combined activities of trade, transportation and storage, and accommodation and food service activities. Surveys of employment expectations suggest further growth for the remainder of the year at least. The fall in unemployment in the summer of this year was the sharpest in recent years. Unemployment stood at 97,895 in Augusta and was down 9.3% in comparison to last August. The number of deregistrations over the first eight months of this year was just over 15,000 more than the number of people newly registering as unemployed. Despite the favourable developments on the labour market, structural unemployment is deepening, which is being reflected in particular in rising proportions of older unemployed people and those unemployed for more than three years. Year-on-year growth in wages in the private sector strengthened in the early part of the year, but again declined slightly in the following months.

The year-on-year growth in employment was, taking into account the average of the first half of the year, the highest in the last eight years. Year-on-year growth in the number of employed persons stood at 2.2% in the second quarter and was again higher compared to the previous quarter, while growth in the number of self-employed declined slightly (to 1.3%). Regarding the previous quarter, year-on-year growth strengthened in both the private sector (to 2.0%) and in mostly public services[3] (to 2.1%). The largest contributions to the growth in the private sector came from industry, combined activities of trade, transportation and storage, and accommodation and food service activities and combined activities of professional, scientific, technical, administrative and support services. Year-on-year growth in employment in the government sector was at 1.5% in the second quarter, the highest figure since the end of 2011, although lower than the figure in sectors not under direct government control.

Figure 3.1: Contributions to employment growth



Source: SORS - national accounts; Bank of Slovenia calculations.

The revision of the national accounts brought changes in the employment figures for the last three years. Year-on-year growth in employment for the least

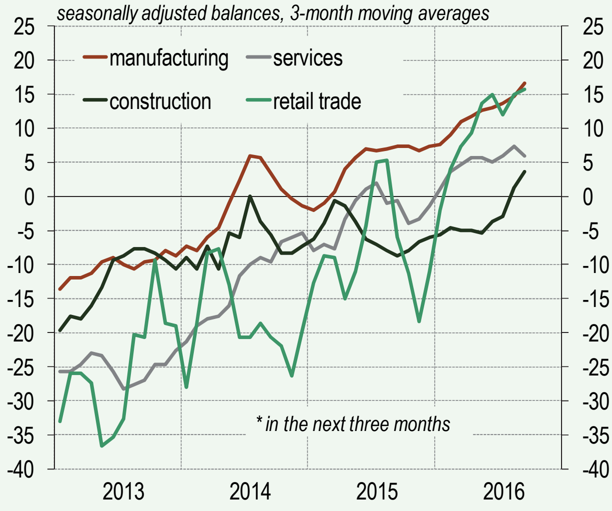
[3] Public administration, education, human health and social work activities (Sectors O, P and Q under the SKD 2008).

three years was on average revised downwards, while growth in the first quarter of this year was revised upwards. The largest revisions were in the number of self-employed, where year-on-year growth, taking into account the average of 2013, was revised upwards, growth in 2014 was left broadly unchanged, growth in 2015 was revised downwards, and growth in the first quarter of this year was revised upwards. Year-on-year growth in employment increased further in the second quarter of this year to reach 2.0%.[4]

The workforce in employment excluding self-employed agricultural workers was up 2.5% in year-on-year terms in July. According to monthly figures, which are not entirely comparable with the national accounts figures, the largest contributions to the growth in the workforce in employment in July came from manufacturing, human health and social work, and real estate activities. The sectors that continued to record a year-on-year decline in the workforce in employment in July were agriculture, forestry and fishing, mining and quarrying, financial and insurance activities, construction, and electricity, gas, steam and air conditioning supply. Year-on-year growth in the workforce in employment has also been negative in statistical terms since April of this year in transportation and storage, in the wake of a simultaneous large jump in real estate activities, which was attributable merely to a change in the core business activity of one firm, which caused a break in the data series for both activities.

The favourable outlook for the labour market for the following months is attributable to further growth in the number of vacancies, and positive indicators of employment expectations. Year-on-year growth in the number of vacancies according to SURS survey figures increased slightly in the second quarter (to 26.1%).[5] The manufacturing and construction sectors notified the largest number of vacancies in the second quarter. The largest demand notified by employers at the Employment Service in August was for elementary occupations in manufacturing, drivers of heavy goods vehicles and tractor units, and class teachers. The SURS survey figures show that firms have further increased their employment outlook for the autumn months. The seasonally adjusted figures for employment expectations are positive in all the activities observed: in manufacturing, retail and services, and also in construction, where the outlook had previously been negative since November 2008. The favourable employment forecast is further supported by a survey by Manpower, an HR firm, which for the final quarter of this year, according to seasonally adjusted figures, is forecasting the most favourable net employment since 2011, when the firm began conducting its surveys in Slovenia. The seasonally adjusted figures indicate growth in employment in the majority of sectors covered by the survey, most notably in "production" and construction.

Figure 3.2: Expected employment*



Source: SORS, Bank of Slovenia calculations.

[4] The employment analysis uses quarterly national accounts figures. According to the monthly SURS statistics, the workforce in employment, taking into account the average of the second quarter, was up 1.5% in year-on-year terms. The discrepancy is the product of the different methodologies used to monitor employment. The national accounts figures for employment include permanent employees, self-employed and assisting family members in private farming, self-employed in other household activities, student work and other forms of temporary employment, employment in sea and coastal transport on Slovenian vessels, and employment at Slovenian diplomatic and consular offices in the rest of the world. The monthly figures only count employees with employment contracts and the self-employed in the workforce in employment.

[5] In April 2013 the Labour Market Regulation Act abolished the mandatory notification of vacancies at the Employment Service for all employers other than the public sector and firms under majority government ownership. Between April 2013 and the end of 2014 the figures were no longer complete, for which reason the SURS has conducted independent surveying of vacancies since the first quarter of 2015. The sample framework includes all business entities with at least one employee whose primary registered business activity was in one of Sectors B to S.

Table 3.1: Unemployment and employment

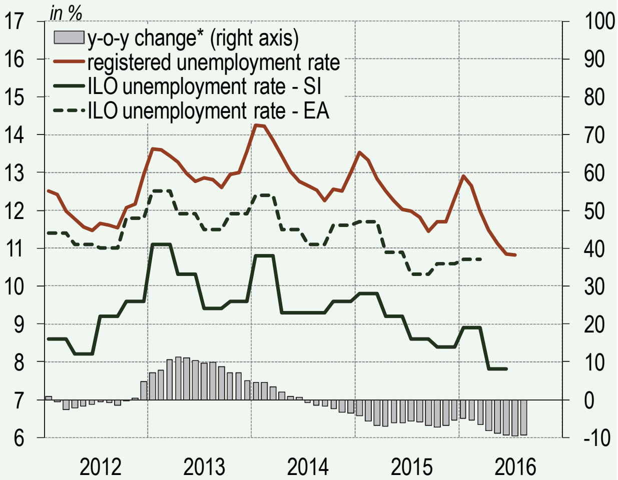
	2011	2012	2013	2014	2015	15Q2	15Q3	15Q4	16Q1	16Q2
					in 1000					
Registered unemployed persons	110.7	110.2	119.8	120.1	112.7	112.5	107.4	109.3	114.8	102.5
Unemployment rate					*in %*					
- ILO	8.2	8.9	10.1	9.8	9.0	9.2	8.6	8.4	8.9	7.8
- registered	11.8	12.0	13.1	13.1	12.3	12.3	11.7	11.9	12.5	11.1
Probability of transition between employment and unemployment					*in %*					
- probability to become employed[1]	13.8	13.2	13.6	15.4	15.7	16.9	15.8	12.2	20.6	20.1
- probability to lose a job[2]	2.6	2.8	2.8	2.6	2.5	2.0	2.1	2.9	3.0	1.9
					in 1000					
Total employment[3]	946.0	937.3	926.8	930.9	941.5	938.4	951.2	950.9	940.0	957.1
					annual growth in %					
Persons in paid employment	-2.0	-1.3	-2.7	0.5	1.3	1.3	1.2	1.4	1.6	2.2
Self-employed	-0.1	0.8	5.8	0.4	0.4	0.6	0.5	-0.1	1.5	1.3
By sectors										
A Agriculture, forestry and fishing	-2.4	-1.0	0.0	-0.1	-2.4	-2.3	-2.6	-2.6	-0.8	-0.8
BCDE Manufacturing, mining and quarrying and other industry	-0.2	-1.1	-1.9	0.3	0.9	0.5	1.0	1.7	2.5	3.0
F Construction	-11.7	-7.5	-7.0	-1.1	0.4	1.1	0.6	0.2	-0.5	-0.8
GHI Trade, accommodation, transport	-2.6	-1.2	-1.2	-0.3	1.8	2.0	1.8	1.6	1.9	2.5
J Information and communication	0.3	2.1	2.3	2.6	3.2	3.0	3.3	2.9	1.8	2.5
K Financial and insurance activities	-2.7	-1.7	-2.8	-2.1	-1.2	-0.9	-1.3	-0.9	-1.8	-2.2
L Real estate activities	-2.7	-1.4	0.5	0.9	1.4	1.9	0.0	0.0	0.0	0.0
MN Professional, technical and other business activities	0.9	0.5	-0.1	2.6	3.2	3.5	2.6	1.9	2.6	2.8
RSTU Other activities	-1.3	0.2	6.0	3.0	2.8	2.8	2.8	2.2	1.9	3.3
- mainly private sector (without O..Q)[4]	-2.3	-1.4	-1.2	0.5	1.2	1.3	1.2	1.1	1.6	2.0
- mainly public services (O..Q)[4]	1.0	1.0	-0.6	0.4	0.8	0.6	0.7	1.1	1.5	2.1
Total employment[3]	-1.7	-0.9	-1.1	0.4	1.1	1.2	1.1	1.1	1.6	2.0

[1] Newly employed as a share of registered unemployed persons according to Employment Service of Slovenia. The higher the indicator's value, the better chance of finding a job.
[2] Newly registered unemployed due to a job loss as a share of total employment. Calculation is based on Employment Service of Slovenia's data and registered data of total employment. The higher the indicator's value, the higher chance of losing a job.
[3] Employed and self-employed persons.
[4] Public administration, education, human health and social work services according to NACE rev. 2.
Source: SORS, Employment Service of Slovenia, Bank of Slovenia calculations.

Unemployment

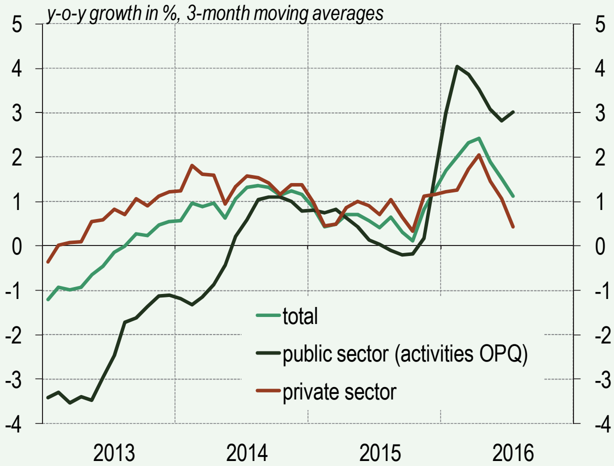
The fall in unemployment in the summer of this year was the sharpest since the end of 2008. There were 97,895 registered unemployed at the end of August, down 9.3% in year-on-year terms. The registered unemployment rate in July remained unchanged from the previous month at 10.8%, and was down 1.2 percentage points in year-on-year terms. The surveyed unemployment rate stood at 7.8% in the second quarter and was down 1.4 percentage points in year-on-year terms. Over the summer months unemployment declined in year-on-year terms in all qualifications groups, most notably among those with secondary qualifications. The proportion of total unemployment accounted for by the aforementioned group also declined in year-on-year terms, while the proportions accounted for by those with primary and tertiary qualifications increased. The number of registered unemployed declined in year-on-year terms in all the main age groups, most notably those under 30, while the number of unemployed aged over 60 has continued to rise. As a result the proportion of total unemployment accounted for by those aged over 50 is increasing in year-on-year terms. The deepening of structural unemployment is also evidenced in the rise in the proportion of long-term unemployed, in particular those who have been unemployed for more than three years.

Figure 3.3: Unemployment



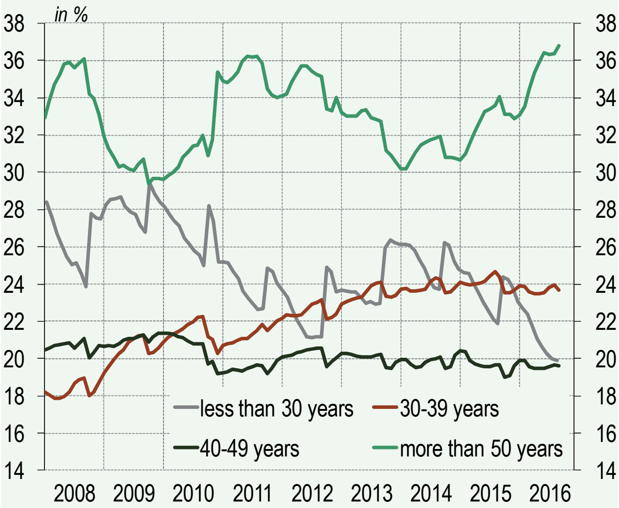
Note: * Number of registered unemployed persons, y-o-y change.
Source: Employment Service of Slovenia, SORS, Bank of Slovenia calculations.

Figure 3.5: Nominal gross wages



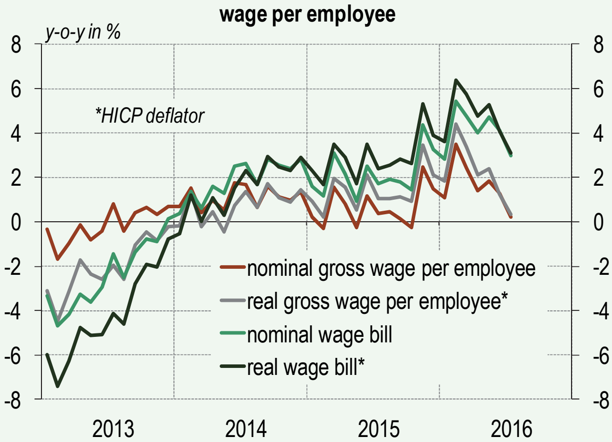
Note: Due to the change in source, series before 2014 were adjusted based on the growth rates of the previous series.
Source: SORS, Bank of Slovenia calculations.

Figure 3.4: The share of unemployed by age



Source: Employment Service of Slovenia, Bank of Slovenia calculations.

Figure 3.6: Nominal and real total wage bill and average gross wage per employee



Note: Due to the change in source, series before 2014 were adjusted based on the growth rates of the previous series. Wage bill is calculated as the product of average gross monthly wages for employees of legal persons who received pay and the total number of employees of legal persons.
Source: SORS, Bank of Slovenia calculations.

The number of people newly registering as unemployed over the first eight months of this year was less than in the same period last year, while the number of deregistrations was higher. The number of people newly registering as unemployed over the first eight months of this year was down 4.9% in comparison to the same period last year, while the number of deregistrations was up 1% in year-on-year terms. The number of deregistrations over the first eight months of this year was just over 15,000 more than the number of people newly registering as unemployed. The number of people newly registering as unemployed declined in all the observed categories, the largest declines being recorded by those registering because of the end of temporary employment and those made redundant. The largest increase in deregistrations during the period in question was recorded by new hires.

Wage developments

The average nominal gross wage rose significantly in the early part of this year, but year-on-year growth slowed again in later months. The average nominal gross wage over the first seven months of the year was up 1.7% in year-on-year terms, while the figure in July was up 0.2% in year-on-year terms. Growth in the average nominal gross wage in the private sector slowed already in June (a year-on-year rate of 0.8%), and was

Table 3.2: Labour costs indicators

	2011	2012	2013	2014	2015	15Q2	15Q3	15Q4	16Q1	16Q2
					in EUR					
Average gross wage	1,530	1,531	1,528	1,545	1,556	1,542	1,534	1,607	1,576	1,566
					nominal year-on-year growth, %					
Average net wage	2.1	0.4	0.6	0.8	0.4	0.3	0.1	1.1	2.0	1.3
Average gross wage	2.0	0.1	-0.2	1.1	0.7	0.6	0.3	1.3	2.3	1.5
- mainly private sector (excl. O..Q)[1]	2.6	0.9	0.7	1.4	0.8	0.9	0.6	1.2	1.7	1.1
- mainly public services (O..Q)[1]	0.0	-2.2	-2.3	0.2	0.6	0.1	-0.2	1.7	3.9	2.8
Average gross wage in manufacturing	3.9	2.5	2.8	3.3	2.1	2.3	1.8	2.3	2.4	1.7
Average real net wage[2]	0.1	-2.3	-1.3	0.5	1.2	1.1	0.9	2.1	2.9	1.8
Labour costs per hour worked[3]	1.9	-0.3	-2.1	2.0	0.8	1.9	-1.8	0.8	0.7	1.4
Labour costs per hour worked in manufacturing[3]	2.0	2.9	0.6	3.7	0.5	2.1	-1.9	0.1	0.5	1.0
Gross wage per unit of output[4]	-0.4	1.9	-0.2	-1.5	-0.5	-0.3	-0.5	-0.4	1.5	0.8
Gross wage per unit of output in manufacturing[4]	0.7	4.3	1.1	-1.8	1.5	2.3	2.1	2.8	-0.4	-2.9
Unit labour costs[4,5]	-0.8	0.8	0.5	-1.3	0.3	0.7	0.1	0.4	1.8	0.3
Labour costs per employee[5]	1.5	-1.0	0.5	1.3	1.4	1.6	1.0	2.0	2.6	1.0
Output per employee	2.4	-1.8	0.0	2.7	1.2	0.9	0.9	1.7	0.8	0.7
Output per employee - manufacturing	3.2	-1.7	1.7	5.1	0.6	0.0	-0.4	-0.4	2.8	4.7
HICP	2.1	2.8	1.9	0.4	-0.8	-0.8	-0.8	-0.9	-0.9	-0.4
GDP deflator	1.1	0.3	0.9	0.8	1.0	0.6	0.5	1.5	1.6	0.7

[1] Public administration, education, human health and social work services according to NACE rev. 2.
[2] HICP deflator.
[3] Labour costs according to SORS calculations.
[4] Unit of output for the total economy is defined as real GDP per person employed, and in manufacturing as real value added per person employed (both based on national accounts).
[5] Labour costs calculated on the basis of employee compensation (national accounts).
Source: SORS, Bank of Slovenia calculations.

actually negative in July (in the amount of 1%). The low July figures were primarily attributable to the two fewer working days in the month compared with the previous year, which was compensated for in August. Average wage growth over the first seven months of the year in the private sector nevertheless remained higher than in same period last year, partly as a result of significant extraordinary payments in the early months of this year, since which the year-on-year rates have slowed. July's largest year-on-year increase in the average nominal gross wage in the private sector was recorded by administrative and support service activities. Year-on-year growth in nominal gross wages remains at a high level in the public sector (a rate of 3.6% in July), owing to promotions in December. Wages in the public sector are expected to recover again towards the end of the year as a result of the agreed abolition of wage compression in September and promotions at the end of the year.

Growth in the nominal wage bill has no longer been strengthening over recent months, but remained above the average of recent years. Year-on-year growth in the nominal wage bill stood at 3.0% in July, while growth in the real wage bill was similar (3.1%). Year-on-year growth in the private sector was significantly lower than in the public sector in July. July's year-on-year growth in the nominal wage bill stood at 1.9% (2% in real terms) in the private sector, compared with 5.9% (6% in real terms) in the public sector.

4 Balance of Payments, External Debt and Competitiveness

The current account surplus continued to widen in year-on-year terms over the first seven months of this year, primarily as a result of further year-on-year growth in merchandise exports, but also as a result of growth in services exports. Nominal growth in merchandise trade was relatively low as a result of a fall in trade prices, although the national accounts figures indicate real year-on-year growth of 9% in the second quarter. Growth in industrial production and exports and faster growth in final consumption have brought a sharp increase in merchandise imports this year. For this reason, and as a result of the slowdown in current growth in exports of merchandise and services, there had been no further accelerations by at least July of this year. The significant year-on-year narrowing in the deficit in capital income has contributed to the maintenance of the large overall surplus.

Slovenia was a net financer of the rest of the world over the first seven months of the year in the amount of EUR 0.8 billion, down a third on the same period last year. The largest net outflow item was investments in securities, in the amount of EUR 1.7 billion, mostly in debt securities. Half of this outflow was the result of an increase in holdings of foreign debt instruments, while half was the result of a decline in liabilities in domestic instruments. The other two major net outflow items were loans in the amount of EUR 0.6 billion and trade credits in the amount of EUR 0.4 billion. The largest net inflow items were currency and deposits in the amount of EUR 1.2 billion and direct investment in the amount of EUR 0.6 billion. The net external debt stood at EUR 11.1 billion at the end of July, down EUR 1.9 billion on a year earlier. External claims increased by EUR 0.6 billion, while the external debt of all domestic sectors declined by EUR 1.3 billion.

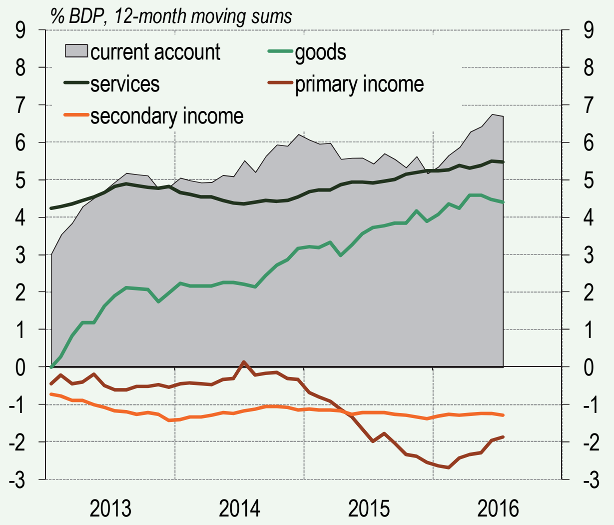
Current account position

The moving 12-month current account surplus reached 6.7% of GDP in July. The increase has been driven for two years primarily by a strong dynamic in merchandise exports, and also by exports of services. The 12-month surplus of trade in goods and services had thus reached almost 10% of GDP by the middle of this year. These figures capture the whole of the previous 12 months; developments over the first seven months of this year were already slowing. The current dynamic in merchandise exports has stalled in the last two months, and imports have increased sharply. Trade in services this year has merely remained at the high level of surplus achieved last year. The surplus of trade in merchandise and services is still high, but according to seasonally adjusted indicators it has already begun to slowly narrow in the first half of the year. The overall current account surplus was prevented from narrowing by this year's significant decline in outflows of capital income.

Merchandise trade

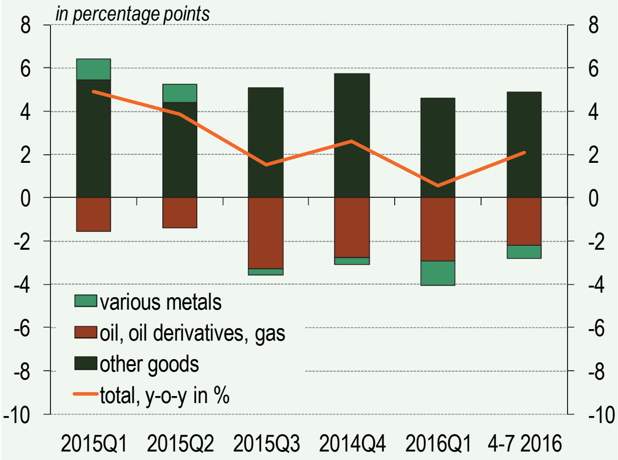
Strong growth in exports in the first quarter further widened the trade surplus, which then narrowed

Figure 4.1: Current account components



Source: Bank of Slovenia.

Figure 4.3: Contributions of groups of products to nominal growth of goods imports

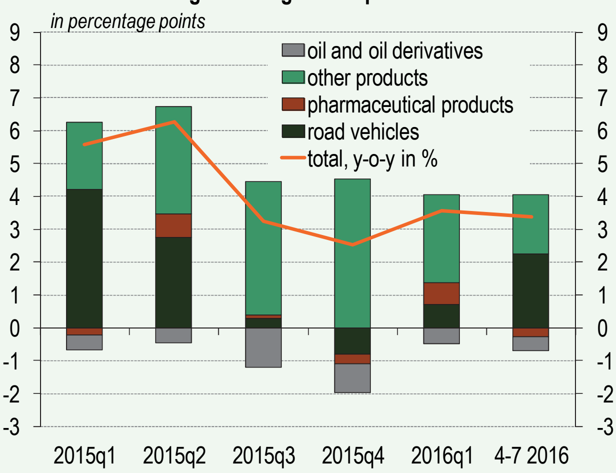


Note: SORS data on goods exports are not entirely comparable to balance of payments data due to methodology differences.
Source: SORS, Bank of Slovenia calculations.

slightly over the following months. Growth in merchandise exports remained strong until May, but stalled over the next two months. After one year of stagnation, growth in imports began to surge this year, and continued until July, albeit having slowed slightly over the last two months. The trade surplus thus narrowed slightly over the last two months from its record levels in the early part of the year. Over the first seven months of the year it amounted to EUR 1,163 million, having widened by EUR 234 million in year-on-year terms. The 12-month moving total stood at 4.4% of GDP in July.

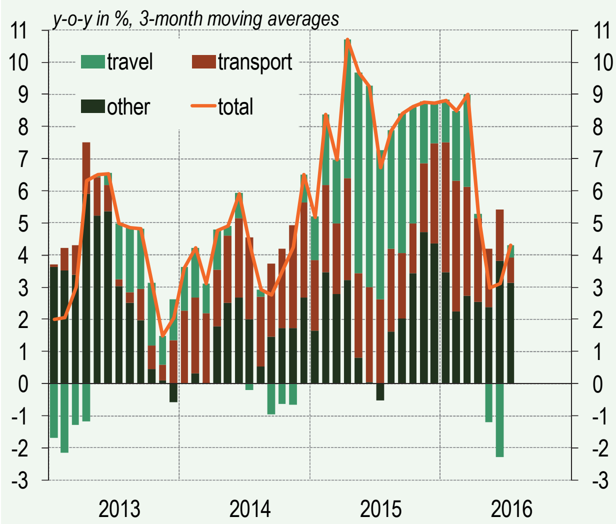
The impact of falling prices on merchandise trade, import prices in particular, increased further in the second quarter. According to national accounts figures, merchandise export prices were down 3.4% in the second quarter, while import prices were down fully 5.4%. The nominal year-on-year rates of growth in imports and exports were therefore relatively low, and only the real figures show the true picture. Real year-on-year growth in both imports and exports stood at 7.2% in the first half of the year, while the two rates were around 9% in the second quarter. Real growth in exports was slightly higher than the average across the euro area during the two previous years, but has been significantly higher this year. The surplus narrowed slightly in the second quarter from the previous record level according to these figures at fixed prices.

Figure 4.2: Contributions of groups of products to nominal growth of goods exports



Note: SORS data on goods exports are not entirely comparable to balance of payments data due to methodology differences.
Source: SORS, Bank of Slovenia calculations.

Figure 4.4: Services exports



Source: Bank of Slovenia.

Trade in services

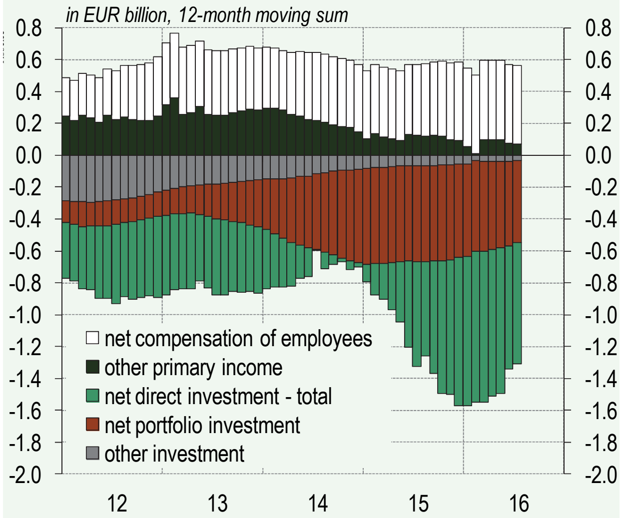
Trade in services strengthened sharply last year, but the current dynamic in all aggregates (imports, exports and surplus) has stalled this year. After last year's strong growth in exports of services, their year-on-year rate of growth in the balance of payments reached around 9% in the early part of this year, but had fallen to just 5% over the three months to July as a result of the current dynamic coming to an end. The corresponding figures for imports were 4.5% and -1.5%. Prices in services trade have risen gently, and the real rates of growth in the national accounts are therefore slightly lower. Thanks to last year's surge in growth in imports and exports, the surplus of trade in services over the first seven months of the year amounted to EUR 1,242 million, still EUR 138 million wider than in the same period last year. The 12-month moving total stood at 5.5% of GDP in July.

The relatively modest year-on-year growth in the surplus of trade in services is a reflection of this year's weak dynamic in the two main components, travel services and transport services. The main factor in the year-on-year increase in the surplus of trade in services over the first seven months of the year was construction services, which increased by EUR 80 million to EUR 145 million. Construction services are relatively small in absolute terms, and their main developments have been a sharp two-year decline in imports, which this year has been joined by a small increase in exports, which have reached their highest level to date. This two main components of the overall surplus of trade in services have been relatively passive this year, after last year's sharp increase in exports and this year's weak dynamic in both directions. The surplus of trade in travel services widened by just EUR 26 million in year-on-year terms to EUR 816 billion, while the surplus of trade in transport services widened by EUR 46 million to EUR 523 million.

Primary and secondary income

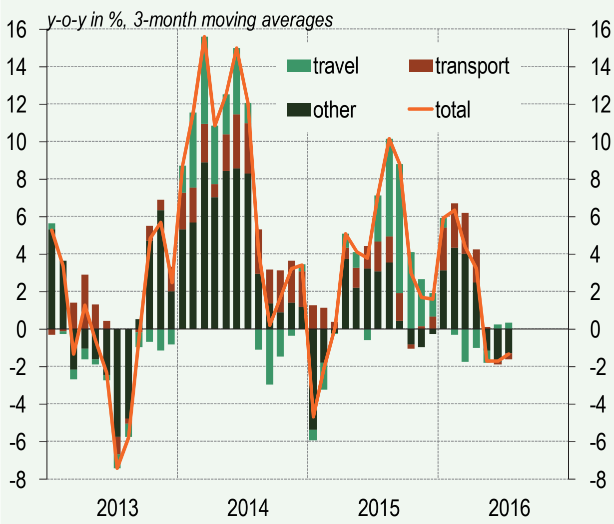
After a pronounced increase last year, the deficit in primary and secondary income has narrowed sharply this year. It amounted to EUR 628 million over the first

Figure 4.6: Net primary income



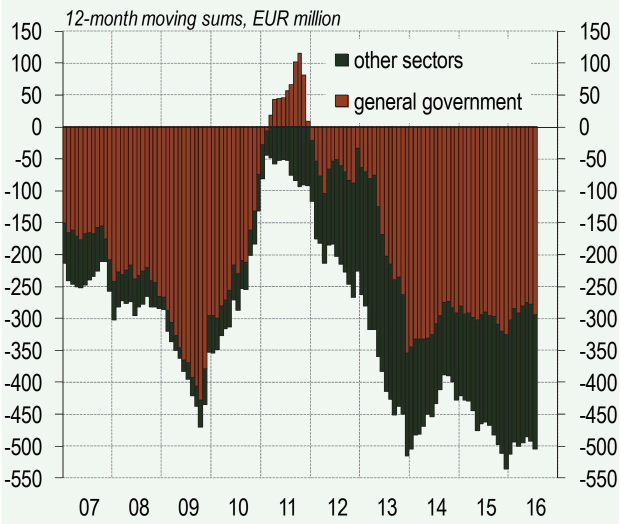
Source: Bank of Slovenia.

Figure 4.5: Services imports



Source: Bank of Slovenia.

Figure 4.7: Net secondary income



Source: Bank of Slovenia.

Table 4.1: Components of the current account

				in 12 months to							
	2013	2014	2015	Jul.15	Jul.16	15Q1	15Q2	16Q1	16Q2	Jul.15	Jul.16
						in EUR million					
Current account balance	1,732	2,325	1,998	2,067	2,642	435	462	729	826	236	222
1. Goods	708	1,181	1,498	1,412	1,732	348	382	497	495	198	171
2. Services	1,732	1,697	2,019	1,869	2,157	394	524	469	588	186	185
2.1. Transport	660	715	821	773	867	184	214	208	239	79	76
2.2. Travel	1,335	1,315	1,435	1,421	1,461	279	393	330	356	118	129
2.3. Other	-264	-333	-237	-325	-171	-69	-83	-69	-8	-11	-20
3. Primary income	-192	-125	-982	-752	-742	-114	-331	-81	-152	-103	-76
3.1. Labour income	390	423	489	445	493	106	130	112	128	39	38
3.2. Investment income	-862	-694	-1,564	-1,319	-1,302	-309	-483	-289	-275	-141	-107
3.3. Other income	280	146	93	122	67	90	22	96	-4	-1	-7
4. Secondary income	-516	-428	-537	-462	-505	-193	-113	-157	-104	-45	-58
						in % of BDP					
Current account balance	4.8	6.2	5.2	5.4	6.7	4.9	4.7	7.8	8.1	7.1	6.5
1. Goods	2.0	3.2	3.9	3.7	4.4	3.9	3.9	5.3	4.8	6.0	5.0
2. Services	4.8	4.5	5.2	4.9	5.5	4.4	5.3	5.0	5.8	5.6	5.5
2.1. Transport	1.8	1.9	2.1	2.0	2.2	2.1	2.2	2.2	2.3	2.4	2.2
2.2. Travel	3.7	3.5	3.7	3.7	3.7	3.1	4.0	3.6	3.5	3.6	3.8
2.3. Other	-0.7	-0.9	-0.6	-0.9	-0.4	-0.8	-0.8	-0.7	-0.1	-0.3	-0.6
3. Primary income	-0.5	-0.3	-2.5	-2.0	-1.9	-1.3	-3.4	-0.9	-1.5	-3.1	-2.2
3.1. Labour income	1.1	1.1	1.3	1.2	1.3	1.2	1.3	1.2	1.3	1.2	1.1
3.2. Investment income	-2.4	-1.9	-4.1	-3.5	-3.3	-3.5	-4.9	-3.1	-2.7	-4.3	-3.1
3.3. Other income	0.8	0.4	0.2	0.3	0.2	1.0	0.2	1.0	0.0	0.0	-0.2
4. Secondary income	-1.4	-1.1	-1.4	-1.2	-1.3	-2.2	-1.1	-1.7	-1.0	-1.4	-1.7
						nominal year-on-year growth rates in %					
Export of goods and services	2.5	5.6	5.4	6.9	3.8	6.3	6.6	4.2	5.1	5.7	-2.3
Export of goods	2.1	5.9	4.7	7.0	3.1	6.1	6.0	3.2	5.7	5.6	-3.2
Export of services	4.1	4.5	8.4	6.4	6.7	7.0	9.3	9.0	3.1	6.0	0.8
Transport	3.9	9.4	9.3	9.7	7.8	7.3	10.6	11.1	5.5	9.3	-2.9
Travel	1.7	0.8	9.6	6.3	3.7	6.0	17.8	8.8	-6.0	8.5	4.8
Other	7.1	4.9	6.4	4.0	9.1	7.6	0.1	7.4	11.3	-0.2	-2.0
Import of goods and services	-1.5	4.4	3.5	4.2	2.0	4.3	4.5	1.2	3.2	3.6	-1.5
Import of goods	-1.7	3.8	3.5	4.5	1.9	5.0	4.7	0.7	4.1	2.6	-2.1
Import of services	-0.3	7.7	3.7	2.3	2.5	0.1	3.8	4.4	-1.7	9.2	1.5
Transport	3.4	10.4	4.5	7.2	3.7	1.7	5.5	9.5	-0.6	10.4	-2.0
Travel	-3.1	5.3	10.4	1.4	5.2	-0.3	-3.2	-11.5	1.2	27.9	1.1
Other	-0.6	7.6	1.3	0.9	1.2	-0.3	5.5	6.5	-3.0	-2.4	3.1

Note: Shares in GDP are calculated on the basis of monthly estimates of GDP.
Source: Bank of Slovenia.

seven months of the year, EUR 271 million narrower than in the same period last year. The 12-month moving total stood at 3.2% of GDP. The narrowing deficit was almost entirely attributable to the decline in outflows of capital income. Labour income was relatively stable in year-on-year terms on both the inflow and outflow sides: the surplus over the first seven months of the year in the amount of EUR 279 million was only slightly larger than in the same period last year, approximately at the level of 1% of GDP, where it has stood since the end of 2012 after rising from very low levels before the crisis. The government sector's deficit in primary and secondary income (excluding capital income) over the first seven months of the year narrowed to EUR 110 million, while the other sectors' deficit widened to EUR 126 million.

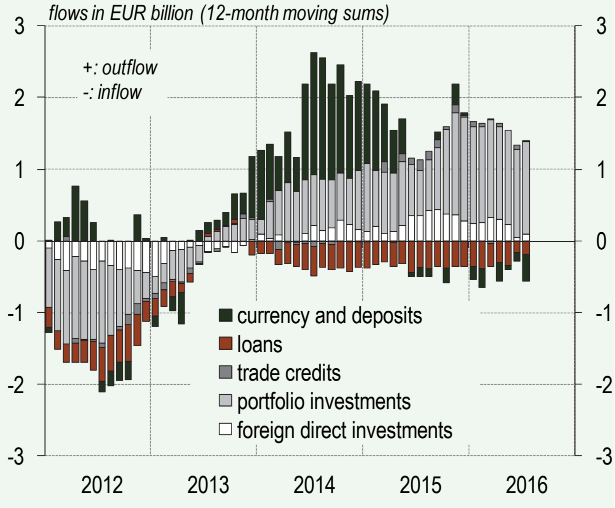
Outflows of capital income over the first seven months of the year declined by EUR 241 million in year-on-year terms. Inflows also increased slightly, narrowing the deficit by EUR 262 million in year-on-year terms to EUR 671 million. The 12-month moving deficit, which reached just over 2% of GDP after the crisis, and widened to 4% last year, had narrowed to 3.3% of GDP by July of this year. The deficit in interest on securities narrowed by EUR 73 million, and the deficit in interest on loans and deposits narrowed by a further EUR 21 million, having been very small in recent years. The overall improvement in income aggregates was primarily attributable to the year-on-year decline of EUR 169 million in outflows of earnings on direct investment, which was also the amount by which the deficit in the same narrowed. These outflows, which indicate the income on non-residents' inward FDI, increased sharply last year, and have remained at relatively high levels this year despite a decline. In the first quarter they were mostly returned as reinvested earnings in the financial account, but no longer in the subsequent months.

Financial account

Direct investment accounted for EUR 633 million of the net increase in liabilities to the rest of the world over the first seven months of the year. Three-quarters of this increase originated in an increase in net liabilities from equity, while a quarter came from estimated reinvested earnings. Slovenian outward investments in debt instruments of foreign capital affiliates over the first seven months of the year were the same as non-residents' investments in domestic debt instruments, and the mutual debt position was thus in balance.

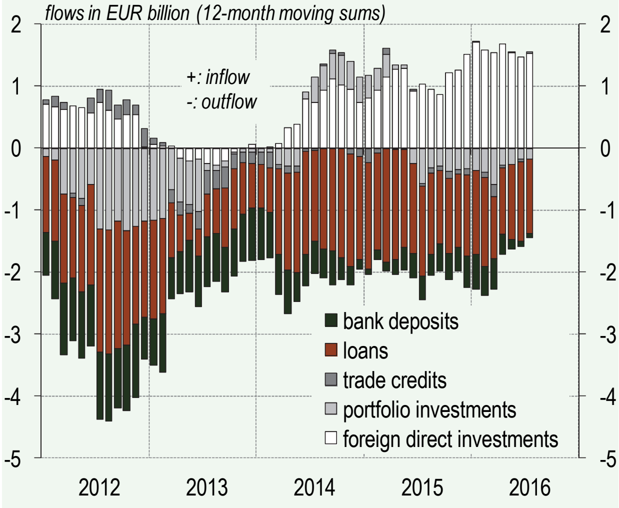
Investments in securities recorded a net outflow of EUR 1.7 billion over the first seven months of the year. The majority of the transactions related to debt securities. Holdings of debt securities increased by EUR 0.9 billion, four-fifths of which was at the central bank, and a

Figure 4.8: Private sector's financial claims on the rest of the world



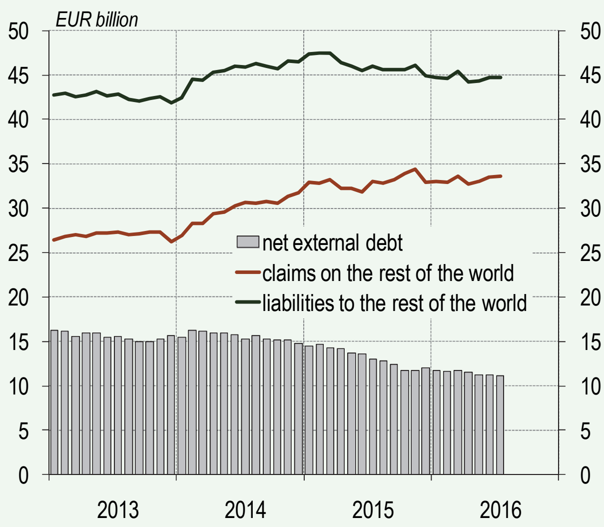
Source: Bank of Slovenia.

Figure 4.9: Private sector's financial liabilities to the rest of the world



Source: Bank of Slovenia.

Figure 4.10: External debt



Source: Bank of Slovenia.

Table 4.2: Components of the financial and capital account

				in 12 months to							
	2013	2014	2015	Jul.15	Jul.16	15Q1	15Q2	16Q1	16Q2	Jul.15	Jul.16
						in EUR million					
1. Private sector	2,999	3,071	2,575	2,349	1,193	690	702	599	-194	476	80
Claims	1,385	2,449	2,094	1,229	1,522	524	339	453	63	310	84
Capital transfers	399	820	722	869	754	112	147	115	170	40	46
Outward FDI	24	155	278	356	94	93	301	143	19	73	122
Portfolio investments and fin. der.	286	867	1,388	617	1,262	195	110	152	-33	-69	-9
Trade credits	20	-17	20	154	3	367	21	314	113	14	-42
Loans	-189	-348	-353	-361	-180	-24	-224	10	-68	-4	-21
Currency and deposits	846	1,239	43	-141	-377	-246	1	-288	-113	259	-5
- Households	264	52	127	-12	-48	-164	108	-195	42	72	-6
- Banks	473	1,201	-108	-268	-254	-291	-32	-82	-171	197	-19
- Enterprises	109	-15	24	139	-75	209	-75	-11	16	-10	20
Other claims	-2	-9	55	-8	26	28	-18	9	-25	-3	-6
Liabilities	-1,615	-622	-482	-1,120	329	-166	-363	-146	257	-166	4
Capital transfers	164	275	308	293	288	74	58	60	59	40	35
Inward FDI	71	739	1,516	1,037	1,522	441	346	468	278	123	170
Portfolio investments and fin. der.	-128	383	-358	-591	-227	-49	-441	-314	-27	-8	-26
Trade credits	-182	-137	-104	-46	37	14	1	-81	145	-172	-81
Loans	-718	-1,663	-1,308	-1,456	-1,199	-538	48	-223	-232	-170	-96
- Enterprises	301	-810	-684	-650	-545	-318	144	-33	-42	-33	7
- Banks	-1,019	-853	-624	-806	-654	-220	-96	-189	-190	-137	-103
Deposits at banks	-849	-156	-516	-372	-79	-107	-388	-83	20	-10	-4
Other liabilities	27	-63	-20	15	-13	-1	11	26	15	30	6
2. Government	-3,973	-4,029	1,485	-417	2,262	-771	2,053	680	-64	-1,189	255
3. Bank of Slovenia	1,828	3,177	-2,659	74	-2,168	604	-2,259	-891	547	799	-21

Note: + (increases in claims/liabilities), - (decreases in claims/liabilities), net items are calculated as net claims - net liabilities.
Source: Bank of Slovenia.

fifth of which was in private sectors. Liabilities from debt securities declined at the same time, by EUR 0.9 billion. The banking sector accounted for the equivalent of three-fifths of this decline, and the government sector for the equivalent of two-thirds. The large debt repayments meant that March's issue of 16-year government bonds in the amount of EUR 1.5 billion did not have an impact.

External debt

The gross external debt amounted to EUR 44.7 billion at the end of July, down EUR 1.3 billion on a year earlier. The largest decline in gross debt over the last year was recorded by the banks, in the amount of almost EUR 1 billion, followed by other sectors, in the amount of EUR 0.5 billion. The government sector accounted for the largest proportion of the gross external debt (52%), followed by other non-banking sectors (24%) and the banks (just under 10%).

Gross external claims amounted to EUR 33.6 billion, up EUR 0.6 billion on a year earlier. The largest increase of EUR 1.8 billion was recorded by government claims, while the central bank saw its claims decline by EUR 1.7 billion. The increase in government claims was primarily related to currency risk hedging for government securities and the placement of the proceeds of bond issues in accounts in the rest of the world.

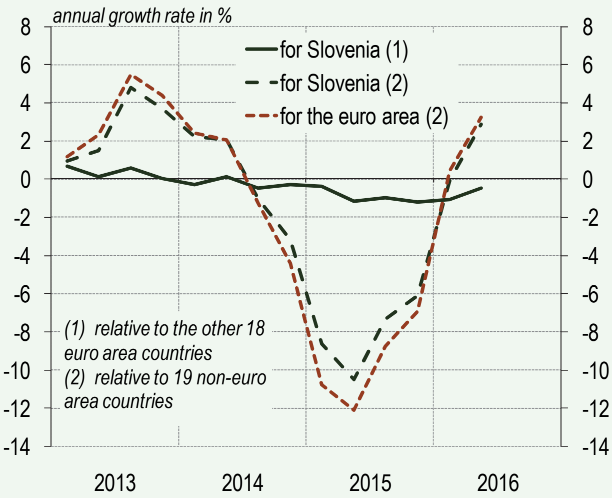
On the basis of these flows the net external debt stood at EUR 11.1 billion at the end of July, down EUR 1.9 billion on a year earlier. Net external debt was held by the general government sector (EUR 17.4 billion), other sectors (EUR 0.4 billion) and capital affiliates (EUR 0.3 billion). The net creditors of the rest of the world were the central bank (EUR 4.3 billion) and the banks (EUR 2.5 billion).

Selected competitiveness indicators

There was a favourable impact on the price competitiveness of Slovenia's exports in the first half of the year from the above-average year-on-year deflation recorded by Slovenia on euro markets, while on markets outside the euro area the appreciation of the euro had an opposite and significantly larger impact. Slovenia's price competitiveness relative to major partners in the euro area improved in the second quarter, as the year-on-year fall in domestic prices was sharper than that across the euro area. The price competitiveness on markets outside the euro area underwent a sharp deterioration as a result of the appreciation in the euro, which slowed after May. Slovenia's price competitiveness as measured by the HICP/CPI deflator against 19 countries outside the euro area increased by 2.9% in year-on-year terms in the second quarter, the largest increase of the last two years.

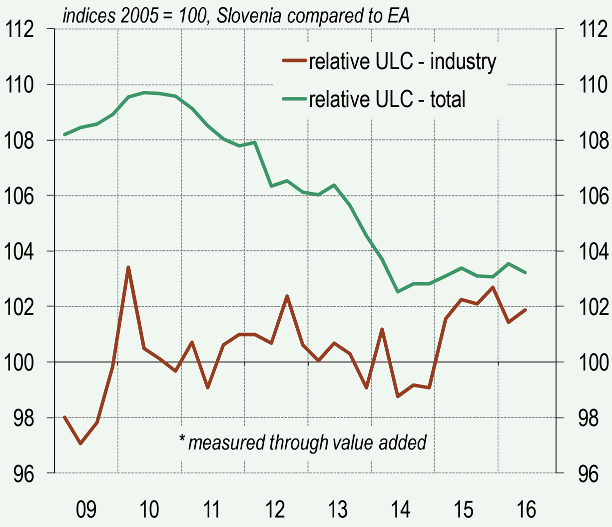
Under the revision to the national accounts for 2015, which brought an unusually sharp reduction in the figure for last year's growth in industrial production and thus in productivity, the picture of Slovenia's cost competitiveness changed entirely. According to the revised figures, the decline in unit labour costs (ULCs) in the total economy relative to the average across the euro area swung into a gentle rise as early as mid-2014, which strengthened in the first quarter of this year and then declined by approximately the same amount in the second quarter. The change originates in the revised figures for industry. Slovenia's relative nominal ULCs in industry declined by more than 2% last year according to the previous figures, while under the new figures they rose by around 2.5%. The current dynamic reversed downwards again in the first quarter of this year, and rose slightly in the second quarter.

Figure 4.11: Harmonised price competitiveness indicators (based on HICP/CPI deflators)



Source: ECB.

Figure 4.12: Nominal unit labour costs* in relative terms



Source: Eurostat, Bank of Slovenia calculations.

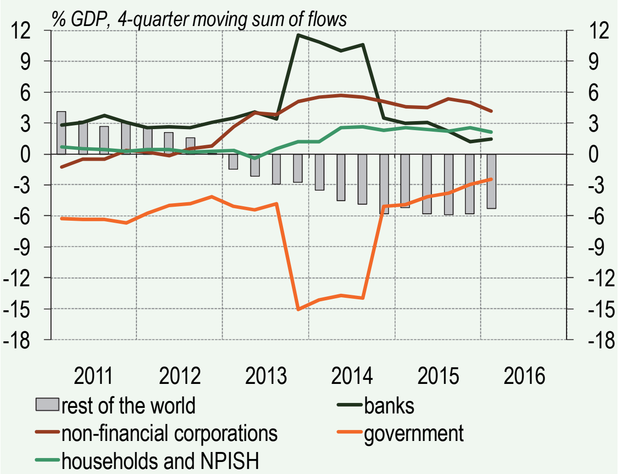
5 Financing of Non-Financial Corporations, Households and Banks

With the exception of the general government sector, all the domestic institutional sectors have recorded financial surpluses for the fourth consecutive year. The overall surplus against the rest of the world over the 12 months to the first quarter of 2016 amounted to 5.3% of GDP, an indication that national saving was larger than investment by this amount. Firms have been generating high profits for three years now, and a slight pick-up in the investment cycle has been evident in the last year. The corporate sector's financial surplus has primarily been directed towards debt reduction or invested in domestic banks in the form of sight deposits. Households are even more attracted to investments of this type: sight deposits have increased by EUR 2.9 billion over the last two years, while fixed-term deposits have declined by EUR 1.7 billion. In the low interest rate environment – both in Slovenia and across the euro area – the private sector is no longer interested in renewing fixed-term deposits, for which reason maturing fixed-term deposits are merely being converted into sight deposits. Although growth in deposits by the private sector is increasing their importance on bank balance sheets, caution will nevertheless be required in the future, as the shortening of average maturities is increasing the instability of bank funding. The banks are continuing to reduce their total assets, on the investment side by reducing lending activity, and on the funding side primarily by repaying ordinary liabilities to the rest of the world.

Savings-investment gap by institutional sector

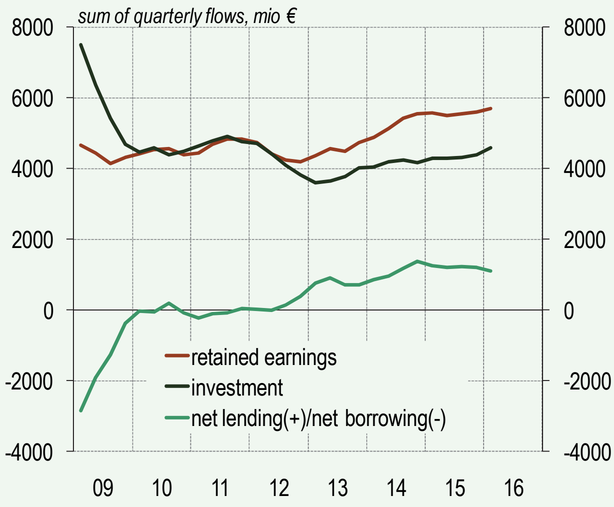
The large surplus in the current account is an indication of a surplus in national saving over investment for the fourth consecutive year. The domestic institutional sectors' 12-month moving financial surplus against the rest of the world increased from zero at the end of 2012 to 5.3% of GDP in the first quarter of 2016. Firms have been generating high profits for three years now, and a slight pick-up in the investment cycle has been evident in the last year, which brought a slight decline in non-financial corporations' financial surplus in the first quarter. This stood at 4.2% of GDP, which non-financial corporations primarily directed towards sight deposits at domestic banks and foreign investments in the form of trade credits. The improvement in the situation on the

Figure 5.1: Savings-investment gap



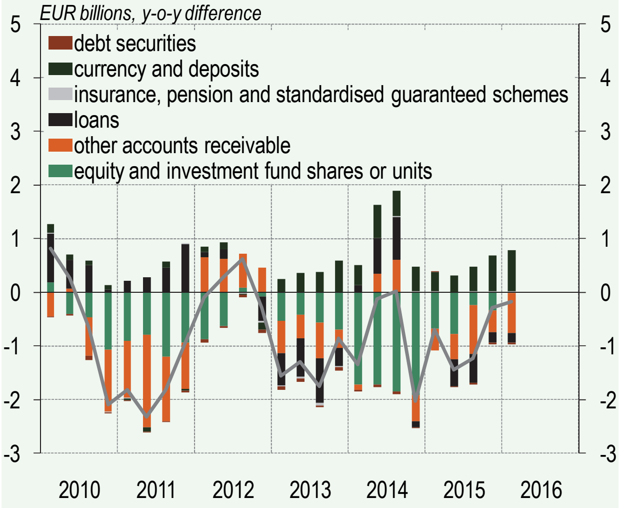
Note: Figures for Q4 2013 were influenced by measures for stabilising the banking sector.
Sources: Bank of Slovenia - nonconsolidated financial accounts, SORS.

Figure 5.2: NFC investment and retained earnings



Source: Bank of Slovenia, Eurostat, SORS.

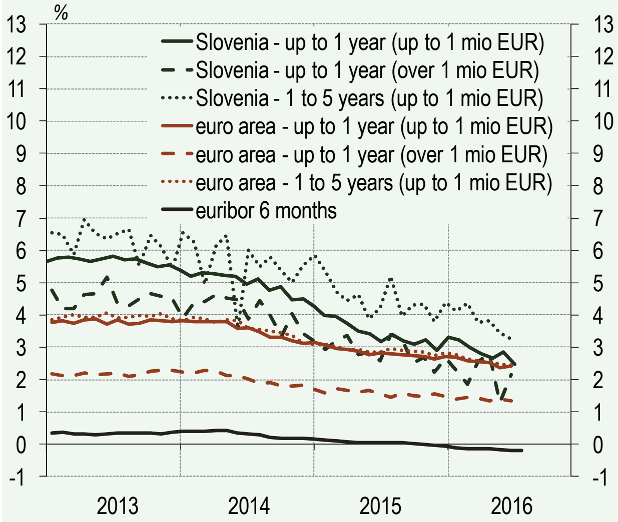
Figure 5.3: Financial assets of NFCs (S.11)



Source: Bank of Slovenia, non-consolidated data.

labour market and the increase in household income contributed to a slight increase in household consumption, which was not significantly reflected in their financial surplus. This has fluctuated around 2.5% of GDP for two years now. Households also directed their surplus primarily into sight deposits at banks. The government sector's deficit and the financial corporations sector's surplus returned to a stable level in the wake of the measures to stabilise the banking system at the end of 2013, and have gradually diminished. The banking sector's surplus stood at 1.5% of GDP in the first quarter, while the government sector's deficit stood at 2.4% of GDP.

Figure 5.4: Interest rates on loans to NFCs

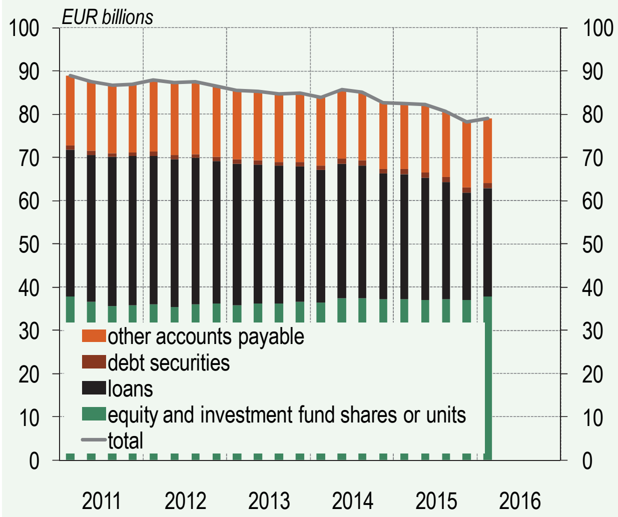


Sources: ECB, Bank of Slovenia.

Non-financial corporations

The stock of non-financial corporations' financial assets increased by EUR 0.8 billion in the first quarter of 2016 to EUR 41.8 billion. Just over a third of the increase in the first quarter was primarily the result of a positive revaluation of equities. The further improvement in the general situation in the economy is increasing non-financial corporations' profits. This surplus has to date primarily been invested in domestic banks in the form of sight deposits. They amounted to EUR 0.9 billion in 2015, but increased by a further EUR 0.1 billion in the first quarter of this year. Non-financial corporations also recorded a significant increase in their investments in the rest of the world in the first quarter, EUR 0.4 billion of which was in the form of trade credits.

Figure 5.5: Financial liabilities of NFCs (S.11)



Source: Bank of Slovenia, non-consolidated data.

Box 5.1: Corporate indebtedness, deleveraging and exit from the market

Corporate indebtedness rose rapidly in the pre-crisis period, and firms entered the crisis heavily indebted. The decline in domestic corporate financing at both banks and firms led to a decline in profitability, investment and corporate viability, and consequently to a contraction in economic activity.

From its peak in 2008, corporate indebtedness had declined to below the pre-crisis level by 2015. Over this period, which was marked by the corporate deleveraging process, some firms deleveraged and others increased their indebtedness, while others exited the market and new firms entered. This analysis examines how the corporate deleveraging process unfolded across corporate size categories, identifies the determinants of the probability for an increase in corporate indebtedness, deleveraging and exit from the market, and compares the level of indebtedness of young firms and firms that survived the crisis.

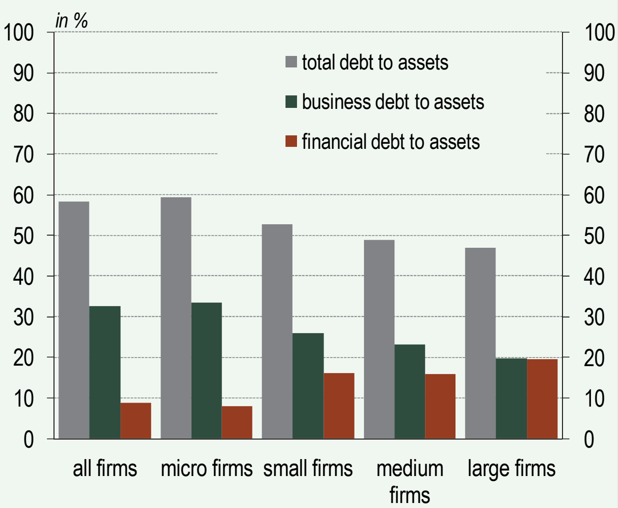
In the analysis[1] corporate indebtedness is measured by the firm's debt-to-assets ratio. A firm's debt consists of operating and financial liabilities; almost all firms have operating liabilities, while around 40% of micro enterprises have no financial debt. Indebtedness through operating liabilities leverage (the ratio of operating liabilities to assets) increases with corporate size, while indebtedness through financial debt leverage (the ratio of financial debt to assets) falls with corporate size (Figure 1).

SMEs were more indebted than large enterprises before the crisis (Figure 2), but also deleveraged during the crisis in a greater extent. Micro enterprises continue to have the highest level of indebtedness. The corporate deleveraging process was based primarily on the reduction of financial debt leverage. There was no significant change in corporate indebtedness through operating liabilities leverage (Figure 3) at large enterprises, while at SMEs it declined in 2007 and 2008, since which it has remained stable. Corporate indebtedness through financial debt leverage (Figure 4) rose sharply before the crisis at all firms, large and medium-size enterprises in particular. Firms did not begin reducing their financial debt leverage until at least three years after the outbreak of the crisis: SMEs in 2011, and large enterprises in 2013. SMEs and large enterprises have deleveraged at a similar rate since 2012.

Between 2008 and 2014 high corporate indebtedness was addressed equally by reducing leverage (38% of firms operating in 2008) and by exiting the market (37% of firms operating in 2008). A quarter of firms increased their indebtedness during this period. A third of firms exited the market during this period; exit from the market was most common among micro enterprises. The crisis hit construction firms hardest: half of those operating in 2008 had exited the market by 2014. Young firms had an important role in 2014. Of firms operating in 2014, 42% entered the market after the crisis, although they accounted for just 11% of total corporate assets at that time.

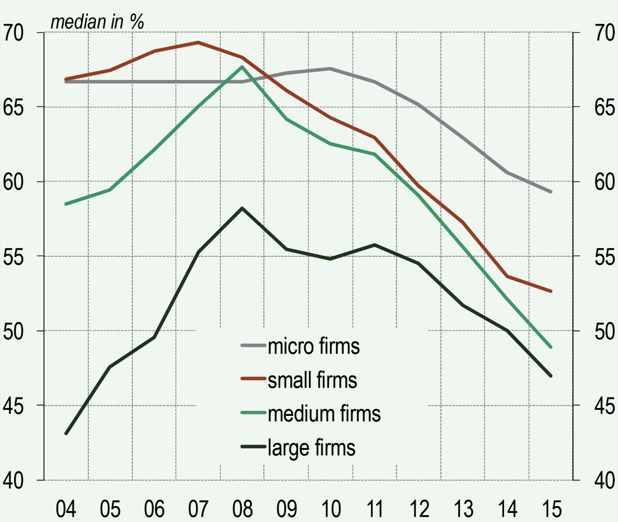
Between 2008 and 2014, the time of the corporate deleveraging process, some firms increased their indebtedness to a relatively high level: indebtedness at young firms and firms with low indebtedness in 2008 had increased to 68% and 76% respectively by 2014 (mean debt-to-assets ratio). The

Figure 1: Debt to assets in 2015



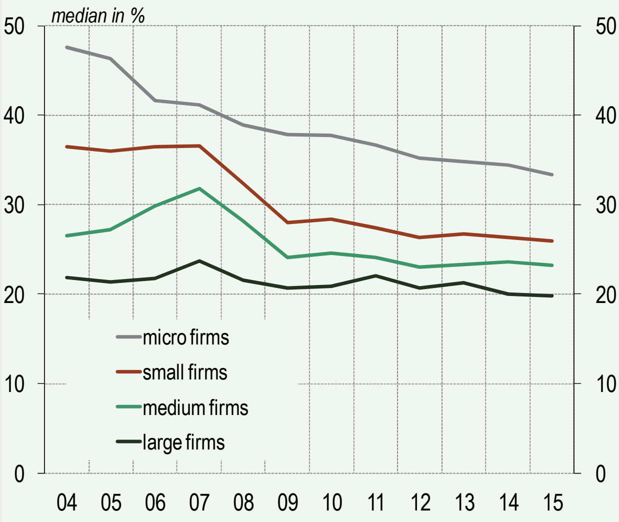
Source: AJPES.

Figure 2: Total debt to assets



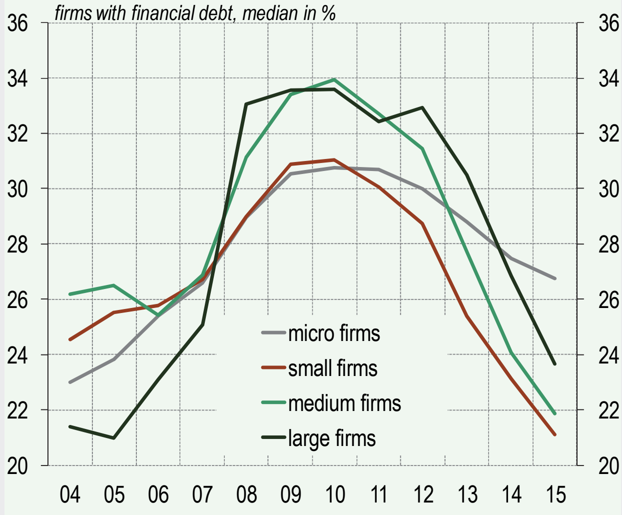
Source: AJPES.

Figure 3: Business debt to assets



Source: AJPES.

Figure 4: Financial debt to assets



Source: AJPES.

indebtedness of these firms increased in terms of both operating liabilities leverage and financial debt leverage. Firms that exited the market between 2008 and 2014 were the most indebted in 2008 (a mean debt-to-assets ratio of 78%). Firms that deleveraged between 2008 and 2014 were more indebted in 2008 than firms that increased their indebtedness: their mean debt-to-assets ratios were 66% and 54% respectively.

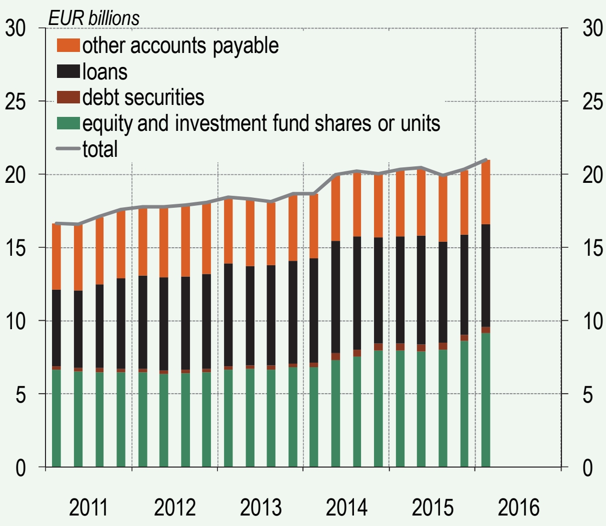
Econometric analysis with multinomial logistic regression is used to examine whether the firms' characteristics in the pre-crisis period can explain why certain firms survived the crisis and deleveraged, while others exited the market. The dependent variable is the information as to whether firms did the following in the 2008 to 2014 period: 1) reduced indebtedness; 2) increased indebtedness or held it at the same level; or 3) exited the market. The explanatory variables are the firm's age, size and business activity, and its ROA, export orientation and ownership in 2008.

Summary of results: the probability that a firm deleveraged between 2008 and 2014 is greater for SMEs, firms with high indebtedness in 2008, firms in the sectors of manufacturing and transport, export-oriented firms, and firms with high profitability. The probability that a firm deleveraged is lower for firms in the sectors of accommodation and food service activities and real estate activities. The probability that a firm exited the market between 2008 and 2014 is greater for younger firms, micro enterprises and SMEs, firms with high indebtedness in 2008, firms in the sectors of construction, wholesale and retail trade, transport and real estate activities, and firms with low profitability. The probability is lower for manufacturing firms and government-owned firms.

[1] The analysis of corporate indebtedness used data from annual reports submitted to AJPES between 2004 and 2015. Corporate size was determined on the basis of the average number of employees, net sales revenues and assets (in accordance with the ZGD-1). Firms with at least one employee were included in the analysis.

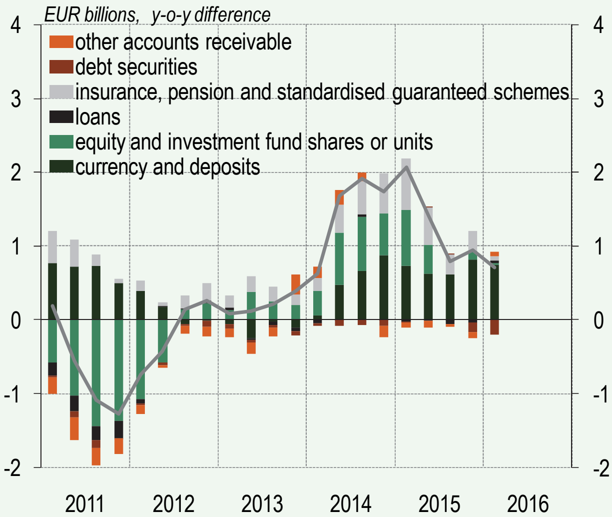
Non-financial corporations' financial liabilities amounted to EUR 79 billion at the end of the first quarter, up EUR 0.8 billion on the end of 2015, almost entirely as a result of the revaluation of equities. Domestic business-to-business financing via trade credits continued to contract, by EUR 0.3 billion in the first quarter of this year, as a result of which business-to-business loans increased by EUR 0.2 billion. Despite the sustained fall in interest rates on loans, debt repayments at banks are still continuing, and amounted to EUR 1 billion in 2015, and a further EUR 0.1 billion in the first quarter of this year. Loans raised in the rest of the world increased by EUR 0.1 billion, and are an increasingly important source of financing in the wake of the further contraction in lending by domestic banks. The proportion of non-financial corporations' total loans accounted for by foreign loans stood at 28% at the end of the first quarter, almost double the pre-crisis figure in 2008. Liabilities to the rest of the world also increased in the equity item, by EUR 0.2 billion in the first quarter of this year and by EUR 1 billion in 2015.

Figure 5.6: Financial liabilities of NFCs (S.11) to rest of the world



Source: Bank of Slovenia, non-consolidated data.

Figure 5.7: Financial assets of households (S.14 and S.15)



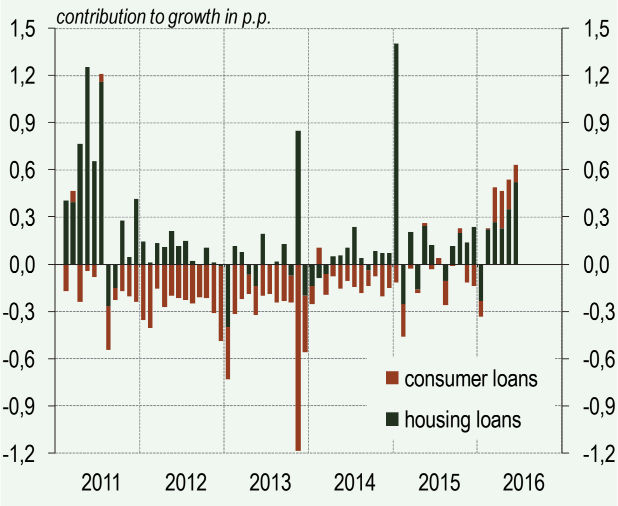
Source: Bank of Slovenia, non-consolidated data.

Households

Households' financial assets increased by EUR 0.4 billion in the first quarter of 2016 to EUR 39.7 billion. The majority of the increase (EUR 0.3 billion) was the result of the revaluation of equity, while there was an increase of EUR 0.1 billion in deposits at banks. At the end of the first quarter the latter accounted for just over 40% of total household assets, of which 95% was at domestic banks and just 5% at foreign banks. Given the very low interest rates on deposits, both inside and outside Slovenia, households are no longer interested in renewing fixed-term deposits, for which reason maturing fixed-term deposits are merely being converted into sight deposits. The household sector's stock of fixed-term deposits declined by EUR 0.9 billion in 2015, while its stock of sight deposits increased by EUR 1.6 billion. This substitution was even more evident in the first quarter of 2016, when households' fixed-term deposits declined by EUR 0.5 billion as sight deposits increased by EUR 0.6 billion.

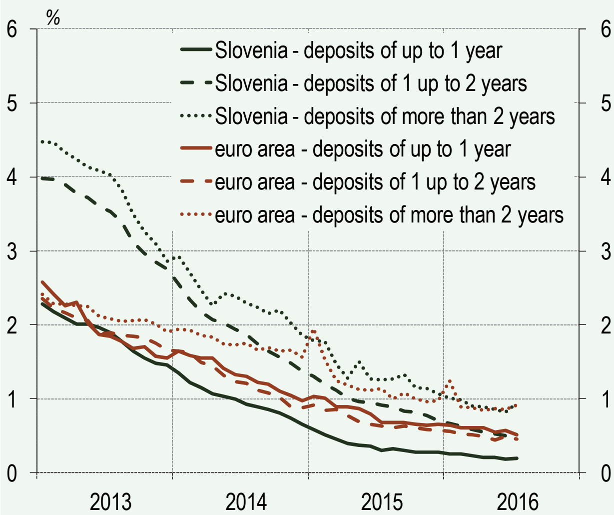
The switching of deposits from fixed-term to sight deposits is primarily attributable to the very low deposit rates both in Slovenia and across the euro area. Even in 2013 interest rates on long-term deposits in Slovenia were double those in the euro area, but now they have equalised and have reached a new low. Interest rates on short-term deposits are also continuing to decline, and have now reached just half of the average across the euro area.

Figure 5.8: Loans to households



Source: Bank of Slovenia.

Figure 5.9: Interest rates on household deposits, by maturity



Sources: ECB, Bank of Slovenia.

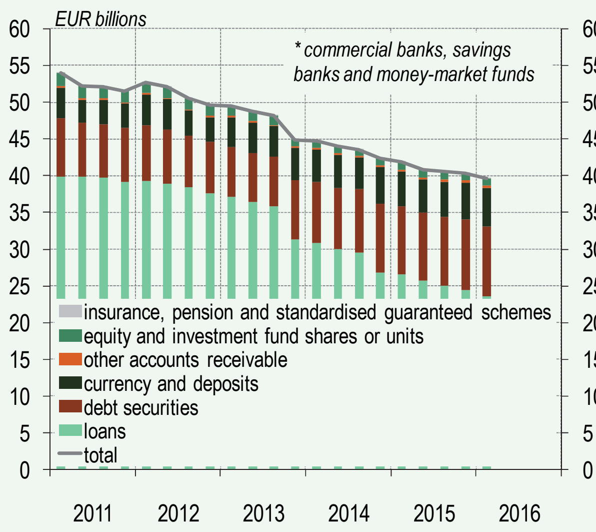
The indebtedness of Slovenian households has remained unchanged for two years, despite the favourable financing conditions, and stands at EUR 12.2 billion. Indebtedness as measured by the ratio of debt to gross disposable income or as the ratio of debt to GDP is a half lower than in the euro area overall. Bank loans remain the most important form of borrowing. Although the volume is not yet significant, housing loans have recorded gentle growth for three years now, and this year a recovery in consumer loans is discernible, as growth has moved into positive territory after six years.

Banks

The banks remain cautious in their investments. Their financial assets declined by EUR 0.7 billion in the first quarter of 2016 to EUR 39.6 billion, as a result of the absorption of Factor banka and Probanka by the BAMC. Corporate loans have continued to contract, in the wake of a significant decline in long-term loans and an increase in short-term loans. Investments in debt securities increased by EUR 0.1 billion to EUR 9.4 billion. The majority (63%) consisted of government securities, while foreign debt securities accounted for 32%. The banks still held EUR 5.2 billion in currency and deposits, up EUR 0.2 billion on the end of 2015.

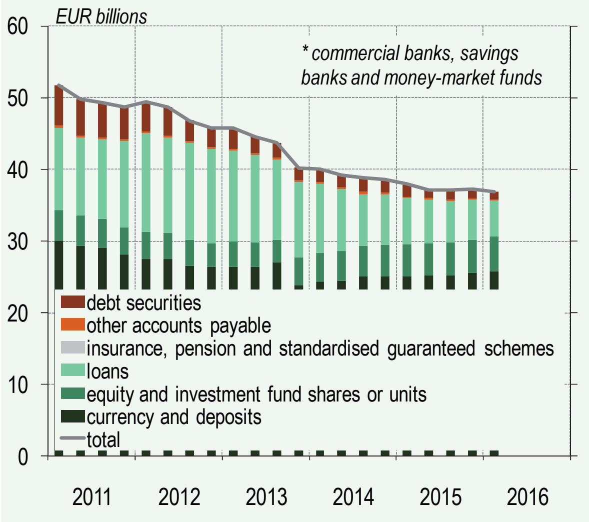
The ongoing growth in household deposits and corporate deposits is increasing their importance on bank balance sheets. Deposits accounted for 70% of total bank funding at the end of the first quarter, and had increased by EUR 0.3 billion on the end of 2015, with evidence of a strong effect of switching from fixed-term to sight deposits. In the low interest rate environment further changes in the maturity breakdown in favour of sight deposits can be expected, which is reducing the stability of bank funding and increasing the importance of effective liquidity management in the future. The banks will thus have diminishing room for additional reductions in interest expenses, which in the event of a further contraction in lending could have a profound impact on their profitability. The banks' total financial liabilities amounted to EUR 36.9 billion at the end of the first quarter, having declined by EUR 0.4 billion, partly as a result of the absorption of two banks by the BAMC, partly as a result of the repayment of maturing SID bonds, and partly as a result of the regular repayment of liabilities, particularly to the rest of the world.

Figure 5.10: Financial assets of banks* (S.122 and S.123)



Source: Bank of Slovenia, non-consolidated data.

Figure 5.11: Financial liabilities of banks* (S.122 and S.123)



Source: Bank of Slovenia, non-consolidated data.

Domestic financial market

Developments on the domestic stock exchange revived slightly in the summer months, particularly on the prime market. The SBI TOP, Slovenia's share index, stood at 720.5 at the end of August, up 4.1% in year-on-year terms. The gain of more than 5% in July was a major factor in this rise. After a slow August, the rise continued

Box 5.2: Bank performance in the first eight months of 2016

The trends seen in the first half of the year continued over the first eight months of the year. Total assets continued to decline, with a reduction in external borrowing, which makes up a diminishing proportion of bank funding, and a contraction in credit activity. Households are the exception, and the sector recorded moderate growth in loans. Household deposits are continuing to strengthen, albeit sight deposits. The trend of decline in the stock and proportion of claims more than 90 days in arrears has continued. The release of impairments and provisions is having a decisive impact on the banks' very solid performance.

Bank lending activity remains negative. The year-on-year contraction in loans slowed slightly over the first eight months of the year, but loans to the non-banking sector were still down 5.4% in year-on-year terms. Household lending is gradually strengthening, while corporate lending is continuing to contract at high rates, and was down 11.2% in year-on-year terms in August.

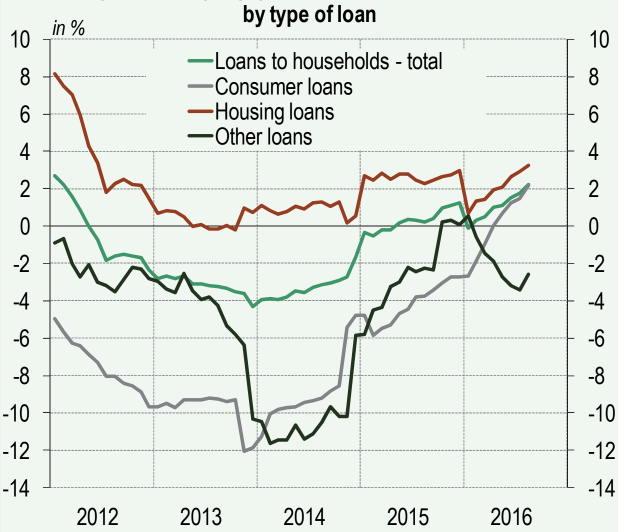
Growth in loans to households is slowly increasing, reaching 2.2% in August. This is primarily attributable to growth in housing loans, although growth in consumer loans has also been positive since April. The rising growth in housing loans is attributable to the decline in lending rates, persistently low household indebtedness and favourable real estate prices, while the improved economic situation is also bringing a gradual revival in consumer loans. Year-on-year growth in housing loans stood at 3.2% in August, while growth in consumer loans stood at 2.2%.

Bank wholesale funding is still declining: it was down a fifth in year-on-year terms in August. The stock of this debt has already declined sharply, and it accounted merely for just over a tenth of total bank funding at the end of August. The banks' debt to the ECB in August remained at the same level as the two previous months. Excess liquidity is high in the banking system, and the free proportion of the pool of eligible collateral for potential utilisation of funding at the ECB is also high.

Deposits by the non-banking sector are increasing in importance in bank funding. The stock of deposits in August was up slightly in year-on-year terms (0.9%), while the contraction of the balance sheet means that the proportion of total liabilities that they account for is approaching 70%. The proportion of total deposits by the non-banking sector accounted for by sight deposits has increased further in 2016, and exceeded 62% at the end of August. The increase in sight deposits in all segments while secondary liquidity has remained relatively unchanged is resulting in a decline in the coverage of sight deposits by liquid assets.

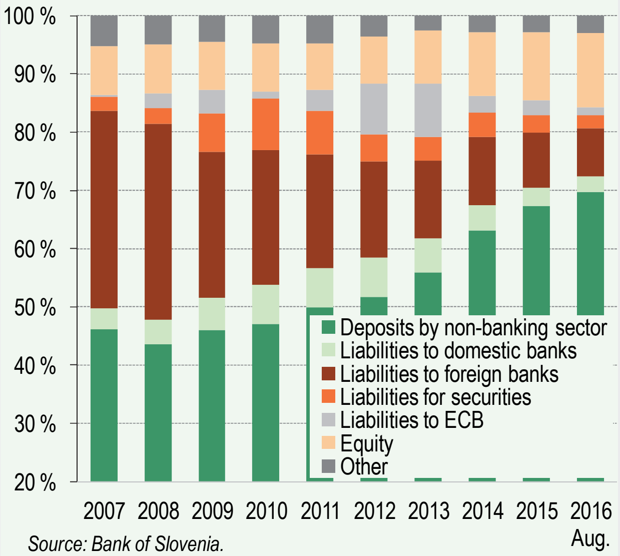
Household deposits have continued to strengthen this year, and increased by EUR 723 million over the first eight months of the year, taking the year-on-year rate of growth to 6.3% in August. Deposits declined slightly in August, which was primarily attributable to seasonal factors (holidays). The increase in household deposits over the preceding 12 months amounted to EUR 959 million, and was comparable to the pre -crisis years, when household deposits could increase by EUR 1 billion in a year. However, in the low interest rate environment the maturity breakdown of deposits by the non-

Figure 1: The y-o-y growth of loans to households, by type of loan



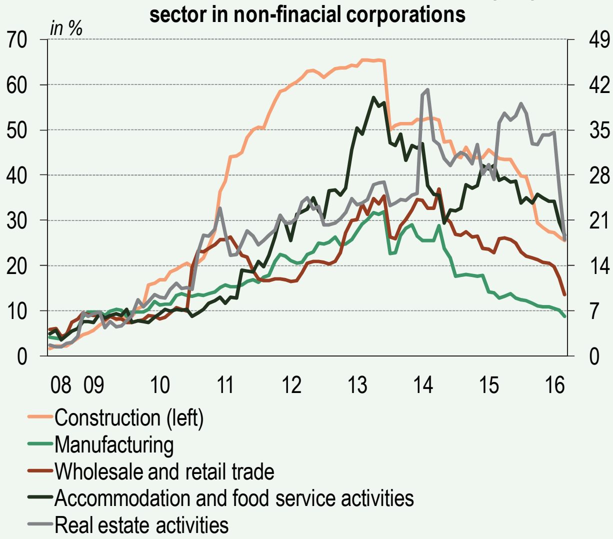
Source: Bank of Slovenia.

Figure 2: The structure of banks' funding sources in %



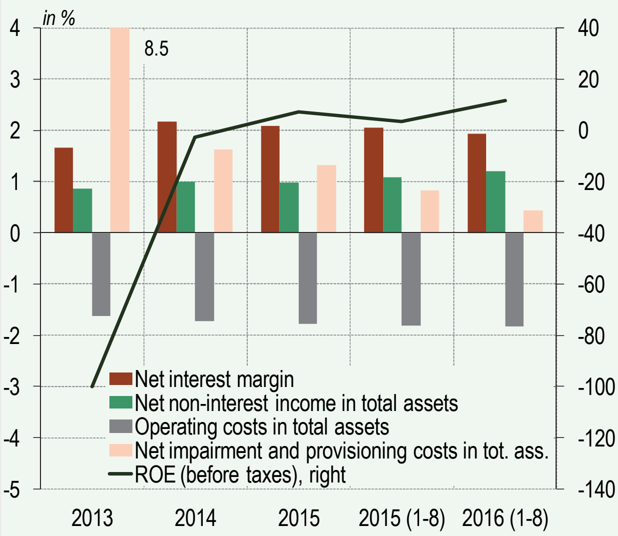
Source: Bank of Slovenia.

Chart 3: Classfied claims in arrears over 90 days by sector in non-finacial corporations



Source: Bank of Slovenia.

Figure 4: Profitability of the banking sector



Source: Bank of Slovenia.

banking sector is continuing to shift towards a shortening, and this process has been particularly intensive in the last three months.

The trend of improvement in the banks' credit portfolio is continuing. The stock of claims more than 90 days in arrears declined to EUR 2.2 billion in August, equivalent to 6.7% of the banks' classified claims. There have been several factors in the improvement in the credit portfolio in 2016: the completion of the orderly wind-down of Factor banka and Probanka in February on the supervisory side, and increased write-downs of claims and forbearance by the banks. The favourable economic situation has also contributed to the improvement in portfolio quality via higher repayment rates on existing debts and a smaller increase in new non-performing claims. In July and August the banks embarked on the more active resolution of non-performing claims, and in those two months alone achieved 35% of the total decline in claims more than 90 days in arrears recorded over the first eight months of the year. The decline was most pronounced in the segments of non-financial corporations and households. The proportion of claims more than 90 days in arrears was reduced to 9.3% in the non-financial corporations segment and 2.9% in the household segment. The burden of non-performing claims remains relatively high in the non-residents segment, albeit primarily as a result of the contraction in the banks' exposure to this client segment, while the stock of claims more than 90 days in arrears has remained practically unchanged over the last half year.

The proportion of non-performing exposures stood at 10.3% at the end of the first half of the year according to the broader EBA definition, which alongside its broader capture of bank investments also includes forborne exposures under non-performing exposures for some time after debtors have begun making regular debt repayments, while a declining trend is also evident. Coverage of claims more than 90 days in arrears by impairments and capital is increasing, thereby making the banking system more resilient in the event of defaults.

This year's largest reductions in claims more than 90 days in arrears have been recorded by the sectors of construction, wholesale and retail trade, and real estate activities, which are sectors where the burden of non-performing claims was above-average. Despite the reduction in their stock to the lowest level since 2010, the construction sector still accounts for a quarter of claims more than 90 days in arrears in the non -financial corporations segment, and these claims account for 25.5% of total classified claims against the sector. The proportion of claims more than 90 days in arrears in the manufacturing sector declined to 6%.

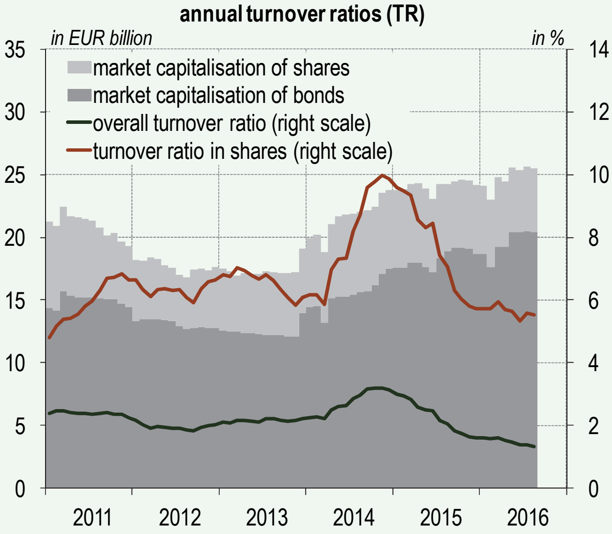
The banks have operated at a profit over the last year and a half. The banking system recorded a pre-tax profit of EUR 158 million in 2015, and EUR 351 million over the first eight months of this year. The lower level of credit risk, the release of impairments and provisions and the solid increase in non-interest income have been the decisive factors this year in the relatively high bank profitability. The banks are nevertheless exposed to relatively strong income pressures in the wake of the sustained contraction in loans and the falls in interest rates and in returns on securities in the low interest rate environment. The year-on-year decline in net interest has remained around 10%. The trend of gentle decline in the net interest margin is still present, albeit slower. The interest margin had declined to 1.96% by August (calculated over the preceding 12 months). The decline in operating costs seen over several years has continued.

The banking system's capital adequacy improved further over the first half of the year: the total capital ratio reached 21.3% at the end of June, up 0.5 percentage points on the end of 2015. It reached 18.9% on a consolidated basis. The banks are meeting their capital requirements with the highest-quality capital. The small domestic banks remain the most vulnerable in capital terms. Capital adequacy in this bank group also improved slightly in the first half of the year, but remained significantly below the overall average of the banking system. The consolidation process is gradually reducing the importance of this bank group to the Slovenian banking system. The risk of maintaining capital adequacy is also increasing in the low interest rate environment. The pressures on profitability will also have an impact on the autonomous generation of capital by the banks.

in September. The market capitalisation of shares on the Ljubljana Stock Exchange amounted to EUR 5.1 billion at the end of August, down 6% in year-on-year terms. The cumulative volume of trading in shares over the first eight months of this year amounted to EUR 178.8 million, down 19% in year-on-year terms. The effect of the privatisation process, which raised volume on the stock exchange in 2015, is still being felt in the year-on-year comparisons. The majority of the volume of trading in shares (EUR 144 million or 80.5% of the total) in the first eight months of this year was in just five securities on the prime market. The proportion of holdings of domestic shares accounted for by non-residents stood at 26.8% at the end of August, down 2.5 percentage points on the end of 2015, as a result of the delisting of shares in takeover targets.

The volume of trading in bonds on the Ljubljana Stock Exchange declined sharply over the first eight months of the year, although the market capitalisation was up 8.6% on the end of 2015 at EUR 20.5 billion. The increase in market capitalisation was the result of an increase in issues of government bonds during the first five months of this year, while there were no issues over the summer months. The cumulative volume of trading in bonds over the first eight months of the year amounted to EUR 13 million, down 58.7% in year-on-year terms. The volume of trading in bonds was extremely low in January, May and August, when it did not even reach EUR 1 million.

Figure 5.12: Market capitalisation on the LJSE in EUR billion and annual turnover ratios (TR)



Source: Ljubljana Stock Exchange.

6 Public Finances

Slovenia is in the preventive arm of the Stability and Growth Pact this year, which defines a gradual convergence to the medium-term objective for those countries that have not yet reach it. Slovenia has to reduce its structural government deficit by 0.6% of GDP annually in 2016 and 2017. The plans for this year in the Stability Programme of April 2016 follow these requirements, while the planned structural effort for the coming years is lower. In May the European Commission assessed that there is a risk of a certain deviation from the recommended adjustment in the structural position in 2016, and a significant deviation in 2017, assuming no change in policies.

The nominal general government deficit is forecast at 2.2% of GDP for this year. General government expenditure declined in the first half of the year, while revenues increased moderately. The changeover to the disbursement of EU funds from the new 2014-2020 financial framework has caused slower growth in both aggregates. Growth in revenues from taxes and contributions remains solid, and reflects the ongoing strengthening of economic activity, and above all the favourable labour market indicators.

The general government debt to GDP ratio at the end of the first half of the year was down slightly on the end of last year at 82.3% of GDP. The government carried out its second debt restructuring of the year in the third quarter, thereby reducing the costs of servicing the debt while extending its maturity. Transitional provisions with regard to debt reduction apply to Slovenia between 2016 and 2018.

The risks in the fiscal area are related to macroeconomic developments potentially being less favourable, to the upward pressure on expenditure from various interest groups, to potential one-off factors, and to the high level of implicit and potential liabilities. As in previous years there remains considerable uncertainty in connection with the impact of the BAMC on fiscal aggregates.

General government deficit

A general government deficit of 2.2% of GDP is forecast for this year, which is still a little larger than the forecasts for the euro area. After the timely elimination of the excessive deficit in 2015, the general government deficit has continued to narrow this year. According to the latest Ministry of Finance estimates from October's Report on the general government deficit and debt, the nominal deficit is forecast at 2.2% of GDP, which is in line with the forecasts in this year's update to the Stability Programme. The latter also envisaged a corresponding reduction in the structural deficit in the amount of 0.6% of GDP. According to the European Commission's forecasts, the general government deficit is expected to reach 2.4% of GDP this year, while the structural improvement is expected to be 0.2% of GDP, less than the 0.6% of GDP required. According to the European Commission's spring forecasts, the general government deficit across the euro area is forecast at 1.9% of GDP this year, while the government debt is forecast to reach 92.2% of GDP by the end of the year.

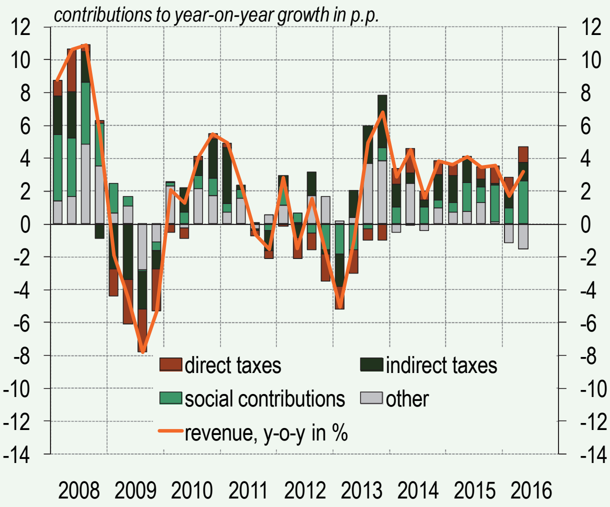
Table 6.1: General government deficit and debt in Slovenia 2012–2019*

v % BDP	SORS					Draft Budgetary Plan		Stability Programme				EC	
	2012	2013	2014	2015	2016 (1-6)	2015	2016	2016	2017	2018	2019	2016	2017
Revenue	44.5	45.3	45.0	45.1	43.4	44.8	43.4	43.5	43.8	43.2	42.3	43.4	43.2
Expenditure	48.6	60.3	50.0	48.0	44.9	47.7	45.5	45.7	45.4	44.3	42.7	45.7	45.2
of which: interest	2.0	2.6	3.2	2.9	3.0	3.0	2.9	2.9	2.6	2.5	2.4	2.8	2.6
Net lending (+) / borrowing (-)	-4.1	-15.0	-5.0	-2.9	-1.5	-2.9	-2.2	-2.2	-1.6	-1.0	-0.4	-2.4	-2.1
excl. support to fin. institution	-3.9	-4.9	-4.1	-2.9	-1.5	-2.9	-2.2	-2.2	-1.6	-1.0	-0.4	-2.4	-2.1
Structural balance	...	...	...	...	...	-1.8	-1.3	-1.5	-1.3	-1.0	-0.6	-2.5	-2.9
Debt	53.9	71.0	80.9	83.1	82.3	84.1	80.8	80.2	78.2	76.5	73.8	80.2	78.0
Real GDP (growth, %)	-2.7	-1.1	3.1	2.3	2.5	2.7	2.3	1.7	2.4	2.3	2.3	1.7	2.3

*Note: *At the publication of the revised data on government deficit and debt in 2012 – 2015 (on 30 September 2016) the Statistical Office of the Republic of Slovenia noted that the final revision data on 2014 and 2015 deficit will be published after the EDP verification procedure with the Eurostat is finished..*
Source: SORS (realization), Draft Budgetary Plan (Ministry of Finance, October 2015), Stability Programme (Ministry of Finance, April 2016), European Commission (EC, May 2016).

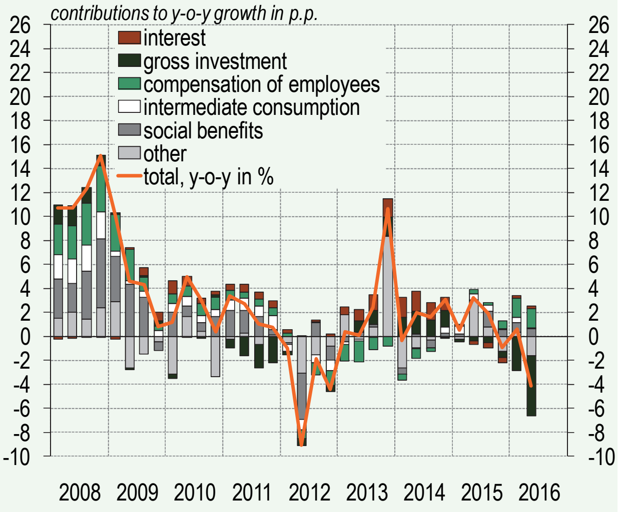
The favourable economic situation means that general government revenues are rising, despite a reduction in capital revenues during the changeover to a new financial framework for the disbursement of EU funds. General government revenues in the first half of the year were up 2.5% in year-on-year terms. Revenues from taxes and net social security contributions continued to increase (by 4.6% in year-on-year terms), while capital revenues declined significantly (by 89.5% in year-on-year terms). All categories of taxes are increasing, most notably direct taxes (personal income tax and corporate income tax) and net social security contributions, which were up between 5.4% and 6.0%. The growth was attributable to the favourable situation on the labour market, in which employment growth was an increasingly important factor. The increase in household disposable income has also been reflected in increased household consumption and consequently in growth in VAT revenues. Revenues from property, which include interest and dividend receipts, have also increased. The main decline in the year-on-year comparisons was in capital revenues, as Slovenia has not yet put in place all the requisite conditions for the normal disbursement of EU funds in the wake of the changeover to the 2014-2020 financial framework. This

Figure 6.1: General government revenue



Source: SORS, Bank of Slovenia calculations.

Figure 6.2: General government expenditure excluding support to financial institutions



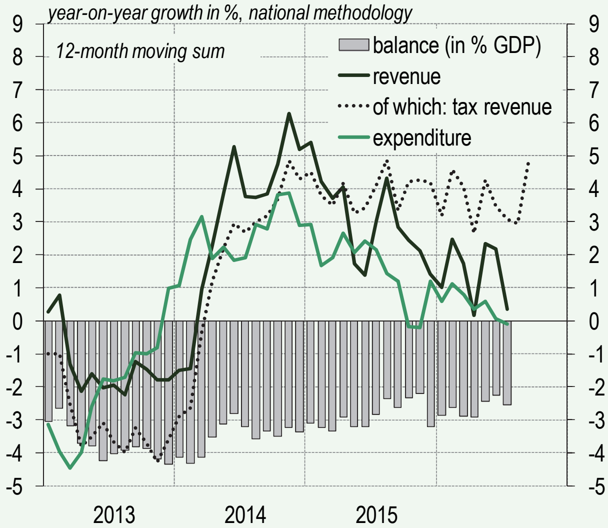
Source: SORS, Bank of Slovenia calculations.

Box 6.1: Public finance developments according to cash flow methodology

The consolidated general government deficit over the first seven months of the year narrowed in year-on-year terms. It stood at EUR 524 million, down EUR 235 million on the same period last year. The reduction in the deficit was mostly attributable to the state budget, but there was also an improvement in the local government position. The current developments in the state budget suggest that this year's deficit will be within the planned amount or lower. The deficit over the first eight months of the year amounted to EUR 530 million (compared with EUR 754 million over the same period last year), and according to the Ministry of Finance's September estimates it is projected to have increased to EUR 751 million by the end of the year. Slovenia has already begun repaying the deposits of foreign currency savers of Ljubljanska banka on the basis of a judgement by the ECHR; payments of EUR 54.2 million had been made by the end of August.[1] The increased surplus in the local government budgets over the first seven months of the year was largely the result of a decline in investment expenditure. The Health Insurance Institute recorded a deficit of EUR 12 million over the first eight months of the year (compared with a surplus of EUR 24 million over the same period last year), while the Pension and Disability Insurance Institute's position was roughly in balance in both years.

General government revenues are increasing, primarily as a result of growth in taxes and contributions, while revenues from the EU budget are low. Of the major categories of taxes, the largest increase was recorded by social security contribu-

Figure 1: Public finance developments



Source: SORS, Ministry of Finance, Bank of Slovenia calculations.

Table 1: Consolidated* general government, January – July 2016

	2015	last 12 months to Jul/16			2015 Jan.-Jul.	2016 Jan.-Jul.	Jan.-Jul.16
	EUR millions		*% GDP*	*y-o-y, %*	*EUR millions*		*y-o-y, %*
Revenue	**15,714**	**15,751**	**40.0**	**0.3**	**8,919**	**8,956**	**0.4**
Tax revenue	13,746	13,982	35.5	3.1	7,864	8,100	3.0
- goods and services	5,347	5,368	13.6	1.0	3,086	3,106	0.7
- social security contributions	5,474	5,626	14.3	4.6	3,149	3,301	4.8
- personal income	1,986	2,012	5.1	3.3	1,112	1,138	2.3
- corporate income	595	610	1.6	11.6	356	371	4.3
From EU budget	882	696	1.8	-36.0	486	299	-38.4
Other	1,085	1,073	2.7	2.5	569	556	-2.2
Expenditure	**16,956**	**16,758**	**42.6**	**-0.1**	**9,678**	**9,480**	**-2.1**
Current expenditure	7,168	7,291	18.5	2.9	4,178	4,301	2.9
- wages and other personnel expenditure (incl. contributions)	3,610	3,691	9.4	2.4	2,123	2,204	3.8
- purchases of goods, services	2,311	2,324	5.9	4.9	1,261	1,274	1.0
- interest	1,043	1,060	2.7	-5.2	698	716	2.5
Current transfers	7,540	7,600	19.3	0.4	4,529	4,588	1.3
- transfers to individuals and households	6,371	6,437	16.4	1.3	3,794	3,860	1.7
Capital expenditure, transfers	1,815	1,477	3.8	-13.8	689	351	-49.1
To EU budget	433	390	1.0	-2.8	283	240	-15.0
GG surplus/deficit	**-1,242**	**-1,007**	**-2.6**		**-760**	**-524**	

*Note: *Consolidated accounts of the state budget , local government budgets, pension and health fund on cash accounting principle.*
Source: Ministry of Finance, Bank of Slovenia calculations.

tions, which is a reflection of the favourable developments on the labour market, which taxes on consumption are tracking more slowly. Disbursement of funds from the EU has virtually come to a standstill during the changeover to a new financial framework: inflows over the first eight months of the year were down around 45% on the same period last year. Funds received from the EU during this period primarily related to measures of agricultural policy and the refund of cohesion funds from the old financial framework. According to the available figures, revenues from taxes and contributions over the first three quarters of the year were up 4.6% in year-on-year terms. This high growth was partly attributable to last year's deferral of the payment of excise duties on energy from September to October.

Consolidated general government expenditure was down in year-on-year terms, primarily as a result of the halving of investment expenditure and transfers. Expenditure on wages and contributions recorded notable growth, as a result of the agreed increases, namely promotions at the end of last year and increased holiday bonus payments. Transfers to individuals and households are also increasing. Pensions have risen by 0.7% this year, having previously remained unchanged for several years. A further increase of 0.4% will be made in October. Of the other social security benefits, social security transfers have increased, while unemployment benefits, which are only received by just over a fifth of all unemployed people, have declined on account of the favourable developments on the labour market. Contributions to the EU budget have declined significantly in year-on-year terms.

[1] These payments are shown in the state budget in the lending and repayments account.

year's main measure on the revenue side has been the introduction of fiscal cash registers, which contributed EUR 37.6 million to revenue in the first half of the year according to estimates by the Financial Administration of the Republic of Slovenia.

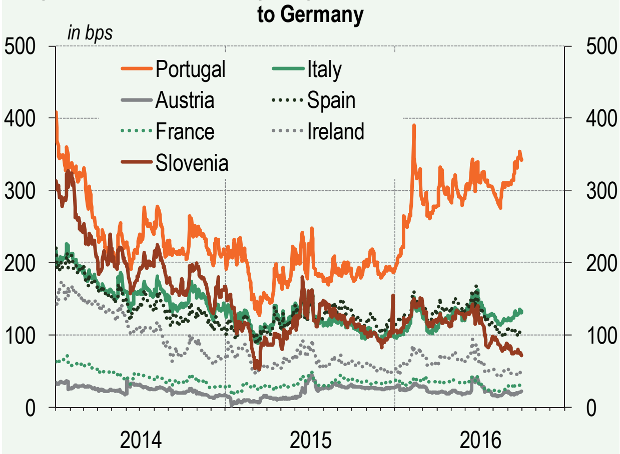
General government expenditure declined in year-on-year terms in the first half of the year as a result of the large decline in investment, while growth in compensation of employees was relatively high. General government expenditure was down 1.8% in year-on-year terms, which was primarily attributable to a decline of more than 40% in government investment. The sharp decline in investment had been expected: according to the Ministry of Finance's April forecasts investment is expected to decline by just over a third this year. Other expenditure mostly increased. Compensation of employees was up 6.6%, primarily as a result of promotions at the end of last year and the number of employees also increased (by 1,700[6] or 1.0% in year-on-year terms). Expenditure on intermediate consumption has also continued to grow, albeit less than last year. Social security benefits were up 1.9%, partly in reflection of the relaxation of certain measures at the beginning of this year, including a rise in cash social assistance, child benefit for families in the fifth and sixth income bands, and a rise in the number of government scholarship recipients. Pensions were increased by 0.7% in January, after several years of zero or very modest increases (0.1% in 2013). The number of pensioners is continuing to rise moderately (it was up 0.2% in year-on-year terms from January to August).

General government debt and government guarantees

The general government debt increased in nominal terms over the first half of the year, but declined as a percentage of GDP. The general government debt amounted to EUR 32,314 million or 82.3% of GDP at the end of June, compared with EUR 32,071 million or 83.1% of GDP at the end of 2015. The general government debt is declining as a percentage of GDP on account of the growth in nominal GDP, although the nominal value of the debt was up EUR 243 million on the end of last year. The increase was primarily the result of issuance of long-term securities, which outweighed the maturing bonds and bond conversions. The Ministry of Finance has twice carried out debt restructuring from US dollars to euros this year. May saw the early redemption of USD 1.25 billion of bonds, and the issue of EUR 1.25 billion of

[6] The available monthly figures show that employment is primarily rising in the health sector, and also in the education sector, and that there has been a rise in employment in public administration, defence and compulsory social security after years of falls

Figure 6.3: Spreads on 10-year government bonds as compared to Germany



Note: Spread is calculated as a difference between yield of 10-year government bond and the yield of reference German bond on a daily basis and is used as a measure of country's credit risk.
Source: Bloomberg, Bank of Slovenia calculations.

bonds, while September saw the early redemption of a further USD 0.5 billion of bonds, and the issue of EUR 1 billion of bonds. Because the value of the issued bonds was greater than that of the redeemed bonds in both cases, the stock of debt increased. The debt restructuring had a beneficial impact on the public finances on account of a reduction in hedging for currency risk and a reduction in future interest payments, as the euro-denominated bonds have a lower coupon rate than the redeemed US dollar bonds. The debt restructuring also extended its maturity. The Ministry of Finance has continued to issue treasury bills, where all maturities have negative interest rates, which is also reducing interest expenditure in the budget.

Government guarantees are gradually declining as a result of maturing liabilities. Guarantees amounted to EUR 6.8 billion or 17.3% of GDP at the end of the second quarter, down from 18.3% of GDP at the end of last year. The majority of the guarantees relate to collateral for liabilities of DARS d.d., the EFSF, SID banka and the BAMC. The guarantees for BAMC bonds and some of the guarantees for the EFSF are already included in the general government debt (around 5% of GDP). Two government guarantees in the amount of EUR 148 million were issued in the first half of the year. The majority was earmarked for DARS d.d., while a smaller amount (EUR 2.8 million) was earmarked for the construction and renovation of student accommodation by the University of Ljubljana. This utilised 15% of this year's quota of new guarantees, which stands at EUR 1 billion. The commission from the issue of guarantees and sureties received by the state budget amounted to close to EUR 10 million in the first half of the year.

The period of low interest rates environment has continued, which is also holding down required yields on Slovenian government bonds. In the absence of inflationary pressures, the monetary policy stimulus measures have been retained, which is having a favourable impact on general government expenditure on interest. The required yields on 10-year Slovenian government bonds have held at low levels, similarly to the majority of other euro area periphery countries. Slovenia's sovereign ratings from the rating agencies have also improved, which is an additional factor in the maintenance of low required yields on Slovenian government debt. In June Standard and Poor's upgraded Slovenia's long-term debt by one notch from A- to A. In September Moody's upgraded its outlook for a change in the long-term debt rating from stable to positive, while Fitch raised its rating by one notch from BBB+ to A-, thereby moving Slovenia from the B grade to the A grade on the Fitch scale. The required yield on 10-year Slovenian government bonds averaged 0.72% in September and the spread over the benchmark German bonds reached 77 basis points, slightly less than at the beginning of the year.

Planned developments in the general government deficit

Slovenia is required to reduce its structural deficit[7] by 0.6% of GDP annually this year and next year. After the elimination of the excessive deficit, under the preventive arm of the Stability and Growth Pact Slovenia is committed to persue a required adjustment in the structural position until it reaches the medium-term objective. On the basis of its spring forecasts the European Commission finds that there is a risk of a certain deviation from the required adjustment for meeting the medium-term

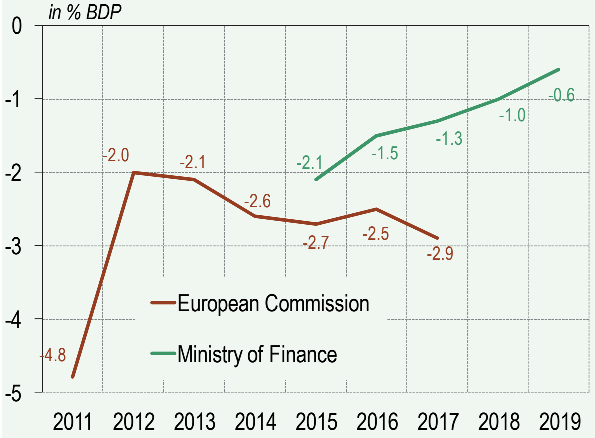
[7] The cyclically adjusted general government position reveals the position after the elimination of cyclical developments. The structural position is calculated by eliminating one-off effects and other temporary measures in addition to cyclical components.

objective in 2016, and the risk of a significant deviation in 2017, assuming no change in policies. The latter entails a need for additional measures. Transitional provisions with regard to debt also apply to Slovenia; according to the European Commission assessment, Slovenia is expected to meet them this year and to mostly meet them next year. According to the European Commission's calculations, the new medium-term objective for Slovenia should be a structural surplus of 0.25% of GDP. This is defined as a balanced structural position in the most recent update to the Stability Programme.

A further reduction in the general government deficit is planned in the budget documents for the next two years. The state budget deficit is forecast at 1.6% of GDP in 2017 and 0.7% of GDP in 2018, in line with the Ordinance on the framework for the preparation of the general government budget for the 2017 to 2019 period. The main issues unresolved in the preparation of the budget plans relate to wage policy in the period of 2017 to 2019 or 2020, and the size of the local government funding basis. Wages would increase by around 2.5% in 2017 solely as a result of measures carried out this year, which the government has taken into account in the budget documents.[8] Infrastructure, science and employment, quality of health services, and increased security are defined as priority areas in the budgets for the next two years. The reduction of the deficit could be hindered by less favourable economic developments at home and abroad, and by factors of a one-off nature (the refugee crisis, the impact of BAMC transactions, court judgments).

Changes are under preparation in the areas of pensions, healthcare and long-term care. The ageing population is a risk factor for the long-term sustainability of public finances. A white paper on the long-term sustainability of the pension system presented in April of this year outlines the following proposals: (i) the raising of the retirement age to 67 (with the retention of the lower limit of 15 years for the insurance period); (ii) an increase in the number of years counted towards the pension base in the 34 best consecutive years of service; (iii) annual pension increases to be gradually adjusted to keep pace with inflation only; (iv) abolition of the possibility of early retirement, and retention of bonuses for the extension of years of service. Changes are also being prepared in the areas of healthcare and long-term care. The legislative proposals should be ready by the end of this year, or in 2017.

Figure 6.4: Public finance structural balance



Note: Structural balance estimate by the MoF reflects targeted dynamics, while the EC estimate only includes adopted measures.
Source: EC, Ministry of Finance - Stability Programme, April 2016.

[8] The measures from 2016 that will have an impact on wage growth next year are the abolition of the reduction in wage grades in September 2016, and the promotions at the end of this year. The government and the public sector unions are negotiating on abolition of the other measures (the freezing of ordinary performance-related pay, reduced performance-related payments for workload, and reduced premiums for collective supplementary pension insurance).

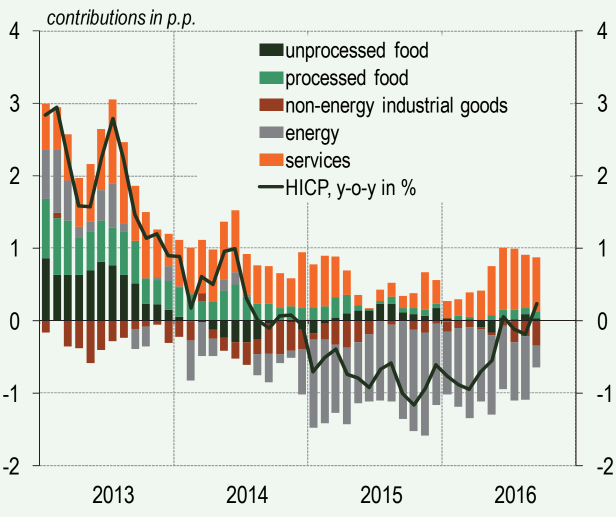
7 Price Developments

After the June turnaround to positive growth rates for the first time in two years, Slovenia's headline inflation slowed slightly in the following months, before turning again positive in September, at 0.2%. Core inflation in the third quarter, on the other hand, slowed slightly and stood lower than the euro area overall in the same period. The slowdown happened amidst the improved economic situation on the labour market and the revival of domestic final consumption that are exerting an upward pressure on services prices and which are continuing to rise faster than across the euro area. Commodity prices on the global market are also picking up, which is now gradually being reflected in growth in food prices.

Structure of price developments

Average headline inflation as measured by the HICP in the third quarter was up 0.4 percentage points on the previous quarter. After a small negative reversal in July, price growth rose again in September to 0.2%. In addition, the structure of inflation has also changed over the last three months. The year-on-year fall in energy prices has slowed, while the negative contribution of the prices of non-energy industrial goods slightly increased again. Year-on-year growth in services prices in the third quarter was up 0.3 percentage points on the previous quarter, thereby maintaining its positive contribution to inflation seen over the last two years.

Figure 7.1: Contributions to headline HICP inflation



Source: Eurostat, Bank of Slovenia calculations.

Macroeconomic factors

Year-on-year core inflation slowed slightly in the third quarter, as all the core inflation indicators were again below the overall euro area figures, which have been stable at just below 1.0% for the last two years. After leaping to 1.1% in May, higher than the average rate across the euro area, core inflation has slowed again to 0.7% in recent months. The slowdown is primarily a reflection of a higher seasonal fall in prices of non-energy industrial goods and a small decline in growth in services prices. Nevertheless, the growth in the latter remains 1 percentage points higher the rate across the euro area.

The positive shifts on the demand side in the first half of the year have gradually been reflected in the inflation developments. Despite the slowdown in year-on-year growth in wages in the middle of the year, real household consumption has continued to increase. Further evidence of the increase in consumption comes from the consumer confidence indicator, which has recorded a

Box 7.1: Decomposition of the impact of external and domestic shocks on inflation

Inflation in Slovenia began to fall sharply in 2013, and was already in deflation territory by the end of 2014. This box aims to identify the main causes of the low rates of growth in consumer prices in recent years, and to decompose the inflation developments into various domestic and external factors.

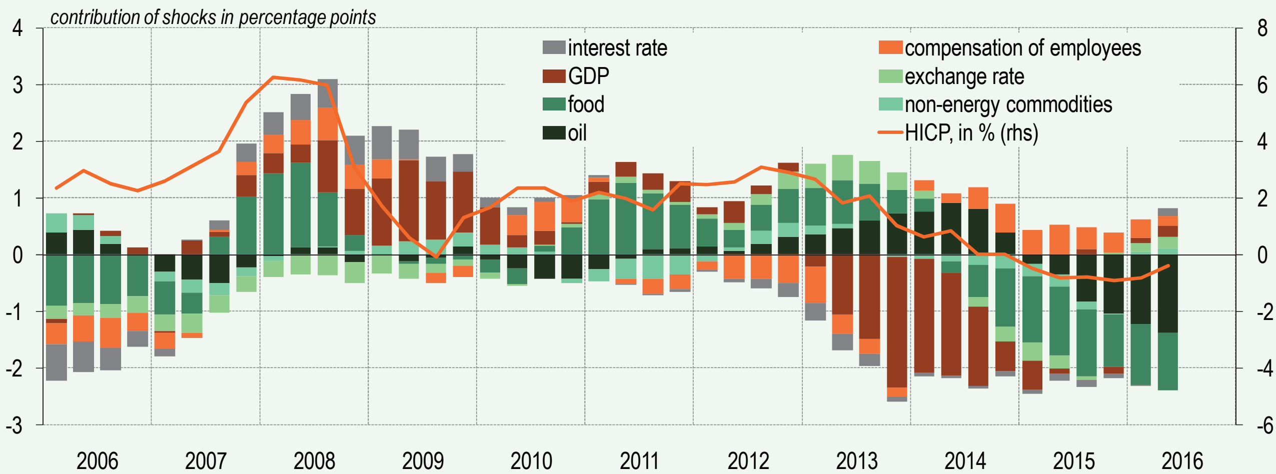
The analysis[1] is based on various specifications of a vector autoregression model that includes various variables and their first lags. The estimation uses Bayesian method, while the identification of structural shocks is achieved through Cholesky decomposition. Because the national accounts data is available at the quarterly level, all other variables have been converted into quarterly averages. The analysis was conducted on data for the period from the beginning of 1997 to the second quarter of 2016. To compare the impacts of domestic and external factors on inflation developments, for each of the specifications a historical decomposition was undertaken to illustrate how the individual shocks in a particular period contribute to the movement of inflation. By controlling for the effects of the individual shocks, it is possible to also analyse various hypothetical scenarios.

Analysis of several models was conducted with the inclusion of various combinations of domestic (GDP, private consumption, compensation of employees, average gross wage per employee) and external (exchange rate, global food prices, oil prices, other commodity prices) variables, while in addition the model includes the short-term interest rate, which to a certain extent reflects the impact of monetary policy. All variables in the model are expressed as logs, with the exception of the interest rate, which is expressed in percentages. In addition to the endogenous variables, the model also includes a constant and a dummy variable for the financial crisis, which has a value of one in the final quarter of 2008 and the second quarter of 2009.

Figure 1 illustrates the contributions made by shocks in individual variables[2] to inflation developments since 2006, with a particular focus on the period of falling inflation in recent years. The largest contribution to the fall in inflation in 2013 and 2014 came from shocks from the domestic environment. In these two years inflation was reduced predominantly by GDP (this variable better explains the impact of the domestic environment than private consumption), while in 2013 there remained a negative contribution by compensation of employees, which declined sharply in 2011 and 2012 as a result of the fall in employment in the wake of the decline in economic activity and government austerity measures (which reduced wages in 2012). Foreign factors make a strong negative contribution over the last two years of the period. The greatest downward pressure on inflation was exerted by commodity prices on global markets, while the appreciation of the euro in 2013 also made a certain contribution in the second half of 2014 and the first half of 2015. Compensation of employees makes a strong positive contribution to price developments over the last two years, and towards the end of the observation period the contributions made by GDP and the exchange rate also begin to strengthen, although the negative shocks coming from commodity prices prevail and prevent price growth from matching activity growth in the domestic economy.

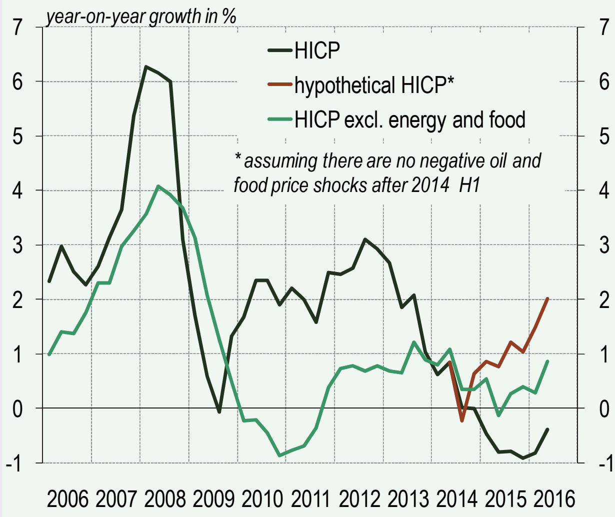
Figure 1 shows that deflation is primarily the product of shocks coming from the external environment. The sharp

Figure 1: Historical decomposition of HICP



Note: The positive contributions of GDP in 2008-2009 reflect the inclusion of a financial crisis dummy variable in the specification. The difference between the sum of the illustrated contributions and the aggregate value is accounted for in the contribution of exogenous variables that is not depicted here.
Source: Bank of Slovenia calculations.

Figure 2: Actual and hypothetical inflation rate



Source: Bank of Slovenia calculations.

negative food and oil price shocks on global markets are the main reason for the low inflation rates in the recent period. Food and energy prices account for around 35% of the HICP, and global food and oil prices have fallen sharply over the last two years. In this context the hypothetical inflation rate was constructed under the assumption that as of the second half of 2014 there were no negative food and oil price shocks on global markets. The actual and hypothetical rates of inflation are illustrated in Figure 2, which reveals that in the absence of these shocks growth in consumer prices in the second quarter of 2016 could have exceeded the euro area target rate of close to but under 2%, which is slightly above the average inflation rate in Slovenia in the period since the adoption of the euro. Figure 2 also illustrates developments in the narrowest core inflation indicator. Between 2007 and 2008, when oil and food prices made a positive contribution to developments in the HICP (for the majority of the period), headline inflation was above core inflation. Shocks in oil and food prices again had a positive contribution between 2011 and 2013, when headline inflation was also above core inflation. Growth in the HICP over the last two years has been strongly outpaced by growth in the HICP excluding energy and food, which could be attributable to the strongly negative contributions made by commodity prices on the global market towards headline inflation.

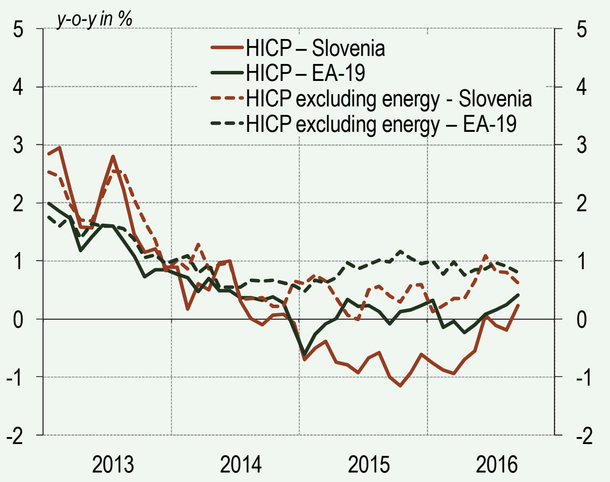
[1] The analysis is based on analysis by Drenkovska, M. and Kočevar, N.: Drivers of domestic inflation and the exchange rate pass-through: the case of Slovenia (forthcoming).

[2] The variables are included in the model in the following order: US dollar oil prices (source: Bloomberg), prices of industrial commodities excluding oil (source: ECB) and food prices (source: ECB) on global markets, GDP (constant prices, reference year 2010, seasonally and working days adjusted; source: SORS), compensation of employees (current prices, seasonally and working days adjusted; source: SORS), HICP (index, 2015 = 100, seasonally adjusted; source: SORS), exchange rate (nominal effective exchange rate for Slovenia against 19 trading partners outside euro area and other euro area countries; source: ECB), interest rate (3-month EURIBOR; source: ECB, Bank of Slovenia). All the coefficients other than that for interest rate are significant in the chosen specification. The results of alternative specifications do not significantly change the main findings.

stable growth since February of this year. Inflation expectations based on survey indicators have persisted at a relatively high level since the beginning of the year. The positive developments on the labour market have been reflected in an increase in employment in almost all industries of the private sector, although growth in average wages has eased slightly in recent months.

Certain cost pressures can be identified on the supply side as well. The annual fall in commodity prices on the global market has been continually slowing since the beginning of the year. There was a particularly sharp rise in US dollar food prices in the second quarter. After a sharp increase in the first quarter, the growth of the import price index remained above zero in the early part of the third quarter. By contrast, the annual growth in employee compensation slowed slightly, although it continues to outpace productivity growth. These developments were reflected in the decline in the unit labour costs annual growth, which remained slightly above zero over the first half of the year.

Figure 7.2: Inflation



Source: Eurostat.

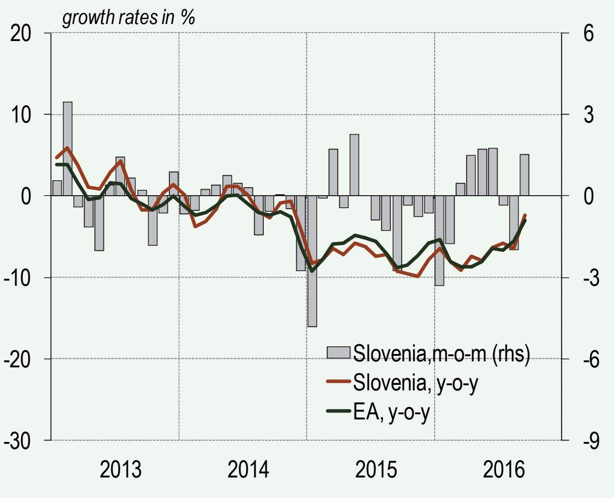
Microeconomic factors

The slowdown in the annual fall in energy prices continued in the third quarter. July's fall in oil prices was followed by a fall in prices of refined petroleum products in August, but already the next month the energy prices returned to their June's level. The year-on-year fall in energy prices slowed from 6.5% in August to 2.4% in September, partly as a result of a base effect. This is in line with growth in energy prices across the euro area, where their average annual growth in the third quarter was just 0.6 percentage points higher than in Slovenia. In September the government extended the existing decree on the formulation of prices of 95-octane petrol and diesel for another two months.

In line with the developments in food prices across the euro area, annual growth in food prices in Slovenia also increased averaging at 0.7% in the third quarter. Growth in prices of unprocessed food over the same period was up 1.5 percentage points at 0.7%, while growth in prices of processed food was up 0.2 percentage points at 0.7%. The increase in growth in prices of unprocessed food was primarily attributable to rises in meat prices and August's untypically small seasonal fall in prices of vegetables. The increase in growth in prices of processed food was primarily attributable to prices of bread and cereals and prices of milk and dairy products.

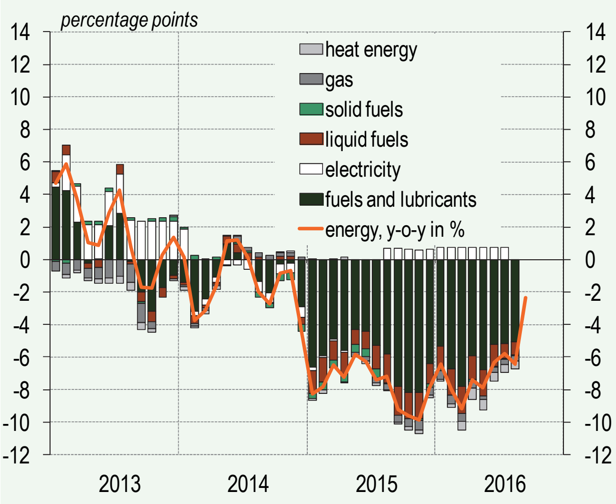
Year-on-year growth in services prices slowed slightly over the last two months, but the average

Figure 7.3: Energy prices



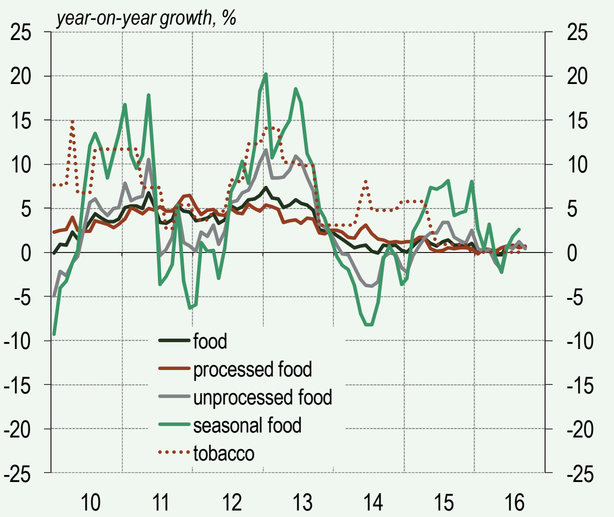
Source: Eurostat, Bank of Slovenia calculations.

Figure 7.4: Contributions to energy inflation



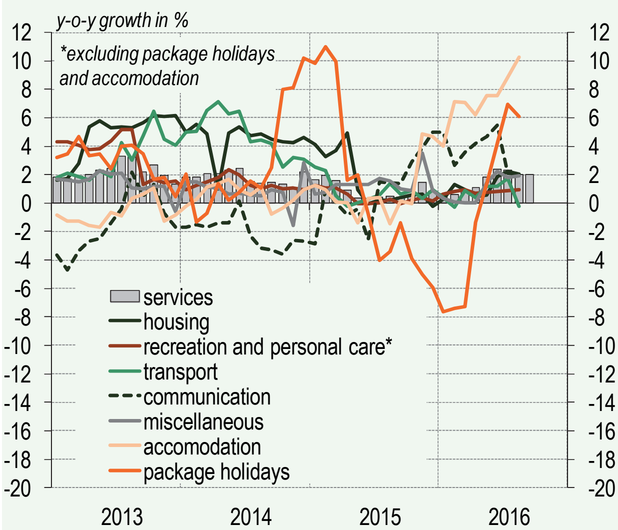
Source: ECB.

Figure 7.5: Food prices



Sources: Eurostat, Bank of Slovenia calculations.

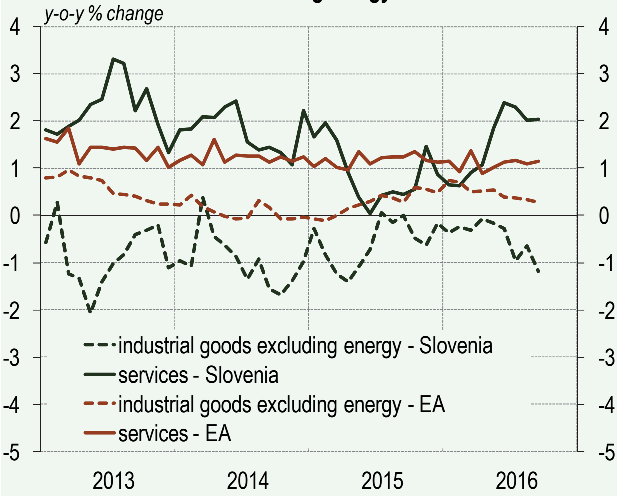
Figure 7.6: Prices of categories of services



Vir: Eurostat, preračuni Banka Slovenije.

rate over the third quarter was up 0.3 percentage points on the previous quarter. In August, which was the cut-off date for the comprehensive figures, the slowdown in growth in services prices was mainly driven by the decline in the annual growth of air passenger transport prices. This slowdown followed a sharp increase in the previous months, namely in May and July. A similar monthly dynamic has been seen over the last few months in prices of package holidays, while prices of accommodation and food services have continued to rise. The services inflation in the third quarter averaged 1 percentage point higher than the euro area average in the same period.

Figure 7.7: Prices of services and industrial goods excluding energy



Source: Eurostat, SORS, Bank of Slovenia calculations.

Prices of non-energy industrial goods are still falling in year-on-year terms. Annual growth in prices of non-energy industrial goods averaged -1.0% in the third quarter, down 0.8 percentage points on the previous quarter. The rate thus remains well below the euro area average, where it also slowed in the last quarter, to 0.3%. By September the annual rate had declined to -1.3%, primarily as a result of the above-average seasonal falls in prices of clothing and footwear. Car prices have continued to fall sharply in year-on-year terms.

Industrial producer prices

The annual fall in producer prices on the domestic market began to slowly ease, primarily as a result of higher commodity prices. The annual growth of the producer price index in August was still strongly negative, albeit slightly higher than in the previous two months.

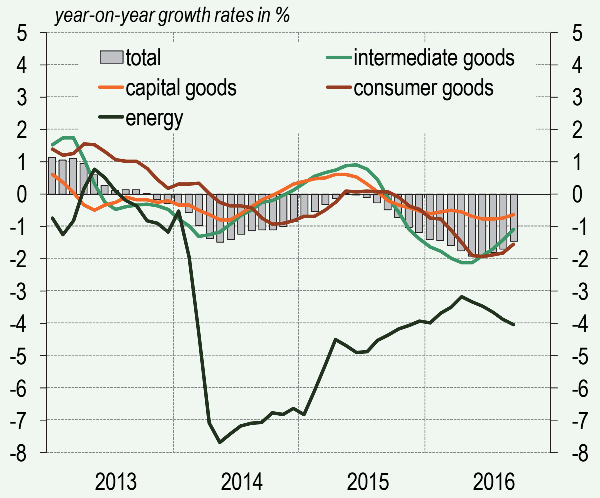
Table 7.1: Breakdown of the HICP and price indicators

	weight	average year-on-year growth, %					year-on-year growth in quarter, %					
	2016	2012	2013	2014	2015	1H16	15Q2	15Q3	15Q4	16Q1	16Q2	16Q3
HICP	*100.0%*	2.8	1.9	0.4	-0.8	-0.6	-0.8	-0.8	-0.9	-0.9	-0.4	0.0
Breakdown of HICP:												
Energy	*13.0%*	9.0	1.8	-1.4	-7.8	-7.5	-6.4	-7.9	-9.1	-7.9	-7.2	-4.9
Food	*22.7%*	4.7	4.9	0.8	1.0	0.1	1.1	1.2	0.8	0.2	0.0	0.7
processed	*15.7%*	4.7	3.6	1.8	0.8	0.3	0.7	0.4	0.5	0.2	0.5	0.7
unprocessed	*7.1%*	4.5	7.6	-1.5	1.4	-0.3	2.0	2.8	1.6	0.3	-0.8	0.7
Other goods	*27.7%*	-0.2	-0.9	-1.0	-0.6	-0.2	-1.1	0.0	-0.4	-0.3	-0.2	-1.0
Services	*36.5%*	1.5	2.2	1.8	0.9	1.2	0.4	0.5	1.0	0.7	1.8	2.1
Core inflation indicators:												
HICP excl. Energy	*87.0%*	1.8	2.0	0.7	0.4	0.5	0.1	0.5	0.5	0.2	0.7	0.7
HICP excl. energy and unprocessed food	*79.9%*	1.5	1.4	0.9	0.4	0.5	0.0	0.3	0.4	0.2	0.8	0.7
HICP excl. energy, food, alcohol and tobacco	*64.3%*	0.7	0.9	0.6	0.3	0.6	-0.2	0.3	0.4	0.3	0.9	0.8
Other price indicators:												
Industrial producer prices on domestic market		1.0	0.3	-1.1	-0.5	-1.8	0.0	-0.5	-1.2	-1.6	-1.9	-1.5
GDP deflator		0.3	0.9	0.8	1.0	1.2	0.6	0.5	1.5	1.6	0.7	...
Import prices[1]		2.1	-1.5	-1.1	-1.4	-3.9	-0.1	-1.8	-2.2	-3.6	-4.2	...

Note: [1] National accounts figure.
Source: SORS, Eurostat, Bank of Slovenia calculations.

Import commodity prices and domestic producer prices have been both recovering in line with the growth in commodity prices on the global market. In light of these developments the annual growth in August was up 0.3 percentage points in comparison to the previous month. Growth in prices of consumer durables also increased in August, while there was no significant change in year-on-year growth in prices of capital goods.

Figure 7.8: Producer prices on domestic market



Source: SORS, Bank of Slovenia calculations.

8 Statistical Appendix

The appendix cites a selection of statistics drawn up the Bank of Slovenia, for which it is responsible. They cover financial institutions and markets, international economic relations, and financial accounts.

The broader selection of statistics disclosed in the tables of the statistical appendix are available in the Bank of Slovenia bulletin and on the statistics pages of the Bank of Slovenia website, where there is also a link to the data series.

The concise methodological notes for the statistics in this appendix are given on page 74, while more detailed explanations are given in the appendix to the Bank of Slovenia bulletin.

Table 8.1: Consolidated Balance Sheet of the Monetary Financial Institutions

EUR million	2012	2013	2014	15Q4	16Q1	Apr.16	May 16	June 16
1.1. Claims of the Bank of Slovenia	5,538	4,771	7,278	5,410	5,390	5,967	5,655	5,823
1.2. Claims of other MFIs	5,797	5,165	6,680	8,263	8,143	7,790	7,846	7,856
1. Claims on foreign sectors (foreign assets)	**11,335**	**9,936**	**13,958**	**13,673**	**13,533**	**13,757**	**13,502**	**13,679**
2.1. Claims of the Bank of Slovenia on central government	221	233	263	2,327	2,987	3,144	3,378	3,631
2.2.1.1. Loans	1,131	1,083	1,149	1,298	1,285	1,266	1,265	1,230
2.2.1.2. Securities	3,926	5,480	6,105	5,814	5,737	5,473	5,589	5,583
2.2.1. Claims on central government	5,057	6,563	7,254	7,112	7,022	6,739	6,853	6,813
2.2.2.1. Loans	610	581	671	622	601	602	594	591
2.2.2.2. Securities	0	0	0	0	0	0	0	0
2.2.2. Claims on other general government	610	581	671	622	601	602	594	591
2.2. Claims of other MFIs on general government	5,667	7,144	7,926	7,734	7,623	7,342	7,447	7,404
2.3.1.1. Loans	18,643	14,135	11,213	10,068	9,499	9,539	9,447	9,307
2.3.1.2. Securities	827	767	524	465	406	413	422	465
2.3.1. Claims on nonfinancial corporations	19,470	14,902	11,737	10,533	9,905	9,952	9,870	9,771
2.3.2. Households and non-profit institutions serving households	9,267	8,917	8,762	8,856	8,830	8,863	8,891	8,920
2.3.3.1. Loans	1,813	1,460	1,087	898	891	820	827	795
2.3.3.2. Securities	322	303	408	511	506	506	505	503
2.3.3. Claims on nonmonetary financial institutions	2,135	1,763	1,495	1,409	1,397	1,326	1,332	1,298
2.3. Claims of other MFIs on other non-MFIs	30,872	25,582	21,995	20,798	20,132	20,142	20,093	19,989
2. Claims on domestic non-MFIs	**36,761**	**32,959**	**30,183**	**30,859**	**30,741**	**30,627**	**30,917**	**31,025**
3. Remaining assets	**5,021**	**3,670**	**3,771**	**3,102**	**2,737**	**2,616**	**2,644**	**2,587**
Total assets	**53,116**	**46,565**	**47,912**	**47,633**	**47,011**	**47,000**	**47,063**	**47,291**
1.1. Bank of Slovenia	4,450	1,054	10	16	742	7	193	388
1.2. Other MFIs	10,802	8,241	7,409	5,920	5,379	5,529	5,433	5,358
1. Obligations to foreign sectors (foreign liabilities)	**15,252**	**9,294**	**7,419**	**5,936**	**6,122**	**5,536**	**5,625**	**5,746**
2.1.1.1. Banknotes and coins (after 1.1.2007 ECB key)	3,997	4,189	4,673	4,956	4,902	4,914	4,931	4,975
2.1.1.2. Overnight deposits at other MFIs	8,829	8,832	10,441	13,057	13,799	13,898	14,082	14,247
2.1.1.3.1. Non-monetary financial institutions	14	15	44	9	7	3	7	7
2.1.1.3.2. Other government sector	18	28	28	53	53	52	60	78
2.1.1.3. Overnight deposits at the Bank of Slovenia	31	43	71	63	61	55	67	84
2.1.1. Banknotes and coins and overnight liabilities	12,858	13,065	15,185	18,075	18,761	18,866	19,080	19,306
2.1.2.1. Deposits at the Bank of Slovenia	-	-	1	1	1	1	1	1
2.1.2.2. Deposits at other MFIs	10,111	9,804	9,363	7,837	7,542	7,367	7,255	7,105
2.1.2. Time deposits	10,111	9,804	9,364	7,838	7,543	7,368	7,256	7,106
2.1.3. Deposits reedemable at notice up to 3 months	63	209	379	315	404	477	520	521
2.1. Banknotes and coins and deposits up to 2 years	23,032	23,078	24,929	26,229	26,708	26,712	26,857	26,933
2.2. Debt securities, units/shares of money market funds and repos	80	80	42	56	68	67	67	67
2. Banknotes and coins and instruments up to 2 years	**23,112**	**23,157**	**24,971**	**26,285**	**26,776**	**26,779**	**26,923**	**27,000**
3. Long-tern financial obligations to non-MFIs	**1,987**	**1,498**	**1,598**	**1,550**	**1,542**	**1,547**	**1,558**	**1,585**
4. Remaining liabilities	**15,017**	**15,783**	**17,229**	**15,370**	**14,062**	**14,668**	**14,475**	**14,526**
5. Excess of inter-MFI liabilities	**-2,253**	**-3,168**	**-3,305**	**-1,508**	**-1,491**	**-1,530**	**-1,518**	**-1,566**
Total liabilities	**53,116**	**46,565**	**47,912**	**47,633**	**47,011**	**47,000**	**47,063**	**47,291**

Table 8.2: Balance Sheet of the Bank of Slovenia

EUR million	2012	2013	2014	15Q4	16Q1	Apr. 16	May 16	June 16
1.1. Gold	129	89	101	100	111	115	111	122
1.2. Receivable form IMF	388	369	392	367	398	398	403	400
1.3. Foreign cash	0	0	0	0	0	0	0	0
1.4. Loans, deposits	406	373	3,031	699	358	870	431	477
1.5. Securities	4,520	3,844	3,651	4,141	4,421	4,480	4,607	4,722
1.6. Other claims	96	96	103	103	103	103	103	103
1. Claims on foreign sectors (foreign assets)	**5,538**	**4,771**	**7,278**	**5,410**	**5,390**	**5,967**	**5,655**	**5,823**
2.1. Claims on central government	221	233	263	2,327	2,987	3,144	3,378	3,631
2.2.1. Loans	3,982	3,682	1,098	901	906	862	826	516
2.2.2. Other claims	3	3	3	44	87	87	86	91
2.2. Claims on domestic monetary sector	3,985	3,685	1,101	945	993	949	913	607
2.3. Claims on other domestic sectors	2	2	2	2	2	2	2	2
2. Claims on domestic sectors (domestic assets)	**4,208**	**3,919**	**1,366**	**3,275**	**3,981**	**4,094**	**4,292**	**4,240**
3. Remaining assets	**2,835**	**2,200**	**2,317**	**1,665**	**1,435**	**1,346**	**1,340**	**1,277**
Total assets	**12,581**	**10,890**	**10,961**	**10,349**	**10,807**	**11,407**	**11,288**	**11,340**
1. Banknotes and coins (ECB key from 1.1.2007 on)	**3,997**	**4,189**	**4,673**	**4,956**	**4,902**	**4,914**	**4,931**	**4,975**
2.1.1.1.1. Overnight	1,338	1,503	1,526	1,634	1,895	2,314	2,155	1,844
2.1.1.1.2. With agreed maturity	-	605	-	-	-	-	-	-
2.1.1.1. Domestic currency	1,338	2,108	1,526	1,634	1,895	2,314	2,155	1,844
2.1.1.2. Foreign currency	-	-	-	-	-	-	-	-
2.1.1. Other MFIs	1,338	2,108	1,526	1,634	1,895	2,314	2,155	1,844
2.1.2.1.1. Overnight	23	364	2,718	1,730	1,186	2,085	1,877	1,955
2.1.2.1.2. With agreed maturity	1,000	1,350	-	-	-	-	-	-
2.1.2.1. In domestic currency	1,023	1,714	2,718	1,730	1,186	2,085	1,877	1,955
2.1.2.2. Foreign currency	75	73	94	60	54	56	54	55
2.1.2. General government	1,098	1,787	2,812	1,789	1,239	2,141	1,931	2,011
2.1.3.1. Non-financial corporations	-	-	-	-	-	-	-	-
2.1.3.2. Non-monetary financial institutions	16	17	45	11	8	4	8	8
2.1.3. Other domestic sectors	16	17	45	11	8	4	8	8
2.1. Domestic sectors	2,452	3,912	4,383	3,434	3,143	4,460	4,094	3,862
2.2. Foreign sectors	4,450	1,054	10	16	742	7	193	388
2. Deposits	**6,902**	**4,966**	**4,393**	**3,450**	**3,885**	**4,467**	**4,287**	**4,250**
3.1. Domestic currency	-	-	-	-	-	-	-	-
3.2. Foreign currency	-	-	-	-	-	-	-	-
3. Issued securities	**0**	**0**	**0**	**0**	**0**	**0**	**-**	**-**
4. SDR allocation	**252**	**241**	**257**	**275**	**267**	**268**	**272**	**272**
5. Capital and reserves	**1,180**	**1,339**	**1,440**	**1,449**	**1,541**	**1,531**	**1,551**	**1,669**
6. Remaining liabilities	**250**	**156**	**197**	**220**	**211**	**227**	**247**	**175**
Total liabilities	**12,581**	**10,890**	**10,961**	**10,349**	**10,807**	**11,407**	**11,288**	**11,340**

Table 8.3: Balance Sheet of other Monetary Financial Institutions

EUR million	2012	2013	2014	15Q4	16Q1	Apr. 16	May 16	June 16
1.1.1. Cash	261	282	292	294	285	276	282	295
1.1.2. Accounts and deposits at the Bank of Slovenia, other claims	1,338	2,108	1,526	1,634	1,895	2,314	2,155	1,844
1.1.3. Securities of the Bank of Slovenia	-	-	-	-	-	-	-	-
1.1. Claims on Bank of Slovenia	1,599	2,390	1,818	1,928	2,180	2,590	2,437	2,139
1.2.1. Loans	3,064	2,432	1,719	1,264	1,184	1,149	1,125	1,097
1.2.2. Debt securities	620	363	378	245	190	214	242	249
1.2.3. Shares and other equity	172	117	61	62	50	50	50	50
1.2. Claims on other MFI's	3,856	2,912	2,158	1,571	1,424	1,413	1,417	1,396
1.3.1. Loans	31,465	26,176	22,883	21,742	21,106	21,091	21,023	20,844
1.3.2. Debt securities	4,139	5,702	6,352	6,050	5,994	5,740	5,864	5,899
1.3.3. Shares and other equity	936	849	685	739	654	652	653	651
1.3. Claims on nonmonetry sectors	36,540	32,727	29,920	28,531	27,754	27,483	27,540	27,394
1. Claims on domestic sectors (domestic assets)	**41,994**	**38,028**	**33,897**	**32,032**	**31,358**	**31,486**	**31,393**	**30,929**
2.1.1. Cash	23	23	29	34	35	37	36	43
2.1.2. Loans	1,231	1,697	2,839	2,767	2,672	2,357	2,401	2,494
2.1.3. Debt securities	590	372	498	1,027	1,043	1,024	1,067	1,023
2.1.4 Shares and other equity	619	559	572	567	567	567	567	567
2.1. Claims on foreign monetary sectors	2,463	2,651	3,938	4,395	4,317	3,985	4,071	4,127
2.2.1. Loans	2,770	2,530	2,135	1,602	1,462	1,436	1,401	1,389
2.2.2. Debt securities	1,234	1,378	1,878	1,870	1,946	1,949	1,955	1,942
2.2.3. Shares and other equity	93	273	329	396	419	419	419	397
2.2. Claims on foreign nonmonetary sectors	4,097	4,181	4,342	3,868	3,827	3,804	3,775	3,729
2. Claims on foreign sectors (foreign assets)	**6,559**	**6,833**	**8,279**	**8,263**	**8,143**	**7,790**	**7,846**	**7,856**
3. Remaining assets	**2,234**	**1,455**	**1,399**	**1,321**	**1,210**	**1,191**	**1,214**	**1,217**
Total assets	**50,787**	**46,315**	**43,575**	**41,615**	**40,711**	**40,468**	**40,453**	**40,002**
1.1.1. Deposits, loans from the Bank of Slovenia	3,982	3,682	1,098	901	906	862	826	516
1.1.2. Deposits, loans from other MFIs	3,122	2,440	1,733	1,301	1,249	1,194	1,168	1,141
1.1.3. Debt securities issued	298	150	93	38	17	27	28	28
1.1. Laibilities to monetary sectors	7,402	6,272	2,924	2,240	2,172	2,083	2,023	1,686
1.2.1.1. Overnight	8,664	8,542	10,129	12,661	13,347	13,470	13,635	13,784
1.2.1.2. With agreed maturity	13,777	12,214	12,481	10,604	9,744	9,595	9,442	9,342
1.2.1.3. Reedemable at notice	67	221	449	474	675	611	675	637
1.2.1. Deposits in domestic currency	22,508	20,977	23,059	23,739	23,766	23,676	23,753	23,763
1.2.2. Deposits in foreign currency	521	441	463	599	633	614	635	652
1.2.3. Debt securities issued	604	256	176	84	70	70	68	51
1.2. Liabilities to nonmonetary sectors	23,633	21,674	23,698	24,422	24,469	24,360	24,455	24,466
1. Obligations to domestic sectors (domestic liabilities)	**31,036**	**27,946**	**26,622**	**26,661**	**26,643**	**26,444**	**26,478**	**26,151**
2.1.1. Deposits	7,113	4,538	3,551	2,588	2,363	2,363	2,272	2,254
2.1.2. Debt securities issued	1,462	1,200	1,344	975	713	713	713	712
2.1. Liabilities to foreign monetry sectors	8,575	5,738	4,895	3,563	3,076	3,076	2,985	2,967
2.2.1. Deposits	1,702	2,054	2,052	1,944	1,893	1,893	1,886	1,830
2.2.2. Debt securities issued	104	32	25	27	24	23	23	23
2.2. Liabilities to foreign nonmonetary sectors	1,806	2,086	2,077	1,971	1,917	1,916	1,910	1,854
2. Obligations to foreign sectors (foreign liabilities)	**10,381**	**7,824**	**6,972**	**5,535**	**4,992**	**4,991**	**4,895**	**4,820**
3. Capital and reserves	**3,889**	**3,906**	**4,512**	**4,706**	**4,866**	**4,892**	**4,907**	**4,865**
4. Remaining liabilities	**5,481**	**6,641**	**5,469**	**4,714**	**4,211**	**4,141**	**4,173**	**4,166**
Total liabilities	**50,787**	**46,315**	**43,575**	**41,615**	**40,711**	**40,468**	**40,453**	**40,002**

Table 8.4: Interest rates of new loans and deposits in domestic currency to households and nonfinancial corporations

in % on annual level	2012	2013	2014	2015	Apr.16	May 16	June 16
1. Interest rates of new loans							
1.1. Loans to households							
Households, revolving loans and overdrafts	8.75	8.53	8.20	8.04	7.97	7.97	7.94
Households, extended credit	8.65	8.06	8.02	7.89	7.85	7.85	7.86
Loans, households, consumption, floating and up to 1 year initial rate fixation	5.02	5.04	5.01	4.37	4.16	4.16	4.16
Loans, households, consumption, over 1 and up to 5 years initial rate fixation	7.22	7.21	7.00	5.97	5.63	5.82	5.79
Loans, households, consumption, over 5 years initial rate fixation	7.33	7.19	7.07	5.75	5.81	5.90	5.94
C. loans, households, consumption, floating and up to 1 year initial rate fixation	4.78	4.76	4.47	3.92	3.53	3.63	3.63
C. loans, households, consumption, over 1 and up to 5 years initial rate fixation	6.60	6.74	6.60	5.96	5.32	5.64	4.57
C. loans, households, consumption, over 5 year initial rate fixation	6.93	7.15	6.53	5.21	5.24	4.91	4.83
APRC, Loans to households for consumption	7.70	8.00	8.28	7.61	7.30	7.33	7.32
Loans, households, house purchase, floating and up to 1 year initial rate fixation	3.27	3.14	3.18	2.45	2.04	2.01	1.96
Loans, households, house purchase, over 1 and up to 5 years initial rate fixation	5.61	5.54	5.65	4.02	3.18	2.92	3.25
Loans, households, house purchase, over 5 and up to 10 years initial rate fixation	5.48	5.40	5.06	3.54	2.71	2.57	2.54
Loans, households, house purchase, over 10 years initial rate fixation	5.47	5.17	4.87	3.28	2.93	2.89	2.82
C. loans, households, house purchase variabel and up to years initial rate fixation	3.27	3.11	3.16	2.44	2.04	2.00	1.94
C. loans, households, house purchase, over 1 and up to 5 years initial rate fixation	5.59	5.90	5.41	3.02	2.63	2.05	3.30
C. loans, households, house purchase, over 5 and up to 10 years initial rate fixation	5.38	5.34	5.03	3.19	2.37	2.44	2.28
C. loans, households, house purchase, over 10 years initial rate fixation	5.80	5.71	4.87	3.25	2.88	2.83	2.74
APRC, Loans to households for house purchase	3.63	3.48	3.55	2.97	2.67	2.60	2.59
Loans, households, other purposes, floating and up to 1 year initial rate fixation	5.62	5.69	5.11	3.87	3.27	3.09	3.80
Loans, households, other purposes, over 1 and up to 5 years initial rate fixation	6.64	6.51	5.96	6.48	4.88	5.37	5.55
Loans, households, other purposes, over 5 years initial rate fixation	5.83	6.42	6.44	7.67	7.20	6.88	6.99
1.2. Loans to nonfinancial corporations (S.11)							
S.11, bank overdraft	5.39	5.53	5.30	4.12	3.18	3.19	3.10
S.11, extended credit	7.25	7.39	7.28	7.30	7.19	7.14	7.23
Loans, S.11, up to EUR 0,25 million, floating and up to 3 months initial rate fixation	5.69	5.55	4.81	3.69	2.96	3.00	3.12
Loans, S.11, up to EUR 0,25 million, over 3 months and up to 1 year initial rate fixation	6.40	6.44	5.77	4.09	3.19	3.08	3.12
Loans, S.11, up to EUR 0,25 million, over 1 and up to 3 years initial rate fixation	6.99	6.57	5.92	4.89	4.94	3.87	4.00
Loans, S.11, up to EUR 0,25 million, over 3 and up to 5 years initial rate fixation	6.94	6.28	5.93	5.79	5.76	4.94	5.41
Loans, S.11, up to EUR 0,25 million, over 5 and up to 10 years initial rate fixation	6.94	6.70	5.82	5.15	6.48	4.24	3.85
Loans, S.11, up to EUR 0,25 million, over 10 years initial rate fixation	8.19	7.58	5.87	4.27	3.60	4.59	4.02
Loans, S.11, over EUR 0,25 and up to 1 million, floating and up to 3 months initial rate fixation	5.22	5.08	4.62	3.14	2.54	2.38	2.53
Loans, S.11, over EUR 0,25 and up to 1 million, over 3 months and up to 1 year initial rate fixation	6.04	6.00	5.29	3.38	2.75	2.48	2.86
Loans, S.11, over EUR 0,25 and up to 1 million, over 1 and up to 3 years initial rate fixation	6.35	6.31	5.27	3.89	3.11	3.72	2.27
Loans, S.11, over EUR 0,25 and up to 1 million, over 3 and up to 5 years initial rate fixation	6.77	5.60	5.97	4.23	2.22	2.08	-
Loans, S.11, over EUR 0,25 and up to 1 million, over 5 and up to 10 years initial rate fixation	5.47	5.83	5.46	3.37	1.83	-	3.66
Loans, S.11, over EUR 0,25 and up to 1 million, over 10 years initial rate fixation	-	7.50	6.32	4.07	3.87	1.97	-
Loans, S.11, over EUR 1 million, floating and up to 3 months initial rate fixation	4.21	4.21	3.94	2.90	2.65	2.92	1.26
Loans, S.11, over EUR 1 million, over 3 months and up to 1 year initial rate fixation	5.66	5.15	4.84	3.06	1.50	2.00	1.76
Loans, S.11, over EUR 1 million, over 1 and up to 3 years initial rate fixation	5.70	4.07	4.60	3.53	2.58	3.84	1.76
Loans, S.11, over EUR 1 million, over 3 and up to 5 years initial rate fixation	4.40	4.49	4.07	1.90	-	-	2.68
Loans, S.11, over EUR 1 million, over 5 and up to 10 years initial rate fixation	5.95	3.84	4.62	1.83	1.76	1.34	1.85
Loans, S.11, over EUR 1 million, over 10 years initial rate fixation	4.81	4.81	2.35	3.73	3.04	-	-
2. Interest rates of new deposits							
2.1. Households deposits							
Households, overnight deposits	0.20	0.11	0.07	0.04	0.02	0.02	0.02
Deposits, households, agreed maturity up to 1 year	2.31	1.86	0.98	0.37	0.20	0.20	0.19
Deposits, households, agreed maturity over 1 and up to 2 years	4.06	3.46	1.90	0.96	0.55	0.53	0.50
Deposits, households, agreed maturity over 2 years	4.46	3.86	2.33	1.36	0.89	0.85	0.83
2.2. Deposits of nonfinancial corporations (S.11)							
S.11, overnight deposits	1.52	1.22	0.82	0.21	0.01	0.01	0.01
Deposits, S.11, agreed maturity up to 1 year	2.73	1.79	1.30	1.21	0.07	0.05	0.05
Deposits, S.11, agreed maturity over 1 and up to 2 years	0.30	0.23	0.13	0.04	0.32	0.32	0.34
Deposits, S.11, agreed maturity over 2 years	2.11	1.58	0.63	0.19	0.54	0.29	0.32
2.3. Deposits redeemable at notice of households and nonfinancial sector together							
Deposits redeemable at notice, up to 3 months notice	4.24	3.47	1.85	0.82	0.07	0.06	0.05
Deposits redeemable at notice, over 3 months notice	4.02	3.08	1.79	1.12	0.58	0.17	0.13

Table 8.5: International investment position

EUR million		2013	2014	15Q2	15Q3	15Q4	16Q1	16Q2
	NET INTERNATIONAL INVESTMENT POSITION (1-2)	**-16,749**	**-16,496**	**-15,380**	**-14,997**	**-14,931**	**-15,060**	**-14,793**
1	**ASSETS**	**33,392**	**39,437**	**39,941**	**41,067**	**41,032**	**41,604**	**41,384**
1.1	**Direct investment**	**6,813**	**6,970**	**7,410**	**7,394**	**7,204**	**7,355**	**7,364**
1.1.1	Equity	3,795	3,769	3,849	3,908	3,910	3,910	3,845
1.1.2	Debt instruments	3,018	3,202	3,561	3,486	3,295	3,445	3,519
1.2	**Portfolio investment**	**11,386**	**12,375**	**13,216**	**13,274**	**14,458**	**14,864**	**15,265**
1.2.1	Equity and investment fund shares	2,755	3,193	3,525	3,229	3,482	3,332	3,379
1.2.2	Debt securities	8,631	9,182	9,691	10,045	10,976	11,532	11,886
1.3	**Financial derivatives**	**89**	**83**	**63**	**59**	**65**	**65**	**40**
1.4	**Other investment**	**14,435**	**19,171**	**18,359**	**19,499**	**18,517**	**18,534**	**17,944**
1.4.1	Other equity	530	629	644	646	641	641	641
1.4.2	Currency and deposits	5,647	10,737	9,605	10,893	10,274	10,008	9,490
1.4.3	Loans	4,181	3,729	3,410	3,308	3,122	2,999	2,924
1.4.4	Insurance, pension and standardized guarantee schemes	131	141	148	131	129	137	137
1.4.5	Trade credit and advances	3,636	3,601	4,167	4,131	3,737	4,097	4,206
1.4.6	Other accounts receivable	310	335	384	390	614	652	545
1.5	**Reserve assets**	**669**	**837**	**893**	**841**	**787**	**786**	**770**
1.5.1	Monetary gold	89	101	107	103	100	111	122
1.5.2	Special drawing rights	220	247	260	259	264	201	204
1.5.3	Reserve position in the IMF	149	145	125	103	104	196	195
1.5.4	Other reserve assets	211	345	401	375	320	278	249
2	**LIABILITIES**	**50,141**	**55,934**	**55,322**	**56,064**	**55,962**	**56,665**	**56,176**
2.1	**Direct investment**	**10,531**	**11,837**	**12,525**	**12,838**	**13,308**	**13,763**	**13,972**
2.1.1	Equity	7,292	8,186	8,580	9,226	9,772	10,033	10,212
2.1.2	Debt instruments	3,240	3,651	3,945	3,612	3,536	3,730	3,760
2.2	**Portfolio investment**	**16,299**	**23,099**	**21,673**	**22,703**	**22,308**	**22,457**	**22,024**
2.2.1	Equity and investment fund shares	811	1,030	1,066	998	1,041	1,024	986
2.2.2	Debt securities	15,488	22,069	20,607	21,705	21,266	21,434	21,038
2.3	**Financial derivatives**	**150**	**175**	**179**	**170**	**163**	**201**	**206**
2.4	**Other investment**	**23,161**	**20,822**	**20,944**	**20,353**	**20,183**	**20,243**	**19,973**
2.4.1	Other equity	23	28	31	32	32	32	33
2.4.2	Currency and deposits	4,165	3,338	2,889	2,844	2,965	3,525	3,224
2.4.3	Loans	14,759	13,128	13,521	13,091	12,852	12,369	12,253
2.4.4	Insurance, pension and standardized guarantee schemes	275	218	215	217	221	232	232
2.4.5	Trade credit and advances	3,527	3,427	3,571	3,441	3,431	3,381	3,526
2.4.6	Other accounts payable	171	425	446	457	407	437	434
2.4.7	Special drawing rights	241	257	271	270	275	267	272

Table 8.6: Gross external debt

EUR million	2013	2014	15Q3	15Q4	16Q1	16Q2	Jul.2016
TOTAL (1+2+3+4+5)	**41,866**	**46,514**	**45,637**	**44,954**	**45,375**	**44,738**	**44,727**
1 GENERAL GOVERNMENT	**15,668**	**22,619**	**23,436**	**23,169**	**23,408**	**23,119**	**23,092**
1.1 Short-term, of that	**73**	**664**	**1,386**	**1,507**	**1,266**	**1,367**	**1,319**
Debt securities	45	228	13	15	27	22	22
Loans	...	157	1,071	1,201	936	1,058	1,017
Trade credit and advances	28	21	45	35	48	50	51
Other debt liabilities	...	257	257	257	256	237	229
1.2 Long-term, of that	**15,595**	**21,956**	**22,050**	**21,662**	**22,142**	**21,751**	**21,773**
Debt securities	14,307	20,403	20,562	20,158	20,641	20,253	20,243
Loans	1,281	1,548	1,484	1,500	1,497	1,495	1,526
2 CENTRAL BANK	**2,742**	**2,083**	**2,109**	**2,217**	**2,857**	**2,540**	**2,650**
2.1 Short-term, of that	**2,500**	**1,826**	**1,838**	**1,942**	**2,590**	**2,268**	**2,380**
Currency and deposits	2,500	1,825	1,838	1,942	2,590	2,268	2,380
2.2 Long-term, of that	**241**	**257**	**270**	**275**	**267**	**272**	**271**
Special drawing rights (allocations)	241	257	270	275	267	272	271
3 DEPOSIT TAKING CORPORATIONS, except the Central Bank	**7,519**	**6,591**	**5,306**	**5,195**	**4,639**	**4,416**	**4,293**
3.1 Short-term	**893**	**747**	**610**	**702**	**708**	**806**	**734**
Currency and deposits	707	597	448	490	485	520	512
Debt securities	58	...	...	...	...	...	...
Loans	121	144	148	207	206	257	198
Trade credit and advances	...	...	...	...	...	...	...
Other debt liabilities	7	6	13	5	17	29	24
3.2 Long-term	**6,626**	**5,844**	**4,696**	**4,493**	**3,931**	**3,611**	**3,559**
Currency and deposits	958	916	558	534	450	436	440
Debt securities	837	954	696	652	368	306	297
Loans	4,800	3,941	3,407	3,301	3,110	2,865	2,820
Trade credit and advances	3	4	5	7	3	4	3
Other debt liabilities	29	29	30	0	0	0	0
4 OTHER SECTORS	**12,698**	**11,570**	**11,175**	**10,837**	**10,740**	**10,903**	**10,821**
4.1 Short-term, of that	**4,039**	**3,947**	**4,138**	**3,973**	**4,174**	**4,284**	**4,213**
Debt securities	4	5	2	0	1	2	2
Loans	444	453	635	488	736	706	725
Trade credit and advances	3,492	3,396	3,383	3,383	3,315	3,453	3,350
Other debt liabilities	100	94	117	102	122	124	135
4.2 Long-term, of that	**8,659**	**7,623**	**7,037**	**6,864**	**6,566**	**6,619**	**6,609**
Debt securities	238	480	432	441	397	455	456
Loans	8,113	6,885	6,346	6,156	5,883	5,874	5,862
Trade credit and advances	4	6	7	7	15	19	19
Other debt liabilities	304	252	252	260	271	271	271
5 DIRECT INVESTMENT: intercompany lending	**3,240**	**3,651**	**3,612**	**3,536**	**3,730**	**3,760**	**3,871**
NET EXTERNAL DEBT POSITION	**15,644**	**14,750**	**12,416**	**12,020**	**11,719**	**11,260**	**11,137**

Table 8.7: Balance of payments

EUR million	2013	2014	2015	15Q4	16Q1	16Q2	Jul.2016
I. Current account	**1,732**	**2,325**	**1,998**	**460**	**729**	**826**	**222**
1. Goods	**708**	**1,181**	**1,498**	**344**	**497**	**495**	**171**
1.1. Export of goods	**21,692**	**22,961**	**24,039**	**6,160**	**6,067**	**6,407**	**2,078**
Export f.o.b.	21,549	22,936	23,940	6,117	6,073	6,420	2,068
Coverage adjustment	-180	-188	-149	-5	-55	-78	-11
Net export of goods under merchanting	291	199	231	45	43	56	21
Nonmonetary gold	32	15	17	3	6	8	0
1.2. Import of goods	**20,984**	**21,780**	**22,541**	**5,817**	**5,570**	**5,912**	**1,907**
Import c.i.f.	22,114	22,580	23,305	6,010	5,746	6,103	1,968
Coverage adjustment	-517	-160	-115	-27	-15	-17	-4
Valuation adjustment	-642	-656	-678	-175	-167	-178	-57
Nonmonetary gold	29	15	30	8	6	4	...
2. Services	**1,732**	**1,697**	**2,019**	**492**	**469**	**588**	**185**
2.1. Export of services, of that	**5,317**	**5,558**	**6,025**	**1,524**	**1,373**	**1,558**	**591**
Transport	1,398	1,529	1,672	442	424	453	146
Travel	2,043	2,060	2,257	474	450	538	275
Construction services	280	277	290	86	73	89	29
Telecomm., computer and inform. services	452	457	519	144	123	131	46
Other business services	717	779	824	242	197	202	56
2.2. Import of services, of that	**3,586**	**3,862**	**4,006**	**1,032**	**904**	**970**	**406**
Transport	738	814	851	232	216	214	70
Travel	708	745	822	154	119	182	146
Construction services	259	234	120	19	17	23	7
Telecomm., computer and inform. services	460	483	533	164	108	121	44
Other business services	864	1,003	1,024	297	254	260	86
3. Primary income	**-192**	**-125**	**-982**	**-252**	**-81**	**-152**	**-76**
3.1. Receipts	**1,117**	**1,396**	**1,632**	**407**	**485**	**398**	**118**
Compensation of employees	495	537	609	166	140	161	50
Investment	54	368	501	138	128	126	40
Other primary income	567	490	522	102	216	111	28
3.2. Expenditure	**1,309**	**1,521**	**2,614**	**659**	**565**	**550**	**194**
Compensation of employees	106	114	120	30	28	33	11
Investment	917	1,063	2,065	515	417	401	147
Other primary income	286	344	429	113	121	115	35
4. Secondary income	**-516**	**-428**	**-537**	**-124**	**-157**	**-104**	**-58**
4.1. Receipts	**632**	**709**	**725**	**215**	**155**	**172**	**58**
4.2. Expenditure	**1,148**	**1,137**	**1,262**	**339**	**312**	**276**	**116**

Table 8.8: Balance of payments – continued

EUR million	2013	2014	2015	15Q4	16Q1	16Q2	Jul.2016
II. Capital account	**187**	**157**	**371**	**136**	**-39**	**-100**	**-8**
1. Nonproduced nofinancial assets	-10	-24	-37	-39	-8	-23	-5
2. Capital transfers	197	181	408	175	-31	-77	-3
III. Financial account	**1,042**	**2,377**	**1,772**	**168**	**349**	**189**	**305**
1. Direct investment	**-47**	**-584**	**-1,238**	**-628**	**-326**	**-259**	**-48**
Assets	24	155	278	-140	143	19	122
Equity and reinvested earnings	-80	-45	165	10	39	-26	13
Debt instruments	103	200	113	-150	103	44	109
Liabilities	71	739	1,516	488	468	278	170
Equity and reinvested earnings	-57	791	1,803	561	340	260	58
Debt instruments	128	-51	-287	-73	128	18	112
2. Portfolio investment	**-4,176**	**-3,968**	**2,929**	**1,549**	**584**	**799**	**323**
Assets	-467	426	2,015	971	464	287	115
Equity and investment fund shares	60	127	116	34	-27	-16	22
Debt securities	-527	299	1,900	937	491	302	94
Liabilities	3,709	4,394	-914	-578	-120	-512	-208
Equity and investment fund shares	113	101	52	13	19	-8	3
Debt securities	3,595	4,293	-966	-591	-139	-505	-211
3. Financial derivatives	**32**	**-3**	**28**	**10**	**-7**	**-9**	**30**
4. Other investment	**5,227**	**6,843**	**166**	**-697**	**87**	**-302**	**19**
4.1. Assets	**632**	**4,815**	**-672**	**-853**	**108**	**-582**	**-66**
Other equity	152	84	10	-2	1	-1	0
Currency and deposits	564	5,037	-545	-636	-272	-522	-3
Loans	1	-299	-408	-78	10	-68	-21
Insurance, pension and stand. guar. schemes	-10	8	-8	-2	7	...	...
Trade credits and advances	19	-16	-4	-357	314	118	-45
Other assets	-94	1	283	222	49	-110	2
4.2. Liabilities	**-4,595**	**-2,028**	**-837**	**-156**	**22**	**-281**	**-85**
Other equity	-29	7	1	0	0	0	...
Currency and deposits	-4,169	-831	-400	116	566	-302	107
Loans	-269	-1,246	-315	-235	-491	-114	-105
Insurance, pension and stand. guar. schemes	39	-54	3	4	10	...	...
Trade credits and advances	-182	-144	-101	9	-78	147	-80
Other liabilities	16	240	-25	-49	15	-12	-7
Special drawing reights (SDR)	0	0	0	0	0	0	0
5. Reserve assets	**5**	**89**	**-113**	**-67**	**10**	**-40**	**-18**
IV. Net errors and omissions	**-877**	**-105**	**-596**	**-428**	**-341**	**-538**	**91**

Table 8.9: Non-consolidated financial assets – outstanding amounts

EUR million	2012	2013	14Q4	15Q1	15Q2	15Q3	15Q4	16Q1
Domestic sector								
Total	180,543	179,611	186,633	188,649	185,514	186,856	184,680	183,389
Monetary gold and SDRs	371	309	348	340	368	362	363	312
Currency and deposits	36,336	37,061	46,009	46,580	44,049	46,730	46,572	44,228
Debt securities	17,236	18,319	19,804	20,318	21,004	22,045	22,828	23,894
Loans	54,089	49,970	44,812	44,201	42,880	41,679	39,462	39,100
Shares	18,457	19,529	20,175	20,684	20,212	19,369	19,713	19,658
Other equity	22,111	22,483	23,002	23,318	23,302	23,943	23,496	23,493
Investment fund shares/units	2,980	3,105	3,642	4,096	3,990	3,686	3,879	3,813
Insurance and pension schemes	6,454	6,541	7,132	7,449	7,478	7,366	7,406	7,509
Other	22,508	22,293	21,709	21,664	22,231	21,676	20,961	21,381
Non-financial corporations								
Total	44,163	43,301	41,273	42,024	42,553	42,283	41,331	41,851
Currency and deposits	4,045	4,646	5,095	5,130	5,410	5,481	5,816	5,846
Debt securities	248	194	184	192	178	160	142	167
Loans	6,494	6,151	6,043	6,284	6,118	6,035	5,849	6,105
Shares	5,198	4,525	3,063	2,934	2,914	2,836	2,896	2,861
Other equity	11,804	11,806	11,359	11,408	11,340	11,770	11,472	11,496
Investment fund shares/units	123	108	108	110	106	98	99	92
Insurance and pension schemes	416	387	408	452	455	458	427	482
Other	15,835	15,484	15,015	15,514	16,030	15,444	14,631	14,802
Monetary financial institutions								
Total	62,094	55,703	53,206	53,273	50,569	50,401	50,657	50,376
Monetary gold and SDRs	371	309	348	340	368	362	363	312
Currency and deposits	6,777	7,351	10,358	10,621	7,994	7,713	7,560	7,225
Debt securities	11,483	12,086	13,226	13,387	14,230	15,041	15,973	16,893
Loans	41,344	34,556	27,863	27,312	26,416	25,670	25,179	24,362
Shares	1,283	846	666	671	660	651	641	627
Other equity	228	186	314	509	519	519	490	476
Investment fund shares/units	27	12	12	12	11	10	9	7
Insurance and pension schemes	37	35	37	37	39	38	38	38
Other	544	322	382	384	334	396	404	434
Other financial institutions								
Total	15,205	15,225	17,368	18,224	17,846	17,291	17,325	17,513
Currency and deposits	1,350	1,096	1,316	1,504	1,468	1,292	1,212	1,341
Debt securities	4,715	5,108	5,634	5,888	5,833	6,056	6,220	6,364
Loans	3,756	3,624	3,388	3,324	3,243	3,151	3,033	2,999
Shares	2,629	2,598	3,580	3,816	3,694	3,387	3,427	3,272
Other equity	224	196	640	634	641	624	612	606
Investment fund shares/units	1,545	1,672	1,918	2,142	2,070	1,924	2,001	1,996
Insurance and pension schemes	225	202	218	238	234	210	182	205
Other	762	731	675	678	662	648	639	729
General government								
Total	22,720	28,631	36,293	36,419	35,688	38,297	36,094	34,156
Currency and deposits	6,062	5,985	10,369	10,339	10,061	12,955	12,347	10,016
Debt securities	400	598	507	515	501	540	368	342
Loans	1,751	4,940	6,827	6,603	6,389	6,129	4,749	4,918
Shares	6,936	9,091	10,128	10,469	10,163	9,864	10,048	10,253
Other equity	4,245	4,560	4,904	4,946	4,956	5,153	4,856	4,808
Investment fund shares/units	146	163	206	233	222	223	244	236
Insurance and pension schemes	2	2	12	15	17	32	23	25
Other	3,178	3,292	3,339	3,300	3,378	3,401	3,460	3,558
Households and NPISHs								
Total	36,360	36,751	38,492	38,709	38,858	38,585	39,272	39,494
Currency and deposits	18,103	17,984	18,871	18,986	19,116	19,290	19,636	19,800
Debt securities	390	334	253	336	262	247	125	128
Loans	744	700	691	678	713	694	653	715
Shares	2,410	2,469	2,739	2,795	2,780	2,631	2,701	2,645
Other equity	5,610	5,734	5,785	5,820	5,847	5,877	6,066	6,108
Investment fund shares/units	1,139	1,151	1,398	1,599	1,580	1,433	1,528	1,482
Insurance and pension schemes	5,774	5,914	6,457	6,707	6,734	6,628	6,736	6,759
Other	2,189	2,464	2,298	1,788	1,827	1,786	1,827	1,858
Rest of the world								
Total	52,272	51,088	57,499	58,501	56,300	56,636	56,680	57,452
Monetary gold and SDRs	252	241	257	277	271	270	275	267
Currency and deposits	8,490	4,293	3,497	3,357	3,048	2,990	3,167	3,723
Debt securities	11,893	15,807	22,581	22,663	20,792	21,976	21,661	21,695
Loans	17,261	16,697	15,676	16,224	16,231	15,481	15,231	14,850
Shares	3,890	3,687	4,556	4,543	4,385	4,337	4,539	4,886
Other equity	4,511	4,815	5,401	5,497	5,621	5,825	6,284	6,402
Investment fund shares/units	21	28	21	24	24	23	25	24
Insurance and pension schemes	239	275	218	212	215	217	221	232

Table 8.10: Non-consolidated liabilities – outstanding amounts

EUR million	2012	2013	14Q4	15Q1	15Q2	15Q3	15Q4	16Q1
Domestic sector								
Total	199,227	197,349	204,957	206,198	202,351	202,934	200,842	199,593
Monetary gold and SDRs	252	241	257	277	271	270	275	267
Currency and deposits	39,243	35,203	38,457	38,689	37,175	38,536	39,172	37,577
Debt securities	19,871	25,359	32,837	33,026	31,731	33,622	33,154	33,729
Loans	65,646	61,027	54,996	54,898	53,734	51,968	49,682	48,864
Shares	19,790	20,887	22,274	22,501	21,904	21,242	21,615	22,101
Other equity	23,639	24,199	25,395	25,802	25,953	26,725	26,799	26,864
Investment fund shares/units	1,818	1,839	2,143	2,432	2,392	2,181	2,303	2,209
Insurance and pension schemes	6,553	6,684	7,209	7,510	7,545	7,452	7,498	7,604
Other	22,417	21,909	21,389	21,063	21,646	20,938	20,345	20,378
Non-financial corporations								
Total	86,541	84,839	82,591	82,588	82,386	80,728	78,607	79,012
Debt securities	838	818	1,088	1,128	1,163	1,192	1,179	1,223
Loans	32,883	31,297	28,954	28,975	28,291	27,101	24,850	25,005
Shares	14,314	14,225	14,233	14,055	13,701	13,242	13,421	13,649
Other equity	21,910	22,453	23,013	23,165	23,322	23,980	24,039	24,139
Other	16,595	16,047	15,302	15,264	15,908	15,213	15,118	14,995
Monetary financial institutions								
Total	57,909	50,512	48,917	48,919	46,458	46,507	47,006	47,065
Monetary gold and SDRs	252	241	257	277	271	270	275	267
Currency and deposits	37,318	33,048	34,122	34,597	33,236	33,219	34,012	34,673
Debt securities	2,484	1,667	1,666	1,604	918	1,223	1,149	847
Loans	13,114	10,427	7,073	6,364	6,053	5,753	5,574	4,970
Shares	3,302	3,866	4,399	4,522	4,484	4,562	4,539	4,729
Other equity	859	823	945	1,010	986	994	1,005	1,029
Investment fund shares/units	24	36	37	36	54	61	56	66
Other	557	404	419	510	456	424	396	484
Other financial institutions								
Total	16,303	16,069	17,573	18,239	17,916	17,300	17,306	17,139
Debt securities	50	39	136	138	97	92	73	73
Loans	5,420	5,070	4,486	4,167	4,107	3,989	3,791	3,374
Shares	1,492	1,486	2,174	2,341	2,151	2,003	2,093	2,233
Other equity	457	472	947	1,153	1,167	1,162	1,155	1,183
Investment fund shares/units	1,794	1,804	2,106	2,396	2,338	2,120	2,247	2,143
Insurance and pension schemes	6,553	6,684	7,209	7,509	7,545	7,452	7,498	7,603
Other	538	513	516	534	511	482	448	530
General government								
Total	25,867	33,629	43,630	44,219	43,381	46,141	45,705	44,166
Currency and deposits	1,925	2,155	4,335	4,092	3,939	5,317	5,160	2,904
Debt securities	16,500	22,835	29,946	30,156	29,552	31,115	30,753	31,586
Loans	3,100	3,448	3,846	4,689	4,578	4,432	4,738	4,812
Shares	682	1,309	1,469	1,583	1,568	1,435	1,562	1,489
Other equity	413	451	491	474	478	588	600	513
Other	3,248	3,429	3,544	3,225	3,265	3,253	2,892	2,860
Households and NPISHs								
Total	12,607	12,301	12,245	12,234	12,211	12,259	12,218	12,212
Loans	11,128	10,785	10,637	10,705	10,704	10,692	10,728	10,702
Other	1,479	1,516	1,608	1,529	1,506	1,566	1,489	1,509
Rest of the world								
Total	33,588	33,349	39,174	40,952	39,463	40,558	40,517	41,248
Monetary gold and SDRs	371	309	348	340	367	362	363	312
Currency and deposits	5,584	6,151	11,050	11,248	9,922	11,184	10,567	10,374
Debt securities	9,257	8,767	9,548	9,955	10,065	10,399	11,335	11,860
Loans	5,704	5,640	5,492	5,526	5,376	5,192	5,012	5,086
Shares	2,556	2,330	2,457	2,726	2,693	2,464	2,637	2,444
Other equity	2,983	3,099	3,008	3,013	2,970	3,043	2,981	3,031
Investment fund shares/units	1,184	1,294	1,520	1,687	1,623	1,528	1,602	1,628
Insurance and pension schemes	141	131	141	151	148	131	129	137
Other	5,808	5,628	5,610	6,306	6,297	6,254	5,892	6,375

Table 8.11: Net financial assets

EUR million	2012	2013	14Q4	15Q1	15Q2	15Q3	15Q4	16Q1
Domestic sector	-18.684	-17.739	-18.324	-17.549	-16.837	-16.078	-16.162	-16.204
Non-financial corporations	-42.377	-41.538	-41.317	-40.564	-39.833	-38.446	-37.276	-37.161
Monetary financial institutions	4.186	5.191	4.289	4.354	4.111	3.894	3.651	3.311
Other financial institutions	-1.098	-844	-205	-15	-69	-9	19	374
General government	-3.147	-4.998	-7.337	-7.799	-7.693	-7.844	-9.611	-10.010
Households and NPISHs	23.753	24.450	26.246	26.476	26.647	26.326	27.055	27.283
Rest of the world	18.684	17.739	18.324	17.549	16.837	16.078	16.162	16.204

Table 8.12: Non-consolidated transactions in financial assets – four quarter moving sum of flows

EUR million	2012	2013	14Q4	15Q1	15Q2	15Q3	15Q4	16Q1
Domestic sector								
Total	-720	-1,499	3,763	-25	-1,981	2,188	963	-703
Monetary gold and SDRs	-1	-12	12	-43	0	0	0	-18
Currency and deposits	-1,171	777	8,795	4,195	200	2,624	455	-2,302
Debt securities	-141	993	646	1,166	2,684	3,319	3,086	3,727
Loans	1,505	-3,799	-4,645	-4,502	-4,554	-3,808	-3,203	-2,358
Shares	29	139	-824	-846	-407	-32	178	-82
Other equity	177	430	185	410	337	851	670	495
Investment fund shares/units	15	27	152	208	235	211	167	121
Insurance and pension schemes	23	-23	182	249	217	192	178	106
Other	-1,155	-31	-739	-862	-693	-1,169	-569	-391
Non-financial corporations								
Total	-964	132	-412	-420	-753	-417	368	284
Currency and deposits	-128	583	456	385	344	496	735	736
Debt securities	-1	-16	-14	-20	-17	-28	-36	-18
Loans	-325	-207	75	110	-265	-305	-192	-87
Shares	56	-6	-337	-334	-265	-34	103	55
Other equity	111	110	-100	-28	1	387	294	290
Investment fund shares/units	-22	-20	-1	-5	-3	-1	-3	-6
Insurance and pension schemes	-11	-41	24	20	18	36	23	25
Other	-645	-271	-516	-546	-567	-967	-555	-712
Monetary financial institutions								
Total	887	-3,413	-1,546	-1,951	-2,713	-1,964	-1,797	-1,133
Monetary gold and SDRs	-1	-12	12	-43	0	0	0	-18
Currency and deposits	24	613	2,936	2,038	-1,307	-2,081	-2,849	-3,339
Debt securities	-371	512	791	972	2,409	2,878	2,764	3,544
Loans	1,307	-4,344	-5,251	-4,966	-4,105	-3,202	-2,052	-1,454
Shares	3	-147	-208	-216	3	79	141	93
Other equity	47	148	155	336	304	313	205	29
Investment fund shares/units	-52	-13	-4	-4	-2	-2	-2	-2
Insurance and pension schemes	-4	-1	2	2	2	2	1	1
Other	-65	-169	22	-72	-17	50	-6	14
Other financial institutions								
Total	-329	96	-116	77	177	72	226	35
Currency and deposits	-166	-270	158	216	160	-112	-122	-177
Debt securities	221	305	100	361	341	477	493	416
Loans	-487	-92	-304	-298	-309	-317	-192	-150
Shares	-100	75	-79	-104	12	57	49	-92
Other equity	60	13	26	-7	-8	0	15	10
Investment fund shares/units	148	74	59	85	78	64	31	31
Insurance and pension schemes	45	-24	15	-17	-18	-24	-34	-27
Other	-50	14	-91	-160	-78	-73	-14	24
General government								
Total	-114	1,524	5,041	1,409	496	3,710	1,219	-855
Currency and deposits	-916	-71	4,356	850	392	3,705	1,925	-373
Debt securities	49	191	-131	-86	-23	14	-122	-157
Loans	987	866	833	652	116	28	-749	-681
Shares	124	271	-123	-110	-90	-75	-72	-56
Other equity	-72	147	77	77	9	119	118	134
Investment fund shares/units	9	4	16	14	13	32	26	30
Insurance and pension schemes	0	0	2	5	3	5	0	0
Other	-295	116	10	8	77	-117	93	248
Households and NPISHs								
Total	-200	161	796	860	811	787	947	967
Currency and deposits	15	-78	889	706	611	617	766	850
Debt securities	-38	0	-99	-61	-26	-22	-13	-58
Loans	24	-23	1	0	10	-11	-17	14
Shares	-54	-54	-77	-81	-69	-58	-44	-82
Other equity	31	13	27	32	32	32	38	33
Investment fund shares/units	-69	-19	83	118	149	119	116	68
Insurance and pension schemes	-7	43	138	239	212	172	188	107
Other	-101	279	-165	-92	-108	-61	-87	35
Rest of the world								
Total	-111	-789	3,325	2,446	-419	786	-442	-482
Monetary gold and SDRs	0	0	0	0	0	0	0	0
Currency and deposits	942	-4,186	-805	111	-156	-273	-350	385
Debt securities	-535	3,784	4,444	1,089	-1,440	-64	-999	-683
Loans	-650	-196	-1,142	-484	-383	-723	-627	-1,470
Shares	129	54	1,040	1,081	826	634	335	499
Other equity	-26	-32	-51	424	401	1,024	1,377	1,113
Investment fund shares/units	4	2	-11	-4	1	2	3	2
Insurance and pension schemes	41	39	-54	-59	-15	-11	3	20

Table 8.13: Non-consolidated transactions in liabilities – four quarter moving sum of flows

EUR million	2012	2013	14Q4	15Q1	15Q2	15Q3	15Q4	16Q1
Domestic sector								
Total	-698	-2,477	1,602	-1,942	-3,996	229	-879	-2,380
Monetary gold and SDRs	0	0	0	0	0	0	0	0
Currency and deposits	-313	-3,988	3,170	816	-201	1,185	644	-1,061
Debt securities	-444	5,338	4,602	1,460	61	1,838	338	1,135
Loans	683	-4,031	-5,723	-4,842	-4,736	-4,326	-3,556	-3,638
Shares	113	271	172	184	248	436	244	274
Other equity	138	247	86	776	776	1,858	2,079	1,616
Investment fund shares/units	-109	-38	39	113	160	145	142	59
Insurance and pension schemes	35	27	121	187	198	189	189	139
Other	-801	-302	-866	-636	-503	-1,096	-958	-904
Non-financial corporations								
Total	-1,199	-1,681	-2,314	-2,112	-2,275	-2,152	-1,168	-838
Debt securities	63	20	288	215	35	122	83	103
Loans	-937	-1,389	-1,953	-1,860	-2,300	-2,989	-2,488	-2,218
Shares	136	32	54	61	94	275	149	173
Other equity	122	105	154	309	323	1,272	1,470	1,488
Other	-582	-449	-858	-837	-427	-832	-382	-383
Monetary financial institutions								
Total	-156	-7,302	-2,320	-2,709	-3,501	-2,701	-2,282	-1,593
Monetary gold and SDRs	0	0	0	0	0	0	0	0
Currency and deposits	542	-4,221	1,002	609	-227	-554	-146	156
Debt securities	-1,678	-627	14	-53	-644	-530	-525	-750
Loans	1,167	-2,320	-3,367	-3,214	-2,644	-1,542	-1,536	-980
Shares	-29	-23	114	119	127	128	44	52
Other equity	0	0	0	0	0	0	0	0
Investment fund shares/units	-3	12	0	0	20	26	19	31
Other	-155	-122	-82	-170	-132	-230	-138	-102
Other financial institutions								
Total	-389	-162	-635	-269	-173	-30	233	-85
Debt securities	0	-10	1	4	-47	-52	-72	-72
Loans	-344	-350	-694	-963	-912	-785	-491	-238
Shares	5	56	3	4	27	33	51	49
Other equity	16	141	-68	468	453	474	496	16
Investment fund shares/units	-106	-50	39	113	140	119	123	28
Insurance and pension schemes	35	27	121	186	198	189	189	139
Other	4	25	-36	-82	-33	-8	-62	-7
General government								
Total	1,387	6,937	6,941	3,263	2,062	5,172	2,343	87
Currency and deposits	-855	232	2,168	207	26	1,739	790	-1,216
Debt securities	1,169	5,956	4,299	1,294	717	2,297	851	1,855
Loans	1,098	347	395	1,279	1,169	988	872	-309
Shares	0	205	0	0	0	0	0	0
Other equity	0	0	0	0	1	112	112	112
Other	-25	197	78	483	149	36	-282	-355
Households and NPISHs								
Total	-341	-268	-71	-115	-109	-60	-6	49
Loans	-301	-317	-103	-84	-48	1	87	107
Other	-43	47	33	-31	-61	-61	-93	-58
Rest of the world								
Total	-133	188	5,487	4,362	1,596	2,745	1,400	1,195
Monetary gold and SDRs	-1	-12	12	-43	0	0	0	-18
Currency and deposits	85	579	4,821	3,490	246	1,166	-538	-856
Debt securities	-232	-561	488	794	1,183	1,417	1,749	1,909
Loans	171	36	-65	-144	-201	-205	-274	-190
Shares	45	-78	44	51	170	166	270	143
Other equity	14	151	48	57	-38	18	-32	-8
Investment fund shares/units	128	67	102	92	77	68	28	64
Insurance and pension schemes	28	-10	8	3	3	-8	-8	-13
Other	-369	16	29	62	156	124	205	164

Table 8.14: Net financial transactions – four quarter moving sum of flows

EUR million	2012	2013	14Q4	15Q1	15Q2	15Q3	15Q4	16Q1
Domestic sector	-23	978	2.162	1.917	2.015	1.959	1.842	1.677
Non-financial corporations	235	1.814	1.901	1.692	1.523	1.735	1.536	1.121
Monetary financial institutions	1.043	3.889	775	758	787	737	485	460
Other financial institutions	60	257	519	346	350	102	-8	120
General government	-1.501	-5.412	-1.900	-1.854	-1.566	-1.462	-1.125	-942
Households and NPISHs	141	429	867	975	920	847	953	917
Rest of the world	23	-978	-2.162	-1.917	-2.015	-1.959	-1.842	-1.677

METHODOLOGICAL NOTE

International economic relations

The balance of payments methodology and Slovenia's international investment position are based on the recommendations of the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (IMF, 2009). The external debt statistics are based on the External Debt Statistics: Guide for Compilers and Users (IMF, 2014), which was also issued by the IMF and is fully compliant with the aforementioned manual.

The **balance of payments** is a statistical illustration of economic transactions between residents of a certain economy and non-residents taking place during a specific period. A *transaction* is an interaction between two institutional units that occurs by mutual agreement or through the operation of the law and involves an exchange of value or a transfer.

The **international investment position** is statistical statement that shows at a point in time the value of financial assets of residents of an economy that are claims on non-residents or are gold bullion held as reserve assets, and the liabilities of residents of an economy to non-residents.

The **gross external debt** is derived from the international investment position. It consists of non-contingent liabilities requiring the repayment of principal and/or interest at a specific period in the future that are simultaneously debt to a non-resident of a specific economy. The **net external debt** is derived from the difference between the claims and liabilities vis-à-vis non-residents via such instruments. The concept of external debt does not include equities or financial derivatives.

Statistics of financial institutions and markets

The methodology for the balance sheets of financial institutions is based on the methodology of the European Central Bank (ECB) and the euro area. The data source is the statistical report by monetary financial institutions.

The features of the methodology are as follows:

- The sector of monetary financial institutions (MFIs) comprises banks, savings banks, credit unions and money-market funds.
- Loans are disclosed in gross amounts.
- The items "loans and deposits" and "debt securities" under claims and liabilities, on account of the inclusion of marketable/non-marketable securities in the items of loans and deposits and securities. According to the ECB methodology non-marketable securities are included under loans and deposits, while marketable securities are included under debt securities.
- Under the ECB methodology relations on behalf and internal relations are included in net amounts.
- The figures for certain items (loans, deposits, securities other than shares, issued debt securities) are disclosed at nominal value in accordance with the ECB requirement. The nominal value for individual instruments means the amount of principal that the obligor owes the creditor under the contract:
  - loans: outstanding principal, excluding accrued interest, commission and other costs,
  - deposits: amount committed for a fixed term, excluding accrued interest,
  - debt securities: nominal value.

The **consolidated balance sheet of monetary financial institutions** discloses the overall (consolidated) balance sheet of the Bank of Slovenia and other monetary financial institutions at the end of the month. Mutual claims and liabilities of sectors S.122 and S.121 are excluded. On the liability side of the balance sheet, liabilities to domestic sector S.1311 are excluded in certain items, and are captured under other liabilities.

The **balance sheet of the Bank of Slovenia** discloses the balance sheet of the Bank of Slovenia at the end of the month in accordance with ECB's methodology.

The **balance sheet of other monetary financial institutions** discloses the aggregate balance sheet of other monetary financial institutions, i.e. banks, savings banks, credit unions and money-market funds, at the end of the month.

The legal requirements with regard to **interest rate statistics of MFIs** are set out in Regulation ECB/2013/34 amended by Regulation ECB/2014/30, which defines the statistical standards according to which monetary financial institutions report their interest rate statistics. The interest rate statistics of MFIs relate to the interest rates on which a credit institution or other institution reach agreement with a client. A new operation is defined as a new agreement between a household or non-financial corporation and a credit institution or other institution. New agreements include all financial contracts whose terms first set out the interest rate on a deposit or loan, and all new negotiations with regard to existing deposits and loans.

Financial accounts statistics

The methodological basis for compiling the financial accounts consists of the ESA 2010, which sets out common standards, definitions, classifications and accounting rules.

The financial accounts disclose the stocks and transactions recorded by individual institutional sectors in individual financial instruments as claims and liabilities.

The **institutional sectors** comprise the domestic sectors and the rest of the world. The domestic sectors comprise non-financial corporations, monetary financial institutions (central bank, deposit-taking corporations, money-market funds), other financial institutions (investment funds, other financial intermediaries, financial auxiliaries, captive financial institutions and money lenders, insurance corporations, pension funds), the general government sector (central government, local government, social security funds), households and non-profit institutions serving households (NPISHs).

Financial instruments comprise monetary gold and SDRs (special drawing rights), currency and deposits, debt securities, loans, shares, other equity, investment fund shares/units, insurance and pension schemes, and other instruments (financial derivatives, other accounts receivable/payable).

Transactions comprise the difference between increases (acquisitions) and decreases (disposals), i.e. the net transactions in an individual financial instrument.

Net financial assets discloses the difference between the stock of financial assets and the stock of financial liabilities, while net transactions discloses the difference between transactions in financial assets and transactions in financial liabilities.

The annual and quarterly stocks at the end of the period and the annual and quarterly transactions (four-quarter moving sums) are given in the table. The figures are unconsolidated, which means that they include claims and liabilities between units within the framework of an institutional sector.