

**BANKA**  

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**SLOVENIJE**

**BANK OF SLOVENIA**  
**EUROSYSTEM**

**SUMMARY**  
**OF MACROECONOMIC**  
**DEVELOPMENTS**

**AUGUST 2016**



## Summary of macroeconomic developments, August 2016

*Global economic activity slid slightly in the second quarter, and the forecasts are also being revised downwards. Growth in the euro area slowed in the second quarter: the quarterly rate stood at 0.3% and the year-on-year rate at 1.6%. The short-term indicators for industry, retail trade and construction also revealed a somewhat dim picture. Growth is being slowed by a decline in export growth, including exports to China, where economic growth in the second quarter remained unchanged compared to the first at 6.7%. The aggregate confidence indicator in the euro area nevertheless remained stable in July, and unemployment continued to fall in May and June. The forecasts for 2016 remain comparable to the annual rates from the second quarter, while in July and August, in light of the Brexit prospects, Consensus lowered its forecasts for 2017 for the euro area, the US, and the wider global economy. Minor positive exceptions are the forecast for Russia, Croatia, and Serbia. Oil prices fell in July from almost USD 50 to USD 40 per barrel, before rising again to USD 50 over the first two-thirds of August.*

*In Slovenia the positive dynamic seen in the first quarter continued in the second quarter. It was mostly driven by export growth. Industrial production and export of goods grew sharply again in May and June, while exports of services has maintained at last year's high levels. It is highly likely that domestic consumption is also growing. This is indicated by the growth in merchandise imports, which is concurrent to the exports' growth. The turnover in the retail sector continued to grow over the first six months of the year, albeit only in the domain of sales of private transportation vehicles and other non-food products, which recorded very high year-on-year indices. The year-on-year indices in other services were also high, although growth was already stalling in the second quarter. The monthly growth in the construction sector picked up slightly, following a minor additional growth in the infrastructure segment, which has seen a large increase in residential construction last year. Consensus's forecasts for Slovenia for 2016 and 2017 remain unchanged.*

*On the labour market, the rise in employment and the fall in unemployment have strengthened this year, particularly in the second quarter. The workforce in employment excluding self-employed farmers was up more than 2.5% in year-on-year terms in May and June, or almost 20,000 persons. The largest driver of such growth was the manufacturing sector. The employment expectations indicators remain positive, with the exception of the construction sector. Unemployment stood at 99,117 persons in July, down 9.5% on last July. Less people have deregistered from unemployment in July compared to the same month last year, but down was also the number of newly registered people. Average wage has been growing strengthened slightly since December in mostly public services. This year its growth has strengthen, but even more so the growth of the wage bill, especially in the private sector, albeit it has seen some slow down in summer.*

*After a reversal in June, when inflation in Slovenia returned to positive territory after two years at 0.1%, the rate again fell slightly below zero in July. The rise in inflation over the last three months was primarily driven by the services, which surged by 2.4% in June and 2.3% in July in year-on-year terms. Food prices also rose slightly, while the contribution made by prices of non-energy industrial goods remains slightly negative. The rise in inflation was also attributable to a decline in the negative annual contribution of energy prices. Growth in the narrowest core inflation indicator, which in the last quarter has slightly surpassed the euro area average for the first time in two years, suggests at least a moderate strengthening in price pressures, perhaps primarily on account of wage growth, cost or demand driven.*

*The consolidated general government deficit (according to cash flow methodology) is narrowing. Currently, there are official figures only for the first four months available, however an improvement is suggested by the developments in the state budget, where the deficit in the period from May to July narrowed by EUR 136 million in year-on-year terms. Inflows of taxes and social security contributions surpassed the annual growth of 3% over the first seven months. The improved economic situation is particularly evident from increased inflows of taxes from wages. The only noteworthy decline on the revenue side was recorded by inflows from the EU budget, which were down EUR 100 million in year-on-year terms in July alone, as a result of which government investment spending has also declined this year. The required yield on Slovenian government bonds remains low.*

## Selection of main macroeconomic indicators on a monthly basis

	12 m. 'till	12 m. 'till	12 m. 'till	3 m. 'till	3 m. 'till	2016	2016	2016	2016
	May.14	May.15	May.16	May.15	May.16	Mar.	Apr.	May.	Jun.
<b>Economic Activity</b>									
									* data for Jul.16
				<i>balance of answers in percentage points</i>					
Sentiment indicator	-9.5	2.2	4.9	5.1	4.3	3.7	5.9	3.4	4.2 (5.1*)
- confidence indicator in manufacturing	-1.8	4.4	5.7	6.3	5.7	4.0	8.0	5.0	5.0 (4.0*)
				<i>year-on-year growth rates in %</i>					
Industry: - total <sup>1</sup>	-0.3	4.0	4.9	6.0	5.2	4.9	5.7	5.1	6.1
- manufacturing	0.1	5.6	5.8	6.6	6.7	6.2	7.4	6.6	7.4
Construction: - total <sup>2</sup>	18.0	5.0	-16.3	-6.0	-27.3	-36.0	-27.4	-19.5	-16.0
- civil engineering	-2.6	-0.5	-5.9	-4.1	-11.1	-7.5	-12.3	-13.2	-8.7
Trade (volume turnover)									
Total retail trade	-1.9	0.3	0.8	0.7	1.0	0.6	1.9	0.4	1.9
Retail trade and repair of motor vehicles	6.9	9.6	18.1	14.6	23.9	21.2	25.1	25.5	13.4
Private sector services <sup>3</sup>	1.8	3.4	5.0	3.2	3.6	3.7	3.6	3.3	...
				<i>year-on-year growth rates in %</i>					
Average gross wage	0.5	0.9	1.6	0.7	2.2	2.8	1.8	2.1	1.6
- private sector	1.2	0.8	1.3	0.5	1.9	2.3	1.3	2.1	0.9
- public sector	-0.3	1.4	2.2	1.3	3.1	3.9	2.9	2.7	3.1
Real net wage <sup>4</sup>	-0.3	0.8	2.0	1.0	2.8	3.5	2.2	2.3	1.2
Registered unemployment rate (in %)	13.3	12.7	11.9	12.5	11.5	12.0	11.5	11.1	10.8
Registered unemployed persons	5.9	-3.6	-6.5	-6.7	-7.9	-6.7	-8.2	-9.0	-9.5
Persons in employment	-0.9	1.2	0.7	1.1	1.3	0.8	1.4	1.6	1.6
- private sector	-0.9	1.5	0.6	1.3	1.1	0.6	1.3	1.5	1.8
- public sector	-0.9	0.3	1.0	0.6	1.6	1.4	1.6	1.8	1.2
				<i>year-on-year growth rates in %</i>					
<b>Price Developments</b>									
HICP	1.3	-0.2	-0.8	-0.6	-0.7	-0.9	-0.7	-0.5	0.1
- services	2.3	1.5	0.8	1.0	1.3	0.9	1.1	1.8	2.4
- industrial goods excluding energy	-0.7	-1.1	-0.3	-1.2	-0.2	-0.3	-0.1	-0.2	-0.3
- food	2.9	0.7	0.6	1.3	-0.1	0.3	-0.3	-0.3	0.7
- energy	-0.1	-3.7	-8.0	-6.5	-8.2	-9.2	-7.4	-7.9	-6.3
Core inflation indicator <sup>5</sup>	1.0	0.4	0.3	0.0	0.7	0.4	0.6	1.0	1.2
				<i>in % GDP</i>					
<b>Balance of Payments - Current Account</b>									
Current account balance	5.1	5.6	6.5	5.1	8.2	10.2	7.9	6.7	10.1
1. Goods	2.3	3.3	4.6	3.6	4.6	5.5	4.7	3.6	6.5
2. Services	4.5	4.9	5.4	5.5	6.0	6.4	6.0	5.6	5.7
3. Primary income	-0.3	-1.3	-2.3	-2.6	-1.1	-0.1	-1.7	-1.3	-1.3
4. Secondary income	-1.2	-1.3	-1.2	-1.4	-1.3	-1.7	-1.0	-1.2	-0.8
				<i>nominal year-on-year growth rates in %</i>					
Export of goods and services	2.8	6.4	5.2	6.1	4.7	1.7	5.5	7.1	2.7
Import of goods and services	1.3	4.4	2.8	4.8	2.7	1.8	0.0	6.5	2.1
<b>Public Finances</b>									
Consolidated general government (GG) balance <sup>6</sup>	2014	2015	12 m. 'till	2015		2016			
			apr.16	jan.-apr.		jan.-apr.			
	<i>EUR millions</i>		<i>% GDP</i>	<i>EUR mio</i>		<i>EUR mio</i>			
			<i>y-o-y, %</i>	<i>y-o-y, %</i>		<i>y-o-y, %</i>			
Revenue	15,494	15,714	40.2	0.2	5,076	3.2	5,037	-0.8	
Tax revenue	13,193	13,746	35.4	2.6	4,525	6.1	4,589	1.4	
From EU budget	1,040	882	2.0	-26.5	315	2.7	203	-35.5	
Other	1,261	1,085	2.8	-4.6	236	-32.6	245	3.7	
Expenditure	16,755	16,956	43.1	0.3	5,626	0.0	5,483	-2.5	
Current expenditure	7,043	7,168	18.4	2.0	2,543	-0.1	2,554	0.4	
- wages and other personnel expenditure	3,610	3,610	9.3	0.3	1,211	0.3	1,224	1.1	
- purchases of goods, services	2,233	2,311	6.0	6.1	682	-4.6	705	3.3	
- interest	1,097	1,043	2.7	-5.7	595	0.1	588	-1.2	
Current transfers	7,592	7,540	19.4	0.2	2,551	-0.9	2,596	1.8	
- transfers to individuals and households	6,335	6,371	16.4	1.0	2,107	0.7	2,147	1.9	
Capital expenditure, transfers	1,717	1,815	4.3	-4.2	327	5.5	173	-47.0	
GG surplus/deficit	-1,261	-1,242	-2.9	2.9	-550	-21.9	-446	-18.9	

Sources: SORS, Bank of Slovenia, Ministry of finance, Bank of Slovenia calculations.

Notes: Economic activity data are working day adjusted (with exception of sentiment and confidence indicators data, which are seasonally adjusted). Other data in the table are original.

<sup>1</sup> Volume of industrial production. <sup>2</sup> Real value of construction put in place. <sup>3</sup> Nominal turnover in private sector services, excluding trade and financial services. <sup>4</sup> CPI deflator. <sup>5</sup> Inflation excluding energy, food, alcohol, tobacco. <sup>6</sup> Consolidated central government budget, local government budgets and social security funds (pension and disability insurance fund and health insurance fund) in cash accounting principle.