

**BANKA**  

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**SLOVENIJE**

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

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

**JANUARY 2016**



## Summary of macroeconomic developments, January 2016

*The Bank of Slovenia assesses that the risk to growth in foreign demand in 2016 is continuing to increase. Signals from the international environment are mixed. The geopolitical turmoil in the Middle East is worsening, albeit without significant economic consequences for the moment. There was no significant decline in the weighted growth forecasts for the main trading partners towards the end of 2015, while the economic sentiment in the euro area remained stable. Estimates of global economic growth continued to decline at the same time. Growth in the major economies remains uneven, which has also begun to be reflected in a divergence between the monetary policies of the ECB and the Fed. Via the impact on the euro exchange rate this will continue to contribute positively to the price competitiveness of the euro area export sector, while low commodity prices will prevent an increase in its input costs, although deflationary pressures will therefore be maintained.*

*Economic growth in Slovenia slowed slightly more towards the end of the year, at least on the basis of the available monthly figures. Although the situation on the main markets going into the final quarter of 2015 was stable, at least on aggregate, Slovenia's growth in merchandise exports slowed more than would have been expected on the basis of the base effect and growth in industrial production. The slowdown is most likely temporary, as November figures for exports turned positive and the major exporters remained relatively optimistic in their assessments of expected orders. Export sector's cost competitiveness relative to firms elsewhere in the euro area also strengthened further. Figures suggest that the recovery in domestic demand has remained moderate; monthly growth in turnover remained low in the retail sector, and actually came to a halt in other services. The current account surplus over the preceding 12 months thus remained high at 7.6% of GDP in October.*

*Quarterly economic growth slowed in the third quarter of 2015, albeit only as a result of a decline in construction activity. This was the result of the end of a strong government investment cycle prompted by the uneven disbursement of EU funds. The decline in construction investment was also the sole factor in the decline in year-on-year growth in domestic demand to just 0.3%. The slowdown in aggregate growth conceals some positive changes in the economy. The robustness of economic growth from the perspective of value-added increased in the third quarter of 2015, and the structure of investment improved again. The contribution made to GDP growth by industry remained at the level of previous quarters despite the moderation in export growth, while there was a sharp increase in growth in services, which contributed just over a half to aggregate growth. At the same time there were signs of a reversal towards moderate growth in investment in machinery and equipment, which is being facilitated by the high corporate financial surplus. Year-on-year growth in household consumption and government consumption remained positive, although both rates remain among the lowest in the euro area. This was reflected, via weak imports, in the high contribution made by net trade, which accounted for 2.3 percentage points of GDP growth of 2.5% in the third quarter.*

*Aggregate developments on the labour market remained positive in the second half of 2015. Uncertain forms of employment remained prevalent. Self-employment accounted for almost a third of the rise in employment. At the same time, the labour market reform of 2013 is no longer having the desired effects, as the proportion of permanent new hires is again declining and the proportion of those registering as unemployed because their temporary employment has ended is increasing. Wage growth has remained very moderate, partly as a result of increased employment of low-income workers. The structure of employment is being reflected in low growth in labour productivity, which is nevertheless outpacing wage growth.*

*Slovenia recorded deflation overall in 2015, for the first time since price growth began to be measured by the HICP. This was the result of factors both from the international and domestic environment. Prices fell more sharply than those in the euro area overall as a result of the larger impact of foreign factors conditioned by differences in price structure, and as a result of weaker growth in final consumption.*

*Slovenia's main fiscal objective in 2015 was to reduce its general government deficit to below 3% of GDP. The objective was realised according to the latest estimates; the official annual data will be known at the end of March 2016. General government revenues over the first three quarters of 2015 were up 3.8% in year-on-year terms, as a result of the improved macroeconomic situation and a rise in levels of certain taxes and contributions. General government expenditure was approximately unchanged in year-on-year terms after the exclusion of one-off factors.*

## Main macroeconomic indicators

	2012	2013	2014	15Q1	15Q2	15Q3	2012	2013	2014	15Q1	15Q2	15Q3
	<b>Slovenia</b>						<b>euro area</b>					
<b>Economic developments</b>	<b>y-o-y growth rates in %</b>											
GDP	-2.7	-1.1	3.0	2.8	2.7	2.5	-0.9	-0.3	0.9	1.3	1.6	1.6
- industry	-2.6	-0.1	4.8	5.8	4.7	5.4	-1.0	-0.6	0.5	1.4	2.0	1.7
- construction	-7.7	-8.7	9.5	-0.8	-6.0	-7.6	-5.8	-3.5	-0.6	-0.7	0.2	0.4
- mainly public sector services	1.2	-0.4	1.0	0.2	0.1	0.3	0.0	0.4	0.5	0.7	0.7	0.9
- mainly private sector services	-3.1	-0.8	4.4	3.3	2.9	3.3	-0.8	-0.3	1.0	1.5	1.7	1.6
Domestic expenditure	-5.8	-2.2	1.6	2.5	0.9	0.3	-2.4	-0.7	0.9	1.4	1.4	1.8
- general government	-2.3	-1.5	-0.1	-1.0	0.4	0.9	-0.2	0.2	0.9	1.4	1.3	1.7
- households and NPISH	-2.5	-4.1	0.7	0.7	1.2	1.3	-1.2	-0.7	0.8	1.7	1.6	1.8
- gross capital formation	-17.5	2.7	5.7	11.2	0.6	-2.6	-7.5	-1.8	1.3	0.7	0.9	2.1
- gross fixed capital formation	-8.8	1.7	3.2	1.5	-0.7	-3.9	-3.3	-2.6	1.3	2.1	2.7	2.0
- inventories and valuables, contr. to GDP growth in pp	-2.0	0.2	0.5	1.9	0.3	0.2	-0.9	0.2	0.0	-0.3	-0.4	0.0
<b>Labour market</b>	<b>in %</b>											
Employment	-0.9	-1.4	0.6	1.5	1.6	1.3	-0.4	-0.7	0.6	0.9	1.0	1.1
- mainly private sector services	-1.4	-1.6	0.6	1.7	1.8	1.5	-0.6	-1.0	0.5	1.0	1.1	1.2
- mainly public sector services	1.0	-0.6	0.4	0.8	0.7	0.7	0.0	0.2	0.8	0.6	0.6	0.9
Labour costs per employee	-1.0	0.5	1.1	0.5	0.9	0.3	1.5	1.6	1.4	1.3	1.3	1.1
- mainly private sector services	-0.3	1.7	2.1	0.4	1.1	0.4	1.7	1.5	1.5	1.4	1.4	1.2
- mainly public sector services	-3.3	-3.2	-2.0	-1.0	0.3	0.3	0.8	1.6	0.9	1.0	1.1	0.9
Unit labour costs	0.5	-0.1	-2.0	-0.7	0.1	-1.1	1.7	1.1	1.1	0.8	0.8	0.8
- industry	3.6	0.8	-1.0	-3.7	-0.9	-3.1	2.2	2.0	1.6	0.7	0.3	0.2
LFS unemployment rate	8.9	10.1	9.8	9.8	9.2	8.6	11.3	12.0	11.7	11.7	10.9	10.3
<b>Foreign trade</b>	<b>y-o-y growth rates in %</b>											
Current account balance as % of GDP	2.6	5.6	7.0	6.7	7.1	7.7	1.5	2.2	2.3	2.1	1.1	0.0
External trade balance as contr. to GDP growth in pp	3.0	1.1	1.6	0.5	1.9	2.3	1.5	0.4	0.0	-0.1	0.3	-0.1
Real export of goods and services	0.6	3.1	5.8	6.1	6.1	4.5	2.6	2.1	4.1	5.2	6.0	4.2
Real import of goods and services	-3.7	1.7	4.0	6.0	4.0	1.7	-1.0	1.3	4.5	5.8	5.7	4.9
<b>Financing</b>	<b>in % of GDP</b>											
Banking system's balance sheet	141.0	128.9	116.7	114.5	110.6	109.2	322.6	297.6	299.3	309.5	295.1	291.7
Loans to NFCs	52.9	45.1	31.5	29.9	29.1	27.8	44.6	42.0	40.2	40.1	39.8	39.4
Loans to households	23.0	22.6	21.5	21.3	21.3	21.2	52.4	51.8	50.7	50.5	50.4	50.3
<b>Inflation</b>	<b>in %</b>											
HICP	2.8	1.9	0.4	-0.5	-0.8	-0.8	2.5	1.3	0.4	-0.3	0.2	0.1
HICP excl. energy, food, alcohol and tobacco	0.7	0.9	0.6	0.7	-0.2	0.3	1.5	1.1	0.8	0.7	0.8	0.9
<b>Public finance</b>	<b>in % of GDP</b>											
Debt of the general government	53.7	70.8	80.8	81.8	80.8	84.1	89.3	91.1	92.1	92.9	92.3	...
One year net lending/net borrowing of the general government	-4.1	-15.0	-5.0	-4.7	-4.6	-4.1	-3.7	-3.0	-2.6	-2.5	-2.4	...
- interest payment	2.0	2.6	3.2	3.2	3.2	3.2	3.0	2.8	2.7	2.6	2.5	...
- primary deficit	-2.1	-12.4	-1.9	-1.5	-1.4	-0.9	-0.6	-0.2	0.1	0.1	0.1	...
- deficit excl. bank recapitalisations	-4.0	-4.9	-4.1	-3.8	-3.7	-3.2						
- primary deficit excl. bank recapitalisations	-1.9	-2.3	-0.9	-0.6	-0.5	0.0						

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