

**BANKA**  

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**SLOVENIJE**

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

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

**MAY 2017**



## Summary of macroeconomic developments, May 2017

*The global economic situation is improving. Growth in global trade is increasing, industrial production is strengthening, and the survey indicators of activity are also favourable. At the same time the euro area economy is continuing to grow; the latest European Commission forecasts for 2017 and 2018 suggest growth will remain slightly below 2%. As unemployment falls, the main engine of growth remains private consumption, albeit with a slightly reduced contribution, as the reversal in inflation while wage growth remains low will reduce real growth in disposable income. Investment is forecast to continue growing at moderate rates only, and is expected to be held back by uncertainty, despite the favourable financing conditions and supportive policy. The contribution made by net trade is expected to be neutral, as increased global demand will be neutralised by growth in domestic demand.*

*The economic situation in Slovenia is favourable. Consumer optimism and employment growth were reflected in high growth in turnover in numerous segments of trade and services in the first quarter. Investment continued to grow, supported by firms' own net profits, which amounted to EUR 3.2 billion or 8% of GDP last year. Investment in construction began to pick up more notably on the back of previous growth in the number of building permits and the value of new contracts. The amount of construction put in place in March was up more than 40% in year-on-year terms, albeit in the context of a strong base effect. The export sector also strengthened significantly in the first quarter. In the wake of strong export growth, most notably to EU markets, year-on-year growth in manufacturing output strengthened to 10% in March. Its technological intensity is continuing to improve, as more technologically advanced segments record higher than average growth. The current account surplus remains large for the moment, despite stronger domestic demand and a deterioration in the terms of trade caused by growth in import prices. It amounted to 6.8% of GDP over the 12 months to March. Economic growth is set to remain high in the second quarter: according to surveys, firms expect the strong growth in demand to continue.*

*In the wake of low wage growth, consumer purchasing power is primarily being increased by employment growth. The workforce in employment excluding self-employed farmers was up 3.3% in year-on-year terms in the first quarter, as the vast majority of sectors recorded an increase. Strong employment growth can also be expected in the second quarter: the employment expectations indicator as measured by SURS has strengthened in recent months in construction and services, while in retail and manufacturing it has actually exceeded the level from the period of the overheating economy between 2006 and 2008. Unemployment in April was down 13.6% in year-on-year terms, but despite the rapid fall in unemployment, wage growth remains relatively weak for the moment, and lower than inflation. The average gross wage in the first quarter was up just 1.5% year-on-year in nominal terms, and down 0.5% in real terms. Real growth in the wage bill remains positive, but less than nominal growth, an indication that the rise in inflation has already slowed the increase in purchasing power.*

*The consolidated fiscal data according to the cash flow principle reveals relatively high growth in revenues, which is leading to the gradual closure of the deficit given the existing growth in expenditure. According to the forecasts of the government and the European Commission, the general government deficit and debt will continue to decline, although the government forecasts are more optimistic. Assessments of Slovenia's position in the economic cycle are also diverging again. The European Commission sees relatively high overheating of the economy in the next year in particular, which under the rules of the Stability and Growth Pact should lead to greater fiscal consolidation. The Ministry of Finance*

*and other institutions are not forecasting such a high level of overheating. Further fiscal consolidation is necessary from the perspective of convergence towards a balanced structural position, although there remain questions over the scale and structure of the consolidation measures.*

*For now, domestic inflation factors relate solely to services. Year-on-year inflation as measured by the HICP fell to 1.7% in April, down 0.3 percentage points on March, primarily as a result of the tailing-off of the external shock in food prices from the beginning of the year, and a slowdown in year-on-year growth in energy prices caused by a waning base effect and new falls in global oil prices. Despite strengthening price pressures in manufacturing supply chains as a result of growth in import prices, prices of industrial goods are continuing to fall. On the other hand, services prices are rising, doing so across different price categories in recent months. Core inflation remains at approximately 1%, broadly unchanged from the second half of last year.*

## Selection of main macroeconomic indicators on a monthly basis

	12 m. 'till Mar.15	12 m. 'till Mar.16	12 m. 'till Mar.17	3 m. 'till Mar.16	3 m. 'till Mar.17	2017 Jan.	2017 Feb.	2017 Mar.	2017 Apr.
<b>Economic Activity</b>									
	<i>balance of answers in percentage points</i>								
Sentiment indicator	0.9	5.0	7.4	3.7	11.1	10.2	10.6	12.5	11.8
- confidence indicator in manufacturing	3.8	5.7	7.1	4.3	10.7	9.0	11.0	12.0	9.0
	<i>year-on-year growth rates in %</i>								
Industry: - total <sup>1</sup>	3.2	5.3	7.1	6.6	6.6	2.1	7.6	9.7	...
- manufacturing	4.6	6.1	8.1	8.0	6.7	1.6	7.7	10.5	...
Construction: - total <sup>2</sup>	13.1	-13.7	-9.6	-31.3	19.8	-9.5	21.1	41.5	...
- civil engineering	1.4	-4.2	10.4	-6.6	36.5	24.3	26.4	55.0	...
Trade (volume turnover)									
Total retail trade	0.1	0.7	6.9	0.4	12.6	12.3	15.4	10.4	...
Retail trade and repair of motor vehicles	6.5	16.4	19.9	22.7	14.1	13.0	15.3	14.0	...
Private sector services <sup>3</sup>	3.6	5.0	...	4.7	...	4.7	7.1	...	...
	<i>year-on-year growth rates in %</i>								
Average gross wage	1.3	1.1	1.6	2.3	1.5	2.1	0.5	1.9	...
- private sector	1.0	1.0	1.6	2.1	1.7	2.9	0.1	2.1	...
- public sector	2.1	1.5	2.1	2.8	1.7	1.5	1.5	2.1	...
Real net wage <sup>4</sup>	1.0	1.6	1.1	2.8	0.0	1.0	-1.0	0.2	...
Registered unemployment rate (in %)	12.9	12.1	10.8	12.5	10.7	11.2	10.9	10.2	...
Registered unemployed persons	-2.3	-6.2	-10.4	-5.6	-12.8	-12.2	-12.7	-13.6	-13.6
Persons in employment	1.1	0.6	2.2	0.6	3.0	3.1	3.0	3.0	...
- private sector	1.5	0.5	...	0.4	...	3.9	3.8	...	...
- public sector	0.2	0.8	...	1.1	...	1.2	1.1	...	...
	<i>year-on-year growth rates in %</i>								
HICP	0.1	-0.8	0.6	-0.9	2.0	1.5	2.5	2.0	1.7
- services	1.8	0.6	1.8	0.7	1.6	1.3	2.0	1.5	2.6
- industrial goods excluding energy	-1.0	-0.5	-0.6	-0.3	-0.6	-0.9	-0.4	-0.4	-0.8
- food	0.6	0.8	1.1	0.2	2.5	2.0	3.3	2.2	1.3
- energy	-2.7	-7.8	-1.3	-7.9	8.1	6.9	9.0	8.7	5.4
Core inflation indicator <sup>5</sup>	0.6	0.2	0.8	0.3	0.7	0.4	1.0	0.7	1.1
	<i>in % GDP</i>								
Balance of Payments - Current Account									
Current account balance	6.0	5.8	6.8	7.7	7.9	7.4	8.0	8.2	...
1. Goods	3.3	4.2	3.6	5.1	3.9	2.6	3.7	5.4	...
2. Services	4.7	5.4	5.9	5.1	5.7	5.9	5.3	6.0	...
3. Primary income	-0.9	-2.4	-1.5	-0.8	-0.5	0.1	0.4	-2.0	...
4. Secondary income	-1.1	-1.3	-1.1	-1.7	-1.3	-1.3	-1.4	-1.2	...
	<i>nominal year-on-year growth rates in %</i>								
Export of goods and services	6.2	4.9	6.6	4.1	12.2	14.5	6.3	15.6	...
Import of goods and services	4.4	2.8	7.2	1.4	13.9	18.6	5.6	17.9	...
	<b>Public Finances</b>								
	2015	2016	12 m. 'till Feb/17		2016 jan.-Feb.		2017 jan.-Feb.		
Consolidated general government (GG) balance <sup>6</sup>	<i>EUR millions</i>		% GDP	y-o-y, %	EUR mio	y-o-y, %	EUR mio	y-o-y, %	
Revenue	15,714	15,841	39.8	0.8	2,508	5.0	2,635	5.1	
Tax revenue	13,746	14,240	35.9	4.1	2,257	4.1	2,423	7.4	
From EU budget	882	481	1.0	-56.3	131	25.9	48	-63.3	
Other	1,085	1,120	2.9	6.8	120	3.2	164	36.1	
Expenditure	16,956	16,492	41.2	-1.9	2,719	-3.7	2,762	1.6	
Current expenditure	7,168	7,406	18.4	3.1	1,259	0.1	1,243	-1.2	
- wages and other personnel expenditure	3,610	3,785	9.5	5.6	614	-0.8	635	3.4	
- purchases of goods, services	2,311	2,371	5.9	1.6	336	11.2	347	3.3	
- interest	1,043	1,074	2.6	0.2	289	-4.4	245	-15.0	
Current transfers	7,540	7,698	19.4	3.6	1,271	-2.0	1,361	7.1	
- transfers to individuals and households	6,371	6,495	16.2	1.8	1,063	3.0	1,084	1.9	
Capital expenditure, transfers	1,815	960	2.4	-45.4	84	-37.4	88	4.9	
GG surplus/deficit	-1,242	-651	-1.4	-44.1	-211	-51.7	-127	-39.7	

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.