

BANKA

SLOVENIJE

BANK OF SLOVENIA
EUROSYSTEM

SUMMARY
OF MACROECONOMIC
DEVELOPMENTS

NOVEMBER 2015

Summary of macroeconomic developments, November 2015

Instability in the international environment has increased since the Bank of Slovenia's autumn macroeconomic projections were published. The WTO's data suggest a weak dynamic in international trade, while geopolitical tensions have increased recently in the Middle East with adverse consequences for Europe. The tense situation has for the moment not been reflected in economic growth in Slovenia's trading partners, which according to initial estimates remained solid overall in the third quarter of this year. GDP growth forecasts in the majority of these countries also remained solid. The Bank of Slovenia nevertheless assesses that the risks to projected growth in Slovenia's exports and consequently its GDP have increased.

Activity in the Slovenian economy in the third quarter was also untouched by the increased instability in the international environment. According to the monthly confidence and activity indicators, quarterly growth remained solid in the third quarter, and was again likely to have outperformed the euro area overall. Manufacturing made a significant contribution to growth, the anticipated slowdown in growth in output in the automotive industry having already been compensated for by faster growth in other sectors, most notably pharmaceuticals, the metal industry and the electrical industry. Growth in turnover in private-sector services also remained solid, partly as a result of growth in exports, and partly as a result of business-to-business operations. The contribution made by household consumption was relatively small, at least judging by the stagnation in household confidence and by turnover in accommodation and food service activities and in retail trade. The growth in sales in retail trade was solely the result of major purchases of durables, which households are increasingly compensating for by reducing purchases of everyday goods, at least according to the monthly figures for retail turnover. In contrast to the aggregate developments, construction is facing increasing difficulties. Because it has depended almost entirely on government investment in recent years, the government's under-performance on its investment plans has been reflected in a sharp decline in the amount of construction put in place. Net trade is expected to have made the prevalent contribution to GDP growth in the third quarter, a further indication of which comes from the current account surplus, which is approaching 8% of GDP.

The suggested slowdown in growth in final household consumption is coinciding with a decline in growth in disposable income. The latter has been based almost entirely on wage growth this year, but the average nominal wage has remained almost unchanged in recent months. Purchasing power is continuing to be raised by growth in employment, which remained significant in the third quarter, and by deepening deflation. This reached 1.1% in October, as price growth stood significantly below the euro area average in almost all major segments.

The country's fiscal position is continuing to improve. In the wake of favourable economic growth and austerity measures, growth in general government revenues is outpacing growth in expenditure. This will allow the deficit to be cut to less than 3% of GDP this year. According to European Commission forecasts, the deficit will continue to fall appropriately in the future. There nevertheless remain significant risks in the fiscal area. They primarily derive from certain one-off factors, including BAMC transactions¹ and the financial burden of the refugee crisis.

¹ The BAMC transactions primarily relate to debt-to-equity conversions in cases of loss-making firms, and to real estate purchases that are classed as investment according to the ESA 2010 methodology.

Selection of main macroeconomic indicators on a monthly basis

	12 m. 'till Sep.13	12 m. 'till Sep.14	12 m. 'till Sep.15	3 m. 'till Sep.14	3 m. 'till Sep.15	2015 Jul.	2015 Aug.	2015 Sep.	2015 Oct.
Economic Activity									
	<i>* data for Nov. 15</i>								
	<i>balance of answers in percentage points</i>								
Sentiment indicator	-15.2	-5.4	4.0	0.0	5.5	3.6	6.9	6.0	6.2 (5.6*)
- confidence indicator in manufacturing	-7.8	0.8	5.2	3.3	6.3	6.0	8.0	5.0	7.0 (6.0*)
	<i>year-on-year growth rates in %</i>								
Industry: - total ¹	-2.2	1.4	4.4	2.7	4.8	3.1	5.2	6.2	...
- manufacturing	-3.3	2.6	5.4	4.7	5.5	3.7	5.2	7.5	...
Construction: - total ²	-14.7	28.4	-7.1	19.8	-13.5	-13.4	-14.5	-12.5	...
- civil engineering	-28.2	6.6	-5.0	8.0	-8.0	-5.1	-13.2	-5.0	...
Trade (volume turnover)									
Total retail trade	-4.4	-0.2	0.2	2.0	-0.1	0.1	0.1	-0.4	...
Retail trade and repair of motor vehicles	0.9	6.4	12.1	11.6	12.4	11.9	13.0	12.3	...
Private sector services ³	-1.7	2.6	...	4.2	...	2.7	2.8
	<i>year-on-year growth rates in %</i>								
Average gross wage	-0.5	1.0	0.7	1.3	0.4	0.4	0.5	0.2	...
- private sector	0.2	1.5	0.5	1.3	0.3	-0.1	0.7	0.3	...
- public sector	-1.8	0.4	1.2	1.6	0.6	1.4	0.4	0.1	...
Real net wage ⁴	-1.8	0.4	0.8	1.1	0.7	0.6	0.6	0.7	...
Registered unemployment rate (in %)	12.9	13.2	12.5	12.5	11.7	12.0	11.8	11.5	...
Registered unemployed persons	7.6	2.6	-5.3	-1.4	-6.2	-5.7	-6.0	-6.9	-7.3
Persons in employment	-2.4	0.1	1.0	1.1	0.5	0.5	0.5	0.6	...
- private sector	-2.8	0.2	1.5	1.5	1.0	0.9	1.0	1.0	...
- public sector	-1.5	-0.3	-0.3	0.0	-0.7	-0.7	-0.8	-0.6	...
	<i>year-on-year growth rates in %</i>								
Price Developments									
HICP	2.4	0.6	-0.5	0.1	-0.8	-0.7	-0.6	-1.0	-1.1
- services	2.3	1.9	1.0	1.5	0.5	0.4	0.5	0.4	0.6
- industrial goods excluding energy	-0.9	-0.7	-0.8	-1.3	0.0	0.1	-0.1	0.0	-0.5
- food	5.8	1.2	0.9	0.3	1.2	1.2	1.4	0.8	0.8
- energy	3.8	-0.9	-6.0	-1.5	-7.9	-7.4	-7.2	-9.2	-9.6
Core inflation indicator ⁵	0.8	0.8	0.3	0.4	0.3	0.3	0.2	0.3	0.1
	<i>in % GDP</i>								
Balance of Payments - Current Account									
Current account balance	5.6	6.4	7.8	7.3	9.6	11.0	5.2	12.7	...
1. Goods	2.1	2.5	4.1	3.2	4.9	6.9	-0.3	8.0	...
2. Services	4.9	4.5	5.3	6.0	7.0	6.7	7.9	6.3	...
3. Primary income	-0.5	-0.1	-0.9	-1.2	-1.6	-1.7	-1.8	-1.3	...
4. Secondary income	-0.9	-0.6	-0.8	-0.7	-0.6	-0.9	-0.7	-0.3	...
	<i>nominal year-on-year growth rates in %</i>								
Export of goods and services	2.2	4.2	6.2	6.3	4.2	5.0	4.3	3.2	...
Import of goods and services	-3.5	4.2	2.9	5.1	0.2	0.2	1.4	-0.8	...
	<i>Public Finances</i>								
	2013	2014	12 m. 'till avg.15	2014 jan.-avg.	2015 jan.-avg.				
Consolidated general government (GG) balance ⁶			% GDP	y-o-y, %	EUR mio	y-o-y, %	EUR mio	y-o-y, %	
Revenue	14,728	15,494	41.7	4.3	9,882	5.0	10,243	3.7	
Tax revenue	12,648	13,193	35.9	4.9	8,552	4.6	9,018	5.4	
From EU budget	938	1,040	3.0	24.8	454	-6.8	543	19.7	
Other	1,141	1,261	2.8	-16.2	876	17.6	681	-22.2	
Expenditure	16,286	16,755	44.0	1.4	10,938	2.2	10,942	0.0	
Current expenditure	6,838	7,043	18.6	3.2	4,657	0.6	4,704	1.0	
- wages and other personnel expenditure	3,617	3,610	9.5	-0.1	2,421	-0.4	2,417	-0.2	
- purchases of goods, services	2,239	2,233	5.8	0.4	1,448	-2.4	1,428	-1.4	
- interest	840	1,097	2.9	17.6	730	17.8	751	2.8	
Current transfers	7,671	7,592	19.9	-0.9	5,130	-0.5	5,113	-0.3	
- transfers to individuals and households	6,343	6,335	16.7	0.3	4,278	0.0	4,305	0.6	
Capital expenditure, transfers	1,351	1,717	4.4	5.0	847	43.3	817	-3.5	
GG surplus/deficit	-1,558	-1,261	-2.4	-31.7	-1,057	-18.2	-699	-33.8	

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.

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