BANKA SLOVENIJE

EVROSISTEM

ECONOMIC AND FINANCIAL DEVELOPMENTS

APRIL 2021

BANKA SLOVENIJE
EVROSISTEM

Title: Economic and Financial Developments
No.: April 2021

Published by: BANKA SLOVENIJE
Slovenska 35
1505 Ljubljana
tel.: 01 47 19 000
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http://www.bsi.si/

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 Analysis is based on data available up to 9 April 2021.

This publication is also available in Slovene.

ISSN 2385-9784

Table of contents:

Figures, tables and boxes:

Figures:

Tables:

Boxes:

Executive Summary

The outlook for global economic growth is improving, despite the major uncertainty in connection with the pandemic. *Differences between economies are widening, as they face contrasting initial positions before the anticipated recovery and differing speeds of vaccination rollout. The euro area is not in the best position in either respect: its recovery is dragging, and it is also facing a vaccine shortage and large economic gaps between different countries. The outlook nevertheless improved in March, before the new tightening of containment measures. Economic confidence returned to its pre-epidemic level: the composite PMI moved into the expansion zone for the first time since September of last year thanks to the favourable situation in manufacturing, while firms also saw an improvement in their employment expectations. The IMF raised its global economic growth forecast for this year to 6.0%, primarily on account of the additional fiscal stimulus measures, most notably in the US. Economic growth in the euro area[1] is forecast at 4.4%, 2.0 percentage points less than in the US, widening the GDP gap further after last year's sharper decline. The euro has fallen slightly against the US dollar since the beginning of the year, hitting USD 1.19 on 8 April. Further evidence of the improvement in the global economy comes from the year-on-year rises in oil prices and other commodity prices, which in turn are strengthening certain inflation expectations.*

Euro area countries find themselves in different starting positions before the anticipated recovery. *This great heterogeneity is already evident in figures for last year's decline in GDP, which ranged from 10.8% in Spain to 0.8% in Lithuania. The southern countries were hit particularly hard by the pandemic. There are also great differences in the labour market, driven by the varying levels of impact and the differences in the measures put in place. The fall in employment ranged from 4.2% in Spain to 0.1% in Belgium, while two countries actually recorded a rise in employment. There was also extensive variation in the unemployment rate and in wage dynamics. Inflation is another area of divergence: the rate in March ranged from 2.4% in Luxembourg to -2.0% in Greece. Inflation across the euro area strengthened in the first quarter of this year, reaching 1.3% in March, although this does not necessarily entail a sustainable reversal in price developments, as it is largely attributable to tax changes, the low base, and statistical effects deriving from this year's profound changes in HICP weights. Should this situation persist, particularly in the event of an uneven recovery in euro area countries, it would present an additional challenge to the pursuit of common economic policy.*

All sectors of the domestic economy not being adversely affected by the containment measures are recovering. *Evidence that firms are significantly adapting to the difficult situation comes from the decline in the share of badly hit sectors. Sectors that were suffering a decline in value-added in the final quarter of last year, when the epidemic was at its peak, accounted for 31% of GDP, 45 percentage points less than in the second quarter. Signs of solid, albeit uneven, economic growth had also appeared by the first quarter of this year. Industrial production is strengthening as foreign demand rises, while construction is recovering in parallel*

[1] The IMF's economic growth forecast for Slovenia for 2021 is 3.7%.

with investment. There is also great potential for growth in private consumption: household savings are high, and the situation on the labour market remains stable at least on aggregate, which has reflected in a sharp increase in total card payments after February's partial lifting of the containment measures. The renewed tightening of containment measures in the first half of April brought the recovery in certain service sectors to a temporary end, or further delayed the recovery in those sectors yet to see one. The outlook for the second quarter of this year is nevertheless good, at least judging by March's survey figures for demand expectations. It should be noted that the survey was conducted in the first half of the month.

Non-financial corporations, households and banks entered the crisis in good financial shape, with a marked change in their behaviour over the last year. *The financial accounts reveal that the dynamics in the net financial position of domestic institutional sectors noticeably changed since the outbreak of the Covid-19 epidemic. At the end of 2020, the aggregate savings exceeded aggregate investment by EUR 2.1 EUR billion, which is not significantly different from a year ago, albeit with a significantly changed structure. As a result of the introduction of the emergency measures and the corresponding additional borrowing, the largest reversal came in the government sector, where a two-year trend of net savings came to an end. Last year, the government sector sharply deepened its negative net financial position, with a deficit of almost EUR 4 billion. On the other hand, with the outbreak of the epidemic other sectors strengthened their savings further relative to their investment, especially the non-financial corporations and above all the household sector, which reached its record high net saving-investment gap (EUR 3.8 billion). The excess savings by households and non-financial corporations primarily flowed in the form of deposits to banks, which in turn continued to place the money with the central bank. The year-on-year increase in the banks' financial assets and liabilities last year underwent its most pronounced surge of the last ten years.*

With the partial lifting of the containment measures in February, the situation in the labour market also began to improve, although the uncertainty surrounding the future evolution of the epidemic remains great. *Registered unemployment stood at 81,616 in early April, up by just 4,132 relative to the beginning of the epidemic. The number of vacancies rose, as did firms' employment expectations. There nevertheless remains uncertainty as the epidemic persists, which means that support from emergency measures will remain the key to preventing a downturn. These have successfully limited the impact of the epidemic so far; most notably the furlough scheme has prevented a much sharper fall in employment.*

While aggregate labour market indicators remain solid, there has been a notable widening of the differences between various groups of workers, which, however would be even more pronounced without the government job support measures. *The nature of the containment measures led to a sharp fall in employment in trade and in accommodation and food service activities, particularly in the second wave of the epidemic; the year-on-year fall in accommodation and food service activities stood at 15.0% in January of this year, in contrast to the rise in employment of 5.0% in human health and social work activities amid the increased demand for staff. There are also pronounced differences in wage growth. Growth in the average gross wage in mostly public services is strongly outpacing growth in the private sector, amid high payments in connection with the epidemic. The average wage in human health and social work activities was up 41.9% in year-on-year terms in January, while in the private sector activities it was up 3.2% following a rise in the minimum wage. The crisis affected vulnerable groups of workers particularly hard, largely in connection with precarious* *work; last year's largest rises in the surveyed unemployment rate were recorded among the young, the lower-skilled and women. Although the support measures succeeded in preventing a more significant decline in purchasing power by having largely stabilised employment, the income position of more vulnerable groups nevertheless deteriorated. Nevertheless, it should be noted that the differences on the labour market would have been even wider in the absence of the support measures, as they have mostly helped to preserve jobs in low-paid positions.*

Amid strengthening foreign and domestic inflationary pressures, Slovenia emerged from deflation in March, yet price developments remain weak. *Year-on-year inflation as measured by the HICP rose to 0.1%, up 1.2 percentage points on the previous month. As expected, rising energy prices were the key factor, which already indicates the impact on domestic inflation stemming from the strengthened growth in commodity prices on global markets. Meanwhile domestic firms are expecting a rise in selling prices, and capacity utilisation is rising in sectors not subject to containment measures. Amid high wage growth, particularly in public services, growth in unit labour costs remains among the highest in the euro area. The divergence in consumers' inflation expectations also began to diminish, as consumers are now expecting higher inflation. By contrast, food price inflation has been slowing since November, hitting a two-year low in March, while service price inflation remains low amid the containment measures. Prices of non-energy industrial goods fell significantly in March mainly due to the run-down of inventories. Thus, the year-on-year growth in the narrowest core inflation indicator was negative for the second consecutive month, standing at -0.6%. The inflation metrics will be negatively affected this year by the changes in the weights in the HICP index, and a strong positive base effect in energy prices. In light of the current epidemiological picture, future price developments remain uncertain.*

As expected, the epidemic resulted in a large general government deficit and debt last year. The deficit reached 8.4% of GDP. *General government revenues were down 4.6%, most notably as a result of a fall in indirect taxes driven by the shock in private consumption, and a fall in direct taxes driven by corporate income tax. The position was further hit by a rise of 14.8% in expenditure; according to current estimates, the measures to alleviate the epidemic were among the largest in the euro area as a share of GDP. As a result of the large deficit, the contracting economy, and debt pre-financing, the general government debt had reached 80.8% of GDP by the end of last year, up approximately 15 percentage points on a year earlier, but staying still significantly below the euro area average debt level. Borrowing remained heavy in the first quarter of this year, amid the favourable terms driven by monetary policy measures and decent sovereign credit ratings. The support measures will again be extensive this year, but their ongoing impact on the fiscal position will depend on the success in controlling the epidemic and the pace of the reboot in the worst-hit sectors. Despite the crisis, it is essential for the long-term sustainability of the public finances that the government does not worsen its structural fiscal position, and makes maximum use of available EU funding to support the recovery and economic restructuring, while gradually withdrawing the support measures in line with economic recovery.*

Government borrowing brought a sharp rise in the gross external debt last year, but the net external financial position of the total economy remained stable. *The crisis increased the gross external debt by EUR 4.4 billion to EUR 48.2 billion, or 104.1% of GDP. The increase was driven primarily by government borrowing; in contrast to the position before the outbreak of the previous crisis, the government sector accounts for approximately half of the total gross external debt. The private sector's gross external debt increased only* *slightly last year, as the government again assumed the majority of the financial burden of the crisis on this occasion. The trend of decline in the net external debt nevertheless continued: it amounted to just EUR 83 million or 0.2% of GDP last year, as a result of an increase in external claims in the form of debt. Amid a record current account surplus, the net external position of the total economy remained stable at -16.3% of GDP, significantly less than the indicative threshold of external imbalance of -35% of GDP set by the European Commission. That there was not a more pronounced deterioration was attributable primarily to residents' increased investment in holdings of currency and deposits in the rest of the world, and to a lesser extent to FDI, which because of the crisis was significantly below the average of previous years. Direct investment remains the main driver of the negative net external position of the economy. Slovenia is one of the less-indebted EU Member States in terms of gross and net external debt, and the overall net external financial position.*

Main macroeconomic indicators

	2018	2019	2020	20Q2	20Q3	20Q4	2018	2019	2020	20Q2	20Q3	20Q4
	Slovenia						*euro area*					
Economic developments	*y-o-y growth rates in %*											
GDP	4.4	3.2	-5.5	-12.9	-2.4	-4.5	1.9	1.3	-6.6	-14.7	-4.3	-4.4
- industry	2.9	6.1	-4.9	-15.8	-3.1	0.8	1.6	-0.9	-7.6	-19.1	-5.6	-1.1
- construction	8.1	7.1	-0.5	-8.9	1.3	3.8	2.4	3.0	-5.8	-14.5	-4.2	-1.9
- mainly public sector services	1.8	1.5	-0.3	-4.1	1.5	1.1	1.0	1.0	-2.4	-7.8	0.4	-0.9
- mainly private sector services	4.8	3.8	-5.7	-14.2	-3.1	-4.1	2.1	1.3	-7.4	-16.1	-5.3	-5.2
Domestic expenditure	5.0	3.4	-6.5	-12.3	-4.3	-6.1	1.9	1.9	-6.4	-14.0	-4.1	-5.7
- general government	3.0	1.7	1.8	-1.1	1.3	2.8	1.2	1.8	1.2	-1.5	2.4	2.5
- households and NPISH	3.6	4.8	-9.7	-17.2	-0.5	-14.4	1.5	1.3	-8.0	-16.1	-4.5	-7.7
- gross capital formation	10.3	1.5	-5.8	-10.1	-17.4	8.2	3.5	3.3	-9.5	-20.3	-9.0	-8.5
- gross fixed capital formation	9.6	5.8	-4.1	-13.8	-0.8	2.0	3.2	5.7	-8.3	-20.7	-4.7	-7.8
- inventories and valuables, contr. to GDP growth in pp	0.3	-0.9	-0.4	0.8	-3.7	1.2	0.1	-0.5	-0.3	0.1	-0.9	-0.1
Labour market												
Employment	3.2	2.5	-1.0	-1.8	-1.8	-1.4	1.6	1.2	-1.6	-2.9	-2.1	-1.9
- mainly private sector services	3.4	2.6	-1.7	-2.6	-2.7	-2.2	1.6	1.1	-2.4	-3.8	-3.0	-2.8
- mainly public sector services	2.2	1.8	2.1	1.7	2.2	2.4	1.3	1.5	0.7	0.1	0.6	0.9
Labour costs per employee	3.9	4.9	2.3	-2.6	3.2	5.7	2.2	1.9	-0.6	-4.5	0.6	0.8
- mainly private sector services	4.1	4.5	-0.5	-7.4	2.3	0.9	2.3	1.9	-1.9	-7.0	-0.2	-0.2
- mainly public sector services	3.3	6.6	11.1	7.4	7.3	11.1	2.1	2.1	2.4	1.7	2.6	2.9
Unit labour costs, nominal*	2.8	4.2	7.4	9.8	3.8	9.1	1.9	1.9	4.8	8.7	2.9	3.4
Unit labour costs, real**	0.6	1.9	6.0	6.8	4.1	8.8	0.5	0.2	3.2	6.2	2.0	2.2
	in %											
LFS unemployment rate	5.1	4.5	5.0	5.2	5.1	5.1	8.2	7.6	...	7.3	8.4	...
Foreign trade	*y-o-y growth rates in %*											
Current account balance as % of GDP***	5.8	5.6	7.1	5.9	6.4	7.1	2.9	2.3	2.3	2.2	2.0	2.3
External trade balance as contr. to GDP growth in pp	-0.2	0.1	0.5	-1.7	1.6	1.2	0.1	-0.5	-0.5	-1.2	-0.4	1.2
Real export of goods and services	6.3	4.1	-8.7	-23.4	-9.5	-0.4	3.6	2.5	-9.4	-21.6	-9.1	-4.2
Real import of goods and services	7.2	4.4	-10.2	-24.0	-12.5	-2.0	3.7	3.9	-9.2	-20.6	-9.2	-7.0
Financing	*in % of GDP*											
Banking system's balance sheet	88.4	88.0	99.6	94.8	95.9	99.6	256.2	261.1	298.4	295.6	297.3	298.4
Loans to NFCs	20.6	19.9	20.5	20.7	20.3	20.5	36.4	36.1	40.5	39.4	40.1	40.5
Loans to households	21.7	22.0	23.2	22.4	22.7	23.2	49.0	49.2	53.6	51.4	52.5	53.6
Inflation	*in %*											
HICP	1.9	1.7	-0.3	-1.2	-0.6	-0.9	1.8	1.2	0.3	0.2	0.0	-0.3
HICP excl. energy, food, alcohol and tobacco	1.0	1.9	0.8	0.6	0.6	0.3	1.0	1.0	0.7	0.9	0.6	0.2
Public finance	*in % of GDP*											
Debt of the general government	70.3	65.6	80.8	78.2	78.4	80.8	85.8	84.0	...	95.0	97.3	...
One year net lending/net borrowing of the general government***	0.7	0.4	-8.4	-4.6	-5.7	-8.4	-0.5	-0.6	...	-3.8	-5.0	...
*- interest payment****	2.0	1.7	1.6	1.7	1.7	1.6	1.8	1.6	...	1.6	1.6	...
*- primary balance****	2.7	2.1	-6.7	-2.9	-4.1	-6.7	1.4	1.0	...	-2.2	-3.4	...

Note: Data is not seasonally and working days adjusted.
** Nominal unit labour costs are the ratio of nominal compensation per employee to real labour productivity.*
*** Real unit labour costs are the ratio of nominal compensation per employee to nominal labour productivity.*
**** 4-quarter moving sum.*
Source: SORS, Eurostat, Banka Slovenije, ECB, Ministry of Finance, Banka Slovenije calculations.

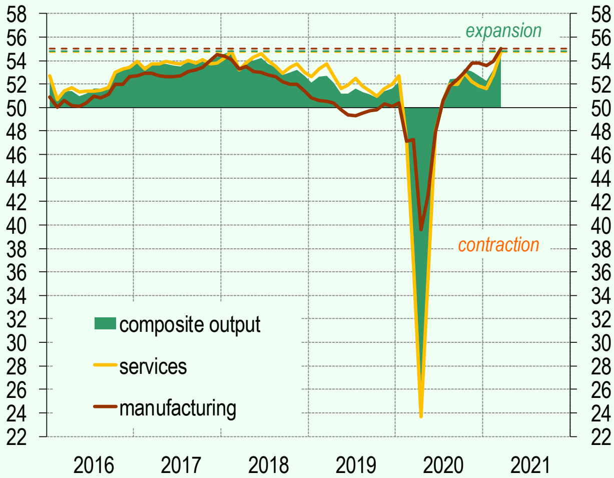
1 International Environment

Global economic activity is strengthening, although there are still considerable uncertainties in the international environment. Given the uneven performance of their vaccination strategies, the differences in recovery between various economies are widening. Economic activity remained low in the euro area in the first quarter of this year: private-sector services are still being hit by the containment measures as the pandemic surges again. The outlook for recovery improved slightly in March, as confidence in the euro area returned to its pre-epidemic level. Meanwhile the composite PMI moved back into the zone of expansion for the first time since September of last year, which is almost exclusively attributable to an increase in manufacturing output amid strengthening global demand. The IMF raised its global economic growth forecast for 2021 to 6.0%, primarily on account of the additional fiscal stimulus measures in the US, while growth in the euro area is forecast at 4.4%. The euro has fallen slightly against the US dollar since the beginning of the year, reaching USD 1.19. Further evidence of the recovery in global demand comes from rising year-on-year growth in oil prices and other commodity prices, which in turn is strengthening global inflation expectations.

High-frequency indicators of economic activity in March

The favourable developments in the global economy from the end of last year continued in the first quarter of this year as Covid-19 vaccines were gradually rolled out. Evidence of this comes from the JPMorgan PMI, which rose sharply in March for the second consecutive month, reaching 54.8 points, equal to its peak of three years ago (see Figure 1.1). Despite the disruptions to supply chains due to strengthening global demand, the situation in manufacturing is very good: in March the PMI reached its highest level of the last ten years, primarily on account of rising activity in the US and the euro area. The service sector also saw a rise in activity in March for the ninth consecutive month. The variation in the level of recovery between countries widened further amid the differing paces of vaccine rollout (see Figure 1.2). Among the major economies, according to the PMI growth was being recorded in March by the US, India, Russia, the

Figure 1.1: JPMorgan Purchasing Managers' Index (PMI), global

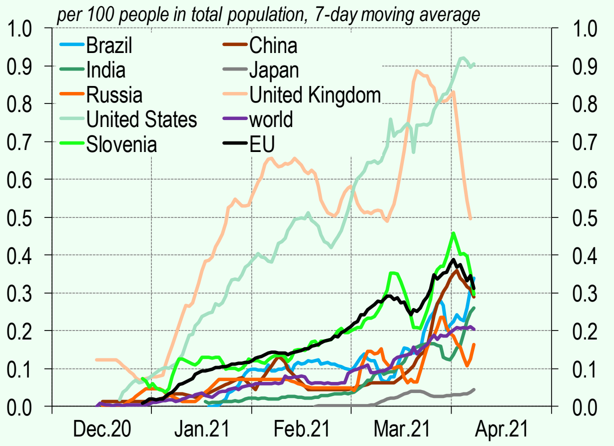


Note: Dashed line represents the value of the last observation.
Source: IHS Markit.

euro area, China and the UK, while GDP was falling in month-on-month terms in Brazil and Japan.

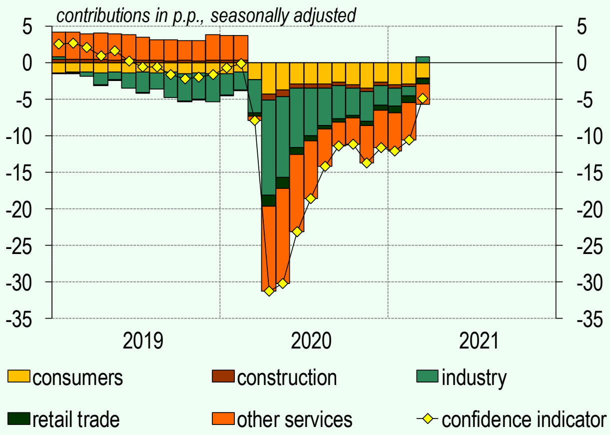
The economic situation in the euro area was improving at the end of the first quarter of this year, albeit with considerable variation between individual sectors. In March the composite PMI was indicating an increase in economic activity in the euro area for the first time since September of last year, and one of the largest of the last 30 months (see Figure 1.3).[1] This is almost exclusively attributable to a sharp increase in manufacturing output, the largest seen since recording of the data began in 1997. By contrast the situation in private-sector services remains impacted by the containment measures. Among the euro area countries, Germany is most notable for its increase in output to date, and growth in private-sector services for the first time since September of last year. The economic sentiment in the euro area improved sharply in March, and exceeded its long-term average for the first time since the outbreak of the epidemic (see Figure 1.4).[2] The new wave of cases means that the outlo-

Figure 1.2: Vaccine doses administered*



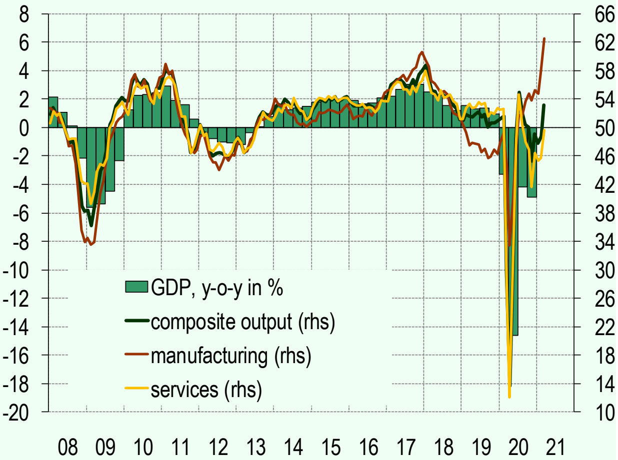
*Note: *This is counted as a single dose, and may not equal the total number of people vaccinated, depending on the specific dose regime (e.g. people receive multiple doses).*
Source: Our World in Data.

Figure 1.4: Confidence indicators in the euro area



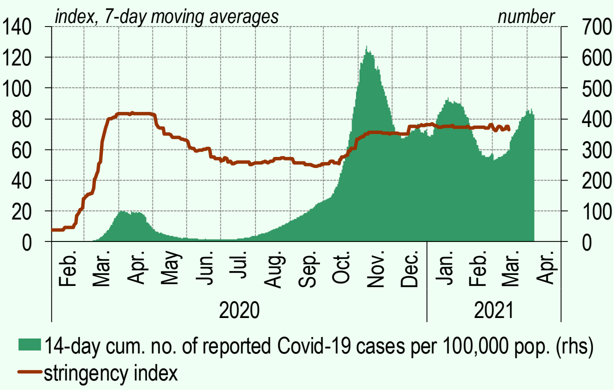
Note: The weighted economic sentiment indicator is composited from the figures for industry (40%), services (30%), construction (5%), retail (5%) and consumers (20%). It differs from the European Commission indicator.
Source: Eurostat, Banka Slovenije calculations.

Figure 1.3: Purchasing Managers' Index (PMI) and GDP growth in the euro area



Note: Index PMI above 50 indicates an increase in activity and below 50 a decrease in activity.
Source: IHS Markit, Eurostat, Banka Slovenije calculations.

Figure 1.5: Number of reported Covid-19 cases and stingency, euro area



Note: The stringency index is an estimate of measures and may underestimate or overestimate real measures in a given period, therefore completely precise cross-country comparison is not possible. Euro area stringency index is calculated as a weighted average of individual members' indices, weighted by the share of GDP.
Source: Oxford Economics, Eurostat, Banka Slovenije calculations.

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[1] The composite PMI for the first quarter of this year merely suggests no change in economic activity in the euro area. For a more detailed comparison of the economic situation in the euro area and the US, see Box 1.1 on page 17.

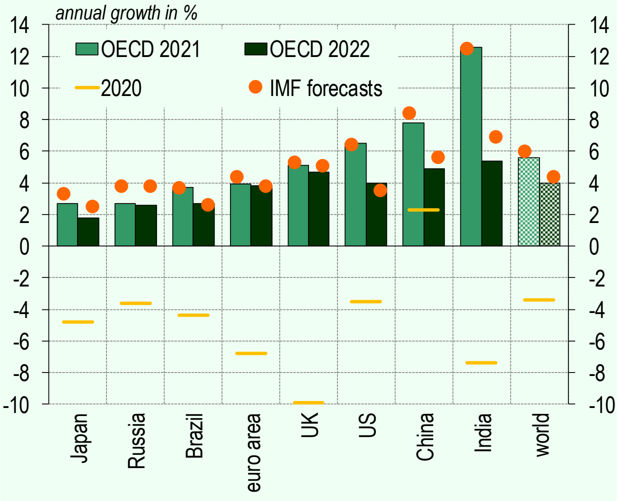
[2] Figure 1.5 illustrates the weighted economic sentiment indicator, which has been adjusted by Banka Slovenije to reflect the contributions by individual sectors and consumer categories. It differs from the European Commission indicator, which is disclosed in the form of a ratio to the long-term average.

ok for the second quarter of this year is uncertain, although firms' assessments of demand expectations in private-sector services and in industry are highly optimistic (see Figure 1.5).

Economic forecasts

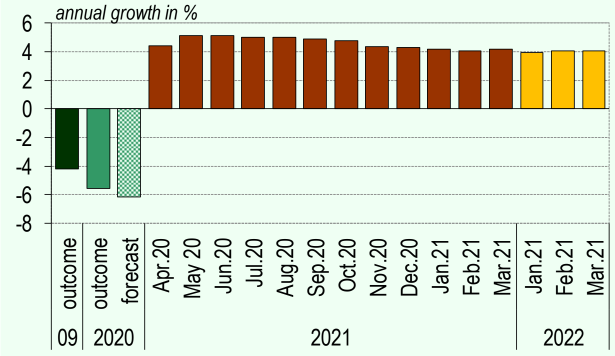
Economic forecasts are being raised, although the situation in the international environment remains uncertain. The global economic growth forecasts for 2021 and 2022 from December of last year were revised upwards by the OECD on 9 March, to 5.5% and 4.0% respectively (see Figure 1.6).[3] This was primarily attributable to the stronger recovery in the second half of last year, the faster-than-expected vaccine rollout, and the additional fiscal stimulus measures in certain countries.[4] The US is seeing some of the largest measures this year: the OECD estimates that they will account for at least 3.0 percentage points of its economic growth of 6.5%.[5] Additional fiscal measures will also support the economic recovery in India, which will see this year's highest growth (of 12.6%), and in Japan. The recovery of the euro area economy will be weaker and more gradual, because of the containment measures that are still in place: GDP is forecast to grow by 3.9% this year.[6] The outlook for growth in foreign demand for Slovenian products and services is also good: Consensus is forecasting economic growth in Slovenia's main trading partners to remain stable at around 4.0% in 2021 and 2022 (see Figure 1.7). However, there are still considerable risks to the realisation of the baseline scenarios, as the pandemic is not yet under control, and vaccination is proceeding only slowly in numerous countries.

Figure 1.6: GDP growth forecasts in major developed countries and BRIC



Source: OECD Economic Outlook, IMF World Economic Outlook.

Figure 1.7: Weighted monthly forecasts of GDP growth for Slovenia's major trading partners for 2021 in 2022



Note: All Slovenian trade partners are included: countries with at least 1% of total Slovenian exports of goods and services in the last twelve months (February 2020–January 2021; 21 trading partners with a total share of 85.5%) and all the other countries as a difference of up to 100%. The growth forecasts for 2021 in 2022 are weighted with the share of each country in the total exports of Slovenia, for other countries the global forecasts is used. For 2009 the weighted outcome is shown. For 2020 the weighted outcome and the December weighted forecast are shown.
Source: SORS, Consensus, World Bank, Fred, Banka Slovenije calculations.

Economic developments in the final quarter of 2020

The epidemic triggered a major global economic and health crisis in 2020, despite emergency economic policy measures. According to the latest IMF estimates, global GDP contracted by 3.3%, significantly more than

[3] The IMF also revised its global economic growth forecasts for 2021 and 2022 upwards on 6 April, to 6.0% and 4.4% respectively.

[4] According to the OECD forecasts, monetary and fiscal policy measures will have a beneficial impact on this year's global economic growth. Among the most important are the additional discretionary fiscal measures in the US, Germany, Canada, India and Japan, and the extension of the measures in Brazil.

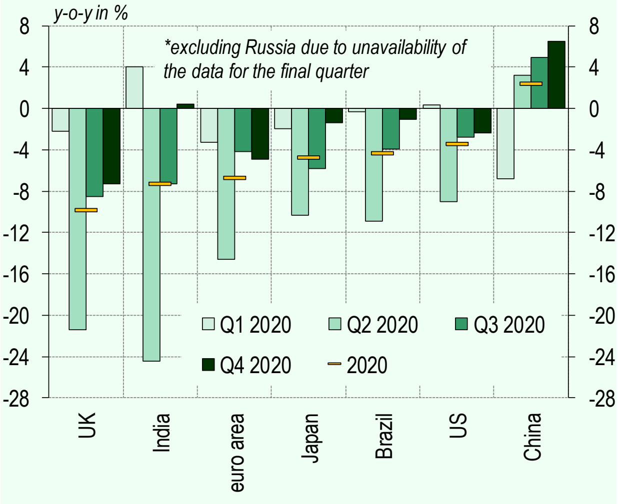
[5] For more information, see also Box 1.1 on page 17.

[6] Euro area GDP is forecast to strengthen by 4.0% this year according to the ECB's latest projections, and by 4.4% according to the IMF's April forecasts.

during the previous financial crisis. After the shock in the second quarter of last year, the economic recovery continued in the final quarter in all major economies. The exception was the euro area, where the year-on-year decline in GDP according to seasonally and calendar-adjusted figures deepened by 0.7 percentage points to 4.9% (see Figure 1.8). By contrast, GDP in China strengthened for the third consecutive quarter, by 6.5% in year-on-year terms, while India also emerged from recession (with growth of 0.4%). The year-on-year contraction in economic activity in the UK slowed to 7.3%, still one of the largest falls in GDP. The year-on-year decline in GDP in Japan in the final quarter of last year slowed by fully 4.4 percentage points to just 1.4%, driven primarily by a base effect. Meanwhile the economic recovery continued in the US, where the year-on-year decline in GDP nevertheless stood at 2.4%.

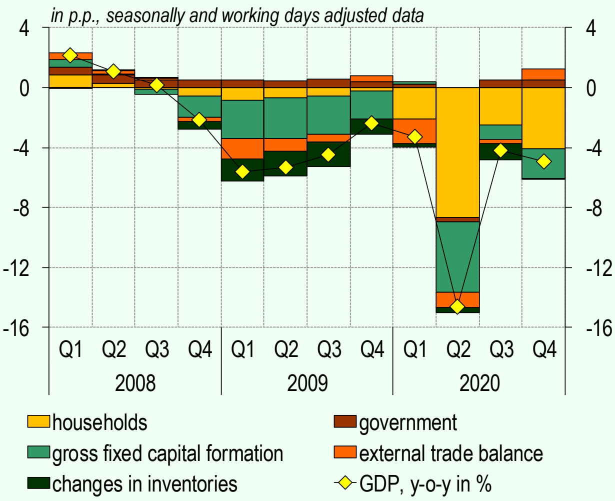
Economic activity in the euro area declined in the final quarter of last year compared with the previous quarter, albeit by significantly less than during the spring wave of the epidemic. Amid slightly less restrictive containment measures and a more encouraging international environment, euro area GDP in the final quarter of last year was down only 0.7% on the previous quarter according to seasonally and calendar-adjusted figures. The year-on-year decline thus increased to 4.9% (see Figure 1.9), driven largely by a decline of 7.6% in private consumption. In contrast to the previous quarter, gross fixed capital formation recorded an even deeper decline (of 8.7%). However, an even larger decline in GDP was prevented by a rise in government consumption, while the contribution made by net trade was positive for the first time since the final quarter of 2019 as the recovery in exports outpaced that in imports. The main factor on the output side was the renewed decline in value-added in private-sector services, while the year-on-year decline in value-added slowed further in industry, and remained unchanged in construction (see Figure 1.10).

Figure 1.8: Economic growth in major developed countries and BRIC*



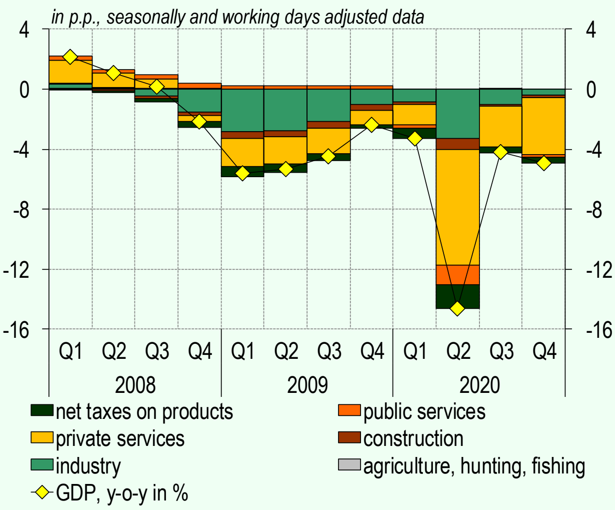
Vir: Tradingeconomics, OECD.

Figure 1.9: Structure of GDP growth in the euro area, expenditure side



Source: Eurostat, Banka Slovenije calculations.

Figure 1.10: Structure of GDP growth in the euro area, production side



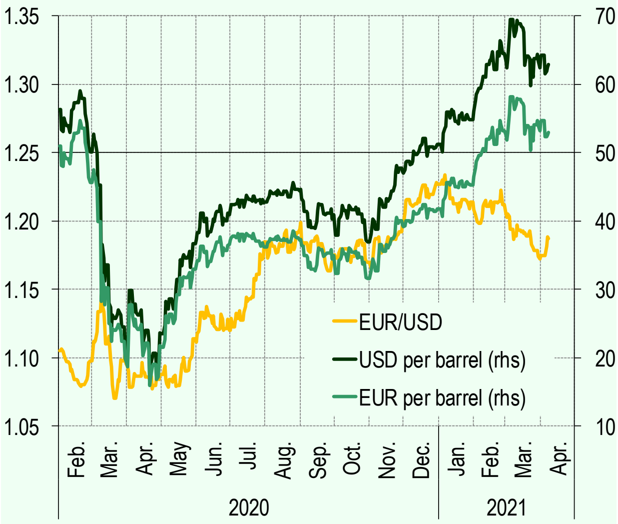
Source: Eurostat, Banka Slovenije calculations.

Euro exchange rate and oil prices

Monetary policy in the euro area remains extremely accommodative, in light of the uncertain economic situation. In March the Governing Council of the ECB took the decision to increase asset purchases under the PEPP in the second quarter of this year, leaving the envelope unchanged at EUR 1,850 billion. The measures put in place in 2020 to maintain favourable financing conditions were also left in place. Amid the continuation of expansionary monetary policy by the Fed, the euro has fallen slightly against the US dollar since the beginning of the year, driven primarily by the more extensive fiscal measures in the US and its superior performance in vaccine rollout strategy. The euro stood at USD 1.19 on 8 April, its lowest level since November of last year, but still up around 9% in year-on-year terms.

Oil prices and other commodity prices rose amid the improved outlook for global economic growth. The price of Brent crude approached USD 70 per barrel in March for the first time in almost two years. The rise was mainly attributable to positive news of the mass rollout of the Covid-19 vaccine, the expectations of a recovery in global demand for oil, and the extensive fiscal stimulus measures in the US. The decision by Opec+ to cut pumping was also a factor in the rise. The price of Brent crude has fallen slightly in the last month, to approximately USD 63, largely in reflection of expectations of lower demand for oil in Europe driven by the renewed spread of the virus and complications in the vaccine rollout. There was a year-on-year rise in other commodity prices, which together with the very loose monetary policy are increasing inflation expectations in the international environment.

Figure 1.11: Brent oil prices and EUR/USD exchange rate



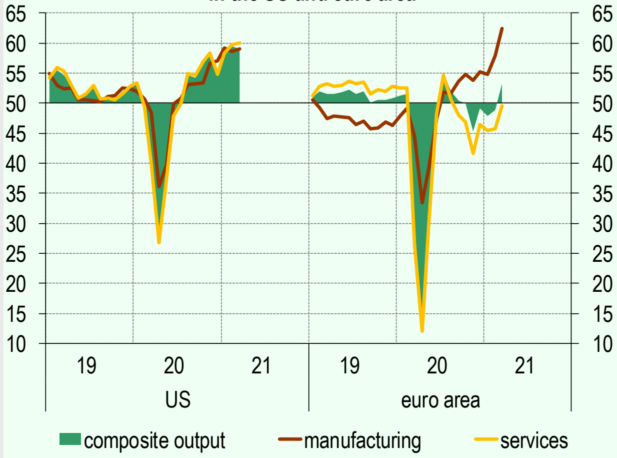
Source: Bloomberg, ECB, Banka Slovenije calculations.

Box 1.1: Brief comparison of the economic situation in the euro area and the US

In the early months of this year the high-frequency indicators are again revealing large gaps between the economies of the euro area and the US. Economic activity remains low in the euro area: private-sector services are still being hit by the stringent containment measures in place as the pandemic surges again. After six months in lower territory, the composite PMI moved past the 50 mark in March: it stood at 53.2 points, the highest figure since July of last year (see Figure 1). The increase was driven solely by a sharp increase in activity in manufacturing, the strongest to date, which is indicative of firms' successful adaptation to the restrictions still in place, and the recovery in global demand for goods.[1] By contrast, the US is seeing notably rapid growth in activity in manufacturing and in services, even though certain containment measures are still in place, despite a strong fall in case numbers (see Figures 2 and 3). The composite PMI for the first quarter suggests that current GDP growth in the US was positive for the third consecutive quarter, while the euro area barely saw any change in economic activity.

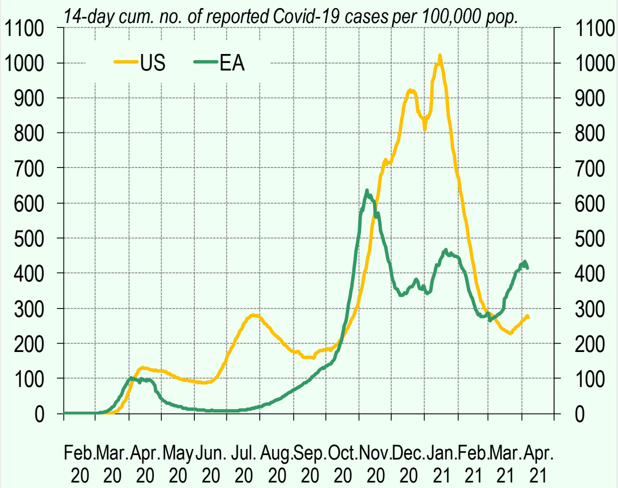
The economic growth forecasts for the euro area and the US for 2021 are improving as Covid-19 vaccines are rolled out. The outlook is improving in the US in particular, thanks above all to major fiscal policy measures,[2] which the OECD is forecasting will account for more than 3.0 percentage points of this year's GDP growth of 6.5%. By contrast, amid the very slow easing of the epidemic, the economic recovery in the euro area is moderate at best, although vario-

Figure 1: JPMorgan Purchasing Managers' Index (PMI) in the US and euro area



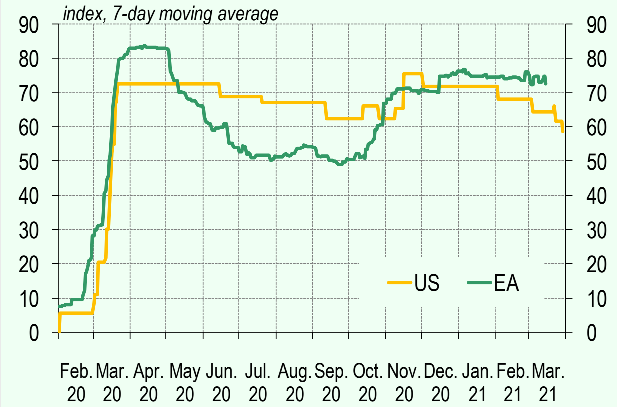
Note: Index PMI above 50 indicates an increase in activity and below 50 a decrease in activity.
Source: IHS Markit.

Figure 3: Number of reported Covid-19 cases



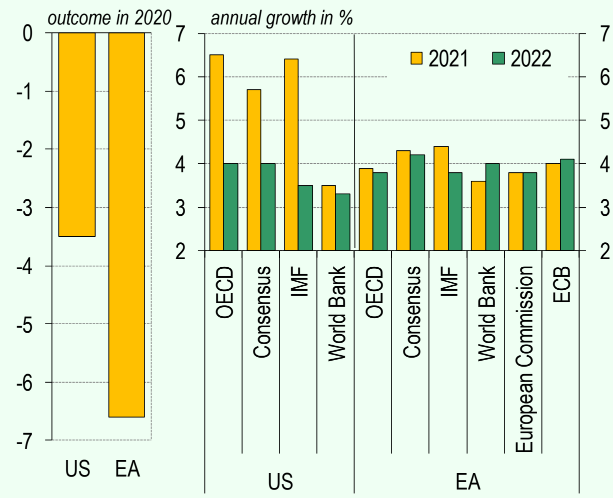
Source: Oxford Economics, Banka Slovenije calculations.

Figure 2: Stringency of measures to prevent Covid-19 spread



Note: The stringency index is an estimate of measures and may underestimate or overestimate real measures in a given period, therefore completely precise cross-country comparison is not possible. Euro area stringency index is calculated as a weighted average of individual members' indices, weighted by the share of GDP.
Source: Oxford Economics, Eurostat, Banka Slovenije calculations.

Figure 4: GDP growth forecasts for 2021 and 2022



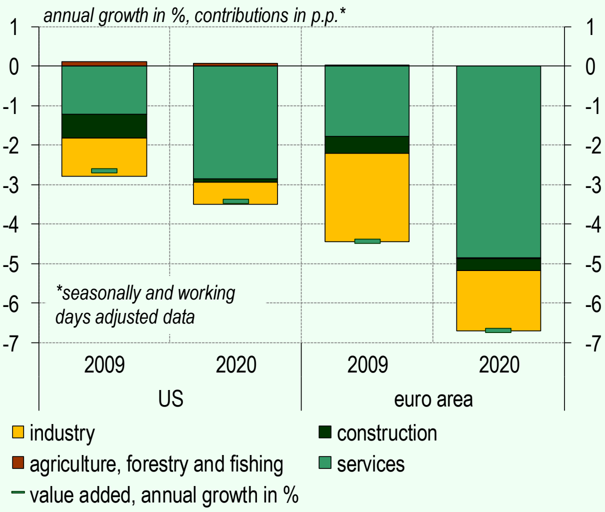
Source: OECD, Consensus, IMF, World Bank, European Commission, ECB, Fred, Eurostat.

us support measures remain in place, albeit smaller in scale than last year.[3] The extensive support from monetary policy, which is maintaining favourable financing conditions, is also having a positive impact on economic growth. GDP is forecast to increase by approximately 4.0% this year,[4] thus remaining below its pre-crisis level, unlike in the US (see Figure 4).

At the outbreak of the pandemic in 2020 the euro area faced a sharper economic shock than the US, where differences in the structure of value-added played a clear role.[5] Euro area GDP declined by 6.8% last year according to seasonally and calendar-adjusted figures, 2.3 percentage points more than in the crisis of 2009. The decline in economic activity in the US was almost half as small (3.5%), and was only 1 percentage point less than that seen during the global financial crisis, although the containment measures were slightly more stringent on average over the year than in the euro area in terms of stringency and length, at least according to Oxford Economics (see Figure 2). One of the factors was the different structure in private-sector services, where the largest declines were recorded by sectors where direct contact between the client and the provider is essential. These sectors generate around 20% of value-added in the euro area (see Figure 5).[6] The equivalent figure is slightly lower in the US, where there is greater prevalence of financial and insurance activities,[7] which were not hit as hard by the crisis thanks to extensive economic policy measures. As a result of interruptions to global supply chains and the heavy dependence on foreign demand, the containment measures also had a stronger adverse impact on industry in the euro area during the first wave: the loss in value-added was fully 8.0%, 4.3 percentage points more than in the US.[8]

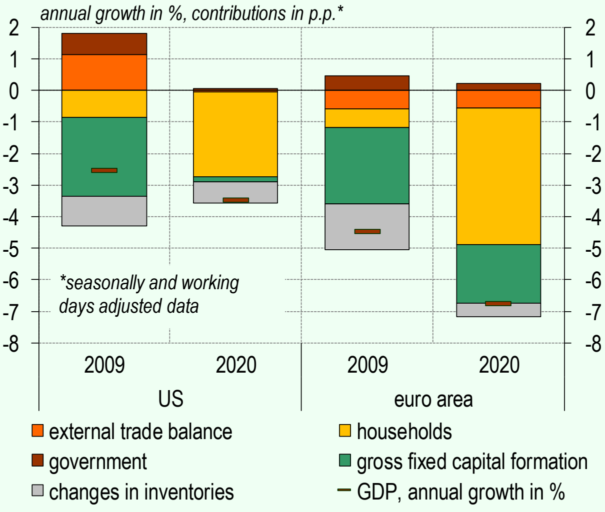
The stringent containment measures meant that private consumption suffered the largest shock last year, and was the main factor in the decline in economic activity. The decline in private consumption in the euro area (8.1%) accounted for 4.3 percentage points of the decline in GDP, the largest negative contribution to date, and 1.6 percentage points more than in the US (see Figure 6). This is attributable to the differences in last year's developments in income, which provided greater stimulus in the US from the perspective of spending.[9] The contribution made by gross fixed capital formation was also highly negative (in the amount of 1.9 percentage points). The contraction in foreign trade accounted for 0.6 percentage points of the decline in euro area GDP. Its contribution in the US was neutral, although the fall in exports was larger than the fall in imports. This is attributable to the greater trade openness of the euro area economy, where exports amount to almost 50% of GDP, compared with just over a tenth in the US. In both economies the decline in economic activity was somewhat mitigated by increased government spending.

Figure 5: Value added by activities



Source: Fred, Eurostat, Banka Slovenije calculations.

Figure 6: Structure of GDP growth, expenditure side



Source: Fred, Eurostat, Banka Slovenije calculations.

[1] China was the only major global economy to grow last year. It also became the euro area's most important trading partner, which has to a considerable extent been reflected in the recovery in the exports of European industry since the first wave of the pandemic.

[2] The fiscal measures in the US are again among the largest in the world this year. After adopting a package of measures worth USD 900 billion in December of last year, the US government followed up with another package of fiscal measures worth USD 1,900 billion (around 8% of GDP) in March of this year.

[3] According to the latest estimates by the OECD (March 2021), the discretionary fiscal measures are rather modest in scale this year, at around 1.0% of euro area GDP. If there is no let-up in the pandemic, this figure can be expected to increase later in the year.

[4] The IMF in its April forecast is projecting 6.4% GDP growth for the US and 4.4% for the euro area.

[5] Given the methodological differences between Eurostat and FRED, an exact comparison between the structure of value-added in the US and in the euro area is not possible. The calculations have not been adjusted for changes in the exchange rate between the euro and the US dollar.

[6] Most notably wholesale and retail trade, transportation, accommodation and food service activities, and arts, entertainment and recreation.

[7] Financial and insurance activities generate more than a fifth of total value-added in the US. The figure is approximately 15.0% in the euro area.

[8] Industry generates approximately a fifth of total value-added in the euro area, compared with just under 14.0% in the US.

[9] In the euro area disposable income remained similar to 2019 until the third quarter of last year, while in the US it was significantly higher, mainly thanks to higher unemployment benefits. The main factor in the difference is compensation of employees, which declined in the euro area but remained almost unchanged in the US.

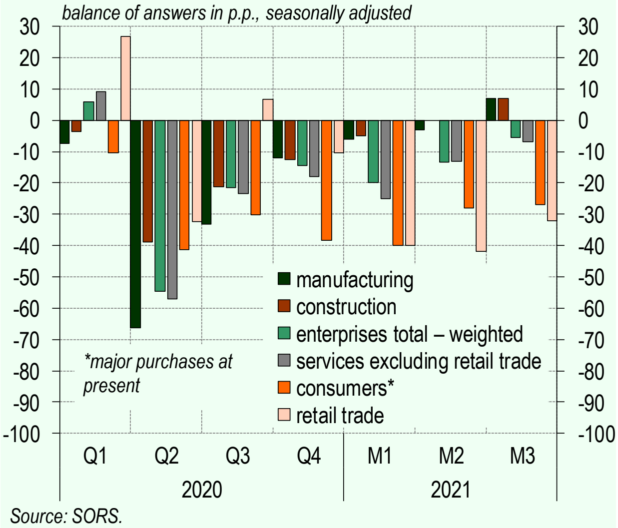
2 Economic Developments

Economic growth is being held back only by the epidemic and the containment measures. The economy has adapted effectively to operating in the adverse situation: practically all sectors not dependent either on personal contact between the provider and the customer or on international tourism are recovering. Sectors that were suffering a decline in value-added in the final quarter of last year, when the epidemic was at its peak, accounted for 31% of GDP, 45 percentage points less than in the second quarter. After a small quarterly decline in GDP at the end of last year, signs of solid, albeit uneven, economic growth had also appeared by the first quarter of this year. Industrial production is strengthening as foreign demand rises, while construction is recovering in parallel with investment. With high household savings, and a relatively solid labour market, at least on aggregate, there is great potential for growth in private consumption. This was seen in part during February's partial lifting of the containment measures, when retail turnover increased markedly; growth remained high in later weeks, according to the volume of card payments. The renewed tightening of containment measures in the first half of April brought the recovery in certain service sectors to a temporary end, or further delayed the recovery in those sectors yet to see one, but the outlook for the second quarter is good for now, at least judging by March's surveys of demand expectations.

Economic sentiment indicators in March 2021

The improvement in economic sentiment continued in March. The manufacturing confidence indicator reached its highest level since February 2018, while the construction confidence indicator reached its highest level since May 2019. These are also the two sectors where the containment measures have had the least impact following the end of the first wave. The sentiment in trade and other private-sector services remained negative, albeit significantly less so than at the beginning of the year. Consumers were also less pessimistic than last year. The improved economic climate is coinciding with the reco-

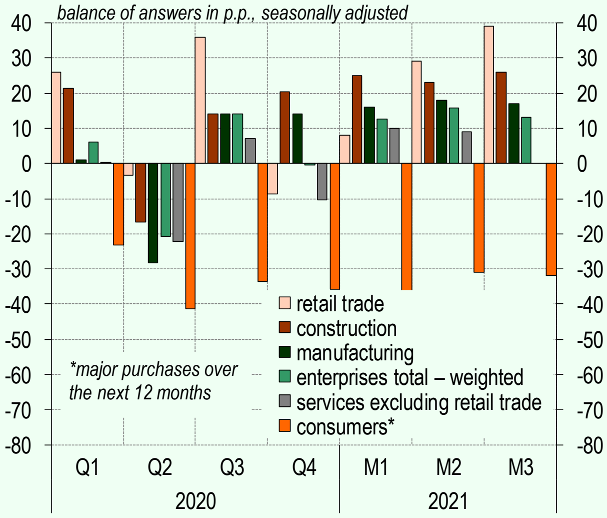
Figure 2.1: Current demand, survey data



Source: SORS.

very in demand. The weighted survey assessment of the strength of current demand for March points to an ongoing recovery in economic activity, primarily on account of favourable assessments in manufacturing and construction (see Figure 2.1). The partial lifting of the containment measures in February also saw the beginnings of a recovery in demand for services. The persistently low assessment in trade should be highlighted; it is difficult to attribute to current demand, turnover having increased significantly in February. At the same time firms were optimistic in their assessments of demand in the second quarter of this year: only in services other than trade did the share of those assessing demand negatively equal those assessing demand positively (see Figure 2.2). However, our assessment is that the positive trends partly came to an end in April as a result of the renewed tightening of containment measures.

Figure 2.2: Expected demand, survey data

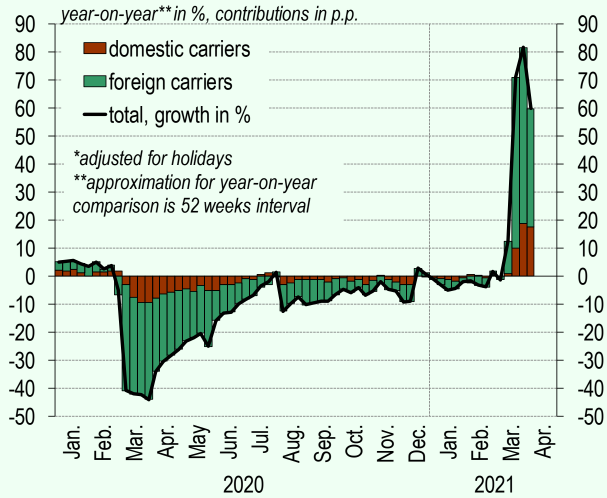


Source: SORS.

High-frequency indicators of activity

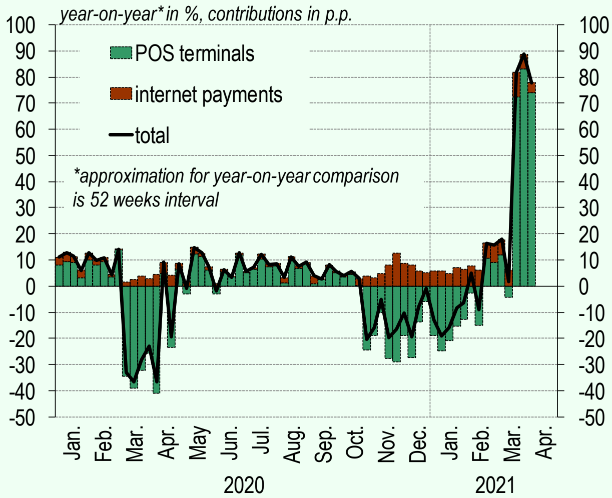
The high-frequency indicators point to an economic recovery in the first quarter of this year, which was highly uneven across different sectors. The situation in industry is good, thanks to the strong rebound in global demand for goods. Industrial production continued to rise in February, and was up 0.6% on January. Even higher growth was indicated by the Purchasing Association of Slovenia's manufacturing PMI, which stood at 72.8 points in March according to unadjusted figures, its highest level since April 2017. Further indication that demand is strengthening comes from the pronounced year-on-year rise in the number of kilometres covered by freight vehicles in recent weeks, although attention should be drawn to the strong base effect (see Figure 2.3). Construction is continuing to strengthen as investment recovers: the amount of construction put in place in January was up 4.2% in year-on-year terms. Further evidence that it is only really the containment measures that are holding back economic growth comes from February's figures for retail turnover and from card payments in March and early April. Following February's partial lifting of containment measures, retail sales (excluding vehicles and fuel) were up fully 16.4% in monthly terms, and 2.8% in

Figure 2.3: Transport distance of highway fright*



Source: DARS, Banka Slovenije calculations.

Figure 2.4: Card payment value



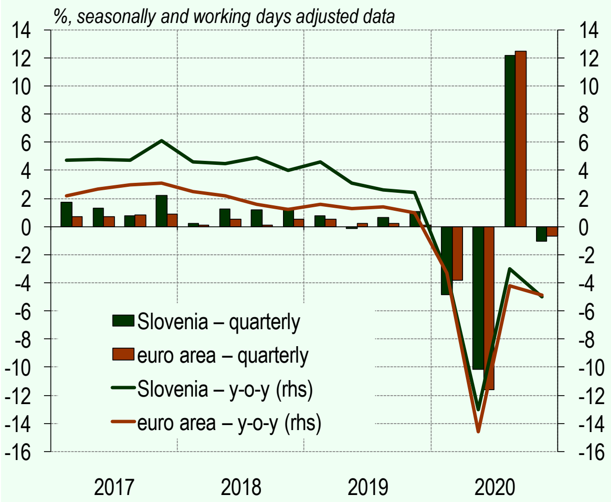
Source: Bankart, Banka Slovenije calculations.

year-on-year terms. Judging by card payments, year-on-year growth was even more pronounced in the following weeks, albeit from an extremely low base (see Figure 2.4). By contrast, services dependent on international tourism or on personal contact between the provider and the client remain badly affected by the containment measures.

GDP in 2020

The decline in GDP in the final quarter of last year was relatively small, given the size of the second wave of the epidemic. The quarterly decline stood at 1.0%, which took the year-on-year decline to 4.5%. In both instances this was significantly less than in the first wave of the epidemic (see Figure 2.5). This was attributable to firms' ability to adapt to doing business in the adverse situation, the recovery of foreign demand with an increase in global industrial production, extensive support measures, and slightly less stringency in the containment measures. Sectors recording a quarterly decline in value-added accounted for 31% of GDP in the final quarter of last year, compared with 76% in the second quarter (see Figure 2.6). The euro area also suffered a significantly smaller decline in activity compared with the first wave. The annual decline in economic activity amounted to 5.5%, which was better than expected. The economic consequences of the epidemic last year were slightly less harsh than in the euro area overall, as the situation in all the principal sectors was slightly better (see Figure 2.7). The starting position of the domestic economy before this year's anticipated recovery is thus slightly more favourable than was forecast last year, although the pace of

Figure 2.5: GDP growth rate comparison between Slovenia and the euro area



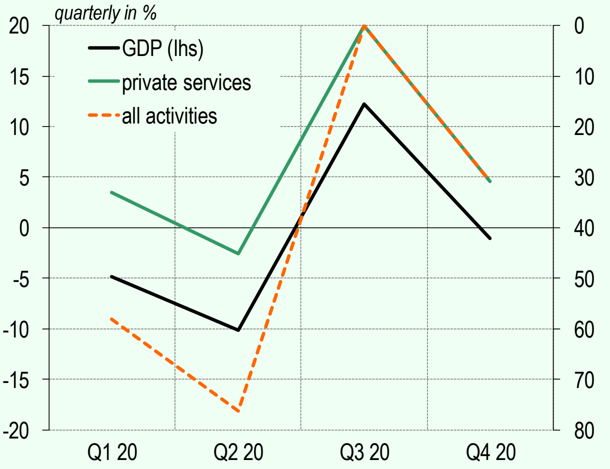
Source: SORS, Eurostat, Banka Slovenije calculations.

Table 2.1: Economic activity, volume indices of production

	12 m. to Dec. 19	12 m. to Dec. 20	2020 Nov.	2020 Dec.	2020 Jan.	2020 Oct.	2020 Jan.
			y-o-y in %**			monthly***	
Industrial production – total	2.8	-6.2	-0.7	-0.8	1.3	9.7	2.2
Manufacturing	3.2	-5.9	-1.1	-0.4	1.8	10.5	2.7
Construction – total	3.3	0.4	19.8	-0.8	4.2	8.3	6.8
Non-residential buildings	0.7	-9.4	-3.5	-16.0	9.2	7.7	17.3
Residential buildings	12.7	14.8	37.1	18.6	39.4	13.2	28.7
Civil engineering	3.2	2.4	26.8	-1.0	3.2	11.1	4.9
Trade and service activities* – total	2.8	-9.6	-9.6	-12.0	-11.8	5.0	-5.7
Wholesale and retail trade and repair of motor vehicles and motorcycles	2.8	-14.5	-21.4	-27.6	-17.7	2.3	-19.7
Retail trade, except of motor vehicles and motorcycles	3.5	-5.9	-13.8	-11.8	-13.3	-1.6	-9.6
Other private sector services	2.3	-11.6	-9.5	-12.4	-12.6	8.4	-4.0
Transport and storage	3.0	-8.8	2.6	1.6	-3.5	10.6	3.7
Accommodation and food service activities	4.6	-37.7	-70.1	-74.0	-76.4	26.7	-65.7
Information and communication	1.2	-0.9	-1.3	-4.3	-1.5	6.6	-1.9
Professional, scientific and technical activities	5.7	-3.6	-1.5	-0.7	8.8	2.8	4.1

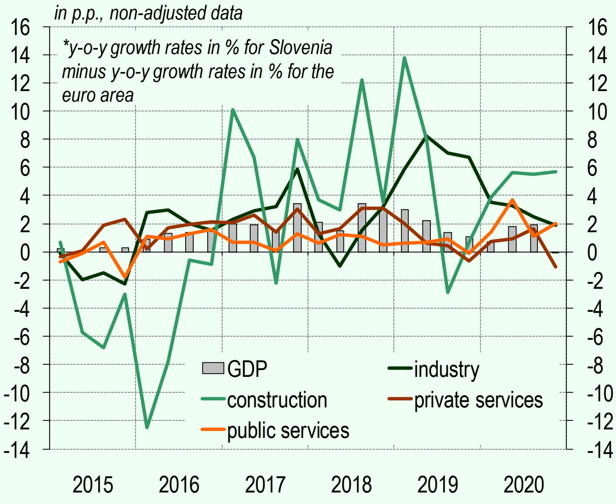
*Note: *Excluding financial services. **Working days adjusted data. ***3-month moving average compared to the corresponding moving average 3 months earlier in %, seasonally adjusted data.*
Source: SORS, Banka Slovenije calculations.

Figure 2.6: GDP and share of activities with quarterly decrease in value added*



Note: *Activities with decrease in value added as a share in GDP.
Source: SORS, Banka Slovenije calculations.

Figure 2.7: Differences in y-o-y growth rates of GDP components between Slovenia and the euro area, production side*

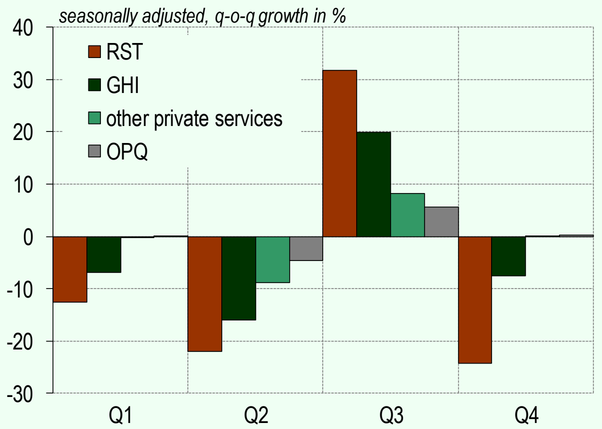


Source: Eurostat, Banka Slovenije calculations.

the recovery is still dependent primarily on the epidemiological situation and the response to it.

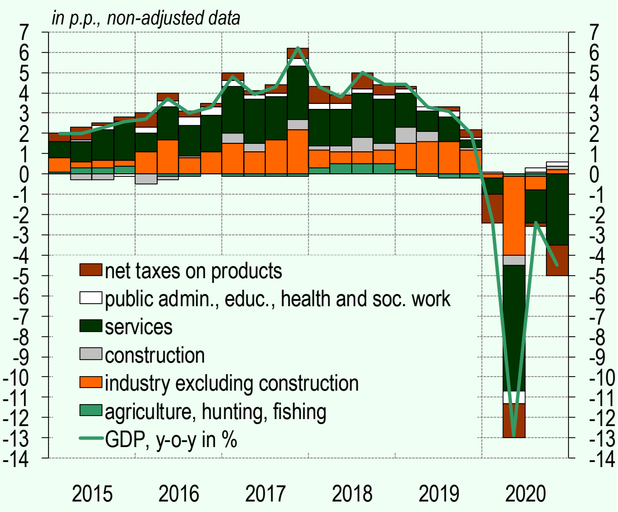
The decline in value-added at the end of last year was small, but the contrasts between sectors have widened. The quarterly decline in value-added was just 0.7%, but the two-tier nature of the economy has become even more evident. The crisis deepened in sectors that are unable to adapt to stringent health restrictions. The quarterly decline in value-added was strongest (at more than 24%) in other services, where arts, entertainment and recreation are prevalent (see Figure 2.8). This took the year-on-year decline in activity in this sector to more than 30%, and it accounted for 0.7 percentage points of the year-on-year decline in GDP. The shock in trade, transportation and storage, and accommodation and food service activities was smaller than in the first wave, but was nevertheless significant. The aggregate quarterly decline in value-added in these sectors stood at 7.5%, driven by restrictions in accommodation and food services and in trade, but a larger decline was prevented by a recovery in the transportation and storage sector amid encouraging foreign demand. The year-on-year decline in activity in these sectors nevertheless amounted to 13.4%, which accounted for 2.4 percentage points of the year-on-year decline in GDP. The renewed surge in the epidemic had a smaller impact in other services, which saw turnover that was mostly unchanged from the third quarter or an ongoing recovery. The highlights were construction, where value-added was up 3.8% in

Figure 2.8: Value added in service activities



Note: RST – other service activities (arts, entertainment, recreation...); GHI – trade and repair of motor vehicles, transportation and storage, accommodation and food service activities; OPQ – public administration and defence, education, human health and social work activities.
Source: SORS.

Figure 2.9: Structure of GDP growth in Slovenia, production side

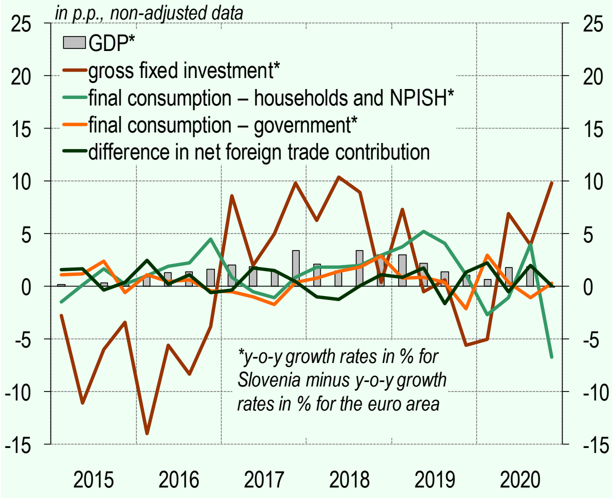


Source: SORS.

year-on-year terms amid strengthening infrastructural and residential investment, and industry, where value-added was up 0.8% amid rising merchandise exports. These two sectors mitigated the year-on-year decline in GDP in the final quarter of last year by 0.4 percentage points in total (see Figure 2.9).

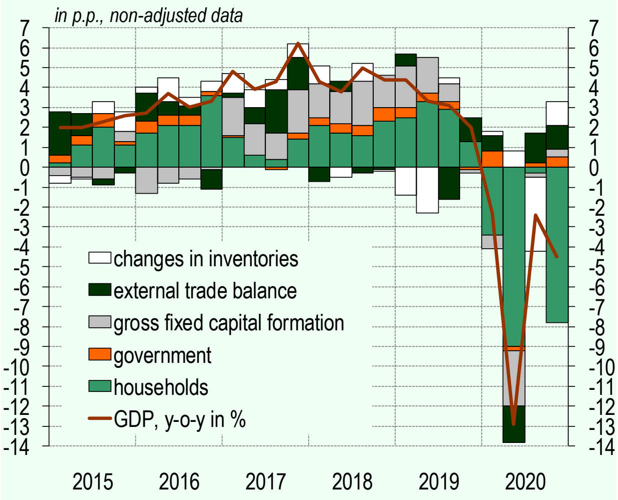
On the expenditure side, the decline in GDP in the final quarter of last year was driven by a renewed shock in household consumption. As a result of the at-least partial shutdown of numerous service sectors, which lasted longer than in the first wave of the epidemic, final household consumption was down fully 14.5% in quarterly terms. This was also the figure for the year-on-year decline, which was not significantly smaller than in the second quarter. The shock in private consumption at the annual level was sharper than in the euro area overall (see Figure 2.10). The household saving rate reached 25.1% last year, amid government support measures and an inability to spend. This was 11.7 percentage points more than in 2019, and 5.6 percentage points above the euro area average.[1] Gross fixed capital formation was surprisingly positive: its recovery continued, despite the worsening epidemic. Quarterly growth was weak at just 0.2% at the end of the year, but was evidenced in all segments other than transport equipment. The ongoing growth in investment in other machinery and equipment and in research and development was notable, and suggests that firms are upgrading technologically, despite the huge uncertainty in the economy. Investment declined by less than expected last year, and by less than in the euro area overall. It was down 4.0% over the year, but year-on-year growth had re-entered positive territory by the final quarter, in the amount of 2.0%. The strengthening investment coincided with an increase in export activity, which amid the slower recovery in imports saw net trade make a positive contribution to GDP in the final quarter and over the entire year (see Figure 2.11).

Figure 2.10: Differences in y-o-y growth rates of GDP components between Slovenia and the euro area, expenditure side*



Source: Eurostat, SORS, Banka Slovenije calculations.

Figure 2.11: Structure of GDP growth in Slovenia, expenditure side



Source: SORS.

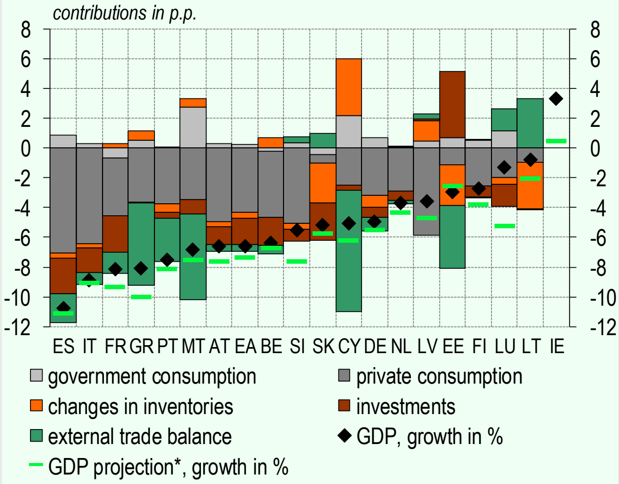
[1] Figures for the euro area are for the first three quarters of 2020.

Box 2.1: Economic growth in euro area countries in 2020

The pandemic had a major impact on euro area economies last year, and affected all components of GDP profoundly. Euro area economies began to shut down after the outbreak of the pandemic late in the first quarter, which had a major adverse impact on developments in the second quarter in particular. As the measures were lifted in the summer, the economies recovered sharply, but not enough to regain the activity lost during the year. The recovery in activity stalled again in the final quarter amid the new wave of the epidemic, but the contraction in GDP was not as pronounced as in the first two quarters of the year, as to a considerable extent the economies successfully adapted to the new circumstances, and global demand also began to strengthen. GDP in almost all euro area countries remains down on its pre-pandemic level, even though in some countries it had significantly closed the gap in the third quarter. Differences in the impact of and response to the crisis meant that GDP developments varied greatly from country to country: excluding Ireland, there was a range of 10 percentage points in the annual rates of change in GDP.

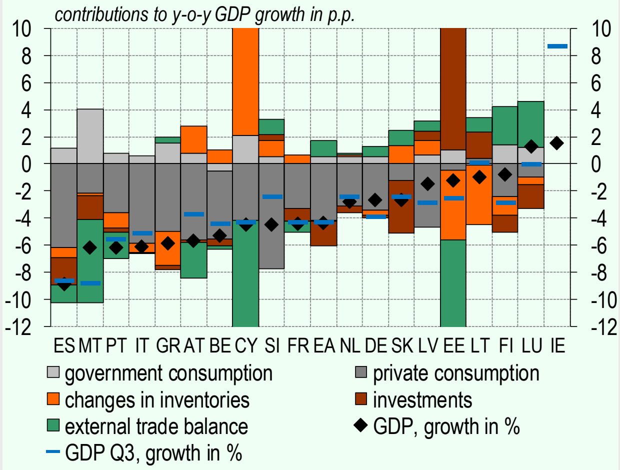
GDP declined in 2020 in all euro area countries other than Ireland, although the decline was slightly smaller than forecast in December. Economic activity in the euro area declined by 6.6% over the year. Private consumption was the main driver of the decline, amid the prevailing caution and the limited access to numerous services. Gross investment was down, and external trade balance made a negative contribution too, while government consumption made a small positive contribution over the year. The decline in GDP was 0.7 percentage points smaller than that forecast by the ECB in December, mainly on account of a smaller decline in investment. Economic activity in Slovenia contracted by 5.5%, 2.1 percentage points less than forecast, and 1.1 percentage points less than the average decline in the euro area. The main reasons for the smaller decline in the domestic economy were the smaller negative contribution made by gross fixed capital formation, and the smaller decline in private consumption (which was the main driver of the annual decline in most countries).[1] Other euro area countries also saw a smaller-than-expected decline in GDP, as developments in the final quarter proved more favourable than forecast, most likely as a result of better adaptation to the new circumstances and the recovery in industry. The exception was Estonia, which in 2020 saw a slightly larger contraction than previously forecast, although its actual decline was among the smallest in the euro area. Only Lithuania, Luxembourg and Finland recorded smaller declines over the year; alongside Estonia and Latvia they had the least stringent containment measures. The largest declines in economic activity were recorded by the countries hit hardest by the pandemic; Spain saw GDP decline by fully 10.8%.

Figure 1: Annual economic growth in euro area countries by expenditures in 2020



Note: *Detailed data for Ireland is not available. *ECB, December 2020.*
Source: ECB, Eurostat.

Figure 2: Economic growth in euro area countries by expenditures in the last quarter of 2020



Note: *The full contributions to CY and EE GDP are not shown in the graph due to better visibility of other data, detailed data for Ireland is not available.*
Source: ECB, Eurostat.

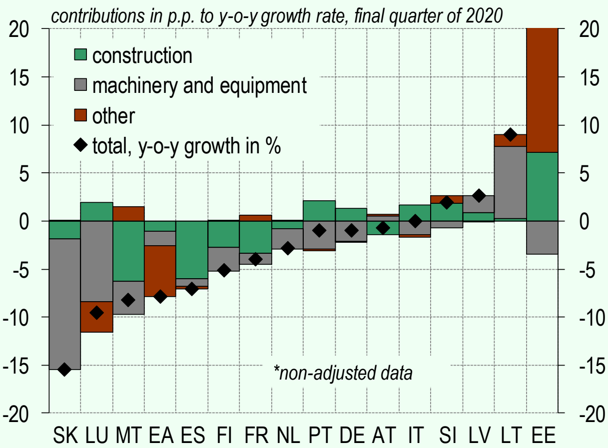
The stringent containment measures hit private consumption hardest, which drove GDP down in all euro area countries last year, although government spending slightly mitigated the decline. In the bad epidemiological situation, and amid the uncertainty on the labour market, households increased their savings, and reduced their consumption by 8.0% in the euro area overall last year, which accounted for 4.3 percentage points of the decline in GDP. In

Slovenia, which saw the largest year-on-year decline in private consumption in the whole of the euro area in the final quarter of last year, private consumption accounted for 5.1 percentage points of the decline in GDP. Alongside Slovenia, the countries that recorded large declines were Spain, Italy and Latvia, while less-stringent containment measures meant that the smallest hits to private consumption were seen in Slovakia, Lithuania and Estonia. By contrast, government spending made a positive contribution to the annual change in GDP in most euro area countries. It mitigated the decline in GDP by 0.2 percentage points in the euro area overall, most notably in the smaller countries.

The numerous constraints and the uncertainty did not create a good environment for investment, which alongside private consumption was a major factor in the contraction in the euro area economy. Investment contracted by 8.3% in the euro area overall, although the year-on-year decline slowed towards the end of the year. Quite a few countries have already passed their pre-crisis level of investment; Slovenia was among them in the final quarter. The most notable is Estonia, where gross investment made a positive contribution of 4.4 percentage points to GDP growth, although it was not attributable to post-crisis recovery, but rather to the large investment by foreign investors in the second half of the year.[2] The year-on-year decline in investment in the euro area in the final quarter was mainly attributable to Ireland, where reporting by multinationals has a major impact.

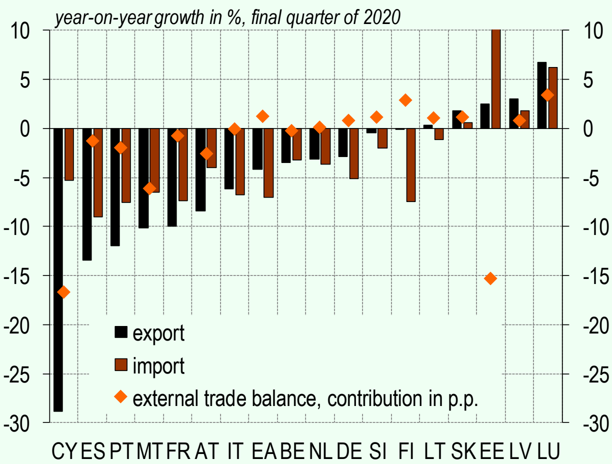
The numerous barriers to international trade and heavily affected international tourism brought a significant decline in imports and exports in most euro area countries last year, although the beginnings of a revival in foreign trade were seen in the final quarter as economic performance improved. Euro area imports were down 9.2% last year, while exports were down 9.4%, which overall accounted for 0.5 percentage points of the decline in GDP. Exports were already rising in year-on-year terms in the Baltic states, Slovakia and Luxembourg by the end of the year. Net trade also made a positive contribution to annual GDP growth in all of these countries other than Estonia, where the high growth in imports was related to computer services for software development in the construction of a data centre. Slovenia's exports in the final quarter of last year were only down slightly in year-on-year terms, but amid a decline in imports the contribution made to GDP growth by net trade was positive in the amount of 1.2 percentage points; its average contribution over the year was 0.4 percentage points. The majority of countries were still recording a year-on-year decline in exports, driven primarily by services exports.

Figure 3: Gross fixed capital formation in euro area countries*



Note: Detailed data for Belgium, Cyprus, Greece and Ireland is not available. The full contributions are not shown in the graph due to better visibility.
Source: Eurostat, Banka Slovenije calculations and estimations.

Figure 4: External trade balance in the euro area countries



Note: Ireland is not illustrated due to the large impact of multinational companies, data for Greece is not available. The full export of Estonia is not shown in the graph due to better visibility of other data.
Source: Eurostat, ECB, Banka Slovenije calculations.

[1] Slovenia's larger deviation from the forecast (compared with the deviations in other countries) was also attributable to lower data availability when the forecast was being drawn up. Banka Slovenije was one of six central banks in the euro area not to have had preliminary data for the third quarter available when drawing up its forecasts (alongside Ireland, Luxembourg, Greece, Estonia and Malta).

[2] Sweden and Finland invested in the construction of the MCF Data Centre.

3 Labour Market

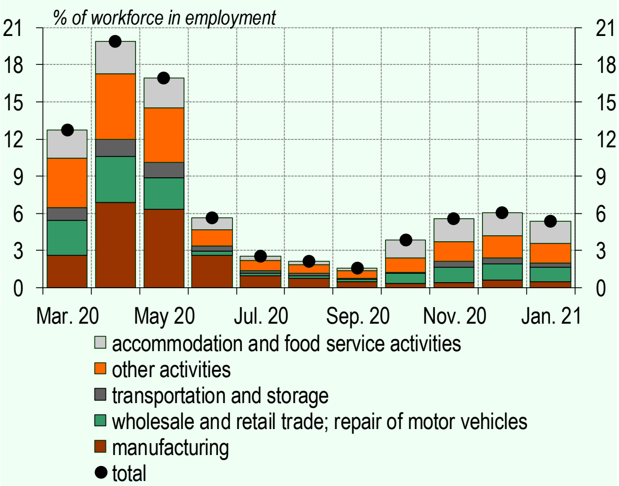
After the second wave of the epidemic put a halt on the recovery, the situation on the labour market began to improve with the transition to the orange phase and the gradual lifting of containment measures. Registered unemployment stood at just 81,616 in early April, the number of notified vacancies increased, and firms raised their employment expectations as the containment measures were relaxed. However, uncertainty is again increasing amid the recent rise in case numbers and the reintroduction of stringent containment measures, which means that support from emergency measures will remain the key to preventing a downturn. These have successfully limited the impact of the epidemic so far; most notably the temporary lay-off scheme has prevented a much sharper fall in employment. The relatively moderate downturn in aggregate indicators is nevertheless concealing increasing divergence on the labour market. The targeting of the measures saw an above-average fall in employment in wholesale and retail trade and in accommodation and food service activities in the second wave of the epidemic in particular, in contrast to the further rise in employment in mostly public services amid the increased demand for health workers. Growth in the average gross wage in mostly public services is strongly outpacing growth in the private sector, thanks to payments of epidemic related bonuses. The crisis has particularly hit vulnerable groups of workers: the largest rises in the unemployment rate were recorded by young people, the lower-skilled and women. The position of vulnerable groups was also worsened by the lower income recorded by employees included in the temporary lay-off scheme.

Employment

Although the year-on-year fall in employment did not deepen in the second wave, the targeting of the containment measures altered its structure. Despite the reintroduction of stringent containment measures, employment was down just 1.4% in the final quarter according to national accounts figures, 0.4 percentage points less than during the first wave of the epidemic in the second quarter of last year. Amid a rebound in agency work, the improvement was primarily attributable to employment in professional, scientific and technical activities and administrative and support service activities, while the situation in manufacturing also improved as export activity revived. The ongoing decline in aggregate employment in the sectors of wholesale and retail trade and repair of motor vehicles and motorcycles, transportation and storage, and accommodation and food service activities prevented a faster recovery. These sectors recorded a year-on-year decline in employment of 3%, driven by the closure of catering establishments and the restrictions on shops. The increased demand for health workers as case numbers rose meanwhile continued to drive up employment in human health and social work activities. Employment in mostly public services (Sectors O, P and Q) increased by 2.4% or almost 5,000 over the year.

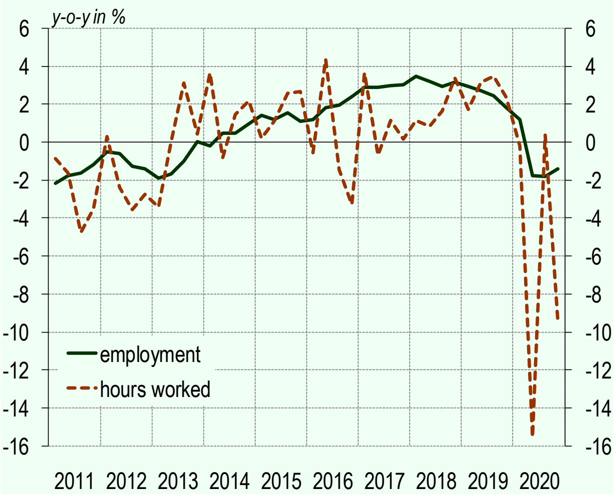
The fall in employment was mitigated by job preservation measures. The number of employees included in the temporary lay-off scheme began to rise again in October of last year as the epidemiological situation worsened. According to the Employment Service's provisional figures, there were around 50,000 employees in the temporary lay-off scheme on average during the second wave of the epidemic, or just under 6% of the workforce in employment, significantly less than in the first wave, when the majority of the economy was shut down (see Figure 3.1). Compared with the first wave there was also a significant change in the structural composition of temporary laid-off workers: the share of manufacturing employees declined sharply as the sector recovered, and the sectors of trade and accommodation and food service activities accounted for the majority of temporary laid-off workers. While workload was reduced, firms were still including employees in the short-time work scheme: there were just over 16,000 workers included in the scheme on average during the second wave. The success of the emergency job preservation measures is evident from the sharp fall in the number of hours worked, which reflects the reduced workload during the stringent containment measures (see Figure 3.2). While employment was down 1.4% in year-on-year terms, the number of hours worked was down 9.4% in the final quarter of last year.

Figure 3.1: Share of temporarily laid-off workers



Note: Employment Service data on wage reimbursements of temporarily laid-off workers as of March 14.
Source: ESS, SORS, Valicon, Banka Slovenije calculations.

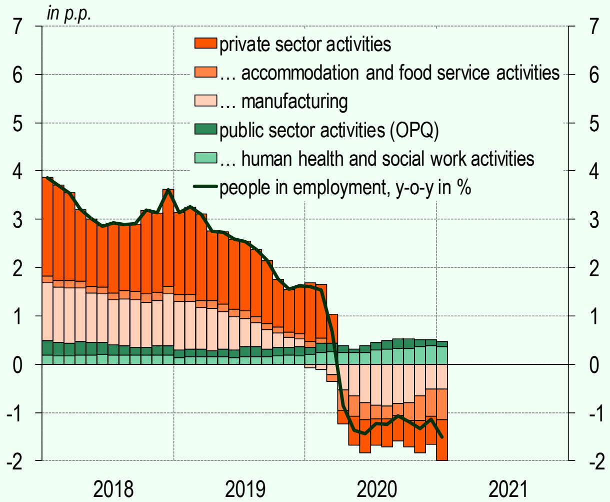
Figure 3.2: Employment and number of hours worked



Source: SORS – national accounts, Banka Slovenije calculations.

As the epidemiological situation worsened, the year-on-year fall in employment deepened slightly in January. Before the transition to the orange phase, the workforce in employment was down 1.5% in year-on-year terms according to monthly data from registers, the strongest fall since the outbreak of the epidemic (see Figure 3.3).[1] The largest contribution to the fall has again come this year from accommodation and food service activities, where the workforce in employment is already down

Figure 3.3: Contributions to y-o-y growth in the number of people in employment



Source: SORS, Banka Slovenije calculations.

[1] Given the different methodologies of monitoring, employment differs according to the figures from quarterly national accounts and the monthly registry figures. The national accounts figures for employment include permanent employees, self-employed and unpaid family workers 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. According to the monthly figures, only employees with an employment contract and self-employed persons are classed as workforce in employment.

Table 3.1: Demography, unemployment and employment

	2016	2017	2018	2019	2020	19Q4	20Q1	20Q2	20Q3	20Q4
					in 1,000					
Working age population[1]	1371	1362	1352	1350	1362	1352	1356	1362	1362	1367
					in %					
Activity rate[2]	71.7	74.2	75.1	75.3	74.6	74.6	75.0	73.9	74.7	74.9
Employment rate[3]	65.9	69.3	71.1	71.9	70.9	71.6	71.5	70.0	70.8	71.1
					in 1,000					
Registered unemployed persons	103.2	88.6	78.5	74.2	85.0	73.4	78.4	89.5	87.1	85.0
Unemployment rate					*in %*					
- LFS	8.0	6.6	5.1	4.5	5.0	4.0	4.6	5.2	5.1	5.1
- registered	11.2	9.5	8.3	7.7	8.8	7.7	8.3	9.2	8.8	9.0
Probability of transition between employ. and unemployment					*in %*					
- probability to find a job[4]	18.0	19.2	19.5	18.9	19.0	16.0	21.1	16.1	22.4	16.4
- probability to lose a job[5]	2.3	2.1	1.9	1.8	2.5	2.1	2.5	3.2	2.0	2.2
					in 1.000					
Total employment[6]	961.2	989.6	1021.4	1046.7	1036.7	1054.3	1045.2	1027.1	1034.6	1039.7
					year-on-year growth rates in %					
Persons in paid employment	2.2	3.3	3.4	2.7	-1.1	1.9	1.3	-1.9	-2.2	-1.7
Self-employed	0.2	1.6	2.5	1.7	-0.3	1.4	0.6	-1.4	-0.3	-0.2
By sectors										
A Agriculture, forestry and fishing	-1.3	-1.0	-0.4	-0.5	-1.8	-1.0	-1.5	-1.9	-1.8	-1.9
BCDE Manufacturing, mining and quarrying and other industry	2.5	3.1	4.3	2.5	-2.1	1.1	-0.3	-2.3	-3.3	-2.5
F Construction	-0.8	2.3	6.5	9.1	0.9	7.5	5.4	-0.4	-1.2	0.3
GHI Trade, accommodation, transport	2.5	3.5	3.5	3.2	-1.6	2.4	1.3	-2.0	-2.6	-3.0
J Information and communication services	4.1	3.4	4.6	3.5	2.6	3.5	3.5	2.8	2.2	2.1
K Financial and insurance activities	-2.0	-1.5	-0.9	-0.8	-2.0	-0.9	-0.9	-1.9	-2.4	-2.8
L Real estate activities	4.6	7.9	6.5	4.6	2.9	4.5	2.9	2.9	2.9	2.9
MN Professional, technical and other business activities	2.2	5.6	3.0	0.4	-4.0	-0.2	0.8	-7.5	-5.5	-3.6
RSTU Other activities	2.7	3.5	3.3	4.0	-0.1	4.4	2.7	-1.4	-0.5	-1.2
- mainly private sector (without OPQ)[7]	1.8	3.1	3.4	2.6	-1.7	1.8	1.0	-2.6	-2.7	-2.2
- mainly public services (OPQ)[7]	2.1	2.5	2.2	1.8	2.1	1.9	2.1	1.7	2.2	2.4
Total employment[6]	1.8	3.0	3.2	2.5	-1.0	1.8	1.2	-1.8	-1.8	-1.4

[1] Working age population comprises all persons aged 15 to 64 years according to the Labour Force Survey (LFS) data.
[2] Labour force participation rate represents the labour force as a percentage of the working age population according to the LFS data.
[3] Employment rate represents persons in employment as a percentage of the working age population according to the LFS data.
[4] Newly employed as a share of registered unemployed persons according to Employment Service of Slovenia. The higher the indicator's value, the better the chance of finding a job.
[5] 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 the chance of losing a job.
[6] Employed and self-employed persons.
[7] Public administration, defence, compulsory social security, education, health and social work services according to the Standard classification of activities 2008.
Source: SORS, Employment Service of Slovenia, Banka Slovenije calculations.

15% in year-on-year terms, while the workforce in employment in human health and social work activities has risen by 5%. Amid an increase in construction activity, the workforce in employment in construction has also been rising since December (and was up 0.6%).

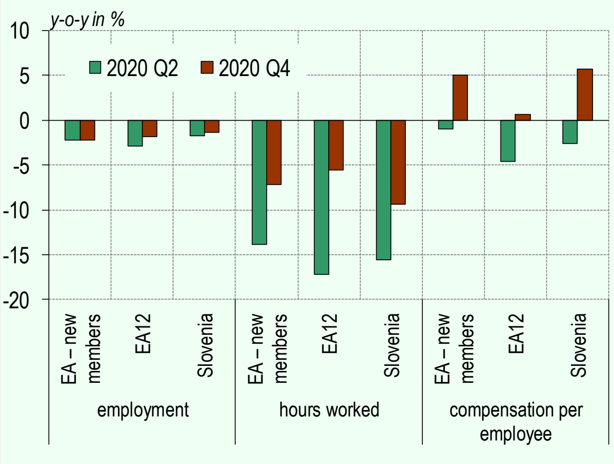
The reduced workload during the epidemic and the extreme uncertainty were reflected in a sharp fall in the number of vacancies and more restrained hiring in the final quarter of last year. According to SORS figures, employers notified approximately 11,500 vacancies in the final quarter of last year, down 26.5% on a year

Box 3.1: Labour market situation in euro area countries

The new wave of the epidemic hit the euro area labour market less hard than the first wave. After a recovery in the third quarter, the year-on-year decline in the number of hours worked deepened again in the final quarter of last year, in reflection of the partial shutdown of the economy amid the worsening epidemic and the tightening containment measures. Compared with the first wave, the decline was smaller in all euro area countries as their economies adapted to the new circumstances and global demand strengthened. It averaged 5.6% across the euro area (compared with 17.1% in the second quarter), while the figure for Slovenia was 9.4%. The only higher figures were recorded by Austria and Greece, where the containment measures were most stringent compared with the first wave according to the stringency index. The year-on-year fall in euro area employment also slowed in the second half of last year. It stood at 1.9% in the final quarter, 1 percentage point less than in the second quarter. More than half of countries in the euro area saw a slowdown in the fall, including Spain, where it remains deepest (at 4.2%). Thanks to extensive job preservation measures, the fall in Slovenia remains smaller than the averages for older members of the euro area and for newer members, at 1.4%. Growth in compensation per employee also strengthened in all euro area countries during the second wave, although there was pronounced variation between countries, with a range of almost 15 percentage points between the highest and lowest figures. Alongside differences in the degree to which countries were hit and in the containment measures put in place, the variation is also likely attributable to methodological differences in how compensation per employee is measured. Thanks to payments of epidemic-related bonuses in mostly public services, Slovenia recorded one of the highest rates of growth in compensation per employee.

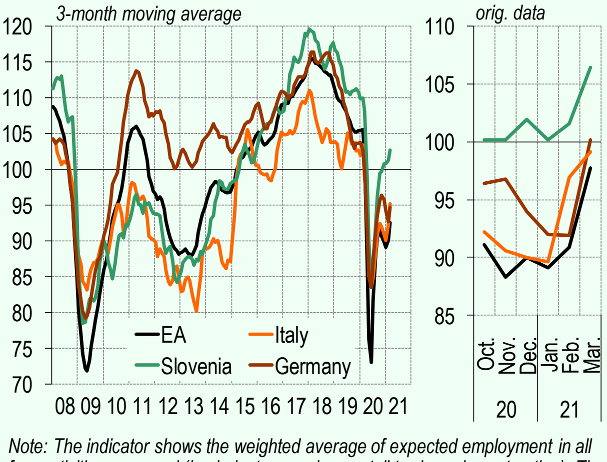
Employment expectations improved in March. The employment expectations indicator, which measures the intentions of employers with regard to recruitment over the next three months, rose by almost 7 percentage points in the euro area in March according to seasonally adjusted figures, while the employment outlook reached its highest level of the last year. There were improvements in all four surveyed sectors (industry, services, retail and construction), and industry recorded its highest figure in almost two years as the global economy strengthened. The outlook improved in the majority of euro area countries, and has now surpassed its long-term average in approximately half of them.

Figure 1: Labour market in euro area



Note: EA – new members: Cyprus, Estonia, Latvia, Lithuania, Malta, Slovakia, Slovenia; EA12: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain.
Source: Eurostat, Banka Slovenije calculations.

Figure 2: Expected employment in the next three months



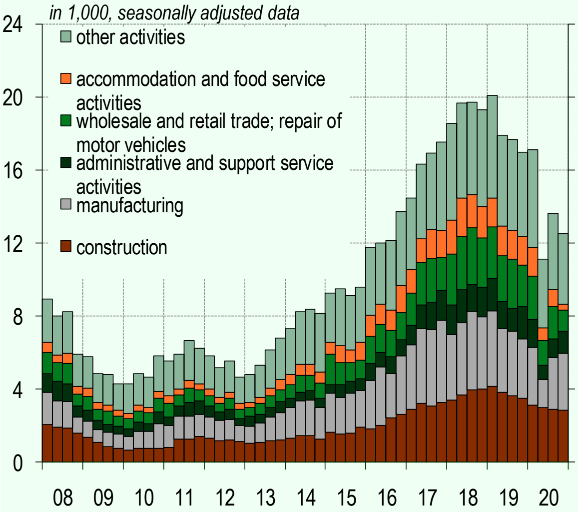
Note: The indicator shows the weighted average of expected employment in all four activities surveyed (i.e. industry, services, retail trade and construction). The April 2020 data for Italy is not available.
Data is seasonally adjusted, long-term average = 100.
Source: European Commission, Banka Slovenije calculations.

earlier (see Figure 3.4).[2] The year-on-year decline was a third smaller than in the second quarter of last year, which was largely attributable to demand for workers in manufacturing and construction amid rising activity. The job vacancy rate also remained relatively high last year in construction. According to seasonally adjusted figures, it

[2] 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 SORS 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.

still stood at 4.5% in the final quarter despite a decline (see Figure 3.5), whereas the sustained demand for workers in construction continued to be driven by a shortage of skilled workers. The largest decline in the job vacancy rate was recorded in accommodation and food service activities, while the rate in the total economy remained relatively high (1.6%). According to Employment Service figures, the number of vacancies rose in the first quarter of this year, as manufacturing and construction continued to record the largest number of advertised vacancies.[3] Given the huge uncertainty surrounding the evolution of the epidemic, and the need to be able to adjust quickly to changes in order book levels, employers have continued to make use of more flexible forms of employment. The proportion of notified vacancies accounted for by temporary positions increased slightly last year, and averaged almost 73% over the first two months of this year.

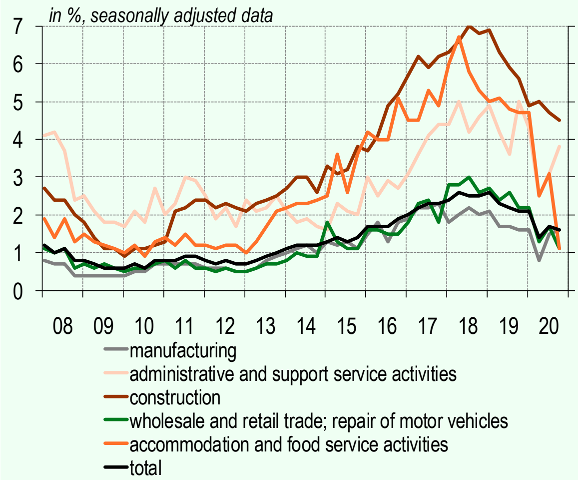
Figure 3.4: Vacancies



Source: SORS, Banka Slovenije calculations.

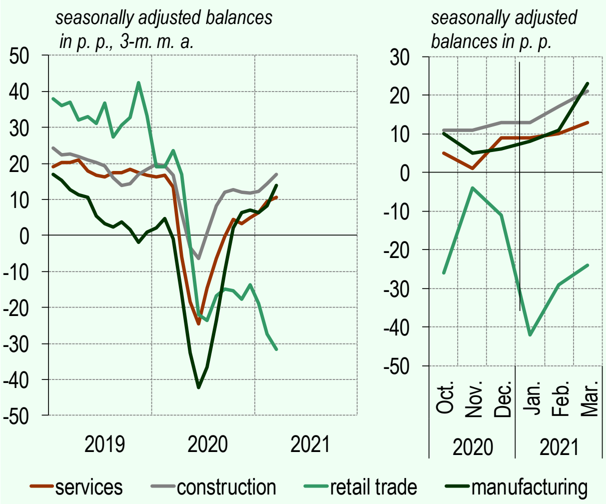
Despite the improvement in employment expectations, the situation on the labour market remains highly uncertain in the wake of the renewed deterioration in the epidemiological situation. February's transition to the orange phase and the gradual relaxation of containment measures brought about an improvement in the employment outlook in the economy. According to the seasonally adjusted SORS survey figures, employment was expected to strengthen most in manufacturing and in construction, while employers in the retail sector were still expecting to cut jobs in the next three months (see Figure 3.6). Survey by ManpowerGroup also suggests that employment can be expected to grow in the second quarter. Some 12% of the surveyed firms are planning hires, while the employment forecast according to seasonally adjusted figures is at its highest level of the last year. A positive outlook was reported by firms in all of the sectors covered by the survey, other than restaurants and hotels. The structural imbalances on the labour market also diminished last year following the outbreak of the

Figure 3.5: Vacancy rate*



Note: *Vacancy rate is the number of job vacancies, expressed as a percentage of labour demand (occupied positions and vacant positions).
Source: SORS, Banka Slovenije calculations.

Figure 3.6: Expected employment in the next three months



Source: SORS, Banka Slovenije calculations.

3 The year-on-year fall in the number of vacancies diminished in the first two months of the year, while in March they were up fully 59.1% in year-on-year terms. While the situation on the labour market was improving, the high rate of growth was primarily attributable to the extremely low base from March of last year.

crisis. Fewer and fewer firms have reported difficulties with a shortage of skilled workers, while according to the Employment Preview 2020/II the main difficulties in recruitment are expected to come in the human health and social work activities sector. Despite the marked improvement in the employment outlook, hiring remains extremely uncertain in light of the recent deterioration in the epidemiological picture and the reimposition of stringent containment measures. Support from the emergency measures will remain the key to preventing a downturn and to promoting a recovery on the labour market.[4]

Unemployment

Unemployment began to fall again as the containment measures were gradually lifted. The number of unemployed rose by 14.6% last year, primarily as a result of job losses in the first wave of the epidemic, but after peaking in June it began to ease again amid the reviving economy. The recovery was temporarily stalled by the

Figure 3.7: Monthly growth of registered unemployed persons

Source: Employment Service of Slovenia, Banka Slovenije calculations.

Table 3.2: Labour costs

	2016	2017	2018	2019	2020	19Q4	20Q1	20Q2	20Q3	20Q4
					in EUR					
Average gross wage	1,584	1,626	1,681	1,754	1,858	1,832	1,788	1,881	1,808	1,957
					y-o-y growth in %, nominal					
Average net wage	1.7	3.1	2.9	3.7	6.8	4.0	4.1	10.5	5.5	7.0
Average gross wage	1.8	2.7	3.4	4.3	6.0	4.2	3.2	9.0	4.8	6.8
- mainly private sector (excl. OPQ)[1]	1.3	2.7	3.8	3.6	3.9	3.1	2.8	5.7	3.9	3.2
- mainly public services (OPQ)[1]	3.3	2.8	2.4	6.5	10.7	7.6	4.2	15.9	6.3	16.1
Average gross wage in manufacturing	2.1	3.2	4.0	3.5	3.2	2.9	4.2	3.0	3.0	2.7
Average real net wage[2]	1.8	1.5	1.0	2.0	7.1	2.3	2.4	11.8	6.2	8.1
					y-o-y growth in %					
Unit labour costs,[3,4] **nominal**	1.8	1.2	2.8	4.2	7.4	3.9	6.8	9.8	3.8	9.1
Unit labour costs,[3,4] **real**	0.9	-0.3	0.6	1.9	6.0	1.5	4.0	6.8	4.1	8.8
Labour costs per employee,[4] **nominal**	3.1	3.0	3.9	4.9	2.3	4.1	3.1	-2.6	3.2	5.7
Labour productivity, nominal	2.2	3.3	3.3	3.0	-3.4	2.5	-0.9	-8.8	-0.8	-2.9
Labour productivity, real	1.3	1.8	1.1	0.7	-4.6	0.2	-3.4	-11.3	-0.6	-3.1
HICP	-0.2	1.6	1.9	1.7	-0.3	1.6	1.6	-1.2	-0.6	-0.9
GDP deflator	0.9	1.5	2.2	2.3	1.3	2.3	2.6	2.8	-0.2	0.2

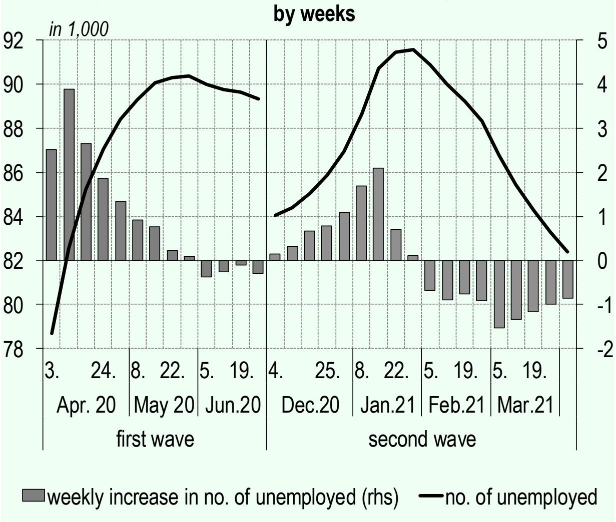
[1] Public administration, defence, compulsory social security, education, health and social work services according to the Standard classification of activities 2008.
[2] HICP deflator.
[3] Unit of output for the total economy is defined as real GDP per person employed (based on national accounts).
[4] Labour costs calculated on the basis of employee compensation (national accounts).
Source: SORS, Banka Slovenije calculations.

[4] The eighth package of measures to alleviate the impact of the epidemic extended the temporary lay-off scheme to the end of April, with the option of two further extensions of one month. The partial refund of paid wage compensation is usually for 80% of the wage compensation, but may also be 100% under certain conditions. The measure to subsidise short-time work had previously been extended to the end of June by the seventh package of measures.

reimposition of more stringent containment measures, which have not brought a significant downturn on the labour market. The rise in the number of unemployed between November and January did not deviate significantly from the usual seasonal developments: the year-on-year rise averaged 11,800 over this period (see Figure 3.7). In contrast to the first wave of the epidemic, when unemployment rose in the wake of job losses in manufacturing, wholesale and retail trade, accommodation and food service activities, administrative and support service activities, and construction, the inflows into unemployment during the second wave primarily came from redundancies in accommodation and food service activities, in line with the targeting of the containment measures. The number of unemployed began to fall more quickly in February as the containment measures were gradually lifted (see Figure 3.8). Registered unemployment stood at 81,616 in early April (2 April 2021), up just 4,100 on February of last year, before the outbreak of the epidemic. In the improving situation, the fall in unemployment was driven by higher outflows from unemployment, mostly as a result of new hires, and a decline in the number of people newly registering as unemployed. The main fall over the early months of the year was in the number of those registering as unemployed as a result of the end of temporary employment.

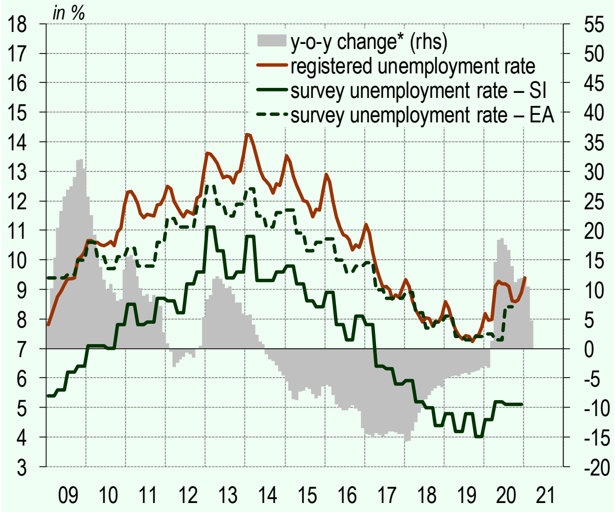
The registered unemployment rate rose during the second wave of the epidemic in line with normal seasonal developments, and stood at 9.4% in January. It was up 1.2 percentage points in year-on-year terms for the third consecutive month, a significant slowdown compared with the first wave of the epidemic, when the year-on-year increase averaged 1.8 percentage points (see Figure 3.9).[5] The situation on the labour market thus remains significantly better than after the previous crisis, when the unemployment rate reached 14.2% in early 2014. Although the aggregate unemployment rate remains relatively low, the current crisis has widened gaps on the labour market, having hit vulnerable groups particularly hard (for more, see Box 3.2). In terms of the age breakdown, the largest rise in unemployment rate last year was among young people aged under 29, while in terms of the gender breakdown it was women who saw a larger increase in unemployment rate. The unemployment rate remained highest in these groups in the early part of this year: 13.6% of young people aged under 29 were unemployed in January, along with 10.3% of women.

Figure 3.8: Number of registered unemployed persons by weeks



Source: Employment Service of Slovenia, Banka Slovenije calculations.

Figure 3.9: Unemployment rates



*Note: *Year-on-year change of registered unemployed persons in 1,000.*
Source: Employment Service of Slovenia, SORS, Banka Slovenije calculations.

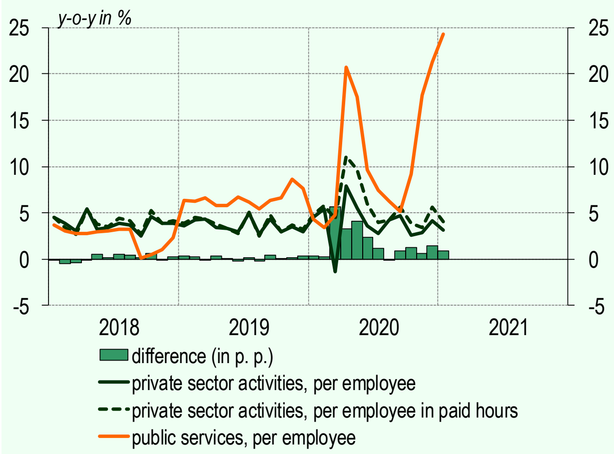
Wage developments

Wage statistics were subject to major methodological effects related to government measures, while epide-

[5] According to the figures from the quarterly Labour Force Survey, the unemployment rate held at 5.1% in the final quarter of last year.

mic-related bonuses widened the gaps between mostly public services and the private sector. Driven by epidemic-related bonus payments, last year's largest rise in the average gross wage was recorded by mostly public services (Sectors O, P and Q), where the average wage was up over 10% on 2019 (see Figure 3.10). The equivalent figure in the private sector is 3.9%, although the statistics for average wages have suffered from methodological issues since the outbreak of the epidemic. The computation of the average wage takes account solely of wages and compensation paid by employers, and all employees who received them, even employees who were included in job preservation measures for a part of the month.[6] The statistics thus not only fail to reflect employees' purchasing power, they also fail to reflect labour costs. Developments in the average wage are therefore better expressed in the form of average wage per employee, where the conversion is made on the basis of paid hours. Year-on-year growth in the average gross wage in the private sector was slightly higher according to this figure (at 5.7%), although still outpaced by mostly public services. The methodological impact on the average wage from the emergency measures was most pronounced in sectors with the highest share of employees included in job preservation measures (see Figure 3.11). The most notable is accommodation and food service activities, where the gross wage per employee fell by 3.8% last year, while the gross wage measured on the basis of paid hours rose by 1.9%.

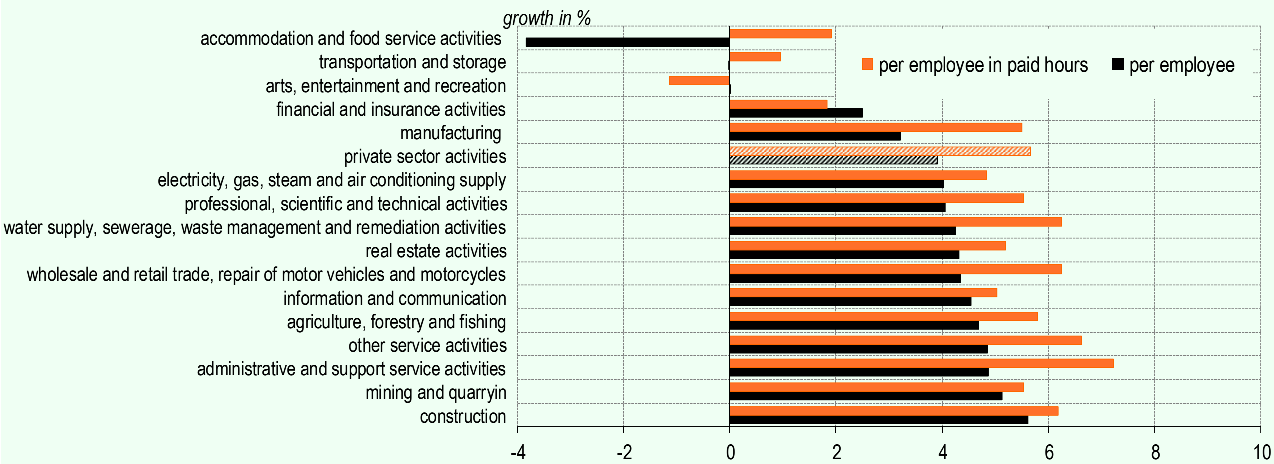
Figure 3.10: Average gross wage growth



Note: Average wage per employee relates to employees at legal persons, while average wage per employee in paid hours relates to employees at legal persons that are not budget users.
Source: SORS, Banka Slovenije calculations.

Year-on-year growth in the average gross wage in mostly public services reached 24.3% in January, but growth remained slow in the private sector, despite a rise in the minimum wage. Growth in the average gross wage in mostly public services picked up pace again amid the second wave of the epidemic and related bonus payments. In year-on-year terms it stood at almost 25% in January, driven largely by growth of 41.9% in the average wage in human health and social work activities.

Figure 3.11: Growth of average gross wage by private sector activities in 2020



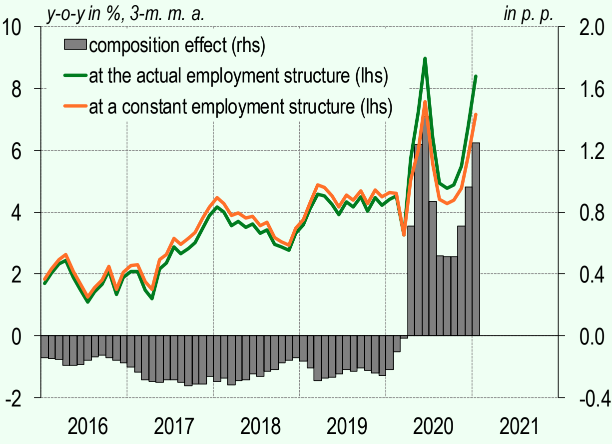
Note: Average wage per employee relates to employees at legal persons in private sector, while average wage per employee in paid hours relates to employees at legal persons that are not budget users.
Source: SORS, Banka Slovenije calculations.

[6] The methodological effects of the government's job preservation measures on wage statistics are examined in detail in Box 3.2 of the October issue of Economic and Financial Developments.

After rising in December, year-on-year growth in the average wage in the private sector slowed slightly to 3.2% (or 4% when measured against paid hours), despite a rise in the minimum wage.[7] Driven by mostly public services, year-on-year growth in the average gross wage in the total economy stood at 9.4% in January, although changes in the structure of employment have increasingly been a factor in the growth since the outbreak of the epidemic. Our estimate is that the shift in the structure of employment towards sectors with above-average wages accounted for more than 1 percentage point of January's wage growth (see Figure 3.12).

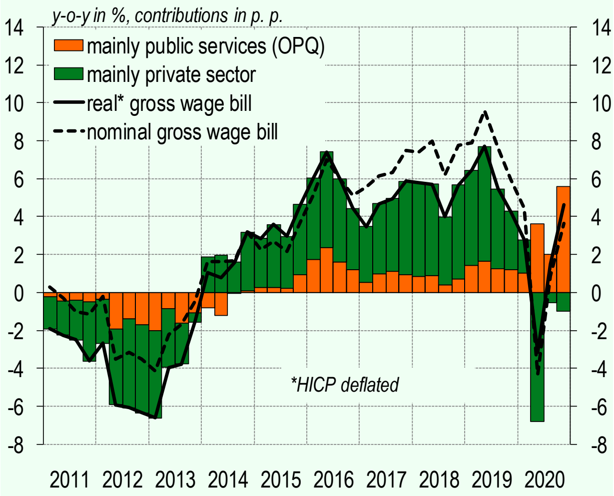
Employees in mostly public services saw a rise in their purchasing power last year, while those in the private sector saw it fall. According to national accounts figures, where gross wages also include payments covered by the government, last year the gross wage bill rose by 1.0% in nominal terms, or 1.3% in real terms (see Figure 3.13). The rise was driven by mostly public services, where employment and average wages both grew; the private sector acted to reduce the wage bill in the total economy. Alongside falling employment, the decline in the purchasing power of employees in the private sector was also attributable to a decline in the income of those included in the job preservation measures last year.

Figure 3.12: Average year-on-year wage growth and composition effect of sectoral shifts



Note: The composition effect is calculated as the difference between wage growth at the actual employment structure and wage growth at a constant employment structure, originating from 2014.
Source: SORS, Banka Slovenije calculations.

Figure 3.13: National accounts data on gross wage bill



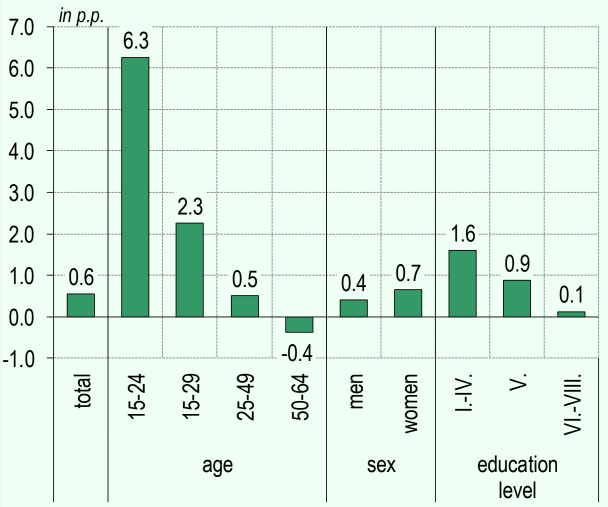
Source: SORS – national accounts, Eurostat, Banka Slovenije calculations.

[7] Under the new formula for determining the minimum wage taking account of minimum living costs, the minimum wage was raised by 8.9% in January of this year to EUR 1,024.24 per month. Because the rise entails a heavy burden on firms in the current circumstances, the eighth package of measures to alleviate the impact of the epidemic introduced a measure to subsidise the rise in the minimum wage. Under the legislation employers are entitled under certain conditions to a refund of part of the minimum wage, which amounts to EUR 50 per month for full-time employees. The measure is in place from between 1 January and 30 June 2021.

Box 3.2: Heterogeneous impact of the epidemic on the labour market

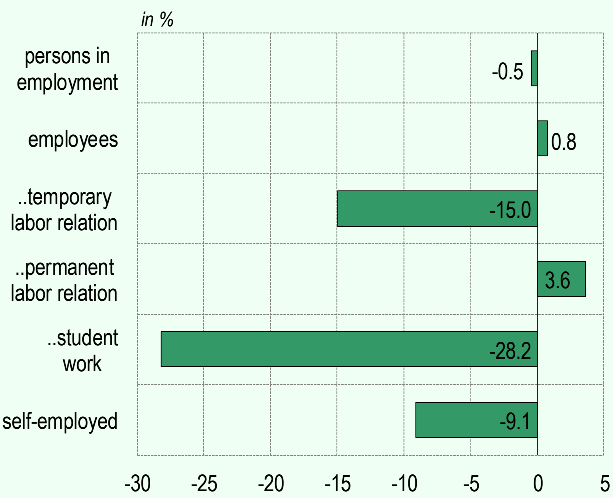
The epidemic has had a disproportionately large impact on more vulnerable groups of employees, and has consequently widened the existing differences on the labour market. However, in the absence of the extensive government measures these differences would be even wider. Total employment according to the national accounts fell by 10,000 or 1.0% last year, and the survey unemployment rate rose by 0.6 percentage points. An even larger deterioration of labour market conditions was prevented by the job retention schemes, which supported almost 180,000 employees at their peak. This box examines how the impact of the epidemic varied between different groups of employees.

Figure 1: Change in survey unemployment rate in 2020 by age, sex and level of education attained



Source: SORS, Eurostat, Banka Slovenije calculations.

Figure 2: Change in the number of persons in employment in 2020 by type of employment



Source: SORS, Banka Slovenije calculations.

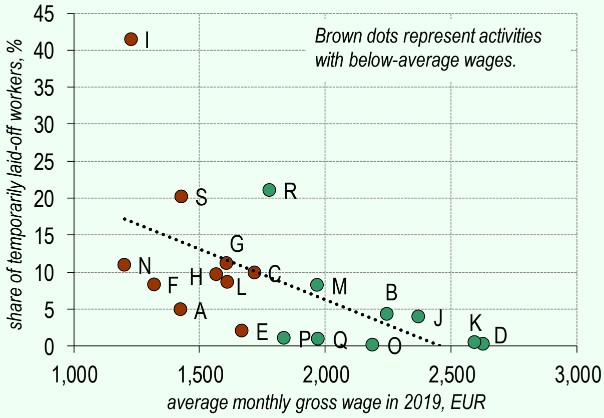
The largest rise in unemployment after the outbreak of the epidemic was recorded in groups of employees who were in a comparatively worse position even before the crisis. Although last year's rise in the survey unemployment rate (of 0.6 percentage points) was relatively contained given the decline in economic activity, some of the more-exposed groups of employees felt the impact of the epidemic much more than average. The largest rises in the unemployment rate were recorded among young people, women, and the low-skilled (see Figure 1). While those aged 15 to 29 saw a rise of 6.3 percentage points in their unemployment rate, the rate actually fell for employees aged over 50. The unemployment rate among women is almost double that among men, while the low-skilled saw a significantly larger rise in the unemployment rate than did those with high qualifications.

With aggregate employment falling, the heaviest job losses were seen among employees in less-stable forms of employment. According to SORS survey data, which is used to calculate the survey unemployment rate, last year's largest declines in the workforce in employment were recorded by student workers (28.2%) and those in temporary employment (15.0%).[1] The number of self-employed also fell significantly,[2] while the number of people in permanent employment actually rose slightly. Therefore, it can be concluded that firms first adjusted to the reduced demand for labour by laying off employees in more flexible forms of employment. These employees are subject to lower statutory protection, and the costs of terminating their employment are consequently lower. By contrast, the lack of response in the number of people in permanent employment can be attributed above all to the job retention schemes, which significantly reduced labour costs for firms, and, therefore, prevented mass lay-offs among these employees despite the pronounced decline in economic activity. Rising employment in the government sector was most likely an additional factor in the rise in the number of permanent employees.

Although the government's measures prevented heavy job losses, there was a significant decline in the earnings of a large share of employees last year. Employees included in the temporary lay-off scheme and the short-time work scheme received just 80% of their wage compensation for the periods when they were not working, and also saw a reduction in earnings from reimbursements for meal and transport expenses.[3] Many employees thus experienced a significant loss of income in the epidemic, despite retaining their jobs; in certain cases the loss exceeded 30% of their usual pre-epidemic earnings. According to the Employment Service figures on the take-up of the measures, it was employees with below-average wages that were most often temporarily laid off (see Figure 3). While 12.8% of employees were temporarily laid off on average last year, just 4.5% of those with above-average wages were. It can therefore be inferred that it was the low-paid that suffered the largest decline in earnings as a result of the epidemic, given the nature of the job preservation measures.

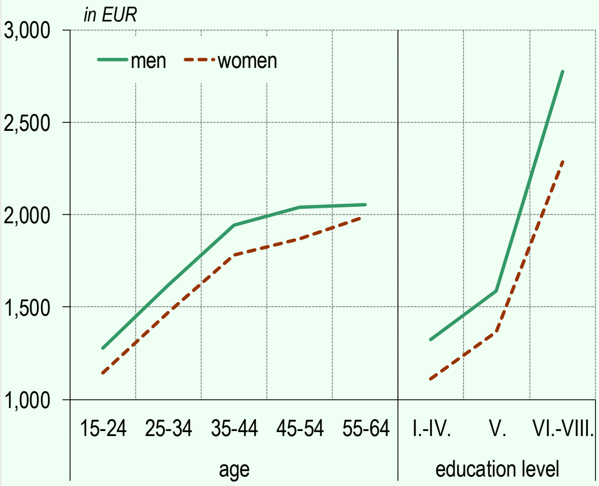
The presented analysis shows that the epidemic has widened the differences on the labour market, although these would have been even more pronounced in the absence of the extensive job retention schemes. As the economy contracted, last year the burden of declining employment fell on the young, women, the low-skilled, and employees in precarious forms of employment, i.e. on the groups of employees that already before the epidemic were in a weaker position and had lower average income (see Figure 4). According to the sectoral breakdown of employees included in the job preservation measures, the differences between employees who kept their jobs also widened. More employees with lower wages were temporarily laid off, which further widened the differences between employee earnings.[4,5] However, it should be noted that the differences on the labour market would have been even wider in the absence of the job retention schemes, as they have mostly helped to preserve jobs in low-paid positions. These employees kept their jobs at the cost of a short-term decline in earnings, which should allow them to regain their usual earnings when the containment measures are lifted and they return to work.

Figure 3: Share of temporarily laid-off workers and average gross wage



Note: The share of temporarily laid-off workers is calculated for the period March–December 2020 from the ESS data available as of 14 March 2021. The average wage for 2019 is shown, as wages in 2020 already reflected the impact of the intervention measures.
Source: SORS, Employment Service of Slovenia, Banka Slovenije calculations.

Figure 4: Average monthly gross wage in 2019 by age, sex and level of education attained



Note: Data for 2020 not available yet.
Source: SORS, Banka Slovenije calculations.

[1] According to the Labour Force Survey, the workforce in employment includes persons who performed work of any kind in return for pay (whether in cash or in kind), profit or family gain in the week before the survey was conducted. The workforce in employment also includes employees and self-employed persons who were absent from work in the week before the survey was conducted, and employees made temporarily or permanently redundant (until termination of their employment), persons on maternity leave and unpaid family workers.

[2] The number of registered sole traders in the business register was up 1.3% last year compared with 2019, while the number of bankruptcies initiated against sole traders fell by more than a quarter in 2020.

[3] The latest results from the Labour Costs Survey from 2016 show reimbursements of transport and meal expenses to have accounted for an average of 8.9% of employees' total earnings.

[4] The decline in earnings among the low-paid was partly mitigated by the anti-coronavirus laws, which stipulated that wage compensation could not be lower than the minimum wage. However, it should be noted that the reimbursement of transport and meal expenses accounts for a greater share of ordinary monthly earnings for these employees than it does for higher-paid employees.

[5] Additional factor that widened gaps in earnings to a certain extent was the payment of crisis bonuses in April, May and December: only employees in full-time work during the epidemic were entitled to them, while temporarily laid-off employees were not.

4 | Current Account and Competitiveness Indicators

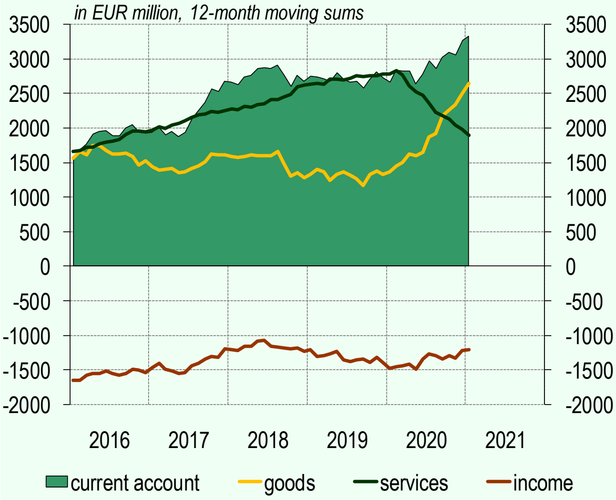
The recovery in international trade stalled in January, most likely only temporarily. Merchandise exports, which were up in year-on-year terms in the final quarter of last year, declined by 5.5%, driven primarily by falling sales to euro area markets. There was also a renewed sharper decline in services exports, amid the further deepening of the crisis in international tourism. Because the decline in imports was even larger, driven primarily by the decline in imports of intermediate goods and capital goods amid the inability to travel abroad, the current account surplus continued to increase. It amounted to more than EUR 3.3 billion over the 12 months to January. Our assessment is that the downturn in January was merely temporary, at least in merchandise trade, and most likely attributable to disruptions to supply chains; firms' assessments of growth in foreign demand for Slovenian industrial products are at their highest level in more than two years. It is a different matter in trade in travel services, where the renewed spread of the epidemic in Europe means that the situation remains extremely bleak and uncertain, at least in the short term.

Last year the price competitiveness of the economy remained within the relatively encouraging boundaries of previous years, and was better than in the majority of other euro area countries. Given the rise in the euro, which worsened the position of exporters, the favourable position was driven solely by domestic deflation, which was more pronounced than in the trading partners. By contrast, cost competitiveness deteriorated further last year. In addition to the unfavourable exchange rate developments, there was also higher growth in unit labour costs, which significantly outpaced the euro area and EU averages for the second consecutive year, driven primarily by growth in compensation per employee. One of the factors was the high growth in wages in public services, while cost pressures in manufacturing eased in the second half of the year, and were comparable to those in the euro area overall on average over the year. Caution is still required in the interpretation of all competitiveness indicators, as they do not necessarily present a genuine picture, given the difficulties in measuring both inflation and unit labour costs.

Current account position

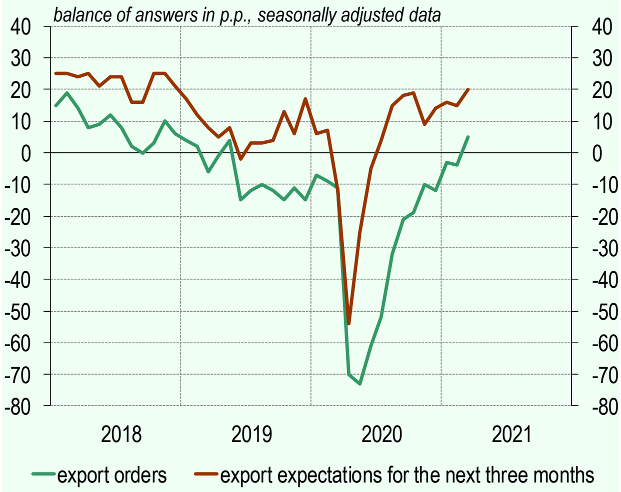
The current account surplus is continuing to strengthen. The 12-month surplus reached EUR 3,325 million in January, up EUR 662 million in year-on-year terms (see Figure 4.1). Its structure continues to be shaped by pronounced growth in the merchandise trade surplus and a decline in the services trade surplus. This was again the case in January, in the wake of an unexpected decline in merchandise trade, which

Figure 4.1: Current account components



Source: Banka Slovenije.

Figure 4.2: Export orders and export expectations in manufacturing



Source: SORS.

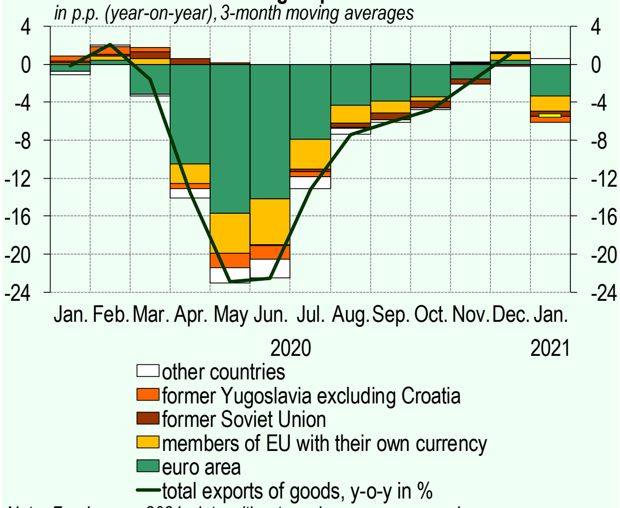
was particularly pronounced on the import side, and the deepening contraction in services trade, where exports of transport and construction services declined alongside the ongoing crisis in tourism. Another factor in the widening current account surplus was the narrower deficit in income, where there was a notable decline in dividend payments to foreign investors.

Merchandise trade

Foreign demand for Slovenian industrial products has this year been strengthening at its most intensively in more than two years. The export order books indicator reached 5.0 percentage points in March, its highest value since the end of 2018, which judging by the PMI is in line with the high growth in manufacturing output in the euro area (see Figure 4.2). The situation remains distinctly uncertain for Slovenian exporters, given the impediments to supply chains and the tightening of containment measures in major trading partners, although manufacturing firms' assessments of future demand are highly encouraging.

In contrast to business tendencies in manufacturing, the recovery in merchandise trade stalled this year.

Figure 4.3: Contributions to merchandise export growth by country groups



Note: For January 2021, data without moving averages are shown.
Source: Banka Slovenije.

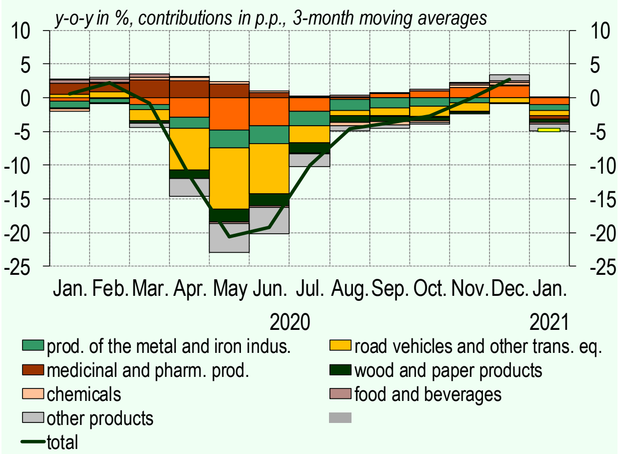
Year-on-year growth of 1.1% in the final quarter of last year was followed in January by a decline in nominal merchandise exports. The year-on-year decline stood at 5.5% according to balance of payments figures. The main decline was in exports to euro area countries, although the aggregate decline in merchandise exports was mitigated by increased sales in other countries, most notably Turkey and China (see Figure 4.3).[1] According to the indicator of adjusted merchandise exports,[2] January's decline was primarily attributable to a fall in exports of

[1] China and Turkey were among the few countries that did not fall into recession last year.

[2] Adjusted merchandise exports exclude exports of medical and pharmaceutical products to Switzerland, and exports of petroleum and refined petroleum products, electricity and gas. The exclusion of exports of medical and pharmaceutical products to Switzerland makes it easier to compare the SORS figures with the balance of payments figures, while the exclusion of petroleum, refined petroleum products, electricity and gas from merchandise exports eliminates a major share of re-exports, which usually contain little value-added. This indicator is thus a more accurate metric of manufacturing performance on foreign markets.

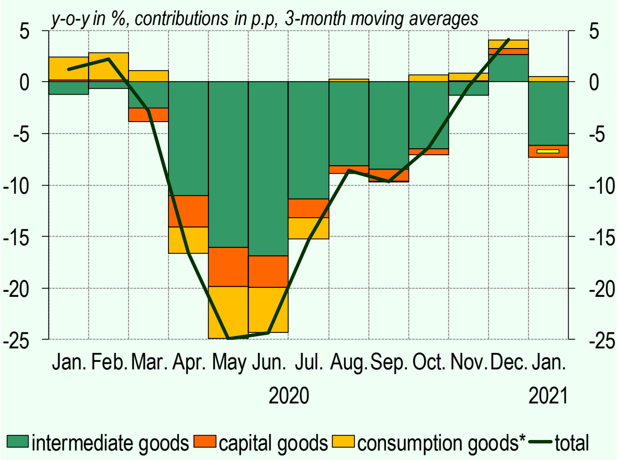
miscellaneous machinery and equipment,[3] and basic metals and fabricated metal products (see Figure 4.4). This was primarily attributable to disruptions to supply chains, which were caused by difficulties in accessing raw materials as demand strengthened. Exports of road vehicles were down in year-on-year terms for the sixth consecutive month, in parallel with a decline of more than 10% in the number of new passenger car registrations in the euro area and the temporary suspension of production at Revoz at the end of the month. The recovery in nominal merchandise imports also stalled in January. The year-on-year decline stood at 11.5% according to the balance of payments figures, 8.4 percentage points more than in the final quarter of last year. Imports of intermediate goods and of capital goods were again down in year-on-year terms in January, while growth in imports of consumer goods slowed relative to the final quarter of last year (see Figure 4.5). The 12-month merchandise trade surplus amounted to EUR 2,642 million in January, up EUR 1,276 million in year-on-year terms.

Figure 4.4: Growth structure of adjusted merchandise export*



*Note: *Excluding exports of medicinal and pharmaceutical products to Switzerland, oil and petroleum products, electric energy and gas. For January 2021, data without moving averages are shown.*
Source: SORS, Banka Slovenije calculations.

Figure 4.5: Growth structure of adjusted merchandise import*

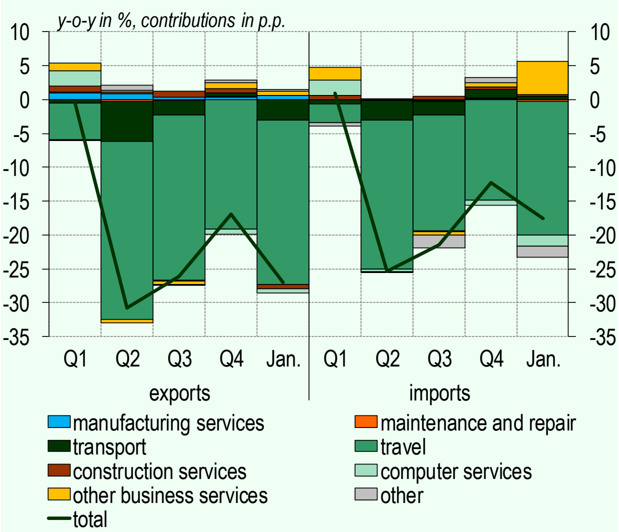


*Note: *Excluding imports of medicinal and pharmaceutical products from Switzerland. For January 2021, data without moving averages are shown.*
Source: SORS, Banka Slovenije calculations.

Services trade

Trends in exports of most types of services were again weaker in January, as a result of which the services trade surplus is continuing to narrow. The nominal year-on-year decline in services exports increased to 27.0% in January, 10.3 percentage points more than in the final quarter of last year (see Figure 4.6). Travel services continued to account for the majority of the decline, and the segment further deteriorated amid the ongoing containment measures, but in contrast to previous months exports of construction services were also down in year-on-year terms. After increasing in year-on-year terms in the final quarter of last year, exports of transport services also declined in January, in parallel with the slowdown in merchandise trade. By contrast, the year-on-year decline in aggregate services imports was slightly less pronounced, thanks to high growth in imports

Figure 4.6: Services trade



Source: Banka Slovenije.

[3] The category of miscellaneous machinery and equipment includes electrical machinery and equipment, industrial machinery, machinery for special types of industry, engines and drives, metal processing machinery and office equipment.

Table 4.1: Current account components

				in 12 months to							
	2018	2019	2020	Jan. 20	Jan. 21	19Q3	19Q4	20Q3	20Q4	Jan. 20	Jan. 21
					in EUR million						
Current account balance	2,680	2,723	3,272	2,664	3,325	662	655	899	909	236	290
1. Goods	1,282	1,330	2,503	1,366	2,642	204	278	730	604	142	281
2. Services	2,625	2,787	1,985	2,780	1,893	831	732	536	538	192	101
2.1. Transport	1,331	1,318	1,206	1,322	1,185	327	322	307	315	104	84
2.2. Travel	1,221	1,253	422	1,250	356	463	292	145	87	76	11
3. Primary income	-819	-853	-689	-917	-707	-239	-276	-269	-116	-1	-18
3.1. Labour income	258	285	250	292	244	78	93	66	65	25	18
3.2. Investment income	-1,219	-1,305	-1,190	-1,347	-1,196	-297	-418	-328	-291	-93	-99
3.3. Other income	141	167	250	138	246	-20	48	-7	110	67	62
4. Secondary income	-408	-541	-526	-565	-503	-134	-78	-99	-117	-97	-74
					in % GDP						
Current account balance	5.8	5.6	7.1	5.5	7.2	5.3	5.3	7.4	7.6	6.1	7.3
1. Goods	2.8	2.7	5.4	2.8	5.7	1.6	2.2	6.0	5.1	3.7	7.1
2. Services	5.7	5.8	4.3	5.7	4.1	6.7	5.9	4.4	4.5	5.0	2.5
2.1. Transport	2.9	2.7	2.6	2.7	2.6	2.6	2.6	2.5	2.6	2.7	2.1
2.2. Travel	2.7	2.6	0.9	2.6	0.8	3.7	2.3	1.2	0.7	2.0	0.3
3. Primary income	-1.8	-1.8	-1.5	-1.9	-1.5	-1.9	-2.2	-2.2	-1.0	0.0	-0.5
3.1. Labour income	0.6	0.6	0.5	0.6	0.5	0.6	0.7	0.5	0.5	0.6	0.5
3.2. Investment income	-2.7	-2.7	-2.6	-2.8	-2.6	-2.4	-3.4	-2.7	-2.4	-2.4	-2.5
3.3. Other income	0.3	0.3	0.5	0.3	0.5	-0.2	0.4	-0.1	0.9	1.7	1.6
4. Secondary income	-0.9	-1.1	-1.1	-1.2	-1.1	-1.1	-0.6	-0.8	-1.0	-2.5	-1.9
					nominal y-o-y growth rates in %						
Export of goods and services	8.8	4.2	-10.0	3.9	-10.9	3.9	0.6	-10.8	-2.8	2.4	-9.6
Export of goods	8.6	3.9	-7.4	3.4	-8.0	3.7	-0.2	-6.0	1.1	1.4	-5.5
Export of services	9.6	5.5	-19.6	5.7	-21.9	4.8	3.7	-26.1	-16.7	6.8	-27.0
Transport	12.6	2.7	-7.1	2.7	-8.1	3.0	-2.7	-8.6	1.7	3.8	-9.5
Travel	7.2	1.8	-60.7	2.0	-66.1	2.8	-4.2	-56.6	-76.5	3.5	-86.7
Other	9.5	11.2	5.2	11.6	4.5	9.2	13.1	1.0	4.0	11.8	0.8
Import of goods and services	9.8	4.1	-12.2	3.8	-13.2	6.1	-1.5	-14.5	-4.6	1.6	-12.4
Import of goods	10.4	3.9	-11.6	3.4	-12.5	6.6	-2.3	-13.1	-3.1	0.0	-11.5
Import of services	6.6	5.2	-15.2	5.9	-17.1	3.8	2.7	-21.3	-12.0	12.1	-17.6
Transport	0.8	7.1	-5.5	6.6	-5.6	8.4	2.1	-11.4	5.7	3.5	2.5
Travel	12.1	1.2	-56.0	1.1	-61.7	-4.8	-8.3	-47.0	-83.4	9.4	-87.1
Other	6.2	6.5	1.0	8.1	0.1	9.8	6.6	-4.9	2.5	17.1	2.9

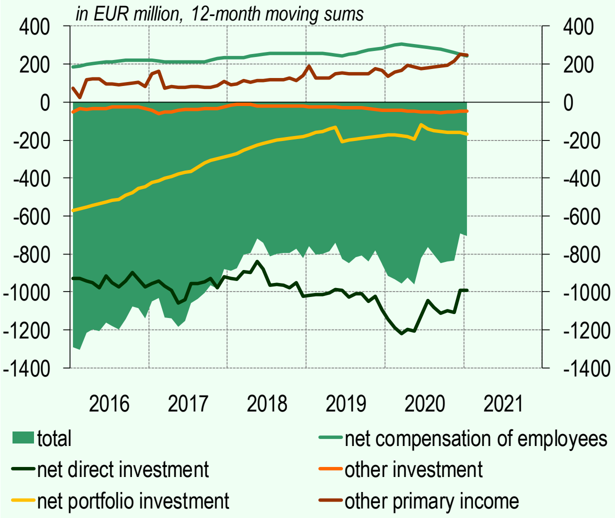
Note: Shares in GDP are calculated on the basis of monthly estimates of GDP.
Source: Banka Slovenije.

of other business services. It nevertheless stood at 17.6%, fully 5.6 percentage points more than in the final quarter of last year. In contrast to exports, the relatively high growth in imports of transport services slowed only slightly in January, and increased aggregate growth in services imports by 0.6 percentage points. The 12-month services trade surplus amounted to EUR 1,893 million in January, down EUR 887 million in year-on-year terms.

Primary and secondary income

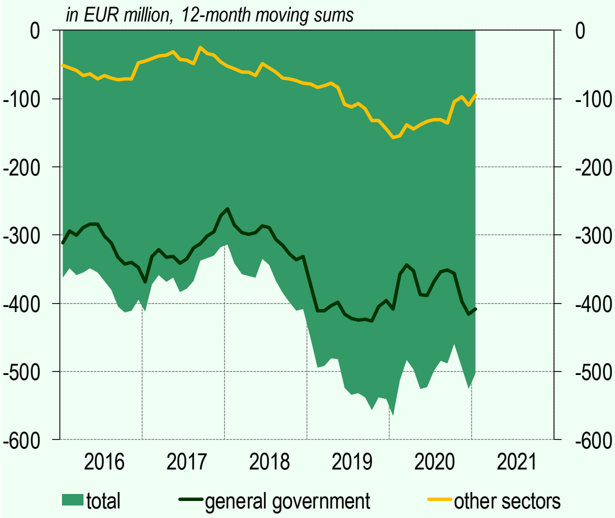
The deficit in primary income has narrowed significantly over the last year, driven by a decline in dividend payments to foreign holders of direct investments and portfolio investments. The 12-month deficit in primary income amounted to EUR 706 million in January, EUR 211 million narrower in year-on-year terms (see Figure 4.7). The deficit in capital income narrowed by EUR 151 million to EUR 1,196 million, primarily as a result of the decline in dividend payments to the rest of the world. This was attributable to poorer corporate performance in the epidemic, and the macroprudential restriction on profit distributions by banks.[4] The surplus in other primary income widened by EUR 109 million to EUR 246 million at the same time, driven by increased inflows of various types of European subsidy. The labour income position deteriorated. Both inflows and outflows declined as a result of the crisis, but the decline in inflows was sharper, which was attributable to a larger fall in employment in Austria and Italy compared with the domestic economy.[5] The 12-month surplus in labour income amounted to EUR 243 million in January, down EUR 49 million in year-on-year terms.

Figure 4.7: Net primary income



Source: Banka Slovenije.

Figure 4.8: Net secondary income



Source: Banka Slovenije.

The deficit in secondary income also narrowed. It amounted to EUR 503 million over the 12 months to January, EUR 62 million narrower in year-on-year terms (see Figure 4.8). The government sector's 12-month deficit in secondary income remained unchanged from the previous January at EUR 409 million, having fluctuated in 2020 as a result of year-on-year changes in payments into the EU budget on the basis of VAT and gross national income. The deficit in secondary income in other sectors narrowed to EUR 95 million. The narrowing was largely attributable to the downturn on the labour markets in Austria and Italy, which caused a decline in expenditure related to residents' work in the rest of the world, such as personal income tax and social security contributions.

Selected competitiveness indicators

The epidemic has badly impeded the monitoring of external competitiveness. Caution is therefore advised in the interpretation of competitiveness indicators, as they do not necessarily present a true picture of developments, given the difficulties in measuring inflation and also unit labour costs.[6]

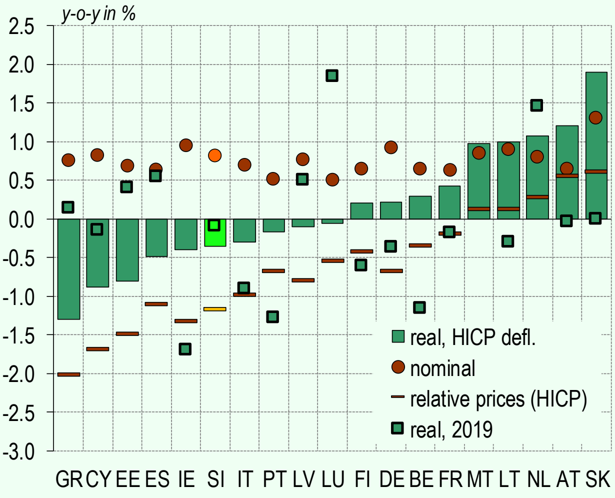
The price competitiveness of the Slovenian economy remained broadly unchanged in year-on-year terms towards the end of last year and on average over the year, and better than in the majority of other euro

[4] Dividend payments to foreign holders of direct investments and portfolio investments amounted to EUR 725 million in 2020 according to current balance of payments figures, down EUR 296 million in year-on-year terms. Non-financial corporations reduced their dividend payments by EUR 129 million to EUR 643 million, while commercial banks reduced theirs by EUR 125 million to EUR 50 million.

[5] Last year saw total employment fall by 2.1% in Italy, 1.7% in Austria and 1.0% in Slovenia, according to national accounts figures. The differences in the changes in nominal compensation of employees were significantly larger. It fell by 6.8% in Italy and 1.6% in Austria, but rose by 1.2% in Slovenia. The comparison is not entirely reliable, given the different methodological approaches to taking account of the support measures in labour costs statistics.

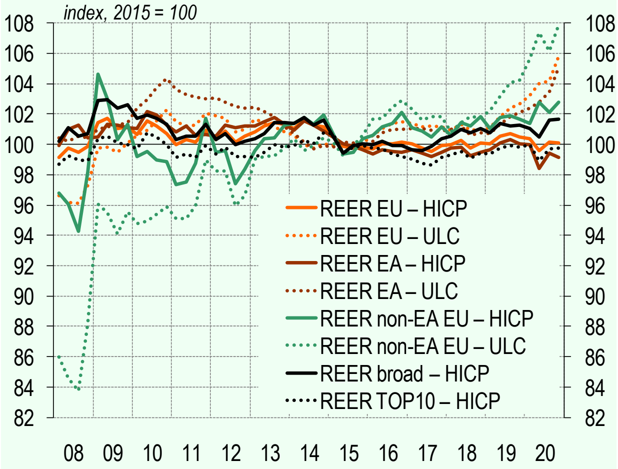
[6] For details, see Box 3.2 in the July 2020 issue of Economic and Financial Developments, Box 6.1 in the April 2020 issue of Economic and Financial Developments, and Box 6 in the December 2020 issue of Macroeconomic Projections for Slovenia.

Figure 4.9: Harmonized price competitiveness indicator against 37 trading partners in 2020



Source: ECB, Banka Slovenije calculations.

Figure 4.10: External competitiveness indicators of Slovenia against different trading partners, HICP and ULC deflators

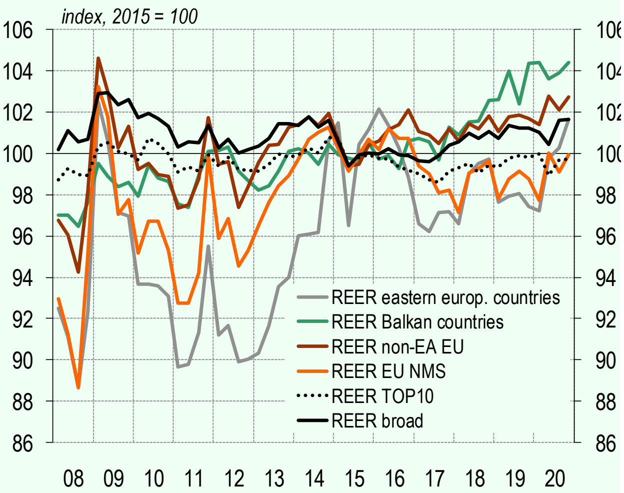


Source: Banka Slovenije, Eurostat, ECB, EC, BIS, IMF, own calculations and methodology.

area countries. This is shown by the ECB figures[7] and Banka Slovenije's own effective exchange rates.[8] The ongoing favourable price developments from the perspective of international trade were the only factor at work: the euro appreciated against a basket of trading partners' currencies. Slovenia was one of the better performers in the euro area last year: only a small number of countries saw better developments for their exporters vis-à-vis the overall group of 37 trading partners, in the final quarter Greece and Estonia alone (see Figure 4.9).

Developments in price competitiveness varied according to region. Banka Slovenije's own effective exchange rates show the Slovenian economy to have succeeded in improving or at least maintaining its competitiveness relative to certain trading partners last year, such as the euro area (a decline of 0.8%) and the ten and 25 largest partners (a decline of 0.1%). From the perspective of international trade, the favourable developments relative to these partners were attributable to a sharper decline in relative prices i.e. higher domestic deflation. By contrast, competitiveness further deteriorated

Figure 4.11: Regional price competitiveness indicators of Slovenia, HICP deflator



Source: Banka Slovenije, Eurostat, ECB, EC, BIS, IMF, own calculations and methodology.

last year relative to the Balkan countries and EU Member States outside the euro area (an increase of 0.7%), and east European trading partners (an increase of 2.0%), on account of the euro's sharper appreciation against the basket of currencies of these regions[9] (see Figures 4.10 and 4.11).

[7] It remained unchanged in year-on-year terms in the final quarter, but improved by 0.4% over the course of the year. It is price competitiveness against 37 partners (18 euro area countries and 19 countries outside the euro area), measured by the ECB's harmonised competitiveness indicator deflated by the HICP.

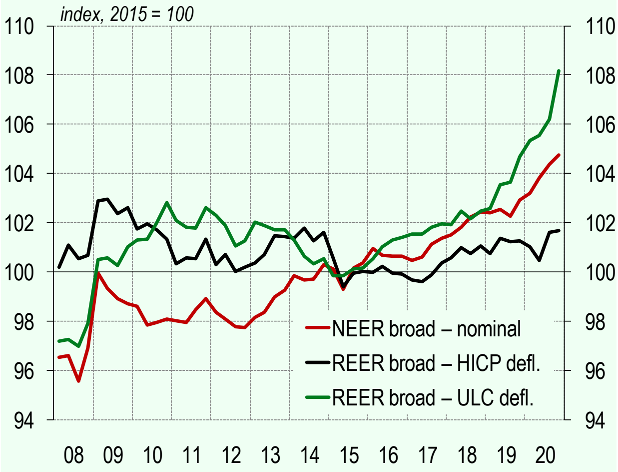
[8] It deteriorated by 0.4% in the final quarter, but remained broadly unchanged over the course of the year (an increase of 0.1%). The broad price competitiveness indicator (REER-HICP) covers 39 trading partners: 21 other countries in addition to the euro area countries. All price competitiveness indicators are computed using Banka Slovenije's own methodology; for more, see the January 2020 issue of Economic and Financial Developments.

[9] Last year the euro appreciated in year-on-year terms against the Croatian kuna (1.6%), the Romanian leu (1.9%), the Czech koruna (3.1%), the Polish zloty (3.4%), the Hungarian forint (8.0%) and, most evidently, the Russian rouble (14.3%) and the Turkish lira (26.4%).

The cost competitiveness of the economy has deteriorated significantly over the last year.[10] Alongside the unfavourable exchange rate developments, this was also attributable to increased growth in relative unit labour costs,[11] which were up 1.5% in year-on-year terms in the final quarter vis-à-vis the broad group of partner countries. Amid the even slightly higher growth in the effective euro exchange rate, the broad cost competitiveness indicator was up fully 3.3%. Its deterioration over the year averaged slightly less (2.6%), but was similarly conditioned by two factors (see Figure 4.12).

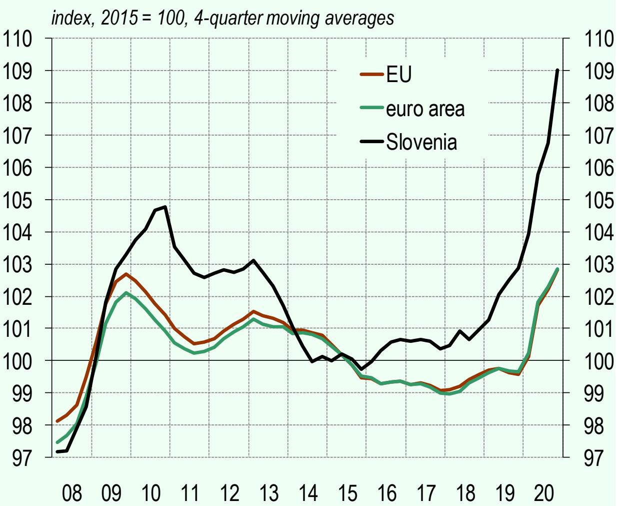
The cost pressures on competitiveness further increased in the final quarter, and were again higher than the euro area and EU averages over the course of the year.[12] Growth in real unit labour costs (RULCs) stood at 8.8% at the end of the year, the second-highest figure in the EU. It was well above the euro area and EU averages (of 2.2% and 2.3% respectively), outpacing them for the ninth consecutive quarter (see Figure 4.13). On this occasion Slovenia's real growth in compensation per employee[13] (5.4%) was again significantly higher than the developments in other countries; the euro area average and EU average both recorded slight year-on-year declines. An upward deviation in wage growth from the EU average was also evident at the annual level: Slovenia was one of the countries with the highest increase in RULCs (see Figure 4.15). Their growth was faster in the

Figure 4.12: Broad external competitiveness indicators of Slovenia against 39 trading partners



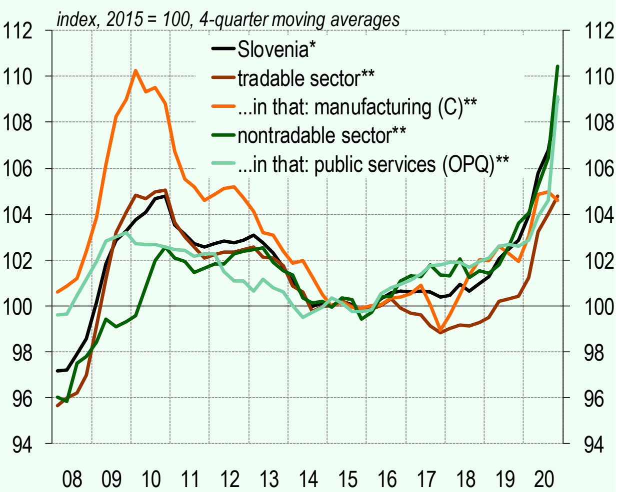
Source: Banka Slovenije, Eurostat, ECB, EC, BIS, IMF, own calculations and methodology.

Figure 4.13: Real unit labour costs



Note: GDP based calculations.
Source: Eurostat, Banka Slovenije calculations.

Figure 4.14: Real unit labour costs



*Note. *GDP based calculation. **Calculations based on value added.*
Source: Eurostat, Banka Slovenije calculations.

[10] All cost competitiveness indicators are computed using Banka Slovenije's own methodology. The composite cost competitiveness indicator against 39 trading partners (REER-ULC) is deflated by unit labour costs.

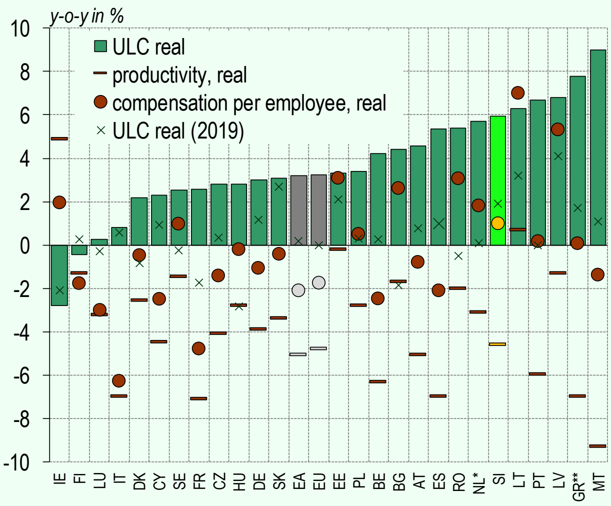
[11] Relative unit labour costs are domestic unit labour costs compared with those of trading partners.

[12] The methodology for measuring unit labour costs discloses them as the ratio of compensation per employee (simplified to wages) to labour productivity, both according to the national accounts figures. The relationship between wages and productivity, and the dynamic of wage growth in this section could therefore differ from those illustrated in Sections 2 and 3.

[13] Under the methodology for measuring unit labour costs, the deflator used to compute real growth in compensation per employee is the same as that used to compute real growth in productivity, i.e. the GDP deflator.

non-tradable sector than in the tradable sector,[14] particularly in the final quarter, when it reached 15.7% (see Figure 4.14). In both sectors it outpaced the comparable rates across the euro area and the EU, at year end and on average over the year. The gap was particularly notable in the non-tradable sector, and was driven by high wage growth in public services (see Section 3). Last year's highest growth in domestic RULCs was recorded in wholesale and retail trade, transportation and storage, and accommodation and food service activities, where there was an above-average decline in value-added that far exceeded the decline in wages. In manufacturing, which is the sector most exposed to foreign trade, cost pressures eased in the second half of the year, and the average developments in RULCs over the course of the year were in line with the averages in the euro area and across the EU.

Figure 4.15: Real unit labour costs in 2020



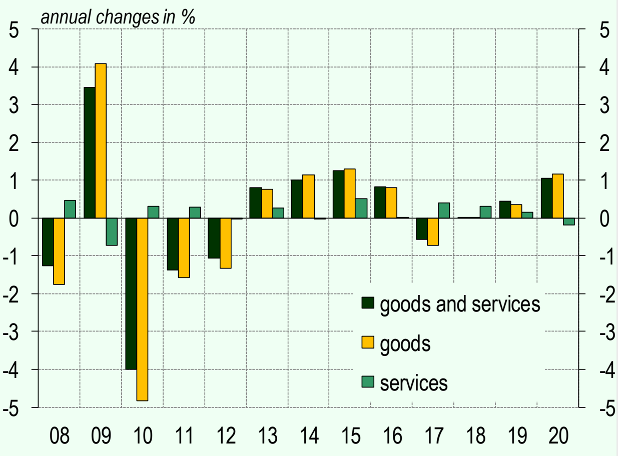
*Note: *The data for Q1–Q3 2020 is shown. **The data for H1 2020 is shown.*
Source: Eurostat, Banka Slovenije calculations.

[14] The tradable sector consists of agriculture (A), industry (B to E), trade, accommodation, food services and transportation (G to I), information and communication (J), and professional, scientific and technical activities and administrative and support service activities (M and N), while the non-tradable sector consists of all other sectors under the SKD 2008.

Box 4.1: Impact of the terms of trade on the current account position[1, 2]

The terms of trade improved in 2020 for the third consecutive year. The terms of trade were also favourable last year, and were the best that they have been since 2015: merchandise import prices fell more sharply than export prices, and merchandise imports saw their largest fall in prices since 2009. The main driver was global oil prices, which fell by more than a third last year as demand was cut by the epidemic. The situation in services trade was the reverse: growth in import prices slightly outpaced growth in export prices, as a result of which the terms of services trade deteriorated for the first time since 2014. The overall terms of trade improved by 1% in 2020, because merchandise prices have the prevailing impact, given its large share of total trade (see Figure 1).

Figure 1: Terms of trade



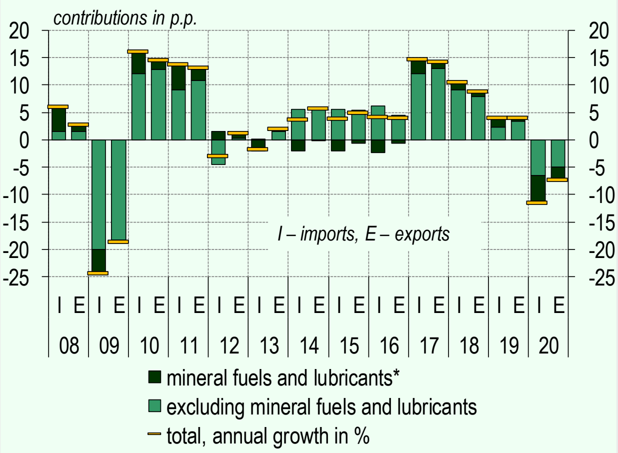
Note: Terms of trade changes are calculated from export and import price indices based on national accounts, t-1 = 100.
Source: SORS, Banka Slovenije calculations.

There were strong price factors in merchandise trade last year, namely falling oil prices and other commodity prices. Trade in mineral fuels and lubricants declined by almost 45% last year, driven in part by weak domestic demand and in part by falling global oil prices. A decline of this magnitude, which slightly exceeded that seen during the crisis of 2009, deepened the nominal decline in aggregate merchandise imports by 5.1 percentage points to 11.6% (see Figure 2). There was a significantly smaller impact on the decline in exports via the re-export of mineral fuels and lubricants, as their share of exports (3.4%) remains half of that of imports (6.7%).[3] It amounted to -2.4 percentage points, the largest negative contribution to date. Excluding trade in mineral fuels and lubricants, nominal merchandise imports were down 7.3% last year, while exports were down 5.3%.

Last year saw the largest positive impact on the trade balance from the improvement in the terms of trade since 2015. They accounted for EUR 320 million of the trade surplus, EUR 200 million more than in the previous year (see Figure 3). The surplus would have strengthened last year even without the improvement in the terms of trade, given that (real) merchandise imports were lower than exports in quantity terms. Excluding the terms of trade, the merchandise trade surplus would – in contrast to the two previous years – have increased by EUR 950 million last year (to EUR 2,170 million); including them it increased by EUR 1,170 million to EUR 2,500 million.

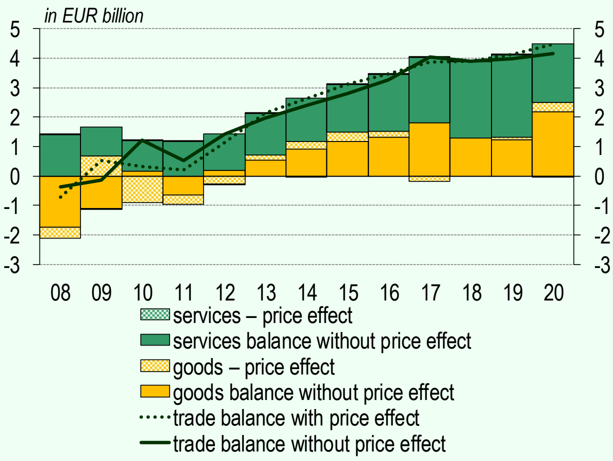
There would have been a record current account surplus last year even if the terms of trade had been neutral. It

Figure 2: Effects of mineral fuels and lubricants on nominal growth of merchandise trade



*Note: *According to one-digit SITC. Aggregate growth rates are based on export and import data from the balance of payments.*
Source: SORS, Banka Slovenije.

Figure 3: Terms of trade effects on trade balance



Note: Data source for trade in goods and services is balance of payments. Terms of trade effects are calculated from export and import price indices based on national accounts, t-1 = 100.
Source: SORS, Banka Slovenije.

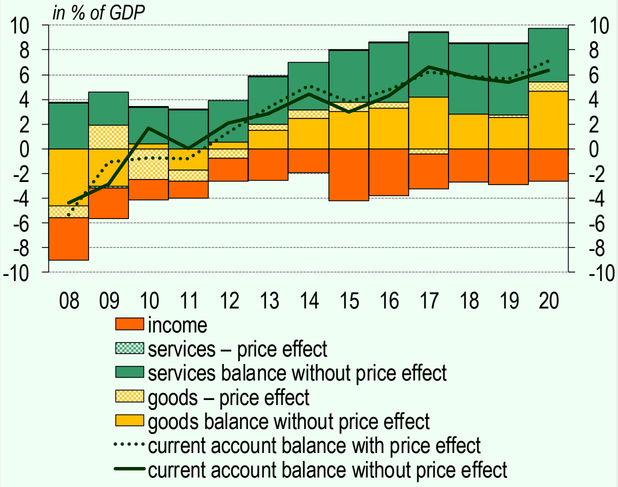
amounted to EUR 3,270 million or 7.1% of GDP, and would have been only 0.7 % of GDP smaller had the terms of trade been neutral (see Figure 4). In contrast to the last few years, last year's increase in the current account surplus was largely driven by the merchandise trade surplus. The increase in the merchandise trade surplus was attributable not only to the larger decline in imports than in exports, but also to the improvement in the terms of trade.

[1] The terms of trade are calculated on the basis of the indices of the average value of imports and exports from the national accounts figures with a base in the previous year. The impact of the change in the terms of trade on the balance of trade and consequently on the current account position is illustrated.

[2] Analysis of the terms of trade can be found for the period of 2011 to 2015 in April 2016 issue of Economic and Financial Developments (pages 40 to 41), and for the period of 2016 to 2019 in the April 2020 issue of Economic and Financial Developments (pages 40 to 41).

[3] The share of merchandise imports accounted for by mineral fuels and lubricants declined by 4.3 percentage points last year to 6.7%, the lowest figure since the recording of data began in 2005. Their share of merchandise exports also declined, by 2.2 percentage points last year to 3.4%, the lowest figure since 2009.

Figure 4: Terms of trade effects on current account position



Note: Terms of trade effects are calculated from export and import price indices based on national accounts, t-1 = 100.
Source: SORS, Banka Slovenije.

Box 4.2: Slovenia's net international investment position and external debt

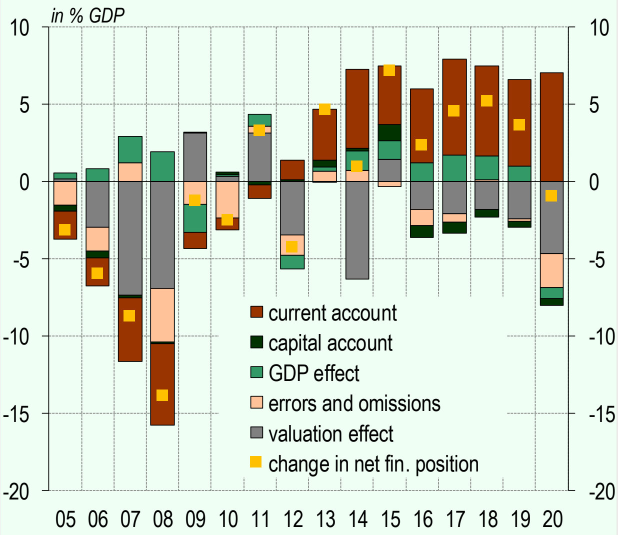
The series of years in which domestic saving exceeded investment have been reflected in a significant improvement in Slovenia's net international investment position.[1] The economy has been a current net financer of the rest of the world over the last nine years, and during this time has therefore seen a significant improvement (reduction) in its negative net international investment position. This has always exceeded the net external debt, particularly in the last three years.[2] This was because in debt instruments the increase in claims strongly exceeded the increase in liabilities, while in equity instruments and derivatives the reverse was true (see Figure 1). Debt instruments nevertheless account for the majority of all of Slovenia's external financial claims and liabilities (around three-quarters and two-thirds respectively).

Between 2012 and last year the net financial position against the rest of the world improved by EUR 8.4 billion or 27.7 GDP percentage points. The improvement was most driven by financial flows, i.e. current account surpluses, but also by economic growth to a lesser extent. Conversely, an even greater improvement was mainly prevented by revaluations of financial instruments and net errors and omissions (see Figure 2).

The Slovenian economy disclosed a net debtor position against the rest of the world in the amount of 16.3% of GDP at the end of 2020. For the sixth consecutive year this was inside the indicative threshold for external imbalance set by the European Commission at -35% of GDP, which Slovenia had transgressed since the outbreak of the previous crisis. The euro area, which includes several countries that are major global financial centres, discloses a significantly smaller debtor position against the rest of the world (in the amount of 0.1% of GDP),[3] while Slovenia is somewhere near the middle of the distribution of EU Member States (see Figure 3).

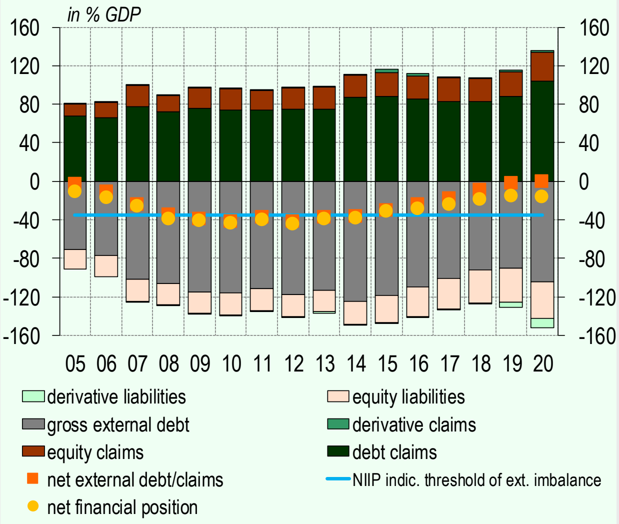
There was no significant change in the net international investment position last year,[4] although it increased in relative terms because of the decline in GDP. Residents' holdings of assets and liabilities vis-à-vis the rest of the world increased by around EUR 7 billion. The breakdown by instrument reveals that the largest increase in the stock of assets was in other assets, in the amount of EUR 4.8 billion, prima-

Figure 2: Breakdown of the annual change in net financial position



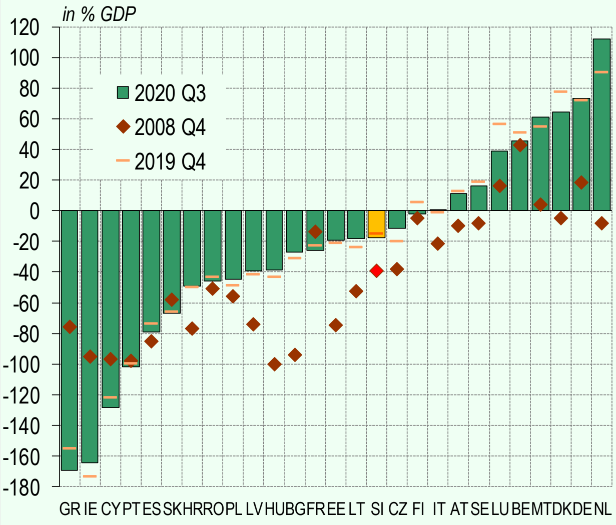
Source: Banka Slovenije.

Figure 1: Breakdown of the net financial position



Source: Banka Slovenije.

Figure 3: Net financial position of EU countries



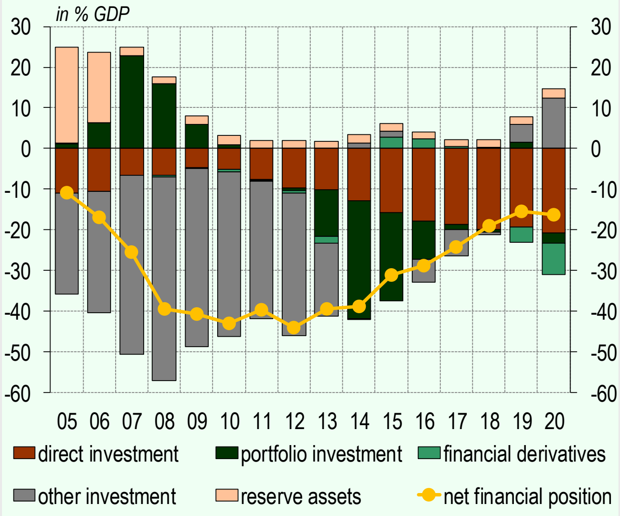
Source: Eurostat.

rily in holdings of currency and deposits by the central bank and by the government sector.[5] Investments in securities, primarily of private-sector, also increased, by just over EUR 1 billion. The highlight on the liability side was an increase of EUR 5.2 billion in the government sector's liabilities, of which EUR 2.8 billion was via bond issuance, and EUR 1.9 billion via derivatives as a result of hedging operations against interest rate risk. There was also a significant increase in holdings of currency and deposits at the central bank (EUR 1.7 billion), while last year's increase in non-residents' inward FDI of around EUR 800 million was significantly less than in previous years.

Slovenia's largest negative net international investment position remains that in direct investments (in the amount of EUR 9.6 billion). The deficit has been increasing from year to year,[6] albeit significantly more slowly over the last two years than in the previous five years (see Figure 4). Slovenia also recorded a negative net position in derivatives for the second consecutive year (in the amount of EUR 3.6 billion), while borrowing by the government sector meant that after a year's break there was once again a negative net position in securities (in the amount of EUR 1.2 billion), albeit solely in debt securities. There has been a net creditor position in other assets over the last two years (in the amount of EUR 5.7 billion last year), which strengthened sharply primarily as a result of a significant increase in net outflows of currency and deposits to the rest of the world, and also increased net outflows of private-sector loans to the rest of the world.

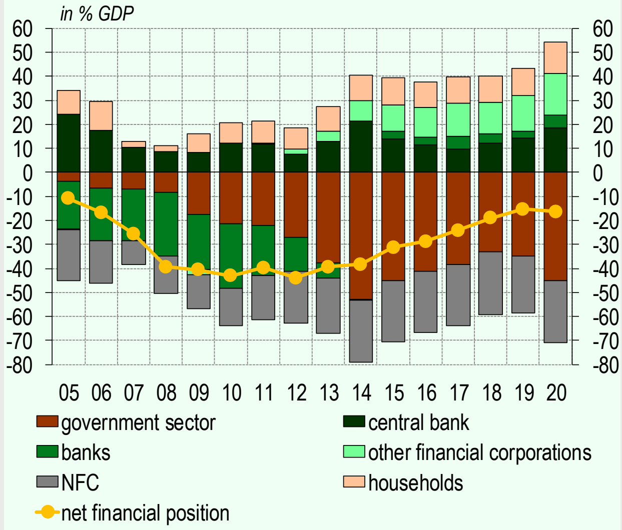
Only non-financial corporations and the government sector have held net financial liabilities to the rest of the world over the last six years. The latter remains the largest net financial debtor to the rest of the world, and last year saw a significant deterioration in its position as a result of extensive borrowing to finance anti-coronavirus measures, thereby reaching its largest net financial liabilities to non-residents to date in the amount of EUR 21.0 billion. By contrast, the private sector has doubled its net claims against the rest of the world over the last year. The figure stood at almost EUR 5 billion at the end of the year, compared with net financial liabilities of more than EUR 15 billion at the outbreak of the previous crisis at the end of 2008 (see Figure 5). The main factors in last year's improvement were an increase in financial corporations' outflows[7] into foreign securities, new issuance of bank loans, and further debt repayments to the rest of the world by non-financial and financial corporations. Together with households, the latter are net creditors of the rest of the world in the aggregate amount of EUR 16.7 billion,

Figure 4: Net financial position's breakdown by instruments



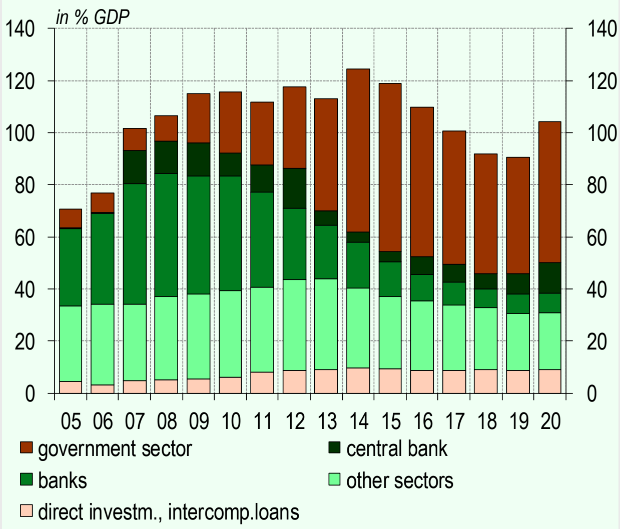
Source: Banka Slovenije.

Figure 5: Net financial position's breakdown by sectors



Source: Banka Slovenije.

Figure 6: Sectoral breakdown of gross external debt



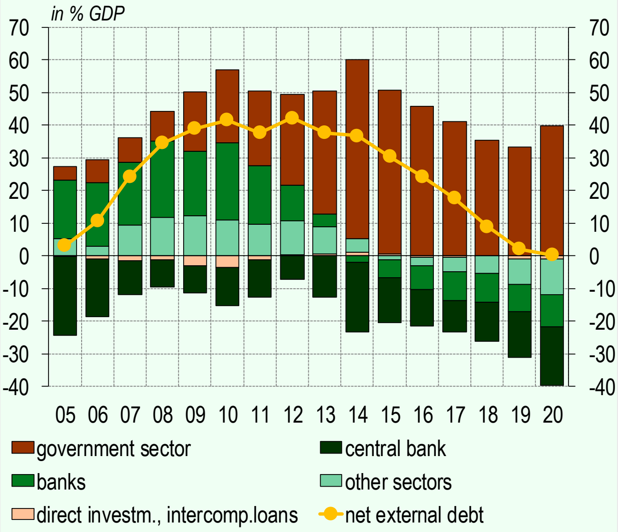
Source: Banka Slovenije.

up EUR 2.5 billion on a year earlier, while non-financial corporations saw their negative net position remain unchanged last year (at EUR 11.8 billion).

Slovenia's gross external debt[8] increased significantly last year on account of the crisis. It amounted to EUR 48.2 billion at the end of the year, or 104.1% of GDP, having increased over the last two years, most notably by EUR 4.4 billion or 13.6 GDP percentage points last year. Previously it had gradually declined for four years, albeit only the long-term debt, which accounts for around three-quarters of the total, if loans between affiliates are excluded. Both short-term and long-term debt increased last year. The breakdown of debt in terms of guarantee reveals that private-sector debt has remained around EUR 15 billion over the last six years. Last year's sole evident increase was in public debt and debt covered by public guarantee, which stood at EUR 32.3 billion at the end of the year, and made up around two-thirds of Slovenia's gross external debt. Only the government sector and the central bank saw an increase in their gross external debt last year (see Figure 6). The government sector accounts for approximately half of all debt, non-financial corporations, households and various financial institutions for just under a third, and the central bank for just over a tenth, while the remainder pertains to the banks, whose external debt has declined the most over the last decade.

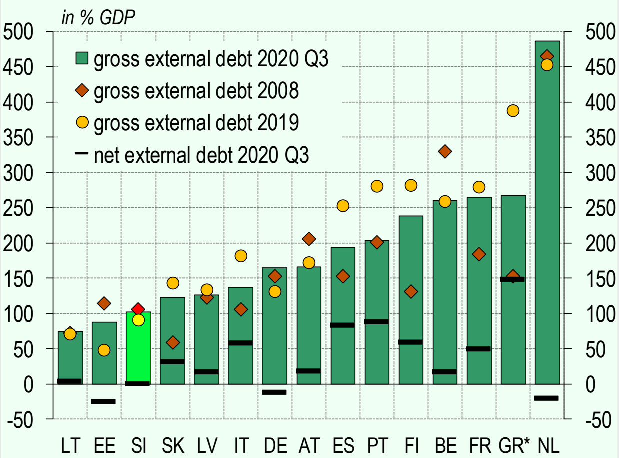
Despite heavy government borrowing, the trend of decline in the net external debt continued.[9] This is attributable to growth in external claims outpacing liabilities in the last few years, the latter having actually declined between 2015 and 2018. Gross debt claims against the rest of the world increased by EUR 5.3 billion last year to reach EUR 48.1 billion or 103.9% of GDP. The net external debt has declined by around EUR 900 million over the last year, to stand at just EUR 83 million or 0.2% of GDP. Over the last few years only the government sector has held net external debt (see Figure 7). Last year it increased it largely since 2014, by EUR 2.4 billion to EUR 18.5 billion, driven by the need to finance the anti-coronavirus measures. The private sector remains a net creditor of the rest of the world via debt instruments, in the total amount of almost EUR 10 billion. Slovenia ranks as one of the least-indebted countries in the euro area in terms of gross external debt and net external debt alike (see Figure 8).

Figure 7: Sectoral breakdown of net external debt



Source: Banka Slovenije.

Figure 8: External debt of EA countries



*Note: Gross and net external debt in 2020 Q3 for IE (791% and -378% GDP), MT (699% and -169% GDP), CY (888% and 347% GDP) and LU (5232% and -2581% GDP) are not shown in the figure. *Data for 2020 Q2.*
Source: ECB.

[1] The net international investment position (NIIP) is the statistical illustration of the difference between the stock of residents' financial claims against the rest of the world and the stock of residents' financial liabilities to the rest of the world in value terms. If residents' claims against the rest of the world exceed their liabilities to the rest of the world, the country's net international investment position is positive (the country is a creditor nation), and in the opposite case the country is a debtor nation.

[2] The difference between the net international investment position and the net external debt originates in the segment of equity instruments. It amounted to more than EUR 7 billion at the end of last year, with minimal debt.

[3] The figure relates to the end of the third quarter of 2020.

[4] Despite net outflows of capital to the rest of the world in the amount of EUR 2 billion, the position did not improve, owing to revaluations of government operations in derivatives.

[5] Other investments include, alongside currency and deposits, other equity, loans, trade credits and advances, other accounts payable/receivable, and insurance, pension and standardised guarantee schemes.

[6] On account of the sale of holdings in domestic firms, new investment projects in Slovenia by non-residents, and the slower increase

in Slovenia's outward investments compared with before the global financial crisis.

[7] Financial corporations (S.12) excluding the central bank (S.121).

[8] The gross external debt is the total amount of debt liabilities that residents hold vis-à-vis non-residents, and includes the principal and the accrued interest on principal. The financial instruments of the gross external debt are debt securities, trade credits, loans, currency and deposits, and other debt liabilities.

[9] The net external debt is the difference between all debt financial liabilities (the gross external debt) and claims vis-à-vis the rest of the world.

BANKA SLOVENIJE
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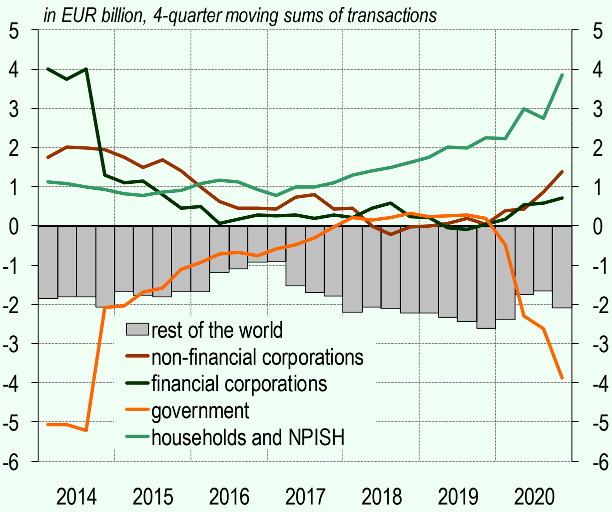
5 Financial Standing of Non-Financial Corporations, Households and Banks

Non-financial corporations, households and banks entered the latest crisis in a good financial position, but the financial accounts reveal significant changes in their behaviour in 2020. As a result of the introduction of the emergency measures and the corresponding sharp increase in borrowing at the outbreak of the epidemic, the largest reversal came in the government sector. After two years of net saving, its negative net financial position deepened sharply last year. By contrast, from the outbreak of the epidemic other institutional sectors further strengthened their saving relative to investment, particularly non-financial corporations and households. Their excess saving flowed in the form of deposits to banks, who in turn continued to place the money with the central bank. The year-on-year increase in the banks' financial assets and liabilities last year underwent its most pronounced surge of the last ten years.

Saving-investment gap by institutional sector

The dynamics in the net financial position of domestic institutional sectors changed markedly at the outbreak of the epidemic. The overall gap by which saving exceeded investment amounted to EUR 2.1 billion at the end of last year, not vastly different from the previous year, but there was a significant change in its structure. Most notable was the downturn in the net position of the government sector, which a year earlier had no saving-investment gap, but over the course of the year saw the deficit deepen to almost EUR 4 billion. By contrast, other institutional sectors saw a sharp increase in their net financial assets last year, most notably households, whose net saving in the amount of EUR 3.8 billion meant that they remained the dominant factor in Slovenia's aggregate net international investment position (see Figure 5.1).

Figure 5.1: Savings-investment gap

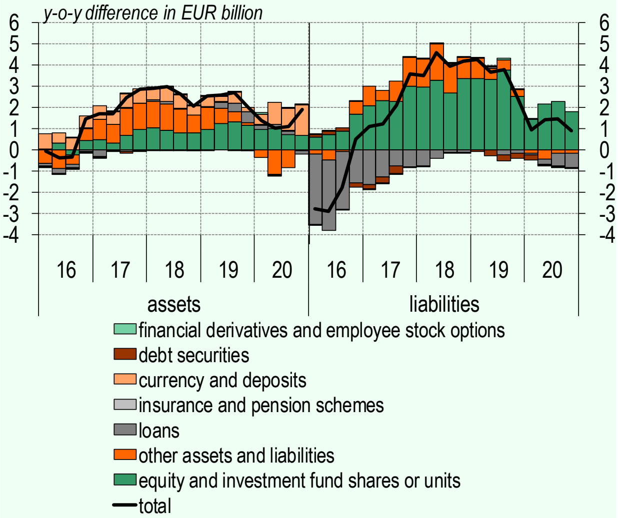


Source: Banka Slovenije.

Financial assets and financing of non-financial corporations

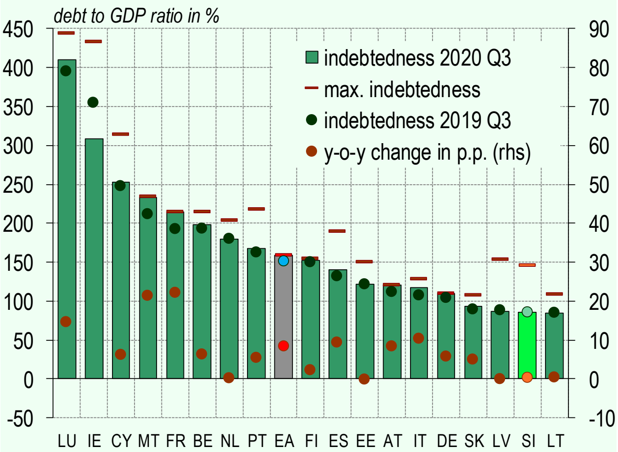
Non-financial corporations' net saving gradually strengthened last year.[1] Non-financial corporations' financial assets were up around EUR 1.9 billion in year-on-year terms at the end of the year, significantly more than during the three previous quarters (see Figure 5.2). Non-financial corporations saw record inflows of deposits to banks, of around EUR 1.4 billion, which can be attributed to their caution and the need to maintain liquidity. There was also a year-on-year increase in their holdings of equity and investment fund shares (in the amount of EUR 660 million),[2] while amid the huge uncertainty on international markets they actually reduced their holdings of financial assets in the rest of the world slightly, which has not happened since 2014.[3] Year-on-year declines were also seen in trade credits granted (by around EUR 280 million) and long-term loans (by EUR 215 million). By contrast, non-financial corporations' financial liabilities were up only EUR 880 million at the end of the year, the smallest annual increase since 2016. The main increase was in liabilities in the form of equity (EUR 1.8 billion).[4] Non-financial corporations continued to pay down debt via other financial instruments last year, to banks, to issuers of debt securities and to other non-financial corporations via trade credits (in the total amount of EUR 830 billion). Non-financial corporations' indebtedness thus remains significantly lower than the euro area average. It is equivalent to approximately 86% of GDP, approximately half of the euro area average and one of the lowest figures among euro area countries (see Figure 5.3).

Figure 5.2: Financial assets and liabilities of NFCs (S.11)



Source: Banka Slovenije.

Figure 5.3: Cross country comparison of indebtedness* of NFCs



*Note: *Debt is calculated as a sum of currency and deposits, debt securities, loans, insurance and pension schemes and other claims and liabilities.*
Source: ECB, Eurostat, Banka Slovenije calculations.

Financial assets and financing of households

The household sector's surplus of financial assets over liabilities at the end of last year was its largest to date,[5] and its placement of savings in sight deposits was also the most intensive. Households' financial assets in the final quarter of last year were up around EUR 4.4 billion in year-on-year terms (see Figure 5.4).

[1] Year-on-year growth in non-financial corporations' holdings of assets stood at 3.9% at the end of the year (compared with 4.2% a year earlier), while growth in their liabilities slowed sharply over the same period (from 2.8% to just 1.0%).

[2] Increased transactions were responsible for two-thirds of the increase, and revaluations of existing assets for a third.

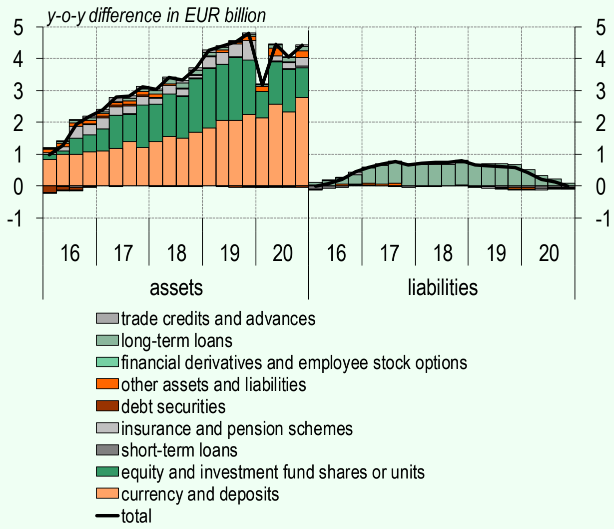
[3] This was largely attributable to a year-on-year decline in trade credits granted and investments in foreign equity, and a complete standstill in loans granted.

[4] Largely as a result of transactions, and not revaluations.

[5] Year-on-year growth in assets slowed from 9.1% to 7.7% over the course of last year, while growth in liabilities came to a complete halt (slowing from 4.2% to zero).

The largest factor in the increase on this occasion was again the increase in sight deposits, of EUR 2.7 billion. This is primarily attributable to reductions in spending by households, or even an inability to spend, owing to the uncertain situation amid the outbreak of the epidemic and the containment measures. Their holdings of equity and investment fund shares also increased, by around EUR 1 billion,[6] as to a lesser extent did their holdings of insurance, pension and standardised guarantee schemes and other accounts receivable (in very similar amounts, EUR 560 million in total). In parallel with the sharp increase in financial assets, households saw no change in their financial liabilities: they were up just EUR 5 million in year-on-year terms in the final quarter. Most notably the year-on-year increase in long-term loans slowed sharply: at EUR 100 million, it was just 15% of the increase seen in the previous year. This is most likely attributable to the growth in general uncertainty and the resulting increased caution on the part of households when it comes to borrowing, to the slight decline in income, and to a Banka Slovenije macroprudential measure. Household indebtedness thus remains low, and well below the euro area average (see Figure 5.5).

Figure 5.4: Financial assets and liabilities of households (S.14)

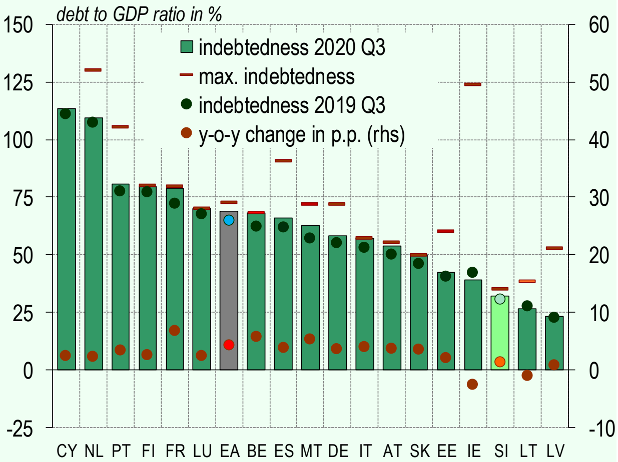


Source: Banka Slovenije.

Financial assets and financing of banks

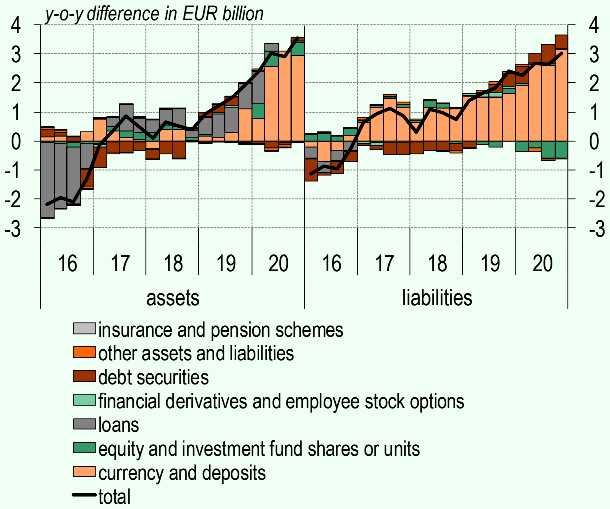
Year-on-year growth in the banks' financial assets and liabilities continued to strengthen over the whole of last year, reaching their highest rates of the last ten years.[7] Their financial assets at the end of the year were up EUR 3.5 billion in year-on-year terms (see Figure 5.6), driven largely by an increase of EUR 2.9 billion in deposits (primarily in accounts at the

Figure 5.5: Cross country comparison of households' indebtedness*



*Note: *Debt is calculated as a sum of currency and deposits, debt securities, loans, insurance and pension schemes and other claims and liabilities.*
Source: ECB, Eurostat, Banka Slovenije calculations.

Figure 5.6: Financial assets and liabilities of banks and money-market funds (S.122 and S.123)



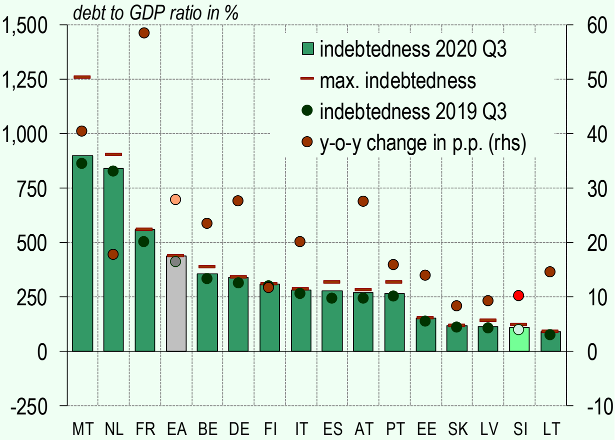
Source: Banka Slovenije.

[6] Just over a half came from a year-on-year increase in transactions, while the remainder came from revaluations of existing assets.

[7] The year-on-year increase in assets stood at 8.5% (compared with 4.8% a year earlier), while the increase in liabilities stood at 7.4% (compared with 6.2% a year earlier).

central bank), while the increase in their lending activity came to a total standstill after three and a half years.[8] The only other notable increase (of EUR 430 million) was in holdings of equity and investment fund shares, which would have been double that figure had it not been for negative revaluations. The banks' holdings of assets in the rest of the world were up EUR 1.1 billion at the end of the year. The banks' financial liabilities also increased by only slightly less than their assets did last year (they were up EUR 3.0 billion), driven primarily by an increase in holdings of deposits (by non-financial corporations and households), which were up EUR 3.1 billion in year-on-year terms. The increase in liabilities was also attributable to issued debt securities (which were up EUR 450 million), while their liabilities from equity and investment fund shares declined by EUR 590 million in year-on-year terms (as a result of revaluations at the outbreak of the epidemiological crisis). The banks' liabilities to the rest of the world at the end of the year were virtually unchanged from a year earlier. The indebtedness of the Slovenian financial sector thus remains low, and well below the euro area average (see Figure 5.7). The changes in bank performance last year and in the first two months of this year are analysed in Box 5.2.

Figure 5.7: Cross country comparison of indebtedness* of financial sector (S.12 - S.121)



*Note: *Debt is calculated as a sum of currency and deposits, debt securities, loans, insurance and pension schemes and other claims and liabilities.*
Source: ECB, Eurostat, Banka Slovenije calculations.

[8] The stock of bank loans granted was up only EUR 56 million in year-on-year terms, compared with an increase of EUR 860 million a year earlier. Loans in this section are taken from the financial accounts, and are valued under the ESA 2010 methodology, and accordingly their values and/or dynamics may differ from those disclosed in Box 5.2.

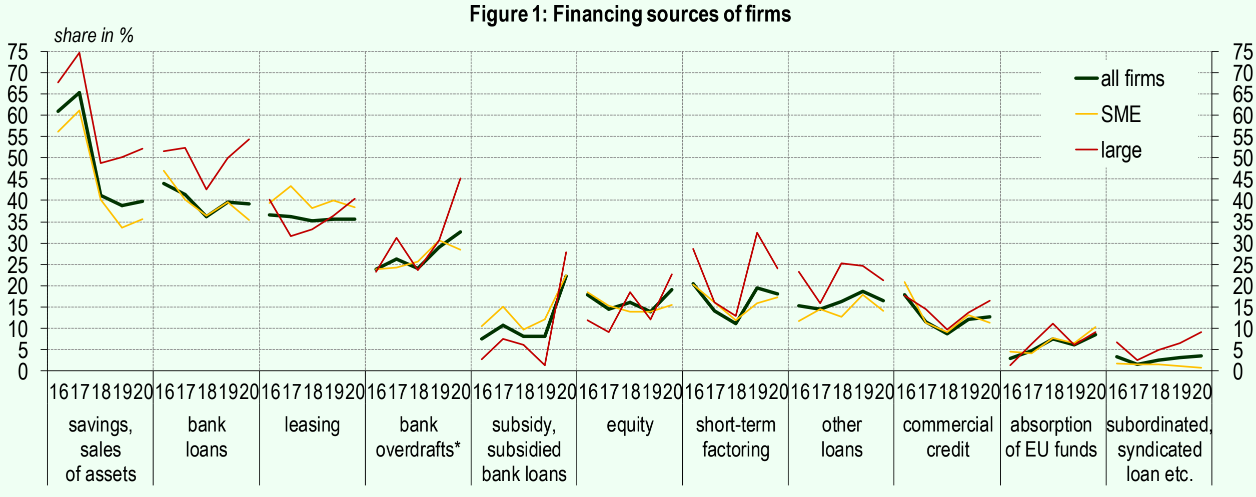
Box 5.1: Access to financial resources for non-financial corporations[1]

The financial position of non-financial corporations remained sound despite the crisis, which has nevertheless slightly changed their patterns of financing. Non-financial corporations are continuing to rely heavily on internal resources, bank loans and leasing, but the share of firms who made use of current account overdrafts and subsidies also increased. The most pronounced difference compared with the year before the crisis is in the use of various forms of government subsidy, such as the refund of wage compensation under the furlough scheme, the payment of social security contributions for furloughed workers and the crisis bonus. According to the firms themselves, access to external financial resources supposedly remained largely unchanged last year, and the majority reported that their drawdowns were 100% successful. The funds that firms obtained were used similarly to the three previous years: mostly for financing current operations and investment projects. Roughly half of all firms did not seek external financing.

In 2020 firms again largely financed their current operations and investments via internal resources, and the structure of their financing did not differ significantly according to their size. The largest share of firms (40% of the total) used savings and other internal resources to finance their activities. Large enterprises relied slightly more on internal resources than did SMEs. SMEs most commonly used leasing for financing purposes last year, followed in popularity by internal resources and then bank loans. The aforementioned resources were also the most popular with large enterprises, who also made frequent use of current account overdrafts (see Figure 1). Large enterprises made slightly greater use of all of the aforementioned resources than in the previous year, while SMEs made less use of them, with the exception of internal resources. According to the survey, firms are also mainly aiming to use internal resources and bank loans to finance their projects for this year and the future, irrespective of their corporate size. Bank loans thus remain one of the main sources of financing for firms, although the share of firms using them was significantly less than in the period before 2016, when it exceeded 65% in individual years.

Irrespective of their large savings and relatively good financial position,[2] the share of firms that used external financial resources last year (53%) was the highest figure of the last five years. The main reasons cited by firms for this figure not being even higher were sufficient internal resources (more than 60% of SMEs and large enterprises that did not make use of external financing last year), while a tenth of these firms cited postponements of investment projects.[3] Firms made slightly more frequent use of certain resources last year than in the previous year, also due to the crisis and the change in business conditions. They mainly made more use of current account overdrafts, subsidies and EU funding. Owing to the crisis, firms in both corporate size categories made significantly more use of subsidies and subsidised bank loans.[4] More than a fifth of all firms made use of them as a source of financing last year, compared with just around a tenth in the previous year. The step change was even more evident at large enterprises: the figure rose from 1% in the previous year to 28% last year.

Figure 1: Financing sources of firms



*Note: The percentage of affirmative answers according to the type of use; companies can choose more answers. *Together with credit line and negative balance on credit cards.*
Source: Survey on access to finance of enterprises in 2020 (Banka Slovenije, 2021).

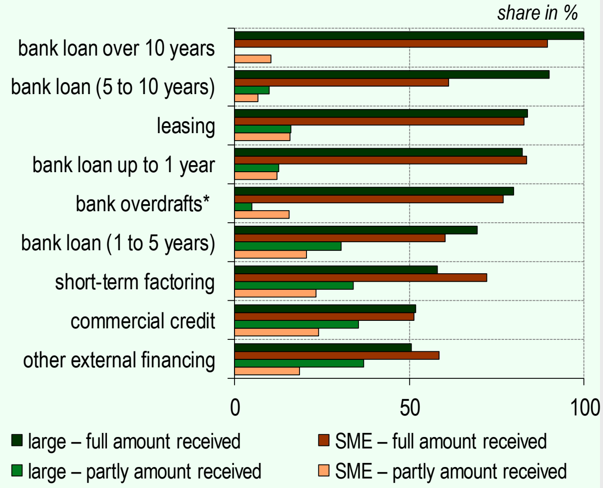
The majority of firms reported 100% success in their drawdown of external financial resources last year. The majority also said that their demand for these resources remained unchanged, while the net response from firms who believe that their demand increased minus those believing the opposite is indicative of a net increase in demand for external financing. The main net increase was in demand for the three most popular resources: bank loans, leasing, and current account overdrafts. The majority of firms that applied for any form of external financing last year obtained 100% of the sum applied for, irrespective of the size of the firm (see Figure 2). The greatest level of success was in the drawdown of short-term and longest-term bank loans and leasing, where more than 80% of firms reported that they had received all of the funds applied for.

According to the firms themselves, access to and the supply of external financial resources mostly remained unchanged last year. The most important limiting factors in external financing cited by firms as having deteriorated slightly last year were the general economic situation, their own performance, and bank willingness to approve loans, while the main improvements were supposedly in credit history and access to government financial aid. The majority said that the terms of financing in 2020 remained similar to the previous year, whether price-related or not. It should be further noted that the share of firms stating that terms had worsened (which mainly indicates a deterioration in price terms, i.e. a rise in other costs of financing and interest rates) exceeded those stating the opposite (see Figure 3).

The funds that firms obtained were used similarly to the three previous years: mostly for financing current operations and investment projects. Firms also earmarked these funds to a lesser extent for research and development, expansion of turnover, and debt restructuring. There was no significant difference in the purpose of use between firms of different sizes. SMEs that applied for external financing in 2020 largely reported that they used the funds on current operations and investments (see Figure 4). The breakdown of responses from large enterprises was similar, although they earmarked slightly more financing for investments and for research and development than did SMEs.

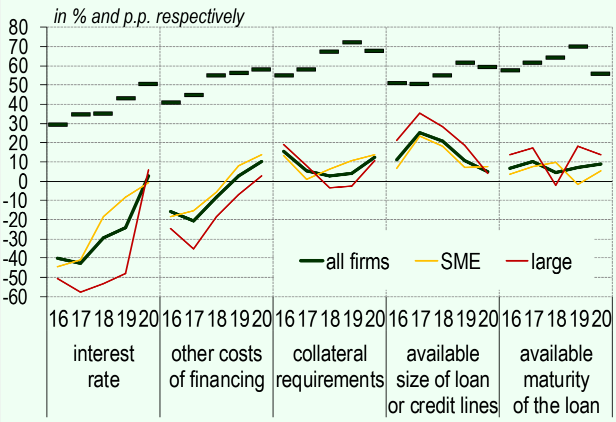
During the epidemic firms mainly had to face adjustments to their operating costs, reduced domestic demand and absences from work; the vast majority made use of government subsidies to overcome the difficulties. More than two-thirds of all firms surveyed (60% of SMEs and 90% of large enterprises) reported that in 2020 they applied

Figure 2: Firms by amount of funds received, 2020



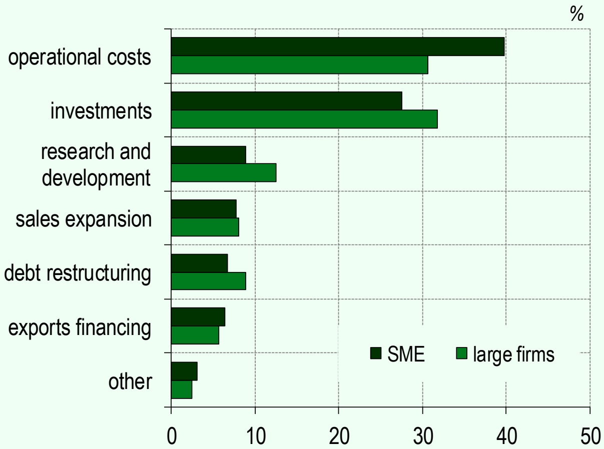
*Note: *Together with credit line and negative balance on credit cards.*
Source: Survey on access to finance of enterprises in 2020 (Banka Slovenije, 2021).

Figure 3: Terms of financing



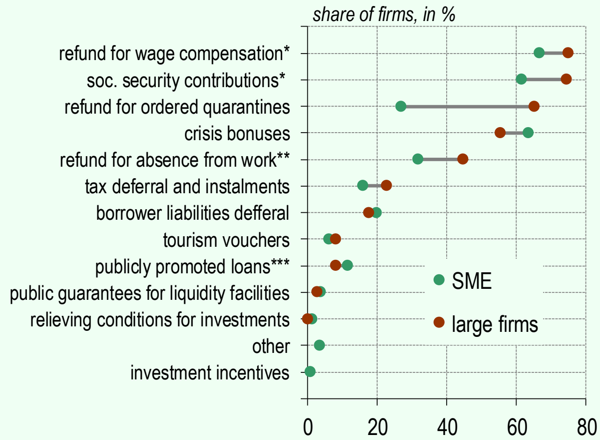
Note: Points represent the share of all firms reporting that terms remained unchanged, while lines represent the difference in answers "increased" and "decreased".
Source: Survey on access to finance of enterprises in 2020 (Banka Slovenije, 2021).

Figure 4: The purpose of using external sources of financing, 2020



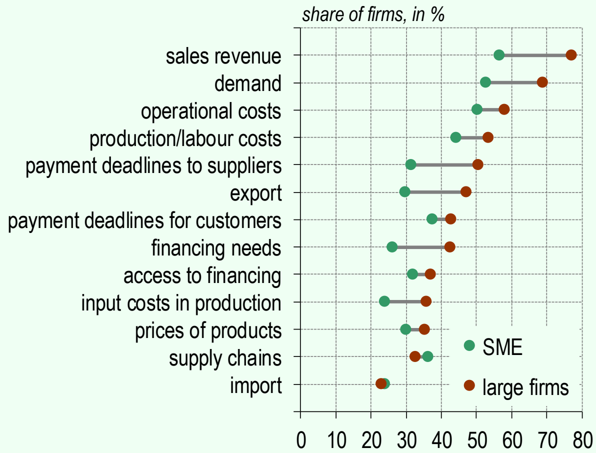
Note: The percentage of affirmative answers according to the type of use; companies can choose more answers.
Source: Survey on access to finance of enterprises in 2020 (Banka Slovenije, 2021).

Figure 5: Government subsidies received



*Note: The share of firms that applied for particular subsidy and also received one is presented. *for workers in the furlough scheme, **force majeure, ***SID Bank, SPS, SRRS, STO.*
Source: Survey on access to finance of enterprises in 2020 (Banka Slovenije, 2021).

Figure 6: The impact of the epidemic on business operations



Note: The data represents the responses of firms about the impact of the epidemic: "1 – very negatively" and "2 – negatively".
Source: Survey on access to finance of enterprises in 2020 (Banka Slovenije, 2021).

for at least one of the government subsidies to alleviate the impact of the epidemic. The largest number received the refund for wage compensation in the furlough scheme, coverage of social security contributions for furloughed workers, and crisis bonuses (see Figure 5). The share of firms whose applications for these subsidies were rejected was negligible. The main issues that firms cited as being faced during the epidemic were adjustments to operating costs, reduced domestic demand, absences from work and cashflow management. The main impact from reduced demand was on sales revenues. Large enterprises assessed the impact of the epidemic on their performance more negatively than did SMEs (see Figure 6). In cost terms, irrespective of size, they all responded to the crisis first and most extensively by cancelling business travel, postponing investment and making changes to recruitment policy.

[1] Last year saw Banka Slovenije conduct its tenth consecutive survey of firms' financial resources (*Survey on access to finance of enterprises in 2020*; Banka Slovenije, 2021), which for the last four years has been conducted in conjunction with SID Bank. As in every year, firms answered questions on their access to finance and financing conditions, the purpose of use and their expectations for the future, while last year saw the addition of a set of questions about the epidemic's impact on performance.

[2] Indicated for the non-financial corporations sector by financial and non-financial accounts.

[3] Both SMEs and large enterprises; in previous years only 5% of responses cited postponement of investment as the reasons for the non-use of external financing.

[4] In the question on financial resources, the term "subsidies" is defined considerably more narrowly than in the set of questions on the epidemic's impact on corporate performance. There government subsidies are defined considerably more broadly, as a result of which the shares of firms that said that they had made use of one or another financial resource (narrowly defined subsidies and subsidised loans on one hand, and broadly defined government subsidies on the other) therefore differ.

Box 5.2: Bank performance

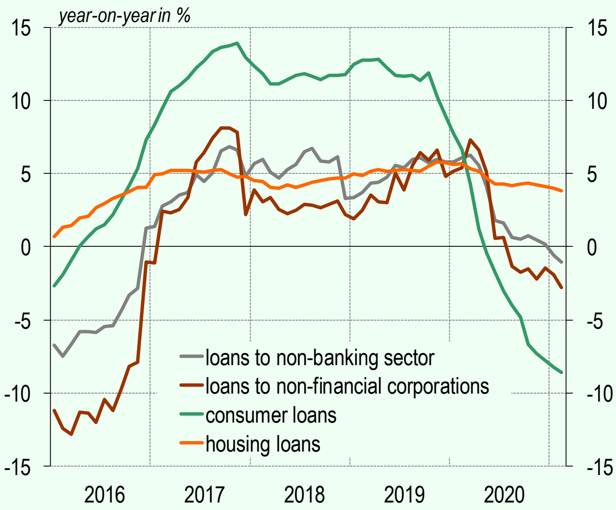
The banks performed relatively well in 2020, despite the pandemic and the difficult conditions. The banking system generated a pre-tax profit of EUR 472 million, partly as a result of a one-off effect from the merger of two banks; otherwise it would have been almost a half lower. The profit over the first two months of this year was similar to the same period last year. The growth in the balance sheet total was driven by an increase in deposits by the non-banking sector, which amid a decline in lending has been reflected in an increase in the banks' account balances at the central bank. The net interest margin is falling as interest income declines. After a slight increase in the final months of last year, the banks saw a renewed gentle decline in their non-performing exposures (NPEs) over the first two months of this year. The banking system's liquidity position remained good, but a few banks did see a decline in capital ratios.

The balance sheet total is being driven upwards by deposits by the non-banking sector. It increased by EUR 3.2 billion last year to end the year at EUR 44.7 billion, and by a further EUR 0.6 billion over the first two months of this year. The year-on-year increase stood at 9.4% in February. Last year's main increase on the investment side was in claims against the central bank, while this year has seen an increase in claims against banks and investments in securities. Credit growth slowed sharply last year, and turned negative at the beginning of this year.

Year-on-year growth in loans to non-banking sector has been negative since the beginning of this year. It slowed by 5.6 percentage points last year to 0.2% in December, before hitting negative territory in January, and stood at -1.0% in February. Corporate loans and household loans both recorded a year-on-year contraction, the rate for the latter deepening to 0.7% in February. This was largely driven by the slowdown in growth in consumer loans, which began in November 2019. The rate has been negative since May 2020, and the decline reached 8.6% in February of this year. Growth in housing loans slowed slightly last year, but remained moderate, partly in reflection of developments on the real estate market. It had slowed to 3.8% by February of this year, which might also be a seasonal effect. Growth in corporate loans slowed sharply last year as the economic crisis struck, turning negative in August. The year-on-year contraction stood at 2.8% in February of this year. Similarly to the previous year, last year also saw notably high year-on-year growth in loans to non-residents, which nevertheless account for just 3.0% of the balance sheet total. The rate was close to 28% in December, and stood at 25% in February of this year.

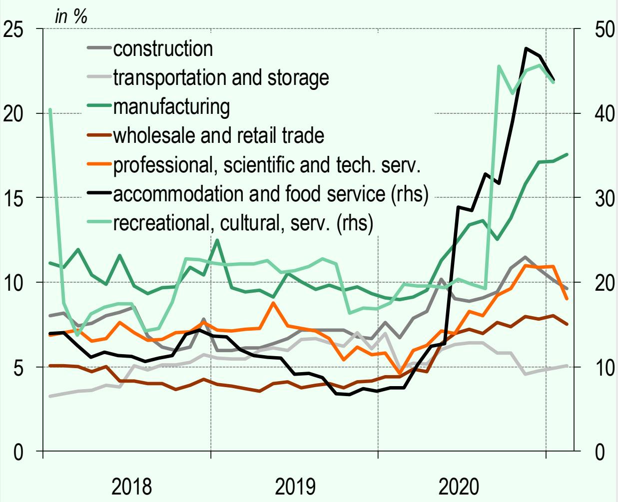
After a small increase in the final months of last year, the banks saw a renewed gentle decline in their NPEs over the first two months of this year. The stock of NPEs in February was down EUR 13 million on December, and the NPE ratio declined again, reaching its lowest level since September of last year (1.8%). The NPE ratios in individual sectors also declined or remained unchanged over the first two months of this year, with the exception of accommodation and food service activities, where it rose by a further 0.6 percentage points to 11.0%. There were no major changes in the household portfolio over the first two months of this year: the

Figure 1: Growth of loans to the non-banking sector



Source: Banka Slovenije.

Figure 2: Share of exposure in credit risk stage 2 by activities



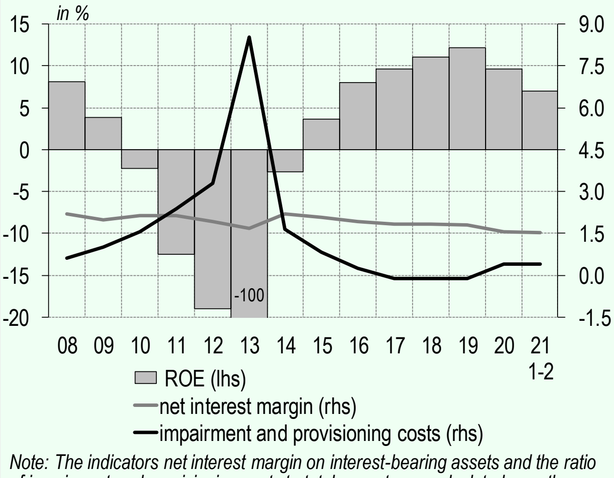
Source: Banka Slovenije.

NPE ratios remained at 3.2% for consumer loans and 1.7% for housing loans. The intensive reclassification of exposures to the stage with increased credit risk (Stage 2 under the IFRS) slowed in January, and in February the stock of exposures in Stage 2 actually declined slightly. The share of total exposure classed as Stage 2 is notably high in accommodation and food service activities (43.9%), and in arts, entertainment and recreation (43.6%). The figures reflect the increased credit risk at firms in these sectors, which have been hit hardest by the containment measures.

The increase in deposits by the non-banking sector continued in the early part of this year. They were up 12.2% in year-on-year terms in February. The main increase over the first two months of this year was in household deposits, which rose by EUR 622 million to EUR 23 billion, equivalent to half of the balance sheet total. Given the surging epidemic and the resulting restrictions in certain economic sectors, there was limited ability to spend and invest, for which reason households mostly left their savings in bank accounts. Another factor in the increase in household deposits was the cash payments made by the government to alleviate the impact of the epidemic. Year-on-year growth in corporate deposits remained high, and stood at 19.6% in February. It was sight deposits that increased, as the uncertain situation and the low interest rates are deterring savers from fixing deposits at banks. Sight deposits increased to account for 79% of total deposits by the non-banking sector, and almost 61% of the balance sheet total.

The banking system saw a decline in profitability in 2020, but its profit over the first two months of this year slightly exceeded the same period last year. Pre-tax profit amounted to EUR 472 million last year, down a fifth on the previous year. The relatively small year-on-year decline was largely attributable to a one-off increase in non-interest income as a result of the merger of two banks in September of last year. The year-on-year decline in net interest income is increasing. It was down 6.4% in year-on-year terms last year, and down 9.7% over the first two months of this year, driven by declining returns on bank investments, and gradually more and more by the decline in lending to the non-banking sector. As a result of the decline in net interest income and the high growth in low-yielding assets, last year saw the net interest margin record its largest decline of recent years. It has continued its decline this year, and stood at 1.52% in February measured over the preceding 12 months. Last year, the net formation of impairment and provisioning costs again prevailed. Impairment and provisioning costs accounted for 12.5% of the disposal of gross income, still a relatively low figure in historical terms. Similarly to the same period last year, the banks recorded a net release of impairments and provisions over the first two months of this year. The banks had relatively good control of their operating costs last year. They increased by just 1.3%, primarily as a result of a methodological effect; otherwise they would have fallen by 3.2%.[1] Pre-tax ROE stood at 9.6% last year (compared with 12.2% in 2019), but would have stood at 5.5% without the one-off effect. ROE over the first two months of this year stood at 7.0%, slightly higher than in the same period last year (6.5%).

Figure 3: Selected bank performance indicators



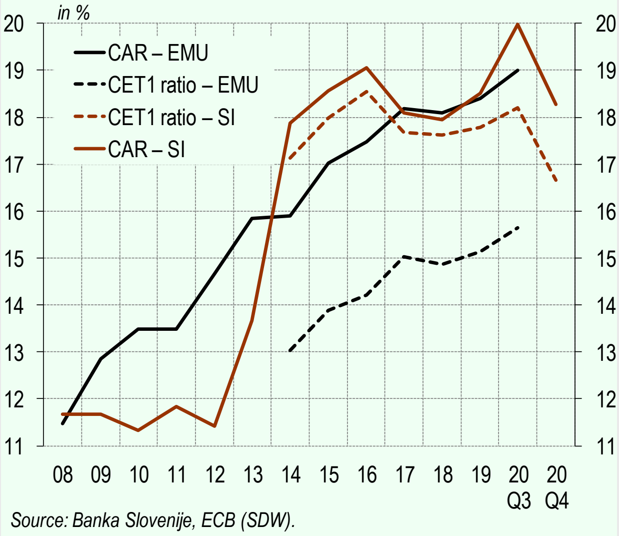
Note: The indicators net interest margin on interest-bearing assets and the ratio of impairment and provisioning costs to total assets are calculated over the preceding 12 months. The last figure for ROE is calculated for the first two months of 2021.
Source: Banka Slovenije.

Liquidity also improved during the second wave of the pandemic. The capacity to cover net liquidity outflows during a short-term stress period remained high at system level: the liquidity coverage ratio increased by 35 percentage points over 12 months to stand at 342% in February of this year, more than three times the regulatory requirement (of 100%). All banks met the regulatory requirement, but there remain considerable variations between them in terms of the liquidity surplus. Amid the further growth in deposits by the non-banking sector and the decline in lending activity, the largest increase in the early part of the year was in the most-liquid assets, cash on hand and balances at the central bank, which in February accounted for almost a fifth of the balance sheet total, a record high. The stock of secondary liquidity[2] remained relatively stable, but it declined to 17.3% as a ratio to the balance sheet total as the latter increased. Given the high surplus liquidity, Slovenian banks' participation in ECB long-term refinancing operations was low.

The banking system's capital adequacy ratios declined in the final quarter of 2020, but only as a result of declines at individual banks. The total capital ratio declined to 18.3%

on a consolidated basis, while the common equity Tier 1 capital ratio declined to 16.7%, both under the influence of the merger of two banks. The capital adequacy ratios improved at most banks last year, as they applied the Banka Slovenije macroprudential measure and increased their regulatory capital by retaining earnings from the previous financial year; some also increased capital by issuing subordinated debt securities. Risk-weighted assets mainly declined at the banks that reduced their lending to non-financial corporations and households. Although the differences in capital adequacy ratios at individual banks diminished slightly, there remain significant differences in their surpluses over the total capital requirements.[3] The downward impact on capital adequacy ratios will be greater after the government measures expire, given the anticipated deterioration in the quality of the credit portfolio.

Figure 4: Capital adequacy ratio of the Slovenian banking system compared to the EMU, consolidated basis



Source: Banka Slovenije, ECB (SDW).

[1] Change in the classification of costs in connection with contributions to Bank resolution fund and the Deposit guarantee fund.

[2] Secondary liquidity is based on liquidity ladder data, and consists of Slovenian government securities and foreign marketable securities rated BBB or higher.

[3] The total capital requirement is the sum of capital requirements under Pillar 1 and Pillar 2, and all buffer requirements.

BANKA SLOVENIJE
EVROSISTEM

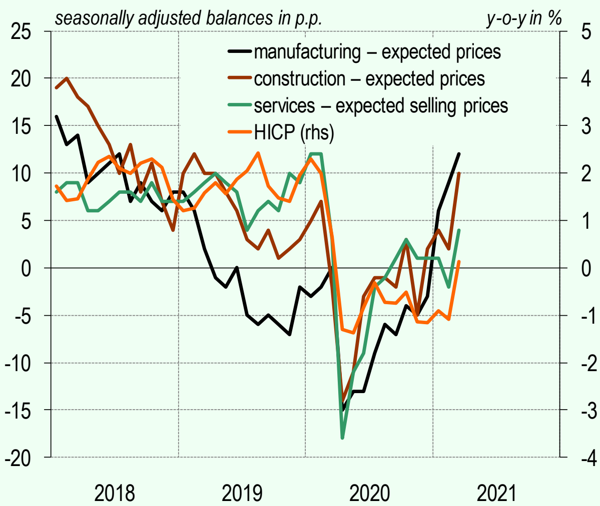
6 Price Developments

Domestic price developments remained weak in March despite the emergence from deflation, but some foreign as well as domestic inflationary pressures are nevertheless strengthening. Inflation stood at 0.1%, and was driven largely by the year-on-year rise in energy prices, which were affected by current growth in motor fuel prices alongside the strong base effect related to last year's temporary cut in electricity prices. Increasing growth in global commodity prices is already being reflected in domestic inflation, while expected selling prices at firms are also rising. Further evidence of the slight reduction of uncertainty in price developments comes from the narrower divergence in consumers' inflation expectations, but future price developments remain markedly uncertain given the current epidemiological picture. Food price inflation has been declining since November as a result of a negative base effect, and reached a two-year low in March. With the containment measures in place, service price inflation remained weak, while the year-on-year fall in prices of non-energy industrial goods deepened significantly in March, which was most likely related to the sell-off of inventories. The narrowest core inflation indicator thus declined further, reaching -0.6% in March. Meanwhile headline inflation in the euro area rose to 1.3%, while core inflation stood at 0.9%. The stronger inflation in the euro area overall was primarily driven by higher prices of non-energy industrial goods in the euro area, however an even wider gap was mitigated by a larger contribution to headline inflation from energy prices in Slovenia.

Survey-based inflation expectations in March

Firms' optimism with regard to future selling prices is strengthening in line with the anticipated economic recovery after the epidemic. The share of firms expecting prices to rise in the next three months increased in all sectors in March (see Figure 6.1), while the indicators of price expectations in construction and manufacturing have now surpassed their pre-crisis levels.[1] In March the indicator remained lowest in manufacturing, where more firms were expecting prices to rise (than to fall) for the third consecutive month. The increase was most likely attributable to rises in the export expectations and order

Figure 6.1: Price expectations according to business survey

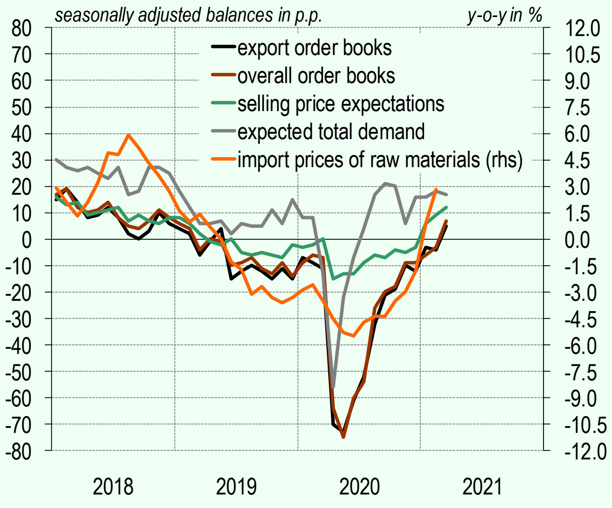


Source: SORS, Banka Slovenije calculations.

[1] The indicator in retail trade is excluded from this analysis due to its extreme volatility.

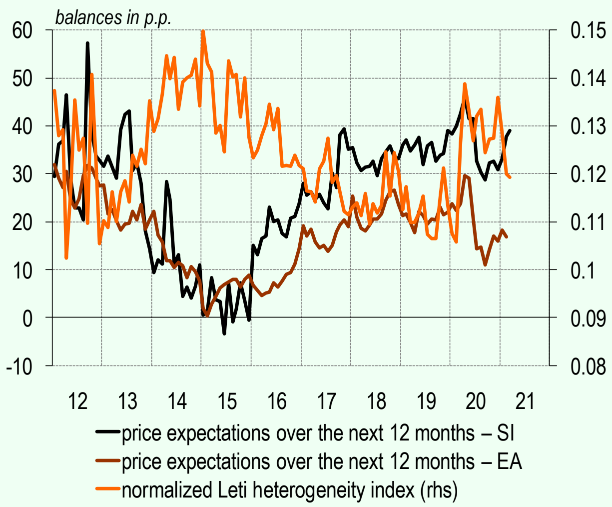
books indicators and to the sharp increase in year-on-year growth in import prices of input commodities (see Figure 6.2). The selling price expectations in construction rose significantly in March. According to seasonally adjusted data, the share of firms expecting prices to rise was 10 percentage points higher than the share of those that expected prices to fall. Firms' expectations regarding future price developments have also strengthened to a lesser extent in services, but they nevertheless remain significantly down on their pre-epidemic levels.

Figure 6.2: Price expectations in manufacturing



Source: SORS, Banka Slovenije calculations.

Figure 6.3: Price expectations according to Consumer opinion survey



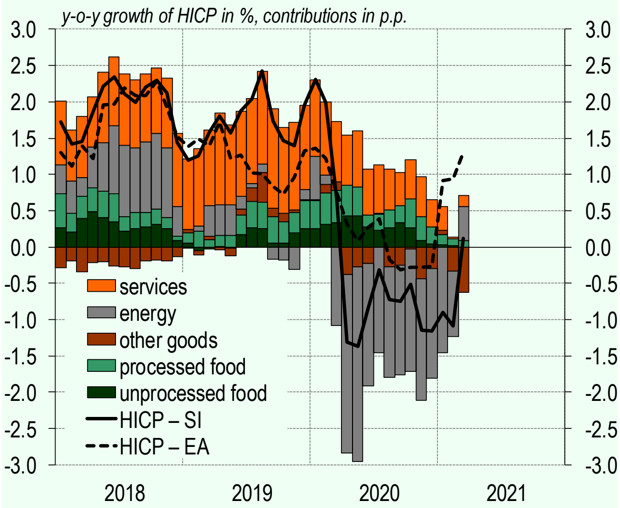
Source: SORS, Eurostat, Banka Slovenije calculations.

Consumers raised their inflation expectations in March for the fourth consecutive month, while the divergence in the estimates diminished. According to the consumer opinion survey, the price expectations indicator stood at 39 percentage points, up 3 percentage points on its average over the previous year (see Figure 6.3). Approximately two-thirds of consumers surveyed in March expected inflation to remain the same or be higher than in the previous 12 months, which most likely reflects the relatively good situation in the first half of the month, when the consumer survey was conducted.[2] The heterogeneity of inflation expectations as measured by the Leti index therefore declined.[3] The price expectations indicator in the euro area remains at lower levels than the indicator in Slovenia.

Structure of inflation and core inflation indicators

The year-on-year fall in consumer prices came to an end in March after almost a year, albeit primarily as a result of a strong base effect. Inflation as measured by the HICP stood at 0.1% in March, up 1.2 percentage points on February (see Figure 6.4). The main factor in the

Figure 6.4: Contributions to headline HICP inflation



Source: Eurostat, SORS, Banka Slovenije calculations.

[2] According to the methodological note from the SORS, the latest data was collected between 1 and 16 March 2021.

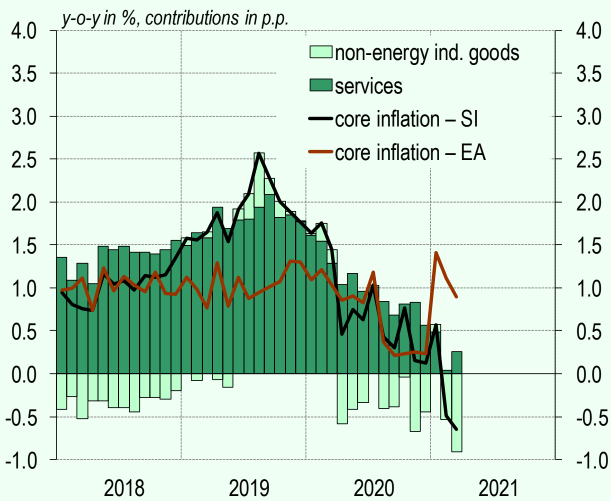
[3] The indicator of heterogeneity of inflation expectations is computed by means of the Leti index, which is described in detail in the selected theme in the July 2020 issue of Economic and Financial Developments.

Table 6.1: Structure of the HICP and price indicators

	weight	average year-on-year growth, %					year-on-year growth in quarter, %					
	2021	2016	2017	2018	2019	2020	19Q4	20Q1	20Q2	20Q3	20Q4	21Q1
HICP	*100.0%*	-0.2	1.6	1.9	1.7	-0.3	1.6	1.6	-1.2	-0.6	-0.9	-0.6
Breakdown of HICP:												
Energy	*11.4%*	-5.2	4.7	6.0	0.8	-10.8	-0.9	-0.9	-17.8	-11.8	-12.7	-5.1
Food	*23.2%*	0.5	2.2	2.4	1.6	2.8	2.2	3.3	3.3	2.4	2.1	0.5
processed	*18.8%*	0.4	1.4	1.4	1.4	1.9	1.8	2.4	1.9	1.4	1.9	0.6
unprocessed	*4.3%*	0.7	5.7	6.6	2.5	6.6	4.0	7.2	9.2	6.8	3.3	0.3
Other goods	*31.4%*	-0.5	-0.7	-0.8	0.3	-0.5	0.2	0.4	-1.0	-0.6	-0.9	-0.9
Services	*34.1%*	1.6	1.8	2.4	3.1	1.8	3.2	2.6	1.9	1.5	1.3	0.4
Core inflation indicators:												
HICP excl. energy	*88.6%*	0.6	1.1	1.4	1.8	1.3	2.0	2.0	1.3	1.0	0.8	0.0
HICP excl. energy and unprocessed food	*84.3%*	0.6	0.9	1.1	1.8	1.0	1.9	1.8	0.9	0.7	0.7	0.0
HICP excl. energy, food, alcohol and tobacco	*65.4%*	0.7	0.7	1.0	1.9	0.8	1.9	1.6	0.6	0.6	0.3	-0.2
Other price indicators:												
Industrial producer prices on domestic market		-1.4	1.3	1.9	1.9	0.7	2.0	1.3	0.3	0.3	0.9	...
GDP deflator		0.9	1.5	2.2	2.3	1.3	2.3	2.6	2.8	-0.2	0.2	...
Import prices[1]		-2.2	3.1	2.4	-0.3	-2.6	-1.1	-1.9	-2.5	-2.5	-3.3	...

Note: [1]National accounts data.
Source: SORS, Eurostat, Banka Slovenije calculations.

Figure 6.5: Contributions to narrowest indicator of core inflation



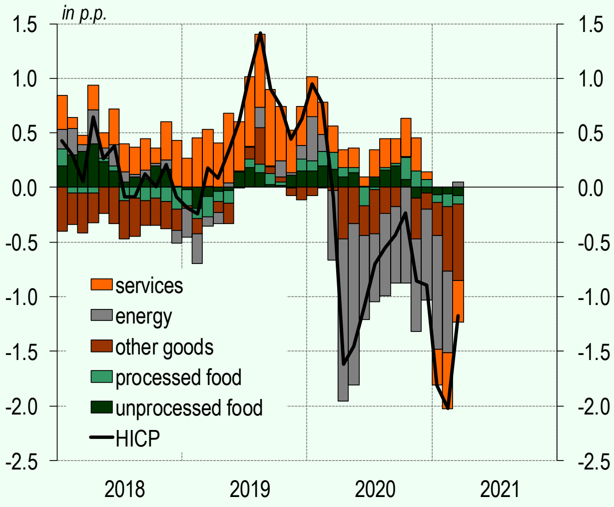
Source: Eurostat, SORS, Banka Slovenije calculations.

upward movement of consumer prices was the significant rise in energy price inflation, which accounted for 0.5 percentage points of the headline inflation rate. This was driven by more expensive refined petroleum products, and a base effect primarily associated with last year's short-term cut in electricity prices. Food and services prices continue to make positive contributions to headline inflation. Service price inflation strengthened slightly compared to February, but remains distinctly subdued as the containment measures remain in place. Only prices of non-energy industrial goods, which were down 2.0% in year-on-year terms, continued to negatively contribute to the overall price growth.

The narrowest core inflation indicator was negative in March for the second consecutive month. Core inflation excluding energy, food, alcohol and tobacco fell to -0.6% in March, its lowest figure since August 2011, as a result of the sharper fall in prices of non-energy industrial goods (see Figure 6.5). Amid a smaller fall in prices of non-energy industrial goods, core inflation in the euro area overall stood at 0.9% in March, close to its level before the outbreak of the epidemic.

The gap between domestic and euro area inflation in March was mainly due to domestic factors. Similarly to Slovenia, inflation in the euro area overall rose in March due to the developments on global oil markets, but at 1.3% still remained well above the overall price growth in Slovenia (see Figure 6.6). The gap slightly narrowed as a result of the higher contribution to headline inflation by

Figure 6.6: Difference in inflation between Slovenia and the euro area



Source: Eurostat, SORS, Banka Slovenije calculations.

energy prices in Slovenia, but remained pronounced. It arose mainly from the deep year-on-year fall in prices of non-energy industrial goods, weak service price inflation in Slovenia, and partly also the result of changes in the weighting of the HICP, which we write about in the selected theme on page 80.

Drivers of inflation

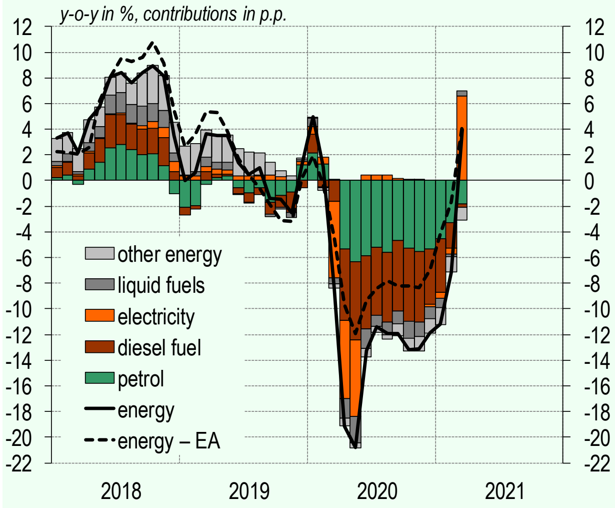
Inflationary pressures from the external environment are strengthening in line with oil prices and other commodity prices. The price of a barrel of Brent Crude exceeded USD 55 in March and remained positive for the second consecutive month, this time by 83%. The year-on-year rise in March was already driven by a positive base effect, which will persist throughout the entire year given last year's fall in global oil prices. Prices of other commodities were also significantly higher in February. Year-on-year growth in non-oil commodities stood at more than 17%, driven primarily by metals prices. The dynamics in primary commodity prices on global markets was reflected in import prices. They were up in year-on-year terms in February for the first time since May 2019 (by 0.6%), mainly due to import prices of commodities.

Domestic inflation factors have also strengthened since the beginning of the year. Growth in industrial producer prices on the domestic market increased to 1.7% in February, primarily as a result of a year-on-year rise in commodity prices and prices of capital goods. Year-on-year growth in producer prices of services increased slightly in the final quarter of last year reaching 0.8%. Wage pressures also strengthened with the increase in the minimum wage, while the capacity utilisation in manufacturing no longer significantly deviates from its pre-crisis levels. On the other hand, domestic price pressures were mitigated by weakened private consumption, which contracted sharply again in the final quarter of last year, but mainly due to the containment measures, and not due to a fall in consumer purchasing power.

Price developments by subcategory

Energy prices were up in year-on-year terms in March for the first time in a year, driven by rising prices of motor fuels and a positive base effect. Year-on-year energy price inflation was up more than 11 percentage points compared to February. The 3.9% growth was driven most notably by electricity prices, which were up 38% in year-on-year terms as a result of a strong base effect related to last year's government decree on a temporary cut in electricity prices for households and small businesses (see Figure 6.7). Due to the sharp year-on-year fall in motor fuel prices in April last year, the base effect is expected to be even stronger next month. Prices of motor fuels have been rising in current terms since December. Despite the full liberalisation of prices of refined petrole-

Figure 6.7: Contributions to growth in prices of energy



Source: Eurostat, SORS, Banka Slovenije calculations.

Table 6.2: Inflationary pressures

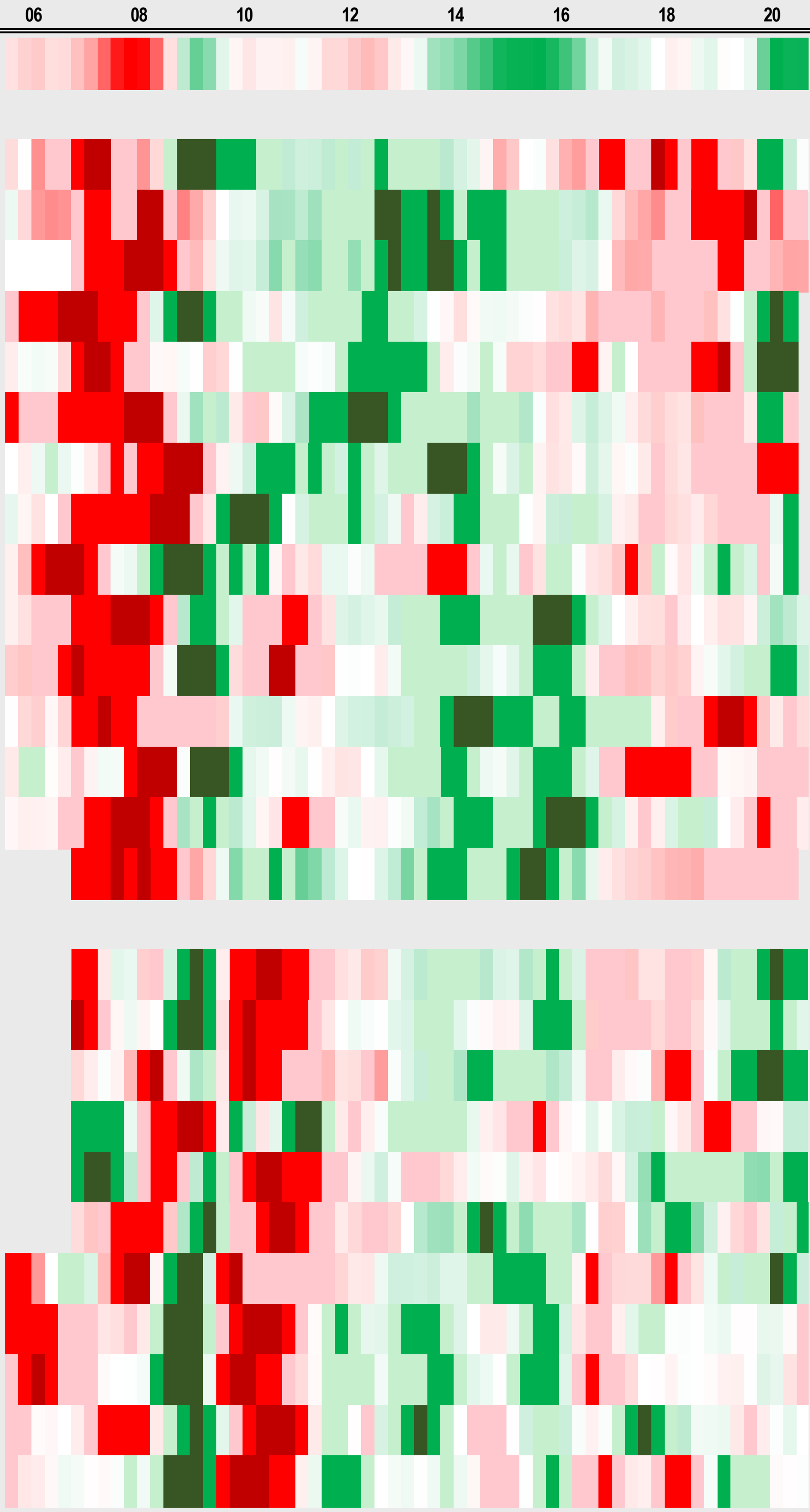
HICP inflation

Domestic inflationary pressures

Capacity utilization
*Surveyed unemployment rate**
*Registered unemployment rate**
Real GDP
Private consumption
Compensation per employee
Unit labour costs
GDP deflator
Margins
*Producer prices (domestic market)***
*… intermediate goods***
*… energy goods***
*… capital goods***
*… consumer goods***
Services producer prices

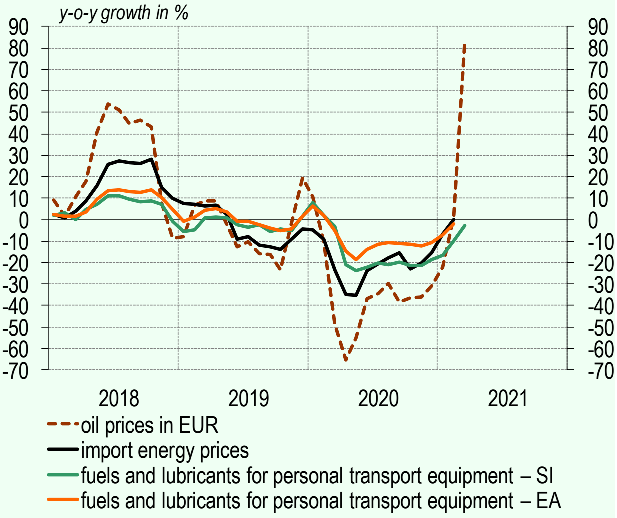
External inflationary pressures

*Import prices***
*… intermediate goods***
*… energy goods***
*… capital goods***
*… consumer goods***
*Import prices food, beverages and tobacco products***
Oil price (Brent, EUR/barrel)
*Non-oil commodities (EUR)***
*… metals***
*… food***
*… agricultural raw materials***



Note: The monthly figures are expressed as six-month moving averages, while the quarterly figures are two-quarter moving averages. The figures represent year-on-year growth rates, with the exception of capacity utilisation and the unemployment rate, which are expressed in percentages. The data has been standardised. The colour scale denotes the direction and size of the deviation in an individual time series from its long-term average (measured in standard deviations), where red signifies a positive deviation and green a negative, while the size is signified by the shade (a darker shade means a larger deviation). The colour scale is reversed for the unemployment rate.
*The figure for the first quarter of 2021 encompasses the latest data (*January; **February).*
Source: Bloomberg, ECB, Eurostat, SORS, Employment Office, Banka Slovenije calculations.

Figure 6.8: Oil and fuel price developments

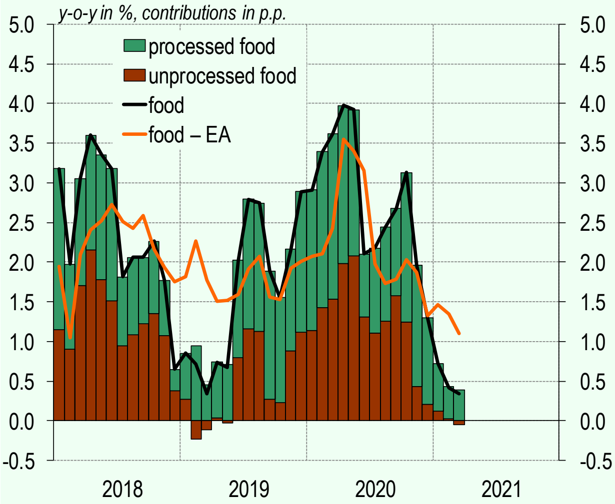


Source: SORS, Eurostat, Banka Slovenije calculations.

um products, the rise has mainly been driven by rising oil prices in global markets (see Figure 6.8).[4] Energy prices in the euro area overall were up 4.3% in year-on-year terms, although the monthly rate of growth was slower than in Slovenia. The gap in energy price inflation between Slovenia and the euro area overall thus narrowed, primarily as a result of the stronger base effect in Slovenia.

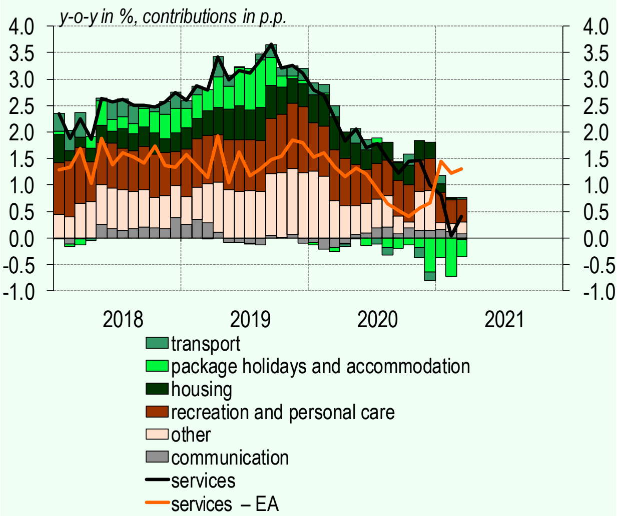
Year-on-year food price inflation continued to moderate in March due to the negative base effect, which is expected to have an impact until May. Food price inflation has been weakening since November as a result of a negative base effect,[5] and reached a two-year low in March at just 0.3% (see Figure 6.9). The slowdown was largely driven by unprocessed food, prices of which were down in year-on-year terms in March, primarily as a result of a year-on-year fall in meat prices. Conversely, production costs are already rising, owing to higher transport costs and rises in packaging prices. Prices of plastic are heavily dependent on developments in oil prices on global markets, while packaging prices are also being driven upwards by the rise in online shopping. In addition to more expensive raw materials, upward pressure on year-on-year growth in food prices is also likely to come from rising labour costs and increased export demand.

Figure 6.9: Contributions to growth in food prices



Source: Eurostat, SORS, Banka Slovenije calculations.

Figure 6.10: Contributions to growth in prices of services



Source: Eurostat, SORS, Banka Slovenije calculations.

Similarly to Slovenia, year-on-year food price inflation in the euro area overall weakened slightly, standing at 1.1% in March.

Service price inflation remains weak while the containment measures remain in place. Service price inflation remained low at 0.4% in March, as the continuation of restrictive measures curtailed private consumption (see Figure 6.10). Compared to February the year-on-year growth in prices of services was slightly up, primarily as a result of a smaller year-on-year fall in prices of package

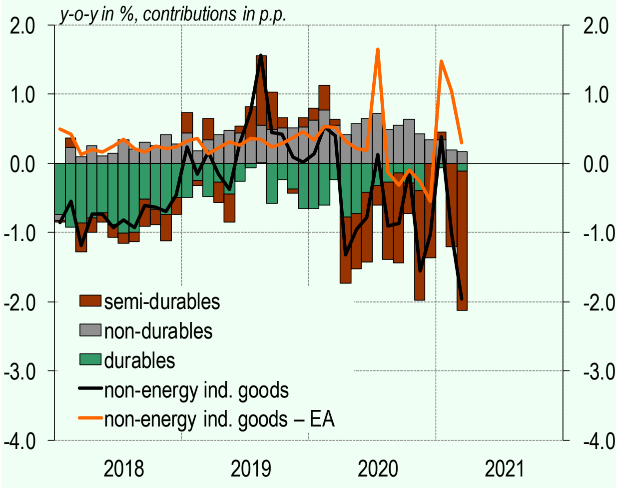
[4] Year-on-year growth in euro oil prices stood at 83% in March. A barrel of crude oil cost EUR 55, compared with just over EUR 34 (more than EUR 20 less) in October when the government liberalised prices of refined petroleum products.

[5] The base effect is primarily connected to pork prices, which rose from November 2019 amid the reduction in global supply caused by African swine fever. Year-on-year growth in pork prices had reached almost 30% in March last year.

holidays and accommodation. As in aggregate energy price inflation, the change in weighting also had a stronger impact on service price inflation (see selected theme on page 80). There is a high level of uncertainty surrounding the recovery in service price inflation, at least in the short term, associated with the further development of the epidemic, as the risk of closures in certain sectors remains. Euro area service price inflation was up compared to February, and stood at 1.3% in March.

The year-on-year fall in prices of non-energy industrial goods deepened sharply in March, most likely driven by the sell-off of inventories. Despite rising import prices and commodity prices on global markets, the fall in prices of non-energy industrial goods strengthened by 1 percentage point to 2% in March, mainly due to the year-on-year fall in prices of semi-durables (see Figure 6.11). Prices of clothing and footwear were down 9.5% in year-on-year terms, most likely as a result of retailers' surplus inventories. Year-on-year inflation in prices of non-energy industrial goods stood at 0.3% in the euro area overall, having slowed slightly, albeit less markedly than in Slovenia.

Figure 6.11: Contributions to growth in prices of non-energy industrial goods



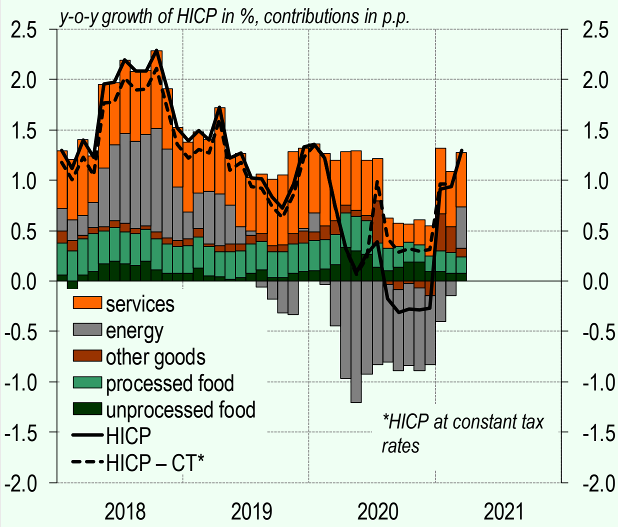
Source: Eurostat, SORS, Banka Slovenije calculations.

Box 6.1: Price developments in euro area countries

Euro area inflation strengthened in March as global oil prices rose, but price developments remain largely dependent on the ongoing evolution of the epidemic. Year-on-year inflation as measured by the HICP stood at 1.3% in March, up 1 percentage point on last year's average rate. Energy prices contributed the most to its increase relative to February (see Figure 1). They were up in year-on-year terms in March, for the first time since the outbreak of the epidemic, primarily due to the base effect, which will have a significant impact on price developments until the end of the year. A slowdown in year-on-year growth in prices of non-energy industrial goods prevented inflation from being even higher, while service price inflation remained slow amid the containment measures. The rise in inflation in the first quarter of this year does not yet necessarily entail a sustained rise in prices, but is instead partly attributable to one-off factors (including tax changes) and statistical effects resulting from this year's pronounced changes in weights (see the selected theme on page 80). Amid the weaker demand caused by the restrictive measures, and at least short-term uncertainty surrounding the improvement in the epidemiological picture, the inflation gap thus remains, and there is a significant likelihood of not meeting the inflation target, despite increased expectations about future inflation in the financial markets. The ECB is therefore continuing to pursue a stimulating monetary policy, with the aim of maintaining favourable financing conditions to support the recovery and to converge on the inflation target.

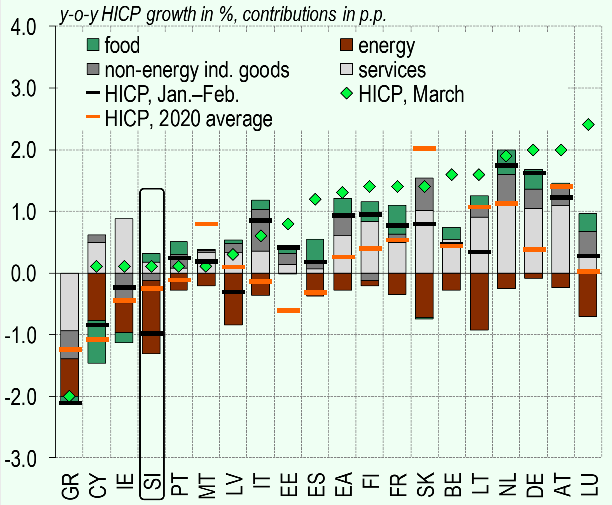
Differences in price developments between euro area countries are widening, and their comparability is hampered by the changes in weighting in the HICP. Year-on-year inflation in March was higher than last year's average in most countries, other than Slovakia, Malta and Greece (see Figure 2). Inflation in Germany, which as the largest economy in Europe has a significant impact on price developments in the euro area, reached its highest level of the last year, at 2%. According to initial estimates, inflation was highest in Luxembourg (at 2.4%), while in addition to Germany, Austria recorded an inflation rate of 2%. By contrast, only Greece continued to record deflation (at -2.0%), while Slovenia is also among the countries with the lowest rates of year-on-year price growth. Future price developments will largely depend on the successful vaccination and the lifting of containment measures, which is an uncertainty that is common to all euro area countries.

Figure 1: Contributions to headline HICP inflation in euro area



Source: Eurostat, SORS, Banka Slovenije calculations.

Figure 2: Average inflation over the first two months of 2021



Source: ECB, Eurostat, Banka Slovenije calculations.

7 Public Finances

After two years of budget surpluses, the government recorded a deficit in the amount of 8.4% of GDP last year as the economy contracted in the epidemic and measures were taken to alleviate its impact. The year-on-year deterioration was large again in the final quarter of last year, although the economic decline was smaller than in the second quarter. General government revenues were down 4.6% last year, driven primarily by falls in direct and indirect taxes. The position was made even worse by the huge increase of 14.8% in expenditure, largely in connection with measures to alleviate the impact of the epidemic. Cash outflows for this purpose had amounted to EUR 2.5 billion by February of this year. Many of the measures have been extended or left in place in recent months. Their ongoing impact on the fiscal position will depend on the success in controlling the epidemic and the pace of the reboot, particularly in the worst-hit sectors.

The general government debt had reached 80.8% of GDP by the end of last year, up approximately 15 percentage points on a year earlier. The increase in the debt was driven by the large deficit, the major decline in economic activity, and prefinancing. Borrowing remained heavy in the first quarter of this year. Borrowing terms remain favourable: borrowing at maturities of up to ten years can be done at zero interest rates, while treasury bills are generally carrying negative interest rates.

Similarly to last year, fiscal policy this year will help to alleviate the epidemic's impact on businesses and households. The general government deficit will remain large, and debt will remain above 80% of GDP. The escape clause allowing deviations from the fiscal rules remains activated, both domestically and at the European level. Irrespective of the crisis, the key is for governments to avoid any structural deterioration in the fiscal position, and to make the best possible use of the available funding from the EU's recovery and resilience facility, and any other EU funding available.

General government balance

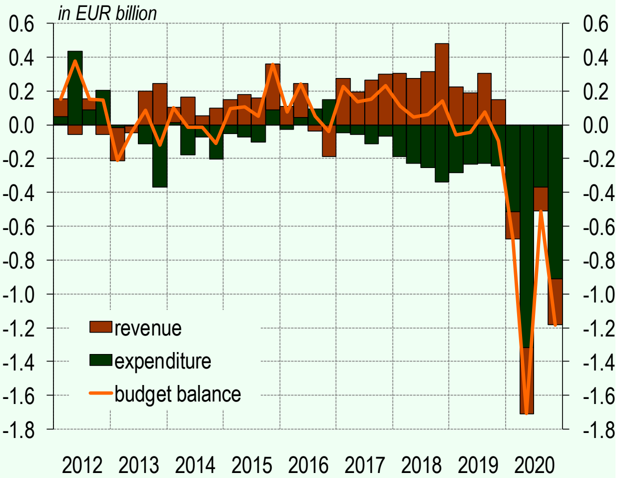
The general government deficit amounted to 8.4% of GDP in 2020, 0.2 percentage points less than forecast in October's Draft budgetary plan. The deficit amounted to EUR 3,868 million, a deterioration in the position of EUR 4,075 million relative to 2019, when Slovenia recorded its second consecutive small budget surplus. Similarly to other euro area countries, the deficit of this magnitude was driven by a cyclical decline in revenues, and a rise in expenditure on account of measures to alleviate the impact of the epidemic. According to available figures, the majority of last year's deterioration in the position, roughly 60%, was driven by the measures to alleviate the impact of the epidemic.[1] These were a significant factor in the increase in expenditure, which accounted for

[1] See also Box 7.1: according to the state budget figures, expenditures in connection with Covid-19 between the outbreak of the epidemic in March of last year and February of this year amounted to EUR 2.5 billion (revenue and expenditure account).

more than three-quarters of last year's deterioration in the position (see Figure 7.1). According to the ECB's March projections, the euro area recorded an overall general government deficit in the amount of 7.2% of GDP.

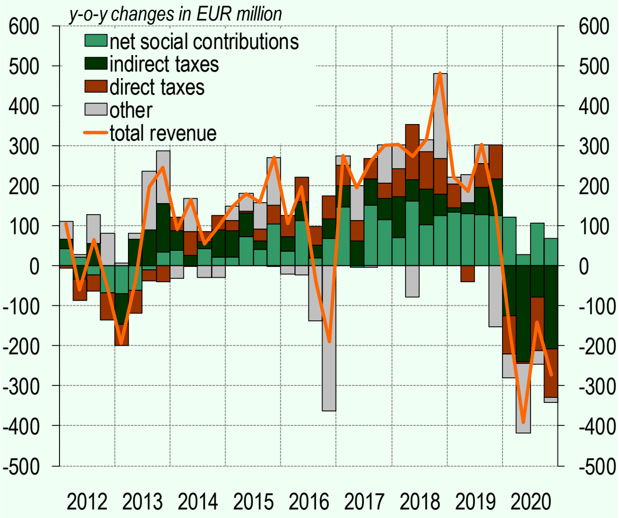
General government revenues declined primarily as a result of a decline in tax revenues, but they remained broadly unchanged as a ratio to GDP. General government revenues were down EUR 966 million or 4.6% last year, a fraction more than the nominal decline in GDP. This was also the decline in revenues in the final quarter of last year, which in line with macroeconomic developments was considerably less pronounced than in the second quarter, despite the resurgence of the epidemic and the reimposition of containment measures. Similarly to the second quarter, and in line with the developments in private consumption, the decline in revenues was driven above all by a decline in indirect taxes, including VAT and excise duties. Indirect tax revenues were down by a tenth over the year as a whole, while corporate income tax revenues were down more than a third last year, according to SORS estimates. Personal income tax revenues were down 1% over the whole year and in the final quarter, partly in reflection of tax cuts on employment income from the beginning of last year (changes in tax bands, a rise in the general allowance). Despite the significant decline in economic activity, last year net social security contributions were up 4.2% in year-on-year terms, as the government measures to alleviate the impact of the epidemic helped to preserve activity and jobs, while the higher average wage growth was

Figure 7.1: Contribution of government revenue and expenditure to y-o-y changes in general government budget balance



Note: Budget balance and expenditure do not include bank recapitalisations.
Source: SORS, Banka Slovenije calculations.

Figure 7.2: General government revenue



Source: SORS, Banka Slovenije calculations.

Table 7.1: General government deficit and debt in Slovenia, 2014–2022

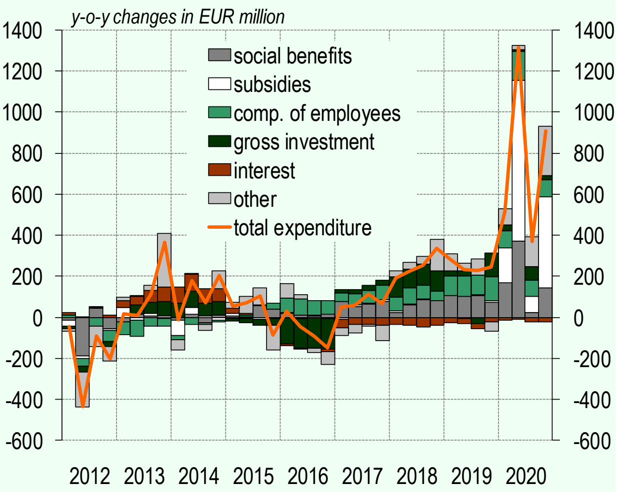
	SORS							Draft Budgetary Plan		European Commission		
% GDP	2014	2015	2016	2017	2018	2019	2020	2020	2021	2020	2021	2022
Revenue	45.3	45.9	44.2	44.0	44.3	43.7	43.6	45.2	44.4	45.1	44.3	43.7
Expenditure	50.8	48.7	46.2	44.1	43.5	43.3	52.0	53.9	51.0	53.8	50.7	48.8
of which: interest	3.2	3.2	3.0	2.5	2.0	1.7	1.6	1.7	1.6	1.7	1.6	1.5
Net lending (+) / borrowing (-)	-5.5	-2.8	-1.9	-0.1	0.7	0.4	-8.4	-8.6	-6.6	-8.7	-6.4	-5.1
Primary balance	-2.3	0.4	1.1	2.4	2.7	2.1	-6.7	-6.9	-5.0	-7.0	-4.8	-3.6
Structural balance	…	…	…	…	…	…	…	-5.9	-5.2	-6.9	-6.2	-5.6
Debt *	80.3	82.6	78.5	74.1	70.3	65.6	80.8	82.4	80.9	82.2	80.2	79.8
Real GDP (growth, %)	2.8	2.2	3.2	4.8	4.4	3.2	-5.5	-6.7	5.1	-7.1	5.1	3.8

Source: SORS (realisation), Draft Budgetary Plan (Ministry of Finance, October 2020), European Commission (November 2020).

the result of a rise in the minimum wage, agreed wage rises and bonus payments in the public sector, and other factors. Non-tax revenues were down significantly in year-on-year terms last year. For example, property income, which includes dividends and interest, was down more than a quarter, while there was also a decline in capital transfers.

General government expenditure increased last year, primarily on account of the measures to alleviate the epidemic. It was up EUR 3,110 million or 14.8% on the previous year. This was also the increase in the final quarter of last year, when year-on-year growth increased again in response to the renewed deterioration in the epidemiological situation, but the figure was significantly less than in the second quarter. The measures to alleviate the impact of the epidemic mainly drove an increase in government subsidies (see Figure 7.3), which were up almost EUR 1.5 billion in year-on-year terms.[2]

Figure 7.3: General government expenditure excluding support to financial institutions



Source: SORS, Banka Slovenije calculations.

Employee compensation increased by 7.0%, driven by demand in the health sector in particular, and the related bonus payments. Employment increased by 1.4%, and the increase was again most pronounced in human health and social work activities. The procurement of protective medical equipment was a factor in the increase of 3.6% in intermediate consumption. Social security benefits were up 8.4%, partly as a result of one-off transfers to vulnerable population groups, and partly driven by factors unrelated to Covid-19. There was also an increase of 6.2% in pensions (in cashflow terms), driven by scheduled and unscheduled pension increases and a rise in the number of pensioners, which remained moderate. Government investment increased by 5.0%. The trend of declining interest payments continued: last year they amounted to 1.6% of GDP, while general government expenditure exceeded 50% of GDP again after a five-year period.

General government debt and government guarantees

The general government debt increased sharply last year, driven by spending to alleviate the impact of the epidemic, and continued to rise in the first quarter of this year amid favourable borrowing terms. The general government debt increased by EUR 5.7 billion last year to stand at EUR 37.4 billion or 80.8% of GDP at the end of the year. The main factor in the increase was the large primary deficit, but the increase was also driven by a snowball effect (most notably the decline in GDP), and by the prefinancing of future liabilities that are included

Table 7.2: Contributions of components to change in general government debt

% GDP	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
debt	82.6	78.5	74.1	70.3	65.6	80.8
debt change	**2.3**	**-4.1**	**-4.4**	**-3.9**	**-4.7**	**15.2**
of which: primary balance	-0.4	-1.1	-2.4	-2.7	-2.1	6.7
interest rate-growth differential ("snowball effect")	0.7	-0.2	-2.2	-2.6	-2.0	4.6
deficit-debt adjustment	2.0	-2.7	0.2	1.5	-0.6	3.9

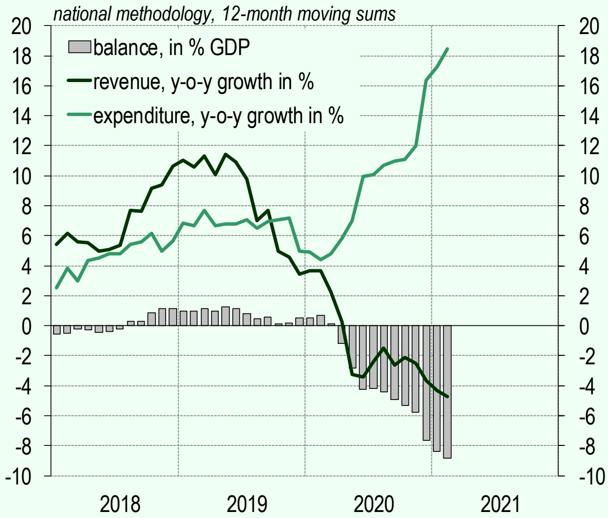
Source: SORS, Banka Slovenije calculations.

[2] The majority of subsidies are labour market measures. These include the coverage of social security contributions for those working during the first wave of the epidemic, the furlough scheme, the short-time work scheme and the monthly basic income.

Box 7.1: Public finance developments according to the cashflow methodology

The consolidated general government position over the first two months of this year was a deficit of EUR 633 million, EUR 574 million larger in year-on-year terms, entirely as a result of a rise in expenditure. Expenditure related to the epidemic was responsible for 90% of the rise. This was mostly earmarked for support measures in the form of refunds for uncovered fixed costs, bonus payments for work in high-risk conditions during the epidemic, emergency support in the form of monthly basic income, and refunds of wage compensation under the furlough scheme. The state budget disclosed approximately EUR 2 billion of expenditure on anti-coronavirus measures in 2020, and just over EUR 0.5 billion over the first two months of this year. The daily state budget figures reveal a deficit of EUR 630 million to have been recorded in March, a significant year-on-year increase versus the same month last year (when the deficit amounted to EUR 286 million), again driven by higher expenditure. In contrast to the state budget, the Health Insurance Institute's position over the first two months of this year improved by EUR 46 million (in January of last year the Health Insurance Institute settled some payments from the previous year), while the local government subsector saw an improvement of EUR 18 million, mainly as a result of a decline in transfers to individuals and households, and reduced investment.

Figure 1: Public finance developments



Source: SORS, Ministry of Finance, Banka Slovenije calculations.

Table 1: Consolidated balance sheet* of public finance

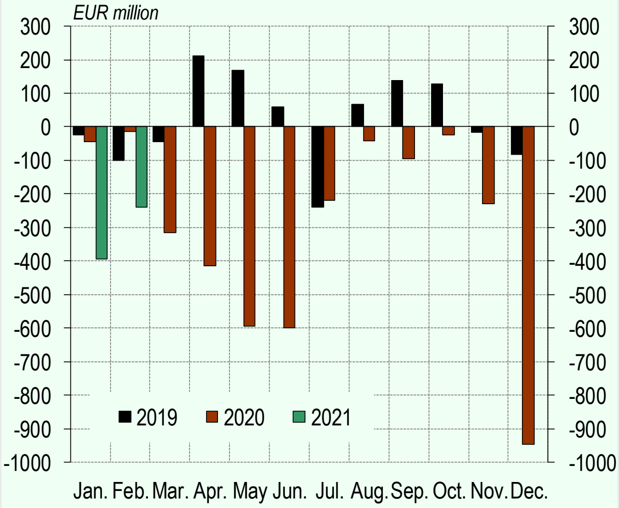
	2020	last 12 months to Feb. 21			2020 Jan.–Feb.	2021 Jan.–Feb.	Jan.–Feb. 21
	EUR million		% GDP	y-o-y, %	EUR million		y-o-y, %
Revenue	**18,531**	**18,527**	**39.8**	**-4.7**	**3,162**	**3,159**	**-0.1**
Tax revenue	16,460	16,338	35.1	-5.7	2,940	2,818	-4.2
- goods and services	5,493	5,270	11.3	-14.6	1,078	855	-20.7
- social security contributions	7,290	7,347	15.8	3.5	1,214	1,271	4.7
- personal income	2,487	2,534	5.4	-2.8	449	496	10.3
- corporate income	773	760	1.6	-24.5	140	126	-9.4
From EU budget	730	771	1.7	1.2	56	97	73.7
Other	1,341	1,419	3.0	4.9	166	244	47.0
Expenditure	**22,073**	**22,643**	**48.6**	**18.5**	**3,221**	**3,792**	**17.7**
Current expenditure	9,129	9,212	19.8	10.8	1,425	1,508	5.8
- wages and other personnel expenditure (incl. contributions)	4,966	5,110	11.0	12.1	789	933	18.3
- purchases of goods, services	3,021	3,013	6.5	8.1	440	432	-1.9
- interest	778	711	1.5	-2.5	175	107	-38.5
Current transfers	10,864	11,319	24.3	28.8	1,541	1,996	29.5
- transfers to individuals and households	8,251	8,631	18.5	16.5	1,267	1,647	30.0
Capital expenditure, transfers	1,554	1,551	3.3	0.6	129	126	-2.5
To EU budget	526	562	1.2	19.0	126	162	28.7
Surplus (+) / Deficit (-)	**-3,542**	**-4,116**	**-8.8**		**-59**	**-633**	

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

Consolidated general government revenues over the first two months of the year remained almost unchanged in year-on-year terms, as an increase in non-tax revenues compensated for a decline in tax revenues. Revenues from taxes on goods and services, most notably VAT and excise duties, were down just over a fifth during this period. This was driven in part by the constraints on consumption imposed by the shutdown of certain sectors, and deferrals and instalment payments of taxes. Revenues from corporate income tax were also down, by almost a tenth. By contrast, growth in social security contributions remained relatively high at 4.7%, and personal income tax revenues increased by double this amount, as the emergency measures successfully mitigated the impact of the crisis on the labour market. The decline in tax revenues was mainly covered by increases in extraordinary non-tax revenues. Funds received from the EU budget also increased (by around EUR 40 million), while contributions to the EU budget rose by slightly less, as a result of which the position versus the EU budget was similar to the first two months of last year (a deficit of EUR 65 million).

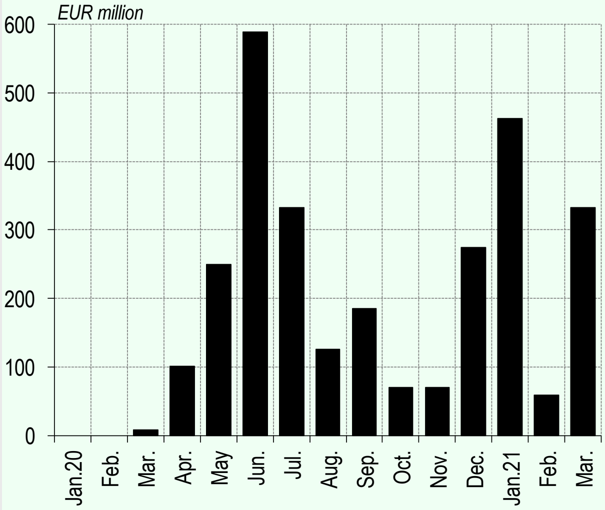
Consolidated general government expenditure over the first two months of the year was up 17.7% in year-on-year terms, primarily on account of measures related to the epidemic, thereby continuing the high growth from last year. Expenditure was up EUR 571 million. The largest increase was in transfers to individuals and households, which accounted for approximately two-thirds of the rise in expenditure. They were driven up by measures related to Covid-19 (most notably the refund of uncovered fixed costs and the monthly basic income), and also by a 4.8% increase in pension expenditure, which was a reflection of December's unscheduled and January's scheduled pension increases, the number of pensioners actually having fallen slightly in year-on-year terms. Growth in sick pay remained high. There was also a significant increase in expenditure on wages and social security contributions for employees, and on subsidies, largely in connection with the support measures. The rise in expenditure on wages and social security contributions for employees largely reflects bonus payments in the second wave of the epidemic (for heavy workload or for work with Covid-19 patients). Investment expenditures and transfers, which are usually low in the early part of the year, and interest payments all declined.

Figure 2: Budget balance of consolidated public finance budgetary accounts



Source: Ministry of Finance.

Figure 3: State budget expenditure for mitigating the consequences of Covid-19 epidemic



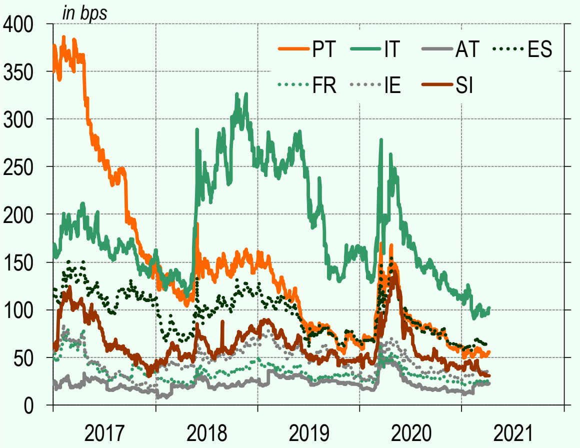
Source: Ministry of Finance, March 21: Fiscal Council.

under deficit-debt adjustments. The ratio of debt to GDP was close to its peak from the last economic and financial crisis, but was still significantly less than in the euro area overall, where general government debt amounted to 96.9% of GDP at the end of the year according to the ECB's March projections. The government took advantage of the extremely favourable borrowing terms prevailing at the beginning of this year to borrow EUR 4.5 billion by the end of March. The borrowing was mainly undertaken via bond issuance (EUR 2.9 billion), and partly via issuance of treasury bills and loans from the EU's SURE mechanism, where the remainder of Slovenia's available quota was drawn down in February (approximately EUR 900 million of the total allocated loans of EUR 1.1 billion). Slovenia also repaid EUR 1.7 billion of maturing debt in the first quarter, and will make further major repayments in April and October of this year. The borrowing terms were extremely favourable in the first quarter: the weighted average coupon rate was just 0.1%.

The stock of government guarantees declined last year, despite the new guarantee schemes aimed at alleviating the impact of the epidemic, as take-up was low. Guarantees amounted to approximately EUR 5.1 billion or 11% of GDP at the end of last year. They were down EUR 291 million on a year earlier, primarily as a result of a decline in the debt held by DARS and the BAMC, despite the creation of new guarantee schemes in connection with the new crisis. The stock of guarantees related to alleviating the impact of the epidemic amounted to EUR 184 million at the end of the year, meaning that the take-up of the available guarantee schemes was extremely low.[3] Given the deterioration in the epidemiological situation, the take-up of guarantees under the aid schemes might still increase, as guarantees under the second anti-coronavirus aid package remain available until the middle of the year.

The required yield on 10-year Slovenian government bonds ticked up towards the end of February, but the government had already borrowed relatively substantially before that. Slovenia had undertaken noticeable borrowing via the issuance of bonds of longer maturities in January and early February. The yield to maturity on the 10-year bonds was even negative at issue. The rise in the required yields of government bonds of longer maturities in late February was related to developments on international financial markets, most notably the rise in bond yields in the US and, to a slightly lesser extent, bond yields in the euro area. The rises were driven by the improved outlook for economic growth, the possibility of rising inflation and the additional fiscal stimulus package in the US. Expectations of more restrictive monetary policy also arose. The rise in yields was more moderate in the euro area in part because of an increase in the ECB's monetary policy stimulus.

Figure 7.4: 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 a country's credit risk.
Source: Bloomberg, Banka Slovenije calculations.

Planned developments in general government balance and debt

There will be a large general government deficit again this year. Following a deficit in the amount of 8.4% of GDP last year, this year too will see a large deficit. It was forecast at 6.6% of GDP in the Draft budgetary plan from last autumn. Last year's outcome was slightly better than had been forecast (by 0.2 GDP percentage points), but three more anti-coronavirus laws were passed after the Draft budgetary plan was approved, and a number of measures have since been extended again. This suggests that the size of the epidemic-related measures that have an impact on the general government position will this year exceed the 1.0% of GDP forecast in the Draft budgetary plan.[4] Economic activity is forecast to grow this year, thus strengthening general government revenues.

[3] The quota of loans available to firms to address liquidity difficulties during the new crisis in the second package of anti-coronavirus legislation (the ZDLGPE) amounted to EUR 2 billion, but less than 4% of the quota had been taken up by the end of March. Guarantees in the amount of EUR 200 million were also offered to firms under the first package of anti-coronavirus legislation; the Act Determining Emergency Measures to Contain the COVID-19 Epidemic and Mitigate its Consequences for Citizens and the Economy (the ZIUZEOP) and in subsequent laws. In the latter case, EUR 58.2 million or 29% of the quota had been taken up by the end of February.

[4] Measures related to the epidemic were estimated at 1.0% of GDP in the Draft budgetary plan, and at 1.2% of GDP in Banka Slovenije's projections. Additional measures have been put in place in recent months, which means that the total size of the measures is larger than previously estimated, but remains smaller than in 2020. In its recently released spring forecasts, the IMAD estimated this year's epidemic-related expenditure at 1.8% of GDP.

Conversely this year is expected to see an increase in government investment activity, and certain changes worsening the structural position of public finances have already been introduced (e.g. a cut in tax on motor vehicles, changes to pensions, reductions in excise duties on energy products), while further changes in the direction of reducing the tax burden and/or increasing expenditure are still possible. As the measures related to the epidemic are lifted and economic activity strengthens, the position is forecast to improve over the coming years. The duration of the fiscal policy support will depend on the state of the economy, and on the epidemiological situation and the progress on vaccine rollout, which are associated with great uncertainty.

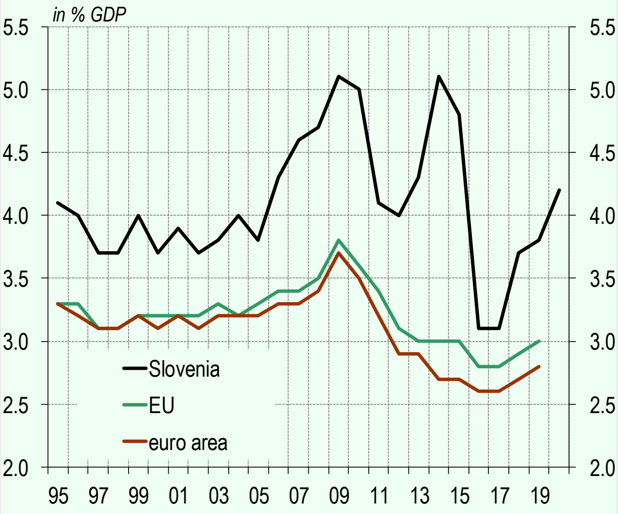
Given the difficulties still facing the economy, the ratio of debt to GDP can only be expected to decline slowly over the short term, while its reduction over the long term will require structural reforms to encourage economic growth and to increase the sustainability of the public finances. The improvement in economic growth and the continuation of monetary policy stimulus with low interest rates for government borrowing will have a beneficial impact on its reduction. The main uncertainty with regard to developments in debt remains the success in containing the epidemic this year, given the increased need for financing imposed by the anti-coronavirus measures. Other countries will face similar challenges over the short term. In the long term reducing debt will require structural reforms to be undertaken. The government intends to speed up the implementation of reforms amid the current opportunities for taking advantage of increased EU financial incentives, for which a special plan for utilising funding is being drawn up (see Box 7.2 on page 77).

Greater flexibility is being maintained in fiscal rules this year, both domestic and European. Given the far-reaching economic impact of the epidemic, the European and domestic fiscal rules were relaxed for 2020 and 2021. According to the European Commission's communication of 3 March 2021, fiscal policy needs to remain flexible, and tailored to the changing situation, while the unwinding of the support measures should not be too quick. Unwinding the support measures too quickly could impede the recovery of economies hit hard by the epidemic. The assessment of Slovenia's Fiscal Council is that in light of the information currently known and the available forecasts, next year at least one of the two conditions allowing exceptional circumstances to be invoked will be met, and with it the possibility of a deviation from the current rules of the magnitude of the measures to alleviate the impact of the unusual event, provided that this does not endanger the medium-term sustainability of the public finances.

Box 7.2: Government investment in Slovenia and in the euro area, and the importance of additional EU funding

Government investment[1] in Slovenia is currently exceeding the average level in the euro area, but aggregate investment has been below the euro area average for approximately a decade now. Total investment amounted to approximately a fifth of GDP in Slovenia last year, 1.6 GDP percentage points less than in the euro area overall.[2] By contrast, government investment has exceeded the euro area average since 1995, by an average of approximately 1 GDP percentage point, although there are major differences between individual euro area countries (see Figures 1 and 2). Government investment in the euro area over the observation period peaked in 2009. It declined in relative terms in the fiscal consolidation process after the economic and financial crisis, and has only strengthened slightly in recent years. Apart from 2009, the highest ratio of investment to GDP in Slovenia (of 5.1%) was recorded also in 2014, in connection with the end of the EU financial framework. Relative government investment in 2019 in the majority of countries and in the euro area overall did not deviate greatly from the average over the last decade, although there was a notable decline in the countries hit hardest by the economic and financial crisis (by 0.5 GDP percentage points or more, with the largest difference being recorded in Greece, followed by Cyprus, Portugal and Spain). Alongside Ireland and Italy, they earmarked the lowest amounts for government investment in 2019 among euro area countries (from just under 2% to 2.5% of GDP). Similarly to the euro area overall, Slovenia earmarks the largest share of government investment for economic affairs, including transport and communications, and also recorded its largest gap over the euro area average over the last decade in investment for this function (see Figure 3).

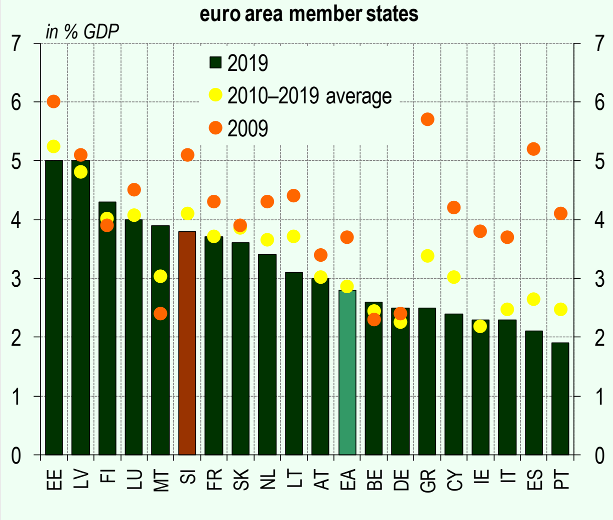
Figure 1: General government investment



Source: Eurostat, SORS.

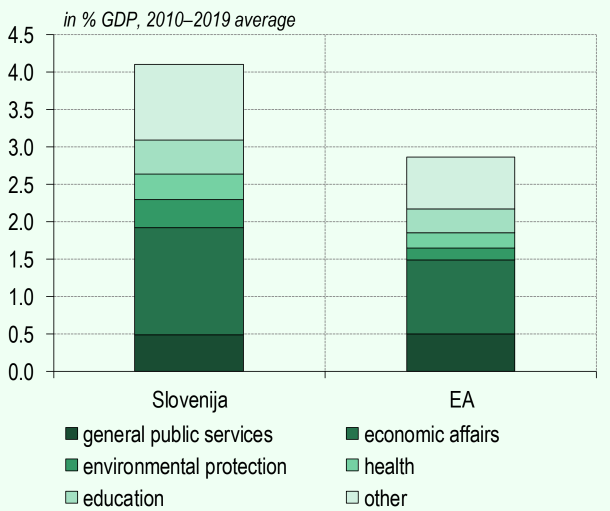
Government investment is a highly volatile component of general government expenditure, and can have a significant impact on economic growth in a particular year, for which reason proper planning is important. Government investment is the one of the most flexible components of government spending, as it is not tied to statutory obligations or other government liabilities such as wages, interest and social transfers. Countries facing financial constraints therefore often reduce investment expenditure. In the current situation characterized by the pandemic and its consequences, investment primarily has a role in promoting economic growth and

Figure 2: General government investment of euro area member states



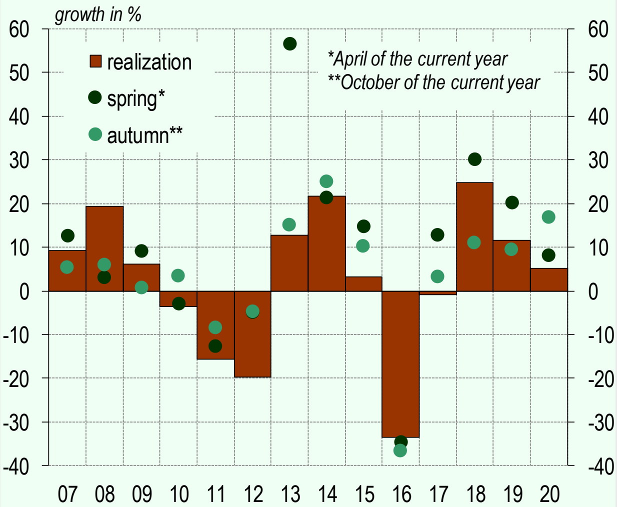
Source: Eurostat, Banka Slovenije calculations.

Figure 3: General government investment by function



Source: Eurostat.

Figure 4: Government investment: realization compared to plans



Source: Eurostat, archive of EDP notification tables, SORS.

thus employment. The volatility of government investment in Slovenia increased sharply after it joined the EU in 2004. This is related to cycles in the utilisation of EU cohesion and structural funds under EU financial frameworks, and is typical of other EU Member States that are entitled to more of this funding. Previous year-on-year nominal changes in government investment have on occasion been almost as large as a third (the decline was almost this size in 2016, while the largest increase of 28% came in 2018). Because investment is important to economic growth, proper planning is vital, but it can be difficult to predict changes precisely, in part because of the complexity of the preparation and execution process (prioritising investments, analysing costs and benefits, selecting contractors, obtaining various permits, etc.). The investment forecasts in domestic budget plans have often deviated from the final realisation, and significantly so in certain years (see Figure 4).[3]

To promote economic growth after the pandemic, extensive EU funding is available to Slovenia, which will encourage growth in investment. In total EUR 10.2 billion is available to Slovenia, and can be utilised between 2021 and 2029. The amount encompasses EUR 4.6 billion of funding from the EU's new financial framework for 2021 to 2027 with the possibility of disbursement until 2029, and EUR 5.7 billion of funding from the Next Generation EU, a temporary instrument. The centrepiece of this instrument is the Recovery and Resilience Facility, which aims to promote economic growth in the recovery from the pandemic, and to simultaneously restructure the economies of Member States; the funding is available from 2021, with the option of disbursement until 2026.[4] Some of the EU funding is in the form of grants (EUR 6.7 billion). The remainder of the funding is available in the form of loans, which in the event of disbursement increase government debt. Loan disbursement will depend on the situation on the financial markets, as there will be no sense in drawing down loans from the Recovery and Resilience Facility if more favourable borrowing terms for Slovenia are available on the market.

EU funding will be a significant factor in countries' recovery from the pandemic, and at the same time will facilitate restructuring in the direction of the green and digital economy. Under the agreement at least 37% of the funds in the national recovery and resilience plan must be earmarked for climate measures (e.g. investment in renewables, e-mobility and energy efficiency), and at least 20% for the digital transition. The majority of the disbursement is likely to be government investment (it is the government that usually undertakes more expensive investment, for example in infrastructure), while the rest will be mostly private-sector investment. Details of the projects will be known after the national recovery and resilience plan has been submitted to the European Commission by the end of April of this year. The rough timetable for disbursement will also be known at that time, although delays frequently occur in practice.

Given the large amount of funding available, good governance and efficient investment will be the key. Poor governance and inefficient investment would reduce the investment's potential impact on economic growth. By comparing inputs with outputs, the IMF finds that the average inefficiency of public investment is around 30%, and that reducing this inefficiency could reap substantial benefits (IMF, 2015). In addition to utilising all the available grants, Slovenia also needs to devote more attention to this issue, at a time when it has an above-average amount of EU funding available. The quality and capacity of public administration are likely to be decisive factors in the successful use of NGEU funds for Member States (ECB, 2021).

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[1] Gross fixed capital formation. For more on measuring the size of public investment and capital, see ECB (2016). Comparing the ratio of government investment to GDP between countries and over time is made harder by differences in the way that individual services are organised (e.g. hospitals are part of the government sector in some countries, and part of the private sector elsewhere). The need for government investment also varies from country to country, in part because of differences in the size and quality of existing infrastructure. Investment increases the capital in the economy, and thus its potential.

[2] Over the longer term the government sector and the household sector have each accounted for about a fifth of total investment in Slovenia, and the remainder has been business investment. In the euro area overall household investment accounts for a larger share (just over a quarter), and government investment for less (an average of 14% over the last decade), while the share accounted for by business investment is similar, at around 60%.

[3] Comparisons were made between the realisation of investment according to the SORS's first release for the year and the government investment forecasts in the April (spring) and October (autumn) Reporting of government deficits and debt levels for the current year (e.g. the first estimate of government investment for 2015 was published in March 2016, but was later revised).

[4] Last year the European Commission issued its first investment recommendations to Member States, which aim to provide a foundation for planning the allocation of funding from EU funds in the new European multiannual financial framework for 2021 to 2027. Slovenia should direct its investment into research and development, the low-carbon and energy transition, sustainable (particularly rail) transport, and environmental infrastructure.

8 Selected Theme

8.1 The impact of updated weights on consumer price inflation

The epidemic significantly altered consumption patterns last year as a result of the shutdown of numerous sectors of the economy, and preventive consumer behaviour. Compared with the previous year, a greater share of spending went on food consumption, and less on services, particularly those related to catering and tourism, and on consumption of motor fuels. The changes have been reflected in the weights for this year's computation of the HICP, in line with the methodology. The major change in weights had an impact on the measured year-on-year consumer price inflation already in the first months of the year, and made it difficult to analyse and interpret the data. The impact was largest in February, when deflation was 0.2 percentage points greater than it would have been had the weights been left unchanged. The comparison of price developments between countries was also made harder. Because the impact of the change in weights depends not only on the weights of individual products and services in the consumer basket, but also on growth in their prices, there can be major differences between countries despite a similar change in consumption patterns. For example, while the changes in weights reduced average inflation in Slovenia over the first two months of this year, they raised inflation in the euro area overall. The gap between inflation in Slovenia and inflation in the euro area thus widened, by 0.4 percentage points in February, as a result of the changes in weights. Based on the simulated developments in prices of products and services, our assessment is that the change in the structure of the consumer basket will continue to lower headline inflation in Slovenia over the remainder of the year, most notably in the summer months, when it might be just under 1 percentage point lower. The impact of the change in weights is likely to hinder the analysis of price developments next year at least, or until consumption patterns stabilise.

Introduction

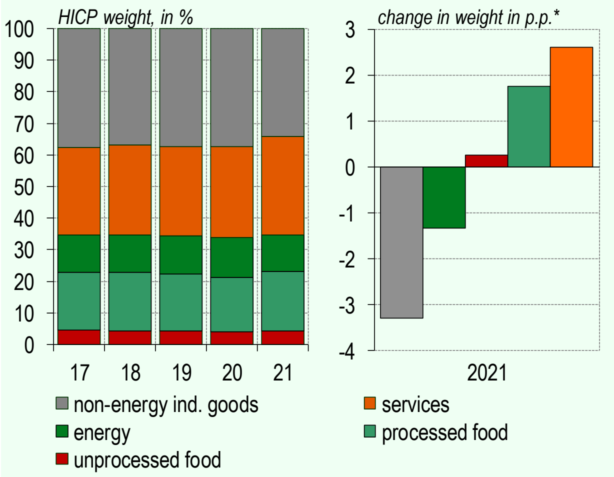
The outbreak of the epidemic and the containment measures had a major impact on consumer price statistics. Due to the shutdown of certain economic sectors the problems arose in the collection of price data for certain consumer essentials already during the first wave. The problem of missing prices of unavailable products and services was addressed by the SORS in line with the Eurostat recommendations, by price imputation, which meant that some of the data released was less reliable. In addition to the problems with data collection, the epidemic also raised the question of the representativeness of the consumer price index, which given the nature of its composition failed to reflect the changes in the structure of consumption.[1] This changed more markedly than usual last year on account of the disrupted consumption and the preventive behaviour by consumers, but in accordance with the methodology the changes in households' consumption patterns have only been reflected via the weights for computing the HICP index in this year's data. This analysis addresses the impact on price statistics from the changes in HICP weights. Our finding is that they will significantly impact the year-on-year price dynamics, and their impact is expected to hinder the analysis and forecasting of price developments for at least the next year.

Changes in weights for computing inflation in 2021

Inflation as measured by the HICP is computed as the aggregate of price changes of products and services in the consumer basket. Its computation therefore requires the use of weights, which describe the share of household expenditure earmarked on purchasing individual categories of consumer essentials as accurately as possible. The harmonised methodology sets out the annual determination of the weights, which should reflect household consumption patterns in the previous calendar year, as proceeds from national accounts data on household final consumption expenditure. Because the national accounts data for the previous year is not yet available in the beginning of the year, the consumption patterns from the previous year or the weights for inflation computation are in practice usually estimated on the basis of the data on the composition of expenditure for the penultimate year. The weights are then price-updated to December of the preceding year, which represents the price reference period.

Last year's significant change in consumption patterns associated with the outbreak of the epidemic and the containment measures, required an adjustment of the established approach to estimating the HICP weights. Under ordinary circumstances consumer habits evolve slowly, so data on household consumption for the penultimate year is usually a good approximation for consumption in the previous year. However, during extraordinary circumstances such as the Covid-19 epidemic, consumption patterns can change more radically. As a result of the containment measures and partly disabled consumption, last year saw pronounced changes in the structure of household expenditure, and the impact of the epidemic should be reflected in this year's HICP weights in line with the methodology. Similarly to other statistical issues, in light of the extraordinary circumstances the weighting for 2021 was addressed in Eurostat recommendations. According to the recommendations, the national accounts data for 2019 should continue to be the basis for the assessment of the new weights, but should be adjusted accordingly to capture last year's consumption patterns. The statistical office's estimation process should rely on quarterly national accounts data for the period between the first and the third quarter of last year, using a broad data set to re-estimate, at a minimum, the expenditure in the most heavily affected consumption segments such as expenditure on motor fuels, passenger transport, recreational and cultural services, holidays, restaurants and hotels.

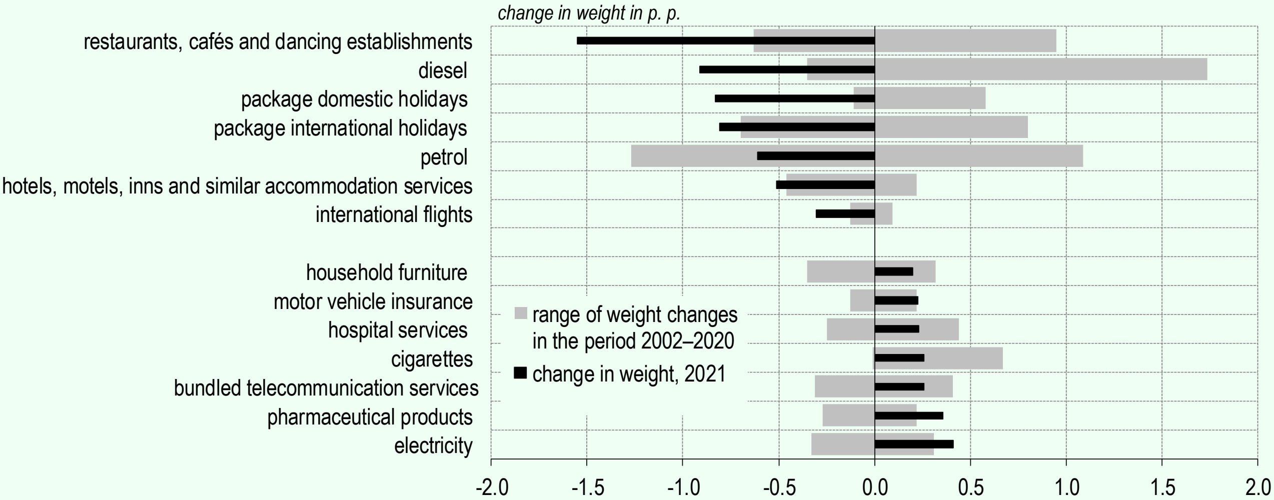
Figure 8.1.1: HICP weight by special aggregate



*Note: *The change is calculated as the difference between the 2021 weight and 2020 weight.*
Source: Eurostat, Banka Slovenije calculations.

[1] The representativeness of the official consumer price index was addressed in Box 6 of the December 2020 issue of Macroeconomic Projections for Slovenia. The assessment of an alternative price index revealed that last year's year-on-year fall in prices would have been smaller had changes in the structure of consumption and the related substitution effects been taken into account.

Figure 8.1.2: Largest weight changes by HICP by item at the ECOICOP-5 level of aggregation



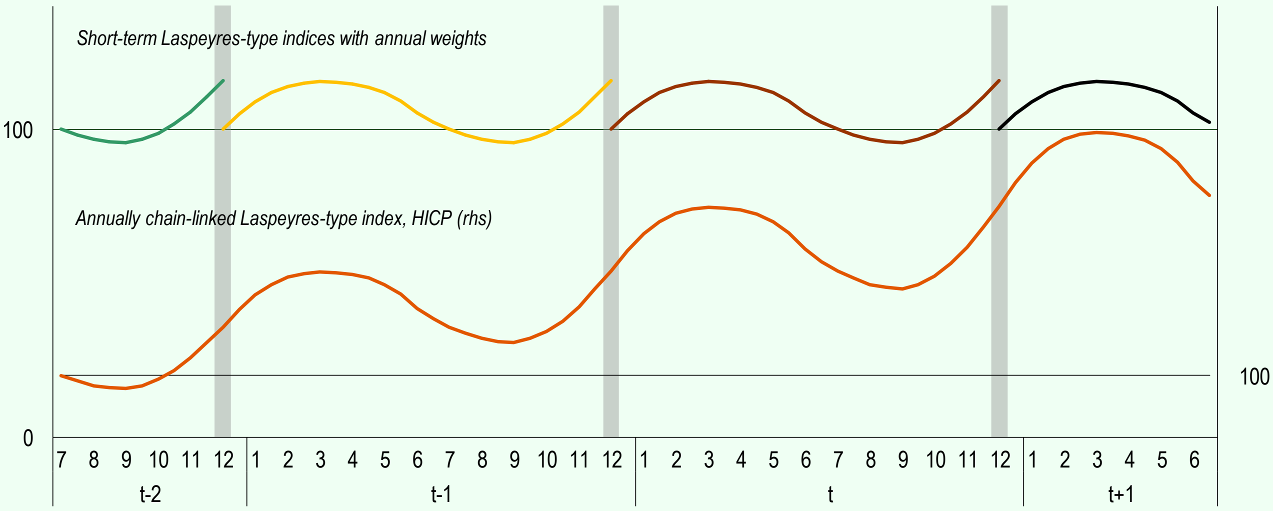
Source: Eurostat, Banka Slovenije calculations.

In line with the containment measures, last year mainly saw declines in consumption of tourism and catering services, and motor fuels. According to the weights used to compute this year's inflation, the share of expenditure earmarked for the consumption of services and energy declined last year (see Figures 8.1.1 and 8.1.2). The decline in the share of the former from 37.3% to 34.1% was driven primarily by a decline in consumption of services related to tourism and catering. The share of consumption earmarked for restaurants, cafés and dancing establishments declined by 1.5 percentage points, while the weight of package holidays and accommodation halved compared with its pre-epidemic level to 2.3%. The lower weight of energy products was primarily driven by a decline in the consumption of motor and liquid fuels, mainly due to mobility restrictions during the stringent containment measures. The weight of petrol and diesel declined by more than a fifth, while the weight of electricity increased slightly. In parallel with the decline in weights in these categories, the share of expenditure earmarked for the consumption of food and non-energy industrial goods increased. Although an increased share does not necessarily reflect higher expenditure, the increase in the food segment is most likely associated with higher expenditure, given the higher frequency of dining at home and higher food prices.

Impact of the change in weights on HICP inflation – methodological aspect

Although the HICP should only measure the pure price changes faced by households, it is also affected by weights due to the computation methodology. The HICP is designed as a Laspeyres index, i.e. a pure price index that measures the change in price of a fixed basket of goods and services between the base period and the current period, where the computation is based on the weights for the base period. Because the weights are updated annually for the purpose of computing the HICP index, each year this also entails a new base period for the weights, which is defined by the previous year in accordance with the HICP methodology. Each year a short-term Laspeyres index is thus computed for the current year to describe current developments in prices relative to December of the previous year, i.e. the price reference period. Each short-term Laspeyres index is then chain-linked into a longer index series, whereby the short-term index links are converted to the values of the existing series via December of the previous year. The process described, which is illustrated in Figure 8.1.3, leads to the computation of an annually chain-linked index. This means that the computation of year-on-year growth rates will always compare the values of the index computed using different weights, and year-on-year inflation will therefore reflect the change in weights in addition to price changes.

Figure 8.1.3: Annual chain-linking of HICPs



Source: Eurostat (Harmonised Index of Consumer Prices (HICP): Methodological manual).

The chain-linking process makes it more difficult to decompose year-on-year inflation into the contributions by individual components. As a result of the chain-linking, year-on-year inflation can be decomposed additively into growth in the previous year (last-year term or LYT) and growth in the current year (this-year term or TYT), and both terms can be decomposed into the sum of the contributions by individual HICP components (*i* = *1,... N*) as illustrated by the following equation:

$$\frac{HICP^{m,t}}{HICP^{m,t-1}} * 100 - 100 = TYT + LYT = \sum_{i=1}^{N} LYT_i + \sum_{i=1}^{N} TYT_i$$

$$LYT_i = \underbrace{\left(\frac{I_i^{m12,t-1}}{I_i^{m,t-1}} * 100 - 100\right)}_{\substack{Rate\ of\ price\ change\ of\ subcomponent\ i \\ between\ month\ m\ and \\ December\ of\ preceding\ year}} * \underbrace{\left(\frac{I_i^{m,t-1}}{I_i^{m12,t-2}} * \frac{HICP^{m12,t-2}}{HICP^{m,t-1}} * \frac{w_i^{t-1}}{w_{HICP}^{t-1}}\right)}_{Price-updated\ weight\ of\ preceding\ year}$$

$$TYT_i = \underbrace{\frac{HICP^{m12,t-1}}{HICP^{m,t-1}}}_{\substack{Difference\ in\ the \\ overall\ price\ level}} * \underbrace{\left(\frac{I_i^{m,t}}{I_i^{m12,t-1}} * 100 - 100\right)}_{\substack{Rate\ of\ price\ change\ of\ subcomponent\ i \\ between\ December\ of\ preceding\ year \\ and\ month\ m\ of\ current\ year}} * \underbrace{\left(\frac{w_i^t}{w_{HICP}^t}\right)}_{Current\ weight}$$

The contributions of individual components to headline year-on-year inflation can therefore not be expressed by a simple formula. Instead, given the chain-linked nature of the index, the contribution is expressed as the sum of the last-year term and the this-year term, where this-year term describes the weighted change in prices of the subcomponent between December of the previous year and the selected month of the current year, and the last-year term describes the weighted change between the same month of the previous year and the previous December.[2] Different weights are assigned to the growth rates in each term.

The impact of the change in weights will be most pronounced in the case of products and services with large price changes, while a large change in weights can also lead to counterintuitive contributions. Due to the chain-linking of price indices, the impact of a change in weights on year-on-year price growth will be largest in the case of products and services with large price changes, such as seasonal products and services. One such example are package holidays, which are usually much more expensive in the summer, but reach lower prices outside the high season. As a result of the reduction in the weight, package holidays account for a smaller share of the overall basket this year, so the seasonal effect on headline inflation will be lower. Thus in months when prices are lower than in December of the previous year (the price reference period), the reduction in the weight will make a positive contribution to headline inflation, while in months when prices are higher than in December, the impact of the weight will be negative. In the event of a major change in weight, chain-linking may also lead to counterintuitive contributions, when despite a year-on-year growth in prices of a component its contribution to

[2] The computation is described in detail in Eurostat's methodological manual (Harmonised Index of Consumer Prices (HICP): Methodological manual).

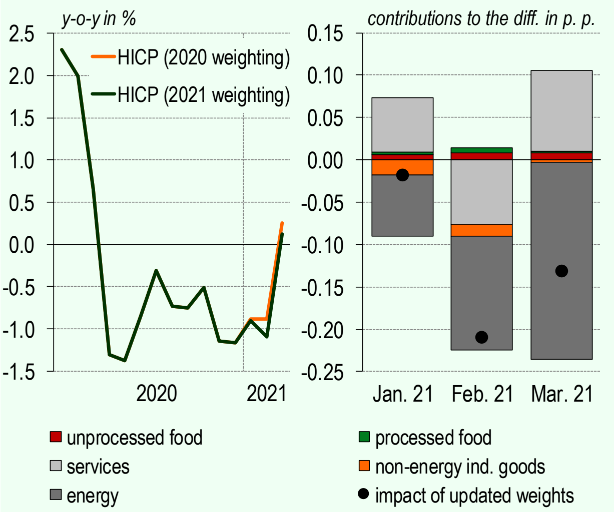
headline inflation will be negative, or despite a year-on-year fall in prices its contribution to headline inflation will be positive.[3]

Impact of updated weights in the first quarter of 2021

Last year's change in consumption patterns has already made analysing and interpreting data on price developments more difficult. The impact of updated weights on year-on-year growth in consumer prices is expressed as the difference between the official year-on-year growth in the HICP computed using 2021 weights and the hypothetical year-on-year growth in the HICP as proceeds from the computation of the index with no change in weights, i.e. the 2020 weights. The impact depends on the change in weights and on growth in prices of individual categories of products and services. Comparing the two inflation rates shows that the change in weights caused consumer prices in the first quarter of this year to fall by more than they would have otherwise (see Figure 8.1.4). The change in weights contributed most to year-on-year deflation in February, when the fall in prices was 0.2 percentage points larger; the main factors in the negative contribution from the change in weights were energy products and services.

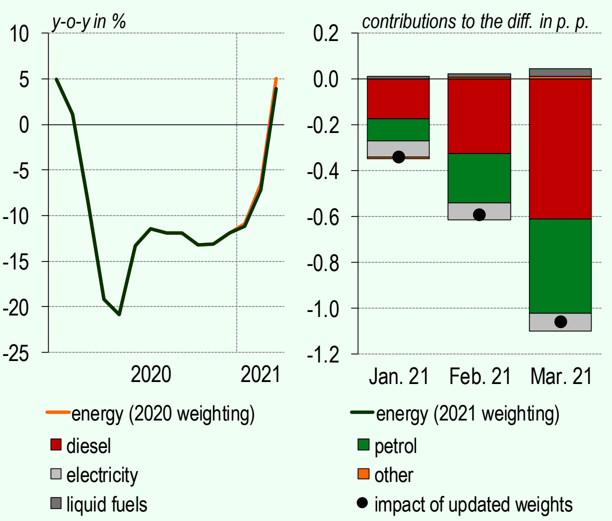
A review of the impact of updated weights across the main HICP aggregates shows that the changes were most pronounced in the categories of energy products and services. The fall in energy prices decreased at the beginning of the year, but by less than it would have if the weights had remained unchanged (see Figure 8.1.5). The impact of the change in weights on energy price inflation was negative in the amount of 1.1 percentage points in March, largely as a result of the reduction in the weight of motor fuels. Prices of motor fuels have been rising in monthly terms since December in parallel with the rise in oil prices, but this rise is contributing less to energy price inflation on account of their lower weights. The impact of the change in weights on service price inflation was positive in January and March (in the amount of 0.1 percentage points and 0.2 percentage points respectively), and negative in February (in the amount of

Figure 8.1.4: Impact of the updated weights on the inflation rate



Source: Eurostat, SORS, Banka Slovenije calculations.

Figure 8.1.5: Impact of the updated weights on the energy inflation rate



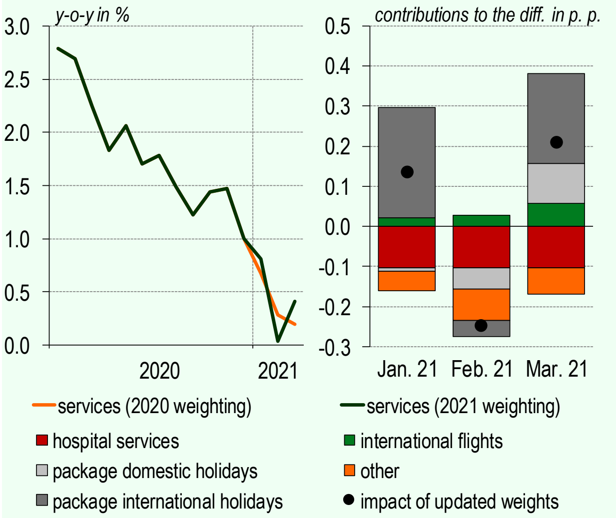
Source: Eurostat, SORS, Banka Slovenije calculations.

[3] Examples of counterintuitive contributions have already emerged this year, although they were not pronounced. Hospital services for example rose in price by 2.7% in year-on-year terms in January, while their contribution to service price inflation was negative in the amount of 0.02 percentage points. The negative contribution was the result of the year-on-year chain-linking of price indices, large price changes at the end of last year, and the increase in the weight of hospital services. These had accounted for 1.8% of services, and 0.7% of the total consumer basket in the previous year, but the weights rose to 2.7% and 0.9% respectively as a result of the epidemic. Consequently the rise in prices between January and December last year (of 16.8%) was attributed a lower weight than the fall between December of last year and January of this year (of 12.1%). Despite the year-on-year rise in prices, the contribution by this year's fall in prices therefore outweighed the contribution by last year's growth, and the overall contribution to service price inflation by year-on-year growth in prices of hospital services was negative.

0.2 percentage points). Had the weights remained unchanged, service price inflation in the first quarter would have gradually moderated, but in fact it was highly volatile (see Figure 8.1.6). In the case of service price inflation the impact was also driven by categories with large changes in weights, including package international holidays and hospital services.[4] The case of service price inflation points out that the interpretation of inflation is more challenging at this time, as a change in weights can lead to greater volatility. Meanwhile the impact of updated weights was positive in the non-energy industrial goods category (in the amount of 0.1 percentage points), and negligible in the categories of unprocessed and processed food, since the relative importance of individual products has not changed much and impacts from individual components have balanced each other out.

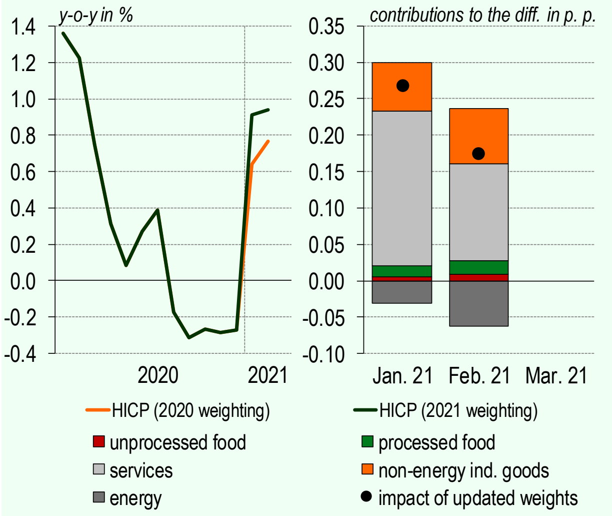
Despite similar changes in consumption patterns at the outbreak of the epidemic, comparison of price developments between countries has become more difficult due to the heterogenous impacts of change in weights. The pandemic also changed the structure of consumption in the euro area last year, so this year the weights of services and energy products decreased in the consumer basket, while the weights of food and non-energy industrial goods increased. However, the change in weights had a positive impact on euro area inflation on average over the first two months of the year, which widened the gap between inflation in Slovenia and in the euro area overall further. Euro area inflation was thus 2.0 percentage points higher than inflation in Slovenia in February, while the gap would have been 1.6 percentage points had the weights remained unchanged (see Figure 8.1.7). The positive impact of updated weights on euro area inflation comes primarily from service price inflation, which was 0.4 percentage points higher on average over the first two months of the year as a result of the changes in weights. In the euro area overall the largest impact on service price inflation also came from the change in the weight of package international holidays, which was reduced from 1.3% of the HICP last year to 0.5% this year.[5] Given the combination of the pronounced change in the weight and the high volatility in prices of package holi-

Figure 8.1.6: Impact of the updated weights on services inflation rate



Source: Eurostat, SORS, Banka Slovenije calculations.

Figure 8.1.7: Impact of the updated weights on the euro area inflation rate



Source: Eurostat, Banka Slovenije calculations.

[4] The reduction in the weight of package international holidays made a positive contribution to service price inflation in January and March, and a negative contribution in February. The impact of the weight is related to the seasonal pattern of price movements. The impact of the reduction in the weight is positive in months when prices are lower than in December 2020 (January and March), and negative when prices are higher (February). The rise in prices between January and December 2020 was attributed a higher weight than the fall between December 2020 and January 2021, as a result of which the weight has a positive impact. Similarly, the fall in prices between February and December 2020 was attributed a higher weight than the rise between December 2020 and February 2021, as a result of which the weight has a negative impact.

[5] The difference in the impact of the change in the weight of package holidays on service price inflation in the euro area overall and in Slovenia stems from different seasonal patterns of price movements. As usual, prices of package holidays in Slovenia rose in February compared with December of last year, while prices fell in the euro area overall. The weight therefore had a positive impact on service price inflation in the euro area overall, and a negative impact in Slovenia.

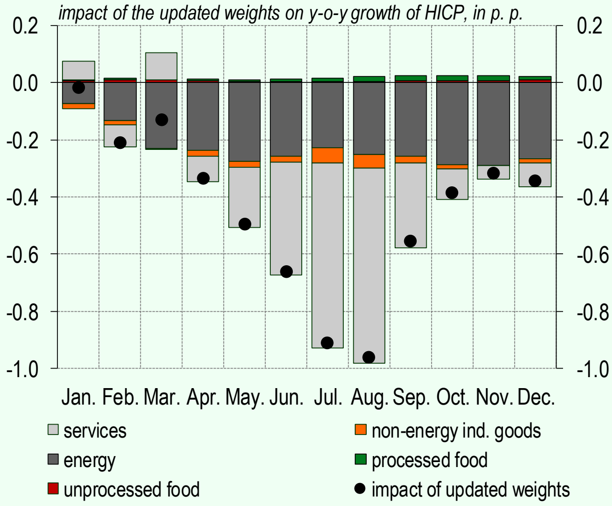
days, they made a positive contribution to year-on-year service price inflation despite a year-on-year fall in prices.

Potential impact of weights over the remainder of the year

The impact of weights on headline inflation is likely to become larger over the remainder of the year. It will depend on the already known change in weights, and on future growth in prices of individual categories of products and services. To illustrate the impact of updated weights, headline inflation as measured by the HICP using the 2021 weights and inflation using unchanged weights have been simulated and compared again. For the period between April and December the assumption is that the monthly growth in prices of individual products and services will be equal to the average monthly growth between 2017 and 2019. This approach preserves the pattern of price movements in seasonal products, and excludes last year's atypical price developments from the computation. Under the assumed development of prices of sub-components, the negative impact of weights on year-on-year inflation over the remainder of the year will further increase, which will reduce headline inflation by just under 1 percentage point in July and August (see Figure 8.1.8). The strong negative impact in the summer months stems from the reduction in the weight of tourism services, most notably package holidays and international flights, which rise sharply in price at that time under the usual seasonal pattern.

Figure 8.1.8: Impact of the updated weights on the inflation rate in 2021, simulation results

impact of the updated weights on y-o-y growth of HICP, in p. p.



Source: Eurostat, SORS, Banka Slovenije calculations.

How long the changes in consumption patterns will continue to have an impact on price statistics and make it harder to interpret headline inflation depends on the evolution of the epidemiological situation and the nature of the containment measures. If the situation normalises this year and consumption patterns approach those seen in 2019, the weights for computing the HICP in 2022 will again change profoundly, which means that the impact of the change in weights will continue to hinder the analysis of inflation developments. As the containment measures continue to prevent the consumption of certain services this year as well, which given preventive behaviour by consumers could also remain below their pre-crisis levels, the normalisation of private consumption patterns is likely to be a longer process. Once the patterns have stabilised and there are no longer any major changes in weighting, the impact of the change in weights and the related issues with data interpretation will dissipate.

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9 Statistical Appendix

The appendix cites a selection of statistics drawn up by the Banka Slovenije, 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 Banka Slovenije bulletin and on the statistics pages of the Banka Slovenije website, where there is also a link to the data series.

The concise methodological notes for the statistics are given in this appendix, while more detailed explanations are given in the appendix to the Banka Slovenije bulletin.

Table 9.1: Consolidated balance sheet of monetary financial institutions

EUR million	2017	2018	2019	20Q2	20Q3	Dec. 20	Jan. 21	Feb. 21
1.1. Claims of the Banka Slovenije	7,143	8,168	10,594	14,659	13,549	13,842	15,727	17,269
1.2. Claims of other MFIs	8,504	8,279	8,342	8,303	8,819	9,336	9,301	9,780
1. Claims on foreign sectors (foreign assets)	**15,647**	**16,447**	**18,936**	**22,962**	**22,368**	**23,179**	**25,028**	**27,049**
2.1. Claims of the Banka Slovenije on central government	6,247	7,165	7,719	9,007	10,438	11,805	11,771	11,863
2.2.1.1. Loans	1,425	1,174	1,048	996	947	918	862	854
2.2.1.2. Securities	3,744	3,763	3,648	3,887	3,758	3,602	3,477	3,696
2.2.1. Claims on central government	5,170	4,937	4,696	4,884	4,705	4,520	4,339	4,549
2.2.2.1. Loans	571	580	602	602	602	639	638	643
2.2.2.2. Securities	0 -		-	-	-	-	-	-
2.2.2. Claims on other general government	571	580	602	602	602	639	638	643
2.2. Claims of other MFIs on general government	5,740	5,517	5,297	5,486	5,307	5,159	4,977	5,193
2.3.1.1. Loans	9,311	9,177	9,290	9,411	9,260	9,094	9,235	9,237
2.3.1.2. Securities	334	319	298	299	297	270	270	281
2.3.1. Claims on nonfinancial corporations	9,645	9,497	9,587	9,711	9,557	9,364	9,505	9,519
2.3.2. Households and non-profit institutions serving households	9,735	10,370	10,981	10,828	10,970	10,997	10,937	10,940
2.3.3.1. Loans	1,171	1,070	1,248	1,244	1,245	1,213	1,205	1,216
2.3.3.2. Securities	395	432	412	411	411	428	428	431
2.3.3. Claims on nonmonetary financial institutions	1,566	1,502	1,661	1,656	1,656	1,640	1,633	1,647
2.3. Claims of other MFIs on other non-MFIs	20,946	21,369	22,229	22,194	22,182	22,002	22,076	22,106
2. Claims on domestic non-MFIs	**32,934**	**34,050**	**35,245**	**36,687**	**37,928**	**38,965**	**38,824**	**39,162**
3. Remaining assets	**1,461**	**1,477**	**1,660**	**1,558**	**1,513**	**1,613**	**1,609**	**1,645**
Total assets	**50,042**	**51,974**	**55,842**	**61,207**	**61,809**	**63,757**	**65,460**	**67,855**
1.1. Banka Slovenije	1,506	63	134	59	45	51	112	147
1.2. Other MFIs	4,436	3,986	4,342	4,225	4,466	4,412	4,480	4,472
1. Obligations to foreign sectors (foreign liabilities)	**5,943**	**4,049**	**4,476**	**4,284**	**4,511**	**4,463**	**4,593**	**4,619**
2.1.1.1. Banknotes and coins (after 1.1.2007 ECB key)	5,371	5,655	5,847	6,155	6,256	6,473	6,443	6,475
2.1.1.2. Overnight deposits at other MFIs	17,727	19,877	21,699	23,971	24,374	25,622	26,043	26,330
2.1.1.3.1. Non-monetary financial institutions	11	76	296	325	300	327	325	312
2.1.1.3.2. Other government sector	107	100	111	125	154	170	203	225
2.1.1.3. Overnight deposits at the Banka Slovenije	118	176	407	450	454	497	528	537
2.1.1. Banknotes and coins and overnight liabilities	23,216	25,708	27,953	30,576	31,084	32,593	33,013	33,343
2.1.2.1. Deposits at the Banka Slovenije	-	-	-	-	-	-	-	-
2.1.2.2. Deposits at other MFIs	6,127	5,727	5,697	5,346	5,260	5,107	5,024	4,956
2.1.2. Time deposits	6,127	5,727	5,697	5,346	5,260	5,107	5,024	4,956
2.1.3. Deposits reedemable at notice up to 3 months	473	492	541	497	546	524	540	544
2.1. Banknotes and coins and deposits up to 2 years	29,816	31,927	34,190	36,419	36,891	38,224	38,578	38,842
2.2. Debt securities, units/shares of money market funds and repos	55	78	55	73	70	70	65	58
2. Banknotes and coins and instruments up to 2 years	**29,871**	**32,006**	**34,246**	**36,492**	**36,961**	**38,294**	**38,643**	**38,900**
3. Long-tern financial obligations to non-MFIs	**1,524**	**1,314**	**1,285**	**1,246**	**1,230**	**1,256**	**1,268**	**1,273**
4. Remaining liabilities	**14,035**	**15,675**	**17,232**	**20,469**	**20,482**	**21,171**	**22,281**	**24,360**
5. Excess of inter-MFI liabilities	**-1,330**	**-1,069**	**-1,396**	**-1,285**	**-1,376**	**-1,428**	**-1,325**	**-1,297**
Total liabilities	**50,042**	**51,974**	**55,842**	**61,207**	**61,809**	**63,757**	**65,460**	**67,855**

Table 9.2: Balance sheet of the Banka Slovenje

EUR million	2017	2018	2019	20Q2	20Q3	Dec. 20	Jan. 21	Feb. 21
1.1. Gold	111	115	138	161	164	158	157	149
1.2. Receivable form IMF	338	372	381	398	389	405	408	409
1.3. Foreign cash	0	0	0	0	0	0	0	0
1.4. Loans, deposits	233	1,464	3,661	7,744	6,699	6,952	8,838	10,343
1.5. Securities	6,359	6,114	6,271	6,179	6,099	6,103	6,088	6,100
1.6. Other claims	103	103	142	175	196	225	235	268
1. Claims on foreign sectors (foreign assets)	**7,143**	**8,168**	**10,594**	**14,659**	**13,549**	**13,842**	**15,727**	**17,269**
2.1. Claims on central government	6,247	7,165	7,719	9,007	10,438	11,805	11,771	11,863
2.2.1. Loans	1,142	1,102	995	1,359	1,385	1,385	1,385	1,384
2.2.2. Other claims	98	3	51	58	85	85	95	95
2.2. Claims on domestic monetary sector	1,240	1,105	1,046	1,417	1,470	1,470	1,480	1,479
2.3. Claims on other domestic sectors	2	2	2	2	2	2	2	2
2. Claims on domestic sectors (domestic assets)	**7,489**	**8,271**	**8,767**	**10,426**	**11,911**	**13,277**	**13,253**	**13,344**
3. Remaining assets	**279**	**314**	**396**	**343**	**334**	**347**	**347**	**346**
Total assets	**14,911**	**16,753**	**19,757**	**25,427**	**25,793**	**27,467**	**29,327**	**30,960**
1. Banknotes and coins (ECB key from 1.1.2007 on)	**5,371**	**5,655**	**5,847**	**6,155**	**6,256**	**6,473**	**6,443**	**6,475**
2.1.1.1.1. Overnight	2,939	3,391	4,348	5,914	6,241	7,097	7,729	7,241
2.1.1.1.2. With agreed maturity	-	-	-	-	-	-	-	-
2.1.1.1. Domestic currency	2,939	3,391	4,348	5,914	6,241	7,097	7,729	7,241
2.1.1.2. Foreign currency	-	-	-	-	-	-	-	-
2.1.1. Other MFIs	2,939	3,391	4,348	5,914	6,241	7,097	7,729	7,241
2.1.2.1.1. Overnight	2,521	3,704	3,120	5,959	5,386	5,407	6,519	8,751
2.1.2.1.2. With agreed maturity	-	-	-	-	-	-	-	-
2.1.2.1. In domestic currency	2,521	3,704	3,120	5,959	5,386	5,407	6,519	8,751
2.1.2.2. Foreign currency	56	5	6	7	6	6	6	6
2.1.2. General government	2,577	3,708	3,126	5,966	5,391	5,413	6,525	8,758
2.1.3.1. Non-financial corporations	-	-	-	-	-	-	-	-
2.1.3.2. Non-monetary financial institutions	11	76	296	325	300	327	325	312
2.1.3. Other domestic sectors	11	76	296	325	300	327	325	312
2.1. Domestic sectors	5,527	7,176	7,770	12,205	11,932	12,838	14,578	16,312
2.2. Foreign sectors	1,506	63	134	59	45	51	112	147
2. Deposits	**7,033**	**7,238**	**7,904**	**12,264**	**11,977**	**12,888**	**14,691**	**16,459**
3.1. Domestic currency	-	-	-	-	-	-	-	-
3.2. Foreign currency	-	-	-	-	-	-	-	-
3. Issued securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
4. SDR allocation	**256**	**262**	**266**	**265**	**260**	**254**	**256**	**256**
5. Capital and reserves	**1,883**	**1,945**	**2,763**	**2,959**	**3,215**	**3,388**	**3,280**	**2,955**
6. Remaining liabilities	**367**	**1,653**	**2,976**	**3,783**	**4,086**	**4,462**	**4,657**	**4,814**
Total liabilities	**14,911**	**16,753**	**19,757**	**25,427**	**25,793**	**27,467**	**29,327**	**30,960**

BANKA SLOVENIJE
EVROSISTEM

Table 9.3: Balance sheet of other monetary financial institutions

EUR million	2017	2018	2019	20Q2	20Q3	Dec. 20	Jan. 21	Feb. 21
1.1.1. Cash	355	425	432	424	443	455	401	410
1.1.2. Accounts and deposits at the Banka Slovenije, other claims	2,939	3,391	4,348	5,914	6,241	7,097	7,729	7,241
1.1.3. Securities of the Banka Slovenije	-	-	-	-	-	-	-	-
1.1. Claims on Banka Slovenije	3,294	3,817	4,780	6,338	6,683	7,552	8,130	7,652
1.2.1. Loans	873	865	788	746	714	729	723	719
1.2.2. Debt securities	71	18	94	95	135	135	136	135
1.2.3. Shares and other equity	2	1	0	451	6	8	8	8
1.2. Claims on other MFI's	947	883	882	1,292	856	872	866	863
1.3.1. Loans	22,213	22,371	23,168	23,082	23,024	22,861	22,878	22,891
1.3.2. Debt securities	3,775	3,797	3,674	3,908	3,775	3,607	3,482	3,700
1.3.3. Shares and other equity	698	717	683	690	690	693	693	708
1.3. Claims on nonmonetry sectors	26,687	26,885	27,526	27,680	27,490	27,160	27,053	27,299
1. Claims on domestic sectors (domestic assets)	**30,927**	**31,585**	**33,187**	**35,310**	**35,029**	**35,585**	**36,048**	**35,813**
2.1.1. Cash	35	35	40	44	45	43	44	40
2.1.2. Loans	2,154	1,681	1,640	1,769	1,941	1,836	1,807	2,176
2.1.3. Debt securities	1,333	1,311	1,312	1,290	1,558	1,567	1,577	1,633
2.1.4 Shares and other equity	579	578	578	578	578	973	973	973
2.1. Claims on foreign monetary sectors	4,100	3,605	3,570	3,681	4,122	4,419	4,401	4,822
2.2.1. Loans	899	1,023	1,103	1,188	1,208	1,392	1,415	1,417
2.2.2. Debt securities	3,190	3,346	3,364	3,128	3,181	3,257	3,217	3,273
2.2.3. Shares and other equity	314	305	305	306	308	268	268	268
2.2. Claims on foreign nonmonetary sectors	4,404	4,674	4,772	4,622	4,697	4,917	4,900	4,958
2. Claims on foreign sectors (foreign assets)	**8,504**	**8,279**	**8,342**	**8,303**	**8,819**	**9,336**	**9,301**	**9,780**
3. Remaining assets	**1,015**	**762**	**1,136**	**1,158**	**1,151**	**1,239**	**1,243**	**1,252**
Total assets	**40,447**	**40,626**	**42,666**	**44,772**	**44,999**	**46,161**	**46,592**	**46,846**
1.1.1. Deposits, loans from the Banka Slovenije	1,142	1,102	995	1,359	1,385	1,385	1,385	1,384
1.1.2. Deposits, loans from other MFIs	962	931	917	885	862	856	890	894
1.1.3. Debt securities issued	12	-	16	15	15	15	15	15
1.1. Laibilities to monetary sectors	2,115	2,033	1,928	2,259	2,262	2,256	2,290	2,293
1.2.1.1. Overnight	17,287	19,396	21,191	23,428	23,781	25,120	25,519	25,789
1.2.1.2. With agreed maturity	8,125	7,477	7,418	6,898	6,799	6,637	6,552	6,485
1.2.1.3. Reedemable at notice	548	561	622	550	632	610	640	648
1.2.1. Deposits in domestic currency	25,960	27,434	29,232	30,877	31,212	32,368	32,711	32,923
1.2.2. Deposits in foreign currency	593	626	613	666	688	682	682	701
1.2.3. Debt securities issued	15	15	68	69	55	55	55	55
1.2. Liabilities to nonmonetary sectors	26,569	28,075	29,913	31,612	31,955	33,104	33,448	33,679
1. Obligations to domestic sectors (domestic liabilities)	**28,683**	**30,108**	**31,840**	**33,871**	**34,217**	**35,360**	**35,738**	**35,972**
2.1.1. Deposits	1,627	1,550	1,282	1,155	1,618	1,535	1,497	1,495
2.1.2. Debt securities issued	327	111	428	547	897	897	897	896
2.1. Liabilities to foreign monetry sectors	1,954	1,660	1,710	1,702	2,515	2,432	2,394	2,391
2.2.1. Deposits	1,975	1,693	1,910	1,802	1,232	1,261	1,367	1,363
2.2.2. Debt securities issued	22	22	85	84	84	84	84	84
2.2. Liabilities to foreign nonmonetary sectors	1,997	1,715	1,994	1,886	1,315	1,344	1,451	1,446
2. Obligations to foreign sectors (foreign liabilities)	**3,952**	**3,375**	**3,704**	**3,588**	**3,831**	**3,777**	**3,845**	**3,837**
3. Capital and reserves	**4,904**	**4,886**	**5,097**	**5,169**	**4,868**	**4,946**	**4,955**	**4,955**
4. Remaining liabilities	**2,908**	**2,256**	**2,024**	**2,144**	**2,082**	**2,078**	**2,054**	**2,081**
Total liabilities	**40,447**	**40,626**	**42,666**	**44,772**	**44,999**	**46,161**	**46,592**	**46,846**

Table 9.4: Interest rates of new loans and deposits in domestic currency to households and nonfinancial corporations

in % on annual level	2016	2017	2018	2019	Dec. 20	Jan. 21	Feb. 21
1. Interest rates of new loans							
1.1. Loans to households							
Households, revolving loans and overdrafts	7.84	7.85	7.81	7.77	7.74	7.72	7.75
Households, extended credit	7.73	7.75	7.63	7.52	7.83	7.76	7.75
Loans, households, consumption, floating and up to 1 year initial rate fixation	4.23	4.44	4.65	4.60	4.47	4.69	4.70
Loans, households, consumption, over 1 and up to 5 years initial rate fixation	5.66	5.92	6.04	6.03	5.89	5.93	5.93
Loans, households, consumption, over 5 years initial rate fixation	6.12	6.20	6.29	6.27	5.98	6.11	6.09
C. loans, households, consumption, floating and up to 1 year initial rate fixation	3.47	3.69	3.74	3.26	3.45	3.55	3.99
C. loans, households, consumption, over 1 and up to 5 years initial rate fixation	5.27	4.89	5.11	4.37	5.00	4.80	4.43
C. loans, households, consumption, over 5 year initial rate fixation	5.05	5.19	5.06	5.34	5.05	5.05	5.64
APRC, Loans to households for consumption	7.55	7.73	7.64	7.88	7.15	7.49	7.40
Loans, households, house purchase, floating and up to 1 year initial rate fixation	2.04	1.99	1.89	1.81	1.76	1.67	1.67
Loans, households, house purchase, over 1 and up to 5 years initial rate fixation	3.58	2.75	3.22	3.15	2.39	2.38	1.97
Loans, households, house purchase, over 5 and up to 10 years initial rate fixation	2.49	2.65	2.74	2.50	2.00	1.86	1.89
Loans, households, house purchase, over 10 years initial rate fixation	2.56	2.91	2.95	2.70	2.20	2.15	2.12
C. loans, households, house purchase variabel and up to years initial rate fixation	2.02	1.99	1.87	1.84	1.77	1.72	1.71
C. loans, households, house purchase, over 1 and up to 5 years initial rate fixation	2.12	2.38	3.01	2.48	2.42	2.71	2.15
C. loans, households, house purchase, over 5 and up to 10 years initial rate fixation	2.38	2.34	2.56	2.28	1.85	1.82	1.85
C. loans, households, house purchase, over 10 years initial rate fixation	2.53	2.85	2.89	2.69	2.21	2.16	2.14
APRC, Loans to households for house purchase	2.58	2.77	2.75	2.52	2.36	2.27	2.29
Loans, households, other purposes, floating and up to 1 year initial rate fixation	3.49	3.58	3.68	3.82	3.69	4.07	4.00
Loans, households, other purposes, over 1 and up to 5 years initial rate fixation	5.28	5.30	4.78	4.85	4.39	4.80	4.53
Loans, households, other purposes, over 5 years initial rate fixation	5.92	5.35	6.73	6.38	2.94	6.43	5.96
1.2. Loans to nonfinancial corporations (S.11)							
S.11, bank overdraft	2.81	2.41	2.22	2.23	2.26	2.06	2.13
S.11, extended credit	6.70	-	-	-	-	-	-
Loans, S.11, up to EUR 0,25 million, floating and up to 3 months initial rate fixation	2.74	2.69	2.32	2.30	2.50	2.61	2.69
Loans, S.11, up to EUR 0,25 million, over 3 months and up to 1 year initial rate fixation	3.31	2.89	2.50	2.68	2.60	2.67	2.48
Loans, S.11, up to EUR 0,25 million, over 1 and up to 3 years initial rate fixation	4.52	3.98	3.72	3.91	3.79	3.64	3.80
Loans, S.11, up to EUR 0,25 million, over 3 and up to 5 years initial rate fixation	4.57	4.03	4.24	4.70	4.39	3.97	3.78
Loans, S.11, up to EUR 0,25 million, over 5 and up to 10 years initial rate fixation	4.56	3.51	4.16	5.18	4.18	3.50	5.08
Loans, S.11, up to EUR 0,25 million, over 10 years initial rate fixation	2.92	2.22	4.25	3.84	3.18	2.22	2.23
Loans, S.11, over EUR 0,25 and up to 1 million, floating and up to 3 months initial rate fixation	2.19	1.89	2.04	1.91	1.82	1.85	1.66
Loans, S.11, over EUR 0,25 and up to 1 million, over 3 months and up to 1 year initial rate fixation	2.49	2.09	2.09	1.98	2.40	2.22	1.95
Loans, S.11, over EUR 0,25 and up to 1 million, over 1 and up to 3 years initial rate fixation	1.21	1.94	1.87	1.81	2.17	2.59	-
Loans, S.11, over EUR 0,25 and up to 1 million, over 3 and up to 5 years initial rate fixation	1.70	-	1.31	1.31	1.60	0.48	1.84
Loans, S.11, over EUR 0,25 and up to 1 million, over 5 and up to 10 years initial rate fixation	1.94	2.57	1.74	1.81	3.09	1.67	1.56
Loans, S.11, over EUR 0,25 and up to 1 million, over 10 years initial rate fixation	2.10	-	-	-	2.62	2.94	-
Loans, S.11, over EUR 1 million, floating and up to 3 months initial rate fixation	2.61	2.23	1.85	1.10	1.42	1.05	1.68
Loans, S.11, over EUR 1 million, over 3 months and up to 1 year initial rate fixation	2.35	1.58	1.76	2.81	2.21	1.96	1.75
Loans, S.11, over EUR 1 million, over 1 and up to 3 years initial rate fixation	-	-	0.75	0.89	0.18	-	-
Loans, S.11, over EUR 1 million, over 3 and up to 5 years initial rate fixation	1.06	1.15	-	0.84	1.56	1.82	1.56
Loans, S.11, over EUR 1 million, over 5 and up to 10 years initial rate fixation	1.92	-	1.47	1.77	1.72	1.54	2.32
Loans, S.11, over EUR 1 million, over 10 years initial rate fixation	2.23	1.88	2.04	2.20	3.03	1.60	1.92
2. Interest rates of new deposits							
2.1. Households deposits							
Households, overnight deposits	0.02	0.01	0.01	0.01	0.01	0.00	0.00
Deposits, households, agreed maturity up to 1 year	0.23	0.14	0.17	0.18	0.13	0.11	0.14
Deposits, households, agreed maturity over 1 and up to 2 years	0.44	0.51	0.54	0.29	0.21	0.18	0.16
Deposits, households, agreed maturity over 2 years	0.72	0.69	0.89	0.65	0.61	0.37	0.46
2.2. Deposits of nonfinancial corporations (S.11)							
S.11, overnight deposits	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Deposits, S.11, agreed maturity up to 1 year	0.05	0.04	0.00	0.01	0.00	0.01	0.01
Deposits, S.11, agreed maturity over 1 and up to 2 years	0.20	0.12	0.19	0.09	0.06	0.04	0.03
Deposits, S.11, agreed maturity over 2 years	0.49	0.26	0.19	0.32	0.14	0.06	0.07
2.3. Deposits redeemable at notice of households and nonfinancial sector together							
Deposits redeemable at notice, up to 3 months notice	0.02	0.00	0.00	0.00	-0.06	-0.09	-0.09
Deposits redeemable at notice, over 3 months notice	0.55	0.52	0.89	0.93	0.08	0.19	0.09

Table 9.5: International investment position

EUR million		2017	2018	2019	20Q1	20Q2	20Q3	20Q4
	NET INTERNATIONAL INVESTMENT POSITION (1-2)	**-10,416**	**-8,714**	**-7,430**	**-8,375**	**-8,351**	**-8,188**	**-7,557**
1	**ASSETS**	**46,608**	**49,339**	**55,827**	**58,099**	**61,271**	**61,270**	**62,758**
1.1	**Direct investment**	**8,328**	**8,825**	**9,860**	**9,802**	**10,012**	**9,917**	**10,425**
1.1.1	Equity	4,345	4,754	5,188	5,292	5,367	5,297	5,815
1.1.2	Debt instruments	3,984	4,071	4,671	4,509	4,645	4,620	4,610
1.2	**Portfolio investment**	**20,660**	**20,618**	**22,505**	**21,182**	**22,070**	**22,803**	**23,683**
1.2.1	Equity and investment fund shares	5,028	4,849	5,779	5,077	5,667	5,920	6,466
1.2.2	Debt securities	15,632	15,769	16,725	16,105	16,403	16,883	17,217
1.3	**Financial derivatives**	**302**	**384**	**562**	**767**	**802**	**756**	**751**
1.4	**Other investment**	**16,575**	**18,696**	**21,995**	**25,364**	**27,367**	**26,763**	**26,828**
1.4.1	Other equity	1,274	1,335	1,434	1,444	1,462	1,477	1,493
1.4.2	Currency and deposits	6,328	7,829	10,642	13,388	16,053	15,251	15,311
1.4.3	Loans	2,431	2,593	2,909	2,988	3,025	3,090	3,150
1.4.4	Insurance, pension and standardized guarantee schemes	148	141	155	157	161	160	160
1.4.5	Trade credit and advances	4,801	5,206	5,220	5,599	5,050	5,176	5,019
1.4.6	Other accounts receivable	1,593	1,593	1,635	1,788	1,614	1,610	1,695
1.5	**Reserve assets**	**743**	**816**	**905**	**983**	**1,021**	**1,031**	**1,071**
1.5.1	Monetary gold	111	115	138	150	161	164	158
1.5.2	Special drawing rights	235	242	246	249	245	239	235
1.5.3	Reserve position in the IMF	103	131	136	137	153	150	171
1.5.4	Other reserve assets	294	329	385	447	461	477	508
2	**LIABILITIES**	**57,024**	**58,053**	**63,257**	**66,474**	**69,622**	**69,458**	**70,315**
2.1	**Direct investment**	**16,316**	**17,972**	**19,231**	**19,427**	**19,744**	**19,871**	**20,000**
2.1.1	Equity	12,590	13,905	15,033	15,297	15,462	15,522	15,884
2.1.2	Debt instruments	3,726	4,067	4,198	4,130	4,282	4,349	4,117
2.2	**Portfolio investment**	**21,200**	**20,867**	**21,799**	**22,824**	**25,345**	**24,859**	**24,875**
2.2.1	Equity and investment fund shares	1,085	1,751	2,012	1,481	1,706	1,665	1,890
2.2.2	Debt securities	20,115	19,116	19,787	21,343	23,639	23,193	22,985
2.3	**Financial derivatives**	**81**	**206**	**2,374**	**3,806**	**4,288**	**4,314**	**4,311**
2.4	**Other investment**	**19,428**	**19,008**	**19,853**	**20,417**	**20,246**	**20,414**	**21,128**
2.4.1	Other equity	37	44	42	42	43	44	41
2.4.2	Currency and deposits	3,747	3,226	4,169	4,582	5,020	5,350	5,807
2.4.3	Loans	10,377	10,034	9,840	9,877	9,606	9,307	9,399
2.4.4	Insurance, pension and standardized guarantee schemes	219	228	263	303	332	366	366
2.4.5	Trade credit and advances	4,161	4,602	4,624	4,558	4,158	4,233	4,490
2.4.6	Other accounts payable	630	612	649	786	822	855	771
2.4.7	Special drawing rights	256	262	266	269	265	260	254

Table 9.6: Gross external debt

mio EUR		2017	2018	2019	20Q2	20Q3	20Q4	jan. 21
	SKUPAJ (1+2+3+4+5)	**43,231**	**42,148**	**43,796**	**48,124**	**47,913**	**48,189**	**49,457**
1	**DRŽAVA**	**21,980**	**21,094**	**21,687**	**25,766**	**25,081**	**24,961**	**26,026**
1.1	**Kratkoročni, od tega**	**652**	**732**	**832**	**1,176**	**1,209**	**1,100**	**1,116**
	Dolžniški vrednostni papirji	75	85	19	37	48	18	50
	Posojila	273	336	510	671	627	614	603
	Komercialni krediti in predujmi	35	35	34	42	41	36	31
	Ostalo	269	276	268	427	493	433	433
1.2	**Dolgoročni, od tega**	**21,328**	**20,362**	**20,855**	**24,590**	**23,872**	**23,861**	**24,909**
	Dolžniški vrednostni papirji	19,517	18,602	19,171	22,891	22,196	22,021	23,069
	Posojila	1,809	1,758	1,681	1,672	1,670	1,835	1,836
2	**CENTRALNA BANKA**	**3,011**	**2,661**	**3,753**	**4,589**	**4,928**	**5,416**	**5,605**
2.1	**Kratkoročni, od tega**	**2,755**	**2,399**	**3,487**	**4,324**	**4,668**	**5,161**	**5,348**
	Gotovina in vloge	2,755	2,399	3,487	4,324	4,668	5,161	5,348
2.2	**Dolgoročni, od tega**	**256**	**262**	**266**	**265**	**260**	**254**	**256**
	Posebne pravice črpanja	256	262	266	265	260	254	256
3	**INSTITUCIJE, KI SPREJEMAJO VLOGE, razen centralne banke**	**3,782**	**3,344**	**3,544**	**3,453**	**3,570**	**3,511**	**3,560**
3.1	**Kratkoročni**	**1,058**	**927**	**946**	**929**	**922**	**894**	**960**
	Gotovina in vloge	765	669	601	616	647	618	687
	Dolžniški vrednostni papirji	...	...	...	...	...	...	...
	Posojila	200	251	310	245	223	235	229
	Komercialni krediti in predujmi	...	...	...	...	...	...	...
	Ostalo	92	7	35	68	53	41	44
3.2	**Dolgoročni**	**2,724**	**2,418**	**2,598**	**2,524**	**2,648**	**2,617**	**2,600**
	Gotovina in vloge	227	159	82	80	35	27	26
	Dolžniški vrednostni papirji	168	88	316	431	671	672	661
	Posojila	2,323	2,162	2,196	2,011	1,940	1,911	1,911
	Komercialni krediti in predujmi	6	7	4	2	1	6	1
	Ostalo	1	1	1	1	1	1	1
4	**OSTALI SEKTORJI**	**10,731**	**10,982**	**10,614**	**10,034**	**9,984**	**10,185**	**10,117**
4.1	**Kratkoročni, od tega**	**4,596**	**5,182**	**5,286**	**4,796**	**4,797**	**5,028**	**4,940**
	Dolžniški vrednostni papirji	0	1	2	1	1	...	...
	Posojila	281	375	446	464	393	377	382
	Komercialni krediti in predujmi	4,094	4,540	4,565	4,072	4,163	4,420	4,320
	Ostalo	220	267	273	258	239	231	239
4.2	**Dolgoročni, od tega**	**6,135**	**5,800**	**5,327**	**5,238**	**5,187**	**5,156**	**5,177**
	Dolžniški vrednostni papirji	355	340	279	279	278	275	275
	Posojila	5,490	5,154	4,698	4,542	4,454	4,426	4,446
	Komercialni krediti in predujmi	26	17	16	16	21	24	24
	Ostalo	264	289	335	401	434	432	432
5	**NEPOSREDNE NALOŽBE: medpodjetniška posojila**	**3,726**	**4,067**	**4,198**	**4,282**	**4,349**	**4,117**	**4,149**
	NETO ZUNANJI DOLG	**7,572**	**4,131**	**976**	**229**	**189**	**83**	**-163**

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Table 9.7: Balance of payments

EUR million	2017	2018	2019	20Q2	20Q3	20Q4	Jan. 21
I. Current account	**2,674**	**2,680**	**2,723**	**646**	**899**	**909**	**290**
1. Goods	**1,617**	**1,282**	**1,330**	**585**	**730**	**604**	**281**
1.1. Export of goods	**28,372**	**30,817**	**32,013**	**6,425**	**7,358**	**7,989**	**2,438**
Export f.o.b.	28,265	30,858	33,548	7,261	8,117	8,661	2,896
Coverage adjustment	-141	-299	-1,928	-937	-875	-817	-498
Net export of goods under merchanting	229	238	367	94	109	140	40
Nonmonetary gold	20	21	25	8	7	6	0
1.2. Import of goods	**26,756**	**29,535**	**30,682**	**5,840**	**6,628**	**7,385**	**2,156**
Import c.i.f.	27,606	30,706	34,082	6,809	7,775	9,066	2,547
Coverage adjustment	-114	-363	-2,540	-821	-977	-1,488	-329
Valuation adjustment	-774	-853	-886	-169	-191	-213	-62
Nonmonetary gold	37	45	27	22	22	20	0
2. Services	**2,254**	**2,625**	**2,787**	**398**	**536**	**538**	**101**
2.1. Export of services, of that	**7,394**	**8,104**	**8,548**	**1,448**	**1,796**	**1,854**	**443**
Transport	2,164	2,438	2,503	514	564	641	177
Travel	2,523	2,704	2,752	119	451	131	23
Construction services	422	497	590	147	166	183	45
Telecomm., computer and inform. services	544	540	629	157	148	186	39
Other business services	1,248	1,341	1,444	330	314	510	97
2.2. Import of services, of that	**5,140**	**5,478**	**5,762**	**1,050**	**1,260**	**1,316**	**342**
Transport	1,098	1,106	1,185	262	257	327	94
Travel	1,322	1,483	1,500	72	306	44	12
Construction services	126	177	200	45	56	73	15
Telecomm., computer and inform. services	539	544	606	136	140	182	40
Other business services	1,324	1,442	1,528	367	346	476	124
3. Primary income	**-879**	**-819**	**-853**	**-191**	**-269**	**-116**	**-18**
3.1. Receipts	**1,381**	**1,578**	**1,701**	**375**	**334**	**455**	**156**
Compensation of employees	385	431	480	90	112	107	30
Investment	703	802	843	191	188	184	44
Other primary income	293	345	378	94	34	164	82
3.2. Expenditure	**2,260**	**2,397**	**2,554**	**567**	**603**	**572**	**175**
Compensation of employees	149	173	195	42	46	42	12
Investment	1,929	2,020	2,148	483	516	475	143
Other primary income	182	204	211	42	40	54	20
4. Secondary income	**-317**	**-408**	**-541**	**-146**	**-99**	**-117**	**-74**
4.1. Receipts	**828**	**793**	**805**	**198**	**190**	**266**	**63**
4.2. Expenditure	**1,145**	**1,201**	**1,346**	**345**	**289**	**382**	**137**

Table 9.8: Balance of payments, continued

EUR million	2017	2018	2019	20Q2	20Q3	20Q4	Jan. 21
II. Capital account	**-324**	**-225**	**-187**	**-18**	**-26**	**-119**	**-17**
1. Nonproduced nofinancial assets	-76	-47	-24	23	-4	-94	11
2. Capital transfers	-248	-178	-163	-41	-22	-25	-28
III. Financial account	**2,112**	**2,524**	**2,454**	**152**	**535**	**535**	**267**
1. Direct investment	**-495**	**-934**	**-748**	**-111**	**-109**	**415**	**-149**
Assets	570	373	773	203	-77	548	-51
Equity and reinvested earnings	230	443	291	75	-70	518	27
Debt instruments	340	-70	482	129	-7	30	-78
Liabilities	1,065	1,307	1,521	314	32	132	98
Equity and reinvested earnings	932	1,088	1,669	158	59	362	88
Debt instruments	133	220	-149	156	-27	-230	10
2. Portfolio investment	**2,990**	**744**	**791**	**-1,916**	**1,328**	**753**	**-1,113**
Assets	2,851	492	753	119	583	431	26
Equity and investment fund shares	333	117	54	67	162	169	95
Debt securities	2,518	375	699	52	421	262	-69
Liabilities	-138	-252	-38	2,035	-745	-322	1,140
Equity and investment fund shares	39	543	83	5	-6	11	-1
Debt securities	-178	-795	-121	2,030	-739	-333	1,141
3. Financial derivatives	**-185**	**-81**	**-163**	**-32**	**5**	**2**	**9**
4. Other investment	**-287**	**2,743**	**2,537**	**2,182**	**-715**	**-698**	**1,505**
4.1. Assets	**-1,372**	**2,039**	**3,424**	**2,030**	**-647**	**116**	**1,649**
Other equity	73	68	84	19	14	14	5
Currency and deposits	-2,154	1,493	2,836	2,673	-791	67	1,330
Loans	-108	215	412	41	55	71	35
Insurance, pension and stand. guar. schemes	5	-7	13	3	-1	...	...
Trade credits and advances	615	303	42	-545	75	-136	189
Other assets	197	-33	38	-160	2	100	91
4.2. Liabilities	**-1,085**	**-704**	**887**	**-151**	**69**	**813**	**144**
Other equity	0	2	2	0	0	2	1
Currency and deposits	365	-524	935	440	334	463	253
Loans	-1,846	-482	-158	-256	-325	134	5
Insurance, pension and stand. guar. schemes	5	20	27	18	6	...	...
Trade credits and advances	411	331	62	-393	20	288	-138
Other liabilities	-20	-51	19	39	33	-73	23
Special drawing reights (SDR)	0	0	0	0	0	0	0
5. Reserve assets	**89**	**52**	**37**	**29**	**26**	**62**	**16**
IV. Net errors and omissions	**-239**	**69**	**-81**	**-476**	**-338**	**-255**	**-6**

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Table 9.9: Non-consolidated financial assets, outstanding amounts

mio EUR	2017	2018	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4
Domestic sector								
Total	197,522	207,364	218,218	222,396	224,365	236,728	237,600	244,353
Monetary gold and SDRs	346	356	389	385	399	406	404	392
Currency and deposits	46,776	51,961	54,265	57,573	61,351	69,706	69,197	71,317
Debt securities	28,530	29,251	31,073	30,731	29,706	31,815	33,664	35,209
Loans	35,974	36,342	37,623	37,679	38,746	38,003	37,805	37,531
Shares	20,218	19,566	19,619	20,261	18,560	19,868	19,261	20,401
Other equity	29,327	32,354	34,795	35,838	36,200	36,907	37,221	38,177
Investment fund shares/units	4,703	4,466	5,528	5,736	5,008	5,581	5,835	6,352
Insurance and pension schemes	8,003	8,073	8,646	8,705	8,421	8,751	8,868	9,016
Other	23,645	24,996	26,280	25,489	25,976	25,690	25,344	25,958
Non-financial corporations								
Total	45,039	47,092	49,083	49,088	49,775	49,772	50,184	50,983
Currency and deposits	7,104	7,523	7,794	7,736	8,055	8,406	8,827	9,164
Debt securities	109	112	122	111	109	102	130	131
Loans	5,510	5,490	5,990	6,017	5,950	6,245	6,162	5,860
Shares	2,367	2,325	2,177	2,304	2,182	2,219	2,134	2,211
Other equity	13,193	14,026	14,575	15,051	15,206	15,396	15,357	15,800
Investment fund shares/units	61	58	231	209	182	190	205	211
Insurance and pension schemes	444	442	476	453	487	504	500	459
Other	16,251	17,117	17,717	17,208	17,605	16,710	16,869	17,145
Monetary financial institutions								
Total	54,397	56,595	58,613	61,451	63,165	69,404	69,861	72,729
Monetary gold and SDRs	346	356	389	385	399	406	404	392
Currency and deposits	8,067	9,327	9,090	12,533	13,629	18,691	18,142	19,191
Debt securities	21,263	21,894	23,123	22,654	21,996	23,783	25,389	26,721
Loans	23,097	23,362	24,251	24,225	24,753	24,246	24,209	24,281
Shares	729	771	719	690	1,280	1,253	692	1,110
Other equity	351	383	398	408	408	419	421	419
Investment fund shares/units	5	3	35	48	56	82	102	131
Insurance and pension schemes	40	41	41	39	39	38	37	35
Other	498	457	568	468	605	486	466	449
Other financial institutions								
Total	18,151	18,414	19,732	20,167	19,169	20,051	20,248	20,885
Currency and deposits	1,163	1,188	1,375	1,342	1,422	1,330	1,254	1,214
Debt securities	6,520	6,601	7,134	7,223	6,901	7,226	7,446	7,638
Loans	2,859	2,864	2,717	2,729	2,694	2,663	2,630	2,592
Shares	3,688	3,684	3,873	4,057	3,405	3,864	3,845	4,057
Other equity	686	857	909	1,027	1,185	1,202	1,226	1,375
Investment fund shares/units	2,354	2,208	2,608	2,706	2,385	2,624	2,758	3,006
Insurance and pension schemes	199	204	224	219	265	259	249	233
Other	681	809	890	864	912	883	842	770
General government								
Total	30,390	31,972	34,228	33,520	34,376	37,113	36,612	37,122
Currency and deposits	6,729	8,481	8,797	8,227	9,952	11,828	11,378	11,194
Debt securities	416	421	484	509	489	492	497	515
Loans	3,467	3,398	3,404	3,415	4,060	3,451	3,369	3,352
Shares	10,369	9,677	9,710	9,935	8,660	9,161	9,181	9,401
Other equity	5,706	6,009	7,366	7,223	7,184	7,488	7,720	8,042
Investment fund shares/units	302	297	372	364	325	360	371	394
Insurance and pension schemes	16	23	26	26	25	26	27	26
Other	3,386	3,665	4,070	3,821	3,680	4,307	4,069	4,199
Households and NPISHs								
Total	49,545	53,291	56,561	58,170	57,881	60,388	60,695	62,635
Currency and deposits	23,713	25,441	27,208	27,735	28,292	29,451	29,596	30,554
Debt securities	222	222	210	234	210	212	203	205
Loans	1,041	1,227	1,262	1,292	1,290	1,398	1,435	1,446
Shares	3,065	3,109	3,139	3,275	3,033	3,371	3,409	3,622
Other equity	9,391	11,080	11,547	12,128	12,217	12,401	12,497	12,541
Investment fund shares/units	1,981	1,900	2,282	2,410	2,060	2,326	2,399	2,609
Insurance and pension schemes	7,304	7,363	7,879	7,968	7,606	7,924	8,056	8,262
Other	2,830	2,948	3,034	3,128	3,174	3,305	3,099	3,396
Rest of the world								
Total	57,659	58,567	65,308	64,306	67,176	70,458	70,676	71,174
Monetary gold and SDRs	257	263	270	267	269	265	260	254
Currency and deposits	6,292	5,650	6,128	6,685	7,005	7,235	7,446	7,865
Debt securities	20,555	19,516	20,725	20,148	21,510	23,922	23,466	23,316
Loans	10,309	10,345	10,641	10,186	10,277	10,448	10,126	10,083
Shares	5,275	6,428	6,759	7,031	6,354	6,631	6,877	7,138
Other equity	8,451	9,201	9,827	10,119	10,314	10,385	10,537	10,665
Investment fund shares/units	29	29	38	40	35	39	40	44
Insurance and pension schemes	219	228	299	263	303	332	366	357
Other	6,274	6,906	10,621	9,566	11,109	11,201	11,558	11,453

Table 9.10: Non-consolidated liabilities, outstanding amounts

mio EUR	2017	2018	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4
Domestic sector								
Total	208,564	216,868	228,181	230,602	233,287	245,730	246,782	252,646
Monetary gold and SDRs	257	263	270	267	269	265	260	254
Currency and deposits	45,557	48,450	48,993	52,161	53,502	59,316	59,753	62,326
Debt securities	33,041	32,629	34,699	33,837	34,752	38,995	39,940	40,999
Loans	41,637	41,864	42,984	42,491	43,665	42,925	42,414	41,920
Shares	21,781	22,332	22,408	23,161	21,214	22,425	21,913	22,574
Other equity	33,274	36,788	39,384	40,210	40,749	41,489	42,066	43,036
Investment fund shares/units	2,572	2,396	2,848	3,008	2,548	2,874	2,974	3,231
Insurance and pension schemes	8,074	8,161	8,792	8,813	8,567	8,922	9,075	9,214
Other	22,371	23,986	27,802	26,654	28,020	28,520	28,388	29,091
Non-financial corporations								
Total	82,830	87,007	88,276	89,431	89,038	89,828	89,728	90,312
Debt securities	1,010	977	759	732	724	728	716	709
Loans	22,797	22,646	22,949	22,473	22,871	22,834	22,359	21,784
Shares	12,784	13,139	12,992	13,394	12,594	13,384	13,301	13,496
Other equity	29,603	32,581	34,020	34,848	35,237	35,602	35,991	36,517
Other	16,636	17,663	17,556	17,984	17,613	17,280	17,361	17,806
Monetary financial institutions								
Total	52,727	55,284	57,448	60,634	61,778	67,888	68,475	71,405
Monetary gold and SDRs	257	263	270	267	269	265	260	254
Currency and deposits	44,669	47,534	48,125	51,274	52,632	58,478	58,920	61,477
Debt securities	377	148	393	600	728	730	1,067	1,050
Loans	201	218	217	236	235	262	262	269
Shares	4,875	4,744	4,740	4,936	4,433	4,511	4,146	4,334
Other equity	1,896	1,957	3,048	2,797	2,751	3,039	3,253	3,489
Investment fund shares/units	55	79	57	56	90	74	71	71
Other	397	340	599	468	639	530	496	461
Other financial institutions								
Total	17,508	17,801	19,127	19,647	18,586	19,432	19,497	20,068
Debt securities	113	113	146	232	199	198	198	193
Loans	2,664	2,558	2,570	2,590	2,559	2,506	2,446	2,420
Shares	2,463	2,682	2,806	2,911	2,429	2,554	2,464	2,656
Other equity	1,225	1,511	1,516	1,676	1,873	1,953	1,924	2,061
Investment fund shares/units	2,518	2,317	2,791	2,952	2,458	2,800	2,903	3,160
Insurance and pension schemes	8,074	8,161	8,792	8,813	8,567	8,922	9,075	9,214
Other	449	459	506	472	501	499	487	364
General government								
Total	42,109	42,588	48,631	46,113	49,229	53,972	54,244	56,066
Currency and deposits	888	916	868	887	870	837	833	849
Debt securities	31,540	31,390	33,401	32,272	33,101	37,339	37,958	39,047
Loans	4,301	4,083	4,386	4,189	5,027	4,430	4,295	4,391
Shares	1,659	1,767	1,869	1,920	1,758	1,975	2,001	2,087
Other equity	550	738	801	888	889	896	898	970
Other	3,172	3,694	7,305	5,958	7,584	8,494	8,260	8,721
Households and NPISHs								
Total	13,391	14,187	14,699	14,777	14,657	14,610	14,837	14,796
Loans	11,674	12,358	12,863	13,004	12,974	12,893	13,053	13,057
Other	1,716	1,829	1,836	1,773	1,683	1,717	1,784	1,739
Rest of the world								
Total	46,617	49,063	55,345	56,099	58,254	61,455	61,494	62,881
Monetary gold and SDRs	345	356	388	384	398	406	403	392
Currency and deposits	7,512	9,161	11,399	12,097	14,854	17,625	16,891	16,856
Debt securities	16,044	16,138	17,100	17,042	16,463	16,743	17,191	17,527
Loans	4,645	4,823	5,280	5,374	5,357	5,525	5,516	5,693
Shares	3,712	3,663	3,970	4,131	3,700	4,075	4,225	4,965
Other equity	4,504	4,767	5,238	5,748	5,765	5,802	5,692	5,805
Investment fund shares/units	2,159	2,099	2,718	2,768	2,495	2,747	2,901	3,165
Insurance and pension schemes	148	141	153	155	157	161	160	159
Other	7,548	7,916	9,099	8,400	9,065	8,371	8,515	8,320

Table 9.11: Net financial assets

mio EUR	2017	2018	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4
Domestic sector	-11,042	-9,504	-9,963	-8,206	-8,922	-9,002	-9,181	-8,293
Non-financial corporations	-37,791	-39,915	-39,192	-40,343	-39,263	-40,056	-39,544	-39,329
Monetary financial institutions	1,670	1,311	1,165	817	1,387	1,516	1,386	1,324
Other financial institutions	643	612	604	520	583	619	751	817
General government	-11,719	-10,616	-14,403	-12,594	-14,853	-16,859	-17,632	-18,944
Households and NPISHs	36,155	39,104	41,862	43,394	43,225	45,777	45,858	47,839
Rest of the world	11,042	9,504	9,964	8,206	8,922	9,003	9,182	8,293

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Table 9.12: Non-consolidated transactions in financial assets, four quarter moving sum of flows

mio EUR	2017	2018	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4
Domestic sector								
Total	6,035	7,732	6,970	8,406	13,576	19,977	18,616	20,159
Monetary gold and SDRs	43	1	1	1	1	0	0	0
Currency and deposits	1,074	5,144	5,225	5,555	10,380	17,150	14,972	13,831
Debt securities	2,373	1,030	533	606	251	1,415	2,708	3,837
Loans	652	824	1,740	1,994	2,498	1,045	699	202
Shares	111	-863	-1,520	-658	-137	184	288	772
Other equity	223	572	526	654	613	556	368	633
Investment fund shares/units	256	101	174	216	311	342	339	477
Insurance and pension schemes	146	165	245	305	247	230	281	223
Other	1,156	759	46	-266	-588	-945	-1,039	184
Non-financial corporations								
Total	2,100	1,442	1,177	1,024	821	568	920	1,690
Currency and deposits	733	425	541	229	527	1,022	1,016	1,427
Debt securities	-18	21	-7	-14	-9	-33	-6	1
Loans	-51	44	377	587	254	307	296	-67
Shares	73	41	-198	-179	10	95	104	87
Other equity	134	285	259	533	542	521	344	304
Investment fund shares/units	15	1	-3	-31	-31	-22	-20	20
Insurance and pension schemes	6	-8	10	8	24	17	33	17
Other	1,208	632	198	-109	-495	-1,338	-846	-98
Monetary financial institutions								
Total	2,840	2,521	2,396	4,354	6,858	11,889	11,929	11,227
Monetary gold and SDRs	43	1	1	1	1	0	0	0
Currency and deposits	-505	1,251	1,135	3,195	5,144	10,031	9,080	6,693
Debt securities	2,403	837	177	131	-43	1,070	2,351	3,568
Loans	947	526	1,166	1,132	1,322	477	165	141
Shares	-24	-13	-43	-71	387	379	397	826
Other equity	46	23	-62	-31	-23	9	9	9
Investment fund shares/units	-1	1	30	40	47	54	61	70
Insurance and pension schemes	2	1	0	-2	-2	-4	-4	-4
Other	-71	-106	-8	-41	25	-128	-130	-75
Other financial institutions								
Total	94	272	302	527	617	547	599	469
Currency and deposits	-92	36	117	131	20	-121	-103	-102
Debt securities	10	137	329	415	274	356	352	275
Loans	29	38	-47	-32	-40	-14	-37	-94
Shares	44	-8	-278	-210	62	134	194	184
Other equity	-9	9	38	42	53	45	57	69
Investment fund shares/units	105	36	103	124	183	183	167	224
Insurance and pension schemes	11	4	3	16	45	33	25	14
Other	-5	18	38	40	19	-68	-57	-101
General government								
Total	-819	974	389	-446	2,524	3,625	2,152	2,810
Currency and deposits	-319	1,733	1,349	-287	2,486	3,594	2,588	2,984
Debt securities	-26	11	40	86	41	33	20	7
Loans	-315	18	185	220	894	117	84	50
Shares	-39	-929	-980	-194	-599	-467	-466	-442
Other equity	-6	19	42	38	2	1	1	0
Investment fund shares/units	11	16	31	3	16	14	-6	13
Insurance and pension schemes	0	-2	-1	2	-3	-9	-9	-5
Other	-124	108	-278	-314	-313	341	-60	203
Households and NPISHs								
Total	1,819	2,524	2,705	2,947	2,757	3,348	3,016	3,962
Currency and deposits	1,257	1,698	2,082	2,288	2,204	2,624	2,391	2,828
Debt securities	4	23	-6	-11	-12	-11	-9	-15
Loans	43	198	59	86	68	157	191	173
Shares	57	46	-22	-5	3	42	60	118
Other equity	59	236	250	72	40	-20	-43	252
Investment fund shares/units	126	47	13	79	96	114	136	149
Insurance and pension schemes	127	170	234	281	183	193	236	201
Other	147	106	97	158	175	249	54	256
Rest of the world								
Total	58	513	2,450	2,190	4,431	5,930	4,639	4,256
Monetary gold and SDRs	0	0	0	0	0	0	0	0
Currency and deposits	63	-647	759	1,020	1,344	1,273	1,328	1,196
Debt securities	45	-581	-672	-520	1,785	4,014	2,836	2,511
Loans	-1,724	-242	48	-247	-58	-104	-625	-242
Shares	273	860	1,505	843	354	148	80	89
Other equity	705	781	549	756	782	804	757	704
Investment fund shares/units	-1	0	-1	0	0	0	1	2
Insurance and pension schemes	5	20	48	27	27	32	30	55
Other	692	321	213	311	198	-238	232	-59

Table 9.13: Non-consolidated transactions in liabilities, four quarter moving sum of flows

mio EUR	2017	2018	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4
Domestic sector								
Total	4,240	5,516	4,539	5,806	11,187	18,234	16,961	18,059
Monetary gold and SDRs	0	0	0	0	0	0	0	0
Currency and deposits	3,205	2,847	2,187	3,670	6,118	11,181	10,810	10,239
Debt securities	-152	154	-342	-465	2,029	5,464	5,286	6,017
Loans	-973	340	1,131	1,094	1,889	561	-287	-392
Shares	195	-104	12	130	127	215	151	168
Other equity	747	949	834	805	798	813	782	1,231
Investment fund shares/units	29	5	26	86	108	101	134	150
Insurance and pension schemes	146	191	291	319	268	253	304	277
Other	1,043	1,133	401	169	-150	-353	-219	371
Non-financial corporations								
Total	1,665	1,455	978	978	431	135	44	307
Debt securities	93	-12	-263	-251	-245	-21	-53	-38
Loans	-503	-133	48	226	235	-95	-432	-613
Shares	202	6	73	61	59	117	97	122
Other equity	710	825	816	773	764	795	741	1,180
Other	1,164	769	304	168	-382	-660	-309	-343
Monetary financial institutions								
Total	2,642	2,356	2,439	4,225	6,807	11,510	11,540	10,776
Monetary gold and SDRs	0	0	0	0	0	0	0	0
Currency and deposits	3,127	2,824	2,168	3,701	6,138	11,198	10,845	10,270
Debt securities	-418	-229	317	454	582	339	679	467
Loans	1	17	6	18	6	45	45	33
Shares	-9	-110	-63	67	67	98	61	58
Other equity	0	0	0	0	0	0	0	0
Investment fund shares/units	-44	25	5	-10	29	13	15	16
Other	-15	-171	7	-5	-15	-182	-105	-68
Other financial institutions								
Total	21	192	340	604	499	388	409	211
Debt securities	-8	1	33	119	90	56	56	-35
Loans	-251	-89	-28	47	77	13	-83	-152
Shares	2	0	1	0	1	1	-7	-12
Other equity	37	109	18	31	34	18	41	51
Investment fund shares/units	74	-20	21	96	79	88	119	134
Insurance and pension schemes	146	191	291	318	267	253	304	277
Other	22	-1	2	-10	-52	-43	-22	-53
General government								
Total	-789	654	99	-645	2,996	5,925	4,762	6,676
Currency and deposits	78	23	17	-34	-22	-19	-35	-32
Debt securities	181	395	-429	-787	1,602	5,090	4,604	5,622
Loans	-915	-211	383	107	1,034	295	-86	208
Shares	0	0	1	1	0	0	0	0
Other equity	0	15	0	0	0	0	0	0
Other	-132	433	128	68	382	558	278	878
Households and NPISHs								
Total	700	858	683	645	454	276	207	89
Loans	696	755	723	696	538	303	268	132
Other	5	103	-40	-52	-83	-27	-62	-42
Rest of the world								
Total	1,853	2,730	4,880	4,789	6,819	7,674	6,293	6,356
Monetary gold and SDRs	43	1	1	1	1	0	0	0
Currency and deposits	-2,068	1,650	3,797	2,905	5,606	7,242	5,489	4,789
Debt securities	2,570	295	203	551	7	-35	258	331
Loans	-98	242	657	653	550	381	361	352
Shares	189	96	-26	55	90	117	218	693
Other equity	182	409	241	605	597	548	343	106
Investment fund shares/units	226	96	148	130	203	241	206	329
Insurance and pension schemes	5	-7	2	13	6	9	6	1
Other	804	-52	-142	-124	-240	-829	-588	-246

Table 9.14: Net financial transactions, four quarter moving sum of flows

mio EUR	2017	2018	19Q3	19Q4	20Q1	20Q2	20Q3	20Q4
Domestic sector	1,795	2,217	2,431	2,600	2,389	1,744	1,655	2,100
Non-financial corporations	434	-13	200	46	390	433	876	1,383
Monetary financial institutions	198	165	-43	129	51	379	389	452
Other financial institutions	73	80	-38	-77	117	159	190	259
General government	-30	319	290	199	-472	-2,299	-2,610	-3,867
Households and NPISHs	1,119	1,666	2,022	2,303	2,302	3,072	2,810	3,873
Rest of the world	-1,795	-2,217	-2,431	-2,600	-2,389	-1,744	-1,655	-2,100

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 a 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 Banka Slovenije 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 Banka Slovenije discloses the balance sheet of the Banka Slovenije 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.