

# BANKA --- SLOVENIJE

BANK OF SLOVENIA  
EUROSYSTEM

## ECONOMIC AND FINANCIAL DEVELOPMENTS

APRIL 2017

Title: Economic and Financial Developments  
No.: April 2017

Published by: BANKA SLOVENIJE  
Slovenska 35  
1505 Ljubljana  
tel.: +386 1 47 19 000  
fax: +386 1 25 15 516  
e-mail: [bsl@bsi.si](mailto:bsl@bsi.si)  
<http://www.bsi.si/>

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This publication is also available in Slovene.

ISSN 2385-9784

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## Executive Summary

*The economic outlook in the international environment from the beginning of this year has provided the basis for continuing rapid growth in Slovenia's export sector. According to the latest forecasts by international institutions, global growth this year is expected to be higher than last year. At the same time the economic sentiment in the euro area in the first quarter of this year was high, irrespective of the uncertainty in the international environment. The latest assessment based on the Consensus forecasts also suggest that aggregate growth in Slovenia's main trading partners will be slightly higher in 2017 and 2018. The monetary policies of the ECB and the Fed became even more divergent in March, the Fed having raised its key interest rate again, while the ECB continued to pursue non-standard measures. The euro remained relatively stable against the US dollar in March, while oil prices fell. The year-on-year decline in the euro is making it easier for domestic exporters to penetrate foreign markets, while the stop in the rises of oil prices in March slowed the deterioration in the terms of trade.*

*The Slovenian economy recorded one of the highest economic growth rates in the euro area last year without support from government investment. The export sector expanded the volume of exports by close to 6% for the third consecutive year, while growth in value-added in industry was significantly higher than the euro area average. In line with the strengthening of the domestic market and growth in exports, value-added in services also increased significantly. Construction was the sole drag on economic activity, as a result of the large decline in government investment caused by the uneven disbursement of EU funds. By contrast, corporate investment in machinery and equipment strengthened significantly, which is vital for increasing the country's economic potential, and the new cycle of corporate investment is already being reflected in a narrower saving-investment gap in the corporate sector. Growth in domestic final consumption was also higher than across the euro area, as employment out-performed expectations and the government relaxed austerity measures, while consumer loans also began to grow. Import growth began to outpace export growth as a result, and the contribution made to GDP growth by net trade turned negative at the end of the year. The economy has continued to flourish in the early part of this year: the economic sentiment is high, while the labour market and consequently domestic demand are strengthening further, and there was a sharp increase in exports in January.*

*Employment growth has remained rapid, while on the labour market an increasingly evident role is being played by foreign workers, who for the moment are merely compensating for the net emigration of residents. The workforce in employment excluding farmers was up 3.4% in year-on-year terms in January, while various surveys suggest that growth will continue in the first half of this year. Economic growth remains extensive, and is continuing to be primarily driven by employment, while growth in labour productivity is extremely low: it stood at just 0.6% last year. The background to this pattern remains high unemployment, which for the moment is still ensuring an adequate supply of labour. At the same time employment of foreign workers is strengthening sharply; they accounted for almost a quarter of overall growth in employment last year, thereby resuming the pattern seen in the period of overheating before the crisis, but now with simultaneous net emigration. Accordingly the number of registered unemployed is falling sharply: in the first quarter it was down more than 12% on average in year-on-year terms. Should these trends persist, the excess supply of labour could be exhausted over the medium term, and continuing economic growth would depend on the economy's ability to change over to an intensive, productivity-driven model of growth. This would also require a change in economic policy in the direction of the differentiation and selection of business entities according to quality.*

*The beginning of the year was extremely favourable for the export sector. Nominal year-on-year growth in exports of goods and services exceeded 14% in January. The increase in demand for goods was driven primarily by the euro area, but also by Russia, where exports have risen rapidly in recent months in the wake of a year-on-year rise in the rouble. The vast majority of categories of export products and services recorded higher growth. The rise in imports was even stronger, while their structure is indicative of further growth in private-sector investment and consumption. Although growth in domestic demand and import prices is gradually narrowing the goods trade surplus, the current account surplus remains high as a result of the increasing surplus of trade in services and the narrowing deficit in capital income. It amounted to 6.9% of GDP over the 12 months to January.*

*Last year's improvement in Slovenia's fiscal position outperformed the plans of the Ministry of Finance, and a further reduction of the deficit is also expected this year. Slovenia reduced its general government deficit to 1.5% of GDP in 2016 according to current data, having expected a deficit of 2.2% of GDP. This year's deficit should be smaller than planned in the current budget, as additional improvements in the economic situation are expected, which will raise government tax revenues. At the same time the pace of disbursement of money from EU funds is expected to increase, which means that government investment should no longer act as a brake on economic growth. However, expenditure will also increase, but the key is that growth in expenditure remains within the bounds of the current budget.*

*Although domestic price pressures are also strengthening, the leap in inflation in the first quarter of this year was primarily the result of external factors. Inflation as measured by the HICP averaged 2.0% in the first quarter of the year, outpacing the euro area average by 0.4 percentage points, primarily because the basket of goods and services for Slovenian households contains an above-average proportion of motor fuels, which are under the direct influence of movements in oil prices on global markets. There was a particular sharp rise in inflation in February, when it reached 2.5%. Both in Slovenia and across the euro area large rise was the result of base effects from the beginning of last year, and new rises in energy prices caused by rises in global oil prices. The rise in inflation was also largely attributable to a rise in prices of unprocessed food, which reflected a supply shock in the market for fresh food caused by bad weather in southern Europe. The relatively high growth in domestic demand and the increase in unit labour costs in the wake of stalled productivity growth are not yet having a stronger impact on price developments: growth in the narrowest core inflation indicator stood at just 0.7% in the first quarter.*

# **Main macroeconomic indicators**

|  | 2014                           | 2015  | 2016  | 16Q2  | 16Q3  | 16Q4  | 2014             | 2015  | 2016  | 16Q2  | 16Q3  | 16Q4  |
|--|--------------------------------|-------|-------|-------|-------|-------|------------------|-------|-------|-------|-------|-------|
|  | <i>Slovenia</i>                |       |       |       |       |       | <i>euro area</i> |       |       |       |       |       |
| <b>Economic developments</b>                                 | <i>y-o-y growth rates in %</i> |       |       |       |       |       |                  |       |       |       |       |       |
| GDP  | 3.1                            | 2.3   | 2.5   | 2.7   | 2.5   | 2.6   | 1.2              | 2.0   | 1.7   | 2.3   | 1.7   | 1.3   |
| - industry   | 4.5                            | 1.5   | 5.6   | 6.8   | 5.7   | 4.8   | 2.4              | 4.3   | 1.4   | 2.8   | 0.7   | 1.0   |
| - construction   | 9.2                            | -1.3  | -12.3 | -13.2 | -9.2  | -9.2  | -1.1             | -0.1  | 1.8   | 2.5   | 2.2   | 1.3   |
| - mainly public sector services                              | 0.1                            | 1.0   | 2.3   | 1.8   | 2.1   | 3.5   | 0.5              | 1.0   | 1.1   | 1.2   | 1.3   | 0.9   |
| - mainly private sector services                             | 4.7                            | 2.5   | 2.6   | 3.1   | 2.7   | 2.5   | 1.3              | 2.1   | 1.8   | 2.4   | 1.7   | 1.4   |
| Domestic expenditure   | 1.8                            | 1.4   | 2.4   | 2.8   | 1.7   | 3.7   | 1.2              | 1.9   | 2.0   | 2.6   | 1.7   | 1.3   |
| - general government   | -1.2                           | 2.4   | 2.6   | 2.0   | 1.7   | 2.8   | 0.6              | 1.3   | 1.8   | 2.1   | 1.6   | 1.6   |
| - households and NPISH                                       | 2.0                            | 0.5   | 2.8   | 3.5   | 2.1   | 4.0   | 0.8              | 1.8   | 2.0   | 2.2   | 1.7   | 1.8   |
| - gross capital formation                                    | 4.3                            | 2.8   | 1.0   | 1.6   | 0.5   | 3.8   | 3.2              | 2.5   | 2.1   | 4.5   | 1.9   | -0.3  |
| - gross fixed capital formation                              | 1.4                            | 1.0   | -3.1  | -3.5  | -2.5  | 0.9   | 1.5              | 3.2   | 2.6   | 5.1   | 2.1   | 1.0   |
| - inventories and valuables, contr. to GDP growth in pp      | 0.6                            | 0.4   | 0.8   | 1.0   | 0.6   | 0.5   | 0.3              | -0.1  | -0.1  | -0.1  | 0.0   | -0.3  |
| <b>Labour market</b>   |                                |       |       |       |       |       |                  |       |       |       |       |       |
| Employment   | 0.4                            | 1.1   | 2.0   | 2.0   | 2.1   | 2.4   | 0.6              | 1.0   | 1.3   | 1.4   | 1.2   | 1.1   |
| - mainly private sector services                             | 0.5                            | 1.2   | 2.0   | 2.0   | 2.1   | 2.3   | 0.4              | 1.0   | 1.3   | 1.4   | 1.2   | 1.2   |
| - mainly public sector services                              | 0.4                            | 0.8   | 2.2   | 2.1   | 2.4   | 2.7   | 1.0              | 1.0   | 1.2   | 1.3   | 1.2   | 1.0   |
| Labour costs per employee                                    | 1.3                            | 1.4   | 2.2   | 3.2   | 1.6   | 1.5   | 1.3              | 1.3   | 1.2   | 1.2   | 1.3   | 1.2   |
| - mainly private sector services                             | 2.3                            | 1.5   | 1.4   | 2.0   | 0.7   | 1.0   | 1.4              | 1.3   | 1.2   | 1.2   | 1.2   | 1.1   |
| - mainly public sector services                              | -2.0                           | 1.2   | 5.0   | 4.0   | 5.0   | 5.0   | 1.1              | 1.1   | 1.3   | 1.2   | 1.5   | 1.3   |
| Unit labour costs  | -2.0                           | 0.3   | 1.7   | 2.3   | 1.1   | 1.2   | 0.7              | 0.4   | 0.9   | 0.4   | 0.9   | 1.0   |
| - industry   | -0.8                           | 1.1   | -0.7  | -1.6  | -1.3  | 0.0   | -0.7             | -2.3  | 0.2   | -1.3  | 0.9   | 0.4   |
|  | <i>in %</i>                    |       |       |       |       |       |                  |       |       |       |       |       |
| LFS unemployment rate  | 9.8                            | 9.0   | 8.0   | 7.8   | 7.3   | 8.1   | 11.7             | 10.9  | 10.0  | 10.0  | 9.6   | 9.8   |
| <b>Foreign trade</b>   | <i>y-o-y growth rates in %</i> |       |       |       |       |       |                  |       |       |       |       |       |
| Current account balance as % of GDP                          | 6.2                            | 5.2   | 6.8   | 6.5   | 6.7   | 6.8   | 2.3              | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   |
| External trade balance as contr. to GDP growth in pp         | 1.4                            | 1.1   | 0.3   | 0.2   | 0.9   | -0.8  | 0.0              | 0.2   | -0.1  | -0.3  | 0.1   | 0.0   |
| Real export of goods and services                            | 5.7                            | 5.6   | 5.9   | 7.6   | 5.6   | 4.6   | 4.4              | 6.5   | 2.9   | 3.9   | 2.2   | 3.1   |
| Real import of goods and services                            | 4.2                            | 4.6   | 6.2   | 8.4   | 5.0   | 6.3   | 4.9              | 6.5   | 3.5   | 5.0   | 2.4   | 3.3   |
| <b>Financing</b>   | <i>in % of GDP</i>             |       |       |       |       |       |                  |       |       |       |       |       |
| Banking system's balance sheet                               | 116.6                          | 107.7 | 100.8 | 102.0 | 100.3 | 100.8 | 298.1            | 283.3 | 277.7 | 288.2 | 283.1 | 277.7 |
| Loans to NFCs  | 31.5                           | 26.5  | 22.8  | 24.2  | 23.1  | 22.8  | 40.2             | 38.8  | 38.0  | 38.6  | 38.2  | 38.0  |
| Loans to households  | 21.4                           | 21.2  | 21.4  | 21.1  | 21.1  | 21.4  | 50.6             | 50.1  | 49.7  | 49.7  | 49.6  | 49.7  |
| <b>Inflation</b>   | <i>in %</i>                    |       |       |       |       |       |                  |       |       |       |       |       |
| HICP   | 0.4                            | -0.8  | -0.2  | -0.4  | 0.0   | 0.7   | 0.4              | 0.0   | 0.2   | -0.1  | 0.3   | 0.7   |
| HICP excl. energy, food, alcohol and tobacco                 | 0.7                            | 0.3   | 0.7   | 0.9   | 0.8   | 0.8   | 0.8              | 0.8   | 0.9   | 0.8   | 0.8   | 0.8   |
| <b>Public finance</b>  | <i>in % of GDP</i>             |       |       |       |       |       |                  |       |       |       |       |       |
| Debt of the general government                               | 80.9                           | 83.1  | 79.7  | 82.5  | 82.8  | 79.7  | 92.0             | 90.3  | ...   | 91.2  | 90.1  | ...   |
| One year net lending/net borrowing of the general government | -5.3                           | -2.7  | -1.5  | -1.6  | -1.5  | -1.5  | -2.6             | -2.1  | ...   | -1.8  | -1.7  | ...   |
| - interest payment   | 3.2                            | 2.9   | 3.0   | 3.0   | 3.0   | 3.0   | 2.7              | 2.4   | ...   | 2.3   | 2.2   | ...   |
| balancedeficit   | -2.1                           | 0.3   | 1.4   | 1.3   | 1.5   | 1.4   | 0.1              | 0.3   | ...   | 0.5   | 0.5   | ...   |
| - balance excl. bank recapitalisations                       | -4.3                           | -2.7  | -1.5  | -1.6  | -1.5  | -1.5  |                  |       |       |       |       |       |
| - primary balance excl. bank recapitalisations               | -1.2                           | 0.3   | 1.4   | 1.3   | 1.5   | 1.4   |                  |       |       |       |       |       |

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



# 1 | International Environment

Global economic growth forecasts remained solid at end of the first quarter of this year. The euro area continued to record moderate economic growth in the final quarter of last year, and the available figures suggest that growth remained similar in the first quarter of 2017. The situation on the labour market is improving, and consumer confidence and economic sentiment remain above their long-term averages. The latest weighted forecasts based on the Consensus forecasts also suggest that aggregate growth in Slovenia's main trading partners will be slightly higher in 2017 and 2018, which is providing a good outlook for growth in Slovenian exports. The monetary policies of the ECB and the Fed became even more divergent in March, the Fed having raised its key interest rate again, while the ECB continued to pursue non-standard measures. Oil prices in March were down on February, while the euro remained relatively stable against the US dollar.

## Global economy

**Global economic growth in 2016 remained at a similar level to the previous year.** Real GDP growth in the US slowed in the final quarter of last year, to stand at just 1.6% over the year as a whole, the lowest figure of the last three years. The slowdown in economic growth was



primarily the result of slower export growth and reductions in federal, state and local expenditure on consumption and investment. The unemployment rate fell to 4.7% in February. In the BRIC countries, there was a modest slowdown in growth in China, where real GDP rose by 6.7% last year, the lowest figure of the last five years. The recession in Brazil eased slightly, but nevertheless remained sharp. Russia meanwhile gradually emerged from recession, while year-on-year economic growth remained strong in India, at more than 7%. In the other major economies there was a gradual increase in economic activity in Japan, the year-on-year rate of growth reaching 1.6% in the final quarter, the highest figure of the year, while in the UK the rate stood at 2.0%, unchanged from the third quarter. The sources of global economic growth thus remained profoundly dispersed in 2016.

**According to the latest forecasts by international institutions, global economic growth in 2017 will be higher than in 2016.** Current forecasts for global GDP growth in 2017 range from 2.7% to 3.4%,<sup>1</sup> essentially

<sup>1</sup> IMF: 3.4%; European Commission: 3.4%; OECD: 3.3%; World Bank: 2.7%.

unchanged from the previous forecasts. The forecasts for 2017 and 2018 were revised slightly upwards for individual advanced economies and BRIC countries. In its latest forecasts in March the OECD raised its growth forecast for China to 6.5% in 2017 and 6.3% in 2018. The OECD also raised its forecast for Brazil, where the recession is predicted to gradually ease after the sharp contraction of 2015 and 2016, and GDP is forecast to increase slightly in 2018. According to the OECD forecasts, moderate economic growth will continue in the majority of advanced economies, and will actually strengthen in some, most notably in the UK, Japan, Canada and individual euro area countries.

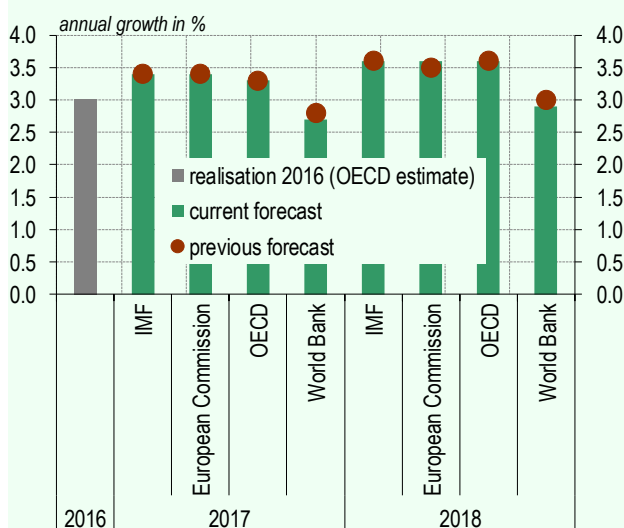
**There are also upside risks to global growth, in addition to the numerous downside risks.** The economic sentiment remains high in many advanced economies, although shocks in the political environment, such as the official triggering of the Brexit process, the lack of clarity surrounding protectionist trade policy in the US and the renewal of sanctions against Russia, are increasing the uncertainty surrounding economic policy. In the EU the impacts of exit of Great Britain have been insignificant to date, but are expected to increase in 2017. Certain structural weaknesses in individual euro area countries, such as the labour market and the persistently high proportion of high-risk loans at individual major banks, entail economic and financial risks, which could increase in the wake of the normalisation of US monetary policy and any slowdown in growth in emerging Asian countries. The

adverse impact of the normalisation of US monetary policy on emerging countries, particularly those that borrowed in US dollars, could cause significant shocks on global financial markets. Geopolitical risks are also high, most notably as a result of instability in Syria and Turkey, and the general uncertainty surrounding terrorism. Potential fiscal stimulus in the US and reforming policies that could entail a greater contribution to growth than currently assessed constitute an upside risk entailing higher global economic growth.

## Euro area

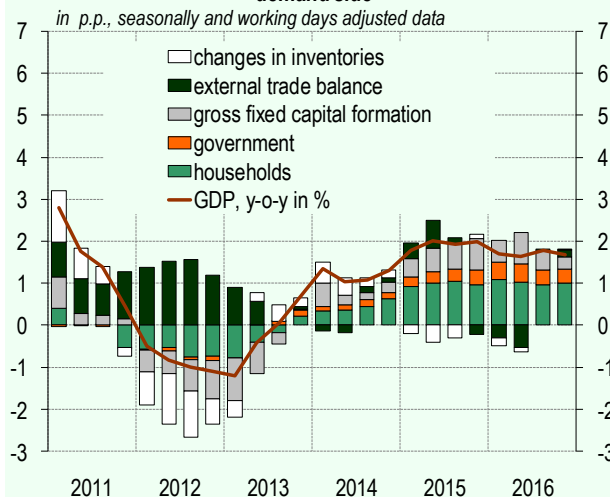
**Economic growth in the euro area remained moderate in the final quarter of 2016, taking the total rate over year as a whole to 1.7%.** Quarterly growth again stood at 0.4%, unchanged from the third quarter, while the year-on-year rate stood at 1.7%. According to the figures adjusted for the season and the number of working days, the largest contribution of 1 percentage point to year-on-year growth came from growth in private consumption, which was encouraged by employment growth. The employment rate increased in the final quarter to 0.3% relative to the previous quarter, and to 1.1% in year-on-year terms. Gross fixed capital formation accounted for 0.3 percentage points of year-on-year GDP growth, which was also the contribution made by government consumption, while the contribution made by net trade was positive in the amount of 0.1 percentage

**Figure 1.2: Global GDP growth in 2017 and 2018**



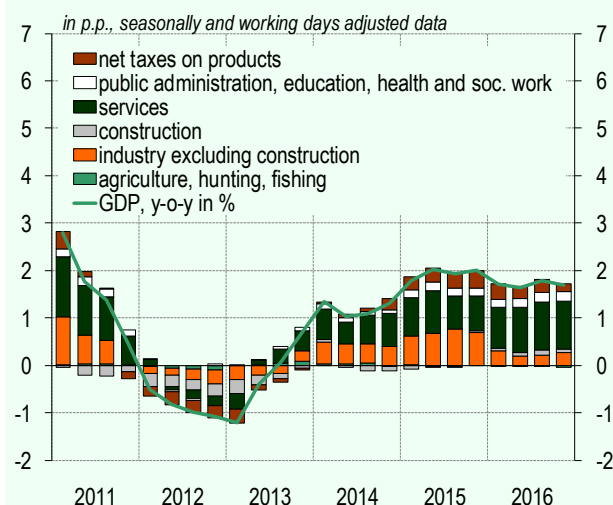
Source: IMF, European Commission, OECD, World Bank.

**Figure 1.3: Structure of GDP growth in the euro area – demand side**



Source: Eurostat, Bank of Slovenia calculations.

**Figure 1.4: Structure of GDP growth in the euro area – production side**

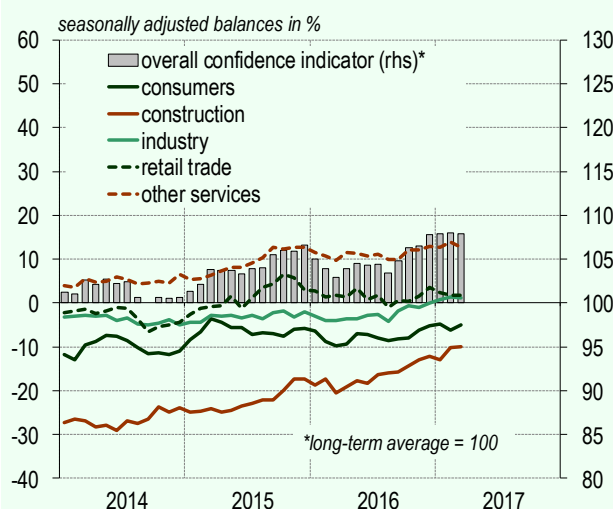


Source: Eurostat, Bank of Slovenia calculations.

points as export growth outpaced import growth. In the sectoral breakdown according to figures adjusted for the season and the number of working days, the largest contribution to growth came from services, at 1 percentage point. This was followed by industry and public services, which accounted for 0.3 percentage points and 0.2 percentage points respectively, and by construction, which accounted for 0.1 percentage points. As economic activity remained solid in the final quarter of 2016, real GDP grew by 1.7% last year, primarily as a result of robust domestic private consumption in the wake of favourable export developments, although investment remained modest.

**The economic sentiment in the euro area is up on last year and remains above its long-term average.** Industrial production in January was up in monthly terms, but the year-on-year rate of growth slowed to 0.6%. Construction activity declined sharply as a result of the significant decline in activity in civil engineering work: it was down just over 2% in monthly terms in January, while the year-on-year decline exceeded 6%. The decline in construction activity may have been attributable to the weather conditions and the changeover to a new European financial framework. Turnover in the retail sector in January was down slightly on the previous month for the third consecutive month, although year-on-year growth remained positive, at 1.2%. The situation on the labour market remains favourable as the harmonised unemployment rate fell to 9.5% in February. The economic sentiment in

**Figure 1.5: Confidence indicators – euro area**

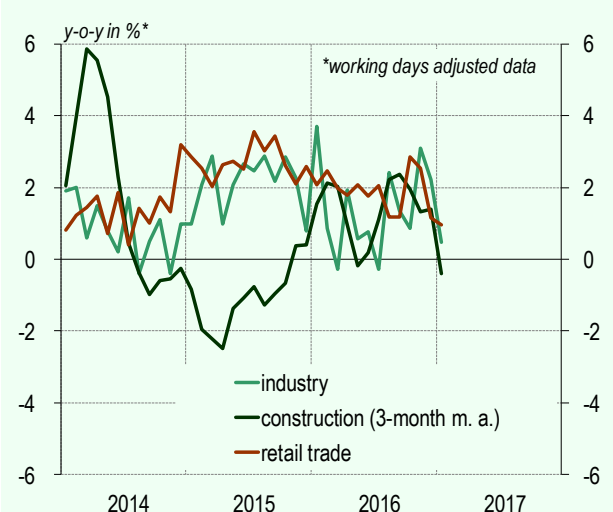


Source: European Commission.

the first quarter of 2017 was up in quarterly and year-on-year terms, and stood above its long-term average, but deteriorated slightly in March, primarily as a result of a decline in the service sector, where all components of the indicator declined, including demand expectations. Consumer confidence strengthened sharply in March: it was up just over 1 percentage point as a result of improved expectations regarding the general economic situation and employment, and expectations of increased saving.

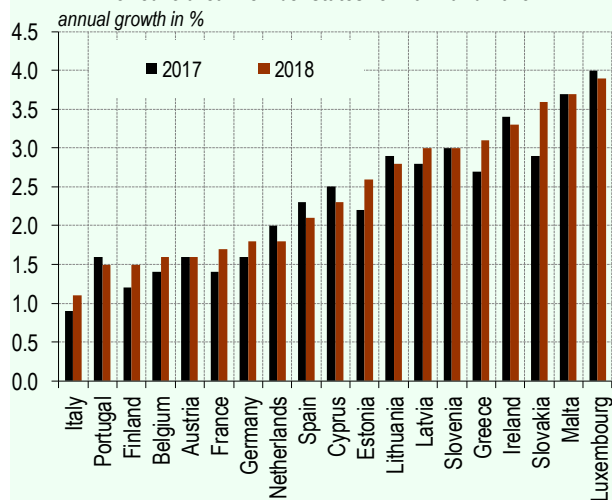
**Economic growth in the euro area in 2017 and 2018 is forecast at a similar level to 2016.** Consensus left its economic growth forecasts for the euro area unchanged in March at 1.6% for 2017 and 1.5% for 2018. In Febru-

**Figure 1.6: High frequency indicators for euro area**



Source: Eurostat, Bank of Slovenia calculations.

**Figure 1.7: European Commission GDP growth forecasts for euro area member states for 2017 and 2018**



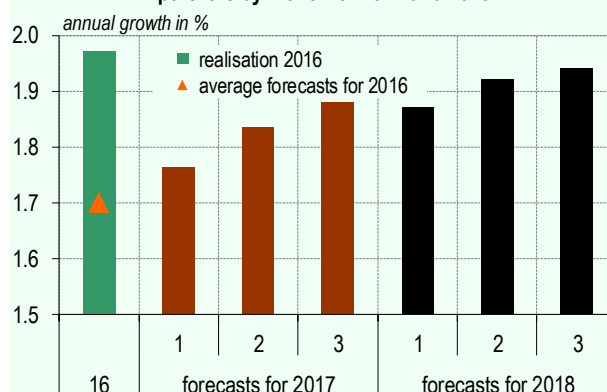
Source: European Commission.

ary 2017 the European Commission forecast growth of 1.6% in 2017 and 1.8% in 2018. In the assessment of the European Commission, the political uncertainties in the wider global environment and the uncertainty surrounding the exit negotiations with the UK could have a long-lasting impact on economic developments in the euro area and the EU. External factors, oil prices in particular, are forecast to have less impact on this year's economic growth, while the impact of internal factors will increase, most notably domestic consumption in connection with the favourable developments on the labour market in the wake of expansionary monetary policy measures.

## Slovenia's trading partners

**The weighted average economic growth forecast for Slovenia's major trading partners was raised at the end of the first quarter, for both 2017 and 2018.** Consensus left its economic growth forecasts for 2017 for Germany, France and Italy unchanged in March, at 1.4%, 1.3% and 0.8% respectively, while raising its forecast for Austria by 0.1 percentage points to 1.5%. There was no change in March in the forecasts for 2018 for the aforementioned countries. An improvement in economic activity is also expected in Slovenia's major trading partners in south-eastern Europe, and also in Russia, which is expected to record positive growth of just over 1% in 2017 and even 1.6% in 2018. In March Consensus revised its growth forecasts for Croatia upwards for both

**Figure 1.8: Weighted forecasts for Slovenia's major trading partners by month for 2017 and 2018**



Note: Includes trading partners with at least 1% share in Slovenia's total exports of goods in the last 12 months with available data (more than 20 trading partners with a total share of around 90 %). Growth estimates for 2016 and forecasts for 2017 and 2018 are weighted with each country's share in total exports of goods.

Source: Consensus Economics, Bank of Slovenia calculations.

years, to 3.0% in 2017 and 2.7% in 2018. The favourable forecasts are attributable to growth in household consumption, while the main factors acting to slow further economic growth in individual countries are internal political risks and geopolitical risks.

## Euro exchange rate and commodity prices

**The divergence between the monetary policies of the ECB and the Fed widened again in the first quarter of 2017, but the euro remained stable against the US dollar.** In March the Fed raised its key interest rate for the third time since December 2015, by 0.25 percentage points to a band of 0.75% to 1.00%. The rise was attributable to good data from the labour market, the approach of full employment, and rising inflation. In contrast to the tightening of monetary policy in the US, the ECB left its key interest rates unchanged in March: the rate on main refinancing operations remained at zero, while the marginal lending facility and the deposit facility rate remained at 0.25% and -0.40%, respectively. The ECB's monthly securities purchases remained at the level of EUR 80 billion until the end of March, before being reduced to EUR 60 billion from April until at least the end of December 2017, or longer until inflation approaches its target rate. The ECB's continuing very loose monetary policy and the gradual tightening of monetary policy in the US are holding down the euro. The euro exchange rate aga-

inst the US dollar fluctuated around USD 1.10 in the second half of 2016, but averaged USD 1.07 in March 2017.

**Having risen significantly in December 2016 and remained stable over the first two months of 2017, oil prices fell in March.** The price of a barrel of Brent crude averaged USD 43 in November, but rose to USD 51 in December. The rise was partly attributable to an agreement by Opec members to reduce pumping from the beginning of 2017. There was nevertheless no significant change in the price of a barrel of Brent crude over the first two months of the year: it averaged USD 52. This was followed by a monthly fall of almost 7% in March to USD 49. Having strengthened significantly in the second half of 2016, prices of other commodities, industrial commodities in particular, continued to rise in the first two months of this year, although a downward correction followed in March, as primary commodity prices fell by 2.4% overall. Despite the monthly fall, prices of oil and other commodities were up significantly in year-on-year terms in March: oil prices were up 38%, and primary commodity prices were up 12%.

## International capital markets

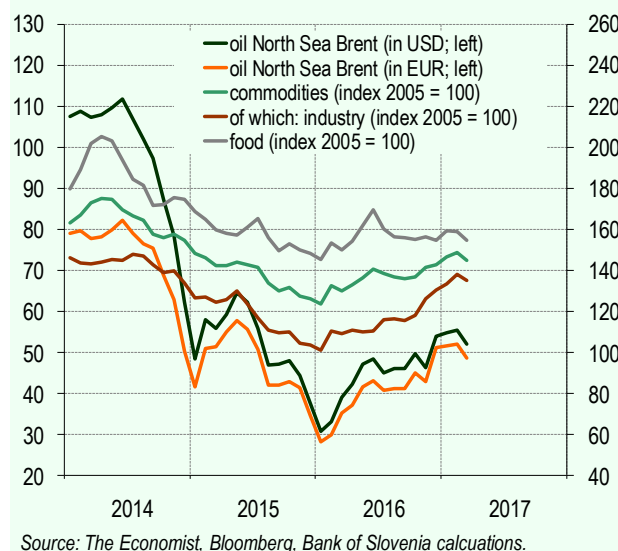
**The rise on foreign stock markets continued in early 2017, indices in the US reaching record levels.** Share investors focused on the solid data from the US labour market during the first two months of the year, and consequently on the potential faster normalisation of monetary policy in the US. The benchmark S&P 500 index rose by 5.6% over the first two months of the year to 2363.6 points.

**Confidence indicators in Europe were also on the rise, while forecasts for economic growth in the euro area were revised upwards.** The latter was confirmed at the most recent meeting of the Governing Council of the ECB, at which there was also an assessment that inflation remains at low levels, and there are not yet any convincing signs of it rising. The benchmark index for western Europe, the SXXE, rose by just 1.4% over the aforementioned period. European share investors still have concerns over the terms of the UK's exit from the

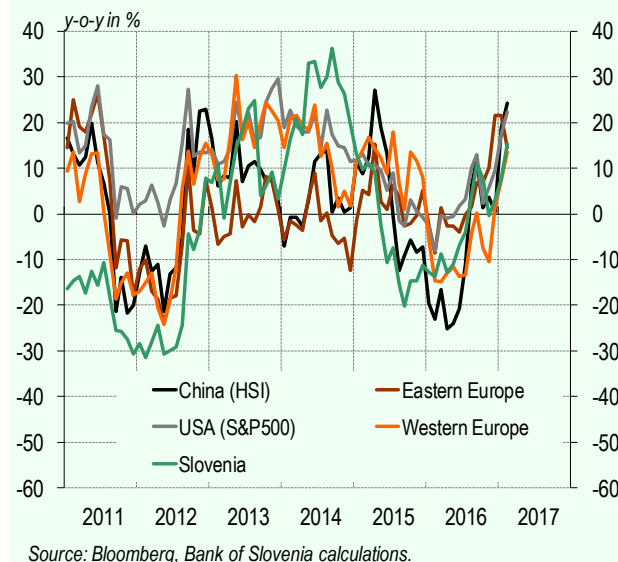
**Figure 1.9: Euro/US dollar exchange rate and central bank interest rates**



**Figure 1.10: Commodities**



**Figure 1.11: Stock exchange indices**



EU, the rise of far right political parties, and the upcoming elections in certain euro area countries. Volatility on the stock markets increased in the first half of March as a result of a loss of confidence in the ability of the new US president to carry out the promised reforms, and the official triggering of the Brexit process.

## 2 | Economic Developments

The Slovenian economy recorded one of the highest economic growth rates in the euro area last year without support from government investment. The export sector expanded exports by close to 6% for the third consecutive year, while growth in value-added in industry was the main reason that aggregate growth in value-added across the euro area was outperformed. In line with the strengthening of the domestic market and growth in exports, value-added in services also increased significantly. Construction was the sole retarding factor, as a result of the large decline in government investment caused by the uneven disbursement of EU funds. Construction investment was also the sole factor reducing aggregate gross fixed capital formation. By contrast, corporate investment in machinery and equipment strengthened significantly, which is vital for increasing the country's economic potential. Growth in domestic final consumption was also higher than across the euro area, as employment outperformed expectations and the government relaxed austerity measures, while consumer loans also began to grow. Import growth began to outpace export growth as a result, and the contribution made to GDP growth by net trade turned negative at the end of the year. The economy has continued to flourish in the early part of this year: the economic sentiment is high, while the labour market and consequently domestic demand are strengthening further, and there was a sharp increase in exports in January.

### Confidence indicators

The economic sentiment in the first quarter of this year was at its best since 2007. The continuing rise in confidence in the economy was broadly based across all sectors. Manufacturing firms gave very favourable assessments of current and expected demand on the domestic and foreign markets, while assessments of output were also high. Confidence also strengthened in retail and other services, where firms assess current and expected demand as very favourable. The SORS survey indicators also suggest a further recovery in construction: in the first quarter firms' assessment of growth in the amount of construction put in place was positive for the third consecutive quarter. Consumer confidence also remained high.

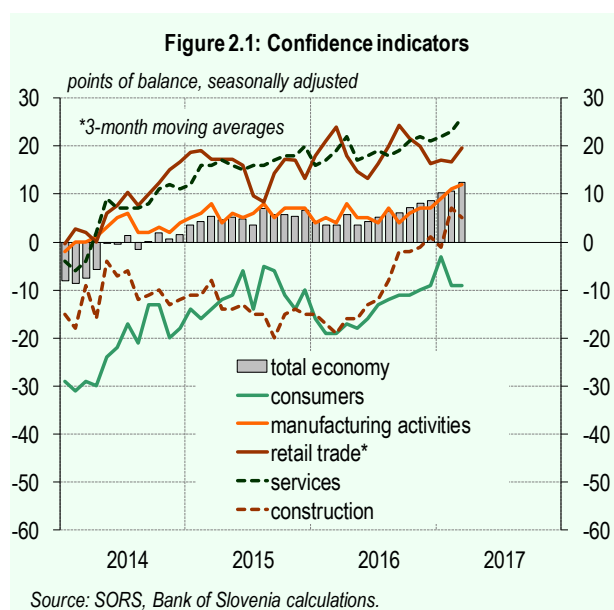
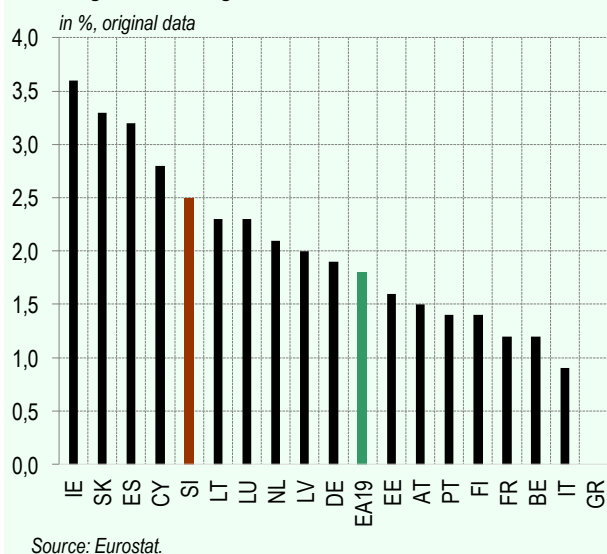


Figure 2.2: GDP growth in euro area members in 2016



## GDP

**Economic growth in Slovenia was among the highest in the euro area last year.** It reached 2.5%, the fifth highest rate in the euro area. It outperformed the euro area average by 0.7 percentage points, most notably in value-added in industry. The rise in value-added in private-sector services and public services was also slightly stronger than the euro area average, the former as a result of growth in the domestic market and accelerated growth in exports, and the latter primarily as a result of a rise in employment, which was particularly pronounced at the end of the year. Although the situation in construction began to gradually stabilise after the first quarter of last year, the decline in value-added in construction over the year was nevertheless significant, and prevented growth from outperforming the euro area average by a larger margin. Economic growth would have exceeded 3% if construction is ignored.

**Growth in value-added in industry remained high at the end of last year.** In the wake of high growth in sales revenues on foreign markets, where growth in markets outside the euro area was particularly notable, and an increase in inventories, value-added in industry in the final quarter of last year was up almost 5% in year-on-year terms. The vast majority of major manufacturing activities contributed to this growth. One notable exception was the manufacture of vehicles, which recorded a

Figure 2.3: Differences in y-o-y growth rates of GDP components between Slovenia and the euro area - production side\*

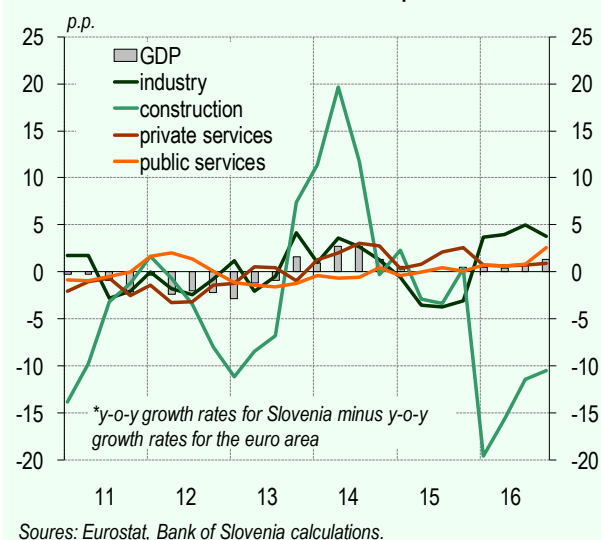
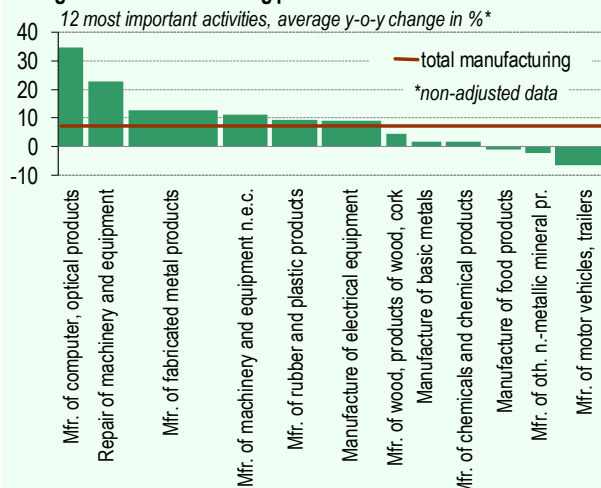
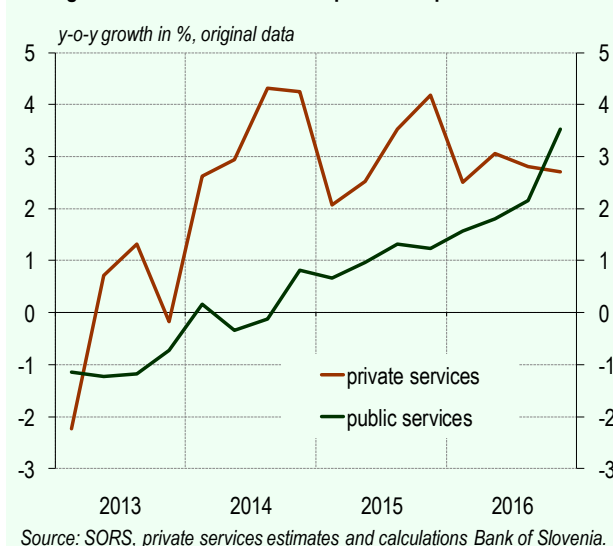


Figure 2.4: Manufacturing production: Oct. 2016 – Dec. 2016

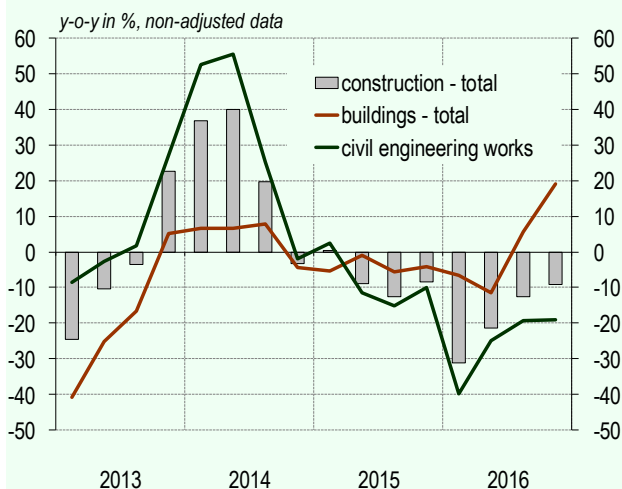


Source: SORS, Bank of Slovenia calculations. Notes: Width of each column represents a share of activity in total value added in manufacturing in 2015. Pharmaceuticals are not included due to data confidentiality.

Figure 2.5: Real value added in public and private services



**Figure 2.6: Volume of construction put in place**

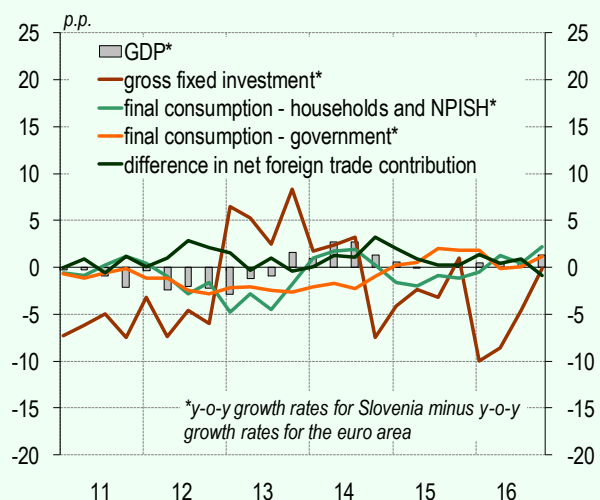


Source: SORS, Bank of Slovenia calculations.

temporary decline of 6%, although high growth is expected as early as the end of the first quarter of this year, prompted by the production cycle at Revvoz. Industry accounted for 1.3 percentage points of GDP growth last year, the highest figure of any sector.

**Activity in the service sector strengthened last year, as a result of strengthening private consumption, accelerated growth in exports and a rise in employment.** Value-added in private-sector services increased by 2.8% last year, the rate remaining solid even at the end of the year. The majority of the growth was attributable to wholesale and retail trade and repair of motor vehicles and motorcycles, transportation and storage, and accommodation and food service activities, where value-added was up 4.6%. The high growth recorded by retail trade was the result of a further improvement in the situation on the labour market, in the transportation and storage activities it was attributable to growth in international trade and business between firms on the domestic market, while in accommodation and food service activities it was attributable to a strong rise in the number of arrivals by foreign visitors and increased spending by domestic households. Activity was weak mainly in certain technical services related to construction. Value-added in public services increased by 2.3% last year, with a significant acceleration in the final quarter. The growth was primarily related to employment,

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



Sources: Eurostat, ECB, Bank of Slovenia calculations.

which was significantly stronger than expected. Services accounted for 1.4 percentage points of GDP growth, of which 1.1 percentage points was attributable to the private sector and 0.3 percentage points to public services.

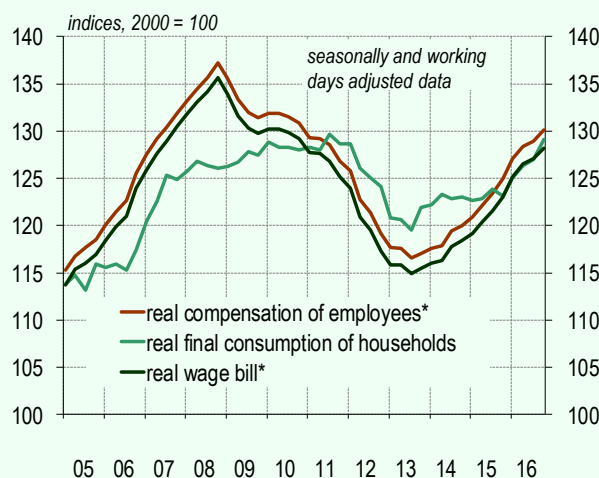
**Value-added in construction fell sharply last year, despite stronger activity in certain segments.** After falling sharply in the first quarter, value-added in construction began strengthening in quarterly terms. Residential construction continued to increase, albeit without a significant impact on aggregate activity owing to its small share of total construction. Construction of non-residential buildings also began to increase in the second half of the year. At the annual level this was not sufficient to compensate for the decline in civil engineering work, which was the result of the drop of government investment after the end of the old European financial framework.<sup>2</sup> The annual decline in value-added thus amounted to 12.5%, and was the sole retarding factor in economic growth in 2016.

## Aggregate demand

**Growth in final consumption outpaced the euro area average last year, but investment lagged far behind.** Growth in aggregate domestic consumption stood at 2.4%, up just over 1 percentage point on 2015, despite a

<sup>2</sup> Although civil engineering work declined by a quarter in 2016, it still accounted for 60% of the total amount of construction put in place.

**Figure 2.8: Wage bill, compensation of employees and final consumption of households**



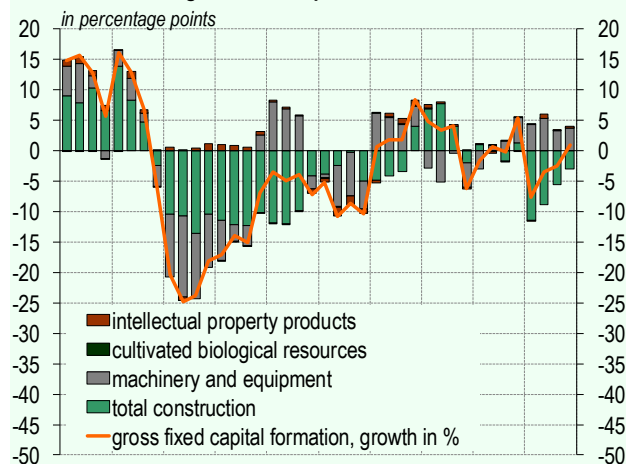
Note: \* deflated by seasonally adjusted HICP index.

Sources: SORS - national accounts, ECB, Bank of Slovenia calculations.

decline of more than 3% in gross fixed capital formation. The rising growth was attributable to increases in final household consumption and government consumption. Final household consumption was up 2.8%, with a sharp acceleration at the end of the year. Although purchases of durables continued to increase rapidly, in the second half of the year in particular households also significantly increased their other purchases, in line with the high growth in employment, the increased confidence and the growth in consumer lending. Growth in household consumption outpaced the euro area average by approximately 1 percentage point last year, the level almost reaching its peak of 2011. Growth in final government consumption was also high at 2.6%, and was attributable to the wave of refugees in the early part of the year, and to strong employment growth later in the year. It outpaced the average rate across the euro area by just under 1 percentage point. Only gross fixed capital formation was weaker. Low investment in construction meant that dynamics in gross fixed capital formation was almost 6 percentage points below the average across the euro area. Household consumption contributed 1.5 percentage points towards GDP growth last year, while government consumption contributed 0.5 percentage points, and the fall in investment reduced the rate by 0.6 percentage points.

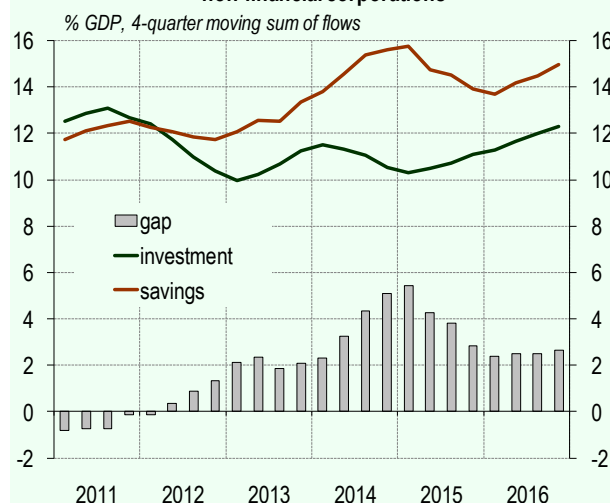
**The main developments in investment last year were a large decline in government construction investment and high growth in corporate investment in ma-**

**Figure 2.9: Contributions to volume y-o-y growth in gross fixed capital formation**



Source: SORS, Bank of Slovenia calculations.

**Figure 2.10: Savings and investments of non-financial corporations**



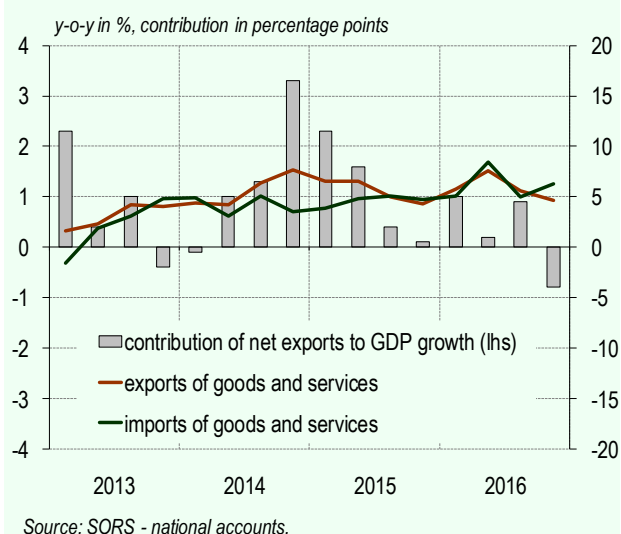
Source: SORS - non-financial sectoral accounts, Bank of Slovenia calculations.

**chinery and equipment.** Last year's decline in gross fixed capital formation was entirely attributable to the slow pace of the changeover to the new European financial framework by public investment. Government investment was down 33% in nominal terms, which reduced the volume of aggregate construction investment by 16%. By contrast, corporate investment in machinery and equipment continued to record strong growth. Investment in transport equipment increased by just under a fifth, while investment in other machinery and equipment was up 8%. The increase in corporate investment has coincided with a general improvement in the domestic economic environment, solid growth in exports and the gradual completion of deleveraging, and is being reflected in a

reduced corporate saving-investment gap. This also represents a renewal of capacity reduced in the crisis, thereby strengthening the economic potential of the country.

**Real growth in imports outpaced export growth last year as domestic consumption strengthened.** Year-on-year growth in merchandise imports outpaced export growth in all quarters of last year, and in annual terms was just under 1 percentage point higher at 6.6%. Growth in merchandise exports declined significantly in the final quarter, although the decline was merely temporary, and was followed by strong growth in January. At the same time manufacturing firms assessed their export demand as very favourable in the first quarter of this year. Growth in imports of services only increased sharply in the final quarter, as a result of high imports of transport services, construction services and miscellaneous business services, although the annual rate of 4.2% was 2.6 percentage points less than growth in exports of services. The balance of trade reduced GDP growth by 0.8 percentage points in the final quarter, but its overall contribution during the year remained positive, albeit significantly less than that in 2015.

**Figure 2.11: Foreign trade**



## Economic developments in the first quarter

**Domestic demand continued to record strong growth in the first quarter.** Year-on-year volume growth in retail turnover stood at almost 17% in February, although certain caution is required in the interpretation of aggregate

**Table 2.1: Economic activity**

| Economic Activity                         | 12 m. to Jan. 16 | 12 m. to Jan. 17 | 2016 Nov. | 2016 Dec. | 2017 Jan. | 2016 Okt.  | 2017 Jan. |
|---|------------------|------------------|-----------|-----------|-----------|------------|-----------|
|   | y-o-y in %       |                  |           |           |           | monthly ++ |           |
| <b>Industrial production: - total *</b>   | 5.2              | 7.1              | 8.4       | 11.2      | 3.3       | 1.2        | 1.4       |
| - manufacturing                           | 5.7              | 8.3              | 9.8       | 13.1      | 2.9       | 1.3        | 1.5       |
| <b>Construction: - total **</b>           | -9.3             | -16.8            | -15.1     | 9.3       | -5.7      | -2.0       | 1.4       |
| - buildings                               | -4.5             | 4.7              | 14.3      | 37.5      | 31.3      | 4.4        | 15.3      |
| - civil engineering                       | -11.1            | -24.1            | -24.5     | -2.0      | -18.5     | -5.5       | -2.3      |
| <b>Trade (volume turnover)</b>            |                  |                  |           |           |           |            |           |
| Total retail trade                        | 1.0              | 4.9              | 10.7      | 11.2      | 12.4      | 3.1        | 5.0       |
| Retail trade except automotive fuel       | 1.4              | 3.4              | 5.7       | 2.3       | 2.1       | 1.3        | 0.4       |
| - food, beverages, tobacco                | -0.1             | -0.8             | 1.5       | -4.9      | 1.4       | 0.2        | 0.3       |
| - non-food (except automotive fuel)       | 2.7              | 7.3              | 9.6       | 9.8       | 2.5       | 2.2        | 0.9       |
| Retail trade and repair of motor vehicles | 14.1             | 21.8             | 23.9      | 27.3      | 13.0      | 4.6        | 4.9       |
| <b>Private sector services *** +</b>      | 5.2              | 3.7              | 2.8       | 5.6       | 4.9       | 2.0        | 1.7       |
| Transport and storage +                   | 2.9              | 3.5              | 2.9       | 5.5       | 6.2       | 2.5        | 1.7       |

Notes: Data are working days adjusted.

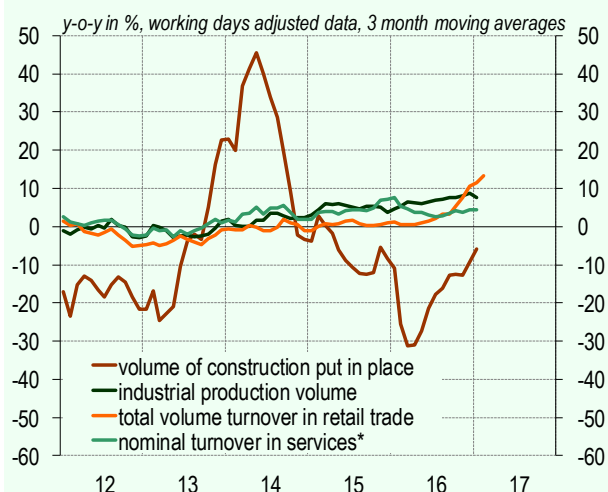
\* Volume of industrial production. \*\* Real value of construction put in place. \*\*\* Excluding trade and financial services. + Nominal turnover.

++: 3-month moving average compared to the corresponding average 3 months earlier. Data are seasonally and working days adjusted (except for construction where data are seasonally adjusted).

Source: SORS, Bank of Slovenia calculations.

growth, as it was largely attributable to a very sharp growth in sales of motor fuels, which exceeded 40% in February. Sales of motor vehicles continued to strengthen at the same time. Growth in nominal turnover in services other than trade remained around 5% in January, with high growth in transportation and storage, which coincided with a sharp increase in merchandise trade, and in accommodation and food service activities, in line with rising number of foreign visitors and higher spending by residents. Activity in construction is gradually stabilising. The sole negative factor remains civil engineering work, in connection with the decline in government investment, more evident disbursement from the new European financial framework not having started in January. Year-on-year growth in the amount of construction put in place in residential and non-residential construction remained high. Growth in industrial production slowed in January, albeit temporarily, at least according to the optimism expressed by manufacturing firms in the SORS survey indicators.<sup>3</sup>

**Figure 2.12: Monthly economic activity indicators**



Source: SORS, Bank of Slovenia calculations.

Note: \*Private sector services excluding trade and financial services.

<sup>3</sup> The year-on-year comparisons are based on figures adjusted for the number of working days. .

# 3 | Labour Market

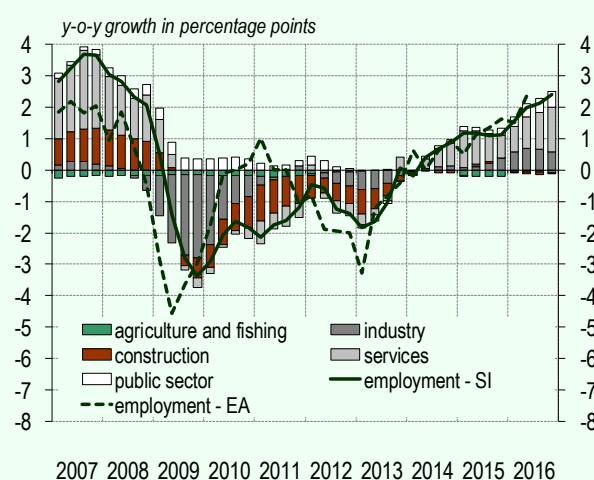
Last year's developments on the labour market were better than in the previous year. Year-on-year growth in employment increased consistently over the year, and averaged 2.0%, the highest rate since 2008. The smaller contribution made to overall employment growth by self-employment and staffing agencies is an indication that direct employment by firms is becoming more frequent. The survey results show that employment prospects remain positive in the first half of this year. The number of registered unemployed fell by 8.5% last year, and in the first two months of this year was down more than 12% in year-on-year terms. The year-on-year fall in unemployment last year was primarily attributable to a decline in inflows into unemployment. Growth in the average nominal gross wage stood at 1.8% last year, the highest figure of the last five years. The relaxation of certain austerity measures meant that wage growth was significantly higher in mostly public services than in the private sector last year, but since December, growth has again been higher in the private sector.

## Employment

Year-on-year growth in employment increased consistently last year, as average employment returned to roughly the level seen in 2010. Growth in employment averaged 2.0% last year, almost 1 percentage point more than in the previous year.<sup>4</sup> The year-on-year rise in the number of employees increased over the year to average 2.2%, while the year-on-year rise in the number of self-employed was lower at 1.4%. Year-on-year growth in employment increased over the year in mostly public services,<sup>5</sup> where it averaged 2.2%, and in the private sector, where it averaged 2%. Employment in the government sector also rose significantly, by 1.5%. The largest contributions to employment growth came from industry, the combined sector of wholesale and retail trade and repair of motor vehicles and motorcycles, transportation and

storage, and accommodation and food services, and mostly public services.

Figure 3.1: Contributions to employment growth

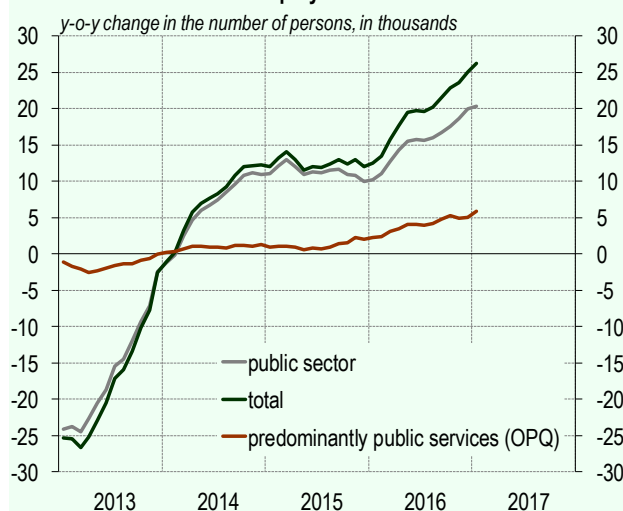


Source: SORS - national accounts; Bank of Slovenia calculations.

<sup>4</sup>The employment analysis uses quarterly national accounts figures. According to the monthly SORS statistics, growth in the workforce in employment averaged 1.6% last year. The discrepancy is the product of the different methodologies used to monitor employment. The national accounts figures for employment include permanent employees, self-employed and assisting family members 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. The monthly figures only count employees with employment contracts and the self-employed in the workforce in employment.

<sup>5</sup> Public administration and defence, education, human health and social work activities (Sectors O, P and Q under the SKD 2008).

**Figure 3.2: Persons in employment excluding self employed farmers**



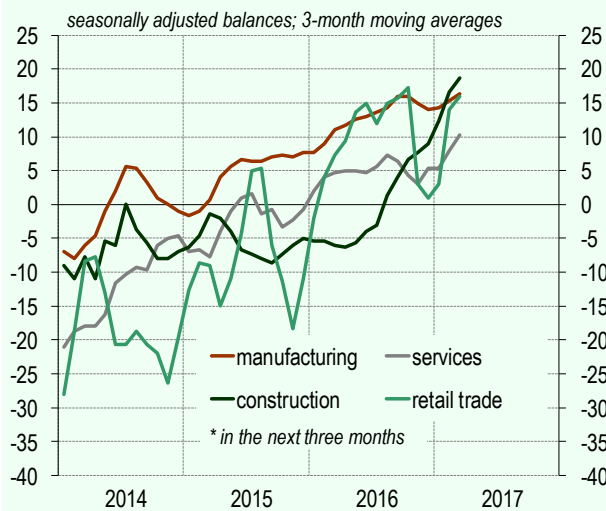
Sources: SORS, Bank of Slovenia calculations.

The monthly figures from the employment register show a further rise in employment in the early part of this year. Growth in the workforce in employment stood at 1.6% last year, and had increased to 3.1% by January, with manufacturing making the largest contribution. The workforce in employment excluding self-employed farmers was up 2.5% in year-on-year terms last year, and by fully 3.4% in January of this year.

Employment prospects have remained positive in the early part of this year. Growth in the number of vacancies averaged 31.4% last year, where it increased to 47.1% in the final quarter.<sup>6</sup> The largest increases in the number of vacancies were recorded by manufacturing, construction, and accommodation and food service activities. The largest demand for workers notified by employers at the Employment Service in February of this year was for elementary occupations in manufacturing, bricklayers, and drivers of heavy goods vehicles and tractor units. The employment expectations expressed in the SORS survey improved in all sectors covered by the survey. The highest demand for employment in the spring is expected to come from construction, manufacturing and retail. The forecasts for the second quarter of 2017 by Manpower, an HR firm, were again the highest of the last six years. Slovenian employers were the most opti-

<sup>6</sup> 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 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.

**Figure 3.3: Expected employment\***



Source: SORS, Bank of Slovenia calculations.

stic in the entire region (Europe, Middle East and Africa) with regard to employment prospects, and were ranked third in the world. Employment is highest in manufacturing and in construction according to the seasonally adjusted figures.

## Unemployment

Unemployment is continuing to fall rapidly. The number of registered unemployed averaged 103,152 last year, down 8.5% on the previous year. Average unemployment in the first quarter of this year was down more than 12% in year-on-year terms, although the number of unemployed was up on the end of last year because of expiring temporary employment contracts, which is in keeping with the seasonal trends at the end of the year. The surveyed unemployment rate averaged 8% last year, down 1.0 percentage point on the previous year, while the registered unemployment rate averaged 11.2%, down 1.1 percentage points in year-on-year terms. The average proportions of unemployed people with primary or lower qualifications and with tertiary qualifications increased in year-on-year terms in the first two months of this year, as they had done last year, while the number of unemployed was down in all qualifications

### Box 3.1: Employment of foreign citizens in Slovenia

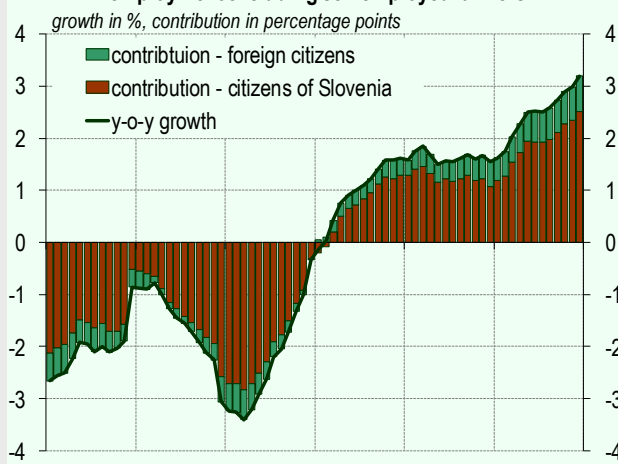
Alongside free movement of capital, goods and services, free movement of labour is one of the fundamental freedoms of the EU single market. With the exception of citizens of Croatia, who take up employment and self-employment in Slovenia pursuant to the Act Extending the Transitional Period for Free Movement of Citizens of the Republic of Croatia and their Family Members, citizens of other EU Member States have the same rights as Slovenian citizens in Slovenia's labour market, and may take up employment and self-employment without a work permit. The principle of free movement of labour in Slovenia also applies to countries of the European Economic Area (Norway, Liechtenstein, and Iceland) and to Switzerland. Since September 2015 the employment, self-employment and work of citizens of third countries has been based on the Employment, Self-Employment and Work of Aliens Act, which introduced the concept of a single work and residence permit in order to simplify the procedure. Because the Employment Service's figures for issued and valid work permits do not yet include figures on single permits, the SORS figures are used in the analysis.

According to population statistics, the number of foreign citizens in Slovenia has been rising in year-on-year terms since the second half of 2005, while the number of foreign citizens among the workforce in employment excluding self-employed farmers has been rising in year-on-year terms since 2014. During the economic crisis growth in the number of foreign citizens slowed significantly to a minimal level, but recently the number has again been rising at an increasing, albeit moderate, rate that is significantly less than in the pre-crisis

period. Net immigration, i.e. the difference between the number of migrants arriving and the number leaving, was negative for Slovenian citizens between 2006 and 2015 according to the annual figures, and positive for foreign citizens. Since 2012 the number of daily migrants from neighbouring countries has also begun rising in year-on-year terms; in 2016 the main increase was in the number of Italian and Hungarian citizens, while the largest number of daily migrants from neighbouring countries appertain to Croatian citizens.

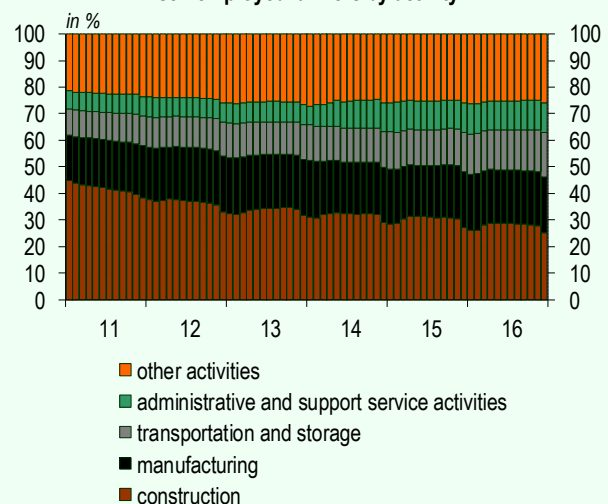
Firms employ foreign citizens for various reasons, such as structural imbalances on the labour market, a willingness to work for lower pay, seasonal employment, and professional qualifications. According to the SORS figures, foreign citizens made up 7.6% of the workforce in employment excluding self-employed farmers in 2016. The proportion of foreign citizens began increasing in 2014, and citizens of countries outside the EU are still prevalent among them. The proportion accounted for by citizens of EU Member States increased in 2013 as a result of Croatia joining the EU. Year-on-year growth in the workforce in employment excluding self-employed farmers stood at 2.5% in 2016. Within this framework the number of Slovenian citizens increased by 2.0%, while the number of foreign citizens increased by 7.9%. The rise in the number of foreign citizens in 2016 was primarily attributable to manufacturing, and transportation and storage. In terms of the total workforce in employment excluding self-employed farmers, the proportion accounted for by foreign citizens is highest in construction, manufacturing, and transportation and storage. During the economic crisis the proportion of foreign citizens in construction declined significantly, while the pro-

**Figure 1: Contributions to y-o-y growth rates of persons in employment excluding self employed farmers**



Source: SORS, Bank of Slovenia calculations.

**Figure 2: Persons in employment excluding self employed farmers by activity**



Source: SORS, Bank of Slovenia calculations.

portion in administrative and support service activities increased, which is probably indicative of increased employment of foreign workers via staffing agencies. Employment of foreign

citizens accounted for almost a quarter of the overall year-on-year increase in the workforce in employment excluding self-employed farmers in 2016.

groups. The average proportion of unemployed people aged over 50 in the first two months of the year was up again on the previous year, while the only age group to

record an increase in the number of unemployed was the over 60s.<sup>7</sup> The average proportion of long-term unemployed was also up in January and February in year

**Table 3.1: Unemployment and employment**

|   | 2012                            | 2013  | 2014  | 2015  | 2016  | 15Q4  | 16Q1  | 16Q2  | 16Q3  | 16Q4  |
|---|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|   | <i>in 1,000</i>                 |       |       |       |       |       |       |       |       |       |
| <b>Registered unemployed persons</b>                              | 110.2                           | 119.8 | 120.1 | 112.7 | 103.2 | 109.3 | 114.8 | 102.5 | 97.4  | 97.9  |
| <b>Unemployment rate</b>  | <i>in %</i>                     |       |       |       |       |       |       |       |       |       |
| - LFS   | 8.9                             | 10.1  | 9.8   | 9.0   | 8.0   | 8.4   | 8.9   | 7.8   | 7.3   | 8.1   |
| - registered  | 12.0                            | 13.1  | 13.1  | 12.3  | 11.2  | 11.9  | 12.5  | 11.1  | 10.6  | 10.6  |
| <b>Probability of transition between employ. and unemployment</b> | <i>in %</i>                     |       |       |       |       |       |       |       |       |       |
| - probability to find a job <sup>1</sup>                          | 13.2                            | 13.6  | 15.4  | 15.7  | 18.0  | 12.2  | 20.6  | 20.1  | 16.5  | 14.8  |
| - probability to lose a job <sup>2</sup>                          | 2.8                             | 2.8   | 2.6   | 2.5   | 2.3   | 2.9   | 3.0   | 1.9   | 2.0   | 2.4   |
|   | <i>in 1,000</i>                 |       |       |       |       |       |       |       |       |       |
| <b>Total employment<sup>3</sup></b>                               | 937.3                           | 926.8 | 930.9 | 941.5 | 960.6 | 950.9 | 940.0 | 957.1 | 971.4 | 973.8 |
|   | <i>year-on-year growth in %</i> |       |       |       |       |       |       |       |       |       |
| Persons in paid employment  | -1.3                            | -2.7  | 0.5   | 1.3   | 2.2   | 1.4   | 1.6   | 2.2   | 2.3   | 2.7   |
| Self-employed   | 0.8                             | 5.8   | 0.4   | 0.4   | 1.4   | -0.1  | 1.5   | 1.3   | 1.4   | 1.4   |
| <b>By sectors</b>   |                                 |       |       |       |       |       |       |       |       |       |
| A Agriculture, forestry and fishing                               | -1.0                            | 0.0   | -0.1  | -2.4  | -0.9  | -2.6  | -0.8  | -0.8  | -0.8  | -1.1  |
| BCDE Manufacturing, mining and quarrying and other industry       | -1.1                            | -1.9  | 0.3   | 0.9   | 2.8   | 1.7   | 2.5   | 3.0   | 2.9   | 2.6   |
| F Construction  | -7.5                            | -7.0  | -1.1  | 0.4   | -0.8  | 0.2   | -0.5  | -0.8  | -1.2  | -0.5  |
| GHI Trade, accommodation, transport                               | -1.2                            | -1.2  | -0.3  | 1.8   | 2.7   | 1.6   | 1.9   | 2.5   | 2.9   | 3.4   |
| J Information and communication services                          | 2.1                             | 2.3   | 2.6   | 3.2   | 3.0   | 2.9   | 1.8   | 2.5   | 3.6   | 3.9   |
| K Financial and insurance activities                              | -1.7                            | -2.8  | -2.1  | -1.2  | -1.9  | -0.9  | -1.8  | -2.2  | -1.8  | -1.8  |
| L Real estate activities  | -1.4                            | 0.5   | 0.9   | 1.4   | 0.5   | 0.0   | 0.0   | 0.0   | 0.0   | 1.9   |
| MN Professional, technical and other business activities          | 0.5                             | -0.1  | 2.6   | 3.2   | 2.9   | 1.9   | 2.6   | 2.8   | 2.7   | 3.5   |
| RSTU Other activities   | 0.2                             | 6.0   | 3.0   | 2.8   | 3.3   | 2.2   | 1.9   | 3.3   | 3.8   | 4.1   |
| - mainly private sector (without O..Q) <sup>4</sup>               | -1.4                            | -1.2  | 0.5   | 1.2   | 2.0   | 1.1   | 1.6   | 2.0   | 2.1   | 2.3   |
| - mainly public services (O..Q) <sup>4</sup>                      | 1.0                             | -0.6  | 0.4   | 0.8   | 2.2   | 1.1   | 1.5   | 2.1   | 2.4   | 2.7   |
| <b>Total employment<sup>3</sup></b>                               | -0.9                            | -1.1  | 0.4   | 1.1   | 2.0   | 1.1   | 1.6   | 2.0   | 2.1   | 2.4   |

<sup>1</sup> Newly employed as a share of registered unemployed persons according to Employment Service of Slovenia. The higher the indicator's value, the better chance of finding a job.

<sup>2</sup> 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 chance of losing a job.

<sup>3</sup> Employed and self-employed persons.

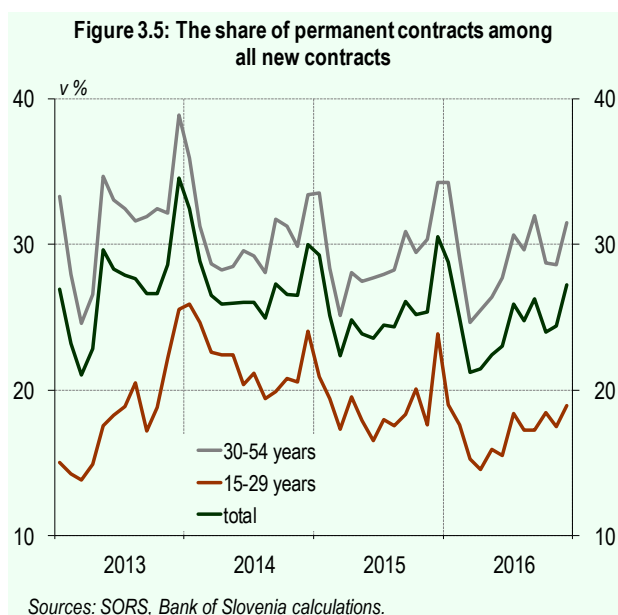
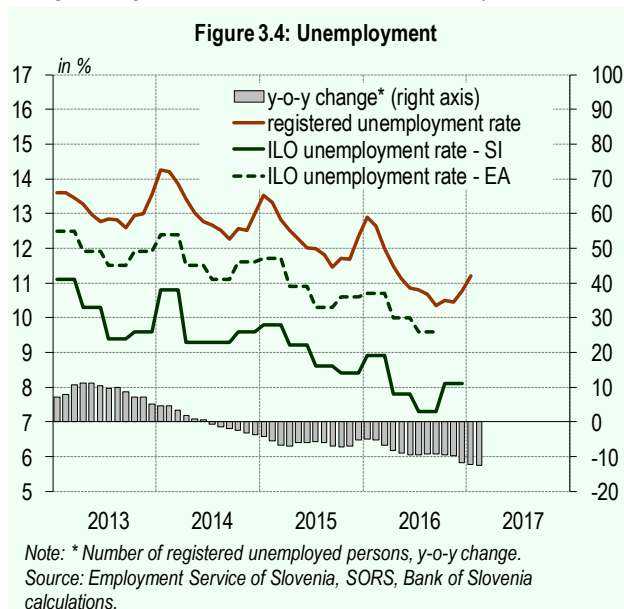
<sup>4</sup> Public administration, education, human health and social work services according to NACE rev. 2.

Source: SORS, Employment Service of Slovenia, Bank of Slovenia calculations.

<sup>7</sup> Article 114 of the Employment Relationships Act (ZDR-1) of 2013 stipulates that "An employee who has reached the age of 58 or an employee who has less than five years to go before they meet the requirements for an old-age pension may not have their employment contract terminated by the employer on business grounds without his/her written consent until the employee meets the minimum requirements for exercising the right to an old-age pension." However, this protection does not apply inter alia "if the employee has been provided with an entitlement to monetary compensation under unemployment insurance until the minimum conditions for an old-age pension are met". Older workers are thus protected until the time when the entitlement to compensation for reason of unemployment would be secured for the period until the conditions for an old-age pension are met.

-on-year terms, again primarily as a result of an increase in the proportion of people unemployed for more than three years. However, the absolute figure of the latter has been falling in year-on-year terms for more than half a year now.

**Last year the number of deregistrations was more than the number of people newly registering as unemployed.** The number of people newly registering as unemployed last year was down 7.4% on the previous year, most notably as a result of a fall in the number whose temporary employment was ending. The number of deregistrations last year was down 0.2% on the previous year. The most notable fall was in the number of those deregistering for reasons other than employment, while



the number of those taking up employment was the highest of the observation period (since 2005). The number of new hires last year was up more than 10% on the previous year. New hires in temporary employment recorded higher growth than new hires in permanent employment. The number of deregistrations over the first three months of this year was more than the number of people newly registering as unemployed, and both figures were down in year-on-year terms. The year-on-year fall in number of people newly registering as unemployed was primarily attributable to a fall in the number whose temporary employment ended, while the main fall on the outflow side was in new hires.

## Wage developments

**Last year's year-on-year growth in the average nominal gross wage was the highest of the last five years.**

Growth in the average nominal gross wage in the total economy stood at 1.8%. As a result of the relaxation of certain austerity measures it stood at 3.3% in mostly public services, significantly more than the figure of 1.3% in the private sector. Year-on-year growth in the average nominal gross wage slowed to 0.9% in December in mostly public services as a result of a base effect, while in the private sector the rate leapt to 4.8% as a result of a sharp year-on-year increase in extraordinary payments such as the end-of-year bonus and thirteenth salary payment. In January year-on-year growth in the average nominal

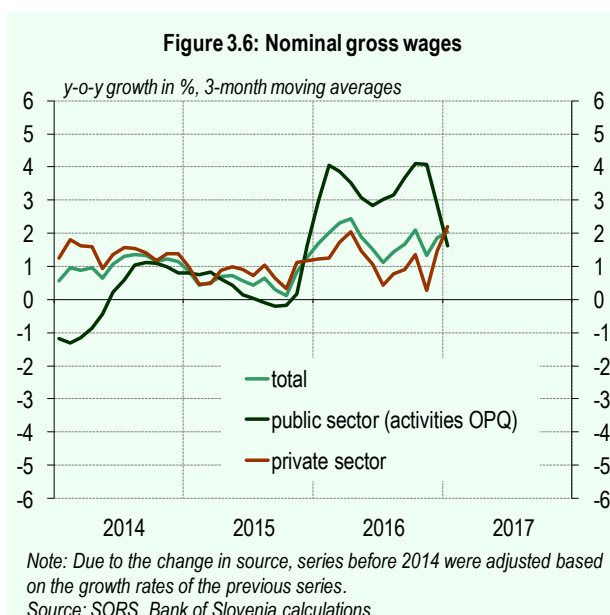


Table 3.2: Labour costs indicators

|   | 2012                                  | 2013 | 2014 | 2015 | 2016 | 15Q4 | 16Q1 | 16Q2 | 16Q3 | 16Q4 |
|---|---------------------------------------|------|------|------|------|------|------|------|------|------|
|   | <i>in EUR</i>                         |      |      |      |      |      |      |      |      |      |
| Average gross wage  | 1531                                  | 1528 | 1545 | 1556 | 1584 | 1607 | 1576 | 1566 | 1560 | 1636 |
|   | <i>nominal year-on-year growth, %</i> |      |      |      |      |      |      |      |      |      |
| Average net wage  | 0.4                                   | 0.6  | 0.8  | 0.4  | 1.7  | 1.1  | 2.0  | 1.3  | 1.5  | 1.8  |
| Average gross wage  | 0.1                                   | -0.2 | 1.1  | 0.7  | 1.8  | 1.3  | 2.3  | 1.5  | 1.7  | 1.9  |
| - mainly private sector (excl. O..Q) <sup>1</sup>           | 0.9                                   | 0.7  | 1.4  | 0.8  | 1.3  | 1.2  | 1.7  | 1.1  | 0.9  | 1.5  |
| - mainly public services (O..Q) <sup>1</sup>                | -2.2                                  | -2.3 | 0.2  | 0.6  | 3.3  | 1.7  | 3.9  | 2.8  | 3.7  | 2.9  |
| Average gross wage in manufacturing                         | 2.5                                   | 2.8  | 3.3  | 2.1  | 2.1  | 2.3  | 2.4  | 1.7  | 1.5  | 2.8  |
| Average real net wage <sup>2</sup>                          | -2.3                                  | -1.3 | 0.5  | 1.2  | 1.8  | 2.1  | 2.9  | 1.8  | 1.5  | 1.1  |
| Labour costs per hour worked <sup>3</sup>                   | -0.3                                  | -2.1 | 2.0  | 0.9  | 2.9  | 0.6  | 0.6  | 1.5  | 3.8  | 5.9  |
| Labour costs per hour worked in manufacturing <sup>3</sup>  | 3.0                                   | 0.5  | 3.7  | 0.6  | 3.2  | -0.6 | 0.6  | 1.2  | 3.3  | 7.9  |
| Gross wage per unit of output <sup>4</sup>                  | 1.9                                   | -0.2 | -1.5 | -0.5 | 1.4  | -0.4 | 1.7  | 0.8  | 1.4  | 1.7  |
| Gross wage per unit of output in manufacturing <sup>4</sup> | 4.3                                   | 1.1  | -1.8 | 1.5  | ...  | 2.8  | -0.6 | -2.7 | -1.6 | 0.6  |
| Unit labour costs <sup>4,5</sup>                            | 0.8                                   | 0.5  | -1.3 | 0.3  | 1.8  | 0.4  | 2.0  | 2.5  | 1.2  | 1.3  |
| Labour costs per employee <sup>5</sup>                      | -1.0                                  | 0.5  | 1.3  | 1.4  | 2.2  | 2.0  | 2.6  | 3.2  | 1.6  | 1.5  |
| Output per employee   | -1.8                                  | 0.0  | 2.7  | 1.2  | 0.5  | 1.7  | 0.6  | 0.7  | 0.3  | 0.2  |
| Output per employee - manufacturing                         | -1.7                                  | 1.7  | 5.1  | 0.6  | ...  | -0.4 | 3.0  | 4.5  | 3.1  | 2.2  |
| HICP  | 2.8                                   | 1.9  | 0.4  | -0.8 | -0.2 | -0.9 | -0.9 | -0.4 | 0.0  | 0.7  |
| GDP deflator  | 0.3                                   | 0.9  | 0.8  | 1.0  | 0.6  | 1.5  | 1.2  | 0.2  | 0.2  | 0.9  |

<sup>1</sup> Public administration, education, human health and social work services according to NACE rev. 2.

<sup>2</sup> HICP deflator.

<sup>3</sup> Labour costs according to SORS calculations.

<sup>4</sup> Unit of output for the total economy is defined as real GDP per person employed, and in manufacturing as real value added per person employed (both based on national accounts).

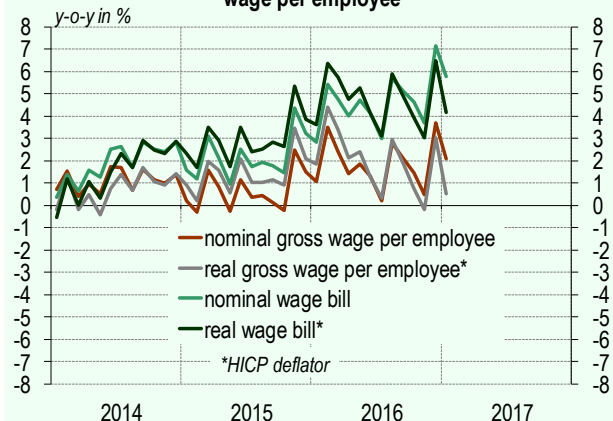
<sup>5</sup> Labour costs calculated on the basis of employee compensation (national accounts).

Source: SORS, Bank of Slovenia calculations.

gross wage in the private sector (2.6%) was higher than in mostly public services (1.0%). The rate stood at 2.1% across the total economy. January's year-on-year growth in the average nominal gross wage was higher than 4% in the sectors of mining and quarrying, water supply, waste management, and manufacturing.

**Last year's growth in the nominal and real wage bill was the highest since 2008.** Growth in the nominal wage bill stood at 4.6%, while growth in the real wage bill stood at 4.8%. Growth in the nominal and real wage bills stood at 5.6% and 5.8% respectively in mostly public services, and at 4.2% and 4.4% in the private sector. The main reason that growth was higher in mostly public services than in the private sector was relatively higher wage growth. Growth in the nominal and real wage bills was higher in the private sector in December and January, as

Figure 3.7: Nominal and real total wage bill and average gross wage per employee



Note: Due to the change in source, series before 2014 were adjusted based on the growth rates of the previous series. Wage bill is calculated as the product of average gross monthly wages for employees of legal persons who received pay and the total number of employees of legal persons.

Source: SORS, Bank of Slovenia calculations.

a result of extraordinary payments in the private sector and a base effect in mostly public services.

## 4 | Current Account and Competitiveness Indicators

*The beginning of the year was extremely favourable for the export sector. Nominal year-on-year growth in exports of merchandise and services exceeded 14% in January. The increase in demand for merchandise was driven primarily by the euro area, but also by Russia, where exports have risen rapidly in recent months in the wake of a year-on-year rise in the rouble. At the same time the vast majority of categories of export products recorded higher growth. Growth in exports of services continued to be driven primarily by construction services and transport services. The rise in imports was even stronger, while their structure is indicative of further growth in private-sector investment and consumption. Price factors related to developments in commodity prices on the global market also had a significant impact on nominal growth in imports. Although growth in domestic demand and import prices is gradually narrowing the merchandise trade surplus, the current account surplus remains high as a result of the increasing surplus of trade in services and the narrowing deficit in reinvested earnings and net interest on long-term securities. It amounted to 6.9% of GDP over the 12 months to January.*

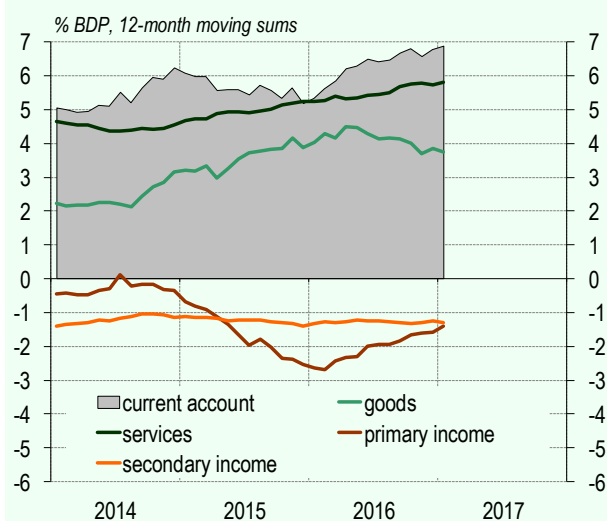
*Last year there were no significant changes in the external competitiveness of the Slovenian economy. In contrast to the fall in 2015, last year there was no significant change in the euro exchange rate against major currencies, while domestic price developments remained favourable for exporters despite domestic price developments gradually catching up with the euro area average towards the end of the year. Cost competitiveness remained less favourable, as growth in labour productivity declined further and was significantly outpaced by growth in labour costs.*

### Current account position

**The current account remains in large surplus.** It amounted to 6.9% of GDP over the 12 months to January, up 1.6 percentage points on a year earlier. The surplus remains high despite stronger growth in domestic consumption and a year-on-year rise in oil prices and other commodity prices, which strengthened nominal growth in imports and brought a gradual decline in the merchandise trade surplus. This amounted to 3.8% of GDP over the 12 months to January, having peaked at 4.5% of GDP in April 2016. For the moment the narrowing merchandise trade surplus is being compensated for by the rising sur-

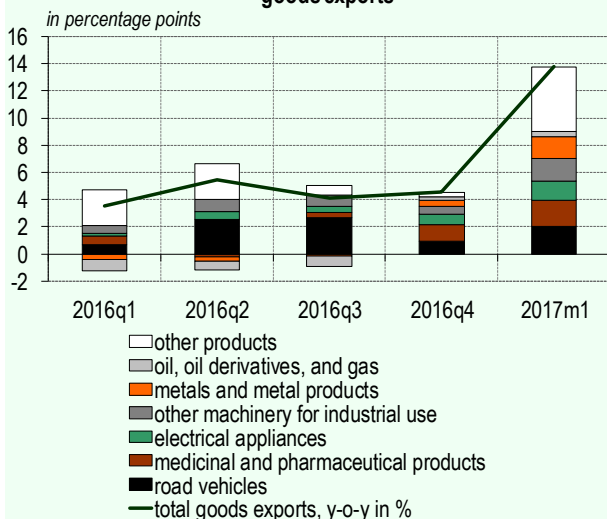
plus of trade in services and the narrowing deficit in primary income. The 12-month surplus of trade in services has been increasing for two years now thanks to rapid export growth. It reached 5.8% of GDP in January, up 0.5 percentage points in year-on-year terms. Over the same period the deficit in primary income narrowed from 2.6% of GDP to 1.4% of GDP, as the deficits in estimated reinvested earnings and income from investments in securities narrowed. The deficit in secondary income remains relatively stable, at 1.3% of GDP.

**Figure 4.1: Current account components**



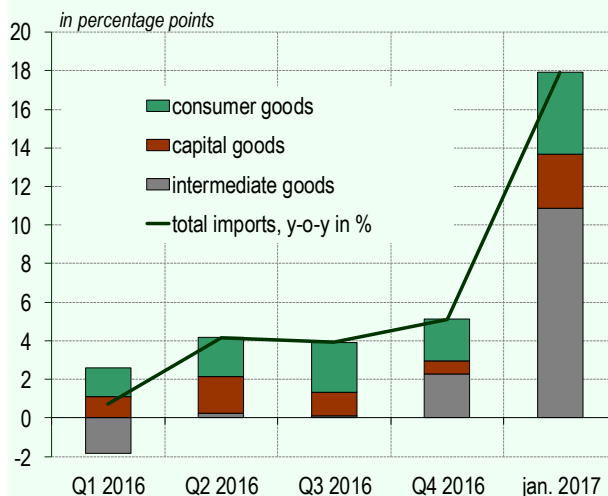
Source: Bank of Slovenia.

**Figure 4.2: Contributions to nominal growth of goods exports**



Source: SORS, Bank of Slovenia calculations.

**Figure 4.3: Contributions to nominal growth of goods imports**



Sources: SORS, Bank of Slovenia calculations.

addition to the geographical breakdown, the increase in exports was also broadly based across economic categories. Of the 65 categories of merchandise that Slovenia exported in January, fully 49 contributed more to the aggregate growth in merchandise exports compared with the final quarter of last year, most notably road vehicles, medicinal and pharmaceutical products, electrical machinery, apparatus and appliances, and general industrial machinery and equipment.<sup>8</sup> The contribution made to aggregate growth in exports by re-exports of oil, refined petroleum products and gas was insignificant, despite the rise in prices on the global market.

**In addition to the growth in domestic demand, price factors also contributed to the sharp increase in the nominal value of imports.** According to the SORS figures, merchandise imports in January recorded a year-on-year increase of 17.9% in nominal terms, or 12.9% after applying an import prices deflator. There was strong growth in imports from euro area countries, but growth in imports from other EU Member States and from Russia was also significant. Of the broad economic categories, the majority of the increase in imports was attributable to intermediate goods, including energy, partly as a result of demand from industry, and partly as a result of the cold winter and the rises in oil prices and other commodity prices on the global market.<sup>9</sup> For example, last January's

## Merchandise trade

**After moderation of growth in the second half of last year, merchandise exports increased sharply in January.** According to the SORS figures, merchandise exports in January recorded a year-on-year increase of 13.8% in nominal terms, or 11.2% after applying a deflator of industrial producer prices on foreign markets. There was a sharp increase in exports to EU Member States, both inside and outside the euro area, while exports to Russia have also increased rapidly in recent months, albeit from low levels, and accounted for 1.3 percentage points of aggregate growth in merchandise exports in January. In

<sup>8</sup> According to the SITC Rev 4 two-digit classification.

<sup>9</sup> US dollar industrial commodity prices were up 31% in year-on-year terms in January, while the price of Brent crude was up 78%.

nominal fall in imports of oil, refined petroleum products and gas reduced aggregate growth in imports by 3.2 percentage points, while this January their contribution was positive in the amount of 0.8 percentage points. Growth in imports of capital goods increased, an indication of the

continuation of the private-sector investment cycle, while the rapid growth in imports of consumer goods is indicative of the additional increase in private consumption.

**The merchandise trade surplus continued to narrow in January as imports recorded high growth. This**

**Table 4.1: Components of the current account**

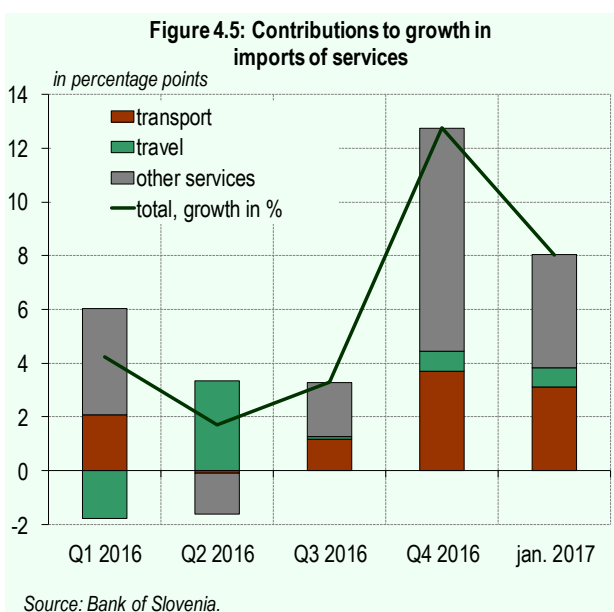
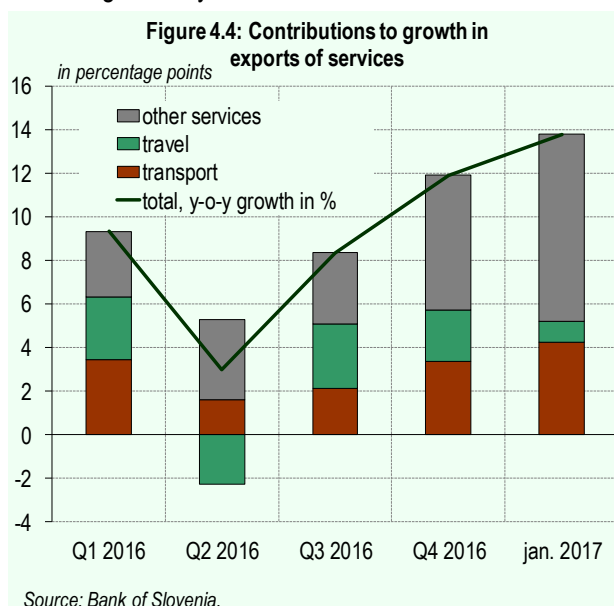
|                                     | in 12 months to                        |        |        |         |         |      |      |      |      |         |         |
|-------------------------------------|--|--------|--------|---------|---------|------|------|------|------|---------|---------|
|                                     | 2014                                   | 2015   | 2016   | Jan. 16 | Jan. 17 | 15Q3 | 15Q4 | 16Q3 | 16Q4 | Jan. 16 | Jan. 17 |
|                                     | in EUR million                         |        |        |         |         |      |      |      |      |         |         |
| <b>Current account balance</b>      | 2,325                                  | 1,998  | 2,698  | 2,060   | 2,747   | 641  | 460  | 722  | 531  | 227     | 276     |
| <b>1. Goods</b>                     | 1,181                                  | 1,498  | 1,536  | 1,562   | 1,501   | 424  | 344  | 375  | 246  | 158     | 123     |
| <b>2. Services</b>                  | 1,697                                  | 2,019  | 2,286  | 2,032   | 2,322   | 609  | 492  | 717  | 542  | 154     | 190     |
| 2.1. Transport                      | 715                                    | 821    | 907    | 832     | 917     | 213  | 210  | 236  | 223  | 63      | 72      |
| 2.2. Travel                         | 1,315                                  | 1,435  | 1,498  | 1,447   | 1,500   | 443  | 320  | 493  | 349  | 114     | 117     |
| 2.3. Other                          | -335                                   | -401   | -243   | -238    | -356    | -12  | -78  | -54  | -78  | -38     | -46     |
| <b>3. Primary income</b>            | -125                                   | -982   | -630   | -1,021  | -562    | -285 | -252 | -232 | -156 | -64     | 4       |
| 3.1. Labour income                  | 423                                    | 489    | 449    | 491     | 449     | 117  | 136  | 91   | 136  | 37      | 37      |
| 3.2. Investment income              | -694                                   | -1,564 | -1,127 | -1,565  | -1,121  | -395 | -377 | -301 | -271 | -102    | -96     |
| 3.3. Other primary income           | 146                                    | 93     | 48     | 53      | 111     | -7   | -11  | -22  | -21  | 1       | 63      |
| <b>4. Secondary income</b>          | -428                                   | -537   | -493   | -513    | -514    | -107 | -124 | -138 | -101 | -21     | -42     |
|                                     | in % of GDP                            |        |        |         |         |      |      |      |      |         |         |
| <b>Current account balance</b>      | 6.2                                    | 5.2    | 6.8    | 5.3     | 6.9     | 6.5  | 4.7  | 7.1  | 5.2  | 7.3     | 8.5     |
| <b>1. Goods</b>                     | 3.2                                    | 3.9    | 3.9    | 4.0     | 3.8     | 4.3  | 3.5  | 3.7  | 2.4  | 5.1     | 3.8     |
| <b>2. Services</b>                  | 4.5                                    | 5.2    | 5.7    | 5.3     | 5.8     | 6.1  | 5.0  | 7.0  | 5.3  | 5.0     | 5.9     |
| 2.1. Transport                      | 1.9                                    | 2.1    | 2.3    | 2.2     | 2.3     | 2.1  | 2.1  | 2.3  | 2.2  | 2.0     | 2.2     |
| 2.2. Travel                         | 3.5                                    | 3.7    | 3.8    | 3.7     | 3.8     | 4.5  | 3.3  | 4.8  | 3.4  | 3.7     | 3.6     |
| 2.3. Other                          | -0.9                                   | -1.1   | -0.7   | -0.7    | -1.0    | -0.1 | -0.8 | -0.6 | -0.8 | -1.2    | -1.4    |
| <b>3. Primary income</b>            | -0.3                                   | -2.5   | -1.6   | -2.6    | -1.4    | -2.9 | -2.6 | -2.3 | -1.5 | -2.1    | 0.1     |
| 3.1. Labour income                  | 1.1                                    | 1.3    | 1.1    | 1.3     | 1.1     | 1.2  | 1.4  | 0.9  | 1.3  | 1.2     | 1.2     |
| 3.2. Investment income              | -1.9                                   | -4.1   | -2.8   | -4.0    | -2.8    | -4.0 | -3.8 | -3.0 | -2.7 | -3.3    | -3.0    |
| 3.3. Other primary income           | 0.4                                    | 0.2    | 0.1    | 0.1     | 0.3     | -0.1 | -0.1 | -0.2 | -0.2 | 0.0     | 1.9     |
| <b>4. Secondary income</b>          | -1.1                                   | -1.4   | -1.2   | -1.3    | -1.3    | -1.1 | -1.3 | -1.4 | -1.0 | -0.7    | -1.3    |
|                                     | nominal year-on-year growth rates in % |        |        |         |         |      |      |      |      |         |         |
| <b>Export of goods and services</b> | 5.6                                    | 5.4    | 4.7    | 5.4     | 5.6     | 4.8  | 4.0  | 4.3  | 5.3  | 2.0     | 14.4    |
| Export of goods                     | 5.9                                    | 4.7    | 3.8    | 4.7     | 4.8     | 3.8  | 2.9  | 3.1  | 3.7  | 1.2     | 14.5    |
| Export of services                  | 4.5                                    | 8.4    | 8.1    | 8.6     | 8.6     | 8.4  | 8.7  | 8.4  | 11.9 | 6.1     | 13.8    |
| Transport                           | 9.4                                    | 9.3    | 9.2    | 10.1    | 9.4     | 8.4  | 10.9 | 8.7  | 11.6 | 12.0    | 13.8    |
| Travel                              | 0.8                                    | 9.6    | 3.9    | 9.4     | 3.8     | 9.5  | 3.9  | 6.4  | 7.6  | 4.2     | 2.6     |
| Other                               | 4.9                                    | 6.4    | 11.7   | 6.6     | 13.2    | 6.7  | 11.2 | 11.1 | 15.5 | 3.0     | 25.8    |
| <b>Import of goods and services</b> | 4.4                                    | 3.5    | 4.1    | 3.6     | 5.5     | 2.9  | 2.4  | 4.0  | 6.7  | -1.6    | 16.6    |
| Import of goods                     | 3.8                                    | 3.5    | 3.9    | 3.3     | 5.4     | 1.8  | 2.5  | 4.2  | 5.6  | -2.5    | 18.0    |
| Import of services                  | 7.7                                    | 3.7    | 5.5    | 5.2     | 5.8     | 8.8  | 1.6  | 3.3  | 12.7 | 4.3     | 8.0     |
| Transport                           | 10.4                                   | 4.5    | 8.0    | 4.9     | 8.6     | 8.0  | 3.0  | 6.3  | 16.4 | 4.6     | 12.6    |
| Travel                              | 5.3                                    | 10.4   | 3.2    | 10.5    | 4.1     | 25.0 | 8.8  | 0.3  | 5.0  | -12.7   | 4.9     |
| Other                               | 7.6                                    | 1.3    | 5.5    | 3.7     | 5.3     | 0.8  | -0.4 | 4.0  | 13.3 | 9.0     | 6.9     |

Note: Shares in GDP are calculated on the basis of monthly estimates of GDP.  
Source: Bank of Slovenia.

trend has been evident since last May. The surplus over the last seven months of last year narrowed by EUR 251 million in year-on-year terms, while the surplus in January narrowed by EUR 35 million.

## Trade in services

**Growth in exports of services remains rapid.** Exports of services in January were up 13.8% in year-on-year terms, thereby continuing the strong year-on-year growth seen since the beginning of last autumn. The main categories to record sharp increases in January were construction services, transport services and miscellaneous business services. Growth in exports of travel services slowed significantly for the second consecutive month to



just 2.6% in January, although the rise in the number of arrivals by foreign visitors and their overnight stays remained high.

**Growth in imports of services remained relatively high in January, despite a slowdown compared with the final quarter of last year.** After recording relatively low growth in the middle of last year, imports of services were up 12.7% in year-on-year terms in the final quarter, and growth remained relatively strong in January at 8%. The majority of the increase was attributable to stronger imports of transport services and construction services, the former as a result of growth in merchandise imports, the latter in connection with the gradual stabilisation of construction investment. Growth in imports of miscellaneous business services remained relatively high, while residents' spending in the rest of the world also continued to grow, at approximately 5%.

**The surplus of trade in services is still increasing.** It widened by EUR 267 million last year to EUR 2,286 million. The majority of the increase was attributable to a wider surplus in construction services, although there was also a significant increase in the surplus of trade in transport and travel services. At the same time the position in telecommunications, computer and information services moved from a small deficit to a surplus of EUR 35 million. The surplus was also wider in year-on-year terms in January, by EUR 37 million. In contrast to last year's deficit, the position in business services was balanced on this occasion, while the surpluses in construction services and transport services increased again.

## Primary and secondary income

**The deficit in primary income is continuing to diminish.** It narrowed by EUR 352 million last year to EUR 630 million, which was the largest contribution to the increase in the aggregate surplus by any of the principal current account components. The majority of the narrower deficit in primary income was attributable to a narrower estimated deficit in reinvested earnings. It narrowed by EUR 229 million in year-on-year terms last year. Among the equity items there was also a decline in the deficit in dividends, partly as a result of smaller

outflows and partly as a result of increased inflows. At the same time there was a sharp decline of EUR 133 million in the net interest burden on long-term debt securities. After an uninterrupted increase since 2010 inclusive, the surplus in labour income narrowed by EUR 36 million last year, which is probably an early reflection of the improved situation on the domestic labour market. Primary income actually recorded a small surplus in January of this year, albeit mostly as a result of the widening of the government sector's surplus in primary income.

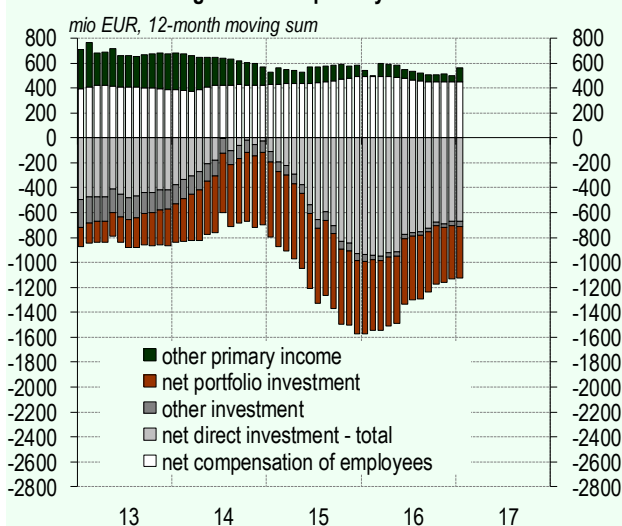
**The deficit in secondary income remains relatively stable.** It narrowed by EUR 44 million to EUR 493 million last year, as a result of a decline in the private sector's deficit in secondary income, although this was followed

by an upward correction of EUR 21 million in January. This was the result of a year-on-year increase in the government sector's surplus in secondary income, which is profoundly affected by transactions with the EU.

## Selected competitiveness indicators

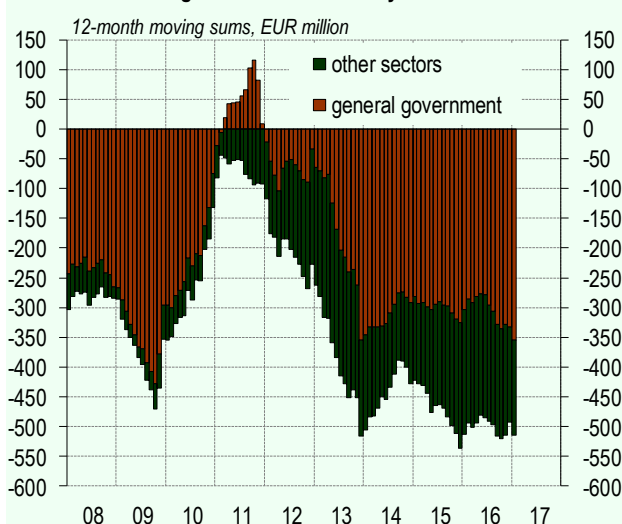
**The price competitiveness of Slovenia's exports to markets outside the euro area did not deteriorate significantly last year.** Because the nominal harmonised competitiveness indicator declined sharply in 2015, its moderate rise last year is not an indication of a significant deterioration in external competitiveness. The appreciation in the indicator slowed in the second half of last year,

**Figure 4.6: Net primary income**



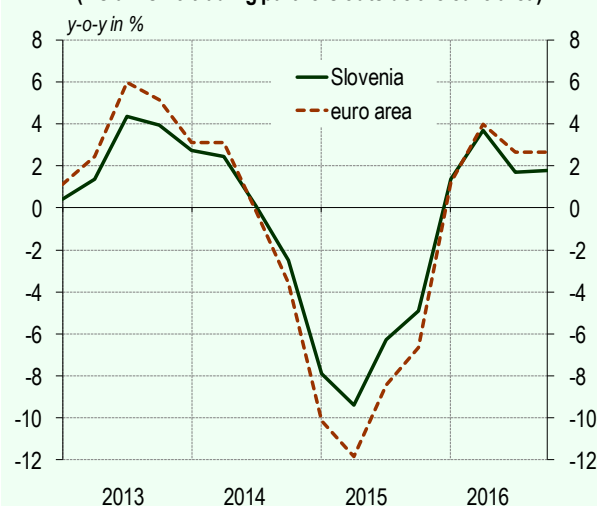
Source: Bank of Slovenia.

**Figure 4.7: Net secondary income**



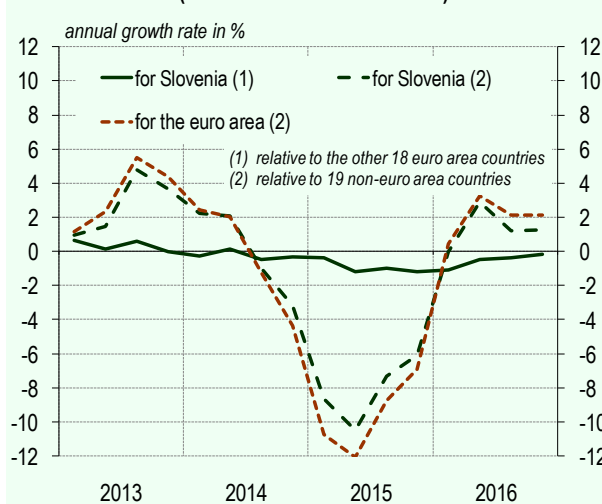
Source: Bank of Slovenia.

**Figure 4.8: Nominal harmonised competitiveness indicator (vis-a-vis 19 trading partners outside the euro area)**



Source: ECB.

**Figure 4.9: Harmonised price competitiveness indicators (based on HICP/CPI deflators)**



Source: ECB.

by just under 2 percentage points in year-on-year terms to 1.8%. This was largely attributable to the euro's fall against individual major currencies. Under the influence of exchange rate developments, the deterioration in cost competitiveness as measured by the ULC deflator and price competitiveness as measured by the HICP/CPI deflator also slowed.

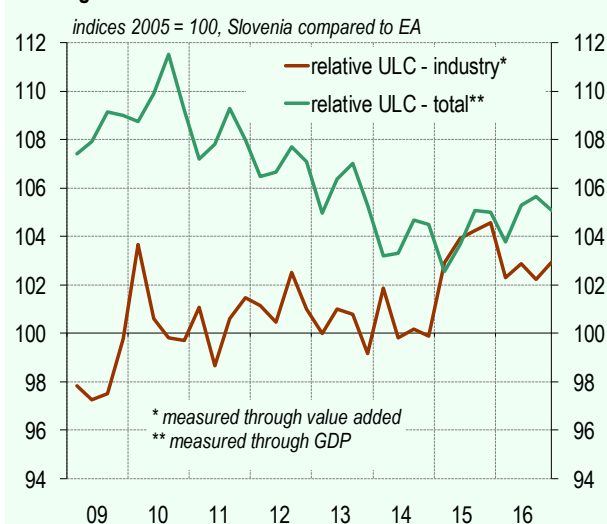
**The improvement in price competitiveness slowed last year as domestic inflation approached the average rate across the euro area.** Of the major euro area trading partners, only Italy recorded slower inflation in the final quarter of last year, while the rate in France was similar to Slovenia, and inflation in Germany and Austria was higher. The year-on-year fall in prices in Slovenia came to an end in August, and year-on-year inflation as measured by the HICP stood at 0.6% in December. As inflation approached the euro area average, the harmonised indicator of Slovenia's price competitiveness relative to other euro area countries declined by just 0.2% in year-on-year terms in the final quarter of last year, half of the figure in the previous quarter.

**Unit labour costs remained higher than the euro area average last year, as Slovenia recorded extremely**

**low growth in labour productivity.** The deterioration in Slovenia's cost competitiveness as measured by unit labour costs (ULCs) in the total economy came to an end in the third quarter of 2016, as year-on-year growth in the cost competitiveness indicator as measured by ULCs declined to practically zero. ULCs in the total economy in Slovenia remained above the euro area average in the third quarter and the final quarter, by around 4%. In 2015 and 2016 in particular the deviation from the euro area average was strongly attributable to the decline in growth in labour productivity, which stood at just 0.6% last year, significantly less than growth in labour costs. Growth in labour costs per employee also outpaced growth in productivity in the euro area, although the gap was narrower.

**The market share of Slovenian merchandises exporters increased last year, both globally and in EU markets.** After declining slightly in 2010 and 2012, global market share increased to 0.19% in 2015, and, according to the ratio of global growth in imports to growth in Slovenia's exports, growth continued also in last year.<sup>10</sup> Its share on the EU market gradually increased over this period, and reach 0.98% in 2016. Regarding the exports across the economic categories,<sup>11</sup> notable growth in the share in

**Figure 4.10: Nominal unit labour costs in relative terms**



Source: Eurostat, Bank of Slovenia calculations.

**Figure 4.11: Market shares of Slovenian goods exports**



Note: Market shares are calculated as shares of goods exports by Slovenia in global goods imports and goods imports of the European Union.  
Source: WTO, Bank of Slovenia calculations.

<sup>10</sup> Global merchandise imports are estimated to have increased by 2.4% last year according to the IMF, while Slovenia's merchandise exports increased by 3.8% in nominal terms according to the balance of payments figures, and by 5.7% in real terms according to the national accounts figures.

<sup>11</sup> The four main categories according to the SITC one-digit classification are manufactured goods classified chiefly by material, crude materials except fuels, miscellaneous manufactured articles, and machinery and transport equipment.

categories of products classed as manufactured goods classified chiefly by material and crude materials except fuels was recorder over the entire period, while the share in the category of miscellaneous manufactured articles has gradually declined since 2008. Growth in exports of technology intensive products was a significant factor in export growth in the years after the outbreak of the crisis.<sup>12</sup> Of the major trading partners,<sup>13</sup> Slovenia's market

share in France has declined since 2009, reaching 0.23% in 2016, while its market shares in the other major partners have increased. The most distinctive changes are evident in the Austrian and Italian markets, where the market shares have increased by 22% and 17% respectively since 2010, while last year's largest change was recorded in the Croatian market, where the share increased by 5.6%.

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<sup>12</sup> Source: IMAD: 2016 Development Report.

<sup>13</sup> The major trading partners are Germany, Austria, Italy, France and Croatia.



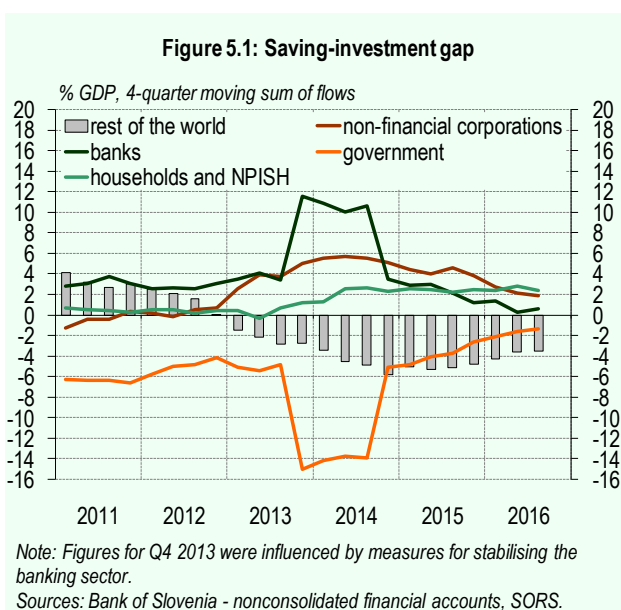
## 5 | Financing of Non-Financial Corporations, Households and Banks

After four years the positive saving-investment gap is declining, and is gradually moving to a balanced position. The surplus in saving over investment expressed as a proportion of GDP in the third quarter of 2016 was down 1.6 percentage points in year-on-year terms. Non-financial corporations are primarily directing their surpluses into sight deposits at banks and loans to the rest of the world. The favourable economic environment is increasing corporate demand for financing for investment projects, for which alternative sources of financing outside the banking system are currently preferable, as they are less restrictive. High corporate profits have already been reflected in an increase in household wealth via positive revaluations of equity. In addition, the past stabilisation on the labour market was reflected in the third quarter in an increase in the payment of pension and life insurance premiums. Households also strengthened their consumption in the second half of 2016. Household loans increased by 4.6% in year-on-year terms, consumer loans making a strong contribution to the growth. The contraction in bank investments in the second half of the year was mainly marked by one-off developments. The contraction in bank assets is therefore expected to gradually slow down in the future. Debt securities account for the largest proportion of bank investments, where the trend of the replacement of domestic government securities with foreign debt securities has continued. The sharp increase in the stock of sight deposits in 2016 has gradually increased the pressure on the sustainability of bank funding structure.

### Saving-investment gap by institutional sector

**The positive saving gap is gradually closing.** The surplus of saving over investment vis-à-vis the rest of the world amounted to 3.5% of GDP in the third quarter of 2016, 1.6 percentage points less than in the same period of the previous year. In the third quarter corporate investment reached its highest level of the last five years. Non-financial corporations' financial surplus amounted to 1.8% of GDP, down 3.8 percentage points from its peak in 2014. Non-financial corporations primarily reduced the financial gap in 2016 on the basis of an increase in the stock of deposits in Slovenia and loans issued in the rest of the world. After a gentle increase in the second quarter, the household sector's financial gap declined slightly again in the third quarter, which was consistent with the

labour market improvement and the resulting increase in consumption. In addition to an increase in sight deposits,

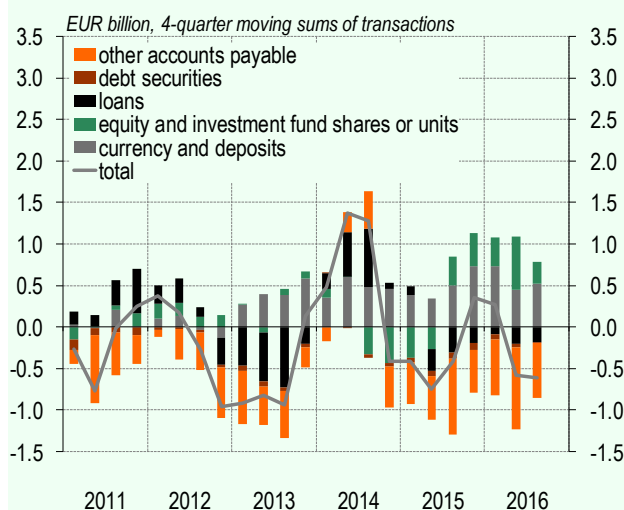


in the third quarter there was also an increase in households' outstanding investment position in equity, which can be attributed in particular to positive revaluations. The closure of the financial gap for financial institutions in the first half of the year was followed by a moderate increase in the third quarter. The increase in financial institutions' financial surplus was largely attributable to the absorption of Factor banka and Probanka by the BAMC, and the consequent decline in claims against non-financial corporations.

## Financial assets and financing of non-financial corporations

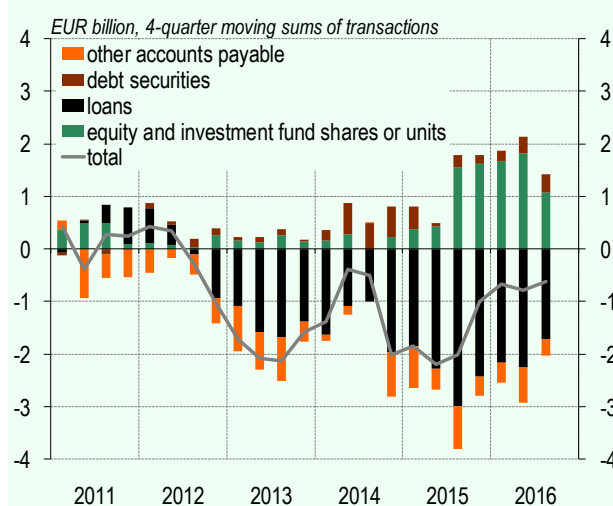
The stock of non-financial corporations' financial assets in the third quarter amounted to EUR 41.8 billion and was down EUR 0.5 billion in year-on-year terms. After increasing in the first half of the year, the stock of trade credits declined again.<sup>14</sup> A decline in the stock of investments in equity (by EUR 251 million) also contributed to the decline in investment activity via revaluations. This was entirely a reflection of the loss made by Block 6 of Šoštanj power station, which was reflected in the portfolio of Holding Slovenskih Elektrarn. Excluding the aforementioned case, there was a discernible trend of growth in the equity position, which is the result of good corporate performance and a more favourable situation on stock markets. The non-financial corporations portfolio primarily consists of securities of Slovenian non-financial corporations and high-tech firms in the rest of the world. The trend of increase in sight deposits continued in the third quarter as fixed-term deposits declined, which is primarily the result of developments in the area of monetary policy and the low returns in the interest rate market. Sight deposits were up 16% in year-on-year terms, while fixed-term deposits declined by 5%. Non-financial corporations are also continuing to issue loans in the rest of the world, at the expense of reduced lending activity in Slovenia. Non-residents accounted for 38% of loans in the third quarter of 2016, up 5 percentage points on the same period of the previous year, and up 13 percentage points on 2009.

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



Source: Bank of Slovenia, non-consolidated data.

**Figure 5.3: Financial liabilities of NFCs (S.11)**



Source: Bank of Slovenia, non-consolidated data.

**Non-financial corporations' financial liabilities were down EUR 2.1 billion in year-on-year terms at the end of the third quarter.** The largest factor in the decline was liabilities from loans, which declined by EUR 1.7 billion in year-on-year terms via repayments, primarily in relation to banks and credit institutions. The reason remains the increased use of alternative financing, as large enterprises in particular have had access to less restrictive non-bank resources at better terms. The trend of decline in liabilities from trade credit has also continued. They were down EUR 285 million in year-on-year terms in the third quarter of 2016, and were down 43% on 2008. Large

<sup>14</sup> Trade credits relate to transactions in merchandise and services with a deferred payment deadline, and differ substantively from loan issuance.

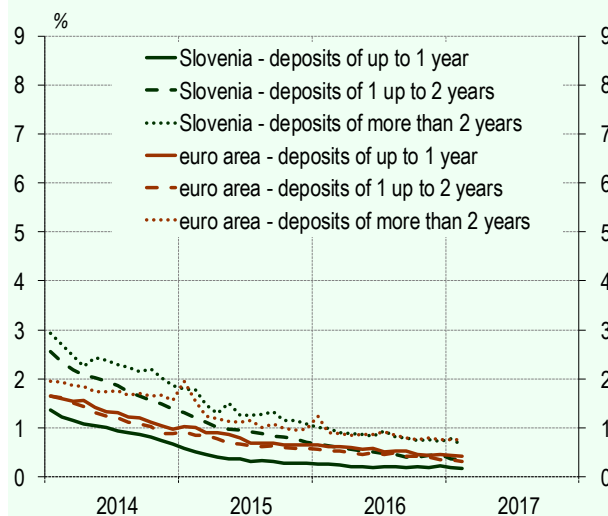
enterprises in particular are continuing to replace financing in the form of loans with issuance of equity and debt securities. Equity transactions amounted to EUR 1.1 billion in the third quarter, which relates almost entirely to residual equity and retained earnings. Liabilities from equities declined by EUR 300 million in year-on-year terms via revaluations, which neutralised the liabilities from transactions related to corporate acquisitions in the first half of the year.

## Household financial assets and financing

**Households are primarily placing their surplus assets in sight deposits.** Households' sight deposits in the third quarter were up 21% in year-on-year terms, the trend of growth thereby continuing for the third consecutive year, particularly at the expense of a decline in fixed-term deposits. The migration of fixed-term deposits to sight deposits is the result of the sustained fall in interest rates on deposits of all maturities, which in the third quarter of 2016 were down more than 2 percentage points on average compared with 2013. Assets obtained by households via investments in equity continued to grow, as revaluations in this segment were again positive. Household wealth accordingly increased by EUR 340 million over the 12 months to the third quarter. Past improvements on the labour market were reflected in particular in an increase in pension and life insurance claims in the third quarter of 2016. These claims increased by EUR 390 million overall, primarily as a result of a higher number of premium payments and switching to higher-risk investment funds. In addition there has been a sharp decline in the number of early withdrawals over the last two years, and in the frequency at which the right to a premium holiday has been claimed for reason of unemployment and reduced purchasing power.

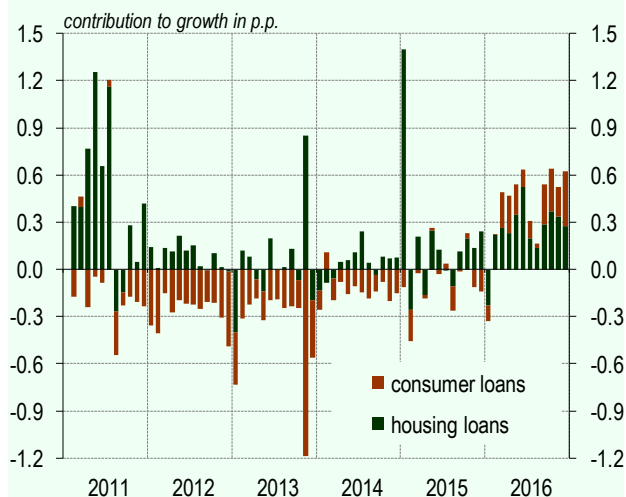
**Growth in loans to households strengthened sharply in the second half of 2016.** The rate reached 4.6% at the end of the year. Housing loans having recorded relatively stable growth over the last two years, the stock of consumer loans also increased decisively. Growth in consumer loans outpaced growth in housing loans in the second half of the year. The indebtedness of Slovenian

Figure 5.4: Interest rates on household deposits, by maturity



Sources: ECB, Bank of Slovenia.

Figure 5.5: Loans to households



Source: Bank of Slovenia.

households measured by the debt-to-GDP ratio was down 2.6 percentage points in year-on-year terms in the third quarter, and remains less than a half of the average figure across the euro area.

## Bank funding and investments

**The banking sector's financial assets are continuing to decline, although the contraction in total assets slowed significantly in the second half of 2016.** The rate stood at just 0.9% in December. The main factor in the contraction in assets in 2016 remained the corporate portfolio, where the year-on-year decline stood at just 1% in December, 5 percentage points less than a year earlier.

### Box 5.1: Bank performance in early 2017

The banking system entered 2017 with positive dynamics in loans to the non-banking sector. After several years of decline, growth in corporate lending is again positive. Growth in household loans has continued, with consumer loans recording faster growth. The role of deposits by the non-banking sector on the funding side is strengthening, sight deposits accounting for the prevailing share. The quality of the credit portfolio is improving further, and the banks' capital adequacy remains favourable,

Growth in loans to the non-banking sector was positive in February for the third consecutive month, the year-on-year rate reaching 2.8%. Loans to non-financial corporations and households increased in particular over the first two months of the year, while loans to other sectors declined, most notably loans to the government sector. Loans to non-financial corporations have been increasing in nominal terms for three consecutive months, the year-on-year rate turning positive in February at 2.4%. The positive growth was also attributable to a base effect, Factor banka and Probanka having been wound up in February of last year. Excluding the two aforementioned banks, year-on-year growth in loans to non-financial corporations would also have been positive for a third consecutive month.

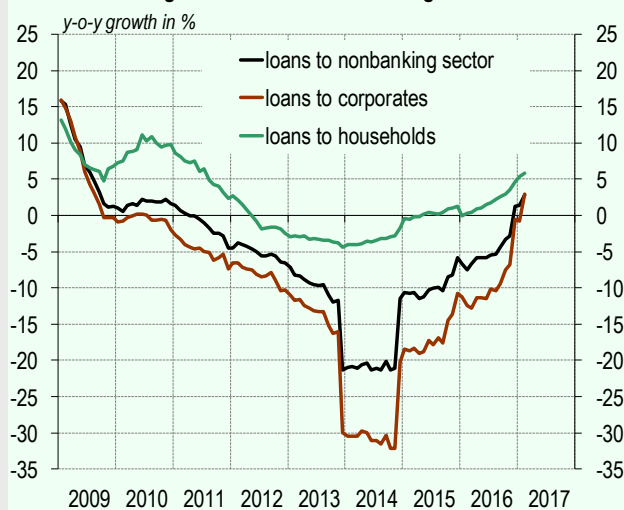
Growth in loans to households is gradually strengthening, the year-on-year rate reaching 5.8% in February. The small domestic banks recorded the highest growth of 8.9%, while the other two bank groups were slightly below the average across the system. Growth in housing loans and consumer loans has also been increasing in 2017. Housing loans were up 5% in

year-on-year terms. The small domestic banks recorded notable growth of 28%, while the large domestic banks also recorded above-average growth in housing loans of 5.8%. Growth in consumer loans is strengthening even faster than that of housing loans: it reached 9.4% in February. The growth in this segment is mainly being driven by certain banks under majority foreign ownership, who have recently focused on approving long-term consumer loans.

The banks' funding structure continued to change in the first two months of this year. As wholesale funding declined, the proportion of total funding that it accounts for fell below 10%. At the same time the proportion accounted for by liabilities to the ECB had declined by the end of February, as the banks had no need to obtain additional short-term funds given their high excess liquidity. The proportion of the pool of eligible collateral for Eurosystem operations that is free thus remains high, which allows the banks to access additional liquidity in the event of any major liquidity needs. Following the final TLTRO-II tender by the ECB in March, nine banks increased their liabilities to the ECB in the amount of EUR 0.5 billion. This is favourable funding, which could provide for additional credit activity on the part of the banks.

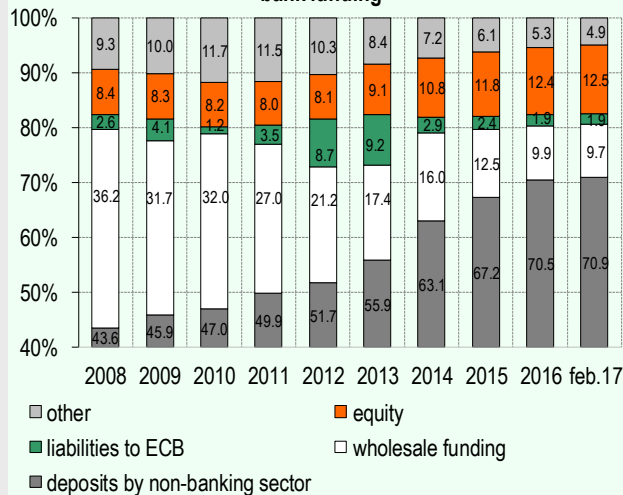
The proportion of funding accounted for by deposits by the non-banking sector is increasing further. Their ratio to total liabilities exceeded 70% at the end of February. The largest factor in the strengthening of deposits by the non-banking sector is the continuing growth in household deposits, while growth in deposits by non-financial corporations is continuing to slow. The strengthening growth in household deposits seen

**Figure 1: Loans to non-banking sector**



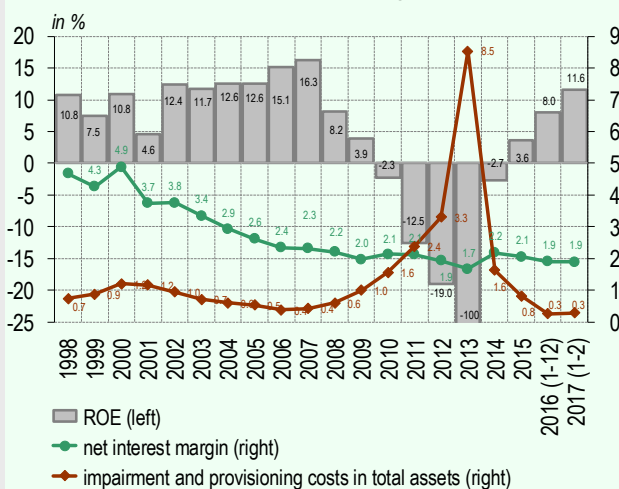
Source: Bank of Slovenia.

**Figure 2: Percentage breakdown of bank funding**



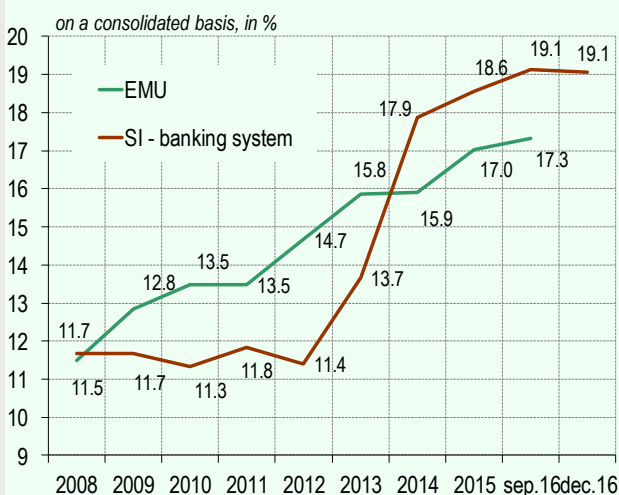
Source: Bank of Slovenia.

**Figure 3: ROE, net interest margin on interest-bearing assets and ratio of impairment and provisioning costs to total assets**



Source: Bank of Slovenia.

**Figure 4: Capital adequacy ratio (CAR)**



Sources: Bank of Slovenia, ECB.

In 2016 continued in the first two months of the year, the rate reaching 7% in February. At the same time, as interest rates remain low, the maturity breakdown of deposits by the non-banking sector is changing in the direction of an increase in sight deposits. They accounted for 65% of the total at the end of February, up 6 percentage points in year-on-year terms. The growth in sight deposits is the result of an absolute increase in deposits and also a decline in short-term and long-term fixed deposits, where renewals are not being made. Traditional savers, who are usually averse to alternative forms of investment, are allowing their assets to build up in bank accounts. The increase in sight deposits while secondary liquidity has remained relatively unchanged at the banks is resulting in a decline in the coverage of sight deposits by liquid assets.

The quality of bank investments again improved in the early months of this year. The proportion of claims more than 90 days in arrears stood at 5.3% in February, while the stock of those claims fell to EUR 1.8 billion. Non-financial corporations still account for just over half of claims more than 90 days in arrears (EUR 920 million), although the quality of this portfolio is improving markedly. The proportion of claims against non-financial corporations more than 90 days in arrears declined to 7.1% in February, with notable recent improvements in wholesale and retail trade, construction, and professional, scientific and technical activities. The proportion of claims more than 90 days in arrears in the manufacturing sector declined to 4.7% in February. The proportion of the banks' non-performing exposures fell to 8.2% according to the broader EBA definition (the most recent figure is for the end of 2016).

The banks recorded a pre-tax profit of EUR 82 million over the first two months of the year, comparable to last year's figure. The banking system's gross income over the first two months of the year was up 6.1% on the same period last year. The positive growth in gross income was attributable to non-interest income, which increased by a quarter, although this was again primarily the result of one-off factors, while the portion of non-interest income related to net fees and commission was comparable to last year. Growth in net interest remains negative: the latter was down 4.8% over the first two months of the year. However, the decline in net interest income calculated over the last 12 months was still significantly larger, at 9%. At system level, as they had done last year, the banks again released net impairments and provisions over the first two months of the year, in the amount of EUR 4.3 million. Operating costs are declining for the seventh consecutive year. They were down 1.3% over the first two months of the year, having declined by 2.7% last year. Growth in labour costs is also very moderate, at around 1%. Despite the reduction in operating costs, there has been no decline in the ratio of operating costs to total assets as the latter has declined: it stood at around 1.8% across the banking system.

The capital adequacy of the Slovenian banking system declined slightly in the final quarter of 2016, but remained above the comparable average across euro area countries. At the end of 2016 the total capital ratio stood at 20.8% on an individual basis, and 19.1% on a consolidated basis. The decline in the total capital ratio on an individual basis is the result of a larger increase in capital requirements relative to a minimal increase in capital. There remain major differences between bank groups, and the small domestic banks remain the most

vulnerable in capital terms. Despite an improvement in 2016, their capital adequacy is still below the average for the Slovenian banking system and the comparable average across the euro area. The stability of capital adequacy in the future will depend strongly on the banks' ability to generate internal capital, which is relatively limited in the environment of low

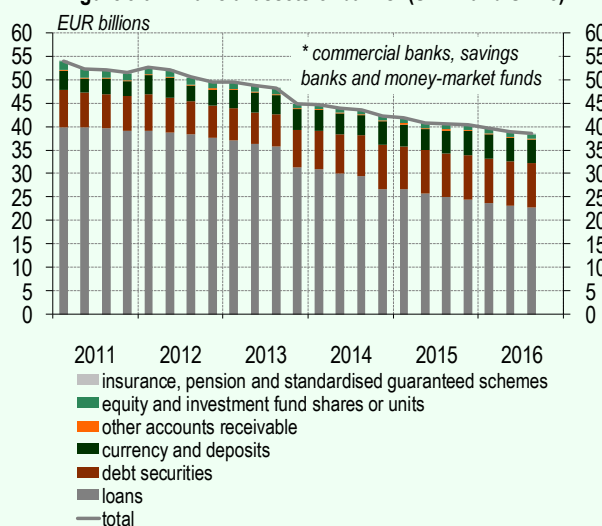
interest rates and, for now, weak credit growth. At the same time the success of the process of privatising certain banks will be important, and should reflect the good capital backing of the new owners and their ability to effectively manage capital.

er. The decline in claims against non-financial corporations in the second half of the year was primarily the result of one-off developments, i.e. the absorption of two banks by the BAMC and the transfer of non-performing claims from the largest bank, for which reason a gradual stabilisation can be expected in 2017. Credit transactions with the rest of the world continued to decline sharply in the

second half of the year: the proportion of loans to non-residents fell from 5.2% in 2008 to 1.9% in 2016. Credit activity thus remained restricted primarily to the household sector, where loans increased by 4.6% in year-on-year terms. In addition to housing loans, which increased for the third consecutive year, the stock of consumer loans also increased sharply in 2016, by 7.2%. Despite a year-on-year decline of 3%, debt securities are still the largest item on the asset side of the banks' balance sheet. There is a trend of decline in investments in domestic securities, and a trend of increase in investments in foreign securities.

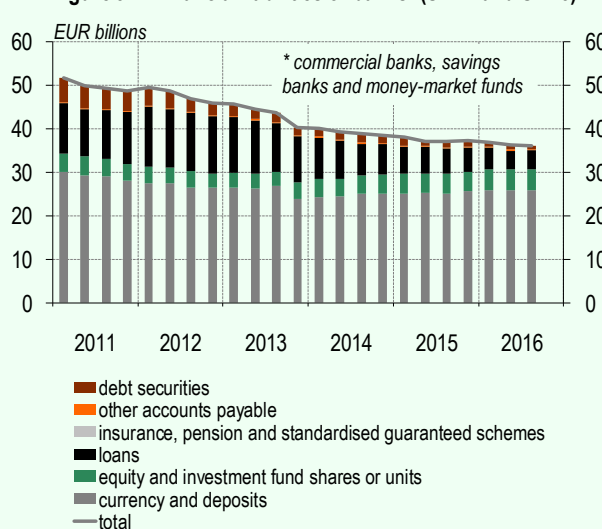
**On the liability side, the low interest rate environment was reflected in a sharp increase in sight deposits.** The proportion of total liabilities accounted for by sight deposits by the non-banking sector reached a record high of more than 40% at the end of 2016. The banks are using the increase in sight deposits to replace more expensive sources of funding. Liabilities from debt securities declined by 30% in year-on-year terms. The trend of decline in liabilities is also continuing.

**Figure 5.6: Financial assets of banks\* (S.122 and S.123)**



Source: Bank of Slovenia, non-consolidated data.

**Figure 5.7: Financial liabilities of banks\* (S.122 and S.123)**



Source: Bank of Slovenia, non-consolidated data.

## Domestic financial market

**Investors in domestic shares began 2017 positively.** The SBI TOP rose by 10.2% over the first two months of the year. Alongside the positive trend on foreign markets, investors' appetite was mostly attributable to the first releases of positive results for 2016, which exceeded market expectations. The mood remained positive in the first half of March, when the SBI TOP gained a further 1.2%. February's volume of trading in shares was up 22% on January at EUR 29 million, thereby exceeding the monthly average in 2016. The market capitalisation of shares increased by 4.9% over the same period to EUR 5.4 billion. The liquidity of the domestic stock market nevertheless

## Box 5.2: Survey on access to corporate financing in Slovenia in 2016

The situation in financing improved again to a lesser extent in 2016. The response by the majority of firms to various questions suggests that the situation in the area of financing remained unchanged. The remaining firms mostly stated that the situation has improved. Compared with 2015, the external financing situation improved for small and medium-size enterprises (SMEs), while the improvement for large enterprises was less than in 2015.

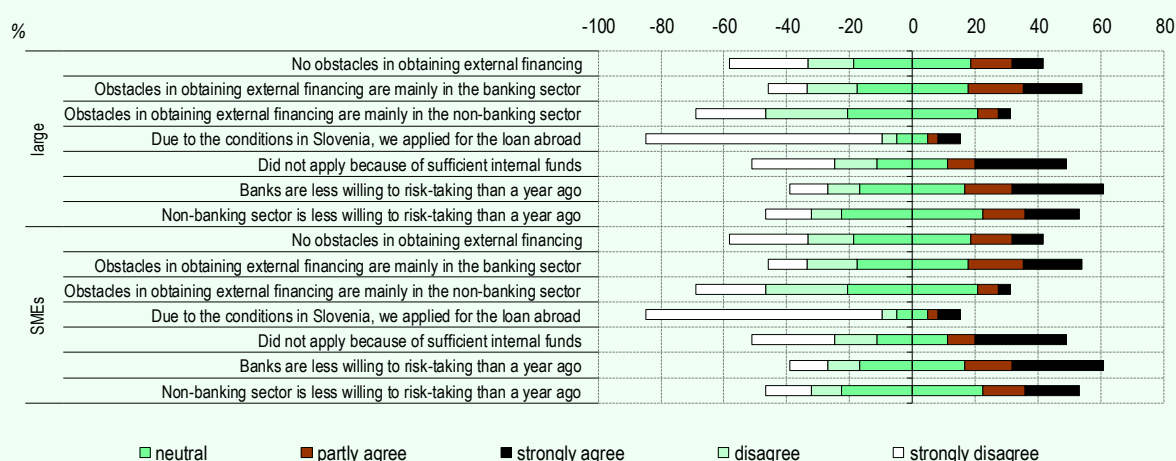
A significant proportion of firms did not agree with the statement that there are no obstacles in the area of external financing (see Figure 1; SMEs: 40%, large enterprises: 35%).<sup>1</sup> In their opinion the obstacles primarily lie in the banking system (SMEs: 36%, large enterprises: 35%), which in 2016 was less willing to take up risk than a year earlier, at least accord-

ing to the results of this survey (SMEs: 44%, large enterprises: 47%).

For SMEs, access to financing is one of the least limiting factors in performance: only 15% of all SMEs cited it as a major limiting factor (ranked sixth). The prevailing major limiting factors cited by SMEs are domestic demand, competition and payment indiscipline. Access to financing was ranked second as a major limiting factor by large enterprises in 2016, having been ranked fifth in 2015. The other major limiting factors for large enterprises are competition, domestic demand and regulations.

The main resources used by firms for their financing are (i) the retained earnings or the sale of assets (SMEs: 58%; large enterprises: 67%), followed by (ii) bank loans (SMEs: 41%;

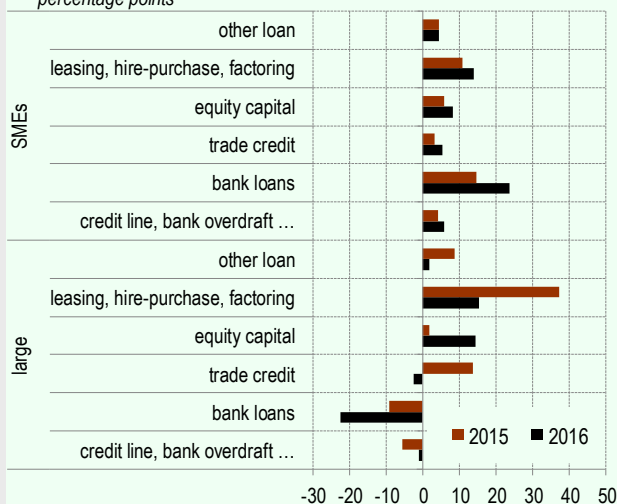
Figure 1: External financing conditions



Source: Bank of Slovenia.

Figure 2: Needs (demand) for external financing (net)

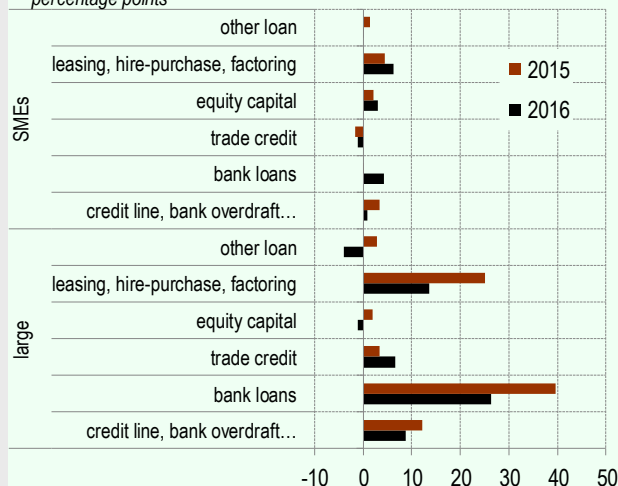
percentage points



Source: Bank of Slovenia.

Figure 3: Availability (supply) of external sources of financing (net)

percentage points



Source: Bank of Slovenia.

large enterprises: 50%), and leasing (SMEs: 36%; large enterprises: 41%). Other resources are used less. Firms mostly earmarked the funds for current operations in 2016 (SMEs: 39%; large enterprises: 56%) and for investment (SMEs: 44%; large enterprises: 23%). The proportion of funds earmarked for debt restructuring by large enterprises declined from 19% in 2014 to 8% in 2016.

In general firms are not seeking external financing, because they have sufficient internal resources (SMEs: 57%; large enterprises: 72%), and because of obstacles from providers of external financing (SMEs: 18%; large enterprises: 15%).

Demand for external financing remained unchanged in 2016 (See Figure 2), with the exception of bank loans, where most SMEs indicated that their demand had increased. As in 2015, SMEs' net demand<sup>2</sup> for external financing increased in 2016,

mostly for (i) bank loans and (ii) leasing, hire-purchase and factoring. Large enterprises recorded a decline in net demand for both forms of bank resources<sup>3</sup> in both years, while the net demand for other external financing increased.

Looking at the net responses (Figure 3), net access to financing for SMEs was positive in respect of bank loans (4 percentage points) for the first time since 2011, while for large enterprises it improved for the second consecutive year.

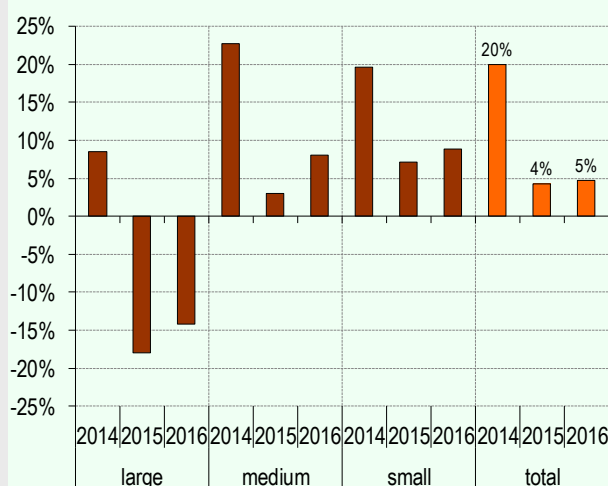
In general net access improved for SMEs in 2016 relative to 2015 for all types of financing, with the exception of bank overdrafts, credit lines and credit card overdrafts. Net access to all types of financing improved for large enterprises in 2016 albeit by less than in 2015.

The ECB has developed an experimental financing gap indicator (see Figure 4): when demand increases and access (supply) declines, the financing gap widens. SMEs saw an increase in demand for all resources in 2016, while access improved slightly, so the financing gap remains for the SMEs. There was no financing gap in 2016 for large enterprises, as the demand for bank resources declined, while access improved for all types of financing.

The number of firms with sufficient internal resources has increased since 2014, for that reason the number of applications for external financing is declining. SMEs are continuing to submit fewer applications for bank financing and are increasing their applications for other resources. Large enterprises have been increasing their applications for the majority of types of financing since 2015.

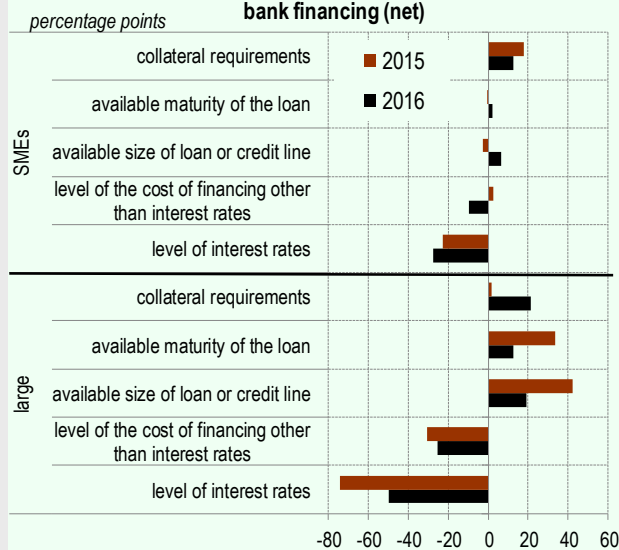
The majority of firms were of the opinion that the terms of bank financing improved in 2016, with the exception of collat-

**Figure 4: Financial gap**



Source: Bank of Slovenia.

**Figure 5: Terms and conditions of bank financing (net)**



Source: Bank of Slovenia.

**Figure 6: Expected availability of external financing in 2017 (net)**



Source: Bank of Slovenia.

eral requirements. According to large enterprises, there was a net improvement in the price terms of bank financing conditions (see Figure 5) last year: interest rates and other financing costs fell, loan maturities and size increased, but collateral requirements increased. Interest rates fell for SMEs in 2016, but bank collateral requirements increased again, and the other terms of financing mostly remained unchanged.

The situation in the area of external financing is also forecast to improve slightly in 2017, according to the results of the survey. The majority of firms, irrespective of size, expect the situation in the area of financing to remain unchanged in

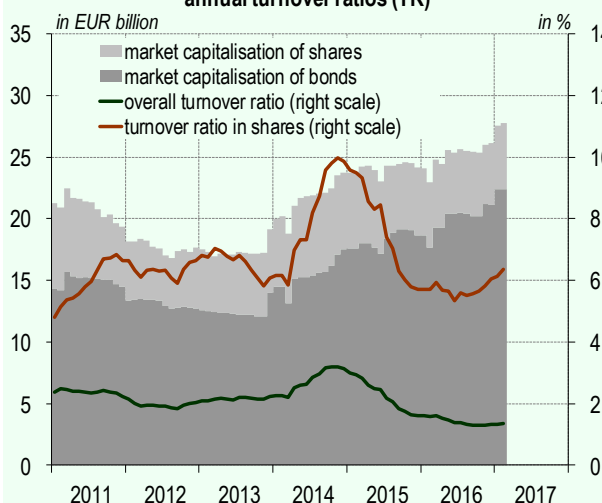
2017. Looking at the net responses (Figure 6), it is evident that more SMEs expected the situation to improve this year than to deteriorate, for all types of financing. The expectation of improvement began at large enterprises in 2014, and continued in 2016, although the improvement was less pronounced than in 2015.

<sup>1</sup> Taking account of the responses "I disagree" and "I completely disagree".

<sup>2</sup> The net responses are calculated as the difference between the responses of firms stating that the factor in question has improved and the firms stating that the factor in question has deteriorated (in percentage points).

<sup>3</sup> The forms of bank financing are: (i) bank loans, and (ii) bank overdrafts, credit lines and credit card overdrafts.

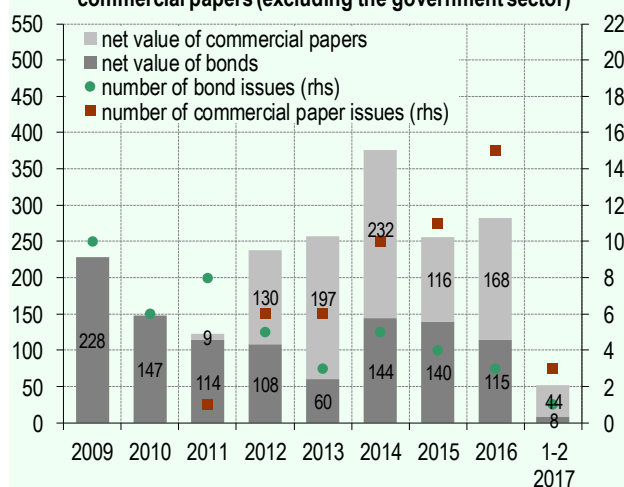
**Figure 5.8: Market capitalisation on the LJSE and annual turnover ratios (TR)**



remains relatively low, with shallow supply and demand. The gradual decline in the proportion of the market capitalisation of shares on the Ljubljana Stock Exchange accounted for by non-residents has continued in February. The figure decreased by 0.4 percentage points from January to 25.8%, and 4.4 percentage points in year-on-year terms.

**The market capitalisation of bonds increased by 6% over the first two months of the year to EUR 22.4 billion.** As in the previous year, the main factor in the dynamics in this market is government bond issuance. A new issue of 10-year government bonds and an additional issue of 20-year bonds in the total amount of EUR 1.3 billion had an impact on the market capitalisation of bonds in January. At EUR 3.6 million, February's volume of trading in bonds exceeded the monthly average in 2016 of EUR 1.5 million, but the figure nevertheless remains modest relative to market capitalisation. Corporate

**Figure 5.9: Issuance of corporate bonds and commercial papers (excluding the government sector)**



activity in the issuance of debt securities remains low, although there are also signs in 2017 of greater interest on the part of non-financial corporations in this method of financing. Non-financial corporations issued 15.7% more debt securities in January and February than in the same period of 2016.



## 6 | Public Finances

*According to current figures, Slovenia reduced its general government deficit to just 1.5% of GDP in 2016, considerably better than most recent plans of the Ministry of Finance. The key to assessing last year's fiscal performance is the structural improvement. An assessment will be provided by the European Commission in May.*

*The nominal general government deficit is expected to narrow further this year. It is expected to be smaller than planned when the budget for this year was adopted, as a result of the better starting position and the improvement in the economic situation. Higher tax revenues are expected, and disbursement of funds from the EU is also expected to pick up. Government investment is consequently no longer expected to be a drag on economic growth. General government expenditure will mostly increase, but the key is that the increase stays within the planned bounds. The government will present its plans in the April update of the Stability Programme.*

*The general government debt fell to just below 80% of GDP last year. Although it has always been lower than the euro area average, it remains high. The borrowing conditions are still favourable, and in addition to the positive impact of economic growth, the ratio could be further reduced this year by a decline in the amount of pre-financing.*

*The risks in the fiscal area are related to the upward pressure on expenditure from various interest groups, which has strengthened recently, to potential one-off factors, and to the high level of implicit and potential liabilities.*

### General government deficit

**The general government deficit amounted to 1.5% of GDP in 2016, while the general government debt stood at 79.7% of GDP at the end of the year. The deficit reduction was primarily attributable to a smaller impact of one-off factors, and to the improvement in the economic situation, which has resulted in a narrowing output gap.** In its Draft budget plan of October

the Ministry of Finance confirmed the targets for 2016 stated in the April update of the Stability Programme: a deficit in the amount of 2.2% of GDP and a structural improvement in the amount of 0.6% of GDP. The nominal deficit was smaller, as a result of higher general government revenues and lower general government expenditure than forecast. An assessment of the structural effort will be provided by the European Commission in May.<sup>15</sup> The primary surplus strengthened to 1.4% of GDP

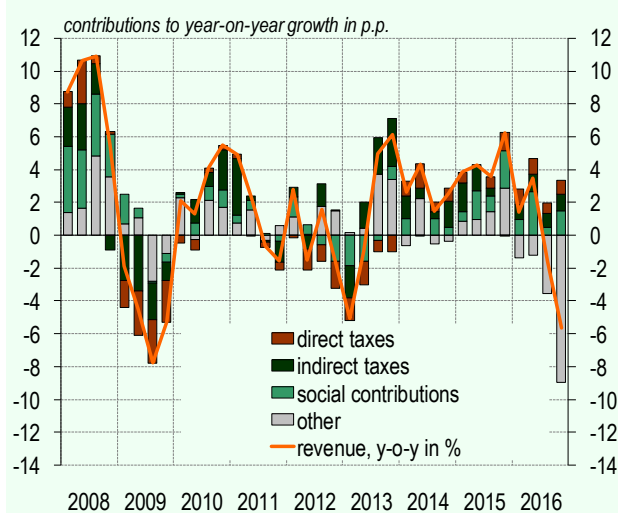
<sup>15</sup> The indicator of the structural effort is the change in the structural fiscal position. The structural position is calculated by eliminating cyclical components, one-off effects and other temporary measures from the fiscal position. In February 2017 the European Commission estimated that the (nominal) general government deficit in 2016 amounted to 2.0% of GDP, and that the fiscal position in Slovenia deteriorated by 0.1% of GDP in structural terms. In light of the considerably lower nominal deficit, the new estimates of the structural effort for Slovenia are expected to be more favourable.

**Table 6.1: General government deficit and debt in Slovenia 2012–2019\***

|                                    | SORS |       |      |      |      | Draft Budgetary Plan |      |      | Stability Programme |      |      |      | EC   |      |      |
|------------------------------------|------|-------|------|------|------|----------------------|------|------|---------------------|------|------|------|------|------|------|
| % GDP                              | 2012 | 2013  | 2014 | 2015 | 2016 | 2016                 | 2017 | 2018 | 2016                | 2017 | 2018 | 2019 | 2016 | 2017 | 2018 |
| Revenue                            | 44.5 | 45.2  | 44.7 | 45.2 | 43.5 | 42.9                 | 43.0 | 42.5 | 43.5                | 43.8 | 43.2 | 42.3 | 43.2 | 42.9 | 42.1 |
| Expenditure                        | 48.6 | 60.3  | 50.0 | 47.8 | 45.0 | 45.1                 | 44.3 | 43.3 | 45.7                | 45.4 | 44.3 | 42.7 | 45.2 | 44.6 | 43.5 |
| of which: interest                 | 2.0  | 2.6   | 3.2  | 2.9  | 3.0  | 2.8                  | 2.4  | 2.3  | 2.9                 | 2.6  | 2.5  | 2.4  | 2.8  | 2.6  | 2.4  |
| Net lending (+) / borrowing (-)    | -4.1 | -15.1 | -5.3 | -2.6 | -1.5 | -2.2                 | -1.3 | -0.8 | -2.2                | -1.6 | -1.0 | -0.4 | -2.0 | -1.7 | -1.4 |
| excl. support to fin. institutions | -3.9 | -5.0  | -4.3 | -2.6 | -1.5 | -2.2                 | -1.3 | -0.8 | -2.2                | -1.6 | -1.0 | -0.4 | -2.0 | -1.7 | -1.4 |
| Structural balance                 | ...  | ...   | ...  | ...  | ...  | -1.5                 | -0.8 | -0.9 | -1.5                | -1.3 | -1.0 | -0.6 | -1.9 | -2.1 | -2.6 |
| Debt                               | 53.9 | 71.0  | 80.9 | 83.1 | 79.7 | 80.2                 | 78.2 | 76.5 | 80.2                | 78.2 | 76.5 | 73.8 | 80.9 | 78.9 | 76.7 |
| Real GDP (growth, %)               | -2.7 | -1.1  | 3.1  | 2.3  | 2.5  | 2.3                  | 2.9  | 2.6  | 1.7                 | 2.4  | 2.3  | 2.3  | 2.5  | 3.0  | 3.0  |

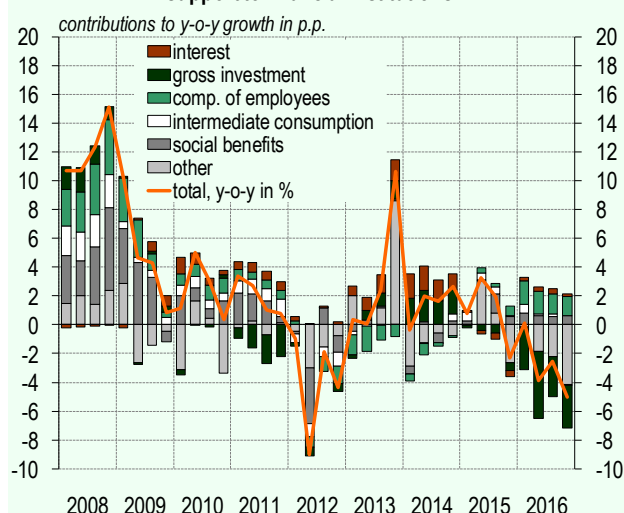
Source: SORS (realization), Draft Budgetary Plan (Ministry of Finance, October 2016), Stability Programme (Ministry of Finance, April 2016), European Commission (EC, February 2017).

**Figure 6.1: General government revenue**



Source: SORS, Bank of Slovenia calculations.

**Figure 6.2: General government expenditure excluding support to financial institutions**



Source: SORS, Bank of Slovenia calculations.

last year. According to the European Commission's winter forecasts, the general government deficit across the euro area was forecast at 1.7% of GDP in 2016, while the general government debt was forecast to reach 91.5% of GDP by the end of the year.

**General government revenues in 2016 were down in year-on-year terms, although the key was the continuing relatively solid growth in tax revenues, which mitigated the sharp decline in revenues from EU funds.** General government revenues last year were down 0.8% on the previous year. This was attributable to a decline in capital revenues, which amounted to just a

twentieth of those in the previous year, as disbursement from EU funds<sup>16</sup> was weak in the wake of the changeover to the new financial framework. Revenues from taxes and net social security contributions were up 3.9% last year, slightly more than the previous year's increase. The increase was the result of an improvement in the situation on the labour market, and higher disposable income and strengthened household consumption. The increase in VAT revenues was also attributable to the introduction of fiscal cash registers, which was the main measure taken on the revenue side last year. Corporate income tax revenues continued to increase.

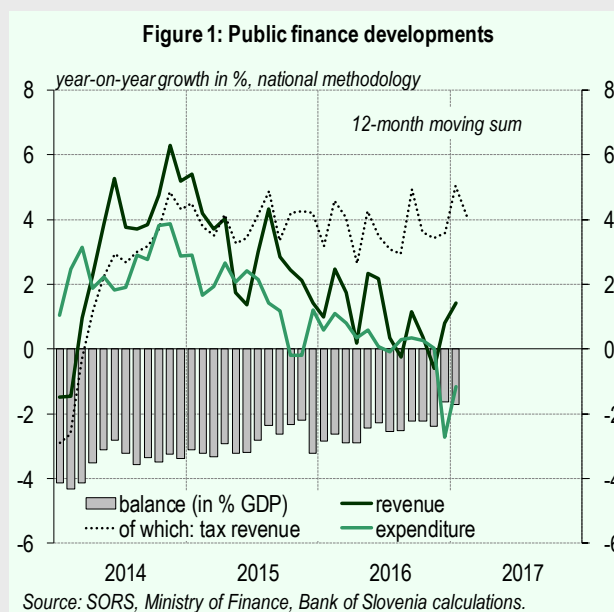
<sup>16</sup> Slovenia did not accredit the system for the disbursement of EU funds until December 2016.

### Box 6.1: Public finance developments according to cash flow methodology

The consolidated general government position in January was in minimal deficit. The deficit amounted to EUR 7 million, compared with a surplus of EUR 27 million in January of last year. Both revenues and expenditure were significantly higher, latter on account of a significant year-on-year increase in agricultural subsidies from EU funds, which are usually paid in the early months of the year. The developments in tax revenues remained favourable in the first quarter, with higher growth than at the end of last year. Revenues from the EU budget in the first two months of the year were down on the same period last year, while non-tax revenues were up, as a result of transactions related to government borrowing. General government expenditure also increased. Expenditure on wages and other employee-related expenditure continued to increase in the early part of the year, while other expenditures also increased, with the exception of payments into the EU budget.

A deficit of EUR 681 million is projected for the state budget approved for this year, similar to last year's realisation. The state budget approved for this year envisages increases of just over EUR 500 million in both revenues and expenditure compared with last year. The majority of the projected increa-

se relates to a forecast for higher realisation of transactions in connection with flows with the EU. Revenues will also be increased by the more favourable economic situation, while expenditure will be increased by the relaxation of certain measures, e.g. in the area of wages.



**Table 1: Consolidated\* general government**

|   | 2016          |               | last 12 months to Jan. 17 |             | 2016<br>Jan. | 2017<br>Jan. | Jan. 17     |
|---|---------------|---------------|---------------------------|-------------|--------------|--------------|-------------|
|   | EUR millions  | % GDP         | y-o-y, %                  |             | EUR millions | y-o-y, %     |             |
| <b>Revenue</b>  | <b>15,841</b> | <b>15,956</b> | <b>40.0</b>               | <b>1.4</b>  | <b>1,329</b> | <b>1,445</b> | <b>8.7</b>  |
| Tax revenue   | 14,240        | 14,394        | 36.1                      | 5.1         | 1,176        | 1,330        | 13.1        |
| - goods and services  | 5,433         | 5,504         | 13.8                      | 3.7         | 463          | 534          | 15.4        |
| - social security contributions                               | 5,721         | 5,752         | 14.4                      | 4.9         | 465          | 497          | 6.8         |
| - personal income   | 2,079         | 2,086         | 5.2                       | 4.9         | 175          | 182          | 3.8         |
| - corporate income  | 599           | 595           | 1.5                       | -0.9        | 40           | 35           | -11.5       |
| From EU budget  | 481           | 401           | 1.0                       | -57.4       | 90           | 11           | -88.4       |
| Other   | 1,120         | 1,161         | 2.9                       | 6.7         | 63           | 104          | 65.9        |
| <b>Expenditure</b>  | <b>16,492</b> | <b>16,641</b> | <b>41.7</b>               | <b>-1.2</b> | <b>1,303</b> | <b>1,452</b> | <b>11.5</b> |
| Current expenditure   | 7,406         | 7,437         | 18.6                      | 4.0         | 618          | 649          | 5.1         |
| - wages and other personnel expenditure (incl. contributions) | 3,785         | 3,797         | 9.5                       | 5.5         | 306          | 318          | 3.9         |
| - purchases of goods, services                                | 2,371         | 2,390         | 6.0                       | 3.3         | 158          | 176          | 11.9        |
| - interest  | 1,074         | 1,080         | 2.7                       | 3.5         | 144          | 149          | 4.1         |
| Current transfers   | 7,698         | 7,807         | 19.6                      | 4.4         | 616          | 725          | 17.6        |
| - transfers to individuals and households                     | 6,495         | 6,507         | 16.3                      | 1.9         | 529          | 541          | 2.4         |
| Capital expenditure, transfers                                | 960           | 970           | 2.4                       | -45.4       | 36           | 46           | 28.3        |
| To EU budget  | 427           | 427           | 1.1                       | -1.3        | 34           | 33           | -2.3        |
| <b>GG surplus/deficit</b>                                     | <b>-651</b>   | <b>-685</b>   | <b>-1.7</b>               |             | <b>27</b>    | <b>-7</b>    |             |

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

**General government expenditure declined last year for the third consecutive year, as a result of a decline in government investment of one-third, while current expenditure increased by slightly less than nominal GDP as a result of the relaxation of certain austerity measures.** General government expenditure was down 2.9% in year-on-year terms. The main factor was the decline of a third in government investment. Other expenditures mostly increased, partly as a result of the relaxation of certain austerity measures. Employee compensation increased by 6.3%, which in addition to the rise in the average wage (higher leave allowance, rises in wage grades, promotions) was also attributable to a rise in the number of employees (by 1.5%). Expenditure on intermediate consumption also continued to grow, while expenditure on interest also increased, and amounted to 3.0% of GDP last year. The increase in social security benefits was attributable to the relaxation of measures in the area of cash social assistance and child benefit in the fifth and sixth income bands, and a rise in the number of claimants of government scholarships. Pensions were increased by approximately 1% in 2016. The number of pensioners increased by 0.2% last year, the lowest increase since Slovenia became independent.

## General government debt and government guarantees

**The general government debt declined last year for the first time since the outbreak of the economic crisis.** It amounted to EUR 31,677 million or 79.7% of GDP at the end of the year, and thus remains below the euro area average. The reduction of 3.5 percentage points in the debt is the result of a primary surplus and reduced pre-financing.

The snowball effect, which derives from the difference between the implicit interest rate on the debt and (nominal) economic growth, increased the debt, as interest payments expressed as a percentage of GDP exceeded the effect of GDP growth on debt reduction (see Table 6.2).

**The stock of guarantees and sureties declined last year, although guarantees issued to DARS d.d. increased in the final quarter.** The stock of government guarantees and sureties stood at EUR 6.8 billion or 17.1% of GDP at the end of the year, down EUR 246 million on the end of the previous year. There was a gradual decline over the first three quarters of the year, a slight increase as a result of increases in guarantees made to DARS d.d. was present in the last quarter. Approximately 4.9% of GDP guarantees is included in the general government debt and relates to BAMC bonds and certain guarantees made to the EFSF. According to state budget figures, EUR 0.1 million of guarantees were called last year, while repayments of called guarantees amounted to EUR 372 million. The latter is almost entirely related to repayments of guarantees called in 2014 during the orderly wind-down of Probanka and Factor banka. The repayment of the aforementioned guarantee was continued by the BAMC after the merger of the two aforementioned banks last year, and was completed in December.

**The required yield on 10-year government bonds and the spread over the German benchmark bond rose slightly in the first quarter of this year.** The required yield averaged 1.35% and the spread averaged 99 basis points, compared with figures of 0.91% and 62 basis points in December. The sovereign yields of the majority of euro area countries also rose over the same period, even the lowest-risk bonds. The rise was related to expectati-

**Table 6.2: Contributions of components to change in general government debt**

| % GDP   | 2011       | 2012       | 2013        | 2014       | 2015       | 2016        |
|---|------------|------------|-------------|------------|------------|-------------|
| Debt  | 46.6       | 53.9       | 71.0        | 80.9       | 83.1       | 79.7        |
| <b>Change in debt</b>                                     | <b>8.3</b> | <b>7.3</b> | <b>17.1</b> | <b>9.9</b> | <b>2.3</b> | <b>-3.5</b> |
| of which: primary balance                                 | 4.8        | 2.1        | 12.5        | 2.1        | -0.3       | -1.4        |
| difference interest rate-growth rate ("snow-ball effect") | 1.2        | 3.2        | 2.7         | 0.5        | 0.4        | 0.5         |
| deficit debt adjustment                                   | 2.3        | 2.0        | 1.9         | 7.3        | 2.2        | -2.5        |

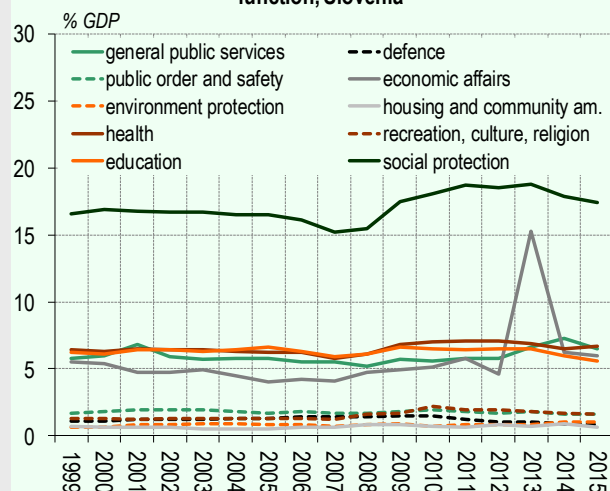
Source: SORS, Bank of Slovenia calculations.

## Box 6.2: Expenditure on social protection in EU Member States

After increasing in 2008 and 2009, total general government expenditure by EU Member States expressed as a ratio to GDP has been declining in recent years, although it remains higher than in the pre-crisis period. The figure averaged 47.2% in 2015, compared with 47.8% in Slovenia. Since 2002, i.e. in the period for which figures are also available for the EU, the ratio of general government expenditure to GDP in Slovenia has generally been lower than in the EU overall, with the exception of the years in which there was a major impact on expenditure from measures related to the recovery and resolution of the banking system.<sup>1</sup> During the crisis period expenditure earmarked for social protection made the largest contribution to the increase in the ratio of expenditure to GDP (Figure 3).

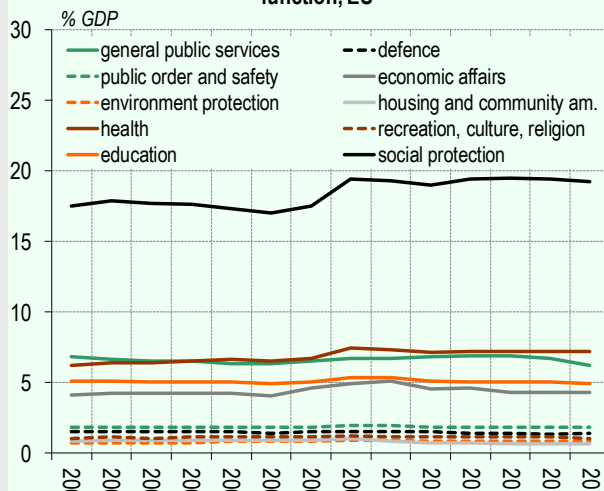
Expenditure on social protection accounts for the largest proportion of general government expenditure<sup>2</sup> in all EU Member States, including Slovenia (Figure 1 and 2). In 2015 EU Member States earmarked 19.2% of GDP for social protection, while in Slovenia the figure was almost 2 percentage points lower. There was considerable variation from country to country (Figure 4). While Finland earmarked just over a quarter of its GDP for social protection, the countries where the figure is lowest earmarked half of that or even less for social protection (Ireland had the lowest figure, while the Baltic states, Romania, Cyprus, Malta, the Czech Republic and Bulgaria also earmark very little for social protection). In all the countries other than Hungary, Malta and Ireland, the ratio of expenditure on social protection to GDP was higher than in 2007,

**Figure 1: Government expenditure by function, Slovenia**



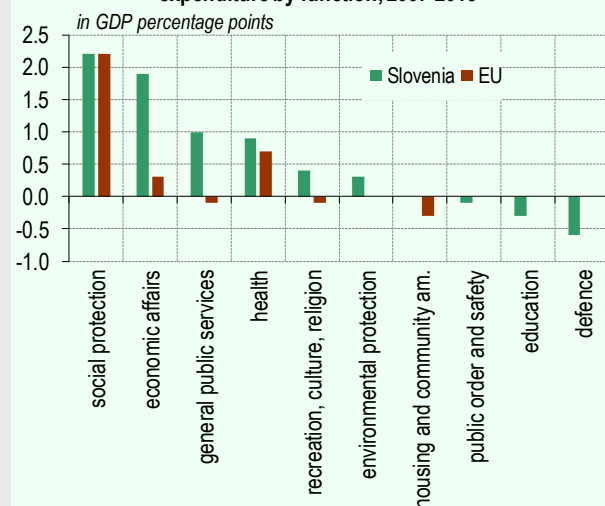
Source: Eurostat.

**Figure 2: Government expenditure by function, EU**



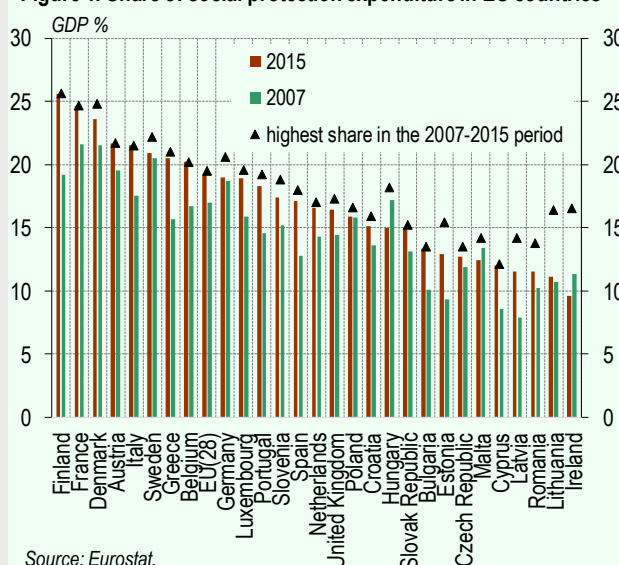
Source: Eurostat.

**Figure 3: Change in the share of government expenditure by function, 2007-2015**



Source: Eurostat, Bank of Slovenia.

**Figure 4: Share of social protection expenditure in EU countries**



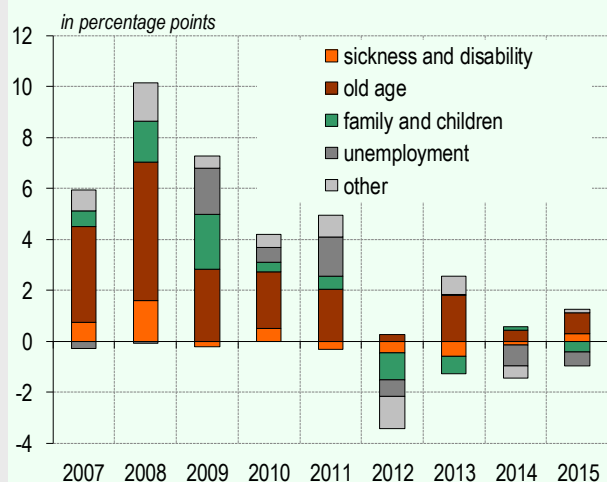
Source: Eurostat.

just before the outbreak of economic and financial crisis. The figure is below its peak in the majority of the countries, but in certain cases there has been no reduction. The major increase in the ratio in EU Member States came in 2009 (by approximately 2 GDP percentage points) owing to the impact of the crisis, as the need for social support increased at that time in parallel with the adverse development in GDP.<sup>3</sup> There was no significant change in the average ratio over the following years. Again there is major variation from country to country. The ratio declined significantly, by more than 5 percentage points of GDP, in Ireland and Lithuania, and by more than 2 percentage points of GDP in Estonia, Latvia, Hungary and Romania. The rise in the ratio was highest in Finland (2.9 percentage points of GDP), while despite significant austerity measures in the majority of cases the ratio nevertheless rose by around 2 percentage points of GDP in Cyprus, Italy and Greece, and by just over 1 percentage point of GDP in Portugal, Spain and Belgium.

Expenditure on social protection fluctuated around EUR 6.7 billion in Slovenia between 2012 and 2015. Because expenditure remained relatively stable as GDP increased, the ratio to GDP declined by approximately 1 percentage point. The relatively stable nominal spending on social protection in recent years can be attributed to austerity measures, most notably restrictions on pension expenditure, and on other social expenditure. The largest impact came from the Fiscal Balance Act, which was adopted in mid-2012, and reduced expenditures on pensions, family benefits and unemployment in the year of its adoption and the following year. Social expenditure thus declined by 3.3% in 2012, but rose by just over 1% in 2013 despite further reductions in the majority of expenditures, expenditure on pensions having increased as a result of a rise in the number of pensioners before the enactment of the pension reform. This has had a significant impact in reducing expenditure on pensions in recent years, but expenditure on old age is still rising, despite the pension reform and pension freezes. Throughout the aforementioned period growth in expenditure on social protection in Slovenia was outpaced by growth in such expenditure across the EU, and was lower in practically all expenditure groups and classes as a result of austerity measures, the pension reform and the improvement in the situation on the labour market.

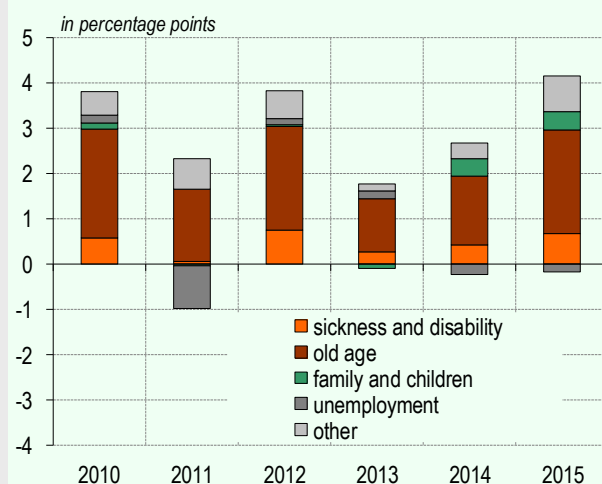
Expenditure on old age accounts for more than half of social expenditure in Slovenia and in the EU overall. According to Eurostat, the figure in Slovenia was 57% in 2015, 3.5 percentage points more than the average across EU Member States. In the period since 2009, for which the figures for both areas are available, after old age the most notable group in

**Figure 5: Contributions to growth in general government social protection expenditure, Slovenia**



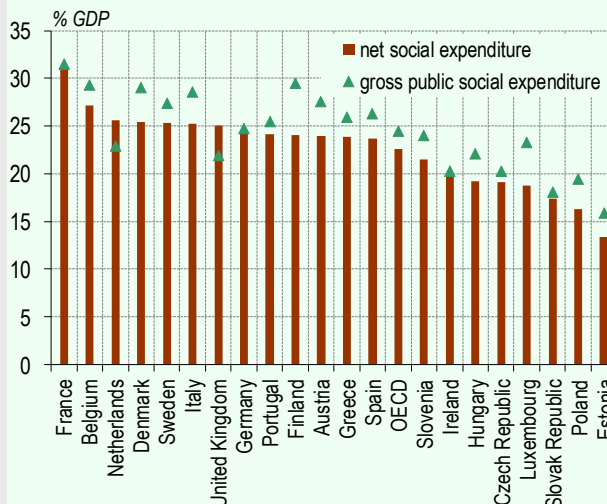
Source: Eurostat, Bank of Slovenia calculations.

**Figure 6: Contributions to growth in general government social protection expenditure, EU**



Source: Eurostat, Bank of Slovenia calculations.

**Figure 7: Gross public social expenditure and net social expenditure**



Source: OECD.

Slovenia in terms of an upward deviation is families and children, while there are lower proportions of expenditure on unemployment and housing. Expenditure on old age increased by 2.3% annually over the period, while expenditure on families and children declined by 1.7% annually. Expenditure on unemployment declined significantly between 2012 and 2015, first as a result of austerity measures, later as a result of the favourable economic situation, which brought a fall in unemployment. Although there were barely any increases in pensions over these years, the proportion of social protection expenditure accounted for by old age increased, as the number of pensioners rose by almost 7%.

The above comparisons between countries only capture the government sector's expenditure on social protection, and do not take account of differences between countries in the taxation of various benefits and in specific private social benefits. This data is provided by the OECD's social expenditure database (SOCX), which in contrast to the data previously illustrated includes both public and private benefits with a social purpose (including healthcare, which is a separate division according to the classification of the functions of government), and also illustrates the impact of taxes on social benefits.

Taking account of the additional data allows for an estimate of net social spending.<sup>4</sup> The difference between government social expenditure and net social expenditure is greatest in Finland, Luxembourg, Denmark, Austria, Italy and Poland. Slovenia's position relative to the other countries is similar under both statistics.

<sup>1</sup> They peaked in 2013, when bank recapitalisations exceeded 10% of GDP. In Figure 1 they are disclosed under "economic affairs", which as a proportion of expenditure increased significantly more over the crisis period in Slovenia than across the EU.

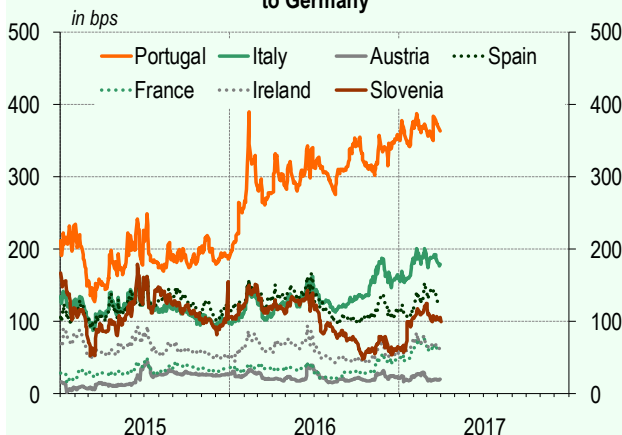
<sup>2</sup> The analysis uses data on expenditure by the government sector in terms of purpose as defined by the Classification of the functions of government (COFOG). Expenditures are split into ten divisions (see Figures 1 and 2), of which social protection is one. This division encompasses expenditure related to various risks and needs, such as sickness and disability, old age, children, unemployment and other forms of social exclusion.

<sup>3</sup> The highest average growth in expenditure on social protection across the EU of the last decade was recorded in 2009, and there is a similar result for euro area countries. There was particularly high growth in expenditure on unemployment in that year in the euro area (there is no aggregate data for the EU). It was up approximately a quarter, thereby making a similar contribution to growth in expenditure on social protection as old age.

<sup>4</sup> Net social expenditure is calculated by adding private social expenditure (those where there is some form of compulsion and/or inter-personal redistribution) to government social expenditure, and also taking account of taxation of social expenditure via income tax and social security contributions and via indirect taxes. That tax systems may also allow for increased benefits via various forms of tax break (e.g. child allowance) is also taken into account. See also:

<http://www.oecd.org/els/soc/OECD2016-Social-Expenditure-Update.pdf>

**Figure 6.3: 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 country's credit risk.  
Source: Bloomberg, Bank of Slovenia calculations.

ons of the normalisation of monetary policy by the Fed, a slightly less expansionary statement after March's meeting of the ECB Governing Council, the increased political uncertainty caused by the Dutch and French elections, and numerous new issues of government bonds, which are typical at that time of the year. Another factor in rise in required yields on Slovenian government bonds was January's issue of new benchmark 10-year government

bonds Despite the rises, the required yield and the spread of Slovenian government bonds remain at a low level, which is a reflection of the ECB's continuing monetary policy stimulus and the improvement in the economic situation in Slovenia. In addition to the January's issue of a new benchmark 10-year bond, in March Slovenia continued its restructuring of US dollar debt into euros and issuance of treasury bills at negative interest rates.

## Planned developments in the general government deficit

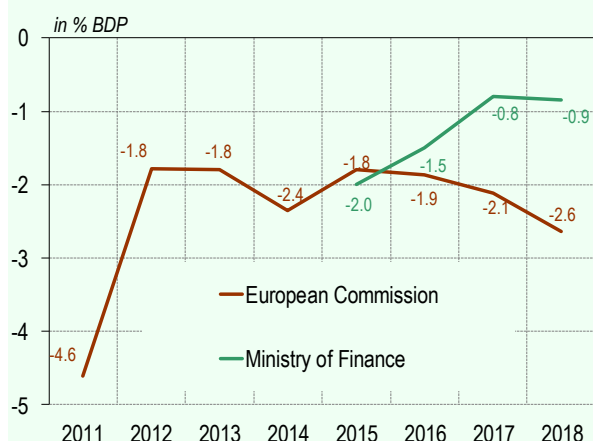
**The nominal general government deficit is forecast to narrow this year and the following years, and the updated plans will be presented in the April update of the Stability Programme.** Because last year's reduction in the general government deficit was larger than planned, and because the economic situation is also forecast to be more favourable this year, the expectation is that the government will make an appropriate adjustment in this year's target for the nominal general government deficit. During the autumn adoption of the budget docu-

ments, the target deficit for this year was set at 1.3% of GDP, compared with a deficit last year of 2.2% of GDP.

**The key aim of the fiscal policy is to improve Slovenia's structural budget position.** An annual structural improvement of 0.6% of GDP is required in 2016 and 2017 according to the latest recommendations. Slovenia has committed itself to improving the structural position at the target pace until the medium-term objective is reached.<sup>17</sup> The pace of convergence is set out by the rules, and may be modified in particular with regard to the economic cycle and the level of sovereign debt. In its winter forecasts of February of this year the European Commission assessed that there had been no structural improvement in Slovenia's public finances in 2016, but given the significantly larger-than-expected reduction in the deficit it is expected that the European Commission's assessment, which will be published in May, will be more favourable. In the wake of the publication of the Draft budgetary plan last autumn, the European Commission assessed that Slovenia is one of the countries that were at risk of non-compliance with the rules of the Stability and Growth Pact in 2017. Slovenia is complying with the rules regarding debt reduction, but is having difficulties in complying with the rules regarding the pace of convergence to the medium-term objective.

**The risks in the area of fiscal policy primarily remain related to controlling general government expenditure.** There is more information available in the area of wages, although uncertainties are still present. On one hand the government has reached an agreement with the public sector unions and with Fides,<sup>18</sup> but on the other hand the healthcare union, the university lecturers' union and Sviz are dissatisfied with their positions. Wage

**Figure 6.4: Public finance structural balance**



*Note: Structural balance estimate by the MoF reflects targeted dynamics, while the EC estimate only includes adopted measures.*

*Source: EC, Ministry of Finance - Draft budgetary plan, November 2016.*

growth in 2017 is being affected by measures carried out in 2016 (EUR 110 million),<sup>19</sup> the agreement with the public sector unions that was reached after the adoption of the budget (EUR 56 million) and the agreement with Fides (projected at around EUR 30 million, just over half of the estimated value of the agreed measures). In the following months there will be a rise in the lowest pensions (subject to at least 37 years of pensionable service excluding purchased period), and a decision will be taken with regard to the amount of funding for the annual pensioner's bonus. Further pressure on expenditure comes from the demand for funding for the defence budget, and from uncertainty in connection with the financing of major investment projects, both in terms of the time dimension and the required amount of funding. The reduction of the deficit could be hindered by less favourable economic developments at home and abroad, and by factors of a one-off nature (the refugee crisis, the impact of BAMC transactions, court judgments).

<sup>17</sup> It was defined in the most recent update to the Stability Programme (April 2016) as a balanced structural position, which is not in line with the latest calculations, according to which Slovenia ought to achieve a structural surplus of ¼% of GDP.

<sup>18</sup> The government and the public sector unions agreed the following: a) the earmarking of EUR 70 million for the elimination of anomalies in the public sector (of which EUR 26 million this year), while civil servants in positions up to and including the 26<sup>th</sup> wage grade will gain the right to a higher salary in July, and others in October, b) public sector employees will receive a larger leave allowance this year, which will cost EUR 14 million, and c) a gradual increase in the supplementary pension insurance premiums. The government agreed the following with Fides, the physicians' and dentists' union: a) better valuation of the medical profession within the framework of public sector salaries (e.g. equal valuation of the position of all specialists irrespective of the length of specialisation, two new positions of "senior specialist physician" and "senior licensed physician/dentist without specialisation"), which is projected to cost up to EUR 13.9 million, and b) a special project to reduce waiting lists, which will last one year and will cost around EUR 36 million, while all members of the team will be remunerated, not just the physicians.

<sup>19</sup> The abolition of the reduction in wage grades in September 2016, and the promotions at the end of the year.

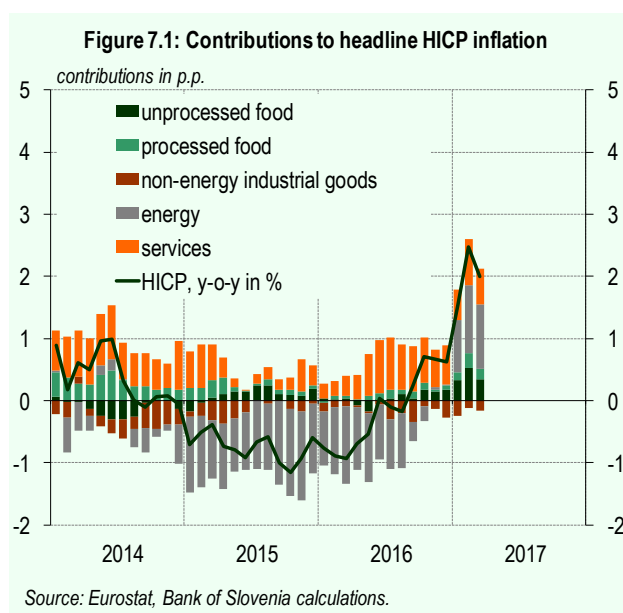
## 7 | Price Developments

*Inflation rose sharply in Slovenia in February. It averaged 2.0% over the first quarter, 0.4 percentage points more than the average across the euro area. Both in Slovenia and across the euro area the sharp rise was the result of base effects from the beginning of last year, and new rises in energy prices caused by rises in global oil prices. The rise in inflation was also largely attributable to a rise in prices of unprocessed food, which reflected a supply shock in the market for fresh food caused by bad weather in southern Europe. The contribution made to headline inflation by domestic factors, which also resulted in a rise in core inflation, was relatively small. Despite the increase in domestic inflationary pressures, the jump in inflation in the early part of this year was primarily attributable to external factors, which was also the case with the inflation developments across the euro area.*

### Structure of price developments

**The jump in year-on-year headline inflation in the first quarter was accompanied by a significant change in its structure.** Year-on-year headline inflation in this period as measured by the HICP<sup>20</sup> was up 1.3 percentage points on the final quarter of last year. The rate averaged

2.0% over the quarter, primarily on account of energy prices, where the negative base effect in the monthly growth rates turned into a highly positive one. There was also an increase in the contribution made by prices of unprocessed food, which increased on average also across the euro area. In Slovenia February's rise in excise duties on tobacco products brought a slight increase in the contribution made by prices of processed food. Prices of non-energy industrial goods continued to fall, while the contribution by services prices, which has been positive for nearly a year, persisted.

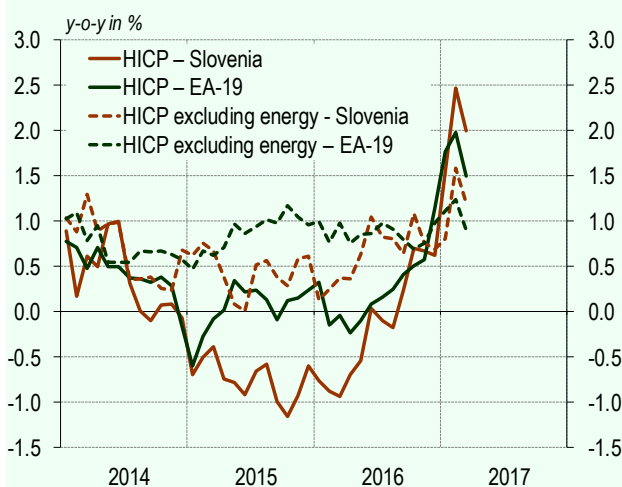


### Macroeconomic factors

**Year-on-year growth in the core inflation indicator excluding energy outpaced the euro area average in February, and averaged 1.2% across the first quarter.** Compared with the rise in headline inflation, the increase in core inflation excluding energy was more moderate; average year-on-year growth in the other two core inflation indicators, which are even narrower measures (excluding energy and unprocessed food, and excluding

<sup>20</sup> Analysis of the data for March 2017 is based on SORS figures, while Eurostat figures are used in previous periods.

Figure 7.2: Inflation in Slovenia and the euro area

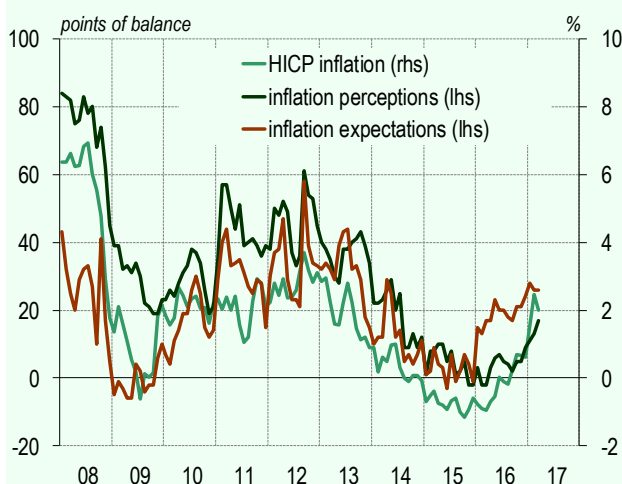


Source: Eurostat.

energy, food, alcohol and tobacco) over the first quarter remained unchanged from the previous quarter. These developments in core inflation indicate that the current rise in inflation is for the moment primarily a reflection of price developments on foreign markets.

**Demand-side pressures are nevertheless strengthening in the domestic environment.** The situation on the labour market is continuing to improve, and employment is growing at an increasing rate in both the public and private sectors. At the same time growth in the nominal wage bill remains relatively high, which results in relatively high consumer confidence. Year-on-year growth in real final household consumption exceeded 4% at the end of last year.

Figure 7.3: Inflation perceptions and expectations



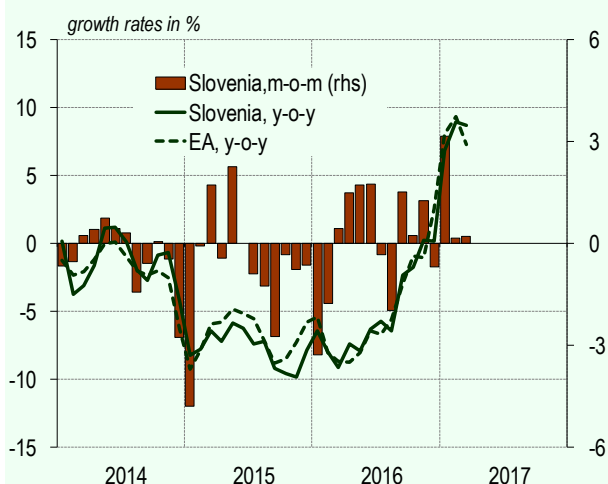
Sources: SORS, Eurostat.

**Foreign cost pressures strengthened, but so did domestic ones, as well.** Growth in commodity prices on global markets, which has strengthened over the last two quarters, in particular the rise in global oil prices since December, is already strongly evident in import prices and in producer prices, both domestic and foreign. Unit labour costs in Slovenia also rose last year, the year-on-year rate of growth exceeding 1% throughout the year. It actually passed 2% in the early part of the year, in the wake of the partial relaxation of austerity measures in the public sector, then slowed slightly. The rise in wages in the private sector at the turn of the year suggests that the trend has probably not yet come to an end.

## Microeconomic factors

**Base effects from the beginning of last year and new increases in global oil prices brought a sharp increase in year-on-year growth in energy prices in the first quarter.** Year-on-year growth in energy prices significantly grew by 6.7 percentage points in January compared with the end of the previous year, and averaged 8.2% over the first quarter. The year-on-year rate peaked in February, when it contributed 1.1 percentage points to headline inflation, the largest positive contribution in the last four years, and one of the highest in the euro area. The reason for the large contribution made by energy prices in Slovenia is that the basket of goods and services for Slovenian households contains an above-

Figure 7.4: Energy prices



Source: Eurostat, Bank of Slovenia calculations.

### Box 7.1: The role of base effects in inflation developments

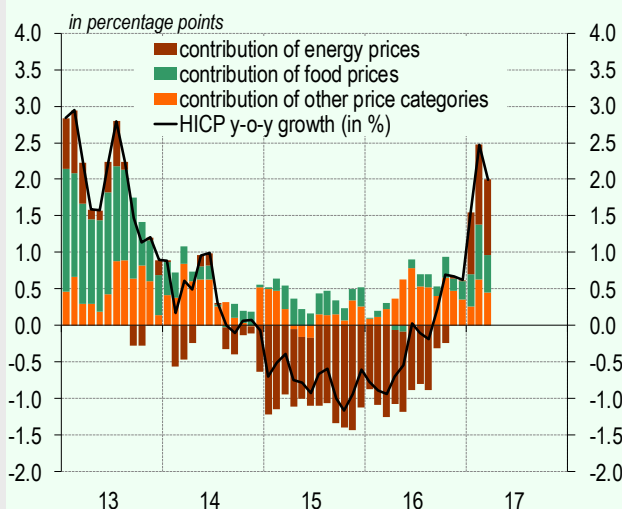
Recent months have seen significant shifts in year-on-year inflation as measured by the HICP, which jumped from 0.6% in December 2016 to 2.5% in February of this year, and averaged 2.0% over the first quarter. As Figure 1 makes evident, this jump was mostly a result of high growth in energy prices, while food prices also made a stronger contribution in this period. The contribution to inflation made by other price categories that reflect predominately domestic price pressures was comparable to the last year's average.

The rise in inflation in the first quarter of this year was primarily attributable to external factors and a base effect in energy prices. Two facts need to be taken into account in the analysis of the current dynamics in energy prices. One is the recent decision by oil-producing countries to limit supply, which

raised euro oil prices by approximately 20% between November and December of last year. This passed through, with a certain lag, into final energy prices in Slovenia, growth in which jumped from 0.2% in December to 9.0% in February. Their contribution to headline inflation thus increased from negative territory at end of last year to 1.0 percentage points in the first quarter of this year. Another powerful factor in the increased growth in energy prices was the base effect resulting from the sharp fall in oil prices in January 2016. Alongside energy prices, food prices also contributed to the rise in inflation. The rise in food prices in February of this year was primarily attributable to bad weather in the Mediterranean, when this supply-side shock was reflected in a pronounced rise in vegetable prices. The contribution to February's inflation made by food prices stood at 0.8 percentage points, and its average over the first quarter was significantly higher than its average in 2016.

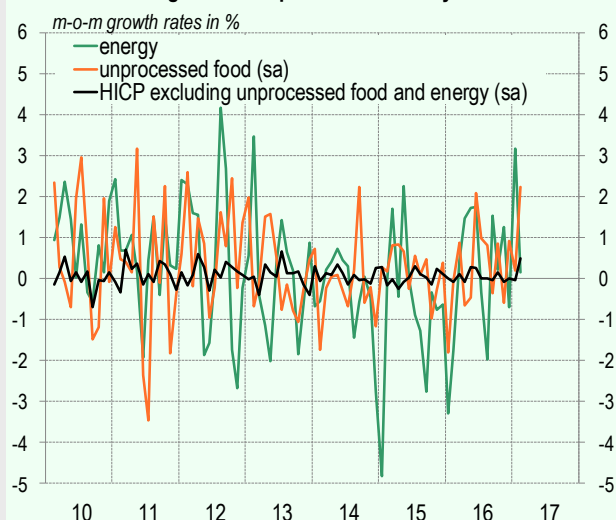
Energy and food are the most volatile sub-categories in domestic inflation. The fluctuation in energy and food prices is a reflection of their rapid response to commodity prices on the global market, which are highly sensitive to supply-side shocks. On average over recent years, and taking account of regular seasonal components, the volatility in monthly growth in food prices in Slovenia (measured by the standard deviation in the period) is three times that of the core inflation indicator excluding energy and food, while the volatility of energy prices is six times higher. The changes in year-on-year inflation in individual months were not just the result of recent short-term changes in monthly growth, but also price volatility in the previous year, which is reflected in base effects.<sup>1</sup>

**Figure 1: Contributions to y-o-y HICP growth**



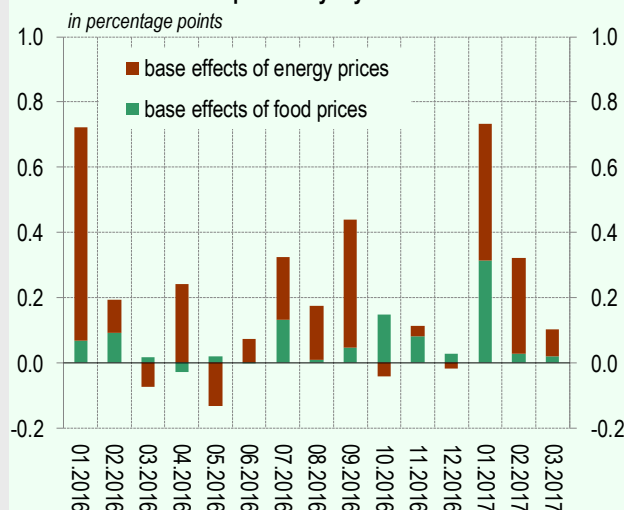
Source: ECB, Bank of Slovenia calculations.

**Figure 2: Comparison of volatility**



Source: ECB, Bank of Slovenia calculations.

**Figure 3: Contribution of base effects of energy and food prices to y-o-y inflation**

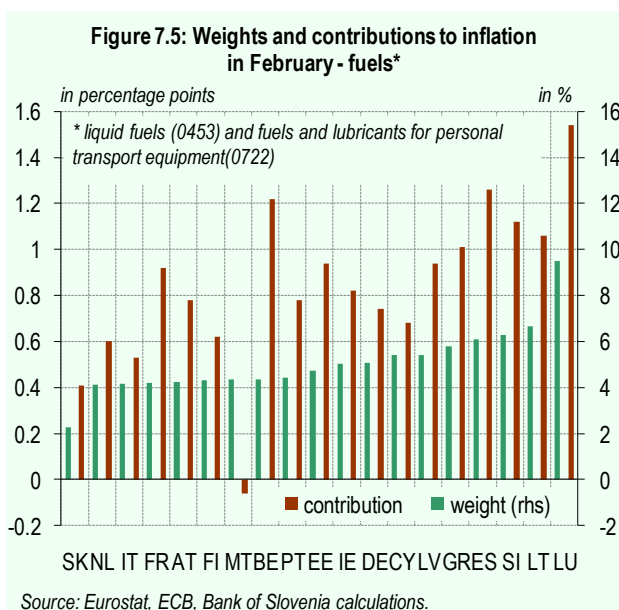


Source: ECB, Bank of Slovenia calculations.

Inflation was under the profound influence of base effects between January 2016 and March 2017. The estimated base effects in energy prices (Figure 7.1.3) were positive for the majority of last year, and contributed 0.1 percentage points towards annual inflation. They were particularly high in the early part of this year, when the strongly negative monthly rates from last year dropped out of the year-on-year comparisons. The base effects in energy prices thus contributed 0.4 percentage points towards headline inflation in January, and 0.3 percentage points in February (and an average of 0.3 percentage points over the first quarter). The contributions made by estimated base effects in food prices were less pronounced last year and in the first quarter of this year compared with energy prices: they contributed an average of 0.1

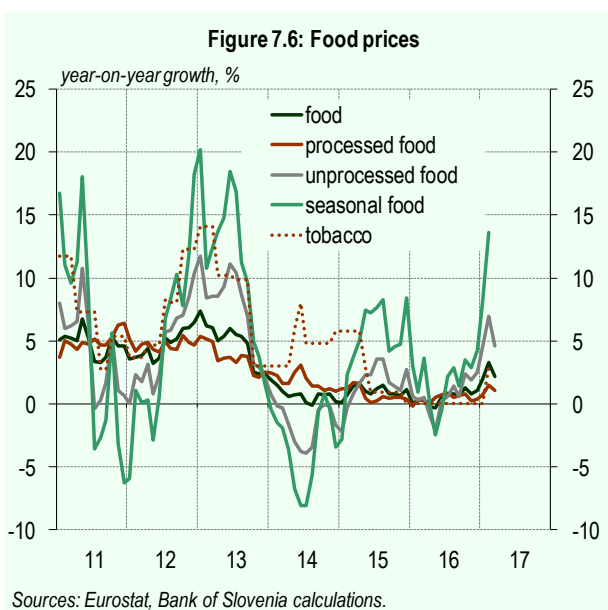
percentage points towards inflation in the early part of this year. The contributions made by base effects are expected to be high over the next year as a result of the jump in food prices in February of this year.

<sup>1</sup> Base effects explain the extent to which the monthly developments in the index a year earlier contribute to the current year-on-year developments. Analysing base effects is important in reviewing past price developments and forecasting future inflation dynamics. The contributions made by base effects to changes in year-on-year inflation rates are calculated as the deviation in the monthly rate a year earlier from the estimated "natural" monthly rate. The natural monthly rate is calculated as the average monthly rate between 2001 and 2016, corrected with a seasonal factor. The methodology for assessing base effects is based on analysis entitled *Base effects and their impact on HICP inflation in early 2005*, which was published in the ECB's January 2005 Monthly Bulletin.



average proportion of energy products that are under the direct influence of movements in oil prices on global markets, motor fuels in particular. Prices of solid fuels and electricity also rose in year-on-year terms in February, while the fall in prices of gas and derived heat slowed.

**A supply-side shock that brought a sharp rise in prices of fresh vegetables was reflected in the early part of the year in a significant increase in year-on-year growth in food prices both in Slovenia and across the euro area.** Year-on-year growth in prices of unprocessed food increased sharply in February and averaged 5.3% over the first quarter, 1.4 percentage points higher than the average across the euro area. Year-on-year growth in prices of processed food also increased, and averaged 1.2% over the first quarter, up 0.7 percentage points on the previous quarter. There was a particularly notable rise

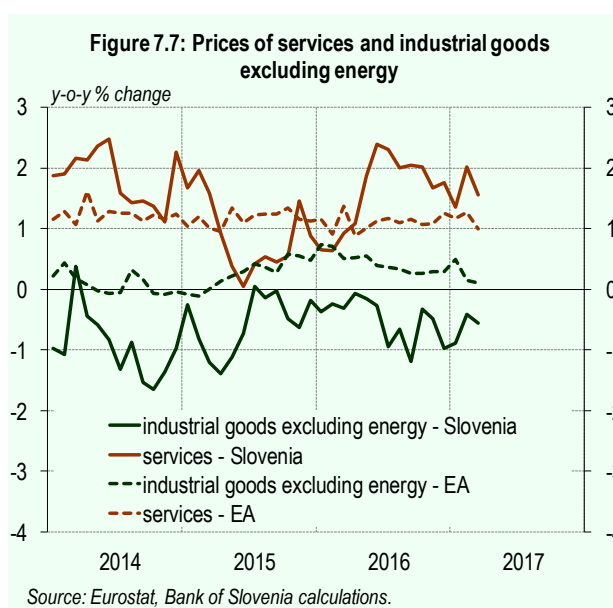


in prices of dairy products and eggs, while the rise in prices of tobacco products caused by an increase in excise duties in February also had a profound impact. The rise in food prices on global markets had an impact on growth in food prices also across the euro area, which was 0.3 percentage points less than average growth in food prices in Slovenia over the first quarter.

**Growth in services prices remains higher than the average across the euro area.** After a slight slowdown at the end of last year, year-on-year growth in services prices increased to 2.0% in February, but slowed again to 1.5% in March to average 1.6% over the first quarter, down 0.2 percentage points on the previous quarter. February's rise in services prices was attributable most of all to a rise in prices of sewerage and refuse disposal and package holiday prices, whose contribution to year-on-

year headline inflation in February stood at 0.2 percentage points. Package holiday prices rose sharply in February, but fell again in March. A comparable dynamic was also seen in prices of telephone and internet services and passenger air transport services, which had fallen sharply in January. Growth in services prices across the euro area in the first quarter remained unchanged from the previous quarter, and was 0.5 percentage points less than the rate in Slovenia.

**Average year-on-year growth in prices of non-energy industrial goods over the first quarter was unchanged from the previous quarter at -0.6%.** Growth in this category is heavily influenced by seasonal sales of clothing and footwear, prices of which rose again slightly in February and March, having fallen in January when they reduced headline inflation by 0.1 percentage points. The deregulation of the regime of seasonal sales of textile products carried out in January of this year will perhaps contribute to even greater volatility in prices of non-energy industrial goods. By contrast, the year-on-year fall in car prices slowed slightly in the early part of the year, but remains deep. Year-on-year growth in prices of non-



energy industrial goods across the euro area has been positive for two years now, and stood at 0.3% in the first quarter of this year, almost unchanged from the previous quarter.

**Table 7.1: Breakdown of the HICP and price indicators**

|   | weight | average year-on-year growth, % |      |      |      |      | year-on-year growth in quarter, % |      |      |      |      |      |
|---|--------|--------------------------------|------|------|------|------|-----------------------------------|------|------|------|------|------|
|   | 2017   | 2012                           | 2013 | 2014 | 2015 | 2016 | 15Q4                              | 16Q1 | 16Q2 | 16Q3 | 16Q4 | 17Q1 |
| HICP  | 100.0% | 2.8                            | 1.9  | 0.4  | -0.8 | -0.2 | -0.9                              | -0.9 | -0.4 | 0.0  | 0.7  | 2.0  |
| Breakdown of HICP:                            |        |                                |      |      |      |      |                                   |      |      |      |      |      |
| Energy  | 11.9%  | 9.0                            | 1.8  | -1.4 | -7.8 | -5.2 | -9.1                              | -7.9 | -7.2 | -4.9 | -0.5 | 8.2  |
| Food  | 22.8%  | 4.7                            | 4.9  | 0.8  | 1.0  | 0.5  | 0.9                               | 0.2  | 0.0  | 0.7  | 1.0  | 2.5  |
| processed                                     | 15.4%  | 4.7                            | 3.6  | 1.8  | 0.7  | 0.4  | 0.5                               | 0.1  | 0.5  | 0.7  | 0.5  | 1.2  |
| unprocessed                                   | 7.4%   | 4.5                            | 7.6  | -1.5 | 1.5  | 0.6  | 1.7                               | 0.5  | -1.0 | 0.9  | 2.3  | 5.3  |
| Other goods                                   | 27.8%  | -0.2                           | -0.8 | -0.9 | -0.6 | -0.5 | -0.4                              | -0.3 | -0.2 | -0.9 | -0.6 | -0.6 |
| Services                                      | 37.4%  | 1.6                            | 2.3  | 1.8  | 0.9  | 1.6  | 1.0                               | 0.7  | 1.8  | 2.1  | 1.8  | 1.6  |
| Core inflation indicators:                    |        |                                |      |      |      |      |                                   |      |      |      |      |      |
| HICP excl. Energy                             | 88.1%  | 1.8                            | 2.0  | 0.7  | 0.5  | 0.6  | 0.5                               | 0.2  | 0.7  | 0.8  | 0.8  | 1.2  |
| HICP excl. energy and unprocessed food        | 80.7%  | 1.5                            | 1.5  | 0.9  | 0.4  | 0.6  | 0.4                               | 0.2  | 0.8  | 0.7  | 0.7  | 0.8  |
| HICP excl. energy, food, alcohol and tobacco  | 65.2%  | 0.7                            | 0.9  | 0.7  | 0.3  | 0.7  | 0.4                               | 0.3  | 0.9  | 0.8  | 0.8  | 0.7  |
| Other price indicators:                       |        |                                |      |      |      |      |                                   |      |      |      |      |      |
| Industrial producer prices on domestic market |        | 1.0                            | 0.3  | -1.1 | -0.5 | -1.4 | -1.2                              | -1.6 | -1.9 | -1.5 | -0.7 | ...  |
| GDP deflator                                  |        | 0.3                            | 0.9  | 0.8  | 1.0  | 0.6  | 1.5                               | 1.2  | 0.2  | 0.2  | 0.9  | ...  |
| Import prices <sup>1</sup>                    |        | 2.1                            | -1.5 | -1.1 | -1.4 | -2.0 | -2.2                              | -3.5 | -3.8 | -0.9 | -0.1 | ...  |

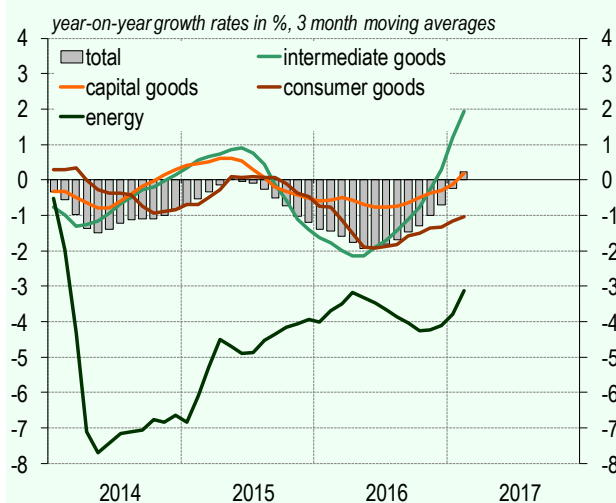
Note: <sup>1</sup> National accounts figure.

Source: SORS, Eurostat, Bank of Slovenia calculations.

## Industrial producer prices

**Year-on-year growth in industrial producer prices on the domestic market moved into positive territory in January.** After more than a year and a half, the aggregate year-on-year rate increased to 0.7% in February. The positive developments in commodity prices on the global market began to gradually pass through into a rise in commodity prices at domestic producers, while growth in prices of capital goods also increased to a lesser extent. Prices of consumer goods had a significantly slower response on account of prices of durables: the former were down 1% in year-on-year terms in February.

Figure 7.8: Producer prices on domestic market



Source: SORS, Bank of Slovenia calculations.

# 8 | Selected Themes

## 8.1 Employment and labour productivity

Over the last three years the economy has entered a new cycle of reliable positive growth, which reached a year-on-year (seasonally adjusted) rate of 3.6% in the final quarter of last year. This cycle is different in nature to the pre-crisis structure of economic growth in that growth is extremely extensive. Throughout the long pre-crisis period economic growth was driven solely by increases in labour productivity, which now account for just a third of growth, while strong employment growth accounts for a larger proportion. The background to this pattern is the high crisis-era unemployment, which has ensured an ample supply of labour and is holding down growth of employment costs. The time is approaching when the surplus supply of labour will be exhausted, and further economic growth will depend on the economy's ability to transition back to a normal intensive pattern of growth, the only pattern sustainable in the long term. This would also require a change in economic policy.

**After a long double-dip recession, over the last three years the economy has entered a new cycle of reliable positive growth, with an average annual rate of around 2.6%.** Growth strengthened further last year, the year-on-year rate reaching 3.6% in the final quarter.<sup>21</sup> In the pre-crisis period annual growth in Slovenia outperformed Germany, Austria and the euro area overall by around 2.5 percentage points each year; during the crisis

Slovenia's GDP declined by more than average, while in the recovery over the last three years there was particularly notable growth in 2014 and then again at the end of last year, when it outperformed the euro area overall by almost 2 percentage points. Growth remained high in the early part of this year.

Figure 8.1.1: International comparison of GDP growth

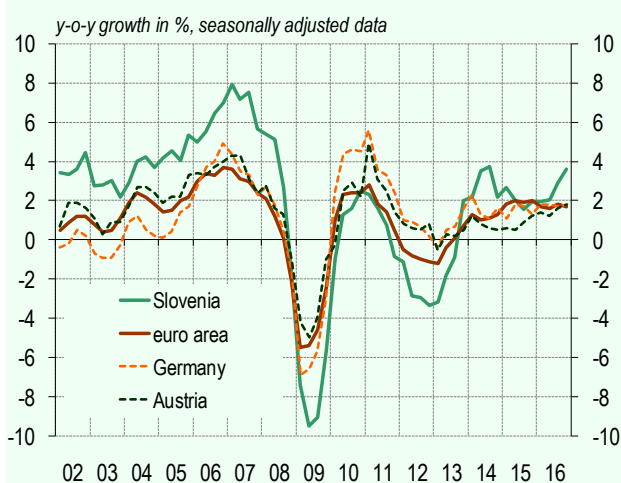
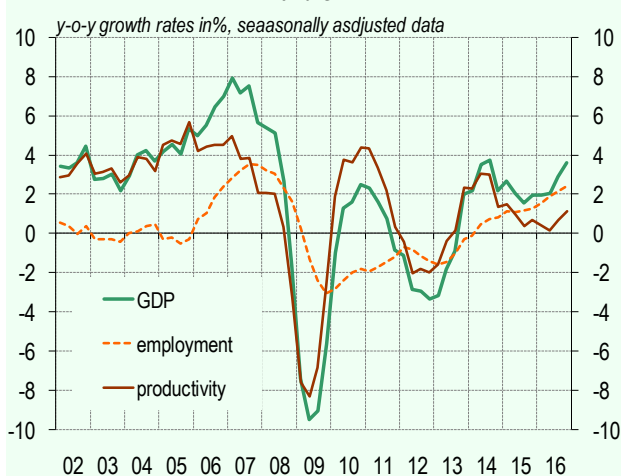
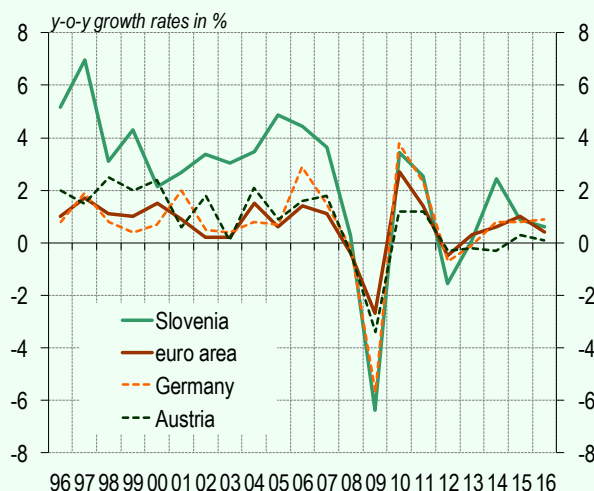


Figure 8.1.2: Labour productivity, employment and GDP



<sup>21</sup> Based on seasonally adjusted figures.

**Slika 8.1.3: Labour productivity - international comparison**

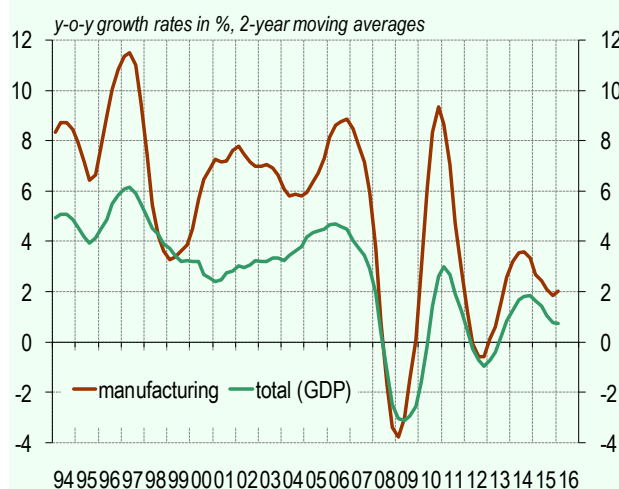


Source: Eurostat.

The current cycle is different in nature to the pre-crisis structure of economic growth (before mid-2007 to be precise) in that growth is extremely extensive. It is primarily being driven by strong growth in employment, and significantly less by increases in labour productivity. According to the national accounts figures, annual growth in employment reached 2.0% last year, and 2.4% in the final quarter. Meanwhile last year saw an increase of just 0.6% in labour productivity. The rate increased to 1.1% in the final quarter of last year, which is probably not yet indicative of a major change in the trend, as the monthly indicators point to further growth in employment in the early part of this year, with the year-on-year rate already at 3.1% in January.

**Comparing the current structure of Slovenia's economic growth with the past, the period of high volatility during the crisis years should be ignored because of the relative rigidity of employment during shocks that reduce output.<sup>22</sup>** Throughout the long pre-crisis period, from 1993 to the end of the first half of 2007, labour productivity increased relatively stably at around 4% each year. Economic growth was driven by this qualitative factor alone until 2005, but over the last two years it has driven just a third of aggregate growth, while employment accounted for two-thirds.<sup>23</sup>

**Figure 8.1.4: Labour productivity in total and manufacturing**



Sources: SORS; national accounts, seasonally adjusted data.

In the long-term progress of an economy such as Slovenia, the basic development objective is always productivity, or more precisely, the fastest possible catch-up with the leading economies in terms of labour productivity. Before the crisis, growth in labour productivity in Slovenia outperformed average growth across the euro area and growth in Germany by around 3 percentage points each year, and growth in Austria by 2.3 percentage points. In the current cycle there is no longer any catch-up, or it is negligible. The change in the pattern of economic growth in Slovenia is clear and large.

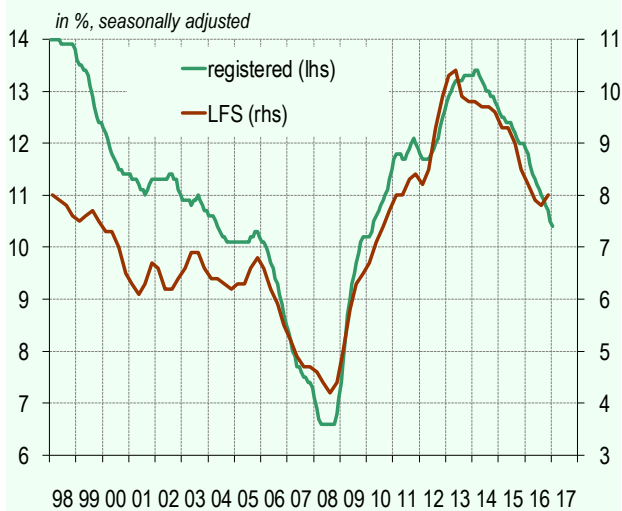
**The transition to extensive growth is evident in practically all sectors.** In Slovenia the increase in labour productivity on the basis of technological advances is of course primarily based on manufacturing, where the dynamic in the current cycle is again notably the highest. It is nevertheless significantly lower than its former heights. The annual rate averaged around 7% before the crisis, and just 2% over the last two years (with an acceleration to over 4% in the final quarter of 2016). Before the crisis, employment in manufacturing was falling until 2006.<sup>24</sup> In the current cycle it is growing sharply: it increased by 3.1% last year, and accounted for half of the increase in value-added in the sector.

<sup>22</sup> The volatility in labour productivity in the crisis years was relatively large in Slovenia, but no larger than in Germany, for example.

<sup>23</sup> Aggregate employment merely stagnated between 1995 and 2005, with one major fluctuation; new hires did not exceed retirements and other outflows from activity.

<sup>24</sup> It increased slightly in the boom just before the crisis, then fell by almost 20% in the period to 2013 (as value-added declined by around 13%).

**Figure 8.1.5: Unemployment rate**



Sources: SORS, own seasonal adjustment.

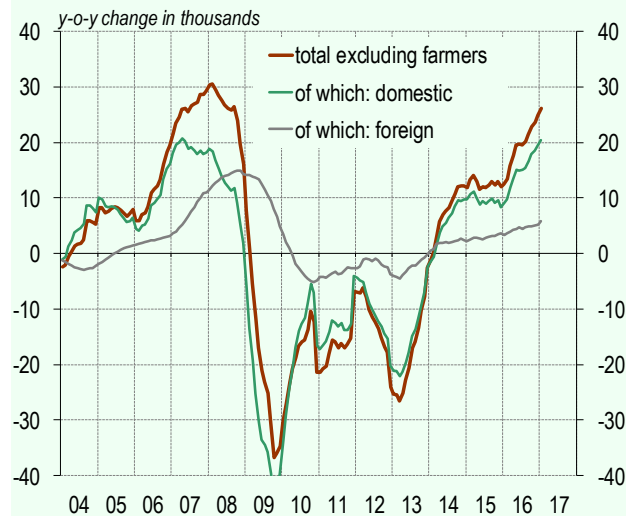
The background to the aforementioned developments is the high crisis-era unemployment, which has ensured an ample supply of labour and is reducing employment costs. Average wages in the business economy have risen by just 4% over the last five years, and were probably more impacted by soft flexibility factors: temporary employment, employment via agencies, increased self-employment. The time is approaching when the surplus supply of labour will be exhausted, and further economic growth will depend on the economy's ability to transition back to a normal intensive pattern of growth, the only pattern sustainable in the long term.

Evidence for how close this turning point is could be drawn from comparison with the period of overheating in 2007 and 2008. By the very beginning of 2017 employment growth had almost reached its rate of that time. Owing to the employment of foreign citizens at that time, which increased Slovenia's population by around 50,000 over a very short period, the current workforce in employment is still several tens of thousands less in absolute terms. Under the current dynamics in employment, there is still more than a year until the upper limit defined in this way is reached. The unemployment rate is still significantly higher than the stable 6.5% seen before 2006.<sup>25</sup>

<sup>25</sup> In the following years of extreme overheating, when GDP growth exceeded 7%, the surveyed unemployment rate actually fell below 5%.

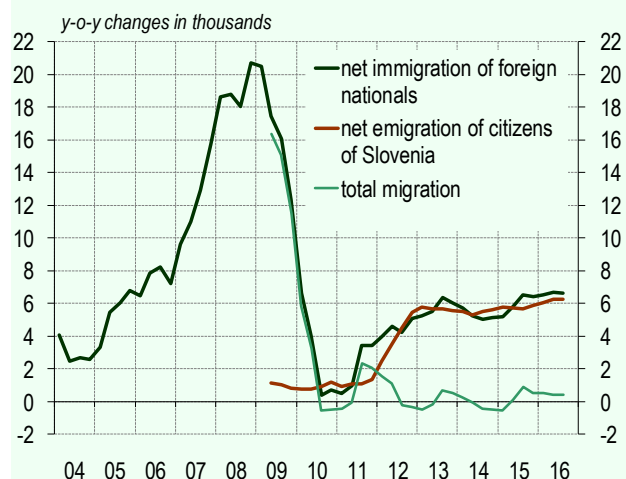
<sup>26</sup> The figures for employment of foreign citizens are sourced from registers, which distinguish in terms of nationality. The SORS data series reach back to 2010 only; for the preceding period the figures have been estimated on the basis of a proportionately stable ratio (between 2010 and 2012) to SORS figures for net immigration from the rest of the world.

**Figure 8.1.6: Employment**



Source: SORS monthly data, before 2010 estimate.

**Figure 8.1.7: International migration**



Source: SORS.

As was the case a decade ago, the exhaustion of the labour market could again be mitigated by the employment of foreign citizens, which has been strengthening for three years now, perhaps because of market imbalances already present, or simply because of price. Despite the stagnation in construction, formerly the main sector for imported labour, the proportion of the increase in aggregate employment accounted for by foreign citizens is already more than 20%, as it was in 2006 (before reaching 50% in 2008).<sup>26</sup> However, this

factor is now being neutralised by a decline in the supply of labour caused by Slovenian citizens emigrating to work abroad, who increased in number sharply in 2012. The international migration statistics reveal that the net immigration of foreign citizens has been roughly equal to the net emigration of Slovenian citizens since 2010.

**In the former cycle, despite the employment of foreign citizens, the boom triggered rising wage growth as early as the end of 2006, initially in construction, trade and finance.** On that occasion the end to economic growth was caused by the sudden outbreak of the global crisis, and there is no telling with what lag and what intensity it would have happened as a result of the exhaustion of the labour market. In the current cycle rising wage growth in the economy has only been evident in the very latest figures (led, as it has been for seven years now, by the manufacturing sector). This reversal is for the moment indicative merely of a rise from the previous recession levels. Core inflation had not yet reached 1% by March, and last year's increase in domestic final consumption had not yet brought any reduction in the large external surplus by January.

**However, the pool of high unemployment is emptying in a way that means employment is certain to slow in the future.** Economic growth will again become dependent on quality. At the current low rates of labour productivity growth, a slowdown in employment could reduce economic growth more than past experience suggests. Zero employment growth resulted in GDP growth of 4% ten years ago, but would result in growth of just 1% at present.

**The decisive question is how much the current extensive pattern of economic growth is merely a temporary response to the situation on the labour market, and how much it perhaps also reflects a deterioration in the structural trend.** In any case economic policy will have to change in the future. During the crisis there was a preoccupation with job creation, and support was given to anything that provided for employment. After the crisis there needs to be a renewed focus on supporting quality: the differentiation and selection of business entities according to quality has to be accepted.

## 9 | Statistical Appendix

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

*The concise methodological notes for the statistics in this appendix are given on page 78, while more detailed explanations are given in the appendix to the Bank of Slovenia bulletin.*

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**Table 9.1: Consolidated Balance Sheet of the Monetary Financial Institutions**

| <i>EUR million</i>   | 2013          | 2014          | 2015          | 16Q2          | 16Q3          | Nov.16        | Dec. 16       | Jan. 17       |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 1.1. Claims of the Bank of Slovenia                                | 4,771         | 7,278         | 5,410         | 5,823         | 6,862         | 6,442         | 6,544         | 6,723         |
| 1.2. Claims of other MFIs  | 5,165         | 6,680         | 8,266         | 7,856         | 7,383         | 7,529         | 8,113         | 7,873         |
| <b>1. Claims on foreign sectors (foreign assets)</b>               | <b>9,936</b>  | <b>13,958</b> | <b>13,676</b> | <b>13,679</b> | <b>14,246</b> | <b>13,971</b> | <b>14,656</b> | <b>14,596</b> |
| 2.1. Claims of the Bank of Slovenia on central government          | 233           | 263           | 2,327         | 3,631         | 4,219         | 4,432         | 4,618         | 4,621         |
| 2.2.1.1. Loans   | 1,083         | 1,149         | 1,298         | 1,230         | 1,212         | 1,169         | 1,506         | 1,506         |
| 2.2.1.2. Securities  | 5,480         | 6,105         | 5,814         | 5,583         | 5,660         | 5,222         | 4,767         | 4,844         |
| 2.2.1. Claims on central government                                | 6,563         | 7,254         | 7,112         | 6,813         | 6,872         | 6,391         | 6,273         | 6,350         |
| 2.2.2.1. Loans   | 581           | 671           | 622           | 591           | 571           | 561           | 576           | 591           |
| 2.2.2.2. Securities  | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| 2.2.2. Claims on other general government                          | 581           | 671           | 622           | 591           | 571           | 561           | 576           | 591           |
| 2.2. Claims of other MFIs on general government                    | 7,144         | 7,926         | 7,734         | 7,404         | 7,443         | 6,952         | 6,849         | 6,941         |
| 2.3.1.1. Loans   | 14,135        | 11,213        | 10,040        | 9,307         | 8,984         | 9,002         | 9,259         | 9,342         |
| 2.3.1.2. Securities  | 767           | 524           | 462           | 465           | 471           | 471           | 405           | 417           |
| 2.3.1. Claims on nonfinancial corporations                         | 14,902        | 11,737        | 10,502        | 9,771         | 9,455         | 9,473         | 9,664         | 9,759         |
| 2.3.2. Households and non-profit institutions serving households   | 8,917         | 8,762         | 8,856         | 8,920         | 8,974         | 9,075         | 9,154         | 9,173         |
| 2.3.3.1. Loans   | 1,460         | 1,087         | 898           | 795           | 789           | 859           | 864           | 839           |
| 2.3.3.2. Securities  | 303           | 408           | 534           | 503           | 521           | 517           | 547           | 547           |
| 2.3.3. Claims on nonmonetary financial institutions                | 1,763         | 1,495         | 1,432         | 1,298         | 1,310         | 1,376         | 1,411         | 1,386         |
| 2.3. Claims of other MFIs on other non-MFIs                        | 25,582        | 21,995        | 20,790        | 19,989        | 19,740        | 19,924        | 20,228        | 20,318        |
| <b>2. Claims on domestic non-MFIs</b>                              | <b>32,959</b> | <b>30,183</b> | <b>30,850</b> | <b>31,025</b> | <b>31,402</b> | <b>31,308</b> | <b>31,696</b> | <b>31,880</b> |
| <b>3. Remaining assets</b>   | <b>3,670</b>  | <b>3,771</b>  | <b>3,119</b>  | <b>2,587</b>  | <b>2,354</b>  | <b>2,253</b>  | <b>2,168</b>  | <b>2,066</b>  |
| <b>Total assets</b>  | <b>46,565</b> | <b>47,912</b> | <b>47,646</b> | <b>47,291</b> | <b>48,002</b> | <b>47,532</b> | <b>48,519</b> | <b>48,541</b> |
| 1.1. Bank of Slovenia  | 1,054         | 10            | 16            | 388           | 0             | 691           | 1,267         | 435           |
| 1.2. Other MFIs  | 8,241         | 7,409         | 5,920         | 5,358         | 5,152         | 5,169         | 5,076         | 4,996         |
| <b>1. Obligations to foreign sectors (foreign liabilities)</b>     | <b>9,294</b>  | <b>7,419</b>  | <b>5,936</b>  | <b>5,746</b>  | <b>5,152</b>  | <b>5,860</b>  | <b>6,343</b>  | <b>5,431</b>  |
| 2.1.1.1. Banknotes and coins (after 1.1.2007 ECB key)              | 4,189         | 4,673         | 4,956         | 4,975         | 5,023         | 5,054         | 5,160         | 5,084         |
| 2.1.1.2. Overnight deposits at other MFIs                          | 8,832         | 10,441        | 13,057        | 14,247        | 14,787        | 15,245        | 15,471        | 15,694        |
| 2.1.1.3.1. Non-monetary financial institutions                     | 15            | 44            | 9             | 7             | 51            | 63            | 69            | 72            |
| 2.1.1.3.2. Other government sector                                 | 28            | 28            | 53            | 78            | 73            | 79            | 62            | 65            |
| 2.1.1.3. Overnight deposits at the Bank of Slovenia                | 43            | 71            | 63            | 84            | 123           | 142           | 131           | 137           |
| 2.1.1. Banknotes and coins and overnight liabilities               | 13,065        | 15,185        | 18,075        | 19,306        | 19,933        | 20,442        | 20,761        | 20,915        |
| 2.1.2.1. Deposits at the Bank of Slovenia                          | -             | 1             | 1             | 1             | 0             | 0             | 0             | 0             |
| 2.1.2.2. Deposits at other MFIs                                    | 9,804         | 9,363         | 7,837         | 7,105         | 6,800         | 6,766         | 6,864         | 6,665         |
| 2.1.2. Time deposits   | 9,804         | 9,364         | 7,838         | 7,106         | 6,800         | 6,766         | 6,864         | 6,665         |
| 2.1.3. Deposits redeemable at notice up to 3 months                | 209           | 379           | 315           | 521           | 474           | 522           | 464           | 489           |
| 2.1. Banknotes and coins and deposits up to 2 years                | 23,078        | 24,929        | 26,229        | 26,933        | 27,207        | 27,730        | 28,089        | 28,069        |
| 2.2. Debt securities, units/shares of money market funds and repos | 80            | 42            | 56            | 67            | 81            | 90            | 102           | 95            |
| <b>2. Banknotes and coins and instruments up to 2 years</b>        | <b>23,157</b> | <b>24,971</b> | <b>26,285</b> | <b>27,000</b> | <b>27,289</b> | <b>27,821</b> | <b>28,190</b> | <b>28,164</b> |
| <b>3. Long-term financial obligations to non-MFIs</b>              | <b>1,498</b>  | <b>1,598</b>  | <b>1,550</b>  | <b>1,585</b>  | <b>1,560</b>  | <b>1,525</b>  | <b>1,510</b>  | <b>1,486</b>  |
| <b>4. Remaining liabilities</b>                                    | <b>15,783</b> | <b>17,229</b> | <b>15,378</b> | <b>14,526</b> | <b>15,590</b> | <b>13,912</b> | <b>14,083</b> | <b>14,962</b> |
| <b>5. Excess of inter-MFI liabilities</b>                          | <b>-3,168</b> | <b>-3,305</b> | <b>-1,504</b> | <b>-1,566</b> | <b>-1,589</b> | <b>-1,586</b> | <b>-1,607</b> | <b>-1,501</b> |
| <b>Total liabilities</b>   | <b>46,565</b> | <b>47,912</b> | <b>47,646</b> | <b>47,291</b> | <b>48,002</b> | <b>47,532</b> | <b>48,519</b> | <b>48,541</b> |

**Table 9.2: Balance Sheet of the Bank of Slovenia**

| <i>EUR million</i>                                       | 2013          | 2014          | 2015          | 16Q2          | 16Q3          | Nov.16        | Dec. 16       | Jan. 17       |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 1.1. Gold  | 89            | 101           | 100           | 122           | 121           | 113           | 112           | 115           |
| 1.2. Receivable form IMF                                 | 369           | 392           | 367           | 400           | 392           | 360           | 361           | 355           |
| 1.3. Foreign cash  | 0             | 0             | 0             | 0             | 0             | 0             | 0             | 0             |
| 1.4. Loans, deposits                                     | 373           | 3,031         | 699           | 477           | 1,110         | 522           | 588           | 626           |
| 1.5. Securities  | 3,844         | 3,651         | 4,141         | 4,722         | 5,135         | 5,343         | 5,380         | 5,524         |
| 1.6. Other claims  | 96            | 103           | 103           | 103           | 103           | 103           | 103           | 103           |
| <b>1. Claims on foreign sectors (foreign assets)</b>     | <b>4,771</b>  | <b>7,278</b>  | <b>5,410</b>  | <b>5,823</b>  | <b>6,862</b>  | <b>6,442</b>  | <b>6,544</b>  | <b>6,723</b>  |
| 2.1. Claims on central government                        | 233           | 263           | 2,327         | 3,631         | 4,219         | 4,432         | 4,618         | 4,621         |
| 2.2.1. Loans   | 3,682         | 1,098         | 901           | 516           | 635           | 626           | 714           | 699           |
| 2.2.2. Other claims                                      | 3             | 3             | 44            | 91            | 99            | 99            | 99            | 99            |
| 2.2. Claims on domestic monetary sector                  | 3,685         | 1,101         | 946           | 607           | 734           | 725           | 813           | 798           |
| 2.3. Claims on other domestic sectors                    | 2             | 2             | 2             | 2             | 2             | 2             | 2             | 2             |
| <b>2. Claims on domestic sectors (domestic assets)</b>   | <b>3,919</b>  | <b>1,366</b>  | <b>3,275</b>  | <b>4,240</b>  | <b>4,955</b>  | <b>5,159</b>  | <b>5,433</b>  | <b>5,421</b>  |
| <b>3. Remaining assets</b>                               | <b>2,200</b>  | <b>2,317</b>  | <b>1,685</b>  | <b>1,277</b>  | <b>1,096</b>  | <b>995</b>    | <b>948</b>    | <b>875</b>    |
| <b>Total assets</b>                                      | <b>10,890</b> | <b>10,961</b> | <b>10,370</b> | <b>11,340</b> | <b>12,914</b> | <b>12,596</b> | <b>12,924</b> | <b>13,019</b> |
| <b>1. Banknotes and coins (ECB key from 1.1.2007 on)</b> | <b>4,189</b>  | <b>4,673</b>  | <b>4,956</b>  | <b>4,975</b>  | <b>5,023</b>  | <b>5,054</b>  | <b>5,160</b>  | <b>5,084</b>  |
| 2.1.1.1.1. Overnight                                     | 1,503         | 1,526         | 1,634         | 1,844         | 2,324         | 2,815         | 2,252         | 2,328         |
| 2.1.1.1.2. With agreed maturity                          | 605           | -             | -             | -             | -             | -             | -             | -             |
| 2.1.1.1. Domestic currency                               | 2,108         | 1,526         | 1,634         | 1,844         | 2,324         | 2,815         | 2,252         | 2,328         |
| 2.1.1.2. Foreign currency                                | -             | -             | -             | -             | -             | -             | -             | -             |
| 2.1.1. Other MFIs  | 2,108         | 1,526         | 1,634         | 1,844         | 2,324         | 2,815         | 2,252         | 2,328         |
| 2.1.2.1.1. Overnight                                     | 364           | 2,718         | 1,730         | 1,955         | 3,214         | 1,808         | 1,949         | 3,002         |
| 2.1.2.1.2. With agreed maturity                          | 1,350         | -             | -             | -             | -             | -             | -             | -             |
| 2.1.2.1. In domestic currency                            | 1,714         | 2,718         | 1,730         | 1,955         | 3,214         | 1,808         | 1,949         | 3,002         |
| 2.1.2.2. Foreign currency                                | 73            | 94            | 60            | 55            | 54            | 56            | 78            | 55            |
| 2.1.2. General government                                | 1,787         | 2,812         | 1,789         | 2,011         | 3,267         | 1,864         | 2,027         | 3,057         |
| 2.1.3.1. Non-financial corporations                      | -             | -             | -             | -             | -             | -             | -             | -             |
| 2.1.3.2. Non-monetary financial institutions             | 17            | 45            | 11            | 8             | 51            | 63            | 69            | 72            |
| 2.1.3. Other domestic sectors                            | 17            | 45            | 11            | 8             | 51            | 63            | 69            | 72            |
| 2.1. Domestic sectors                                    | 3,912         | 4,383         | 3,434         | 3,862         | 5,642         | 4,742         | 4,348         | 5,456         |
| 2.2. Foreign sectors                                     | 1,054         | 10            | 16            | 388           | 0             | 691           | 1,267         | 435           |
| <b>2. Deposits</b>                                       | <b>4,966</b>  | <b>4,393</b>  | <b>3,450</b>  | <b>4,250</b>  | <b>5,642</b>  | <b>5,434</b>  | <b>5,615</b>  | <b>5,891</b>  |
| 3.1. Domestic currency                                   | -             | -             | -             | -             | -             | -             | -             | -             |
| 3.2. Foreign currency                                    | -             | -             | -             | -             | -             | -             | -             | -             |
| <b>3. Issued securities</b>                              | <b>0</b>      | <b>0</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      |
| <b>4. SDR allocation</b>                                 | <b>241</b>    | <b>257</b>    | <b>275</b>    | <b>272</b>    | <b>270</b>    | <b>275</b>    | <b>275</b>    | <b>273</b>    |
| <b>5. Capital and reserves</b>                           | <b>1,339</b>  | <b>1,440</b>  | <b>1,472</b>  | <b>1,669</b>  | <b>1,792</b>  | <b>1,600</b>  | <b>1,657</b>  | <b>1,511</b>  |
| <b>6. Remaining liabilities</b>                          | <b>156</b>    | <b>197</b>    | <b>218</b>    | <b>175</b>    | <b>187</b>    | <b>234</b>    | <b>218</b>    | <b>259</b>    |
| <b>Total liabilities</b>                                 | <b>10,890</b> | <b>10,961</b> | <b>10,370</b> | <b>11,340</b> | <b>12,914</b> | <b>12,596</b> | <b>12,924</b> | <b>13,019</b> |

**Table 9.3: Balance Sheet of other Monetary Financial Institutions**

| <i>EUR million</i>   | <b>2013</b>   | <b>2014</b>   | <b>2015</b>   | <b>16Q2</b>   | <b>16Q3</b>   | <b>Nov.16</b> | <b>Dec. 16</b> | <b>Jan. 17</b> |
|--|---------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| 1.1.1. Cash  | 282           | 292           | 294           | 295           | 293           | 302           | 322            | 312            |
| 1.1.2. Accounts and deposits at the Bank of Slovenia, other claims | 2,108         | 1,526         | 1,634         | 1,844         | 2,324         | 2,815         | 2,252          | 2,328          |
| 1.1.3. Securities of the Bank of Slovenia                          | -             | -             | -             | -             | -             | -             | -              | -              |
| 1.1. Claims on Bank of Slovenia                                    | 2,390         | 1,818         | 1,928         | 2,139         | 2,617         | 3,117         | 2,574          | 2,640          |
| 1.2.1. Loans   | 2,432         | 1,719         | 1,264         | 1,097         | 1,031         | 1,029         | 1,031          | 969            |
| 1.2.2. Debt securities   | 363           | 378           | 245           | 249           | 253           | 254           | 256            | 255            |
| 1.2.3. Shares and other equity                                     | 117           | 61            | 62            | 50            | 2             | 2             | 2              | 2              |
| 1.2. Claims on other MFI's   | 2,912         | 2,158         | 1,572         | 1,396         | 1,286         | 1,285         | 1,289          | 1,227          |
| 1.3.1. Loans   | 26,176        | 22,883        | 21,714        | 20,844        | 20,531        | 20,665        | 21,358         | 21,452         |
| 1.3.2. Debt securities   | 5,702         | 6,352         | 6,050         | 5,899         | 5,979         | 5,539         | 5,030          | 5,117          |
| 1.3.3. Shares and other equity                                     | 849           | 685           | 759           | 651           | 673           | 671           | 689            | 691            |
| 1.3. Claims on nonmonetary sectors                                 | 32,727        | 29,920        | 28,524        | 27,394        | 27,183        | 26,876        | 27,077         | 27,259         |
| <b>1. Claims on domestic sectors (domestic assets)</b>             | <b>38,028</b> | <b>33,897</b> | <b>32,024</b> | <b>30,929</b> | <b>31,086</b> | <b>31,278</b> | <b>30,940</b>  | <b>31,126</b>  |
| 2.1.1. Cash  | 23            | 29            | 34            | 43            | 34            | 35            | 38             | 33             |
| 2.1.2. Loans   | 1,697         | 2,839         | 2,767         | 2,494         | 2,092         | 2,151         | 2,628          | 2,418          |
| 2.1.3. Debt securities   | 372           | 498           | 1,027         | 1,023         | 1,037         | 1,103         | 1,162          | 1,151          |
| 2.1.4 Shares and other equity                                      | 559           | 572           | 567           | 567           | 567           | 567           | 567            | 567            |
| 2.1. Claims on foreign monetary sectors                            | 2,651         | 3,938         | 4,395         | 4,127         | 3,731         | 3,857         | 4,395          | 4,170          |
| 2.2.1. Loans   | 2,530         | 2,135         | 1,597         | 1,389         | 1,290         | 1,244         | 1,168          | 1,126          |
| 2.2.2. Debt securities   | 1,378         | 1,878         | 1,870         | 1,942         | 1,964         | 2,027         | 2,154          | 2,182          |
| 2.2.3. Shares and other equity                                     | 273           | 329           | 405           | 397           | 399           | 401           | 396            | 396            |
| 2.2. Claims on foreign nonmonetary sectors                         | 4,181         | 4,342         | 3,871         | 3,729         | 3,653         | 3,672         | 3,718          | 3,703          |
| <b>2. Claims on foreign sectors (foreign assets)</b>               | <b>6,833</b>  | <b>8,279</b>  | <b>8,266</b>  | <b>7,856</b>  | <b>7,383</b>  | <b>7,529</b>  | <b>8,113</b>   | <b>7,873</b>   |
| <b>3. Remaining assets</b>   | <b>1,455</b>  | <b>1,399</b>  | <b>1,314</b>  | <b>1,217</b>  | <b>1,138</b>  | <b>1,127</b>  | <b>1,125</b>   | <b>1,036</b>   |
| <b>Total assets</b>  | <b>46,315</b> | <b>43,575</b> | <b>41,603</b> | <b>40,002</b> | <b>39,607</b> | <b>39,934</b> | <b>40,178</b>  | <b>40,035</b>  |
| 1.1.1. Deposits, loans from the Bank of Slovenia                   | 3,682         | 1,098         | 901           | 516           | 635           | 626           | 714            | 699            |
| 1.1.2. Deposits, loans from other MFIs                             | 2,440         | 1,733         | 1,301         | 1,141         | 1,080         | 1,076         | 1,123          | 1,019          |
| 1.1.3. Debt securities issued                                      | 150           | 93            | 38            | 28            | 14            | 16            | 18             | 18             |
| 1.1. Liabilities to monetary sectors                               | 6,272         | 2,924         | 2,240         | 1,686         | 1,729         | 1,717         | 1,855          | 1,735          |
| 1.2.1.1. Overnight   | 8,542         | 10,129        | 12,661        | 13,784        | 14,321        | 14,794        | 15,038         | 15,214         |
| 1.2.1.2. With agreed maturity                                      | 12,214        | 12,481        | 10,604        | 9,342         | 9,015         | 8,906         | 9,061          | 8,832          |
| 1.2.1.3. Redeemable at notice                                      | 221           | 449           | 474           | 637           | 614           | 637           | 615            | 718            |
| 1.2.1. Deposits in domestic currency                               | 20,977        | 23,059        | 23,739        | 23,763        | 23,950        | 24,337        | 24,715         | 24,764         |
| 1.2.2. Deposits in foreign currency                                | 441           | 463           | 599           | 652           | 652           | 643           | 632            | 651            |
| 1.2.3. Debt securities issued                                      | 256           | 176           | 84            | 51            | 40            | 38            | 38             | 32             |
| 1.2. Liabilities to nonmonetary sectors                            | 21,674        | 23,698        | 24,422        | 24,466        | 24,642        | 25,017        | 25,385         | 25,447         |
| <b>1. Obligations to domestic sectors (domestic liabilities)</b>   | <b>27,946</b> | <b>26,622</b> | <b>26,661</b> | <b>26,151</b> | <b>26,371</b> | <b>26,734</b> | <b>27,240</b>  | <b>27,182</b>  |
| 2.1.1. Deposits  | 4,538         | 3,551         | 2,578         | 2,254         | 2,099         | 2,110         | 2,084          | 2,084          |
| 2.1.2. Debt securities issued                                      | 1,200         | 1,344         | 975           | 712           | 710           | 710           | 710            | 710            |
| 2.1. Liabilities to foreign monetary sectors                       | 5,738         | 4,895         | 3,553         | 2,967         | 2,809         | 2,820         | 2,794          | 2,794          |
| 2.2.1. Deposits  | 2,054         | 2,052         | 1,954         | 1,830         | 1,781         | 1,787         | 1,720          | 1,694          |
| 2.2.2. Debt securities issued                                      | 32            | 25            | 27            | 23            | 23            | 23            | 23             | 23             |
| 2.2. Liabilities to foreign nonmonetary sectors                    | 2,086         | 2,077         | 1,981         | 1,854         | 1,804         | 1,811         | 1,743          | 1,717          |
| <b>2. Obligations to foreign sectors (foreign liabilities)</b>     | <b>7,824</b>  | <b>6,972</b>  | <b>5,535</b>  | <b>4,820</b>  | <b>4,613</b>  | <b>4,630</b>  | <b>4,537</b>   | <b>4,511</b>   |
| <b>3. Capital and reserves</b>                                     | <b>3,906</b>  | <b>4,512</b>  | <b>4,676</b>  | <b>4,865</b>  | <b>4,858</b>  | <b>4,852</b>  | <b>4,853</b>   | <b>4,822</b>   |
| <b>4. Remaining liabilities</b>                                    | <b>6,641</b>  | <b>5,469</b>  | <b>4,731</b>  | <b>4,166</b>  | <b>3,766</b>  | <b>3,718</b>  | <b>3,547</b>   | <b>3,520</b>   |
| <b>Total liabilities</b>   | <b>46,315</b> | <b>43,575</b> | <b>41,603</b> | <b>40,002</b> | <b>39,607</b> | <b>39,934</b> | <b>40,178</b>  | <b>40,035</b>  |

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

| <i>in % on annual level</i>  | 2012 | 2013 | 2014 | 2015 | Nov.16 | Dec. 16 | Jan.17 |
|--|------|------|------|------|--------|---------|--------|
| <b>1. Interest rates of new loans</b>  |      |      |      |      |        |         |        |
| 1.1. Loans to households   |      |      |      |      |        |         |        |
| Households, revolving loans and overdrafts   | 8.75 | 8.53 | 8.20 | 8.01 | 7.86   | 7.84    | 7.84   |
| Households, extended credit  | 8.65 | 8.06 | 8.02 | 7.84 | 7.75   | 7.73    | 7.72   |
| Loans, households, consumption, floating and up to 1 year initial rate fixation                      | 5.02 | 5.04 | 5.01 | 4.19 | 4.21   | 4.23    | 4.21   |
| Loans, households, consumption, over 1 and up to 5 years initial rate fixation                       | 7.22 | 7.21 | 7.00 | 5.64 | 5.66   | 5.66    | 5.71   |
| Loans, households, consumption, over 5 years initial rate fixation                                   | 7.33 | 7.19 | 7.07 | 5.28 | 6.07   | 6.12    | 6.17   |
| C. loans, households, consumption, floating and up to 1 year initial rate fixation                   | 4.78 | 4.76 | 4.47 | 3.82 | 3.64   | 3.50    | 3.50   |
| C. loans, households, consumption, over 1 and up to 5 years initial rate fixation                    | 6.60 | 6.74 | 6.60 | 5.61 | 5.33   | 5.28    | 5.17   |
| C. loans, households, consumption, over 5 year initial rate fixation                                 | 6.93 | 7.15 | 6.53 | 5.58 | 4.75   | 5.05    | 4.89   |
| APRC, Loans to households for consumption  | 7.70 | 8.00 | 8.28 | 7.42 | 7.37   | 7.55    | 7.58   |
| Loans, households, house purchase, floating and up to 1 year initial rate fixation                   | 3.27 | 3.14 | 3.18 | 2.22 | 1.97   | 2.04    | 2.05   |
| Loans, households, house purchase, over 1 and up to 5 years initial rate fixation                    | 5.61 | 5.54 | 5.65 | 3.87 | 3.58   | 3.58    | 3.64   |
| Loans, households, house purchase, over 5 and up to 10 years initial rate fixation                   | 5.48 | 5.40 | 5.06 | 3.16 | 2.57   | 2.49    | 2.55   |
| Loans, households, house purchase, over 10 years initial rate fixation                               | 5.47 | 5.17 | 4.87 | 3.16 | 2.54   | 2.56    | 2.56   |
| C. loans, households, house purchase variabel and up to years initial rate fixation                  | 3.27 | 3.11 | 3.16 | 2.21 | 1.96   | 2.02    | 2.03   |
| C. loans, households, house purchase, over 1 and up to 5 years initial rate fixation                 | 5.59 | 5.90 | 5.41 | 2.63 | 2.53   | 2.12    | 2.13   |
| C. loans, households, house purchase, over 5 and up to 10 years initial rate fixation                | 5.38 | 5.34 | 5.03 | 3.04 | 2.18   | 2.38    | 2.40   |
| C. loans, households, house purchase, over 10 years initial rate fixation                            | 5.80 | 5.71 | 4.87 | 3.12 | 2.50   | 2.53    | 2.52   |
| APRC, Loans to households for house purchase   | 3.63 | 3.48 | 3.55 | 2.85 | 2.53   | 2.58    | 2.60   |
| Loans, households, other purposes, floating and up to 1 year initial rate fixation                   | 5.62 | 5.69 | 5.11 | 3.51 | 3.81   | 3.49    | 4.11   |
| Loans, households, other purposes, over 1 and up to 5 years initial rate fixation                    | 6.64 | 6.51 | 5.96 | 5.93 | 4.94   | 5.28    | 5.66   |
| Loans, households, other purposes, over 5 years initial rate fixation                                | 5.83 | 6.42 | 6.44 | 7.79 | 6.50   | 5.92    | 5.92   |
| 1.2. Loans to nonfinancial corporations (S.11)   |      |      |      |      |        |         |        |
| S.11, bank overdraft   | 5.39 | 5.53 | 5.30 | 3.45 | 3.06   | 2.81    | 2.75   |
| S.11, extended credit  | 7.25 | 7.39 | 7.28 | 7.16 | 6.76   | 6.70    | 7.14   |
| Loans, S.11, up to EUR 0,25 million, floating and up to 3 months initial rate fixation               | 5.69 | 5.55 | 4.81 | 3.38 | 3.03   | 2.74    | 3.16   |
| Loans, S.11, up to EUR 0,25 million, over 3 months and up to 1 year initial rate fixation            | 6.40 | 6.44 | 5.77 | 3.50 | 3.28   | 3.31    | 3.20   |
| Loans, S.11, up to EUR 0,25 million, over 1 and up to 3 years initial rate fixation                  | 6.99 | 6.57 | 5.92 | 4.23 | 4.33   | 4.52    | 3.55   |
| Loans, S.11, up to EUR 0,25 million, over 3 and up to 5 years initial rate fixation                  | 6.94 | 6.28 | 5.93 | 5.36 | 4.23   | 4.57    | 3.09   |
| Loans, S.11, up to EUR 0,25 million, over 5 and up to 10 years initial rate fixation                 | 6.94 | 6.70 | 5.82 | 4.87 | 4.01   | 4.56    | 3.86   |
| Loans, S.11, up to EUR 0,25 million, over 10 years initial rate fixation                             | 8.19 | 7.58 | 5.87 | 3.34 | 4.59   | 2.92    | 2.89   |
| Loans, S.11, over EUR 0,25 and up to 1 million, floating and up to 3 months initial rate fixation    | 5.22 | 5.08 | 4.62 | 2.49 | 2.25   | 2.19    | 2.72   |
| Loans, S.11, over EUR 0,25 and up to 1 million, over 3 months and up to 1 year initial rate fixation | 6.04 | 6.00 | 5.29 | 2.57 | 2.49   | 2.50    | 2.36   |
| Loans, S.11, over EUR 0,25 and up to 1 million, over 1 and up to 3 years initial rate fixation       | 6.35 | 6.31 | 5.27 | 3.06 | 2.99   | 1.21    | 2.19   |
| Loans, S.11, over EUR 0,25 and up to 1 million, over 3 and up to 5 years initial rate fixation       | 6.77 | 5.60 | 5.97 | -    | 1.95   | 1.70    | 1.43   |
| Loans, S.11, over EUR 0,25 and up to 1 million, over 5 and up to 10 years initial rate fixation      | 5.47 | 5.83 | 5.46 | 3.06 | 2.25   | 1.94    | 2.63   |
| Loans, S.11, over EUR 0,25 and up to 1 million, over 10 years initial rate fixation                  | -    | 7.50 | 6.32 | -    | -      | 2.10    | 1.71   |
| Loans, S.11, over EUR 1 million, floating and up to 3 months initial rate fixation                   | 4.21 | 4.21 | 3.94 | 2.61 | 2.32   | 2.61    | 2.24   |
| Loans, S.11, over EUR 1 million, over 3 months and up to 1 year initial rate fixation                | 5.66 | 5.15 | 4.84 | 1.87 | 1.50   | 2.35    | 2.53   |
| Loans, S.11, over EUR 1 million, over 1 and up to 3 years initial rate fixation                      | 5.70 | 4.07 | 4.60 | 1.00 | 2.74   | -       | -      |
| Loans, S.11, over EUR 1 million, over 3 and up to 5 years initial rate fixation                      | 4.40 | 4.49 | 4.07 | -    | -      | 1.06    | 1.31   |
| Loans, S.11, over EUR 1 million, over 5 and up to 10 years initial rate fixation                     | 5.95 | 3.84 | 4.62 | 1.79 | 1.43   | 1.92    | 1.92   |
| Loans, S.11, over EUR 1 million, over 10 years initial rate fixation                                 | 4.81 | 4.81 | 2.35 | 3.56 | -      | 2.23    | -      |
| <b>2. Interest rates of new deposits</b>   |      |      |      |      |        |         |        |
| 2.1. Households deposits   |      |      |      |      |        |         |        |
| Households, overnight deposits   | 0.20 | 0.11 | 0.07 | 0.03 | 0.02   | 0.02    | 0.02   |
| Deposits, households, agreed maturity up to 1 year   | 2.31 | 1.86 | 0.98 | 0.28 | 0.19   | 0.23    | 0.19   |
| Deposits, households, agreed maturity over 1 and up to 2 years                                       | 4.06 | 3.46 | 1.90 | 0.70 | 0.43   | 0.44    | 0.37   |
| Deposits, households, agreed maturity over 2 years   | 4.46 | 3.86 | 2.33 | 1.07 | 0.76   | 0.72    | 0.78   |
| 2.2. Deposits of nonfinancial corporations (S.11)  |      |      |      |      |        |         |        |
| S.11, overnight deposits   | 1.52 | 1.22 | 0.82 | 0.02 | 0.01   | 0.01    | 0.01   |
| Deposits, S.11, agreed maturity up to 1 year   | 2.73 | 1.79 | 1.30 | 0.06 | 0.04   | 0.05    | 0.03   |
| Deposits, S.11, agreed maturity over 1 and up to 2 years   | 0.30 | 0.23 | 0.13 | 0.57 | 0.29   | 0.20    | 0.13   |
| Deposits, S.11, agreed maturity over 2 years   | 2.11 | 1.58 | 0.63 | 1.07 | 0.45   | 0.49    | 0.30   |
| 2.3. Deposits redeemable at notice of households and nonfinancial sector together                    |      |      |      |      |        |         |        |
| Deposits redeemable at notice, up to 3 months notice   | 4.24 | 3.47 | 1.85 | 0.10 | 0.02   | 0.02    | 0.02   |
| Deposits redeemable at notice, over 3 months notice  | 4.02 | 3.08 | 1.79 | 0.93 | 0.22   | 0.59    | 0.29   |

**Table 9.5: International investment position**

| EUR million |   | 2013           | 2014           | 2015           | 16Q1           | 16Q2           | 16Q3           | 16Q4           |
|-------------|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|             | <b>NET INTERNATIONAL INVESTMENT POSITION (1-2)</b>    | <b>-16,749</b> | <b>-16,496</b> | <b>-14,931</b> | <b>-14,897</b> | <b>-14,693</b> | <b>-14,609</b> | <b>-13,736</b> |
| <b>1</b>    | <b>ASSETS</b>   | <b>33,392</b>  | <b>39,437</b>  | <b>41,032</b>  | <b>41,775</b>  | <b>41,499</b>  | <b>41,059</b>  | <b>41,379</b>  |
| 1.1         | <b>Direct investment</b>                              | <b>6,813</b>   | <b>6,970</b>   | <b>7,204</b>   | <b>7,356</b>   | <b>7,362</b>   | <b>7,386</b>   | <b>7,434</b>   |
| 1.1.1       | Equity  | 3,795          | 3,769          | 3,910          | 3,911          | 3,842          | 3,810          | 3,864          |
| 1.1.2       | Debt instruments                                      | 3,018          | 3,202          | 3,295          | 3,445          | 3,519          | 3,576          | 3,570          |
| 1.2         | <b>Portfolio investment</b>                           | <b>11,386</b>  | <b>12,375</b>  | <b>14,458</b>  | <b>14,864</b>  | <b>15,265</b>  | <b>15,957</b>  | <b>16,738</b>  |
| 1.2.1       | Equity and investment fund shares                     | 2,755          | 3,193          | 3,482          | 3,331          | 3,378          | 3,501          | 3,589          |
| 1.2.2       | Debt securities                                       | 8,631          | 9,182          | 10,976         | 11,533         | 11,888         | 12,457         | 13,150         |
| 1.3         | <b>Financial derivatives</b>                          | <b>89</b>      | <b>83</b>      | <b>65</b>      | <b>65</b>      | <b>40</b>      | <b>36</b>      | <b>41</b>      |
| 1.4         | <b>Other investment</b>                               | <b>14,435</b>  | <b>19,171</b>  | <b>18,517</b>  | <b>18,703</b>  | <b>18,062</b>  | <b>16,964</b>  | <b>16,460</b>  |
| 1.4.1       | Other equity  | 530            | 629            | 641            | 642            | 641            | 641            | 638            |
| 1.4.2       | Currency and deposits                                 | 5,647          | 10,737         | 10,274         | 9,986          | 9,409          | 8,392          | 8,349          |
| 1.4.3       | Loans   | 4,181          | 3,729          | 3,122          | 2,999          | 2,924          | 2,795          | 2,622          |
| 1.4.4       | Insurance, pension and standardized guarantee schemes | 131            | 141            | 129            | 137            | 140            | 140            | 140            |
| 1.4.5       | Trade credit and advances                             | 3,636          | 3,601          | 3,737          | 4,097          | 4,214          | 4,212          | 4,009          |
| 1.4.6       | Other accounts receivable                             | 310            | 335            | 614            | 842            | 733            | 785            | 701            |
| 1.5         | <b>Reserve assets</b>                                 | <b>669</b>     | <b>837</b>     | <b>787</b>     | <b>786</b>     | <b>770</b>     | <b>715</b>     | <b>705</b>     |
| 1.5.1       | Monetary gold   | 89             | 101            | 100            | 111            | 122            | 121            | 112            |
| 1.5.2       | Special drawing rights                                | 220            | 247            | 264            | 201            | 204            | 203            | 207            |
| 1.5.3       | Reserve position in the IMF                           | 149            | 145            | 104            | 196            | 195            | 189            | 154            |
| 1.5.4       | Other reserve assets                                  | 211            | 345            | 320            | 278            | 249            | 202            | 232            |
| <b>2</b>    | <b>LIABILITIES</b>                                    | <b>50,141</b>  | <b>55,934</b>  | <b>55,962</b>  | <b>56,672</b>  | <b>56,192</b>  | <b>55,667</b>  | <b>55,115</b>  |
| 2.1         | <b>Direct investment</b>                              | <b>10,531</b>  | <b>11,837</b>  | <b>13,308</b>  | <b>13,786</b>  | <b>14,005</b>  | <b>14,198</b>  | <b>14,068</b>  |
| 2.1.1       | Equity  | 7,292          | 8,186          | 9,772          | 10,036         | 10,217         | 10,370         | 10,595         |
| 2.1.2       | Debt instruments                                      | 3,240          | 3,651          | 3,536          | 3,750          | 3,789          | 3,828          | 3,473          |
| 2.2         | <b>Portfolio investment</b>                           | <b>16,299</b>  | <b>23,099</b>  | <b>22,308</b>  | <b>22,457</b>  | <b>22,024</b>  | <b>22,407</b>  | <b>20,113</b>  |
| 2.2.1       | Equity and investment fund shares                     | 811            | 1,030          | 1,041          | 1,024          | 986            | 1,080          | 1,014          |
| 2.2.2       | Debt securities                                       | 15,488         | 22,069         | 21,266         | 21,434         | 21,038         | 21,328         | 19,099         |
| 2.3         | <b>Financial derivatives</b>                          | <b>150</b>     | <b>175</b>     | <b>163</b>     | <b>201</b>     | <b>200</b>     | <b>161</b>     | <b>137</b>     |
| 2.4         | <b>Other investment</b>                               | <b>23,161</b>  | <b>20,822</b>  | <b>20,183</b>  | <b>20,227</b>  | <b>19,962</b>  | <b>18,901</b>  | <b>20,797</b>  |
| 2.4.1       | Other equity  | 23             | 28             | 32             | 32             | 33             | 34             | 34             |
| 2.4.2       | Currency and deposits                                 | 4,165          | 3,338          | 2,965          | 3,508          | 3,189          | 2,788          | 4,148          |
| 2.4.3       | Loans   | 14,759         | 13,128         | 12,852         | 12,369         | 12,249         | 11,727         | 12,036         |
| 2.4.4       | Insurance, pension and standardized guarantee schemes | 275            | 218            | 221            | 232            | 244            | 244            | 244            |
| 2.4.5       | Trade credit and advances                             | 3,527          | 3,427          | 3,431          | 3,381          | 3,542          | 3,433          | 3,665          |
| 2.4.6       | Other accounts payable                                | 171            | 425            | 407            | 438            | 435            | 404            | 394            |
| 2.4.7       | Special drawing rights                                | 241            | 257            | 275            | 267            | 272            | 270            | 275            |

**Table 9.6: Gross external debt**

| <i>EUR million</i>  | 2013          | 2014          | 2015          | 16Q2          | 16Q3          | 16Q4          | Jan. 17       |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>TOTAL (1+2+3+4+5)</b>                                      | <b>41,866</b> | <b>46,514</b> | <b>44,954</b> | <b>44,756</b> | <b>44,023</b> | <b>43,334</b> | <b>42,942</b> |
| <b>1 GENERAL GOVERNMENT</b>                                   | <b>15,668</b> | <b>22,619</b> | <b>23,169</b> | <b>23,119</b> | <b>23,188</b> | <b>21,579</b> | <b>22,156</b> |
| <b>1.1 Short-term, of that</b>                                | <b>73</b>     | <b>664</b>    | <b>1,507</b>  | <b>1,367</b>  | <b>1,104</b>  | <b>1,304</b>  | <b>1,143</b>  |
| Debt securities   | 45            | 228           | 15            | 22            | 22            | 22            | 22            |
| Loans   | ...           | 157           | 1,201         | 1,058         | 813           | 1,058         | 918           |
| Trade credit and advances                                     | 28            | 21            | 35            | 50            | 59            | 42            | 32            |
| Other debt liabilities  | ...           | 257           | 257           | 237           | 210           | 182           | 171           |
| <b>1.2 Long-term, of that</b>                                 | <b>15,595</b> | <b>21,956</b> | <b>21,662</b> | <b>21,751</b> | <b>22,085</b> | <b>20,275</b> | <b>21,013</b> |
| Debt securities   | 14,307        | 20,403        | 20,158        | 20,253        | 20,559        | 18,504        | 19,241        |
| Loans   | 1,281         | 1,548         | 1,500         | 1,495         | 1,523         | 1,768         | 1,769         |
| <b>2 CENTRAL BANK</b>   | <b>2,742</b>  | <b>2,083</b>  | <b>2,217</b>  | <b>2,505</b>  | <b>2,105</b>  | <b>3,457</b>  | <b>2,527</b>  |
| <b>2.1 Short-term, of that</b>                                | <b>2,500</b>  | <b>1,826</b>  | <b>1,942</b>  | <b>2,233</b>  | <b>1,835</b>  | <b>3,182</b>  | <b>2,254</b>  |
| Currency and deposits   | 2,500         | 1,825         | 1,942         | 2,233         | 1,835         | 3,182         | 2,254         |
| <b>2.2 Long-term, of that</b>                                 | <b>241</b>    | <b>257</b>    | <b>275</b>    | <b>272</b>    | <b>270</b>    | <b>275</b>    | <b>273</b>    |
| Special drawing rights (allocations)                          | 241           | 257           | 275           | 272           | 270           | 275           | 273           |
| <b>3 DEPOSIT TAKING CORPORATIONS, except the Central Bank</b> | <b>7,519</b>  | <b>6,591</b>  | <b>5,195</b>  | <b>4,416</b>  | <b>4,193</b>  | <b>4,117</b>  | <b>4,088</b>  |
| <b>3.1 Short-term</b>   | <b>893</b>    | <b>747</b>    | <b>702</b>    | <b>806</b>    | <b>730</b>    | <b>817</b>    | <b>833</b>    |
| Currency and deposits   | 707           | 597           | 490           | 520           | 522           | 578           | 600           |
| Debt securities   | 58            | ...           | ...           | ...           | ...           | ...           | ...           |
| Loans   | 121           | 144           | 207           | 257           | 185           | 221           | 206           |
| Trade credit and advances                                     | ...           | ...           | ...           | ...           | ...           | ...           | ...           |
| Other debt liabilities  | 7             | 6             | 5             | 29            | 23            | 18            | 28            |
| <b>3.2 Long-term</b>  | <b>6,626</b>  | <b>5,844</b>  | <b>4,493</b>  | <b>3,611</b>  | <b>3,463</b>  | <b>3,300</b>  | <b>3,254</b>  |
| Currency and deposits   | 958           | 916           | 534           | 436           | 432           | 387           | 387           |
| Debt securities   | 837           | 954           | 652           | 306           | 293           | 287           | 288           |
| Loans   | 4,800         | 3,941         | 3,301         | 2,865         | 2,735         | 2,620         | 2,575         |
| Trade credit and advances                                     | 3             | 4             | 7             | 4             | 3             | 5             | 3             |
| Other debt liabilities  | 29            | 29            | 0             | 0             | 1             | 1             | 1             |
| <b>4 OTHER SECTORS</b>  | <b>12,698</b> | <b>11,570</b> | <b>10,837</b> | <b>10,927</b> | <b>10,709</b> | <b>10,708</b> | <b>10,755</b> |
| <b>4.1 Short-term, of that</b>                                | <b>4,039</b>  | <b>3,947</b>  | <b>3,973</b>  | <b>4,301</b>  | <b>4,215</b>  | <b>4,187</b>  | <b>4,215</b>  |
| Debt securities   | 4             | 5             | 0             | 2             | 2             | 2             | 2             |
| Loans   | 444           | 453           | 488           | 706           | 730           | 434           | 503           |
| Trade credit and advances                                     | 3,492         | 3,396         | 3,383         | 3,468         | 3,355         | 3,603         | 3,530         |
| Other debt liabilities  | 100           | 94            | 102           | 125           | 127           | 148           | 180           |
| <b>4.2 Long-term, of that</b>                                 | <b>8,659</b>  | <b>7,623</b>  | <b>6,864</b>  | <b>6,627</b>  | <b>6,494</b>  | <b>6,522</b>  | <b>6,540</b>  |
| Debt securities   | 238           | 480           | 441           | 455           | 451           | 284           | 277           |
| Loans   | 8,113         | 6,885         | 6,156         | 5,869         | 5,741         | 5,935         | 5,985         |
| Trade credit and advances                                     | 4             | 6             | 7             | 19            | 16            | 16            | 18            |
| Other debt liabilities  | 304           | 252           | 260           | 284           | 286           | 287           | 259           |
| <b>5 DIRECT INVESTMENT: intercompany lending</b>              | <b>3,240</b>  | <b>3,651</b>  | <b>3,536</b>  | <b>3,789</b>  | <b>3,828</b>  | <b>3,473</b>  | <b>3,417</b>  |
| <b>NET EXTERNAL DEBT POSITION</b>                             | <b>15,644</b> | <b>14,750</b> | <b>12,020</b> | <b>11,158</b> | <b>10,951</b> | <b>10,087</b> | <b>9,509</b>  |

**Table 9.7: Balance of payments**

| <i>EUR million</i>                       | 2014          | 2015          | 2016          | 16Q2         | 16Q3         | 16Q4         | Jan.2017     |
|--|---------------|---------------|---------------|--------------|--------------|--------------|--------------|
| <b>I. Current account</b>                | <b>2,325</b>  | <b>1,998</b>  | <b>2,698</b>  | <b>737</b>   | <b>722</b>   | <b>531</b>   | <b>276</b>   |
| <b>1. Goods</b>                          | <b>1,181</b>  | <b>1,498</b>  | <b>1,536</b>  | <b>446</b>   | <b>375</b>   | <b>246</b>   | <b>123</b>   |
| <b>1.1. Export of goods</b>              | <b>22,961</b> | <b>24,039</b> | <b>24,951</b> | <b>6,391</b> | <b>6,116</b> | <b>6,389</b> | <b>2,105</b> |
| Export f.o.b.                            | 22,936        | 23,940        | 24,941        | 6,405        | 6,091        | 6,383        | 2,092        |
| Coverage adjustment                      | -188          | -149          | -196          | -78          | -43          | -20          | -18          |
| Net export of goods under merchanting    | 199           | 231           | 179           | 56           | 60           | 19           | 32           |
| Nonmonetary gold                         | 15            | 17            | 28            | 8            | 8            | 7            | ...          |
| <b>1.2. Import of goods</b>              | <b>21,780</b> | <b>22,541</b> | <b>23,416</b> | <b>5,945</b> | <b>5,742</b> | <b>6,142</b> | <b>1,982</b> |
| Import c.i.f.                            | 22,580        | 23,305        | 24,108        | 6,131        | 5,898        | 6,317        | 2,046        |
| Coverage adjustment                      | -160          | -115          | -17           | -13          | 11           | -3           | -5           |
| Valuation adjustment                     | -656          | -678          | -702          | -178         | -172         | -184         | -60          |
| Nonmonetary gold                         | 15            | 30            | 27            | 4            | 5            | 12           | ...          |
| <b>2. Services</b>                       | <b>1,697</b>  | <b>2,019</b>  | <b>2,286</b>  | <b>552</b>   | <b>717</b>   | <b>542</b>   | <b>190</b>   |
| <b>2.1. Export of services, of that</b>  | <b>5,558</b>  | <b>6,025</b>  | <b>6,513</b>  | <b>1,556</b> | <b>1,874</b> | <b>1,705</b> | <b>481</b>   |
| Transport                                | 1,529         | 1,672         | 1,826         | 453          | 456          | 493          | 147          |
| Travel                                   | 2,060         | 2,257         | 2,346         | 538          | 849          | 510          | 157          |
| Construction services                    | 277           | 290           | 380           | 89           | 107          | 110          | 28           |
| Telecomm., computer and inform. services | 457           | 519           | 544           | 131          | 138          | 152          | 32           |
| Other business services                  | 779           | 824           | 916           | 202          | 204          | 313          | 77           |
| <b>2.2. Import of services, of that</b>  | <b>3,862</b>  | <b>4,006</b>  | <b>4,227</b>  | <b>1,004</b> | <b>1,157</b> | <b>1,163</b> | <b>291</b>   |
| Transport                                | 814           | 851           | 919           | 214          | 220          | 270          | 75           |
| Travel                                   | 745           | 822           | 849           | 212          | 356          | 162          | 40           |
| Construction services                    | 234           | 120           | 104           | 23           | 28           | 37           | 7            |
| Telecomm., computer and inform. services | 483           | 533           | 508           | 121          | 129          | 150          | 32           |
| Other business services                  | 1,003         | 1,024         | 1,145         | 260          | 266          | 364          | 77           |
| <b>3. Primary income</b>                 | <b>-125</b>   | <b>-982</b>   | <b>-630</b>   | <b>-166</b>  | <b>-232</b>  | <b>-156</b>  | <b>4</b>     |
| <b>3.1. Receipts</b>                     | <b>1,396</b>  | <b>1,632</b>  | <b>1,602</b>  | <b>378</b>   | <b>347</b>   | <b>392</b>   | <b>198</b>   |
| Compensation of employees                | 537           | 609           | 573           | 142          | 124          | 166          | 47           |
| Investment                               | 368           | 501           | 493           | 125          | 126          | 113          | 35           |
| Other primary income                     | 490           | 522           | 537           | 111          | 97           | 113          | 117          |
| <b>3.2. Expenditure</b>                  | <b>1,521</b>  | <b>2,614</b>  | <b>2,233</b>  | <b>544</b>   | <b>579</b>   | <b>548</b>   | <b>194</b>   |
| Compensation of employees                | 114           | 120           | 124           | 33           | 32           | 30           | 9            |
| Investment                               | 1,063         | 2,065         | 1,620         | 395          | 428          | 384          | 131          |
| Other primary income                     | 344           | 429           | 488           | 115          | 119          | 134          | 54           |
| <b>4. Secondary income</b>               | <b>-428</b>   | <b>-537</b>   | <b>-493</b>   | <b>-95</b>   | <b>-138</b>  | <b>-101</b>  | <b>-42</b>   |
| <b>4.1. Receipts</b>                     | <b>709</b>    | <b>725</b>    | <b>712</b>    | <b>171</b>   | <b>172</b>   | <b>214</b>   | <b>61</b>    |
| <b>4.2. Expenditure</b>                  | <b>1,137</b>  | <b>1,262</b>  | <b>1,205</b>  | <b>267</b>   | <b>311</b>   | <b>315</b>   | <b>103</b>   |

**Table 9.8: Balance of payments – continued**

| <i>EUR million</i>                          | 2014          | 2015          | 2016          | 16Q2        | 16Q3          | 16Q4          | Jan.2017      |
|---|---------------|---------------|---------------|-------------|---------------|---------------|---------------|
| <b>II. Capital account</b>                  | <b>157</b>    | <b>371</b>    | <b>-312</b>   | <b>-112</b> | <b>-63</b>    | <b>-99</b>    | <b>1</b>      |
| 1. Nonproduced nonfinancial assets          | -24           | -37           | -48           | -23         | 0             | -16           | 1             |
| 2. Capital transfers                        | 181           | 408           | -265          | -89         | -63           | -83           | 0             |
| <b>III. Financial account</b>               | <b>2,377</b>  | <b>1,772</b>  | <b>936</b>    | <b>125</b>  | <b>385</b>    | <b>73</b>     | <b>519</b>    |
| <b>1. Direct investment</b>                 | <b>-584</b>   | <b>-1,238</b> | <b>-742</b>   | <b>-262</b> | <b>-243</b>   | <b>84</b>     | <b>68</b>     |
| Assets                                      | 155           | 278           | 226           | 15          | 1             | 67            | 67            |
| Equity and reinvested earnings              | -45           | 165           | 111           | -29         | 7             | 94            | 8             |
| Debt instruments                            | 200           | 113           | 115           | 44          | -5            | -27           | 59            |
| Liabilities                                 | 739           | 1,516         | 968           | 276         | 244           | -18           | -1            |
| Equity and reinvested earnings              | 791           | 1,803         | 1,130         | 256         | 231           | 305           | 48            |
| Debt instruments                            | -51           | -287          | -162          | 20          | 14            | -323          | -49           |
| <b>2. Portfolio investment</b>              | <b>-3,968</b> | <b>2,929</b>  | <b>4,210</b>  | <b>791</b>  | <b>552</b>    | <b>2,282</b>  | <b>-658</b>   |
| Assets                                      | 426           | 2,015         | 2,073         | 279         | 513           | 817           | 234           |
| Equity and investment fund shares           | 127           | 116           | -103          | -24         | 7             | -58           | 47            |
| Debt securities                             | 299           | 1,900         | 2,176         | 302         | 506           | 875           | 186           |
| Liabilities                                 | 4,394         | -914          | -2,137        | -512        | -39           | -1,466        | 892           |
| Equity and investment fund shares           | 101           | 52            | 36            | -8          | 14            | 10            | 5             |
| Debt securities                             | 4,293         | -966          | -2,173        | -505        | -53           | -1,476        | 887           |
| <b>3. Financial derivatives</b>             | <b>-3</b>     | <b>28</b>     | <b>50</b>     | <b>-4</b>   | <b>31</b>     | <b>30</b>     | <b>29</b>     |
| <b>4. Other investment</b>                  | <b>6,843</b>  | <b>166</b>    | <b>-2,486</b> | <b>-361</b> | <b>95</b>     | <b>-2,307</b> | <b>1,054</b>  |
| <b>4.1. Assets</b>                          | <b>4,815</b>  | <b>-672</b>   | <b>-2,071</b> | <b>-642</b> | <b>-1,087</b> | <b>-433</b>   | <b>19</b>     |
| Other equity                                | 84            | 10            | -3            | -1          | 0             | -4            | 0             |
| Currency and deposits                       | 5,037         | -545          | -1,974        | -581        | -1,027        | -71           | -247          |
| Loans                                       | -299          | -408          | -207          | -68         | -36           | -112          | -22           |
| Insurance, pension and stand. guar. schemes | 8             | -8            | 10            | 2           | ...           | ...           | ...           |
| Trade credits and advances                  | -16           | -4            | 176           | 118         | -72           | -184          | 176           |
| Other assets                                | 1             | 283           | -73           | -112        | 48            | -63           | 113           |
| <b>4.2. Liabilities</b>                     | <b>-2,028</b> | <b>-837</b>   | <b>415</b>    | <b>-281</b> | <b>-1,182</b> | <b>1,874</b>  | <b>-1,035</b> |
| Other equity                                | 7             | 1             | 0             | 0           | 1             | 0             | ...           |
| Currency and deposits                       | -831          | -400          | 1,175         | -320        | -406          | 1,353         | -903          |
| Loans                                       | -1,246        | -315          | -854          | -114        | -562          | 313           | -84           |
| Insurance, pension and stand. guar. schemes | -54           | 3             | 23            | 12          | ...           | ...           | ...           |
| Trade credits and advances                  | -144          | -101          | 138           | 152         | -169          | 233           | -43           |
| Other liabilities                           | 240           | -25           | -68           | -12         | -46           | -25           | -4            |
| Special drawing rights (SDR)                | 0             | 0             | 0             | 0           | 0             | 0             | 0             |
| <b>5. Reserve assets</b>                    | <b>89</b>     | <b>-113</b>   | <b>-97</b>    | <b>-40</b>  | <b>-50</b>    | <b>-17</b>    | <b>27</b>     |
| <b>IV. Net errors and omissions</b>         | <b>-105</b>   | <b>-596</b>   | <b>-1,449</b> | <b>-500</b> | <b>-273</b>   | <b>-359</b>   | <b>243</b>    |

Table 9.9: Non-consolidated financial assets – outstanding amounts

| EUR million                            | 2013    | 2014    | 15Q2    | 15Q3    | 15Q4    | 16Q1    | 16Q2    | 16Q3    |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Domestic sector</b>                 |         |         |         |         |         |         |         |         |
| Total                                  | 179,597 | 186,243 | 185,060 | 186,436 | 184,745 | 183,542 | 181,732 | 182,771 |
| Monetary gold and SDRs                 | 309     | 348     | 368     | 362     | 363     | 312     | 326     | 325     |
| Currency and deposits                  | 37,061  | 46,009  | 44,049  | 46,730  | 46,572  | 44,219  | 43,243  | 43,447  |
| Debt securities                        | 18,319  | 19,804  | 21,004  | 22,044  | 22,828  | 23,894  | 24,827  | 26,200  |
| Loans                                  | 49,970  | 44,453  | 42,520  | 41,359  | 39,625  | 39,362  | 38,000  | 37,278  |
| Shares                                 | 19,529  | 20,175  | 20,212  | 19,369  | 19,713  | 19,658  | 18,670  | 18,770  |
| Other equity                           | 22,483  | 23,002  | 23,111  | 23,752  | 23,304  | 23,302  | 23,558  | 23,690  |
| Investment fund shares/units           | 3,105   | 3,642   | 3,990   | 3,686   | 3,879   | 3,813   | 3,838   | 3,981   |
| Insurance and pension schemes          | 6,541   | 7,132   | 7,478   | 7,366   | 7,406   | 7,509   | 7,599   | 7,713   |
| Other                                  | 22,279  | 21,678  | 22,327  | 21,767  | 21,054  | 21,472  | 21,670  | 21,367  |
| <b>Non-financial corporations</b>      |         |         |         |         |         |         |         |         |
| Total                                  | 43,301  | 41,273  | 42,553  | 42,283  | 41,321  | 41,841  | 42,101  | 41,854  |
| Currency and deposits                  | 4,646   | 5,095   | 5,410   | 5,481   | 5,816   | 5,846   | 5,845   | 5,998   |
| Debt securities                        | 194     | 184     | 178     | 160     | 142     | 167     | 171     | 174     |
| Loans                                  | 6,151   | 6,043   | 6,118   | 6,035   | 5,849   | 6,105   | 5,862   | 5,845   |
| Shares                                 | 4,525   | 3,063   | 2,914   | 2,836   | 2,896   | 2,861   | 2,854   | 2,654   |
| Other equity                           | 11,806  | 11,359  | 11,340  | 11,770  | 11,472  | 11,496  | 11,746  | 11,705  |
| Investment fund shares/units           | 108     | 108     | 106     | 98      | 99      | 92      | 82      | 87      |
| Insurance and pension schemes          | 387     | 408     | 455     | 458     | 427     | 482     | 470     | 443     |
| Other                                  | 15,484  | 15,015  | 16,030  | 15,444  | 14,621  | 14,792  | 15,070  | 14,947  |
| <b>Monetary financial institutions</b> |         |         |         |         |         |         |         |         |
| Total                                  | 55,703  | 53,206  | 50,569  | 50,401  | 50,657  | 50,376  | 50,111  | 51,286  |
| Monetary gold and SDRs                 | 309     | 348     | 368     | 362     | 363     | 312     | 326     | 325     |
| Currency and deposits                  | 7,351   | 10,358  | 7,994   | 7,713   | 7,560   | 7,225   | 6,863   | 7,325   |
| Debt securities                        | 12,086  | 13,226  | 14,230  | 15,041  | 15,973  | 16,893  | 17,747  | 18,926  |
| Loans                                  | 34,556  | 27,863  | 26,416  | 25,670  | 25,179  | 24,362  | 23,653  | 23,290  |
| Shares                                 | 846     | 666     | 660     | 651     | 641     | 627     | 597     | 559     |
| Other equity                           | 186     | 314     | 327     | 328     | 299     | 285     | 286     | 287     |
| Investment fund shares/units           | 12      | 12      | 11      | 10      | 9       | 7       | 6       | 6       |
| Insurance and pension schemes          | 35      | 37      | 39      | 38      | 38      | 38      | 39      | 39      |
| Other                                  | 322     | 382     | 525     | 587     | 595     | 625     | 595     | 529     |
| <b>Other financial institutions</b>    |         |         |         |         |         |         |         |         |
| Total                                  | 15,225  | 17,368  | 17,655  | 17,100  | 17,134  | 17,322  | 17,242  | 17,570  |
| Currency and deposits                  | 1,096   | 1,316   | 1,384   | 1,268   | 1,201   | 1,340   | 1,246   | 1,230   |
| Debt securities                        | 5,108   | 5,634   | 5,726   | 5,889   | 6,040   | 6,174   | 6,264   | 6,476   |
| Loans                                  | 3,624   | 3,388   | 3,243   | 3,151   | 3,033   | 2,999   | 2,993   | 2,876   |
| Shares                                 | 2,598   | 3,580   | 3,694   | 3,387   | 3,427   | 3,272   | 3,183   | 3,354   |
| Other equity                           | 196     | 640     | 641     | 624     | 612     | 606     | 609     | 647     |
| Investment fund shares/units           | 1,672   | 1,918   | 2,070   | 1,924   | 2,001   | 1,996   | 2,034   | 2,103   |
| Insurance and pension schemes          | 202     | 218     | 234     | 210     | 182     | 205     | 204     | 197     |
| Other                                  | 731     | 675     | 662     | 648     | 639     | 729     | 710     | 687     |
| <b>General government</b>              |         |         |         |         |         |         |         |         |
| Total                                  | 28,617  | 35,903  | 35,425  | 38,068  | 36,361  | 34,518  | 32,419  | 31,815  |
| Currency and deposits                  | 5,985   | 10,369  | 10,145  | 12,979  | 12,358  | 10,017  | 9,221   | 8,684   |
| Debt securities                        | 598     | 507     | 608     | 707     | 548     | 532     | 499     | 485     |
| Loans                                  | 4,940   | 6,469   | 6,030   | 5,809   | 4,911   | 5,180   | 4,763   | 4,542   |
| Shares                                 | 9,091   | 10,128  | 10,163  | 9,864   | 10,048  | 10,253  | 9,470   | 9,670   |
| Other equity                           | 4,560   | 4,904   | 4,956   | 5,153   | 4,856   | 4,808   | 4,819   | 4,856   |
| Investment fund shares/units           | 163     | 206     | 222     | 223     | 244     | 236     | 234     | 233     |
| Insurance and pension schemes          | 2       | 12      | 17      | 32      | 23      | 25      | 22      | 19      |
| Other                                  | 3,278   | 3,308   | 3,283   | 3,302   | 3,372   | 3,468   | 3,391   | 3,327   |
| <b>Households and NPISHs</b>           |         |         |         |         |         |         |         |         |
| Total                                  | 36,751  | 38,492  | 38,858  | 38,585  | 39,272  | 39,486  | 39,860  | 40,246  |
| Currency and deposits                  | 17,984  | 18,871  | 19,116  | 19,290  | 19,636  | 19,791  | 20,069  | 20,210  |
| Debt securities                        | 334     | 253     | 262     | 247     | 125     | 128     | 146     | 139     |
| Loans                                  | 700     | 691     | 713     | 694     | 653     | 715     | 729     | 725     |
| Shares                                 | 2,469   | 2,739   | 2,780   | 2,631   | 2,701   | 2,645   | 2,565   | 2,533   |
| Other equity                           | 5,734   | 5,785   | 5,847   | 5,877   | 6,066   | 6,108   | 6,098   | 6,196   |
| Investment fund shares/units           | 1,151   | 1,398   | 1,580   | 1,433   | 1,528   | 1,482   | 1,483   | 1,552   |
| Insurance and pension schemes          | 5,914   | 6,457   | 6,734   | 6,628   | 6,736   | 6,759   | 6,865   | 7,016   |
| Other                                  | 2,464   | 2,298   | 1,827   | 1,786   | 1,827   | 1,858   | 1,905   | 1,876   |
| <b>Rest of the world</b>               |         |         |         |         |         |         |         |         |
| Total                                  | 51,100  | 57,584  | 56,325  | 56,657  | 56,702  | 57,457  | 57,327  | 56,988  |
| Monetary gold and SDRs                 | 241     | 257     | 271     | 270     | 275     | 267     | 272     | 270     |
| Currency and deposits                  | 4,293   | 3,497   | 3,048   | 2,990   | 3,167   | 3,710   | 3,443   | 2,972   |
| Debt securities                        | 15,807  | 22,581  | 20,792  | 21,976  | 21,661  | 21,695  | 21,359  | 21,690  |
| Loans                                  | 16,697  | 15,676  | 16,231  | 15,481  | 15,231  | 14,850  | 14,656  | 14,275  |
| Shares                                 | 3,687   | 4,556   | 4,385   | 4,337   | 4,539   | 4,886   | 5,225   | 5,259   |
| Other equity                           | 4,815   | 5,401   | 5,621   | 5,825   | 6,284   | 6,402   | 6,482   | 6,833   |
| Investment fund shares/units           | 28      | 21      | 24      | 23      | 25      | 24      | 25      | 26      |
| Insurance and pension schemes          | 275     | 218     | 215     | 217     | 221     | 232     | 244     | 216     |
| Other                                  | 5,256   | 5,376   | 5,736   | 5,537   | 5,298   | 5,392   | 5,621   | 5,447   |

**Table 9.10: Non-consolidated liabilities – outstanding amounts**

| <i>EUR million</i>                     | 2013    | 2014    | 15Q2    | 15Q3    | 15Q4    | 16Q1    | 16Q2    | 16Q3    |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Domestic sector</b>                 |         |         |         |         |         |         |         |         |
| Total                                  | 197,369 | 204,691 | 202,020 | 202,638 | 201,018 | 199,858 | 198,232 | 199,276 |
| Monetary gold and SDRs                 | 241     | 257     | 271     | 270     | 275     | 267     | 272     | 270     |
| Currency and deposits                  | 35,203  | 38,457  | 37,175  | 38,536  | 39,172  | 37,577  | 36,918  | 37,698  |
| Debt securities                        | 25,359  | 32,837  | 31,731  | 33,622  | 33,154  | 33,729  | 33,966  | 35,110  |
| Loans                                  | 61,027  | 54,637  | 53,374  | 51,647  | 49,845  | 49,122  | 47,570  | 46,505  |
| Shares                                 | 20,887  | 22,274  | 21,904  | 21,242  | 21,615  | 22,101  | 21,498  | 21,532  |
| Other equity                           | 24,199  | 25,395  | 25,762  | 26,534  | 26,608  | 26,673  | 27,071  | 27,529  |
| Investment fund shares/units           | 1,839   | 2,143   | 2,392   | 2,181   | 2,303   | 2,209   | 2,220   | 2,315   |
| Insurance and pension schemes          | 6,684   | 7,209   | 7,545   | 7,452   | 7,498   | 7,604   | 7,704   | 7,790   |
| Other                                  | 21,928  | 21,483  | 21,866  | 21,154  | 20,548  | 20,577  | 21,013  | 20,527  |
| <b>Non-financial corporations</b>      |         |         |         |         |         |         |         |         |
| Total                                  | 84,847  | 82,273  | 82,068  | 80,415  | 78,891  | 79,305  | 79,017  | 78,428  |
| Debt securities                        | 818     | 1,088   | 1,163   | 1,192   | 1,179   | 1,223   | 1,321   | 1,376   |
| Loans                                  | 31,297  | 28,629  | 27,965  | 26,779  | 25,127  | 25,272  | 24,586  | 23,990  |
| Shares                                 | 14,225  | 14,233  | 13,701  | 13,242  | 13,421  | 13,649  | 13,218  | 13,119  |
| Other equity                           | 22,453  | 23,013  | 23,322  | 23,980  | 24,039  | 24,139  | 24,475  | 24,868  |
| Other                                  | 16,054  | 15,310  | 15,916  | 15,221  | 15,126  | 15,021  | 15,416  | 15,075  |
| <b>Monetary financial institutions</b> |         |         |         |         |         |         |         |         |
| Total                                  | 50,512  | 48,917  | 46,458  | 46,507  | 47,006  | 47,065  | 46,883  | 48,277  |
| Monetary gold and SDRs                 | 241     | 257     | 271     | 270     | 275     | 267     | 272     | 270     |
| Currency and deposits                  | 33,048  | 34,122  | 33,236  | 33,219  | 34,012  | 34,673  | 35,072  | 36,579  |
| Debt securities                        | 1,667   | 1,666   | 918     | 1,223   | 1,149   | 847     | 820     | 800     |
| Loans                                  | 10,427  | 7,073   | 6,053   | 5,753   | 5,574   | 4,970   | 4,360   | 4,333   |
| Shares                                 | 3,866   | 4,399   | 4,484   | 4,562   | 4,539   | 4,729   | 4,738   | 4,721   |
| Other equity                           | 823     | 945     | 986     | 994     | 1,005   | 1,029   | 1,072   | 1,090   |
| Investment fund shares/units           | 36      | 37      | 54      | 61      | 56      | 66      | 66      | 81      |
| Other                                  | 404     | 419     | 456     | 424     | 396     | 484     | 484     | 403     |
| <b>Other financial institutions</b>    |         |         |         |         |         |         |         |         |
| Total                                  | 16,069  | 17,540  | 17,691  | 17,110  | 17,001  | 16,939  | 16,778  | 16,873  |
| Debt securities                        | 39      | 136     | 97      | 92      | 73      | 73      | 123     | 121     |
| Loans                                  | 5,070   | 4,453   | 4,074   | 3,991   | 3,678   | 3,365   | 3,143   | 3,063   |
| Shares                                 | 1,486   | 2,174   | 2,151   | 2,003   | 2,093   | 2,233   | 2,107   | 2,143   |
| Other equity                           | 472     | 947     | 976     | 971     | 964     | 992     | 1,007   | 1,049   |
| Investment fund shares/units           | 1,804   | 2,106   | 2,338   | 2,120   | 2,247   | 2,143   | 2,154   | 2,234   |
| Insurance and pension schemes          | 6,684   | 7,209   | 7,545   | 7,452   | 7,498   | 7,603   | 7,703   | 7,790   |
| Other                                  | 513     | 516     | 511     | 482     | 448     | 530     | 540     | 475     |
| <b>General government</b>              |         |         |         |         |         |         |         |         |
| Total                                  | 33,640  | 43,715  | 43,596  | 46,352  | 45,908  | 44,347  | 43,294  | 43,287  |
| Currency and deposits                  | 2,155   | 4,335   | 3,939   | 5,317   | 5,160   | 2,904   | 1,846   | 1,120   |
| Debt securities                        | 22,835  | 29,946  | 29,552  | 31,115  | 30,753  | 31,586  | 31,700  | 32,813  |
| Loans                                  | 3,448   | 3,846   | 4,578   | 4,432   | 4,738   | 4,812   | 4,694   | 4,303   |
| Shares                                 | 1,309   | 1,469   | 1,568   | 1,435   | 1,562   | 1,489   | 1,435   | 1,550   |
| Other equity                           | 451     | 491     | 478     | 588     | 600     | 513     | 517     | 522     |
| Other                                  | 3,441   | 3,628   | 3,481   | 3,465   | 3,096   | 3,041   | 3,101   | 2,980   |
| <b>Households and NPISHs</b>           |         |         |         |         |         |         |         |         |
| Total                                  | 12,301  | 12,245  | 12,207  | 12,254  | 12,211  | 12,203  | 12,260  | 12,410  |
| Loans                                  | 10,785  | 10,637  | 10,704  | 10,692  | 10,728  | 10,702  | 10,788  | 10,817  |
| Other                                  | 1,516   | 1,608   | 1,503   | 1,561   | 1,482   | 1,500   | 1,473   | 1,593   |
| <b>Rest of the world</b>               |         |         |         |         |         |         |         |         |
| Total                                  | 33,328  | 39,135  | 39,363  | 40,454  | 40,429  | 41,140  | 40,826  | 40,482  |
| Monetary gold and SDRs                 | 309     | 348     | 367     | 362     | 363     | 312     | 326     | 324     |
| Currency and deposits                  | 6,151   | 11,050  | 9,922   | 11,184  | 10,567  | 10,352  | 9,768   | 8,721   |
| Debt securities                        | 8,767   | 9,548   | 10,065  | 10,399  | 11,335  | 11,860  | 12,221  | 12,779  |
| Loans                                  | 5,640   | 5,492   | 5,376   | 5,192   | 5,012   | 5,090   | 5,085   | 5,048   |
| Shares                                 | 2,330   | 2,457   | 2,693   | 2,464   | 2,637   | 2,444   | 2,397   | 2,497   |
| Other equity                           | 3,099   | 3,008   | 2,970   | 3,043   | 2,981   | 3,031   | 2,968   | 2,994   |
| Investment fund shares/units           | 1,294   | 1,520   | 1,623   | 1,528   | 1,602   | 1,628   | 1,643   | 1,692   |
| Insurance and pension schemes          | 131     | 141     | 148     | 131     | 129     | 137     | 140     | 140     |
| Other                                  | 5,607   | 5,571   | 6,198   | 6,151   | 5,804   | 6,287   | 6,278   | 6,288   |

**Table 9.11: Net financial assets**

| <i>EUR million</i>              | 2013    | 2014    | 15Q2    | 15Q3    | 15Q4    | 16Q1    | 16Q2    | 16Q3    |
|---------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Domestic sector                 | -17,772 | -18,448 | -16,961 | -16,202 | -16,272 | -16,316 | -16,500 | -16,505 |
| Non-financial corporations      | -41,546 | -41,000 | -39,515 | -38,133 | -37,570 | -37,464 | -36,917 | -36,574 |
| Monetary financial institutions | 5,191   | 4,289   | 4,111   | 3,894   | 3,651   | 3,311   | 3,227   | 3,009   |
| Other financial institutions    | -844    | -172    | -36     | -10     | 133     | 383     | 465     | 696     |
| General government              | -5,023  | -7,812  | -8,171  | -8,285  | -9,548  | -9,829  | -10,875 | -11,472 |
| Households and NPISHs           | 24,450  | 26,246  | 26,651  | 26,331  | 27,062  | 27,283  | 27,599  | 27,836  |
| Rest of the world               | 17,772  | 18,448  | 16,961  | 16,203  | 16,273  | 16,317  | 16,501  | 16,505  |

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

| EUR million                            | 2013   | 2014   | 15Q2   | 15Q3   | 15Q4   | 16Q1   | 16Q2   | 16Q3   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Domestic sector</b>                 |        |        |        |        |        |        |        |        |
| Total                                  | -1,512 | 3,750  | -2,025 | 2,149  | 983    | -610   | -330   | -2,572 |
| Monetary gold and SDRs                 | -12    | 12     | 0      | 0      | 0      | -18    | -56    | -56    |
| Currency and deposits                  | 777    | 8,795  | 200    | 2,624  | 455    | -2,310 | -783   | -3,261 |
| Debt securities                        | 993    | 646    | 2,684  | 3,319  | 3,086  | 3,726  | 3,317  | 3,485  |
| Loans                                  | -3,799 | -4,658 | -4,532 | -3,774 | -3,119 | -2,244 | -2,355 | -2,009 |
| Shares                                 | 139    | -824   | -407   | -32    | 181    | -79    | -521   | -508   |
| Other equity                           | 430    | 201    | 147    | 660    | 479    | 496    | 754    | 306    |
| Investment fund shares/units           | 27     | 152    | 235    | 211    | 167    | 121    | 71     | 50     |
| Insurance and pension schemes          | -23    | 182    | 217    | 192    | 178    | 106    | 110    | 137    |
| Other                                  | -44    | -757   | -569   | -1,050 | -445   | -408   | -867   | -716   |
| <b>Non-financial corporations</b>      |        |        |        |        |        |        |        |        |
| Total                                  | 132    | -412   | -753   | -417   | 358    | 274    | -149   | -91    |
| Currency and deposits                  | 583    | 456    | 344    | 496    | 735    | 736    | 444    | 526    |
| Debt securities                        | -16    | -14    | -17    | -28    | -36    | -18    | -3     | 15     |
| Loans                                  | -207   | 75     | -265   | -305   | -192   | -87    | -208   | -176   |
| Shares                                 | -6     | -337   | -265   | -34    | 103    | 55     | 77     | 50     |
| Other equity                           | 110    | -100   | 1      | 387    | 294    | 290    | 561    | 206    |
| Investment fund shares/units           | -20    | -1     | -3     | -1     | -3     | -6     | -7     | -8     |
| Insurance and pension schemes          | -41    | 24     | 18     | 36     | 23     | 25     | 10     | -20    |
| Other                                  | -271   | -516   | -567   | -967   | -565   | -722   | -1,022 | -686   |
| <b>Monetary financial institutions</b> |        |        |        |        |        |        |        |        |
| Total                                  | -3,413 | -1,546 | -2,713 | -1,964 | -1,797 | -1,132 | 691    | 2,095  |
| Monetary gold and SDRs                 | -12    | 12     | 0      | 0      | 0      | -18    | -56    | -56    |
| Currency and deposits                  | 613    | 2,936  | -1,307 | -2,081 | -2,849 | -3,339 | -1,098 | -361   |
| Debt securities                        | 512    | 791    | 2,409  | 2,878  | 2,764  | 3,544  | 3,227  | 3,524  |
| Loans                                  | -4,344 | -5,251 | -4,105 | -3,202 | -2,052 | -1,453 | -1,353 | -886   |
| Shares                                 | -147   | -208   | 3      | 79     | 141    | 93     | -70    | -74    |
| Other equity                           | 148    | 155    | 113    | 122    | 14     | 29     | 26     | 35     |
| Investment fund shares/units           | -13    | -4     | -2     | -2     | -2     | -2     | -2     | -2     |
| Insurance and pension schemes          | -1     | 2      | 2      | 2      | 1      | 1      | 0      | 0      |
| Other                                  | -169   | 22     | 174    | 241    | 185    | 14     | 18     | -87    |
| <b>Other financial institutions</b>    |        |        |        |        |        |        |        |        |
| Total                                  | 96     | -116   | -14    | -119   | 35     | 35     | -82    | -49    |
| Currency and deposits                  | -270   | 158    | 76     | -136   | -133   | 13     | -133   | -34    |
| Debt securities                        | 305    | 100    | 234    | 311    | 313    | 226    | 256    | 221    |
| Loans                                  | -92    | -304   | -309   | -317   | -192   | -150   | -112   | -171   |
| Shares                                 | 75     | -79    | 12     | 57     | 49     | -92    | -132   | -104   |
| Other equity                           | 13     | 26     | -8     | 0      | 15     | 10     | 5      | 10     |
| Investment fund shares/units           | 74     | 59     | 78     | 64     | 31     | 31     | 47     | 38     |
| Insurance and pension schemes          | -24    | 15     | -18    | -24    | -34    | -27    | -24    | -7     |
| Other                                  | 14     | -91    | -78    | -73    | -14    | 24     | 11     | -2     |
| <b>General government</b>              |        |        |        |        |        |        |        |        |
| Total                                  | 1,512  | 5,028  | 643    | 3,862  | 1,440  | -745   | -1,844 | -5,665 |
| Currency and deposits                  | -71    | 4,356  | 476    | 3,729  | 1,936  | -563   | -969   | -4,333 |
| Debt securities                        | 191    | -131   | 84     | 180    | 58     | 32     | -111   | -234   |
| Loans                                  | 866    | 821    | 138    | 62     | -665   | -568   | -674   | -783   |
| Shares                                 | 271    | -123   | -90    | -75    | -69    | -52    | -316   | -310   |
| Other equity                           | 147    | 93     | 9      | 118    | 118    | 134    | 132    | 20     |
| Investment fund shares/units           | 4      | 16     | 13     | 32     | 26     | 30     | 16     | -16    |
| Insurance and pension schemes          | 0      | 2      | 3      | 5      | 0      | 0      | -5     | -13    |
| Other                                  | 103    | -7     | 10     | -189   | 36     | 242    | 84     | 4      |
| <b>Households and NPISHs</b>           |        |        |        |        |        |        |        |        |
| Total                                  | 161    | 796    | 811    | 787    | 947    | 958    | 1,055  | 1,137  |
| Currency and deposits                  | -78    | 889    | 611    | 617    | 766    | 842    | 974    | 940    |
| Debt securities                        | 0      | -99    | -26    | -22    | -13    | -58    | -51    | -42    |
| Loans                                  | -23    | 1      | 10     | -11    | -17    | 14     | -7     | 7      |
| Shares                                 | -54    | -77    | -69    | -58    | -44    | -82    | -80    | -71    |
| Other equity                           | 13     | 27     | 32     | 32     | 38     | 33     | 30     | 35     |
| Investment fund shares/units           | -19    | 83     | 149    | 119    | 116    | 68     | 18     | 38     |
| Insurance and pension schemes          | 43     | 138    | 212    | 172    | 188    | 107    | 129    | 176    |
| Other                                  | 279    | -165   | -108   | -61    | -87    | 35     | 42     | 54     |
| <b>Rest of the world</b>               |        |        |        |        |        |        |        |        |
| Total                                  | -778   | 3,399  | -395   | 806    | -505   | -528   | 392    | -1,792 |
| Monetary gold and SDRs                 | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      |
| Currency and deposits                  | -4,186 | -805   | -156   | -273   | -350   | 371    | 406    | -24    |
| Debt securities                        | 3,784  | 4,444  | -1,440 | -64    | -999   | -683   | 98     | -1,524 |
| Loans                                  | -196   | -1,142 | -383   | -723   | -627   | -1,470 | -1,685 | -1,308 |
| Shares                                 | 54     | 1,040  | 826    | 634    | 335    | 499    | 672    | 658    |
| Other equity                           | -32    | -51    | 401    | 1,024  | 1,377  | 1,113  | 1,098  | 703    |
| Investment fund shares/units           | 2      | -11    | 1      | 2      | 3      | 2      | 1      | 1      |
| Insurance and pension schemes          | 39     | -54    | -15    | -11    | 3      | 20     | 29     | -2     |
| Other                                  | -242   | -24    | 370    | 217    | -247   | -382   | -227   | -296   |

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

| EUR million                            | 2013   | 2014   | 15Q2   | 15Q3   | 15Q4   | 16Q1   | 16Q2   | 16Q3   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Domestic sector</b>                 |        |        |        |        |        |        |        |        |
| Total                                  | -2,464 | 1,679  | -3,949 | 281    | -872   | -2,314 | -1,598 | -3,882 |
| Monetary gold and SDRs                 | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      |
| Currency and deposits                  | -3,988 | 3,170  | -201   | 1,185  | 644    | -1,061 | -224   | -805   |
| Debt securities                        | 5,338  | 4,602  | 61     | 1,838  | 338    | 1,135  | 1,550  | -53    |
| Loans                                  | -4,031 | -5,735 | -4,714 | -4,292 | -3,472 | -3,524 | -3,904 | -3,298 |
| Shares                                 | 271    | 172    | 248    | 436    | 246    | 277    | 187    | 179    |
| Other equity                           | 247    | 102    | 586    | 1,666  | 1,888  | 1,617  | 1,812  | 987    |
| Investment fund shares/units           | -38    | 39     | 160    | 145    | 142    | 59     | 7      | 3      |
| Insurance and pension schemes          | 27     | 121    | 198    | 189    | 189    | 139    | 146    | 128    |
| Other                                  | -289   | -792   | -288   | -886   | -847   | -956   | -1,172 | -1,022 |
| <b>Non-financial corporations</b>      |        |        |        |        |        |        |        |        |
| Total                                  | -1,680 | -2,309 | -2,249 | -2,149 | -1,112 | -787   | -969   | -838   |
| Debt securities                        | 20     | 288    | 35     | 122    | 83     | 102    | 162    | 174    |
| Loans                                  | -1,389 | -1,965 | -2,278 | -2,989 | -2,434 | -2,169 | -2,256 | -1,661 |
| Shares                                 | 32     | 54     | 94     | 275    | 152    | 176    | 137    | 128    |
| Other equity                           | 105    | 171    | 323    | 1,271  | 1,470  | 1,488  | 1,678  | 945    |
| Other                                  | -447   | -857   | -423   | -829   | -383   | -384   | -690   | -423   |
| <b>Monetary financial institutions</b> |        |        |        |        |        |        |        |        |
| Total                                  | -7,302 | -2,320 | -3,501 | -2,701 | -2,282 | -1,593 | 496    | 1,922  |
| Monetary gold and SDRs                 | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      |
| Currency and deposits                  | -4,221 | 1,002  | -227   | -554   | -146   | 156    | 1,887  | 3,402  |
| Debt securities                        | -627   | 14     | -644   | -530   | -525   | -750   | -77    | -417   |
| Loans                                  | -2,320 | -3,367 | -2,644 | -1,542 | -1,536 | -980   | -1,279 | -1,006 |
| Shares                                 | -23    | 114    | 127    | 128    | 44     | 52     | 24     | 24     |
| Other equity                           | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      |
| Investment fund shares/units           | 12     | 0      | 20     | 26     | 19     | 31     | 12     | 20     |
| Other                                  | -122   | -82    | -132   | -230   | -138   | -102   | -71    | -100   |
| <b>Other financial institutions</b>    |        |        |        |        |        |        |        |        |
| Total                                  | -162   | -635   | -364   | -186   | 73     | -21    | 0      | -126   |
| Debt securities                        | -10    | 1      | -47    | -52    | -72    | -72    | 24     | 24     |
| Loans                                  | -350   | -694   | -912   | -750   | -461   | -174   | -241   | -309   |
| Shares                                 | 56     | 3      | 27     | 33     | 51     | 49     | 26     | 22     |
| Other equity                           | 141    | -68    | 262    | 283    | 305    | 16     | 21     | 39     |
| Investment fund shares/units           | -50    | 39     | 140    | 119    | 123    | 28     | -5     | -17    |
| Insurance and pension schemes          | 27     | 121    | 198    | 189    | 189    | 139    | 146    | 128    |
| Other                                  | 25     | -36    | -33    | -8     | -62    | -7     | 30     | -13    |
| <b>General government</b>              |        |        |        |        |        |        |        |        |
| Total                                  | 6,948  | 7,014  | 2,277  | 5,383  | 2,462  | 44     | -1,247 | -5,079 |
| Currency and deposits                  | 232    | 2,168  | 26     | 1,739  | 790    | -1,216 | -2,111 | -4,206 |
| Debt securities                        | 5,956  | 4,299  | 717    | 2,297  | 851    | 1,855  | 1,441  | 166    |
| Loans                                  | 347    | 395    | 1,169  | 988    | 872    | -309   | -315   | -564   |
| Shares                                 | 205    | 0      | 0      | 0      | 0      | 0      | 0      | 5      |
| Other equity                           | 0      | 0      | 1      | 112    | 112    | 113    | 114    | 3      |
| Other                                  | 208    | 151    | 364    | 247    | -164   | -398   | -376   | -483   |
| <b>Households and NPISHs</b>           |        |        |        |        |        |        |        |        |
| Total                                  | -268   | -71    | -112   | -65    | -12    | 42     | 122    | 239    |
| Loans                                  | -317   | -103   | -48    | 1      | 87     | 107    | 187    | 241    |
| Other                                  | 47     | 33     | -65    | -66    | -99    | -65    | -65    | -2     |
| <b>Rest of the world</b>               |        |        |        |        |        |        |        |        |
| Total                                  | 175    | 5,470  | 1,529  | 2,674  | 1,351  | 1,175  | 1,661  | -483   |
| Monetary gold and SDRs                 | -12    | 12     | 0      | 0      | 0      | -18    | -56    | -56    |
| Currency and deposits                  | 579    | 4,821  | 246    | 1,166  | -538   | -878   | -152   | -2,480 |
| Debt securities                        | -561   | 488    | 1,183  | 1,417  | 1,749  | 1,909  | 1,865  | 2,014  |
| Loans                                  | 36     | -65    | -201   | -205   | -274   | -190   | -136   | -18    |
| Shares                                 | -78    | 44     | 170    | 166    | 270    | 143    | -36    | -29    |
| Other equity                           | 151    | 48     | -38    | 18     | -32    | -8     | 40     | 22     |
| Investment fund shares/units           | 67     | 102    | 77     | 68     | 28     | 64     | 65     | 48     |
| Insurance and pension schemes          | -10    | 8      | 3      | -8     | -8     | -13    | -8     | 7      |
| Other                                  | 3      | 12     | 89     | 54     | 156    | 166    | 78     | 10     |

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

| EUR million                     | 2013   | 2014   | 15Q2   | 15Q3   | 15Q4   | 16Q1   | 16Q2   | 16Q3   |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Domestic sector                 | 952    | 2,071  | 1,924  | 1,868  | 1,856  | 1,704  | 1,268  | 1,309  |
| Non-financial corporations      | 1,813  | 1,897  | 1,496  | 1,733  | 1,470  | 1,061  | 820    | 746    |
| Monetary financial institutions | 3,889  | 775    | 787    | 737    | 485    | 460    | 194    | 173    |
| Other financial institutions    | 257    | 519    | 350    | 67     | -38    | 56     | -82    | 78     |
| General government              | -5,437 | -1,986 | -1,634 | -1,521 | -1,022 | -789   | -597   | -586   |
| Households and NPISHs           | 429    | 867    | 924    | 852    | 960    | 916    | 932    | 898    |
| Rest of the world               | -952   | -2,071 | -1,924 | -1,868 | -1,856 | -1,704 | -1,268 | -1,309 |

## 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 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 Bank of Slovenia 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 Bank of Slovenia** discloses the balance sheet of the Bank of Slovenia 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.