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Summary

The national account releases for the second quarter show a favourable economic picture in the euro area, while the high quarterly GDP growth in Slovenia was in line with our expectations. With inflation remaining high, the outlook for the remainder of the year is weaker. The average nowcast for the third quarter currently suggests a slowdown in quarterly GDP growth to 0.3%.

- **Economic activity in the euro area was encouraging in the second quarter, but the available data for the third quarter is less encouraging.** Industrial production strengthened in the second quarter, but construction activity declined after its high growth in the first quarter. The PMI reflected weaker developments in services in July and August, with demand for (non-essential) services cooling. The composite PMI for the third quarter suggests a quarterly decline in GDP. The continuation of the Russian military aggression means that the outlook for the remainder of the year is quite uncertain. The risk of recession in 2023 is increasing. Inflation in the euro area reached 9.1% in August. Food prices are rising. Euro area governments are using numerous measures to mitigate high energy prices, which curbed inflation slightly over the summer. Meanwhile the narrowest core inflation indicator was up 4.3% in year-on-year terms.
- **With liquidity low in the summer, on the financial markets investors are focusing most on the expectation of future central bank interest rate hikes, and the concerns surrounding high inflation and slowing economic growth.** This has led to falls in yield curve gradients in the US and the euro area, although government bond yields remain higher than at the beginning of the year as a result of the normalisation of monetary policy by central banks.
- **The domestic economic picture remained favourable in the second quarter.** Quarterly GDP growth rose to 0.9%, taking the year-on-year rate to 8.3%. The high inflation, the disrupted access to energy and commodities, the Russian military aggression and the falling confidence among firms and consumers did not hold back aggregate economic activity. Foreign demand also played a significant part in the second quarter, driving exports of services, most notably travel services. Certain segments of manufacturing saw a deterioration in their business conditions at the same time.
- **Signs of a slowdown in economic growth in the third quarter are appearing.** The economic sentiment indicator remained negative in August, where the most notable factors were consumer reluctance to make major purchases and a decline in the assessment of order books in manufacturing. Year-on-year growth in the real value of card payments and ATM withdrawals, and freight vehicles' mileage on domestic motorways moved into the zone indicating stagnation. The average nowcast for the third quarter suggests a slowdown in quarterly GDP growth to a still-solid 0.3%.
- **Amid record-high employment and low unemployment, and with demand for labour still strong, there remain major imbalances on the labour market.** The labour shortage is now at its highest level to date. The registered unemployment rate fell again in June (to 5.5%), while the number of registered unemployed remained close to its record low in July. Despite its nominal strength, year-on-year

growth in private-sector wages has been outpaced by inflation this year, which suggests that for now it has not become built into wage developments, similarly to the euro area overall.

- **High growth in exports of travel services has seen the deterioration in the current account balance come to an end in recent months.** Nominal growth in merchandise exports remained high, with positive developments in all the main categories. Developments were even stronger on the import side. The merchandise trade deficit amounted to EUR 1.1 billion over the first half of the year. The current account deficit amounted to EUR 120 million over the same period. Further widening was prevented by the large services trade surplus, as year-on-year growth in exports of travel services exceeded 160% from a low base.
- **Inflation in Slovenia stood at 11.5% in August.** Energy prices were again the main driver, but from September they will be curbed by government measures to aid households. The contributions by other price categories are all increasing, food prices in particular. Core inflation is rising: inflation excluding energy and food reached 6.2%. The inflation expectations of consumers and firms eased slightly in August. A further risk of additional price pressures comes from imbalances between supply and demand on the labour market.
- **The fiscal position improved continually over the first seven months of the year.** The consolidated general government deficit over the first seven months of the year was down significantly in year-on-year terms at EUR 0.3 billion, following high growth in revenues and a decline in expenditure as payments related to the pandemic fell. The government is drawing up a rebalance of the state budget and budget documents for the next two years. The main risks to the fiscal position over the following months and next year are weaker economic growth and potential new measures for mitigating the impact of high energy prices.

1 Economic Situation in the International Environment

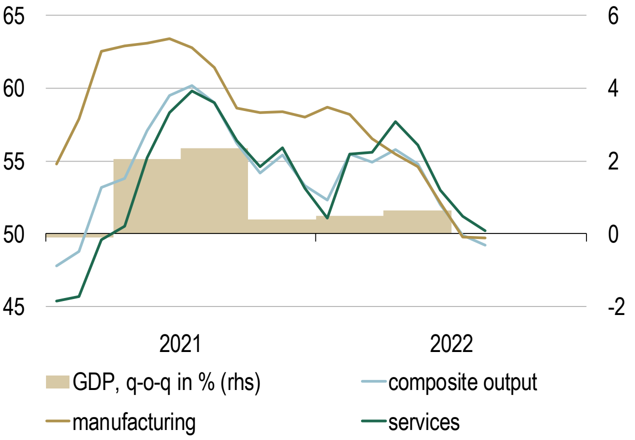
The economic picture in the euro area was favourable in the second quarter, which is primarily attributable to increased demand for non-essential services. The continuation of the Russian military aggression means that the outlook for the second half of the year is less encouraging.

Quarterly GDP growth in the euro area stood at 0.6% in the second quarter, up 0.1 percentage points on the previous quarter (see Figure 1.1). It was most likely driven by increased demand for services related to recreation and tourism following the lifting of containment measures. Activity in industry was meanwhile up 1.1% in quarterly terms, while the amount of construction put in place fell by approximately the same amount following its growth in the first quarter. Real turnover in retail trade remained approximately unchanged in year-on-year terms (see Figure 1.1). Year-on-year economic growth remained high at 3.9%.

The euro area economy has weakened in the third quarter according to the data available to date. A fall in new orders saw the aggregate PMI slide below the 50 point mark in July, and then by a further 0.7 points to hit 49.2 points in August (see Figure 1.1). The manufacturing PMI indicator declined in August for the seventh consecutive month, with growing numbers of firms cutting output in a situation of weaker demand according to reporting by S&P Global. The rising cost of living and the uncertainty surrounding future economic developments are also cooling demand for services, where activity in August was unchanged on the previous month. Germany is notable among euro area countries for its decline in the services PMI indicator, having recorded a large decline in real turnover in trade in June. At the same time the economic sentiment is deteriorating throughout the euro area, with manufacturing and services both seeing a decline in confidence.

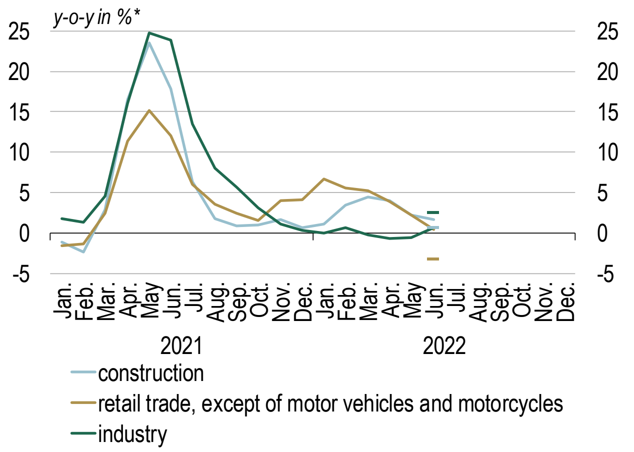
Figure 1.1: **Indicators of economic developments in the euro area**

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



Note: Index PMI above 50 indicates an increase in activity and below 50 a decrease in activity.
Source: S&P Global, Eurostat, Banka Slovenije calculations.
Latest data: PMI – August 2022.

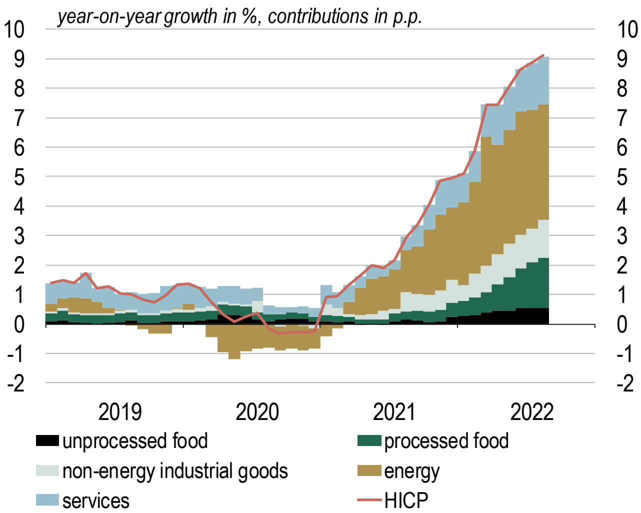
Monthly indicators of economic activity



Note: Real volume index of turnover in retail trade, except of motor vehicles and motorcycles, real index of industrial production and real volume index of construction put in place, seasonally adjusted data. * 3-month moving averages with the exception of dashes, representing the latest data.
Source: Eurostat, Banka Slovenije calculations. Latest data: June 2022.

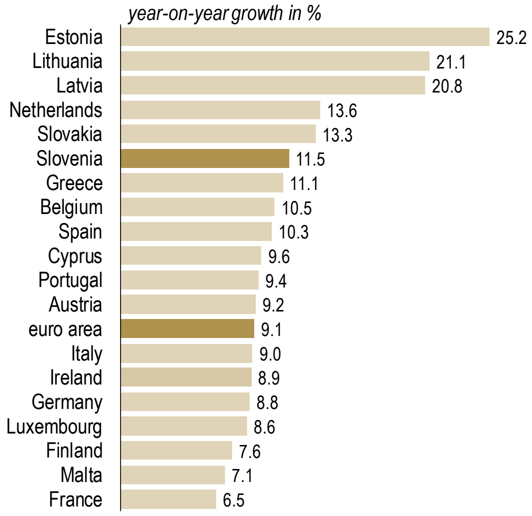
Figure 1.2: **Inflation in the euro area**

Contributions to headline inflation in euro area



Source: ECB, Eurostat, Banka Slovenije calculations. Latest data: August 2022.

Inflation among the euro area members – August 2022



Source: Eurostat.

The continuing Russian military aggression also entails major risks to economic growth in the euro area. According to the European Commission's July forecasts, economic growth is expected to stand at 2.6% this year and 1.4% in 2023, supported by favourable developments on the labour market, surplus household savings, and funding under the Recovery and Resilience Facility. The forecast is for inflation to fall below 3% by the end of next year as price pressures on global energy markets and the disruptions to supply chains ease. The outlook is worsening, and there is a growing risk of recession in 2023 according to forecasting by international institutions.

Inflation in the euro area stood at 9.1% in August.

Energy prices remain the main driver of high inflation, but their contribution stagnated over the summer as a result of falls in the prices of fuels and a number of government measures aimed at helping households (see Figure 1.2). Food price inflation is also a driver of inflation. Food prices were up 9.8% in year-on-year terms in August, thus contributing 2.2 percentage points to headline inflation.

Following the lifting of almost all containment measures, services prices also made a contribution to year-on-year headline inflation (1.6 percentage points). Service price inflation is being driven by energy and food prices alongside increased demand. Growth in prices of non-energy industrial goods is showing no sign of coming to an end: it reached 5.0% in August, higher than its long-term average.[1] It should be noted that the supply-side constraints remain significant, and production costs are higher than last year. Core inflation as measured by prices of services and non-energy industrial goods stood at 4.3% in August.

There remain major differences between the inflation rates in euro area countries. The Baltic states continue to stand out for high inflation (see Figure 1.2), and it is only the Netherlands and Slovakia whose rates are also higher than Slovenia's. Compared to July the gap between domestic inflation and the euro area average decreased in August to 2.4 percentage points.

[1] Year-on-year growth in prices of non-energy industrial goods in the euro area averaged 0.6% between 2002 and 2019.

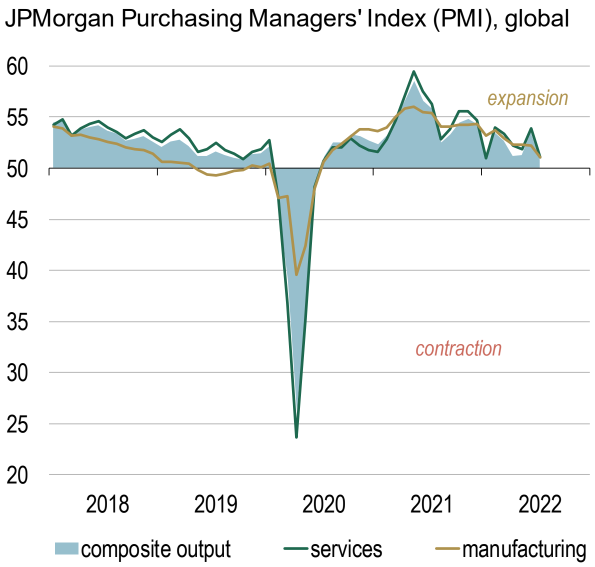
The high-frequency indicators point to a slowdown in global economic growth.

July's survey data indicated stagnation in manufacturing output, and a sharp slowdown in growth in the service sector. JPMorgan composite PMI fell to its lowest value since June 2020 (50.8 points; see Figure 1.3), primarily as a result of a contraction in manufacturing output in the US, the euro area, the UK and Japan. According to national PMI data, economic growth rates remained resilient in China, India and Brazil. Amid inflationary pressures and the uncertainties in the economy, global demand growth is continuing to cool, which is being reflected in a decline in new orders in manufacturing and low growth in new business in services. The situation in global supply chains has improved slightly.

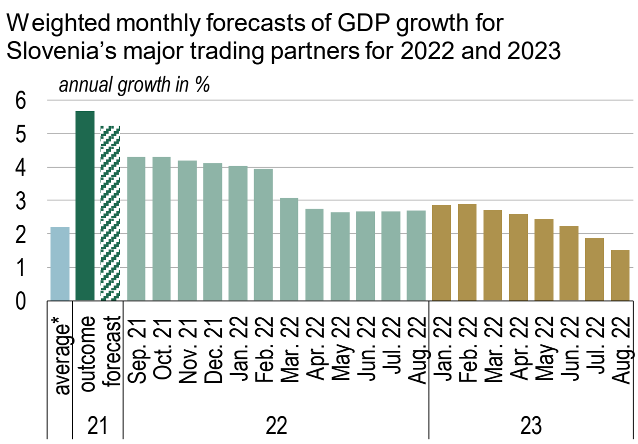
In its July report on the global economic outlook the IMF cut its forecast for this year's global economic growth by 0.4 percentage points to 3.2%, after having already cut the forecast in April by 0.8 percentage points. It is forecasting growth of 2.9% next year, a downward revision of 0.7 percentage points. Growth this year and next year is forecast to be down approximately a half on last year, when the global economy recorded a record 6.1% rebound after the pandemic. The reduced forecasts for this year and the increased risk of recession next year are reflected in the weaker outlook for the Slovenian export sector as the weighted forecast for Slovenia's trading partners for 2023 slid below its long-term average (see Figure 1.3).

The adverse impact of the Russian military aggression is cooling economic activity in many economies. GDP in the US declined by 0.4% in the first quarter of this year, and by 0.1% in the second quarter. Provisional estimates suggest that the UK economy contracted by 0.1% in the second quarter, while Japan recorded GDP growth of 0.5%, having seen a contraction in the previous quarter. Chinese economy contracted by 2.6% in the second quarter of this year amid the lockdown restrictions in major economic centres. Its recovery, particularly in the service sector, remains uncertain, given the possibility of resurgence of the pandemic.

Figure 1.3: **Global economic situation and weighted forecasts for Slovenia's trading partners**



Source: Bloomberg. Latest data: July 2022.



Opomba: All Slovenian trade partners are included: countries with at least 1% of total Slovenian exports of goods and services in the last twelve months (July 2021-June 2022; 21 trading partners with a total share of 85,6 %) and all the other countries as a difference of up to 100% . The growth forecasts for 2022 and 2023 are weighted with the share of each country in the total exports of Slovenia, for other countries the global forecasts is used. For 2021 the weighted outcome and the December weighted forecast are shown. * Weighted average of GDP growth, since records began. IMF data is used.
Source: SORS, Consensus, IMF, Banka Slovenije calculations.

2 Monetary Policy and Financial Markets

High inflation means that numerous major central banks are continuing to raise key interest rates.

Headline inflation rates remain high in the euro area, the US and the UK, as do the short-term inflation expectations. The continuing Russian military aggression, the low water levels in Europe, and the persistent disruptions to supply chains mean that energy prices remain at relatively high levels, most notably those of natural gas and electricity, which reached record highs in Europe.

Many major central banks are responding to the current high inflation by hiking their key interest rates. In July the Fed again raised its key rate by 0.75 percentage points, and the central banks of Australia and the UK followed with hikes of 0.50 percentage points. The Eurosystem raised its key interest rates by 0.50 percentage points in July, and the Governing Council of the ECB announced that it would decide on further hikes on a meeting-by-meeting basis depending on economic data and the inflation outlook.

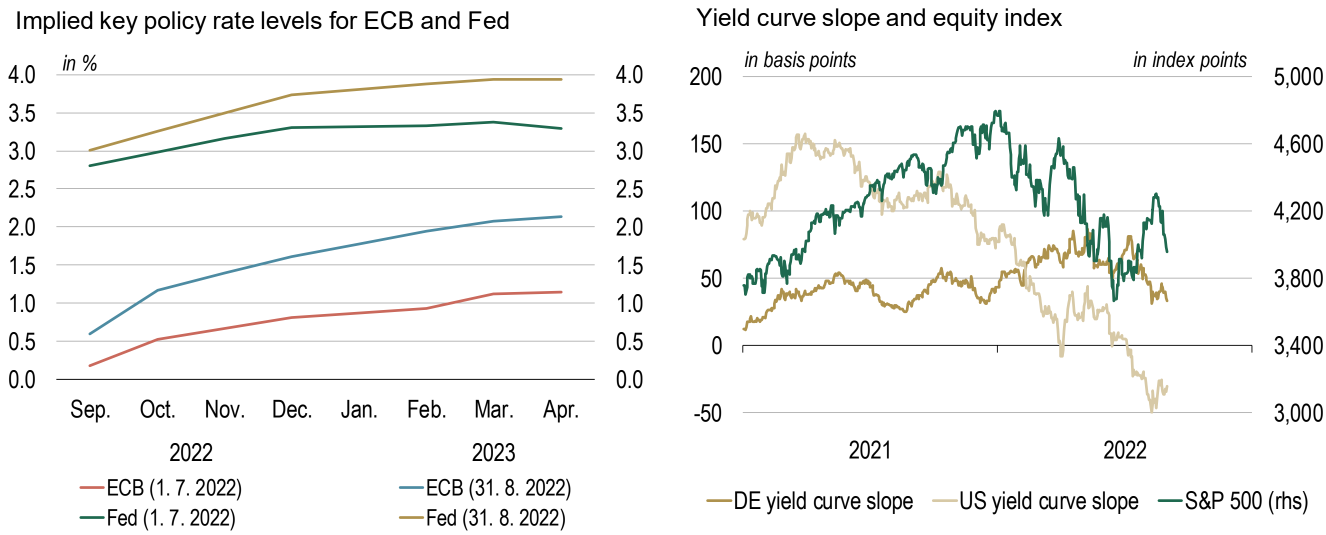
According to the current overnight index swap (OIS) prices, market participants have priced in with a high degree of certainty an increase of the interest rate on the ECB's deposit facility to 1.75% and the Fed's key interest rate to the corridor between 3.75% and 4.00% by the end of 2022 (see Figure 2.1).

The rise in key interest rates led to a rise in government bond yields, most notably in short maturities, which led to a decline of the yield curve slope.

Given the uncertainty surrounding future economic growth, despite the current high inflation investors anticipate that the Fed might bring an end to its key interest rate hikes next year. The gap between the expectations with regard to the Fed's monetary policy over the short-term and over the long-term is reflected in an inverted yield curve for US government bonds. In early August the yield on two-year US treasuries was almost 0.50 percentage points higher than the yield on ten-year US treasuries. In the euro area expectations of monetary policy normalisation by the ECB and market participants' concerns with regard to a slowdown in economic growth have also led to relatively higher increase in short-term government bond yields compared to long-term ones (see Figure 2.1). Under the influence of monetary policy normalisation by the ECB and the Fed, both short-term and long-term government bond yields are significantly higher than at the beginning of the year.

The potential conclusion of monetary policy tightening by the Fed next year and the mostly encouraging corporate earnings for the second quarter had a positive impact on the equity markets and on the spreads of private-sector bonds over the German and US government bonds from the middle of June. These more risky asset classes gave back some of those gains in the second half of August, as a result of an increase in the expectations of further key interest rate hikes by the ECB and the Fed. These expectations were strengthened by speeches made by representatives of both central banks

Figure 2.1: **Interest rate expectations, and bond yield curves and share prices**



Note: Calculated from Overnight Index Swaps (OIS). ECB as European Central Bank, Fed as Federal Reserve System.
Source: Bloomberg, Banka Slovenije calculations.

Note: The yield curve slope is measured as the spread between the yields of the 10- and 2-year benchmark bonds.
Source: Bloomberg, Banka Slovenije calculations. Latest data: 31. 8. 2022.

at the annual symposium in Jackson Hole, who reiterated their commitment to a decisive monetary policy response to high inflation. The US dollar remains at record highs, which is having an adverse impact on the price of gold.

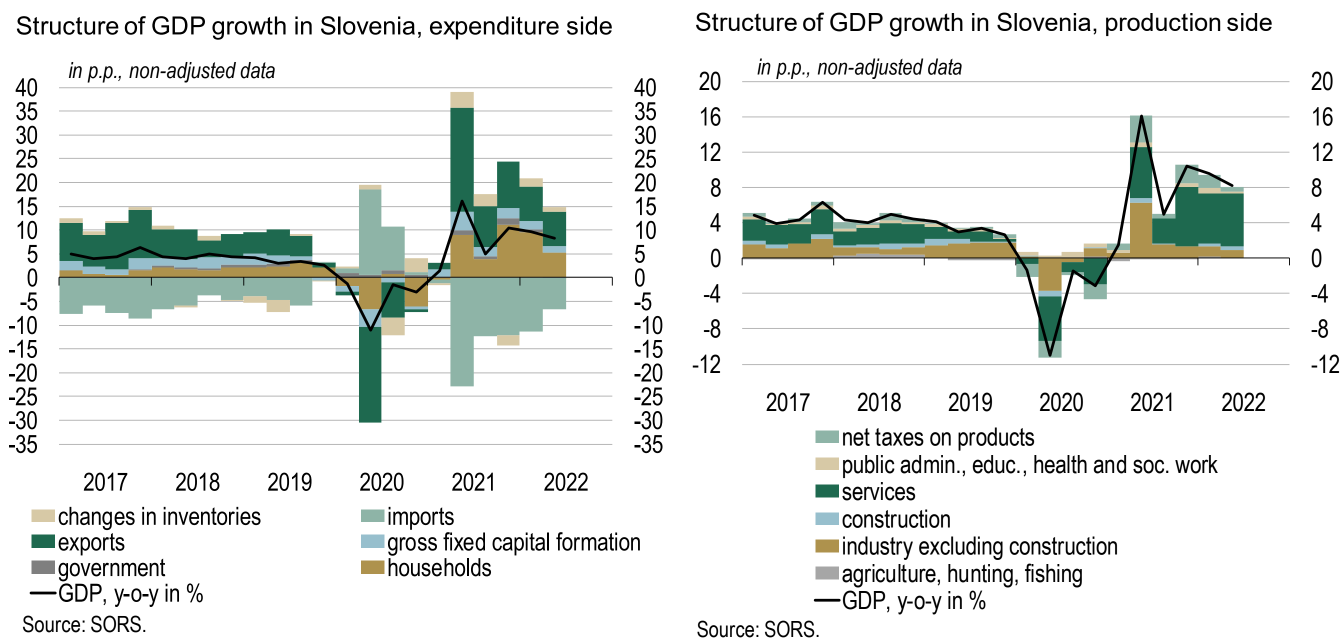
Despite the political uncertainty in the wake of the fall of the Italian government, the spreads on Italian government bonds over the German benchmark remained in a relatively narrow range. Additional factors that contained the changes in the spreads of the euro area countries with higher sovereign credit risk were the beginning of flexible reinvestment of maturing bonds under the PEPP programme and the introduction of a new monetary policy instrument to address the risk of fragmentation at July's meeting of the Governing Council of the ECB.

3 Domestic Economic Activity Indicators

Economic growth remained high in the second quarter, in line with our expectations.

Economic growth in the second quarter again outpaced the euro area average. According to seasonally and calendar-adjusted figures, the quarterly rate rose to 0.9%, while the year-on-year rate remained high at 8.3%. In parallel to the continuing year-on-year growth in domestic consumption, the contribution by foreign demand also increased slightly (see Figure 3.1). Rising growth in services exports and a less-pronounced year-on-year increase in imports meant that the contribution made to GDP growth by net trade was positive in the amount of 0.6 percentage points.

Figure 3.1: **Contributions of components to year-on-year GDP growth**



The majority of factors in domestic demand remained encouraging. With registered unemployment falling again and private-sector wages and social security benefits rising, the conditions remained ripe for year-on-year growth in household consumption, which stood at more than 10%. The high level of investment continued to be supported by high capacity utilisation, large corporate financial surpluses and sharply negative real interest rates. The government played a significant role in investment, partly on account of this year's electoral cycle, while its contribution to growth in aggregate final consumption disappeared as expected as the pandemic waned.

The high level of domestic demand and a good start to the summer season in the tourism sector were reflected in the structure of year-on-year growth in value-added (see Figure 3.1). It was high in private-sector services, where recreational services were to the fore, while value-added in construction also remained significantly above its level of 2019. One notable feature of construction is a shortage of capacity, with demand for construction services significantly outstripping supply. In the challenging international environment, the business conditions for certain manufacturing segments are becoming difficult, and year-on-year growth in value-added is slowing. This is coinciding with a slowdown in real year-on-year growth in merchandise exports, which stood at 2.4% in the second quarter.

The economic sentiment worsened over the summer, and growth in consumption also slowed.

The economic sentiment indicator remained negative in August, as a result of declining confidence on the part of manufacturing firms and consumers. A highlight with regard to consumers was their reluctance to make major purchases, while for manufacturing firms it was a decline in the assessment of orders (see Figure 3.2).[2] By contrast confidence remains high in construction, retail and other services. Other services actually

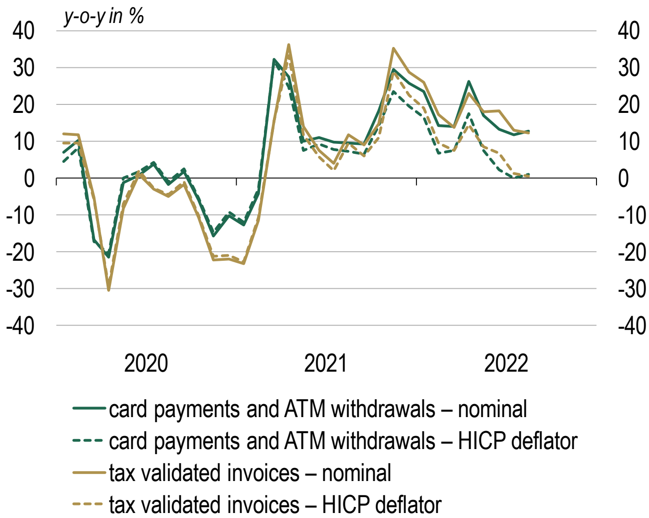
[2] Further evidence of the difficulties in manufacturing comes from the Purchasing Association of Slovenia's PMI. In August it was below 40 index points for the third consecutive month, according to seasonally unadjusted figures.

Figure 3.2: **High-frequency indicators of demand and consumption**

Selected survey indicators of demand

Source: SORS. Latest data: August 2022.

High-frequency indicators of consumption



Source: SORS, FURS, Bankart, Banka Slovenije calculations.
Latest data: August 2022.

saw a rise in confidence in August, together with assessments of demand, partly in connection with the strong summer season in the tourism sector.

The alternative high-frequency indicators also point to a weaker economy in the third quarter. Freight vehicles' mileage on motorways in Slovenia was unchanged in year-on-year terms in August. Meanwhile high inflation began to curb growth in consumption. Aggregate card payments and ATM withdrawals continued to record a year-on-year increase in nominal terms over the summer, but in real terms (HICP deflator) they moved into the zone of stagnation. It is a similar case with the total value of invoices registered with tax authorities (see Figure 3.2).

Box 3.1: **Illustration of first annual estimate of national accounts for 2021**

The first annual estimate of GDP for 2021 confirms the high economic growth seen last year.

On 31 August the SORS published its first annual estimate of the national accounts for 2021. Compared with the previously released quarterly figures, last year's GDP growth has been revised upwards by 0.1 percentage points to 8.2%, and the decline in GDP in 2020 has also been revised, to 4.3% instead of 4.2%.

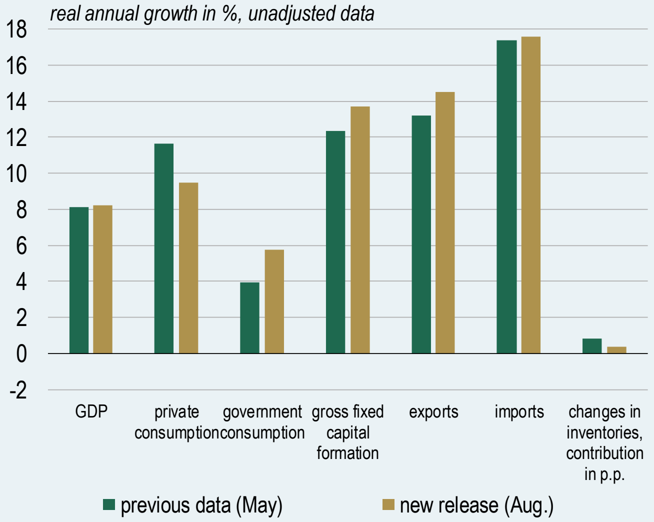
The largest positive changes for last year on the expenditure side were in net trade, as a result of increased growth in exports. There is also a notable positive revision in final government consumption, while growth in private consumption was less intensive (see Figure 3.1.1). Annual growth in value-added was raised from 7.4% to 7.5%, after corporate closing accounts were taken into consideration. Growth in value-added in construction was stronger, having increased by more than 7 percentage points. The revision to growth in value-added in public services also made a positive contribution to the revision. The main downward revisions were in the sectors of wholesale and retail trade and repair of motor vehicles and motorcycles, transportation and storage, and accommodation and food service activities (see Figure 3.1.1).

There are also changes to employment, last year's growth in which was revised downwards by 0.1 percentage points to 1.3%. The downward revision is largely attributable to lower employment in wholesale and retail trade and repair of motor vehicles and motorcycles and in professional, scientific and technical activities, while employment in administrative and support service activities and in construction was notably better than suggested by the quarterly estimates. The fall in employment in 2020 was also increased by 0.1 percentage points to 0.7%.

The quarterly figures aligned with annual GDP will be released by the SORS on 30 September, which means that it is not yet possible to calculate the new carry-over effect of last year's economic growth into this year.

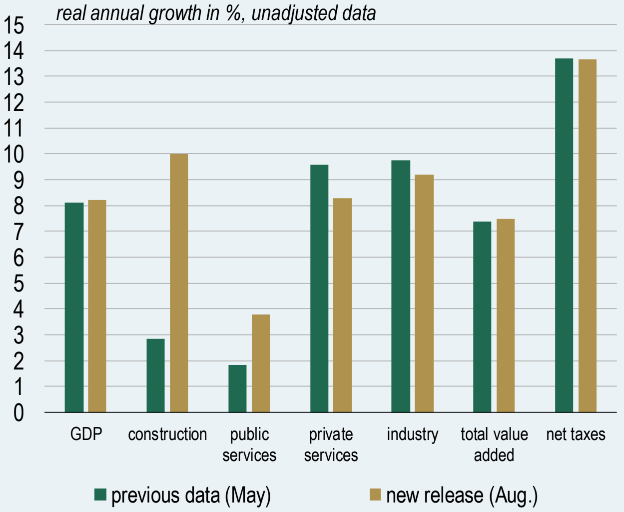
Figure 3.1.1: **GDP in 2021 before and after release of first annual estimate**

Changes in growth of GDP components in 2021, expenditure side



Source: SORS.

Changes in growth of GDP components in 2021, production side



Source: SORS.

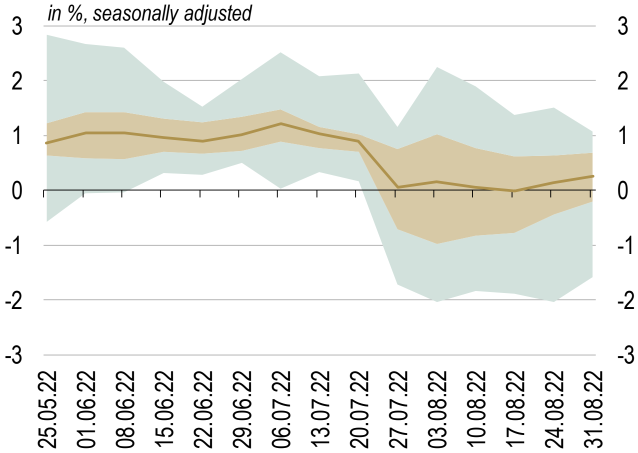
The average nowcast suggests quarterly GDP growth of 0.3% in the third quarter.

The nowcast is entirely model-based, and does not incorporate any expert assessment of current macroeconomic developments. The set of 67 forecasting models consists of various dynamic factor models, and also PC, (U)MIDAS, (B)VAR, ARDL and bridge models. The changes in quarterly GDP growth nowcasts over the nowcasting quarter are largely related to releases of the high-frequency data that is included in the model infrastructure, while fluctuations are to a lesser extent also caused by re-estimation of the model parameters.

The technical nowcasts for GDP growth in the third quarter of this year average 0.3% (see Figure 3.3). Model estimates reflect the signals appearing in the monthly survey indicators, which is evident from the bar chart distribution of the current nowcasts. July saw a significant decline in confidence in construction, manufacturing and services, and a decline in consumer confidence, while the retail sector saw an improvement in confidence. August saw a certain improvement in confidence in construction and services, and a contrasting decline in retail, while consumer confidence remained unchanged.

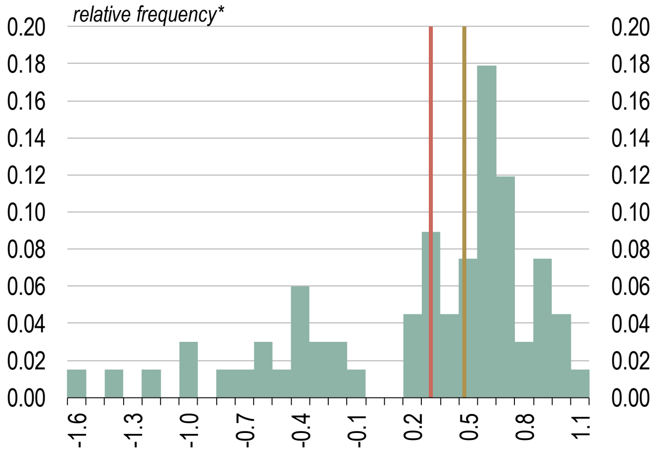
Figure 3.3: **Technical forecasts of GDP growth for the third quarter of 2022**

Model estimates of quarterly GDP growth – Q3 2022



Note: Graph shows model estimates of quarterly GDP growth. The darker interval represents values between the 25th and the 75th percentiles of all estimates. Average model estimate of quarterly GDP growth is represented by the line. Date of estimate: 31. 8. 2022.
Source: Banka Slovenije calculations.

Histogram of quarterly GDP growth estimates – Q3 2022



Note: Distribution of model estimates of quarterly GDP growth in Q3 2022. The vertical gold line shows the median and red the average of all estimates. Date of estimate: 31. 8. 2022. * Relative frequency represents the share of models that estimate a certain growth in the entire set of models.
Source: Banka Slovenije calculations.

4 Labour Market Situation

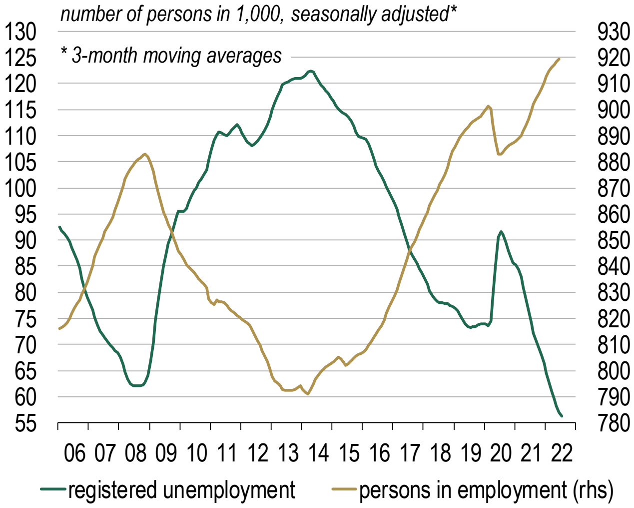
Employment is continuing to rise as the number of unemployed falls, while private-sector wage growth remains behind inflation.

Employment as measured by the workforce in employment[3] has reached record levels (see Figure 4.1). June again saw a new record high (902,202), but the year-on-year rate of growth is slowed to 2.4%, although it remains significantly higher than its long-term average. In the strong economy the growth has been driven mainly by the private sector since the end of last year, with the labour-intensive sectors of accommodation and food service activities and construction notable for their high growth. Labour shortages are now at their highest level to date, according to SORS survey figures. Hiring is expected to continue over the following months, but at a slower pace because of the increased uncertainty. Manufacturing firms have seen the greatest decline in their expectations of future employment since the beginning of the year, but they remained at high levels, similarly to other sectors.

The sharp fall in the number of unemployed came to an end in July thanks to the seasonal termination of temporary employment contracts, but the figure of 54,341 remained close to the record low recorded in June, and was down fully 23.1% in year-on-year terms (see Figure 4.1). The registered and survey unemployment rates are also continuing to fall: the former stood at 5.5% in June, down almost 2 percentage points in year-on-year terms, while the latter stood at 4.2% in the second quarter.

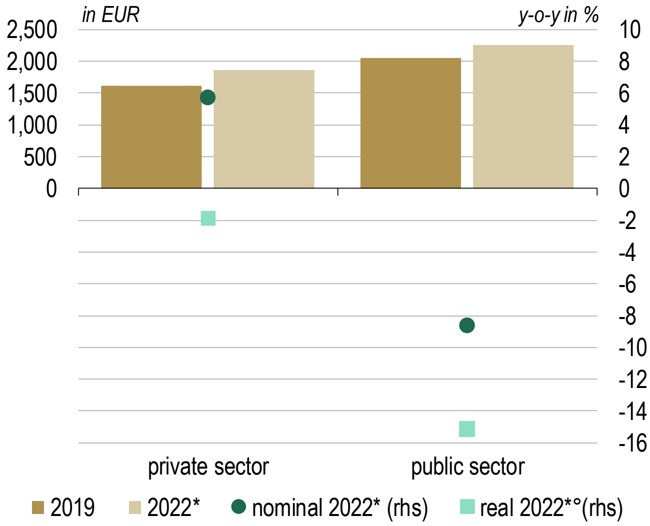
Figure 4.1: **Labour market developments**

Persons in employment and unemployed



Source: SORS, Banka Slovenije deseasonalisation and calculations.
Latest data: registered unemployment – July 2022, persons in employment – June 2022.

Gross wage per employee



Note: * First half-year's average. ° HICP deflator.
Source: SORS, Banka Slovenije calculations.

[3] Excluding self-employed farmers.

The average gross wage per employee in the first half of the year was down 0.2% in year-on-year terms, as a result of the continuing fall in wages in the public sector[4] (see Figure 4.1). These were down 8.6% in year-on-year terms as pandemic bonus payments came to an end, while hiring meant that the decline in the gross wage bill was 1.5 percentage points smaller. Contrastingly year-on-year growth in the average gross wage in the private sector has strengthened since the beginning of the year, and stood at 5.7% over the first half of the year, which alongside rising employment raised the wage bill by 13.3%. The real wage bill has been rising in year-on-year terms since the beginning of the year (5.2%[5]), which in the first half of the year reduced the adverse impact of high inflation on aggregate household purchasing power.

5 Current Account

The current account was in deficit in the first half of the year, although strengthened exports of travel services prevented it from widening further.

Merchandise trade was up on last year in nominal terms. Nominal year-on-year growth in merchandise imports in the second quarter remained similar to the previous quarter, at 35.6% according to balance of payments figures (see Figure 5.1). In terms of individual product categories, it was imports of consumer goods[6] that stood out on this occasion according to SORS figures, having increased by 22.0% in year-on-year terms, while in terms of countries it was imports from Russia that stood out. On the export side nominal year-on-year growth in merchandise exports increased to 23.6% according to balance of payments figures, the highest figure of the last year (see Figure 5.1). The higher growth was driven by exports of road vehicles, which hit a new record high in June.[7]

With international tourism rapidly approaching its pre-pandemic levels, services trade is also enjoying pronounced growth. Services exports in the second quarter were up 42.5% in year-on-year terms, 9.7 percentage points more than in the first quarter. The main driver remains exports of travel services, which in nominal terms were down just 6.1% (EUR 45 million) on the second quarter of 2019, while the contribution made by exports of miscellaneous business services also increased. Year-on-year growth in services imports slowed to 30.4% in the second quarter, with imports of construction services recording a year-on-year decline of approximately 15%.

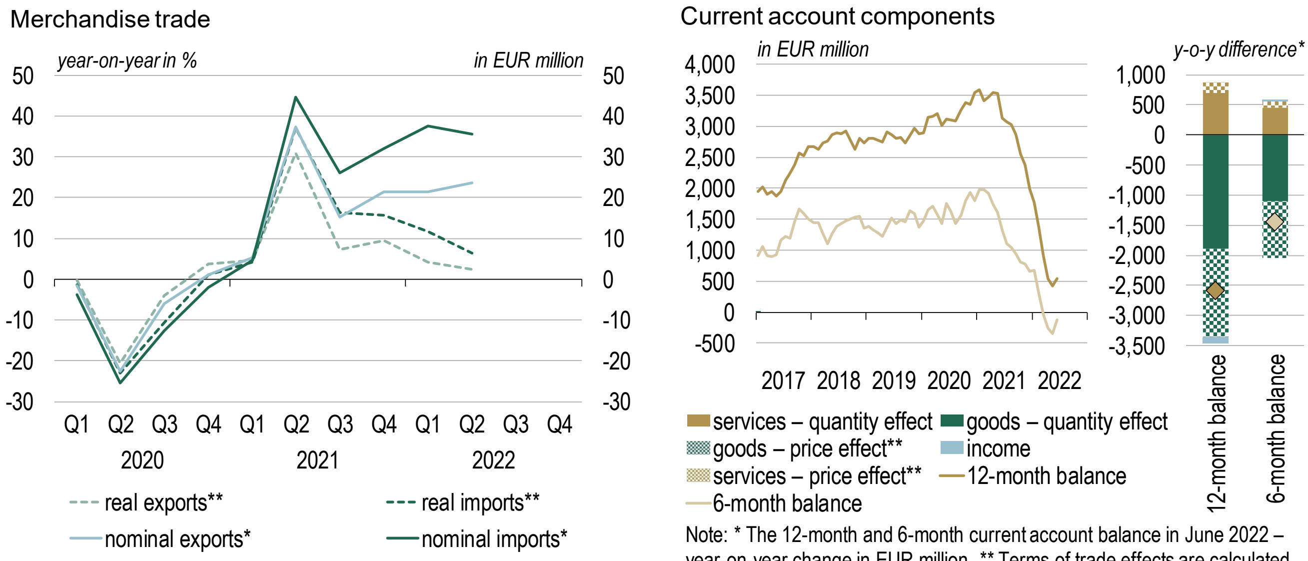
[4] Analysis of wage developments remains difficult because of the statistical effects of the job preservation measures during the pandemic. A more detailed explanation can be found in Box 3.2 of the July 2020 issue of Economic and Financial Developments and in the *Wage developments* sections of the January 2022 issue of Economic and Financial Developments and the April 2022 issue of the Semi-Annual Overview of Economic and Financial Developments.

[5] HICP deflator.

[6] Excluding imports of medical and pharmaceutical products from Switzerland.

[7] From the perspective of domestic output, the strong exports of road vehicles might be driven solely by high growth in the manufacture of other transport equipment (activity C30). This has been rising in year-on-year terms for a year and a half now, the rate reaching 35.8% in the second quarter of this year. By contrast, the manufacture of motor vehicles, trailers and semi-trailers (activity C29) has been declining for a long time. The year-on-year decline in the second quarter stood at 17.1%, while output was down 26.0% on the second quarter of 2019.

Figure 5.1: **Merchandise trade and current account balance**



Note: * Balance of payments data, ** national accounts data.
Source: SORS, Banka Slovenije.

Note: * The 12-month and 6-month current account balance in June 2022 – year-on-year change in EUR million. ** Terms of trade effects are calculated from export and import price indices based on national accounts.
Source: Banka Slovenije.

After a decade of surpluses, the current account has moved into deficit, which amounted to EUR 120 million in the first half of this year (see Figure 5.1). The merchandise trade deficit amounted to EUR 1.1 billion over the first half of the year, but its impact on the current account balance is being mitigated by the high growth in services exports, travel services in particular. The 12-month current account balance remains in surplus, and stood at EUR 540 million in June, down EUR 2.6 billion in year-on-year terms. The decline is almost entirely attributable to the merchandise trade balance moving from a surplus of EUR 2.2 billion to a deficit of EUR 1.2 billion. Had the terms of trade remained neutral, the 12-month merchandise trade balance would have been in surplus of EUR 200 million in June.

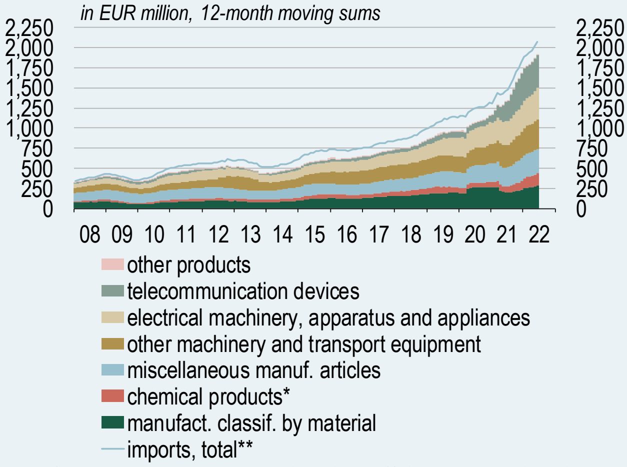
Box 5.1: **Slovenia's merchandise trade with China**

Slovenia's merchandise imports from China have increased sharply since the outbreak of the Covid-19 pandemic, which given the minor importance of the Chinese market to Slovenian exporters is widening the merchandise trade deficit.

According to balance of payments figures, China accounted for 5.2% of Slovenia's merchandise imports over the last year, fully 1.5 percentage points more than in 2019, making it Slovenia's fifth most important trading partner on the import side. Merchandise imports from China have been increasing consistently since 2014: they amounted to EUR 2.1 billion over the 12 months to June, up EUR 610 million in year-on-year terms. The growth was largely driven by an increase in imports of telecommunications equipment, which alongside electrical machinery make up the majority of imports from

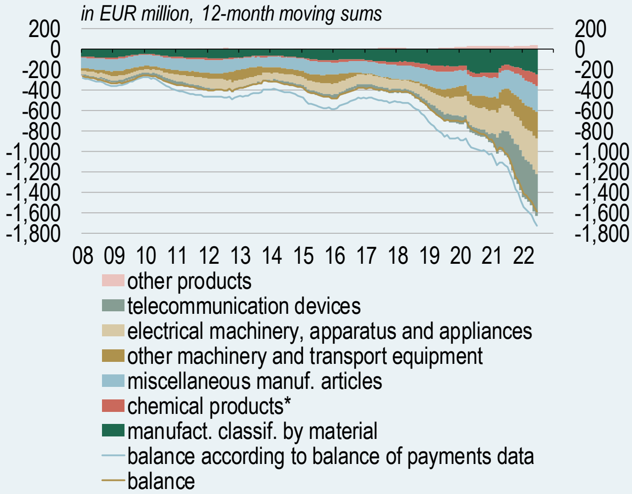
Figure 5.1.1: **Merchandise trade with China**

Structure of goods imports from China



Note: * Excluding organic chemicals from China. ** Goods imports from China according to balance of payments data.
Source: SORS, Banka Slovenije, Banka Slovenije calculations.
Latest data: June 2022.

Structure of Slovenia's goods trade balance with China



Note: * Excluding organic chemicals from China.
Source: SORS, Banka Slovenije, Banka Slovenije calculations.
Latest data: June 2022.

China (approximately 40% in total; see Figure 5.1.1).[8, 9] Imports of telecommunications equipment over the 12 months to June were six times higher in nominal terms than during the same period of 2020 (at EUR 410 million), which can be attributed to the increased demand for these products during the period of containment measures, and a rise in their prices. Merchandise imports from China over the first half of the year accounted for 1.5 percentage points of the year-on-year growth of 36.6% in nominal merchandise imports.

By contrast, direct exposure to China does not exceed 1.0% of Slovenia's merchandise exports according to balance of payments figures. The main merchandise exports are road vehicles and electrical machinery and appliances, which together make up approximately a quarter of exports to China, although China's share of Slovenia's total exports of these products has been less than 1.5% over the last 12 months. After falling for approximately two years, driven by a decline in exports of road vehicles, merchandise exports to China began to strengthen again in the second half of 2020, and reached EUR 335 million over the 12 months to June of this year, the same as their peak four years ago.

Slovenia has always run a merchandise trade deficit with China. It has widened sharply over the last year, the 12-month deficit exceeding EUR 1.7 billion in June, up approximately EUR 600 million in year-on-year terms. The majority of the deficit comes from trade in machinery and transport equipment (see Figure 5.1.1). If trade with China were excluded, Slovenia would have recorded a merchandise trade surplus of EUR 570 million over the 12 months to June.

[8] Merchandise imports from China according to the SORS figures exclude imports of organic chemical products, which makes it easier to make a comparison with the balance of payments figures. The methodological differences between the SORS foreign trade statistics and Banka Slovenije's balance of payments figures are illustrated in the October 2018 issue of Economic and Financial Developments, on pages 37 to 39.

[9] In 2020 the most notable merchandise imports also included textile products, yarn and woven fabrics (including protective masks and other pandemic-related products). Slovenia's imports of these products amounted to EUR 127 million in 2020, up EUR 86 million on the previous year, and they accounted for almost 9 percentage points of the growth of 20.2% in aggregate merchandise imports from China. For more information, see the SORS material (in Slovene).

6 Inflation

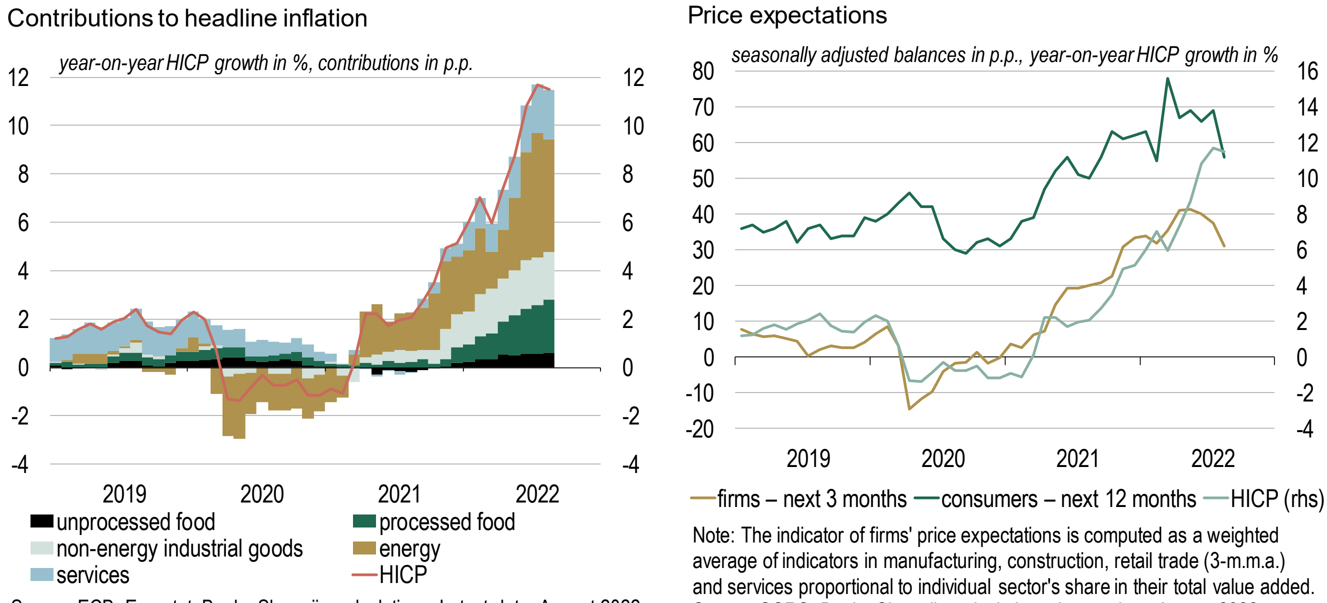
Inflation stood at 11.5% in August, down slightly on July.

It continued to be mainly driven by high energy prices (see Figure 6.1), which were mostly not subject to government interventions over the summer. Having exceeded 40% in July, year-on-year energy price inflation slowed to 36.7% in August, as motor fuels fell in price compared with the previous month. At the same time gas and electricity prices on the wholesale markets are hitting highs before the start of the heating season, although their final household prices will be mitigated by government measures as of September.[10] Food prices are also rising alongside energy prices and fertiliser prices, the year-on-year rate of growth reaching 12.2%.

Core inflation as measured by the HICP excluding energy and food stood at 6.2% in August. It was driven approximately equally by services prices and prices of non-energy industrial goods. The latter were up 6.4% in year-on-year terms in August, amid the ongoing disruption to supply chains and the additional rise in import prices caused by the euro's slide against the US dollar, as the rise in costs along production chains shows no sign of abating. Services prices are also continuing to rise, the year-on-year rate exceeding 6% for the second consecutive month. The rise was driven in particular by rising prices of transport services, rising prices at hotels and restaurants caused by rising energy and food costs, and strong demand.

Firms' short-term inflation expectations mostly declined in August, but remain at a high level (see Figure 6.1). It was only services other than retail that recorded a rise, while the most notable falls were seen in manufacturing and retail. Consumer expectations also declined, which was primarily attributable to the package of government measures to mitigate the impact of high energy prices, and a fall in prices of motor fuels.

Figure 6.1: **Domestic price developments and inflation expectations**



Source: ECB, Eurostat, Banka Slovenije calculations. Latest data: August 2022.

Note: The indicator of firms' price expectations is computed as a weighted average of indicators in manufacturing, construction, retail trade (3-m.m.a.) and services proportional to individual sector's share in their total value added.
Source: SORS, Banke Slovenije calculations. Latest data: August 2022.

[10] See Box 6.1: Impact of measures to curb energy prices on consumer price inflation

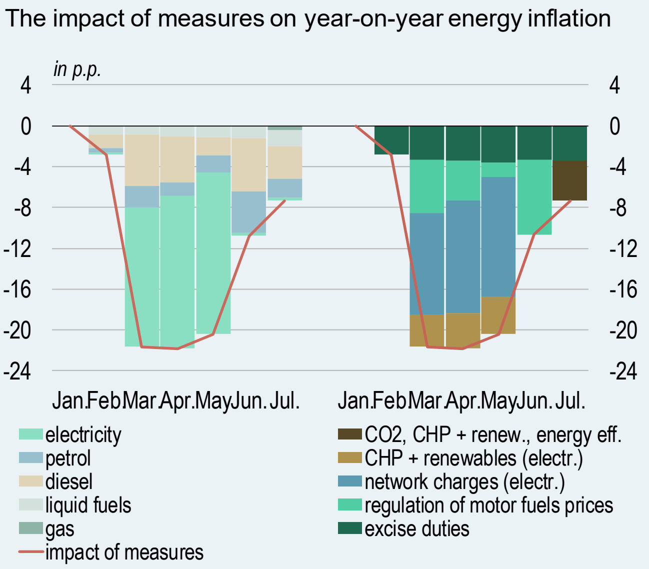
Box 6.1: **Impact of measures to curb energy prices on consumer price inflation**

The measures put in place this year by the government to mitigate the rise in energy prices for households reduced headline inflation by 1.6 percentage points on average over the first seven months of the year.

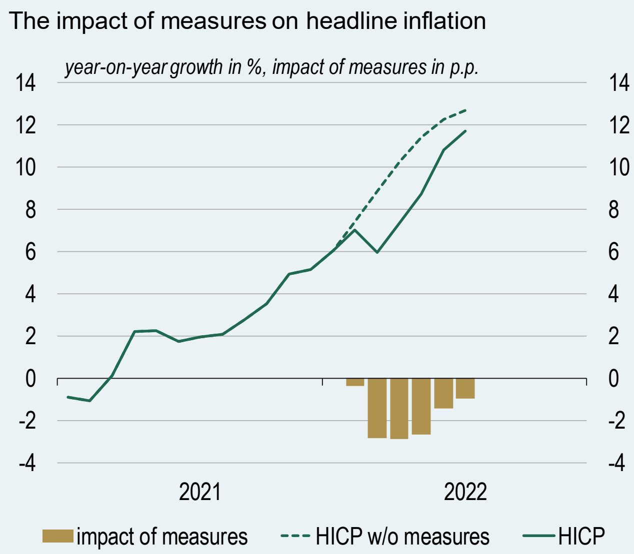
In response to the sharp rise in energy prices on global wholesale markets, the Slovenian government took a number of measures in the first half of this year. Among those reducing prices for households were the measures put in place in February under the Act on Emergency Measures to Mitigate the Impact of Rising Energy Prices to exempt household consumers from paying the contribution for CHP and renewables, and also the network charges for the electricity system.[11] The measures, which reduced prices for a period of three months, were reflected in price statistics between March and May of this year. The government also cut excise duties on energy products in February, and imposed a cap on retail prices of petrol and diesel between March and June.[12]

New measures were put in place while the situation remained difficult. While prices of motor fuels have since 21 June once again been formed according to a methodology based on developments in prices of refined petroleum products on the global market, with a cap on margins,[13] the carbon levy for certain fossil fuels and certain energy levies

Figure 6.1.1: **Impact of measures to curb high energy prices**



Source: Eurostat, Banka Slovenije calculations and estimations.
Latest data: July 2022.



Source: Eurostat, Banke Slovenije calculations and estimations.
Latest data: July 2022.

[11] Exemption from paying the contribution to support high-efficiency combined heat and power and generation from renewables, and tariff items for chargeable demand and for active power. The aforementioned act also gave certain household groups a one-off solidarity bonus to alleviate the impact of the rise in energy prices and to equalise rights between households and holders of divided co-ownership in multi-dwelling buildings who heat their flats with communal gas-fired heating.

[12] A cut in excise duties on liquid and motor fuels, electricity and gas was originally envisaged for the period of February to April of this year, but the measure has since been extended twice, most recently in August. Prices of motor fuels were thus restricted between 15 March and 30 April, and then between 11 May and 21 June.

[13] The government adopted the Decree setting prices of certain refined petroleum products, which from 21 June 2022 regulates prices of motor fuels at petrol stations outside the motorway and express road network (95-octane unleaded petrol and diesel) for a period of one year.

for motor fuels (the CHP and renewables contribution, the energy efficiency contribution) were abolished on 21 June.[14]

The measures put in place had a major impact on energy prices for households. Energy price inflation was reduced by more than 12 percentage points on average over the first seven months of the year, and headline inflation by 1.6 percentage points (see Figure 6.1.1). The greatest impact came between March and May from the measures in connection with electricity. Our estimate is that the exemption from paying the electricity network charge accounted for half of this impact. When these measures expired, the impact had diminished until July, but is expected to increase again in September, when new measures enter into force, including a cut in VAT on certain energy products and caps on electricity and natural gas prices.

7 Fiscal Position

The public finance balance position improved significantly over the first seven months of this year.

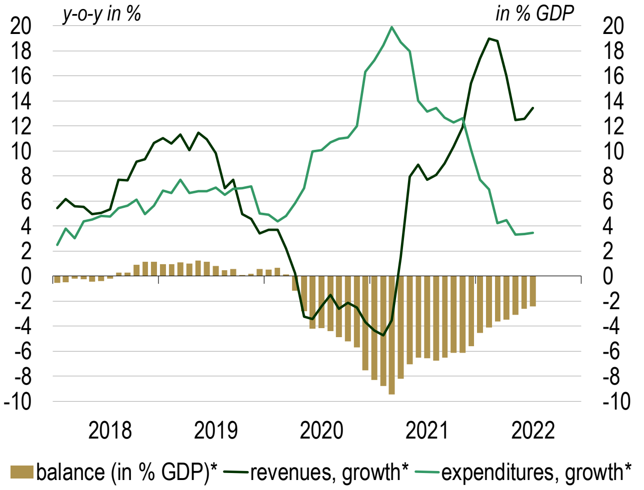
The consolidated general government deficit amounted to EUR 0.3 billion over the first seven months of the year, compared with EUR 1.9 billion over the same period last year. The 12-month deficit fell below 3% of GDP in June (see Figure 7.1). The largest increases on the revenue side were in corporate income tax, thanks to good business performance, and in VAT, as a result of strengthened household consumption, while tax cuts meant that revenues from personal income tax and excise duties are rising more slowly. The main factor in the 0.6% decline in expenditure was the decline in payments in connection with the pandemic, while the contribution made by investment is strengthening (see Figure 7.1).

The government is drawing up the state budgets for 2023 and 2024, and a revision of this year's state budget.The measures to mitigate high energy prices (e.g. cuts in VAT and excise duties on energy) will have a significant impact on fiscal developments in the second half of this year and next year. Slovenia's public finances could also be hit by a weakening economy.

[14] Payment of the carbon levy for gasoil, petrol, heating oil and natural gas was abolished by decree between 21 June and 2 August. At the same time the decrees also granted exemption from paying the contribution to support high-efficiency combined heat and power and generation from renewables (for the period that the Decree setting prices of certain refined petroleum products is in force) and from paying the energy efficiency contribution (between 21 June and 17 August).

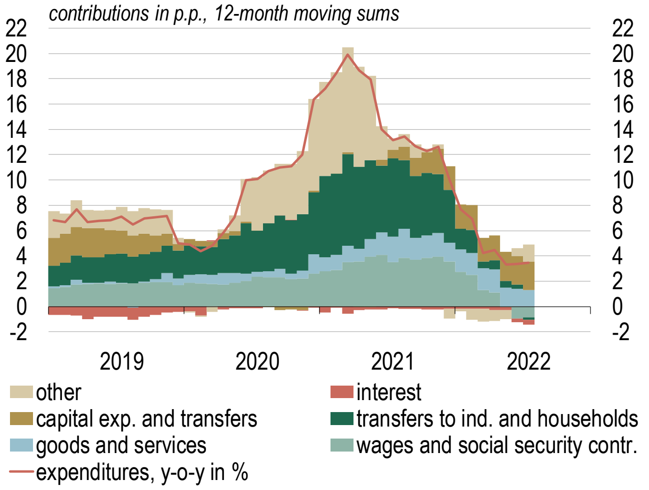
Figure 7.1: **Fiscal position**

Public finance developments in cash terms



Note: * 12-month moving sum.
Source: Ministry of finance, SORS, Banka Slovenije calculations.
Latest data: July 2022.

Contributions to public finance expenditure growth



Note: According to cash flow methodology.
Source: Ministry of Finance, Banka Slovenije calculations.
Latest data: July 2022.

8 Statistical Appendix

Table 8.1: **Key macroeconomic indicators at the monthly level for Slovenia**

	2020	2021	12 m. 'till Jun.22	3 m. 'till Jun.21	3 m. 'till Jun.22	2022 Apr.	2022 May.	2022 Jun.	2022 Jul.	2022 Aug.
Economic Activity										
					balance of answers in percentage points					
Sentiment indicator	-11.7	2.5	4.1	4.2	2.5	4.1	2.7	0.6	-1.1	-0.3
- confidence indicator in manufacturing	-8.5	8.1	6.3	10.0	1.7	4.0	1.0	0.0	-1.0	-1.0
					year-on-year growth rates in %					
Industry: - total	-6.4	9.9	4.9	24.2	1.8	1.8	2.9	0.7	...	...
- manufacturing	-6.2	11.5	6.4	27.3	4.7	5.0	5.6	3.4	...	...
Construction: - total	-0.7	-0.5	...	11.5	...	15.0	30.2	...	...	...
- buildings	-7.8	-23.0	...	-7.5	...	42.3	79.7	...	...	...
Trade and service activities - total	-9.7	12.2	14.8	19.3	15.1	19.3	16.4	10.2	...	...
Wholesale and retail trade and repair of motor	-14.5	8.3	-1.3	21.0	-2.3	-1.6	-0.4	-4.8	...	...
Retail trade, except of motor vehicles and motorcycles	-5.9	16.2	16.6	16.6	11.4	16.5	11.6	6.6	...	...
Other private sector services	-11.6	12.4	17.5	21.3	19.4	24.0	21.8	13.5	...	...
Labour market					*year-on-year growth rates in %*					
Average gross wage	6.0	6.0	1.8	5.5	0.7	0.4	-0.9	2.8	...	...
- private sector	4.5	5.9	6.1	3.9	7.0	6.4	7.6	6.9	...	...
- public sector	7.9	6.4	-4.4	9.1	-8.1	-8.1	-12.6	-3.1	...	...
Real net wage[1]	7.1	3.0	-3.1	1.7	-6.1	-5.0	-7.2	-6.1	...	...
Registered unemployment rate (in %)	8.7	7.6	6.5	7.7	5.7	5.9	5.7	5.5	...	...
Registered unemployed persons	14.6	-12.6	-23.8	-16.0	-25.6	-26.7	-25.7	-24.2	-23.1	...
Persons in employment	-0.6	1.3	2.6	1.4	2.6	2.8	2.6	2.3	...	...
- private sector	-0.9	1.3	3.2	1.5	3.2	3.5	3.3	2.9	...	...
- public sector	0.1	1.1	1.1	1.4	0.7	0.8	0.7	0.6	...	...
Price Developments					*year-on-year growth rates in %*					
HICP	-0.3	2.0	5.5	2.1	9.0	7.4	8.7	10.8	11.7	11.5
- services	1.8	0.6	2.7	-0.1	5.3	5.0	5.1	5.8	6.0	6.0
- industrial goods excluding energy	-0.5	1.3	4.1	1.1	6.0	5.7	5.9	6.3	6.4	6.4
- food	2.8	0.7	4.2	0.1	9.4	8.2	9.4	10.6	11.3	12.2
- energy	-10.8	11.3	20.4	16.1	25.8	16.5	24.3	36.5	40.6	36.7
Core inflation indicator[2]	0.8	0.9	3.3	0.4	5.6	5.3	5.5	6.0	6.2	6.2
Balance of Payments - Current Account					*in % GDP*					
Current account balance	7.6	3.8	1.0	2.9	0.0	-0.7	0.4	0.4	...	...
1. Goods	5.0	1.7	-2.1	2.6	-4.0	-5.0	-4.8	-2.1	...	...
2. Services	4.4	4.7	5.4	4.4	6.5	6.6	6.3	6.6	...	...
3. Primary income	-0.8	-1.7	-1.5	-3.3	-1.5	-1.3	-0.4	-2.7	...	...
4. Secondary income	-1.0	-0.9	-0.9	-0.7	-1.0	-0.9	-0.6	-1.4	...	...
					nominal year-on-year growth rates in %					
Export of goods and services	-10.0	19.5	23.3	36.0	27.0	21.7	31.6	27.6	...	...
Import of goods and services	-11.7	25.4	33.2	41.9	34.9	33.0	37.5	34.2	...	...

Public Finances	2020	2021	12 m. 'till Jul.22		2021 Jan.-Jul.		2022 Jan.-Jul.	
Consolidated general government (GG) balance[3]	*EUR milions*		*% GDP*	*y-o-y, %*	*EUR mio*	*y-o-y, %*	*EUR mio*	*y-o-y, %*
Revenue	18,529	21,383	40.8	13.4	12,025	15.6	13,498	12.2
Tax revenue	16,460	18,786	35.8	12.4	10,615	15.2	11,899	12.1
From EU budget	730	950	1.9	37.6	435	16.0	571	31.4
Other	1,338	1,646	3.0	13.3	976	19.8	1,028	5.3
Expenditure	22,071	24,300	43.2	3.5	13,936	10.5	13,848	-0.6
Current expenditure	9,128	10,394	18.3	3.8	5,949	14.7	5,817	-2.2
- wages and other personnel expenditure	4,965	5,751	9.5	-3.7	3,547	19.4	3,133	-11.7
- purchases of goods, services	3,021	3,351	6.3	9.4	1,769	11.9	1,928	9.0
- interest	778	732	1.2	-11.8	496	-8.5	409	-17.5
Current transfers	10,868	11,319	19.7	-2.0	6,931	6.4	6,676	-3.7
- transfers to individuals and households	8,251	9,168	16.1	-0.5	5,648	17.1	5,514	-2.4
Capital expenditure, transfers	1,549	1,959	3.9	31.5	710	20.3	946	33.3
GG surplus/deficit	-3,542	-2,917	-2.4		-1,910		-350	

Note: The figures for economic developments are calendar-adjusted (with the exception of economic sentiment indicators, which are seasonally adjusted). The other figures in the table are unadjusted. The monthly activity indicators in industry, construction and services are given in real terms.
1 HICP deflator. 2 Inflation excluding energy, food, alcohol and tobacco. 3 Consolidated position of the state budget, local government budgets, pension and disabil-ity insurance subsector and compulsory health insurance subsector, according to the principle of paid realisation.
Sources: SORS, Banka Slovenije, Ministry of Finance, Banka Slovenije calculations.

Table 8.2: **Key macroeconomic indicators at the quarterly level for Slovenia and the euro area**

	2019	2020	2021	21Q3	21Q4	22Q1	22Q2	2019	2020	2021	21Q3	21Q4	22Q1	22Q2
				Slovenia							*euro area*			
Economic developments							*q-o-q growth rates in %*							
GDP				1.3	5.2	0.7	0.9				2.3	0.4	0.5	0.6
- industry				0.6	0.9	0.6	0.9				0.6	0.3	0.3	…
- construction				2.3	0.7	4.2	0.4				-0.4	0.5	2.6	…
- mainly public sector services (OPQ)				0.5	0.7	0.7	0.2				1.5	-1.3	0.4	…
- mainly private sector services (without OPQ)				2.5	3.7	1.4	2.0				2.8	0.4	0.7	…
Domestic expenditure				1.7	2.9	1.7	1.5				2.1	1.2	0.1	…
- general government				0.5	1.8	-1.0	-1.6				0.2	0.3	-0.2	…
*- households and NPISH**				5.0	1.9	2.8	0.5				4.6	-0.2	-0.4	…
- gross capital formation				-4.1	0.0	8.7	4.9				-1.7	5.5	1.6	…
- gross fixed capital formation				3.0	0.9	3.7	-1.2				-0.7	3.6	-0.5	…
							y-o-y growth rates in %							
GDP	3.5	-4.3	8.2	5.0	10.4	9.6	8.2	1.6	-6.3	5.3	3.9	4.6	5.5	…
- industry	6.9	-3.4	9.2	6.3	4.9	4.7	3.1	0.2	-7.0	7.2	4.7	1.7	1.7	…
- construction	8.0	-1.9	10.0	2.5	0.4	7.8	7.8	2.1	-4.9	5.3	2.1	0.5	4.9	…
- mainly public sector services (OPQ)	1.7	2.4	3.8	0.2	2.7	3.7	1.2	1.1	-3.2	3.7	2.1	2.2	2.4	…
- mainly private sector services (without OPQ)	2.3	-5.5	8.3	6.0	10.6	10.3	10.0	1.7	-7.0	5.6	4.4	5.0	5.9	…
Domestic expenditure	3.5	-4.7	9.9	9.7	13.9	14.8	8.0	2.5	-6.1	4.2	3.5	5.0	6.1	…
- general government	1.8	4.1	5.8	3.2	7.0	3.2	-0.5	1.9	0.9	3.9	2.7	2.3	2.2	…
- households and NPISH	5.3	-6.9	9.5	7.2	22.8	19.2	10.4	1.3	-7.8	3.6	3.0	6.0	8.3	…
- gross capital formation	0.6	-7.1	15.1	24.5	0.8	16.2	10.0	5.8	-8.3	5.6	5.8	5.6	5.3	…
- gross fixed capital formation	5.1	-7.9	13.7	10.5	11.0	8.6	6.4	6.9	-6.4	3.9	2.2	2.1	4.2	…
- inventories and valuables, contr. to GDP growth in p.p.	-0.8	0.1	0.4	2.4	-2.0	1.8	1.1	-0.2	-0.5	0.4	0.7	0.8	0.4	…
Labour market							*q-o-q growth rates in %*							
Employment				0.9	0.7	0.8	0.9				1.0	0.4	0.6	0.3
- mainly private sector (without OPQ)				1.0	0.8	0.9	1.1				1.2	0.5	0.7	…
- mainly public services (OPQ)				0.5	0.5	0.5	0.3				0.3	0.4	0.5	…
							y-o-y growth rates in %							
Employment	2.5	-0.7	1.3	2.6	2.7	2.8	3.4	1.3	-1.6	1.2	2.2	2.1	2.9	2.4
- mainly private sector (without OPQ)	2.6	-1.3	1.0	2.5	2.7	2.9	3.8	1.3	-2.3	0.9	2.2	2.3	3.3	…
- mainly public services (OPQ)	1.8	2.2	2.7	2.7	2.4	2.5	1.9	1.4	0.8	2.1	2.3	1.7	1.8	…
Labour costs per employee	5.0	3.4	7.9	5.6	1.3	3.5	3.8	2.1	-0.6	4.1	3.4	3.6	4.5	…
- mainly private sector (without OPQ)	4.5	1.5	8.0	5.8	5.7	9.1	7.8	2.1	-1.8	5.0	3.9	4.6	5.2	…
- mainly public services (OPQ)	6.6	9.4	7.7	4.7	-11.2	-11.5	-7.4	2.3	2.5	1.9	2.1	1.3	2.8	…
Unit labour costs, nominal**	4.0	7.3	1.1	3.2	-5.8	-2.9	-0.8	1.9	4.7	-0.2	1.7	1.2	2.0	…
Unit labour costs, real***	1.7	6.0	-1.5	-0.3	-8.6	-6.6	-6.9	0.2	2.9	-2.2	-1.2	-1.7	-1.4	…
							in %							
LFS unemployment rate	4.5	5.0	4.7	4.5	4.5	4.3	4.2	7.6	7.9	7.7	7.4	7.1	7.0	…
Foreign trade							*q-o-q growth rates in %*							
Real export of goods and services				1.3	5.5	-0.3	2.0				2.1	2.7	0.4	…
Real import of goods and services				1.0	4.9	2.1	0.4				1.5	4.8	-0.5	…
							y-o-y growth rates in %							
Real export of goods and services	4.5	-8.6	14.5	11.6	12.1	8.4	8.7	2.8	-9.0	10.5	10.4	7.9	8.2	…
Real import of goods and services	4.7	-9.6	17.6	19.1	16.8	14.6	8.5	4.8	-8.6	8.2	10.1	9.2	9.9	…
Current account balance as % of GDP****	5.9	7.6	3.8	5.7	3.8	1.7	1.0	2.3	1.9	2.5	3.0	2.5	1.7	…
External trade balance as contr. to GDP growth in p.p.	0.2	0.0	-0.8	-3.7	-2.3	-4.1	0.6	-0.8	-0.5	1.4	0.6	-0.2	-0.4	…
Financing							*in % of GDP*							
Banking system's balance sheet	87.8	98.0	94.5	97.0	94.9	93.0	88.8	260.1	296.0	287.0	295.4	287.0	294.8	…
Loans to NFCs	19.9	20.2	19.3	19.2	19.3	19.4	19.4	36.0	40.1	38.0	38.3	38.0	37.8	…
Loans to households	21.9	22.8	21.6	22.0	21.7	21.4	21.1	49.0	53.2	51.6	52.0	51.6	51.1	…
Inflation							*in %*							
HICP	1.7	-0.3	2.0	2.3	4.5	6.3	9.0	1.2	0.3	2.6	2.8	4.6	6.1	8.0
HICP excl. energy, food, alcohol and tobacco	1.9	0.8	0.9	0.8	2.4	4.4	5.6	1.0	0.7	1.5	1.4	2.4	2.7	3.7
Public finance							*in % of GDP*							
Debt of the general government	65.4	79.6	74.4	79.7	74.7	75.0	…	83.9	97.4	95.7	97.6	95.7	95.6	…
One year net lending/net borrowing of the general government****	0.4	-7.8	-5.2	-6.5	-5.2	-4.1	…	-0.7	-7.1	-5.1	-6.1	-5.1	-3.9	…
*- interest payment**** *	1.7	1.6	1.3	1.4	1.3	1.2	…	1.6	1.5	1.5	1.4	1.5	1.5	…
*- primary balance**** *	2.1	-6.2	-3.9	-5.1	-3.9	-2.9	…	1.0	-5.6	-3.6	-4.7	-3.6	-2.4	…

Note: Original figures are used to calculate the year-on-year rates, and seasonally adjusted figures are used to calculate the current rates of growth.The SORS quarterly national accounts figures have not yet been aligned with the initial annual estimate.
* The figures for Slovenia are calculated as the difference between the seasonally adjusted figures for aggregate final consumption and government final consumption.
** Nominal unit labour costs are the ratio of nominal compensation per employee to real labour productivity.
*** Real unit labour costs are the ratio of nominal compensation per employee to nominal labour productivity.
**** 4-quarter moving sums.
Sources: SORS, Eurostat, Banka Slovenije, ECB, Ministry of Finance, Banka Slovenije calculations.

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