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Table of contents

Figures, tables and boxes:

Figures:

Tables:

Boxes:

Executive Summary

According to the latest estimates by international institutions and the Bank of Slovenia, the situation in the international environment this year will only be slightly better than last year, when global economic growth recorded its lowest rate since 2009. The forecasts for this year's global economic growth are being reduced, primarily as a result of the cooling of the Chinese economy and low commodity prices. The latest weighted estimates based on the Consensus forecasts also suggest that growth will be relatively low overall in Slovenia's trading partners. In both cases the rate is nevertheless expected to be slightly higher than last year. However there are numerous risks in the international environment, from a further slowdown in growth in emerging economies to increased geopolitical tensions.

Although confidence in the Slovenian economy declined slightly in the early part of this year, the available data indicates a continuation of solid economic growth, at least for the moment, with a positive contribution from industry and numerous service sectors. This has maintained the out-performance of average euro area growth, out-performance also being supported by favourable changes in sources of growth in 2015. Household consumption strengthened compared with 2014 as a result of growth in employment and the positive impact of falling energy prices on purchasing power. Growth in investment declined significantly last year, albeit only as a result of weaker government investment in construction at the end of the European financial framework. At the same time there was most likely a reversal in the corporate sector, as investment in production capacity strengthened last year, alongside investment in transport equipment. This was likely attributable in part to better access to financing, which according to a Bank of Slovenia survey is no longer one of the major limiting factors in performance.

Developments on the labour market remain positive. After rising by 1.4% in 2015, employment continued to grow in January, while corporate surveys suggest growth has continued in the first half of this year. The number of registered unemployed is continuing to fall, although not among long-term unemployed, which is becoming an increasingly significant structural issue. Nominal growth in gross wages slowed to 0.7% last year, as a result of increased employment of low-income workers and wage adjustments to deflation. After several years of private-sector wage growth outpacing wage growth in the public sector, there was a reversal, which was attributable to the relaxation of promotions in the public sector. The average wage in the private sector was unchanged in year-on-year terms in January, while the average wage in the public sector was up 4%. Higher overall growth in wages could have a positive impact on this year's growth in private consumption.

The current account surplus over the preceding 12 months stood at 7.3% of GDP at the end of last year, and approached 8% of GDP in January of this year as the merchandise trade surplus widened. This was largely attributable to a decline in merchandise imports, as export growth slowed, albeit temporarily, in light of the rapid growth in February. The gap between the nominal rates of growth in merchandise imports and exports narrowed last year, and would have narrowed even more without the extremely negative impact of the fall in oil prices on the value of imports. Last year's widening of the merchandise trade surplus was largely the result of an improvement in the terms of trade. In addition, growth in exports of services strengthened significantly last year, in numerous segments, which contributed to a significant widening in the surplus of trade in services. The deficit in income widened, largely as a result of estimated reinvested earnings and a smaller inflow of EU funds.

Due to harmonization of forecasting processes within ESCB Bank of Slovenia's projections will be available in June and December instead of April and October and will be published in a separate publication.

New shock in oil prices in the early part of the year was the main reason that headline inflation remains negative. It averaged -0.9% over the first quarter, while all the core inflation indicators also remained low. External cost pressures remain absent, and neither the ECB measures nor factors from the domestic environment are yet exerting notable upward pressure on prices. Purchasing power and household purchases are increasing slowly, although without notable impact on inflation for the moment.

The general government deficit stood at 2.2% of GDP last year according to ESA 2010 methodology, significantly less than planned in the Stability Programme of April 2015. EU rules stipulate that Slovenia has to improve its structural position by 0.6% of GDP this year, which will probably require greater fiscal effort than that envisaged in current general government budgets. This could have an adverse impact on growth in domestic demand, which this year will already feel the impact of a sharp reduction in government investment owing to the changeover to funding from the new European financial framework. The deficit according to cash flow methodology narrowed in the first quarter of this year, primarily as a result of a large decline in expenditure.

Main macroeconomic indicators

	2013	2014	2015	15Q2	15Q3	15Q4	2013	2014	2015	15Q2	15Q3	15Q4
	Slovenia						*euro area*					
Economic developments	*y-o-y growth rates in %*											
GDP	-1.1	3.0	2.9	2.7	2.6	3.3	-0.3	0.9	1.6	1.7	1.7	1.8
- industry	-0.1	4.8	5.0	4.5	5.3	4.6	-0.6	0.6	1.8	1.9	2.1	1.8
- construction	-8.7	9.5	-3.3	-5.3	-6.0	-0.4	-3.3	-0.9	0.3	0.1	0.3	1.7
- mainly public sector services	-0.4	1.0	0.3	0.0	0.3	0.7	0.4	0.5	0.8	0.7	0.7	0.8
- mainly private sector services	-0.8	4.4	3.5	3.0	3.4	4.1	-0.3	1.0	1.7	1.7	1.6	2.0
Domestic expenditure	-2.2	1.6	2.1	0.9	1.4	3.7	-0.7	0.9	1.8	1.4	1.9	2.4
- general government	-1.5	-0.1	0.7	0.2	0.8	3.0	0.2	0.8	1.3	1.2	1.1	1.8
- households and NPISH	-4.1	0.7	1.7	1.2	2.5	2.6	-0.6	0.8	1.7	1.6	1.9	1.5
- gross capital formation	2.7	5.7	4.4	0.8	-0.6	8.1	-1.8	1.4	2.7	1.2	2.9	5.5
- gross fixed capital formation	1.7	3.2	0.5	-0.6	-2.0	3.4	-2.6	1.3	2.7	2.7	2.6	3.5
- inventories and valuables, contr. to GDP growth in pp	0.2	0.5	0.8	0.3	0.3	0.8	0.2	0.0	0.0	-0.3	0.1	0.3
Labour market												
Employment	-1.4	0.6	1.4	1.6	1.3	1.3	-0.7	0.6	1.0	0.9	1.1	1.2
- mainly private sector services	-1.6	0.6	1.6	1.8	1.5	1.4	-1.0	0.5	1.1	1.0	1.1	1.2
- mainly public sector services	-0.6	0.4	0.8	0.7	0.7	0.8	0.2	0.7	0.8	0.6	0.9	1.0
Labour costs per employee	0.5	1.1	0.8	0.9	0.3	1.5	1.6	1.3	1.3	1.4	1.3	1.1
- mainly private sector services	1.7	2.1	0.8	1.1	0.4	1.2	1.5	1.4	1.3	1.5	1.4	1.2
- mainly public sector services	-3.2	-2.0	0.8	0.3	0.3	0.8	1.6	1.0	1.1	1.2	0.9	1.1
Unit labour costs	-0.1	-2.0	-0.6	0.1	-1.2	-0.7	1.1	1.0	0.7	0.8	0.9	0.6
- industry	0.8	-1.0	-2.1	-0.8	-3.0	-0.7	2.0	1.4	0.1	0.2	-0.2	0.2
	in %											
LFS unemployment rate	10.1	9.8	9.0	9.2	8.6	8.4	12.0	11.7	10.9	10.9	10.3	10.6
Foreign trade	*y-o-y growth rates in %*											
Current account balance as % of GDP	5.6	7.0	7.3	7.1	7.6	7.3	2.2	2.3	0.0	1.5	0.8	0.0
External trade balance as contr. to GDP growth in pp	1.1	1.6	1.0	1.9	1.4	-0.1	0.4	0.0	-0.1	0.3	-0.2	-0.4
Real export of goods and services	3.1	5.8	5.2	6.2	5.0	3.3	2.1	4.1	5.0	6.1	4.7	3.9
Real import of goods and services	1.7	4.0	4.4	4.1	3.7	3.9	1.3	4.5	5.7	6.0	5.5	5.4
Financing	*in % of GDP*											
Banking system's balance sheet	128.9	116.7	107.8	110.7	109.4	107.8	297.6	299.3	285.7	295.1	291.7	285.7
Loans to NFCs	45.1	31.5	26.5	29.1	27.9	26.5	42.0	40.2	39.1	39.7	39.4	39.1
Loans to households	22.6	21.5	21.2	21.3	21.3	21.2	51.8	50.7	50.3	50.4	50.3	50.3
Inflation	*in %*											
HICP	1.9	0.4	-0.8	-0.8	-0.8	-0.9	1.3	0.4	0.0	0.2	0.1	0.2
HICP excl. energy, food, alcohol and tobacco	0.9	0.6	0.3	-0.2	0.3	0.4	1.1	0.8	0.8	0.8	0.9	1.0
Public finance	*in % of GDP*											
Debt of the general government	70.8	80.8	83.0	80.8	84.2	83.0	91.1	92.1	-	92.3	91.6	-
One year net lending/net borrowing of the general government	-15.0	-4.9	-2.2	-4.3	-3.8	-2.2	-3.0	-2.6	-	-2.4	-2.1	-
- interest payment	2.6	3.2	3.0	3.1	3.1	3.0	2.8	2.7	-	2.5	2.5	-
- primary deficit	-12.5	-1.7	0.8	-1.2	-0.8	0.8	-0.2	0.1	-	0.1	0.3	-
- deficit excl. bank recapitalisations	-4.9	-3.9	-2.2	-3.4	-2.9	-2.2						
- primary deficit excl. bank recapitalisations	-2.3	-0.7	0.8	-0.2	0.2	0.8						

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

1 International Environment

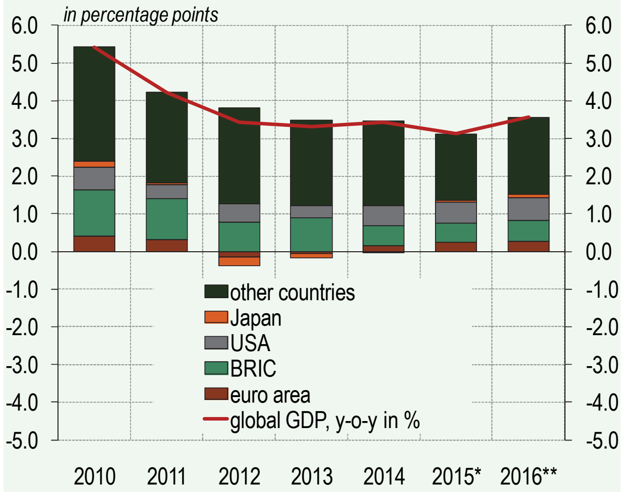
The forecasts for this year's global economic growth are being revised downwards, primarily as a result of the slowing down of the Chinese economy and the persistence of low commodity prices, although for now the rates remain higher than actual growth recorded in 2015. This was the lowest rate recorded since 2009, and was attributable to the slowdown in growth in developing countries. The wealthy countries, the US in particular, made greater contributions to growth than in previous years. Economic growth in the euro area strengthened slightly last year, as a result of an increase in private consumption, which was supported by an improvement in the situation on the labour market, while a reversal in investment was also indicated. Euro area growth is expected to remain moderate this year, which in the first quarter was evidenced in particular by the confidence indicators. The latest weighted forecasts based on the Consensus forecasts also suggest that aggregate growth in Slovenia's main trading partners will be relatively low. The monetary policies of the ECB and the Fed have remained divergent, which is keeping the euro low against the US dollar. Oil prices rose again after bottoming out in January, but nevertheless remain low. Other commodity prices also rose slightly.

Global economy

Global economic growth slowed last year for the fifth consecutive year, recording its lowest rate since 2009.[1] Of the individual economies, the US contributed most to global economic growth last year. Economic growth in the US strengthened primarily as a result of private consumption as the unemployment rate fell. The rate was down 0.9 percentage points on 2014 at 5.3%. The contribution made to global economic growth by the BRIC countries was down 0.2 percentage points on 2014 as a result of recession in Brazil in Russia (which recorded falls of 3.0% and 3.9% respectively in GDP in 2015), and a slowdown in the Chinese economy. Growth remained high in India. The contribution made by the euro area was positive for the second consecutive year, but small. The main sources of global growth thus remain diverse, and outside the aforementioned economies.

According to forecasts by international institutions, global economic growth will strengthen slightly in 2016, but the recovery will be more gradual than en-

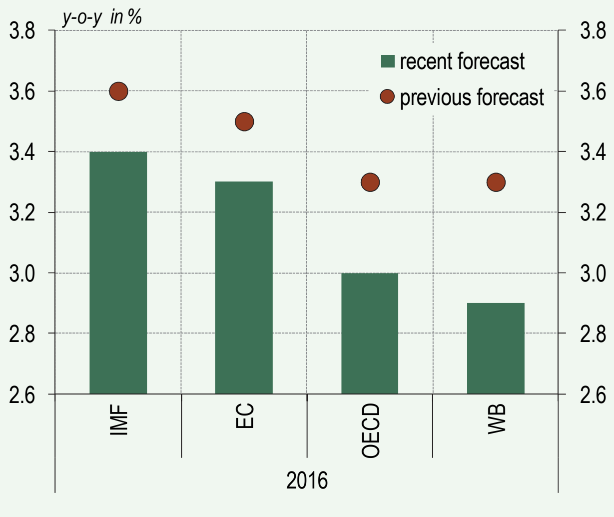
Figure 1.1: Contributions to global GDP growth



*Note: * estimate, ** forecast.*
Source: IMF, Bank of Slovenia calulations.

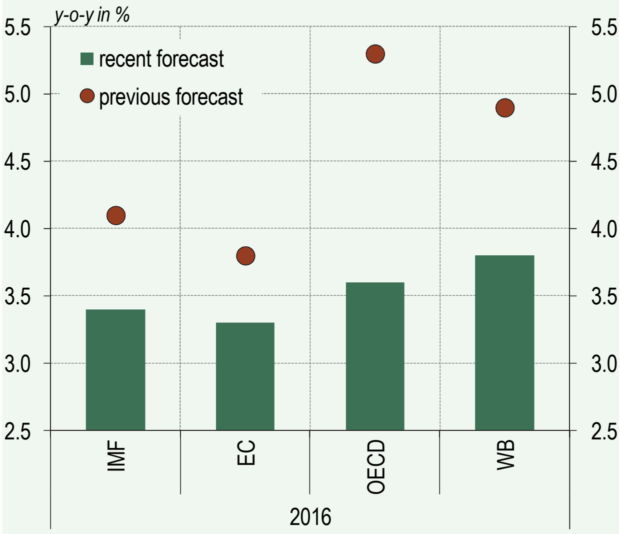
[1] Global economic activity recorded zero growth in 2009.

Figure 1.2: Global GDP growth forecasts



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

Figure 1.3: World trade growth forecasts

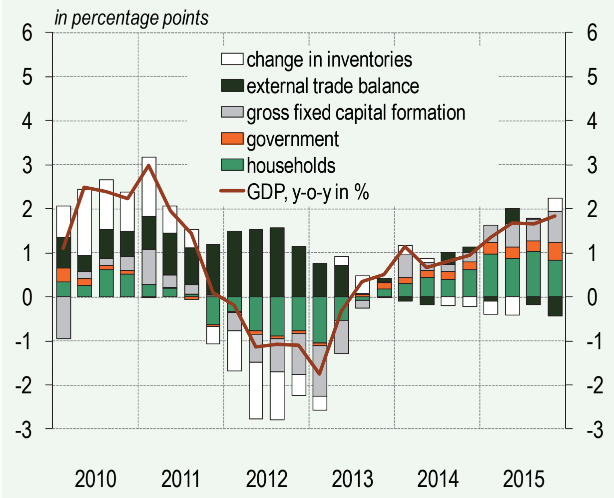


Source: IMF, European Commision, OECD, World bank.

visaged in previous forecasts. The forecasts for global GDP growth in 2016 range from 2.9% to 3.4%.[2] Compared with last year's final forecasts, this year's first forecasts for global GDP growth have been revised down at all institutions, by 0.2 to 0.4 percentage points. China is expected to see a further slowdown in growth this year owing to falling domestic demand and foreign demand, a decline in investment and production, and a shift in economic activity toward services. The situation in Russia and Brazil is expected to gradually improve: according to the IMF, the contraction in GDP will slow to 0.6% in Russia, while Brazil will record growth of 1.0%. Other emerging markets will continue growing, most notably India. The recovery is expected to remain relatively weak and uneven in the majority of wealthy economies. The main exception is the US, which nevertheless saw the IMF cut its economic growth forecast by 0.2 percentage points to 2.6%, owing to the weaker outlook for global economic growth.

There are numerous downside risks to global economic growth. The economic risks include the potential further slowdown in growth in emerging countries, the success of changeover to a new economic model in China, lower commodity prices, and the impact of the normalisation of monetary policy in the US on the financial markets in developing countries. Geopolitical risks are also high, most notably a continuation of the Russia-Ukraine conflict, instability in Syria and Iraq, and the possibility of new terrorist attacks in Turkey and Europe.

Figure 1.4: Contributions to y-o-y GDP growth in euro area, expenditure side



Source: Eurostat, Bank of Slovenia calculations.

Growth in global trade, which in recent years has been outpaced by global economic growth, is expected to strengthen slightly this year. The forecasts for growth in global trade in 2016 range from 3.3% to 3.8%.[3] The winter forecasts for this year's growth have been revised downwards by 0.5 to 1.7 percentage points compared with the autumn forecasts. This was attributable to the decline in economic growth in China, the slowdown in global demand and low investment activity.

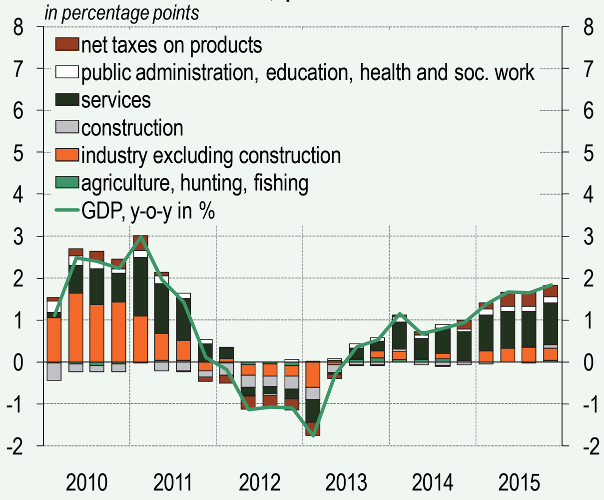
[2] IMF: 3.4%; European Commission: 3.3%; OECD: 3.0%; World Bank: 2.9%.
[3] IMF: 3.4%; European Commission: 3.3%; OECD: 3.6%; World Bank: 3.8%.

Euro area

Economic growth in the euro area increased in 2015, but remained moderate. It stood at 1.6% on an annual basis. The largest contribution to economic growth of 0.9 percentage points came from private consumption, encouraged by employment growth, which stood at 1.0% on an annual basis, the highest rate of the last five years. Gross fixed capital formation also began strengthening, and accounted for 0.5 percentage points of GDP growth, the year-on-year rate reaching 3.4% in the final quarter. The contributions made by inventories and net exports were moderately negative. In terms of sector, the largest contribution to growth was made by services, at 0.9 percentage points. This was followed by industry, with a contribution of 0.3 percentage points. Both figures were up on 2014. The contributions made by public services and construction remained at their level of 2014.

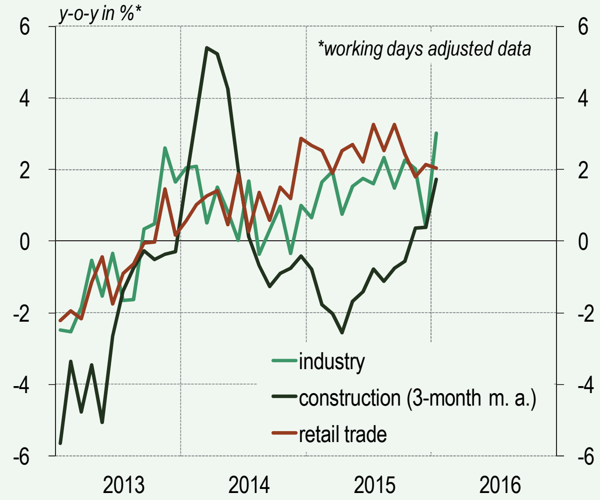
The economic sentiment deteriorated slightly in the early part of this year, despite signs of continuing economic growth. The amount of construction put in place in January was up 3.6% on December of last year, while industrial production was up 2.1% and turnover in the retail sector was up 0.4%. The situation on the labour market continued to improve in January, when the harmonised unemployment rate fell to 10.3%, the lowest level since August 2011. Despite January's growth in activity,

Figure 1.5: Contributions to y-o-y GDP growth in euro area, production side



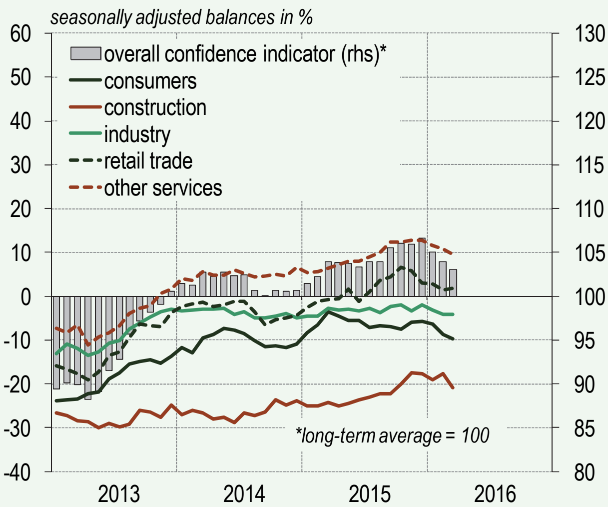
Source: Eurostat, Bank of Slovenia calculations.

Figure 1.7: High frequency indicators for euro area



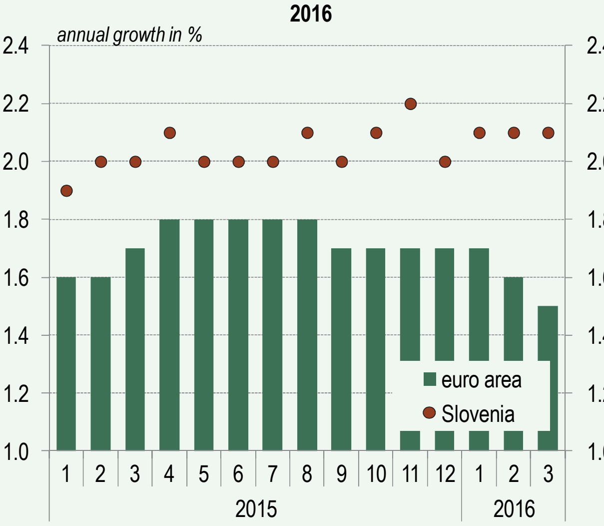
Source: Eurostat, Bank of Slovenia calculations.

Figure 1.6: Confidence indicators – euro area



Source: European Commission.

Figure 1.8: Consensus forecasts for GDP growth in 2016

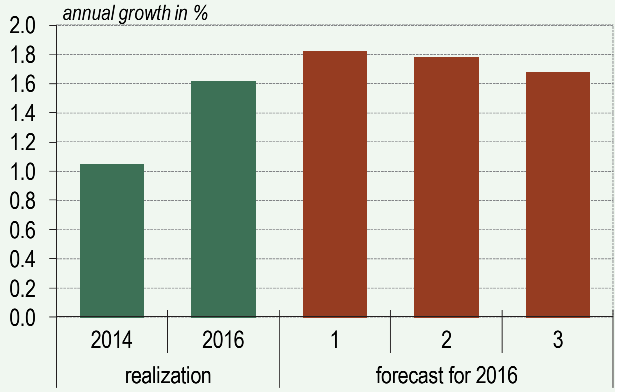


Source: Consensus.

the economic sentiment in the first quarter deteriorated under the influence of a fall in the number of orders and a deterioration in business expectations.[4]

The Consensus forecasts for this year's economic growth in the euro area have been reduced in recent months, while in February the European Commission warned of increased risks of lower growth. Consensus reduced its forecast from 1.7% in January to 1.5% in March. In its most recent forecasts published in early February, the European Commission was forecasting GDP growth of 1.7% in the euro area in 2016, down just 0.1 percentage points on its autumn forecasts. According to the European Commission, the risks of growth being lower than forecast have increased, primarily as a result of uncertain growth in developing economies and lower growth in global trade. Low energy prices, low interest rate and the low value of the euro will remain factors in the moderate growth.[5] Employment is expected to continue rising moderately, and the unemployment rate will gradually fall, albeit more slowly than in 2015.

Figure 1.9: Weighted forecasts for Slovenia's major trading partners by month



Note: Trading partners with at least 1% share in Slovenia's total goods exports in 2015 (22 countries with a total share of 88%). Growth estimate for 2014 and 2015 and forecast for 2016 are weighted with each country's share in total goods exports.
Source: Consensus, Bank of Slovenia calculations.

Slovenia's trading partners

The weighted economic growth in Slovenia's trading partners is expected to remain merely moderate this year. The weighted aggregate estimate of economic growth in 2015 is 1.6%, up 0.6 percentage points on 2014. The weighted forecast for growth in 2016 was lowered by 0.1 percentage points in March relative to January; the rate is not expected to exceed 1.7%. In March Consensus lowered its economic growth forecasts for Slovenia's man trading partners relative to January, by 0.2 percentage points for Germany and Italy to 1.6% and 1.1% respectively, and by 0.1 percentage points for Austria and France to 1.3%. The decline in economic activity in Russia is also expected to be slightly larger than previously forecast. March's forecasts for this year's economic growth in other major markets were more favourable. This is the case for Poland (3.5%), Hungary (2.4%), Slovakia (3.2%), Romania (4.1%), Bulgaria (2.6%) and Turkey (3.2%), where the forecasts were at the same level or even higher than the previous Consensus forecasts. The favourable forecasts were attributable to growth in household consumption in the context of low inflation and rising wages. The main factors acting to slow further economic growth in these countries are internal political risks and geopolitical risks.

Euro exchange rate and commodity prices

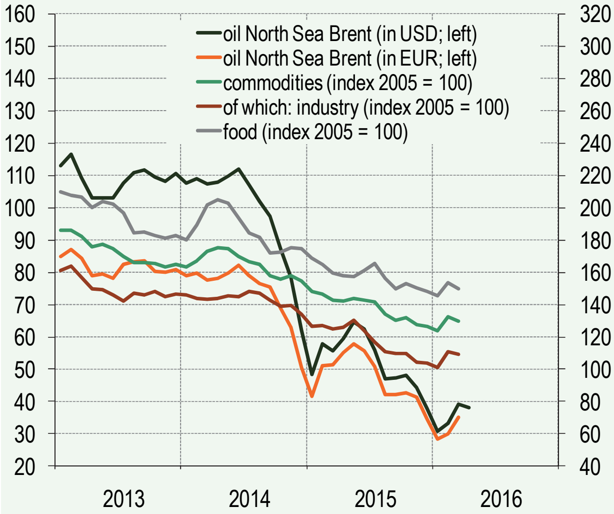
The divergence between the monetary policies of the ECB and the Fed has deepened, which is holding the euro exchange rate down against the US dollar. The Fed initially planned to make four rises in the main interest rate this year, but then in the early part of the year it reduced the number of rate rises to two. The Fed is ensuring that in deciding further changes in interest rates in 2016 it will primarily act on the basis of current economic developments, which are expected to be affected by a deterioration in the global economic situation, falling share prices and further rises in the US dollar. In March the ECB again cut the rate on its deposit facility, to -0.40%.[6] At the same time it also cut the interest rates on main refinancing operations and on the marginal lending facility to zero and 0.25% respectively. As part of its non-standard measures it announced an increase in the

[4] http://ec.europa.eu/economy_finance/db_indicators/surveys/documents/2016/esi_2016_02_en.pdf
[5] http://ec.europa.eu/economy_finance/publications/eeip/pdf/ip020_en.pdf
[6] http://www.ecb.europa.eu/press/pr/date/2016/html/pr160310.sl.html

Figure 1.10: Euro/US dollar exchange rate and central bank interest rates

Sources: ECB, Federal Reserve.

Figure 1.11: Commodities



Source: The Economist, Bloomberg, Bank of Slovenia calcuations.

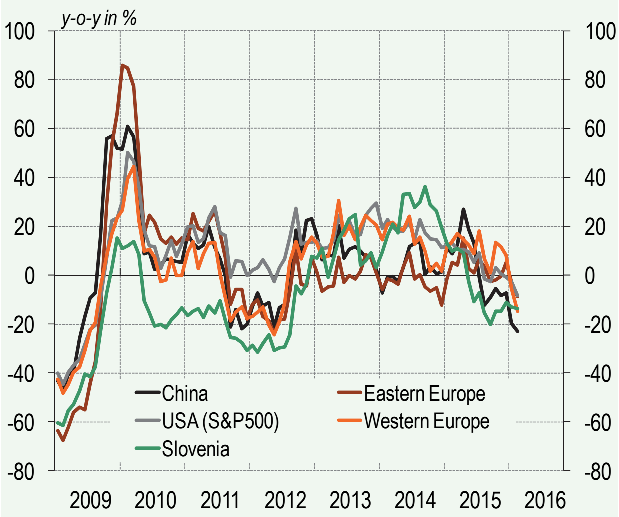
monthly purchases of securities under the asset purchase programme to EUR 80 billion in April.[7] From the end of the second quarter of 2016 the securities of euro area non-banking corporations will also be included in the purchases. The ECB measures for the further easing of monetary policy in the euro area on one side and the expectations of the gradual normalisation of monetary policy in the US on the other side are holding down the euro, which has fluctuated around USD 1.1 since the beginning of 2016.

After bottoming out in January, oil prices have started to rise. A barrel of Brent crude averaged just USD 30.8 in January, down almost a fifth on December. The price later began rising, and averaged USD 39.1 in March. The rebound in oil prices was partly attributable to an agreement between the largest oil producers to freeze pumping at the level of this January. After a sharp fall in 2015, prices of other commodities had risen again by the end of March.

International capital markets

Stock markets made a bad start to 2016. Investor attention was focused on the crude oil market in the early part of the year, as the movements in the majority of share indices tracked those in oil prices. Oil reached its low of the last several years in the second half of January.

Figure 1.12: Foreign stock exchange indices



Source: Bloomberg.

At the end of February investors were encouraged by news from China, where the first positive effects were seen from government intervention to provide stimulus to the economy, which was reflected in the form of growth in lending to the real sector by Chinese banks. Despite a positive turnaround in February, the majority of share indices remained down in year-on-year terms towards the end of March.

[7] http://www.ecb.europa.eu/press/pr/date/2016/html/pr160310_2.en.html

Box 1.1: Slowdown in China and its impact on global economic activity

According to the recent IMF forecasts, uncertain development in China is one of the main risks to the global economic recovery. China has recently experienced a significant decline in growth, from 10.6% in 2010 to 6.9% in 2015, and its transition to a new economic model is for the moment uncertain.

China has been the fastest-growing economy in recent decades, but the need to shift to a new economic model has been increasingly evident. It is to be expected that the transititon from an export-oriented economy to an economy driven by private consumption and services will be reflected in a significant slowdown in growth. Overcapacity in industrial sector, inefficient state-owned companies and the indebtedness of local government call for an urgent need for substantial reforms, which are long overdue. Doubts surrounding the Chinese government's ability to carry out reforms are also one reason that in March Moody's downgraded the outlook for the Chinese economy from stable to negative.

China is seeking internal balance while putting a new growth model in place, while trying to maintain an external balance given its recent decision to internationalise its currency (the IMF's November decision to include the yuan into the SDR currency basket). This raises the question of whether the decision to internationalise the Chinese yuan is premature. China experienced major currency decline and turmoil in stock markets in the early months of 2016. Interventions by the central bank on the currency markets brought a fast decline in foreign exchange reserves (a fall of approximately USD 100 billion in January 2016), and there has also been an evident increase in capital outflows, which is most likely the result of fears of a further devaluation of the yuan.

Risks in the Chinese banking system have also increased significantly in the recent period. The instability in interest rates, exchange rates and stock prices and the capital outflows are factors influencing the rising scale of bankruptcies in the corporate sector. At the same time investment by the large state-owned banks is again increasing as growth strengthens and the shadow banking system is expanding. The risks to the stability of the Chinese financial system could also threaten the ongoing deleveraging of indebted firms, and could cause an additional slowdown in economic growth.

There are different opinions on how developments in China influence the global economy. A slowdown in Chinese growth

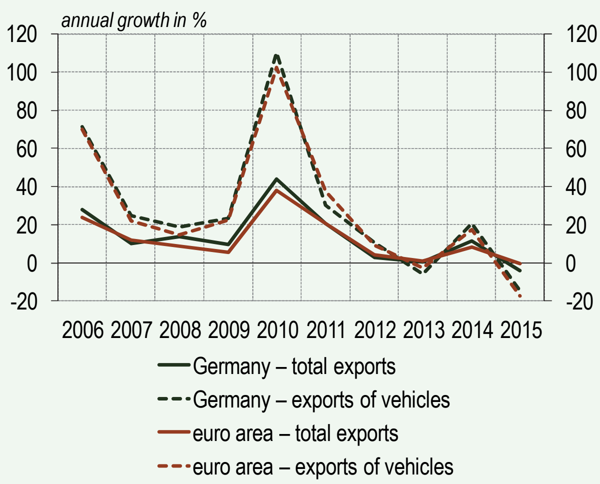
Figure 1: Chinese GDP growth

Sources: IMF, World Bank – forecast for 2016 in 2017.

Figure 2: USD/CNY and EUR/CNY Exchange Rate

Source: Bloomberg.

Figure 3: German and euro area exports of goods to China



Vir: Eurostat, Bank of Slovenia calculations.

is expected to have a merely fleeting impact on global consumption, due to limited trade channels. Contrary, the devaluation of the yuan as a measure to strengthen export competitiveness could trigger a currency war. A sharp devaluation of the yuan could make Chinese exports cheaper while raising the prices of imports into the Chinese market from other countries, which would increase a risk to economic growth in the EU, the US and emerging markets. The direct impact on China's main trading partners could also be profound, as a result of a slowdown in growth in its import demand.

The impact of a slowdown in Chinese economic growth on Slovenia could primarily be indirect. It would entail an impact on the export sector via Germany and other trading partners that trade heavily with China, in Slovenia's case on the automobile industry most notably. While Slovenia's exports of automobile parts to Germany increased sharply in 2015, Germany's exports of vehicles to China declined by 14.5%. The total merchandise exports of Germany and the entire euro area to China also declined in 2015, albeit without a notable adverse impact on the Slovenian economy for the moment.

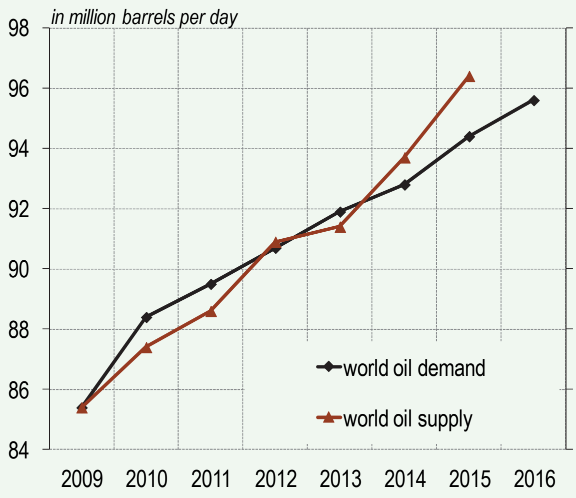
Box 1.2: Oil prices and the global economy

The main factor, contributing to the fall in oil prices, has mostly been the excess supply caused by increased production in the US (shale oil) and in OPEC members, who have failed to reach an agreement to cut production. Excess inventories have also been a factor in the fall in prices. On the demand-side the main factors are weak global economic growth and, in particular, the slowdown in China. Crude oil prices fell from USD 115 per barrel in June 2014 to USD 27 in January 2016, the lowest level in the last 12 years.

Although low level of oil prices have a beneficial impact on oil importer countries, the effects are diverse. The fall in oil prices improved the terms of trade and the current account position for net importer countries, reduced corporate input costs and raised household disposable income. However, the fall in prices had an adverse impact on major producers, and on countries where oil production costs are high. The positive effect of low prices on consumption was smaller in these countries, due to the decline in oil revenues, fiscal and financial shocks, and a decline in investment in the oil industry.

Supply of oil is gradually adapting to the new situation. In a report issued in March of this year,[1] the International Energy Agency (IEA) highlighted that oil prices might have bottomed out, as producers with high production costs were being forced to cut production. Oil production is expected to decrease by the end of 2016, mostly due to reduced production in Iraq, Nigeria and the UAE, which will only be partly offset by increased production in Iran. An agreement between Russia, Saudi Arabia, Iran and other OPEC members (a total of 15 producer countries accounting for two-thirds of global oil production) to limit oil production or to freeze it at a specific level has recently become a possibility. Nevertheless, reaching a credible agreement that would significantly reduce the OPEC production target and support a rise in oil prices, seems unlikely at the moment.

Figure 1: Changes in world oil suppy and demand



Source: IEA.

There is little likelihood of a significant oil prices rise in the near future. According to expectations, the excess supply will be attributable to Iran, which after the lifting of international sanctions, is ready to increase oil production and to reclaim a greater market share. At the same time, oil inventories continue to increase, and are thus forcing an increase in storage capacity. According to IEA estimates, oil inventories will have increased further by the end of 2017. Growth in oil demand is expected to remain relatively low as a result of weaker global economic growth. Geopolitical tensions in the Middle East could cause further disruption on the oil market, while surplus inventories and slower adjustments by high-cost producers could limit price rises in the near future. At the same time, a greater role of environment-friendly energy resources can be anticipated over the medium term, in line with the objectives of last year's Paris climate conference (COP 21).

[1] International Energy Agency; Oil Market Report, https://www.iea.org/oilmarketreport/omrpublic/.

Box 1.3: Effects of climate change on economic activity and the financial system

Climate change is becoming one of the major challenges to contemporary society. Economic activity is highly dependent on energy- and carbon-intensive sectors, and the banking sector's exposure to such sectors is far from negligible.

The IPCC's latest assessments[1] show that without measures to reduce greenhouse gas emissions the average global temperature could rise by more than 4°C by the end of the 21st century. By way of comparison, the average global temperature at the earth's surface has risen by less than 1°C in the last 100 years, having picked up pace in the last 30 years.

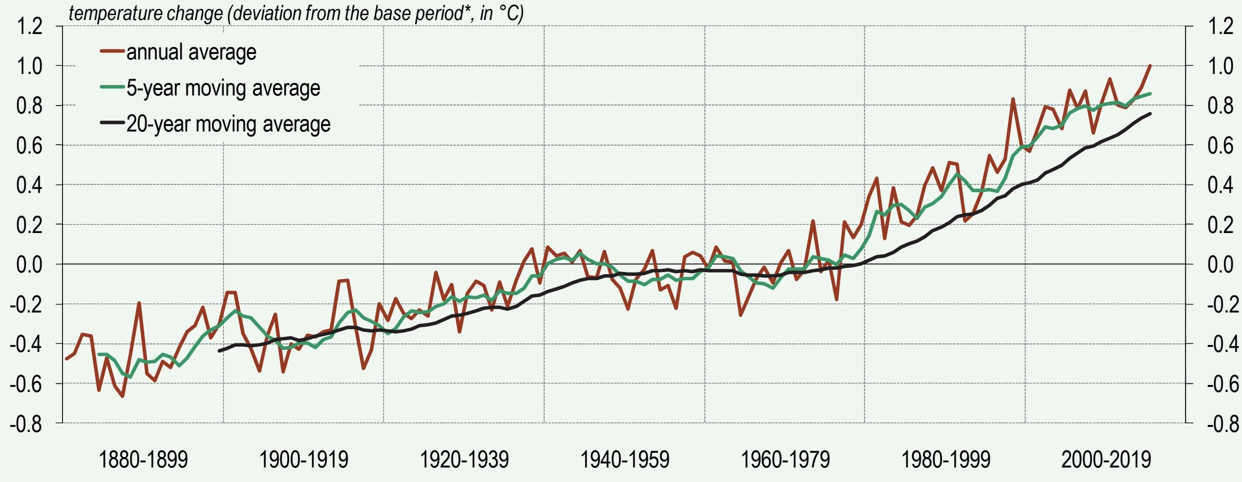
The consequences of high emissions of greenhouse gases are more frequent extreme weather events of increasing magnitude. According to OECD assessments,[2] without the introduction of measures to reduce greenhouse gas emissions the economic damage of such weather events and the other consequences of climate change could be a loss of 10% of global GDP by 2100. The timely implementation of measures could significantly limit the costs of climate change to around 1% to 3% of global GDP, the majority in developing countries.

The wide support for the climate change agreement ratified in Paris by 195 countries in December 2015 is a significant step towards a more active environmental policy. Signing the Paris Agreement commits a country to the faster formulation of national environmental policy and the timely introduction of measures to reduce greenhouse gas emissions. Under the agreement there is a target of a maximum increase in temperatures of 2°C by 2100, or around 1.5°C under the ambitious plan.

The prompt adoption of the necessary environmental policy could provide for the gradual transition to a low-carbon society, which would allow for the requisite adjustments in the economy, and given the appropriate technological development could ensure that energy prices remain at sustainable levels. According to the European Systemic Risk Board (ESRB), the key factors in preventing an excessive rise in costs during the transition to a low-carbon economy are the timeliness and suitability of the action. Measures that are too late or poorly conceived would have a major adverse impact on economic activity, primarily owing to: 1) an unsustainably fast rise in energy production costs as a consequence of a sudden switch to renewables, 2) a change in the value of and return on investments related to energy- and carbon-intensive sectors, which in general are primarily debt-financed, and 3) the aforementioned extreme weather events.

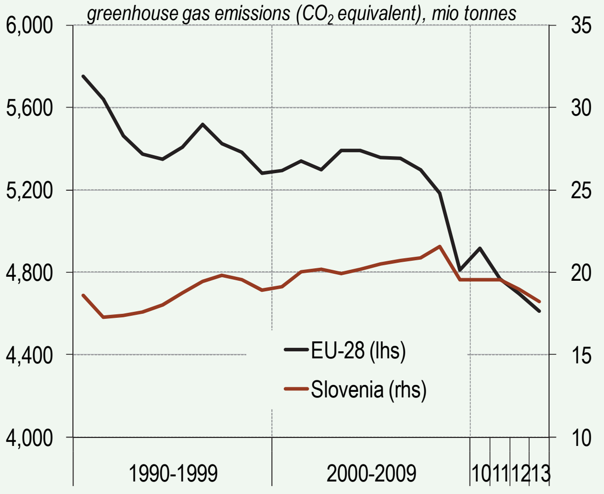
Economic sectors such as energy, transport, agriculture and certain parts of industry are relatively emissions-intensive, and will have to relatively quickly deal with the adverse consequences of the transition to a low-carbon society. If measures are taken too late, the energy sector will in particular face higher energy production costs as a result of the transition to renewables, which are generally more expensive than non-renewables. The adverse effects on agriculture and transport are primarily related to the frequency of extreme weather events such as heavy storms, hail and drought. The latter also has a significant adverse financial impact on the insurance sector, primarily on account of the frequency and magnitude of loss events related to weather.

Figure 1: Global temperature



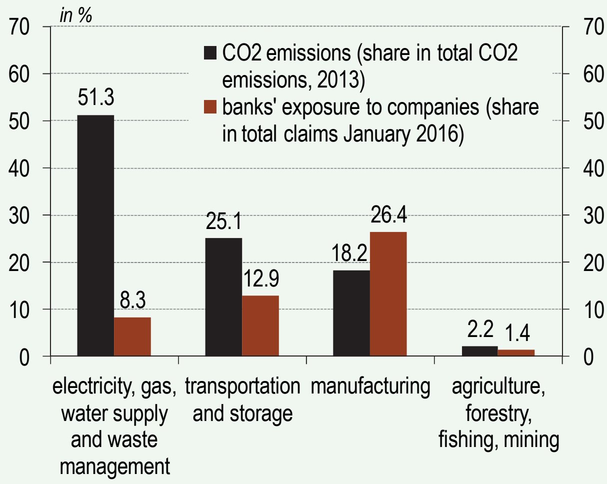
Sources: GISS (NASA), Bank of Slovenia calculations.
*Note: * Base period = 1951-1980.*

Figure 2: Greenhouse gas emissions



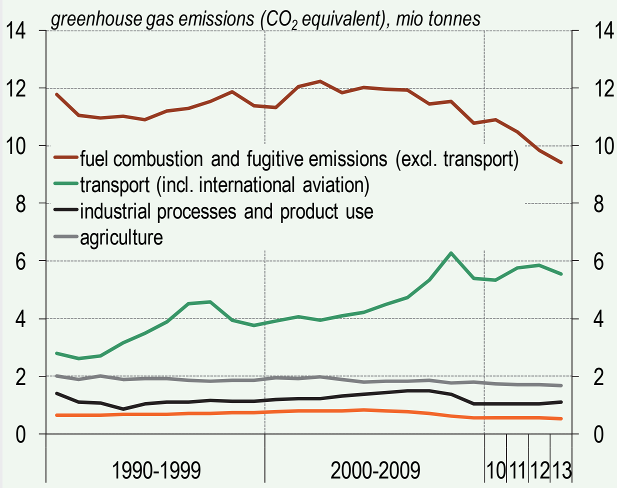
Source: Eurostat.

Figure 4: Emissions of carbon dioxide and banks' exposure to the carbon-intensive activities in Slovenia



Sources: Eurostat, Bank of Slovenia.

Figure 3: Sources of greenhouse gas emissions in Slovenia



Source: Eurostat.

In addition to the aforementioned indirect impacts, the direct effects of climate change on the financial system should also be highlighted. According to ESRB assessments,[3] in the event of a failure to take timely action in environment policy, the financial system's exposure to carbon- and energy-intensive sectors could be one of the major challenges to macro-prudential policy. Given the challenges in the energy sector, primarily as a result of the transition to energy production from renewables and in the wake of insufficient investment in technological development, there could be a sharp fall in asset values at energy-intensive firms. A fall in the value of assets, which are in general largely financed by debt, entails a significant systemic risk to the financial sector. In addition to recommendations for more detailed monitoring of such risks by rating agencies, the ESRB is also examining the possibility of including the impact of climate change in the regular stress tests for banks and other financial institutions.[3]

To prevent the adverse scenario it is vital that the economy undergoes timely adaptation and there is a gradual transition to a low-carbon economy. Investment in green projects such as the construction of power stations for the production of green energy, energy efficiency improvements to commercial and residential buildings and the development of new technological solutions in agriculture and waste management can make the largest contributions to this objective. Given the right incentives, green investments of this type can be a major driver of future investment activity.

[1] Source: https://www.ipcc.ch/pdf/assessment-report/ar5/syr/AR5_SYR_FINAL_SPM.pdf, p 11.
[2] Source: https://www.oecd.org/env/cc/Adapting-to-the-impacts-of-climate-change-2015-Policy-Perspectives-27.10.15%20WEB.pdf, p 3.
[3] https://www.esrb.europa.eu/pub/pdf/asc/. Reports_ASC_6_1602.pdf

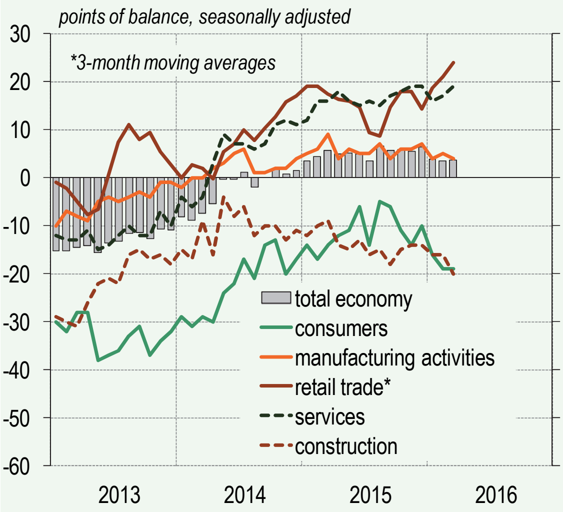
2 Economic Developments

Economic growth remained significantly above the euro area average last year, and the sources of growth reveal favourable structural changes. Household consumption strengthened compared with 2014, as a result of growth in employment and the positive impact of falling energy prices on purchasing power. Thanks to a less-restrictive fiscal policy, final government consumption also made a positive contribution to growth in domestic demand for the first time since 2009. Growth in investment declined significantly, albeit only as a result of a decline in construction investment at the end of the European financial framework. At the same time there was most likely a reversal in the corporate sector, where investment in production capacity strengthened last year, alongside investment in transport equipment, which was partly attributable to corporate financial surpluses. Towards the end of the year the first signs began to be seen of investment in residential construction, which is being supported by the stabilisation of the situation on the real estate market. The revival of the domestic market is contributing to increased activity in the service sector and more stable growth in industrial sector revenue. Moreover, despite weaker exports at the end of the year, the industrial sector recorded the largest increase in value-added among all other economic sectors again last year. Another sign of more balanced economic growth is the contribution made by net trade, which declined significantly last year. Although confidence in the Slovenian economy declined slightly earlier year, the available data on activity indicates a continuation of solid economic growth, with a positive contribution from the industrial sector, as well as many of the service sectors.

Confidence indicators and limiting factors

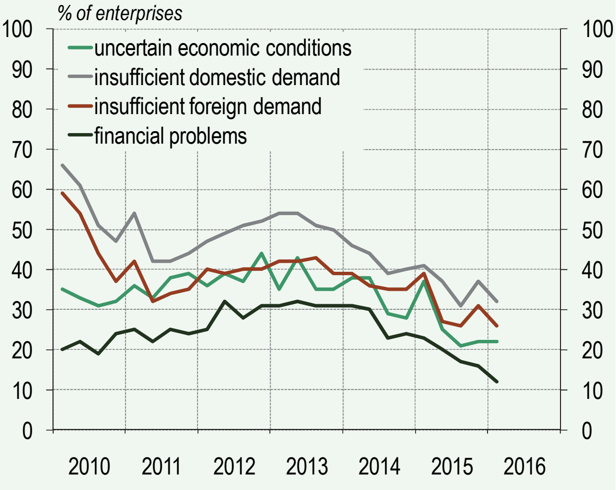
The economic sentiment indicator declined slightly at the turn of the year, but later remained stable, although this is concealing a significant variation across different sectors. Manufacturing confidence declined below its 2015 average as a result of less optimistic assessments of current order books and production expectations. There was an increased pessimism in the construction sector, where the assessment of order book value declined in March to its lowest level since mid 2013, a reflection of the lack of construction investment after the completion of the government investment cycle at the end of the European financial framework. Confi-

Figure 2.1: Confidence indicators



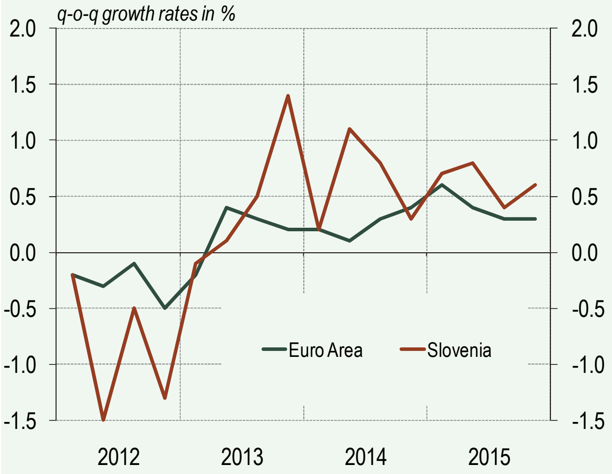
Source: SORS, Bank of Slovenia calculations.

Figure 2.2: Manufacturing activities – limits to production



Source: SORS.

Figure 2.3: GDP growth in Slovenia and EA



Source: Eurostat – national accounts, seasonally and working days adjusted data.

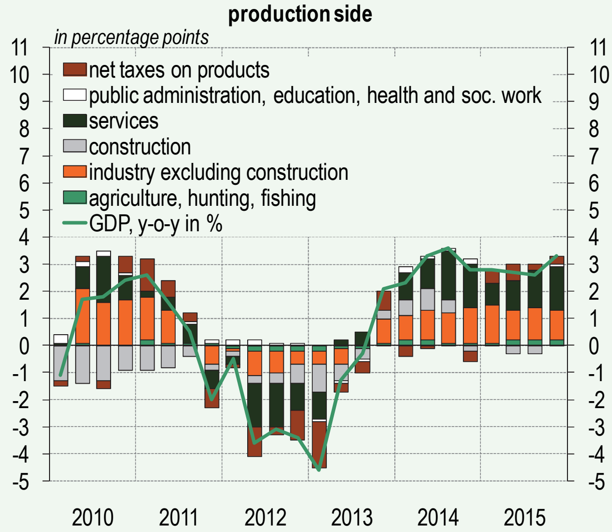
dence in the service sector excluding wholesale and retail trade remained high. Service-sector firms assessed the demand level in the first quarter as favourable with similarly optimistic assesmenta for the second quarter. Retail firms were also optimistic, in contrast to the consumer confidence indicator, which in the first quarter declined significantly below its 2015 average.

According to manufacturing firms, the economic situation remained stable in the first quarter of this year. Only just over a fifth of firms cited the uncertain economic situation as one of the main limiting factors in performance in the beginning of the year. This opinion remained unchanged since the second half of 2015 and down 15 percentage points in year-on-year terms. The proportion of firms facing insufficient demand also declined year-on-year. According to the SORS survey, there was a further improvement in the financial conditions: only 12% of firms cited financial problems as a limiting factor in performance in the first quarter of this year. This is the lowest figure since 2008.

GDP

Economic growth last year was higher than expected, and comparable with that in 2014. Quarterly GDP growth stood at 0.6% in the final quarter, higher than had been previously suggested by certain monthly indicators of activity and confidence. Growth in value-added in the

Figure 2.4: Contributions to y-o-y GDP growth, production side



Source: SORS.

Figure 2.5: Differences in y-o-y growth rates of GDP components between Slovenia and the euro area, production side*

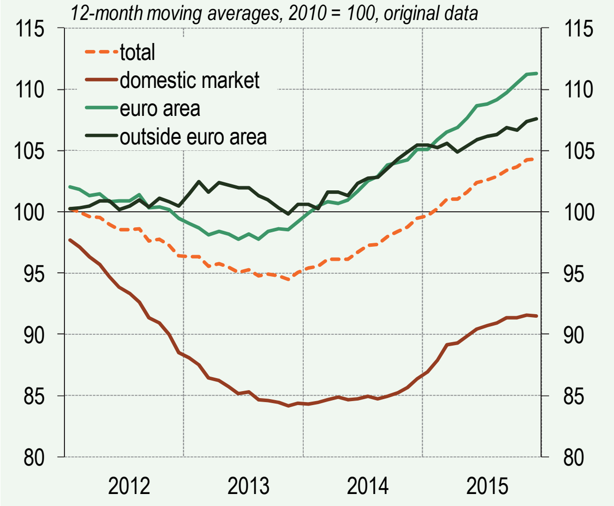
Soures: Eurostat, Bank of Slovenia calculations.

industrial sector remained positive, despite weaker goods export growth. In the same time, amid increased government investment and growth in residential construction, the quarterly decline in construction activity came to a halt, at least temporarily. Growth in value-added in the majority of private-sector services also remained solid, which was primarily attributable to high growth in exports of services as domestic final consumption increased. Economic growth stood at 2.9% on an annual basis, 0.3 percentage points more than the Bank of Slovenia projection.[8] The contributions made by industry and private-sector services were even, an indication of the ongoing relatively balanced growth in value-added. The industrial sector yet again recorded the highest growth of all the economic sectors, on this occasion partly as a result of increased sales on the domestic market. In the service sector the largest increase in value-added relative to 2014 was recorded by the category of other services, within which there was a pronounced increase of 45% in turnover in employment activities, in line with the expanding use of staffing agencies. Growth in value-added in services of wholesale and retail trade, transportation and storage, and tourism was similarly high, in line with growth in domestic final consumption and international trade, and an excellent holiday season.[9] Construction was the only sector to undergo a negative reversal in annual terms, as a result of weaker realisation of public investment and the persistently modest private-sector investment in infrastructure.

The out-performance of overall economic growth in the euro area last year was again primarily attributable to the industrial sector. Industrial sector value-added growth outpaced the euro area average by more than 3 percentage points. Growth in value-added in private-sector services also began to strengthen more than the average across the euro area in the second half of the year. Growth on an annual basis was just over 1 percentage point higher. In the quest for fiscal stability, fiscal policy remained more restrictive than across the euro area, which last year was reflected in the growth in value-added in public services being outpaced by the euro area overall by 0.5 percentage points. As expected, largest lag was observed in construction, primarily as a result of the discontinuation of investment due to the conclusion of the European financial framework as well as due to the high basis. Annual GDP growth outpaced the euro area average by 1.2 percentage points.

Figure 2.6: Volume turnover in industry

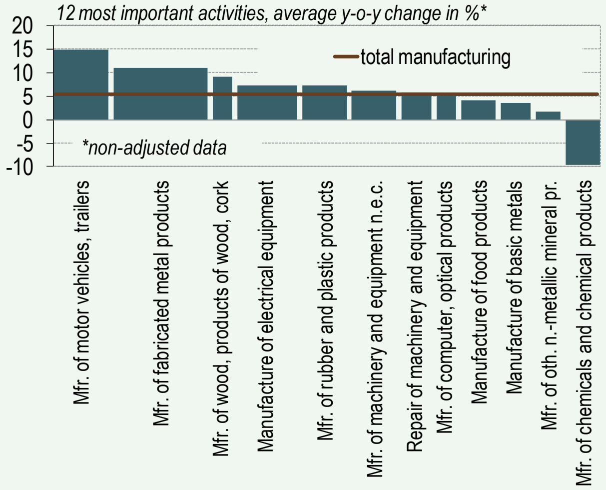
12-month moving averages, 2010 = 100, original data



Source: SORS, Bank of Slovenia calculations.

Figure 2.7: Manufacturing production in 2015

*12 most important activities, average y-o-y change in %**



Source: SORS, Bank of Slovenia calculations. Notes: Width of each column represents a share of activity in total value added in manufacturing in 2014. Pharmaceuticals not included due to data confidentiality.

Growth in value-added in manufacturing strengthened further last year. Value-added in manufacturing increased by 5.8%, which was attributable to 16 of the 22 sectors, an indication of the wide spectrum of growth in industrial production. Of the major sectors, the highest

[8] The impact of the number of working days on GDP growth was significant in 2015, although economic growth remained solid even after adjustment for the season and the number of working days, at 2.6%.
[9] The total number of arrivals by travellers last year was up almost 11%, while their number of overnight stays was up more than 7%.

annual growth was recorded by the manufacture of motor vehicles, despite a sharp decline in the second half of the year, which was expected and was related to specific cyclical developments at Revoz. It was a good year for the metal industry, and output in the electrical industry also strengthen significantly. The main factors preventing event stronger growth in manufacturing were the adverse situation in the pharmaceutical industry owing to a fall in sales on the Russian market, which despite a more aggressive approach to western markets slowed growth sharply according to export figures.

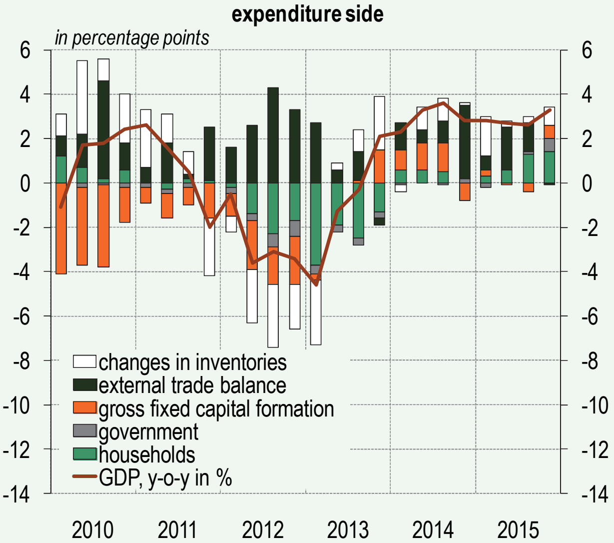
Last year's largest increase in growth in demand for manufacturing goods was recorded by the domestic market. Turnover on the domestic market was up 6% on an annual basis, despite a slowdown in growth in the second half of the year. Growth in turnover on euro area markets remained at its level of 2014, while there was significant slowdown in growth on other markets, albeit primarily as a result of the difficulties of the Russian economy and, to a lesser extent, the Ukrainian economy.

Aggregate demand

Growth in domestic consumption strengthened last year, which was notably attributable to faster growth in final household consumption. Domestic consumption was up more than 2% on 2014, and year-on-year growth was strongest in the final quarter, which was significantly attributable to a base effect related to the fall in investment in the final quarter of 2014. After recording weak growth in 2014, final household consumption strengthened significantly last year, and accounted for just over a third of GDP growth. The government sector also made a contribution to growth in final consumption for the first time since 2009, having increased expenditure in the final quarter in particular, partly as a result of increased healthcare spending. Growth in gross fixed capital formation slowed sharply as a result of the completion of the government investment cycle, which was reflected in a decline in construction investment. Changes in inventories also had a pronounced impact, accounting for 0.8 percentage points of the 2.9% GDP growth.

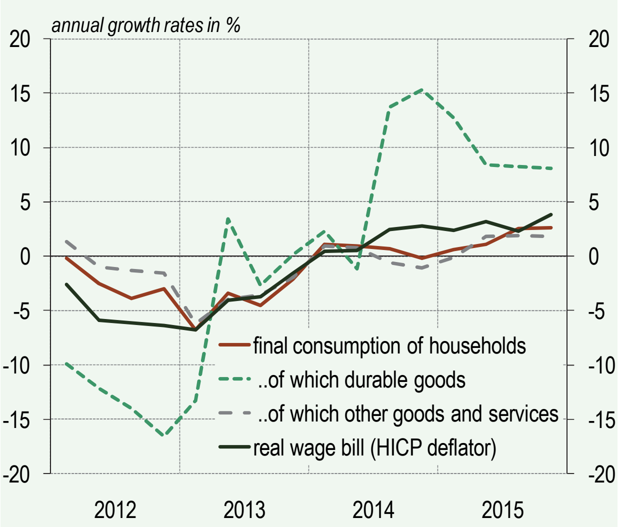
Year-on-year growth in final household consumption picked up last year, and in contrast to 2014 was mostly attributable to increased consumption of non-durables. Households increased their consumption by 1.7% last year, more than expected.[10] Having remained unchanged in 2014, consumption of non-durables increased by 1.4% last year, expenditure on recreational activities recording notable growth. Growth in retail turnover was relatively unevenly distributed across the vari-

Figure 2.8: Contributions to y-o-y GDP growth, expenditure side



Source: SORS.

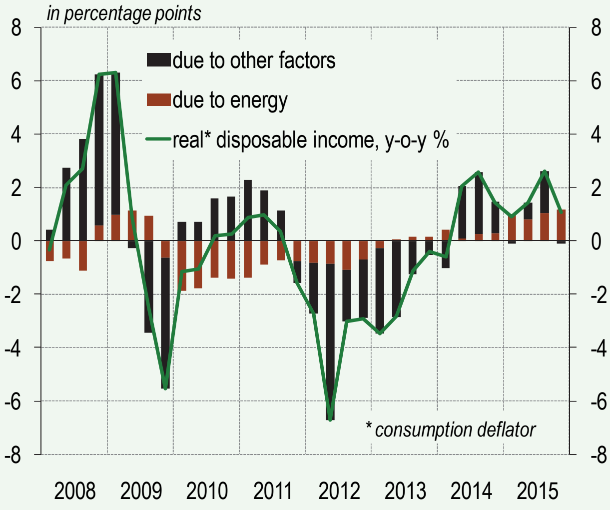
Figure 2.9: Final consumption of households and wage bill



Source: SORS, Bank of Slovenia calculations.

[10] In the national accounts released in February the SORS raised its figure for growth in final household consumption in the third quarter of 2015 to 2.5%, up from 1.3% in November, as a result of a sharp increase in residents' spending in the rest of the world, which has an impact on final household consumption according to the national concept, and also on imports of travel services.

Figure 2.10: Households' real disposable income - Slovenia

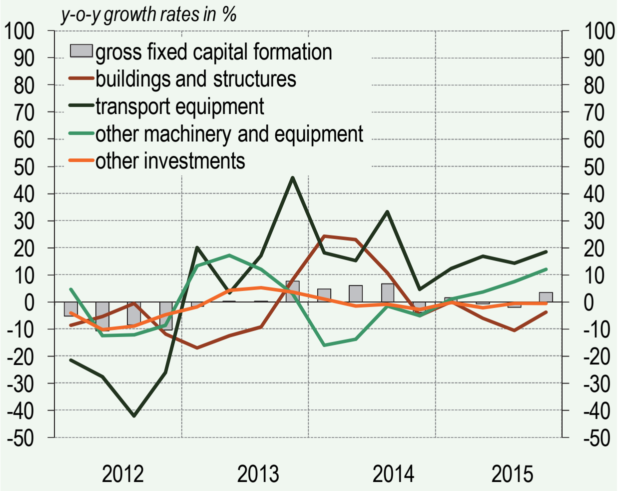


Source: SORS, Eurostat, ECB.

ous segments, but is nevertheless indicative of a substantially wide spectrum of increased household demand, and also changes in purchasing habits. The largest increase in turnover was recorded by retail via post and internet, which was up 41%. Growth in purchases of consumer durables remained strong, cars again to the fore. The increase in household consumption is thus in line with the recovery in purchasing power, which was attributable to the total wage bill and the impact of falling energy prices on disposable income. Despite the increase, household consumption last year was still down more than 4% on its peak of 2011.

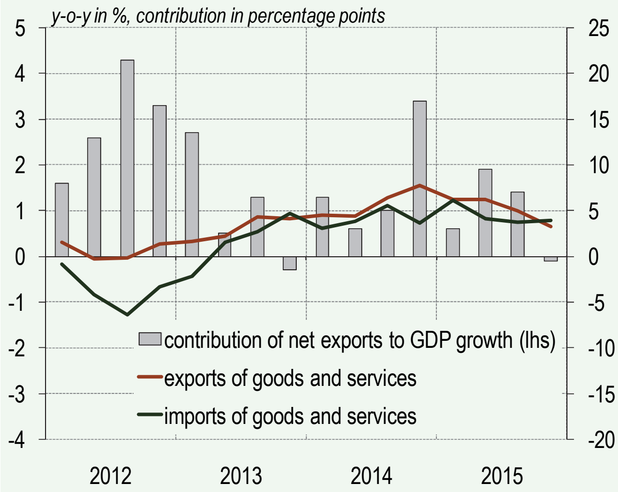
Last year's changes in the investment structure were favourable from the perspective of the economy's potential output. Although aggregate growth in investment slowed sharply last year, the slowdown was solely the result of a decline in construction investment. Investment in machinery and equipment increased sharply, albeit from a relatively low basis. Its rate of growth averaged more than 8% over the year, more than expected. There was an increase in investment in transport equipment for a third consecutive year, an indication of the development of the transport sector, supported by favourable growth in turnover. In contrast to 2014 however, investment in other machinery and equipment also strengthened significantly, by more than 6% at the annual level. The turnaround in investment has been anticipated for some time, as utilisation of production capacity has persisted at high levels and private-sector profitability has

Figure 2.11: Gross fixed capital formation



Source: SORS.

Figure 2.12: Foreign trade



Source: SORS - national accounts.

improved, while the limiting factors of demand and financing conditions reported in surveys have diminished. At the same time there was to a lesser extent an increase in investment in residential construction in the final quarter of last year, which followed the stabilisation of prices and an increase in the number of transactions on the housing market.

The decline in the contribution made to GDP growth by net trade was attributable to increased imports and weaker growth in exports in the final quarter. Overall real growth in exports was down 0.6 percentage points on 2014 at 5.2%, as a result of weaker growth in merchandise exports in the final quarter. Growth in merchandise imports strengthened at the same time, in line

Table 2.1: Economic activity

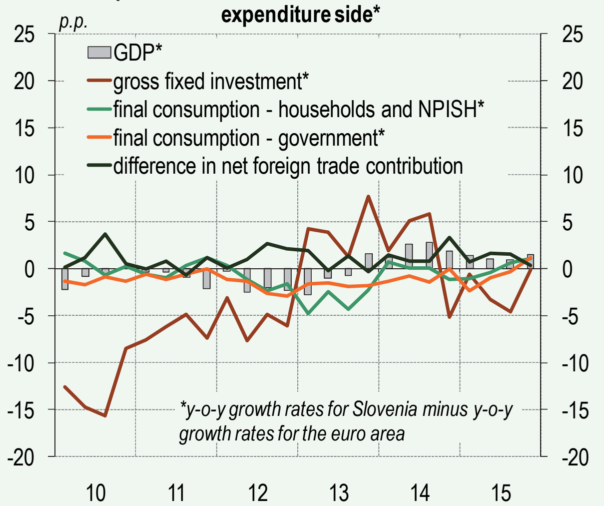
	12 months to Jan.15	12 months to Jan.16	2015 Nov.	2015 Dec.	2015 Jan.	2015 Oct.	2015 Jan.
			y-o-y in %			monthly ++	
Industrial production: - total *	2.1	5.1	4.6	2.1	6.5	0.5	0.9
- manufacturing	3.9	5.6	4.7	1.4	7.7	1.1	1.0
Construction: - total **	17.5	-9.2	7.0	-22.2	-23.4	-8.0	-5.5
- buildings	3.4	-4.2	2.6	-8.1	-2.8	-7.2	-0.7
- civil engineering	23.8	-11.0	8.5	-28.3	-31.4	-9.1	-5.3
Trade (volume turnover)							
Total retail trade	-0.2	1.0	1.4	1.1	2.1	-0.2	0.4
Retail trade except automotive fuel	-0.5	1.4	1.2	1.1	2.2	0.6	0.9
- food, beverages, tobacco	-1.2	-0.2	-2.5	0.0	-1.5	-0.8	1.2
- non-food (except automotive fuel)	0.1	2.8	4.0	3.1	5.8	1.7	1.4
Retail trade and repair of motor vehicles	5.8	14.0	14.9	11.3	18.3	2.3	6.2
Private sector services * +**	2.6	4.4	9.8	5.8	7.8	1.2	3.0
Transport and storage +	5.5	2.9	7.9	-0.5	5.9	-0.1	1.9

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.

with the stronger growth in domestic consumption. The contribution made by net trade thus declined from 1.6 percentage points in 2014 to 1 percentage point.

Of the components of aggregate demand, outperforming the euro area's average over the year was solely owed to net trade. Although growth in exports was slightly higher, the main factor was lower growth in imports, which was the result of slower growth in domestic consumption. The latter was lower than across the euro area overall, as a result of weaker investment and final government consumption, while growth in household consumption was comparable at the annual level.

Figure 2.13: Differences in y-o-y growth rates of GDP components between Slovenia and the euro area, expenditure side*

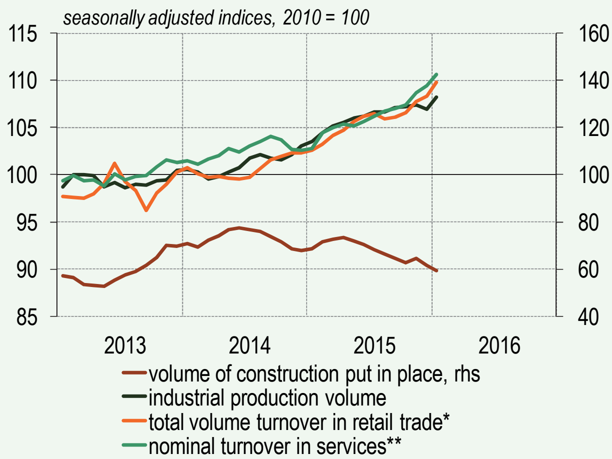


Soures: Eurostat, ECB, Bank of Slovenia calculations.

Economic developments in the first quarter of 2016

The available figures for this year's first quarter suggest a continuation of the positive economic developments. The seasonally adjusted monthly growth in industrial production was very strong in January at 4.4%, and remained positive in February. Production of motor vehicles over the first two months of the year was down 17% in year-on-year terms, which means that production saw a substantial increase in a number other major sectors. Activity in the private-sector services (excluding wholesale and retail trade) also strengthened in January, with a significant monthly growth in the majority of segments, while the aggregate year-on-year growth rate reached 6%. Further indication for the continuing growth in the private consumption were the increased revenues that numerous wholesale and retail trade segments record in January and February. Notable remains the increase in purchases of cars and certain other categories of durables. There was a monthly increase of activity in all the segments of the construction sector in January. Nevertheless a pronounced year-on-year decline in construction activity of 23% was recorded, which was due to a base effect.

Figure 2.14: Monthly economic activity indicators



Source: SORS.
*Notes: *Retail trade and trade and repair of motor vehicles. **Private sector services excluding trade and financial services.*

3 Labour Market

Developments on the labour market remained positive last year for the second consecutive year. Employment increased by 1.4% at the annual level, which was largely attributable to employment activities, wholesale and retail trade, accommodation and food service activities, and manufacturing. Employment continued to rise in January 2016. Uncertain forms of employment remain prevalent: self-employment accounted for more than a third of the rise in employment, while temporary employment accounted for three-quarters of new hires. The number of registered unemployed fell by more than 6% last year, while in the first quarter of this year, it was down just under 6% in year-on-year terms. The fall in unemployment was largely attributable to a decline in the number of people newly registering as unemployed. Nominal growth in gross wages slowed to 0.7% last year, as a result of increased employment of low-income workers and deflation.

Employment

Employment has been rising in year-on-year terms since the second quarter of 2014, self-employment accounting for more than a third last year. Employment increased by 1.4% last year, almost 1 percentage point more than in 2014. According to the initial figures, year-on-year growth in employment stood at 1.3% in the final quarter, the lowest rate of the entire year, although according to seasonally adjusted figures in the final quarter it was up slightly on the previous quarter. Having averaged 1.9% over the year, growth in the number of self-employed slowed towards the end of the year, but accounted for just over a third of the increase in total employment in 2015.[11] Employment continued to rise in 2016. The monthly figures indicate that employment in January was up 0.5% in year-on-year terms. The most notable increases were in the sectors of administrative and support service activities (4.7%), accommodation and food service activities (3.9%), and human health and social work activities (3.1%).

Employment in the private sector is continuing to rise. Growth in employment in the private sector stood at 1.6% last year, although the rate slowed to 1.4% in the final quarter. Professional, scientific and technical activities and administrative and support service activities accounted for more than a third of last year's growth, primarily as a result of growth in employment activities.[12] The number of employees in information and communication activities and in other personal service activities also

[11] The employment analysis uses quarterly national accounts figures. According to the monthly SORS statistics, the workforce in employment increased by just under 1% overall 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.

[12] On the basis of the monthly figures, which are not wholly comparable with the national accounts figures (see previous note), it is evident that employment in administrative and support service activities, which includes employment activities, increased by 12% last year, while employment in employment activities was up just over a third, although the rate slowed to 14% in the final quarter. The employment activities segment includes staffing agencies, which employ people but assign them to work at other firms.

Table 3.1: Unemployment and employment

	2011	2012	2013	2014	2015	14Q4	15Q1	15Q2	15Q3	15Q4
					in 1000					
Registered unemployed persons	110.7	*110.2*	119.8	120.1	112.7	116.9	121.6	112.5	107.4	109.3
Unemployment rate					*in %*					
- ILO	8.2	8.9	10.1	9.8	9.0	9.6	9.8	9.2	8.6	8.4
- registered	11.8	12.0	13.1	13.1	12.3	12.7	13.2	12.3	11.7	11.9
Probability of transition between employment and unemployment					*in %*					
- probability to become employed[1]	13.8	13.2	13.6	15.4	15.7	13.1	17.9	16.9	15.8	12.2
- probability to lose a job[2]	2.6	2.8	2.8	2.6	2.5	2.9	3.1	2.0	2.1	2.9
					in 1000					
Total employment[3]	946.0	937.2	924.3	929.6	942.9	939.0	927.4	940.7	952.7	950.9
					annual growth in %					
Persons in paid employment	-2.0	-1.3	-2.8	0.6	1.3	1.3	1.3	1.3	1.2	1.4
Self-employed	-0.1	0.8	4.9	0.4	1.9	0.0	2.4	2.6	1.7	0.8
By sectors										
A Agriculture, forestry and fishing	-2.4	-1.1	0.0	-0.2	-0.1	0.0	0.0	0.0	-0.1	-0.3
BCDE Manufacturing, mining and quarrying and other industry	-0.2	-1.1	-1.9	0.3	1.2	0.6	0.7	0.9	1.3	1.9
F Construction	-11.7	-7.5	-7.0	-1.1	0.6	-1.1	0.0	1.4	0.5	0.5
GHI Trade, accommodation, transport	-2.6	-1.2	-1.3	-0.3	1.6	0.8	1.5	1.8	1.6	1.4
J Information and communication	0.3	2.1	2.3	2.6	3.4	3.0	3.8	3.4	3.7	2.9
K Financial and insurance activities	-2.7	-1.7	-2.8	-2.1	-1.1	-2.1	-1.7	-0.9	-0.9	-0.9
L Real estate activities	-2.7	-1.4	0.5	0.9	-0.5	1.9	1.9	0.0	-1.9	-1.9
MN Professional, technical and other business activities	0.9	0.4	-2.2	3.7	3.7	4.2	5.9	4.4	2.7	2.0
RSTU Other activities	-1.3	0.2	6.0	3.2	3.2	4.0	3.7	3.7	3.1	2.5
- mainly private sector (without O..Q)[4]	-2.3	-1.4	-1.6	0.6	1.6	1.2	1.7	1.8	1.5	1.4
- mainly public services (O..Q)[4]	1.0	1.0	-0.6	0.4	0.8	0.6	0.8	0.7	0.7	0.8
Total employment[3]	-1.7	-0.9	-1.4	0.6	1.4	1.0	1.5	1.6	1.3	1.3

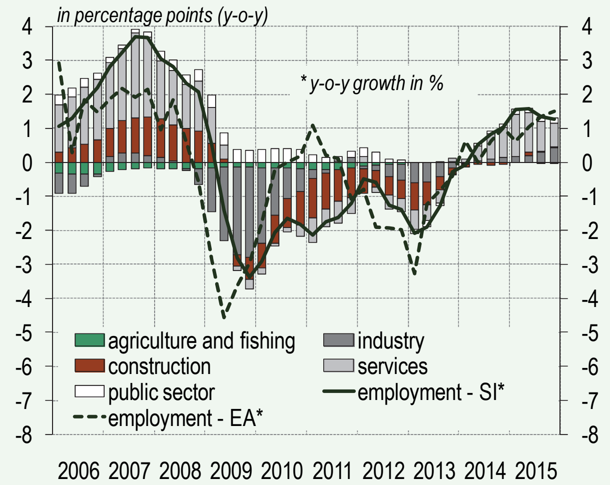
[1] Newly employed as a share of registered unemployed persons according to Employment Service of Slovenia. The higher the indicator's value, the better chance of finding a job.
[2] Newly registered unemployed due to a job loss as a share of total employment. Calculation is based on Employment Service of Slovenia's data and registered data of total employment. The higher the indicator's value, the higher chance of losing a job.
[3] Employed and self-employed persons.
[4] Public administration, education, human health and social work services according to NACE rev. 2.
Source: SORS, Employment Service of Slovenia, Bank of Slovenia calculations.

increased, by more than 3%. There were also rises of 1.4% last year in employment in wholesale and retail trade, vehicle repair, transportation and storage, and accommodation and food service activities, and also in manufacturing. Employment in construction rose by 0.6% last year, having fallen since the second half of 2009.[13] Employment in financial and insurance activities is continuing to fall as a result of the restructuring of the banking sector: it was down just over 1% last year.

Employment in mostly public services is also rising.[14] Employment in mostly public services began rising in year-on-year terms back in 2014, while the growth rate reached 0.8% last year. Employment has remained unchanged in the government sector, but is continuing to rise in sectors not under direct government control where private supply is also present. This is confirmed by the monthly SORS figures, which are not entirely comparable with the national accounts figures, and reveal that the workforce in employment, in human health and social work activities, and in education has been increasing in year-on-year terms since mid-2013. The total number of employees rose by 2% last year in the human health and social work activities sector, and by 1% in the education sector.

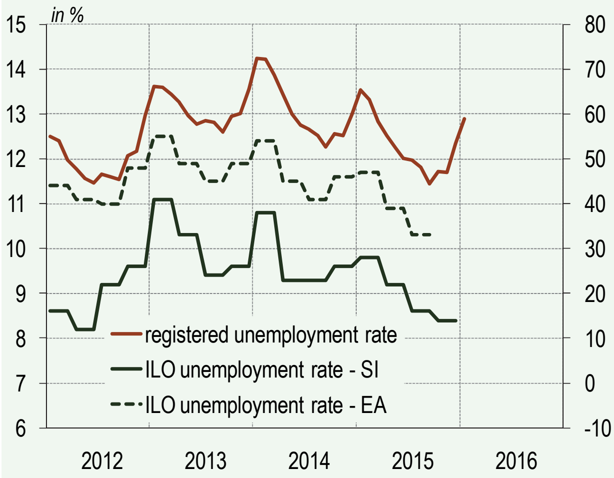
[13] The rise in employment in construction was in contrast to the developments in value-added, which declined by more than 3% last year.
[14] Public administration and defence, education, human health and social work activities (Sectors O, P and Q under the SKD 2008).

Figure 3.1: Contributions to employment growth



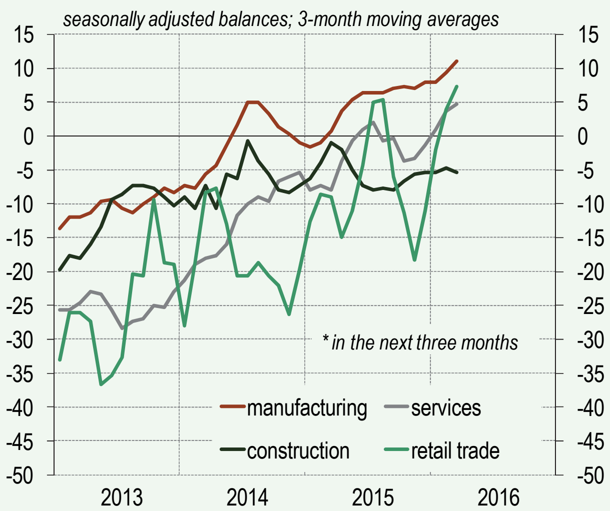
Source: SORS - national accounts; Bank of Slovenia calculations.

Figure 3.3: Unemployment



*Note: * Number of registered unemployed persons, y-o-y change.*
Source: Employment Service of Slovenia, SORS, Bank of Slovenia calculations.

Figure 3.2: Expected employment*



Source: SORS, Bank of Slovenia calculations.

The number of vacancies rose in the final quarter of last year. The number of vacancies was up 7% on the previous quarter.[15] Employers in the sectors of manufacturing and construction notified the largest number of vacancies. The rise in the number of vacancies in manufacturing is in line with the SORS survey indicators of employment expectations, while the survey assessments for construction were less optimistic.

The employment expectations indicators have improved in particular in manufacturing, services and retail. According to SORS survey figures, firms in manufacturing, services and retail trade are expecting an increase in employment in the first half of this year. The expectations in the construction sector are less favourable. A similar picture is presented by the results of a survey by Manpower, an HR firm, according to which employers are expecting growth in employment opportunities in all economic sectors in the second quarter. Demand for labour is forecast to increase in particular in the sectors of electricity, gas and steam supply, financial and business services, insurance, real estate activities, and transport, logistics and communications.

Labour market flows and unemployment

Unemployment is continuing to fall, in line with the favourable economic data. Last year's figures for surveyed unemployment reveal a fall in unemployment rate, from 9.8% in the first quarter to 8.4% in the final quarter. There was also a fall in the registered unemployment rate, from 13.5% in January to 12.3% in December. The year-on-year fall in unemployment began in mid-2014, and stood at just over 6% last year, and just under 6% in the first quarter of this year. The number of unemployed rose in December and January, in line with seasonal de-

[15] In April 2013 the Labour Market Regulation Act abolished the mandatory notification of vacancies at the Employment Service for all employers other than the public sector and firms under majority government ownership. Between April 2013 and the end of 2014 the figures were no longer complete, for which reason the SORS introduced independent surveying of vacancies in the first quarter of 2015. Analysis of vacancies was thus only conducted for 2015. The sample framework included all business entities with at least one employee whose primary registered business activity was in one of Sectors B to S.

velopments as a result of the expiry of temporary employment contracts at the end of the year, but fell to 110,000 in February and March.

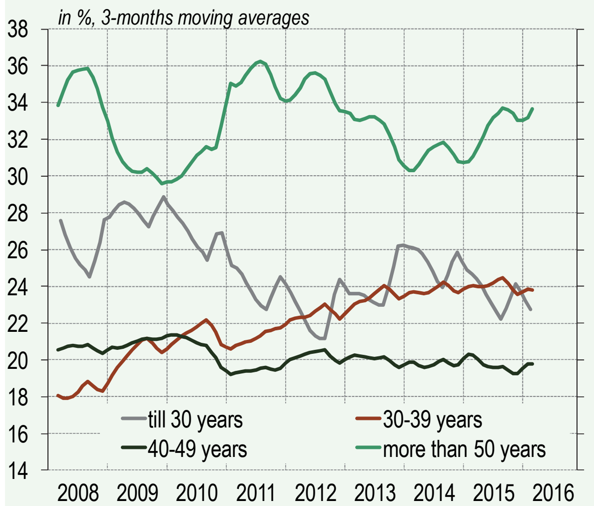
Last year there were fewer deregistrations from unemployment than in the previous year, but developments were more favourable in early 2016. The number of deregistrations last year was down 3.3% on the previous year, while the number in the first quarter of this year was up 1.4% on the same period last year. New hires in the first quarter of this year were up 8.6% on the same period last year. The largest number of new hires over the first two months of the year were for sales staff, low-skilled workers in manufacturing and wait staff. The most notable reason for deregistration other than employment was retirements, which were down approximately a third in year-on-year terms. This was likely attributable to the pension reform, which is gradually raising the retirement age.

There was a further fall in the number of people newly registering as unemployed in the early part of this year. The number of new registrations last year was down 5.2% on the previous year, while the number in the first quarter of this year was down 3.8% on the same period last year. The largest factors in this decline were the falls of 14% in the number of first-time jobseekers and 5.5% in job losses on business grounds and from corporate bankruptcies. The fall in the number of first-time jobseekers is an indication of greater employment opportunities for young people. Inflows from loss of temporary employment during this period were down 1.1% in year-on-year terms. The proportion of the unemployed, who have been without work for a year or more, averaged 51% over the first three months of this year. The deepening of structural employment is also evidenced in the rise in the number of and proportion of unemployed people who have been registered at the Employment Service for more than three years. They accounted for an average of 45% of the total number of long-term unemployed over the first three months of the year, up 3 percentage points in year-on-year terms. The proportion of unemployed with a tertiary qualification has also increased in year-on-year terms this year.

Figure 3.4: Registered unemployed persons

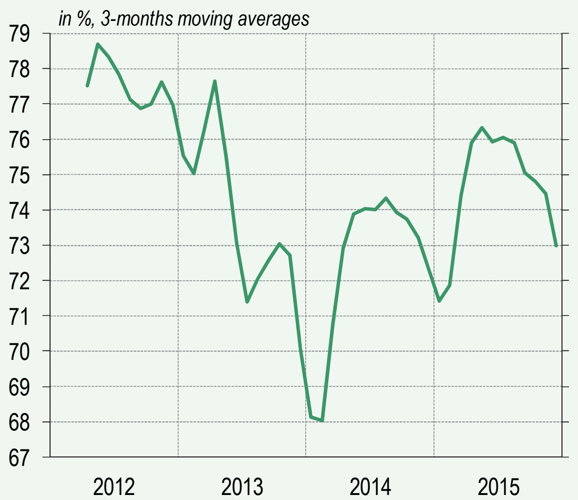
Source: Employment Service of Slovenia, Bank of Slovenia calculations.

Figure 3.5: The share of unemployed by age



Source: Employment service of Slovenia, Bank of Slovenia calculations.

Figure 3.6: The share of temporary contracts among all new contracts



Source: SORS, calculations Bank of Slovenia.

Youth unemployment has been falling since October 2014. The number of unemployed aged under 30 last year was down 12.3% on the previous year. This is an indication of the positive effects of the Youth Guarantee, which aims to improve the position of young people on the labour market. The scheme combines measures from various government departments, the aim of which is to improve youth employability and to help young people activate themselves on the labour market. At the same time the proportion of uncertain forms of employment is gradually increasing. The figures reveal that the proportion of new hires accounted for by temporary employment increased by 2 percentage points last year to 75%. For young people the figure was 81%. The available figures for the pre-crisis period (2001 to 2007) reveal the proportion of new hires accounted for by temporary employment to have been high for some time, at 72% for total employment and 80% for youth employment.

Wage developments

The nominal gross wage in the total economy increased by just 0.7% over last year. The low growth was, among others, the result of a change in the structure of employment, as it was primarily sectors with lower-than-average wages that recorded increases in employment. At the outbreak of the crisis the average wage increased as there were mass lay-offs of relatively low-wage workers, but since 2014 employment of workers with relatively low wages has again been increasing. Last year's slowdown in wage growth was also attributable to deflation. Wages rose in the private sector in particular, by 0.8%.

Table 3.2: Labour costs indicators

	2011	2012	2013	2014	2015	14Q4	15Q1	15Q2	15Q3	15Q4
	in EUR									
Average gross wage	1,525	1,526	1,523	1,545	1,556	1,586	1,540	1,542	1,534	1,607
	nominal year-on-year growth, %									
Average net wage	2.1	0.4	0.6	1.2	0.4	1.2	0.2	0.3	0.1	1.1
Average gross wage	2.0	0.1	-0.1	1.4	0.7	1.5	0.5	0.6	0.3	1.3
- mainly private sector (excl. O..Q)[1]	2.6	0.9	0.7	1.4	0.8	1.4	0.5	0.9	0.6	1.2
- mainly public services (O..Q)[1]	0.0	-2.2	-2.3	1.6	0.6	2.0	0.8	0.1	-0.2	1.7
Average gross wage in manufacturing	3.9	2.5	2.8	3.3	2.1	3.2	2.1	2.3	1.8	2.3
Average real net wage[2]	0.1	-2.3	-1.3	0.8	1.2	1.2	0.7	1.1	0.9	2.1
Labour costs per hour worked[3]	2.0	-0.3	-2.1	2.0	0.8	1.0	2.5	1.9	-1.9	0.8
Labour costs per hour worked in manufacturing[3]	2.0	2.9	0.6	3.7	0.5	3.2	1.8	2.2	-1.9	0.1
Gross wage per unit of output[4]	-0.4	1.9	-0.5	-1.0	-0.7	-0.3	-0.8	-0.6	-1.0	-0.7
Gross wage per unit of output in manufacturing[4]	0.7	4.0	1.2	-1.5	...	-3.4	-3.9	-1.8	-2.3	-0.5
Unit labour costs[4,5]	-0.8	0.8	0.2	-1.3	-0.6	-0.3	-0.8	-0.2	-1.0	-0.5
Labour costs per employee[5]	1.5	-1.0	0.5	1.1	0.8	1.4	0.5	0.9	0.3	1.5
Output per employee	2.4	-1.8	0.3	2.5	1.4	1.8	1.3	1.1	1.3	2.0
Output per employee - manufacturing	3.2	-1.4	1.6	4.8	...	6.8	6.2	4.1	4.2	2.8
HICP	2.1	2.8	1.9	0.4	-0.8	0.0	-0.5	-0.8	-0.8	-0.9
GDP deflator	1.1	0.3	0.8	0.8	0.4	0.6	0.5	0.2	0.1	1.0

1 Public administration, education, human health and social work services according to NACE rev. 2.
2 HICP deflator.
3 Labour costs according to SORS calculations.
4 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).
5 Labour costs calculated on the basis of employee compensation (national accounts).
Source: SORS, Bank of Slovenia calculations.

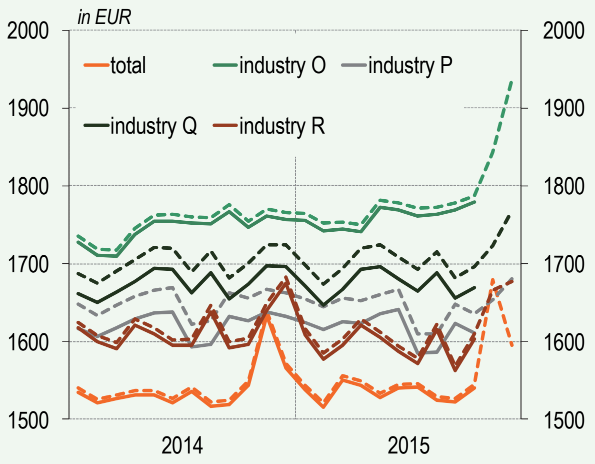
Box 3.1: Change in data source for payrolls

In its figures for payrolls at legal entities for November 2015 the SORS changed its data source for payrolls at budget spending units: in place of the data reported by budget spending units on Form 1-ZAP/M it uses data from ISPAP, the information system for submitting and analysing data on wages, other payments and employment in the public sector. The change in data source has improved the quality of the data, and has also had no impact on the capture of subjects or on the survey methodology. The introduction of the new data source has given rise to differences compared with the data published previously.

Because the new data source relates to the payrolls of budget spending units, the largest differences are in the data for average wages in mostly public services.[1] Since the change in data source the SORS has published several series of comparably converted data for the period of January 2014 to October 2015. According to the new data source, the average wage in mostly public services over this period is 1.3% higher. The largest increases were in education (1.7%) and human health and social work activities (1.6%). The increases in the public administration and defence sector and in the arts, entertainment and recreation sector were both 0.5%. The average wage in the total economy over the period between January 2014 and October 2015 was 0.3% higher after the introduction of the new data source.

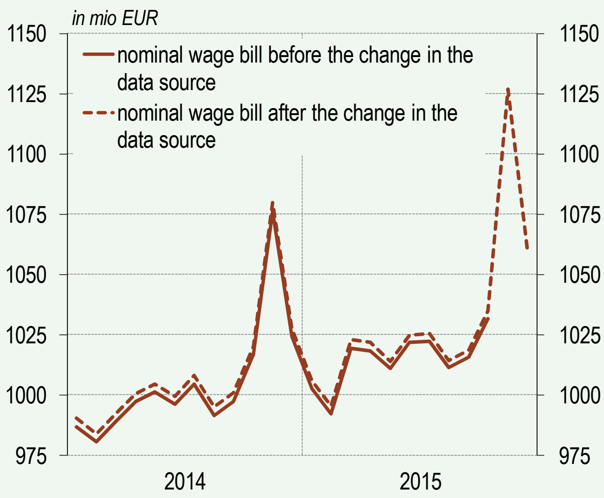
There was also a slight increase in the wage bill owing to the increase in the overall average wage. The change in data source raised the nominal wage bill by 0.3% or EUR 3.3 million. Because the employment series remained unchanged, the increase in the wage bill owing to the change in data source is in line with the increase in the average wage. Similarly, the wage bill in mostly public services increased by 1.3%, in line with the increase in the average wage.

Figure 1: Average gross wages per employee



Note: The solid line presents the data before the change of the data source; the dotted line presents the data after the change of the data source.
Source: SORS.

Figure 2: Nominal wage bill

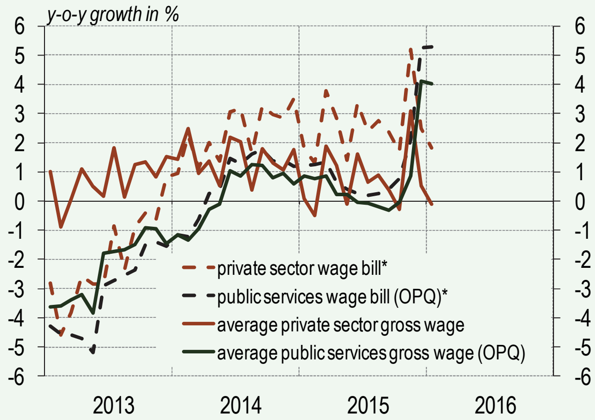


Source: SORS, Bank of Slovenia calculations.

[1] Public administration and defence, education, human health and social work activities (Sectors O, P and Q under the SKD 2008).

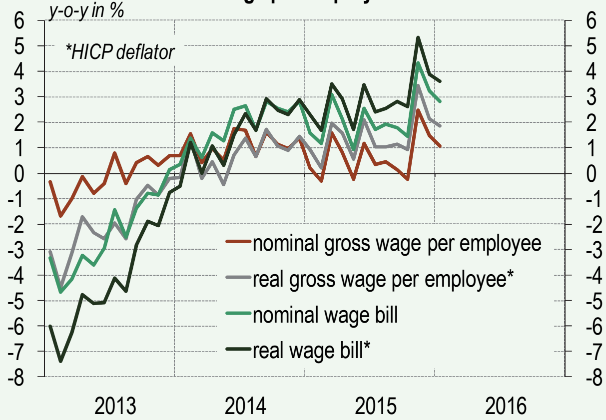
Wages in manufacturing and in financial and insurance activities rose by more than 2%. The largest fall of 6% was recorded by the mining sector. Wages in mostly public services rose by 0.6% last year. The largest rise of more than 2% was recorded by public administration and defence, where there was a notable increase in the final quarter. The increase in October and November was most likely the result of increased overtime and bonus payments for heavy workload in the wake of the influx of refugees, while the increase in December was the result of payments of deferred promotions. Wages meanwhile remained more or less unchanged in the education sector and the human health and social work activities sector. Wages in January were also up in year-on-year terms (by 1.1%), primarily as a result of a rise in mostly public services, where there were notable wage rises in the sectors of public administration and defence (7.3%) and human health and social work activities (3.7%).

Figure 3.7: Wage bill and average monthly gross wage per employee in private and public sector



*Note: Due to the change in source, series before 2014 were adjusted based on the growth rates of the previous series. *The wage bill is calculated as the product of the average gross wage for employees of legal persons who received pay and the total number of employees of legal persons.*
Source: SORS, Bank of Slovenia calculations.

Figure 3.8: 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.

Growth in employment and wages has also been reflected in an increase in the nominal wage bill. It was up just over 2% last year. The wage bill was up 2.6% in the private sector, and 1.2% in mostly public services. Real growth in the wage bill averaged 3%, because of deflation. January saw further year-on-year growth in the nominal wage bill (2.8%) and the real wage bill (3.6%), where mostly public services again recorded notable growth. The nominal wage bill in mostly public services in January was up 5.3% in year-on-year terms, while the real wage bill was up 6.1%.

4 Balance of Payments, External Debt and Competitiveness Indicators

The gap between growth in merchandise imports and exports narrowed last year. Nominal growth in merchandise exports slowed significantly in the second half of last year. This was primarily attributable to a decline in growth in car exports, the negative impact of oil prices on the value of re-exports, and a decline in exports of pharmaceutical products in the final quarter. At the same time nominal growth in merchandise imports declined, primarily as a result of the fall in oil prices, so that last year's widening of the merchandise trade surplus was largely the result of an improvement in the terms of trade. In contrast to merchandise, exports of services strengthened significantly last year, which contributed to a notable widening of the surplus of trade in services in the wake of a decline in imports of construction services as a result of the completion of the cycle of construction investment at the end of the European financial framework. The deficit in income widened, largely on account of estimated reinvested earnings and a smaller inflow of EU funds. The current account surplus amounted to 7.3% of GDP last year, and approached 8% of GDP in January of this year as the merchandise trade surplus widened. This was largely attributable to a decline in merchandise imports, as the slowdown in export growth was merely temporary.

Slovenia provided net financing to the rest of the world in the amount of EUR 0.3 billion in January 2016. This continued the net financing of the rest of the world recorded in 2015 (EUR 1.9 billion) and 2014 (EUR 2.3 billion). In January 2016 the main net outflows were recorded by investments in securities (EUR 0.4 billion) and trade credits (EUR 0.3 billion), while FDI (EUR 0.2 billion) and currency and deposits (EUR 0.1 billion) recorded a net inflow. Investments in securities recorded the largest net outflow in 2015 (EUR 2.9 billion), having recorded a net inflow of EUR 4.0 billion in 2014 (primarily as a result of issued government bonds). The largest net outflow item in 2014, currency and deposits, which amounted to EUR 5.9 billion, was virtually in balance in 2015. The net external debt in January 2016 amounted to EUR 11.8 billion, down EUR 284 million on the previous month and down EUR 2.6 billion in year-on-year terms. The gross external debt amounted to EUR 44.5 billion at the end of January, down EUR 272 million in monthly terms, while gross external claims amounted to EUR 32.7 billion, up slightly on December 2015.

The competitiveness of Slovenia's export sector is increasing. The year-on-year fall in domestic prices and unit labour costs continued in late 2015. Wage growth across the euro area has outpaced growth in labour productivity for some time now, while price growth began to slowly increase at the end of 2015. Competitiveness on markets outside the euro area is also continuing to improve, although the weaker depreciation in the euro meant that the improvement slowed slightly in the second half of the year.

Current account position

The widening of the current account surplus slowed last year. The 12-month surplus amounted to 7.3% of GDP, just 0.3 percentage points wider than in 2014. The increase in 2014 had amounted to 1.4 percentage points. The main reason for the slowdown is the widening of the deficit in income from less than 1% of GDP in 2014 to 2.2% of GDP in 2015, as a result of the widening deficit in income from FDI and a decline in inflows of European funds for administering various common EU policies. The merchandise trade surplus widened from 3.2% of GDP in 2014 to 4.2% of GDP; the rate of growth slowed as a result of a decline in export growth. The surplus of trade in services amounted to 5.3% of GDP, primarily as a result of an increase in the surplus in construction, travel and transport services.

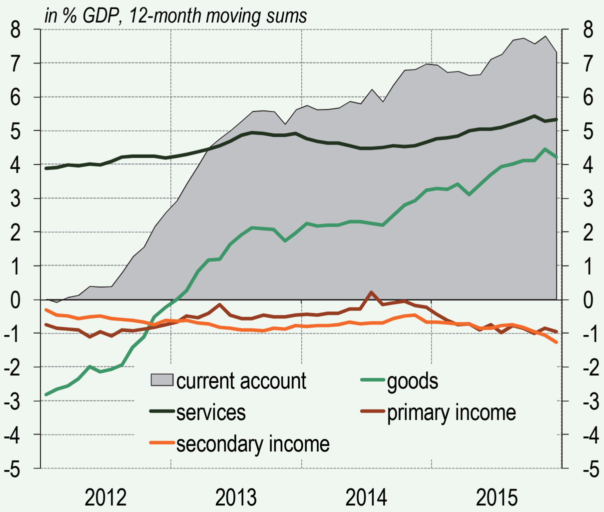
Merchandise trade

Growth in the merchandise trade surplus slowed last year, as the gap between growth in imports and exports narrowed. Nominal growth in merchandise exports reached 4.7% last year, down 1.3 percentage points on 2014. Nominal growth in merchandise imports slowed by 0.8 percentage points to 3.0% at the same time, albeit solely as a result of price factors.[16] The merchandise trade surplus widened by EUR 420 million, EUR 80 million less than in 2014, to EUR 1,630 million.

The year-on-year slowdown in exports was a feature of the second half of the year, and was partly the result of the high basis, largely in connection with the acceleration in car exports in the autumn of 2014. Year-on-year growth in car exports declined last year, and its contribution to overall growth was already negative by the final quarter. The effect of re-exports of oil and refined petroleum products was profoundly negative in the second half of the year, while exports of pharmaceutical products also declined in the final quarter. The decline in export growth was attributable to EU markets, in particular France, Italy, Austria and Hungary. The largest negative effect on the Slovenian economy came from last year's decline of EUR 320 million in sales in Russia and Ukraine.

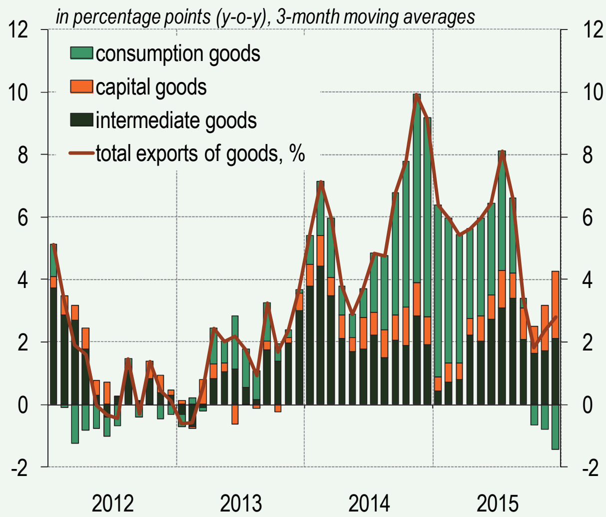
Price factors had a major impact on nominal growth in imports last year. The decline in growth in imports was primarily the result of a fall in the value of imports of oil and refined petroleum products, which was particularly pronounced in the second half of the year. Growth in merchandise imports was 2.6 percentage points lower at the annual level solely on account of this effect. The main factor in the decline in growth in imports for final consumption was the slowdown in growth in imports of road vehicles. Imports of capital goods strengthened significantly in the second half of the year, in line with the figures showing increased investment in machinery and equipment.

Figure 4.1: Current account components



Source: Bank of Slovenia

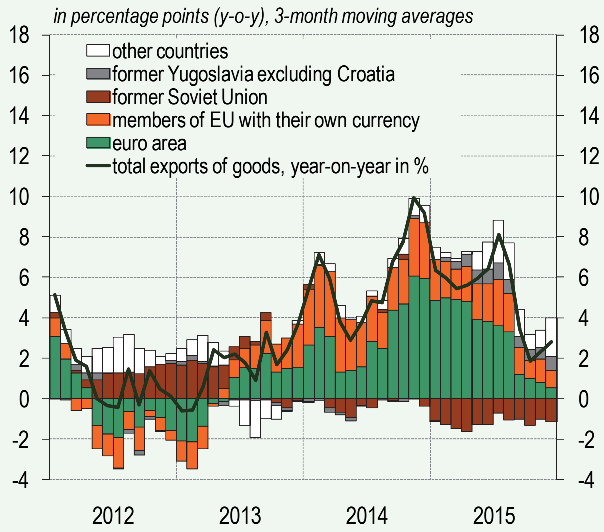
Figure 4.2: Contributions of main BEC groups to export growth



Source: SORS, Bank of Slovenia calculations.

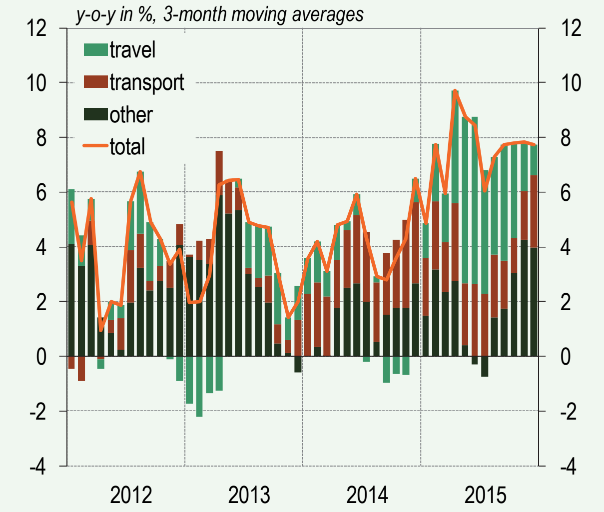
[16] According to national account figures, real growth in merchandise imports increased from 3.7% in 2014 to 4.9% in 2015.

Figure 4.3: Contributions to export growth by country groups



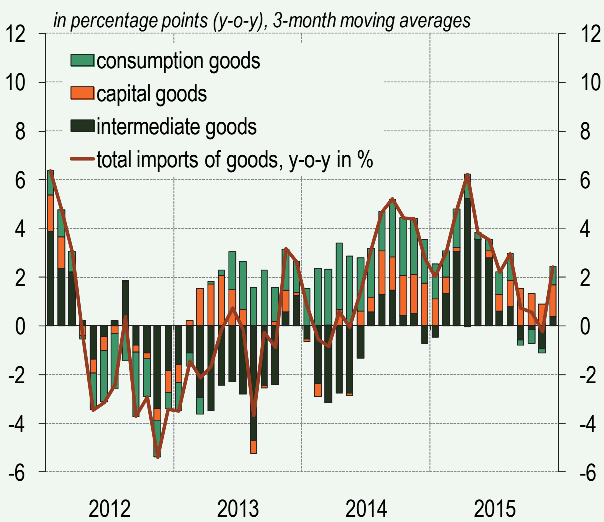
Source: SORS, Bank of Slovenia calculations.

Figure 4.5: Services exports



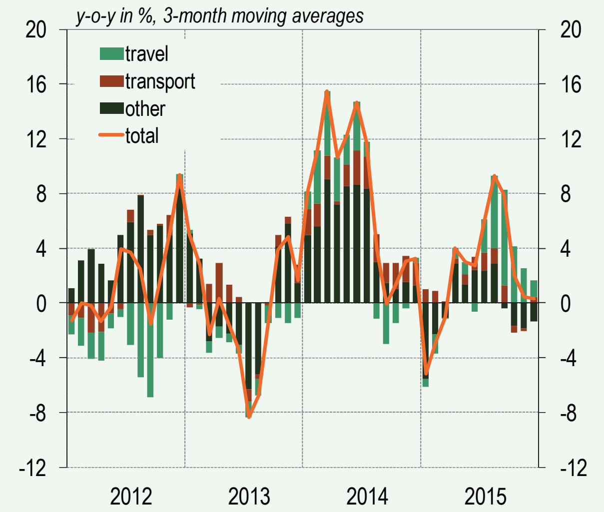
Source: Bank of Slovenia.

Figure 4.4: Contributions of main BEC groups to import growth



Source: SORS, Bank of Slovenia calculations.

Figure 4.6: Services imports



Source: Bank of Slovenia.

Trade in services

The surplus of trade in services widened last year, as a result of high growth in exports of a wide spectrum of services and a decline in imports of construction services. Growth in exports of services increased to 7.5% last year, up 3 percentage points on 2014. Exports of travel services were up more than 9%, as a result of a rise in the number of arrivals of foreign travellers. Slovenia nevertheless remains a transit tourist destination, as the average number of overnight stays per traveller again fell slightly. Growth in exports of transport services exceeded 8% last year. Exports of other services again strengthened sharply, most notably telecommunications, computer and information services and other business services. Growth in imports of services declined from 7.5% to just 2.6% last year as a result of a decline in imports of construction services, in line with the completion of investment at the end of the European financial framework and a sharp slowdown in growth in imports of business services. The recovery of the banking system also meant that the latter were high in 2014. The main factor in last year's growth in imports was travel services. The surplus of trade in services widened by EUR 320 million in 2015 to more than EUR 2 billion.

Primary and secondary income

The deficit in primary income widened last year, primarily as a result of changes in reinvested earnings. The deficit amounted to EUR 370 million, EUR 280 million more than in 2014. Owing to the increasing number of residents working in the rest of the world, inflows of labour income increased by EUR 114 million, taking the surplus in labour income to more than EUR 0.5 billion. By contrast, the deficit in capital income widened sharply, as outflows in particular increased significantly. They were up more than EUR 300 million on 2014. Outflows from dividends declined sharply, by EUR 220 million, although the change in estimated reinvested earnings was even

Table 4.1: Components of the current account

	in 12 months to										
	2013	**2014**	**2015**	**Jan.15**	**Jan.16**	**14Q3**	**14Q4**	**15Q3**	**15Q4**	**Jan.15**	**Jan.16**
					in EUR million						
Current account balance	2,023	2,607	2,828	2,607	2,980	703	733	896	673	137	288
1. Goods	708	1,210	1,628	1,227	1,753	309	320	479	387	93	218
2. Services	1,761	1,736	2,054	1,791	2,066	578	395	621	500	142	154
2.1. Transport	660	727	823	728	833	199	176	214	209	52	62
2.2. Travel	1,345	1,325	1,435	1,338	1,445	448	317	445	320	103	112
2.3. Other	-243	-315	-204	-275	-212	-70	-98	-38	-29	-12	-20
3. Primary income	-172	-87	-370	-161	-372	-114	-33	-118	-117	-56	-58
3.1. Labour income	385	420	534	431	534	96	102	137	119	42	42
3.2. Investment income	-867	-717	-1,049	-798	-1,045	-217	-175	-273	-250	-92	-88
3.3. Other income	310	209	145	207	139	8	39	18	13	-6	-12
4. Secondary income	-275	-252	-483	-250	-467	-70	51	-86	-96	-42	-26
					in % of BDP						
Current account balance	5.6	7.0	7.3	7.0	7.7	7.3	7.8	9.0	6.9	4.6	9.4
1. Goods	2.0	3.2	4.2	3.3	4.5	3.2	3.4	4.8	3.9	3.1	7.1
2. Services	4.9	4.7	5.3	4.8	5.3	6.0	4.2	6.3	5.1	4.8	5.0
2.1. Transport	1.8	1.9	2.1	1.9	2.2	2.1	1.9	2.2	2.1	1.7	2.0
2.2. Travel	3.7	3.6	3.7	3.6	3.7	4.7	3.4	4.5	3.3	3.4	3.6
2.3. Other	-0.7	-0.8	-0.5	-0.7	-0.5	-0.7	-1.0	-0.4	-0.3	-0.4	-0.6
3. Primary income	-0.5	-0.2	-1.0	-0.4	-1.0	-1.2	-0.4	-1.2	-1.2	-1.9	-1.9
3.1. Labour income	1.1	1.1	1.4	1.2	1.4	1.0	1.1	1.4	1.2	1.4	1.4
3.2. Investment income	-2.4	-1.9	-2.7	-2.1	-2.7	-2.3	-1.9	-2.8	-2.5	-3.1	-2.9
3.3. Other income	0.9	0.6	0.4	0.6	0.4	0.1	0.4	0.2	0.1	-0.2	-0.4
4. Secondary income	-0.8	-0.7	-1.3	-0.7	-1.2	-0.7	0.5	-0.9	-1.0	-1.4	-0.8
					nominal year-on-year growth rates in %						
Export of goods and services	2.4	5.7	5.2	5.3	5.4	6.3	8.5	4.7	3.9	1.2	3.0
Export of goods	2.1	6.0	4.7	5.6	4.7	7.3	9.0	3.9	3.0	1.1	2.0
Export of services	4.1	4.5	7.5	4.4	8.0	2.8	6.5	7.7	7.7	1.6	8.0
Transport	3.9	9.4	8.1	8.5	8.9	10.0	10.8	7.2	9.4	0.2	10.9
Travel	1.5	0.8	9.1	0.9	9.3	-2.0	2.6	9.3	3.4	5.1	7.9
Other	7.1	5.0	5.4	5.0	5.8	5.1	6.8	5.8	10.1	-0.8	5.6
Import of goods and services	-1.6	4.3	3.0	3.9	2.9	5.1	3.7	2.0	1.8	-2.3	-3.5
Import of goods	-1.7	3.8	3.0	3.8	2.6	6.2	3.8	0.9	2.0	0.1	-5.2
Import of services	-1.2	7.5	2.6	4.2	4.5	-0.1	3.3	7.9	0.3	-16.1	7.8
Transport	3.4	8.8	3.3	6.9	3.8	8.7	8.0	6.8	1.8	-1.8	4.3
Travel	-4.9	5.4	10.6	2.0	11.7	-9.9	2.5	25.5	9.1	-12.2	4.5
Other	-1.6	7.8	-0.2	4.0	2.3	2.8	1.9	-0.7	-2.1	-21.9	10.3

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

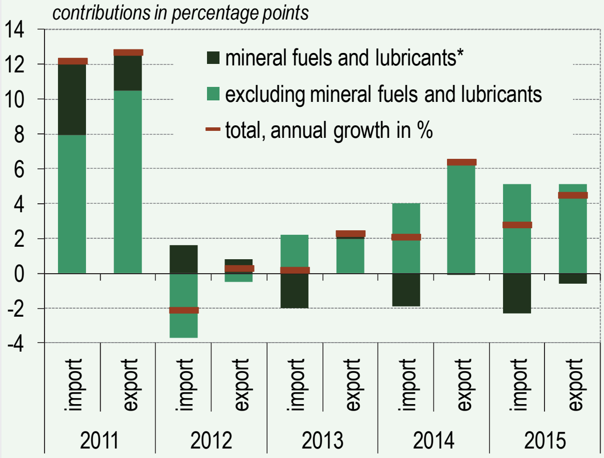
Box 4.1: Impact of the improvement in the terms of trade on the current account position[1]

The terms of trade improved in 2015 for the third consecutive year. The terms of trade deteriorated significantly in 2011 and 2012, as growth in import prices outpaced growth in export prices. There was a reversal in 2013, as a result of a fall in prices of merchandise imports that was sharper than the fall in prices on the export side. These price developments continued in 2014 and 2015. The greatest improvement in the terms of trade came in 2015. In contrast to merchandise prices, prices of services rose. Because growth in export prices has slightly outpaced growth in import prices overall, the terms of trade in services have also improved. These were also most favourable in 2015. The overall terms of trade improved by 1.2% last year. Developments in prices of merchandise have the dominant influence on the terms of trade, given the large proportion of trade that it accounts for.

Owing to the large price changes and the significant proportion of imports that they account for, mineral fuels and lubricants have had a profound impact on growth in nominal merchandise imports. The proportion of merchandise imports accounted for by mineral fuels and lubricants was more than 17% in 2012, but had declined to 10.3% by 2015. The proportion of exports that they account for declined from 6.5% to 5.3% over the same period. The reason is oil prices: for example, the average annual price of a barrel of Brent crude in euros fell by 46% over the period in question, the fall beginning in 2013. The fall in the value of imports of mineral fuels and lubricants reduced the average annual growth in total merchandise imports by more than 2 percentage points between 2013 and 2015. The impact on growth in exports via re-exports of mineral fuels and lubricants was notable only in 2015, when the rate was reduced by 0.6 percentage points. Were imports and exports of mineral fuels and lubricants to be excluded, the gap by which growth in merchandise exports outpaced imports between 2013 and 2015 would be approximately 2 percentage points narrower, and the rates would have been equal in 2015.

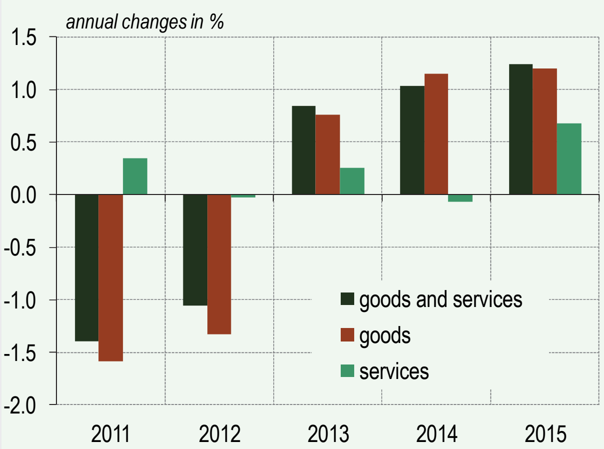
The improvement in the terms of trade contributed an average of EUR 280 million each year to the trade surplus between 2013 and 2015. The impact of the deterioration in the terms of trade on the balance of trade was still strongly negative in 2011 and 2012. A reversal followed in 2013, when the positive impact on the balance of trade amounted to EUR 220 million. It strengthened over the next two years, reaching

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



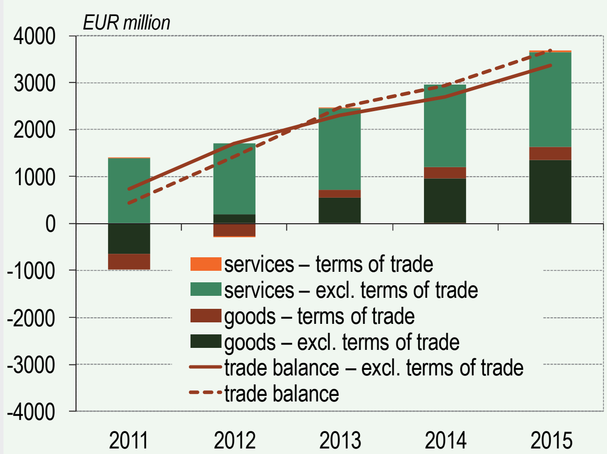
*Notes: * According to one-digit SITC. Aggregate growth rates are based on export and import data from the balance of payments.*
Source: SORS, Bank of Slovenia.

Figure 1: Terms of trade



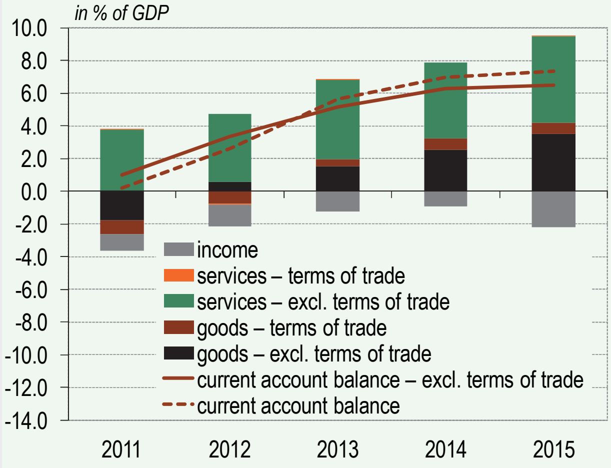
Note: Terms of trade changes are calculated from export and import price indices based on national accounts, t-1 = 100.
Source: SORS, Bank of Slovenia calculations.

Figure 3: Terms of trade effects on trade balance



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

Figure 4: Terms of trade effects on current account position



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

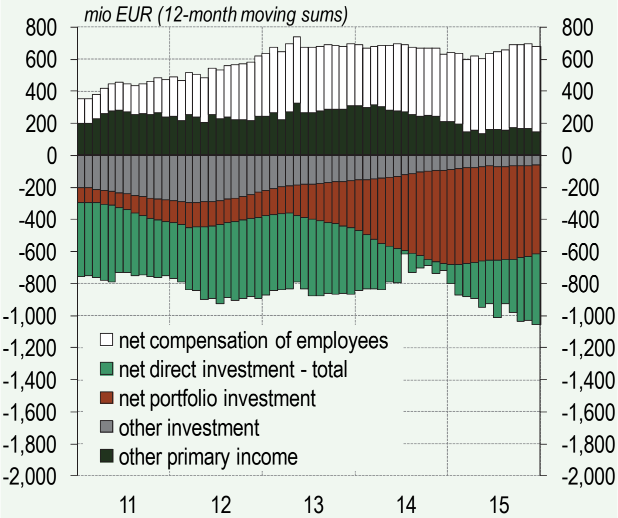
EUR 350 million last year. The trade surplus would have strengthened sharply even without the improvement in the terms of trade, as government austerity measures in 2012 were followed by a sharp decline in domestic demand and hence imports. Exports later began growing, thanks to the improvement in the situation on EU markets and the export sector's improved competitiveness. Excluding the effects of the terms of trade, there was a deficit of EUR 650 million in merchandise trade in 2011, and a surplus of EUR 1,350 million in 2015.[2] Including the effects of the terms of trade, there was a deficit of EUR 974 million in merchandise trade in 2011, and a surplus of EUR 1,628 million in 2015.

Under neutral terms of trade, the current account surplus between 2013 and 2015 would have been 0.8% of GDP narrower on average each year. The shift in the current account position from deficit to surplus in 2011 took place in the wake of a deterioration in the terms of trade and a widening of the deficit in merchandise trade. It was the result of a widening surplus of trade in services and a narrowing deficit in income. The subsequent sharp increase in the current account surplus was primarily the result of the rapid widening of the merchandise trade surplus, which in addition to the faster growth in export volumes than import volumes was also attributable to the improvement in the terms of trade.

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

[2] A calculation on the basis of the indices of the average value of imports and exports with a basis in the previous year under the SITC reveals the pronounced impact of the fall in oil prices on the widening trade surplus. The price effect on exports of mineral fuels and lubricants (re-exports) was negative in the amount of EUR 130 million last year, compared with a negative effect of EUR 560 million on the import side. The trade surplus (as measured by the direct impact) is thus estimated to be EUR 430 million larger. The price effects calculated on the basis of indices of average values of imports and exports are not methodologically comparable with the effects on the basis of the price indices from the national accounts. The indices of average values are subject to changes in both the structure and the prices of imports and exports, while the price indices on the basis of the national accounts reflect an average of the proportional changes in prices of merchandise categories.

Figure 4.7: Net primary income



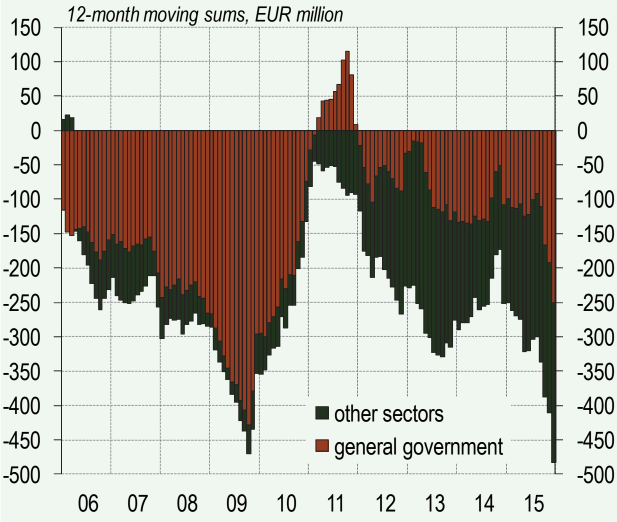
Source: Bank of Slovenia.

larger. The estimated negative value of reinvested earnings exceeded EUR 640 million in 2014, but amounted to just EUR 80 million in 2015. On the inflow side, estimated negative reinvested earnings increased from EUR 192 million to EUR 252 million. The position thus deteriorated from a surplus of more than EUR 450 million in 2014 to a deficit of more than EUR 170 million.[17]

The majority of last year's widening of the deficit in secondary income was attributable to a decline in government inflows. They declined by EUR 134 million, as a result of the reduced inflow of EU funds for administering certain common policies. This widened the deficit in secondary income from EUR 109 million in 2014 to EUR 250 million in 2015. The deficit in secondary income in other sectors also widened, by EUR 93 million to EUR 223 million. The majority was attributable to increased outflows on the basis of various current transfers.

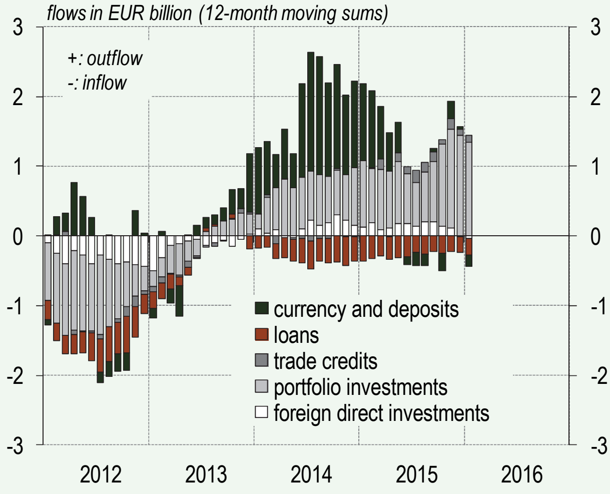
[17] For more on the methodology for administering reinvested earnings in the balance of payments, see http://www.bsi.si/en/financial-data-r.asp?MapaId=918. More accurate estimates for 2015 will be available in June after corporate annual reports have been received.

Figure 4.8: Net secondary income



Source: Bank of Slovenia.

Figure 4.9: Private sector's financial claims on the rest of the world



Source: Bank of Slovenia.

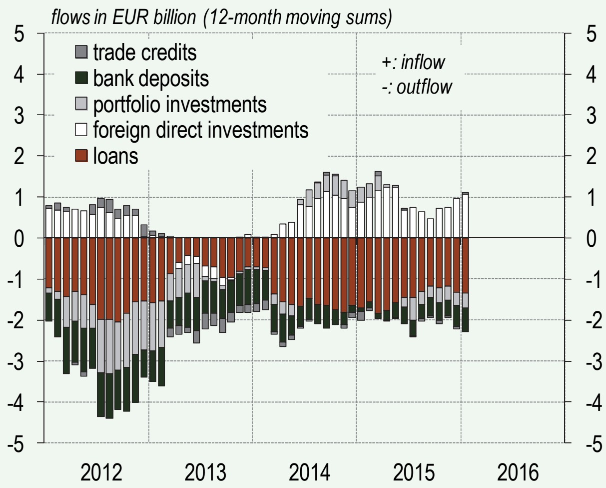
Current account developments in January 2016

The 12-month current account surplus again approached 8% of GDP in January. The reason was an increase in the merchandise trade surplus as a result of a year-on-year decline of more than 5% in imports. The decline was largely attributable to a decline in imports of road vehicles, although the vast majority of other product categories also saw a decline. Growth in merchandise exports slowed at the same time, to just 2%, largely as a result of weaker exports of machinery and pharmaceutical products. The slowdown was temporary: by February exports had already increased by almost 8%. Growth in exports of various types of services remained high. The deficit in income also declined slightly in year-on-year terms, as a result of refunds from the EU budget.

Financial account

FDI accounted for EUR 189 million of the net increase in liabilities to the rest of the world in January 2016, and for EUR 954 million of the net increase in 2015. Analysis of FDI in terms of direction of investment reveals that inward FDI increased by EUR 208 million in January, and by EUR 896 million in 2015. The majority of the increase in 2015 was in the form of equity (EUR 1.4 billion), while the decline in net debt to foreign owners reduced inward FDI by EUR 421 million. Domestic outward FDI

Figure 4.10: Private sector's financial liabilities to the rest of the world



Source: Bank of Slovenia.

increased by EUR 19 million in January 2016, having declined by EUR 59 million overall in 2015. The corresponding increase in equity in 2015 was EUR 128 million, while estimated reinvested earnings reduced the value by EUR 252 million and mutual debt contributed EUR 65 million to the increase in transactions in outward FDI.

Investments in securities recorded a net outflow of EUR 0.4 billion in January 2016, and a net outflow of EUR 2.9 billion in 2015. The majority of the transactions related to debt securities. Holdings of debt securities declined by EUR 55 million in January 2016, having increased by EUR 2.0 billion in 2015. Last year's largest

Table 4.2: Components of the financial and capital account

				in 12 months to							
	2013	2014	2015	Jan.15	Jan.16	14Q3	14Q4	15Q3	15Q4	Jan.15	Jan.16
					in EUR million						
1. Private sector	2,958	3,033	2,916	2,964	2,528	88	657	629	773	548	160
Claims	1,385	2,411	1,876	2,317	1,600	-77	431	369	760	238	-38
Capital transfers	399	791	651	799	654	132	446	127	277	31	34
Outward FDI	24	146	-10	120	-39	-42	12	-19	-194	55	26
Portfolio investments and fin. der.	286	867	1,369	966	1,322	172	226	299	764	-8	-55
Trade credits	20	-15	88	-9	107	-48	-251	-7	-307	30	50
Loans	-189	-348	-235	-363	-237	-108	-75	-26	-83	-8	-10
Currency and deposits	846	1,239	44	1,101	-165	-160	337	7	326	120	-89
- Households	264	56	168	211	-41	-32	51	48	183	178	-32
- Banks	473	1,201	-101	901	-106	-99	248	28	193	-49	-54
- Enterprises	109	-18	-23	-11	-18	-29	38	-69	-50	-9	-3
Other claims	-2	-11	28	-39	18	-23	-7	-12	35	17	7
Liabilities	-1,573	-622	-1,040	-647	-928	-166	-226	-260	-13	-310	-197
Capital transfers	206	266	298	274	295	75	76	68	100	27	24
Inward FDI	71	746	944	859	1,060	308	-173	81	317	99	215
Portfolio investments and fin. der.	-128	378	-358	345	-397	217	-5	184	-51	-27	-66
Trade credits	-182	-135	-52	-225	49	-49	56	-131	54	-359	-257
Loans	-718	-1,655	-1,326	-1,720	-1,358	-711	-249	-440	-394	-52	-84
- Enterprises	301	-802	-711	-831	-772	-270	-262	-190	-345	39	-22
- Banks	-1,019	-853	-615	-889	-586	-441	13	-250	-49	-91	-62
Deposits at banks	-849	-156	-516	-74	-574	9	97	-34	13	-3	-61
Other liabilities	27	-67	-30	-107	-3	-15	-28	13	-53	5	31
2. Government	-3,506	-3,695	1,629	-4,097	2,781	33	-162	497	-126	-647	506
3. Bank of Slovenia	1,828	3,177	-2,659	3,892	-3,612	554	217	-554	-449	525	-429

Note: + (increases in claims/liabilities), - (decreases in claims/liabilities), net items are calculated as net claims - net liabilities.
Source: Bank of Slovenia.

increase was at the central bank (EUR 539 million), followed by banks (EUR 533 million), pension funds (EUR 313 million), and captive financial institutions and money lenders (S.127) together with insurance corporations (a total increase of EUR 372 million in holdings). Liabilities under debt securities declined by EUR 0.4 billion in January 2016, just under half of the overall decline in 2015 (EUR 0.9 billion). The main factor in the decline in liabilities in January 2016 was the general government sector (EUR 354 million), as it had been in 2015 (EUR 548 million).

External debt

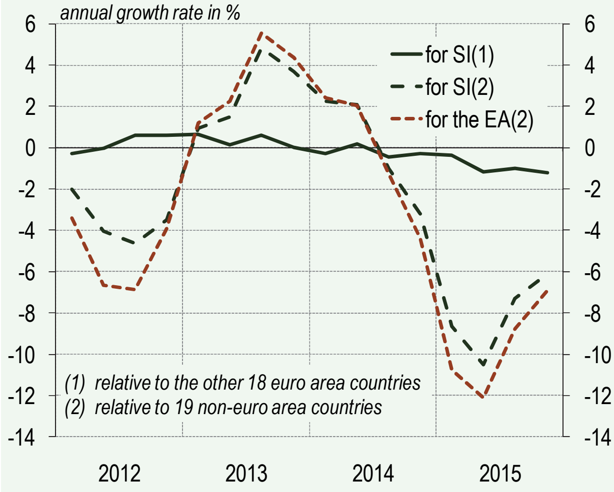
The gross external debt amounted to EUR 44.5 billion at the end of January 2016, down EUR 2.7 billion on a year earlier. The largest reductions in debt were recorded by banks (EUR 1.5 billion) and other sectors (EUR 0.9 billion). The general government sector accounted for the largest proportion of the gross external debt (51%), followed by other sectors (24%) and banks (11%).

Gross external claims amounted to EUR 32.7 billion at the end of January, almost unchanged on a year earlier. The largest year-on-year changes were recorded by the central bank, which reduced its holdings by

Figure 4.11: External debt

Source: Bank of Slovenia.

Figure 4.12: Harmonised price competitiveness indicators (based on HICP/CPI deflators)



Source: ECB.

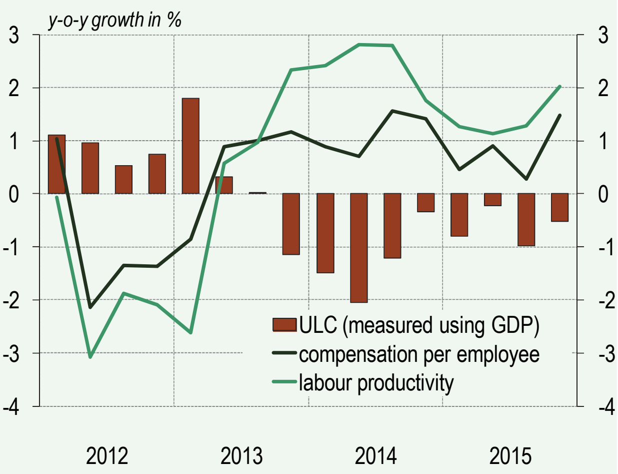
EUR 3.3 billion, primarily via currency and deposits, and the general government sector, which increased its external claims by EUR 2.7 billion (primarily via currency and deposits, which was related to currency risk hedging for government securities, and the placement of the proceeds of bond issues in accounts in the rest of the world).

As a result the net external debt stood at EUR 11.8 billion at the end of January 2016, down EUR 2.6 billion on a year earlier. Net external debt was held by the general government sector (EUR 17.2 billion), other sectors (EUR 0.7 billion) and capital affiliates (EUR 0.2 billion). The central bank and the banks were net creditors of the rest of the world, in the amount of EUR 4.2 billion and EUR 2.2 billion respectively. The banks have been net creditors of the rest of the world since June 2014.

Selected competitiveness indicators

The price competitiveness of the Slovenian economy is continuing to improve, relative to the euro area on account of domestic deflation, and relative to other markets on account of the low value of the euro. Domestic prices are still falling, while the direction of price movements across the euro area turned upwards at the end of 2015. Slovenia's harmonised price competitiveness indicator against the euro area as measured by the HICP/CPI deflator again depreciated in year-on-year

Figure 4.13: Labour productivity, ULC and compensation per employee - total economy, Slovenia

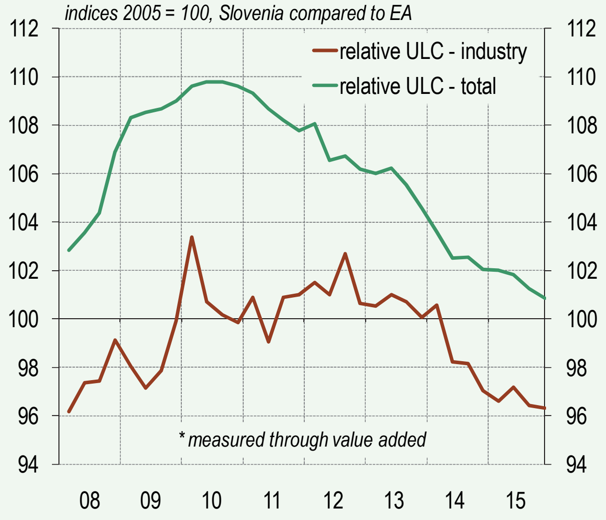


Source: Eurostat, Bank of Slovenia calculations.

terms in the final quarter of last year. The year-on-year fall in the euro slowed in the second half of last year, as a result of which the improvement in domestic exporters' price competitiveness on markets outside the euro area slowed in the final quarter of 2015. The year-on-year depreciation in Slovenia's harmonised price competitiveness indicator relative to 19 major trading partners outside the euro area nevertheless remained large.

Slovenian exporters' cost competitiveness on the markets of the euro area has continued to improve. Growth in labour productivity is still outpacing wage growth, which means that unit labour costs in Slovenia are still declining in year-on-year terms. By contrast, average unit labour costs across the euro area are rising, as wage growth has outpaced growth in labour productivity. Unit labour costs in the total economy in Slovenia almost reached the euro area average in the final quarter of 2015, while those in industry were around 4% lower.

Figure 4.14: Nominal unit labour costs* in relative terms



Source: Eurostat, Bank of Slovenia calculations.

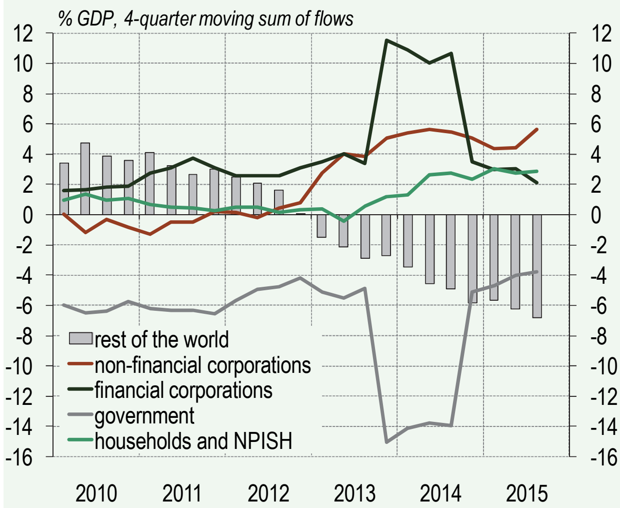
5 Financing of Non-Financial Corporations, Households and Banks

With the exception of the general government sector, all the domestic institutional sectors have recorded financial surpluses for the third consecutive year. The overall surplus against the rest of the world over the 12 months to the third quarter of 2015 amounted to 6.8% of GDP, an indication that national saving was larger than investment by this amount. Corporate saving has now surpassed the level seen before the crisis, while investment is half of its pre-crisis level. The non-financial corporations sector primarily directed its surplus into paying down debt, while households directed their surplus into currency and bank deposits. The years of debt repayments by banks and the increase in funding on the domestic market has improved their funding structure, thereby reducing systemic risks, although the shortening of average funding maturities is simultaneously increasing the instability of funding structure. Despite favourable financing conditions and increasing demand for loans, the banks have remained cautious with regard to investments.

Financing of domestic institutional sectors and the rest of the world

The large surplus in the current account is an indication of a surplus in national saving over investment. The domestic institutional sectors' financial surplus against the rest of the world increased from 2.7% of GDP in 2013 to 5.8% of GDP in 2014, and amounted to 6.8% of GDP in the third quarter of 2015. Saving is significantly larger than investment in the non-financial corporations sector and has already exceeded its pre-crisis level, while investment is half of its level of 2008, when the investment rate was unsustainably high.[18] The non-financial corporations sector's 12-month surplus remained at the level of 5.6% of GDP, as non-financial corporations primarily directed the surplus into paying down debt and thus improving their financing structure. Households have been relatively restrained in increasing their consumption. The household sector's 12-month surplus increased from the middle of 2013, and stabilised at 2.9% of GDP over the first three quarters of 2015. Households are continuing to mostly direct their surplus into currency and deposits. After temporarily increasing in the wake of measures

Figure 5.1: Financing of institutional sectors



Source: Bank of Slovenia - nonconsolidated financial accounts, SORS.

[18] The ratio of gross fixed capital formation to GDP in Slovenia stood at 29.6% in 2008, 6.6 percentage points more than in the euro area overall.

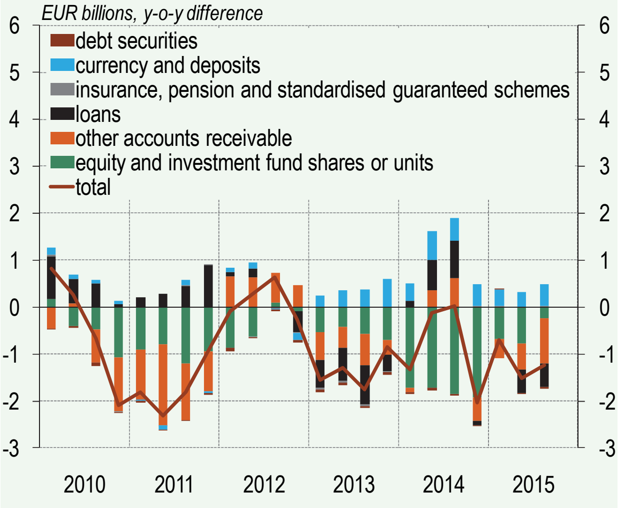
to stabilise the banking system in late 2013, the financial corporations sector's surplus and the government sector's deficit have stabilised. The financial corporations sector's 12-month financial surplus stood at 2.1% of GDP in the third quarter of 2015. With a surplus of 1.9% of GDP, the banks have continued to reduce their total assets. The general government sector's deficit declined to 3.8% of GDP.

Corporate financial assets and financing

The financial assets of non-financial corporations amounted to EUR 42.3 billion at the end of the third quarter of 2015, having declined by EUR 2 billion in 2014, but increased by EUR 0.9 billion over the first three quarters of 2015. Non-financial corporations increased their trade credits and advances in the first three quarters of 2015, particularly vis-à-vis the rest of the world, while business-to-business lending continued to decline. They increased their bank deposits, while there was an increase in loans granted to the rest of the world and a decline in loans granted to the general government sector. Investments in equity also increased, as a result of recapitalisations.

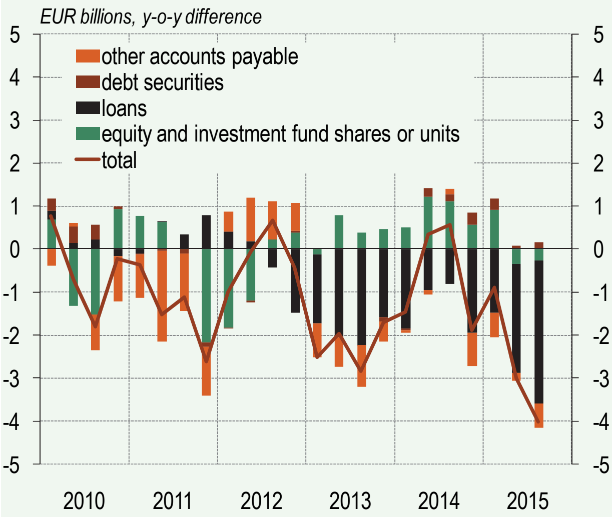
The liabilities of non-financial corporations amounted to EUR 81.2 billion at the end of the third quarter of 2015, having declined by EUR 1.9 billion in 2014 and by EUR 1.8 billion over the first three quarters of 2015. Non-financial corporations are continuing to primarily deleverage via a reduction in liabilities from loans. They declined by EUR 2 billion in 2014, and by EUR 1.8 billion over the first three quarters of 2015 (mostly vis-à-vis banks, the general government sector and the rest of the world). There was a decline in liabilities from equity, whereby negative revaluations were to a great extent neutralised by the impact of recapitalisations. Other accounts payable increased vis-à-vis the general government sector, while liabilities from trade credits and advances increased vis-à-vis the rest of the world but declined intra-sector.

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.

Household financial assets and financing

Household financial assets amounted to EUR 39.4 billion at the end of the third quarter of 2015, having increased by EUR 1.7 billion in 2014 and by EUR 1 billion over the first three quarters of 2015. Households remain cautious with regard to increasing consumption, and are primarily investing their surpluses in currency and deposits.

The fall in interest rates remains an additional factor in the shortening of average deposit maturity. Interest rates on deposits of all maturities fell in 2015 in Slovenia and in other euro area countries, and continued to fall in early 2016 in the wake of additional measures by the ECB. Interest rates on deposits of up to 1 year in Slove-

Box 5.1: Survey on access to corporate financing in Slovenia in 2015

The situation in the area of financing is slowly stabilising. Survey responses from large number of firms suggest that financing conditions remained unchanged in 2015. Of those stating that the situation has changed, there were more firms relative to 2014 that were of opinion that the situation has improved rather than deteriorated.

Access to financing was among the least emphasised limitations for firms in 2015: only 13% of SMEs (ranking it sixth) and 12% of large enterprises (ranking it fifth) cited it among the most important limiting factors. It may be interesting to be noted that, in comparison to 2014 the access to financing was ranked the most important limiting factor by large enterprises and second important by the SMEs. Among the other important factors that affect the business were cited payment discipline (for SMEs), competition, finding customers, regulation, and production or labour costs.

Firms primarily use internal financial resources for their financing, namely (a) retained earnings and the sale of assets (SMEs: 56%; large enterprises: 67%), followed by (b) bank loans (SMEs: 40%; large enterprises: 39%), and (c) leasing, hire-purchase and factoring (SMEs: 37%; large enterprises: 40%). Other resources are less used. The figures have not changed much over the years, although firms are using leasing, hire-purchase and factoring more than in previous years, and bank financing[1] less. Firms mostly earmark the funds for current operations (SMEs: 48%; large enterprises: 41%) and for investment (SMEs: 39%; large enterprises: 37%); large enterprises also earmark a significant proportion of the funds for debt restructuring (16%).

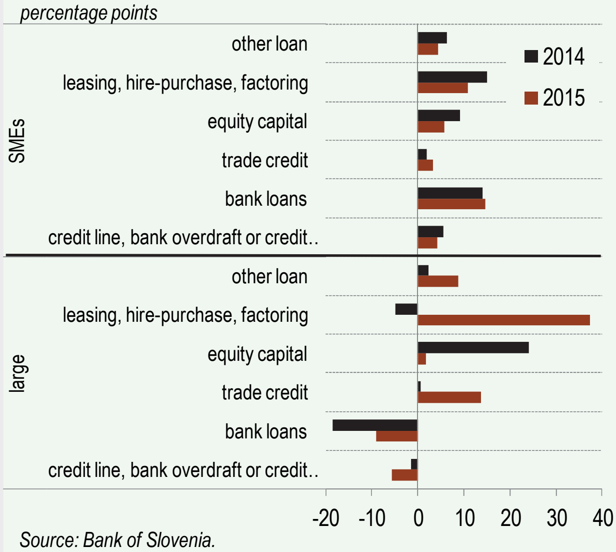
Firms are not seeking external financing, because they have sufficient internal resources (SMEs: 55%; large enterprises: 78%), because they face limitations from providers of external financing (SMEs: 27%; large enterprises: 7%) and because they have deferred investment projects (SMEs: 6%; large enterprises: 7%). Of the limitations on the supply side, the most important factor for SMEs are the high collateral costs.

Similar as in 2014, SMEs' net needs (demand)[2] for external financing increased in 2015, mostly for (a) bank loans and (b) leasing, hire-purchase and factoring. Large enterprises recorded a decline in net demand for both forms of bank resources in both years, while the net demand for other external financing increased. The largest increase in 2015 was in demand for leasing, hire-purchase, and factoring, while the largest increase in 2014 was in demand for equity and other external financing.

Net access to external resources deteriorated for SMEs in 2014, while in 2015 approximately the same number of firms cited an improvement in access and a deterioration in access, for that reason the situation can be said to have remained unchanged. Access to financing for large enterprises improved in 2015 for both forms of bank resources and for leasing, hire-purchase and factoring, and remained unchanged for other resources, while the assessment for 2014 was that access to bank resources deteriorated, while access to other resources remained unchanged.

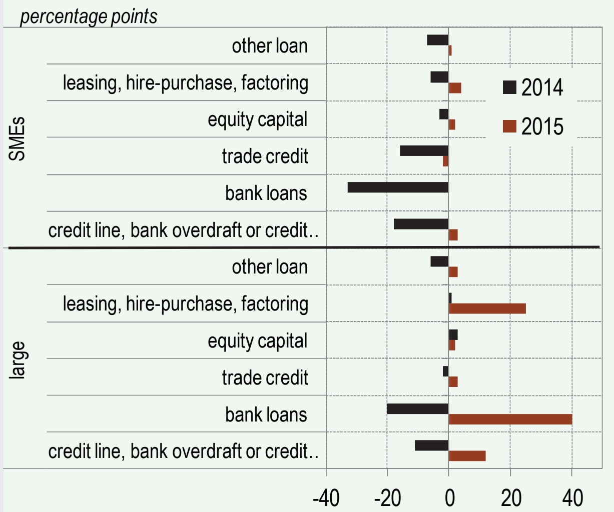
The ECB has developed a financing gap indicator, which is calculated on the basis of demand for and access to financing: when demand increases and access (supply) declines,

Figure 1: Needs(demand) for external financing (net)



Source: Bank of Slovenia.

Figure 2: Availability (supply) of external sources of financing (net)

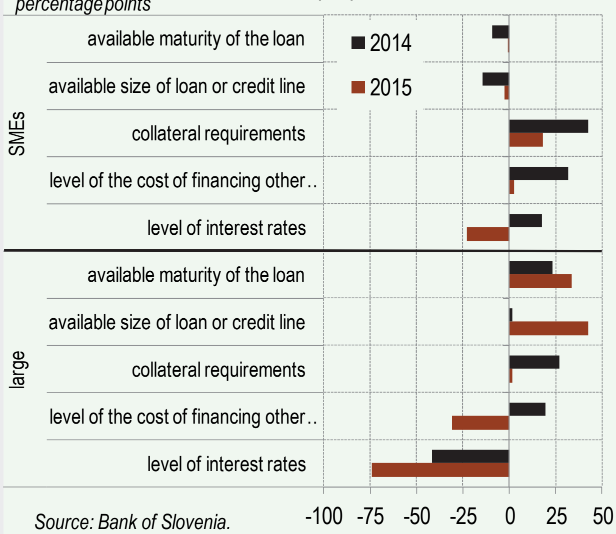


Source: Bank of Slovenia.

the financing gap widens. SMEs saw an increase in demand for all resources in 2015, while access remained unchanged, which means that there remains a financing gap for small enterprises, although it is smaller than in previous years, when access also deteriorated. For large (and medium-size) enterprises, the demand for bank resources declined, while access improved for all sources of financing, and there was no longer a financing gap in 2015.

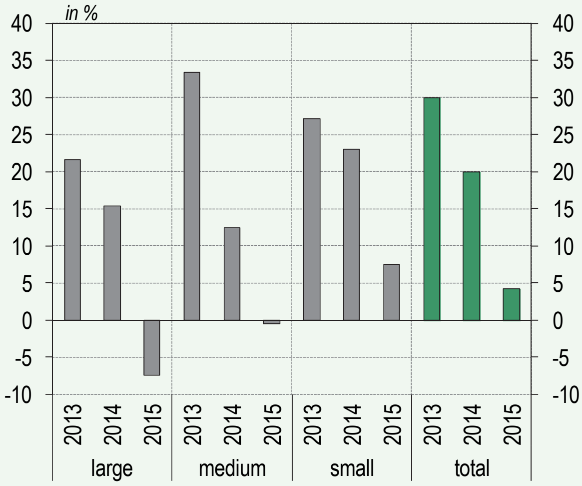
The number of firms with sufficient internal resources is increasing, for that reason the number of applications for external financing is declining. Between 2013 and 2015 the proportion of large enterprises that applied for both forms of banking resource declined (by 16 percentage points), while the corresponding figure for SMEs declined by less (3 percentage points). By contrast, the proportion of firms that applied for leasing, hire-purchase and factoring increased at firms of all

Figure 4: Terms and conditions of bank financing (net)



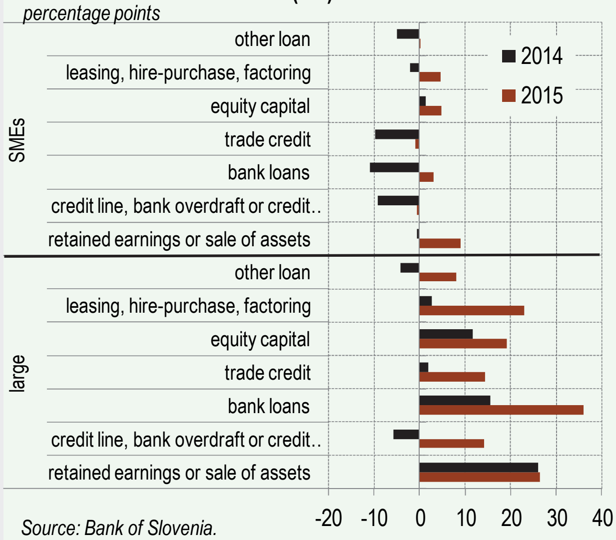
Source: Bank of Slovenia.

Figure 3: Financial gap



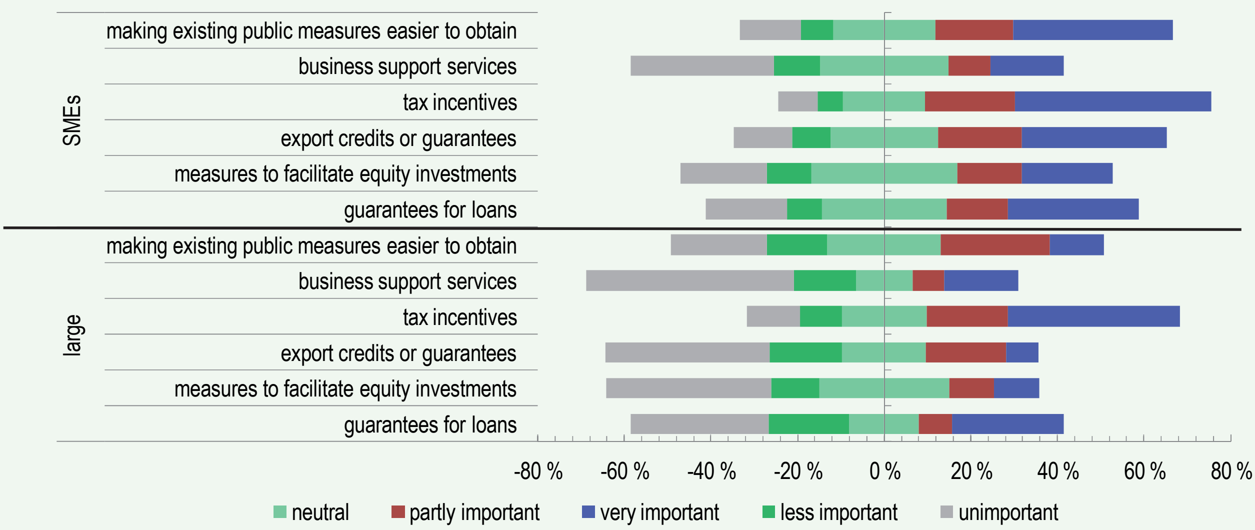
Source: Bank of Slovenia.

Figure 5: Availability of external financing in 2016 (net)



Source: Bank of Slovenia.

Figure 6: Important factors in future financing



Source: Bank of Slovenia.

size, by 6 percentage points at SMEs and by 3 percentage points at large enterprises.

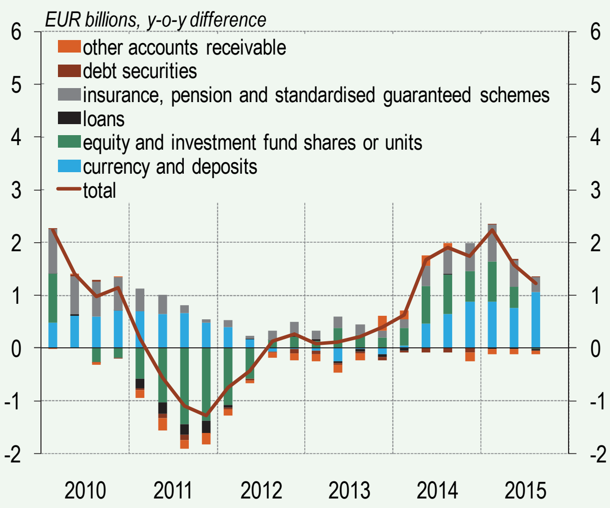
Firms that applied for external financing in 2015 were very successful. Around 70% of all firms received all the requested resources, while 20% obtained part of the resources. There were not many rejected applications: around 7% for all firms for both forms of bank resources. There were almost no rejected applications for leasing, hire-purchase and factoring, although more firms withdrew their applications for reason of excessive costs (SMEs: 8%; large enterprises: 5%). The most common reasons for providers to reject an application are poor current performance, inadequate collateral, and poor credit rating.

The gap between the terms and conditions of bank financing for SMEs and large enterprises widened in 2015. Large enterprises have cheaper access to loans than SMEs. According to large enterprises, all (net) financing conditions improved in 2015: interest rates and other financing costs fell, loan maturities and size increased, and collateral requirements remained unchanged. For SMEs there was only a fall in interest rates, while collateral requirements increased. Other financing conditions remained unchanged.

The majority of firms, irrespective of size, expect the situation to remain unchanged in 2016. Looking at the net responses, it is evident that in 2016 more SMEs expect the situation to improve than to deteriorate, for all forms of financing other than trade credits, current account overdrafts, credit lines and credit card debt. In 2014 the majority of SMEs thought that the situation would deteriorate in 2015. An expectation of improvement was seen at large enterprises even in 2014, and was yet more pronounced in 2015.

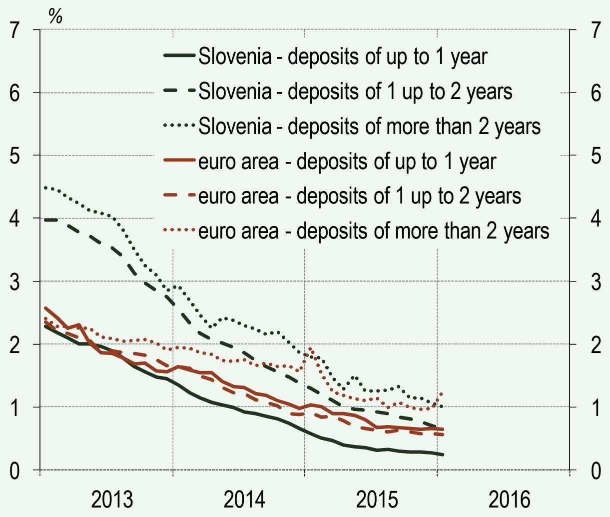
[1] The forms of bank financing are: 1.) bank loans, and 2.) current account overdrafts, credit lines and credit card debt.
[2] The net responses are calculated as the difference between the responses of firms stating that the factor in question has improved and the firms stating that the factor in question has deteriorated (in percentage points).

Figure 5.4: Financial assets of households (S.14 and S.15)



Source: Bank of Slovenia, non-consolidated data.

Figure 5.5: Interest rates on household deposits, by maturity



Sources: ECB, Bank of Slovenia.

nia remain below the euro area average, while interest rates on deposits of 1 to 2 years in Slovenia are now entirely comparable to the euro area averages. Interest rates on deposits of more than 2 years fell below the euro area average in early 2016, the euro area rates having begun to rise.

Despite the favourable financing situation, households have not undertaken additional borrowing, and remain among the least-indebted in the euro area. Household financial liabilities amounted to EUR 12.2 billion at the end of the third quarter of 2015, virtually unchanged over the preceding three years. The stock of bank loans as the most important form of household borrowing also remained unchanged. Household indebtedness in Slovenia thus remains low, and is barely half of the euro area average.

Bank funding and investments

Despite favourable financing conditions and increasing demand for loans, the banks have remained cautious with regard to investments. Lending activity is

Box 5.2: Implementation of Eurosystem monetary policy

Since the outbreak of the financial crisis the Eurosystem has applied a wide spectrum of non-standard monetary policy measures alongside its standard measures. All the measures relate to the achievement of a basic objective of monetary policy, although certain frictions in the functioning of the transmission mechanism are also addressed. In the early part of the crisis the Eurosystem ensured that the banking system had adequate liquidity by means of liquidity providing operations and a full allotment procedure. Later, through targeted programmes, it tried to mitigate the adverse effects of the debt crisis and the fragmentation of the euro area for separate market segments (geographically or otherwise). The latest series of measures, introduced in June 2014 and then gradually upgraded in the direction of an increasingly expansionary monetary policy, was primarily aimed at strengthening the transmission mechanism, with the objective of achieving the target inflation rate of less than but close to 2%.

In the latest series the Eurosystem combines three measures in relation to which it is also signalling its stance with regard to interest rates and securities purchases in the future:

1. A reduction in interest rates including a negative interest rate on the deposit facility: the Eurosystem cut the deposit facility rate to zero in July 2012, and then moved it into negative territory in June 2014. The latest reduction came in March 2016, taking the rate to -0.40%. With the negative deposit facility rate, which in a situation of high surplus liquidity acts as the key monetary policy rate, the Eurosystem exerts a direct influence on interest rates at the shortest maturity of the money market curve. These are the starting point for the formulation of interest rates at longer maturities on other markets.

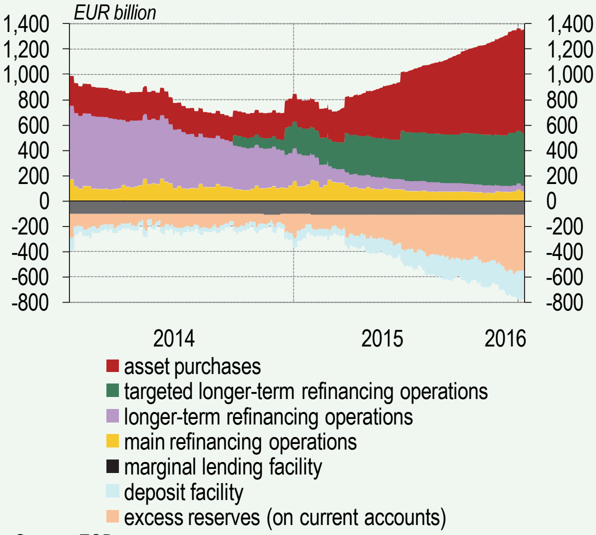
2. The targeted longer-term refinancing operations (TLTROs) offer banks the opportunity to obtain long-term funding for lending to the non-financial sector. The TLTROs are a very favourable long-term funding source for the banks, which allows them to replace more expensive funding sources and to direct them into investments such as loans to the non-banking sector, which can be offered at more favourable terms. Although numerous other factors play a role in bank decision-making, the preliminary figures for the euro area reveal that the banks that participated in these operations generally lowered their lending rates more sharply.

3. The programmes of purchases of private-sector and public-sector securities (quantitative easing programmes). In the autumn of 2014 the Eurosystem began purchasing private-sector bonds, namely covered bonds (CBPP3) and asset-backed securities (ABSPP). In March 2015 it expanded the purchases to public-sector bonds (PSPP) issued by euro area governments, regional and local authorities (since December 2015), public agencies and supranational issuers. Towards the end of the second quarter of 2016 the programme will be further expanded to include purchases of corporate bonds (CSPP). The Eurosystem is purchasing a monthly total of EUR 80 billion in bonds across all sectors (the monthly volume was EUR 60 billion between March 2015 and March 2016). The purchases will be made until at least the end of March 2017, and the principal payments on the securities will be reinvested by the Eurosystem at maturity.

With the aforementioned measures the Eurosystem is responding to the general decline in inflation expectations in the environment of the euro area's gradual recovery. Both the current inflation and the medium- to long-term inflation expectations have additionally declined over the last year on the back of a steep fall in energy prices and adverse developments in external environment related in particular to the slowdown of the Chinese economy and other developing economies.

In the current situation Eurosystem monetary policy is not administered solely via the steering of short-term money-market rates, but via purchases of covered bonds, asset-backed securities, government bonds and corporate bonds which shift down the yield curves and increase excess liquidity in the system. This generates conditions in which a reduction in the general level of interest rates in the economy and

Figure 1: Eurosystem money supply (+) and demand (-)



Source: ECB.

an improvement in access to financing can be facilitated via various transmission channels (e.g. a signalling effect; the impact on the confidence of banks, firms and consumers; investor migration to higher-risk, higher-yielding investments), thereby encouraging the gradual take-up of greater risks by businesses and individuals. The increase in output and consumption should be reflected in higher economic growth, which has already been suggested by the preliminary economic figures.

Box 5.3: Bank performance in 2015 and early 2016

The slowdown in the contraction in the banking system's total assets continued in early 2016. The figure was down 3.0% in year-on-year terms at the end of February. Dependence on wholesale funding is continuing to decline, while deposits by the non-banking sector, household deposits in particular, are maintaining stable growth. The year-on-year decline in loans to non-financial corporations deepened slightly in February as a result of the dissolution of two banks. The trend of decline in the stock and proportion of claims more than 90 days in arrears has continued, in the wake of a further contraction in classified claims in the banking system. The decline in impairment and provisioning costs is the decisive factor in the banks' profitability.

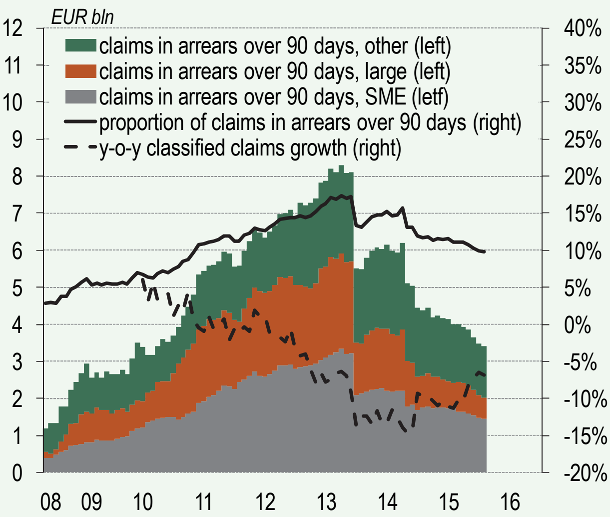
The pace of the contraction in loans to non-financial corporations began to slow last year, across the banking system as of the second half of the year, having begun before at the large domestic banks. The contraction in loans to non-financial corporations strengthened again slightly in the early part of this year, to 11.9%, as a result of the dissolution of Factor banka and Probanka and the transfer of their claims to the BAMC. On the loan supply side, credit standards remain high, although they eased slightly in the final quarter of 2015 for the first time since 2008. Access to bank financing does not represent a limiting factor to increased credit growth. Alongside the favourable economic environment and firms' need for new investment, other positive factors in demand for loans are the decline in corporate indebtedness and the low lending rates. The average interest rate on corporate loans of up to EUR 1 million approved in December was 2.9%, down 1.6 percentage points in year-on-year terms. The decline across the euro area over the same period was just 0.6 percentage points, which narrowed the spread between average interest rates in Slovenia and in the euro area on loans of this type to just 0.3 percentage points. The banks' reluctance to expand lending activity is partly attributable to firms having deleveraged primarily by paying down debt, without strengthening capital, which does not give sufficient assurance of their increased creditworthiness.

Year-on-year growth in household loans declined in the early part of this year as a result of a base effect. Year-on-year growth in the stock of housing loans jumped in the early part of last year as a result of the appreciation of the Swiss franc, but the impact levelled off after a year. The stock of household loans in February was up 0.3% in year-on-year terms, although a base effect was evident in housing loans, where growth slowed to 1.3%. The slowdown in the contraction in consumer loans has continued this year.

Figure 1: Loans to non-banking sector

Source: Bank of Slovenia.

Figure 2: Claims in arrears over 90 days



Source: Bank of Slovenia.

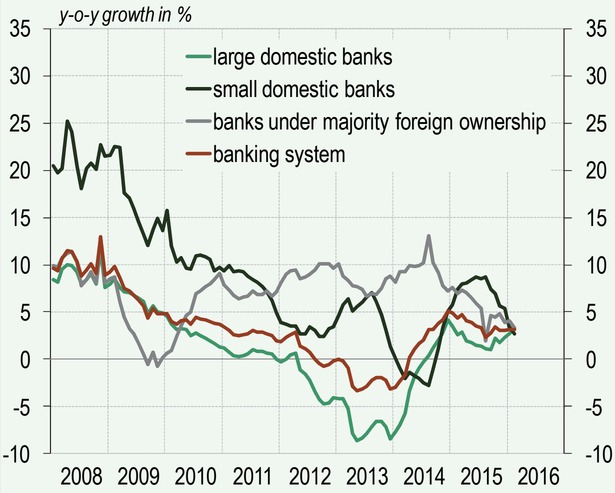
The banks have high surplus liquidity, and a high share of unencumbered collateral, and thereby a potential source of liquidity at the ECB. The proportion of total assets accounted for by secondary liquidity and liquid assets has increased. Dependence on wholesale funding has declined further: by the end of February it accounted for less than 12% of total liabilities. The debt servicing burden from wholesale funding also declined, in both nominal and relative terms.

The banks are increasingly focusing on domestic funding: deposits by the non-banking sector account for two-thirds of total liabilities across the banking system. Deposits by the non-banking sector and household deposits are maintaining stable growth, at 2.2% and 3.2% respectively in February. The LTD ratio for the non-banking sector stabilised in the final quarter of last year at around 80%, and had fallen below this level by the end of February of this year. The proportion of sight deposits across the banking system increased further, to almost 59% in February, having risen by 3 percentage points in the first two months of this year alone. In the event of uncertainty, this could be a factor in funding instability.

The trend of decline in the stock and proportion of claims more than 90 days in arrears has continued, in the wake of a further contraction in classified claims in the banking system. Claims more than 90 days in arrears declined by EUR 966 million in 2015 to stand at EUR 3.5 billion, or 9.9% of classified claims in December, compared with 9.7% in January. According to the European Banking Authority (EBA) definition, the proportion of non-performing exposures in the Slovenian banking system stood at 11.4% at the end of 2015, down 2.8 percentage points on June 2015 (only quarterly figures are available, the first reporting having been made in June). The decline in claims more than 90 days in arrears was the result of bank activity, as they reduced non-performing claims via forbearance and write-offs. Certain segments of the portfolio are nevertheless more burdened with claims more than 90 days in arrears, most notably claims against SMEs, which account for 42% of all claims more than 90 days in arrears. Coverage of claims more than 90 days in arrears by impairments and coverage of unimpaired non-performing claims by capital are also increasing, thereby strengthening the banking system's resilience in the event of shocks.

The banks generated a pre-tax profit of EUR 158 million in 2015. The decisive factor in the banking system's profitability was the decline in impairment and provisioning costs, which were down 58% on the previous year. According to the latest figures available for 2015 (from March 2016), impairment and provisioning costs accounted for a quarter of the disposal of the banks' gross income last year, slightly more than the proportion in 2008. The expectation is that low interest rates, more favourable corporate financing conditions at banks, and ongoing bank activity to resolve non-performing claims will help to keep impairment and provisioning costs at the lower level. The banks actually made a net release of impairments and provisions in the first two months of this year.

Figure 3: Household deposits



Source: Bank of Slovenia.

However, net interest income continued to decline last year and in the first two months of this year, for which reason the banks remain exposed to relatively high income risk in the environment of low interest rates. The fall in lending rates and in returns on securities, and the persistence of negative growth in loans are having an adverse impact on the banks' generation of income. The trend of gentle decline in the net interest margin slowed last year. The net interest margin over the first two months of this year stood at just over 1.9%, 0.2 percentage points down on the same period last year. The impact of last year's fall in lending rates on net interest income was mitigated by the parallel continuation of the fall in liability interest rates and the increase in the proportion of sight deposits. The banking system's operating costs were unchanged last year, but have resumed their decline this year.

The capital adequacy of the Slovenian banking system again improved moderately in the final quarter of last year, and remains above the euro area average according to the latest figures. The total capital ratio reached 20.9% at the end of 2015, and 18.6% on a consolidated basis. The quality of Slovenian banks' capital structure remains high. The banks improved capital adequacy in the final quarter of last year by means of an increase in capital via positive earnings, and a renewed reduction in capital requirements owing to a further contraction in lending activity. The small domestic banks remain the most vulnerable bank group in capital terms. They recorded a slight improvement in capital adequacy in the final quarter of last year, although their ratio of capital to total assets remains low, and the quality of the credit portfolio as measured by the proportion of claims more than 90 days in arrears is worse than the average across the banking system.

Box 5.4: Analysis of fees of banks and savings banks for payment services, and calculation of costs of baskets of payment services in 2015

Since 2009 the Bank of Slovenia has drawn up annual analysis of changes in fees for payment services, and has calculated the costs of baskets of payment services for the "average" private individual (consumer) or legal entity (non-consumer). The methodological approach has remained unchanged each year, which allows for a year-on-year comparison of the calculations.

The Bank of Slovenia again drew up the analysis in 2015, in a document entitled *Analysis of fees charged by banks and savings banks for payment services, and calculation of the costs of payment service baskets*.[1] The document calculates the average fees charged by payment service providers for their payment services, and the costs of baskets of payment services. Both allow payment service users to assess which provider is preferable for them, with regard to their payment habits and the size of their payments.

The major results of the aforementioned analysis are presented below, while the detailed calculations of average fees and the costs of baskets of payment services are available in the document itself.

The analysis of fees, in which 18 banks and three savings banks were included, reveals that average fees calculated as the ordinary (unweighted) arithmetic mean of payment service provider fees as at 31 December 2015 were higher relative to a year earlier in 13 of the 21 payment service segments analysed, and lower in the other eight. The largest rise was recorded by the average fee for cash withdrawals by debit card at the ATM of another provider (10.76%), while the largest fall was recorded by direct debit payments where the payment recipient is a legal entity (7.18%).

The cost of a basket of payment services, i.e. the annual charge for a "typical" user, depends on the number of transactions and on the payment service provider's business methods, i.e. whether the client uses a bank teller for payment (a traditional client) or electronic banking (an e-client). Both individuals and legal entities are divided into traditional clients and e-clients. For individuals two baskets of payment services are calculated: (i) the Bank of Slovenia basket, which is calculated as the simple average of the number of transactions in the current account, (ii) and the Slovenian Consumers' Association (SCA) basket, which is formulated empirically. The cost of payment services for an individual typical user in a particular year is defined as the sum of the costs in various payment service segments, where the cost is calculated as the multiple of the number of transactions in the basket by the fee for the particular payment service provider at the end of the year in question.

The calculation reveals Delavska hranilnica d.d. to be the most affordable for individuals, irrespective of the basket (Bank of Slovenia or SCA) and the client type (traditional or e-client). The annual cost of the basket at Delavska hranilnica d.d. for a traditional client is EUR 27.94 (Bank of Slovenia basket) or EUR 39.96 (SCA basket), while the annual cost for an e-client is EUR 24.44 (Bank of Slovenia basket) or EUR 32.76 (SCA basket). The most expensive bank for a traditional client is Sberbank banka d.d., where the annual cost of the basket is EUR 146.58 (Bank of Slovenia basket) or EUR 262.20 (SCA basket). The most expensive banks for an e-client are Sberbank banka d.d. again, where the annual cost of the basket is EUR 52.43 (Bank of Slovenia basket), and Nova KBM d.d., where the annual cost of the basket is EUR 86.16 (SCA basket).

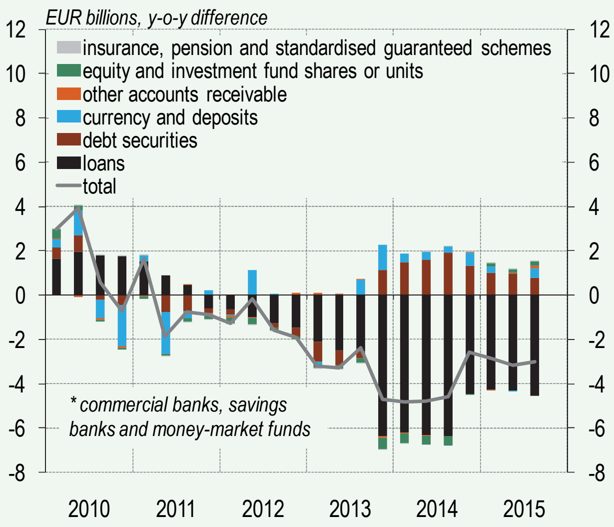
The differences are even greater for legal entities,havingthe significantly higher number of transactions and higher fees. The most affordable bank for a traditional client is Hranilnica in posojilnica Vipava d.d., where the annual cost of the basket is EUR 336.00, while the most expensive bank is Banka Sparkasse d.d., where the annual cost of the basket is EUR 1,130.80. The most affordable bank for an e-client is Delavska hranilnica d.d., where the annual cost of the basket is EUR 174.90, while the most expensive bank is SKB banka d.d., where the annual cost of the basket is EUR 494.67.

By publishing the figures for fees in a standardised form the Bank of Slovenia aims to give the general public an opportunity to compare fees, and to ensure transparency in this respect. The Bank of Slovenia also publishes the calculated costs of baskets of payment service providers on its website, to allow users to assess which provider is most affordable. The Bank of Slovenia cannot and may not exercise direct influence over the level of fees, as to do so would infringe the principles of free economic initiative and the protection of competition.

[1] The entire document is available in Slovene at http://www.bsi.si/orodja/tarife-ps.asp?MapaId=1439.

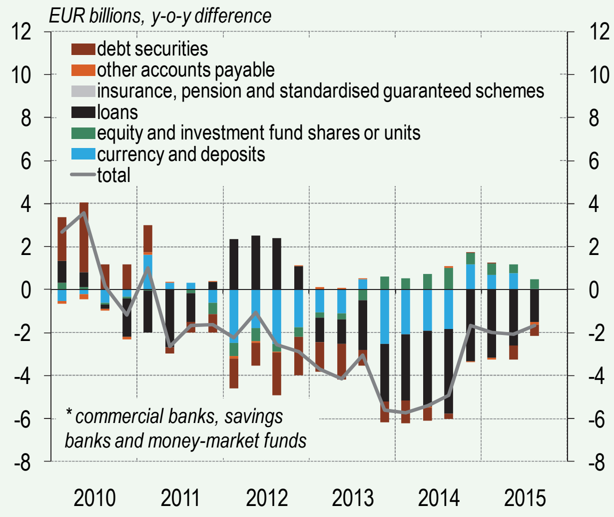
continuing to contract. The financial assets of banks amounted to EUR 40.5 billion at the end of the third quarter of 2015, having declined by EUR 2.6 billion in 2014 and by EUR 1.8 billion over the first three quarters of 2015. Loans granted accounted for 61% of their investments, having declined by EUR 1.8 billion, of which EUR 0.6 billion was result of write-offs of non-performing claims. The stock of investments in debt securities amounted to EUR 9.3 billion, having remained virtually unchanged, while the stock of investments in the form of deposits was down slightly. Despite the fall in asset interest rates and the narrowing spread with average euro area interest rates, the banks' credit standards remain a strong limiting factor on the supply side.

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)



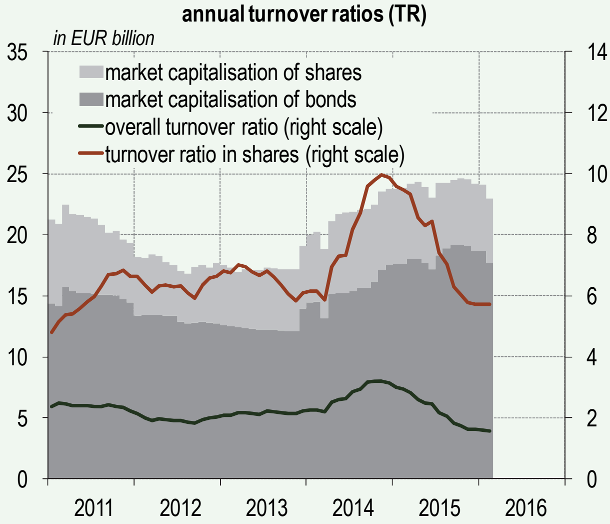
Source: Bank of Slovenia, non-consolidated data.

Debt repayments on foreign markets and the increase in deposits by the non-banking sector are bringing a gradual improvement in the structure of bank funding. The gradual rise in deposits by the non-banking sector, households and non-financial corporations in particular, has continued, although sight deposits account for an increasing proportion. Deposits by the non-banking sector accounted for 67% of total bank funding at the end of the third quarter of 2015. Because deposits are the most stable and important source of bank funding, the systemic risks associated with refinancing on foreign markets are also diminishing. In the first three quarters of 2015 the banks succeeded in repaying a portion of their liabilities to the ECB, which as a ratio to total assets have now fallen to their pre-crisis level, while liabilities to domestic banks and the rest of the world have also declined. Debt repayments on foreign markets were the largest factor in the contraction of the balance sheet, which was most pronounced in the first half of the year. The banks' total financial liabilities amounted to EUR 37.1 billion at the end of the third quarter of 2015, having declined by EUR 1.7 billion in 2014 and by EUR 1.4 billion over the first three quarters of 2015. Having altered significantly in the last year, the structure of bank funding has become similar to that seen before the period of increased borrowing in the rest of the world by the banks.

Domestic financial market

The Ljubljana Stock Exchange saw low volume of trading in shares and bonds in the early part of 2016. The SBI TOP fell over the first two months of the year. The market capitalisation of shares amounted to EUR 5.3 billion at the end of February, down 14.5% in year-on-year terms. The cumulative volume of trading in shares on the Ljubljana Stock Exchange over the first two months of this year amounted to EUR 39.7 million, down 16.1% in year-on-year terms. The majority of the volume (EUR 29.2 million) was recorded by three shares on the prime market. The proportion of domestic shares held by non-residents stood at 30.2% at the end of February. The mood of domestic investors improved slightly in the first half of March, when the SBI TOP fully recovered its loss of the previous months. The volume of trading in bonds on the Ljubljana Stock Exchange declined sharply over the first two months of the year, although the market capitalisation was up slightly in year-on-year terms at EUR 17.6 billion. The cumulative volume of trading in bonds amounted to EUR 2.3 million, down 66.3% in year-on-year terms. The Ljubljana Stock Exchange recorded just EUR 0.3 million of bond trading in January, the lowest figure of recent years.

Figure 5.8: Market capitalisation on the LJSE in EUR billion and annual turnover ratios (TR)



Source: Ljubljana Stock Exchange.

6 Public Finances

Slovenia met its main fiscal objective in 2015 by reducing its general government deficit to below 3% of GDP. The general government deficit stood at 2.2% of GDP last year, significantly less than the forecast in the Stability Programme of April 2015. The general government debt had risen to 83.0% of GDP by the end of the year, which was attributable not only to the deficit, but also primarily to currency risk hedging for bonds issued in US dollars.

EU rules stipulate that Slovenia has to improve its structural position by 0.6% of GDP this year. The main measures in the fiscal area in 2016 include the extension of certain measures in the area of wages and social transfers, the omission of regular pension increases, and the maintenance of the VAT rates raised during the crisis.

The risks in the fiscal area are related to macroeconomic developments potentially being less favourable, to the upward pressure on expenditure from various interest groups, to potential one-off factors, and to the high level of implicit and potential liabilities. These include the costs of the population ageing and the potential calling of guarantees.

General government deficit

The general government deficit amounted to 2.2% of GDP last year, and the same figure is forecast for this year. This should allow Slovenia exit the excessive deficit procedure this year. The narrowing of the deficit in 2015 is a reflection of the significantly smaller impact of one-off factors,[19] the improved economic situation, an increase in certain taxes and contributions, and measures to restrict government expenditure. The general government deficit was smaller than forecast in the Stability Programme, primarily as a result of higher revenues, although expenditure was also lower. In the Reporting of government deficits and debt levels a general government deficit of 2.2% of GDP is forecasted for this year. According to the European Commission the general government deficit for the euro area was estimated at 2.2% of GDP in 2015, the same as the figure for Slovenia.

General government revenues increased last year, primarily as a result of the improved economic situation and an increase in certain taxes and social security contributions. The increase was 4.0%. The largest increases in taxes were recorded by revenues from direct taxes, primarily as a result of a large increase in corporate income tax, a reflection of last year's improvement in business results. Revenues from personal income tax and net social security contributions increased by around 4.5%, as a result of the ongoing improvement in the situation on the labour market, as employment grew by 1.4% last year and wages also increased, albeit to a

[19] The main factors affecting the general government deficit in 2014 were the recapitalisation of Abanka and Banka Celje in the total amount of 0.9% of GDP, and the recognition of liabilities to Ljubljanska banka savers on the basis of a ruling by the European Court of Human Rights in the amount of 0.7% of GDP.

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

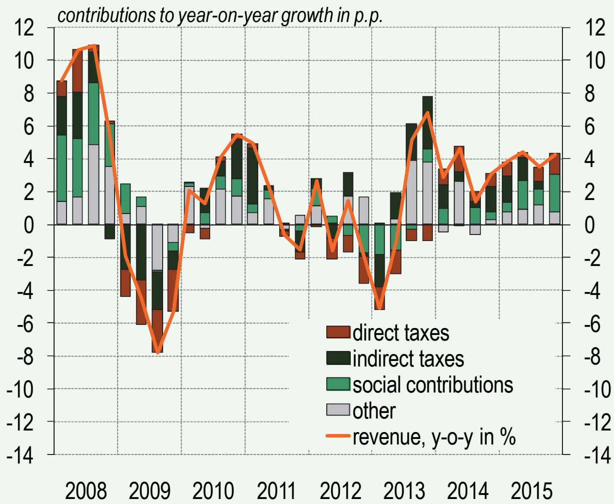
	SORS				Draft Budgetary Plan		Stability Programme					EC		
as % BDP	2012	2013	2014	2015	2015	2016	2015	2016	2017	2018	2019	2015	2016	2017
Revenue	44.5	45.2	44.9	45.1	44.8	43.4	44.7	43.1	42.5	42.0	41.5	44.8	44.0	43.5
Expenditure	48.6	60.3	49.7	47.3	47.7	45.5	47.6	45.3	44.3	43.4	42.4	47.8	46.4	45.4
of which: interest	2.0	2.6	3.2	3.0	3.0	2.9	3.1	2.9	2.6	2.5	2.4	3.0	2.9	2.7
Net lending (+) / borrowing (-)	-4.1	-15.0	-4.9	-2.2	-2.9	-2.2	-2.9	-2.3	-1.8	-1.4	-0.9	-2.9	-2.4	-1.9
excl. support to fin. institutions	-3.9	-4.9	-3.9	-2.2	-2.9	-2.2	-2.9	-2.3	-1.8	-1.4	-0.9	-2.9	-2.4	-1.9
Structural balance	…	…	…	…	-1.8	-1.3	-2.2	-1.6	-1.3	-1.0	-0.8	-2.6	-2.5	-2.8
Debt	53.7	70.8	80.8	83.0	84.1	80.8	81.6	78.7	79.6	79.4	78.2	83.5	79.8	79.5
Real GDP (growth, %)	-2.7	-1.1	3.0	2.9	2.7	2.3	2.4	2.0	2.1	2.2	2.2	2.5	1.8	2.3

Source: SORS (realization), Draft Budgetary Plan (Ministry of Finance, October 2015), Stability Programme (Ministry of Finance, April 2015), European Commission (EC, February 2016).

lesser extent. The increase in revenues from net social security contributions was also attributable to student contributions for health and pension insurance. The main factors in the increase in indirect taxes were measures including a rise in the carbon dioxide emissions tax, and a rise in the tax on financial transactions and insurance services. The faster growth in household consumption was reflected in an increase in VAT revenues (up 2.0% in year-on-year terms), while revenues from excise duties were up 1.6%. The increase in the burden of taxation and contributions is estimated to have increased revenues by around 0.4% of GDP in 2015. Revenues from dividends and profit distributions were up around a third, while revenues from capital transfers were up just over 15%.

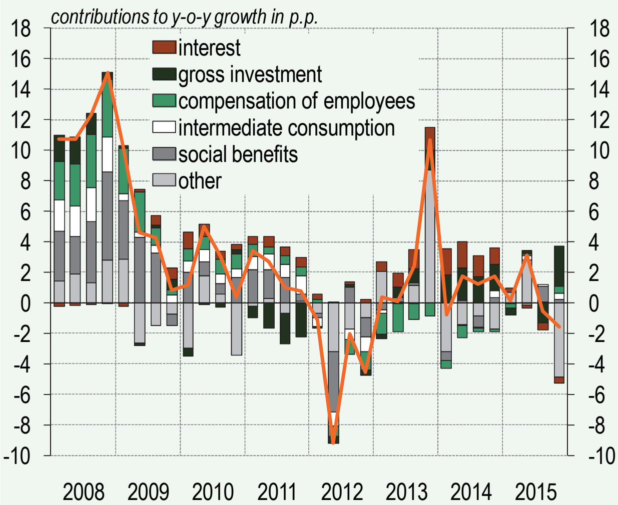
General government expenditure (after the exclusion of one-off factors) declined by 0.8% in year-on-year terms in 2015. Expenditure on intermediate consumption and investment increased, while the main declines were in subsidies and interest. General government expenditure in 2015 was down 1.7% in year-on-year terms, but was up just under 1% if one-off effects are excluded. Interest expenditure was down 3.0%, and amounted to 3.0% of GDP. Government investment increased by 3.3% in 2015, the final quarter seeing high year-on-year growth owing to the completion of the funding cycle from the EU budget on the basis of the 2007-2013 financial framework. The latter had a significant impact on economic activity over the last two years, and resulted in an in-

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.

Box 6.1: Public finance developments according to cash flow methodology, January and February 2016

The consolidated general government position in January was in surplus. The year-on-year improvement in the position is mainly a reflection of the decline in expenditure, primarily on investment and subsidies. The improved position is the result of developments in the state budget, there having been no significant change in the position of other government sub-sectors.

The state budget showed a year-on-year improvement also in February, as a result of higher tax revenues. Revenues from taxes and social security contributions in the first two months of the year were up around 4%, while growth was low in March, although only because excise duties on energy products were paid for the current and the previous month last March, compared with the current month alone this March. Revenues from the EU budget during the first two months of the year were up EUR 26 million in year-on-year terms, while payments into the EU budget were down EUR 32 million.

A deficit of EUR 839 million is projected in the adopted state budget for this year. On the revenue side, additional revenues are forecast from the introduction of fiscal cash registers. On the expenditure side, in particular a decline in investment expenditure and transfers is planned; the year-on-year decline is forecast at around 40%. This was related to the end of funding from the old financial framework and the changeover to the new financial framework.

Table 1: Consolidated general government (GG) balance*, January 2016

	2015	*last 12 months to Jan.16*			*2015 Jan.*	*2016 Jan.*	*Jan.2016*
	EUR millions		*% GDP*	*y-o-y, %*	*EUR millions*		*y-o-y, %*
Revenue	**15,714**	**15,730**	**40.7**	**1.0**	**1,313**	**1,328**	**1.2**
Tax revenue	13,746	13,701	35.5	3.2	1,222	1,176	-3.7
- goods and services	5,347	5,305	13.7	1.7	505	463	-8.3
- social security contributions	5,474	5,484	14.2	3.5	455	465	2.3
- personal income	1,986	1,988	5.1	3.4	174	175	0.8
- corporate income	595	601	1.6	30.1	34	40	17.0
From EU budget	882	941	2.4	-10.0	32	90	181.3
Other	1,085	1,088	2.8	-13.0	59	62	4.9
Expenditure	**16,957**	**16,837**	**43.6**	**0.6**	**1,423**	**1,303**	**-8.4**
Current expenditure	7,168	7,146	18.5	1.3	638	616	-3.5
- wages and other personnel expenditure (incl. contributions)	3,610	3,598	9.3	-0.8	316	304	-3.9
- purchases of goods, services	2,311	2,314	6.0	4.7	155	158	2.1
- interest	1,043	1,043	2.7	-5.0	143	144	0.6
Current transfers	7,539	7,480	19.4	-1.2	676	618	-8.6
- transfers to individuals and households	6,370	6,384	16.5	0.7	516	529	2.6
Capital expenditure, transfers	1,817	1,778	4.6	3.4	74	36	-52.0
To EU budget	433	432	1.1	10.9	34	34	-2.2
GG surplus/deficit	**-1,243**	**-1,107**	**-2.9**		**-110**	**26**	

*Note: * Consolidated central government budget, local government budgets and social security funds (pension and disability insurance fund and health insurance fund) in cash accounting principle.*
Source: Ministry of Finance, Bank of Slovenia calculations.

crease in government investment to a high level of around 5% of GDP, making the ratio of government investment to GDP in Slovenia significantly higher than the average across the euro area (less than 3% of GDP).

A large decline in government investment is forecast for this year. The start of a new cycle under a new financial framework usually sees a decline in funding, and there is also significantly less funding available under the

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

% GDP	2010	2011	2012	2013	2014	2015
Debt	38.2	46.4	53.7	70.8	80.8	83.0
Change in debt	**3.8**	**8.3**	**7.3**	**17.1**	**10.0**	**2.2**
of which: primary balance	4.0	4.8	2.1	12.5	1.7	-0.8
difference interest rate-growth rate ("snow-ball effect")	1.6	1.2	3.2	2.7	0.5	0.4
deficit debt adjustment	-1.9	2.3	2.0	1.9	7.8	2.7

Source: SORS, Bank of Slovenia calculations.

new financial framework. Compensation of employees was up 0.3% on the previous year, a reflection of the broadly unchanged number of employees (up 0.1%) and the slight rise in wage levels (up 0.2%). Expenditure on intermediate consumption was up 1.5%. Expenditure on social security benefits and support was up 0.7%, of which increase was inparticular in pensions expenditures, social security transfers and sickness benefits.

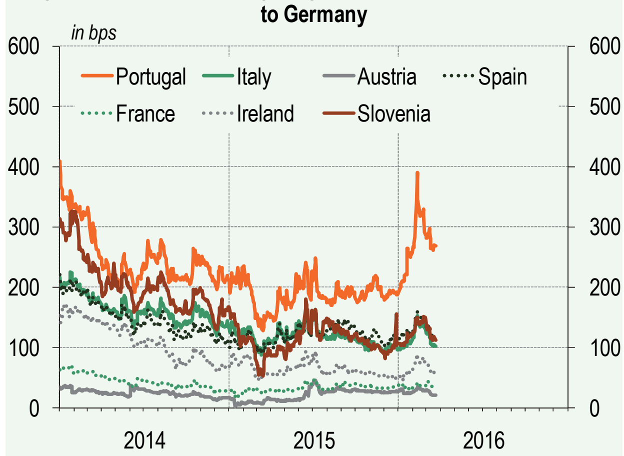
General government debt and government guarantees

The general government debt increased to 83.0% of GDP last year. Alongside the deficit there were other factors in the increase, most notably hedging against currency risk. The general government debt was up EUR 1,866 million on the end of 2014 reaching EUR 31,999 million, or 83.0% of GDP, still below the euro area average (93.5% of GDP according to the European Commission's February estimate). The government sector was in deficit, but recorded a primary surplus. Last year's increase in the debt was primarily related to the deficit-debt adjustment (Table 6.2), that mostly referred to hedging against currency risk for bonds issued in US dollars. Another factor in the increase in the ratio of debt to GDP was the snowball effect, which reflects the difference between economic growth and the implicit interest rate on the debt. Interest payments increased the debt by 3.0% of GDP, which was more than offsetting the effect of nominal GDP growth that reduced the debt by 2.6% of GDP.

The stock of guarantees and sureties declined to 18.3% of GDP last year. They are partly already captured in general government debt. The stock of Slovenian government guarantees and sureties stood at EUR 7,059 million at the end of 2015, down EUR 1,217 million on the end of 2014. Approximately half of the decline was a reflection of the maturing of Deželna banka, Factor banka and BAMC bonds covered by a government guarantee, the liabilities having been settled by the institutions themselves. The other half of the decline was related to the maturing of loans raised by various firms, most notably DARS d.d., the former SOD, and Holding Slovenske Železnice, and to guarantees for operations executed by SID banka. The largest components of the stock of loan guarantees at the end of last year were guarantees for DARS d.d. (35% of the total), the EFSF (21%) and the BAMC (15%). Of the 18.3% of GDP in guarantees, the figure already included in the debt is equivalent to 5.1% of GDP (BAMC bonds and EFSF guarantees). According to the consolidated general government figures, guarantees in the amount of EUR 7 million were called last year, while repayments of previously called guarantees amounted to EUR 39 million. The latter mostly related to repayments of guarantees called in 2014 during the orderly wind-down of Probanka and Factor banka.

The required yield on 10-year government bonds and the spread over the German benchmark bond were relatively volatile in the first quarter of this year, but remained at low levels. The required yield first rose in the early part of the year as a result of increased risk aversion on the financial markets and investor migration to lower-risk investments (e.g. German bonds, where required yields fell). After a rise in the expectations of further stimulus measures by the ECB, the required yields on the government bonds of the periphery countries (including Slovenia) and their spreads fell, even before the actual stimulus measures were adopted by the ECB at the March meeting. During the period of falling required

Figure 6.3: Spreads on 10-year government bonds as compared to Germany



Sources: Bloomberg, Bank of Slovenia calculations.
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.

yields Slovenia issued a new 16-year bond with a coupon rate of 2.25% and a nominal value of EUR 1.5 billion, and increased its issue of 30-year bonds. February saw the first issue of treasury bills with a negative interest rate.

Planned developments in the general government deficit

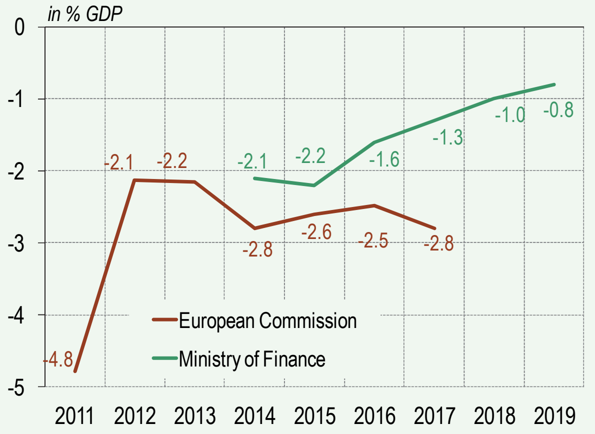
After the abrogation of the excessive deficit, in accordance with the preventive arm of the Stability and Growth Pact, Slovenia will have to pursue a structural improvement in the budget position.[20] The level of the required adjustment is set with regard to the size of the output gap and the level of debt. Given that Slovenia's debt exceeds 60% of GDP and that the output gap is estimated to be less than 1.5% of GDP this year according to the European Commission, a slightly larger structural improvement of 0.6% of GDP will be required in 2016 following the exit from the excessive deficit procedure. According to the European Commission's estimates, the structural deficit in 2015 stood at 2.6% of GDP,[21] and Slovenia's medium-term objective is a structurally balanced position. The regular revision of the medium-term objective, which happens every three years, is expected in this year's update to the Stability Programme. According to European Commission's estimates of this February, Slovenia is not expected to make sufficient fiscal effort this year. The European Commission forecast that the reduction in the structural deficit would amount to just 0.1% of GDP, instead of the required 0.6% of GDP. Slovenia was therefore placed on the list of countries at risk of non-compliance with the rules. Slovenia will present its structural adjustment plans in April in the Stability Programme.

The general government deficit is expected to continue narrowing in the coming years, in both nominal and structural terms. The government's latest plans will be revealed in April when this year's update to the Stability Programme is released. The introduction of fiscal cash registers and the extension of certain measures in the area of social transfers[22] are expected to have a positive impact on the deficit this year. There was an extraordinary pension increase of 0.7% in January of this year, but it is unclear whether there will be further increases and when they are likely to be made. Certain restrictive measures were also extended in the area of labour costs, which will nevertheless increase significantly this year.[23] There will be significantly less funding for government investment this year and in the coming years, the level having risen sharply in 2014 and 2015 at the end of the financial framework. The refugee crisis is projected to widen the deficit in 2016 by approximately 0.1% of GDP. 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). Negotiations with the trade unions are in progress regarding the wage bill for the 2017 to 2020 period, in relation to the gradual relaxation of the remaining measures.

[20] The cyclically adjusted general government position reveals the position after the elimination of cyclical developments. The structural position is calculated by eliminating one-off effects and other temporary measures in addition to cyclical component.
[21] The European Commission estimated the nominal general government position at that time to be a deficit of 2.9% of GDP. The European Commission will publish the new estimates at the beginning of May.
[22] Certain changes have been made in 2016 in the area of social transfers. Cash social assistance has been raised to EUR 288.81, child benefit for those in the fifth and sixth wage grades has been raised by a tenth, and entitlement to government scholarships has been expanded.
[23] In addition to the promotions at the end of 2015 and 2016, more funding will be required this year for employee leave, and on 1 September 2016 the reduction in wage grades will be abolished. The freezing of ordinary performance-related pay, reduced performance-related payments for workload, and reduced premiums for collective supplementary pension insurance remain in force.

Structural reforms are in preparation in the areas of pensions, healthcare and long-term care. The ageing population is a risk factor for the long-term sustainability of public finances. According to the European Commission's forecasts in its Ageing Report 2015, the largest increase by 2060 will be in expenditure on pensions, while expenditure on healthcare and long-term care is also expected to increase substantially. A white paper on the long-term sustainability of the pension system is expected to be presented this April. It is expected to contain proposals for potential measures for ensuring the long-term sustainability of the pension system and adequate pensions. Changes are also being prepared in the area of healthcare and long-term care.

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 - Stability Programme, April 2015.

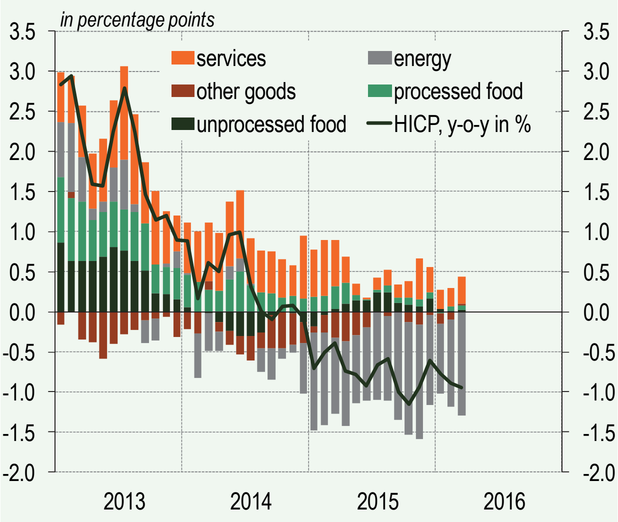
7 Price Developments

Headline inflation remains negative moslty due to the additional drop in oil prices earlier this year. It averaged -0.9% over the first quarter, while all the core inflation indicators also remained low. External cost pressures remain absent, and there is a lack of upward preassure on prices also from domestic factors. There is a slow increase of purchasing power and household purchases, although without any impact on inflation for the moment.

Structure of price developments

In the beginning of 2016 the price development structure remained mainly unchanged in comparison to the previous year. Year-on-year deflation averaged 0.9% in the first quarter, approximately the same as in the second half of last year, and slightly more than the 2015 average. The fall in energy prices remains the main driver of the deflation, while the negative contribution to inflation made by prices of other industrial goods diminished slightly. Growth in food as well as service prices remained positive, although its contribution to headline inflation is modest. The gap between inflation in Slovenia and average inflation in the euro area, which stood at zero in the first quarter, remains large, on account of all the sub-categories, and is attributable to both demand-side and supply-side factors.

Figure 7.1: Contributions to inflation



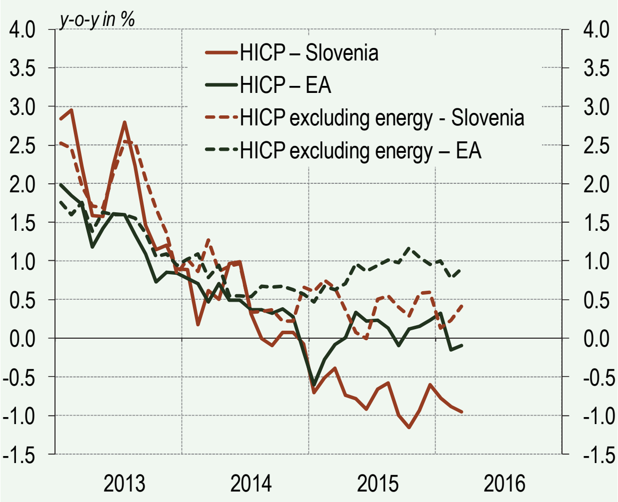
Source: Eurostat, Bank of Slovenia calculations.

Macroeconomic factors and core inflation indicators

All the core inflation indicators remained low in the first three months of this year. Core inflation as measured by the HICP excluding energy, food, alcohol and tobacco averaged 0.3% in the first quarter, 0.1 percentage points lower than the previous quarter, and 0.7 percentage points lower than the euro area average. Year-on-year growth of service prices slowed, while year-on-year growth of non-energy industrial goods prices increased slightly, although it remained negative.

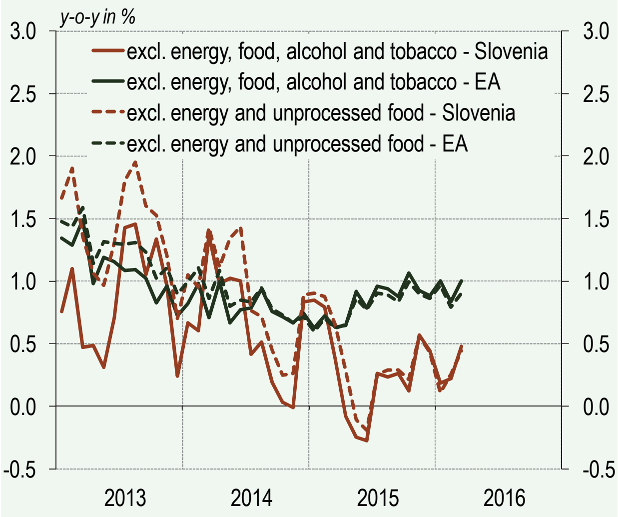
Positive shifts were discernible on the demand side, although they still do not affect inflation. Real final household consumption began strengthening more sharply in 2015 in line with the increase in the wage bill, although it still significantly lags behind its peak in 2011, while real household consumption across the euro area has already surpassed this level. The situation on the

Figure 7.2: Inflation in Slovenia and euro area



Source: Eurostat.

Figure 7.3: Core inflation in Slovenia and euro area



Source: Eurostat, Bank of Slovenia calculations.

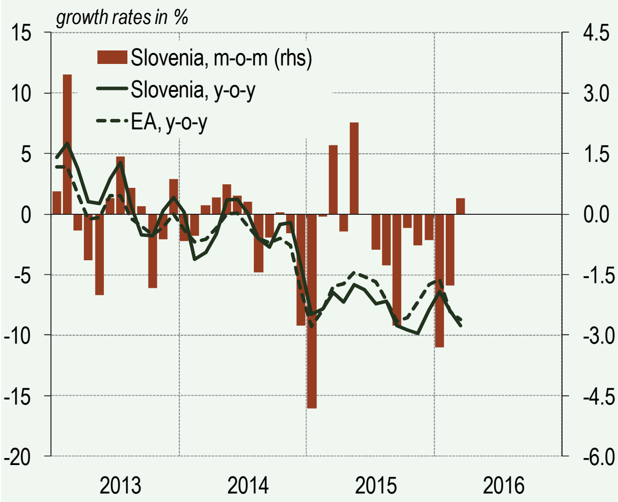
labour market is improving, although new hires are mostly in uncertain forms. There was a downward reversal in the previous positive trend in consumer confidence in the middle of last year. Further evidence that households remain cautious with regard to consumption comes from the high level of saving. Consumption is growing, but for the moment it bears no impact on the inflation.

By contrast, the absence of cost pressures is significantly affecting price development. Commodity prices on global markets are continuing to fall in year-on-year terms, which is continuing to press down the prices of non-energy industrial goods via import prices. The fall in oil prices also had an indirect impact on prices of certain services, such as package holidays and passenger transport by air, where the impact was felt strongly than in the euro area on average. At home unit labour costs are continuing to decline. Wage growth in Slovenia is being outpaced by productivity growth, while the opposite is true for the euro area on average.

Microeconomic factors and the structure of inflation

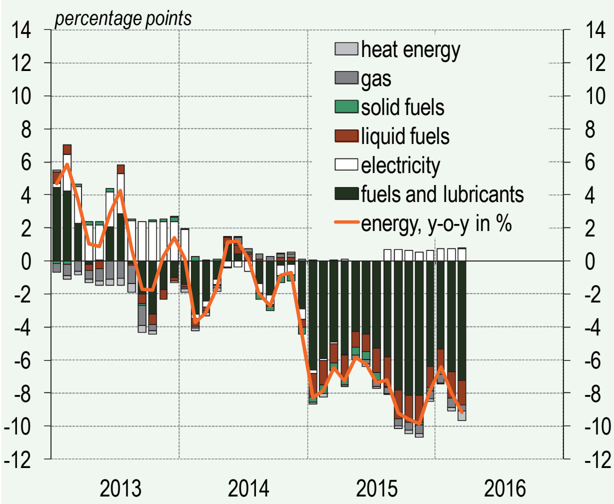
After a major fall in January, oil prices began rising later in the first quarter, although the annual fall remains deep. The overall annual fall in energy prices in the first quarter of this year stood at 7.9%, just 1.2 percentage points less than in the final quarter of 2015,

Figure 7.4: Energy prices



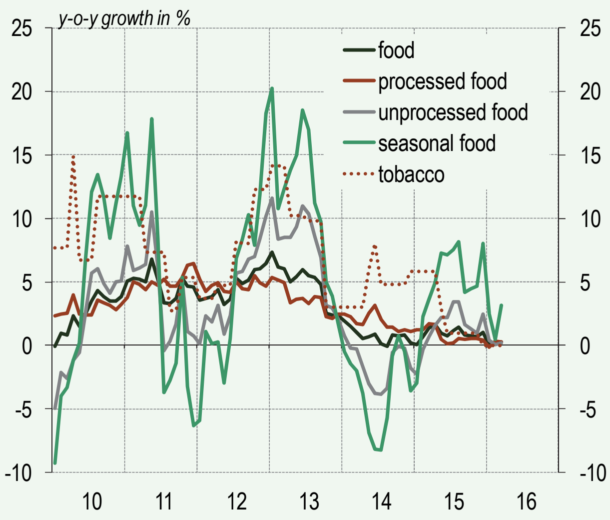
Source: Eurostat, Bank of Slovenia calculations.

Figure 7.5: Contributions to energy inflation



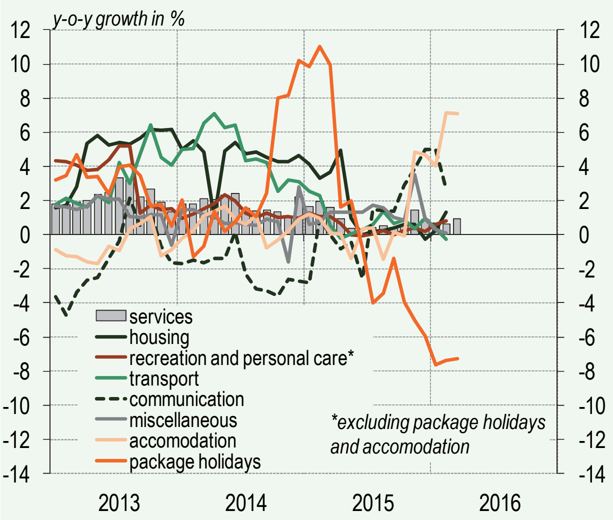
Source: ECB.

Figure 7.6: Food prices



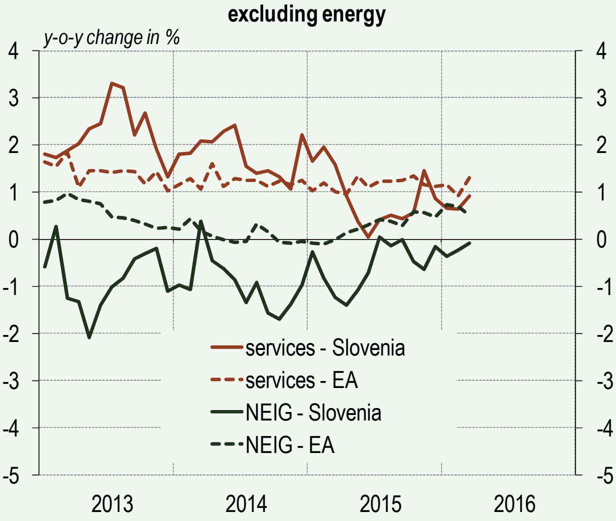
Source: Eurostat, Bank of Slovenia calculations.

Figure 7.7: Prices of categories of services



Source: Eurostat, bank of Slovenia Calculations.

Figure 7.8: Prices of services and industrial goods excluding energy



Source: Eurostat, SORS, Bank of Slovenia calculations.

which was mainly a result of the additional fall in oil prices in January. Energy prices across the euro area fell by 7.4% over the same period, 0.5 percentage points less than in Slovenia. This discrepancy can be primarily attributed to the larger fall in Slovenian prices of motor fuels, which also have a higher weight than in the euro area overall.

The slowdown of the annual growth of food prices seen at the end of last year continued in the first quarter of this year. Year-on-year growth in food prices averaged just 0.2% over the first three months of the year, down 0.6 percentage points on the average of 2015. Over the same period food prices food prices across the euro area rose by 0.8%. The slowdown in Slovenia was attributable to both processed and unprocessed food. The previous high growth in prices of fruit and vegetables slowed. The contribution made by food prices to inflation in the first quarter thereby approached zero.

Year-on-year growth in services prices in early 2016 remained relatively low. It averaged 0.7% over the first quarter, down 0.2 percentage points on the previous quarter, although the previous higher rate was to a great extent the result of a base effect in November 2015. The slowdown in growth in services prices was also attributable to fall in prices of passenger transport by air and package holidays, which were affected by the fall in global oil prices. By contrast, accommodation services rose sharply, as providers raised prices following a favourable tourist season. Overall services prices across the euro area in the first quarter of this year were up 1.1% in year-on-year terms. The main difference compared with Slovenia is in prices of passenger transport by air and package holidays, which in the euro area overall responded less to the year-on-year fall in oil prices.

The developments in prices of non-energy industrial goods in the early part of this year remained similar to the second half of last year. Prices in this category were down 0.4% in year-on-year terms in the previous quarter, and by 0.2% in the first quarter of this year. There was a smaller fall in prices of household equipment, while prices of clothing and footwear averaged positive growth over the quarter. By contrast, car prices

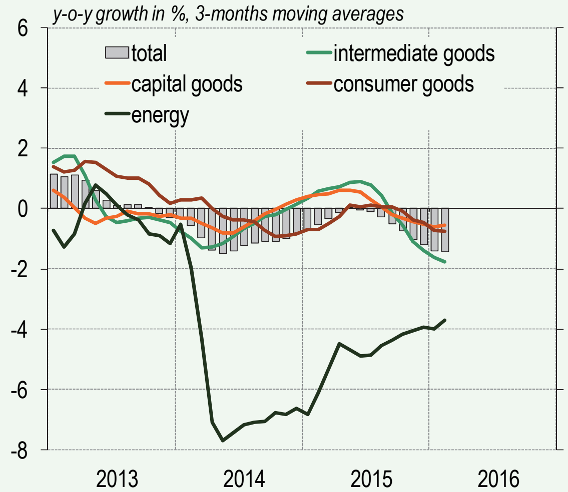
Table 7.1: Breakdown of the HICP and price indicators

	weight	average year-on-year growth, %					year-on-year growth in quarter, %					
	2016	2011	2012	2013	2014	2015	14Q4	15Q1	15Q2	15Q3	15Q4	16Q1
HICP	100.0%	2.1	2.8	1.9	0.4	-0.8	0.0	-0.5	-0.8	-0.8	-0.9	-0.9
Breakdown of HICP:												
Energy	13.0%	8.8	9.0	1.8	-1.4	-7.8	-2.0	-7.5	-6.4	-7.9	-9.1	-7.9
Food	22.7%	4.8	4.7	4.9	0.8	1.0	0.6	0.7	1.1	1.2	0.8	0.2
processed	15.7%	5.0	4.7	3.6	1.8	0.8	1.1	1.4	0.7	0.4	0.5	0.2
unprocessed	7.1%	4.3	4.5	7.6	-1.5	1.4	-0.7	-0.6	2.0	2.8	1.6	0.2
Other goods	27.7%	-0.9	-0.2	-0.9	-1.0	-0.6	-1.4	-0.8	-1.1	0.0	-0.4	-0.2
Services	36.5%	0.0	1.5	2.2	1.8	0.9	1.5	1.7	0.4	0.5	1.0	0.7
Core inflation indicators:												
HICP excl. Energy	87.0%	1.0	1.8	2.0	0.7	0.4	0.4	0.7	0.1	0.5	0.5	0.3
HICP excl. energy and unprocessed food	79.9%	0.7	1.5	1.4	0.9	0.4	0.5	0.8	0.0	0.3	0.4	0.3
HICP excl. energy, food, alcohol and tobacco	64.3%	-0.4	0.7	0.9	0.6	0.3	0.3	0.7	-0.2	0.3	0.4	0.3
Other price indicators:												
Industrial producer prices on domestic market		3.8	1.0	0.3	-1.1	-0.5	-0.8	-0.3	0.0	-0.5	-1.2	...
GDP deflator		1.1	0.3	0.8	0.8	0.4	0.6	0.5	0.2	0.1	1.0	...
Import prices[1]		5.7	2.1	-1.5	-1.1	-1.3	-0.3	-1.4	-0.1	-1.5	-2.2	...

Note: [1] National accounts figure.
Source: SORS, Eurostat, Bank of Slovenia calculations.

were still falling sharply in year-on-year terms. Year-on-year growth in prices of non-energy industrial goods across the euro area has been positive for some time, and strengthened slightly to 0.6% in the first quarter of this year.

Figure 7.9: Producer prices on domestic market



Source: SORS, Bank of Slovenia calculations.

Industrial producer prices

The negative trend in growth in industrial producer prices on the domestic market continued in the early part of 2016. The fall in prices deepened compared with the final quarter of last year, averaging 1.5% over the first two months of the year. The additional fall was mostly attributable to commodity prices, where prices in the manufacture of metals are falling sharply again. In addition, growth in prices of consumer durables declined. By contrast, prices of consumer non-durables and prices of capital goods were down slightly in year-on-year terms. In line with the slowdown in the fall in oil prices on global markets, the negative rates of growth in prices in energy production also diminished slightly.

8 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 82, while more detailed explanations are given in the appendix to the Bank of Slovenia bulletin.

Table 8.1: Consolidated Balance Sheet of the Monetary Financial Institutions

EUR million	2012	2013	2014	15Q2	15Q3	15Q4	Jan. 2016
1.1. Claims of the Bank of Slovenia	5,538	4,771	7,278	5,964	5,587	5,410	5,219
1.2. Claims of other MFIs	5,797	5,165	6,680	7,635	7,744	8,263	8,230
1. Claims on foreign sectors (foreign assets)	**11,335**	**9,936**	**13,958**	**13,599**	**13,331**	**13,673**	**13,449**
2.1. Claims of the Bank of Slovenia on central government	221	233	263	1,045	1,699	2,327	2,539
2.2.1.1. Loans	1,131	1,083	1,149	1,155	1,142	1,298	1,299
2.2.1.2. Securities	3,926	5,480	6,105	6,231	6,158	5,814	5,913
2.2.1. Claims on central government	5,057	6,563	7,254	7,386	7,300	7,112	7,212
2.2.2.1. Loans	610	581	671	634	624	622	630
2.2.2.2. Securities	0	0	0	0	0	0	0
2.2.2. Claims on other general government	610	581	671	634	624	622	630
2.2. Claims of other MFIs on general government	5,667	7,144	7,926	8,021	7,925	7,734	7,842
2.3.1.1. Loans	18,643	14,135	11,213	10,893	10,438	10,068	10,089
2.3.1.2. Securities	827	767	524	503	504	465	473
2.3.1. Claims on nonfinancial corporations	19,470	14,902	11,737	11,396	10,942	10,533	10,562
2.3.2. Households and non-profit institutions serving households	9,267	8,917	8,762	8,836	8,825	8,856	8,815
2.3.3.1. Loans	1,813	1,460	1,087	916	890	898	888
2.3.3.2. Securities	322	303	408	551	544	511	510
2.3.3. Claims on nonmonetary financial institutions	2,135	1,763	1,495	1,467	1,434	1,409	1,398
2.3. Claims of other MFIs on other non-MFIs	30,872	25,582	21,995	21,698	21,201	20,798	20,776
2. Claims on domestic non-MFIs	**36,761**	**32,959**	**30,183**	**30,765**	**30,825**	**30,859**	**31,157**
3. Remaining assets	**5,021**	**3,670**	**3,771**	**3,390**	**3,247**	**3,102**	**2,975**
Total assets	**53,116**	**46,565**	**47,912**	**47,753**	**47,403**	**47,633**	**47,581**
1.1. Bank of Slovenia	4,450	1,054	10	12	0	16	212
1.2. Other MFIs	10,802	8,241	7,409	6,039	6,037	5,920	5,798
1. Obligations to foreign sectors (foreign liabilities)	**15,252**	**9,294**	**7,419**	**6,051**	**6,037**	**5,936**	**6,011**
2.1.1.1. Banknotes and coins (after 1.1.2007 ECB key)	3,997	4,189	4,673	4,763	4,812	4,956	4,864
2.1.1.2. Overnight deposits at other MFIs	8,829	8,832	10,441	11,821	12,488	13,057	13,182
2.1.1.3.1. Non-monetary financial institutions	14	15	44	11	39	9	4
2.1.1.3.2. Other government sector	18	28	28	24	42	53	49
2.1.1.3. Overnight deposits at the Bank of Slovenia	31	43	71	36	81	63	54
2.1.1. Banknotes and coins and overnight liabilities	12,858	13,065	15,185	16,621	17,381	18,075	18,100
2.1.2.1. Deposits at the Bank of Slovenia	-	-	1	1	1	1	1
2.1.2.2. Deposits at other MFIs	10,111	9,804	9,363	8,470	7,893	7,837	7,711
2.1.2. Time deposits	10,111	9,804	9,364	8,471	7,894	7,838	7,712
2.1.3. Deposits reedemable at notice up to 3 months	63	209	379	465	391	315	358
2.1. Banknotes and coins and deposits up to 2 years	23,032	23,078	24,929	25,558	25,666	26,229	26,169
2.2. Debt securities, units/shares of money market funds and repos	80	80	42	61	66	56	61
2. Banknotes and coins and instruments up to 2 years	**23,112**	**23,157**	**24,971**	**25,619**	**25,732**	**26,285**	**26,230**
3. Long-tern financial obligations to non-MFIs	**1,987**	**1,498**	**1,598**	**1,564**	**1,553**	**1,550**	**1,541**
4. Remaining liabilities	**15,017**	**15,783**	**17,229**	**16,070**	**15,666**	**15,370**	**15,287**
5. Excess of inter-MFI liabilities	**-2,253**	**-3,168**	**-3,305**	**-1,551**	**-1,586**	**-1,508**	**-1,489**
Total liabilities	**53,116**	**46,565**	**47,912**	**47,753**	**47,403**	**47,633**	**47,581**

Table 8.2: Balance Sheet of the Bank of Slovenia

EUR million	2012	2013	2014	15Q2	15Q3	15Q4	Jan. 2016
1.1. Gold	129	89	101	107	103	100	104
1.2. Receivable form IMF	388	369	392	385	363	367	365
1.3. Foreign cash	0	0	0	0	0	0	0
1.4. Loans, deposits	406	373	3,031	1,374	1,015	699	510
1.5. Securities	4,520	3,844	3,651	3,995	4,004	4,141	4,137
1.6. Other claims	96	96	103	103	103	103	103
1. Claims on foreign sectors (foreign assets)	**5,538**	**4,771**	**7,278**	**5,964**	**5,587**	**5,410**	**5,219**
2.1. Claims on central government	221	233	263	1,045	1,699	2,327	2,539
2.2.1. Loans	3,982	3,682	1,098	840	813	901	927
2.2.2. Other claims	3	3	3	2	18	44	61
2.2. Claims on domestic monetary sector	3,985	3,685	1,101	842	831	945	988
2.3. Claims on other domestic sectors	2	2	2	2	2	2	2
2. Claims on domestic sectors (domestic assets)	**4,208**	**3,919**	**1,366**	**1,889**	**2,532**	**3,275**	**3,529**
3. Remaining assets	**2,835**	**2,200**	**2,317**	**1,999**	**1,831**	**1,665**	**1,550**
Total assets	**12,581**	**10,890**	**10,961**	**9,853**	**9,950**	**10,349**	**10,299**
1. Banknotes and coins (ECB key from 1.1.2007 on)	**3,997**	**4,189**	**4,673**	**4,763**	**4,812**	**4,956**	**4,864**
2.1.1.1.1. Overnight	1,338	1,503	1,526	1,439	1,656	1,634	1,922
2.1.1.1.2. With agreed maturity	-	605	-	-	-	-	-
2.1.1.1. Domestic currency	1,338	2,108	1,526	1,439	1,656	1,634	1,922
2.1.1.2. Foreign currency	-	-	-	-	-	-	-
2.1.1. Other MFIs	1,338	2,108	1,526	1,439	1,656	1,634	1,922
2.1.2.1.1. Overnight	23	364	2,718	1,721	1,470	1,730	1,234
2.1.2.1.2. With agreed maturity	1,000	1,350	-	-	-	-	-
2.1.2.1. In domestic currency	1,023	1,714	2,718	1,721	1,470	1,730	1,234
2.1.2.2. Foreign currency	75	73	94	59	58	60	57
2.1.2. General government	1,098	1,787	2,812	1,780	1,528	1,789	1,291
2.1.3.1. Non-financial corporations	-	-	-	-	-	-	-
2.1.3.2. Non-monetary financial institutions	16	17	45	13	40	11	5
2.1.3. Other domestic sectors	16	17	45	13	40	11	5
2.1. Domestic sectors	2,452	3,912	4,383	3,231	3,224	3,434	3,218
2.2. Foreign sectors	4,450	1,054	10	12	0	16	212
2. Deposits	**6,902**	**4,966**	**4,393**	**3,243**	**3,224**	**3,450**	**3,430**
3.1. Domestic currency	-	-	-	-	-	-	-
3.2. Foreign currency	-	-	-	-	-	-	-
3. Issued securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**
4. SDR allocation	**252**	**241**	**257**	**271**	**270**	**275**	**273**
5. Capital and reserves	**1,180**	**1,339**	**1,440**	**1,384**	**1,439**	**1,449**	**1,478**
6. Remaining liabilities	**250**	**156**	**197**	**191**	**204**	**220**	**254**
Total liabilities	**12,581**	**10,890**	**10,961**	**9,853**	**9,950**	**10,349**	**10,299**

Table 8.3: Balance Sheet of other Monetary Financial Institutions

EUR million	2012	2013	2014	15Q2	15Q3	15Q4	Jan. 2016
1.1.1. Cash	261	282	292	272	262	294	245
1.1.2. Accounts and deposits at the Bank of Slovenia, other claims	1,338	2,108	1,526	1,439	1,656	1,634	1,922
1.1.3. Securities of the Bank of Slovenia	-	-	-	-	-	-	-
1.1. Claims on Bank of Slovenia	1,599	2,390	1,818	1,711	1,918	1,928	2,167
1.2.1. Loans	3,064	2,432	1,719	1,305	1,349	1,264	1,334
1.2.2. Debt securities	620	363	378	201	246	245	256
1.2.3. Shares and other equity	172	117	61	62	62	62	62
1.2. Claims on other MFI's	3,856	2,912	2,158	1,568	1,657	1,571	1,652
1.3.1. Loans	31,465	26,176	22,883	22,434	21,920	21,742	21,722
1.3.2. Debt securities	4,139	5,702	6,352	6,463	6,397	6,050	6,159
1.3.3. Shares and other equity	936	849	685	822	810	739	738
1.3. Claims on nonmonetry sectors	36,540	32,727	29,920	29,719	29,127	28,531	28,619
1. Claims on domestic sectors (domestic assets)	**41,994**	**38,028**	**33,897**	**32,998**	**32,701**	**32,032**	**32,438**
2.1.1. Cash	23	23	29	38	33	34	31
2.1.2. Loans	1,231	1,697	2,839	2,552	2,570	2,767	2,718
2.1.3. Debt securities	590	372	498	468	666	1,027	1,048
2.1.4 Shares and other equity	619	559	572	571	567	567	567
2.1. Claims on foreign monetary sectors	2,463	2,651	3,938	3,629	3,836	4,395	4,364
2.2.1. Loans	2,770	2,530	2,135	1,854	1,766	1,602	1,582
2.2.2. Debt securities	1,234	1,378	1,878	1,792	1,776	1,870	1,879
2.2.3. Shares and other equity	93	273	329	359	368	396	405
2.2. Claims on foreign nonmonetary sectors	4,097	4,181	4,342	4,005	3,910	3,868	3,866
2. Claims on foreign sectors (foreign assets)	**6,559**	**6,833**	**8,279**	**7,635**	**7,744**	**8,263**	**8,230**
3. Remaining assets	**2,234**	**1,455**	**1,399**	**1,329**	**1,321**	**1,321**	**1,327**
Total assets	**50,787**	**46,315**	**43,575**	**41,962**	**41,766**	**41,615**	**41,995**
1.1.1. Deposits, loans from the Bank of Slovenia	3,982	3,682	1,098	840	813	901	927
1.1.2. Deposits, loans from other MFIs	3,122	2,440	1,733	1,348	1,362	1,301	1,382
1.1.3. Debt securities issued	298	150	93	55	60	38	35
1.1. Laibilities to monetary sectors	7,402	6,272	2,924	2,243	2,235	2,240	2,344
1.2.1.1. Overnight	8,664	8,542	10,129	11,484	12,090	12,661	13,185
1.2.1.2. With agreed maturity	13,777	12,214	12,481	11,541	10,942	10,604	10,375
1.2.1.3. Reedemable at notice	67	221	449	558	491	474	499
1.2.1. Deposits in domestic currency	22,508	20,977	23,059	23,583	23,523	23,739	24,059
1.2.2. Deposits in foreign currency	521	441	463	564	578	599	619
1.2.3. Debt securities issued	604	256	176	123	133	84	87
1.2. Liabilities to nonmonetary sectors	23,633	21,674	23,698	24,270	24,234	24,422	24,765
1. Obligations to domestic sectors (domestic liabilities)	**31,036**	**27,946**	**26,622**	**26,514**	**26,469**	**26,661**	**27,111**
2.1.1. Deposits	7,113	4,538	3,551	2,852	2,657	2,588	2,478
2.1.2. Debt securities issued	1,462	1,200	1,344	690	983	975	973
2.1. Liabilities to foreign monetry sectors	8,575	5,738	4,895	3,542	3,640	3,563	3,451
2.2.1. Deposits	1,702	2,054	2,052	2,008	1,907	1,944	1,932
2.2.2. Debt securities issued	104	32	25	27	27	27	27
2.2. Liabilities to foreign nonmonetary sectors	1,806	2,086	2,077	2,035	1,934	1,971	1,959
2. Obligations to foreign sectors (foreign liabilities)	**10,381**	**7,824**	**6,972**	**5,576**	**5,574**	**5,535**	**5,410**
3. Capital and reserves	**3,889**	**3,906**	**4,512**	**4,625**	**4,702**	**4,706**	**4,781**
4. Remaining liabilities	**5,481**	**6,641**	**5,469**	**5,247**	**5,020**	**4,714**	**4,693**
Total liabilities	**50,787**	**46,315**	**43,575**	**41,962**	**41,766**	**41,615**	**41,995**

Table 8.4: Interest rates of new loans and deposits in domestic currency to households and nonfinancial corporations

in % on annual level	2012	2013	2014	15Q2	15Q3	15Q4	Jan.2016
1. Interest rates of new loans							
1.1. Loans to households							
Households, revolving loans and overdrafts	8.75	8.53	8.20	8.04	8.01	8.01	8.00
Households, extended credit	8.65	8.06	8.02	7.89	7.89	7.85	7.82
Loans, households, consumption, floating and up to 1 year initial rate fixation	5.02	5.04	5.01	4.37	4.26	4.19	4.16
Loans, households, consumption, over 1 and up to 5 years initial rate fixation	7.22	7.21	7.00	5.97	5.61	5.64	5.70
Loans, households, consumption, over 5 years initial rate fixation	7.33	7.19	7.07	5.75	5.39	5.28	5.37
C. loans, households, consumption, floating and up to 1 year initial rate fixation	4.78	4.76	4.47	3.92	4.05	3.83	3.96
C. loans, households, consumption, over 1 and up to 5 years initial rate fixation	6.60	6.74	6.60	5.96	5.55	5.61	5.70
C. loans, households, consumption, over 5 year initial rate fixation	6.93	7.15	6.53	5.21	5.18	5.58	5.58
APRC, Loans to households for consumption	7.70	8.00	8.28	7.61	7.51	7.42	7.45
Loans, households, house purchase, floating and up to 1 year initial rate fixation	3.27	3.14	3.18	2.45	2.21	2.22	2.21
Loans, households, house purchase, over 1 and up to 5 years initial rate fixation	**5.61**	**5.54**	**5.65**	**4.02**	**3.46**	**3.87**	**3.61**
Loans, households, house purchase, over 5 and up to 10 years initial rate fixation	5.48	5.40	5.06	3.54	3.14	3.16	3.06
Loans, households, house purchase, over 10 years initial rate fixation	5.47	5.17	4.87	3.28	3.14	3.16	3.04
C. loans, households, house purchase variabel and up to years initial rate fixation	3.27	3.11	3.16	2.44	2.23	2.21	2.21
C. loans, households, house purchase, over 1 and up to 5 years initial rate fixation	5.59	5.90	5.41	3.02	1.97	2.63	3.14
C. loans, households, house purchase, over 5 and up to 10 years initial rate fixation	5.38	5.34	5.03	3.19	3.01	3.04	2.80
C. loans, households, house purchase, over 10 years initial rate fixation	5.80	5.71	4.87	3.25	3.09	3.12	3.08
APRC, Loans to households for house purchase	3.63	3.48	3.55	2.97	2.78	2.85	2.82
Loans, households, other purposes, floating and up to 1 year initial rate fixation	5.62	5.69	5.11	3.87	3.79	3.51	3.50
Loans, households, other purposes, over 1 and up to 5 years initial rate fixation	6.64	6.51	5.96	6.48	6.55	5.93	6.54
Loans, households, other purposes, over 5 years initial rate fixation	**5.83**	**6.42**	**6.44**	**7.67**	**8.21**	**7.79**	**5.66**
1.2. Loans to nonfinancial corporations (S.11)							
S.11, bank overdraft	**5.39**	**5.53**	**5.30**	**4.12**	**3.67**	**3.45**	**3.30**
S.11, extended credit	7.25	7.39	7.28	7.30	7.08	7.16	7.18
Loans, S.11, up to EUR 0,25 million, floating and up to 3 months initial rate fixation	5.69	5.55	4.81	3.69	3.66	3.38	3.33
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	4.09	3.66	3.50	3.40
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	4.89	4.33	4.23	4.44
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	5.79	4.68	5.36	5.93
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	5.15	4.71	4.87	5.73
Loans, S.11, up to EUR 0,25 million, over 10 years initial rate fixation	8.19	7.58	5.87	4.27	4.15	3.34	4.80
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	3.14	3.02	2.49	3.45
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	3.38	2.85	2.57	2.80
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	3.89	4.26	3.06	3.20
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	4.23	-	-	-
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**	**3.37**	**3.04**	**3.06**	-
Loans, S.11, over EUR 0,25 and up to 1 million, over 10 years initial rate fixation	-	7.50	6.32	4.07	-	-	-
Loans, S.11, over EUR 1 million, floating and up to 3 months initial rate fixation	4.21	4.21	3.94	2.90	2.68	2.61	2.92
Loans, S.11, over EUR 1 million, over 3 months and up to 1 year initial rate fixation	5.66	5.15	4.84	3.06	2.96	1.89	1.32
Loans, S.11, over EUR 1 million, over 1 and up to 3 years initial rate fixation	5.70	4.07	4.60	3.53	-	1.00	-
Loans, S.11, over EUR 1 million, over 3 and up to 5 years initial rate fixation	4.40	4.49	4.07	1.90	-	-	0.75
Loans, S.11, over EUR 1 million, over 5 and up to 10 years initial rate fixation	5.95	3.84	4.62	1.83	-	1.79	-
Loans, S.11, over EUR 1 million, over 10 years initial rate fixation	**4.81**	**4.81**	**2.35**	**3.73**	-	**3.56**	**2.52**
2. Interest rates of new deposits							
2.1. Households deposits							
Households, overnight deposits	**0.20**	**0.11**	**0.07**	**0.04**	**0.03**	**0.03**	**0.03**
Deposits, households, agreed maturity up to 1 year	2.31	1.86	0.98	0.37	0.28	0.28	0.25
Deposits, households, agreed maturity over 1 and up to 2 years	4.06	3.46	1.90	0.96	0.77	0.70	0.67
Deposits, households, agreed maturity over 2 years	4.46	3.86	2.33	1.36	1.14	1.07	1.01
2.2. Deposits of nonfinancial corporations (S.11)							
S.11, overnight deposits	0.30	0.23	0.13	0.04	0.02	0.02	0.02
Deposits, S.11, agreed maturity up to 1 year	2.11	1.58	0.63	0.19	0.08	0.06	0.06
Deposits, S.11, agreed maturity over 1 and up to 2 years	4.24	3.47	1.85	0.82	0.64	0.57	0.44
Deposits, S.11, agreed maturity over 2 years	4.02	3.08	1.79	1.12	0.78	1.07	0.59
2.3. Deposits redeemable at notice of households and nonfinancial sector together							
Deposits redeemable at notice, up to 3 months notice	1.52	1.22	0.82	0.21	0.10	0.10	0.09
Deposits redeemable at notice, over 3 months notice	2.73	1.79	1.30	1.21	1.13	0.93	1.24

Table 8.5: International investment position

EUR million		2012	2013	2014	15Q1	15Q2	15Q3	15Q4
	NET INTERNATIONAL INVESTMENT POSITION (1-2)	**-17,968**	**-16,562**	**-16,260**	**-16,047**	**-15,480**	**-14,918**	**-14,836**
1	**ASSETS**	**33,547**	**33,371**	**39,373**	**41,028**	**39,494**	**40,544**	**40,312**
1.1	**Direct investment**	**7,198**	**6,813**	**6,941**	**7,054**	**7,130**	**7,036**	**6,764**
1.1.1	Equity	4,184	3,795	3,746	3,678	3,569	3,550	3,470
1.1.2	Debt instruments	3,014	3,018	3,196	3,376	3,561	3,486	3,295
1.2	**Portfolio investment**	**11,631**	**11,386**	**12,375**	**13,205**	**13,216**	**13,274**	**14,435**
1.2.1	Equity and investment fund shares	2,532	2,755	3,193	3,609	3,525	3,229	3,459
1.2.2	Debt securities	9,098	8,631	9,182	9,596	9,691	10,045	10,976
1.3	**Financial derivatives**	**151**	**89**	**83**	**88**	**63**	**59**	**65**
1.4	**Other investment**	**13,845**	**14,414**	**19,135**	**19,781**	**18,191**	**19,335**	**18,260**
1.4.1	Other equity	370	530	629	639	637	639	639
1.4.2	Currency and deposits	5,122	5,647	10,737	10,852	9,569	10,853	10,267
1.4.3	Loans	4,247	4,181	3,729	3,686	3,408	3,306	3,125
1.4.4	Insurance, pension and standardized guarantee schemes	141	131	141	151	148	131	131
1.4.5	Trade credit and advances	3,668	3,636	3,602	4,129	4,141	4,114	3,769
1.4.6	Other accounts receivable	297	289	298	324	288	291	329
1.5	**Reserve assets**	**722**	**669**	**837**	**900**	**893**	**841**	**787**
1.5.1	Monetary gold	129	89	101	113	107	103	100
1.5.2	Special drawing rights	242	220	247	227	260	259	264
1.5.3	Reserve position in the IMF	146	149	145	132	125	103	104
1.5.4	Other reserve assets	205	211	345	428	401	375	320
2	**LIABILITIES**	**51,515**	**49,933**	**55,632**	**57,075**	**54,974**	**55,463**	**55,148**
2.1	**Direct investment**	**10,737**	**10,531**	**11,756**	**12,226**	**12,280**	**12,368**	**12,619**
2.1.1	Equity	7,617	7,292	8,107	8,493	8,403	8,848	9,169
2.1.2	Debt instruments	3,120	3,240	3,649	3,733	3,876	3,520	3,450
2.2	**Portfolio investment**	**12,273**	**16,091**	**22,876**	**23,251**	**21,526**	**22,525**	**22,127**
2.2.1	Equity and investment fund shares	737	811	1,010	1,046	1,046	980	1,022
2.2.2	Debt securities	11,536	15,280	21,865	22,206	20,481	21,545	21,106
2.3	**Financial derivatives**	**269**	**150**	**175**	**223**	**179**	**170**	**164**
2.4	**Other investment**	**28,236**	**23,161**	**20,825**	**21,375**	**20,989**	**20,399**	**20,237**
2.4.1	Other equity	21	23	26	26	27	27	27
2.4.2	Currency and deposits	8,343	4,165	3,338	3,190	2,889	2,844	2,965
2.4.3	Loans	15,435	14,759	13,136	13,609	13,529	13,098	12,846
2.4.4	Insurance, pension and standardized guarantee schemes	239	275	218	212	215	217	217
2.4.5	Trade credit and advances	3,788	3,527	3,425	3,622	3,612	3,485	3,506
2.4.6	Other accounts payable	159	171	425	440	446	457	402
2.4.7	Special drawing rights	252	241	257	277	271	270	275

Table 8.6: Gross external debt

EUR million		2012	2013	2014	2015	15Q3	15Q4	Jan.2016
	TOTAL (1+2+3+4+5)	**42,872**	**41,658**	**46,314**	**44,765**	**45,437**	**44,765**	**44,493**
1	**GENERAL GOVERNMENT**	**11,091**	**15,459**	**22,416**	**23,008**	**23,277**	**23,008**	**22,869**
1.1	**Short-term, of that**	**191**	**58**	**602**	**1,507**	**1,377**	**1,507**	**1,617**
	Debt securities	163	30	166	15	4	15	15
	Loans	-	-	157	1,201	1,071	1,201	1,311
	Trade credit and advances	28	28	21	34	45	34	34
	Other debt liabilities	-	-	257	257	257	257	257
1.2	**Long-term, of that**	**10,900**	**15,402**	**21,814**	**21,501**	**21,899**	**21,501**	**21,252**
	Debt securities	10,060	14,114	20,261	19,997	20,411	19,997	19,748
	Loans	833	1,281	1,548	1,500	1,484	1,500	1,501
2	**CENTRAL BANK**	**6,071**	**2,742**	**2,083**	**2,217**	**2,109**	**2,217**	**2,321**
2.1	**Short-term, of that**	**5,820**	**2,500**	**1,826**	**1,942**	**1,838**	**1,942**	**2,048**
	Currency and deposits	5,820	2,500	1,825	1,942	1,838	1,942	2,048
2.2	**Long-term, of that**	**252**	**241**	**257**	**275**	**270**	**275**	**273**
	Special drawing rights (allocations)	252	241	257	275	270	275	273
3	**DEPOSIT TAKING CORPORATIONS, except the Central Bank**	**9,892**	**7,519**	**6,591**	**5,195**	**5,306**	**5,195**	**5,050**
3.1	**Short-term**	**1,470**	**893**	**747**	**722**	**610**	**722**	**663**
	Currency and deposits	1,148	707	597	490	448	490	423
	Debt securities	164	58	-	-	-	-	-
	Loans	138	121	144	227	148	227	216
	Trade credit and advances	-	-	-	-	-	-	-
	Other debt liabilities	19	7	6	5	13	5	24
3.2	**Long-term**	**8,422**	**6,626**	**5,844**	**4,473**	**4,696**	**4,473**	**4,387**
	Currency and deposits	1,375	958	916	534	558	534	536
	Debt securities	892	837	954	652	696	652	616
	Loans	6,152	4,800	3,941	3,281	3,407	3,281	3,228
	Trade credit and advances	2	3	4	7	5	7	5
	Other debt liabilities	0	29	29	0	30	0	1
4	**OTHER SECTORS**	**12,697**	**12,698**	**11,575**	**10,895**	**11,226**	**10,895**	**10,643**
4.1	**Short-term, of that**	**4,272**	**4,039**	**3,947**	**4,043**	**4,185**	**4,043**	**3,951**
	Debt securities	3	4	5	0	2	0	0
	Loans	425	444	456	487	637	487	625
	Trade credit and advances	3,750	3,492	3,393	3,458	3,428	3,458	3,200
	Other debt liabilities	94	100	94	99	118	99	126
4.2	**Long-term, of that**	**8,425**	**8,659**	**7,628**	**6,852**	**7,041**	**6,852**	**6,692**
	Debt securities	253	238	480	441	432	441	427
	Loans	7,887	8,113	6,890	6,150	6,351	6,150	5,997
	Trade credit and advances	8	4	6	7	7	7	14
	Other debt liabilities	277	304	252	254	251	254	254
5	**DIRECT INVESTMENT: intercompany lending**	**3,120**	**3,240**	**3,649**	**3,450**	**3,520**	**3,450**	**3,611**
	NET EXTERNAL DEBT POSITION	**16,563**	**15,457**	**14,591**	**12,086**	**12,374**	**12,086**	**11,802**

Table 8.7: Balance of payments

EUR million	2012	2013	2014	2015	15Q3	15Q3	Jan.2016
I. Current account	**930**	**2,023**	**2,607**	**2,828**	**896**	**673**	**288**
1. Goods	**-81**	**708**	**1,210**	**1,628**	**479**	**387**	**218**
1.1. Export of goods	**21,256**	**21,692**	**22,989**	**24,065**	**5,942**	**6,173**	**1,850**
Export f.o.b.	21,061	21,549	22,936	23,966	5,890	6,129	1,846
Coverage adjustment	-20	-180	-188	-150	-36	-4	-14
Net export of goods under merchanting	189	291	227	232	84	45	18
Nonmonetary gold	26	32	15	17	4	3	0
1.2. Import of goods	**21,337**	**20,984**	**21,780**	**22,437**	**5,462**	**5,786**	**1,633**
Import c.i.f.	22,078	22,114	22,580	23,208	5,643	5,983	1,686
Coverage adjustment	-148	-517	-160	-125	-23	-30	-4
Valuation adjustment	-639	-642	-656	-675	-164	-174	-49
Nonmonetary gold	47	29	15	30	7	8	-
2. Services	**1,509**	**1,761**	**1,736**	**2,054**	**621**	**500**	**154**
2.1. Export of services, of that	**5,106**	**5,314**	**5,555**	**5,973**	**1,718**	**1,509**	**426**
Transport	1,346	1,398	1,529	1,652	415	436	127
Travel	2,008	2,039	2,057	2,245	794	471	157
Construction services	224	280	277	287	75	86	19
Telecomm., computer and inform. services	415	452	457	513	134	143	35
Other business services	683	717	779	815	188	239	52
2.2. Import of services, of that	**3,597**	**3,553**	**3,819**	**3,919**	**1,098**	**1,009**	**272**
Transport	713	738	802	829	201	226	65
Travel	730	695	732	809	350	151	45
Construction services	103	259	234	118	22	19	4
Telecomm., computer and inform. services	466	460	483	525	132	162	30
Other business services	843	864	1,003	1,008	249	291	70
3. Primary income	**-271**	**-172**	**-87**	**-370**	**-118**	**-117**	**-58**
3.1. Receipts	**1,159**	**1,078**	**1,403**	**1,508**	**350**	**359**	**88**
Compensation of employees	474	491	540	653	169	149	50
Investment	207	48	368	344	85	99	24
Other primary income	478	539	495	511	96	112	13
3.2. Expenditure	**1,430**	**1,249**	**1,491**	**1,879**	**468**	**477**	**146**
Compensation of employees	98	106	119	119	32	29	9
Investment	1,097	915	1,086	1,393	358	349	112
Other primary income	235	229	286	366	78	99	25
4. Secondary income	**-227**	**-275**	**-252**	**-483**	**-86**	**-96**	**-26**
4.1. Receipts	**931**	**925**	**942**	**837**	**216**	**234**	**55**
4.2. Expenditure	**1,157**	**1,201**	**1,193**	**1,320**	**302**	**330**	**81**

Table 8.8: Balance of payments – continued

EUR million	2012	2013	2014	2015	15Q3	15Q3	Jan.2016
II. Capital account	**41**	**71**	**-176**	**30**	**-28**	**56**	**13**
1. Nonproduced nofinancial assets	-4	-10	-24	6	-7	4	0
2. Capital transfers	45	81	-152	24	-21	52	13
III. Financial account	**-142**	**1,350**	**2,339**	**1,908**	**628**	**163**	**281**
1. Direct investment	**-466**	**-47**	**-600**	**-954**	**-99**	**-512**	**-189**
Assets	-439	24	146	-10	-19	-194	26
Equity and reinvested earnings	-42	-80	-56	-123	17	-45	-9
Debt instruments	-396	103	202	114	-36	-149	35
Liabilities	27	71	746	944	81	317	215
Equity and reinvested earnings	-6	-57	801	1,317	516	385	123
Debt instruments	33	128	-55	-372	-436	-68	91
2. Portfolio investment	**220**	**-3,967**	**-3,968**	**2,867**	**-959**	**1,529**	**362**
Assets	-143	-467	426	1,997	355	951	-55
Equity and investment fund shares	45	60	127	117	16	34	-17
Debt securities	-188	-527	299	1,879	339	917	-38
Liabilities	-362	3,501	4,394	-871	1,314	-578	-417
Equity and investment fund shares	115	113	96	52	13	14	4
Debt securities	-478	3,387	4,298	-923	1,301	-592	-420
3. Financial derivatives	**89**	**32**	**-3**	**28**	**-9**	**11**	**-5**
4. Other investment	**45**	**5,327**	**6,821**	**79**	**1,744**	**-799**	**86**
4.1. Assets	**456**	**732**	**4,800**	**-735**	**1,227**	**-944**	**-68**
Other equity	155	152	82	5	1	-1	0
Currency and deposits	38	564	5,037	-544	1,270	-587	-111
Loans	371	1	-300	-290	-26	-83	-10
Insurance, pension and stand. guar. schemes	28	-10	8	-6	-15	0	0
Trade credits and advances	-49	19	-14	64	-6	-311	50
Other assets	-88	6	-14	35	4	39	3
4.2. Liabilities	**411**	**-4,595**	**-2,021**	**-814**	**-516**	**-145**	**-154**
Other equity	0	-29	3	0	0	0	0
Currency and deposits	1,019	-4,169	-831	-400	-37	116	45
Loans	-938	-269	-1,239	-333	-376	-251	28
Insurance, pension and stand. guar. schemes	41	39	-54	-1	2	-	-
Trade credits and advances	285	-182	-141	-50	-115	43	-258
Other liabilities	5	16	240	-31	11	-54	32
Special drawing reights (SDR)	0	0	0	0	0	0	0
5. Reserve assets	**-31**	**5**	**89**	**-113**	**-49**	**-67**	**27**
IV. Net errors and omissions	**-1,113**	**-743**	**-92**	**-943**	**-324**	**-475**	**-51**

Table 8.9: Non-consolidated financial assets – outstanding amounts

mio EUR	2012	2013	14Q2	14Q3	14Q4	15Q1	15Q2	15Q3
Domestic sector								
Total	180,611	179,701	187,240	186,930	186,979	189,554	186,223	188,121
Monetary gold and SDRs	371	309	333	342	348	340	368	362
Currency and deposits	36,269	36,984	43,570	43,905	45,943	46,626	44,043	47,031
Debt securities	17,236	18,319	18,098	18,567	19,912	20,397	21,004	22,045
Loans	54,089	49,970	48,109	46,600	45,036	44,548	43,190	42,144
Shares	18,457	19,529	20,628	20,672	20,175	20,693	20,227	19,390
Other equity	22,111	22,483	22,947	23,009	23,002	23,318	23,300	23,943
Investment fund shares/units	2,980	3,105	3,354	3,544	3,642	4,096	3,990	3,686
Insurance and pension schemes	6,454	6,541	6,964	7,065	7,132	7,449	7,478	7,366
Other	22,643	22,460	23,238	23,225	21,788	22,088	22,623	22,154
Non-financial corporations								
Total	44,236	43,387	44,010	43,540	41,352	42,035	42,491	42,300
Currency and deposits	3,991	4,588	5,029	4,945	5,053	5,052	5,331	5,398
Debt securities	248	194	188	185	184	192	178	160
Loans	6,494	6,151	6,626	6,568	6,043	6,284	6,118	6,063
Shares	5,198	4,525	3,524	3,297	3,063	2,934	2,914	2,836
Other equity	11,804	11,806	11,499	11,520	11,359	11,408	11,340	11,770
Investment fund shares/units	123	108	104	124	108	110	106	98
Insurance and pension schemes	416	387	441	426	408	452	455	458
Other	15,961	15,628	16,600	16,475	15,136	15,603	16,049	15,517
Monetary financial institutions								
Total	62,094	55,703	54,562	53,910	53,221	53,273	50,569	50,401
Monetary gold and SDRs	371	309	333	342	348	340	368	362
Currency and deposits	6,777	7,351	9,205	9,746	10,358	10,621	7,994	7,713
Debt securities	11,483	12,086	11,765	12,077	13,241	13,387	14,230	15,041
Loans	41,344	34,556	31,880	30,412	27,863	27,312	26,416	25,670
Shares	1,283	846	795	746	666	671	660	651
Other equity	228	186	225	220	314	509	519	519
Investment fund shares/units	27	12	12	12	12	12	11	10
Insurance and pension schemes	37	35	37	37	37	37	39	38
Other	544	322	311	317	382	384	334	396
Other financial institutions								
Total	15,205	15,225	17,130	17,506	17,462	18,296	17,774	17,236
Currency and deposits	1,350	1,096	1,273	1,382	1,316	1,506	1,438	1,257
Debt securities	4,715	5,108	5,351	5,504	5,727	5,949	5,775	6,016
Loans	3,756	3,624	3,534	3,505	3,388	3,324	3,243	3,151
Shares	2,629	2,598	3,532	3,619	3,580	3,825	3,710	3,408
Other equity	224	196	648	668	640	634	641	624
Investment fund shares/units	1,545	1,672	1,788	1,856	1,918	2,142	2,070	1,924
Insurance and pension schemes	225	202	254	236	218	238	234	210
Other	762	731	749	736	675	678	662	648
General government								
Total	22,782	28,698	33,741	33,818	36,519	36,757	36,024	38,794
Currency and deposits	6,062	5,985	9,608	9,191	10,369	10,339	10,061	12,955
Debt securities	400	598	502	518	507	515	501	540
Loans	1,751	4,940	5,342	5,372	7,052	6,950	6,700	6,567
Shares	6,936	9,091	10,026	10,169	10,128	10,469	10,163	9,864
Other equity	4,245	4,560	4,773	4,851	4,904	4,946	4,954	5,153
Investment fund shares/units	146	163	181	192	206	233	222	223
Insurance and pension schemes	2	2	6	8	12	15	17	32
Other	3,240	3,359	3,301	3,515	3,341	3,290	3,406	3,461
Households and NPISHs								
Total	36,293	36,687	37,797	38,156	38,425	39,193	39,364	39,389
Currency and deposits	18,089	17,964	18,455	18,641	18,847	19,107	19,219	19,708
Debt securities	390	334	292	283	253	353	320	287
Loans	744	700	727	743	691	678	713	694
Shares	2,410	2,469	2,750	2,841	2,739	2,795	2,780	2,631
Other equity	5,610	5,734	5,801	5,750	5,785	5,820	5,847	5,877
Investment fund shares/units	1,139	1,151	1,269	1,360	1,398	1,599	1,580	1,433
Insurance and pension schemes	5,774	5,914	6,225	6,358	6,457	6,707	6,734	6,628
Other	2,136	2,420	2,277	2,182	2,255	2,134	2,173	2,131
Rest of the world								
Total	52,272	51,079	55,782	56,455	57,409	58,262	55,842	55,930
Monetary gold and SDRs	252	241	244	254	257	277	271	270
Currency and deposits	8,490	4,293	3,176	3,247	3,497	3,212	2,708	2,468
Debt securities	11,893	15,807	21,297	22,031	22,493	22,584	20,798	21,985
Loans	17,261	16,697	16,493	16,042	15,676	16,175	16,183	15,407
Shares	3,890	3,687	4,228	4,356	4,556	4,543	4,385	4,337
Other equity	4,511	4,815	4,993	5,150	5,401	5,497	5,571	5,720
Investment fund shares/units	21	28	21	22	21	24	24	23
Insurance and pension schemes	239	275	230	228	218	212	215	217
Other	5,716	5,235	5,100	5,123	5,288	5,739	5,686	5,504

Table 8.10: Non-consolidated liabilities – outstanding amounts

mio EUR	2012	2013	14Q2	14Q3	14Q4	15Q1	15Q2	15Q3
Domestic sector								
Total	199,294	197,430	205,503	205,254	205,213	206,923	202,967	203,648
Monetary gold and SDRs	252	241	244	254	257	277	271	270
Currency and deposits	39,175	35,125	37,166	37,184	38,390	38,625	37,109	38,471
Debt securities	19,871	25,359	30,618	31,699	32,858	33,026	31,731	33,622
Loans	65,646	61,027	58,913	57,045	55,220	55,197	53,997	52,331
Shares	19,790	20,887	22,418	22,535	22,274	22,501	21,904	21,242
Other equity	23,639	24,199	24,828	25,048	25,395	25,802	25,901	26,620
Investment fund shares/units	1,818	1,839	2,002	2,115	2,143	2,432	2,392	2,181
Insurance and pension schemes	6,553	6,684	7,047	7,151	7,209	7,510	7,545	7,452
Other	22,551	22,067	22,268	22,222	21,467	21,554	22,117	21,459
Non-financial corporations								
Total	86,602	84,904	85,804	85,242	83,023	83,127	82,803	81,226
Debt securities	838	818	1,094	1,040	1,088	1,128	1,163	1,192
Loans	32,883	31,297	31,216	30,903	29,342	29,427	28,680	27,574
Shares	14,314	14,225	14,714	14,636	14,233	14,055	13,701	13,242
Other equity	21,910	22,453	22,611	22,754	23,013	23,165	23,272	23,875
Other	16,657	16,111	16,168	15,909	15,346	15,351	15,986	15,342
Monetary financial institutions								
Total	57,909	50,512	49,272	48,642	48,917	48,921	46,458	46,509
Monetary gold and SDRs	252	241	244	254	257	277	271	270
Currency and deposits	37,318	33,048	33,361	33,718	34,122	34,599	33,236	33,221
Debt securities	2,484	1,667	1,577	1,756	1,666	1,604	918	1,223
Loans	13,114	10,427	8,652	7,261	7,073	6,364	6,053	5,753
Shares	3,302	3,866	4,085	4,156	4,399	4,522	4,484	4,562
Other equity	859	823	873	912	945	1,010	986	994
Investment fund shares/units	24	36	34	35	37	36	54	61
Other	557	404	446	550	419	510	456	424
Other financial institutions								
Total	16,303	16,071	17,620	17,669	17,421	18,087	17,781	17,200
Debt securities	50	39	112	136	136	138	97	92
Loans	5,420	5,070	4,952	4,756	4,334	4,015	3,972	3,889
Shares	1,492	1,486	2,105	2,166	2,174	2,341	2,151	2,003
Other equity	457	472	888	886	947	1,153	1,167	1,162
Investment fund shares/units	1,794	1,804	1,968	2,080	2,106	2,396	2,338	2,120
Insurance and pension schemes	6,553	6,684	7,047	7,151	7,209	7,509	7,545	7,452
Other	538	516	549	496	516	534	511	482
General government								
Total	25,872	33,642	40,570	41,416	43,634	44,595	43,749	46,514
Currency and deposits	1,857	2,077	3,805	3,467	4,268	4,026	3,873	5,250
Debt securities	16,500	22,835	27,834	28,767	29,967	30,156	29,552	31,115
Loans	3,100	3,448	3,411	3,448	3,846	4,689	4,578	4,432
Shares	682	1,309	1,514	1,577	1,469	1,583	1,568	1,435
Other equity	413	451	455	496	491	474	476	588
Other	3,321	3,521	3,550	3,661	3,593	3,668	3,703	3,693
Households and NPISHs								
Total	12,607	12,301	12,237	12,284	12,218	12,193	12,175	12,201
Loans	11,128	10,785	10,682	10,677	10,625	10,703	10,713	10,683
Other	1,479	1,516	1,555	1,607	1,592	1,490	1,462	1,518
Rest of the world								
Total	33,588	33,349	37,518	38,130	39,174	40,894	39,098	40,403
Monetary gold and SDRs	371	309	332	342	348	340	368	362
Currency and deposits	5,584	6,151	9,580	9,968	11,050	11,213	9,642	11,027
Debt securities	9,257	8,767	8,777	8,900	9,548	9,955	10,071	10,408
Loans	5,704	5,640	5,689	5,597	5,492	5,526	5,376	5,220
Shares	2,556	2,330	2,438	2,494	2,457	2,735	2,708	2,485
Other equity	2,983	3,099	3,112	3,111	3,008	3,013	2,970	3,043
Investment fund shares/units	1,184	1,294	1,373	1,451	1,520	1,687	1,623	1,528
Insurance and pension schemes	141	131	147	143	141	151	148	131
Other	5,808	5,628	6,070	6,125	5,610	6,274	6,191	6,198

Table 8.11: Net financial assets

mio EUR	2012	2013	14Q2	14Q3	14Q4	15Q1	15Q2	15Q3
Domestic sector	-18,683	-17,729	-18,263	-18,324	-18,234	-17,368	-16,744	-15,528
Non-financial corporations	-42,367	-41,517	-41,794	-41,702	-41,671	-41,092	-40,312	-38,925
Monetary financial institutions	4,186	5,191	5,290	5,268	4,304	4,352	4,111	3,892
Other financial institutions	-1,098	-846	-490	-163	40	209	-7	37
General government	-3,090	-4,944	-6,829	-7,598	-7,114	-7,838	-7,725	-7,719
Households and NPISHs	23,686	24,386	25,560	25,872	26,207	27,000	27,189	27,188
Rest of the world	18,683	17,729	18,263	18,324	18,235	17,369	16,744	15,528

Table 8.12: Non-consolidated transactions in financial assets – four quarter moving sum of flows

mio EUR	2012	2013	14Q2	14Q3	14Q4	15Q1	15Q2	15Q3
Domestic sector								
Total	-736	-1,494	1,794	1,521	3,738	139	-1,950	2,309
Monetary gold and SDRs	-1	-12	17	17	12	-43	0	0
Currency and deposits	-1,168	767	4,084	4,394	8,807	4,310	267	2,797
Debt securities	-141	993	688	822	661	1,181	2,699	3,307
Loans	1,505	-3,799	-4,006	-4,604	-4,613	-4,394	-4,428	-3,718
Shares	29	139	68	-284	-824	-846	-526	-150
Other equity	179	431	481	357	183	409	335	852
Investment fund shares/units	15	27	75	92	152	208	235	211
Insurance and pension schemes	23	-23	125	145	182	249	217	192
Other	-1,175	-17	262	581	-822	-935	-748	-1,181
Non-financial corporations								
Total	-931	138	1,375	1,287	-418	-480	-822	-460
Currency and deposits	-126	579	600	478	472	358	318	467
Debt securities	-1	-16	-5	-16	-14	-20	-17	-28
Loans	-325	-207	533	705	75	107	-268	-282
Shares	56	-6	-23	-241	-337	-334	-265	-34
Other equity	111	110	39	-86	-100	-28	-5	381
Investment fund shares/units	-22	-20	-10	-8	-1	-5	-3	-1
Insurance and pension schemes	-11	-41	7	10	24	20	18	36
Other	-613	-261	235	445	-537	-577	-601	-999
Monetary financial institutions								
Total	887	-3,413	-3,314	-3,528	-1,531	-1,937	-2,729	-1,989
Monetary gold and SDRs	-1	-12	17	17	12	-43	0	0
Currency and deposits	24	613	1,956	2,274	2,936	2,038	-1,307	-2,081
Debt securities	-371	512	401	627	805	987	2,424	2,883
Loans	1,307	-4,344	-5,704	-6,467	-5,251	-4,966	-3,982	-3,080
Shares	3	-147	-94	-116	-208	-216	-149	-74
Other equity	47	148	212	212	155	336	304	313
Investment fund shares/units	-52	-13	-9	-8	-4	-4	-2	-2
Insurance and pension schemes	-4	-1	0	1	2	2	2	2
Other	-65	-169	-93	-68	22	-72	-17	50
Other financial institutions								
Total	-329	96	-77	-14	-116	79	150	39
Currency and deposits	-166	-270	-120	64	158	216	130	-149
Debt securities	221	305	235	184	100	361	341	477
Loans	-487	-92	-280	-279	-304	-298	-309	-317
Shares	-100	75	57	-43	-79	-104	12	57
Other equity	60	13	55	56	26	-7	-8	0
Investment fund shares/units	148	74	47	47	59	85	78	64
Insurance and pension schemes	45	-24	26	18	15	-17	-18	-24
Other	-50	14	-97	-61	-91	-157	-76	-69
General government								
Total	-129	1,529	3,064	2,912	5,010	1,472	513	3,707
Currency and deposits	-916	-71	1,147	911	4,356	849	391	3,722
Debt securities	49	191	112	99	-131	-86	-23	-4
Loans	987	866	1,446	1,417	866	764	123	-29
Shares	124	271	186	204	-123	-110	-56	-40
Other equity	-69	148	147	145	76	76	12	126
Investment fund shares/units	9	4	17	14	16	14	13	32
Insurance and pension schemes	0	0	4	5	2	5	3	5
Other	-312	120	5	116	-52	-39	51	-104
Households and NPISHs								
Total	-233	155	746	864	793	1,004	937	1,012
Currency and deposits	16	-84	502	667	885	848	735	839
Debt securities	-38	0	-55	-71	-99	-61	-26	-22
Loans	24	-23	0	20	1	0	10	-11
Shares	-54	-54	-58	-87	-77	-81	-69	-58
Other equity	31	13	28	29	27	32	32	32
Investment fund shares/units	-69	-19	31	46	83	118	149	119
Insurance and pension schemes	-7	43	87	111	138	239	212	172
Other	-135	279	212	148	-164	-90	-106	-59
Rest of the world								
Total	-111	-789	1,519	1,830	3,313	2,188	-1,101	-253
Monetary gold and SDRs	0	0	0	0	0	0	0	0
Currency and deposits	942	-4,186	-3,432	-3,799	-805	-34	-497	-795
Debt securities	-535	3,784	5,686	5,895	4,430	1,074	-1,449	-60
Loans	-650	-196	-785	-697	-1,142	-544	-433	-803
Shares	129	54	404	606	1,040	1,061	739	537
Other equity	-26	-32	-48	-61	-51	399	210	698
Investment fund shares/units	4	2	-11	-11	-11	-4	1	2
Insurance and pension schemes	41	39	-54	-45	-54	-59	-15	-11
Other	-15	-254	-241	-57	-95	294	342	179

Table 8.13: Non-consolidated transactions in liabilities – four quarter moving sum of flows

mio EUR	2012	2013	14Q2	14Q3	14Q4	15Q1	15Q2	15Q3
Domestic sector								
Total	-713	-2,472	130	-286	1,563	-1,980	-4,305	-287
Monetary gold and SDRs	0	0	0	0	0	0	0	0
Currency and deposits	-311	-3,999	-2,735	-3,303	3,181	827	-190	1,213
Debt securities	-444	5,338	6,758	7,215	4,602	1,460	61	1,821
Loans	683	-4,031	-4,745	-5,211	-5,690	-4,790	-4,779	-4,462
Shares	113	271	415	217	172	165	194	374
Other equity	140	248	301	144	85	750	589	1,539
Investment fund shares/units	-109	-38	-8	24	39	113	160	145
Insurance and pension schemes	35	27	61	93	121	187	198	189
Other	-821	-288	83	534	-946	-691	-539	-1,106
Non-financial corporations								
Total	-1,214	-1,677	-694	-733	-2,304	-2,111	-2,498	-2,605
Debt securities	63	20	300	242	288	215	35	122
Loans	-937	-1,389	-1,076	-966	-1,921	-1,813	-2,373	-3,175
Shares	136	32	52	-114	54	41	77	250
Other equity	124	106	203	95	153	283	171	988
Other	-600	-445	-173	9	-879	-836	-408	-791
Monetary financial institutions								
Total	-156	-7,302	-6,691	-6,994	-2,320	-2,710	-3,538	-2,739
Monetary gold and SDRs	0	0	0	0	0	0	0	0
Currency and deposits	542	-4,221	-3,142	-3,569	1,002	609	-228	-537
Debt securities	-1,678	-627	-359	8	14	-53	-644	-547
Loans	1,167	-2,320	-3,184	-3,604	-3,367	-3,214	-2,644	-1,542
Shares	-29	-23	107	131	114	119	90	91
Other equity	0	0	0	0	0	0	0	0
Investment fund shares/units	-3	12	11	9	0	0	20	26
Other	-155	-122	-125	30	-82	-170	-132	-230
Other financial institutions								
Total	-389	-162	-380	-487	-635	-268	-189	-9
Debt securities	0	-10	-8	-8	1	4	-47	-52
Loans	-344	-350	-468	-534	-694	-963	-895	-733
Shares	5	56	56	-1	3	4	27	33
Other equity	16	141	98	48	-68	468	418	439
Investment fund shares/units	-106	-50	-20	15	39	113	140	119
Insurance and pension schemes	35	27	61	93	121	186	198	189
Other	4	25	-98	-101	-36	-81	-31	-4
General government								
Total	1,387	6,937	8,107	8,079	6,909	3,236	2,034	5,146
Currency and deposits	-853	222	407	265	2,180	218	38	1,751
Debt securities	1,169	5,956	6,825	6,973	4,299	1,294	717	2,297
Loans	1,098	347	232	94	395	1,279	1,169	988
Shares	0	205	200	200	0	0	0	0
Other equity	0	0	0	0	0	0	0	111
Other	-27	207	443	546	35	444	109	-1
Households and NPISHs								
Total	-341	-268	-212	-150	-87	-127	-113	-80
Loans	-301	-317	-249	-201	-103	-79	-35	-1
Other	-43	47	37	50	16	-48	-78	-79
Rest of the world								
Total	-133	188	3,183	3,637	5,487	4,307	1,255	2,343
Monetary gold and SDRs	-1	-12	17	17	12	-43	0	0
Currency and deposits	85	579	3,388	3,898	4,821	3,449	-40	788
Debt securities	-232	-561	-384	-498	488	794	1,189	1,426
Loans	171	36	-46	-90	-65	-147	-82	-59
Shares	45	-78	57	104	44	51	18	13
Other equity	14	151	132	152	48	57	-44	12
Investment fund shares/units	128	67	72	57	102	92	77	68
Insurance and pension schemes	28	-10	10	6	8	3	3	-8
Other	-369	16	-62	-10	29	50	133	103

Table 8.14: Net financial transactions – four quarter moving sum of flows

mio EUR	2012	2013	14Q2	14Q3	14Q4	15Q1	15Q2	15Q3
Domestic sector	-23	978	1,664	1,807	2,175	2,119	2,355	2,595
Non-financial corporations	283	1,815	2,069	2,020	1,886	1,631	1,676	2,145
Monetary financial institutions	1,043	3,889	3,377	3,466	789	773	810	750
Other financial institutions	60	257	303	474	519	348	340	48
General government	-1,517	-5,407	-5,043	-5,167	-1,899	-1,763	-1,520	-1,439
Households and NPISHs	108	424	958	1,014	880	1,131	1,050	1,091
Rest of the world	23	-978	-1,664	-1,807	-2,175	-2,119	-2,355	-2,595

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.