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Executive Summary

The world is facing a deep economic, health and social crisis due to the Covid-19 pandemic. According to the latest OECD figures, this year's decline in global GDP is estimated to be significantly larger than during the financial crisis of 2008 and 2009, and the estimates for the euro area are particularly negative. Although the euro area countries have varied in terms of the length and severity of their containment measures, they will all be in recession this year. They mostly began to loosen the containment measures in May, but as expected the recession in the euro area deepened in the second quarter of this year, as suggested by a number of high-frequency indicators. The outlook for the recovery improved slightly in June, as the composite PMI rose sharply. According to a European Commission survey, there was also an improvement in firms' expectations of demand in the third quarter. There are thus signs of a recovery in the second half of the year, but given the considerable uncertainty surrounding the further spread of the virus, it could be weak and very gradual. Due to the sharp downturn in the economy, the huge uncertainty and the increased deflationary pressures, the Eurosystem expanded the envelope of its pandemic emergency purchase programme (PEPP) by an additional EUR 600 billion and extended the horizon to at least June 2021, while additional measures were also taken by the Fed amid the struggles of the US economy. Inflation in euro area countires remained heterogeneous during the crisis.

According to the short-term indicators, the decline in domestic economic activity was largest in April, as expected, and slightly more encouraging signs of recovery in the third quarter had begun to appear in June. The composite economic indicator in April was down approximately 25% in year-on-year terms. Despite methodological differences, this accords reasonably well with the estimated decline in value-added in the initial scenarios of Bank of Slovenija's most recent economic projections, and is significantly larger than at the lowest point of the crisis in 2009, primarily as a result of the pronounced shock in the service sector. The fall in foreign trade was also larger in April than at that time. Despite the lifting of restrictions and the introduction of anti-crisis measures, the situation remained aggravated over the remainder of the second quarter. Firms and households were again less pessimistic in June, but their confidence remained below the average levels seen during the crisis in 2009. A number of alternative high-frequency indicators also remained down in year-on-year terms. The outlook for the third quarter is more favourable for now: according to a SORS survey, firms are expecting a significant increase in demand, while household consumption is likely to be less constrained.

The shock in economic activity has also brought a sharp downturn on the labour market. Having recorded positive growth in March, the workforce in employment excluding self-employed farmers was already down 1% in year-on-year terms by April. Given the nature of the containment measures, the largest shock was seen, as expected, in services where direct contact between the consumer and the provider is essential. The workforce in employment in accommodation and food service activities was down more than 10% in April. An even larger downturn was prevented by the emergency measures, and the number of registered unemployed in June actually declined slightly from May. It nevertheless stood at more than 89,000 and was up 26.3% in year-on-year terms. Here it should be noted that the emergency measures are impeding insight into the actual situation on the labour market, as they are having a strong impact on employment and wage statistics. Growth in the average wage thus stood at more than 10%

in April, but due to the situation this figure is not particularly representative. The outlook for the remainder of the year is not too optimistic: according to surveys of firms, the downturn on the labour market is expected to continue.

Like a number of other euro area countries, Slovenia found itself in deflation in the second quarter of this year. It stood at 0.8% in June, less than in April and May, albeit primarily as a result of the expiry of the government ordinance cutting electricity prices. The year-on-year falls in energy prices remained a major factor in the deflation, and energy prices are being held low by excise duty policy. For the third consecutive month, energy prices remained the main factor of the inflation gap between Slovenia and the euro area, which was positive in June, at 0.3%. Prices of industrial goods also fell during the epidemic, and service price inflation slowed further, reducing core inflation to below 1%. This was driven by the sell-off of inventories, and weakened inflationary pressures from the foreign and domestic environments. Here it should be noted that the data on services prices was less reliable in April, owing to difficulties in measurement. During the epidemic, only food prices rose significantly. Amid the decline in consumption, inflation will remain weak over the remainder of the year, leaving aside the huge uncertainty surrounding the possible renewed spread of the epidemic. Firms' expectations with regard to future growth in selling prices have also declined sharply. Further evidence of the increased uncertainty in price developments comes from the wider divergence in consumers' inflation expectations.

The contraction in the economy and the pronounced anti-crisis measures have brought a significant deterioration in the fiscal situation. The deterioration in the public finances is especially evident in the cash flow figures, according to which the consolidated general government deficit over the first five months of the year amounted to EUR 1.4 billion. General government balance was already less favourable in the first quarter of this year, but an even larger deterioration came in April and May as the crisis developed. Consolidated general government revenues during the first five months of the year were down EUR 720 million or 9.2% in year-on-year terms, driven largely by reduced inflows of taxes and social security contributions. At the same time the measures to alleviate the economic and social impact of the crisis increased expenditure by EUR 874 million or 11.4%. According to the ESA 2010 methodology, the general government deficit could amount to around 8% of GDP this year, while the general government debt could reach a similar level to 2015, when it stood at 82% of GDP, its highest figure to date. The ratio of debt to GDP will nevertheless remain significantly below the euro area average this year, which the European Commission estimates will exceed 100%.

* * *

The signposted recovery of the Slovenian economy is taking place in a highly uncertain situation. The current estimate of the strength of foreign demand is extremely low, as all foreign trade partners are in recession. It is highly uncertain at the same time, as economies all over the world are facing coronavirus shocks of differing sizes, which are asynchronous, and the pandemic itself is not yet under control. This is exacerbating the disruption to supply chains, and is delaying the potential investment by the export sector further into the future. The domestic situation is also uncertain. The current situation on the labour market could be rather deceptive when it comes to the depth of the crisis, as the job preservation measures are currently having a beneficial impact, but according to various surveys firms remain pessimistic with regard to future employment. The assessment of labour market indicators has also been made more difficult by the methodological approach of including the anti-crisis measures in the official statistics. It is a similar case with the assessments of firms' financial health, which despite the crisis are not yet *showing any increase in financial difficulties compared with February, at least in SORS surveys. The situation is being alleviated by the anti-crisis measures and the high financial reserves of firms, underlining record profits in 2019. Uncertainty prevails also regarding the government's administrative capacity to launch a new investment cycle. There will be plenty of potential domestic and foreign financial resources, but it is uncertain whether they can be used quickly and productively, at least judging by past experience of the utilisation of EU funds.*

Main macroeconomic indicators

	2017	2018	2019	19Q3	19Q4	20Q1	2017	2018	2019	19Q3	19Q4	20Q1
	Slovenia						euro area					
Economic developments	y-o-y growth rates in %											
GDP	4.8	4.1	2.4	2.4	1.7	-2.3	2.5	1.9	1.2	1.6	0.9	-3.0
- industry	7.7	3.6	2.9	3.7	1.9	-0.3	3.3	1.8	-1.0	-0.5	-1.9	-4.4
- construction	8.3	8.0	4.0	-2.1	-0.7	1.4	2.3	3.5	3.2	3.7	1.3	-3.5
- mainly public sector services	2.1	1.6	1.7	1.8	1.7	1.2	1.6	1.0	1.2	1.3	1.2	-0.3
- mainly private sector services	5.8	4.5	2.5	2.6	1.0	-1.5	2.8	2.2	1.3	1.7	0.8	-3.1
Domestic expenditure	4.0	4.3	2.1	3.8	0.4	-3.1	2.2	1.7	1.9	1.5	1.8	-1.7
- general government	0.3	3.2	1.6	3.4	-2.0	5.8	1.3	1.2	1.8	2.3	1.7	1.3
- households and NPISH	2.0	2.8	2.7	3.2	1.3	-6.4	1.7	1.4	1.3	1.7	1.3	-3.9
- gross capital formation	13.8	9.3	1.2	5.5	0.1	-3.3	4.4	2.8	3.5	0.5	3.3	0.9
- gross fixed capital formation	10.4	9.1	3.2	2.2	-4.5	-6.3	3.4	2.4	5.9	3.7	6.9	1.2
- inventories and valuables, contr. to GDP growth in pp	0.7	0.2	-0.4	0.8	0.9	0.5	0.2	0.1	-0.5	-0.7	-0.8	-0.1
Labour market												
Employment	3.0	3.2	2.4	2.3	1.8	1.0	1.6	1.5	1.2	1.1	1.1	0.4
- mainly private sector services	3.1	3.4	2.5	2.4	1.8	0.7	1.8	1.6	1.1	1.0	1.0	0.2
- mainly public sector services	2.5	2.1	1.6	1.7	1.7	2.0	1.1	1.3	1.4	1.4	1.5	1.3
Labour costs per employee	3.0	3.9	4.5	4.5	3.6	-1.1	1.7	2.2	2.0	2.1	1.6	0.4
- mainly private sector services	3.0	4.1	4.1	4.1	3.0	-1.6	1.7	2.2	1.8	2.1	1.4	-0.4
- mainly public sector services	3.1	3.5	6.2	5.7	6.2	4.8	1.8	2.0	2.3	2.2	2.3	2.3
Unit labour costs, nominal*	1.2	3.0	4.5	4.4	3.7	2.2	0.8	1.8	2.0	1.6	1.8	3.9
Unit labour costs, real**	-0.3	0.8	2.0	1.9	1.4	0.0	-0.2	0.5	0.2	-0.1	0.0	2.0
	in %											
LFS unemployment rate	6.6	5.1	4.5	4.8	4.0	...	9.1	8.2	7.6	7.3	7.4	...
Foreign trade	y-o-y growth rates in %											
Current account balance as % of GDP***	6.3	6.1	6.6	6.0	6.6	7.0	3.1	3.1	2.7	2.7	2.7	2.8
External trade balance as contr. to GDP growth in pp	1.2	0.2	0.5	-1.0	1.3	0.5	0.4	0.4	-0.6	0.2	-0.9	-1.2
Real export of goods and services	10.5	6.1	4.4	5.3	0.9	-1.6	5.5	3.5	2.5	3.5	1.8	-3.1
Real import of goods and services	10.1	6.6	4.2	7.4	-0.8	-2.5	5.1	3.0	4.0	3.4	3.9	-0.6
Financing	in % of GDP											
Banking system's balance sheet	94.0	88.6	88.8	88.3	88.8	90.8	260.8	256.8	261.8	272.7	261.8	280.9
Loans to NFCs	21.8	20.6	20.1	20.3	20.1	20.4	36.9	36.5	36.2	36.5	36.2	36.6
Loans to households	21.5	21.8	22.2	21.9	22.2	22.2	49.4	49.1	49.3	49.2	49.3	49.8
Inflation	in %											
HICP	1.6	1.9	1.7	2.1	1.6	1.6	1.5	1.8	1.2	1.0	1.0	1.1
HICP excl. energy, food, alcohol and tobacco	0.7	1.0	1.9	2.3	1.9	1.6	1.0	1.0	1.0	0.9	1.2	1.1
Public finance	in % of GDP											
Debt of the general government	74.1	70.4	66.1	68.1	66.1	...	87.8	85.9	84.2	86.0	84.2	...
One year net lending/net borrowing of the general government***	0.0	0.7	0.5	0.6	0.5	...	-1.0	-0.5	-0.6	-0.8	-0.6	...
*- interest payment****	2.5	2.0	1.7	1.8	1.7	...	1.9	1.8	1.6	1.7	1.6	...
*- primary balance****	2.4	2.7	2.3	2.4	2.3	...	1.0	1.4	1.0	0.9	1.0	...

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

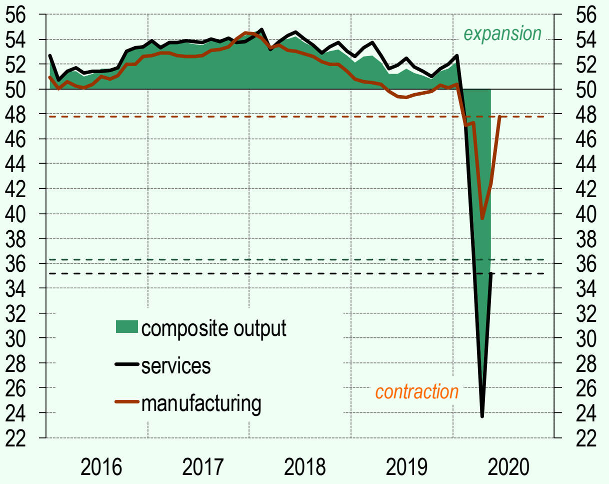
1 | International Environment

Despite extensive economic policy measures, the Covid-19 pandemic has triggered a deep economic, health and social crisis. According to the OECD's latest forecasts, global GDP is expected to decline by at least 6% this year, significantly more than during the financial crisis of 2008 and 2009. Given the lengthy period of lockdown measures in numerous countries, the decline in economic activity is likely to be particularly sharp in the euro area, at between 9.1% and 11.5%. Although there are differences between euro area countries, they will all be in recession this year, and the outlook for the Slovenian export sector is therefore profoundly negative too. The recession in the euro area deepened in the second quarter of this year, according to the record lows seen in a number of high-frequency indicators, and the further sharp decline in car sales in May, of more than 50%, despite containment measures being lifted in a number of countries. The figures for June are considerably more promising: the composite PMI was up almost 35 percentage points on April, as a result of the strong rebound in the services indicator. The economic recovery is expected to begin in the second half of this year, but might take a long time, given the considerable uncertainty surrounding the further spread of the virus. The Eurosystem has expanded the envelope of the pandemic emergency purchase programme (PEPP) by EUR 600 billion and has extended the horizon to June 2021 at least, while the Fed has also taken additional measures. The year-on-year fall in oil prices and other commodity prices diminished in June, slightly easing the deflationary pressures in the international environment.

High-frequency indicators of economic activity in May and June

The decline in global GDP deepened again in the second quarter of this year, but some signs of the situation stabilising did appear. Having reached a record low in April, the JPMorgan composite PMI rose slightly in May as measures were gradually lifted in a number of major economies, but remained at one of its lowest levels to date. The most notable improvement was in the services indicator, where the monthly rise, as in manufacturing, was the largest to date. The figures for June are slightly more promising: the manufacturing PMI rose slightly for the second consecutive month, but is

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



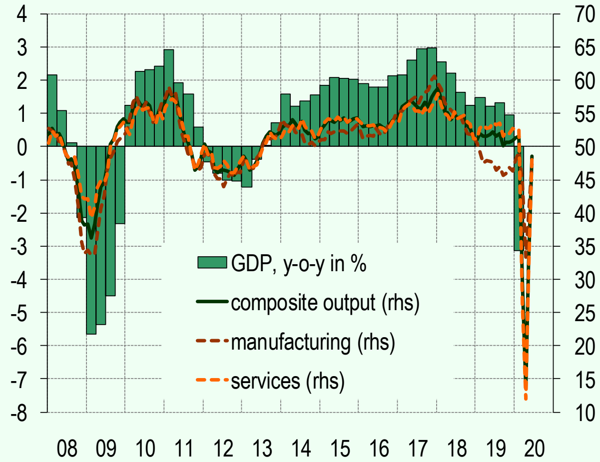
Note: Dashed line represents the value of the last observation.
Source: Bloomberg.

nevertheless indicative of a continuing contraction in activity, albeit less intensive than in the preceding four months. Among the major industrial nations, the contraction in activity slowed according to this indicator in Germany, the US, India, South Korea and Japan, while it moved into the growth zone in France, Italy, the UK, Brazil and China.

The euro area recession deepened in the second quarter of this year.[1] Although the composite PMI rose significantly for the second consecutive month in June, its average for the second quarter nevertheless remained 6.3 points below its low during the crisis of 2009. It reached 48.5 points in June, up almost 35 points on April, but 3.7 points down on June of last year. There was a notable improvement in the situation in the service sector, where the indicator in June was up more than 36 points on April, although like in manufacturing it remained below the 50 mark. There was a particularly notable rise in the PMI in France, which moved into the growth zone in June, primarily as a result of a sharp increase in manufacturing production. Among the countries that continued to contract according to the PMI was Germany, although it was significantly less intensive than in April and May. In contrast to the previous months, the main factor was the lower value of the manufacturing indicator, where the contraction in activity was as deep as in the months before the coronavirus epidemic. The economic sentiment indicator in the euro area improved for the second consecutive month, and by a record amount, but it nevertheless remained slightly below its average level of 2009. The monthly increase was primarily driven by the retail and other services indicator.

The risk of the crisis in Europe deepening again remains considerable. Amid the huge uncertainty surrounding the duration of the epidemic, and significant geopolitical and political tensions and social unrest, there is a significant probability that this year's recession could be deeper than the current core scenarios predict. However, the recovery in foreign demand is the key to reviving the economy. Despite the pick-up in economic activity in China, as indicated by the composite PMI, the recovery in foreign demand could be a lengthier process than currently forecast, as the WEI in the US remained extremely low. Despite rising sharply over the last month, it remained 4.6 percentage points below its lowest level of the similar period of 2009.[2]

Figure 1.2: Purchasing Managers' Index (PMI) and GDP growth in the euro area



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

Figure 1.3: Weekly Economic Index (WEI) and GDP growth in the US

Source: Fred.

[1] For more information on economic activity in the euro area and its major economies in the second quarter of this year, see Box 1.1 on page 17.

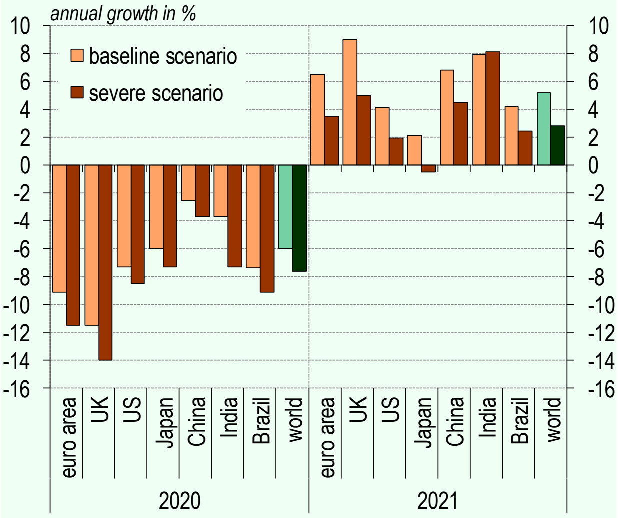
[2] They are two of the most important EU trading partners, which accounted for 18% (US) and 9% (China) of its exports in 2019. The EU's other most important trading partner is the UK, which accounted for 15% of the EU's total exports in 2019.

Economic forecasts

International institutions are forecasting a big global recession this year. Given that the downturn in the first half of this year was sharper than originally expected, and the recovery in the second half of the year is expected to be weaker, on 24 June the IMF revised its April forecasts for global GDP in 2020 and 2021 downwards by 1.9 percentage points to -4.9% and by 0.4 percentage points to 5.4% respectively. Meanwhile the OECD's latest forecasts released on 10 June are predicting a decline in global GDP of between 6.0% and 7.6% this year, depending mainly on the success in containing the epidemic. The largest decline in GDP is expected to be recorded in the euro area, at between 9.1% and 11.5%, a reflection of the lengthy period of lockdown measures in numerous euro area countries.[3] The contractions in economic activity in the US (between 7.3% and 8.5%) and Japan (between 6.0% and 7.3%) are forecast to be slightly smaller. The economic and health crisis also hit developing economies hard, including China and India, where the contraction is forecast at 2.6% and 3.7% respectively (core scenario). Consensus's economic forecasts for all of Slovenia's major trading partners also worsened significantly, which has been reflected in the extremely negative forecast for foreign demand for Slovenian products and services.

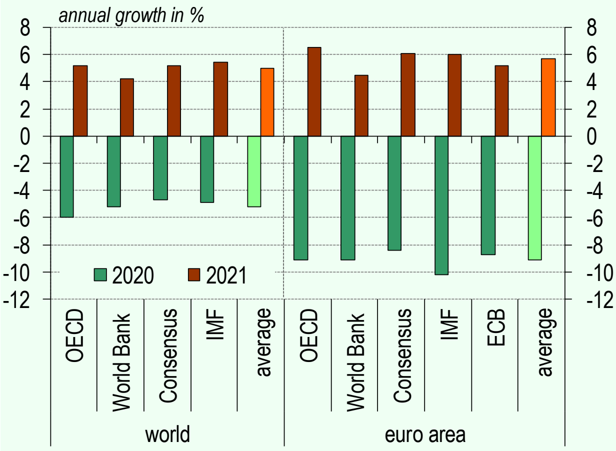
A recovery is expected to follow in the second half of the year, but the forecasts are extremely uncertain. Because certain measures requiring social distancing remain in force here and there, the recovery in numerous economies will be slow and uncertain, amid the considerable uncertainty that is changing consumer habits and affecting investment decisions by firms. It will depend above all on the evolution of the pandemic, and the effectiveness of expansionary economic policy measures. The highly uncertain situation is also reflected in the spread of the OECD's global economic growth forecasts, which range from 2.8% to 5.2% for 2021.

Figure 1.5: OECD GDP growth forecasts in major developed countries outside the euro area and BRIC



Source: OECD Economic Outlook.

Figure 1.4: GDP growth forecasts for 2020 and 2021*



*Note: Included forecasts are the following: OECD (published on 10 June 2020), World Bank (8 June), Consensus (11 June), IMF (24 June) and ECB (4 June). *Baseline scenario.*
Source: OECD, World Bank, Consensus, IMF, ECB.

Figure 1.6: Weighted monthly forecasts of GDP growth for Slovenia's major trading partners for 2020 and 2021

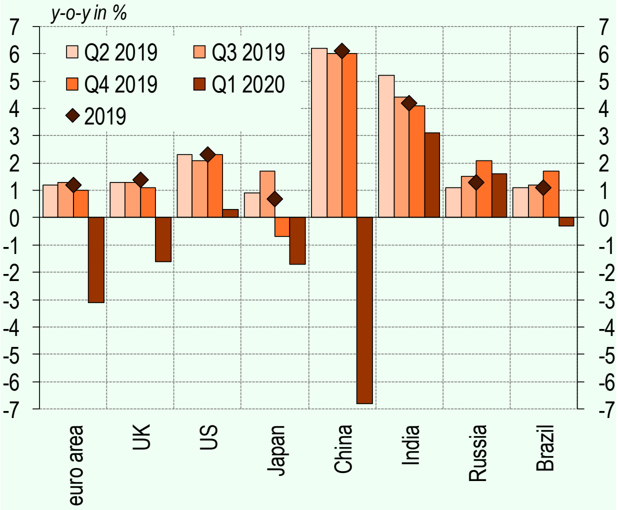
Note: All Slovenian trade partners are included: countries with at least 1% of total Slovenian exports of goods and services in the last twelve months (May 2019–April 2020; 21 trading partners with a total share of 85.1%) and all the other countries as a difference of up to 100%. The growth forecasts for 2020 and 2021 are weighted with the share of each country in the total exports of Slovenia, for other countries the global growth forecast is used. For 2009 the weighted outcome is shown.
Source: SORS, Consensus, World Bank, Fred, Bank of Slovenia calculations.

[3] In its latest projections released on 4 June, the ECB is forecasting a contraction in euro area GDP of between 8.7% (core scenario) and 12.6% (severe scenario).

Economic developments in the first quarter of 2020

The economic and health crisis has hit all economies hard. In many countries the quarterly decline in GDP in the first quarter of this year was the largest to date. China saw the largest decline in economic activity among the major global economies, as it began lockdown measures in mid-January. The quarterly decline stood at 9.8%, or 6.8% in year-on-year terms, the first decline in GDP since measurement began in 1992. There was also a significant decline in economic activity in the US (5.0%), although measures in most states were only in place for the last two weeks of the first quarter, when the number of unemployment benefit claimants surpassed its level of 2009 at more than 10 million.[4] GDP also fell sharply in the euro area,[5] particularly in Italy, France and Spain, and in the UK, even though the latter only imposed lockdown measures on 23 March. As a result of a decline in domestic demand in the first quarter, Japan was already in recession.

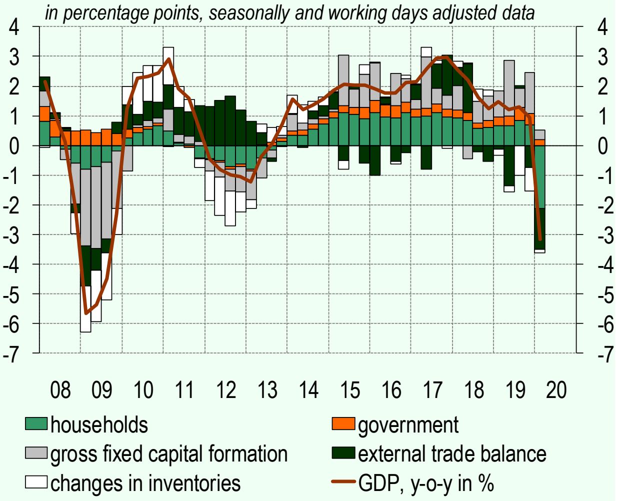
Figure 1.7: Economic growth in major developed countries outside the euro area and BRIC



Source: IMF, Tradingeconomics.

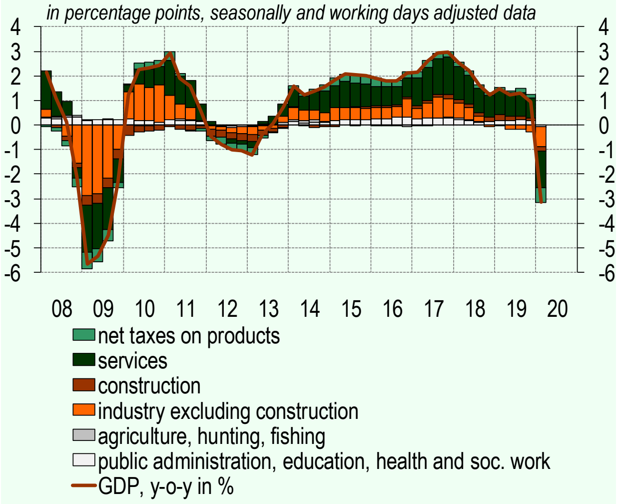
Although it was not until mid-March that the majority of euro area countries imposed containment measures, the contraction in GDP in the euro area in the first quarter of this year was the largest to date. Economic activity declined by 3.6% in quarterly terms according to seasonally and calendar-adjusted figures, 0.4 percentage points more than in the crisis of 2009, and was down 3.1% in year-on-year terms. Given the nature of the containment measures, on this occasion the main factor was the significant decline in private consumption, which was down 3.9% in year-on-year terms, the largest decline since measurement began. There was also a significant decline in foreign trade, exports in particular, which accounted for 1.4 percentage points of the year-on-year decline in GDP. The only positive contributions came from government consumption and gross fixed capital

Figure 1.8: Structure of GDP growth in the euro area, demand side



Source: Eurostat, Bank of Slovenia calculations.

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



Source: Eurostat, Bank of Slovenia calculations.

[4] Since the introduction of measures, the number of unemployment benefit claimants in the US has exceeded 48 million, but has gradually been falling since April. The unemployment rate fell to 13.3% in May, down 1.4 percentage points on April, and to 11.1% in June, but is still higher than during the crisis of 2009.

[5] For more information, see Box 1.2 on page 19.

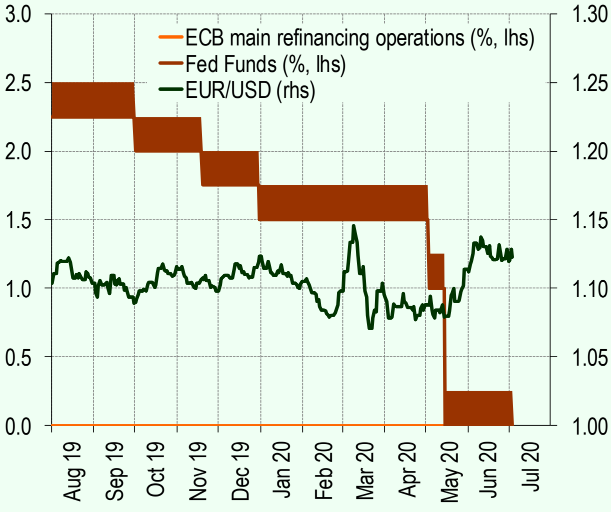
formation.[6] The main factor on the output side was the sharp year-on-year decline in value-added in services, in particular, wholesale and retail trade, accommodation and food service activities, and transportation, which at 3% was just 1 percentage point less than in the crisis of 2009. The year-on-year decline in value-added in industry also deepened (to 4.8%), its lowest level since the final quarter of 2009.

Euro exchange rate and commodity prices

The Eurosystem adopted additional monetary policy measures in June with the aim of speeding up the economic recovery. The envelope of the pandemic emergency purchase programme (PEPP), which was introduced in March of this year, was expanded by EUR 600 billion to EUR 1,350 billion and the horizon was extended to June 2021 at least, with the principal of maturing securities being fully reinvested at least until the end of 2022. Additional measures were also taken by the Fed, which introduced a corporate bond purchase programme worth USD 750 billion, and also acted to ensure favourable loan terms for SMEs. The euro rose to above USD 1.12 last month, and on 3 July was merely just under 1% down on a year earlier.

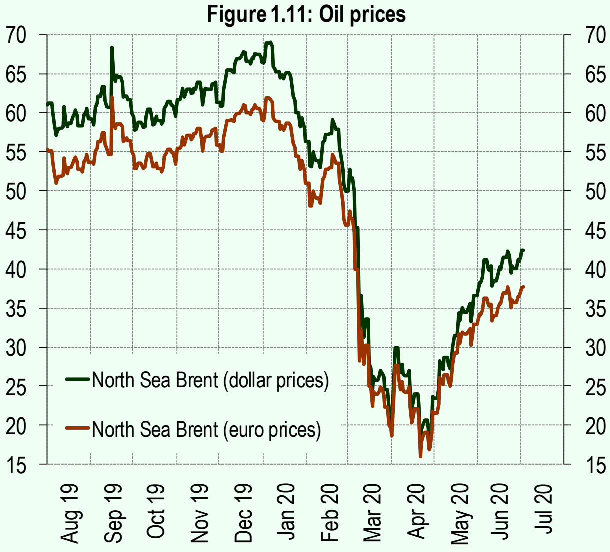
Oil prices have risen slightly over the last two months, but remain at their lowest levels since 2016. The price of Brent crude hit USD 17.3 in April, its lowest level since the end of 2001, but had risen to around USD 40 by June. It stood at USD 42.4 on 3 July, down 33.3% on a year earlier. The rising prices mainly reflect the extended agreement between OPEC members and certain non-members to cut pumping, and expectations of a recovery in demand for oil as a result of the lifting of containment measures in many economies. Other commodity prices were also down in year-on-year terms in June; prices of industrial commodities were unchanged in year-on-year terms, while the year-on-year fall in food prices deepened (to 38.8%).

Figure 1.10: EUR/USD exchange rate and central banks' interest rates



Source: ECB, Federal Reserve.

Figure 1.11: Oil prices



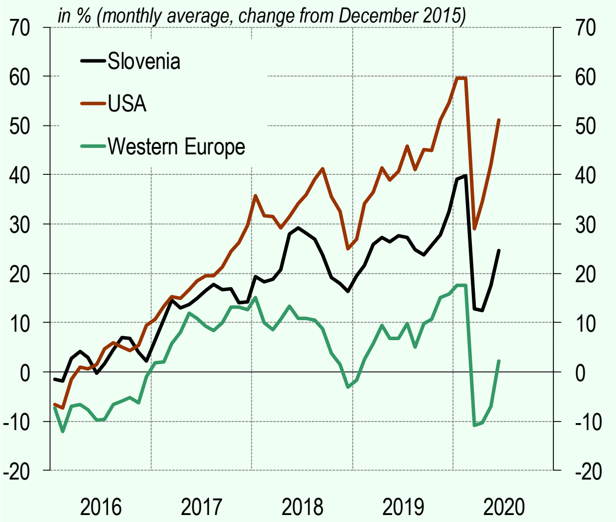
Source: Bloomberg, Bank of Slovenia calculations.

International capital markets

Stock market indices rebounded strongly in April from their low of the second half of March, and the recovery continued in May and June. Confidence is returning to investors, which is being reflected in less volatility, although there remain uncertainties owing to the adverse impact of Covid-19. The positive mood on the stock markets is thus attributable to the prompt application of fiscal and monetary stimulus, which will allow countries and firms to recover faster, and to the easing of containment measures. By the end of June the representative index for Western Europe and the S&P 500 in the

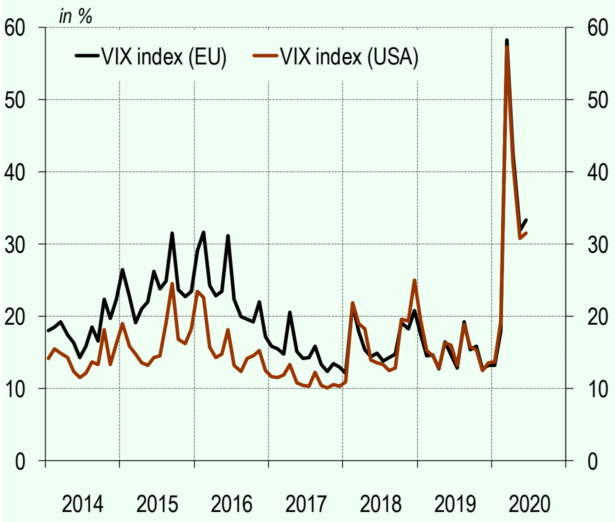
[6] The year-on-year growth in gross fixed capital formation was attributable solely to a sharp increase in investment in research and development, in which the performance of multinationals in Ireland was a factor.

Figure 1.12: Stock exchange indices



Source: Bloomberg, Bank of Slovenia.

Figure 1.13: Increase in volatility on stock exchanges

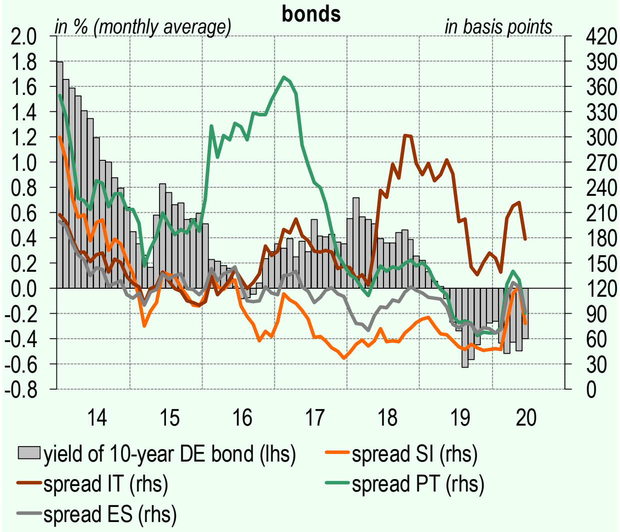


Source: Bloomberg, Bank of Slovenia.

US had gained 34.9% and 38.6% respectively from their lows in March. Volatility on stock markets in the EU and the US also declined, although in June it nevertheless remained higher than its average over the last five years.

Required yields in the European bond market fell in June as a result of the additional measures taken by the ECB. One of its measures in early June was expanding the envelope of purchases under the PEPP. This made the monetary policy stance even more accommodative in general, and will provide even more support for the financing conditions of the real sector. It also had a favourable impact on countries such as Italy, which was one of the euro area countries hit hardest by Covid-19, and had been downgraded by individual rating agencies.

Figure 1.14: Yield and spreads on selected 10-year government bonds



Source: Bloomberg, Bank of Slovenia calculations.

Box 1.1: Survey indicators of economic sentiment and demand in euro area countries in the second quarter of 2020

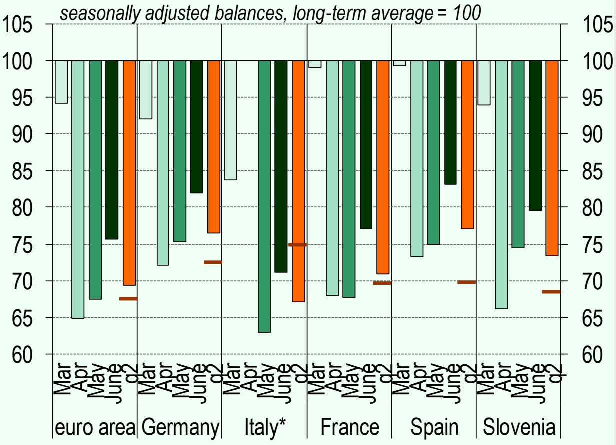
Although the containment measures were largely put in place in mid-March, economic activity declined in the first quarter in quarterly terms in all euro area countries. Among the major economies, there were profound and record-breaking declines in GDP relative to the previous quarter according to seasonally and calendar-adjusted figures in Italy (5.3%), France (5.3%) and Spain (5.2%), which alongside Germany also had the highest number of Covid-19 cases.[1] The decline in economic activity in Slovenia was slightly smaller (at 4.5%), but was also the largest to date.[2]

High-frequency indicators are suggesting an even larger year-on-year decline in euro area GDP in the second quarter of this year. The European Commission's average ESI for the euro area in the second quarter was 1.9 percentage points higher than in the first quarter of 2009, when the largest ever decline in GDP of 5.7% was recorded. By contrast, the weighted indicator of demand expectations of firms in private-sector services and industry[3] was 7.6 percentage points lower than its quarterly low of 2009, while the assessments of current demand of firms in the private sector[4] was 4.9 percentage points lower. Among the major economies, the decline in GDP could be largest in Italy, where the average economic sentiment indicator in the second quarter was at its lowest since measurement began, and France, where it came closest to its low of 2009. Both countries also saw their largest falls in electricity consumption. The economic sentiment indicator in Slovenia remained 5.1 percentage points above its lowest quarterly value of 2009, and 4.1 percentage points above the euro area average.[5]

Because in many countries the European Commission's March survey was completed before extensive containment measures were put in place, the true magnitude of the crisis was only revealed in the figures for April. Amid a sharp rise in the number of cases and the resulting imposition of even stricter lockdown measures, a number of economic indicators hit their record lows in April.[6] After falling significantly in March, in April the economic sentiment indicator for the euro area then rapidly approached its record low of the crisis in 2009, driven above all by firms' survey assessments of future demand. Among the major economies, the largest monthly decline in the economic sentiment indicator came in France, at 31.1 percentage points, while Slovenia's decline of 27.8 percentage points was slightly less than the euro area average.

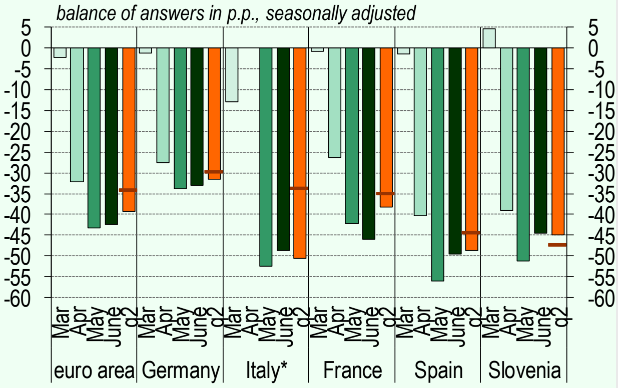
Despite the gradual lifting of containment measures in many countries, the economic sentiment in the euro area remained extremely low in May. In May, the economic sentiment indicator rose by just 2.7 percentage points in monthly terms, and was down fully 37.5 percentage points in year-on-year terms. The main improvement was in the confidence indicator in industry, while the private-sector services and construction indicators declined again, albeit by significantly less than in March and April. Among the major euro area economies, the only decline in the economic sentiment indicator in May came in France, while the largest rises were recorded by Slovenia and Austria, at 8.3 and 6.9 percentage points respectively.[7] Further evidence of the gradual opening of euro area economies came from the year-on-year fall in

Figure 1: Economic sentiment indicator in euro area countries



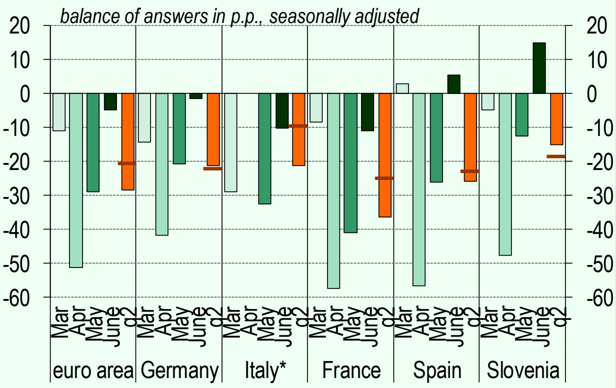
*Note: The dashes represent the lowest quarterly figure during the crisis of 2009. *No data could be collected in Italy due to the strict confinement measures in April.*
Source: Eurostat, Bank of Slovenia calculations.

Figure 2: Current demand in the private sector – survey estimation by companies**



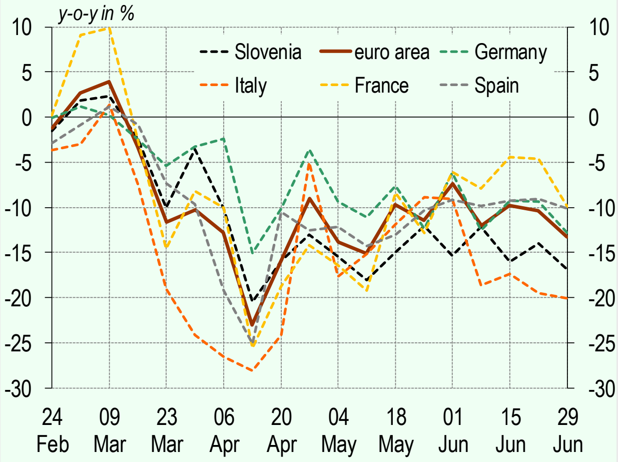
*Note: The dashes represent the lowest quarterly figure during the crisis of 2009. *No data could be collected in Italy due to the strict confinement measures in April. **The measure is calculated by taking into account value added shares. Included are companies in trade, other private services, industry and construction.*
Source: Eurostat, Bank of Slovenia calculations.

Figure 3: Expected demand in private services and industry – survey estimation by companies**



*Note: The dashes represent the lowest quarterly figure during the crisis of 2009. *No data could be collected in Italy due to the strict confinement measures in April. **The measure is calculated by taking into account value added shares. Included are companies in retail trade, other private services and industry.*
Source: Eurostat, Bank of Slovenia calculations.

Figure 4: Electricity consumption in euro area countries**



*Note: *Germany, France, Italy and Spain. **Data are not corrected for temperatures.*
Source: ENTSO-E, SORS, Bank of Slovenia calculations.

electricity consumption, which was slightly smaller in May, albeit still pronounced.[8] At 12.3%, it was similar to the figure seen in April 2009.

More evident signs of the economic recovery could be seen in June. The economic sentiment indicator in the euro area rose in June (the second consecutive monthly rise and the largest to date) – among the major economies, most notably in France – but it remained below its long-term average. The economic sentiment improved in all sectors, most notably retail trade and other private-sector services. However, electricity consumption in the euro area in the final week of June was down 13.3% in year-on-year terms, actually slightly more than the average in May. Despite the extreme volatility in the data series, this is indicative of the merely gradual nature of the economic recovery.

Firms' survey assessments point to a slow and gradual recovery in the euro area in the third quarter of this year. Survey assessments of demand expectations by firms in private-sector services and industry rose in June for the second consecutive month, and were up fully 46.3 percentage points on April's low. An improvement was seen in all sectors,[9] although firms in private-sector services that were hit harder by the containment measures remained slightly more pessimistic in particular. Because the weighted demand expectations indicator remained below its low of the crisis of 2009, there is a significant likelihood that the recovery in the euro area will merely be slow. The indicator rose in all the major economies, but Italian and French firms remain the most pessimistic. By contrast, Slovenian firms have become considerably more optimistic about the third quarter of this year.

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[1] The largest absolute number of cases in the euro area.

[2] Alongside Italy, France, Spain and Slovenia, the decline in activity relative to the previous quarter was largest to date in Belgium, Austria and Portugal. For more information, see Box 1.2 on page 19.

[3] The weighted indicator of demand expectations of firms in private-sector services (retail trade and other private-sector services) and industry is calculated using each sector's share in total value-added.

[4] The weighted indicator of current demand of firms in the private sector (retail trade and other private-sector services, industry and construction) is calculated using each sector's share in total value-added.

[5] The SORS discloses the economic sentiment indicator in the form of a weighted synthetic indicator of the balance in responses, but Eurostat publishes the results in the form of a ratio to the long-term average, and therefore differences in interpretation are possible.

[6] The peak of the epidemic curve was reached in Europe between late March and early April.

[7] Greece and Portugal also saw a decline in the economic sentiment indicator between April and May. No data could be collected in Italy due to the strict lockdown measures in April.

[8] Electricity consumption in the euro area is calculated as the total consumption in the four largest economies, namely Germany, France, Italy and Spain.

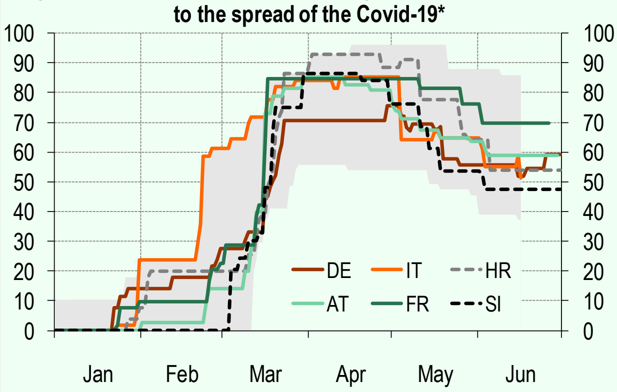
[9] The indicator rose in industry, retail trade and other services. Eurostat does not publish a comparable indicator for construction.

Box 1.2: Economic growth in euro area countries in the first quarter of 2020

The depth of the shock in economic activity in euro area countries in the first quarter of this year varied, on account of differences in the pace and intensity of the response to the pandemic, and differences in the structure of value-added. Although the economic shutdown only began at the end of the first quarter, the sudden loss of activity caused a significant decline in GDP. The exceptions were Ireland, Lithuania, Cyprus and Malta, which were later in responding to the epidemic with containment measures.[1] The largest year-on-year decline in economic activity was recorded by the three countries hit hardest by the virus: Italy, France and Spain.[2] The intensity of the shock in these countries was also attributable to the structure of their economies: services account for a slightly larger share than on average in the euro area, and the nature of the containment measures meant that it was services that were hit hardest. Given the brutal spread of the virus, Italy's response was fast and decisive, and came approximately two weeks before the other countries (see Figures 2 and 3[3]), consequently the contraction in its economy was also the most pronounced. Although the complete shutdown of public life and the at-least-partial shutdown in numerous economic sectors in most countries was in place for just three weeks of the first quarter, euro area GDP according to original figures was down 3.0% in year-on-year terms, the largest decline since the third quarter of 2009, while the quarterly decline of 3.8% was the largest since the recording of the data began in 1996. The year-on-year decline in Slovenia stood at 2.3%, one of the sharpest economic downturns in the first quarter in the euro area.

Private consumption was the key factor in the significant decline in economic activity in the majority of euro area countries. The deepest falls in private consumption were recorded by Spain and Italy, but Slovenia was immediately behind them: it reduced GDP growth by 3.3 percentage points, the largest negative contribution since the first quarter of 2013. The majority of countries also saw a decline in investments, most notably France and Italy of the major economies. The overall positive contribution to GDP growth by investments did not reflect the actual situation in euro area countries, but was again the result of the situation in Ireland, and its recording of investments in the national accounts. The contribution by investments in Slovenia was among the more nega-

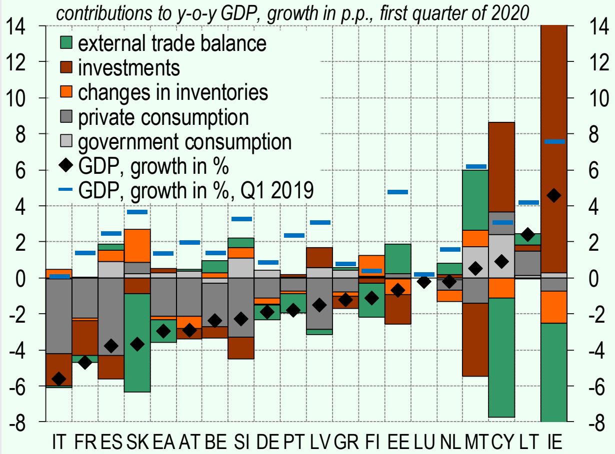
Figure 2: Response of the main trading partners in the euro area to the spread of the Covid-19*



*Note: *Government response index includes: closings of schools, closings of workplaces, cancelling public events, limits on private gatherings, closing of public transport, stay at home requirements, restrictions on internal movement, restrictions on international travel, income support, freezing financial obligations for households, presence of public info campaigns, testing policy, contact tracing.*
Grey area shows the range between the lowest and highest government response among euro area countries. Croatia is added due to its importance for Slovenian export.
Source: Oxford COVID-19 Government Response Tracker.

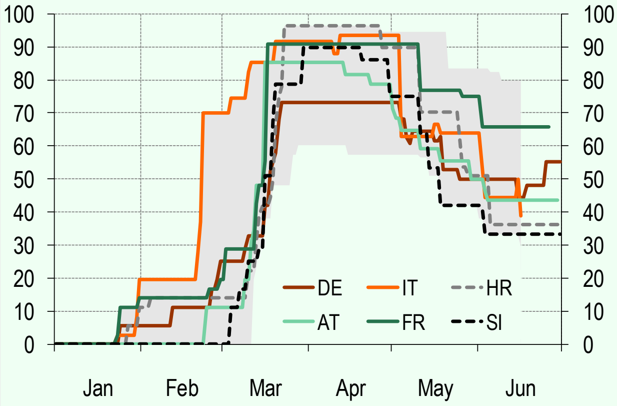
Figure 1: Economic growth in euro area countries by expenditures

contributions to y-o-y GDP, growth in p.p., first quarter of 2020



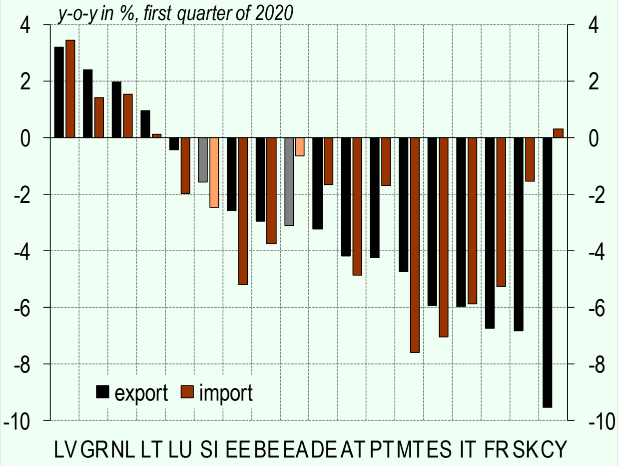
Note: The full contributions to IE GDP are not shown in the graph due to better visibility of other data.
Source: ECB, Eurostat.

Figure 3: Stringency of the measures taken by the main trading partners in the euro area against the spread of the Covid-19*



*Note: *Stringency index includes: closings of schools, closings of workplaces, cancelling public events, limits on private gatherings, closing of public transport, stay at home requirements, restrictions on internal movement, restrictions on international travel.*
Grey area shows the range between the lowest and highest stringency of the measures among euro area countries. Croatia is added due to its importance for Slovenian export.
Source: Oxford COVID-19 Government Response Tracker.

Figure 4: External trade balance in the euro area countries



Note: Ireland is not illustrated due to the large impact of multinational companies on data on external trade balance.
Source: Eurostat, Bank of Slovenia calculations.

tive in the euro area; there was a sharp decline in investment in machinery and equipment, while investment in buildings and infrastructure and in intellectual property increased. Growth in government consumption was broadly unchanged in the euro area overall, and larger positive contributions are expected over the remainder of the year, as it was mostly not until April that measures to support the economies were put in place. The contribution to GDP growth by government consumption remained at 0.3 percentage points in the euro area. It rose to 1.1 percentage points in Slovenia, behind only the smaller economies of Malta and Cyprus, and was a significant factor in mitigating the decline in GDP growth.

The barriers to international trade and the partial closure of national borders reduced trade in merchandise and services even in the first quarter of this year. The largest contribution to GDP growth by net trade was recorded by Malta, albeit mainly as a result of the year-on-year decline in imports outpacing that in exports (see Figure 4). It was a similar case in Slovenia, where imports were down 2.5% in year-on-year terms, while exports were down 1.6%. Slovenia's decline was among the smallest in the euro area, and was primarily attributable to the shock in services trade, which saw its largest year-on-year decline since the final quarter of 2009. Among the main euro area trading partners, imports and exports were hit hardest in Italy and France, where the year-on-year declines were more than 5%. In Germany it was mainly exports that declined significantly, by 3.2%.[4]

[1] Cyprus put the strictest containment measures in place, but only in the last few days of March. It kept them in place in April and May, and this will be reflected strongly in its second quarter dynamics (see Figure 3).

[2] These three countries saw the largest number of deaths.

[3] For more on the government response index and the stringency index, see https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker#data.

[4] Croatia is Slovenia's third most important trading partner, with an 8.5% share of exports of merchandise and services. Despite a quarterly decline in economic activity, it was one of the few EU Member States to record positive year-on-year GDP growth in the first quarter of this year, primarily as a result of imports declining more sharply than exports in year-on-year terms, thereby providing for a positive contribution from net trade. Its imports were down 5.8% in year-on-year terms.

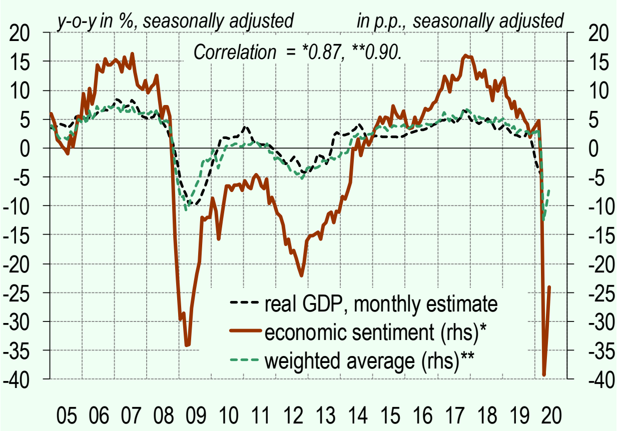
2 Economic Developments

Domestic economic activity is gradually recovering, but remains well down on last year's level. The pessimism in various sectors of the economy and among consumers is slowly diminishing, but the economic sentiment indicator in June remained below its average level during the crisis of 2009. After recording one of the sharpest declines in GDP among euro area countries in the first quarter of this year – there was a pronounced decline in private consumption and in investment in machinery and equipment – the economy suffered the largest decline in activity in April, in line with expectations. The nature of the containment measures meant that services were hit particularly hard: turnover was down 28.4% in year-on-year terms. This was followed by a gradual recovery, which was relatively weak even in June, at least according to certain alternative high-frequency indicators. Survey assessments of current demand also remained very low in June, most notably among services firms. The outlook for the third quarter is more favourable for now, with firms expecting a significant increase in demand, while household consumption is expected to be less constrained. The survey indicators of firms' financial difficulties, which are published by the SORS, also remain encouraging: they have not changed significantly this year. This could at least be partly related to the extensive anti-crisis measures, and the record profits recorded again by firms in 2019, which have increased their financial soundness, at least on aggregate.

Confidence indicators in June

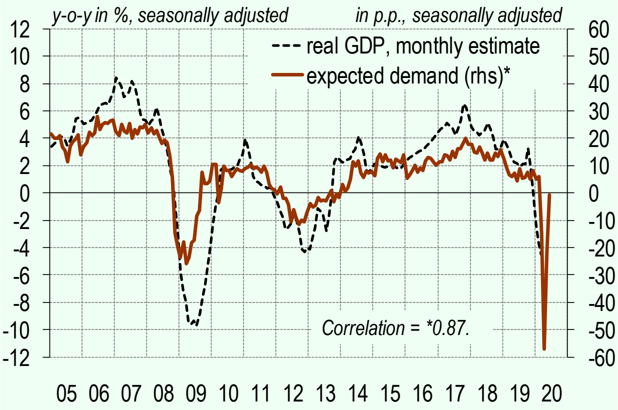
The economic sentiment improved again in June, but the indicator is still pointing to a sharp contraction in economic activity. The economic sentiment indicator rose to -24 percentage points in June. This was up more than 15 percentage points on April, when it reached a record low, and almost 9 percentage points up on May, but it is nevertheless still approximately 2 percentage points lower than its average value in 2009. Firms in all sectors were less pessimistic in June than in May. Consumers too were less pessimistic in June. The persistent very low assessment of current demand should be noted, particularly at firms in the service sector, where

Figure 2.1: Economic sentiment indicator and GDP



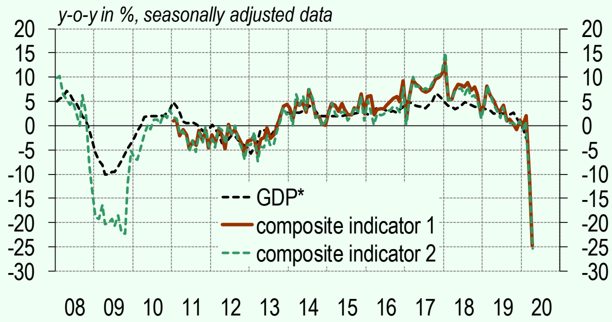
Note: Green dashed line represents the weighted average of confidence indicators in retail trade, industry and services. The weights are the same as SORS' weights for compiling the economic sentiment indicator, calculated at a value of 100.
Source: SORS, Bank of Slovenia's estimations and calculations.

Figure 2.2: Expected demand and GDP



Note: Expected demand is the weighted average of expected demand in manufacturing and services, expected construction orders, expected retail sales, and major consumer purchases over the next twelve months. The weights are the same as SORS' weights for compiling the economic climate indicator.
Source: SORS, Bank of Slovenia's estimations and calculations.

Figure 2.3: Composite indicator of economic activity and real GDP*



Note: Volume composite indicator 1 includes real index of service activities and trade, real index of industrial production and real index of construction put in place.
Because the real index of sales in services and trade is not available for the period before 2010, we replaced it in composite indicator 2 (correlation with GDP = 0.90) with a nominal index of sales in services (does not contain trade), deflated by the service price index (HICP) to compare the current crisis with that in 2009. The individual indices are weighted by the shares of activities in their total value added, with indicator 1 covering around 74% and indicator 2 covering around 62% of total value added in the economy.
**Monthly estimate of real GDP.*
Source: SORS, Bank of Slovenia's estimates and calculations.

surprisingly the indicator in June was actually down on May. The assessments of the strength of future demand by firms and consumers were far more encouraging in June: the weighted indicator rose sharply again in current terms (see Figure 2.2), and an improvement in expectations was seen in all sectors and, to a lesser extent, among consumers.[1] The survey indicators of firms' financial difficulties as measured by the SORS remain encouraging: there has been no significant change in their levels in any sector in recent months, and they remain significantly lower than during the previous crisis.

Economic developments in the second quarter

As expected, the composite indicator of economic activity for April reveals an even larger contraction in the economy than during the worst depths of the crisis in 2009. It was down approximately 25% in year-on-year terms (see Figure 2.3).[2] Given the nature of the containment measures, the shock was largest in private-sector services, where aggregate turnover fell by 28.4% according to calendar adjusted figures. The hardest hit of the major sectors was accommodation and food service activities, where turnover fell by more than 86%; the only sector where turnover increased was computer services. Services are for now the sole sector that is in a worse position than at the depths of the crisis in 2009, but because they account for more than 40% of GDP they have a great impact on aggregate economic activity. Given the global nature of the shock, and the disruption to supply chains, the situation in industry in April deteriorated further relative to March. Industrial production was down 22.9% in year-on-year terms, and the decline was more than 20% in the majority of sectors. The shock was slightly less pronounced than during the worst of the crisis in 2009, when industrial production in April was down 25.1% in year-on-year terms. The worst deterioration was seen in the car industry, owing to falling sales of cars in Europe and the shutdown of production at Revoz. Production of motor vehicles was down more than 76%. Construction activity also declined, but only by 6.5%, in contrast to most other sectors. Increased residential construction made up for much of the fall in the construction of non-residential buildings.

[1] The composite PMI, which in Slovenia includes manufacturing firms alone, closed rapidly on the 50 point mark in June, the dividing line between expansion and contraction. The rise in the new orders indicator was particularly encouraging. Firms also stockpiled materials to safeguard against potential disruptions to supply. In so doing they were taking advantage of the situation on global commodities markets, where supply prices are falling and shorter supply terms are available (source: Purchasing Association of Slovenia).

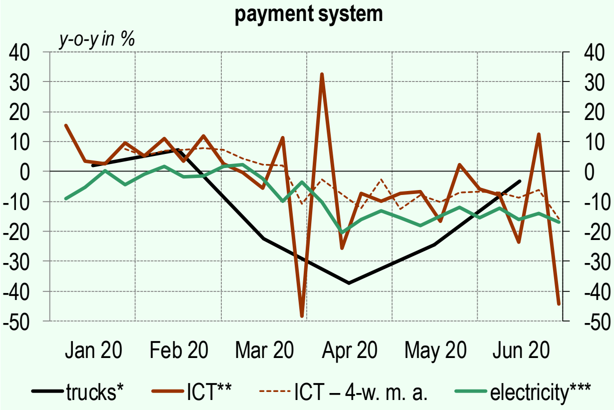
[2] Although comparing the monthly indicators of economic activity with developments in value-added is not entirely accurate, the release of the April figures largely confirmed the initial scenarios used in the Macroeconomic Projections for Slovenia of June 2020, which assumed a very similar fall in value-added in April. Detailed information on the initial scenarios can be found at https://bankaslovenije.blob.core.windows.net/publication-files/macroeconomic-projections-for-slovenia-june-2020_ii.pdf (see Box 1 on page 16). The initial scenarios do not take account of the measures to alleviate the economic and social impact of Covid-19.

Table 2.1: Economic activity – volume indices of production

	12 m. to Mar. 19	12 m. to Mar. 20	2020 Feb.	2020 Mar.	2020 Apr.	2019 Dec.	2020 Mar.
			y-o-y in % **			monthly***	
Industrial production – total	3.9	1.1	3.7	-8.7	-22.9	-0.1	-1.7
Manufacturing	4.3	1.9	5.9	-8.4	-23.8	0.3	-1.3
Construction – total	20.6	0.2	6.5	-2.1	-6.5	2.3	10.5
Non-residential buildings	18.4	-3.2	-1.6	1.9	-21.6	11.8	15.8
Residential buildings	7.5	8.4	-26.5	9.5	6.4	8.4	4.5
Civil engineering	22.8	0.6	17.7	-6.2	-2.1	-0.1	11.9
Trade and service activities* – total	7.3	0.3	0.6	-14.8	-28.4	-0.5	-4.9
Wholesale and retail trade and repair of motor vehicles and motorcycles	10.9	-3.1	-4.1	-39.5	-54.4	-0.3	-11.6
Retail trade, except of motor vehicles and motorcycles	4.8	0.8	0.0	-12.1	-19.8	0.1	-3.5
Other private sector services	7.4	-0.2	2.1	-16.4	-31.3	-0.6	-5.6
Transport and storage	7.2	0.2	0.2	-13.9	-28.4	-1.5	-4.4
Accommodation and food service activities	6.1	-0.7	5.1	-53.7	-86.3	-0.2	-16.0
Information and communication	4.5	1.2	7.2	-1.7	-7.1	1.9	-0.5
Professional, scientific and technical activities	13.6	3.6	8.9	-8.7	-25.8	-1.2	-2.9

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

Figure 2.4: Electricity consumption, motorway traffic and ICT payment system



*Note: *Trucks with trailer, lorries, lorries with trailer, medium trucks, heavy trucks, oversized load vehicles. **ICT (internal credit transfers – total values) covers domestic payments (credit payments between banks within the country) under EUR 50,000, without card payments, Bank of Slovenia is included. ***Data are not corrected for temperatures.*
Source: Bank of Slovenia, ENTSO-E, DARS, SORS.

The lifting of containment measures has seen economic activity begin to recover, although in June it remained well down on last year according to certain alternative high-frequency indicators. The indicators in question do not provide a uniform assessment of the economic situation in June, as there is considerable variation in their dynamics. High volatility is typical, at least for the total value of payments in the ICT system (see Figure 2.4). The value of payments in the ICT system remained well down in year-on-year terms at the end of June, and at the monthly level was not showing any signs of economic recovery compared with May. It is a similar case with electricity consumption, where the year-on-year decline stood at 15.1% in May and 13.4% in June. Figures for freight transport in selected motorway sections are more encouraging: after a decline of almost a quarter in May, freight transport was merely down just over 3% in year-on-year terms in June.

Analysis of the decline in GDP in the first quarter[3]

The shock in domestic economic activity after containment measures were put in place in the first quarter in Slovenia was among the largest in the euro area. GDP was down 4.5% in quarterly terms according to seasonally and calendar-adjusted figures, and down 2.3% in year-on-year terms according to original figures. The equivalent figures were 3.8% and 3.0% in the euro area overall, and 2.2% and 1.9% in Germany. After an enco-

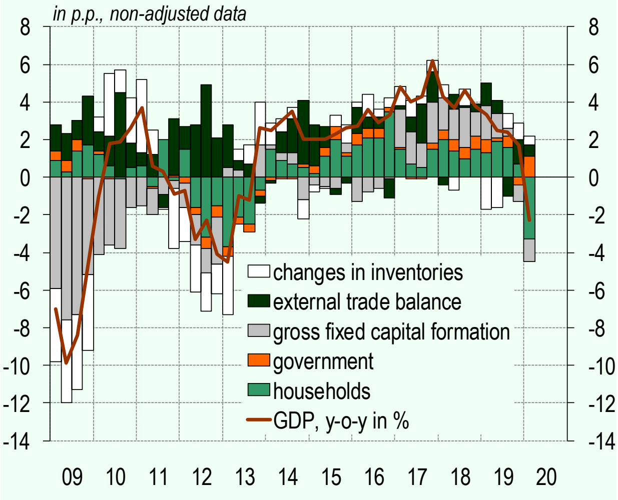
[3] When releasing the national accounts for the first quarter of this year, the SORS warned that the Covid-19 epidemic means that certain data sources used are lower in quality and less reliable than normal, which entails a risk to the quality of estimates of macroeconomic aggregates, and consequently makes major revisions more likely.

uraging start to the year, a number of sectors were fully or partly shut down in the second half of March. Supply chains were disrupted, foreign demand dried up, purchases by domestic households declined sharply with the exception of essential goods, and the fall in investment in machinery and equipment deepened. As expected, the decline in activity was sharpest in private-sector services, particularly those where direct contact between the client and the provider is essential. The government sector prevented an even larger decline in economic activity by increasing its own spending.

As expected, domestic and foreign containment measures hit the service sector hardest, making the current crisis structurally different from that seen in 2009. Retail turnover in March was already down more than tenth in year-on-year terms, most notably in the segment of motor fuels, cars and other durables. An even deeper fall was prevented by the stockpiling of essentials. An even more pronounced deterioration came in other private-sector services, where the year-on-year decline in real turnover stood at 16% in March. The situation varied profoundly from sector to sector. For example, the information and communication sector was not significantly affected at the outbreak of the crisis, as social distancing has little adverse impact on much of the sector. It was completely different in the accommodation and food service activities sector, where turnover declined by more than a half. At the same time the tourism sector was hit also by the closure of European borders; the number of overnight stays by foreign visitors in March was already down more than 73% in year-on-year terms. Total value-added in private-sector services in the first quarter of this year was down 2.4% in year-on-year terms, the decent performance in February preventing a larger decline. The deterioration was less pronounced than that in private consumption, which was down fully 6.4% in year-on-year terms, as purchases of durables fell by 15.4%.

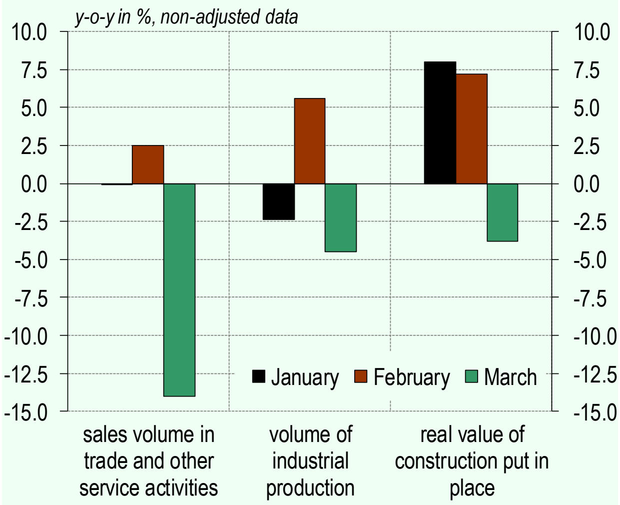
The at-least-partial shutdown of production and the shock in foreign demand hit industry hard in March, while construction activity actually increased over the first quarter, thanks to good performance in the first two months of the year. Industrial production in March was down only 4.5% in year-on-year terms ac-

Figure 2.5: Structure of GDP growth in Slovenia – expenditure side



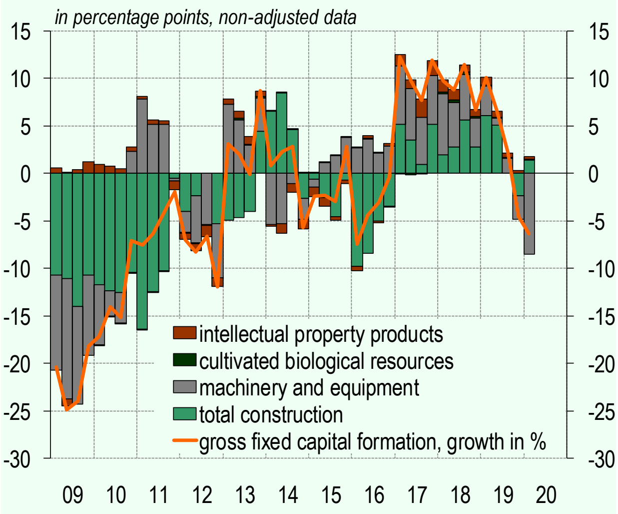
Source: SORS.

Figure 2.6: Monthly indicators of economic activity – Q1 2020



Source: SORS, Bank of Slovenia calculations.

Figure 2.7: Contributions to volume y-o-y growth in gross fixed capital formation



Source: SORS, Bank of Slovenia calculations.

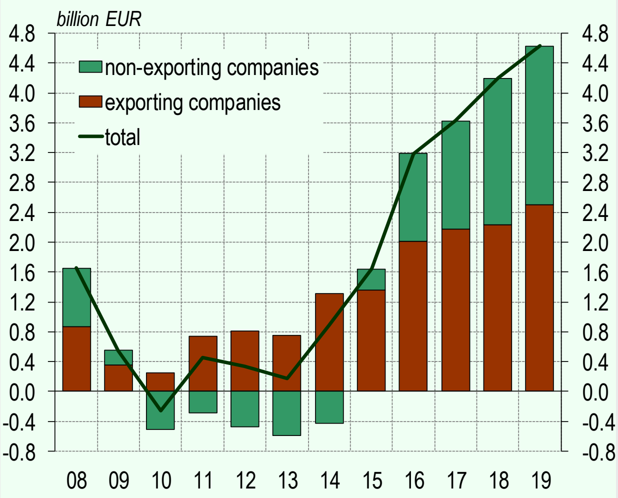
cording to original figures, albeit primarily as a result of strong growth in output in the pharmaceuticals sector. Eleven of the 24 industrial sectors recorded a decline of more than 10%. The largest was in the manufacture of vehicles, which was down 34%. This coincided with a fall of more than 55% in the number of first-time car registrations in the euro area, and the shutdown of production because of coronavirus. Further evidence of the crisis in industry comes from merchandise exports, which in March were down more than a tenth in nominal terms. Value-added in industry in the first quarter was down only 0.3% in year-on-year terms, thanks to good performance in February. Value-added in construction in the first quarter was up 1.4%, and March's decline in activity was largely neutralised by high growth in residential construction. However, the situation in construction is expected to deteriorate, as the indicators of demand for construction work have declined sharply. The breakdown of investment also matched the situation in the first quarter: construction investment increased, while investment in machinery and equipment was down 18% in year-on-year terms thanks to the renewed sharp quarterly fall.

Box 2.1: Review of corporate performance in 2019

Despite the economic environment cooling internationally and domestically, Slovenian firms saw their performance improve again in 2019.[1] After reaching a record EUR 4.2 billion in 2018, firms' net profit increased by a further 10.2% last year to reach EUR 4.6 billion. Net operating profit was up 6.3%,[2] while growth in net sales revenues was significantly lower than in the previous year at 2.8%, primarily as a result of stagnation in revenues on the domestic market,[3] as revenues on foreign markets, most notably those outside the EU, grew by fully 5.7%,[4] despite the deterioration in the international environment.[5] Firms increased their total headcount by 3.2% last year, slightly less than in 2017 and 2018,[6] thereby exceeding the level from 2008 for the first time. Growth in gross value-added was even higher at 8.6%, which meant that there was an increase in labour productivity in the amount of 5.3%, the highest figure since 2010, which was attributable in particular to firms in retail trade and manufacturing. Despite the pronounced increase of almost 6% in the total corporate debt, which nevertheless remained down more than a fifth on 2008, corporate indebtedness[7] declined again last year. Firms saw their equity increase by 6.5% at the same time, reducing leverage[8] to 105%.

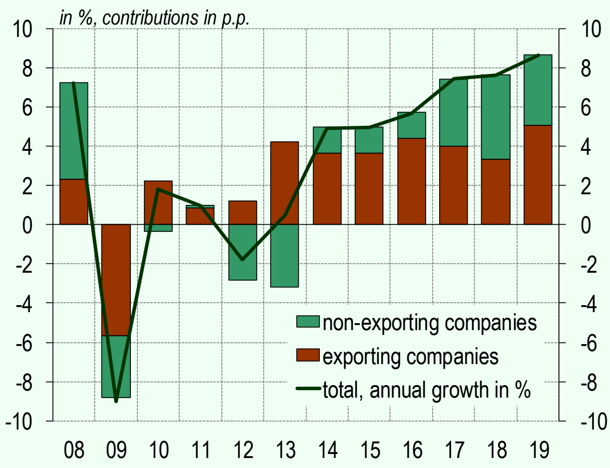
Firms oriented towards the domestic market made a slightly larger contribution to the improvement in corporate performance in 2019.[9] They generated a net profit of EUR 2.1 billion last year, up 8.6% on the previous year, having increased their net operating profit by 8.1%. At the same

Figure 1: Net profit



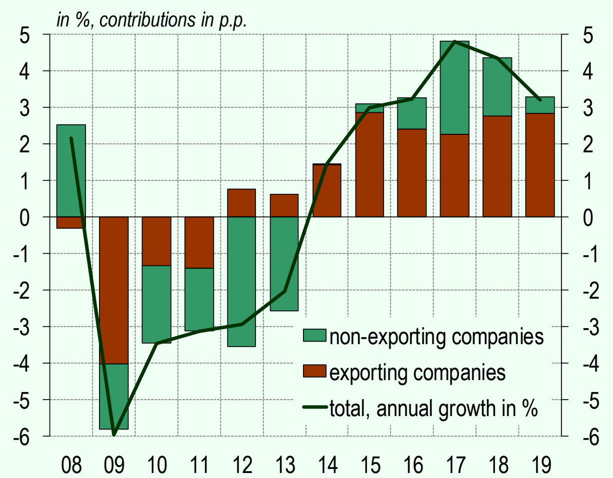
Note: Net profit is calculated as net profit or loss for the accounting period.
Source: AJPES, Bank of Slovenia calculations.

Figure 3: Growth rate of gross value added



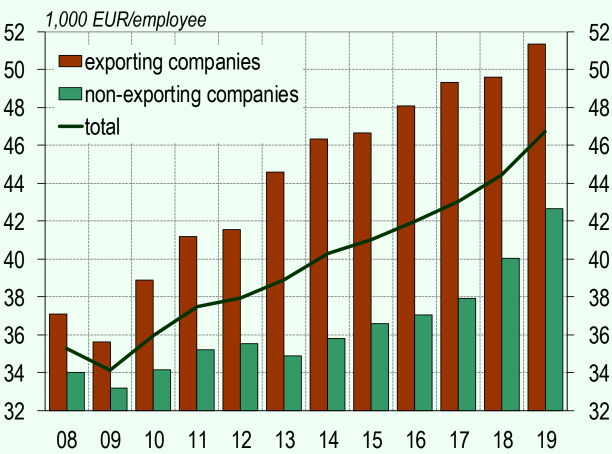
Note: Gross value-added is calculated as gross operating profit minus costs of goods, materials and services and other operating expenses.
Source: AJPES, Bank of Slovenia calculations.

Figure 2: Growth rate in the number of employees

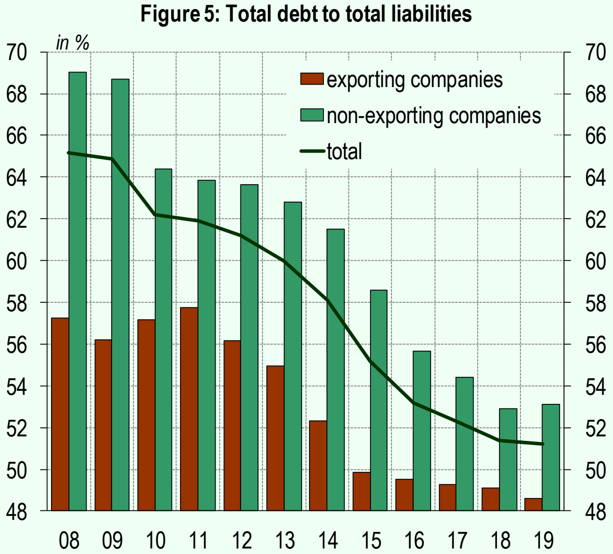


Note: Average number of employees based on working hours in the accounting period.
Source: AJPES, Bank of Slovenia calculations.

Figure 4: Labour productivity



Note: Labour productivity is calculated as gross value added divided by the number of employees (average number of employees based on working hours in the accounting period).
Source: AJPES, Bank of Slovenia calculations.



Source: AJPES, Bank of Slovenia calculations.

time there was a strong increase in their productivity for the second consecutive year, as a result of a modest rise in the headcount (0.8%) and high growth in gross value-added (7.4%).[10] Their indebtedness rose slightly, as their total debt increased by 4.1%, while their equity increased by 3.3%. By contrast, export-oriented firms saw their net profits increase by 11.6% last year, significantly more than the 2.9% increase in 2018, to reach EUR 2.5 billion, while their net operating profit was up 4.8%. After stagnating in 2018, their labour productivity grew by 3.5% last year, as the headcount rose by 6.1%, while gross value-added increased by 9.8%. Their total debt increased for the fourth consecutive year, by 8.8% or EUR 1.7 billion, faster than at firms oriented towards the domestic market, but their equity increased by more than a tenth, reducing leverage to 95%.

---

[1] The analysis includes all firms, i.e. those belonging to the non-financial corporations sector, the government sector and the financial corporations sector. The analysis was conducted on the basis of unaudited figures, and excludes all firms that fail to report any values in the year in question (all items in the balance sheet are zero).

[2] Last year saw particularly strong increases in net operating profit at medium-size (15.4%), micro (11.3%) and large enterprises (5.1%), while net operating profit has decreased by 6.3% on 2018 at small enterprises.

[3] The main factor was a decline in sales revenues in wholesale and retail trade.

[4] Growth in revenues on foreign markets also slowed, from 8.7% in 2018 to 5.7% last year, driven primarily by financial and insurance activities and manufacturing.

[5] Growth in operating expenses also slowed sharply last year, in particular costs of goods, material and services, while growth in labour costs remained high for the third consecutive year.

[6] The rise in the headcount slowed slightly in 2019 for the second consecutive year, primarily as a result of a modest rise at non-export firms (0.8%). By contrast, export-oriented firms saw a large rise in the headcount for the fifth consecutive year. It stood at 6.1%, the highest figure since 2015.

[7] Corporate indebtedness is measured as the ratio of total debt to total equity and liabilities.

[8] Leverage is measured as the ratio of total debt to equity.

[9] These are firms who generate more than 85% of their total revenues on the domestic market.

[10] Labour productivity increased by 5.6% at firms oriented towards the domestic market (non-export firms) in 2018, and by 6.6% in 2019. Last year's increase was primarily attributable to rising productivity in wholesale and retail trade and in professional, scientific and technical activities.

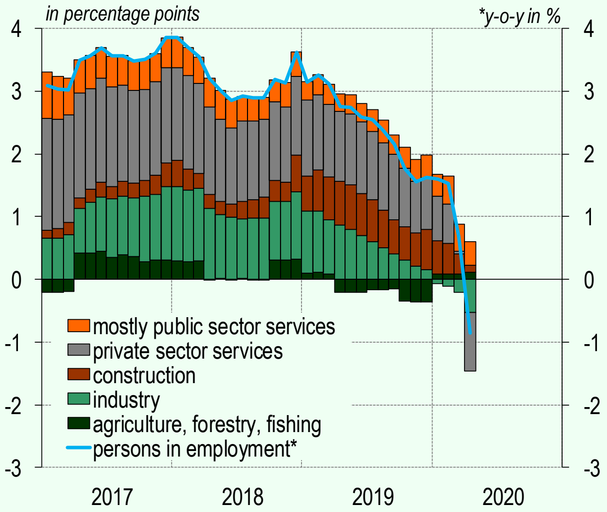
3 Labour Market

The outbreak of the Covid-19 pandemic and the containment measures have triggered the expected downturn on the labour market. After six years of rising employment, the workforce in employment excluding self-employed farmers in April was down 1% in year-on-year terms, a reflection of the constraints on business activities, the loss of demand and the disruptions to supply chains. The fall in employment would have been even larger had it not been for the emergency measures put in place by the government with the aim of preserving jobs and preventing corporate bankruptcies. Lay-offs during the epidemic peaked in April, and triggered a rise in registered unemployment, which reached 89,377 at the end of June, up 26.3% on a year earlier. The emergency measures put in place and the related methodological effects also had a significant impact on year-on-year growth in the average wage in previous months. Growth in the average wage stood at more than 10% in April, thanks to crisis payments. The approach to capturing labour costs means that this does not reflect the actual growth in purchasing power or the actual situation on the labour market. According to the results of surveys of firms, the downturn on the labour market is expected to continue.

Employment

The constraints on business, the fall in demand and the disruptions to supply chains brought an end to six years of employment growth. The year-on-year fall in the workforce in employment excluding self-employed farmers stood at 1.0% in April, as a result of a fall in employment in the private sector. The latter was down 1.6% in year-on-year terms, while growth in employment in mostly public services remained positive, at 1.8%. Given the number of employees included in the temporary lay-off scheme during the epidemic, the fall in employment in the private sector would have been significantly larger in the absence of the emergency measures.[1] Further evidence of this comes from the Employment

Figure 3.1: Contributions to y-o-y growth in the number of persons in employment



Source: SORS, Bank of Slovenia calculations.

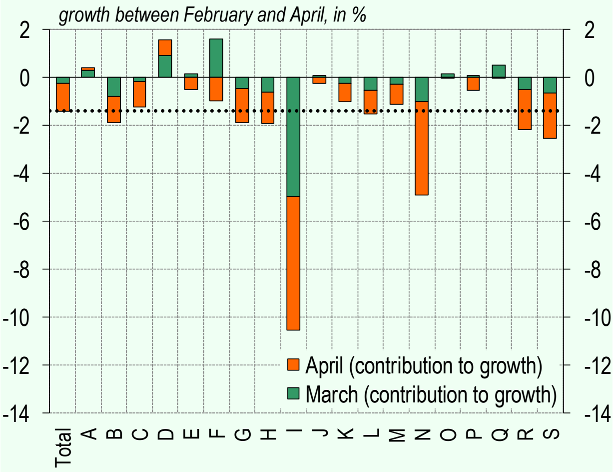
[1] Detailed analysis of the measures of furloughing and basic monthly income can be found in Box 6 of the June 2020 Macroeconomic Projections for Slovenia.

Office's Employment Preview survey, where approximately two-fifths of firms responded that the emergency measures had allowed them to avoid lay-offs so far. By 8 June 2020 the Employment Office had received more than 47,000 applications from employers for wage compensation refunds for 277,305 employees. Despite March's 82% rise in the number of sole traders deleted from Slovenia's business register, the year-on-year rise in the number of self-employed persons excluding farmers remained positive in April (at 0.4%), which was most likely attributable to the introduction of basic monthly income and the exemption from payment of social security contributions. The decline in sole traders' revenues was strongly reflected in their hiring, as the number of people employed by individuals fell by 8.0% in year-on-year terms.

With the declaration of the epidemic and the introduction of containment measures, employment began to fall steeply, particularly in April. The workforce in employment in April was down 1.4% on February, i.e. before the declaration of the epidemic. There was a particularly sharp fall in March in accommodation and food service activities, which accounted for more than 80% of the total fall in the workforce in employment during the month. The fall was even more pronounced in April, and was seen in most sectors, particularly accommodation and food service activities (10.5%) and other service activities, which were hit hardest by the containment measures. Between February and April the workforce in employment fell most in sectors where direct contact between the consumer and the service provider is essential (e.g. catering, hairdressing and beauty treatment, arts, travel agencies) and in employment activities, which include staffing agencies. Despite smaller falls, manufacturing, wholesale and retail trade, and transportation and storage accounted for almost half of the overall fall in the workforce in employment.[2]

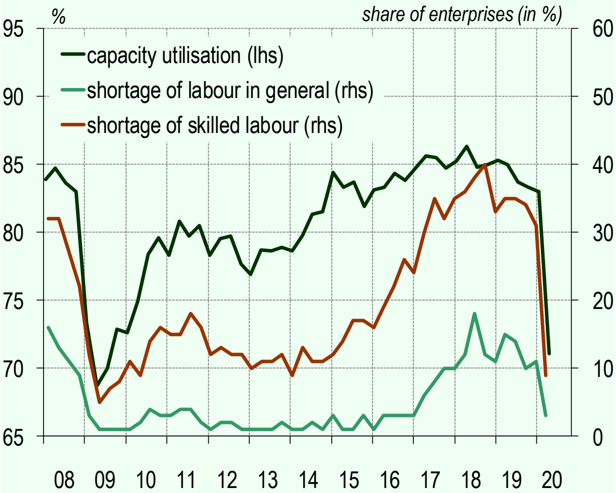
The survey indicators of employment expectations released by the SORS suggest an ongoing fall in employment in the majority of sectors over the coming months. The future employment outlook deteriorated sharply in April[3], turning negative in all segments of the private sector. The lifting of the containment measures and the revival of economic activity began to gradually and unevenly improve expectations in the majority of sectors, which in June were less pessimistic than in April in all sectors other than retail. Employment expectations nevertheless remained negative in June in all sec-

Figure 3.2: Growth of the number of persons in employment between February and April by activity



Note: The horizontal line shows the growth rate of the total number of persons in employment between February and April.
Source: SORS, Bank of Slovenia calculations.

Figure 3.3: Business tendency in manufacturing



Source: SORS.

[2] For easier reading of Figure 2: A: Agriculture, forestry and fishing; B: Mining and quarrying; C: Manufacturing; D: Electricity, gas, steam and air conditioning supply; E: Water supply; sewerage; waste management and remediation activities; F: Construction; G: Wholesale and retail trade; repair of motor vehicles and motorcycles; H: Transportation and storage; I: Accommodation and food service activities; J: Information and communication; K: Financial and insurance activities; L: Real estate activities; M: Professional, scientific and technical activities; N: Administrative and support service activities; O: Public administration and defence; compulsory social security; P: Education; Q: Human health and social work activities; R: Arts, entertainment and recreation; S: Other service activities.

[3] According to seasonally adjusted SORS survey figures.

Table 3.1: Demography, unemployment and employment

	2015	2016	2017	2018	2019	19Q1	19Q2	19Q3	19Q4	20Q1
	in 1,000									
Working age population[1]	1,383	1,371	1,362	1,352	1,350	1,351	1,349	1,347	1,352	1,356
	in %									
Activity rate[2]	71.8	71.7	74.2	75.1	75.3	75.0	75.7	75.7	74.6	75.0
Employment rate[3]	65.2	65.9	69.3	71.1	71.9	71.3	72.5	72.1	71.6	71.5
	in 1,000									
Registered unemployed persons	112.7	103.2	88.6	78.5	74.2	80.0	72.2	71.1	73.4	78.4
Unemployment rate	*in %*									
- LFS	9.0	8.0	6.6	5.1	4.5	4.8	4.2	4.8	4.0	4.6
- registered	12.3	11.2	9.5	8.3	7.7	8.3	7.5	7.4	7.5	8.0
Probability of transition between employ. and unemployment	*in %*									
- probability to find a job[4]	15.7	18.0	19.2	19.5	18.9	23.1	19.9	16.4	16.0	21.1
- probability to lose a job[5]	2.5	2.3	2.1	1.9	1.8	2.2	1.4	1.6	2.1	2.5
	in 1.000									
Total employment[6]	944	961	989	1,021	1,045	1,032	1,044	1,051	1,053	1,042
	year-on-year growth rates in %									
Persons in paid employment	1.3	2.2	3.3	3.3	2.8	3.3	3.0	2.7	2.1	1.2
Self-employed	1.2	0.2	1.6	2.5	0.8	1.0	0.9	0.7	0.5	-0.1
By sectors										
A Agriculture, forestry and fishing	-0.9	-1.3	-1.0	-0.5	-1.3	-0.7	-1.1	-1.5	-1.9	-2.2
BCDE Manufacturing, mining and quarrying and other industry	1.7	2.5	3.1	4.3	2.7	3.9	3.2	2.4	1.3	-0.3
F Construction	0.5	-0.8	2.3	6.5	7.9	9.3	8.9	7.3	6.1	4.6
GHI Trade, accommodation, transport	1.7	2.5	3.5	3.5	3.0	3.6	3.3	3.0	2.2	0.8
J Information and communication services	2.9	4.1	3.4	4.6	3.9	3.9	3.5	4.2	4.1	3.8
K Financial and insurance activities	-2.8	-2.0	-1.5	-0.9	-0.8	-1.4	-0.5	-0.5	-0.9	-1.4
L Real estate activities	1.4	4.6	7.9	6.5	1.9	3.1	1.5	1.5	1.5	4.5
MN Professional, technical and other business activities	2.6	1.9	5.7	3.0	1.1	1.2	1.0	1.0	1.1	0.7
RSTU Other activities	2.7	2.7	3.5	3.4	3.2	2.5	3.0	3.5	3.7	3.0
- mainly private sector (without OPQ)[7]	1.4	1.7	3.1	3.4	2.5	3.1	2.8	2.4	1.8	0.7
- mainly public services (OPQ)[7]	0.8	2.1	2.5	2.1	1.6	1.6	1.5	1.7	1.7	2.0
Total employment[6]	1.3	1.8	3.0	3.2	2.4	2.9	2.6	2.3	1.8	1.0

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

tors other than construction, where expectations were also highest during the epidemic, as the majority of construction sites remained open even while the containment measures were in place. The lowest employment expectations indicator in June was recorded in manufacturing, which reflects the lasting adverse impact of the epidemic and the containment measures on demand for the products of manufacturing firms and on their supply chains. This has also been reflected in a sharp decline in production capacity utilisation, which has approached its record lows of the previous crisis.

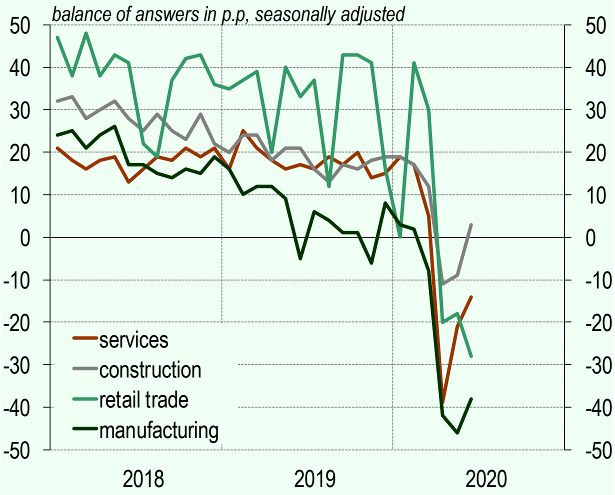
Further evidence of the negative outlook comes from the Employment Office's Employment Preview for the second half of the year. The Employment Office survey reveals that just under three-fifths of firms assess that in the event of a deterioration in the epidemiological picture and the reintroduction of containment measures their performance would be less impacted than during the initial outbreak, with larger firms judging themselves better-prepared for a second wave than smaller firms. Although firms are better-prepared for a second wave, just over two-fifths of firms would make lay-offs, of which a tenth would see more than 25% of their employees let go, while employment would remain unchanged at just over two-fifths of firms. The ManpowerGroup survey for the third quarter also points to a deterioration in the labour market.

Amid the changing economic situation, the adverse impact of imbalances on the supply side has diminished. The proportion of firms citing a shortage of qualified workers as a limiting factor on operations was down more than 30 percentage points in year-on-year terms in April. These results are in line with the Employment Preview, which reveals that less than a third of employers faced a shortage of qualified workers in the first half of the year, just over 12 percentage points less than last year. The adverse impact of constraints on the supply side of the labour market is expected to continue diminishing in the second half of the year, with almost three-quarters of employers anticipating no difficulties in finding qualified workers during this period.

Unemployment

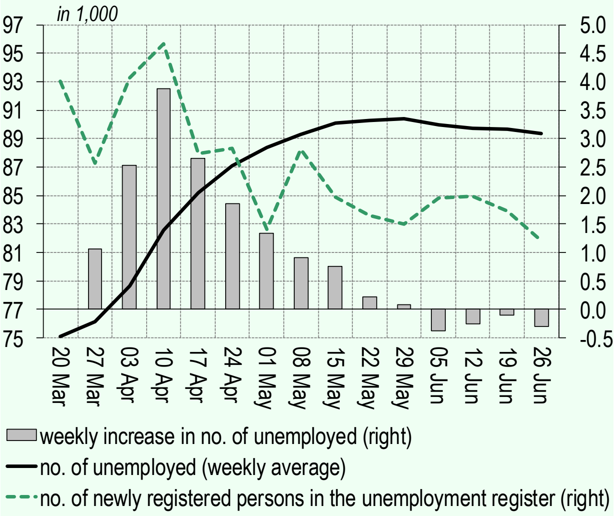
After the declaration of the epidemic, registered unemployment peaked in May and began to fall in June. It stood at 89,377 at the end of the month, up approximately 14,000 on the beginning of the epidemic on 20 March, and up 18,630 or 26.3% on last June. According to the unofficial daily figures, registered unemployment during the epidemic peaked at 90,415 at the end of May. The largest year-on-year rises in May were in the number of registered unemployed in the under 30s and the 30-to-50 age groups, and among those with secondary and primary qualifications. Low-skilled

Figure 3.4: Expected employment in the next three months



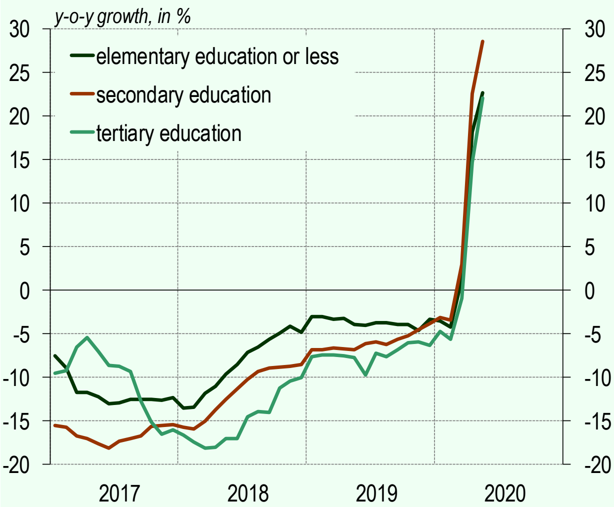
Source: SORS, Bank of Slovenia calculations.

Figure 3.5: Number of registered unemployed persons by weeks



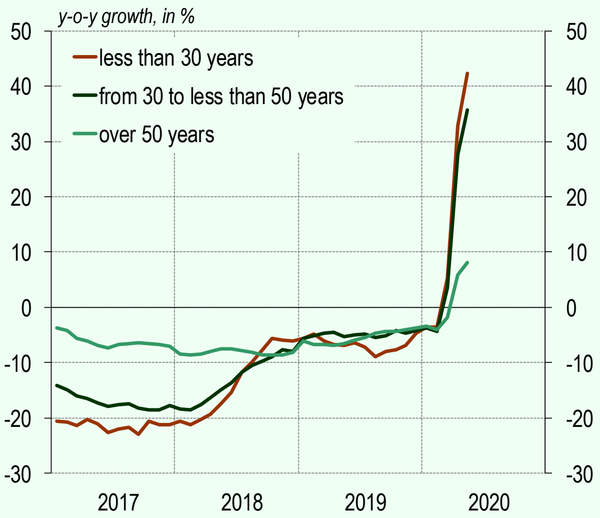
Source: Employment Office, Bank od Slovenia calculations.

Figure 3.6: Registered unemployed according to education level



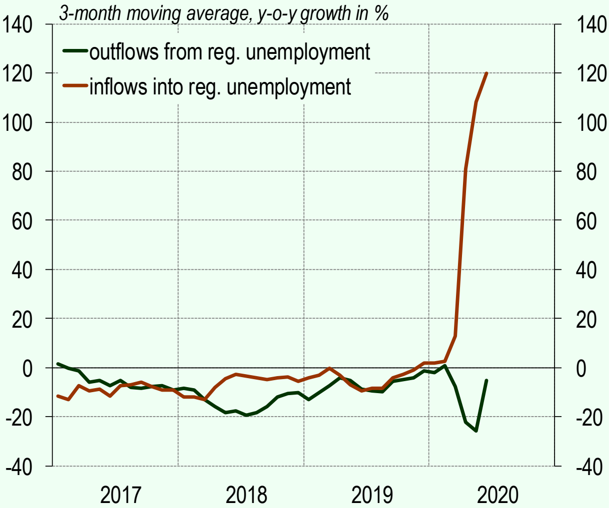
Source: Employment service of Slovenia, Bank of Slovenia calculations.

Figure 3.7: Registered unemployed according to age groups



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

Figure 3.8: Flows into and out of registered unemployment



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

workers thus remain in a weaker position on the labour market, as the number of registered unemployed in this group had only been falling slowly over the three years before the epidemic. The registered unemployment rate stood at 9.1% in April, up 1.5 percentage points in year-on-year terms. In June the majority of consumers were expecting unemployment to continue rising over the next 12 months. The most significant rise in this indicator came in April, when the share of people expecting unemployment to rise increased by 40 percentage points.

Inflows into unemployment in June were up more than 3,000 in year-on-year terms, thanks to a sharp rise in the number of permanent redundancies. The first half of the year saw 54,213 people newly register as unemployed, up 54.2% on the same period last year, while 40,128 people deregistered, down 6.5%. The most pronounced increase in inflows into unemployment was in April, when the figure was two times higher than last April. Of the 14,419 people registering as unemployed in April, the largest number still consisted of those whose temporary employment had come to an end, but there was a sharp rise in the number of permanent redundancies, the share of which more than doubled to account for almost 40% of the total. The inflows into unemployment reflected the impact of the crisis on different sectors: in March and April the largest number of people registering as unemployed came from accommodation and food service activities, which was the sector hit hardest in those months by the containment measures. By contrast, the largest inflows into unemployment in May came from manufacturing, which reflects the delayed impact of the decline in foreign demand and the problems in international supply chains. The epidemic brought a sharp slowdown in hiring, which reached a low in April, when the number of new hires was down 59.8% in year-on-year terms. Hiring rose sharply as the economy revived in May and June, and was up more than 41.7% on average in year-on-year terms.

Wage developments

Bonus payments on the basis of emergency measures and methodological effects brought a sharp rise in the average gross wage in April, which was up 11.9% in year-on-year terms. The largest factor in the 6.4% rise in the average gross wage in the private sector was the crisis bonus in the amount of EUR 200, to which the majority of employees in the private sector who remained in their jobs were entitled. Growth in the average gross wage in mostly public services was fully 19.9%. Public sector employees were entitled to a bonus payment for work in high-risk conditions, and a bonus for dangerous work and heavy workload caused by the epidemic, which had a particular impact in human health and social work activities, where growth in the average gross wage stood at 38.4%. In addition to the aforementioned bonus payments, other factors still raising year-on-year

Table 3.2: Labour costs

	2015	2016	2017	2018	2019	19Q1	19Q2	19Q3	19Q4	20Q1
	in EUR									
Average gross wage	1,556	1,584	1,626	1,681	1,754	1,732	1,726	1,725	1,832	1,788
	y-o-y growth in %, nominal									
Average net wage	0.4	1.7	3.1	2.9	3.7	3.9	3.3	3.8	4.0	4.1
Average gross wage	0.7	1.8	2.7	3.4	4.3	4.6	3.9	4.5	4.2	3.2
- mainly private sector (excl. OPQ)[1]	0.8	1.3	2.6	3.9	3.6	4.1	3.2	4.0	3.2	2.8
- mainly public services (OPQ)[1]	0.6	3.3	2.8	2.4	6.5	6.4	6.1	6.0	7.6	4.2
Average gross wage in manufacturing	2.1	2.1	3.2	4.0	3.5	3.6	3.5	3.9	2.9	4.2
Average real net wage[2]	1.2	1.8	1.5	1.0	2.0	2.5	1.5	1.7	2.3	2.4
	y-o-y growth in %									
Unit labour costs,[3,4] nominal	0.6	1.8	1.2	3.0	4.5	3.9	5.9	4.4	3.7	2.2
Unit labour costs,[3,4] real	-0.4	1.0	-0.3	0.8	2.0	1.5	3.1	1.9	1.4	0.0
Labour costs per employee,[4] nominal	1.5	3.1	3.0	3.9	4.5	4.3	5.7	4.5	3.6	-1.1
Labour productivity, nominal	1.9	2.1	3.4	3.2	2.5	2.7	2.6	2.6	2.1	-1.1
Labour productivity, real	0.9	1.3	1.8	0.9	0.1	0.4	-0.1	0.1	-0.1	-3.2
HICP	-0.8	-0.2	1.6	1.9	1.7	1.3	1.7	2.1	1.6	1.6
GDP deflator	1.0	0.8	1.6	2.2	2.4	2.3	2.7	2.4	2.2	2.2

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

growth in the average gross wage were the rise in and redefinition of the minimum wage at the beginning of the year, and the implementation of the agreements between the government and the public sector unions from late 2018.

The measure of temporary lay-offs (furloughing) had a major impact on developments in the average gross wage in March and April for methodological reasons.[4] Under the methodology for calculating the average wage, wage compensation for furloughed workers, which was covered by the government, is not recorded under labour cost statistics, while employees who are furloughed for the entire month are not classed as employees who received a wage. Consequently the average wage in a situation where a large share of employees are furloughed does not reflect either the developments in the purchasing power of all employees, or the developments in labour costs. The methodological impact of furloughing during the epidemic was particularly notable in March, when year-on-year growth in the average gross wage was just

Figure 3.9: Comparison of average earnings based on number of employees and number of employees in paid hours

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

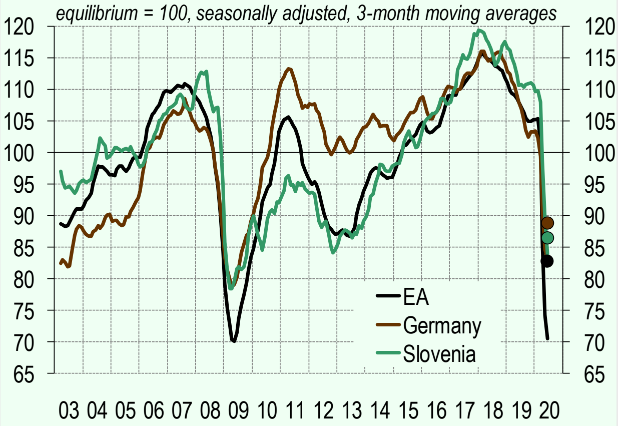
[4] A detailed description of the methodological effects is given in Box 3.2.

Box 3.1: Labour market situation in euro area countries

Although the labour market in the euro area showed certain signs of improvement in May and June, the outlook remains highly negative. The national accounts figures show that year-on-year growth in employment in the euro area was brought to a virtual halt in the first quarter by the Covid-19 epidemic and the containment measures. At 0.4%, it was down nearly 1 percentage point on last year's average. According to survey figures, the situation deteriorated further in April, as the seasonally adjusted employment expectations reached their record low after recording the largest ever monthly fall.[1] Employment expectations remained negative in May and June, albeit higher than in April. This was the result of the containment measures being lifted as the epidemiological picture improved, and the measures put in place by governments to alleviate the impact of the epidemic. June's employment expectations were lowest in Malta and highest in Cyprus, while Slovenia remained above the euro area average. The negative employment outlook for the third quarter in the majority of euro area countries covered by the analysis was confirmed by a survey by the ManpowerGroup, where the expectations were particularly negative in the hotels and restaurants sector. This sector is based on personal contact between the service user and the service provider, and was hit particularly hard at the outbreak of the epidemic.

Figure 1: Expected employment in the next three months

equilibrium = 100, seasonally adjusted, 3-month moving averages



Note: The indicator shows the weighted average of expected employment in all four activities surveyed (i.e. industry, services, retail trade, and construction). The dots represent data for June 2020 without 3-month moving averages.
Source: European Commission, Bank of Slovenia calculations.

[1] The survey indicator of employment expectations illustrates the weighted average of the employment expectations of employers in the current month for the next three months in four sectors (industry, services, retail and construction). Average figures for the euro area are available from October 1996. The analysis refers to seasonally adjusted figures.

0.3%. The total wage bill declined in March, because only those who received payments covered by employers were included in the total. By contrast, the number of employees who received a wage was broadly unchanged from the previous month, given that the majority of furloughed workers were only furloughed in the second half of the month. In light of the methodological phenomena in the capture of labour costs highlighted here, the current average wage calculated by taking account of paid hours is a more suitable indicator for monitoring developments in the average wage of working employees, although even this is not best representative for methodological reasons. Using this definition, the average wage at legal entities that are not budget users was up 4.2% in year-on-year terms in March, and 11.0% in April.

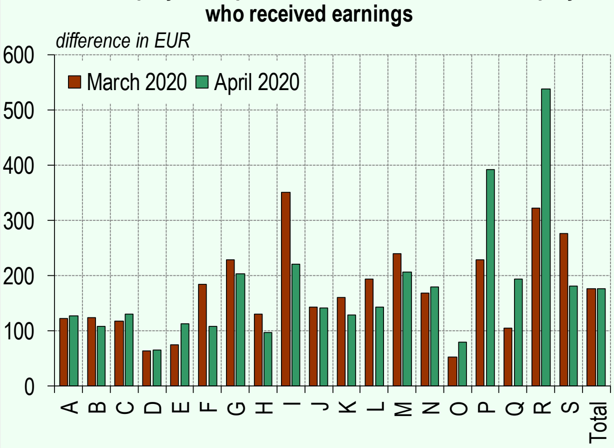
Box 3.2: Difficulties with monitoring developments on the labour market during the Covid-19 epidemic

Monitoring developments on the labour market has been made much harder in the current situation, as a result of the containment measures and also the measures to alleviate the impact of the epidemic. The containment measures imposed by governments have had an impact on the collection, checking and processing of input statistics. Given the lower number of surveys and the increased lack of response, surveying has also been disrupted, while the crisis itself has had a significant impact on the labour market (Eurostat, 2020a). However, the emergency measures to alleviate the impact of the epidemic are also having a major impact on labour market indicators on account of the methodological effects outlined below.[1]

The emergency measures are having a particular impact on the measurement of labour costs, which are not capturing wage compensation covered by the government, which is also affecting the counting of the number of employed persons. Labour costs comprise the earnings of employed persons, training costs and other labour costs paid by the employer, employer social security contributions, and subsidies (Eurostat, 2020b). In the case of furloughing, the payments and wage compensation are covered by the government, and do not count towards the labour cost statistics, which is currently particularly evident in the case of the emergency measure of furloughing. In addition, the reporting of the number of employed persons who received a wage covers only those whose earnings were covered at least in part by the employer. By contrast, the reporting of the number of employed persons who received a wage on the basis of paid hours covers the time of the employee's attendance at work relative to the payments received by the employee that were covered by the employer. When an employee has been furloughed for only part of the month, significant differences in employment arise under the two different definitions.

The emergency measures' impact on employees' earnings was not only in one direction. The payment of crisis bonuses to employees who remained in their jobs during the epidemic acted to raise the wage bill. By contrast, firms' labour costs were significantly reduced by the furloughing measure, in which approximately a third of all employed persons in Slovenia were included during the epidemic.[2] Under an emergency law, furloughed workers were entitled to wage compensation in the amount of 80% of the past wage, and no less than the minimum wage. The government refunded the wage compensation up to the amount of last year's average wage in the country, the remainder being covered by the employer. Under this methodology, the wage compensation for an employed person on a below-average wage who was

Figure 1: Difference between average earnings based on the number of employees in paid hours and the number of employees who received earnings



Note: The difference in average earnings is calculated as the difference between average earnings per employee in paid hours and average earnings per employee who received earnings.
Source: SORS, Bank of Slovenia calculations.

Table 1: An illustration of data reporting for labour costs statistics (an example for a full-time employee)

	Duration of temporary lay-off: whole month		Duration of temporary lay-off: 1/2 month	
	Example 1: Employees with below average earnings	**Example 2**: Employees with above average earnings	**Example 3**: Employees with below average earnings	**Example 4**: Employees with above average earnings
Earnings	not reported	proportional amount paid by the employer	proportional amount paid by the employer	proportional amount paid by the employer
Number of employees	not reported	1	1	1
Number of employees in paid hours	not reported	proportional to the amount paid by the employer	0.5	proportional to the amount paid by the employer

Note: Additional information available on SORS website (https://www.stat.si/StatWeb/File/DocSysFile/10911/Pojasnila_glede_pravilnega_sporocanja_podatkov_COVID-19.pdf).
Source: Based on SORS (2020).

furloughed for the entire month is not included in the labour cost statistics, as it was covered in full by the government. By contrast, in the case of a person on an above-average wage or who was furloughed for less than the whole month, only the portion of wage compensation covered by the employee would be included in the labour costs statistics. For ease of illustration, Table 1 shows four examples for an employed person on full-time hours with various times of furloughing and various wage levels, while a detailed explanation is given on the SORS website (SORS, 2020).

Because the emergency measures meant that the number of employed persons included in the labour cost statistics was higher on the basis of who received a wage than on the basis of paid hours, the differences in the average wage under the two definitions of employed persons widened. Under the current methodology, an employed person who received a wage or wage compensation covered by the employer was included in the labour cost statistics, irrespective of the size of the amount received. However, only the proportionate amount of the wage compensation paid by the employer is included under the number of employed persons on the basis of paid hours in line with the methodology. For example, if 60% of the wage compensation is paid by the employer, and 40% by the government, the proportionate amount on the basis of paid hours is 0.6. Consequently the number of employed persons who received a wage can be significantly higher than the number of employed persons on the basis of paid hours, which has a significant impact on the calculation of the average wage, which is lower when the calculation is made on the basis of the number of employed persons who received a wage. This was already reflected in the March figures, when the average gross wage on the basis of paid hours was 10.0% higher than the average wage on the basis of the number of employed persons who received a wage, while the gap in April was 9.1%. The gaps were widest in the sectors with the largest share of furloughed workers (see Figure 1).[3] Methodological effects mean that while the emergency measures are in place there is expected to be a major discrepancy between the number of employed persons who received a wage and the number of employed persons according to register sources.[4]

Factors related to the epidemic will make it considerably more difficult this year and next year to monitor domestic and international developments on the labour market, to compare the cost competitiveness of economies, and to draw up forecasts.[5] Because countries have taken different measures to alleviate the impact of the epidemic, during this period it will be more difficult to make an international comparison of figures based on labour market data, such as the cost competitiveness of different economies. Given the aforementioned methodological effects, there could be substantial differences in unit labour costs, as the measures to alleviate the impact of the epidemic differ greatly from country to country in substantive terms and in terms of timing, and they consequently do not reflect the actual situation. Not least, the differences in the developments in the average wage will not entirely reflect the changes in consumer purchasing power, as by definition it excludes all wage compensation received by employees that is covered by the government, which constitutes a significant part of their earnings.

References:

Eurostat (2020a): Methodological note: Data collection for the EU-Labour Force Survey in the context of the COVID-19 crisis. Available online at: https://ec.europa.eu/eurostat/documents/10186/10693286/LFS_guidance.pdf.

Eurostat (2020b): Methodological note: Labour cost statistics – Guidance note on the recording of government schemes related to the COVID-19 crisis. Available online at: https://ec.europa.eu/eurostat/documents/10186/10693286/Labour-costs_Guidance_note.pdf.

SORS (2020): Notes on the correct reporting of wage data. Available online (in Slovene) at: https://www.stat.si/StatWeb/File/DocSysFile/10911/Pojasnila_glede_pravilnega_sporocanja_podatkov_COVID-19.pdf.

[1] From the perspective of the labour market, the emergency measures were mainly important in terms of the preservation of jobs and turnover at firms, the arrangement of wage compensation refunds, and the protection of the welfare of the most disadvantaged population groups. A detailed description of the emergency measures was given in Boxes 3 and 6 of the June 2020 Macroeconomic Projections for Slovenia.

[2] A detailed description of the realisation of the measures put in place was given in Box 6 of the June 2020 Macroeconomic Projections for Slovenia.

[3] Detailed analysis of the realisation of the measures put in place was given in Box 6 of the June 2020 Macroeconomic Projections for Slovenia. Alongside the methodological effects, other factors also have an impact on developments in the average gross wage, which rose by fully 11.9% in April. They are described in Section 3 of the aforementioned publication.

[4] The main data source for employment according to the national accounts figures or the workforce is the Statistical Workforce Register (SRDAP). The workforce according to register sources consists of employees and self-employed persons in the territory of Slovenia who have compulsory social security insurance, irrespective of whether they are employed full-time or part-time. The definition thus makes no distinction between employed persons who were included in the emergency measures, and those who remained at work during the epidemic.

[5] Detailed analysis of the impact of the emergency measures on labour market forecasts was given in Box 6 of the June 2020 Macroeconomic Projections for Slovenia.

4 Current Account and Competitiveness Indicators

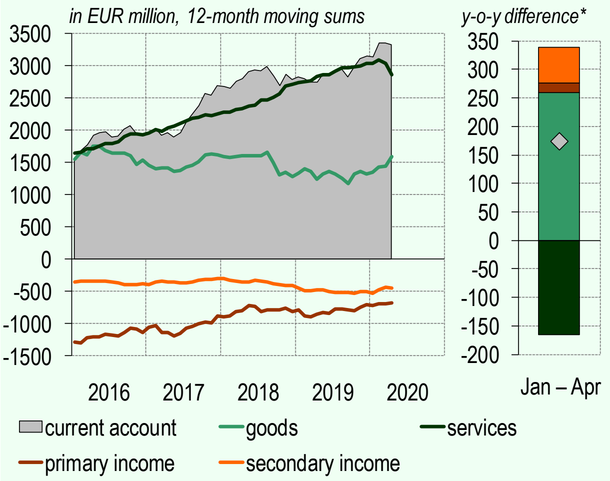
The containment measures put in place at home and in the international environment meant that April's shock in foreign trade was larger than at the depths of the crisis of 2009. Exports of merchandise and services were down 37% year-on-year in value terms, while imports fell by fully 40% amid a sharp fall in import prices. The export shock was reflected in practically all categories of merchandise and services, and in all markets. From the perspective of their importance to the Slovenian economy, the most notable on the merchandise side was the fall in exports of automotive industry products, while the most notable on the service side were the complete absence of exports of travel services and the decline in exports of transport services. The impact of the crisis on the income balance has been small for now, and is primarily being reflected in a decline in the labour income surplus as a result of the temporary closure of the border with Austria. Although the surplus of trade in services declined significantly over the first four months of this year, the positive effects of the improvement in the terms of trade were even larger, as a result of which the current account surplus over the preceding 12 months remained at a record high in April, at more than EUR 3.3 billion. Judging by the SORS survey figures, after the majority of containment measures were lifted in Europe, June brought a recovery in foreign demand for Slovenian industrial products, and firms' assessments for the third quarter of this year became significantly more optimistic. Here it should be noted that the assessments of current export demand are comparable to the average assessments in 2009, i.e. they are very low.

The price competitiveness of the Slovenian economy in the first quarter of this year remained close to the level of a year earlier. There was a slight improvement relative to partners outside the euro area, and a slight deterioration relative to other euro area countries. Real year-on-year growth in unit labour costs came to a complete stop, and was outpaced by the average growth rates in the euro area and the EU for the first time in more than a year. Extreme caution is required in the interpretation of all competitiveness indicators, as they are currently failing to present a genuine picture. Monitoring external competitiveness became much harder after the outbreak of the Covid-19 epidemic, as a result of the difficulties in measuring inflation and also unit labour costs.

Current account position

The current account surplus over the preceding 12 months has reached new record highs this year. It again exceeded EUR 3.3 billion in April, equivalent to 7.0% of estimated GDP. This was mainly attributable to an increase in the merchandise trade surplus at the outbreak of the crisis. This was largely driven by an improvement in the terms of trade, as import prices fell significantly more than export prices, driven by falling global

Figure 4.1: Current account components



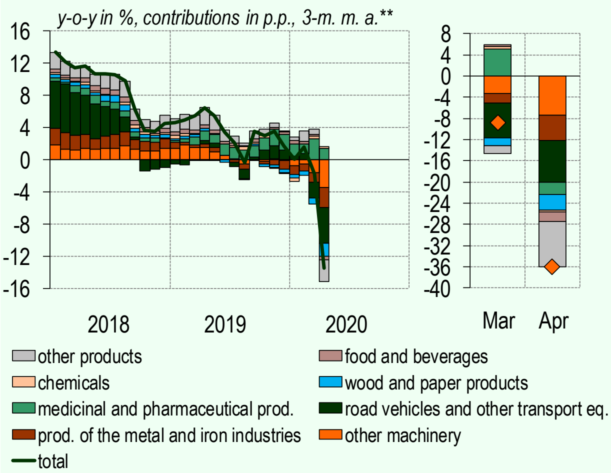
*Note: *Change in EUR million in the first four months of 2020 compared to the same period last year.*
Source: Bank of Slovenia.

Figure 4.2: Export orders and export expectations – manufacturing

Note: The dashes represent data points for June 2020 without moving averages.
Source: SORS, Bank of Slovenia calculations.

energy prices. The situation in trade in services is the reverse. The traditionally strongest service export sectors (travel and transport) suffered an extreme fall as a result of the border closures and disruptions to supply chains. Given the large proportion of total services exports that they account for,[1] the surplus of trade in services also narrowed. There were no major changes in the overall income balance, although the labour income surplus declined, primarily as a result of the closure of the border with Austria, while the year-on-year decline in payments into the EU budget on the basis of gross national income and VAT saw the government sector's deficit in secondary income narrow.

Figure 4.3: Growth structure of adjusted merchandise export*



*Note: *Excluding exports of medicinal and pharmaceutical products to Switzerland, oil and petroleum products, electric energy and gass. **March and April – single month data.*
Source: SORS, Bank of Slovenia calculations.

Merchandise trade

According to the SORS survey, foreign demand for Slovenian industrial products recovered slightly in June, but remained significantly weaker than a year earlier. Having fallen to its lowest level of the last 11 years in May, the export order books indicator improved slightly in June, for the first time since January, but remained well below last year's level. It stood at -62 percentage points, comparable to the average value from 2009. By contrast, firms' assessments of their export expectations for the next three months were considerably more optimistic: in June the indicator was down only 3 percentage points in year-on-year terms, while the monthly increase was the largest to date for the second consecutive month.

The merchandise trade surplus widened sharply over the first four months of this year, with imports declining even more strongly than exports in April. After growing very slowly over the first two months of the year, merchandise exports in March were down 11.0% year-on-year in nominal terms. In line with expectations, April's fall was even larger at 35.5%, 5.9 percentage points more than the largest decline in the crisis of 2009. While exports to euro area markets fell sharply in March, parti-

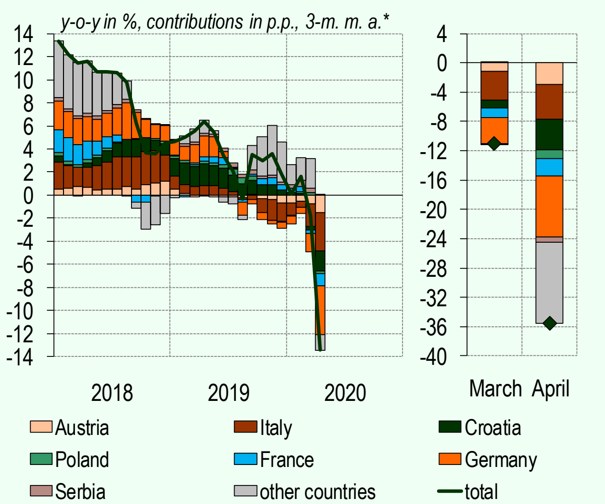
[1] Travel services accounted for 32% of total services exports in 2019, and transport services for 28%.

cularly to Italy and Germany, sales in other EU Member States fell sharply in April. According to the indicator of adjusted merchandise exports,[2] April's decline was primarily attributable to a fall in exports of road vehicles and miscellaneous machinery and equipment,[3] but a decline was also seen in other product categories. In contrast to the previous months, there was even a decline in aggregate exports of medical and pharmaceutical products, which in March had prevented an even larger fall in total merchandise exports. The decline in nominal merchandise imports was even greater, according to balance of payments figures. After remaining unchanged in year-on-year terms in January and February, they declined by 12.0% in March and fully 41.4% in April, 8.9 percentage points more than the largest decline in the crisis of 2009, driven primarily by falling imports of intermediate goods.[4] After remaining unchanged in year-on-year terms in March, imports of consumer goods also recorded a sharp decline in April, owing to the nature of the containment measures. The decline was significantly larger than the largest decline recorded during the crisis of 2009. The merchandise trade surplus widened significantly over the first four months of this year, to reach EUR 718 million, up EUR 260 million in year-on-year terms.

Trade in services

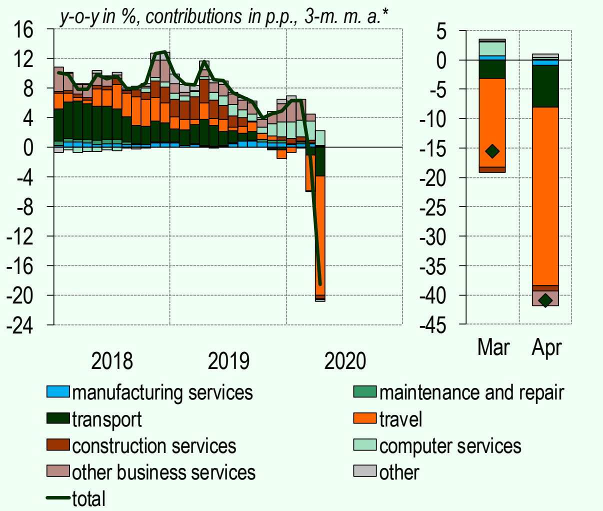
Trade in services has declined sharply this year, particularly the travel segment, in keeping with the nature of the containment measures. While the favourable export trends from the end of 2019 continued in January and February of this year, the imposition of containment measures saw exports of services decline by 15.7% in year-on-year terms even in March. The decline then deepened to 40.9% in April, 23 percentage points more than the largest decline seen in the crisis of 2009. Because April's year-on-year decline in imports of services was slightly weaker, albeit the largest to date at 28.9%, the surplus of trade in services over the first four months of this year narrowed by EUR 166 million in year-on-year terms to EUR 719 million. There was a particularly sharp decline in the surplus of trade in travel services, which

Figure 4.4: Contributions to export growth by countries



Note: *March and April – single month data.
Source: Bank of Slovenia.

Figure 4.5: Services exports



Note: *March and April – single month data.
Source: Bank of Slovenia.

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

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

[4] The fall in the value of merchandise imports is partly the result of a significant fall in import prices, most notably energy prices, in line with developments on the global market. They were down 8.4% in year-on-year terms in March, before the fall deepened to 19.1% in April. Import prices were down 6.0% in year-on-year terms in April on aggregate, while export prices as measured by industrial producer prices on the foreign market were down just 1.5%, which is indicative of a significant improvement in the terms of trade.

Table 4.1: Current account components

	in 12 months to										
	2017	2018	2019	Apr. 19	Apr. 20	18Q4	19Q1	19Q4	20Q1	Apr. 19	Apr. 20
	in EUR million										
Current account balance	2,689	2,784	3,151	2,752	3,324	530	667	848	873	263	230
1. Goods	1,617	1,281	1,327	1,240	1,587	120	416	277	529	42	188
2. Services	2,258	2,716	3,030	2,841	2,864	713	586	779	595	300	124
2.1. Transport	1,071	1,328	1,362	1,368	1,327	345	343	335	341	116	81
2.2. Travel	1,201	1,315	1,369	1,323	1,218	312	239	287	211	128	5
3. Primary income	-886	-807	-700	-858	-684	-228	-120	-141	-109	-54	-48
3.1. Labour income	229	282	253	262	231	82	46	81	39	18	3
3.2. Investment income	-1,226	-1,229	-1,124	-1,246	-1,112	-339	-259	-273	-243	-80	-85
3.3. Other income	110	141	171	126	197	30	94	50	95	8	33
4. Secondary income	-299	-406	-506	-471	-443	-75	-215	-67	-142	-25	-34
	in % GDP										
Current account balance	6.3	6.1	6.6	5.9	7.0	4.5	6.0	6.9	7.8	6.6	6.1
1. Goods	3.8	2.8	2.8	2.7	3.3	1.0	3.7	2.2	4.7	1.0	5.0
2. Services	5.3	5.9	6.3	6.1	6.0	6.0	5.2	6.3	5.3	7.5	3.3
2.1. Transport	2.5	2.9	2.8	2.9	2.8	2.9	3.1	2.7	3.1	2.9	2.1
2.2. Travel	2.8	2.9	2.9	2.8	2.5	2.6	2.1	2.3	1.9	3.2	0.1
3. Primary income	-2.1	-1.8	-1.5	-1.8	-1.4	-1.9	-1.1	-1.1	-1.0	-1.3	-1.3
3.1. Labour income	0.5	0.6	0.5	0.6	0.5	0.7	0.4	0.7	0.3	0.5	0.1
3.2. Investment income	-2.9	-2.7	-2.3	-2.7	-2.3	-2.9	-2.3	-2.2	-2.2	-2.0	-2.2
3.3. Other income	0.3	0.3	0.4	0.3	0.4	0.2	0.8	0.4	0.9	0.2	0.9
4. Secondary income	-0.7	-0.9	-1.1	-1.0	-0.9	-0.6	-1.9	-0.5	-1.3	-0.6	-0.9
	nominal y-o-y growth rates in %										
Export of goods and services	13.3	8.8	4.4	8.3	-2.1	8.0	7.0	0.6	-2.4	12.1	-36.6
Export of goods	13.5	8.6	3.8	7.9	-2.6	6.8	6.7	-0.6	-2.5	11.7	-35.5
Export of services	12.4	9.5	7.0	9.9	0.0	12.8	8.4	4.9	-1.6	14.0	-40.9
Transport	12.9	12.5	4.2	10.2	-1.8	8.8	7.9	-1.4	-3.3	14.5	-24.8
Travel	11.1	7.2	1.8	8.2	-11.0	9.5	2.6	-4.1	-17.8	13.1	-96.1
Other	13.2	9.5	13.8	11.1	11.1	18.1	13.3	14.8	10.8	14.3	-8.5
Import of goods and services	13.5	9.5	3.9	8.8	-3.3	8.9	6.2	-1.8	-4.0	15.6	-39.6
Import of goods	14.1	10.4	3.8	9.6	-3.8	10.1	5.9	-2.6	-4.2	17.9	-41.4
Import of services	10.3	4.7	4.6	4.4	-0.5	3.0	8.3	2.7	-3.2	2.9	-28.8
Transport	9.6	0.1	6.4	2.9	-0.2	-1.4	8.0	0.9	-7.0	14.0	-18.9
Travel	12.4	5.1	-0.5	6.6	-13.9	1.5	11.8	0.3	-23.6	5.1	-96.2
Other	9.6	6.2	6.4	4.0	5.9	5.0	7.3	4.0	5.3	-1.9	-2.8

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

narrowed by EUR 151 million over the first four months of the year, as the containment measures saw imports and exports of travel services fall by 61.3% and 56.3% respectively in March, followed by almost 100% falls in both in April. There was also a pronounced fall in exports of transport services, growth in which had already slowed sharply last year in line with the international trade situation to enter negative territory in the final quarter of 2019. The decline in imports of transport services was slightly smaller in April, as a result of which the surplus of trade in transport services over the first four months of the year narrowed by EUR 36 million in year-on-year terms. The surplus of trade in other business services also narrowed in year-on-year terms.

Primary and secondary income

The coronavirus crisis's impact on the primary income balance has been small to date. The deficit in primary income amounted to EUR 157 million over the first four months of the year, down EUR 16 million in year-on-year terms. The capital income deficit narrowed by EUR 12 million, as the deficit in income on FDI remained practically unchanged, while the surplus in income on investments in equity and investment fund units widened despite the volatility on stock markets. The government sector's surplus in primary income also increased, thanks to an increased inflow of certain EU subsidies. The crisis has for now primarily been reflected in a decline in the labour income surplus. Similarly to the crisis of 2009, inflows declined by more than outflows in March and April, primarily as a result of the closure of the border with Austria.

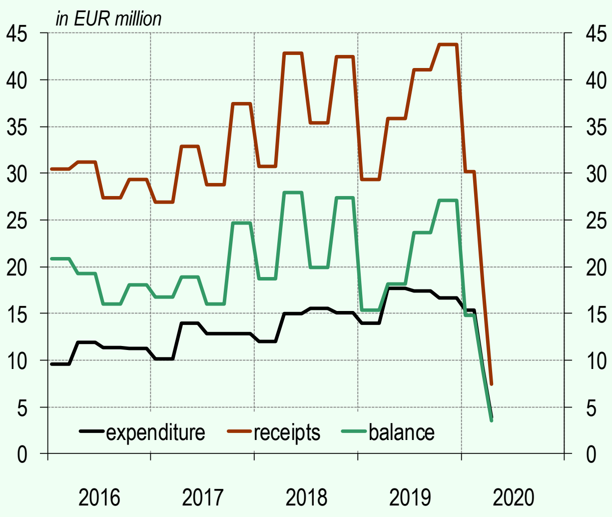
The deficit in secondary income over the first four months of this year was smaller than in the same period last year. It amounted to EUR 176 million, EUR 64 million narrower in year-on-year terms. The government sector's deficit in secondary income narrowed by EUR 39 million, as a result of a decline in payments into the EU budget on the basis of VAT and gross national income. Other sectors' position in secondary income over the first four months of the year moved from deficit into a small surplus, a year-on-year change of EUR 25 million.

Selected competitiveness indicators

The Covid-19 epidemic has badly impeded the monitoring of external competitiveness. Extreme caution is therefore advised in the interpretation of competitiveness indicators, as they do not necessarily present a true picture of developments, given the difficulties in measuring inflation and unit labour costs as well. Difficulties in measuring inflation, which serves as an input for the calculation of price competitiveness, became particularly evident in Slovenia and other countries in April, while the collection of data from the labour market that is a major determinant of cost competitiveness via unit labour costs (employee compensation and number of employees) was also badly impeded everywhere (see Box 3.2 in the current publication, and Box 6.1 in the April 2020 Economic and Financial Developments).

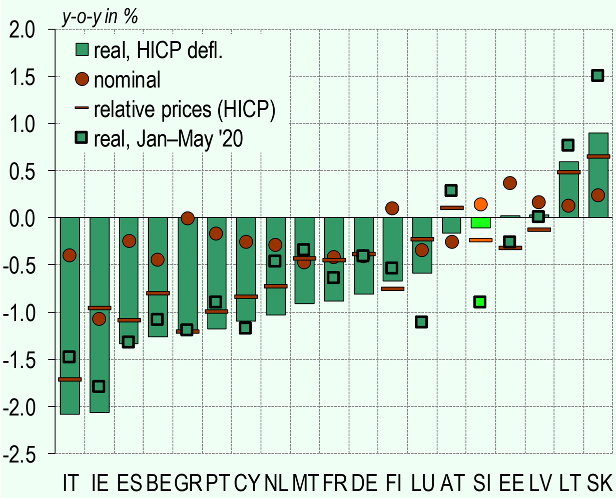
The price competitiveness of the Slovenian economy in the first quarter of this year remained close to its level of a year earlier. This is shown by the ECB figures[5]

Figure 4.6: Labour income



Source: Bank of Slovenia.

Figure 4.7: Harmonized price competitiveness indicator against 37 trading partners* in the first quarter of 2020



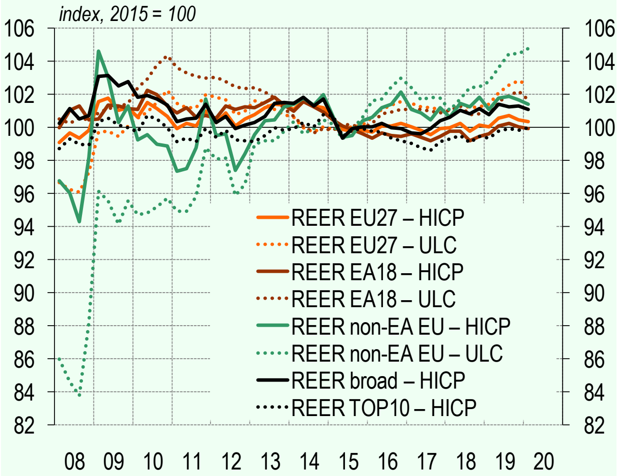
Source: ECB, Bank of Slovenia.

[5] Price competitiveness against 37 partners (18 euro area countries and 19 countries outside the euro area) is measured by the ECB's harmonised competitiveness indicator deflated by the consumer price index (HICP).

(a decline of 0.1%), and Banka Slovenije's own effective exchange rate indicator[6] (a rise of 0.3%).[7] It was only favourable price developments that held competitiveness close to that level: the euro actually appreciated slightly in year-on-year terms against a basket of trading partners' currencies. According to the ECB figures, there was a slight improvement in competitiveness relative to partners outside the euro area (a decline of 0.8%), and a slight deterioration relative to other euro area countries (a rise of 0.3%). Only in four euro area countries did developments in the first quarter not favour exporters, in some as a result of less favourable exchange rate developments, while in others as a result of a faster rise in relative prices[8] (see Figure 4.7).

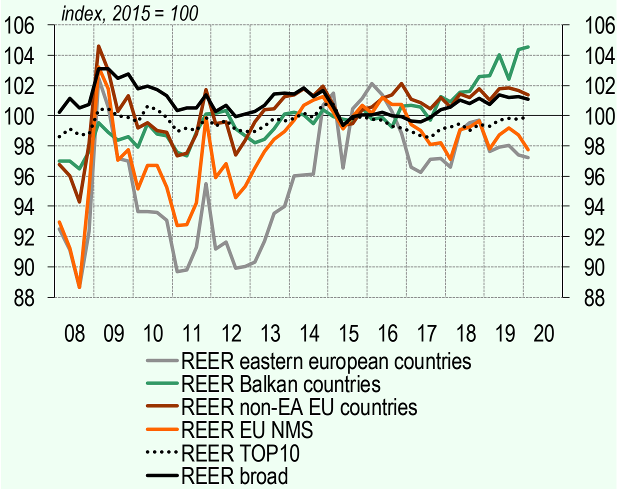
Developments in price competitiveness varied according to region. The own effective exchange rate indicators show that the aggregate price competitiveness indicator relative to 39 partners deteriorated in year-on-year terms in the first quarter by the same amount vis-à-vis euro area countries, EU Member States and EU Member States outside the euro area (by 0.3%; see Figure 4.10). At the same time, the Slovenian economy succeeded in maintaining or even improving its competitiveness against certain regions. The trend of year-on-year improvement from the end of last year continued in particular vis-à-vis eastern European countries (a decline of 0.4%) and newer euro area countries (a decline of 0.1%). By contrast, price competitiveness was lost in particular relative to Balkan partners (a rise of 1.9%), primarily as a result of a considerable rise in the euro against the basket of currencies of all partners in the region (see Figure 4.9).

Figure 4.8: External competitiveness indicators of Slovenia vs. different trading partners, HICP and ULC deflators



Source: Bank of Slovenia, Eurostat, ECB, EC, BIS, IMF, own calculations and methodology.

Figure 4.9: Regional price competitiveness indicators of Slovenia, HICP deflator



Source: Bank of Slovenia, Eurostat, ECB, EC, BIS, IMF, own calculations and methodology.

In contrast to the relative stability in price competitiveness, cost competitiveness has deteriorated over the last year.[9] Alongside the euro's appreciation against a basket of partners' currencies, the ongoing rise in relati-

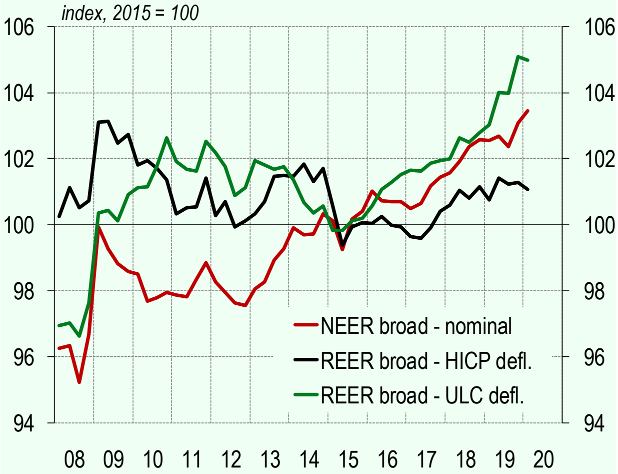
[6] The composite price competitiveness indicator (REER-HICP) covers 39 trading partners: alongside the euro area, Bosnia and Herzegovina, Bulgaria, Brazil, China, Croatia, Czech Republic, Denmark, Hungary, India, Japan, Kosovo, North Macedonia, Poland, Romania, Russia, Serbia, Sweden, Switzerland, Turkey, the UK and the US. All price competitiveness indicators are calculated using Banka Slovenije's own methodology, and may differ from the competitiveness indicators of other institutions because of the capture of different trading partners, economic sectors, deflators and weights. For more on the methodology for calculating the composite indicator, see the January 2020 Economic and Financial Developments, which can be found at https://bankaslovenije.blob.core.windows.net/publication-files/gdhbgfkicCjaUhi_economic-and-financial-developments-january-2020.pdf.

[7] Slovenia's price competitiveness improved further in April and May according to the ECB figures, against euro area partners and partners outside the euro area alike, as a result of significant domestic deflation. Its overall developments vis-à-vis 37 partners in the first five months of the year were among the most favourable. The indicator was down 0.9% in year-on-year terms.

[8] Relative prices are domestic prices compared with prices of trading partners.

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

Figure 4.10: Broad external competitiveness indicators of Slovenia vs. 39 trading partners

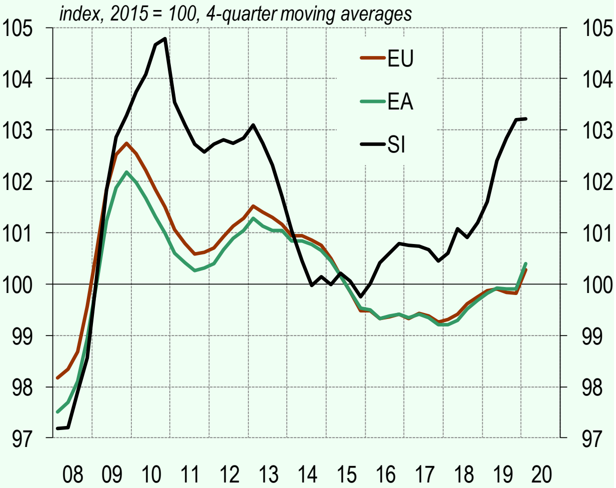


Source: Bank of Slovenia, Eurostat, ECB, EC, BIS, IMF, own calculations and methodology.

ve unit labour costs was also a factor.[10] Each contributed around 1 percentage point to the overall deterioration of 1.9% in the cost competitiveness indicator relative to the first quarter of last year (see Figure 4.10).

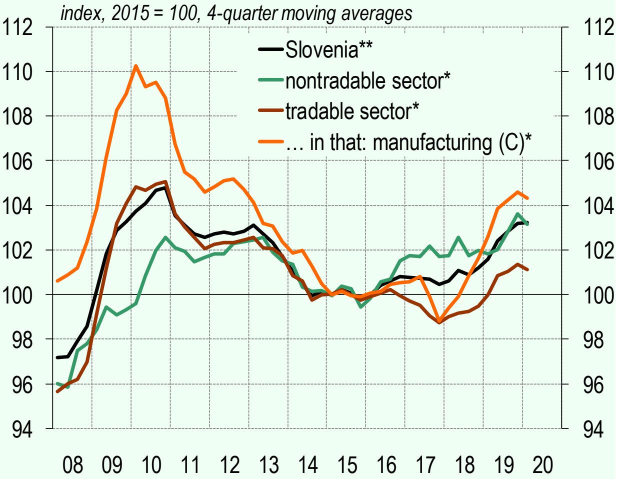
Growth in real unit labour costs (RULCs) has come to a complete halt.[11] They remained unchanged in year-on-year terms in the first quarter, and were outpaced by growth in the euro area average and the EU average (2.0% and 1.9%) for the first time in more than a year. The interpretation of the data requires a good deal of caution, as different countries were affected by and responded to the Covid-19 epidemic differently (see Box 1.2); this means that there are major differences in the disclosure of employee compensation and the number of employees, which both enter into the calculation of economies' cost competitiveness. It is therefore more appropriate to make a slightly longer-term comparison of developments in RULCs, namely the four-quarter average to the first quarter of this year inclusive. According to this measure, year-on-year growth in Slovenia (1.6%) continued to outpace significantly the euro area and EU averages (see Figure 4.11).

Figure 4.11: Real unit labour costs



Note: GDP based calculations.
Source: Eurostat, Bank of Slovenia calculations.

Figure 4.12: Real unit labour costs, Slovenia



*Note: *Calculations based on value added. **GDP based calculation.*
Source: Eurostat, Bank of Slovenia calculations.

The year-on-year fall in RULCs in the first quarter was more pronounced in the non-tradable sector (1.9%) than in the tradable sector (0.8%).[12] The largest year-on-year falls were recorded in financial services and construction (more than 3% each). The fall in RULCs in the tradable sector was particularly evident in manufacturing (1.0%) and in trade, transportation, and accommodation and food service activities (0.9%); these sectors had se-

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

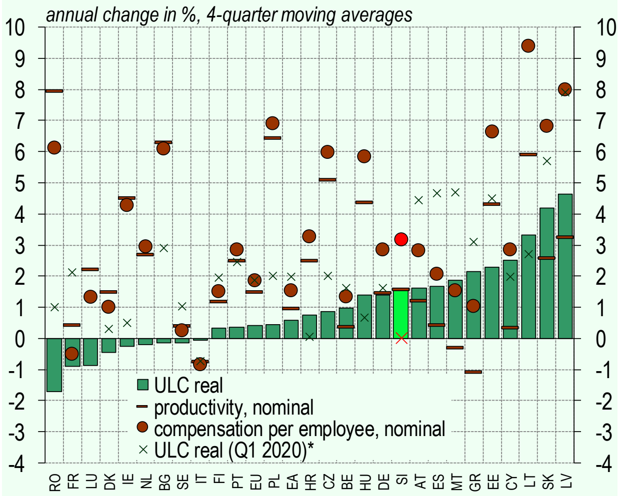
[11] The methodology for measuring unit labour costs discloses them as the ratio of compensation per employee (simplified to wages) to labour productivity, both according to the national accounts figures. The relationship between wages and productivity, and the dynamic of wage growth in this section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

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

en above-average growth in the last year (see Figure 4.12). Growth in RULCs was outpaced in both the tradable and non-tradable sectors by the comparable figures for the euro area and the whole EU in the first quarter, having outpaced them over the last year.

The year-on-year stagnation in its RULCs in the first quarter made Slovenia one of the most cost competitive economies in the EU, while over the last year it had seen some of the highest growth. Nominal productivity in the first quarter declined sharply everywhere, not just in Slovenia (by 1.1%, compared with 1.6% in the euro area overall and 1.1% in the EU overall). The domestic economy also saw a decline in nominal compensation per employee (of 1.1%), which only occurred in four other countries. This was markedly different from the overall developments in the euro area and the EU, where compensation per employee increased by 0.4% and 0.8% respectively. While the developments in domestic RULCs were highly favourable in the first quarter, over the last four quarters they did outpace year-on-year growth in both the euro area average and the EU average, by approximately 1 percentage point. Several countries nevertheless recorded even higher growth over this period, mainly in the Baltic and the Mediterranean (see Figure 4.13).

Figure 4.13: Real unit labour costs in 2020Q1



*Note: For NL, LU and EU data for 2019Q4. *Non-adjusted data.*
Source: Eurostat, Bank of Slovenia calculations.

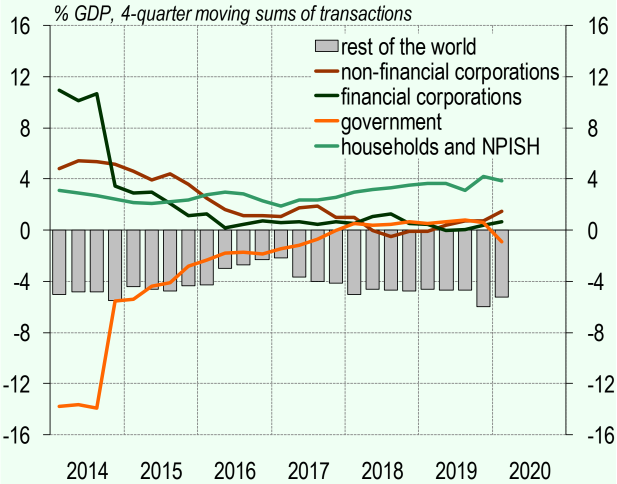
5 Financial Standing of Non-Financial Corporations, Households and Banks

Non-financial corporations, households and banks entered this year's crisis in good financial shape. Although the financial accounts for the first quarter were not yet reflecting the institutional sectors' full response to the crisis, they show that their behaviour was already changing somewhat. The largest reversal as a result of the introduction of the emergency measures and the corresponding additional borrowing at the outbreak of the Covid-19 epidemic came in the government sector, where a two-year trend of net saving came to an end. At the outbreak of the epidemic non-financial corporations further strengthened their saving relative to their investment, although they had already become more cautious in their behaviour on account of the increasing uncertainty in the international environment. The smallest change was seen in the behaviour of households, who in the early part of this year were still most notable for the size of their saving-investment gap, as the trend of increase in their assets continued, outpacing the increase in their liabilities. The banks increased their lending to the private sector in the first quarter, and also their liabilities from deposits.

Saving-investment gap by institutional sector

The dynamics in the net financial position of domestic institutional sectors changed slightly in the first quarter at the outbreak of the Covid-19 epidemic. The gap by which aggregate saving exceeded aggregate investment narrowed to 5.2% of GDP. This was largely attributable to a reversal in the net position of the government sector: its investment once again exceeded its saving after not having done so for two years. Other sectors maintained or even slightly increased growth in their net financial assets. Households remained the dominant factor in the aggregate net financial position, with net savings in the amount of approximately 4% of GDP.

Figure 5.1: Savings-investment gap

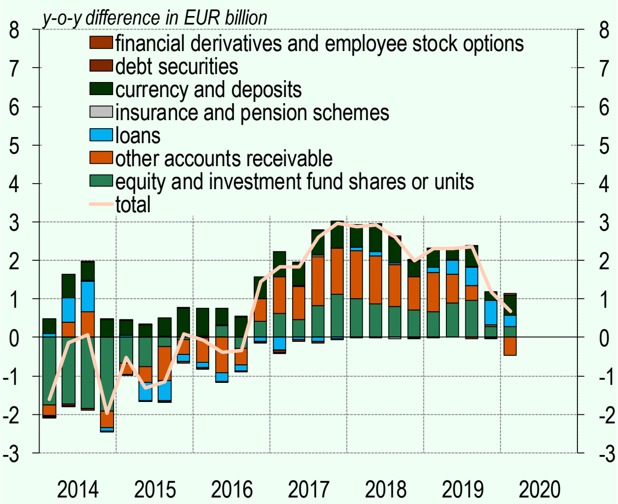


Note: Based on temporary data.
Source: Bank of Slovenia, SORS.

Financial assets and financing of non-financial corporations

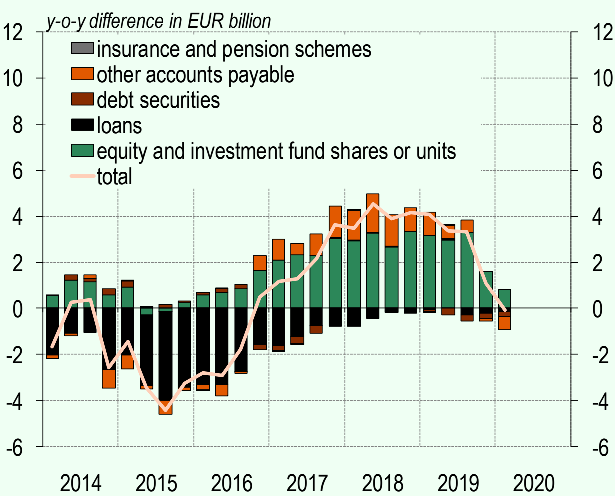
Year-on-year growth in non-financial corporations' assets and liabilities virtually came to a halt in the first quarter of this year.[1] Amid the rising uncertainty in the international environment, it had slowed sharply even in the final quarter of last year, but the trend intensified in the early part of this year at the outbreak of the epidemic. Non-financial corporations' financial assets at the end of the first quarter were up only around EUR 700 million in year-on-year terms. Trade credits granted declined for the first time since 2016, and were down more than EUR 500 million in year-on-year terms. There was also a sharp decline in the year-on-year increase in non-financial corporations' financial assets in the rest of the world,[2] from almost EUR 900 million at the end of last year to just EUR 9 million at the end of the first quarter of this year. On the liability side, non-financial corporations saw a notable increase in their liabilities in the form of equity and investment fund shares, but significantly less than in the last three years (just slightly more than EUR 800 billion). Given the continuing trend of decline in liabilities in the form of both loans and debt securities (more than EUR 350 million in total), and the particularly pronounced decline in trade credits on this occasion (more than EUR 400 million), non-financial corporations' total financial liabilities were down almost EUR 100 million in the first quarter, the first decline since 2016.

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



Note: Based on temporary data.
Source: Bank of Slovenia.

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

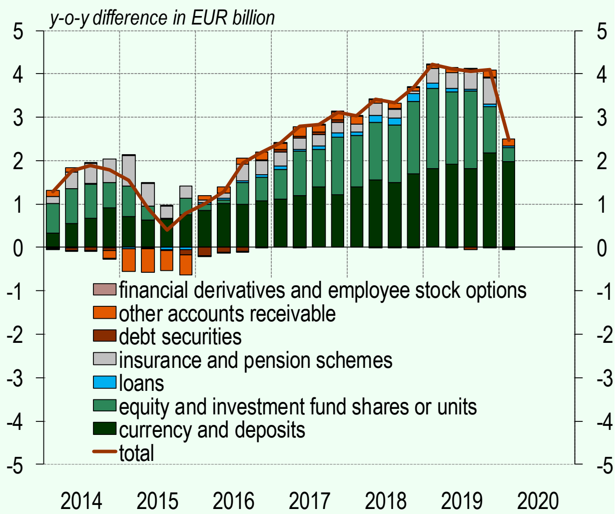


Note: Based on temporary data.
Source: Bank of Slovenia.

Financial assets and financing of households

The stock of households' financial assets and liabilities increased sharply again in the first quarter, des-

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



Note: Based on temporary data.
Source: Bank of Slovenia.

[1] The year-on-year increase in the stock of assets was just 1.4% (compared with 5.0% a year earlier), while non-financial corporations' liabilities declined for the first time in more than three years (by 0.1%, compared with an increase of 4.9% a year earlier).

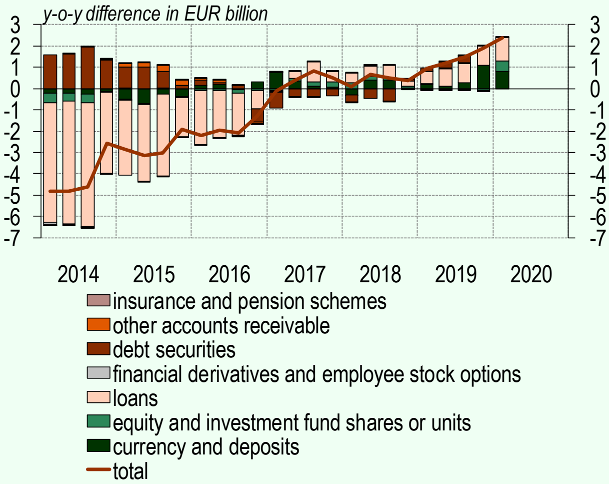
[2] The trend has been evident for as long as the data has been available, but has become more pronounced in the last four years.

pite a slowdown in growth.[3] Households' financial assets at the end of the first quarter were up around EUR 2.5 billion in year-on-year terms. The increase continues to be driven by the year-on-year increase in currency and deposits, which stood at EUR 2 billion in the first quarter, the second-largest increase since monitoring of the statistical series began.[4] By contrast, the increase in the stock of equity and investment fund shares slowed significantly (EUR 1.5 billion), albeit primarily as a result of negative revaluations. The same is true of the third most important component of household assets, insurance, pension and standardised guarantee schemes, which at the end of the first quarter remained unchanged in year-on-year terms, having increased by around EUR 400 million last year. Households' financial liabilities at the end of the first quarter were up just over EUR 400 million in year-on-year terms, driven primarily by growth in long-term loans, which account for the majority of their total liabilities. Their year-on-year increase amounted to more than EUR 500 million.

Financial assets and financing of banks

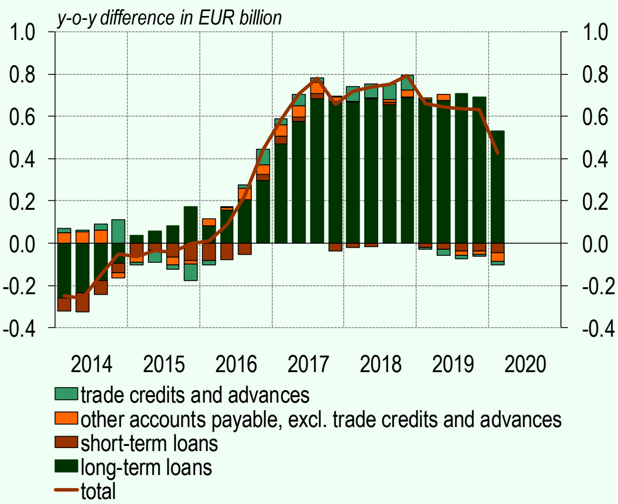
Last year and in the first quarter of this year the banks' financial assets and liabilities recorded their largest year-on-year increases of the last ten years.[5] Their financial assets at the end of the first quarter were up EUR 2.4 billion in year-on-year terms, driven largely by strengthened lending activity (EUR 1.1 billion) and an

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



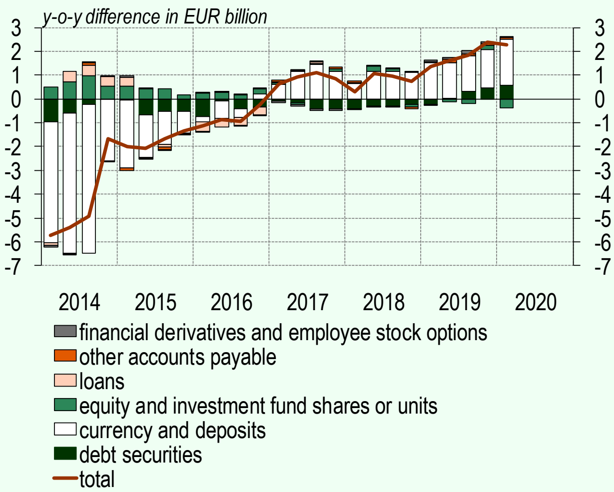
Note: Based on temporary data.
Source: Bank of Slovenia.

Figure 5.5: Financial liabilities of households (S.14)



Note: Based on temporary data.
Source: Bank of Slovenia.

Figure 5.7: Financial liabilities of banks and money-market funds (S.122 and S.123)



Note: Based on temporary data.
Source: Bank of Slovenia.

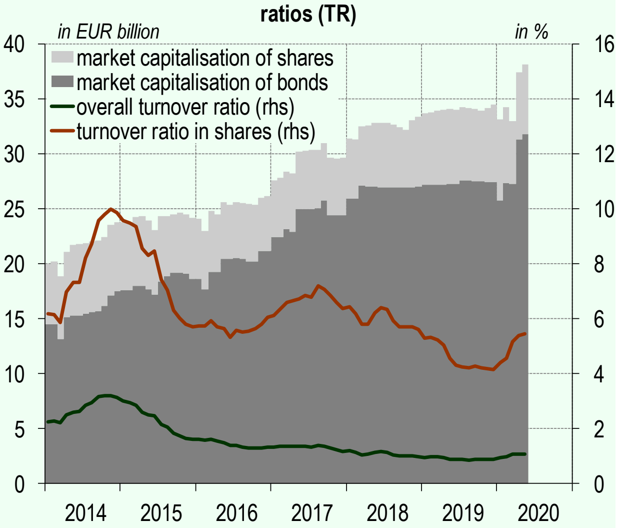
[3] The year-on-year increase in assets stood at 4.6% at the end of the first quarter (compared with 8.5% a year earlier, the highest figure of the last 12 years), while the increase in liabilities slowed over the last year from 4.9% to 3.0%.

[4] Only in the final quarter of last year was a larger increase recorded, in the amount of EUR 2.2 billion.

[5] The year-on-year increase in assets stood at 5.9% at the end of the first quarter (compared with 2.3% a year earlier), while the increase in liabilities stood at 5.8% (compared with 3.6% a year earlier).

increase in deposits (almost EUR 800 million).[6] The banks' financial liabilities also increased similarly strongly over the observation period (by EUR 2.3 billion), mostly as a result of an increase in holdings of deposits by non-financial corporations and households, which were up EUR 1.9 billion in year-on-year terms. The banks' liabilities were also increased by the issuance of debt securities (almost EUR 600 million), while their equity and investment fund shares declined by more than EUR 350 million in year-on-year terms, primarily as a result of revaluations at the outbreak of the epidemiological crisis. The banks' liabilities to the rest of the world were up more than EUR 300 million, but were still significantly lower than before and during the previous financial crisis. The changes in bank performance in April and May are analysed in Box 5.1.

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



Source: Ljubljana Stock Exchange (LJSE), Bank of Slovenia calculations.

Domestic financial market

The domestic financial market responded quickly to the positive news following the official end of the epidemic. The SBI TOP stock index gained 24% between its low in the second half of March and the end of June, but remains below its level from before the outbreak of the epidemic. The volume of trading in shares over the first five months of the year amounted to EUR 191 million, up 75.7% in year-on-year terms. Increased trading in shares was evident over the entire observation period, but most notably in March, at the time of the declaration of the epidemic, when volume more than doubled in year-on-year terms. The concentration of trading in shares increased by almost 6 percentage points year-on-year over the first five months of this year: the three most heavily traded shares accounted for 66% of total volume on the exchange. The proportion of the market capitalisation of domestic shares held by non-residents stood at 27.6% in May, down 1.5 percentage points in year-on-year terms. Non-financial corporations have only very rarely been financing their operations this year by issuing debt securities: just three commercial papers were issued over the first five months of the year, with a total nominal value of EUR 3 million.

[6] Loans in this section are taken from the financial accounts, and are valued under the ESA 2010 methodology, and accordingly their values and/or dynamics may differ from those disclosed in Box 5.1.

Box 5.1: Bank performance in 2020

Bank performance over the last three months has reflected the difficult situation in which the banking system has been doing business since the outbreak of the Covid-19 epidemic. There has been a sharp slowdown in household lending, while growth in corporate loans has remained solid. Deposits by the non-banking sector are continuing to increase, driven by reduced consumption, and government payments to alleviate the impact of the epidemic. The emergency measures made a major contribution to help keep NPE ratios in bank portfolios low, but the ratios can be expected to rise again once the measures expire. The banks have begun creating impairments again, which is reducing profitability as interest income and non-interest income decline.

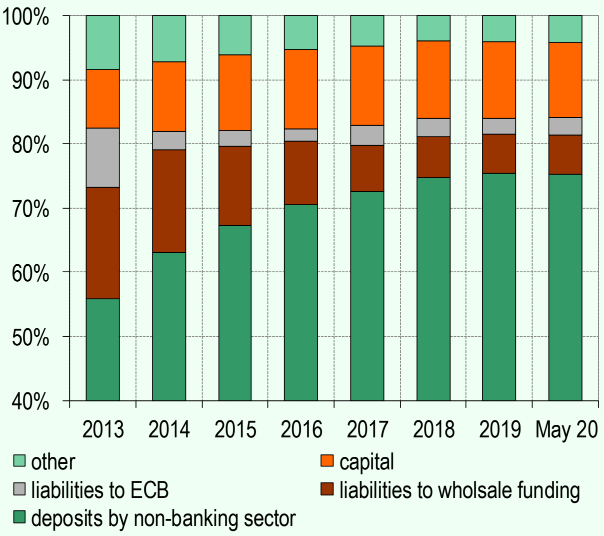
The banking system's balance sheet total increased to EUR 42.9 billion in May, up 7.2% on the same month last year. Amid the ongoing increase in deposits by the non-banking sector, the main increase on the investment side was in balances in accounts at the central bank. Lending to the non-banking sector also increased, while investments in securities declined.

The declaration of the epidemic and the resulting economic shock have seen growth in loans to the non-banking sector slow this year, the year-on-year rate reaching 4.1% in May. Despite a contraction in the stock in April and May, year-on-year growth in corporate loans held at 5.1%, almost double the rate of growth in household loans. Growth in household loans slowed significantly after the outbreak of the epidemic, and has more than halved since the end of last year to stand at 2.6% in May. The epidemic constrained household consumption, which sharply slowed growth in consumer loans; the year-on-year rate turned negative in May for the first time since March 2016, at -0.4%. The downturn on the labour market, rising unemployment, falling household income and reduced spending are all factors that are highly likely to continue reducing growth in consumer loans. Year-on-year growth in housing loans also slowed over the first five months of the year, but remains solid for now at 4.7%, only slightly lower than its average rate of last year. The official end of the epidemic allowed active supply and demand to resume on the real estate market, thus providing an opportunity for further growth in housing loans, which will nevertheless depend on further developments in the economy and on the labour market, which in turn will largely depend on the chances of a second wave of the epidemic.

Deposits by the non-banking sector, which are the key source of funding for Slovenian banks, are still increasing, sight deposits in particular. Deposits by the non-banking sector were up 8.5% in year-on-year terms in May, as a result of an increase in household and corporate deposits alike. The year-on-year increase of 9.4% in household savings was attributable to the government payments to alleviate the impact of the epidemic, and reduced household consumption. This mainly drove a rise in sight deposits, which allows savers to retain instant access to their savings in the event of any need. The proportions of total household deposits and total deposits by the non-banking sector accounted for by sight deposits increased to 81% and 76% respectively, while fixed-term deposits were down. After slowing over the previous two years, growth in deposits by non-financial corporations rose again this year, and stood at 12.3% in year-on-year terms in May, although the monthly changes in corporate deposits have remained highly volatile. Non-financial corporations hold bank deposits in the amount of EUR 7.3 billion, which they are likely to gradually reduce in the future as they use them to cover their own liquidity needs, particularly firms hit hardest by the epidemic. The banking system's dependence on wholesale funding and Eurosystem funding remains low.

The liquidity of the banking system remained sound even after the outbreak of the epidemic. Amid the increase in deposits by the non-banking sector, there has been an increase in the banking system's primary liquidity, which includes cash-on-hand, balances at the central bank and sight deposits at banks, and accounted for almost 16% of the balance

Figure 1: Structure of sources of financing



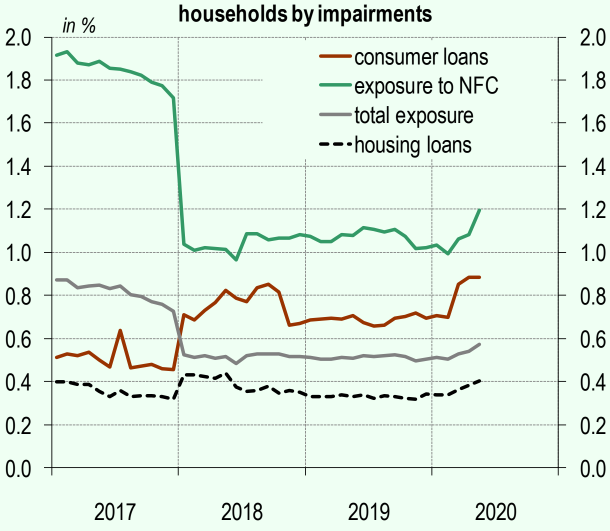
Source: Bank of Slovenia.

sheet total in May. Secondary liquidity remained at 18% of the balance sheet total. The banks have increased investments in Slovenian government securities in particular, and reduced investments in foreign marketable securities. At 309%, the liquidity coverage ratio remained well above the regulatory requirement, although there are significant differences between banks. The relatively high proportion of the pool of eligible collateral at the Eurosystem that is free (70% at the level of the banking system) is enabling the banks to secure additional liquid assets via the ECB's existing and new longer-term refinancing operations. Slovenian banks are expected to participate in the aforementioned operations for reason of prudence, or because of additional needs for liquidity.

The stock of non-performing exposures (NPEs) is continuing to decline. The government emergency measures at the outbreak of the epidemic restricted the rise in defaults that would otherwise have followed the shutdown of the economy. The overall NPE ratio stood at 2.1% in May, down 0.1 percentage points on December 2019, while the NPL ratio was unchanged at 2.9%. The NPE ratios in the majority of customer segments in May were down slightly on the end of 2019, most notably in the non-financial corporations portfolio, where it is still relatively high at 4.2%. The NPE ratio has begun to rise in the consumer loans segment: it stood at 2.9%, an increase of 0.4 percentage points on the end of 2019. The banks have been creating impairments since March for non-performing and performing exposures alike. The growth in impairments for performing exposures reflects the deterioration in the macroeconomic environment, and the banks' expectations of a further rise in NPEs. Coverage of the non-performing portfolio by impairments also increased, by 0.9 percentage points over the first five months of the year to 50.6%.

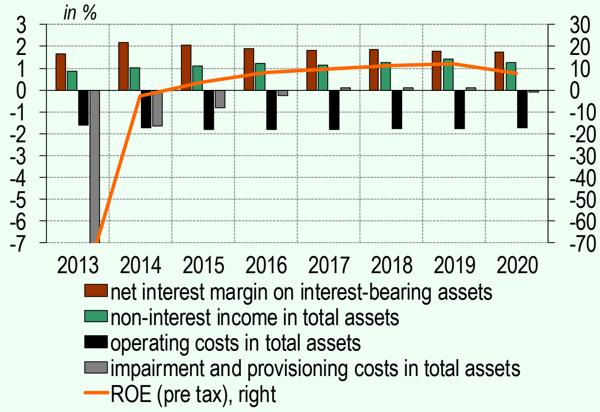
The declaration of the epidemic further worsened the conditions for banks to operate profitably. Even before the economic shock, the conditions for maintaining profitability were expected to gradually worsen, but the crisis has accelerated and exacerbated this trend. The banks generated a pre-tax profit of EUR 152 million over the first five months of this year, down a half on the same period last year. ROE has also halved compared with the same period last year: it stood at 7.5% at system level over the first five months of the year. The slowdown in lending activity and the large holdings of low-yielding liquid assets are already being reflected in a decline in net interest income in the banking system, while non-interest income is down a little over a fifth on last year. The net interest margin has also declined further as a result: it stood at 1.74% over the 12 months to the end of May. The

Figure 2: Coverage of performing exposures to corporates and households by impairments



Source: Bank of Slovenia.

Figure 3: Selected banking business indicators



Note: The indicators net interest margin on interest-bearing assets and the ratio of impairment and provisioning costs to total assets are calculated over the preceding 12 months. ROE is calculated during the year on a cumulative basis up to the most recent data available. Year 2020 calculated for a period of 5 months.
Source: Bank of Slovenia.

economic downturn means that the banks are creating net impairments and provisions, although impairment and provisioning costs still account for a small proportion of the disposal of gross income across the system. Given the crisis situation and the economic shock, and owing to the nature of the IFRS requirements, the coming months can be expected to see an increase in impairment and provisioning costs at banks. The less favourable developments projected for the income side, and the increase in impairment and provisioning costs will reduce bank profitability.

The Slovenian banking system remained well-capitalised in the first quarter of 2020. The total capital ratio increased to 20.5% on an individual basis, while the common equity Tier 1 capital ratio declined to 18.5%. The increase in the total capital ratio at system level was primarily driven by an increase in Tier 2 capital in the form of subordinated debt securities issued by certain banks. Risk-weighted assets (RWA) increased by 3.4% in the first quarter, primarily as a result of growth in corporate loans. The future will see increasing downward pressure on capital adequacy, primarily due to the anticipated increase in income risk and the deteriorating quality of the credit portfolio.

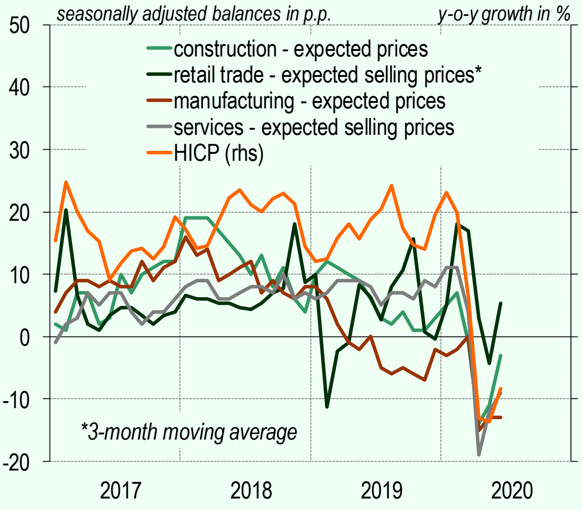
6 Price Developments

The crisis caused by the Covid-19 epidemic resulted in deflation in consumer prices in the second quarter. They were down 0.8% in year-on-year terms in June, a smaller fall than in the two previous months, albeit mainly on account of the expiry of the government ordinance that had cut electricity prices between March and May. Despite the rise in electricity prices, energy price inflation remains negative, on account of low prices of refined petroleum products. The energy price deflation of 13.3% meant that for the third consecutive month energy prices remained the main factor in the gap between inflation in Slovenia and the euro area, where consumer prices rose by 0.3% in June. Prices of industrial goods also fell during the epidemic, while services inflation slowed further. This reduced core inflation to below 1%, as a result of the sell-off of inventories and weaker inflationary pressures from the external and domestic environment. It should be noted however that the data on services prices is less reliable, owing to measurement difficulties. Food prices were alone in recording significant rises during the epidemic, driven largely by rising prices of fresh fruit. Amid the recent worsening of the epidemiological situation, future consumer price developments remain uncertain. Firms' expectations with regard to future growth in selling prices have declined sharply in recent months, while consumers' inflation expectations have diverged in response to the rising uncertainty.

Survey–based inflation expectations in June

The lifting of the measures to contain and control the coronavirus epidemic, and the restart of economic activity were already being reflected in June in a rise in firms' expectations of future growth in (selling) prices, but the balance remains negative in most sectors. The share of firms expecting a rise in selling prices over the next three months declined sharply during the epidemic. In manufacturing, services and construction it hit the bottom in April, when the restrictions on operations, including a temporary ban on direct sales of goods and services to consumers, shut down a significant part of the economy.[1] More firms were expecting prices to fall

Figure 6.1: Price expectations according to business survey



Source: SORS, Bank of Slovenia calculations.

[1] The extreme volatility in the retail indicator means that it has been excluded from this analysis.

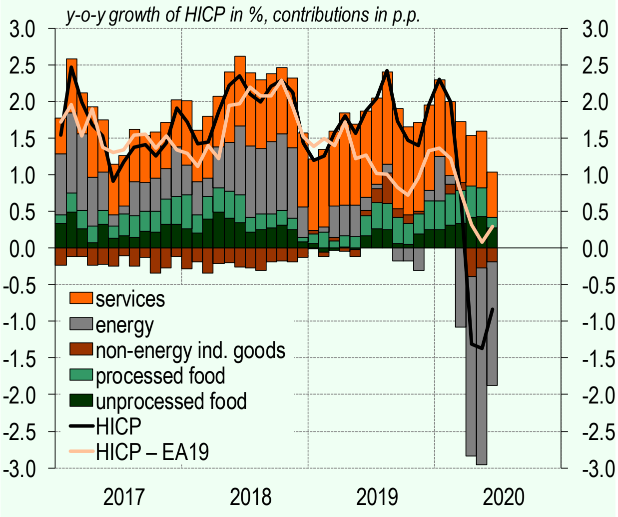
than to rise, which was reflected in a negative balance.[2] In April the figure was lowest in the service sector, where the share of firms expecting a fall in selling prices was 19 percentage points higher than the share expecting a rise in prices, according to seasonally adjusted figures. The figure was the lowest since measurement began, and reflected the specific nature of this crisis, which has hit service activities the hardest. The lifting of the containment measures saw the indicator begin to rise in all three sectors in May, but it remained negative in June, and below the level recorded before the outbreak of the epidemic.

The balance indicator of consumer assessments of future price developments has risen slightly since the outbreak of the epidemic. It peaked at 46 percentage points in April, as the rise in the balance of expected price developments over the next 12 months was partly driven by a decline in perceived price developments over the past 12 months. In the environment of huge uncertainty surrounding the future evolution of the epidemic and the economic recovery, there was a large increase in April and May in the heterogeneity of consumer inflation expectations. More can be found on this in the section on selected themes on page 67.

Structure of inflation and core inflation indicators[3]

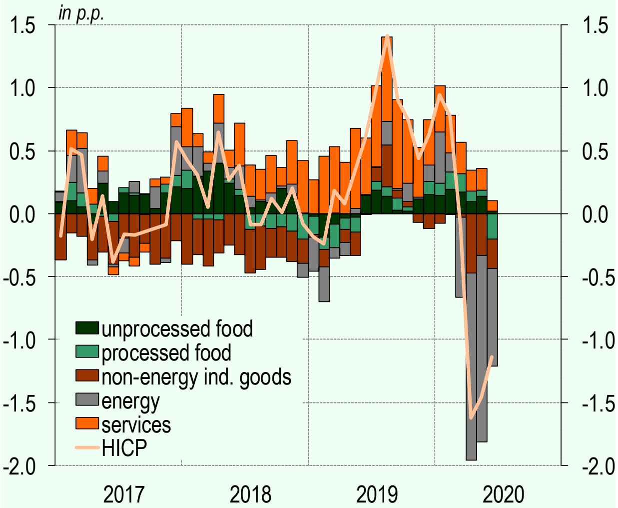
The year-on-year fall in consumer prices slowed slightly with the lifting of the containment measures, albeit primarily as a result of the anticipated rise in electricity prices when the government ordinance expired. After two months of stronger deflation, the year-on-year fall in consumer prices stood at 0.8% in June, 0.6 percentage points less than in May. The basket of consumer goods and services fell sharply in price while the containment measures were in place, driven mainly by the year-on-year fall in energy prices. The most notable factor was electricity prices, which were cut for household and small businesses between March and May under the government ordinance. When the ordinance expired, electricity prices returned to their level of February, reducing June's year-on-year fall in consumer prices by 0.9 percentage points. The contribution made by energy prices nevertheless remains negative at -1.7 percentage points, on account of low prices of refined petroleum products. The government is continuing to cut excise duties to hold their retail prices at one euro per litre, despite the renewed growth in global oil prices. Prices of non-energy industrial goods also remain down in year-on-year terms, by 0.8% in June, although the fall in

Figure 6.2: Contributions to headline HICP inflation – Slovenia



Source: Eurostat, SORS, Bank of Slovenia calculations.

Figure 6.3: Difference in inflation between Slovenia and the euro area



Source: Eurostat, SORS, Bank of Slovenia calculations.

[2] The balance is expressed as the difference between the share of positive responses (selling prices will rise over the next three months) and the share of negative responses (selling prices will fall over the next three months), where the share of neutral responses (selling prices will remain the same over the next three months) is eliminated from calculation.

[3] The remainder of the price developments section analyses data for June's consumer price indices published on the SORS website in its first release of 30 June 2020.

Table 6.1: Structure of the HICP and price indicators

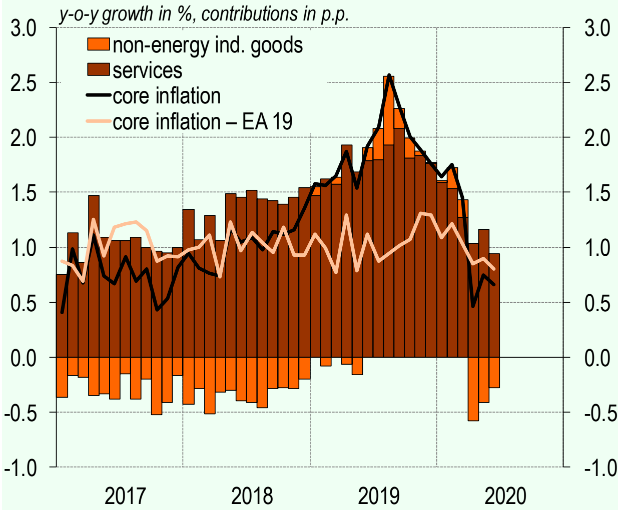
	weight	average year-on-year growth, %					year-on-year growth in quarter, %					
	2020	2016	2017	2018	2019	1H20	19Q1	19Q2	19Q3	19Q4	20Q1	20Q2
HICP	*100.0%*	-0.2	1.6	1.9	1.7	0.2	1.3	1.7	2.1	1.6	1.6	-1.2
Breakdown of HICP:												
Energy	*12.8%*	-5.2	4.7	6.0	0.8	-9.4	1.4	2.8	0.0	-0.9	-0.9	-17.8
Food	*21.1%*	0.5	2.2	2.4	1.6	3.3	0.6	1.1	2.5	2.2	3.3	3.3
processed	*17.1%*	0.4	1.4	1.4	1.4	2.1	0.8	1.1	2.0	1.8	2.4	1.8
unprocessed	*4.1%*	0.7	5.7	6.6	2.5	8.3	0.0	1.6	4.6	4.0	7.2	9.3
Other goods	*28.8%*	-0.5	-0.7	-0.8	0.3	-0.3	0.1	-0.1	0.9	0.2	0.4	-1.0
Services	*37.3%*	1.6	1.8	2.4	3.1	2.2	2.8	3.2	3.4	3.2	2.6	1.9
Core inflation indicators:												
HICP excl. energy	*87.2%*	0.6	1.1	1.4	1.8	...	1.3	1.6	2.3	2.0	2.0	1.3
HICP excl. energy and unprocessed food	*83.2%*	0.6	0.9	1.1	1.8	...	1.4	1.6	2.2	1.9	1.8	0.9
HICP excl. energy, food, alcohol and tobacco	*66.1%*	0.7	0.7	1.0	1.9	...	1.6	1.8	2.3	1.9	1.6	0.6
Other price indicators:												
Industrial producer prices on domestic market		-1.4	1.3	1.9	1.9	...	1.4	2.1	1.9	2.0	1.3	...
GDP deflator		0.8	1.6	2.2	2.4	...	2.3	2.7	2.4	2.2	2.2	...
Import prices[1]		-2.2	3.0	2.7	-0.3	...	1.5	-0.1	-1.4	-1.1	-1.8	...

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

their prices is gradually diminishing after the initial sell-off of inventories. Food prices and services prices are continuing to make positive contributions to headline inflation. After rising in April and May, food price inflation slowed slightly in June, accounting for 0.4 percentage points of headline inflation, while service price inflation also slowed, perhaps as a result of falling domestic demand. The outbreak of the epidemic also saw inflation slow across the euro area, the average rate nevertheless strongly outpacing inflation in Slovenia over the last three months amid a smaller fall in energy prices. The rate stood at 0.3% in June.

Despite the disruptions to production and supply chains, the epidemic brought a sharp reduction in core inflation, initially linked mainly to the sell-off of inventories, and later perhaps to deflationary pressures related to the fall in private consumption. The narrowest core inflation indicator, which excludes energy, food, alcohol and tobacco, declined by 1 percentage point at the outbreak of the epidemic in the second quarter, and has averaged 0.6% over the last three months. The decline in April was largely attributable to a year-on-year fall in prices of non-energy industrial goods, while moderating services inflation has also been

Figure 6.4: Contributions to narrowest indicator of core inflation



Source: Eurostat, SORS, Bank of Slovenia calculations.

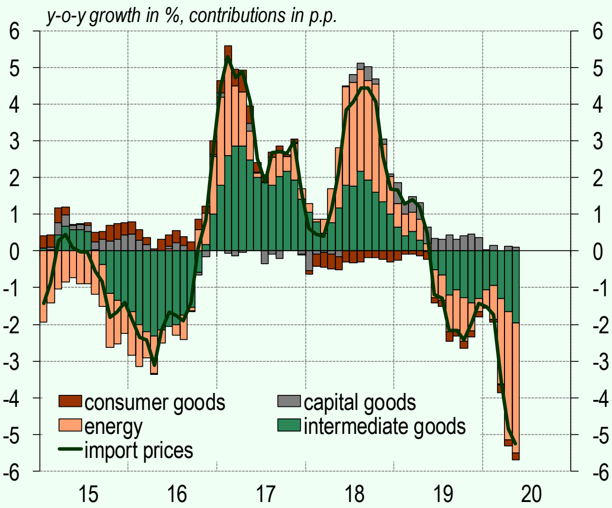
a factor in the fall in core inflation in recent months. There were no major changes in core inflation in May and June relative to April. With the outbreak of the epidemic, core inflation in Slovenia fell below the euro area average in the second quarter for the first time since 2017. Euro area core inflation averaged 0.9% in the second quarter as prices of industrial goods and services responded more weakly.

Drivers of inflation

The global pandemic weakened price pressures from the external environment, and despite the first signs of recovery in global markets for primary commodities, there remains great uncertainty with regard to their future price developments amid the rise in the number of cases worldwide.[4] The fall in global demand when containment measures were put in place initially had an impact on global oil prices. The price of a barrel of Brent crude fell to just under USD 22 in April, down 65.3% in year-on-year terms. An agreement between oil-producing countries to cut production saw the price begin to rise in late April, and it averaged USD 35 per barrel in June. Prices of non-oil commodities were also down in year-on-year terms in April, by 4.3%, driven in particular by metals prices. Prices of food commodities were still recording positive year-on-year growth; the rate stood at almost 6% in May. The dynamics in primary commodity prices on global markets were reflected in a deep fall in import prices. These were down 5.2% in year-on-year terms in May, primarily as a result of falling energy prices and intermediate goods prices.

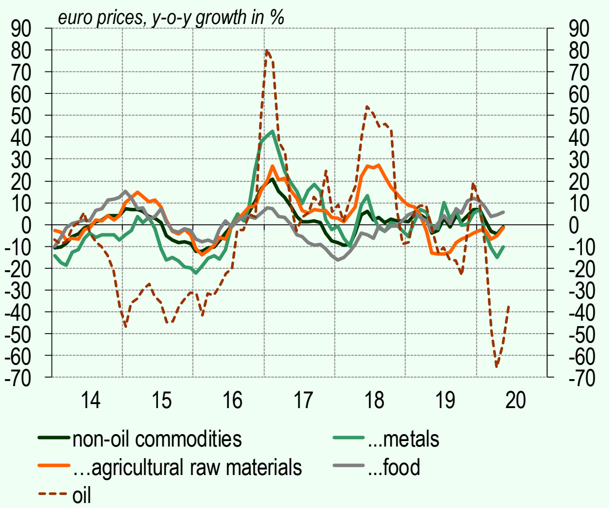
Domestic inflationary pressures have also begun to weaken this year. Growth in producer prices of manufactured goods on domestic market averaged almost 2% over the last two years in an environment of robust economic growth. By March they were falling in current terms, and the year-on-year change turned negative in May for the first time since 2016, at -0.2%. This year's falling prices are primarily attributable to falls in energy prices (electricity, gas and water supply) and intermediate goods prices, but producer prices of consumer durables were also down in year-on-year terms in May.[5] Year-on-year growth in services producer prices stood at 2.4% in the first quarter of this year, down 0.9 percentage points on the final quarter of last year. Deflationary pressures

Figure 6.6: Import prices



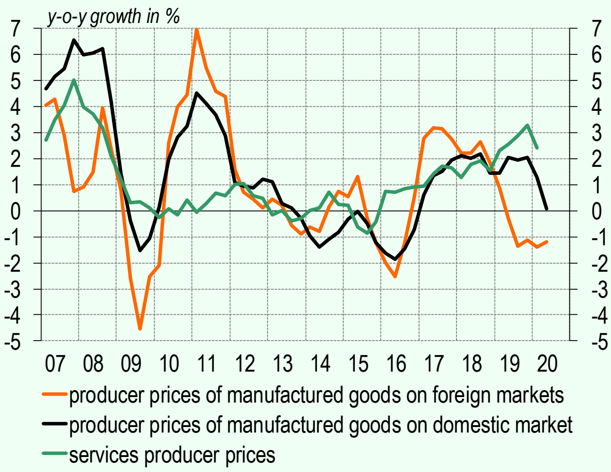
Source: SORS, Bank of Slovenia calculations.

Figure 6.5: Commodities



Source: ECB, Bloomberg.

Figure 6.7: Producer prices



Note: Growth of producer prices of manufactured goods in the second quarter of 2020 is calculated as average year-on-year growth in April and May.
Source: SORS, Bank of Slovenia calculations.

[4] Owing to differences in methodology, the data on commodity price developments differs from the data used in the analysis of the international environment in the first section. The data has been obtained from the ECB website, where indices are calculated by weighting individual commodity prices with regard to their relative value in euro area imports.

[5] The fall in producer prices of energy was partly attributable to a government ordinance that cut electricity prices for households and small businesses between March and May.

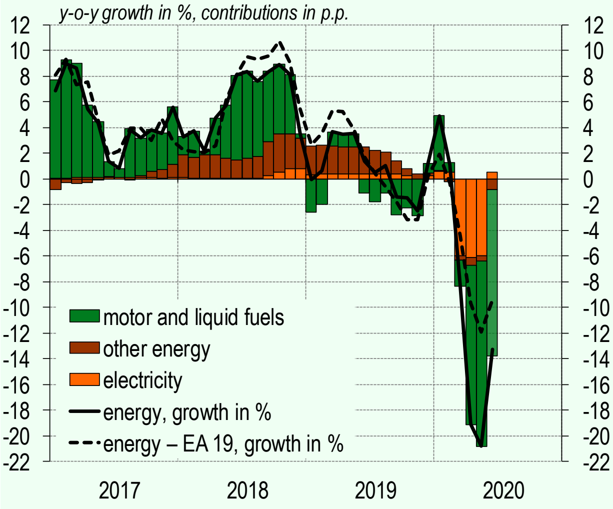
could also be felt from domestic demand. Private consumption was down 6.4% in year-on-year terms even in the first quarter, while the containment measures and the partial shutdown of the economy saw the unemployment rate rise in April. Cost pressures also weakened in the wake of the fall in compensation per employee in the first quarter, although it should be noted that the assessment of labour market indicators has been made more difficult by the methodological complexity of including the anti-crisis measures in the official statistics.

Price developments by subcategory

After a deep fall in recent months, energy prices rose in June as the government ordinance that had cut electricity prices for the duration of the epidemic expired. Electricity prices were cut by almost 30% in March under the ordinance, and the fall in energy prices deepened in April as prices of liquid and motor fuels fell sharply. Despite a rise in excise duties, the aforementioned prices were down almost 25% in year-on-year terms in May, in line with plummeting global oil prices. Following the recovery in global oil prices, the government cut excise duties to hold prices of refined petroleum products at one euro per litre, while the expiry of the government ordinance allowed electricity prices to return to their levels of February, which showed up in the statistics as a price rise of more than 40%. The year-on-year fall in energy prices stood at 13.3% in June, just under 8 percentage points less than in May. The rise in electricity prices saw Slovenia's energy price inflation approach the euro area average, which stood at -9.4% in June. Energy prices in Slovenia fell by more than the euro area average during the epidemic, and accounted for almost 1.6 percentage points of the total gap in year-on-year consumer price inflation between Slovenia and the euro area.

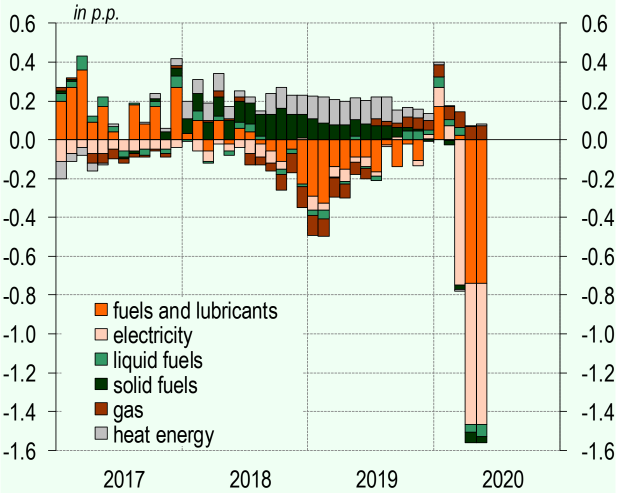
Food price inflation rose in April as a result of rising prices of fresh fruit, before halving in June, in part because of a base effect. Year-on-year food price inflation stood at approximately 4.0% in April and May. The rise during the epidemic was largely attributable to rises in prices of fresh fruit. Owing to trade barriers, a poorer

Figure 6.8: Contributions to energy inflation



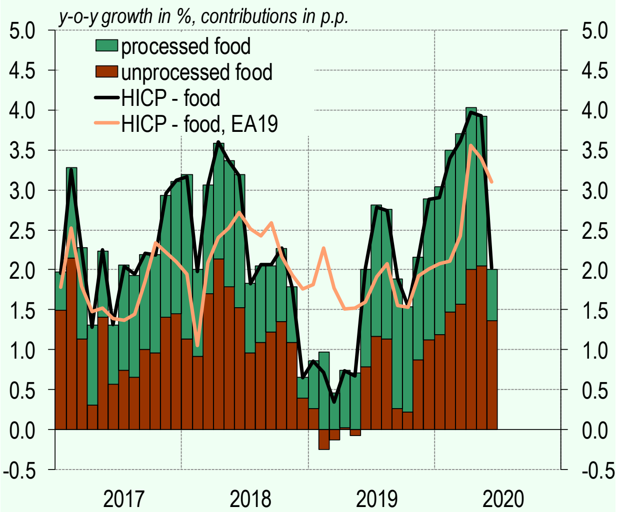
Source: Eurostat, SORS, Bank of Slovenia calculations.

Figure 6.9: Difference in contribution to y-o-y change in HICP – energy, Slovenia – euro area



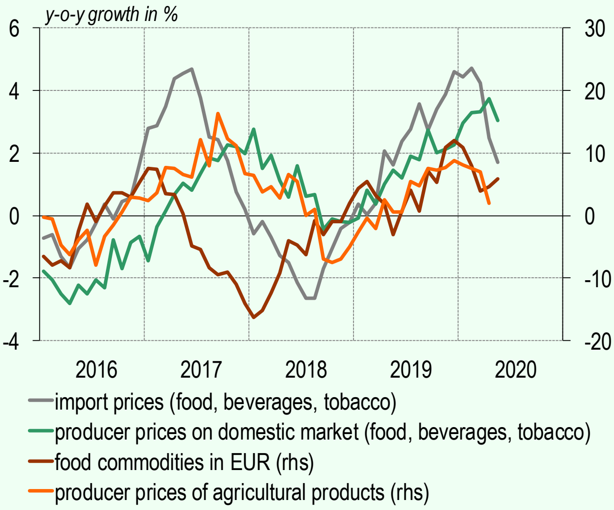
Source: ECB, Bank of Slovenia calculations.

Figure 6.10: Contributions to growth in food prices



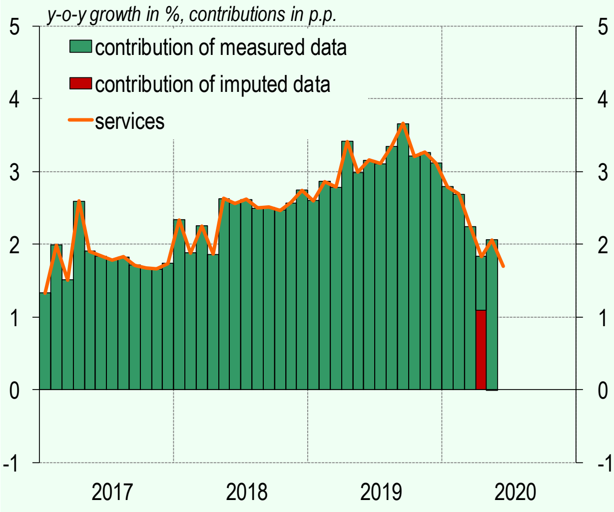
Source: Eurostat, SORS, Bank of Slovenia calculations.

Figure 6.11: Food prices and prices of food commodities



Source: Eurostat, Bloomberg, Economist, SORS, Bank of Slovenia calculations.

Figure 6.12: Services prices during epidemics

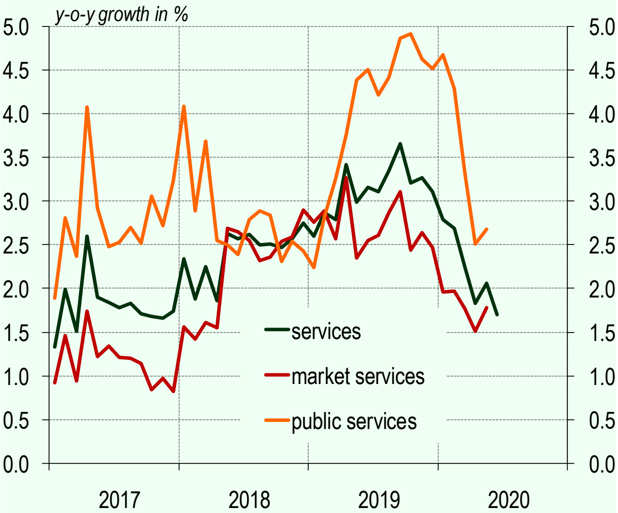


Source: SORS, Bank of Slovenia calculations.

fruit harvest caused by April's frosts, and rising demand, prices of fresh fruit were up more than 23% in year-on-year terms in May. Fruit prices remained high in June, but overall food price inflation halved to 2%. The moderation was largely attributable to a strong base effect, while the rise in prices of processed food is also slowing as the inflationary pressures ease in connection with import prices of food, beverages and tobacco products, and food commodity prices. After rising sharply in April as coronavirus spread, euro area food price inflation had slowed slightly by June, reaching 3.1%.

Year-on-year service price inflation slowed again slightly at the outbreak of the epidemic to average 1.9% over the second quarter, although the April data in particular was less reliable. The introduction of the containment measures made it much harder to collect data on services prices during the epidemic, in the absence of the market and given the difficulty collecting prices in the field (traditional price collection). Statistical office imputed the missing data in line with the Eurostat recommendations and warned about a decline in quality and reliability. Half of the service price index was largely imputed in April, which accounted for 1.1 percentage points of total services inflation, but the data became more reliable in June as the measures were lifted and imputations were required to a lesser extent. Only prices of passenger air transport and certain package holidays were imputed. Service price inflation has slowed significantly since the beginning of the year, largely as a result of slower year-on-year growth in prices of public services as last year's price rises have dropped out of the calculation.[6] The further fall in service price inflation in June was still largely attributable to a base effect, but was also most likely linked in part to caution on the part of consumers and a fall in private demand.

Figure 6.13: Public and market services



Source: SORS, Bank of Slovenia calculations.

Prices of non-energy industrial goods fell sharply in April, most likely driven by the sell-off of inventories,

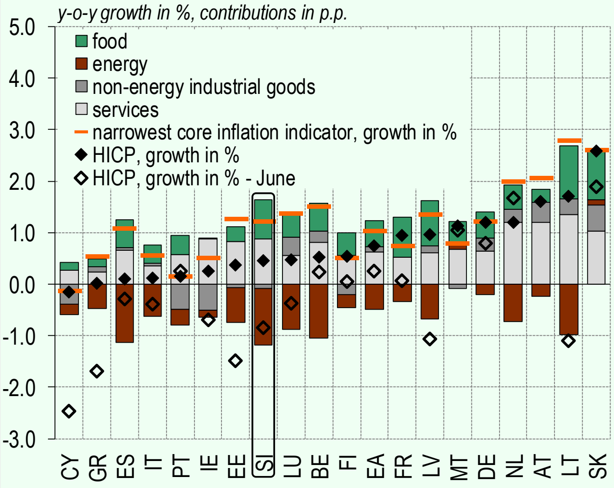
[6] Amid rising labour costs in the public sector, and a rise in other costs related to the provision of services, prices of public services, including refuse collection, child care and retirement homes, rose in the first half of last year.

Box 6.1: Price developments in euro area countries

Price developments in the euro area are still very much under the influence of the epidemic and the resulting fall in oil prices. Inflation in the euro area as measured by the HICP averaged 0.7% over the first half of the year, down 0.5 percentage points on its average in 2019. The fall in inflation was primarily attributable to falling energy prices. The countries that had seen low inflation before the outbreak of the epidemic on account of low aggregate demand were pushed into deflation by the fall in energy prices. At the same time certain small open economies, where prices are generally more volatile, among them Slovenia, saw a large enough fall in energy prices to push headline inflation into negative territory despite higher inflation before the epidemic. Eleven of the 19 euro area countries recorded deflation in the second quarter of this year. The fall in energy prices at euro area level was only partly offset by the growth in unprocessed food prices. Despite falling domestic demand, core inflation components are not yet recording a sharp fall, which has been reflected in the lack of change in core inflation over the first five months of the year relative to the average in 2019.[1] Year-on-year euro area inflation remained low in June (at 0.3%), again primarily on account of energy prices, which were down 9.4% in year-on-year terms.

[1] The data on contributions to headline inflation in June 2020 is not yet available. The note also relates to Figure 1.

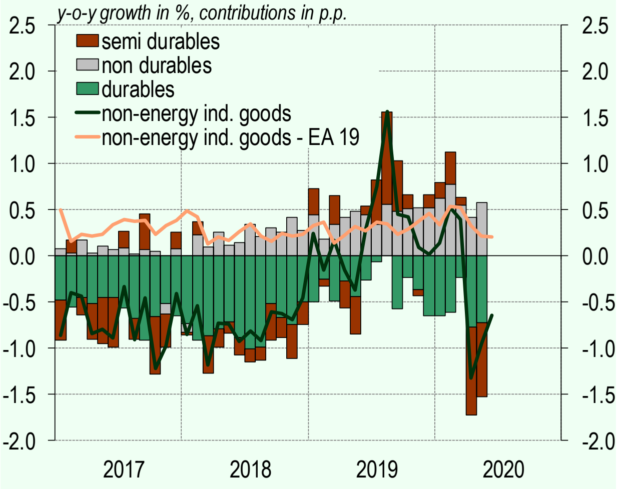
Figure 1: Average inflation over the first five months of 2020



Source: ECB, Eurostat, Bank of Slovenia calculations.

but the year-on-year fall gradually diminished as the containment measures were lifted. The strict lockdown measures made it difficult to collect prices of non-energy industrial goods in April, albeit significantly less than for services prices, as it was possible to substitute online sales for direct sales of industrial goods, and price data was also being collected at the statistical office via online providers. The only price data that required a full imputation in April was for new cars. Since the gradual lifting of containment measures in May, there have been no reports at the statistical office of any difficulties in collecting this price data. The sell-off of inventories saw prices of industrial goods fall by 1.3% in year-on-year terms in April. A fall in prices of clothing and footwear was the largest factor in the deepest fall of the last five years. The year-on-year fall had diminished slightly by June amid current price rises. Year-on-year growth in prices of industrial goods has reached -0.6%, but remains low amid weak inflationary pressures. These are primarily the product of the weakening cost pressures in connection with falling energy and intermediate goods prices, but pressure is also being eased by partial wage subsidisation and the possibility of interest deferrals. Prices of non-energy industrial goods in the euro area overall did not respond to the crisis to the same extent. They were up 0.2% in year-on-year terms in the second quarter.

Figure 6.14: Contributions to growth in prices of non-energy industrial goods



Source: Eurostat, SORS, Bank of Slovenia calculations.

7 Public Finances

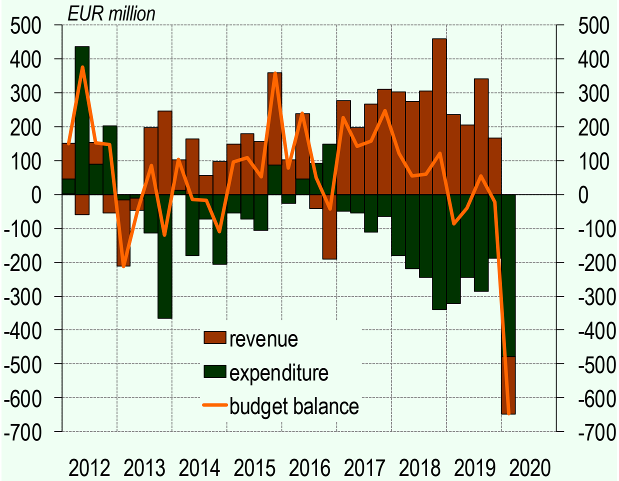
The Covid-19 epidemic has brought a significant deterioration in the fiscal situation, and a huge surge in uncertainty. The general government deficit could amount to around 8% of GDP this year according to current estimates, while the general government debt could reach a similar level to 2015, when it stood at more than 82% of GDP, its highest figure to date. The deterioration in public finances is evident from the accrual-basis figures for the first quarter of this year, and even more evident from the cash flow figures, which were available up to May at the time of writing. The deterioration is being reflected on one side in a year-on-year fall in general government revenues, and on the other side in a rise in general government expenditure, which has given rise to a deficit after two years of fiscal surplus. The general government debt had risen to 69.6% of GDP by the end of the first quarter, up 3.5 GDP percentage points on the end of last year, and the borrowing and corresponding rise in debt continued in the second quarter.

Alongside the economic downturn, the deterioration in fiscal aggregates was also attributable to the measures adopted in several packages of anti-coronavirus legislation, which are worsening the fiscal position but are also helping to retain household income, jobs, and thus economic potential, and are partly mitigating the decline in economic activity. Temporary deviations from the fiscal rules are allowed because of the coronavirus crisis.

General government balance

The public finance situation has worsened this year as expected, because of the Covid-19 epidemic. The general government sector recorded a deficit of EUR 739 million or 6.6% of GDP in the first quarter, 5.8 GDP percentage points larger in year-on-year terms. Because the economic shutdown came in mid-March and the epidemic lasted until the end of May, and the consequences will take even longer to overcome, the main impact of the crisis is expected in the second quarter, while the effects will also be evident in the second half of the year. The measures taken are temporary in nature. Their effects are thus expected to disappear by next year, and there should be more favourable developments in revenues as growth resumes, which will improve the fi-

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



Note: Budget balance and expenditure do not include bank recapitalisations.
Source: SORS, Bank of Slovenia calculations.

Table 7.1: General government deficit and debt in Slovenia, 2014–2021

	SORS							Stability Programme	EC	
% GDP	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020Q1**	**2020**	**2020**	**2021**
Revenue	45.3	45.9	44.3	44.0	44.3	44.2	42.8	43.7	44.8	44.0
Expenditure	50.8	48.7	46.3	44.1	43.6	43.7	49.5	51.8	51.9	46.0
of which: interest	3.2	3.2	3.0	2.5	2.0	1.7	1.7	1.7	1.8	1.7
Net lending (+) / borrowing (-)	-5.5	-2.8	-1.9	0.0	0.7	0.5	-6.6	-8.1	-7.2	-2.1
Primary balance	-2.3	0.4	1.1	2.5	2.7	2.3	0.9	-6.5	-5.3	-0.3
Structural balance	…	…	…	…	…	…	…	…	-4.4	-1.2
Debt *	80.3	82.6	78.7	74.1	70.4	66.1	69.6	82.4	83.7	79.9
Real GDP (growth, %)	2.8	2.2	3.1	4.8	4.1	2.4	-2.3	-8.1	-7.0	6.7

*Note: *Debt refers to the end of the year .*
Source: SORS (realisation), Stability Programme (Ministry of Finance, April 2020), European Commission (May 2020).

scal position next year. According to the European Commission's spring forecasts, the euro area is expected to record a general government deficit of 8.5% of GDP this year.

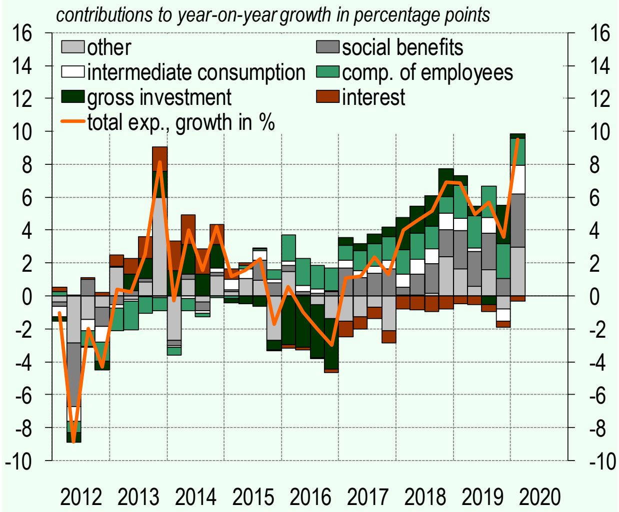
General government revenues in the first quarter were down in year-on-year terms, primarily as a result of falling tax revenues. Total revenues were down 3.4%. The situation on the labour market deteriorated significantly, in particular after the declaration of the epidemic on 12 March 2020. The situation also saw a contraction in household consumption, which was reflected in a 7% decline in indirect tax revenues, including VAT and excise duties. There was a particularly large decline in corporate income tax revenues in the first quarter: they were down fully 55% in year-on-year terms according to SORS estimates. The decline in personal income tax (of approximately 4%) was smaller, despite lower taxation in force since the beginning of this year. There was also a significant decline in capital transfers. Social security contributions were still rising in the first quarter, on account of the relative buoyancy of the labour market for the majority of the quarter. Given the sharp decline in economic activity, the epidemic's adverse impact on general government revenues is expected to intensify in the second quarter.

General government expenditure grew in the first quarter already in part due to measures relating to Covid-19, which were reflected most obviously in

Figure 7.2: General government revenue

Source: SORS, Bank of Slovenia calculations.

Figure 7.3: General government expenditure excluding support to financial institutions

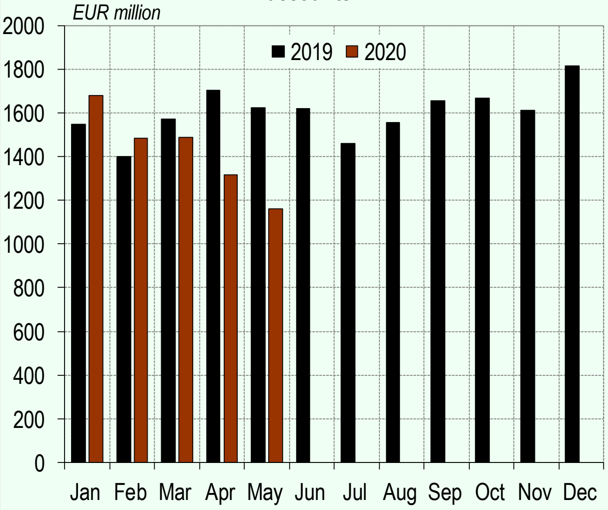


Source: SORS, Bank of Slovenia calculations.

Box 7.1: Public finance developments according to the cash flow methodology

The consolidated general government balance over the first five months of the year was a deficit in the amount of EUR 1.4 billion, in contrast to the surplus (of EUR 208 million) recorded in the same period last year. The balance deteriorated in year-on-year terms even in the first quarter, when growth in tax revenues slowed (partly as a result of cuts in personal income tax, and reduced revenue from taxes on consumption), while expenditure increased as certain Health Insurance Institute liabilities were deferred from last year to this year. The majority of the deterioration came in April and May, driven largely by the coronavirus crisis. This impacted both the revenue and expenditure sides of the public finances, and was particularly evident in the state budget, which was again the main driver of change, as it usually is. In light of the significant change in economic circumstances, the revision to the state budget will be drawn up no later than September. The downturn is also having an impact on other government sub-sectors, in particular health. The health sub-sector recorded a deficit of EUR 129 million over the first five months of the year, in contrast to a small surplus during the same period last year. The surplus in the local government sector over the first five months of the year declined in year-on-year terms, while the Pension and Disability Insurance Institute disclosed an approximately balanced position as usual.

Figure 1: Revenue of consolidated public finance budgetary accounts



Source: Ministry of Finance.

Table 1: Consolidated balance sheet* of public finance

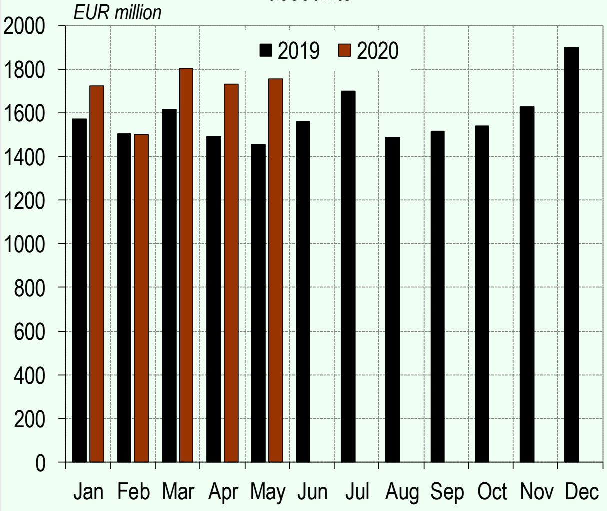
	2019	last 12 months to May 20			2019 Jan–May	2020 Jan–May	Jan–May 20
	EUR million		% GDP	y-o-y, %	EUR million		y-o-y, %
Revenue	**19,232**	**18,513**	**38.9**	**-3.2**	**7,844**	**7,125**	**-9.2**
Tax revenue	17,179	16,402	34.5	-1.8	7,049	6,272	-11.0
- goods and services	6,127	5,699	12.0	-6.7	2,462	2,035	-17.4
- social security contributions	7,021	6,885	14.5	2.1	2,867	2,731	-4.7
- personal income	2,592	2,532	5.3	0.7	1,095	1,035	-5.5
- corporate income	997	760	1.6	-18.8	480	243	-49.4
From EU budget	731	691	1.5	-19.3	348	309	-11.2
Other	1,323	1,419	3.0	-9.7	447	544	21.6
Expenditure	**18,969**	**19,843**	**41.7**	**7.0**	**7,636**	**8,510**	**11.4**
Current expenditure	8,228	8,497	17.9	5.0	3,423	3,691	7.8
- wages and other personnel expenditure (incl. contributions)	4,470	4,656	9.8	8.0	1,788	1,974	10.4
- purchases of goods, services	2,728	2,840	6.0	5.6	1,044	1,156	10.7
- interest	791	758	1.6	-3.8	523	490	-6.3
Current transfers	8,704	9,265	19.5	10.0	3,582	4,142	15.6
- transfers to individuals and households	7,324	7,649	16.1	7.8	2,998	3,323	10.9
Capital expenditure, transfers	1,527	1,579	3.3	4.0	368	421	14.3
To EU budget	510	502	1.1	-0.1	263	256	-2.8
Surplus (+) / Deficit (-)	**263**	**-1,330**	**-2.8**		**208**	**-1,386**	

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

Consolidated general government revenues over the first five months of the year were down EUR 720 million or 9.2% in year-on-year terms. The main factor was a fall in revenues from taxes and social security contributions, which have been declining in year-on-year terms since March. The decline was particularly pronounced in April and May, when total revenues from taxes and social security contributions were down EUR 833 million or approximately 28%. There are several reasons for the significant decline in taxes and social security contributions, including i) the decline in economic activity and the corresponding tax base, ii) the option of deferring taxes or paying them in instalments, iii) the option of later settlement of tax for the previous year,[1] iv) no need to make prepayments of personal income tax on income from business activities or of corporate income tax for April and May, with the taxes being deferred until 2021 if a supplementary payment is necessary. The largest decline over the first five months of the year was in corporate income tax, which was down around a half in year-on-year terms. Taxes on consumption also declined significantly, by just over 18%. A smaller decline (of around 5%) was seen in social security contributions and personal income tax. Amid the gradual renormalisation of economic activity, which is possible if the health situation is good enough, more favourable developments can be expected in tax revenues.

General government expenditure over the first five months of the year was up EUR 874 million or 11.4% in year-on-year terms. Primary expenditure, i.e. expenditure other than interest, began to rise sharply from March, when the measures to alleviate the coronavirus crisis were put in place; the rise in the categories of expenditure impacted by the measures was particularly evident. These include subsidies (government measures to co-finance temporarily laid-off employees and the payment of social security contributions for pension insurance for those in the private sector who remained in work during the epidemic), and social security transfers (including basic income payments to the self-employed and additional payments to vulnerable groups such as pensioners and students). Growth in wages and social security contributions for employees remains high. Alongside the measures agreed before the epidemic (the wage increases in September and November of last year, promotions, a rise in the minimum wage), they also include payments for heavy workload during the epidemic. Growth in government investment strengthened: over the first five months of the year it was up 17% on the same period last year.

Figure 2: Expenditure of consolidated public finance budgetary accounts



Source: Ministry of Finance.

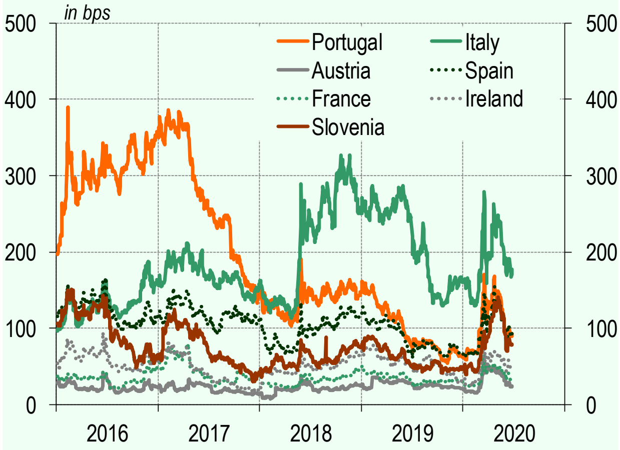
Figure 3: Budget balance of consolidated public finance budgetary accounts

Source: Ministry of Finance.

[1] In light of the epidemic, the Fiscal Intervention Measures Act stipulates that this year taxpayers may submit tax returns for the personal income tax prepayment for income tax on business activities and tax returns for corporate income tax two months later than normal, i.e. by 30 May 2020 (instead of 30 March 2020), slightly delaying the settlement of tax for the previous year.

increased subsidies. It was up 9.5% in year-on-year terms, driven primarily by subsidies, which were up 214% in year-on-year terms. This rise was mainly attributable to measures to alleviate the coronavirus crisis, in particular the job preservation measures (EUR 163 million in the first quarter). Growth in expenditure on goods and services (intermediate consumption) also increased, which is at least partly attributable to the purchase of equipment for the health emergency. Social security benefits recorded a growth of almost 8%, while compensation of employees was up 6.3%, primarily as a result of measures covered by the agreement on wages and other labour costs in the public sector from the end of 2018. Growth in government investment slowed, and interest payments were again down in year-on-year terms. While year-on-year employment growth in the government sector was relatively stable at 1.4% in the first quarter, the average wage increased by 4.2% during this period.

Figure 7.4: Spreads on 10-year government bonds as compared to Germany



Note: Spread is calculated as a difference between yield of 10-year government bond and the yield of reference German bond on a daily basis and is used as a measure of a country's credit risk.
Source: Bloomberg, Bank of Slovenia calculations.

General government debt and government guarantees

The general government debt is rising, given the need to fund the deficit driven by the coronavirus crisis. It amounted to EUR 33.4 billion or 69.6% of GDP at the end of the first quarter, up EUR 1.7 billion on the end of last year. Borrowing amounted to EUR 3.2 billion in the first quarter, the majority of which was for funding maturing debt, although part of the borrowing was also to fund this year's deficit. There was EUR 1.2 billion of borrowing for this purpose, according to SORS reporting. Borrowing remained elevated in the second quarter, when the government sector borrowed around EUR 3.9 billion via issuance of bonds and treasury bills, while just under EUR 350 million of debt issued by the state budget matured. SDH bonds in the amount of EUR 100 million also matured in June. The weighted average interest rate on this year's borrowing via Slovenian government bonds is relatively favourable at 0.7%. The treasury bills were mostly issued at negative interest rates, while the longer maturities attracted greater demand from investors.

Government guarantees declined again in the first quarter of this year, but are expected to increase by the end of the year. The stock of government guarantees amounted to EUR 5.3 billion or 11% of GDP at the end of the first quarter, down around EUR 100 million on the end of last year. Guarantees issued during the previous financial crisis and guarantees approved mainly for DARS declined by approximately the same amount. The stock of guarantees could increase substantially in the future, under the Act on Additional Liquidity to the Economy to Mitigate the Effects of the Covid-19 Epidemic, which is part of the anti-coronavirus legislative package of measures, and also for the purpose of financing investment projects for which government guarantees are allowed by law (in connection with road construction on the third development axis, and the second track of the Divača-Koper railway).

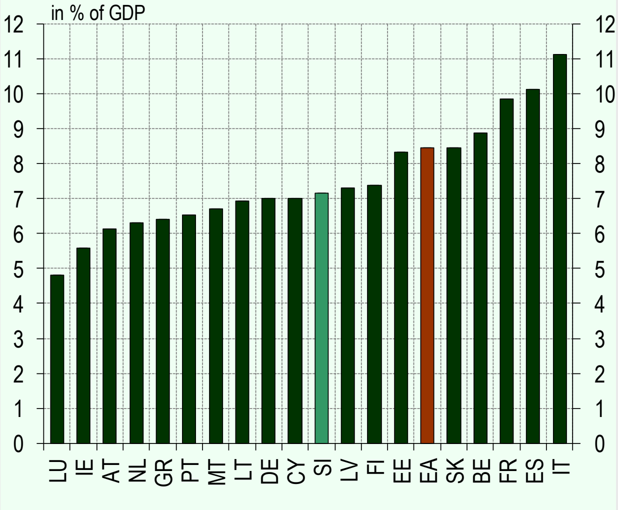
The required yield on 10-year Slovenian government bonds, which had risen sharply in the crisis, gradually declined as the ECB increased its stimulus measures and EU announced the launch of a recovery fund. There was a similar trajectory in the required yields and spreads in most other euro area periphery countries. In addition to the ECB increasing its monetary policy stimulus in late April and announcing the launch of an EU recovery fund in late May, the gradual decline in required yields in Slovenia and in other countries was accompanied by the gradual lifting of containment measures from the economy. In mid-June rating agency S&P held its outlook for Slovenia at stable, and confirmed no change in its long-term sovereign debt rating. The required yield on 10-year Slovenian government bonds peaked at close to 0.9% in the second half of April, but had gradually fallen to close to 0.3% by the end of June.

Box 7.2: General government deficit and debt forecasts for euro area countries in 2020

The Covid-19 pandemic means that euro area countries are anticipating large deficits and an increase in government debt this year. All countries will disclose a deficit; the overall deficit for the euro area is projected at 8.5% of GDP according to the European Commission's forecasts from early May. It stood at just 0.6% of GDP last year, with eleven countries in surplus, and no country with a deficit of more than 3% of GDP. The deficit forecasts for individual countries range from 4.8% of GDP for Luxembourg to 11.1% of GDP for Italy. The forecasts are mainly affected by the scale of the containment measures and the economic stimulus measures, and the fall in general government revenues caused by the decline in economic activity. The European Commission estimates the size of the euro area fiscal measures in 2020 at 3.3% of GDP; the vast majority of measures are planned on the expenditure side. On a country-by-country basis, the deficit forecasts are higher in countries that had large deficits even last year, but also include countries that were hit harder by the epidemic (Italy, Spain). The top four countries in terms of the size of the deficit also have relatively high debt, which last year was above or close to 100% of GDP. The deficit forecast for Slovenia is 7.2% of GDP, slightly below the euro area average, although this does not yet include the third package of anti-coronavirus measures.[1] The forecasts on this occasion are subject to huge uncertainty, given the uncertainty in the assessment of the measures and the possibility of additional measures being taken, and also the uncertainty surrounding the forecasts of economic growth and other factors related to the evolution of the epidemic domestically and globally. The forecasts of different institutions therefore vary greatly, and depend on the cut-off date by which they were drawn up.[2]

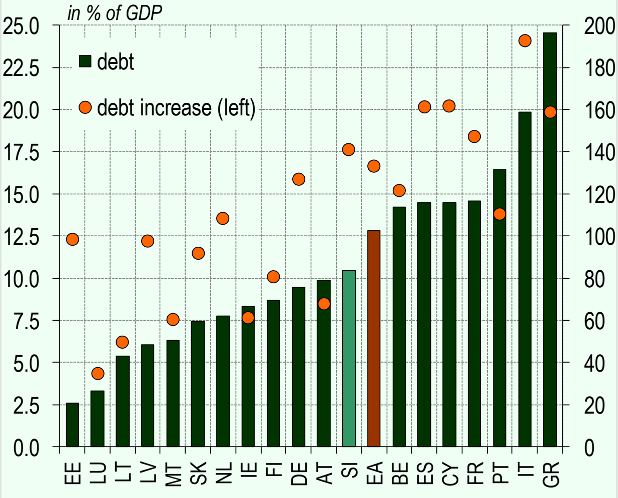
The debt-to-GDP ratio will rise significantly in euro area countries this year, partly as a result of large deficits, and partly as a result of declining GDP. In the euro area overall it will rise by approximately 17 percentage points, larger than the increase in 2009 (of around 11 percentage points). About half of the increase is attributable to the large general government deficit, and just under 40% is attributable to the decline in nominal GDP. The remainder consists of various deficit-debt adjustments, for example in connection with a rise in government liquidity reserves. The European Commission is forecasting Slovenia's debt-to-GDP ratio to rise by approximately the euro area average, i.e. around 18 percentage points, where around a fifth of the rise is the result of the decline in GDP, and the remainder is split equally between the deficit and adjustments. In the past GDP growth has reduced the debt-to-GDP ratio in Slovenia and in the euro area overall, other than in the years of economic crisis. The reduced interest payment burden during the period of low interest rates has also acted to reduce debt. The forecasts suggest that this year's rise in debt in countries with a low debt level will generally be smaller than in countries where the debt level is higher.

Figure 1: General government deficit forecast for 2020



Source: European Commission.

Figure 2: Forecast of general government debt and debt increse for 2020



Source: European Commission, Bank of Slovenia calculations.

[1] Banka Slovenije's forecast for the general government deficit in 2020 including the third package is 8.3% of GDP, while the OECD predicted a deficit of 8.8% of GDP in its June forecasts (source: https://bankaslovenije.blob.core.windows.net/publication-files/macroeconomic-projections-for-slovenia-june-2020_ii.pdf).

[2] Of the larger euro area countries, Germany for example adopted additional fiscal measures in early June, i.e. after the release of the European Commission forecasts. The German central bank estimates their size at around 4% of GDP, and they will mostly be carried out in 2020. The German central bank estimates that they will increase this year's deficit by approximately 1.5 GDP percentage points to 7.5% of GDP (source: https://www.bundesbank.de/resource/blob/834298/cc5182c7d80d0478f3da47f3312e3deb/mL/2020-06-prognose-data.pdf). The OECD's forecast for Germany from early June was a deficit of 9.1% of GDP.

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Planned developments in general government balance and debt

The epidemic and the related measures to protect health, household income and economic potential will be the main factors in this year's large general government deficit. After two years of a small surplus in the public finances, the available figures suggest that a large deficit is expected this year, in the order of 8% of GDP. The deterioration is attributable to the economic downturn, and also to the measures put in place to support businesses and vulnerable population groups, and to protect public health. Given the uncertainty in the future evolution of the epidemiological picture, economic developments and any ongoing fiscal measures taken by the government, all forecasts are exposed to high risks.

The general government sector can be expected to remain in deficit over the coming years, but given the temporary nature of the measures it is likely to be significantly smaller than this year. The Ministry of Finance has not given its forecasts for the following years, but the forecasts available for next year suggest a deficit of between approximately 2% and 6% of GDP.[1] The improvement relative to this year is primarily attributable to the expiry of temporary recovery measures in connection with Covid-19, which are making this year's results worse, but the government balance will also be highly dependent on the pace of the economic recovery. Financing conditions are expected to remain favourable over the entire period, thus reducing the interest payment burden. The gradual economic recovery should also bring a gradual increase in general government revenues.

This year the ratio of general government debt to GDP is forecast to reach its level from 2015, the highest figure to date, and only then to gradually diminish. The general government debt amounted to around EUR 32 billion in previous years, but this year is forecast to rise to around EUR 37.5 billion or more than 82% of GDP, driven by a nominal rise in debt and a decline in GDP. Given the forecast for deficits and renewed growth in GDP, general government debt might only decline gradually over the following years, and the expectation is that it might take a considerable number of years to reduce it to below the reference value.[2]

[1] According to Banka Slovenije forecasts, the general government deficit is expected to narrow from 8.3% of GDP this year to 3.1% of GDP next year (see https://bankaslovenije.blob.core.windows.net/publication-files/macroeconomic-projections-for-slovenia-june-2020_ii.pdf). The European Commission is forecasting a deficit of 2.1% of GDP next year, while the OECD is forecasting a deficit of 5.7% of GDP in its scenario with no second wave.

[2] After reaching 82.6% of GDP in 2015, the general government debt declined to 66.1% of GDP over the course of four years, i.e. by the end of 2019. This entails an average annual reduction of around 4 GDP percentage points. At that pace of debt reduction, it would need two more years to get below the mark of 60% of GDP, from which it follows that it would need six years to get below the reference value in the hypothetical case described.

The economic downturn allowed for greater flexibility to be exercised in fiscal rules, both domestic and European. On 17 March the Fiscal Council issued its assessment that the declaration of the epidemic in Slovenia satisfies the definition of an unusual event outside the control of the state, which allows for exceptional circumstances to be applied to measures to alleviate the epidemic. This allows for a temporary deviation from the medium-term balance of the public finances, although this cannot be allowed to endanger medium-term fiscal sustainability. European fiscal rules based on the Stability and Growth Pact are also being relaxed. In light of the impact of the epidemic on the whole European economy, on 23 March EU finance ministers approved the use of the general escape clause envisaged by the Stability and Growth Pact for all Member States. It is uncertain how long the relaxation of fiscal rules will last.

8 Selected Themes

8.1 Consumer inflation expectations during the epidemic

Although consumer prices as measured by the HICP fell sharply while the containment measures were in place, and domestic and international institutions revised their inflation forecasts downwards for this year, according to SORS survey data consumer expectations of future growth in consumer prices in Slovenia have risen slightly. The rise was largely attributable to the methodology for calculating the balance indicator, which given the qualitative nature of the survey question is defined as the weighted difference between positive and negative responses. Quantified survey data show that there had been no significant change in consumer expectations, however the heterogeneity of consumer inflation expectations had increased in the environment of huge uncertainty. The increased divergence in inflation expectations can be linked to the increased heterogeneity in changes in prices of individual products and services. This increased in the current crisis, as a result of the crisis's varying impact on providers and certain measures, which reduced energy prices in particular.

Inflation expectations balance indicator

The balance indicator on expected price developments is derived from the consumer survey data conducted each month by the SORS. The survey asks consumers of their expectations with regard to developments in prices of consumer goods over the next 12 months compared with price developments over the past 12 months. They can choose from the following options: (response 1) prices will increase more rapidly, (response 2) prices will increase at the same rate, (response 3) prices will increase at a slower rate, (response 4) prices will stay about the same, (response 5) prices will fall, or (response 6) don't know, no answer. Given the qualitative nature of the question, the consumer inflation expectations statistic is calculated as the balance of responses according to equation (1), which assigns the largest weight to the most extreme responses, while giving zero weight to the middle response (response 3) and the final response (response 6):

(1) Weighted balance= (response 1) + 0.5*(response 2) – 0.5*(response 4) – (response 5)

The weighted balance depends on the distribution of responses and the weights chosen. The balance takes a value between -100 and 100, and depends on the distribution of responses to the survey question. The weights assigned by the weighted balance in equation (1) to the individual categories are specified arbitrarily, and aim to capture the various sizes of the expected changes in prices.[1] Here the choice of weights affects the balance statistics, for which reason two other unweighted versions of the balance are calculated with the aim of illustrating the impact of the choice of methodology: the simple unweighted balance of inflation expectations (unweighted balance (1) in Figure 1), where all responses are assigned the same weights in equation (1), and the unweighted balance (unweighted balance (2) in Figure 1) that expresses the difference between the share of consumers expecting prices to rise over the next 12 months (responses 1 to 3) and the share of consumers expecting prices to fall (response 5):

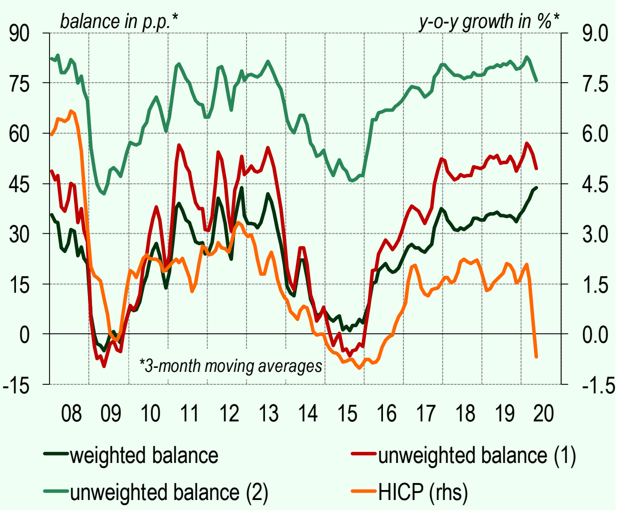
(2) Unweighted balance (2)= (response 1) + (response 2) + (response 3) – (response 5)

[1] This approach to calculating balance statistics is dictated by the European Commission, which co-finances national statistical surveying at the EU level.

Selected versions of the balance indicator show opposing trajectories over the epidemic period. All three balances are illustrated in Figure 1, and are compared with year-on-year consumer price inflation as measured by the HICP. This fell sharply since the declaration of the epidemic, from 2% in February to -1.3% in April and -1.4% in May. At the same time the consumer inflation expectations balance indicator rose according to the official SORS statistic, while according to the two unweighted statistics it fell in parallel with the fall in consumer prices, although it remained high. According to unweighted balance (2), there was a rise in the share of consumers expecting prices to fall, at the expense of those expecting prices to rise, with the balance declining by 11 percentage points from its high in February to reach 73 percentage points in April (see Figure 8.1.1).

Irrespective of the chosen methodology, the balance statistics are problematic when it comes to interpretation. The balance does not give any insight into the level of expected inflation, and there are also difficulties with the interpretation of the direction of expected future developments in consumer prices. The balance of responses is not dependent solely on their distribution and the formulation of the balance, but also on consumer perceptions of price developments in the past.[2] Consumers express their expectations with regard to their perception of past price developments, which means that in the wake of a decline in the perceived past price developments, a rise in the inflation expectations balance does not necessarily entail higher inflation expectations.

Figure 8.1.1: Price expectations according to consumer survey



Source: SORS, Bank of Slovenia calculations.

Quantification of consumer inflation expectations

The difficulties in the interpretation of balance statistics can be circumvented by quantifying consumer inflation expectations. The next step is therefore to formulate a quantitative assessment of inflation expectations on the basis of the results of the qualitative questionnaire in line with a probability method. Assuming a normal distribution for inflation expectations, the mean and standard deviation can be expressed by equation (3):

$$\pi^{p}_{t+12|t} = -\pi^{z}_{t|t}\left[\frac{Z^3_t+Z^4_t}{Z^1_t+Z^2_t-Z^3_t-Z^4_t}\right] \qquad (3)$$

$$\sigma_t = 2\pi^{z}_{t|t}\left[\frac{1}{Z^1_t+Z^2_t-Z^3_t-Z^4_t}\right]$$

where $\pi^{p}_{t+12|t}$ is the quantified inflation expectations over the next 12 months and $\pi^{z}_{t|t}$ is the perceived price developments. Then $Z^1_t = N^{-1}(1-s_1)$, $Z^2_t = N^{-1}(1-s_1-s_2)$, $Z^3_t = N^{-1}(1-s_1-s_2-s_3)$ and $Z^4_t = N^{-1}(s_5)$, where N^{-1} is the inverse standard-normal cumulative distribution function and $\{s_1, s_2, s_3, s_4, s_5\}$ is the share of surveyed consumers who selected a particular response in the survey. The share of consumers who responded "don't know, no answer" (response 6) is eliminated from the calculation, while the shares in the remaining five categories are adjusted so that they sum to one. According to equation (3), the quantitative metric of inflation expectations depends on the distribution of responses to the survey question and consumers' perceptions of price developments.

The quantitative metric of perceived price developments is formulated along the lines of Badarinza and Buchmann (2009). A regression equation (4) is estimated; it assumes a relationship between the weighted ba-

[2] In the consumer survey, consumers are asked to state their views of developments in prices of consumer goods over the past 12 months, choosing from the following options: (response 1) prices have risen a lot, (response 2) prices have risen moderately, (response 3) prices have risen slightly, (response 4) prices have stayed about the same, (response 5) prices have fallen, or (response 6) don't know, no answer.

lance of perceived price developments in the past 12 months (s_t^z) and year-on-year growth in the consumer price index (π_t):[3]

$$\pi_t = \alpha_0 + \alpha_1 s_t^z + \epsilon_t \tag{4}$$

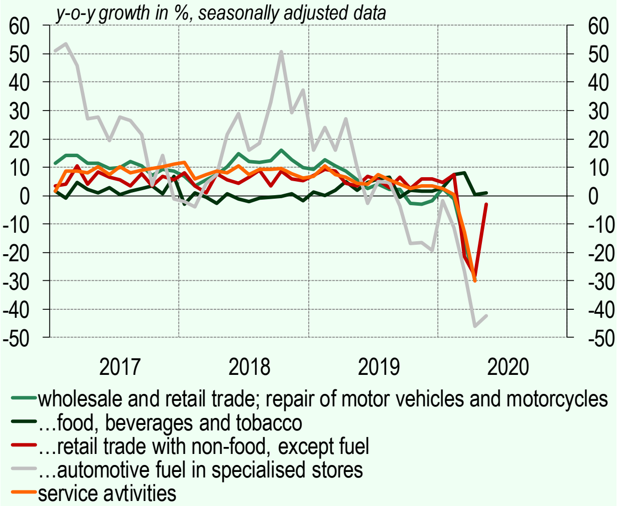
The relationship in equation (4) is estimated recursively on 36-month samples, which means that the quantitative estimate of perceived price developments for each month is based on the previous 36 months of data on year-on-year inflation and the weighted balance of consumers' inflation perceptions. The quantitative metric of consumers' perception of inflation is derived from equation (5), where $\hat{\alpha}_0$ and $\hat{\alpha}_1$ are estimates of the linear regression parameters in equation (4):

$$\pi_{t|t}^z = \hat{\alpha}_0 + \hat{\alpha}_1 s_t^z \tag{5}$$

The quantified indicators of consumers' inflation perceptions and expectations declined slightly with the outbreak of the epidemic. In contrast to the previous crisis, when the two indicators declined in parallel with the fall in consumer prices, on this occasion consumers have not responded to the pronounced economic downturn to the same degree. The two indicators did decline slightly: in May consumers perceived a rise of 1.5% in consumer prices over the past 12 months, 0.5 percentage points less than in February, while inflation expectations for the next 12 months were down 0.3 percentage points on February at 1.6% in May.

The relatively high value of the quantified indicator of consumers' inflation perceptions during the period of containment measures could be a consequence of the change in consumption by households. During this period consumption most likely shifted in the direction of increased spending on food, with a reduction in the share of spending earmarked for motor fuels and services, which were mostly unavailable in April. Conclusions about the change in the structure of consumption can also be drawn from the turnover figures for wholesale and retail trade and trade and repair of motor vehicles, and from the turnover figures for services (see Figure 8.1.3). Nominal turnover in trade was down fully 28% in year-on-

Figure 8.1.3: Value of turnover in retail trade, wholesale and service activities

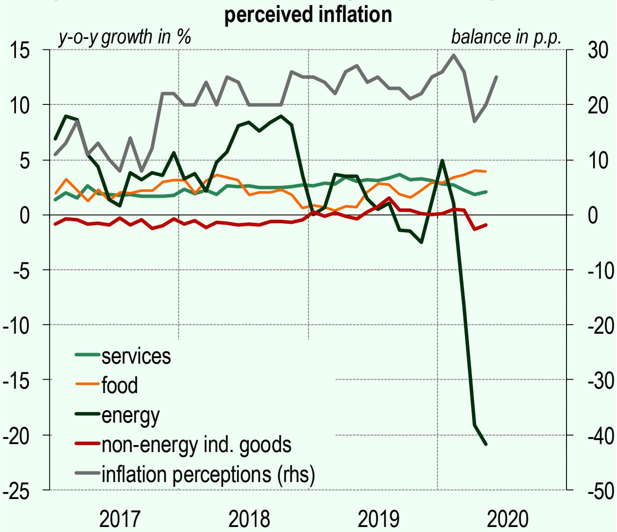


Source: SORS, Bank of Slovenia calculations.

Figure 8.1.2: Quantified consumer inflation expectations

Source: SORS, Bank of Slovenia calculations.

Figure 8.1.4: Price developments by HICP subcategories and perceived inflation



Source: SORS, Bank of Slovenia calculations.

3 The weighted balance of perceived price developments over the past 12 months is calculated using the same methodology as the weighted balance of inflation expectations (equation (1)).

year terms in April, as all categories of trade recorded year-on-year declines other than trade in food, beverages and tobacco products, while nominal turnover in services was also down in year-on-year terms, by 30%. At the time of the assumed change in the structure of household consumption, there was actually a sharp fall in prices of motor fuels, while the largest rise was in food prices, which most likely had an impact on consumers' inflation perceptions. This had a further impact on their inflation expectations.

Heterogeneity of consumer inflation expectations

Although consumer inflation expectations did not decline significantly during the fall in consumer prices, they did respond to the changing economic situation with greater divergence. In response to the rising uncertainty, there was an increase in the heterogeneity of expectations during the epidemic, as indicated by the changes in the shares of responses to the question on expected price developments over the next 12 months illustrated in Figure 8.1.5. The share of consumers who expressed an expectation that prices will increase more rapidly over the next 12 months than in the past 12 months (response 1) began to increase back in March, and in April 46% of surveyed consumers were expecting a stronger price growth, almost double the level in February. The increase in this share came at the expense of the share of those who were expecting prices to rise at the same rate (response 2). By contrast, there was also an increase in the share of consumers who were expecting a fall in prices over the next 12 months (response 5). This share stood at 5% in April, the highest figure of the last decade.

The indicator of heterogeneity of inflation expectations can be calculated on the basis of the response shares using the Leti index. This measures the heterogeneity in the distribution of an ordinal variable Y.[4] In the case of an ordinal variable with k ordinal categories $y_1, \dots, y_j, \dots, y_k$ and n observations, where $n_1, \dots, n_j, \dots, n_k$ are the frequencies observed in each category k, the cumulative relative frequency of the category y_j can be expressed as:

$$F(y_j) = \frac{\sum_{i=1}^{j} n_i}{n} \qquad (6)$$

while the Leti heterogeneity index is calculated according to equation (7):

$$L = 2\sum_{j=1}^{k-1} F(y_j)\left[1 - F(y_j)\right] \qquad (7)$$

and is normalised by dividing the index by $(k-1)/2$. Were observations to be concentrated into a single category, the value of the normalised index would be zero, while if all observations were to appear only in the two extreme

Figure 8.1.5: Consumer survey, future trend of consumer prices expectations*

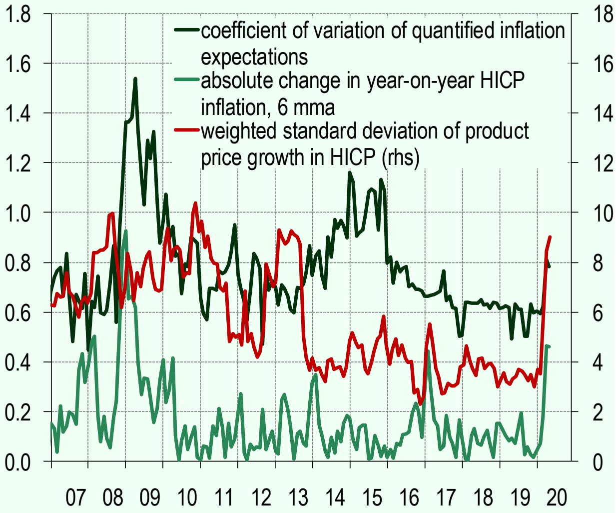
Note: Because of rounding, the totals do not add up to 100.
Source: SORS.

Figure 8.1.6: Heterogeneity of inflation expectations

Source: SORS, Bank of Slovenia calculations.

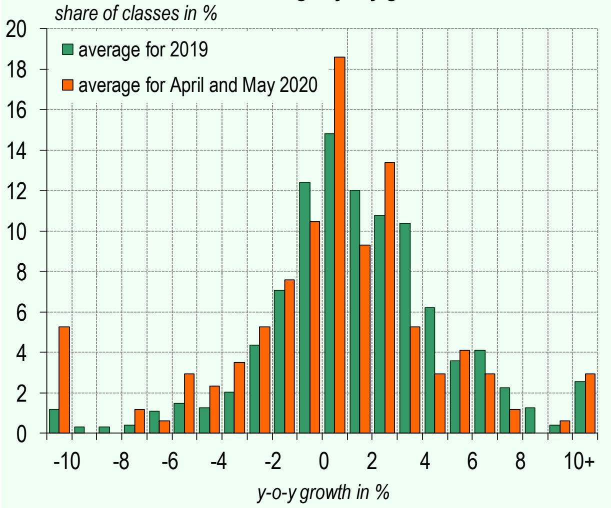
[4] An ordinal variable is a variable whose values can be arranged from smallest to largest, but the differences between the values cannot be determined, or the ratios of the values have no significance.

Figure 8.1.7: Heterogeneity of inflation expectations and HICP inflation



Source: SORS, Bank of Slovenia calculations.

Figure 8.1.8: Distribution of goods and services classes in the HICP according to y-o-y growth



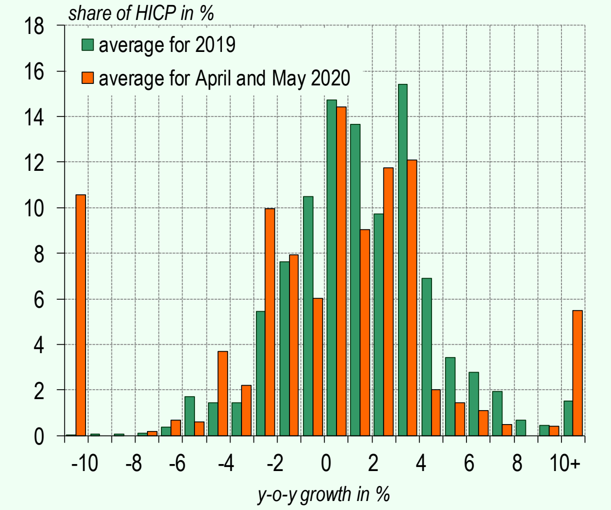
Source: SORS, Bank of Slovenia calculations.

categories, the index would be equal to one, and the heterogeneity the highest.

Similarly, conclusions can be drawn about the divergence in consumer inflation expectations on the basis of the quantified inflation expectations. In this case the heterogeneity can be described by the coefficient of variation, which is the ratio of the standard deviation to the mean in equation (3). The heterogeneity of inflation expectations established on the basis of qualitative data and quantified inflation expectations is illustrated in Figure 8.1.6. Both indicators revealed a pronounced increase in the heterogeneity of inflation expectations in April.

The increase in the heterogeneity of inflation expectations during the epidemic can be attributed to rising uncertainty. This is estimated below by means of two indicators, namely the change in year-on-year growth in the consumer price index and the heterogeneity of observed price changes for individual classes of products and services that make up the consumer price index.[5] The latter is described by the month-specific standard deviation of year-on-year growth in prices of the classes, where the year-on-year growth for each class is weighted with its corresponding weight in the consumer price index. There is an expectation that consumers are more likely to adjust their expectations during major changes in year-on-year growth in the consumer price index, and

Figure 8.1.9: Distribution of goods and services classes in the HICP according to y-o-y growth, weighted with HICP weights



Source: SORS, Bank of Slovenia calculations.

that in the wake of an increased heterogeneity of price changes of individual classes of products and services, inflation expectations will diverge owing to the heterogeneity of information the consumers are faced with. The heterogeneity of inflation expectations indicator is illustrated in parallel with the two metrics of uncertainty in Figure 8.1.7, from which the jump in all three indicators during the period of the epidemic is evident. The outbreak of the epidemic resulted in a pronounced increase in particular in the heterogeneity of price changes of classes of products and services in the consumer price index. The average proportion of classes that recorded very high or very low year-on-year price changes in April and May

[5] A class is the fourth level of the European Classification of Individual Consumption according to Purpose (ECOICOP). This can be found at: https://ec.europa.eu/eurostat/ramon/nomenclatures/index.cfm?TargetUrl=LST_NOM_DTL&StrNom=COICOP_5&StrLanguageCode=EN&IntPcKey=&StrLayoutCode=HIERARCHIC.

Table 8.1.1: Year-on-year growth in prices of individual classes of goods and services in HICP

	weight in HICP (in %)	average for 2019 (y-o-y growth in %)	average for April and May 2020 (y-o-y growth in %)
Classes with the highest year-on-year price growth during the epidemic			
Fruit	1.4	2.5	14.5
Refuse collection	0.5	11.9	12.9
Meat	0.3	2.3	11.3
Insurance connected with health	0.7	7.6	7.0
Jewellery, clocks and watches	0.3	3.4	6.3
Sewage collection	0.8	4.2	6.2
Domestic services and household services	0.1	5.6	5.8
Water supply	0.4	3.4	5.7
Postal services	0.8	8.8	5.5
Newspapers and periodicals	3.7	4.2	5.5
Classes with the largest year-on-year price drop during the epidemic			
Liquid fuels	0.8	1.9	-28.6
Electricity	2.8	1.4	-28.2
Fuels and lubricants for personal transport equipment	6.6	-2.5	-22.4
Recording media	0.0	-19.2	-13.0
Equipment for the reception, recording and reproduction of sound and pi	0.3	-4.8	-11.7
Household textiles	0.4	1.8	-6.8
Photographic and cinematographic equipment and optical instruments	0.1	-3.6	-5.3
Carpets and other floor coverings	0.1	-2.0	-4.4
Footwear	1.3	2.7	-4.1
Solid fuels	1.1	5.4	-3.9

Source: SORS, Bank of Slovenia calculations.

was higher than the average seen in 2019 (see Figure 8.1.8). The increase in heterogeneity is even more pronounced if the year-on-year growth rates in individual classes are weighted with the corresponding weights in the HICP (see Figure 8.1.9).

The increased heterogeneity of consumer inflation expectations is indicative of the extreme uncertainty with regard to the impact of the current crisis on developments in consumer prices in the coming months. The increase in the heterogeneity of price growth of products and services as a result of the crisis's varying impact on providers, and the change in the structure of household consumption brought an increase in the divergence of consumer inflation expectations in April and May. The increased heterogeneity is indicative of the huge uncertainty with regard to the short-term impact of the epidemic on consumer price inflation. Amid disruptions to production and supply chains, this has been subject to upward pressures from the supply side, while the demand side has predominantly seen strong downward pressures in connection with the rising unemployment rate and the fall in private consumption.

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9 Statistical Appendix

The appendix cites a selection of statistics drawn up by 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 are given in this appendix, while more detailed explanations are given in the appendix to the Bank of Slovenia bulletin.

Table 9.1: Consolidated balance sheet of monetary financial institutions

EUR million	**2016**	**2017**	**2018**	**19Q3**	**19Q4**	**Mar 20**	**Apr 20**	**May 20**
1.1. Claims of the Bank of Slovenia	6,544	7,143	8,168	8,292	10,594	11,522	13,868	14,337
1.2. Claims of other MFIs	8,100	8,504	8,279	8,714	8,342	8,439	8,518	8,466
1. Claims on foreign sectors (foreign assets)	**14,643**	**15,647**	**16,447**	**17,006**	**18,936**	**19,960**	**22,385**	**22,803**
2.1. Claims of the Bank of Slovenia on central government	4,618	6,247	7,165	7,791	7,719	7,399	7,662	8,307
2.2.1.1. Loans	1,506	1,425	1,174	1,099	1,048	1,010	1,009	1,009
2.2.1.2. Securities	4,767	3,744	3,763	3,938	3,648	3,743	3,850	3,829
2.2.1. Claims on central government	6,273	5,170	4,937	5,037	4,696	4,753	4,859	4,838
2.2.2.1. Loans	579	571	580	574	602	613	614	612
2.2.2.2. Securities	0	0	-	-	-	-	-	-
2.2.2. Claims on other general government	579	571	580	574	602	613	614	612
2.2. Claims of other MFIs on general government	6,852	5,740	5,517	5,611	5,297	5,367	5,473	5,449
2.3.1.1. Loans	9,306	9,311	9,177	9,540	9,290	9,780	9,680	9,517
2.3.1.2. Securities	405	334	319	328	298	290	291	290
2.3.1. Claims on nonfinancial corporations	9,711	9,645	9,497	9,868	9,587	10,070	9,971	9,808
2.3.2. Households and non-profit institutions serving households	9,154	9,735	10,370	10,833	10,981	10,954	10,882	10,890
2.3.3.1. Loans	865	1,171	1,070	1,074	1,248	1,263	1,251	1,245
2.3.3.2. Securities	543	395	432	413	412	412	412	411
2.3.3. Claims on nonmonetary financial institutions	1,408	1,566	1,502	1,486	1,661	1,675	1,663	1,657
2.3. Claims of other MFIs on other non-MFIs	20,272	20,946	21,369	22,187	22,229	22,699	22,516	22,355
2. Claims on domestic non-MFIs	**31,743**	**32,934**	**34,050**	**35,589**	**35,245**	**35,465**	**35,651**	**36,111**
3. Remaining assets	**2,192**	**1,461**	**1,477**	**1,653**	**1,660**	**1,672**	**1,542**	**1,580**
Total assets	**48,578**	**50,042**	**51,974**	**54,248**	**55,842**	**57,097**	**59,578**	**60,494**
1.1. Bank of Slovenia	1,267	1,506	63	144	134	106	167	53
1.2. Other MFIs	5,094	4,436	3,986	4,094	4,342	4,477	4,454	4,321
1. Obligations to foreign sectors (foreign liabilities)	**6,362**	**5,943**	**4,049**	**4,237**	**4,476**	**4,583**	**4,621**	**4,374**
2.1.1.1. Banknotes and coins (after 1.1.2007 ECB key)	5,160	5,371	5,655	5,669	5,847	5,933	6,020	6,105
2.1.1.2. Overnight deposits at other MFIs	15,471	17,727	19,877	21,131	21,699	22,570	23,048	23,437
2.1.1.3.1. Non-monetary financial institutions	69	11	76	315	296	291	300	300
2.1.1.3.2. Other government sector	62	107	100	124	111	124	118	123
2.1.1.3. Overnight deposits at the Bank of Slovenia	131	118	176	439	407	415	418	423
2.1.1. Banknotes and coins and overnight liabilities	20,761	23,216	25,708	27,239	27,953	28,918	29,486	29,965
2.1.2.1. Deposits at the Bank of Slovenia	-	-	-	-	-	-	-	-
2.1.2.2. Deposits at other MFIs	6,864	6,127	5,727	5,658	5,697	5,456	5,309	5,323
2.1.2. Time deposits	6,864	6,127	5,727	5,658	5,697	5,456	5,309	5,323
2.1.3. Deposits reedemable at notice up to 3 months	464	473	492	650	541	539	579	563
2.1. Banknotes and coins and deposits up to 2 years	28,089	29,816	31,927	33,548	34,190	34,913	35,374	35,851
2.2. Debt securities, units/shares of money market funds and repos	102	55	78	56	55	89	82	77
2. Banknotes and coins and instruments up to 2 years	**28,190**	**29,871**	**32,006**	**33,603**	**34,246**	**35,002**	**35,455**	**35,928**
3. Long-tern financial obligations to non-MFIs	**1,510**	**1,524**	**1,314**	**1,322**	**1,285**	**1,333**	**1,291**	**1,259**
4. Remaining liabilities	**14,100**	**14,035**	**15,675**	**16,512**	**17,232**	**17,473**	**19,556**	**20,162**
5. Excess of inter-MFI liabilities	**-1,584**	**-1,330**	**-1,069**	**-1,427**	**-1,396**	**-1,294**	**-1,346**	**-1,229**
Total liabilities	**48,578**	**50,042**	**51,974**	**54,248**	**55,842**	**57,097**	**59,578**	**60,494**

Table 9.2: Balance sheet of the Bank of Slovenia

EUR million	2016	2017	2018	19Q3	19Q4	Mar 20	Apr 20	May 20
1.1. Gold	112	111	115	139	138	150	161	159
1.2. Receivable form IMF	361	338	372	386	381	385	389	381
1.3. Foreign cash	0	0	0	0	0	0	0	0
1.4. Loans, deposits	588	233	1,464	1,174	3,661	4,708	6,929	7,423
1.5. Securities	5,380	6,359	6,114	6,463	6,271	6,129	6,228	6,205
1.6. Other claims	103	103	103	130	142	149	162	168
1. Claims on foreign sectors (foreign assets)	**6,544**	**7,143**	**8,168**	**8,292**	**10,594**	**11,522**	**13,868**	**14,337**
2.1. Claims on central government	4,618	6,247	7,165	7,791	7,719	7,399	7,662	8,307
2.2.1. Loans	714	1,142	1,102	982	995	1,055	1,175	1,175
2.2.2. Other claims	99	98	3	51	51	51	51	51
2.2. Claims on domestic monetary sector	813	1,240	1,105	1,032	1,046	1,106	1,227	1,226
2.3. Claims on other domestic sectors	2	2	2	2	2	2	2	2
2. Claims on domestic sectors (domestic assets)	**5,433**	**7,489**	**8,271**	**8,825**	**8,767**	**8,507**	**8,891**	**9,536**
3. Remaining assets	**973**	**279**	**314**	**343**	**396**	**374**	**331**	**340**
Total assets	**12,950**	**14,911**	**16,753**	**17,461**	**19,757**	**20,403**	**23,089**	**24,212**
1. Banknotes and coins (ECB key from 1.1.2007 on)	**5,160**	**5,371**	**5,655**	**5,669**	**5,847**	**5,933**	**6,020**	**6,105**
2.1.1.1.1. Overnight	2,252	2,939	3,391	2,990	4,348	4,159	4,560	5,212
2.1.1.1.2. With agreed maturity	-	-	-	-	-	-	-	-
2.1.1.1. Domestic currency	2,252	2,939	3,391	2,990	4,348	4,159	4,560	5,212
2.1.1.2. Foreign currency	-	-	-	-	-	-	-	-
2.1.1. Other MFIs	2,252	2,939	3,391	2,990	4,348	4,159	4,560	5,212
2.1.2.1.1. Overnight	1,949	2,521	3,704	2,312	3,120	3,590	5,691	5,879
2.1.2.1.2. With agreed maturity	-	-	-	-	-	-	-	-
2.1.2.1. In domestic currency	1,949	2,521	3,704	2,312	3,120	3,590	5,691	5,879
2.1.2.2. Foreign currency	78	56	5	5	6	6	6	6
2.1.2. General government	2,027	2,577	3,708	2,317	3,126	3,596	5,697	5,885
2.1.3.1. Non-financial corporations	-	-	-	-	-	-	-	-
2.1.3.2. Non-monetary financial institutions	69	11	76	315	296	291	300	300
2.1.3. Other domestic sectors	69	11	76	315	296	291	300	300
2.1. Domestic sectors	4,348	5,527	7,176	5,621	7,770	8,046	10,557	11,397
2.2. Foreign sectors	1,267	1,506	63	144	134	106	167	53
2. Deposits	**5,615**	**7,033**	**7,238**	**5,765**	**7,904**	**8,152**	**10,725**	**11,450**
3.1. Domestic currency	-	-	-	-	-	-	-	-
3.2. Foreign currency	-	-	-	-	-	-	-	-
3. Issued securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
4. SDR allocation	**275**	**256**	**262**	**270**	**266**	**269**	**271**	**266**
5. Capital and reserves	**1,748**	**1,883**	**1,945**	**3,021**	**2,763**	**2,666**	**2,560**	**2,734**
6. Remaining liabilities	**152**	**367**	**1,653**	**2,736**	**2,976**	**3,383**	**3,514**	**3,657**
Total liabilities	**12,950**	**14,911**	**16,753**	**17,461**	**19,757**	**20,403**	**23,089**	**24,212**

Table 9.3: Balance sheet of other monetary financial institutions

EUR million	2016	2017	2018	19Q3	19Q4	Mar 20	Apr 20	May 20
1.1.1. Cash	322	355	425	397	432	452	451	427
1.1.2. Accounts and deposits at the Bank of Slovenia, other claims	2,252	2,939	3,391	2,990	4,348	4,159	4,560	5,212
1.1.3. Securities of the Bank of Slovenia	-	-	-	-	-	-	-	-
1.1. Claims on Bank of Slovenia	2,574	3,294	3,817	3,387	4,780	4,611	5,011	5,640
1.2.1. Loans	1,061	873	865	811	788	754	782	797
1.2.2. Debt securities	256	71	18	93	94	96	96	95
1.2.3. Shares and other equity	2	2	1	0	0	451	451	451
1.2. Claims on other MFI's	1,319	947	883	904	882	1,301	1,328	1,343
1.3.1. Loans	21,410	22,213	22,371	23,120	23,168	23,620	23,436	23,273
1.3.2. Debt securities	5,030	3,775	3,797	3,969	3,674	3,767	3,873	3,851
1.3.3. Shares and other equity	685	698	717	710	683	678	680	680
1.3. Claims on nonmonetry sectors	27,125	26,687	26,885	27,798	27,526	28,066	27,988	27,804
1. Claims on domestic sectors (domestic assets)	**31,018**	**30,927**	**31,585**	**32,090**	**33,187**	**33,978**	**34,328**	**34,787**
2.1.1. Cash	38	35	35	45	40	38	38	40
2.1.2. Loans	2,628	2,154	1,681	2,022	1,640	1,867	2,057	2,014
2.1.3. Debt securities	1,165	1,333	1,311	1,361	1,312	1,248	1,252	1,262
2.1.4 Shares and other equity	567	579	578	578	578	578	578	578
2.1. Claims on foreign monetary sectors	4,398	4,100	3,605	4,006	3,570	3,732	3,926	3,895
2.2.1. Loans	1,155	899	1,023	1,180	1,103	1,157	1,194	1,197
2.2.2. Debt securities	2,151	3,190	3,346	3,226	3,364	3,244	3,092	3,069
2.2.3. Shares and other equity	396	314	305	302	305	305	305	305
2.2. Claims on foreign nonmonetary sectors	3,701	4,404	4,674	4,707	4,772	4,707	4,592	4,571
2. Claims on foreign sectors (foreign assets)	**8,100**	**8,504**	**8,279**	**8,714**	**8,342**	**8,439**	**8,518**	**8,466**
3. Remaining assets	**1,074**	**1,015**	**762**	**1,252**	**1,136**	**1,228**	**1,204**	**1,145**
Total assets	**40,191**	**40,447**	**40,626**	**42,056**	**42,666**	**43,645**	**44,049**	**44,397**
1.1.1. Deposits, loans from the Bank of Slovenia	714	1,142	1,102	982	995	1,055	1,175	1,175
1.1.2. Deposits, loans from other MFIs	1,123	962	931	925	917	882	923	943
1.1.3. Debt securities issued	18	12	-	15	16	15	15	15
1.1. Laibilities to monetary sectors	1,855	2,115	2,033	1,921	1,928	1,952	2,114	2,133
1.2.1.1. Overnight	15,038	17,287	19,396	20,592	21,191	22,035	22,508	22,891
1.2.1.2. With agreed maturity	9,076	8,125	7,477	7,372	7,418	7,190	7,022	6,973
1.2.1.3. Reedemable at notice	615	548	561	739	622	650	673	660
1.2.1. Deposits in domestic currency	24,729	25,960	27,434	28,703	29,232	29,874	30,202	30,524
1.2.2. Deposits in foreign currency	632	593	626	660	613	652	641	654
1.2.3. Debt securities issued	38	15	15	30	68	69	69	69
1.2. Liabilities to nonmonetary sectors	25,400	26,569	28,075	29,393	29,913	30,595	30,912	31,246
1. Obligations to domestic sectors (domestic liabilities)	**27,254**	**28,683**	**30,108**	**31,315**	**31,840**	**32,547**	**33,026**	**33,380**
2.1.1. Deposits	2,084	1,627	1,550	1,531	1,282	1,303	1,264	1,141
2.1.2. Debt securities issued	710	327	111	310	428	547	547	547
2.1. Liabilities to foreign monetry sectors	2,794	1,954	1,660	1,841	1,710	1,850	1,812	1,688
2.2.1. Deposits	1,738	1,975	1,693	1,580	1,910	1,905	1,921	1,912
2.2.2. Debt securities issued	23	22	22	35	85	84	84	84
2.2. Liabilities to foreign nonmonetary sectors	1,761	1,997	1,715	1,614	1,994	1,990	2,005	1,996
2. Obligations to foreign sectors (foreign liabilities)	**4,555**	**3,952**	**3,375**	**3,455**	**3,704**	**3,840**	**3,817**	**3,684**
3. Capital and reserves	**4,841**	**4,904**	**4,886**	**5,055**	**5,097**	**5,072**	**5,103**	**5,174**
4. Remaining liabilities	**3,540**	**2,908**	**2,256**	**2,231**	**2,024**	**2,186**	**2,104**	**2,160**
Total liabilities	**40,191**	**40,447**	**40,626**	**42,056**	**42,666**	**43,645**	**44,049**	**44,397**

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

in % on annual level	2016	2017	2018	2019	Mar 20	Apr 20	May 20
1. Interest rates of new loans							
1.1. Loans to households							
Households, revolving loans and overdrafts	7.84	7.85	7.81	7.77	7.73	7.71	7.72
Households, extended credit	7.73	7.75	7.63	7.52	7.52	7.52	7.50
Loans, households, consumption, floating and up to 1 year initial rate fixation	4.23	4.44	4.65	4.60	4.55	4.42	4.43
Loans, households, consumption, over 1 and up to 5 years initial rate fixation	5.66	5.92	6.04	6.03	5.85	5.98	6.07
Loans, households, consumption, over 5 years initial rate fixation	6.12	6.20	6.29	6.27	6.15	6.13	6.07
C. loans, households, consumption, floating and up to 1 year initial rate fixation	3.47	3.69	3.74	3.26	3.29	4.05	3.71
C. loans, households, consumption, over 1 and up to 5 years initial rate fixation	5.27	4.89	5.11	4.37	4.49	5.58	5.55
C. loans, households, consumption, over 5 year initial rate fixation	5.05	5.19	5.06	5.34	5.44	5.49	4.86
APRC, Loans to households for consumption	7.55	7.73	7.64	7.88	7.56	6.33	7.03
Loans, households, house purchase, floating and up to 1 year initial rate fixation	2.04	1.99	1.89	1.81	1.76	1.98	1.99
Loans, households, house purchase, over 1 and up to 5 years initial rate fixation	3.58	2.75	3.22	3.15	2.71	3.00	3.06
Loans, households, house purchase, over 5 and up to 10 years initial rate fixation	2.49	2.65	2.74	2.50	2.34	2.47	2.32
Loans, households, house purchase, over 10 years initial rate fixation	2.56	2.91	2.95	2.70	2.58	2.88	2.68
C. loans, households, house purchase variabel and up to years initial rate fixation	2.02	1.99	1.87	1.84	1.79	2.01	2.04
C. loans, households, house purchase, over 1 and up to 5 years initial rate fixation	2.12	2.38	3.01	2.48	2.58	3.61	3.97
C. loans, households, house purchase, over 5 and up to 10 years initial rate fixation	2.38	2.34	2.56	2.28	2.20	2.42	2.28
C. loans, households, house purchase, over 10 years initial rate fixation	2.53	2.85	2.89	2.69	2.57	2.91	2.66
APRC, Loans to households for house purchase	2.58	2.77	2.75	2.52	2.48	2.63	2.64
Loans, households, other purposes, floating and up to 1 year initial rate fixation	3.49	3.58	3.68	3.82	3.87	3.68	3.57
Loans, households, other purposes, over 1 and up to 5 years initial rate fixation	5.28	5.30	4.78	4.85	4.94	4.19	4.50
Loans, households, other purposes, over 5 years initial rate fixation	5.92	5.35	6.73	6.38	5.85	5.02	5.92
1.2. Loans to nonfinancial corporations (S.11)							
S.11, bank overdraft	2.81	2.41	2.22	2.23	1.90	1.97	2.06
S.11, extended credit	6.70	-	-	-	-	-	-
Loans, S.11, up to EUR 0,25 million, floating and up to 3 months initial rate fixation	2.74	2.69	2.32	2.30	2.81	3.22	2.68
Loans, S.11, up to EUR 0,25 million, over 3 months and up to 1 year initial rate fixation	3.31	2.89	2.50	2.68	2.67	2.76	2.75
Loans, S.11, up to EUR 0,25 million, over 1 and up to 3 years initial rate fixation	4.52	3.98	3.72	3.91	3.22	3.21	3.02
Loans, S.11, up to EUR 0,25 million, over 3 and up to 5 years initial rate fixation	4.57	4.03	4.24	4.70	3.58	3.34	3.79
Loans, S.11, up to EUR 0,25 million, over 5 and up to 10 years initial rate fixation	4.56	3.51	4.16	5.18	3.12	3.41	4.93
Loans, S.11, up to EUR 0,25 million, over 10 years initial rate fixation	2.92	2.22	4.25	3.84	2.74	5.03	3.59
Loans, S.11, over EUR 0,25 and up to 1 million, floating and up to 3 months initial rate fixation	2.19	1.89	2.04	1.91	1.44	2.21	2.10
Loans, S.11, over EUR 0,25 and up to 1 million, over 3 months and up to 1 year initial rate fixation	2.49	2.09	2.09	1.98	1.95	2.64	2.31
Loans, S.11, over EUR 0,25 and up to 1 million, over 1 and up to 3 years initial rate fixation	1.21	1.94	1.87	1.81	1.45	1.73	1.27
Loans, S.11, over EUR 0,25 and up to 1 million, over 3 and up to 5 years initial rate fixation	1.70	-	1.31	1.31	2.58	2.49	1.76
Loans, S.11, over EUR 0,25 and up to 1 million, over 5 and up to 10 years initial rate fixation	1.94	2.57	1.74	1.81	3.15	2.54	2.13
Loans, S.11, over EUR 0,25 and up to 1 million, over 10 years initial rate fixation	2.10	-	-	-	-	2.73	-
Loans, S.11, over EUR 1 million, floating and up to 3 months initial rate fixation	2.61	2.23	1.85	1.10	1.29	1.83	1.95
Loans, S.11, over EUR 1 million, over 3 months and up to 1 year initial rate fixation	2.35	1.58	1.76	2.81	1.97	2.25	1.91
Loans, S.11, over EUR 1 million, over 1 and up to 3 years initial rate fixation	-	-	0.75	0.89	-	-	0.59
Loans, S.11, over EUR 1 million, over 3 and up to 5 years initial rate fixation	1.06	1.15	-	0.84	1.35	-	2.84
Loans, S.11, over EUR 1 million, over 5 and up to 10 years initial rate fixation	1.92	-	1.47	1.77	1.28	2.06	1.66
Loans, S.11, over EUR 1 million, over 10 years initial rate fixation	2.23	1.88	2.04	2.20	-	4.39	-
2. Interest rates of new deposits							
2.1. Households deposits							
Households, overnight deposits	0.02	0.01	0.01	0.01	0.01	0.01	0.01
Deposits, households, agreed maturity up to 1 year	0.23	0.14	0.17	0.18	0.15	0.21	0.20
Deposits, households, agreed maturity over 1 and up to 2 years	0.44	0.51	0.54	0.29	0.22	0.21	0.22
Deposits, households, agreed maturity over 2 years	0.72	0.69	0.89	0.65	0.63	0.51	0.53
2.2. Deposits of nonfinancial corporations (S.11)							
S.11, overnight deposits	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Deposits, S.11, agreed maturity up to 1 year	0.05	0.04	0.00	0.01	0.01	0.03	0.04
Deposits, S.11, agreed maturity over 1 and up to 2 years	0.20	0.12	0.19	0.09	0.10	0.13	0.17
Deposits, S.11, agreed maturity over 2 years	0.49	0.26	0.19	0.32	0.07	0.13	0.16
2.3. Deposits redeemable at notice of households and nonfinancial sector together							
Deposits redeemable at notice, up to 3 months notice	0.02	0.00	0.00	0.00	0.00	0.00	0.00
Deposits redeemable at notice, over 3 months notice	0.55	0.52	0.89	0.93	0.97	0.88	0.78

Table 9.5: International investment position

EUR million		2016	2017	2018	19Q2	19Q3	19Q4	20Q1
	NET INTERNATIONAL INVESTMENT POSITION (1-2)	**-11,646**	**-10,421**	**-8,670**	**-9,057**	**-10,090**	**-9,289**	**-8,082**
1	**ASSETS**	**45,352**	**46,563**	**49,244**	**53,082**	**55,200**	**55,741**	**57,417**
1.1	**Direct investment**	**7,767**	**8,328**	**8,780**	**9,166**	**9,280**	**9,459**	**9,443**
1.1.1	Equity	4,149	4,345	4,709	4,736	4,789	4,824	4,921
1.1.2	Debt instruments	3,618	3,984	4,071	4,430	4,491	4,635	4,522
1.2	**Portfolio investment**	**17,632**	**20,649**	**20,611**	**21,807**	**22,319**	**22,512**	**21,190**
1.2.1	Equity and investment fund shares	4,430	5,017	4,842	5,298	5,567	5,785	5,094
1.2.2	Debt securities	13,202	15,632	15,769	16,509	16,751	16,728	16,096
1.3	**Financial derivatives**	**1,086**	**302**	**384**	**505**	**780**	**769**	**577**
1.4	**Other investment**	**18,161**	**16,540**	**18,653**	**20,697**	**21,904**	**22,095**	**25,224**
1.4.1	Other equity	1,195	1,279	1,341	1,408	1,426	1,437	1,429
1.4.2	Currency and deposits	9,296	7,187	8,785	9,929	11,007	11,691	14,299
1.4.3	Loans	2,670	2,391	2,545	2,948	3,006	2,952	3,079
1.4.4	Insurance, pension and standardized guarantee schemes	141	148	141	151	153	153	155
1.4.5	Trade credit and advances	4,202	4,801	5,206	5,629	5,652	5,259	5,549
1.4.6	Other accounts receivable	656	734	636	633	660	603	713
1.5	**Reserve assets**	**705**	**743**	**816**	**906**	**917**	**905**	**983**
1.5.1	Monetary gold	112	111	115	127	139	138	150
1.5.2	Special drawing rights	207	235	242	243	249	246	249
1.5.3	Reserve position in the IMF	154	103	131	136	138	136	137
1.5.4	Other reserve assets	232	294	329	400	390	385	447
2	**LIABILITIES**	**56,998**	**56,984**	**57,913**	**62,139**	**65,290**	**65,030**	**65,499**
2.1	**Direct investment**	**14,996**	**16,316**	**17,870**	**18,759**	**19,158**	**19,350**	**19,555**
2.1.1	Equity	11,563	12,590	13,803	14,709	14,884	15,214	15,408
2.1.2	Debt instruments	3,433	3,726	4,067	4,050	4,274	4,135	4,147
2.2	**Portfolio investment**	**21,439**	**21,200**	**20,867**	**21,692**	**22,238**	**21,797**	**22,826**
2.2.1	Equity and investment fund shares	966	1,085	1,751	1,879	1,798	2,010	1,484
2.2.2	Debt securities	20,473	20,115	19,116	19,813	20,440	19,787	21,343
2.3	**Financial derivatives**	**139**	**81**	**217**	**1,836**	**3,760**	**3,697**	**2,389**
2.4	**Other investment**	**20,424**	**19,388**	**18,960**	**19,852**	**20,134**	**20,186**	**20,729**
2.4.1	Other equity	36	37	44	43	43	47	42
2.4.2	Currency and deposits	3,413	3,747	3,226	3,765	4,089	4,451	4,928
2.4.3	Loans	12,155	10,337	9,986	10,033	10,052	9,781	9,870
2.4.4	Insurance, pension and standardized guarantee schemes	213	219	228	289	299	299	263
2.4.5	Trade credit and advances	3,711	4,161	4,602	4,704	4,689	4,695	4,576
2.4.6	Other accounts payable	620	631	612	754	691	647	781
2.4.7	Special drawing rights	275	256	262	264	270	266	269

Table 9.6: Gross external debt

EUR million		2016	2017	2018	19Q3	19Q4	20Q1	Apr.20
	TOTAL (1+2+3+4+5)	**44,293**	**43,191**	**42,099**	**44,804**	**44,062**	**46,177**	**47,816**
1	**GENERAL GOVERNMENT**	**23,171**	**21,940**	**21,045**	**22,788**	**21,632**	**23,330**	**25,198**
1.1	**Short-term, of that**	**1,522**	**652**	**732**	**1,137**	**832**	**1,069**	**1,054**
	Debt securities	22	75	85	69	19	51	36
	Loans	1,058	273	336	717	510	671	671
	Trade credit and advances	42	35	35	41	34	33	32
	Other debt liabilities	400	269	276	310	268	315	315
1.2	**Long-term, of that**	**21,649**	**21,288**	**20,314**	**21,651**	**20,800**	**22,261**	**24,144**
	Debt securities	19,877	19,517	18,602	19,990	19,171	20,577	22,444
	Loans	1,768	1,769	1,709	1,659	1,625	1,680	1,696
2	**CENTRAL BANK**	**2,722**	**3,011**	**2,661**	**3,659**	**4,035**	**4,432**	**4,700**
2.1	**Short-term, of that**	**2,447**	**2,755**	**2,399**	**3,389**	**3,769**	**4,163**	**4,429**
	Currency and deposits	2,447	2,755	2,399	3,389	3,769	4,163	4,429
2.2	**Long-term, of that**	**275**	**256**	**262**	**270**	**266**	**269**	**271**
	Special drawing rights (allocations)	275	256	262	270	266	269	271
3	**DEPOSIT TAKING CORPORATIONS, except the Central Bank**	**4,117**	**3,782**	**3,344**	**3,307**	**3,544**	**3,743**	**3,675**
3.1	**Short-term**	**817**	**1,058**	**927**	**941**	**946**	**1,042**	**1,054**
	Currency and deposits	578	765	669	599	601	685	742
	Debt securities	...	...	...	...	...	...	...
	Loans	221	200	251	297	310	253	253
	Trade credit and advances	...	...	...	...	...	...	...
	Other debt liabilities	18	92	7	45	35	104	59
3.2	**Long-term**	**3,300**	**2,724**	**2,418**	**2,366**	**2,598**	**2,700**	**2,621**
	Currency and deposits	387	227	159	101	82	80	79
	Debt securities	287	168	88	152	316	432	432
	Loans	2,620	2,323	2,162	2,110	2,196	2,186	2,108
	Trade credit and advances	5	6	7	2	4	1	2
	Other debt liabilities	1	1	1	1	1	1	1
4	**OTHER SECTORS**	**10,851**	**10,731**	**10,982**	**10,777**	**10,715**	**10,525**	**10,011**
4.1	**Short-term, of that**	**4,250**	**4,596**	**5,182**	**5,262**	**5,354**	**5,319**	**4,842**
	Debt securities	2	0	1	3	2	2	2
	Loans	447	281	375	375	445	503	511
	Trade credit and advances	3,649	4,094	4,540	4,622	4,637	4,523	4,033
	Other debt liabilities	153	220	267	263	271	291	297
4.2	**Long-term, of that**	**6,600**	**6,135**	**5,800**	**5,514**	**5,361**	**5,206**	**5,169**
	Debt securities	284	355	340	226	279	281	280
	Loans	6,041	5,490	5,154	4,894	4,696	4,577	4,540
	Trade credit and advances	16	26	17	24	16	17	17
	Other debt liabilities	259	264	289	371	370	332	332
5	**DIRECT INVESTMENT: intercompany lending**	**3,433**	**3,726**	**4,067**	**4,274**	**4,135**	**4,147**	**4,232**
	NET EXTERNAL DEBT POSITION	**9,803**	**7,572**	**4,131**	**2,199**	**1,179**	**831**	**728**

Table 9.7: Balance of payments

EUR million	2017	2018	2019	19Q3	19Q4	20Q1	Apr.20
I. Current account	**2,689**	**2,784**	**3,151**	**787**	**848**	**873**	**230**
1. Goods	**1,617**	**1,281**	**1,327**	**201**	**277**	**529**	**188**
1.1. Export of goods	**28,372**	**30,816**	**31,984**	**7,831**	**7,877**	**7,780**	**1,797**
Export f.o.b.	28,265	30,858	33,519	8,303	8,370	8,782	2,011
Coverage adjustment	-141	-299	-1,927	-579	-576	-1,110	-250
Net export of goods under merchanting	229	237	367	98	78	101	36
Nonmonetary gold	20	21	25	9	5	7	...
1.2. Import of goods	**26,756**	**29,535**	**30,656**	**7,630**	**7,599**	**7,251**	**1,608**
Import c.i.f.	27,606	30,706	34,044	8,400	8,837	8,345	1,862
Coverage adjustment	-114	-363	-2,529	-554	-1,027	-913	-207
Valuation adjustment	-774	-853	-885	-220	-219	-209	-46
Nonmonetary gold	37	45	27	4	9	28	0
2. Services	**2,258**	**2,716**	**3,030**	**918**	**779**	**595**	**124**
2.1. Export of services, of that	**7,305**	**8,001**	**8,559**	**2,437**	**2,224**	**1,769**	**436**
Transport	2,076	2,335	2,434	601	611	580	158
Travel	2,523	2,704	2,753	1,041	556	400	9
Construction services	422	497	600	145	169	146	42
Telecomm., computer and inform. services	544	540	639	156	206	168	50
Other business services	1,248	1,341	1,459	330	488	310	116
2.2. Import of services, of that	**5,047**	**5,285**	**5,529**	**1,519**	**1,445**	**1,175**	**312**
Transport	1,005	1,007	1,071	263	277	239	77
Travel	1,322	1,389	1,383	523	270	189	4
Construction services	126	177	200	48	67	43	12
Telecomm., computer and inform. services	539	543	593	142	177	161	48
Other business services	1,324	1,442	1,539	353	457	364	120
3. Primary income	**-886**	**-807**	**-700**	**-206**	**-141**	**-109**	**-48**
3.1. Receipts	**1,374**	**1,592**	**1,563**	**336**	**412**	**404**	**109**
Compensation of employees	378	454	450	123	131	79	7
Investment	703	793	732	188	174	175	55
Other primary income	293	345	382	24	107	150	46
3.2. Expenditure	**2,260**	**2,399**	**2,264**	**541**	**553**	**513**	**157**
Compensation of employees	149	173	197	52	50	40	4
Investment	1,929	2,022	1,856	446	447	418	140
Other primary income	182	204	211	43	57	55	13
4. Secondary income	**-299**	**-406**	**-506**	**-126**	**-67**	**-142**	**-34**
4.1. Receipts	**828**	**789**	**795**	**201**	**227**	**194**	**68**
4.2. Expenditure	**1,127**	**1,196**	**1,301**	**326**	**294**	**337**	**102**

Table 9.8: Balance of payments – continued

EUR million	2017	2018	2019	19Q3	19Q4	20Q1	Apr.20
II. Capital account	**-324**	**-225**	**-169**	**-27**	**-115**	**-49**	**-2**
1. Nonproduced nofinancial assets	-76	-47	-6	1	-77	13	3
2. Capital transfers	-248	-178	-162	-28	-38	-62	-4
III. Financial account	**2,088**	**2,527**	**2,282**	**558**	**733**	**526**	**-314**
1. Direct investment	**-495**	**-933**	**-692**	**-122**	**1**	**-158**	**-293**
Assets	570	362	533	43	160	9	-129
Equity and reinvested earnings	230	432	78	53	35	51	18
Debt instruments	340	-70	455	-10	125	-42	-147
Liabilities	1,065	1,295	1,224	165	159	167	164
Equity and reinvested earnings	932	1,075	1,392	163	330	194	82
Debt instruments	133	220	-168	2	-171	-27	82
2. Portfolio investment	**2,987**	**750**	**843**	**-107**	**510**	**-1,970**	**-2,150**
Assets	2,848	498	805	224	240	-234	-57
Equity and investment fund shares	330	123	104	127	12	94	43
Debt securities	2,518	375	701	97	228	-329	-100
Liabilities	-138	-252	-38	331	-270	1,736	2,093
Equity and investment fund shares	39	543	83	-1	0	-17	0
Debt securities	-178	-795	-121	332	-270	1,752	2,093
3. Financial derivatives	**-185**	**-86**	**-178**	**-8**	**9**	**20**	**-8**
4. Other investment	**-308**	**2,743**	**2,272**	**828**	**208**	**2,586**	**2,128**
4.1. Assets	**-1,381**	**2,031**	**3,474**	**1,000**	**357**	**3,167**	**1,824**
Other equity	72	68	83	12	11	-1	0
Currency and deposits	-2,076	1,590	2,930	1,082	683	2,613	2,307
Loans	-115	207	420	53	-9	72	19
Insurance, pension and stand. guar. schemes	5	-7	11	1	...	...	...
Trade credits and advances	615	303	68	-146	-294	367	-372
Other assets	118	-130	-38	-3	-34	116	-130
4.2. Liabilities	**-1,073**	**-713**	**1,202**	**173**	**150**	**581**	**-304**
Other equity	20	2	2	0	2	0	0
Currency and deposits	365	-524	1,217	322	360	480	321
Loans	-1,853	-490	-169	55	-259	33	-90
Insurance, pension and stand. guar. schemes	5	20	62	9	...	...	...
Trade credits and advances	411	331	65	-140	87	-71	-494
Other liabilities	-21	-52	27	-72	-41	139	-41
Special drawing reights (SDR)	0	0	0	0	0	0	0
5. Reserve assets	**89**	**52**	**37**	**-33**	**5**	**49**	**9**
IV. Net errors and omissions	**-277**	**-32**	**-700**	**-203**	**0**	**-297**	**-543**

Table 9.9: Non-consolidated financial assets – outstanding amounts

mio EUR	2016	2017	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1
Domestic sector								
Total	189,470	197,522	207,266	209,636	213,987	217,370	220,601	222,641
Monetary gold and SDRs	320	346	356	364	370	389	385	399
Currency and deposits	45,867	46,776	51,961	50,933	52,392	54,009	57,520	61,154
Debt securities	26,146	28,530	29,251	29,447	30,501	31,080	30,738	29,710
Loans	36,087	35,974	36,342	36,912	37,540	37,701	37,779	38,890
Shares	19,358	20,218	19,566	19,777	19,688	19,604	20,086	18,471
Other equity	26,826	29,327	32,284	33,011	33,800	34,270	34,177	34,712
Investment fund shares/units	4,198	4,703	4,466	5,064	5,187	5,525	5,776	5,059
Insurance and pension schemes	7,737	8,003	8,073	8,357	8,556	8,646	8,705	8,421
Other	22,932	23,645	24,967	25,770	25,952	26,147	25,436	25,825
Non-financial corporations								
Total	42,210	45,188	47,178	48,365	48,681	48,892	48,357	49,048
Currency and deposits	6,399	7,107	7,528	7,551	7,392	7,803	7,744	8,063
Debt securities	127	109	112	107	143	122	111	109
Loans	5,536	5,510	5,490	5,818	6,117	6,078	6,118	6,095
Shares	2,665	2,507	2,475	2,366	2,346	2,302	2,382	2,255
Other equity	11,940	13,193	13,956	13,930	14,117	14,259	14,162	14,337
Investment fund shares/units	52	67	58	199	202	211	229	193
Insurance and pension schemes	438	444	442	469	496	476	453	487
Other	15,053	16,251	17,117	17,926	17,867	17,640	17,159	17,509
Monetary financial institutions								
Total	51,932	54,397	56,595	56,115	57,515	58,591	61,422	63,136
Monetary gold and SDRs	320	346	356	364	370	389	385	399
Currency and deposits	8,671	8,067	9,327	8,481	8,656	9,090	12,533	13,629
Debt securities	18,971	21,263	21,894	21,897	22,750	23,123	22,654	21,996
Loans	22,596	23,097	23,362	23,647	23,983	24,251	24,225	24,752
Shares	552	729	771	772	743	719	694	1,283
Other equity	282	351	383	375	370	371	372	372
Investment fund shares/units	6	5	3	14	25	35	48	56
Insurance and pension schemes	38	40	41	41	41	41	39	39
Other	497	498	457	525	577	573	473	610
Other financial institutions								
Total	17,548	18,151	18,414	19,142	19,465	19,732	20,152	19,157
Currency and deposits	1,256	1,163	1,188	1,401	1,454	1,375	1,342	1,422
Debt securities	6,431	6,520	6,601	6,749	6,923	7,134	7,223	6,901
Loans	2,876	2,859	2,864	2,843	2,761	2,717	2,729	2,694
Shares	3,377	3,688	3,684	3,815	3,818	3,873	4,042	3,394
Other equity	625	686	857	855	912	909	1,027	1,185
Investment fund shares/units	2,140	2,354	2,208	2,385	2,438	2,608	2,706	2,385
Insurance and pension schemes	188	199	204	221	227	224	219	265
Other	655	681	809	873	932	890	864	912
General government								
Total	31,355	30,241	31,800	31,440	32,760	34,055	33,226	34,174
Currency and deposits	7,060	6,726	8,475	7,427	8,213	8,781	8,216	9,941
Debt securities	447	416	421	461	466	484	509	489
Loans	4,122	3,467	3,398	3,366	3,427	3,404	3,415	4,060
Shares	9,828	10,230	9,527	9,731	9,644	9,586	9,692	8,514
Other equity	5,563	5,706	6,009	6,619	7,082	7,353	7,170	7,144
Investment fund shares/units	252	296	297	331	337	372	364	325
Insurance and pension schemes	21	16	23	18	25	26	26	25
Other	4,062	3,386	3,648	3,486	3,567	4,049	3,834	3,676
Households and NPISHs								
Total	46,425	49,545	53,279	54,574	55,566	56,101	57,444	57,125
Currency and deposits	22,481	23,713	25,441	26,072	26,676	26,959	27,684	28,099
Debt securities	171	222	222	234	220	217	242	214
Loans	957	1,041	1,227	1,239	1,253	1,252	1,292	1,290
Shares	2,936	3,065	3,109	3,092	3,137	3,124	3,276	3,025
Other equity	8,417	9,391	11,080	11,233	11,319	11,377	11,445	11,674
Investment fund shares/units	1,748	1,981	1,900	2,135	2,185	2,299	2,430	2,100
Insurance and pension schemes	7,053	7,304	7,363	7,608	7,766	7,879	7,968	7,606
Other	2,663	2,830	2,937	2,961	3,010	2,994	3,106	3,117
Rest of the world								
Total	57,783	57,659	58,567	59,877	62,246	65,294	63,826	66,776
Monetary gold and SDRs	275	257	263	267	264	270	267	269
Currency and deposits	6,273	6,292	5,650	5,676	6,086	6,343	6,731	7,063
Debt securities	20,889	20,555	19,516	19,447	20,102	20,725	20,148	21,510
Loans	11,806	10,309	10,345	10,202	10,420	10,645	10,178	10,246
Shares	5,160	5,275	6,428	6,672	6,826	6,759	6,890	6,216
Other equity	7,594	8,451	9,201	9,439	9,431	9,551	10,117	10,339
Investment fund shares/units	25	29	29	32	33	38	40	35
Insurance and pension schemes	213	219	228	268	289	299	263	303
Other	5,547	6,274	6,906	7,874	8,794	10,664	9,191	10,794

Table 9.10: Non-consolidated liabilities – outstanding amounts

mio EUR	2016	2017	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1
Domestic sector								
Total	201,944	208,564	216,840	218,439	223,283	227,666	229,052	232,027
Monetary gold and SDRs	275	257	263	267	264	270	267	269
Currency and deposits	42,484	45,557	48,450	47,370	48,125	48,992	52,166	53,507
Debt securities	33,513	33,041	32,629	32,313	33,772	34,699	33,837	34,752
Loans	42,949	41,637	41,864	42,172	42,637	42,979	42,482	43,668
Shares	21,359	21,781	22,332	22,587	22,611	22,408	22,839	20,978
Other equity	30,047	33,274	36,788	37,687	38,414	38,947	39,418	40,149
Investment fund shares/units	2,374	2,572	2,396	2,629	2,692	2,848	3,008	2,548
Insurance and pension schemes	7,810	8,074	8,161	8,475	8,694	8,792	8,813	8,567
Other	21,133	22,371	23,957	24,937	26,074	27,731	26,223	27,589
Non-financial corporations								
Total	79,259	82,884	87,051	88,020	88,191	87,885	88,132	87,928
Debt securities	955	1,010	977	970	763	759	732	724
Loans	23,606	22,825	22,661	22,956	23,088	22,945	22,461	22,842
Shares	12,762	12,810	13,174	13,088	13,195	13,028	13,224	12,413
Other equity	26,625	29,603	32,581	33,178	33,355	33,601	34,138	34,677
Other	15,312	16,636	17,658	17,828	17,790	17,552	17,577	17,271
Monetary financial institutions								
Total	49,882	52,727	55,284	54,832	56,360	57,435	60,611	61,755
Monetary gold and SDRs	275	257	263	267	264	270	267	269
Currency and deposits	41,659	44,669	47,534	46,483	47,273	48,124	51,273	52,631
Debt securities	801	377	148	148	393	393	600	728
Loans	199	201	218	229	217	217	236	235
Shares	4,724	4,875	4,744	4,812	4,771	4,740	4,936	4,433
Other equity	1,749	1,896	1,957	2,289	2,746	3,035	2,775	2,729
Investment fund shares/units	99	55	79	74	61	57	56	90
Other	375	397	340	531	636	599	468	639
Other financial institutions								
Total	16,848	17,508	17,801	18,533	18,869	19,121	19,625	18,593
Debt securities	118	113	113	114	146	146	232	199
Loans	2,924	2,664	2,558	2,498	2,531	2,570	2,590	2,566
Shares	2,154	2,463	2,682	2,914	2,813	2,806	2,911	2,429
Other equity	1,137	1,225	1,511	1,430	1,515	1,510	1,655	1,873
Investment fund shares/units	2,275	2,518	2,317	2,555	2,631	2,791	2,952	2,458
Insurance and pension schemes	7,810	8,074	8,161	8,475	8,694	8,792	8,813	8,567
Other	431	449	459	547	538	506	472	501
General government								
Total	43,206	42,055	42,527	42,808	45,457	48,511	45,878	49,094
Currency and deposits	825	888	916	888	852	868	893	876
Debt securities	31,639	31,540	31,390	31,081	32,469	33,401	32,272	33,101
Loans	5,180	4,273	4,069	3,993	4,135	4,380	4,182	5,047
Shares	1,719	1,633	1,732	1,774	1,832	1,834	1,768	1,703
Other equity	537	550	738	791	798	801	850	870
Other	3,306	3,172	3,682	4,281	5,370	7,227	5,913	7,497
Households and NPISHs								
Total	12,748	13,391	14,175	14,247	14,406	14,714	14,806	14,657
Loans	11,039	11,674	12,358	12,496	12,666	12,867	13,013	12,978
Other	1,709	1,716	1,818	1,750	1,740	1,847	1,793	1,679
Rest of the world								
Total	45,309	46,617	48,993	51,074	52,949	54,997	55,375	57,389
Monetary gold and SDRs	319	345	356	364	370	388	384	398
Currency and deposits	9,656	7,512	9,161	9,238	10,353	11,359	12,085	14,710
Debt securities	13,523	16,044	16,138	16,582	16,831	17,106	17,049	16,467
Loans	4,945	4,645	4,823	4,942	5,323	5,368	5,475	5,469
Shares	3,159	3,712	3,663	3,862	3,903	3,955	4,138	3,710
Other equity	4,373	4,504	4,697	4,763	4,818	4,874	4,876	4,902
Investment fund shares/units	1,849	2,159	2,099	2,467	2,528	2,715	2,808	2,546
Insurance and pension schemes	141	148	141	149	151	153	155	157
Other	7,345	7,548	7,916	8,707	8,673	9,079	8,403	9,030

Table 9.11: Net financial assets

mio EUR	2016	2017	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1
Domestic sector	-12,473	-11,042	-9,574	-8,803	-9,296	-10,296	-8,451	-9,386
Non-financial corporations	-37,049	-37,696	-39,874	-39,655	-39,511	-38,994	-39,775	-38,879
Monetary financial institutions	2,050	1,670	1,311	1,283	1,154	1,156	811	1,381
Other financial institutions	700	643	613	609	596	610	527	564
General government	-11,851	-11,813	-10,727	-11,368	-12,697	-14,456	-12,652	-14,920
Households and NPISHs	33,677	36,155	39,104	40,327	41,160	41,387	42,638	42,468
Rest of the world	12,474	11,042	9,574	8,804	9,297	10,296	8,452	9,386

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

mio EUR	2016	2017	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1
Domestic sector								
Total	-1,572	6,035	7,666	4,561	5,003	6,301	7,811	12,701
Monetary gold and SDRs	-56	43	1	1	1	1	1	1
Currency and deposits	-4,199	1,074	5,143	2,626	3,106	4,966	5,494	10,185
Debt securities	2,866	2,373	1,030	1,047	878	538	613	253
Loans	-495	652	826	1,214	1,734	1,730	2,003	2,519
Shares	-315	111	-863	-1,441	-1,760	-1,536	-652	-127
Other equity	583	223	532	423	397	222	60	1
Investment fund shares/units	11	256	101	6	40	198	270	358
Insurance and pension schemes	138	146	165	203	248	245	305	247
Other	-106	1,156	731	481	359	-64	-283	-736
Non-financial corporations								
Total	1,010	2,087	1,398	1,514	1,283	989	564	314
Currency and deposits	575	732	428	470	270	542	231	529
Debt securities	-6	-18	21	16	14	-7	-14	-9
Loans	-201	-51	44	196	349	381	603	282
Shares	-13	73	41	-164	-226	-226	-207	15
Other equity	438	134	245	185	267	145	88	78
Investment fund shares/units	-28	3	-5	-4	0	4	4	2
Insurance and pension schemes	2	6	-8	-6	23	10	8	24
Other	244	1,208	632	821	587	140	-150	-605
Monetary financial institutions								
Total	2,542	2,840	2,523	1,612	1,469	2,397	4,353	6,852
Monetary gold and SDRs	-56	43	1	1	1	1	1	1
Currency and deposits	-575	-505	1,251	230	26	1,135	3,195	5,144
Debt securities	2,847	2,403	837	660	496	177	131	-43
Loans	504	947	528	808	1,081	1,162	1,126	1,315
Shares	-91	-24	-13	-22	-51	-43	-71	387
Other equity	56	46	23	16	-62	-62	-30	-22
Investment fund shares/units	-2	-1	1	11	22	30	40	47
Insurance and pension schemes	0	2	1	0	0	0	-2	-2
Other	-140	-71	-106	-92	-44	-3	-36	25
Other financial institutions								
Total	-62	94	272	170	-70	303	527	618
Currency and deposits	61	-92	36	186	46	117	131	20
Debt securities	157	10	137	298	309	329	415	274
Loans	-203	29	38	25	-48	-47	-32	-40
Shares	-59	44	-8	-324	-399	-277	-209	63
Other equity	-35	-9	9	5	48	38	42	53
Investment fund shares/units	28	105	36	-23	-19	103	124	183
Insurance and pension schemes	12	11	4	-5	-12	3	16	45
Other	-23	-5	18	9	5	38	40	19
General government								
Total	-6,519	-806	961	-1,186	-129	403	-382	2,522
Currency and deposits	-5,331	-318	1,731	-59	851	1,352	-282	2,491
Debt securities	-112	-26	11	46	33	40	86	41
Loans	-647	-315	18	49	251	185	220	894
Shares	-57	-39	-929	-933	-1,040	-953	-167	-605
Other equity	-12	-6	19	55	49	42	38	-3
Investment fund shares/units	-10	23	22	6	9	31	3	16
Insurance and pension schemes	-1	0	-2	-13	4	-1	2	-3
Other	-349	-124	91	-337	-287	-293	-282	-309
Households and NPISHs								
Total	1,457	1,819	2,513	2,452	2,450	2,210	2,749	2,396
Currency and deposits	1,071	1,257	1,698	1,799	1,913	1,820	2,219	2,002
Debt securities	-19	4	23	28	26	-1	-4	-10
Loans	51	43	198	136	100	49	86	68
Shares	-93	57	46	2	-44	-37	1	13
Other equity	137	59	236	163	95	59	-78	-103
Investment fund shares/units	24	126	47	17	29	30	99	111
Insurance and pension schemes	126	127	170	228	233	234	281	183
Other	161	147	95	79	98	56	145	133
Rest of the world								
Total	-1,236	58	518	751	1,529	2,494	1,532	3,686
Monetary gold and SDRs	0	0	0	0	0	0	0	0
Currency and deposits	478	63	-647	728	923	974	1,067	1,379
Debt securities	-2,885	45	-581	-2,256	-1,370	-672	-520	1,785
Loans	-346	-1,724	-236	-175	-69	69	-259	-82
Shares	687	273	860	1,323	1,601	1,381	693	205
Other equity	875	705	781	788	636	484	635	601
Investment fund shares/units	0	-1	0	0	0	-1	0	0
Insurance and pension schemes	-8	5	20	33	26	48	27	27
Other	-36	692	321	309	-218	211	-111	-228

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

mio EUR	2016	2017	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1
Domestic sector								
Total	-2,501	4,240	5,495	2,432	2,799	4,079	4,927	10,198
Monetary gold and SDRs	0	0	0	0	0	0	0	0
Currency and deposits	-1,696	3,205	2,847	1,864	1,511	2,187	3,676	6,125
Debt securities	-1,971	-152	154	-2,007	-1,082	-342	-465	2,029
Loans	-753	-973	347	600	1,066	1,138	1,075	1,886
Shares	427	195	-99	-94	-126	-113	-20	-22
Other equity	1,250	747	944	924	762	601	534	467
Investment fund shares/units	-1	29	5	-33	-7	26	86	108
Insurance and pension schemes	120	146	191	236	274	291	319	268
Other	123	1,043	1,104	943	401	293	-278	-663
Non-financial corporations								
Total	553	1,658	1,449	1,565	1,110	655	213	-390
Debt securities	-227	93	-12	-31	-268	-263	-251	-245
Loans	-787	-510	-139	-5	304	31	191	205
Shares	139	202	11	15	14	29	17	14
Other equity	1,151	710	825	797	712	597	533	464
Other	278	1,164	763	789	348	261	-279	-828
Monetary financial institutions								
Total	2,359	2,642	2,356	1,424	1,475	2,359	4,120	6,703
Monetary gold and SDRs	0	0	0	0	0	0	0	0
Currency and deposits	2,634	3,127	2,824	1,829	1,510	2,168	3,702	6,139
Debt securities	-339	-418	-229	-228	26	317	454	582
Loans	48	1	17	28	18	6	18	6
Shares	85	-9	-110	-112	-143	-143	-37	-37
Other equity	0	0	0	0	0	0	0	0
Investment fund shares/units	43	-44	25	18	14	5	-10	29
Other	-112	-15	-171	-111	51	6	-6	-15
Other financial institutions								
Total	-159	21	192	144	-74	325	573	469
Debt securities	42	-8	1	1	33	33	119	90
Loans	-348	-251	-89	-148	-106	-28	47	77
Shares	4	2	0	2	2	1	0	1
Other equity	97	37	109	117	40	3	1	3
Investment fund shares/units	-44	74	-20	-51	-21	21	96	79
Insurance and pension schemes	120	146	191	237	273	291	318	267
Other	-30	22	-1	-13	-296	2	-10	-52
General government								
Total	-5,763	-782	651	-1,439	-443	37	-669	2,956
Currency and deposits	-4,330	78	23	34	1	17	-27	-16
Debt securities	-1,446	181	395	-1,749	-873	-429	-787	1,602
Loans	-93	-908	-198	-1	131	398	108	1,053
Shares	200	0	0	0	0	0	0	0
Other equity	2	0	10	10	10	0	0	0
Other	-96	-132	422	268	288	52	37	316
Households and NPISHs								
Total	509	700	846	737	731	702	690	460
Loans	426	696	755	726	720	731	710	543
Other	83	5	91	11	11	-29	-20	-83
Rest of the world								
Total	-307	1,853	2,690	2,881	3,734	4,716	4,416	6,190
Monetary gold and SDRs	-56	43	1	1	1	1	1	1
Currency and deposits	-2,025	-2,068	1,650	1,491	2,518	3,754	2,884	5,439
Debt securities	1,952	2,570	295	798	590	208	559	9
Loans	-88	-98	242	439	599	661	669	552
Shares	-55	189	96	-23	-32	-42	61	100
Other equity	208	182	369	287	271	105	161	134
Investment fund shares/units	12	226	96	40	47	172	184	251
Insurance and pension schemes	10	5	-7	0	0	2	13	6
Other	-265	804	-52	-152	-260	-145	-116	-301

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

mio EUR	2016	2017	18Q4	19Q1	19Q2	19Q3	19Q4	20Q1
Domestic sector	929	1,795	2,171	2,130	2,204	2,222	2,884	2,504
Non-financial corporations	457	428	-51	-51	173	334	351	704
Monetary financial institutions	182	198	166	188	-6	37	233	149
Other financial institutions	97	73	80	25	4	-22	-46	149
General government	-756	-24	310	253	314	366	288	-434
Households and NPISHs	948	1,119	1,666	1,715	1,719	1,508	2,059	1,936
Rest of the world	-929	-1,795	-2,171	-2,130	-2,204	-2,222	-2,884	-2,504

METHODOLOGICAL NOTE

International economic relations

The balance of payments methodology and Slovenia's international investment position are based on the recommendations of the sixth edition of the IMF's Balance of Payments and International Investment Position Manual (IMF, 2009). The external debt statistics are based on the External Debt Statistics: Guide for Compilers and Users (IMF, 2014), which was also issued by the IMF and is fully compliant with the aforementioned manual.

The **balance of payments** is a statistical illustration of economic transactions between residents of a certain economy and non-residents taking place during a specific period. A transaction is an interaction between two institutional units that occurs by mutual agreement or through the operation of the law and involves an exchange of value or a transfer.

The **international investment position** is a statistical statement that shows at a point in time the value of financial assets of residents of an economy that are claims on non-residents or are gold bullion held as reserve assets, and the liabilities of residents of an economy to non-residents.

The **gross external debt** is derived from the international investment position. It consists of non-contingent liabilities requiring the repayment of principal and/or interest at a specific period in the future that are simultaneously debt to a non-resident of a specific economy. The net **external debt** is derived from the difference between the claims and liabilities vis-à-vis non-residents via such instruments. The concept of external debt does not include equities or financial derivatives.

Statistics of financial institutions and markets

The methodology for the balance sheets of financial institutions is based on the methodology of the European Central Bank (ECB) and the euro area. The data source is the statistical report by monetary financial institutions.

The features of the methodology are as follows:

- The sector of monetary financial institutions (MFIs) comprises banks, savings banks, credit unions and money-market funds.
- Loans are disclosed in gross amounts.
- The items "loans and deposits" and "debt securities" under claims and liabilities, on account of the inclusion of marketable/non-marketable securities in the items of loans and deposits and securities. According to the ECB methodology non-marketable securities are included under loans and deposits, while marketable securities are included under debt securities.
- Under the ECB methodology relations on behalf and internal relations are included in net amounts.
- The figures for certain items (loans, deposits, securities other than shares, issued debt securities) are disclosed at nominal value in accordance with the ECB requirement. The nominal value for individual instruments means the amount of principal that the obligor owes the creditor under the contract:
  - loans: outstanding principal, excluding accrued interest, commission and other costs,
  - deposits: amount committed for a fixed term, excluding accrued interest,
  - debt securities: nominal value.

The **consolidated balance sheet of monetary financial institutions** discloses the overall (consolidated) balance sheet of the 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.