

# SUMMARY OF MACROECONOMIC DEVELOPMENTS

NOVEMBER 2020

Title: Summary of macroeconomic developments  
No.: November 2020

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

Editors: Luka Žakelj; Ana Selan, MSc

Authors of Summary of macroeconomic developments:

Luka Žakelj; Noemi Matavulj; Nika Sosič; Vida Maver; Gašper Ploj; Vid Starc;  
Andreja Strojan Kastelec, MSc; Mojca Roter, MSc

Data Preparation, Graphs and DTP:

Vid Starc

The figures and text herein may only be used or published if the source is cited. Analysis is based on data available up to 24 November 2020.

This publication is also available in Slovene.

## Summary of macroeconomic developments, November 2020

**Given the high number of Covid-19 cases, and second introduction of stringent containment measures, economic activity in the euro area is expected to decline in the final quarter of this year.** After stagnating in October, GDP is already declining in current terms in November, judging by the PMI. The gap between the growth in manufacturing and the contraction in private-sector services widened further, with contraction in services at its highest pace since May for the second consecutive month. A similar picture is presented by electricity consumption, which in the second week of November was down 11.1% in year-on-year terms, which is actually a slightly steeper fall than the average in June.<sup>1</sup> The gradual improvement in the economic sentiment indicator ended in October, while firms in retail and other private-sector services have become more pessimistic with regard to future demand. By contrast, the survey completed by IHS Markit in late October shows Chinese and US firms significantly more optimistic about the future.<sup>2</sup> Irrespective of the renewed full lockdown in a number of euro area countries, the contraction in activity in the euro area in the final quarter of this year is expected to be smaller than in the second quarter, albeit still substantial.

**Growth forecasts for 2021 are being reduced amid the huge uncertainty surrounding the global economy and the health situation.** In its latest forecasts released on 5 November, the European Commission has revised its predictions for this year's contraction upwards to 4.3% for global economic activity, and 7.8% for the euro area, in line with the forecasts of other institutions, and has lowered its respective growth forecasts for 2021 to 4.6% and 4.2%. Economic activity in numerous economies strengthened as expected in the third quarter of this year after containment measures were lifted, but remained below last year's level. Euro area GDP was up 12.6% in quarterly terms, the largest increase to date, but remained down 4.4% in year-on-year terms, only 1.2 percentage points less than at the worst point of the crisis of 2009. Judging by the monthly activity figures, the high quarterly economic growth was primarily driven by increased household consumption. The euro has remained around USD 1.18, amid significant volatility. The reduced demand for oil has not yet had a discernible impact on its price: a barrel of Brent crude is still around the USD 42 mark, down a third in year-on-year terms.

**The domestic economy suffered a sharp downturn in November, although the figures available to date suggest the situation is not as severe as in the spring.** Slovenia is now one of the countries with the highest figures for Covid-19 cases and deaths per 100,000 people, which required the reimposition of stringent containment measures. This brought a sharp deterioration in the economic sentiment, together with the assessments of current demand and demand expectations, although the indicators predominantly remain above their levels of the second quarter. Consumers are especially pessimistic, and expect to see a significant rise in unemployment and very restrained spending. By contrast, the alternative high-frequency indicators are less clear. The year-on-year decline in freight transport had not deepened by 22 November. Electricity consumption

---

<sup>1</sup> Aggregate figures for Germany, France, Italy and Spain were used to stand in for the euro area.

<sup>2</sup> According to the IHS Markit survey, Chinese firms are the most optimistic about the future, and are likely to largely recover their output level lost during the crisis months. They are followed by firms from the US. For more information, see: <https://www.markiteconomics.com/Public/Home/PressRelease/7bb0988e56964476bd28499344bc39cc>.

was also showing no sign of a downturn as in the aggregate of the largest euro area countries. Card payments offer a clearer picture: between 19 October and 22 November transaction volume was down approximately 17% on the previous five-week period.<sup>3</sup> The decline exceeded 33% in a similar comparison during the first wave of the epidemic. Google's mobility data also indicates a smaller decline than in the spring, albeit still significant. Although economic activity is weak, amid the support measures firms are not yet reporting any major financial difficulties overall, but there are already signs of them in certain sectors, particularly among sole traders.

**The third quarter ended encouragingly in construction, but slightly less so in industry and trade.** Construction activity in September was up almost 8% in year-on-year terms, thanks to not only residential construction but also significant impetus from government investment, as civil engineering work began to strengthen. In contrast to construction, the monthly increases in industrial production seen since May halted in September, with only high technology sectors still recording a year-on-year increase in output. The recovery in activity also came to a halt in certain segments of trade: most notably sales of motor vehicles fell, having risen rapidly following the lifting of the containment measures in May. The available figures for other services go as far as August, and also point to an end to growth in numerous segments. GDP growth in the third quarter was nevertheless estimated to be very high, as in the majority of euro area countries. The year-on-year decline in the composite economic activity indicator<sup>4</sup> stood at merely 4.5% in July and August. This figure was comparable to the year-on-year decline in euro area GDP in the third quarter, and the improvement relative to the second quarter amounted to 12.8 percentage points.

**The tightening of containment measures halted the recovery in the labour market, but there has not yet been a rise in unemployment.** After falling sharply by 4,406 or 5.0% in September, registered unemployment remained virtually unchanged in October at 83,654, still up approximately 11,000 on a year earlier. The situation remained reasonable in November, despite additional restrictions on businesses. According to the Employment Office's unofficial daily figures, there had been no significant change in registered unemployment by 19 November. The Valicon survey suggests that the background to this is a rise in the number of furloughed workers. In addition, firms remained rather optimistic in their future employment expectations in November despite less generous labour market support measures as in the first wave. Wage growth continues to show no signs of moderating: year-on-year growth in the average gross wage remained similarly high in September, as it had been in August, at 5.1%.

**Given the situation, exporters performed well in September, but the signs were worse for a recovery in domestic demand.** According to balance of payments figures, merchandise exports were down only 3.2% in year-on-year terms, as exports of machinery and chemicals actually exceeded those seen in September of last year. Other than travel services, where the crisis is deepening again, developments in exports of services were also mostly positive. Exports of transport services were down just 2.0% in year-on-year terms, while

---

<sup>3</sup> The figures include payments with bank cards at POS terminals and online. The figures are sourced from Bankart and Banka Intesa (ISP), and cover more than 90% of all transactions with bank cards.

<sup>4</sup> The composite indicator encompasses the real index of turnover in services and trade, the real index of industrial production, and the real index of the amount of construction put in place. The aforementioned indicators are weighted by each sector's share of the total value-added of all the sectors. Together they capture approximately 74% of value-added in the Slovenian economy.

exports of services other than transport and travel were actually slightly higher than a year earlier. The picture on the import side was less promising. The year-on-year decline in merchandise imports deepened to 14.0%, with a deterioration in all major categories, which could be indicative of a weakening recovery in domestic demand. The decline in imports of services was even larger, and approached that seen in the second quarter of this year, as a result of the reduced opportunities for international travel and weaker imports of transport services. The 12-month current account surplus is thus continuing to widen. It exceeded EUR 3.1 billion in September, up EUR 560 million on a year earlier. The new wave of the epidemic has not significantly worsened the outlook for exporters so far. In the SORS November survey, manufacturing firms' export expectations declined somewhat in comparison to October, but remained elevated in year-on-year terms.

**Deflation continued over the autumn.** Deflation as measured by the HICP stood at 0.5% in October, again driven primarily by falling energy prices, which lowered inflation by 1.7 percentage points. The large 13.2% fall in energy prices was mainly driven by prices of motor fuels. The deflation rate was 0.2 percentage points less than in September. Year-on-year growth in food prices increased to 3.1%, as a result of a rise in excise duties on tobacco products, which contributed 0.2 percentage points to overall growth rate. The year-on-year fall in prices of non-energy industrial goods also slowed, by 0.8 percentage points, thanks to price rises in shops' autumn and winter fashion collections. Service price inflation has slowed sharply since the outbreak of the epidemic. As the fall in prices of non-energy industrial goods slowed, the narrowest core inflation indicator increased by 0.5 percentage points to 0.8% in October. Given the poor epidemiological picture and the stringent containment measures, it is nevertheless expected to fall again, as the huge uncertainty, the unutilised production capacity and tense labour market situation strengthen deflationary pressures. The containment measures mean that problems with the collection of price data are likely to arise again in November, which will hinder analysis of price developments.

**In the current situation, domestic and foreign fiscal policy measures are the key to preventing an even larger decline in economic activity, even though they widen general government deficits.** Slovenia's consolidated general government deficit amounted to EUR 2.3 billion over the first nine months of the year, compared with a surplus of EUR 233 million over the same period last year. The government measures to support households and businesses have been the largest factor in this year's deficit. Their impact on expenditure over the first nine months of the year was estimated at EUR 1.6 billion, where the main factors were job retention subsidies for firms and assistance for vulnerable population groups. The resurgence of the epidemic means that the deficit will have widened further by the end of the year; a fifth package of measures was adopted in October, the government approved a sixth in November, which is awaiting parliamentary confirmation, and a seventh has been announced. According to the Ministry of Finance, this year's general government deficit is expected to reach 8.6% of GDP, which is comparable to the European Commission's estimate for the euro area, despite the slightly more extensive anti-crisis measures. The general government debt will exceed 82% of GDP, but will remain approximately 20 percentage points below the euro area average.

**The persistently unfavourable epidemiological situation is worsening the macroeconomic outlook, and reducing the accuracy even of recently released economic projections.** The new wave of the epidemic means that healthcare systems are again facing a major test. To prevent them from being overwhelmed, go-

vernments in numerous European countries have been forced to tighten their containment measures. Although the situation in terms of case numbers is significantly worse than during the first wave, the containment measures are not yet as stringent, and are allowing much of the economy, now adapting better to the epidemic, to function. In contrast to the first wave, supply chains in industry have remained undisrupted on this occasion, as indicated by the freight transport figures. Economic growth has also recovered in China, which has boosted foreign demand and helped the inflow of components, while US economy is also recording favourable growth figures in recent months. For now the key to protect domestic demand remains using economic policy to preserve household purchasing power, particularly in the sectors hit hardest by the containment measures. However, the crisis is altering the structure of demand, and is shifting consumption rapidly to the digital environment, making economic restructuring vital amid the lasting changes in consumer behaviour.

***There is a great chance of further waves of the epidemic, as medical solutions of sufficient impact are not yet in place, and the likelihood of the containment measures being tightened again is also elevated.*** Numerous services are not functioning in such environment, or are operating in limited fashion, the number of hours worked is falling, and uncertainty in the economy is increasing. The normalisation of household spending and corporate investment is interrupted, delaying and weakening the economic recovery, which then adversely affects the labour market and the fiscal position. There is a likelihood of a long-lived crisis in the service sector. Before the crisis, the most vulnerable sectors accounted for approximately 22% of jobs and 20% of value-added in Slovenia, and 25% and 19% respectively in the euro area overall.<sup>5</sup> Because economic restructuring is usually a lengthy process that is accompanied by higher structural unemployment, the recovery of demand in the private sector to pre-crisis levels could be further impeded. On the other hand, rapid progress in the development of vaccines against Covid-19 in recent weeks and possibility of their mass use in a very near future gives a chance of faster normalization of economic and social life.

---

<sup>5</sup> The sectors most directly affected by the epidemic and the containment measures are wholesale and retail trade and repair of motor vehicles and motorcycles (G), land, water and air transport (H49-51), accommodation and food service activities (I), publishing activities (J58), travel agencies (N79), and arts, entertainment and recreation (R). The calculations are based on the latest available annual national accounts figures.

## Selection of macroeconomic indicators on a monthly basis – Slovenia

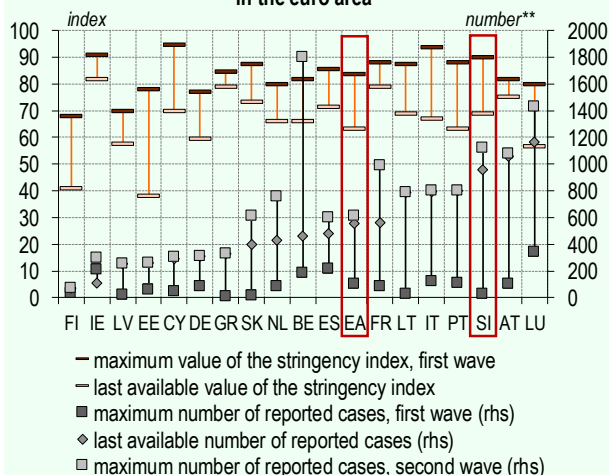
	12 m. 'till Sep.18	12 m. 'till Sep.19	12 m. 'till Sep.20	3 m. 'till Sep.19	3 m. 'till Sep.20	2020 Jul.	2020 Aug.	2020 Sep.	2020 Oct.
<b>Economic Activity</b>									<i>* data for Nov.20</i>
	<i>balance of answers in percentage points</i>								
Sentiment indicator	13.1	8.3	-9.1	5.7	-9.5	-17.6	-6.4	-4.4	-7.0 (-13.8*)
- confidence indicator in manufacturing	9.4	2.8	-9.3	-0.3	-4.0	-12.0	-1.0	1.0	1.0 (-1.0*)
	<i>year-on-year growth rates in %</i>								
Industry: - total	7.6	2.8	-5.6	2.5	-3.5	-4.9	-1.5	-3.5	...
- manufacturing	8.0	3.2	-5.2	3.1	-3.3	-4.7	-1.2	-3.6	...
Construction: - total	23.1	8.7	-2.8	-5.2	3.4	-2.1	4.3	7.9	...
- buildings	25.3	3.3	-3.0	-9.4	1.5	7.7	-8.0	5.4	...
Trade and service activities - total	7.6	4.9	...	2.9	...	-4.8	-7.1	...	...
Wholesale and retail trade and repair of motor vehicles and	15.1	2.9	...	-1.5	...	6.8	2.3	...	...
Retail trade, except of motor vehicles and motorcycles	2.2	6.1	...	3.4	...	0.7	-0.2	...	...
Other private sector services	8.1	4.1	...	2.4	...	-8.1	-10.5	...	...
<b>Labour market</b>	<i>year-on-year growth rates in %</i>								
Average gross wage	3.5	4.1	5.3	4.5	4.8	4.3	5.0	5.1	...
- private sector	4.1	4.0	4.5	4.2	4.6	3.7	5.1	5.2	...
- public sector	3.3	4.6	6.4	5.3	4.6	4.8	4.4	4.5	...
Real net wage <sup>1</sup>	1.5	1.7	5.7	1.7	6.2	5.4	6.5	6.6	...
Registered unemployment rate (in %)	8.5	7.8	...	7.4	...	9.2	9.1	...	...
Registered unemployed persons	-13.2	-6.3	9.3	-5.5	22.6	24.4	23.2	20.0	15.5
Persons in employment	3.3	2.9	0.1	2.4	-1.2	-1.2	-1.2	-1.1	...
- private sector	4.4	3.5	0.1	2.8	-1.6	-1.6	-1.6	-1.6	...
- public sector	0.6	1.1	0.2	1.1	0.1	-0.2	-0.1	0.5	...
<b>Price Developments</b>	<i>year-on-year growth rates in %</i>								
HICP	1.8	1.8	0.4	2.1	-0.6	-0.3	-0.7	-0.7	-0.5
- services	2.2	3.0	2.3	3.4	1.5	1.8	1.5	1.2	1.4
- industrial goods excluding energy	-0.8	0.1	-0.3	0.9	-0.6	0.1	-0.9	-0.9	-0.1
- food	2.7	1.5	2.8	2.5	2.4	2.2	2.4	2.7	3.1
- energy	5.4	2.7	-7.9	0.0	-11.8	-11.4	-11.9	-11.9	-13.2
Core inflation indicator <sup>2</sup>	0.9	1.7	1.2	2.3	0.6	1.0	0.4	0.3	0.8
<b>Balance of Payments - Current Account</b>	<i>in % GDP</i>								
Current account balance	6.1	5.4	6.9	5.3	8.8	11.1	3.9	11.4	...
1. Goods	3.3	2.4	4.9	1.6	7.2	9.9	2.9	8.7	...
2. Services	5.4	5.7	4.9	6.7	4.9	4.8	4.1	5.8	...
3. Primary income	-1.8	-1.7	-1.9	-1.9	-2.5	-2.8	-2.5	-2.1	...
4. Secondary income	-0.9	-1.1	-1.0	-1.1	-0.8	-0.8	-0.6	-0.9	...
	<i>nominal year-on-year growth rates in %</i>								
Export of goods and services	10.6	6.1	-9.2	3.9	-10.6	-10.7	-14.4	-7.4	...
Import of goods and services	11.1	6.9	-11.6	6.1	-15.1	-15.9	-13.5	-15.7	...
<b>Public Finances</b>	2018	2019	12 m. 'till Sep.20	2019 Jan.-Sep.	2020 Jan.-Sep.				
Consolidated general government (GG) balance <sup>3</sup>	<i>EUR milions</i>	<i>% GDP</i>	<i>y-o-y, %</i>	<i>EUR mio</i>	<i>y-o-y, %</i>	<i>EUR mio</i>	<i>y-o-y, %</i>		
Revenue	18,594	19,232	41.0	-2.6	14,135	4.8	13,638	-3.5	
Tax revenue	16,225	17,179	36.4	-1.7	12,624	5.8	12,081	-4.3	
From EU budget	796	731	1.7	2.7	493	-10.0	523	6.3	
Other	1,572	1,323	2.9	-15.0	1,018	0.2	1,034	1.5	
Expenditure	18,068	18,969	46.1	11.0	13,902	6.9	15,981	15.0	
Current expenditure	7,966	8,228	19.1	5.5	6,134	5.3	6,636	8.2	
- wages and other personnel expenditure	4,168	4,470	10.7	9.9	3,349	8.4	3,745	11.8	
- purchases of goods, services	2,634	2,728	6.3	4.9	1,942	5.8	2,087	7.5	
- interest	868	791	1.7	0.0	703	-12.0	683	-2.8	
Current transfers	8,237	8,704	22.7	20.6	6,496	5.9	8,164	25.7	
- transfers to individuals and households	6,926	7,324	17.6	11.0	5,514	5.9	6,221	12.8	
Capital expenditure, transfers	1,432	1,527	3.3	-3.7	844	16.0	807	-4.3	
GG surplus/deficit	526	263	-5.1		233		-2,343		

Notes: Economic activity data are working day adjusted (with exception of sentiment and confidence indicators data, which are seasonally adjusted). Other data in the table are original. Monthly activity indicators for industry, construction and services are shown in real terms.

<sup>1</sup> HICP deflator. <sup>2</sup> Inflation excluding energy, food, alcohol, tobacco. <sup>3</sup> Consolidated central government budget, local government budgets and social security funds (pension and disability insurance fund and health insurance fund) in cash accounting principle.

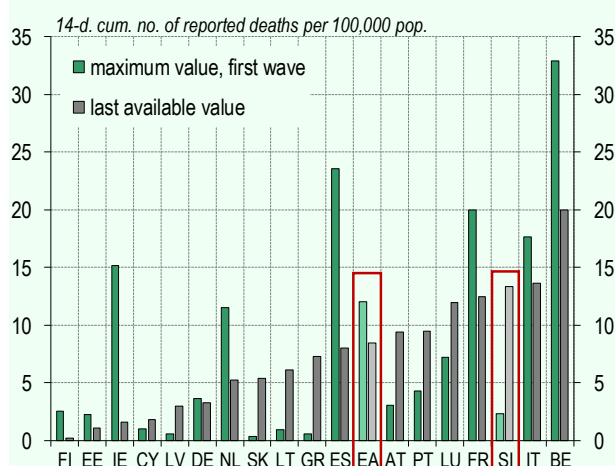
Sources: SORS, Bank of Slovenia, Ministry of finance, Bank of Slovenia calculations.

### Stringency of the measures and number of reported Covid-19 cases in the euro area\*



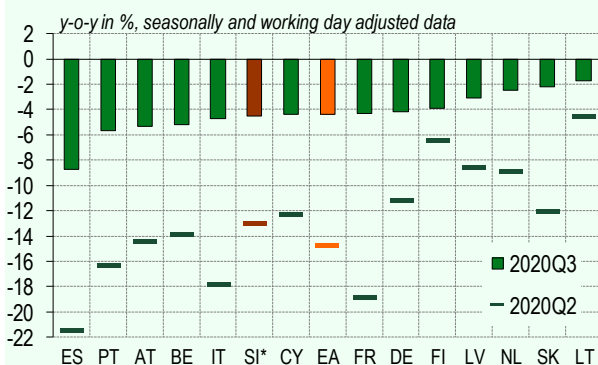
Note: \*Without Malta. \*\*14-d. cum. no. of reported Covid-19 cases per 100,000 pop.  
Source: Oxford COVID-19 Government Response Tracker, Eurostat, Bank of Slovenia calculations.

### Number of reported Covid-19 deaths in the euro area\*



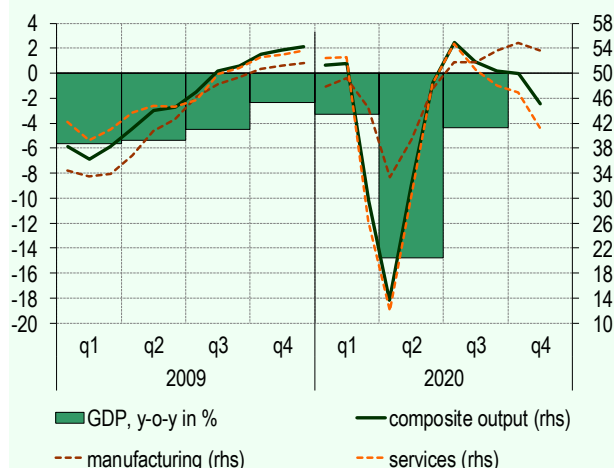
Note: \*Without Malta.  
Source: Oxford COVID-19 Government Response Tracker, Eurostat, Bank of Slovenia calculations.

### Flash estimates of GDP growth in the third quarter of 2020 – euro area countries



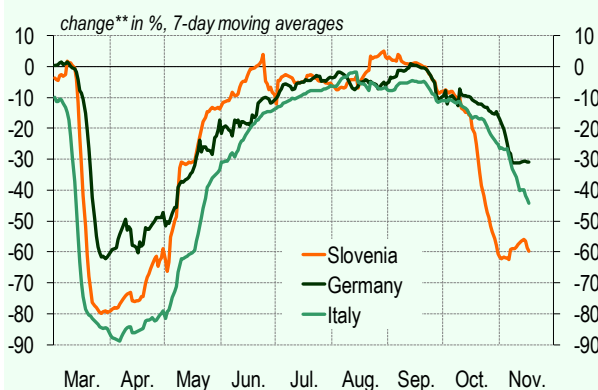
Note: \*July and August y-o-y growth of composite indicator of economic activity. Indicator includes real volume index of service activities and trade, real index of industrial production and real volume index of construction put in place. Indices are weighted by the share of individual activities in the total value added of all included activities. These activities generate approximately 74% of value added in the Slovene economy.  
Source: Eurostat, SORS, Bank of Slovenia calculations.

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



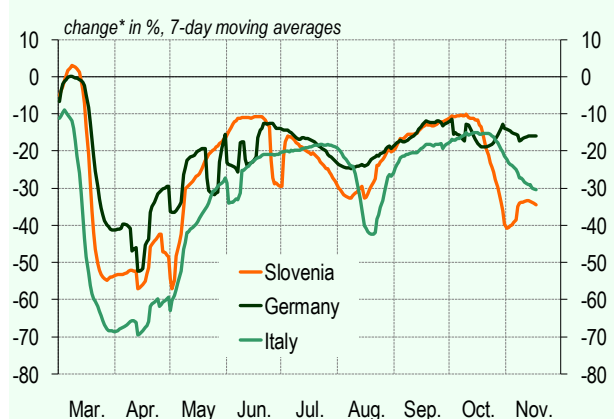
Note: Index above 50 indicates an increase in activity and below 50 a decrease in activity.  
Source: IHS Markit, Eurostat, Bank of Slovenia calculations.

### Google mobility trends – shopping centers, restaurants, cafes\*



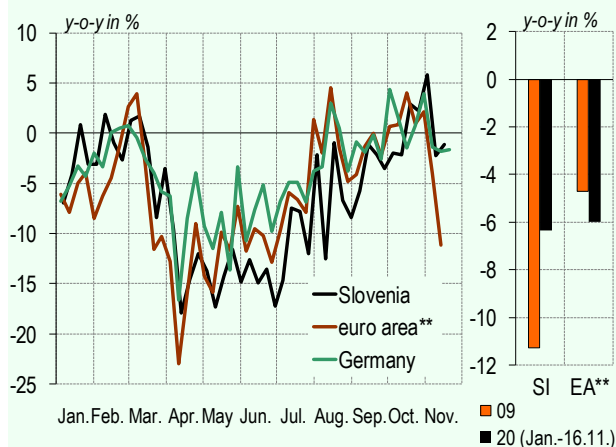
Note: The data are calculated on a sample of users and therefore do not necessarily reflect the behaviour of the entire population.  
\*theme parks, museums, libraries and movie theaters.  
\*\*Change compared to the median for the corresponding day in the 5-week period between 3 Jan. and 6. Feb. 2020.  
Source: Google, Bank of Slovenia calculations.

### Google mobility trends – workplaces



Note: The data are calculated on a sample of users and therefore do not necessarily reflect the behaviour of the entire population.  
\*Change compared to the median for the corresponding day in the 5-week period between 3 Jan. and 6. Feb. 2020.  
Source: Google, Bank of Slovenia calculations.

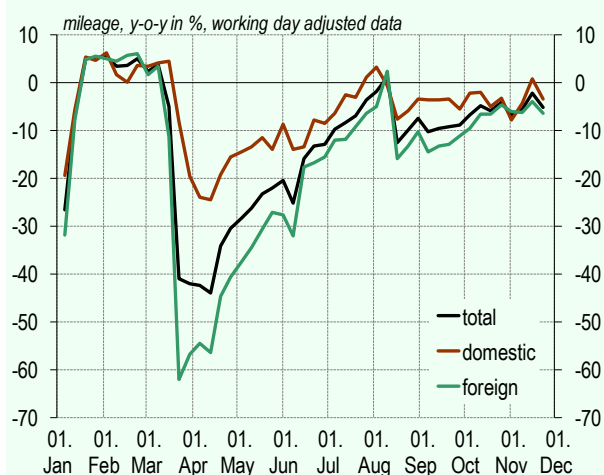
### Electricity consumption\* – Slovenia and euro area



Note: \*Data are not adjusted to weather temperatures. \*\*Germany, France, Italy, Spain.

Source: ENTSO-E, ELES, Bank of Slovenia calculations.

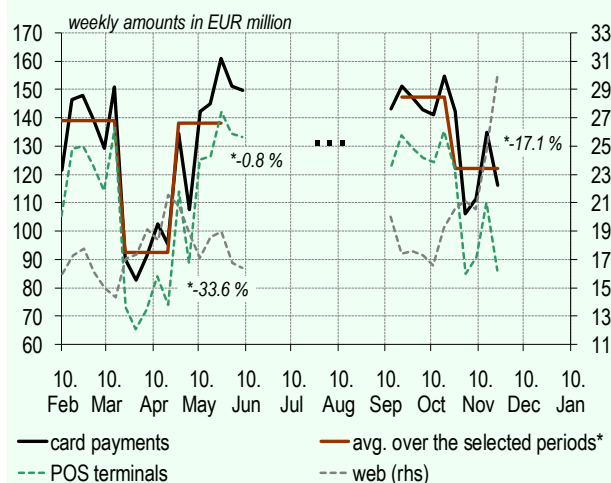
### Electronically tolled vehicles\* on Slovenian motorways



Note: \*All vehicles with the maximum permissible weight exceeding 3.5 tonnes.

Source: DARS, Bank of Slovenia calculations.

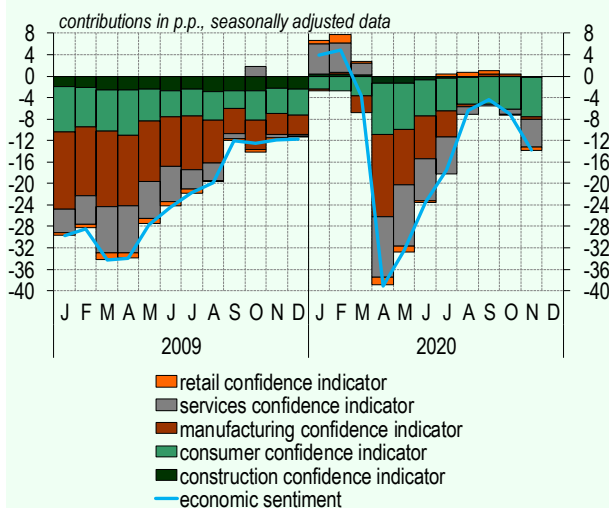
### Total value of card payments – Slovenia



Note: More than 90% of all bank card transactions are covered.

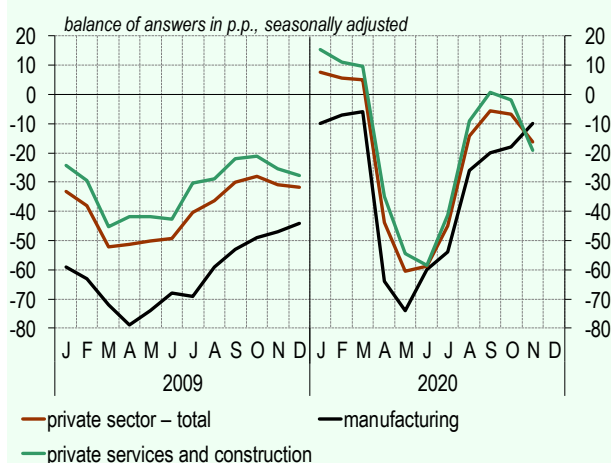
Source: Bankart and ISP Bank.

### Economic sentiment indicator for Slovenia



Source: SORS, Bank of Slovenia calculations.

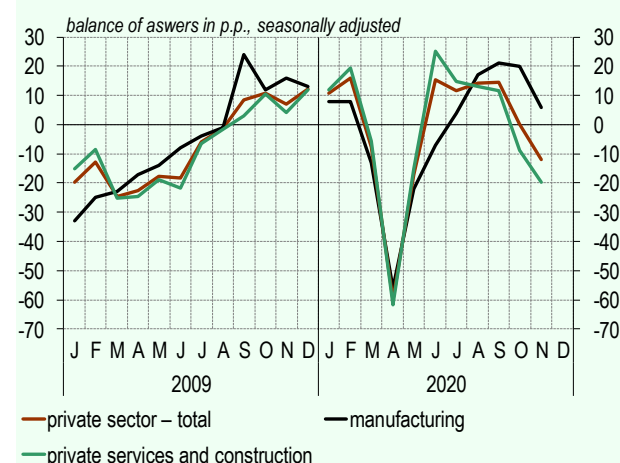
### Current demand – Slovenia



Note: The aggregate measures are calculated by taking into account value added shares.

Source: SORS – survey data, Bank of Slovenia calculations.

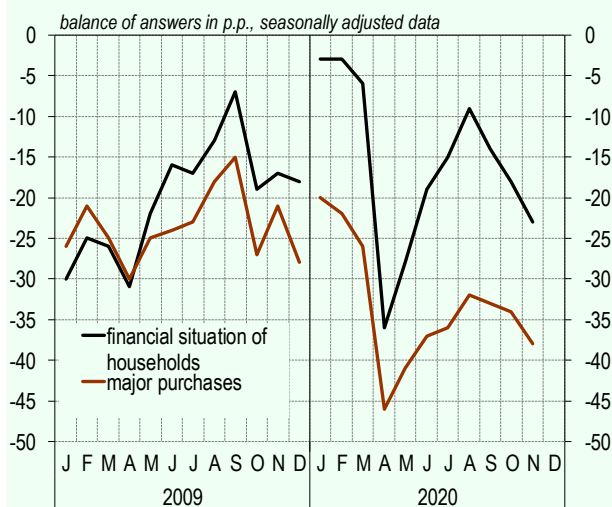
### Expected demand in the next three months – Slovenia



Note: The aggregate measures are calculated by taking into account value added shares.

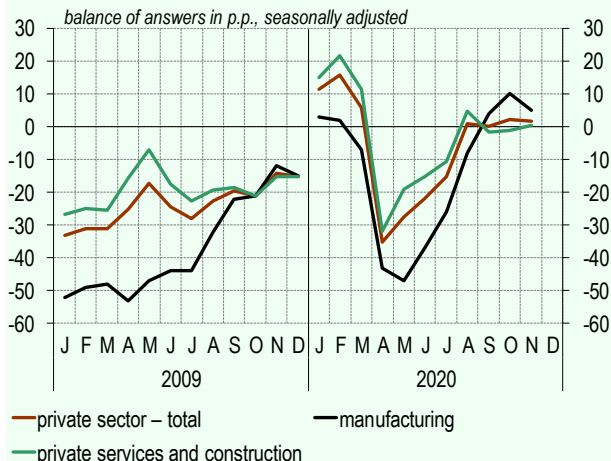
Source: SORS – survey data, Bank of Slovenia calculations.

### Consumer opinion on the next 12 months – Slovenia



Source: SORS – survey data.

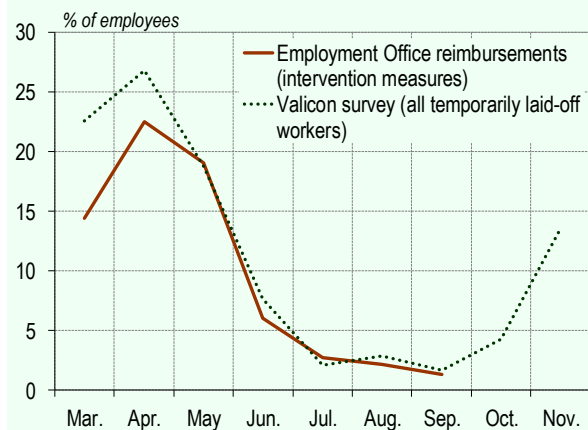
### Expected employment in the next three months – Slovenia



Note: The aggregate measures are calculated by taking into account value added shares.

Source: SORS – survey data, Bank of Slovenia calculations.

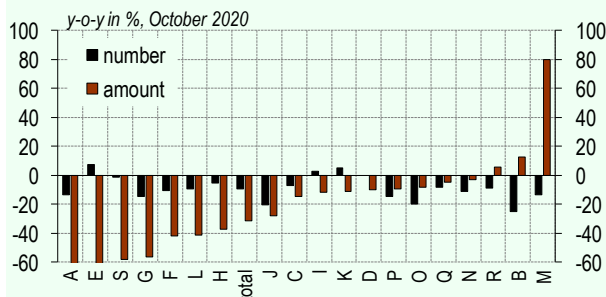
### Share of temporarily laid-off workers – Slovenia



Notes: Employment Office data on wage reimbursements of temporarily laid-off workers as of November 17. Online survey #Newnormal conducted by Valicon has a representative sample of population between age 18 and 75. Latest survey conducted on 13 - 15 November.

Source: Employment Office, SORS, Valicon, Bank of Slovenia calculations.

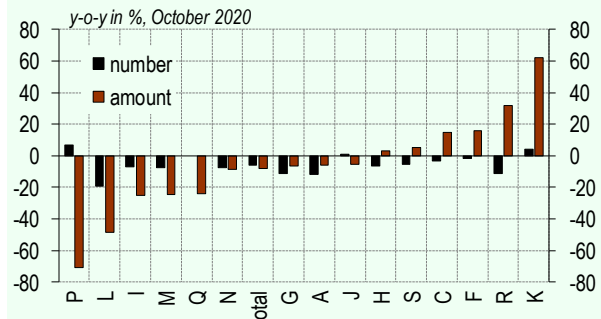
### Legal entities with overdue liabilities continuously more than 5 days by activities – Slovenia



Note: A – agriculture, hunting, forestry, fishing, B – mining, C – manufacturing, D – electricity, gas, steam, air conditioning supply, E – water supply, sewerage, waste management, remediation activities, F – construction, G – wholesale and retail trade, repair of motor vehicles, H – transportation and storage, I – accommodation and food services 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, recreation, S – other service activities.

Source: AJPES, Bank of Slovenia calculations.

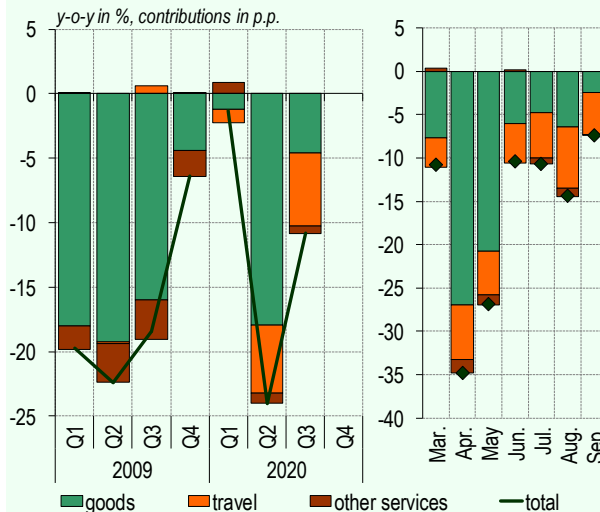
### Sole proprietors\* with overdue liabilities continuously more than 5 days by activities – Slovenia



Note: Activities with the number less than 5 are not shown (B, D, E, O). A – agriculture, hunting, forestry, fishing, C – manufacturing, F – construction, G – wholesale and retail trade, repair of motor vehicles, H – transportation and storage, I – accommodation and food services 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, P – education, Q – human health and social work activities, R – arts, entertainment, recreation, S – other service activities. \* Sole proprietors and other natural persons carrying out registered activities.

Source: AJPES, Bank of Slovenia calculations.

### Exports of goods and services – Slovenia



Source: Bank of Slovenia.

