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In the Spotlight

The autumn forecasts by international institutions are much more pessimistic than the spring forecasts largely due to the consequences of the financial crisis. The IMF and EC predict stagnation of economic growth in the euro area for next year. The EC even envisages a recession for the U.S. The forecasts of economic growth in Slovenia's main trading partners for 2008 do not diverge from IMAD's autumn forecasts, but the forecasts for the coming year are significantly lower, mainly as a result of the financial crisis, which has deepened since September. At the same time inflationary pressures are slowing due to a decline in commodity prices and slower economic activity. Inflation forecasts are thus also lower than in the spring. The slowdown of inflation has already enabled central banks to cut their key interest rates; the ECB key interest rate thus totals 3.75% and the Fed interest rate 1.0%. In numerous European countries, governments and central banks joined efforts to stem the crisis and offset its consequences, largely through measures aimed at reviving financial markets. Some of the most vulnerable countries were also granted loans by the IMF in recent weeks.

The consequences of the financial crisis had already affected conditions on the Slovenian financial market before the crisis deepened in September. Data for the period to August indicate that the conditions of financing domestic non-banking sector debt tightened notably with the rise in lending interest rates, which resulted in an accelerated slowdown of lending activity. Growth of bank loans to domestic non-banking sectors declined in August for the seventh month in a row. The decline was larger for corporate loans (to 25.5%) and somewhat smaller for household loans (to 20.2%). Given the aggravated access to refinancing on foreign markets, banks are becoming increasingly dependent on household savings. Owing to a smaller volume and less favourable maturity of household savings compared with foreign resources in the past, banks are adjusting their interest rate policies. The financial crisis has also affected the dynamics on the Ljubljana Stock Exchange, where in September the main index posted its largest monthly drop in ten years and the volatility also increased.

Given the moderation of GDP growth in the international environment, economic activity is also slowing in Slovenia. Merchandise trade growth is decelerating. Due to a significant drop in August, growth of merchandise exports (4.8%) was notably weaker than import growth (11.0%) in the first eight months of this year. The volume of production in manufacturing declined for the second month in a row. In the first eight months of the year, production volume growth was thus only 1.1% stronger than in the same period last year. Data on business tendency surveys indicate a continued slowdown, given that in October the confidence indicator dropped to its lowest level since 1999. Construction activity is also slowing, though it is still relatively high. A gradual slowdown in activity has also been observed in market services.

Some first signs of moderation are already visible in certain areas of the labour market, even though this has not yet been shown by the aggregate indicators. The number of persons in formal employment and the registered unemployment rate (6.5%) remained unchanged. Y-o-y employment growth in August was 3.0%. The strongest growth in the number of employees was still recorded in construction, whereas the number of persons employed in the energy sector, distributive trades, hotels and restaurants, education and manufacturing declined in August for the second month in a row.

The total gross wage increase (2.4% in nominal terms) in August was the highest this year, largely due to high gross wage rises in the public sector. Due to the disbursement of the first quarter of funds to eliminate wage disparities along with payments for the difference accrued since May, the gross wage increase in the public sector totalled 8.4% in nominal terms, which is somewhat below expectations, though the final increase cannot be estimated until, in the coming months, all adjustments have been completed and possible faults removed. Wage growth in the private sector stagnated in August, which can already be indicative of the impact of moderated economic activity. The total gross wage in the first eight months of this year was thus higher by a nominal 8.5% than in the same period last year.

Consumer prices remained unchanged in October for the second month in a row. Y-o-y inflation dropped for the fourth successive month and totals 4.9%. Against the background of rapidly declining oil prices, a slowdown in food prices and decelerated economic activity, y-o-y inflation is decreasing both in Slovenia and at the level of the entire euro area, where it totalled 3.2% in October. Similar to developments a few months ago when amid the rising prices of oil inflation increased much faster in Slovenia than in the entire euro area, the oil price decline now has a relatively greater impact on inflation in Slovenia than in the euro area. Due to the easing of price pressures in other groups, core inflation, which stood at 4.5% in September, is slowing as well.

The current account deficit continued to widen in August. In the first eight months of this year, the deficit topped EUR 1.5 bn and was mainly underpinned by the trade deficit increase. More than half of this increase came from deteriorated terms of trade. The factor income deficit and the current transfer deficit continued to widen in August. The deterioration in the current account balance is mitigated by the surplus in the services balance, which also continues to increase.

Amid further favourable economic trends in the first half of the year, growth of general government revenue and expenditure was stronger than in the same period last year. General government revenue growth in the first seven months of this year (13.0%) was more than twice as high as in the same period last year; growth of general government expenditure was higher as well (8.0%). By the end of September, payments into the EU budget reached 72% of planned funds and receipts from the EU budget around 30% of the amount envisaged by the supplementary budget for 2008. Data for the previous years indicate that receipts vary between months. On the basis of the available data, we can therefore draw no conclusions as to the realisation at the end of the year.

Current Economic Trends

International environment

After our Autumn Forecast was finalised, forecasts of economic growth were revised downward again, largely due to the financial crisis, which deepened and assumed broader dimensions. In October, the IMF made a downward revision to its global forecast of GDP growth relative to July, by 0.2 p.p., to 3.9% for this year and, by 0.9 p.p., to 3.0% for the coming year. The IMF thus predicts 1.3% growth in the euro area in 2008 and only 0.2% growth in 2009; the EC forecasts for both years are lower by a further 0.1 p.p. Both the IMF and EC forecasts for economic growth in Slovenia's main trading partners are lower compared with IMAD's assumptions, particularly for next year.

The slowdown in economic activity, which was further aggravated by the onset of the financial crisis last year, is increasingly also seen in the euro countries. According to Eurostat, economic growth in the euro area was -0.2% in Q2 relative to Q1, while y-o-y economic growth declined by 0.3 p.p. in Q2, to 1.4% (by 0.1 p.p., to 1.7%, in the EU-27). The slowdown is attributable to developments in the international environment and to domestic factors, resulting in a q-o-q decline in private consumption and investment in construction; the contribution of foreign trade was smaller as well. The expected further moderation of euro area growth is also corroborated by the decline in industrial production, which fell for the fourth successive month y-o-y in August, while y-o-y growth of the value of construction put in place in August was negative for the sixth month in a row. Consumer confidence

and economic sentiment indicators have worsened notably in recent months. In October, the economic sentiment indicator for the euro area fell to its lowest level since 1993.

In line with expectations, economic growth in the U.S. slowed significantly in Q3. Q-o-q GDP growth was 0.3% (0.8% y-o-y). The decline was largely attributable to the drop in private consumption, which hit its lowest level since 1991, and a further decline in

Figure 1: Structure of economic growth in the euro area

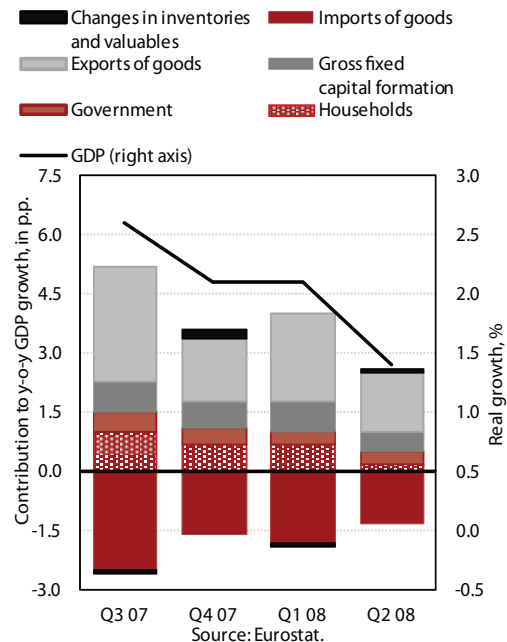


Table 1: Real GDP growth – comparison of forecasts and IMAD's assumptions

	2007	2008					2009			
		IMAD Sep 08	EKC Sep 08	IMF Okt 08	CONS Okt 08	EC Nov 08	IMAD Sep 08	IMF Okt 08	CONS Okt 08	EKC Nov 08
EU	2.9	1.4	1.4	1.7	1.4	1.4	1.1	0.6	0.6	0.2
EMU	2.7	1.3	1.3	1.3	1.2	1.2	1.0	0.2	0.5	0.1
DE	2.5	1.6	1.8	1.3	1.7	1.7	0.9	0.0	0.3	0.0
I	1.5	0.1	0.1	-0.1	0.0	0.0	0.5	-0.2	0.0	0.0
AT	3.1	2.2	N/A	2.0	2.1	1.9	1.8	0.8	1.4	0.6
FR	2.2	1.1	1.0	0.8	0.9	0.9	1.0	0.2	0.5	0.0
UK	3.1	1.2	1.1	1.0	1.1	0.9	0.9	-0.1	-0.2	-1.0
US	2.0	1.6	N/A	1.6	1.4	1.5	1.4	0.1	0.0	-0.5

Source: Eurostat, IMAD Autumn Forecast (September 2008), Consensus Forecasts (Oktober 2008), IMF World Economic Outlook (Oktober 2008), European Commission Interim Forecast (September 2008), European Commission Economic Forecast (November 2008).

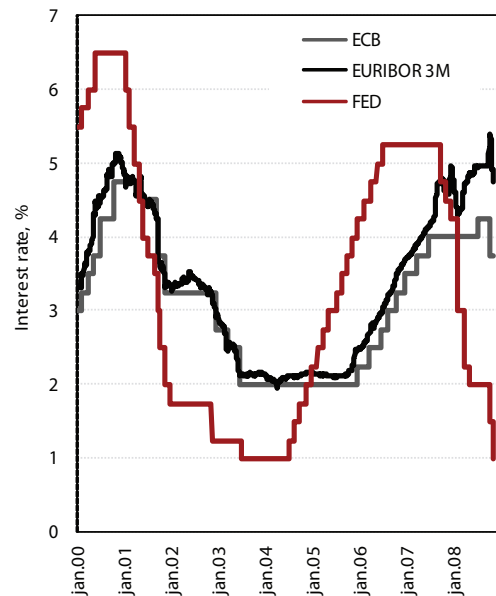
housing investment. Growth of exports also slowed considerably relative to Q2. Given the spreading financial crisis since September and its impact on the real sector, confidence indicators continue to fall at an even faster pace. In October, the main consumer confidence indicator plunged to its lowest-ever value since it had begun to be measured four decades ago. The latest forecasts by international institutions for economic growth in 2008 are nevertheless higher than in the summer months, mainly as a consequence of quite notable GDP growth in Q2, but for the coming year, the European Commission and the IMF envisage recession in the U.S.

Governments attempted to stop the spreading of the financial crisis in Europe through emergency measures. The emergency measures amounting to more than EUR 2,100 bn in the EU (roughly EUR 1,500 bn in the euro area) involve government guarantees on bank deposits, recapitalisations and nationalisations of banks, fresh capital to increase bank liquidity and government guarantees on loans. For the latter, in the euro area France, Germany, the Netherlands, Austria, Portugal and Spain provided guarantees of around EUR 1,165 bn for the next two years. The IMF has also got actively involved in handling the financial crisis and along with the EC and World Bank provided a USD 25.1 bn loan to Hungary. The various rescue packages throughout the world amount to around EUR 3,800 bn, by our estimate.

Amid the slowdown in inflation, central banks endeavoured to prevent further tightening of conditions in the financial markets by cutting their key interest rates. Consistent with the moderation of oil and other commodity prices on world markets, which had been the key driver of accelerated inflation over the last year, y-o-y inflation in the euro area dropped by 0.4 p.p. in October, to 3.2%. The EC forecasts 3.5% average inflation in the euro area for this year and 2.2% for the coming year. The slowdown in inflation enabled six central banks to cut their key interest rates by 0.5 p.p. The ECB key interest rate is now 3.75%. The Fed slashed its key interest rate by a further 0.5 p.p., to 1.0%, at the end of October, and a further cut is also expected by the ECB. By reducing their key interest rates, the central banks responded to rising interest rates on the interbank market, but the gap between

interbank interest rates and the interest rates of the central banks is nevertheless still wider than the year-long average, indicating that a high level of mistrust persists.

Figure 2: Dynamics of interest rates



Source: ECB, FED, www.euribor.org.

The exchange rate of the euro against the U.S. dollar dropped in October to its lowest level since the beginning of 2007. At the end of October, the exchange rate of the euro stood at EUR 1.2757 for USD 1, and USD 1.3362 for EUR 1, on average, for the month as a whole, 6.36% less than in October 2007. In the first ten months, the euro-to-U.S.-dollar exchange rate was 10.9% higher than in the same period last year. The depreciation of the euro against the dollar in recent months was largely due to the changes in expectations regarding future economic activity in the U.S. and in the euro area. Before the release of data on GDP growth in Q2, the U.S. was broadly expected to descend into a recession at the beginning of the year, and the data on GDP growth came as a positive surprise. The situation in the euro area was just the opposite, as until the release of data the euro area was generally expected to be able to escape a major slowdown in economic growth, a notion which changed upon the release of data on the q-o-q GDP decline.

Box 1: Primary commodity prices and inflation

After last year's strongly accelerated growth of primary commodities continued in the first half of the year, commodity prices have been slowing notably on world markets since July. Alongside increased demand and relatively inelastic supply, price rises were also a result of the very low value of the American dollar and enhanced speculative activity. In the period from the beginning of last year to July 2008, the IMF's commodity price index increased by 94%, the IMF's commodity food price index by 55% and the price of Brent crude by as much as 145%. Mainly due to the spillover of the financial crisis into the real economy and consequently weakened economic activity, the demand for commodities has started to slow, which is also linked to drops in primary commodity prices over the last three months. From their record highs of around USD 145/barrel in mid-July, oil prices thus dropped by more than a half, ending up at USD 60/barrel at the end of October, while the IMF's index of food prices declined by 15% from July to September.

Developments in global commodity markets crucially affected price trends in the total euro area and even more notably in Slovenia. After totalling around 0.5 p.p. y-o-y in the euro-area average and in Slovenia in July 2006, the contribution of food price rises to inflation in Slovenia started to increase in the first months of 2007, reaching its peak in February 2008 (2.2 p.p.) when it dropped somewhat and reached 1.2 p.p. in September. The contribution of food price rises to inflation in the euro area on average increased somewhat later than in Slovenia and the increase was smaller. The contribution of food prices to inflation remained at around 0.4 p.p. up until September 2007 when it started to accelerate, reaching 1 p.p. in May 2008. In September it was somewhat lower, 0.9 p.p. Amid energy price rises the impacts of oil price increases on inflation in Slovenia and in the euro area were more synchronised, but more pronounced in Slovenia due to a greater share of liquid fuels in our consumer price index. The contribution of energy price rises to inflation in Slovenia and in the euro-area average began to increase rapidly in October 2007, reaching its peak in July 2008 when it totalled 2.4 p.p. in Slovenia and 1.8 p.p. on average in the euro area. The contribution of energy price growth to inflation decreased in the last three months due to falling oil prices in that period. Y-o-y inflation in Slovenia is thus 1.6 p.p. lower.

Figure 3: Commodity price dynamics and inflation

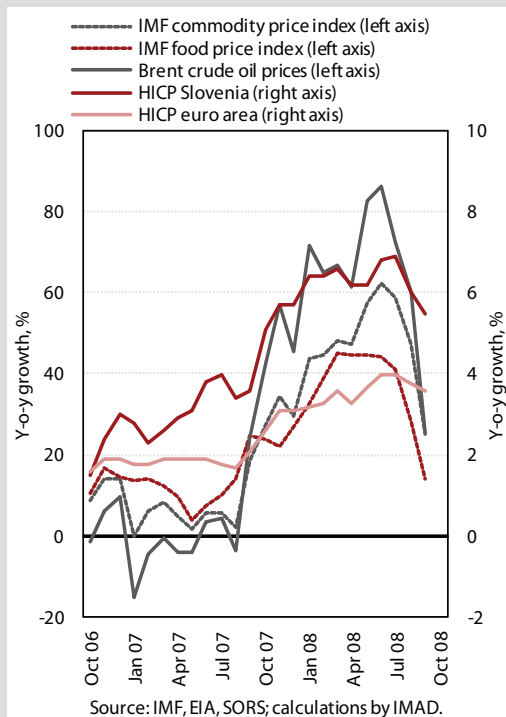


Figure 4: Contribution of food and energy prices to inflation in Slovenia and in the euro area

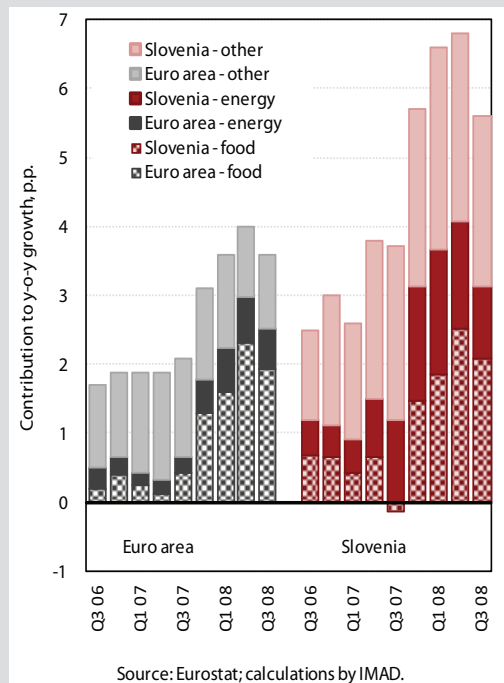
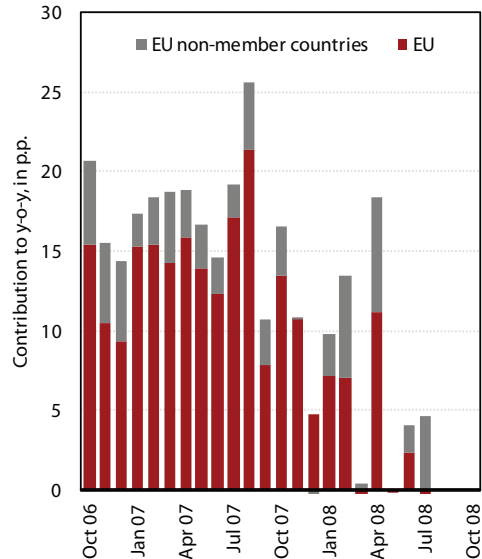


Figure 5: Movements of the USD/EUR exchange rate



Source: ECB.

Figure 6: Geographic distribution of merchandise exports



Source: SORS; calculations by IMAD.

Economic developments in Slovenia

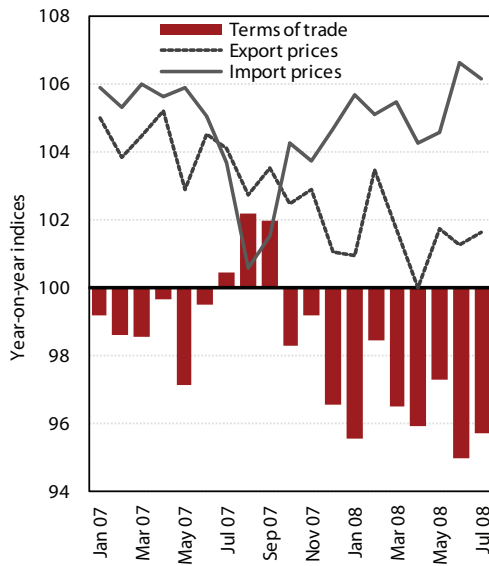
Growth in **merchandise trade** is slowing, which is largely due to decelerated growth in merchandise exports amid the cooling of activity in the international environment. The gradual moderation of merchandise trade, particularly exports, also continued in August, when merchandise exports dropped by 8.8% y-o-y and imports increased by a mere 1.9%. Y-o-y export growth (4.8%) was thus slower than import growth (11.0%) in the first eight months of this year. According to data on the structure of exports according to the SITC for the first seven months of 2008, exports of road vehicles increased by 4.6% y-o-y relative to the same period last year and exports of all other products by 6.9%. Apart from vehicle exports, the largest contribution to total merchandise export growth came from exports of medicinal and pharmaceutical products and exports of machinery specialised for particular industries. With regard to regional structure, merchandise exports to non-EU countries rose faster than exports to EU Member States in the same period. Amid weaker growth of exports to EU Member States, Slovenia still posted high growth rates of exports to non-

EU countries, particularly to the countries of former Yugoslavia (10.5% to Croatia, 8.8% to Serbia, 14.6% to Bosnia and Herzegovina, 36.6% to Macedonia and 27% to the Russian Federation).

The terms of trade continued to worsen according to the data for the period to July. The terms of trade, which have been deteriorating since October 2007, worsened by 3.6% in the first seven months of this year (compared to only 1% in the same period last year). Import prices increased by 5.4% on average and export prices by 1.5%. Growth of import prices is thus maintained at the high level of 2007. The gradual slowdown in export price growth at the aggregate level may also reflect the cooling of economic activity in the euro area. The deterioration of the terms of trade is expected to moderate, given the slowdown in commodity prices over the last three months.

Growth in **services trade** remained strong in August. In the first seven months of this year, the largest contribution to strong growth in services exports came from exports of transport services (see Figure 14), largely road transport and partly also air and maritime transport services. Growth in receipts from travel and exports of other business services,

Figure 7: Dynamics of the terms of trade



Source: SORS; calculations by IMAD.

particularly merchanting, was somewhat weaker. Import growth was largely propelled by imports of various business, professional and technical services. Imports of construction and assembly services and investment works performed by foreigners declined y-o-y, which is consistent with the gradual deceleration in construction activity.

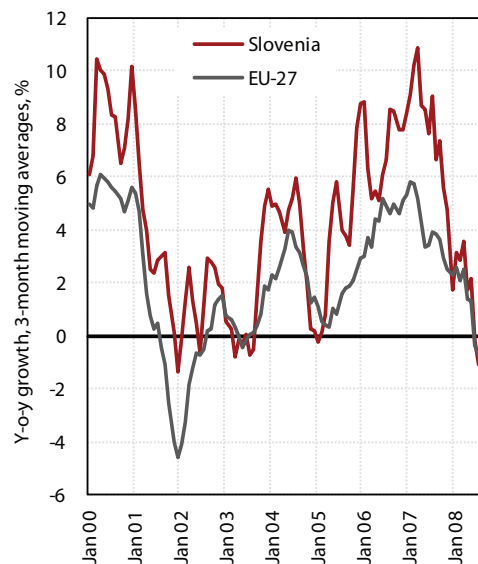
Table 2: Selected monthly indicators of economic activity in Slovenia

	2007	VIII 08/ VII 08	VIII 08/ VIII 07	I-VIII 08/ I-VIII 07
Export	16.9	-21.0	-4.4	7.8
-goods	16.3	-25.5	-7.9	5.3
-services	20.1	-5.1	6.9	19.1
Import	18.3	-19.2	4.1	11.9
-goods	18.1	-20.3	2.3	11.1
-services	20.1	-14.1	13.2	17.8
Industrial production	6.2	1.2*	-2.5**	0.8
-manufacturing	7.5	1.7*	-1.1**	1.1
Construction -value of construction put in place	18.2	-4.9 *	7.2**	20.1
Distributive trade - turnover in distributive trade and the sale and repair of motor vehicles	9.5	1.5 *	10.0**	13.3
Hotels and restaurant - turnover in hotels and restaurants	0.3	-0.6 *	-5.7**	-3.4

Sources: BS, SORS, calculations by IMAD. *seasonally adjusted **working-day adjusted data

As in other EU Member States, the volume of **production in manufacturing** is also declining in Slovenia. In August, y-o-y working-day adjusted industrial production growth was negative for the second month in a row (-1.1%, and -6.0% if data are not adjusted for working days), which has not happened since the beginning of 2005. A relatively fast deceleration of production growth in manufacturing was already recorded in the first half of 2008 when the volume of production was 2.7% higher relative to the first six months of 2007 (average growth in 2007 was 7.5%). After dropping in July and August, production in the first eight months of 2008 was only 1.1% higher than in the same period last year. A further moderation of manufacturing production is also suggested by business tendency data, given that the confidence indicator in manufacturing fell to its lowest level since 1999 in October.

Figure 8: Industrial production in manufacturing in the EU and Slovenia

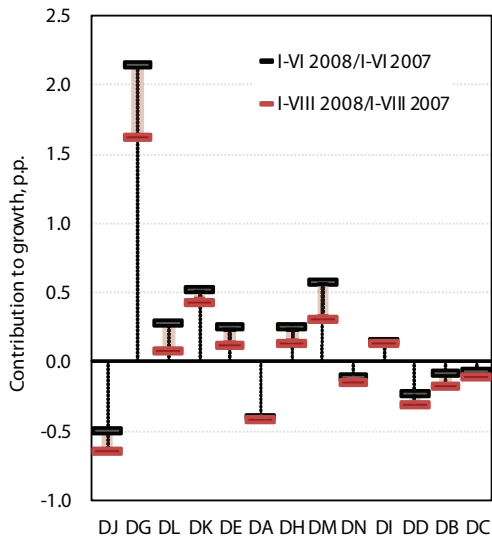


Source: SORS, Eurostat.

Slower production activity was recorded in all manufacturing sub-industries. Production slowed in sub-industries which are largely dependent on domestic demand, as well as in predominantly foreign-market-oriented sub-industries, which had still posted relatively favourable growth rates until the middle of the year. On the domestic and

foreign markets, turnover growth in August was negative y-o-y, for the second month in a row (-6.9% and -9.4%, respectively). Lower production in the two most export-oriented industries, the manufacture of transport equipment and the chemical industry may also reflect weaker foreign demand. In the manufacture of transport equipment (DM), production was as much as 13.9% lower y-o-y in August (see Box 2). Significantly weaker growth was also posted in the chemical industry (DG), totalling 3% in August, but the chemical industry remains the fastest growing sub-industry in manufacturing, making the largest contribution to total growth due to its sizeable share. Production volume of the largest industry, the metal industry (DJ), was lower than in 2007 as early as in the first half of the year. Its negative contribution increased somewhat further in the last month (-10.0% y-o-y growth).

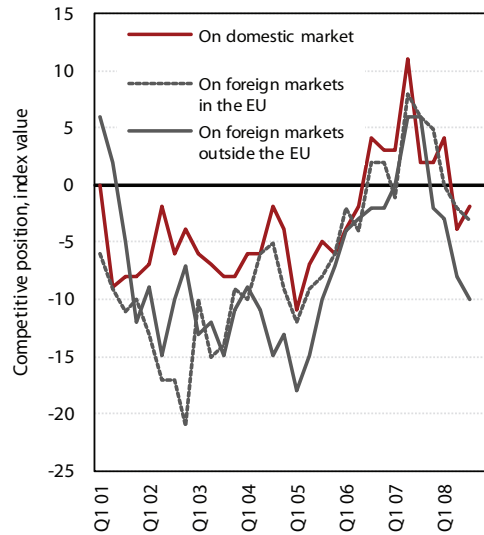
Figure 9: Production in manufacturing by sub-industry



Source: SORS; calculations by IMAD. Note: arranged by the size of weights, see the list of acronyms.

Amid decelerating production activity, productivity growth posted a significant decline and lagged behind wage growth in the first eight months of the year. In the first eight months of 2008, real productivity growth in manufacturing (1.0%) already lagged notably behind real growth of wages (5%, deflated by the PPI from the aspect of cost competitiveness), which signifies that the burden of labour costs on value added may be higher this year. Entrepreneurs' perceptions of the competitive position of their companies are also worsening. According to the quarterly data on business tendency in manufacturing, the competitive position deteriorated significantly again in October.

Figure 10: Perception of competitive position in manufacturing



Source: SORS; calculations by IMAD.

Box 2: Significance of the manufacture and exports of vehicles for production and export activity

In the last two years, the manufacture of transport equipment and vehicle exports were marked by fluctuations of monthly y-o-y growth rates, which are related to base effects and to a great extent a consequence of the investment cycle in the car industry. Due to their notable share particularly in merchandise exports in Slovenia, vehicles are important for understanding current economic activity and expectations of future trends.

Growth in the manufacture of motor vehicles has been accelerating significantly since May 2007. Due to its strong export orientation, the manufacture of motor vehicles has made a substantial contribution to export growth. Average growth in the manufacture of motor vehicles (DM34)¹ was still negative in the first four months of last year, while in the period from May to December, the volume of production was already more than 30% higher than in the comparable period of 2006 and capacity utilisation topped 95%. Similar trends also continued in the first four months of this year (20% y-o-y production volume growth). Despite its relatively small share in manufacturing, the car industry thus made a large contribution to total growth in the period when production activity growth in manufacturing was already starting to slow. Due to a somewhat smaller volume of production relative to the same period last year, the car industry has recorded slightly negative average growth since May 2008. Similar developments as in manufacturing were also recorded in road vehicle exports,² where vehicle export growth was 19.7% in the first four months of 2007 (contributing 16% to total merchandise export growth), and 45.5% in the period from May to the end of the year (40% contribution). Growth of road vehicle exports moderated (13.5% y-o-y) in the first four months of this year, but it nevertheless still accounted for a good fifth of total merchandise

Figure 11: Contribution of production and exports of vehicles to production and export activity

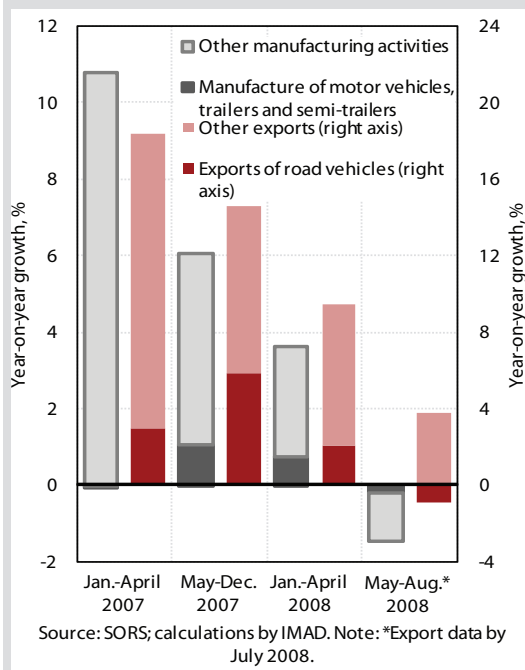
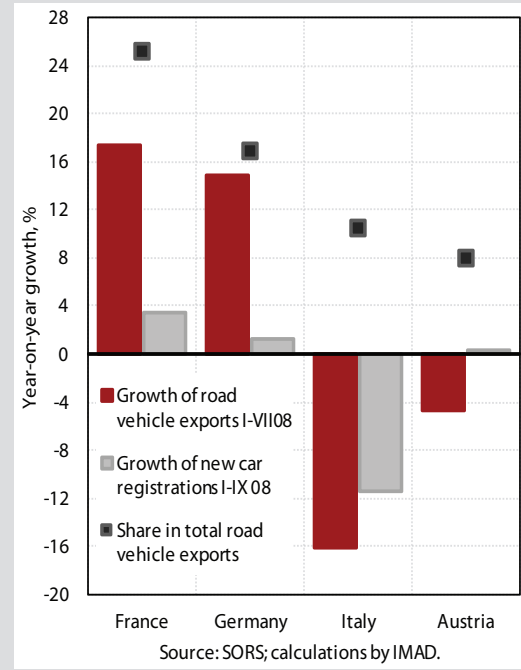


Figure 12: Road vehicle exports and new registrations by main trading partner



¹ The manufacture of transport equipment (DM) is divided into the manufacture of motor vehicles, trailers and semi-trailers (DM 34) and production of other transport equipment (DM 35). This outline only aims at describing the situation in the first sub-industry of the car industry, i.e. the manufacture of motor vehicles (DM 34); it must be pointed out, however, that the car industry is closely intertwined with other industries. Reduced output in this industry thus has a negative impact on suppliers from the metal industry, the manufacture of electrical and optical equipment, and also the textile industry.

² In the last five years, Slovenia's largest manufacturer of road vehicles sold 94% of its output on foreign markets (6.8% of Slovenia's average total merchandise exports).

export growth, while in the three months since May 2008, the volume of vehicle exports was lower relative to the same period last year and contributed -0.9 p.p. to total average merchandise export growth, which amounted to 4.2%.

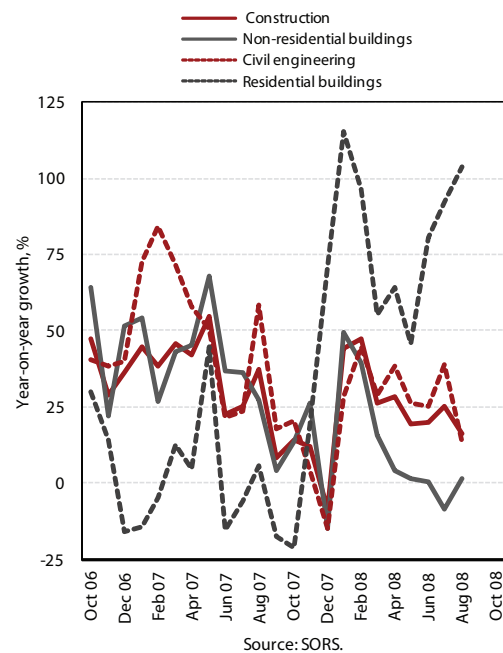
Given the strong export orientation of the manufacture of motor vehicles, the slowdown in the manufacture and exports of motor vehicles can be expected to continue in the coming months due to weaker demand in the main trading partners where Slovenia exports most of the vehicles. The manufacture of motor vehicles, trailers and semi-trailers (DM 34) is the most export-oriented industry of Slovenia's manufacturing, with more than 85% of turnover generated on foreign markets. The most recent business tendency survey data indicate significantly lower expectations about total demand for car industry products. Exports to France, Germany, Italy and Austria account for more than 60% of Slovenia's total road vehicle exports. In the first seven months of this year, vehicle exports to France and Germany increased relative to the same period of 2007 (by 17.3% and 14.8%, respectively), while vehicle exports to Italy and Austria declined (by 16.1% and 4.7%, respectively). In these four countries, new car registrations were only lower in Italy in the first nine months of 2007 relative to the same period last year, while in the other three countries growth was still positive, albeit weak. Judging from the significant decline in consumer sentiment indicators in these countries and the indicator of the right time for major purchases over the next 12 months, it can be concluded that growth in car sales is set to slow further in the coming months.

Construction activity was still strong at the beginning of the second half of the year, but its growth is slowing. According to seasonally adjusted data, the value of construction put in place dropped in August to its lowest value this year. The value of construction is otherwise still notably higher than in the same period last year, but growth is slowing. The value of construction increased by 22.8% y-o-y in the first half of the year, and by 13.8% on average in July and August. The slowdown is particularly intense in non-residential construction where in July and August the value of construction put in place was already lower than in the same period last year (by 9.0%). Growth also slowed in civil-engineering construction, from 25.0% in the first half of the year to 18.9% in the last two months. In contrast, growth in residential construction, which was already high, increased again, from 63.8% to 86.7%.³

Data on new contracts and issued building permits indicate that the slowdown is set to continue. According to the construction statistics, the value of the stock of contracts was 4.6% higher in August relative to the same month last year, which is the lowest growth in the last two and a half years. In Q1 the value of new contracts was more than half higher than in the same period last year, while in the period from April to August it was already as much as 13.7% lower, on

average, than in the same period last year. The preliminary data on issued building permits also indicate a slowdown of activity. In the first half of the year, the total planned floor area of all buildings was 25% smaller than in the same period last year; the area of residential buildings declined by 24.0%, and the area of non-residential buildings by 28.0%.

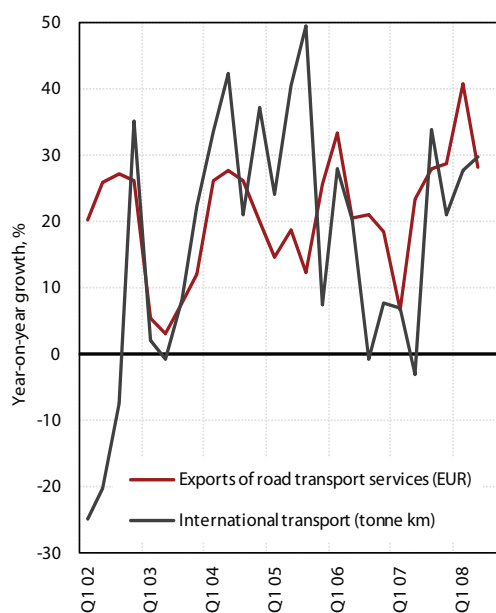
Figure 13: Value of construction put in place



³ In interpreting data on the value of residential construction, we should bear in mind that these figures exclude the activity of smaller enterprises where, by our estimate, the main activity is construction of buildings, which increases the unreliability of data.

Strong growth in **road freight** transport moderated somewhat in Q2, but remained high. Growth in road freight transport generating a quarter of the value added in transport, storage and communications slowed slightly in Q2, but recorded strong 26.1% total growth in the first half of the year. Growth in international road transport, accounting for 80% of total road freight transport, was twice as high as that of inland road freight transport, which can be linked to growth in highly export-oriented manufacturing industries, which was still strong in the first half of the year (11%) and only slowed down in July and August. Even though the growth of road freight traffic is expected to moderate in the second half of the year, the slowdown may not be commensurate with the decline in manufacturing activity, as our carriers are taking advantage of Slovenia's favourable position at the crossing of pan-European corridors V and X and are also allowed to perform cabotage and cross-trade transport under similar conditions as carriers from the old EU Member States. This prediction is supported by data on exports of road transport services which, even though their growth has been slowing from the beginning of the year, nevertheless increased by a respective 29.9% and 17.5% in July and August y-o-y.

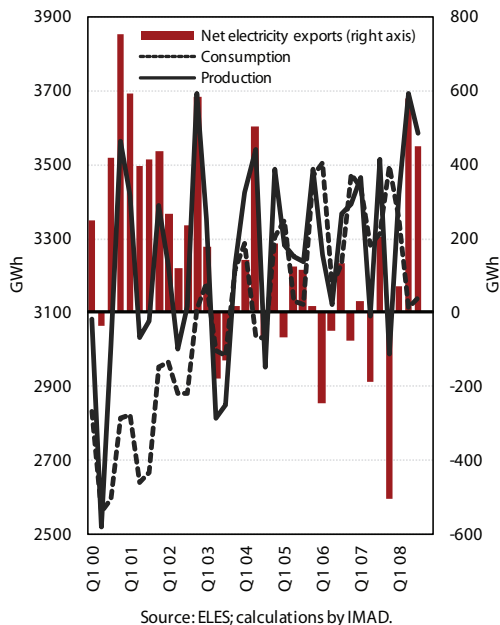
Figure 14: International transport (in tonne-km) and exports of transport services in road transport (EUR)



Sources: SORS, BS; calculations by IMAD.

Electricity output is increasing and electricity consumption dropping notably this year. Slovenia is therefore expected to post net exports of electricity again after two years. In the first nine months of 2008, electricity output was on average 6.2% higher than in the same period last year. Its growth may even accelerate by the end of the year, since due to the base effect, production in the nuclear power plant will be higher y-o-y, given that no regular overhaul in this plant is foreseen this year. Electricity consumption decreased by 4.2% in this period, partly due to the restructuring of large consumers in the metal industry, but also as a consequence of slower economic activity. Electricity consumption by direct users from the transmission network declined, by as much as a good quarter. According to ELES data, around two thirds of this reduction came from the transition to more energy-efficient aluminium production in Talum, and more than a half was due to the bankruptcy of Metalurgija Ruše. Energy consumption by other users supplied with electricity from the distribution network increased by 1.4% y-o-y in the first nine months of 2008, but was decreasing by an average of 1.8% per month y-o-y in the period from May to August, and increased again by 3.3% in September. Total electricity consumption, which was also dropping notably y-o-y in the period from May to August (by 6.9%, on average), decreased by 2.7% in September, consistent with the industrial production decline over the last few months. In the first nine months of 2008, electricity exports increased by 28.0% y-o-y, and imports recorded only a 3.8% rise. Slovenia thus recorded a large surplus of 1.091 GWh, more than twice as high as net imports for 2007 as a whole. The net imports were thus 2.8 times higher than projected in the national electricity balance for 2008 (EEB) and accounted for a good 10% of production. While the high surpluses recorded in Slovenia this year are mainly linked to increased electricity output and in recent months also to lower consumption, electricity surpluses in some EU Member States, which have also been reflected in falling market prices since July, largely result from slower economic activity. Electricity futures prices for base-load consumption in 2009 on the European Energy Exchange in Leipzig have been declining since midyear, having dropped from EUR 90/MWh at the beginning of July to below EUR 70/MWh at the end of October.

Figure 15: Production, consumption and net imports of electricity



According to the available current indicators, the gradual slowdown of economic activity is also reflected in individual **market services**. Real turnover in hotels and restaurants, which was rising at a slower pace than last year during the first half of 2008, dropped in August for the third month in a row, most notably again in accommodation and related services. The number of overnight stays, which is an important driver of development in hotels and restaurants, was, in the first eight months of the year, only 2.8% higher than in the same period of 2007. The y-o-y growth rate increased slightly in August (to 3.2%), but is still considerably below the level recorded last year (7.0%, on average, for the year as a whole). Real growth of turnover in retail trade at the aggregate level remains relatively high this year, with a slight tendency to slow in sectors which are more dependent on the economic environment. Growth rates of turnover in the sales of motor vehicles and automotive fuels, furniture, household appliances and construction material, which were relatively high over the last two years, are decreasing, but remain relatively high. On the other hand, the growth of turnover in the sale of food, which had been falling in real terms in the past, is increasing.

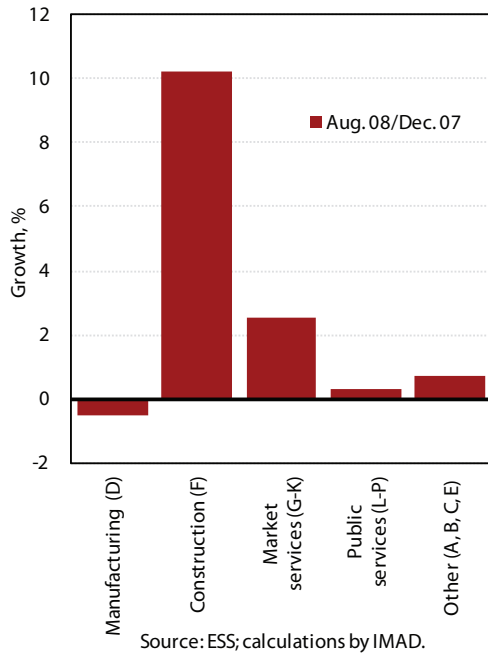
According to the data on turnover in retail trade, relatively high growth rates of **household consumption** have been maintained, but consumer optimism is on the decline. Particularly due to the amended wage system in the public sector, the growth of the net wage bill strengthened somewhat in September (by a real 6.7% y-o-y) while in the first eight months of 2008 it was 4.5% relative to the same period last year. Turnover in retail trade (5.9%) suggests that consumption increased relative to last year (4.9%), but the structure of consumption is slowly changing. Growth of new car registrations, the number of which dropped in August and September to the lowest levels recorded this year, is slowing. Moreover, consumers think that they will spend less money for major purchases over the next 12 months than they did at the same time last year, which suggests a slowdown of consumption at the end of the year.

Labour market

Some first signs of moderation are already visible on the **labour market** along with the slowing economic activity, though this is not yet evidenced by the main indicators. Due to the holiday season, the number of persons in formal employment remained almost unchanged in August, as did the registered unemployment rate (6.5%). In the first eight months of the year, the number of persons in formal employment remained 3.2% higher than in the same period last year. Compared to July, the largest increase was still recorded in the number of workers employed in construction (0.4%), albeit much smaller than in the previous months. The number of employed persons continued to decline in agriculture, fishing and mining. For the second consecutive month, the number of persons in employment also decreased in manufacturing, in the energy sector, distributive trades, hotels and restaurants and education. In August, the number of persons employed in manufacturing was 0.4% lower than in August 2007, falling y-o-y for the third month in a row. Given that the slowdown in economic activity is reflected in the labour market with a delay and that manufacturing industries are among those most sensitive to market conditions, the slowdown in the labour market may be even more pronounced in the coming months than what we are beginning

to face now. This is also suggested by data on business tendencies in manufacturing regarding expected employment, which recorded a notable decline in October.

Figure 16: Gains in the number of employees by activity



The number of work permits for foreigners increased again in August and was almost a third higher, compared with December last year. Y-o-y growth of work permits strengthened further in the three months from June to August. The number of work permits totalled 86,668 in August, accounting for a tenth of all persons in formal employment in Slovenia. Within that, approximately one half of these employees work in construction, according to June 2008 data, a good eighth in manufacturing and distributive trades, respectively, and 7% in business services.

The number of registered unemployed fell again in September. The decline was mainly due to increased outflows for reasons other than employment, among them also due to the seasonally increased enrolment of around 700 unemployed persons in educational programmes. Other unemployment flows are also still within the usual seasonal limits. In all, 6,050 persons registered as unemployed, within that 4,516 because they lost work

(6.7% more than in September 2007); 4,482 unemployed persons found work (1.3% more than in September 2007). As in the first two quarters, inflows into unemployment in Q3 2008 were lower than in the same period of 2007, and so were outflows. About 20% fewer first-job seekers registered as unemployed than in Q3 2007, and 10% fewer persons who lost work. Around 16% fewer unemployed persons were deleted from the unemployment registers because they found work and around 17% for other reasons.

After the seasonal decline in the summer, the number of job vacancies and persons hired rebounded in September. In Q3 2008, the total number of persons hired was 10.4% and in the first nine months 5.2% higher than in the same period last year. The share of new jobs for people with lower education increased relative to the first three quarters last year, while the share of new jobs for people with secondary and tertiary education decreased.

Table 3: Labour market indicators

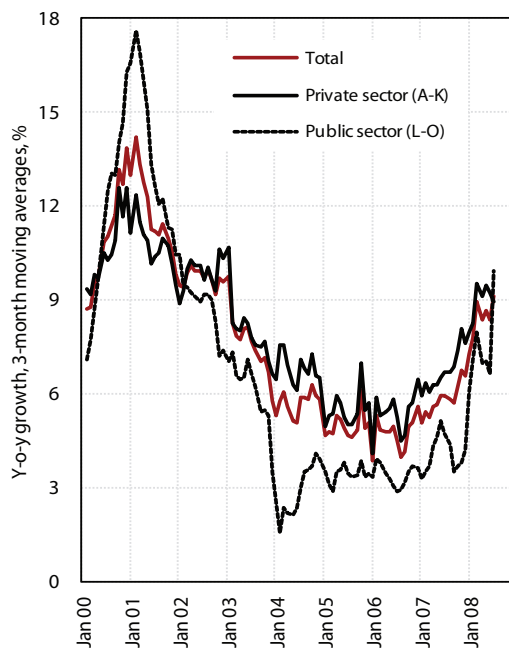
	2007	VIII 08/ VII 08	VIII 08/ VIII 07	I-VIII 08/ I-VIII 07
Labour force	1.6	-0.2	1.9	1.9
Persons in formal employment	3.5	0.0	3.0	3.2
- Employed in enterprises and organisations and by those self-employed	3.3	0.0	3.1	3.4
Registered unemployed	-16.9	-1.4	-11.5	-13.0
Average nominal gross wage	5.9	2.4	9.8	8.5
-private sector	6.9	-0.1	7.2	8.8
-public sector	4.1	8.4	16.6	8.1
	2007	VIII 07	VII 08	VIII 08
Rate of registered unemployment, v %	8.4	7.4	6.5	6.5
Average nominal gross wage (in EUR)	1,284.79	1,279.40	1,372.46	1,405.00
Private sector	1,217.14	1,210.50	1,298.64	1,297.89
Public sector	1,485.09	1,485.11	1,596.66	1,731.02

Sources: ESS, SORS, calculations by IMAD.

August's growth in the gross wage per employee was the strongest this year, albeit weaker than expected. It increased by 2.4% in nominal terms; real growth totalled 3.0%, owing to deflation posted in August. The increase was mainly a result of gross wage growth in the public sector, which rose by 8.4% (9.0% in real terms). In the private sector, gross wage

growth stagnated and remained at the level of the previous month, recording only a slight real increase (0.5%). In the first eight months of this year, the total gross wage increased by a nominal 8.5% relative to the same period last year, and by a real 1.8%, given 6.6% inflation. The private sector recorded stronger wage growth than the public sector, though in August, gross wage growth in the public sector approached that in the private sector. The gap between wage rises in the public sector and the private sector thus narrowed in the first eight months of the year.

Figure 17: Nominal gross wage per employee

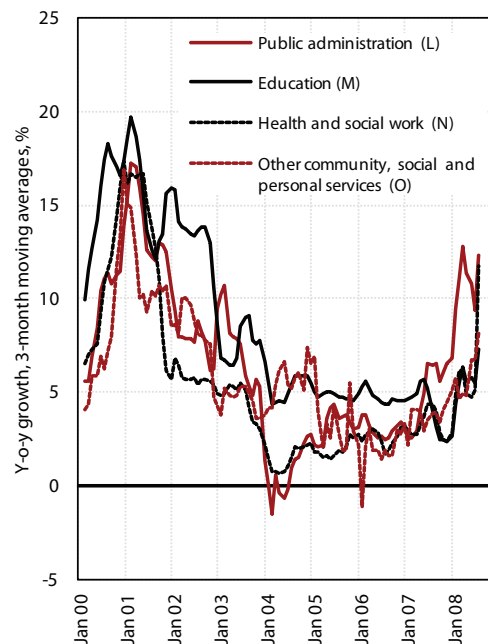


Source: SORS; calculations by IMAD.

Strong growth of the gross wage in the public sector is a result of the disbursement of wages according to the new wage system, as this month the first quarter of funds to eliminate wage disparities was paid along with payments for the difference accrued since May. The actual increase was much smaller than foreseen (14.5%). Adjustments and elimination of mistakes in the new wage system will most probably continue and the effect of the new wage reform will be distributed over several months. The corrections will mainly pertain to the method of taking account of conditions for promotion, lowering the deduction for a lack of education, possibility of promotion in management positions and similar. In

some institutions, the implementation of the new wage system may also be followed by the preparation and adoption of new acts on job systematisation due to necessary reorganisations, which may also translate into higher wages. As a result of bargaining, by far the highest monthly and y-o-y gross wage rises in the public sector were achieved in health and social work, followed by public administration and other community, social and personal services. The smallest increase was seen in the gross wage in education. However, the gross wage in education recorded higher growth rates than wages in other public sector activities in the period from 2002 to 2006, as this was the only activity within this sector which had negotiated wage supplements in that period.

Figure 18: Nominal gross wages per employee in the public sector



Source: SORS; calculations by IMAD.

The gross wage in the private sector stagnated, recording positive growth (1.1%) only in production services (G-I). This stagnation was also a result of three fewer working days, but we nevertheless expected positive growth in private sector wages, mainly due to August's adjustment of starting-level and lowest basic wages (by 3.9%) and a 4% adjustment of the minimum wage. August's growth of wages

in the private sector was somewhat below expectations, which may already be indicative of the impact of the economic slowdown.

Prices

As in September, consumer prices also remained unchanged in October. Y-o-y inflation dropped for the fourth consecutive month and totalled 4.9% in October, the lowest figure since September 2007. Consumer prices increased by 3.5% in the first ten months of the year, 0.7 p.p. less than in the same period last year. Core inflation is slowing as well.

Price trends in individual price groups were very pronounced, according to detailed data for September, even though the general price level remained unchanged. The trends chiefly reflected the dynamics of prices marked by the largest seasonal swings. Overall price growth increased by 0.7 p.p. due to higher prices of clothing and footwear and declined by the same amount owing to prices of holiday packages. Lower prices of liquid fuels were also an important factor of inflation, contributing to a 0.3 p.p. decrease.

Figure 19: Contributions to inflation in the first nine months of the year

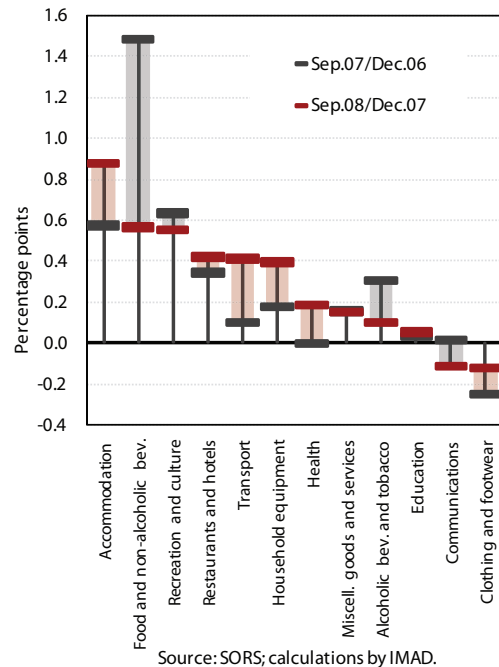


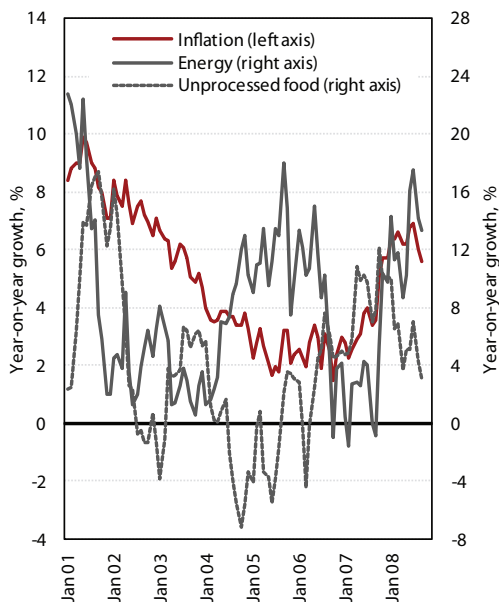
Table 4: Prices

	2007		2008		
	XII 2007/ XII 2006	Φ (I 07–XII 07)/ Φ (I 06–XII 06)	IX 2008/ VIII 2008	IX 2008/ IX 2007	Φ (X 07–IX 08)/ Φ (X 06–IX 07)
Consumer prices (CPI)	5.6	3.6	0.0	5.5	6.2
Goods	6.0	3.2	0.8	5.9	6.7
-Fuel and energy	9.8	3.1	-1.9	13.9	12.7
-Other	5.2	3.2	1.4	4.1	5.4
Services	4.8	4.5	-1.8	4.8	5.1
Consumer prices (HICP)	5.7	3.8	0.0	5.5	6.1
Administered prices ¹	7.2	2.6	-1.7	12.8	11.9
-Energy	9.6	2.7	-2.5	19.2	17.5
-Other	1.5	2.4	0.0	0.1	0.7
Core inflation:					
-trimmean	3.2	2.3	0.0	3.6	4.0
-excluding (fresh) food & energy	4.0	2.7	0.3	4.5	4.6
Consumer prices in the EMU	3.1	2.1	0.2	3.6	3.4
Producer prices of domestic manufacturers:					
-domestic market	6.3	5.4	-0.1	5.7	6.3
-EMU	0.9	5.0	-1.2	3.7	2.1

Sources: SORS, Eurostat, calculations by IMAD.

Y-o-y inflation in Slovenia and in the entire euro area declined somewhat, amid slowing growth of oil and other commodity prices since July. Inflation in Slovenia is slowing faster than in the euro area, similar to a few months ago, when inflation in Slovenia was rising more rapidly than in the euro area. The harmonised index of consumer prices declined by 1.5 p.p. y-o-y in Slovenia over the last three months (from 7.0% in June to 5.5% in September), and by 0.4 p.p., on average, in the euro-area (from 4.0% to 3.6%). Despite a relatively fast slowdown, price rises of liquid fuels and food remained an important driver of this year's inflation and together contributed just over a third to this year's 3.5% inflation, 0.6 p.p. each. Due to lower oil prices, y-o-y inflation dropped by 1.6 p.p. over the last three months, by our estimate. The contribution of prices of services to this year's inflation was the same as last year (1.4 p.p.), while the contribution of prices of other goods was higher.

Figure 20: Price rises of energy and non-processed food

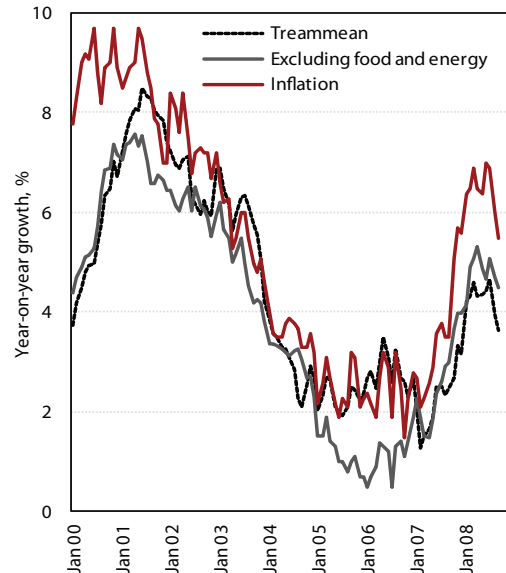


Source: SORS; calculations by IMAD.

Core inflation shows signs of moderation. After reaching its peak in April 2008, totalling 6% y-o-y, core inflation (excluding non-processed food and energy) dropped over the last few months, reaching 4.5% in September. The slowdown in processed food prices is the key contributor to the moderation of core

inflation. A small contribution also came from growth in services prices, which dropped to 5.1% y-o-y in September, from 6% in April.

Figure 21: Core inflation



Source: SORS, calculations by IMAD.

Producer prices of manufactured goods on the domestic market decreased in September. The growth of prices also declined y-o-y, from 7.0% to 5.7% (against 5.8% in September 2007). Growth of prices for sale on foreign markets dropped from 4.2% to 3.9% (against 1.9% in September 2007). Y-o-y growth of prices on the domestic market declined largely on account of decelerated growth of prices in the manufacture of food, beverages and animal feeds, and due to a notable drop in metal prices on world markets, in the manufacture of metals and recycling. The growth of producer prices of manufactured goods in the euro area remains higher than in Slovenia. While the increase in Slovenian producer prices of manufactured goods on the domestic market exceeded the increase of domestic producer prices in the euro area last year, price trends have been just the opposite since May. The difference in the dynamics of total growth of producer prices of manufactured goods are importantly influenced by the differences in dynamics of price rises in electricity production and mining, while no major divergences have been perceived between both areas in the dynamics of producer price rises in manufacturing.

Box 3: Administered prices

Administered prices have been adjusted this year in accordance with the government's plan. They increased by 8.2% in the first nine months of the year, and by 12.8% y-o-y. The relatively great increase in administered prices is due to the fact that the group of administered prices also includes energy prices (liquid fuel for transport and heating, natural gas and district heating), which are fixed on the basis of current or past oil price trends on global markets. The government thus has only limited influence on the dynamics of these prices, largely through taxations and determining the model for fixing prices of liquid fuels. Prices under direct government control, on the other hand, are rising in accordance with the effective plan of administered price adjustments for 2008 and 2009, adopted in December 2007. In the first nine months of 2008, these prices increased by around 0.1%. In line with the effective plan, the increase in administered prices should not overshoot 0.5% this year.

Within administered prices, prices of local utility services underwent significant shifts this year. On average, prices of basic local utility services (water, waste collection and sewage fees) remained roughly the same. In the first nine months of the year, prices of local utility services rose by 0.9%, whereas in the last months of this year, the government approved an increase in local utility service prices in the range of 2–408% in 37 municipalities. These rises will have a significant impact on enterprise costs and the level of prices, by our estimate, and particularly, on inflationary expectations.

Figure 22: Administered prices

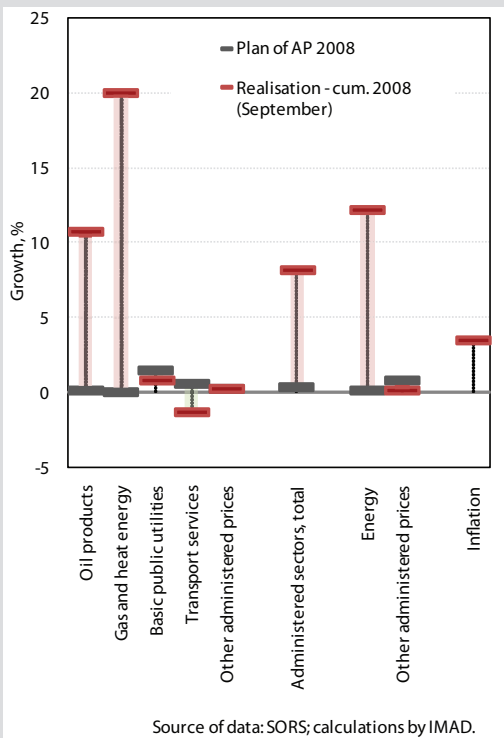
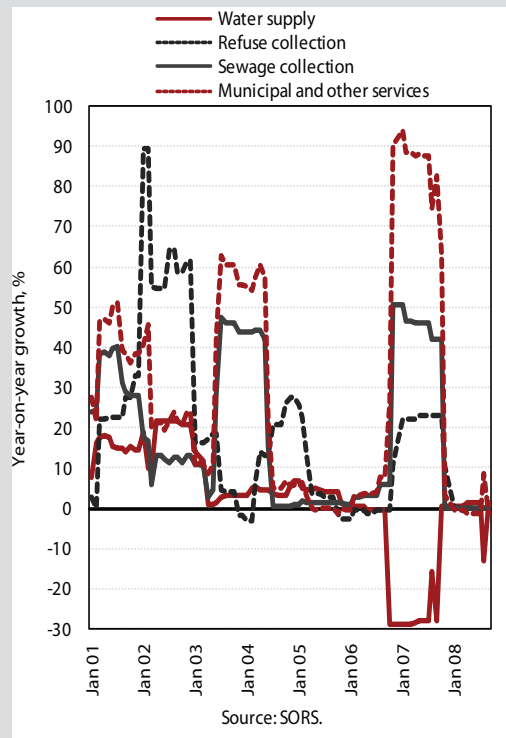


Figure 23: Prices of local utility services

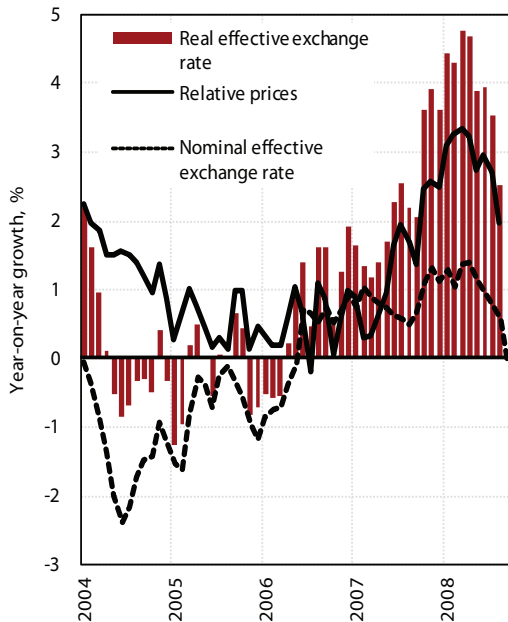


Given the improvement at the monthly level, the y-o-y deterioration of **price competitiveness** measured by relative consumer prices moderated significantly in August. Following July's drop (-0.4%), the real effective exchange rate deflated by relative consumer prices continued to decline more rapidly at

the monthly level (-0.9%). Its y-o-y growth (2.5%) therefore decreased as well, but was nevertheless still relatively strong (4%) in the first eight months, as a result of extremely unfavourable developments at the beginning of the year. Relatively more favourable price competitiveness developments since midyear

reflected the weaker euro and a drop in relative prices. The nominal effective exchange rate depreciated in August (-0.4%), mainly under the influence of the depreciation of the euro against the U.S. dollar and Japanese yen. Its y-o-y growth moderated to 0.6% in August and to 1.1% in the first eight months of the year. After rising more notably for four months in a row, relative prices also declined for the second consecutive month (-0.5%), since in August the drop in consumer prices was more pronounced in Slovenia than in its main trading partners, and their y-o-y relative growth slowed more notably as well.

Figure 24: Real effective exchange rate deflated by the CPI and its components

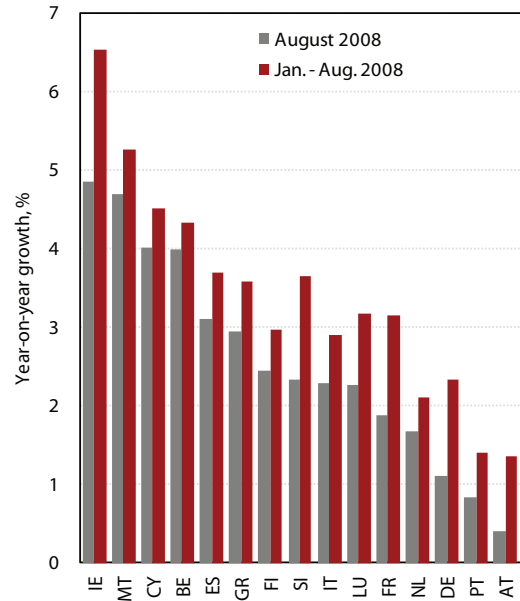


Source: ECB, SORS, OECD; calculations by IMAD.

Measured by relative producer prices, price competitiveness deteriorated slightly in August, but its y-o-y deterioration was still relatively small. The real effective exchange rate measured by relative producer prices in manufacturing (on the domestic market) slightly increased (0.2%) in August, after a three-month decline, but still recorded low y-o-y growth (0.9% in August and 1.3% in the first eight months). This year, producer prices in manufacturing in Slovenia increased at a similar pace as in our main trading partners.

In August, the deterioration of price competitiveness also moderated in most other EMU Member States. As y-o-y consumer price growth in Slovenia started to slow somewhat earlier than in other EMU Member States, Slovenia was no longer among the countries with the highest deterioration in price competitiveness (see figure) in August. Whereas in 2007 only Ireland posted a greater deterioration of price competitiveness than Slovenia, this deterioration is also greater this year in four other Member States.

Figure 25: Real effective exchange rates of the EMU Member States, deflated by the HICP



Source: ECB; calculations by IMAD.

Balance of payments

The **current account** deficit continued to widen at a relatively fast pace in August. The monthly deficit totalled EUR 250 m in August and was the highest this year. In the first eight months of the year it topped EUR 1.5 bn, which is EUR 878 m more than in the same period last year. The largest contribution to the current account deficit in August as well as in the total period came from a higher trade deficit. The factor income deficit and the deficit in current transfers also increased. The deterioration of the external balance was mitigated by a widening surplus in the services balance.

Table 5: Balance of payments

I-VIII 2008, v mio EUR	Inflows	Outflows	Balance ¹	Balance, I-VIII 2007
Current account	18,440.6	19,953.2	-1,512.5	-634.0
-Trade balance (FOB)	13,725.0	15,370.3	-1,645.4	-807.4
-Services	3,386.4	2,315.9	1,070.5	875.8
-Income	827.0	1,471.8	-644.7	-552.7
Current transfers	502.2	795.1	-292.9	-149.8
Capital and financial account	5,355.5	-3,562.4	1,793.1	799.7
-Capital account	154.5	-187.5	-33.0	-20.3
-Capital transfers	151.6	-183.1	-31.5	-18.6
-Non-produced, non-financial assets	2.9	-4.4	-1.5	-1.7
-Financial account	5,201.0	-3,374.9	1,826.1	820.0
-Direct investment	874.5	-713.5	161.0	-170.0
-Portfolio investment	690.9	-1,579.4	-888.5	-1,474.6
-Financial derivatives	0.0	5.2	5.2	-10.6
-Other investment	3,605.9	-1,087.2	2,518.7	2,308.0
-Assets	36.3	-1,078.	-1,042.1	-3,833.5
-Liabilities	3,569.6	-8.8	3,560.8	6,141.5
-Reserve assets	29.7	0.0	29.7	167.2
Net errors and omissions	0.0	-280.6	-280.6	-165.6

Sources: BS. Note: ¹a minus sign (-) in the balance indicates a surplus of imports over exports in the current account and a rise in assets in the capital and financial account and the central bank's international reserves.

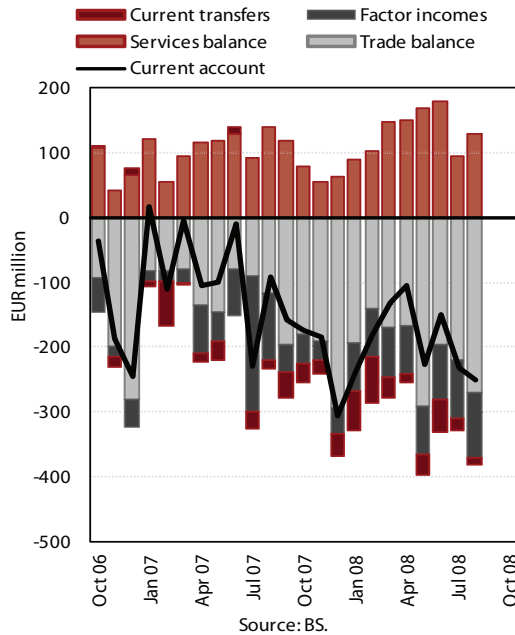
The trade deficit amounted to EUR 270 m in August, the largest figure this year. Amid a gradual deceleration of merchandise export growth and higher values of net oil and oil product imports, it was considerably higher in all eight months of the year relative to 2007. Approximately 54.1% of the trade deficit increase is, by our estimate, attributable to deteriorated terms of trade (an estimate for seven months). With regard to regional structure, the merchandise trade deficit with EU countries was on the increase, while the merchandise trade surplus with non-EU Member States decreased.

The surplus in the services balance in August was somewhat smaller than last year, but it nevertheless widened by EUR 194.7 m y-o-y, to EUR 1,070.5 m. Given the higher net exports of transport services, the largest increase was recorded in the surplus of road and air transport. Net inflows from travel dropped somewhat y-o-y. The trade deficit in the group of other services narrowed y-o-y, largely on account of higher net exports of construction and merchanting services.

The factor income deficit (EUR 645 m) increased by EUR 92 m in the first eight months of the year. Relative to the comparable values of 2007, its growth was more notable in the first half of the year. For the second year in a row, this was mainly a result of net payments of interest on foreign loans, as due to extensive borrowing and rising interest rates, the interest paid to the rest of the world increased more rapidly than the interest received on loans extended to the rest of the world. In terms of the structure, net interest payments of commercial banks accounted for 63.2% of total net interest paid on loans (against 59.8% in the same period last year). The current transfer deficit (EUR 293 m) was EUR 143 m larger y-o-y and almost entirely the result of a higher general government deficit, which, in addition to the net state budget deficit against the EU budget, was mainly fuelled by other general government transfers.

International financial transactions (excluding international reserves) posted a net capital inflow of EUR 1,796.4 m in the first eight months of the year (against EUR 652.8 m recorded in the same period last year). Among

Figure 26: Components of the current account balance



the financial liabilities to the rest of the world, loans to banks predominated in the first eight months of the year (EUR 2,043 m), as banks took out EUR 342.2 m more loans this year than in the same period of 2007. This is largely attributable to a large financial transaction in June – drawing of short-term loans in the amount of EUR 817.8 m. The short-term borrowing of banks as a result of tightening conditions on international financial markets thus increased by EUR 890.7 m in the first eight months of this year, which was reflected in an increase in the share of short-term liabilities of banks to the rest of the world. Despite strengthened borrowing over the past three months, enterprises took out somewhat fewer loans y-o-y in the first eight months of the year (EUR 379 m). The inflow of foreign direct investment in Slovenia increased (EUR 875 m, EUR 207 m more than in the same period last year), albeit on account of increased liabilities of affiliated companies to their parent companies abroad.

Among external assets, the largest contribution came from portfolio investment (EUR 1,579.4 m), direct investment (EUR 713.5 m) and short-term commercial loans (EUR 510.1 m). Debt securities predominate in the structure of portfolio investment. Commercial banks were

mainly selling foreign securities in July and August and their investment in money market instruments moderated. Domestic commercial banks' investment in foreign securities and money market instruments thus decreased significantly y-o-y in the first eight months of the year. Portfolio investment of other sectors (predominantly enterprises) also dropped, owing to negative developments on capital markets. After posting a high figure in July (EUR 208.1 m), foreign investment in August was the lowest this year (EUR 22.2 m). In the first eight months of the year, its volume was lower than in the same period of 2007. Equity capital investment declined and financing of affiliated foreign companies was notably smaller as well. The increase in the short-term trade credits to the rest of the world is also linked to slower economic growth abroad.

In addition to gross external debt, which totalled EUR 40 bn at the end of August, Slovenia's gross external assets in debt instruments are also increasing at a somewhat slower pace. Slovenia's gross external debt increased by 15.0% relative to 2007, and gross external assets rose by 10.3%. Slovenia's net external debt increased by EUR 2.3 bn relative to the end of 2007, totalling EUR 8.5 bn at the end of August (22.5% of GDP estimated in the Autumn Forecast of Economic Trends 2008).

Financial markets

The data for the period to August indicate that events associated with the financial crisis have already affected developments on the Slovenian financial market. Domestic banks significantly tightened their conditions for financing non-banking sector debt. The lending interest rates recorded a significant increase. Due to the shortage of funds on international markets, banks have again come to depend more on domestic resources (household savings). Due to their limited extent and shorter maturities, in general, compared with foreign resources in the past, banks also have to adopt selective credit policies and shorten the maturity of loans. The international financial crisis also affected investor sentiment on the Ljubljana Stock Exchange, where in the wake of strong 2007 growth the main index lost almost half of its value in the first nine months of this year, being much more volatile on average than in previous years.

Table 6: Financial market indicators

	Nominal amounts, EUR bn		Nominal loan growth, %		
	31. XII 2007	31. VII 2008	31. VII 2008/ 30. VI 2008	31. VII 2008/ 31. XII 2007	31. VII 2008/ 31. VII 2007
Loans total	26.7	30.5	1.2	14.1	23.6
Enterprises and NFI	19.3	22.4	1.0	15.3	25.6
Government	0.5	0.5	8.4	-0.9	-3.3
Households	6.8	7.6	1.1	11.5	20.2
Consumer credits	2.7	2.9	0.5	5.1	11.4
Lending for house purchase	2.6	3.2	1.8	18.7	30.4
Other lending	1.4	1.6	0.8	10.4	18.9
Bank deposits total	12.5	13.3	0.8	6.4	9.4
Overnight deposits	5.4	5.4	1.0	0.1	-3.4
Short-term deposits	5.1	5.5	-0.6	6.8	16.4
Long-term deposits	1.3	1.6	5.4	25.8	27.2
Deposits redeemable at notice	0.8	0.9	1.1	15.3	33.6
Mutual funds	2.9	2.2	-1.3	-25.3	-23.4

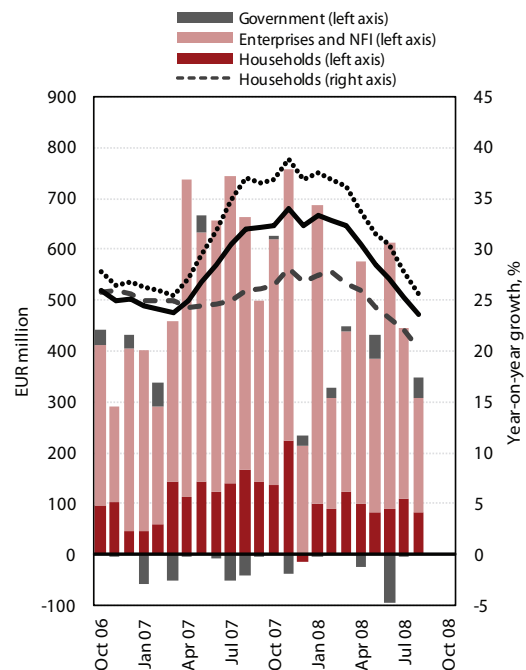
Sources: Monthly Bulletin of the BS, SMA (Securities Market Agency), calculations by IMAD.

The slowdown of lending activity by domestic banks continued in August. The y-o-y growth rate of bank loans to non-banking sectors thus dropped for the seventh month in a row, reaching 23.6%, the lowest figure since May 2006, albeit still almost 1.5 times higher than the EMU average, which stood at 9.5%. Growth is slowing in corporate and NFI loans, but also in household loans. With regard to currency structure, growth of foreign currency loans decelerates at a much faster pace. It has more than halved relative to the beginning of the year, most likely as a consequence of changing habits of borrowers who are increasingly paying attention to exchange rate risk, given that the difference between the EURIBOR and LIBOR tied to CHF (most foreign currency loans are in CHF) has remained at its twelve-month highs since May. In the first eight months of 2008, the domestic non-banking sector borrowed EUR 3,754.3 m from domestic banks, already a good 15% less than in the comparable period last year.

Y-o-y growth of household loans dropped to 20.2% in August, the lowest level since comparable data have been available. Housing loans remain the main source of household loan growth, but their growth is gradually slowing, reaching 30.4% at the end of August, 6 p.p. less than at the end of 2007. This slowdown is still a result of the high base, as

net flows of these loans achieved EUR 499.5 m (63.6% of total net household borrowing) in the first eight months this year, by a good 5% more than in the comparable period last year.

Figure 27: Net flows and growth of domestic bank loans to domestic non-banking sectors



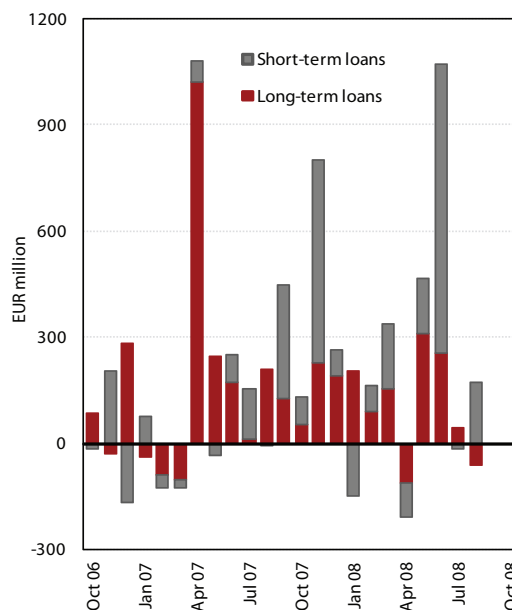
Source: BS; calculations by IMAD.

However, this growth is dropping from month to month. A most notable moderation was seen in borrowing from domestic banks in the form of consumer loans, which dropped by more than a half relative to the comparable period last year. The slowdown in housing loans is even more pronounced in the total euro area, where y-o-y growth almost halved relative to the end of the year, falling to 4%, the lowest figure since comparable data have been available (December 2003). Housing loans nevertheless account for just over 70% of all household loans, while the share of these loans in Slovenia amounts to 41.7%

In the first eight months of the year, enterprises and NFI net borrowed EUR 2,973.4 m from domestic banks, a fifth less than in the comparable period of 2007. The largest decline was recorded in loans for other purposes, totalling EUR 256.7 m, almost 50% less than in the comparable period in 2007, which is most likely a result of weaker takeover activity relative to the previous year. A notable slowdown was also seen in working capital loans, since their net flows (EUR 1,756.4 m) fell behind the figure recorded in the same period last year. The slowdown in this type of borrowing is mainly linked to the considerable deceleration of production activity growth of enterprises. The slowdown in net borrowing for investment is much less pronounced. Having reached EUR 960.2 m, net borrowing for investment was only just over one per cent lower relative to the comparable period last year.

Borrowing of enterprises abroad remains a less important factor in financing, even though it has strengthened somewhat in recent months. Totalling EUR 378.5 m (5.0% less than in the same period last year), it accounted for a good tenth of the total net borrowing of enterprises and NFI. Contrary to enterprises and NFI, net borrowing is an important source of financing in the banking sector. In the first eight months, banks took out net loans in the amount of EUR 2,042.7 m, a fifth more than in the same period last year. The financing conditions tightened significantly due to the financial crisis; interest rates rose and the maturity of loans shortened, as banks largely have access only to short-term resources, which represented as much as 56.1% of the total net borrowing of banks in the first eight months of 2008, compared to the 15.0% share in the same period last year.

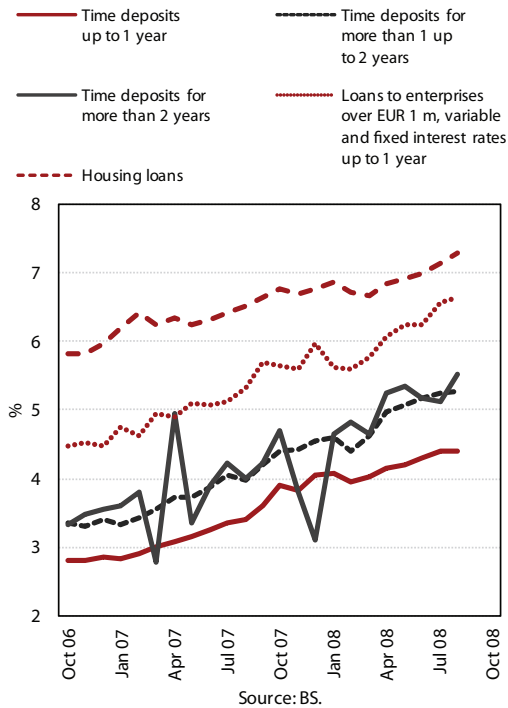
Figure 28: Volume and structure of banks' net borrowing abroad



Source: BS, www.euribor.org.

Domestic banks have adopted a more intensive interest rate policy, as they are increasingly dependent on household savings due to the tightening conditions on the interbank market. Long-term interest rates posted the largest increase (by 1.6 p.p. on average) this year, resulting in significantly stronger growth in long-term deposits. Long-term deposits recorded 27.2% growth y-o-y, and as much as 21.8% growth over the last five months alone. This strong growth was mainly underpinned by short-term and sight deposits where y-o-y growth rates declined or were even negative. Part of the assets from mutual funds was most probably also transferred to bank deposits. In the first eight months of 2008, mutual funds managed by domestic administrators recorded a net outflow of EUR 131.8 m, compared with net inflows of as much as EUR 345.9 m in the same period last year. Net inflows were only recorded this year by money market mutual funds, as a result of their investment policy, given that practically all their assets are in the safest and most liquid investments. High net outflows were only a minor reason for this year's 25% decline in assets of mutual funds managed by domestic administrators. More than four fifths of the total decline is attributable to the lower value of investment in mutual funds.

Figure 29: Dynamics of domestic interest rates



The negative trends on the Ljubljana Stock Exchange continued also in Q3 2008 (-21.4%) when the fall of the value of shares on the Ljubljana Stock Exchange accelerated again. The decline is largely due to tougher conditions on practically all capital markets in September as a result of the expanding financial crisis. The main index on the Ljubljana Stock Exchange (SBI20) dropped by 16.2% in September, the largest monthly decline recorded in the last ten years. Its volatility strengthened notably this year. While the index recorded an average daily increase and decrease of 0.5% in 2000–2007, the average daily increase and decline strengthened to 1.3% and 1.5%, respectively, this year. The market capitalisation of shares recorded a smaller decline than the stock exchange index, mainly as a result of the listing of one of the state-controlled companies on the Ljubljana Stock Exchange. Turnover on the Ljubljana Stock Exchange continues to fall, having reached a three-year low in Q3 this year (EUR 196.5 m). At the y-o-y level, it was more than 70% lower, posting the largest decline in the volume of trading in shares,

which dropped by close to three quarters. Trading in investment funds (62.4%) and bonds (57.8%) also saw a notable decline. The quarterly decline of indices on main capital markets was lower than on the Ljubljana Stock Exchange, largely as a consequence of somewhat different developments in July and August, when the value of certain indices strengthened somewhat as well. The value of the MSCI World measured in euros dropped by a mere 5.4% in Q3. This low drop was to a certain extent also linked to the appreciation of the dollar against the euro (see Figure 5), given that the dollar increased by a good tenth in that period. The negative trends only got stronger in October, owing to the financial crisis spilling over into other sectors of the economy. Among the main stock indices, the leading index for the Tokyo stock market, NIKKEI225, recorded the largest decline, having lost 23.8% of its value, while the value of the MSCI World dropped by 10.3%.

Public finance

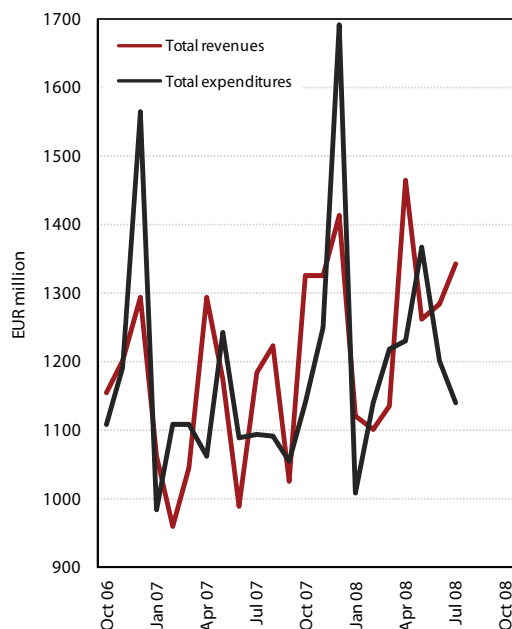
In the first seven months of the year, **general government revenue** increased by 13% relative to the same period last year. According to the consolidated balance⁴ of the Ministry of Finance (using the cash flow method), general government revenue totalled EUR 8.7 bn, recording more than two-fold growth relative to the comparative period last year when growth was at 5.3%. This year, general government revenue is created according to slightly amended tax legislation and tax instruments. In the first seven months it was also influenced by favourable macroeconomic developments and partly by inflation. The corporate income tax saw changes in the tax relief system and a statutory tax rate cut. The adopted amendments to the Personal Income Tax Act lowered the burden of tax-payers in low income brackets by increasing general tax relief. In 2008, the payroll tax will be paid at considerably reduced tax rates for the last time before being phased out. In the first seven months, general government revenue recorded the largest increase in revenue from personal income tax (33.4%), where revenue from other personal income tax categories (interest, dividends) rose faster than revenue

⁴ The consolidated balance includes revenue and expenditure of state and municipal budgets and the pension and health funds.

from taxes on wages, and in revenue from corporate income tax (15.3%). Domestic taxes on goods and services were increasing at a somewhat slower pace compared to total revenues (11.8%) and growth of revenue from social security contributions was somewhat weaker (11.5%).

In the first nine months, the growth of payments of taxes and contributions continues, but is already showing signs of a slowdown. According to data on the payments of taxes and social security contributions,⁵ taxes and social security contributions increased by 12.1% in the first nine months of 2008 relative to the same period last year (6.7% in the same period last year). According to the final assessment of the corporate income tax based on annual accounts for 2007, growth in revenue from this tax has been slowing in recent months, given the more even monthly advance payments of the tax. In the first nine months of 2008, revenue from corporate income tax increased by 14.8%. The dynamics of domestic taxes, which rose by 11.2% in the first nine months, also suggest a slight slowdown. Part of this slowdown is associated with the deceleration of economic activity, while the other part can be explained by last year's amendments

Figure 30: Consolidated general government revenue and expenditure



Source: MF; calculations by IMAD.

Table 7: Consolidated general government revenues and expenditure

	2007			2008	
	EUR m	% of GDP	Growth. %	VII 08/ VII 07	I-VII 08/ I-VII 07
Revenues - total	14,006.1	40.6	8.1	13.5	13.0
-Tax revenues	12,757.9	37.0	8.5	15.0	13.3
-Taxes on income and profit	2,917.6	8.5	6.7	76.6	25.6
-Social security contributions	4,597.9	13.3	8.7	12.3	11.5
-Domestic taxes on goods and services	4,498.6	13.1	10.3	0.0	11.8
-Receipts from the EU budget	347.9	1.0	-0.1	165.4	6.6
Expenditure - total	13,915.5	40.4	5.4	4.1	8.0
-Wages and other personnel expenditure	3,276.9	9.5	3.0	6.6	4.6
-Purchases of goods and services	2,212.2	6.4	6.7	21.7	17.1
-Transfersto individuals and households	5,093.3	14.8	4.6	8.8	7.0
-Capital expenditure	1,130.5	3.3	25.4	7.6	20.0
-Capital transfers	334.3	1.0	-17.4	-2.2	3.1
-Payment to the EU budget	355.9	1.0	23.6	-20.3	21.0

Source: MF. calculations by IMAD.

⁵ Based on the Report on payments of all public revenues, January–September 2008.

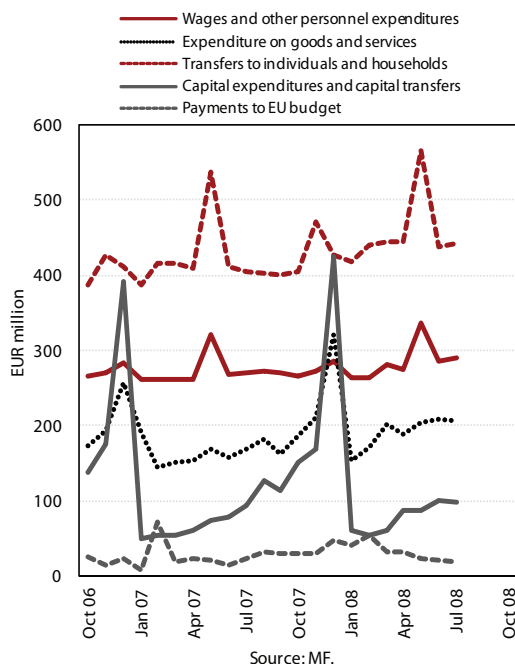
to the Value-Added Tax Act and last year's changes in excise duty rates, which were not in effect during the whole year; both had an impact on the time period when taxes were paid last year. Revenue from social security contributions recorded the most stable growth, around 11.4% in all monthly periods. The current nine-month trends in general government revenue indicate that if these dynamics continue, general government revenue will be somewhat higher at the end of the year than envisaged by the supplementary budgets and financial plans of the national Health Insurance Institute (HIIS) and Pension and Disability Insurance Institute (PDII), most notably in personal income tax and somewhat less in value-added tax and corporate income tax and social security contributions.

According to the consolidated balance of revenue and expenditure of the Ministry of Finance for the first seven months of the year, **general government** expenditure rose by 8% relative to the same period last year. General government expenditure totalled EUR 8.3 bn in the first seven months of 2008, and posted somewhat stronger growth compared with 4.9% in the same period last year. With regard to the economic structure of expenditure,

the largest y-o-y increase in this period was seen in payments to the EU budget (by 21%), followed by expenditure on investment and investment transfers (17.4%) and expenditure on goods and services (17.1%). Expenditure on transfers to individuals and households increased by 7%. Following the amendment of the act, which introduced the adjustment of transfers (except pensions) for inflation, June saw adoption of the amendment stipulating that the adjustment of transfers (except pensions) be carried out twice a year (also in July). In the first seven months of the year, expenditure on wages and contributions of employees increased by a mere 4.6% and subsidies by 6.8%. Interest payments and other expenditure (phase-out of the payroll tax) dropped relative to the same period last year.

According to the Report on implementation of the state budget in the first half of the year, expenditure will not deviate notably from that envisaged by the supplementary budget, except for certain redistributions of funds, particularly in transfers to individuals and households. An additional risk to general government expenditure is somewhat faster nominal growth of all wages, which will require more funds for the adjustment of pension system expenditure (in November 2008) and will indirectly also affect the level of state budget transfers to the pension fund. September saw the disbursement of a compensatory cost-of-living allowance to pensioners with low pensions according to a separate act. The risk associated with all general government expenditure also pertains to the adjustment of wages in the public sector on the basis of the act on the elimination of wage disparities. This year, the risk attached to the realisation of the state budget is utilisation of funds received from the EU budget. According to the preliminary release by the Ministry of Finance, on the expenditure side the realisation of the supplementary budget was 59.1% in the period from January to August, the realisation of the amended HIIS financial plan 62.8% and of the amended PDII financial plan 65.8%. The realisation of municipal budget expenditures in the first seven months of the year was just over 50%.

Figure 31: Main consolidated general government expenditures



Box 4: General government revenue, expenditure and balance

In September, the Statistical Office of the Republic of Slovenia published a corrected version of the main general government categories for 2004–2007, which with the new estimate of the national aggregates for 2007 instead of the first annual estimate of the general government deficit (amounting to -0.1% of GDP) recorded a surplus of 0.5% of GDP. The revision is mainly due to the revised corporate income tax assessment for 2007 on the basis of annual accounts, which was notably higher than estimated in the spring.

The general government balance was positive for the first time since 1995¹ and is estimated at 0.5% of GDP, which means that it improved by 1.7 p.p. of GDP relative to the year before. Total general government revenue and expenditure as shares of GDP both decreased relative to the year before. Given that the decline on the side of expenditure was larger than on the side of revenue, the general government balance was positive at the end of the year.

Table 7: General government revenues, expenditures and deficits in % of GDP

	2000	2001	2002	2003	2004	2005	2006	2007	Change 2006–2007, p. p.
Revenues total (% of GDP)	43.0	43.6	43.9	43.7	43.6	43.8	43.3	42.9	-0.4
Expenditure total (% of GDP)	46.7	47.6	46.3	46.4	45.8	45.2	44.5	42.4	-2.1
General government deficit (net borrowing (-); % of GDP)	-3.7	-4.0	-2.5	-2.7	-2.2	-1.4	-1.2	0.5	-1.7

Sources: SORS, calculations by IMAD.

2007, general government revenue was created on the basis of changed tax legislation. Revenue growth was stimulated by favourable macroeconomic trends and was also partly a result of higher inflation. General government revenue was estimated at EUR 14.8 bn in 2007, having increased by a nominal 10.2% compared with the year before. Its share in GDP totalled 42.9% of GDP and dropped by 0.4% of GDP relative to 2006. The revenue structure also changed due to amended tax legislation and macroeconomic trends. By individual category, the share of current taxes on income and property increased by 0.4% of GDP. Within that, revenue from personal income tax as a share of GDP slightly decreased (by 0.1 p.p. of GDP), partly due to tax legislation changes and partly due to the wage bill's lagging behind GDP growth. The decline in the share of personal income tax in GDP was mitigated by the personal income tax assessment, which was positive in 2007 (EUR 11 m), while it was negative in the year before (-EUR 155 m). The share of revenue from corporate income tax increased by 0.4 p.p. of GDP. The corporate income tax was calculated on the basis of new tax legislation which cut the statutory tax rate from 25% to 23%, but at the same time also lowered tax relief (by 26%), which, along with the corporate income tax increase, resulted in an even higher tax base (28.6% higher relative to the year before). The corporate income tax assessment increased by 26.2% in 2007 relative to 2006. The shares of revenue from interest and capital transfers also increased in 2007 (by 0.1% and 0.2% of GDP, respectively).

The shares of other categories of general government revenue decreased. Revenue from social security contributions decreased by 0.3% of GDP. Seeing unchanged rates, social security contributions followed growth of wages, which was weaker than economic growth in 2007. The share of taxes on production and imports also declined (by 0.2% of GDP), dropping by 0.3 p.p. of GDP as a consequence of the gradually lowering payroll tax and weaker growth of wages relative to GDP growth. The share of revenue from excise duties in GDP rose by 0.1 p.p. of GDP, largely on account of the increase in excise duties on tobacco products at midyear and the adjustment of excise duties on oil products to oil price trends in 2007. Value-added tax growth followed economic growth and maintained its share in GDP posted in 2007. Revenue from other current transfers also decreased, by 0.3% of GDP.

General government expenditure in 2007 is estimated at EUR 14.6 bn; it increased by 5.9% relative to the year before. Its share of GDP totalled 42.4% of GDP, 2.1 p.p. of GDP less than in 2006, which is the largest decline since 2001. The shares of GDP dropped for all expenditure categories except subsidies, gross fixed capital formation and capital transfers, which did not change in 2007. The largest decline was posted in the share of social benefits in cash (by 1 p.p. of GDP). Half of this decline was due to expenditure on pensions and half to other social transfers, due to

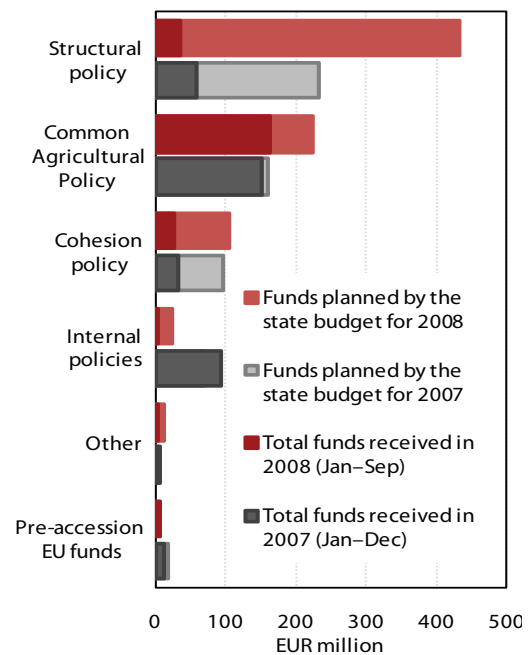
the implementation of a uniform mechanism for their adjustment for inflation (with the exception of pensions). The share of the compensation of employees decreased by 0.6 p.p. of GDP due to slower growth of the number of employees in the general government (0.3%) and weak growth of the wage per employee in the public sector in 2007 (0.5%). The shares of intermediate consumption and other current transfers in GDP both dropped by 0.3 p.p. of GDP in 2007. The share of expenditure on interest payments, and the share of expenditure on other taxes on production also decreased (by 0.1 p.p. of GDP each), due to the phase-out of the payroll tax.

¹ Since the results of the general government began to be measured according to the national accounts methodology.

According to data from the Ministry of Finance, Slovenia's **payments to the EU budget**⁶ achieved 72% of planned payments by the end of September while receipts from the EU budget amounted to around 30.0% of scheduled funds. It can therefore be inferred that this year the realisation of payments to the EU budget will reach the level envisaged by the supplementary budget of the Republic of Slovenia. In the first four months of the year, payments to the EU budget were somewhat higher, as the European Commission may require the Member States to pay higher contributions to the EU budget in Q1; otherwise, these contributions are quite stable. The utilisation of funds from the EU budget also tends to be somewhat lower in the first months of the year and highest in Q4. Slovenia's state budget thus recorded large deficits under the heading of European funds in the first months of the year, which were not even offset by the two large surpluses in June and August as a result of increased utilisation of funds under the Common Agricultural Policy. According to the data at the end of September, Slovenia's state budget thus records a negative net position towards the EU budget, in the amount of EUR 37 m. According to the Ministry of Finance, EUR 233.8 m⁷ had been utilised by the end of September, roughly the same amount as in 2007, only that last year only saw 60% absorption of all funds planned. A system of advance payments has been established in the area of structural funds and cohesion policy, according to which projects are first financed from the

state budget, both Slovenia's participation as well as the European part, which is then returned to Slovenia's state budget from the EU budget against submission of documents justifying the use of funds. This may result in large delays in receiving funds from the EU budget, especially in the area of structural funds. Structural funds as laid down by the previous financial perspective can only be

Figure 32: Planned and utilised EU funds



Source: MF.

⁶ The largest part of Slovenia's payments to the EU budget is payments based on GNP, which accounted for as much as 55% of all funds in 2007, followed by VAT-based payments, traditional own resource payments and payments for the UK correction. Traditional own-resource payments (customs duties, special duties on imports of agro-food products) are regarded as direct revenue of the EU budget.

⁷ The MF data only comprise funds received through the state budget and not all funds Slovenia acquires from the EU budget; namely, the European Commission also allocates funds directly to final recipients. Data on total funds transferred from the EU budget to Slovenia in individual years are published by the European Commission at the end of the accounting period.

drawn by the end of 2008. According to the Government Office for Local Self-Government and Regional Policy (GOLR), which monitors and analyses absorption of structural and cohesion funds throughout the entire programming period 2004–2006, almost all funds (99%) were already allocated and utilised at the end of June 2008, but only 86% of these funds have been refunded from the EU budget. The data show that the entire amount will be refunded by the end of 2008

so that the utilisation of EU structural funds according to the old financial perspective will be 100%.⁸ Cohesion funds, on the other hand, can be drawn until 2010. According to the GOLR data, these funds have already been assigned as well, but due to the nature of financing projects, their absorption is at the level of 57% in the area of transport and 43% in the area of environment, according to the data at the end of June.

⁸ Based on the previous financial perspective, Slovenia may draw only 95% of all funds from the EU budget by the end of 2008; the remaining 5% may be obtained after the European Commission has performed its inspections and controls on their use.

Selected topics

Municipal waste

The quantity of separately collected municipal waste collected by public waste removal services in Slovenia increased somewhat again in 2007. Sustainable development in the area of waste primarily entails a reduction in waste generation and reuse and recovery of waste, as this enables decoupling of economic growth from pressures on the environment. Municipal waste growth lagged significantly behind economic growth in 2007 (4.5 p.p.). The share of separately collected fractions in total municipal waste collected by public removal services also increased slightly again, to 15.3% (13.4% in 2006). The share of separately collected municipal waste has been slowly increasing over these years. In 2006, the largest increase was recorded in the share of separately collected packaging waste in municipal waste, and last year, in the share of other separately collected fractions and biodegradable waste. This is a result of the establishment of the system of "ecological islands", i.e. dedicated waste containers for separate collection of household waste. The share of mixed municipal waste, which is difficult to reuse or recycle, therefore decreased. Among the fractions of municipal waste collected by public waste removal services, in 2007 the largest increase was observed in glass and discarded electrical, electronic and other equipment.

Despite positive trends, there is still a lot to be done in the area of waste management in Slovenia, for separate waste collection still amounts to less than half of all generated municipal packaging waste, while in the area of separately collected biodegradable municipal waste (representing only one sixth of all generated biodegradable municipal waste) the situation is even worse. The present system of packaging waste collection is not based on economically viable solutions addressing the challenge of waste from both the municipal and business perspectives. The area of municipal packaging waste is thus left to local public removal services, which lack the means and targets aimed at encouraging public services to collect more of this waste. Households are therefore not encouraged to collect packaging waste separately, and separate collecting of this waste thus depends exclusively on the awareness of individuals. High decentralisation of the

system of local services is an additional culprit in the economically non-efficient collection of separate fractions, as it does not provide the main factors necessary for the secondary raw material market: uniform quality, quantity and regular delivery.

Sustainable development in the area of waste treatment is aimed at reducing landfilling to the greatest possible extent. By depositing waste in a landfill site, we use space, which is a natural resource, and at the same time remove waste, a material resource, which is not in line with the targeted reduction of use and pressures on the natural environment. Landfilled waste also causes water and soil pollution and is a source of greenhouse gas emissions. Moreover, during the biological degradation of waste, methane is released into the atmosphere at waste landfill sites. Methane is a greenhouse gas and is 23-times more powerful than carbon dioxide. According to the Landfill Directive 99/31 EC, adopted to address this problem, by 2016 the Member States should reduce the quantities of biodegradable waste deposited in landfill sites to 35% of the quantity deposited in 1995; Member States which landfilled more than 80% of collected municipal waste in 1995 should achieve this target by 2020. Slovenia is among these latter states. The Decree on the Landfill of Waste determines the quantities of biodegradable material which may be sent to landfill sites in individual calendar years. The share of landfilled biological waste is thus expected to decline from 63% of all waste landfilled in the starting year 1995 to 22% by 2013 or 2015. Data on the implementation of this decree are not yet available.

In Slovenia, landfilling is still the predominant method of municipal waste management. The share of landfilled municipal waste in total municipal waste thus totalled 77.5% in 2007; this is otherwise less than in 2006 when the trend of reducing the quantity of municipal waste disposed of to landfill was interrupted. The share of landfilled municipal waste has thus decreased since 2002 (86%), but is still exceptionally high.

Given that more waste was collected separately in 2007, less waste was deposited at landfills and more handed over for recycling and to other collectors and packaging waste providers. Increased separate waste collection and

recycling results in reducing the amount of landfilled municipal waste. Treatment of separately collected fractions improved significantly in 2007 when somewhat larger quantities of separately collected waste were handed over for recycling and to other collectors and packaging waste treatment providers (16.6% of total waste collected by public waste removal services, against 14.5% in 2005). Consequently, fewer separated fractions were landfilled. Landfilling was especially problematic in biological waste, since, even though biological waste was collected separately in the previous years, close to 20% was later landfilled again.

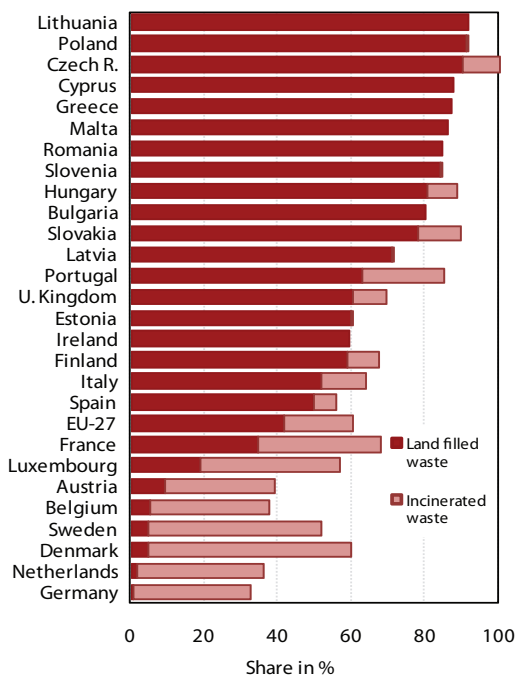
The share of landfilled waste in the EU-15 has been declining in all years and dropped from 57.8% to 34.3% in the period from 1995 to 2006. In recent years, the most rapid decline was recorded in Germany, Belgium and the Netherlands. In addition to these countries, in 2006 the share of landfilled municipal waste was below 5% in Denmark and Sweden. Among the EU-15, only Greece still sets a bad example, given that in 2006, the share of landfilled municipal waste in Greece still totalled 87.1%, although it is slowly decreasing. The EU countries have

also achieved their small shares of landfilled municipal waste by incineration; almost half of all municipal waste is incinerated in Denmark and Sweden, and 21.5%, on average, in the EU-15. Greece and Ireland are exceptions in this area, as they do not incinerate any of their waste. In the new Member States, waste is practically not incinerated at all, except in the Czech Republic, Slovakia and Hungary, where the share of incinerated municipal waste totals 10%.

Agriculture – production

According to the Economic Accounts for Agriculture, the volume of agricultural production increased somewhat last year. On the whole, it was 2.9% higher, which is not much given the relatively small volume recorded in the year before. It has fluctuated considerably in the period after 2000. Lower production volumes were only recorded in 2001, 2003 and 2006, when weather conditions were not favourable for agriculture. Production was much higher particularly in 2004 and 2005 when weather conditions were better. This shows that Slovenia's agriculture is highly dependent on weather conditions, as agricultural production in protected and irrigated areas is still relatively modest.

Figure 33: The share of landfilled and incinerated (by energy production) municipal waste, 2006



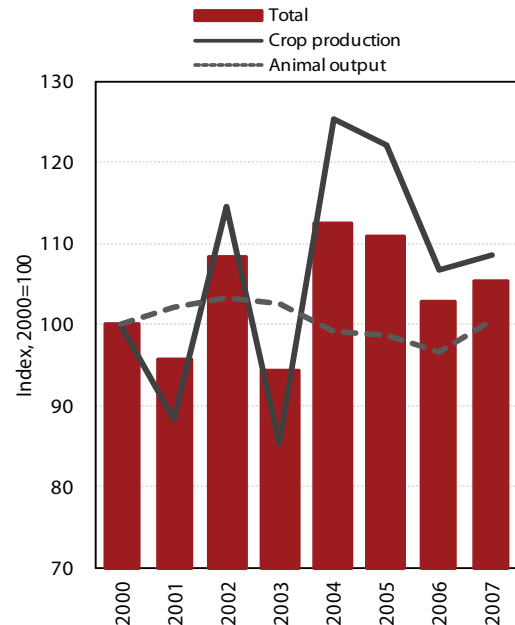
Source: Eurostat, own calculations.

An increase was recorded in crop production as well as in livestock breeding. After falling notably in 2006, crop production was only 1.6% higher. The harvest of potatoes, fodder plants, cereals and fruit increased, while the yield of industrial plants and vegetables fell again. The decline in industrial plant production was due to discontinued production of sugar beets (in line with the guidelines of the common agricultural policy), but the output of certain oilseeds (oilseed rape by as much as 89%) rose significantly due to increased demand and consequent higher prices. A relatively significant decrease was again recorded in vegetable production, which is unfavourable, since according to food policy recommendations Slovenia should improve its extremely low self-sufficiency rate for vegetables. After a three-year decline, the total production of meat and animal products posted a higher rise than crop production (by 4.2%). Meat production rose by 3.4% and production of animal products by 5.4%. The largest increase was seen in poultry, in meat

production, where a significant decline was recorded in the year before, as well as egg production (by 19.3 and 23.8%, respectively). Cattle production, which otherwise accounts for the largest share in the structure of total agricultural production, also increased, after posting a decline over the last few years; meat and milk production achieved almost equal rates of growth (3.7% and 3.6%, respectively).

Growth of production in Slovenia was last year stronger than the average growth in the EU, with extreme developments recorded by new EU Member States. While agricultural production growth in Slovenia reached 2.9% last year, the average growth in the EU-27 was 0.2%, according to the first estimates. Relatively high estimates were seen particularly in the four countries in Northeastern Europe (Lithuania, Estonia, Latvia and Poland), while the estimates for Hungary, Romania and Bulgaria were low (see Figure 34). These differences were mainly attributable to different growth rates in crops (from a 38% increase in Lithuania to a 32% drop in Bulgaria). In all first six countries with the highest growth rates in agricultural production last year (Lithuania,

Figure 34: Growth in the agricultural output volume in Slovenia, 2000–2007



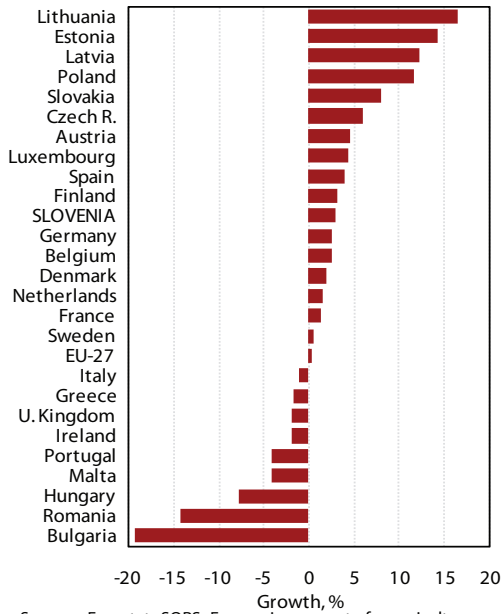
Source: SORS, Economic accounts for agriculture; calculations by IMAD.

	Structure 2007, %	Agricultural output volume, annual growth rates, %						
		2001	2002	2003	2004	2005	2006	2007
Crop production	54.0	-11.6	29.6	-25.4	46.7	-2.5	-12.6	1.6
Grain	8.6	1.1	21.1	-33.9	42.7	-0.6	-13.7	6.9
Industrial plants	2.8	-17.7	28.4	-18.0	17.3	16.0	-1.4	-29.1
Fodder plants	16.3	-1.6	26.1	-29.3	49.8	11.2	-21.0	12.5
Vegetables and horticultural plants	5.9	-10.4	19.0	-20.5	59.6	2.6	-12.2	-15.1
Potatoes	2.6	-17.7	14.1	-34.6	50.6	-16.1	-20.1	1.2
Fruit	8.7	-30.3	32.0	-21.4	35.8	-16.8	1.5	1.2
Wine	9.1	-15.8	57.5	-19.0	51.1	-20.1	-9.4	-3.0
Animal products	46.0	2.2	1.0	-0.7	-3.3	-0.6	-2.0	4.2
Animals	27.7	3.4	-2.1	2.8	-3.9	-1.7	-2.6	3.4
of which: Cattle	11.6	-1.7	-2.5	1.8	-3.3	-2.3	-4.7	3.7
Pigs	7.8	9.4	1.6	1.9	-2.9	-6.8	4.9	-6.5
Poultry	7.1	8.2	-9.0	6.3	-6.9	4.1	-9.4	19.3
Animal products	18.3	0.4	6.2	-5.6	-2.4	1.1	-1.1	5.4
of which: Milk	15.1	0.6	7.7	-3.7	-2.9	1.8	-2.5	3.6
Eggs	2.3	-4.1	-5.9	-18.6	-9.3	-2.7	5.9	23.8
Agricultural products, total	100.0	-4.3	13.6	-13.1	19.5	-1.6	-7.5	2.9
Agricultural services		-3.5	0.0	0.0	3.4	8.8	0.0	-19.4
Agricultural output, total		-4.3	13.4	-12.9	19.2	-1.5	-7.3	2.4

Sources: SORS, Economic accounts for agriculture, calculations by IMAD.

Estonia, Latvia, Poland, Slovakia and the Czech Republic), growth rates have been by far the highest in the total period since 2000, during which time growth in Slovenia lagged significantly behind.

Figure 35: Annual growth in the agricultural output volume in the EU-27 in 2007



Sources: Eurostat, SORS, Economic accounts for agriculture (estimates); calculations by IMAD. Note: more recent data are available for Slovenia, from October 2008. No data are available for Cyprus.

Statistical Appendix

MAIN INDICATORS	2003	2004	2005	2006	2007	2008	2009	2010
						Autumn forecast 2008		
GDP (real growth rates, in %)	2.8	4.3	4.3	5.9	6.8	4.8	3.1	4.0
GDP in EUR million (current prices and current exchange rate)	25,752	27,162	28,704	31,013	34,471	37,725	40,343	43,470
GDP per capita, in EUR (current prices and current exchange rate)	12,900	13,599	14,346	15,446	17,076	18,623	19,859	21,344
GDP per capita (PPS) ¹	17,000	18,400	19,500	20,700	22,000 ²	-	-	-
GDP per capita (PPS EU27=100) ¹	82	85	87	88	89 ²	-	-	-
Gross national income (current priced and current exchange rate)	25,553	26,848	28,460	30,645	33,792	36,754	39,333	42,413
Gross national disposable income (current prices and current exchange rate)	25,583	26,803	28,316	30,429	33,531	36,464	39,260	42,330
Rate of registered unemployment	10.9	10.3	10.2	9.4	7.7	6.8	6.8	6.7
Standardised rate of unemployment (ILO)	6.7	6.3	6.5	6.0	4.9	4.6	4.8	4.8
Labour productivity (GDP per employee)	3.2	4.0	4.5	4.2	3.7	2.4	3.1	3.7
Inflation ³ , year average	5.6	3.6	2.5	2.5	3.6	6.2	3.9	3.3
Inflation ³ , end of the year	4.6	3.2	2.3	2.8	5.6	5.3	3.6	3.0
INTERNATIONAL TRADE – BALANCE OF PAYMENTS STATISTICS								
Exports of goods and services ⁴ (real growth rates, in %)	3.1	12.4	10.6	12.5	13.8	6.6	5.2	7.4
Exports of goods	4.4	12.8	10.3	13.4	13.1	4.7	4.6	6.8
Exports of services	-2.5	10.9	12.0	8.6	17.0	15.5	8.1	10.2
Imports of goods and services ⁴ (real growth rates, in %)	6.7	13.3	6.6	12.2	15.7	6.9	4.0	6.5
Imports of goods	7.3	14.6	6.8	12.7	15.1	6.5	3.2	6.0
Imports of services	2.8	5.6	5.5	8.8	19.7	9.7	9.0	9.5
Current account balance, in EUR million	-196	-720	-498	-771	-1,455	-2,203	-1,900	-1,763
As a per cent share relative to GDP	-0.8	-2.6	-1.7	-2.5	-4.2	-5.8	-4.7	-4.1
Gross external debt, in EUR million	13,225	15,343	20,508	24,034	34,358	39,968 ⁵	-	-
As a per cent share relative to GDP	51.4	56.5	71.4	77.5	99.7	-	-	-
Ratio of USD to EUR	1.128	1.242	1.244	1.254	1.371	1.520	1.500	1.500
DOMESTIC DEMAND – NATIONAL ACCOUNTS STATISTICS								
Private consumption (real growth rates, in %)	3.3	2.7	2.6	2.9	5.0	4.5	3.5	3.6
As a % of GDP	56.0	55.0	54.4	53.0	52.2	52.9	53.2	52.9
Government consumption (real growth rates, in %)	2.2	3.4	3.3	4.1	2.5	3.4	2.2	2.6
As a % of GDP	19.0	18.9	19.0	18.8	17.7	18.0	18.5	18.7
Gross fixed capital formation (real growth rates, in %)	8.1	5.6	3.8	10.4	11.9	8.8	1.3	4.5
As a % of GDP	24.0	24.9	25.3	26.3	27.5	28.3	27.6	27.5
Sources of data: SORS, BS, Eurostat-New Cronos, forecasts by IMAD. Notes: ¹ Measured in purchasing power standard; ² Eurostat estimate before GDP revision for 2000-2007; ³ Consumer price index; ⁴ Balance of payments statistics (exports F.O.B., imports F.O.B.); real growth rates are adjusted for inter currency changes and changes in prices on foreign markets; ⁵ End August 2008.								

PRODUCTION	2005	2006	2007	2007				2008			2007			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	1	2	3	4
INDUSTRIAL PRODUCTION, y-o-y growth rates, %														
Industry, total	3.3	6.1	6.2	8.4	6.9	5.9	3.8	1.5	3.3	-	7.6	8.9	8.5	12.7
C Mining and quarrying	6.7	10.4	3.6	9.4	13.3	0.7	-6.7	5.0	-9.4	-	-14.8	10.2	34.3	23.5
D Manufacturing	3.7	6.5	7.5	9.7	8.1	6.8	5.7	1.7	3.6	-	9.1	10.6	9.3	14.0
E Electricity, gas & water supply ¹	-1.5	-0.9	-11.1	-8.1	-14.9	-5.0	-15.9	-3.4	6.2	-	0.2	-11.9	-13.0	-10.9
CONSTRUCTION², real indices of construction put in place, y-o-y growth rates, %														
Construction, total	3.0	15.3	18.2	35.5	31.5	16.7	2.8	32.5	16.5	-	37.4	30.9	38.1	34.7
Buildings	10.3	14.0	15.7	22.6	31.5	9.9	5.6	37.2	7.9	-	27.8	12.7	27.6	26.8
Civil engineering	-4.5	16.8	24.1	67.0	35.2	26.1	2.4	28.3	23.0	-	64.1	75.0	63.1	49.7
TRANSPORT, tonne-km in m, y-o-y growth rates, %														
Tonne-km in road transport	22.5	9.8	13.4	7.0	0.1	30.2	19.1	28.9	-	-	-	-	-	-
Tonne-km in rail transport	3.0	3.9	6.8	14.9	12.1	5.8	-3.7	-5.3	-2.9	-	-	-	-	-
Distributive trades, y-o-y growth rates, %														
Total real turnover*	9.7	6.3	9.7	6.0	8.3	12.3	11.8	15.8	13.3	-	1.9	6.0	9.5	8.9
Real turnover in retail trade	6.9	1.6	5.5	6.4	3.8	5.7	6.0	5.9	5.8	-	3.5	2.4	12.3	6.0
Real turnover in the sale and maintenance of motor vehicles and in retail sale of automotive fuel	12.9	11.7	14.2	5.6	13.0	19.6	18.2	26.6	21.3	-	0.3	9.6	6.8	11.9
Nominal turnover in wholesale trade & commission trade	3.8	10.4	16.2	19.6	15.1	15.1	15.2	21.4	24.3	-	19.6	19.0	20.2	21.7
TOURISM, y-o-y growth rates, %														
Total, overnight stays	-0.2	2.0	7.0	4.8	10.1	6.8	5.5	4.2	1.0	-	1.7	7.2	5.4	19.7
Domestic tourists, overnight stays	-1.6	1.9	4.9	0.5	13.7	2.3	5.5	4.8	4.6	-	-8.4	5.4	2.3	23.4
Foreign tourists, overnight stays	0.8	2.0	8.4	9.0	7.9	9.8	5.5	3.6	-1.3	-	8.9	9.8	8.4	17.6
Turnover in hotels and restaurants**	4.5	6.2	0.3	-1.5	-0.5	2.3	1.1	-1.6	-1.6	-	-3.1	-2.0	0.5	-0.8
AGRICULTURE, y-o-y growth rates, %														
Purchase of agricultural products, SIT bn, since 2007 in EUR m	103.7	106.7	492.2	101.3	109.7	120.8	160.3	117.9	125.6	-	32.2	31.1	37.9	37.5
BUSSINES TENDENCY (indicator values**)														
Sentiment indicator	3	10	14	14	15	14	11	9	8	5	14	15	13	15
Confidence indicator														
- in manufacturing	0	10	12	13	13	12	10	7	2	-4	12	14	12	13
- in construction	-6	4	17	18	20	16	14	13	10	4	12	19	22	19
- in services	22	27	29	29	29	30	28	28	26	26	31	28	29	30
- in retail trade	13	22	27	24	26	30	30	28	28	27	20	26	25	26
Consumer confidence indicator	-19	-14	-11	-8	-8	-10	-17	-20	-16	-17	-8	-8	-8	-10

2007								2008									
5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10
3.2	5.4	8.7	8.0	1.5	10.0	1.6	-0.7	0.3	7.7	-3.0	8.9	-1.0	2.3	-2.0	-7.1	-	-
8.8	8.3	-5.8	18.9	-9.7	-2.0	-4.6	-15.2	12.8	9.5	-3.9	0.2	-17.1	-11.5	7.6	-36.7	-	-
4.3	6.9	10.0	8.4	2.5	11.8	3.0	1.7	0.5	8.2	-2.9	9.5	-0.6	2.3	-2.2	-6.0	-	-
-16.1	-17.4	-5.1	-1.7	-8.2	-10.9	-14.3	-21.5	-7.2	0.3	-2.6	5.4	2.3	11.1	-1.0	-6.6	-	-
48.6	17.4	20.0	31.6	4.1	10.0	7.4	-11.8	38.7	41.3	21.2	23.1	13.6	14.0	18.6	9.3	-	-
55.1	17.3	21.1	17.3	-5.4	1.9	19.7	-4.1	55.0	43.7	19.1	11.7	4.8	7.9	1.9	12.3	-	-
45.2	17.4	19.3	52.7	13.5	16.1	-0.1	-18.0	23.7	39.3	22.9	32.0	20.0	18.8	31.7	7.2	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9.5	6.5	10.6	12.9	13.4	16.8	11.7	7.0	18.2	24.0	7.2	17.5	11.9	10.4	12.7	-	-	-
4.5	1.2	4.7	4.7	7.9	9.4	4.5	4.3	6.5	15.0	-1.8	8.3	5.0	4.3	7.7	-	-	-
14.8	12.3	17.1	22.6	19.3	24.4	19.2	10.5	31.4	33.5	17.0	27.5	19.3	17.3	18.3	-	-	-
15.5	8.4	19.6	12.7	13.2	19.5	19.0	7.5	21.9	30.4	12.6	32.2	21.2	19.9	22.7	-	-	-
7.6	6.0	6.0	9.6	3.6	4.6	8.3	4.0	2.9	9.0	0.5	-8.5	14.0	-2.4	3.6	3.2	-4.0	-
8.6	12.0	0.9	7.2	-3.7	4.2	2.6	9.6	12.1	11.7	-8.5	8.5	10.5	-2.1	1.1	8.9	3.0	-
7.0	2.1	9.8	11.0	7.8	4.8	13.7	-0.9	-2.6	5.6	8.9	-18.3	16.3	-2.6	5.3	-0.2	-7.0	-
-2.0	1.2	0.5	4.7	1.7	1.3	0.3	1.6	-2.6	3.7	-5.7	-2.1	2.8	-5.4	-3.9	-	-	-
38.4	33.8	38.3	41.8	40.7	46.2	53.1	61.0	38.5	39.3	40.0	42.6	43.0	39.9	44.5	42.2	-	-
16	14	16	15	11	11	10	12	9	9	10	10	8	5	6	5	4	-2
14	12	12	12	11	11	10	9	9	7	6	4	2	-1	-3	-4	-5	-11
21	21	17	17	13	15	11	17	11	11	16	11	11	8	8	1	4	-1
28	29	32	30	28	30	25	28	28	29	28	27	26	25	25	27	25	22
26	27	27	28	34	28	31	30	27	28	30	29	29	27	29	27	25	26
-4	-9	-6	-9	-16	-17	-19	-16	-23	-20	-16	-12	-18	-19	-19	-20	-12	-17

Source of data: SORS. Notes: ¹Only companies with activity of electricity supply are included. ²The survey covers all larger construction enterprises and some other enterprises that perform construction work. *Total real turnover in retail trade, the sale and repair of motor vehicles, and retail sale of automotive fuels; **Seasonally adjusted data.

LABOUR MARKET	2005	2006	2007	2007				2008		2007		
				Q1	Q2	Q3	Q4	Q1	Q2	1	2	3
FORMAL LABOUR FORCE (A=B+E)	905.0	910.7	925.3	919.1	923.5	924.6	934.2	937.7	940.9	918.0	919.2	920.0
PERSONS IN FORMAL EMPLOYMENT (C+D)¹	813.1	824.8	854.0	841.8	852.7	856.1	865.4	870.8	879.4	838.0	841.5	845.8
In agriculture, forestry, fishing	38.7	38.9	41.6	43.1	42.0	41.0	40.3	41.9	41.2	43.0	43.1	43.1
In industry, construction	310.9	313.3	322.9	317.4	322.2	324.8	327.3	327.3	331.5	316.2	317.8	318.3
Of which: in manufacturing	233.7	227.9	229.9	229.4	230.2	229.6	230.4	230.0	230.2	228.9	229.6	229.7
in construction	61.7	69.9	77.8	72.8	76.8	80.0	81.7	82.2	86.2	72.1	73.0	73.3
In services	463.5	472.6	489.5	481.3	488.5	490.3	497.8	501.6	506.7	478.8	480.7	484.4
Of which: in public administration	49.1	50.2	50.1	49.7	50.1	50.2	50.3	50.6	50.7	49.8	49.7	49.7
in education, health-services, social work	106.5	109.1	110.0	109.9	110.2	109.3	110.6	111.3	111.9	109.5	109.9	110.2
FORMALLY EMPLOYED¹	731.6	741.6	766.0	753.1	764.7	768.6	777.8	781.2	790.3	749.5	752.9	757.0
In enterprises and organisations	666.2	675.1	696.1	685.8	695.0	697.5	706.2	710.4	718.0	682.8	685.6	689.0
By those self-employed	65.4	66.5	69.9	67.3	69.8	71.1	71.6	70.8	72.2	66.7	67.3	68.0
SELF-EMPLOYED AND FARMERS	81.5	83.3	87.9	88.7	87.9	87.6	87.6	89.6	89.2	88.5	88.6	88.8
REGISTERED UNEMPLOYMENT	91.9	85.8	71.3	77.3	70.9	68.4	68.8	66.8	61.4	80.0	77.7	74.2
Female	49.4	47.0	39.1	42.0	39.3	38.0	37.3	35.6	32.8	43.2	42.1	40.7
By age: under 26	22.2	18.2	11.9	14.0	11.6	10.3	11.7	10.3	8.4	15.1	14.2	12.8
aged over 40	40.1	39.7	37.1	38.7	37.2	36.6	36.1	36.3	34.7	39.0	38.8	38.1
Unskilled	37.5	33.7	28.0	30.4	27.7	27.0	26.9	26.8	24.6	31.6	30.7	29.0
For more than 1 year	43.4	41.9	36.5	38.8	36.7	35.5	35.0	34.0	32.5	39.6	39.0	37.9
Those receiving benefits	23.3	22.7	16.6	19.1	16.8	15.8	14.7	15.0	13.6	19.9	19.1	18.3
RATE OF REGISTERED UNEMPLOYMENT, E/A, in %	10.2	9.4	8.4	8.4	7.7	7.4	7.4	7.1	6.5	8.7	8.4	8.1
Male	8.6	7.7	6.2	6.9	6.1	5.9	6.0	6.0	5.4	7.2	7.0	6.6
Female	12.1	11.5	9.6	10.3	9.6	9.3	9.0	8.6	7.9	10.6	10.3	10.0
FLOWS OF FORMAL LABOUR FORCE	8.0	5.2	21.5	8.7	5.4	0.6	6.7	5.7	4.2	6.7	1.2	0.8
New unemployed first-job seekers	21.7	18.6	14.7	2.9	2.4	2.3	7.2	2.2	1.8	1.3	0.8	0.9
Redundancies	67.2	63.8	52.5	15.4	11.6	12.6	12.9	12.5	10.7	7.6	3.8	4.0
Registered unemployed who found employment	53.9	57.4	49.1	14.8	12.1	11.3	10.9	12.4	9.7	5.1	4.4	5.2
Other unemployed erased out of register	33.1	39.2	28.0	7.6	6.9	6.2	7.4	6.4	6.3	2.0	2.5	3.1
Increase in number of work permits for foreigners	3.9	7.8	15.3	3.9	4.9	4.3	2.2	6.0	9.5	0.3	1.2	2.5
Retirements ²	18.4	20.6	20.7	5.2	4.7	5.0	5.9	5.4	4.8	2.0	1.8	1.4
Deaths ²	2.3	2.5	2.4	0.6	0.6	0.6	0.6	0.7	0.7	0.2	0.2	0.2
Others who found employment ²	32.7	36.7	37.8	14.3	9.2	4.6	9.9	8.9	3.3	9.1	3.5	1.8
REGISTERED VACANCIES³	16.9	19.0	20.2	20.5	21.0	20.4	19.1	21.6	21.1	20.0	17.8	23.6
For a fixed term, in %	75.6	75.3	76.5	76.7	77.5	77.2	74.4	73.0	74.0	77.1	75.1	77.5
WORK PERMITS FOR FOREIGNERS	41.6	48.3	60.2	52.6	59.3	63.0	65.8	68.7	79.0	51.0	52.2	54.7
As % of labour force (I/A)	4.6	5.3	6.5	5.7	6.4	6.8	7.0	7.3	8.4	5.6	5.7	5.9
NEW JOBS	137.0	155.9	160.0	39.1	40.7	38.7	41.5	40.9	41.0	13.5	11.6	13.9

2007									2008							
4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8
921.6	923.6	925.4	924.5	923.1	926.0	934.0	935.8	932.8	936.6	937.9	938.5	939.1	940.8	942.7	942.4	940.5
849.0	852.9	856.2	854.4	854.6	859.4	864.5	867.4	864.4	867.3	870.9	874.2	876.6	879.6	882.0	879.9	879.8
41.9	42.0	42.0	41.0	41.0	41.0	40.4	40.3	40.2	41.8	41.9	42.1	41.2	41.2	41.2	40.6	40.6
320.5	322.3	323.9	324.3	324.4	325.7	327.7	328.4	325.7	326.0	327.1	328.8	330.3	331.4	332.8	332.7	332.7
230.0	230.2	230.3	229.8	229.3	229.7	230.7	230.9	229.7	229.8	229.9	230.4	230.3	230.1	230.2	229.0	228.5
75.3	76.8	78.3	79.1	79.9	80.9	81.8	82.4	80.9	81.2	82.2	83.3	84.8	86.2	87.5	88.7	89.2
486.6	488.6	490.3	489.1	489.2	492.7	496.4	498.7	498.5	499.6	502.0	503.4	505.2	507.0	508.0	506.5	506.6
49.9	50.1	50.2	50.2	50.2	50.2	50.3	50.3	50.4	50.6	50.7	50.5	50.6	50.7	50.9	50.7	50.8
110.4	110.1	110.2	109.0	108.7	110.1	110.6	110.8	110.5	110.9	111.4	111.5	111.7	112.0	111.9	110.6	110.4
761.3	764.9	768.1	767.0	767.1	771.6	777.0	779.7	776.7	777.9	781.3	784.3	787.6	790.5	792.8	791.1	790.9
692.4	695.1	697.5	696.2	696.1	700.1	705.2	707.7	705.9	707.8	710.5	713.0	715.8	718.2	720.2	718.5	718.2
68.9	69.8	70.6	70.8	71.0	71.5	71.8	72.0	70.8	70.2	70.8	71.3	71.8	72.3	72.6	72.7	72.7
87.8	88.0	88.1	87.3	87.5	87.8	87.5	87.7	87.7	89.4	89.6	89.9	89.1	89.2	89.2	88.8	88.9
72.6	70.7	69.3	70.1	68.5	66.7	69.5	68.4	68.4	69.2	67.0	64.3	62.4	61.2	60.7	61.6	60.7
40.2	39.2	38.5	39.3	38.1	36.7	38.0	37.1	36.7	36.9	35.7	34.3	33.5	32.6	32.4	33.0	32.3
12.2	11.5	11.1	11.1	10.4	9.5	12.2	11.6	11.2	11.1	10.3	9.5	8.8	8.4	8.1	8.1	7.8
37.7	37.2	36.7	36.9	36.6	36.3	36.1	36.0	36.3	37.0	36.4	35.6	35.0	34.7	34.5	34.6	34.4
28.2	27.7	27.1	27.2	27.0	26.7	27.0	26.8	27.1	27.6	26.9	25.9	25.0	24.6	24.3	24.3	24.3
37.4	36.8	36.0	35.8	35.6	35.0	35.3	35.0	34.7	34.7	34.0	33.3	32.7	32.5	32.2	32.1	31.8
17.2	16.9	16.3	16.3	16.0	15.2	14.8	14.5	14.7	15.6	15.1	14.2	13.7	13.6	13.4	13.9	13.9
7.9	7.7	7.5	7.6	7.4	7.2	7.4	7.3	7.3	7.4	7.1	6.9	6.6	6.5	6.4	6.5	6.5
6.3	6.1	6.0	6.0	5.9	5.8	6.0	6.0	6.1	6.2	6.0	5.7	5.5	5.4	5.4	5.4	5.4
9.8	9.6	9.4	9.6	9.3	9.0	9.2	9.0	8.9	8.9	8.6	8.3	8.1	7.9	7.8	8.0	7.8
1.6	2.0	1.8	-0.9	-1.4	2.9	8.0	1.8	-3.0	3.8	1.4	0.6	0.6	1.7	2.0	-0.3	-1.9
1.0	0.7	0.6	0.7	0.6	1.0	5.3	1.2	0.6	0.9	0.6	0.7	0.8	0.5	0.5	0.5	0.5
4.0	4.0	3.7	4.9	3.5	4.2	4.5	4.3	4.1	5.8	3.4	3.3	3.6	3.4	3.6	4.6	3.4
4.2	4.1	3.7	3.0	3.8	4.4	4.3	4.1	2.5	4.1	4.2	4.1	3.6	3.2	2.9	2.3	3.1
2.4	2.5	2.0	1.6	1.9	2.7	2.6	2.5	2.2	1.8	2.1	2.5	2.6	2.0	1.7	2.0	1.6
3.6	1.7	-0.5	2.2	1.6	0.5	1.7	0.3	0.2	-0.2	2.4	3.8	4.2	2.8	2.5	2.3	2.9
1.7	1.6	1.4	1.6	1.1	2.3	2.2	2.1	1.6	2.4	1.4	1.7	1.7	1.6	1.5	1.6	2.2
0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
0.8	3.3	5.0	-0.8	-0.9	6.1	5.5	4.5	-0.2	7.1	1.7	0.1	-0.4	1.7	2.0	-0.8	-0.7
20.6	19.3	23.1	18.8	19.7	22.8	24.4	18.7	14.2	22.4	22.8	19.8	21.6	21.6	20.2	19.8	20.1
76.9	79.1	76.6	78.4	77.1	76.5	76.4	75.2	69.8	71.9	73.0	74.2	72.7	74.4	74.9	76.9	76.8
58.3	60.1	59.5	61.7	63.3	63.9	65.6	65.9	66.1	65.8	68.3	72.1	76.3	79.1	81.6	83.8	86.7
6.3	6.5	6.4	6.7	6.9	6.9	7.0	7.0	7.1	7.0	7.3	7.7	8.1	8.4	8.7	8.9	9.9
14.4	13.4	13.0	11.8	9.9	16.9	18.2	13.6	9.7	14.5	13.0	13.4	15.4	13.1	12.5	12.7	10.4

Sources of data: SORS, PDII, ESS. Notes: ¹In January 2005, the SORS adopted new methodology of obtaining data on persons in paid employment. The new source of data for employed and self-employed persons excluding farmers is the Statistical Register of Employment (SRE), while data on farmers are forecast using the ARIMA model based on quarterly figures for farmers from the Labour Force Survey. Data for previous years dating back to January 2000 have also been calculated according to the new methodology. ²Estimated by IMAD, based on data by PDII and ESS; ³according to ESS.

WAGES AND INDICATORS OF OVERALL COMPETITIVENESS	2005	2006	2007	2007				2008		2007		
				Q1	Q2	Q3	Q4	Q1	Q2	1	2	3
GROSS WAGE PER EMPLOYEE, y-o-y growth rates, %												
Total	4.8	4.8	5.9	5.4	5.6	5.8	6.7	7.8	8.6	6.4	4.8	5.0
Private sector (A to K)	5.4	5.4	6.9	6.3	6.3	6.7	8.1	8.3	9.4	7.7	5.8	5.5
Agriculture, fishing (A, B)	3.9	5.6	8.2	6.2	8.0	7.3	11.2	10.1	8.8	8.2	5.3	5.1
A Agriculture	3.7	5.6	8.2	6.4	8.0	7.3	11.0	10.2	8.8	8.4	5.5	5.5
B Fishing	6.9	7.9	8.0	-3.8	8.2	8.2	17.5	6.8	7.7	3.3	-2.7	-11.4
Industry, construction (C to F)	5.8	5.5	6.5	5.7	5.8	6.3	8.1	8.0	9.5	7.5	5.1	4.5
C Mining and quarrying	6.3	4.5	7.0	3.6	4.3	6.0	13.4	10.1	14.1	4.2	3.2	3.4
D Manufacturing	5.8	5.5	6.8	5.9	5.9	6.8	8.4	8.2	9.7	7.8	5.3	4.5
E Electricity, gas & water supply	9.7	5.6	6.2	3.0	5.0	5.5	10.7	9.0	9.4	4.6	2.8	1.6
F Construction	4.8	6.2	6.5	7.1	6.7	5.6	6.6	7.5	9.5	8.4	6.4	6.6
Production services (G to I)	4.7	5.0	7.0	7.3	6.4	6.8	7.2	7.9	8.9	8.0	6.7	7.1
G Distributive trades	4.8	5.6	7.6	8.0	7.4	7.5	7.4	7.4	9.0	9.1	6.7	8.3
H Hotels & restaurants	3.2	4.4	6.0	4.0	5.3	5.4	8.7	10.1	10.3	3.9	2.7	5.4
I Transport, storage & communications	5.1	3.6	5.7	6.7	4.4	5.6	5.9	7.7	7.9	6.9	7.9	5.3
Business services (J to K)	3.9	4.7	6.8	5.7	6.2	6.8	8.3	8.8	9.4	7.0	5.2	5.0
J Financial intermediation	6.7	7.2	7.3	7.9	7.8	5.7	7.4	8.1	8.8	8.7	9.1	6.0
K Real estate	3.2	3.9	7.2	5.3	6.1	7.8	9.4	9.5	10.1	6.8	4.0	5.1
Public services (L to O)	3.3	3.5	4.1	3.5	4.6	4.4	3.8	7.1	7.0	3.6	2.8	4.2
L Public administration	3.2	3.1	5.1	2.5	4.9	6.5	6.4	11.1	10.8	2.6	1.7	3.2
M Education	4.8	4.8	3.9	4.8	5.7	3.1	2.4	5.5	5.8	4.9	4.5	4.9
N Health & social work	2.2	2.7	3.2	2.7	3.7	4.0	2.4	6.1	4.8	3.2	1.9	3.0
O Other community, social & personal services	2.7	2.1	3.9	4.1	2.9	3.9	4.5	4.5	6.7	2.9	2.3	7.0
INDICATORS OF OVERALL COMPETITIVENESS, 2001=100												
Effective exchange rate ¹ , nominal	93.9	94.1	94.9	94.4	94.8	94.9	95.4	95.6	95.9	94.3	94.5	94.5
Real (relative consumer prices)	104.9	105.7	108.1	105.7	107.8	108.7	110.1	110.4	112.3	105.7	105.3	106.0
Real (relative producer prices) ²	102.5	101.6	103.7	103.5	103.3	103.5	104.7	104.9	104.9	103.4	103.5	103.5
USD/EUR	1.2448	1.2557	1.3706	1.3105	1.3482	1.3745	1.4494	1.4998	1.5620	1.2999	1.3074	1.3242

2007									2008							
4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8
5.9	5.8	5.2	6.9	5.7	4.9	6.6	7.1	6.5	6.1	9.3	8.0	9.5	7.6	8.8	8.7	9.8
6.9	6.4	5.5	7.6	6.8	5.6	8.2	8.4	7.6	6.9	9.4	8.5	10.7	8.2	9.5	10.1	7.2
9.4	8.6	6.0	8.5	8.8	4.6	8.4	15.1	9.5	8.5	15.2	6.8	9.4	8.9	8.1	12.7	6.3
9.4	8.7	5.9	8.5	8.7	4.6	7.9	15.2	9.5	8.7	15.5	6.7	9.6	8.9	7.9	12.7	6.3
9.9	5.3	9.5	8.6	12.4	3.5	30.6	13.0	10.0	2.5	4.4	14.0	-1.3	10.2	14.8	12.5	5.7
6.7	5.8	5.0	7.3	6.3	5.5	7.8	8.7	7.8	6.2	9.8	8.1	11.2	8.2	9.2	10.8	6.3
3.3	4.7	4.8	6.6	3.9	7.5	9.5	10.2	21.6	5.9	10.4	14.1	12.3	17.7	12.3	17.5	10.2
7.1	5.7	5.1	7.5	6.9	6.0	7.9	9.2	8.0	6.1	10.2	8.5	11.2	8.4	9.5	10.8	6.5
4.2	3.0	7.7	3.5	5.2	7.7	11.1	11.2	9.6	8.1	10.8	8.3	12.1	8.5	7.7	14.1	6.9
7.5	8.1	4.5	8.5	5.3	3.1	6.7	7.4	5.6	7.3	8.6	6.6	11.9	7.3	9.5	9.9	6.0
7.4	6.0	5.9	7.5	7.1	5.9	7.2	6.7	7.7	7.3	8.2	8.1	9.7	7.8	9.1	8.9	8.4
8.6	6.8	6.7	7.8	7.8	7.0	7.1	8.3	6.7	6.5	8.8	7.0	10.1	8.0	8.9	9.2	7.0
4.4	5.1	6.5	6.5	6.0	3.8	7.6	10.5	8.0	10.6	11.0	8.7	10.9	11.1	8.9	10.5	9.1
5.4	4.1	3.8	6.9	5.7	4.0	6.6	2.6	9.1	7.5	5.9	9.6	8.3	6.2	9.2	7.4	10.7
5.4	7.4	5.8	8.2	7.2	5.1	10.1	8.7	6.3	7.4	9.3	9.8	10.4	8.0	9.9	9.3	7.0
6.5	9.9	7.0	8.5	7.1	1.6	13.9	8.0	1.0	6.7	6.7	10.7	12.0	6.6	7.9	6.9	6.5
5.6	6.8	5.8	8.4	7.6	7.3	8.7	9.8	9.6	8.1	10.8	9.6	10.0	9.1	11.3	10.7	7.6
4.1	4.7	4.9	5.8	3.5	3.8	3.3	3.9	4.1	4.5	9.6	7.2	7.0	6.7	7.5	5.8	16.6
3.8	5.2	5.7	8.7	4.9	5.9	5.9	6.5	6.9	6.8	14.3	12.0	12.0	10.0	10.4	7.6	18.9
5.5	6.4	5.1	4.3	2.6	2.4	2.3	2.6	2.2	3.1	7.8	5.6	5.7	5.6	6.0	5.0	10.8
3.2	3.4	4.3	5.4	3.3	3.3	2.1	2.0	3.0	3.6	8.0	6.7	3.8	4.4	6.2	4.8	24.2
2.9	1.9	3.9	4.5	3.1	4.0	3.0	5.1	5.3	5.0	6.9	1.8	5.9	6.7	7.3	6.0	11.1
94.7	94.8	94.9	95.0	94.8	95.0	95.3	95.4	95.4	95.5	95.4	95.8	96.0	95.9	95.8	95.7	95.3
106.9	108.1	108.4	108.5	108.6	109.0	109.6	110.3	110.3	110.4	109.8	111.1	111.9	112.3	112.7	112.3	111.3
103.2	103.3	103.4	103.2	103.2	104.0	104.7	104.7	104.8	105.0	104.8	105.1	105.6	104.6	104.4	104.0	104.1
1.3516	1.3511	1.3419	1.3716	1.3622	1.3896	1.4227	1.4684	1.4570	1.4718	1.4748	1.5527	1.5750	1.5557	1.5553	1.5770	1.4975

Sources of data: SORS, AP, BS, OECD Main Economic Indicators, calculations IMAD.

Notes: Data on the monthly gross wage per employee for 2004 and beyond calculated according to the new methodology were published in September 2005. ¹Change of methodology: the calculation of domestic currency's effective exchange rate includes the currencies/prices of Slovenia's 17 trading partners (Austria, Belgium, Germany, Italy, France, Netherlands, Spain, Denmark, United Kingdom, Sweden, Czech Republic, Hungary, Poland, Slovakia, USA, Switzerland, Japan); weights are the shares of individual trading partners in Slovenian exports and imports of goods within manufacturing (5-8 SITC) in 2001-2003; exports are double weighted; a rise in the index value indicates an appreciation of domestic currency and vice versa. ²Producer prices in manufacturing activities

PRICES	2005	2006	2007	2007				2008			2007		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	1	2	3
CPI, y-o-y growth rates, %	2.5	2.5	3.6	2.3	3.0	3.6	5.4	6.6	6.6	6.1	2.7	2.1	2.3
Food, non-alcoholic beverages	-0.8	2.3	7.8	3.7	6.5	8.2	12.6	14.0	12.0	9.8	4.0	3.0	3.9
Alcoholic beverages, tobacco	3.9	3.7	6.5	5.5	6.0	8.0	6.5	5.4	5.0	0.7	5.5	5.4	5.6
Clothing and footwear	-1.0	-0.5	2.1	1.8	0.9	3.3	2.5	4.9	5.2	2.1	3.6	2.6	-0.5
Housing, water, electricity, gas	9.1	5.3	2.6	-0.2	1.0	2.2	7.6	10.5	11.4	11.5	-0.1	-0.9	0.4
Furnishings, household equipment	3.6	4.1	4.5	5.0	5.2	3.6	4.0	4.5	5.5	6.5	5.1	5.3	4.7
Medical, pharmaceutical products	-0.3	-1.7	1.1	1.5	1.4	1.1	0.4	-0.5	1.7	4.9	0.9	1.4	2.3
Transport	2.7	1.3	0.3	-0.2	0.8	-0.9	1.6	2.9	2.9	4.1	-0.4	-0.9	0.6
Communications	0.0	0.3	0.3	0.0	0.4	0.6	0.3	2.2	1.9	0.1	1.4	-0.7	-0.6
Recreation and culture	2.3	2.1	3.6	2.5	2.5	4.6	4.7	4.6	5.0	4.8	2.9	2.6	2.2
Education	7.1	3.1	1.9	1.1	0.6	2.2	3.6	4.7	5.4	4.8	0.5	1.5	1.1
Catering services	4.4	4.5	7.3	6.9	6.6	7.0	8.7	9.3	10.0	10.4	6.9	7.1	6.7
Miscellaneous goods & services	1.9	4.1	3.6	4.2	3.1	3.7	3.4	3.9	4.5	3.8	5.0	4.7	3.0
HCPI	2.5	2.5	3.8	2.6	3.3	3.7	5.5	6.5	6.4	6.2	2.8	2.3	2.6
Core inflation (trim mean)	2.3	2.8	2.3	1.6	2.0	2.5	3.1	4.4	4.4	4.1	2.0	1.3	1.5
Core inflation (excluding fresh food and energy)	1.0	1.1	2.6	1.9	1.9	2.9	3.9	4.7	4.9	4.7	2.3	1.9	1.5
PRODUCER PRICE INDICES, y-o-y growth rates, %													
Total	1.9	2.3	4.2	4.3	4.6	4.1	3.6	3.4	3.9	5.2	3.9	4.6	4.5
Domestic market	2.7	2.3	5.4	4.5	5.1	5.4	6.5	5.9	6.3	6.5	3.5	5.1	5.0
Non-domestic market	1.0	2.2	2.9	4.1	4.2	2.8	0.7	0.8	1.4	3.8	4.2	4.1	4.0
euro area	1.4	2.6	5.0	7.1	7.3	4.6	1.4	1.2	1.6	4.1	7.1	6.9	7.3
non-euro area	0.0	1.6	-0.5	-0.6	-0.6	-0.3	-0.5	0.1	1.0	3.4	-0.3	-0.3	-1.2
Import price indices		5.8	4.0	7.0	6.6	2.4	0.1	-0.2	0.3	3.8	7.8	6.6	6.7
PRICE CONTROL¹, y-o-y growth rates, %													
Energy prices	11.8	8.0	0.6	-2.0	-0.1	-1.6	6.2	13.1	16.9	21.1	-0.4	-4.6	-0.8
Oil products	15.4	10.3	-0.9	-4.0	-2.2	-4.3	7.4	14.8	17.4	21.1	-2.0	-7.5	-2.3
Basic utilities	4.0	-2.6	-2.3	-6.3	-6.2	-3.7	8.4	1.4	1.3	-1.3	-7.4	-5.8	-5.8
Transport & communications	2.1	1.5	0.6	0.7	0.6	0.6	0.6	0.5	0.6	-1.3	0.7	0.8	0.6
Other controlled prices	4.5	2.6	2.9	3.0	2.6	3.0	3.0	1.4	1.7	1.7	2.4	3.3	3.4
Direct control – total	9.3	7.0	3.1	1.9	3.2	1.6	5.9	9.5	11.7	13.7	2.8	0.0	2.8

2007									2008								
4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9
2.6	2.9	3.6	3.8	3.5	3.5	5.1	5.7	5.6	6.4	6.5	6.9	6.5	6.4	7.0	6.9	6.0	5.5
6.3	6.3	6.9	7.6	6.9	10.0	13.3	11.7	12.9	13.9	14.6	13.5	12.3	12.1	11.6	12.2	10.1	7.2
5.7	6.2	6.0	8.1	8.5	7.6	6.5	6.6	6.6	5.7	5.5	5.1	4.8	5.0	5.1	-0.2	0.5	1.8
-0.7	1.0	2.4	2.7	4.1	3.1	1.8	3.5	2.1	2.9	4.8	6.7	7.0	4.6	4.1	0.8	1.7	3.7
1.0	0.4	1.7	1.9	3.2	1.4	6.7	8.2	8.0	11.7	9.6	10.4	9.3	11.4	13.4	13.6	10.4	10.5
4.8	5.2	5.7	4.5	3.3	3.0	3.6	4.1	4.3	4.0	4.3	5.2	5.7	5.7	5.2	5.9	6.4	7.3
1.4	1.1	1.7	2.0	0.7	0.8	0.8	0.5	0.0	-0.9	-1.2	0.5	1.4	1.7	1.9	4.5	5.0	5.1
0.4	0.4	1.5	0.9	-1.6	-1.9	0.4	2.5	1.9	2.8	2.7	3.1	2.1	2.4	4.4	4.9	3.7	3.7
-0.3	0.2	1.2	1.2	1.2	-0.7	-0.7	-0.2	1.9	1.0	2.8	2.9	2.8	1.5	1.5	0.7	0.5	-0.9
1.4	3.0	3.3	4.4	4.8	4.5	4.9	4.6	4.7	4.1	4.9	4.9	5.4	4.4	5.3	5.6	4.9	4.0
-1.1	1.4	1.4	1.4	1.4	3.7	3.6	3.6	3.6	3.4	3.8	7.0	7.0	4.6	4.6	4.6	4.6	5.0
6.6	6.8	6.4	6.5	7.0	7.6	7.9	9.6	8.6	9.2	9.4	9.4	10.1	9.9	10.1	10.7	10.4	10.0
2.9	3.1	3.2	3.3	4.0	3.8	3.0	3.6	3.6	3.6	3.8	4.2	4.7	4.4	4.5	4.0	3.7	3.6
2.9	3.1	3.8	4.0	3.4	3.6	5.1	5.7	5.7	6.4	6.4	6.6	6.2	6.2	6.8	6.9	6.0	5.6
1.7	1.9	2.5	2.5	2.3	2.5	2.7	3.3	3.2	4.2	4.3	4.6	4.3	4.4	4.4	4.7	4.0	3.6
1.5	1.9	2.4	2.6	2.9	3.0	3.7	4.0	4.0	4.2	4.9	5.1	5.3	4.9	4.7	5.1	4.7	4.5
4.7	4.7	4.6	4.3	4.2	3.9	3.7	3.5	3.4	3.5	3.4	3.3	3.3	3.7	4.6	5.2	5.6	4.8
4.9	5.1	5.2	5.2	5.3	5.8	6.3	6.8	6.3	6.5	5.6	5.7	6.1	6.3	6.5	6.9	7.0	5.7
4.4	4.3	3.9	3.4	3.0	1.9	1.1	0.3	0.6	0.5	1.2	0.8	0.4	1.0	2.7	3.5	4.2	3.9
7.6	7.6	6.7	5.5	4.7	3.8	2.1	1.1	0.9	0.8	1.9	1.0	0.4	0.8	3.5	3.9	4.6	3.7
-0.7	-0.8	-0.5	0.0	0.3	-1.1	-0.4	-1.1	0.1	-0.2	-0.1	0.5	0.4	1.3	1.1	2.5	3.3	4.3
7.0	6.7	6.1	2.9	3.6	0.8	-0.2	0.0	0.5	-0.7	-0.1	0.1	-0.3	0.5	0.7	3.5	3.2	4.6
-0.3	-1.0	0.9	1.3	-2.6	-3.6	2.2	8.4	7.9	12.4	12.1	14.8	11.9	15.5	23.2	24.8	20.0	18.4
-2.6	-3.3	-0.8	-0.8	-5.5	-6.6	2.1	10.3	9.8	14.0	14.1	16.4	12.6	15.3	24.1	25.5	20.0	17.7
-6.5	-6.0	-6.0	-6.0	0.7	-5.7	14.3	6.5	4.8	2.8	0.7	0.7	1.3	1.3	1.3	1.3	-5.7	0.7
0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.4	0.6	0.6	0.6	0.6	-1.3	-1.3	-1.3
3.1	2.4	2.3	2.2	3.8	3.0	3.0	2.9	2.9	2.1	1.2	1.0	1.2	1.9	1.9	1.1	1.6	2.4
3.1	2.6	4.0	4.3	2.9	-2.3	3.9	7.1	6.6	9.3	8.8	10.4	8.5	10.8	15.7	16.3	12.2	12.4

Source of data: SORS, calculations and estimates IMAD. Note: ¹ the structure of groups varies, data published are not directly comparable to those published previously. The electricity market was liberalized on 1 July 2007. Data from July 2007 onwards are not comparable.

BALANCE OF PAYMENTS	2005	2006	2007	2007				2008		2007		
				Q1	Q2	Q3	Q4	Q1	Q2	1	2	3
BALANCE OF PAYMENTS, in EUR m												
Current account	-498	-771	-1,455	-96	-216	-480	-663	-549	-481	17	-109	-3
Goods ¹	-1,026	-1,151	-1,666	-242	-359	-401	-664	-503	-653	-82	-80	-80
Exports	14,599	17,028	19,798	4,783	5,027	4,927	5,062	5,130	5,407	1,471	1,514	1,798
Imports	15,625	18,179	21,464	5,025	5,386	5,328	5,726	5,634	6,060	1,553	1,594	1,878
Services	920	993	1,193	275	366	354	198	343	501	123	56	97
Exports	3,214	3,572	4,291	897	1,038	1,307	1,049	1,093	1,273	321	254	323
Imports	2,293	2,580	3,098	622	672	953	851	751	772	198	198	226
Income	-295	-440	-708	-52	-188	-356	-112	-222	-232	-16	-16	-20
Receipts	647	872	1,169	234	293	298	344	293	324	76	75	82
Expenditure	942	1,312	1,877	286	481	654	456	515	556	92	91	102
Current transfers	-97	-173	-274	-76	-34	-78	-86	-167	-97	-7	-69	0
Receipts	738	785	905	197	237	219	252	180	204	51	59	87
Expenditure	835	958	1,178	273	271	296	338	347	301	58	128	87
Capital and financial account	970	1,092	1,713	281	177	339	915	415	840	-187	220	249
Capital account	-114	-131	-52	15	-27	-32	-8	-2	-21	18	6	-9
Financial account	1,084	1,223	1,765	266	204	371	923	418	862	-205	214	258
Direct investment	-43	-174	-269	-248	-64	-4	47	155	-11	-114	-135	2
Domestic abroad	-516	-687	-1,319	-326	-296	-439	-257	-158	-326	-107	-157	-62
Foreign in Slovenia	473	513	1,050	79	232	435	304	313	315	-8	22	64
Portfolio investment	-1,313	-1,442	-2,264	-624	-1,204	377	-814	303	-1,117	-902	-152	430
Financial derivatives	-10	-13	-21	2	-2	-12	-10	2	0	6	-4	1
Other investment	2,639	1,571	4,179	1,080	1,484	-22	1,636	38	1,909	620	628	-168
Assets	-1,459	-1,939	-4,877	-2,413	-455	-1,405	-605	-989	-192	-734	-836	-843
Commercial credits	-226	-442	-394	-385	-180	32	139	-508	-164	-27	-164	-194
Loans	-340	-733	-1,890	-372	-456	-435	-627	53	-440	-21	-90	-261
Currency and deposits	-872	-743	-2,601	-1,675	182	-990	-118	-526	369	-754	-575	-345
Other assets	-22	-21	7	18	0	-12	1	-9	42	68	-7	-43
Liabilities	4,098	3,510	9,057	3,493	1,939	1,383	2,241	1,028	2,101	1,355	1,464	675
Commercial credits	291	479	503	269	55	-88	268	175	297	-172	218	223
Loans	2,731	2,064	3,840	32	1,554	910	1,345	622	1,451	146	-52	-62
Deposits	1,053	998	4,727	3,208	338	567	613	253	346	1,406	1,282	521
Other liabilities	23	-30	-14	-16	-7	-6	16	-22	7	-25	16	-6
International reserves ²	-189	1,281	140	55	-11	32	64	-81	80	185	-123	-7
Statistical error	-473	-321	-258	-185	39	141	-252	134	-359	170	-110	-245
EXPORTS AND IMPORTS BY END-USE OF PRODUCTS, in EUR m												
Export of investment goods	1,392	1,680	1,933	456	508	466	504	523	578	136	134	185
Intermediate goods	7,723	9,368	10,438	2,609	2,670	2,560	2,593	2,751	2,863	811	835	963
Consumer goods	5,282	5,709	7,014	1,647	1,746	1,790	1,858	1,746	1,841	503	521	623
Import of investment goods	2,163	2,565	3,004	658	736	740	870	772	916	198	211	249
Intermediate goods	9,764	11,319	12,874	3,152	3,212	3,162	3,344	3,423	3,626	1,006	987	1,159
Consumer goods	3,877	4,456	5,609	1,238	1,446	1,413	1,508	1,457	1,514	359	402	477

2007									2008							
4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8
-105	-100	-10	-230	-93	-158	-173	-184	-306	-237	-183	-130	-104	-227	-150	-232	-250
-134	-146	-79	-89	-117	-195	-180	-191	-293	-194	-139	-170	-167	-291	-195	-219	-270
1,586	1,729	1,712	1,741	1,478	1,708	1,855	1,781	1,426	1,632	1,723	1,775	1,885	1,731	1,791	1,826	1,361
1,720	1,874	1,791	1,830	1,595	1,903	2,035	1,973	1,719	1,826	1,862	1,945	2,053	2,022	1,986	2,046	1,631
116	119	130	94	141	119	79	56	63	90	104	149	151	171	180	96	130
347	337	354	443	465	399	382	307	360	354	352	387	414	413	446	523	497
230	218	224	349	324	280	303	251	297	264	248	238	263	242	266	427	367
-74	-43	-71	-210	-102	-44	-45	-28	-39	-72	-74	-76	-73	-74	-85	-90	-100
93	100	100	97	91	110	112	112	120	96	96	100	107	109	108	108	102
167	143	171	307	193	154	157	139	159	168	170	176	180	183	193	199	202
-14	-30	10	-25	-15	-38	-27	-22	-37	-61	-74	-32	-14	-33	-50	-19	-10
75	65	96	70	89	59	74	85	93	59	60	61	88	68	48	69	50
89	95	87	96	104	97	101	106	130	120	134	94	102	101	98	87	59
22	-66	221	323	19	-2	139	286	491	86	247	83	238	339	264	250	288
0	-7	-20	-11	3	-24	7	5	-20	6	2	-10	6	-6	-21	-11	2
22	-59	240	334	16	21	132	281	511	80	245	93	231	345	285	261	286
-43	-100	79	96	45	-145	99	-103	50	43	11	101	-43	6	26	-86	103
-148	-116	-32	-154	-61	-224	6	-159	-104	-41	-39	-77	-154	-134	-38	-208	-22
104	17	111	250	107	79	93	56	154	84	51	178	111	140	63	122	125
-414	-620	-169	234	119	24	-360	-490	36	18	688	-404	-424	-437	-256	133	-207
0	0	-2	-7	-5	-1	-11	0	1	3	3	-3	1	0	0	2	0
425	726	333	-121	-136	235	384	901	351	15	-494	518	613	760	537	285	286
-847	481	-89	-605	-360	-439	-302	-372	70	142	-955	-176	397	185	-775	184	-44
-97	-10	-73	31	155	-154	-233	-18	390	-74	-225	-208	-23	-95	-46	20	141
-48	-213	-194	-214	-148	-74	-131	-136	-359	174	-41	-80	18	-205	-254	257	-378
-685	701	165	-408	-371	-211	53	-217	45	28	-684	130	354	494	-479	-99	195
-16	3	13	-14	3	-1	8	-1	-6	14	-5	-18	48	-9	3	5	-2
1,272	245	423	484	225	674	686	1,273	282	-127	461	694	215	575	1,312	102	330
-19	89	-15	59	-303	156	163	97	8	-79	105	149	93	212	-8	27	-94
1,021	301	232	231	254	425	209	881	254	98	215	309	-175	492	1,134	108	218
279	-140	199	188	281	98	328	299	-14	-134	150	236	294	-128	180	-40	206
-9	-5	6	7	-8	-6	-14	-4	34	-13	-10	0	4	-2	5	7	0
55	-65	-1	132	-8	-91	20	-28	72	0	37	-118	85	16	-21	-73	104
84	166	-211	-93	74	160	34	-101	-185	151	-64	47	-133	-112	-114	-18	-37
159	176	174	166	140	160	180	165	159	146	178	199	194	193	191	201	N/A
854	921	895	918	778	864	959	927	707	892	933	926	1,015	913	935	954	N/A
545	592	610	619	520	651	679	653	526	556	580	610	635	584	622	621	N/A
229	265	242	246	199	295	303	299	268	248	251	273	315	309	292	287	N/A
1,016	1,119	1,077	1,105	955	1,102	1,161	1,185	998	1,116	1,146	1,161	1,224	1,215	1,187	1,244	N/A
478	494	475	478	424	511	576	492	440	466	473	518	515	499	500	516	N/A

Sources of data: BS, SORS. Notes: ¹exports and imports (F.O.B.) include also the adjustment for exports and imports of goods by ITRS and duty-free shops reports; ² reserve assets of the BS.

MONETARY INDICATORS AND INTEREST RATES	2005	2006	2007	2007					
				1	2	3	4	5	6
SELECTED CLAIMS OF OTHER MFI ON DOMESTIC SECTORS, end of the month, in SIT bn; since 1 January 2007 in EUR m									
Claims of the BS on central government	17.4	16.6	67	69	69	69	68	68	68
Central government (S. 1311)	780.5	776.6	2,367	3,184	3,219	2,944	2,748	2,574	2,465
Other government (S. 1312, 1313, 1314)	23.1	24.9	118	108	106	107	105	107	107
Households (S. 14, 15)	1025.9	1289.4	6,818	5,428	5,488	5,633	5,748	5,892	6,015
Non-financial corporations (S. 11)	2620.9	3236.0	18,105	14,086	14,250	14,660	15,142	15,426	15,788
Non-monetary financial institutions (S. 123, 124, 125)	230.9	368.1	2,305	1,554	1,563	1,574	1,761	1,747	1,911
Monetary financial institutions (S. 121, 122)	1408.2	1158.7	2401	3,505	2,770	2,267	2,033	2,257	2,211
Claims on domestic sectors, TOTAL									
In domestic currency	2099.2	2298.2	26,555	21,761	21,634	21,726	22,297	23,089	23,558
In foreign currency	2199.4	3149.0	1,990	1,048	1,100	1,160	1,248	1,335	1,456
Securities, total	1375.1	1286.8	3,570	5,055	4,662	4,299	3,992	3,577	3,484
SELECTED OBLIGATIONS OF OTHER MFI ON DOMESTIC SECTORS, end of the month, in SIT bn; since 1 January 2007 in EUR m									
Deposits in domestic currency, total	2,610.3	2,903.4	20,029	17,823	17,912	17,914	18,066	18,367	18,446
Overnight	987.0	1,178.6	6,887	6,645	6,598	6,648	6,676	6,849	6,953
With agreed maturity – short-term	1,175.5	1,251.2	8,913	7,673	7,837	7,639	7,758	7,777	7,592
With agreed maturity – long-term	309.9	292.4	2,857	2,486	2,492	2,560	2,569	2,573	2,693
Short-term deposits redeemable at notice	137.8	181.2	1,372	1,019	985	1,067	1,063	1,168	1,208
Deposits in foreign currency, total	1,346.6	1,454.5	559	634	614	607	597	615	610
Overnight	534.8	552.7	218	311	293	285	264	280	274
With agreed maturity – short-term	481.2	545.5	248	240	239	237	251	248	249
With agreed maturity – long-term	295.2	318.3	56	64	64	62	60	61	60
Short-term deposits redeemable at notice	35.4	38.0	37	19	18	23	22	26	27
INTEREST RATES OF MONETARY FINANCIAL INSTITUTIONS, %									
New deposits in domestic currency									
Households									
Overnight deposits	0.47	0.32	0.36	0.33	0.33	0.33	0.34	0.34	0.34
Time deposits with maturity of up to one year	3.34	2.96	3.36	2.83	2.91	3.01	3.07	3.15	3.26
New loans to households in domestic currency									
Housing loans, 5-10 year fixed interest rate	4.99	4.56	5.80	5.16	5.44	5.50	5.35	5.37	5.36
New loans to non-financial corporations in domestic currency									
Loan over EUR 1 million, 1-5 year fixed interest rate	5.23	4.64	5.76	5.49	6.53	-	-	4.86	5.12
INTEREST RATES OF THE EUROPEAN CENTRAL BANK, %									
Main refinancing operations	2.02	2.78	3.85	3.50	3.50	3.75	3.75	3.75	4.00
INTERBANK INTEREST RATES									
EURIBOR									
3-month rates	2.19	3.58	4.28	3.75	3.82	3.89	3.98	4.07	4.15
6-month rates	2.24	3.58	4.35	3.89	3.94	4.00	4.10	4.20	4.28
LIBOR CHF									
3-month rates	0.80	1.51	2.55	2.15	2.21	2.26	2.32	2.41	2.55
6-month rates	0.87	1.65	2.65	2.26	2.32	2.36	2.44	2.54	2.70

2007						2008							
7	8	9	10	11	12	1	2	3	4	5	6	7	8
68	68	67	67	67	67	67	67	66	66	66	65	66	66
2,408	2,342	2,345	2,348	2,374	2,367	2,412	2,397	2,392	2,123	2,162	2,052	2,030	2,069
107	110	111	114	112	118	123	124	124	128	129	133	136	143
6,157	6,323	6,468	6,607	6,830	6,818	6,918	7,009	7,133	7,235	7,318	7,409	7,521	7,603
16,274	16,720	17,004	17,269	17,748	18,105	18,570	18,754	18,938	19,351	19,616	20,064	20,404	20,619
2,034	2,083	2,205	2,367	2,396	2,305	2,390	2,411	2,494	2,558	2,568	2,736	2,726	2,729
2,218	2,439	2,448	2,460	2,580	2,401	2,455	2,432	2,444	2,624	2,375	2,386	2,403	2,400
24,146	24,892	25,310	25,864	26,596	26,555	27,164	27,406	27,768	28,503	28,871	29,380	29,805	30,108
1,560	1,638	1,699	1,789	1,900	1,990	2,117	2,192	2,280	2,276	2,259	2,263	2,228	2,271
3,492	3,488	3,573	3,511	3,544	3,570	3,586	3,529	3,477	3,239	3,038	3,137	3,188	3,184
18,880	19,299	19,386	19,579	19,558	20,029	20,088	20,674	20,779	20,774	20,613	21,144	21,341	21,465
7,047	6,881	6,907	6,695	6,573	6,887	6,924	6,557	6,787	6,711	6,841	7,071	6,744	6,703
7,867	8,331	8,247	8,689	8,723	8,913	8,899	9,862	9,745	9,734	9,292	9,439	9,936	9,929
2,728	2,790	2,874	2,820	2,817	2,857	2,845	2,803	2,814	2,926	3,046	3,170	3,241	3,378
1,238	1,297	1,358	1,375	1,445	1,372	1,420	1,452	1,433	1,403	1,434	1,464	1,420	1,455
605	628	608	589	585	559	571	560	520	529	527	488	491	502
270	278	269	255	260	218	248	240	226	222	225	218	220	228
242	258	248	241	226	248	229	237	220	224	224	196	192	190
61	62	60	60	57	56	55	48	45	45	42	42	43	42
32	30	31	33	42	37	39	35	29	38	36	32	36	42
0.35	0.35	0.37	0.42	0.40	0.40	0.44	0.41	0.41	0.43	0.46	0.46	0.48	0.48
3.36	3.41	3.61	3.89	3.83	4.04	4.08	3.95	4.03	4.14	4.20	4.30	4.40	4.39
5.79	5.98	6.16	6.45	6.44	6.58	6.75	6.40	6.61	6.53	6.53	6.63	6.71	6.95
6.49	-	5.76	5.59	-	6.25	-	-	5.63	6.32	5.47	6.63	6.91	6.53
4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.25	4.25
4.22	4.54	4.74	4.69	4.64	4.85	4.48	4.36	4.60	4.78	4.86	4.94	4.96	4.97
4.36	4.59	4.75	4.66	4.63	4.82	4.50	4.36	4.59	4.80	4.90	5.09	5.15	5.16
2.72	2.80	2.82	2.79	2.75	2.77	2.70	2.74	2.83	2.85	2.78	2.84	2.79	2.75
2.85	2.86	2.90	2.89	2.85	2.84	2.77	2.77	2.87	2.93	2.89	2.98	2.94	2.89

Sources of data: BS, BBA - British Bankers' Association.

2007												2008				
4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	
1,293.0	1,172.5	988.5	1,182.3	1,222.7	1,024.1	1,323.7	1,323.1	1,413.0	1,119.1	1,100.1	1,135.1	1,463.1	1,259.8	1,282.7	1,342.2	
1,272.6	1,158.0	944.3	1,159.9	1,168.9	1,003.3	1,259.4	1,236.3	1,309.4	1,104.6	1,073.5	1,096.4	1,435.8	1,228.7	1,216.6	1,306.2	
1,219.0	1,094.2	886.5	1,089.8	1,099.5	934.2	1,194.1	1,168.1	1,243.8	1,057.4	1,015.6	1,037.0	1,374.1	1,175.5	1,152.4	1,253.4	
462.9	288.3	163.1	168.7	251.4	226.3	233.4	235.7	300.3	223.0	221.2	250.1	498.3	316.7	291.5	297.9	
371.1	371.9	380.7	379.2	377.9	382.1	385.1	397.3	469.4	394.7	400.0	408.4	419.0	415.8	419.5	425.8	
32.8	32.4	34.5	34.1	33.6	33.9	34.1	36.5	50.3	20.0	19.5	19.9	20.9	20.4	20.9	21.3	
10.7	27.2	20.0	20.8	31.4	15.2	16.3	29.3	13.3	8.7	10.5	8.3	12.0	28.6	22.1	23.0	
332.5	363.3	277.2	475.4	395.4	264.6	514.5	459.9	398.0	404.6	354.7	340.1	411.5	383.4	386.9	475.3	
8.9	11.0	10.7	11.5	9.6	12.0	10.4	9.1	12.2	6.3	9.3	9.9	12.3	10.5	10.9	9.8	
0.1	0.2	0.2	0.1	0.3	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.7	0.3	
53.6	63.8	57.9	70.1	69.4	69.0	65.3	68.1	65.7	47.2	58.0	59.4	61.6	53.1	64.3	52.8	
6.0	4.1	5.1	13.5	17.1	8.9	14.6	15.7	31.9	11.1	9.6	7.3	6.1	5.8	14.9	12.9	
0.7	0.7	1.4	0.7	-0.1	1.4	1.4	0.8	2.8	0.8	0.7	0.5	0.8	0.5	0.8	1.6	
0.3	1.0	0.1	0.1	0.2	0.1	0.8	39.7	-0.1	0.4	0.1	0.7	1.1	-0.4	0.2	0.1	
13.4	8.7	37.5	8.1	36.6	10.4	47.6	30.6	69.0	2.2	16.1	30.2	19.3	25.3	50.2	21.5	
1,061.8	1,242.4	1,088.3	1,094.3	1,090.3	1,055.3	1,140.5	1,249.6	1,691.7	1,009.1	1,140.4	1,217.5	1,229.5	1,366.9	1,200.8	1,139.6	
506.4	506.3	435.8	450.8	463.5	447.9	483.8	500.7	673.7	445.4	512.3	612.3	529.5	548.3	508.2	507.2	
261.8	321.9	268.0	271.1	273.7	269.6	266.2	273.5	285.3	264.1	262.9	281.6	274.5	336.9	286.8	289.3	
155.1	169.3	158.2	170.2	183.4	164.4	187.4	212.1	321.9	153.9	171.7	202.7	188.9	204.5	208.8	207.2	
87.1	12.0	6.2	6.8	3.3	7.4	26.6	4.9	5.2	22.9	74.2	123.9	61.4	2.5	5.8	4.9	
2.4	3.1	3.4	2.7	3.2	6.5	3.7	10.3	61.3	4.4	3.5	4.1	4.6	4.3	6.8	5.9	
468.2	639.5	557.8	525.2	467.0	463.7	473.7	547.1	544.3	460.5	517.3	512.0	580.1	707.5	569.2	513.9	
10.0	39.7	88.2	57.3	13.0	18.0	18.0	25.6	49.2	5.0	35.0	20.6	86.7	83.7	72.6	16.6	
409.2	537.7	412.2	406.4	403.6	401.1	405.0	470.5	428.5	418.1	441.1	444.3	445.0	566.4	437.5	442.1	
48.5	54.7	55.2	57.6	47.1	40.6	49.6	48.9	62.3	35.7	37.7	45.3	46.2	50.5	54.5	54.0	
0.6	7.3	2.3	4.0	3.3	4.0	1.1	2.2	4.3	1.8	3.5	1.9	2.2	6.9	4.6	1.3	
46.6	55.6	60.7	72.2	104.2	90.5	117.3	121.0	329.0	53.6	44.8	50.4	69.3	68.4	78.1	77.7	
16.5	19.3	19.2	22.3	23.2	23.8	35.6	49.4	96.3	9.0	10.8	10.8	18.9	19.2	24.3	21.8	
24.1	21.6	14.8	23.7	32.4	29.5	30.1	31.3	48.4	40.6	55.3	31.9	31.7	23.6	20.9	18.9	
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Source of data: MF Bulletin. Note: in line with the changed methodology of the International Monetary Fund of 2001, social security contributions paid by the state are not consolidated. Data prior to 2007 are recalculated on the basis of the irrevocable SIT/EUR exchange rate = 239.64.

Acronyms

Acronyms in the text

BS – Bank of Slovenia
CONS – Consensus forecasts
EC – European Commission
ECB – European Central Bank
EIA – Energy Information Administration
ELES – Electro Slovenia
EU – European Union
FED – Federal Reserve System
HICP – Harmonised Index of Consumer Prices
IMAD – Institute of Macroeconomic Analysis and Development
MF – Ministry of Finance
NFI – non-monetary financial institutions
OECD – Organization for Economic Cooperation and Development
SBI – Slovenian Stock Exchange Index
SITC – Standard International Trade Classification
SMA – Securities Market Agency
SORS – Statistical Office of the Republic of Slovenia
ZSS – Employment Service of Slovenia

Acronyms of Standard Classification of Activities (SCA)

A-Agriculture, hunting, forestry, **B**-Fishing, **C**-Mining and quarrying, **D**-manufacturing, **DA**-food beverages and tobacco, **DB**-textiles and textile products, **DC**-leather and leather products, **DD**-wood and wood products, **DE**-paper, publishing, printing, **DF**-coke, petroleum products and nuclear fuel, **DG**-chemicals, **DH**-rubber and plastic products, **DI**-non-metal mineral products, **DJ**-metals and metal products, **DK**-machinery and equipment, **DL**-electrical and optical equipment, **DM**-transport equipment, **DN**-furniture and NEC, **E**-Electricity, gas and water supply, **F**-Construction, **G**-Wholesale, retail, trade, repair, **H**-Hotels and restaurants, **I**-Transport, storage, communications, **J**-Financial intermediation, **K**-Real estate, renting and business activities, **L**-Public administ. & defence; comp. soc. sec., **M**-Education, **N**-Health and social work, **O**-Other social and personal services.

Acronyms of Countries

AT-Austria, **BE**-Belgium, **BG**-Bulgaria, **BY**-Belarus, **CH**-Switzerland, **CZ**-Czech Republic, **CY**-Cyprus, **DE**-Germany, **DK**-Denmark, **ES**-Spain, **EE**-Estonia, **EL**-Greece, **FR**-France, **FI**-Finland, **HU**-Hungary, **I**-Italy, **IE**-Ireland, **JP**-Japan, **LU**-Luxembourg, **LV**-Latvia, **LT**-Lithuania, **MT**-Malta, **NL**-Netherlands, **NO**-Norway, **PT**-Portugal, **RO**-Romania, **RU**-Russia, **SE**-Sweden, **UA**-Ukraine, **UK**-United Kingdom, **US**-United States of America, **PL**-Poland, **SI**-Slovenia, **SK**-Slovakia.

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