

SLOVENIA ECONOMY REPORT

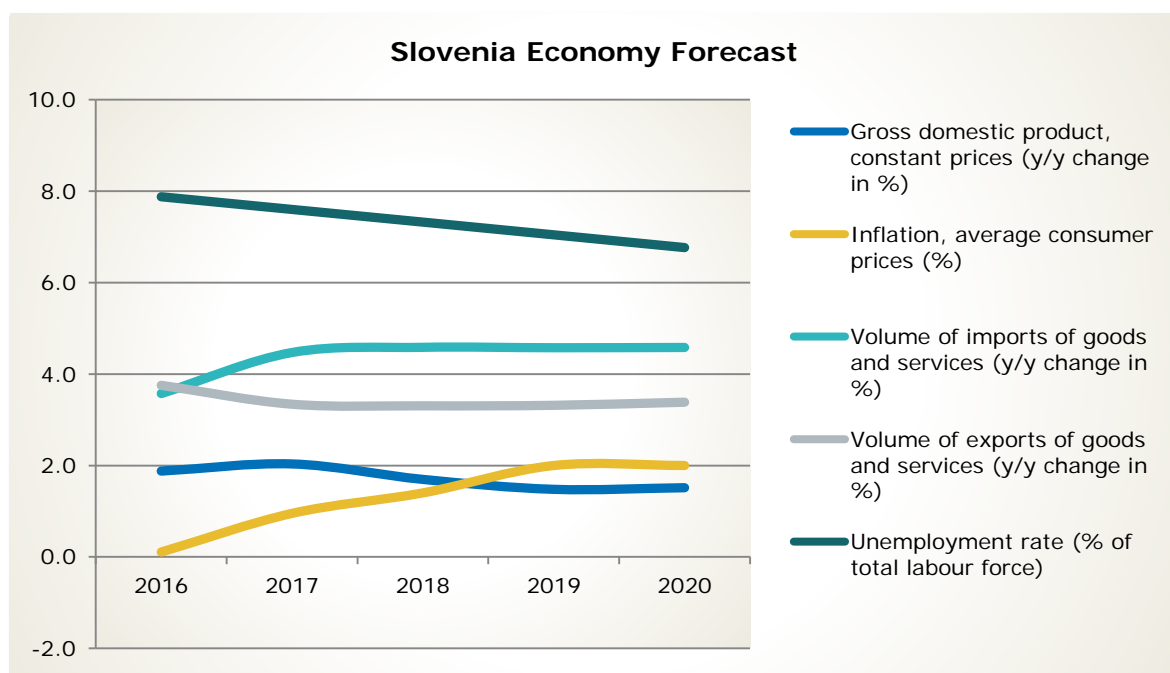
Q1 2016

CONTENTS

1. MACROECONOMIC SNAPSHOT AND FORECAST	3
2. REAL SECTOR	4
2.1. GROSS DOMESTIC PRODUCT (GDP).....	4
2.2. BUSINESS CLIMATE	5
2.3. INDUSTRIAL OUTPUT	5
2.4. INDUSTRIAL SALES	6
2.5. WHOLESALE/RETAIL	6
2.6. INFLATION	7
3. LABOUR MARKET	9
4. CONSTRUCTION AND REAL ESTATE	10
5. MONEY SUPPLY AND BANKING SYSTEM.....	10
5.1. EUR EXCHANGE RATE	10
5.2. MONETARY AGGREGATES.....	10
5.3. BANKING	11
6. CAPITAL MARKETS	12
7. EXTERNAL SECTOR.....	13
7.1. FOREIGN DEBT.....	13
7.2. BALANCE OF PAYMENTS	14
7.3. FOREIGN TRADE.....	15
7.4. TOURISM	16

1. MACROECONOMIC SNAPSHOT AND FORECAST

SLOVENIA – MACROECONOMIC SNAPSHOT AS OF Q1 2016	
GDP Growth	2.5% y/y
Industrial output	4.8% y/y
Industrial sales	116.0 (2010=100)
Wholesale index	116.1 (2010=100)
Retail	0.2%
Average annual deflation	0.6%
Unemployment rate	12.0%
Number of building permits	3.3% y/y
Household loans	EUR 8.830 bln
SBITOP blue-chip index	-12.8% y/y
Gross external debt	EUR 45.389 bln
Current account surplus	EUR 648.6 mln
Foreign trade surplus	EUR 334.0 mln
Number of foreign tourist overnights	17.4% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2016

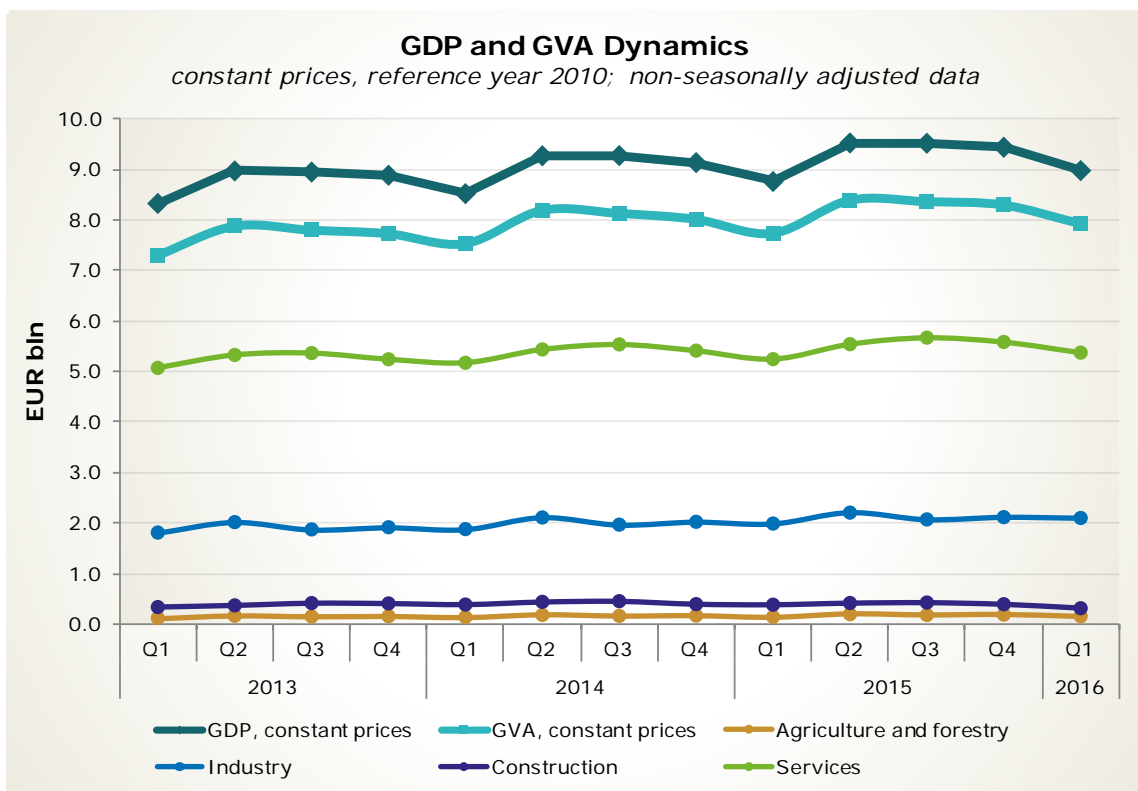
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by 2.5% y/y in Q1 2016, compared to a 2.8% y/y growth a year ago

The country's GDP increased by a real 2.5% y/y and totalled EUR 8.975 bln in Q1 2016, according to data of the Statistical Office of the Republic of Slovenia (SURs).

Final consumption, which contributed 69.8% to the GDP, grew by 1.2% to EUR 6.268 bln. Gross capital formation went down by 1.5%, contributing 20.1% to the GDP. Both exports and imports increased, by 5.3% and 3.2%, respectively.



Source: SURs

The gross value added (GVA) generated by the national economy increased by 2.5% y/y in the first quarter of 2016 and totalled EUR 7.929 bln. The industrial sector grew in value by 5.5% y/y and its share in the GVA structure increased to 26.5% from 25.7%. The services sector recorded a 2.5% annual increase, slicing a 67.8% share in the GVA, up from 67.7% in the corresponding quarter of the previous year. The agricultural sector registered an annual rise of 8.9% thus increasing its share in the GVA to 2.0% from 1.8%. The construction sector went down by 18.3% and its GVA share narrowed to 3.9% from 4.9%.

2.2. BUSINESS CLIMATE

Sentiment indicator in March 2016 at 3.7 points

In March 2016 the sentiment indicator was 3.7 points, compared to 5.6 points a year ago, according to SURS.

In February 2016 the sentiment indicator amounted to 3.5 points, while in January 2016 it stood at 3.9 points.

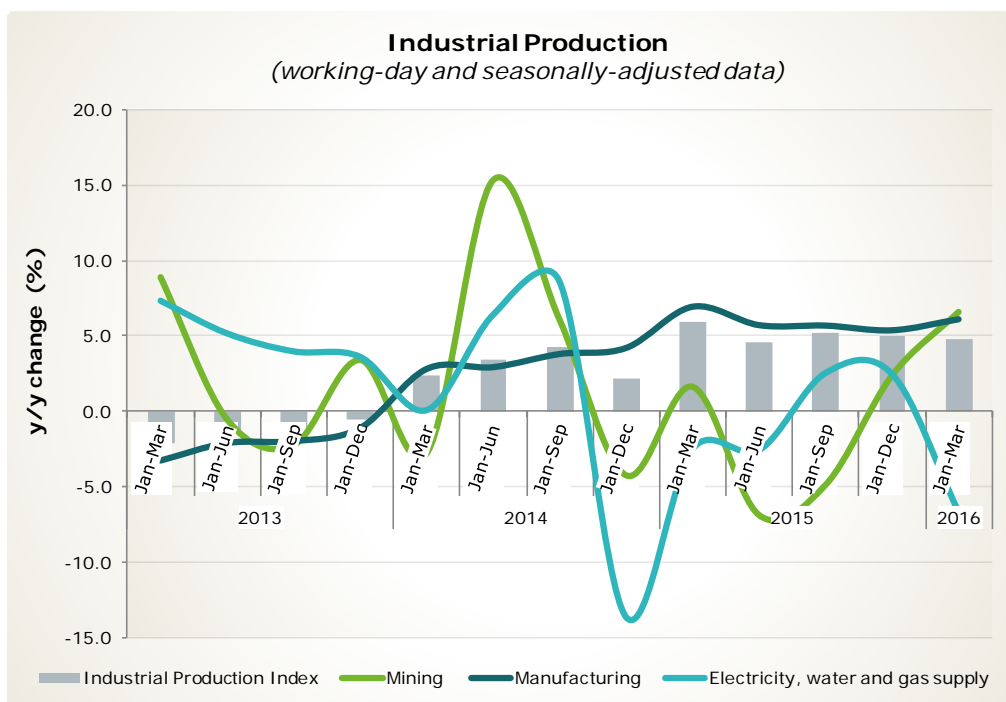
In March 2016, the highest confidence indicator, of 20 points, was registered in retail trade, followed by the confidence indicator in the services sector with 20, and the last sector in terms of positive confidence indicator was manufacturing with four points. Confidence in construction and consumer confidence indicators were negative, at -19 points.

2.3. INDUSTRIAL OUTPUT

Industrial output up 4.8% y/y in January - March 2016

Industrial output went up by 4.8% on the year in January - March 2016, according to seasonally-adjusted data of SURS. Output in the mining sector increased by 6.6%, the output of the manufacturing sector expanded by 6.1%, while the output of the electricity, water and gas supply sector fell, by 6.6%.

Manufacture of computer and optical products achieved the sharpest annual output rise in the period under review, of 58.0%, while manufacture of chemicals and chemical products was on the other end, with a fall of 17.2%.



Source: SURS

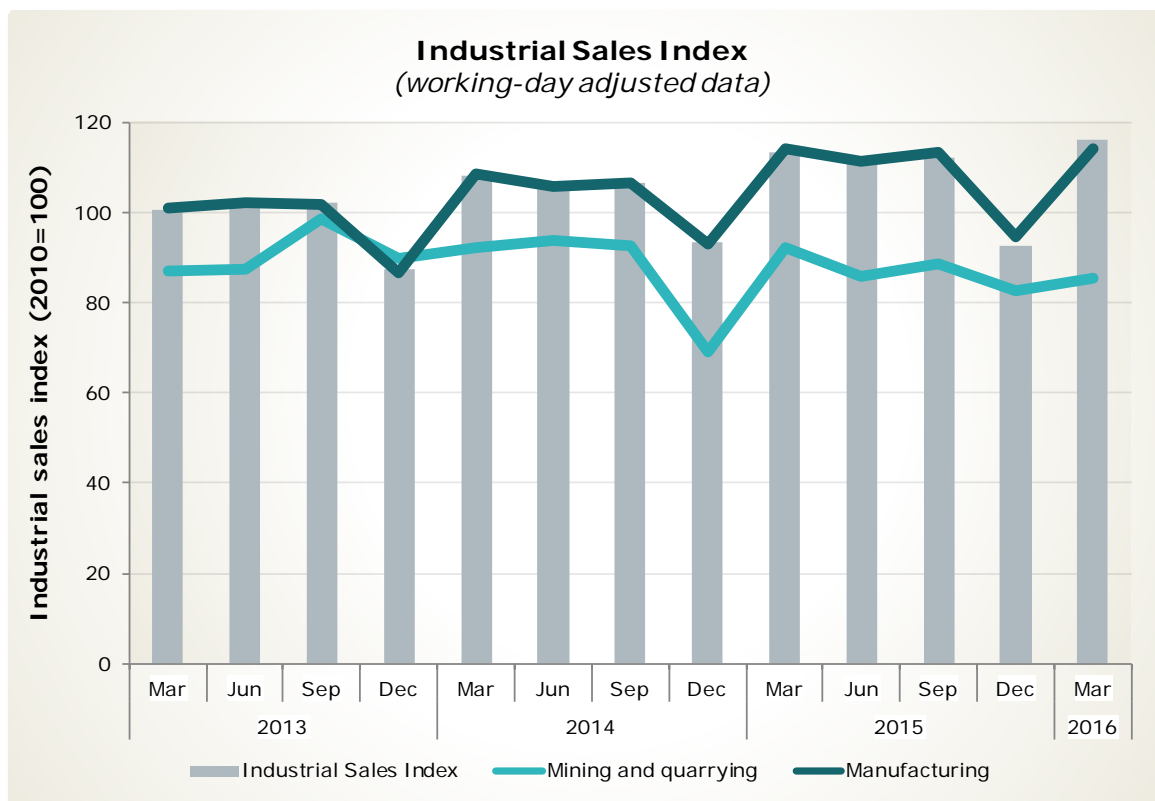
2.4. INDUSTRIAL SALES

Industrial sales index at 116.0 (2010=100) in March 2016

The working-day adjusted industrial sales index was 116.0 (2010=100) in March 2016, according to SURS. In February the index was 107.2 and in January it amounted to 100.0.

In March, the manufacturing industry's indicator was 114.2 and for the mining and quarrying industry it was 85.4.

Segment wise, the sector with the highest index, of 211, was manufacture of computer and optical products, while the bottom was occupied by mining of coal and lignite with an index of 68.7, according to unadjusted data.



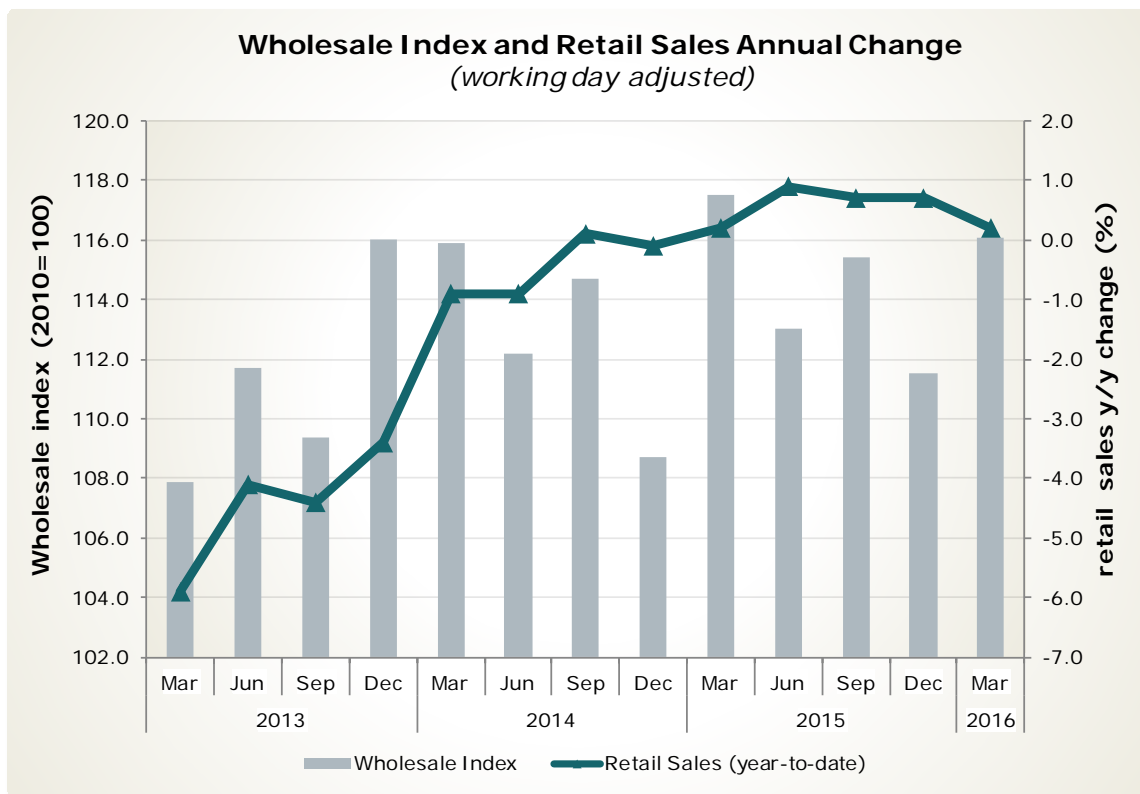
Source: SURS

2.5. WHOLESALE/RETAIL

Wholesale index at 116.1 (2010=100) as of March 2016, retail sales grew 0.2% y/y in January - March 2016

Retail sales inched up by 0.2% y/y in the first three months of 2016, according to SURS data. Retail trade of food, beverages and tobacco inched down by 0.3% and retail sales of non-food products, except automotive fuel, expanded by 5.9%.

The wholesale index was 116.1 (2010=100) in March 2016. In the previous month it was 100.3 and in January the index was 100.2.



Source: SURS

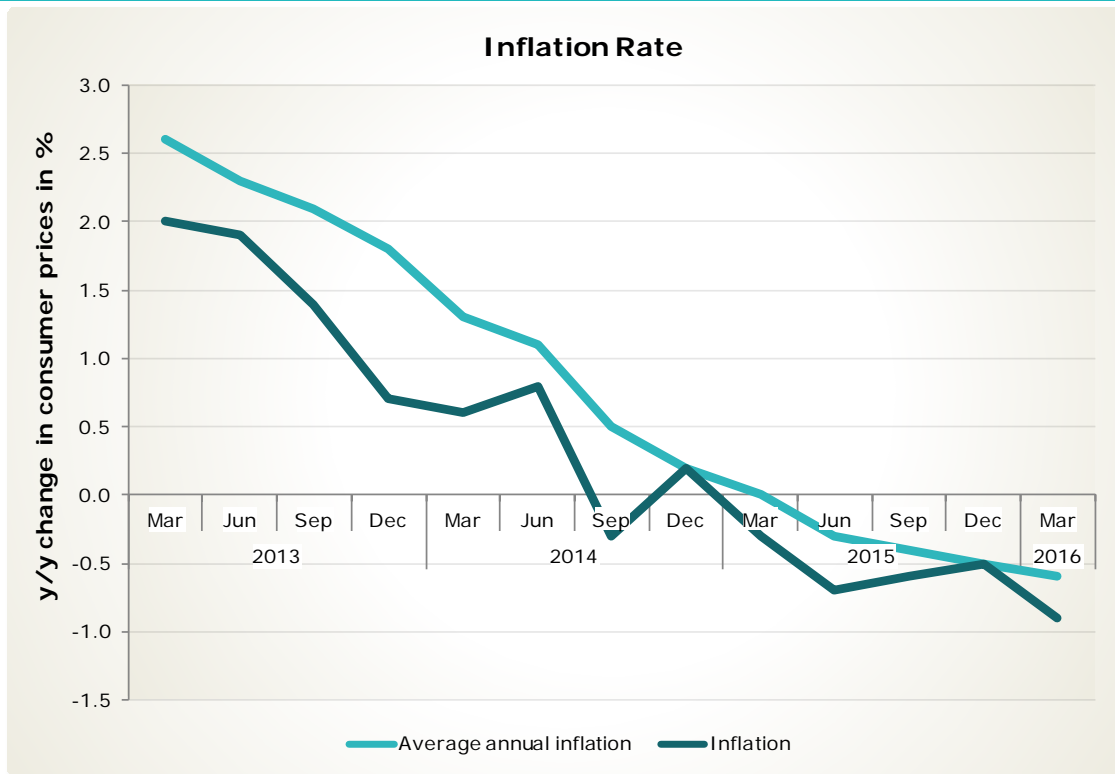
2.6. INFLATION

Average annual deflation of 0.6% for April 2015 – March 2016

Slovenia registered average annual deflation of 0.6% in the period April 2015 – March 2016, according to SURS.

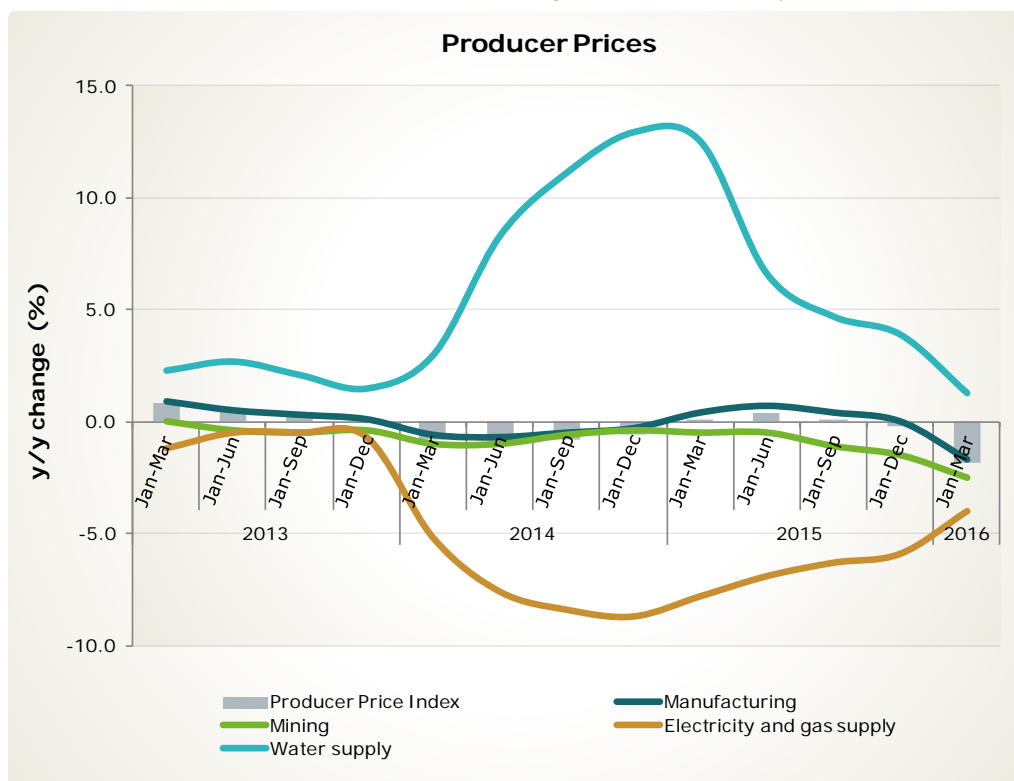
In terms of average annual deflation, operation of personal transport equipment registered the sharpest average annual deflation, of 7.3%, followed by package holidays with a deflation of 3.7%, and transport services got cheaper with 3.4%.

The highest inflation, of 2.9%, was recorded in other recreational items and equipment, followed by 2.4% for insurance services and 2.2% for telephone and internet equipment and services.



Source: SURS

Producer prices decreased by 1.8% y/y in January to March 2016, SURS data showed. Manufacture of basic metals was the sector to report the sharpest annual drop in producer prices, of 8.9%, while prices in other manufacturing rose the most, by 3.2%.



Source: SURS

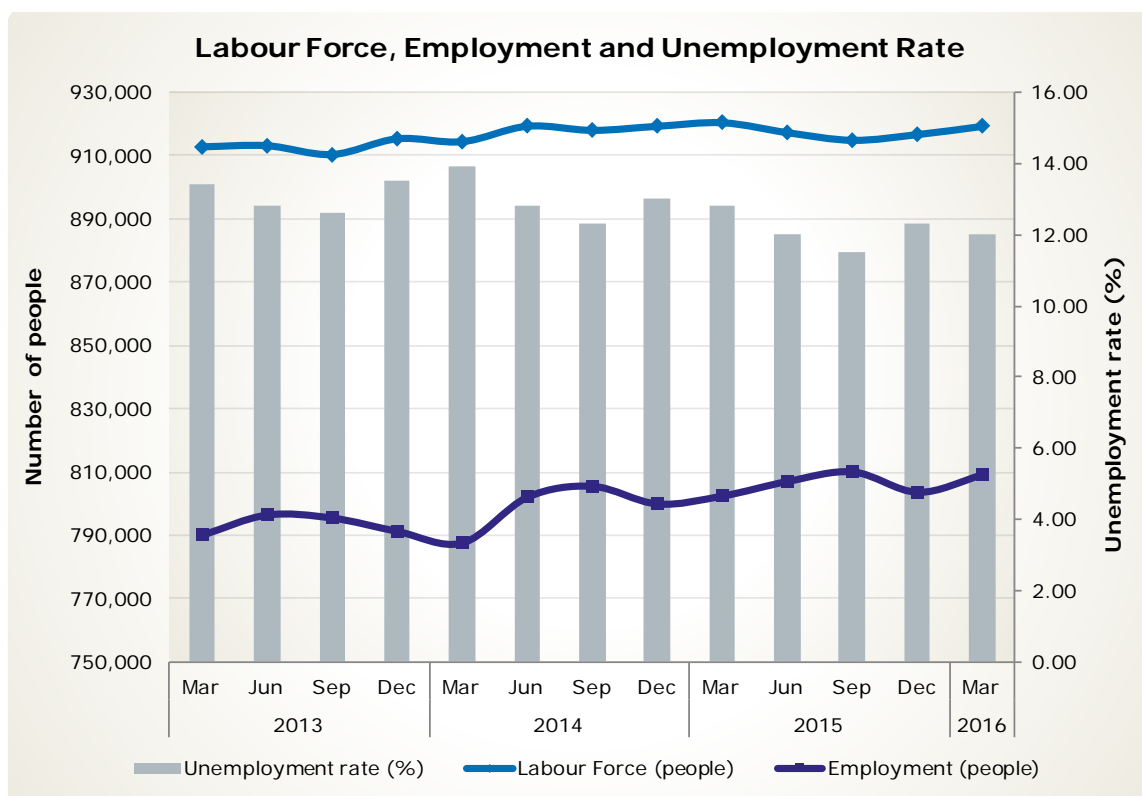
3. LABOUR MARKET

Unemployment rate went down y/y to 12.0% as of March 2016

The unemployment rate in Slovenia narrowed to 12.0% of the total labour force in March 2016 from 12.8% a year earlier, according to data of SURS.

The employed population aged 15 years and older was 809,195, up by 0.8% y/y. The self-employed persons accounted for 9.5% of the total employment in the country.

The youth (population aged 15-24) unemployment rate went down to 25.2%, compared to 29.5% a year earlier.



Source: SURS

According to data of SURS, the average monthly net salary in Q1 2016 grew by 2.0% y/y to EUR 1,024. The employed in the public sector earned average monthly net wage of EUR 1,178, up 2.4% and the private sector employees earned on average EUR 943, up from EUR 926 a year ago.

4. CONSTRUCTION AND REAL ESTATE

The number of building permits increased by 3.3% y/y in Q1 2016

The number of building permits issued in Slovenia in the first quarter of 2016 rose by 3.3% y/y and totalled 1,133, according to SURS data.

Permits for housing projects went down by 27.4% y/y to 410, while the permits for office buildings numbered 11, compared to three in Q1 2015.

The total built-up area of the office units, covered by the permits, was 4,720 sq m versus 472 sq m a year earlier. The total built-up area of the housing units slumped by 31.6% to 99,613 sq m.

5. MONEY SUPPLY AND BANKING SYSTEM

5.1. EUR EXCHANGE RATE

The average exchange rate of the EUR¹ against the USD grew to USD 1.1020 in Q1 2016 from USD 1.0953 in the previous quarter, Q4 2015, but lost 2.1% annually, according to the European Central Bank (ECB).

EUR Average Exchange Rate			
Foreign Currency	Q1 2016	Q4 2015	Q1 2015
USD	1.1020	1.0953	1.1261
GBP	0.7704	0.7220	0.7434
CHF	1.0960	1.0848	1.0722

5.2. MONETARY AGGREGATES

Slovenia contributed EUR 21.781 bln to Eurozone's M3 Monetary Aggregate²

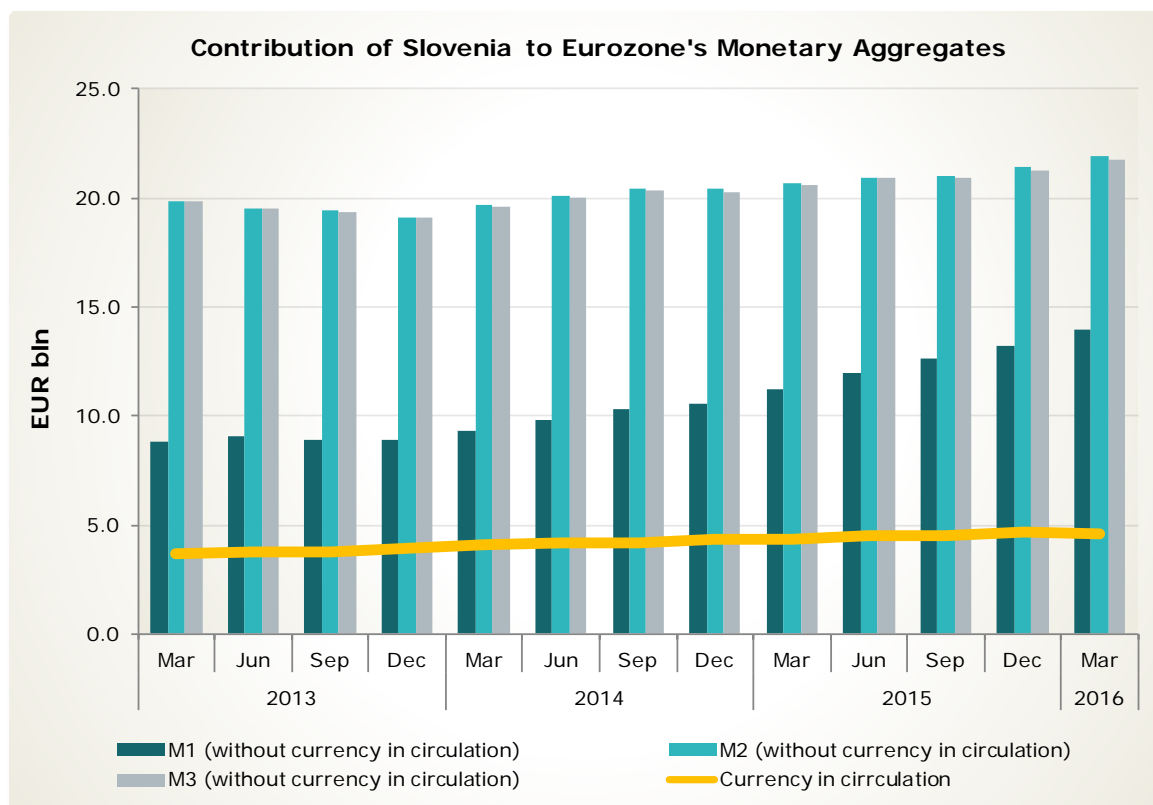
Slovenia's contribution to the M3 (broad money) aggregate of the Eurozone was EUR 21.781 bln, without currency in circulation, at end-March 2016, up 5.8% y/y, according to Bank of Slovenia (BSI).

The country's contribution to the M2 aggregate amounted to EUR 21.940 bln, up from EUR 20.647 bln a year earlier.

¹ Slovenia introduced the euro (EUR) as its official currency, replacing the tolar (SIT), on Jan 1, 2007.

² The contribution of Slovenia to the Euro area monetary aggregates does not represent monetary aggregates of Slovenia since the country joined the union on Jan 1, 2007. The concept of residency is the one of the Euro area. Due to the consolidation within the MFI sector on the level of euro area countries the aggregate M3 could become smaller than M2.

Contribution to money aggregate M1, or narrow money, jumped by 24.1% y/y to EUR 13.952 bln.



Source: BSI

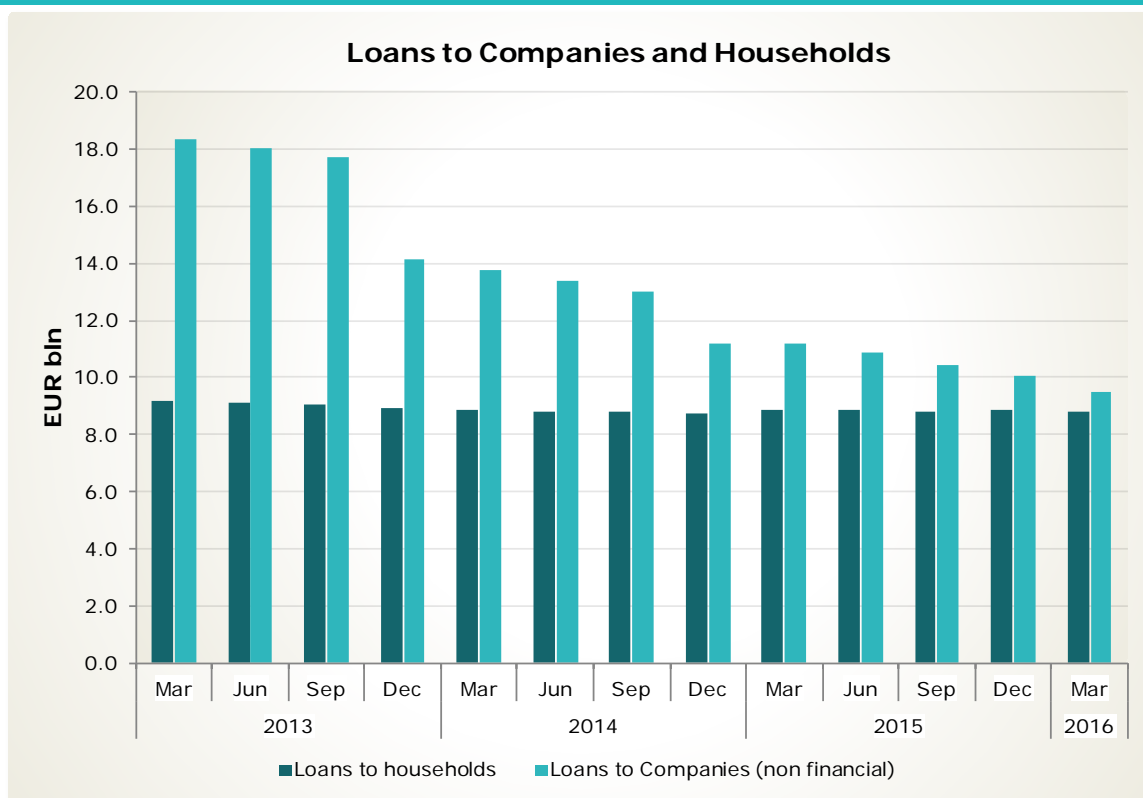
5.3. BANKING

Household loans remained almost unchanged y/y as of March 2016

Household loans totalled EUR 8.830 bln at end-March 2016 versus EUR 8.834 bln a year ago, according to BSI. House purchasing loans grew by 1.6% y/y to EUR 5.541 bln, while consumer loans decreased by 2.4%, reaching EUR 2.032 bln.

Loans to non-financial corporations dropped by 14.9% y/y to EUR 9.499 bln. In January and February 2016 they amounted to EUR 10.090 bln and EUR 9.675 bln, respectively.

At the end of March 2016 the assets of the banking system totalled EUR 40.711 bln, which was a 1.6% decline in comparison to February 2016 and a 5.5% annual decrease.



Source: BSI

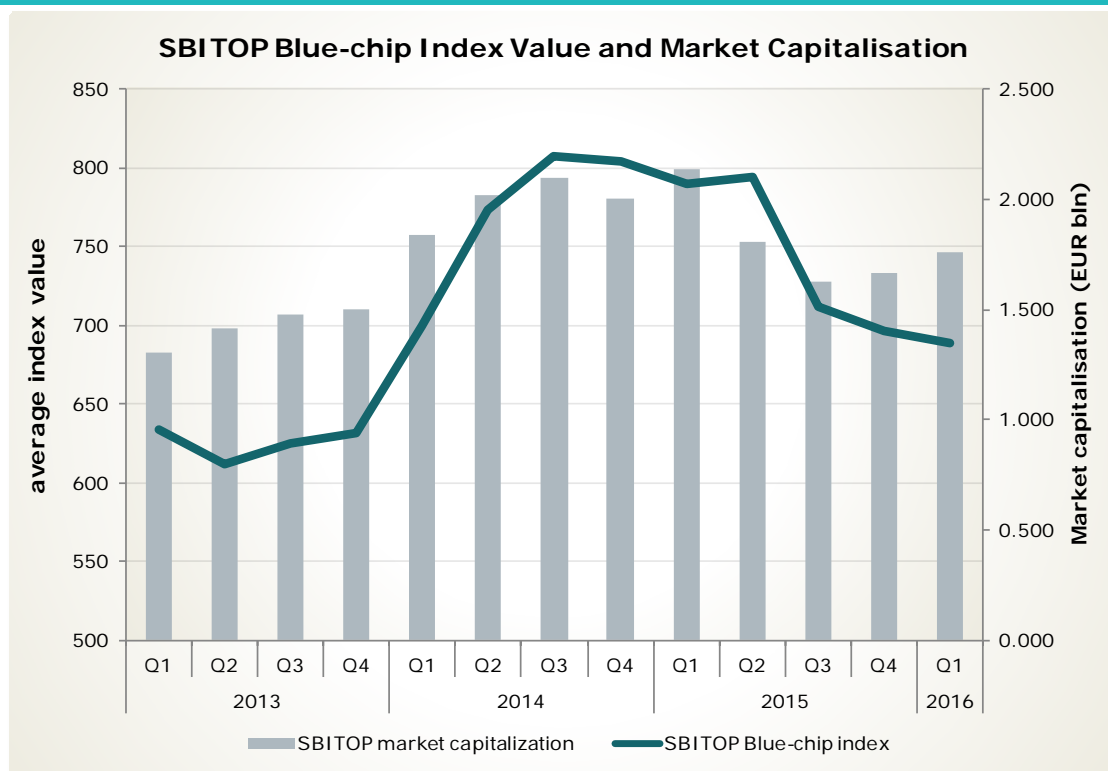
6. CAPITAL MARKETS

Blue-chip index SBITOP went down by 12.8% y/y in Q1 2016

The average value of SBITOP, the blue-chip index of the Ljubljana Stock Exchange (LJSE), fell by 12.8% y/y to 688.92 points in Q1 2016. In comparison to the previous quarter, Q4 2015, SBITOP lost 7.2 points.

The total turnover on LJSE's regulated market reached EUR 82.893 mln in the first quarter of 2016 versus EUR 100.1 mln in the previous quarter and EUR 82.716 mln in Q1 2015.

The number of trades fell to 10,662 from 13,109 in Q4 2015 and 11,852 in Q1 2015.



Source: LSE

7. EXTERNAL SECTOR

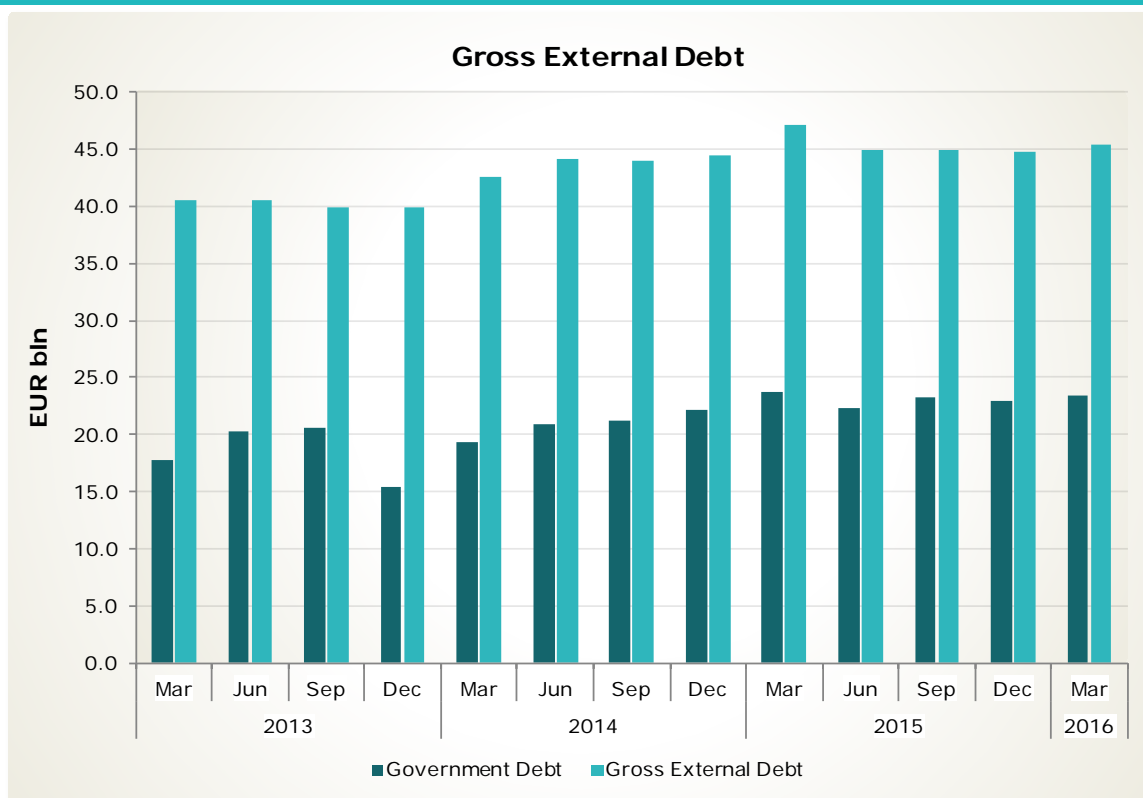
7.1. FOREIGN DEBT

The gross external debt narrowed y/y to EUR 45.389 bln at end-March 2016

The gross external debt totalled EUR 45.389 bln at the end of March 2016, according to BSI. It narrowed by 3.7% or EUR 1.748 bln, compared to March 2015. In comparison to the end of 2015 the gross external debt expanded by EUR 624.0 mln.

As of end-March 2016 long-term liabilities amounted to EUR 32.898 bln, or 72.5% of the total debt, while short-term liabilities totalled EUR 8.759 bln, equal to 19.3% of the total debt.

Government debt stood at EUR 23.408 bln, or 51.6% of the total debt at end-March 2016. It went down by 1.4% y/y.



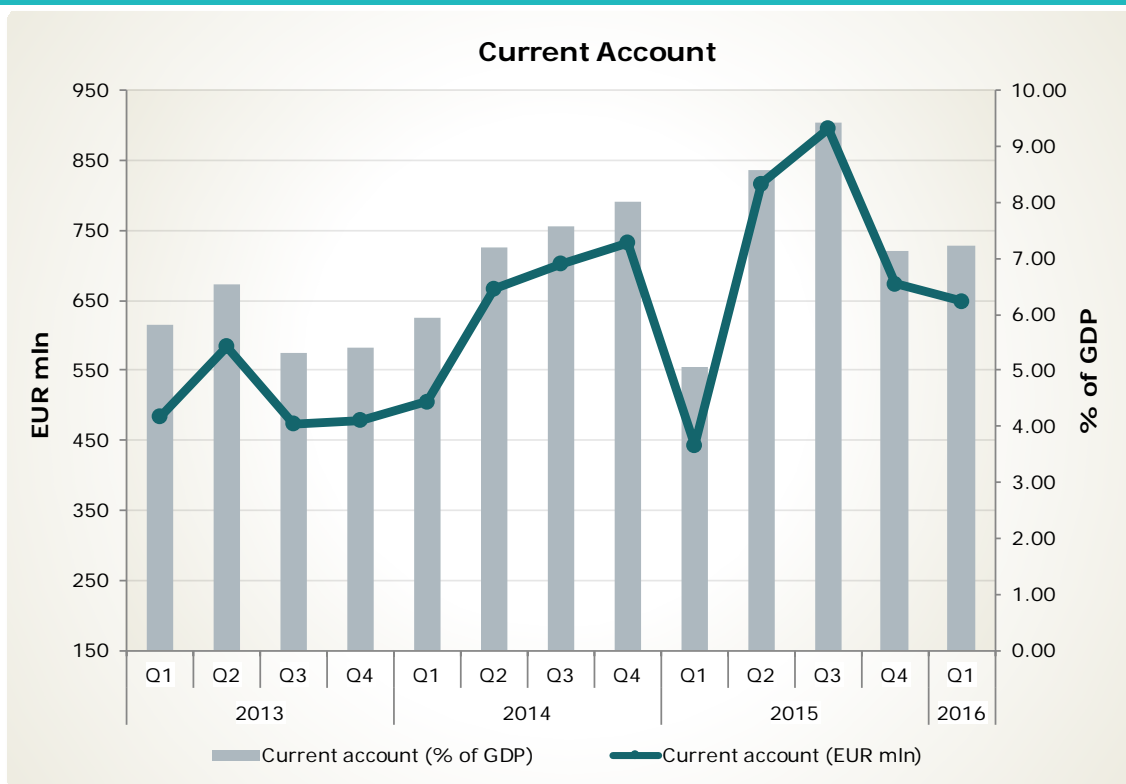
Source: BSI

7.2. BALANCE OF PAYMENTS

Current account surplus at EUR 648.6 mln in Q1 2016

The current account surplus of Slovenia was EUR 648.6 mln in Q1 2016, compared to EUR 443.1 mln a year earlier, according to central bank statistics data.

Secondary income in the first quarter of 2016 was negative, at EUR 167.7 mln, compared to the also negative EUR 182.1 mln a year earlier.



Source: BSI

7.3. FOREIGN TRADE

Foreign trade surplus at EUR 334.0 mln in Q1 2016

The trade balance showed a surplus of EUR 334.0 mln in Q1 2016, up from EUR 149.0 mln in the corresponding quarter of the previous year, according to SURS data.

Slovenia's most exported goods in Q1 2016 were road vehicles, which accounted for 15.4% of the total exports, followed by medicinal and pharmaceutical products with a 10.0% share, and electrical machinery, appliances, and spare parts with a 9.6% share.

In terms of imports, the main goods were again road vehicles, which made up 13.2% of the total, followed by electrical machinery, appliances, and spare parts, which had a 6.6% share and medicinal and pharmaceutical products, slicing a 5.0% share.



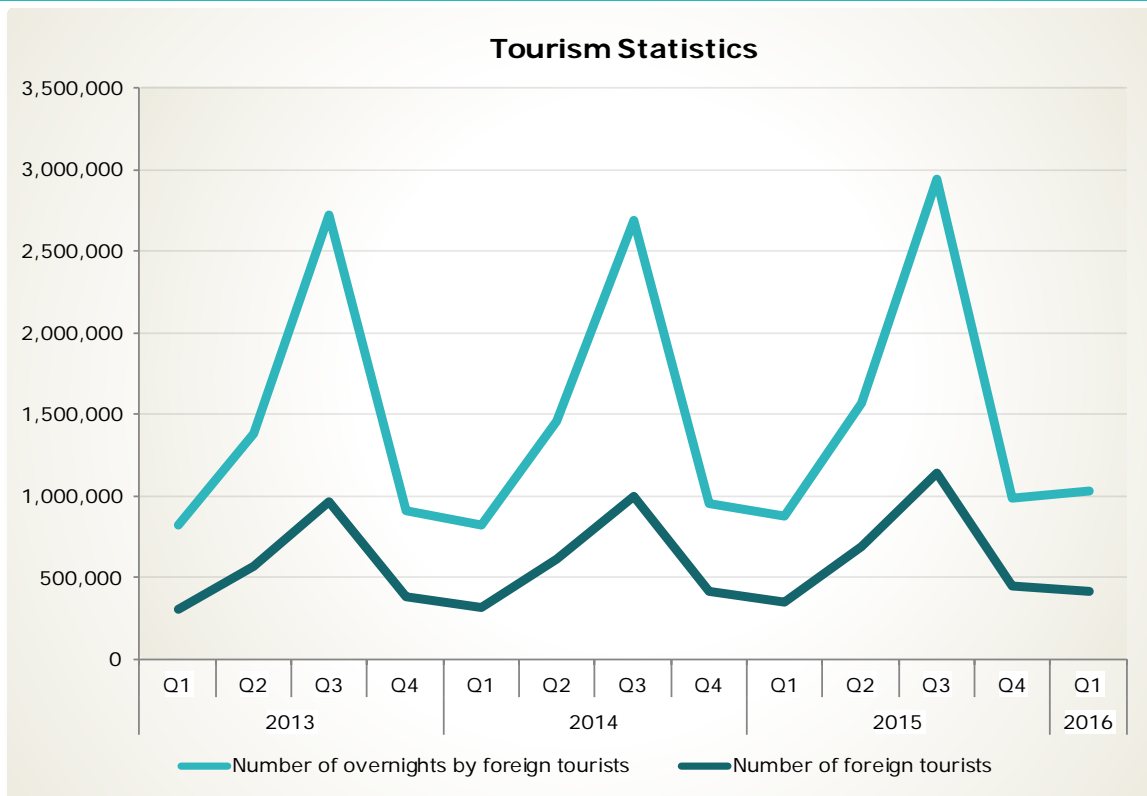
Source: SURS

7.4. TOURISM

Number of foreign tourist overnights up by 17.4% y/y in Q1 2016

Tourist overnights of foreigners increased by an annual 17.4% to 1,028,731 in Q1 2016, according to SURS data. The share of foreign tourists in the total number of overnights was 55.5% compared to 51.8% a year earlier.

The number of foreign tourists also increased, by 19.8% to 414,703. Most foreign tourists visiting Slovenia in 2015 came from Italy – 108,684, followed by tourists from Croatia – 53,002, and Austria – 48,007.



Source: SURS

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