

SLOVENIA ECONOMY REPORT

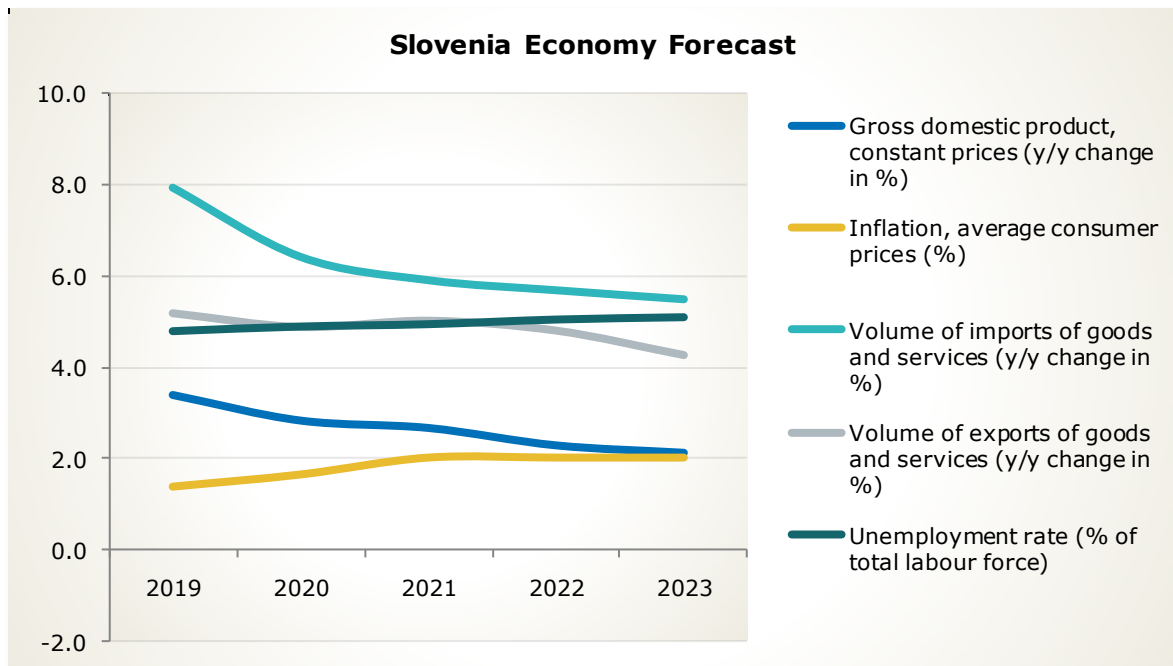
Q1 2019

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1. MACROECONOMIC SNAPSHOT AND FORECAST

SLOVENIA – MACROECONOMIC SNAPSHOT AS OF Q1 2019	
GDP Growth	3.2% y/y
Industrial output	4.3% y/y
Industrial sales	3.4% y/y
Wholesale	11.5% y/y
Retail trade	9.8% y/y
Average annual inflation	7.2%
Unemployment rate	4.8%
Number of building permits	1.8% y/y
Household loans	6.6% y/y
SBITOP blue-chip index	3.7% q/q
Gross external debt	EUR 43.103 bln
Current account surplus	EUR 735.3 mln
Foreign trade surplus	EUR 150.0 mln
Number of foreign tourist overnights	2.2% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2019

In 2019, the Slovenian economy will rise by 3.4%, a slowdown compared to 2018 due to weaker exports demand and increasing capacity constraints, according to IMF projections. In the medium term 2020-2023, growth should slow down to 2.1% – 2.8%, hampered by adverse demographic trends and inadequate private investments.

Inflation will hover at around 2.0%, driven by strong domestic economic activity and wage pressures. The current account surplus will start declining on the strength of domestic demand outpacing exports. Thus, IMF projects volume imports of goods and services to increase faster than the volume of exports.

As Slovenia is highly reliant on exports, IMF sees an eventual rise in protectionism and economic isolationism as the main short-term risk for the country. Another risk to the IMF forecasts would be intensified political uncertainty in Europe, or weaker than expected global growth which would slow investment and hiring.

2. REAL SECTOR

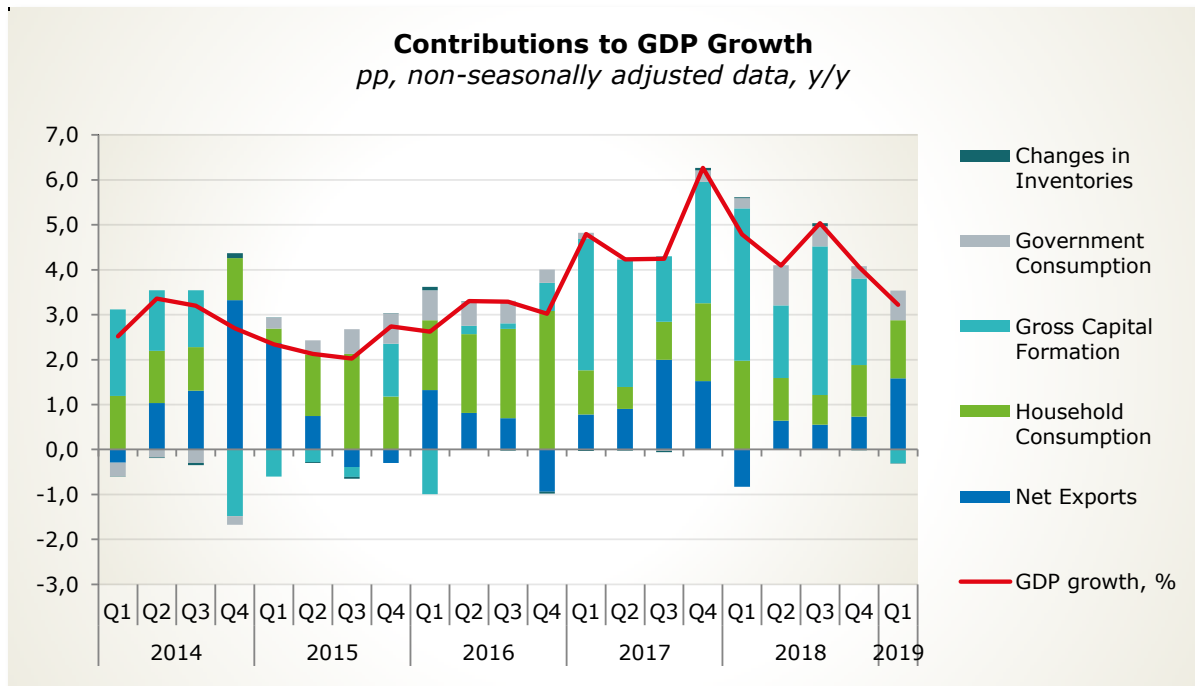
2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP growth slowed down in Q1 2019

The annual growth rate of the Slovenian economy slowed down to 3.2% in Q1 2019, down from 4.8% y/y in Q1 2018, according to data of the Statistical Office of the Republic of Slovenia (SURS).

The main reason for the slowdown during the first three months of 2019 was the negative effect of gross capital formation, which cut 0.3 pp of the overall GDP growth, while in the year-ago quarter it contributed 3.4 pp. Exports of goods and services accelerated and rose above import increase rate in Q1 2019. This resulted in a positive contribution of the net exports of 1.6 pp to the total GDP expansion, compared to the negative contribution of 0.8 pp in Q1 2018.

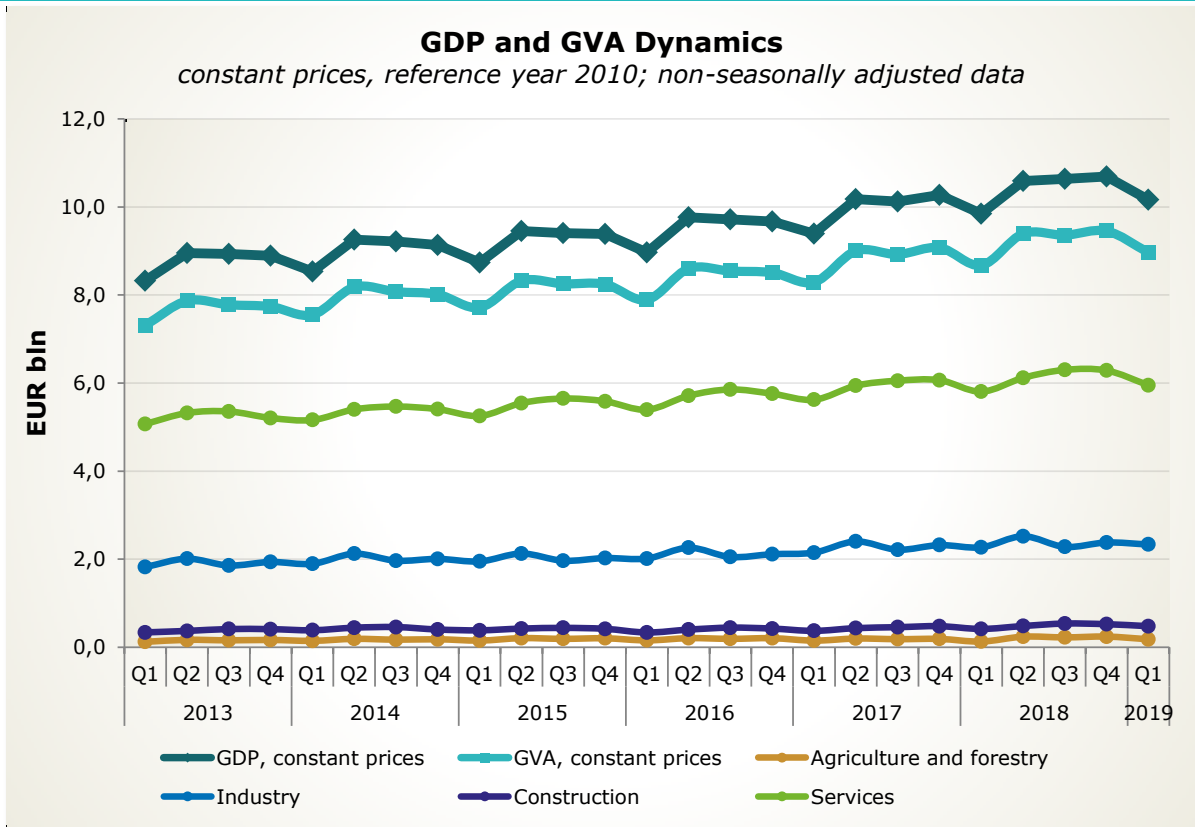
In Q1 2019, final consumption grew in real terms by 2.9% y/y, due to the growth in government consumption by 3.6% on the year, while household consumption increased by 2.6% in real terms.



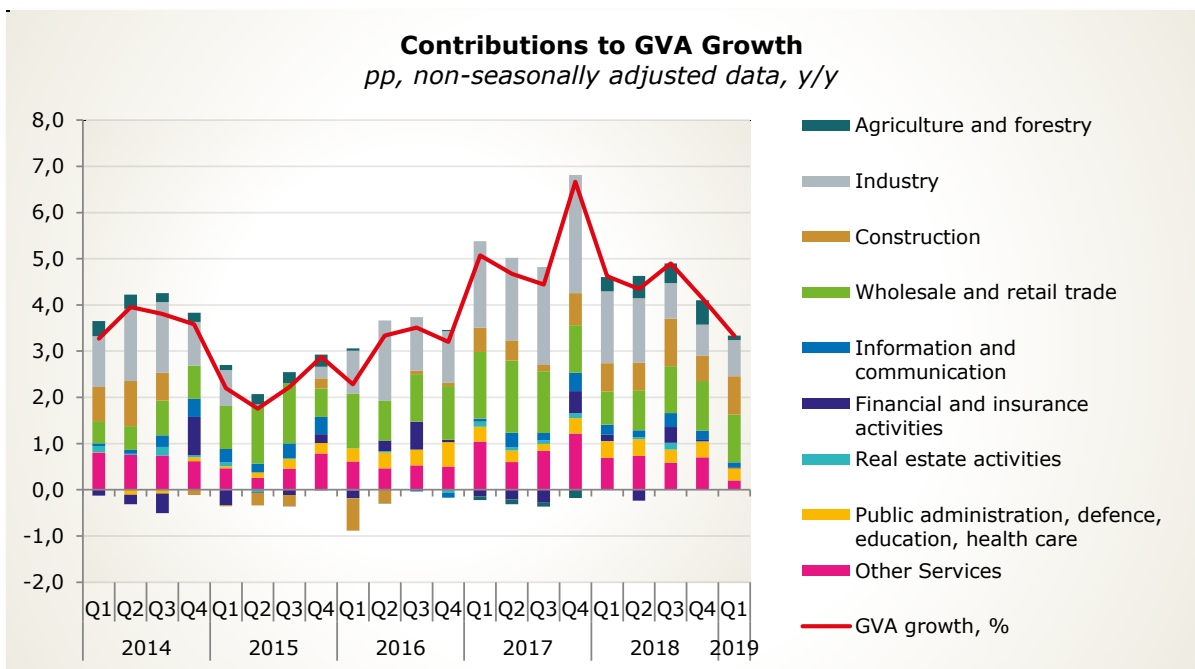
Source: SURS; SeeNews calculations

Note: Non-additive data due to direct chain-linking of GDP and its components. Contribution of changes in inventories has been derived as a residual.

The gross value added (GVA) generated by the national economy increased by 3.3% y/y in Q1 2019 and totalled EUR 8.966 bln. The industrial sector grew in value by 2.8% y/y with its share in the GVA structure inching down to 26.0% from 26.2% in Q1 2018. The services sector recorded a 2.5% annual increase, slicing a 66.4% share in the GVA, down from 66.9% a year ago. The agricultural sector registered an annual rise of 41.0% and its share in the GVA inched up to 2.0% from 1.5%. Construction jumped by 15.1% and its GVA share climbed further to 5.3% from 4.8% in Q1 2018.



The largest contributor to the overall GVA growth in Q1 2019 was the services sector with 1.6 pp. Other major contributors included wholesale and retail - 1.0 pp, and the construction and industry sectors contributed with 0.8 pp each.

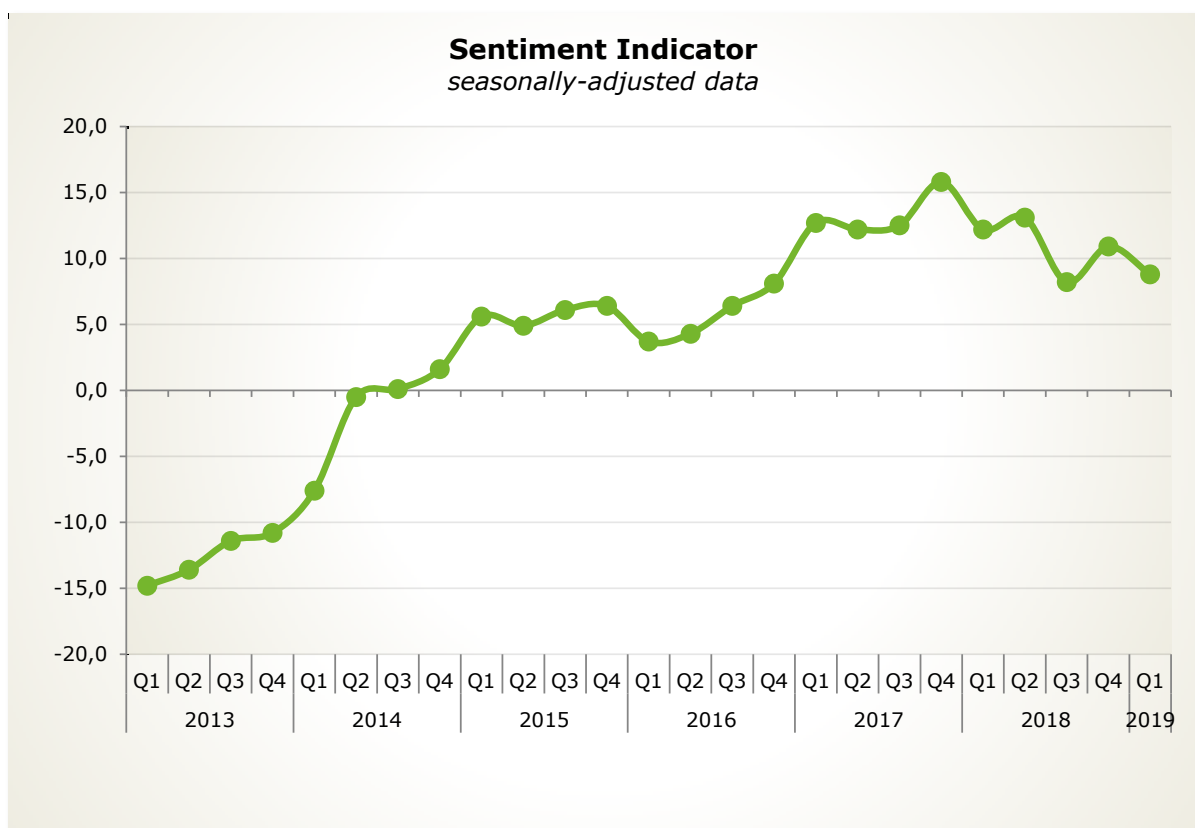


2.2. BUSINESS CLIMATE

The sentiment indicator went down in Q1 2019 compared to a year ago

The weakened economic growth in Q1 2019 led to a deterioration of sentiment among businesses in the country, according to SURS. The positive sentiment calmed down in Q1 2019 and reached 8.8 points compared to 12.2 in the same quarter of the previous year.

In March 2019, the sentiment indicator was the highest in retail trade – 24 points, followed by the services sector with 23 points. It was lower in the manufacturing industry standing at 16 points and the lowest value, of 6 points, was registered in manufacturing. The consumer confidence indicator recorded negative 6 points.

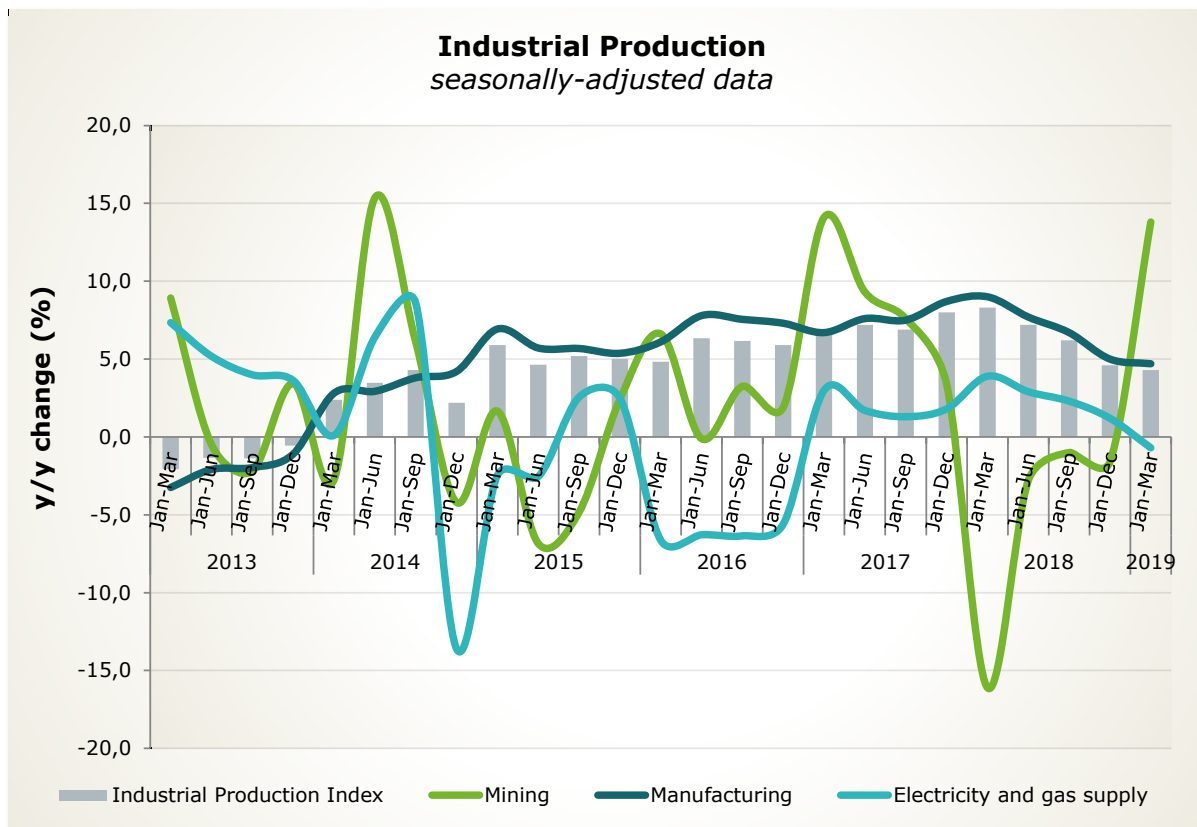


Source: SORS

2.3. INDUSTRIAL OUTPUT

Industrial output expanded by 4.3% y/y in Q1 2019

Industrial output growth stood at 4.3% y/y in Q1 2019, down from the 8.3% y/y growth in Q1 2018, according to seasonally-adjusted data of SURS. The overall output in the manufacturing sector grew by 4.7%, the output of the mining sector jumped by 13.8%, while the output of the electricity and gas supply sector declined by 0.7%.

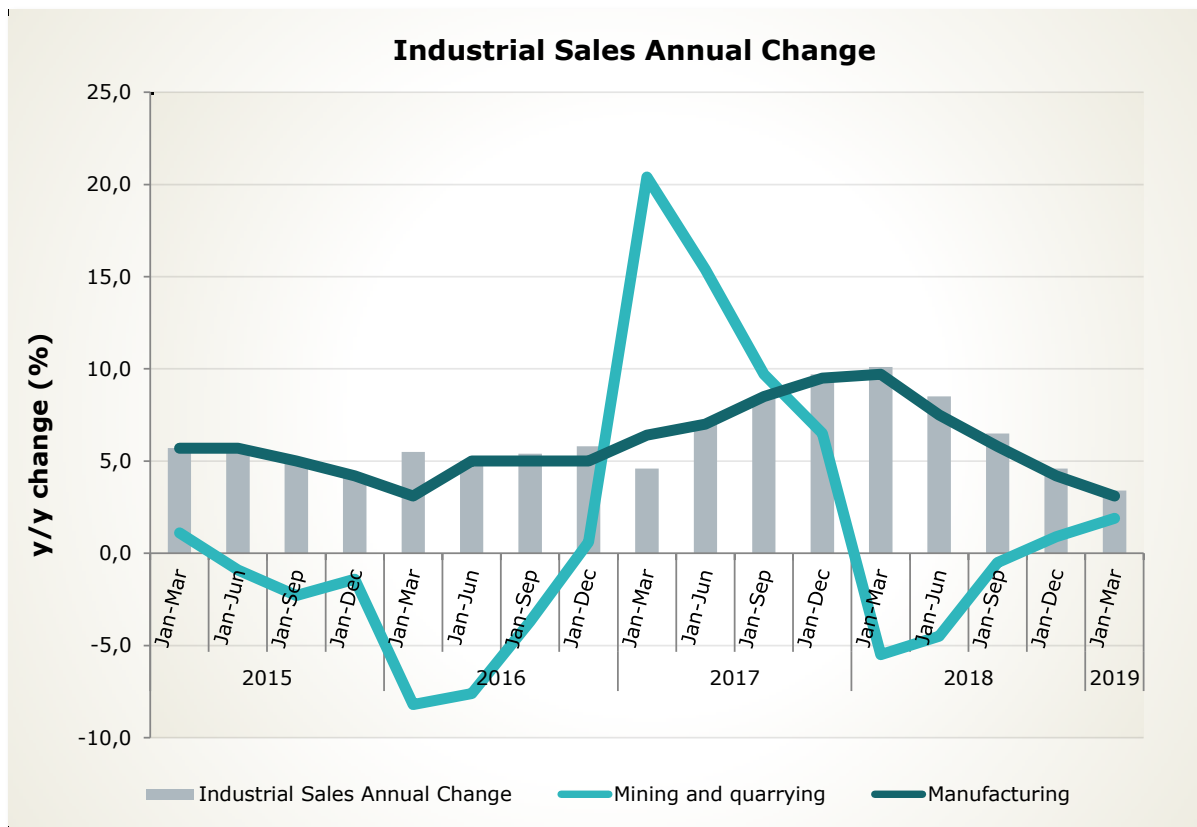


Source: SURS

2.4. INDUSTRIAL SALES

Industrial sales growth slowed down in Q1 2019

Industrial sales in Slovenia increased by real 3.4% y/y in Q1 2019, down from a 10.1% annual rise in Q1 2018, according to SURS. Sales in the manufacturing sector rose by 3.1%, while those of mining and quarrying inched up by 1.9% y/y.

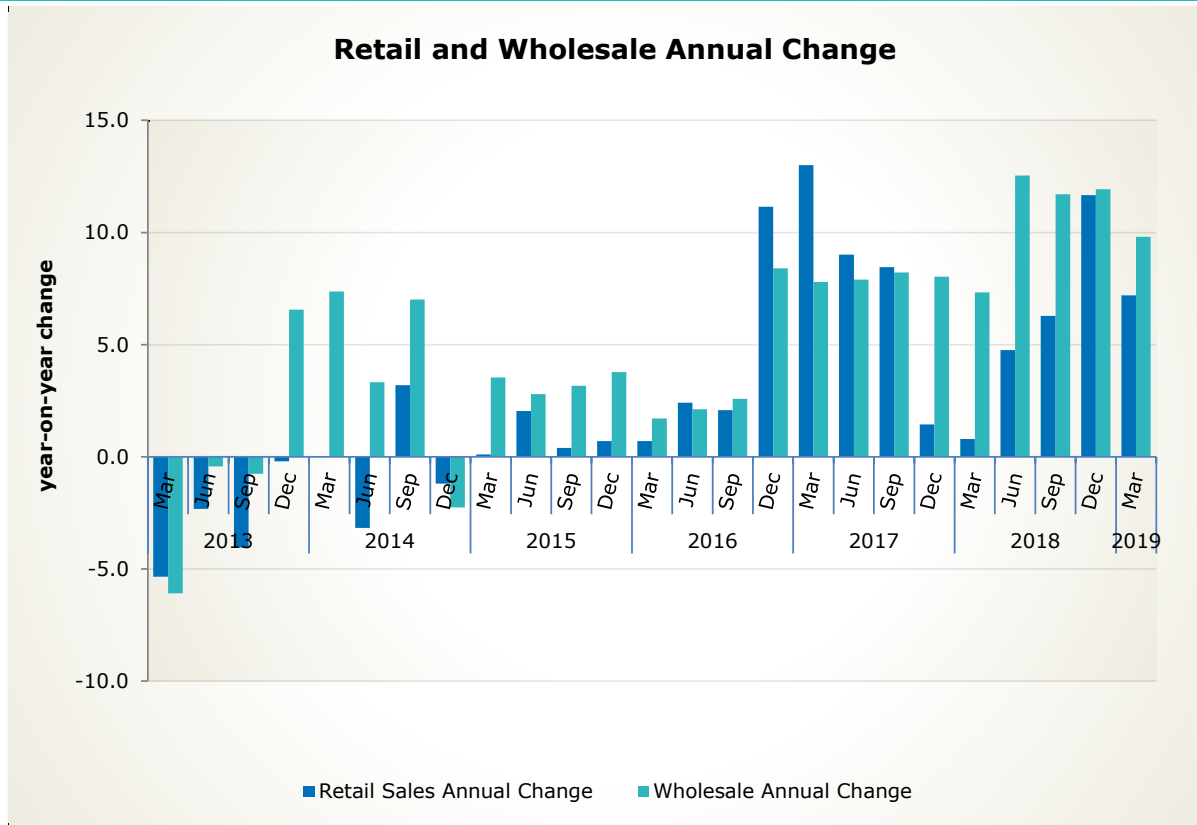


Source: SURS

2.5. WHOLESALE/RETAIL

Retail sales and wholesale grew faster in Q1 2019

In March 2019, the retail and wholesale trade sectors increased by 7.2% y/y and 9.8% y/y, respectively, compared to annual growth rates of 0.8% and 7.3% a year ago, according to the retail and wholesale index, published by SURS.



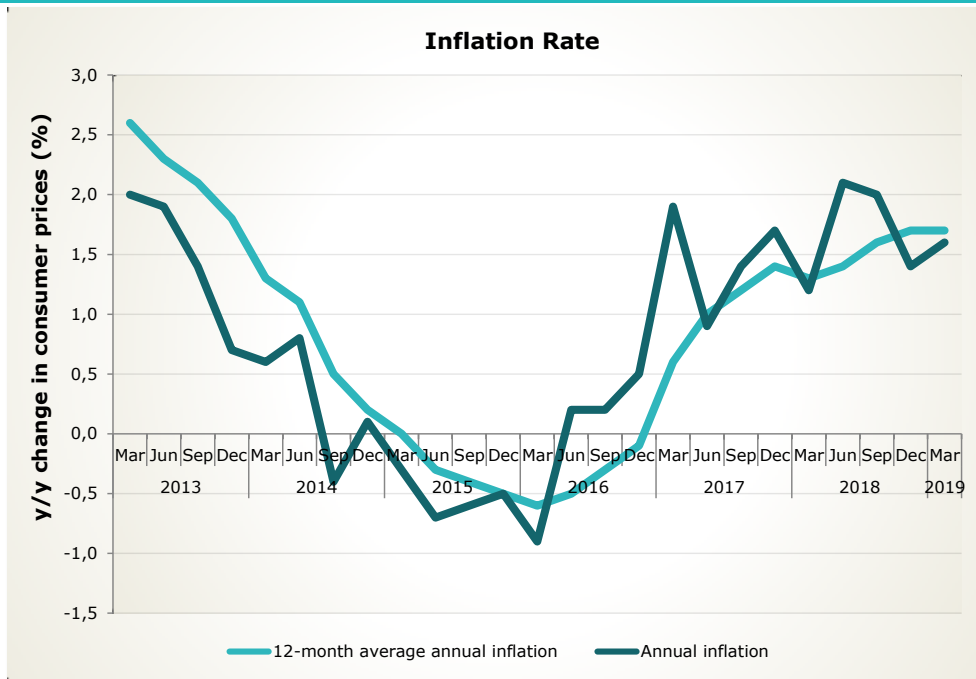
Source: SURS

2.6. INFLATION

Average annual inflation at 1.7% as of March 2019

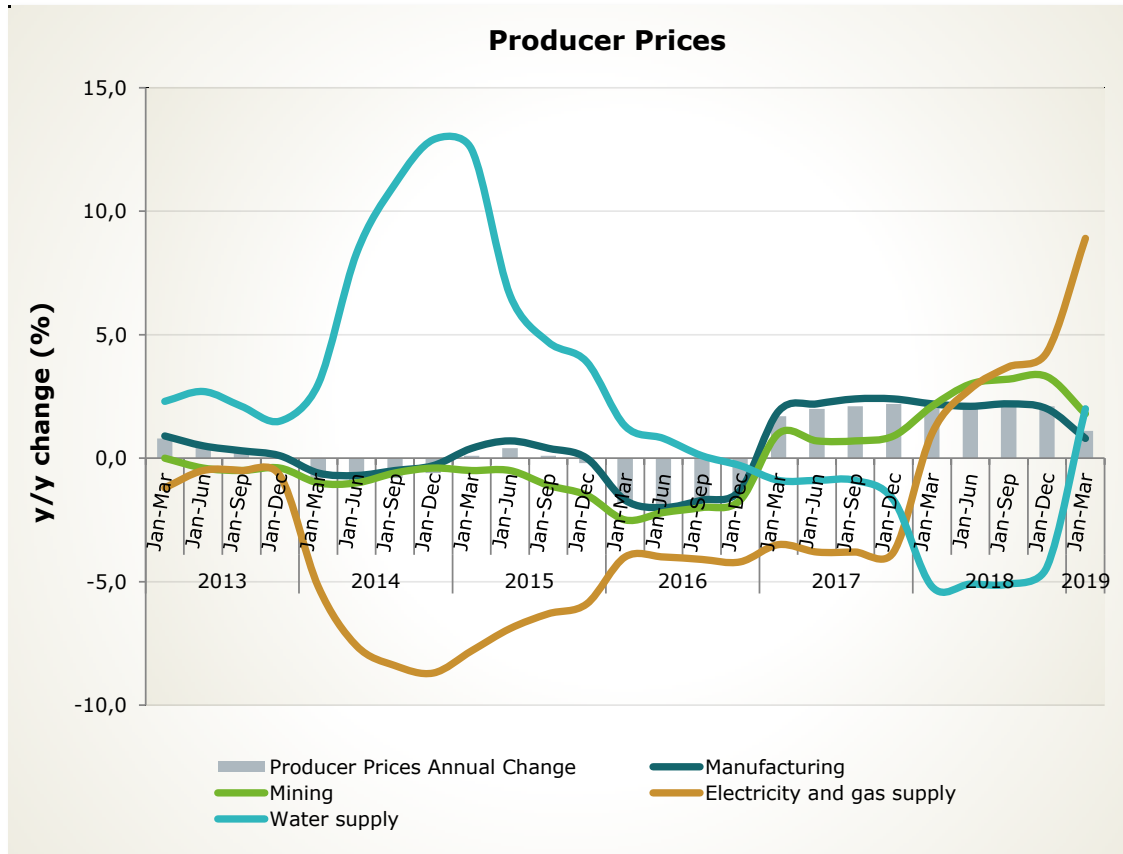
The 12-month average annual inflation stood at 1.7% as of March 2019, according to SURS data. The inflation remained at its level as of December 2018, while in comparison to the March 2018 level it grew by 0.4 pp.

In terms of 12-month average inflation, the highest price increase, of 15.7%, was registered by liquid fuels, while in deflation terms mobile telephone equipment was on top with 12.8%.



Source: SURS

Producer prices growth slowed down to 1.1% y/y in Q1 2019, compared to 2.2% y/y in Q1 2018, SURS data showed. The average prices in the manufacturing sector went up by 0.8% y/y on average, while the rise in mining sector's producer prices was 1.8% y/y. Producer prices in electricity and gas supply went up by 8.9% y/y, while prices in the water supply segment increased by 2.0% y/y.



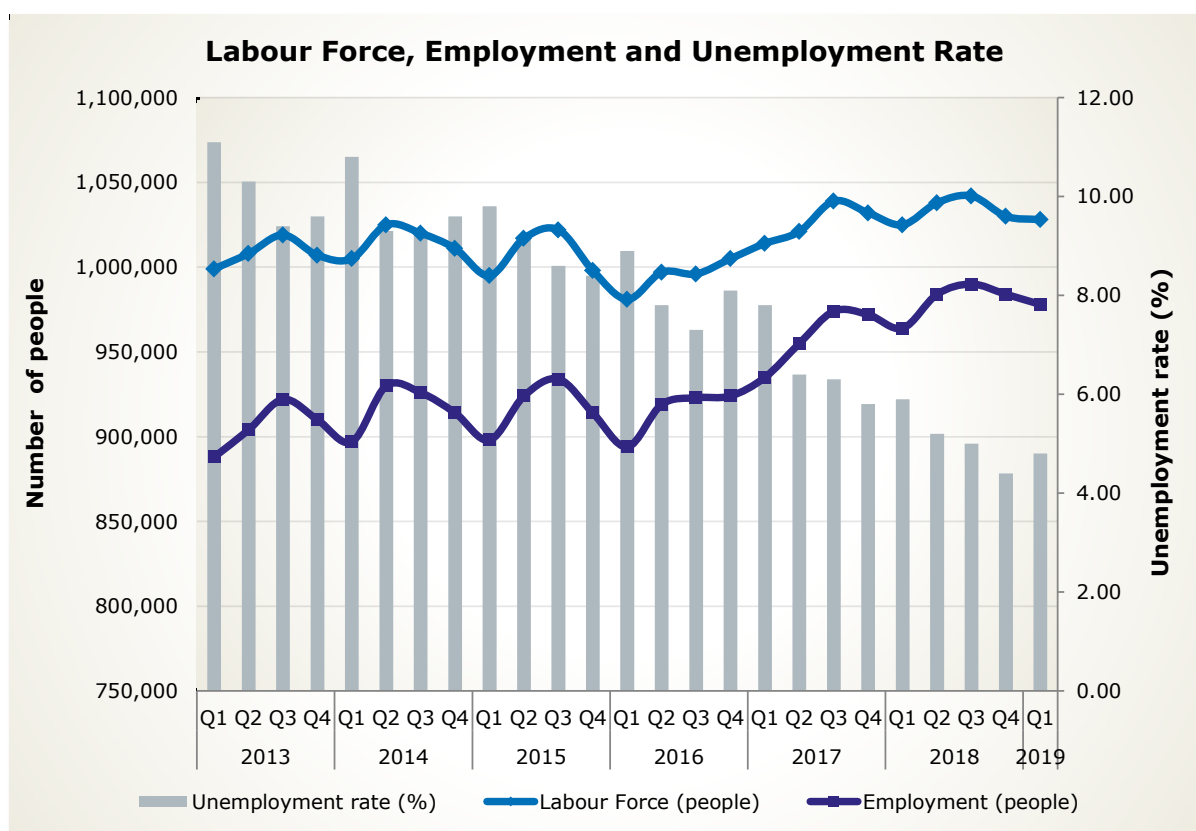
Source: SURS

3. LABOUR MARKET

Unemployment rate eased to 4.8% in Q1 2019 from 5.9% in Q1 2018

The unemployment rate in Slovenia narrowed to 4.8% of the total labour force in Q1 2019 from 5.9% in Q1 2018, according to data of SURS. In the Q3 2013 – Q1 2019 period, the highest unemployment rate the country experienced reached 11.1%, recorded in Q1 2013.

Youth (population aged 15-24) unemployment rate also improved, to 9.9%, compared to 10.7% in Q1 2018, and remains almost twice below the recored-high 24.2% for the Q3 2013 – Q1 2019 period.



Source: SURS

According to data of SURS, the average monthly net salary in Q1 2019 grew by 3.9% y/y to EUR 1,117. The employed in the public sector earned average monthly net wage of EUR 1,295, an annual increase of 4.7%, while private sector employees earned on average EUR 1,035, up by 3.6% y/y.

4. CONSTRUCTION AND REAL ESTATE

The number of building permits increased by 1.8% y/y in Q1 2019

The uptrend in the construction sector continued in Q1 2019, according to data for new building permits issued in Slovenia, provided by SURS. The number of building permits issued in Q1 2019 was by 1.8% higher than the previous year, totalling 1,477. Permits for housing projects went up by 8.6% y/y to 667, while permits for non-residential and office buildings were by 4.0% fewer and numbered 789.

The total built-up area of the office units, covered by the permits, was 180,137 sq m, down 16.3% y/y. The total built-up area of the housing units jumped by 24.6% to 195,656 sq m.

5. MONEY SUPPLY AND BANKING SYSTEM

5.1. EUR EXCHANGE RATE

The average exchange rate of the EUR¹ against the USD fell to USD 1.1358 in Q1 2019 from USD 1.2292 in Q1 2018, according to the European Central Bank (ECB).

EUR Average Exchange Rate			
Foreign Currency	Q1 2019	Q4 2018	Q1 2018
USD	1.1358	1.1810	1.2292
GBP	0.8725	0.8847	0.8834
CHF	1.1324	1.1550	1.1653

5.2. MONETARY AGGREGATES

Slovenia contributed EUR 27.142 bln to Eurozone's M3 Monetary Aggregate² as of Q1 2019

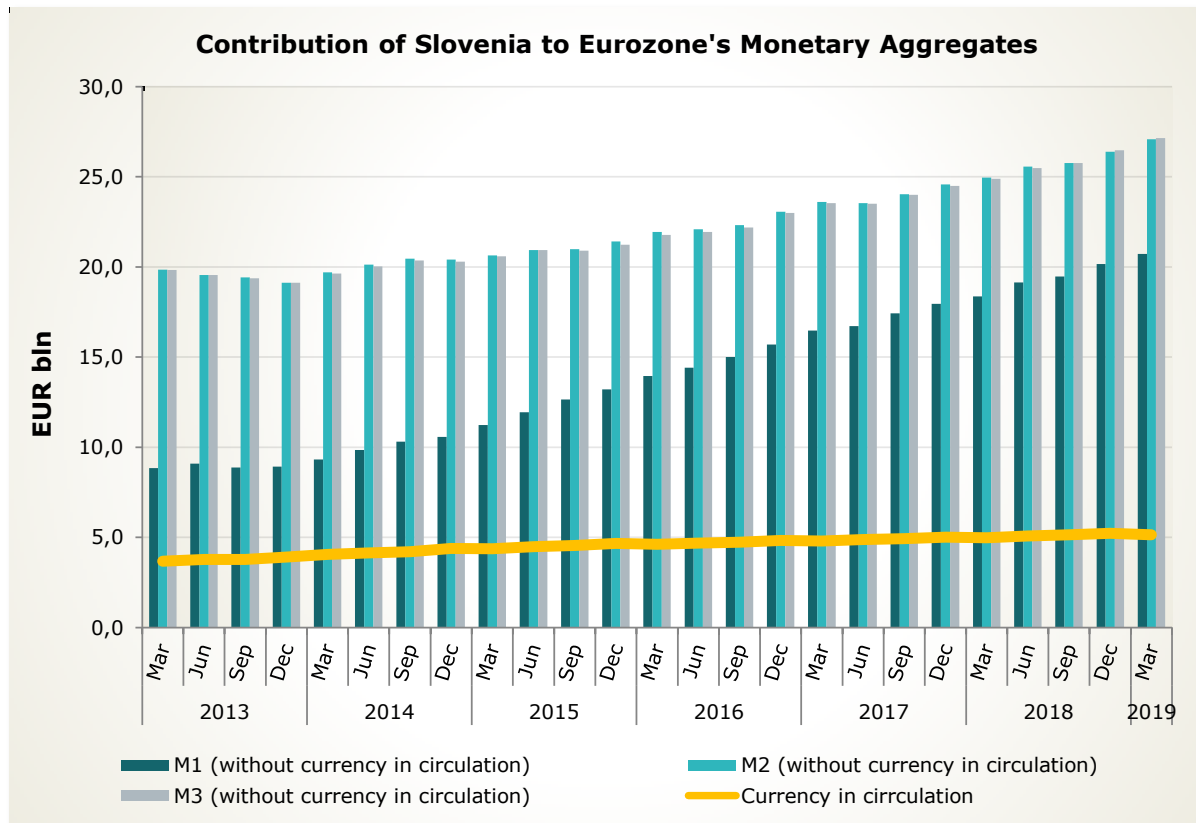
Slovenia's contribution to the M3 (broad money) aggregate of the Eurozone was EUR 27.142 bln, without currency in circulation, in Q1 2019, up 9.1% y/y, according to Bank of Slovenia.

The country's contribution to the M2 aggregate amounted to EUR 27.082 bln, up from EUR 24.961 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 EU 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 12.8% y/y to EUR 20.715 bln. Currency in circulation expanded modestly by 3.4% on the year to reach EUR 5.146 bln in Q1 2019.



Source: BSI

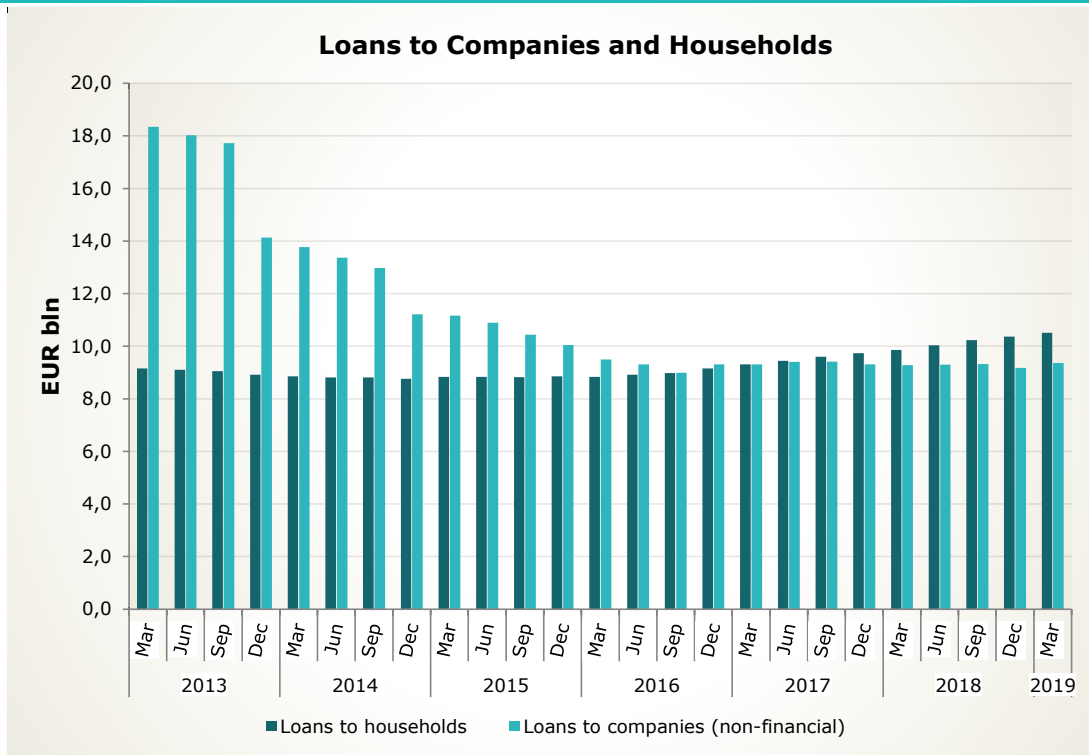
5.3. BANKING AND INSURANCE

Household loans continued their strong performance in Q1 2019, increasing by 6.6% y/y

Household loans totalled EUR 10.507 bln in Q1 2019 versus EUR 9.860 bln a year ago, according to BSI. House purchasing loans grew by 4.9% y/y to EUR 6.311 bln, while consumer loans went up by 12.1%, reaching EUR 2.762 bln.

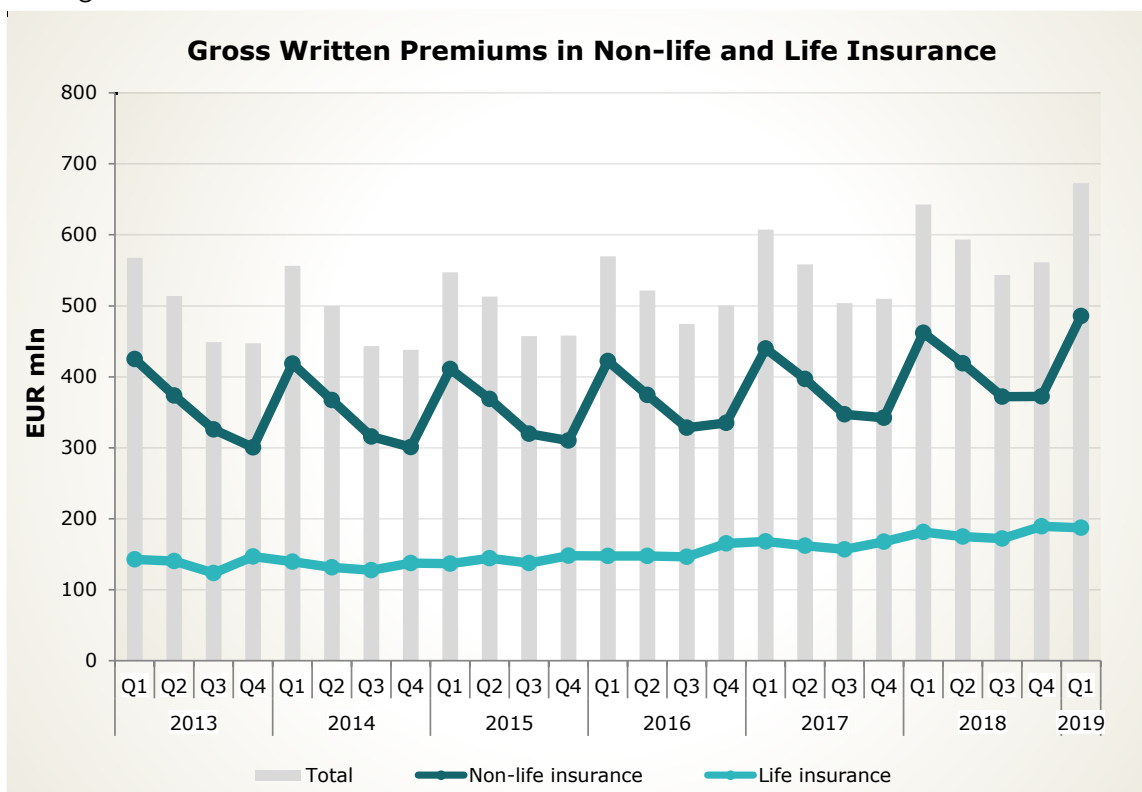
Loans to non-financial corporations stood at EUR 9.360 bln, up by EUR 79.0 mln compared to Q1 2018.

At the end of Q1 2019, the assets of the banking system totalled EUR 41.242 bln, up 2.5% y/y.



Source: BSI

Slovenia's insurance market reported an annual growth of 4.6% to EUR 672.2 in Q1 2019, according to the Slovenian Insurance Association. It was driven predominantly by the non-life insurance segment, which grew by 5.2% to EUR 485.6 mln, while life insurance gained 3.3%, reaching EUR 187.1 mln.



Source: Slovenian Insurance Association

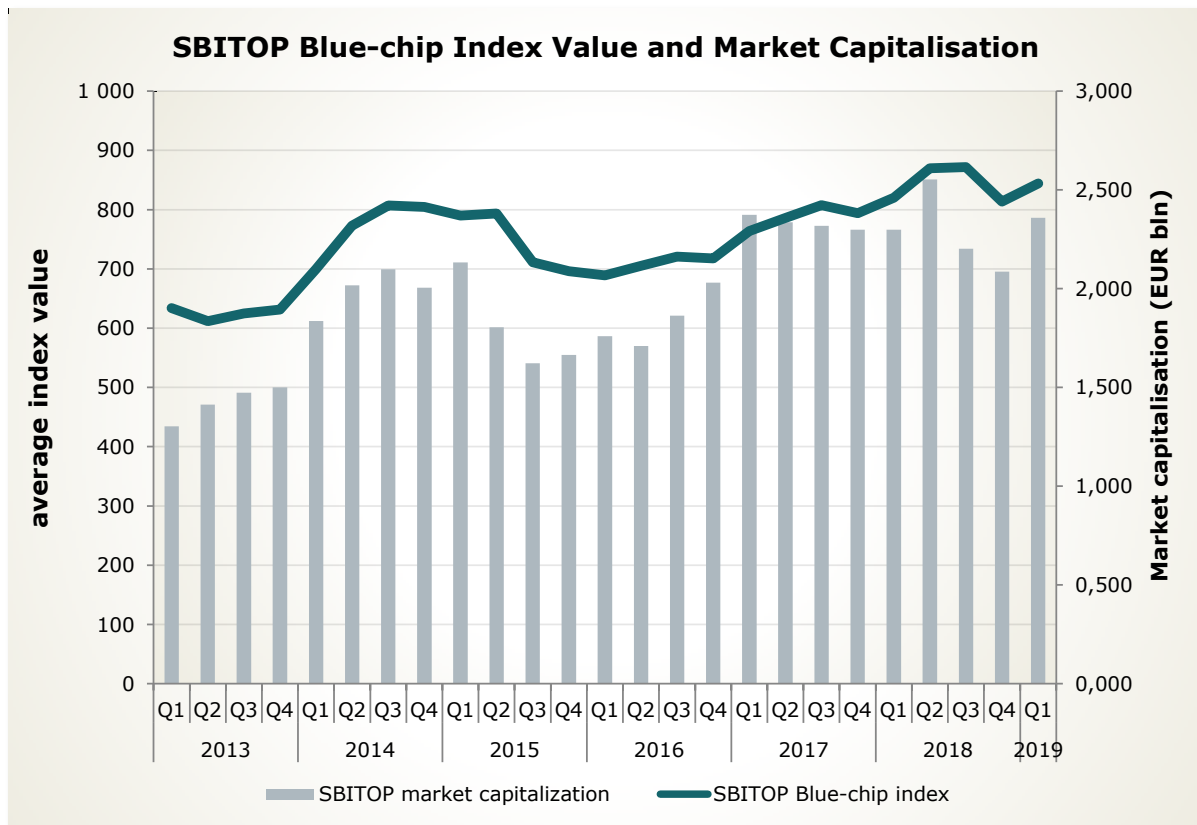
6. CAPITAL MARKETS

Blue-chip index SBITOP went up by 3.7% q/q in Q1 2019

The average value of SBITOP, the blue-chip index of the Ljubljana Stock Exchange (LJSE), increased by 3.7% q/q to 844.2 points in Q1 2019.

The total turnover on LJSE's regulated market reached EUR 66.7 mln in Q1 2019 versus EUR 77.0 mln in Q1 2018 and EUR 105.2 mln in Q1 2017.

The number of trades stood at 6,830 in Q1 2019, compared to 9,579 in Q1 2018 and 19,875 in Q1 2017.



Source: LSE

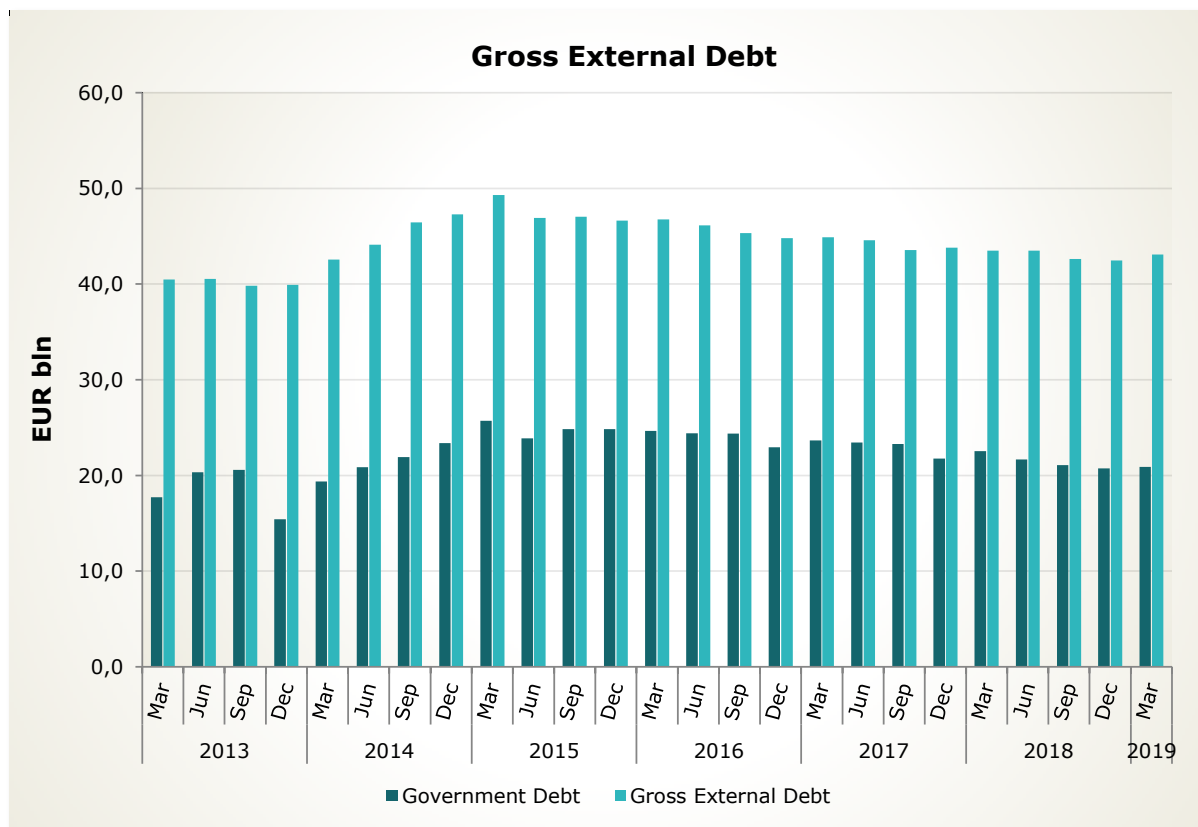
7. EXTERNAL SECTOR

7.1. FOREIGN DEBT

The gross external debt decreased by 0.9% y/y to EUR 43.103 bln as of March 2019

Slovenia's gross external debt totalled EUR 43.103 bln as of March 2019, according to BSI. It narrowed by EUR 403.0 mln, compared to end-March 2018, according to SURS data.

Government debt shrank to EUR 20.882 bln as of March 2019 from EUR 22.533 bln as of the same month of the previous year. Long-term liabilities amounted to EUR 28.861 bln, or 67.0% of the total debt, while short-term liabilities totalled EUR 10.072 bln, equal to 23.4% of the total debt.

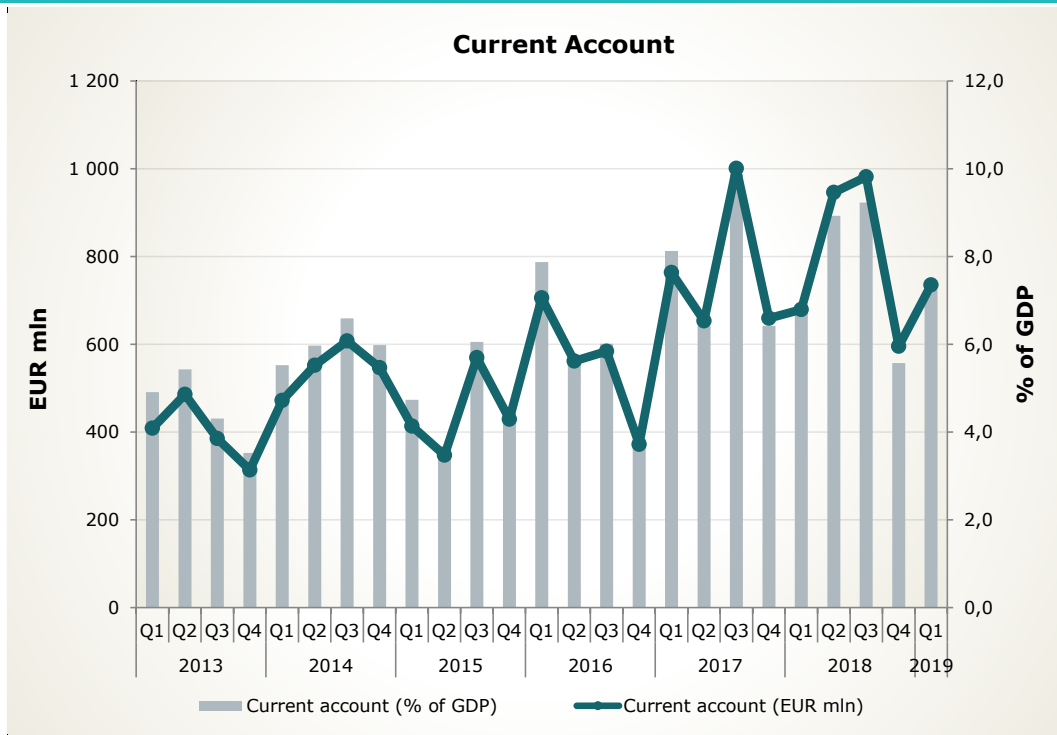


Source: BSI

7.2. BALANCE OF PAYMENTS

Current account surplus grew by 8.2% y/y in Q1 2019

Slovenia's current account surplus grew to EUR 735.3 bln in Q1 2019, up by 8.2% from EUR 679.6 bln in Q1 2018, according to BSI.

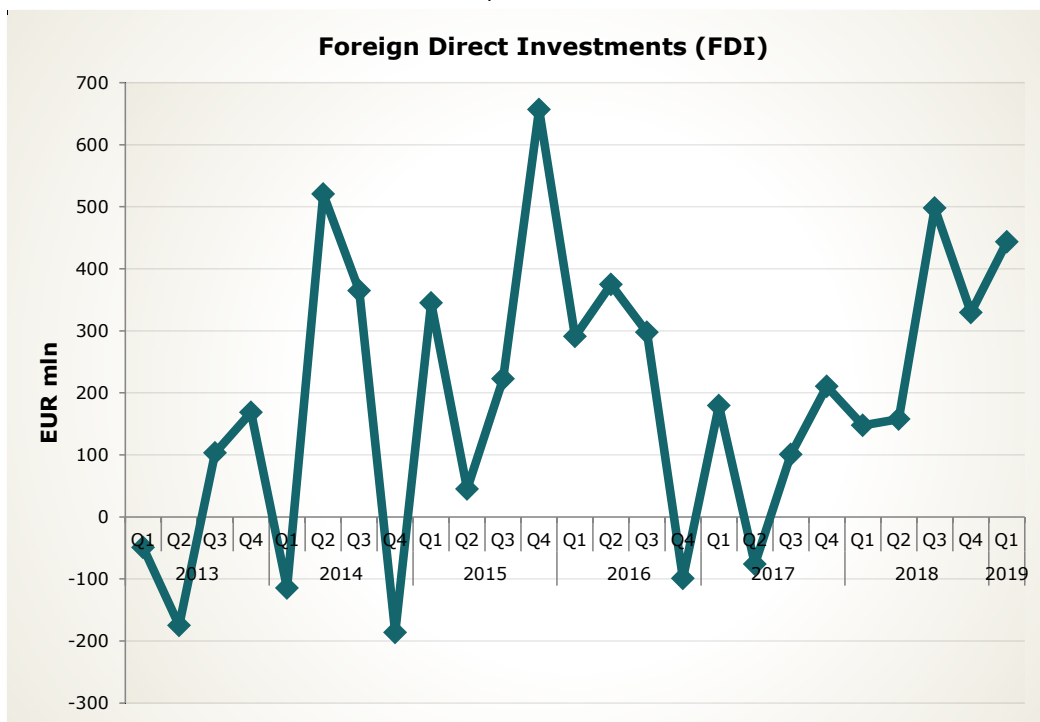


Source: BSI

7.3. FDI

Foreign direct investments jumped in Q1 2019

In Q1 2019, FDI inflow in the Slovenian economy amounted to EUR 443.4 mln, marking an annual jump compared to the EUR 147.5 mln in Q1 2018, according to central bank data. The FDI inflow accounted for 4.4% of the country's GDP in Q1 2019.

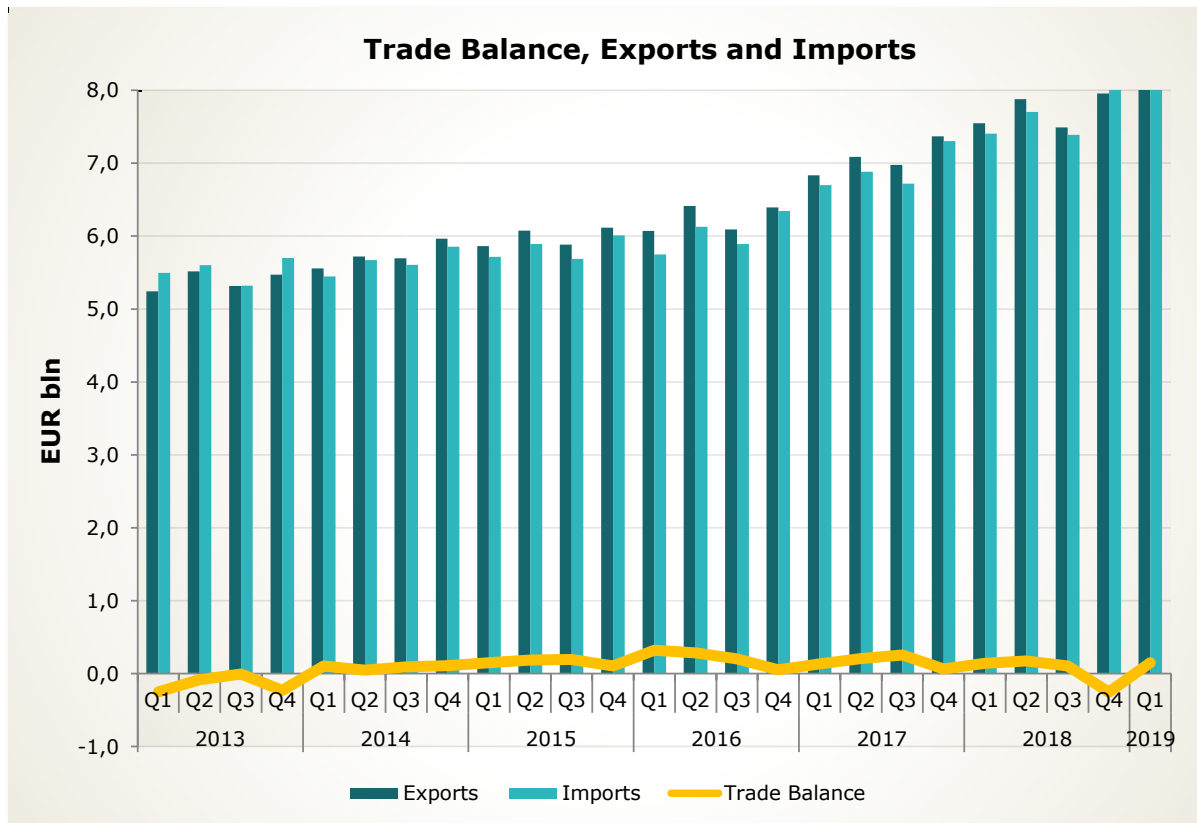


Source: BSI

7.4. FOREIGN TRADE

Foreign trade surplus increased y/y in Q1 2019

In Q1 2019, the trade surplus went up by 5.4% y/y to EUR 150.0 mln, according to SURS data. The annual growth in exports was 9.1% and they reached EUR 8.232 bln, while imports went up slightly faster, by 9.2% to EUR 8.082 bln.



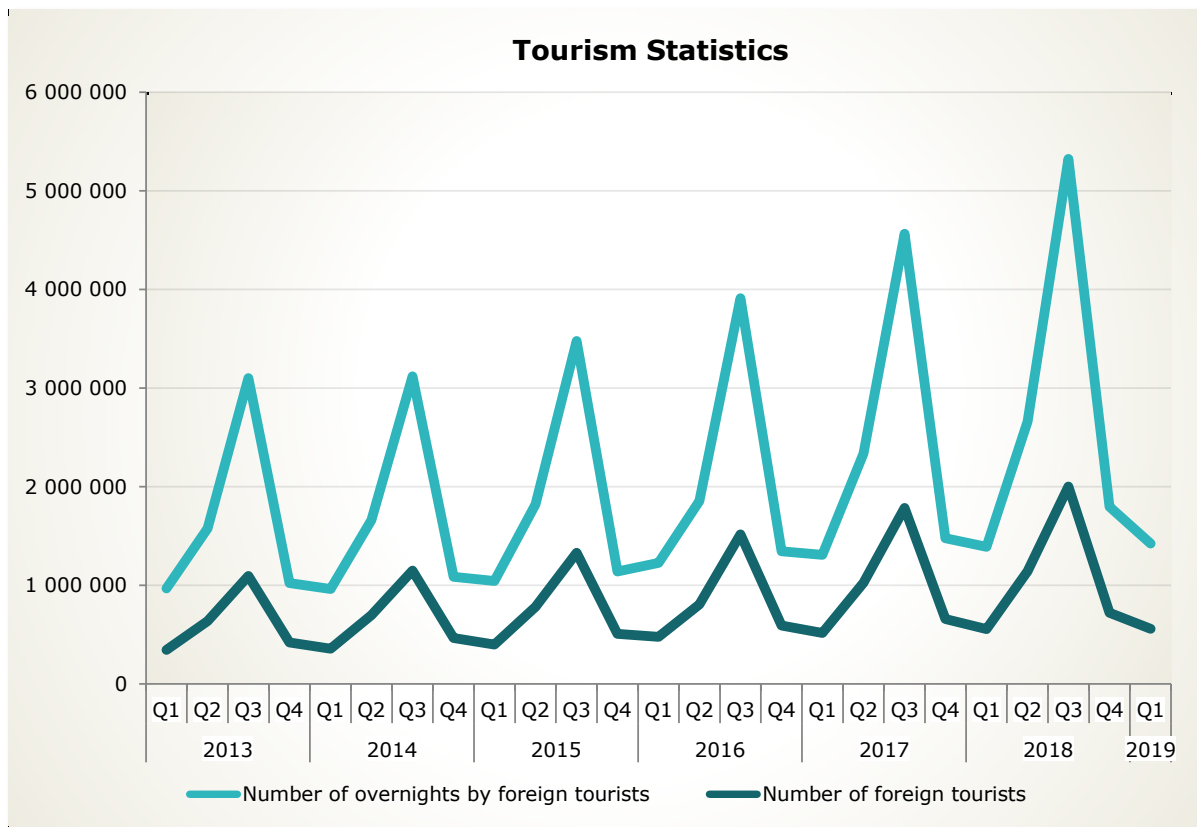
Source: SURS

7.5. TOURISM

Number of foreign tourist overnights up 2.2% y/y in Q1 2019

Slovenia is enjoying a tourism uptrend with overnights of foreigners continuing to grow, by 2.2% y/y to 1.423 million in Q1 2019, according to SURS data. However, the share of foreign tourists in the total number of overnights inched down to 58.3% from 58.8% in Q1 2018.

The number of foreign tourists totalled 560,269, up 0.8% on the year in Q1 2019.



Source: SURS

8. MAJOR DEVELOPMENTS

EBRD seeking consultant to advise Slovenia on setting up investment evaluation unit

Mar 6, 2019

The European Bank for Reconstruction and Development announced in March 2019 it is seeking a consultant to support Slovenia's government in establishing a centralised investment evaluation unit (IEU).

[Read the full story here](#)

EBRD new strategy for Slovenia to back competitiveness, transition to green economy

Feb 13, 2019

The European Bank for Reconstruction and Development (EBRD) announced in February 2019 it has adopted a new country strategy for Slovenia for the period 2019-2024, through which it will aim to boost competitiveness and back the country's transition to a green economy.

[Read the full story here](#)

Slovenia's 2018 new commercial vehicle registrations increase 6.8% – ACEA

Jan 24, 2019

Registrations of new commercial vehicles in Slovenia increased 6.8% on the year to 15,657 in 2018, provisional data from the European Automobile Manufacturers' Association, ACEA, indicated in January.

[Read the full story here](#)

Slovenia plans EUR 630 mln in funding to MSMEs in new strategic programme

Jan 18, 2019

Slovenia's government said it plans to support around 6,200 entrepreneurial projects and provide them access to nearly EUR 630 mln in low-cost funding through the Slovene Enterprise Fund during 2018-2023.

Read the full story [here](#)

Croatia provides reverse flow capacity on gas link with Slovenia

Jan 7, 2019

Croatian state-owned gas transmission system operator Plinacro has provided two-way flow capacity on a natural gas link with Slovenia, the company said in January.

Read the full story [here](#)

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