

SLOVENIA ECONOMY REPORT

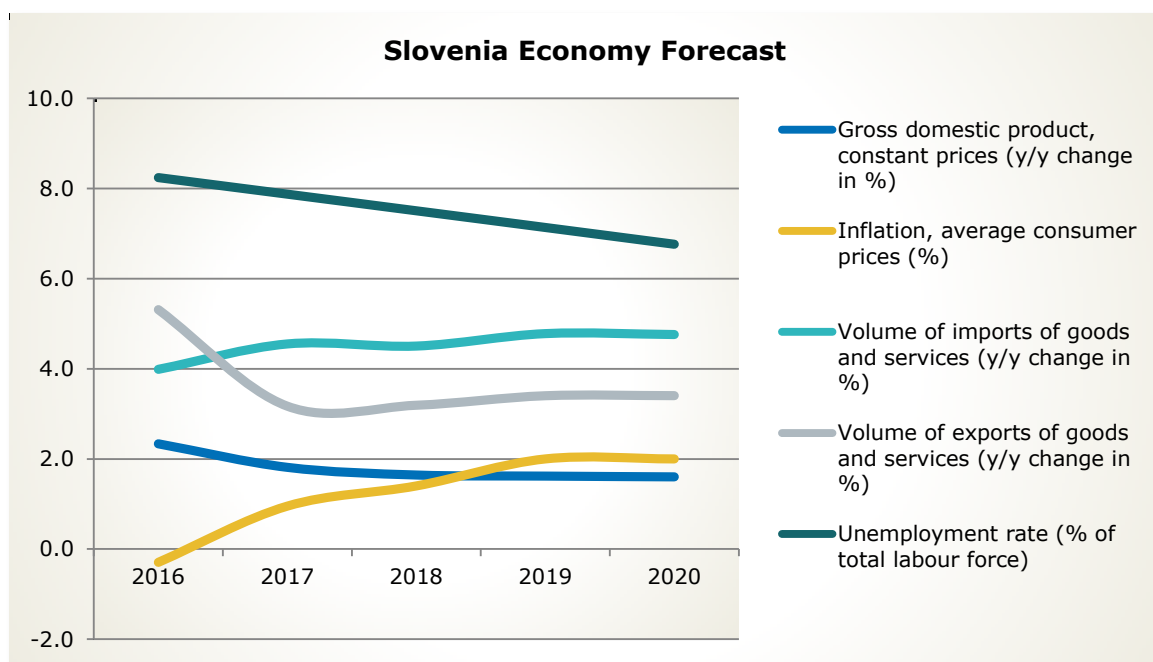
Q2 2016

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1. MACROECONOMIC SNAPSHOT AND FORECAST

SLOVENIA – MACROECONOMIC SNAPSHOT AS OF Q2 2016	
GDP Growth	2.7% y/y
Industrial output	6.3% y/y
Industrial sales	116.0 (2010=100)
Wholesale index	111.8 (2010=100)
Retail	0.9%
Average annual deflation	0.5%
Unemployment rate	10.8%
Number of building permits	22.2% y/y
Household loans	EUR 8.920 bln
SBITOP blue-chip index	-11.2% y/y
Gross external debt	EUR 44.532 bln
Current account surplus	EUR 769.1 mln
Foreign trade surplus	EUR 300.2 mln
Number of foreign tourist overnights	0.8% y/y



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

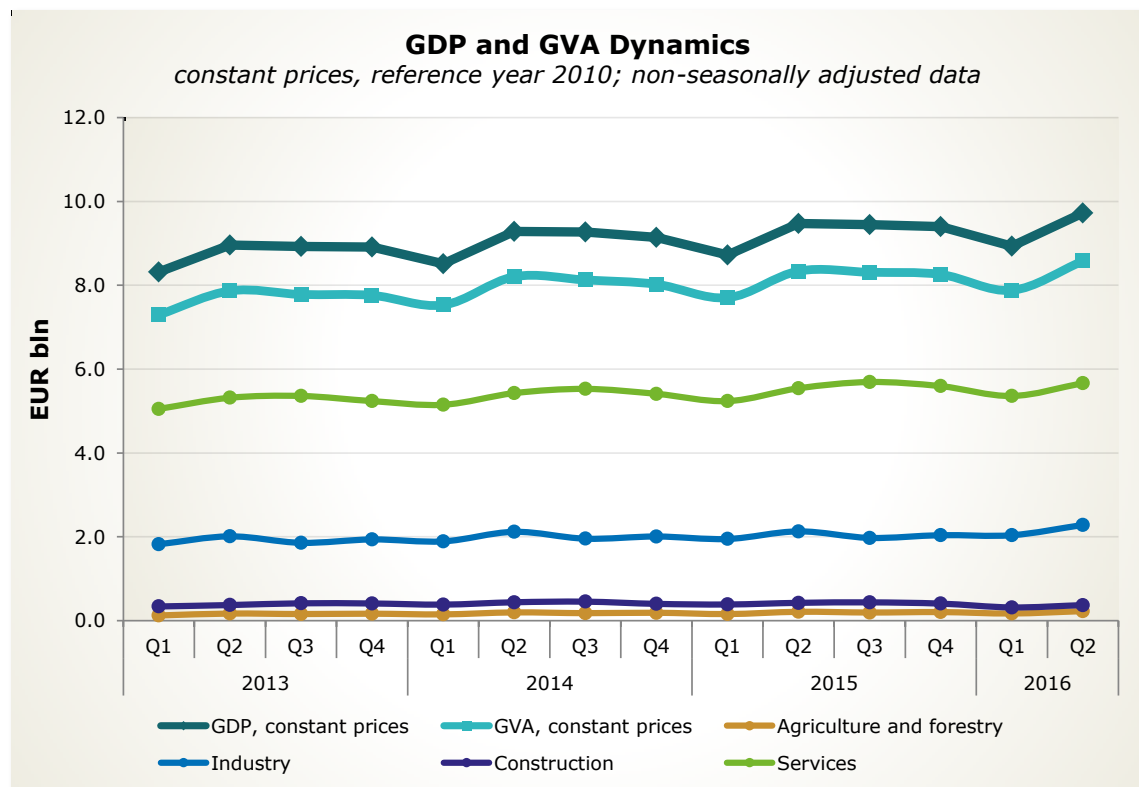
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by 2.7% y/y in Q2 2016, compared to a 2.0% y/y growth a year ago

The country's GDP increased by a real 2.7% y/y and totalled EUR 9.728 bln in Q2 2016, according to data of the Statistical Office of the Republic of Slovenia (SURs).

Final consumption, which contributed 70.8% to the GDP, grew by 2.5% to EUR 6.891 bln. Gross capital formation inched up by 0.6%, contributing 19.4% to the GDP. Both exports and imports increased, by 7.5% and 7.2%, respectively.



Source: SURs

The gross value added (GVA) generated by the national economy increased by 2.9% y/y in the second quarter of 2016 and totalled EUR 8.581 bln. The industrial sector grew in value by 7.2% y/y and its share in the GVA structure increased to 26.6% from 25.5%. The services sector recorded a 2.2% annual increase, slicing a 66.0% share in the GVA, down from 66.5% in the corresponding quarter of the previous year. The agricultural sector registered an annual rise of 7.6% thus increasing its share in the GVA to 2.6% from 2.5%. The construction sector went down by 12.8% and its GVA share narrowed to 4.3% from 5.1%.

2.2. BUSINESS CLIMATE

Sentiment indicator in June 2016 at 4.3 points

In June 2016 the sentiment indicator was 4.3 points, compared to 4.9 points a year ago, according to SURS.

In May 2016 the sentiment indicator amounted to 3.5 points, while in April 2016 it stood at 5.9 points.

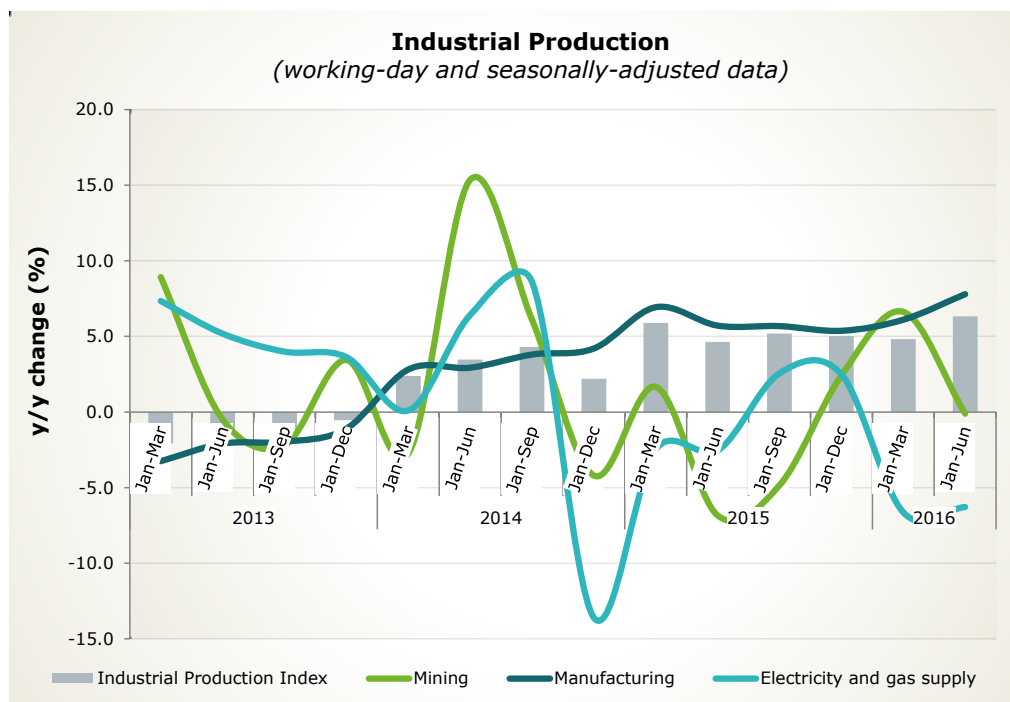
In June 2016, the highest confidence indicator, of 18 points, was registered in the services sector, followed by retail trade with 17, and the last sector in terms of positive confidence indicator was manufacturing with five points. Consumer confidence and confidence in construction indicators were negative, at -16 and -13 points, respectively.

2.3. INDUSTRIAL OUTPUT

Industrial output up 6.3% y/y in January - June 2016

Industrial output went up by 6.3% on the year in January - June 2016, according to seasonally-adjusted data of SURS. Output in the manufacturing sector expanded by 7.8%, while the output of the electricity and gas supply sector fell by 6.3% and the output of the mining sector inched down by 0.1%.

Manufacture of computer and optical products achieved the sharpest annual rise in the period under review, of 61.4%, while manufacture of chemicals and chemical products was on the other end with a fall of 15.1%.



Source: SURS

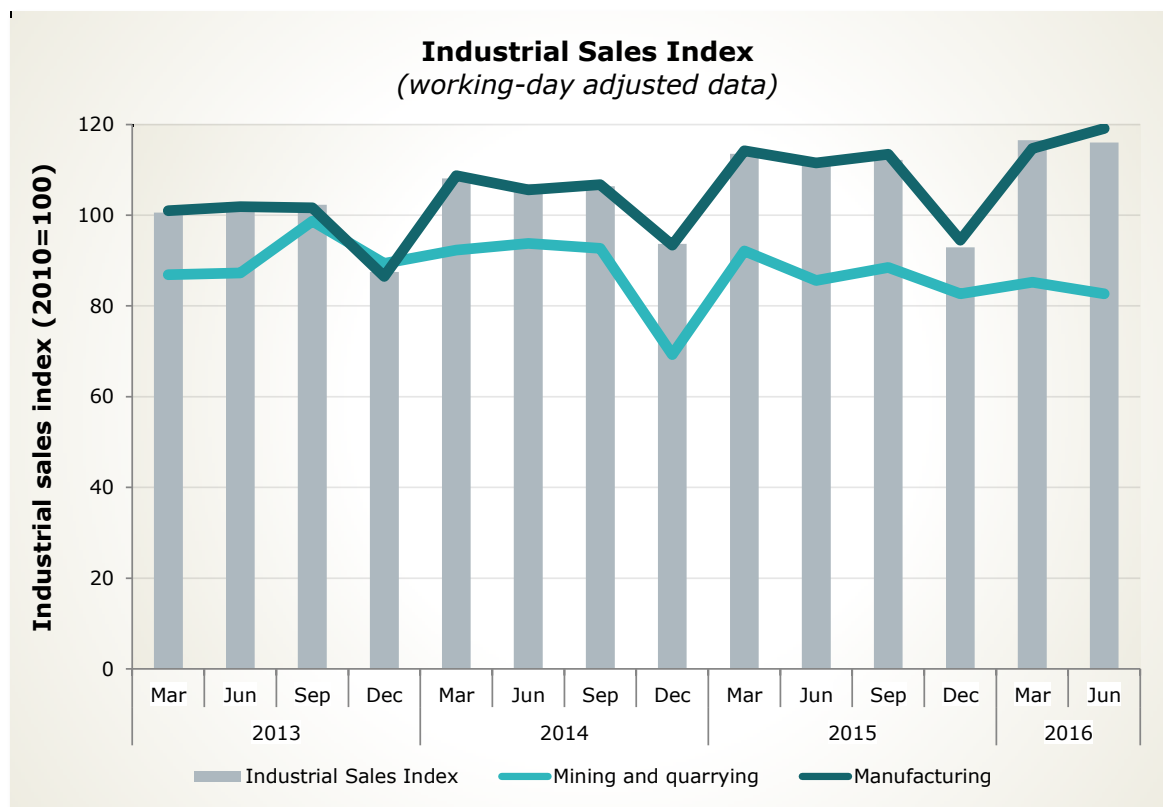
2.4. INDUSTRIAL SALES

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

The working-day adjusted industrial sales index was 116.0 (2010=100) in June 2016, according to SURS. In May the index was 110.3 and in April it amounted to 107.3.

In June, the manufacturing industry's indicator was 119.1 and for the mining and quarrying industry it stood at 82.7.

Segment wise, the sector with the highest index, of 187.7, was manufacture of computer and optical products, while the bottom was occupied by mining of coal and lignite with an index of 70.1, according to unadjusted data.



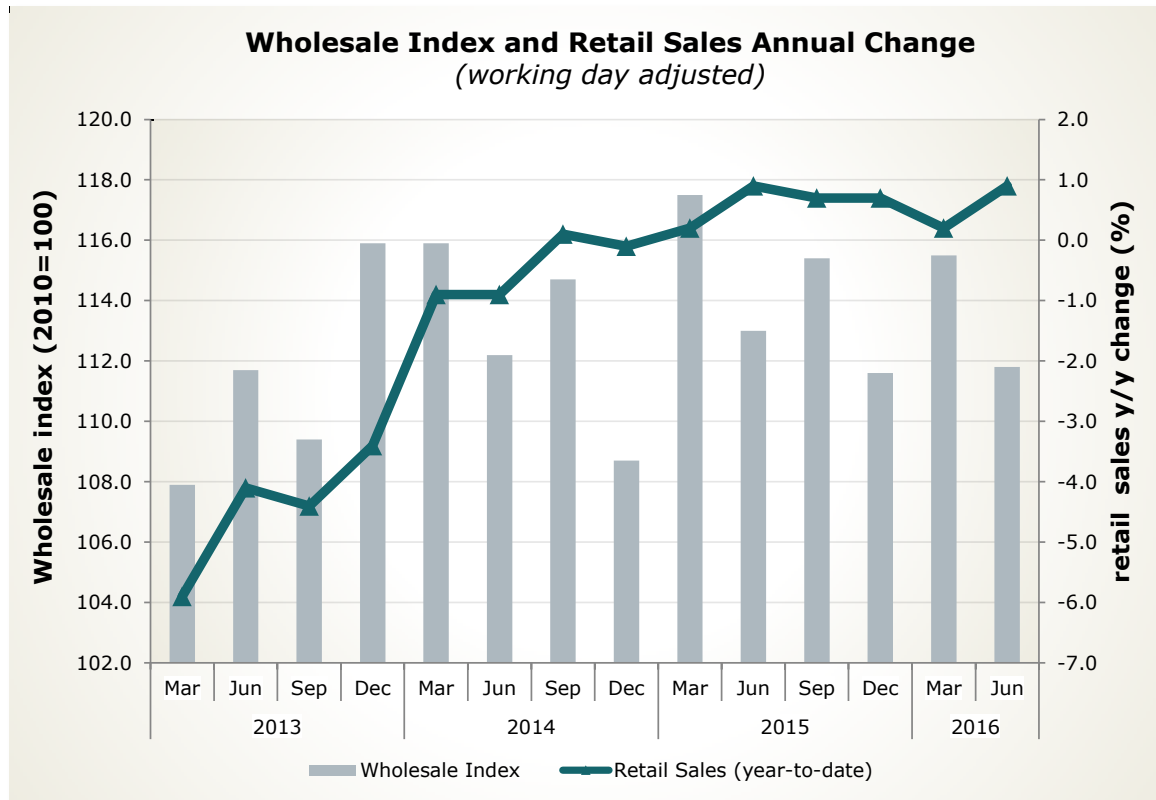
Source: SURS

2.5. WHOLESALE/RETAIL

Wholesale index at 111.8 (2010=100) as of June 2016, retail sales grew 0.9% y/y in January - June 2016

Retail sales inched up by 0.9% y/y in the first six months of 2016, according to SURS data. Retail trade of food, beverages and tobacco inched down by 1.3%, while retail sales of non-food products, except automotive fuel, expanded by 6.2%.

The wholesale index was 111.8 (2010=100) in June 2016. In the previous month it was 112.3 and in April the index was 110.9.



Source: SURS

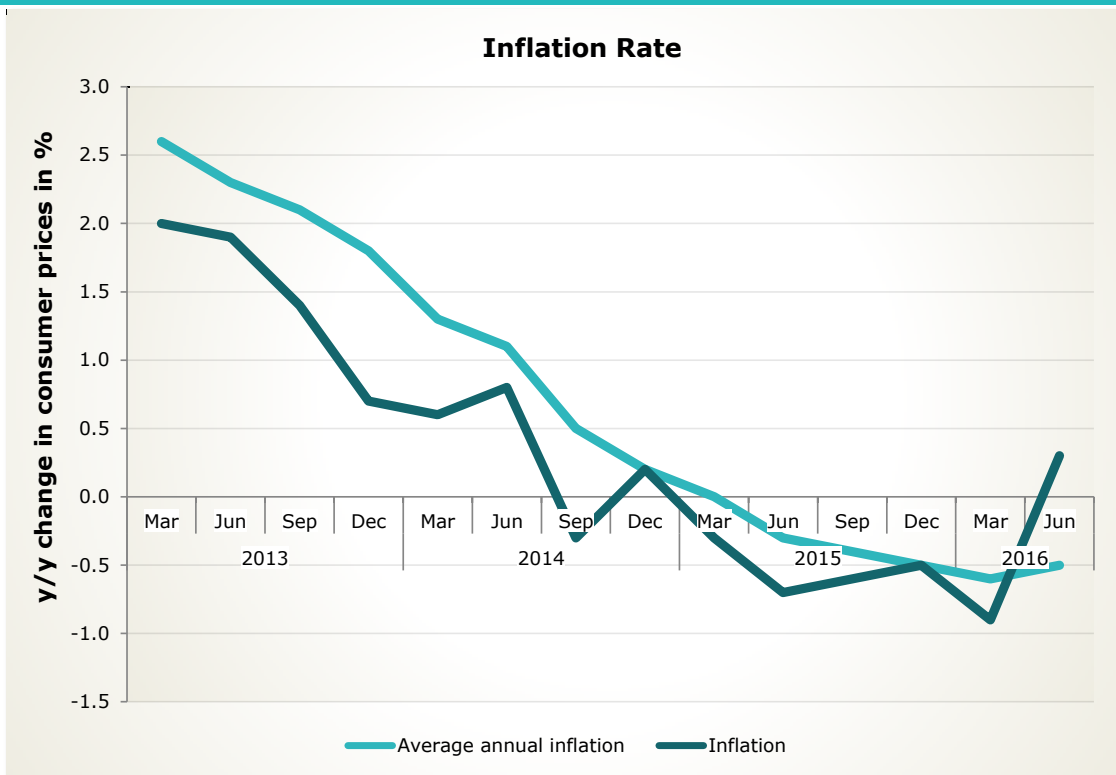
2.6. INFLATION

Average annual deflation of 0.5% for July 2015 – June 2016

Slovenia registered average annual deflation of 0.5% in the period July 2015 – June 2016, according to SURS.

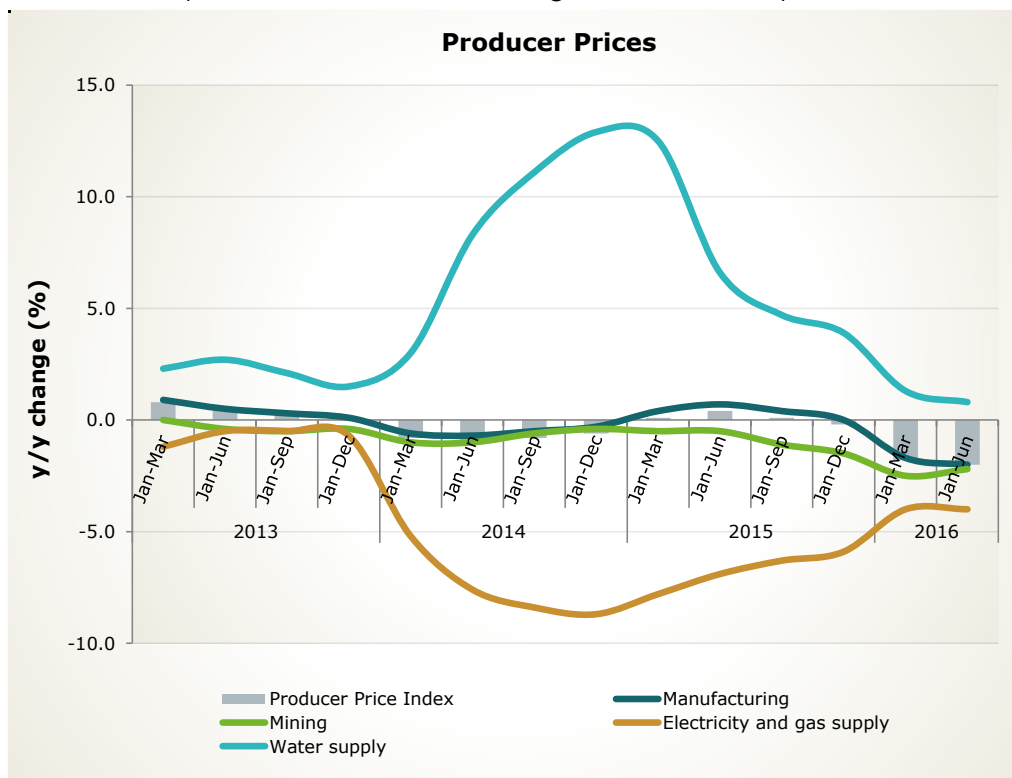
In terms of average annual deflation, liquid fuels registered the sharpest average annual deflation, of 19.2%, followed by fuels and lubricants with a deflation of 12.6%, and passenger transport by air with 8.9%.

The highest inflation, of 7.4%, was recorded in sport equipment, followed by 6.7% for accommodation services in hotels and 4.3% for fruit.



Source: SURS

Producer prices decreased by 2.0% y/y in January to June 2016, SURS data showed. Manufacture of basic metals was the sector to report the sharpest annual drop in producer prices, of 9.2%, while prices in other manufacturing rose the most, by 4.2%.



Source: SURS

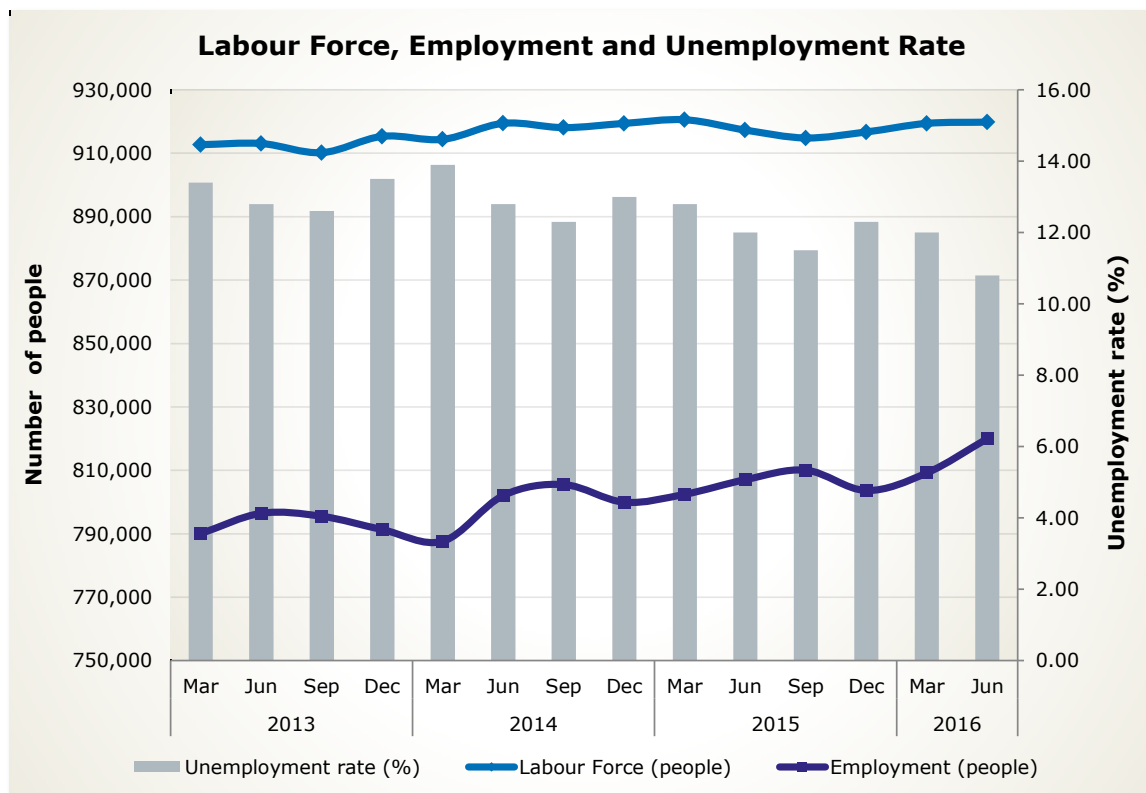
3. LABOUR MARKET

Unemployment rate went down y/y to 10.8% as of June 2016

The unemployment rate in Slovenia narrowed to 10.8% of the total labour force in June 2016 from 12.0% a year earlier, according to data of SURS.

The employed population aged 15 years and older was 820,018, up by 1.6% y/y. Self-employed persons made up 9.5% of the total employment in the country.

The youth (population aged 15-24) unemployment rate went down to 20.8%, compared to 25.6% a year earlier.



Source: SURS

According to data of SURS, the average monthly net salary in Q2 2016 grew by 1.3% y/y to EUR 1,019. The employed in the public sector earned average monthly net wage of EUR 1,180, up 1.7%, while private sector employees earned on average EUR 936, up from EUR 924 a year ago.

4. CONSTRUCTION AND REAL ESTATE

The number of building permits increased by 22.2% y/y in Q2 2016

The number of building permits issued in Slovenia in the second quarter of 2016 increased by 22.2% y/y and totalled 1,644, according to SURS data.

Permits for housing projects went up by 3.7% y/y to 638, while the permits for office buildings numbered nine, compared to six in Q2 2015.

The total built-up area of the office units, covered by the permits, was 4,916 sq m versus 2,470 sq m a year earlier. The total built-up area of the housing units inched down by 0.2% to 149,752 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 1.1292 in Q2 2016 from USD 1.1020 in the previous quarter, Q1 2016, and won 2.2% annually, according to the European Central Bank (ECB).

EUR Average Exchange Rate			
Foreign Currency	Q2 2016	Q1 2016	Q2 2015
USD	1.1292	1.1020	1.1053
GBP	0.7868	0.7704	0.7211
CHF	1.0961	1.0960	1.0410

5.2. MONETARY AGGREGATES

Slovenia contributed EUR 21.935 bln to Eurozone's M3 Monetary Aggregate²

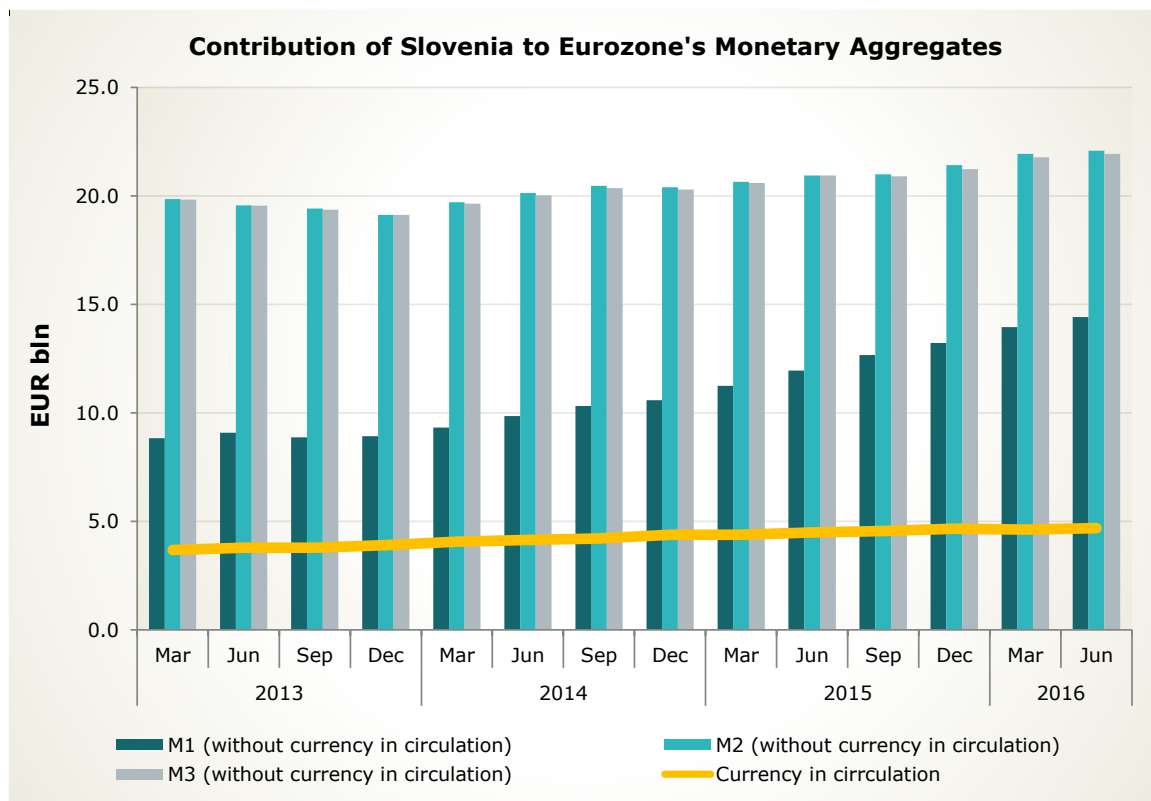
Slovenia's contribution to the M3 (broad money) aggregate of the Eurozone was EUR 21.935 bln, without currency in circulation, at end-June 2016, up 4.8% y/y, according to Bank of Slovenia (BSI).

The country's contribution to the M2 aggregate amounted to EUR 22.086 bln, up from EUR 20.935 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 20.7% y/y to EUR 14.419 bln.



Source: BSI

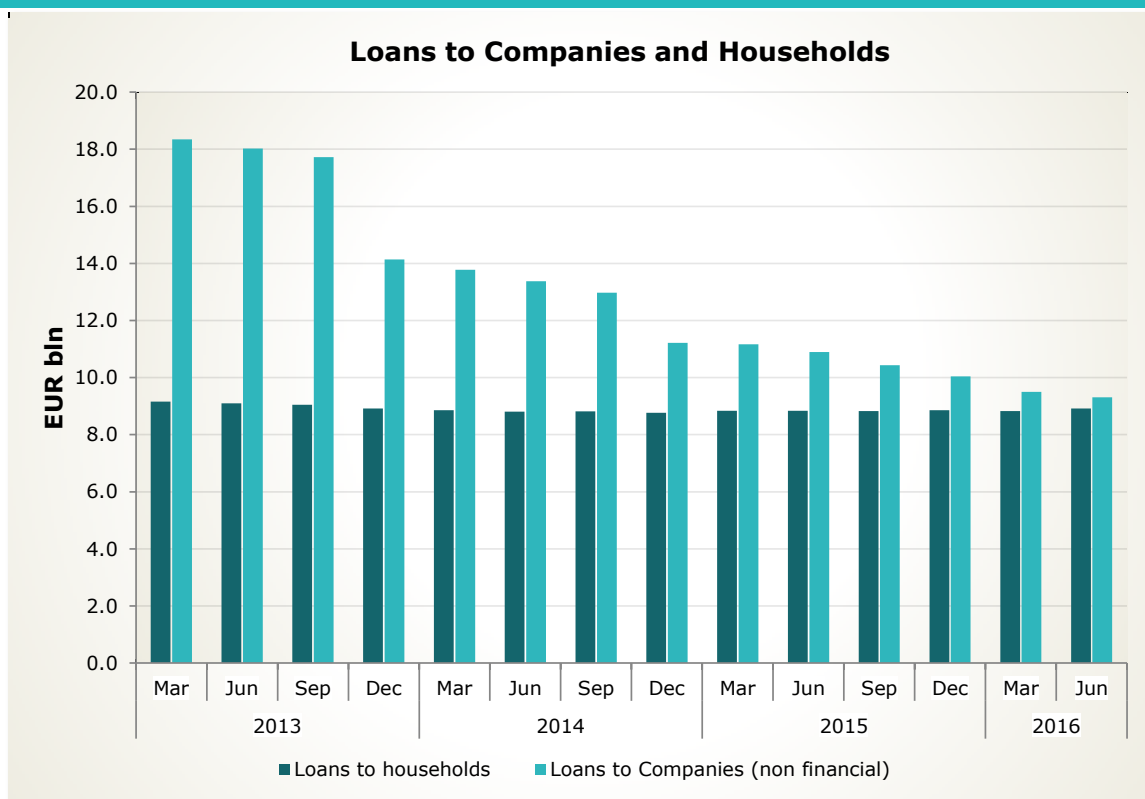
5.3. BANKING

Household loans up 1.0% y/y as of June 2016

Household loans totalled EUR 8.920 bln at end-June 2016 versus EUR 8.836 bln a year ago, according to BSI. House purchasing loans grew by 2.9% y/y to EUR 5.629 bln, while consumer loans inched down by 0.2%, reaching EUR 2.069 bln.

Loans to non-financial corporations dropped by 14.6% y/y to EUR 9.307 bln. In April and May 2016 they amounted to EUR 9.539 bln and EUR 9.447 bln, respectively.

At the end of June 2016 the assets of the banking system totalled EUR 40.005 bln, which was a 1.1% decline in comparison to May 2016 and a 4.7% annual decrease.



Source: BSI

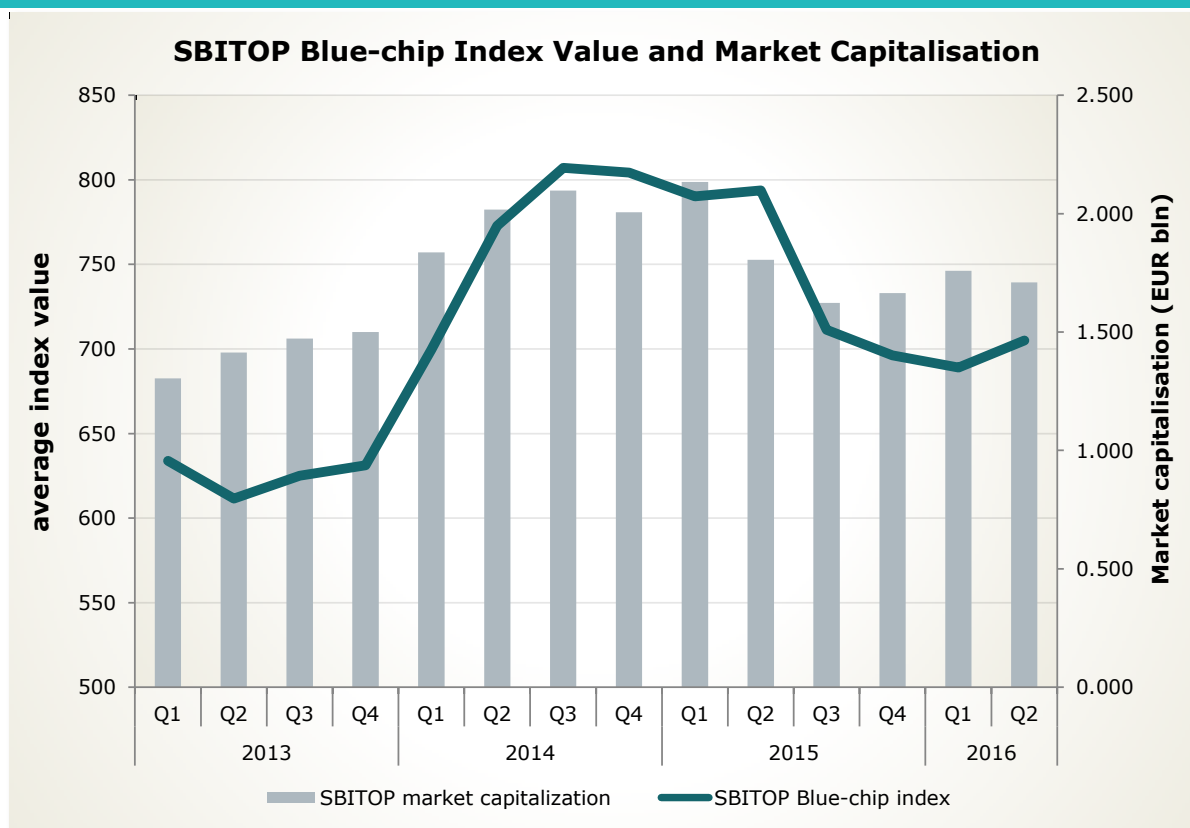
6. CAPITAL MARKETS

Blue-chip index SBITOP went down by 11.2% y/y in Q2 2016

The average value of SBITOP, the blue-chip index of the Ljubljana Stock Exchange (LJSE), fell by 11.2% y/y to 704.92 points in Q2 2016. In comparison to the previous quarter, Q1 2016, SBITOP won 16.0 points.

The total turnover on LJSE's regulated market reached EUR 62.012 mln in the second quarter of 2016 versus EUR 82.893 mln in the previous quarter and EUR 113.3 mln in Q2 2015.

The number of trades stood at 10,857, compared to 14,320 in Q2 2015 and 10,662 in Q1 2016.



Source: LSE

7. EXTERNAL SECTOR

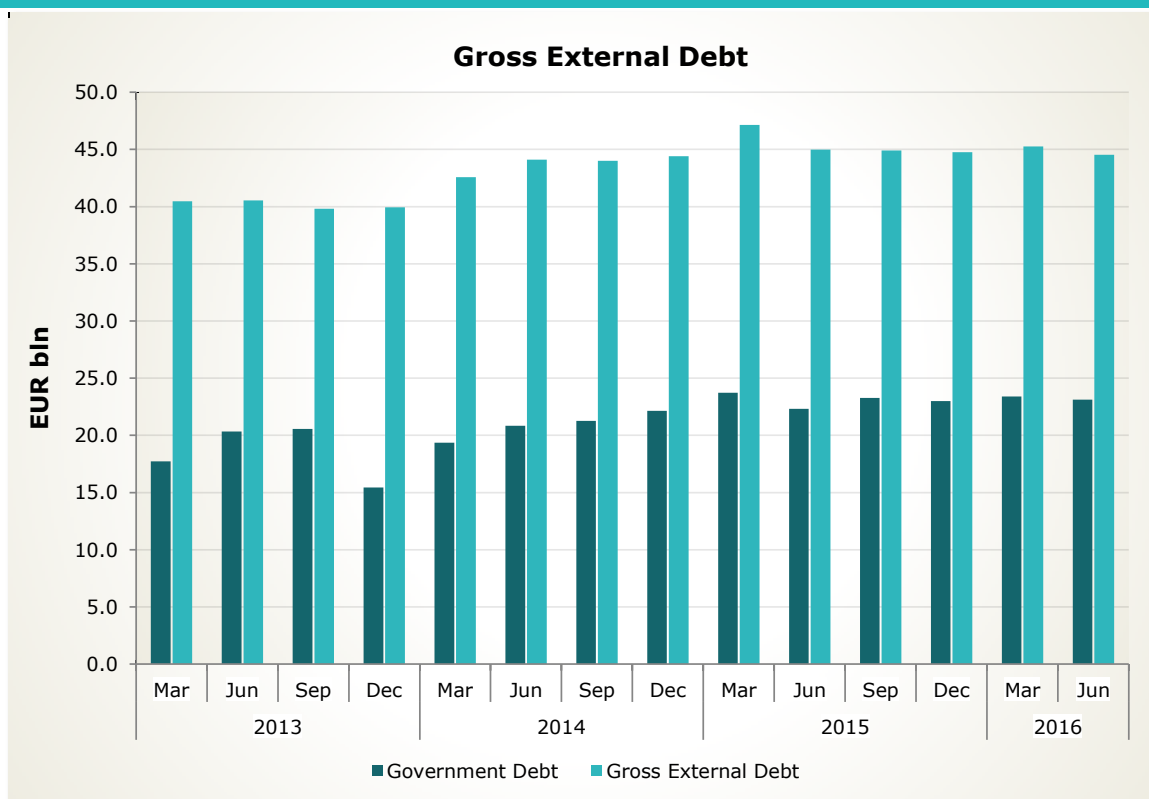
7.1. FOREIGN DEBT

The gross external debt narrowed y/y to EUR 44.532 bln at end-June 2016

Slovenia's gross external debt totalled EUR 44.532 bln at the end of June 2016, according to BSI. It narrowed by 1.0% or EUR 439.0 mln, compared to June 2015. In comparison to the end of March 2015 the gross external debt decreased by EUR 739 mln.

As of end-June 2016 long-term liabilities amounted to EUR 32.253 bln, or 72.4% of the total debt, while short-term liabilities totalled EUR 8.498 bln, equal to 19.1% of the total debt.

Government debt stood at EUR 23.119 bln, or 51.9% of the total, at end-June 2016. It went up by 3.6% y/y.



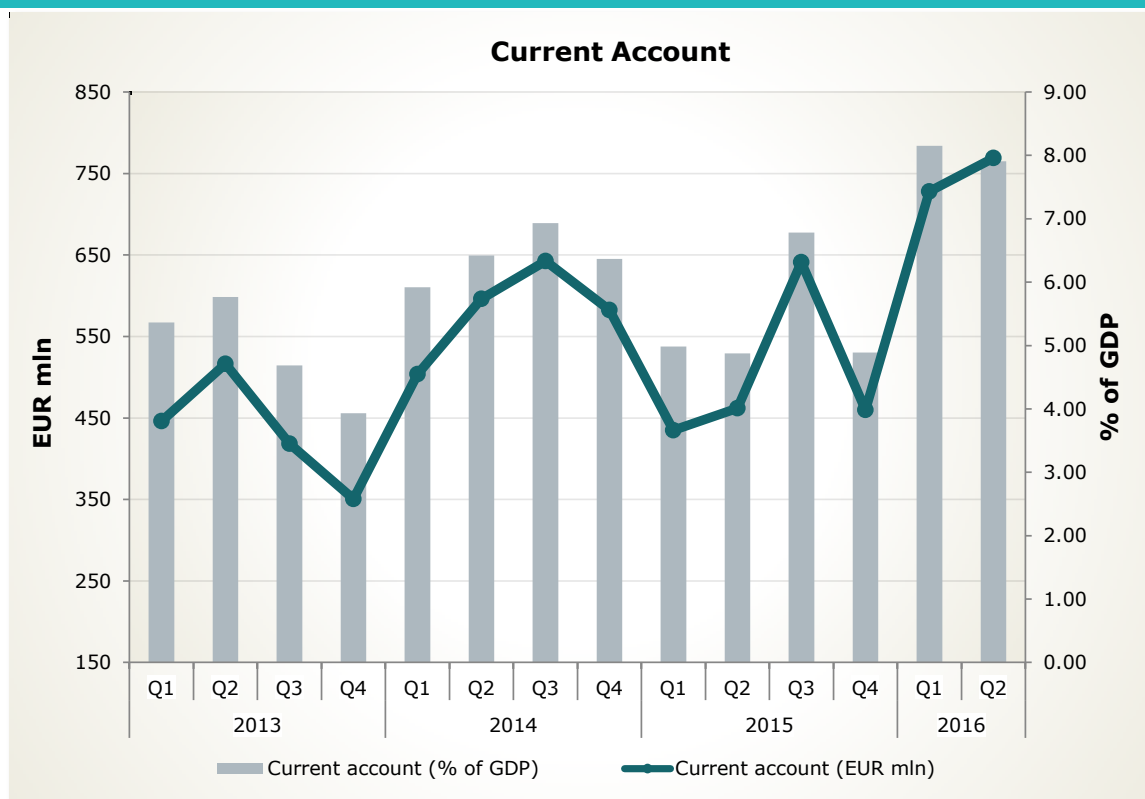
Source: BSI

7.2. BALANCE OF PAYMENTS

Current account surplus at EUR 769.1 mln in Q2 2016

The current account surplus of Slovenia was EUR 769.1 mln in Q2 2016, compared to EUR 461.8 mln a year earlier, according to central bank statistics data.

Secondary income in the second quarter of 2016 was negative, at EUR 94.9 mln, compared to the also negative EUR 112.9 mln a year earlier.



Source: BSI

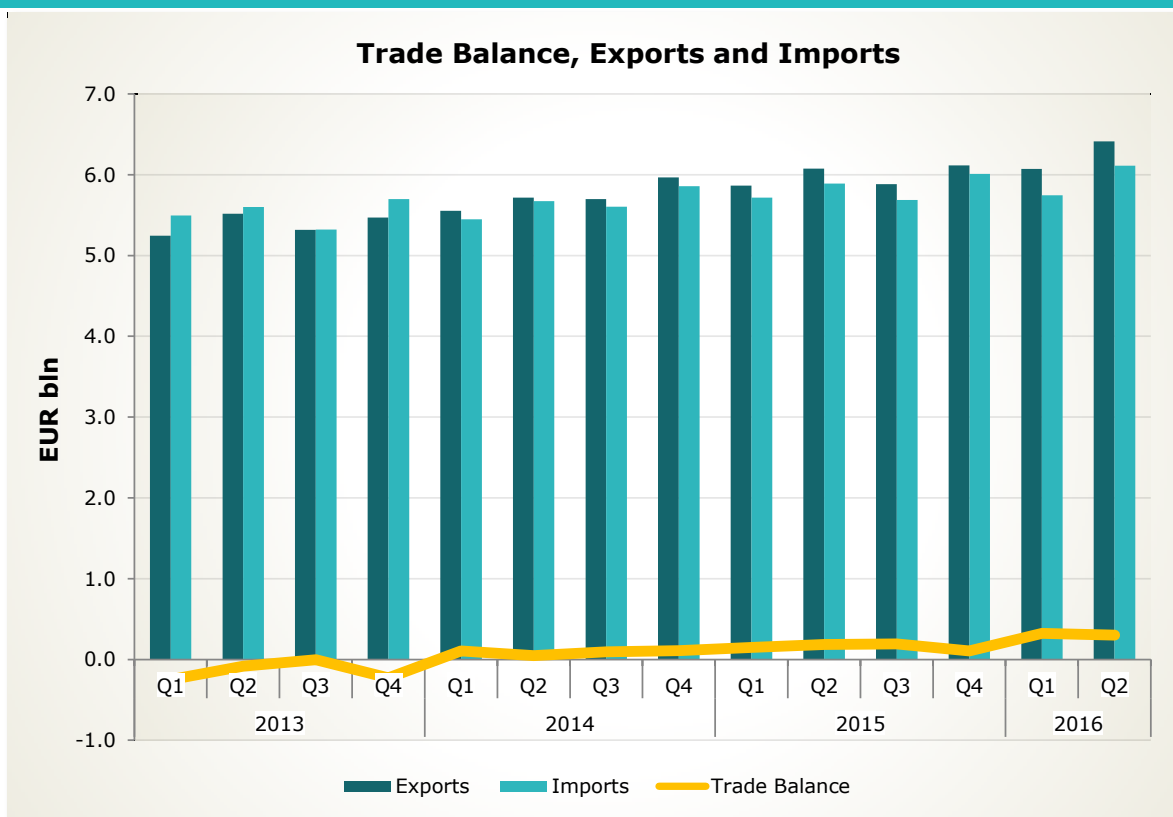
7.3. FOREIGN TRADE

Foreign trade surplus at EUR 300.2 mln in Q2 2016

The trade balance showed a surplus of EUR 300.2 mln in Q2 2016, up from EUR 186.3 mln in the corresponding quarter of the previous year, according to SURS data.

Slovenia's most exported goods in Q2 2016 were road vehicles, which accounted for 15.8% of the total exports, followed by medicinal and pharmaceutical products with a 9.6% share, and electrical machinery, appliances, and spare parts with a 9.5% share.

In terms of imports, the main goods were again road vehicles, which made up 13.7% of the total, followed by electrical machinery, appliances, and spare parts, which had a 6.5% share and petroleum, petroleum products and related materials, slicing a 5.5% share.



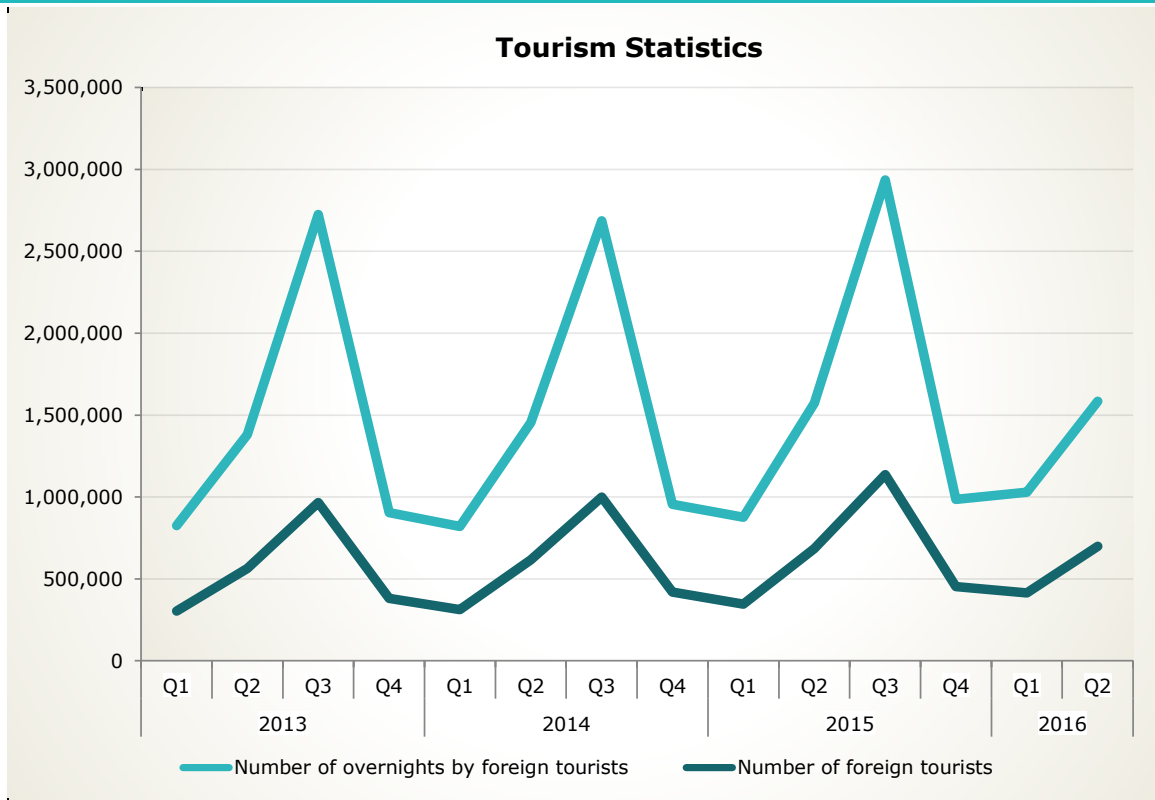
Source: SURS

7.4. TOURISM

Number of foreign tourist overnights up by 0.8% y/y in Q2 2016

Tourist overnights of foreigners inched up by an annual 0.8% to 1,584,909 in Q2 2016, according to SURS data. The share of foreign tourists in the total number of overnights remained unchanged at 65.5% compared to a year earlier.

The number of foreign tourists also increased, by 2.0% to 699,135. Most foreign tourists visiting Slovenia in 2015 came from Italy – 103,570, followed by tourists from Austria – 83,681, and Germany – 73,543.



Source: SURS

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