

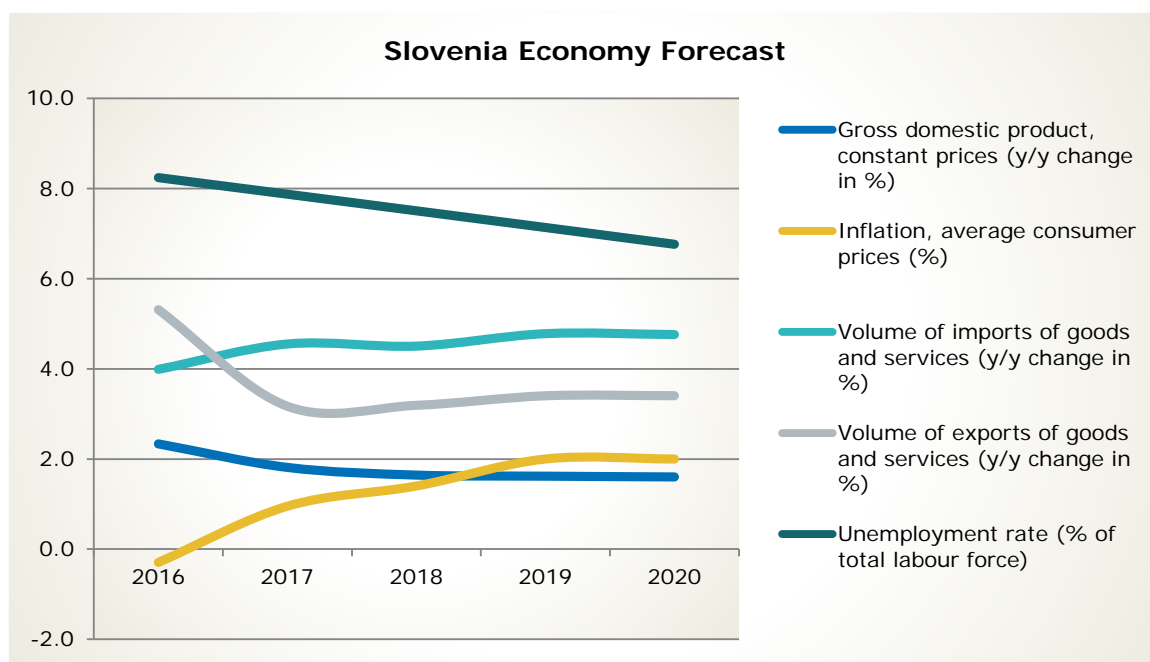
SLOVENIA ECONOMY REPORT Q3 2016

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1. MACROECONOMIC SNAPSHOT AND FORECAST

SLOVENIA – MACROECONOMIC SNAPSHOT AS OF Q3 2016	
GDP Growth	2.7% y/y
Industrial output	6.2% y/y
Industrial sales	118.5 (2010=100)
Wholesale index	117.4 (2010=100)
Retail trade	1.3% y/y
Average annual deflation	0.4%
Unemployment rate	10.3%
Number of building permits	27.5% y/y
Household loans	EUR 8.974 bln
SBITOP blue-chip index	1.3% y/y
Gross external debt	EUR 43.621 bln
Current account surplus	EUR 744.0 mln
Foreign trade surplus	EUR 196.1 mln
Number of foreign tourist overnights	10.9% y/y



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

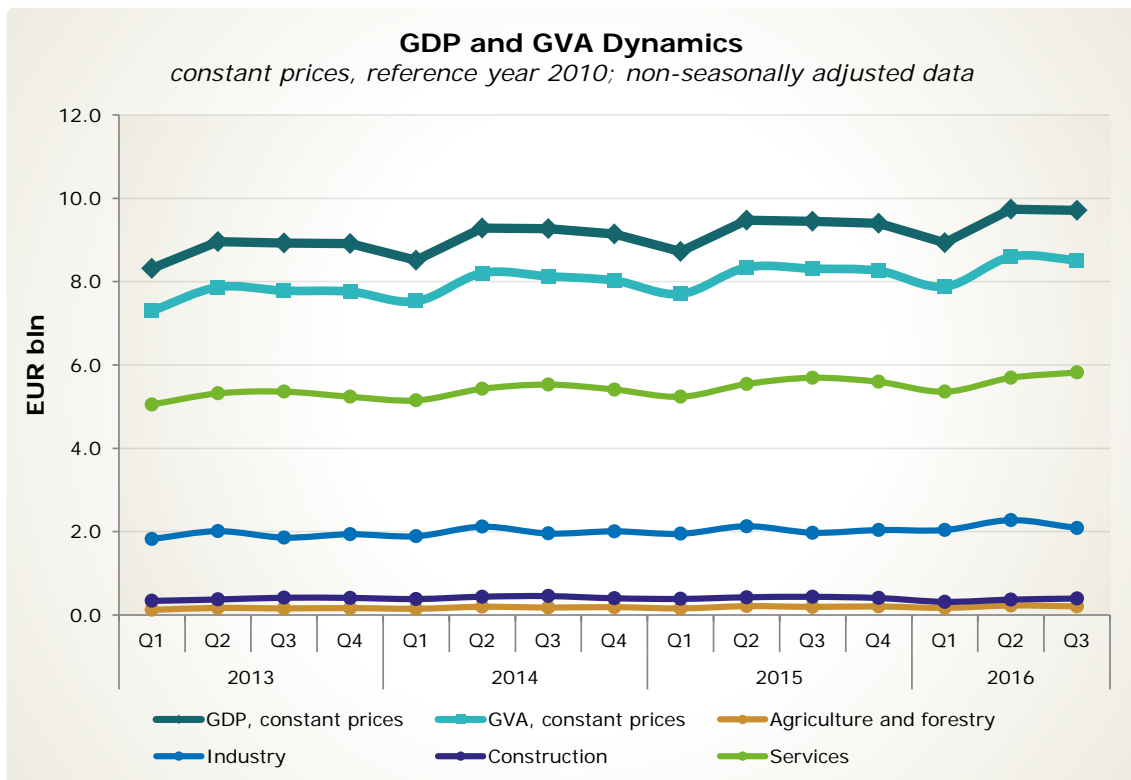
2. REAL SECTOR

2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP went up by 2.7% y/y in Q3 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 9.709 bln in Q3 2016, according to data of the Statistical Office of the Republic of Slovenia (SURs).

Final consumption, which contributed 70.2% to the GDP, grew by 2.5% to EUR 6.814 bln. Gross capital formation inched down by 0.4%, contributing 19.7% to the GDP. Both exports and imports increased, by 5.4% and 4.5%, respectively.



Source: SURs

The gross value added (GVA) generated by the national economy increased by 2.5% y/y in the third quarter of 2016 and totalled EUR 8.516 bln. The industrial sector grew in value by 5.7% y/y and its share in the GVA structure increased to 24.5% from 23.7%. The services sector recorded a 2.2% annual increase, slicing a 68.3% share in the GVA, down from 68.5% in the corresponding quarter of the previous year. The agricultural sector registered an annual rise of 6.2% thus increasing its share in the GVA to 2.4% from 2.3%. The construction sector went down by 9.6% and its GVA share narrowed to 4.6% from 5.2%.

2.2. BUSINESS CLIMATE

Sentiment indicator in September 2016 at 6.1 points

In September 2016, the sentiment indicator was 6.1 points, compared to 5.8 points a year ago, according to SURS.

In August 2016, the sentiment indicator amounted to 6.5 points, while in July 2016 it stood at 5.2 points.

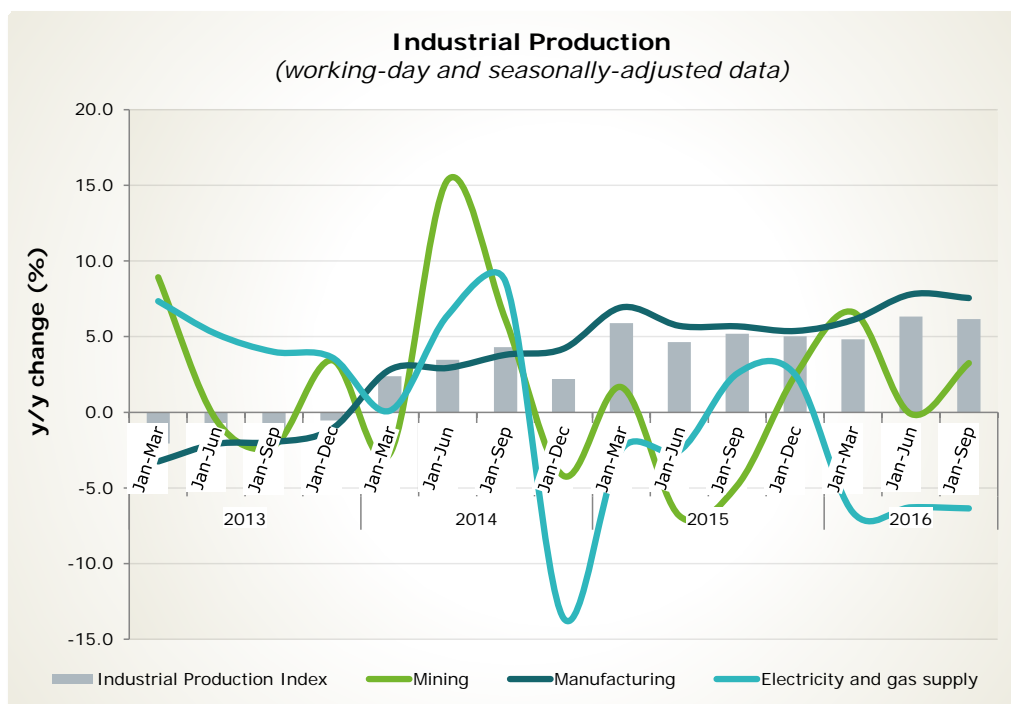
In September 2016, the highest confidence indicator, of 30 points, was registered in the retail trade, followed by services sector with 19, and the last sector in terms of positive confidence indicator was manufacturing with 3.0 points. Consumer confidence and confidence in construction indicators were negative, at -11 and -2.0 points, respectively.

2.3. INDUSTRIAL OUTPUT

Industrial output up 6.2% y/y in January - September 2016

Industrial output went up by 6.2% on the year in January - September 2016, according to seasonally-adjusted data of SURS. Output in the manufacturing sector expanded by 7.6%, the output of the mining sector increased by 3.3%, while the output of the electricity and gas supply sector fell, by 6.4%.

Manufacture of computer and optical products achieved the sharpest annual rise in the period under review, of 49.8%, while manufacture of chemicals and chemical products was on the other end with a fall of 11.0%.



Source: SURS

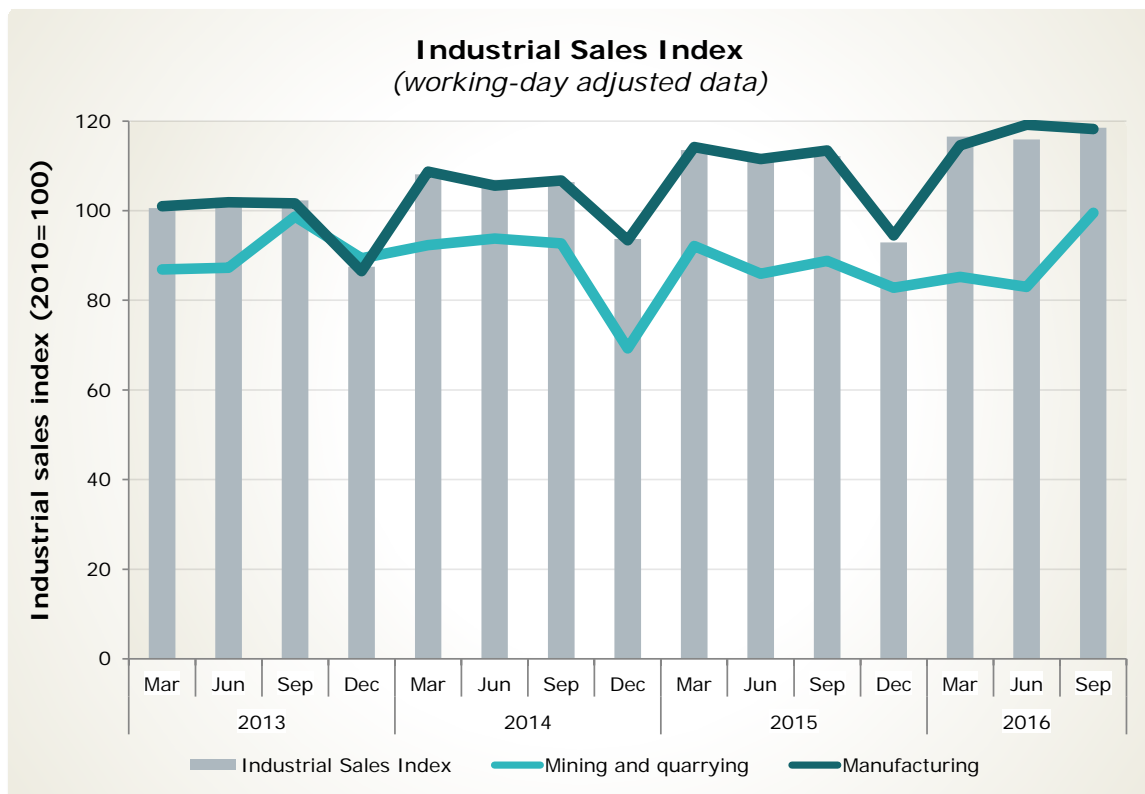
2.4. INDUSTRIAL SALES

Industrial sales index at 118.5 (2010=100) in September 2016

The working-day adjusted industrial sales index was 118.5 (2010=100) in September 2016, according to SURS. In August the index was 89.5 and in July it amounted to 112.7.

In September, manufacturing industry's sales index was 118.2 and that of the mining and quarrying industry stood at 99.5.

Segment wise, the sector with the highest index, of 173.8, was manufacture of computer and optical products, while the bottom was occupied by manufacture of furniture with an index of 79.9, according to unadjusted data.



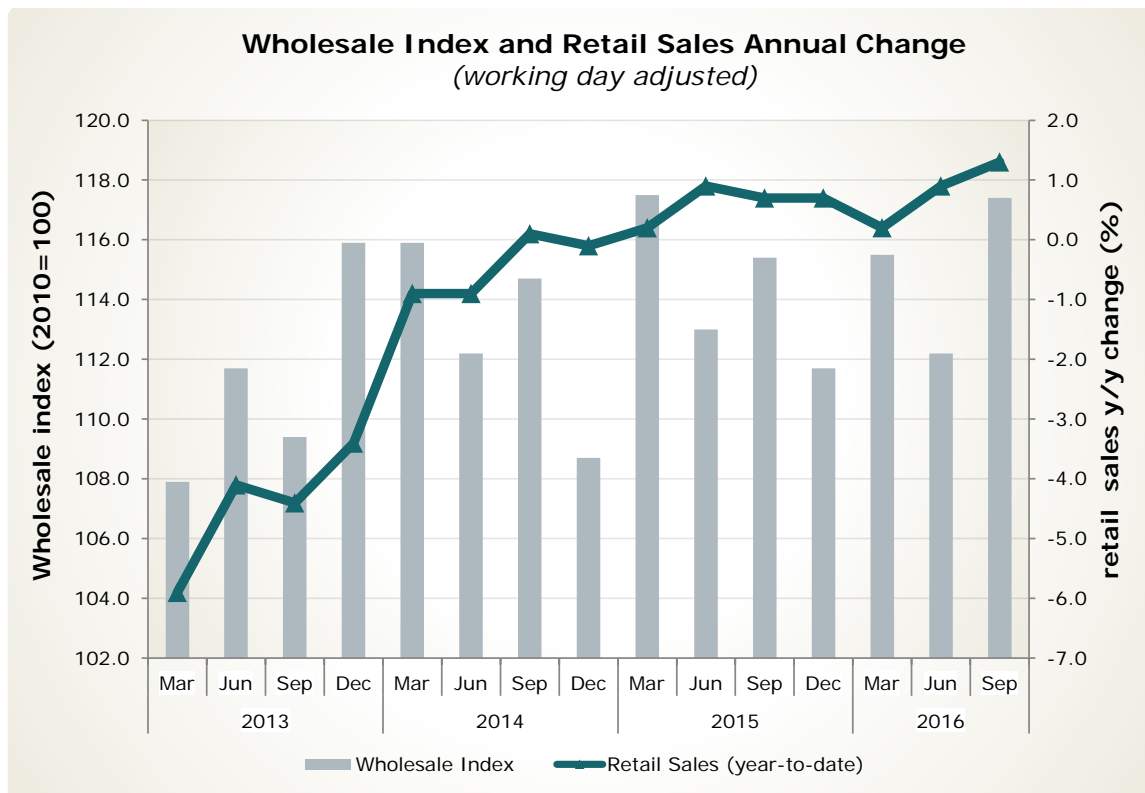
Source: SURS

2.5. WHOLESALE/RETAIL

Wholesale index at 117.4 (2010=100) as of September 2016, retail sales grew 1.3% y/y in January - September 2016

Retail sales inched up by 1.3% y/y in the first nine months of 2016, according to SURS data. Retail trade of food, beverages and tobacco inched down by 0.9%, while retail sales of non-food products, except automotive fuel, expanded by 5.9%.

The wholesale index was 117.4 (2010=100) in September 2016. In the previous month it was 104.1 and in July the index was 112.6.



Source: SURS

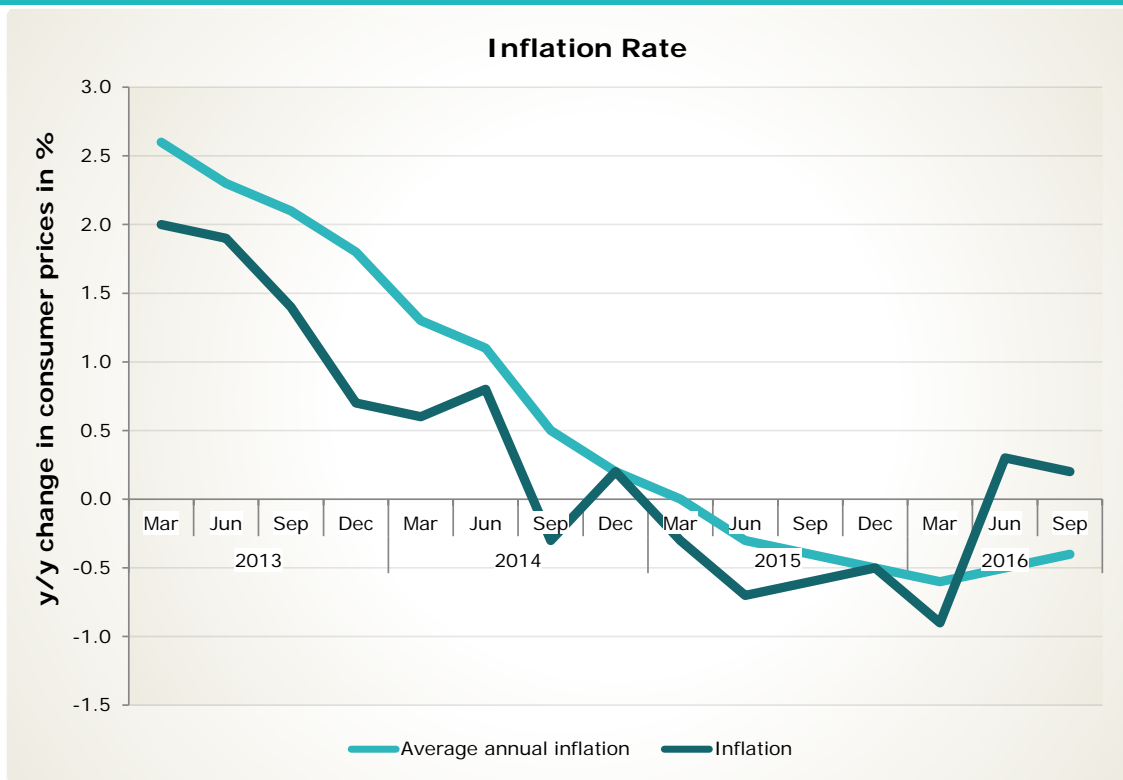
2.6. INFLATION

Average annual deflation of 0.4% for October 2015 – September 2016

Slovenia registered average annual deflation of 0.4% in the period October 2015 – September 2016, according to SURS.

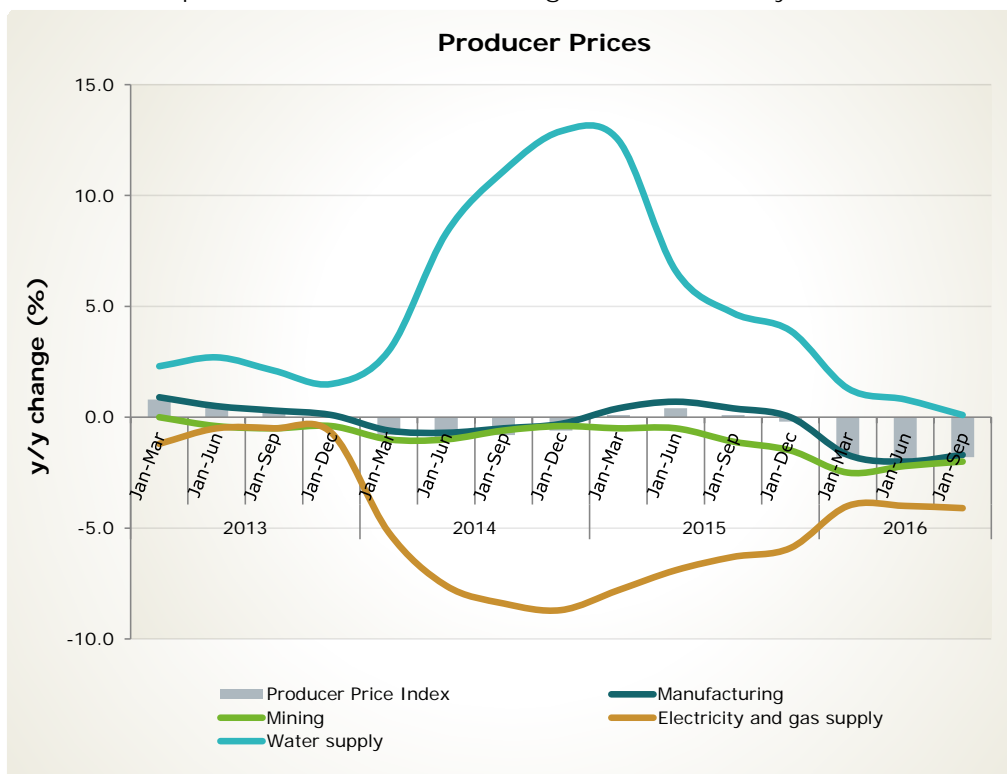
In terms of average annual deflation, liquid fuels registered the sharpest average annual deflation, of 17.1%, followed by fuels and lubricants with 11.5%, and heating energy with 6.7%.

The highest inflation, of 10.8%, was recorded in accommodation services in hotels, followed by 4.4% for telephone and internet services and 4.3% for sports equipment.



Source: SURS

Producer prices decreased by 1.8% y/y in January to September 2016, SURS data showed. Manufacture of basic metals was the sector to report the sharpest annual drop in producer prices, of 7.9%, while prices in other manufacturing rose the most, by 5.0%.



Source: SURS

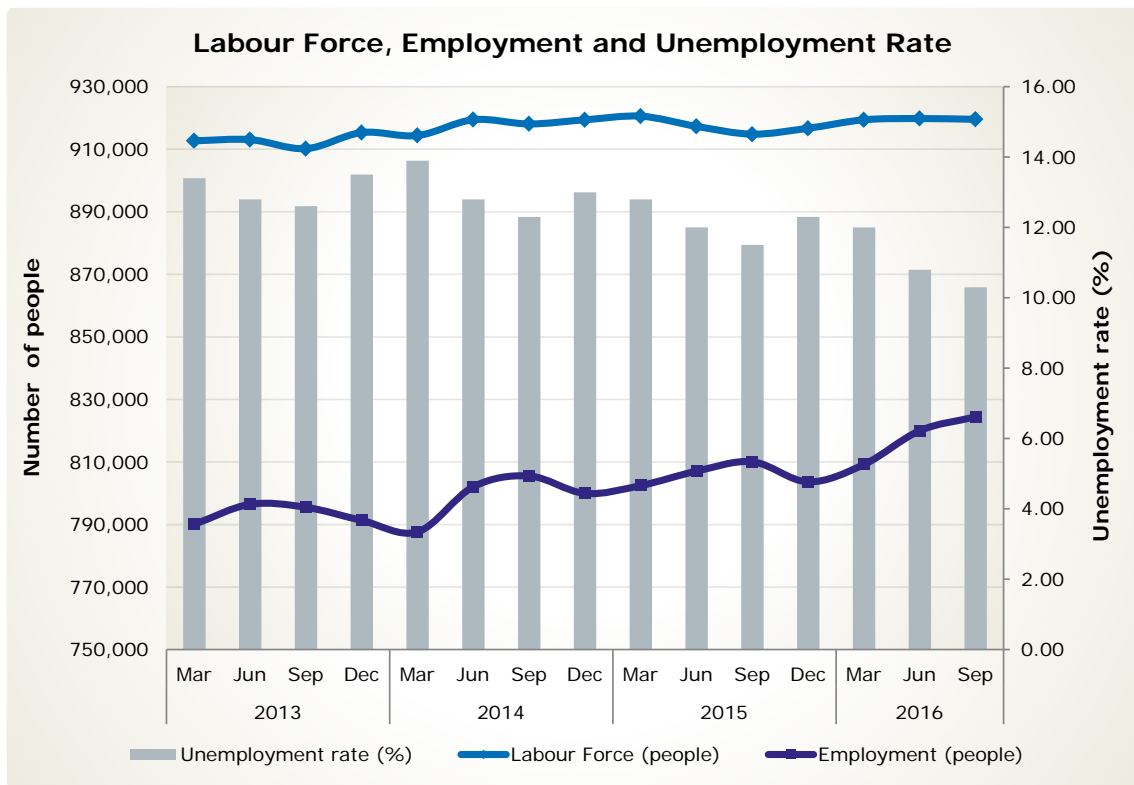
3. LABOUR MARKET

Unemployment rate went down y/y to 10.3% as of September 2016

The unemployment rate in Slovenia narrowed to 10.3% of the total labour force in September 2016 from 11.5% a year earlier, according to data of SURS.

The employed population aged 15 years and older was 824,438, up by 1.8% y/y. Self-employed persons made up 10.4% of the total employment in the country.

The youth (population aged 15-24) unemployment rate went down to 19.1%, compared to 23.1% a year earlier.



Source: SURS

According to data of SURS, the average monthly net salary in Q3 2016 grew by 1.5% y/y to EUR 1,016. The employed in the public sector earned average monthly net wage of EUR 1,176, up 2.0%, while private sector employees earned on average EUR 936, up from EUR 923 a year ago.

4. CONSTRUCTION AND REAL ESTATE

The number of building permits increased by 27.5% y/y in Q3 2016

The number of building permits issued in Slovenia in the third quarter of 2016 jumped by 27.5% y/y and totalled 1,747, according to SURS data.

Permits for housing projects went down by 6.8% y/y to 588, while the permits for office buildings numbered seven, compared to six in Q3 2015.

The total built-up area of the office units, covered by the permits, was 1,903 sq m versus 1,404 sq m a year earlier. The total built-up area of the housing units decreased by 5.1% to 149,482 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 1.166 in Q3 2016 from USD 1.1292 in the previous quarter, Q2 2016, and inched up by 0.4% annually, according to the European Central Bank (ECB).

EUR Average Exchange Rate			
Foreign Currency	Q3 2016	Q2 2016	Q3 2015
USD	1.1166	1.1292	1.1117
GBP	0.8497	0.7868	0.7173
CHF	1.0889	1.0961	1.0723

5.2. MONETARY AGGREGATES

Slovenia contributed EUR 22.195 bln to Eurozone's M3 Monetary Aggregate²

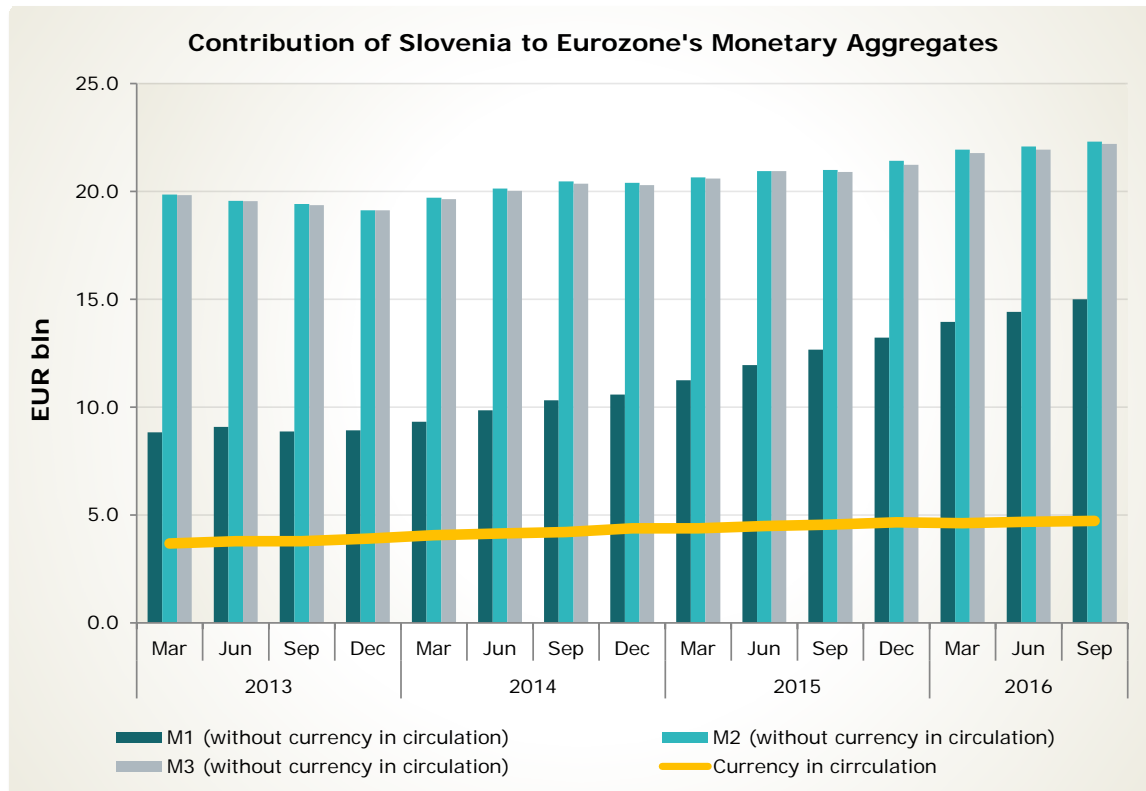
Slovenia's contribution to the M3 (broad money) aggregate of the Eurozone was EUR 22.195 bln, without currency in circulation, at end-September 2016, up 6.2% y/y, according to Bank of Slovenia (BSI).

The country's contribution to the M2 aggregate amounted to EUR 22.313 bln, up from EUR 20.989 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 18.5% y/y to EUR 15.000 bln.



Source: BSI

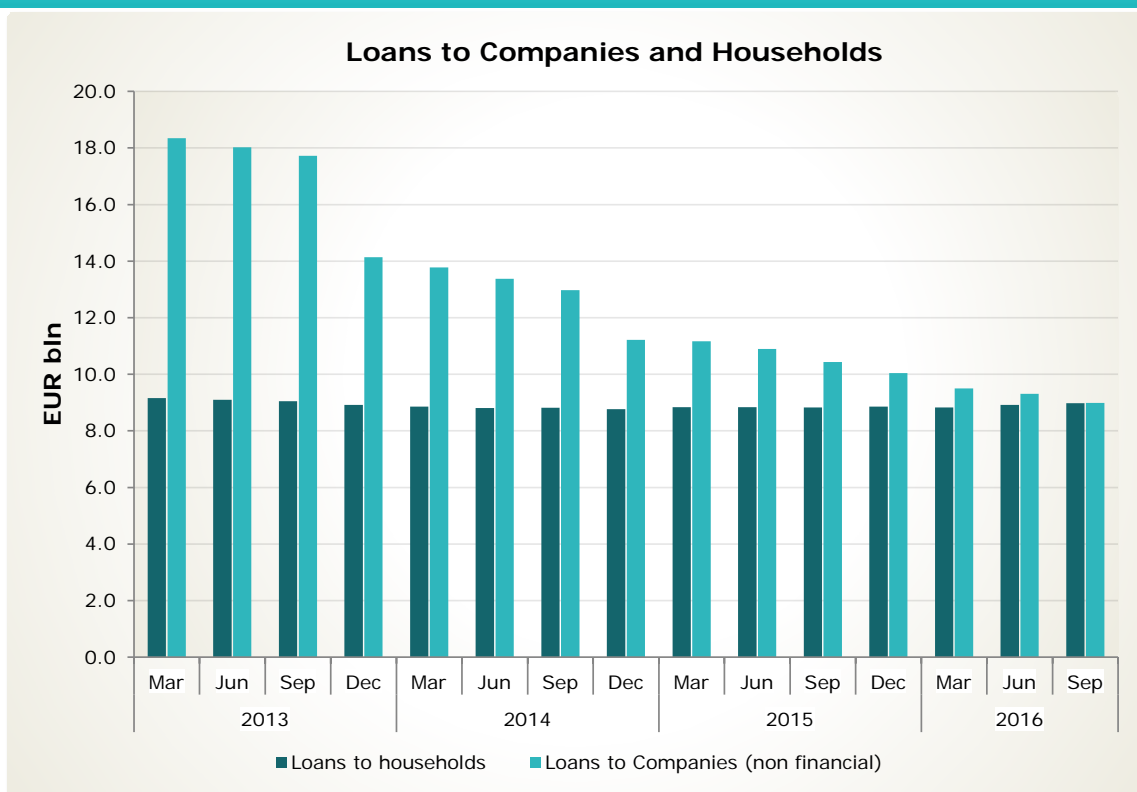
5.3. BANKING

Household loans up 1.7% y/y as of September 2016

Household loans totalled EUR 8.974 bln at end-September 2016 versus EUR 8.825 bln a year ago, according to BSI. House purchasing loans grew by 3.3% y/y to EUR 5.655 bln, while consumer loans inched up by 1.8%, reaching EUR 2.093 bln.

Loans to non-financial corporations dropped by 13.9% y/y to EUR 8.984 bln. As of July and August 2016 they amounted to EUR 9.236 bln and EUR 9.044 bln, respectively.

At the end of September 2016, the assets of the banking system totalled EUR 39.607 bln, which was a 1.0% decline in comparison to June 2016 and a 5.2% annual decrease.



Source: BSI

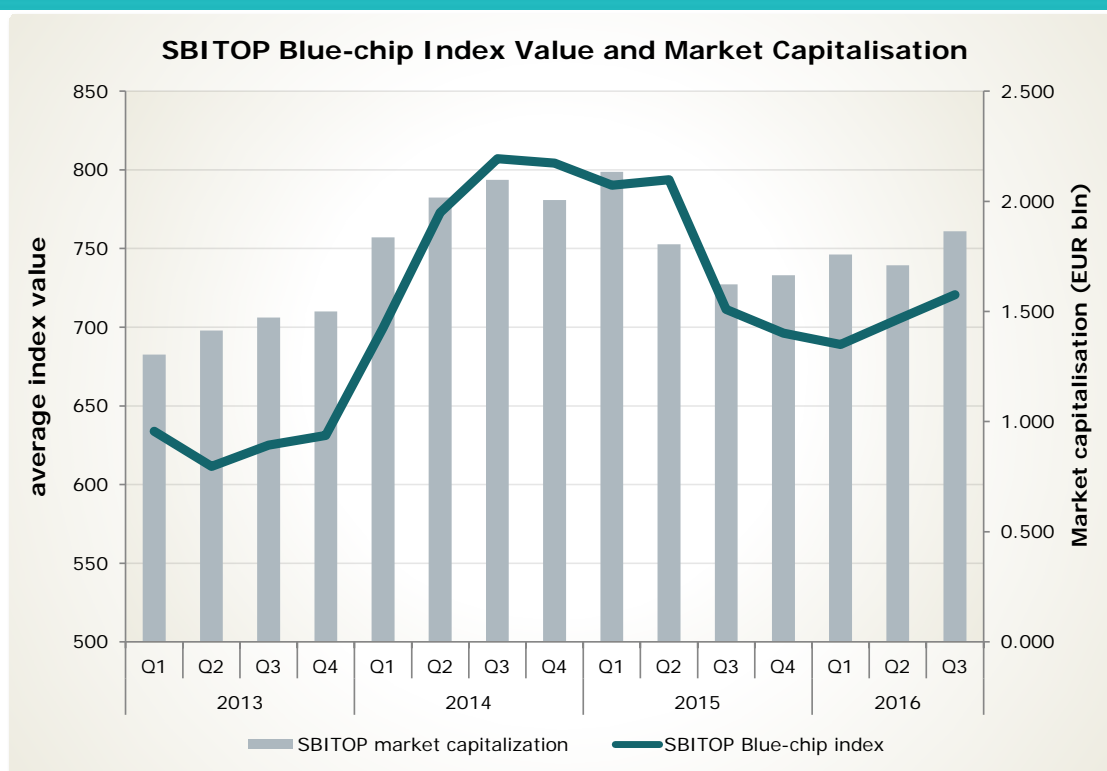
6. CAPITAL MARKETS

Blue-chip index SBITOP went up by 1.3% y/y in Q3 2016

The average value of SBITOP, the blue-chip index of the Ljubljana Stock Exchange (LJSE), inched up 1.3% y/y to 720.67 points in Q3 2016. In comparison to the previous quarter, Q2 2016, SBITOP gained 15.7 points.

The total turnover on LJSE's regulated market reached EUR 82.653 mln in the third quarter of 2016 versus EUR 62.012 mln in the previous quarter and EUR 96.872 mln in Q3 2015.

The number of trades stood at 17,595, compared to 10,857 in Q2 2016 and 10,416 in Q3 2015.



Source: LSE

7. EXTERNAL SECTOR

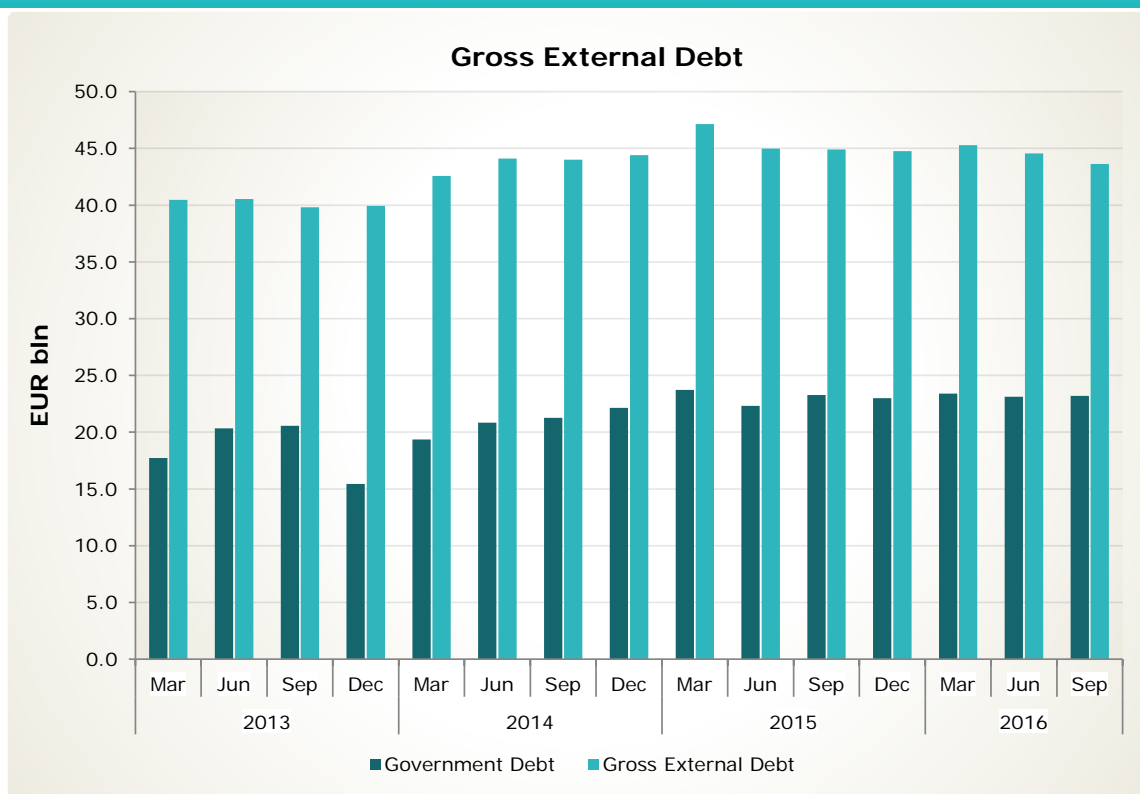
7.1. FOREIGN DEBT

The gross external debt narrowed y/y to EUR 43.621 bln at end-September 2016

Slovenia's gross external debt totalled EUR 43.621 bln at the end of September 2016, according to BSI. It narrowed by 2.8% or EUR 1.274 bln, compared to September 2015. In comparison to the end of June 2015 the gross external debt decreased by EUR 945.0 mln.

As of end-September 2016, long-term liabilities amounted to EUR 32.313 bln, or 74.1% of the total debt, while short-term liabilities totalled EUR 7.537 bln, equal to 17.3% of the total debt.

Government debt stood at EUR 23.188 bln, or 53.2% of the total, at end-September 2016. It inched down by 0.4% y/y.



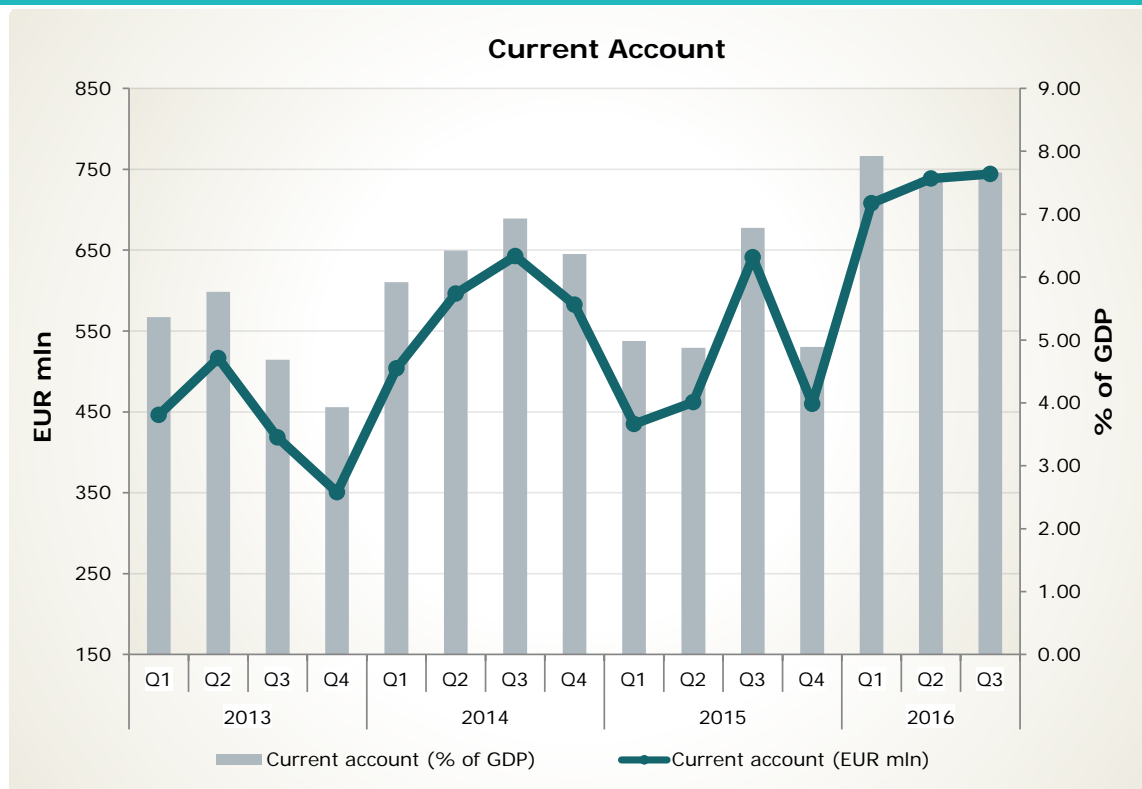
Source: BSI

7.2. BALANCE OF PAYMENTS

Current account surplus at EUR 744.0 mln in Q3 2016

The current account surplus of Slovenia was EUR 744.0 mln in Q3 2016, compared to EUR 641.2 mln a year earlier, according to central bank statistics data.

Secondary income in the third quarter of 2016 was negative, at EUR 153.3 mln, compared to the also negative EUR 107.3 mln a year earlier.



Source: BSI

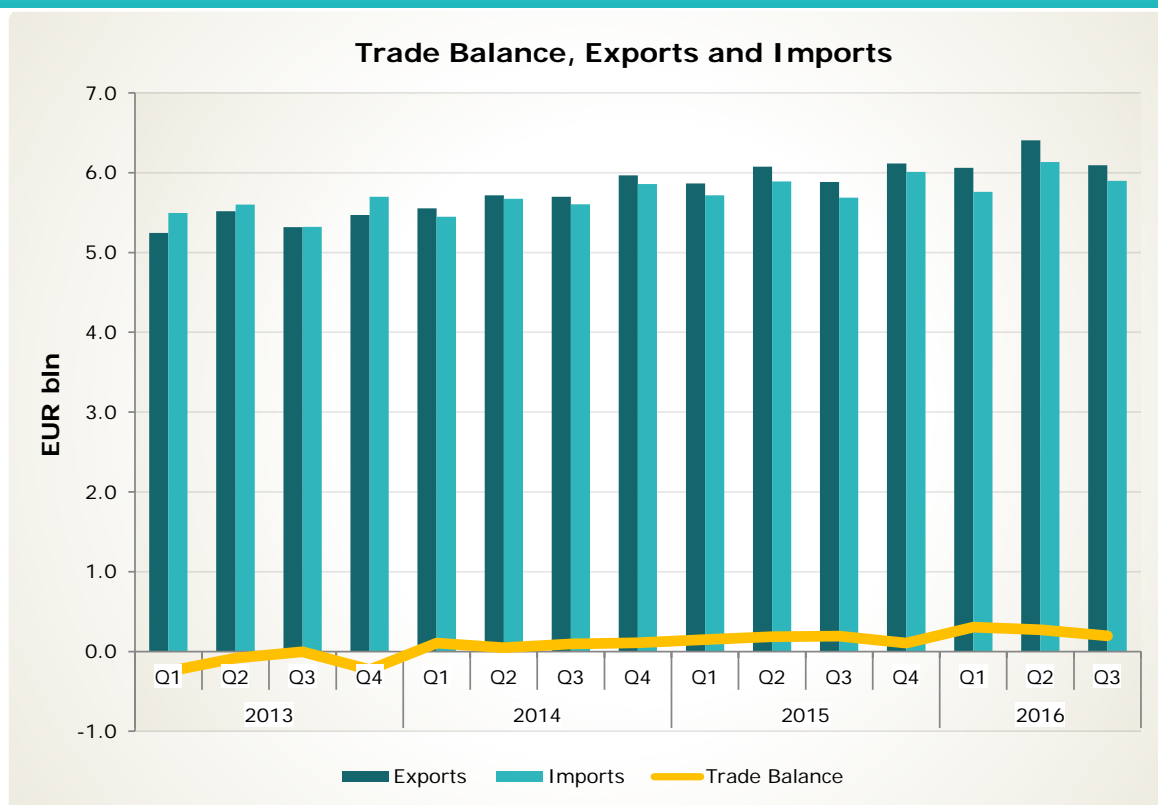
7.3. FOREIGN TRADE

Foreign trade surplus at EUR 196.1 mln in Q3 2016

The trade balance showed a surplus of EUR 196.1 mln in Q3 2016, up from EUR 193.0 mln in the corresponding quarter of the previous year, according to SURS data.

Slovenia's most exported goods in Q3 2016 were road vehicles, which accounted for 14.4% of the total exports, followed by electrical machinery, appliances, and spare parts with a 9.9% share, and medicinal and pharmaceutical products with a 9.8% share.

In terms of imports, the main goods were again road vehicles, which made up 12.8% of the total, followed by electrical machinery, appliances, and spare parts, which had a 6.6% share and petroleum, petroleum products and related materials, slicing a 6.5% share.



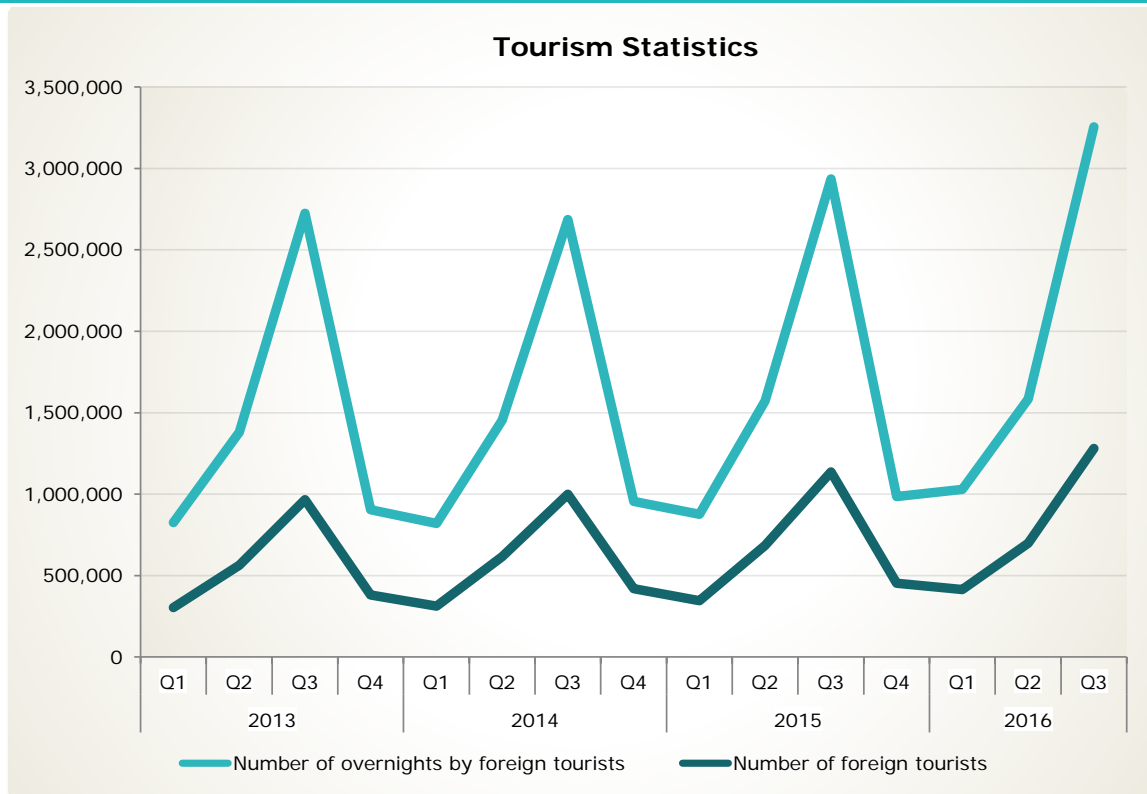
Source: SURS

7.4. TOURISM

Number of foreign tourist overnights up by 10.9% y/y in Q3 2016

Tourist overnights of foreigners grew by an annual 10.9% to 3,255,389 in Q3 2016, according to SURS data. The share of foreign tourists in the total number of overnights increased to 70.9% from 69.7% a year earlier.

The number of foreign tourists also increased, by 12.7% to 1,281,283. Most foreign tourists visiting Slovenia in the third quarter of 2016 came from Italy – 169,627, followed by tourists from Germany – 160,690, and Austria – 102,137.



Source: SURS

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