

SLOVENIA ECONOMY REPORT

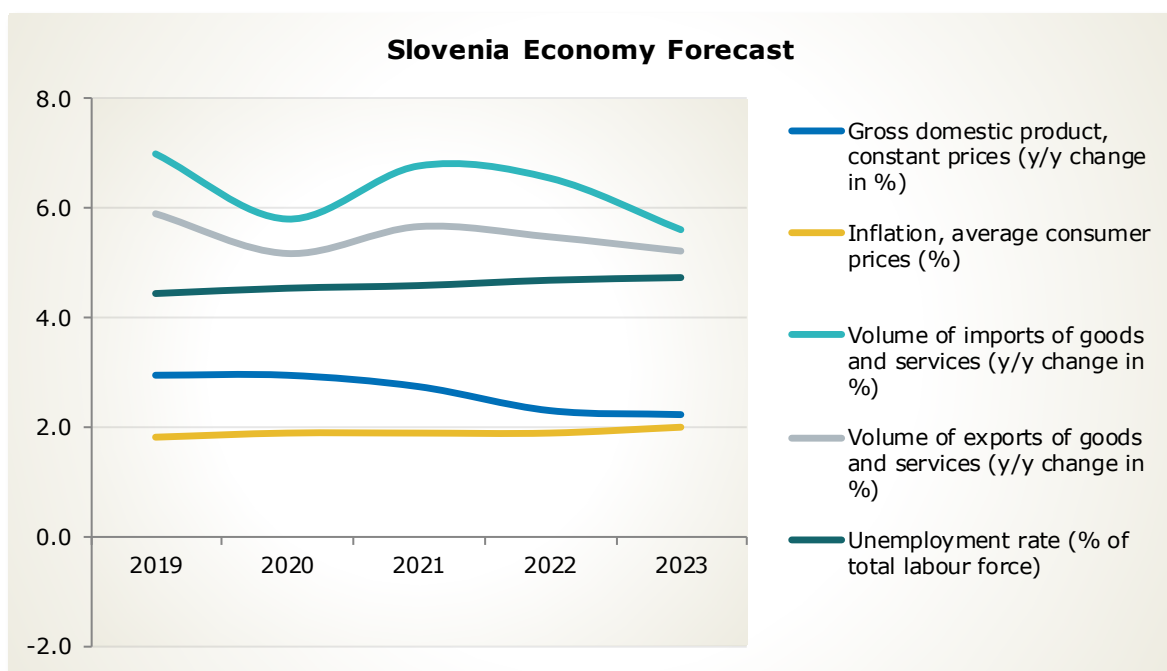
Q3 2019

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1. MACROECONOMIC SNAPSHOT AND FORECAST

SLOVENIA – MACROECONOMIC SNAPSHOT AS OF Q3 2019	
GDP Growth	2.3% y/y
Industrial output	3.2% y/y
Industrial sales	2.2% y/y
Wholesale	4.6% y/y
Retail trade	1.8% y/y
Average annual inflation	1.7%
Unemployment rate	4.8%
Number of building permits	-7.1% y/y
Household loans	5.9% y/y
SBITOP blue-chip index	-1.3% q/q
Gross external debt	EUR 44.8 bln
Current account surplus	EUR 782.2 mln
Foreign trade deficit	EUR 98.2 mln
Number of foreign tourist overnights	1.4% y/y



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

In 2019, the Slovenian economy is expected to rise by 2.9%, a slowdown compared to 2018 due to weaker exports demand and increasing capacity constraints, according to IMF projections. In the medium term 2021-2023, growth should slow down to 2.2% – 2.7%, 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. IMF projects volume imports of goods and services to increase faster than the volume of exports, which will narrow the current account surplus.

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

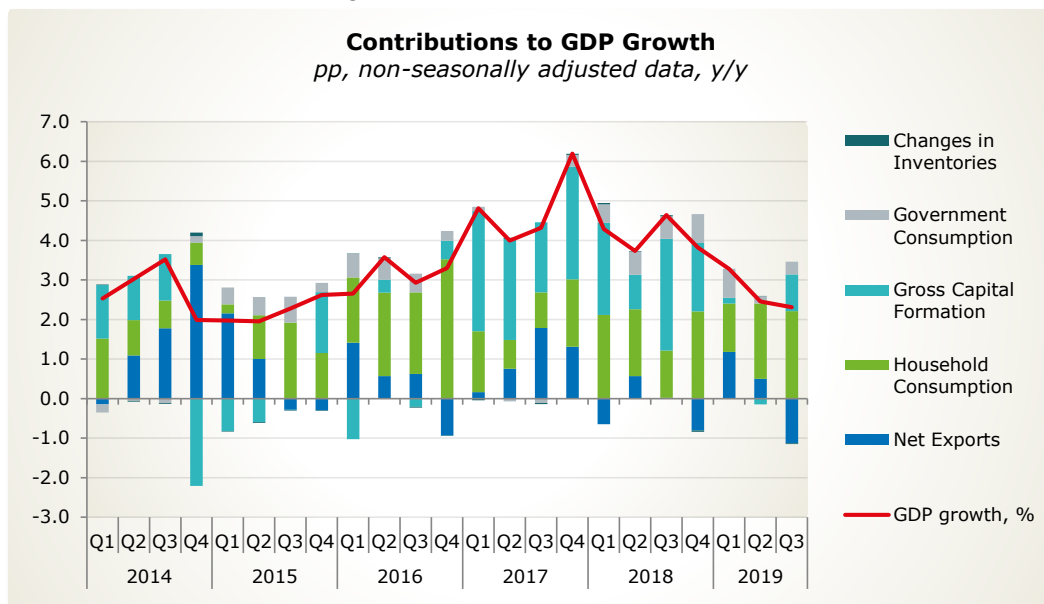
2.1. GROSS DOMESTIC PRODUCT (GDP)

GDP growth at 2.3% in Q3 2019

The annual growth rate of the Slovenian economy stood at 2.3% in Q3 2019, down from 4.6% y/y in Q3 2018, according to data of the Statistical Office of the Republic of Slovenia (SURS).

Household consumption was the main contributor to the annual economy growth in the third quarter of 2019, adding 2.2 pp to the GDP increase. Net exports, on the other hand, took away 1.1 pp.

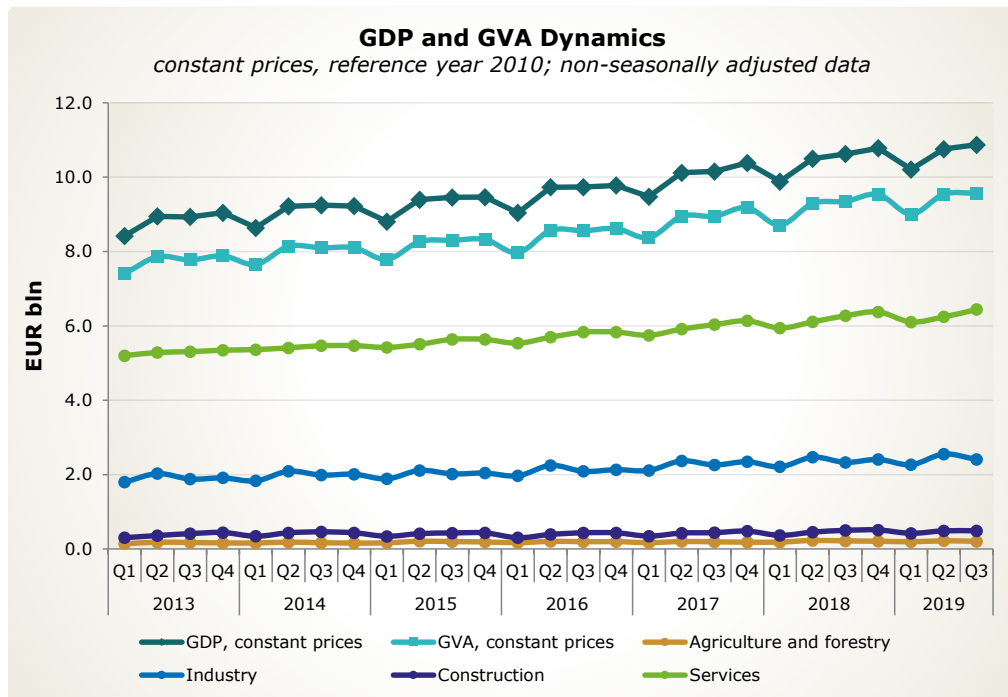
In Q3 2019, household consumption grew in real terms by 4.3%, followed by gross capital, rising by 4.4% on the year, while government consumption inched up by 1.8% in real terms.



Source: SURS; SeeNews calculations

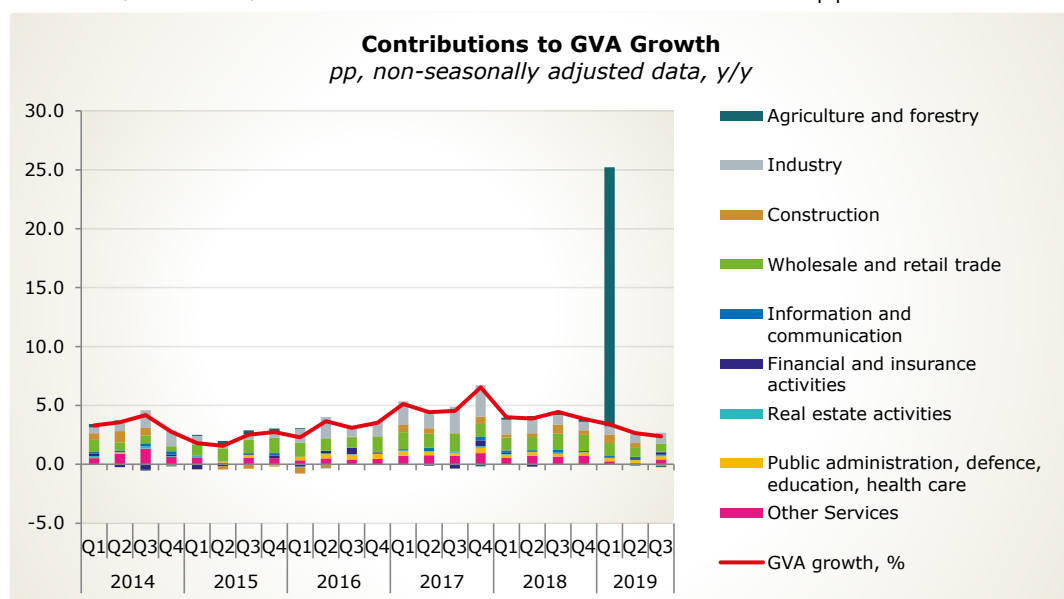
Note: Non-additive data due to direct chain-linking of GDP and its components. Contribution of changes in inventories has been derived as a residual.

The gross value added (GVA) generated by the national economy increased by 2.4% y/y in Q3 2019 and totalled EUR 9.6 bln. The industrial sector grew in value by 3.5% y/y with its share in the GVA structure climbing to 25.2% from 24.9% in Q3 2018. The services sector recorded a 2.7% annual increase, slicing a 67.3% share in the GVA, up from 67.1% a year ago. The agricultural sector registered an annual drop of 4.6% and its share in the GVA inched down to 2.2% from 2.3%. Construction shrank by 2.3% y/y and its GVA share went down to 5.1% from 5.3% in Q3 2018.



Source: SURS

The largest contributor to the overall GVA growth in Q3 2019 was the industrial sector with 0.9 pp. Other major contributors included wholesale and retail with 0.7 pp and the public administration, defence, education and health care sector with 0.3 pp.



Source: SURS; SeeNews calculations

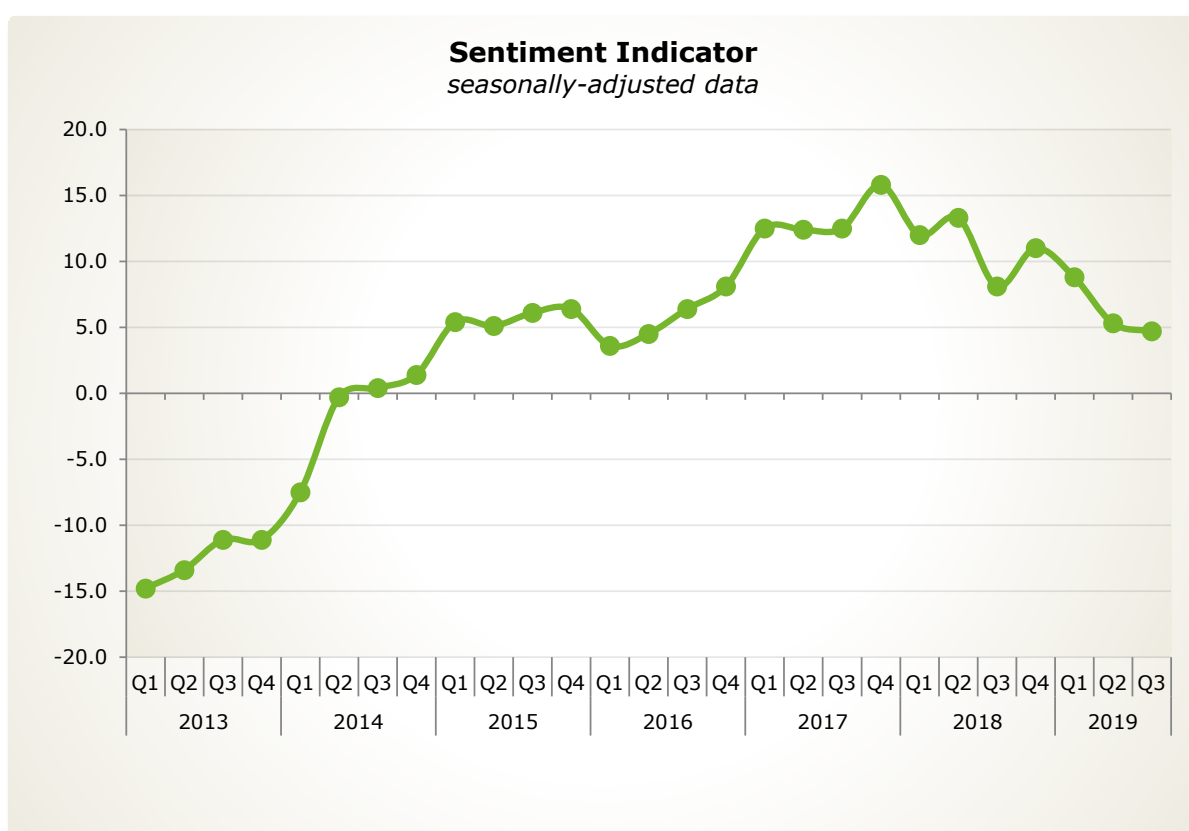
Note: Non-additive data due to direct chain-linking of GDP and its components.

2.2. BUSINESS CLIMATE

The sentiment indicator went down in Q3 2019 compared to a year ago

The weakened economic growth in Q3 2019 led to a deterioration of sentiment among businesses in the country, according to SURS. The positive sentiment declined in Q3 2019 to 4.7 points, compared to 8.1 in the same quarter of the previous year.

In September 2019, the sentiment indicator was the highest in services – 20 points, followed by the retail trade sector with 19 points. It was lower in the construction sector standing at 10 points. The consumer confidence indicator recorded negative 11 points and the confidence indicator in manufacturing – negative 1 point.

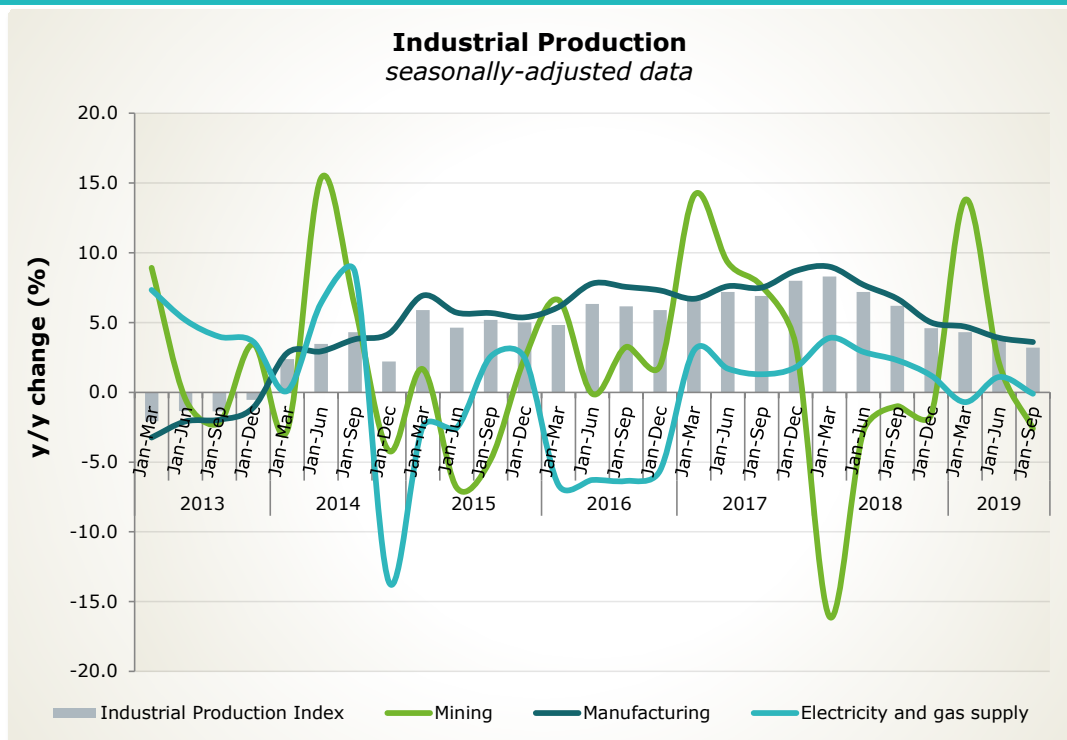


Source: SURS

2.3. INDUSTRIAL OUTPUT

Industrial output expanded by 3.2% y/y in Jan-Sept 2019

Industrial output growth stood at 3.2% y/y in January-September 2019, down from the 6.2% y/y growth in the third quarter of 2018, according to seasonally-adjusted data of SURS. The overall output in manufacturing grew by 3.6%, the output of the mining sector went down by 2.6%, while the production of the electricity and gas supply shortened by 0.1%.

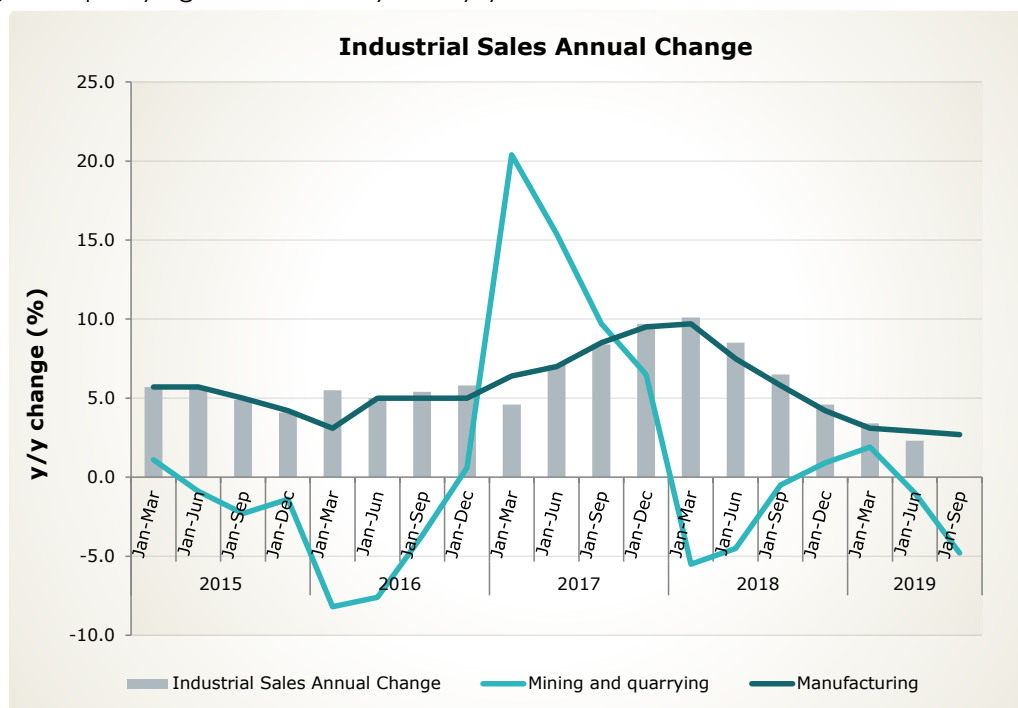


Source: SURS

2.4. INDUSTRIAL SALES

Industrial sales growth slowed down in Jan-Sept 2019

Industrial sales in Slovenia increased by real 2.2% y/y in Q3 2019, down from a 6.5% annual rise in Q3 2018, according to SURS. Sales in the manufacturing sector rose by 2.7%, while those of mining and quarrying went down by 4.8% y/y.

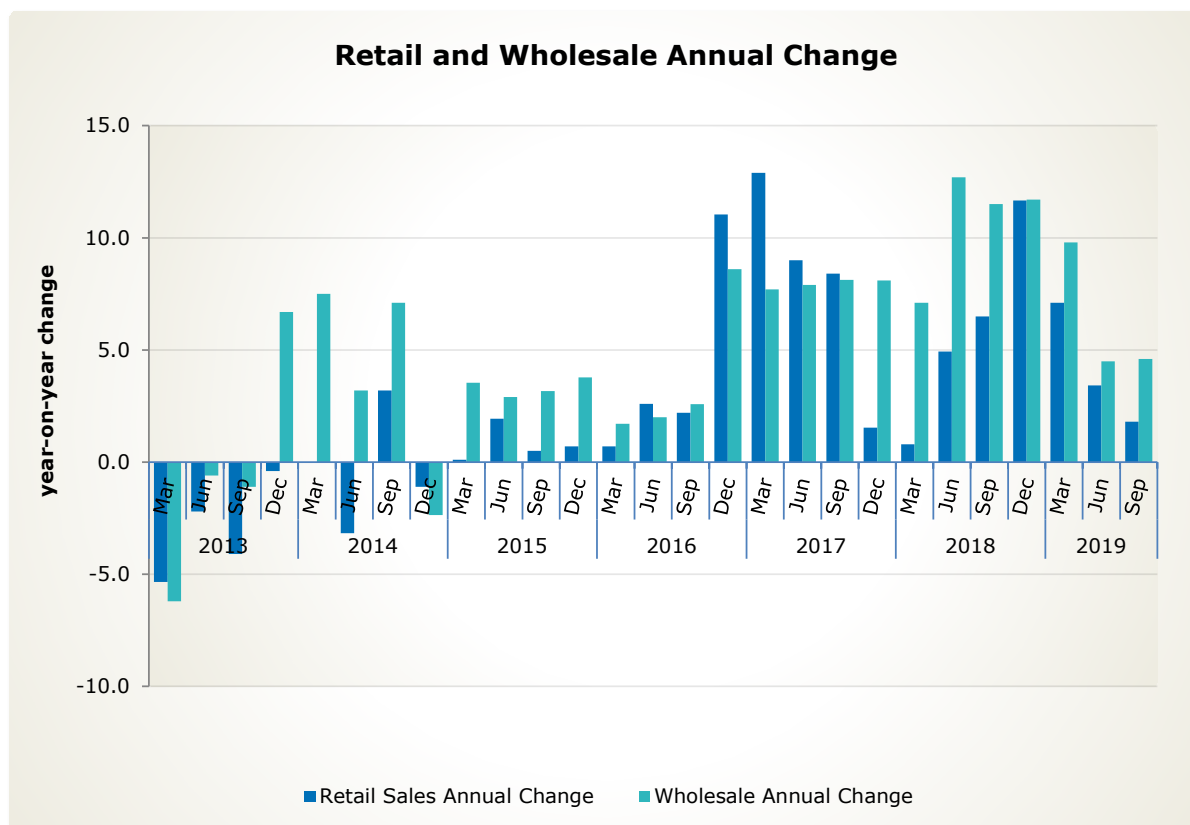


Source: SURS

2.5. WHOLESALE/RETAIL

Retail sales and wholesale grew faster in September 2019

In September 2019, the retail and wholesale trade sectors increased by 1.8% y/y and 4.6% y/y, respectively, compared to annual growth rates of 8.4% and 8.1% a year ago, according to the retail and wholesale index, published by SURS.

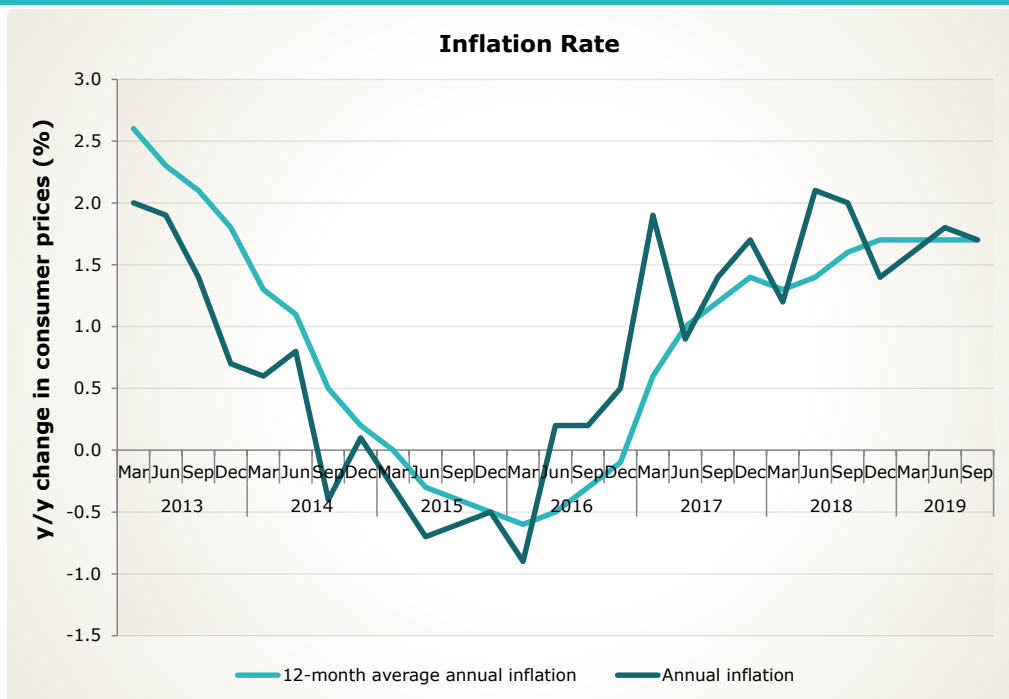


Source: SURS

2.6. INFLATION

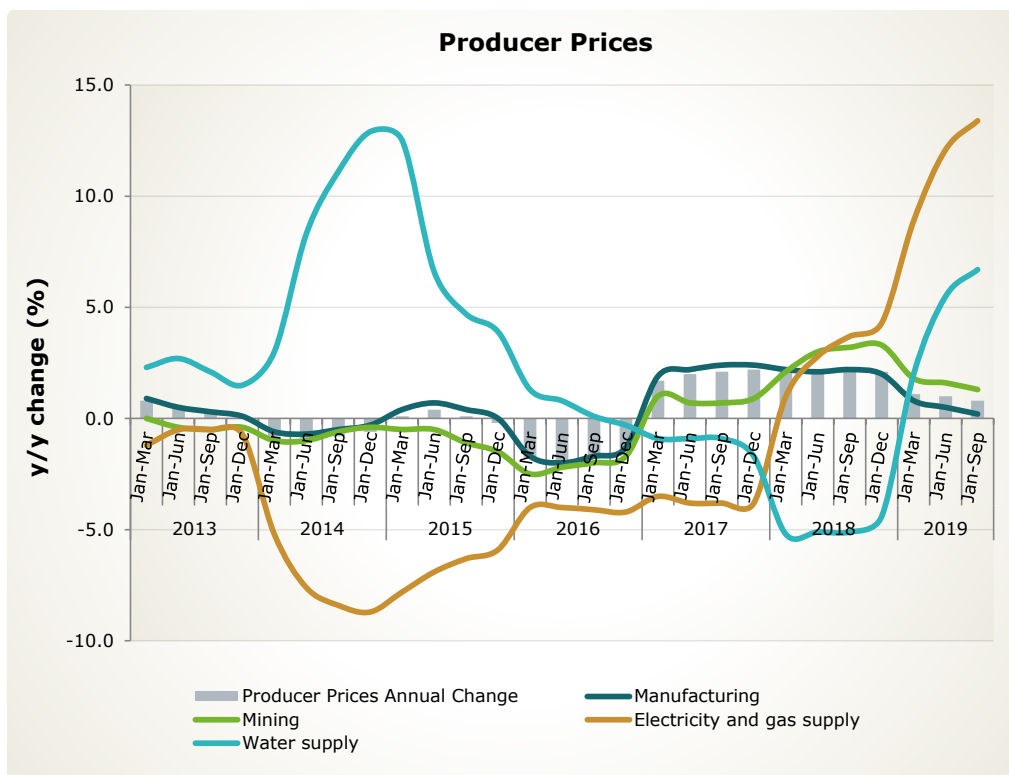
Average annual inflation at 1.7% as of September 2019

The 12-month average annual inflation stood at 1.7% as of September 2019, according to SURS data. The inflation remained at its June 2019 level, while in comparison to September 2018 it rose by 0.10 pp. The highest price increase, of 4.8%, was registered by housing and utility services, while in deflation terms transport services was on top with 0.5%.



Source: SURS

Producer prices growth slowed down to 0.8% y/y in Jan-Sept 2019, compared to 2.2% y/y in the same period of 2018, SURS data showed. The prices in the manufacturing sector went up by 0.2% y/y on average, while the rise in mining sector's producer prices was 1.3% y/y. Producer prices in electricity and gas supply went up by 13.4% y/y, while prices in the water supply segment increased by 6.7% y/y.



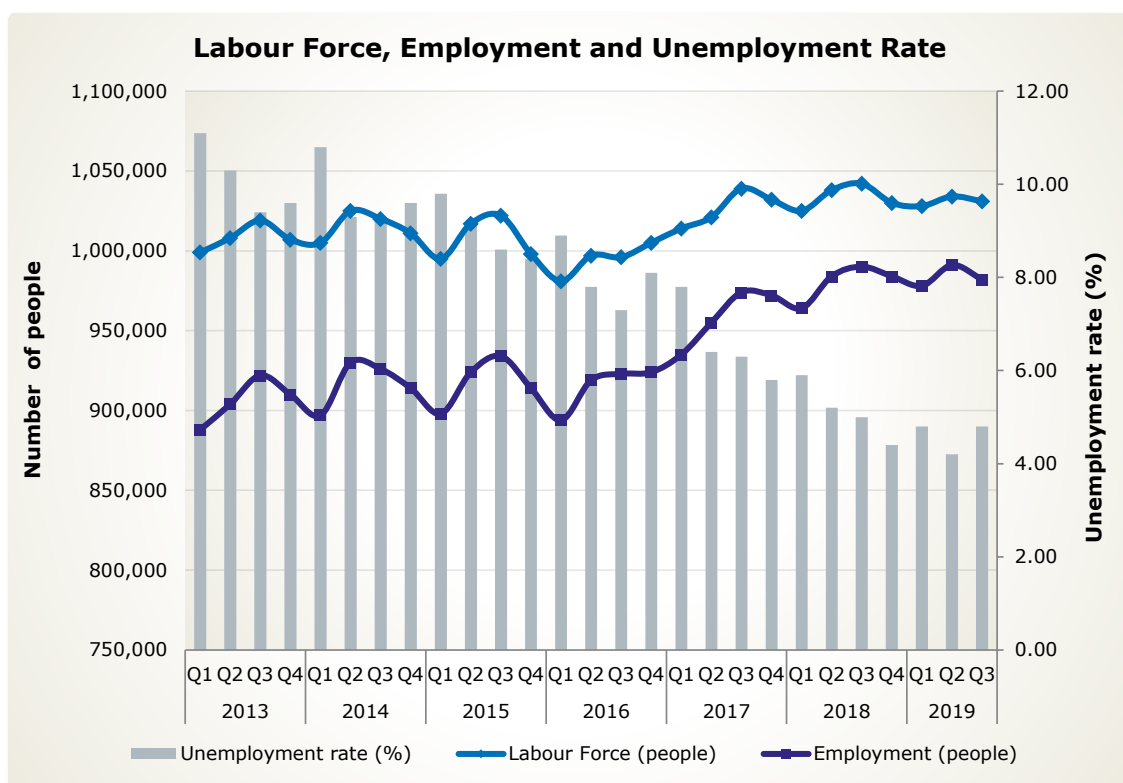
Source: SURS

3. LABOUR MARKET

Unemployment rate eased to 4.8% in Q3 2019 from 5.0% in Q3 2018

The unemployment rate in Slovenia narrowed to 4.8% of the total labour force in Q3 2019 from 5.0% in the same quarter of 2018, according to data of SURS. In the January 2013 – September 2019 period, the lowest unemployment rate, of 4.2%, registered in the country was in Q2 2019.

Youth (population aged 15-24) unemployment rate also eased, to 7.6%, compared to 9.2% in Q3 2018, and remained more than three times below the recorded-high 24.2% for the Q1 2013 – Q3 2019 period.



Source: SURS

According to data of SURS, the average monthly net salary in Q3 2019 grew by 3.8% y/y to EUR 1,113. The employed in the public sector earned average monthly net wage of EUR 1,297, an annual increase of 4.5%, while private sector employees earned on average EUR 1,029, up by 3.5% y/y.

4. CONSTRUCTION AND REAL ESTATE

The number of building permits decreased by 7.1% y/y in Q3 2019

Downtrend in the construction sector was registered in Q3 2019, according to data for new building permits issued in Slovenia, provided by SURS. The number of building permits issued in Q3 2019 was by 7.1% lower than in the third quarter of the previous year, totalling 1,610. Permits for housing projects also went down by 17.8% y/y to 617, while permits for non-residential and office buildings were 3.7% more than the same quarter of the previous year and numbered 979.

The total built-up area of the office units, covered by the permits, was 219,374 sq m, down 4.8% y/y. The total built-up area of the housing units decreased by 16.7% to 175,182 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 1.1119 in Q3 2019 from USD 1.1629 in Q3 2018, according to the European Central Bank (ECB).

EUR Average Exchange Rate			
Foreign Currency	Q3 2019	Q2 2019	Q3 2018
USD	1.1119	1.1237	1.1629
GBP	0.9021	0.8748	0.8924
CHF	1.0960	1.1265	1.1445

5.2. MONETARY AGGREGATES

Slovenia contributed EUR 28.1 bln to Eurozone's M3 Monetary Aggregate² as of Q3 2019

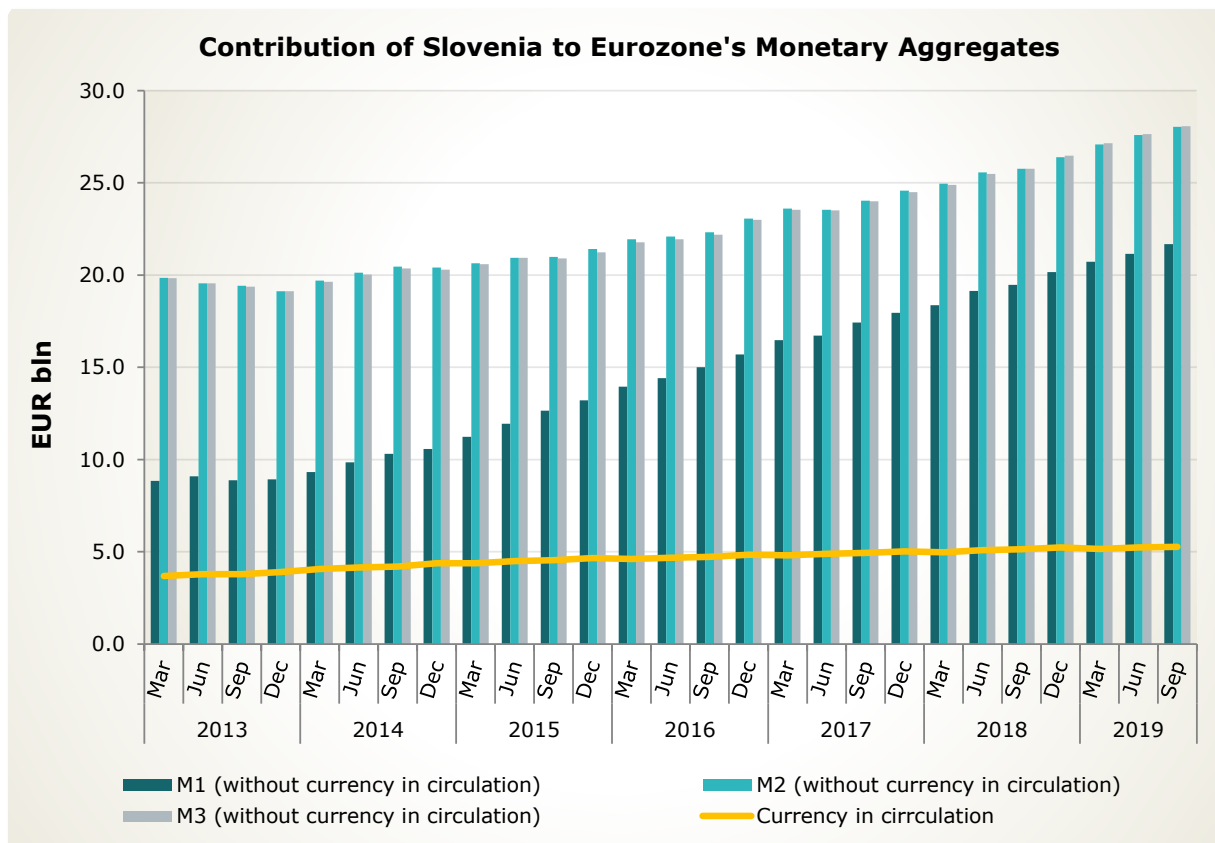
Slovenia's contribution to the M3 (broad money) aggregate of the Eurozone was EUR 28.1 bln, without currency in circulation, in Q3 2019, up 9.0% y/y, according to Bank of Slovenia.

The country's contribution to the M2 aggregate amounted to EUR 28.0 bln, up from EUR 25.8 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 11.4% y/y to EUR 21.7 bln. Currency in circulation expanded modestly by 2.6% on the year to reach EUR 5.3 bln in Q3 2019.



Source: BSI

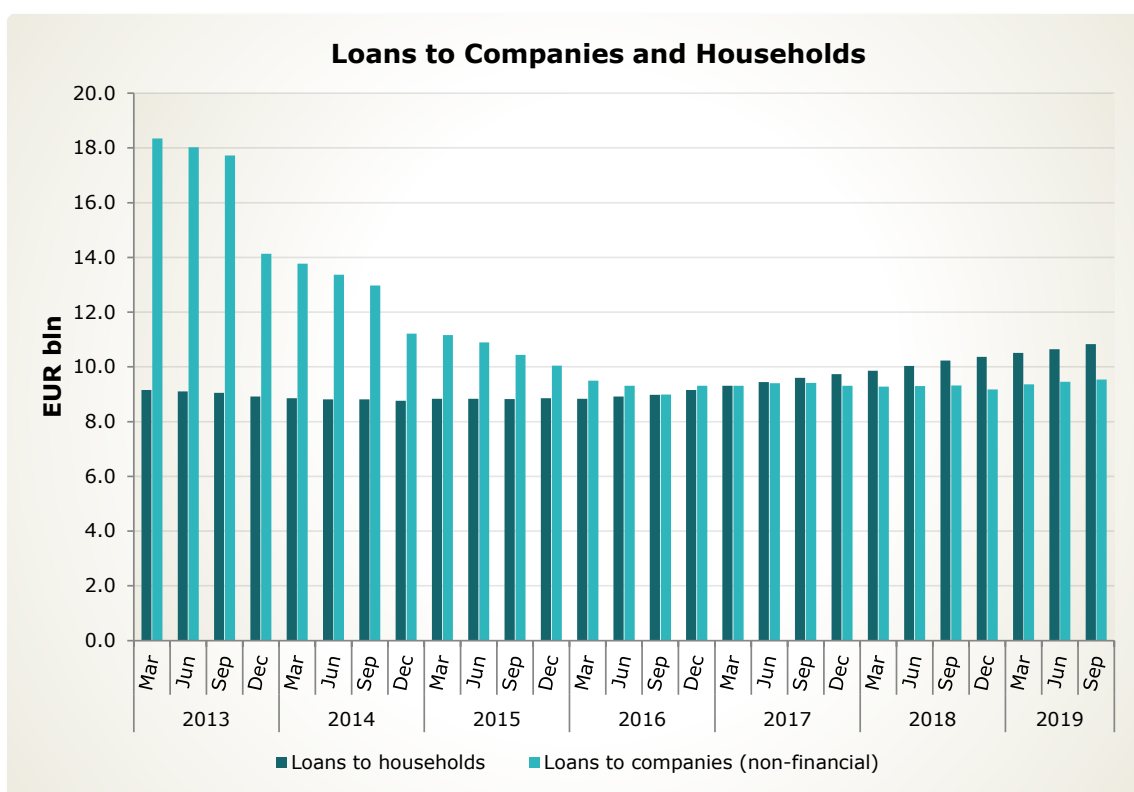
5.3. BANKING AND INSURANCE

Household loans continued their strong performance in Q3 2019, increasing by 5.9% y/y

Household loans totalled EUR 10.8 bln in September 2019 versus EUR 10.2 bln a year ago, according to BSI. House purchasing loans grew by 5.0% y/y to EUR 6.486 bln, while consumer loans went up by 10.9%, reaching EUR 2.9 bln.

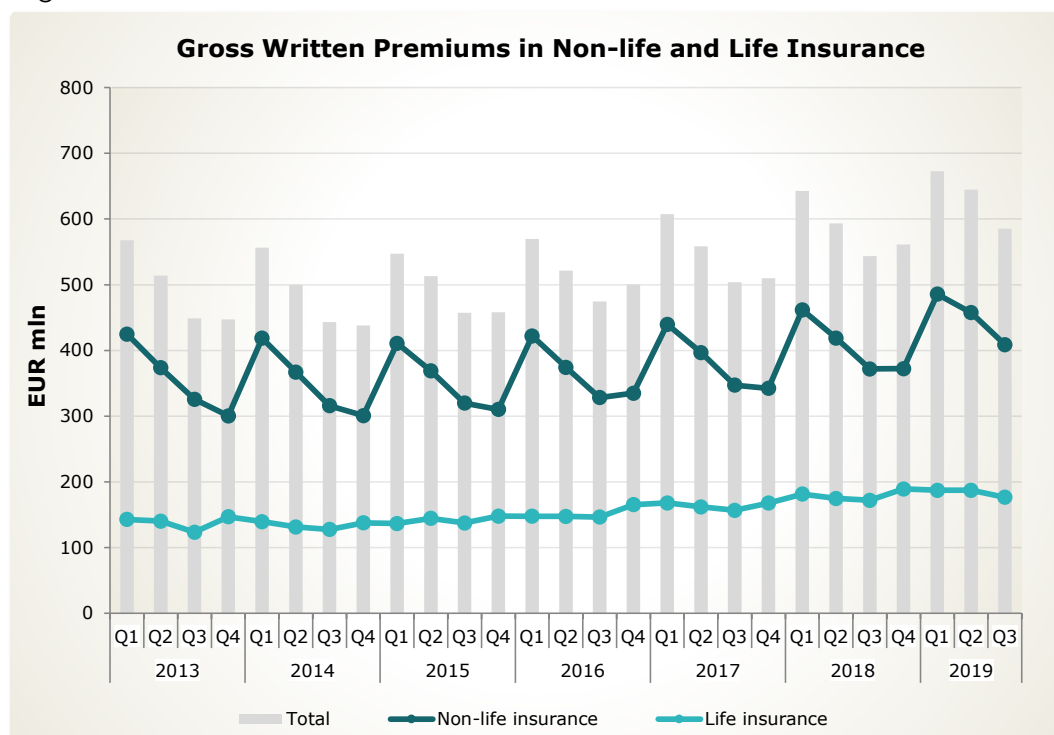
Loans to non-financial corporations stood at EUR 9.5 bln, up by EUR 217.0 mln compared to September 2018.

At the end of Q3 2019, the assets of the banking system totalled EUR 42.056 bln, up 3.9% y/y.



Source: BSI

Slovenia's insurance market reported an annual growth of 7.7% to EUR 585.3 in Q3 2019, according to the Slovenian Insurance Association. It was driven predominantly by the non-life insurance segment, which grew by 10.0% to EUR 408.8 mln, while life insurance gained 2.7%, reaching EUR 176.5 mln.



Source: Slovenian Insurance Association

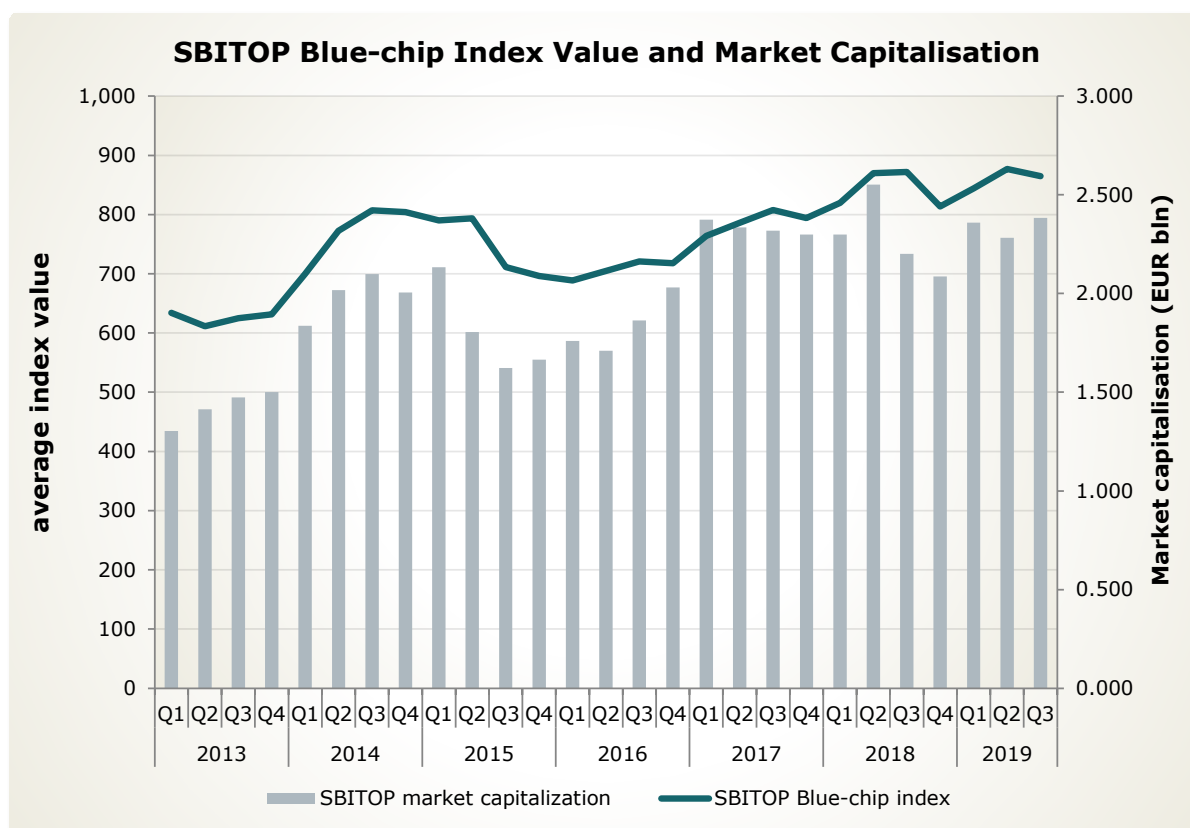
6. CAPITAL MARKETS

Blue-chip index SBITOP went down by 1.3% q/q in Q3 2019

The average value of SBITOP, the blue-chip index of the Ljubljana Stock Exchange (LJSE), decreased by 1.3% q/q to 865.1 points in Q3 2019.

The total turnover on LJSE's regulated market reached EUR 75.0 mln in Q3 2019 versus EUR 62.4 mln in Q3 2018 and EUR 88.5 mln in Q2 2019.

The number of trades stood at 6,957 in Q3 2019, compared to 8,163 in Q3 2018 and 7,685 in Q2 2019.



Source: LSE

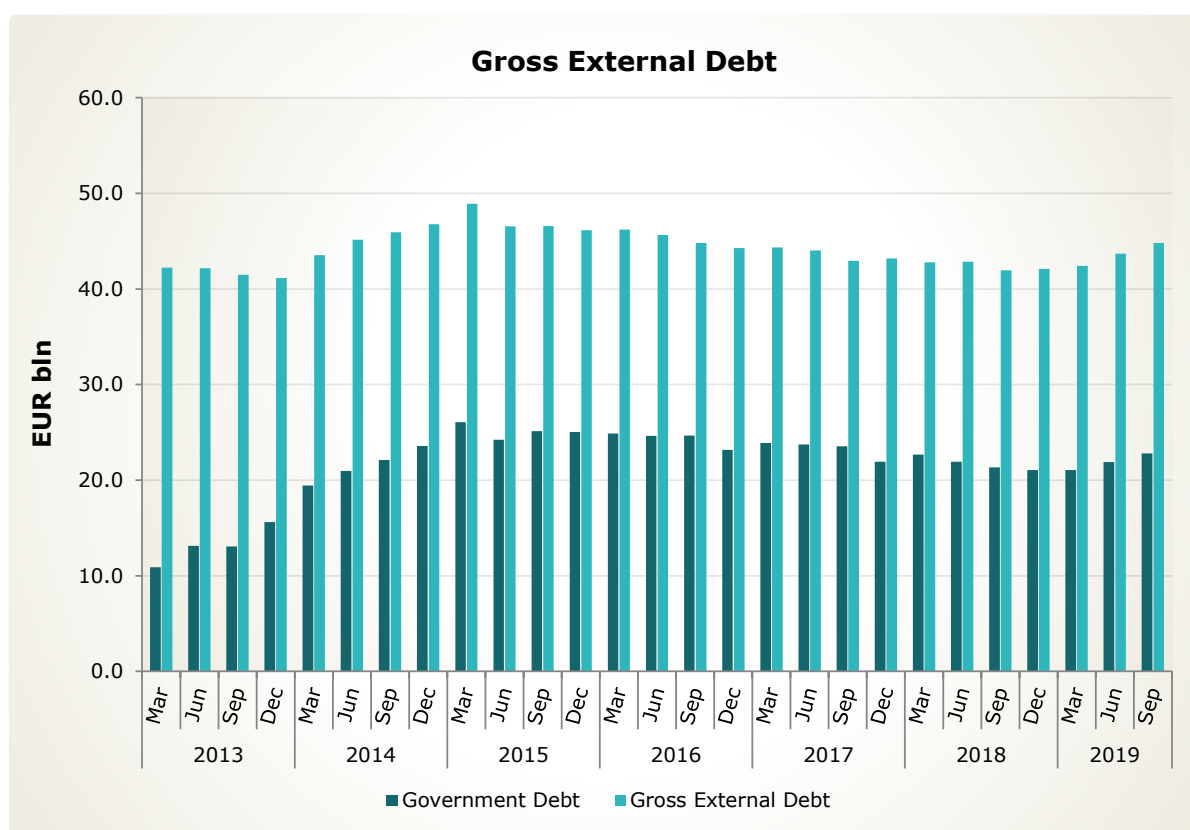
7. EXTERNAL SECTOR

7.1. FOREIGN DEBT

The gross external debt increased by 6.8% y/y to EUR 44.8 bln as of September 2019

Slovenia's gross external debt totalled EUR 44.8 bln as of September 2019, according to BSI. It widened by EUR 2.8 bln, compared with end-September 2018, according to SURS data.

Government debt expanded to EUR 22.8 bln as of September 2019 from EUR 21.3 bln in the same month of the previous year. Long-term liabilities amounted to EUR 29.8 bln, or 66.5% of the total debt, while short-term liabilities totalled EUR 10.7 bln, equal to 23.9% of the total debt.

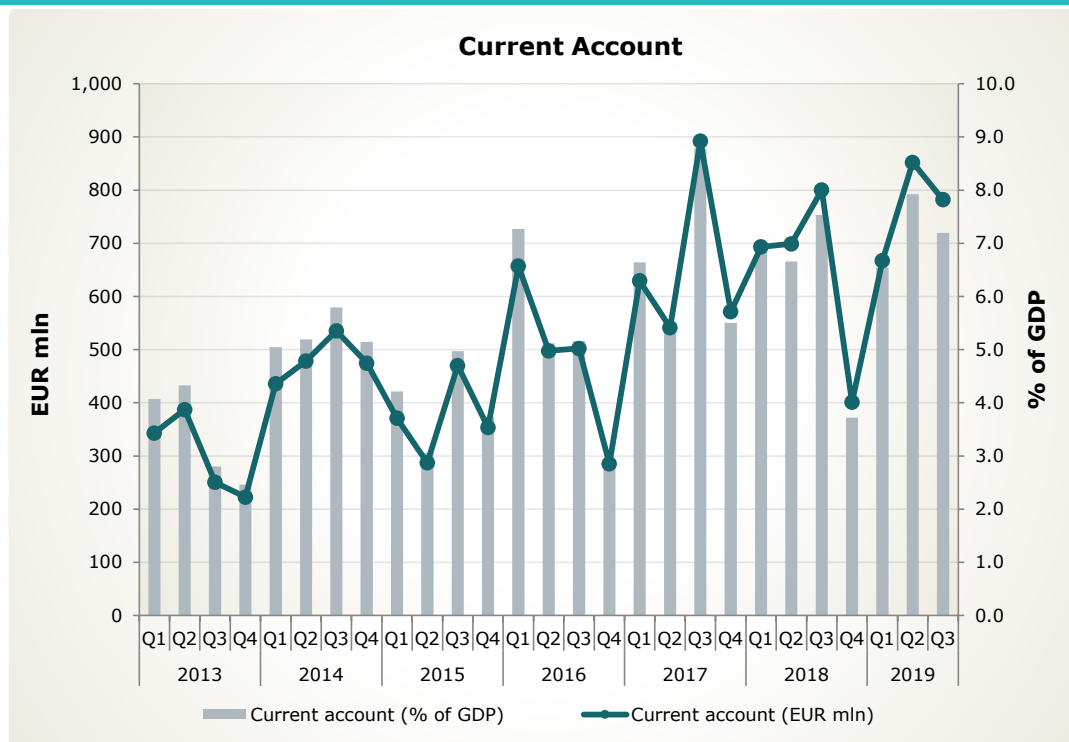


Source: BSI

7.2. BALANCE OF PAYMENTS

Current account surplus down by 2.2% y/y in Q3 2019

Slovenia's current account surplus stood at EUR 782.2 bln in Q3 2019, down by 2.2% from EUR 800.2 bln in Q3 2018, according to BSI.

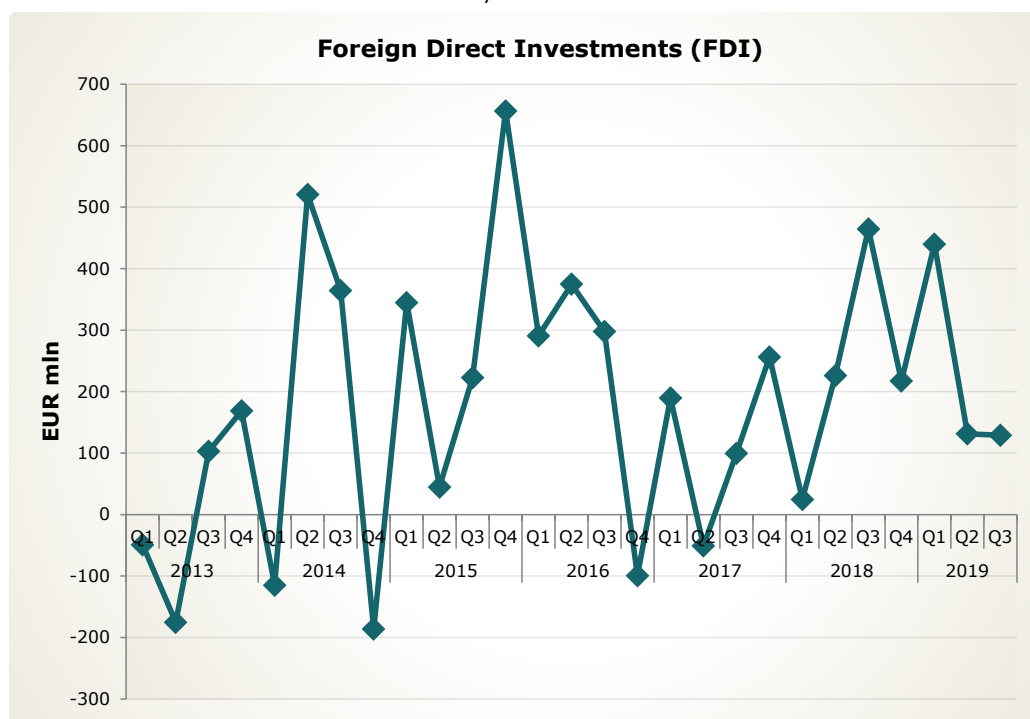


Source: BSI

7.3. FDI

Foreign direct investments dropped in Q3 2019

In Q3 2019, FDI inflow in the Slovenian economy amounted to EUR 129.1 mln, marking a 72.2% annual drop compared to the EUR 464.6 mln in Q3 2018, according to central bank data. The FDI inflow accounted for 1.2% of the country's GDP in Q3 2019.

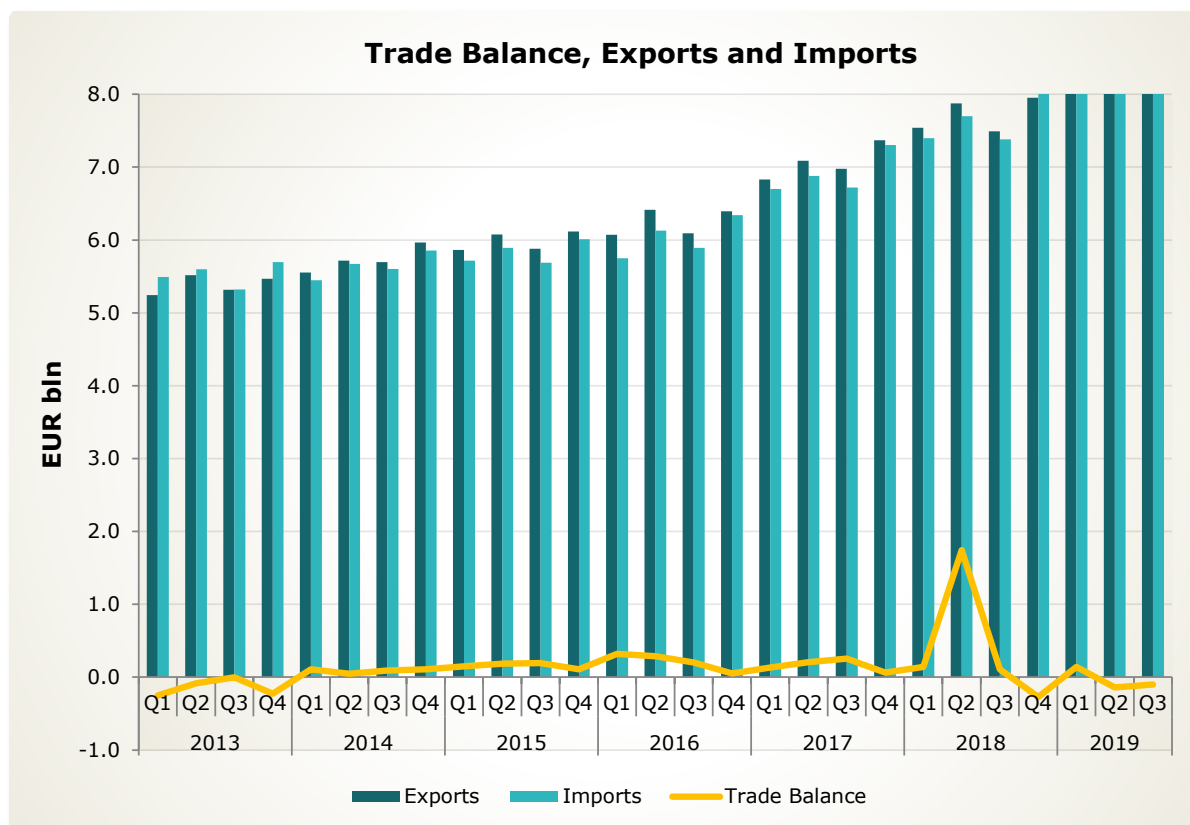


Source: BSI

7.4. FOREIGN TRADE

Foreign trade deficit EUR 98.2 mln in Q3 2019

In Q3 2019, the foreign trade switched to a EUR 98.2 mln deficit from a surplus of EUR 106.5 mln in Q3 2018, according to SURS data. The annual growth in exports was 10.9% and they reached EUR 8.3 bln, while imports went up faster, by 13.8% to EUR 8.4 bln.



Source: SURS

7.5. TOURISM

Number of foreign tourist overnights up by 1.4% y/y in Q3 2019

Slovenia is enjoying a tourism uptrend with overnights of foreigners continuing to grow, by 1.4% y/y to 5.402 million in Q3 2019, according to SURS data. The share of foreign tourists in the total number of overnights increased to 78.0% from 76.9% in Q3 2018.

The number of foreign tourists totalled 2.1 million, up 6.6% on the year in Q3 2019.



Source: SURS

8. MAJOR DEVELOPMENTS

Slovenia leads SEE countries in Euler Hermes' business digitalisation ranking

Sept 26, 2019

Slovenia ranked highest among Southeast European countries in Euler Hermes' annual EDI (Enabling Digitalization Index) - climbing four places to the 31st spot, the France-based credit insurance company said.

[Read the full story here](#)

EU invests EUR 101 mln to upgrade Slovenian Maribor-Sentilj rail section

Aug 22, 2019

The European Union will invest EUR 101 mln through its cohesion fund to upgrade a rail section between the Slovenian cities of Maribor and Sentilj, near the border with Austria, the European Commission said.

[Read the full story here](#)

Slovenia agrees to reduce curbs on truck traffic at border with Croatia

July 26, 2019

Croatia and Slovenia have reached an agreement to ease the restrictions imposed by Ljubljana on truck traffic at crossings on the border with Croatia, the Croatian transport ministry said.

[Read the full story here](#)

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