

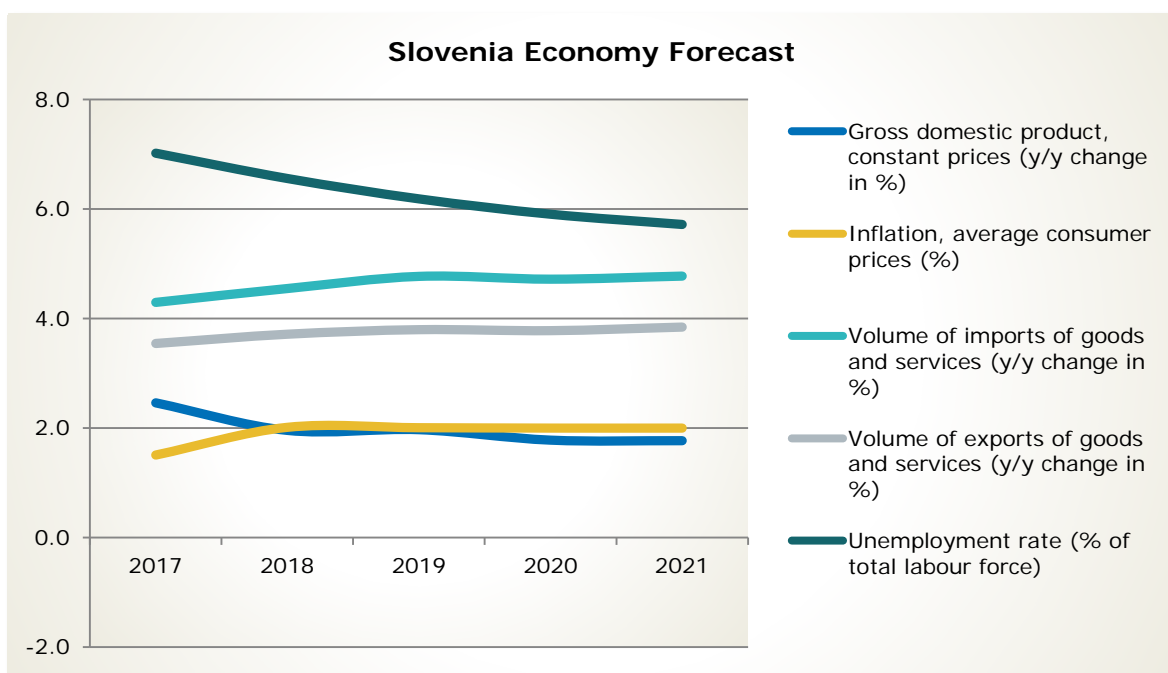
## **SLOVENIA ECONOMY REPORT** 2016

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## 1. MACROECONOMIC SNAPSHOT AND FORECAST

SLOVENIA – MACROECONOMIC SNAPSHOT AS OF 2016	
<b>GDP Growth</b>	2.5% y/y
<b>Industrial output</b>	5.9% y/y
<b>Industrial sales</b>	5.8% y/y
<b>Wholesale index</b>	126.2 (2010=100)
<b>Retail trade</b>	3.8% y/y
<b>Average annual deflation</b>	0.1%
<b>Unemployment rate</b>	11.2%
<b>Number of building permits</b>	29.1% y/y
<b>Household loans</b>	EUR 9.154 bln
<b>SBITOP blue-chip index</b>	3.1% y/y
<b>Gross external debt</b>	EUR 43.334 bln
<b>Current account surplus</b>	EUR 2.698 bln
<b>Foreign trade surplus</b>	EUR 832.9 mln
<b>Number of foreign tourist overnights</b>	10.3% y/y



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2017

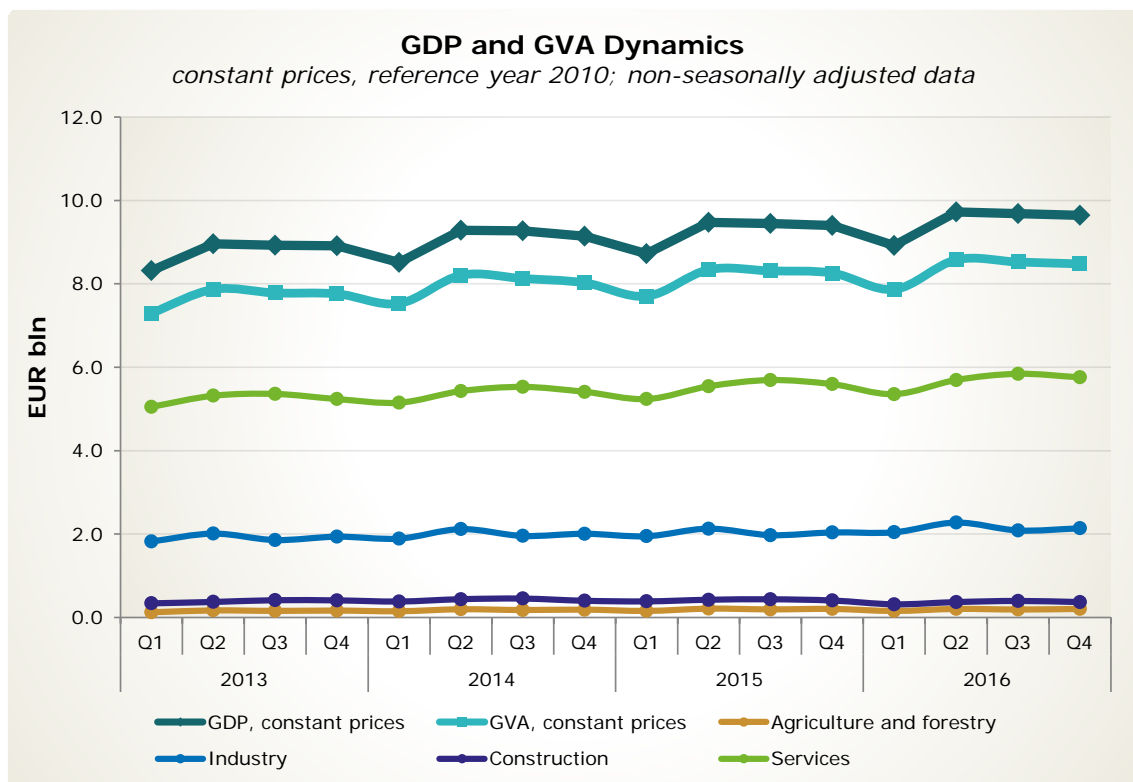
## 2. REAL SECTOR

### 2.1. GROSS DOMESTIC PRODUCT (GDP)

*GDP went up by 2.5% y/y in 2016, compared to a 2.3% y/y growth a year ago*

The country's GDP increased by a real 2.5% y/y and totalled EUR 37.974 bln in 2016, according to data of the Statistical Office of the Republic of Slovenia (SURS).

Final consumption, which contributed 71.9% to the GDP, grew by 2.8% to EUR 27.288 bln. Gross capital formation inched up by 1.0%, contributing 19.4% to the GDP. Both exports and imports increased, by 5.9% and 6.2%, respectively.



Source: SURS

The gross value added (GVA) generated by the national economy increased by 2.7% y/y in the fourth quarter of 2016 and totalled EUR 8.480 bln. The industrial sector grew in value by 4.8% y/y and its share in the GVA structure increased to 25.2% from 24.7%. The services sector recorded a 2.9% annual increase, slicing a 67.9% share in the GVA, up from 67.7% in the corresponding quarter of the previous year. The agricultural sector registered an annual rise of 0.3%, thus narrowing its share in the GVA to 2.4% from 2.5%. The construction sector went down by 9.2% and its GVA share narrowed to 4.3% from 4.9%.

## 2.2. BUSINESS CLIMATE

### *Sentiment indicator in December 2016 at 8.6 points*

In December 2016, the sentiment indicator was 8.6 points, compared to 6.6 points a year ago, according to SURS.

In November 2016, the sentiment indicator amounted to 8.1 points, while in October 2016 it stood at 7.1 points.

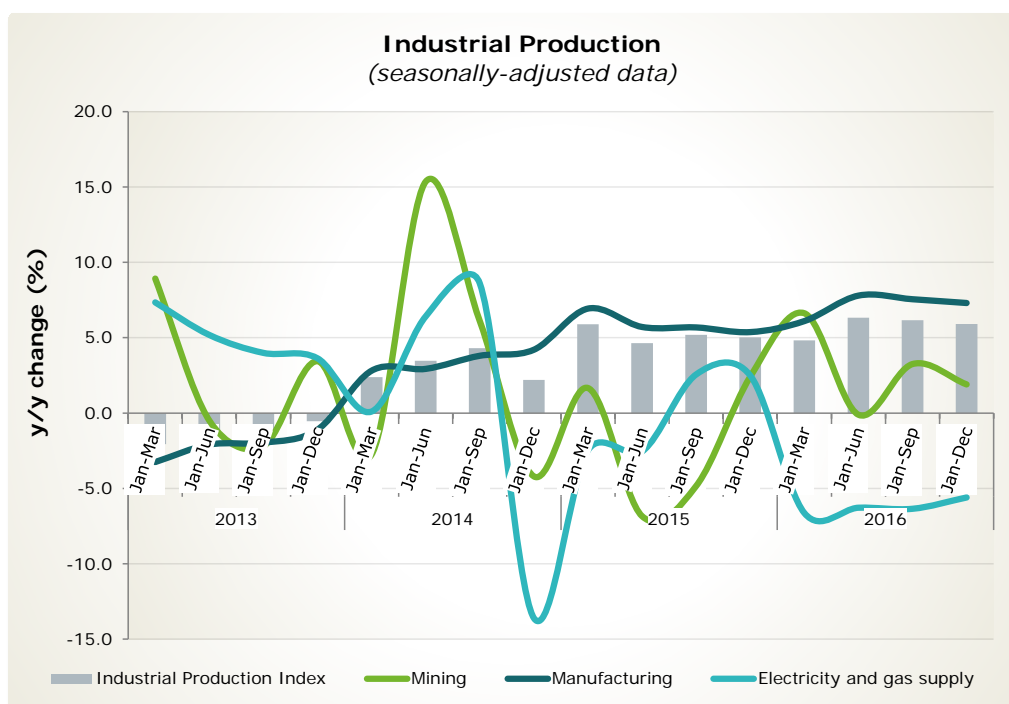
In December 2016, the highest confidence indicator, of 21 points, was registered in the services sector, followed by retail trade with 19 points, manufacturing with 7.0 points, and the last sector in terms of positive confidence indicator was construction with 1.0 points. Only consumer confidence indicator were negative, at -9.0 points.

## 2.3. INDUSTRIAL OUTPUT

### *Industrial output up 5.9% y/y in 2016*

Industrial output went up by 5.9% on the year in 2016, according to seasonally-adjusted data of SURS. Output in the manufacturing sector expanded by 7.3%, the output of the mining sector increased by 1.9%, while the output of the electricity and gas supply sector fell by 5.6%.

Manufacture of computers and optical products achieved the sharpest annual rise in the period under review, of 45.9%, while manufacture of chemicals and chemical products was on the other end with a fall of 8.8%.



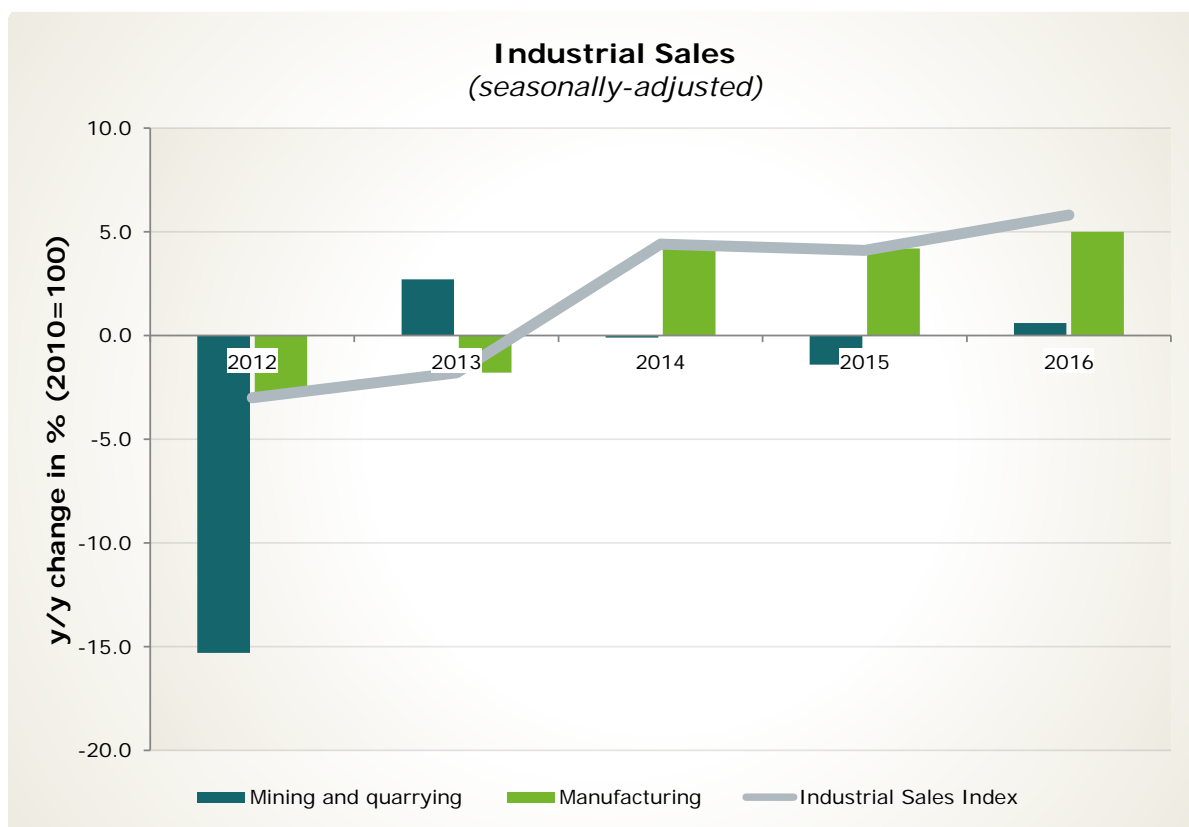
Source: SURS

## 2.4. INDUSTRIAL SALES

### *Industrial sales up by 5.8% in 2016*

The seasonally adjusted industrial sales rose by 5.8% y/y in 2016, according to SURS. The indicator increased by 5.0% in the manufacturing sector, while in the mining and quarrying industry it inched up by 0.6%.

The working-day adjusted industrial sales index stood at 102.0 (2010=100) in December 2016, compared to 93.0 in the same month of the previous year. In December 2016 the sales index in the manufacturing industry was 103.4, while the mining and quarrying sales index stood at 88.7.



Source: SURS

## 2.5. WHOLESALE/RETAIL

### *Wholesale index at 126.2 (2010=100) as of December 2016, retail sales grew 3.8% y/y in 2016*

Retail sales went up by 3.8% y/y in 2016, according to SURS data. Retail trade of food, beverages and tobacco inched down by 1.0%, while retail sales of non-food products, except automotive fuel, expanded by 6.8%.

The wholesale index was 126.2 (2010=100) in December 2016. In the previous month it was 124.1 and in October the index was 127.7.



Source: SURS

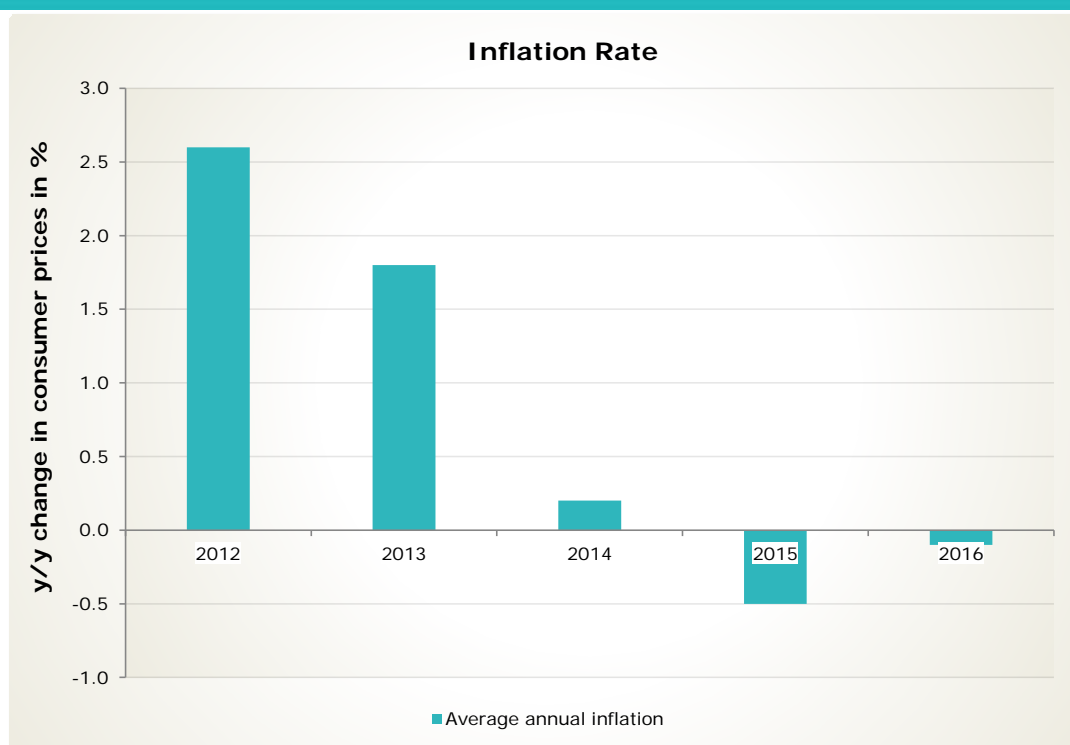
## 2.6. INFLATION

### Average annual deflation of 0.1% for 2016

Slovenia registered average annual deflation of 0.1% in the period January - December 2016, according to SURS.

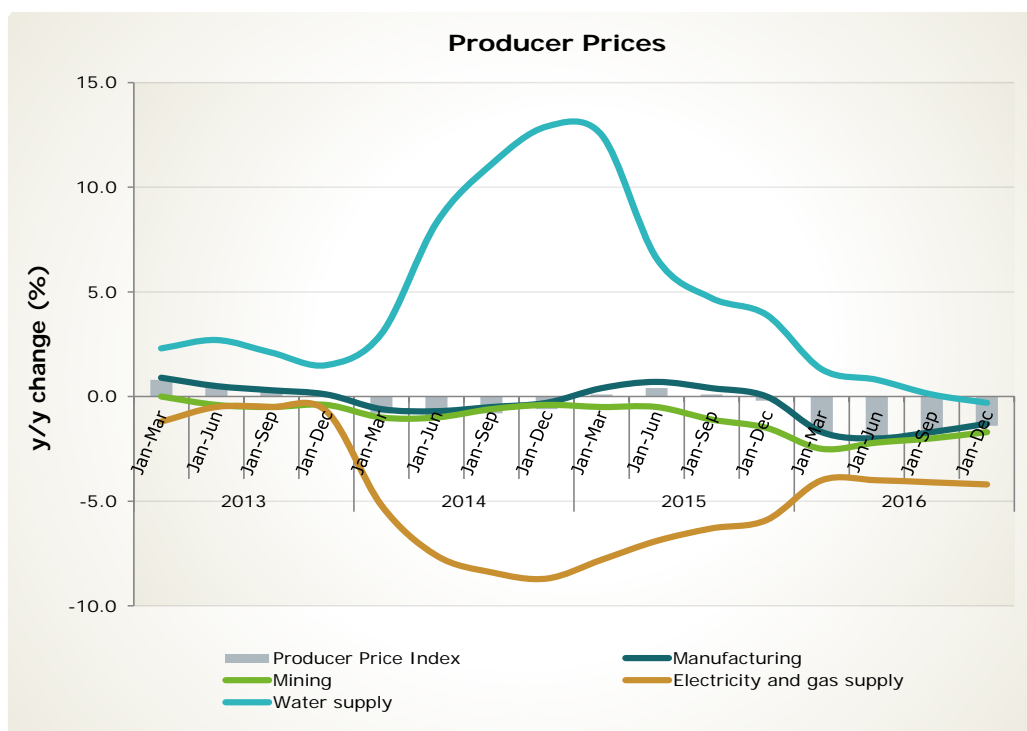
In terms of average annual deflation, liquid fuels registered the sharpest average annual deflation, of 13.9%, followed by heating energy with 8.1%, and fuels and lubricants with 7.6%.

The highest inflation, of 6.8%, was recorded in other services, followed by 6.3% for accommodation services and 4.8% for photographic and cinematographic equipment and optical instruments.



Source: SURS

Producer prices decreased by 1.4% y/y in January to December 2016, SURS data showed. Manufacture of coke and refined petroleum products was the sector to report the sharpest annual drop in producer prices, of 6.2%, while prices in manufacture of textiles rose the most, by 6.4%.



Source: SURS



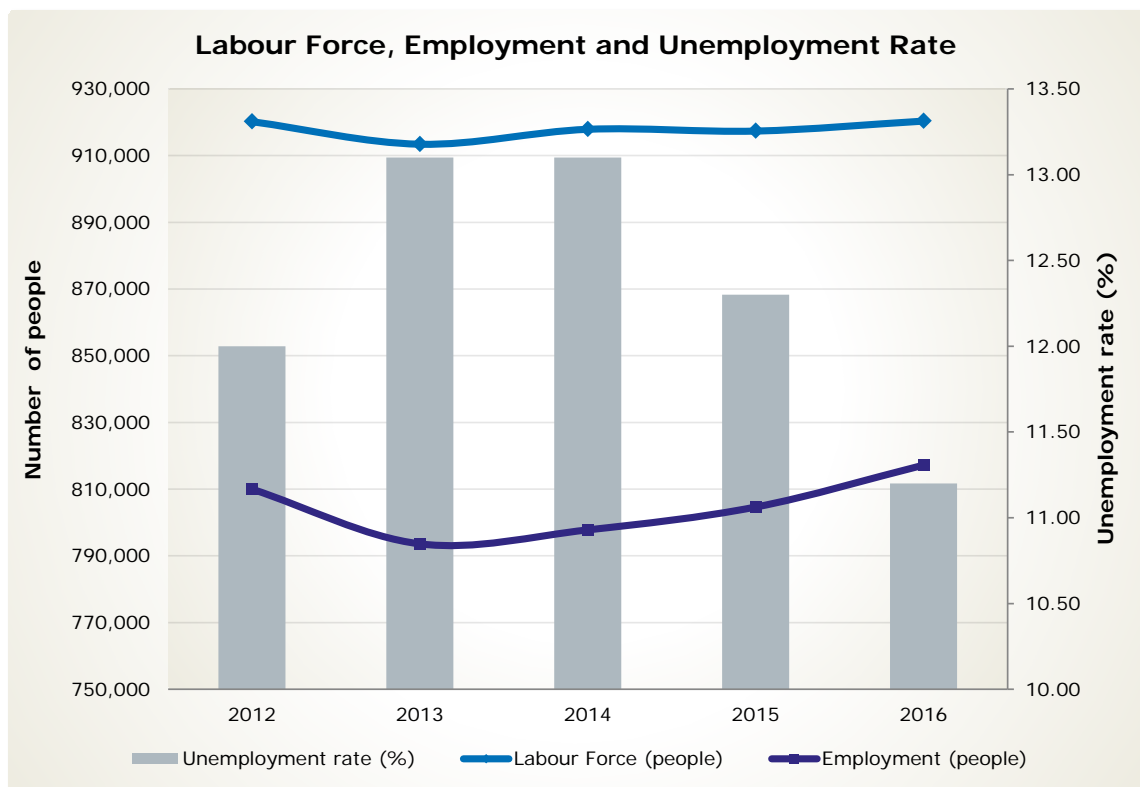
## 3. LABOUR MARKET

*Unemployment rate went down y/y to 11.2% in 2016, wages up by 1.7 y/y*

The unemployment rate in Slovenia narrowed to 11.2% of the total labour force in 2016 from 12.3% a year earlier, according to data of SURS.

The employed population aged 15 years and older was 817,209, up by 1.6% y/y. Self-employed persons made up 10.6% of the total employment in the country.

The youth (population aged 15-24) unemployment rate sank to 22.5%, compared to 27.1% a year earlier.



Source: SURS

According to data of SURS, the average monthly net salary in 2016 grew by 1.7% y/y to EUR 1,030. The employed in the public sector earned average monthly net wage of EUR 1,186, an annual increase of 2.0%, while private sector employees earned on average of EUR 950, up from EUR 936 a year ago.

## 4. CONSTRUCTION AND REAL ESTATE

### *The number of building permits increased by 29.1% y/y in 2016*

The number of building permits issued in Slovenia in 2016 jumped by 29.1% y/y and totalled 6,524, according to SURS data.

Permits for housing projects went up by 2.2% y/y to 2,456, while the permits for office buildings numbered 32, up from 19 in 2015.

The total built-up area of the office units, covered by the permits, was 12,504 sq m versus 6,080 sq m a year earlier. The total built-up area of the housing units increased by 2.0% to 619,825 sq m.

## 5. MONEY SUPPLY AND BANKING SYSTEM

### 5.1. EUR EXCHANGE RATE

The average exchange rate of the EUR<sup>1</sup> against the USD fell to USD 1.1069 in 2016 from USD 1.1095 in the previous year, according to the European Central Bank (ECB).

EUR Average Exchange Rate			
Foreign Currency	2016	2015	2014
USD	1.1069	1.1095	1.3285
GBP	0.8195	0.7258	0.8061
CHF	1.0902	1.0679	1.2146

### 5.2. MONETARY AGGREGATES

#### *Slovenia contributed EUR 22.992 bln to Eurozone's M3 Monetary Aggregate<sup>2</sup>*

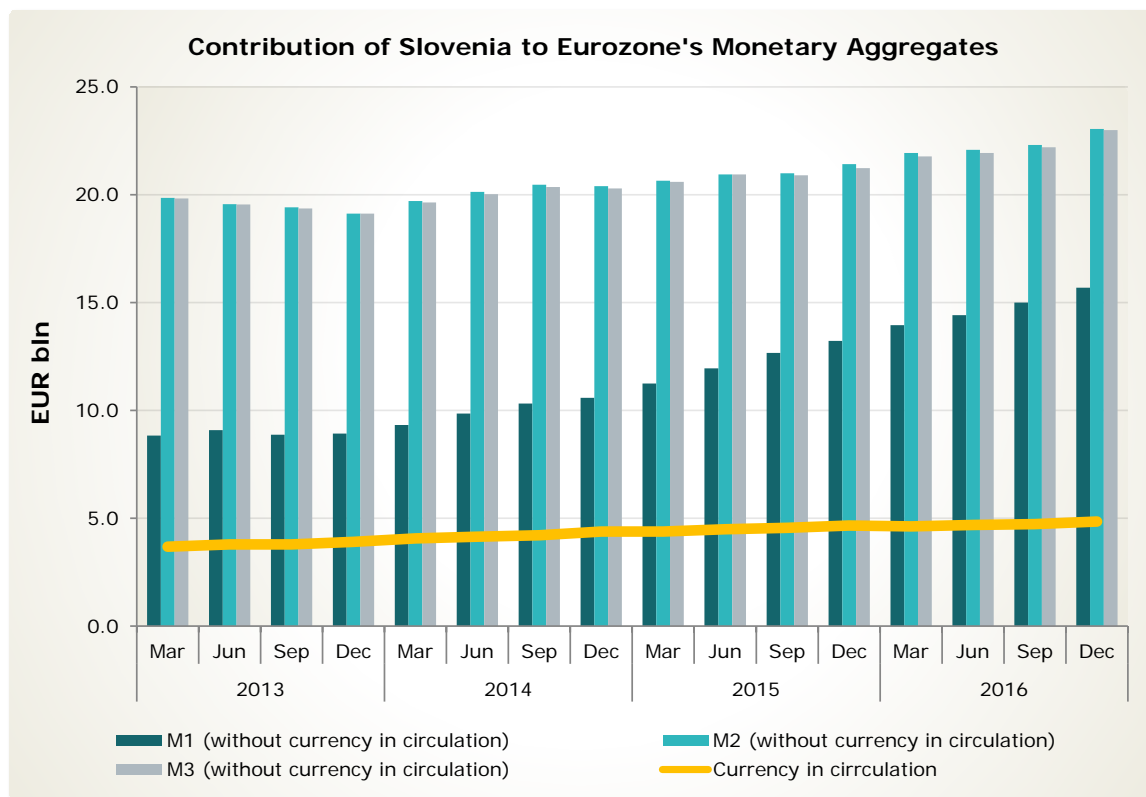
Slovenia's contribution to the M3 (broad money) aggregate of the Eurozone was EUR 22.992 bln, without currency in circulation, at end-December 2016, up 8.3% y/y, according to Bank of Slovenia (BSI).

The country's contribution to the M2 aggregate amounted to EUR 23.056 bln, up from EUR 21.415 bln a year earlier.

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

<sup>2</sup> 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 18.7% y/y to EUR 15.693 bln.



Source: BSI

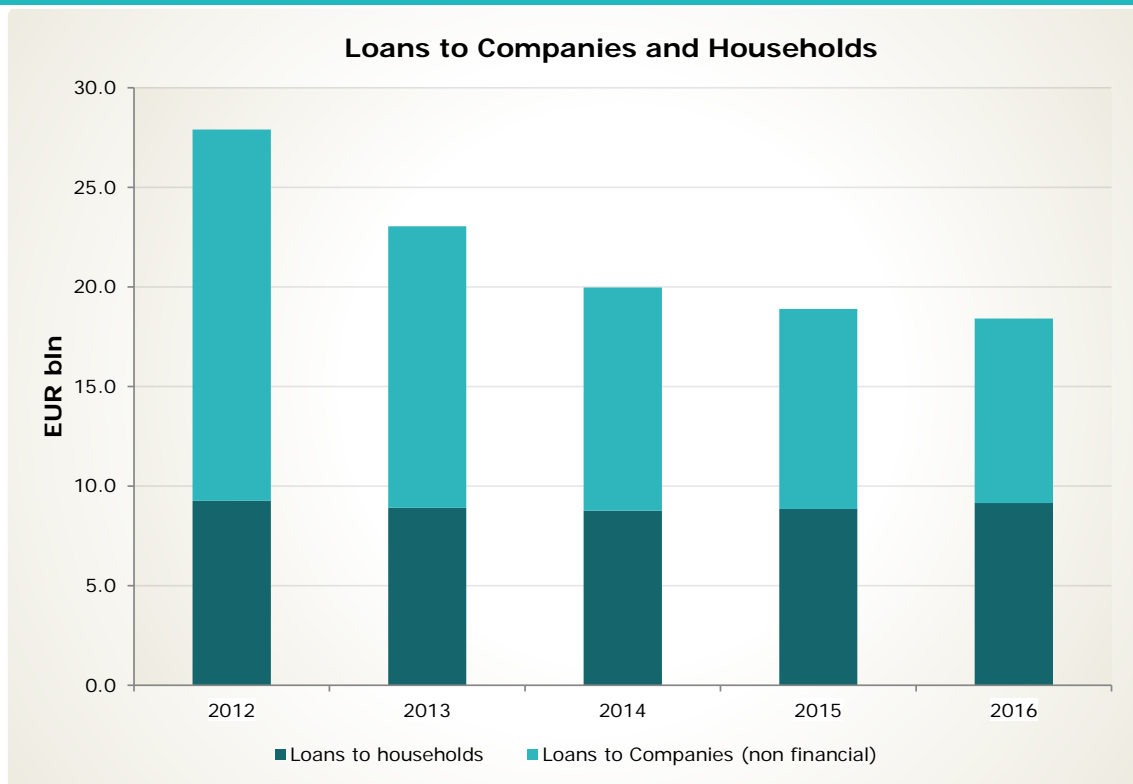
## 5.3. BANKING

### Household loans up 3.4% y/y in 2016

Household loans totalled EUR 9.154 bln at end-December 2016 versus EUR 8.856 bln a year ago, according to BSI. House purchasing loans grew by 3.5% y/y to EUR 5.717 bln, while consumer loans went up by 5.5%, reaching EUR 2.144 bln.

Loans to non-financial corporations dropped by 7.8% y/y to EUR 9.259 bln. In October and November 2016 they amounted to EUR 9.012 bln and EUR 9.002 bln, respectively.

At the end of December 2016, the assets of the banking system totalled EUR 40.178 bln, which was a 1.4% increase in comparison to September 2016 and a 3.4% annual decrease.



Source: BSI

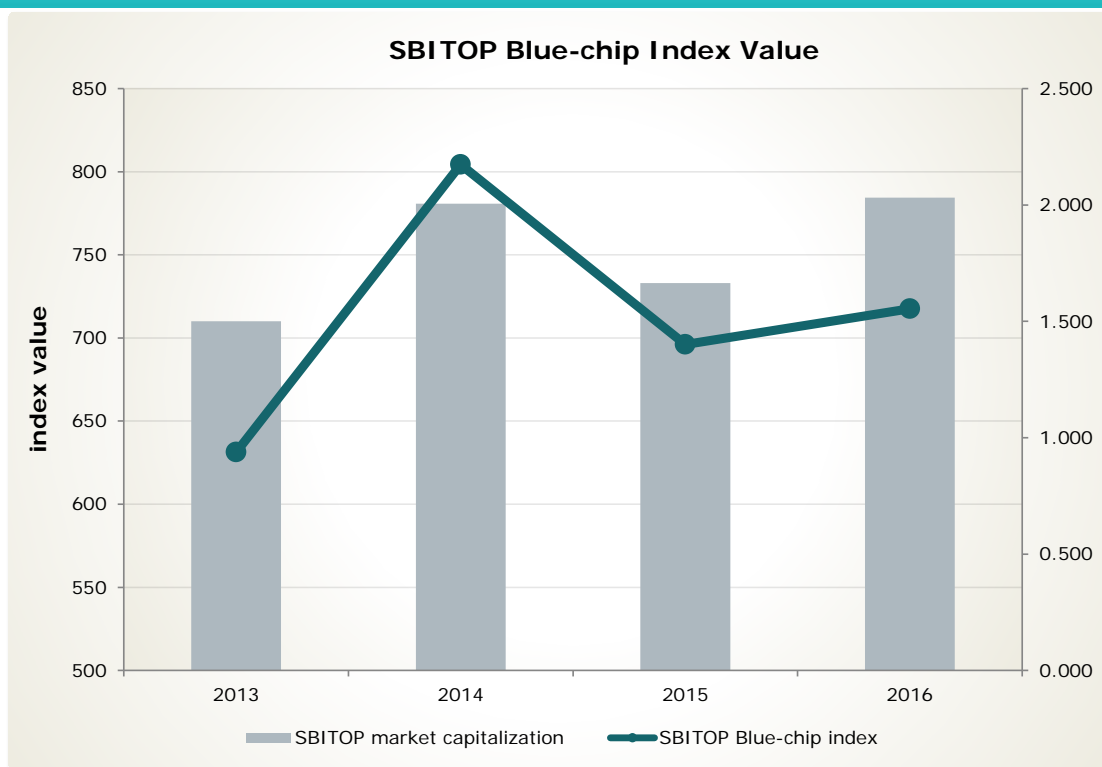
## 6. CAPITAL MARKETS

### *Blue-chip index SBITOP went up by 3.1% y/y in 2016*

The value of SBITOP, the blue-chip index of the Ljubljana Stock Exchange (LJSE), increased by 3.1% y/y to 717.59 points as of end-December 2016.

The total turnover on LJSE's regulated market reached EUR 333.7 mln in 2016 versus EUR 393.1 mln in 2015 and EUR 686.3 mln in 2014.

The number of trades stood at 85,191, compared to 49,697 in 2015 and 74,768 in 2014.



Source: LSE

## 7. EXTERNAL SECTOR

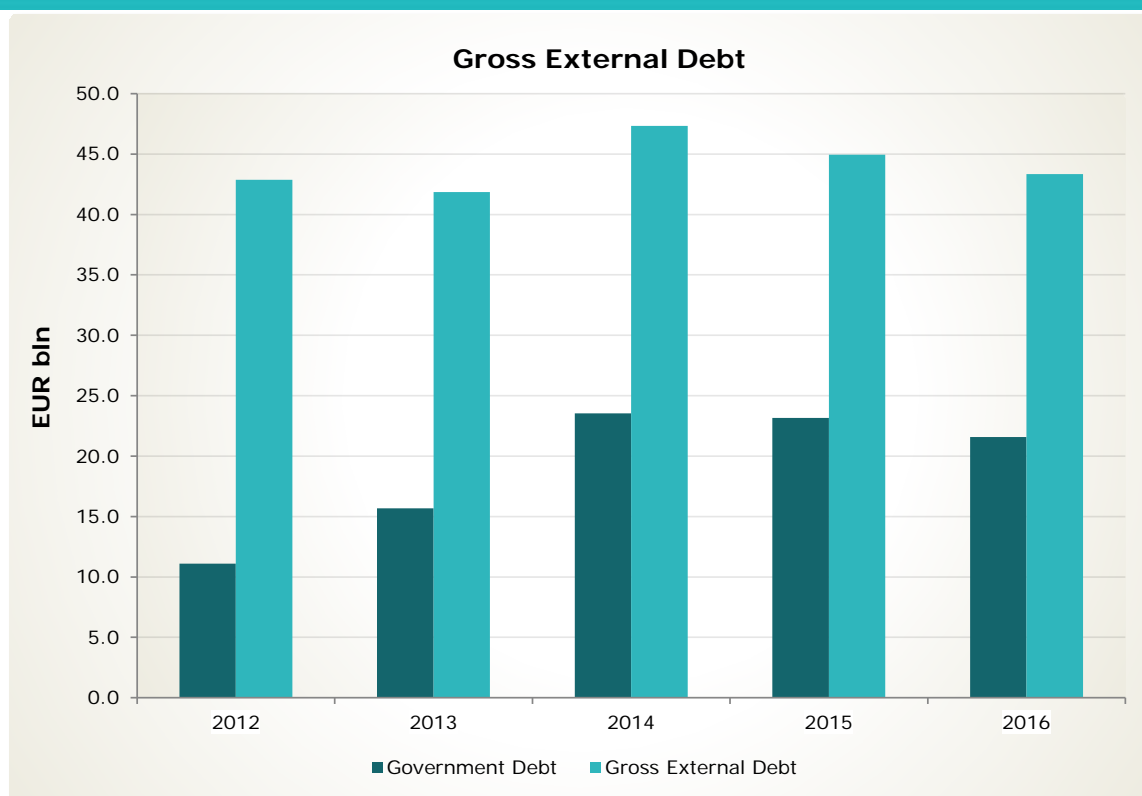
### 7.1. FOREIGN DEBT

*The gross external debt narrowed y/y to EUR 43.334 bln at end-December 2016*

Slovenia's gross external debt totalled EUR 43.334 bln at the end of December 2016, according to BSI. It narrowed by 3.6% or EUR 1.620 bln, compared to December 2015. In comparison to the end of September 2016 the gross external debt decreased by EUR 287.0 mln.

As of end-December 2016, long-term liabilities amounted to EUR 30.372 bln, or 70.1% of the total debt, while short-term liabilities totalled EUR 9.490 bln, equal to 21.9% of the total debt.

Government debt stood at EUR 21.579 bln, or 49.8% of the total, at end-December 2016. It fell by 6.9% y/y.



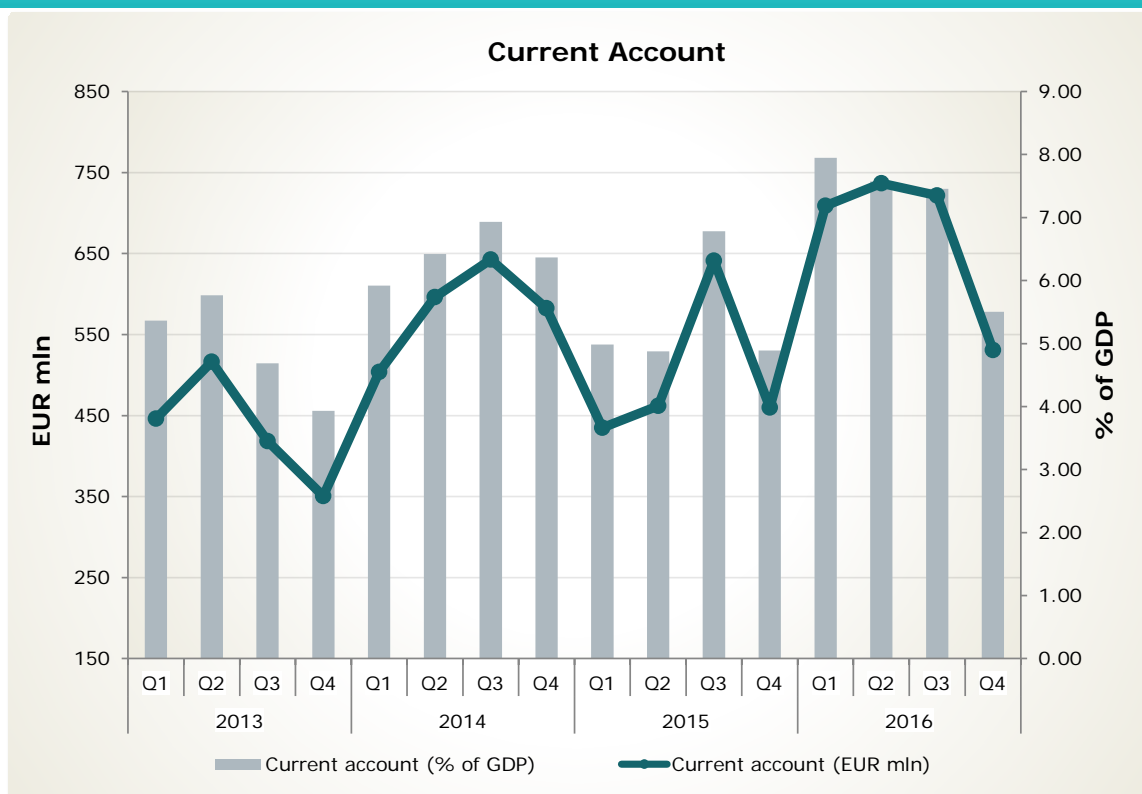
Source: BSI

## 7.2. BALANCE OF PAYMENTS

### *Current account surplus at EUR 2.698 bln in 2016*

The current account surplus of Slovenia was EUR 2.698 bln in 2016, compared to EUR 1.998 bln a year earlier, according to central bank statistics data.

Secondary income in 2016 was negative, at EUR 493.0 mln, compared to the also negative EUR 536.8 mln in 2015.



Source: BSI

### 7.3. FOREIGN TRADE

#### Foreign trade surplus at EUR 832.9 mln in 2016

The trade balance showed a surplus of EUR 832.9 mln in 2016, up from EUR 635.1 mln in the previous year, according to SURS data.

Slovenia's most exported goods in 2016 were road vehicles, which accounted for 14.8% of the total exports, followed by medicinal and pharmaceutical products with a 10.0% share, and electrical machinery, appliances, and spare parts with 9.9%.

In terms of imports, the main goods were again road vehicles, which made up 13.3% 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 5.8% share.



Source: SURS

## 7.4. TOURISM

### *Number of foreign tourist overnights up by 10.3% y/y in 2016*

Tourist overnights of foreigners grew by an annual 10.3% to 7,023,480 in 2016, according to SURS data. The share of foreign tourists in the total number of overnights increased to 65.2% from 63.6% a year earlier.

The number of foreign tourists also increased, by 11.4% to 2,918,436. Most foreign tourists visiting Slovenia in 2016 came from Italy – 509,208, followed by tourists from Austria – 305,068, and Germany – 294,237.





Source: SURS

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