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## In the Q2 21, GDP growth in the EU-27 exceeded expectations, in the US below

### On Slovenia's Economy

- According to the latest data from the New York Times, the **number of vaccinations** in the world has increased by 7.5% to 3.97 billion (52 doses per 100 people) in the last week. In Slovenia, the share of vaccinated people with two doses increased by 1 percentage point to 38%, which is less than in comparable countries. More at: <https://www.nytimes.com/interactive/2021/world/covid-vaccinations-tracker.html>. We expect that easier access to vaccines and a broader promotional campaign will gradually increase the share of vaccinated persons in Slovenia, in addition to some restrictions related to the consumption of certain services (PCT condition). The **traffic of lorries on Slovenian motorways** was also relatively high in mid-July 21 and at a comparable level as in the same period in 19. With gradually increasing activity in the tourism, **electricity consumption** approached the level from the same period in 19 (2% below). Compared to the comparable week in 19, most Slovenian trading partners recorded the same (Germany) or higher electricity consumption (Austria and Italy by 2%, Croatia by 6%), except for France (-6%).
- **Sales in predominantly market service activities** (Nace 49-82) was 10.6% higher year on year in the first five months of 21 (compared to 19: -3.4%), and 0.2% higher in the last 12 months. Compared to the comparable period in 19, **sales growth was highest** in advertising and market research (+ 32%), postal and courier activities (+ 26%), business and management consulting (+ 22%) and computer programming (+19%). Growth was also high in architecture (+ 15%), security (+ 14%) and real estate (+ 12%). Growth was thus high in activities where containment measures had a positive impact on business (directly or indirectly) or where it was possible to perform work remotely (from home). The sectors with a **larger drop in revenue** during this period were travel agencies (-90%), catering companies (-62%), film and video production companies (-27%) and employment services companies (-18%). In these activities, containment measures had a significant impact on lower turnover, while the importance of outsourced workers decreased in employment activities.
- In June 21 the **turnover in retail trade (deflated, in same prices)** was 0.7% higher than in May 21. It was higher in motor fuel trade (by 2.0%) and in non-food trade (by 0.6%), while in food trade it decreased slightly (by 0.2%). In the first half of 21, real turnover in retail trade was 10.8% higher than in the first half of 20, compared to the same period in 19, growth was 0.2%. Compared to the H1 20, revenue in the H1 21 increased the most in non-food trade (by 16.1%). It increased by 7.8% in food trade and by 4.7% in motor fuel trade. **Turnover in trade and repair of motor vehicles** was 5.3% higher (in same prices) in June 21 compared to May 21. It was 3.0% lower than in June 20 and 3.1% lower than in June 19. %. In the H1 21, turnover from the sale of motor vehicles and repair of motor vehicles was 17.1% higher than in the H1 20, and still 8.2% lower than in the same period of 19. In the coming months, we



estimate that this gap will be reduced, but it is unlikely that the revenue from 19 would be achieved already in 21, also due to difficulties in production of cars.

- In June 21, the **production of electricity** was 8% lower than in June 20 and 6% lower than in the previous month (May 21). This was due to maintenance works in the company TEŠ. From the shutdown of the unit, on 7<sup>th</sup> May 21 until 29<sup>th</sup> July, the planned repairs were carried out, and electricity and heat were provided by the power plant with the fifth unit and gas units (more at: <https://www.te-sostanj.si/in-tes-replaced-800-pipes/>). Compared to June 20, in June 21 the production in hydroelectric power plants was 14% higher, in thermal power plants 54% lower and in nuclear power plants 1% lower. Compared to June 20, the supply of kerosene for jet engines increased by 48%, natural gas by 19%, petrol by 9%, diesel by 8%, other petroleum products by 4% and coke by 1%. These trends reflect the absence of most containment measures in June 21.
- The **ILO unemployment rate** in Slovenia stood at 4.8% in June 21, which is 0.2 percentage points less than a month earlier and half a percentage point less than last June. Unemployment fell to a level below that we expected (5%). According to current estimates, about 47,000 people aged 15 to 74 were unemployed in June. The unemployment rate among men in June 21 was 3.8% and among women 6.0%.
- In the Q1 21, 4,431 people were **born** in Slovenia and 6,433 **died**. The number of births was lower by 22 and the number of deaths higher by 699 than in the same period in 20. Fewer people immigrated to Slovenia in this period than in the same period in 20. Namely, 5,346 immigrants or 27% less than in the Q1 20. 5,195 **inhabitants emigrated**, or 9% more than in the same period in 20. The number of emigrated citizens of Slovenia (1,437) was lower than the number of emigrated foreign citizens (3,758). The **net migration of foreign citizens** was positive (by 699), while the net migration of Slovenian citizens was negative. 548 more Slovenian citizens emigrated from the country than immigrated. These trends are quite similar to long-term ones. The **number of Slovenian citizens** decreased by more than 2,200 in the Q1 21, while the number of foreign citizens increased by 400. The share of foreign citizens among the population of Slovenia was 8%. In the Q1 2021, 596 couples got married, or 33 less than in the same period in 20, and 652 couples divorced, or 193 more than in the first quarter of 20. These dynamics are likely to negatively affect the natural movement of the population in the coming years. In general, in Slovenia, an inverse correlation was found between economic growth and the birth of children, which is a well-known phenomenon from developed countries. During the pandemic, the number of births did not increase significantly, but increased during, for example, the last deeper recession.

## On Global Economy

- In the **USA**, **GDP** grew by 6.5% in the Q2 21 (the second estimate will be available on 26<sup>th</sup> August), after growing by 6.3% in the Q1 of 21. This is an annualized annual GDP growth compared to Q1 and cannot be easily compared to the publication of European GDP (GDP relative to the previous quarter or to the same quarter in the previous year, but the European figure has not been analysed). A comparable figure (with the publication of GDP in the EU-27 or the EA-19) is 1.6% growth in the Q2 of 21 compared to the Q1 of 21. **Private consumption** made a key contribution to high GDP growth (+ 11.8%), while **private investment growth** (-3.5%) was absent. Investments in new office buildings and facilities were mainly lacking. The release was worse than expected, with analysts expecting an



average growth of 8.5%. Nevertheless, US GDP has already risen above the level before the outbreak of the COVID-19 pandemic.

## On European Economy

- GDP in the EU-27** increased by 1.9% in the Q2 21 compared to the Q1 21 (in the EA-19 by 2%, Reuters Consensus: +1.5%), which was more than we expected (1.4%). Among the 11 countries for which data are already available, the highest growth was recorded in Portugal (+ 4.9%, where, by the way, the fall in GDP was high in the Q1 21, at -3.2%) and in Austria (+4.3%). Growth was also high in Latvia (+3.7%) and Spain (+ 2.8%). GDP in Europe's largest economy - Germany, strengthened by 1.5% (after a 1.8% drop in the 1st quarter of 2021), growth in France was disappointing (0.9% after unchanged growth in the Q1 2021). Growth was high, especially in more service-oriented economies, where the withdrawal of containment measures had a significant impact on high economic growth. **Prices in the EA-19** (HICP methodology), on the other hand, increased by 2.2% in June 21, which was above the consensus of analysts at Reuters (2.0%) and above our expectations as well (2.1%). In Slovenia, they increased by 2%.
- The **European Fiscal Monitor**, published by a group of independent organizations that monitor the use of public finances, showed that the average general government deficit in 21 in European economies is expected to be around 7% of GDP. In the EU-27, the country has spent around 5% of GDP in the fight against the pandemic in 20, and around 4% in 21 (excluding possible new measures in the second half of 21). Countries are slowly moving from measures to support the affected sectors to measures to stimulate economic activity. The average GDP growth in the period 21-24 is expected to be around 3%. In 24, despite this projected growth, the general government deficit is expected to exceed 3% of GDP in most countries. More at:  
<https://www.euifis.eu/images/EUROPEAN%20FISCAL%20MONITOR%20JUNE%202021.pdf>
- The **Austrian manufacturing PMI** fell from a record high in June (67.0) to 63.9 in July, which was even lower than our expectations (65.0). The decline is mainly due to lower growth in new orders (especially the investment goods sector), which was thus the lowest since February 21. The new orders also reflected the challenges in the supply of semiconductors in the automotive industry. Companies have reported the creation of larger security stocks to extend delivery time. About 72% of Austrian manufacturing companies reported long delivery times, which was slightly less than in the record-breaking May 21. At the same time, companies also reported a shortage of electronic components and steel specialized products. Expectations for the future remained quite positive, but at least compared to other monthly surveys in 2021.

## Chart of the Week

ILO unemployment rate	June 21	May 21	June 20
<b>Total (15-74)</b>	<b>4.8</b>	<b>5.0</b>	<b>5.4</b>
of that: men	3.8	3.9	4.7
of That: women	6.0	6.3	6.2



Comment: unemployment is decreasing since June 20, when it reached local highs (5.4%) due to the effect of lack of measures to protect employment in the first weeks of March 20.

### Must Read of the Week

- Learning from Tumultuous Times - An Analysis of Vulnerable Sectors in International Trade in the Context of the Corona Health Crisis; WiiW, Reiter O.; Stehrer R.; available at (free download): <https://wiiw.ac.at/learning-from-tumultuous-times-an-analysis-of-vulnerable-sectors-in-international-trade-in-the-context-of-the-corona-health-crisis-p-5882.html>

Comment/Abstract: In this paper authors assess which products can be considered as vulnerable to trade shocks at the global level by constructing a 'product riskiness indicator' for 4700 globally traded products based on components such as market concentration, clustering tendencies, network centrality of players, or international substitutability. In a second step the bilateral imports of risky products are matched to multi-country input-output tables enabling the analysis of the importance of internationally sourced risky products by country and using industries. Higher-tech industries are more prone to supply-chain vulnerability given the large share of risky products in high-tech product categories. In the next step they apply a 'partial global extraction method' to assess the GDP impact of reshoring. Assuming that imports of risky products are re-shored from non-EU27 to EU27 countries suggests an increase in the EU27 GDP of up to 0.5%. The non-EU27 countries lose from such re-shoring activities accordingly. This suggests that it is also in the interest of the supplier countries and industries to assure robust or at least resilient supply chains.

- The role of sectoral developments for wage growth in the euro area since the start of the pandemic; ECB; Gerrit Koester and Eduardo Gonçalves; available at: [https://www.ecb.europa.eu/pub/economic-bulletin/focus/2021/html/ecb.ebbox202105\\_06~f2b46cd7d4.en.html](https://www.ecb.europa.eu/pub/economic-bulletin/focus/2021/html/ecb.ebbox202105_06~f2b46cd7d4.en.html)

Comment: The economic consequences of and policy responses to the pandemic pose challenges for interpreting wage developments. Aggregate wage growth is mostly assessed in terms of compensation per employee or compensation per hour worked. The coronavirus (COVID-19) pandemic has led to a substantial divergence between compensation per employee and compensation per hour. The high number of workers on job retention schemes played a decisive role in these developments, especially via the implications for hours worked per person. Such schemes tend to have a downward effect on compensation per employee, as employees usually retain their employment status but, in most countries, face pay cuts when enrolling in these schemes. Moreover, the benefits of such schemes are not included in statistical measures of compensation where they are directly paid to employees

### Forecast of the Week

- Construction PMI, EA-19, July 21 (IHS Markit): 50.7

Comment: We expect a gradual pick-up in construction activity in following months led by pre-financing of EU projects (infrastructure) and construction of residential buildings.

### Things to Keep in Mind in this Week

- Services PMI, July 21, EA-19, (August 4), IHS Markit
- Retail sales, June 21, EU-27, (August 4), Eurostat



- Input prices in manufacturing, June 21, EU-27 (August 5), Eurostat

## Quote of the Week

“No one can forecast the economy with certainty.” (*Jamie Dimon*)

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