

EUROCHAMBRES Economic Survey 2013
SLOVENIA

1) Overall introduction and economic background

Economic Indicators	2009	2010	2011	2012	2013
				Est.	Forec.
Population (in 1000s)	2,032	2,048	2,052	2,057	2,060
GDP in PPS (in billions)	41,779	42,464	43,162	43,638	44,761
GDP in PPS per capita	20.600	20.800	21.300	na	na
GDP (economic) growth (%)	-7.8	1.2	0.6	-2.5	-1.7
Inflation (%)	0.9	1.8	1.8	2.4	2.6
Government deficit/surplus	-6.1	-6.0	-6.4	-4.2	-3.9
Exports (value in mio €)	20,618	23,500	26,202	27,038	28,942
Imports (in mio €)	20,111	23,137	25,762	26,533	27,995
Current account position (in mio €)	507	200	372	505	947
Employment rate (%)	71.9	70.3	68.4	na	na
Unemployment rate (%)	5.9	7.3	8.2	8.3	9.0
R&D rate (% of GDP spent for R&D)	1.86	2.11	na	na	na

Source: National Statistical Office, Eurostat; 2012-2013 - estimate and forecast SKEP - Chamber of Commerce and Industry of Slovenia.

In 2011, the economic growth in Slovenia increased by 0.6%; in the first six months of this year Slovenia has recorded a 1.6% lower GDP than in the same period of last year. The **Slovenian GDP for 2011** was 36,172 million EUR, by current prices, which is 17,620 EUR per capita and represents 84 % of the EU27 average according to the standards of purchasing power (PPS). At the end of 2011, the gross government public debt was 47.6 % of GDP (38.8 % in 2010); and the government current deficit was -6.4% of GDP (-5.8% in 2009).

After two years of slight recovery in economic growth in 2010 and 2011, visible signs of a decreased growth rate occurred in the spring of this year. The quarterly GDP in the second quarter of 2012 fell by 3.2 % compared with the second quarter of 2011. Compared with the same quarter of 2011, the highest drop in value added occurred in construction (-10.9%), while it was somewhat smaller in all the other industries except for the public service sector. The steep drop in the mentioned period occurred particularly as a consequence of a major decrease in investments and domestic consumption, as well as a slowdown in foreign trade.

In October, SKEP GZS revised the forecast of the main macroeconomic indicators for 2012 and 2013 downwards to a negative GDP growth – similar to the trends for other European countries. **Slovenia is facing the second wave of economic downturn in 2012**, when the drop in economic activity is expected to reach 2.5 percent. Recovery is expected to be rather slow with the GDP contracting by 1.7 percent in 2013. The assessment reflects the most recent signals from the domestic and international environment, the deterioration in business sentiment and companies' expectations. The forecast is related to significant risks involving access to financial resources for banks and companies, the implementation of structural reforms and movements in the international environment.

Due to increased **exports** (7 %) the growth in the GDP volume was positive during 2011. Based on global trends and company assessments, it is estimated that in 2012, due to a drop in demand and pressures on export prices, the average value of Slovenian exports would be approximately 0.6 percent lower than it was in the previous year. A three percent growth in exports can be expected for 2013. With global worsening trends and import demands from EU countries and neighbouring countries, the growth in exports for 2012 will drive a significantly weaker economic activity according to recent estimates than in the time of upturn in the economy or during the years after the crisis. Trends in the international and domestic demand hinder the growth rate of **imports**. This year, imports will decline by 2.9 %, but should increase again by 1.4 % in 2013.

For the third consecutive year, the **gross fixed capital formation** had a negative impact on the GDP – an 8.1 percent drop in 2011. The consumption of investments, which has been recording steep drops since 2009, still represents a very high risk; therefore, greater positive changes cannot be expected until 2014. It is estimated that the formation of gross fixed capital will decline by 8.4 percent in 2012; and by an additional 4.5 percent in 2013. This standstill is due to investments in progress that have been terminated because of investors' insolvency. Public and private investments are shrinking due to economic measures in the national budget, extreme problems with incorporating projects and access to financial resources for giving an impetus to the investment cycle.

In 2011 a fall in GDP has been recorded for **government consumption** (a reduction of 1.2%). Based on the given data, for the second quarter of 2012 it has been estimated that due to economy measures, public consumption in Slovenia will deteriorate this and the following year. With the forecast decrease in household income (salaries, social transfer benefits and other income) and the increase in unemployment, the total **domestic demand** will decline in the years 2012 and 2013. In 2011, a 0.4 percent growth in final consumption was recorded. In addition, in 2011 an 11.8 percent unemployment rate was registered in Slovenia and, according to the survey - it reached 8.1 percent based on ILO unemployment rate. Hence, no improvement can be expected on the **labour market**. Based on expected economic trends, a reduction in the employment rate and an increase in the unemployment rate are to be expected in 2012.

Regarding inflation, the average annual **inflation** in 2011 was 1.8 per cent (2 percent at the end of the year). For 2012 and 2013 an even higher inflation is forecasted - reaching 2.4 percent and 2.6 percent respectively. However, much depends on the movement of the prices of fuel products and excise duties, as well as other duties and taxes set by the government.

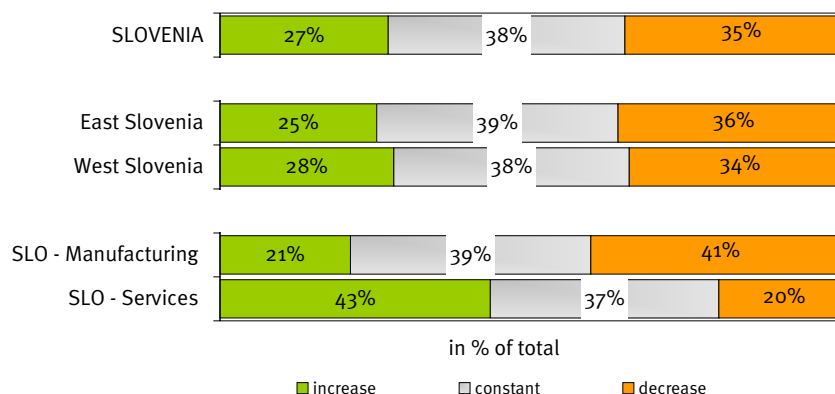
The basis for macroeconomic forecasts of SKEP CCIS have also been **survey results of the Eurochambres Economic Survey (EES)**. They reflect a predominantly negative perception, which is more and more deteriorating. The same goes for perceptions on national sales, investments and employment. Even for 2013 a significant improvement in these components is not to be expected. Companies are merely slightly more optimistic about turnover on foreign markets.

2) Brief analysis of the economic indicators

➤ TOTAL TURNOVER

In general Slovenian firms assess this year's total turnover realization negative (-20 in balance figure), even though last year's expectations were a bit more optimistic. Namely, the expected revenues in the domestic market continue to fall, revenues from foreign sales are losing the positive trends. For 2012, divided by sales market, companies are extremely pessimistic regarding the domestic market, and rather optimistic regarding foreign sales, but compared to the previous survey expectations are still significantly deteriorated. Positive expectations for 2012 are reported by 26 percent of respondents and turnover decrease is forecasted by almost half of all questioned companies (47 percent). Much better expectations for total turnover in 2013 are in manufacturing and large and medium-sized enterprises - they expect a positive balance (increase – decrease). For the year 2013 27 percent of the companies forecast an increase of their total sales, and 35 percent expect a reduction of their total turnover. The survey shows that more firms anticipate poorer sales revenues than expected, more evidently in constructing and services and in the micro and small enterprises.

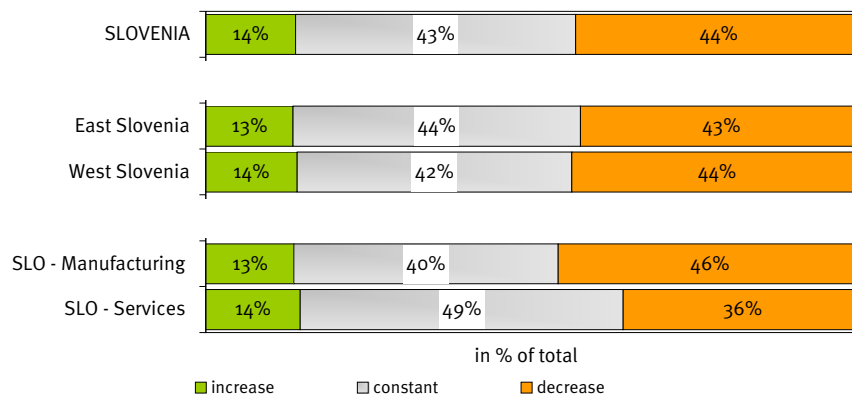
TOTAL TURNOVER EXPECTATIONS FOR 2013 - SLOVENIA



➤ NATIONAL - DOMESTIC SALES

This year domestic sales are very negative compared to last year's survey. Negative expectations about domestic sales for the year 2011 and year 2012 - are dominated by the proportion of those companies who believe that revenues in the domestic market will decline. For 2012 more companies expect a decline in national sales (balance -37) - for the year 2013 this share is expected to reduce (balance -30). Companies record somewhat more optimistic expectations for 2013, but still expect a reduction of national sales. For the year 2013 14 percent of companies forecast an increase of their sales and 44 percent expect a reduction of their turnover in the domestic market. Slightly better expectations for domestic sales in 2013 are in manufacturing and in large and medium-sized enterprises.

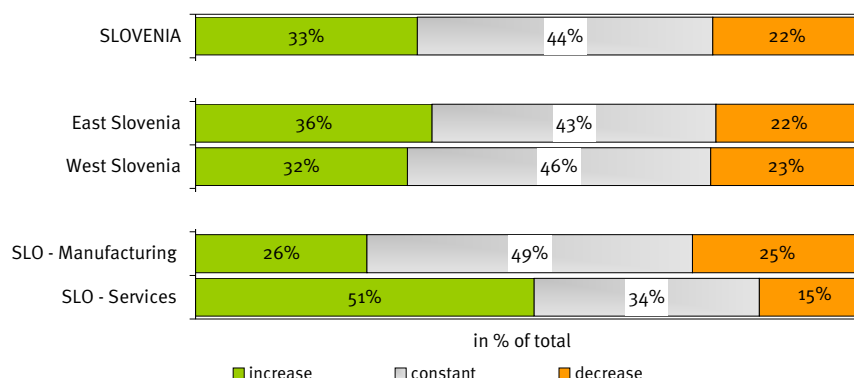
NATIONAL SALES EXPECTATIONS FOR 2013 - SLOVENIA



➤ EXPORT SALES

Current survey results for exports in 2012 show a less favourable situation than firms anticipated a year ago. For 2013, the outlook for exports is slightly better, especially in manufacturing and large and medium-sized enterprises in Eastern Slovenia. Nevertheless, exports are largely dependent on a strong reliance of Slovenian exporting firms to the economies of the biggest EU member countries. For 2012 32 percent of companies report enhanced export sales on one hand, but on the other hand as many as 28 percent expect diminishing exports. For 2013 export sales prospects are becoming more promising, with a balance figure of 11 (for 2012 balance 5), and also follow the general economic outlook. For 2013 33 percent of companies report an expected increase in their export sales and 22 percent of them expect a decrease of sales on foreign markets.

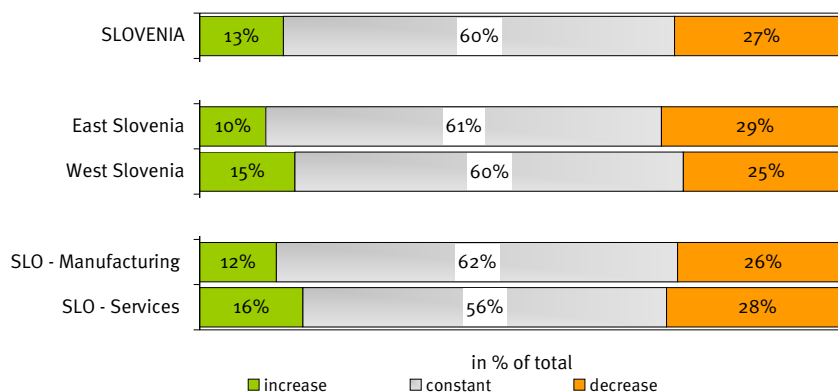
EXPORT SALES EXPECTATIONS FOR 2013 - SLOVENIA



➤ EMPLOYMENT

Expectations about employment have worsened for the current year compared to last year's survey, and the share of those companies expecting a reduction in the number of employees still dominate. Statistical data imply weak labour market trends, which still point to the negative perception of employment. Altogether, in 2012 the number of employees has remained unchanged in 54 percent of the surveyed firms, increased in 14 percent and diminished in 32 percent (balance -19). The concentration of new jobs is higher in manufacturing in the western part of Slovenia. In 2013, employment trends should remain negative, the majority of firms (60 percent) tend to keep a status quo, but the share that forecast firing workforce is 27 percent and the share of firms that forecast hiring is only 12,9 percent (balance -14). The employment expectations, in the year to come, reflect less dismissal in the West Region and in manufacturing sector as well as in the micro and small enterprises.

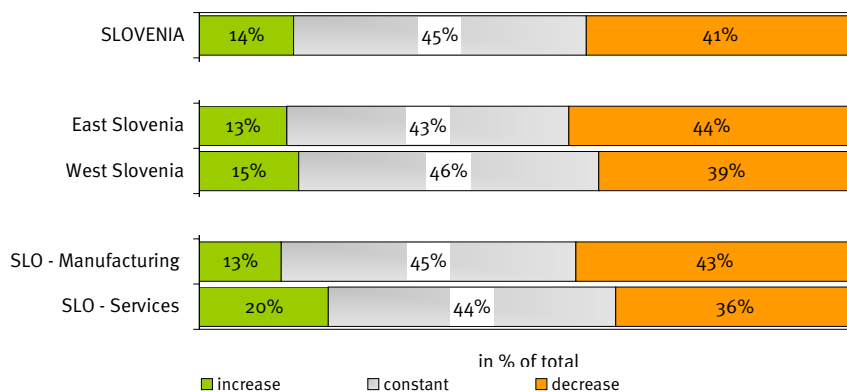
EMPLOYMENT EXPECTATIONS FOR 2013 - SLOVENIA



➤ INVESTMENTS

The Eurochambres' Economic survey answers reveal stronger weakness in investment activity in the business sector in 2012 than in previous years, with only 15 percent of firms currently increasing their investments, 51 percent reducing them and 34 percent reporting unchanged investments, compared to the year before. These assessments are also confirmed by statistical data. For 2013 investment activity is expected to increase by 14 percent, while a decrease is forecasted by 41 percent of respondents. The results of these evaluations are more positive for 2013 (balance -27) than in 2012 (balance -36), but still negative in all fields. Investments estimates are more advantageous in manufacturing and in large and medium-sized enterprises.

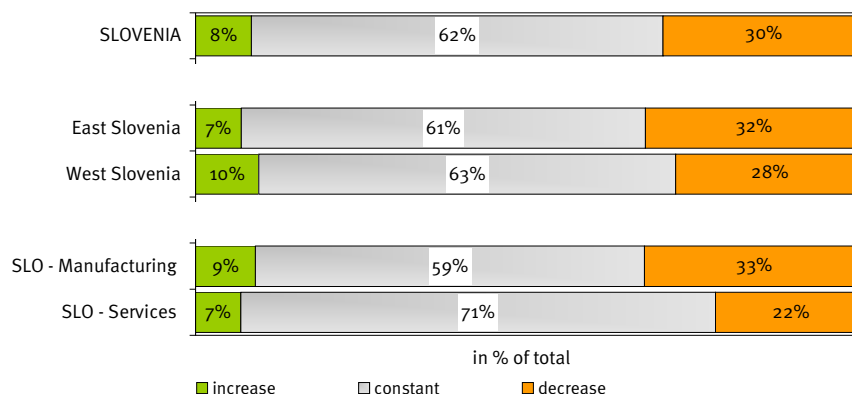
INVESTMENT EXPECTATIONS FOR 2013 - SLOVENIA



➤ BUSINESS CONFIDENCE

In line with economic forecasts for 2012 firms' overall business confidence is worse than this year's assessments. In 2012, business sentiments of Slovenian companies have been worsening significantly in comparison to 2011 – with the overall balance figure of business confidence (-36). In general, business confidence is only slightly better in manufacturing than in the service sector. In average, for 2012, only 8 percent of the business community predicts improvement and as much as 43 percent forecast worsening. For 2013, business confidence is somewhat better than in 2012, mainly by the manufacturing sector and larger companies. For 2013 only 8 percent of companies expect an increase and 30 percent expect a decrease of business confidence.

BUSINESS CONFIDENCE FOR 2013 - SLOVENIA



3) Conclusion

The Chamber of Commerce and Industry of Slovenia (SKEP – Economic Outlook, Analyses and Forecasts) sent a total of 1080 questionnaires to businesses by e-mail. The majority of answers to our questionnaire were received between September 13 and October 5, 2012. The total frequency of response was 48 percent.

For Slovenia the sample used for the Survey has been a representative sample of companies, taking into account two regions - West and East Slovenia, as well as the size of companies and the sector of activity. Answers to the questionnaire from both regions were obtained from production – manufacturing and from service companies.

The shares of companies in the sample have been as follows:

	Share
Manufacturing	31.0%
Services	70.0%
West Slovenia	59.0%
East Slovenia	41.0%

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