1.2 Real GDP growth

Gross domestic product contracted yet again in 2013 (-1.1%), to about a tenth below its level of 2008. Exports remained the only factor that made a substantial positive contribution to economic activity and its growth accelerated as Europe's economy started recovering last year. Nevertheless, the contribution of the external trade balance was more subdued than in the year before, as imports rose as well due to a slower decline in domestic demand. The decline in domestic demand was slowed in particular by an uptick in gross fixed capital formation; the contraction of household consumption decelerated, whereas the slump in government consumption deepened.

Real growth in exports was more robust last year as the economic recovery in the EU got under way, while growth in exports to countries outside the EU slowed down. Export growth stood at 2.9%, up 2.3 percentage points over the year before, driven by stronger merchandise exports. After having declined in 2012, merchandise exports to the EU[1] rose last year, whereas the growth of non-EU exports slowed down. Among the key trading partners, exports to Germany and France contracted marginally, the growth of exports to Austria continued, exports to Italy inched up after having slipped the year before, exports to Croatia also rose, while the growth in exports to Russia slowed down. Medical and pharmaceutical products accounted for the bulk of total export growth, along with oil and oil derivatives[2]. Real growth in services exports (2.6%), which was underpinned by exports of intermediation and construction services, slowed down. Following a substantial decline in 2012, real imports of merchandise and services recovered last year, which is to a large degree attributable to the import of equipment for the construction of an energy installation and higher car imports.

Household and government consumption expenditure continued to decline last year due to the further weakening of the labour market and tight public finances. The decline in household consumption expenditure slowed down (-2.7%). Compensation of employees contracted again as the average gross wage continued to decline along with employment. Social transfers decreased at a slower pace than in the preceding year as the number of claimants, in particular pensioners, spiked at the start of the year. The strong compression of government consumption expenditure (-2.0%) was the result of a significant reduction in compensation of employees, as the wage-cutting measures adopted in 2012 had effect through the entire year and additional measures were adopted. The number of employees in the general government dropped for the first time, after employment growth had already slowed down in 2012.

Last year's modest expansion of gross fixed capital formation was largely a result of the purchase of equipment for an energy installation. Gross fixed capital formation edged higher (0.2%) after four years of contraction, but it was still barely half the level of 2008. The overall growth was a result of the expansion of investments in machinery and equipment largely associated with an investment in an energy installation, as investments in buildings and structures dropped, albeit at a slightly slower pace than in 2012. Change in inventories again had a negative impact on GDP (-0.5 percentage points), but its contribution was significantly smaller than in the year before.

Gross domestic product at the EU-28 level increased slightly last year. The EU's economy expanded by 0.1% as the contribution of net exports dropped compared with the year before, whereas domestic consumption expenditure, in particular by households, contracted at a slower pace than in 2012. GDP trends improved in 18 Member States, while Germany and Austria stand out among the key countries which recorded slower growth. After a two-year contraction, EU-28 GDP thus lagged behind the 2008 level by 1.9%; it exceeded the benchmark in ten Member States and only two countries (Greece and Croatia) had wider gaps than Slovenia (-9.2%).

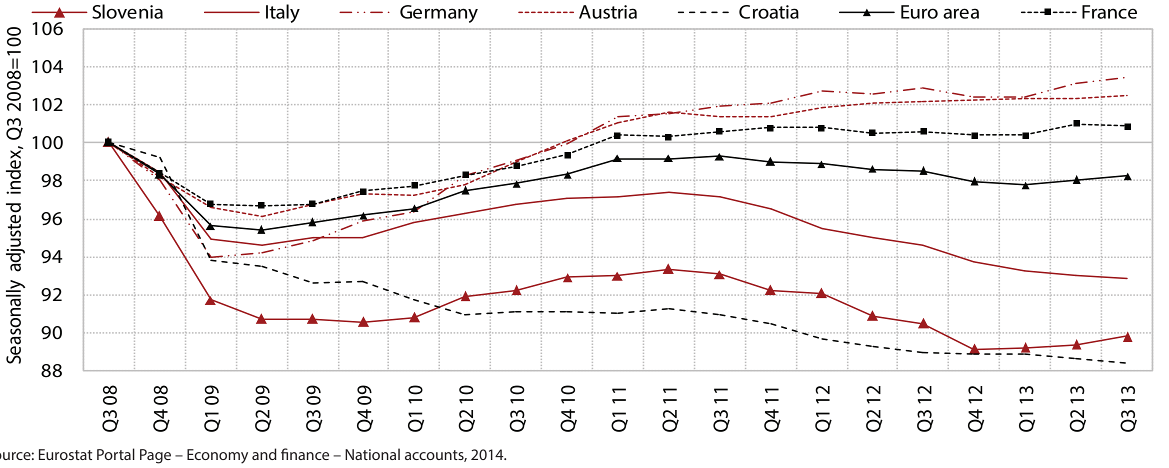
[1] When Croatia joined the EU, its status regarding merchandise trade with Slovenia changed for statistical purposes. In order to ensure that the data are comparable, we have treated Croatia as an EU member since January 2012, as does SURS, although it joined later.
[2] Re-exports of imported merchandise.

Table: **Contribution of individual expenditure components to GDP growth, Slovenia**

	1996	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013
Real GDP growth, in %	3.6	4.3	4.0	5.8	7.0	3.4	−7.9	1.3	0.7	−2.5	-1.1
Contribution to GDP growth, in percentage points											
External trade balance (import–export of merchandise and services)	0.3	2.5	2.2	0.2	−2.0	0.1	2.6	1.8	1.0	3.8	1.3
- Exports of merchandise and services	1.4	6.2	6.1	7.8	9.1	2.8	−10.9	6.0	4.7	0.4	2.2
- Imports of merchandise and services	1.1	3.7	3.9	7.6	11.2	2.6	−13.5	4.3	3.6	−3.4	0.9
Total domestic demand	3.3	1.7	1.8	5.7	9.0	3.2	−10.5	−0.5	−0.3	−6.3	−2.4
- Household consumption expenditure	1.9	0.4	1.1	1.5	3.3	1.2	−0.1	0.8	0.4	−2.7	−1.5
- Government consumption expenditure	0.5	0.6	0.7	0.8	0.1	1.0	0.5	0.3	−0.3	−0.3	−0.4
- Gross fixed capital formation	1.9	0.7	0.7	2.6	3.5	2.0	−6.8	−3.5	−1.1	−1.5	0.0
- Change in inventories	−1.0	0.0	−0.7	0.7	2.0	−0.9	−4.1	1.9	0.6	−1.8	−0.5

Source: SI-STAT Data Portal – National accounts, 2014.

Figure: **GDP in Slovenia and its main trading partners**



Source: Eurostat Portal Page – Economy and finance – National accounts, 2014.