

# Manufacturing

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| Selected indicators in manufacturing   | In absolute terms    |                      |               | Growth rates, in % |                    |                          |                        |
|--|----------------------|----------------------|---------------|--------------------|--------------------|--------------------------|------------------------|
|  | Sept 2003            | Jan-Sept 2003        | Jan-Sept 2002 | Sept 03/ Aug 03    | Sept 03/ Sept 02   | Jan-Sept 03/ Jan-Sept 02 | Jan-Dec 02/ Jan-Dec 01 |
| Production volume <sup>1</sup>         | -                    | -                    | -             | 32.1               | 3.4                | 0.2                      | 2.0                    |
| Aver. number of employees <sup>1</sup> | N/A                  | N/A                  | N/A           | 0.1 <sup>2</sup>   | -2.0 <sup>2</sup>  | -1.9 <sup>2</sup>        | -2.8                   |
| Labour productivity                    | -                    | -                    | -             | -19.7 <sup>2</sup> | -1.3 <sup>2</sup>  | 1.6 <sup>2</sup>         | 4.9                    |
| Stock volume                           | -                    | -                    | -             | 0.9                | 3.6                | 5.3                      | -2.0                   |
| Average gross wage, in SIT             | 209,493 <sub>2</sub> | 204,884 <sup>2</sup> | 194,100       | 0.4 <sup>2,3</sup> | 2.4 <sup>2,3</sup> | 1.7 <sup>2,3</sup>       | 1.7 <sup>3</sup>       |
| Producer prices                        | -                    | -                    | -             | 0.3                | 2.4                | 3.2                      | 5.2                    |
| Producer prices / inflation            | -                    | -                    | -             | 0.0                | -2.5               | -2.5                     | -2.1                   |

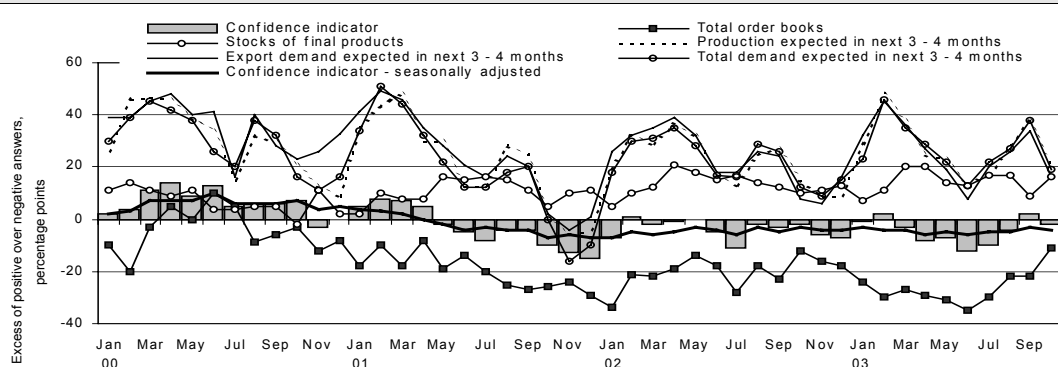
Sources of data: SORS, AP; calculations by IMAD. Notes: <sup>1</sup>figures cover companies with 10 or more employees; <sup>2</sup>figure for August 2003; <sup>3</sup>real growth – calculated by the consumer price index; N/A – not available.

Manufacturing's **production volumes** increased by 32.1% in **September** over August as a result of the two extra working days (10% of the work time) and August's low level. Compared to September last year, which was one working day shorter (4.8% of the work time), production volumes climbed 3.4%. In the first nine months, production volumes edged up 0.2% against the same period last year. These developments pushed the **trend rate** upwards slightly, going up by 0.3% in September over August according to the Tramo-Seats method.

In the first nine months, production volumes increased the most in **moderately export-oriented industries**, whose average net sales revenues earned in foreign markets ranged between 50% and 70% of total net sales revenues. These industries recorded average growth of 0.8%, with the manufacture of electrical and optical equipment recording the strongest growth of 13.2%, however, stock levels surged by 43.4% at the same time. Low growth of 0.1% was seen in **industries mainly selling in the domestic market**, whose share of sales revenues earned in foreign markets was below 50%. In **highly export-oriented industries**, whose sales revenues earned in foreign markets exceeded 70% of total sales revenues, production volumes dropped by 0.4%. This was chiefly due to the 7.6% contraction seen in the manufacture of machinery and equipment, while the manufacture of coke and refined petroleum products and chemical products recorded 11.0% and 5.7% growth, respectively. However, the latter industry saw a fall in production volumes in year-on-year terms, down 21.7% in August and 3.2% in September.

After improving for a few months, the business climate deteriorated in **October**. According to the SORS' **business trends survey**, the **composite confidence indicator** (see the key in the graph) was again negative, as was the seasonally adjusted series of the indicator's monthly values. The share of surveyed companies expecting an improvement in the business climate was 2.0 percentage points lower than the share of companies expecting a worsening. The confidence indicator dropped by 4.0 percentage points compared to September, but it was 2.3 percentage points above this year's average monthly level and 1.8 percentage points above last year's average monthly level. October's fall was mainly due to lower production expectations for the next 3-4 months and higher stock levels, while the estimates of total order books have improved for several months now (see graph). However, the share of surveyed companies estimating the current level of total orders to be below normal was still 11.0 percentage points more than the share of those estimating it to be above the normal level. An **unstable business climate** is also suggested by expectations for the next 3-4 months; the surveyed executives do anticipate a rise in export and total demand (these indicators are not included in the composite confidence indicator), however, the share of these executives seems to be much lower than in September. In October, the share of those anticipating growth in exports and total demand in the next 3-4 months was 16.0 and 19.0 percentage points more than the share of those expecting a decline.

Graph: **Business trends in manufacturing**



Source of data: SORS. Note: \* confidence indicator is composed of expectations about total order books, stocks of final products, and production.