

Manufacturing	Slovenian Economic Mirror	IMAD
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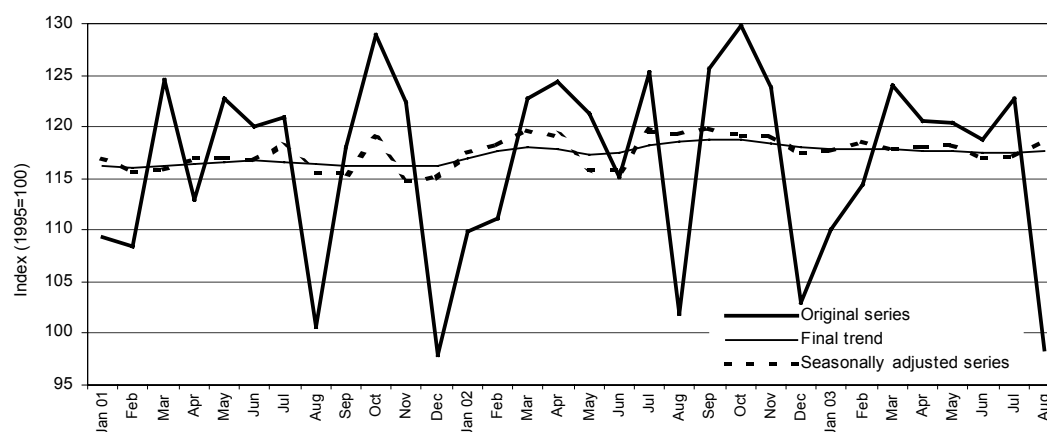
Selected indicators in manufacturing	In absolute terms			Growth rates, in %		
	Aug 2003	Jan-Aug 2003	Jan-Dec 2002	Aug 2003/ July 2003	Jan-Aug 03/ Jan-Aug 02	Jan-Dec 02/ Jan-Dec 01
Production volume ¹	-	-	-	-19.8	-0.3	2.0
Average number of employees ¹	N/A	N/A	N/A	-0.4 ²	-1.8 ²	-2.8
Labour productivity	-	-	-	3.8 ²	2.0 ²	4.9
Stock volume	-	-	-	-4.2	5.5	-2.0
Average gross wage, in SIT	209,445 ²	204,229 ²	194,100	2.5 ^{2,3}	1.8 ^{2,3}	1.7 ³
Producer prices	-	-	-	0.0	3.3	5.2
Producer prices / inflation	-	-	-	0.4	-2.5	-2.1

Sources of data: SORS, AP; calculations by IMAD. Notes: ¹figures cover companies with 10 or more employees; ²figures for March 2002; ³real growth – calculated by the consumer price index; N/A – not available.

Manufacturing activity continued to slow down in the first half of this year after it had started to decelerate in the last quarter of 2002. According to figures from the SORS, **value added** increased by 3.0% in the first quarter and by just 1.8% in the second quarter compared to the same period last year, the lowest growth in the last three years. These dynamics were slightly weaker than projected in the Spring Report (IMAD, 2003) as a result of sluggish economic activity in the international environment and the subdued export growth. Similar trends were also revealed by production volumes, which climbed by 1.3% in the first and dropped by 0.2% in the second quarter year on year. After rising by 3.4% in July over June (down 2.0% over July last year), **production volumes** slumped by 19.8% in August over July. This may be accounted for by three fewer working days (about 13% of working time) and the usual seasonal slowdown typical of this holiday month. In the first eight months, production activity was 0.3% lower than in the same period last year. August's level of production was 3.3% lower than in the same month last year because there was one working day less, or about 5% of the working time. The production volumes' long-term **trend** turned upwards slightly after having fallen for two months (see graph); growth was 0.2% in August compared to July, according to the Tramo-Seats method.

The business climate improved in **September** for the third month in a row and climbed above the average of the last two years. According to the SORS' survey on **business trends in manufacturing**, the **composite confidence indicator** comprising total order books, stock levels and production expectations equalled this year's highest level (February). The seasonally adjusted series of monthly values was also on the upturn. The number of surveyed companies expecting an improvement in the business climate was 2.0 percentage points higher than the number of companies expecting a worsening. The confidence indicator improved by 6.0 percentage points compared to August and was 6.5 percentage points above this year's average monthly level and 5.8 percentage points above last year's average monthly level. Further, the **level of expectations** about total and export demand also improved compared to August (the same was revealed by the seasonally adjusted figures). The number of surveyed executives who anticipated an improvement of international economic conditions in the next 3-4 months was 34.0 percentage points more than the number of those expecting a worsening (this year's lowest level of expectations was seen in June when the difference was 8.0 percentage points). The number of surveyed companies that expected a higher level of total demand in the next 3-4 months was 38.0 percentage points more than the number of those expecting a lower level.

Graph: Manufacturing production volumes



Source of data: SORS, IMAD's calculations using the Tramo-Seats method.