

In September, the SORS released figures on **gross domestic product growth for the second quarter of 2003**; growth was 2.1% compared to the same period last year (2.3% in the first quarter). Real export growth was weaker than in the first quarter (2.0% year on year) as a result of the slow economic growth recovery in the EU and low export growth to the countries of former Yugoslavia and Russia. These were the main reasons for economic growth being lower than anticipated in spring (see p. 3). Domestic consumption growth intensified for the fifth quarter in a row and came in at 4.2% year on year, thereby exceeding the spring projections. Following the increased investment activity, year-on-year growth in gross fixed capital formation had already intensified in the first quarter and continued to strengthen in the second quarter (7.8%) mainly thanks to motorway construction and strong imports of transport equipment. Similarly, household spending gained momentum, while private consumption growth was slightly stronger in the second than in the first quarter (2.8% and 2.4% year on year, respectively). Growth in government consumption, on the other hand, decelerated (down from 4.1% in the first to 2.9% in the second quarter year on year). Following the increased domestic demand, real import growth stayed at a relatively high level (5.5%).

Real value-added growth remained at the level of the first quarter (2.2% year on year), while the composition of growth changed. Growth in primary activities (A to F) continued to slow down, whereas growth in services (G to P) strengthened. As far as the former are concerned, falls were seen in agriculture and electricity, gas and water supply, while manufacturing recorded the lowest growth in the last three years (1.8% year on year) as a result of moderate export growth. Conversely, value-added growth intensified markedly in construction (8.8%) and mining (12.4%). The positive trends in construction were underlined by motorway construction, while those in mining by increased electricity generation in thermal power plants, leading to higher extraction levels of coal. As regards services, value-added growth intensified markedly in hotels and restaurants (6%) largely thanks to the Easter holidays, which were in the second quarter this year and in the first quarter last year, and financial intermediation (13.1%). Following the high turnover in the sale of non-food products, value-added growth also strengthened in wholesale and retail trade and certain repair services, while the high employment growth in the public administration (5.2%) led to considerable value-added growth in this activity (5.4%). In both the first and second quarters, value-added growth was behind the projections of the Spring Report 2003 mainly due to the slow recovery of manufacturing and lower-than-expected growth in transport, storage and communications.

According to the first annual assessment of **gross domestic product for 2002** released by the SORS at the end of September, the produced gross value totalled SIT 5,276 billion, SIT 8.7 billion less than assessed in March on the basis of quarterly figures. Real economic growth was also lower than the preliminary assessment, coming in at **2.9%**, the same as in 2001 (economic growth assessed from the quarterly figures was 3.2%). As far as the GDP expenditure structure is concerned, significant discrepancies between the annual assessment and assessment made from quarterly figures (presented in detail in the Spring Report 2003) were seen in inventories and valuables, private consumption, and investment. The new estimate of changes in inventories and valuables was significantly higher, so changes in inventories and valuables contributed 0.7 of a percentage point to GDP growth (0.2 of a percentage point according to the previous assessment), accounting for a solid quarter of the total real GDP growth. The new estimate of real private consumption growth is 1.1% (2.0% according to quarterly figures), while that of real gross investment growth is 1.3% (3.1%). Changes in investment were due to much lower new figures on individual private entrepreneurs operating in construction.

As far as the GDP production structure is concerned, a downward revision to value-added growth involved construction (from 3.3% to 1.1%), following the lower investment growth, and other community, social and personal services, and hotels and restaurants, following the subdued household spending. The new estimate of value-added growth is also much lower for mining (down from 6.5% to -0.5%). Conversely, the new figures on value added are higher for transport, storage and communications (up from 0.8% to 2.4%) and real estate, renting and business services. The total value-added growth was 3.3%, according to the annual assessment, compared to the 3.4% assessed on the basis of quarterly figures.

Total **employment** measured in the full-time equivalent dropped in 2002 after having risen for four years. The new figures show that the number of employees was 0.5% lower than in 2001 (0.1% lower according to quarterly figures). This fall was mainly due to a lower number of the self-employed (down 2.1%), mainly farmers, while the number of employees in the government sector increased by 1.9%.

Consumer prices rose by 0.3% in **September** (by 0.8% in September last year), while the annual inflation level was 5.0% (7.2%). The average inflation level also declined and amounted to 6.1% (7.6%). According to preliminary figures released by the SORS, prices were mostly pushed up by groups of products and services that typically experience seasonal fluctuations and partly by liquid fuels for transport and heating.