

# POGLEDE 2020

**Slovenia should not be caught off-guard, in the face of long-term economic and social challenges, by a general government surplus for the second consecutive year**



**DUŠAN MRAMOR**

The selection of Slovenia's economic indicators for this year provides a clear and helpful illustration of the main highlights of the articles in Outlook 2020, which relate to long-term economic trends.

The graphs of the most important macroeconomic indicators enable the monitoring of the main economic development trends. In 2018, all the trends seemed extremely favourable:

- GDP growth was slightly lower than in 2017, but still more than double the growth in the eurozone;
- Slovenia's GDP per capita, adjusted for different levels of prices and relative to the EU average, was raised again, this time to 87% – last seen in 2008;
- We continued to see a large reduction in unemployment, especially for young people;
- There was a large reduction in all types of indebtedness (countries, economies, households, abroad);
- As a result, interest rates on Slovenia's government debt declined more than the eurozone average (interest rate spread);
- We maintained a huge surplus in the foreign trade operations shown in the current balance of payments.

Let me mention in particular a result that will go into the annals of Slovenia's economic policy: not only was a general government surplus achieved for the second consecutive year, but there was also a large increase (from 0.1% to 0.8% of GDP) in the 2018 election year. Undoubtedly, in addition to strict monitoring of the legal constraints of the fiscal rule by the Ministry of Finance, Prime Minister Miro Cerar made a significant contribution by resigning rather than giving in to extreme pre-election pressure to increase all types of entitlements, and thus government expenditure. Labour costs again rose faster than in the eurozone, but less than the difference in GDP growth.

However, one must be aware that this was a short-term result, more or less at the top of the economic activity cycle. Slovenia faces very serious long-term economic and thus general societal challenges. From the current point of view, the most important challenges are the rapidly ageing population, i.e. demographic problems. I also tracked these in a selection of new graphs, and below I outline their content logic and the information they convey.

In our article in Outlook 2020, my colleague Joke Sambit and I show that solutions must first be sought to increase the working population and labour productivity. This is the only way we will be able to achieve higher growth and thus higher disposable income per capita, which is a more appropriate indicator of social stability than GDP per capita. Disposable income per capita, adjusted for purchasing power, increased in value again last year, but not enough to grow compared to the EU average – it remained at 81%, well below the 87% EU average reached in GDP per capita. Such a low result correlates well with low levels of labour productivity (82.7% in the EU), while growth in labour productivity (1.2% in 2018) has also been far from satisfactory and even average from 2000 onwards (1.7%). These two indicators clearly suggest the necessary course of action, with private investment being the most important factor for productivity growth, and available equity (domestic and foreign) being the most important for private investment.

The macro indicator of return on equity invested in Slovenian non-financial corporations when compared to that of other eurozone countries could not be clearer. Entrepreneurial equity investments in Slovenia are unattractive, as their return over the years is far less than half that in the eurozone – hence the low productivity and consequent low growth.

The overall overburdening of the economy with a levy on the public sector, which is expected to reduce productivity, cannot easily be ascertained, because since the peak of the crisis the percentage of public expenditure in GDP has been steadily falling, and was 3.3 percentage points below the eurozone average last year. The second question is, of course, the structure and effectiveness of the expenditure.

At first glance, it appears that the employment of the population, which was above the eurozone average in 2018 and its high growth (3%), is an exploited source of disposable income per capita. However, we should learn from the countries that have been most successful in activating the population into work (e.g. Sweden). From these, we find that we are seriously behind in the lowest and highest working age population segments, and in the proportion of those who earn enough by working without the aid of social transfers. There are considerable reserves here.

## Impressum

Outlook is a publication of the Managers' Association of Slovenia, the publisher of this annual professional publication. Outlook is published in collaboration with the Observatory ZM for competitiveness and increasing social wellbeing. It is published annually in Slovenian and English and quarterly in the pages of the daily newspaper Delo. Its basic purpose is to educate managers and decision-makers; to raise awareness of everything concerning economic policy and the development challenges faced by Slovenia in the EU context; and to promote an active dialogue with experts, social partners and media concerning development issues in Slovenia and the EU in the broader international context.

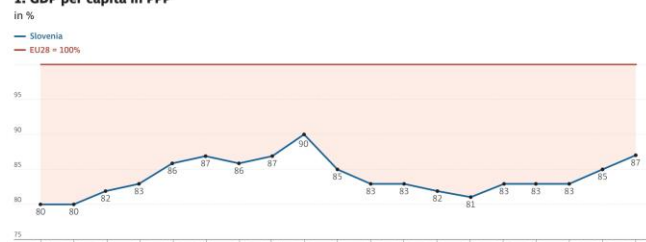
Good economic results combined with favourable conditions for further development are considered part of the competitiveness of a country. In this sense, Outlook aims to contribute to raising awareness of the state's intelligent governance, one that, with as much transparency as possible, instils confidence in the participants in the positive spiral of social relationships, and which, with the strengthening of the common vision of citizens, can stand the test of time.

The Editor-in-Chief of Outlook is Jurij Giacometti. The ZM Observatory is an expert group operating within the Managers' Association with a vision of an engaged intellectual platform of a group of experts (think-thank) in the Slovenian and European context. It consists of the Managers' Association leadership and selected experts in the field of economics and other sciences and professions.

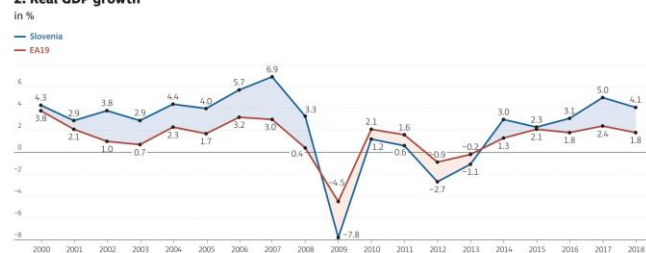
The President of ZM Observatory is Professor Dušan Mramor. Yearly and quarterly editions of Outlook are available here: <https://www.zdruzenje-managers.si/izdava-zrnanja/poglede/>

Vir podatkov za grafiko: Eurostat, evropska komisija in ECB

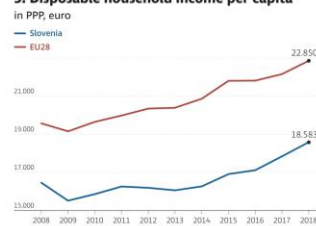
## 1. GDP per capita in PPP



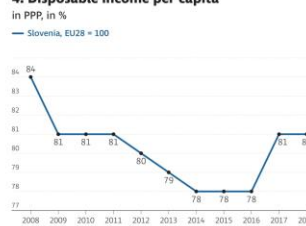
## 2. Real GDP growth



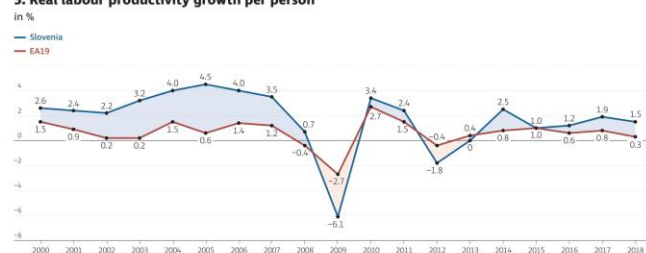
## 3. Disposable household income per capita



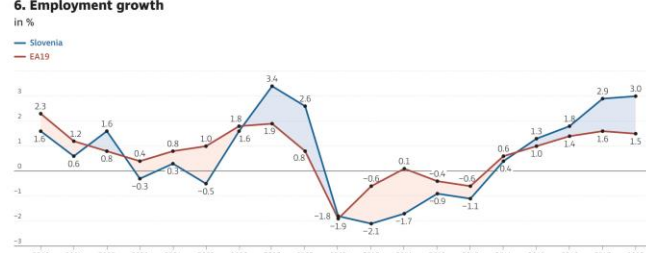
## 4. Disposable income per capita



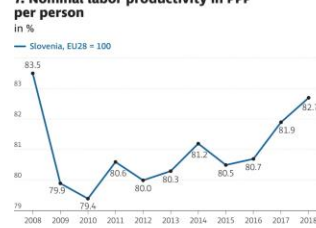
## 5. Real labour productivity growth per person



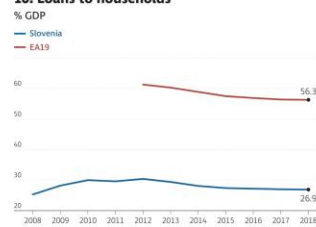
## 6. Employment growth



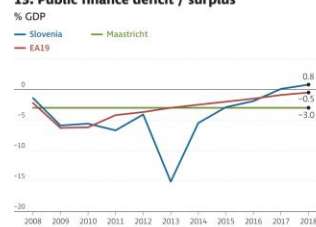
## 7. Nominal labor productivity in PPP per person



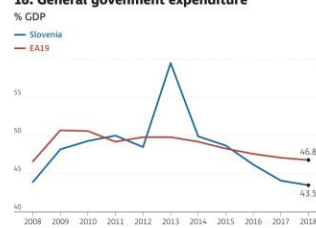
## 10. Loans to households



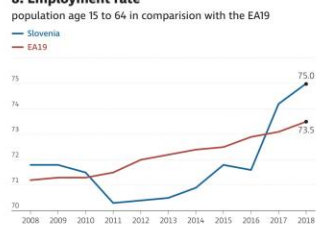
## 13. Public finance deficit / surplus



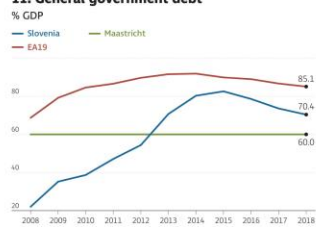
## 16. General government expenditure



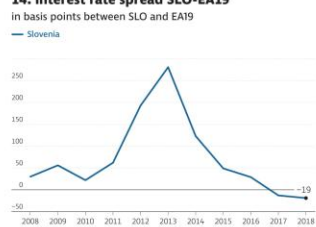
## 8. Employment rate



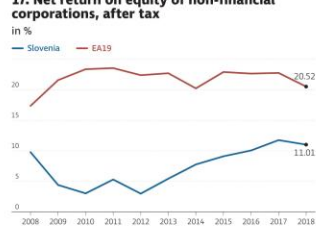
## 11. General government debt



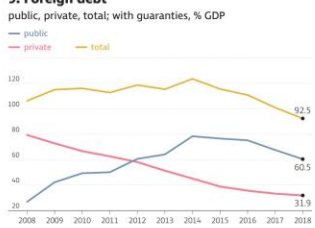
## 14. Interest rate spread SLO-EA19



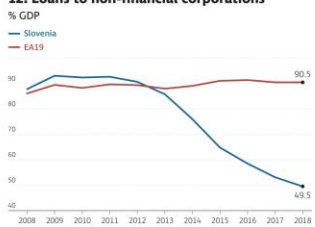
## 17. Net return on equity of non-financial corporations, after tax



## 9. Foreign debt



## 12. Loans to non-financial corporations



## 15. Current account balance

