



VLADA REPUBLIKE SLOVENIJE
URAD RS ZA MAKROEKONOMSKE ANALIZE IN RAZVOJ

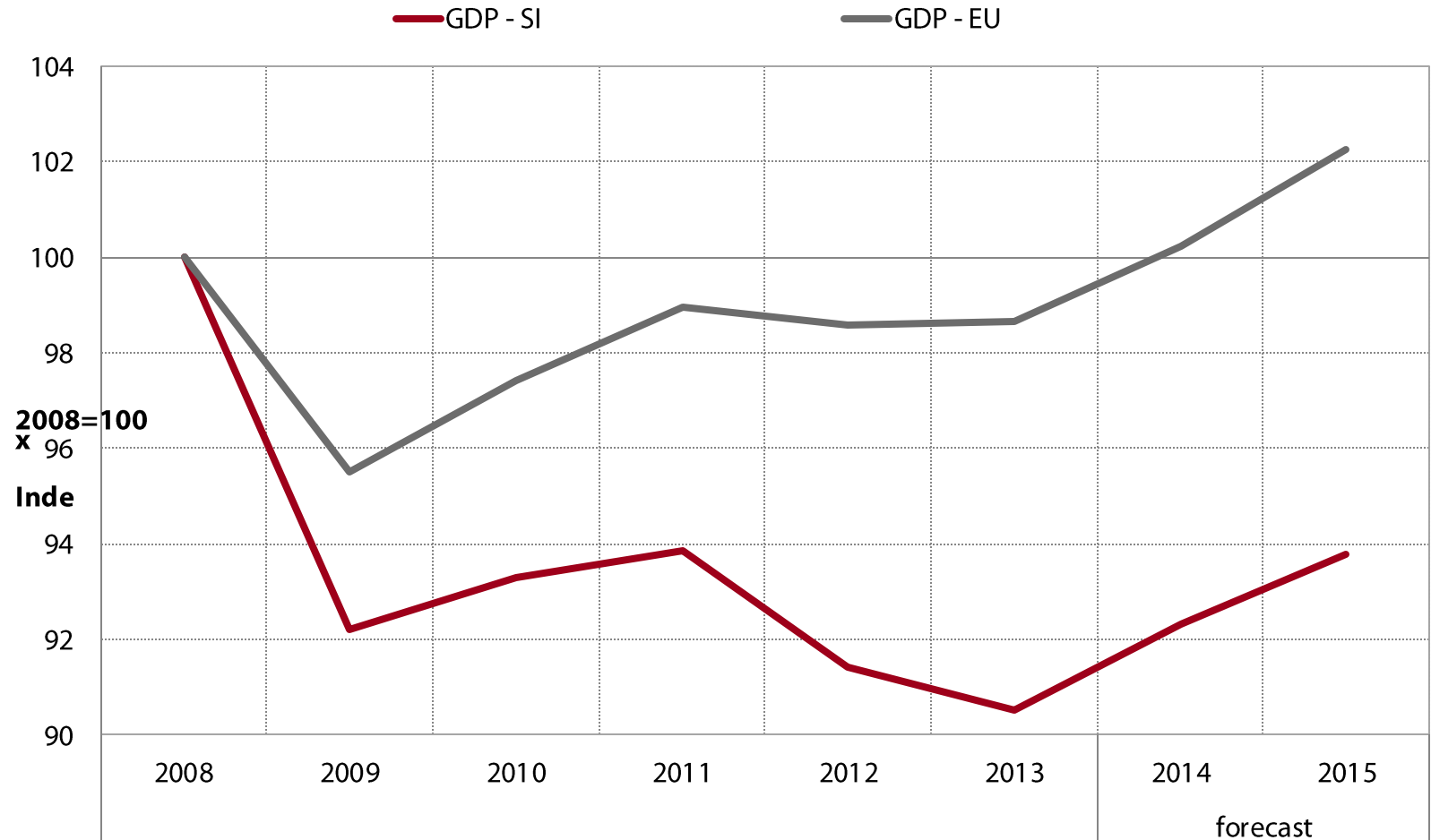
SLOVENIA IN A TIME OF ECONOMIC CRISIS, CHALLENGES AND ACTIONS TAKEN

BOŠTJAN VASLE, IMAD

ZAGREB, 11. DECEMBER 2014



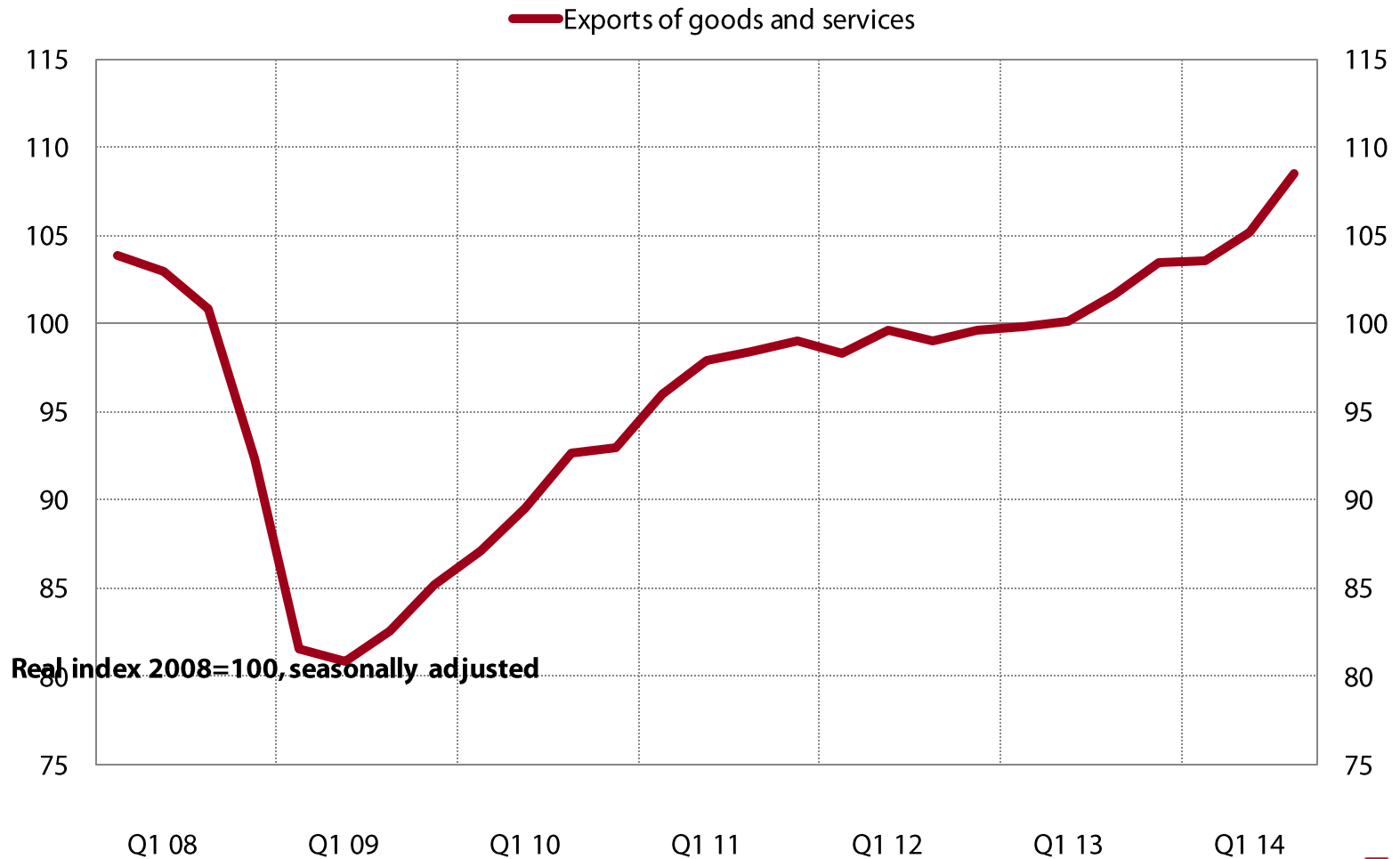
One of the biggest declines at the beginning of crisis: in terms of output...



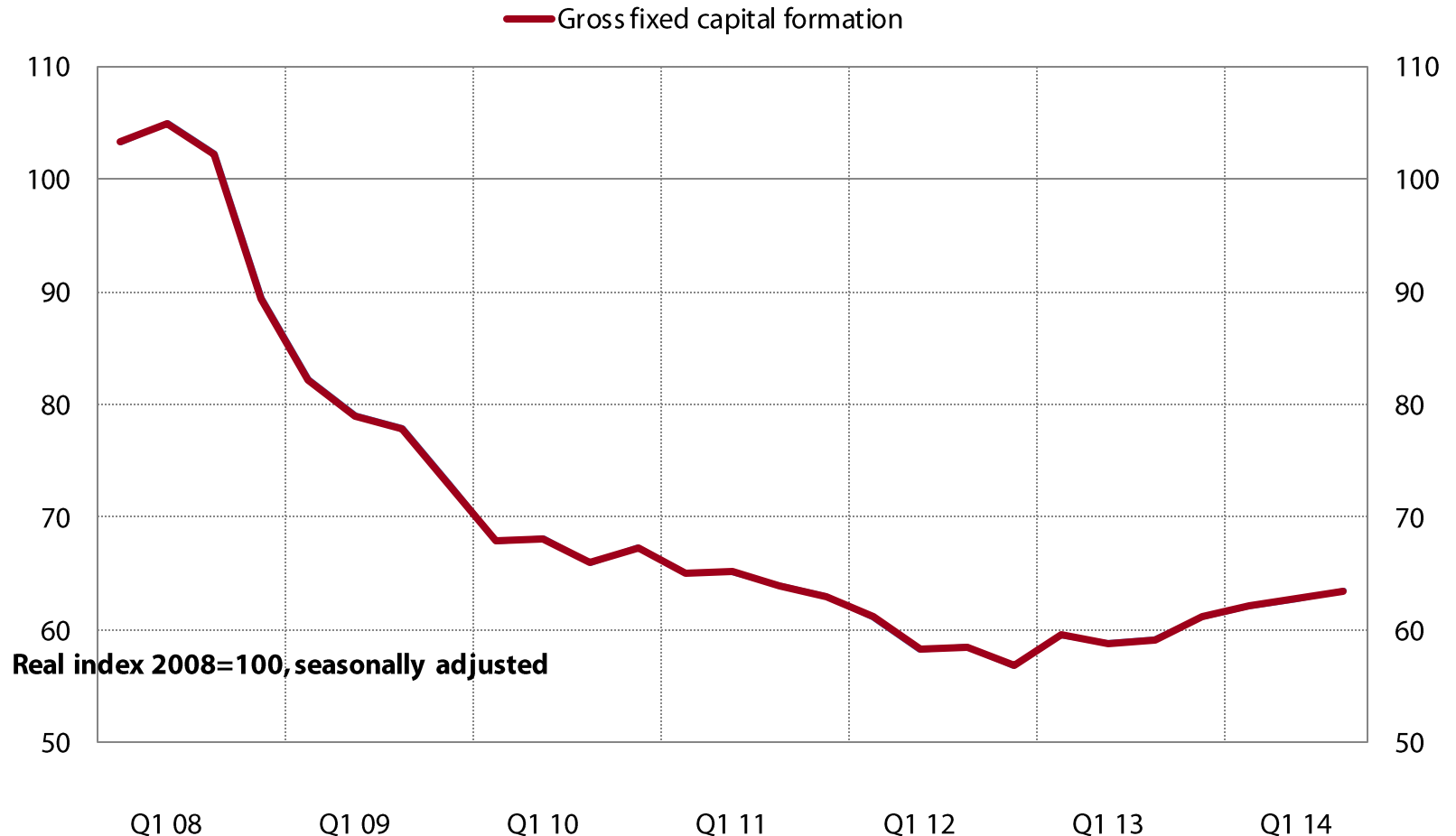
... and in terms of employment



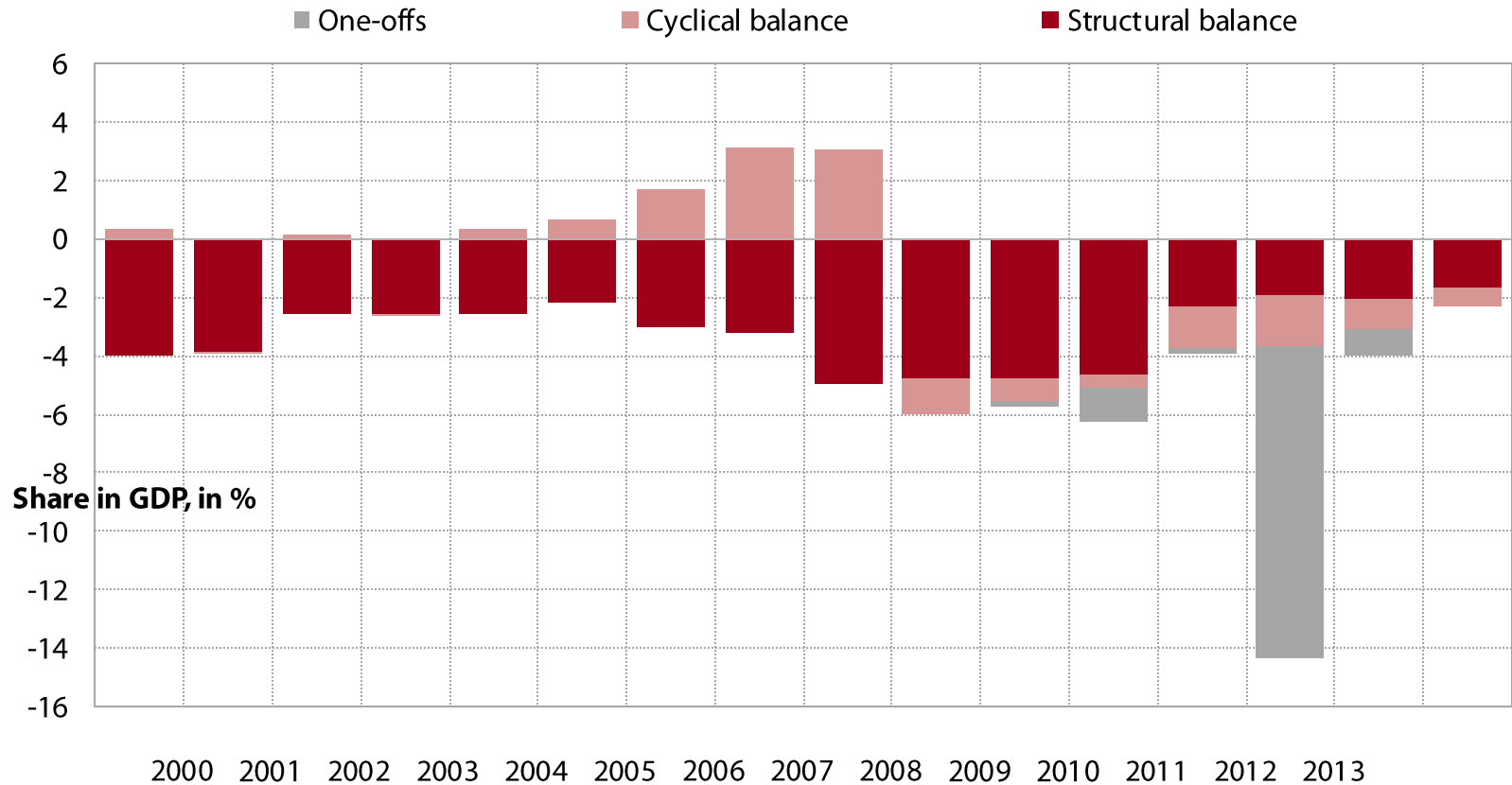
Slovenia being a small and open economy, exports are key to the economic development



A huge drop in investment as the crisis coincided with the conclusion of large infrastructure projects



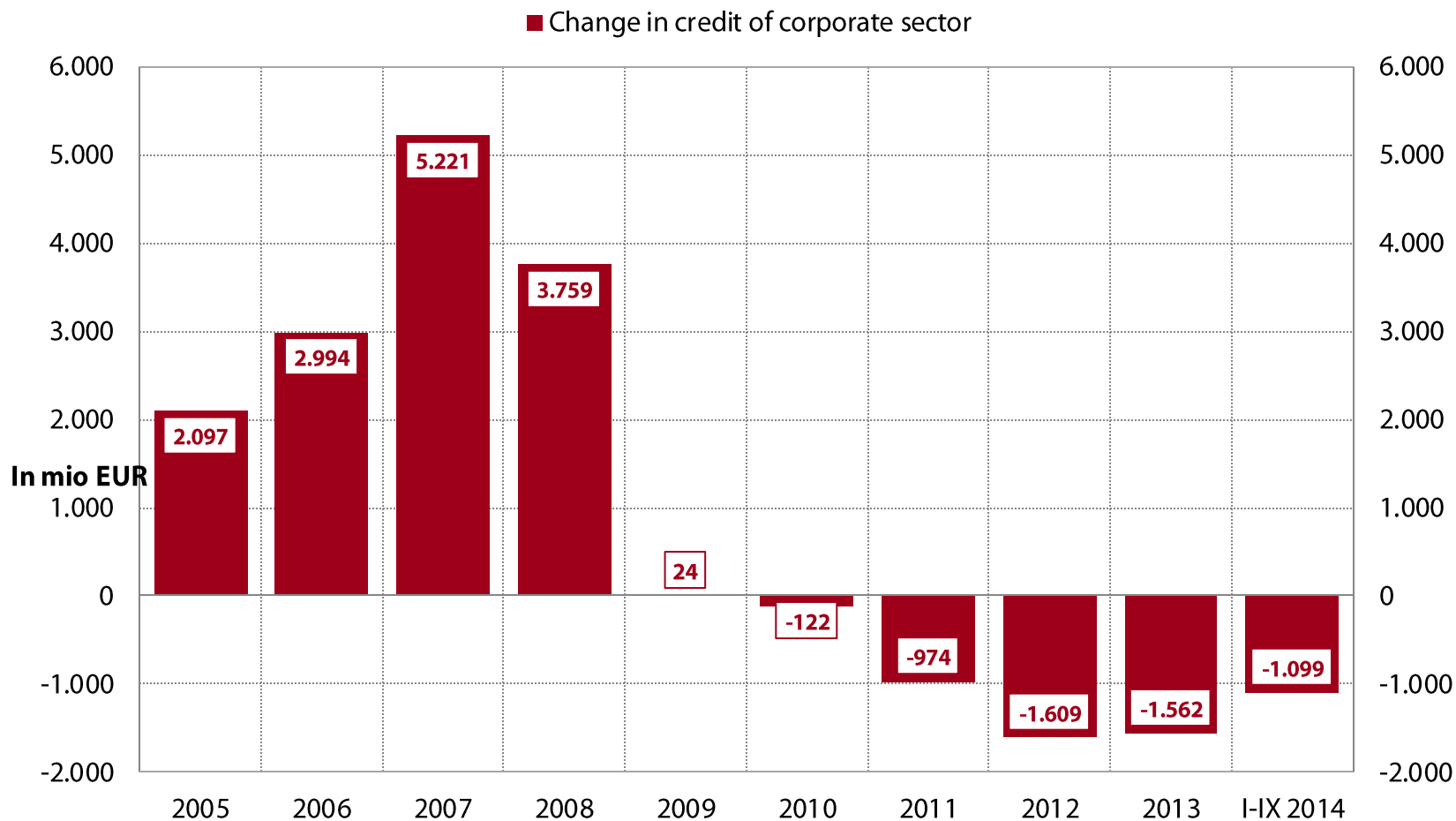
All this together resulted in a substantial public finance deficit



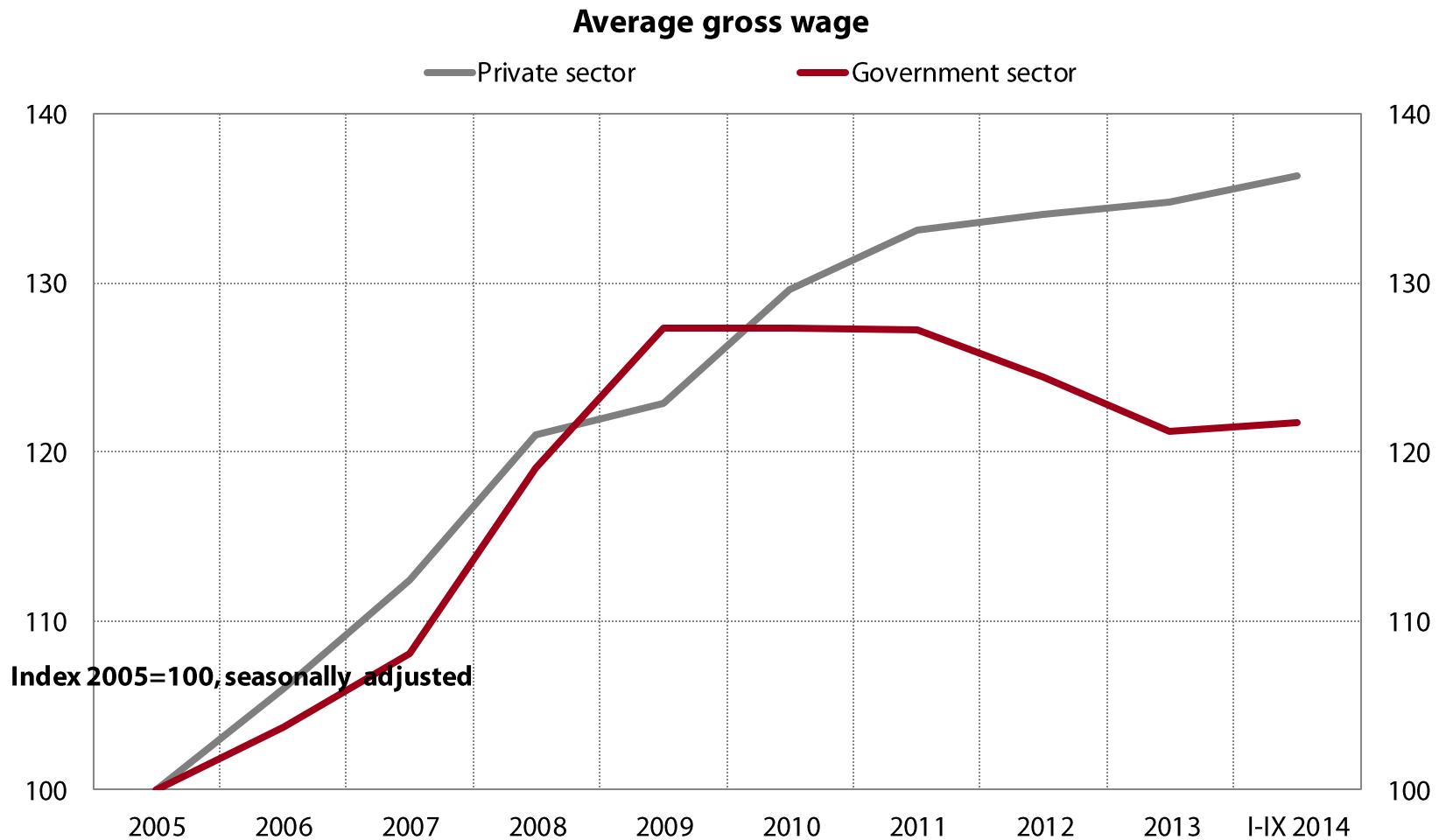
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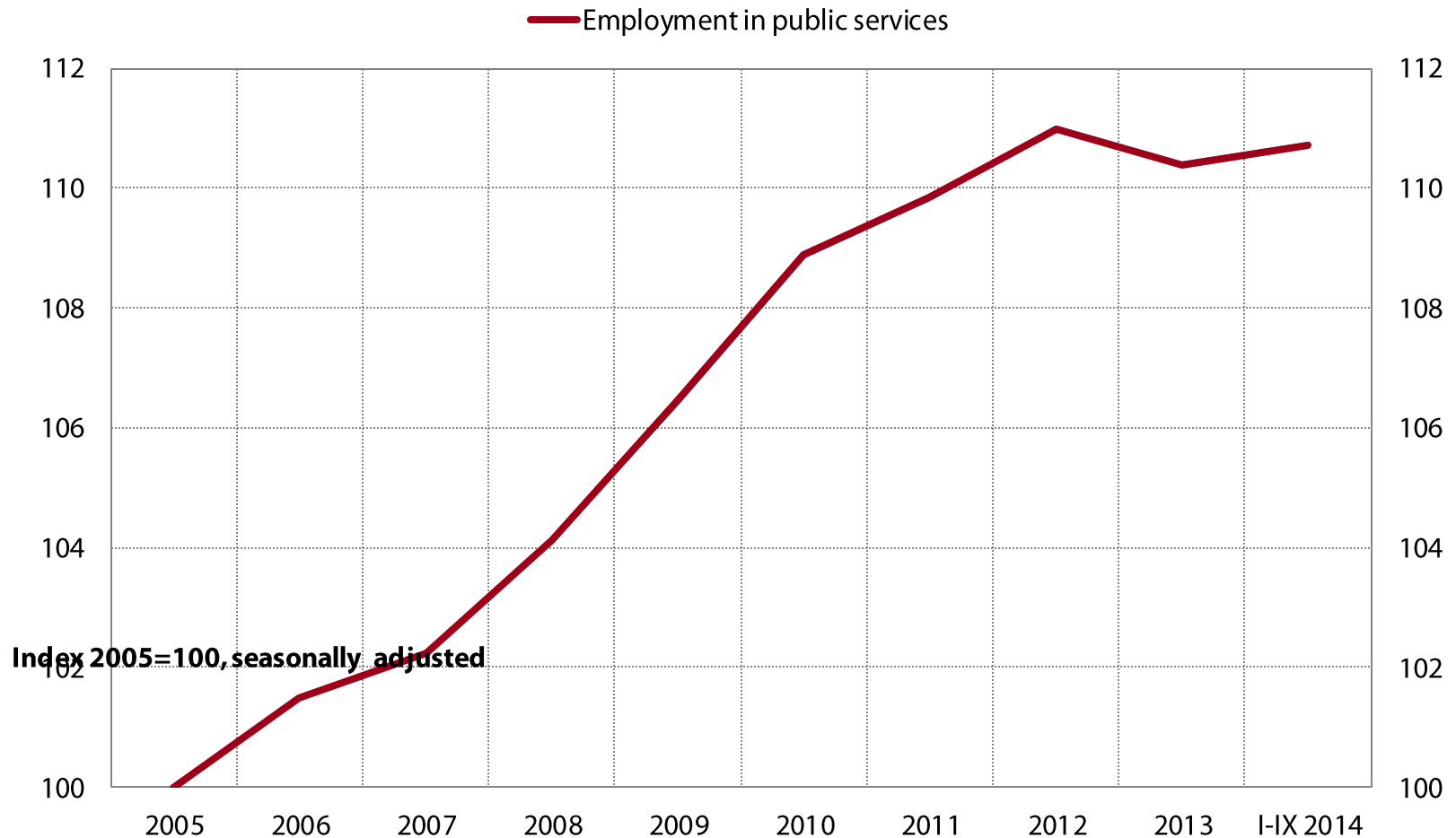
Large dependence of the corporate sector on bank credit



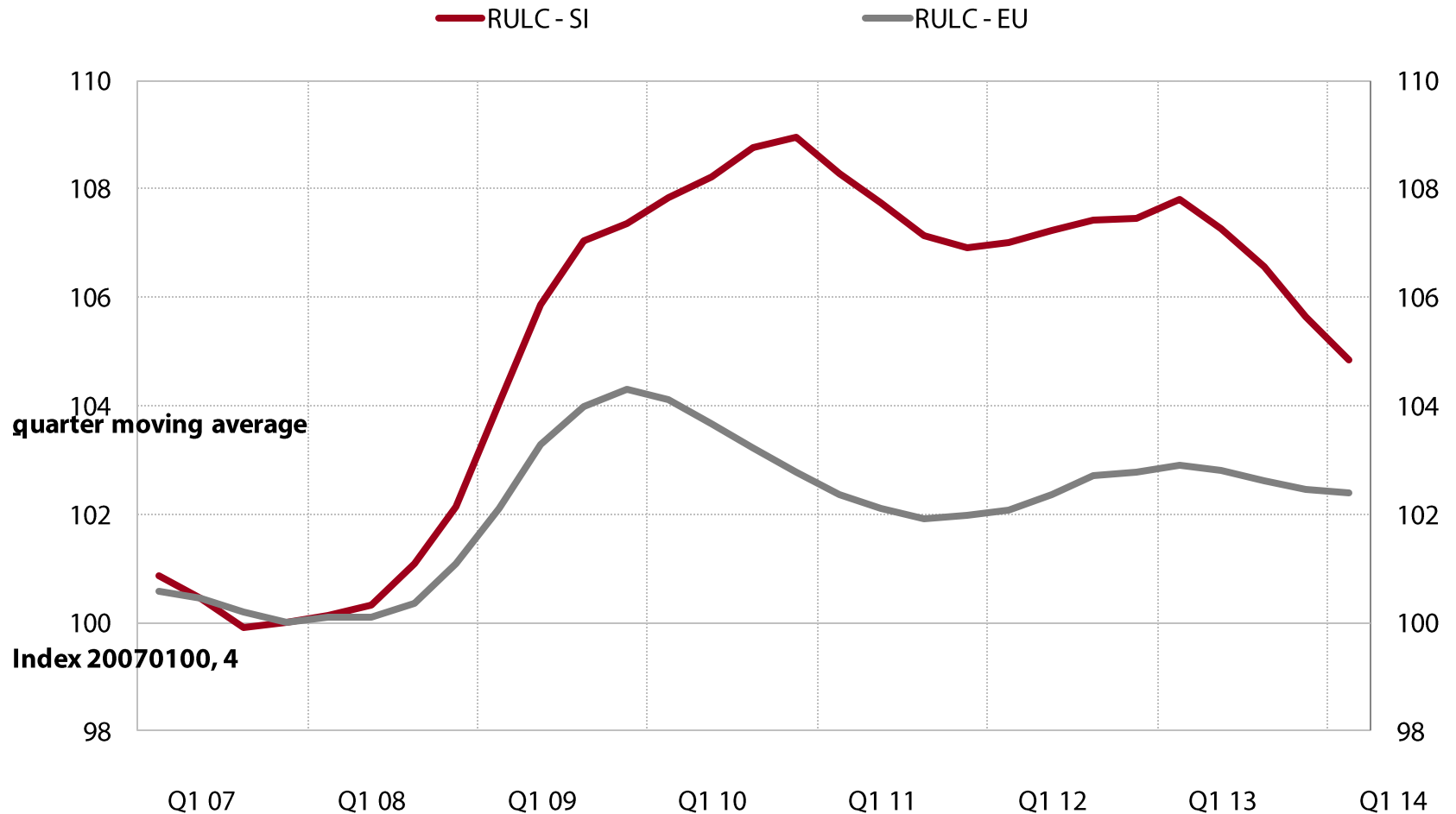
Inappropriate wage policy at the beginning of the crisis



Continued increase in employment in the public sector despite public finance restrictions

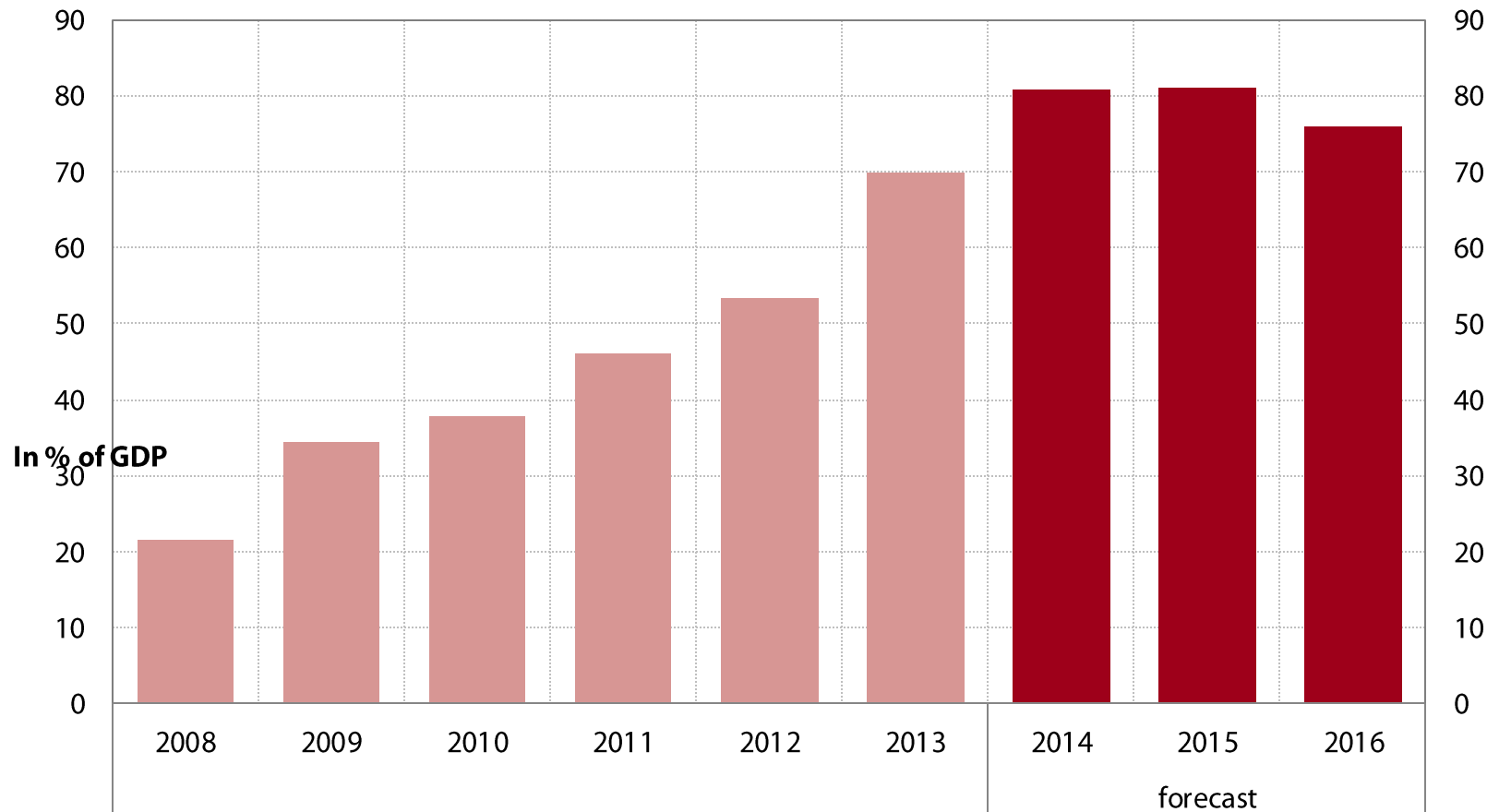


The result: loss of competitiveness

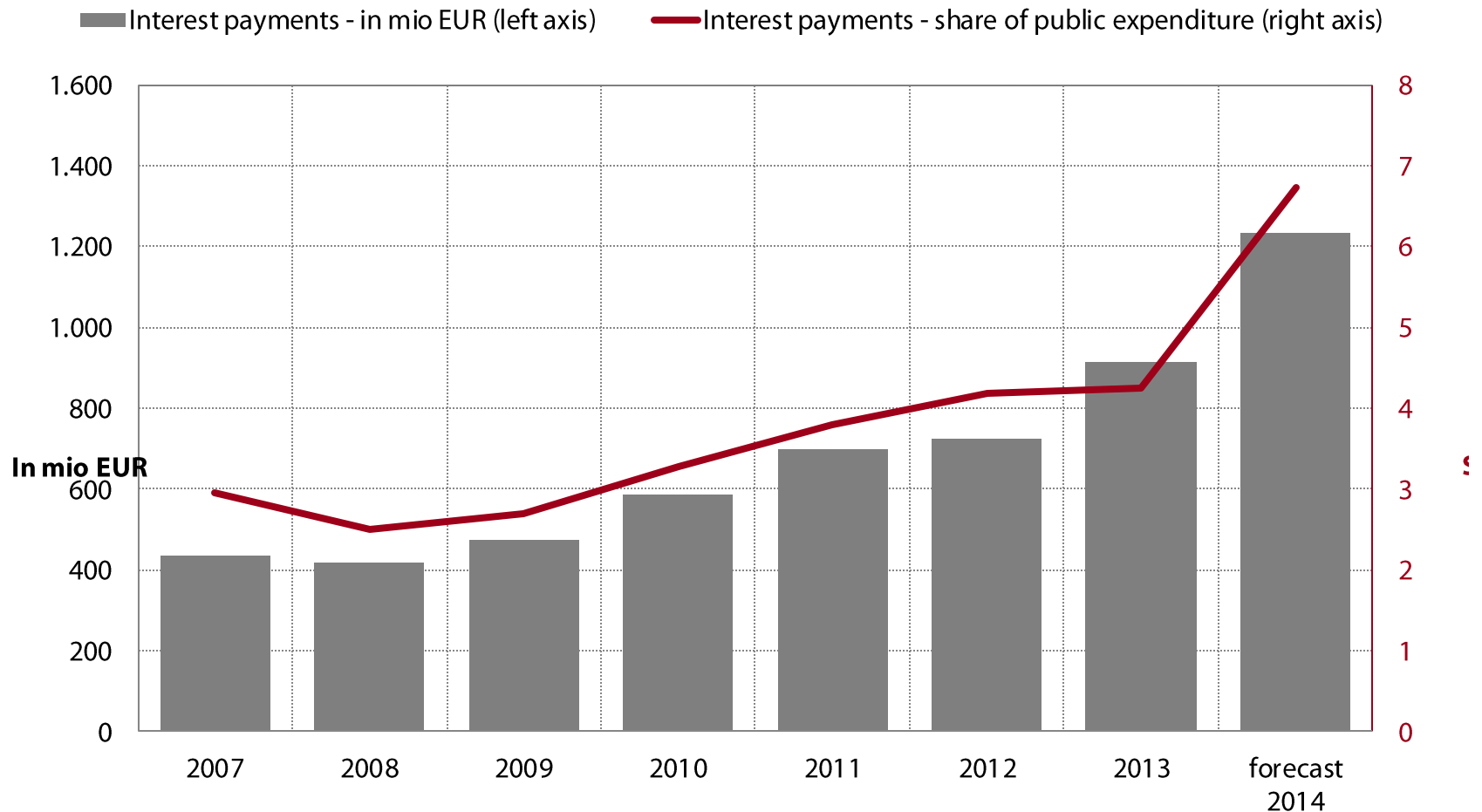


Problems culminated in a substantial increase in public debt...

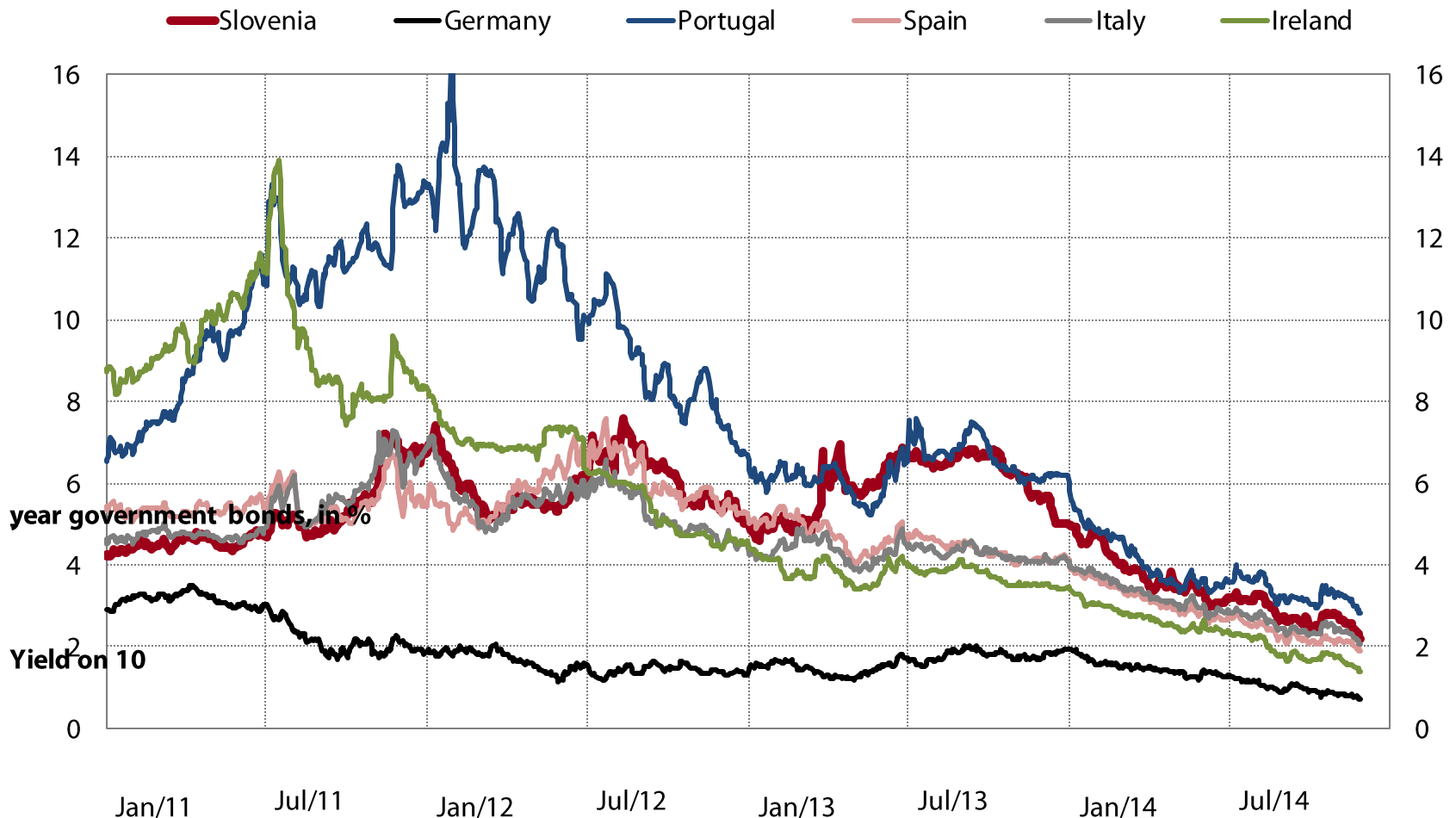
Consolidated gross public debt



... and interest payments narrow public finance maneuvering space



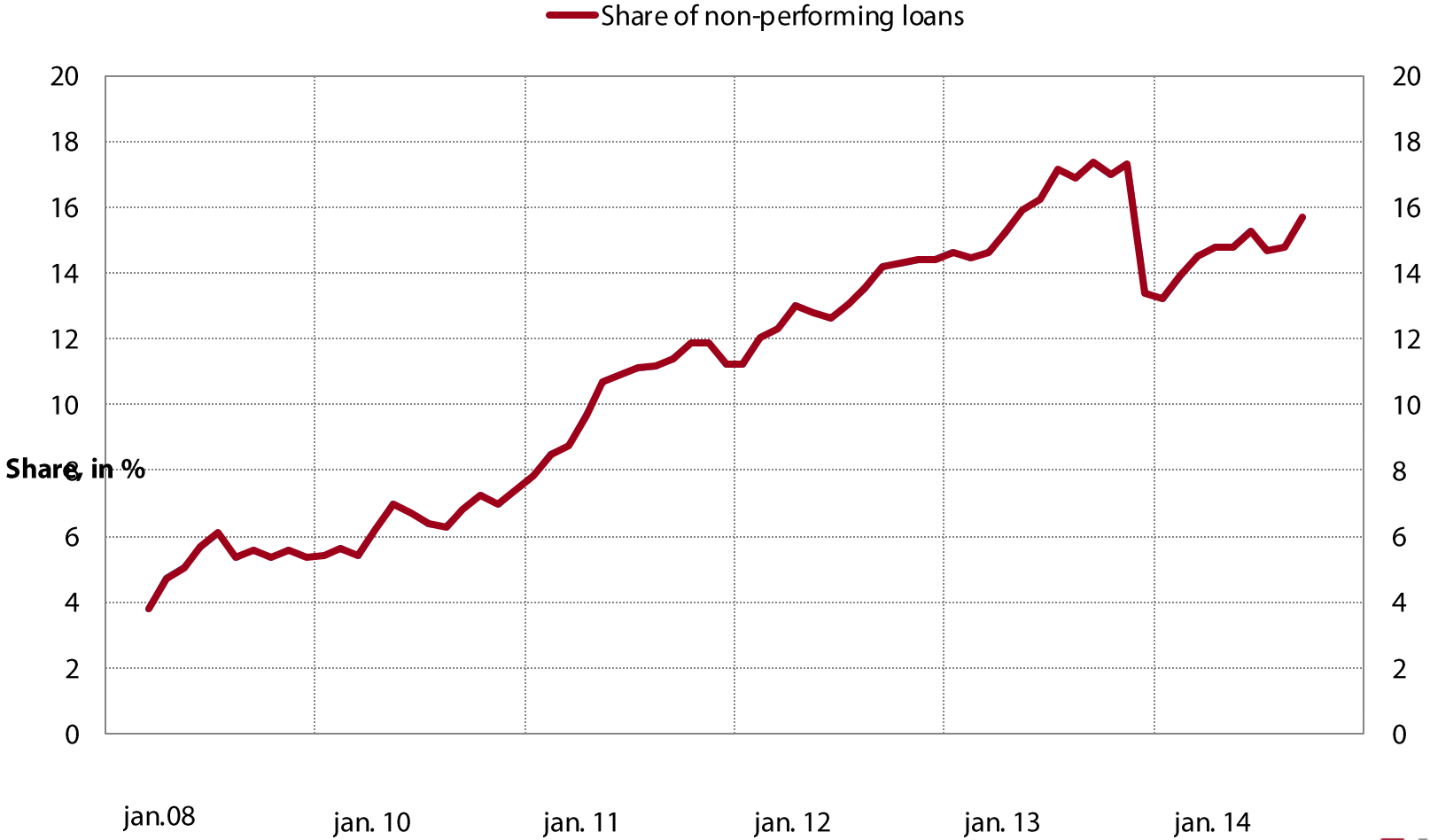
At the same time, increase in government financing costs



Source: Bloomberg.



Problems reflected in a huge increase of non-performing loans in the banking sector



Source: Bank of Slovenia.

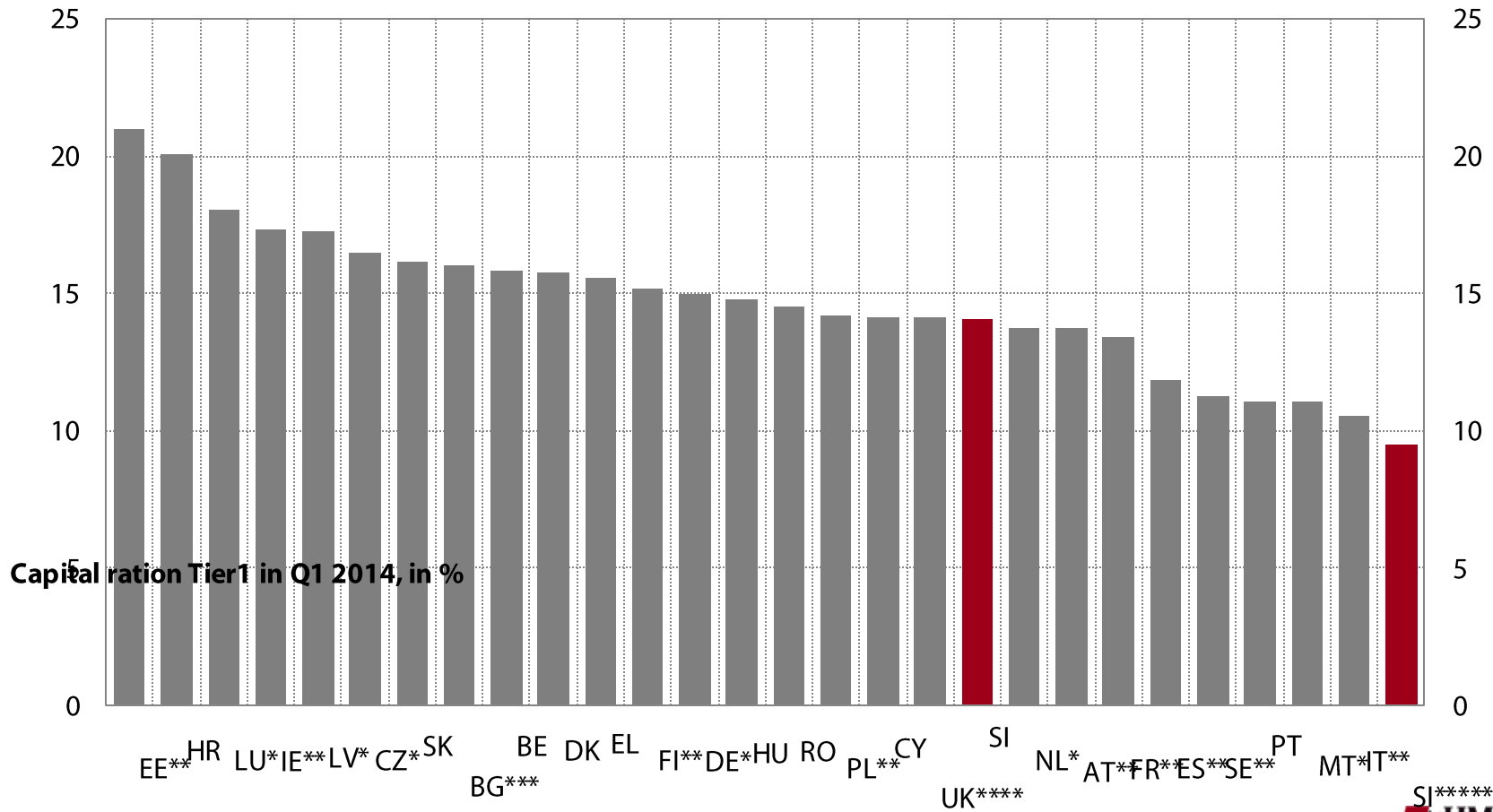


Crisis culminated in EU procedures

EDP procedure	2009 - ongoing
MIP procedure	2013
7 country specific recommendations: <ul style="list-style-type: none">- decreasing public finance deficit and improvement of budgetary strategy- sustainability of the pension system- social agreement- privatisation- SDH strategy- corporate restructuring plan- improvent of business environment- anti-corruption measures	

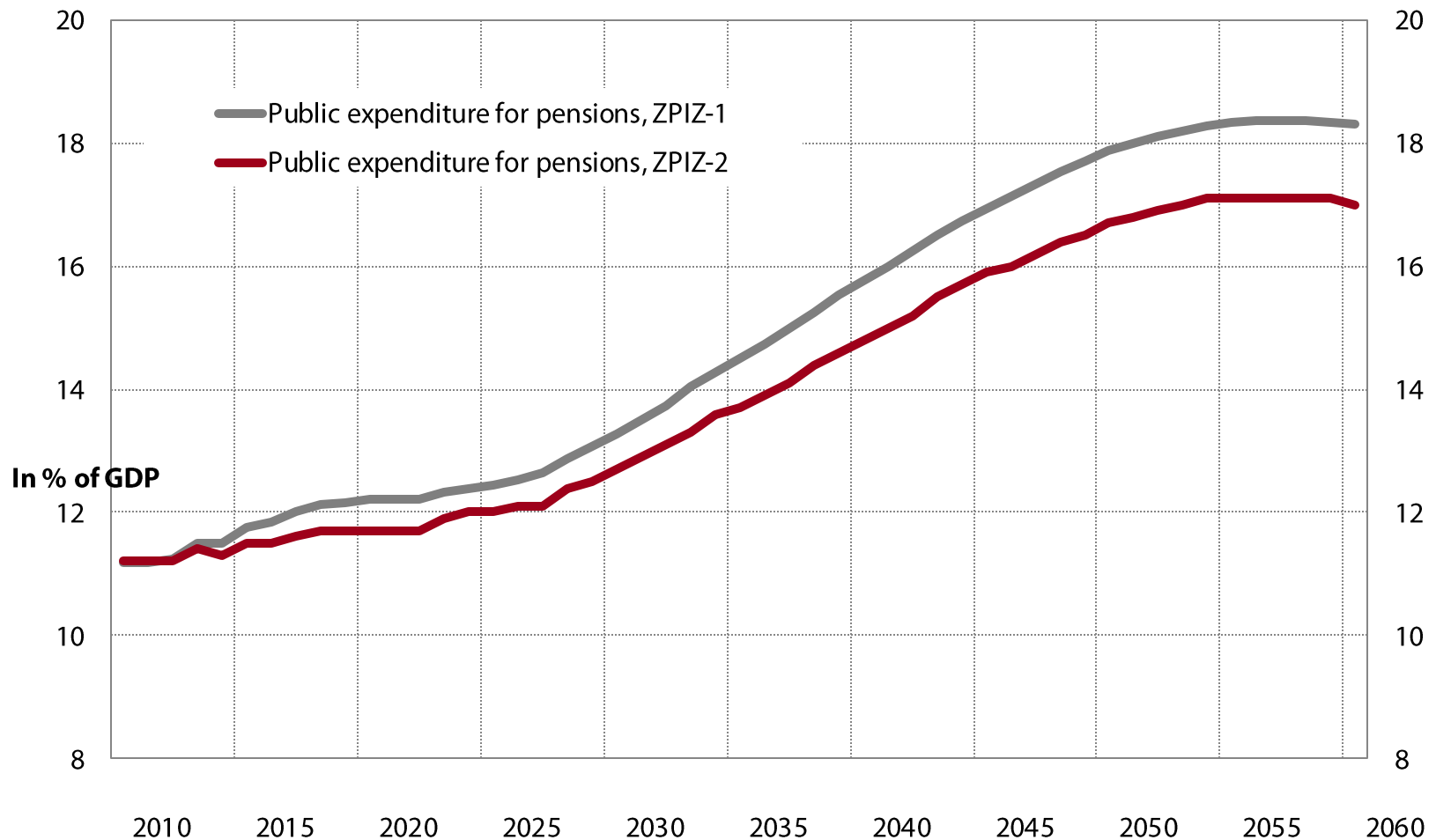
Publicly financed capitalization of banks

Capital ratio Tier1



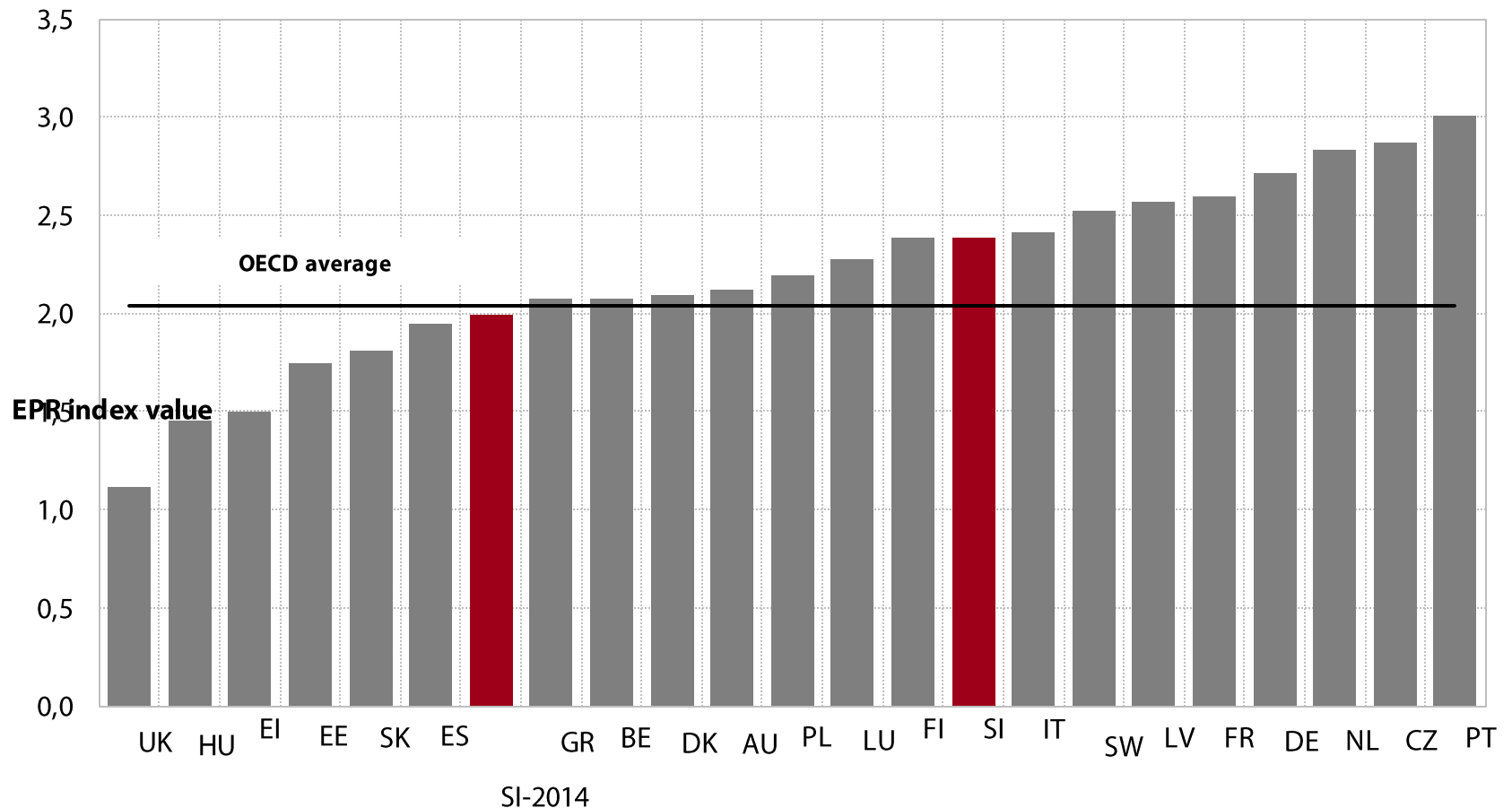
Source: IMF. *data for Q2 2014, **data for Q4 2013, ***data for 2013, ****data for Q2 2012, *****data for Q3 2013 before capitalization.

Attempts of structural reforms – pension system reform

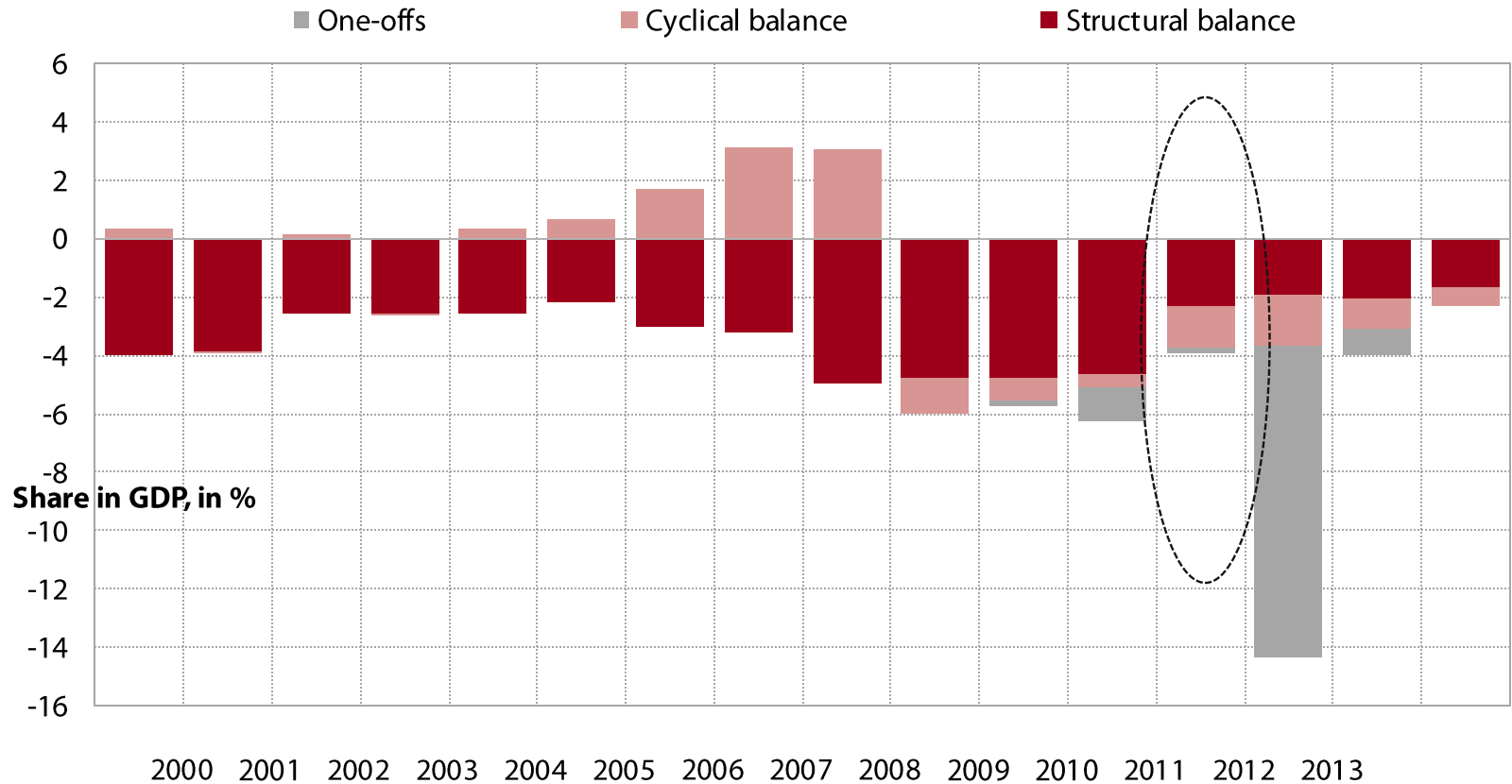


Attempts of structural reforms – labour market reform

Index of protection of regular employment



Attempts of structural reforms – consolidation effort

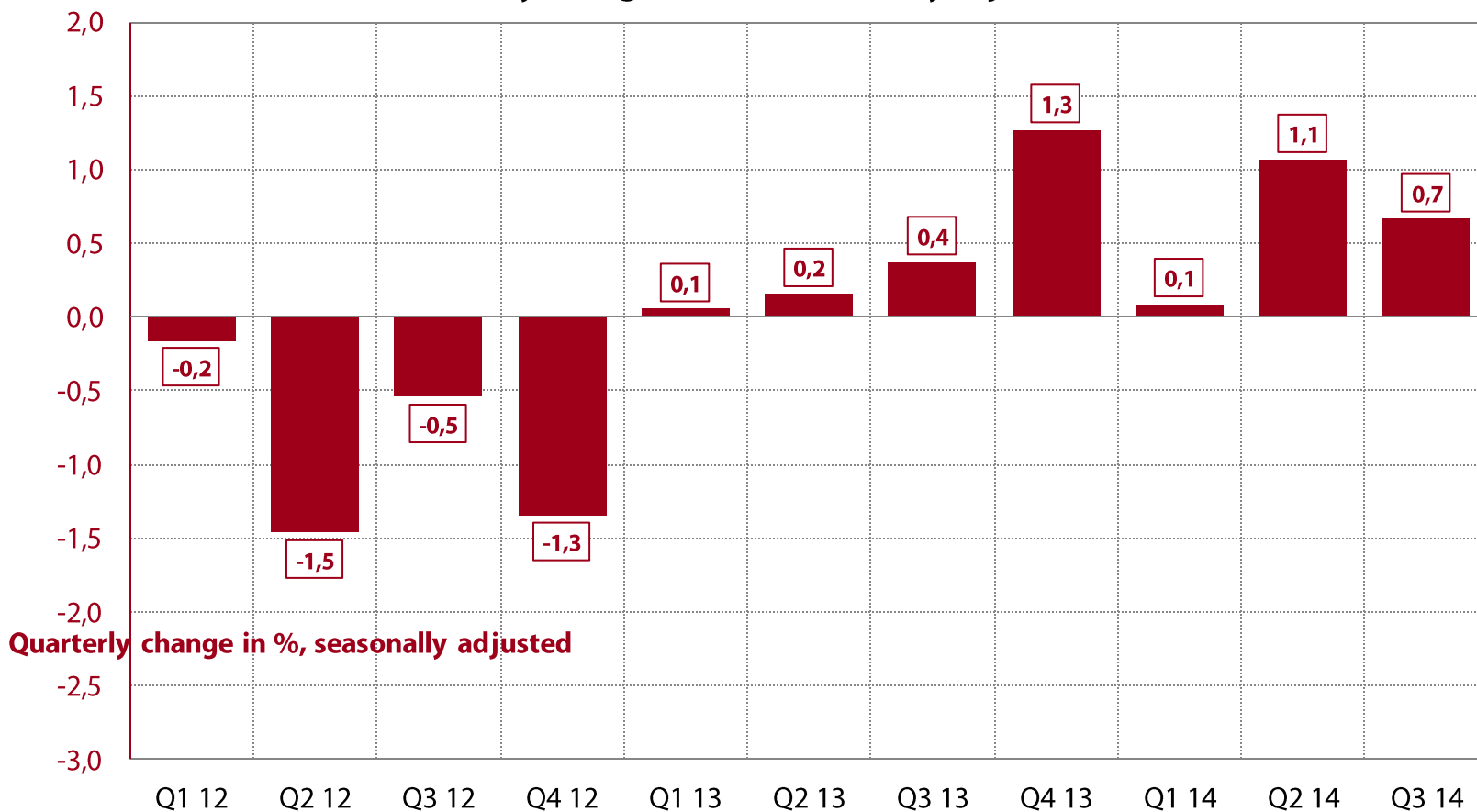


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Turnaround in economic activity ...

Quarterly change in GDP (seasonally adjusted)



... and employment



The need for systemic public finance consolidation remains

