

EDITORIAL



Like most European economies, Slovenia is slowly moving out of negative growth. Details are given by Finance Minister Mr Križanič in the lead article on this page.

However, like many Member States,

we have problems maintaining budgetary discipline, and trying to keep the public sector employees satisfied. It is a balancing act, and only a healthy compromise can lead to a lasting solution. Fortunately, the Slovenian public debt of 40 bn EUR was 115% of GDP at the end of 2009 – by far the lowest among countries of the Euro-area (the average being 199%).

In terms of GDP per inhabitant in purchasing-power parity, Slovenia has now reached 91% of the EU-27 average.

Our problems are of a predominantly structural nature. Slovenia depends too much on export-driven demand for growth. The range of export products is limited mostly to traditional metal-processing, linked to the automobile sector.

The government has responded to this challenge by conducting an analysis of research and higher education performance since 2006. It is preparing to launch several reforms to boost the knowledge economy. A new national programme for higher education is open to public debate, and should enable more emphasis on the excellence and skills needed for a modern economy.

In the R&D domain, Minister Golobič has supported the selected eight centres of excellence, now to be followed by ten competence centres linking business and academia. In line with EU recommendations, European and national resources are being directed to selectively encourage quality and excellence in the domains where Slovenia has already achieved some promising results, as measured by European and international standards.

Dr Boris Cizelj
Chairman, Management Board

BUSINESS LEAD

Forecast and economic trends in Slovenia

Recent indicators are showing that Slovenia's economy is returning to strength after a slump attributed to the global economic recession.

According to the Slovenian Institute for Macroeconomic Analysis and Development (IMAD), the economic growth in Slovenia this year is projected to be 0.9% due to the higher economic growth of Slovenia's trading partners. While export demand increased, impulses from the domestic environment are weaker, which is linked to the situation in the construction sector and related activities as well as labour market movements, where signs of recovery are not yet seen.

Due to the stronger foreign demand, especially from EU-27 countries, export is expected to increase by 7.0% this year. Gorenje Group d.d, Slovenia's second-biggest exporter, is seeing a particular demand for home-appliance products from Eastern Europe, where economies are gradually emerging from a serious slump, Chief Executive Officer Franjo Bobinac stated.

Difficulties in the construction sector, access to sources of finance, lack of payment discipline and the labour market situation will most likely keep the domestic consumption on the last year's level. Households are expected to cut back the consumption by 0.5%, there will be a strong decline in investment in construction (particularly in residential construction) and government consumption will be up 0.7% in real terms this year, which is much lower growth than in previous years.

Economic growth is expected to accelerate to 2.5% in 2011 and 3.1% in 2012 mostly due to the stronger export demand and higher domestic consumption.

Following this return to growth, the government has abandoned plans to sell more benchmark bonds as the strengthening means the need to raise money on international markets is reduced, said Finance Minister Franc Križanič. There were plans to borrow up to €4.39 billion this year, compared with €4 billion in 2009. The country was considering selling bonds or getting a loan in order to finance its share of the European Union-led aid package for Greece.

However, in a recent interview Mr Križanič said, 'We don't plan any more bond sales this year since we have enough funds deposited at banks. The next instalment of aid for Greece will be taken from funds already deposited at banks from previous debt sales.'

Mr Križanič also said that the government plans to provide €1 billion of state guarantees for Slovenian companies. The program, beginning this autumn, will back as much as 75% of the loans for each project and should help to speed up the economic recovery.

The government continues to soften the rise of unemployment. The number of unemployed persons, which was slightly below 100,000 in August, is expected to increase by the end of the year. The average registered unemployment rate in 2010 will be 10.7% and the survey unemployment rate will be 7.2%. After a further slowdown in 2011, the situation on the labour market is expected to improve in 2012.

Inflation, marked by increases in energy prices and excise duties this year, is expected to reach 2.1% (average) by the end of this year.

Source: Autumn Forecast of Economic Trends 2010, Institute for Macroeconomic Analysis and Development; www.umar.gov.si

BRIEFS

Business Briefs

► **Darja Radić appointed new Economy Minister**



Slovenian Government

On 16 July 2010, Darja Radić became Slovenia's new Economy Minister. Succeeding Matej Lahovnik, Radić received a vote of confidence from 47 deputies, with only nine showing their opposition. Prior to

accepting this position, she served as State Secretary at the Ministry of the Economy, Tourism, technology and sustainable energy are high on her agenda of enhancing Slovenia's competitiveness and diminishing the impact of the financial crisis.

► **Pipistrel to build bobsleighs**



Pipistrel

Manufacturer of lightweight planes, Pipistrel, has a new direction – bobsleighs. The shift was provoked by the similar aerodynamics shared by the two machines, as well as the financial potential of the project. Pipistrel owner Ivo Boscarol explained that by taking the organisation to new but related fields, he is avoiding the risk of being limited to the whims of one sector. Additionally, Boscarol stated that the company has also made a bicycle on which a Slovenian racer will attempt to break the world speed record. "Our development institute employs more than 20 doctors, masters of science and junior researchers who would take up any challenge".

<http://www.pipistrel.si/>

► **Slovenian firm to produce coils for Ford**

German industrial conglomerate Robert Bosch has selected Iskra Bovec, a production company of Slovenian car parts maker Iskra



Iskra

Avtoelektrika, to produce ignition coils for American Ford. The contract created 20 new jobs at the first stage and when production for German Audi begins, 35 new workers will be hired. Iskra Bovec specialised in producing spare parts but will now work as an original equipment manufacturer. Investment costs for the necessary facility adaptation were covered by private loans and Bosch, after the company was denied state aid.

<http://www.iskra-ae.com/>

► **Tourist numbers up this year**

The national Statistical Office reported that the number of tourists visiting Slovenia in the first seven months of 2010 rose by 4% in comparison with the same time period in 2009. Slovenia attracted 1.6 million tourists in this period, and 4.7 million overnight stays, representing a rise of 1%. Domestic tourists contributed on the same scale, but the number of overnight stays of foreign visitors rose by 3%. July alone saw 367,203 tourists, signifying a 5% jump, including a spike of 10% in foreign guests who contributed to 58% of all overnight stays for the month.

► **Gorenje takes over Swedish rival Asko**



Gorenje

In July 2010, Slovenian household appliance maker Gorenje completed a takeover of Swedish rival Asko. The acquisition will expand market access and supplement the range of household products already available through Gorenje. As the third major foreign acquisition for the Slovenian company, the

move saw its stock rise by 0.67% to €11.68 on the Ljubljana Stock Exchange. The company gave assurances that shop floor workers in Slovenia will not be affected by the takeover, as "Asko's production compliments the washing and dishwashing range of products not manufactured here", Gorenje stated in a recent press release. Gorenje has also recently signed a deal with the International Finance Corporation (IFC) on capital expansion.

<http://www.gorenje.com/>

R&D Briefs

► **FP7 Information Days**



On 9 and 10 September 2010 SBRA, in cooperation with the Slovenian Ministry of Higher Education,

Science and Technology and the Slovenian Chamber of Commerce and Industry, organised a series of information days on FP7 calls for proposal in 12 thematic areas. More than 170 researchers, business people and representatives of local authorities participated in 12 workshops, where 2011 calls were presented, along with examples of funded FP7 projects. Participants also presented 15 project ideas.

According to the main coordinator of FP7 national contact points (NCPs) in Slovenia, Dr Bojan Jenko, 396 Slovenian organisations have participated to date in the FP7, and were granted 62 million EUR.

The main findings of the information days were that Slovenian organisations are not yet sufficiently aware of the opportunities of framework programmes; therefore greater efforts at information dissemination and coordination are required on all levels.

► **SPACE-SI: Excellent in space sciences**

The Centre of Excellence for Space Sciences and Technologies (SPACE-SI), opened in Ljubljana in 2010, aims at exploring and developing new satellite technologies. Composed of academic institutions, insurance and industrial companies, and SMEs, SPACE-SI plans to develop techniques for interactive earth observation and precise manoeuvring in formation flights. The research will be supported by an advanced infrastructure including a multidisciplinary

laboratory for the creation of simulated space environments.

<http://space.si>

◆ **Slovenian Research Agency**

An independent publicly funded organisation, the Slovenian Research Agency (ARRS) works toward the development of both the National Research and Development Programme and the European Research Area. By engaging in funding scientific research in Slovenia and conducting its monitoring and evaluation, ARRS aims to promote cooperation on an international level between public research institutes, their partners in the corporate world, and other users.

ARRS became a member of the Slovenian Business and Research Association with the aim to support the enhanced participation of Slovenian RTD organisations in EU-funded programmes.

<http://www.arrs.gov.si/>

SBRA Partners

◆ **A new SBRA member**



The Institute for Business Education (IBE) became an SBRA member

in September 2010. It is one of the largest providers of adult education and training in Slovenia. Active in the development, organisation and implementation of seminars, training courses, and workshops, the IBE works with lecturers and trainers who are national experts, giving special emphasis to practical applicable knowledge and experience. As a social partner, the IBE is involved in decision-making processes in the fields of education, training, adult education and national vocational qualifications. By becoming an SBRA member, the IBE hopes to expand its international cooperation through project work and increased participation in international consortiums.

www.cpu.si

◆ **Three Slovenian partners at the Brussels Open Days 2010**

The annual Brussels Open Days held at the beginning of October saw the participation of the cities of Maribor and Ljubljana and the

region of West Slovenia, represented by the Ministry of Environment. Maribor took part in the regional partnership workshop, the 'Adriatic Macro Region towards Enlargement', while the City of Ljubljana participated in 'Bringing Europe 2020 Beyond GDP'. The Ministry of Environment was involved in the regional partnership 'Towards an Alpine Macro Region'. For Maribor, the 2010 event was the fourth time the city has taken part, as it continues to work in identifying shared strategies, policies and means of cooperation for the Adriatic basin region in light of the possible future enlargement of the EU. The City of Ljubljana contribution focused on the promotion of sustainable and renewable energy as a part of the Europe 2020 agenda, and beyond.

www.opendays.europa.eu

◆ **Ljubljana makes Rough Guide's top ten summer cities list**



Ljubljana

Jamie Silva

Popular British travel guide *Rough Guide* has published a list naming Ljubljana as one of the best choices for a city summer break. Likened to Prague, but without the crowds, the city's museums and international festivals are mentioned as important cultural attractions. Jože Plečnik's architectural contributions to the historical centre and castle are also included among the featured recommendations.

<http://www.ljubljana.si/>

◆ **International Trade Fair (MOS) review**

The MOS Celje International Trade Fair is the largest such event in Slovenia, providing a forum for discussion on innovation and development in business with an emphasis on international cooperation. Representatives of the Chamber of Trade Crafts and Small Business (OPZS) attended the trade fair and stressed the opportunities for networking that the event provided.

As Slovenia's economy is heavily reliant on exports, the importance of maintaining strong links with other states is crucial.

◆ **Slovenia, Serbia, Croatia set up joint rail company 'Cargo 10'**



Cargo 10, a company established by Slovenian Railways *Slovenske železnice* with its Serbian and Croatian counterparts and based in Ljubljana, began operations on 1 October. Managed by three directors, one from each of the partner countries, Cargo 10 fills a gap in the market for the transportation of products between Austria and the southern Balkans. For the time being, the company will rely on existing infrastructure and nationally owned trains.

◆ **University of Ljubljana improves its reputation**

Univerza v Ljubljani



The University of Ljubljana has long been accepted as the leading institute of higher learning in Slovenia and has now been recognised as such

in the Ranking Web international chart. The university rose from the 225th position it occupied in January 2009 to 151st in the July 2010 edition, while in the European version it came in second only to Charles University in Prague for central and Eastern Europe. Other Slovenian universities on the list include University of Maribor at number 534.

<http://www.uni-lj.si/>

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 The Institute for Business Education (IBE)
 University of Primorska

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www.sbra.be

● **New Government programme to stimulate internationalisation of Slovenian companies**



In its recently adopted 'Programme for Stimulating the Internationalisation of Companies for the period 2010-2014', the Slovenian government identifies activities, target markets and business sectors it will focus on to promote and encourage internationalisation. Particular attention shall be paid in the next five years to applying even more diverse and individualised ways to support businesses.

Such individual assistance programmes have proven to be the most efficient approach, since they are adapted to current market conditions and the specific needs of enterprises. Companies interested in receiving such assistance can benefit, amongst others, from the following incentives:

- co-financing of Slovenian enterprises' individual appearance at international fairs, in order to allow enterprises' more effective and efficient introduction to foreign markets;
- co-financing studies to look from different angles at the feasibility or rationality of entering a new foreign market;
- co-financing market analyses and research studies to provide additional knowledge about foreign markets.

The programme also offers individual management consultancy support ahead of a company's decision to enter foreign markets. This service shall establish the competitiveness of an enterprise its potentials for internationalisation, and its capacity to design an internationalisation plan in the first place.

The programme also introduces an "academy of internationalisation" training, in which Slovenian enterprises will be acquainted with modern views on the internationalisation of enterprises and institutions, including strategic, tactical and implementation aspects relating to particular international markets, different approaches to conducting research and analysis of markets, entry strategies, cultural differences and business communication, strategic marketing and the possibility of appropriate marketing tactics on targeted markets.

Further information can be obtained from Ms Stanka Ritonja at the Ministry of the Economy (+386 1 400 35 05, stanka.ritonja(at)gov.si).

Economic projections for Slovenia

