

1.18 Foreign direct investment

After falling in 2009 and then rebounding in 2010 and in particular in 2011, inward FDI stock remained virtually unchanged in 2012 whereas outward FDI stock declined for the third consecutive year. Inward FDI stock jumped 0.8% in 2012 to the highest level to date. Outward FDI stock, meanwhile, plunged by 7.4% and was 11.5% below its 2009 peak. The change in FDI stock is also confirmed by data on FDI flows in 2012. Inflows were relatively high in 2011 (EUR 717.7 m) but then turned negative in 2012 (-EUR 46.3 m). Inflows of EUR 21.0 m were recorded in outward FDI, which means Slovenian investors disinvested abroad. In 2012 Slovenia thus recorded a net FDI inflow of EUR 165.7 m, the result not of foreign investment in Slovenia, but the withdrawal from abroad of Slovenian investors. Breaking down the change in FDI stock to changes in equity capital and reinvested profit, and to changes in net claims (liabilities from inter-company loans), it is clear that the modest increase in inward FDI stock was the result of an increase in the net claims of foreign parent companies to their Slovenian subsidiaries (by EUR 16.4 m), whereas the stock of equity capital dropped slightly (by EUR 7.5 m). In outward FDI, Slovenian investors reduced their equity capital (by EUR 184.8 m) as well as net claims on their foreign subsidiaries (by EUR 261.0 m).

Inward FDI stock relative to GDP reached its highest level to date in 2012, but this was more a consequence of the contraction of GDP than increasing inward FDI stock; the ratio remains significantly lower than in the vast majority of EU Member States. As a share of GDP, inward FDI stock rose significantly in the period 2005–2008 (from 21.7% to 30.1% of GDP). In 2009 the relative size of FDI dropped to 30%, whereupon it gradually expanded between 2010 and 2012 to reach its highest level to date, 33.2%. Outward FDI stock had also surged in the second half of the previous decade (from 9.9% to 17.7% of GDP in 2005–2009), whereupon it declined for three years to reach 15.9% in 2012. After 2007 the share of inward FDI increased faster than in the EU (by 5 percentage points in Slovenia compared with an increase to 46.6% of GDP from 44.4% in the EU), which was largely a consequence of the faster pace of contraction of the economy in Slovenia. Slovenia remains among the EU countries with the lowest inward FDI stock as a share of GDP, with only Greece, Italy and Germany behind it. In terms of outward FDI stock as a share of GDP, it lags behind Cyprus, Estonia and Hungary among the new Member States.

FDI flows in 2013 indicate a renewed slump in inward FDI and weak additional investment abroad, although equity flows show a significantly more positive trend. In 2013 outflows from inward FDI reached as much as EUR 491.3 m. Although they are almost entirely the result of a single accounting operation that was neutral in balance of payments terms¹, the fact remains that even excluding this operation FDI inflows were very modest in 2013. In outward FDI, there were investments (outflows) of EUR 53.6m, a significant improvement on disinvestments of EUR 212.0 m in 2012. Net FDI outflows thus totalled EUR 544.9 m in 2013. Taking into account the strong impact of a single accounting operation on the net outflow, the structure of inward FDI shows a more favourable picture, as equity capital jumped by EUR 411.0m and the flow of reinvested profit was a negative EUR 150.5 m; the worst trend was recorded in inter-company loans, where the net liabilities of Slovenian subsidiaries to parent companies abroad fell sharply by EUR 751.9 m, which is largely a consequence of the aforementioned conversion of inter-company loans into ordinary loans to third parties. Despite the strongly negative inward FDI flows, the increase in the equity capital of foreign investors would appear to indicate confidence of foreign parent companies in their Slovenian subsidiaries. The results of surveys among foreign subsidiaries in Slovenia show a similar picture. Although the survey for 2013 shows a decline compared with the preceding three years in the share of foreign subsidiaries which expect higher sales (54.4%) and hiring (30.5%), the share of those which project an expansion surged to 43.2% (compared with 34.8% in 2011 and 34.6% in 2012). It is encouraging that manufacturing and export-oriented companies with foreign capital forecast above-average expansion of their activity in Slovenia, although that is not the case for large and medium-sized companies with foreign capital.

¹ An operation in which a leasing firm in foreign ownership transferred its intra-company loans to its Slovenian subsidiary directly to the final recipients of these loans. Since intra-company loans between the parent company and its subsidiaries are treated as FDI inflows and loans to independent customers are not, the result of this accounting operation in the balance of payments was an outflow of inward FDI and an inflow of foreign loans in the same amount.

Table: Flows and stock of inward and outward FDI¹ in Slovenia, 2000–2013²

	2000	2005	2006	2007	2008	2009	2010	2011	2012	2013
INWARD FDI										
Year-end stock	3,109.8	6,133.6	6,822.3	9,765.1	11,325.7	10,625.4	10,925.3	11,715.2	11,724.3	10,873.4 (30,9)
Inflow	149.1	472.5	513.3	1,106.4	1,329.5	-474.1	271.8	717.7	-46.3	-491.3
Stock as a % of GDP	14.8	21.7	22.0	28.2	30.4	30.0	30.8	32.4	33.2	n, p,
OUTWARD FDI										
Year-end stock	825.3	2,788.7	3,452.2	5,456.3	6,325.8	6,328.3	6,121.4	6,045.2	5,599.3	5,655.0 (30,9)
Outflow ³	-71.7	-515.6	-687.0	-1,362.3	-1,002.1	-188.9	156.4	-84.6	212.0	-53.6
Stock as a % of GDP	3.9	9.9	11.1	15.8	17.0	17.9	17.3	16.7	15.9	N/A.

Source: Bank of Slovenia, IMAD.

 Notes: ¹Companies in which a foreign investor has a 10% or higher share. ²Since 1996, the figure also includes foreign direct investment via indirect affiliation. Since 2007, equity-related claims and liabilities cover all claims and liabilities a company has with the direct foreign owner as well as with all non-resident companies which are part of the foreign owner's group of companies (see International Economic Relations – Bank of Slovenia, March 2007, pp. 11–13). ³Negative value denotes outflow; N/A – not available.

Figure 1: Inward FDI stock relative to GDP in the EU-27, 2005 and 2012

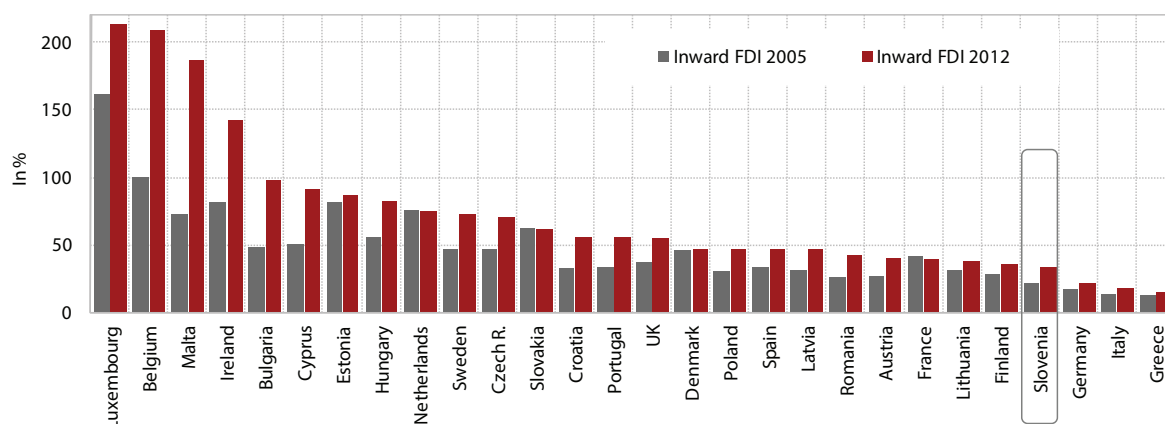
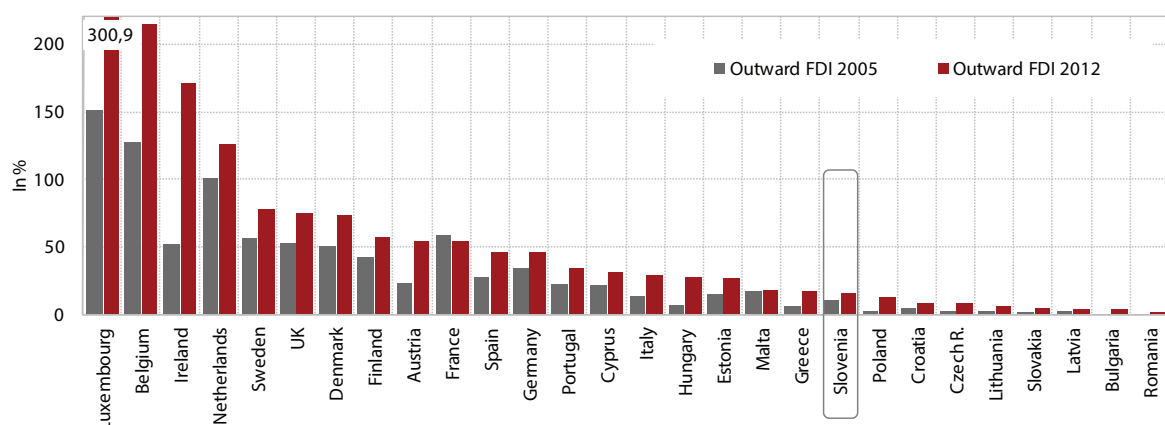


Figure 2: Outward FDI stock relative to GDP in the EU-27, 2005 and 2012


 Source: UNCTAD, World Investment Report, Annex Tables, <http://unctad.org/en/pages/DIAE/World%20Investment%20Report/Annex-Tables.aspx>; for Slovenia the previous table.