

SUMMARY

In 2000, commercial companies generated about 60% of the value added of the Slovenian economy. According to these figures, industry was the most important sector of the economy (comprising activities C, D and E), accounting for 49.6% of value added and 48.8% of all workers employed in companies. Within industry, manufacturing was in the lead (activity D) with 43.6% of value added and 45.1% of all employees. The second most important sector as regards value added was wholesale and retail trade and certain repairs (activity G), followed by transport, storage and communications (activity I), real estate, renting and business services (activity K), and construction (activity F).

A comparison has been made for the period from 1995 to 2000. According to these findings, industry made up a smaller share of total value added in 2000 compared to 1995, but roughly the same proportion has been maintained since 1996. Service sectors accounted for growing shares up to 1999, but their proportion fell to the level of 1995 last year (42.2%). Broken down by activities, the shares of agriculture, fishing and construction encountered the most significant changes in the given period. The importance of agriculture and fishing (activities A and B) diminished, whereas the contribution of construction to total value added increased substantially.

In 2000, **manufacturing** companies (activity D) recorded positive net business results (the difference between net profits and net losses) for the fourth year running, what is more, certain performance indicators were better than in 1999 (ratio of operating revenues to expenses, profitability, productivity). According to the composition of profits, companies recorded very good business results in their core activities (net operating profits): revenues from sales in foreign markets increased the most, which was the result of the economic upturn in those markets (export orientation increased by 3.5 percentage points, the biggest annual increase in the 1995-2000 period). On the expenses side, there was a relatively strong rise in the costs of goods, materials and services underpinned by last year's unfavourable price movements in the country and abroad. This held operating profits and value added back despite the positive developments on the revenue side. Total business results for the financial year were additionally influenced by financing expenses, which recorded a falling trend in the preceding years, but the trend reversed in 2000. The relatively strong rise in financing expenses was related to increased corporate borrowing. The indebtedness indicators point to no serious difficulties so far, because the share of debts in liabilities is relatively small in Slovenia compared to the EU average, however, what raises concern is the worsening maturity structure of debts.

Like in 1999, the number of manufacturing sub-sectors¹ that posted positive net business results rose in 2000. Results of a comparative

¹ According to the Standard Classification of Activities.

analysis made on the basis of several performance indicators reveal the sectors with best business results: chemicals and chemical products (section 24), recycling (section 37), electrical machinery and equipment (section 31), and pulp, paper and paper products (section 21). The worst results were seen in the manufacture of coke, petroleum products and nuclear fuels (section 23), other transport equipment (section 35), textiles (section 17), and the manufacture of clothing apparel, dressing and dyeing of fur (section 18).

Like in manufacturing, business results have been improved by companies whose core activity falls into **wholesale and retail trade, the repair of motor vehicles and household and personal goods** (activity G) in the last six years. Last year's business results of companies engaged in distributive trades were influenced by positive effects of higher operating revenues from foreign markets. In spite of this, the net improvement in business results was weaker than in 1999 thanks to the relatively high rise in financing expenses (in particular interest payments and other financing expenses) arising from long- and short-term loans. Over the last few years, the activity of distributive trades has been characterised by a relatively strong rise in assets, particularly land and buildings, underpinned by the construction of new shopping centres, car dealer shops, and petrol stations. The value of long-term financial investments was on a rising trend as well, which was due to acquisitions and mergers within the activity of retail trade.

In **transport, storage and communications** net profits for the financial year fell in 2000 for the second consecutive year. The poorer business results were primarily due to the activities of land transport, i.e. the growing losses in railway transport (the total of all companies engaged in road transport reported positive results), and telecommunications, which saw a drop in net profits for the second year running, moreover, the return on sales fell significantly from 12.2% in 1998 to 2.6% in 2000. In addition to the moderate rise in revenues from sales seen over the last two years, very likely due to a slowdown in the number of mobile telephone users, net business results were negatively affected by rising expenses, mainly the costs of goods, materials and services, and interest payments. Last year, tourist agencies saw the biggest improvement in business results among the companies listed in transport, storage and communications.

Companies whose core business is **real estate, renting and business services** (activity K) recorded high net operating profits in 2000 as a whole, suggesting that the positive shifts in business and service industries were maintained. Despite the positive results recorded by core business activities, these companies saw total net losses for the financial year. The main reason for last year's poor results lies in the relatively high financing expenses underpinned by high financial investment write-offs of companies listed under management activities of holding companies. As in the whole period under observation, the best business results were posted by companies mainly dealing with data processing

and related activities (section 72), and companies renting out machinery and equipment (section 71). Moreover, section 72 is one of the fastest growing areas within activity K and records an above-average level of productivity. Above-average productivity (relative to the average of all companies in Slovenia) was also recorded in section 70 – real estate activities – and section 73 – research and development.

Construction (activity F) gained considerable strength in the 1995-2000 period. This was primarily the result of the strong dynamics of motorway construction in Slovenia in the second half of the nineties, whereas in 1999 construction activity was accelerated by the tax reform carried out in the middle of the year. This was reflected in business results, with companies engaged in construction reporting the biggest profits in 1999 with respect to the entire period under observation. Despite the positive net business results, which were posted for the second year running in 2000, the corporate indebtedness indicators worsened significantly. Furthermore, the number of days required for a company to collect its claims increased which, together with the rapid rise in short-term liabilities, points to increased irregularity in making payments.

Companies listed in **electricity, gas and water supply** (activity E) reported net losses over the last six years; in 2000, losses were a solid one-third lower in nominal terms than in 1997, the year when they were highest. A slightly stronger rise in net losses was seen in water collection, purification and distribution, a minor part of the activity, with net losses rising by 56% in nominal terms. That part of electricity, gas and water supply dealing with energy continued to account for the largest proportion of losses, with electricity supply contributing the largest share. In 2001 and even more so in following years, this sector is expected to experience significant changes related to the opening-up of the electricity market to external suppliers, deregulation of electricity production and the distribution system, and mergers between domestic companies to be able to resist competition from abroad.

Overall, the companies whose core business is **other community, social and personal services** (activity O) concluded the 2000 financial year with the highest net operating profits so far. Despite the positive financial results recorded by core business activities, companies in activity O reported the highest net losses in the given six-year period because of high financing expenses in the film and video activity (section 92.1) and the radio and television activity (92.2). The best business results were reported by companies dealing with sports activities and companies engaged in lotteries and gambling. The remaining activities within other community, social and personal services recorded a dynamic rise in productivity. The highest value added per employee was seen in companies in the film and video industry and the leisure industry (with gambling holding the largest share) and it was well above the average of all companies in Slovenia in 2000 (by 117% and 112%, respectively).

Companies in **hotels and restaurants** (activity H) have reported a net loss for the financial year since 1995; net losses deepened again in 2000 after an improvement in 1999. Last year's worsening of financial results was due not only to poorer results of the core business but also the high financing expenses. Despite the negative business results, some figures point to positive shifts in this activity over the last two years. In 2000, employment increased for the second year running and, at the same time, productivity measured by value added per employee improved as well. Cost-effectiveness also improved on average.

The main part of **mining** (activity C), i.e. companies dealing with energy, reported a loss throughout the six-year period, whereas that part of mining not engaged in energy commerce reported a profit. The main feature of mining activity is the reduction of economic activity in coal mining, with several coal mines having been closed, while the decision on closing the last brown coal mine by the end of this decade has already been taken. The number of people employed in mining dropped from 7,662 in 1995 to only 4,506 in 2000.

Companies in **agriculture** (activity A) reported a net profit for the financial year in 2000, whereas throughout the six-year period their losses were higher than profits, except in 1998. Accordingly, the indicators of profitability improved. However, companies engaged in agriculture continued to be characterised by relatively low productivity, while orientation to the domestic market, which is already strong, increased further.

Companies in **fishing** (activity B) mainly reported negative business results as a whole in the given period. The exceptions were 1998 and 2000. Last year's total net profits were primarily due to higher state subsidies. State subsidies are important because fishing in Slovenia has very limited possibilities of expansion and would therefore not be able to compete in the free market. Unlike in the preceding years, the share of exports in total sales increased significantly in 2000.