

Balance of Payments	Slovenian Economic Mirror	IMAD
	No. 7/2004	p. 4

Balance of Payments, Jan-May 2004, EUR million	Inflows ¹	Outflows ¹	Balance ^{1,2}	Balance Jan-May 2003
Current account	6,478.8	6,650.7	-171.9	-80.3
Trade balance (FOB)	5,061.7	5,487.5	-425.7	-269.8
Services	1,002.3	736.5	265.8	247.1
Factor services	230.6	267.5	-36.9	-82.0
Unrequited transfers	184.2	159.2	25.0	24.5
Capital and financial account	982.7	-693.0	289.7	70.3
Capital account	1.9	-0.9	1.0	1.0
Capital transfers	0.9	-0.7	0.2	2.2
Non-produced, non-financial assets	1.0	-0.2	0.8	-1.2
Financial account	980.8	-692.1	288.7	69.3
Direct investment	86.2	-104.9	-18.7	-67.5
Portfolio investment	0.0	-169.6	-169.6	-16.7
Financial derivatives	0.0	-0.3	-0.3	0.0
Other long-term capital investment	741.7	-417.4	324.3	136.8
Assets	81.4	-417.4	-336.0	-254.0
Liabilities	660.3	0.0	660.3	390.9
International reserves (BS)	152.9	0.0	152.9	16.6
Statistical error	0.0	-117.8	-117.8	10.0

Source of data: Bank of Slovenia. Notes: ¹data for May 2004 are estimated because of changes in reporting merchandise trade statistics (Intrastat); ²minus sign (-) in the balance indicates the surplus of imports over exports in the current account and the rise in assets in the capital and financial account and the central bank's international reserves.

Slovenia's accession to the EU has brought profound changes to the international trade of enterprises as well as the statistical coverage of balance-of-payments flows. The new customs legislation entered into force on 1 May this year, involving changes to the customs procedure, the filling-in of the single administrative document, and the customs information system. Data on merchandise trade began to be obtained through two separate systems: (i) the Intrastat system – statistics on merchandise trade with EU members (monthly statistical coverage); and (ii) the Extrastat system – statistics on merchandise trade with non-EU members (data from customs declarations). The first statistical release includes data on Slovenia's merchandise trade with the EU-25 for **May**, estimated using the ARIMA models based on the time series from January 1994 to April 2004. Exceptionally, data on merchandise trade with non-EU members are also estimated for May because of errors in customs declarations resulting from changes in the customs law. The SORS expects that total data on Slovenia's trade for January-May this year will be published around 15 August.

The **quality of data** on merchandise trade may drop temporarily in the next few months because of the introduction of the Intrastat system and the adjustment of automatic data-processing to changes in the customs law. Similar difficulties were faced by other member-states when they joined the EU previously. Given the large share of goods in Slovenia (exports and imports represent about 80% of inflows and outflows in current transactions), this poor data quality is likely to be reflected in data on the current account balance. As far as other data sources are concerned (capital and financial account of the balance of payments, trade in services), the BS estimates that the quality of data reporting is assured. Hence, below we focus on an analysis of the capital and financial account.

In the first five months **external financial transactions** recorded a net capital inflow, totalling EUR 135.7 million (EUR 52.7 million in the same period last year). Inward foreign direct investment doubled compared to the same period last year, amounting to EUR 86 million, 85% of which was equity investment. Outward direct investment stayed roughly at the same level as last year (EUR 105.9 million). Portfolio investment of domestic enterprises and individuals recorded a rise in investment in both shares and bonds. As far as assets are concerned, commercial banks increased their lending activity and, according to the Bank of Slovenia, most loans went to Switzerland, Serbia and Montenegro, and Croatia. On the liabilities side, a significant rise was seen in the inflow of foreign loans, which amounted to EUR 413.3 million in the first five months (EUR 224.3 million in the same period last year). Most of this increase was due to the borrowing of commercial banks, which satisfied the increased domestic demand for foreign currency loans, while corporate borrowing has declined for the second year running. Namely, enterprises obtained more finance through domestic loans owing to the relatively equal external and domestic interest rates on foreign currency loans.

Gross external debt totalled EUR 13,971 million at the end of May and rose by EUR 975 million from the end of 2003. As regards the external debt structure, the share of other sectors (including enterprises) increased by 1.1 percentage points to 46.8%, the share of banks rose by 1 percentage point to 27.8%, while the shares of the government sector and affiliated entities shrank by 1 percentage point to 16.4% and 8.7%, respectively.

Graph: **External debt stock at the end of the year, EUR million**

