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## **Republic of Slovenia: Recent Economic Developments**

This Recent Economic Developments report on the Republic of Slovenia was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with this member country. As such, the views expressed in this document are those of the staff team and do not necessarily reflect the views of the Government of the Republic of Slovenia or the Executive Board of the IMF.

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REPUBLIC OF SLOVENIA

**Recent Economic Developments**

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Approved by the European I Department

December 22, 1997

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## I. INTRODUCTION

1. Since independence in 1991 Slovenia has made major strides in stabilizing and transforming its economy: inflation has been lowered to single digits, output has returned to its pre-independence level, and the international reserves position has become very comfortable, as early current account surpluses were followed by progressively stronger net capital inflows. These favorable developments, brought about by tight macroeconomic policies and early—but still incomplete—structural reforms, have allowed the country to maintain its lead among the transition economies in their race for early EU membership. The highest per capita income and credit ratings among transition economies underpin Slovenia's bid. Its success, however, will depend crucially on continued efforts at stabilization and vigorous implementation of structural reforms.

2. Economic developments in Slovenia from independence until about mid-1995 have been reviewed in SM/96/120. The present paper reviews developments since then as well as the status of discussions on reforms with important implications for the future in the areas of taxation, pensions, and labor and financial markets. A companion paper—SM/97/292—presents staff analysis on selected policy areas such as privatization and corporate governance, external competitiveness, inflation inertia and its principal causes, and the economic impact of EU membership.

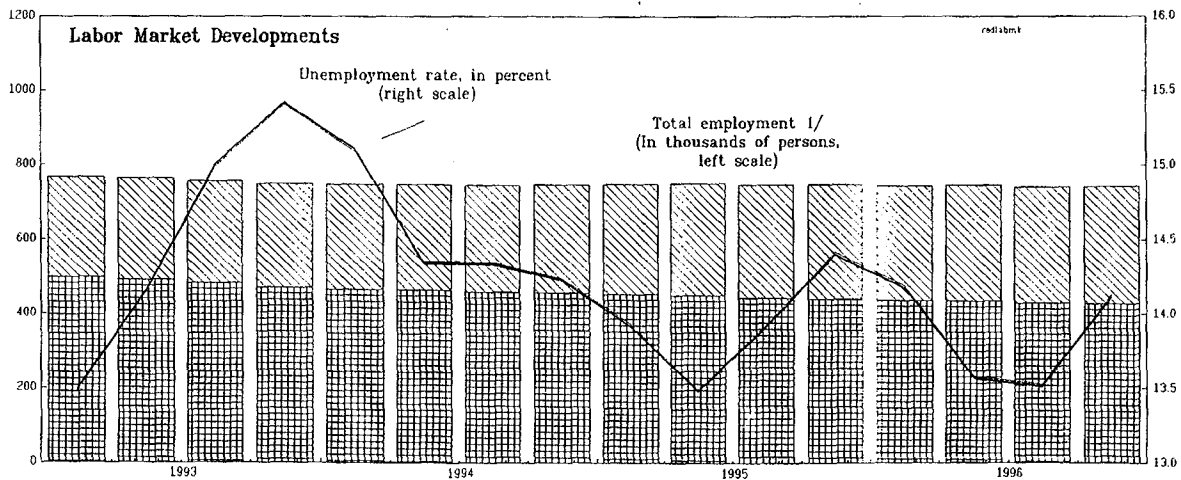
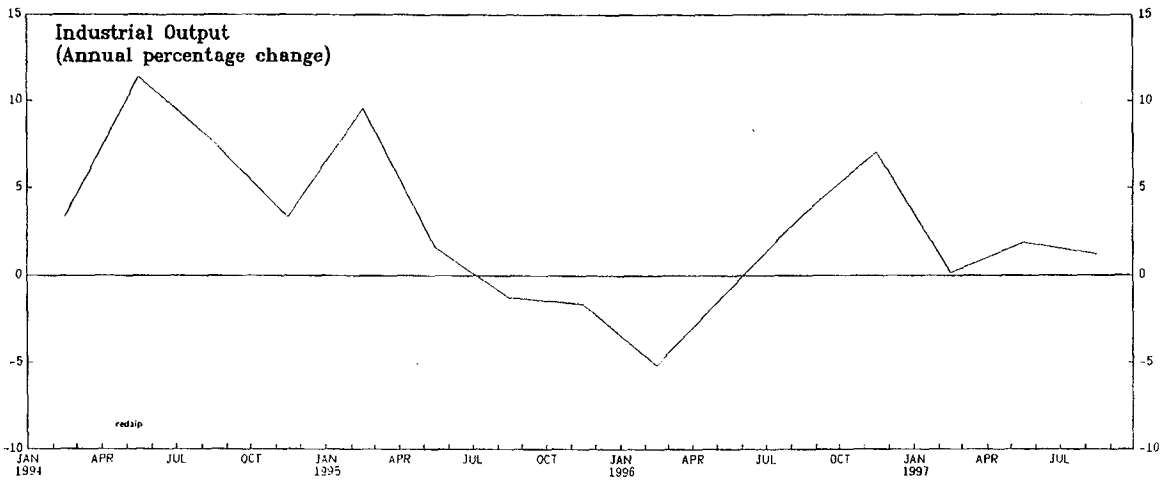
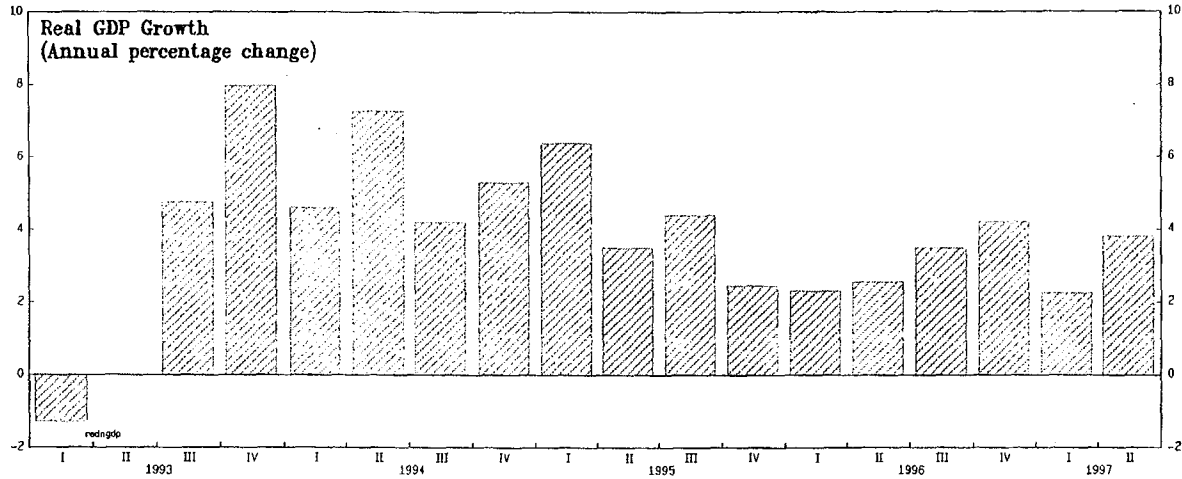
## II. REAL SECTOR

### A. Overview

3. After a steep decline following the dissolution of the Socialist Federal Republic of Yugoslavia (SFRY), output began to recover in 1993, and by 1996, Slovenia's GDP was back to its pre-independence level. Domestic demand was the main driving force, while the growth of exports fluctuated in line with the business cycle in western Europe and changes in competitiveness. A strong external contribution brought the GDP growth rate to a peak of 5.3 percent in 1994 but it subsequently slowed, reaching 3.1 percent in 1996. GDP growth picked up again in 1997, led by the strengthening recovery in Europe and improved competitiveness; GDP in the second quarter was 3.8 percent higher than a year earlier (Figure 1).

4. Slovenia's relatively robust GDP growth has not prevented employment from falling, as the restructuring of the economy has led to large gains in productivity and substantial labor shedding, in particular in the primary and manufacturing sectors. Total employment fell by about 5 percent from 1992 to 1996, with the falling trend extending into 1997. Registered unemployment increased to about 14 percent of the labor force in 1993 and has remained stuck at that level. There is, however, substantial uncertainty regarding the degree of slack in the labor market. The Labor Market Survey, which probably provides a more accurate picture of labor market conditions, indicates much lower unemployment, at a stable rate of about 7 percent during the last three years.

FIGURE 1  
SLOVENIA  
Economic Activity



Sources: Bank of Slovenia; Institute of Macroeconomic Analysis and Development; Statistical Office.

1/ Bottom bars indicate socially owned or public enterprises.

5. Inflation was quickly brought down to around 10 percent from the very high levels prevailing in the late 1980s and early 1990s, but it has proved resistant to any further lowering. In 1996, strong wage growth caused upward pressure on inflation while the increase in controlled prices was moderate. These pressures were reversed in 1997, and in the summer months noncontrolled prices increased at an annual rate of only 5–6 percent. However, large increases in controlled prices and, over the summer months, an effective depreciation of some 5 percent temporarily pushed overall inflation back to above 10 percent.

### **B. Demand Components**

6. There have been substantial fluctuations in **private consumption** due to fluctuations in real income and spurts of purchases of consumer durables (see Appendix Table 9). After increasing by 9.2 percent in 1995, fueled by a jump of almost one third in new car registrations, the growth in private consumption slowed to 2.6 percent in 1996, because of slower growth in disposable income and because households rebuilt their savings. The household saving rate, which had fallen from 15.5 percent in 1994 to 12.8 percent in 1995, rose to 13.1 percent in 1996 and growth in real disposable income fell from 5 percent in 1995 to 2 percent in 1996. During the first months in 1997 the growth of real wages slowed, however, as income policies succeeded in containing wage growth (see Section II.E). It is difficult to assess the developments in private consumption in the first half of 1997 as the publication of the index of retail turnover has been discontinued and the quarterly national accounts contain no information on GDP by expenditure. However, a drop in imports of consumer goods suggests that private consumption was weak.

7. Growing on average in line with GDP since independence, **public consumption** has maintained its 20 percent share of GDP. After growth of 2.5 percent in 1995, public consumption was initially projected to remain unchanged in 1996. According to the latest estimates, however, slippages—also observed in public sector wages—resulted in real growth of 2.2 percent. The authorities expect a growth rate of 5 percent for this year.

8. The restructuring needs of the economy have resulted in brisk **investment** growth since independence and, mainly due to spending on infrastructure and modernization of small- and medium-sized private enterprises, fixed investment's share of GDP climbed steadily from 18.6 percent in 1992 to 22.5 percent in 1996 (see Appendix Tables 15 and 16). From a high of 17.1 percent in 1995, real investment growth slowed to 6.9 percent in 1996. Housing and business fixed investment both experienced slower growth in 1996. Investment in machinery and equipment, which constitutes more than 50 percent of total investment, grew by only 5 percent, probably due to growing uncertainties regarding the future reform process and the prospect of EU and NATO membership. Infrastructure investment, on the other hand, gathered momentum in 1996 and its share of total investment increased to 22.7 percent, compared with 19.4 percent in 1995 and 12.9 percent in 1992. The construction of a new highway system and investment in telecommunications explain the bulk of the higher infrastructure investment, but in the energy and the railway sectors, investment also increased



substantially.<sup>1</sup> Growth in infrastructure investment is expected to slow down in 1997, but with the revival of foreign demand and improved prospects for integration with Western Europe, indications are that this will be about offset by higher business sector investment.

9. As exports felt the impact of deteriorating competitiveness and imports surged in association with the consumption boom, net exports of goods and nonfactor services had a strong negative impact on the economy in 1995. Export volume increased by only 1 percent in spite of market growth of more than 8 percent, as the real effective exchange rate (ULC-based) appreciated by some 10 percent. Import volume, on the other hand, jumped by 11.6 percent. In 1996, lower growth in domestic demand slowed import volume growth to only 1.3 percent. An improvement in competitiveness through an effective exchange rate depreciation of 5.2 percent lifted export growth to 2.5 percent in spite of slower growth in Slovenia's major trading partners. Thus, net exports had a neutral impact on GDP growth in 1996.

10. Both exports and imports of goods increased rapidly, by 10.8 percent and 9.4 percent, respectively, in the first nine months of 1997 compared with the same period in 1996. Exports benefited from the lagged effects of the previous year's depreciation and from stronger growth in Europe. As 50–60 percent of imports consist of intermediate goods that are largely used as inputs for the export-oriented manufacturing sector, a surge in exports could be expected to boost imports. However, the strong growth in imports might also indicate a more robust recovery in domestic demand than reflected in current projections.

### C. GDP by Sector and Income Components

11. Given Slovenia's gradual approach to transition, which has recently slowed even further, the changes in the sectoral composition of GDP have been modest (see Appendix Table 10). From 1992 to 1996, the heavily protected agriculture sector's share in output fell from 5.2 percent to 4.2 percent, that of industry and construction from 35.9 percent to 31.5 percent, and that of services increased from 48.2 percent to 49.4 percent. The bulk of these changes took place from 1992 to 1993, indicating the slowing down of the reform process in recent years.

12. Manufacturing output (80 percent of industry and construction) increased moderately in both 1995 and 1996: by 2.5 percent and 1.4 percent, respectively. There were substantial differences across subsectors, with production of food, beverages and tobacco, and electrical appliances experiencing the strongest growth rates, in contrast to declines in output of

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<sup>1</sup>The infrastructure investments are partly financed through borrowing, both at home and abroad, and are to a large extent supported by state guarantees. State guarantees for loans constituted about 5 percent of GDP by the end of 1996 (see also Table 3 in Section III.C). Foreign borrowing constituted 40 percent of outstanding liabilities related to infrastructure projects at the end of 1996.

traditional products like chemicals, wood manufacturing, textiles, leather, and footwear. The manufacturing sector as a whole experienced negative operating surpluses in both 1995 and 1996, primarily caused by huge losses in the large nonprivatized enterprises. Productivity in industry increased by 7.8 percent in 1995 and by 7.1 percent in 1996 (Table 1). Output from mining and quarrying, which has been on a declining trend since independence, dropped by an additional 1.3 percent in 1996. Production in the electricity, gas, and water supply sector increased in 1994 and 1995, but the growth came close to a standstill in 1996.

13. The strong investment growth, particularly in infrastructure, boosted activity in the **construction** sector by about 10 percent a year in 1995–96. Strong domestic demand and recession abroad reduced the traditionally large exports of construction services in 1996. Unregistered construction work is estimated to account for 30 percent of total construction work, which suggests that growth in the sector might have been even higher than indicated by official data.

Table 1. Productivity Growth (Annual percentage change)					
	1993	1994	1995	1996	1992–96
Agriculture, forestry and fishing	6.5	16.2	37.6	8.9	14.2
Industry and construction	6.8	10.4	8.4	7.0	7.8
Industry	7.2	11.8	7.8	7.1	7.9
Construction	3.9	-0.6	14.2	7.9	6.8
Services	4.3	7.0	2.8	2.9	4.0
Total economy	4.3	7.1	4.3	3.4	4.9
Sources: Statistical Office and Institute of Macroeconomic Analysis and Development					

14. Unlike construction, growth in industry was lackluster in the first nine months of 1997, with output rising by only 1.1 percent over the same period in 1996. In manufacturing, production increased by 1.3 percent in this period and mining output fell by 3.5 percent because of continued mine closures, while electricity output increased by 12.6 percent. However, a survey of business sentiment by the Chamber of Commerce showed that business leaders in manufacturing were more optimistic in September 1997 than in September 1996, a finding that seems to reflect stronger foreign demand and the depreciation of the tolar exchange rate during the summer months. There are few indicators of construction activity, but the continued strong investment growth would suggest a brisk pace of growth.

15. The **service sectors** experienced relatively robust growth in 1995 and 1996, with real estate, rental, and business services recording the highest growth rates: 6.1 percent in 1995 and 4.8 percent in 1996. Also, output of hotels and restaurants increased substantially,

reflecting the continued recovery of tourism. In addition to a large influx of one-day tourists from Austria and Italy (attracted by lower gasoline prices and gambling casinos), overnight stays of foreigners rose by 14 percent in 1996; this trend continued in 1997, with overnight stays up by 22 percent in the first seven months compared with the same period in 1996. In spite of this rapid growth, the number of foreign tourists is still only half of what it was before independence.

16. In spite of the strong growth in real disposable household income, the share of labor income in GDP, measured by gross compensation of employees, continued to fall from 58 percent in 1994 to 54.8 percent in 1996 (see Appendix Table 11). In 1996, however, the decline was entirely due to the lowering of employers' social security contribution as gross wages and salaries as a share of GDP increased for the first time since independence.<sup>2</sup> Gross operating surplus and mixed income (that is, income from non-incorporated family businesses) have been broadly stable as a share of GDP over the last three years—but with a slight upward shift in the share of the latter, reflecting the stronger dynamism of this small enterprise segment. As a result of large depreciations of the capital in the traditional business sector, almost all of net profits in the economy stem from mixed income.

#### D. Labor Market

17. The decline in employment continued in 1995–96, with the cumulative drop between 1991 and 1996 exceeding 12 percent (see Appendix Table 26). Compared with its peak in 1987, employment in 1996 was more than 25 percent lower, a period over which Slovenia's total population was broadly unchanged.<sup>3</sup> A striking development since independence has been the strong employment growth in the small-scale private sector: from 1987 to 1996, its share of total employment increased from 12.7 percent to 21.9 percent. Employment in the remainder of the private sector (including the socially-owned enterprises), however, declined steeply, with strongly diverging trends across its various branches. The decline in employment was strongest in industry (5.5 percent a year in 1995–96), reflecting the massive layoffs and rapid productivity growth in the sector, but employment also declined substantially in agriculture, forestry, and fishing. At the same time, employment increased in construction and services, aided by stronger demand for products from these sectors and, in the case of services, lower productivity growth than elsewhere. The strong employment growth in the public administration—partly justified by the staffing needs of a newly independent state—continued in 1995 and 1996 at an average rate of 4.5 percent.

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<sup>2</sup>The payroll tax that was introduced to compensate for the lowering of employers' social security contribution rate is not included in gross compensation but in taxes on production, which as a result continued to increase as a share of GDP.

<sup>3</sup>At end-1995, Slovenia's total population was 1.99 million. The population is slowly shrinking, mainly due to a low and falling fertility rate that reached 1.29 in 1995, down from 1.42 in 1991 and 2.11 in 1980.

18. While these data are based on the monthly employment register (linked to the extension of benefits from health and other social insurance), a much more positive picture emerges from data based on the Labor Force Survey (which is based on ILO standards).<sup>4</sup> According to this source, employment actually increased in 1994 and 1995, before falling in 1996. The Labor Force Survey, in contrast to the employment register, includes temporary, contract, and family workers—workers for which social insurance is not mandatory—and it might even capture workers on the black labor market. These segments of the labor market have grown in importance during the transition, and the Labor Force Survey may thus be the better measure of labor market conditions. See Box 1 for a discussion of the difference between the Labor Force Survey and other measures of labor market conditions.

19. After rising rapidly from below 2 percent before the transition, the registered unemployment rate has been stable at around 14 percent since 1993. The rise in unemployment was initially mitigated by widespread use of early retirement for redundant workers. The later stabilization of unemployment in the face of falling employment was due to the decline in the working age population and the extended length of education. In addition, an updating of the unemployment register helped to lower the unemployment rate from 14.4 percent in 1994 to 13.9 percent in both 1995 and 1996. It drifted slightly upward at the end of 1996 and into 1997 and was 14.4 percent in September 1997, compared with 13.7 percent in September 1996. Also, after having increased in both 1995 and 1996, the number of job vacancies was lower in the first part of 1997 compared with the same period in 1996. In accordance with its more favorable description of employment trends, the Labor Force Survey suggests significantly less slack in the labor market than the unemployment register. In 1994–97, the survey shows an unemployment rate slightly above 7 percent, down from more than 9 percent in 1992 and 1993 (see Box 1).

20. Structural indicators confirm a recent stabilization in the labor market; neither long-term unemployment nor regional differences in unemployment have changed much. The share of the long-term unemployed (unemployed for more than a year) in total unemployment actually dropped to 53.8 percent by the end of 1996, a decline of 5.8 percentage points from a year earlier. However, this drop must be seen in the context of the thorough updating of the unemployment register that took place in 1995–96. Also, exceptionally large regional differences in unemployment rates still prevail. In 1996, the unemployment rate in Ljubljana was 8.4 percent compared with 23.4 percent in the second largest city, Maribor, in spite of less than two hours' commuting distance between the two cities. The improvement of the highway system should enhance the geographical mobility of the labor force.

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<sup>4</sup>As of January 1997, the employment register was expanded to include all enterprises—not only enterprises with more than three employees. The Labor Force Survey—conducted every May from 1992 to 1996—will be conducted on a quarterly basis, beginning in the third quarter of 1997.

**Box 1. Two Different Measures of Labor Market Slack**

While in most countries the unemployment rate based on the number of workers registered as unemployed is higher than the unemployment rate according to the labor force survey, this difference is unusually large in Slovenia. In recent years the registered unemployment rate has been double the labor force survey unemployment rate.

**Unemployment Rates in Selected Central and Eastern European Countries,  
1996 Second Quarter  
(In percent)**

	Slovenia	Croatia	Poland	Hungary	Slovak Republic	Czech Republic
Registered	13.7	16.4	14.7	11.1	12.4	2.8
Labor force survey	7.3	10.0	12.4	9.2	10.9	3.2

Sources: Statistical offices in the various countries.

A comparison of the two sources for Slovenia shows that in May 1996 the unemployment register contained 19,000 people who would have been defined as employed according to the survey, most of them occupied under various forms of contract, temporary, and family work.<sup>1</sup> Furthermore, 32,000 of the registered unemployed would not have been included in the labor force according to the survey, most of them because they were not actively searching for a job. On the other hand, 10,000 of those unemployed according to the survey had not registered. Only about 30 percent of the registered unemployed receive unemployment compensation. There are, however, certain incentives for remaining registered even for those not receiving unemployment benefits. First, redundancy legislation protects the jobs of workers whose spouse is registered as unemployed. Second, unemployed people can continue to contribute to the pension system if they remain in the unemployment register. Third, until this year a person had to be either employed or unemployed to qualify for adult education; this regulation was discontinued this year. For these reasons and for the international comparability of the labor force data, the Labor Force Survey should be considered the better measure of the slack in the labor market.

1/ National Employment Office, *Annual Report 1996*, p. 42.

### **E. Inflation and Wages<sup>5</sup>**

21. After rapid disinflation from the very high inflation of the pre-independence years, it has proved difficult to bring inflation much below the 10 percent level, where it has remained since 1995 (Figure 2 and Appendix Table 32). Real wages continued to grow—and at a faster rate than agreed upon in the annual Social Agreements concluded among the social partners (see below)—in 1995 and 1996. Indexation remains an obstacle to further disinflation; however, the shift from quarterly to annual indexation with compensation for 85 percent of the increase in the consumer (rather than the retail) price index should pave the way for progress in this area.<sup>6</sup>

22. The exchange rate and controlled prices have both played important and partly offsetting roles in the disinflation process since 1995. A slower nominal effective depreciation, which at times turned into an appreciation, helped bring inflation down to an annual rate of 10 percent in the second half of 1995. The inflationary impact from the depreciation in late 1995 was largely offset by very moderate increases in controlled prices, which cover 28 percent of the retail price index.<sup>7</sup> A stable nominal effective exchange rate through most of 1996, on the other hand, helped to offset the more rapid wage growth in this period. At end-1996, annual inflation was 8.8 percent, which also was used by the authorities as the inflation objective for 1997. However, inflation picked up throughout 1997, mainly because of higher controlled prices and because of the effect from the depreciation of the currency during the summer months. Wages exerted a moderating impact on inflation in this period. About half of the annual inflation over the summer months of 1997 can be attributed to increases in controlled prices. Concurrently, the annual increase in market-based prices declined to 5–6 percent. The depreciation over the summer—in nominal effective terms by 4.7 percent from June to September—raised the twelve-month rate of increase in the RPI to 10.1 percent in September. Although the rate fell to 9.7 percent in October, the depreciation through the summer has all but precluded attainment of the goal of 8.8 percent annual inflation at end-1997.

23. Real wages generally grew faster than envisaged by the Social Agreement, which called for real wage growth lower than GDP growth, and 1996 represented a particular

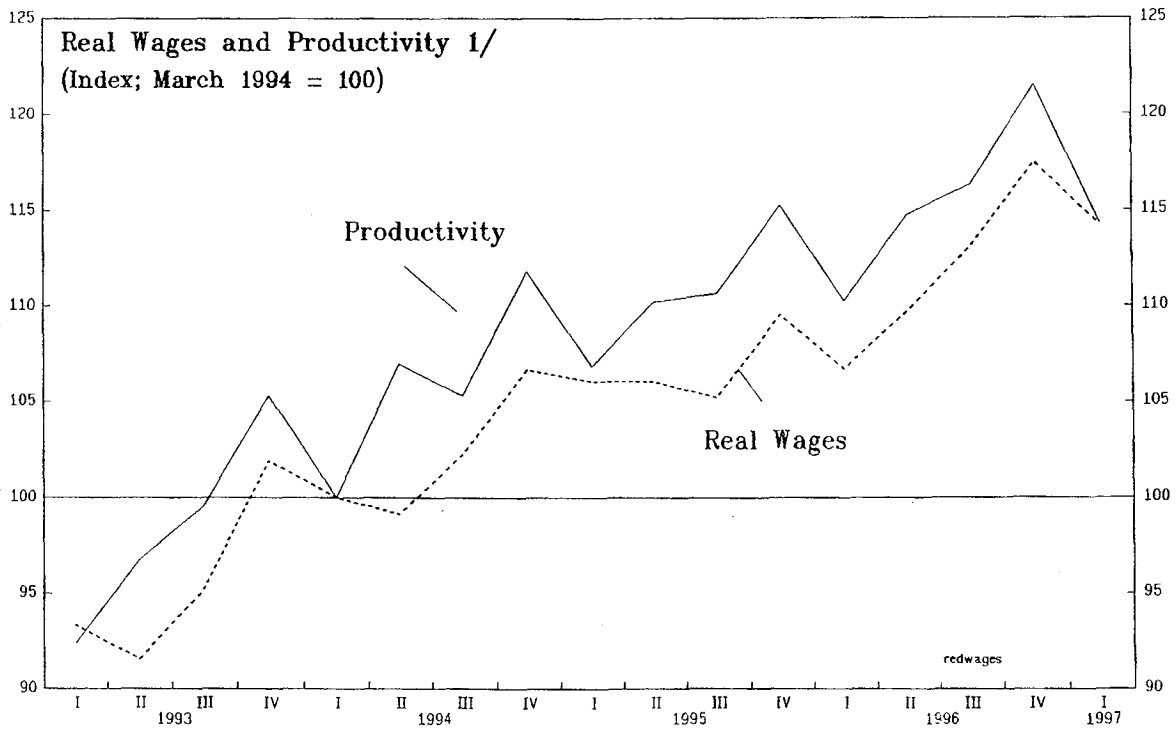
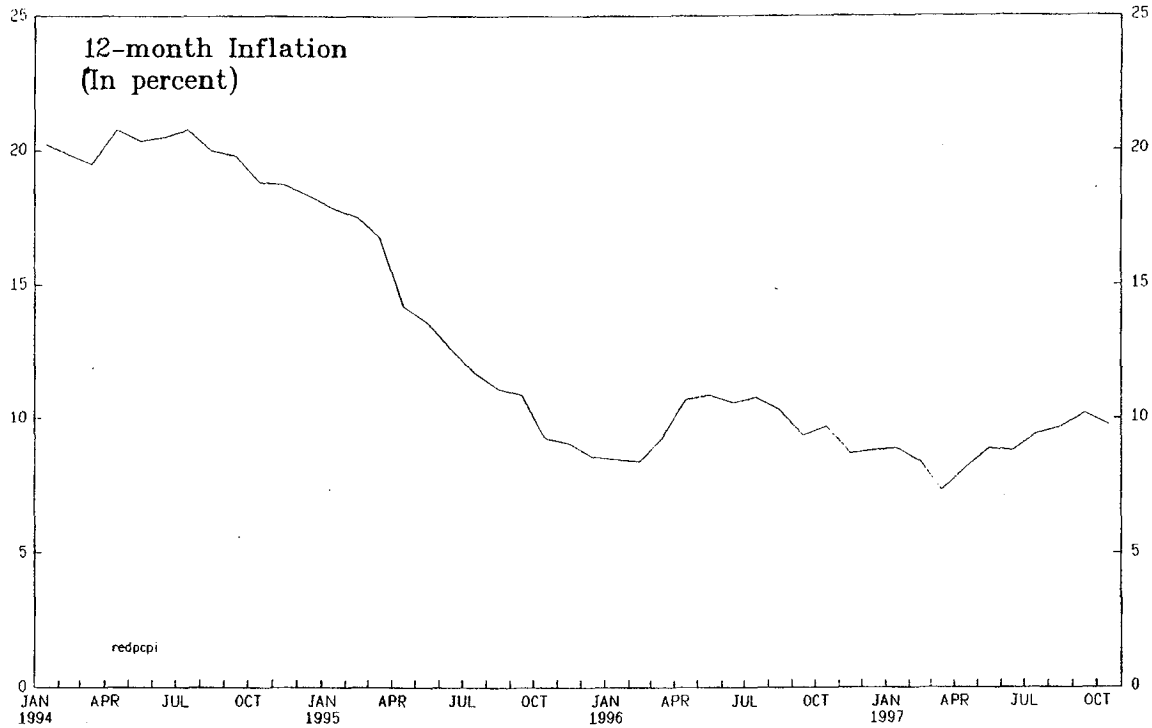
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<sup>5</sup>See Section IV.D for a discussion on the relationship between inflation and monetary policy.

<sup>6</sup>Beginning in 1998, a Consumer Price Index (CPI) will replace the Retail Price Index (RPI) as the main gauge of inflation, for instance in the wage indexation clauses.

<sup>7</sup>The main component of the controlled prices is gasoline, which constitutes almost half of the total. Gasoline prices in Slovenia were raised three times in 1997 by a total of 20 percent, but were still some 40 percent below the average EU level. Other controlled prices are electricity, public services, transport, and basic foodstuffs. Controlled prices will constitute a smaller share in the new CPI.

FIGURE 2  
SLOVENIA  
Prices and Wages



Sources: Bank of Slovenia; Institute of Macroeconomic Analysis and Development, Statistical Office.

1/ Quarterly data; productivity is real GDP per non-government worker deflated by the retail price index; real wage was calculated as average net wage for the economy plus other receipts from work, deflated by the retail price index.

setback for income policies.<sup>8</sup> Real wages and other remuneration increased by 7.9 percent in 1996, up from 7.6 percent in 1995, as large increases in wages set in individual contracts in the private sector along with strong growth in public sector wages contributed to an acceleration in real wage growth during 1996. Wages set by individual contracts represent only 11 percent of the total wage bill but very large increases in such wages in 1996 contributed to a considerable part of the overall wage growth. In particular, wages at the managerial level rose rapidly, with potentially dangerous spillover effects on other wages.

24. The acceleration in public sector wages in 1996 was triggered by members of parliament, who refused to abide by the general wage agreement and demanded higher wages. Judges followed suit. Later, medical doctors staged a strike. In the run-up to the election in November, the government increased all these wages, and raised the teachers' wages as well, before they staged a strike. Consequently, public sector wages increased significantly faster than those in the private sector, widening the gap between the average wages paid in the public and the private sectors, which already was larger than in other transition countries (Table 2).<sup>9</sup>

Table 2. Wages Across Sectors in Selected Transition Economies in 1995 (Average for all sectors=100)							
	Total	Agriculture	Manufacturing	Construction	Trade and Catering	Financial Services	Public Admin.
Slovenia	100	96	83	84	100	127	131
Poland	100	91	96	93	89	137	118
Hungary	100	74	96	84	90	137	121
Czech Republic	100	84	96	108	88	131	118
Slovak Republic	100	81	100	104	93	130	116
Source: OECD							

25. The income policy slippages in 1996 led both the government and the social partners to seek new ways to limit excessive wage growth in 1997. In September 1996,

<sup>8</sup>The Social Agreement is a tripartite agreement between the government, employers, and labor (the social partners), which gives directions for wage, fiscal, social, and labor market policy. Specifically, it sets a target for wage growth and a minimum wage and may also contain government commitments to impose particular legislative measures. The new Labor Law will change the existing rules governing the relationship between the social partners and, as a result, collective wage agreements will no longer be compulsory.

<sup>9</sup>Although because of generally higher qualifications of employees, on average, wages in the government sector are higher than those in the productive sector, the base wage in the latter is higher. Government sector workers are vying for parity in base wages.



the employers canceled the Social Agreement negotiated in June 1996, demanding reductions in a wide range of allowances that, together with employers' social security contributions, had brought total labor costs 50–60 percent above base wages (see Box 2). Because of disagreement on the general economic policy orientation (in particular, growth in government spending should, in their view, be lower than that of GDP), the employers refused to sign a new Social Agreement. However, in June 1997 the social partners agreed on the earnings-related aspects of the agreement. This agreement, which extends to the end of June 1999, was made mandatory by the passage of the Minimum Wage and Wage Adjustment Law, which increases minimum wages by 4.2 percent and replaces quarterly indexation with annual indexation to 85 percent of the CPI. Moreover, wage increases of persons covered by individual contracts (see paragraph 23) are now limited by the base wage adjustments contained in the law. As in previous agreements, higher wage increases at the branch or enterprise level are permitted, but they must be based on favorable business results. To stop the rapid rise in government wages, strong restrictions were put on the adjustment of wages and other remuneration for civil servants. To a large extent because of these measures, average real wages fell in the first seven months of 1997.

## Box 2. Non-Wage Labor Costs

Numerous provisions for social and other purposes add significantly to already high earnings levels and create a substantial **tax wedge**.<sup>1</sup> Employees pay social security contributions equal to 22.1 percent of gross wages. Employers pay 15.9 percent of gross wages for social contributions (8.85 percent pension insurance, 6.89 percent health insurance, 0.06 percent unemployment insurance, and 0.10 percent maternity leave). A progressive payroll tax, with an average rate of 3.4 percent of gross wages—but with a top rate of 15 percent—was introduced in 1996 (and amended in 1997) to compensate for the reduction in employers' social contributions from 19.9 percent to 15.9 percent of gross wages. Employers also pay sick leave for the first 30 calendar days of illness at 80 percent of the base wage (the wage negotiated at the central level). The actual replacement rate is thus lower.

There are several **special payments**:

- An **annual holiday bonus**, equal to SIT 102,000 or the actual monthly wage. This bonus has been frozen for 1998 and 1999.
- Reimbursement of **traveling expenses** to and from work, calculated as 60 percent of public travel expenses.
- Reimbursement of **meal expenses**, equal to SIT 500 per day at work, which compares with an average hourly wage of SIT 599 for manual workers.
- At **retirement**, the employer pays an amount equal to two months' wages.
- A **severance payment** (only in the case of redundancy for economic reasons) is calculated as half a month's wage for every year of service.

The workers have several **statutory rights** specified as minimum thresholds:

- The statutory minimum **annual leave** is 18 days but additional days can be agreed upon; there are presently on average 25 days of paid annual leave per employee. In addition, there are 13 national holidays.
- Employees have the right to 7 paid days a year of **leave for personal reasons** (birth or death in close family, marriage, moving to a different place, etc.).
- There are 2 paid days a year of **leave for blood donors**.
- Employees have the right to paid days of **leave for education** in the interest of the employer (for instance, 15 days for a master's degree, final exam).

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<sup>1</sup>OECD, *Economic Survey, 1997, Slovenia*.

### III. FISCAL SECTOR

#### A. Overview

26. Slovenia's fiscal policy during the 1992–95 period was oriented toward maintaining overall fiscal balance. The general government budget was roughly in balance each year, deviating from zero by no more than ¼ percent of GDP. By compensating for or adjusting the automatic stabilizers, balance was achieved against the background of large macroeconomic fluctuations. For example, during the same period, the GDP growth rate fluctuated between -5½ percent and 5¼ percent, the unemployment rate<sup>10</sup> declined from 9 percent to 7½ percent, and the external current account shifted from a surplus of 7½ percent of GDP to a roughly balanced position.

27. During this period of economic restructuring, many expenditure components swelled, as new infrastructure and a comprehensive safety net were developed. Unlike in many other transition economies, their impact on the balance of the budget was, however, offset by lower subsidies and by tax increases. By 1995, general government expenditure and revenue each accounted for 45.7 percent of GDP.

28. In 1996, the fiscal balance was maintained but concurrently the seeds for a future deficit were planted. To reduce the tax wedge, the employers' social security contribution rate was lowered twice. The full impact of this change would be felt only in 1997. In addition, the customs duties were lowered in accordance with agreements with the European Union (EU) and the Central European Free Trade Agreement (CEFTA), again with most of the impact falling on the 1997 budget. A payroll tax was established to compensate for part of the revenue loss. Public wages were allowed to increase significantly as a result of strikes. This increased the wage bill in the 1996 budget, but its effect on the 1997 budget—even with a subsequent wage freeze—was even larger.

29. These trends as well as further expenditure pressures have led to the adoption of a budget that may produce a deficit of as much as 1½ percent of GDP in the 1997 general government accounts. Lower pension fund contributions and customs duties are expected to lower revenue; increased expenditure on education, higher wages, and larger social transfers are expected to increase expenditure. These are expected to be only partially compensated by the payroll tax, increases in other taxes, and lower expenditure on other items.

30. Meanwhile, two important reform packages are in the making: introduction of the VAT, with coordinated changes in income taxes, and pension reform that is intended to put the pension system on a sustainable path.

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<sup>10</sup>Labor Force Survey based rate (see Box 1).

## B. Fiscal Developments in 1996

31. The 1996 central government budget was approved by parliament with a small surplus. This was consistent with the slightly positive outcomes of the previous two years (including the transfers). Total revenue was virtually unchanged with respect to GDP from the 1995 outcome, and added up to 23½ percent of GDP. Taxes on goods and services contributed to more than half of the total, and taxes on personal income and customs duties formed most of the remainder. Total budgeted expenditure was slightly lower, leading to a budget surplus of ¼ percent of GDP. Within total expenditure, wages, social transfers, and transfers to the pension fund constituted 26, 16, and 8 percent, respectively.

32. The outcome of 1996 was more favorable than budgeted. Total revenue was higher, with higher taxes from corporations more than compensating for the losses in customs duties. Total expenditure also was higher: during the year, the transfers to the pension fund had increased further, by close to 1 percent of GDP, to 2¾ percent of GDP. Nevertheless, with a stronger increase in revenue, the state budget surplus climbed to ¾ percent of GDP.

33. The surplus in the state budget, which amounted to 4½ percent of GDP once the transfers to the other government sectors are netted out, helped maintain the slightly positive **general government fiscal balance**. Excluding the transfers from the state budget, local governments' expenditures exceeded their own revenues by ¾ percent of GDP; for the pension fund, this overrun was 3½ percent of GDP. With the health insurance fund roughly in balance, the general government had a surplus of ¼ percent of GDP, compared with a balanced position in 1995.

34. While the balance of the general government did not change substantially from 1995, several **structural changes** paved the way for a shift in the composition of revenue and expenditure. On the **revenue side**, in order to reduce the cost of labor, the employers' contribution rates for pension and disability insurance were reduced twice (while keeping the employees' contribution rates constant), first in January from 15.5 percent of gross wages to 12.85 percent, and then in July to 8.85 percent. With further adjustments to obligatory health insurance and unemployment insurance contribution rates, the total contribution rate thus fell from 44.7 percent of gross wages in 1995 to 38 percent by July 1996. These rate adjustments reduced the general government revenue by almost 2 percent of GDP in 1996. In addition, in January 1996, new customs legislation came into force, which, among other things, reduced tariffs by the equivalent of ½ percent of GDP in 1996, with further reductions planned for the coming years. The reductions in the social security contributions and customs tariffs were mostly offset by the introduction of a progressive payroll tax and by an increase in other tax revenue.

35. To improve **tax collection**, a new Tax Administration Office was established. Tax collection responsibilities were formerly split between the Agency for Payments, Supervision and Information (APPNI), an independent body reporting to parliament and responsible for dealing with the legal entities, and the Republic Bureau of Public Revenue in the Ministry of

Finance, which administered taxes borne by natural persons. In mid-1996, the new Tax Administration Office began to operate with full responsibility for overall tax collection.

36. On the **expenditure side**, the growth of two components, public sector wages and transfers to the pension fund, was particularly problematic. Public sector wages increased beyond what could have been expected on the basis of continuing net hiring, as the government had granted large concessions as a result of strikes (in particular by the health sector employees in March). The phased wage concessions affected the 1996 budget mainly in the last quarter. In addition, the transfers to the pension fund rose by almost 1 percent of GDP, as the employers' contributions were reduced. To compensate their effect, subsidies to the enterprises were reduced by ½ percent of GDP, and public investment was curbed.

### **C. Fiscal Developments in 1997**

#### **The budget and its outcome to date**

37. Owing to political difficulties after the elections, the presentation of the 1997 budget to parliament was delayed until the end of July. An amended version of this budget was finally approved in December 1997. A **temporary budget** had been passed in December 1996 to maintain uninterrupted financing for the first six months of 1997, guided by the budget laws that set the general rules for temporary budgets. One important general rule for temporary financing is to contain spending in each month to 1/12 of total spending in the previous year. The rule is not specific about whether this ratio is to be applied in real or in nominal terms, but in practice nominal amounts were applied in 1997.

38. There were several exceptions to the general rule, which were due mostly to laws that mandated specific expenditure (for example, entitlements or other pre-existing contractual obligations). More specifically, wages, interest payments, payments on guarantees, social transfers, and transfers to the pension fund were not bound by this rule. To accommodate the additional demand generated by these laws and obligations, a Law on Additional Financing of Government Expenditure in the First Half of the Year was passed in May.

39. As parliamentary approval of the 1997 budget was delayed further, two more temporary budgets were passed, the first in July to cover the first 9 months of 1997, and the second in October for the "first 12 months" of 1997. With restrictive spending rules, the outcome during the first 8 months of the year was a small surplus for the general government. During this period general government expenditure increased by 6½ percent in real terms relative to the same period in 1996, led by increases in wages, social transfers, and expenditure of the pension fund, while growth in spending for other purchases, subsidies and other transfers to the business sector, and investment outlays was limited under the provisional financing rules. As a result, the central government deficit amounted to SIT 11 billion, but with the surpluses of the health fund and the local governments, the general government recorded a small surplus of SIT 1 billion.

40. The 1997 central government budget was passed in early December with a deficit of 1¼ percent of GDP. Central government revenue is projected to increase by 6 percent in real terms in relation to 1996. The largest increases in 1997 are projected in corporate and personal income tax revenue, while the largest drops are projected in customs duties and social security contributions, as the reductions in customs duties continue and those of the contribution rates show their full effect. The increase in the excise tax on oil products and a new environment tax on carbon dioxide emissions that was introduced at the beginning of 1997 are also expected to contribute to revenue. Revenue from the sales tax, on the other hand, is expected to increase only slightly in real terms.

41. Central government expenditure is projected to increase sharply (by 13½ percent in real terms) in 1997. The wage bill, social transfers, and transfers to the pension fund are expected to show large growth. In spite of the wage freeze in the public administration that took effect in midyear, the wage bill is projected to increase by 8 percent in real terms, because of the continued effect of wage concessions made in 1996 and further hiring. Social transfers—including unemployment benefits, child care, benefits for war veterans, social care, and scholarships—will increase by 20¼ percent in real terms; transfers to the pension fund are slated to increase by 53 percent. Certain other components—interest payments, capital expenditure, and transfers to local communities—are expected to grow much more slowly.

42. The late passage of the budget is expected to create a strong case of “December fever,” once the year-long constraints stemming from the provisional financing rules are lifted. Nevertheless, because of the brevity of this period, and notwithstanding a planned extension of the budget year to January 1998, total expenditure for the whole year may be slightly less than budgeted.

43. These developments may push the general government deficit to 1½ percent of GDP. The incremental deficit over that of the central government is mostly due to the deficit in the pension fund that is not financed by the central government. This large deficit in the general government accounts is a clear break from the rough fiscal balance that had been maintained since 1992. In addition, since the deficit is mostly due to non-cyclical factors, unless new austerity measures are taken, this break is unlikely to be reversed.

44. The general government accounts do not include close to 20 extrabudgetary funds.<sup>11</sup> However, since most of their financing comes from the central government, their activities are reflected in the budget. Total payments from the central government budget to these funds amounted to 0.9 percent of GDP in 1996. With additional payments of 0.2 percent of GDP earmarked from the privatization revenue, which is included in the general government, the funds’ total expenditure was equivalent to 1.1 percent of GDP. The Highways Company receives 67 percent of the privatization revenue; the next largest fund, the Fund for Regional Development, receives only 8 percent.

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<sup>11</sup>For a detailed discussion on the extrabudgetary funds, see OECD, *Economic Survey, Slovenia, 1997*, pp. 57–58.

45. These funds are expected to shrink in size and number in the coming years. There was already a slight decrease in their resources in 1996. Also, with the imminent completion of the first wave of privatization, the revenue from their earmarked privatization receipts is not expected to be significant. Finally, following the adoption of the public sector accounting law, the government plans to pull the funds' operations under the umbrella for the general government.

#### Debt issues

46. Although the central government accounts were in small surplus in 1996 and had registered a small surplus in the first half of 1997, **central government debt**, which is roughly the same as general government debt, increased significantly as a result of the conclusion of agreements with Paris and London Club creditors (Table 3).<sup>12</sup> In addition, there was a switch from domestic to foreign bonds. The authorities' main reasons for borrowing more in the foreign markets were the relatively small size of the domestic market, lower interest rates abroad, and an opportunity to build a foreign investor base. The government guarantees also increased, from 3¼ percent of GDP in 1993 to 5 percent of GDP at the end of 1996.

	Dec. 31, 1993	Dec. 31, 1994	Dec. 31, 1995	Dec. 31, 1996	June 30, 1997
Total debt outstanding	2,298	2,712	3,288	4,104	4,015
Domestic	2,001	2,301	2,715	2,513	2,308
Foreign	298	411	573	1,591	1,706
Total guarantees	413	446	560	931	962
Domestic	197	223	272	542	542
Foreign	216	223	288	389	421

Source: Ministry of Finance

#### D. Tax and Pension Reforms

47. While the fiscal accounts were broadly in balance up to the second half of 1997, substantial reforms in many different areas of the public sector were still needed. In particular,

<sup>12</sup>For further details on the Paris Club and London Club agreements, see Section V.D.

reforms in taxation, pensions, health care, the civil service, and the land registry remained to be implemented. Of these, reforms in taxation and pension are discussed below. Reforms in health care and the civil service were under preliminary discussions, and a quick introduction of laws in these fields was not expected. Reforming the civil service law is under discussion. The Law on Land Register is in parliament, expected to be passed in 1998. The law calls for the improvement and the computerization of the registers as a precondition for new municipal property taxes.

### **Tax reform**

48. Currently, taxes are collected from sales, personal income, corporate profits, imports, real estate, inheritances and gifts, carbon dioxide emission, and water pollution. In addition, four social contributions are defined: pension and disability insurance, health insurance, unemployment insurance, and maternity leave.

49. The necessity of a tax reform has been acknowledged for some time by the authorities. There are several problems with the current system. First, the tax wedge is considered high relative to the trading partners. Second, under the EU Accession Agreement, the sales tax must be replaced by a value added tax (VAT) and other taxes need to be harmonized. Third, real estate and corporate profit taxation are inadequate. Fourth, there is high tax evasion, partially stimulated by high tax rates. Fifth, certain enterprises are treated unequally.

50. The proposed reform package revolves around the personal income tax (PIT), corporate income tax (CIT), and VAT (with excises) triangle; however, to facilitate EU accession, the government is giving priority to the introduction of the VAT and the revision of the excise tax law. Currently, Slovenia has a sales tax enforced according to the Sales Tax Law of 1991. It is a single-phase tax on sales of goods and services in final consumption, leading to distortions. To remedy this, two laws (the Law on the VAT and the Law on Excise Duties) were prepared by the previous government, but they could not be approved by parliament before the elections in November 1996. These laws have been resubmitted to parliament, with the expectation that they would be approved by mid-1998 and be effective at the beginning of 1999. The Tax Administration Office has begun preparations for their introduction at the start of 1999.

51. As for the VAT, the working assumption is to have two rates. There will be one basic rate of around 20 percent. In addition, there may have to be a lower rate for social reasons, for example, for food and children's wear. Currently, total revenue from the sales tax (20 percent on most goods; 5 percent on food and other social goods; 10 percent for construction materials, clothes, footwear, etc.; and 32 percent for luxury goods), the excise tax, and the customs duties amounts to 16.5 percent of GDP. The new taxes are expected to yield a similar level of revenues, with the VAT producing 11.3 percent of GDP and the excise taxes 5.1 percent of GDP, while revenues from customs duties are assumed to become insignificant.



52. With the introduction of the VAT, the payroll tax, which was established to mitigate the impact of lowering the social contribution rates, is expected to be abolished. The limit on exemptions has already been raised in 1997, but the rates have been raised and made more progressive.

53. There are also discussions on changing the PIT and CIT laws. On the PIT, a new law that redefines the tax base may be introduced in a couple of years. Among the possible changes are increasing the allowable deductions and lowering the highest tax rate from 50 to perhaps 45 percent. On the CIT, an amendment to the existing law is to be prepared by the end of 1997. Currently, the receipts from the corporate tax constitute only 0.9 percent of GDP, which is low by international comparison. One reason is that the deductible costs are very broadly defined (for example, travel costs—even to areas where there is no business connection—are deductible). An audit by the Tax Administration Office showed wide abuse of the system and estimated the loss in taxes to be SIT 3 billion a year. For tax purposes, the costs will be defined more precisely and will be monitored. Moreover, tax collection during bankruptcy or takeovers will be better defined and monitored. In certain cases, the depreciation and investment allowances add up to more than 100 percent; these will be curtailed. The tax rate, 25 percent, is expected to be left unchanged.

### **Pension reform**

54. Slovenia's pay-as-you-go (PAYG) pension system is unsustainable.<sup>13</sup> The pension benefits are very generous (13½ percent of GDP—one of the highest ratios in the OECD), and the eligibility age is low. Already, revenue from contributions falls short of expenditure because of the recently lowered contribution rate and the expansion of the noncontributing informal sector. In addition, many enterprises have lowered their contributions by switching to non-wage compensation of employees, or by deferring payments due to financial distress. The financing gap is expected to increase to 4 percent of GDP in 1997. Demographic changes are projected to worsen the situation, because the elderly dependency ratio (the ratio of population above the retirement age to those of working age) is expected to double to around 100 percent in 40 years. If the current pension system is maintained, the contribution rate will have to be increased constantly, reaching 35 percent by 2030.

55. To ease the pressure, the pension system has been amended several times this decade. The first reform occurred in 1992, when the Law on the Pension and Disability System was introduced, transforming the previous system, whose roots extended to the Bismarckian reforms of the last century. The law included a phased increase in the statutory retirement age for men and women and measures to reduce early retirement. In 1996, the method for determining the pension base for the self-employed was tightened to increase the contributions of the self-employed so as to eliminate the deficit of their insurance system. Also, the indexation of pensions was changed to include in calculations those periods when wages

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<sup>13</sup>For a detailed description of the pension system, see OECD, *Economic Survey, Slovenia, 1997*, and SM/96/120.

decline (before, monthly adjustments were made to pensions whenever average wages increased, even after a previous decline).<sup>14</sup>

56. These measures were ineffective for several reasons. First, although the legal retirement age was increasing, average retirement age was actually decreasing, as a result of criteria that enabled early retirement. Second, the deficit of the insurance of the self-employed increased, contrary to expectations, because of higher tax avoidance as the self-employed chose to drop out of the revised system. Third, the indexation still relies on wage increases instead of price increases, therefore the change in indexation has produced only marginal savings.

57. Further changes are under discussion. These include: gradual equalization of retirement age to the average EU level for both genders, changes in the calculation of pension base, lower accrual rate, indexation of benefits to prices, stimulation of later retirement, broadening the base of contributors, more equal treatment of the dependently employed and the self-employed, and improvement of contribution collection.

58. In addition, the government has proposed a three-pillar system, laid out in a white book that was submitted to parliament in November 1997. The first pillar would be a slimmed down version of the existing PAYG system, with an improved balance between contributions and benefits as a result of the incremental measures mentioned above. The second pillar would be a mandatory individual saving scheme with benefits strictly limited to contributions and managed by mutual, public or other forms of funds. The third pillar would consist of a voluntary supplementary insurance.

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<sup>14</sup>The Law on the Modifications and Amendments of the Act on Pension and Disability Insurance.

#### IV. MONETARY SECTOR

##### A. Overview

59. Since independence the Bank of Slovenia (BoS) has focused on a reserve **money-based anchor** to achieve its overall goal of price stability. In general, this process has continued during the 1995–97 period, although without further progress in reducing inflation since the second half of 1995 when the annual rate fell below 10 percent for the first time. Throughout this period, recurrent concerns regarding a deterioration in external competitiveness in the context of large capital inflows have caused the authorities at various points to pursue both exchange rate and monetary targets simultaneously.<sup>15</sup> This has resulted in sustained periods of tolar stability against the Deutsche mark until real appreciation forced the authorities to maneuver a depreciation of the nominal rate through aggressive intervention. **Sustained intervention** has also created inevitable tensions between monetary and exchange rate policy, and has resulted in the adoption of an increasingly complex array of monetary instruments and capital controls to limit the effect of these inflows on the financial system.<sup>16</sup>

60. Given the small size of the economy and lack of development of the banking system, large inflows of foreign capital have been a major complicating factor in achieving any policy objective throughout this period. With the absence of a credible incomes policy, persistent structural rigidities in labor and capital markets, and pervasive indexation mechanisms, sterilized intervention was considered necessary to achieve price and overall financial system stability. As this policy became increasingly costly,<sup>17</sup> the BoS resorted to additional **capital restrictions** to limit the impact of these inflows on the domestic economy and to achieve its monetary targets. With a preference for gradual market reforms and in the pursuit of financial

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<sup>15</sup>As pointed out by Begg (“Monetary Policy in Central and Eastern Europe: Lessons After a Half Decade of Transition,” IMF WP/96/108, September 1996), pursuit of multiple nominal anchors has not been unusual in transition economies. Notwithstanding exogenous shocks, stable fiscal balances—as found in Slovenia—have allowed a greater degree of policy freedom, with a monetary anchor seen as a credible stabilization policy. As reserves were accumulated, an exchange rate peg was viewed as a complementary disinflation tool.

<sup>16</sup>Bole (“Financial Flows in a Small Open Economy: The Case of Slovenia,” draft paper prepared for the *Conference on Financial Flows to Transitional Economies*, Laxenburg, Austria, May 9–10, 1997) described the measures taken to limit the negative consequences of capital inflows as well as the special attractiveness of the BoS’s unique sterilization instruments and capital controls as a vehicle for managing debt and reducing well-known fiscal costs of sterilization. Given the considerable distortions in the labor and capital markets, Bole takes a decidedly second best argument in his defense of the BoS’s policy to neutralize the effects of these inflows.

<sup>17</sup>The BoS has estimated its sterilization costs at approximately SIT 8.8 billion or 0.3 percent of GDP in the first eight months of 1997 alone.

system cohesion, the BoS also used interest rate caps in an attempt to reduce interest rates and limit the volatility of the banking system's deposit flows. While these interest rate ceilings may have tempered the increase in deposit rates in a relatively non-competitive banking environment, they have also prevented a decline in interest rates as monetary conditions have eased.<sup>18</sup> Coupled with heavy capital controls and sterilization measures that have delayed the gradual remonetization process observed in transition economies, real interest rates have remained high—providing additional pressure for inflows. Moreover, this policy response has tended to retard the development of domestic money markets and hampered financial innovation.

## B. Monetary and Exchange Rate Developments

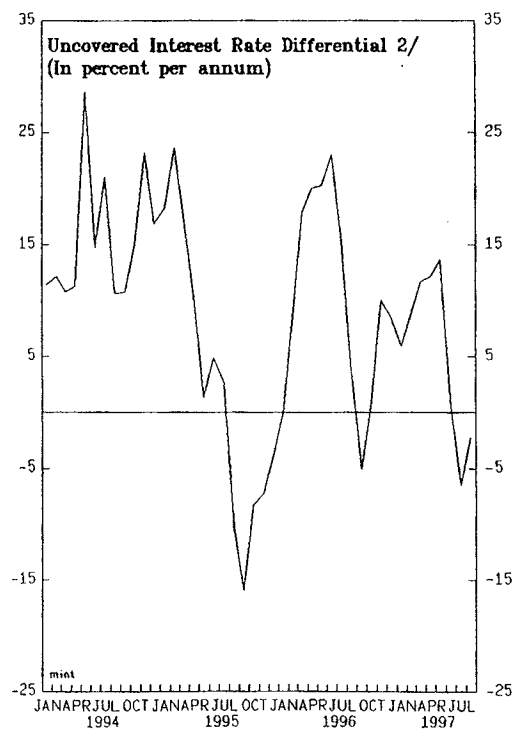
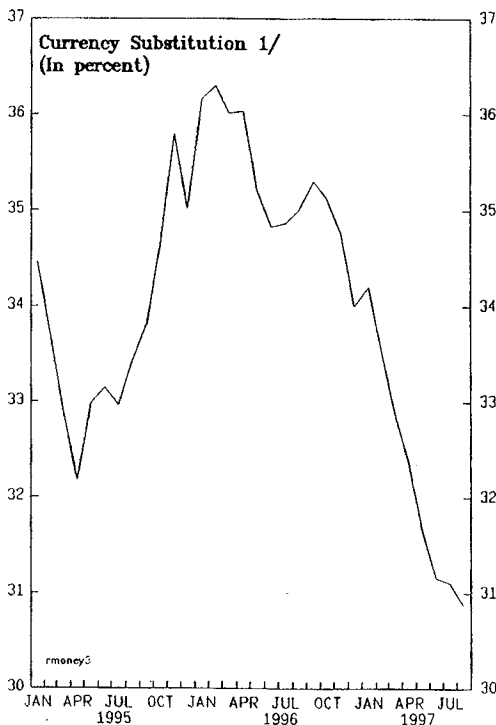
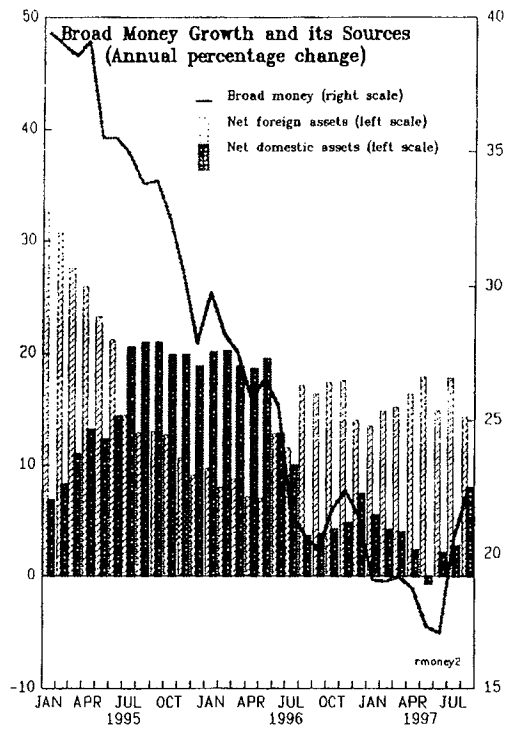
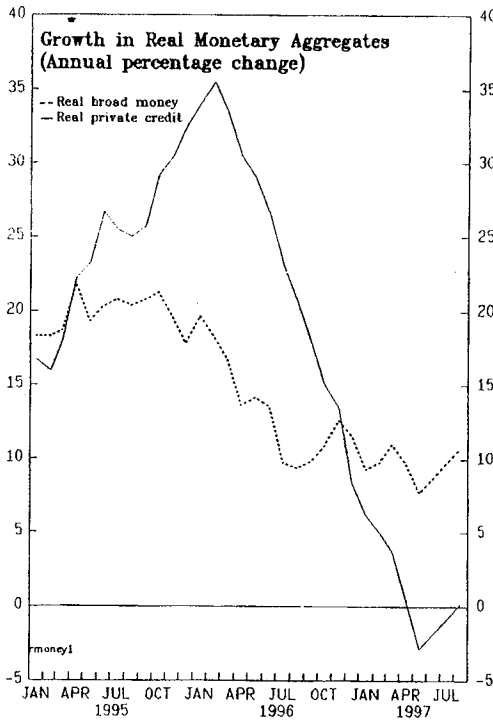
61. After extensive use of direct foreign exchange intervention and only partial sterilization of repurchase agreements resulted in a sharp increase in reserve money in 1994, the BoS continued to relax monetary conditions through mid-1995. Throughout the first eight months of 1995, reserve money growth accelerated as the BoS continually exceeded its monthly base money targets. Also, real credit to the household and enterprise sectors grew rapidly as the central bank cut interest rates on BoS bills and short-term liquidity loans in what was seen as an effort to stem the inflow of foreign capital (Figures 3 and 4). However, the combination of a stable tolar/deutsche mark exchange rate with an appreciating tolar/U.S. dollar rate and positive inflation differentials resulted in a 4.7 percent real effective appreciation over the first eight months of 1995 (see Figures 5 and 6).<sup>19</sup> As current account surpluses started to disappear, slowing the expansion in net foreign assets, the BoS took advantage of this reduced inflow pressure to depreciate the tolar by approximately 11 percent through active intervention in the last four months of the year. To offset the inflationary effects of this depreciation, the BoS slowed the growth of base money for the rest of 1995, to an end-of-period growth rate of 25.2 percent. This policy response reduced inflation from a 19.8 percent period average in 1994 to 12.6 percent in 1995. Broad money growth continued on its downward path for all of 1995.

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<sup>18</sup>With most deposit rates stated in real terms and indexed to inflation or the exchange rate, interest rates have tended to remain at the upper end of the cartel agreement. The deposit interest rate ceilings have weakened the linkage between interbank rates and commercial market rates (see Section IV.F).

<sup>19</sup>As a result, monetary conditions tightened, notwithstanding lower real interest rates (Box 3).

FIGURE 3  
SLOVENIA  
Monetary Developments

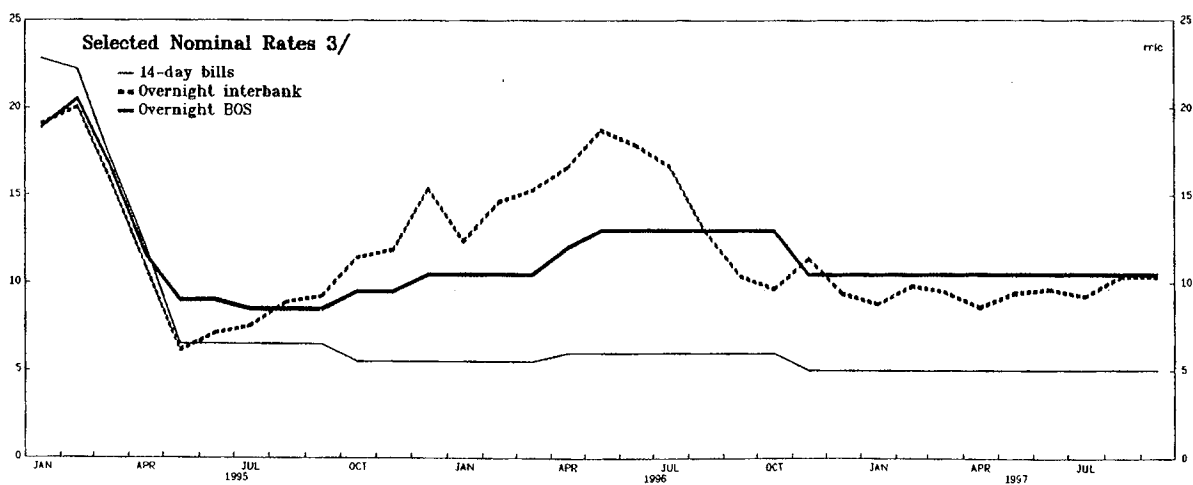
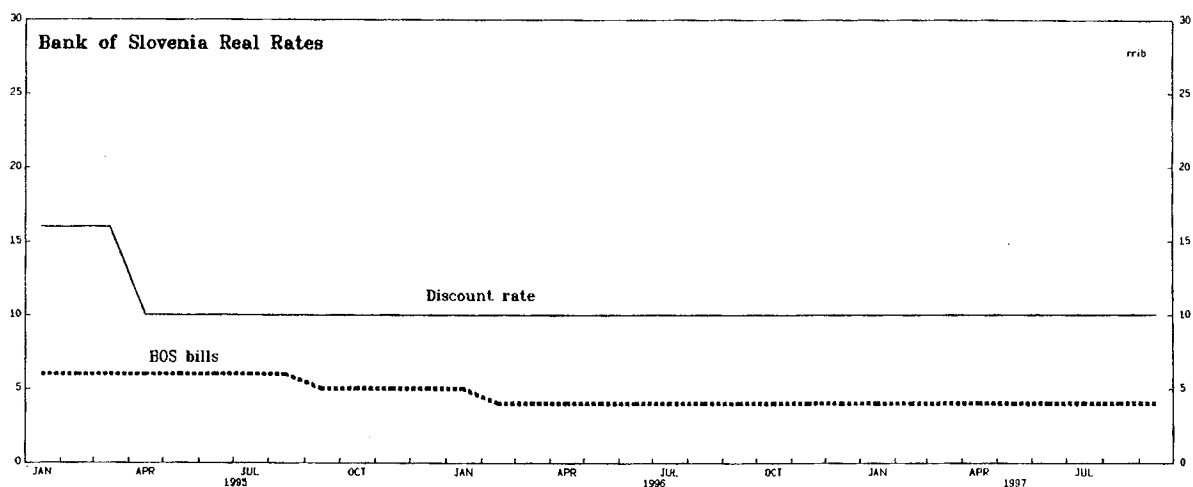
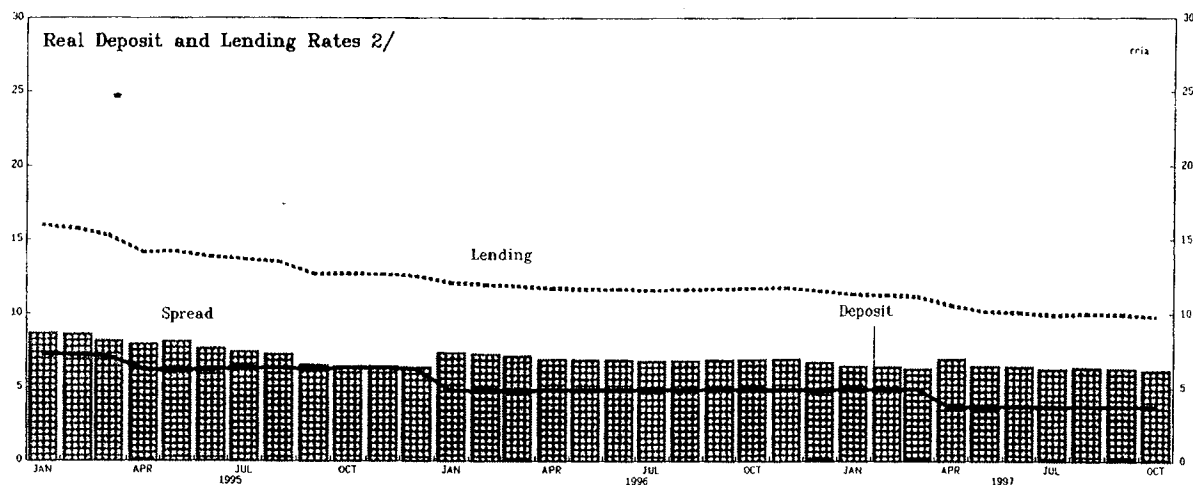


Source: Bank of Slovenia.

1/ Foreign exchange deposits as percent of broad money including foreign exchange deposits.

2/ Differential between 31-90 day deposit rates in Slovenia and Germany, adjusted for actual, annualized one-month ahead changes in the Tolar/DM exchange rate.

FIGURE 4  
SLOVENIA  
Interest Rates 1/  
(Percent per annum)



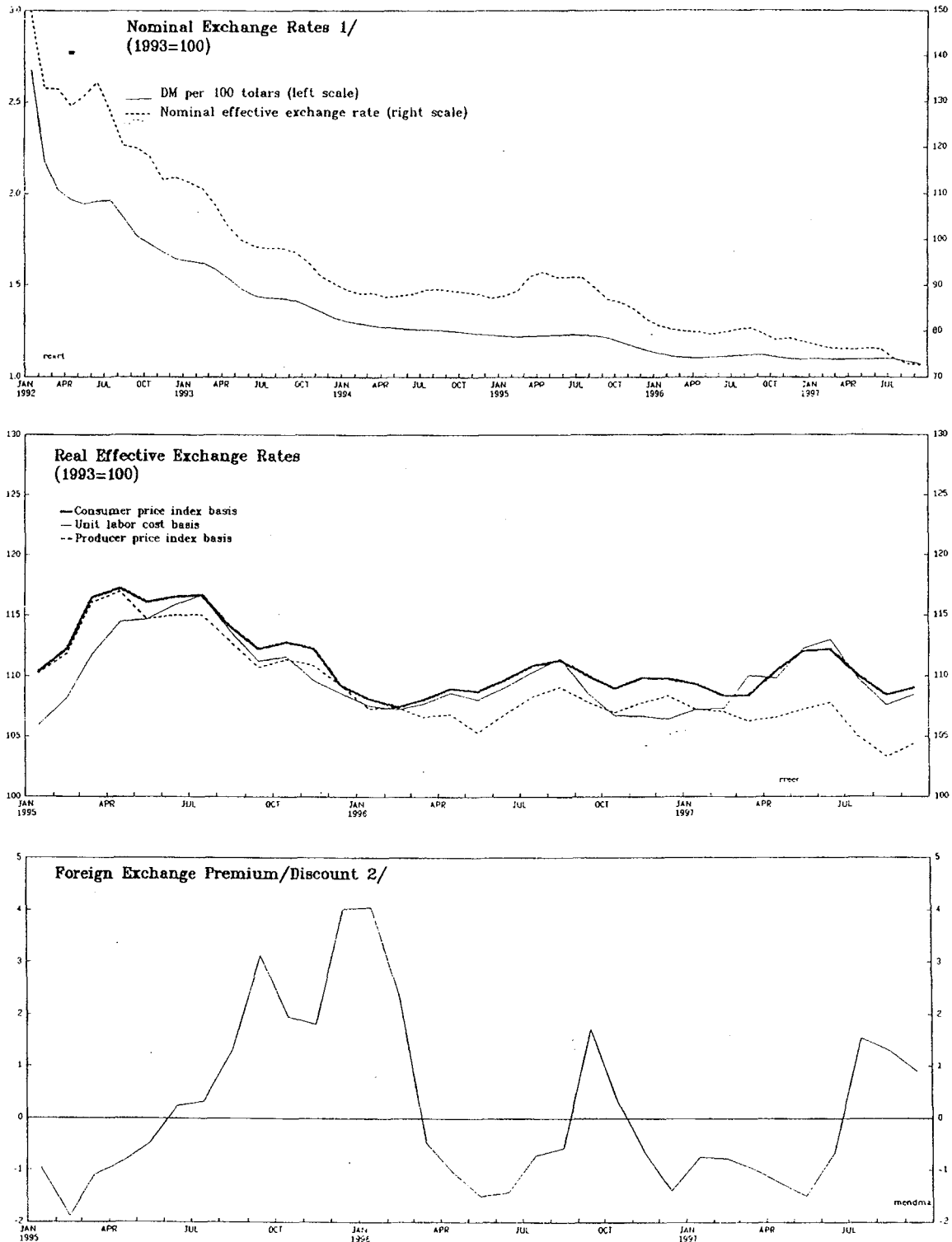
Source: Bank of Slovenia.

1/ All interest rates on financial assets with maturities in excess of one-month are indexed. An inflation adjustment is applied to the real component to arrive at the nominal rate.

2/ The real components of 31-90 day deposits and short-term working capital loans, respectively.

3/ Indexed through April 1995, deindexed thereafter.

FIGURE 5  
SLOVENIA  
Exchange Rate Developments

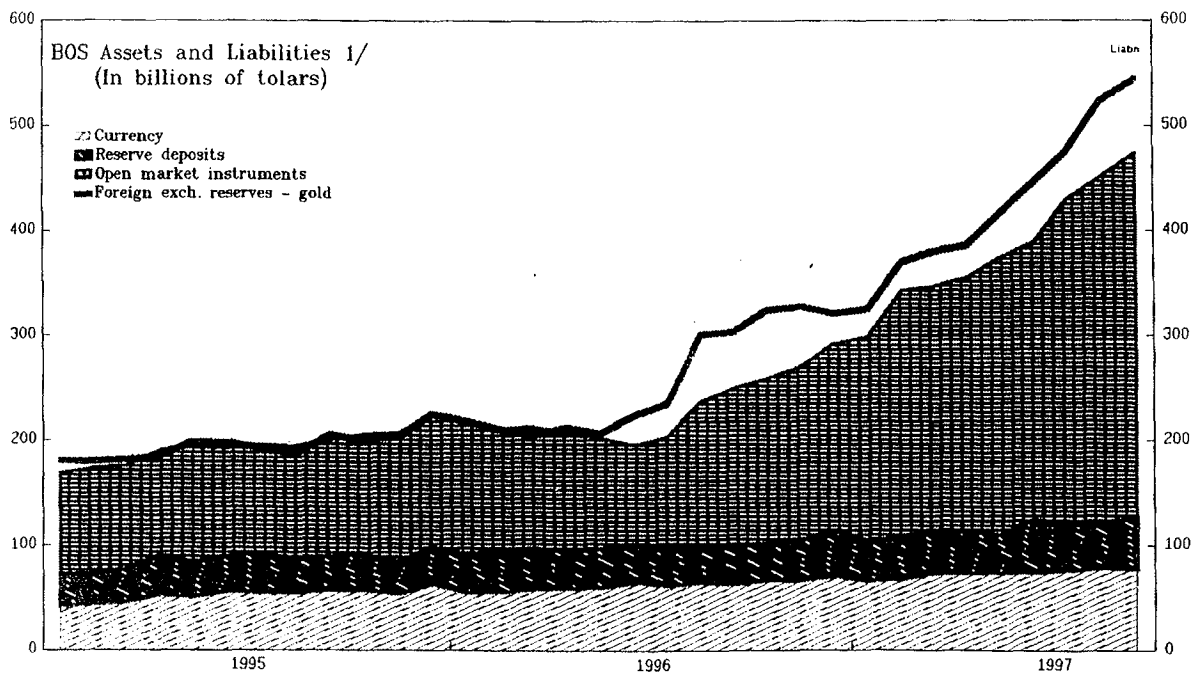
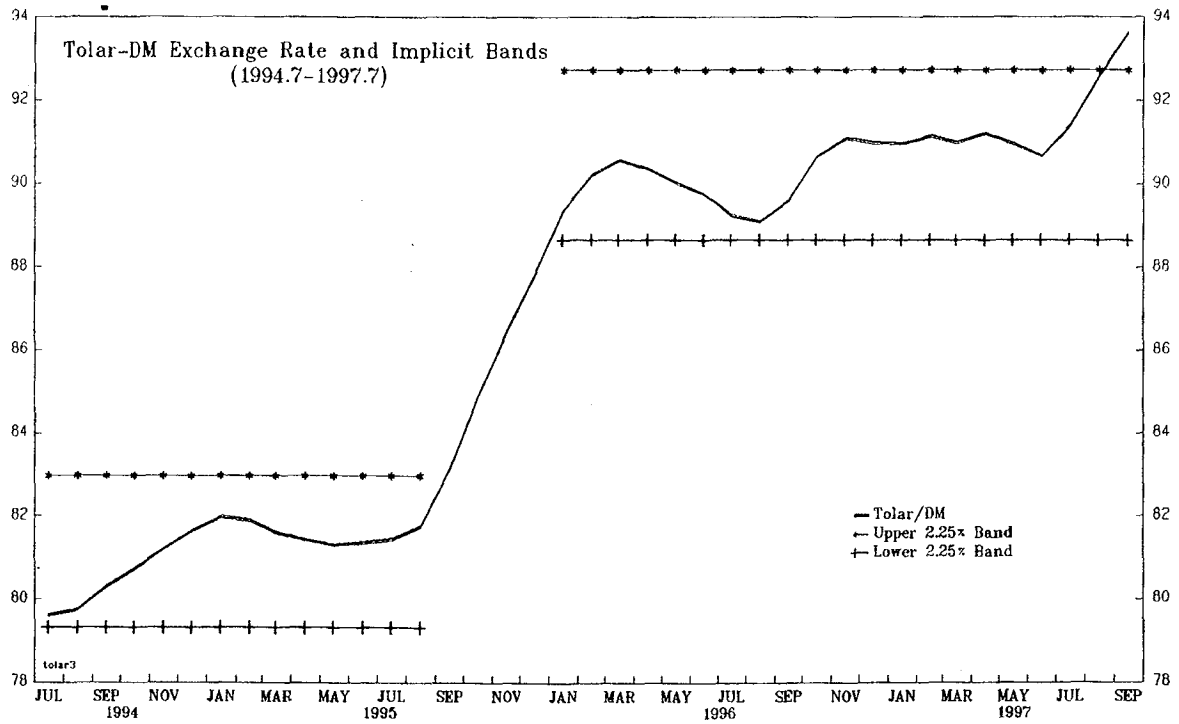


Sources: Bank of Slovenia; and Bloomberg.

1/ An increase is an appreciation.

2/ Premium(+)/discount(-) of the exchange rate in the foreign exchange bureau market with respect to the Bank of Slovenia rate in the interbank market.

FIGURE 6  
SLOVENIA  
Exchange Rate Targeting Through BOS Sterilization

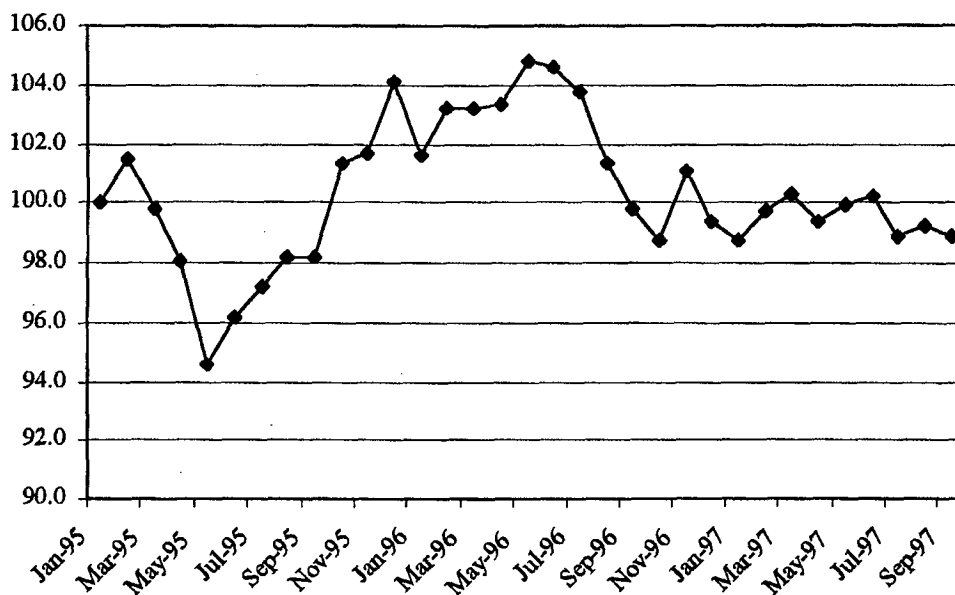


Sources: Bank of Slovenia Bulletin; and Information Notice System, IMF.

1/ Data does not include domestic assets and other government liabilities.



Box 3. Monetary Conditions Index



The Monetary Conditions Index (MCI) is defined as a weighted average of the percentage point change in the real short-term interest rate (interbank) and the percentage change in the real effective exchange rate (RPI based) from the base period (1/1995). The weights used reflect the estimated relative impacts of interest rates and exchange rates on aggregate demand. In the calculation of Slovenia's MCI, a 3 to 1 ratio was used, indicating that a 1 percentage point change in the real short-term interest rate has about the same effect on aggregate demand as a 3 percent change in the real effective exchange rate. The ratio chosen reflects the high degree of openness of the Slovenian economy. A decline in the index signifies an easing of monetary conditions.

62. With the nominal tolar/deutsche mark exchange rate safely tucked inside an unannounced narrow band and steady strengthening of the dollar occurring in European markets, the real effective exchange rate depreciated by some 3.7 percent from late 1995 through mid-1997. Base money and broad money growth continued on their downward trends, as real lending and deposit interest rates (and spreads) remained stubbornly high in the face of sharp declines in the real interbank rates. These high real rates continued to attract

capital inflows, which the BoS was forced to sterilize in keeping with its exchange rate and base money targets.<sup>20</sup>

63. By the second half of 1996 and into the early part of 1997, real credit growth to the private sector slowed, as viable enterprises were able to obtain cheaper foreign currency loans in external markets. In addition, credit activity was disrupted by the liquidation of Triglav Bank in June 1996. The BoS responded by introducing the “liquidity ladder” prudential regulation, which required the matching of banks’ short-term assets and liabilities. Meanwhile, inflation continued in the 8–10 percent range, owing to sporadic increases in controlled prices, high wage growth, and the pervasive use of indexation mechanisms.

64. Believing that there was a closer relationship between its final objective of price stability and broader monetary aggregates and hoping to increase the transparency of monetary policy, the BoS announced the implementation of a **new monetary framework** in May 1997, which employed M3 as an intermediate target. Under this program, M3 was projected to grow by 18 percent in 1997 with an error band of 8 percentage points.<sup>21</sup> The BoS has viewed this year as a year of learning, especially given the weaker relationship between its operating target of reserve money and the intermediate M3 target.

### C. Changes in Monetary Policy Instruments

65. As in the past, the monetary authorities adjusted their existing set of refinancing and other monetary instruments as conditions warranted to achieve multiple policy goals. While the primary objective of implementation of the reserve money program remained intact, secondary goals of stabilizing the exchange rate, providing liquidity support to banks under rehabilitation, and moderating the movement of interest rates continued to be pursued. To some degree, the BoS started to utilize interest rates to ration access to its financing facilities and determine the volume of its sales of bills. However, the BoS continued to establish conditional access to refinancing facilities by requiring BoS bills as collateral and created new facilities that attempted to influence the movement of the exchange rate.

66. Adjustments to **existing facilities and instruments** during 1995–97 included the creation of: (i) new liquidity loan facilities, (ii) a new thirty-day tolar bill, (iii) foreign exchange sales for BoS foreign exchange bills, (iv) the “triple offer,” and (v) the purchase of foreign

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<sup>20</sup>However, as new capital restrictions were imposed in an attempt to stem the inflow of volatile capital, the government took advantage of solid external credit ratings to float two Eurobond issues.

<sup>21</sup>The M3 projection was calculated with a targeted real GDP growth rate of 4.0 percent, 1996’s inflation rate of 8.8 percent, and an extrapolated downward trend in velocity.

exchange with a right-to-sell option.<sup>22</sup> Most refinancing activity and foreign exchange purchases in 1995 and 1996 were in support of banks under rehabilitation (Table 4). This support gradually tapered off as the rehabilitation process was completed in early 1997.

67. In 1996, the BoS increasingly relied on the use of repurchase agreements to fine tune base money as well as the new triple offer and purchase-with-the-right-to-sell instruments to affect liquidity conditions in the market. All three instruments were used to affect the exchange rate, either by requiring the purchase of a certain amount of foreign exchange from enterprises by participating banks or through the determination of the future rate at which the BoS would purchase set quantities of foreign exchange. As the capital inflow pressure persisted throughout this period, the use of BoS foreign currency bills grew sharply.<sup>23</sup> As Table 4 reveals, the average daily balance of these bills outstanding, which grew by 41 percent in 1996, surged by 78 percent in the first 3 quarters of 1997. In mid-1997, the BoS intervened heavily in the foreign exchange market with a slightly modified purchase-with-the-right-to-sell instrument to clear what it viewed as an excess of foreign exchange in the bank/bureau market.<sup>24</sup> In addition, this effectively eliminated the segmentation between the bank/enterprise and bank/bureau market as evidenced by the convergence of rates between the two markets, (Figure 5, bottom panel).

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<sup>22</sup>In December 1995, the BoS introduced "liquidity loans of last resort" for banks under severe liquidity constraints. The "special facility for banks with liquidity problems" was introduced in July 1996; this facility allowed banks that suffered declines in deposits or lacked BoS bills for refinancing to access BoS facilities with the help of participating commercial banks. "Foreign exchange sales for BoS foreign exchange bills" were introduced in September 1995 and allowed banks to buy foreign exchange from the BoS at slightly higher rates than present selling rates in exchange for 120-day BoS foreign exchange bills. The "triple offer" was introduced in April 1996; this instrument allowed banks to sell foreign exchange to the BoS, partly in spot and as a swap operation for four weeks, while the banks subscribed to 180-day BoS foreign exchange bills in the same amount as the original sale.

<sup>23</sup>These bills effectively reduce the amount of foreign exchange in the market without affecting reserve money of the central bank and can be used as collateral at the BoS' refinancing facilities as well as fulfill liquidity requirements. Given their deutsche mark denomination, interest costs to the central bank are lower and less upward pressure is placed on tolar interest rates.

<sup>24</sup>Banks were required to accept 80 percent of the transaction in tolar and 20 percent in 360-day BoS bills; the adjusted warrant also gave commercial banks the option to sell additional foreign exchange back to the BoS (90 percent of the originally auctioned amount) at or above the auction rate floor and allowed the free movement of funds between both the bank/enterprise and bank/bureau markets. The increased use of these options and the implementation of a floor rate contributed to the movement of the tolar outside of its implicit deutsche mark band after August 1997 (Figure 6, upper panel).

Table 4. Slovenia: Monetary Instruments 1/

	1995				1996				1997		
	I	II	III	IV	I	II	III	IV	I	II	III
Loans to Banks	16,892	11,795	13,296	30,195	16,860	15,503	18,723	11,200	2,211	5,419	4,481
Lombard loans	181	11	-	51	285	265	243	265	310	536	516
Short-term liquidity loans	2,189	780	3,205	21,176	8,892	10,077	15,420	10,279	1,574	4,811	3,947
Liquidity loans	14,522	11,004	10,091	8,968	7,683	5,161	3,060	656	328	73	18
Repurchase of bills	3,400	5,095	7,848	14,231	17,743	15,272	17,063	16,561	12,787	11,746	8,341
Repurchase of foreign exchange	821	-	-	-	-	2,225	2,315	-	-	-	903
Bank of Slovenia Bills	99,166	104,372	103,848	117,470	121,975	103,565	121,426	161,775	209,876	251,233	318,208
Tolar bills	11,034	10,404	5,015	1,626	514	218	1,495	2,421	9,367	14,722	25,621
Twin bills	1,626	1,204	3,250	5,333	3,856	105	434	429	738	67	4,124
Bills with warrants	9,082	7,525	4,315	3,278	5,356	6,388	6,338	7,706	14,058	17,010	19,657
Foreign currency bills	77,424	85,239	91,268	107,233	112,249	96,854	113,159	151,219	185,713	219,435	268,806
Government deposits	-	-	1,176	15,740	1,934	5,874	14,316	10,304	2,357	6,259	6,065
Reserve requirements	31,785	35,627	37,329	37,274	39,197	41,199	42,935	43,870	45,950	48,374	51,479
Foreign exchange minimum 2/	1,217	1,305	1,477	1,579	1,684	1,759	1,818	1,870	1,918	1,913	2,041
Purchase of foreign exchange 3/	16,268	3,209	2,547	963	4,486	15,730	13,587	23,522	16,627	25,584	39,234
From banks in rehabilitation	-	-	-	22,200	-	-	-	8,100	-	-	-
Triple offer (spot and swap)	-	-	-	-	-	-	-	26,600	-	-	3,050
Purchase with right to sale	-	-	-	-	-	-	-	22,900	-	-	76,553
Other purchases	-	-	-	-	-	-	-	100	-	-	-
Payments for the government	-	-	-	2,600	-	-	-	13,000	-	-	1,843
Sale of foreign exchange 3/	2,058	1,833	6,835	12,624	2,338	3,124	2,121	2,081	1,264	2,458	5,880
From right to sale	-	-	-	200	-	-	-	100	-	-	4,214
For purchase of foreign currency bills	-	-	-	10,800	-	-	-	400	-	-	184
From triple offer	-	-	-	-	-	-	-	13,500	-	-	746
Payments for the government	-	-	-	14,100	-	-	-	9,200	-	-	4,459
Memorandum item:											
Banking system foreign exchange reserves 4/	3,140	3,259	3,358	3,426	3,378	3,559	4,179	4,130	3,926	3,933	4,185

Source: Bank of Slovenia.

1/ Quarterly average daily balances.

2/ In million of ECU's.

3/ During the period for years 1995 and 1997; for 1996 figures reflect quarterly average daily balances. Numbers in italics are estimates for the total year for each instrument.

4/ In millions of U.S. dollars at end of period.

68. The BoS has not changed the reserve requirements on tolar deposits since April 1995, and there have been only slight revisions to the existing set of foreign exchange cover regulations, which include a monthly foreign exchange minimum and net daily foreign exchange position.<sup>25</sup> However, the authorities added a new foreign exchange regulation in July 1996, requiring banks to balance any additional liability to nonresidents beyond their position on July 31, 1996 with a corresponding increase in their claims against nonresidents. Also, the BoS introduced an obligatory non-interest-bearing tolar deposit requirement on drawdowns under nontrade related loans obtained abroad.<sup>26</sup> By reducing liquidity on the foreign exchange market, these two new measures were seen as effective capital controls and prudential regulations.

#### **D. Inflation Persistence and Monetary and Exchange Rate Policy**

69. The sharp drop in inflation rates that occurred as stabilization took hold came to an end during 1995–97 as inflation remained in the range of 7–11 percent. During 1992–94, monthly inflation fell each year, averaging some 2.9 percent over the entire period. In 1995 and 1996 these rates stayed at approximately 0.7 percent—rising to 0.8 percent through the first three quarters of 1997. While much of the movement in prices over the last 2½ years can be traced to excessive wage growth (plus 20 percent in real terms), the 15 percent nominal effective depreciation of the tolar, and increases in controlled prices for petroleum products and electricity, other factors were at work as well.

70. Inflation inertia is a common experience in transition economies.<sup>27</sup> The source of this inertia has been linked to traditional causes, such as excessive money and wage growth, but also to an underlying pressure for the **real exchange rate** to appreciate in the context of nominal stability, and to relative price adjustments coupled with downward price rigidities. This tendency toward real appreciation in transition economies has been tied to an initial undervaluation as well as to differential productivity growth between tradable and nontradable

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<sup>25</sup>These adjustments in reserve requirements and foreign exchange cover regulations were reviewed in SM/96/120. In 1995, banks complied with the foreign exchange minimum without any adjustment period except for an interval in the fall of 1995 when the volume of reserves necessitated a lengthening of the adjustment period. Banks were also allowed to hold a foreign exchange position 5 percent below the minimum required subject to an interest penalty. In June 1996, banks were obliged to hold at least 30 percent of the foreign exchange minimum in BoS foreign exchange bills by end-1996. This requirement was increased to 60 percent in mid-1997.

<sup>26</sup>Starting in February 1995, a 40 percent deposit requirement was applied to nontrade related foreign exchange loans with a maturity of less than five years. In July 1996, the maturity on the 40 percent deposit requirement was lengthened to seven years and in December 1996 a 10 percent deposit requirement was introduced for loans with maturities of more than seven years.

<sup>27</sup>See Coorey, S., M. Mecagni, and E. Offerdal, "Disinflation in Transition Economies: The Role of Relative Price Adjustment," IMF WP/96/138, December 1996.

sectors (the Balassa effect). In Slovenia, this natural tendency for real appreciation was suppressed through exchange market intervention, which built up inflationary pressures in the economy. In this regard, Bole<sup>28</sup> linked the rapid growth in nontradable prices to increases in controlled prices and to a “demonstration effect” that caused higher (productivity-induced) wages in the manufacturing sector to filter into service sector wages. Indeed, nontradable prices have risen by 33 percent over the last 2½ years, some 12 percentage points faster than tradable prices. Pervasive indexation mechanisms and aggressive wage-setting behavior also played a role in keeping inflation high. The degree of indexation was such that movements in the price indices quickly affected wages, pensions and monetary aggregates, which in turn fed back into inflation.

#### Box 4. Financial Deepening

Table 5 provides some basic indicators of financial deepening, including movements in velocity, various ratios of money stocks to GDP, and commercial bank interest rate spreads. While the slowdown in velocity and the growth in money to GDP ratios indicate some growth in money demand, these movements have been erratic. Also, during the last two years the growth of money demand has moderated, at least as evidenced by changes in velocity. Another indicator of financial deepening is the movement in the money multiplier, which shows the extent to which money instruments have replaced cash, and its relationship to inflation and commercial bank interest rates. Table 6 shows some basic regression results for measures of the money multiplier regressed against inflation and real commercial bank loan and deposit rates. Theory would suggest that deep financial systems with large money multipliers are correlated with low inflation, low real lending interest rates, and high real deposit rates. The regression results indicate that multipliers in Slovenia did move as expected with regard to interest rate spreads; however, higher inflation was associated with higher money multipliers. To some extent, the unexpected positive sign on inflation may be due to the TOM inflation indexation clause, which could provide a positive correlation between money and inflation. However, given the short time span and inherent time series difficulties of the data, these indicative results should be viewed carefully.

71. With growth in monetary aggregates fluctuating around a declining trend and velocity falling as the demand for money balances increased, it is not easy to ascertain the extent to which monetary influences are responsible for the stickiness of inflation. This is especially

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<sup>28</sup>See Bole, V., “Stabilization in Slovenia: From High Inflation to Excessive Inflow of Foreign Capital,” in *Macroeconomic Stabilization in Transition Economies*, edited by Mario Blejer and Marko Škreb, pp. 212–233, (Cambridge University Press, London, U.K.), 1997a.

Table 5. Slovenia: Indicators of Financial Deepening

	1992	1993	1994	1995	1996
<b>Monetary aggregates (in percent of GDP)</b>					
M1/ GDP	7.7	7.9	8.9	9.1	9.2
M2 / GDP	18.0	20.9	26.0	27.2	29.7
M3/ GDP	30.6	35.6	39.2	41.8	44.9
<b>Changes in velocity (in percent)</b>					
M1 based	...	-1.6	-11.1	-2.2	-1.8
M2 based	...	-13.8	-19.5	-4.5	-8.3
M3 based	...	-13.9	-9.3	-6.3	-6.9
<b>Money multipliers (end of period)</b>					
M1	2.2	2.3	2.1	2.0	2.0
M2	5.1	6.0	6.1	6.1	6.5
M3	8.6	10.2	9.2	9.4	9.9
<b>Real commercial bank interest rates</b>					
Deposit rates	6.0	7.6	7.6	6.5	4.8
Lending rates	23.7	20.4	16.9	13.9	11.7

Source: Bank of Slovenia and staff estimates.

Table 6. Slovenia: Financial Deepening Regressions 1/

Dependent Variable	Observations	Constant	Inflation	Real Interest Rates on Bank		Adj. R2
				Loans	Deposits	
Log M2 multiplier	67	2.07 (47.7)	0.49 (2.08)	0.24 (1.99)	-0.25 (-4.96)	0.48
Log M3 multiplier	67	2.36 (52.7)	0.50 (2.03)	0.19 (1.52)	-0.12 (2.57)	0.38

Source: Staff estimates.

1/ OLS regressions using monthly data, 1992.1 to 1997.8; t-statistics are in parentheses.

true, given the high degree of foreign currency substitution and high speed with which indexation causes changes in prices to affect monetary aggregates. However, as shown by Ross (1997)<sup>1</sup> in his unrestricted vector autoregression study of Slovenian inflation, broader monetary aggregates were important determinants of inflation. Variance decompositions revealed that a majority of forecast error variance in inflation could be attributed to monetary innovations. Moreover, an examination of the impulse response functions showed that a one standard deviation shock to monetary aggregates affected inflation within two months. The study also found that changes in the exchange rate were an important determinant of inflation, reflecting a robust pass-through effect.

### E. Capital Inflows and Sterilization

5. By 1995 the current account surpluses that had provided difficulties for monetary policy implementation in the early post-independence period had disappeared, as sluggish growth in Europe and real exchange rate appreciation pushed the current account into a small deficit. **Foreign direct investment** remained steady at approximately 1 percent of GDP, and borrowing by banks, enterprises, and households of some 3.2 percent of GDP provided a stream of capital inflows. The overall increase in official reserves was only 1.3 percent of GDP (US\$235 million), as the uncovered interest rate differential turned negative late in the year owing to substantial cuts in the BoS refinancing rates and to the imposition of non-interest bearing deposit requirements on short- and medium-term external borrowing. With reduced pressure on the exchange rate, sterilization diminished, as seen by the slower growth of BoS bills and the slowdown in net foreign asset growth in broad money.

6. In 1996, a US\$325 million Eurobond flotation in August pushed **portfolio flows** sharply upward.<sup>2</sup> In addition, with progressive privatization, Slovenian equity shares became attractive to foreign investors; nonresidents purchased US\$79 million of securities in 1996, of which US\$68 million occurred in the last four months. As the uncovered interest rate differential turned positive again, encouraging further foreign borrowing by domestic enterprises and residents, the BoS tightened capital controls by strengthening the non-interest bearing deposit requirement on external borrowing and by introducing the balancing requirement on banks' new foreign liabilities incurred after end-July 1996. Still, the BoS policy of resisting exchange rate appreciation through sterilized intervention by issuing foreign currency bills and purchasing foreign exchange with right-to-sell warrants increased official reserves by some US\$587 million. The pressure on the exchange rate—as well as the use of sterilization instruments—was especially heavy in the fourth quarter, as foreign direct investment increased by over US\$75 million and nonbank borrowing rose by US\$144 million. Use of foreign exchange bills grew by one third in the fourth quarter alone and the purchase of foreign exchange rose substantially.

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<sup>1</sup>Ross, K., "Post Stabilization Inflation Dynamics in Slovenia," SM/97/292, Section II.

<sup>2</sup>There is some intermixing in the reporting of foreign direct investment (FDI) and portfolio flows (see paragraph 92).



74. In an attempt to reduce capital inflows, the BoS required in February 1997 that nonresident portfolio transactions be channeled through custodial accounts with fully licensed domestic banks. With these accounts subjected to the balancing requirement for increases in liabilities to nonresidents, this restriction effectively raised the price of nonresident portfolio investments to the cost of a tolar loan.<sup>31</sup> However, during the first seven months of 1997, the sharp increase in foreign direct investment and nonbank borrowing continued, rising by US\$206 and US\$197 million, respectively, as the uncovered interest rate differential remained positive for most of the year and political uncertainties receded with the formation of a new coalition government.<sup>32</sup> While continued sterilized intervention allowed the exchange rate to remain inside of its unannounced narrow band, the stock of BoS bills soared by about 75 percent in the first seven months of the year. By late September, large sales of foreign exchange by holders of right-to-sell warrants, originally issued by the BoS to defend the tolar, caused the tolar-deutsche mark rate to depreciate.

#### F. Interest Rates and Indexation

75. The level of deposit and lending interest rates of commercial banks has remained high in real terms. These high real interest rates have fallen by a small margin despite substantial reductions in interest rates in the interbank market—highlighting the weakness of the **monetary transmission mechanism**. One of the main factors behind the high rates of return on tolar instruments has been the continued indexation of virtually all commercial bank financial contracts, which has tended to focus attention on the real component. Generally, commercial bank tolar instruments have been indexed to either of two revaluation clauses, based upon past inflation (TOM clause) or changes in the exchange rate (D clause).<sup>33</sup>

76. Since 1995 there have been two important changes in the application and calculation of these **indexation clauses**. First, in April 1995 the BoS de-indexed all instruments with less than one-month maturity, and began to offer such contracts in nominal terms. This policy was applied to commercial bank demand deposits in September of that year, providing an important signal that lower levels of inflation should allow nominal financial contracting at longer maturities. Second, the period employed in the calculation of the inflation revaluation clause, used to index bank time deposits in tolar, has been gradually extended backward so that by May 1997 an average of the preceding 12 months' inflation was utilized, essentially smoothing out the month-to-month volatility in nominal rates and steadying the public's

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<sup>31</sup>In June 1997, this capital restriction was relaxed by exempting from the balancing requirement portfolio investment in shares acquired by nonresidents who undertake in the subsequent seven years not to sell or assign these securities to third parties, except for other nonresidents who make the same seven-year commitment.

<sup>32</sup>The government also issued an additional Eurobond in June for DM 400 million (approximately US\$230 million).

<sup>33</sup>TOM stands for "Temeljna Obrestna Mera", which means the "base rate of interest." The TOM is also known as the R clause. The D clause is related to movements in the tolar/deutsche mark exchange rate.

inflation expectations.<sup>34</sup> However, depositors have remained mostly in short-term instruments, quickly moving into foreign currency assets at the hint of financial instability.

77. An additional factor behind high domestic interest rates may be found in the **uncompetitive banking environment**, in which direct competition between banks for deposits has been limited by an officially sanctioned cartel agreement that has placed a cap on deposit rates. This agreement has been in effect since June 1995 and is modified yearly. The most recent amendment to the agreement in April 1997 reduced the underlying real component, to which the TOM and D clauses are added, and staggered the rate for various maturities of time deposits.<sup>35</sup> While the net effect of the cartel agreement has been a gradual reduction in commercial bank interest rates, the agreement and indexation mechanisms have weakened the linkage between liquidity conditions in the interbank market and financial conditions faced by nonbanks. For example, real interbank rates fell by 9 percentage points from mid-1996 to mid-1997, but real lending and deposit rates of banks in dealings with their customers declined by only 1 percentage point. In addition, the interest rate agreement and the enactment of various prudential regulations that have promoted very high capitalization ratios, have slowed the reduction in spreads, which have remained in the 6–8 percent range since the beginning of 1995.<sup>36</sup>

## V. EXTERNAL SECTOR

### A. Overview

78. Slovenia's external sector has developed favorably during the transition period, with a **current account surplus** recorded in all years but 1995. The small deficit in 1995 reverted to a surplus in 1996 and the most recent developments suggest a balanced current account in 1997 (Figure 7). The current account surpluses and direct foreign investment reduced the need for foreign borrowing. Nonetheless, external debt increased as high domestic interest rates encouraged external borrowing and as the government assumed its share of the SFRY's foreign debt. These events are reflected in an international investment position which was negative by some US\$1.0 billion, or less than 6 percent of GDP, at the end of 1996 (see Appendix Table 54). Relatively high public saving—the general government budget has been kept broadly balanced—and a smaller real exchange rate appreciation than in other transition economies are the major reasons for the low debt ratio.

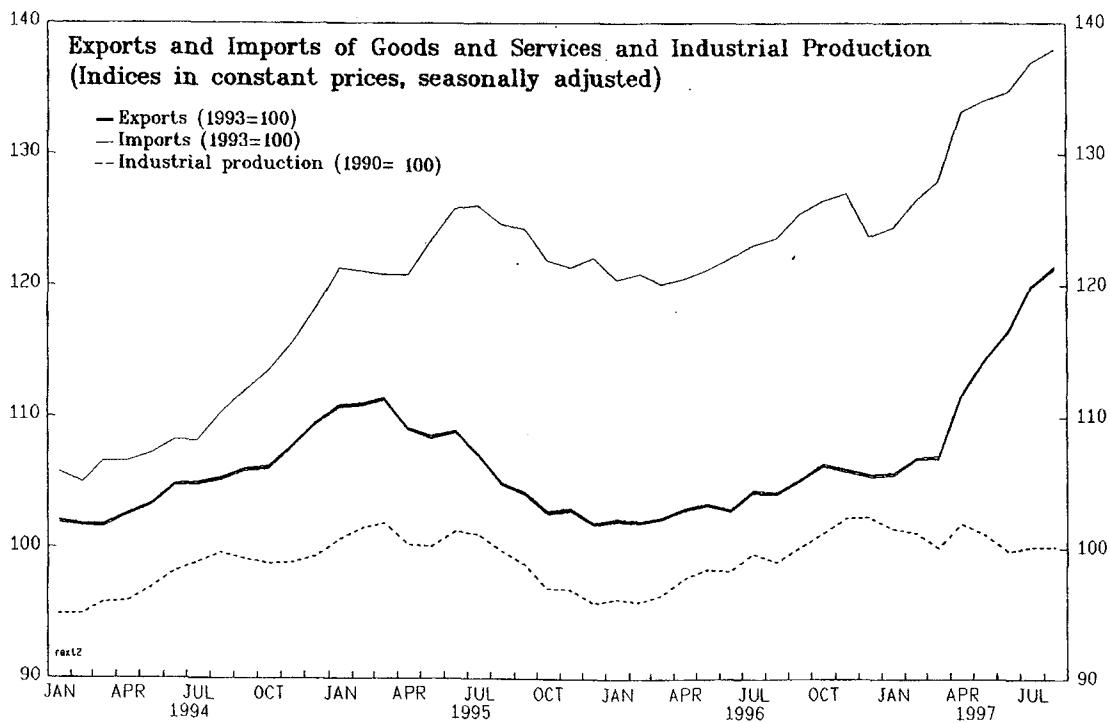
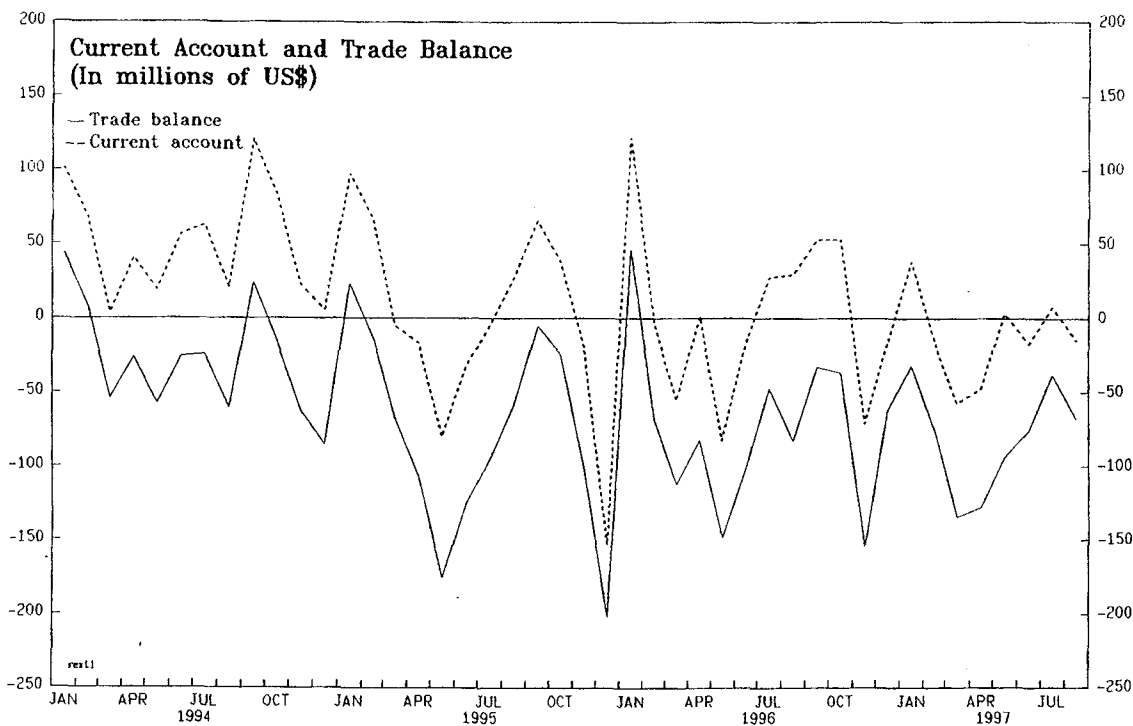
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<sup>34</sup>The number of previous months used in the calculation of the TOM clause was adjusted from one to three months in June 1995, to four months in February 1996, and to six months in December 1996, before the final change in 1997.

<sup>35</sup>The new agreement also eliminated the distinction between enterprise and household accounts.

<sup>36</sup>The spread between deposit and lending rates during 1995 to mid-1997 as reported in the *IFS* was 5.5–6.0 percent for the Czech Republic, 5.7–6.5 percent for Hungary, 6.4–6.7 percent for Poland, and 6.6–7.4 percent for the Slovak Republic.

FIGURE 7  
SLOVENIA  
Current Account, Trade, and Industrial Production



Source: Bank of Slovenia.

79. High domestic interest rates have attracted international capital throughout the 1990s and restrictions on capital movements have been imposed to prevent the appreciation of the exchange rate. Nevertheless, there has been sizable capital inflow pressure, which to a large extent has been met with interventions by the BoS. As a result the gross official foreign exchange reserves rose to some 17 percent of GDP (almost four months of import coverage) by the end of September 1997.

## B. Current Account

80. The current account moved from a large surplus in 1994 into a small deficit in 1995, as the real appreciation that had taken place since late 1993 and the onset of recession in Europe took their toll on exports while imports were fueled by the rapid growth in private consumption. The surpluses in the services and income accounts—although increasing—were no longer sufficient to offset the growing trade deficit in 1995. Despite continued weak foreign demand, the trade balance, which had deteriorated every year since independence, improved for the first time in 1996, thanks to lower growth in domestic demand and real depreciation. With broadly unchanged balances in the services and income accounts, these developments were sufficient to bring the current account back into a small surplus.

### Trade balance

81. The 1 percent growth in export volume in 1995 implied a considerable loss of export market shares as Slovenia's trading partners' import volume increased by more than 8 percent. Export market shares have fallen every year since independence, a development that was fostered by a modest erosion of competitiveness.<sup>37</sup> A real effective depreciation (with unit labor costs in manufacturing used as deflator) of 3.3 percent from 1995 to 1996 could not reverse the market share loss, but it helped to raise export volume growth to 2.5 percent in spite of weaker foreign demand.<sup>38</sup> Exports accelerated further in 1997: their volume was 10.7 percent higher in the first nine months of 1997 compared with the same period in 1996, reflecting mainly stronger growth abroad and the delayed effects of the 1996 depreciation. Very modest export price increases also suggest that exporters exercised restraint in an effort to regain lost market shares.

82. The strong growth in exports in 1997 contrasts with a very modest increase in manufacturing production (Figure 7). Manufacturing production, which constitutes the bulk of exports, increased by only 1.3 percent in the first nine months of 1997 compared with the same period in 1996. An explanation for this inconsistency would be weakened coverage of

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<sup>37</sup>See the chapter *Slovenia: Measures and Assessment of External Competitiveness*, in the accompanying selected issues paper for further details on the developments in competitiveness since independence.

<sup>38</sup>This improvement in competitiveness was entirely accounted for by the reduction in the employers' social security contribution rate from 19.9 percent to 15.9 percent.

the industrial production index; it covers only enterprises with three or more employees and might thus miss the strong growth in the non-incorporated sector. However, other factors might explain some of the discrepancy, notably destocking and re-exports of imported goods to the successor countries of the former SFRY.

83. Regarding the direction and composition of merchandise exports, there were only small changes in 1995 and 1996 compared with the years immediately following independence, when the war in the former SFRY necessitated a redirection of trade flows (see Appendix Table 46). The share of exports to the EU increased to 67 percent in 1995 from 65.6 percent in 1994, an increase that was counterbalanced by a further decline in exports to the former SFRY. These changes were reversed in 1996 with the cyclical weakening in the EU while exports to the SFRY gathered pace with an easing of tensions in the region.<sup>39</sup> Exports of machinery and transport equipment have remained the largest components of exports, with their share in the total being close to 35 percent in 1997. Exports of agricultural products have continued to slide, and there have been only small changes for other goods.

84. **Import volume** increased significantly faster than aggregate demand in the first years of independence, implying a demand elasticity for imports of more than 1.5 in 1993–95. When the boom in purchases of consumer durables cooled off in 1996, however, import growth slowed to the same pace as aggregate demand. The stronger export growth in 1997 also lifted import growth, since almost 60 percent of imports are intermediate goods.

85. In line with the strong growth in consumption of consumer durables, the import of machinery and transport equipment increased its share in total imports from 26.4 percent in 1992 to 33 percent in 1995, before stabilizing in 1996. Regarding the geographical origin of imports, there were only small changes, with the EU remaining the dominant supplier (about 67 percent of the total).

#### **Services, income, and transfers**

86. **Tourism**, which accounts for close to 60 percent of total services exports, has been the most dynamic part of services exports, as evidenced by an increase of some 62 percent in overnight stays of visitors from outside the former SFRY between 1992 and 1996.<sup>40</sup> However, the number of tourists declined temporarily in 1995 in connection with the deterioration in competitiveness. In addition to overnight stays, the so-called shuttle trade (one-day tourists to Slovenia from neighboring countries attracted by lower prices, mainly on gasoline, cigarettes

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<sup>39</sup>Germany is the single most important export market with a share of Slovenian exports of about 30 percent. That is almost double the share of the second largest trading partner, Italy.

<sup>40</sup>More than 50 percent of those stays concern visits to Slovenian health resorts.

and gambling casinos) has gained in importance.<sup>41</sup> To reduce this trade leakage, Austria introduced restrictions on cigarette imports by Austrian tourists abroad, while Italy allowed gas stations in the region close to Slovenia to lower their prices. Italy is considering further measures aimed at reducing tourism attracted by the Slovenian casinos.

87. Tourism is also the main item on the debit side of the services account and the one with the most rapid increase. Visits to Croatia, which had nearly ceased following the conflict in the early 1990s, increased by 35 percent in 1996. Still, they were only half of their level in 1990.

88. Positive income from labor has more than offset negative net investment income resulting from the net external debt, and the overall income balance has been in surplus since 1994. The surplus reached US\$210 million in 1995 before falling to US\$155 billion in 1996. Net transfers from abroad have shown a surplus since independence; since 1994 the surplus has been about half the size of the income surplus.

### C. Capital Account<sup>42</sup>

89. With a successful record of stabilization and liberalization, and basic—albeit as yet incomplete—structural reforms, Slovenia has provided ample incentives for investors to supply substantial amounts of foreign capital for investment purposes. Given advantageous initial conditions, the historical outward orientation of the Slovenian economy, and the speed with which exporters reoriented the direction of their trade after the dissolution of the former SFRY, capital inflow pressures built up quite rapidly after independence in late 1991. From 1995 onward, this trend became particularly strong as the previously recorded large current account surpluses vanished and normalization of relations with external creditors enhanced credit ratings to the highest level among transition economies,<sup>43</sup> providing an avenue for private external finance.<sup>44</sup> A constant factor during this period has been high interest rate

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<sup>41</sup>The value of goods sold to foreigners through this trade was estimated at US\$160 million.

<sup>42</sup>The term “capital account” in the text refers to “financial and capital accounts” of the Fifth Edition of the Balance of Payments Manual. The size of capital account flows, defined in accordance with the Manual, was relatively minor.

<sup>43</sup>Slovenia is the highest-rated Central and East European country, rated A3 by Moody’s and single A by Standard and Poor’s (see *Euromoney*, October 1997).

<sup>44</sup>Bole (“*Financial Flows in a Small Open Economy: The Case of Slovenia*,” *Conference on Financial Flows to Transitional Economies, Laxenburg, Austria, May 9–10, 1997*), in his description of balance of payments trends in 1991–1994, states that the current account surpluses evident during this early period stemmed from “distressed exporters” liquidating their stocks and equipment, thereby causing a capital outflow; the capital account, excluding

(continued...)

differentials that have continued to place pressure on the capital account as international capital flows, in search of high risk-adjusted rates of return, have been attracted to Slovenia. Over the last few years these capital inflow pressures have grown to such a degree that increasingly the authorities have resorted to capital controls, prudential regulations, and sterilized intervention to protect the macroeconomy and the financial system. These restrictions were aimed at reducing the vulnerability of Slovenia to quick reversals in short-term portfolio flows and avoiding dependence on short-term financing.

90. As shown in Table 7, in 1996 net capital flows increased to some 3.0 percent of GDP from -0.1 percent of GDP in 1992. Moreover, in the first seven months of 1997, these inflows surged to US\$1,113 million or 6.0 percent of estimated annual GDP. While to a considerable extent these inflows can be attributed to an increase in foreign direct investment (FDI) and to the placement of government bonds in the Eurobond market, continued high domestic interest rates have induced many creditworthy enterprises and domestic banks to borrow in external markets. Restricted by BoS regulations which reduce the attractiveness of short-term loans, the majority of these borrowings have been conducted at longer maturities.<sup>45</sup>

91. **FDI net flows** have shown steady improvement, growing from US\$113 million in 1992 to US\$180 million in 1996. In the first seven months of 1997, FDI flows already exceeded US\$205 million or some 1.1 percent of GDP. On a cumulative basis from 1992 to mid-1997, FDI flows amounted to over US\$910 million or some US\$455 per capita—well above the average for most transition economies, but still low in relation to GDP. Despite the small domestic market, these flows have been linked to Slovenia's political stability, comparatively advanced stage of development, and good prospects for EU membership. However, without the slow implementation of the privatization process, which relied on vouchers or employee-management buyouts with little foreign participation, FDI performance could have been significantly better.

92. **Portfolio investment flows**<sup>46</sup> since 1995 have been dominated by the settlement of the New Financing Arrangement (NFA) restructuring agreement in June 1996 and by the

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<sup>44</sup>(...continued)

net errors and omissions, first turned slightly positive in 1995. During the initial stages of stabilization, the capital account was affected by the repatriation of foreign currency by the household sector for the purchase of residences. Since this early period, foreign exchange movements by the household sector have not been as important to the overall capital account.

<sup>45</sup>In February 1995, the BoS imposed an interest-free 40 percent deposit requirement for foreign financial loans with a maturity of up to 5 years. This requirement was extended to loans up to 7 years in July 1996.

<sup>46</sup>Until February 1997, all purchases of shares on the secondary market were included in direct investment, making a clear distinction between FDI and portfolio flows impossible. Since then, only purchases involving at least 10 percent ownership have been counted as FDI.

Table 7. Financial Account Components

	1992	1993	1994	1995	1996	1997 Jan.-July
(In millions of US dollars)						
Financial account, (incl. e/o)	-294	-85	47	276	553	1,055
Financial account	-13	-95	-90	424	557	1,113
Direct investment 1/	113	111	131	170	180	206
Portfolio investment 1/ 2/	-9	3	-33	-14	638	226
Other investment	-117	-209	-189	267	-261	681
Assets	-157	-314	-354	-349	-402	501
Of which: Currency and deposits	-139	-384	-231	-182	-388	559
Of which: Banks	-149	-451	-324	-195	-341	535
Of which: Other sectors	9	67	92	13	-47	24
Of which: Other assets 3/	6	-35	-110	-152	161	-15
Liabilities	41	104	165	615	141	180
Of which: Loans	33	161	333	572	-12	153
Of which: Banks 4/	-9	2	100	208	-178	-30
Of which: Other sectors 5/	59	95	157	237	241	197
Of which: Other liabilities	21	-44	-157	47	140	24
(In percent of GDP)						
Financial account, (incl. e/o)	-2.3	-0.7	0.3	1.5	3.0	5.7
Financial account	-0.1	-0.7	-0.6	2.3	3.0	6.0
Direct investment 1/	0.9	0.9	0.9	0.9	1.0	1.1
Portfolio investment 1/ 2/	-0.1	0.0	-0.2	-0.1	3.4	1.2
Other investment	-0.9	-1.7	-1.3	1.4	-1.4	3.7
Assets	-1.3	-2.5	-2.5	-1.9	-2.2	2.7
Of which: Currency and deposits	-1.1	-3.0	-1.6	-1.0	-2.1	3.0
Of which: Banks	-1.2	-3.6	-2.3	-1.0	-1.8	2.9
Of which: Other sectors	0.1	0.5	0.6	0.1	-0.3	0.1
Of which: Other assets 3/	0.0	-0.3	-0.8	-0.8	0.9	-0.1
Liabilities	0.3	0.8	1.1	3.3	0.8	1.0
Of which: Loans	0.3	1.3	2.3	3.1	-0.1	0.8
Of which: Banks 4/	-0.1	0.0	0.7	1.1	-1.0	-0.2
Of which: Other sectors 5/	0.5	0.7	1.1	1.3	1.3	1.1
Of which: Other liabilities	0.2	-0.3	-1.1	0.3	0.8	0.1

Source: Bank of Slovenia and staff estimates.

1/ Foreign direct investment and portfolio flows are mixed.

2/ In June 1996 government bonds were issued in exchange for part of the NFA debt in the amount of US\$465.4 million. Banks' liabilities were decreased by the same amount. The data for 1996 includes Eurobond issue of US\$325 million in July and about US\$150 million in funds transferred in June 1996 from a fiduciary account in Luxemburg. In addition, 1997 includes a June Eurobond issue of approximately US\$200 million.

3/ Data in 1996 reflects release of fiduciary account funds related to NFA agreement.

4/ Data in 1996 is substantially affected by the US\$465 million reduction in banks' liabilities.

5/ Includes enterprise and household sectors.



floatation of two Eurobonds in 1996 and 1997. In addition, the listing of one large company on the Ljubljana Stock Exchange in late 1996 revitalized interest in the domestic equity market, especially from foreign investors. However, new capital controls and prudential regulations implemented by the BoS restrained both recorded portfolio flows and other inward flows. After Slovenia agreed in June 1995 that its share of the NFA debt would be 18 percent and formal agreement on the NFA restructuring agreement was reached in mid-1996, some US\$465 million in government bonds (denominated in both U.S. dollars and deutsche marks) were issued for the portion of the NFA debt assumed by Slovenia.<sup>47</sup>

93. The main reasons for the issuance of Eurobonds were an absence of a sovereign risk benchmark in foreign currencies at any maturity, attractive interest rate differentials, and the small size of the domestic market. Therefore, the government issued its first Eurobond, denominated in U.S. dollars, in August 1996 for US\$325 million. The second floatation, denominated in deutsche marks, occurred in June 1997 for approximately US\$230 million (DM 400 million). Both issues were well received by the investing public, as evidenced by the strong oversubscription and the narrow spread over government bonds with equivalent maturities in the U.S. and Germany. Coupled with the NFA bond issue, portfolio flows in 1996 ballooned to US\$638 million or some 3.4 percent of GDP. However, portfolio inflows in first half of 1997, which amounted to US\$226 million, were curbed by the imposition of a requirement that nonresident portfolio transactions be channeled through custodial accounts with fully licensed domestic banks (see paragraph 74).

94. From a virtually nonexistent base in 1992, capital inflows in the form of bank loans have grown rapidly. Even after abstracting from an accounting adjustment on bank liabilities stemming from the NFA restructuring, new bank loans rose to US\$251 million in 1996, from US\$208 million in 1995. However, the growth in these liabilities in the second half of 1996 and through the first part of 1997 has been subdued by the imposition of the balancing requirement which froze banks' net foreign positions as of July 31, 1996. Still, creditworthy enterprises have continued to tap the external loan market as seen by the steady flow of "other sector" loans of some US\$240 million a year in 1995-96. These enterprise loans reached US\$197 million in the first part of 1997. Finally, the capital account has been strongly affected by the sale of foreign exchange by commercial banks to the BoS. As a result, foreign currency assets of banks declined by US\$535 million in the first seven months of 1997, reversing a long buildup of banks' foreign currency reserves. This is due in large part to the direct intervention by the BoS in the foreign exchange market, both outright and as a result of issuing foreign exchange put options.

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<sup>47</sup>An offsetting entry was made to the liabilities of commercial banks in the "Other investment" accounts. Also, approximately US\$150 million paid into a fiduciary account by the government since 1994 for the unallocated portion of the NFA debt was released. These amounts are reflected in an increase in other assets in 1996.

#### D. External Debt

95. Unsurprisingly for a newly independent country, Slovenia's external indebtedness is moderate.<sup>48</sup> Early current account surpluses and direct foreign investment inflows made recourse to foreign borrowing unnecessary. Nonetheless, highly positive uncovered interest rate differentials and government borrowing in the Euromarkets have led to a more rapid buildup of external debt since 1995. This buildup has been compounded as Slovenia normalized relations with the external creditors of the SFRY by reaching agreements on its share of the SFRY's debt to bilateral official and commercial bank creditors.<sup>49</sup> As a result, external debt, which had remained around 15 percent of GDP before 1995, rose from 15.8 percent of GDP in 1995 to 21.3 percent of GDP in 1996 (Statistical Appendix Table 55). The total debt outstanding at the end of 1996 amounted to just over US\$4 billion and was owed in about equal parts by the public and private sectors. Less than US\$50 million (1.2 percent of total debt) was short term. About 80 percent of total debt was owed to private creditors, more than half of it without Slovenian government guarantee. The remaining 20 percent was owed to multilateral (13.5 percent of total) and official bilateral creditors (5.7 percent of total). Reflecting the buildup of debt and the fact that all the assumed debt remained on its previously agreed amortization schedules, the debt service ratio has increased from 5 percent of exports of goods and nonfactor services in 1993-94 to 7 percent in 1995 and 9 percent in 1996 (Statistical Appendix Table 56). As amortization of assumed debt continues at a rapid clip—Slovenia did not renegotiate the terms of its SFRY debt—and only small amounts of former SFRY debt remain to be regularized, debt and debt service are not expected to increase substantially in 1997 and beyond.

##### Official bilateral creditors

96. Slovenia negotiated guidelines for the allocation of **Paris Club debt** in 1993, assuming responsibility for all of the debt of identified final beneficiaries located in Slovenia and 16.39 percent of the unallocated debt based on the IMF quota formula.<sup>50</sup> Since then, bilateral negotiations have been concluded with most creditor countries (Austria, Belgium, France, Germany, Netherlands, Sweden, and the United States). Much of the delay in finalizing the bilateral agreements resulted from the Slovenian parliament's insistence on a full accounting of all Paris Club-type debt of the SFRY before ratifying individual agreements.

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<sup>48</sup>As of August 1997, total foreign exchange reserves (US\$4.2 billion) slightly exceeded total external debt (US\$4.1 billion).

<sup>49</sup>Allocation of external debt obligations to commercial creditors through assumption of an agreed share of SFRY's obligations took place under three different bilateral agreements, including the NFA, the Trade and Deposit Facility Agreement (TDF), and the Alternative Participation Instruments Exchange Agreement (API).

<sup>50</sup>In its Constitution, Slovenia accepted responsibility for all debt of the SFRY for which it was the final beneficiary and an unspecified portion of the unallocated debt.

Seven agreements have been finalized (Belgium, Canada, France, Germany, Sweden, United States, and Spain),<sup>51</sup> including ratification by the Slovenian parliament, as of October 1997. Data reconciliation was still in progress with Italy and Norway; bilateral agreements with Japan and Kuwait were completed but still needed parliamentary ratification. In the cases of Denmark, Switzerland, and the United Kingdom, there were debts that involved final beneficiaries located outside Slovenia. Slovenia proposed a solution whereby the Slovenian (bank) guarantor would “assist” in servicing such debt to the three countries concerned.

### **Commercial bank creditors**

97. In June 1995, after protracted negotiations with the International Coordinating Committee (ICC), it was agreed that Slovenia’s share of the NFA debt would be 18 percent and that the “connected persons” would be excluded from the agreement.<sup>52</sup> Two conditions had to be met to implement the agreement: (i) creditors holding at least two thirds of the outstanding NFA debt had to agree in principle and consent to the release of the obligors from the NFA’s joint and several clause, and (ii) the agreement had to be ratified by the Slovenian parliament. The parliament ratified the agreement in early 1996 and Slovenia was able to obtain the agreement of creditors holding more than two-thirds of the outstanding NFA debt. On June 11, 1996 the NFA restructuring agreement became effective.

98. After final agreement was reached in June, Slovenia issued Series 1 bonds to cover the unmatured debt obligations it had accepted from the NFA agreement and Series 2 bonds to cover obligations for past due amounts of principal and interest.<sup>53</sup> The Series 2 bonds carried more onerous conditions, and Slovenia had the option to buy back at face value the Series 2 bonds at three call dates, the first of them on December 11, 1996. With the issuance of the bonds, the amount in the fiduciary account became freely usable again. Internally, one half of the debt has been allocated and will be serviced by its original beneficiaries. To that extent, there will be no budgetary cost.

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<sup>51</sup>In the case of Spain, only notes have been exchanged, given that Slovenia owes no debt.

<sup>52</sup>The Slovenian government believed that individuals of the SFRY used a portion of the international reserves of the SFRY—of which Slovenia claims a share—to buy back a percentage of the NFA debt in the secondary market. Therefore, it has insisted that these “connected persons” be excluded from all debt agreements.

<sup>53</sup>Because of the still valid sharing provision under the original NFA agreement, Slovenia could not make cash payments to the consenting creditors to extinguish these arrears.

Creditor	Ratification	Original Amount	Outstanding
Paris Club			US\$73.0 million
Belgium	August 22, 1997	BEF 80.7 million	US\$0.5 million
Sweden	March 14, 1997	SEK 40.2 million	US\$2.0 million
France	July 23, 1996	FRF 158.1 million	US\$11.7 million
Germany	September 9, 1996	DM 209.3 million	US\$58.8 million
London Club			US\$602.6 million
NFA US\$-1	November 6, 1996	US\$426.3 million	US\$387.5 million
NFA DEM-2 1/	November 6, 1996	DM 93.8 million	US\$49.3 million
NFA US\$-2 1/	November 6, 1996	US\$219.9 million	US\$80.9 million
NFA DEM-1	November 6, 1996	DM 161.7 million	US\$85.0 million

Source: Ministry of Finance  
1/ Prepaid by Slovenia in December 1996.

99. Under the TDF agreement with the **London Club**, Slovenia assumed responsibility for some 9.9 percent of the US\$300 million in liabilities (US\$26.4 million) of commercial banks of the SFRY. This amount, which had fallen due in 1993, was paid in full by the Slovenian commercial banks in June 1996. Finally, the third agreement (API) pertained to an agreement by the National Bank of Yugoslavia (NBY) with commercial bank creditors for exit bonds which mature in 2008 and which amount to approximately US\$80 million. Chemical Bank, as the agent of the ICC, notified the bondholders in March 1996, after Slovenia had made its binding offer to the NFA creditors. Negotiations with representatives of the bondholders under the API agreement have been slowed by Slovenia's inability to obtain full disclosure of the bondholders' identity so as to ensure that "connected persons" can be excluded from any agreement.

#### E. Trade System

100. Slovenia has a relatively liberal trade regime. It became a founding member of the **World Trade Organization (WTO)** on December 3, 1994 and has implemented all associated tariff and other obligations, with the exception of those related to agricultural products. In 1996, 98 percent of imports were free from quantitative restrictions compared to 78 percent in 1990. To comply with the provisions in the GATT, the General Agreement of

Trade and Services (GATS), and the WTO, and to facilitate and streamline the tariff regime and bring it closer to EU legislation, a new Customs Law and Law on Customs Tariff became effective on January 1, 1996. The average tariff was set at 10.7 percent, down from 11.7 percent, with an effective rate of protection estimated at 7.09 in 1997.<sup>54</sup>

101. International integration, in particular with Europe, has been a main objective of Slovenia's trade and foreign policy. The **European Free Trade Agreement (EFTA)** was signed in June 1995 and the country joined the **Central European Free Trade Association (CEFTA)** in January 1996. The EFTA agreement is asymmetric in favor of Slovenia but it is of minor importance as trade with EFTA countries constitutes only 1.7 percent of Slovenia's trade in goods. The CEFTA countries cover a larger share of Slovenia's trade (4.9 percent of total exports and 6.7 percent of total imports).<sup>55</sup> The agreement encourages intra-regional trade, with the objective of achieving a free trade area by 2001. Trade in industrial products is almost free with the Czech Republic and Slovakia, while there are some remaining restrictions on steel and cars with Poland and Hungary. In September 1997, Slovenia accepted to gradually liberalize agricultural trade with other CEFTA countries by the year 2000, after originally seeking a more gradual liberalization extending until 2001.

102. The EFTA agreement and CEFTA participation are steps in a process with **EU membership** as the ultimate target. An association agreement (**Europe Agreement**) with the EU was signed in June 1996, but ratification by the Slovenian parliament was held up until July 1997 due to resistance against granting foreigners the right to buy land. The Europe Agreement still awaits approval from all the EU countries' parliaments. Pending this ratification, an interim agreement, which covers all trade and trade related fields, entered into force in January 1997. In July 1997 the European Commission recommended that the EU should begin membership negotiations with Slovenia and four other applicant countries early in 1998.<sup>56</sup> This recommendation was accepted by the European Council at its December meeting in Luxemburg. An assessment of the economic impact of EU membership is provided in Chapter IV of the accompanying selected issues paper.

103. Slovenia has also sought **bilateral trade agreements** with a number of other countries in order to diversify its trade. Slovenia now has interim free trade agreements with Estonia, Latvia, and Croatia and expects to complete similar arrangements with Lithuania and Bulgaria in the near future. Trade with FYR Macedonia is not yet fully open. Trade agreements with Israel and Turkey are being prepared as well.

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<sup>54</sup>“*From Associated to Full-Fledged Membership in the European Union,*” Ministry of Economic Relations and Development, August 1996.

<sup>55</sup>The CEFTA agreement was signed in 1992 by the Czech Republic, Hungary, Poland, and Slovakia. Slovenia joined in 1996 and Romania in July 1997.

<sup>56</sup>The other countries were: the Czech Republic, Estonia, Hungary, and Poland.

## VI. STRUCTURAL REFORMS

### A. Labor Market Reform

104. New laws, which address the structural rigidities of the labor market and bring Slovenian legislation closer to the EU norms, were presented to the parliament in October 1997 and are expected to enter into force in mid-1998. In general, the new laws would improve the flexibility of the Slovenian labor market through lowering hiring and firing costs and increasing job-search incentives for the unemployed. Difficult discussions were held with the social partners, in particular on the issue of unemployment insurance; neither side supported the present text. In the end, the authorities yielded to the demands from unions and accepted a normal parliamentary procedure (three readings and hearings with outside groups between each reading) instead of the fast-track procedure they had originally sought.

105. The new **Labor Law** defines the minimum rights and contractual agreements between the employee and the employer.<sup>57</sup> Collective agreements will hereafter be optional, but if more than a critical proportion of the eligible labor force agrees to a collective agreement, the government has the option to declare it generally valid. The notice period for dismissals will be shortened (to 1–5 months, depending on the work history of the employee; shorter notice periods can be agreed in smaller enterprises) and severance pay will be lowered.

106. Regarding unemployment compensation, the draft **Law on Employment and Insurance in Cases of Unemployment** leaves replacement rates unchanged both for unemployment benefits and for unemployment assistance (that is, means-tested compensation received after the unemployment benefits have been exhausted). Unemployment benefits are paid for the first three months at 70 percent of the average monthly wage in the three months prior to unemployment and at 60 percent thereafter. Unemployment assistance amounts to 80 percent of the guaranteed wage.<sup>58</sup> The new law proposes a reduction in the maximum duration of benefits from 24 months to 12 months, but an increase in the maximum duration of assistance from 6 months to 12 months. The length of payment periods is dependent on many factors, including the employment history. To be eligible for unemployment compensation under the new law, a person must have worked 9 of the last 12 months, compared with 9 consecutive months or 12 out of 18 months with interruptions under the current regulations. With regard to changes in means testing, it has still not been decided what types of income

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<sup>57</sup>There are presently two laws that govern individual labor rights; one was adopted in 1989 under the former SFRY and the other dates from 1990, with modifications in 1991 and 1993. ILO conventions were put into the 1990 law.

<sup>58</sup>The guaranteed wage was introduced in 1982 with the intention that it should fully cover the "minimum basket of living." Due to subsequent changes, the current guaranteed wage covers only about half of the minimum basket, and unemployment assistance is now considered inadequate to cover even the basic needs of individuals. The minimum wage (see Section II.E), which is now set by law, is substantially higher than the guaranteed wage.

and wealth would be included. The requirements regarding the unemployed person's availability for work will be strengthened in the new law and this will be followed up by stricter monitoring of the unemployed and the enterprises, for instance, through tax control.

107. The new law will be accompanied by more **active labor market policies**. Young people will, to a larger extent than before, be forced into adult education while public work for the unemployed will be increased by 200–300 percent (partly in the form of public infrastructure work). These jobs will be combined with training to improve the participants' employment chances after termination of the public works projects. A thousand new jobs will be earmarked for youths, 16–21 years old. Subsidies in the form of lower employers' social security contributions will be given to those who employ first-time job seekers, the unemployed who are older than 50 years, and the long-term unemployed. Employers' contributions will be reduced by one half in the first two years and by one quarter thereafter.

### **B. Enterprise Privatization and Restructuring**

108. While ownership transformation of the socially-owned enterprises is almost complete, the privatization of state assets has hardly begun. At the beginning of September 1997 1,350 privatization programs—out of a total of 1,415 socially-owned enterprises—had been approved while 56 more were under consideration. As a result, the private sector accounted for about 55 percent of output and employment in 1996.<sup>59</sup> According to a **new law on the completion of ownership transformation**, which was expected to be approved by end-1997, remaining firms will be transferred to the Slovene Development Corporation (the successor to the Slovene Development Fund) within six months of the entering into force of the new legislation. The Slovene Development Corporation will manage the privatization of the firms. Depending on the condition of the firm, privatization might take several years, but the new law implies that socially-owned enterprises will cease to exist by mid-1998. The privatization of state assets is less advanced and the approval of a **planned general law on privatization of state assets** has been delayed—mainly because of procedural reasons. Meanwhile, the government has proceeded with separate laws regulating the privatization of the casinos, the steel mill, and the insurance companies. The privatization of the two state-owned banks is under preparation and next in line would be the government's shares in the port, the airport and the petroleum company. The government is considering to provide state assets to cover the so-called privatization gap, estimated at about SIT 130 billion or about 5 percent of GDP.<sup>60</sup>

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<sup>59</sup>European Bank for Reconstruction and Development, *Transition Report 1997*.

<sup>60</sup>This gap is the difference between the total value of the privatization vouchers held by the privatization funds and the presently available equity. Initially, the total value of vouchers had been set equal to the total value of the social capital. However, nationalization of part of the social capital consisting of land, forests, etc., and collusion by the privatization funds to depress auction prices led to a widening gap between the value of remaining vouchers and

(continued...)

109. Regarding **corporate governance**, the main changes seem to be the result of ownership concentration. A recent poll suggests that the number of shareholders had dropped by 12 percent from its peak value. In addition, changes in the top management of some of the largest privatized companies also suggest that shareholders have become more assertive. The exemption of privatization shares from capital gains taxation should promote further ownership concentration but there are still restrictions in place limiting the sales of shares. Shares purchased on credit cannot be sold until the credit is repaid for a period of up to five years, a restriction that was introduced out of concern that a large amount of shares might be dumped on the secondary market at an early stage of the privatization process. A more detailed description and analysis of the restructuring and privatization process is provided in Chapter I: "Privatization and Corporate Governance in Slovenia: The Shift from Comrade to Shareholder" in the accompanying selected issues paper.

### **C. Financial Sector Reform**

#### **Overview**

110. The financial system consists of 28 banks (12 with some foreign participation, 4 with majority foreign ownership and 3 state-owned banks), 7 savings banks, 71 savings cooperatives, 10 insurance companies, 2 re-insurance companies, and a number of pension funds, mutual funds (including the privatization investment funds), foreign exchange bureaus, stock brokerage firms, the Ljubljana stock exchange, and the Ljubljana commodity exchange.<sup>61</sup> The BoS is the supervisor of banks, while many nonbank financial institutions are supervised by the Ministry of Finance.<sup>62</sup> Banking activity is dominated by a few big banks, with the top three holding over 50 percent of all banks' assets. While there have been a couple of mergers and one bank failure in 1996–97, the number of banks has remained relatively stable as overall profitability has improved. The financial rehabilitation of two large state-owned banks was completed in 1997, and cooperation among banks has become closer with the formation of four banking groups which may be the precursors of future mergers.

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<sup>60</sup>(...continued)  
available equity.

<sup>61</sup>The commodity exchange, which was established in March 1995, recently filed for bankruptcy. It has 21 members, who mostly trade U.S. dollar and deutsche mark futures.

<sup>62</sup>The BoS supervises banking institutions in accordance with the Law on Banks and Savings Banks, and the Law on Savings Cooperatives. The Securities Market Agency is responsible for the supervision of investment firms, the Ljubljana Stock Exchange, investment funds, and management companies. Insurance companies are supervised by the Ministry of Finance.



## **The payments system**

111. A carryover from the former SFRY, the **payments agency (APPNI)** continues to execute domestic payments between legal entities, and between legal entities and natural persons.<sup>63</sup> Banks handle domestic transactions between natural persons and all international payments for both legal entities and natural persons. Through a broad network of units throughout the country, the APPNI manages accounts for approximately 65,000 legal entities and performs, on average, around 600,000 transactions a day. The APPNI also provides a statistical function in collecting data on the financial performance of individual legal entities and plays a significant role in the payment and distribution of tax revenue. Noncash payments conducted by APPNI through giro accounts form the lion's share of all payments in value terms.<sup>64</sup>

112. Since 1992, the financial authorities have been trying to **reform the payments system** to conform to EU standards. The main objectives of this reform are to: (i) modernize the clearing of payments through the implementation of a real time gross settlement (RTGS) system and (ii) replace the antiquated APPNI with a clearing house owned by the commercial banks. While there have been many delays in implementing this reform, it appears that progress has finally been made in four areas within the last two years. First, the tax collection function of the payments agency was transferred, effective July 1, 1996, to the newly established Tax Administration Office in the Ministry of Finance (see Section III.B). Second, in early August 1996, the audit function for the ownership transformation of socially-owned enterprises was transferred to the new Agency for the Audit of Ownership Transformation of Companies. Third, banks' minimum reserve management was transferred to the BoS in March 1997. Finally, the bidding for the RTGS system was completed in late 1996 and both hardware and software have recently been installed.<sup>65</sup>

## **Bank profitability and bank soundness**

113. The **profitability** of Slovenian banks has been increasing in the last few years. This is particularly true of two of the three largest banks, Nova Ljubljanska Banka (NLB) and Nova Kreditna Banka Maribor (NKBM), which until recently had been undergoing rehabilitation. In 1996, banks in Slovenia realized a pretax profit of almost SIT 18.3 billion, a gain of

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<sup>63</sup>Legal entities include companies, official institutions, and both bank and nonbank financial institutions.

<sup>64</sup>These cashless giro payments are approximately 2,000 percent of GDP, versus about 20,000 percent of GDP in developed economies. Cash payments are about 2 percent of GDP versus the industrial country average of 1 percent. Checks account for 5 percent of GDP in Slovenia.

<sup>65</sup>Logica, a British company with much experience in this area, was chosen as the winning bidder.

33.3 percent from 1995. This was on top of a threefold increase in pretax profits in 1995. In addition, only two banks experienced a loss in 1996. The average return on assets (RoA) steadily increased from 0.4 percent in 1995 to 1.1 percent in 1996 and to 1.5 percent by mid-1997, with some banks recording a RoA as high as 2.4 percent. Moreover, despite high capitalization, the average return on equity (RoE) improved to 13.9 percent in mid-1997, up from 9.1 percent in 1995.<sup>66</sup>

114. In general, higher profitability has stemmed from a combination of improved earnings from higher interest rate margins and restraint on operating expenditures. The **interest rate margin**<sup>67</sup> has risen steadily over the last few years, from 3.7 percent in 1994 to 4.9 percent in 1995 and to 5.6 percent in 1996. The main factors behind this increase are: (i) a considerable increase in both short- and long-term loans (especially to consumers), (ii) an increase in sight deposits, whose interest costs fell with the introduction of nominal contracts, (iii) a slight increase in short-term deposits as real deposit rates fell under successive interest rate cartel agreements, and (iv) an increase in foreign currency liabilities as the tolar exchange rate remained relatively stable.<sup>68</sup> Even though **operating costs** fell by 0.2 percent in 1996 to 3.6 percent of average assets, they are still high in relative terms. Labor costs account for slightly more than half of these costs.

115. Along with better profitability, the quality and soundness of bank assets continued to improve. Assets classified in the A-category (with on-time payments) have increased and reached almost 90 percent of total loans in 1995, up from some 80 percent in 1993, whereas the shares of all other credit categories have decreased.<sup>69</sup> Moreover, the number of bad loans as a percentage of total assets has decreased over the last two years. In the first half of 1997, four banking groups were formed, in what may be the first step towards a complete merger.<sup>70</sup> These banking groups contain a special provision that stipulates attainment of a minimum return on equity (RoE) as a condition for the smaller banks in the group to remain separate; if

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<sup>66</sup>Above average returns of 24.5 and 16.3 percent, respectively, were realized by the two rehabilitated banks .

<sup>67</sup>The interest rate margin is the ratio between net interest income and gross interest earning assets, in percent.

<sup>68</sup>Revaluation clauses affect differently the asset and liability sides of banks' balance sheets. Generally, assets are fully indexed while liabilities are only partially indexed.

<sup>69</sup>Assets can be classified in five categories from best (A) to worst (E).

<sup>70</sup>The banking groups are led by Bank Celje, SKB Banka, Banka Koper, and NLB. To form a group, the lead bank has to take a 40 percent interest in the equity of the smaller banks. The group can act as one with regard to its common liquidity position, risk assessment for common clients, and securities market activities.

the minimum RoE threshold is not achieved, the smaller bank will be fully merged into the larger bank.

### **Bank supervision**

116. The BoS has taken a **value at risk (VAR) approach** to commercial banking supervision and has attempted to come as close as possible to the Basle Accords, except for home/host supervision of foreign banks.<sup>71</sup> The authorities believe that banking supervision has improved in the last few years through the VAR approach, which has allowed them to identify—and focus on—the riskier operations of banks. As part of its four-year strategic plan to strengthen bank supervision, the BoS has finished full-scope on-site supervision of nearly all banks and is now familiar with the various risks faced by different banks.<sup>72</sup> In spite of the recorded improvement in the quality of banks' assets, the BoS believes that banks have continued to be too optimistic about the quality of their assets and may need to raise their provisions against loans, which represent 90 percent of bank portfolios. Also, as banks have begun to use more sophisticated derivative instruments, the supervision department of the BoS has attempted to upgrade its expertise in these areas.

117. In order to improve the **classification of assets** in bank portfolios, the supervision department of the BoS has changed the treatment of mortgage collateral. Until end-1996, loans collateralized with mortgages had been considered class A assets that did not require provisioning. Since early 1997, however, banks have been allowed to classify their mortgage-backed loans only one class above the credit risk evaluation of the borrower. To qualify for this treatment, the mortgage has to be both registered and insured. Banks were given until the end of 1997 to comply with the tightened requirement. Overall, this new provision has tended to slow down the reduction of lending rates and the growth of bank profits this year.

118. Banks continue to be overcapitalized, with the average **capital adequacy ratio (CAR)** at end-1995 at some 22 percent, well above the 8 percent minimum requirement. To some degree, this overcapitalization stems from the high capital requirements set by the BoS for banking licenses. Slovenian banks, on average, appear to be well provisioned against non-performing loans and assets, with actual provisions above those required under international standards.<sup>73</sup> In addition, the BoS has started to move toward EU standards on banks' **open foreign exchange positions**. The goal is a limit on open foreign exchange positions of 20 percent of capital (including off-balance sheet items). The banks will be allowed to reduce

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<sup>71</sup>At present, only one Slovenian bank, NLB, has a foreign branch in Milan, Italy, which is supervised by the Banca d'Italia as a non-EU-based bank.

<sup>72</sup>The strategic plan calls for increasing the frequency of on-site inspections from once every two years to once every 18 months by 1999. Under the EU's PHARE program, the BoS has been receiving assistance from experts from the accounting firm KPMG.

<sup>73</sup>OECD, *Economic Survey, Slovenia, 1997*.

their open foreign exchange position gradually, quarter by quarter, over a five-year period. Currently, limits are imposed only on actual positions; off-balance sheet items will be included later. At present, only two banks are outside the 20 percent limit.

### **Bank rehabilitation**

119. Bank rehabilitation under the auspices of the **Bank Rehabilitation Agency (BRA)** was successfully completed in 1997. The BRA was originally set up by governmental decree in October 1991 to restructure three banks, Ljubljanska Banka (LB), Kreditna Banka Maribor (KBM), and Komercialna Banka Nova Gorica (KBNG), which held over 65 percent of banking sector assets.<sup>74</sup> These banks became distressed because of non-performing loans to Slovenian and other ex-SFRY enterprises and because of the loss of foreign currency assets deposited at the NBY. After the initial step of exchanging non-performing assets and contingent liabilities of these banks for bonds issued by the BRA, the two remaining banks<sup>75</sup> (LB and KBM) were split into two, with the old banks retaining all claims and liabilities to the former SFRY; the new banks were renamed Nova Ljubljanska Banka (NLB) and Nova Kreditna Banka Maribor (NKBM).

120. In November 1995, with growing concerns over serious currency and maturity mismatches in the two banks' balance sheets, the original 30-year deutsche mark-denominated BRA bonds were exchanged for tolar denominated government bonds of shorter, staggered maturities. However, the lower interest rates applied to these bonds reduced profitability, which required the two banks to continue to avail themselves of the special BoS refinancing facilities as well as the interbank market for liquidity purposes. In June 1996, a NFA restructuring agreement was reached between Slovenia and foreign private creditors regarding the debts of the former SFRY (see Section V.D). This agreement, negotiated with the London Club of creditors, released Slovenian banks in rehabilitation from the "joint and several liability" clause between ex-SFRY debtors and foreign private creditors—substantially improving Slovenia's credit rating.<sup>76</sup>

121. On June 7, 1997, the BoS determined that both banks had fulfilled the conditions set for ending the rehabilitation process. These requirements were: (i) a solid liquidity position, (ii) the ability to implement monetary policy, (iii) the maintenance of statutory capital, (iv) an adjustment of the volume of banking operations so that statutory capital reaches at least 8 percent of risk-adjusted total and off-balance sheet assets, (v) the abidance by prudent

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<sup>74</sup>NKBM took over KBNG in January 1995.

<sup>75</sup>The BoS also created several special refinancing facilities to provide liquidity to these banks.

<sup>76</sup>The BRA also managed some DM 1 billion in bad assets transferred or acquired under the bond exchange process. Overall, the BRA managed to collect 32 percent of the bad loans in the form of DM 151 million in cash and DM 139 million in shares and equity stakes; DM 58 million was rescheduled.

provision measures and of restrictions on individual credit exposure, and (vi) the observance of investment ceilings on land, buildings, equipment, and equity stakes in banks and nonbank organizations.<sup>77</sup> On July 16, the BoS officially concluded the rehabilitation process and ended the special treatment afforded to these two banks. Given the ultimate goal of privatizing them, procedural legislation is being drawn up to determine the exact process. An important concern has been the amount of foreign participation that would be allowed in the two banks.

### **Financial legislation**

122. Revisions have been pending for some time on an array of financial system legislation, including new laws on banking, foreign exchange, securities markets and investment and management companies, insurance companies, and electronically issued securities.<sup>78</sup>

123. Regarding the new **Banking Law**, the two primary objectives are to upgrade Slovenian prudential standards to EU norms and to further open up the banking sector to foreign competition. The law includes the following main provisions: (i) a more precise definition of (exclusive) banking services and other financial services that also may be performed by banks; (ii) strengthening of financial responsibility of management and the Board of Directors;<sup>79</sup> (iii) strengthening of minimum capital requirements to ECU 5 million;<sup>80</sup> (iv) limits on overall exposure to any one client and insiders; (v) consolidated banking group supervision by the BoS; (vi) provisions to strengthen the ownership structures; (vii) granting of permission for foreign branch banking; and (viii) creation of a bank financed deposit insurance scheme. The deposit insurance scheme would be in line with EU directives, with one exception, and would provide insurance up to ECU 20,000 per account. The one difference between the proposed deposit insurance scheme and EU practice is that enterprise accounts and branches of foreign banks would not be under this umbrella. Enterprise accounts are to be

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<sup>77</sup>The NLB did not technically meet requirements on statutory capital and investments on land, buildings, equipment and equity investments. Therefore the NLB submitted a plan to meet these requirements by end-1998.

<sup>78</sup>The government had tried to push the full agenda through parliament in 1996–97 as a package, but procedural difficulties and parliamentary resistance had forced a more gradualist approach. As they stand, both the new Foreign Exchange Law and the new Banking Law have passed all governmental procedures and could be in effect by mid-1998.

<sup>79</sup>The provision creates greater fiduciary responsibility than that found under the normal Company Law on Standards.

<sup>80</sup>The BoS can impose higher capital adequacy requirements based upon banking activities with higher levels of risk and associated with the attainment of higher order banking licences. Currently, banks need to have a minimum of around US\$32 million in capital for a full license. The prudential regulations regarding higher levels of capital adequacy ratios depart from EU practices (OECD, *Economic Survey*, 1997).

excluded because the BoS feels that there are still too many financial difficulties with enterprises and that the enterprises and banks have had a history of close insider relationships, which could create moral hazard problems.

124. The basic goals of the new **Foreign Exchange Law** are to consolidate legislation regarding foreign exchange transactions (between residents and nonresidents as well as among residents) and to meet the requirements of the EU Accession Agreement regarding harmonization of foreign exchange legislation.<sup>81</sup> The main issue is the speed of full capital account liberalization, especially regarding portfolio inflows. Slovenia plans to follow a gradualist approach—while the new law provides for immediate liberalization of foreign direct investment (FDI) and long-term credit operations with special emphasis on opening up outward direct investment and credit operations, liberalization of portfolio inflows will be extended over four years.<sup>82</sup> Adoption of the new law will dispose of the 40 percent interest-free deposit requirement on all drawdowns of nontrade-related credits, as required by the EU Accession Agreement. However, the purchase of portfolio securities will continue to go through custodial accounts. Liberalization of portfolio investment will be particularly cautious on the outflow side, with banks and domestic brokers given priority. While the placing of domestic securities abroad will be liberalized, only top quality foreign securities, mainly from OECD countries, will be permitted to be sold domestically. In addition, the new law will abolish the differentiation in foreign exchange regulations between legal entities and natural persons and provide guidelines using the normal separation of transactions between residents and nonresidents, and among domestic residents. Coupled with the removal of required repatriation of export proceeds, the elimination of the distinction in treatment between households and enterprises should consolidate the unification of exchange rates in the bank/enterprise and cash markets.

125. The new **Securities Markets Law** and the proposed amendment to the 1994 **Insurance Companies Law** have yet to fulfill the government's procedural requirements. The Securities Markets Law will codify regulation of brokerage houses and the Ljubljana Stock Exchange (LSE), which have operated without government regulation. The main objective is harmonization of securities law with EU standards. One of the most difficult challenges in creating this proposed law was the definition of "public" versus "non-public" companies. It was decided that companies that went through employee buyouts were not "public" companies that could be traded on the stock exchange, unless they went through full

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<sup>81</sup>Foreign exchange transactions in Slovenia are now governed by four separate pieces of legislation, which are nontransparent and contain various gaps in coverage.

<sup>82</sup>However, the Slovenian authorities believe the new law goes beyond the normal EU requirements with full liberalization of capital transactions, including personal capital movements, FDI, as well as all current account transactions. Only restrictions on FDI in military, health, and pension funds will remain. Restrictions on FDI in financial services, the media, and auditing companies, which are regulated by special legislation, must be removed under EU regulations.

disclosure. Only companies that produce a prospectus and accept full disclosure can be considered "public," with a listing on the LSE. These companies will also receive the protection of the recently passed **Law on Takeovers**. At present, there is a 24 percent ceiling on nonresident participation in brokerage houses; a proposal is under review to allow branching of foreign brokerage houses.<sup>83</sup>

126. The **Insurance Companies Law** of 1994 imposed international accounting standards, solvency ratios, auditing procedures, and other modernization provisions to the insurance market. The market remains small and concentrated, with only 10 insurance companies<sup>84</sup> and 2 re-insurance companies. Its premium volume is approximately US\$800 million, or about 8 percent of banking assets (4.4 percent of GDP). The top insurance firm (Triglav) constitutes 60 percent of the market; foreign branches are not allowed. A working group in the Ministry of Finance is trying to fine-tune the 1994 law through: (i) separating life and non-life lines of insurance; (ii) strengthening prudential standards and bankruptcy procedures; and (iii) allowing insurance companies to establish pension funds and annuity contracts. Foreign branches of insurance companies would be allowed to enter into the insurance market in 3–4 years and the ban on insurance and re-insurance abroad would be lifted gradually.

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<sup>83</sup>The new Securities Markets Law also has provisions on prudential rules for broker-dealers.

<sup>84</sup>Six of the ten insurance firms are partially state owned.

Table 9. Slovenia: Aggregate Demand and Supply, 1992-96

	1992	1993	1994	1995	1996 Est.
(Percentage changes, in real terms)					
Demand and supply					
Total aggregate demand	-12.6	8.1	7.4	7.1	2.9
Exports of goods and nonfactor services	-23.5	0.6	10.5	1.0	2.5
Total domestic demand	3.2	13.3	5.6	11	3.2
Private consumption	3.6	13.9	3.8	9.2	2.6
Public consumption	1.7	5.3	2.1	2.5	2.2
Gross fixed investment	12.9	10.7	12.5	17.1	6.9
Imports of goods and services	-22.9	17.6	10.7	11.6	1.3
GDP	-5.5	2.8	5.3	4.1	3.1
Agriculture, forestry and fishing	-6.7	-4.2	4.2	1.6	1.7
Industry	-11.9	-3.1	6.0	2.9	2.2
Services	0.8	4.8	4.3	4.4	3.5
Real net wages and other remunerations (average)	-2.9	16.2	12.1	7.6	7.9
(In percent of GDP)					
Gross fixed investment	18.6	18.8	19.7	21.2	22.5
Gross national savings	24.6	20.6	24.5	23.2	23.7

Source: Institute of Macroeconomic Analysis and Development.



Table 10. Slovenia: Gross Domestic Product by Sector, 1992–96

	1992	1993	1994	1995	1996 Est.
	(In millions of tolar, current prices)				
Agriculture, hunting, forestry, and fishing	52,880	64,716	73,868	87,562	98,583
Mining and quarrying	17,618	14,681	24,855	28,276	28,619
Manufacturing	288,613	371,638	487,912	550,112	617,362
Electricity, gas, and water supply	20,171	34,553	50,642	57,136	63,303
Construction	38,698	58,858	76,271	96,949	123,474
Wholesale and retail trade	95,791	139,346	191,413	228,364	256,151
Hotels and restaurants	22,671	36,509	48,437	57,819	68,957
Transport and communications	66,489	97,909	121,179	147,446	170,357
Financial intermediation	32,043	49,839	53,226	76,987	92,779
Real estate and other business services	95,260	133,606	182,243	225,942	259,216
Public administration and defense	40,405	61,768	81,902	102,459	117,504
Education	45,017	67,905	87,206	107,692	122,584
Health and social work	48,148	63,914	84,533	102,104	119,485
Other community and personal services	44,924	65,338	58,752	66,595	77,586
<b>Total value added</b>	<b>892,142</b>	<b>1,235,340</b>	<b>1,589,484</b>	<b>1,891,496</b>	<b>2,160,833</b>
Plus: Taxes on production and on imports	150,962	229,385	306,636	377,964	444,708
Minus: Subsidies	25,139	29,630	43,123	48,001	52,873
<b>GDP</b>	<b>1,017,965</b>	<b>1,435,095</b>	<b>1,852,997</b>	<b>2,221,459</b>	<b>2,552,668</b>
	(In percent of GDP)				
Agriculture, hunting, forestry, and fishing	5.2	4.5	4.7	4.4	4.2
Industry and construction	35.9	33.4	33.9	32.4	31.5
Industry	32.1	29.3	29.6	27.9	26.8
Construction	3.8	4.1	4.2	4.4	4.7
Services	48.2	49.9	49.0	50.4	49.4

Sources: Statistical Office and Institute of Macroeconomic Analysis and Development.

Table 11. Slovenia: Cost of Structure of Gross Domestic Product, 1992-96

	1992	1993	1994	1995	1996 Est.
(In millions of tolar, current prices)					
1. GDP (1=2+3-4+5)	1,017,965	1,435,095	1,852,997	2,221,459	2,552,668
2. Compensation of employees	652,814	861,937	1,074,494	1,271,699	1,400,005
Wages and salaries	545,185	718,687	902,040	1,070,010	1,213,414
Employers' social security cont.	107,629	143,250	172,454	201,689	186,591
3. Indirect taxes	150,962	229,385	306,636	377,964	444,708
Taxes on products and import duties	149,212	224,825	298,936	368,834	418,577
Other taxes on production	1,750	4,560	7,700	9,130	26,131
4. Subsidies	25,139	29,630	43,123	48,001	52,873
5. Gross operating surplus and Gross mixed income (5=6+7) 1/ <i>Of which:</i>	239,328	373,403	514,990	619,797	760,828
6. Gross operating surplus	139,301	215,616	316,774	380,932	485,599
Consumption of fixed capital	190,336	222,401	280,387	330,634	415,237
Net operating surplus	-51,035	-6,785	36,387	50,298	70,362
7. Gross mixed income	100,027	157,787	198,216	238,865	275,229
Consumption of fixed capital	12,589	22,977	33,442	38,576	45,528
Net mixed income	87,438	134,810	164,774	200,289	229,701
(In percent of GDP)					
Compensation of employees	64.1	60.1	58.0	57.2	54.8
Indirect taxes	14.8	16.0	16.5	17.0	17.4
Subsidies	2.5	2.1	2.3	2.2	2.1
Gross operating surplus and Gross mixed income	23.5	26.0	27.8	27.9	29.8
<i>Of which:</i>					
Gross operating surplus	13.7	15.0	17.1	17.1	19.0
Consumption of fixed capital	18.7	15.5	15.1	14.9	16.3
Net operating surplus	-5.0	-0.5	2.0	2.3	2.8
Gross mixed income	9.8	11.0	10.7	10.8	10.8
Consumption of fixed capital	1.2	1.6	1.8	1.7	1.8
Net mixed income	8.6	9.4	8.9	9.0	9.0

Sources: Statistical Office and Institute of Macroeconomic Analysis and Department.

1/ Income from non-incorporated businesses.

Table 12. Slovenia: Supply and Use of Resources, 1992-96

	1992	1993	1994	1995	1996 Est.
	(In millions of tolar, current prices)				
1. Gross domestic product	1,017,965	1,435,095	1,852,997	2,221,459	2,552,668
2. Factor income from the rest of the world	5,674	12,989	34,817	43,639	56,853
3. Factor income to the rest of the world	13,095	18,798	20,931	26,228	35,872
4. Gross national product ( 4=1+2-3)	1,010,543	1,429,286	1,866,883	2,238,869	2,573,650
5. Current transfers from the rest of the world	12,235	23,204	30,244	29,610	28,021
6. Current transfers to the rest of the world	3,812	15,050	18,613	19,022	19,628
7. Gross national disposable income ( 7=4+5-6 )	1,018,966	1,437,440	1,878,514	2,249,457	2,582,042
8. National final consumption	768,124	1,141,855	1,423,778	1,735,127	1,978,154
Private consumption	561,120	839,249	1,049,490	1,286,976	1,463,795
Government consumption	207,004	302,606	374,288	448,151	514,359
9. Gross national saving ( 9=7-8 )	250,842	295,585	454,736	514,330	603,888
10. Current account balance	71,820	17,953	73,435	-322	6,555
11. Gross capital formation ( 11=9-10 )	179,022	277,632	381,301	514,652	597,333
<i>Of which:</i>					
Gross fixed capital formation	189,608	270,237	365,964	470,891	573,863
Change in stocks	-10,586	7,395	15,337	43,761	23,470
12. Consumption of fixed capital	202,925	245,378	313,829	369,210	460,765
13. Net capital formation ( 13=11-12 )	-23,903	32,254	67,472	145,442	136,568
	(In percent of GDP)				
Gross national product	99.3	99.6	100.7	100.8	100.8
Gross national saving	24.6	20.6	24.5	23.2	23.7
Gross capital formation	17.6	19.3	20.6	23.2	23.4
Net capital formation	-2.3	2.2	3.6	6.5	5.4
Current account balance	7.1	1.3	4.0	0.0	0.3

Sources: Statistical Office and Institute of Macroeconomic Analysis and Development.

Table 13. Slovenia: Expenditure on Gross Domestic Product, 1992-96

	1992	1993	1994	1995	1996 Est.
	(In millions of tolar, current prices)				
Consumption	768,124	1,141,855	1,423,778	1,735,127	1,978,154
Private	561,120	839,249	1,049,490	1,286,976	1,463,795
Households	548,668	823,459	1,032,419	1,262,623	1,438,302
Nonprofit institutions	12,452	15,790	17,071	24,353	25,493
Government	207,004	302,606	374,288	448,151	514,359
Investment	179,022	277,632	381,301	514,652	597,333
Gross fixed investment	189,608	270,237	365,964	470,891	573,863
Change in stocks	-10,586	7,395	15,337	43,761	23,470
Foreign balance	70,819	15,608	47,918	-28,320	-22,819
GDP	1,017,965	1,435,095	1,852,997	2,221,459	2,552,668
	(In percent of GDP)				
Consumption	75.5	79.6	76.8	78.1	77.5
Private	55.1	58.5	56.6	57.9	57.3
Households	53.9	57.4	55.7	56.8	56.2
Nonprofit institutions	1.2	1.1	0.9	1.1	1.0
Government	20.3	21.1	20.2	20.2	20.1
Investment	17.6	19.3	20.6	23.2	23.4
Gross fixed investment	18.6	18.8	19.7	21.2	22.5
Change in stocks	-1.0	0.5	0.8	2.0	0.9
Foreign balance	7.0	1.1	2.6	-1.3	-0.9

Sources: Statistical Office and Institute of Macroeconomic Analysis and Development.

Table 14. Slovenia: Income and Expenditure of Households, 1992-96 1/

(In millions of tolar, current prices)

	1992	1993	1994	1995	1996 Est.
Total income	1,048,736	1,443,355	1,857,470	2,188,710	2,440,594
Compensation of employees	652,814	861,937	1,074,494	1,271,969	1,422,281
Wages and allowances (net)	369,355	485,062	622,566	739,556	852,477
Taxes on employees' income	67,304	87,888	110,340	132,830	156,109
Employees' social contributions	108,526	145,737	169,466	199,470	227,183
Employers' social contributions	107,629	143,250	172,122	200,113	186,512
Operating surplus of self-employed	156,544	230,808	303,276	361,978	397,090
Social benefits	194,582	285,642	374,205	437,439	494,079
Imputed social benefits	581	772	925	1,041	1,142
Actual interest received	22,341	17,847	26,268	27,024	28,200
Income from intangible assets	5,646	8,383	10,511	12,427	14,314
Accident insurance claims	8,090	22,540	27,946	34,422	37,761
Private international transfers	3,138	6,531	10,100	11,486	10,551
Miscellaneous transfers	5,000	8,895	29,745	30,924	35,176
Deductions	374,196	512,284	634,955	741,489	817,780
Actual social contributions	216,155	288,987	341,588	399,583	413,695
Imputed social contributions	41,637	55,441	71,626	86,393	97,617
Net accident insurance premiums	14,006	32,269	37,000	46,053	50,521
Current taxes on income and wealth	75,572	102,695	137,226	157,611	184,653
Actual interest paid	12,555	14,373	25,170	27,383	43,800
Private international transfers	5,950	6,676	8,547	9,991	9,531
Compensation of employees to ROW		1,778	1,662	1,505	3,113
Miscellaneous current transfers	8,321	10,065	12,136	12,970	14,850
Disposable income	674,540	931,071	1,222,515	1,447,221	1,622,814
Gross saving	125,872	107,612	190,096	184,597	212,094
Private consumption	548,668	823,459	1,032,419	1,262,624	1,410,720

Sources: Statistical Office and Institute of Macroeconomic Analysis and Development

Table 15. Slovenia: Structure of Gross Fixed Investment, 1992-96

	1992	1993	1994	1995	1996 Est.
(In millions of tolar, current prices)					
Total gross fixed investment	189,608	270,237	365,964	470,891	573,863
Enterprises	138,022	193,181	263,660	344,623	...
Private sector 1/	51,586	77,056	102,304	126,268	...
Productive investment	116,199	163,011	235,685	321,295	...
Enterprises	99,323	139,477	198,019	267,502	...
Private sector 1/	16,876	23,534	37,666	53,793	...
Nonproductive investment	73,409	107,226	130,279	149,596	...
Dwellings	35,710	52,022	63,138	73,869	...
Other nonproductive investment	37,699	55,204	67,141	75,727	...
(Annual percentage change, at constant prices)					
Total gross fixed investment	-12.9	10.7	12.5	17.1	6.9
Enterprises	-12.7	9.9	16.9	20.6	...
Private sector	-13.2	17.2	13.8	13.9	...
(In percent)					
Total gross fixed investment	100.0	100.0	100.0	100.0	...
Socially- and state-owned enterprises	73.6	71.9	72.8	73.5	...
Private sector	26.4	28.1	27.2	26.5	...
(In percent of GDP)					
Total gross fixed investment	18.6	18.8	19.7	21.2	22.5
Enterprises	13.6	13.5	14.3	15.5	...
Private sector	5.1	5.4	5.5	5.7	...

Sources: Statistical Office; and Institute of Macroeconomic Analysis and Development.

1/ Private sector includes: craftsmen, farmers, lawyers and cultural workers, as well as households.

Table 16. Slovenia: Investment in Economic Infrastructure, 1992-96

	1992	1993	1994	1995	1996
					Est.
(In millions of tolar, current prices)					
Economic Infrastructure	24,387	48,737	75,115	91,425	130,237
Energy sector	7,697	12,324	22,389	22,747	28,982
Electricity supply	6,709	11,048	21,240	21,151	22,343
Other	988	1,276	1,149	1,596	6,639
Transport infrastructure	12,414	26,549	40,402	56,978	91,355
Railways	1,315	2,578	6,195	8,307	11,355
Air traffic	316	767	847	717	1,999
Roads, motor-ways	1,857	8,036	14,925	29,333	47,263
PTT services	7,024	12,491	16,430	...	...
Post	...	...	...	3,500	6,200
Telecommunications	...	...	...	12,183	20,000
Other	1,902	2,677	2,005	2,938	4,538
Water supply	233	299	213	200	800
Public utilities	4,043	9,565	12,111	11,500	9,100
(In percent of gross fixed investment)					
Economic Infrastructure	12.9	18.0	20.5	19.4	22.7
Energy sector	4.1	4.6	6.1	4.8	5.1
Electricity supply	3.5	4.1	5.8	4.5	3.9
Other	0.5	0.5	0.3	0.3	1.2
Transport infrastructure	6.5	9.8	11.0	12.1	15.9
Railways	0.7	1.0	1.7	1.8	2.0
Air traffic	0.2	0.3	0.2	0.2	0.3
Roads, motorways	1.0	3.0	4.1	6.2	8.2
PTT services	3.7	4.6	4.5	...	...
Post	...	...	...	0.7	1.1
Telecommunications	...	...	...	2.6	3.5
Other	1.0	1.0	0.5	0.6	0.8
Water supply	0.1	0.1	0.1	0.0	0.1
Public utilities	2.1	3.5	3.3	2.4	1.6
(In percent of GDP)					
Economic Infrastructure	2.4	3.4	4.1	4.1	5.1
Energy sector	0.8	0.9	1.2	1.0	1.1
Electricity supply	0.7	0.8	1.1	1.0	0.9
Other	0.1	0.1	0.1	0.1	0.3
Transport infrastructure	1.2	1.8	2.2	2.6	3.6
Railways	0.1	0.2	0.3	0.4	0.4
Air traffic	0.0	0.1	0.0	0.0	0.1
Roads, motorways	0.2	0.6	0.8	1.3	1.9
PTT services	0.7	0.9	0.9	...	...
Post	...	...	...	0.2	0.2
Telecommunications	...	...	...	0.5	0.8
Other	0.2	0.2	0.1	0.1	0.2
Water supply	0.0	0.0	0.0	0.0	...
Public utilities	0.4	0.7	0.7	0.5	0.4

Sources: Statistical Office and Institute for Macroeconomic Analysis and Development.

Table 17. Slovenia: Developments in Production, 1993–97  
(1993=100)

	1993	1994	1995	1996	1997
Industrial production 2/	73.9	78.6	80.2	81.1	81.7
Capital goods	60.1	68.2	73.3	80.7	...
Intermediate goods	74.4	80.9	82.8	81.5	...
Final goods	75.9	77.7	77.2	78.4	...
Construction 1/ 3/	76.7	77	84.1	93.4	80.1
Transport 1/ 3/	77.1	82	87.9	90.9	90.3
Trade 1/ 3/	94.1	98.5	103.1	108	103.4

Source: Statistical Office.

1/ Real value added.

2/ January–July 1997.

3/ January–March 1997.



Table 18. Slovenia: Indicators of Real Economic Activity, 1993–July 1997  
(Annual percentage change) 1/

	Real GDP	Industrial Output				Retail Sales 2/
		Industry Total	Capital Goods	Intermediate Goods	Final Consumption Goods	
1993	2.8	-2.8	-3.8	-4.7	-0.3	3.3
1994	5.3	6.4	13.5	8.6	2.4	5.2
1995	4.1	2.0	7.4	2.4	0.3	3.1
1996	3.1	1.0	10.1	-1.5	1.6	3.5
1993						
March	-1.3	-7.3	-9.4	-8.0	-6.6	3.6
June	0.0	-5.8	-5.8	-9.4	-0.4	3.6
September	4.8	-0.5	1.6	-3.1	1.2	4.4
December	7.9	3.1	-0.6	2.3	4.6	1.6
1994						
March	4.6	3.4	-1.7	3.0	5.1	7.6
June	7.3	11.5	24.6	14.6	5.8	8.4
September	4.2	7.7	18.0	7.1	1.2	1.8
December	5.3	3.4	14.6	9.8	-2.1	3.5
1995						
January	...	13.8	22.1	17.2	5.6	3.6
February	...	10.3	35.3	9.8	1.7	1.9
March	6.2	5.4	17.4	7.3	-0.7	-1.3
April	...	-1.3	2.5	-0.6	-3.5	0.5
May	...	1.7	12.0	-2.3	4.8	2.4
June	3.3	3.9	12.3	3.4	1.9	3.7
July	...	1.4	11.7	3.4	0.0	6.9
August	...	-5.1	4.7	1.6	-6.1	5.4
September	4.2	-0.3	0.1	5.3	0.3	4.8
October	...	-0.1	-9.5	0.0	2.0	2.2
November	...	0.5	-4.2	-2.9	-2.1	4.2
December	2.5	-5.6	-3.2	-11.1	-0.9	2.9
1996						
January	...	-4.9	-7.9	-6.0	1.4	6.5
February	...	-4.0	-9.6	-3.0	1.6	7.4
March	2.2	-6.4	-2.6	-9.0	-2.1	0.0
April	...	11.5	23.0	5.0	16.9	2.4
May	...	-0.5	5.6	-0.5	-3.6	1.6
June	2.5	-11.4	1.7	-13.0	-12.8	-3.5
July	...	6.2	11.5	2.5	5.5	3.3
August	...	-1.8	8.3	-4.0	-3.3	3.6
September	3.4	5.0	40.7	-0.1	1.4	3.0
October	...	9.9	31.2	4.1	7.9	9.9
November	...	3.6	11.6	-0.1	4.8	5.3
December	4.1	7.9	10.1	9.4	4.8	2
1997						
January	...	0.2	...	...	...	...
February	...	1.7	...	...	...	...
March	2.2	-1.4	...	...	...	...
April	...	-3.8	...	...	...	...
May	...	-2.9	...	...	...	...
June	3.8	4.3	...	...	...	...
July	...	-0.1	...	...	...	...

Source: Statistical Office.

1/ Growth over same period of previous year. Annual and quarterly data show changes between average levels of current and previous periods.

2/ Retail sales deflated by the retail price index for goods.

Table 19. Slovenia: Developments in Tourism, 1992-96.

	1992	1993	1994	1995	1996
	(In thousands)				
Total number of nights					
in all types of accommodations	5,098	5,384	5,866	5,883	5,832
Domestic tourists	3,083	3,372	3,385	3,448	3,282
Foreign tourists	2,015	2,012	2,481	2,435	2,550
Total number of tourists					
in all types of accommodations	1,367	1,450	1,579	1,577	1,658
Domestic tourists	751	826	831	845	826
Foreign tourists	616	624	748	732	832
	(Number of beds)				
Bed capacity in all types of accommodation	71,761	74,825	75,003	72,853	77,803
Hotels and similar establishments	34,491	34,728	35,543	33,878	36,028
Hotels	29,427	29,193	29,319	28,289	27,929
Motels	941	950	958	980	1,137
Others	4,123	4,585	5,266	4,609	6,962
Supplementary	37,270	40,097	39,460	38,975	41,775
Camping places	16,816	17,261	18,431	16,568	18,591
Rented rooms, houses and flats	6,957	8,936	6,563	7,739	6,517
Health establishments 1/	278	278	248	248	-
Others	13,219	13,622	14,218	14,420	16,667
	(In millions of U.S. dollars)				
International tourist receipts	671	734	959	1,079	1,210

Source: Statistical Office.

1/ Since 1996 included in hotels and similar establishment.

Table 20. Slovenia: Agricultural Production, 1992-96

	1992	1993	1994	1995	1996
(Thousands of tons)					
Production of selected commodities					
Wheat	178	168	182	178	161
Corn	208	249	324	305	333
Sugar beets	97	133	222	265	308
Sunflower seeds	0	0	0	0	0
Meat	142	159	148	158	169
<i>Of which :</i>					
Beef	38	50	43	44	49
Pork	41	60	61	57	62
Poultry	58	49	44	56	58
Milk (millions of liters)	563	533	559	590	576
(Volume indices: 1969-1971=100)					
Production of selected commodities					
Wheat	122	115	124	121	110
Corn	148	177	231	217	237
Sugar beets 1/	...	...	...	...	...
Sunflower seeds	51	73	111	129	119
Meat	143	160	149	159	170
<i>Of which :</i>					
Beef	104	139	120	123	137
Pork	137	201	205	192	206
Poultry	212	178	161	204	212
Milk	147	139	146	154	143
(Percentage share of agricultural production)					
Crop production	33.2	35.8	38.8	36.2	36.9
Fruit growing	5.4	6.4	7.7	5.5	6.2
Viticulture	7.0	8.6	7.5	5.4	8.5
Totals	100.0	100.0	100.0	100.0	100.0
Socialized sector	29.7	25.0	19.6	18.9	...
Private sector	70.3	75.0	80.4	81.1	...

Source: Statistical Office.

1/ There was not yet any production of sugar beets in the years 1969-71.

Table 21. Slovenia: Primary Energy Production and Consumption, 1992-96

	Unit 1/	1992	1993	1994	1995	1996
<b>I. Coal (all coals, including anthracite and coke)</b>						
Production	1,000 tons	5,573	5,121	4,854	4,884	4,768
	1,000 TJ	60	54	50	51	49
Imports	1,000 tons	192	358	308	419	490
	1,000 TJ	3	6	6	8	8
Exports	1,000 tons	51	9	6	3	2
	1,000 TJ	1	0	0	0	0
Consumption	1,000 tons	5,714	5,470	5,155	5,299	5,024
	1,000 TJ	62	60	56	59	54
<b>II. Crude petroleum</b>						
Production	1,000 tons	2	2	2	2	1
	1,000 TJ	0	0	0	0	0
Imports	1,000 tons	500	481	340	496	455
	1,000 TJ	22	21	15	21	20
Available for refining	1,000 tons	502	483	342	498	482
	1,000 TJ	22	21	15	21	21
<b>III. Natural gas</b>						
Production	mil. Nm <sup>3</sup>	17	13	13	18	13
	1,000 TJ	1	1	0	1	0
Imports	mil. Nm <sup>3</sup>	703	697	740	878	840
	1,000 TJ	24	24	25	30	29
Consumption	1,000 TJ	25	24	26	31	29
<b>IV. Hydroelectric power</b>						
Potential	1,000 TJ	12	11	12	12	13
<b>V. Nuclear energy</b>						
Production	1,000 TJ	0	0	0	0	0
Imports	1,000 TJ	41	41	48	50	50
Consumption	1,000 TJ	41	41	48	50	50
VI. Wood	1,000 TJ	10	10	10	10	10
<b>Total primary energy (I+II+III+IV+V+VI)</b>						
Production	1,000 TJ	83	75	73	73	72
Imports	1,000 TJ	90	92	94	109	105
Exports	1,000 TJ	1	0	0	0	0
Consumption	1,000 TJ	172	167	167	182	163

Source: Data provided by the Milan Vidmar Institute.

1/ TJ = terajoules.

Table 22. Slovenia: Secondary Energy Production and Consumption, 1992-96

	1992	1993	1994	1995	1996
	(In thousands of terajoules)				
Electric energy					
Production 1/	33.6	35.0	33.6	34.2	32.7
Imports	1.2	2.5	1.6	2.7	3.1
Exports	7.7	7.6	8.6	8.6	9.1
Consumption 2/	39.3	40.8	38.9	39.9	40.0
Petroleum products					
Production	28.5	23.9	15.7	25.0	21.7
Imports	47.3	65.2	76.9	75.9	90.7
Exports	1.2	1.9	0.4	1.4	2.3
Consumption	74.6	87.2	92.2	99.5	110.8
Coke (included in coal)					
Imports	1.3	1.2	1.7	1.7	1.8
Consumption	1.3	1.2	1.7	1.7	1.9
Imports	24.0	23.8	25.2	29.9	0.0
Total secondary energy					
Production	62.1	58.9	49.3	59.2	54.5
Imports	48.5	67.7	78.5	78.5	95.6
Exports	8.9	9.5	9.0	10.0	11.4
Consumption 2/	114.0	128.0	131.2	139.4	152.6
Total energy					
Primary Production 3/	82.7	75.3	72.7	73.1	72.3
Imports	138.0	159.2	172.4	187.3	201.0
Exports	9.6	9.6	9.0	10.0	11.4
Consumption 4/	211.0	224.7	236.1	250.3	261.9
	(In percent)				
Memorandum item:					
Energy imports/consumption	65.4	70.9	73.0	74.8	76.7

Source: Data provided by the Milan Vidmar Institute.

1/ Thermal and nuclear only; hydroelectric power is included in Primary Energy Production.

2/ Including hydroelectric energy.

3/ Secondary production is included in primary production.

4/ Total energy consumption is not equal to the sum of primary + secondary consumption due to transformation (e.g., crude petroleum is consumed as secondary energy).

Table 23. Slovenia: Distribution of Enterprises by Sector and Ownership, 1992-96

Activities:	Total 1/					Social					Private					Cooperative				
	1992	1993	1994	1995	1996	1992	1993	1994	1995	1996	1992	1993	1994	1995	1996	1992	1993	1994	1995	1996
Total	20,302	27,902	30,941	33,609	35,786	2,635	2,524	2,479	2,317	1,916	16,404	23,907	27,179	29,978	32,243	169	257	41	36	35
Manufacturing, mining and electricity supply	3,433	4,356	4,541	4,875	5,071	971	962	879	813	660	2,228	3,126	3,403	3,783	4,034	12	16	3	4	4
Agriculture and fishing	335	433	311	326	350	90	68	45	44	34	151	227	249	269	293	87	127	9	5	6
Forestry and hunting	117	72	57	59	59	68	20	17	17	14	32	33	39	41	42	15	17			
Water management	12	12	12	14	13	10	10	10	12	10	2	2	2	2	2					
Construction	1,098	1,554	1,655	1,857	2,015	198	184	171	153	126	839	1,300	1,427	1,645	1,805	15	17	5	4	4
Transport and communication	493	757	864	983	1,089	101	76	70	67	52	366	644	769	887	994	7	12	5	5	4
Trade	4,690	6,299	6,674	7,274	7,706	306	294	284	272	205	4,131	5,722	6,126	6,744	7,193	9	12	5	4	5
Hotels and restaurants	723	1,027	1,152	1,291	1,424	132	152	144	127	115	526	802	939	1,096	1,236					
Crafts and personal services	1,455	2,016	2,137	2,239	2,365	191	188	163	145	109	1,210	1,774	1,928	2,043	2,180	16	13	1	1	1
Community services	249	328	320	346	376	112	120	120	121	111	91	133	155	177	203	3	35	8	7	6
Financial and business services	7,697	11,048	12,155	13,120	13,976	456	450	437	410	362	6,828	10,144	11,267	12,258	13,111	5	8	3	5	4
Education and culture 2/	...	...	936	1,050	1,119	...	...	91	82	67	...	...	806	923	995	...	...	...	...	...
Health and work 2/	...	...	127	175	223	...	...	48	54	51	...	...	69	110	155	...	...	...	...	...

Source: Agency for Payments, Supervision, and Information.

1/ Includes the number of enterprises with mixed ownership.

2/ Includes only profit-making companies.

Table 24. Slovenia. Distribution of Enterprises by Size in 1996

	Number of employees per enterprise	Revenue per employee (In thousands of tolar)	Wages per employee (In thousands of tolar)	Net Profits (In millions of tolar)	Number of enterprises	Revenues (In percent)	Exports/revenues (In percent)	Capital/capital and liabilities (In percent)
Total	14	12,146	1,376	121,764	33,786	100.0	22.4	54.6
Large	336	12,543	1,507	74,880	852	63.2	27.7	61.2
Medium	49	11,085	1,352	19,610	1,578	15.2	16.4	48.0
Small	3	11,847	1,032	27,274	33,356	21.5	10.8	33.2
Agriculture	26	8,827	1,396	1,420	422	100.0	8.4	65.6
Large	249	8,933	1,440	1,037	31	71.5	10.0	66.7
Medium	76	7,057	1,432	181	29	16.1	3.0	71.5
Small	3	11,898	982	202	362	12.4	6.2	43.3
Industry	37	9,619	1,299	45,514	7,086	100.0	37.5	58.8
Large	411	10,447	1,381	33,398	463	78.1	41.8	62.5
Medium	70	7,288	1,204	6,131	590	11.8	28.2	47.9
Small	5	7,759	950	5,985	6,033	10.0	14.5	30.5
Services	7	15,815	1,480	74,830	28,278	100.0	10.2	50.2
Large	246	17,378	1,784	40,444	358	50.5	10.3	59.0
Medium	36	15,898	1,524	13,299	959	18.0	10.3	47.4
Small	3	13,785	1,072	21,087	26,961	31.5	9.9	33.8

Source: Agency for Payments, Supervision, and Information.

Table 25. Slovenia: Distribution of Enterprises by Ownership in 1996

Activities		Number of employees per enterprise	Revenue per employee (In thousands of tolar)	Net profits (In millions of tolar)	Number of enterprises	Revenues (In percent)	Exports/ Revenues (In percent)
Total	Total	13	12,146	121,764	35,786	100.0	22.4
	Social	123	10,140	38,689	1,916	42.2	23.1
	Private	3	16,310	40,282	32,243	31.1	14.6
	Cooperative	6	11,981	8	35	0.0	5.8
	Mixed	77	12,339	42,785	1,592	26.6	30.4
Agriculture	Total	26	8,827	1,420	422	100.0	8.4
	Social	152	8,242	1,066	58	75.3	8.2
	Private	2	16,144	186	337	11.9	5.9
	Cooperative	1	48,648	2	6	0.2	6.3
	Mixed	67	8,721	166	21	12.7	12.1
Industry	Total	37	9,619	45,514	7,086	100.0	37.5
	Social	185	9,289	17,370	786	53.2	33.0
	Private	7	10,965	12,655	5,839	17.4	29.0
	Cooperative	18	10,310	5	8	0.1	1.2
	Mixed	173	9,537	15,484	453	29.4	50.6
Services	Total	7	15,815	74,830	28,278	100.0	10.2
	Social	77	11,852	20,254	1,072	32.0	10.4
	Private	3	19,516	27,440	26,067	43.2	9.8
	Cooperative	2	14,694	1	21	0.0	15.3
	Mixed	38	17,600	27,135	1,118	24.7	10.6

Source: Agency for Payments, Supervision, and Information.



Table 26. Slovenia: Labour Force, Employment, Unemployment, 1992-96 1/

	1992	1993	1994	1995	1996
Total employment and water supply	789,630	765,783	751,512	747,647	744,809
Agriculture, forestry, fishing	15,371	13,820	12,399	9,150	8,548
Mining	9,989	9,427	8,993	8,344	7,632
Manufacturing, mining, electricity, gas, water supply	282,104	256,731	244,787	232,256	219,558
Electricity, gas, and water supply	11,792	11,762	11,515	11,807	11,995
Construction	36,463	32,180	32,499	31,067	31,975
Wholesale, retail, certain repair	71,985	68,162	64,671	67,593	65,979
Hotels and restaurants	17,082	15,445	14,891	14,340	14,043
Transport, storage, communication	44,766	42,038	37,547	34,768	32,418
Financial intermediation	13,200	13,097	13,266	14,106	15,082
Real estate, renting, business activities	27,389	26,443	22,793	26,833	27,965
Public administration	26,485	35,122	37,024	38,479	40,403
Education and culture	34,232	35,999	37,063	48,012	49,425
Health and social services	51,608	51,555	52,336	42,972	43,717
Other services	14,499	14,797	15,543	12,683	12,912
Employees in small nonagricultural sector	33,157	36,553	41,840	47,558	53,530
Self-employed in small nonagricultural sector	43,988	47,132	48,825	52,159	54,107
Farmers	55,520	55,520	55,520	55,520	55,520
Register unemployment	102,593	129,087	127,056	121,483	119,799
Total active population	892,223	894,870	878,568	869,130	864,607
	(In percent)				
Total employment	100.0	100.0	100.0	100.0	100.0
Agriculture, forestry, fishing	1.9	1.8	1.6	1.2	1.1
Mining	1.3	1.2	1.2	1.1	1.0
Manufacturing, mining, electricity, gas	35.7	33.5	32.6	31.1	29.5
Electricity, gas, water supply	1.5	1.5	1.5	1.6	1.6
Construction	4.6	4.2	4.3	4.2	4.3
Wholesale, retail, certain repair	9.1	8.9	8.6	9.0	8.9
Hotels and restaurants	2.2	2.0	2.0	1.9	1.9
Transport, storage and communication	5.7	5.5	5.0	4.7	4.4
Financial intermediation	1.7	1.7	1.8	1.9	2.0
Real estate, renting, business activities	3.5	3.5	3.0	3.6	3.8
Public administration	3.4	4.6	4.9	5.1	5.4
Education and culture	4.3	4.7	4.9	6.4	6.6
Health and social services	6.5	6.7	7.0	5.7	5.9
Other services	1.8	1.9	2.1	1.7	1.7
Employees in small non-agricultural sector	4.2	4.8	5.6	6.4	7.2
Self-employed in small non-agricultural sector	5.6	6.2	6.5	7.0	7.3
Farmers	7.0	7.3	7.4	7.4	7.5
Memorandum items:					
Unemployment rate					
Registered	11.5	14.4	14.5	14.0	13.9
ILO	8.3	9.1	9.0	7.4	7.3
Job vacancies (average)	6,861	9,067	12,572	12,935	13,100

Sources: Statistical Office and Institute for Macroeconomic Analysis and Development.

Table 27. Slovenia: Nominal and Real Average Monthly Net Wage Per Worker in the Enterprise and Public Sectors, 1993-July 1997

		Net Average Monthly Wage (nominal)		Net Average Monthly Wage (real) 1/	
		Tolars month	Percent change 2/	Index 1990=100	Percent change 2/
1993		46,826	52.0	94.3	14.3
1994		60,089	28.3	100.0	6.1
1995		71,279	18.6	104.6	4.6
1996		81,830	14.8	109.3	4.5
1994	January	53,310	28.3	96.4	6.2
	February	55,714	23.1	99.5	2.6
	March	56,230	28.0	99.0	6.8
	April	57,066	29.3	98.1	6.1
	May	58,006	32.5	98.6	9.8
	June	58,453	30.5	97.9	7.3
	July	59,273	27.9	97.9	4.4
	August	60,647	29.0	99.4	5.2
	September	62,530	28.7	100.8	5.3
	October	65,284	31.0	103.5	8.3
	November	66,363	27.1	103.3	5.4
	December	68,306	23.9	105.9	4.2
1995	January	68,198	27.9	103.1	7.0
	February	68,202	22.4	101.9	2.4
	March	69,633	23.8	103.7	4.8
	April	69,068	21.0	103.0	5.1
	May	70,949	22.3	104.7	6.2
	June	70,416	20.5	103.4	5.6
	July	71,007	19.8	104.2	6.3
	August	71,856	18.5	105.8	6.4
	September	71,364	14.1	103.9	3.1
	October	73,232	12.2	106.1	2.5
	November	75,445	13.7	107.8	4.4
	December	76,163	11.5	107.8	1.7
1996	January	76,314	11.9	106.5	3.3
	February	76,414	12.0	105.4	3.4
	March	76,552	9.9	104.0	0.3
	April	79,351	14.9	106.2	3.1
	May	80,585	13.6	107.3	2.5
	June	80,573	14.4	107.0	3.5
	July	83,588	17.7	110.8	6.3
	August	83,133	15.7	110.8	4.8
	September	83,863	17.5	111.3	7.1
	October	85,732	17.1	112.7	6.2
	November	87,145	15.5	114.1	5.8
	December	88,905	16.7	115.4	7.1
1997	January	87,835	15.1	112.6	5.7
	February	87,070	13.9	110.8	5.2
	March	88,010	15.0	111.5	7.2
	April	89,234	12.5	111.7	5.2
	May	90,298	12.1	111.2	3.7
	June	90,806	12.7	111.9	4.5
	July	91,664	9.7	112.3	1.3

Source: Statistical Office.

1/ Average net personal income deflated by the consumer price index.

2/ Change from corresponding period of preceding year.

Table 28. Slovenia: Average Monthly Net Wage By Sector, 1992-June 1996

	1992	1993	1994	1995	1996 June
Enterprise sector 1/	29,314	43,991	57,125	67,346	75,055
<i>Of which:</i>					
Industry (including mining)	27,029	40,305	52,735	61,909	68,636
Agriculture 2/	31,834	47,834	60,341	72,941	84,281
Construction	25,538	39,193	51,960	61,529	70,696
Transport	35,871	50,946	66,471	78,022	86,419
Trade	31,938	48,271	60,605	70,732	78,163
Catering, tourism	29,686	46,676	61,690	71,058	78,519
Handicrafts	25,712	38,291	49,994	58,399	64,794
Housing services	28,578	45,213	57,606	67,883	74,238
Financial, other services	38,819	58,891	78,201	93,683	102,959
Public sector	36,949	56,802	69,618	83,264	96,571
Education and culture	37,117	55,925	68,913	82,888	94,943
Health, social security	34,340	52,302	64,874	77,694	90,971
Government	41,456	64,500	76,941	91,019	105,601
Total	30,813	46,826	60,089	71,279	80,573
		(percentage change)			
Enterprise sector 1/	...	50.1	29.9	17.9	12.8
<i>Of which:</i>					
Industry (including mining)	...	49.1	30.8	17.4	11.6
Agriculture 2/	...	50.3	26.1	20.9	19.7
Construction	...	53.5	32.6	18.4	15.6
Transport	...	42.0	30.5	17.4	13.0
Trade	...	51.1	25.6	16.7	12.0
Catering, tourism	...	57.2	32.2	15.2	13.6
Handicrafts	...	48.9	30.6	16.8	11.5
Housing services	...	58.2	27.4	17.8	11.7
Financial, other services	...	51.7	32.8	19.8	12.5
Public sector	...	53.7	22.6	19.6	17.3
Education and culture	...	50.7	23.2	20.3	15.2
Health, social security	...	52.3	24.0	19.8	18.9
Government	...	55.6	19.3	18.3	17.6
Total	...	52.0	28.3	18.6	14.4
Memorandum items:					
Retail price index	201.3	32.3	19.8	12.6	9.8
Consumer price index	207.3	32.9	21.0	13.5	9.9

Source: Statistical Office.

1/ Includes socially-owned, state-owned and private enterprises with fewer than 3 employees.

2/ Includes forestry and water supply.

Table 29. Slovenia: Ownership Structure, 1992-96

	1992	1993	1994	1995	1996 #
(Number of enterprises)					
Socially owned	2,897	2,912	2,479	1,828	1,458 #
Privately owned	31,882	34,926	27,179	30,266	33,306 #
Cooperatives	226	276	41	278	293 #
Mixed	1,443	1,483	1,242	1,109	1,127 #
Total	36,448	39,597	30,941	33,481	36,184 #
(In percent)					
Socially owned	7.9	7.4	8.0	5.5	4.0 #
Privately owned	87.5	88.2	87.8	90.4	92.0 #
Cooperatives	0.6	0.7	0.1	0.8	0.8 #
Mixed	4.0	3.7	4.0	3.3	3.1 #
Total	100.0	100.0	100.0	100.0	100.0 #

Source: Statistical Office.

1/ Number of enterprises: economically active only

2/ Number of employees: source BPOZ

Table 30. Slovenia: Registered Unemployment and Job Vacancies, 1993-97

	1993	1994	1995	1996	1997 1/
1 Average annual number of registered unemployment	129.1	127.1	121.5	119.8	123.1
<i>Of which</i> (in percent):					
Women	43.3	44.9	46.6	48.1	48.8
Under 26	37.4	33.5	32.2	31.4	30.1
Unskilled	45.3	45.8	46.7	47.0	48.1
Over 40	28.2	32.4	34.1	36.6	39.7
Unemployed more than one year	53.0	59.0	62.1	56.2	55.8
Those receiving unemployment benefit	43.1	42.1	30.3	30.3	33.3
2 Job vacancies (monthly average)	9.1	12.6	12.9	13.1	10.1
Average number of unemployed per job vacancy (1/2)	14.2	10.1	9.4	9.1	12.1
3 Average annual number of foreigners with work permits	31.5	35.0	39.1	40.4	40.4
Per 100 person in employment (in percent)	3.8	4.3	4.8	4.9	4.9
Registered unemployment flows balance					
4.1 Number of registered unemployed at the beginning of the year	118.2	137.1	123.5	126.8	124.5
4.2 First-time job-seekers	25.8	22.3	24.3	21.1	20.3
4.3 Redundant	71.9	55.6	55.4	65.4	61.3
Per 100 of persons in employment (in percent)	8.8	6.8	6.7	8.0	7.5
4.4 Total unemployed registered during the year (4.1)+(4.2)+(4.3)	215.9	215.1	203.2	213.2	206.0
4.5 <i>Of which</i> : Those who found employment	60.0	74.6	60.0	54.6	61.8
Per 100 of persons in employment (in percent)	7.3	9.1	7.3	6.7	7.6
4.6 Crossed out of register	18.8	17.0	16.4	34.1	17.4
In percent of unemployed registered during the year	8.7	7.9	8.1	16.0	8.5
5 Registered unemployed at the end of year (4.4)-(4.5)-(4.6)	137.1	123.5	126.8	124.5	126.8
6 Labor force, end of period	892.5	871.4	873.6	864.6	872.8
Rate of registered unemployment at the end of year (5/6, in percent)	15.4	14.2	14.5	14.4	14.5

Sources: National Employment Office, Statistical Office, and Institute for Macroeconomic Analysis and Development.

1/ Per March 31.

Table 31. Slovenia: Output and Employment in Industry, 1993-96

(Annual percentage change)

	1992	1993	1994	1995	1996
Industrial production	-13.2	-2.8	6.4	2.0	1.0
Employment	-6.0	-8.5	-4.5	-4.9	-5.2
Labour productivity	-7.6	6.3	11.5	7.2	6.6
Industrial producer prices	215.7	21.6	17.7	12.8	6.8

Source: Statistical Office of the Republic of Slovenia.

Table 32. Slovenia: Price Developments, 1993-August 1997  
(Percentage change)

	Retail prices				Industrial Producer Prices		Agricultural Producer Prices		Cost of Living		
	Annual Growth	Monthly Growth	Controlled Sectors	Uncontrolled Sectors	Annual Growth	Monthly Growth	Annual Growth	Monthly Growth	Annual Growth	Monthly Growth	
	1993	32.3	1.7	0.7	1.0	21.6	1.4	18.7	1.4	32.9	1.7
1994	19.8	1.4	0.4	1.0	17.7	1.4	24.7	1.5	21.0	1.5	
1995	12.6	0.7	...	...	12.8	0.6	13.3	0.6	13.5	0.7	
1996	9.7	0.7			6.8	0.5	10.8	1.0	9.9	0.7	
1993	March	42.5	1.4	0.1	1.3	27.7	-0.2	18.6	-0.1	43.3	1.6
	June	26.2	1.5	0.6	0.9	14.4	1.9	4.4	3.5	25.1	0.6
	September	24.0	1.7	0.4	1.4	13.6	1.2	16.5	-0.2	24.0	2.1
	December	22.9	1.5	0.5	1.0	18.6	2.4	18.8	-0.1	22.8	1.8
1994	March	19.5	1.1	0.1	1.0	19.9	0.5	26.0	1.0	19.9	1.5
	June	20.5	1.6	0.5	1.1	23.8	1.3	36.7	3.5	21.8	1.5
	September	19.9	1.5	0.6	0.9	19.1	1.6	18.9	-0.5	22.1	1.7
	December	18.3	1.1	0.5	0.6	18.2	1.5	20.0	1.0	19.5	0.9
1995	March	16.8	0.5	0.0	0.6	16.6	0.7	20.8	-0.3	18.3	0.4
	June	12.6	0.8	0.5	0.3	13.7	0.2	10.7	-2.3	14.1	0.5
	September	10.9	1.3	0.9	0.5	10.9	1.1	6.2	0.2	10.7	1.0
	December	8.6	0.7	0.1	0.5	7.9	1.2	7.8	3.1	13.5	1.0
1996	January	8.5	1.0	0.1	0.9	7.1	0.3	2.9	-0.3	8.4	1.4
	February	8.4	0.9	0.6	0.9	7.6	1.1	5.9	2.1	8.4	1.2
	March	9.3	1.3	0.6	1.2	6.8	-0.1	8.4	2.1	9.6	1.6
	April	10.7	1.2	0.1	0.6	7.1	0.4	10.4	2.2	11.4	1.4
	May	10.9	0.7	0.0	0.3	6.5	-0.7	11.0	0.5	10.8	0.6
	June	10.6	0.5	0.1	0.3	7.0	0.7	12.8	2.4	10.5	0.2
	July	10.7	0.5	0.1	0.4	7.4	0.4	10.5	-4.1	10.7	0.3
	August	10.3	0.1	...	...	7.3	0.3	10.9	0.0	10.4	-0.6
	September	9.4	0.5	...	...	6.8	0.6	15.2	3.7	9.7	0.4
	October	9.7	0.8	...	...	6.7	1.2	15.1	1.3	10.2	0.9
	November	8.6	0.4	...	...	5.9	0.4	11.8	0.4	9.2	0.5
	December	8.8	0.7	...	...	5.8	1.1	12.9	3.2	9.0	0.8
1997	January	9.0	1.1	...	...	5.8	0.3	11.1	-0.8	8.9	1.3
	February	8.5	0.4	...	...	5.4	0.7	7.6	-1.4	8.4	0.7
	March	7.4	0.3	...	...	5.0	-0.5	5.0	-0.1	7.2	0.5
	April	8.2	2.0	...	...	5.0	0.4	2.0	-0.7	7.0	1.2
	May	8.9	1.3	...	...	6.2	0.4	2.4	1.0	8.1	1.6
	June	8.8	0.4	...	...	6.2	0.8	1.7	2.1	7.8	0.0
	July	9.4	1.0	...	...	5.9	0.1	10.9	3.1	8.1	0.6
	August	9.6	0.3	...	...	5.8	0.2	...	...	9.0	0.2

Source: Statistical Office.

Table 33. Slovenia: Coverage of Enterprise Losses, 1992-96  
(In millions of dinars/tolars)

	1992	1993	1994 1/	1995 1/	1996 1/
Loss in current year	169,168	115,943	119,870	136,362	180,934
Uncovered losses from previous year	34,876	133,722	181,586	254,008	306,819
Total loss to be covered	204,044	249,665	301,456	390,370	487,753
Loss covered by nonreimbursable funds	6,805	23,641	...	...	...
Subsidy	3,334	37	...	...	...
Claims written off	82	412	...	...	...
Joint and own reserve funds	1,088	6,891	...	...	...
Equity write-off	2,301	16,300	...	...	...
Uncovered loss for the current and previous year	197,239	226,024	...	...	...

Source: Income statements, Agency for Payments, Supervision, and Information.

1/ Data from 1994, 1995, and 1996 financial statements are not comparable with data for previous years (change in accounting method).



Table 34. Slovenia: Consolidated General Government Operations, 1993-97  
(In percent of GDP)

	1993 Actual	1994 Actual	1995 Actual	1996 Actual	1997 Projection
Total revenue	47.0	45.9	45.7	45.2	44.9
Tax revenue	22.0	23.9	23.9	24.7	25.2
<i>Of which:</i>					
Corporate income	0.5	0.8	0.6	0.9	1.2
Personal income	6.8	6.9	6.6	6.8	6.7
Sales	11.1	12.4	13.0	13.2	13.7
Customs duties	3.6	3.5	3.5	3.0	2.1
Social security contributions	20.9	18.7	18.4	16.6	15.7
<i>Of which:</i>					
Pension Fund	12.4	11.8	11.7	9.9	9.0
Health Fund	7.1	6.3	6.2	6.5	6.5
Non-tax revenue	3.9	3.1	3.0	3.5	3.5
<i>Of which:</i>					
Interest receipts	0.5	0.6	0.3	0.3	0.3
Capital revenue	0.2	0.1	0.1	0.0	0.1
Revenue from privatization	0.0	0.0	0.4	0.4	0.5
Total expenditure	46.7	46.1	45.7	44.9	46.4
Central government	21.0	20.2	20.4	19.5	20.7
<i>Of which:</i>					
Wages	5.7	4.8	6.4	6.7	7.2
Social transfers	4.1	3.9	3.4	3.4	4.0
Transfers to business sector	3.0	2.3	2.5	2.0	2.0
Interest payments	1.3	1.5	1.1	1.2	1.2
Capital expenditure	2.8	3.4	3.1	2.4	2.4
Local government	5.2	5.3	4.6	4.9	4.9
Pension Fund	13.0	13.4	13.6	13.4	13.5
Health Fund	7.5	7.1	6.9	6.8	6.8
Solidarity Fund	0.1	0.1	0.0	0.0	0.0
Privatization	0.0	0.0	0.2	0.4	0.5
Overall balance	0.3	-0.2	0.0	0.3	-1.5
Financing (net)	-0.3	0.2	0.0	-0.3	1.5
Foreign	0.6	0.3	0.3	0.9	0.6
Domestic	-0.9	-0.1	-0.3	-1.1	0.9

Source: Ministry of Finance.

Table 35. Slovenia: General Government Revenue, 1993-97

(In billions of tolar)

	1993 Actual	1994 Actual	1995 Actual	1996		1997 1/	
				Budget	Actual	Estimate	Outturn Jan.-Oct.
Total revenue (consolidated)	674.8	849.8	1,015.4	1,109.5	1,153.8	1,290.9	1,041.2
Central government	319.9	421.1	520.7	576.6	613.8	710.0	560.4
Tax revenue	273.8	389.9	481.1	539.6	570.0	661.6	521.8
Corporate income tax	6.7	15.0	12.9	14.8	22.3	33.3	28.0
Payroll tax	0.0	5.9	3.8	2.9	18.3	37.5	30.3
Personal income tax	57.4	75.8	101.0	114.3	119.3	134.3	105.6
Sales taxes	158.2	228.9	285.1	319.5	333.7	389.0	302.4
General	103.9	144.9	185.6	207.2	215.2	258.8	200.7
Petroleum	41.7	56.6	67.0	75.9	84.5	95.0	73.2
Tobacco and alcohol	11.2	25.9	32.5	36.5	34.0	35.2	28.6
Other taxes	1.5	1.5	0.0	0.0	0.0	8.2	6.5
Customs duties	51.5	64.3	78.2	88.1	76.6	59.3	48.9
Contributions	21.1	11.0	9.1	4.0	4.9	4.8	3.9
Unemployment	21.1	9.9	7.3	2.0	2.8	2.4	2.0
Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Maternity leave	0.0	1.1	1.8	2.0	2.1	2.4	1.9
Non-tax revenue	25.0	20.2	30.5	33.1	38.9	43.6	34.7
Registration, road charges	7.4	5.8	6.4	7.3	7.2	8.6	6.8
Fees and charges	5.0	6.9	13.5	15.3	14.8	17.6	13.9
Bank of Slovenia profit transfers	3.6	1.0	0.0	0.0	0.0	0.0	0.0
Interest income	1.5	3.2	1.9	1.5	1.7	1.1	1.3
Other	4.4	3.4	8.8	9.1	15.2	16.3	12.7
Capital revenue	3.1	0.0	0.0	0.0	0.0	0.0	0.0
Extrabudgetary funds							
Pension Fund revenue	207.0	260.9	308.4	344.7	352.3	409.6	348.0
<i>Of which:</i>							
Pension Fund contributions	192.4	238.5	283.7	296.2	280.2	290.3	238.0
Health Fund revenue	109.4	125.0	145.7	168.1	176.4	197.1	160.3
<i>Of which:</i>							
Health Fund contributions	87.6	98.3	116.1	134.8	139.9	156.4	128.2
Solidarity Fund contributions	2.1	2.1	0.0	0.0	0.0	0.0	0.0
Local governments	75.6	100.7	108.9	114.3	131.0	143.1	117.5
<i>Of which:</i>							
Income taxes	40.6	52.4	46.6	51.9	55.4	57.0	49.8
Revenue from privatization	0.0	0.0	8.6	8.0	10.4	14.7	14.7

Source: Ministry of Finance.

1/ The 1997 estimates of the central government accounts are identical to the accepted budget.

Table 36. Slovenia: General Government Revenue, 1993-97

(In percent of GDP)

	1993	1994	1995	1996		1997 1/
	Actual	Actual	Actual	Budget	Actual	Estimate
Total revenues (consolidated)	47.0	45.9	45.7	44.6	45.2	44.9
Central government	22.3	22.7	23.4	23.1	24.0	24.7
Tax revenue	19.1	21.0	21.7	21.8	22.3	23.0
Corporate income tax	0.5	0.8	0.6	0.6	0.9	1.2
Payroll tax	0.0	0.3	0.1	0.1	0.7	1.3
Personal income tax	4.0	4.1	4.5	4.7	4.7	4.7
Sales	11.0	12.4	12.8	12.8	13.1	13.5
General	7.2	7.8	8.4	8.3	8.4	9.0
Petroleum	2.9	3.1	3.0	3.0	3.3	3.3
Tobacco and alcohol	0.8	1.4	1.5	1.4	1.3	1.2
Other	0.1	0.1	0.0	0.0	0.0	0.3
Custom duties	3.6	3.5	3.5	3.6	3.0	2.1
Contributions	1.5	0.6	0.4	0.2	0.2	0.2
Unemployment contribution	1.5	0.5	0.3	0.1	0.1	0.1
Health contribution	0.0	0.0	0.0	0.0	0.0	0.0
Maternity leave	0.0	0.1	0.1	0.1	0.1	0.1
Non-tax revenue	1.7	1.1	1.4	1.3	1.5	1.5
Registration, road charges	0.5	0.3	0.3	0.3	0.3	0.3
Fees and charges	0.3	0.4	0.6	0.6	0.6	0.6
Bank of Slovenia profit transactions	0.2	0.1	0.0	0.0	0.0	0.0
Interest income	0.1	0.2	0.1	0.1	0.1	0.0
Other	0.3	0.2	0.4	0.4	0.6	0.6
Capital revenues	0.2	0.0	0.0	0.0	0.0	0.0
Extrabudgetary funds						
Pension Fund revenue	14.4	14.1	13.9	13.9	13.8	14.3
<i>Of which:</i>						
Pension Fund contributions	13.4	12.9	12.8	11.9	11.0	10.1
Health Fund revenue	7.6	6.7	6.6	6.8	6.9	6.9
<i>Of which:</i>						
Health Fund contributions	6.1	5.3	5.2	5.4	5.5	5.4
Solidarity Fund contributions	0.1	0.1	0.0	0.0	0.0	0.0
Local government	5.3	5.4	4.9	4.6	5.1	5.0
<i>Of which:</i>						
Income taxes	2.8	2.8	2.1	2.1	2.2	2.0
Revenues from privatization	0.0	0.0	0.4	0.3	0.4	0.5

Source: Ministry of Finance.

1/ The 1997 estimates of the central government accounts are identical to the accepted budget.

Table 37. Slovenia: General Government Expenditure, 1993-97

(In billions of tolar)

	1993	1994	1995	1996		1997 1/	
	Actual	Actual	Actual	Budget	Actual	Estimate	Outturn Jan.-Oct.
Total expenditure (consolidated)	670.2	854.0	1,016.0	1,089.9	1,147.1	1,334.2	1,049.0
Central government	323.5	413.1	502.2	538.3	597.5	743.7	586.0
Current expenditures	278.8	345.6	426.7	471.9	524.6	662.8	535.6
Wages	81.5	89.5	142.9	149.9	171.6	206.0	170.5
Other goods and services	17.2	24.7	36.9	30.1	42.5	48.1	37.0
Transfers to individuals	59.3	73.9	76.5	90.8	88.5	116.0	93.1
Transfers to nonprofit organizations	29.1	36.4	31.5	35.7	36.4	46.9	30.2
Transfers to Pension Fund	6.4	16.1	19.9	44.2	67.1	111.7	104.9
Interest	18.7	28.0	24.9	32.5	30.4	34.1	29.3
Domestic	13.7	21.0	19.1	21.7	20.9	20.1	18.5
Foreign	4.9	7.0	5.8	10.7	9.6	14.0	10.8
Payments of guarantees	4.1	3.7	0.9	2.0	2.2	1.4	1.2
Transfers to enterprises	31.5	30.1	36.4	29.3	29.8	37.3	24.6
Transfers to local communities	13.4	19.0	24.7	25.4	23.0	28.0	20.6
Refugees	2.1	2.4	2.2	1.5	1.9	1.7	1.1
Other	15.4	21.9	30.1	30.6	31.2	31.6	23.2
Capital expenditures	43.0	67.1	75.1	63.4	72.0	80.4	50.1
Budget reserves	1.8	0.4	0.4	3.1	1.0	0.5	0.3
Extrabudgetary funds							
Pension Fund	201.6	267.3	325.8	361.0	369.7	419.6	348.7
Health Insurance Fund	107.6	131.9	153.2	168.1	173.6	197.0	157.9
Solidarity Fund	2.1	2.1	0.0	0.0	0.0	0.0	0.0
Local budgets	75.1	99.2	103.8	112.8	125.6	142.9	106.9
Expenditure of revenues from privatization	0.0	0.0	4.9	11.5	11.0	14.8	6.4
Memorandum item:							
Defense expenditures	20.9	24.5	31.7	29.8	32.0	n.a.	n.a.

Source: Ministry of Finance.

1/ The 1997 estimates of the central government accounts are identical to the accepted budget.

Table 38. Slovenia: General Government Expenditure, 1993-97

(In percent of GDP)

	1993	1994	1995	1996		1997 1/
	Actual	Actual	Actual	Budget	Actual	Estimate
Total expenditure (consolidated)	46.7	46.1	45.7	43.8	44.9	46.4
Central government	22.5	22.3	22.6	21.6	23.4	25.9
Current expenditure	19.4	18.7	19.2	18.9	20.5	23.1
Wages	5.7	4.8	6.4	6.0	6.7	7.2
Other goods and services	1.2	1.3	1.7	1.2	1.7	1.7
Transfers to individuals	4.1	4.0	3.4	3.7	3.5	4.0
Transfers to nonprofit organizatio	2.0	2.0	1.4	1.5	1.4	1.5
Transfers to Pension Fund	0.4	0.9	0.9	1.7	2.6	3.9
Interest	1.3	1.5	1.1	1.3	1.2	1.2
Domestic	1.0	1.1	0.9	0.9	0.8	0.7
Foreign	0.3	0.4	0.3	0.4	0.4	0.5
Payments of guarantees	0.3	0.2	0.0	0.1	0.1	0.0
Transfers to enterprises	2.2	1.6	1.6	1.2	1.2	1.3
Transfers to communities	0.9	1.0	1.1	1.0	0.9	1.0
Refugees	0.1	0.1	0.1	0.1	0.1	0.1
Other	1.1	1.2	1.4	1.2	1.2	1.1
Capital expenditure	3.0	3.6	3.4	2.6	2.9	2.8
Budget reserves	0.1	0.0	0.0	0.1	0.0	0.0
Extrabudgetary funds						
Pension Fund	14.0	14.4	14.7	14.5	14.5	14.6
Health Insurance Fund	7.5	7.1	6.9	6.8	6.8	6.9
Local government	5.2	5.4	4.7	4.6	4.9	5.0
Solidarity Fund	0.1	0.1	0.0	0.0	0.0	0.0
Expenditure of revenue from privatization	0.0	0.0	0.2	0.5	0.4	0.5
Memorandum item:						
Defense expenditures	1.5	1.3	1.5	1.2	1.4	n.a.

Source: Ministry of Finance.

1/ The 1997 estimates of the central government accounts are identical to the accepted budget.

Table 39. Slovenia: Central Government Expenditure on  
Restructuring Programs, 1993–97

	1993	1994	1995	1996	1997
(In billions of tolar)					
Total	60.5	70.6	73.9	88.3	93.9
Banks	9.7	15.5	14.6	18.5	14.1
Enterprises	11.7	11.6	11.5	14.9	15.9
Social safety net 1/	35.3	37.4	34.5	34.6	41.4
Active programs	15.4	12.9	12.2	8.4	9.0
Passive programs	19.9	24.6	22.3	26.2	32.4
Amortization of debt 1/	3.7	6.1	13.2	20.3	22.5
(In percent of GDP)					
Total	4.2	3.8	3.4	3.6	3.3
Banks	0.7	0.8	0.7	0.9	0.5
Enterprises	0.8	0.6	0.5	0.6	0.6
Social safety net 1/	2.5	2.0	1.6	1.4	1.5
Active programs	1.1	0.7	0.6	0.4	0.3
Passive programs	1.4	1.3	1.0	1.0	1.1
Amortization of debt 1/	0.3	0.3	0.6	0.8	0.8
(In percent of total expenditure) 2/					
Total	9.0	8.3	7.3	7.5	7.1
Banks	1.5	1.8	1.4	1.4	1.1
Enterprises	1.7	1.4	1.1	1.3	1.2
Social safety net 1/	5.3	4.4	3.4	3.0	3.1
Active programs	2.3	1.5	1.2	0.8	0.7
Passive programs	3.0	2.9	2.2	2.2	2.4
Amortization of debt	0.5	0.7	1.3	1.8	1.7

Source: Ministry of Finance.

1/ Related to restructuring programs only.

2/ Consolidated.

Table 40. Slovenia: Social Security Contribution Rates, 1992-96  
(In percent of gross wage)

	1992	1993	1994	1995	1996
Pension and disability insurance	28.8	30.8	31.0	31.0	24.4
Employees	14.4	15.4	15.5	15.5	15.5
Employers	14.4	15.4	15.5	15.5	8.9
Obligatory health insurance	18.2	13.8	12.8	12.7	13.3
Employees	8.7	6.6	6.1	6.1	6.4
Employers	9.5	7.2	6.6	6.6	6.9
Unemployment insurance	3.4	3.4	1.3	0.8	0.2
Employees	1.7	1.7	0.6	0.4	0.1
Employers	1.7	1.7	0.6	0.4	0.1
Maternity leave	0.0	0.0	0.2	0.2	0.2
Employees	0.0	0.0	0.1	0.1	0.1
Employers	0.0	0.0	0.1	0.1	0.1
Total	50.4	48.0	45.2	44.7	38.0
Employees	24.8	23.7	22.4	22.1	22.1
Employers	25.6	24.3	22.9	22.6	15.9

Source: Ministry of Finance.

Table 41. Slovenia: Monetary Survey, 1993-June 1997

	1993			1994			1995			1996			1997	
	March	June	Dec.	March	June	Dec.	March	June	Dec.	March	June	Dec.	March	June
(In billions of tolar, end of period)														
Net foreign assets	99.0	269.3		278.5	292.8	312.6	335.1	345.6	398.5	454.2	457.3		494.5	553.0
Bank of Slovenia	102.5	189.1		192.5	215.8	221.6	250.3	232.9	227.5	314.6	329.6		385.9	455.4
Deposit Money Banks	-3.4	80.2		86.0	76.9	91.0	84.8	112.7	171.0	139.6	127.7		108.5	97.6
Net domestic assets	333.9	353.9		378.3	420.1	429.5	470.6	496.8	489.1	448.7	520.3		514.9	485.4
Claims on government (net)	162.9	164.0		166.2	168.5	164.4	193.1	213.6	152.5	125.8	178.6		192.2	179.3
Claims on National Bank of Yugoslavia	52.6	51.7		50.7	46.0	44.1	30.1	31.0	30.7	30.7	31.1		31.2	31.0
Claims on non-bank financial institutions	2.0	5.0		5.1	5.9	5.5	11.5	7.5	8.0	10.4	8.3		8.7	10.4
Claims on enterprises	261.2	325.9		345.6	387.3	402.5	433.6	467.8	504.0	494.2	509.6		514.9	519.8
Claims on private sector	55.3	92.1		100.5	117.8	142.7	167.5	176.6	198.0	204.8	207.4		209.7	223.6
Bonds	69.4	120.5		121.6	134.1	142.8	171.7	158.4	130.5	189.1	215.5		271.4	306.4
Restricted deposits	9.9	12.1		14.1	14.8	13.9	12.9	16.0	19.7	15.1	17.9		20.1	19.7
Other items (net)	120.9	152.2		154.1	156.6	172.9	180.4	225.2	253.9	213.0	181.2		150.3	152.7
M1	98.0	140.6		131.2	158.5	156.5	176.9	163.6	179.5	177.0	202.4		200.3	219.8
Currency in circulation	32.7	47.3		42.8	52.2	54.0	60.0	55.8	61.9	59.5	66.8		69.1	70.0
Demand deposits	64.4	92.2		87.2	105.0	101.1	115.5	106.6	116.2	115.7	133.9		129.1	147.8
Other	0.9	1.1		1.2	1.2	1.3	1.4	1.2	1.5	1.8	1.6		2.0	2.0
M2 (= M1 + tolar deposits)	235.9	386.4		415.6	450.2	460.9	489.1	501.4	541.7	547.4	608.3		642.4	675.7
Of which: Tolar Deposits	138.0	245.8		284.5	291.7	304.5	312.3	337.8	362.3	370.4	405.9		442.2	455.9
M3 (= M2 + foreign currency deposits)	432.9	623.2		656.8	712.9	742.1	805.8	842.4	887.6	902.9	977.6		1009.4	1038.4
Of which: Foreign currency deposits	197.0	236.8		241.2	262.7	281.2	316.6	341.0	345.9	355.5	369.3		366.9	362.7
(Annual percentage change)														
M1 growth	40.9	43.5		41.6	48.3	44.2	25.8	24.7	13.2	13.1	14.5		22.4	22.5
M2 growth	58.8	63.8		69.9	57.4	52.7	26.6	20.6	20.3	18.8	24.4		28.1	24.7
M3 growth	62.0	43.9		44.2	41.9	40.5	29.3	28.3	24.5	21.7	21.3		19.8	17.0
(In percent)														
Contributions to M3 growth														
Net foreign assets	22.1	39.3		33.6	25.7	15.9	10.6	10.2	14.8	19.1	15.2		17.7	17.4
Net domestic assets	39.9	4.6		10.6	16.2	24.6	18.7	18.0	9.7	2.6	6.2		2.1	-0.4
(In percentage points)														
Contributions to M3 growth														
Net foreign assets	35.6	89.5		76.1	61.4	39.3	36.1	36.2	60.5	88.1	71.1		89.2	102.4
Net domestic assets	64.4	10.5		23.9	38.6	60.7	63.9	63.8	39.5	11.9	28.9		10.8	-2.4

Source: Data provided by the Bank of Slovenia according to IFS classification.



Table 42. Slovenia: Balance Sheet of the Bank of Slovenia, 1993-June 1997

	1993			1994			1995			1996			1997		
	March	June	Dec.	March	June	Dec.	March	June	Dec.	March	June	Dec.	March	June	
Foreign assets	104.0	190.1	193.3	216.5	222.3	250.9	233.4	227.9	315.0	329.8	386.0	455.4			
<i>Of which:</i>															
Convertible foreign exchange	101.5	174.8	177.5	197.5	201.8	227.2	205.9	221.4	309.5	322.6	376.3	446.6			
Investment in foreign treasury bills	6.7	11.6	12.3	15.3	18.0	26.3	30.0	34.0	42.3	54.7	68.2	94.2			
Claims on central government	18.8	15.6	15.6	15.5	15.7	15.3	15.5	15.8	15.7	15.5	15.8	16.1			
Claims on deposit money banks	16.0	29.9	19.5	18.2	31.8	43.1	43.4	28.2	43.2	15.7	14.0	18.5			
<i>Of which:</i>															
Lombard	0.4	0.0	0.0	0.0	0.0	0.1	0.3	0.3	0.3	0.2	1.0	0.9			
Liquidity loans	13.6	13.8	14.4	11.2	9.7	7.7	10.3	5.1	0.6	1.3	0.6	0.3			
Repurchase agreements	1.5	12.6	3.9	5.6	11.3	16.8	18.6	16.0	18.4	13.6	11.3	11.7			
Assets = Liabilities	138.8	235.6	228.4	250.2	269.8	309.2	292.4	271.9	373.9	361.0	415.8	490.0			
Reserve money	51.3	80.5	78.3	90.9	91.4	100.8	99.9	104.5	102.2	116.6	117.3	127.4			
<i>Of which:</i>															
Currency outside banks	32.7	47.3	42.8	52.2	54.0	60.0	55.8	61.9	59.5	66.8	69.1	70.0			
Deposit money banks' cash	2.1	3.6	3.4	4.1	3.6	4.3	3.7	4.2	4.1	5.0	4.9	4.8			
Deposit money banks' deposits	15.6	28.5	30.9	33.4	32.5	35.2	39.2	37.0	36.7	43.1	41.3	50.7			
Bonds	50.4	99.8	99.0	107.3	110.9	126.7	116.1	93.9	151.6	178.4	232.4	264.0			
Import and restricted deposits	0.4	1.8	1.0	1.0	0.9	1.9	1.1	0.5	0.7	0.8	0.8	0.8			
Foreign liabilities	1.5	0.9	0.8	0.6	0.7	0.5	0.5	0.4	0.4	0.2	0.0	0.0			
Central government deposits	6.0	27.4	23.6	24.6	37.7	47.5	33.8	30.4	77.9	22.3	14.5	43.1			
Capital accounts	29.3	27.2	22.6	22.6	26.8	31.8	38.6	39.7	39.8	43.3	50.3	50.4			
<i>Of which:</i> SDR allocation	4.6	4.7	4.5	4.4	4.5	4.8	5.0	5.1	4.9	5.2	5.4	5.5			
Other items (net)	-0.1	-2.0	3.2	3.1	1.5	0.0	2.3	2.7	1.4	-0.6	0.5	4.1			
Memorandum items:															
Reserve money	51.3	80.5	78.3	90.9	91.4	100.8	99.9	104.5	102.2	116.6	117.3	127.4			
Net foreign assets	102.5	189.1	192.5	215.8	221.6	250.3	232.9	227.5	314.6	329.6	385.9	455.4			
Net domestic assets	-51.2	-108.5	-114.2	-124.9	-130.3	-149.5	-133.0	-123.0	-212.5	-213.0	-268.6	-328.0			
							(Annual percentage change)								
Reserve money growth	38.2	56.9	71.0	56.3	62.3	25.2	27.6	14.9	11.8	15.7	17.5	22.0			
Contributions to growth	85.4	169.0	195.2	137.4	118.6	76.0	51.6	12.8	101.7	78.6	153.3	218.1			
Net foreign assets	-47.2	-111.8	-124.1	-81.1	-56.2	-51.0	-24.0	2.0	-90.0	-63.0	-135.8	-196.2			
Net domestic assets															

Source: Data provided by the Bank of Slovenia according to IFS classification.

Table 43. Slovenia: Balance Sheet of Deposit Money Banks, 1993-June 1997  
(In billions of tolar, end of period)

	1993			1994			1995			1996			1997	
	March	June	Dec.	March	June	Dec.	March	June	Dec.	March	June	Dec.	March	June
Reserves	55.4	114.5	146.6	117.5	120.3	121.9	146.6	138.3	126.1	170.9	209.0	265.0	304.1	
Currency	2.1	3.6	4.3	3.4	4.1	3.6	4.3	3.7	4.2	4.1	5.0	4.9	4.8	
Deposits with central bank	53.3	110.9	142.3	114.1	116.2	118.3	142.3	134.6	122.0	166.7	204.0	260.1	299.4	
Foreign assets	136.2	239.3	271.7	235.8	238.8	257.1	271.7	314.2	339.9	332.5	334.0	302.2	284.8	
Claims on nonresident banks	130.4	202.7	226.5	199.3	198.4	216.3	226.5	261.6	282.3	276.2	289.6	253.1	232.3	
Claims on nonresident nonbanks	5.7	36.6	45.2	36.4	40.4	40.8	45.2	52.6	57.6	56.4	44.5	49.1	52.5	
Claims on central government	208.1	255.2	315.5	254.3	257.9	278.0	315.5	321.5	309.9	315.2	319.4	326.9	344.2	
Government securities	188.7	224.9	264.6	224.6	225.8	232.7	264.6	268.0	271.2	274.7	278.7	285.0	287.8	
Loans and advances	19.4	30.2	50.9	29.7	32.2	45.3	50.9	53.5	38.7	40.5	40.7	41.9	56.4	
Claims on National Bank of Yugoslavia	52.6	51.7	30.1	50.7	46.0	44.1	30.1	31.0	30.7	30.7	31.1	31.2	31.0	
Claims on private sector	316.5	417.5	594.1	445.6	504.8	544.8	594.1	644.3	701.9	698.8	716.8	724.4	743.3	
Businesses (corporate)	261.2	325.9	433.6	345.6	387.3	402.5	433.6	467.8	504.0	494.2	509.6	514.9	519.8	
Private households	55.2	91.6	160.5	100.0	117.5	142.3	160.5	176.5	197.9	204.6	207.2	209.5	223.4	
Claims on nonmonetary financial institutions	2.0	5.0	11.5	5.1	5.9	5.5	11.5	7.5	8.0	10.4	8.3	8.7	10.4	
Assets = Liabilities	771	1,083	1,369	1,109	1,174	1,251	1,369	1,457	1,517	1,559	1,619	1,658	1,718	
Deposit liabilities	399.3	574.8	744.4	612.8	659.4	686.8	744.4	785.4	824.3	841.6	909.1	938.2	966.4	
Demand deposits	64.4	92.2	115.5	87.2	105.0	101.1	115.5	106.6	116.2	115.7	133.9	129.1	147.8	
Foreign currency deposits	197.0	236.8	316.6	241.2	262.7	281.2	316.6	341.0	345.9	355.5	369.3	366.9	362.7	
Time deposits	103.7	198.6	251.4	232.2	229.7	243.4	251.4	271.9	290.8	298.9	334.5	363.2	368.2	
Savings deposits	29.9	41.9	54.7	47.0	56.3	55.4	54.7	59.6	65.1	65.8	65.2	73.2	81.8	
Margin deposits	4.3	5.4	6.3	5.3	5.7	5.7	6.3	6.3	6.4	5.7	6.2	5.8	6.0	
Money market instruments	16.4	12.5	27.0	13.0	15.3	17.7	27.0	22.8	16.7	17.5	13.2	14.3	14.4	
Bonds	2.6	8.3	18.1	9.5	11.5	14.3	18.1	19.5	20.0	19.9	23.8	24.7	28.0	
Import and restricted deposits	9.5	10.3	11.0	13.1	13.8	13.0	11.0	14.9	19.3	14.4	17.0	19.4	18.9	
Foreign liabilities	139.6	159.2	186.9	149.8	161.9	166.2	186.9	201.5	168.9	192.9	206.4	193.7	187.2	
Nonresident banks	114.7	128.6	146.9	119.2	125.7	129.0	146.9	161.6	128.4	149.5	156.2	141.4	134.6	
Nonresident nonbanks	24.9	30.5	40.0	30.6	36.2	37.2	40.0	39.9	40.5	43.5	50.1	52.2	52.6	
Central government deposits	57.9	79.0	83.3	79.7	80.0	91.4	83.3	89.7	142.8	127.2	134.0	136.0	137.9	
Government lending funds	2.4	4.9	8.3	6.1	6.2	7.0	8.3	9.1	11.0	11.6	12.3	14.9	13.1	
Credit from the central bank	15.5	29.6	41.7	19.3	18.0	30.1	41.7	38.3	28.5	42.5	15.3	13.7	18.2	
Liabilities to nonmonetary financial institutions	9.9	14.7	27.3	16.5	19.0	17.2	27.3	30.4	33.1	38.6	44.6	45.5	64.4	
Capital accounts	151.1	233.3	274.4	235.5	242.9	260.1	274.4	293.1	298.3	303.3	299.1	310.3	323.9	
Other items (net)	-33.5	-43.3	-52.9	-46.6	-54.3	-52.3	-52.9	-48.0	-46.2	-51.1	-56.2	-52.2	-54.5	

Source: Data provided by the Bank of Slovenia according to IFS classification.

Table 44. Slovenia: Selected Interest Rates, 1993-June 1997 1/  
(Annualized, in percent)

	1993	1994			1995			1996			1997		
		March	June	Sept.	Dec.	March	June	Sept.	Dec.	March	June		
Interbank market rate													
Real 2/	12.8	8.3	4.4	...	...	...	...	...	...	...	...	...	
Nominal	39.1	29.0	16.0	7.3	9.3	15.9	...	15.5	18.0	10.5	10.2	9.8	9.6
Deposit rates													
Demand deposits													
Time deposits (31-90 days)													
Real	9.4	8.3	4.7	1.5	2.4	5.3	...	1.4	1.4	1.4	1.4	1.4	1.0
Nominal	7.9	7.8	7.2	6.2	6.2	6.2	...	4.8	4.9	4.9	4.9	4.9	3.7
Time deposits (over 1 year)	33.0	28.1	19.2	10.1	12.9	20.8	...	17.8	18.4	11.5	11.2	13.9	12.9
Real	11.2	11.0	10.4	9.4	9.5	9.4	...	7.2	7.2	7.2	7.1	7.1	6.2
Nominal	37.1	31.9	22.7	13.5	16.3	24.4	...	20.6	21.0	13.9	13.6	16.3	15.6
Foreign exchange deposits	6.5	5.2	5.4	4.7	4.8	4.2	...	3.1	3.0	3.1	3.0	2.9	3.0
Lending rates													
Short term													
Real	20.4	16.9	15.2	13.8	12.6	12.5	...	11.8	11.6	11.6	11.5	11.1	10.1
Nominal	48.6	38.9	28.0	18.0	19.7	28.0	...	25.8	26.0	18.6	18.3	20.7	19.8
Long term													
Real	21.2	17.3	16.7	15.2	14.2	13.6	...	12.8	12.7	12.6	12.5	12.2	11.3
Nominal	49.6	39.4	29.7	19.5	21.3	29.2	...	26.9	27.2	19.7	19.3	21.8	21.2
Consumer credits													
Real	19.3	16.3	14.2	12.7	12.1	11.7	...	10.6	10.6	10.8	10.3	9.9	8.6
Nominal	47.2	38.2	26.9	16.9	19.1	27.1	...	24.4	24.9	17.8	17.0	19.3	18.2
Bank of Slovenia interest rates													
Lombard rate	21.3	17.2	17.0	11.0	11.0	11.0	...	11.0	11.0	11.0	11.0	11.0	11.0
Penalty rate													
Real 2/	25.8	25.0	25.0	...	...	...	...	...	...	...	...	...	...
Nominal	55.3	48.5	38.9	32.8	24.3	31.8	...	30.5	30.9	24.3	24.1	26.6	26.9
Liquidity loans (overnight)													
Real 2/	9.0	5.8	5.0	...	...	...	...	...	...	...	...	...	...
Nominal	34.4	25.7	16.7	9.0	8.5	10.5	...	10.5	13.0	13.0	10.5	10.5	10.5
Tolar bills (14 days)													
Real 2/	8.8	8.0	5.5	...	...	...	...	...	...	...	...	...	...
Nominal	34.2	28.3	17.2	6.5	5.5	5.5	...	5.5	6.0	6.0	5.0	5.0	5.0
Foreign exchange bills (60 days)	6.7	5.2	4.7	4.2	3.9	3.8	...	3.2	3.3	3.0	3.1	3.1	3.0

Source: Bank of Slovenia.

1/ Nominal rates are calculated by adding a "revaluation clause" to the real component. The revaluation clause is calculated on the basis of past inflation (one-month through May 1995, average of 3 months through January 1996, average of 4 months through November 1996, average of 6 months through April 1997, and average of 12 months thereafter).

2/ Interest rates on financial assets with less than one-month maturity began to be determined in nominal terms in May 1995.

Table 45. Slovenia: Balance of Payments, 1993-July 1997

	1993	1994	1995	1996	1997 July
	(In millions of U.S. dollars)				
Current account	191.9	600.1	-22.8	39.0	-84.2
Trade balance	-154.2	-337.5	-954.3	-881.7	-575.0
Exports f.o.b.	6,082.9	6,830.3	8,350.2	8,370.0	4890.5
Imports f.o.b.	-6,237.1	-7,167.8	-9,304.5	-9,251.7	-5465.6
Services	375.3	675.8	631.1	704.2	369.2
Exports	1,392.7	1,804.3	2,022.9	2,126.9	1149.8
<i>Of which:</i>					
Transportation	446.2	486.3	504.8	480.4	247.9
Travel	734.1	911.3	1,082.4	1,229.9	667.8
Construction	0.0	125.1	135.5	93.6	47.7
Imports	-1,017.3	-1,128.5	-1,391.8	-1,422.6	-780.6
Income	-51.4	169.6	209.5	154.9	75.6
Receipts	114.7	334.3	439.0	419.5	136.5
Expenditures	-166.0	-164.7	-229.4	-264.6	-14.5
Current transfers	22.2	92.2	90.8	61.6	46.0
Capital and financial account 1/	-202.0	-737.0	170.4	-34.3	141.9
Capital account	4.1	-4.4	-17.9	-4.6	-2.0
Capital transfers	4.7	-2.8	-15.6	-2.1	-0.9
Nonproduced nonfinancial assets	-0.6	-1.6	-2.3	-2.5	-1.0
Financial account 1/	-206.1	-732.6	188.2	-29.7	143.9
Direct investment	111.3	131.0	170.5	179.5	205.9
Portfolio investment	3.1	-32.5	-13.5	638.0	226.2
Other investment	-209.2	-188.7	266.7	-260.6	680.7
Assets	-313.5	-353.5	-348.8	-401.5	500.9
Commercial credits	93.3	-0.1	0.0	-170.1	-4.4
Loans	11.5	-12.1	-14.4	-5.1	-39.4
Currency and deposits	-383.7	-231.5	-181.9	-387.7	559.4
Other assets	-34.6	-109.9	-152.5	161.4	-14.6
Liabilities	104.3	164.9	615.4	140.9	179.8
Commercial credits	-13.0	-11.1	-3.7	12.3	2.6
Loans	161.2	333.4	572.2	-11.7	153.0
Deposits	-40.3	19.8	39.2	59.2	24.4
Other liabilities	-3.7	-177.2	7.7	81.1	-0.2
Official reserves (increase -)	-111.3	-642.4	-235.4	-586.6	-969.0
Net errors and omissions	10.1	136.9	-147.6	-4.7	-56.4
	(Percentage change)				
Memorandum items:					
Merchandise exports 2/	-9.0	12.3	22.3	0.2	-1.4
Merchandise imports 2/	5.9	14.9	29.8	-0.6	-0.1
Tourism receipts	9.4	24.1	18.8	13.6	...
	(In percent of GDP)				
Trade balance	-1.2	-2.3	-5.1	-4.8	...
Current account	1.5	4.2	-0.1	0.2	...
Capital and financial account 1/ 3/	-1.6	-5.1	0.9	-0.2	...
Change in official reserves	0.9	4.5	1.3	3.2	...
GDP (in billions of US\$)	12.7	14.4	18.7	18.6	...

Source: Bank of Slovenia.

1/ Excludes Slovenia's share of debt associated with the 1988 New Financing Agreement as settled in June 1996.

2/ Data for 1997 are compared to Jan.-July 1996.

3/ Includes net errors and omissions.

Table 46. Slovenia: Direction of Trade, Exports, 1993-July 1997

	1993	1994	1995	1996	1997 Jan.-July
(In millions of U.S. dollars)					
EU 1/	3,847	4,480	5,575	5,367	3,187
<i>Of which:</i>					
Austria	303	373	535	551	323
France	528	586	681	598	291
Germany	1,798	2,068	2,508	2,545	1,473
Italy	756	923	1,212	1,103	762
United Kingdom	148	208	229	162	89
EFTA 1/	65	75	87	83	50
<i>Of which:</i>					
Switzerland	52	58	71	68	41
CEFTA	261	308	403	451	261
Czech and Slovak Republics	86	113	184	204	115
Hungary	88	99	115	105	64
Poland	87	96	105	142	82
Others	1,910	1,965	2,251	2,410	1,377
<i>Of which:</i>					
U.S.A.	216	250	261	246	143
former U.S.S.R.	298	316	375	390	774
countries of former SFRY	964	1,040	1,209	1,385	227
Total	6,083	6,828	8,316	8,310	4,875
(In percent)					
EU 1/	63.2	65.6	67.0	64.6	65.4
<i>Of which:</i>					
Austria	5.0	5.5	6.4	6.6	6.6
France	8.7	8.6	8.2	7.2	6.0
Germany	29.6	30.3	30.2	30.6	30.2
Italy	12.4	13.5	14.6	13.3	15.6
United Kingdom	2.4	3.0	2.8	1.9	1.8
EFTA 1/	1.1	1.1	1.0	1.0	1.0
<i>Of which:</i>					
Switzerland	0.9	0.8	0.9	0.8	0.8
CEFTA	4.3	4.5	4.8	5.4	5.4
Czech and Slovak Republics	1.4	1.7	2.2	2.5	2.4
Hungary	1.4	1.4	1.4	1.3	1.3
Poland	1.4	1.4	1.3	1.7	1.7
Others	31.4	28.8	27.1	29.0	28.2
<i>Of which:</i>					
U.S.A.	3.6	3.7	3.1	3.0	2.9
former U.S.S.R.	4.9	4.6	4.5	4.7	15.9
countries of former SFRY	15.8	15.2	14.5	16.7	4.7
Total	100.0	100.0	100.0	100.0	100.0

Sources: Statistical Office; and Bank of Slovenia.

1/ Former EFTA countries are included in EU data.

Table 47. Slovenia: Composition of Exports, F.O.B., 1993–July 1997

	1993	1994	1995	1996	1997 Jan.-July
	(In millions of U.S. dollars)				
Food and live animals	239	274	263	264	139
Beverages and tobacco	45	50	51	72	40
Crude materials, edible, except fuels	108	131	171	139	98
Mineral fuels, lubricants, and related materials	313	76	99	77	50
Animal and vegetable oils and fats	7	7	7	9	7
Chemicals	552	706	871	881	528
Manufactured goods classified by material	1,586	1,866	2,373	2,277	1,311
Machinery and transport equipment	1,664	2,067	2,614	2,773	1,675
Miscellaneous manufactured goods	1,557	1,636	1,848	1,815	1,026
Others	11	14	18	1	1
Total 1/	6,083	6,828	8,316	8,310	4,875
	(In percent)				
Food and live animals	3.9	4.0	3.2	3.2	2.9
Beverages and tobacco	0.7	0.7	0.6	0.9	0.8
Crude materials, edible, except fuels	1.8	1.9	2.1	1.7	2.0
Mineral fuels, lubricants, and related materials	5.2	1.1	1.2	0.9	1.0
Animal and vegetable oils and fats	0.1	0.1	0.1	0.1	0.1
Chemicals	9.1	10.3	10.5	10.6	10.8
Manufactured goods classified by material	26.1	27.3	28.5	27.4	26.9
Machinery and transport equipment	27.4	30.3	31.4	33.4	34.4
Miscellaneous manufactured goods	25.6	24.0	22.2	21.8	21.0
Others	0.2	0.2	0.2	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0

Source: Statistical Office.

1/ These totals may differ from those compiled by the Bank of Slovenia for balance of payments.

Table 48. Slovenia: Decomposition of U.S. Dollar Export Values, 1993–July 1997

	1993	1994	1995	1996	1997 Jan.–July 1/
	(Index: 1993=100)				
Total export value	100.0	112.2	136.7	136.6	137.4
Price	100.0	107.0	129.4	130.4	119.7
<i>Of which:</i>					
Inter-currency valuation	100.0	101.2	110.6	107.8	97.8
Partner country prices	100.0	105.7	117.0	121.0	122.4
Volume	100.0	104.9	105.6	104.8	114.7
	(Percent change)				
Total export value	-8.9	12.2	21.8	-0.1	0.6
Price	0.0	7.0	20.9	0.8	-8.2
<i>Of which:</i>					
Inter-currency valuation	-5.8	1.2	9.3	-2.5	-9.3
Partner country prices	6.2	5.7	10.7	3.4	1.2
Volume	-9.2	4.9	0.7	-0.8	9.5

Source: Bank of Slovenia, Statistical Office.

1/ In 1997, percentage change with respect to the same period in the previous year.

Table 49. Slovenia: Direction of Trade, Imports, 1993–July 1997

	1993	1994	1995	1996	1996 January-July	1997
	(In millions of U.S. dollars)					
EU 1/	4,266	5,052	6,532	6,360	3,697	3,767
<i>Of which:</i>						
Austria	553	756	919	835	492	454
France	522	613	798	925	502	598
Germany	1,626	1,734	2,206	2,044	1,212	1,159
Italy	1,051	1,258	1,611	1,593	927	931
United Kingdom	103	130	190	208	118	138
EFTA 1/	135	188	237	249	155	124
<i>Of which:</i>						
Switzerland	127	154	199	178	109	97
CEFTA	331	451	634	616	343	394
Czech and Slovak Republics	152	236	329	329	191	197
Hungary	165	193	267	239	125	166
Poland	14	22	38	48	27	32
Others	1,769	1,613	2,089	2,197	1,241	1,304
<i>Of which:</i>						
Japan	125	126	157	163	97	104
U.S.A.	188	197	291	325	174	170
former U.S.S.R.	217	169	275	236	138	166
countries of former SFRY	696	584	671	709	401	348
Total imports	6,501	7,304	9,492	9,421	5,436	5,589
	(In percent)					
EU 1/	65.6	69.2	68.8	67.5	68.0	67.4
<i>Of which:</i>						
Austria	8.5	10.4	9.7	8.9	9.1	8.1
France	8.0	8.4	8.4	9.8	9.2	10.7
Germany	25.0	23.7	23.2	21.7	22.3	20.7
Italy	16.2	17.2	17.0	16.9	17.1	16.7
United Kingdom	1.6	1.8	2.0	2.2	2.2	2.5
EFTA 1/	2.1	2.6	2.5	2.6	2.9	2.2
<i>Of which:</i>						
Switzerland	2.0	2.1	2.1	1.9	2.0	1.7
CEFTA	5.1	6.2	6.7	6.5	6.3	7.0
Czech and Slovak Republics	2.3	3.2	3.5	3.5	3.5	3.5
Hungary	2.5	2.6	2.8	2.5	2.3	3.0
Poland	0.2	0.3	0.4	0.5	0.5	0.6
Others	27.2	22.1	22.0	23.3	22.8	23.3
<i>Of which:</i>						
Japan	1.9	1.7	1.7	1.7	1.8	1.9
U.S.A.	2.9	2.7	3.1	3.4	3.2	3.0
former U.S.S.R.	3.3	2.3	2.9	2.5	2.5	3.0
countries of former SFRY	10.7	8.0	7.1	7.5	7.4	6.2
Total imports	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Statistical Office; and Bank of Slovenia.

1/ Former EFTA countries are included in EU data.



Table 50. Slovenia: Composition of Imports, C.I.F., 1993–July 1997

	1993	1994	1995	1996	1997 Jan.-July
	(In millions of U.S. dollars)				
Food and live animals	478	555	637	637	351
Beverages and tobacco	44	47	61	60	32
Crude materials, edible, except fuels	345	473	620	476	284
Mineral fuels, lubricants, and related materials	700	521	624	755	448
Animal and vegetable oils and fats	23	30	38	39	23
Chemicals	750	891	1,145	1,125	677
Manufactured goods classified by materials	1,147	1,419	1,876	1,856	1,130
Machinery and transport equipments	1,969	2,324	3,205	3,175	1,910
Miscellaneous manufactured goods	783	800	1,009	1,289	731
Others	262	245	277	10	5
Total 1/	6,501	7,304	9,492	9,421	5,591
	(In percent)				
Food and live animals	7.4	7.6	6.7	6.8	6.3
Beverages and tobacco	0.7	0.6	0.6	0.6	0.6
Crude materials, edible, except fuels	5.3	6.5	6.5	5.1	5.1
Mineral fuels, lubricants, and related materials	10.8	7.1	6.6	8.0	8.0
Animal and vegetable oils and fats	0.4	0.4	0.4	0.4	0.4
Chemicals	11.5	12.2	12.1	11.9	12.1
Manufactured goods classified by materials	17.7	19.4	19.8	19.7	20.2
Machinery and transport equipments	30.3	31.8	33.8	33.7	34.2
Miscellaneous manufactured goods	12.0	10.9	10.6	13.7	13.1
Others	4.0	3.4	2.9	0.1	0.1
Total	100.0	100.0	100.0	100.0	100.0

Source: Statistical Office of the Republic of Slovenia.

1/ These totals may differ from those compiled by the Bank of Slovenia for balance of payments.

Table 51. Slovenia: Decomposition of U.S. Dollar Import Values, 1993–July 1997

	1993	1994	1995	1996	1997 Jan.-July 1/
(Index: 1993=100)					
Total import value	100.0	112.4	146.0	144.9	147.4
Price	100.0	102.0	119.2	117.9	108.7
<i>Of which:</i>					
Inter-currency valuation	100.0	101.0	109.1	106.8	97.7
Partner country prices	100.0	101.0	109.3	110.4	111.3
Volume	100.0	110.2	122.5	122.9	135.6
(Percent change)					
Total import value	5.8	12.4	29.9	-0.8	0.03
Price	-10.0	2.0	16.9	-1.1	-7.8
<i>Of which:</i>					
Inter-currency valuation	-5.6	1.0	8.0	-2.1	-8.5
Partner country prices	-4.7	1.0	8.2	1.0	0.8
Volume	17.8	10.2	11.2	0.4	10.3

Sources: Bank of Slovenia and Statistical Office .

1/ In 1997, percentage change with respect to the same period in the previous year.

Table 52. Slovenia: Services Balance, 1993–July 1997

(In millions of U.S. dollars)

	1993	1994	1995	1996	1997 Jan.–July
Services, net	375	676	631	704	369
Credit	1,393	1,804	2,023	2,127	1,150
Transport	446	486	505	480	248
Travel	734	911	1,082	1,230	668
Tourism	734	911	1,082	1,230	668
Communications services	5	13	12	14	9
Construction services	0	125	136	94	48
Insurance services	1	1	1	1	0
Financial services	7	7	8	11	6
Computer and information services	5	5	12	29	20
Royalties and license fees	4	3	4	6	3
Other business services	185	244	247	242	136
Operational leasing services	30	11	13	11	5
Merchandising	46	81	109	123	72
Miscellaneous business, professions, and technical services	109	153	125	108	60
Personal, cultural, and recreational services	6	6	5	9	6
Government services	1	3	11	11	5
Other services	0	0	0	0	0
Debit	-1,017	-1,129	-1,392	1,423	-781
Transport	-389	-418	-435	-405	-194
Travel	-305	-374	-524	-542	-311
Tourism	-245	-314	-461	-479	-278
Communications services	-2	-6	-10	-15	-10
Construction services	0	-3	-24	-36	-25
Insurance services	-2	-1	-2	-2	-1
Financial services	-14	-12	-15	-20	-11
Computer and information services	-18	-19	-27	-31	-20
Royalties and license fees	-13	-16	-23	-27	-18
Other business services	-257	-249	-297	-309	-169
Operational leasing services	-78	-60	-56	379	-18
Merchandising	-69	-69	-78	-79	-48
Miscellaneous business, professions, and technical services	-110	-120	-163	-192	-103
Personal, cultural, and recreational services	-10	-13	-19	-22	-14
Government services	-7	-16	-16	-14	-7
Other services	0	0	0	0	0

Source: Bank of Slovenia.

Table 53. Slovenia: International Liquidity, 1993–July 1997

(In millions of U.S. dollars, end of period)

	1993	1994	1995	1996	1997 July
<b>Bank of Slovenia</b>					
Total reserves minus gold	788	1,499	1,821	2,298	2,945
SDRs	0	0	0	0	0
Reserve position in IMF	18	19	19	19	20
Foreign exchange	770	1,480	1,802	2,279	2,925
Other foreign assets 1/	1	103	170	34	40
Use of IMF credit	-12	-7	-4	-1	...
<b>Commercial banks</b>					
Foreign exchange	797	1,284	1,624	1,851	1,100
Short-term liabilities to financial institutions	-45	-75	-52	-88	-17
Gross foreign exchange reserves 2/	1,567	2,764	3,426	4,130	4,025
<b>Memorandum item:</b>					
Gold 3/	0.13	0.12	0.13	0.12	0.10

Sources: Bank of Slovenia; IMF International Financial Statistics

1/ 1996 reflects the release of assets due to the closing of the fiduciary account in Luxembourg following settlement of the 1988 New Financing Agreement in June.

2/ Foreign exchange reserves include currency, deposits abroad and foreign securities. Balances on fiduciary accounts are included in other foreign assets.

3/ Valued according to national practice.

Table 54. Slovenia: International Investment Position, 1994-96

	1994	1995	1996
	(In millions of dollars)		
Net	141	-232	-1,029
Assets	5,450	6,330	6,856
Direct investment abroad	281	404	366
Portfolio investment	63	108	102
Other investment	3,607	3,992	4,092
Reserve Assets	1,499	1,827	2,297
Liabilities	5,310	6,562	7,885
Direct investment in reporting economy	1,331	1,745	1,934
Portfolio investment	86	112	1,121
Other investment	3,893	4,705	4,830
	(In percent of GDP)		
Net	1.0	-1.2	-5.5
Assets	37.9	33.8	36.4
Direct investment abroad	2.0	2.2	1.9
Portfolio investment	0.4	0.6	0.5
Other investment	25.1	21.3	21.7
Reserve Assets	10.4	9.7	12.2
Liabilities	36.9	35.0	41.8
Direct investment in reporting economy	9.3	9.3	10.3
Portfolio investment	0.6	0.6	5.9
Other investment	27.1	25.1	25.6

Source: Bank of Slovenia.

Table 55. Slovenia: External Debt, 1993–July 1997

	1993	1994	1995	1996	1997 July
	(In millions of U.S. dollars)				
Medium- and long-term 1/	1,744	2,172	2,916	3,960	3,872
Public and publicly guaranteed	1,206	1,331	1,437	2,025	2,078
Official creditors	723	749	702	770	690
Multilateral 2/	442	472	482	541	524
IBRD	129	143	165	153	144
EBRD	1	55	127	158	98
EIB	196	213	235	279	273
IFC	80	49	33	14	...
EUROFIMA	36	39	22	15	9
Bilateral	281	277	220	229	166
Paris Club rescheduled debt	234	218	171	181	124
Austria	23	21	18	13	9
Belgium	3	3	3	3	2
France	33	31	28	22	8
Germany	34	32	27	82	59
Italy	2	8	6	4	3
Netherlands	18	16	14	11	9
Sweden	5	5	6	6	3
Switzerland	12	10	9	6	5
USA	104	92	60	34	26
Paris Club non-rescheduled debt	28	28	0	0	0
Private creditors	483	582	735	1,255	1,388
Bonds	0	0	0	974	1,136
Commercial Banks	470	569	725	275	249
Others	13	13	10	6	3
Private non-guaranteed	538	841	1,479	1,935	1,794
Commercial banks	357	586	1,044	1,432	1,332
Others	181	255	435	503	462
Short-term	117	79	50	49	92
Total outstanding debt	1,873	2,258	2,970	4,010	3,964
	(In percent of GDP)				
Memorandum items:					
Total external debt	14.8	15.7	15.8	21.3	...
Medium- and long-term debt	13.8	15.1	15.6	21.0	...

Source: Bank of Slovenia.

1/ Excludes non-allocated debt of the former SFRY and the IMF through 1995; 1996 excludes non-allocated SFRY debt not yet formally assumed by Slovenia.

2/ Excludes IFC credits from 1995, which are included in private non-guaranteed debt.

Table 56. Slovenia: External Debt Service: Medium- and Long-Term Debt, 1993-July 1997 1/

	1993			1994			1995			1996			1997		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Public and publicly guaranteed	96	79	175	128	62	190	184	74	258	384	92	476	145	69	214
Official creditors	95	59	154	105	54	159	139	60	199	167	48	215	75	28	103
Multilateral	60	44	104	70	42	112	51	40	91	42	40	82	35	23	58
<i>Of which:</i>															
IBRD	16	11	27	24	13	37	21	13	34	20	13	33	18	7	25
Bilateral	35	15	50	35	12	47	88	20	108	125	8	133	40	5	45
<i>Of which:</i>															
Concessional	0	0	0	0	0	0	1	2	3	51	2	53	31	4	35
Private creditors	1	20	21	23	8	31	45	14	59	217	44	261	70	41	111
Commercial banks	0	20	20	20	7	27	41	13	54	52	19	71	38	8	46
Other private	1	0	1	3	1	4	4	1	5	165	25	190	32	33	65
Private non-guaranteed	153	46	199	187	49	236	358	85	443	351	101	452	283	56	339
Commercial banks	140	41	181	179	40	219	201	58	259	240	75	315	219	43	262
Other private	13	5	18	8	9	17	157	27	184	111	26	137	64	13	77
Total	249	125	374	315	111	426	542	159	701	735	193	928	428	125	553
Memorandum item:															
Debt service ratio	3.3	1.7	5.0	3.6	1.3	4.9	5.2	1.5	6.8	7.0	1.8	8.9	...	...	...

(In millions of U.S. dollars)

(In percent of exports of goods and non-factor services)

Source: Bank of Slovenia.

1/ Excludes non-allocated debt of the former SFRY and the IMF through 1995; 1996 excludes non-allocated SFRY debt not yet formally assumed by Slovenia.







