

## Republic of Slovenia: Selected Issues and Statistical Appendix

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INTERNATIONAL MONETARY FUND

REPUBLIC OF SLOVENIA

**Selected Issues and Statistical Appendix**

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Approved by European Department

April 21, 2004

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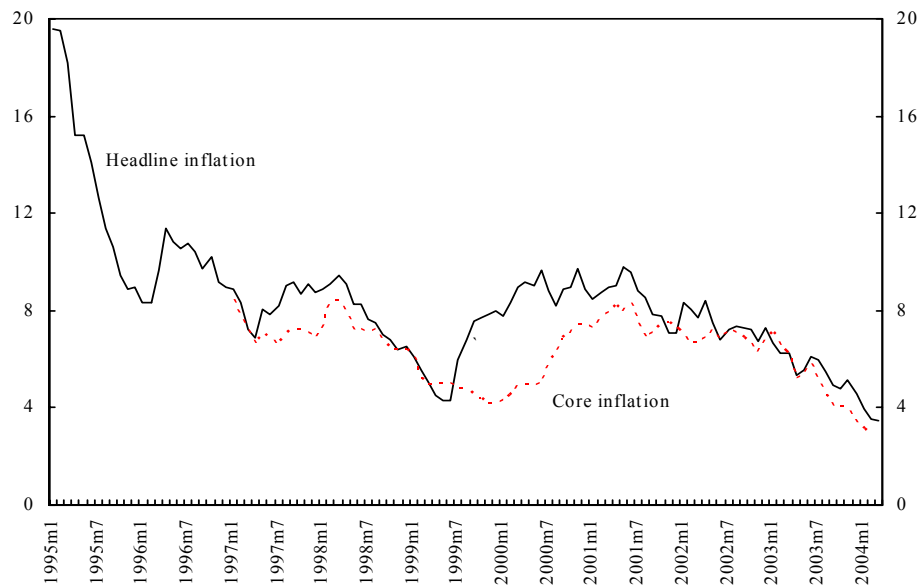
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## I. INFLATION IN SLOVENIA: RECENT DEVELOPMENTS AND OUTLOOK<sup>1</sup>

### A. Background

1. **Inflation in Slovenia was high by the standards of European Union (EU) members throughout the 1990s and early 2000s.** Following independence in 1991, Slovenia rapidly reduced inflation from over 200 percent in 1992 to the single digits in 1996. After a pause in 1997, disinflation continued and, in the first half of 1999, inflation fell to below 5 percent. However, a temporary credit-financed demand boom in anticipation of VAT introduction in mid-1999 led to upward pressure on prices. The inflationary impact of higher indirect taxes, and increases in energy and administered prices spilled over to core inflation, pushing headline inflation close to 10 percent during 2000–01. In the subsequent period, inflation has been on a steady downward path (Figure 1).

Figure 1. Inflation Developments, 1995–2004  
(Year-on-year percent change)



Sources: Statistical Office and Bank of Slovenia.

2. **Until 2001, the authorities pursued an eclectic disinflation strategy that combined a monetary target with a managed floating exchange rate aimed at controlling liquidity by discouraging interest-sensitive capital inflows.** Until they were liberalized beginning of 1999, capital controls were crucial to implementing this framework.

<sup>1</sup> Prepared by Martin Sommer.

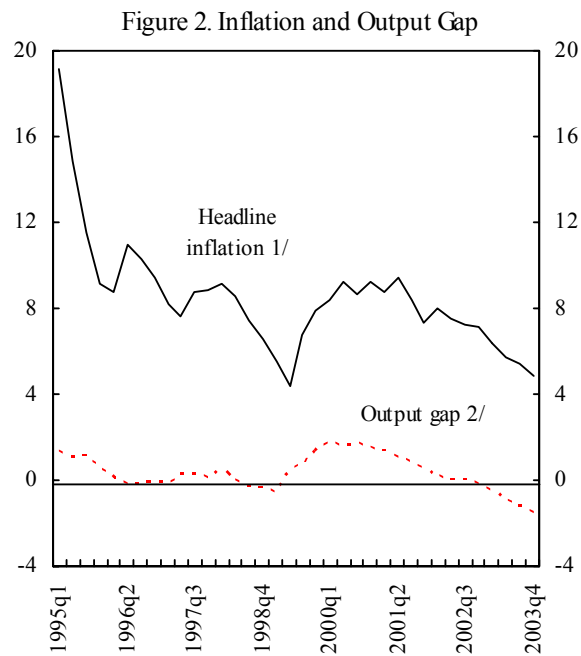
With liberalization of the capital account reducing control over broad money, the Bank of Slovenia (BoS) introduced a new framework for monetary policy in January 2002, whose main innovations were the announcement of a medium-term inflation objective (originally set at 3–4 percent for 2005), and semi-annual publication of BoS inflation forecasts. However, the operational aspects of monetary policy did not change—the BoS continued to target a certain level of real interest rates, closing the risk-adjusted interest rate differential with abroad by exchange rate depreciation. In effect, this monetary framework resulted in broadly stable monetary conditions, and did not play a pro-active role in disinflation.

3. **Throughout the period, disinflation efforts were complicated by widespread indexation in the economy, as price shocks tended to get locked in.** In an effort to weaken its impact, in 2002 the authorities shifted wage indexation from backward-looking basis to forward-looking basis. However, the effect was limited as wage contracts retained a clause of almost full catch-up for higher inflation at year-end.

4. **With EU accession approaching, and in preparation for ERM2, in 2003 the authorities began taking measures to reduce price pressures from changes in administered prices and indirect taxes, and to moderate public-sector wage growth.** Also, in order to avoid higher inflation that could get locked in because of wage indexation and inflation expectations, the government started to modify excise tax on gasoline to offset fluctuations in international oil prices.

5. **Besides the influence of policy variables, the cyclical position of the economy was an important factor behind inflation developments in recent years.** The upturn of inflation in 1999 coincided with a strengthening of aggregate demand and an associated positive gap between actual output and potential output. The reduction in inflation thereafter has closely tracked a decline in the output gap (Figure 2).

6. **In the period ahead, the Slovene authorities face the challenge of reducing inflation to the level required by the Maastricht convergence criterion.** The year-on-year inflation of 3½ percent in March 2004 is still distant from the Maastricht criterion, currently estimated at



Sources: Slovene authorities; and IMF staff calculations.  
1/ Year-on-year change.  
2/ Percent of potential output, four-quarter average.

2¾ percent.<sup>2</sup> The authorities will need to bring down average annual inflation to this level between mid-2005 and mid-2006 to be able to adopt euro in 2007. This challenge will have to be met in an environment of looming risks of a domestic demand boom.

7. **To achieve the goal of meeting the Maastricht inflation criterion, the authorities plan to continue their gradualist approach to disinflation.** Increases in administered and regulated prices will be capped at the projected inflation rate. Only excise tax on tobacco will be raised to gradually align it with the EU level. The BoS plans to slow down the pace of depreciation to zero during the second half of 2004, and upon entering ERM2 keep the exchange rate within a narrow band around the central parity. The burden of adjustment under ERM2 will have to be borne primarily by wage and fiscal policies. Social partners in both private and public sectors have agreed to move to a weakened wage indexation framework, where overall average wage growth takes into account inflation in both Slovenia and the EU, and changes in the tolar/euro exchange rate. However, individual-level wage growth in the private sector is negotiated at the sectoral and corporate levels and, therefore, the actual outcome of wage bargaining is uncertain, especially in the election year 2004.

8. **The main purpose of this note is to provide a quantitative assessment of the determinants of inflation in Slovenia and to evaluate the likelihood of the Maastricht inflation criterion being met.**

## B. Inflation Model

9. **The staff has constructed a small open-economy model of inflation consisting of two equations:**

$$\ln CPI_t = c_o + \alpha(\ln PPI_t^{Euro} + \ln NER_t) + \beta(\ln W_t^{NT} - \ln \frac{VA_t^{NT}}{L_t^{NT}}) + EC_t, \quad (1)$$

$$\pi_t = c_1 + \gamma EC_{t-1}^{avg} + \delta \pi_{t-1} + \varphi \Delta \ln NER_{t-1} + \lambda y_{t-1}^{avg} + \mu IR_{t-3} + \rho tax_t + \varepsilon_t. \quad (2)$$

10. **The first equation captures the long-term pricing relationships on the markets of tradable and nontradable goods and services.** Slovenia is a very small open economy with strong trade links to the EU. The equilibrium prices of tradables (the first term in brackets) are therefore approximated as a function of euro-area producer prices,  $PPI_t^{Euro}$ , and nominal exchange rate of the tolar per euro,  $NER_t$ . In line with the theory of monopolistic competition, the prices of nontradables are set in proportion to nominal unit labor costs (see Technical

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<sup>2</sup> This corresponds to the World Economic Outlook projection of the three lowest inflation rates in the European Union during 2005–06 plus a margin of 1½ percentage points. The reference period over which the Maastricht inflation criterion will likely be assessed for Slovenia is June 2005–May 2006.

Appendix for details). As the second term in brackets suggests, producers in the nontradable sector pass through any increase in nominal wage  $W_t^{NT}$  into their prices, unless it is matched by an improvement in productivity (defined as real value added per one full-time equivalent worker,  $VA_t^{NT}/L_t^{NT}$ ).  $c_o$  represents the constant term. The residual series,  $EC_t$ , reflects short-term deviations of prices from the long-term equilibrium.

11. **The second equation models the short-term behavior of inflation.** It is a reduced-form relationship where year-on-year inflation  $\pi_t$  is a function of: its own lag  $\pi_{t-1}$ ; year-on-year change in the exchange rate of the tolar per euro  $\Delta \ln NER_t$ ; average output gap over four quarters  $y_t^{avg}$ ; year-on-year change in the long-term nominal lending rate to enterprises  $IR_t$ ; and the contribution of indirect tax changes to quarterly headline inflation  $tax_t$ . The “error-correction” term  $EC_t^{avg}$  incorporates long-term price trends into the short-term inflation dynamics: whenever the actual price level stays above the equilibrium level, the European Commission (EC) term will be positive and inflation will tend to be lower in future periods (this requires the coefficient  $\gamma$  to be negative).<sup>3</sup> Since the dependent variable is specified as the year-on-year growth rate, the term  $EC_t^{avg}$  is an average value of  $EC_t$  over four quarters.

12. **While the model does not explicitly incorporate rational expectations, its long-term structure enables the model to converge to various steady state inflation levels.** The equilibrium inflation is anchored by foreign prices and exchange rate for the tradable sector, and wages less productivity gains in the nontradable sector.

13. **Since the available time series for wages, employment, and value added are relatively short, the staff had to limit the number of variables in the model.** Oil prices are not included in the model because the authorities have recently been offsetting fluctuations in the market price of gasoline by varying the excise tax, and plan to continue in this policy over the forecast period. Administered prices are not modeled separately because the authorities will limit their increase to no more than projected inflation. In the analysis of historical data, the contribution of both oil and administered prices to inflation is captured by error term  $\varepsilon$  in equation (2).

14. The Technical Appendix provides a more detailed description of the model and its variables.

### C. Estimation

15. **The staff has estimated the inflation model using seasonally-adjusted quarterly data for 1997–2003.** The coefficient estimates are reported below, with their standard errors

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<sup>3</sup> A similar error-correction modeling approach has been used in several recent empirical inflation studies (for example, Kuijs, 2002). The approach is also embedded in the price-wage block of the Area Wide Model (AWM) employed by the European Central Bank (Fagan, Henry, and Mestre, 2001).



in parentheses. All coefficients of the estimated model, with the exception of the coefficient on tax changes, are statistically significant. Coefficient estimates are robust to modifications in the sample length and definition of the nontradable sector.

$$\ln CPI_t = -6.87^{**} + 0.35^{**} (\ln PPI_t^{Euro} + \ln NER_t) + 0.76^{**} (\ln W_t^{NT} - \ln \frac{VA_t^{NT}}{L_t^{NT}}) + EC_t,$$

(0.25) (0.12) (0.11)

$$\pi_t = 0.02^* - 0.16^* EC_{t-1}^{avg} + 0.49^{**} \pi_{t-1} + 0.23^* \Delta \ln NER_{t-1} + 0.76^{**} y_{t-1}^{avg} - 0.08^* IR_{t-3} + 0.25 tax_t + \varepsilon_t.$$

(0.01) (0.08) (0.16) (0.10) (0.18) (0.03) (0.30)

Notes: \*\* denotes significance at the 1 percent level, \* denotes significance at the 5 percent level.

Price level equation:  $R_{adj}^2 = 0.99$ ; Inflation equation:  $R_{adj}^2 = 0.90$ ;  $s.e. = 0.44$ .

**16. All coefficients have the correct sign and plausible magnitudes.** In the first equation, the nontradable sector dominates price developments, which is to be expected in an advanced economy with a high share of services in value added. In the second equation, the highly significant coefficient on past inflation confirms persistence of Slovene inflation. Additional lags of inflation had insignificant coefficients with point estimates very close to zero and were, therefore, not included in the equation. The estimated coefficients also confirm the impact of exchange rate dynamics on inflation, as well as the co-movement of inflation and economic activity (measured by output gap) over the business cycle. The error-correction term  $EC_t$  enters with the negative sign as expected.

**17. The coefficient on tax changes is low and not statistically different from zero.** The standard error of the estimate is large and the 95-percent confidence band is therefore wide: (-0.33, 0.83). The underlying reason for this imprecision is the nature of indirect tax changes in Slovenia: they are relatively infrequent and are typically implemented in the first and the third quarters of a given year. This implies that the actual impact of any particular tax change on year-on-year inflation is diminished. Robustness checks confirmed that the forecasts of year-on-year inflation presented in the next section are insensitive to the value of the coefficient.

**18. The estimated model provides an insight about the sources of relatively quick disinflation in 2003.** The staff has calculated in-sample dynamic forecasts of inflation under various assumptions about the explanatory variables. One particular result stands out: if output gap stayed at its 2002 level (i.e., if economy grew at its potential rate of 3.6 percent in 2003), inflation would be 1.6 percentage points higher than it actually was in the fourth quarter of 2003. This means that widening of the output gap was the dominant driving force behind disinflation in 2003, accounting for about two-thirds of the decline in inflation.<sup>4</sup> The

<sup>4</sup> Inflation fell by 2.3 percentage points from 7.1 percent year-on-year in the fourth quarter of 2002 to 4.8 percent year-on-year in the fourth quarter of 2003.

remaining reduction in inflation is attributed by the model to slower depreciation of the tolar (about 0.3 percentage point) and other factors including adjustments in administered prices (about 0.6 percentage point). Interest rates on corporate lending, which fell rapidly in 2003, did not contribute to disinflation. The same applies to nontradable wages, which grew faster than nontradable productivity in real terms (see Tables 1 and 2 for historical values and projections of the explanatory variables entered in the estimated equations).

Table 1. Selected Economic Indicators, 1999-2006

(Annual percentage change, unless otherwise noted)

	1999	2000	2001	2002	2003	Projection		
						2004	2005	2006
Real GDP growth	5.9	4.1	2.9	2.9	2.3	3.5	4.1	4.5
Contribution of domestic demand	9.8	1.6	1.0	2.1	4.0	5.1	5.6	5.9
Contribution of net foreign demand	-3.9	2.5	1.8	0.8	-1.8	-1.6	-1.5	-1.4
Potential GDP growth	4.1	3.9	3.8	3.8	3.6	3.5	3.5	3.5
Output gap (in percent of potential output)	1.3	1.5	0.5	-0.3	-1.6	-1.6	-1.1	-0.1
Consumer prices	6.1	8.9	8.4	7.5	5.6	3.7	3.4	3.4
Exchange rate, SIT/EUR	4.0	5.9	5.9	4.2	3.3	2.3	0.4	0.0
Indirect taxes 1/	1.9	0.0	0.3	1.0	0.5	0.4	0.3	0.3
Long-term lending rate 2/	14.2	17.7	17.1	15.6	12.6	8.8	7.7	7.4

Sources: The Slovene authorities; and IMF staff calculations and projections.

1/ The sum of contributions to quarter-on-quarter inflation over period.

2/ In percent, period average.

## D. Inflation Forecast

19. **Based on the estimated model, the staff has prepared short-term inflation forecasts under different scenarios.** The first subsection below summarizes the main assumptions underlying the baseline forecast. The second subsection contains the results, including sensitivity analysis, and the third subsection discusses the risks to the forecasts.

### Assumptions underlying the baseline inflation forecast

- **The staff expects output growth to rebound during 2004–06 and rise above the potential rate, as domestic demand strengthens further and the external environment improves (Table 1).** Domestic demand is likely to be boosted by the convergence-related fall in interest rates, favorable business and consumer expectations triggered by EU accession and prospective euro adoption, and release of funds from the National Housing Savings scheme.
- **The pace of nominal depreciation against the euro is expected to slow down gradually to zero during the second half of 2004.** The BoS will fix a central parity on entering ERM2 and seek to maintain exchange rate stability within a narrow band.

- **Euro-area producer price inflation is forecast at 1 percent a year.**
- **Interest rates will decrease to EU levels as the depreciation pace and country premium falls.** The staff has assumed that average long-term corporate lending rates will fall from 10.2 percent in January 2004 to about 7¼ percent at end-2006. The lending rate was derived as the sum of the World Economic Outlook projection for EURIBOR (3½ percent in the fourth quarter of 2006), a typical lending margin in Germany (about 3–3½ percent) plus a modest risk premium (¼ percent).
- **Over the forecast period, the authorities plan to increase excise taxes on tobacco to align them with the EU level.** The projection of the *tax* series is based on the data from the Institute of Macroeconomic Analysis and Development (IMAD). The series is defined as a contribution of tax increases to quarter-on-quarter inflation. The IMAD projects that tax hikes would contribute 0.25 percentage point to quarterly inflation in Q1/2004, 0.12 percentage point in Q3/2004, 0.08 percentage point in both Q1/2005 and Q1/2006, and 0.18 percentage point in both Q3/2005 and Q3/2006.
- **Future inflation is also influenced by the gap between wages and productivity in the nontradable sector.** Nominal wage changes in the nontradable sector consist of two elements: inflation and real wage growth. The wage-productivity term in equation (1) in ¶9 can therefore be written as:

$$\ln W_t^{NT} - \ln \frac{VA_t^{NT}}{L_t^{NT}} = \ln P_t + \ln W_t^{NT,real} - \ln \frac{VA_t^{NT}}{L_t^{NT}}.$$

Since the historical data are given and the future price level is determined within the model, one only needs to make an assumption about the future gap between year-on-year growth of real wages and productivity:

$$Gap^{NT} = \Delta \ln W_t^{NT,real} - \Delta \ln \frac{VA_t^{NT}}{L_t^{NT}}.$$

In 2003, increase in real wages in the nontradable sector was 0.2 percentage point higher than nontradable productivity growth, and lagged economy-wide productivity growth by 0.5 percentage point. For the baseline scenario, it is assumed that these gaps remain unchanged during the forecast period (Table 2).

Table 2. Real Wage and Productivity Growth, 2000-03  
(In percent, unless otherwise noted)

	Nontradable real wages (1)	Nontradable productivity (2)	Gap <sup>NT</sup> 1/ (3)=(1)-(2)	Economy-wide productivity (4)	Gap <sup>Total</sup> 1/ (5)=(1)-(4)
2000	0.0	1.0	-1.0	3.6	-3.6
2001	2.2	2.7	-0.5	2.8	-0.7
2002	2.0	1.6	0.4	3.8	-1.9
2003	2.0	1.8	0.2	2.5	-0.5

Sources: The Slovene authorities; and IMF staff calculations.

1/ In percentage points.

### Forecasts and sensitivity analysis

20. **The baseline scenario predicts annual average inflation at 3¼ percent during the assessment period (Q3/2005–Q2/2006), above the Maastricht inflation criterion of 2¾ percent.**

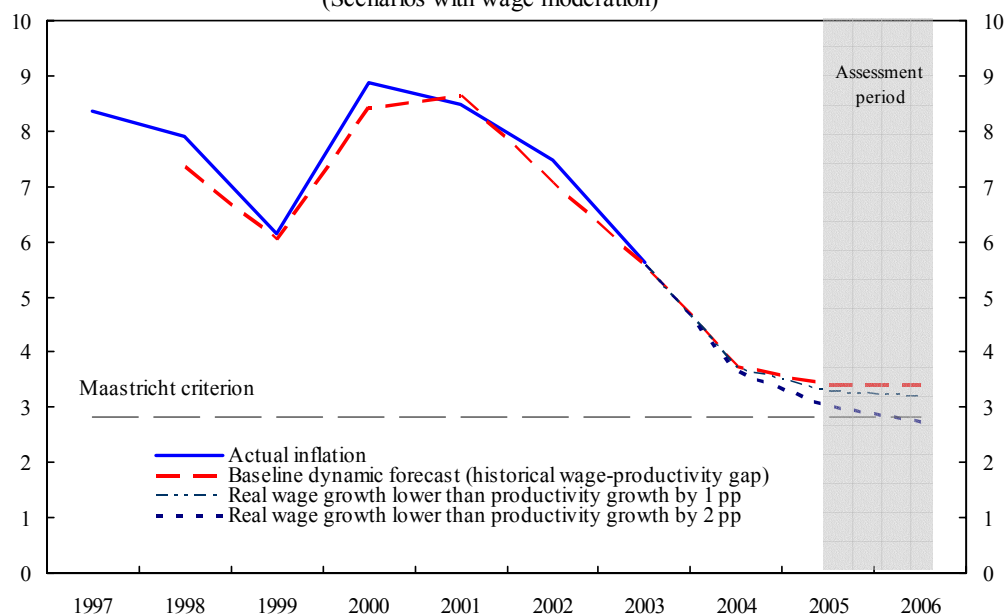
21. **The staff has calculated inflation forecasts under different assumptions about the main explanatory variables.**

- **Inflation can be reduced by moderating wage growth in the nontradable sector.** As the fan chart in Figure 3 illustrates, wage growth would need to lag economy-wide productivity growth by 1½–2 percentage points (instead of the current ½ percentage point) for inflation to meet the Maastricht criterion.<sup>5</sup>
- **Inflation would meet the Maastricht criterion if the domestic demand boom or recovery in the EU was delayed.** If growth recovered slowly (by about ½ percentage point less per year compared with the baseline scenario), average annual inflation would likely reach 2.4 percent over the assessment period (Table 3). The GDP growth figures for the no-boom scenario correspond to the Bank of Slovenia forecast presented in the October 2003 Monetary Policy Implementation Report. However, in the staff's view, the baseline growth projection is subject to upside risk rather than downside risk. In a high-growth scenario, which allows for faster credit expansion financed by release of funds from the National Housing Construction Scheme, real GDP growth is 0.2–0.4 percentage point higher than in the baseline between 2004–06.

<sup>5</sup> In terms of the nontradable productivity, the lag would need to be 0.8–1.3 percentage point. The specific assumptions about wage-productivity gaps underlying the forecast are presented in the Technical Appendix.

The output gap in the high-growth scenario would close more rapidly and inflation would likely reach 3.9 percent over the assessment period.

Figure 3. Annual Inflation, 1997-2006  
(Scenarios with wage moderation)



Note: Productivity is measured as economy-wide productivity growth.  
Source: IMF staff projections.

Table 3. Growth Assumptions and Inflation Projections, 2002-06  
(In percent)

	2002	2003	2004	2005	Q3/2005 - Q2/2006	2006
<b>Baseline-growth scenario</b>						
GDP growth	2.9	2.3	3.5	4.1	...	4.5
Potential GDP growth	3.8	3.6	3.5	3.5	...	3.5
Output gap	-0.3	-1.6	-1.6	-1.1	...	-0.1
CPI inflation, avg	7.5	5.6	3.7	3.4	3.25	3.4
<b>No demand boom scenario</b>						
GDP growth	2.9	2.3	3.2	3.6	...	4.0
Output gap	-0.3	-1.6	-1.9	-1.8	...	-1.3
CPI inflation, avg	7.5	5.6	3.6	2.9	2.4	2.1
<b>High-growth scenario</b>						
GDP growth	2.9	2.3	3.7	4.5	...	5.0
Output gap	-0.3	-1.6	-1.4	-0.4	...	1.0
CPI inflation, avg	7.5	5.6	3.8	3.8	3.9	4.4

Source: IMF staff projections.

### **Risks to the baseline forecasts**

22. **Additional calculations suggest that the basic conclusion of the staff model is robust.** The staff estimated two different reduced-form models relating inflation to various macroeconomic variables and confirmed the baseline forecast in the neighborhood of 3¼ percent.
23. **Naturally, any inflation forecast over a horizon of 6–10 quarters is subject to a large statistical error.** The 95-percent confidence interval for the inflation forecast is approximately  $\pm 1.5$  percentage points.
24. **Besides the uncertainty about the parameters of the model and the pure forecast uncertainty, there are additional risks to the forecast:**
- **Wage developments during 2004–06 are difficult to predict.** In the public sector, the social partners have agreed on weakening of the indexation scheme and the budgeted wage bill implies negative real wage growth in the public sector in 2004–05. However, risks remain from negotiations on a new wage structure. Furthermore, in the private sector, agreement on individual wage increases is subject to decentralized bargaining and the outcome is uncertain, especially in this election year. There have been no signals so far that the wage-productivity gap in the private nontradable sector would decrease and contribute to disinflation.
  - **The inflation forecast is sensitive to the assumption about potential output.** The problem is to distinguish how much of the recent economic slowdown was due to lower external demand (temporary “demand” factor), and how much reflected lower potential growth (permanent “supply” factor). The staff has assumed that potential growth lies between the estimates of the Pre-Accession Economic Program (2003) and the current Ministry of Finance assessment (see Technical Appendix for details). Assuming potential output higher by 0.1–0.2 percentage point over 2003–05 would lower the inflation forecast by ¼ percentage point over the assessment period.
  - **The structure of the model might change if credibility of policies is enhanced.** For example, the recent disinflation gains, together with successful exchange rate stabilization under EMR2, could lower inflation expectations. This would be reflected mainly in a lower constant term and lower coefficient on past inflation in equation (2). However, modeling this aspect would require making arbitrary assumptions about the structure of expectations in the economy. In any case, the academic literature suggests that the backward-looking element in inflation expectations is much stronger than the forward-looking element (Carroll, 2003) and that credibility plays limited role in disinflation (Ball, 1994).
  - **Finally, the EU accession could increase competition due to the entry of new participants on the domestic market and reduce margins of the nontradable**

**sector.** This would be reflected as a fall in the constant term in equation (1). Inflation would decelerate as long as the markup of retailers and other service providers is shrinking. However, it is not clear how quickly this effect could take place in Slovenia.

### E. Conclusions

25. **On the basis of currently identified policies, Slovene inflation will likely remain above the Maastricht criterion over the assessment period.** The staff analysis suggests that the economic slowdown related to the unfavorable external environment contributed about two thirds to disinflation in 2003. The inflation outlook is therefore complicated by the demand boom that is likely to be in the offing. Domestic demand has rebounded strongly after several years of anemic growth and demand growth is expected to remain robust until euro adoption in 2007. Real GDP is expected to grow above its potential growth rate and, as a result, will impede future gains in disinflation. Given the loss of monetary independence under ERM2, inflation could be reduced in a sustainable manner by wage moderation and enhancing flexibility of fiscal policy. Indeed, should achieving the Maastricht inflation criterion appear under threat, the situation might warrant an attempt to formulate a temporary wage pact between the social partners under the guidance of the government.

### F. Technical Appendix

26. **Equation (1) in ¶9 for the long-term price level is derived from two principles:**

- **Producers in the tradable segment of the market have no pricing power.** The prices of tradables are determined by foreign tradables prices (approximated by the euro-area producer price index) and exchange rate of the tolar vis-à-vis the euro:

$$P_t^T = PPI_t^{\text{Euro}} * NER_t. \text{ Alternatively, } \ln P_t^T = \ln PPI_t^{\text{Euro}} + \ln NER_t.$$

- **The equilibrium prices of nontradables are set at a markup over unit labor cost.** It is assumed that a representative producer on a monopolistic market chooses labor and capital to maximize profit subject to the Cobb-Douglas production technology:

$$\max_{K,L} PY - WL - rK \quad \text{subject to} \quad Y = AK^\alpha L^{1-\alpha}.$$

The equilibrium conditions are:

$$\frac{r}{P} = \alpha \frac{Y}{K}; \quad \text{and} \quad \frac{W}{P} = (1-\alpha) \frac{Y}{L}.$$

The second condition can be used to express equilibrium price of nontradables in terms of wages and productivity:

$$P = \frac{1}{(1-\alpha)} \cdot \frac{W}{Y/L},$$

$$\ln P_t^{NT} = c + \ln W_t^{NT} - \ln \frac{Y_t^{NT}}{L_t^{NT}}.$$

Defining the overall price index as a weighted average of tradable and nontradable prices leads to the long-term pricing specification in equation (1).

27. **For the purposes of this analysis, the nontradable sector is defined as market services without the financial intermediation sector.** Nontradable sector therefore includes trade sector (sector G, according to the standard industry classification), hotels and restaurants (sector H), transport and communications (sector I), and real estate (sector K). For the period before 2000, the data on full-time equivalent labor was interpolated using data on persons in employment published by the Statistical Office of the Republic of Slovenia (SORS). The average wage and employment in nontradable sector were adjusted to take into account methodological changes in the classification of employment by SORS (made in 2002), where disabled workers were reallocated from health sector into sectors in which they actually worked.

28. **Potential output was initially estimated from the historical quarterly GDP series using the Hodrick-Prescott filter.** The output gap was defined as the log-difference between seasonally adjusted GDP and potential output. Since the HP filter does not capture well the potential output at the end of sample, the historical estimates of the output gap were re-scaled such that the annual average gap is approximately consistent with the potential output growth figures in the Pre-Accession Economic Program (PEP, 2003). To project the future values of the output gap, the staff assumed the following: first, potential growth of the Slovene economy is 3.5 percent over the medium term. This potential growth rate is in between the estimate from the PEP (3.8 percent) and the latest Ministry of Finance estimates based on the methodology of the EC (3.2–3.3 percent). Second, future GDP growth of the Slovene economy was projected taking into account strengthening domestic demand and improving external environment. The output gap as well as the actual and potential growth rates are reported in Table 1.

29. **Table 4 presents the baseline and one alternative scenario for future wage developments.** In 2003, the nontradable real wages rose faster than nontradable productivity by 0.2 percentage point. At the same time, the nontradable wages lagged the economy-wide productivity by 0.5 percentage point. The baseline scenario assumes that these historical ratios will persist over 2004–06. The discussion about wage policy in Slovenia is often framed as a comparison between overall wage growth and the economy-wide productivity



growth. In the estimated model, only nontradable wages and nontradable productivity matter for the inflation projection. To keep the description of wage moderation scenarios consistent with the underlying goals of wage policy in Slovenia, the alternative wage moderation scenarios in ¶20 and Figure 2 are labeled in terms of nontradable wages and economy-wide productivity,  $\text{Gap}^{\text{Total}}$ . However, the nontradable wage-nontradable productivity gap,  $\text{Gap}^{\text{NT}}$ , is used in calculations. Table 4 specifies assumptions about both types of gaps.

Table 4. Projections of Real Wage-Productivity Gap, 2003-06

(In percent, unless otherwise noted)

	Nontradable real wages (1)	Nontradable productivity (2)	$\text{Gap}^{\text{NT}}$ 1/ (3)=(1)-(2)	Economy-wide productivity (4)	$\text{Gap}^{\text{Total}}$ 1/ (5)=(1)-(4)
<b>Baseline scenario</b>					
2003	2.0	1.8	0.2	2.5	-0.5
2004	...	...	0.2	...	-0.5
2005	...	...	0.2	...	-0.5
2006	...	...	0.2	...	-0.5
<b>Alternative scenario</b>					
<i>Wages lagging behind economy-wide productivity by 1½ percent</i>					
2003	2.0	1.8	0.2	2.5	-0.5
2004	...	...	-0.8	...	-1.5
2005	...	...	-0.8	...	-1.5
2006	...	...	-0.8	...	-1.5

Sources: The Slovene authorities; and IMF staff calculations and assumptions.

1/ In percentage points.

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## II. SLOVENIA: FISCAL IMPLICATIONS OF EU ACCESSION<sup>6</sup>

### A. Introduction

30. **After entering the EU on May 1, 2004, Slovenia will start participating in the system of fiscal transfers among the member states.** Transfers from the EU to Slovenia and other new member states will be sizeable, although lower than in the case of earlier accession countries. Slovenia is expected to draw funds in the amount of about 1.5 percent of GDP annually over the initial programming period 2004–06. After deducting mandatory payments to the EU budget, the annual net gain of Slovenia will be about 0.3–0.6 percent of GDP. For comparison, the two least-developed EU-15 countries (Greece and Portugal) have received annual net transfers of about 2–3 percent of GDP in the past several years. Among the new member states, this level of support will be available only to Estonia, Latvia, and Lithuania.

31. **While Slovenia will be a net recipient of EU funds during 2004–06, EU entry would worsen the overall fiscal position.** The 2002 Copenhagen summit adopted the principle that the net position of new member states vis-à-vis the EU should not deteriorate as a result of accession. Nonetheless, after accounting for additional budgetary effects of EU accession—such as, the use of earmarked transfers, cofinancing, and lost customs and VAT revenues—the pressure on the fiscal position will be substantial. Official estimates suggest that the general government deficit would increase by about  $\frac{3}{4}$  percent of GDP in 2004 and by over 1 percent of GDP in 2005–06 (Table 1). The Slovene authorities have taken steps to offset a large part of this negative impact through expenditure saving measures, including expenditure reallocation (Table 2).

32. **This note focuses only on the direct fiscal implications of EU accession.** Thus, it does not consider the substantial costs of complying with the requirements of the EU *acquis*, for instance, in the area of environmental protection. Also, it does not consider the fiscal impact of the positive effect of EU accession on growth and investment.

### B. Detailed Impact on the Budget

33. **Table 3 provides a decomposition of the predicted impact of EU accession on both the revenue and expenditure sides of the general government budget.**<sup>7</sup> The

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<sup>6</sup> Prepared by Martin Sommer.

<sup>7</sup> Kopits and Székely (2004) discuss fiscal policy challenges in the new member states, including the costs of EU accession.

Table 1. Net Budgetary Impact of EU Accession, 2004-06  
(In billions of tolar, unless otherwise noted)

	2004	2005	2006
Net transfers	34.1	21.7	13.9
Receipts from EU budget 1/	79.1	98.0	93.6
Contributions to EU budget	-45.0	-76.3	-79.7
Other factors	-80.8	-93.5	-100.0
Use of earmarked revenues	-54.6	-75.8	-79.0
Co-financing 2/	-17.1	-11.7	-6.2
Indirect negative impact on budget 3/	-21.8	-25.5	-27.4
Expenditure saving 4/	12.7	19.5	12.7
Net impact on budget	-46.7	-71.8	-86.1
(In percent of GDP)			
<i>Memorandum items:</i>			
Total transfer to Slovenia 5/	1.4	1.6	1.4
Net transfer to Slovenia 5/	0.6	0.4	0.3
Net impact on budget	-0.8	-1.1	-1.2

Sources: Ministry of Finance; and IMF staff calculations.

1/ Includes only transfers channeled through the budget.

Includes budgetary compensation and lump-sum transfers.

2/ Includes expenditure on the establishment of Schengen border.

3/ Includes decreases in VAT collections and customs duties.

4/ Includes net gain on new system of agricultural subsidies and cohesion fund.

Excludes additional rationalization measures taken by the government.

5/ Includes transfers that are not allocated through the budget.

Table 2. General Government Expenditure Saving Measures, 2003-05  
(In billions of tolar, unless otherwise noted)

	2003	2004	2005
Wages and personnel expenditures	...	8.2	9.3
Goods and services	...	7.8	9.1
Social transfers	...	3.8	8.9
Alteration of criteria for entitlement to funds	...	8.0	12.0
Reallocation of expenditures	...	8.3	14.2
Total saving	...	36.1	53.5
(In percent of GDP)			
<i>Memorandum items:</i>			
Net impact of EU accession on the budget	...	-0.8	-1.1
Total saving	...	0.6	0.8
Other factors, net	...	-0.1	0.1
General government balance (GFS)	-1.4	-1.7	-1.6

Source: Ministry of Finance.

estimates are based on the latest information of the Ministry of Finance about the expected disbursements from the EU funding facilities. Individual components of the table are explained in the subsections below.

### **Payments to the EU budget**

34. **Slovenia's contribution to the EU budget is expected to be around 0.7 percent of GDP in 2004, and 1.1–1.2 percent of GDP annually in 2005–06.** Since contributions will start in May 2004 payment will only be two thirds of the usual amount in the first year of EU membership. Box 1 describes the structure of the EU budget including various types of revenues, termed “own resources”.

### **Receipts from the EU budget and the associated expenditures**

35. **Transfers from the EU budget will be channeled to Slovenia through many different facilities and some disbursements will be subject to the pace of project implementation.** One group of transfers is not conditional on the implementation of specific projects and the revenues will accrue automatically. This group mostly consists of direct payments to farmers, market interventions in agriculture, budgetary compensations, and Schengen border-related expenditures. A second group of transfers is conditional on project implementation and includes payments from the Structural and Cohesion Funds, EAGGF-financed rural development, as well as the remaining disbursements of pre-accession aid. The net position of Slovenia will therefore ultimately be determined by the success rate in applying for project-related finance.

#### *European Agricultural Guidance and Guarantee Fund (EAGGF)*

36. **Guarantee section of EAGGF provides income support and subsidies to farmers for maintaining agricultural production and exports to non-EU markets.** This category of transfers comprises three parts: direct payments, market measures, and rural development.

- **Direct payments to farmers** from the EU budget replace the existing national agricultural subsidies system. New member states will initially be eligible to receive from the EU only a part of the usual farmer income support usual in EU-15 countries. The EU contribution will amount to 25, 30, and 35 percent of the average EU level, respectively, during 2004–06. As a general rule, new member states will have the opportunity to add 30 percentage points from national resources on the top of the EAGGF-financed subsidy. However, since the current level of income support in Slovenia (75 percent of average EU level) is considerably higher than in the other accession countries, a special top-up rule will apply. Slovenia will be allowed to add 10, 15, and 20 percentage points, respectively, during 2004–06, on top of the existing

Table 3. Slovenia: Financial and Budgetary Impact of EU Accession, 2004-06.  
(In millions of tolar)

	Estimated Disbursements			Consolidated Budget Revenue			Consolidated Budget Expenditures (Without Co-financing)			Consolidated Budget Co-financing (Where Applicable)			Consolidated Budget Savings and Substitution in Expenditures			Consolidated Budget Net Impact on the Budget		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
I. Pre-accession aid	21,133	16,143	7,263	21,133	16,143	7,263	-21,133	-16,143	-7,263	-5,880	-4,039	-1,817	-5,880	-4,039	-1,817	-5,880	-4,039	-1,817
PHARE	13,950	10,299	...	13,950	10,299	...	-13,950	-10,299	...	-4,004	-2,250	...	-4,004	-2,250	...	-4,004	-2,250	...
ISPA	5,949	5,594	...	5,949	5,594	...	-5,949	-5,594	...	-1,259	-1,664	...	-1,259	-1,664	...	-1,259	-1,664	...
SAPARD	1,234	250	...	1,234	250	...	-1,234	-250	...	-617	-125	...	-617	-125	...	-617	-125	...
II. EAGGF	9,506	26,545	42,577	9,506	26,545	42,577	-9,506	-26,545	-42,577	-15,159	-15,033	-20,100	-15,159	-15,033	-20,100	6,100	10,700	6,200
Market regulation	2,340	5,980	10,443	2,340	5,980	10,443	-2,340	-5,980	-10,443	0	0	0	0	0	0	0	0	0
Direct payments	0	5,553	8,828	0	5,553	8,828	0	-8,828	-8,828	-13,775	-11,900	-14,700	-13,775	-11,900	-14,700	6,600	8,800	6,451
Rural development	7,166	15,012	23,307	7,166	15,012	23,307	-7,166	-15,012	-23,307	-1,384	-3,133	-5,400	-1,384	-3,133	-5,400	6,600	8,800	6,451
III. Structural and Cohesion Funds	14,741	23,755	19,612	14,741	23,755	19,612	-14,741	-23,755	-19,612	-2,746	-5,014	-4,412	-2,746	-5,014	-4,412	3,854	3,786	2,039
Structural Funds	8,141	14,955	13,161	8,141	14,955	13,161	-8,141	-14,955	-13,161	-13,161	-13,161	-4,412	-13,161	-13,161	-4,412	-2,746	-5,014	-4,412
Cohesion Fund	6,600	8,800	6,451	6,600	8,800	6,451	-6,600	-8,800	-6,451	0	0	0	0	0	0	6,600	8,800	6,451
IV. Internal policies	12,914	15,765	18,108	9,194	9,393	9,581	-9,194	-9,393	-9,581	-8,454	-2,669	0	-8,454	-2,669	0	-8,454	-2,669	0
Current EU	3,192	5,691	7,833	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutional development	528	681	694	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Schengen	9,194	9,393	9,581	9,194	9,393	9,581	-9,194	-9,393	-9,581	-8,454	-2,669	0	-8,454	-2,669	0	-8,454	-2,669	0
V. Special cash transfer	24,533	22,164	14,533	24,533	22,164	14,533	0	0	0	0	0	0	0	0	0	24,533	22,164	14,533
Cash-flow lump-sum	16,786	4,750	4,845	16,786	4,750	4,845	0	0	0	0	0	0	0	0	0	16,786	4,750	4,845
Budget compensation	7,747	17,415	9,689	7,747	17,415	9,689	0	0	0	0	0	0	0	0	0	7,747	17,415	9,689
<b>Subtotal</b>	<b>82,827</b>	<b>104,373</b>	<b>102,094</b>	<b>79,107</b>	<b>98,001</b>	<b>93,567</b>	<b>-5,474</b>	<b>-75,836</b>	<b>-79,033</b>	<b>-15,159</b>	<b>15,033</b>	<b>20,100</b>	<b>-15,159</b>	<b>-15,033</b>	<b>-20,100</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>As percent of GDP</b>	<b>1.4</b>	<b>1.6</b>	<b>1.4</b>	<b>1.3</b>	<b>1.5</b>	<b>1.3</b>	<b>-0.9</b>	<b>-1.2</b>	<b>-1.1</b>	<b>-1.1</b>	<b>0.2</b>	<b>0.2</b>	<b>-1.1</b>	<b>-1.1</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Slovene contribution to EU budget</b>	<b>-45,049</b>	<b>-76,265</b>	<b>-79,662</b>	<b>-45,049</b>	<b>-76,265</b>	<b>-79,662</b>	<b>-45,049</b>	<b>-76,265</b>	<b>-79,662</b>	<b>-45,049</b>	<b>-76,265</b>	<b>-79,662</b>	<b>-45,049</b>	<b>-76,265</b>	<b>-79,662</b>	<b>-45,049</b>	<b>-76,265</b>	<b>-79,662</b>
Traditional own resources	-3,604	-7,707	-7,802	-3,604	-7,707	-7,802	-3,604	-7,707	-7,802	-3,604	-7,707	-7,802	-3,604	-7,707	-7,802	-3,604	-7,707	-7,802
Vat-based resource	-6,607	-9,208	-9,689	-6,607	-9,208	-9,689	-6,607	-9,208	-9,689	-6,607	-9,208	-9,689	-6,607	-9,208	-9,689	-6,607	-9,208	-9,689
GNP-based resource	-31,334	-52,245	-54,635	-31,334	-52,245	-54,635	-31,334	-52,245	-54,635	-31,334	-52,245	-54,635	-31,334	-52,245	-54,635	-31,334	-52,245	-54,635
UK rebate	-3,504	-7,106	-7,536	-3,504	-7,106	-7,536	-3,504	-7,106	-7,536	-3,504	-7,106	-7,536	-3,504	-7,106	-7,536	-3,504	-7,106	-7,536
<b>Other</b>	<b>-21,771</b>	<b>-25,454</b>	<b>-27,362</b>	<b>-21,771</b>	<b>-25,454</b>	<b>-27,362</b>	<b>-21,771</b>	<b>-25,454</b>	<b>-27,362</b>	<b>-21,771</b>	<b>-25,454</b>	<b>-27,362</b>	<b>-21,771</b>	<b>-25,454</b>	<b>-27,362</b>	<b>-21,771</b>	<b>-25,454</b>	<b>-27,362</b>
Decrease in customs duties	-10,577	-7,591	-8,210	-10,577	-7,591	-8,210	-10,577	-7,591	-8,210	-10,577	-7,591	-8,210	-10,577	-7,591	-8,210	-10,577	-7,591	-8,210
Revenue loss from lower efficiency of VAT collection 3/	-13,000	-19,782	-21,191	-13,000	-19,782	-21,191	-13,000	-19,782	-21,191	-13,000	-19,782	-21,191	-13,000	-19,782	-21,191	-13,000	-19,782	-21,191
Gain in excises	1,806	1,919	2,039	1,806	1,919	2,039	1,806	1,919	2,039	1,806	1,919	2,039	1,806	1,919	2,039	1,806	1,919	2,039
Methodological adjustment 4/	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net position with the EU</b>	<b>37,778</b>	<b>28,108</b>	<b>22,432</b>	<b>37,778</b>	<b>28,108</b>	<b>22,432</b>	<b>37,778</b>	<b>28,108</b>	<b>22,432</b>	<b>37,778</b>	<b>28,108</b>	<b>22,432</b>	<b>37,778</b>	<b>28,108</b>	<b>22,432</b>	<b>37,778</b>	<b>28,108</b>	<b>22,432</b>
<b>As percent of GDP</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>	<b>0.6</b>	<b>0.4</b>	<b>0.3</b>
<b>Net impact on the budget</b>	<b>57,336</b>	<b>72,547</b>	<b>66,205</b>	<b>57,336</b>	<b>72,547</b>	<b>66,205</b>	<b>-99,623</b>	<b>-152,102</b>	<b>-158,695</b>	<b>-17,080</b>	<b>-11,722</b>	<b>-6,230</b>	<b>-17,080</b>	<b>-11,722</b>	<b>-6,230</b>	<b>12,700</b>	<b>19,500</b>	<b>12,651</b>
<b>As percent of GDP</b>	<b>0.9</b>	<b>1.1</b>	<b>0.9</b>	<b>0.9</b>	<b>1.1</b>	<b>0.9</b>	<b>-1.6</b>	<b>-2.3</b>	<b>-2.2</b>	<b>-0.3</b>	<b>-0.2</b>	<b>-0.1</b>	<b>-0.3</b>	<b>-0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.3</b>	<b>0.2</b>

Source: Ministry of Finance.  
 1/ Estimate of the Ministry of Finance.  
 2/ Top-up of direct payments from EU.  
 3/ Includes a one-time liquidity shortfall in collecting VAT on EU imports in 2004.  
 4/ The existing system of market regulation, direct payments, and rural development is being replaced by the EU system. Co-financing and savings in the agricultural spending are therefore treated on the net basis.

### **Box 1. Structure of the EU Budget**

The EU budget envelope has a ceiling of 1.24 percent of the EU gross national income. The three main categories of **revenues** detailed below make up about 81 percent of total EU budget revenue (EUR 95.4 billion in 2002) and are referred to as **Own Resources**.

- (i) **Traditional Own Resources (TOR)**, are comprised of (a) **agricultural levies** (agricultural duties charged on imports, and sugar and isoglucose levies, applied under the common organization of the sugar market) representing 2 percent of total revenue; and (b) **customs duties**, derived from application of the common customs tariff to imports from non-member countries. These represented 7.5 percent of total revenue in 2002. The member states keep a 25 percent fee for collecting the TOR.
- (ii) **The VAT resource** is derived from the application of a uniform rate to the VAT assessment base of each Member State, harmonized in accordance with Community rules. The VAT revenue represents 23 percent of total revenue.
- (iii) **The GNI-based additional resource** is a variable “topping-up” resource to provide the revenue required to cover the total payment appropriations. In practice, it is the most sizeable revenue source (48 percent of total revenue in 2002).

The United Kingdom negotiated with the European institutions a rebate on its payments to the common budget. The **UK rebate** is explicitly financed by all the other EU members but it does not increase the total revenues of the EU budget.

**Expenditures** from the EU budget are divided into administrative and policy-oriented expenditures. The administrative expenditures cover operations of the parliament, the council, the commission, and other institutions. They make up 6 percent of total expenditures that amounted to EUR 85.1 billion in 2002.

The policy-oriented expenditure comprises of the following main subsections:

- (i) **Agriculture** finances all expenditures of the European Agricultural Guidance and Guarantee Fund (EAGGF) such as income support, refunds on exports of community products to nonmember countries, measures to regulate the agricultural markets, rural development, and environmental measures. The subsection amounted to EUR 43.5 billion representing 51 percent of total expenditure in 2002.
- (ii) **Structural actions** finance measures under **Structural Funds** (European Regional Development Fund, European Social Fund, EAGGF Guidance Section, Financial Instrument for Fisheries Guidance) and the **Cohesion Fund**. The subsection amounted to EUR 23.5 billion representing 28 percent of total expenditure in 2002.
- (iii) **Internal policies** comprise primarily of expenditure on education, culture, social affairs, energy, environment, and research. The expenditure on internal policies reached EUR 6.6 billion in 2002, 8 percent of total expenditure.
- (iv) **External action** includes the economic and financial cooperation with nonmember countries, including the pre-accession and humanitarian aid. It amounted to EUR 6.3 billion in 2002, representing 7.5 percent of total expenditure.

level of subsidy.<sup>8</sup> To decrease the negative impact on the budget, the new member states will be allowed to partially redirect rural development resources for the top-up of direct payments. The redirected resources may not exceed 20 percent of the funding for rural development. During 2004, Slovenia and other member states will be pre-financing the relevant expenditures from their own budget, and will start receiving the cash payments in 2005.

- **Market measures** consist of export subsidies and expenditures to stabilize the agricultural market. The disbursement of these funds is automatic and does not require any cofinancing.
- **Rural development** fund compensates farmers in regions with unfavorable conditions, supports re-forestation and other measures. The government is required to cofinance rural development at the rate of 20 percent.

37. **The Ministry of Finance estimates that Slovenia will be a net beneficiary from the transition to the EU model of agricultural subsidies (Table 4).** While the expenditures on topping-up will be substantial (SIT 12–15 billion a year), the savings from the replacement of the existing system will be even larger and the net gain for the budget will amount to SIT 6-11 billion a year.

Table 4. Budget Expenditure on Agriculture, 2003-05  
(In billions of tolar)

	2003	2004	2005
	Prel.	Budget	Budget
<b>Market stabilization measures</b>			
Direct payments and market measures - Slovene budget	17.67	19.09	11.95
Direct payments - redirected from rural development	0.00	1.63	2.24
Direct payments - EU	0.00	0.00	5.55
Market-related measures - EU	0.00	2.34	6.00
Sub-total	17.67	23.07	25.73
<b>Agricultural - environment program</b>			
Rural development - Slovene budget	6.36	0.00	0.00
Rural development - EU	0.00	5.53	12.77
Rural development - EU - Slovene participation	0.00	1.38	3.13
Sub-total	6.36	6.92	15.91
<b>Total</b>	<b>24.02</b>	<b>29.98</b>	<b>41.63</b>

Source: Ministry of Finance.

<sup>8</sup> Thus, for Slovenia the 100 percent subsidy level will be reached in 2007, compared with 2013 for the other accession countries.



### *Structural actions*

38. **Structural actions** are meant to help underdeveloped EU members speed up their convergence towards the average EU income levels and reduce regional disparities (Box 2). All funding in this category is conditional on the development and implementation of specific projects, and requires national cofinancing by the budget or by the public and private sectors.

#### **Box 2. EU Structural Actions**

- During the programming period 2000–06, EUR 195 billion (in 1999 prices) will be spent by the four Structural Funds of the EU, the European Development Fund - **ERDF**, the European Social Fund – **ESF**, the Financial Instrument for Fisheries Guidance – **FIFG**, and the Guidance Section of the European Agricultural Guidance and Guarantee Fund – **EAGGF**. In addition, EUR 18 billion will be spent by the **Cohesion Fund**. The Structural and Cohesion Funds are the tools of the EU **Structural Actions**.
  - **Objective 1** of the Structural Funds is designed to promote the development and structural adjustment of regions whose development is lagging behind. It is available mainly in regions whose GDP per capita is less than 75 percent of the EU average in PPP terms. Objective 1 is the most important of the three objectives of Structural Actions in terms of the amount of financial assistance. Among the accession countries, only Cyprus, and Prague and Bratislava regions are not eligible under this criteria. However, these regions are unlike the others still eligible for funding under Objectives 2 and 3. **Objective 2** of the Structural Funds supports economic and social conversion in areas facing structural difficulties. These are often regions with a declining share of industry and high unemployment. **Objective 3** of the Structural Funds supports modernization of education, training, and employment policies and systems. 69.7 percent (EUR 136 billion) of the funding will go to Objective 1 regions, 11.5 percent (EUR 23 billion) to Objective 2 regions and 12.3 percent (EUR 24 billion) to Objective 3 regions. The rest of the funds is divided among FIFG, **Community Initiatives**, and technical assistance.
  - The Cohesion Fund supports investment in large infrastructure and environment projects in countries whose GDP per capita is less than 90 percent of the EU average. All new member states will be eligible for drawing from this fund in the shortened programming period 2004–06.
- **Structural Funds:** The Ministry of Finance estimates that Slovenia will be able to disburse annually SIT 8–15 billion in structural funding during 2004–06. The typical size of total domestic cofinancing will be 25–50 percent, out of which government’s contribution will be SIT 3–5 billion a year.

Transfers from the Structural Funds are subject to the principle of additionality. Slovenia must maintain its public development expenditure at the pre-accession level. The amount of spending that has to be preserved was agreed upon with the EC and is stipulated in the programming documents. The principle of additionality limits the ability of the government to substitute the existing expenditure with EU funds and the cofinancing needs on new projects create pressure on the budgetary position.

- **Cohesion Fund** is designed for large infrastructure projects in the fields of transport and environment. The domestic cofinancing of cohesion projects is typically 25 percent and it will initially be provided by public companies (Slovene Motorway Company, Railways Traffic Agency) with no cofinancing obligations for the budget. Cohesion Fund is not subject to the principle of additionality and can be used to finance current programs. The staff estimates that substitution of domestic financing with disbursements from the cohesion fund will generate savings in the amount of SIT 6–9 billion a year.

#### *Other facilities*

39. **A special cash transfer in the amount of SIT 15–25 billion a year was negotiated at the Copenhagen summit** to ensure that the net position of Slovenia vis-à-vis the EU does not deteriorate after EU entry. This compensation accrues automatically and can finance any expenditure of the state budget.

40. **The pre-accession aid** is facilitated by PHARE, ISPA and SAPARD programs.<sup>9</sup> The existing projects will continue to be implemented until 2006. The volume of aid under the pre-accession program will be sizeable even after the EU entry (SIT 21 billion in 2004), but will fall rapidly over the next two years (to SIT 7 billion in 2006).

41. **Internal Actions** focus on other projects that cannot be covered from structural or cohesion funds. Examples of such projects are construction of the Schengen border, research and development, or consumer protection. During the final stage of accession negotiations in Copenhagen, it was agreed that the Schengen-related expenditures would not be linked to project implementation, and would be a revenue of the state budget (unlike the other items in the category Internal Actions). The Ministry of Finance estimates that Slovenia will need to invest about SIT 11 billion of own resources on the Schengen-border in addition to the funds provided for this purpose by the EU during 2004–05.

42. **Financial instrument EEA (European Economic Area)** is financed by Norway, Iceland and Lichtenstein for their free access to the EU market. Similarly to internal policies, EEA will provide grants to specific projects. The total volume of the facility is small (less than SIT 5 billion over the period of next five years). Since the timing of disbursements is uncertain at this time, the EEA instrument is not included in Table 3.

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<sup>9</sup> PHARE is a pre-accession fund whose objective is institution-building in all aspects of EU accession. SAPARD is a fund that aims at the modernization of agricultural sector and rural development. It is similar in scope and management to the EAGGF. ISPA is a fund for pre-accession countries that aims at the development of transport and environmental infrastructure. ISPA performs the same task as the Cohesion Fund in the member states.

### **Additional effects on the budget**

43. **The accession countries will be subject to a one-off revenue liquidity shortfall due to the lag in VAT collection on imports from the EU.**<sup>10</sup> In addition, the Ministry of Finance expects to lose VAT revenues on account of lower collection efficiency. The efficiency defined as VAT/GDP ratio over the basic VAT rate is about 0.5 in Slovenia, well above the EU average of about 0.35. Working estimates prepared by the Slovene Ministry of Finance suggest that the annual VAT revenue shortfall could reach SIT 13–21 billion (0.2–0.3 percent of GDP) once border controls with Schengen countries are abolished.

44. **Budgets of many accession countries will be negatively influenced by the loss of customs duties on EU imports.** For Slovenia, the shortfall is expected to reach about SIT 8-11 billion a year.

45. **The gradual alignment of excise tax on tobacco to the EU levels will improve the budgetary position** by about SIT 2 billion annually.

### **C. Administrative Preparedness**

46. **In July and November 2003, the EC published reports on administrative preparedness of new member states for disbursing from the EU development funds.** The reports found Slovenia well-prepared in many relevant areas, but further progress will need to be made in preparing a pipeline of well-prepared projects and completing work on setting up administrative structures for the management and monitoring of the Structural and Cohesion Funds.

47. **Despite encouraging progress on the administrative and legal framework, evidence shows that member states are sometimes not able to draw efficiently from the development funds.** During the programming period 1994–99, on average 78 percent of the available resources were paid from the Structural Funds (Objective 1) to the EU-15 countries. Moreover, the experience with the pre-accession facilities (ISPA, SAPARD) suggests that the new member states may initially have difficulties in disbursing the project-oriented resources. The EU will cancel any funding commitments that are not claimed by a member state by the end of the calendar year following the year when the project was meant to be started. This creates incentives to draw on the available funds quickly but also increases the implementation risk.

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<sup>10</sup> The liquidity effect increases deficit according to the GFS methodology but not according to the ESA-95 methodology.

#### **D. Outlook for 2007–13**

48. **Slovenia may not be able to sustain its position as a net recipient of the EU funds during the next programming period 2007–13.** The level of Slovene GDP per capita in PPP terms currently stands at about 70 percent of the EU average. As the process of real convergence continues, Slovenia may become ineligible for Objective 1 funding from Structural Actions. Moreover, the financial framework for 2007–13 might put more stringent conditions on the use of EU funds as the main net contributors to the EU budget propose to reduce the EU budget envelope as a proportion of the EU gross national income.

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Table A1. Slovenia: Basic Data

Social and demographic indicators	Slovenia					EU-15
Area (thousand square kilometers)	20					3,154
Population (million; 2002)	2.0					377.7
Rate of population growth (percent; 2002)	0.1					0.3
GDP per capita (PPS; EU-15=100; 2002)	69					100
Income distribution (ratio of income received by top and bottom quintiles, 2000)	3.2					4.4
Adult population with upper secondary education (percent; 2002)	76.8					64.6
Total R&D expenditure (percent of GDP, 2001)	1.6					2.0
Household internet access (percent of total, 2001)	24.0					36.1
Life expectancy at birth (years; 2002)						
Male	72.7					75.8
Female	80.5					81.9
Number of practicing physicians (per 100,000 inhabitants; 2001 for Slovenia, 1999 for EU-15)	227					363
	1999	2000	2001	2002	2003	
<b>Real economy (change in percent)</b>						
Real GDP	5.9	4.1	2.9	2.9	2.3	
Domestic demand	9.5	1.5	1.0	2.1	4.0	
CPI (average)	6.1	8.9	8.4	7.5	5.6	
Unemployment rate (ILO definition; in percent)	7.6	7.0	6.4	6.3	6.7	
Gross national saving (percent of GDP)	24.1	24.1	24.4	24.9	24.3	
Gross domestic investment (percent of GDP)	27.4	27.0	24.2	23.5	24.2	
<b>Public finance (percent of GDP)</b>						
General government revenue	41.4	40.9	41.5	40.9 1/	41.9	
General government expenditure	42.0	42.2	42.8	42.5	43.3	
General government balance	-0.6	-1.3	-1.3	-1.5 1/	-1.4	
General government debt	23.6	24.7	26.6	27.8	27.0	
<b>Money and credit (end of year; percent change)</b>						
M3 (including foreign currency deposits)	12.2	15.3	28.3	18.4	4.9	
Credit to the private sector	29.3	18.6	18.4	11.3	15.7	
<b>Interest rates (end of year; in percent)</b>						
Rate on 60-day Bank of Slovenia bills	7.0	10.0	8.0	8.3	6.0	
Lending rates	13.1-17.2	14.6-18.4	12.3-15.8	11.6-14.7	9.6-10.3	
Deposit rates 2/	9.6-11.4	10.9-13.2	8.5-11.0	7.6-8.6	4.8-4.9	
<b>Balance of payments (percent of GDP)</b>						
Exports of goods (volume; percent change)	2.7	12.9	6.9	6.5	4.5	
Imports of goods (volume; percent change)	8.6	7.7	3.2	4.4	6.8	
Merchandise balance	-5.9	-5.9	-3.1	-1.1	-2.2	
Current account balance	-3.3	-2.8	0.2	1.4	0.1	
<b>Exchange rates</b>						
Exchange rate regime	Crawling band					
Present rate (April 20, 2004)	SIT 199.92 per US\$; SIT 238.22 per euro					
Nominal effective rate (1998Q1=100, period average)	96.8	90.6	85.0	81.8	80.5	
Real effective rate (CPI based, 1998Q1=100, period average)	103.1	102.1	101.1	102.8	105.0	

Sources: Slovene authorities; Eurostat; and IMF staff calculations.

1/ The revenues and deficit figures have been adjusted for the shift of budget accounting to a pure cash basis. Without the adjustment, the general government deficit would had reached SIT 156 bn, or 3.0 percent of GDP, as the unadjusted figures contained only 11 months of VAT and excise tax revenues.

2/ For deposits with maturity between 31 days and 1 year.

Table A2. Slovenia: Growth of Real GDP and its Components, 1999-2003  
(Real growth rate in percent, 2000 prices)

	1999	2000	2001	2002	2003
Gross domestic product (GDP) by activity					
GDP	5.9	4.1	2.9	2.9	2.3
Total value added (basic prices) 1/	...	...	3.3	3.3	2.3
Agriculture, hunting, forestry	...	...	-2.5	1.1	-6.2
Fishing	...	...	1.6	-6.5	-18.7
Mining and quarrying	...	...	-5.3	-0.5	5.1
Manufacturing	...	...	4.9	4.6	2.7
Electricity, gas, and water supply	...	...	6.4	5.6	-3.2
Construction	...	...	-2.2	1.1	2.8
Wholesale, retail, trade, and repair	...	...	1.6	2.5	3.1
Hotels and restaurants	...	...	6.3	0.8	4.2
Transport, storage, and communications	...	...	5.9	2.4	1.3
Financial intermediation	...	...	5.4	9.3	5.7
Real estate, renting and business activities	...	...	4.0	2.1	2.2
Public administration and defense	...	...	5.9	4.3	5.2
Education	...	...	2.1	2.6	2.4
Health and social work	...	...	2.5	3.5	4.4
Other community and personal activities	...	...	2.1	2.2	3.1
Private households with employed persons	...	...	12.2	-10.7	-33.3
Financial intermediation services measured indirectly	...	...	-10.8	-6.5	-11.1
Taxes on products minus subsidies on products	...	...	-0.1	0.7	2.0
Expenditure on gross domestic product					
GDP	5.9	4.1	2.9	2.9	2.3
Total domestic demand	9.5	1.5	1.0	2.1	4.0
Final consumption	5.1	0.8	2.8	1.4	3.0
Private consumption	5.9	0.3	2.4	1.1	3.1
Government consumption	2.9	2.3	4.0	2.5	2.8
Gross capital formation	22.4	3.3	-4.2	4.1	7.0
Gross fixed capital formation	22.6	2.6	-0.4	1.3	5.5
Exports of goods and services	1.6	13.0	6.4	6.5	3.4
Imports of goods and services	8.0	7.6	3.0	4.9	6.3

Source: Statistical Office of the Republic of Slovenia.

1/ Growth rates for 1999-2000 are not reported as revised level data based on consistent methodology is only available for 2000-03.

Table A3. Slovenia: Aggregate Supply and Demand at Current Prices, 2000-2003

(In billions of tolar, current prices)

	2000	2001	2002	2003
Gross domestic product (GDP) by activity				
GDP	4,222.4	4,740.1	5,275.8	5,670.6
Total value added (basic prices) 1/	3,653.0	4,115.4	4,559.9	...
Agriculture, hunting, forestry	128.0	133.0	141.0	...
Fishing	0.6	0.7	0.8	...
Mining and quarrying	27.1	25.0	24.3	...
Manufacturing	994.9	1,117.9	1,231.2	...
Electricity, gas, and water supply	106.5	128.7	132.6	...
Construction	230.7	244.9	260.7	...
Wholesale, retail, trade, and repair	423.9	486.3	545.7	...
Hotels and restaurants	95.2	106.4	111.1	...
Transport, storage, and communications	269.9	305.7	337.5	...
Financial intermediation	186.8	178.7	248.2	...
Real estate, renting, and business activities	546.0	620.5	688.2	...
Public administration and defense	230.0	270.0	306.1	...
Education	205.8	239.2	265.5	...
Health and social work	186.5	213.5	241.5	...
Other community and personal activities	126.7	142.2	152.7	...
Private households with employed persons	1.4	1.8	1.6	...
Financial intermediation services measured indirectly	-106.9	-99.0	-128.7	...
Taxes on products minus subsidies on products	569.4	624.7	715.9	...
Expenditure on gross domestic product				
GDP	4,222.4	4,740.1	5,275.8	5,670.6
Total domestic demand	4,373.2	4,768.1	5,200.9	5,671.5
Final consumption	3,234.9	3,622.1	3,963.7	4,298.5
Private consumption	2,391.9	2,647.7	2,879.8	3,124.9
Government consumption	842.9	974.3	1,084.0	1,173.6
Gross capital formation	1,138.3	1,146.0	1,237.2	1,373.0
Gross fixed capital formation	1,085.9	1,136.8	1,193.2	1,303.0
Changes in inventories and valuables	52.4	9.2	44.0	70.0
Exports of goods and services	2,387.3	2,746.6	3,055.2	3,247.4
Imports of goods and services	2,538.1	2,774.6	2,980.3	3,248.3

Source: Statistical Office of the Republic of Slovenia.

1/ Data for 2003 are not available.



Table A4. Slovenia: Aggregate Supply and Demand at Constant Prices, 2000-2003

(In billions of tolar, 2000 prices)

	2000	2001	2002	2003
Gross domestic product by activity				
GDP	4,222.4	4,343.0	4,471.1	4,572.2
Total value added (basic prices)	3,653.0	3,773.9	3,897.7	3,987.1
Agriculture, hunting, forestry	128.0	124.7	126.1	118.3
Fishing	0.6	0.6	0.5	0.4
Mining and quarrying	27.1	25.7	25.6	26.9
Manufacturing	994.9	1,043.9	1,091.5	1,121.4
Electricity, gas, and water supply	106.5	113.3	119.5	115.7
Construction	230.7	225.7	228.3	234.6
Wholesale, retail, trade, and repair	423.9	430.9	441.6	455.4
Hotels and restaurants	95.2	101.2	102.0	106.3
Transport, storage, and communications	269.9	285.8	292.8	296.6
Financial intermediation	186.8	196.9	215.3	227.5
Real estate, renting, and business activities	546.0	567.9	579.5	592.3
Public administration and defense	230.0	243.6	254.0	267.1
Education	205.8	210.2	215.7	220.9
Health and social work	186.5	191.2	197.9	206.6
Other community and personal activities	126.7	129.4	132.2	136.3
Private households with employed persons	1.4	1.6	1.4	0.9
Financial intermediation services measured indirectly	-106.9	-118.5	-126.2	-140.2
Taxes on products minus subsidies on products	569.4	569.1	573.4	585.0
Expenditure on gross domestic product				
GDP	4,222.4	4,343.0	4,471.1	4,572.2
Total domestic demand	4,373.2	4,417.0	4,508.8	4,689.3
Final consumption	3,234.9	3,326.4	3,373.8	3,474.9
Private consumption	2,391.9	2,450.0	2,475.8	2,551.4
Government consumption	842.9	876.4	898.0	923.5
Gross capital formation	1,138.3	1,090.5	1,135.1	1,214.4
Gross fixed capital formation	1,085.9	1,081.7	1,096.0	1,156.2
Changes in inventories and valuables	52.4	8.9	39.1	58.2
Exports of goods and services	2,387.3	2,539.2	2,703.1	2,795.3
Imports of goods and services	2,538.1	2,613.2	2,740.9	2,912.5

Source: Statistical Office of the Republic of Slovenia.

Table A5. Slovenia: Cost Structure of Gross Domestic Product, 1999-2002

	1999	2000	2001	2002
	(In billions of tolar, current prices)			
Gross domestic product	3,839.9	4,222.4	4,740.1	5,275.8
Compensation of employees 1/	...	2,233.8	2,518.6	2,777.9
Wages and salaries	...	1,990.0	2,245.0	2,472.9
Employees' actual social security contributions	...	243.8	273.6	305.0
Gross operating surplus 1/	...	1,001.7	1,129.6	1,278.6
Consumption of fixed capital	...	661.8	733.1	791.0
Net operating surplus	...	340.0	396.5	487.6
Gross mixed income 1/	...	350.9	384.1	413.5
Consumption of fixed capital	...	88.2	96.4	98.7
Net mixed income	...	262.8	287.7	314.8
Taxes on production and imports	668.4	695.1	771.9	878.9
Value added tax	192.1	383.2	411.2	474.5
Import duties	43.0	36.1	27.4	29.3
Excise duties	60.5	117.0	144.7	173.5
Taxes on products	292.4	55.4	62.3	60.2
Other taxes on production	80.4	103.6	126.4	141.5
Less: Subsidies 1/	...	59.2	64.1	73.1
Subsidies on products	...	22.1	20.8	21.6
Other subsidies	...	37.1	43.2	51.5
Cost structure of gross domestic product	(Share of GDP at current prices, in percent)			
Compensation of employees	...	52.9	53.1	52.7
Wages and salaries	...	47.1	47.4	46.9
Employees' actual social security contributions	...	5.8	5.8	5.8
Gross operating surplus	...	23.7	23.8	24.2
Consumption of fixed capital	...	15.7	15.5	15.0
Net operating surplus	...	8.1	8.4	9.2
Gross mixed income	...	8.3	8.1	7.8
Consumption of fixed capital	...	2.1	2.0	1.9
Net mixed income	...	6.2	6.1	6.0
Taxes on production and imports	17.4	16.5	16.3	16.7
Value added tax	5.0	9.1	8.7	9.0
Import duties	1.1	0.9	0.6	0.6
Excise duties	1.6	2.8	3.1	3.3
Taxes on products	7.6	1.3	1.3	1.1
Other taxes on production	2.1	2.5	2.7	2.7
Less: Subsidies	...	1.4	1.4	1.4
Subsidies on products	...	0.5	0.4	0.4
Other subsidies	...	0.9	0.9	1.0

Source: Statistical Office of the Republic of Slovenia.

1/ Data for 1998-99 are not available on comparable basis with data for 2000-02.

Table A6. Slovenia: Gross Fixed Capital Formation, 1999-2003

	1999	2000	2001	2002	2003
(In billions of tolar, current prices)					
Total gross fixed capital formation	1,013.9	1,085.9	1,136.8	1,193.2	1,303.0
Buildings and construction works	507.1	545.6	547.9	568.7	...
Transport equipment	83.5	104.4	110.7	119.5	...
Other machinery and equipment	372.1	376.7	410.1	436.0	...
Others	9.1	9.4	9.6	7.2	...
Intangible fixed assets	42.1	49.8	58.6	61.7	...
(In billions of tolar, in 2000 prices)					
Total gross fixed capital formation	1,058.6	1,085.9	1,081.7	1,096.0	1,156.2
Buildings and construction works	539.9	545.6	509.9	503.2	...
Transport equipment	87.9	104.4	105.2	106.9	...
Other machinery and equipment	377.0	376.7	400.5	418.0	...
Others	9.8	9.4	8.9	6.5	...
Intangible fixed assets	43.6	49.8	57.2	61.3	...

Source: Statistical Office of the Republic of Slovenia.

Table A7. Slovenia: Inflation, 1999-2003

	Consumer Price Inflation			Increases in Administered and Regulated Prices 1/	Core Inflation 2/	Producer Price Inflation
	Total	Goods 1/	Services 1/			
(In percent, period average)						
1999	6.1	5.6	7.9	...	4.8	2.1
2000	8.9	9.1	8.5	...	5.8	7.6
2001	8.4	7.8	10.2	...	7.6	8.9
2002	7.5	6.3	10.7	...	6.9	5.1
2003	5.6	4.6	6.7	...	5.1	2.5
(In percent, year-on-year)						
Mar-99	5.1	4.6	6.7	8.8	4.9	1.8
Jun-99	4.3	3.7	6.1	6.2	5.0	1.5
Sep-99	7.5	7.2	8.5	9.0	4.5	1.9
Dec-99	8.0	7.8	8.8	10.4	4.2	3.5
Mar-00	9.0	9.2	8.6	12.7	4.9	6.1
Jun-00	9.7	9.9	9.4	19.2	5.0	7.1
Sep-00	8.9	9.3	8.0	16.5	6.9	9.3
Dec-00	8.9	8.8	9.2	16.0	7.4	9.2
Mar-01	8.9	8.2	10.8	17.6	7.9	9.6
Jun-01	9.5	9.1	10.6	16.0	8.3	9.8
Sep-01	7.9	7.0	10.6	13.7	7.1	8.0
Dec-01	7.0	6.2	9.6	10.6	7.3	7.5
Mar-02	7.6	6.7	10.4	5.2	6.7	6.3
Jun-02	6.8	5.5	10.7	3.9	6.8	5.6
Sep-02	7.2	5.9	10.7	7.3	6.9	4.9
Dec-02	7.2	6.4	9.4	9.2	6.8	3.7
Mar-03	6.3	6	7.1	6.0	6.2	2.5
Jun-03	6.0	5.4	7.7	5.6	5.8	2.7
Sep-03	5.0	4.4	6.4	4.4	4.1	2.5
Dec-03	4.6	3.9	6.5	5.5	3.4	2.1

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

1/ In 1999-2003, the average weights of goods, services, and administered and regulated prices in the consumer price index were 73.4, 26.6, and 14.3 percent, respectively.

2/ Bank of Slovenia's measure of core inflation excludes prices of energy, seasonal food, and impact of indirect taxes.

Table A8. Slovenia: Increases in Administered and Regulated Prices, 1999-2003

	1999	2000	2001	2002	2003
	(Percent, end-of-period)				
All administered and regulated prices	10.4	16.0	10.6	9.2	5.5
Gasoline prices	14.3	26.2	7.7	7.7	3.3
Municipal services charges	10.2	20.1	22.4	17.8	5.8
Telephone services	11.5	5.7	17.4	23.7	...
Electricity tariffs	6.0	8.2	5.0	2.8	3.9

Source: Institute of Macroeconomic Analysis and Development.

Table A9. Slovenia: Employment by Sector, 2000-2003 1/

	2000	2001	2002	2003
	(Full-time-equivalent, in thousands)			
Total economy	900.1	904.3	899.5	897.4
Agriculture and fishing	105.0	101.7	99.1	95.9
Agriculture	104.7	101.4	98.8	95.6
Fishing	0.3	0.3	0.3	0.3
Industry and construction	338.0	338.8	332.6	327.1
Mining and quarrying	6.0	5.5	5.2	4.9
Manufacturing	254.4	255.3	250.3	245.2
Electricity, gas and water supply	11.7	11.7	11.7	11.7
Construction	65.9	66.3	65.4	65.3
Production services	201.8	201.5	201.1	200.7
Wholesale, retail, trade, repair	113.8	113.2	113.5	113.6
Hotels and restaurants	34.2	33.7	33.0	32.8
Transport, storage and communications	53.8	54.6	54.5	54.3
Business services	85.0	88.7	91.3	93.6
Financial intermediation	19.9	20.4	21.0	21.0
Real estate, renting, and business services	65.1	68.3	70.3	72.6
Public services	170.4	173.7	175.5	180.2
Public administration	43.5	45.0	46.3	48.1
Education	53.6	54.4	55.3	56.2
Health and social work	43.3	44.0	45.0	46.4
Other social and personal services	29.2	29.4	28.1	29.0
Private households with employees	0.8	0.8	0.8	0.5
	(In percent of total employment)			
Agriculture and fishing	11.7	11.2	11.0	10.7
Agriculture	11.6	11.2	11.0	10.7
Fishing	0.0	0.0	0.0	0.0
Industry and construction	37.5	37.5	37.0	36.4
Mining and quarrying	0.7	0.6	0.6	0.5
Manufacturing	28.3	28.2	27.8	27.3
Electric, gas and water supply	1.3	1.3	1.3	1.3
Construction	7.3	7.3	7.3	7.3
Production services	22.4	22.3	22.4	22.4
Distributive trade	12.6	12.5	12.6	12.7
Hotels and restaurants	3.8	3.7	3.7	3.7
Transport, storage, and communications	6.0	6.0	6.1	6.1
Business services	9.4	9.8	10.1	10.4
Financial intermediation	2.2	2.3	2.3	2.3
Real estate, renting, and business services	7.2	7.6	7.8	8.1
Public services	18.9	19.2	19.5	20.1
Public administration	4.8	5.0	5.2	5.4
Education	6.0	6.0	6.2	6.3
Health and social work	4.8	4.9	5.0	5.2
Other social and personal services	3.2	3.2	3.1	3.2
Private households with employees	0.1	0.1	0.1	0.1

Source: Statistical Office of the Republic of Slovenia.

1/ Full-time-equivalent.

Table A10. Slovenia: Average Monthly Gross Wages by Sector, 1999-2003 1/

	Old classification				New classification	
	1999	2000	2001	2002	2002	2003
	(In tolar)					
Total economy	173,245	191,669	214,561	235,436	235,436	253,200
Agriculture and fishing						
Agriculture	161,367	171,669	185,550	201,007	196,299	207,565
Fishing	154,290	166,331	172,752	183,110	183,110	197,567
Industry and construction						
Mining and quarrying	193,169	218,705	248,031	274,202	274,202	298,122
Manufacturing	144,110	161,269	178,596	197,166	196,077	211,060
Electricity, gas and water supply	200,429	219,212	250,000	278,616	276,788	299,812
Construction	147,510	159,541	173,179	189,015	188,882	204,316
Production services						
Distributive trade	162,907	173,119	189,609	207,203	207,040	222,101
Hotels and restaurants	139,145	150,527	165,159	178,438	178,073	189,230
Transport, storage, and communications	186,849	208,417	232,483	252,308	251,515	272,238
Business services						
Financial intermediation	255,147	279,107	313,370	339,900	339,900	370,832
Real estate, renting, and business services	186,301	207,803	233,439	258,709	253,928	273,716
Public services						
Public administration	223,914	244,662	278,826	299,889	299,889	321,502
Education	192,089	220,572	255,222	288,267	288,029	309,968
Health and social work	203,098	224,575	253,131	267,824	295,319	308,013
Other social and personal services	228,012	245,579	273,443	293,855	293,759	307,184
	(Percent change)					
Total economy	9.6	10.6	11.9	9.7	...	7.5
Agriculture and fishing						
Agriculture	7.9	6.4	8.1	8.3	...	5.7
Fishing	4.1	7.8	3.9	6.0	...	7.9
Industry and construction						
Mining and quarrying	9.9	13.2	13.4	10.6	...	8.7
Manufacturing	9.1	11.9	10.7	10.4	...	7.6
Electricity, gas, and water supply	12.2	9.4	14.0	11.4	...	8.3
Construction	10.0	8.2	8.5	9.1	...	8.2
Production services						
Distributive trade	7.8	6.3	9.5	9.3	...	7.3
Hotels and restaurants	9.5	8.2	9.7	8.0	...	6.3
Transport, storage, and communications	9.0	11.5	11.5	8.5	...	8.2
Business services						
Financial intermediation	9.7	9.4	12.3	8.5	...	9.1
Real estate, renting, and business services	9.4	11.5	12.3	10.8	...	7.8
Public services						
Public administration	10.6	9.3	14.0	7.6	...	7.2
Education	9.6	14.8	15.7	12.9	...	7.6
Health and social work	11.4	10.6	12.7	5.8	...	4.3
Other social and personal services	6.3	7.7	11.3	7.5	...	4.6

Source: Statistical Office of the Republic of Slovenia.

1/ Sectoral average wage data are not consistent over time, owing to a sectoral reclassification of workers that occurred in 2002.

Table A11. Slovenia: Summary of General Government Operations, 1999-2005

(In billions of tolar)

	1999	2000	2001	2002	Prelim	Budget	
					2003	2004	2005
Total revenues	1,590.0	1,726.7	1,967.8	2,159.5 1/	2,375.3	2,613.8	2,817.2
Tax revenues	1,499.4	1,599.6	1,798.3	1,909.6	2,191.2	2,351.2	2,546.4
Personal income tax	231.6	259.6	289.1	319.8	353.1	380.0	388.0
Corporate income tax	42.2	51.8	68.8	75.2	107.4	117.5	129.5
Social security contributions	496.4	552.6	620.9	681.8	737.9	796.9	928.3
Taxes on payroll and workforce	55.4	68.1	83.4	93.9	107.4	118.4	123.5
Domestic taxes on goods and services	601.5	602.9	673.4	672.7	815.6	872.1	911.0
<i>Of which</i> : Value added tax	472.7	410.4	440.6	423.7	525.9	562.6	589.4
Excises	70.1	134.1	166.4	170.9	197.8	212.8	218.9
Other	58.7	58.4	66.3	78.1	91.9	96.7	102.7
Nontax revenues	79.8	95.4	139.0	133.9	147.5	154.6	139.6
Capital revenues and grants	10.8	17.1	21.0	29.4	28.6	19.9	20.3
Transfers from extrabudgetary funds	0	14.6	9.4	11.0	7.6	7.7	7.8
Receipts from the EU budget 2/	...	...	...	...	...	80.4	103.2
Adjustment for methodological change 1/	...	...	...	75.6	...	...	...
Total expenditures	1,613.3	1,781.4	2,031.0	2,239.9	2,457.1	2,720.7	2,921.3
Wages and social security contributions	350.6	387.5	456.4	514.9	561.4	585.5	605.7
Central and local government	116.6	131.9	155.3	174.0	195.6	202.5	207.7
Public institutions	234.1	255.6	301.1	340.9	365.8	382.9	398.0
Premium for supplementary pension insurance	...	...	...	...	...	13.6	10.2
Expenditure on goods and services	295.8	336.0	385.8	417.7	452.9	478.6	566.4
Interest payments	50.9	61.0	72.8	83.5	92.6	93.9	92.0
Reserves	10.6	12.6	9.0	9.9	18.2	11.4	13.9
Transfers to individuals and households	648.1	731.1	821.4	910.4	985.5	1,056.5	1,106.6
<i>Of which</i> : Pensions	441.0	490.7	544.5	600.8	640.2	686.6	722.6
Subsidies	63.1	59.0	63.2	60.4	69.4	80.7	87.9
Other current transfers	26.5	23.5	23.5	36.2	42.1	67.9	66.4
Capital expenditures and transfers	167.8	170.9	198.9	206.9	235.0	287.7	297.0
Transfers to the EU budget	...	...	...	...	...	45.0	75.4
Overall balance	-23.3	-54.7	-63.2	-80.4 1/	-81.8	-106.9	-104.2

Source: Ministry of Finance.

1/ Revenues and deficit figures have been adjusted for the shift of budget accounting to a pure cash basis. Without the adjustment, the general government deficit would have reached SIT 156 bn, or 3.0 percent of GDP, as the unadjusted figures contained only 11 months of VAT and excise tax.

2/ Pre-accession aid of the EU was until 2003 classified as grants.



Table A12. Slovenia: Summary of General Government Operations, 1999-2005

(In percent of GDP)

	1999	2000	2001	2002	Prelim	Budget	
					2003	2004	2005
Total revenues	41.4	40.9	41.5	40.9 1/	41.9	42.7	42.8
Tax revenues	39.0	37.9	37.9	36.2	38.6	38.4	38.6
Personal income tax	6.0	6.1	6.1	6.1	6.2	6.2	5.9
Corporate income tax	1.1	1.2	1.5	1.4	1.9	1.9	2.0
Social security contributions	12.9	13.1	13.1	12.9	13.0	13.0	14.1
Taxes on payroll and workforce	1.4	1.6	1.8	1.8	1.9	1.9	1.9
Domestic taxes on goods and services	15.7	14.3	14.2	12.8	14.4	14.2	13.8
<i>Of which</i> : Value added tax	12.3	9.7	9.3	8.0	9.3	9.2	8.9
Excises	1.8	3.2	3.5	3.2	3.5	3.5	3.3
Other	1.5	1.4	1.4	1.5	1.6	1.6	1.6
Nontax revenues	2.1	2.3	2.9	2.5	2.6	2.5	2.1
Capital revenues and grants	0.3	0.4	0.4	0.6	0.5	0.3	0.3
Transfers from extrabudgetary funds	0.0	0.3	0.2	0.2	0.1	0.1	0.1
Receipts from the EU budget 2/	...	...	...	...	...	1.3	1.6
Adjustment for methodological change 1/	...	...	...	1.4	...	...	...
Total expenditures	42.0	42.2	42.8	42.5	43.3	44.4	44.3
Wages and social security contributions	9.1	9.2	9.6	9.8	9.9	9.6	9.2
Central and local government	3.0	3.1	3.3	3.3	3.4	3.3	3.2
Public institutions	6.1	6.1	6.4	6.5	6.5	6.3	6.0
Premium for supplementary pension insurance	...	...	...	...	...	0.2	0.2
Expenditure on goods and services	7.7	8.0	8.1	7.9	8.0	7.8	8.6
Interest payments	1.3	1.4	1.5	1.6	1.6	1.5	1.4
Reserves	0.3	0.3	0.2	0.2	0.3	0.2	0.2
Transfers to individuals and households	16.9	17.3	17.3	17.3	17.4	17.2	16.8
<i>Of which</i> : Pensions	11.5	11.6	11.5	11.4	11.3	11.2	11.0
Subsidies	1.6	1.4	1.3	1.1	1.2	1.3	1.3
Other current transfers	0.7	0.6	0.5	0.7	0.7	1.1	1.0
Capital expenditures and transfers	4.4	4.0	4.2	3.9	4.1	4.7	4.5
Transfers to the EU budget	...	...	...	...	...	0.7	1.1
Overall balance	-0.6	-1.3	-1.3	-1.5 1/	-1.4	-1.7	-1.6

Source: Ministry of Finance.

1/ Revenues and deficit figures have been adjusted for the shift of budget accounting to a pure cash basis. Without the adjustment, the general government deficit would have reached SIT 156 bn, or 3.0 percent of GDP, as the unadjusted figures contained only 11 months of VAT and excise tax.

2/ Pre-accession aid of the EU was until 2003 classified as grants.

Table A13. Slovenia: State Budget, 1999-2005

	1999	2000	2001	2002	Prelim. 2003	Budget 2004 2005	
(In billions of tolar)							
Total revenues	943.1	991.0	1,144.6	1,248.7	1,392.3	1,555.2	1,619.1
Tax revenues	895.1	927.7	1,039.6	1,071.3	1,281.8	1,371.0	1,429.2
Personal income tax	150.6	168.8	187.9	208.1	229.5	247.0	252.2
Corporate income tax	42.2	51.8	68.8	75.2	107.4	117.5	129.5
Social security contributions	5.8	6.6	7.3	8.1	8.8	9.6	10.2
Taxes on payroll and workforce	55.4	68.1	83.4	93.9	107.4	118.4	123.5
Domestic taxes on goods and services	593.3	593.3	659.3	652.5	793.5	850.8	888.6
Sales taxes on goods and services	265.9	11.2	2.0	0.8	1.5	0.3	0.0
Value added tax	206.8	399.2	438.7	422.9	524.5	562.3	589.4
Excises	70.1	134.1	166.4	170.9	197.8	212.8	218.9
Other taxes on goods and services	50.5	48.8	52.3	57.9	69.7	75.4	80.3
Taxes on international trade and transactions	45.7	38.1	29.6	31.3	34.7	24.1	16.5
Other taxes	2.1	1.0	3.3	0.3	0.2	3.3	8.8
Nontax revenues	44.3	56.0	94.0	86.3	97.0	100.0	82.8
Capital revenues and grants	3.7	7.3	11.0	15.3	13.4	3.8	3.9
Receipts from the EU budget 2/	...	...	...	...	...	80.4	103.2
Total expenditures	962.7	1,028.9	1,194.2	1,313.3	1,460.9	1,647.6	1,731.2
Current expenditures							
Wages and social security contributions	269.2	303.6	363.5	414.9	460.4	481.0	495.1
Central government institutions	118.3	133.4	157.4	176.9	199.4	209.9	214.7
Other public institutions	150.8	170.2	206.1	238.1	261.0	271.1	280.4
Expenditures on goods and services	135.5	152.6	178.7	187.9	199.1	207.5	218.0
Central government institutions	96.7	109.2	133.5	140.3	147.7	155.6	163.7
Other public institutions	38.8	43.4	45.2	47.6	51.4	51.9	54.2
Interest payments	50.5	60.3	71.0	82.5	90.0	89.4	88.0
Current transfers							
Transfers to individuals and households	139.6	150.6	165.2	178.8	201.0	211.8	215.5
Transfers from the state budget to the pension fund and the health fund	149.7	153.9	193.3	226.1	238.0	255.9	268.1
Transfers to local governments	31.6	32.8	33.7	33.5	38.6	40.5	47.8
Subsidies	58.4	52.8	56.8	56.7	64.4	76.3	83.2
Other current transfers	18.8	21.3	19.5	23.3	35.7	60.4	59.2
Capital expenditures	109.5	101.2	112.4	109.6	133.9	179.7	181.1
Acquisitions of capital assets	56.2	50.9	58.6	50.4	64.4	93.2	91.0
Capital transfers	53.3	50.3	53.8	59.2	69.5	86.5	90.1
Payments to the EU budget	...	...	...	...	...	45.0	75.4
Overall balance	-19.6	-38.0	-49.6	-64.6	-68.6	-92.4	-112.1
Memorandum items:	(In percent of GDP)						
Total revenue	24.6	23.5	24.1	23.7	24.6	25.4	24.6
Tax revenue	23.3	22.0	21.9	20.3	22.6	22.4	21.7
Total expenditure	25.1	24.4	25.2	24.9	25.8	26.9	26.3
Overall balance	-0.5	-0.9	-1.0	-1.2	-1.2	-1.5	-1.7

Source: Ministry of Finance.

1/ Revenues and deficit figures have been adjusted for the shift of budget accounting to a pure cash basis. Without the adjustment, the central government deficit would have reached SIT 140 bn, or 2.7 percent of GDP, as the unadjusted figures contained only 11 months of VAT and excise tax.

2/ EU pre-accession aid was until 2003 classified as grants.

Table A14. Slovenia: Local Government Operations, 1999-2005  
(In billions of tolar)

	1999	2000	2001	2002	Prelim.	Budget	
					2003	2004	2005
Total revenues	189.8	215.0	240.6	264.9	289.6	315.9	333.1
Tax revenues	113.8	125.9	145.1	164.6	180.3	192.8	199.0
Taxes on income and profit	81.0	90.9	101.2	111.7	123.6	132.9	135.8
Taxes on property	24.5	25.5	29.8	32.6	34.5	38.6	40.8
Domestic taxes on goods and services	8.2	9.6	14.1	20.2	22.1	21.3	22.4
Other taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nontax revenues	26.2	29.2	36.0	37.4	39.6	44.0	46.1
Capital revenues and grants	7.1	9.8	9.9	13.8	14.8	15.8	16.3
Transfers from other units of general government	42.8	50.1	49.6	49.0	54.8	63.2	71.7
Transfers from the state budget	40.5	47.2	46.4	45.8	51.1	59.7	68.1
Transfers from the local budgets	1.2	1.6	2.1	2.2	1.9	2.0	2.1
Transfers from other extra-budgetary funds	1.0	1.4	1.1	1.1	1.7	1.5	1.5
Total expenditures	187.4	214.4	242.5	273.5	293.8	318.9	335.9
Current expenditures							
Wages and social security contributions	33.6	31.4	35.4	38.1	39.9	42.4	43.5
Local government administration	11.7	13.5	15.8	17.7	19.4	20.6	21.1
Public institutions	21.9	17.9	19.7	20.4	20.5	21.8	22.4
Expenditures on goods and services	48.1	54.3	60.2	69.2	75.6	81.5	85.5
Local government administration	24.9	31.3	36.0	41.9	47.7	50.9	53.3
Public institutions	23.2	23.0	24.3	27.3	27.9	30.6	32.2
Interest payments	0.5	0.6	0.7	0.8	0.9	1.0	1.1
Current transfers							
Transfers to individuals and households	14.3	23.6	28.7	33.1	37.8	39.2	40.9
Transfers to other levels of general government	3.2	3.9	3.8	5.6	4.2	5.4	5.6
Subsidies	4.7	6.2	6.4	3.8	5.0	4.4	4.7
Other current transfers	9.5	10.6	11.1	12.3	13.5	15.0	15.7
Current transfers to local extra-budgetary funds	5.2	5.6	5.1	4.5	5.5	5.9	6.3
Capital expenditures	68.1	78.3	91.0	106.1	111.5	124.0	132.6
Acquisitions of capital assets	52.6	58.3	67.9	76.5	79.2	88.4	94.3
Capital transfers	15.5	20.0	23.2	29.6	32.3	35.6	38.3
Overall balance	2.5	0.6	-1.9	-8.7	-4.3	-3.0	-2.8

Source: Ministry of Finance.

Table A15. Slovenia: Summary of Health Fund Operations, 1999-2005

(In billions of tolar)

	1999	2000	2001	2002	Prelim.	Budget	
					2003	2004	2005 1/
Total revenues	238.6	267.4	301.7	340.4	367.7	396.1	499.1
Social security contributions	190.3	213.2	242.1	271.3	294.2	315.8	414.7
Employees contributions	91.1	102.1	112.4	123.5	129.3	138.5	147.3
Employers contributions	87.4	97.8	111.5	127.5	143.2	153.3	162.9
Other contributions	11.9	13.3	18.2	20.3	21.7	24.0	104.5
Nontax revenues	4.9	5.8	4.1	4.5	4.4	4.9	5.0
Transfers from the state budget	2.0	1.8	3.7	4.3	4.3	4.2	4.3
Transfers from the local government budgets	1.8	2.1	2.4	3.0	3.6	3.7	3.8
Transfers from other units of general government	39.5	44.3	49.3	57.2	61.2	67.4	71.1
Total expenditures	237.8	270.4	313.4	349.2	379.1	410.5	493.7
Current expenditures of the health fund administration	8.3	8.5	8.5	9.3	9.7	12.1	12.0
Transfers to individuals and households	22.7	25.2	30.9	36.7	40.0	45.5	48.6
Sick leave compensation	20.6	22.7	28.4	34.3	37.3	42.4	45.3
Other transfers to individuals	2.2	2.5	2.5	2.4	2.7	3.2	3.3
Transfers to nonprofit organisations	0.0	0.8	0.9	1.0	1.1	1.0	1.1
Current transfers to health institutions	203.6	232.8	268.5	297.9	323.9	346.9	426.9
Wages and salaries	100.8	113.3	130.8	146.2	154.5	167.5	174.6
Goods and services	65.4	76.6	86.3	93.8	104.7	111.3	180.2
Medicaments	29.0	33.4	41.2	46.3	52.1	55.3	58.6
Orthopedic instruments	8.4	9.5	10.2	11.5	12.6	12.7	13.4
Other current expenditures	2.8	1.5	3.6	3.2	3.5	3.8	4.0
Capital expenditures	0.4	1.5	1.0	1.2	1.0	1.2	1.2
Overall balance	0.7	-3.0	-11.8	-8.8	-11.3	-14.4	5.3

Source: Ministry of Finance.

1/ Projection for 2005 based on the proposed "White Book on Health Reform".

Table A16. Slovenia: Summary of Pension Fund Operations, 1999-2005  
(In billions of tolar)

	1999	2000	2001	2002	Prelim. 2003	Budget 2004	2005
Total revenues	518.8	573.6	655.2	732.9	783.7	843.8	892.0
Social security contributions	358.3	399.6	452.0	495.0	536.6	578.3	614.2
Employees' contributions	211.4	236.3	261.5	287.7	312.6	337.2	358.4
Employers' contributions	125.3	139.5	155.1	170.2	185.1	199.5	212.0
Other contributions	21.5	23.7	35.3	37.1	38.9	41.7	43.9
Nontax revenues	4.4	4.4	5.1	5.7	6.5	5.7	5.7
Transfers from the state budget	154.4	156.3	189.6	221.8	233.5	252.8	265.3
Transfers from other funds	1.7	13.3	8.7	10.4	7.0	7.0	6.8
Total expenditures	526.4	587.9	655.2	732.8	781.2	840.8	886.6
Pensions	441.0	490.7	541.2	600.8	640.2	686.6	722.6
Old age pensions	270.6	303.0	336.3	375.7	404.0	432.0	455.9
Disability pensions	73.1	80.6	87.6	95.3	99.7	105.2	109.4
Family pensions	54.1	60.2	66.4	74.3	78.6	83.9	88.1
Other pensions	27.1	29.0	31.0	33.8	35.0	40.3	43.5
Supplement for recreation of pensioners	16.1	17.9	19.9	21.7	22.9	25.2	25.6
Social security allowances	20.6	23.1	28.6	33.5	35.9	39.0	41.2
Salary compensations	18.3	22.3	31.0	31.0	34.2	37.9	41.3
Social security for pensioners	39.8	44.1	48.8	56.6	60.5	64.9	68.5
Other current expenditures of pension fund	6.2	7.0	8.9	9.6	9.1	10.8	11.1
Other expenditures	0.6	0.8	1.0	1.2	1.3	1.7	2.0
Overall balance	-7.6	-14.3	0.0	0.0	2.5	3.0	5.4

Source: Ministry of Finance.

Table A17. Slovenia: General Government Debt, 1999-2003

(In billions of tolar)

	1999	2000	2001	2002	2003
General government	907.7	1,041.0	1,259.9	1464.3	1532.0
Central government	893.3	1,013.4	1,228.9	1419.7	1492.3
Domestic	498.5	505.1	635.1	833.9	907.4
External	394.8	508.3	593.7	585.8	584.9
Local governments	4.4	4.2	8.1	14.1	...
<i>Of which: Domestic</i>	4.4	4.2	8.1	14.1	...
Health and Pension Funds	10.0	23.4	22.9	30.5	...
<i>Of which: Domestic</i>	10.0	23.4	22.9	30.5	...
Memorandum items:					
General government debt (in percent of GDP)	23.6	24.7	26.6	27.8	27.0
Domestic	13.4	12.6	14.1	16.7	16.7
External	10.3	12.0	12.5	11.1	10.3

Source: Ministry of Finance.

Table A18. Slovenia: Balance Sheet of the Bank of Slovenia, 1999-2003

	1999	2000	2001	2002	2003
(In billions of tolar, end-of-period)					
Assets	677.2	768.9	1,141.0	1,601.5	1,678.1
Foreign Assets	629.8	739.9	1,122.5	1,580.3	1,644.7
International monetary reserves	619.5	726.7	1,103.4	1,561.5	1,628.2
<i>Of which:</i> foreign securities	430.8	482.8	588.3	936.9	1,193.0
Other claims	10.2	13.2	19.1	18.7	16.5
Domestic Assets	47.4	29.0	18.5	21.3	33.4
Claims on general government	15.9	16.8	8.5	7.7	24.5
Claims on deposit money banks	25.8	6.8	0.5	1.3	0.1
<i>Of which:</i>					
Repurchase agreements	22.4	6.3	0.0	1.1	0.0
Other assets	5.7	5.4	9.5	12.3	8.8
Liabilities	677.2	768.9	1,141.0	1,601.5	1,678.1
Reserve money	203.7	206.4	279.7	272.9	285.3
Currency outside banks	142.5	139.6	165.8	172.1	186.0
Deposit money banks' deposits	61.3	66.8	114.0	100.8	99.3
General government deposits	26.3	39.1	60.0	164.8	146.7
Other demand deposits	3.8	4.9	6.7	8.0	10.3
Bank of Slovenia bills	337.8	365.3	584.7	926.8	1027.6
Restricted deposits	4.3	4.6	4.9	4.8	8.2
Foreign liabilities	0.1	0.1	0.3	0.0	0.0
SDR allocation	6.9	7.5	8.0	7.6	7.2
Capital and reserves	86.5	56.9	128.2	189.9	199.9
Other liabilities	7.8	84.0	68.5	26.7	-7.2

Source: Bank of Slovenia.

Table A19. Slovenia: Monetary Survey, 1999-2003

	1999	2000	2001	2002	2003
(In billions of tolar, end-of-period)					
Net foreign assets	667.5	774.2	1,187.3	1,429.7	1,247.6
Assets	951.0	1,150.1	1,649.7	2,047.6	2,089.3
Bank of Slovenia	629.8	739.9	1,122.5	1,580.3	1,644.7
Deposit money banks	355.7	447.2	565.5	499.3	477.5
Less claims on National Bank of Yugoslavia	-34.5	-37.0	-38.3	-31.9	-33.0
Liabilities	-283.5	-375.9	-462.4	-617.9	-841.6
Bank of Slovenia	-0.1	-0.1	-0.3	0.0	0.0
Deposit money banks	-283.4	-375.8	-462.1	-617.9	-841.6
Net domestic assets	1,388.3	1,596.4	1,853.2	2,171.0	2,530.2
Claims on government (net)	325.9	361.5	423.3	443.1	528.2
Credit	399.6	441.1	491.8	614.3	679.4
Bank of Slovenia on central government	16.6	17.8	9.8	9.2	27.0
Banks on general government	383.0	423.3	482.0	605.1	652.4
Deposits	-73.7	-79.5	-68.6	-171.2	-151.2
Claims on enterprises	893.5	1,078.0	1,328.0	1,481.3	1,731.6
Claims on individuals	438.9	495.0	535.8	577.4	639.9
Claims on nonbanking financial institutions	37.8	51.6	59.1	81.1	105.2
Claims on National Bank of Yugoslavia	34.5	37.0	38.3	31.9	33.0
Securities	-63.9	-79.2	-113.6	-184.2	-221.4
Restricted deposits	-7.5	-9.0	-9.9	-7.6	-12.6
Other items (net)	-271.0	-338.4	-407.6	-252.1	-273.6
Broad money (M3)	2,055.7	2,370.6	3,040.6	3,600.7	3,777.8
Currency	125.0	119.8	142.1	143.1	156.0
Demand deposits	382.8	430.0	505.9	577.0	640.6
Bank of Slovenia	6.2	8.4	15.6	12.6	14.1
Deposit money banks	376.6	421.6	490.3	564.5	626.5
Quasi money	1,548.0	1,820.9	2,392.5	2,880.6	2,981.2
Tolar deposits	914.9	1,002.0	1,316.3	1,675.6	1,697.5
Foreign currency deposits	569.1	739.7	962.6	1,020.8	1,062.3
Tolar securities	52.3	65.9	96.1	181.1	217.7
Foreign currency securities	11.6	13.3	17.5	3.1	3.7
Memorandum items:					
(Percent change, end-of-period)					
M1 (currency + demand deposits)	18.6	8.3	17.9	11.1	10.6
M2 (M1 + tolar deposits)	11.8	9.7	27.4	25.1	5.2
M3 (M2 + foreign currency deposits)	12.2	15.3	28.3	18.4	4.9
(Percentage points)					
Contributions to M3 growth					
Net foreign assets	-0.1	5.2	17.4	8.0	-5.1
Net domestic assets	12.2	10.1	10.8	10.5	10.0
(Percent)					
Share of foreign currency-denominated credit					
Private sector	11.8	14.3	15.3	18.5	21.6
Enterprises and nonprofit institutions	17.4	20.6	23.5	28.4	34.1
Individuals	0.7	0.6	0.7	0.7	1.0

Source: Bank of Slovenia.



Table A20. Slovenia: Selected Interest Rates, 1999–2003  
(In percent per annum, end-of-period)

	Bank of Slovenia Rates			Interbank		Credits (commercial banks)			Deposits (commercial banks)				
	Discount Rate 1/	Lombard Rate	Liquidity Loan of Last Resort 2/	60-Day Tolar Bills	Up to 30 Days (Average)	Working Capital Loans	Short term Consumer Credits	Long term Loans for Capital Assets	Up to 30 Days	31-91 Days	91-180 Days	181 Days-1 Year	Over 1 Year
1999													
Mar.	8.00	9.00	20.45	7.00	6.26	11.56	10.40	13.27	3.68	6.98	7.97	8.46	9.60
Jun.	8.00	9.00	19.38	7.00	6.60	10.97	9.23	12.47	3.69	5.92	6.95	7.47	9.14
Sep.	8.00	9.00	21.95	7.00	6.83	14.07	12.00	16.14	3.68	8.54	9.57	10.32	12.26
Dec.	8.00	9.00	22.96	7.00	6.85	15.16	13.05	17.22	3.67	9.55	10.60	11.37	13.37
2000													
Mar.	8.00	9.00	22.98	8.00	6.99	15.17	13.06	17.14	3.66	9.57	10.62	11.39	13.40
Jun.	9.00	10.00	25.08	8.00	7.57	15.62	13.41	17.50	3.65	9.88	10.94	11.72	13.72
Sep.	9.00	10.00	25.08	8.50	6.26	15.75	13.55	17.61	3.62	9.87	11.18	12.20	13.96
Dec.	10.00	11.00	27.86	10.00	7.22	16.30	14.59	18.38	3.92	10.86	12.18	13.22	14.99
2001													
Mar.	10.00	11.00	26.56	11.00	7.27	14.90	13.44	16.95	4.03	9.68	11.11	12.11	13.63
Jun.	11.00	12.00	29.98	11.00	7.74	16.67	15.12	18.84	4.87	11.42	12.94	13.94	15.33
Sep.	11.00	12.00	28.66	11.00	6.73	15.26	13.73	17.37	4.97	10.09	11.61	12.59	13.96
Dec.	11.00	12.00	27.10	8.00	4.74	13.74	12.30	15.78	4.71	8.51	10.02	10.98	12.30
2002													
Mar.	9.00	11.00	22.06	8.00	4.64	14.94	13.54	16.82	3.83	9.44	10.71	11.60	13.03
Jun.	10.00	11.00	21.05	8.75	5.68	13.70	12.24	15.47	3.85	8.11	9.13	9.95	11.24
Sep.	10.00	11.00	21.05	8.75	5.07	12.18	11.70	15.31	3.73	7.77	8.26	8.88	11.08
Dec.	10.00	10.50	...	8.25	4.73	11.80	11.60	14.70	4.00	7.60	8.00	8.60	10.50
2003													
Mar.	...	9.75	...	7.50	6.07	11.40	11.10	12.90	4.00	6.80	7.10	7.80	8.60
Jun.	...	8.25	...	6.50	5.78	10.80	10.40	13.00	3.80	6.00	6.10	6.40	8.20
Sep.	...	8.25	...	6.50	6.18	10.20	9.80	12.80	3.80	5.40	5.40	5.40	7.40
Dec.	...	7.25	...	6.00	4.69	10.00	9.60	10.30	3.60	4.80	4.80	4.90	5.70

Source: Bank of Slovenia.

1/ Abolished in January 2003.

2/ Abolished in October 2002.

Table A21. Slovenia: Balance of Payments, 1999-2003

(In millions of euros)

	1999	2000	2001	2002	2003
Current account	-664.2	-583.0	38.0	329.7	16.7
Trade balance	-1,164.1	-1,227.0	-684.5	-265.4	-544.3
Exports	8,103.2	9,574.2	10,454.3	11,081.2	11,426.5
Imports	-9,267.3	-10,801.2	-11,138.7	-11,346.6	-11,970.8
Services	329.5	489.2	535.6	626.9	540.9
Exports	1,763.5	2,051.5	2,177.6	2,449.2	2,464.6
<i>Of which</i> : Tourism	900.1	1,044.8	1,104.8	1,142.7	1,182.2
Imports	-1,434.0	-1,562.3	-1,642.1	-1,822.4	-1,923.6
Income, net	58.1	29.3	43.2	-174.2	-72.7
Current transfers, net	112.2	125.5	143.6	142.4	92.8
Capital account	-0.7	4.0	-4.0	2.0	3.7
Financial account	536.8	724.4	1,295.0	1,590.2	228.1
Direct investment, net	54.5	77.4	251.2	1,608.2	-109.0
Portfolio investment, net	323.7	185.2	79.8	-69.1	-218.9
Other investment, net	158.6	461.8	964.0	51.1	556.1
Government	-3.6	85.5	-74.0	-93.1	-66.8
Nongovernment	162.2	376.3	1,038.0	144.2	622.9
Bank of Slovenia	-4.9	-5.9	-6.7	-6.9	0.4
Private sector	167.1	382.2	1,044.7	151.1	622.5
Net errors and omissions	39.6	41.4	110.4	-3.2	46.2
Overall balance	-88.5	186.8	1,439.3	1,918.7	294.7
Change in official reserves (-, increase)	88.5	-186.8	-1,439.3	-1,918.7	-294.7
Memorandum items:					
Current account balance (percent of GDP)	-3.3	-2.8	0.2	1.4	0.1
Exports volume (goods, percent change)	2.7	12.9	6.9	6.5	4.5
Imports volume (goods, percent change)	8.6	7.7	3.2	4.4	6.8
Official reserves (in millions of euros) 1/	3,159.3	3,435.9	4,983.7	6,781.4	6,878.9
(in months of imports of goods and nonfactor services)	3.5	3.3	4.7	6.2	5.9

Sources: Bank of Slovenia; and IMF calculations.

1/ Stocks and flows may not reconcile due to valuation changes.

Table A22. Slovenia: Geographical Composition of Exports, 1999-2003

	1999	2000	2001	2002	2003
	(In millions of euros)				
European Union	5,301	6,055	6,431	6,509	6,595
<i>Of which:</i>					
Austria	584	714	773	774	827
France	460	672	702	734	638
Germany	2,466	2,574	2,715	2,714	2,610
Italy	1,102	1,289	1,290	1,323	1,478
United Kingdom	160	203	290	268	252
EFTA 1/	106	136	134	207	176
<i>Of which:</i> Switzerland	84	111	108	180	150
CEFTA 2/	585	752	828	954	1,044
<i>Of which:</i>					
Czech Republic	149	164	188	201	205
Hungary	136	183	175	196	223
Poland	179	245	271	305	311
Others	2,038	2,549	2,953	3,292	3,469
<i>Of which:</i>					
Countries of former SFRY 3/	1,220	1,486	1,750	1,952	1,967
<i>Of which:</i> Croatia	631	750	894	954	1,007
Former Soviet Union	175	278	417	455	550
United States	243	293	273	297	410
Total exports	8,031	9,492	10,347	10,962	11,285
	(In percent of total exports)				
European Union	66.0	63.8	62.2	59.4	58.4
<i>Of which:</i>					
Austria	7.3	7.5	7.5	7.1	7.3
France	5.7	7.1	6.8	6.7	5.7
Germany	30.7	27.1	26.2	24.8	23.1
Italy	13.7	13.6	12.5	12.1	13.1
United Kingdom	2.0	2.1	2.8	2.4	2.2
EFTA 1/	1.3	1.4	1.3	1.9	1.6
<i>Of which:</i> Switzerland	1.0	1.2	1.0	1.6	1.3
CEFTA 2/	7.3	7.9	8.0	8.7	9.3
<i>Of which:</i>					
Czech Republic	1.9	1.7	1.8	1.8	1.8
Hungary	1.7	1.9	1.7	1.8	2.0
Poland	2.2	2.6	2.6	2.8	2.8
Others	25.4	26.9	28.5	30.0	30.7
<i>Of which:</i>					
Countries of former SFRY 3/	15.2	15.7	16.9	17.8	17.4
<i>Of which:</i> Croatia	7.9	7.9	8.6	8.7	8.9
Former Soviet Union	2.2	2.9	4.0	4.2	4.9
United States	3.0	3.1	2.6	2.7	3.6
Total exports	100.0	100.0	100.0	100.0	100.0

Source: Statistical Office of the Republic of Slovenia.

1/ EFTA countries are Iceland, Liechtenstein, Norway, and Switzerland.

2/ CEFTA countries are Bulgaria, Czech Republic, Hungary, Poland, Romania, and Slovak Republic.

3/ Socialist Federal Republic of Yugoslavia.

Table A23. Slovenia: Geographical Composition of Imports (c.i.f), 1999-2003

	1999	2000	2001	2002	2003
(In millions of euros)					
European Union	6,527	7,443	7,674	7869	8,231
<i>Of which:</i>					
Austria	757	906	944	956	1,053
France	1,032	1,127	1,205	1,190	1,230
Germany	1,945	2,082	2,178	2,216	2,357
Italy	1,586	1,917	2,004	2,070	2,239
United Kingdom	290	337	292	278	255
EFTA 1/	226	230	192	202	221
<i>Of which:</i> Switzerland	203	175	170	186	200
CEFTA 2/	801	997	1,081	1,094	1,121
<i>Of which:</i>					
Czech Republic	264	274	278	288	308
Hungary	252	320	352	341	352
Poland	104	150	161	168	189
Others	1,924	2,314	2,398	2,408	2,664
<i>Of which:</i>					
Countries of former SFRY 3/	539	648	604	575	613
<i>Of which:</i> Croatia	418	487	451	419	445
Former Soviet Union	189	286	361	342	381
Japan	180	181	163	151	180
United States	275	325	333	334	294
Total imports	9,478	10,984	11,344	11,574	12,237
(In percent of total imports)					
European Union	68.9	67.8	67.6	68.0	67.3
<i>Of which:</i>					
Austria	8.0	8.2	8.3	8.3	8.6
France	10.9	10.3	10.6	10.3	10.1
Germany	20.5	19.0	19.2	19.1	19.3
Italy	16.7	17.5	17.7	17.9	18.3
United Kingdom	3.1	3.1	2.6	2.4	2.1
EFTA 1/	2.4	2.1	1.7	1.7	1.8
<i>Of which:</i> Switzerland	2.1	1.6	1.5	1.6	1.6
CEFTA 2/	8.4	9.1	9.5	9.5	9.2
<i>Of which:</i>					
Czech Republic	2.8	2.5	2.5	2.5	2.5
Hungary	2.7	2.9	3.1	2.9	2.9
Poland	1.1	1.4	1.4	1.5	1.5
Others	20.3	21.1	21.1	20.8	21.8
<i>Of which:</i>					
Countries of former SFRY 3/	5.7	5.9	5.3	5.0	5.0
<i>Of which:</i> Croatia	4.4	4.4	4.0	3.6	3.6
Former Soviet Union	2.0	2.6	3.2	3.0	3.1
Japan	1.9	1.6	1.4	1.3	1.5
United States	2.9	3.0	2.9	2.9	2.4
Total imports	100.0	100.0	100.0	100.0	100.0

Source: Statistical Office of the Republic of Slovenia.

1/ EFTA countries are Iceland, Liechtenstein, Norway, and Switzerland.

2/ CEFTA countries are Bulgaria, Czech Republic, Hungary, Poland, Romania, and Slovak Republic.

3/ Socialist Federal Republic of Yugoslavia.

Table A24. Slovenia: Commodity Composition of Exports, 1999-2003

	1999	2000	2001	2002	2003
(In millions of euros)					
Total exports	8,031	9,492	10,347	10,962	11,285
Food and live animals	206	224	248	246	242
Beverages and tobacco	96	120	122	143	143
Crude materials except fuels	150	183	187	190	194
Mineral fuels and lubricants	49	62	99	118	153
Animal and vegetable oils and fats	9	6	7	10	7
Chemical products	880	1,063	1,197	1,354	1,552
Manufactured goods classified by material	2,102	2,590	2,769	2,860	2,890
Machinery and transport equipment	2,850	3,411	3,738	4,064	4,125
Miscellaneous manufactured articles	1,687	1,831	1,979	1,968	1,974
Other commodities and transactions	1	1	1	9	6
Intermediate goods	3,773	4,643	5,039	5,245	5,463
Capital goods	1,014	1,219	1,417	1,542	1,634
Consumption goods	3,243	3,629	3,891	4,175	4,188
(In percent of total exports)					
Total exports	100.0	100.0	100.0	100.0	100.0
Food and live animals	2.6	2.4	2.4	2.2	2.1
Beverages and tobacco	1.2	1.3	1.2	1.3	1.3
Crude materials except fuels	1.9	1.9	1.8	1.7	1.7
Mineral fuels and lubricants	0.6	0.7	1.0	1.1	1.4
Animal and vegetable oils and fats	0.1	0.1	0.1	0.1	0.1
Chemical products	11.0	11.2	11.6	12.4	13.8
Manufactured goods classified by material	26.2	27.3	26.8	26.1	25.6
Machinery and transport equipment	35.5	35.9	36.1	37.1	36.6
Miscellaneous manufactured articles	21.0	19.3	19.1	18.0	17.5
Other commodities and transactions	0.0	0.0	0.0	0.1	0.1
Intermediate goods	47.0	48.9	48.7	47.8	48.4
Capital goods	12.6	12.8	13.7	14.1	14.5
Consumption goods	40.4	38.2	37.6	38.1	37.1

Source: Statistical Office of the Republic of Slovenia.

Table A25. Slovenia: Commodity Composition of Imports, 1999-2003

	1999	2000	2001	2002	2003
(In millions of euros)					
Total imports	9,478	10,984	11,344	11,574	12,237
Food and live animals	507	558	604	604	620
Beverages and tobacco	57	63	58	63	61
Crude materials except fuels	445	594	568	575	601
Mineral fuels and lubricants	606	997	916	815	946
Animal and vegetable oils and fats	35	32	35	41	39
Chemical products	1,113	1,361	1,442	1,548	1,633
Manufactured goods classified by material	2,042	2,406	2,598	2,661	2,799
Machinery and transport equipment	3,502	3,748	3,816	3,937	4,210
Miscellaneous manufactured articles	1,158	1,210	1,293	1,318	1,320
Other commodities and transactions	12	14	15	11	8
Intermediate goods	5,216	6,552	6,701	6,816	7,080
Capital goods	1,829	1,981	2,009	2,072	2,320
Consumption goods	2,433	2,451	2,635	2,686	2,837
(In percent of total imports)					
Total imports	100.0	100.0	100.0	100.0	100.0
Food and live animals	5.4	5.1	5.3	5.2	5.1
Beverages and tobacco	0.6	0.6	0.5	0.5	0.5
Crude materials except fuels	4.7	5.4	5.0	5.0	4.9
Mineral fuels and lubricants	6.4	9.1	8.1	7.0	7.7
Animal and vegetable oils and fats	0.4	0.3	0.3	0.4	0.3
Chemical products	11.7	12.4	12.7	13.4	13.3
Manufactured goods classified by material	21.5	21.9	22.9	23.0	22.9
Machinery and transport equipment	36.9	34.1	33.6	34.0	34.4
Miscellaneous manufactured articles	12.2	11.0	11.4	11.4	10.8
Other commodities and transactions	0.1	0.1	0.1	0.1	0.1
Intermediate goods	55.0	59.6	59.1	58.9	57.9
Capital goods	19.3	18.0	17.7	17.9	19.0
Consumption goods	25.7	22.3	23.2	23.2	23.2

Source: Statistical Office of the Republic of Slovenia.

Table A26. Slovenia: Foreign Direct Investment Inflows by Industry and Origin, 1999–2002 1/

(In millions of euros)

	1999	2000	2001	2002
<b>By industry</b>				
Nonmanufacturing	108.7	122.9	120.4	344.6
Agriculture, hunting, and forestry	0.0	-0.1	0.4	0.2
Mining and quarrying	-0.2	0.0	-0.3	-1.3
Electricity, gas, and water supply	11.3	-1.8	12.5	3.7
Construction	-2.2	-2.7	-0.8	-1.5
Trade, hotels, and restaurants	6.0	57.3	47.2	26.3
Transport, storage, and communications	-0.4	3.4	5.8	-46.8
Financial intermediation	18.5	14.1	38.6	249.7
Real estate and business activities	75.8	63.0	15.4	106.1
Education	-0.1	0.1	0.1	0.0
Health and social work	0.0	0.1	1.1	0.1
Other social and personal services	-0.1	-10.5	0.3	8.1
Manufacturing	92.0	89.6	135.3	543.9
Food and tobacco	9.4	4.1	22.4	11.7
Textiles, wearing apparel, and leather	5.2	7.2	3.4	13.3
Wood, paper and publishing	-3.4	21.4	23.4	57.7
Refined petroleum and chemicals	16.3	13.7	30.5	404.8
Nonmetal products	8.2	-4.2	6.6	3.2
Basic metals and metal products	17.7	10.9	7.2	30.1
Machinery and equipment	50.0	36.4	38.5	25.9
Recycling and other manufacturing	-11.5	0.2	3.4	-2.7
<b>Total</b>	<b>200.7</b>	<b>212.5</b>	<b>255.7</b>	<b>888.5</b>
<b>By origin</b>				
European Union	194.2	151.1	192.6	550.7
<i>Of which:</i>				
Austria	103.7	69.7	32.9	169.3
Denmark	2.7	7.7	5.4	8.3
France	26.9	23.7	39.3	32.7
Germany	25.8	26.7	49.7	22.2
Italy	19.3	20.6	36.7	59.3
Netherlands	6.4	0.6	29.1	29.2
United Kingdom	4.2	6.4	-7.4	6.3
Countries of former Yugoslavia	-5.5	10.4	5.9	31.8
<i>Of which:</i>				
Bosnia and Herzegovina	2.0	3.9	3.4	7.8
Croatia	-7.6	6.5	1.9	23.8
CEFTA 2/	-2.5	10.4	17.3	4.4
<i>Of which:</i>				
Czech Republic	-4.0	10.1	14.7	3.7
Countries of former Soviet Union	0.2	0.1	0.4	0.0
<i>Of which:</i>				
Russian Federation	0.0	0.1	0.4	-0.1
Other countries	14.4	40.5	39.6	301.7
<i>Of which:</i>				
Switzerland	6.4	22.1	3.6	345.3
United States	6.5	13.9	26.3	-50.9
<b>Total</b>	<b>200.7</b>	<b>212.5</b>	<b>255.7</b>	<b>888.5</b>

Source: Bank of Slovenia.

1/ Direct investment flows are defined as a sum of net change in equity capital and reinvested earnings.

2/ CEFTA countries are Bulgaria, Czech Republic, Hungary, Poland, Romania, and Slovak Republic.

Table A27. Slovenia: Stock of Inward Foreign Direct Investment by Industry and Origin, 1999–2002 1/

(In millions of euros, end-of-period)

	1999	2000	2001	2002
<b>By industry</b>				
Nonmanufacturing	1,379.1	1,765.8	1,539.4	2,152.7
Agriculture, hunting, and forestry	0.9	0.5	0.9	1.0
Mining and quarrying	0.3	0.2	-0.1	-1.8
Electricity, gas, and water supply	25.3	21.6	33.1	39.3
Construction	7.6	5.0	-1.0	3.3
Trade, hotels, and restaurants	417.1	490.6	558.3	585.4
Transport, storage, and communications	42.8	53.6	122.4	171.0
Financial intermediation	531.6	750.4	381.5	737.9
Real estate and business activities	326.8	418.0	425.3	595.2
Education	0.3	0.3	0.2	0.3
Health and social work	0.7	1.4	2.2	2.2
Other social and personal services	25.6	24.2	16.5	19.0
Manufacturing	1,295.8	1,344.0	1,413.0	1,765.4
Food and tobacco	109.3	113.3	139.9	143.6
Textiles, wearing apparel, and leather	50.5	68.8	44.2	75.6
Wood, paper, and publishing	208.1	212.4	228.4	267.1
Refined petroleum and chemicals	331.6	332.4	365.1	745.2
Nonmetal products	87.7	85.5	87.3	85.7
Basic metals and metal products	81.6	96.8	108.8	104.7
Machinery and equipment	397.6	429.9	431.0	338.7
Recycling and other manufacturing	29.4	4.9	8.3	4.8
Total	2,675.0	3,109.8	2,952.4	3,918.1
<b>By origin</b>				
European Union	2,207.8	2,596.9	2,432.1	3,058.3
<i>Of which:</i>				
Austria	1,112.3	1,384.1	1,003.1	1,173.0
Denmark	38.3	45.6	45.9	52.6
France	311.3	320.5	438.1	384.8
Germany	350.1	372.3	430.1	428.3
Italy	158.4	193.9	235.4	294.3
Netherlands	93.3	96.4	133.1	211.1
United Kingdom	110.7	124.1	83.5	84.6
Countries of former Yugoslavia	85.8	64.8	74.2	102.9
<i>Of which:</i>				
Bosnia and Herzegovina	12.5	9.6	14.2	21.5
Croatia	72.9	54.6	60.8	85.0
CEFTA 2/	119.4	120.3	139.2	141.6
<i>Of which:</i>				
Czech Republic	113.2	112.8	127.8	125.9
Countries of former Soviet Union	1.3	1.6	-1.0	-1.2
<i>Of which:</i>				
Russian Federation	1.1	1.1	-1.5	-2.4
Other countries	260.8	326.2	308.0	616.5
<i>Of which:</i>				
Switzerland	107.1	129.6	98.7	440.7
United States	103.9	119.3	108.4	73.2
Total	2,675.0	3,109.8	2,952.4	3,918.1

Source: Bank of Slovenia.

1/ Direct investment includes equity capital, reinvested earnings, claims on and liabilities to affiliated enterprises abroad, and any other investment that gives the investor a long-term role in managing a company.

2/ CEFTA countries are Bulgaria, Czech Republic, Hungary, Poland, Romania, and Slovak Republic.



Table A28. Slovenia: Direct Investment Flows Abroad by Destination, 1999–2002 1/

(In millions of euros)

	1999	2000	2001	2002
European Union	-0.8	20.7	22.6	108.9
<i>Of which:</i>				
Austria	-4.0	18.4	4.7	6.5
France	0.4	0.3	0.2	0.3
Germany	1.4	0.5	2.9	15.9
Italy	0.6	0.8	5.8	0.7
United Kingdom	0.5	-0.4	0.2	-0.2
Countries of former Yugoslavia	38.7	58.5	119.7	116.1
Bosnia and Herzegovina	4.6	7.5	20.4	41.5
Croatia	25.8	40.6	82.4	35.6
FR Yugoslavia	1.0	2.1	11.6	28.9
FYR Macedonia	7.3	8.3	5.3	10.0
CEFTA 2/	-2.2	10.1	21.1	24.4
<i>Of which:</i>				
Czech Republic	-0.2	5.7	2.5	0.4
Poland	-1.0	3.4	13.2	4.9
Romania	0.2	0.3	4.7	7.8
Countries of former Soviet Union	2.5	5.2	9.3	11.5
<i>Of which:</i>				
Russian Federation	2.4	5.1	8.2	10.4
Other countries	5.9	13.3	5.7	-17.9
<i>Of which:</i>				
Liberia	6.3	2.7	2.9	-1.8
United States	-2.1	0.6	0.4	-22.6
Total	44.1	107.7	178.4	243.0

Source: Bank of Slovenia

1/ Direct investment flows are defined as a sum of net change in equity capital and reinvested earnings.

2/ CEFTA countries are Bulgaria, Czech Republic, Hungary, Poland, Romania, and Slovak Republic.

Table A29. Slovenia: Stock of Direct Investment Abroad by Destination, 1999–2002 1/  
(In millions of euros, end-of-period)

	1999	2000	2001	2002
European Union	96.5	118.0	211.1	292.0
<i>Of which:</i>				
Austria	26.2	41.0	57.6	62.7
France	3.9	9.0	9.8	9.7
Germany	43.6	44.1	99.6	107.3
Italy	15.4	10.1	5.4	7.4
United Kingdom	10.9	12.2	13.7	10.7
Countries of former Yugoslavia	407.5	530.2	663.9	835.8
<i>Of which:</i>				
Bosnia and Herzegovina	32.4	67.9	109.5	157.0
Croatia	307.7	380.2	452.2	521.0
FR Yugoslavia	28.2	31.9	49.0	96.4
FYR Macedonia	39.2	50.1	53.3	61.3
CEFTA 2/	67.6	91.3	134.5	160.3
<i>Of which:</i>				
Czech Republic	4.5	13.0	13.9	14.3
Poland	48.3	60.7	89.0	94.6
Romania	4.6	5.9	14.2	23.6
Countries of former Soviet Union	19.5	28.6	44.8	64.1
<i>Of which:</i>				
Russian Federation	10.3	19.6	39.2	53.4
Other countries	33.7	57.1	84.9	64.8
<i>Of which:</i>				
Liberia	22.6	25.9	27.0	20.0
United States	21.4	27.9	41.0	23.9
Total	624.7	825.3	1139.2	1416.9

Source: Bank of Slovenia.

1/ Direct investment includes equity capital, reinvested earnings, claims on and liabilities to affiliated enterprises abroad, and any other investment that gives the investor a long-term role in managing a company.

2/ CEFTA countries are Bulgaria, Czech Republic, Hungary, Poland, Romania, and Slovak Republic.

Table A30. Slovenia: Gross External Debt, 1999–2003

(In millions of euros, end-of-period)

	1999	2000	2001	2002	2003
Total debt outstanding	8,012	9,490	10,403	11,482	12,995
Medium and long-term debt 1/	5,857	7,207	8,180	9,163	10,557
Public and publicly guaranteed	2,462	2,883	3,107	3,138	3,327
Bonds and notes	1,431	1,688	1,908	1,894	1,886
Loans	1,031	1,195	1,199	1,244	1,441
Private	3,395	4,324	5,073	6,025	7,230
Bonds and notes	63	60	26	41	61
Loans	2,103	2,788	3,918	4,580	5,315
Currency and deposits	...	...	162	279	506
Trade credits	101	87	56	35	26
Other debt liabilities	82	78	79	67	55
Debt liabilities to affiliated enterprises	164	176	130	163	180
Debt liabilities to direct investors	881	1,136	702	860	1,085
Short-term debt 1/	2,156	2,282	2,223	2,319	2,439
Money market instruments	0	0	15	56	32
Loans	79	47	27	27	101
Currency and deposits	364	401	396	383	558
Trade credits	1,659	1,834	1,690	1,696	1,572
Other debt liabilities	54	0	95	157	176
				Medium- and long-term debt 1/	
Principal repayments of	602	780	1,473	1,399	1,779
Public and publicly guaranteed	132	176	544	153	135
Private	470	604	929	1,246	1,644
				Total debt	
Interest payments on	241	323	404	379	365
Public and publicly guaranteed	113	158	182	168	165
Private	128	165	222	211	200

Source: Bank of Slovenia.

1/ Original maturity basis.