

Summary

After recording positive business results for three years, **Slovenian commercial companies as a whole** reported a loss for 2001. However, this was primarily due to the revaluation of tangible fixed assets in some companies operating in mining, and in electricity, gas and water supply. If this factor were ignored, the difference between net profit and net loss for 2001 would be positive and roughly at the level of 2000. Like in 2000, the net business results were negatively affected by a deficit at the level of financial revenues and expenses, with the deficit increasing compared to the year before. Another reason was the shrinking of excess extraordinary revenues over expenses. Net operating profits, however, increased (this trend having been maintained since 1996).

Companies in **agriculture** reported a positive difference between net profit and net loss for the 2001 financial year. This was mainly the result of excess extraordinary revenues over expenses, while net losses were seen at both the financial and operating levels. Operating efficiency worsened further, and business results would have been even poorer if state aid to agriculture had not been raised. Unlike agricultural companies, those engaged in **fishing** reported a negative difference between net profit and net loss.

The main part of **mining**, i.e. companies dealing with energy (mainly coal mining), reported a loss throughout the last six years, whereas the non-energy part of mining reported a profit. In addition to reducing economic activity in coal mining, with several coal mines having been closed, tangible fixed assets were revalued in 2001, leading to a significant increase in losses. By reassessing the value of assets, the Government wanted to provide firmer foundations for future operations of public utilities in the activity of **electricity, gas and water supply** (by reducing costs as well as burdens caused by stranded investment). This resulted in a high negative difference between net profit and net loss, totalling SIT 398.1 billion, because the carrying amount of operating fixed assets was reduced.

In 2001, **manufacturing** companies recorded positive net business results (the difference between net profit and net loss) for the fifth year running, but they were slightly lower than the year before. The number of employees rose after having fallen in 2000. The operations of manufacturing companies were negatively affected by the weak domestic and foreign demand, which led to a slight fall in net operating profits compared to 2000. A significantly stronger impact on overall performance came from the negative balance in financial revenues and expenses (the same as in 2000), which climbed by 16% in nominal terms from 2000. The relatively high financial expenses caused by borrowing in previous and current years slashed total net operating profits by over 50%. The bottom-line performance was somewhat improved by the positive difference between extraordinary revenues and expenses. Looking at individual activities, we can see that the trend of a growing number of subsectors achieving a positive difference between net profit and net loss reversed after having strengthened in 2000. Hence, seven out of 23 manufacturing subsectors (four in 2000) reported a negative difference between net profit and net loss for 2001. As far as export orientation is concerned, the subdued activity in the international economic environment led to the biggest falls in performance in moderate exporters (50%-70% export orientation), slightly lower falls were seen in extensive exporters (over 70% export orientation), while the least impact was felt in domestic-market-oriented companies (less than 50% of their revenues were earned in foreign markets).

Companies operating in **construction** considerably strengthened their activities in the 1995-2001 period. This was primarily the result of the strong dynamics of motorway construction in Slovenia in the second half of the nineties, whereas in 1999 construction was accelerated by the tax reform carried out in the middle of the year. This was reflected in business results, with construction companies reporting the biggest profits in 1999, but performance declined thereafter. In 2001, the positive difference between net profit and net loss was largely the result of high extraordinary revenues, as companies recorded a loss at the level of regular operations. A net operating loss was reported in both main subsectors: the construction of highways, roads, airfields and sport facilities, and building and civil engineering.

Companies from **wholesale and retail trade** further improved their performance in 2001. Even though the number of companies had declined since 1998, the number of employees increased in 2001 for the second year running, suggesting that activities of the existing companies had strengthened. Performance was improved by both increased revenues from domestic sales (mainly companies from wholesale on a fee or contract basis, except fuels) and sales in foreign markets (sales of motor vehicles and some activities within retail trade). Wholesale and retail trade companies were also characterised by labour productivity growth that exceeded the average of all companies, and they achieved the best results as regards export orientation, operating efficiency, and cost efficiency in 2001 relative to the 1995-2001 period.

Companies from the **hotels and restaurants** sector had reported a negative difference between net profit and net loss since 1995, but the difference was the lowest in 2001. Strong investment activity seen over the last few years produced some results, as companies generated a net operating profit in 2001 for the first time over the last seven years. Improvement in performance is also suggested by employment figures, with employment growing for the third consecutive year, and growth in productivity measured by value added per employee. Cost-efficiency indicators also point to a better performance over the last three years. A breakdown by subsectors reveals that performance was primarily boosted by hotels, which for the first time reported a positive difference between net profit and net loss in 2001. The same was seen in bars, while restaurants again saw a negative difference between net profit and net loss.

In **transport, storage and communications** company performance declined significantly in 2001, even though business results were still positive and totalled SIT 8.4 billion. Telecommunications saw the biggest fall in performance, with a positive difference between net profit and net loss of SIT 4.2 billion in 2000 falling to a negative difference of SIT 3.2 billion in 2001. Railway transport again operated worse than the year before, as the negative difference between net profit and net loss almost doubled to SIT 4.6 billion. Within less important activities, a big loss was reported by cableways and ski lifts. On the other hand, performance was improved by other transport agencies (including forwarding), cargo handling, freight transport by road, urban and suburban scheduled passenger transport, and public postal services.

Real estate, renting and business services are one of the fast-growing sectors of the Slovenian economy. In 2001, companies from this activity reported the highest net operating profit so far, suggesting that favourable trends seen in some subsectors strengthened further (letting of own property, software consultancy and supply, legal consultancy, accounting and tax consultancy, advertising). Companies reported

a big positive difference between net profit and net loss which was, like before, primarily the result of financial revenues and expenses of companies from business and management consultancy, and the activities of holdings. Last year's excellent performance helped companies from business services to further increase their shares in the overall composition of employment and value added.

Companies whose core business is **other community, social and personal services** ended the 2001 financial year with the highest positive difference between net profit and net loss in the last seven years. The driving force remained those companies involved in lotteries and gambling. Dynamic productivity growth typical of this activity continued in 2001, while the best performing companies were those engaged in gambling and betting games, sanitation, and sporting activities. New high-performers in 2001 included companies from the film and video industry.