

Balance of Payments	Slovenian Economic Mirror	IMAD
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Balance of Payments, Jan–Aug 2003, EUR million	Inflows	Outflows	Balance ¹	Balance Jan–Aug 2002
Current account	9,673.2	9,710.4	-37.2	204.2
Trade balance (FOB)	7,378.2	7,734.9	-356.7	-117.7
Services	1,640.2	1,290.6	349.6	384.7
Factor services	373.5	447.1	-73.6	-146.1
Unrequited transfers	281.3	237.8	43.5	83.3
Capital and financial account	1,145.5	-1,172.3	-26.8	-187.4
Capital account	7.8	-2.9	4.9	0.6
Capital transfers	5.6	-1.1	4.5	1.3
Non-produced, non-financial assets	2.2	-1.8	0.4	-0.7
Financial account	1,137.7	-1,169.4	-31.7	-188.0
Direct investment	33.7	-171.1	-137.5	513.5
Portfolio investment	39.4	-104.2	-64.8	8.3
Other long-term capital investment	1,064.6	-469.4	595.3	-73.9
Assets	0.0	-437.6	-437.6	-536.7
Liabilities	1,064.6	-31.8	1,032.8	462.8
International reserves (BS)	0.0	-424.7	-424.7	-635.9
Statistical error	64.0	0.0	64.0	-16.8

Source of data: BS. Note: ¹minus sign (-) indicates imports over exports in the current account, increase in assets or decrease in liabilities in the capital and financial accounts, and growth of reserve assets.

Exports of goods (expressed in euros) fell by 3.5%, while **imports** of goods increased by 2.8% in August over the same month a year ago. In the **first eight months**, the volume of merchandise trade climbed by 3.5% in nominal terms compared to the same period last year (up 1.5% in the given period of 2002), with exports of goods rising by 1.9% and imports of goods by 5.1%. The long-term **trend** in nominal exports of goods turned upwards slightly in July and August after declining in May and June, while imports of goods have been on an upward trend since May after falling in April (according to the Tramo-Seats method). The modest demand, especially in EU members (also see SEM 8-9/2003:6), affected the volume of Slovenia's industrial production, which contracted slightly year on year in the first eight months (an index of 99.8; also see p. 11). This contraction was chiefly due to low levels of orders from industrial producers in the EU, whose demand mostly involved intermediate goods. The rise in imports of goods, on the other hand, was primarily fuelled by imports of investment goods, whose financing was facilitated by lower interest rates abroad. The **current account deficit** resulted from a wider trade deficit and a narrower surplus in trade in services.

According to the available figures and prospects for the domestic and international environment, **total exports** are estimated to rise by **3.2%** in real terms in **2003**, with goods exports going up by 3.7% and exports of services by 1% (Autumn Report 2003). The main **reasons for the faltering** export flows are: (i) a **lower economic growth forecast for the EU-15** (downgraded from 1.1% to 0.8%), with growth being particularly modest in the four main trading partners (Germany, Austria, Italy and France). This estimate took into account a slump in exports of vehicles to Germany and France seen in the first half of the year, so the contribution of the EU to Slovenia's total exports will shrink from 1.8 percentage points (the spring estimate) to 1.2 percentage points; (ii) **modest growth in goods exports to the countries of former Yugoslavia**. Instead of declining by 50% compared to 2002 as anticipated in spring, exports of goods are set to decelerate much more (by about 85%) according to current developments; (ii) **modest growth in exports of goods to the former Soviet Union**. Even though exports of goods to Russia should strengthen in the second half of the year mainly thanks to increased sales of medical and pharmaceutical products, the annual growth is likely to be lower than projected in spring; (iv) **modest growth in exports of services**. In spring, we forecast 4.8% growth in exports of services, however, the new estimates show a significant slowdown (1% growth) mainly as a result of real falls in exports of other services containing higher value added. The spring forecast of real growth in imports of goods and services (4.5%) was not revised substantially, so **total imports** are estimated to rise by 4.8% in real terms in **2003**. The structure of import growth should be slightly different than projected earlier, with imports of services rising more slowly than imports of goods (2% and 5.3% in real terms).

Graph: **Quarterly growth in goods exports compared to the same period of the previous year (EUR)**

