Slovenia’s External Debt

Year-end stock, EUR million	1999	2000	2001	2002	30 June 2003
A. Short-term debt[1]	3,374	4,382	4,569	4,448	4,590
B. International monetary reserves	3,159	3,436	4,984	6,781	6,964
C. Foreign exchange	4,104	4,705	6,513	7,826	7,982
D. Gross external assets in debt instruments	7,697	8,700	10,825	12,584	13,101
E. Gross external liabilities in debt instruments – Gross External Debt	8,012	9,490	10,403	11,482	12,564
Debt indicators					
- international reserves to short-term debt (B/A)	0.94	0.78	1.09	1.52	1.52
- foreign exchange to short-term debt (C/A)	1.22	1.07	1.43	1.76	1.74
- gross external assets in debt instruments/gross external debt (D/E)	0.96	0.92	1.04	1.10	1.04

Source of data: Bank of Slovenia.
Notes: [1] short-term debt is short-term debt and part of long-term debt falling due within one year.

The **external debt statistics** focused primarily on the public sector’s borrowing from banks and governments. They covered contractual obligations between residents and non-residents and measured debt by means of monetary flows. Most attention was given to long-term debt, especially public and publicly guaranteed debt, while all debt instruments were excluded. Slovenia also applied this concept, and external debt was divided into public and publicly guaranteed debt and private non-guaranteed debt.

Following the late 1990s, Slovenia exceeded the level of economic development of USD 10,000 per capita and is formally no longer a developing country. It also liberalised international capital flows. In 1998-2003, private non-guaranteed debt increased through contractual relationships (e.g. loan instruments), while public and publicly guaranteed debt stagnated. In September this year, the Bank of Slovenia began to release figures on **gross external debt** compiled in line with the International Monetary Fund's **new standards**. All debt liabilities of residents to non-residents are classified into **sectors and financial instruments** standardised with the system of national accounts and the fifth edition of the Balance of Payments Manual. Gross external debt is given in euros and incorporates external debt as shown before as well as all debt financial instruments of the private non-guaranteed debt and instruments emerging after full liberalisation of the capital and financial account of the balance of payments (e.g. purchases of government bonds in the secondary capital market). Previously, these liabilities were included in Slovenia’s international investment position and shown as liabilities to direct investors and affiliated enterprises in the form of short-term commercial credits (now incorporated in private non-guaranteed debt) and money market instruments of the general government (now incorporated in public and publicly-guaranteed debt).

From end-2002 to **end-June 2003, Slovenia’s gross external debt** climbed by EUR 1,080.9 million to EUR 12,563.9 million. Two-thirds of this increase was due to the inflow of loans raised by the banking sector (EUR 524.4 million) and other sectors – non-bank financial corporations, non-financial corporations, households and non-profit institutions serving households – (EUR 188.4 million); this external borrowing was fuelled by the tolar's slow depreciation and low interest rates abroad. Another third came from liabilities to affiliated enterprises, which rose by EUR 353.6 million. The government sector repaid more loans than it raised. The new standards recommend that a record of publicly guaranteed debt is retained (part of external debt incurred by economic entities outside the government sector which is guaranteed by the government). Public and publicly guaranteed debt rose up until 2001, but this rise came to a halt after 2001. On the other hand, private and non-guaranteed debt almost doubled in 1998-2002 (from EUR 4,452 million to EUR 8,277 million) and continued to rise in the first half of this year. In relation to public and publicly guaranteed debt, it should be noted that Slovenia assumed 18% of former Yugoslavia’s non-allocated debt in line with the New Financial Agreement (NFA) of 1996. Further, Slovenia took over another 16.39% of Yugoslavia’s non-allocated debt following bilateral negotiations with individual countries of the Paris Club. Total debt assumed from former Yugoslavia totalled EUR 523 million according to the euro’s current exchange rate, or 16% of the public and publicly guaranteed debt.

The IMF’s new standards define **net external debt** as the difference between liabilities (gross external debt) and gross external assets in debt instruments. At the end of June this year, Slovenia’s net claims on non-residents totalled EUR 537.2 million. The government sector only recorded liabilities to non-residents, amounting to EUR 2,438.7 million, mostly in the form of bonds and notes. The Bank of Slovenia, which manages international reserves on behalf and on account of the government, only recorded claims on non-residents, totalling EUR 6,958.2 million. Other sectors recorded net liabilities in a total amount of EUR 2,689.1 million, among which households and non-profit institutions serving households recorded net claims amounting to EUR 431 million. Affiliated entities (legal persons affiliated to non-residents through equity capital) which own 10% of more equity recorded EUR 219.6 million of net liabilities to non-residents.

The concept of gross external debt stresses the importance of **dynamic external debt indicators** or **indicators of sufficiency of foreign exchange reserves**, which focus on the aspects of solvency and liquidity (a ratio of international reserves to short-term debt, a ratio of foreign exchange to short-term debt, and a ratio of gross external assets in debt instruments to gross external debt). These indicators are no longer compatible with the previously used external debt indicators. The liquidity and solvency indicators improved gradually in 1999-2002, but dropped again in the first half of 2003.