

Short economic and financial analyses

# Technical Description of Changes in the Structure of the Trade Balance in the 2021–2022 Period

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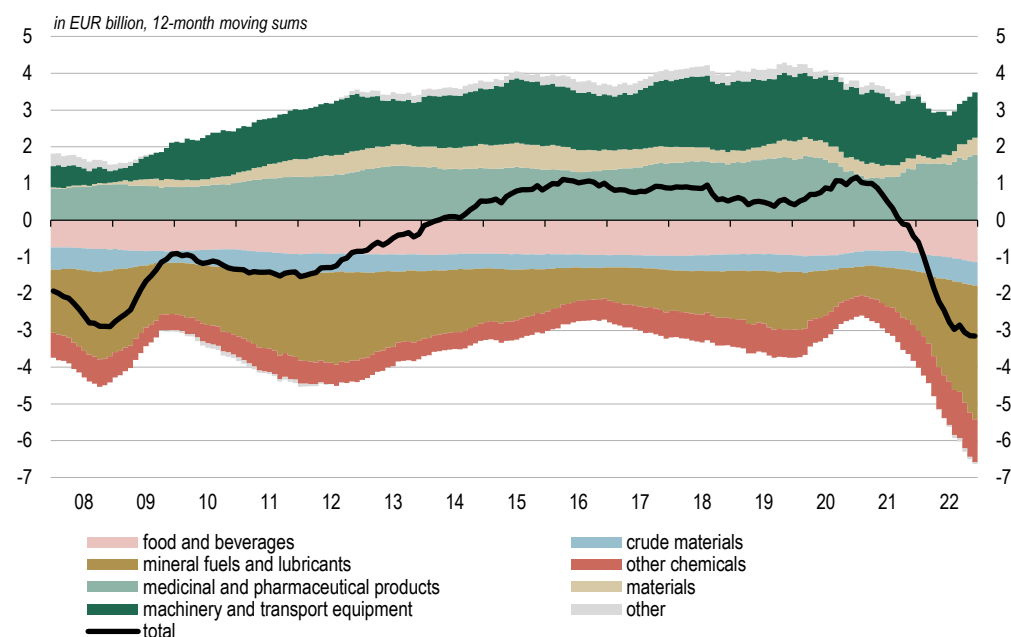
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According to the balance of payments data, the trade balance was in a deep deficit of EUR 2.3 billion last year, after the surplus decreased by EUR 1.5 billion to EUR 880 million in 2021. The significant changes in the value and composition of the balance are largely attributed to the impact of energy prices, the decline in car production and the performance of the pharmaceutical industry. Energy prices on world markets rose sharply already in the second half of 2021, when demand began to grow rapidly following the easing of restrictive measures, but they soared even further with the outbreak of the war and the introduction of sanctions against Russia. Last year's energy trade deficit widened more significantly compared to previous years, with a notable increase in the value of gas and electricity imports in addition to that of imports of oil. The markets are showing an increase in energy imports from Saudi Arabia and a shift in the trade balance with Russia. The crisis in the European car industry, which has caused a sharp reduction in domestic car production and exports, has further deepened the trade deficit with the euro area. A still larger trade deficit was primarily avoided by stronger exports of medicines and other pharmaceuticals. In addition, there was a notable increase in re-exports of energy products to Croatia, which also helped to limit the extent of the balance deterioration.

## Introduction

The purpose of this analysis is to provide an overview of the factors that contributed to the change in the trade balance between 2021 and 2022, including a breakdown by product group and geographic region. According to balance of payments data, Slove-

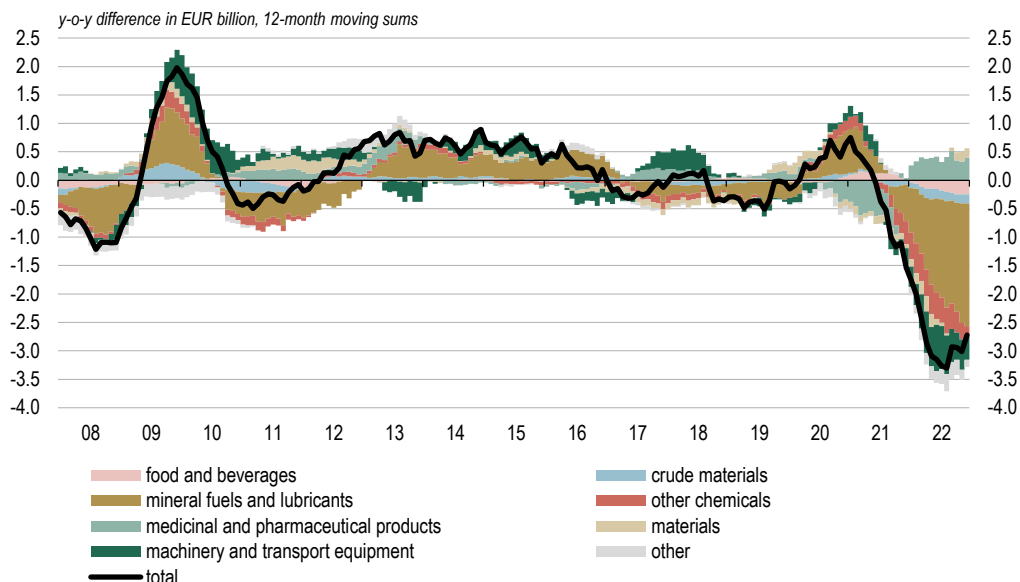
Figure 1: Structure of the balance of trade by commodity group



Note: Excludes trade in medical and pharmaceutical products with Switzerland and imports of organic chemical products from Switzerland and China.

Sources: SORS, Banka Slovenije calculations.

**Figure 2: Contributions of commodity groups to the change in the trade balance**



Note: Excludes trade in medical and pharmaceutical products with Switzerland and imports of organic chemical products from Switzerland and China.

Sources: SORS, Banka Slovenije calculations.

nia's trade surplus with foreign countries decreased by EUR 1.5 billion to EUR 880 million in 2021. Following a long period of surpluses, the trade surplus turned into a EUR 2.3 billion deficit last year. According to adjusted data from SORS, the trade deficit amounted to EUR 3.2 billion, which is higher than the EUR 2.9 billion deficit recorded in 2008, when the economy was overheating for most of the year (Figure 1).<sup>1</sup> Last year's sharp downward swing in the trade balance was largely driven by price developments on global energy and commodity markets, as has been the case on some previous occasions. However, this time, due to a combination of marked acceleration in prices and strong domestic demand, it was the most pronounced to date (Figure 2).

## 1 Changes in the structure of the trade balance by commodity group

**According to the data from<sup>2</sup> SORS, the reversal in the balance of trade by commodity group from a surplus to a deficit was mainly due to an increased deficit in the trade of fuels and lubricants.**

The value of imports of fuels and lubricants increased to EUR 7.9 billion last year, which is twice as much as the previous peak in 2012. The largest contribution to the increase

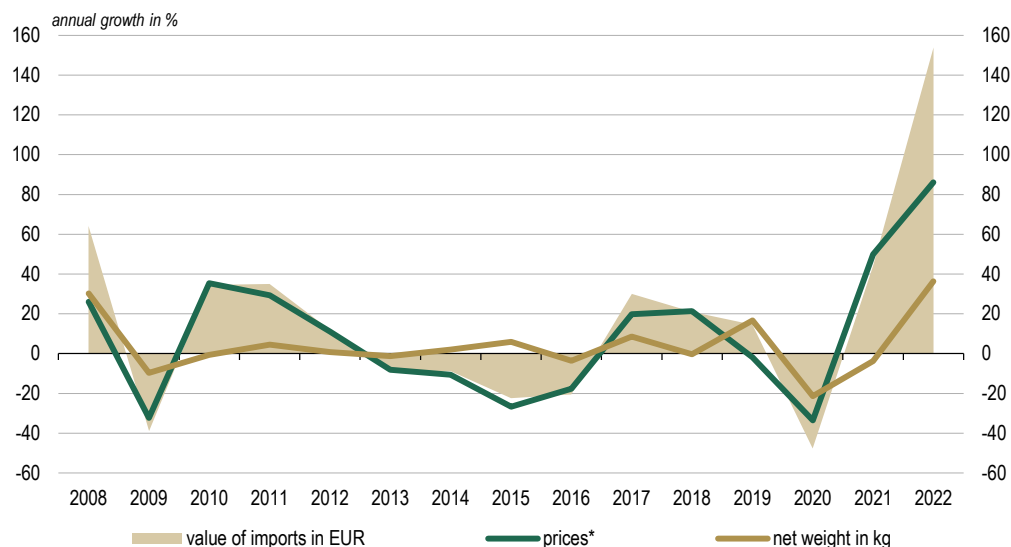
<sup>1</sup> According to data from SORS, the trade surplus turned into a deficit of EUR 430 million already in 2021. To facilitate comparison with balance of payments data, this figure excludes trade in medical and pharmaceutical products with Switzerland and imports of organic chemical products from Switzerland and China. The methodological differences between foreign trade statistics (SORS) and balance of payments statistics are described in [Box 4.1 of the publication "Economic and Financial Developments", October 2018](#).

<sup>2</sup> The Standard International Trade Classification (SITC) was used, from which trade in medical and pharmaceutical products with Switzerland is excluded, as are imports of organic chemical products from Switzerland and China.

was EUR 3.0 billion (154.1%) higher imports of oil and petroleum products, whereby their average price per unit, calculated as the ratio between the value of imports and the net mass, was higher by 86.1% and the amount of purchased petroleum products was higher by 36.4% (Figure 3).<sup>3</sup> Imports of electricity increased by 1.1 billion (124.9%), mainly due to unfavourable conditions for domestic production last year, which were caused by drought, coal savings and regular overhaul of the nuclear plant. Additionally, imports of gas increased by 650 million (230.1%). Geographically, the dominant reason was the higher imports of energy products from Italy, Russia, Saudi Arabia and Austria, while the purchases from Croatia also increased markedly. Last year also saw a second consecutive year of strong growth in re-exports of energy products (by EUR 2.6 billion to EUR 4.2 billion), especially of oil and petroleum products and of electricity, with Italy and Croatia standing out. In the case of petroleum products, this is linked to the expansion of Petrol's operations in Croatia, and in the case of electricity, to increased transmission through the Slovenian grid to Italy.

The widening of the fuel and lubricants trade deficit last year was more pronounced than in previous years (by 2.2 billion), driven also by a significantly larger trade deficit in gas and electricity (Figure 4). At the same time, the oil and petroleum products trade deficit widened by EUR 1.3 billion, an increase of EUR 620 million compared to 2008, when the price per barrel of Brent crude oil, converted in euros, was 31.1% lower than in 2022.

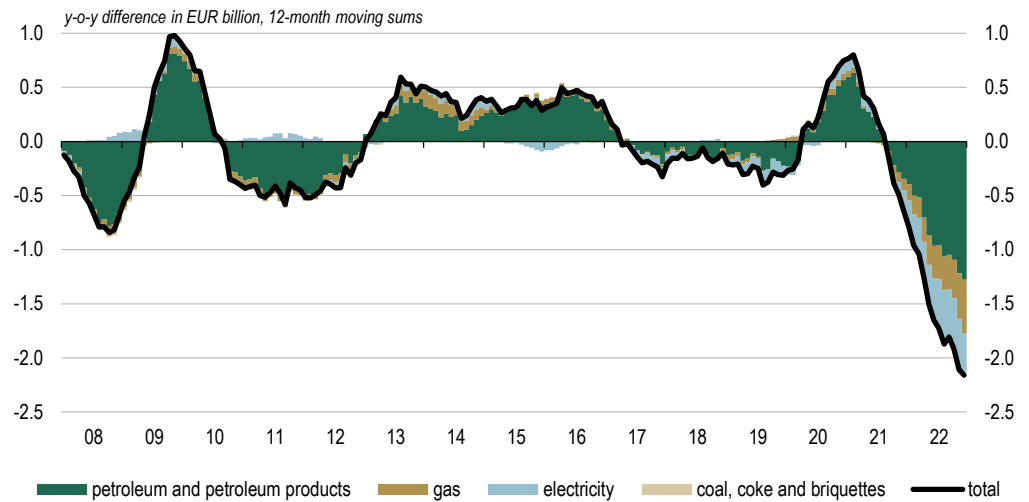
Figure 3: Imports of oil and petroleum products



Note: \* Average price calculated as the ratio of the value of imports to the net weight in kg.  
Sources: SORS, Banka Slovenije calculations.

<sup>3</sup> Quantitative imports of oil or petroleum products increased last year for the first time in two years, driven by a rapid growth in demand following the easing of restrictive measures, re-exports via the Port of Koper and the expansion of Petrol's business in Croatia.

**Figure 4: Annual changes in the balance of trade in mineral fuels and lubricants**

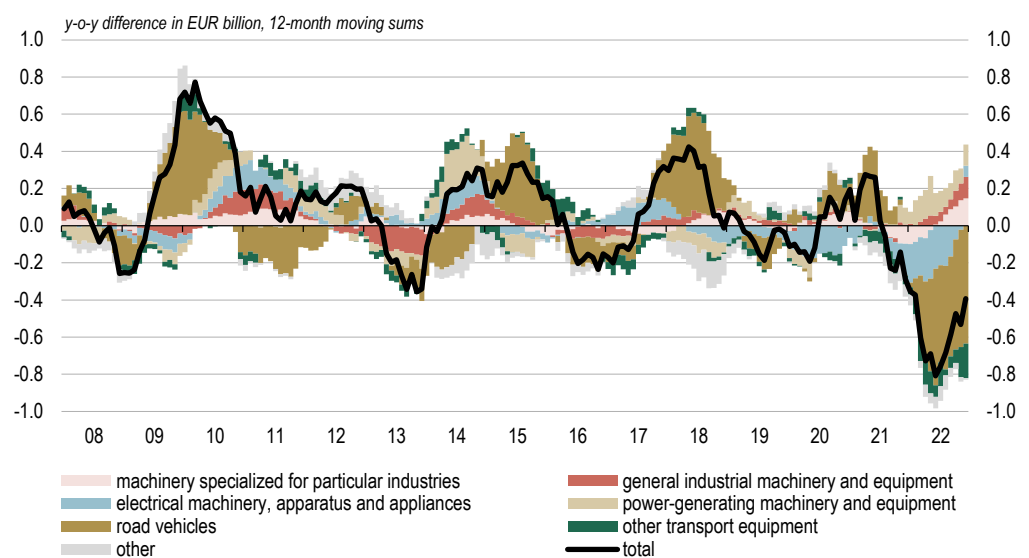


Sources: SORS, Banka Slovenije calculations.

*The deterioration in the trade balance was also due to falling exports of road vehicles, linked to a decline in car sales in Europe.*

The surplus in the trade of machinery and transport equipment decreased significantly for the second consecutive year last year and was the smallest in almost ten years. It amounted to EUR 1.2 billion, EUR 390 million less than the year before (Figure 5). The predominant reason was a EUR 635 million lower surplus in the trade in road vehicles, as their imports increased by EUR 450 million (13.2%) due to rising prices, reaching EUR 3.9 billion, which is close to pre-pandemic levels.<sup>4</sup> At the same time, exports were

**Figure 5: Changes in the annual balance of trade in machinery and transport equipment**



Sources: SORS, Banka Slovenije calculations.

<sup>4</sup> The volume of imported road vehicles, measured by net weight, remained roughly stable for the second year in a row, while the average unit price increased by 14.7%.

lower by 4.1%, compared to 2019 by 14.6% or EUR 730 million, which coincides with the decrease in the number of first registrations of passenger cars in the EU, which was lower by 4.4% or 27.7% in the same period, temporary shutdowns and generally lower production levels at Revoz.<sup>5</sup> Among countries, sales decreased in Germany, France and Italy, which are traditionally the largest markets for Slovenian car exports, together with Croatia.

At the same time, the deficit in the trade of other transport equipment increased by EUR 185 million last year, almost entirely due to higher imports, which was most likely a result of purchasing new passenger trains, while the increase in the surplus in the trade of various industrial,<sup>6</sup> propulsion and electric machines or equipment amounted to EUR 440 million.

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***The deficit in the trade of food and beverages was also significantly higher, as imports increased by EUR 490 million, more than twice the value of exports (EUR 235 million).***

The deficit reached EUR 1.1 billion last year, a record EUR 250 million higher than a year earlier, with imports increasing by 19.3% and exports by 14.4%. In both cases, the increase was the largest since 2007. The higher values of purchases of meat and meat products (27.6%), dairy products and eggs (24.0%), sugar (23.2%), and cereals (22.8%) from abroad stand out in terms of growth,<sup>7</sup> which is in line with the increase in the prices of these food products. Imports of tobacco and tobacco products were higher in value by about a third and imports of beverages by a fifth. Similarly, export revenues from the sale of these products increased significantly last year, but the growth was mostly<sup>8</sup> lower than that of imports.

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***However, an even more significant turnaround in the trade balance was avoided by strong exports of medicines and other pharmaceutical products, mainly to Russia.<sup>9</sup>***

The surplus in the trade of medical and pharmaceutical products increased by EUR 390 million last year, reaching EUR 1.8 billion, which is EUR 85 million more than before the pandemic, with the value of exports increasing by 23.0% (EUR 790 million). The increase in exports to Russia stands out among the markets, amounting to EUR 300 million, and to a lesser extent also those to Croatia, Slovakia and Serbia, totalling EUR 200 million. On the other hand, after remaining at EUR 2.1 billion in

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<sup>5</sup> The volume of road vehicles sold abroad, measured by net weight, was down by 9.1% last year, while the average unit price increased by 5.5%.

<sup>6</sup> Machinery for special types of industry and industrial machinery for general use.

<sup>7</sup> The absolute amounts are relatively small; imports of meat and meat products were higher by EUR 80 million, imports of dairy products and eggs by EUR 50 million, imports of sugar by EUR 20 million, and imports of cereals and cereal products by EUR 70 million.

<sup>8</sup> The exception here is live animals, as their exports increased by 35.2% (EUR 25 million) compared to the previous year, while imports also increased (by 14.4% or EUR 5 billion).

<sup>9</sup> Switzerland is completely excluded from the exports of medical and pharmaceutical products due to operations involving processing, which are not included in the balance of payments statistics.



2021,<sup>10</sup> imports increased by 19.4% (EUR 400 million), mainly due to higher imports from the Netherlands and Hungary.<sup>11</sup>

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***Changes in the balance of trade in other products were considerably smaller last year.***

There was a slight increase in the trade deficit for some raw materials,<sup>12</sup> materials<sup>13</sup> and chemical products last year,<sup>14</sup> but at the same time, a larger surplus was achieved in the trade in wood and wood products, paper, and textile products. Changes in the balance in two categories stand out, namely an increase in the surplus in the category of wood and cork in the amount of EUR 110 million and an increase in the deficit in the category of metal ores and waste of approximately the same amount.

## 2 Changes in the geographical structure of the trade balance

According to the balance of payments data, the bulk of the trade balance reversal stemmed from a deepening deficit in trade with Asia and the euro area and from a reversal of the trade balance surplus with Russia to a deficit, while its deterioration was mitigated by strong exports to Croatia (Figure 6).

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***The increase in the trade deficit with Asian countries was primarily due to the purchase of oil from Saudi Arabia.***

Slovenia's persistent trade deficit with Asia – mainly with China, Saudi Arabia, India and Turkey – exceeded EUR 3.2 billion last year, EUR 1.5 billion more than a year earlier (Figure 6). In this regard, imports of goods from Saudi Arabia, which started to increase significantly already in the autumn of 2021, were valued at EUR 850 million higher, mainly due to a strong increase in imports of oil and petroleum products. The value amounted to EUR 1.2 billion, which is incomparably higher than ever before and

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<sup>10</sup> Imports of medical and pharmaceutical products in 2021 remained stable compared to the previous year, when they had increased by EUR 590 million to reach EUR 2.1 billion, primarily driven by higher imports from Singapore.

<sup>11</sup> The average export price of medical and pharmaceutical products (excluding Switzerland) per unit increased by 16.4% last year and the import price by 6.0%, while volume exports, measured in net weight, were higher by 5.5% and imports by 12.2%.

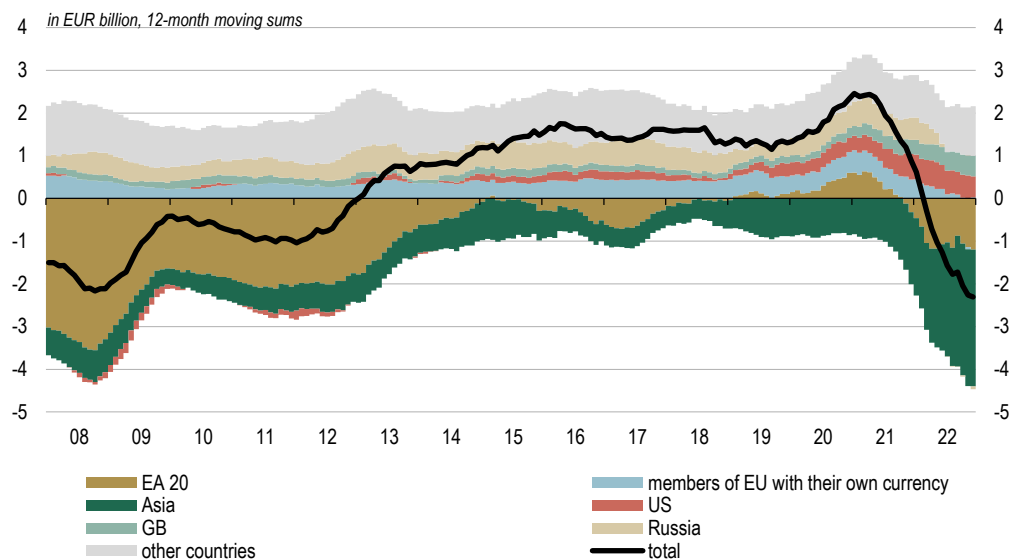
<sup>12</sup> Particularly in the trade of metal ores and waste, cellulose and paper waste, rubber, and textile fibres and waste.

<sup>13</sup> Iron and steel, non-ferrous metals (e.g. aluminium) and mineral products (e.g. construction materials). Although the growth in the trade of these products slowed somewhat last year, it remained well above the long-term average.

<sup>14</sup> Mainly organic and inorganic chemical products, fertilisers, and plastics.

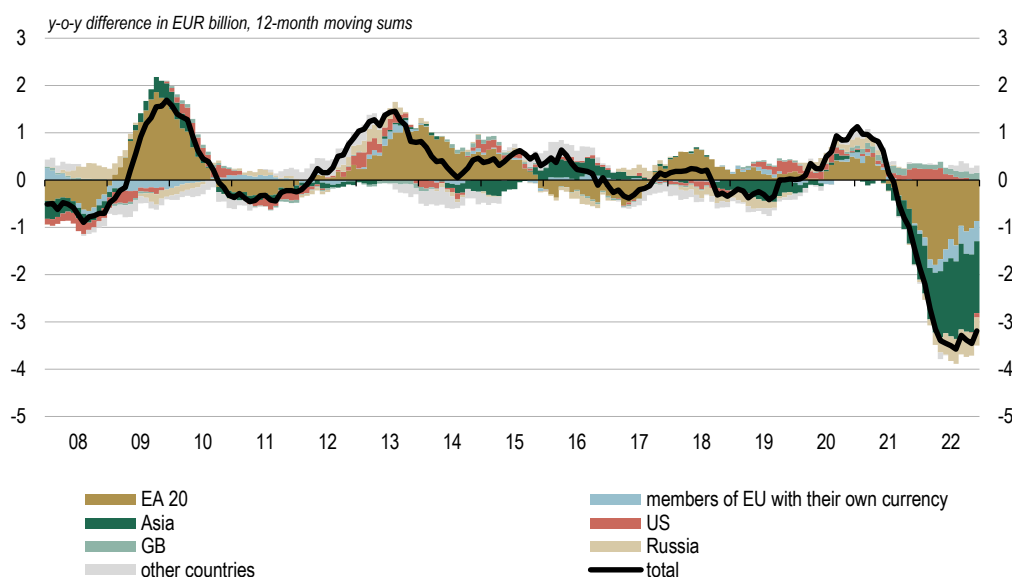
probably indicates a diversification of sources due to the escalation of geopolitical tensions.<sup>15</sup> There was also a significant increase in purchases of the aforementioned energy products from India (worth EUR 220 million),<sup>16</sup> while imports from<sup>17</sup> China increased by EUR 350 million, with most of the growth coming from accelerated imports of electrical machinery and equipment.

Figure 6: **Geographical structure of balance of trade**



Source: Banka Slovenije.

Figure 7: **Contributions of (groups of) countries to changes in the trade balance**



Source: Banka Slovenije.

<sup>15</sup> Slovenia's imports of goods from Saudi Arabia averaged EUR 40 million in the period 2005–2020.

<sup>16</sup> According to SORS data, imports of oil and petroleum products from India amounted to EUR 140 million last year, while average imports in the period from 2009 to 2020 was EUR 50 million. Imports of organic chemical products also stand out, with an increase of EUR 85 million, which, as with Switzerland and China, is most likely related to the business of a significant pharmaceutical company (and is not included in the balance of payments statistics).

<sup>17</sup> A detailed analysis of the trade with China is given in [Box 5.1 of the publication "Review of macroeconomic developments", September 2022.](#)

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### ***Slovenia recorded a trade deficit with Russia for the first time in 2022.***

The surplus in trade with Russia of EUR 520 million from 2021 turned into a deficit of EUR 70 million in 2022 (Figure 6). The shift was due to the nominal increase in imports of mineral fuels and lubricants, both oil and gas, amid the tightening of conditions on global energy markets, while its deterioration was mitigated by higher exports of medical and pharmaceutical products not subject to EU sanctions, which reached EUR 640 million, approximately twice the average for the 2005–2021 period. The reason for this was higher prices, as the volume of sales of these products decreased compared to 2021.

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### ***Slovenia's trade deficit vis-à-vis euro area member countries reached EUR 1.2 billion last year.***

According to the balance of payments data, the trade surplus vis-à-vis euro area member countries already turned into a deficit in 2021 (EUR 325 million), which increased to EUR 1.2 billion last year (Figure 7). The main reason for the deterioration was the deepening of the trade deficit with Italy<sup>18</sup> and the Netherlands<sup>19</sup> and the narrowing of the trade surplus with France<sup>20</sup> (Figure 8).

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### ***The overall decline in trade was offset by the increased sales of energy products in Croatia.***

The trade surplus with Croatia amounted to EUR 1.7 billion last year, which is EUR 840 million more than the year before and the highest so far (Figure 8). The value of exports of goods increased by 43.4% (by EUR 1.4 billion to EUR 4.5 billion), mainly as a result of the strong re-exports of mineral fuels and lubricants, in particular oil and petroleum products, which was mostly related to the expansion of the business of the company Petrol. However, the growth in imports halved to 23.0%, mainly due to a smaller contribution of electricity. Imports of electrical energy had already increased significantly in 2021, from EUR 40 million to EUR 460 million, and last year they amounted to EUR 650 million, mainly due to the transmission of electricity through Croatia to Slovenia and further to Italy.

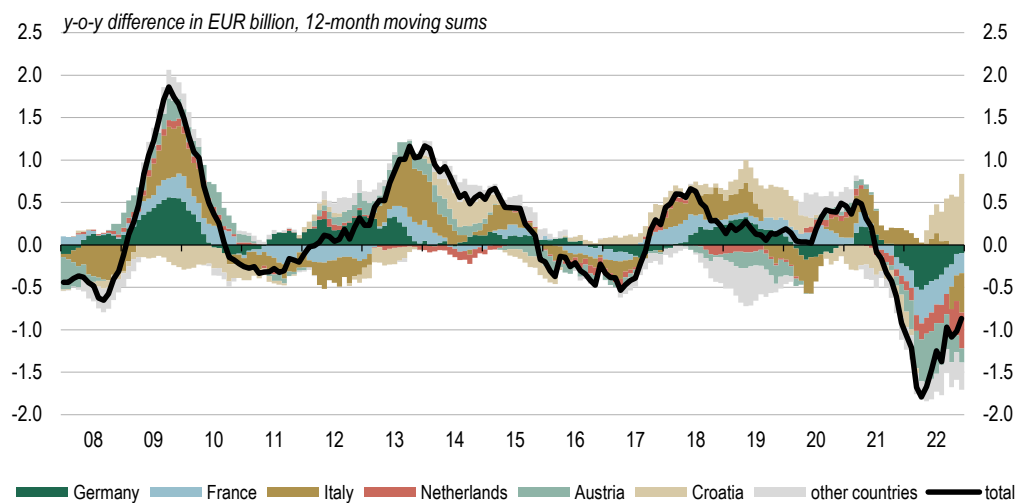
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<sup>18</sup> The trade deficit with Italy increased by EUR 470 million to EUR 830 million last year, which is the most since 2017 and mostly the result of the decline in the export of road vehicles.

<sup>19</sup> The trade deficit with the Netherlands increased last year by EUR 420 million, to EUR 950 million, the highest ever. The main reason was a smaller surplus in the trade in road vehicles (due to a decrease in exports and an increase in imports) and, to a lesser extent, higher imports of medical and pharmaceutical products.

<sup>20</sup> The trade surplus with France decreased by EUR 230 million last year to reach EUR 400 million, mainly due to a lower surplus in the trade in road vehicles, which decreased by EUR 220 million. The decrease was caused by a 15.1% decrease in exports, while imports increased by 30.0%.

**Figure 8: Contributions of countries to changes in the balance of trade with euro area member countries**



Source: Banka Slovenije.