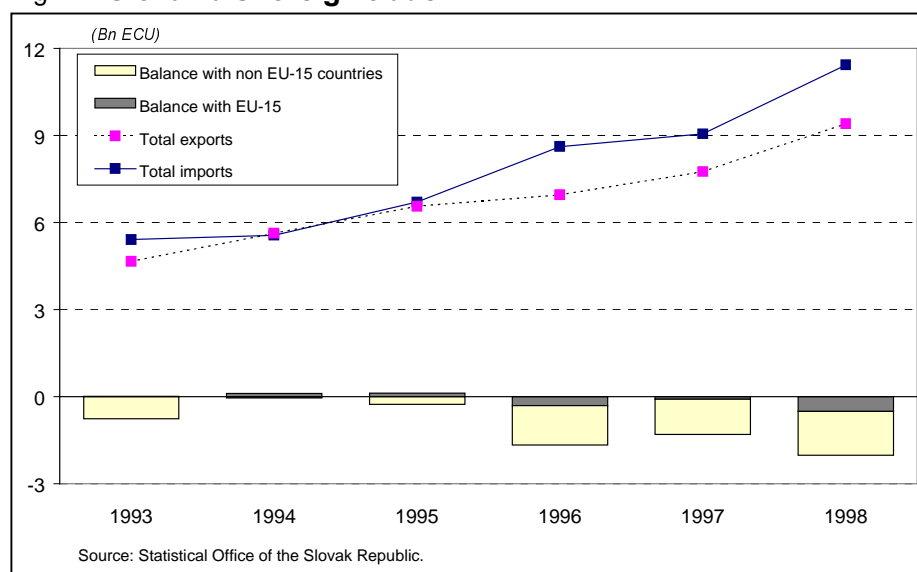


Slovakia turns towards the European Union

Tim Allen

Over the past years, Slovakia has turned its focus more westward. It mostly imported more than it exported and its trade relations with the EU prospered in particular between 1997-98, while it turned away from more traditional partners. EU-Slovak trade involved mainly three EU Member States. With exports reaching 52% of GDP in 1998, Slovakia has established itself as one of the top exporting countries in Central Europe.

Fig. 1: Slovakia's foreign trade



Trying to reduce the trade gap

Real GDP growth in Slovakia slowed to 4.4% in 1998, after three consecutive years of strong 7% growth (see also basic figures for 1998 on page 3). A new 7% import surcharge was introduced on 1 June 1999 to lower imports and reduce the trade and current account deficits.

Both Slovakia's imports and exports increased roughly twofold since the creation of the Republic, meaning that a small trade deficit in 1993 had doubled to ECU 2 bn (representing around 11% of GDP) by 1998. Until 1995, imports and exports remained quite close, but particularly strong import growth in 1996 and 1998 tilted the balance. The latest EU data¹ seem to suggest a reversal of this trend, with a decreasing trade gap (EU trade with Slovakia Jan-June 1999, EU exports to Slovakia down by 1% and EU imports from Slovakia up by 20%). It is notable that Slovakia's trade with the EU has remained close to balance over the period: in 1998 three-quarters of its deficit was with non-EU countries, with Russia alone accounting for half the total deficit.

Around one fifth of Slovakia's imports in 1998 were in primary products, while manufactured goods represented the bulk of the trade. Less primary products were exported than imported between 1994-98, but levels remained roughly unchanged over the years. Trade in manufactured goods on the other hand increased substantially over the same period (see figure 2).

¹ See "External and Intra-EU Trade, Monthly statistics, 1999/11"

Statistics in focus

EXTERNAL TRADE

THEME 6 – 2/2000

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Overall, Slovakia imported goods worth ECU 11 bn while it exported roughly ECU 9 bn worth in 1998. This contributed to around 0.3% of world trade and to less than one tenth of overall CEC trade (see table 1). As for the Czech Republic, exports have been an important engine of growth. In Slovakia they reached 52% of GDP, which makes it one of the top exporters among the emerging economies of Central Europe - just behind Estonia (63%) and before Hungary (48%) and the Czech Republic (46%).

Looking westward

In 1998, roughly half of Slovakia's trade was carried out with the EU (see table 1). When ranked in importance as trading partners (i.e. adding up all exports and imports), two EU Member states (Germany and Italy) were among the top three partners. In this manner, the Czech Republic ranked second in importance for Slovakia. Interestingly, a clear re-orientation away from eastern partners took place between 1997 and 1998: substantial increases were recorded in exports to Germany in particular (and to the EU in general), while trade figures vis-à-vis Russia were on the decline. Russia was nevertheless Slovakia's fourth most important trading partner, while the US was of lesser importance (ranked ninth).

Exports as much as Greece

How would Slovakia's external trade statistics feature amongst those of EU Member states? For example (see ratios in figure 3), Slovakia exported roughly as much as Greece (EU intra + extra exports) in 1998, but substantially less than all other EU Member states. In terms of imports, its trade figures were less than half of those of Greece and substantially lower than those of Finland and Portugal.

Tab. 1: Slovakia's trade by main partners¹, 1998

Partners	Rank as a trading partner	Imports			Exports			Balance
		Value	Share	98/97	Value	Share	98/97	Value
		(Mio ECU)	(%)		(Mio ECU)	(%)		(Mio ECU)
Total		11 428	100.0	26.3	9 404	100.0	21.3	-2 024
EU-15		5 763	50.4	61.2	5 254	55.9	50.7	-509
Germany	1	2 956	25.9	115.9	2 721	28.9	57.6	-235
Italy	3	742	6.5	47.0	673	7.2	53.4	-69
Austria	5	535	4.7	21.8	697	7.4	25.6	161
CEC		2 812	24.6	6.8	3 169	33.7	-0.8	357
Czech Rep.	2	2 109	18.5	1.3	1 907	20.3	-7.7	-201
Poland	6	287	2.5	13.7	514	5.5	20.4	227
NIS		1 386	12.1	-17.2	399	4.2	-29.1	-987
Russia	4	1 136	9.9	-19.3	179	1.9	-38.2	-957
US	9	334	2.9	12.4	133	1.4	5.8	-201
Switzerland	14	163	1.4	21.2	138	1.5	57.9	-25
Others		970	8.5	31.6	312	3.3	5.7	-658
Japan	16	188	1.6	19.1	10	0.1	-1.3	-178

For comparison (%)

	Imports		Exports		Balance
	Share	98/97	Share	98/97	Share
in GDP	63.1	20.0	52.0	15.3	-11.2
in trade of CEC's	7.2	9.6	8.7	11.2	-
in world trade	0.3	19.3	0.2	16.5	-

(1) See definitions of EU, NIS and CEC's aggregates on page 3.

Sources: Statistical Office of the Slovak Republic; IMF

Fig. 2: Slovak trade by product group

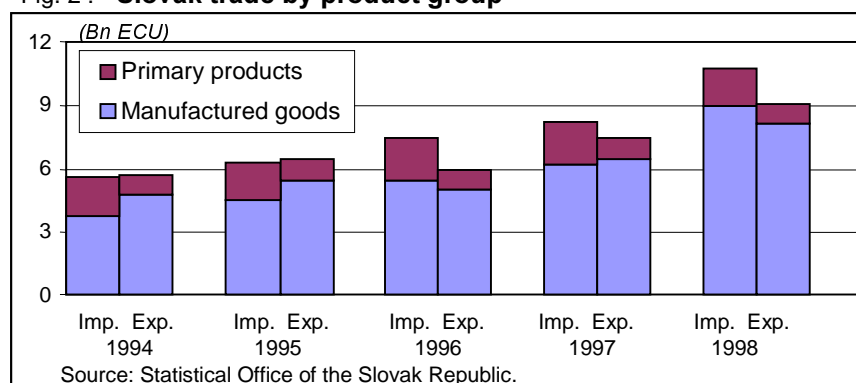
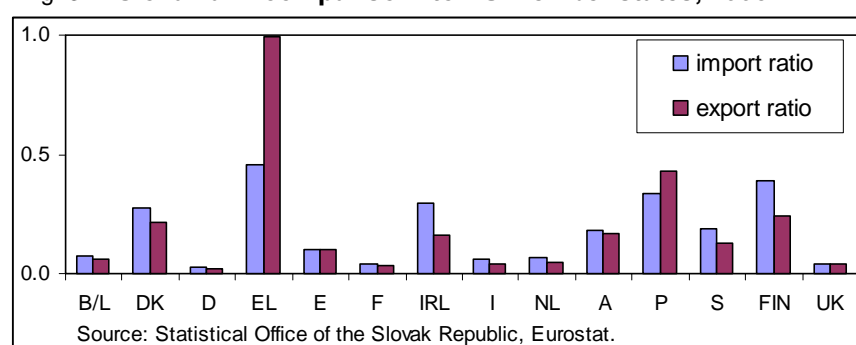


Fig. 3: Slovakia in comparison² to EU Member states, 1998



(2) The import ratios above are calculated by dividing the value of Slovakia's total imports by the value of total imports of each Member state - hence a ratio close to one implies that total import values are very similar. Export ratios are calculated accordingly.

Concentrated on three EU Member States

As mentioned above, external trade relations with the EU were of considerable importance to Slovakia. In particular Germany was the single most important trading partner (absorbing roughly 57% of exports from Slovakia to the EU and making around 54% of EU exports to Slovakia), followed by Italy and Austria (see table 2). Most other EU Member states had only marginal trade relations with Slovakia with around four fifths of all EU-Slovak trade conducted by these three countries.

Automobiles on the rise

EU-Slovak trade by product was characterised by a substantial increase in automobile imports into the EU between 1996 and 1998 (up by around 87%) – although intermediary goods represented a larger share in total imports (see table 3). This surge in automobile trade in recent years is to be found in many other Central European countries. Overall patterns show a less balanced trade relationship in many areas – for example, considerably less equipment goods were imported into the EU than exported to Slovakia, while consumer goods and automobiles were dominated by Slovak imports.

Tab. 2: **EU trade with Slovakia by Member states, 1998**

Reporter	Imports from Slovakia			Exports to Slovakia			Balance	
	Value	Share	Variation 98/97	Value	Share	Variation 98/97	1998	Variation 98/97
	(Mio ECU)	(%)		(Mio ECU)	(%)		(Mio ECU)	
EU-15	5 372	100.0	34.9	5 712	100.0	18.5	340	-496
B/L	129	2.4	9.8	188	3.3	29.1	59	31
DK	20	0.4	-2.1	51	0.9	20.9	31	9
D	3 054	56.9	44.4	3 056	53.5	31.6	1	-206
EL	30	0.6	-7.0	13	0.2	10.4	-17	3
E	96	1.8	58.0	95	1.7	5.1	-1	-31
F	246	4.6	44.8	360	6.3	7.0	114	-53
IRL	11	0.2	73.4	19	0.3	-6.6	7	-6
I	709	13.2	36.0	647	11.3	9.5	-62	-132
NL	173	3.2	30.1	254	4.5	14.7	81	-7
A	671	12.5	13.0	704	12.3	0.2	32	-76
P	10	0.2	1.5	8	0.1	-16.8	-2	-2
FIN	35	0.7	-3.5	70	1.2	27.5	35	16
S	58	1.1	28.4	96	1.7	17.4	39	2
UK	131	2.4	7.6	152	2.7	-19.0	22	-45

Source: Eurostat.

Tab. 3: **Trade by product classified by type of use, 1998**
(Reporter: EU-15, partner: Slovakia)

Product groups (NES)	Imports	Share	Variation	Exports	Share	Variation
	1998	in total	98/96	1998	in total	98/96
	(Mio ECU)	(%)		(Mio ECU)	(%)	
Agricultural products	59	1.1	0.2	87	1.5	5.4
Food products	51	1.0	19.5	194	3.4	11.0
Consumer goods	827	15.4	12.5	589	10.4	12.4
Automobile	1 602	29.9	86.6	1 141	20.2	37.7
Equipment goods	665	12.4	32.0	1 427	25.3	16.4
Intermediary goods	2 043	38.1	10.0	2 071	36.7	17.7
Energy	69	1.3	-13.8	72	1.3	11.4
Miscellaneous products	40	0.8	-1.6	57	1.0	5.6

Source: Eurostat.

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The country aggregates: EU: EU-15.

NIS (Newly Independent States): Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Uzbekistan, Russia, Tajikistan, Turkmenistan, Ukraine.

CECs (Central European Countries): Albania, Bulgaria, Hungary, Poland, Romania, Estonia, Latvia, Lithuania, Bosnia-Herzegovina, Croatia and Slovenia; Czech Republic, Slovakia, Serbia, Montenegro and the Former Yugoslav Republic of Macedonia.

Data sources: : Customs sources. Eurostat Comext database: Statistical Office of the Slovak Republic's data are taken from the UN Comtrade data base; EEC special trade domain for bilateral trade between the EU and the Slovak Republic. Divergences between the two sources on figures concerning bilateral

trade can be partly explained by the use of different methodologies and concepts.

System: Special trade.

Classification: Third revision of the Standard International Trade Classification (SITC). This was set up by the United Nations for the purposes of economic analysis. The nomenclature used in table 3 (NES or *Nomenclature Economique de Synthèse*) facilitates the analysis of macroeconomic issues (production, investment, consumption, employment, etc.) by offering indicators which are less geared to production analysis.

Statistical values: EU: CIF values for imports and FOB values for exports; Slovakia: FOB/FOB.

In this report, 1 Bn ECU= 1000 million ECU

Basic figures for 1998

	Slovakia	EU-15
Population (Mio.)	5.4	374.6
GDP/capita (in PPS)	9 300	19 906
Unemployment rate	12.5%	10.0%
Inflation rate	6.7%	1.3%

See also "Eurostat Statistics in focus, External trade, no 6/97, Slovakia's foreign trade". Please consult <http://europa.eu.int/eurostat.html> for further information.

Further information:

➤ Reference publications

Title External and intra-EU trade – Monthly statistics
 Catalogue No CA-AR-99-012-EN-S Price EUR 20

➤ Data bases

Comext – Domains: Comtrade SITC-Rev-3,
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