

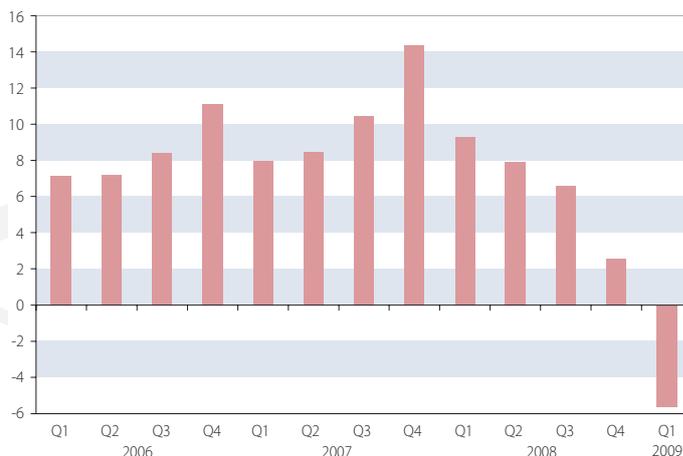


Development of the real economy in the first quarter of 2009

Viera Kollárová, Helena Solčánska
Národná banka Slovenska

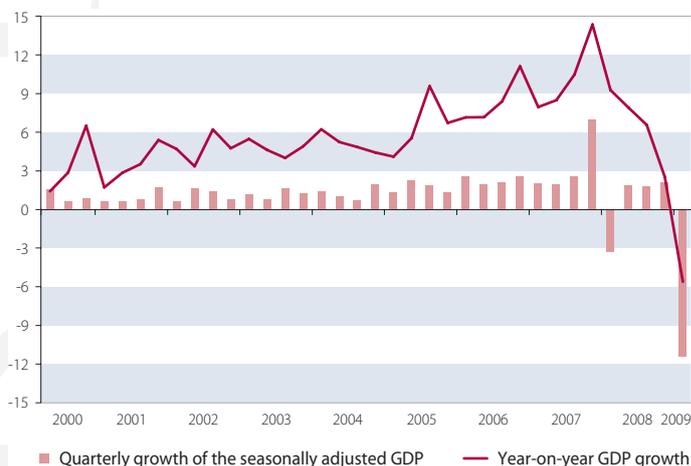
The indicators of Slovakia's macroeconomic development deteriorated in the first quarter of 2009 considerably. The GDP development was influenced by a decreasing global demand, which resulted in a decrease of foreign demand and subsequently also domestic demand. This effect was also reflected in labor market indicators, which exhibited a slowdown of the wage growth and a moderate decrease in the employment rate. In the following period, nominal compensations per employee should record a considerable slowdown accompanied by a decrease in employment. In terms of GDP components, we expect a more moderate slowdown of household final consumption in connection with the introduction of the car scrapping incentive for the sale of cars, a decrease in investment activity and a continuation of the decrease in foreign demand.

Chart 1 Development of real GDP by quarters (year-on-year growth in %)



Source: Statistical Office of the Slovak Republic.

Chart 2 Development of quarter-on-quarter and year-on-year GDP growth rates (in %)



Source: Statistical Office of the Slovak Republic.

GROSS DOMESTIC PRODUCT

The year-on-year decrease in the gross domestic product (GDP) at constant prices was 5.6% in the first quarter of 2009, compared to a growth of 2.5% in the fourth quarter of 2008.

In terms of production, the GDP development in the first quarter of 2009 was associated with a decrease in value added, especially in the industrial, trade, construction and agricultural sector, and the impact of the slump of world economy, as well as negative expectations of consumers, were fully reflected in the development of the real economy, despite a growth of real wages and a slight decrease in employment.

The nominal volume of generated GDP in the first quarter 2009 was €14.6 bln., i.e. 6.1% less than a year ago.

Within its publication of quarterly data, the Statistical Office of the Slovak Republic also publishes seasonally adjusted data for most macroeconomic indicators. Based on those data, it is possible to calculate quarter-on-quarter changes that reflect the heading of the economy in the individual quarters more fittingly (because they contain no base effects as compared to the year-on-year changes in unadjusted data), and they manage to identify exactly – for example in the current year – when the economy has reached its bottom. However, the quality of seasonal adjustment, which depends on the method of adjustment and the parameters of the selected model, poses a risk.

The seasonally adjusted data imply that the GDP decreased by 11.4% in the first quarter of 2009 against the fourth quarter of 2008. A reduction in both domestic demand (-2.8%) and foreign demand (-16.1%) contributed to this decrease.

We do not expect any further GDP contraction in the following quarters; on the contrary, the economy should gradually grow slightly and we



expect a favorable quarter-on-quarter development in the second quarter of 2009 as a result of one-time effects (catching up on the production lost due to the gas crisis in the first quarter, introduction of the car scrapping incentive, restoration of consumer confidence, beginning of the implementation of PPP projects). As a result of the considerable slump of the economy at the beginning of the year and only a slight growth in the following quarters, we expect the GDP to decrease by 4.2% this year. There can be an even more considerable contraction of the economy in 2009, due to uncertainties in the development of foreign demand, as well as the risks that confidence will not be restored after the decrease in the first quarter, the effect of the car scrapping incentive will pass away and the PPP project will not be carried out to the expected extent.

DEMAND

In terms of consumption, the structure of economic growth in the first quarter of 2009 was influenced by a decrease in domestic demand¹, as well as a decrease in foreign demand. Out of the individual domestic demand components, only final consumption of the general government had a pro-growth effect.

Domestic demand decreased by 4.6% at constant prices in the first quarter of 2009. The consumption component of domestic demand decreased by 0.7% year-on-year, which represented a reduction in the growth rate by 4.7 percentage points against the fourth quarter of 2008. This development was influenced by a decrease in household consumption spending. Final consumption of the general government recorded a growth slowdown.

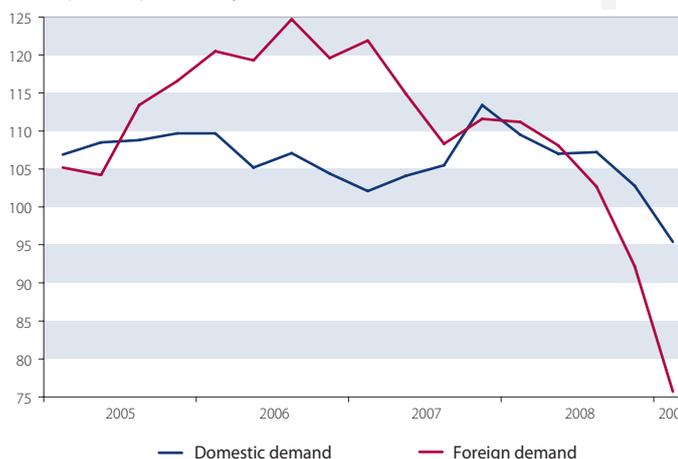
In addition to the consumption component, the GDP was also influenced by a decrease in investment in almost all production categories in the first quarter of 2009, which is a logical consequence of the contraction in demand and production. A year-on-year growth occurred only with investment in residential buildings, whose

Chart 3 Development of the economic sentiment indicator and GDP



Source: Statistical Office of the Slovak Republic, European Commission.

Chart 4 Development of domestic and foreign demand (index, same period previous year = 100)



Source: Statistical Office of the Slovak Republic and NBS calculations.

volume increased by 5.3%. As for the individual sectors, non-financial corporations, general government and non-profit institutions serving households were the main sectors to contribute

Table 1 Development of the gross domestic product by consumption (index, same period previous year = 100, constant prices)

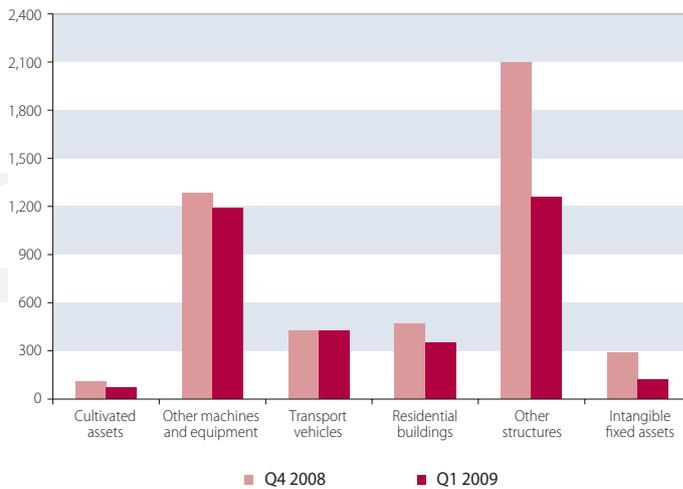
Indicator	2008					2009
	Q1	Q2	3Q	Q4	Year	Q1
Gross domestic product	109.3	107.9	106.6	102.5	106.4	94.4
Domestic demand	109.4	106.9	107.0	102.9	106.4	95.4
Final consumption	106.6	106.5	105.8	104.0	105.7	99.3
Households	108.4	105.7	106.0	104.7	106.1	98.8
General government	100.7	109.6	105.3	102.3	104.3	101.2
Non-profit institutions serving households	101.9	101.0	100.4	102.2	101.4	99.8
Gross fixed capital formation	107.5	111.8	107.3	101.4	106.8	95.9
Exports fo goods and services	111.2	108.1	102.7	92.2	103.2	75.7
Imports of goods and services	110.6	107.7	103.6	93.3	103.3	77.4

Source: Statistical Office of the Slovak Republic.

¹ The sum of household final consumption, final general government consumption, final consumption of non-profit institutions serving households and gross capital formation.

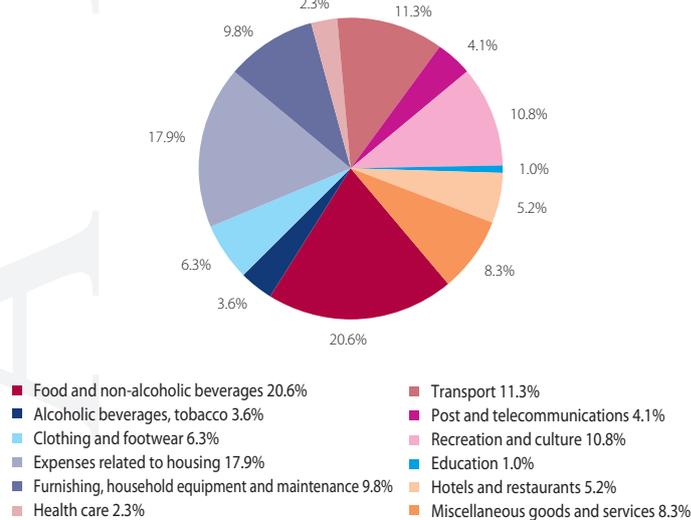


Chart 5 Breakdown of gross fixed capital formation by production (EUR mil.)



Source: Statistical Office of the Slovak Republic.

Chart 6 Structure of household final consumption in the first quarter of 2009 (shares in %)



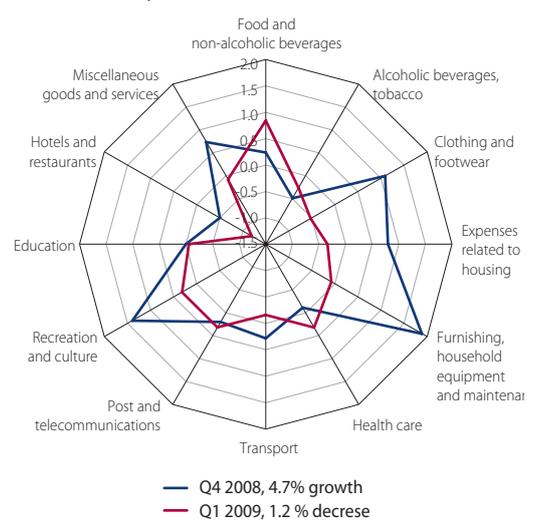
Source: Statistical Office of the Slovak Republic.
Note: The individual final consumption items do not add up.

to the decrease in investment. Investment in the financial corporations and households sector had a pro-growth effect.

The GDP reduction at the beginning of the year was also fostered by a decrease in inventories as a result of a reduction of production in businesses, which was related to the sale of products from stores and to the consumption of existing material inventories.

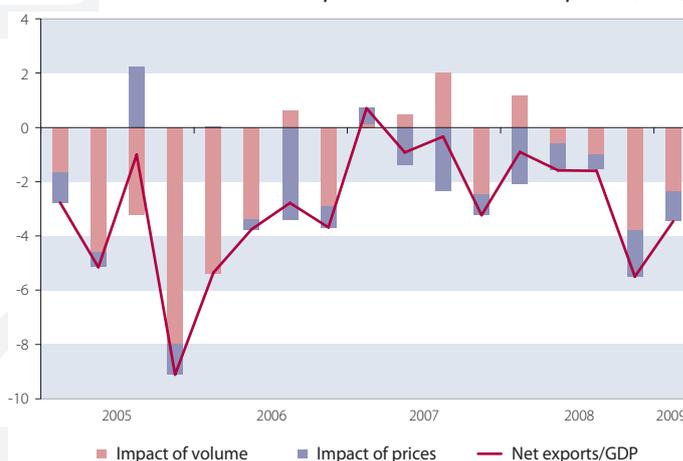
Households final consumption spending for the first quarter of 2009 decreased by 1.2% at constant prices year-on-year (there was an increase by 4.7% in the previous quarter). The slow-down in the wage growth and the moderate decline in employment had only a low impact on the development of consumption. The main reason for the decrease in final consumption was a fall in the confidence of the population during the economic crisis, which was reflected in an in-

Chart 7 Contributions of the individual consumer expenditure groups to the growth of household final consumption



Source: NBS calculations based on data of the Statistical Office of the Slovak Republic.
Note: The individual final consumption items do not add up.

Chart 8 Contributions of net exports to GDP at current prices (in %)



Source: NBS calculations based on data of the Statistical Office of the Slovak Republic.

crease in saving at the expense of consumption. The decrease in private consumption was also associated with a decrease in consumer and other loans to households in the first months of the year. A moderate growth was recorded in the case of loans for house purchase, which led to a light increase in the indebtedness of the households (as measured by the ratio of loans to households to their final consumption) in the first quarter.

The only component to increase was government consumption (1.2% at constant prices) – not only within the consumption part, but also within the total development of the GDP on the demand side. This was particularly due to a growth in the compensation of employees.

Within household final consumption, in terms of the individual groups of consumption spend-


Table 2 Impact of price and volume on the development of exports and imports (percentage points)

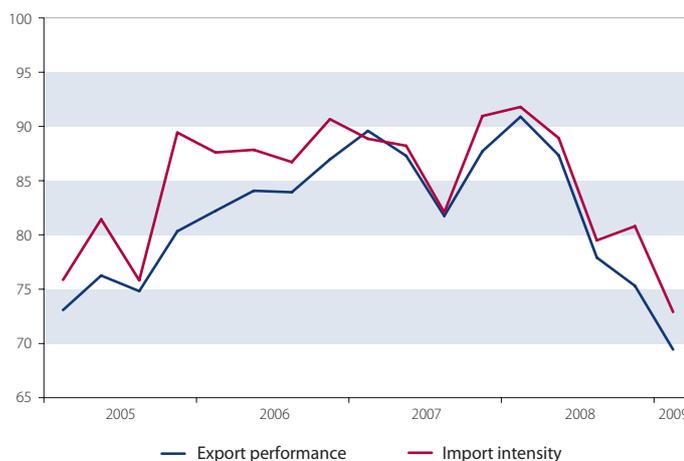
Indicator	Q1 08	Q2 08	Q3 08	Q4 08	2008	Q1 09
	Q1 07	Q2 07	Q3 07	Q4 07	2007	Q1 08
Exports of goods and services (year-on-year growth in %, current prices)	14.6	11.4	4.5	-10.1	4.6	-28.3
Impact of volume	11.2	8.1	2.7	-7.8	3.2	-24.3
Impact of price	3.3	3.2	1.8	-2.3	1.4	-4.0
Imports of goods and services (year-on-year growth in %, current prices)	16.6	12.2	6.2	-6.9	6.4	-25.4
Impact of volume	10.6	7.7	3.6	-6.7	3.3	-22.6
Impact of price	6.0	4.5	2.6	-0.2	3.1	-2.8
Net exports as a share of GDP (share in %, current prices)	-0.9	-1.6	-1.6	-5.5	-2.4	-3.5
Impact of volume	1.2	-0.6	-1.0	-3.8	-1.1	-2.4
Impact of price	-2.1	-1.0	-0.5	-1.7	-1.3	-1.1
Terms of trade (index)	97.7	98.9	99.3	97.7	98.4	98.3

Source: NBS calculations based on data of the Statistical Office of the Slovak Republic.

Notes: Calculated from GDP figures in millions of EUR, the contribution of imports of goods and services reduces net exports and the GDP, deviations in intermediary totals are the result of rounding. The terms of trade are computed from year-on-year changes of goods and services import and export deflators.

ing at constant prices, expenditures on restaurants and hotels and clothing and footwear were the main factors contributing to the decrease of the overall consumption of households in the first quarter of 2009. Household spending on food and non-alcoholic beverages continued to have a pro-growth effect. In terms of percentages, expenditure on food and non-alcoholic beverages (20.6%) and expenditure related to housing (17.9%) made up the largest part of consumption.

Exports and imports of goods and services at current prices recorded a year-on-year decrease by 28.3% or by 25.4%. Nominal net exports improved by approximately €450 mil. compared to the fourth quarter of 2008 and reached a deficit of €507 mil. The main reason for the reduction of exports was a decrease in world demand as a result of the global economic crisis. Due to the import intensity of the exports, this reduction also translated to the imports of goods and services, which were also influenced by lower exports of material in connection with the consumption of already existing inventories in stores, suspension of production at the beginning of the year and lower investment imports.

Chart 9 Development of export performance and import intensity (in %)


Source: Statistical Office of the Slovak Republic.

Net exports at constant prices, taking into account the development of prices on foreign markets, reached a surplus of €194 m. in the first quarter of 2009 (a deficit of €202 m. in the previous quarter).

Table 3 Creation of GDP by Component (index, same period previous year = 100, constant prices)

	2008					2009
	Q1	Q2	3Q	Q4	Year	Q1
Gross output	108.3	109.9	105.2	101.4	106.0	85.8
Intermediate consumption	107.3	110.8	103.9	100.1	105.3	81.8
Value added	110.2	108.6	106.9	103.6	107.2	92.5
Net taxes on products ¹⁾	99.9	101.7	103.7	93.7	99.4	114.9

Source: Statistical Office of the Slovak Republic

1) Value added tax, excise duties, import tax, minus subsidies.

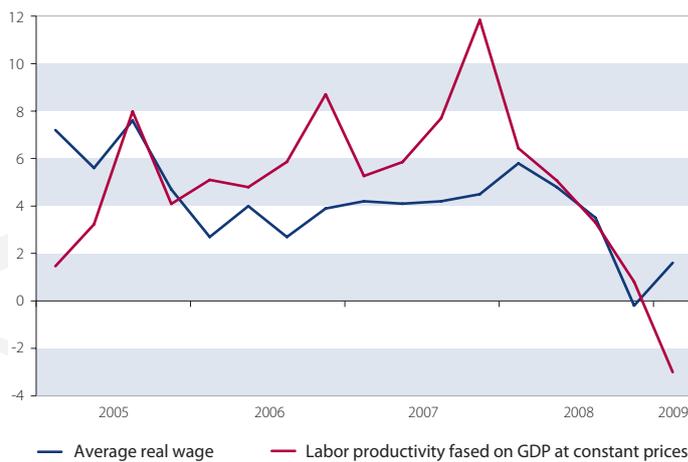


Table 4 Development of gross domestic product by branche (index SPPY=100, constant prices)

Branch of economic activity	Q1 08	Q2 08	Q3 08	Q4 08	2008	Q1 09
	Q1 07	Q2 07	Q3 07	Q4 07	2007	Q1 08
GDP	109.3	107.9	106.6	102.5	106.4	94.4
of which						
Agriculture	106.4	97.1	106.0	113.9	106.6	77.3
Industry	111.4	106.9	90.7	79.8	96.3	84.9
Construction	107.3	106.6	108.7	129.3	114.0	88.2
Trade, hotels and restaurants and transportation	116.2	113.6	119.4	118.8	117.0	86.2
Financial mediation and real estates	105.5	107.2	116.8	111.6	110.5	106.5
Public administration, education, health care and other community, social and personal services	106.3	108	107.8	104.8	106.7	108.3
Net taxes from products ¹⁾	99.9	101.7	103.7	93.7	99.4	114.9

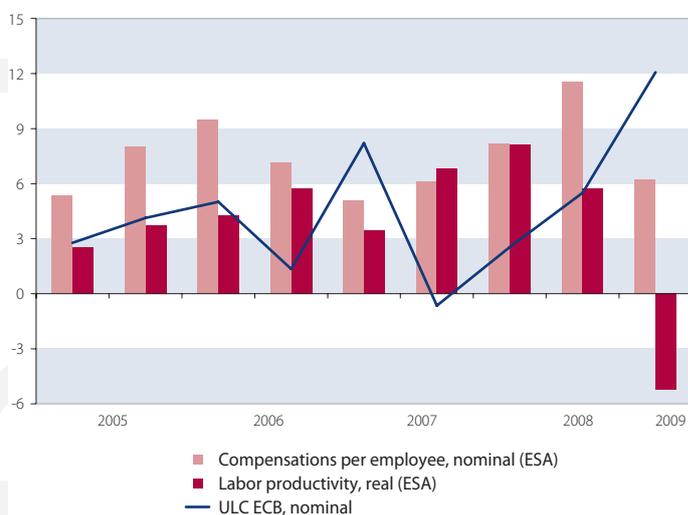
Source: Statistical Office of the Slovak Republic.
 1) Value added tax, excise duty, import tax, minus subsidies.

Chart 10 Development of real wages and real labor productivity (in %)



Source: Statistical Office of the Slovak Republic, NBS calculations.

Chart 11 Unit labor cost and their components in the ECB methodology (in %)



Source: Statistical Office of the Slovak Republic, NBS calculations.

The development of import prices in foreign trade, as measured by goods and services import deflators, was primarily associated with the development of the prices of energy raw materials. The year-on-year decrease in import prices was 3.7% and 5.3% in export prices. The terms of trade thus deteriorated in the first quarter of 2009.

The export performance of the Slovak economy decreased by 5.9 percentage points in the first quarter of 2009 as compared to the previous quarter, as the ratio of goods and services to GDP at current prices reached 69.4%. At the same time, there was a decrease in import intensity by 7.9 percentage points to a level of 72.9%. The openness of the Slovak economy, measured as the ratio of exports and imports of goods and services to nominal GDP, decreased by 13.8 percentage points as compared to the previous period and reached the level of 146.3%.

SUPPLY

GDP creation in the first quarter of 2009 was related to the development of value added, which recorded a year-on-year decrease by 7.5% at constant prices (against an increase by 3.6% in the fourth quarter of 2009). Net taxes, which include the value added tax, the excise duties and the import tax adjusted for subsidies, increased by 14.9% (compared to a decrease by 6.3% one quarter earlier). This increase was associated with an increase in the excise duty on tobacco and tobacco products as a result of pre-stocking with these products before the increased tax rate became effective.

The considerable decrease in gross production (-14.2%) in the first quarter corresponded to the development of the industrial production index, which decreased most over the whole period under review. In terms of GDP creation, this decrease was compensated by an even more considerable decrease in intermediate consumption (-18.2%),



which reflected the effective cost reduction of businesses during the crisis.

Almost all sectors except financial intermediation and public services contributed to the decrease in value added. The highest decrease was recorded in agriculture (-22.7%), industry (-15.1%), trade, hotels and restaurants and transport (-13.8%) and construction (-11.8%).

WAGES, LABOR PRODUCTIVITY

The average monthly nominal wage per employee in the Slovak economy in the first quarter of 2009 increased year-on-year by 4.7% to €710.5; it recorded a moderate increase by 0.1 percentage points against the previous quarter. The growth rate of the real wage increased by 1.6% in the first quarter of 2009.

Table 5 Development of average monthly wages and labor productivity in the Slovak economy (index, same period previous year = 100)

	2008					2009
	Q1	Q2	3Q	Q4	Year	Q1
Nominal wage (index)	110.0	109.5	108.8	104.6	108.1	104.7
Real wage	105.8	104.8	103.5	99.8	103.3	101.6
Labor productivity, current prices	109.9	108.4	106.3	102.9	106.7	96.5
Labor productivity, constant prices	106.4	105.1	103.2	100.8	103.7	97.0
Real labor productivity less real wage (p.p.)	0.6	0.3	-0.3	1.0	0.4	-4.6
CPI (average for the period)	104.0	104.5	105.1	104.8	104.6	103.1

Source: Statistical Office of the Slovak Republic, NBS calculations.

Note: Labor productivity calculations are based on GDP and employment data from quarterly statistics.

Table 6 Development of average compensation per employee and labor productivity in the Slovak economy (ESA 95 methodology) (index, same period previous year = 100)

	2008					2009
	Q1	Q2	3Q	Q4	Year	Q1
Compensation per employee, nominal	110.9	110.4	109.2	106.2	109.0	106.2
Compensation per employee, real	106.5	105.2	104.3	102.4	104.4	102.7
Labor productivity, current prices	109.8	108.1	106.3	102.6	106.5	94.2
Labor productivity, constant prices	106.3	104.8	103.2	100.4	103.5	94.7
Real labor productivity less real compensation per employee (p.p.)	-0.2	-0.4	-1.1	-2.0	-0.9	-8.0
ULC nominal	104.4	105.3	105.8	105.8	105.2	112.1
Deflator of household final consumption	104.2	104.9	104.7	103.7	104.4	103.4

Source: Statistical Office of the Slovak Republic, NBS calculations.

Note: Labor productivity calculations based on GDP and employment data according to ESA methodology.

Table 7 Development of labor productivity and compensation per employee in the first quarter of 2009 (index, same period previous year = 100)

	Real labor productivity	Real compensation per employee
Economy in total:	94.7	102.7
Agriculture and fishing	90.8	100.7
Industry	92.3	100.9
Construction	82.0	109.3
Trade, hotels and restaurants, transport	84.0	100.7
Financial intermediation, real estates	101.2	104.0
General government, education, health and other community, social and personal service activities	106.3	103.7

Source: Statistical Office of the Slovak Republic, NBS calculations.



A higher growth of nominal wages in the first quarter of 2009 was recorded by the general government, defense and mandatory social security (11.0%), professional scientific and technical activities (9.1%), arts, entertainment and recreation (8.0%), administrative and support service activities (7.9%), education (7.8%) and other service activities (7.4%). On the other hand, the level of the average nominal wage from the same period previous year was not reached by accommodation and food service activities, real estate activities, financial and insurance activities and agriculture.

Labor productivity decreased in nominal and real terms in the first quarter of 2009. This decrease was associated with the considerable GDP reduction in the first quarter of 2009. The growth rate of labor productivity lagged behind the growth rate of the real wage by 4.6 percentage points.

Nominal compensations per employee (ESA 95 methodology) increased by 6.2% year-on-year in the first quarter of 2009 and their growth rate did not change as compared to the previous quarter.

Labor productivity, as measured under ESA 95 methodology, recorded a year-on-year decrease by 5.8% in nominal terms and 5.3% in real terms. Real labor productivity in sector breakdown, as computed from ESA 95 data, showed a decrease in all sectors – except financial intermediation and the public sector – in the first quarter of 2009. Wages, besides public sector, did not develop in line with labor productivity, so that there is room for their further slowdown, which should reduce the growth of unit labor cost.

The unit labor cost, calculated as the ratio of the growth of nominal compensation per employee to the growth of real labor productivity (GDP per total employment) from ESA 95 data in ECB methodology (ULC_{ECB}), increased considerably – by 12.1% – year-on-year in the first quarter of 2009 and the growth rate increased by 6.3 percentage points as compared to the fourth quarter of 2008; the same trend can be observed in the euro area. The reason for such a development is a considerable decrease in real labor productivity in the first quarter 2009 (in the same period of the last year, real labor productivity growth was 6.3%) without any effect on the wage development.

Due to a considerable decrease in the number of hours worked in the first quarter of 2009, there was a year-on-year increase in nominal compensation per hours worked by 11.6% at a real labor productivity growth by 1.2%.

INCOME AND EXPENDITURE OF HOUSEHOLDS

According to data of the Statistical Office of the Slovak Republic, current income of the households was €12.8 bn. in the first quarter of 2009, with the year-on-year nominal growth amounting to 3.7%. The current income growth rate slowed down by 8.2 percentage points against the fourth quarter of 2008. Within the current income, the highest growth rate was recorded in social benefits (11.0%) and other current transfers (6.0%). Property income decreased by 7.3% year-on-year.

Table 8 Generation and uses of income in the household sector (current prices)

Item	EUR bn.		Index ¹⁾		% share	
	Q1 2008	Q1 2009	Q1 08 / Q1 07	Q1 08 / Q1 07	Q1 2008	Q1 2009
Compensation of employees (all sectors)	6.1	6.2	12.1	2.9	49.1	48.7
of which: gross wages and salaries	4.9	5.0	12.6	2.5	39.7	39.2
Gross mixed income	3.6	3.7	10.8	2.1	29.4	28.9
Property income – received	0.3	0.3	-2.3	-7.3	2.7	2.4
Social benefits	1.9	2.1	7.5	11.0	15.4	16.5
Other current transfers – received	0.4	0.4	7.4	6.0	3.3	3.4
Current income in total	12.3	12.8	10.4	3.7	100.0	100.0
Property income – paid	0.2	0.1	2.3	-39.2	6.8	3.9
Current taxes on income, wealth, etc.	0.4	0.5	13.9	11.1	13.7	14.5
Social contributions	2.0	2.2	13.5	8.0	65.4	67.3
Other current transfers – paid	0.4	0.5	1.0	5.9	14.1	14.2
Current expenditure in total	3.1	3.2	10.8	4.9	100.0	100.0
Gross disposable income	9.3	9.6	10.3	3.3	x	x
Adjustment for changes in net equity of households in pension funds	0.3	0.2	16.9	-4.9	x	x
Household final consumption	9.1	9.3	12.9	2.2	x	x
Gross household savings	0.4	0.5	-23.8	21.6	x	x

Source: Statistical Office of the Slovak Republic.

Note: Data for income on assets in the first quarter of 2009 is incomparable due to a methodological change.

1) The indexes are calculated from values expressed in bln. EUR.



Table 9 Development of gross disposable income (index, same period previous year = 100, current prices)

	2008					2009
	Q1	Q2	3Q	Q4	Year	Q1
Gross disposable income	110.3	112.7	112.3	112.1	111.9	103.3
Household final consumption	112.9	110.9	111.1	108.5	110.8	102.2
Gross household savings	76.2	126.9	133.5	136.9	122.3	121.6
Gross savings as a share of gross disposable income (%)	4.7	9.6	6.2	15.1	9.2	5.6

Source: Statistical Office of the Slovak Republic, NBS calculation.

The current expenditure of households (expenses paid by the population to other sectors and not consumed directly by it) recorded a year-on-year growth of 4.9% and reached €3.2 bn. Their growth rate slowed down by 6.5 percentage points compared to the previous quarter. The year-on-year growth of current expenditure was caused by a growth in current taxes on income and wealth and in social contributions. Property income decreased by 39.2% year-on-year.

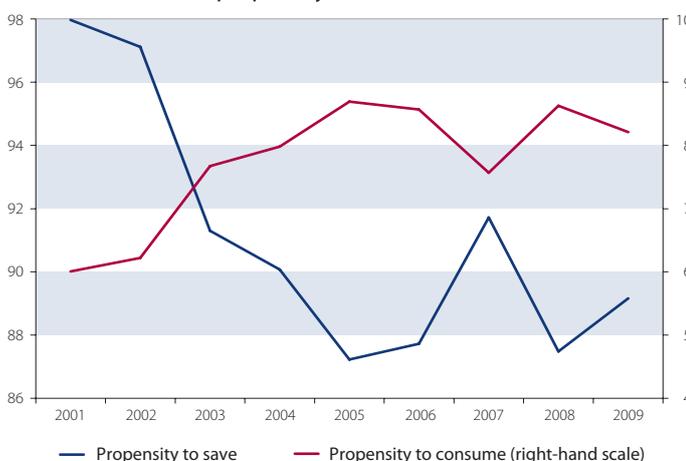
After deducting current expenditure from current income, a gross disposable income of households amounted for €9.6 bln., which showed a year-on-year increase by 3.3%. Households used 97.0% of their disposable income for final consumption, the rest went to gross saving, which increased by 21.6% year-on-year.

EMPLOYMENT, UNEMPLOYMENT

Employment declined in the first quarter of 2009 according to all three methodologies. Employment fell by 2.7% year-on-year according to a statistical survey, by 0.4% according to ESA 95 methodology and by 0.1% according to the labor force sample survey (LFS). Employment according to statistical records also includes part-time jobs; therefore a more considerable decrease in employment in the first quarter of 2009 within this indicator can indicate layoffs of mainly these employees. In terms of employee structure, the development of total employment (LFS) in the first quarter of 2009 was influenced by a decrease in the number of employees by 1.9%, the number of entrepreneurs having shown a year-on-year increase by 13.3%. In connection with the considerable GDP decrease, this is a moderate decline in employment due to the attempt of employees to preserve jobs and rather restrict production and the related reduction of the number of hours worked.

Broken down by sector (ESA 95 methodology), the decrease in employment in the first quarter of 2009 was primarily influenced by a decrease in industrial sector employment. However, the level from the time one year ago was not reached by agriculture and hotels and restaurants either. On the other hand, employment in construction, real estates and renting, transport, storage, post and telecommunications, trade and health recorded the highest year-on-year growth.

Chart 12 Household propensity to save and to consume (in %)



Source: Statistical Office of the Slovak Republic, NBS calculations.

Chart 13 Development of employment by hours worked (in %)



Source: Statistical Office of the Slovak Republic.

According to the labor force sample survey, the number of unemployed grew by 0.2% year-on-year in the first quarter of 2009. The growth of the number of unemployed translated to the unemployment rate, which reached 10.5% in the first quarter of 2009 and increased by 1.8 percentage points as compared to the fourth quarter of 2008. According to the records of the Centre for Labor, Social Affairs and Family, the average unemployment rate was 9.7% in the first quarter of 2008,



Table 10 Development of employment and unemployment (average for the period)

	2008					2009
	Q1	Q2	3Q	Q4	Year	Q1
Employment according to statistical records						
ths. of persons	2,260.9	2,274.4	2,294.1	2,290.6	2,280.0	2,198.9
index SPPY=100	102.7	102.7	103.2	101.7	102.6	97.3
Employment according to the labor force sample survey						
ths. of persons	2,391.3	2,404.8	2,472.9	2,466.0	2,433.8	2,388.2
index SPPY=100	102.8	102.9	104.5	102.8	103.2	99.9
Employment according to ESA 95						
ths. of persons	2,207.7	2,226.9	2,262.6	2,251.0	2,237.1	2,199.9
index SPPY=100	102.8	102.9	103.2	102.1	102.8	99.6
Unemployment according to the labor force sample survey in %						
ths. of persons	280.5	270.8	244.1	234.4	257.5	281.0
index SPPY=100	92.6	93.0	81.9	85.1	88.2	100.2
Unemployment rate according to the labor force sample survey in %	10.5	10.1	9.0	8.7	9.6	10.5
Rate of registered unemployment in % ¹⁾	7.8	7.4	7.5	7.9	7.7	9.7

Source: Statistical Office of the Slovak Republic.

1) NBS calculations based on monthly data of the Centre for Labor, Social Affairs and Family.

Table 11 Developments in employment by sector (ESA 95 methodology) (index, same period previous year=100)

	2008					2009
	Q1	Q2	3Q	Q4	Year	Q1
Economy in total	102.8	102.9	103.2	102.1	102.8	99.6
Agriculture, hunting	100.8	101.4	101.0	99.9	100.8	85.1
Industry	103.2	102.6	101.7	98.8	101.6	92.0
Mining and quarrying	102.0	99.6	95.7	94.2	97.8	89.5
Manufacturing	103.9	103.3	102.3	99.2	102.2	91.8
Electricity, gas and water supply	94.0	92.8	93.6	93.7	93.5	95.6
Construction	105.9	106.4	109.1	109.6	107.8	107.6
Trade	104.5	105.6	104.3	103.2	104.4	102.9
Hotels and restaurants	110.0	108.9	103.5	105.0	106.8	97.8
Transport, storage, post and telecommunications	106.8	107.5	105.1	106.2	106.4	103.8
Financial intermediation	104.1	103.6	103.9	104.3	104.0	102.3
Real estate, renting and business activities	103.0	102.8	109.0	104.9	104.9	105.8
Public administration and defense; compulsory social security	99.5	100.5	101.0	101.8	100.7	101.4
Education	97.7	98.1	100.5	99.7	99.0	101.8
Health and social care	96.4	97.1	99.1	99.6	98.1	102.7
Other community services	99.4	95.3	97.0	98.1	97.4	101.9

Source: Statistical Office of the Slovak Republic.

which was 2 percentage points more than in the previous quarter.

FINANCIAL RESULTS OF CORPORATIONS

According to preliminary data of the Statistical Office of the Slovak Republic, non-financial and

financial corporations achieved a profit of €1,423 mil. in the first quarter of 2009. The profit was lower by 48.4% against the same period of 2008. Non-financial corporations reported a profit of €1,333 mil. (a decrease by 47.2%) and financial corporations reached a profit of €90 mil. (a decrease by 61.3%).



Table 12 Financial results of corporations (EUR millions, current prices)

Pre-tax profit	2008	Q1 2008	Q1 2009	Index Q1 2009 Q1 2008
Non-financial and financial corporations in total	8,917	2,752	1,423	51.7
of which: Non-financial corporations	9,485	2,517	1,333	53.0
Financial corporations	-568	235	90	38.3
of which: NBS	-1,227	5	-2 ¹⁾	x
Financial corporations excl. the NBS	660	229	92	40.3

Source: Statistical Office of the Slovak Republic and NBS.

1) Unaudited profit.

The lower profits of non-financial corporations in the first quarter of 2009 compared to the same period of 2008 was primarily associated with a considerable decrease in profits in industrial production, wholesale and retail trade, transport and storage and a slight decrease in profit in electricity, gas, steam and air conditioning supply. In the information and communications sector, profit in the first quarter went up considerably against the same period of 2008.

Financial corporations reported a profit of €90 mil. in the first quarter of 2009 (their profit was €235 mil. in the same period of 2008). The lower

resulting profit was due to a lower profit of commercial financial institutions (€138 mil. in the first quarter of 2009 compared to €200 mil. in the first quarter of 2008). Insurance corporations suffered a loss of €25 mil., while they reported a profit of €38 mil. in the same period of 2008. Other financial intermediaries recorded an increase in their loss (amounting to €21 mil. in the first quarter of 2009 as compared to a loss of 8 mil. in the same period of 2008). The NBS participated in the resulting profit of financial corporations by a total loss of €2 mil. (while it showed a profit of €5 mil. in the first quarter of 2008).