

# Comments on the Quarterly Financial Accounts for Q3 2011

**The ESA 95 system employs the following classification of institutional sectors and sub-sectors:**

Non-financial corporations	S.11
Financial corporations	S.12
Central Bank	S.121
Other monetary financial institutions	S.122 (commercial banks and money market mutual funds)
Other financial intermediaries	S.123 (other mutual funds, leasing, factoring, and hire purchase)
Financial auxiliaries	S.124 (PFMC, SPMC, IF, SE, CD, MFMC) <sup>1</sup>
Insurance corporations and pension funds	S.125
General government	S.13
Central government	S.1311
Regional government	S.1312
Local government	S.1313
Social security funds	S.1314
Households	S.14
Non-profit institutions serving households (NPISH)	S.15
Rest of the world (non-residents)	S.2
The European Union (EU)	S.21
The member countries of the EU	
European Monetary Union (EMU)	S.211
Member States and EU Institutions	S.212
Third countries and international organisations	S.22

**The ESA 95 system employs the following classification of financial instruments:**

Monetary gold and special drawing rights	(A)F.1 <sup>2</sup>
Monetary gold	(A)F.11
Special drawing rights (SDRs)	(A)F.12
Currency and deposits	(A)F.2
Currency	(A)F.21
Transferable deposits	(A)F.22
Other deposits	(A)F.29
Securities other than shares	(A)F.3
Securities other than shares, excluding financial derivatives	(A)F.33
Short-term	(A)F.331
Long-term	(A)F.332
Financial derivatives	(A)F.34
Loans	(A)F.4
Short-term	(A)F.41
Long-term	(A)F.42
Shares and other equity	(A)F.5
Shares and other equity, excluding mutual fund shares	(A)F.51
Quoted shares	(A)F.511
Unquoted shares	(A)F.512
Other equity	(A)F.513
Mutual fund shares	(A)F.52
Insurance technical reserves	(A)F.6
Net equity of households in life insurance reserves and in pension funds reserves	(A)F.61
Net equity of households in life insurance reserves	(A)F.611
Net equity of households in pension funds reserves	(A)F.612
Prepayments of insurance payments and reserves for outstanding claims	(A)F.62
Other accounts receivable/payable	(A)F.7
Trade credits and advances	(A)F.71
Other	(A)F.79

<sup>1</sup> PMFC – pension fund management companies, SPMC – supplementary pension fund asset management companies, IF – investment firms, SE – stock exchange, CD – central depository, MFMC – mutual fund management companies.

<sup>2</sup> Stocks and transactions have the AF code and the F code, respectively.

## Quarterly Financial Accounts (transactions) for Q3 2011

### The link between quarterly non-financial (GDP) accounts and financial accounts

Financial accounts are linked to non-financial accounts through the *net lending/borrowing* balancing item. This item provides information about a country's overall debtor or creditor position vis-à-vis the rest of the world. Slovakia has a long-term debtor position (mainly as a result of inflows of foreign direct investment). Any decrease/increase in the Slovak economy's indebtedness is thus reflected in the amount of net lending/borrowing.

Net lending/borrowing by the domestic economy vis-à-vis the rest of the world is calculated from the amount of gross disposable national income, less final consumption expenditure in the sectors of *households (including NPISH)* and *general government*. The result represents the total savings in the national economy. If savings in a given quarter (adjusted for net capital transfers) are higher (lower) than gross capital formation, it means that the economy has lent (borrowed) funds to/from non-residents and thus reduced (increased) its overall debtor position vis-à-vis the rest of the world. The amount of net lending/borrowing is then entered into the quarterly financial accounts. Its utilisation within the domestic economy is analysed below.

### Overall development

In the third quarter of 2011, the net debtor position of the Slovak economy declined and therefore so did the net creditor position of the *rest of the world* sector<sup>3</sup>. The result was that net lending reached €2.7 billion<sup>4</sup>. This upturn was caused by a higher increase in financial assets than in financial liabilities. Among institutional sectors,<sup>5</sup> the most significant contribution to this result came from financial transactions in the sector of *financial corporations* (S.12), where transactions on the asset side exceeded those on the liability side by €3.9 billion. By contrast, the worst result in the third quarter of 2011 was reported by *non-financial corporations* (S.11), with its debtor position increasing by €0.8 billion.

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<sup>3</sup> The sum of financial assets and liabilities in the sectors *Slovakia* (S.1) and the *rest of the world* (S.2) must equal 0. This means that if the national economy's indebtedness decreases (or its creditor position increases), the rest of the world's creditor position vis-à-vis the national economy will automatically decrease (or its indebtedness will increase). Whether a change occurs in a debtor or creditor position depends on the total amount of net assets, i.e. the outstanding claims and liabilities.

<sup>4</sup> Net borrowing represents a negative difference between financial assets and financial liabilities. A positive difference is an indication of net lending.

<sup>5</sup> The detailed classification of institutional sectors with codes assigned in accordance with the ESA 95 national accounts classification is shown on page 2.

Chart 1

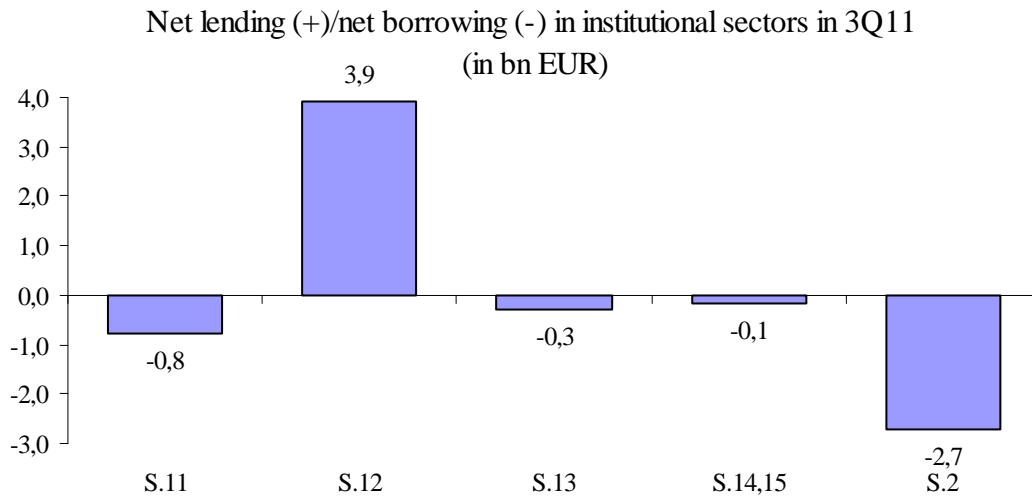
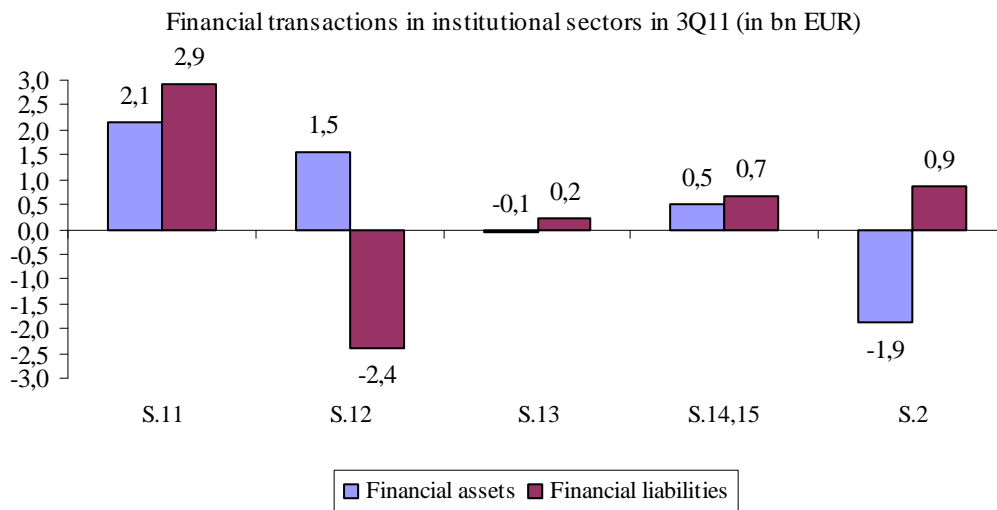


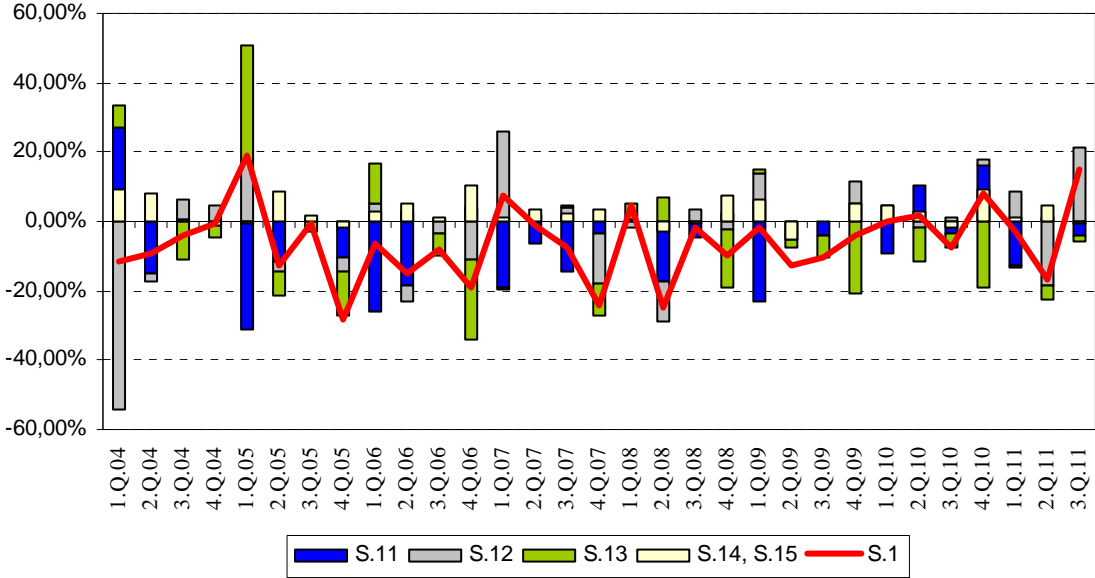
Chart 2



Net financial assets of the national economy at the end of the third quarter of 2011 amounted to €2.7 billion, which represented 14.9% of GDP for the respective quarter.

Chart 3

Net financial assets (transactions) as a percentage of GDP



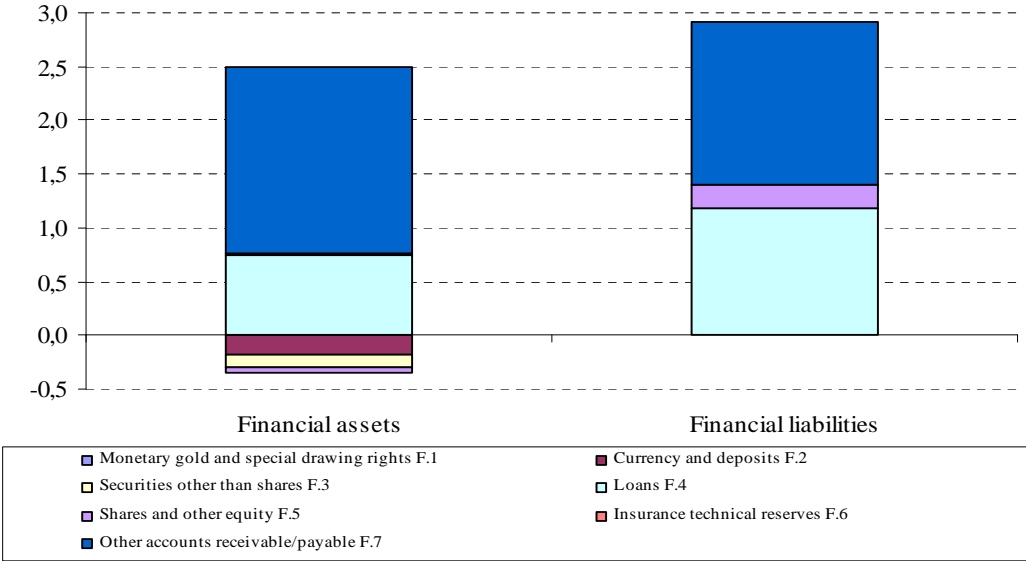
Quarterly financial accounts broken down by institutional sectors

S.11 Non-financial corporations

The indebtedness of non-financial corporations increased as a result of financial assets not rising by as much as financial liabilities.

Chart 4

Financial assets and liabilities (transactions) of non-financial corporations in 3Q11 (in bn EUR)



As for corporate assets, large rises were recorded in trade credits and advances (€0.6 billion) and in short-term intra-sectoral loans (€0.6 billion).

The liability side of the balance sheet recorded increases in intra-sectoral loans and also in long-term financial loans received from non-residents (up by €0.4 billion) and in issued unquoted shares held by non-residents (€0.3 billion).

Chart 5

Sectoral division of non-financial corporations' assets (transactions) in 3Q11

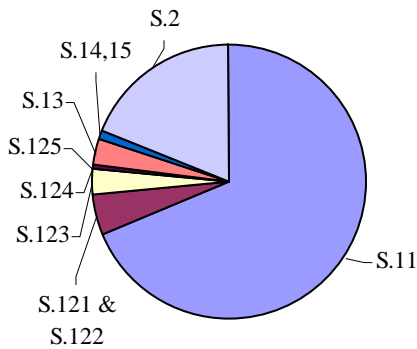
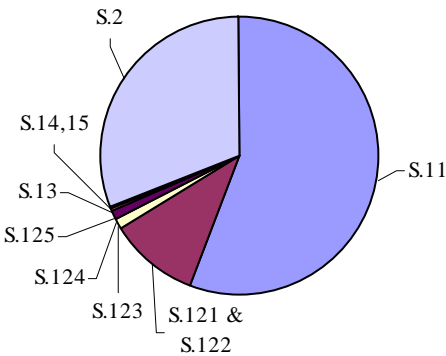


Chart 6

Sectoral division of non-financial corporations' liabilities (transactions) in 3Q11



S.12 Financial corporations

The *financial corporations* sector (S.12) recorded net borrowing in the third quarter of 2011, mostly consisting of borrowing from the central bank.

Chart 7

Net lending (+)/net borrowing (-) of financial corporations in 3Q11 (in bn EUR)

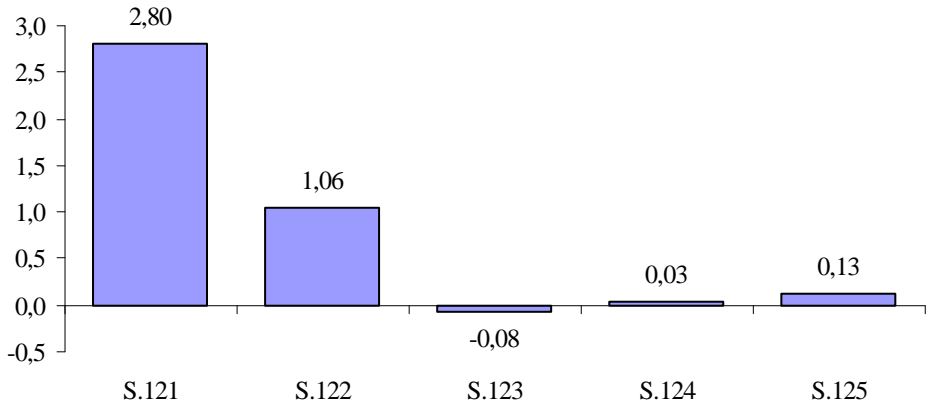
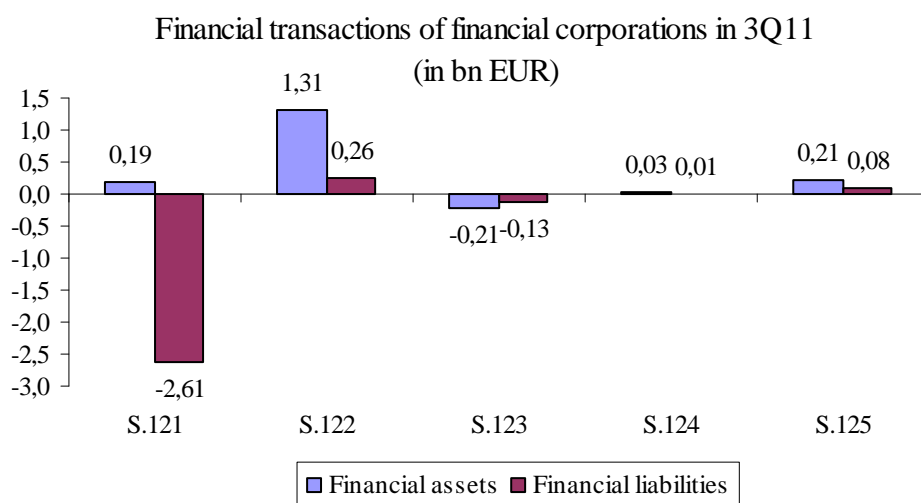


Chart 8



Overall transactions of the *central bank* (S.121) reflected a large decline in liabilities and a slight increase in assets. The main factor in the central bank's positive results was the fall in liabilities related to settlements in TARGET2, which went down by €3.1 billion. The largest increase on the asset side was in monetary gold (€0.08 billion) and long-term debt securities issued abroad (€0.07 billion).

In the sub-sector of *other monetary financial institutions* (S.122), net lending reached €1.1 billion, as the increase in assets was greater than in liabilities. The rise in assets was mostly attributable to long-term loans to households (€0.4 billion) and holdings of government bonds (€0.3 billion). Loans to non-financial corporations also increased, by €0.3 billion in total.

The rise in liabilities was accounted for mainly by other deposits from households (€0.35 billion) and from non-residents (€0.25 billion).

In the sub-sector of *other financial intermediaries* (S.123), a similar decline was recorded both in assets and liabilities. On the asset side, quoted shares and mutual fund shares/units of non-residents reported the largest decline. The liability side was most affected by the household sector holdings of mutual fund shares/units, which fell by €0.1 billion.

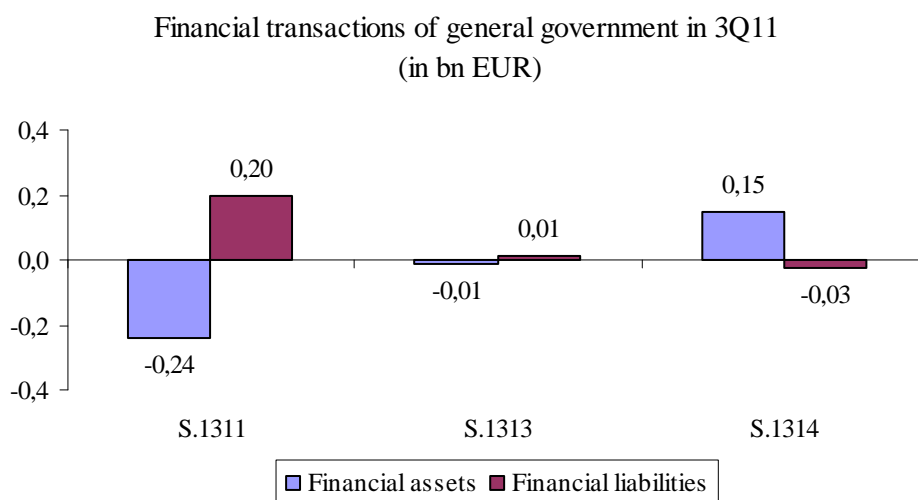
Transactions of *financial auxiliaries* (S.124) ended with a positive result, as assets rose more than liabilities. The main factor in the S.124 results was the increase in transferable deposits with banks, which went up by €0.06 billion.

The balance sheet of *insurance corporations and pension funds* (S.125) also improved as assets increased at a faster pace than liabilities. Funds obtained from households in the form of pension savings (€0.2 billion) were invested predominantly in domestic and foreign bonds (€0.3 billion in total) and other bank deposits (€0.2 billion). On the asset side, holdings of short-term debt securities fell sharply (by €0.2 billion).

### S.13 General government

The *general government* sector increased its debtor position by €0.3 billion during the third quarter of 2011. Contributions to the position came mainly from the *central government* sub-sector (S.1311), at €0.4 billion, and to a negligible extent from the *local government* sub-sector (S.1313). The *social security funds* sub-sector (S.1314) reported net borrowing of €0.2 billion.

Chart 9



The overall result of the *central government* sub-sector was determined mainly by a fall in deposits with domestic banks (-€0.5 billion) and a rise in issued bonds held by resident financial corporations (€0.5 billion).

The fall in assets in the *local government* sector was largely concentrated in other claims on households and non-financial corporations. On the liability side, trade credits and advances to enterprises rose, as did long-term loans from the central government.

The sub-sector of *social security funds* ended the period with a positive result, arising mainly from an increase in deposits with banks and in other claims on households.

#### S.14, 15 Households (including NPISH)

The sector of *households (including non-profit institutions serving households)* slightly decreased its overall creditor position in the third quarter of 2011, owing to a higher rise in financial liabilities than in financial assets.

Households took on more debt in the form of long-term loans from banks (€0.4 billion), which largely contributed to the rise in liabilities. On the asset side there were increases in household deposits with banks (€0.3 billion) and in pension fund savings (€0.2 billion). On the other hand, household holdings of mutual fund shares/units declined by €0.3 billion in total.



Chart 10

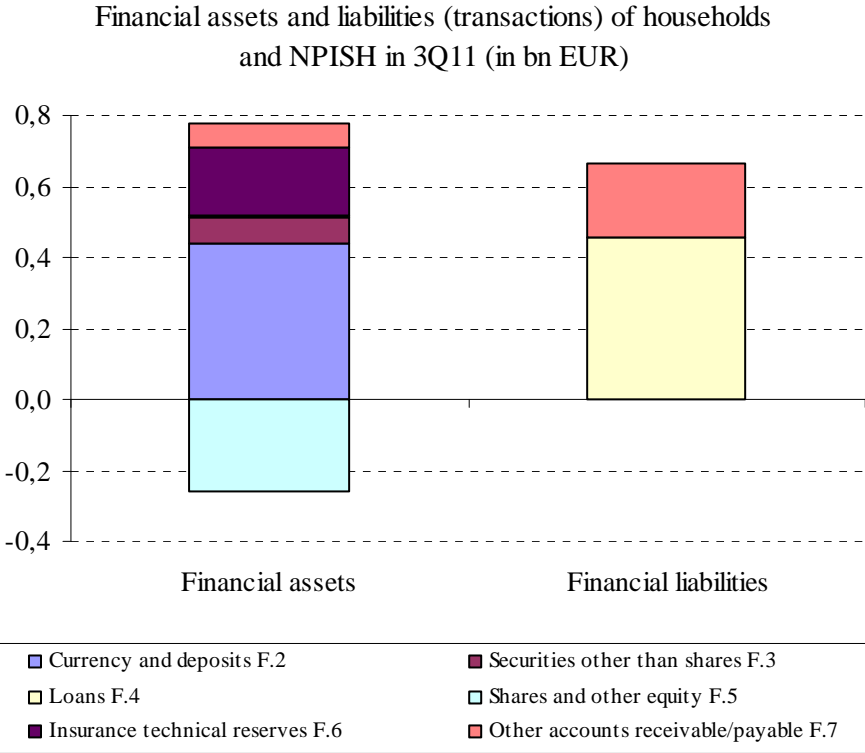


Chart 11

Sectoral division of financial assets (transactions) of households and NPISH in 3Q11

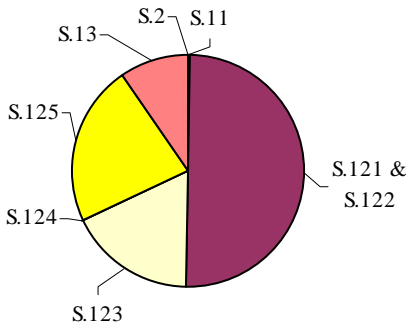
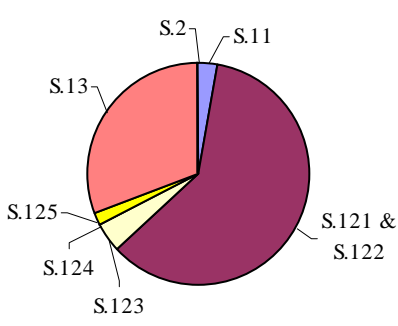


Chart 12

Sectoral division of financial liabilities (transactions) of households and NPISH in 3Q11



S.2 Rest of the world

The overall creditor position of the *rest of the world* sector in relation to the national sectors decreased as a result of a large decline in assets and a rise in liabilities.

The result in the *rest of the world* sector was determined mainly by a fall in transferable deposits with the central bank (-€3.0 billion), which included claims related to settlements in TARGET2 (-€1.1 billion). Other deposits with banks increased by €0.3 billion.

In the *rest of the world* liabilities, the largest increase was reported in deposits from banks (€0.3 billion), followed by financial and trade credits from non-financial corporations (€0.2 billion each).