Comments on the Quarterly Financial Accounts for Q2 2013

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 (PFMCs, SPMCs, IFs, SE, CD, MFMCs)[1]
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 (NPISHs)	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[2]
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

[1] PMFCs – pension funds management companies, SPMCs – supplementary pension management companies, IFs – investment firms, SE – stock exchange, CD – central depository, MFMCs – mutual funds management companies.
[2] Stocks and transactions have the AF code and the F code, respectively.

Quarterly Financial Accounts (transactions) for Q2 2013

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 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 NPISHs) 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 second quarter of 2013, the net debtor position of the Slovak economy declined and therefore so did the net creditor position of the rest of the world sector.[3] Net lending[4] amounted to €0.7 billion, due to a higher increase in financial assets than in financial liabilities. Among institutional sectors,[5] the most significant contribution to this result came from financial transactions in the non-financial corporations sector (S.11), where transactions on the asset side exceeded those on the liability side by €1.3 billion. By contrast, the worst result in the second quarter was reported by the sectors of households and NPISHs (S.14 and S.15), as their aggregate creditor position declined by €0.4 billion.

[3] The sum of financial assets and liabilities in the sectors of *domestic* economy (S.1) and *rest of the world* (S.2) must equal 0. This means that if the domestic economy's indebtedness decreases (or its creditor position increases), the rest of the world's creditor position vis-à-vis the domestic 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 amounts of claims and liabilities.

[4] Net lending represents a positive difference between financial assets and financial liabilities. A negative difference is an indication of net borrowing.

[5] 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

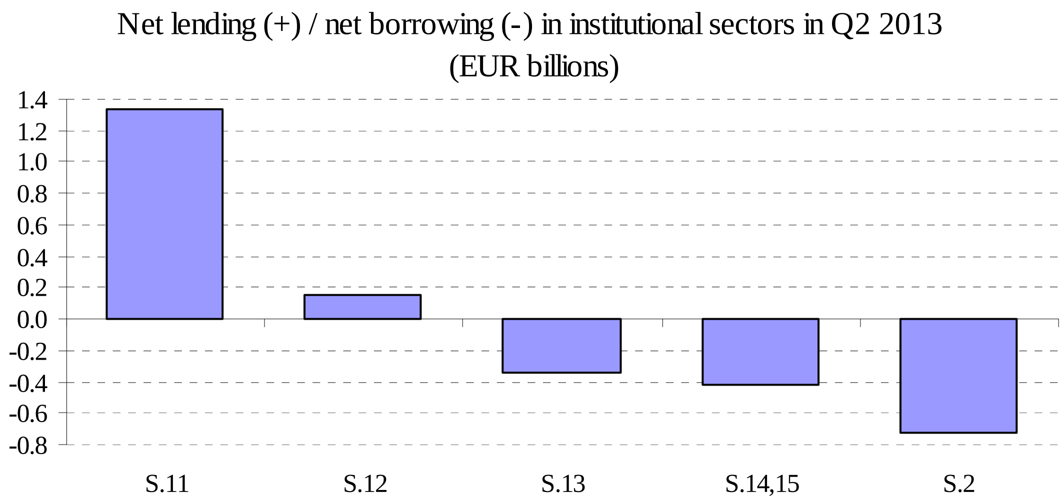
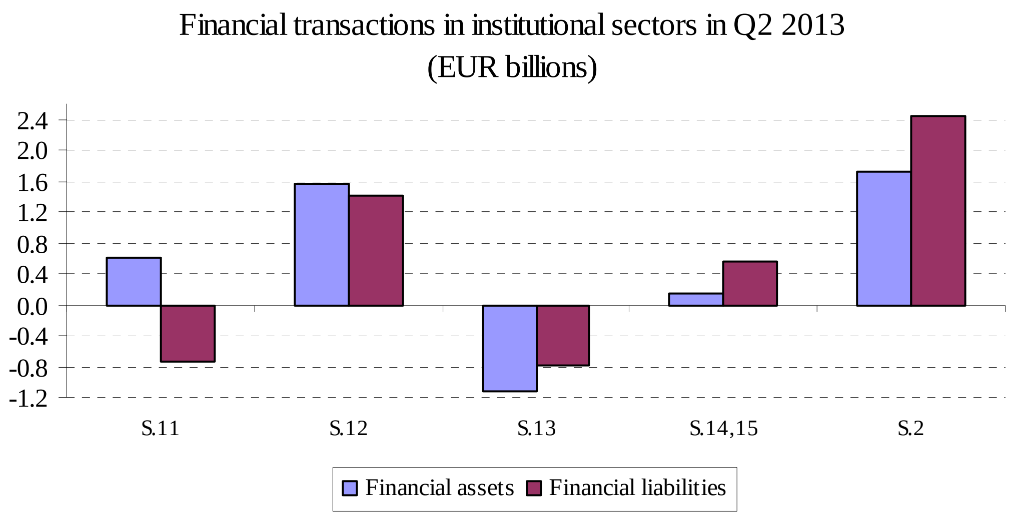
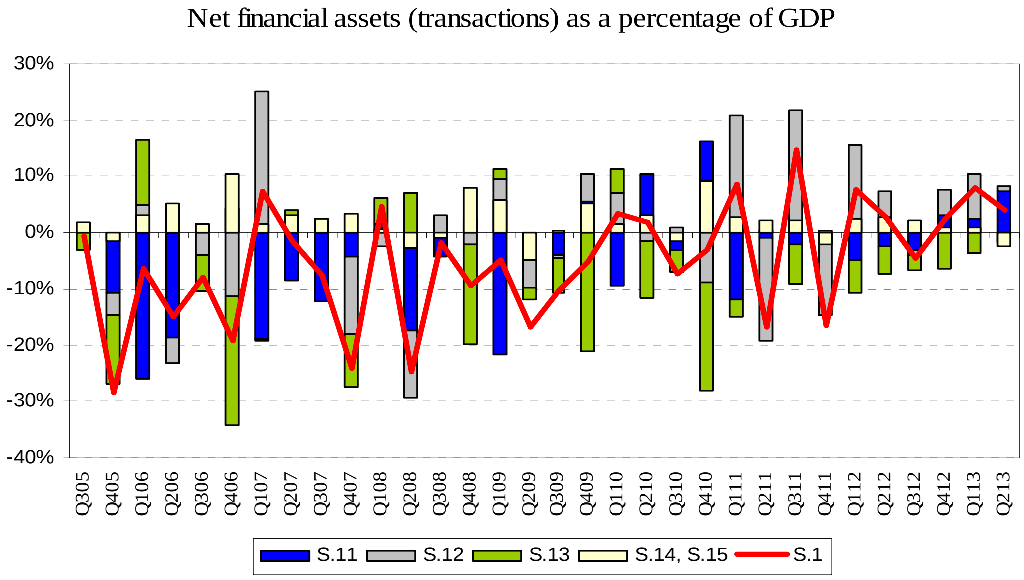


Chart 2



For the second quarter of 2013, net financial assets of the national economy stood at €0.7 billion, meaning that the financial position of the economy as a percentage of GDP for the respective quarter improved by 4.0%.

Chart 3

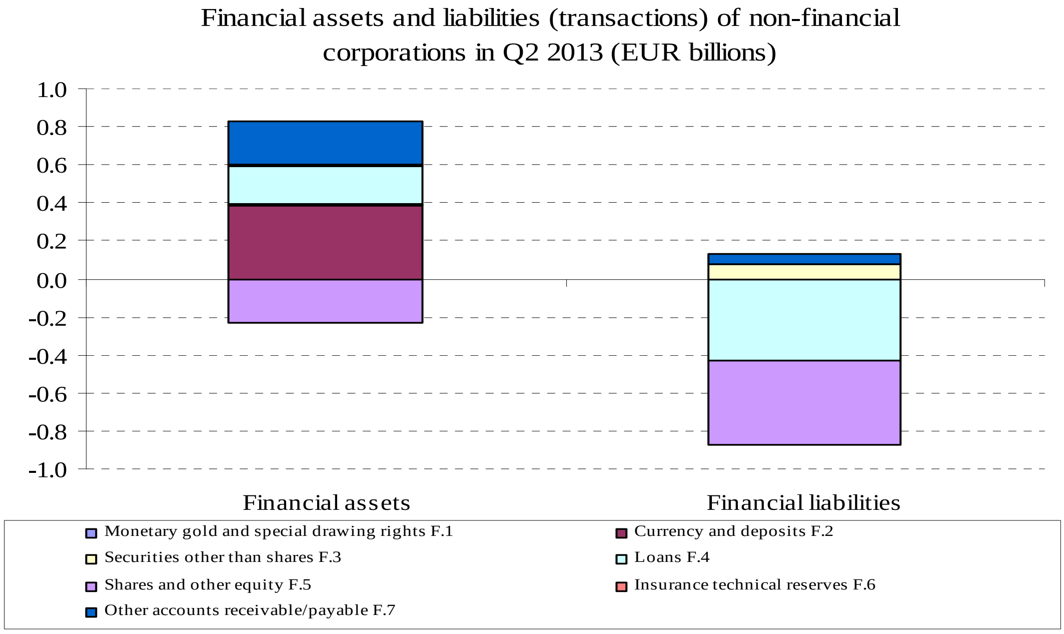


Quarterly financial accounts broken down by institutional sector

S.11 Non-financial corporations

A positive development was the decline in the indebtedness of the non-financial corporate sector, as firms' financial assets increased and their financial liabilities decreased.

Chart 4



On the asset side of the sectoral balance sheet for non-financial corporations, the amount of deposits held with non-residents increased (by €0.3 billion), as did deposits at resident banks (by €0.1 billion) and the amount of loans to non-residents (by €0.6 billion).

As for transactions on the liability side, the amount of corporate equities issued to non-residents declined by €0.3 billion, while redemptions of intra-sectoral (S.11) short-term loans amounted to €0.3 billion.

Chart 5

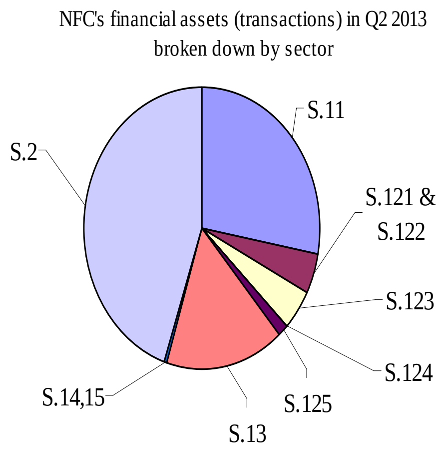
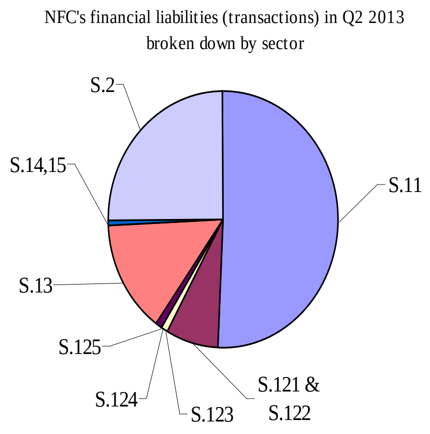


Chart 6



S.12 Financial corporations

The financial corporations sector (S.12) recorded net lending in the second quarter of 2013, the largest component of which was net-lending in the sub-sector of other financial intermediaries (S.123).

Chart 7

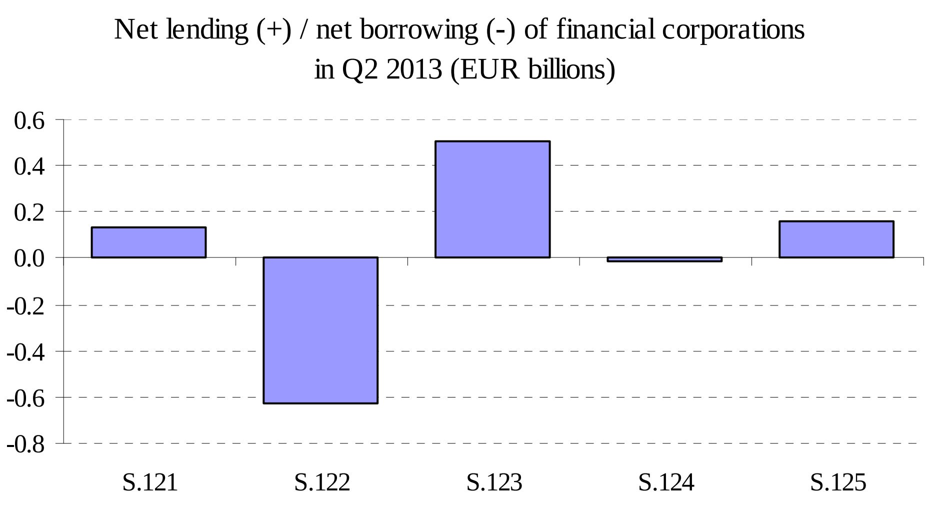
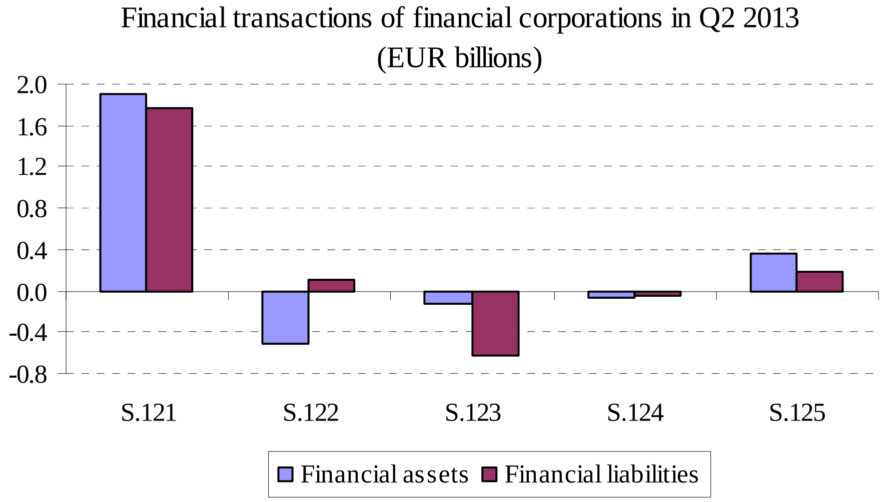


Chart 8



Overall transactions of the central bank (S.121) were positive in net terms, owing to a higher increase in assets than in liabilities. On the asset side of the central bank's balance sheet, the key changes were an increase in deposits held with non-residents (+€2.5 billion) and a decline in holdings of debt securities issued by non-residents (-€0.6 billion). The new deposits with non-residents were largely funded with deposits on the liability side received from general government entities, which totalled €2.6 billion.

The sub-sector of other monetary financial institutions (S.122) reported net borrowing (of €0.6 billion), as assets declined and liabilities increased slightly. The fall in assets was largely accounted for by declines in deposits held with non-resident banks (-€0.3 billion) and with the central bank (-€0.2 billion). The main movements on the liability side were increases in deposits received from non-residents (+€0.5 billion) and in holdings of equity securities by non-residents (+€0.2 billion).

In the sub-sector of other financial intermediaries (S.123), the decline in liabilities was €0.5 billion greater than the decline in assets. In the case of liabilities, the largest decreases were in households' holdings of investment fund shares (-€0.3 billion) and in loans received from non-residents (-€0.2 billion).

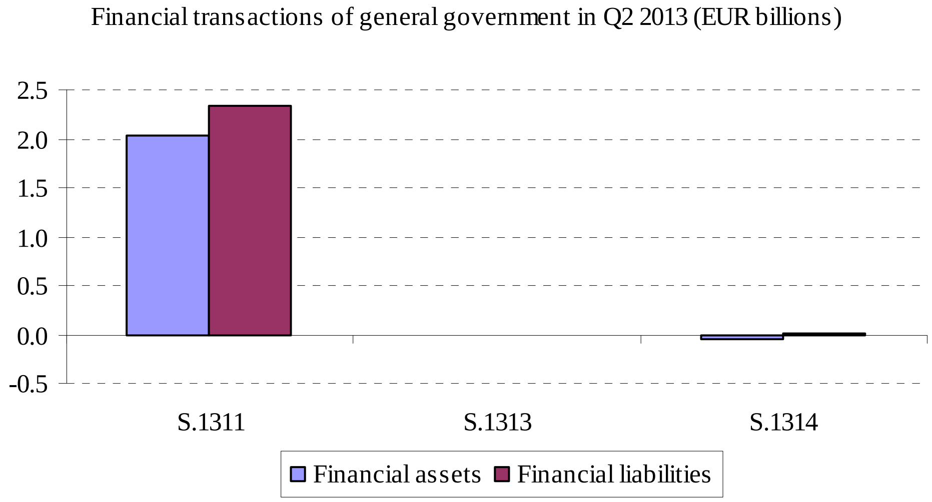
Net financial transactions in the financial auxiliaries sub-sector (S.124) were slightly negative, with assets and liabilities declining in almost the same extent.

The balance sheet of insurance corporations and pension funds (S.125) improved, as assets increased significantly more than liabilities. The largest asset increases were in holdings of domestic government bonds (+€0.3 billion) and holdings of bonds issued by non-residents (+€0.2 billion). On the liability side, household savings in pension funds increased by €0.1 billion.

S.13 General government

The general government sector's debtor position increased by €0.3 billion during the second quarter of 2013, owing mainly to the central government sub-sector (S.1311) with its overall result of -€0.3 billion. The social security funds sub-sector (S.1314) also reported a moderate deterioration in its balance sheet.

Chart 9



The main factor in the central government result was an increase of €2.8 billion in debt securities issued, of which non-residents held €1.2 billion, domestic banks €1.0 billion, insurance corporations and pension funds €0.3 billion, and non-financial corporations €0.2 billion. Almost the entire amount of the central government's newly-acquired funds (€2.6 billion) was deposited with domestic banks.

S.14, 15 Households (including NPISHs)

The sector of households (including non-profit institutions serving households) saw its overall creditor position decrease (of €0.4 billion) in the second quarter of 2013, as financial liabilities increased more than financial assets.

On the liability side, the amount of loans received from domestic banks increased by €0.5 billion. Households increased their deposits with banks by €0.3 billion and their savings in pension funds by €0.1 billion, while recording a net redemption of investment fund shares (-€0.3 billion).

Chart 10

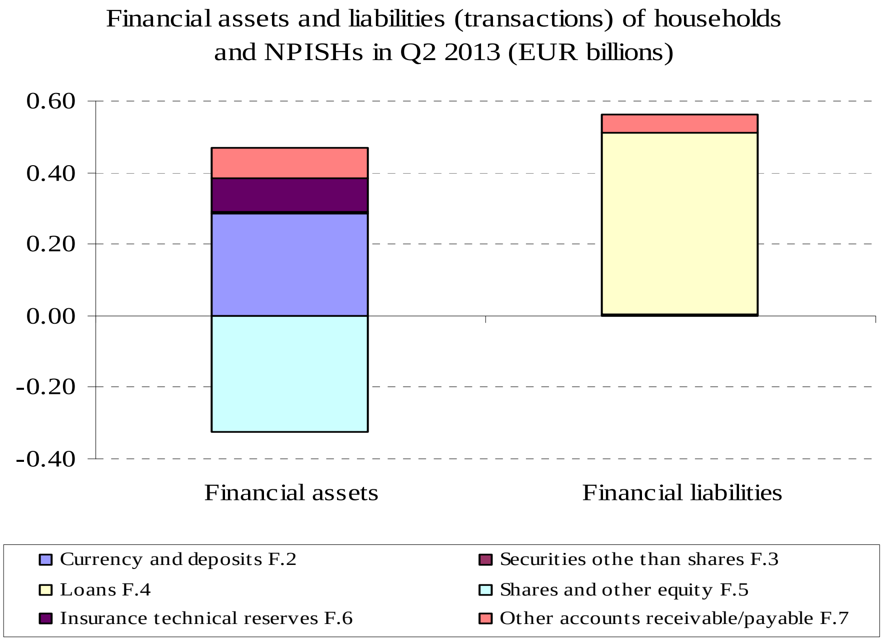


Chart 11

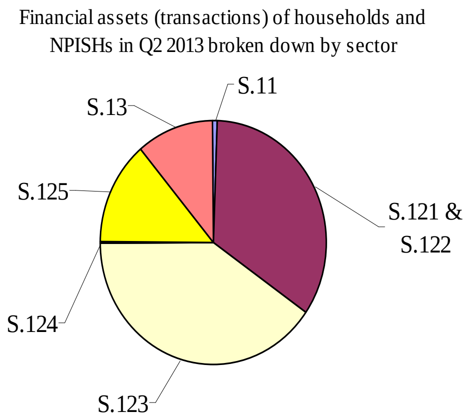
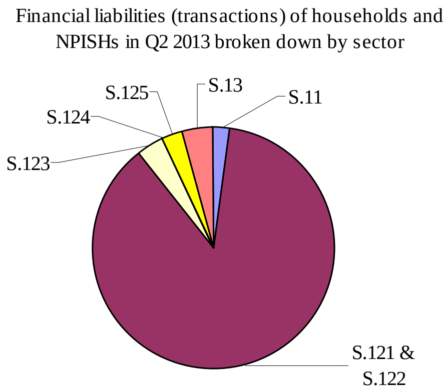


Chart 12



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 liabilities increasing more than assets.
The sector's result reflected mainly increases in deposits received from the central bank (+€2.5 billion) and in loans from non-financial corporations (+€0.6 billion).
The largest increases on the asset side were in holdings of Slovak government bonds (+€1.2 billion) and in deposits with domestic banks (+€0.7 billion).