# Comments on the Quarterly Financial Accounts for Q4 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 Q4 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 fourth quarter of 2013, the net debtor position of the Slovak economy increased and therefore so did the net creditor position of the rest of the world sector.[3] Net borrowing[4] amounted to €3.5 billion, as financial assets decreased more than 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 the difference in amount between asset and liability transactions was -€1.7 billion. By contrast, the best result in the fourth quarter was reported by the sectors of households and NPISHs (S.14 and S.15), as their aggregate creditor position increased by €0.2 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 borrowing represents a negative difference between financial assets and financial liabilities. A positive difference denotes net lending.

[5] The detailed classification of institutional sectors with codes assigned in accordance with the ESA 95 national accounts classification is shown on page 2.

Chart1

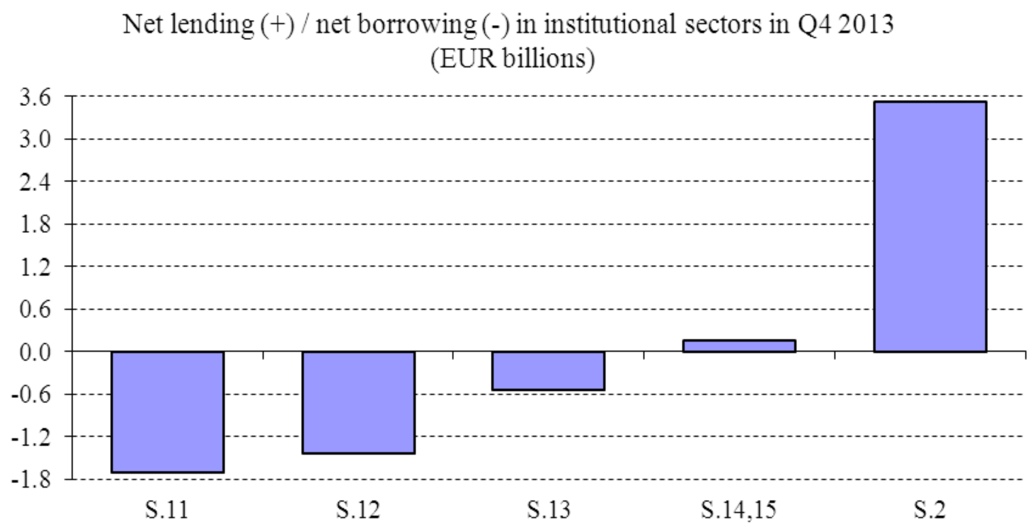
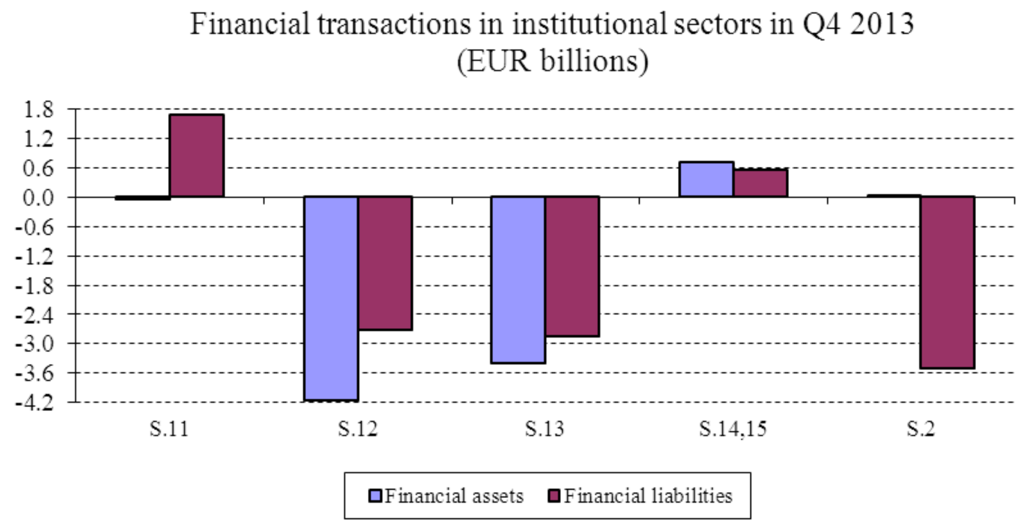
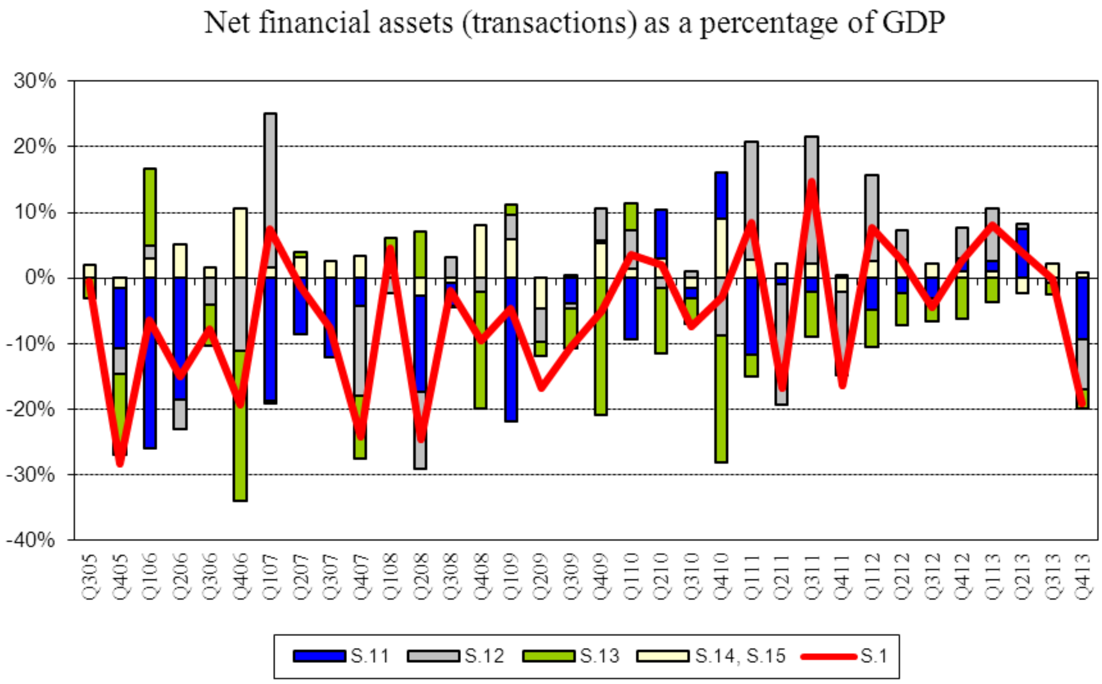



Chart 2




For the fourth quarter of 2013, net financial assets of the national economy stood at -€3.5 billion, representing a deterioration equivalent to 19.2% of GDP for that quarter.

Chart 3

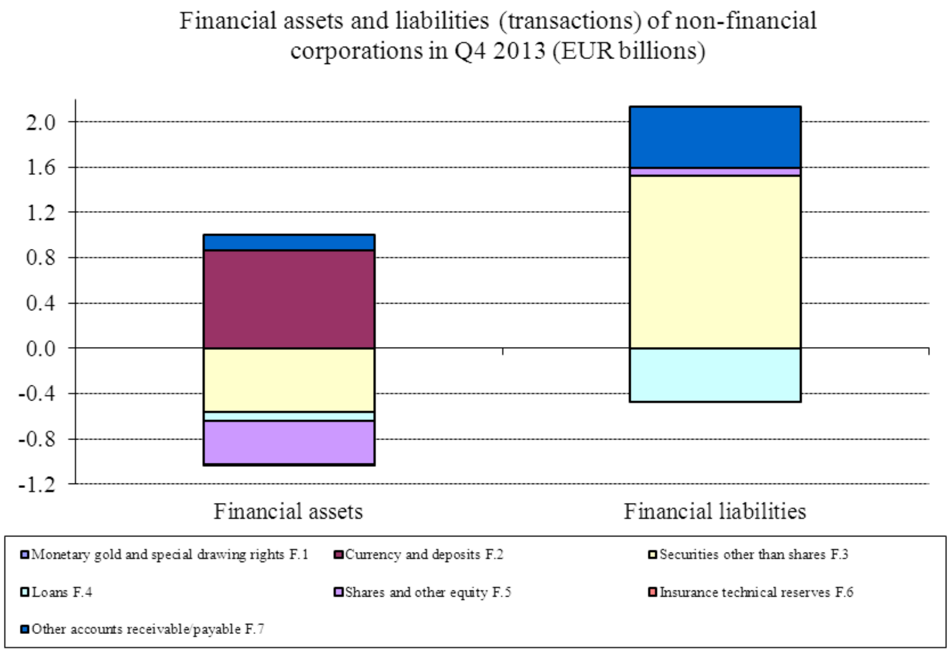



Quarterly financial accounts broken down by institutional sector

S.11 Non-financial corporations

The indebtedness of non-financial corporations (NFCs) increased, reflecting a slight decline in NFCs' financial assets and a significant increase in their financial liabilities.

Chart 4



On the liability side of the sectoral balance sheet, the amount of bonds issued increased by €2.0 billion and unquoted shares held by non-residents rose by €0.3 billion.
On the asset side, corporations withdrew €0.3 billion in deposits with non-resident banks and provided short-term loans worth €0.4 billion to non-residents.

Chart 5

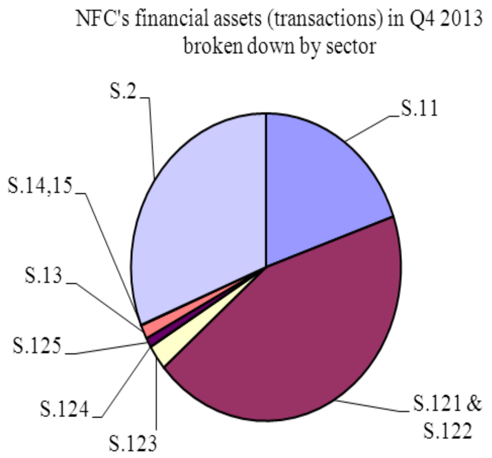
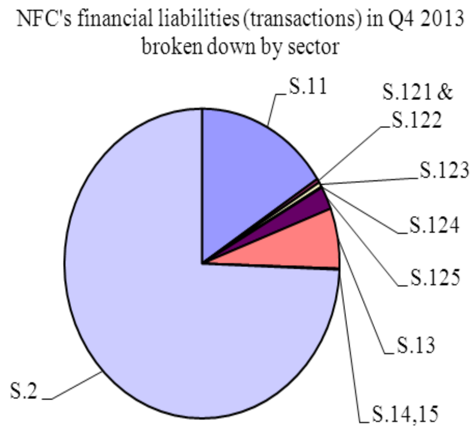



Chart 6




S.12 Financial corporations

The financial corporations sector (S.12) recorded net borrowing in the fourth quarter of 2013, owing mainly to transactions in the sub-sector of other monetary financial institutions (S.122).

Chart 7

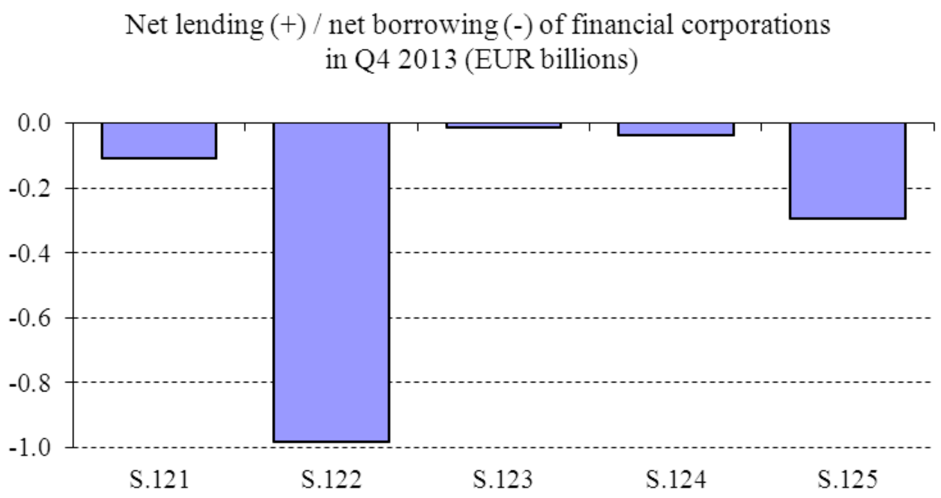
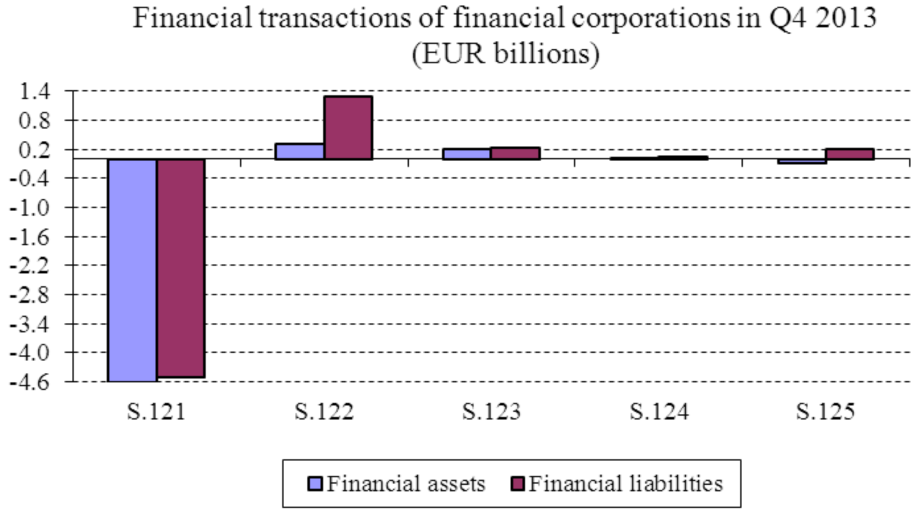


Chart 8




Overall transactions of the central bank (S.121) were negative in net terms, owing to a greater decline in assets than in liabilities. The most notable change in the central bank's overall result was in the TARGET2 balance vis-à-vis the ECB, which fell by €4.3 billion. On the liability side, central government entities and non-resident banks reduced their deposits with the central bank by, respectively, €1.7 billion and €3.9 billion.

The sub-sector of other monetary financial institutions (S.122) reported net borrowing of €1.0 billion, as its liabilities increased more than assets. The rise in liabilities was based mainly on net inflows of deposits from non-financial corporations (+€1.0 billion) and from households (+€0.4 billion), and an increase in the amount of other shares held by non-residents (+€0.6 billion). The principal movements on the asset side included, on the one hand, increases in deposits with the central bank (+€0.9 billion) and in loans to households (+€0.6 billion), and, on the other hand, a decline in banks' holdings of government bonds (-€1.9 billion).

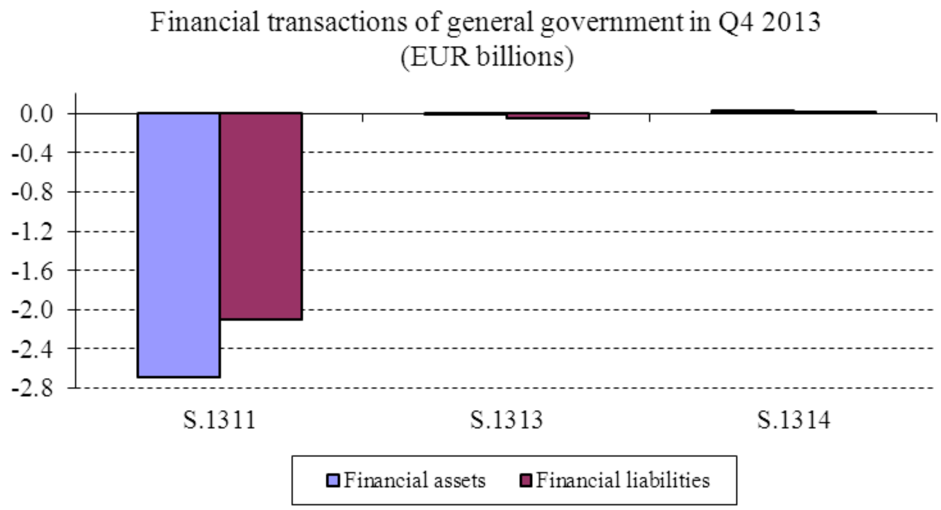
In the sub-sector of other financial intermediaries (S.123), the balance sheet was almost balanced as both financial assets and liabilities increased by €0.2 billion. The largest increases on the liability side were in short-term loans from banks (+€0.1 billion), while disposable funds were directed towards investments in mutual funds (+€0.1 billion) and bank deposits (+€0.2 billion).

The balance sheet of insurance corporations and pension funds (S.125) deteriorated slightly, as liabilities increased more than assets. On the liability side, the largest increase was in households' savings in pension funds (+€0.2 billion), and on the asset side it was in deposits with resident and non-resident banks (+0.2 billion).

S.13 General government

The general government sector's debtor position increased by €0.5 billion during the fourth quarter of 2013. Most of that change was accounted for by the central government sub-sector (S.1311) (-€0.6 billion). The balance sheet of the local government sub-sector (S.1313) improved moderately.

Chart 9




The main factor in the central government result was a decline in deposits held with resident banks (-€2.8 billion). This outflow of deposits was probably related to a decrease in the amount of bonds held by resident banks (-€2.0 billion) and by insurance corporations and pension funds (-€1.0 billion).

S.14, 15 Households (including NPISHs)

The sector of households (including non-profit institutions serving households) saw its overall creditor position increase by €0.2 billion in the fourth quarter of 2013, as financial assets increased more than financial liabilities.

On the asset side, households increased their investments in bank deposits (+€0.4 billion) and in pension funds (+0.2 billion). As for liabilities, bank loans to households rose by €0.6 billion.

Chart 10

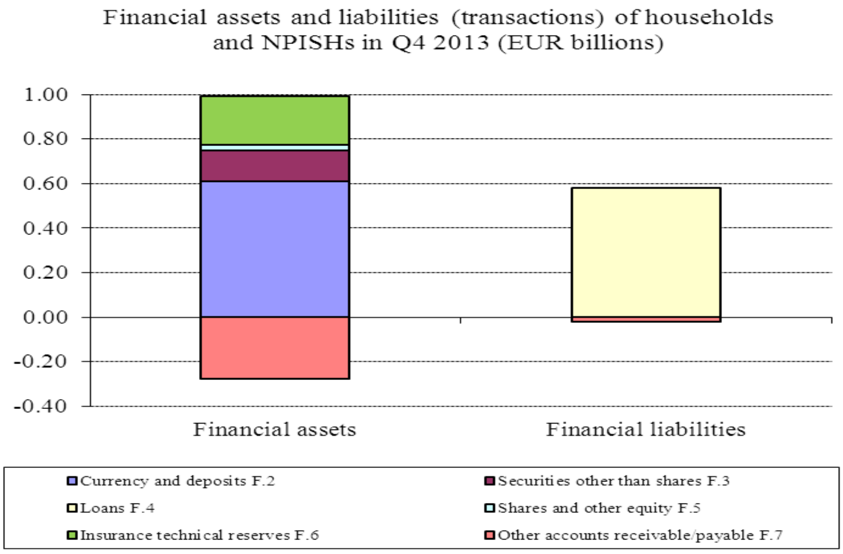


Chart 11

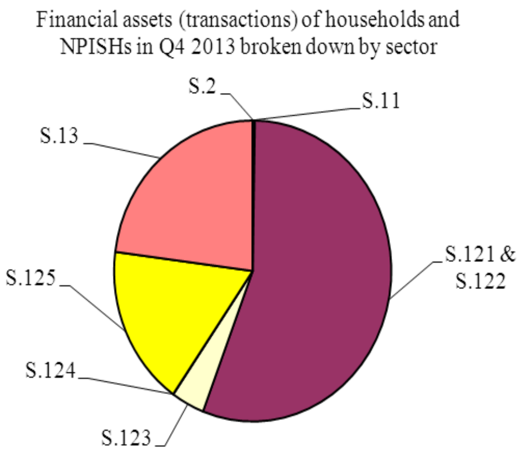
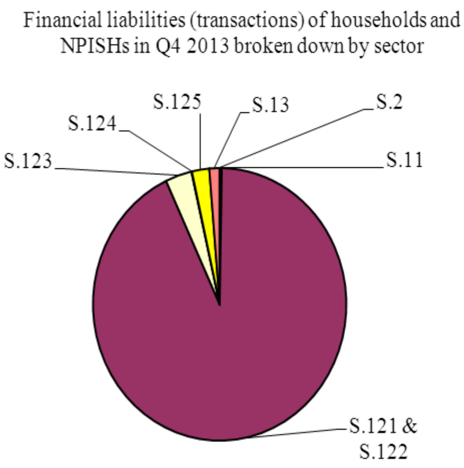



Chart 12




S.2 Rest of the world

The overall creditor position of the rest of the world sector in relation to the national sectors increased, owing mainly to a fall in liabilities.

The main changes in the sector's result were decreases in deposits received from domestic banks (-€4.1 billion) and in trade credits from non-financial corporations (-€0.4 billion). The drop in liabilities would have been greater but for increases in bond holdings of insurance corporations and pension funds (+€0.4 billion), as well as loans to non-financial corporations (+€0.4 billion) and to monetary financial institutions (+€0.3 billion).