

Comments on the Quarterly Financial Accounts for Q1 2014

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 Q1 2014

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 first quarter of 2014, the net debtor position of the Slovak economy increased slightly and therefore so did the net creditor position of the rest of the world sector³. Net borrowing⁴ amounted to -€0.6 billion, due to a larger rise in financial liabilities than in financial assets. Among institutional sectors⁵, the most significant contribution to this result came from financial transactions in the general government sector (S.13) and non-financial corporations (S.11), where the difference in amount between asset and liability transactions was -€0.7 billion in both sectors. By contrast, the best result in the first quarter of 2014 was reported by the sector of financial corporations (S.12), as their aggregate creditor position increased by €0.9 billion on account of financial transactions.

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 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.

Chart 1

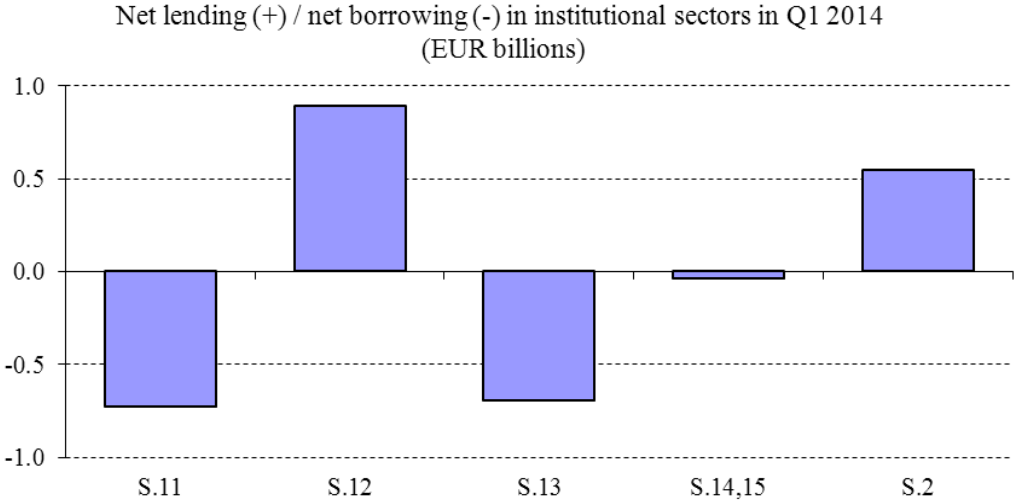
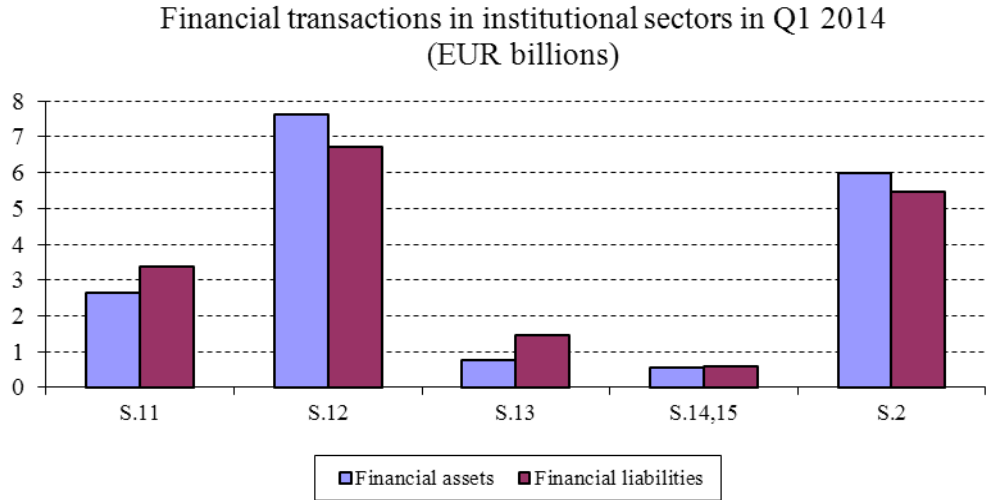
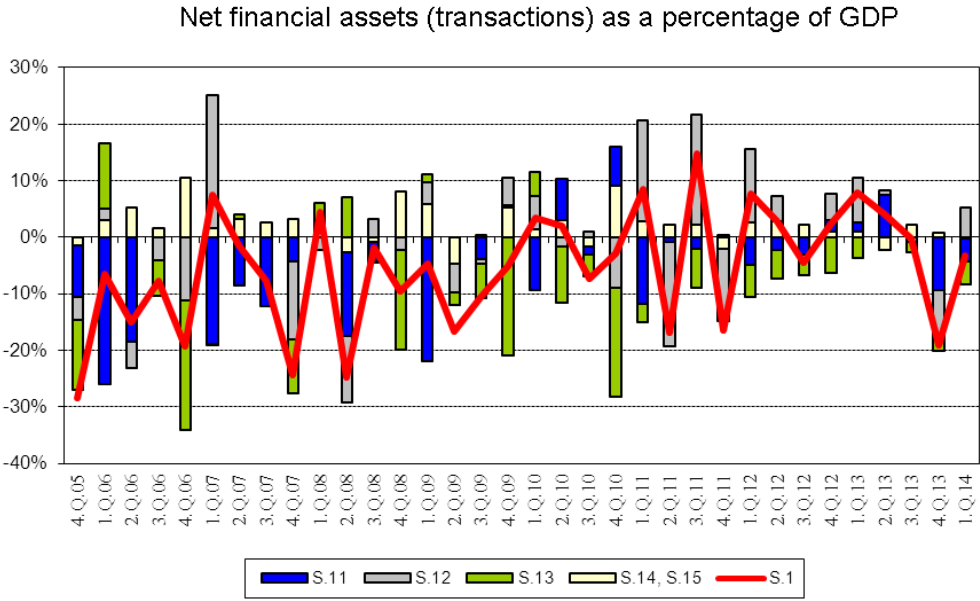


Chart 2



For the first quarter of 2014, net financial assets of the domestic economy stood at -€0.6 billion, representing a deterioration equivalent to -3.3% of GDP for that quarter.

Chart 3

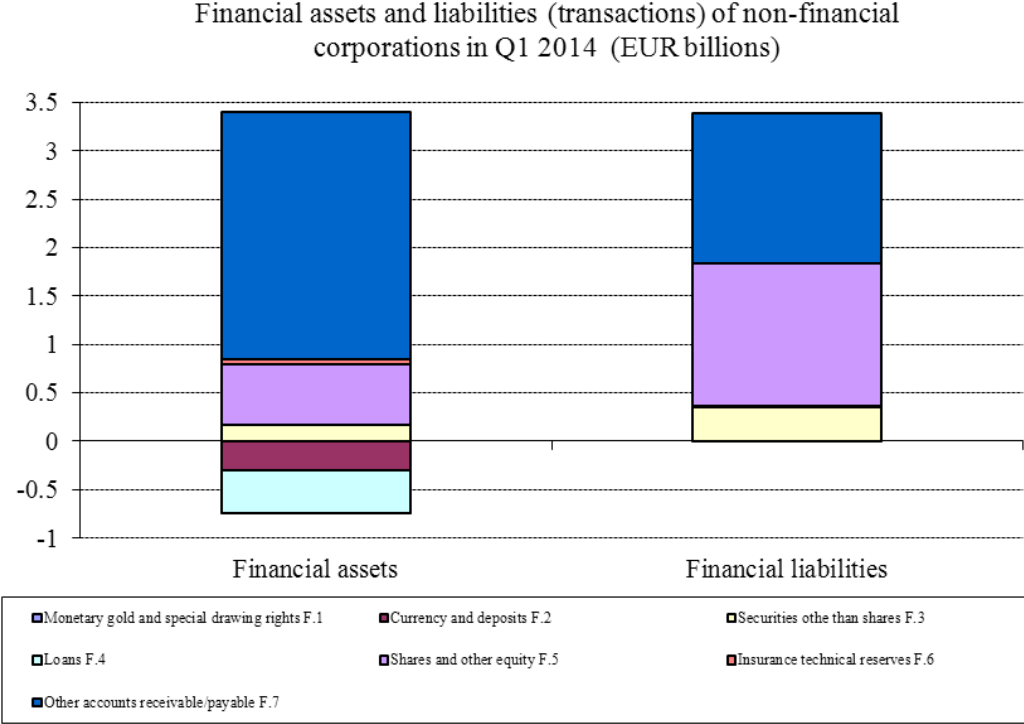


Quarterly financial accounts broken down by institutional sector

S.11 Non-financial corporations

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

Chart 4



As for transactions on the liability side of the sector's balance sheet, the amount of issued shares held by non-residents rose (+€0.7 billion). On the asset side, the highest increase was reported in other claims of non-financial corporations.

Chart 5

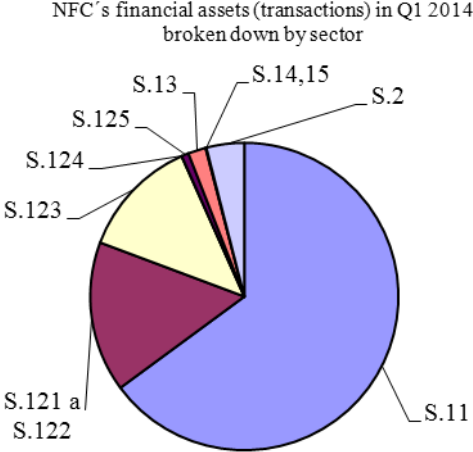
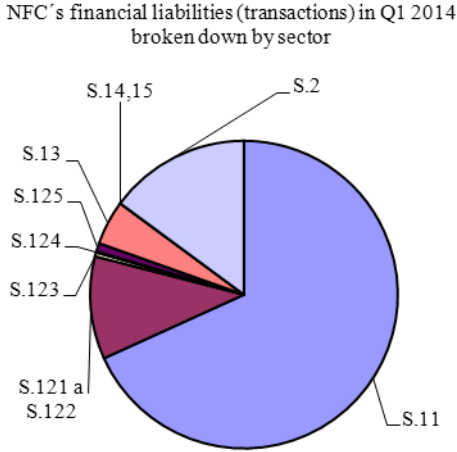


Chart 6



S.12 Financial corporations

The financial corporations sector (S.12) recorded net lending in the first quarter of 2014, owing mainly to transactions in the sub-sector of other financial intermediaries (S.123) and insurance corporations and pension funds (S.125).

Chart 7

Net lending (+) / net borrowing (-) of financial corporations in Q1 2014 (EUR billions)

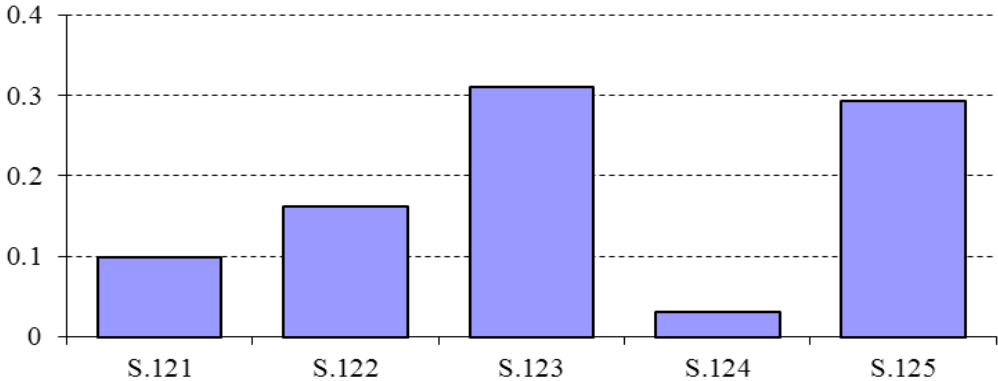
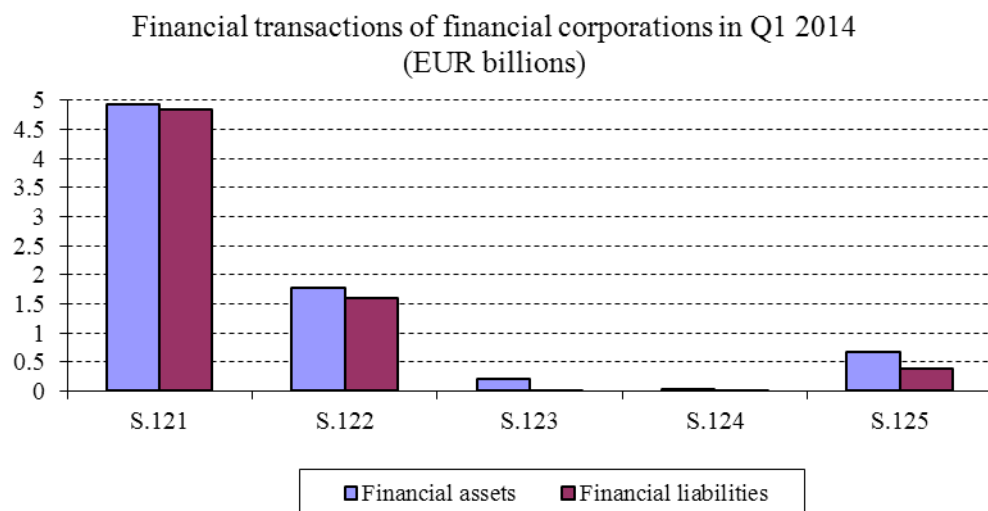


Chart 8



Overall transactions of the central bank sub-sector (S.121) were positive in net terms, reflecting a higher increase in assets than in liabilities. The key movements on both the asset and liability sides of the central bank's balance sheet were in other deposits held with/received from non-residents.

The sub-sector of other monetary financial institutions (S.122) reported net lending of +€0.2 billion, as its assets increased more than liabilities. The most pronounced increases in assets were due to rising holdings of domestic government bonds (+€0.7 billion) and long-term loans to households (+€0.5 billion). Contributing most to the rise in liabilities were deposits received from non-residents (+€0.7 billion) and from households (+€0.1 billion) and an increase in the amount of unquoted shares held by non-residents (+€0.3 billion).

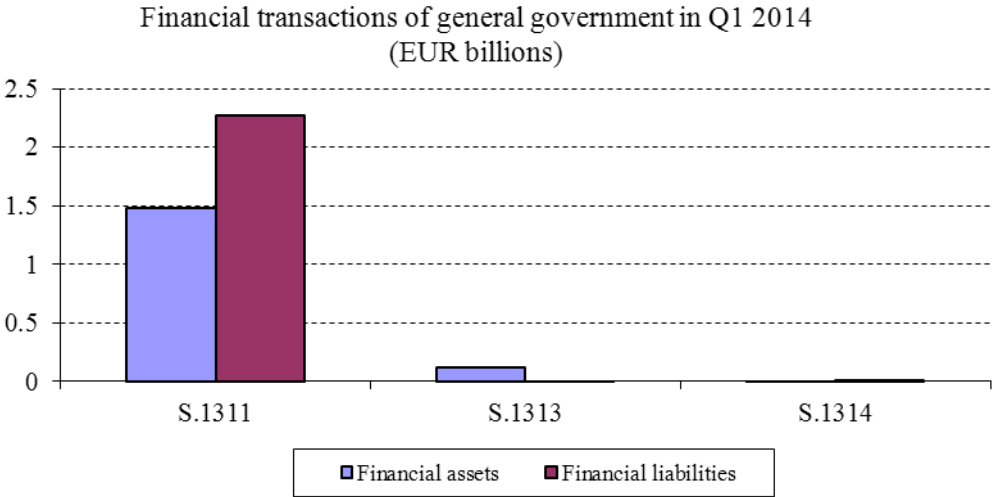
In the sub-sector of other financial intermediaries (S.123) net lending rose by €0.3 billion, reflecting an increase in assets and a decline in liabilities. The largest increases on the asset side were in holdings of shares and other equity of non-residents (+€0.1 billion) and long-term debt securities of resident banks (+€0.1 billion). Remarkable on the liability side were the increased sales of investment funds shares/units to households (+€0.2 billion).

The balance sheet of the insurance corporations and pension funds sub-sector (S.125) also improved, as assets increased more than liabilities. The largest increases on the asset side were in long-term debt securities of non-residents (+€0.2 billion) and central government (+€0.2 billion). On the liability side, household savings in pension funds rose most, by €0.2 billion.

S.13 General government

The general government sector's debtor position increased by €0.7 billion during the first quarter of 2014. Most of that change was accounted for by the central government sub-sector (S.1311) (-€0.8 billion). By contrast, the balance sheet of the local government sub-sector (S.1313) improved (+€0.15 billion).

Chart 9



The overall result of the central government sub-sector was determined mainly by a rise in government bonds issued (+€2.2 billion) and in deposits with domestic banks (+€1.6 billion).

S.14, 15 Households (including NPISHs)

The sector of households (including non-profit institutions serving households) reported a slight decrease in its overall creditor position in the first quarter of 2014, owing to a higher rise in financial liabilities than in financial assets.

On the asset side, households increased their investments in bank deposits (+€0.1 billion) and in pension funds (+€0.2 billion). As for liabilities, bank loans to households rose (+€0.4 billion).

Chart 10

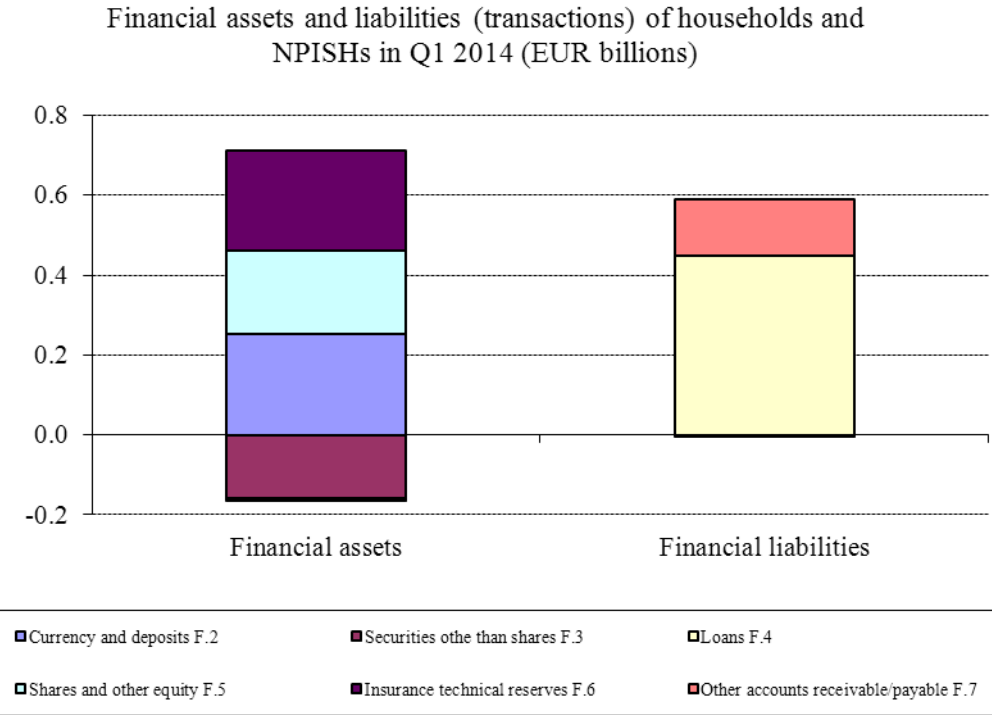


Chart 11

Financial assets (transactions) of households and NPISHs in Q1 2014 broken down by sector

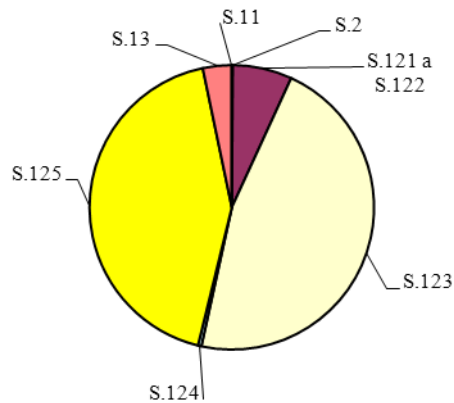
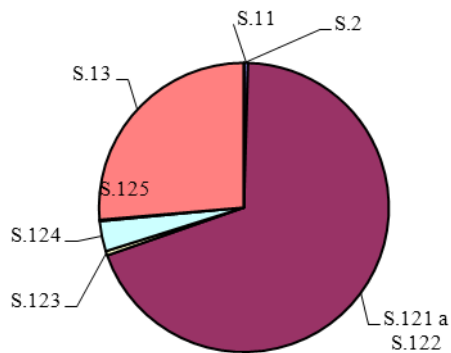


Chart 12

Financial liabilities (transactions) of households and NPISHs in Q1 2014 broken down by sector



S.2 Rest of the world

The overall creditor position of the rest of the world sector in relation to the national sectors increased as a result of assets growing more than liabilities.

On the asset side, the main factor in the overall result of the rest of the world sector was an increase in deposits held with banks (+€3.2 billion), as well as rising holdings of Slovak government bonds (+€1.3 billion) and holdings of shares of domestic non-financial corporations (+€0.7 billion). On the liability side, the key changes were in deposits received from banks (+€5.2 billion).