



NÁRODNÁ BANKA SLOVENSKA



# Monetary Survey

November 2007

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**Abbreviations**

ARDAL	Agentúra pre riadenie dlhu a likvidity – Agency for Debt and Liquidity Management
BCPB	Burza cenných papierov v Bratislave – Bratislava Stock Exchange
BRIBOR	Bratislava Interbank Offered Rate
CDCP SR	Centrálny depozitár cenných papierov SR – Central Securities Depository of the Slovak Republic
CPI	Consumer Price Index
ECB	European Central Bank
EMU	Economic and Monetary Union
EU	European Union
Eurostat	Statistical Office of the European Communities
FDI	Foreign Direct Investment
Fed	Federal Reserve System
FNM	Fond národného majetku – National Property Fund
FRA	Forward Rate Agreement
GDP	Gross Domestic Product
GNDI	Gross National Disposable Income
GNI	Gross National Income
HICP	Harmonised Index of Consumer Prices
HZL	hypotekárne záložné listy – mortgage bonds
IMF	International Monetary Fund
IPI	Industrial Production Index
IRF	Initial Rate Fixation
IRS	Interest Rate Swap
MFI	Monetary Financial Institutions
MMIF	Money Market Investment Funds
NARKS	National Association of Slovak Real Estate Agencies
NBS	Národná banka Slovenska – National Bank of Slovakia
NEER	Nominal Effective Exchange Rate
NPF	National Property Fund
OIF	Open-end Investment Funds
p.a.	per annum
p.p.	percentage points
PPI	Producer Price Index
REER	Real Effective Exchange Rate
repo	repurchase operation
RULC	Real Unit Labour Costs
SASS	Slovenská asociácia správcovských spoločností – Slovak Association of Asset Management Companies
SAX	slovenský akciový index – Slovak Share Index
SDX	slovenský dlhopisový index – Slovak Bond Index
SDXG	SDXGroup
Sk, SKK	Slovak Koruna
SKONIA	Slovak OverNight Index Average
SO SR	Statistical Office of the SR
SR	Slovenská republika – Slovak Republic
SRT	Sterilisation Repo Tender
ULC	Unit Labour Costs
VAT	Value Added Tax

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*Symbols used in the tables*

- . – Data are not yet available.
- – Data do not exist / data are not applicable.
- (p) – Preliminary data



## 1 Summary

Consumer prices, expressed in terms of the Harmonized Index of Consumer Prices (HICP), increased by 0.4% in November in comparison with the previous month. The year-on-year rate of headline inflation reached 2.3%. Core inflation (excluding energy and unprocessed food prices) recorded a year-on-year growth rate of 2.6%.

Measured in terms of the Consumer Price Index (CPI), consumer prices increased by 0.5% in November, compared with the previous month. The 12-month headline and core inflation rates reached 3.1% and 3.8%, respectively.

The M3 monetary aggregate (according to ECB methodology) increased month-on-month by SKK 0.2 billion in October with the rate of annual growth slowing down to 14.4%.

Gross domestic product in real terms increased by 9.4% in the 3<sup>rd</sup> quarter of 2007.

The total volume of MFI receivables from residents (including securities issued by clients and held by MFIs, according to ECB methodology) increased month-on-month by SKK 24.2 billion in October, with the annual growth rate slowing down by 1.2 percentage point to 16.2%.

The average interest rate on new loans to non-financial corporations (households) decreased in October by 0.14 (0.17) of a percentage point to 5.74% (12.04%). Over the same period, the average interest rate on new deposits from non-financial corporations (households) increased by 0.08 (0.03) of a percentage point to 2.36% (1.03%).

At the end of November, the State Budget resulted in a surplus of SKK 5.4 billion.

The foreign reserves of NBS (at current exchange rates) stood at USD 19.1 billion in November. At the end of the month, the volume of reserves was 3.7 times greater than the volume of average monthly imports of goods and services to Slovakia during the first ten months of 2007. At the end of October, the coverage of average monthly imports (imports of goods and services according to data from banking statistics) by the official foreign reserves corresponded to 4.7 times the volume of average monthly imports of goods and services to Slovakia over the first ten months of 2007.

Národná banka Slovenska conducted no foreign exchange intervention in November.

According to preliminary data, the balance of payments on current account for January to September 2007 resulted in a deficit of SKK 59.6 billion. Over the same period, the capital and financial account generated a surplus of SKK 146.5 billion. From January till October, the b.o.p. current account produced a deficit of SKK 63.2 billion, while trade balance resulted into a shortfall of SKK 3.9 billion.

The average daily sterilisation position of NBS decreased in comparison with October by SKK 94 million to SKK 376.0 billion in November.



## 2 The External Economic Environment<sup>1</sup>

Despite the slightly slower growth of the world economy in the past quarters, the global economy grew relatively strongly in the third quarter of 2007, driven mainly by emerging Asian economies. In the OECD countries, GDP growth increased to 0.9% in the third quarter, compared to 0.6% in the first and second quarter. On a year-on-year basis, economic growth rose to 2.9% from 2.5% in the second quarter. Despite the turmoil in the financial markets in the third quarter, the outlook for world economy growth remains mostly positive.

Price development slowed down in the third quarter, but remains strongly affected by energy prices. The price growth in energy and agrarian commodities at the end of the third quarter and at the beginning of the fourth one means an elevated risk of inflation pressures. Inflation in the OECD countries was relatively stable in the third quarter of 2007, reaching 2.2% in September, exactly the June's figure.

The soaring prices of crude oil, the still present global imbalances and onset of protectionism in the world trade remain the key risks for the global economy. Tensions in the financial markets caused by the recent crisis and the related process of risk re-assessment may also add to the risk.

### Commodities

Crude oil prices remained volatile in the third quarter of 2007 and reached new historical highs at the end of the quarter (79.25 USD/barrel). In October and November, crude oil prices remained on the growth curve to reach a new peak of 95.55 USD/barrel. Crude oil prices (in USD) were on average by 30% higher than at the beginning of the year and remained above the last year's level throughout the third quarter.

High crude oil prices were supported by strong demand, limited extraction and processing capacities, low level of stocks and partly also fears of a possible crisis in the financial markets.

The prices of other world commodities recorded quite a volatile development. Agricultural commodities increased notably due to strong demand by Asian emerging economies. Price growth was also driven by low harvest of cereals, lower global stocks of cereals and shrinking cereal acreages, due to the strong demand for commodities used in the production of biodiesel.

### United States

Economic development in the third quarter of 2007 was characterised by a faster annual growth, compared with the previous quarter (4.9% compared with 3.8%). The US economy grew by 2.8% year-on-year. Economic growth increased by 0.9%, compared with the second quarter. Despite the unrelenting crisis in the real estate market and the turmoil in the financial markets, the economic growth surpassed the expectations. Revival of household consumption, exports and investments into private stocks, combined with growing federal and state expenditures helped to increase the pace of economic growth. Nevertheless, increasing imports and falling private investment were a negative factor..

Construction output and construction investments increased the pace of their decline. The number of building permits and buildings started also decreased. The number of non-performing mortgages and foreclosures on property, on the other hand, increased. The crisis in the real estate market is still prevalent, yet without a significant impact on household consumption.

Annual rate of headline inflation was quite volatile in the third quarter, with a sharp increase in September, after declining in July and August. Compared with the end of the second quarter, however, it remained virtually unchanged and reached 2.8% (2.7% in June). Development of core inflation was relatively stable and stood at 2.1% at the end of September, compared with 2.2% in June. Due to the development of energy prices and that of agricultural commodities, inflation continued to grow in October and reached 3.5%, while core inflation remained stable.

In its meetings in the third quarter, the US Federal Open Market Committee (FOMC) decided to cut its target rate for federal funds by 50 basis points to 4.75%. Another cut by 25 basis points to 4.50% followed in October. In response to the crisis in the financial markets and with the aim of ensuring sufficient liquidity, the FOMC reduced the discount rate by 50 basis points and, in September, by further

<sup>1</sup> The chapter on international economic developments has been supplemented by a tabular and graphical overview, which is provided in the annex.



50 basis points to 5.25% and relaxed the conditions for accepting collaterals. It also carried out interventions to ensure liquidity of the interbank money market. In October, the discount rate was decreased by additional 25 basis points to 5.0%.

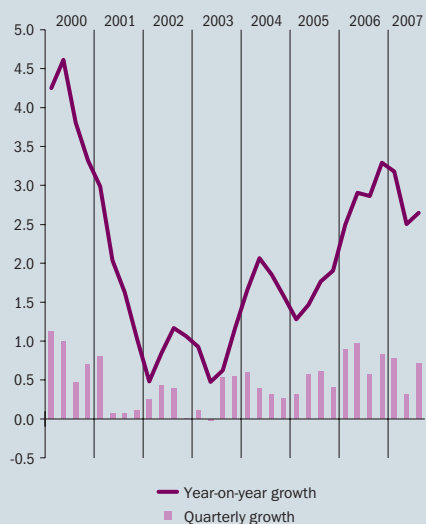
## Box 1

### Crisis in the sub-prime mortgage market

Growing interest rates, tighter conditions for the granting of loans and growth of delinquent mortgages in the United States caused financial difficulties to a number of mortgage companies in the United States in the first half of 2007. In many instances, mortgage companies or conduits used for securitisation (mortgage-based securities – MBS) were owned by banks. With lower ability of the US population to repay the loans, mostly in the sub-prime mortgage sector, these companies encountered liquidity problems. Due to the relatively tight capital links and high exposure of financial institutions to securitisation transactions, this problem spilled over to the financial markets in the second half of July and August, with the banks being compelled to provide the necessary liquidity to these specialised institutions. Several global investment corporations and banks were financially involved in these securitisation schemes. After the outbreak of the crisis, when a number of these special-purpose vehicles declared bankruptcy or had serious financial difficulties, investors started to get rid of their risky assets. This process led to a sudden shortage of liquidity, disposal of securitisation assets and risk positions and produced a nervous atmosphere in the markets. A strong risk aversion developed, risks were reassessed and resources re-routed from risky to safe assets. The spread between corporate bonds and loan derivatives on the one hand and government bonds on the other increased. Due to the involvement of global players, the crisis affected also banks and financial institutions in Europe and elsewhere in the world. This situation required interventions by the ECB, the FED, the Bank of Japan, the Bank of England and other central banks in the money markets, with the central banks providing additional liquidity to banks. In many countries, the interest rates decreased and the conditions for granting short-term loans were relaxed.

Mostly hit by the crisis were financial corporations. Non-financial corporations were not affected significantly by the crisis. Reassessment and review of risks and risk operations could help to increase the stability of the financial markets in the future. Due to the low exposure of the banking sector of V4 countries to securitisation transactions, the financial crisis had no significant impact on the region. The region was affected by a moderate depreciation of its currencies (except for the Czech Republic), with investors stopping to buy their currencies and closing risk positions in the region.

**Chart 1 Euro Area Economic Growth (constant 2000 prices) (%)**



Zdroj: Eurostat.

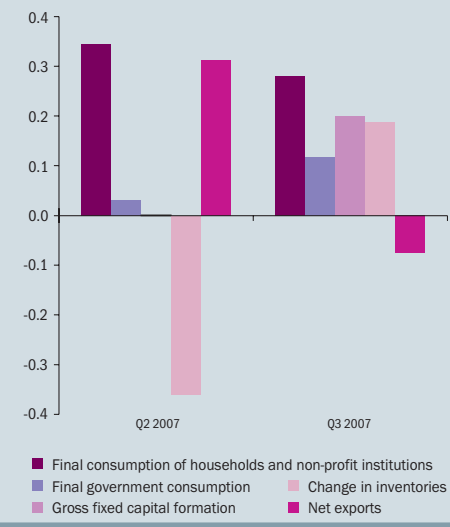
### Euro-area countries

After a notable slowdown of economic growth in the 2<sup>nd</sup> quarter of 2007, economic activity in the euro area gained new momentum in the third quarter. Real GDP grew by 0.7% during the quarter, notably increasing its growth pace compared with the previous quarter (increase of 0.3%). Economic growth accelerated also on the annual basis, reaching 2.7% (2.5% in the 2<sup>nd</sup> quarter).

Economic growth was driven mainly by demand for investments, which increased by 1.8%, after a notable decrease in the second quarter (by 1.6%). Growth was also supported by gross fixed capital formation and growth in inventories. Final consumption, which preserved its growth momentum from the previous quarter (0.5%) also influenced the economic growth positively. The moderate slowdown in the growth of private consumption was offset by the quickly growing consumption of the public sector. Unlike in the second quarter, net exports had a dampening effect on GDP growth. Even though exports grew at a faster pace, imports outpaced their growth, leading to a decrease

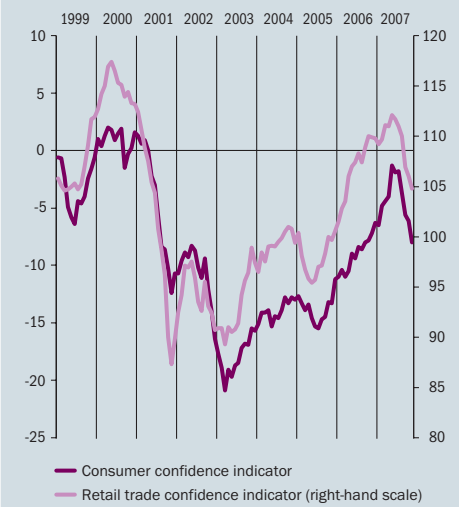


**Chart 2 Contributions of Individual Components to Quarterly GDP Growth in the Euro Area (p.p.)**



Sources: Eurostat, NBS calculations.

**Chart 3 Euro Area Confidence Indicators (p.p.)**



Source: European Commission.

Note: Consumer indicators are calculated as an average balance of responses (in percentage points) to the queries in surveys conducted. The economic confidence indicator is a composite measure combining the individual confidence indicators; its value over (under) 100 indicates a sentiment higher (lower) than the long-term average.

of the positive figure of net exports, compared with the previous quarter.

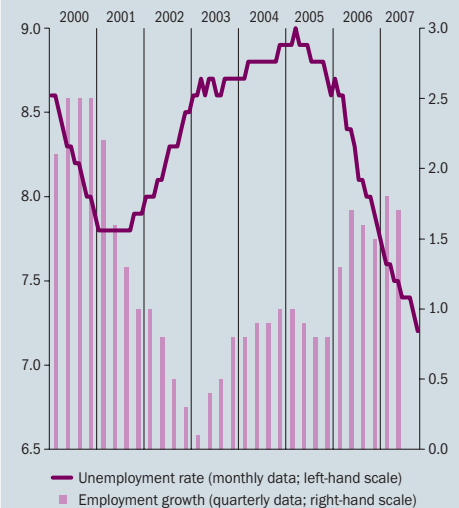
Despite the accelerated economic growth in the 3<sup>rd</sup> quarter, according to the economic sentiment indicator, it should not accelerate further. Even though the value of the indicator is above the long-term average (100), it has been decreasing for several months. Its development is most likely influenced, to a large extent, by the uncertainty over the impact of the mortgage market crisis on the euro area, decreasing the level of consumer confidence. This tendency, however, is also influenced by the growing prices of food and their impact on the perception of economic situation by consumers.

Consumer confidence indicator worsened despite the continued positive development in the labour market. The trend of falling unemployment continued in the third quarter; in September, the unemployment rate reached 7.3% and, compared with the end of the second quarter, went down by 0.1 percentage points. It then fell to 7.2% in October, down by 0.8 percentage points compared with the same period of the previous year. The relatively dynamic growth in employment that started in 2006 continued. The rate of growth reached 1.7% (1.8% in the first quarter).

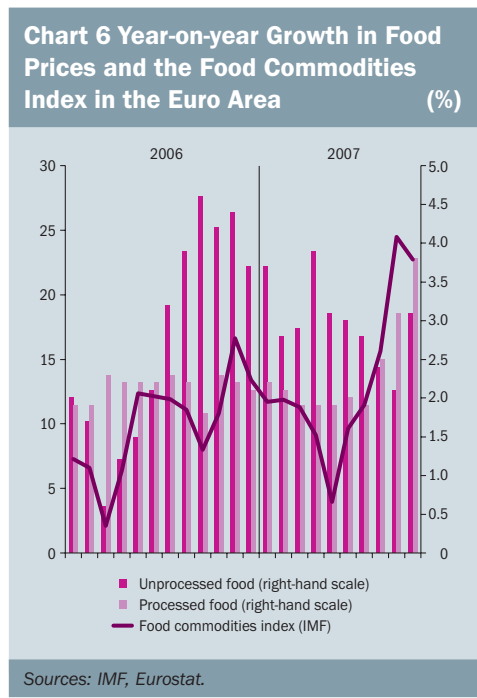
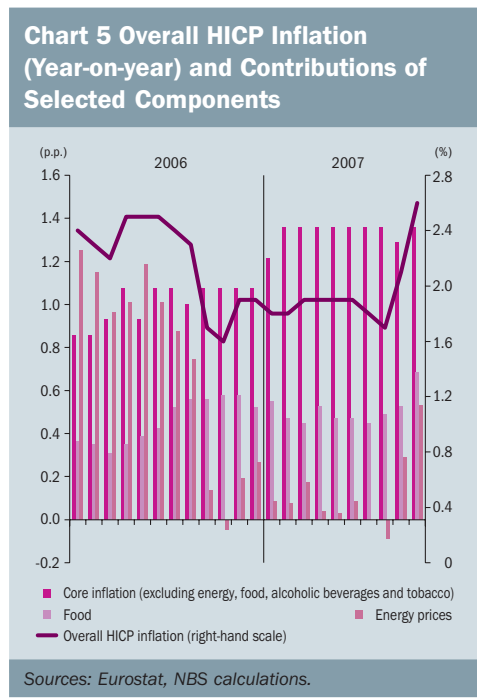
The annual rate of inflation (measured by HICP) increased in the third quarter, after a twelve-month period, during which it stayed below the 2% threshold. While inflation slowed down in July and August by 0.1 of a percentage point in each of the two months (to 1.8% and 1.7%, respectively), it rose to 2.1% in September. Accelerated price growth continued also in October (to 2.6%) and this trend confirms a quick estimate of inflation for November at the level of 3%.

Higher annual rate of inflation in September and October was influenced mainly by exogenous cost factors. Prices of energy were growing at a faster pace, after a period of moderate growth in the previous months (they even decreased in August on a year-on-year basis). The increasing prices of crude oil in the world markets, combined with the base effect of low crude oil prices in the same period last year led to accelerated overall price growth. In addition to crude oil prices, price growth was supported,

**Chart 4 Euro Area Labour Market (%)**



Source: Eurostat.



particularly in October, by growing prices of food, responding to the price development of agricultural commodities in the world markets.

Even though processed food is included in core inflation (as part of industrial goods) and its price growth was faster than that of unprocessed products, core inflation increased only slightly. Compared with the June's level of 1.9%, it rose to 2.0% in August and September and 2.1% in October. The relatively slower increase of core inflation was caused by different development of the prices of industrial products (excluding energy and services). Accelerating price growth of industrial products, related to the development of processed food prices, was, starting from September, offset by lower price growth in services.

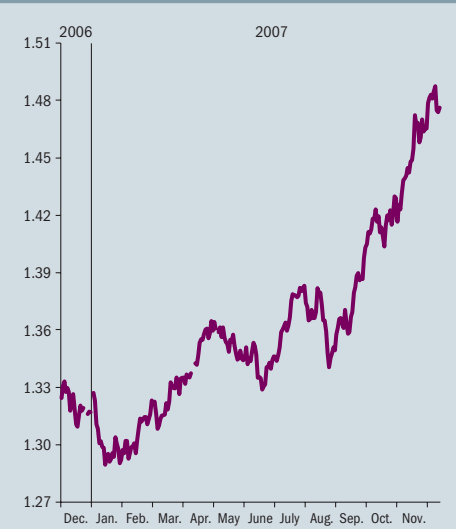
In September, the euro remained on the upward path from the second half of August, after a reduction of FED's discount rate. This development was caused primarily by continuing fears over the real estate market crisis (non-performing mortgages) in the United States and its impact on economic activity in the United States, and by expectations of changes in FED's monetary

policy. Such changes really happened and the federal funds rate was reduced by 0.5 percentage points to 4.75% on 18 September 2007. The appreciation of the euro continued also in the following months. It was driven by fears that the crisis in the US real estate market could have a larger impact onto the whole economy of the United States and by further reduction of the federal funds rate at the end of October (by 0.25 of a percentage point to 4.50%). In November, an additional factor started to influence the development, namely the growing prices of crude oil in the world markets.

After two increases of its key interest rates in March and June (each time by 0.25 of a percentage point), the European Central Bank did not make any further changes in the following months. The rate for main refinancing operations thus remained at 4.0% in December. In its statements, however, the ECB stressed the upside risks to price stability. After inflation started to increase, owing to growing crude oil and food prices, the ECB stated that the monetary policy was prepared to respond to inflation risks. Elimination of the secondary effects of price growth is considered to be the bank's most important task. The current higher inflation rate should be prevented from spilling over to wages and pricing and accelerated price growth should be only temporary.

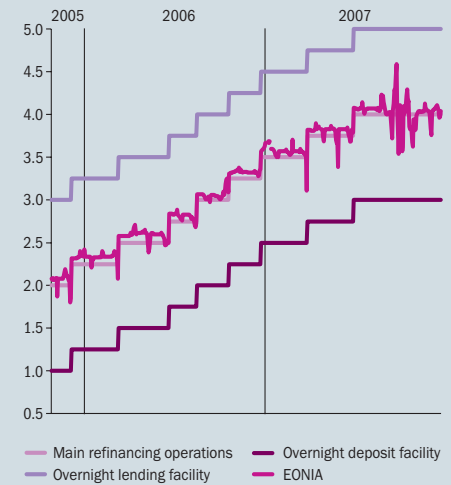


Chart 8 USD/EUR Exchange Rates



Source: ECB.

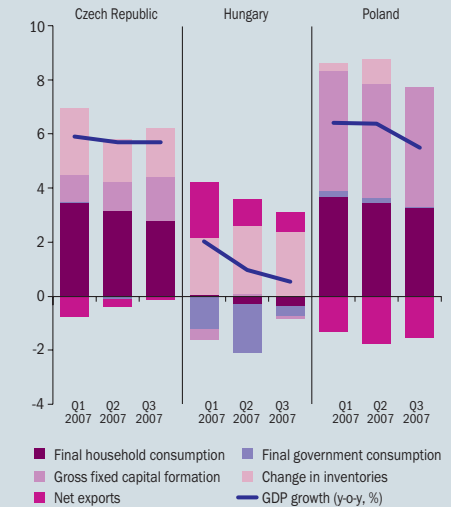
Chart 9 ECB Interest Rates and the EONIA (%)



Source: ECB.

In its monetary policy decisions, the ECB took into account the unstable situation in the financial markets, caused by the mortgage crisis in the United States. Reassessment of risks led to a shortage of liquidity and increased volatility of the money market. The ECB paid increased attention to the stabilisation of the money market and its recovery. In August and September, it carried out two supplementary long-term refinancing operations with a volume of EUR 40 billion and EUR 75 million, respectively, with three month maturity. At the beginning of November, the ECB announced, that these refinancing operations would continue (23 November and 12 December) to further stabilise the money market. In both cases, the pre-announced refinancing volume was EUR 60 billion. In its monetary policy statements, the ECB stated that the process of reassessment of risks had not been completed yet and that it was not certain, what impact it would have on the real economy. Risks to the outlook for growth are considered to be rather on the downside.

Chart 10 Contributions to GDP Growth (p.p.)

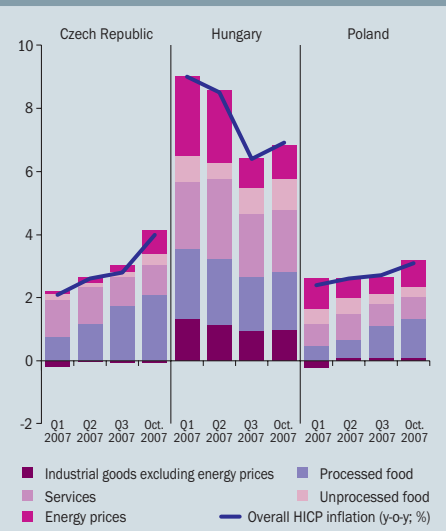


Sources: Eurostat, national statistical offices, NBS calculations.

Development in V4 countries

In the third quarter, the growth of the Polish and Hungarian economy slowed down. The Czech Republic preserved the pace of its economic growth from the previous quarter at 6.0%. In Hungary, economic growth slowed down by 0.4 percentage points to 1.2%; the Polish economy even saw a slowdown by 0.8 percentage points to 5.8%. Economic growth in the Czech Republic and Poland continued to be robust, driven mostly by domestic demand. It was characterised by relatively dynamic gross capital formation, reaching approximately 23% in Poland and more than 9% in the Czech Republic. The growth in domestic demand was influenced by private consumption. Even though private consumption grew slower than in the previous quarter, the pace of its growth was still relatively high (5.2% in Poland and 5.6% in the Czech Republic). While net exports had a neutral effect on the Czech economy, they dampened economic activity in Poland. In Hungary, on the other hand, net exports were an important growth factor, even though its impact on the economic growth was lower than in the previous quarter. Growing investment demand was also driven by changes in inventories. The other components of the domestic demand dampened the economic growth. Differently from the other countries in the region, private consumption decreased and so did fixed capital formation.

**Chart 11 Contributions to HICP Inflation (p.p.)**



Sources: Eurostat, NBS calculations.  
Note: Data refers to the last month in the quarter.

**Chart 12 Exchange Rates of V4 Currencies against the Euro (year-on-year changes in %)**



Sources: Eurostat, NBS calculations.  
Note: Negative values denote appreciation.

**Chart 13 Exchange Rate Indices of V4 Currencies against the Euro (29. December 2006 = 100)**



Sources: Eurostat, NBS calculations.  
Note: Decline in values denotes appreciation.

In the first two months of the third quarter, inflation was decreasing or stagnant in all economies of the region. In September, however, price growth started to accelerate (with the exception of Hungary) and this development was even stronger in October. At the end of the third quarter, inflation increased in the Czech Republic and Poland (compared with June, by 0.2 percentage points and 0.1 percentage points, respectively) to 2.8% and 2.7%, respectively. The moderately accelerated price growth in these countries was influenced by the higher contribution of processed food prices and, in the Czech Republic, by growing energy prices. In Hungary, on the other hand, the annual rate of inflation decreased by 2.1 percentage points over the same period, mainly due to much lower contribution of the prices of energy (and partly also of services and processed food). At the end of the quarter, the rate stood at 6.4%. In October, price development accelerated in all countries. The annual rate of inflation increased most in the Czech Republic (by 1.2 percentage points to 4.0%). Higher growth figures were also recorded by Hungary (increase of 0.5 percentage points to 6.9%) and Poland (increase of 0.4 percentage points to 3.1%). The accelerated price growth in October was influenced by fast growth in the prices of

energy and both processed and unprocessed food.

The crisis in the financial markets spilled over to V4 countries through the development of exchange rates of their currencies. Risk aversion emerged among investors, and they closed many risk positions. This led to a slower annual appreciation of the currencies of V4 countries (except for the Czech Republic).

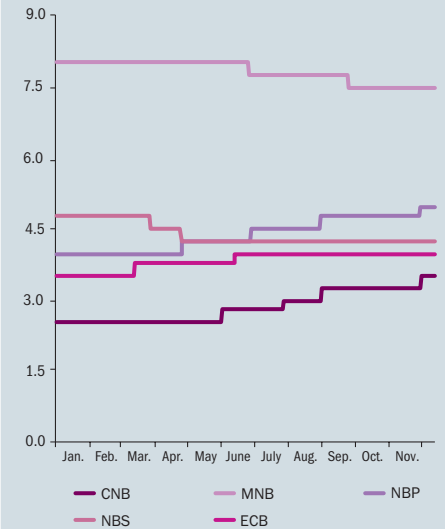
The Polish zloty and the Hungarian forint continued to appreciate at the beginning of the quarter. After the outbreak of the crisis in the financial markets, this trend was reversed. The Hungarian forint suffered the largest losses, due to the relatively weak fundamentals of the domestic economy. After the situation in the financial markets calmed down, the Polish zloty returned to the moderate trend of appreciation. The Hungarian forint, on the other hand, was losing value till the end of November.



The Czech koruna was the only exception. Similarly to previous quarters, its development differed much from that of the other currencies in the region. It remained on the appreciation curve throughout the third quarter, which was related to its use as the financing currency in the so-called “carry trade” deals.

In the third quarter and the following months, till the end of November, the central banks of the neighbouring countries (with the exception of Hungary) increased its interest rates. The CNB increased its base rate in its two meetings on 26 July and 30 August by 50 basis points in total to 3.25%. At the end of November, it decided to increase the rates by additional 25 basis points to 3.50%. The reason for these increases was the fears of inflation pressures. The NBP increased its interest rate by 25 basis points to 4.75% on 30 August, as a response to the concerns about wage growth and inflation pressures. The NBP increased the interest rates by additional 25 basis points (to 5.00%) on 29 November. The development was different in Hungary. The MNB decided, on 24 September, to reduce its rates by 25 basis points to 7.50%. The reason for this reduction was slower economic growth.

Chart 14 Key NCB Interest Rates in the V4-countries (%)



Sources: National central banks, ECB.

### 3 Inflation

#### 3.1 Consumer Price Index

##### HICP Inflation in November 2007

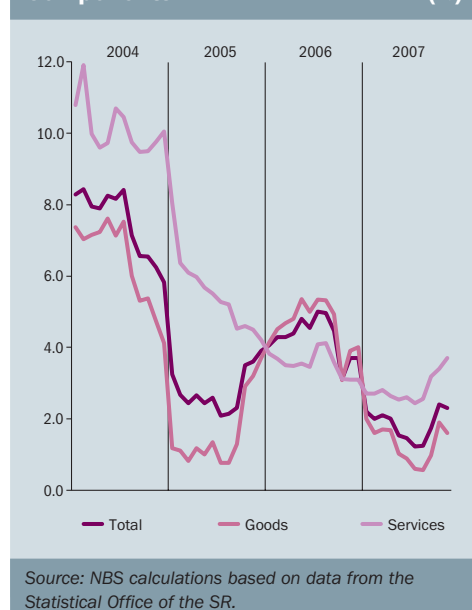
Consumer prices, as measured by HICP, increased month-on-month by 0.4% in November, with the prices of goods and services growing at 0.4% and 0.3%, respectively. On a year-on-year basis, consumer prices rose 2.3% (2.4% in October). The annual rate of overall inflation, excluding energy and unprocessed food prices (core inflation) reached 2.6% (2.2% in October). The average inflation rate since the beginning of the year was 1.8%. The average 12-month inflation rate from December 2006 till November 2007 stood at 2.0%. November's inflation measured by harmonised consumer price index was higher than expected by NBS, mainly due to a higher than expected growth in food prices.

**Harmonised index of consumer prices**

Table 1 Harmonised Index of Consumer Prices	(year-on-year changes in %)					
	2007					
	June	July	Aug.	Sep.	Oct.	Nov.
<b>Total</b>	1.5	1.2	1.2	1.7	2.4	2.3
<b>Goods</b>	0.9	0.6	0.6	1.0	1.9	1.6
Industrial goods	-0.1	-0.5	-0.7	-0.1	0.2	-0.4
Non-energy industrial goods	-1.1	-1.6	-1.7	-1.4	-1.4	-1.3
Energy	1.2	0.9	0.8	1.8	2.1	0.8
Foodstuffs	2.8	2.8	2.9	3.0	5.4	5.5
Processed food (including alcohol and tobacco)	4.5	4.6	4.1	3.8	5.6	6.5
Unprocessed food	-0.1	-0.5	0.5	1.3	4.8	3.3
<b>Services</b>	2.6	2.4	2.6	3.2	3.4	3.7
<b>Total, excluding unprocessed food and energy (core inflation)</b>	1.7	1.5	1.4	1.8	2.2	2.6
<b>Total, excluding energy</b>	1.5	1.3	1.3	1.7	2.5	2.6

Source: NBS calculations based on data from the Statistical Office of the SR.

**Chart 15 HICP Inflation and Its Main Components (%)**



Source: NBS calculations based on data from the Statistical Office of the SR.

Looking at the basic structure of inflation, the prices of goods were growing at a slower pace. Services prices, on the other hand, were growing faster.

**Slower annual growth in goods prices**

In goods prices, the annual growth in the prices of industrial goods slowed down. Food prices, on the other hand, were growing at a faster pace year-on-year. Development of industrial goods prices was influenced by the slower annual growth in energy prices (base effect of price increase of natural gas in the same period last year). The prices of fuels, on the other hand, accelerated their growth. The year-on-year rate of decline in industrial goods prices (excluding energy) decreased moderately. The annual growth in food prices accelerated, driven by the soaring prices of processed food (bread, flour and flour products, milk and butter). The rate of growth in the prices of unprocessed food, on the other hand, decreased (slower growth in the prices of meat, fruits and vegetables).

The year-on-year rate of increase in services prices accelerated moderately, with transport-related services, financial services (bank fees for account keeping and cash withdrawals from cash dispensers), leisure (guided tours) and personal services (cleaning and repairs of

clothing) recording a higher year-on-year growth, compared with the previous month. Influenced by the growth in food prices, the prices of restaurant services increased as well (secondary effect).



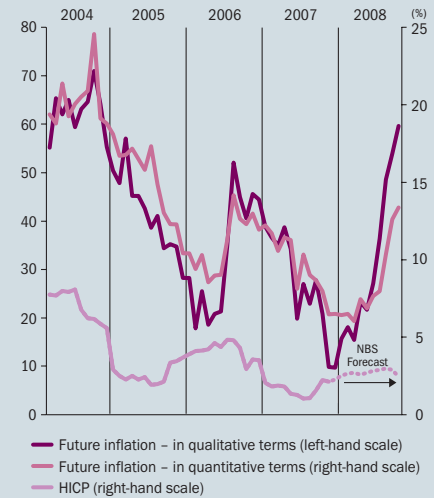
**Expectations for the next month** The year-on-year rate of headline inflation is expected to go up in December, compared with November 2007, mainly as a result of the faster annual growth in fuel prices. The prices of food and services are expected to grow annually at a higher pace.

**Consumer expectations concerning inflation** Consumers estimated the current level of inflation at 11.72% (10.17% in the previous month). In their answers to the question about the expected inflation in the coming 12 months, the respondents stated higher values, with the average of 13.38% (12.62% in the previous month).

**CPI Inflation**

**Consumer Price Index** In November 2007, consumer prices rose month-on-month by 0.5%, much faster than expected by NBS (surpassing the expectations by 0.24 of a percentage point). This is attributable particularly to the dynamic growth in the prices of food and market services. The growth in regulated prices was slightly faster than expected by NBS. Concerning regulated prices, price growth was recorded in health care and school boarding. Looking at the basic structure of inflation, core inflation increased more than expected, compared with the previous month. Core inflation was driven mainly by the growth in processed and unprocessed food prices (prices of bread and bakery products, milk and dairy products, fats and oils and vegetables growing most notably). The prices of market services grew faster than

**Chart 16 HICP Compared with the Views of Respondents on Inflation**



Source: Statistical Office of the SR, Consumer Barometer.  
 Note: The qualitative assessment of the future course of inflation is based on answers to the query whether consumer prices in the next 12 months will increase at a faster, slower, or unchanged rate, or will remain at the current level. Quantitative assessment means that those who say that consumer prices will increase in the next 12 months at a faster, unchanged, or slower rate than today, are asked in the next part of the question to specify the rate of acceleration or slowdown.

**Table 2 Consumer Price Developments in November 2007**

	Change versus		HICP in the structure of CPI	
	Oct. 2007	Nov. 2006	Oct. 2007	Nov. 2006
<b>Total in %</b>	0.5	3.1	0.4	2.3
<b>Regulated prices in %</b>	0.1	0.9	0.1	1.1
Share of total, in percentage points <sup>1)</sup>	0.02	-	0.02	-
<b>Impact of changes in indirect taxes on non-regulated prices – Share of total, in percentage points<sup>1)</sup></b>	0.00	-	0.00	-
<b>Core inflation in %</b>	0.6	3.8	0.5	2.8
Share of total, in percentage points <sup>1)</sup>	0.44	-	0.38	-
of which: Food prices in %	1.3	7.4	1.3	7.0
Share of total, in percentage points <sup>1)</sup>	0.19	-	0.20	-
Tradable goods in % <sup>1)</sup>	0.2	0.3	0.2	0.6
Share of total, in percentage points <sup>1)</sup>	0.07	-	0.08	-
Tradable goods excluding fuels, in % <sup>1)</sup>	0.1	-0.2	0.1	0.2
Share of total, in percentage points <sup>1)</sup>	0.02	-	0.03	-
Fuels in % <sup>1)</sup>	1.5	4.4	1.5	4.4
Share of total, in percentage points <sup>1)</sup>	0.05	-	0.05	-
Market services in % <sup>1)</sup>	0.6	6.4	0.5	3.3
Share of total, in percentage points <sup>1)</sup>	0.17	-	0.11	-
<b>Net inflation (excluding the impact of changes in indirect taxes) in %</b>	0.5	3.8	0.3	1.6
Share of total, in percentage points <sup>1)</sup>	0.25	-	0.18	-
<b>Net inflation, excluding fuel prices (excluding the impact of changes in indirect taxes) in %<sup>4)</sup></b>	0.6	3.8	0.3	1.5
Share of total, in percentage points <sup>1)</sup>	0.19	-	0.14	-

Source: Statistical Office of the SR.

Notes: Net inflation – includes prices increases in the categories 'tradable goods excluding food' and 'market services'.

The rounding of the values of year-on-year and month-on-month price dynamics to one decimal place and the values of their contributions to the overall inflation rate to two decimal places may lead to a situation where, in the event of price stagnation, the contributions of prices are not equal to zero. In reality, the prices do change, but the changes are so small that they cannot be noticed if the figures are rounded to one decimal place; if, however, the price contributions are rounded to two decimal places, even a small change is apparent.

<sup>1)</sup> NBS calculations based on data from the Statistical Office of the SR.





expected due to increasing bank charges. The prices of tradable goods (excluding fuels) grew slightly faster and the prices of fuels slightly slower than expected. The annual growth in consumer prices slowed to 3.1% (3.3% in October), due to the base effect of high increase of regulated prices in November 2006. Core inflation reached 3.8% (3.6% one month ago). The average year-on-year inflation from December 2006 till November 2007 stood at 2.8%. The year-on-year inflation rate for the period since the beginning of the year reached an average of 2.7%.

### 3.2 Producer Prices in October 2007

Industrial producer prices for the domestic market increased month-on-month by an average of 0.3% in October, as a result of price growth in industrial products (by 0.4%) and energy (by 0.3%). The prices of mineral raw materials went down by 0.6%.

**Month-on-month increase in industrial producer prices for the domestic market...**

	Month-on-month change		Year-on-year change			
	Sep.	Oct.	Oct.	Sep.	Oct.	Average since the
	2007	2007	2006	2007	2007	beginning of 2007
Industrial producer prices (for the domestic market)	0.5	0.3	7.0	1.6	1.8	2.1
– Prices of manufacturing products	0.6	0.4	0.8	-0.1	0.8	0.0
– Prices of mining and quarrying products	1.1	-0.6	46.7	-4.3	-4.8	-3.2
– Prices of electricity, gas, steam, and hot water	0.2	0.3	12.7	4.1	3.5	4.8
Industrial producer prices (for export)	0.5	0.1	-1.7	-5.5	-3.8	-4.7
– Prices of manufacturing products	0.7	-0.1	-1.8	-4.8	-3.1	-4.2
Construction prices	0.4	0.1	4.0	3.6	3.4	3.9
Building materials prices	1.2	-0.5	5.2	7.2	5.5	5.7
Agricultural prices	-	-	1.5	11.0	13.7	4.7
– Prices of plant products	-	-	5.1	30.6	33.3	24.9
– Prices of animal products	-	-	-0.7	-1.2	-0.2	-2.5

Source: Statistical Office of the SR.

The year-on-year rate of growth in industrial producer prices for the domestic market reached 1.8% in October, which was 0.2 of a percentage more than in September. This was the result of a faster growth in the prices of industrial product (by 0.9 percentage points to 0.8%). The growth in energy prices slowed down (by 0.6 of a percentage point to 3.5%) and the decline in the prices of mineral raw material accelerated (by 0.5 of a percentage point to 4.8%).

**... accompanied by faster growth**

Faster year-on-year growth in industrial producer prices in October was driven mostly by the growing prices of food (3.8%), other non-metal mineral products (6.3%) and, for the first time after a year, by growing refined oil products (2.7%). On the other hand, the prices of transport equipment (-2.9%), other industrial products (-6.8%) and electrical and optical devices (-1.5%), dampened price growth.

Slower year-on-year growth in energy prices in October was the result of slower growth in the prices of electricity generation and distribution (9.1%, down by 0.8 of a percentage point) and steam and hot water supply (3.6%, down by 3.3 percentage points). The decline in the prices of gas production and transport of gaseous fuels via pipelines slowed (by 0.3 of a percentage point to 5.4%) and so did the prices of water treatment and distribution (by 0.2 of a percentage point to 1.2%).

Among food products, the largest increase in October was reported in the prices of industrial fodder (11.2%). The prices of animal and plant fats and oils (7.5%), flour products (9.9%) and dairy products (7.4%) also grew at a faster rate. The growth in the prices of beverages (2.1%) slowed down slightly and the prices of meat and meat products even went down (-0.9%).

The export prices of manufacturing products, which are mostly determined by industrial producer prices for export, dropped month-on-month by 0.1% in October. As a result, the annual rate of their decrease compared with September went down by 1.7 percentage point to 3.1%.

**Industrial producer prices for export**



The year-on-year fall in industrial producer prices for export in October was mainly caused by drops in the export prices of transport equipment (-8.2%), base metals and finished metal products (-3.2%), electrical and optical devices (-1.3%), chemical products (-4.7%) and plant and machinery (-2.8%). Price growth on a year-on-year basis was driven by export prices for food products (4.9%), refined oil products (2.0%), paper products (0.7%), and rubber and plastic products (0.2%).

**Agricultural prices** The prices of agricultural products rose by a total of 13.7% in October, driven by an increase of the prices of plant products by 33.3%. The prices of animal products went down by 0.2%.

The steep growth in plant product prices was mostly driven by higher prices of oil seeds by 59.3% (sunflower by as much as 65.5%) and cereals by 46.6% (corn by 53.4%, wheat by 42.6%, rye by 41.9%, barley by 41.5% and oat by 30.1%). The prices of fruits and vegetables and of pulses increased by 3.4% and 3.7%, respectively. The prices of tobacco, sugar beet and potatoes went down by 7.5%, 7.0% and 2.0%, respectively.

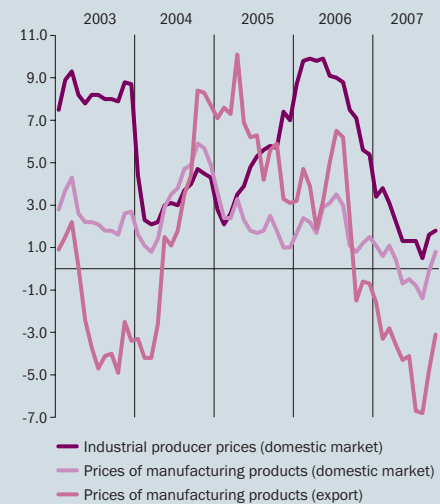
The decrease in the prices of animal products can be attributed to lower prices of pigs by 12.7% and cattle (including calves) by 2.4%. The prices of poultry went up by 8.8% (chicken by 12.1%), eggs by 8.0% and raw cows' milk by 3.0%.

From the beginning of the year, agricultural prices increased by an average of 4.7%, with the prices of plant products growing by 24.9% and those of animal products declining by 2.5%.

In November 2007, industrial producer prices should be influenced by the growing prices of crude oil in the world markets. The continuing year-on-year appreciation of the Slovak koruna still has a dampening effect on industrial producer prices. Owing to these cost factors, the rate of year-on-year growth in industrial producer prices is expected to stagnate or accelerate moderately in November, compared to October.

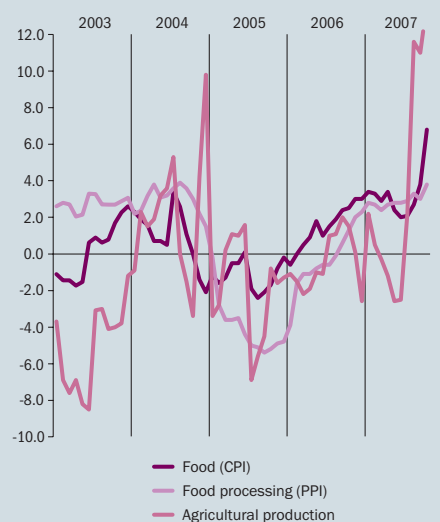
According to latest agrarian market news, the supply of cereals from producers is low and the purchase prices are expected to grow further. The prices of sunflower also increased, owing to the forecasted shortfall in production of as much as 40%, compared with the previous year (smaller acreage and smaller harvest). As to animal products, pork prices are expected to fall even deeper, accompanied by a moderate decrease in the prices of cattle. The purchase price of raw cows' milk is on an upward trend. Overall, the prices of agricultural products are expected to rise in November.

**Chart 17 Developments in Industrial Producer Prices and Manufacturing Products Prices**  
(year-on-year changes in %)



Source: Statistical Office of the SR.

**Chart 18 Developments in Food Prices in Primary Production, Processing, and Consumption**  
(year-on-year changes in %)



Source: Statistical Office of the SR.



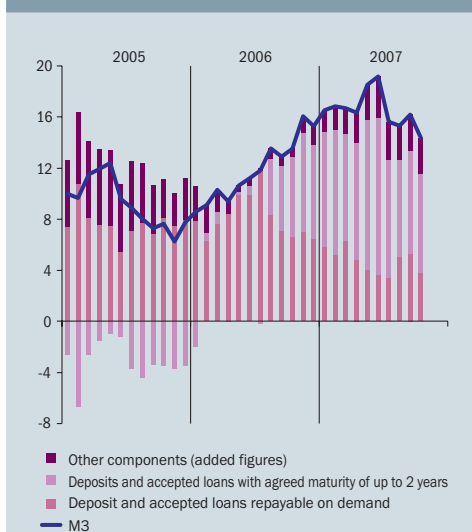
## 4 Factors Influencing Development of Inflation

### 4.1 Monetary Aggregates

M3 monetary aggregate (according to ECB methodology) increased to SKK 1,039.6 billion in October, which was by just SKK 0.2 billion more than in September. This resulted into a significantly slower growth of M3<sup>2</sup> aggregate (growth rate 14.4%, change by 1.8 percentage point). The rate of M3 growth thus came close to the level of October last year (13.5%).

#### Slowdown in M3 growth

**Chart 19 Largest Contributions by M3 Components to Year-on-year Dynamics of M3 (p.p.)**



Sources: Statistical Office of the AR and NBS calculation based on data provided by SASS – Slovak Association of Asset Management Companies.

Several increases of interest rates by NBS last year (by 1.75% in total) significantly influenced the time structure of deposits. As a result, the volume of term deposits increased and sight deposits were partly rerouted to term deposits. As can be seen in the chart, the gradual decrease of the share of deposits redeemable on demand and the increasing share of term deposits with an agreed maturity of up to 2 years started in August 2006.

#### Main M3 Components

The development in October did not confirm the reversal of the medium-term decreasing trend in the year-on-year rate of growth of M1 monetary aggregate. Both M1 components developed in the same way, compared with the previous month. Deposits and received loans redeemable on demand went down by SKK 13.8 billion; currency in circulation, on the other hand, decreased by just SKK 0.1 billion. This led to a significant decrease in the rate of growth of deposits redeemable on demand and of the M1 monetary aggregate (by 3.3 and 2.5 percentage points, respectively).

#### Decrease in deposits and received loans redeemable on demand and increase in deposits and received loans with agreed maturity of up to 2 years

In other short term deposits, deposits and loans received with an agreed maturity of up to 2 years

**Table 4 Comparison of Month-on-month Developments in Monetary Aggregates (ECB methodology)**

	Volume (in billions of SKK) <sup>1)</sup>			Year-on-year change (in %) <sup>2)</sup>	
	Oct. 2006	Sep. 2007	Oct. 2007	Sep. 2007	Oct. 2007
Currency in circulation	126.1	137.7	137.6	8.9	9.1
Deposits and received loans repayable on demand	385.7	435.0	421.2	12.4	9.0
<b>M1</b>	511.8	572.7	558.8	11.5	9.1
Deposits and loans received with an agreed maturity of up to 2 years	338.8	396.5	408.9	22.0	20.7
Deposits redeemable at a period of notice of up to 3 months	12.1	9.8	9.7	-21.2	-19.8
<b>M2</b>	862.7	979.1	977.4	15.0	13.2
Money market fund shares/units	41.1	53.6	55.5	38.2	34.9
Repo operations	0.0	0.0	0.0	-	-
Debt securities issued with a maturity of up to 2 years	4.7	6.8	6.7	43.3	44.6
<b>M3</b>	908.6	1 039.4	1 039.6	16.2	14.4

Source: NBS.

Note: Differences in the sums are due to rounding. The missing figures have been excluded because of the high values of year-on-year changes, resulting from the relatively small volumes of the given indicators.

<sup>1)</sup> Volume as at the last day of the given month.

<sup>2)</sup> Year-on-changes are calculated on the basis of chain indices; index reference period is January 2005.

<sup>2</sup> The year-on-year growth rate of monetary aggregates and their counterparts are calculated from end-of-month data, including non-transaction operations, which comprise all movements in the balance-sheet items, resulting from changes in the valuation of tradable instruments, the depreciation/write-off of loans, exchange rate differentials, reclassification, and other changes.



increased most significantly (by SKK 12.3 billion). Deposits redeemable at a period of notice of up to 3 months, on the other hand, continued to decline moderately, though their rate of decline weakened somewhat. This development was reflected in the lower rate of growth in M2 monetary aggregate (by 1.8 percentage point).

From the marketable instruments, money market fund shares/units were the only ones to rise (by SKK 1.9 billion). Repo operations did not change and debt securities issued with a maturity of up to 2 years recorded a moderate decline.

### Main M3 Counterparts

#### Slower growth in MFI receivables from residents (including securities)

October's development of M3 aggregate was influenced particularly by MFI receivables from residents (including securities issued by clients and held by MFIs), which increased by SKK 24.3 billion over the previous month. The rate of their year-on-year growth decreased, however, to 16.2% (decrease of 1.2 percentage point). While the rate of growth in receivables from the general government continued to increase (to reach 2.6%), the rate of growth in receivables from the private sector went down notably (by 2.6 percentage points to 21.6%).

The high growth in MFI receivables was partly offset by a decline in net foreign assets by SKK 13.7 million, caused particularly by higher foreign liabilities.

Deposits and loans received from the central government (including deposits held at the SR Treasury) increased by SKK 6.5 billion, bringing the rate of their year-on-year change to positive figures again.

**Table 5 Main M3 Counterparts (ECB methodology)**

	Volume (in billions of SKK) <sup>1)</sup>			Year-on-year changes (in %) <sup>2)</sup>	
	Oct. 2006	Sep. 2007	Oct. 2007	Sep. 2007	Oct. 2007
Net foreign assets	284.0	284.4	270.7	-5.7	-7.0
Foreign assets	492.4	551.4	554.8	6.5	11.3
Foreign liabilities	208.4	267.0	284.1	23.3	36.3
MFI receivables from residents (including securities)	878.9	988.6	1 012.8	17.4	16.2
Receivables from general government	251.6	253.1	257.6	1.2	2.6
Receivables from the private sector	627.3	735.5	755.2	24.2	21.6
Deposits and loans received from central government	88.8	74.8	82.4	1.1	6.7
Long-term financial liabilities (excluding capital and reserves)	115.0	132.5	134.9	17.0	17.4
Deposits and loans taken with an agreed maturity of over 2 years	62.6	70.2	70.2	12.5	12.0
Deposits redeemable at notice of over 3 months	24.7	23.4	23.3	-6.6	-5.7
Debt securities issued with a maturity of over 2 years	27.6	39.0	41.5	50.6	50.4
Other items net	50.6	26.2	26.6	-43.8	-44.3
Capital, reserves, and provisions	67.3	36.6	33.7	-100.3	-100.3
Other liabilities	64.7	77.4	84.9	213.3	184.9
Surplus of liabilities among MFIs	-0.1	-0.1	0.0	-27.9	-50.2
Fixed assets	32.7	32.1	32.0	-2.0	-2.0
Other assets	48.7	55.7	59.9	-92.7	-93.1
<b>M3</b>	<b>908.6</b>	<b>1 039.4</b>	<b>1 039.6</b>	<b>16.2</b>	<b>14.4</b>

Source: NBS.

Note: Differences in the sums are due to rounding. The missing figures have been excluded because of the high values of year-on-year changes resulting from the relatively small volumes of the given indicators.

<sup>1)</sup> Volume as at the last day of the given month.

<sup>2)</sup> Year-on-changes are calculated on the basis of chain indices; index reference period is January 2005.

The downward trend in the growth of loans to households was interrupted in October. Their annual rate of growth accelerated moderately to 28.1%. Their volume increased by SKK 7.1 billion over the previous month. Looking at the purpose of loans, the highest increase was recorded in house purchase loans. The volume of consumer and other loans increased by SKK 2.3 billion and this increase was slightly higher than in the previous month.

Table 6 MFI Receivables from the Resident Private Sector

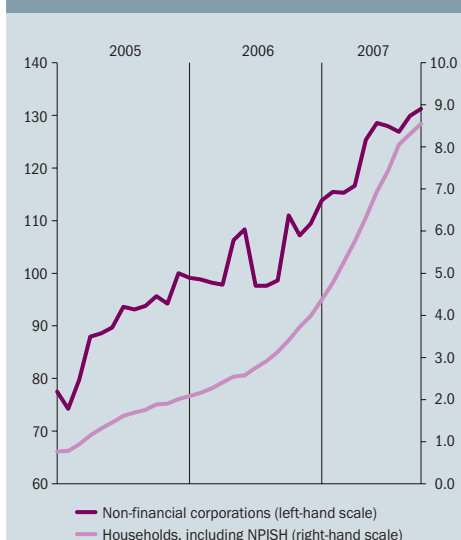
	Volume <sup>1)</sup> (SKK billions)			Year-on-year change <sup>2)</sup> (in %)					Cumulative change since beginning of year (SKK billions)	
	Oct. 2006	Sep. 2007	Oct. 2007	2006 Q4	2007 Q1	2007 Q2	2007 Q3	Oct. 2007	Oct. 2006	Oct. 2007
	MFI receivables from the private sector (incl. securities) – of which: securities issued by the private sector <sup>2)</sup>	627.3	735.5	755.2	23.6	21.9	20.7	24.2	21.6	105.5
MFI receivables (excluding securities)	613.0	721.2	740.9	24.7	22.6	21.4	24.8	22.1	105.6	113.6
Non-financial corporations	323.5	374.5	385.1	21.5	19.5	20.6	26.9	20.8	52.1	58.7
– up to 1 year	137.1	160.8	165.2	16.9	23.7	20.2	28.7	24.3	19.7	30.2
– 1 to 5 years	64.0	72.4	74.8	23.9	17.6	20.0	30.2	17.8	12.0	10.8
– over 5 years	122.4	141.3	145.1	25.5	15.8	21.4	23.4	18.6	20.3	17.7
Financial corporations	60.6	62.6	64.5	14.5	9.4	-0.2	3.4	6.4	5.6	1.6
Insurance corporations and pension funds	0.0	0.0	0.0	-	-	-	-	-	0.0	0.0
Households and non-profit institutions serving households	228.8	284.1	291.2	32.5	31.2	28.8	27.9	28.1	47.8	53.4
– consumer loans	35.1	39.9	40.5	48.8	24.7	20.0	18.8	17.9	10.3	4.6
– housing loans	149.2	189.8	194.7	32.1	31.5	30.9	30.3	30.7	30.3	37.8
– other loans	44.5	54.4	56.1	22.8	35.9	28.8	26.7	27.2	7.2	10.9

Source: NBS.

Note: Differences in the sums are due to rounding. The missing data were omitted due to a high year-on-year dynamics, resulting from relatively low levels of given measures.

<sup>1)</sup> Figures refer to the last day of the given period.<sup>2)</sup> Securities issued by the private sector, including NBS receivables.<sup>3)</sup> Year-on-changes are calculated on the basis of chain indices; index reference period is January 2005.

Chart 20 Lending in Foreign Currency (SKK billions)



Source: NBS.

Note: NPISH – non-profit institutions serving households.

Long-term financial liabilities (excluding capital, reserves and provisions) went up by SKK 2.4 billion over the previous year, with their year-on-year growth rate at 17.4%. Looking at the structure of long-term financial liabilities, an increase was recorded particularly in debt securities issued with a maturity of over 2 years (by SKK 2.5 billions). Other items (deposits and loans received with an agreed maturity of over 2 years and deposits redeemable at a period of notice of over 3 months), on the other hand, recorded a moderate decline.

#### Structure of MFI Receivables from the Private Sector (excluding securities and NBS receivables)

The rate of growth in MFI receivables from the private sector decreased in October. The main cause was slower annual growth in loans to non-financial corporations. The growth rate of MFI receivables from households, on the other hand, accelerated moderately in October.

**Moderation in the growth rate of loans to non-financial institutions. Faster growth in loans to households**

The annual growth in MFI receivables from non-financial corporations slowed down in October. This was caused mainly by the base effect related to the significant increase in loans to non-financial corporations in

October last year (month-on-month increase of SKK 22.6 billion in October 2006). Compared with the previous month, the volume of loans increased by SKK 10.3 billion in October. Broken down by the term of the loan, all types of loans increased. The highest increase over the previous month was recorded in short-term loans of up to 1 year (by SKK 4.4 billion).



The month-on-month increase in the volume of foreign currency loans went down to SKK 2.0 billion in October. The increase in MFI receivables from non-financial corporations in euro by SKK 1.7 billion was partly offset by a decrease in the amount of receivables in other foreign currencies of SKK 0.3 billion. Loans to households in foreign currencies recorded almost the same monthly increase as in the previous month. Euro-denominated receivables still constitute the largest part of MFI receivables in foreign currencies in all sectors.

**Investment through Open-End Investment Funds (OIFs)**

**Inflow of funds into open-end investment funds**

In November, money was pouring into money market open-end mutual funds, as the turbulences in global stock markets undermined the credibility of the other funds. The net value of OIF assets denominated in SKK decreased again and reached SKK 128.3 billion, with monthly net sales of OIFs reaching SKK 1.5 billion. Negative net sales of OIFs denominated in foreign currencies amounted to SKK 0.3 billion.

**Table 7 Net Sales of Open-end Investment Funds**  
(month-on-month changes in SKK billions)

	Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Cumulative
OIF sales in Slovak koruna	2006	1.3	-0.4	0.7	-1.8	-0.1	-0.3	-0.6	-1.7	-0.8	1.2	2.5	1.1	1.3
	2007	3.7	1.0	0.8	1.4	2.0	2.1	2.2	2.0	1.1	0.7	1.5	.	18.6
OIF sales in foreign currency	2006	0.4	0.8	0.4	0.2	0.0	-0.1	0.6	-0.2	0.3	0.0	0.0	0.3	2.8
	2007	0.2	-0.7	0.0	0.2	-0.1	0.0	-0.1	0.2	0.2	0.0	-0.3	.	-0.6

Source: NBS calculations based on data from the Slovak Association of Asset Management Companies (SASS).

The highest monthly net sales were reported by money market funds (SKK 1.8 billion). Mixed funds, funds of funds, other / secured funds and special real estate funds also reported slightly positive net sales (of SKK 0.6 billion in total). Negative net sales were reported by equity funds and bond funds (-SKK 1.1 billion in total). The net sales of OIFs of all types in the Slovak Republic, denominated in SKK and foreign currencies totalled SKK 1.3 billion.

**Current Budgetary Developments**

On 31 November 2007, the state budget recorded a surplus of SKK 5.4 billion, which represented a deterioration in budgetary performance of SKK 1.5 billion, compared with October. Total revenues amounted to SKK 290.3 billion; total expenditures reached SKK 284.9 billion.

**4.2 The External Sector**

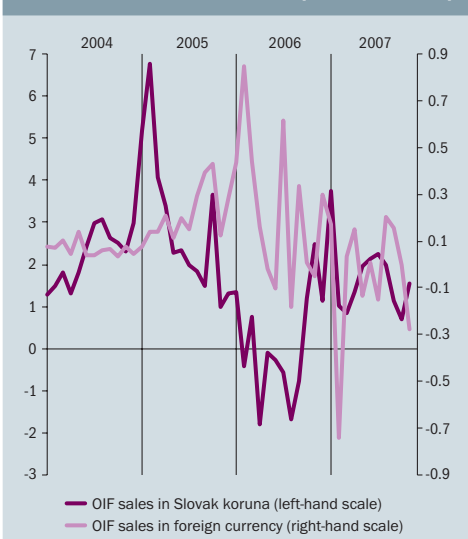
**Balance of Payments for September 2007, and for January till September 2007**

**Current account**

The deficit of the balance of payments' current account decreased in September, compared with the previous month, mainly due to the improved foreign trade balance. The balance of current transfers and the balance of income also developed better than in the previous month. On the services balance, on the other hand, a moderate deficit was recorded (after a surplus last month) and the services balance thus partly offset the decrease of current account deficit.

In the first nine months of 2007, the payment balance current account deficit decreased by SKK 29.9 billion, compared with the previous year. This decrease is attributable mainly to the improved trade balance. A moderate decrease of the deficit was recorded on the balance of income. The decrease of the current account deficit, on the other hand, was negatively influenced by the increasing deficit of the current transfers balance and the lower services balance surplus.

**Chart 21 Monthly Net Sales of OIFs in Slovakia**  
(SKK billions)



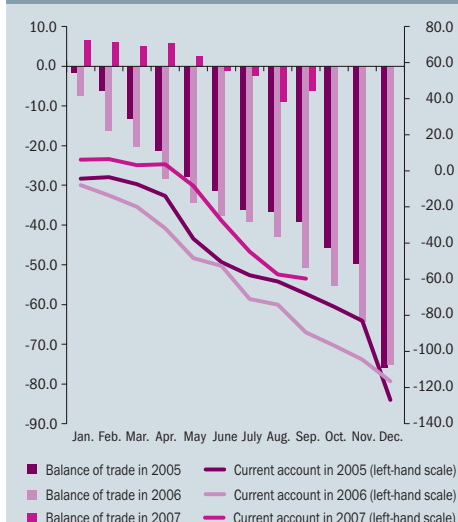
Source: NBS calculations based on data from the Slovak Association of Asset Management Companies (SASS).

**Table 8 Balance of Payments Current Account**

(SKK billions)

	September		January – September	
	2007	2006	2007	2006
Balance of trade	2.6	-8.0	-6.3	-50.9
Exports	122.8	114.5	1,028.1	886.7
Imports	120.2	122.5	1,034.4	937.6
Balance of services	-0.3	4.3	11.3	15.5
Balance of income	-3.7	-7.9	-52.9	-53.6
of which: income from investment	-6.6	-10.5	-78.7	-76.0
of which: reinvested earnings	-2.4	-1.9	-18.6	-20.1
Current transfers	-0.7	-2.1	-11.7	-0.5
Current account in total	-2.1	-13.7	-59.6	-89.5
Share of the current account balance in GDP (%)	-	-	-4.4	-7.4
Share of the current account balance (excl. dividends and reinvested profits) in GDP (%)	-	-	0.8	-1.4

Sources: NBS and the Statistical Office of the SR.

**Chart 22 Balance of Trade and the Current Account in 2005, 2006 and 2007 (cumulative figures; SKK billion)**


Sources: NBS and the Statistical Office of the SR.

Compared with the same period of 2006, exports increased by 15.9% (in USD by 39.2%, in EUR by 28.8%) in the first nine months of 2007. Imports increased by 10.3% (in USD by 32.4% and in EUR by 22.6%).

Compared with the same period of the previous year, exports of machinery and transport equipment recorded the highest increase in the first nine months of 2007. The increase of exports in this category was the only one that was higher than the increase reported last year. Within the 'machinery and transport equipment' category, more than 60% of the year-on-year growth in exports was caused by the sub-category of transport equipment (growing exports of passenger cars and components). In the 'machinery' sub-category, exports of TV sets and, to a smaller extent, printing machines, boilers, etc. grew at the highest pace. In addition to the 'machinery and transport equipment' category, chemical products and semi-finished products also reported growth, with strong demand in the world markets for both semi-finished products (steel and iron and products of steel and iron, copper and paper) and chemical products (with exports of plastics and plastic products growing at the highest rate). Exports of finished products recorded only a moderate increase. Most

#### Exports

important commodities in this category were furniture and shoes. Compared with the last year, exports of raw materials went down, due to a decrease in exports of refined oil products (the decline in exports of the named commodities was partly caused by price developments) and electricity.

**Table 9 Exports in January to September, Year-on-Year Changes**

	Year-on-year change in SKK billions		Contribution to the year-on-year change in % points	
	January – September		January – September	
	2007	2006	2007	2006
Raw materials	-9.1	16.1	-1.0	2.3
Chemicals and semi-finished goods	13.5	43.4	1.5	6.1
Machinery and transport equipment	133.6	112.1	15.1	15.8
Finished products	3.5	4.2	0.4	0.6
EXPORTS in total	141.4	175.7	15.9	24.7

Source: NBS calculations based on data from the Statistical Office of the SR.



**Imports** A year-on-year growth in imports was recorded in the 'machines and transport equipment' category, with accelerated imports of 'transport equipment' sub-category (parts, components and accessories of motor vehicles). In addition to transport equipment, imports of plant and machinery increased as well (though, the annual growth rate was lower, compared with the previous year). The increase was related to imports of electrical parts and components. The annual growth in imports of chemical products and semi-finished products was another factor significantly supporting the year-on-year growth in total imports. Growth in imports of semi-finished goods concentrated on increased imports of steel and iron and steel, iron, wood and aluminium products. In the 'chemical products' category, imports of plastics and rubber grew at the highest pace. Growth in imports was also recorded in the 'finished products' category (though growth dynamics was lower than in 2006, similarly to chemical products and semi-finished goods), mainly due to increasing imports of industrial products (furniture, pharmaceutical products and clothing) and, to a lesser extent, of agricultural and food products (tobacco, beverages etc.) and passenger cars. Imports of engineering and electrical consumer products, on the other hand, recorded only a moderate annual increase. This was the main cause for the slowdown of the annual growth in imports of finished products. Imports of raw materials, whose decline year-on-year significantly retarded the annual growth in imports, was influenced by lower crude oil prices (compared with the previous year), which resulted into a decrease in the imports of natural gas and oil.

**Table 10 Imports in January to September, Year-on-Year Changes**

	Year-on-year change in SKK billions		Contribution to the year-on-year change in % points	
	January – September		January – September	
	2007	2006	2007	2006
Raw materials	-27.8	41.0	-3.0	5.5
Chemicals and semi-finished goods	31.9	35.1	3.4	4.7
Machinery and transport equipment	73.4	90.5	7.8	12.1
Finished products	19.4	22.3	2.1	3.0
of which: – agricultural and industrial goods	14.0	10.6	1.5	1.4
– passenger cars	5.0	3.4	0.5	0.5
– machines and electrical consumer goods	0.5	8.3	0.1	1.1
<b>IMPORTS in total</b>	<b>96.8</b>	<b>188.9</b>	<b>10.3</b>	<b>25.2</b>

*Source: NBS calculations based on data from the Statistical Office of the SR.*

**Services balance** The services balance generated a surplus of SKK 11.3 billion from January till September 2007. This figure was by SKK 4.2 billion worse than that reported in the same period last year. The main categories that contributed to the decrease of the services balance surplus included transport services and partly also tourism services. Development in the 'other services total' category, on the other hand, improved in year-to-year comparison. The lower surplus of transport services balance was caused mainly by growing cost and lower revenues from the transit of natural gas. In the 'transport services' category, the lower surplus was also influenced by increased payments on cargo transport by road. On the other hand, passenger air transport balance developed better than last year and the surplus of the transport services balance was also supported by lower payments for cargo rail transport. The negative development of tourism services balance year-on-year was caused by steeper growth of expenses of Slovak residents on tourism-related services, which surpassed the growth in revenues for the provided tourism services. The decrease in the "other services total" deficit was caused by growing revenues from other services (commissions, royalties, etc.). Compared with the same period last year, financial, legal, accounting, advisory and insurance services developed better.

**Income and current transfers balances** The year-on-year improvement in the balance of income for the first nine months of 2007 by SKK 0.7 billion was the result of growing surplus of compensation payments to workers. The improved development of compensation payments to workers, compared with the previous year, was caused by higher income of employees working abroad. The balance of income from investments, on the other hand, deteriorated. This was caused mainly by lower interest income from portfolio investments. The balance of income deficit was positively influenced by lower estimates of reinvested profits and dividend payments to foreign direct investors. The year-on-year growth of current transfers deficit by SKK 11.2 billion was caused by a change of methodology, related to the re-classification of a part of revenues, originally included in the current transfers balance under capital transfers. If the original methodology were applied, the current transfers balance would record a deficit of SKK 4.0 billion. The resulting figure would be by SKK 3.5 billion worse than last year (mainly due to lower income from EU funds by SKK 3.2 billion).





In September 2007, the balance of payments' capital and financial account generated a deficit of SKK 0.1 billion. This was related mainly to the development of the balance of foreign direct investments, where the outflow of funds in the form of other capital (increase of export receivables of domestic enterprises from foreign direct investors was higher than the increase of import payables to foreign direct investors) surpassed the inflow of money (in the form of increased interest participations of foreign direct investors in Slovakia and reinvested earnings). The outflow of funds from the capital account and under foreign direct investments was partly offset by the increasing balance of other investments (reduction of deposits on accounts opened with foreign banks and increased use of loans) and portfolio investments (growing demand by foreign investors for equity securities of the corporate sector).

### Capital and financial account

For the first nine months of 2007, the capital and financial account generated a surplus of SKK 146.5 billion (in the same period last year, a deficit of SKK 10.3 billion was recorded). The change from the deficit to a positive figure was caused by the inflow of funds in the form of other investments (growing deposits of non-residents on accounts of Slovak banks in March), which surpassed the decline in the net inflow of funds in the form of portfolio and foreign direct investments.

	September		January - September	
	2007	2006	2007	2006
Capital account	-0.8	-0.5	5.7	-0.7
Direct investment	-3.5	9.3	45.2	93.5
SR abroad	0.1	1.0	-2.4	-9.4
of which: equity capital abroad	-0.2	-0.2	-1.7	-8.9
reinvested earnings	-0.1	-0.1	-0.9	-0.9
In the SR	-3.6	8.3	47.6	102.9
of which: equity capital in the SR	2.5	4.7	16.1	48.5
of which: other than privatisation	2.5	4.7	16.1	17.5
reinvested earnings	2.5	2.0	19.5	21.0
Portfolio investment and financial derivatives	2.1	-2.9	6.3	44.7
SR abroad	-0.5	1.7	-7.0	-7.0
In the SR	2.6	-4.6	13.3	51.7
Other long-term investments	2.6	-3.3	8.9	15.4
Assets	-1.4	-0.8	-8.2	4.4
Liabilities	4.0	-2.5	17.1	11.0
Other short-term investments	-0.5	4.0	80.4	-163.2
Assets	-1.2	4.3	-0.2	-69.5
Liabilities	0.7	-0.3	80.6	-93.7
Capital and financial account	-0.1	6.6	146.5	-10.3

Source: NBS.

The inflow of foreign direct investments (FDI) from January till September 2007 reached SKK 45.2 billion, a decrease by SKK 48.3 billion compared with the same period last year. The year-on-year change in the balance of foreign investments was influenced by privatisation income in 2006, while there was no privatisation in 2007. While the total equity participation of foreign investors in the Slovak Republic decreased by SKK 26.0 billion in the first nine months of 2007, equity capital held by foreign investors in the Slovak Republic, excluding privatisation income, decreased by just SKK 1.4 billion. Similarly to equity capital, the estimate of reinvested earnings, a counterpart to the balance of income on the current account, went down year-on-year, with the inflow of reinvested earnings at the end of September reaching SKK 19.5 billion. The lower inflow of capital in the form of FDI (on an annual basis) was supported by the development of other capital, with the decrease in import payables accompanied by an increase in export receivables. The overall drop in the inflow of funds on the FDI balance was only partly mitigated by the lower motivation of Slovak investors to invest abroad (in the form of equity participation in foreign companies).

### Foreign direct investments

Portfolio investments resulted in a net inflow of SKK 6.3 billion, compared with last year's net inflow of SKK 44.7 billion. In the year-to-year comparison, the lower inflow (by SKK 38.4 billion) on the assets side was influenced by growing interest of Slovak residents in long-term foreign debt securities. On the

### Portfolio investments



liabilities side, the lower inflow was caused by lower interest of investors in long-term bond securities of the government, supported by the lower Koruna-equivalent of the new issue of government Eurobonds. In the corporate sector, the lower inflow of funds was supported by increased outflow of money (in year-to-year comparison), resulting from a higher rate of repayment of debentures issued.

**Other investments** In other investments, the first nine months of 2007 saw an outflow of funds in the amount of SKK 89.3 billion, compared with an outflow of SKK 147.8 billion for the same period last year. The year-on-year change was related to the inflow of short-term capital into the banking sector (bank deposits), while, in 2006, an outflow of funds from accounts opened in Slovak banks was recorded.

The overall year-on-year growth in other investments in the banking sector by SKK 232.7 billion was influenced by the development in the interbank foreign exchange market in March and April, leading to an appreciation of the Slovak koruna. The gradual appreciation of the exchange rate of the Slovak koruna resulted into interventions by NBS. The main factor of the annual change was the inflow of short-term deposits of non-residents in Slovak banks amounting to SKK 86.0 billion from January till September 2007, compared to an outflow of SKK 132.6 billion for the same period of 2006.

Activities in the corporate sector were mainly related to the financing of trade activities. In the first nine months of 2007, the volume of export credits provided exceeded that of import credits received, which led to an outflow of funds from trade credits in the amount of SKK 4.2 billion (the same period a year earlier saw an outflow of SKK 1.3 billion in trade activities). On the other hand, financial credits to undertakings generated an inflow of SKK 11.3 billion, representing an increase of SKK 5.9 billion, compared with the previous year. The higher net inflow of funds from trade and financial credits (on a year-on-year basis) in the corporate sector was supported by a decrease in corporate deposits abroad (of SKK 4.9 billion). The inflow of funds into the corporate sector increased the overall inflow of other investments by SKK 8.6 billion.

Other investments in the government sector (including NBS) recorded an outflow of SKK 3.0 billion. The lower inflow (on a year-on-year basis) is attributable to NBS activities in operations in gold and contributed to a reduction of other investments by SKK 4.2 billion.

**Table 12 Inflow of Capital in 'Other Investment' Category by Sector (SKK billions)**

	January – September 2007	January – September 2006	Year-on-year changes
Banks	80.3	-152.4	232.7
Enerprises	12.0	3.4	8.6
Government + NBS	-3.0	1.2	-4.2
In total	89.3	-147.8	237.1

Source: NBS.

**Foreign reserves of NBS** Over the first nine months of 2007, the total foreign reserves of NBS increased by SKK 99.1 billion (USD 3.9 billion) (excluding forex differences). The increase of the reserves was caused by interventions carried out (SKK 105.3 billion).

**Table 13 Balance of Payments Adjusted for Government and NBS Activities (SKK billions)**

	January – September	
	Actual <sup>1)</sup>	Adjusted <sup>2)</sup>
Current account	-56.0	-13.4
Capital and financial account	146.5	28.3
of which: DFI in the SR – property participation	16.1	7.3
Errors and omissions	8.6	8.6
NBS interventions <sup>3)</sup>	-105.3	-105.3
Change in net foreign assets of banks (- increase)	-	81.7
Change in NBS reserves (- increase)	-99.1	-

Source: NBS.

<sup>1)</sup> Original calculation of the balance of payments, i.e. including effects of collections and payments on NBS reserves.

<sup>2)</sup> Adjusted for activities of the Slovak Government and the NBS that do not influence the position of commercial banks vis-à-vis non-residents and do not represent current account real financing.

<sup>3)</sup> Interventions are part of NBS foreign reserves in original balance of payments calculations.



The outflow of funds from the corporate sector was influenced by NBS interventions and led to a decline in net foreign assets of the banking sector.

### External Debt of the Slovak Republic as at 30 September 2007

The total gross external debt reached USD 39.8 billion (EUR 28.1 billion) at the end of September 2007. The total long-term external debt increased by USD 0.8 billion in September, accompanied by a growth in short-term external debt by USD 0.8 billion.

#### Gross external debt

Looking at the short-term foreign debt, foreign payables of commercial banks increased only moderately in September. Short-term foreign liabilities of the corporate sector increased by USD 0.8 billion, mainly as a result of an increase in trade credits and borrowings.

Looking at the long-term foreign debt, the foreign liabilities of the government and NBS increased by USD 0.3 billion (item bonds and bills). The commercial sector reported an increase in long-term foreign liabilities of businesses (of SKK 0.3 billion) under item 'borrowings' and an increase in foreign liabilities of commercial banks of USD 0.2 billion (influenced mainly by borrowings and item 'cash and deposits').

Slovakia's per capita gross external debt reached USD 7,398 at the end of September. The share of short-term foreign debt in Slovakia's total gross foreign debt remained at the last month's level in September at 50.2%.

**Table 14 External Debt of the SR**

	In millions of USD			In millions of EUR		
	31.12.2006	31.8.2007	31.9.2007	31.12.2006	31.8.2007	31.9.2007
Total external debt of the SR	32,205.9	38,252.7	39,798.9	24,448.9	28,089.6	28,056.5
Long-term external debt	16,649.7	19,036.0	19,816.3	12,639.5	13,978.5	13,969.6
Government and NBS <sup>1)</sup>	7,702.1	9,107.7	9,423.4	5,847.0	6,687.9	6,643.1
Commercial banks	1,559.2	1,971.4	2,132.5	,1,183.6	1,447.7	1,503.3
Entrepreneurial entities	7,388.4	7,956.9	8,260.4	5,608.9	5,842.9	5,823.2
Short-term external debt	15,556.2	19,216.7	19,982.6	11,809.4	14,111.1	14,086.9
Government and NBS	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	6,148.8	9,593.3	9,606.0	4,667.8	7,044.5	6,771.8
Entrepreneurial entities	9,407.4	9,623.4	10,376.6	7,141.6	7,066.6	7,315.1
Foreign assets	26,718.4	33,033.2	34,748.0	20,283.2	24,256.8	24,495.8
Net external debt	5,487.5	5,219.5	5,050.9	4,165.7	3,832.8	3,560.7
SKK/USD and SKK/EUR rates	26.246	24.778	23.879	34.573	33.743	33.873
EUR/USD cross exchange rate	-	-	-	1.317	,1.362	,1.419

Source: NBS.

<sup>1)</sup> Including government agencies and municipalities.

The net external debt, expressed as the difference between gross foreign debt, i.e. USD 39.8 billion (liabilities of the Government, NBS, commercial banks and the corporate sector – excluding equity participation) and foreign assets, i.e. USD 34.8 billion (foreign reserves of NBS, foreign assets of commercial banks and the corporate sector – excluding equity participation), reached USD 5.0 billion (debtor position) at the end of September 2007.

#### Net external debt

### Current Developments

The b.o.p. current account deficit increased moderately in October and reached SKK 3.6 billion. The increase of the deficit of SKK 1.5 billion over the previous month was caused mainly by the increased deficit of the services balance and of the balance of income. The increase was supported by the lower surplus of the trade balance to a limited extent only. The only item to improve compared to September, was the balance of current transfers.

The annual growth of exports and imports accelerated in October. Imports were growing at a higher pace despite the higher baseline value from the previous year. The growth in exports (10.1%) significantly outpaced the growth in imports (3.2%).

The surplus of the trade balance in October was higher than expected by NBS, with both exports and imports reporting higher than expected values.



	October		January - October	
	2007	2006	2007	2006
Balance of trade	2.4	-4.5	-3.9	-55.4
Exports	140.4	126.5	1,168.5	1,013.2
Imports	138.0	131.0	1,172.4	1,068.6
Balance of services	-1.4	0.9	9.9	16.4
Balance of income	-4.5	-2.7	-57.4	-56.3
of which: income from investments	-7.4	-5.2	-86.1	-81.2
of which: reinvested earnings	-2.4	-1.9	-21.0	-22.0
Current transfers	-0.1	-0.9	-11.8	-1.4
Current account in total	-3.6	-7.2	-63.2	-96.7

*Source: NBS and the Statistical Office of the SR.*

Exports are expected to grow at an unchanged rate in November; the volume of imports should go down slightly on a month-on-month basis. Imports are also expected to report slightly lower levels than in the previous month in November, accompanied with a moderate decline in the year-on-year growth rate.

In December, similar growth rates (on a year-on-year basis) are expected as in the previous months (the actual rate could slightly exceed the 10% threshold). The volumes of imports and exports, however, are expected to go down significantly, due to seasonal influences. In January, exports are expected to grow

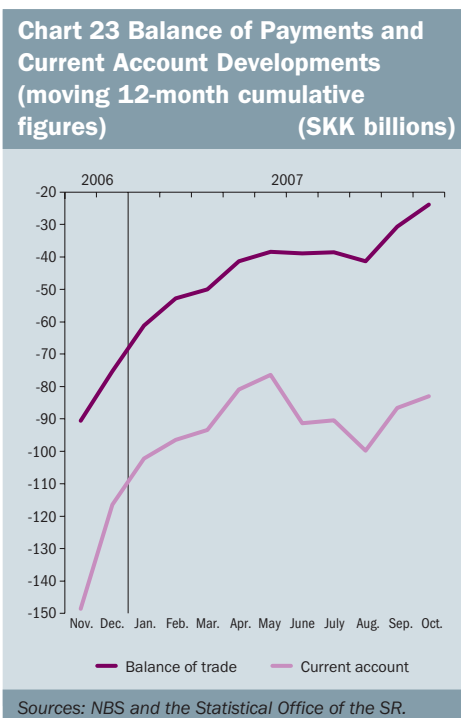
	2007									
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.
Balance of trade	6.7	-0.6	-1.1	0.6	-3.2	-3.8	-1.2	-6.4	2.6	2.5
Balance of services	-0.1	0.3	0.9	2.7	0.8	2.2	1.7	3.1	-0.3	-1.4
Balance of income	1.4	0.7	-1.0	-1.2	-8.7	-17.0	-18.0	-5.4	-3.7	-4.5
Current transfers	-1.7	-0.2	-2.2	-1.5	-0.9	-0.8	0.3	-4.0	-0.7	-0.1
Current account	6.3	0.2	-3.4	0.6	-12.0	-19.4	-17.2	-12.7	-2.1	-3.5

*Source: NBS and the Statistical Office of the SR.*

month-on-month. Considering the usually weaker beginning of the year, the growth in exports should be moderate. Imports are expected to develop similarly to exports in December; the decrease should be supported, in addition to semi-finished products, by lower imports of machines and products for the final consumption. Imports should continue on the way downwards in January, mainly due to lower imports of products for the final consumption.

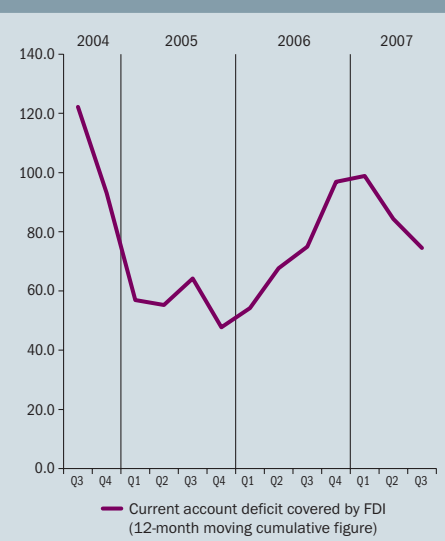
Overall, the foreign trade balance should improve further (on a year-on-year basis) in November and December. In January, however, the balance is expected to be worse than in 2007.

At the end of November, the total foreign reserves of NBS stood at USD 19,110.9 million, representing a month-on-month increase by USD 286.1 million. The growth in foreign reserves compared to the end of October is the result of the deficit on the balance of income and of expenses of USD 184.3 million, offset by positive forex differences (USD 470.4 million) due to a change in the cross exchange rate between USD and the euro during the period under review. At the end of the month, the volume of foreign reserves was 3.7 times



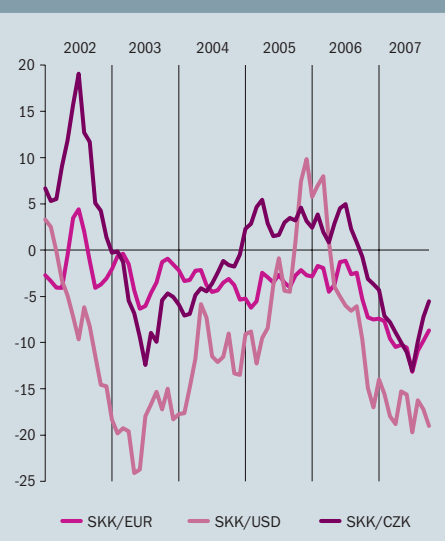


**Chart 24 Coverage of the Current Account Deficit by Foreign Direct Investment (%)**



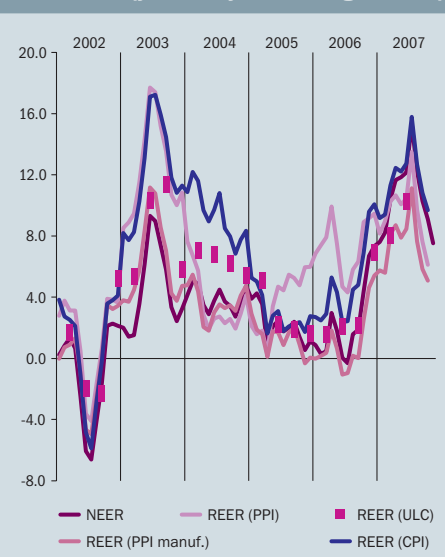
Source: NBS.

**Chart 25 Average Monthly Exchange Rates of the Slovak Koruna (year-on-year changes in %)**



Source: NBS.  
Note: + depreciation, - appreciation of the SKK.

**Chart 26 Developments in the NEER and REER Indices (9 trading partners) (year-on-year changes in %)**



Source: NBS.  
Note: + appreciation, - depreciation of the NEER and REER indices.

greater than the volume of average monthly imports of goods and services to Slovakia over the first nine months of 2007.

The ratio of foreign reserves to the amount of payments for goods and services recorded in banking statistics, reached 4.7 times the volume of average monthly imports of goods and services to the SR over the first ten months of 2007.

The month-on-month appreciation of the nominal effective exchange rate<sup>3</sup> of the Slovak koruna accelerated, compared to the previous month, from 0.5% to 0.9%. Appreciation of the NEER was caused mainly by the appreciation of the domestic currency against the euro by 0.9 of a percentage point.

**Nominal effective exchange rate of the Slovak koruna (NEER)**

On a month-on-month basis, the strengthening trend of the nominal effective exchange rate slowed down from 9.1% in October to 7.5%. The main contributor strengthening the NEER was the appreciation of the koruna against the euro by 5.5 percentage points.

**Real effective exchange rate of the Slovak koruna (REER)**

foreign price indices used for its calculation recorded similar growth rates. The REER based on the consumer price index (CPI) appreciated by 9.7%, that based on the industrial producer price index (PPI) by 6.1%, and the rate based on the manufacturing products price index (PPI manuf.) by 5.1%.

<sup>3</sup> For calculating the nominal and real effective exchange rates of the Slovak koruna (NEER and REER), IMF methodology is applied. The REER is calculated on the basis of the consumer price index (CPI), the industrial producer price index (PPI), and/or the manufacturing products price index, excluding the prices of mineral raw materials, electricity, gas, steam, and hot water (PPI manufacturing), and the index of unit labour costs (ULC). The initial year for the calculation is 1999, and the weights selected correspond to the structure of foreign trade in 1999, for the nine most important trading partners of Slovakia representing roughly 70% of the total turnover of foreign trade. These countries are Germany, the Czech Republic, Italy, Austria, France, the Netherlands, the United States, the United Kingdom, and Switzerland.



**Table 17 Developments in the NEER and REER Indices**

(year-on-year changes in %)

For 9 partners, based on the deflator:	NEER	REER (CPI)	REER (PPI)	REER (PPI manuf.)	REER (ULC) <sup>(2)</sup>
December 2002	2.1	4.1	3.6	3.4	5.2
December 2003	3.2	11.3	10.8	4.7	5.9
December 2004	4.7	8.3	4.1	4.7	5.4
December 2005	1.1	2.7	6.0	0.0	1.6
December 2006	7.4	10.1	9.5	5.4	7.0
June 2007 <sup>(1)</sup>	12.2 / 3.7	12.7 / 3.9	10.4 / 3.8	8.5 / 1.6	10.3 <sup>(2)</sup>
October 2007 <sup>(1)</sup>	9.1 / 4.0	9.7 / 3.8	6.1 / 0.8	5.1 / 1.0	-
November 2007 <sup>(1)</sup>	7.5 / 4.9	.	.	.	-

Source: NBS.

<sup>1)</sup> Year-on-year change / cumulative change since the beginning of the year.

<sup>2)</sup> Year-on-year change based on quarterly data.

### 4.3 Real Economy

#### Development of the Real Economy in the 3<sup>rd</sup> Quarter of 2007

##### Gross Domestic Product

**Real economic growth in the 3<sup>rd</sup> quarter of 2007 was 9.4%**

The gross domestic product (GDP) at constant prices increased 9.4% year-on-year in the 3<sup>rd</sup> quarter of 2007, according to revised data of the Statistical Office of the Slovak Republic<sup>4</sup>. Compared with the figure for the 3<sup>rd</sup> quarter of 2006, the rate of economic growth accelerated by 0.4 of a percentage point. For the first three quarters of 2007, real GDP growth reached 9.0%, by 0.3 of a percentage more than in the first three quarters of 2006.

In terms of production, GDP growth in the third quarter is attributable to the increase in value added creation, mainly in financial intermediation and real property, industry and general government, education, health sector and other services. The nominal volume of GDP generated amounted to SKK 482.5 billion, which was by 12.0% more than one year earlier.

##### Demand

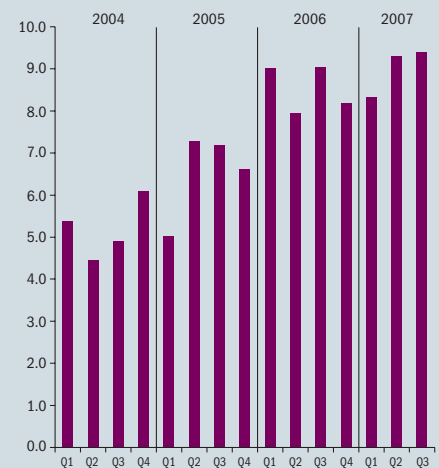
**Growth of both foreign and domestic demand**

In terms of use, the structure of economic growth in the third quarter of 2007 was influenced by both domestic and foreign demand. The growth in foreign demand (8.5% at constant prices) outpaced the growth in domestic demand<sup>5</sup> (5.1%) and had a stimulating

<sup>4</sup> The Statistical Office published, in October 2007, a revision of the annual national accounts for 1995-2005 with an estimate for 2006 (and, in November 2007, a revision of quarterly national accounts). A new methodology of calculation against constant prices was applied. The prices are now calculated by chaining volume indices with the baseline year of 2000.

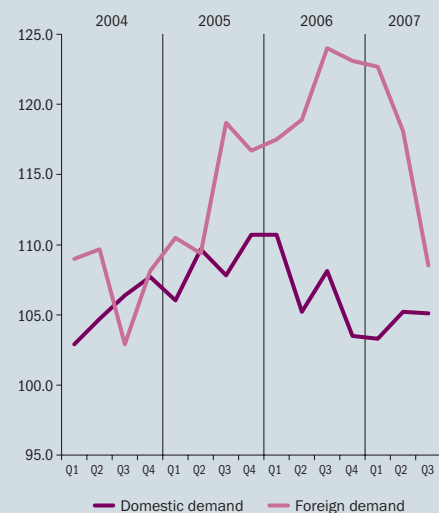
<sup>5</sup> Sum of final consumption, gross fixed capital formation and change of inventory. After a revision, the Statistical Office does not publish the development of domestic demand. As data stated at constant prices calculated by chaining are not additive, the domestic demand calculated in this way may be slightly distorted. For the same reason, development of gross fixed capital formation may be distorted as well.

**Chart 27 Development of Real GDP by Quarter (year-on-year growth in %)**



Source: Statistical Office of the SR.

**Chart 28 Development of Domestic and Foreign Demand (index, ROMR = 100)**



Source: Statistical Office of the SR.



effect on the overall performance of the national economy. Economic growth was fostered by all components of the domestic demand, excluding change in inventory.

The rate of growth in domestic demand in the third quarter of 2007 remained below the level of last year (8.1%), mainly as a result of lower gross capital formation, including slower growth in fixed investments and inventory. The consumption component of domestic demand grew 6.9% year-on-year, increasing its growth rate by 3.0 percentage points, compared with the same period of 2006. This development was mainly influenced by household expenditure, which increased by 8.3% year-on-year (compared to 4.6% in the 3<sup>rd</sup> quarter of 2006). Final consumption of the general government rose 2.2% (0.6 of a percentage point less than one year ago). Consumption of non-profit institutions providing its services to households also reported positive growth (decline in the previous year).

#### Slower annual growth in domestic demand

**Table 18 Development of GDP by Use**  
(index, same period a year earlier = 100, const. 2000 prices)

	2006		2007		
	Q3	Year	Q1	Q2	Q3
Gross domestic product	109.0	108.5	108.3	109.3	109.4
Domestic demand	108.1	106.6	103.3	105.2	105.1
Final consumption	103.9	106.7	105.7	105.0	106.9
Households	104.6	105.9	106.3	107.8	108.3
General government	102.8	110.1	103.5	96.5	102.2
Non-profit institutions serving households	87.4	89.6	102.2	107.2	108.7
Gross capital formation	118.5	106.6	96.9	105.6	101.1
Gross fixed capital formation	107.9	108.4	111.0	105.9	106.5
Exports of goods and services	124.0	121.0	122.7	118.1	108.5
Imports of goods and services	122.8	117.7	114.5	113.2	103.0

Source: Statistical Office of the SR.

**Table 19 Structure of Gross Fixed Capital Formation in the Third Quarter of 2007**

	Gross fixed capital formation (SKK millions)	Proportion (%)	Index
			$\frac{Q1 - Q3 2007}{Q1 - Q3 2006}$
Economy of the SR in total	123,433	100.0	108.6
<b>of which (by sector):</b>			
Non-financial corporations	90,365	73.2	109.9
Financial corporations	1,886	1.5	128.0
General government	7,250	5.9	103.0
Households	23,675	19.2	104.6
Non-profit institutions	257	0.2	103.2
<b>of which (by production):</b>			
Machinery	43,278	35.1	109.3
of which: metal goods and machines	32,014	25.9	108.2
transport equipment	11,264	9.1	112.7
Buildings and structures	74,859	60.6	106.8
of which: residential buildings	12,080	9.8	125.3
other structures	62,779	50.9	103.9

Source: Statistical Office of the SR.

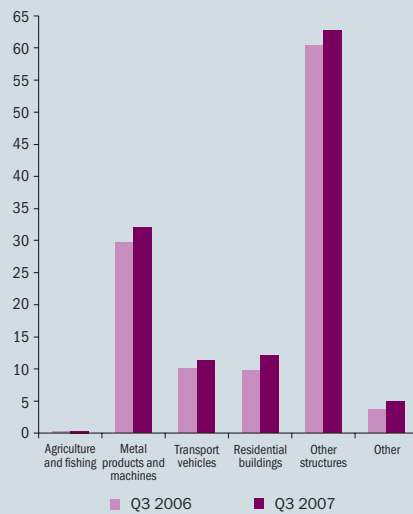
Growth in gross capital formation (1.1% at constant prices) was influenced by the growth in fixed investments (6.5%), whose rate of growth went down by 1.4 of a percentage point, compared to the 3<sup>rd</sup> quarter of 2007. Inventories increased in the 3<sup>rd</sup> quarter of 2007 less than one year ago.

#### Lower year-on-year growth in gross capital formation

In the 3<sup>rd</sup> quarter of 2007, investment increased in all categories of production. The fastest growth was recorded in investments into plant and machinery. Within this category, investments into transport equipment grew faster than investments into metal products and machines. Investment into buildings grew slower than investments into plant and machinery. This resulted into a decrease of their share in gross fixed capital formation by 1.1 percentage point year-on-year to a level of 60.6%. All sectors of the economy contributed to the growth of fixed investments.

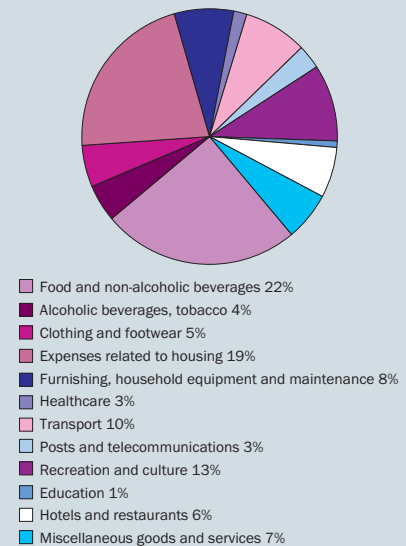
#### Growing investments into buildings and plant and machinery

**Chart 29 Breakdown of Gross Fixed Capital Formation by Production (SKK billions)**



Source: Statistical Office of the SR.

**Chart 30 Structure of Final Household Consumption in the Third Quarter of 2007 (shares in %)**



Source: Statistical Office of the SR.

Note: Individual items of final consumption do not add.

**Higher final household consumption**

Final consumption expenditure in the 3<sup>rd</sup> quarter of 2007 increased by 6.9% at constant prices year-on-year (by 3.9% one year earlier). The growth in final consumption was caused mainly by households. The rate of growth in general government consumption decreased annually by 0.6 of a percentage point (growth by 2.2%). Consumption spending of non-profit institutions increased by 8.7%.

In year-on-year terms, final household consumption increased by 8.3% in the 3<sup>rd</sup> quarter of 2007 (4.6% one year ago). The development of final household consumption was affected by the growth of wages and employment and the continued drawing on loans.

**Structure of spending on consumption**

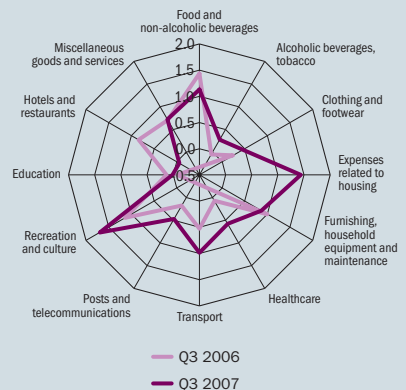
When analysing final household consumption in the 3<sup>rd</sup> quarter of 2007, broken down by individual groups of consumption spending, the fastest growth was recorded in household expenses on health services, post and telecommunications, recreation and culture and on furniture, household equipment and routine maintenance of dwellings. The largest consumption components were expenses on foodstuffs and non-alcoholic beverages (22%) and expenses related to housing (19%).

In terms of relative contributions, the growth in final household consumption in the 3<sup>rd</sup> quarter of 2007 was based primarily on increased consumer spending on housing, foodstuffs and non-alcoholic beverages; recreation and culture, transport and healthcare.

**Net exports stimulated GDP growth**

In the 3<sup>rd</sup> quarter of 2007, both exports and imports of products and services stayed below the two-digit growth rates from the past. Exports (at current prices) grew by 5.5 percentage points faster than imports (in the 3<sup>rd</sup> quarter of 2006, this difference was 0.5 of a percentage point). This led to a year-on-year improvement in nominal net exports, producing a surplus of SKK 8.5 billion (deficit of SKK 11.4 billion in the 3<sup>rd</sup> quarter of 2006).

**Chart 31 Contributions of Consumer Expenditure to Growth in Household Final Consumption (p.p.)**



Source: NBS calculations based on data from the Statistical Office of the SR.

Note: Individual items of final consumption do not add.



**Chart 32 Contributions of Net Exports to GDP (at current prices) (%)**


Source: NBS calculations based on data from the

**Chart 33 Export Performance and Import Intensity (%)**


Source: Statistical Office of the SR.

Net exports at constant prices, after accounting for the price development in foreign markets, generated a surplus of SKK 18.4 billion in the third quarter of 2007 (deficit of SKK 0.1 billion one year ago).

Development in import prices in foreign trade, as measured by the deflators of imports of goods and services, was connected primarily with the rising prices of energy-producing raw materials. Import prices and the prices of exported goods and services both went down, with the former falling steeper than the latter. Data from preliminary quarterly national accounts indicate that the improvement in trade deficit (at current prices) was also caused by a favourable development in trade relations

**Table 20 Impact of Price and Volume on Exports and Imports**

(percentage points)

	Q3 06 Q3 05	2006 2005	Q1 07 Q1 06	Q2 07 Q2 06	Q3 07 Q3 06
Exports of goods and services (year-on-year growth in %, at current prices)	27.2	23.6	24.1	13.8	6.5
Impact of volume	24.0	21.0	22.7	18.1	8.5
Impact of price	3.2	2.6	1.4	-4.3	-2.0
Imports of goods and services (year-on-year growth in %, at current prices)	26.7	21.9	15.4	9.1	1.0
Impact of volume	22.8	17.7	14.5	13.2	3.0
Impact of price	3.9	4.2	0.9	-4.1	-2.0
Net exports as a share of GDP (share in %, at current prices)	-2.6	-3.8	0.9	-0.3	1.8
Impact of volume	-2.2	-2.1	0.6	-0.4	1.8
Impact of price	-0.5	-1.7	0.3	0.0	0.0
Terms of trade (index)	99.4	98.6	100.4	100.0	100.1

Source: NBS calculations based on data from the Statistical Office of the SR.

Note: Calculated from GDP figures (in millions of SKK), the contribution of imports of goods and services reduces the values of net exports and GDP; the differences in the subtotals are due to rounding. The terms of trade are calculated from year-on-year changes in the export and import deflators of goods and services.

Export performance of the Slovak economy decreased annually by 4.1 percentage points in the 3<sup>rd</sup> quarter of 2007, with exports of goods and services as GDP percentage (at current prices) reaching 80.8%. Consumption of imports recorded a steep fall (by 8.5 percentage points) and reached 79.0% in the 3<sup>rd</sup> quarter of 2007. The openness of the Slovak economy (expressed as the ratio of exports and imports of goods and services to nominal GDP) decreased by 12.7 percentage points year-on-year to a level of 159.7%.

**Drop in export performance and consumption of imports**



## Supply

**GDP growth** GDP growth in the 3<sup>rd</sup> quarter of 2007 was influenced by value added creation, which grew 10.7% at constant prices year-on-year (compared with 6.8% in the same period last year). Net taxes, including value added tax, excise duty, import tax (minus subsidies), decreased by 2.2% (increase of 32.0% last year). The slower annual growth in gross production was accompanied by even a steeper decline in interim consumption. As a result, value added grew faster than one year ago.

**Table 21 Creation of GDP by Component**  
(index, same period a year earlier = 100; constant prices)

	2006		2007		
	Q3	Year	Q1	Q2	Q3
Gross production	112.0	112.0	112.9	109.4	105.8
Intermediate consumption	115.9	113.2	114.7	108.9	102.5
Value added	106.8	110.2	110.1	110.2	110.7
Others <sup>1)</sup>	132.0	95.4	92.6	101.8	97.8

Source: Statistical Office of the SR.  
<sup>1)</sup> Value added tax, excise duty, import tax, minus subsidies.

Value added increased in all sectors, except for agriculture and construction industry. Value added increased mostly in financial intermediation and real property (19.1%), industry (18.1%) and general government, education, health sector and other services (16.2%).

**Table 22 Gross Domestic Product by Branch**  
(index, same period a year earlier = 100; constant prices 2000)

	<u>Q3 06</u>	<u>2006</u>	<u>Q1 07</u>	<u>Q2 07</u>	<u>Q3 07</u>
	Q3 05	2005	Q1 06	Q2 06	Q3 06
GDP	109.0	108.5	108.3	109.3	109.4
of which:					
Agriculture	115.7	112.6	83.9	79.1	81.3
Industry	118.2	110.2	118.5	121.5	118.1
Construction	108.2	115.2	80.5	99.4	87.9
Trade, hotels and restaurants and transportation	105.0	112.4	118.8	107.5	107.5
Financial intermediation and real estate	97.7	111.6	98.2	100.2	119.1
Public administration, education, health care and other community, social and personal services	97.3	102.0	114.1	118.4	116.2
Others <sup>1)</sup>	132.0	95.4	92.6	101.8	97.8

Source: Statistical Office of the SR.  
<sup>1)</sup> Value added tax, excise duty, import tax, minus subsidies.

## Gross National Income

**Gross National Income lower than GDP** In the 3<sup>rd</sup> quarter of 2007, gross national income<sup>6</sup> (GNI) increased by 7.6% at current prices year-on-year (according to revised data from the Statistical Office of the SR). Compared with the same period last year, the rate of GNI growth accelerated by 7.2 percentage points, staying behind GDP growth at current prices (12.0%). Gross national disposable income (GNDI) increased year-on-year by 6.8% at current prices.

The smaller volume of GNI compared with GDP indicates that, in the 3<sup>rd</sup> quarter of 2007, the inflow of income earned by persons working abroad (employee compensation) into the domestic economy was

<sup>6</sup> Gross national income (GNI) is one of the macroeconomic indicators used for measuring the output of an economy according to the national concept, while GDP is based on the domestic concept, which represents the final results of resident units achieved in the period under review. GNI is calculated as follows: GDP at market prices minus primary income paid by residents to non-residents, plus primary income received by residents from non-residents. Gross national disposable income (GNDI) is a balance item in non-financial national accounts, and is calculated from GNI reduced by current transfers paid to non-resident units and increased by current transfers received from non-resident units.



Table 23 Comparison of GDP, GNI, and GNDI

(SKK billions, current prices)

	Q3 06	2006	Q1 07	Q2 07	Q3 07
	Q3 05	2005	Q1 06	Q2 06	Q3 06
Gross domestic product (GDP)	430.9	1659.6	418.7	453.8	482.5
Gross national income (GNI)	420.2	1617.4	420.3	443.8	452.2
Gross national disposable income (GNDI)	414.7	1596.0	414.3	440.0	442.8
GDP – growth index	114.7	111.7	112.1	110.8	112.0
GNI – growth index	114.8	111.9	114.1	114.9	107.6
GNDI – growth index	114.5	111.8	114.4	115.5	106.8
GNI / GDP ratio in %	97.5	97.5	100.4	97.8	93.7
GNDI / GDP ratio in %	96.3	96.2	98.9	97.0	91.8

Source: The Statistical Office of the SR and NBS calculations.

lower than the income from economic activity on the territory of the domestic economy transferred abroad (income from property, reinvested earnings and interest).

### Wages and Labour Productivity

In the 3<sup>rd</sup> quarter of 2007, the average monthly nominal wage of an employee in the Slovak economy<sup>7</sup> increased by 6.8% year-on-year and reached SKK 19,514. Compared with the 3<sup>rd</sup> quarter of 2006, the rate of wage growth slowed by 0.9 of a percentage point.

**Slowdown in average monthly wage growth in nominal terms**

The highest nominal wage growth in the 3<sup>rd</sup> quarter of 2007 was recorded in the following sectors: health care and social assistance (17.3%), mining and quarrying (10.7%), agriculture (10.6%) and other community, social and personal services (10.3%).

Real wage growth accelerated by 1.5 percentage points (from 2.7% to 4.2%), compared with the 3<sup>rd</sup> quarter of 2006, influenced by lower average inflation, compared with the previous year.

**Faster average monthly wage growth in real terms**

Real wages increased in all sectors of the economy in the 3<sup>rd</sup> quarter of 2007. The steepest growth was recorded in health care and social assistance (14.4%), mining and quarrying (8.0%), agriculture (7.9%) and other community, social and personal services (7.6%).

Table 24 Average Monthly Wages and Labour Productivity in the Slovak Economy

(index, same period a year earlier = 100)

	2006		2007		
	Q3	Year	Q1	Q2	Q3
Nominal wage (index)	107.7	108.0	107.1	106.7	106.8
Real wage (index)	102.7	103.3	104.2	104.1	104.2
Labour productivity, at current prices	112.0	109.3	109.3	108.1	109.2
Labour productivity, at constant prices	106.5	106.2	105.6	106.6	106.6
Real labour productivity, less real wage (percentage points)	3.8	2.9	1.4	2.5	2.4
Consumer prices (average for the period)	104.5	104.5	102.8	102.5	102.5

Sources: Statistical Office of the SR and NBS calculations.

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

In the 3<sup>rd</sup> quarter of 2007, labour productivity (GDP per person employed) increased by 9.2% in nominal terms and by 6.6% in real terms. Compared with the 3<sup>rd</sup> quarter of 2006, the rate of productivity growth slowed down by 1.5 percentage points in nominal terms and accelerated by 0.1 of a percentage point in real terms. The growth of real labour productivity outpaced the growth in real wages by 2.4 percentage points.

**Labour productivity**

<sup>7</sup> Starting from 2007, the average monthly wage is calculated according to a modified methodology, in which the wages of the armed forces are also taken into account. Year-on-year indices are calculated from comparable data.



**Unit labour costs according to NBS methodology**

In the 3<sup>rd</sup> quarter of 2007, units labour costs according to NBS methodology, defined as the ratio of nominal wage to real labour productivity (GDP at constant prices per person employed, according to statistical reports) increased by 0.2% in nominal terms and decreased by 2.2% in real terms year-on-year. Faster growth of labour productivity than that of wages in the 3<sup>rd</sup> quarter of 2007 was reflected in the development of unit labour costs, which, in nominal terms, remained behind the price growth and, in real terms, even declined.

**Development of labour market indicators according to ESA 95 methodology for the national economy in total...**

In the 3<sup>rd</sup> quarter of 2007, nominal employee compensation (according to ESA 95 methodology) increased by 7.6% year-on-year, meaning that it grew by 2.0 percentage points faster than in the same period last year. The rate of growth of employee compensation in real terms accelerated by 1.5 percentage points, compared with the same period last year. Labour productivity, computed according to ESA 95 methodology, increased annually by 9.8% in nominal terms and by 7.2% in real terms. The growth of real labour productivity outpaced the growth in real employee compensation by 1.1 percentage points in the 3<sup>rd</sup> quarter of 2007.

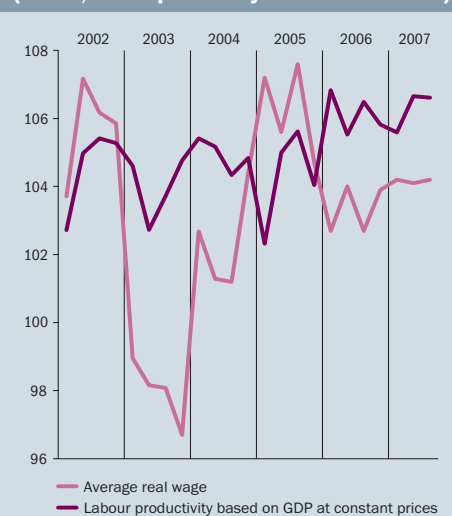
**...broken down by sector**

Broken down by sector, real labour productivity calculated from ESA 95 data increased in most sectors. The highest growth was recorded in other community, social and personal services (17.3%), industry (15.4%) and financial intermediation and real property (14.8%). Labour productivity, on the other hand, decreased in agriculture and construction industry. The comparison of real labour productivity and real employee compensation in the 3<sup>rd</sup> quarter of 2007 reveals that the growth in labour productivity was faster than the growth in employee compensation in industrial production, financial intermediation and real property; in trade, hotels and restaurants and transport, this relation was reversed. Both indicators decreased annually in agriculture and construction industry; the decrease was larger in real labour productivity (in both sectors).

**Unit labour costs according to ESA 95 methodology**

Units labour costs according to ECB methodology ( $ULC_{ECB}$ ), defined as the ratio of growth in nominal compensation per employee to growth in real labour productivity (GDP per total employment) based on ESA 95 data, increased year-on-year by 0.3% in the 3<sup>rd</sup> quarter of 2007. The annual HICP inflation was 1.4%.

**Chart 34 Development of Real Wages and Real Labour Productivity (index, same period a year earlier = 100)**



Sources: NBS calculations, Statistical Office of the SR.

**Chart 35 Unit Labour Costs by Component in NBS Methodology (year-on-year changes in %)**



Sources: Statistical Office of the SR and NBS calculations.

**Table 25 Development of Average Compensation per Employee and Labour Productivity in the Slovak Economy (ESA 95 Methodology) (index, same period a year earlier=100)**

	2006		2007		
	Q3	Year	Q1	Q2	Q3
Nominal compensation per employee	109.6	107.9	108.7	106.8	107.6
Real compensation per employee	104.6	103.5	106.4	105.1	106.1
Labour productivity, at current prices	111.9	109.2	109.7	108.6	109.8
Labour productivity, at constant prices	106.4	106.1	106.0	107.2	107.2
Real labour productivity less real compensation per employee (percentage points)	1.8	2.6	-0.4	2.1	1.1
HICP (average for the period)	104.8	104.3	102.1	101.6	101.4

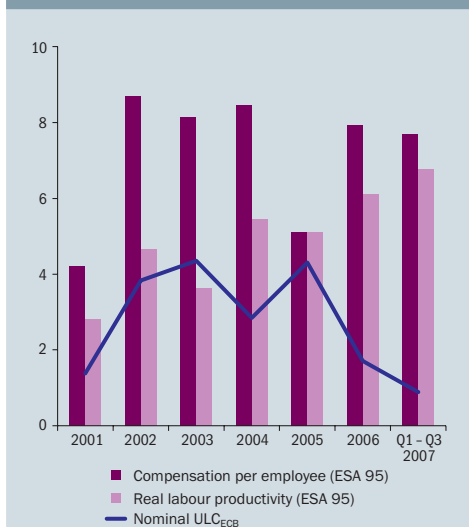
Sources: Statistical Office of the SR and NBS calculations.

Note: Labour productivity is calculated from revised GDP and employment data based on ESA 95.

**Table 26 Development of Real Labour Productivity and Compensation per Employee in the Third Quarter of 2007**  
 (index, same period a year earlier = 100)

	Real labour productivity (ESA 95)	Real compensation per employee
National economy in total	107.2	106.1
Agriculture and fishing	85.4	95.6
Industry	115.4	109.6
Construction	81.1	99.3
Trade, hotels and restaurants and transportation	104.6	105.9
Financial intermediation and real estate	114.8	106.1
Public administration, education, healthcare and other community, social and personal services	117.3	105.5
HICP (Q3 2007)	-	101.4

Source: Statistical Office of the SR and NBS calculations.

**Chart 36 Unit Labour Costs by Component in ECB Methodology**  
 (year-on-year changes in %)


Sources: Statistical Office of the SR and NBS calculations.

### Household income and expenditure

According to preliminary data from the Statistical Office of the SR, the current income of households reached SKK 364.6 billion in the 3<sup>rd</sup> quarter of 2007, recording a nominal year-on-year growth of 10.5%. Compared with the 3<sup>rd</sup> quarter of 2006, the rate of growth slowed down by 1.5 percentage point. Of the current income items, the fastest growth was recorded in income from property (20.1%), gross mixed income<sup>8</sup> (12.6%) and other current transfers (11.4%).

**Slower growth in current income...**

The current expenditure of households (paid to other sectors and not used for direct consumption) increased year-on-year by 8.9% to SKK 99.8 billion. In the same period a year earlier, current household spending increased by 16.6%. The year-on-year growth in current expenditure was related mainly to the increasing expenses related to income from property and current taxes on income and property. The lowest year-on-year growth was recorded in other current transfers.

**...accompanied by an increase in current expenditure**

After deducting current expenditure from current income, the gross disposable income of households amounted to SKK 264.7 billion, representing a year-on-year increase of 11.2% (compared with 10.4% a year earlier). Of the disposable income, 98.1% was used for final household consumption; the remainder went to gross savings, which increased by 12.1% year-on-year. The ratio of gross household savings (4.6%) remained unchanged compared with the previous year.

<sup>8</sup> Gross mixed household income includes the earnings and incomes of small entrepreneurs, including the value of agricultural products grown by households for own consumption, imputed rents and the contribution of households to individual housing construction.



**Table 27 Generation and Use of Incomes in the Household Sector**

(current prices)

	SKK billions		Indices <sup>1)</sup>		Share in %	
	2006	2007	Q3 2006	Q3 2007	2006	2007
	Q3	Q3	Q3 2005	Q3 2006	Q3	Q3
Compensation of employees (all sectors)	162.0	176.8	109.9	109.1	49.1	48.5
of which: gross wages and salaries	124.5	137.1	109.1	110.1	37.8	37.6
Gross mixed income	96.7	109.0	117.3	112.6	29.3	29.9
Income from property – received	8.4	10.0	112.8	120.1	2.5	2.8
Social security benefits	52.1	57.0	108.2	109.6	15.8	15.6
Other current transfers – received	10.6	11.8	119.0	111.4	3.2	3.2
Current income in total	329.8	364.6	112.0	110.5	100.0	100.0
Income from property – paid	5.2	6.1	234.5	115.7	5.7	6.1
Current tax on income, property, etc.	13.5	15.1	111.6	111.9	14.8	15.2
Social security contributions	64.5	70.0	113.2	108.5	70.4	70.1
Other current transfers – paid	8.4	8.6	115.3	102.6	9.2	8.6
Current expenditure in total	91.7	99.8	116.6	108.9	100.0	100.0
Gross disposable income	238.1	264.7	110.4	111.2	-	-
Adjustment for changes in the net assets of households in the reserves of pension funds	8.2	7.2	201.3	87.8	-	-
Household final consumption	235.5	259.8	111.5	110.3	-	-
Gross savings of households	10.9	12.2	126.9	112.1	-	-

Source: Statistical Office of the SR.

Note: Indices are based on figures expressed in billions of SKK.

**Table 28 Development of Gross Disposable Income**

(index, same period a year earlier = 100; current prices)

	2006		2007		
	Q3	Year	Q1	Q2	Q3
Gross disposable income	110.4	108.8	110.5	110.8	111.2
Final household consumption	111.5	111.7	109.3	109.8	110.3
Gross household savings	126.9	106.9	129.1	118.2	112.1
Share of gross household savings in gross disposable income (%)	4.6	7.4	6.4	7.5	4.6

Sources: Statistical Office of the SR and NBS calculations.

**Employment and Unemployment**

**Continued dynamic growth in employment**

The favourable economic development in the 3<sup>rd</sup> quarter of 2007 was also reflected in the development of employment. According to statistical surveys, employment increased year-on-year by 2.6%. The growth figure according to the methodology of national accounts (ESA 95) was 2.0%. According to a labour force sample survey (VZPS), the number of unemployed went down by 2.0% year-on-year. According to the sample survey, slower growth in employment was attributable to the decreasing number of persons working abroad. Concerning the structure of workers, the development of total employment (VZPS) in the 3<sup>rd</sup> quarter of 2007 was affected mainly by an increase in the number of entrepreneurs (increase of 7.9%). The number of employees increased annually by 1.1%.

**Development of employment by sector**

Broken down by sector, employment in the 3<sup>rd</sup> quarter of 2007 (ESA 95 methodology) increased year-on-year mostly in the construction industry, real property, rental and trade activities, trade, transport and industry. On

**Chart 37 Propensity of Households to Save and to Consume (%)**



Sources: NBS calculations based on data from the Statistical Office of the SR.



		Table 29 Employment and Unemployment				
		(average for the period)				
		2006		2007		
		Q3	Year	Q1	Q2	Q3
Employment (based on statistical reports) <sup>1)</sup>	in thousands	2,147.5	2,148.2	2,201.3	2,214.3	2,222.8
	Index (same period a year earlier = 100)	102.4	102.2	102.6	102.5	102.6
Employment (based on a labour force survey)	in thousands	2 320.8	2 301.4	2 326.6	2 337.7	2 366.5
	Index (same period a year earlier = 100)	103.8	103.8	103.1	101.9	102.0
Employment (based on ESA 95)	in thousands	2 148.4	2 131.6	2 147.8	2 163.8	2 191.5
	Index (same period a year earlier = 100)	102.6	102.3	102.2	102.0	102.0
Unemployment (based on a labour force survey)	in thousands	341.6	353.4	303.0	291.2	297.9
	Index (same period a year earlier = 100)	82.3	82.7	76.6	81.5	87.2
Unemployment rate (based on a labour force survey)	in %	12.8	13.3	11.5	11.1	11.2
Registered unemployment rate <sup>2)</sup>	in %	9.9	10.4	9.2	8.4	8.3

Source: Statistical Office of the SR.  
<sup>1)</sup> Including the armed forces with effect from 2006, including professional soldiers from 2007; the indices are calculated on the basis of revised data.  
<sup>2)</sup> NBS calculations based on monthly data from the Centre for Labour, Social Affairs, and Family.

		Table 30 Employment by Branches (ESA 95 methodology)				
		(index, same period a year earlier = 100)				
		2006		2007		
		Q3	Year	Q1	Q2	Q3
Total		102.6	102.3	102.2	102.0	102.0
Agriculture, forestry, and fishing		91.5	91.8	97.6	91.6	95.2
Industry		101.9	100.7	102.6	103.7	102.3
Mining and quarrying		98.8	97.9	99.4	96.0	102.8
Manufacturing		102.4	101.0	103.0	104.3	102.8
Electricity, gas, and water supply		96.8	97.1	97.4	96.7	95.5
Construction		103.0	102.9	105.6	110.0	108.4
Trade		107.3	109.0	101.5	100.9	103.1
Hotels and restaurants		110.6	108.3	106.8	99.6	100.68
Transport, storage, post and telecom.		103.2	102.9	101.9	102.0	103.06
Financial intermediation		100.5	101.3	98.8	99.8	100.5
Real estate, renting, and business activities		97.3	97.6	108.0	103.4	104.4
Public administration, defence, compulsory social security		105.6	106.0	100.4	98.5	98.5
Education		99.8	99.0	98.5	97.7	96.4
Health and social services		106.9	103.4	103.6	107.4	102.6
Other community services		95.2	96.7	95.7	98.2	99.9

Source: Statistical Office of the SR.

the other hand, employment in agriculture, education, general government, defence and other community services stayed below the level from one year ago.

The persistent demand for labour was reflected in the rate of unemployment. According to the labour force sample survey, the number of unemployed went down by 12.8% year-on-year in the 3<sup>rd</sup> quarter of 2007. Lower number of the unemployed reduced the rate of unemployment, which reached 11.2% in the 3<sup>rd</sup> quarter of 2007, down by 1.6 percentage points, compared with the same quarter of 2006. The downward trend in unemployment is also confirmed by data on registered unemployment. According to the registers of offices for labour, social affairs and family, the average unemployment rate in the 3<sup>rd</sup> quarter of 2007 stood at 8.3%, which was by 1.6 percentage points less than one year ago.

**Continued fall in unemployment**

The continuing year-on-year growth in labour supply (i.e. persons in productive and post-productive age) led to an increase of the number of economically inactive persons (i.e. persons outside the labour market) in the 3<sup>rd</sup> quarter of 2007. This development resulted into a decrease in the level of economic

**Higher supply of labour**

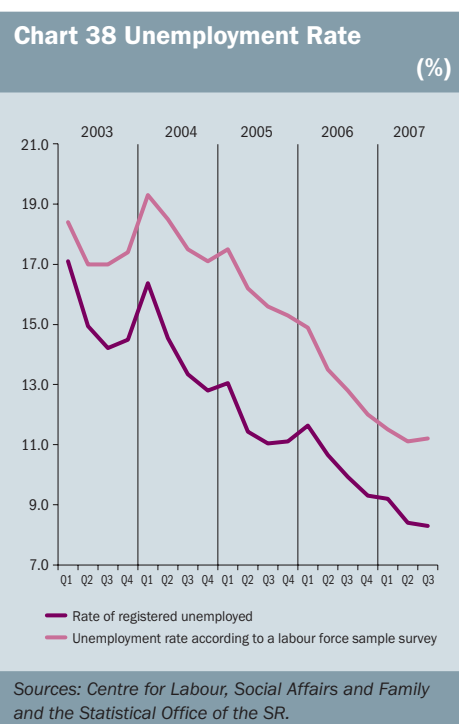


activity (which reached 58.9%) by 0.3 percentage points in year-to-year comparison. Among the economically active population, the increasing share of persons in employment led to a rise in the employment rate to 60.7% (a year-on-year increase of 0.8 percentage points) in the 3<sup>rd</sup> quarter of 2007.

**Financial Performance**

According to preliminary data from the Statistical Office of the SR, non-financial and financial corporations generated a profit of SKK 279 billion in the first three quarters of 2007. The profit generated was by 20.3% higher, compared with the same period last year. This increase was caused by higher profit generation by both financial and non-financial corporations.

Higher profits of non-financial corporations were caused by the annual growth in profits in transportation, storage, posts and telecommunications (by 101.2%), wholesale and retail trade (by 33.7%), generation and distribution of electricity, gas and water (by 15.8%) and industrial production. The annual growth in profitability in industrial production was slower than the overall annual growth of the profits of non-financial corporations (6.6%



**Table 31 Profitability of Corporations (SKK millions. current prices)**

	2006	2007			Index		
		Q1	Q2	Q3	Q1 2007 / Q1 2006	Q2 2007 / Q2 2006	Q3 2007 / Q3 2006
Profit/loss (pre tax)							
Financial and non-financial corporations	268,380	80,020	102,778	96,203	127.1	128.8	108.0
of which							
Non-financial corporations	280,350	69,861	92,912	86,899	125.3	129.9	105.2
Financial corporations	-11,970	10,159	9,866	9,304	140.6	119.6	143.2
of which							
NBS	-45,128	-422	-380	-293	-	-	-
Financial corporations excl. NBS	33,158	10,581	10,246	9,597	127.1	120.0	140.9

Source: Statistical Office of the SR and NBS calculations.

compared to 19.0%). From among the key sectors, construction industry reported lower profits (annual decrease of 13.8%).

From among the non-financial corporations, industrial enterprises contributed to profit generation with the highest share (SKK 76.7 billion) in the first three quarters of 2007. Trading contributed with SKK 13.5 billion SKK and generation and distribution of electricity, gas and water with SKK 50.8 billion. Transport, post and telecommunications created a profit of SKK 39.4 billion; construction industry generated SKK 10.0 billion, real estates, rental and trading activities SKK 16.3 billion, other community services SKK 2.5 billion, mining and extracting SKK 2.2 billion, hotels and restaurants SKK 2.0 billion and education SKK 0.1 billion. Health and social assistance sector, on the other hand, reported a loss of SKK 0.2 billion. The loss produced by agriculture, forestry and fisheries amounted to SKK 2.1 billion. The losses of the agricultural sector in the first three quarters of 2007 reached SKK 3.2 billion.

The annual growth of profit generated by financial corporations reached 33.5%. Financial corporations generated SKK 29.3 billion in profits in the first three quarters of 2007. This development was supported mainly by better results of operations by insurance companies and pension funds, whose profits increased annually by SKK 4.0 billion to SKK 7.4 billion. Profits of monetary financial institutions increased by SKK 2.8 billion year-on-year and reached SKK 15.6 billion. Profits of other financial intermediaries (non-banking financial institutions) increased by SKK 0.6 billion over the previous year to SKK 6.3 billion.

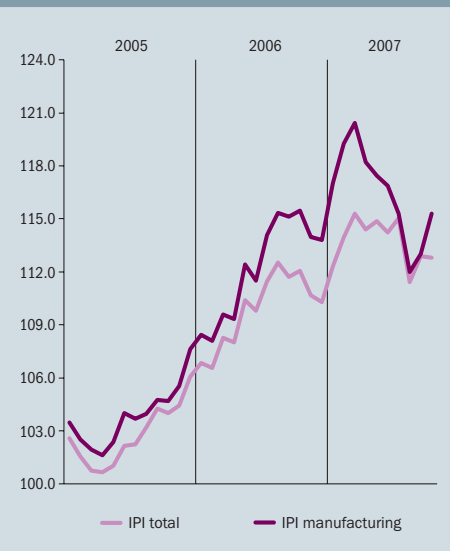


**Current Developments**

**Production and Receipts**

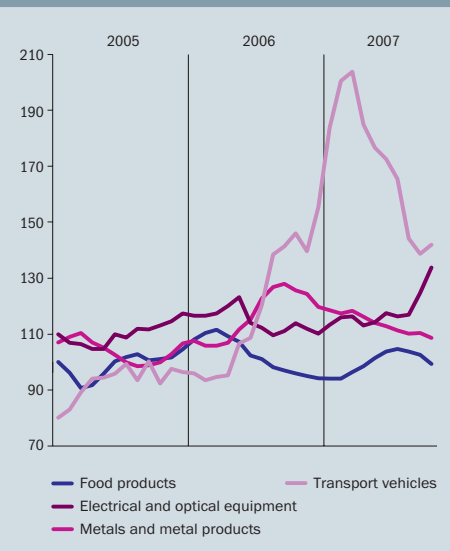
The year-on-year rate of growth in industrial production accelerated in October, compared to September 2007, particularly due to the faster year-on-year growth in manufacturing production. Industrial production grew at a rate of 20.4% (17.4% in the previous month). The rate of year-on-year growth increased particularly in the production of oil products and coke, chemical production, production of transport vehicles, production of electrical and optical devices and production of plant and equipment. The decline in the generation of electricity, production of gas and water accelerated.

**Chart 39 Development of Industrial, Manufacturing and Construction Production (3-month moving averages) (index, same period a year earlier = 100)**



Source: Statistical office of the SR.  
Notes: IPI – Industrial production index. The index is adjusted for calendar effects.

**Chart 40 Development of Industrial Production (3-month moving averages) (index, same period a year earlier = 100)**



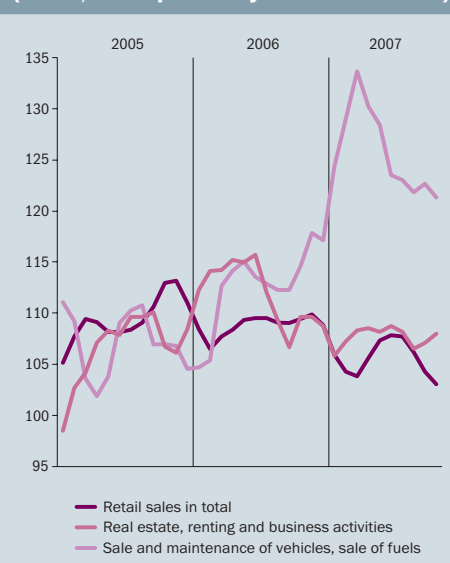
Source: Statistical office of the SR.  
Note: Index is adjusted for calendar effects.

**Chart 41 Production in the Construction Sector (3-month moving averages) (index, same period a year earlier = 100)**



Source: Statistical Office of the SR.  
Note: Corporate method in constant 2000 prices.

**Chart 42 Retail Sales (3-month moving averages) (index, same period a year earlier = 100)**



Source: Statistical Office of the SR.  
Note: Indices are in constant prices of December 2000.



**Table 32 Production and Sales**

	SKK millions, at c. p.		Indices			
	Oct. 2007	Cum. since the begin. of the year	Oct. 2006	Jan.-Dec. 2006	Sep. 2007	Oct. 2007
<b>Production</b>						
Industrial production index <sup>1)</sup>	-	-	111.6	110.0	115.3	117.3
of which:						
Mining and quarrying	-	-	92.1	90.4	102.7	96.8
Manufacturing	-	-	115.3	112.6	117.4	120.4
Electricity, gas, and water supply	-	-	90.2	97.6	97.6	93.8
Construction <sup>2)</sup>	15,644	130,895	109.3	114.9	105.3	100.3
of which:						
Construction in Slovakia	15,056	126,389	108.9	116.1	104.1	99.6
Construction abroad	588	4,506	123.5	87.9	149.5	121.0
<b>Receipts from own-output and goods</b>						
Industry in total <sup>3)</sup>	199,955	1,703,917	122.3	114.5	110.4	112.5
Construction <sup>2)</sup>	25,169	203,233	106.5	113.3	102.9	104.7
Retail trade <sup>3)</sup>	39,674	365,254	109.6	108.8	101.9	102.1
Sale and maintenance of vehicles, retail sale of fuels <sup>3)</sup>	20,939	181,415	116.7	113.6	116.2	122.8
Transport, storage <sup>3)</sup>	15,014	139,787	111.4	111.6	100.8	106.5
Real estate, renting, and business activities <sup>3)</sup>	16,865	157,523	114.8	110.9	112.0	107.9

Source: Statistical Office of the SR.

<sup>1)</sup> Adjusted for calendar effects (the data in the time series are continuously revised with retrospective effect).

<sup>2)</sup> Index, same period of the previous year = 100 (constant prices, average for 2000 = 100).

<sup>3)</sup> Index, same period of the previous year = 100 (constant prices, December 2000 = 100, transport and storage – current prices).

The annual growth in construction output slowed down in September. This was the result of the annual decrease in domestic production (particularly continued annual decline in repairs and maintenance and slowdown in the annual growth of new development).

The moderately increasing pace of growth in retail sales (2.1% in October, compared to 1.9% in September) was mainly the result of annual growth in receipts from other retail trade in non-specialised shops (offsetting the annual decrease from September).

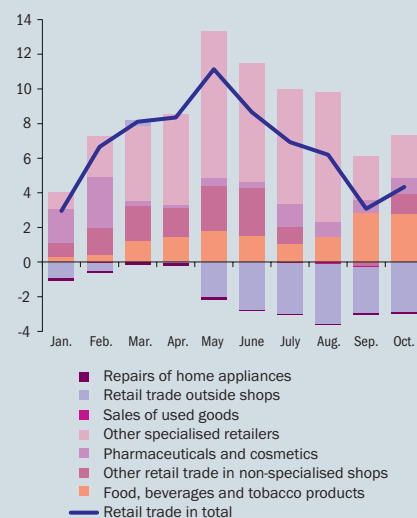
The year-on-year growth in the receipts of entities specialising in the sale and maintenance of motor vehicles and in retail sale of fuels accelerated in October, compared to September 2007, which was caused by a faster year-on-year growth in retail sales of motor vehicles and by the moderately increasing pace of growth in retail sales of fuels.

The slower year-on-year growth in receipts from services related to real estates, renting and business activities compared with the previous month is attributable mainly to a lower year-on-year growth in receipts from ICT and related services and other business services.

**Wages, Employment and Unemployment**

**Nominal wages** In October 2007, the annual rate of wage growth slowed down in post and telecommunications, industry, real estates and rental business and wholesale trade, compared to September 2007.

**Chart 43 Contributions to Year-on-year Growth in Retail Sales (current prices)**



Sources: Statistical Office of the SR and NBS calculations.



The annual growth in real wages in October was faster in the construction industry, sales and maintenance of motor vehicles, hotels and restaurants, transport and storage and retail trade, compared to the previous month.

**Real wages****Table 33 Wage Developments in Selected Sectors (index. same period a year earlier = 100)**

	Average monthly nominal wage			Average monthly real wage		
	Year 2006	January – October 2006	October 2007	Year 2006	January – October 2006	October 2007
	Industry	106.8	106.4	106.5	102.2	101.8
of which: manufacturing	106.9	106.4	106.8	102.3	101.8	104.0
Construction	105.0	105.7	106.7	100.5	101.1	103.9
Retail trade	110.7	110.0	106.5	105.9	105.2	103.7
Wholesale trade	107.4	107.3	104.4	102.8	102.6	101.7
Sale and maintenance of vehicles	109.9	109.5	107.6	105.2	104.7	104.8
Real estate and renting activities	109.5	109.0	109.9	104.8	104.3	107.0
Transport	107.1	107.1	107.9	102.5	102.4	105.1
Post and telecommunication	106.1	105.9	114.3	101.5	101.3	111.3
Consumer prices	104.5	104.5	102.7	-	-	-

Source: Statistical Office of the SR.

Notes: The selected sectors accounted for 67.8% of total employment in the first quarter of 2007.

Real wage index = nominal wage index / consumer price index.

The annual growth in employment accelerated moderately in most sectors under review in October 2007, compared to September.

**Employment****Table 34 Employment in Selected Sectors (index. same period a year earlier = 100)**

	Employment		
	Year 2006	January – October 2006	October 2007
	Industry	98.7	98.6
of which: manufacturing	98.9	98.8	103.7
Construction	109.3	109.7	106.0
Retail trade	107.4	107.6	107.0
Wholesale trade	109.2	108.8	101.0
Sale and maintenance of vehicles	108.4	109.4	120.4
Real estate and renting activities	104.1	104.4	105.1
Transport	99.8	99.5	104.1
Post and telecommunications	98.8	99.3	97.1

Source: Statistical Office of the SR.

According to data from the Centre for Labour, Social Affairs and Family, the total number of unemployed dropped month-on-month by 6.8 thousand to 238.4 thousand in October 2007. The number of disposable unemployed, who may start working immediately, was 206.1 thousand, down by 9.9 thousand, compared to September. The rate of registered unemployment stood at 7.9% in October, representing a month-on-month decrease by 0.4 of a percentage point. Compared with the same period last year, it went down by 1.4 percentage points.

**Unemployment**

The average length of registration was 10.6 months. The share of the long-term unemployed (out of work for more than 12 months) reached 52% in October, increasing by 0.4 percentage points, compared to September.

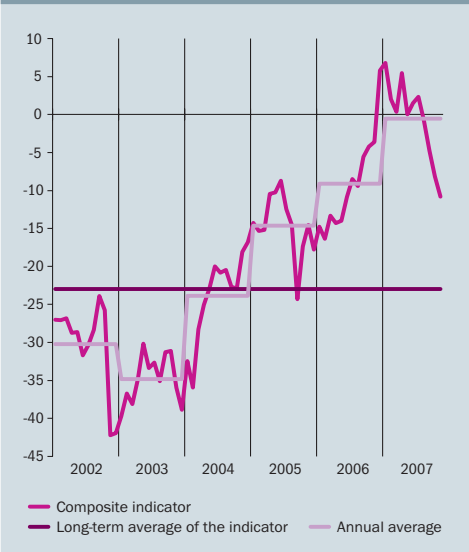


**Chart 44 Registered Unemployment Rate (%)**



Source: Centre for Labour, Social Affairs, and Family.

**Chart 45 Consumer Confidence Indicators**



Source: NBS calculations based on data from the Statistical Office of the SR.

### Consumer Confidence Indicator

#### Decline in the consumer confidence indicator

Consumer Confidence Indicator continued to fall in November month-on-month, reaching -10.8 points (by 2.6 points less than in October). Compared with October, consumers were less optimistic when assessing all components of the indicator. Consumers lost their confidence particularly with respect to expected financial situation of households and economic development of Slovakia. In year-to-year comparison, the consumer confidence indicator went down by 7.2 points.



## 5 Monetary Developments

### 5.1 Foreign Exchange Market

The exchange rate of the Slovak koruna weakened by 0.1% (from SKK/EUR 33.358 to SKK/EUR 33.376), while the average rate appreciated by 1.2%. The Slovak koruna deviated from its central rate (SKK/EUR 35.4424) most significantly on 14 November 2007, when its exchange rate was fixed at SKK/EUR 32.861, representing an appreciation of 7.3% from the central parity. In relation to the US dollar, the koruna strengthened by 2.2% (from SKK/USD 23.150 to SKK/USD 22.638). The average exchange rate appreciated by 4.4%.

#### Operations in the foreign exchange market

Spot transactions between foreign and domestic banks resulted in a positive balance of USD 180.13 million, i.e. foreign banks tended to sell the Slovak koruna and buy foreign currencies.

Národná banka Slovenska conducted no foreign exchange intervention in November.

	Month-on-month change	Ø Nov. 2007 Ø Nov. 2006	Ø Jan.–Nov. 2007 Ø Jan.–Nov. 2006
SKK/EUR	0.1	-7.5	-9.7
SKK/USD	-2.2	-18.9	-17.1

Source: NBS.  
Notes: – appreciation of the SKK, + depreciation of the SKK, Ø means average.

The Slovak koruna opened trading in November slightly above the level of 33.300 SKK/EUR and strengthened throughout the first half of the month. This development followed the same trends in the neighbouring countries. On Friday, November 9, after publishing the positive figures of the trade balance, the koruna broke the threshold of SKK 33.000 SKK/EUR. After the publication of GDP figures for the 3rd quarter, which were better than expected by the market, the koruna reached its monthly high of 32.790 SKK/EUR. After that, however, the koruna started to depreciate, together with the other currencies of V4 countries. This depreciation tendency was supported by the political crisis with the coalition and the koruna was traded at SKK 33.650 SKK/EUR. After overcoming the coalition crisis, the situation stabilised and the koruna closed the month at 33.200 SKK/EUR. The koruna recorded its new historical high in relation to the dollar in November (SKK/USD 22.360).

The total volume traded in the interbank foreign exchange market reached USD 84,761.8 million in November, representing an increase of 11.5% compared with the figure for October (USD 76,006.7 million). Of the total trading volume, swap transactions accounted for 87.6%. These were made mostly in USD (94.0%). Spot transactions accounted for 11.4% of the total turnover (97% of the deals were in EUR). The average daily turnover in the spot market reached USD 459.4 million and the average volume per transaction amounted to USD 2.5 million.

#### Interbank foreign exchange market

The total volume of transactions between domestic commercial banks increased, from October's figure of USD 7,864.9 million to SKK 8,592 million in November. Most trading took place in USD (62.3%, compared with 62% in October), followed by EUR (36.7%, compared with 36.3% in October). Deals in other currencies accounted for 1.3% of the total turnover between domestic commercial banks only.

Transactions between domestic banks accounted for 10.1 % of the total volume traded in the interbank foreign exchange market (compared with 11.5% in the previous month). Of the total volume of transactions between domestic banks, swap operations accounted for 78.0% (77.1% in October) and spot transactions (excluding interventions) for 21.9% (22.7% in October).

The total volume of transactions with foreign banks increased by 11.8%, from USD 68,141.8 million in October to USD 169.9 million in November. USD deals again accounted for the largest volume of transactions (85.3%, compared with 82.6% in October), followed by EUR deals with a share of 14.5% (17.0% in October). Trading in other currencies accounted for 0.2%. Trading between domestic and foreign banks still dominated the country's foreign exchange market with a share of 89.8%.

As was the case with deals between domestic banks, trading between domestic and foreign banks took place predominantly in the form of swap operations (88.7%, compared with 86.6% in October). Spot transactions accounted for 10.2% (12.7% in October). The share of forward dealings in the foreign

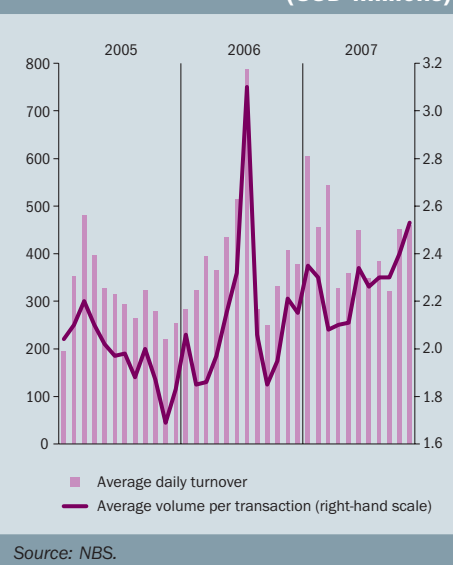


exchange market was negligible. Option contracts accounted for 0.6% of the volume traded with foreign banks.

The Slovak-koruna deposits of non-resident banks increased to SKK 57.7 billion in October, representing an increase of SKK 9.3 billion, compared with the previous month, and a decrease of SKK 10.7 billion compared with the same period a year earlier.

The volume of government securities held by non-residents at the end of November was by SKK 7.8 billion smaller than a month earlier. Considering the positive development of the state budget and surplus of financial resources, the Agency for Debt and Liquidity Management (ARDAL) decided not to hold any auction of government bonds (even though one was planned for 12.11.2007) and to accept no demand from the banks of SKK 1.2 billion (of which SKK 0.2 billion from non-residents). During the month, ownership to 8 issues of government bonds changed among non-residents, with the largest decrease reported by 3-year government bonds No. 203 maturing in February 2010 (of SKK 7.5 billion).

**Chart 46 Transactions in the Interbank Foreign Exchange Market (USD millions)**



Source: NBS.

The gradual decrease of the share of government bonds held by non-residents continued and the share fell below the threshold of 20% in November (18.1%). In 2007, ARDAL put no treasury bills onto the market and the volume of treasury bills held by non-residents was equal to zero.

**Table 36 Koruna Assets / Liabilities and Government Securities Held by Non-Residents (SKK billions)**

	2006	2007							
	31.10.	31.5.	30.6.	31.7.	31.8.	30.9.	31.10.	31.11. <sup>(p)</sup>	6.12. <sup>(p)</sup>
Koruna assets, banks	14.9	14.6	15.7	12.3	18.6	13.0	15.5	10.5	30.0
Koruna liabilities	76.2	51.1	55.0	47.2	56.7	58.4	68.0	.	.
of which: banks	68.3	40.6	44.4	36.6	46.4	48.4	57.7	46.3	50.8
non-bank clients	7.9	10.4	10.6	10.6	10.3	10.0	10.4	.	.
Government securities	86.5	81.9	82.2	81.4	80.3	80.0	74.3	66.5	.
of which: government bonds	86.5	81.9	82.2	81.4	80.3	80.0	74.3	66.5	.
SR Treasury bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	.
Total	162.8	133.0	137.2	128.6	137.1	138.4	142.3	.	.

Source: NBS and the Central Securities Depository of the SR.

(p) Preliminary data from Dev (NBS) 20-98 "Daily Statement of Foreign Exchange Positions".

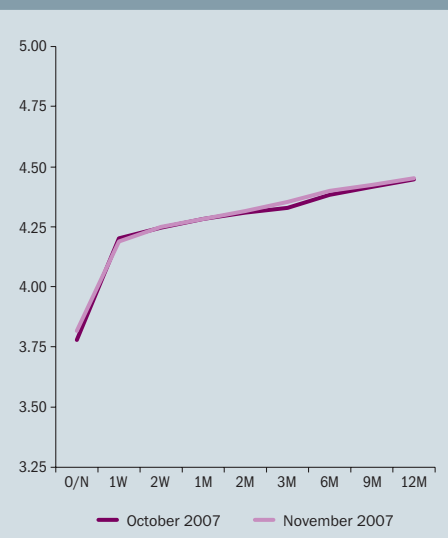
## 5.2 Money Market and Monetary Policy Implementation

In its 44<sup>th</sup> meeting on 27 November 2007, the Bank Board of NBS decided to leave its key interest rates unchanged, at 2.25% for overnight sterilisation operations, 5.75% for overnight refinancing transactions, and 4.25% for two-week repo tenders with commercial banks.

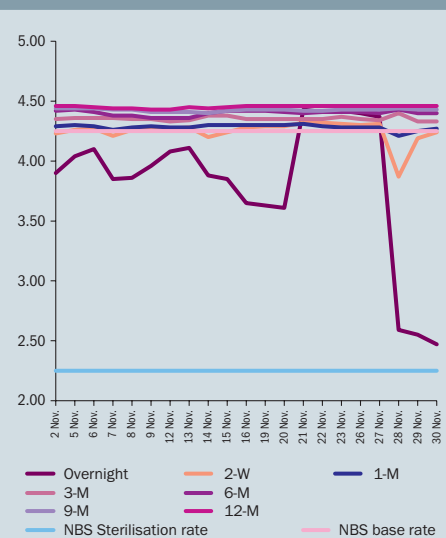
**Interest rates** Average monthly interest rates of the interbank money market yield curve remained virtually unchanged in November, compared with the previous month. They increased by 0.01 of a percentage point on average. The volatile O/N rate recorded the largest increase compared with the previous month (of 0.04 percentage points on average).

The decision of NBS Bank Board from November to leave the key interest rates at an unchanged level was expected by the banking sector and the interest rates of the money market thus remained virtually unchanged.

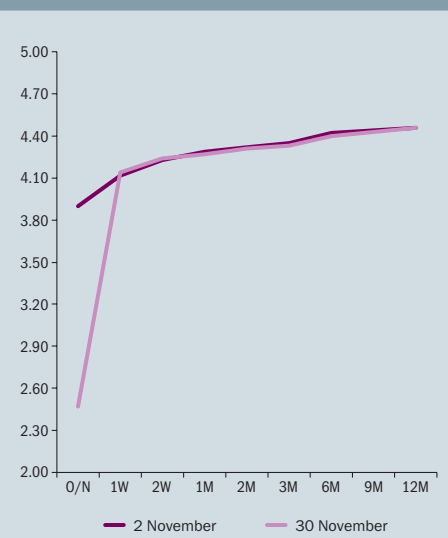
The rates on long maturities remained stable throughout November; slight fluctuations were caused by technical price quotation and partly by the development of the exchange rate of the Slovak koruna. Deposits at the long end of the yield curve were still hardly traded. To cover the demand for these

**Chart 47 Average Monthly Interbank Market Rates (BRIBOR) (%)**


Source: NBS.

**Chart 48 Developments in Interbank Market Rates (BRIBOR) (% p.a.)**


Source: NBS.

**Chart 49 BRIBOR Yield Curve in November (%)**


Source: NBS.

maturities, the market used swap transactions. The long end of the money market is still characterised with low liquidity. Compared with the previous month, the spreads between the Slovak and European interest rates of long maturities remained unchanged. The spread was 0.2 percentage points on average. In the first half of the month, European interest rates on long maturities decreased moderately. At the end of November, however, this decrease was corrected and the prices of deposits at the long end of the yield curve rose beyond the levels from the beginning of the month.

The NBS continued conducting its monetary policy operations in a standard manner throughout November and accepted all bids received in four sterilisation repo tenders. The minimum, average and maximum interest yields were at the level of 2W reference rate (4.25%). In November, one auction of Treasury Bills was held by NBS and NBS accepted part of the bids received. The minimum, average and maximum interest yields were at the level of 4.25%.

The comparison of yield curves from the beginning and from the end of the month shows that the interest rates

changed to a minimum extent only (except for O/N rate).

The banking sector opened the month with a high volume of daily liquidity, producing a cumulative surplus right at the beginning of November. In the first two sterilisation repo tenders, banks submitted bids in an amount that was almost equal to the maturing volumes. The sector planned to place part of the surplus liquidity through the following treasury bills auction, in which bids were received for a higher amount than the amount due. Accepted, however, were bids for the due volume only and the sector thus remained in a state of surplus liquidity. By settling the due tender and by carrying out the third sterilisation repo tender in November, a major part of liquidity was taken away from the market. The sector had a moderate daily deficit, which reduced the cumulative surplus. With the end of the month approaching, banks submitted significantly less bids in the last repo tender, increasing the liquidity of the sector. The banks addressed the situation by increased use of overnight sterilisation deals with the central bank.

#### Liquidity

Compared with the previous month, the structure of liquidity changed to a minimum extent only. The share of sterilisation repo tenders of the total sterilisation increased by 2.1 percentage points. These



**Table 37 Average Daily Impact of NBS Operations on the Level of Banking Sector Liquidity**

	Repo tenders		O/N repos		O/N deposits		NBS bills		Total
	Volume SKK mil.	Share in %	Volume SKK mil.	Share in %	Volume SKK mil.	Share in %	Volume SKK mil.	Share in %	
October 2007	-310,010	82.43	0	0.00	-3,362	0.89	-62,735	16.68	-376,107
November 2007	-317,934	84.55	0	0.00	-2,084	0.55	-55,995	14.89	-376,013

Source: NBS.

funds were rerouted from NBS Treasury bills, whose share went down from 16.7% in October to 14.9% in November. The share of O/N deposits also decreased moderately to 0.6%. Compared with the previous month, no change was recorded in O/N repo transactions. The average daily sterilisation position of NBS decreased in comparison with October by SKK 94 million to SKK 376.0 billion in November.

**Interbank transactions**

The volume of trading in the interbank market reached SKK 1,671.5 billion in November (compared with SKK 1,698.0 billion in October). Of the total volume of purchases and sales in the interbank market, the share of resident bank transactions decreased to 26.4% and that of transactions with non-resident banks increased to 73.6% compared with October. Broken down by the type of interbank transactions, domestic banks achieved the largest share in deposits (68.5%). Transactions with non-resident banks were dominated by swaps (62.9%). Compared with October, the volumes of FRA and IRS contracts decreased, while the volume of swaps increased.

**Table 38 Interbank Transactions**

(SKK millions)

	Deposits	Repos	Swaps	FRAs	IRSSs
October 2007	811,313	0	861,514	13,000	12,165
November 2007	746,222	0	911,132	3,500	10,650

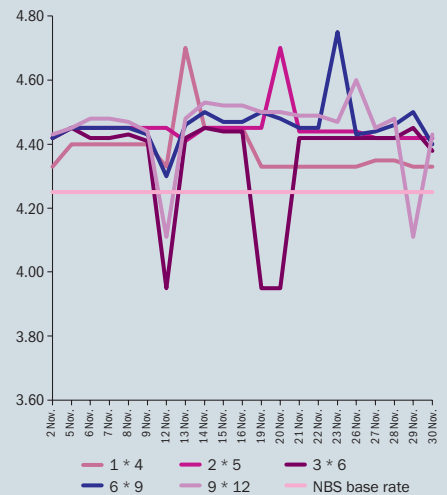
Source: NBS.

The minimum reserve requirement for the banking sector was SKK 25.71 billion in November 2007. During the month, the reserve requirement was actually fulfilled to 100.41%.

**Development of Money Market Interest Rate Derivatives**

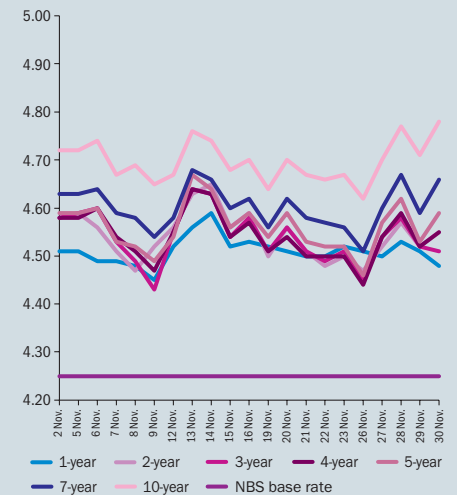
Trading in FRA contracts was marked with lower activity in November, compared with the previous month. Deals were made with three months maturity and settlement in 9 months; these deals accounted

**Chart 50 Daily Developments in FRAs (% p. a.)**



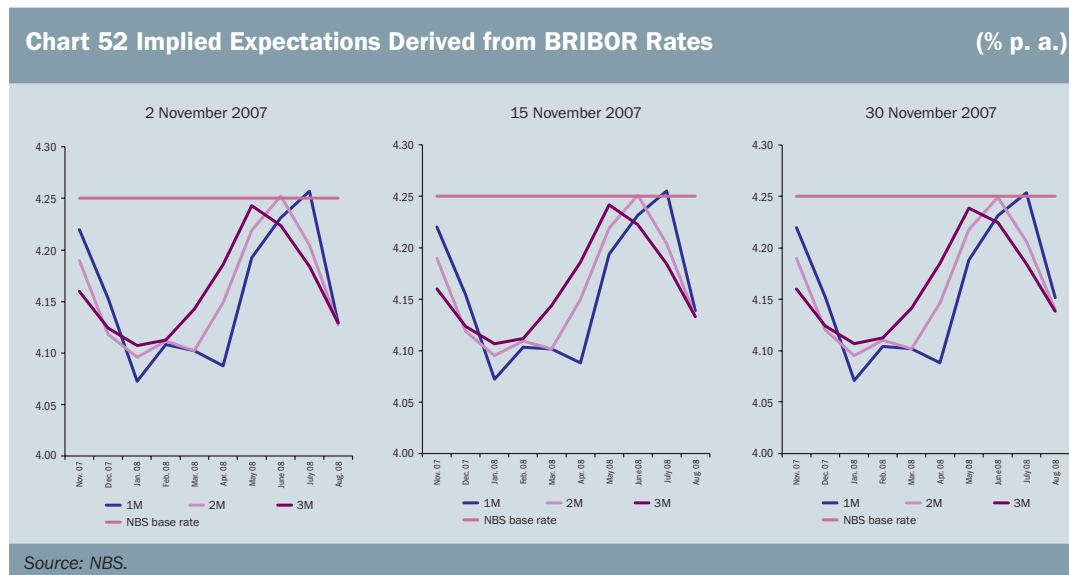
Source: Reuters.

**Chart 51 Daily Developments in IRSSs (% p. a.)**



Source: Reuters.





for 100% of all the deals. The share of deals between domestic banks was 28.6%, that of deals with non-residents 71.4%.

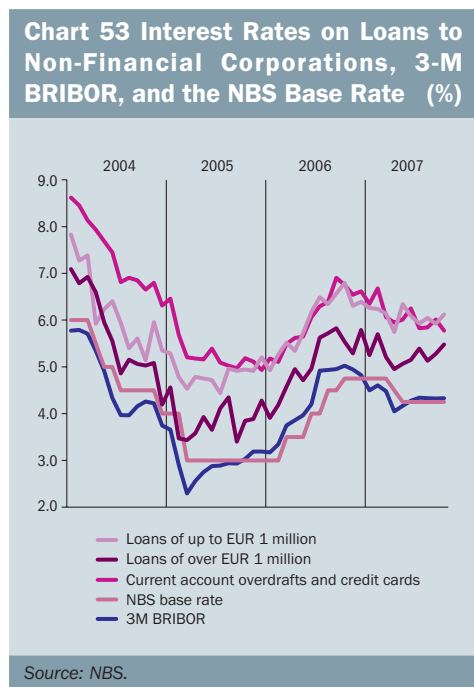
Trading in interest rate swaps (IRS) also recorded a decrease in volume, compared with the previous month. Almost 90.6% of the contracts were made with foreign banks. The remaining 9.4% of the deals involved domestic entities only. Swap transactions were concluded with one- to ten-year maturities. They were dominated by contracts with one year maturity, representing 40.4% of the total volume traded. They were followed by transactions with one to two-year maturities, which accounted for 36.2%.

The values of implied FRA rates for the beginning, middle and end of the month indicated unchanged expectations among market participants, according to which the rates for 1, 2 and 3 month maturities should fall to approximately 4.10% by January next year and then, in the middle of 2008, rise to the level of the current reference rate (4.25%)

**5.3 Customer Interest Rates in October 2007**

Average interest rates on new loans to non-financial corporations and households decreased slightly in October. The interest rates on new deposits from non-financial corporations and households continued to stagnate.

**Customer interest rates**



The average interest rates on new loans to non-financial corporations decreased slightly in October, particularly due to lower interest charges on current account overdrafts. Despite the stagnating key interest rates of NBS and interest rates in the interbank market, customer interest rates applicable to non-financial corporations did change. Interest rates on loans of up to EUR 1 million and over EUR 1 million went up slightly. Interest rates on short-term and long-term loans, however, developed differently. With loans of up to EUR 1 million, interest rates went up on loans with a floating rate and initial rate fixation (IRF) of up to one year, while long-term interest rates remained unchanged. With loans of over EUR 1 million, interest rates on loans with a floating rate and IRF of up to 1 year increased; interest rates on loans with IRF of over 5 years, on the other hand, decreased. Regarding the structure of loans by purpose, lending rates increased for operating loans and other loans. This was offset by a decrease in lending rates on investment loans and house purchase loans.

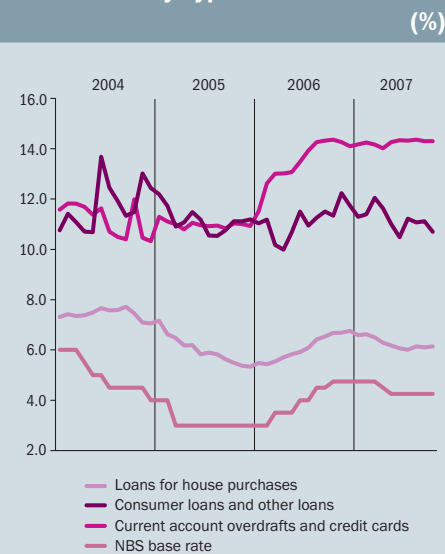
**Average interest rates on new loans**

Average interest rates on loans to households decreased slightly in October. The interest rates on



house purchase loans remained virtually unchanged for the second consecutive month, due to the stagnation of key interest rates of NBS and of the interest rates in the interbank market. Broken down by type of house purchase loans, interest rates rose on construction loans; interest rates on other house purchase loans remained unchanged. Interest rates on consumer loans remained without any significant change, with the exception of the slight increase of the rates on special-purpose loans. Interest rates on other loans decreased more notably.

**Chart 54 Interest Rates on Loans to Households by Type**



Source: NBS.

**Average interest rates on new deposits**

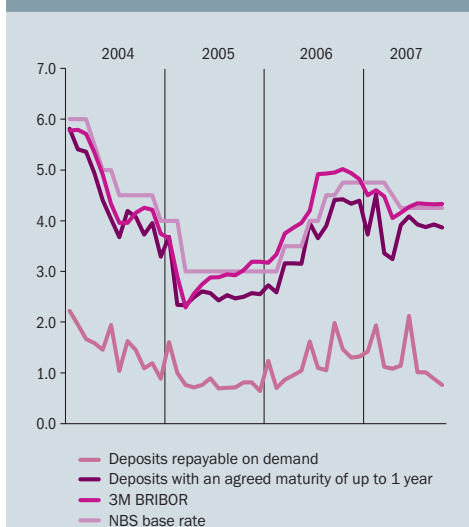
The interest rates on deposits of non-financial corporations went down slightly in October. Higher volume of deposits in categories with highest interest rates, however, influenced the overall interest rate. Interest rates on the shortest deposits (redeemable on demand) continued to fall. Interest rate on deposits with maturities of up to one year decreased slightly. Despite this decrease, they still remain the category of deposits by non-financial corporations bearing the highest interest and their development was relatively stable in recent months. Interest rates on deposits with a maturity of over 2 years maturity decreased more notably. Non-financial corporations usually do not use this form of deposits (low volumes). As a result the development of interest rates in this category is quite volatile. Interest rates on loans with maturities between 1 and 2 years increased moderately.

**Table 39 Average Interest Rates on New Loans**

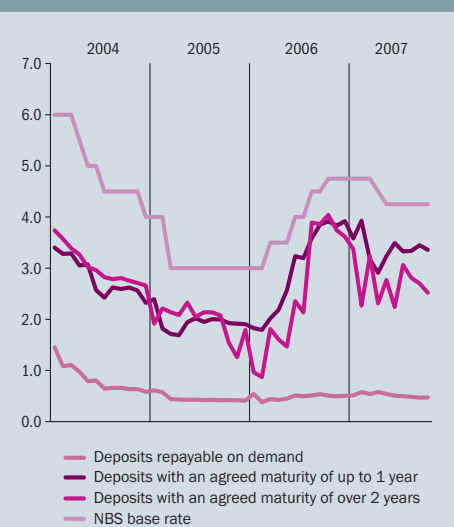
	Interest rate in %						Change in Sept., in p.p.	
	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Sep. 2007	Oct. 2007	against Q3 2006	month- on-month
<b>Loans to non-financial corporations</b>								
Current account overdrafts and credit cards	6.90	6.62	6.06	6.26	6.01	5.78	-1.13	-0.23
Loans of up to EUR 1 million	6.57	6.39	6.13	6.09	5.92	6.12	-0.44	0.20
– with a floating rate								
– and an IRF of up to 1 year	6.49	6.33	6.08	6.06	5.90	6.11	-0.38	0.21
– with an IRF of over 5 years	6.49	6.52	6.05	6.12	6.06	6.11	-0.38	0.05
Loans of over EUR 1 million	5.83	5.79	5.21	5.15	5.28	5.48	-0.35	0.20
– with a floating rate								
– and an IRF of up to 1 year	5.71	5.60	5.04	5.05	5.15	5.50	-0.21	0.35
– with an IRF of over 5 years	7.03	5.73	5.82	5.69	5.99	5.65	-1.38	-0.34
Total	6.76	6.37	5.93	6.05	5.88	5.74	-1.02	-0.14
Total, excluding current account overdrafts and credit cards	6.04	5.89	5.47	5.37	5.42	5.63	-0.41	0.21
<b>Loans to households</b>								
Current account overdrafts and credit cards	14.32	14.10	14.16	14.34	14.30	14.29	0.19	-0.01
Consumer loans	13.23	13.67	14.11	12.44	13.59	13.66	-0.01	0.07
House purchase loans	6.54	6.76	6.50	6.06	6.10	6.14	-0.62	0.04
of which: mortgage loans	6.16	6.45	6.29	5.79	5.78	5.74	-0.71	-0.04
Other loans	7.34	7.46	7.19	6.75	6.97	6.67	-0.78	-0.30
Total	12.56	12.54	12.56	12.16	12.21	12.04	-0.50	-0.17
Total, excluding current account overdrafts and credit cards	8.45	8.36	8.66	7.65	7.58	7.49	-0.87	-0.09
Basic NBS rate	4.50	4.75	4.75	4.25	4.25	4.25	-0.25	0.00
3M BRIBOR	4.95	4.82	4.48	4.27	4.32	4.33	-0.62	0.01

Source: NBS.

Note: Quarterly data refer to the last month of the given quarter.

**Chart 55 Interest Rates on Deposits from Non-Financial Corporations (%)**


Source: NBS.

**Chart 56 Interest Rates on Household Deposits (%)**


Source: NBS.

Interest rates on household deposits did not change in October and continued in their stagnation. Moderate changes were recorded in deposits with agreed maturities only. On the one hand, interest rates on short-term deposits with an agreed maturity and long-term deposits of over 2 years decreased moderately. Interest rates on deposits with maturities from 1 to 2 years, on the other hand, recorded a moderate increase.

The real interest rate on household deposits, calculated by deflating the rate of interest on new one-year household deposits by HICP inflation, stood at 0.93% in October, down by 0.62 percentage points

**Real interest rate**
**Table 40 Average Interest Rates on New Deposits**

	Interest rate in %		Interest rate in %				Change in Sept., in p.p.	
	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Sep. 2007	Oct. 2007	against Q3 2006	month- on-month
<b>New deposits from non-financial corporations</b>								
Deposits repayable on demand	1.98	1.32	1.11	2.12	0.88	0.76	-1.22	-0.12
Deposits with an agreed maturity of up to 1 year	4.41	4.39	3.36	4.09	3.93	3.87	-0.54	-0.06
Deposits with an agreed maturity of over 1 and up to 2 years	2.56	3.28	2.66	-	3.50	3.60	1.03	0.10
Deposits with an agreed maturity of over 2 years	8.40	2.62	1.50	1.91	2.77	2.00	-6.40	-0.77
Total	3.00	2.70	2.17	3.09	2.28	2.36	-0.64	0.08
<b>New deposits from households</b>								
Deposits repayable on demand	0.54	0.50	0.54	0.51	0.47	0.47	-0.07	0.00
Deposits with an agreed maturity								
– up to 1 year	3.85	3.92	3.17	3.49	3.45	3.36	-0.49	-0.09
– over 1 and up to 2 years	3.94	3.98	2.47	3.34	3.50	3.57	-0.37	0.07
– over 2 years	3.86	3.61	3.24	2.24	2.70	2.52	-1.34	-0.18
Deposits redeemable at notice								
– up to 3 months	1.46	1.54	1.46	1.23	1.33	1.33	-0.13	0.00
– over 3 months	1.89	1.97	1.98	1.90	1.96	1.97	0.08	0.01
Total	1.16	1.18	1.07	1.00	1.00	1.03	-0.13	0.03
Basic NBS rate	4.50	4.75	4.75	4.25	4.25	4.25	-0.25	0.00
3M BRIBOR	4.95	4.82	4.48	4.27	4.32	4.33	-0.62	0.01

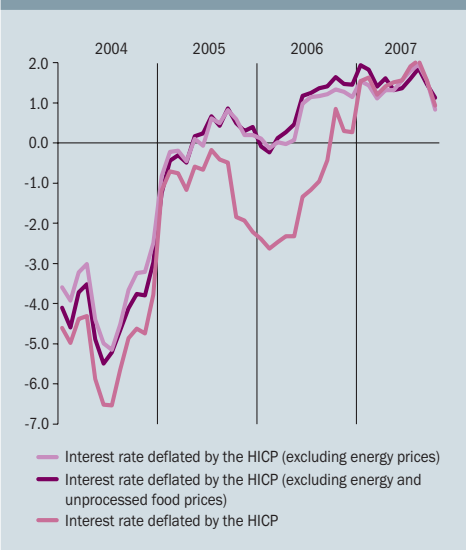
Source: NBS.

Note: Quarterly data refer to the last month of the given quarter.



compared with the previous month. After a longer period of growth, the real interest rate went down in the second consecutive month, mainly as a result of growing inflation and stagnating rates of interest on household deposits.

**Chart 57 Real Interest Rates on Household Deposits (%)**



Source: NBS and the Statistical Office of the SR.

## Annexes

### 1 International Economy: Tables and Graphs

Table 41 Euro Area		(year-on-year changes in %, unless otherwise specified)						
	HICP	Prices HICP <sup>1)</sup> (core inflation)	PPI	GDP <sup>2),4),5)</sup>	Real economy Industrial production <sup>2),3)</sup>	Retail trade (sales) <sup>2),3)</sup>	Unemployment (% of the labour force) <sup>6)</sup>	Financial market 10-years bonds (yield to maturity in %)
2004	2.1	2.1	2.3	2.0	2.2	1.6	8.8	4.14
2005	2.2	1.5	4.1	1.5	1.3	1.3	8.8	3.44
2006	2.2	1.5	5.1	2.8	4.0	2.1	8.2	3.86
2006 Q3	2.1	1.5	5.4	2.9	4.1	2.4	8.1	3.97
2006 Q4	1.8	1.6	4.1	3.3	4.0	2.3	7.9	3.86
2007 Q1	1.9	1.9	2.9	3.2	4.0	1.6	7.6	4.08
2007 Q2	1.7	1.8	2.4	2.5	2.7	0.9	7.5	4.42
2007 Q3	1.7	1.7	2.2	2.7	3.8	1.2	7.4	4.48
VIII.07	1.7	2.0	1.8	-	4.4	0.8	7.4	4.43
IX.07	2.1	2.0	2.7	-	3.3	1.5	7.3	4.37
X.07	2.6	2.1	3.3	-	3.8	0.2	7.2	4.40
XI.07	3.1	2.3	.	-	.	.	.	4.25

Source: Eurostat, ECB, NBS calculations.

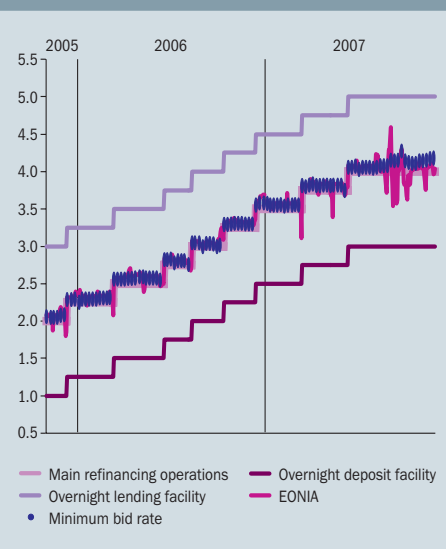
<sup>1)</sup> Overall inflation, excluding energy and unprocessed food prices.  
<sup>2)</sup> Constant prices.  
<sup>3)</sup> Adjusted for calendar effects.  
<sup>4)</sup> Adjusted for seasonal and calendar effects.  
<sup>5)</sup> Annual data are not adjusted for calendar effects.  
<sup>6)</sup> Harmonised data, ILO definition, seasonally adjusted.

**Chart 58 USD/EUR: Year-on-year Changes (%)**



Source: ECB.  
Note: Negative values denote appreciation.

**Chart 59 ECB Interest Rates and the EONIA (%)**



Source: ECB.



**Table 42 Czech Republic** (year-on-year changes in %, unless otherwise specified)

	Prices			GDP <sup>2),4),5)</sup>	Real economy			Financial market 10-years bonds (yield to maturity in %) <sup>7)</sup>
	HICP	HICP <sup>1)</sup> (core inflation)	PPI		Industrial production <sup>2),3)</sup>	Retail trade (sales) <sup>2),3)</sup>	Unemployment (% of the labour force) <sup>6)</sup>	
2004	2.6	2.5	5.7	4.2	9.2	2.8	8.3	4.75
2005	1.6	0.9	3.0	6.1	6.7	3.9	7.9	3.51
2006	2.1	0.9	1.6	6.1	11.4	6.9	7.1	3.78
2006 Q3	2.4	1.0	2.5	6.4	10.2	6.0	7.0	3.93
2006 Q4	1.1	1.0	2.2	6.1	10.2	7.2	6.5	3.78
2007 Q1	1.7	1.9	3.1	6.2	12.3	8.3	5.9	3.79
2007 Q2	2.6	2.8	4.1	6.0	9.0	7.8	5.6	4.23
2007 Q3	2.7	3.1	3.9	6.0	5.8	7.6	5.2	4.54
VIII.07	2.6	3.1	3.7	-	5.6	6.9	5.2	4.48
IX.07	2.8	3.3	4.0	-	3.1	8.5	5.1	4.54
X.07	4.0	3.8	4.4	-	.	.	5.0	4.50
XI.07	5.1	4.7	.	-	.	.	.	4.54

Source: Eurostat, ECB, NBS calculations.

<sup>1)</sup> Overall inflation, excluding energy and unprocessed food prices.

<sup>2)</sup> Constant prices.

<sup>3)</sup> Adjusted for calendar effects.

<sup>4)</sup> Adjusted for seasonal and calendar effects.

<sup>5)</sup> Annual data are not adjusted for calendar effects.

<sup>6)</sup> Harmonised data, ILO definition, seasonally adjusted.

<sup>7)</sup> Long-term interest rates according to the Maastricht criteria.

**Table 43 Hungary** (year-on-year changes in %, unless otherwise specified)

	Prices			GDP <sup>2),4),5)</sup>	Real economy			Financial market 10-years bonds (yield to maturity in %) <sup>7)</sup>
	HICP	HICP <sup>1)</sup> (core inflation)	PPI		Industrial production <sup>2),3)</sup>	Retail trade (sales) <sup>2),3)</sup>	Unemployment (% of the labour force) <sup>6)</sup>	
2004	6.8	6.4	8.4	4.8	6.7	5.4	6.1	8.19
2005	3.5	2.7	8.3	4.1	7.2	5.7	7.2	6.60
2006	4.0	2.5	8.4	3.9	10.8	4.3	7.5	7.12
2006 Q3	4.6	2.8	10.4	3.9	10.9	4.6	7.5	7.54
2006 Q4	6.4	4.6	9.7	3.1	11.6	2.6	7.5	7.10
2007 Q1	8.8	6.7	8.7	2.6	10.1	0.3	7.4	6.90
2007 Q2	8.5	7.2	7.7	1.8	7.6	-3.0	7.3	6.63
2007 Q3	7.3	6.7	4.2	1.2	.	.	7.2	6.68
VIII.07	7.1	7.0	3.5	-	12.1	-3.6	7.3	6.80
IX.07	6.4	5.8	3.1	-	8.8	-4.6	7.2	6.67
X.07	6.9	6.0	4.0	-	.	.	7.3	6.61
XI.08	7.2	6.2	.	-	.	.	.	6.74

Source: Eurostat, ECB, NBS calculations.

<sup>1)</sup> Overall inflation, excluding energy and unprocessed food prices.

<sup>2)</sup> Constant prices.

<sup>3)</sup> Adjusted for calendar effects.

<sup>4)</sup> Adjusted for seasonal and calendar effects.

<sup>5)</sup> Annual data are not adjusted for calendar effects.

<sup>6)</sup> Harmonised data, ILO definition, seasonally adjusted.

<sup>7)</sup> Long-term interest rates according to the Maastricht criteria.

**Table 44 Poland** (year-on-year changes in %, unless otherwise specified)

	Prices			GDP <sup>2),(4),(5)</sup>	Real economy			Financial market 10-years bonds (yield to maturity in %) <sup>7)</sup>
	HICP	HICP <sup>1)</sup> (core inflation)	PPI		Industrial production <sup>2),(3)</sup>	Retail trade (sales) <sup>2),(3)</sup>	Unemployment (% of the labour force) <sup>6)</sup>	
2004	3.6	2.8	7.6	5.3	12.2	4.8	19.0	6.90
2005	2.2	1.2	2.1	3.6	4.6	1.3	17.7	5.22
2006	1.3	0.6	2.5	6.1	12.2	9.6	13.8	5.23
2006 Q3	1.5	0.7	3.8	6.2	13.6	8.7	13.3	5.55
2006 Q4	1.3	1.0	3.1	6.9	10.9	10.6	12.3	5.25
2007 Q1	2.0	1.2	3.9	6.8	14.0	16.3	11.0	5.18
2007 Q2	2.3	1.8	3.2	6.9	8.7	13.9	10.1	5.36
2007 Q3	2.4	2.3	3.2	5.8	8.0	12.9	9.2	5.66
VIII.07	2.1	2.2	2.9	-	8.9	14.5	9.2	5.68
IX.07	2.7	2.5	3.7	-	7.0	12.0	8.9	5.69
X.07	3.1	2.7	.	-	8.6	13.3	8.8	5.64
IX.08	3.7	3.1	.	-	.	.	.	5.70

Source: Eurostat, ECB, NBS calculations.

<sup>1)</sup> Overall inflation, excluding energy and unprocessed food prices.

<sup>2)</sup> Constant prices.

<sup>3)</sup> Adjusted for calendar effects.

<sup>4)</sup> Adjusted for seasonal and calendar effects.

<sup>5)</sup> Annual data are not adjusted for calendar effects.

<sup>6)</sup> Harmonised data, ILO definition, seasonally adjusted.

<sup>7)</sup> Long-term interest rates according to the Maastricht criteria.

**Chart 60 Exchange Rate Indices of V4 Currencies against the Euro**  
(31. 12. 2004 = 100)



Source: Eurostat, NBS calculations.

Note: A fall in value denotes an appreciation.

**Chart 61 Exchange Rates of V4 Currencies against the Euro**  
(year-on-year changes in %)



Source: Eurostat, NBS calculations.

Note: Negative values denote appreciation.



**Table 45 United States** (year-on-year changes in %, unless otherwise specified)

	Prices			GDP <sup>3)</sup>	Real economy			Financial market 10-years bonds (yield to maturity in %)
	CPI	CPI <sup>1)</sup> (core inflation)	PPI <sup>2)</sup>		Industrial production <sup>4)</sup>	Retail trade <sup>5)</sup>	Unemployment	
2004	2.7	1.8	3.6	3.6	2.5	6.1	5.5	4.27
2005	3.4	2.2	4.9	3.1	3.2	6.6	5.1	4.29
2006	3.2	2.5	2.9	2.9	4.0	6.1	4.6	4.80
2006 Q3	3.3	2.8	2.8	2.4	5.1	5.4	4.7	4.90
2006 Q4	1.9	2.6	0.3	2.6	3.5	5.0	4.5	4.63
2007 Q1	2.4	2.6	2.0	1.5	2.4	3.4	4.5	4.68
2007 Q2	2.7	2.3	3.4	1.9	1.6	4.0	4.5	4.85
2007 Q3	2.4	2.2	3.5	2.6	1.8	4.0	4.6	4.74
VII.07	2.0	2.1	2.1	-	1.7	3.6	4.6	4.68
IX.07	2.8	2.1	4.4	-	2.1	5.0	4.7	4.52
X.07	3.5	2.2	6.0	-	1.8	5.4	4.7	4.53
XI.07	4.3	2.3	7.7	-	2.1	6.2	4.7	4.16

Source: Bureau of Economic Analysis, Bureau of Labour Statistics, Federal Reserve System, U.S. Department of Commerce.

<sup>1)</sup> Core CPI – inflation excluding food and energy.

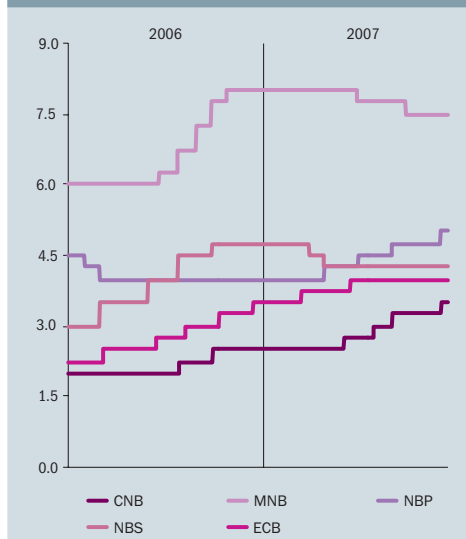
<sup>2)</sup> PPI finished products.

<sup>3)</sup> Seasonally adjusted.

<sup>4)</sup> Industrial production in total (seasonally adjusted.)

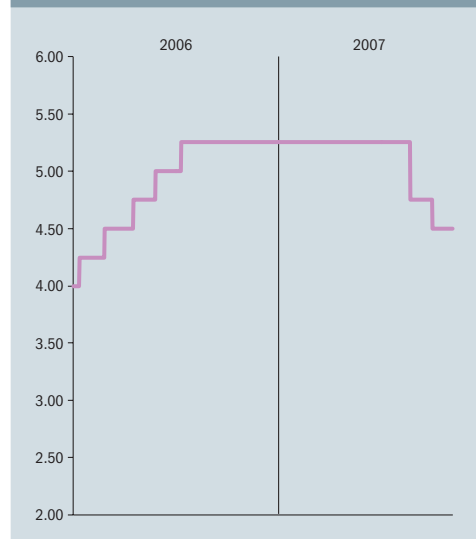
<sup>5)</sup> Retail trade and restaurant services.

**Chart 62 Key Interest Rates of the NCBs of the V4 Countries (%)**



Source: ECB, national central banks.

**Chart 63 United States: Federal Funds Rate (%)**



Source: Federal Reserve System.





Chart 64 Oil Prices: USD/Barrel



Source: Reuters.



## 2 Capital Market

### 2.1 Primary Market

In November, the Agency for Debt and Liquidity Management (ARDAL) held one auction in government bonds (with a residual maturity of 18.5 years), at which, however, no bids were accepted, due to low demand (SKK 1.2 billion) and high yields requested by investors (4.85% on average) on the one hand and the satisfactory course of national debt financing on the other. Due to the favourable budgetary developments and a surplus of financial resources, ARDAL decided to cancel the auction planned for 12 November 2007.

On the primary market for non-government bonds, 9 bond issues were floated in November, in the total amount of SKK 4.8 billion, of which 3 were issues of mortgage bonds amounting to SKK 1.9 billion.

### 2.2 Secondary Market

The total volume traded on the Bratislava Stock Exchange (BCPB) reached SKK 25.9 billion in November (in 459 transactions), representing a month-on-month increase of 29.04%. Price-setting transactions accounted for SKK 69.5 million and direct transactions for SKK 25.9 billion.

Non-resident investors accounted for 83.07% of the total volume traded in November, of which 70.88% were purchases and 95.26% sales.

**Bonds** Benchmark government bond yields went down by 0.02 of a percentage point on average, compared with the previous month. Yields on bonds with six and seven year maturity changed most notably, decreasing by 0.04 of a percentage point. Yields on bonds with three- and twelve-year maturity decreased by 0.03 of a percentage point. Bond yields were influenced, in addition to the development of exchange rates, mostly by movements in yields in euro area countries.

The BCPB recorded 149 bond transactions totaling SKK 25.8 billion during the month (i.e. 99.5% of the total volume traded at BCPB in November).

The market capitalisation of bonds as at the last trading day of November reached SKK 449.5 billion, representing a month-on-month increase of 0.56%. Market capitalisation of listed bonds increased since the end of October by 0.58%, to SKK 430.8 billion.

Calculation of the short-term private sub-index SDXG ( $\leq 5$ ) was cancelled, as the last base title was removed from the basket, because its residual maturity fell below 1 year.

**Chart 65 Benchmark Government Bond Yield Curves (%)**



Source: Reuters, NBS.

**Chart 66 Bond Transactions in the BCPB (SKK billions)**



Source: Bratislava Stock Exchange (BCPB).

**Table 46 The Values of SDXGroup Indices at the End of November 2007**

Sector	SDXGroup indices		Yield to maturity (%)	Duration (in years)
	Price	Performance		
Public	102.5	121.5	4.520	4.795
SDXG sub-index (<=5)	101.2	118.9	4.452	2.645
SDXG sub-index (>5)	104.1	124.8	4.540	6.909
Private (corporate + mortgage bonds)	98.9	122.8	4.695	4.680
SDXG sub-index (>5)	103.1	122.9	4.695	4.680

Source: BCPB.

**SDXGroup indices**

During the month under review, 44,435 equity securities worth SKK 122.0 million were traded in 310 transactions. Price-setting transactions (involving shares) accounted for SKK 33.5 million and direct transactions for SKK 88.5 million.

By the last trading day of November 2007, the market capitalization of equity securities had increased by 0.73% month-on-month to SKK 158.3 billion. The actual amount of issues that had a market price at least once in the past, except for investment fund shares and participation certificates, was SKK 151.8 billion (a month-on-month increase of 0.8%) and accounted for 95.9% of the total equity market capitalization. Market capitalization of listed issues decreased since the end of October by 0.97%, to SKK 89.0 billion.

During November, the BCPB accepted no new share issues for trading on the quoted market or the regulated open market. In the same period, trading in one issue of equity securities worth SKK 48.2 million and three participation certificates worth SKK 25.7 million on the BCPB was stopped. In November, the quoted parallel market of BCPB received three new issues of mortgage bonds with a total value of SKK 1.7 billion and two bond issues with a total nominal value of SKK 648.7 million. At the same time, one issue of mortgage bonds (worth SKK 500 million) expired.

The SAX index closed the month at 442.95 points, representing an increase of 0.99% month-on-month and 7.28% year-on-year. The index reached a monthly maximum on 6 November (448.33 points) and a monthly minimum on 23 November (441.57 points).

**Chart 67 Developments in the SAX Index in October 2007 (points)**


Source: BCPB.

**Shares**
**SAX index**
**Table 47 Weights of Basic SAX Index Components at the Month-ends**

Company	Weights in % 2007						Monthly change
	June	July	Aug.	Sep.	Oct.	Nov.	
Biotika, a. s.	4.70	4.24	4.48	4.71	5.10	4.58	-0.52
OTP Banka Slovensko, a. s.	23.33	24.08	22.92	21.87	22.00	21.59	-0.41
SES Tlmače, a. s.	11.83	12.48	14.09	14.80	15.33	16.38	1.05
Slovnaft, a. s.	30.40	30.13	30.58	30.49	29.96	29.65	-0.31
Všeobecná úverová banka, a. s.	29.74	29.07	27.92	28.14	27.61	27.81	0.20

Source: BCPB.



### 3 Statistics on other Financial Intermediaries in 2007

#### 3.1 Statistics on other Financial Intermediaries according to ESA 95

The European System of National Accounts (ESA 95) defines „other financial intermediaries, except insurance corporations and pension funds“ (S.123) („OFIs“) as financial corporations and quasi-corporations which are principally engaged in financial intermediation by incurring liabilities in forms other than currency, deposits and/or close substitutes for deposits from institutional units other than monetary financial institutions, or insurance technical reserves.

Sector S.123 includes the following types of corporations:

1. **Investment funds** – collective investment entities pooling the funds of investors for the purpose of acquiring financial or non-financial assets. Investment funds include all types of mutual funds, with the exception of money market funds (which are included in the monetary financial institutions sector).
2. **Financial corporations engaged in lending** – they are engaged in the provision of loans to non-financial corporations and households otherwise than by standard bank financing. They include corporations engaged in financial leasing, factoring, consumer credit and the provision of personal or commercial financing.
3. **Securities and derivatives dealers** – financial corporations engaged in the following financial intermediation activities:
  - securities trading on own account by means of the acquisition and sale of such securities on the account and risk of the intermediary, exclusively for the purposes of benefiting from the margin between the acquisition and sale price,
  - trading on own account by means of a financial intermediary authorized to carry on business on the securities market or on other organized markets.
4. **Financial holding corporations** control and direct a group of subsidiaries engaged in financial intermediation and/or auxiliary financial activities, but which are not financial corporations themselves.
5. **Financial vehicle corporations** – the so-called risk-assuming corporations, created exclusively to be holders of securitized assets, which have been removed from the balance sheet of the corporations in the process of restructuring.

#### 3.2 Statistics on other Financial Intermediaries in the SR

Národná banka Slovenska collects data on OFIs for monetary and statistical purposes in order to monitor the role of OFIs in financial intermediation outside the monetary financial institutions sector.

NBS's legal framework for the collection of the necessary data is given by Art. 34, paragraph 1 of Act of the National Council of the Slovak Republic No. 566/1992 Coll. on the National Bank of Slovakia as amended, and Art. 35, paragraph 2 of Act No. 747/2004 Coll. on Supervision of the Financial Market and on amendments and supplements to certain acts.

Sector S.123 includes:

1. Mutual funds other than money market mutual funds (“investment funds”).
2. Financial corporations engaged in lending – leasing companies, factoring companies and consumer credit companies.
3. Securities dealers trading on own account.

#### Investment funds

The submission of statements by asset management companies with respect to the managed funds was set by the NBS Decree of January 2004<sup>9</sup>. Data on individual funds managed by asset management companies are submitted via the statement “M (NBS) 71-12 Monthly statistical balance sheet of mutual funds other than money market funds”.

At present, Národná banka Slovenska collects data for 107 investment funds managed by asset management companies.

<sup>9</sup> NBS Decree No. 9/2003, No. 10/2004, No. 9/2005 and No. 4/2006 on the submission of statements by asset management companies for the individual mutual funds for statistical purposes.

**Financial corporations engaged in lending: factoring companies, leasing companies and consumer credit companies.**

For the purposes of statistics on other financial intermediaries:

- a factoring company is deemed to be a legal person, which area of business involves factoring, and which is neither a bank or branch of a foreign bank, nor a foreign bank,
- a consumer credit company is deemed to be a legal person, which main area of business involves the provision of credit or loans on the basis of funds other than repayable funds obtained from other persons via a public call, and which is neither a bank or a branch of a foreign bank, nor a foreign bank,
- a leasing company is deemed to be a legal person, which main area of business involves financial leasing, and which is neither a bank or a branch of a foreign bank, nor a foreign bank.

The obligation of the said companies to report data to NBS applies as from January 2007, according to the NBS Decree<sup>10</sup>. The first data acquired on the basis of the statement "M (NBS) 81-04 Quarterly statistical balance sheet" refer to stocks from 31 March 2007.

The range of the reported data fully corresponds to the actual requirements<sup>11</sup> of the European Central Bank regarding the statistics on other financial intermediaries.

In 2006, 130 leasing companies were entered in the register of organizations maintained by the Statistical Office of the Slovak Republic. Out of these companies, 16 of them, accounting for 96 % of the total assets of this subsector, were selected for the purpose of reporting in 2007. In 2007, 132 leasing companies were registered.

In 2006, the number of companies providing credit and loans otherwise than by standard bank financing was 72. Out of these companies 12 of them, accounting for 97 % in the total assets, were selected for the purpose of reporting in 2007. In 2007, 84 such companies were registered.

Concerning factoring companies, the statement is submitted by all 7 registered companies.

**Securities and derivatives dealers**

The definition covers companies referred to in Art. 54 of the Act No. 566/2001 on Securities, which perform trading on own account and are no bank, branch of a foreign bank, asset management company or branch of a foreign asset management company. At present, NBS registers 18 such companies. Information on their assets and liabilities are collected via the statement "Bil (NBS) 1-12 Monthly balance sheet of assets and liabilities".

**Table 48 Assets of Other Financial Intermediaries Sector in Q1 – Q3 2007**

	Volume in SKK millions			Share in %		
	Q1	Q2	Q3	Q1	Q2	Q3
Investment funds	62,739	69,344	71,930	32.99	34.13	34.39
Leasing companies	90,746	95,921	97,976	47.71	47.21	46.85
Factoring companies	8,497	9,149	9,645	4.47	4.50	4.61
Consumer credit companies	26,819	27,287	28,141	14.10	13.43	13.46
Securities dealers <sup>1)</sup>	1,393	1,460	1,451	0.73	0.72	0.69
<b>Total</b>	<b>190,194</b>	<b>203,161</b>	<b>209,143</b>			

Source: NBS.

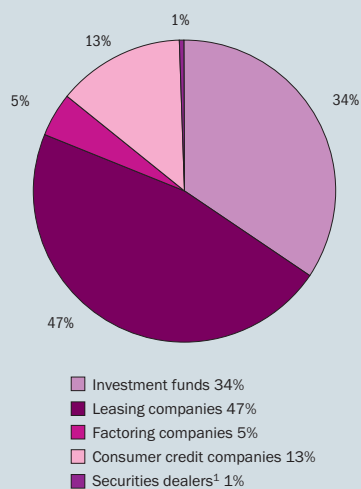
<sup>1)</sup> Securities dealers with a licence according to Act No. 566/2001 Coll. which are no bank, branch of a foreign bank, asset management company or branch of a foreign asset management company.

<sup>10</sup> NBS Decree No. 6/2006 of 26 September 2006 on the submissions of statements by factoring companies, consumer credit companies and leasing companies for statistical purposes.

<sup>11</sup> Regulation of the European Central Bank (EC) No. 958/2007 of 27 July 2007 concerning statistics on the assets and liabilities of investment funds (ECB/2007/8) and Guideline of the European Central Bank of 1 August 2007 (ECB/2007/9) on monetary, financial institutions and markets statistics.



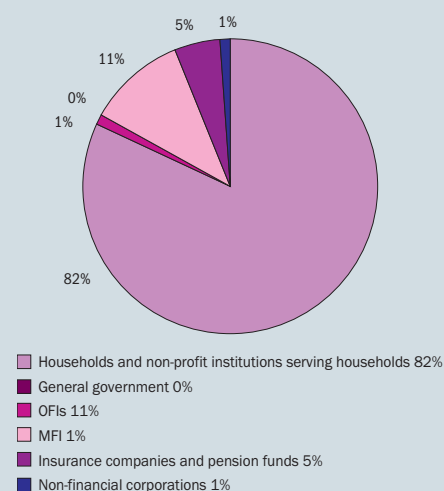
**Chart 68 Structure of sector S. 123 – OFIs, as at 30 September 2007 (%)**



Source: NBS.

<sup>1)</sup> Securities dealers with a licence according to Act No. 566/2001 Coll., which are no bank, branch of a foreign bank, asset management company or branch of a foreign asset management company.

**Chart 69 Holdings of Mutual Fund Shares/units by Sector as at 30 September 2007 (%)**



Source: NBS.

**Table 49 Mutual Fund Shares/units Issued by Investment Funds by Holder Type**

	Volume in SKK millions			Share in %		
	Q1	Q2	Q3	Q1	Q2	Q3
Monetary financial institutions	269	649	655	0.45	1.02	0.99
General government	1	0	9	0.00	0.00	0.01
Other financial intermediaries	6,598	6,147	7,403	11.16	9.65	11.15
Insurance companies and pension funds	3,405	3,498	3,147	5.76	5.49	4.74
Non-financial corporations	432	524	491	0.73	0.82	0.74
Households	47,800	52,191	53,387	80.84	81.97	80.42
Non-residents	624	661	1,292	1.06	1.04	1.95
<b>Total</b>	<b>59,129</b>	<b>63,670</b>	<b>66,384</b>			

Source: NBS.

**Table 50 Investment Funds Assets by Type of Fund (SKK millions)**

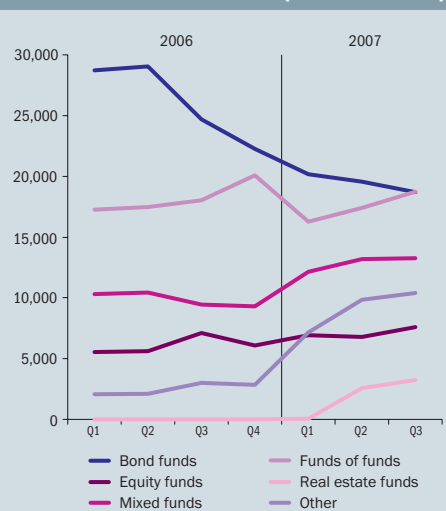
	Total	Bond funds	Equity funds	Mixed funds	Funds of funds	Real estate funds	Other
2006 Q1	63,878	28,700	5,532	10,313	17,251	0	2,083
Q2	64,653	29,048	5,599	10,438	17,460	0	2,108
Q3	62,291	24,707	7,109	9,434	18,031	0	3,010
Q4	60,567	22,269	6,071	9,303	20,066	0	2,858
2007 Q1	62,739	20,181	6,937	12,136	16,262	49	7,174
Q2	69,344	19,556	6,767	13,200	17,398	2,582	9,841
Q3	71,930	18,698	7,593	13,246	18,736	3,251	10,406

Source: NBS.

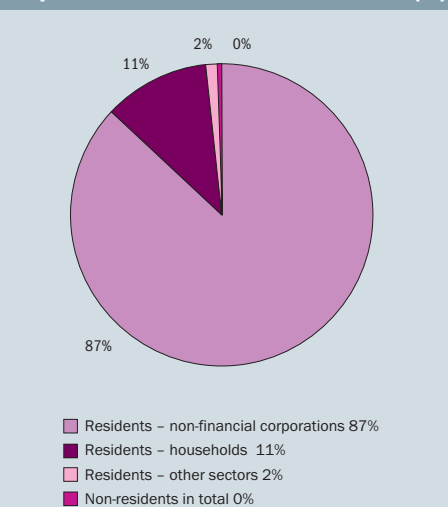
**Table 51 Receivables of Leasing Companies by Debtor Sector**

	Volume in SKK millions			Share in %		
	Q1	Q2	Q3	Q1	Q2	Q3
Residents – non-financial corporations	68,056	73,242	75,429	87.82	87.84	86.92
Residents – households	7,866	8,495	9,893	10.15	10.19	11.40
Residents – other sectors	1,532	1,591	1,427	1.98	1.91	1.64
Non-residents in total	38	51	34	0.05	0.06	0.04
<b>Total</b>	<b>77,492</b>	<b>83,379</b>	<b>86,783</b>			

Source: NBS.

**Chart 70 Developments in the Total Assets of Funds by Type of Fund in 2006-2007 (SKK millions)**


Source: NBS.

**Chart 71 Receivables of Leasing Companies by Debtor Sector as at 30 September 2007 (%)**


Source: NBS.

**Table 52 Receivables of Consumer Credit Companies by Debtor Sector**

	Volume in SKK millions			Share in %		
	Q1	Q2	Q3	Q1	Q2	Q3
Residents – non-financial corporations	863	980	1,073	3.84	4.23	4.43
Residents – households	17,519	21,867	22,846	77.88	94.42	94.31
Residents – other sectors	3,683	311	304	16.37	1.34	1.25
Non-residents in total	431	1	1	1.92	0.00	0.00
<b>Total</b>	<b>22,496</b>	<b>23,159</b>	<b>24,224</b>			

Source: NBS.

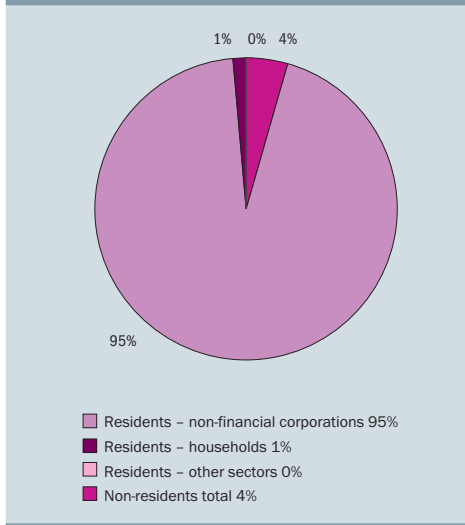
**Table 53 Receivables of Factoring Companies by Debtor Sector**

	Volume in SKK millions			Share in %		
	Q1	Q2	Q3	Q1	Q2	Q3
Residents – non-financial corporations	5,355	5,806	6,354	63.59	64.84	68.09
Residents – households	20	20	26	0.24	0.22	0.28
Residents – other sectors	487	458	181	5.78	5.12	1.94
Non-residents in total	2,559	2,670	2,771	30.39	29.82	29.69
<b>Total</b>	<b>8,421</b>	<b>8,954</b>	<b>9,332</b>			

Source: NBS.

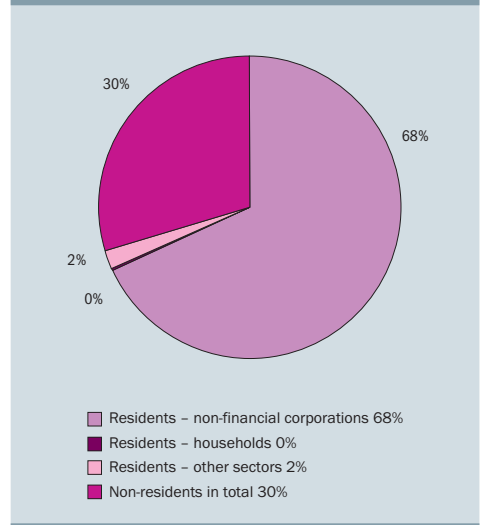


**Chart 72 Receivables of Consumer Credit Companies by Debtor Sector as at September 30, 2007 (%)**



Source: NBS.

**Chart 73 Receivables of Factoring Companies by Debtor Sector as at September 30, 2007 (%)**



Source: NBS.



## 4 Methodological Notes to Selected Indicators

### 4.1 Monetary Statistics

#### 4.1.1 Statistics of Monetary Aggregates (ECB methodology)

In implementing ECB methodology, data from harmonized statements of monetary and banking statistics were applied. These statistics were introduced by Národná banka Slovenska in 2003.

In 2003, similarly as in national methodology, the MFI sector was composed of Národná banka Slovenska, commercial banks headquartered in the SR, home savings banks, and the local branches of foreign banks. With effect from January 2004, in accordance with ECB methodology, the MFI sector was extended to include money market investment funds, which are now required to report data to NBS on a-monthly basis (the list of MFIs monitored by NBS is regularly updated and published on the website of Národná banka Slovenska)<sup>12</sup>.

The aggregated balance sheet of monetary financial institutions (excluding the NBS) is the sum of statistical balance sheets of MFIs (except of the NBS balance sheet). The structure and content of the items of the statistical balance sheet was defined to allow compilation of a "consolidated balance sheet of MFIs".

The consolidated balance sheet of monetary financial institutions is obtained by netting out inter-MFI positions on the aggregated balance sheet of monetary financial institutions, which also includes the assets and liabilities of NBS. The consolidated balance sheet of MFIs serves for the calculation of monetary aggregates and their counterparts. In netting out, the mutual relations of MFIs are excluded from the aggregated balance sheet as follows:

- liabilities arising from issued debt securities are reduced by debt securities issued by MFIs in the holdings of MFIs;
- deposits and loans received from MFIs are reduced by receivables from MFIs;
- liabilities arising from issued equity securities are reduced by MFI shares and other equities held by MFIs.

Monetary aggregates according to ECB methodology are calculated from monthly statistical balance sheet of banks, on the basis of which NBS compiles the aggregated and consolidated balance sheets for the MFI sector. The monetary aggregates consist of highly liquid liabilities of MFIs and central government to residents in the money-holding sector. The rest of the consolidated balance sheet, after deduction of the M3 monetary aggregate, is constituted by its counterparts.

The calculation of the annual growth rate of the monetary aggregates and their counterparts requires a-calculation of transactions. Annual growth rates are calculated using a-chain index fixed to a-basis period (January 2005,  $I_{\text{January 2005}} = 100$ ).

The formula for the calculation of the index is as follows:

$I_t$  – index at period t-

$T_t$  – transactions in period t-

$S_{t-1}$  – outstanding amount in period t-1

$$I_t = I_{t-1} \times \left( 1 + \frac{T_t}{S_{t-1}} \right)$$

Transactions are business-to-business transactions that are based on mutual agreement, which involves the simultaneous creation or end of an asset and related liability or change in the ownership of the asset or the entering into a-liability. The transactions are calculated indirectly using data on non-transactions, which express changes in stocks resulting from:

1. reclassifications and other changes,
2. exchange rate variations,
3. changes in the valuation of tradable instruments + write-downs of loans

<sup>12</sup> The actual list of MFIs and detailed methodological information on harmonised monetary and banking statistics are available on the website of Národná banka Slovenska (<http://www.nbs.sk>), in the 'Monetary and Banking Statistics / Monetary Statistics of the MFIs', under 'Banking sector of the SR' menu.



Transaction = differences in end-of-the-month stocks minus non-transactions

$$F_t = (S_t - S_{t-1}) - C_t - V_t - E_t$$

- $F_t$  – transactions  
 $S_t$  – stocks at the end of the current period  
 $S_{t-1}$  – stocks at the end of the previous period  
 $C_t$  – adjustment related to reclassification  
 $V_t$  – adjustment related to revaluation  
 $E_t$  – exchange rate adjustment (has not been calculated as yet)

Indices calculated in this way are used for the calculation of the annual growth rate for period t(a.)

$$a_t = \left( \frac{I_t}{I_{t-12}} - 1 \right) \times 100$$

#### 4.1.2. Statistics on monetary aggregates (NBS methodology – Monetary Survey)

In 2005, Národná banka Slovenska completed the harmonization process in methodology implementation for reporting and monitoring monetary aggregates in line with that of the European Central Bank (ECB). From February 2006, when a-1-year transition period ended, NBS has published monetary aggregates and evaluated their development using ECB methodology only.

In a-transition period, the NBS used both national methodology and that of the ECB in evaluating the development of monetary aggregates, nevertheless, greater emphasis was placed on ECB methodology in relation to the M3 aggregate and its counterparts.

**Table 54 Calculation of Monetary Aggregates**

Methodology of the NBS	Methodology of the ECB
	<i>(the items are included in the individual sub-aggregates in both Slovak koruna and foreign currency)</i>
CURRENCY OUTSIDE BANKS [M0]	currency in circulation [M0]
+	+
DEMAND DEPOSITS (in SKK)	overnight deposits and received loans
= <b>Money (M1 – 'narrow money')</b>	= <b>M1 ('narrow money')</b>
TIME DEPOSITS (all maturities, in SKK)	+ deposits and received loans with an agreed maturity of up to 2 years
+	+ deposits and received loans redeemable at a period of notice of up to 3 months
FOREIGN CURRENCY DEPOSITS	= <b>M2 ('intermediate money')</b>
= <b>QUASI-MONEY [QM - 'quasi money']</b>	+ repurchase operations
	+ money market fund shares/units
	+ debt securities with a maturity of up to 2 years, and other money market products
= <b>Money supply M2 (=M1+QM)</b>	<b>M3 MONETARY AGGREGATE ('broad money')</b>

**The main differences between the individual methodologies are as follows:**

- **in the definition of monetary financial institutions:**
  - the ECB methodology uses an extended file of monetary financial institutions (MFIs), which includes NBS, commercial banks, and money market funds – the deposits of money market funds (MMFs) in commercial banks are treated in this sense as interbank operations and are not directly included in the monetary aggregates;
  - the NBS methodology includes only NBS and commercial bank liabilities in the monetary aggregates - hence the deposits of money market funds (MMFs) in commercial banks appear in



the balance sheets of commercial banks as customer deposits of financial institutions and are directly included in the M2 money supply;

- **in the nature and liquidity of the resources:**
  - the ECB methodology monitors liquidity through the broader M3 aggregate, which also includes repo operations, the unit certificates of open-end money market investment funds, and debt securities, which represent, in terms of liquidity and profitability, a substitute for bank deposits (with regard to maturity, ECB liabilities with a maturity of over 2 years are not included in the monetary aggregates);
  - the NBS methodology monitors the money supply measured in terms of the M2 aggregate, which is composed of currency in circulation and bank deposits irrespective of the time of maturity;
- **in the definitions of deposits and loans:**
  - the ECB methodology extends the definition of deposits to include also subordinated debt in the form of deposits, liabilities arising from repo operations, and non-negotiable securities issued by banks and held by clients (in the case of loans, they also include non-marketable securities issued by clients and held by banks, subordinated debt in the form of loans, receivables in respect of repo operations, and tradable loans);
  - the NBS methodology uses a so-called 'narrow definition' for both loans and deposits, i.e. they only correspond to the amount of funds recorded by MFIs as loans (including classified loans) and deposits;
- **in the structure of monetary aggregates by sector:**
  - the ECB methodology (with the deposits of MMFs being deducted from customer deposits) covers the above sectors, as well as the deposits of local government (S.1313) and social insurance funds (S.1314)<sup>13</sup>;
  - the NBS methodology includes deposits in the M2 money supply from the following economic sectors:
    - *non-financial corporations (S.11);*
    - *financial corporations (S.123 and S.124) – including MMF deposits;*
    - *insurance companies and pension funds (S.125);*
    - *non-profit institutions mainly serving households (S.15);*
    - *households (S.14 – sole traders);*
    - *households (S.14 – accounts of citizens).*
- **in respect of the residence of economic entities:**
  - the ECB methodology exclusively takes into account the funds of residents (in Slovak koruna as well as foreign currency);
  - the NBS methodology also monitors the koruna deposits of non-residents as part of the monetary aggregates;
- **in respect of accrued assets and liabilities:**
  - in the ECB methodology, accrued assets and liabilities are excluded from the monetary aggregates;
  - in the NBS methodology, accrued assets and liabilities are included in the deposit and loan accounts of clients;
- **in respect of the seasonal adjustment of time series:**
  - unlike the ECB methodology, the NBS methodology uses seasonally unadjusted data<sup>14</sup>.

#### 4.1.3 Statistics of Customer Interest Rates on New Contracts (ECB Methodology)

As of the beginning of 2005, customer interest rates are evaluated according to ECB methodology, where interest rates are monitored on loans granted<sup>15</sup> and deposits received (new contracts). According to this methodology, the subjects of monitoring are interest rates on new business volumes. New loans and new deposits are understood to be contracts signed for the first time, fixing the rate of interest agreed between the bank and the customer, and new contracts negotiated with the active participation of the customer.

<sup>13</sup> In the methodology of NBS, the M2 money supply excludes public sector deposits, which are monitored separately as part of net credit to the general government.

<sup>14</sup> In the conditions of NBS, the recording of seasonally adjusted data according to ECB methodology is currently in the stage of preparation.

<sup>15</sup> The term 'granted loans' is an equivalent of the term 'new loan'.



In a breakdown by sector, lending and deposit rates for households and non-financial corporations are assessed in the way these sectors are defined in Directive No. 63/2002<sup>16</sup> of the European Central Bank, concerning interest rate statistics.

The monitoring of interest rates on loans to and deposits from households and non-financial corporations is expected to provide more detailed information on the functioning of the transmission mechanism, since interest rates are analysed irrespective of the sectors that have a special position vis-à-vis the banking sector, i.e. insurance companies, pension funds, and the general government sector.

The methodology of the ECB makes it possible to monitor interest rates according to the period of initial rate fixation (IRF) and, in the case of non-financial corporations, according to the volume of loans as well. The initial rate fixation is the period for which an agreed interest rate is fixed. According to IRF, loans are divided into loans with a floating rate and an IRF of up to 1 year (inclusive), loans with an IRF of over 1 and up to 5 years (inclusive), loans with an IRF of over 5 and up to 10 years (inclusive), and loans with an IRF of more than 10 years. According to volume, loans to non-financial corporations are divided into loans amounting to up to EUR 1 million and loans amounting to over EUR 1 million.

Loans to households are classified by purpose as follows:

- current account overdrafts
- operation loans (for sole traders only)
- investment loans
- consumer loans
- real estate loans
  - mortgage loans
  - building loans
  - intermediate loans
  - other real estate loans
- other loans.

Loans to non-financial corporations are classified by purpose as follows:

- current account overdrafts
- investment loans
- operating loans
- loans for house purchase
  - mortgage loans
  - building loans
  - intermediate loans
  - other loans for house purchase
- other loans.

Classification of deposits (for both households and non-financial corporations):

- deposits repayable on demand
  - demand deposits
  - overnight deposits
- deposits with agreed maturity
  - up to 1 year
    - up to 7 days
    - up to 1 month
    - up to 3 months
    - up to 6 months
    - up to 1 year
  - more than 1 year
    - up to 2 years
    - over 2 years
- deposits
  - redeemable at a period of notice of up to 3 months
  - redeemable at a period of notice of over 3 months.

<sup>16</sup> According to Article 1 paragraph 2 of Decree No. 63/2002 of the European Central Bank of 20 December 2001, concerning the statistics of interest rates of monetary financial institutions on loans to and deposits from households and non-financial corporations, the term 'households' as defined in Annex A to Directive No. 2223/96 of the European Communities of 25 June 1996 on the European System of National and Regional Accounts (ESA95) means the household sector S.14 (i.e. households and sole traders) and non-profit institutions serving households S.15, and the term 'non-financial corporations' means sector S.11.



Interest rates on loans and deposits are calculated as a weighted arithmetical average of all interest rates on loans/deposits for each category separately. The weight of new loans represents the total amount laid down in contracts, regardless of whether the given amount is drawn within the month under review or not.

Subsidies granted to clients by third parties are not taken into account in determining the level of interest rates, because banks neither pay nor receive subsidies. For example, interest rates on mortgage loans with government bonuses are recorded without the state subsidies.

#### 4.1.4 Classification of Loans According to Quality

##### Year 2005<sup>17</sup>

For statistical purposes, loans were classified into the following categories:

- a) standard loans;
- b) standard loans with qualification;
- c) non-standard loans;
- d) doubtful loans;
- e) loss-making loans;
- f) unclassified loans
  1. up to 30 days overdue,
  2. 31 to 90 days overdue,
  3. 91 to 180 days overdue,
  4. 181 to 360 days overdue,
  5. more than 360 days overdue.

According to NBS Decree No. 13/2004 of 26 November 2004 on the classification of assets and liabilities of banks and branches of foreign banks, adjustment of their valuation, formation and dissolution of reserves, and related reporting (hereinafter referred to as 'NBS Decree'), claims were classified as follows:

Standard claims – defined as claims where:

- repayment is up to 30 days overdue, the debtor meets his other commitments pursuant to the contract, and an analysis of the debtor's economic situation indicates that the claim will be repaid in full and on time;

Standard claims with qualification – defined as claims where:

- repayment is more than 30, but not more than 90 days overdue;
- the debtor fails to meet another commitment arising from the contract, for example he fails to provide information as required under the contract, or based on an analysis of the debtor's economic situation a loss is expected for the bank as a result of overdue repayment;
- provisions are created in the amount of at least 1%, but less than 20%, of the unsecured value of a standard claim with qualification.

Non-standard claims – defined as claims where:

- repayment is more than 90, but not more than 180 days overdue;
- the debtor is in liquidation;
- the claim arises from the realisation of a guarantee provided for the debtor, or based on an analysis of the debtor's economic situation it is assumed that the claim will in large part be repaid;
- provisions are created in the amount of at least 20%, but less than 50%, of the unsecured value of the non-standard claim concerned.

Doubtful claims – defined as claims where:

- repayment is more than 180, but not more than 360 days overdue;
- the debtor is undergoing composition proceedings;
- a bankruptcy petition is filed and a temporary conservator is appointed for the debtor's property, or based on an analysis of the debtor's economic situation it is assumed that only a smaller part of the claim will be repaid;
- provisions are created in the amount of at least 50%, but less than 95%, of the unsecured value of the doubtful claim.

<sup>17</sup> Until 2004, claims had been classified as standard loans, standard loans with qualification, non-standard loans, doubtful loans, and loss-making loans.



Loss-making claims – defined as claims where:

- repayment is more than 360 days overdue;
- a bankruptcy petition for the debtor's property is rejected for lack of assets;
- bankruptcy is declared for the debtor's property;
- bankruptcy proceedings for the debtor's property are terminated, since there are not enough assets to cover the costs of bankruptcy proceedings;
- this is a claim against a person with a special relationship to the bank, or a person having control over the bank, and repayment of the claim is more than 90 days overdue, or an analysis of the debtor's economic situation indicates that the claim will not be repaid, even in part;
- provisions are created for 100% of the unsecured value of the loss-making claim concerned.

Unclassified loans were defined as loans in the portfolio of claims created according to Article 8 of the NBS Decree.

### Year 2006

With effect from January 2006, a new NBS decree is in force: Decree No. 7/2005 of 6 December 2005, amending NBS Decree No. 13/2004 on the classification of assets and liabilities of banks and branches of foreign banks, adjustment of their valuation, formation and dissolution of reserves, and related reporting. The new decree has substantially modified the classification of loans according to quality.

On the basis of changes in accounting practices for banks according to international accounting standards, the method of valuation of financial assets has been modified, while the amendment to NBS Decree No. 13/2004 has changed the regulation function to verification function (for the valuation of selected types of assets) with effect from 1 January 2006.

### Selected financial assets are classified for the purposes of banking supervision as follows:

Claims valued **on an individual basis** vis-à-vis corporate entities:

- claims with no identifiable depreciation;
- claims with reduced value:
  - depreciated by not more than 20%;
  - depreciated by more than 20%, but no more than 50%;
  - depreciated by more than 50%, but no more than 95%;
  - depreciated by more than 95%;
- failed claims.

Claims valued **on a portfolio basis** vis-à-vis corporate entities:

- significant and
- insignificant.

### For statistical purposes, the individual claims are categorised as follows:

- Category I covers property valued *on an individual basis with no identifiable depreciation*.
- Category II covers property valued *on a portfolio basis (with no identifiable depreciation on an individual basis)*.
- Category III covers property valued *on an individual basis with identifiable depreciation*.

**Failed claims** are defined as assets where a more than 50% drop in value is identified by the bank or where repayment by the debtor is more than 90 days overdue.

For interest rate statistics according to the harmonised methodology, loans are reported to the ECB without the 'failed claims' category, where the so-called 'bad loans' are included.

### 4.1.5 Balance of Payments

In 2006, a methodological change was introduced in respect of the reporting of funds received from the EU budget. Originally, all receipts were recorded within the balance of current transfers. The new categorisation reflects the character of the individual funds through which money is drawn from the EU, i.e. distinguishes between funds used for common and/or investment purposes. This led to the shift of part of these funds from the balance of current transfers to the balance of capital transfers with



a subsequent negative impact on the current account balance. The methodological change has no effect on the external equilibrium, since the lower receipts in the current account are fully offset by increased inflows in the capital and financial account.

## 4.2 Basic Macroeconomic Indicators

### 4.2.1 Gross Domestic Product (GDP)

**Gross production** (gross output) – expresses the value of the goods and services resulting from the production activity of resident producer units in the territory of the Slovak Republic during an accounting period. According to the methodology of the European System of Accounts (ESA 95), production can be divided into market production, production for own final consumption, and other non-market production.

**Intermediate consumption** – consists of the value of the goods and services consumed as inputs or transformed by a production process during a given accounting period.

**Value added** – is the value of gross production, less the value of intermediate consumption. The sum of value added in the individual economic sectors (produced by a market activity, an activity for own consumption, a non-market activity) and indirect taxes, less subsidies on products, represents **gross domestic product**.

**Gross domestic product (GDP) at market prices** – is the final result of the production activity of resident producer units in the period under review. In geographical terms, GDP data cover the entire territory of the Slovak Republic. Statistical methods used for GDP calculation are in principle based on the respondent's accounting records, from the period in which the activity took place (accrual principle). The hidden (illegal) economy is assessed on the basis of estimates. Gross domestic product at market prices can be defined in three ways – on the basis of production (output), consumption (expenditure), and income.

**Production (output) approach** – Output-based GDP (referred to as produced GDP) is the sum of value added produced in agriculture, industry, construction, services, and taxes (excised duties, VAT, net taxes on imports), less subsidies on products.

**Consumption (expenditure) approach** – Expenditure-based GDP (referred to as used GDP) is the sum of the final consumption of households, final consumption of non-profit institutions serving households, final consumption of general government, gross fixed capital formation, changes in inventories, and the balance of exports and imports of goods and services. The differences arising during the calculation of GDP according to the output- and expenditure-based methods, are recorded under the item 'statistical discrepancy'.

**Income approach** – an experimental method used by the Statistical Office of the SR for the calculation of GDP according to the income-based method, which takes into account the flows of individual incomes in the economy, i.e. the compensation of employees, gross operating surplus, mixed income, net taxes on production and imports. On the basis of this method, GDP is calculated only once a year, at current prices.

**Final consumption of households** – consists of expenditure incurred by households on food, beverages, tobacco, clothing, footwear, services related to housing, furnishings, household equipment, maintenance of dwellings, health services, transport, post and telecommunications, recreation, education, hotels and restaurants, and other goods. Household final consumption also includes housing services for the owners of dwellings, including lost profits (imputed rent), long-term consumables which are not classified as gross fixed capital formation, and agricultural production for own final consumption, and income in kind.

**Final consumption of non-profit institutions** – includes the value of goods and services produced by non-profit institutions and the expenditure of non-profit institutions for purchases of goods and services from market producers, which are supplied directly to households for consumption as social transfers in kind.

**Final consumption of general government** – includes the value of goods and services produced by general government (except for own-account capital formation) and purchases by general government of goods and services produced by market producers, which are consumed by households (social transfers in kind).

**Gross fixed capital formation** – consists of resident producers' acquisitions, less disposals, of fixed assets during a given period. Fixed assets are tangible or intangible assets produced as outputs from



processes of production that are themselves used repeatedly, or continuously, in processes of production for more than a year, and whose acquisition value was Sk 30,000.- or more for long-term tangible assets and Sk 50,000.- or more for intangible assets. Additions to the value of certain non-produced assets (e.g. land reclamation), and expenses incurred in connection with the transfer of property, are also taken into account.

**Changes in inventories** – are measured by the value of the entries into inventories, less the value of withdrawals and the value of any recurrent losses of goods held in inventories. Inventories include the stocks of materials, work-in-progress, finished products, and stocks of articles of commerce.

**Exports of goods and services** – include all transactions in goods and services (sale, barter, trade gifts, or grants) directed to non-residents. **Imports of goods and services** – include transactions in goods and services (purchase, barter, trade, gifts, and grants) directed from non-residents.

**Flash estimate of GDP and employment** – the Statistical Office of the SR publishes a flash (first) estimate of selected economic indicators within 45 days of the end of a given quarter. The publication contains the estimated rate of economic growth and the estimated level of overall employment according to the ESA 95 methodology. The released estimate represents a compromise between the economic projections of the Statistical Office of the SR (based on preliminary, partial information from statistical reports and own estimates) and the macroeconomic forecasts of other participating institutions, including the NBS.

#### 4.2.2 Wage Statistics

**Average nominal wage** – gross wage, not reduced by any wage deductions prescribed by law or agreed with the employer, including an estimate for the employees of sole traders (without entrepreneurial incomes). Dividends from profits and remuneration for stand-by duty are not taken into account.

**Average real wage index** – the ratio of the nominal wage index to the consumer price index.

**Compensation of employees (remuneration)** – is defined as the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the accounting period, including social contributions payable by employers. The compensation of employees is composed of wages and salaries, and employers' social contributions.

**Unit labour costs (according to ECB methodology) – ULC indicator:** is a composite expression of the cost pressures in a given economy stemming from the labour force and is regarded as one of the main indicators of economic competitiveness. This indicator provides information about the amount of 'obligatory' expenses on an employee per unit of output. It shows the relationship between the amount of funds spent on an employee and the output of his work.

*In nominal terms* – the ratio of total expenditure on an employee in nominal terms to real labour productivity (this method of ULC calculation is used by most foreign institutions – ECB, EC, OECD). Unit labour costs calculated according to this methodology demonstrate price developments in the area of wages. Since nominal labour costs are compared with real GDP, it is possible in the long term to compare the developments in current labour costs in the individual years in relation to the unit of real output.

*In real terms* – the ratio of total expenditure on an employee in real terms to real labour productivity. Real ULC indicate whether price pressures has a tendency to strengthen or weaken. Growth in real ULC, with employee compensation growing more rapidly than labour productivity, may be an indication of rising inflation as a result of demand pressures.

**ULC expressed according to NBS methodology** – the ratio of the average nominal wage to labour productivity, calculated from employment according to statistical reports.

#### 4.2.3 Employment and Unemployment Statistics

##### *Employment*

– **according to statistical reports, i.e. statements submitted by employers** (monthly, quarterly) – containing the average number of registered employees, both permanent and temporary employees,





who have an employment, service, or membership relationship with the organisation, regardless of whether they are or not present at work (e.g. due to illness, annual leave, military exercise, etc.), as well as not working employees (e.g. due to strike, exclusion, protest). Persons working part-time are also included in this statement. Persons on maternity leave, persons doing military or community service, apprentices, and students in vocational practice are not included.

– **according to a labour force survey (LFS), i.e. an inquiry directed to a sample of households (quarterly) according to the methodology of the International Labour Office (ILO)** – a statement of the number of workers, including all persons doing at least one hour of any paid work or work aimed at making a profit in the week under review. The workers include employees, entrepreneurs (with and without employees), unpaid family workers helping in family enterprises, as well as persons absent from work in the week under review due to illness, leave, maternity leave, military service, strike, exclusion, bad weather conditions, etc. The ‘entrepreneurs’ category includes, according to the LFS methodology, the owners of enterprises, sole traders, independent farmers, and persons in freelance professions (as main employment).

– **according to the ESA 95 methodology** – employment is expressed in terms of the number of persons (employed and self-employed) engaged in a production activity defined as production under the national system of accounts. In compiling the indicators of labour accounts, the method of balancing is applied, i.e. the supply of labour is balanced against demand. The harmonised data obtained from corporate sources are compared with data obtained from a labour force survey of households, according to the definitions laid down by the ILO and ESNA 95.

**Employment rate** – persons in employment as a percentage of the population aged 15 years and over.

**Rate of economic activity** – the economically active population (working and unemployed persons) as a percentage of the population aged 15 years and over.

#### *Unemployment*

**Unemployed persons** -- **according to a labour force survey (LFS)** – all persons who are without employment in the reference week, who have actively sought employment over the previous four weeks, and who are available for work within two weeks. Such persons may be, but are not necessarily, registered with an office for work, social matters, and the family. With effect from 2002, the duration of unemployment is defined by Eurostat as the duration of search for a job, or the length of the period since the last job was held (if this period is shorter than the duration of search for a job).

**Unemployment rate according to a labour force survey (LFS)** – the number of unemployed persons as a percentage of the economically active population.

**Registered unemployment rate** -- in agreement with the International Labour Organisation, registered unemployment rate is calculated from the number of disposable job applicants who can start working immediately after receiving an adequate job offer and from the number of economically active persons in the previous year according to a labour force survey.

#### **4.2.4 Household Income and Expenditure Statistics**

##### *Current household income*

**Compensation of employees** – gross wages and salaries, plus employers’ compulsory social contributions.

**Gross mixed income** – profit and income from business activity, supply of agricultural products from own production, and imputed rent.

**Property income** – interest, dividends, income from land lease, and other.

**Social benefits** – retirement benefits, sickness benefits, state social benefits, unemployment benefits (to the registered unemployed)

**Other current transfers** – insurance payments from various types of insurance, private transfers from abroad, lottery winnings, court and out-of-court rehabilitation, scholarships, and contributions to school meals.



### *Current household expenditure*

**Property income** – interest paid on loans provided and other payments of this type. Current tax on income, property, etc.

**Social contributions** – direct taxes and fees paid to the state budget and the budgets of municipalities; social contributions paid to health insurance companies, social insurance schemes, and to the employment fund; private transfers abroad; various contributions to non-profit organisations; lotteries, penalties, and charges.

**Other current transfers** – payments for non-life, life, and health insurance outside the social protection systems, contributions to funds, etc.

**Gross disposable household income** – difference between the current income and current expenditure of households.

**Adjustment for changes in the net assets of households in the reserves of pension funds** – changes in the net assets of households in pension funds (differences between increases and decreases in pension funds).

**Gross household savings** (difference between the gross disposable income and final consumption of households) – include the koruna deposits of citizens and small entrepreneurs, and their activities related to the purchase of tangible and intangible investments.

**Ratio of gross household savings** – expresses the ratio of gross household savings to the gross disposable income of households.

#### **4.2.5 Financial Statistics**

**Corporation** – a uniform term covering the various organisational forms of financial and non-financial entities (joint stock companies, limited liability companies, cooperatives, state enterprises, natural persons, etc.).

**Non-financial corporations** – entrepreneurial entities registered in the commercial register and engaged in activities aimed at earning a profit in any branch of activity, except banking and insurance. The category also includes subsidised organisations, which finance more than 50% of their expenses from receipts. Households, sole traders, freelance professionals, and farmers are not included.

**Financial corporations** – entities principally engaged in financial intermediation or in auxiliary financial activities. The financial corporations sector includes the National Bank of Slovakia, commercial banks, entities engaged in financial leasing, exchange offices, asset management companies, commercial insurance companies, and investment funds.

**Národná banka Slovenska** (National Bank of Slovakia) – in accordance with the 'Statistical Classification of Economic Activities', NBS is included in sector 65 'Financial Intermediation, Except Insurance and Pension Funding'.



## 5 Tables

## Selected Indicators of Economic and Monetary Development in the SR

	Unit	2006		2007										
		11	12	1	2	3	4	5	6	7	8	9	10	11
<b>REAL ECONOMY</b>														
Gross domestic product <sup>1)2)</sup>	SKK billions	-	1295.3 <sup>(p)</sup>	-	-	325.9 <sup>(p)</sup>	-	-	683.7 <sup>(p)</sup>	-	-	1,052.2 <sup>(p)</sup>	-	-
Year-on-year change in GDP <sup>3)</sup>	%	-	8.5 <sup>(p)</sup>	-	-	8.3 <sup>(p)</sup>	-	-	8.8 <sup>(p)</sup>	-	-	9.0 <sup>(p)</sup>	-	-
Unemployment rate <sup>4)9)</sup>	%	9.1	9.4	9.5	9.2	8.9	8.5	8.3	8.3	8.3	8.2	8.3	7.9	-
Consumer prices (HICP) <sup>3)8)</sup>	%	3.7	3.7	2.2	2.0	2.1	2.0	1.5	1.5	1.2	1.2	1.7	2.4	2.3
Consumer prices (CPI) <sup>3)</sup>	%	4.3	4.2	3.0	2.7	2.7	2.7	2.3	2.5	2.3	2.3	2.8	3.3	3.1
<b>BALANCE OF TRADE<sup>7) (p)</sup></b>														
Exports (fob)	SKK millions	1,133,765	1,232,888	109,046	215,618	334,884	445,223	566,219	683,550	797,626	905,265	1,028,112	1,168,518	-
Imports (fob)	SKK millions	1,198,014	1,308,143	102,383	209,508	329,835	439,539	563,712	684,875	800,117	914,207	1,034,461	1,172,389	-
Balance	SKK millions	-64,250	-75,256	6,663	6,111	5,049	5,684	2,507	-1,325	-2,492	-8,942	-6,349	-3,872	-
<b>BALANCE OF PAYMENTS</b>														
Current account <sup>7)</sup>	SKK millions	-122,166.6	-135,597.0	8,452.7	6,356.6	-3,587.3	-3,741.0	-17,088.9	-40,420.4	-51,259.1	-55,975.6	-59,641.8	-	-
Capital and financial account	SKK millions	7,660.7	32,400.7	3,114.1	-8,469.4	56,425.6	85,406.7	94,550.7	106,368.5	139,344.7	146,578.3	146,474.3	-	-
Overall balance	SKK millions	-80,591.6	-78,095.9	20,494.8	16,710.9	76,763.8	99,653.0	98,721.4	98,478.0	98,601.6	98,507.1	99,074.9	-	-
<b>FOREIGN EXCHANGE RESERVES<sup>4)</sup></b>														
Total foreign exchange reserves	USD millions	15,479.5	15,512.9	15,851.6	15,982.6	18,365.4	19,730.8	19,393.2	19,600.5	19,717.1	19,807.3	20,668.3	21,371.7	21,868.6
NBS foreign exchange reserves	USD millions	13,371.1	13,363.8	14,004.6	14,080.5	16,605.2	17,823.1	17,571.2	17,597.5	17,879.1	17,815.1	18,507.1	18,798.3	19,110.9
<b>GROSS EXTERNAL DEBT<sup>4)</sup></b>														
Total gross external debt	USD billions	31.5	32.2	31.3	32.2	35.2	37.0	35.4	36.7	38.2	38.3	39.8	-	-
External debt per capita	USD	5,860	5,987	5,815	5,981	6,549	6,883	6,571	6,814	7,109	7,111	7,398	-	-
<b>MONETARY INDICATORS</b>														
Exchange rate <sup>5)</sup>	SKK/USD	27.915	26.504	26.694	26.434	25.583	24.788	24.954	25.355	24.311	24.647	24.378	23.669	22.637
M3 monetary aggregate <sup>4)8)</sup>	SKK billions	926.6	958.4	961.1	974.0	980.8	989.6	1,009.3	1,026.6	1,008.5	1,029.3	1,039.4	1,039.6	-
Year-on-year change in M3 <sup>3)</sup>	%	16.1	15.3	16.5	16.8	16.7	16.3	18.5	19.2	15.6	15.3	16.2	14.4	-
Claims of monetary financial institutions <sup>8)</sup>	SKK billions	885.6	895.7	887.5	889.9	900.2	910.8	936.7	954.5	967.5	973.2	988.6	1012.8	-
<b>STATE BUDGET<sup>2) 4)</sup></b>														
Revenue	SKK billions	262.1	291.9	27.1	46.0	70.2	107.4	121.5	145.8	185.4	206.3	228.5	263.1	290.3
Expenditure	SKK billions	269.1	323.6	24.2	54.5	82.1	108.9	134.5	156.8	181.5	205.9	229.1	256.2	284.9
Balance	SKK billions	-7.0	-31.7	2.9	-8.5	-11.9	-1.5	-13.0	-11.0	9.3	0.4	-0.6	6.9	5.4
<b>MONEY MARKET</b>														
Interest rates set by the NBS Bank Board														
Date of validity <sup>6)</sup>														
Overnight operations														
- sterilisation	%	3.25	3.25	3.25	3.25	2.50	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
- refinancing	%	6.25	6.25	6.25	6.25	6.00	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75
Limit rate for 2-week repo tenders	%	4.75	4.75	4.75	4.75	4.50	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Basic interest rate of the NBS (until 31/12/02: discount rate)	%	4.75	4.75	4.75	4.75	4.50	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Average interbank deposit rate (BRIBOR)														
overnight	%	4.02	5.03	3.63	5.61	3.80	2.99	3.61	4.68	3.73	3.52	4.10	3.78	3.82
7-day	%	4.67	4.82	4.11	4.93	4.11	3.47	4.11	4.34	4.19	4.08	4.24	4.20	4.19
14-day	%	4.77	4.81	4.24	4.82	4.25	3.64	4.18	4.30	4.25	4.20	4.25	4.25	4.25
1-month	%	4.86	4.83	4.44	4.75	4.40	3.88	4.20	4.27	4.28	4.28	4.28	4.28	4.28
2-month	%	4.92	4.84	4.50	4.67	4.52	3.98	4.17	4.26	4.32	4.30	4.31	4.31	4.32
3-month	%	4.94	4.82	4.50	4.60	4.48	4.05	4.16	4.27	4.34	4.33	4.32	4.33	4.35
6-month	%	4.96	4.80	4.47	4.49	4.44	4.10	4.16	4.27	4.37	4.40	4.38	4.38	4.40
9-month	%	4.96	4.78	4.42	4.40	4.41	4.13	4.18	4.28	4.40	4.44	4.41	4.42	4.43
12-month	%	4.94	4.76	4.41	4.36	4.39	4.16	4.20	4.30	4.42	4.47	4.44	4.45	4.45

(p) Preliminary data.

<sup>1)</sup> Constant 2000 prices.<sup>2)</sup> Cumulative since the beginning of the year.<sup>3)</sup> Change compared with the same period a year earlier.<sup>4)</sup> End-of-period figures.<sup>5)</sup> Exchange rate (mid), average for the period.<sup>6)</sup> The date from which the given interest rate is effective pursuant to the Bank Board's decision.<sup>7)</sup> As from May 2004, foreign trade and current account figures are revised on a monthly basis.<sup>8)</sup> According to the methodology of the ECB.<sup>9)</sup> Registered unemployment.

Source: Statistical Office of the SR, Ministry of Finance, NBS.



### Summary of Assets and Liabilities in the Consolidated Balance Sheet of MFIs

	Share of the total (in %) <sup>1)</sup>	Volume (SKK billions)												
		2006			2007									
		10	11	12	1	2	3	4	5	6	7	8	9	10
Claims of MFIs on residents	45.9	631.1	636.7	646.3	653.5	658.1	667.7	674.6	690.3	706.9	720.8	725.9	742.8	762.3
General government	1.3	17.8	17.7	18.8	18.6	21.4	23.4	24.3	23.0	21.1	21.0	21.4	21.4	21.0
Private sector	44.7	613.3	618.9	627.5	635.0	636.7	644.3	650.3	667.4	685.8	699.8	704.5	721.5	741.2
Non-financial corporations	23.2	323.5	324.0	326.5	331.1	331.6	333.2	337.6	346.7	357.5	364.4	364.2	374.5	385.1
- up to 1 year	10.0	137.1	136.3	135.0	136.2	140.3	144.3	142.3	146.3	158.4	156.9	153.5	160.8	165.2
- 1 to 5 years	4.5	64.0	65.0	64.0	65.0	65.7	64.2	68.5	69.2	67.5	72.4	72.7	72.4	74.8
- over 5 years	8.7	122.5	122.7	127.4	129.9	125.6	124.7	126.8	131.3	131.6	135.1	138.0	141.3	145.1
Financial corporations	3.9	60.6	61.4	63.0	62.9	60.8	61.6	59.6	60.4	61.2	62.4	61.6	62.6	64.5
Insurance corporations and pension funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Households and non-profit institutions serving households	17.6	229.1	233.5	238.1	240.9	244.1	249.4	253.1	260.2	267.1	273.0	278.7	284.4	291.5
- consumer loans	2.4	35.2	35.8	35.9	36.3	36.7	37.5	36.8	37.5	38.2	39.0	39.4	40.0	40.5
- housing loans	11.7	149.4	152.3	157.0	159.8	161.9	165.0	168.6	173.6	178.1	181.9	186.1	190.0	194.9
- other loans	3.4	44.5	45.4	45.2	44.8	45.5	46.9	47.8	49.2	50.8	52.0	53.3	54.4	56.1
Securities other than shares and participation certificates issued by residents	14.7	242.3	243.3	243.8	228.1	225.6	226.3	230.0	239.4	240.6	239.7	240.2	238.7	243.5
General government	14.3	233.8	234.9	236.0	220.7	218.2	218.9	222.7	232.5	233.9	232.9	233.4	231.7	236.6
Private sector	0.4	8.4	8.4	7.8	7.5	7.4	7.4	7.3	6.9	6.7	6.7	6.8	7.0	6.9
Shares and other equities issued by private sector	0.4	5.6	5.6	5.6	5.9	6.2	6.2	6.2	6.9	7.0	7.0	7.0	7.1	7.1
Foreign assets	33.4	492.4	460.4	452.4	478.4	468.2	508.8	542.3	544.6	545.9	537.9	554.9	551.4	554.8
Fixed assets	1.9	32.7	32.6	34.2	33.3	33.0	33.1	32.8	32.6	32.3	32.3	32.2	32.1	32.0
Other assets	3.6	48.7	55.7	56.5	50.5	51.1	53.6	54.5	55.4	54.4	53.7	53.1	55.7	59.9
Deposits and loans received from the central government	5.0	88.8	83.7	45.0	20.8	15.5	17.6	43.6	64.0	68.8	85.4	79.7	74.8	82.4
Long-term financial liabilities	10.2	182.3	172.5	168.0	174.2	167.4	156.3	157.7	161.5	165.3	157.6	164.5	169.2	168.6
Deposits and loans received with an agreed maturity of over 2 years	4.2	62.6	62.9	66.7	67.4	69.1	68.7	68.1	68.5	69.2	69.1	69.9	70.2	70.2
Deposits redeemable at a period of notice of over 3 months	1.4	24.7	24.4	24.3	24.0	23.8	23.6	23.7	23.6	23.7	23.6	23.4	23.4	23.3
Debt securities issued with a maturity of over 2 years	2.5	27.6	28.8	31.6	31.7	30.9	32.0	33.8	34.5	37.5	37.0	37.3	39.0	41.5
Capital, reserves, and provisions	2.0	67.3	56.3	45.3	51.1	43.7	32.1	32.2	34.9	35.0	28.0	33.9	36.6	33.7
Foreign liabilities	17.1	208.4	182.1	196.4	225.5	208.4	258.1	270.4	256.8	254.4	264.9	271.8	267.0	284.1
Other liabilities	5.1	64.7	69.5	71.1	68.3	77.2	83.5	80.8	78.5	76.4	75.0	68.2	77.4	84.9
Surplus of liabilities among MFIs	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5	-2.0	-0.9	-4.3	-0.1	-0.1	-0.1	0.0
M3	62.6	908.6	926.6	958.4	961.1	974.0	980.8	989.6	1,009.3	1,026.6	1,008.5	1,029.3	1,039.4	1,039.6
<b>Total</b>	100.0	1,452.7	1,434.2	1,438.9	1,449.7	1,442.3	1,495.7	1,540.2	1,569.3	1,587.2	1,591.4	1,613.4	1,627.7	1,659.6

<sup>1)</sup> In the current month.



### Average Interest Rates on New Loans

(ECB methodology)

(%)

	2006			2007									
	10	11	12	1	2	3	4	5	6	7	8	9	10
<b>Loans in total<sup>1)</sup></b>	8.16	7.85	7.73	7.94	7.92	7.50	7.64	7.66	7.76	7.44	7.30	7.45	7.22
Current account overdrafts	8.25	8.08	8.22	7.99	8.24	7.73	7.66	7.94	8.00	7.61	7.68	7.71	7.47
Operation loans	5.66	5.15	5.32	5.32	5.72	4.92	4.43	4.97	4.97	4.85	4.57	4.82	4.76
Investment loans	6.41	6.44	6.17	6.10	6.06	5.93	5.41	5.72	5.46	5.48	5.71	5.67	5.65
Consumer loans	12.77	13.94	13.67	12.76	13.01	14.11	13.79	12.86	12.44	13.41	13.46	13.55	13.66
Real estate loans	6.62	6.58	6.52	6.49	6.11	6.13	6.21	6.06	5.96	5.98	6.11	6.10	6.09
of which:													
Mortgage loans	6.33	6.35	6.46	6.36	6.40	6.30	6.09	5.93	5.79	5.80	5.81	5.78	5.75
Construction loans	5.12	4.91	4.79	5.02	4.97	4.88	5.03	4.91	4.94	5.04	4.92	4.88	5.03
Intermediate loans	6.78	6.90	6.87	6.64	7.00	6.84	6.92	6.88	6.87	6.72	6.68	6.74	6.76
Other real estate loans	6.86	6.61	6.49	6.55	5.90	5.95	6.11	5.97	5.89	5.97	6.25	6.22	6.11
Other loans	6.26	7.08	6.63	6.13	6.33	6.29	6.18	6.80	6.41	6.51	6.09	6.17	6.36
Floating rate + IRF for up to 1 year incl.	8.21	7.84	7.80	7.95	7.95	7.53	7.64	7.70	7.78	7.46	7.31	7.47	7.20
IRF for over 1 year and up to 5 years incl.	7.56	8.34	7.05	7.61	7.13	7.82	7.42	6.77	7.15	6.77	6.84	7.02	7.35
IRF for over 5 years and up to 10 years incl.	7.70	7.65	8.06	7.99	8.03	6.40	8.25	8.45	8.87	7.80	8.05	7.72	8.26
IRF for over 10 years	6.99	6.94	6.02	6.77	7.12	6.52	7.40	6.56	6.26	6.67	6.75	7.04	6.18
<b>Households</b>													
Loans in total	12.57	12.82	12.54	12.85	12.80	12.56	12.29	12.22	12.16	12.25	12.38	12.21	12.04
Current account overdrafts	13.65	13.54	13.44	13.54	13.64	13.56	13.41	13.78	13.84	13.85	13.90	13.84	13.87
Operation loans	6.78	6.98	6.83	6.65	6.72	6.45	6.99	6.98	7.11	6.76	6.84	7.44	7.33
Investment loans	7.51	7.13	7.02	7.02	7.27	6.66	6.59	6.51	6.62	6.78	6.60	6.44	6.36
Consumer loans	12.77	13.95	13.67	12.76	13.03	14.11	13.79	12.89	12.44	13.41	13.46	13.59	13.66
Real estate loans	6.67	6.69	6.76	6.59	6.62	6.50	6.29	6.17	6.06	6.00	6.14	6.10	6.14
of which:													
Mortgage loans	6.33	6.34	6.45	6.32	6.41	6.29	6.08	5.92	5.79	5.79	5.81	5.78	5.74
Construction loans	5.12	4.91	4.79	5.02	4.97	4.88	5.03	4.91	4.94	5.04	4.92	4.88	5.04
Intermediate loans	6.84	7.03	6.90	6.73	7.00	6.85	6.95	6.91	6.92	6.73	6.72	6.77	6.78
Other real estate loans	7.00	6.86	7.02	6.96	6.68	6.63	6.29	6.18	6.08	6.04	6.46	6.25	6.30
Other loans	7.84	7.38	7.46	7.41	7.22	7.19	7.11	7.34	6.75	6.96	7.00	6.97	6.67
Credit cards	18.03	17.80	17.27	17.28	17.29	17.05	16.99	16.82	16.94	16.74	16.64	16.61	16.39
Floating rate + IRF for up to 1 year incl.	13.33	13.47	13.18	13.48	13.51	13.37	12.96	12.90	12.86	12.93	12.95	12.83	12.62
IRF for over 1 year and up to 5 years incl.	8.83	9.38	8.86	8.27	8.39	8.22	7.90	7.73	7.58	7.27	7.57	8.45	8.70
IRF for over 5 years and up to 10 years incl.	8.20	8.56	8.49	8.66	8.59	8.68	9.49	9.74	9.59	9.56	9.59	9.11	8.75
IRF for over 10 years	7.18	6.90	7.02	7.15	7.19	7.07	7.89	8.07	7.51	8.00	7.99	7.23	7.16
<b>Non-financial corporations</b>													
Loans in total	6.62	6.26	6.37	6.21	6.49	5.93	5.82	5.93	6.05	5.76	5.74	5.88	5.74
Current account overdrafts	6.73	6.53	6.60	6.33	6.66	6.05	5.93	6.00	6.24	5.81	5.83	6.00	5.76
Operation loans	5.71	5.08	5.32	5.40	5.72	4.96	4.66	4.94	4.97	5.03	4.89	4.96	5.41
Investment loans	6.64	6.71	6.31	5.79	6.01	5.92	5.39	5.92	5.39	5.48	5.73	5.67	5.61
Real estate loans	6.80	6.12	6.29	6.17	6.88	5.83	5.93	5.78	5.79	5.92	6.06	6.36	6.16
Other loans	5.98	6.75	6.49	5.74	5.80	5.55	5.89	6.54	6.06	6.50	5.51	6.17	6.32
Credit cards	17.47	16.68	17.27	17.22	17.29	17.08	17.12	16.37	17.58	17.95	17.72	17.49	16.62
Loans up 1 million EUR	6.80	6.31	6.39	6.26	6.24	6.13	5.75	6.34	6.09	5.93	6.05	5.92	6.12
Loans over 1 million EUR	5.54	5.29	5.79	5.25	5.70	5.21	4.95	5.06	5.15	5.39	5.13	5.28	5.48
Floating rate + IRF for up to 1 year incl.	6.63	6.25	6.37	6.21	6.49	5.93	5.81	5.93	6.05	5.75	5.74	5.89	5.75
IRF for over 1 year and up to 5 years incl.	6.57	6.73	6.46	6.24	6.55	6.53	6.34	5.74	6.24	6.03	5.62	5.74	5.45
IRF for over 5 years and up to 10 years incl.	6.52	6.51	6.50	6.48	6.41	5.82	5.61	5.48	6.22	5.96	5.98	6.01	6.31
IRF for over 10 years	6.64	7.94	5.83	6.24	7.04	5.97	6.23	5.83	5.64	5.89	5.96	6.26	5.65

<sup>1)</sup> Interest rates on total loans include insurance companies, pension funds, and the general government.  
 Note: IRF – Initial Rate Fixation.



## Average Interest Rates on Outstanding Loans

(%)

	2006			2007									
	10	11	12	1	2	3	4	5	6	7	8	9	10
<b>Loans in total<sup>1)</sup></b>	6.90	6.90	6.91	6.83	6.90	6.83	6.74	6.86	6.86	6.78	6.83	6.82	6.77
Current account overdrafts	8.28	8.07	8.22	8.02	8.24	7.73	7.54	7.94	8.03	7.63	7.70	7.73	7.49
Consumer loans	12.85	12.89	12.94	12.96	12.99	13.12	13.37	13.38	13.37	13.28	13.55	13.54	13.51
Operation loans	5.38	5.35	5.29	5.10	5.23	4.95	4.74	4.80	4.79	4.74	4.78	4.83	4.88
Investment loans	5.92	5.94	5.86	5.70	5.68	5.55	5.52	5.48	5.46	5.48	5.51	5.47	5.49
Real estate purchase loans	6.35	6.39	6.42	6.44	6.46	6.56	6.55	6.59	6.59	6.57	6.57	6.55	6.51
Other loans	6.06	6.20	6.27	6.15	6.22	6.25	5.88	5.99	5.95	5.98	6.02	6.08	6.08
Credit cards	18.07	17.82	17.30	17.31	17.34	17.08	17.01	16.81	16.95	16.73	16.65	16.63	16.39
Short-term loans	7.17	7.01	7.01	6.87	7.04	6.69	6.52	6.90	6.91	6.68	6.74	6.78	6.69
Long-term loans over 1 year and up to 5 years	7.99	7.97	7.99	7.87	7.86	7.91	7.95	8.01	8.06	7.99	8.07	8.05	7.97
Long-term loans over 5 years	6.32	6.40	6.42	6.41	6.44	6.50	6.41	6.43	6.42	6.41	6.45	6.43	6.40
<b>Households</b>													
Loans in total	8.09	8.11	8.12	8.13	8.17	8.29	8.28	8.34	8.32	8.28	8.31	8.26	8.20
Current account overdrafts	13.64	13.43	13.44	13.54	13.65	13.56	13.39	13.78	13.95	13.95	13.99	13.95	13.97
Consumer loans	12.85	12.89	12.95	12.96	12.99	13.12	13.38	13.40	13.38	13.29	13.56	13.55	13.52
Real estate purchase loans	6.34	6.39	6.42	6.44	6.49	6.65	6.66	6.69	6.67	6.65	6.66	6.62	6.58
Other loans	7.21	7.24	7.28	7.29	7.31	7.21	7.20	7.20	7.17	7.13	7.17	7.14	7.08
Credit cards	18.08	17.85	17.30	17.32	17.35	17.09	17.01	16.83	16.94	16.70	16.63	16.61	16.38
Short-term loans	13.72	13.53	13.57	13.63	13.76	13.61	13.53	13.80	13.93	13.89	13.89	13.86	13.73
Long-term loans over 1 year and up to 5 years	11.11	11.15	11.15	11.15	11.12	11.26	11.23	11.22	11.20	11.16	11.32	11.31	11.29
Long-term loans over 5 years	6.59	6.65	6.69	6.72	6.78	6.92	6.94	6.98	6.97	6.94	6.98	6.95	6.91
<b>Non-financial institutions</b>													
Loans in total	6.16	6.13	6.11	5.95	6.05	5.80	5.58	5.71	5.75	5.65	5.68	5.72	5.69
Current account overdrafts	6.78	6.56	6.60	6.38	6.66	6.05	5.78	6.00	6.24	5.81	5.83	6.00	5.76
Operation loans	5.52	5.47	5.37	5.11	5.25	4.94	4.63	4.72	4.79	4.72	4.79	4.82	4.89
Investment loans	6.07	6.09	6.00	5.84	5.83	5.69	5.58	5.53	5.50	5.52	5.55	5.51	5.54
Real estate purchase loans	6.53	6.53	6.49	6.42	6.35	6.20	6.05	6.09	6.17	6.18	6.18	6.21	6.20
Other loans	5.89	6.13	6.15	5.97	6.09	6.19	5.75	6.09	5.87	5.95	5.97	6.01	6.07
Credit cards	17.47	16.68	17.27	17.23	17.30	17.08	17.12	16.34	17.37	17.76	17.56	17.62	16.66
Short-term loans	6.24	6.10	6.08	5.88	6.07	5.66	5.42	5.68	5.79	5.55	5.57	5.67	5.59
Long-term loans over 1 year and up to 5 years	6.41	6.35	6.38	6.19	6.24	6.13	5.88	5.94	5.99	5.98	6.02	6.07	6.03
Long-term loans over 5 years	5.94	6.04	6.02	5.92	5.91	5.79	5.62	5.60	5.57	5.59	5.62	5.58	5.61

<sup>1)</sup> Interest rates on loans include all sectors (i. e. non-financial institutions, households, insurance corporations, pension funds and general government).

Note: Data in this table include only performing loans according to Decree of the NBS No. 7/2005 on the classification of assets and liabilities of banks and branches of foreign banks.







## Shortened Balance Sheet of Commercial Banks as at 31 October 2007

(Banks and branches of foreign banks operating in the SR in total)

(SKK thousands)

ASSETS	Depreciation and provisions	Slovak koruna		Foreign currency		Total
		Residents	Non-residents	Residents	Non-residents	
<b>Total assets</b>	57,221,488	1,370,212,437	52,699,167	191,889,598	72,694,084	1,630,273,798
Cash items	0	13,409,615	0	61,864	3,699,939	17,171,418
Cash in hand	0	12,102,011	0	0	3,418,168	15,520,179
of which: EUR	0	0	0	0	1,761,668	1,761,668
Gold	0	0	0	0	0	0
Amounts in transit	0	1,307,604	0	61,864	281,771	1,651,239
Loans and other receivables	19,506,816	909,503,891	22,881,453	166,920,796	49,259,148	1,129,058,472
Deposits and loans to NBS, foreign central banks and post office banks	1,685	281,205,908	0	0	126,214	281,330,437
of which: Valued on an individual basis						
with no identifiable depreciation (category I)	1,685	219,173,453	0	0	126,214	219,297,982
Valued on a portfolio basis (category II)	0	62,032,455	0	0	0	62,032,455
Valued on an individual basis						
with identifiable depreciation (category III)	0	0	0	0	0	0
of which: Failed	0	0	0	0	0	0
of which: Current accounts	0	864,967	0	0	125,268	990,235
Time deposits	0	10,877,680	0	0	0	10,877,680
Loans provided	1,685	252,324,120	0	0	0	252,322,435
Money reserve accounts	0	17,139,141	0	0	0	17,139,141
of which: Minimum reserve requirements	0	16,988,275	0	0	0	16,988,275
Postal cheque accounts	0	0	0	0	946	946
Deposits and loans to banks	89,600	22,834,065	15,468,442	4,554,933	23,046,995	65,814,835
of which: Valued on an individual basis						
with no identifiable depreciation (category I)	3,381	13,591,318	12,300,861	4,040,032	18,128,978	48,057,808
Valued on a portfolio basis (category II)	18,053	9,200,133	3,167,581	514,901	4,291,772	17,156,334
Valued on an individual basis						
with identifiable depreciation (category III)	68,166	42,614	0	0	626,245	600,693
of which: Failed	41,171	41,513	0	0	0	342
of which: Deposits with and loans to own financial group	327	591,402	8,411,798	43,150	7,812,691	16,858,714
of which: Current accounts in banks	50	485,350	21,817	47,884	3,965,602	4,520,603
Current accounts of other banks	24	2,537	3,193,217	2	2,731,257	5,926,989
Time deposits	1,899	19,349,498	12,227,510	4,398,743	12,320,054	48,293,906
Loans provided	87,627	2,808,545	0	0	3,849,265	6,570,183
Other receivables from banks	0	188,135	25,898	108,304	180,817	503,154
Receivables from customers	19,405,163	590,877,803	7,412,984	156,048,351	25,260,658	760,194,633
of which: Valued on an individual basis						
with no identifiable depreciation (category I)	229,911	118,743,429	5,727,100	58,761,770	12,252,714	195,255,102
Valued on a portfolio basis (category II)	10,595,798	450,801,223	1,534,532	92,149,978	11,987,543	545,877,478
Valued on an individual basis						
with identifiable depreciation (category III)	8,579,454	21,333,151	151,352	5,136,603	1,020,401	19,062,053
of which: Failed	12,928,332	18,106,413	161,914	1,452,370	464,229	7,256,594
of which: MMIF loans	0	0	0	0	0	0
Loans to general government and international organizations (S.13)	10,368	14,586,115	27	6,317,512	170,483	21,063,769
of which: Valued on an individual basis						
with no identifiable depreciation (category I)	6,663	9,091,829	27	5,857,507	0	14,942,700
Valued on a portfolio basis (category II)	3,705	5,461,083	0	460,005	170,483	6,087,866
Valued on an individual basis						
with identifiable depreciation (category III)	0	33,203	0	0	0	33,203
of which: Failed	1	1,071	0	0	0	1,070
of which: Deposits to central government (S.1311)	0	0	0	0	0	0
Loans to central government (S.1311)	1	4,030,699	27	34,571	170,483	4,235,779
of which: SR Treasury	0	0	0	0	0	0
Other funds	0	15,395	0	0	0	15,395
Loans to local governments (S.1313)	10,367	10,492,228	0	6,282,941	0	16,764,802
Loans to social security funds (S.1314)	0	63,188	0	0	0	63,188
of which: Health insurance companies	0	0	0	0	0	0
Social Insurance Corporation	0	63,188	0	0	0	63,188
Debt securities	0	0	0	0	654,798	654,798
Financial instruments available for sale	336,940	39,744,954	4,401,127	4,133,405	8,095,797	56,038,343
Financial instruments at fair value through profit/loss: held for trading (excluding derivatives)	0	120,308,024	1,971,472	2,653,784	1,125,426	126,058,706
Financial instruments at fair value towards profit/loss: others (from the point of settlement)	0	9,691,799	1,659,912	5,704,915	4,651,564	21,708,190
Positive fair value of derivative transactions for trading	0	6,415,575	15,530,802	-	-	21,946,377
Financial instruments held to maturity	30,777	197,810,933	5,061,446	3,375,710	5,205,576	211,422,888
Positive fair value of derivative hedge transactions	0	111,365	246,208	-	-	357,573
Change in fair value of hedged items in the portfolio of interest rate risk hedges	0	0	0	0	0	0
Subsidiary and affiliated companies, joint ventures	705,235	5,471,179	887,706	0	0	5,653,650
Funds to branches abroad	0	0	0	0	503,882	503,882
Tangible assets	23,841,512	44,679,061	0	5,888	56,116	20,899,553
Intangible assets	11,134,304	16,349,300	0	0	0	5,214,996
Other assets	846,078	3,810,051	59,041	9,033,236	96,636	12,152,886
Tax receivables	0	1,202,813	0	0	0	1,202,813
Depreciation	35,370,006	35,370,006	0	0	0	0
Non-current assets held for sale (IFRS 5)	819,826	1,703,877	0	0	0	884,051



### Shortened Balance Sheet of Commercial Banks as at 31 October 2007

(Banks and branches of foreign banks operating in the SR in total)

(SKK thousands)

LIABILITIES	Slovak koruna		Foreign currency		Total
	Residents	Non-residents	Residents	Non-residents	Residents
<b>Total liabilities</b>	1,115,983,191	136,840,838	149,478,017	227,971,752	1,630,273,798
<b>PAYABLES</b>	1,045,380,719	87,176,108	149,416,782	227,629,837	1,509,603,446
Deposits and loans from NBS and foreign central banks	2,738,756	0	12,637	0	2,751,393
of which: Current accounts	20,204	0	0	0	20,204
Time deposits	0	0	0	0	0
Loans received	2,718,552	0	12,637	0	2,731,189
Postal cheque accounts	0	0	0	0	0
Financial liabilities valued at amortized costs	1,004,500,223	70,202,309	133,385,610	162,722,569	1,370,810,711
Deposits, loans and other liabilities received from banks	23,322,601	55,361,662	4,363,413	139,279,832	222,327,508
of which: Deposits and loans received from own financial group	218,409	37,257,725	16	113,636,609	151,112,759
of which: Current accounts in banks	2,533	32,967	0	2,527,979	2,563,479
Current accounts of other banks	485,374	13,259,806	48,047	210,513	14,003,740
Time deposits	18,957,071	39,722,789	4,206,812	121,381,686	184,268,358
Subordinate debts	214,255	1,708,552	0	7,137,907	9,060,714
Loans received	2,585,852	603,345	0	7,361,385	10,550,582
Other liabilities received from banks	1,077,516	34,203	108,554	660,362	1,880,635
Deposits and loans received from customers	795,148,454	10,339,027	105,291,517	11,456,686	922,235,684
of which: MMIF deposits	23,941,881	200	423	0	23,942,504
of which: Current accounts and other financial undated liabilities	313,040,020	6,108,267	52,990,303	5,363,852	377,502,442
Time deposits	433,493,538	4,139,407	46,609,019	1,946,800	486,188,764
Deposits redeemable at notice	32,345,385	55,152	908,557	7,200	33,316,294
Certificates of deposit	116,731	21	0	0	116,752
Loans received and financial leasing	5,724,325	0	0	2,026,092	7,750,417
Other liabilities received from customers	10,428,455	36,180	4,783,638	2,112,742	17,361,015
Deposits of general government and international organizations	95,622,574	18,097	22,114,638	308,932	118,064,241
of which: Deposits of central government (S.1311)	71,112,264	18,097	22,080,208	308,903	93,519,472
of which: Treasury	9,853,105	0	7,702,127	0	17,555,232
Other funds	9,055,859	0	5,248	0	9,061,107
of which: National Property Fund	9,039,417	0	0	0	9,039,417
Deposits of local governments (S.1313)	24,509,280	0	34,430	29	24,543,739
Deposits of social security funds (S.1314)	1,030	0	0	0	1,030
of which: Health insurance companies	1,030	0	0	0	1,030
Social Insurance Corporation	0	0	0	0	0
Securities issued by the accounting unit	90,406,594	4,483,523	1,616,042	11,677,119	108,183,278
Financial liabilities held for trading (excluding derivatives)	0	0	0	0	0
Financial liabilities in fair value through profit/loss (IAS 39)	9,016,264	2,327,893	5,306,052	64,747,462	81,397,671
of which: Current accounts	0	0	0	0	0
Time deposits	9,016,264	2,327,893	5,306,052	64,747,462	81,397,671
Deposits redeemable at notice	0	0	0	0	0
Debt securities issued	0	0	0	0	0
Loans received	0	0	0	0	0
Subordinated liabilities	0	0	0	0	0
of which: Loans	0	0	0	0	0
Debt securities issued	0	0	0	0	0
Other liabilities	0	0	0	0	0
Negative fair value of derivative transactions for trading	11,275,536	14,512,643	-	-	25,788,179
Negative fair value of derivate hedge transactions	15,320	100,830	-	-	116,150
Change in fair value of hedged items in the portfolio of interest rate risk hedges	0	0	0	0	0
Financial liabilities arising from the transfer of financial assets	0	0	0	0	0
Subsidies and similar funds	80,000	0	0	0	80,000
Reserves	4,448,570	0	12,351	0	4,460,921
Other liabilities	11,449,431	32,433	10,700,132	159,806	22,341,802
Tax liabilities	1,856,619	0	0	0	1,856,619
<b>EQUITY</b>	70,602,472	49,664,730	61,235	341,915	120,670,352
Share capital	4,900,424	40,296,832	0	0	45,197,256
of which: Subscribed share capital	4,910,541	40,296,832	0	0	45,207,373
Receivables from shareholders	0	0	0	0	0
Own shares	-10,117	0	0	0	-10,117
Funds to branches of foreign banks	32,000	8,801,391	0	358,427	9,191,818
Share premium	2,454,652	475,000	0	0	2,929,652
Reserve funds and other funds created from profits	15,542,154	119,500	0	0	15,661,654
Other funds	193,217	5,490	0	2,399	201,106
Valuation changes	262,394	-33,483	61,235	-18,911	271,235
Profit/loss from previous years	31,600,676	0	0	0	31,600,676
of which: Retained earnings	32,365,994	0	0	0	32,365,994
Accumulated loss	-765,318	0	0	0	-765,318
Profit and loss account	15,631,848	0	0	0	15,631,848
Profit/loss in process of approval	-14,893	0	0	0	-14,893



## Monthly Profit and Loss Account of Commercial Banks

(Banks and branches of foreign banks operating in the SR in total)

(SKK millions)

	2006			2007									
	10	11	12	1	2	3	4	5	6	7	8	9	10
NET INTEREST INCOME	27,855	30,980	34,596	3,298	6,056	9,317	12,243	15,557	18,800	22,070	25,418	28,759	32,218
Interest income on securities	10,406	11,492	12,637	1,202	2,344	3,472	4,538	5,715	7,013	8,418	9,809	11,135	12,508
Other interest income	44,561	49,834	55,421	5,479	9,999	15,579	20,236	25,840	31,504	36,999	42,471	48,151	53,986
Interest expenses on securities	2,535	2,857	3,186	316	659	1,014	1,303	1,640	1,987	2,337	2,691	3,058	3,442
Other interest expenses	24,577	27,489	30,276	3,067	5,629	8,720	11,227	14,358	17,729	21,011	24,171	27,470	30,835
NET NON-INTEREST INCOME	16,314	17,786	19,036	1,719	3,292	5,225	6,603	8,221	10,207	11,816	13,276	14,636	16,568
Fee and commission income	11,626	12,844	14,299	1,206	2,399	3,794	4,930	6,166	7,496	8,843	10,135	11,374	12,440
Fees and commission expenses	2,439	2,720	3,104	225	458	693	925	1,219	1,509	1,794	2,071	2,360	2,331
Dividends received	440	443	456	5	5	9	27	116	228	222	222	243	243
Income from transactions in securities	2,622	2,869	3,124	274	445	878	903	1,065	1,150	1,257	1,401	1,511	1,747
Expenses related to transactions in securities	2,614	2,649	3,025	226	299	425	541	896	1,169	1,314	1,585	1,879	1,915
Profit/loss on foreign exchange transactions	6,880	8,703	10,026	-1,978	-288	3,716	2,537	3,384	2,519	4,533	3,769	5,752	7,669
Profit/loss on fixed forward transactions and options	-160	-1,674	-2,659	2,691	1,523	-2,022	-244	-288	1,594	181	1,540	33	-1,229
Income from other transactions	317	422	455	4	26	69	50	88	135	140	156	187	195
Expenses related to other transactions	358	452	536	34	62	100	134	195	237	252	291	224	251
NET OPERATING PROFIT/LOSS	-1,594	-1,433	1,449	-90	-852	-868	-910	-1,138	-1,308	-1,473	-1,561	-1,748	-1,999
GENERAL OPERATING EXPENSES	24,188	26,840	30,046	2,555	5,039	7,843	10,446	13,474	16,090	18,829	21,552	24,282	27,057
NET CREATION OF RESERVES AND PROVISIONS	-2,301	-2,513	-2,637	-375	287	109	-458	-438	-649	-883	-1,060	-1,180	-1,316
INCOME TAX	2,682	2,992	4,625	347	520	919	1,014	1,256	1,662	1,851	2,091	2,432	2,781
CURRENT PERIOD PROFIT/LOSS	13,403	14,989	17,773	1,650	3,224	5,021	6,018	7,472	9,300	10,850	12,431	13,753	15,632



**Balance of Payments of the SR for January – September 2007**

	Collection / Credit (+)		Payments / Debit (-)		Balance	
	SKK millions	USD millions	SKK millions	USD millions	SKK millions	USD millions
<b>Goods</b>	1,028,112.0	40,720.5	1,034,461.0	40,972.0	-6,349.0	-251.5
<b>Services</b>	127,673.0	5,056.8	116,382.5	4,609.6	11,290.5	447.2
Transport	39,928.1	1,581.4	32,602.3	1,291.3	7,325.8	290.2
Tourism	36,564.6	1,448.2	28,989.4	1,148.2	7,575.2	300.0
Other services	51,180.4	2,027.1	54,790.9	2,170.1	-3,610.5	-143.0
<b>Income</b>	42,070.5	1,666.3	94,943.0	3,760.4	-52,872.5	-2,094.1
Compensation of employees	27,000.0	1,069.4	1,154.4	45.7	25,845.6	1,023.7
Investment income	15,070.5	596.9	93,788.6	3,714.7	-78,718.1	-3,117.8
<b>Current transfers</b>	30,651.5	1,214.0	42,362.3	1,677.8	-11,710.8	-463.8
<b>CURRENT ACCOUNT</b>	1,228,507.0	48,657.6	1,288,148.8	51,019.8	-59,641.8	-2,362.2
<b>Capital account</b>	8,072.6	319.7	2,385.1	94.5	5,687.5	225.3
<b>Financial account</b>	5,231,698.0	207,239.5	-5,090,911.2	-201,632.6	140,786.8	5,606.9
Direct investment	935,501.4	37,052.5	-890,333.5	-35,263.5	45,168.0	1,789.0
<i>Abroad (direct investor = resident)</i>	27,800.0	1,101.1	-30,186.0	-1,195.6	-2,386.0	-94.5
Equity capital and reinvested earnings	448.0	17.7	-3,091.0	-122.4	-2,643.0	-104.7
Other capital	27,352.0	1,083.3	-27,095.0	-1,073.2	257.0	10.2
<i>In the SR (recipient of dir. investment = resident)</i>	907,701.4	35,951.4	-860,147.5	-34,067.9	47,554.0	1,883.5
Equity capital and reinvested earnings	41,066.4	1,626.5	-5,420.5	-214.7	35,646.0	1,411.8
Other capital	866,635.0	34,324.9	-854,727.0	-33,853.3	11,908.0	471.6
Portfolio investment	256,140.9	10,174.9	-252,468.8	-9,999.6	3,672.1	175.3
Assets	46,964.6	1,860.1	-59,940.7	-2,374.1	-12,976.0	-513.9
Liabilities	209,176.2	8,314.8	-192,528.1	-7,625.5	16,648.1	689.3
Financial derivatives	2,057,653.3	81,497.7	-2,055,045.2	-81,394.4	2,608.1	103.3
Assets	1,037,191.3	41,080.1	-1,031,237.2	-40,844.3	5,954.0	235.8
Liabilities	1,020,462.0	40,417.5	-1,023,807.9	-40,550.1	-3,345.9	-132.5
Other investment	1,982,402.4	78,514.5	-1,893,063.8	-74,975.1	89,338.7	3,539.3
<i>Long-term</i>	266,286.9	10,547.3	-257,382.5	-10,192.2	8,904.3	355.1
Assets	13,748.1	544.5	-21,910.4	-867.8	-8,162.3	-323.3
Liabilities	252,538.7	10,002.8	-235,472.1	-9,324.4	17,066.6	678.4
<i>Short-term</i>	1,716,115.6	67,967.2	-1,635,681.2	-64,782.9	80,434.3	3,184.2
Assets	976,819.4	38,689.0	-976,994.2	-38,695.9	-174.9	-6.9
Liabilities	739,296.2	29,278.2	-658,687.0	-26,087.0	80,609.2	3,191.2
<b>CAPITAL AND FINANCIAL ACCOUNT</b>	5,239,770.6	207,559.3	-5,093,296.3	-201,727.1	146,474.3	5,832.2
<b>ERRORS AND OMISSIONS</b>	-	-	-	-	12,242.4	433.6
<b>TOTAL BALANCE</b>	0.0	0.0	99,074.9	3,903.6	99,074.9	3,903.6
Monetary gold	0.0	0.0	-0.3	0.0	-0.3	0.0
Special drawing rights	0.0	0.0	0.0	0.0	0.0	0.0
Foreign exchange assets	0.0	0.0	-99,074.6	-3,903.6	-99,074.6	-3,903.6
Deposits	0.0	0.0	-28,457.3	-1,131.1	-28,457.3	-1,131.1
Securities	0.0	0.0	-70,617.3	-2,772.5	-70,617.3	-2,772.5
Bonds and notes	0.0	0.0	-20,709.2	-800.6	-20,709.2	-800.6
Money market instruments and financial derivatives	0.0	0.0	-49,908.1	-1,971.9	-49,908.1	-1,971.9
<b>RESERVE ASSETS</b>	0.0	0.0	-99,074.9	-3,903.6	-99,074.9	-3,903.6

Note: Preliminary data.

Applied rate of exchange: USD 1 = SKK 25.248.



## Overview of Issues of NBS Bills

Registration number	Date of			Maturity	Volume in SKK millions		Type of auction	Interest rate in % p.a.		
	auction	issue	maturity		demand	accept.		min.	average	max.
960704001	12.1.2006	13.1.2006	7.4.2006	84	28,575	5,553	American	3.00	3.00	3.00
960505003	9.2.2006	10.2.2006	5.5.2006	84	13,000	0	American	-	-	-
960906004	16.3.2006	17.3.2006	9.6.2006	84	6,310	210	American	3.50	3.50	3.50
963006005	6.4.2006	7.4.2006	30.6.2006	84	9,053	300	American	3.50	3.50	3.50
962807007	4.5.2006	5.5.2006	28.7.2006	84	1,515	0	American	-	-	-
963108008	8.6.2006	9.6.2006	31.8.2006	83	23,445	22,691	American	3.98	4.00	4.00
962209010	29.6.2006	30.6.2006	22.9.2006	84	400	0	American	-	-	-
962010011	27.7.2006	28.7.2006	20.10.2006	84	1,364	222	American	4.50	4.50	4.50
962411013	30.8.2006	31.8.2006	24.11.2006	85	2,883	1,550	American	4.50	4.50	4.50
961512014	21.9.2006	22.9.2006	15.12.2006	84	9,550	0	American	-	-	-
961201015	19.10.2006	20.10.2006	12.1.2007	84	7,100	500	American	4.75	4.75	4.75
961602017	23.11.2006	24.11.2006	16.2.2007	84	1,950	1,150	American	4.75	4.75	4.75
960903018	14.12.2006	15.12.2006	9.3.2007	84	36,613	36,113	American	4.74	4.75	4.75
971105002	15.2.2007	16.2.2007	11.5.2007	84	60,980	0	American	-	-	-
970106003	8.3.2007	9.3.2007	1.6.2007	84	63,740	0	American	-	-	-
970308005	10.05.2007	11.05.2007	3.08.2007	84	73,661	20,000	American	4.05	4.15	4.18
972408007	31.5.2007	1.6.2007	24.8.2007	84	50,400	30,000	American	4.15	4.23	4.25
972109008	28.6.2007	29.6.2007	21.9.2007	84	23,900	17,000	American	4.24	4.27	4.40
972610009	2.8.2007	3.8.2007	26.10.2007	84	22,490	22,290	American	4.24	4.25	4.25
971611011	23.8.2007	24.8.2007	16.11.2007	84	29,110	23,110	American	4.24	4.25	4.25
971412012	20.9.2007	21.9.2007	14.12.2007	84	20,500	19,000	American	4.25	4.25	4.25
971801014	25.10.2007	26.10.2007	18.1.2008	84	14,690	13,690	American	4.25	4.25	4.25
971801015	15.11.2007	16.11.2007	8.2.2008	84	28,500	23,500	American	4.25	4.25	4.25



### Basic Characteristics of Slovakia's Foreign Exchange Market in November 2007

	USD			EUR			Other currencies			Total	
	Volume		Number of transactions	Volume		Number of transactions	Volume		Number of transactions	Volume USD millions	Number of transactions
	USD millions	%		USD millions	%		USD millions	%			
NBS	-	-	0	0.0	-	0	-	-	-	0.0	0
Transactions between domestic banks without foreign participation	5,324.9	62.0	182	3,152.1	36.7	776	114.9	1.3	73	8,592.0	1,031
Interbank forex market: NBS + transactions between domestic banks	5,324.9	62.0	182	3,152.1	36.7	776	114.9	1.3	73	8,592.0	1,031
Transactions between domestic and foreign banks	65,005.1	85.3	1,775	11,013.0	14.5	3,726	151.8	0.2	184	76,169.9	5,685
Foreign exchange market in the SR – total	70,330.0	83.0	1,957	14,165.1	16.7	4,502	266.7	0.3	257	84,761.8	6,716

	SPOT			FORWARD			SWAP			OPTION			Total	
	Volume		No. of transactions	Volume		No. of transactions	Volume		No. of transactions	Volume		No. of transactions	USD millions	No. of transactions
	USD millions	%		USD millions	%		USD millions	%		USD millions	%			
Transactions between domestic banks without foreign participation	1,883.8	21.9	817	8.4	0.1	3	6,699.0	78.0	210	1.4	0.0	1	8,592.6	1,031
Transactions between domestic and foreign banks	7,763.9	10.2	2,993	362.8	0.5	87	67,553.5	88.7	1,894	479.0	0.6	711	76,159.1	5,685
Foreign exchange market in the SR - excl. the NBS	9,647.6	11.4	3,810	371.2	0.4	90	74,252.5	87.6	2,104	480.4	0.6	712	84,751.7	6,716



## Average Monthly Exchange Rates of the SKK against Selected Currencies

Midpoint rate	2006		2007										
	11	12	1	2	3	4	5	6	7	8	9	10	11
1 AUD	21.537	20.828	20.921	20.664	20.257	20.478	20.584	21.329	21.089	20.486	20.526	21.224	20.324
1 BGN	-	-	17.754	17.656	17.316	17.108	17.247	17.392	17.040	17.167	17.289	17.205	16.996
1 CYP	62.197	60.595	60.044	59.625	58.415	57.566	57.864	58.299	57.061	57.468	57.881	57.599	56.897
1 CZK	1.281	1.260	1.249	1.223	1.206	1.195	1.195	1.192	1.174	1.204	1.226	1.230	1.243
1 DKK	4.818	4.698	4.658	4.632	4.546	4.490	4.527	4.568	4.479	4.512	4.539	4.515	4.459
1 EUR	35.914	35.025	34.721	34.524	33.863	33.468	33.726	34.017	33.330	33.577	33.821	33.645	33.236
1 EEK	2.296	2.239	2.219	2.207	2.164	2.139	2.156	2.174	2.130	2.146	2.161	2.151	2.125
100 JPY	23.790	22.654	22.183	21.903	21.822	20.861	20.666	20.691	19.973	21.078	21.187	20.420	20.414
1 CAD	24.599	23.043	22.723	22.561	21.885	21.807	22.758	23.786	23.139	23.274	23.666	24.197	23.523
1 LTL	10.403	10.143	10.055	9.999	9.807	9.689	9.769	9.851	9.652	9.724	9.794	9.746	9.627
1 LVL	51.550	50.207	49.779	49.345	47.792	47.521	48.426	48.859	47.820	48.126	48.192	47.867	47.455
100 HUF	13.866	13.779	13.690	13.624	13.536	13.598	13.579	13.581	13.509	13.169	13.341	13.410	13.058
1 MTL	83.694	81.595	80.887	80.445	78.930	77.973	78.575	79.242	77.671	78.245	78.767	78.395	77.438
1 NOK	4.355	4.296	4.193	4.269	4.164	4.121	4.144	4.217	4.198	4.210	4.312	4.374	4.187
1 PLN	9.386	9.189	8.961	8.865	8.710	8.763	8.921	8.928	8.846	8.813	8.919	9.065	9.084
1 RON	-	-	10.239	10.207	10.044	10.030	10.265	10.526	10.636	10.435	10.112	10.036	9.573
100 SIT	14.990	14.615	-	-	-	-	-	-	-	-	-	-	-
1 CHF	22.567	21.945	21.503	21.293	21.009	20.446	20.435	20.566	20.113	20.488	20.537	20.151	20.168
1 SEK	3.945	3.875	3.825	3.763	3.643	3.618	3.666	3.646	3.627	3.606	3.639	3.668	3.580
1 USD	27.915	26.504	26.694	26.434	25.583	24.788	24.954	25.355	24.311	24.647	24.378	23.669	22.637
1 GBP	53.320	52.044	52.321	51.737	49.810	49.266	49.496	50.324	49.422	49.556	49.156	48.338	46.897
1 XDR	41.567	39.980	39.916	39.569	38.568	37.667	37.875	38.321	37.167	37.696	37.606	36.880	35.928

Note: With effect from 1 January 2007, the Slovenian tolar (SIT) has been excluded and the Bulgarian lev (BGN) and the Romanian leu (RON) included in the exchange rate table of the NBS. On 1 January 2007, Slovenia introduced the euro and Bulgaria and Romania joined the EU.

## Average Quarterly Exchange Rates of the SKK against Selected Currencies

Midpoint rate	2006					2007		
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3
1 AUD	23.040	22.379	22.499	21.480	22.358	20.612	20.808	20.700
1 BGN	-	-	-	-	-	17.573	17.254	17.164
1 CYP	65.222	65.502	65.778	62.316	64.711	59.353	57.921	57.463
1 CZK	1.310	1.328	1.336	1.282	1.314	1.226	1.194	1.201
1 DKK	5.020	5.053	5.075	4.825	4.994	4.612	4.529	4.509
1 EUR	37.457	37.687	37.861	35.975	37.248	34.364	33.746	33.572
1 EEK	2.394	2.408	2.420	2.299	2.381	2.197	2.157	2.146
100 JPY	26.668	26.208	25.592	23.737	25.565	21.971	20.735	20.744
1 CAD	26.979	26.714	26.497	24.584	26.203	22.384	22.816	23.353
1 LTL	10.848	10.914	10.965	10.419	10.787	9.952	9.772	9.722
1 LVL	53.813	54.143	54.402	51.632	53.501	48.960	48.293	48.045
100 HUF	14.728	14.137	13.744	13.804	14.111	13.616	13.586	13.337
1 MTL	87.250	87.807	88.208	83.813	86.775	80.076	78.617	78.220
1 NOK	4.668	4.811	4.704	4.350	4.634	4.207	4.162	4.238
1 PLN	9.772	9.546	9.577	9.342	9.562	8.845	8.874	8.858
1 RON	-	-	-	-	-	10.162	10.282	10.400
100 SIT	15.639	15.726	15.802	15.013	15.546	-	-	-
1 CHF	24.028	24.105	24.023	22.593	23.692	21.268	20.484	20.379
1 SEK	4.005	4.052	4.103	3.936	4.024	3.743	3.644	3.624
1 USD	31.169	29.991	29.715	27.948	29.724	26.231	25.040	24.450
1 GBP	54.597	54.787	55.676	53.438	54.624	51.275	49.710	49.384
1 XDR	44.893	44.173	44.042	41.608	43.694	39.344	37.964	37.491

Note: With effect from 1 January 2007, the Slovenian tolar (SIT) has been excluded and the Bulgarian lev (BGN) and the Romanian leu (RON) included in the exchange rate table of the NBS. On 1 January 2007, Slovenia introduced the euro and Bulgaria and Romania joined the EU.

**Inflow of Foreign Direct Investment<sup>1)</sup> into Slovakia in 1999 – 2006**

(Flows and stocks)

**Corporate sector**

	SKK millions		USD millions	
	Inflows from January to December	Volume as at 31 December	Inflows from January to December	Volume as at 31 December
1999	16,729	83,061	403.92	1,965.20
2000	97,454	161,988	2,109.39	3,418.26
2001	24,353	182,151	503.71	3,758.25
2002	174,180	259,517	3,842.06	6,482.09
2003	37,157	283,078	1,010.44	8,598.97
2004 <sup>3)</sup>	29,008	329,948	899.33	11,578.75
2005 <sup>4)</sup>	22,147	353,770	713.91	11,073.31
2006	61,994	418,071	2,085.65	15,928.94

**Banking sector**

	SKK millions		USD millions	
	Inflows from January to December	Volume as at 31 December	Inflows from January to December	Volume as at 31 December
1999	-40	12,977	-0.97	307.03
2000	2,107	15,153	45.61	319.76
2001	37,095	52,245	767.27	1,077.95
2002	11,414	59,729	251.77	1,491.88
2003 <sup>2)</sup>	1,813	65,422	49.30	1,987.30
2004	5,115	66,644	158.58	2,338.71
2005	-2	66,641	-0.06	2,085.92
2006	-456	66,182	-15.34	2,521.60

**Total**

	SKK millions		USD millions	
	Inflows from January to December	Volume as at 31 December	Inflows from January to December	Volume as at 31 December
1999	16,689	96,038	402.95	2,272.23
2000	99,561	177,141	2,155.00	3,738.02
2001	61,448	234,396	1,270.98	4,836.20
2002	185,594	319,246	4,093.83	7,973.97
2003 <sup>2)</sup>	38,970	348,500	1,059.74	10,586.27
2004 <sup>3)</sup>	34,123	396,592	1,057.91	13,917.46
2005 <sup>4)</sup>	22,145	420,411	713.85	13,159.23
2006	61,538	484,253	2,070.31	18,450.54

Note: Preliminary data for 2005–2006.

<sup>1)</sup> Equity capital.<sup>2)</sup> Change in methodology – new accounting standards for banks.<sup>3)</sup> Other capital funds included in the equity capital.<sup>4)</sup> Change in methodology (higher limit for foreign exchange reporting obligation).



Inflow of Foreign Direct Investment<sup>1)</sup> during January to December 2006

	Corporate sector			Banking sector			Total		
	SKK millions	USD millions	%	SKK millions	USD millions	%	SKK millions	USD millions	%
Exchange rate applied: USD 1 = SKK 29.724									
<b>Inflow of FDI in total</b>	61,994	2,085.7	100.0	-456	-15.3	100.0	61,538	2,070.3	100.0
<b>Structure of capital by investor</b>									
Italy	31,682	1,065.9	51.1	45	1.5	-9.9	31,727	1,067.4	51.6
Austria	8,781	295.4	14.2	196	6.6	-43.0	8,977	302.0	14.6
Korea	7,886	265.3	12.7	0	0.0	0.0	7,886	265.3	12.8
Germany	4,878	164.1	7.9	0	0.0	0.0	4,878	164.1	7.9
Cyprus	3,788	127.4	6.1	0	0.0	0.0	3,788	127.4	6.2
USA	1,403	47.2	2.3	0	0.0	0.0	1,403	47.2	2.3
Czech Republic	1,354	45.6	2.2	1	0.0	-0.2	1,355	45.6	2.2
Sweden	483	16.2	0.8	0	0.0	0.0	483	16.2	0.8
Switzerland	481	16.2	0.8	0	0.0	0.0	481	16.2	0.8
Hungary	439	14.8	0.7	0	0.0	0.0	439	14.8	0.7
Other countries	819	27.6	1.3	-698	-23.5	153.1	121	4.1	0.2
<b>Structure of capital by sector</b>									
Agriculture, hunting, and forestry	18	0.6	0.0	0	0.0	0.0	18	0.6	0.0
Fishing	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Mining and quarrying	266	8.9	0.4	0	0.0	0.0	266	8.9	0.4
Manufacturing	15,327	515.6	24.7	0	0.0	0.0	15,327	515.6	24.9
Electricity, gas, and water supply	-354	-11.9	-0.6	0	0.0	0.0	-354	-11.9	-0.6
Construction	173	5.8	0.3	0	0.0	0.0	173	5.8	0.3
Wholesale and retail trade, repairs of motor vehicles	4,154	139.8	6.7	0	0.0	0.0	4,154	139.8	6.8
Hotels and restaurants	62	2.1	0.1	0	0.0	0.0	62	2.1	0.1
Transport, storage and communication	1,758	59.1	2.8	0	0.0	0.0	1,758	59.1	2.9
Financial intermediation	5,104	171.7	8.2	-456	-15.3	100.0	4,648	156.4	7.6
Real estate, renting and business activities	3,868	130.1	6.2	0	0.0	0.0	3,868	130.1	6.3
Public administration and defence, compulsory social security	31,505	1,059.9	50.8	0	0.0	0.0	31,505	1,059.9	51.2
Education	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Health and social work	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Other community, social, and personal services	113	3.8	0.2	0	0.0	0.0	113	3.8	0.2
Activities of private households	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Extra-territorial organizations and bodies	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
<b>Structure of capital by region</b>									
Bratislava region	45,636	1,535.3	73.6	-456	-15.3	100.0	45,180	1,520.0	73.4
Trnava region	1,902	64.0	3.1	0	0.0	0.0	1,902	64.0	3.1
Trenčín region	2,580	86.8	4.2	0	0.0	0.0	2,580	86.8	4.2
Nitra region	1,084	36.5	1.7	0	0.0	0.0	1,084	36.5	1.8
Žilina region	8,308	279.5	13.4	0	0.0	0.0	8,308	279.5	13.5
Banská Bystrica region	932	31.4	1.5	0	0.0	0.0	932	31.4	1.5
Prešov region	439	14.8	0.7	0	0.0	0.0	439	14.8	0.7
Košice region	1,113	37.4	1.8	0	0.0	0.0	1,113	37.4	1.8

Note: Preliminary data.

<sup>1)</sup> Equity capital.



### Inflow of Foreign Direct Investment<sup>1)</sup> during January to December 2005

	Corporate sector			Banking sector			Total		
	SKK millions	USD millions	%	SKK millions	USD millions	%	SKK millions	USD millions	%
Exchange rate applied: USD 1 = SKK 31.022									
<b>Inflow of FDI in total</b>	22,147	713.9	100.0	-2	-0.1	100.0	22,145	713.8	100.0
<b>Structure of capital by investor</b>									
Korea	6,603	212.8	29.8	0	0.0	0.0	6,603	212.8	29.8
Germany	6,431	207.3	29.0	-250	-8.1	12,500.0	6,181	199.2	27.9
Austria	3,112	100.3	14.1	-45	-1.5	2,250.0	3,067	98.9	13.8
Holand	1,401	45.2	6.3	3	0.1	-150.0	1,404	45.3	6.3
Switzerland	1,191	38.4	5.4	0	0.0	0.0	1,191	38.4	5.4
USA	1,045	33.7	4.7	0	0.0	0.0	1,045	33.7	4.7
Spain	784	25.3	3.5	0	0.0	0.0	784	25.3	3.5
United Kingdom	506	16.3	2.3	125	4.0	-6,250.0	631	20.3	2.8
Litva	417	13.4	1.9	0	0.0	0.0	417	13.4	1.9
Cyprus	323	10.4	1.5	0	0.0	0.0	323	10.4	1.5
Other countries	334	10.8	1.5	165	5.3	-8,250.0	499	16.1	2.3
<b>Structure of capital by sector</b>									
Agriculture, hunting, and forestry	-31	-1.0	-0.1	0	0.0	0.0	-31	-1.0	-0.1
Fishing	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Mining and quarrying	10	0.3	0.0	0	0.0	0.0	10	0.3	0.0
Manufacturing	10,846	349.6	49.0	0	0.0	0.0	10,846	349.6	49.0
Electricity, gas, and water supply	322	10.4	1.5	0	0.0	0.0	322	10.4	1.5
Construction	190	6.1	0.9	0	0.0	0.0	190	6.1	0.9
Wholesale and retail trade, repairs of motor vehicles	3,216	103.7	14.5	0	0.0	0.0	3,216	103.7	14.5
Hotels and restaurants	29	0.9	0.1	0	0.0	0.0	29	0.9	0.1
Transport, storage and communication	1,280	41.3	5.8	0	0.0	0.0	1,280	41.3	5.8
Financial intermediation	4,263	137.4	19.2	-2	-0.1	100.0	4,261	137.4	19.2
Real estate, renting and business activities	1,900	61.2	8.6	0	0.0	0.0	1,900	61.2	8.6
Public administration and defence, compulsory social security	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Education	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Health and social work	53	1.7	0.2	0	0.0	0.0	53	1.7	0.2
Other community, social, and personal services	69	2.2	0.3	0	0.0	0.0	69	2.2	0.3
Activities of private households	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Extra-territorial organizations and bodies	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
<b>Structure of capital by regions</b>									
Bratislava region	7,345	236.8	33.2	-2	-0.1	100.0	7,343	236.7	33.2
Trnava region	682	22.0	3.1	0	0.0	0.0	682	22.0	3.1
Trenčín region	3,346	107.9	15.1	0	0.0	0.0	3,346	107.9	15.1
Nitra region	642	20.7	2.9	0	0.0	0.0	642	20.7	2.9
Žilina region	7,123	229.6	32.2	0	0.0	0.0	7,123	229.6	32.2
Banská Bystrica region	1,166	37.6	5.3	0	0.0	0.0	1,166	37.6	5.3
Prešov region	163	5.3	0.7	0	0.0	0.0	163	5.3	0.7
Košice region	1,680	54.2	7.6	0	0.0	0.0	1,680	54.2	7.6

Note: Preliminary data.

<sup>1)</sup> Equity capital and reinvested profits.

Inflow of Foreign Direct Investment<sup>1)</sup> during January to December 2004

	Corporate sector			Banking sector			Total		
	SKK millions	USD millions	%	SKK millions	USD millions	%	SKK millions	USD millions	%
Exchange rate applied: USD 1 = SKK 32.255									
<b>Inflow of FDI (equity capital + reinvested earnings) in total</b>	29,008	899.3	100.0	5,115	158.6	100.0	34,123	1,057.9	100.0
<b>Structure of capital by investor</b>									
Austria	2,974	92.2	10.3	4,776	148.1	93.4	7,750	240.3	22.7
Hungary	6,863	212.8	23.7	-30	-0.9	-0.6	6,833	211.8	20.0
United Kingdom	6,050	187.6	20.9	-1,396	-43.3	-27.3	4,654	144.3	13.6
Czech Republic	4,605	142.8	15.9	-11	-0.3	-0.2	4,594	142.4	13.5
France	3,749	116.2	12.9	-136	-4.2	-2.7	3,613	112.0	10.6
Germany	3,340	103.5	11.5	253	7.8	4.9	3,593	111.4	10.5
Louxeembourg	3,185	98.7	11.0	0	0.0	0.0	3,185	98.7	9.3
Korea	2,208	68.5	7.6	0	0.0	0.0	2,208	68.5	6.5
Switzerland	950	29.5	3.3	0	0.0	0.0	950	29.5	2.8
Italy	734	22.8	2.5	-13	-0.4	-0.3	721	22.4	2.1
Other countries	-5,650	-175.2	-19.5	1,672	51.8	32.7	-3,978	-123.3	-11.7
<b>Structure of capital by sector</b>									
Agriculture, hunting, and forestry	348	10.8	1.2	0	0.0	0.0	348	10.8	1.0
Fishing	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Mining and quarrying	-8	-0.2	0.0	0	0.0	0.0	-8	-0.2	0.0
Manufacturing	25,670	795.8	88.5	0	0.0	0.0	25,670	795.8	75.2
Electricity, gas, and water supply	-253	-7.8	-0.9	0	0.0	0.0	-253	-7.8	-0.7
Construction	487	15.1	1.7	0	0.0	0.0	487	15.1	1.4
Wholesale and retail trade, repairs of motor vehicles	8,673	268.9	29.9	0	0.0	0.0	8,673	268.9	25.4
Hotels and restaurants	-17	-0.5	-0.1	0	0.0	0.0	-17	-0.5	0.0
Transport, storage and communication	-8,436	-261.5	-29.1	0	0.0	0.0	-8,436	-261.5	-24.7
Financial intermediation	1,155	35.8	4.0	5,115	158.6	100.0	6,270	194.4	18.4
Real estate, renting and business activities	1,239	38.4	4.3	0	0.0	0.0	1,239	38.4	3.6
Public administration and defence, compulsory social security	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Education	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Health and social work	18	0.6	0.1	0	0.0	0.0	18	0.6	0.1
Other community, social, and personal services	132	4.1	0.5	0	0.0	0.0	132	4.1	0.4
Activities of private households	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Extra-territorial organizations and bodies	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
<b>Structure of capital by regions</b>									
Bratislava region	17,205	533.4	59.3	5,004	155.1	97.8	22,209	688.5	65.1
Trnava region	4,124	127.9	14.2	0	0.0	0.0	4,124	127.9	12.1
Trenčín region	2,292	71.1	7.9	0	0.0	0.0	2,292	71.1	6.7
Nitra region	120	3.7	0.4	0	0.0	0.0	120	3.7	0.4
Žilina region	2,315	71.8	8.0	73	2.3	1.4	2,388	74.0	7.0
Banská Bystrica region	850	26.4	2.9	38	1.2	0.7	888	27.5	2.6
Prešov region	1,081	33.5	3.7	0	0.0	0.0	1,081	33.5	3.2
Košice region	1,021	31.7	3.5	0	0.0	0.0	1,021	31.7	3.0

<sup>1)</sup> Equity capital and reinvested profits.



**Volume of Foreign Direct Investment<sup>1)</sup> as at 31 December 2006**

	Corporate sector			Banking sector			Total		
	SKK millions	USD millions	%	SKK millions	USD millions	%	SKK millions	USD millions	%
Exchange rate applied: USD 1 = SKK 26.246									
<b>Total volume of FDI</b>	418,071	15,928.9	100.0	66,182	2,521.6	100.0	484,253	18,450.5	100.0
<b>Structure of capital by investor</b>									
Netherlands	97,182	3,702.7	23.2	612	23.3	0.9	97,794	3,726.1	20.2
Germany	81,150	3,091.9	19.4	861	32.8	1.3	82,011	3,124.7	16.9
Austria	38,578	1,469.9	9.2	33,067	1,259.9	50.0	71,645	2,729.7	14.8
Italy	35,105	1,337.5	8.4	24,185	921.5	36.5	59,290	2,259.0	12.2
Hungary	27,195	1,036.2	6.5	2,007	76.5	3.0	29,202	1,112.6	6.0
United Kingdom	25,284	963.3	6.0	0	0.0	0.0	25,284	963.3	5.2
Czech Republic	19,536	744.3	4.7	3,486	132.8	5.3	23,022	877.2	4.8
Korea	17,125	652.5	4.1	0	0.0	0.0	17,125	652.5	3.5
USA	14,466	551.2	3.5	1,650	62.9	2.5	16,116	614.0	3.3
Cyprus	13,800	525.8	3.3	0	0.0	0.0	13,800	525.8	2.8
Other countries	48,650	1,853.6	11.6	314	12.0	0.5	48,964	1,865.6	10.1
<b>Structure of capital by sector</b>									
Agriculture, hunting, and forestry	1,218	46.4	0.3	0	0.0	0.0	1,218	46.4	0.3
Fishing	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Mining and quarrying	2,695	102.7	0.6	0	0.0	0.0	2,695	102.7	0.6
Manufacturing	191,067	7,279.9	45.7	0	0.0	0.0	191,067	7,279.9	39.5
Electricity, gas, and water supply	67,843	2,584.9	16.2	0	0.0	0.0	67,843	2,584.9	14.0
Construction	3,346	127.5	0.8	0	0.0	0.0	3,346	127.5	0.7
Wholesale and retail trade, repairs of motor vehicles	55,455	2,112.9	13.3	0	0.0	0.0	55,455	2,112.9	11.5
Hotels and restaurants	2,412	91.9	0.6	0	0.0	0.0	2,412	91.9	0.5
Transport, storage and communication	40,270	1,534.3	9.6	0	0.0	0.0	40,270	1,534.3	8.3
Financial intermediation	27,172	1,035.3	6.5	66,182	2,521.6	100.0	93,354	3,556.9	19.3
Real estate, renting and business activities	23,163	882.5	5.5	0	0.0	0.0	23,163	882.5	4.8
Public administration and defence, compulsory social security	150	5.7	0.0	0	0.0	0.0	150	5.7	0.0
Education	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Health and social work	1,623	61.8	0.4	0	0.0	0.0	1,623	61.8	0.3
Other community, social, and personal services	1,657	63.1	0.4	0	0.0	0.0	1,657	63.1	0.3
Activities of private households	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Extra-territorial organizations and bodies	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
<b>Structure of capital by regions</b>									
Bratislava region	258,143	9,835.5	61.7	65,232	2,485.4	98.6	323,375	12,320.9	66.8
Trnava region	26,114	995.0	6.2	0	0.0	0.0	26,114	995.0	5.4
Trenčín region	23,251	885.9	5.6	0	0.0	0.0	23,251	885.9	4.8
Nitra region	17,892	681.7	4.3	0	0.0	0.0	17,892	681.7	3.7
Žilina region	34,638	1,319.7	8.3	950	36.2	1.4	35,588	1,355.9	7.3
Banská Bystrica region	12,489	475.8	3.0	0	0.0	0.0	12,489	475.8	2.6
Prešov region	7,770	296.0	1.9	0	0.0	0.0	7,770	296.0	1.6
Košice region	37,774	1,439.2	9.0	0	0.0	0.0	37,774	1,439.2	7.8

Note: Preliminary data.

<sup>1)</sup> Equity capital.

Volume of Foreign Direct Investment<sup>1)</sup> as at 31 December 2005

	Corporate sector			Banking sector			Total		
	SKK millions	USD millions	%	SKK millions	USD millions	%	SKK millions	USD millions	%
Exchange rate applied: USD 1 = SKK 31.948									
<b>Total volume of FDI</b>	353,770	11,073.3	100.0	66,641	2,085.9	100.0	420,411	13,159.2	100.0
<b>Structure of capital by investor</b>									
Netherlands	88,907	2,782.9	25.1	616	19.3	0.9	89,523	2,802.1	21.3
Germany	82,097	2,569.7	23.2	860	26.9	1.3	82,957	2,596.6	19.7
Austria	31,592	988.9	8.9	32,868	1,028.8	49.3	64,460	2,017.7	15.3
Italy	5,340	167.1	1.5	24,144	755.7	36.2	29,484	922.9	7.0
Hungary	27,323	855.2	7.7	2,007	62.8	3.0	29,330	918.1	7.0
United Kingdom	27,263	853.4	7.7	473	14.8	0.7	27,736	868.2	6.6
Czech Republic	15,655	490.0	4.4	3,485	109.1	5.2	19,140	599.1	4.6
USA	13,959	436.9	3.9	1,650	51.6	2.5	15,609	488.6	3.7
France	10,883	340.6	3.1	500	15.7	0.8	11,383	356.3	2.7
Cyprus	9,340	292.4	2.6	0	0.0	0.0	9,340	292.4	2.2
Other countries	41,411	1,296.2	11.7	38	1.2	0.1	41,449	1,297.4	9.9
<b>Structure of capital by sector</b>									
Agriculture, hunting, and forestry	1,797	56.2	0.5	0	0.0	0.0	1,797	56.2	0.4
Fishing	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Mining and quarrying	2,642	82.7	0.7	0	0.0	0.0	2,642	82.7	0.6
Manufacturing	170,453	5,335.3	48.2	0	0.0	0.0	170,453	5,335.3	40.5
Electricity, gas, and water supply	38,271	1,197.9	10.8	0	0.0	0.0	38,271	1,197.9	9.1
Construction	3,159	98.9	0.9	0	0.0	0.0	3,159	98.9	0.8
Wholesale and retail trade, repairs of motor vehicles	51,454	1,610.6	14.5	0	0.0	0.0	51,454	1,610.6	12.2
Hotels and restaurants	2,360	73.9	0.7	0	0.0	0.0	2,360	73.9	0.6
Transport, storage and communication	38,185	1,195.2	10.8	0	0.0	0.0	38,185	1,195.2	9.1
Financial intermediation	24,956	781.1	7.1	66,641	2,085.9	100.0	91,597	2,867.1	21.8
Real estate, renting and business activities	17,386	544.2	4.9	0	0.0	0.0	17,386	544.2	4.1
Public administration and defence, compulsory social security	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Education	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Health and social work	1,622	50.8	0.5	0	0.0	0.0	1,622	50.8	0.4
Other community, social, and personal services	1,485	46.5	0.4	0	0.0	0.0	1,485	46.5	0.4
Activities of private households	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Extra-territorial organizations and bodies	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
<b>Structure of capital by regions</b>									
Bratislava region	213,750	6,690.6	60.4	65,691	2,056.2	98.6	279,441	8,746.7	66.5
Trnava region	24,806	776.4	7.0	0	0.0	0.0	24,806	776.4	5.9
Trenčín region	21,213	664.0	6.0	0	0.0	0.0	21,213	664.0	5.0
Nitra region	13,790	431.6	3.9	0	0.0	0.0	13,790	431.6	3.3
Žilina region	25,272	791.0	7.1	950	29.7	1.4	26,222	820.8	6.2
Banská Bystrica region	11,454	358.5	3.2	0	0.0	0.0	11,454	358.5	2.7
Prešov region	7,398	231.6	2.1	0	0.0	0.0	7,398	231.6	1.8
Košice region	36,087	1,129.6	10.2	0	0.0	0.0	36,087	1,129.6	8.6

Note: Preliminary data.

<sup>1)</sup> Equity capital and reinvested profits.



**Volume of Foreign Direct Investment<sup>1)</sup> as at 31 December 2004**

	Corporate sector			Banking sector			Total		
	SKK millions	USD millions	%	SKK millions	USD millions	%	SKK millions	USD millions	%
Exchange rate applied: USD 1 = SKK 28.496									
<b>Total volume of FDI (equity capital + reinvested earnings)</b>	329,948	11,578.7	100.0	66,644	2,338.7	100.0	396,592	13,917.5	100.0
<b>Structure of capital by investor</b>									
Netherlands	90,510	3,176.2	27.4	613	21.5	0.9	91,123	3,197.7	23.0
Germany	75,333	2,643.6	22.8	1,110	39.0	1.7	76,443	2,682.6	19.3
Austria	23,895	838.5	7.2	32,926	1,155.5	49.4	56,821	1,994.0	14.3
Hungary	27,353	959.9	8.3	1,952	68.5	2.9	29,305	1,028.4	7.4
Italy	5,023	176.3	1.5	24,143	847.2	36.2	29,166	1,023.5	7.4
United Kingdom	26,980	946.8	8.2	349	12.2	0.5	27,329	959.0	6.9
Czech Republic	17,033	597.7	5.2	3,486	122.3	5.2	20,519	720.1	5.2
USA	12,374	434.2	3.8	1,650	57.9	2.5	14,024	492.1	3.5
France	11,888	417.2	3.6	415	14.6	0.6	12,303	431.7	3.1
Cyprus	9,128	320.3	2.8	0	0.0	0.0	9,128	320.3	2.3
Other countries	30,431	1,067.9	9.2	0	0.0	0.0	30,431	1,067.9	7.7
<b>Structure of capital by sector</b>									
Agriculture, hunting, and forestry	1,718	60.3	0.5	0	0.0	0.0	1,718	60.3	0.4
Fishing	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Mining and quarrying	2,556	89.7	0.8	0	0.0	0.0	2,556	89.7	0.6
Manufacturing	160,407	5,629.1	48.6	0	0.0	0.0	160,407	5,629.1	40.4
Electricity, gas, and water supply	38,056	1,335.5	11.5	0	0.0	0.0	38,056	1,335.5	9.6
Construction	2,876	100.9	0.9	0	0.0	0.0	2,876	100.9	0.7
Wholesale and retail trade, repairs of motor vehicles	51,159	1,795.3	15.5	0	0.0	0.0	51,159	1,795.3	12.9
Hotels and restaurants	2,058	72.2	0.6	0	0.0	0.0	2,058	72.2	0.5
Transport, storage and communication	36,322	1,274.6	11.0	0	0.0	0.0	36,322	1,274.6	9.2
Financial intermediation	17,158	602.1	5.2	66,644	2,338.7	100.0	83,802	2,940.8	21.1
Real estate, renting and business activities	14,546	510.5	4.4	0	0.0	0.0	14,546	510.5	3.7
Public administration and defence, compulsory social security	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Education	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Health and social work	1,570	55.1	0.5	0	0.0	0.0	1,570	55.1	0.4
Other community, social, and personal services	1,522	53.4	0.5	0	0.0	0.0	1,522	53.4	0.4
Activities of private households	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Extra-territorial organizations and bodies	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
<b>Structure of capital by regions</b>									
Bratislava region	204,560	7,178.6	62.0	65,202	2,288.1	97.8	269,762	9,466.7	68.0
Trnava region	23,939	840.1	7.3	0	0.0	0.0	23,939	840.1	6.0
Trenčín region	17,533	615.3	5.3	0	0.0	0.0	17,533	615.3	4.4
Nitra region	12,999	456.2	3.9	0	0.0	0.0	12,999	456.2	3.3
Žilina region	19,184	673.2	5.8	950	33.3	1.4	20,134	706.6	5.1
Banská Bystrica region	10,185	357.4	3.1	492	17.3	0.7	10,677	374.7	2.7
Prešov region	7,114	249.6	2.2	0	0.0	0.0	7,114	249.6	1.8
Košice region	34,434	1,208.4	10.4	0	0.0	0.0	34,434	1,208.4	8.7

<sup>1)</sup> Equity capital and reinvested profits.



## Outflow of Foreign Direct Investment<sup>1)</sup> from Slovakia in 1999 – 2006

(Flows and stocks)

### Corporate sector

	SKK millions		USD millions	
	Net change	Volume as at 31 December	Net change	Volume as at 31 December
1999	739	12,732	17.84	301.24
2000	975	15,222	21.10	321.21
2001	3,441	21,403	71.17	441.60
2002	364	19,121	8.03	477.60
2003	664	17,950	18.06	545.26
2004 <sup>3)</sup>	2,536	20,321	78.62	713.12
2005 <sup>4)</sup>	3,129	23,721	100.86	742.49
2006	9,427	30,790	317.15	1,173.13

### Banking sector

	SKK millions		USD millions	
	Net change	Volume as at 31 December	Net change	Volume as at 31 December
1999	-17,110	69	-413.12	1.63
2000	99	189	2.14	3.99
2001	8	198	0.17	4.09
2002	0	164	0.00	4.10
2003 <sup>2)</sup>	43	196	1.17	5.95
2004	-29	527	-0.90	18.49
2005	302	839	9.74	26.26
2006	58	861	1.95	32.80

### Total

	SKK millions		USD millions	
	Net change	Volume as at 31 December	Net change	Volume as at 31 December
1999	-16,371	12,801	-395.27	302.87
2000	1,074	15,411	23.25	325.20
2001	3,449	21,601	71.34	445.68
2002	364	19,285	8.03	481.69
2003 <sup>2)</sup>	707	18,146	19.23	551.22
2004 <sup>3)</sup>	2,507	20,848	77.72	731.61
2005 <sup>4)</sup>	3,431	24,560	110.60	768.75
2006	9,485	31,651	319.10	1,205.94

Note: The data for 2004 – 2006 are preliminary.

<sup>1)</sup> Equity capital and reinvested profits.

<sup>2)</sup> Change in methodology – new accounting standards for banks.

<sup>3)</sup> Change in methodology – other capital funds included.

<sup>4)</sup> Change in methodology (higher limit for foreign exchange reporting obligation).



**Outflow of Foreign Direct Investment<sup>1)</sup> During January to December 2006**

	Corporate sector			Banking sector			Total		
	SKK millions	USD millions	%	SKK millions	USD millions	%	SKK millions	USD millions	%
Exchange rate applied: USD 1 = SKK 29.724									
<b>Outflow of FDI in total</b>	9,427	317.2	100.0	58	2.0	100.0	9,485	319.1	100.0
<b>Structure of capital by country of investment</b>									
Luxembourg	7,139	240.2	75.7	0	0.0	0.0	7,139	240.2	75.3
Czech Republic	827	27.8	8.8	10	0.3	17.2	837	28.2	8.8
Russia	546	18.4	5.8	0	0.0	0.0	546	18.4	5.8
Cyprus	444	14.9	4.7	0	0.0	0.0	444	14.9	4.7
Ukraine	309	10.4	3.3	0	0.0	0.0	309	10.4	3.3
United Kingdom	299	10.1	3.2	0	0.0	0.0	299	10.1	3.2
Hungary	196	6.6	2.1	0	0.0	0.0	196	6.6	2.1
Poland	193	6.5	2.0	0	0.0	0.0	193	6.5	2.0
Austria	140	4.7	1.5	0	0.0	0.0	140	4.7	1.5
Croatia	30	1.0	0.3	0	0.0	0.0	30	1.0	0.3
Other countries	-696	-23.4	-7.4	48	1.6	82.8	-648	-21.8	-6.8
<b>Structure of capital by sector</b>									
Agriculture, hunting, and forestry	-1	0.0	0.0	0	0.0	0.0	-1	0.0	0.0
Fishing	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Mining and quarrying	424	14.3	4.5	0	0.0	0.0	424	14.3	4.5
Manufacturing	-1,455	-49.0	-15.4	0	0.0	0.0	-1,455	-49.0	-15.3
Electricity, gas, and water supply	13	0.4	0.1	0	0.0	0.0	13	0.4	0.1
Construction	201	6.8	2.1	0	0.0	0.0	201	6.8	2.1
Wholesale and retail trade, repairs of motor vehicles	514	17.3	5.5	0	0.0	0.0	514	17.3	5.4
Hotels and restaurants	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Transport, storage and communication	263	8.8	2.8	0	0.0	0.0	263	8.8	2.8
Financial intermediation	4,562	153.5	48.4	58	2.0	100.0	4,620	155.4	48.7
Real estate, renting and business activities	4,932	165.9	52.3	0	0.0	0.0	4,932	165.9	52.0
Public administration and defence, compulsory social security	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Education	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Health and social work	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Other community, social, and personal services	-26	-0.9	-0.3	0	0.0	0.0	-26	-0.9	-0.3
Activities of private households	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Extra-territorial organizations and bodies	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
<b>Structure of capital by regions</b>									
Bratislava region	7,771	261.4	82.4	58	2.0	100.0	7,829	263.4	82.5
Trnava region	434	14.6	4.6	0	0.0	0.0	434	14.6	4.6
Trenčín region	468	15.7	5.0	0	0.0	0.0	468	15.7	4.9
Nitra region	131	4.4	1.4	0	0.0	0.0	131	4.4	1.4
Žilina region	43	1.4	0.5	0	0.0	0.0	43	1.4	0.5
Banská Bystrica region	526	17.7	5.6	0	0.0	0.0	526	17.7	5.5
Prešov region	36	1.2	0.4	0	0.0	0.0	36	1.2	0.4
Košice region	18	0.6	0.2	0	0.0	0.0	18	0.6	0.2

Note: Preliminary data.

<sup>1)</sup> Equity capital.




**Outflow of Foreign Direct Investment<sup>1)</sup> During January to December 2005**

	Corporate sector			Banking sector			Total		
	SKK millions	USD millions	%	SKK millions	USD millions	%	SKK millions	USD millions	%
Exchange rate applied: USD 1 = SKK 31.022									
<b>Outflow of FDI in total</b>	3,129	100.9	100.0	302	9.7	100.0	3,431	110.6	100.0
<b>Structure of capital by country of investment</b>									
Czech Republic	2,125	68.5	67.9	8	0.3	2.6	2,133	68.8	62.2
Switzerland	661	21.3	21.1	0	0.0	0.0	661	21.3	19.3
Netherlands	0	0.0	0.0	291	9.4	96.4	291	9.4	8.5
Cyprus	266	8.6	8.5	0	0.0	0.0	266	8.6	7.8
Russia	106	3.4	3.4	3	0.1	1.0	109	3.5	3.2
Croatia	97	3.1	3.1	0	0.0	0.0	97	3.1	2.8
Poland	48	1.5	1.5	0	0.0	0.0	48	1.5	1.4
Ethiopia	29	0.9	0.9	0	0.0	0.0	29	0.9	0.8
Bosna and Hercegovina	29	0.9	0.9	0	0.0	0.0	29	0.9	0.8
Serbia and Montenegro	8	0.3	0.3	0	0.0	0.0	8	0.3	0.2
Other countries	-240	-7.7	-7.7	0	0.0	0.0	-240	-7.7	-7.0
<b>Structure of capital by sector</b>									
Agriculture, hunting, and forestry	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Fishing	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Mining and quarrying	58	1.9	1.9	0	0.0	0.0	58	1.9	1.7
Manufacturing	466	15.0	14.9	0	0.0	0.0	466	15.0	13.6
Electricity, gas, and water supply	40	1.3	1.3	0	0.0	0.0	40	1.3	1.2
Construction	-349	-11.3	-11.2	0	0.0	0.0	-349	-11.3	-10.2
Wholesale and retail trade, repairs of motor vehicles	242	7.8	7.7	0	0.0	0.0	242	7.8	7.1
Hotels and restaurants	94	3.0	3.0	0	0.0	0.0	94	3.0	2.7
Transport, storage and communication	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Financial intermediation	1,909	61.5	61.0	302	9.7	100.0	2,211	71.3	64.4
Real estate, renting and business activities	666	21.5	21.3	0	0.0	0.0	666	21.5	19.4
Public administration and defence, compulsory social security	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Education	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Health and social work	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Other community, social, and personal services	3	0.1	0.1	0	0.0	0.0	3	0.1	0.1
Activities of private households	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Extra-territorial organizations and bodies	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
<b>Structure of capital by regions</b>									
Bratislava region	2,915	94.0	93.2	302	9.7	100.0	3,217	103.7	93.8
Trnava region	111	3.6	3.5	0	0.0	0.0	111	3.6	3.2
Trenčín region	-14	-0.5	-0.4	0	0.0	0.0	-14	-0.5	-0.4
Nitra region	26	0.8	0.8	0	0.0	0.0	26	0.8	0.8
Žilina region	-2	-0.1	-0.1	0	0.0	0.0	-2	-0.1	-0.1
Banská Bystrica region	100	3.2	3.2	0	0.0	0.0	100	3.2	2.9
Prešov region	-22	-0.7	-0.7	0	0.0	0.0	-22	-0.7	-0.6
Košice region	15	0.5	0.5	0	0.0	0.0	15	0.5	0.4

Note: Preliminary data.

<sup>1)</sup> Equity capital and reinvested profits.



**Outflow of Foreign Direct Investment<sup>1)</sup> During January to December 2004**

	Corporate sector			Banking sector			Total		
	SKK millions	USD millions	%	SKK millions	USD millions	%	SKK millions	USD millions	%
Exchange rate applied: USD 1 = SKK 32.255									
<b>Outflow of FDI (equity capital + reinvested earnings) in total</b>	2,536	78.6	100.0	-29	-0.9	100.0	2,507	77.7	100.0
<b>Structure of capital by country of investment</b>									
Czech Republic	1,620	50.2	63.9	-29	-0.9	100.0	1,591	49.3	63.5
Slovenia	468	14.5	18.5	0	0.0	0.0	468	14.5	18.7
Ethiopia	229	7.1	9.0	0	0.0	0.0	229	7.1	9.1
Netherlands	196	6.1	7.7	0	0.0	0.0	196	6.1	7.8
Russia	112	3.5	4.4	0	0.0	0.0	112	3.5	4.5
India	58	1.8	2.3	0	0.0	0.0	58	1.8	2.3
Cyprus	49	1.5	1.9	0	0.0	0.0	49	1.5	2.0
Bosnia and Herzegovina	28	0.9	1.1	0	0.0	0.0	28	0.9	1.1
Brazil	26	0.8	1.0	0	0.0	0.0	26	0.8	1.0
Poland	22	0.7	0.9	0	0.0	0.0	22	0.7	0.9
Other countries	-272	-8.4	-10.7	0	0.0	0.0	-272	-8.4	-10.8
<b>Structure of capital by sector</b>									
Agriculture, hunting, and forestry	7	0.2	0.3	0	0.0	0.0	7	0.2	0.3
Fishing	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Mining and quarrying	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Manufacturing	993	30.8	39.2	0	0.0	0.0	993	30.8	39.6
Electricity, gas, and water supply	1	0.0	0.0	0	0.0	0.0	1	0.0	0.0
Construction	-86	-2.7	-3.4	0	0.0	0.0	-86	-2.7	-3.4
Wholesale and retail trade, repairs of motor vehicles	1,596	49.5	62.9	0	0.0	0.0	1,596	49.5	63.7
Hotels and restaurants	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Transport, storage and communication	1	0.0	0.0	0	0.0	0.0	1	0.0	0.0
Financial intermediation	-240	-7.4	-9.5	-29	-0.9	100.0	-269	-8.3	-10.7
Real estate, renting and business activities	269	8.3	10.6	0	0.0	0.0	269	8.3	10.7
Public administration and defence, compulsory social security	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Education	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Health and social work	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Other community, social, and personal services	-5	-0.2	-0.2	0	0.0	0.0	-5	-0.2	-0.2
Activities of private households	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Extra-territorial organizations and bodies	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
<b>Structure of capital by regions</b>									
Bratislava region	1,921	59.6	75.7	-29	-0.9	100.0	1,892	58.7	75.5
Trnava region	-46	-1.4	-1.8	0	0.0	0.0	-46	-1.4	-1.8
Trenčín region	893	27.7	35.2	0	0.0	0.0	893	27.7	35.6
Nitra region	-2	-0.1	-0.1	0	0.0	0.0	-2	-0.1	-0.1
Žilina region	-66	-2.0	-2.6	0	0.0	0.0	-66	-2.0	-2.6
Banská Bystrica region	12	0.4	0.5	0	0.0	0.0	12	0.4	0.5
Prešov region	96	3.0	3.8	0	0.0	0.0	96	3.0	3.8
Košice region	-272	-8.4	-10.7	0	0.0	0.0	-272	-8.4	-10.8

<sup>1)</sup> Equity capital and reinvested profits.

Volume of Foreign Direct Investment<sup>1)</sup> Outward as at 31 December 2006

	Corporate sector			Banking sector			Total		
	SKK millions	USD millions	%	SKK millions	USD millions	%	SKK millions	USD millions	%
Exchange rate applied: USD 1 = SKK 26.246									
<b>Total volume of FDI outward</b>	30,790	1,173.1	100.0	861	32.8	100.0	31,651	1,205.9	100.0
<b>Structure of capital by country of investment</b>									
Czech Republic	12,691	483.5	41.2	546	20.8	63.4	13,237	504.3	41.8
Luxembourg	7,889	300.6	25.6	0	0.0	0.0	7,889	300.6	24.9
United Kingdom	2,569	97.9	8.3	0	0.0	0.0	2,569	97.9	8.1
Ukraine	1,793	68.3	5.8	0	0.0	0.0	1,793	68.3	5.7
Poland	1,303	49.6	4.2	0	0.0	0.0	1,303	49.6	4.1
Ireland	1,017	38.7	3.3	0	0.0	0.0	1,017	38.7	3.2
Russia	957	36.5	3.1	0	0.0	0.0	957	36.5	3.0
Cyprus	468	17.8	1.5	0	0.0	0.0	468	17.8	1.5
Slovenia	426	16.2	1.4	0	0.0	0.0	426	16.2	1.3
Austria	402	15.3	1.3	0	0.0	0.0	402	15.3	1.3
Other countries	1,275	48.6	4.1	315	12.0	36.6	1,590	60.6	5.0
<b>Structure of capital by sector</b>									
Agriculture, hunting and forestry	17	0.6	0.1	0	0.0	0.0	17	0.6	0.1
Fishing	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Mining and quarrying	1,460	55.6	4.7	0	0.0	0.0	1,460	55.6	4.6
Manufacturing	6,154	234.5	20.0	0	0.0	0.0	6,154	234.5	19.4
Electricity, gas and water supply	1,454	55.4	4.7	0	0.0	0.0	1,454	55.4	4.6
Construction	249	9.5	0.8	0	0.0	0.0	249	9.5	0.8
Wholesale and retail trade, repairs of motor vehicles	2,990	113.9	9.7	0	0.0	0.0	2,990	113.9	9.4
Hotels and restaurants	83	3.2	0.3	0	0.0	0.0	83	3.2	0.3
Transport, storage and communication	164	6.2	0.5	0	0.0	0.0	164	6.2	0.5
Financial intermediation	9,390	357.8	30.5	861	32.8	100.0	10,251	390.6	32.4
Real estate, renting and business activities	8,456	322.2	27.5	0	0.0	0.0	8,456	322.2	26.7
Public administration and defence, compulsory social security	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Education	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Health and social work	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Other community, social and personal service activities	373	14.2	1.2	0	0.0	0.0	373	14.2	1.2
Activities of private households	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Extra – territorial organizations and bodies	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
<b>Structure of capital by regions</b>									
Bratislava region	23,032	877.5	74.8	861	32.8	100.0	23,893	910.3	75.5
Trnava region	1,191	45.4	3.9	0	0.0	0.0	1,191	45.4	3.8
Trenčín region	1,743	66.4	5.7	0	0.0	0.0	1,743	66.4	5.5
Nitra region	202	7.7	0.7	0	0.0	0.0	202	7.7	0.6
Žilina region	135	5.1	0.4	0	0.0	0.0	135	5.1	0.4
Banská Bystrica region	2,049	78.1	6.7	0	0.0	0.0	2,049	78.1	6.5
Prešov region	592	22.6	1.9	0	0.0	0.0	592	22.6	1.9
Košice region	1,846	70.3	6.0	0	0.0	0.0	1,846	70.3	5.8

Note: Preliminary data.

<sup>1)</sup> Equity capital.



**Volume of Foreign Direct Investment<sup>1)</sup> Outward as at 31 December 2005**

	Corporate sector			Banking sector			Total		
	SKK millions	USD millions	%	SKK millions	USD millions	%	SKK millions	USD millions	%
Exchange rate applied: USD 1 = SKK 31.948									
<b>Total volume of FDI outward</b>	23,721	742.5	100.0	839	26.3	100.0	24,560	768.7	100.0
<b>Structure of capital by country of investment</b>									
Czech Republic	12,215	382.3	51.5	499	15.6	59.5	12,714	398.0	51.8
United Kingdom	2,283	71.5	9.6	0	0.0	0.0	2,283	71.5	9.3
Ukraine	1,812	56.7	7.6	0	0.0	0.0	1,812	56.7	7.4
Ireland	1,140	35.7	4.8	0	0.0	0.0	1,140	35.7	4.6
Poland	1,043	32.6	4.4	0	0.0	0.0	1,043	32.6	4.2
Switzerland	854	26.7	3.6	0	0.0	0.0	854	26.7	3.5
Luxembourg	808	25.3	3.4	0	0.0	0.0	808	25.3	3.3
Russia	623	19.5	2.6	0	0.0	0.0	623	19.5	2.5
Cyprus	512	16.0	2.2	0	0.0	0.0	512	16.0	2.1
Slovenia	469	14.7	2.0	0	0.0	0.0	469	14.7	1.9
Other countries	1,962	61.4	8.3	340	10.6	40.5	2,302	72.1	9.4
<b>Structure of capital by sector</b>									
Agriculture, hunting, and forestry	20	0.6	0.1	0	0.0	0.0	20	0.6	0.1
Fishing	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Mining and quarrying	1,149	36.0	4.8	0	0.0	0.0	1,149	36.0	4.7
Manufacturing	5,151	161.2	21.7	0	0.0	0.0	5,151	161.2	21.0
Electricity, gas, and water supply	1,495	46.8	6.3	0	0.0	0.0	1,495	46.8	6.1
Construction	53	1.7	0.2	0	0.0	0.0	53	1.7	0.2
Wholesale and retail trade, repairs of motor vehicles	5,731	179.4	24.2	0	0.0	0.0	5,731	179.4	23.3
Hotels and restaurants	91	2.8	0.4	0	0.0	0.0	91	2.8	0.4
Transport, storage and communication	43	1.3	0.2	0	0.0	0.0	43	1.3	0.2
Financial intermediation	4,943	154.7	20.8	839	26.3	100.0	5,782	181.0	23.5
Real estate, renting and business activities	3,485	109.1	14.7	0	0.0	0.0	3,485	109.1	14.2
Public administration and defence, compulsory social security	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Education	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Health and social work	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Other community, social, and personal services	1,560	48.8	6.6	0	0.0	0.0	1,560	48.8	6.4
Activities of private households	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Extra-territorial organizations and bodies	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
<b>Structure of capital by regions</b>									
Bratislava region	15,451	483.6	65.1	839	26.3	100.0	16,290	509.9	66.3
Trnava region	1,935	60.6	8.2	0	0.0	0.0	1,935	60.6	7.9
Trenčín region	1,513	47.4	6.4	0	0.0	0.0	1,513	47.4	6.2
Nitra region	65	2.0	0.3	0	0.0	0.0	65	2.0	0.3
Žilina region	544	17.0	2.3	0	0.0	0.0	544	17.0	2.2
Banská Bystrica region	1,617	50.6	6.8	0	0.0	0.0	1,617	50.6	6.6
Prešov region	744	23.3	3.1	0	0.0	0.0	744	23.3	3.0
Košice region	1,852	58.0	7.8	0	0.0	0.0	1,852	58.0	7.5

Note: Preliminary data.

<sup>1)</sup> Equity capital and reinvested profits.

Volume of Foreign Direct Investment<sup>1)</sup> Outward as at 31 December 2004

	Corporate sector			Banking sector			Total		
	SKK millions	USD millions	%	SKK millions	USD millions	%	SKK millions	USD millions	%
Exchange rate applied: USD 1 = SKK 28.496									
<b>Total volume of FDI outward (equity capital + reinvested earnings)</b>	20,321	713.1	100.0	527	18.5	100.0	20,848	731.6	100.0
<b>Structure of capital by country of investment</b>									
Czech Republic	9,123	320.2	44.9	481	16.9	91.3	9,604	337.0	46.1
United Kingdom	2,282	80.1	11.2	0	0.0	0.0	2,282	80.1	10.9
Ukraine	1,238	43.4	6.1	0	0.0	0.0	1,238	43.4	5.9
Ireland	1,136	39.9	5.6	0	0.0	0.0	1,136	39.9	5.4
Hungary	1,130	39.7	5.6	0	0.0	0.0	1,130	39.7	5.4
Luxembourg	1,111	39.0	5.5	0	0.0	0.0	1,111	39.0	5.3
Poland	867	30.4	4.3	0	0.0	0.0	867	30.4	4.2
Austria	646	22.7	3.2	0	0.0	0.0	646	22.7	3.1
Russia	474	16.6	2.3	0	0.0	0.0	474	16.6	2.3
Slovenia	468	16.4	2.3	0	0.0	0.0	468	16.4	2.2
Other countries	1,846	64.8	9.1	46	1.6	8.7	1,892	66.4	9.1
<b>Structure of capital by sector</b>									
Agriculture, hunting, and forestry	30	1.1	0.1	0	0.0	0.0	30	1.1	0.1
Fishing	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Mining and quarrying	521	18.3	2.6	0	0.0	0.0	521	18.3	2.5
Manufacturing	4,680	164.2	23.0	0	0.0	0.0	4,680	164.2	22.4
Electricity, gas, and water supply	1,414	49.6	7.0	0	0.0	0.0	1,414	49.6	6.8
Construction	413	14.5	2.0	0	0.0	0.0	413	14.5	2.0
Wholesale and retail trade, repairs of motor vehicles	5,808	203.8	28.6	0	0.0	0.0	5,808	203.8	27.9
Hotels and restaurants	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Transport, storage and communication	42	1.5	0.2	0	0.0	0.0	42	1.5	0.2
Financial intermediation	3,079	108.1	15.2	527	18.5	100.0	3,606	126.5	17.3
Real estate, renting and business activities	2,836	99.5	14.0	0	0.0	0.0	2,836	99.5	13.6
Public administration and defence, compulsory social security	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Education	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Health and social work	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Other community, social, and personal services	1,498	52.6	7.4	0	0.0	0.0	1,498	52.6	7.2
Activities of private households	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Extra-territorial organizations and bodies	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
<b>Structure of capital by regions</b>									
Bratislava region	13,061	458.3	64.3	527	18.5	100.0	13,588	476.8	65.2
Trnava region	1,779	62.4	8.8	0	0.0	0.0	1,779	62.4	8.5
Trenčín region	1,460	51.2	7.2	0	0.0	0.0	1,460	51.2	7.0
Nitra region	39	1.4	0.2	0	0.0	0.0	39	1.4	0.2
Žilina region	564	19.8	2.8	0	0.0	0.0	564	19.8	2.7
Banská Bystrica region	1,654	58.0	8.1	0	0.0	0.0	1,654	58.0	7.9
Prešov region	619	21.7	3.0	0	0.0	0.0	619	21.7	3.0
Košice region	1,145	40.2	5.6	0	0.0	0.0	1,145	40.2	5.5

<sup>1)</sup> Equity capital and reinvested profits.