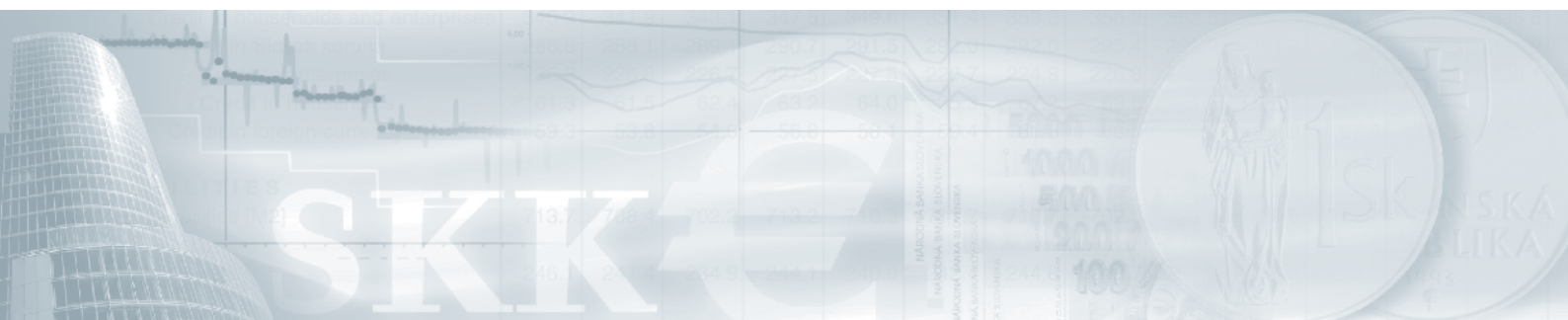




NÁRODNÁ BANKA SLOVENSKA



# Monetary Survey

November 2008

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**Abbreviations**

|          |  |
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| 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 Harmonised Index of Consumer Prices (HICP), increased by 0.1% in November compared with the previous month. The year-on-year rate of headline inflation reached 3.9%. Core inflation (excluding energy and unprocessed food prices) recorded a year-on-year rate of 4.0%.

Measured in terms of the Consumer Price Index (CPI), consumer prices rose in comparison with the previous month by 0.2% in November. The 12-month headline and core inflation rates reached 4.9% and 4.1%, respectively.

Real gross domestic product increased by 7.0% in the third quarter of 2008.

The M3 monetary aggregate (according to ECB methodology) decreased month-on-month by SKK 12.7 billion in October, and its year-on-year dynamics weakened in comparison with September to 5.1%.

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 22.1 billion in October, but the year-on-year growth rate slowed by 0.6 of a percentage point, to 13.6%.

The average interest rate on new loans to non-financial corporations fell in October by 0.05 of a percentage point to 5.75% and that on new loans to households dropped by 0.17 of a percentage point to 12.28%. Over the same period, the average rate for new deposits from non-financial corporations fell by 0.01 of a percentage point to 2.18%, and that for new household deposits rose by 0.14 of a percentage point to 1.38%.

At the end of November, the State budget of the SR resulted in a surplus of SKK 9.6 billion.

The foreign reserves of Národná banka Slovenska (at current exchange rates) stood at USD 17.1 billion in November. At the end of the month, the volume of reserves was 2.5 times greater than the volume of average monthly imports of goods and services to Slovakia during the first ten months of 2008. The coverage of average monthly imports (imports of goods and services according to data from banking statistics) by the official foreign reserves corresponded to 3.3 times the volume of average monthly imports of goods and services to Slovakia over the first ten months of 2008.

Národná banka Slovenska (NBS) conducted no foreign exchange intervention in November.

According to preliminary data, the balance of payments on current account for October 2008 resulted in a deficit of SKK 2.0 billion (from January to October, the deficit reached SKK 94.9 billion), while trade resulted in a shortfall of SKK 3.1 billion.

In November, the overall sterilisation position of NBS increased by less than SKK 4.0 billion, to SKK 386.7 billion.



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

Global economic growth slowed in the third quarter of 2008, mainly as a result of a weakening in economic activity in the United States and other advanced economies. The downturn in economic activity in advanced economies can be ascribed to the persistent financial market turmoil, the continuing tightening of credit standards, a correction in the real estate market, and to the high commodity prices. Economic activity in emerging economies was relatively resistant to the slowdown in global economic growth, due mainly to the strong domestic demand. At the end of the third quarter, however, serious problems arose in the banking system of the United States, deepening the financial market crisis still further. The consequences of these problems spilled over to the real economy and contributed significantly to the further slowdown in global economic activity.

In the third quarter of 2008, GDP fell by 0.1% in the OECD area, after growing slightly in the previous quarter (by 0.1%). On a year-on-year basis, the pace of economic growth slowed to 0.9%, from 1.8% in the second quarter. The consumer and business confidence indicators were below 100 points and 50 points respectively throughout the third quarter, which indicates that the negative expectations regarding economic development in the OECD area have persisted. The confidence indicators markedly worsened at the end of the third quarter, because of the problems in the US banking system.

Price developments in the third quarter were mostly determined by commodity prices. Inflation in OECD countries reached 4.8% in July, i.e. the highest level since the beginning of 2008. Despite a certain slowdown in the following months, the rate of inflation was still high. A noticeable fall in inflation occurred towards the end of the third quarter, due to a fall in oil prices in connection with the deepening of the financial crisis and the slowdown in economic activity in advanced countries. In September, OECD countries recorded a year-on-year inflation rate of 4.5%, compared with 4.4% in June. The year-on-year dynamics of energy prices weakened in September to 18.9%, from 24.7% in June, and food price dynamics slowed to 6.8%, from 19.3% in June. Core inflation rose slightly in September, to 2.4% (from 2.2% in June).

The banking crisis in the United States, the resulting financial market turmoil, and the continuing tightening of credit standards carry the risk of a serious slowdown in global economic activity. On the other hand, inflationary pressures were moderated by a fall in commodity prices at the end of the third quarter.

### **Commodity Markets**

The increase in oil prices culminated at the beginning of July, at the level of USD 144/barrel. This was followed by a steady decline throughout the third quarter. The end of the third quarter saw a significant fall in oil prices as a result of the deepening financial crisis. At the end of September, oil prices reached approximately the same level (USD 93.51/barrel) as at the beginning of the year. The marked decline in oil prices continued in the following months, below USD 50/barrel at the end of November. After averaging at the level of USD 115/barrel in the third quarter, the average price of oil dropped to USD 66/barrel in the following months (October, November). At the end of November, oil prices were 57% lower than at the beginning of 2008.

The high oil prices and the economic slowdown in OECD countries led to a fall in demand for oil. The fall in demand was partly covered by demand from emerging economies. Towards the end of September, however, the deepening financial crisis raised increased concerns that crisis may spread to these economies as well, with a subsequent downward effect on demand for oil. Despite a certain calming down, the oil market is still sensitive to changes in the factors and risks affecting the level of oil prices.

After culminating at the beginning of July, the prices of other commodities fell steadily throughout the third quarter. The prices of metal commodities were pulled down by growing fears of a global recession. Demand for agricultural commodities also fell as a result of weakening economic activity. The decline in agricultural commodity prices can be ascribed to the favourable climatic conditions, enabling a better crop in 2008 than in the previous year.

### **United States**

In the third quarter of 2008, the United States recorded a 0.5% fall in the annualised rate of GDP growth, compared with a 3.3% increase in the previous quarter. The year-on-year rate of economic growth slowed

<sup>1</sup> The chapter on international economic developments includes a tabular / graphical overview, which is available in the annex.





to 0.7% in the third quarter, from 2.1% in the previous quarter. The economy of the United States is currently in recession. According to the National Bureau of Economic Research (NBER), the US economy culminated in December 2007, after expanding for 73 months (since November 2001). By comparing the data on production, employment, real income, and other economic indicators, NBER arrived at the conclusion that economic activity in the United States had slowed considerably in the first quarter of 2008 and that the current situation can be characterised as economic recession.

The slowdown in economic growth was mainly the result of a decline in private consumption, which recorded a quarterly annualised fall of 3.7%, compared with an increase of 1.2% in the previous quarter. Concerning private consumption, a sharp drop was again recorded in durable consumer goods (by 15.2%, compared with 2.8% in the previous quarter). Non-durable consumer goods also recorded a decrease (6.9%), after growing in the previous quarter by 3.9%. The slowdown in economic activity was also supported by a decline in investment in housing construction and a downturn in investment activity in the private sector. Exports also recorded a marked slowdown in dynamics. The decline in imports moderated in comparison with the previous quarter. GDP growth was positively influenced by government expenditure, mainly in the area of defence.

In July, at the beginning of the third quarter, the year-on-year headline inflation rate reached 5.6%, i.e. the highest level in the past 17 years. However, commodity prices were pulled down by the slowdown in global economic activity, which led to a fall in inflation, to 4.9% in September. The slowdown in the price increase continued in October, when inflation dropped to 3.7%. Despite the gradually weakening inflationary pressures, inflation remained relatively high from a longer-term perspective. Core inflation remained unchanged throughout the third quarter, at the level of 2.5%. In October, core inflation slowed to 2.2%.

Over the third quarter of 2008, the Federal Open Market Committee (FOMC) kept its target for the federal funds rate unchanged, at the level of 2.0%. In October, the rate was changed at both meetings of the FOMC. At its first meeting at the beginning of October, in a concerted action with the ECB, the BoE, and other major central banks, the FOMC reduced its target for the federal funds rate by 50 basis points. At the second meeting at end-October, the FOMC again lowered its target rate by another 50 basis points, to 1.0%. At these meetings, the FOMC also decided to cut the discount rate by a total of 100 basis points, to 1.25%. At the same time, the FED announced the introduction of new facilities designed to supply liquidity to domestic and foreign banks.

## Box 1

### TARP – Troubled Assets Relief Program

In the middle of September, the US government had to take over two government agencies (Fannie Mae and Freddie Mac), due to increasing concerns among investors about their solvency. The further developments in the real estate sector and in the area of securitised mortgages raised doubts about the solvency of investment banks as well. As a result, certain investment banks ceased to exist in the United States. They were taken over (Bear Stearns), transformed (Goldman Sachs, Morgan Stanley), or declared bankrupt (Lehman Brothers). These events gave rise to deep distrust among investors towards banks as well as among banks, which led to unwillingness to lend funds through the interbank market. Owing to this situation, the interbank market became non-functional and the shares of financial institutions depreciated sharply.

In response to these developments, the US government proposed a special program in the middle of September, designed to supply liquidity to banks, to ensure the functionality of the interbank market, and to tackle the problem of so-called 'toxic' mortgages in the balance sheets of banks. The Troubled Assets Relief Program (TARP), approved by the Congress, enabled the US Department of Finance to use USD 250 billion, the President USD 100 billion, and the Congress USD 350 billion for the rescue of the financial system. The original plan was to supply liquidity to banks for their operation and to repurchase part of the 'toxic' mortgages. Of the total volume (USD 700 billion), USD 250 billion was used for increasing the capital of banks and USD 40 billion for increasing the capital of AIG.

Compared with the original plan, the purpose and use of the funds were modified to a significant extent. Instead of repurchasing the 'toxic' mortgages and setting their lowest possible price for trading in asset-backed mortgages (ABM), only the capital of banks was increased. The implementation of the TARP program has not yet produced the expected final effect in the interbank market.



### Euro-Area Countries

As the relevant indicators had signalled, the euro-area economy recorded a decline in the third quarter (0.2%). While the negative economic growth in the second quarter (0.2%) was partly influenced by the high basis of comparison from the first quarter, there was no similar technical factor in the third quarter. The pace of euro-area economic growth also slowed on a year-on-year basis. After growing year-on-year by 1.4% in the second quarter, GDP showed weaker dynamics in the third quarter (0.6%).

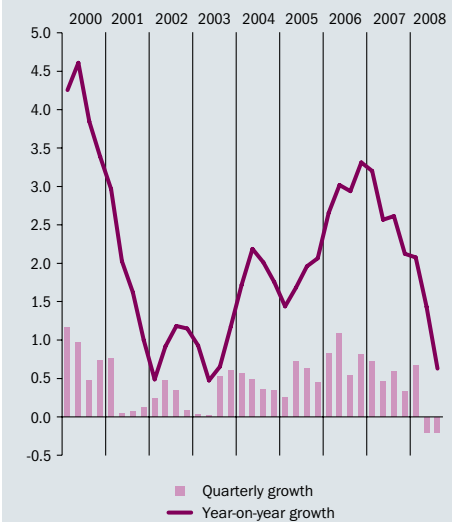
Looking at the components of economic growth, the downturn in economic activity was mainly caused by net exports, influenced by strong growth in imports. This led to accelerated growth in inventories, which, together with public sector consumption, had a pro-growth effect. After falling in the second quarter, private consumption stagnated in the third quarter and was still unfavourably influenced by the negative income effect of high energy and food prices.

The slowdown in euro-area economic activity had already been signalled by numerous indicators. The deepening of the financial crisis as of the middle of September caused grave concerns about its negative impact on the real economy. The economic climate indicator for the euro area (IFO) indicates a continuing decline in the economic output of the euro area, which fell to a new low in the fourth quarter (the lowest level since the monetary union).

The economic sentiment indicator also continued to fall sharply, to 75 in November. The value of this indicator has been fluctuating below 100 since March, which indicates that economic sentiment is below the long-term average. The individual confidence indicators show that negative sentiments are growing in all segments of the economy.

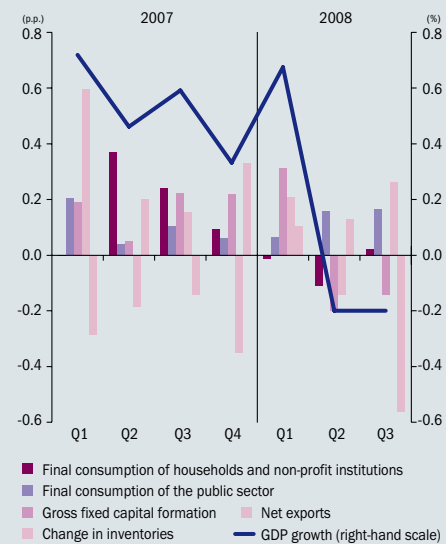
The slowdown in the euro-area economy also caused a gradual increase in unemployment. The moderate increase in unemployment in the second quarter of 2008 continued in the following quarters. Compared with the end of the second quarter, the rate of unemployment increased by 0.2 of a percentage point, to 7.6% at the

**Chart 1 Euro area economic growth (constant 2000 prices) (%)**



Source: Eurostat.

**Chart 2 Contributions of individual components to quarterly GDP growth in the euro area (p.p.)**

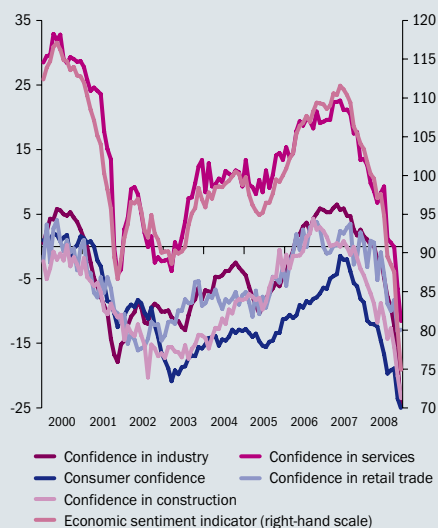


Sources: Eurostat, NBS calculations.

**Chart 3 Ifo economic climate indicator and year-on-year GDP growth in the euro area (%)**

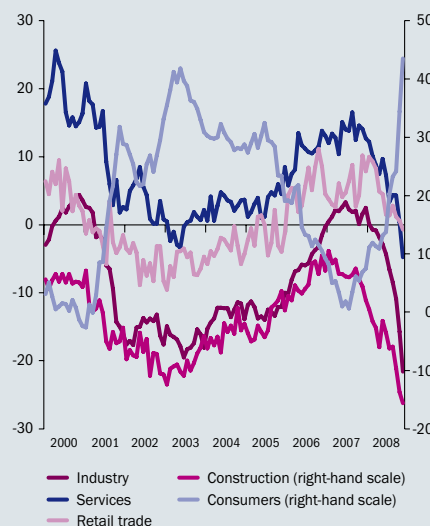


Source: Ifo Institute for Economic Research, Eurostat.

**Chart 4 Confidence in industry (p.p.)**


Source: European Commission.

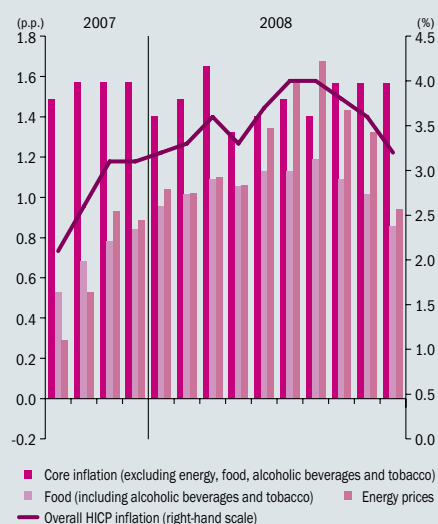
Note: The confidence indicators are calculated as arithmetic averages of the values (in percentage points) of replies given by respondents to the surveys; the economic sentiment indicator is composed of the individual confidence indicators; values above (below) 100 indicate economic sentiment above (below) the historical average.

**Chart 5 Euro area: consumer expectations for unemployment and employment outlook in individual branches (balance of responses)**


Sources: Eurostat, European Commission.

Note: Industry – expected developments in employment in the coming months, construction – employment in the next three months, services – employment in the next three months, retail trade – employment in the next three months, consumers – unemployment in the next twelve months.

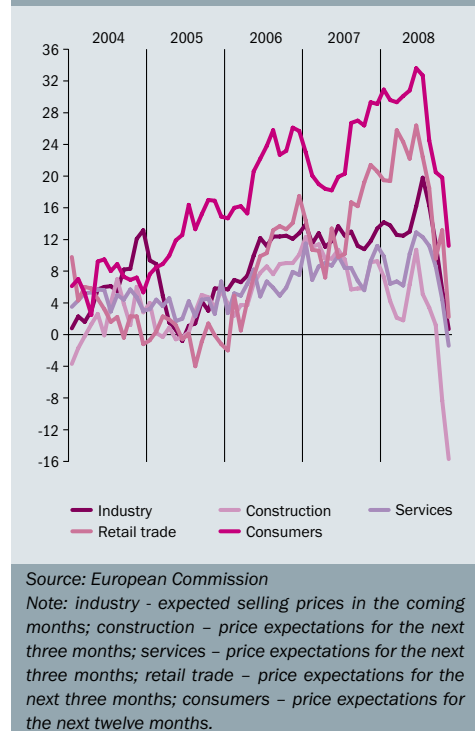
end of the third quarter, and reached 7.7% in October. Concerns about the impact of the financial crisis on the real economy caused a marked deterioration in the expectations of consumers regarding the future trend in unemployment, mainly in the October and November surveys. The worsening prospects in the labour market are also indicated by the more negative employment expectations in the individual sectors. Expectations deteriorated in all sectors, while the last few months saw worsened prospects of employment in manufacturing, construction, and services, following a marked deterioration in the situation in the financial markets.

**Chart 6 Euro area: overall HICP inflation (year-on-year) and contributions of selected components**


Sources: Eurostat, NBS calculations.

The acceleration in the rate of price increase, persisting since September 2007, came to a halt in the third quarter, causing inflation to slow somewhat. The highest inflation in the history of the monetary union was recorded on the turn of the quarters: 4% in June and July. August and September saw a gradual fall in inflation, to 3.6%. The slowdown in the price increase was mainly caused by developments in energy and food prices, the year-on-year dynamics of which began to moderate in August. This development was mainly caused by the falling oil and agricultural commodity prices on the world markets. On the other hand, after falling temporarily in July, the market components of the price basket increased somewhat in the following months of the quarter. The continuing slowdown in the rise in energy and food prices caused a further slowdown in inflation in October (to 3.2%). According to the preliminary estimates of Eurostat, inflation fell considerably in November (to 2.1%).

Core inflation remained unchanged during the third quarter, at the June level (2.5%). It fell somewhat in October (by 0.1 of a percentage point), due to a slowdown in the dynamics of processed food prices.

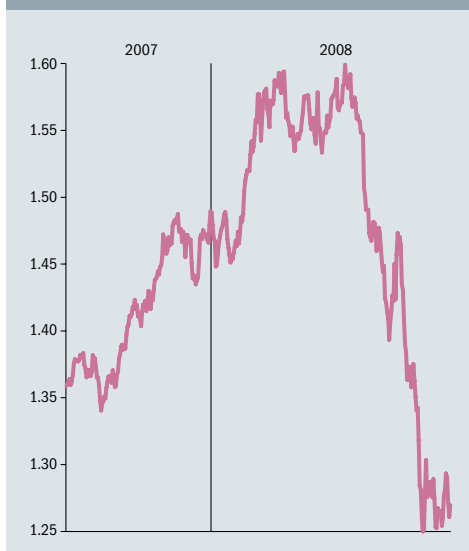
**Chart 7 Prices of goods and services (%)****Chart 8 Expectations of future price developments (balance of responses)**

Within the market components of inflation, the dynamics of non-energy industrial goods prices again strengthened in August and September (after a temporary weakening in July), slightly above the level recorded at the end of the second quarter (to 0.9%). The rate of increase in non-energy industrial goods prices slowed in July, due to a seasonal clearance sale of clothing and footwear at lower prices than in the same period a year earlier. In the following months, the prices of these goods gradually returned to the 'usual' levels, which led to acceleration in the dynamics of non-energy industrial goods prices. The moderately accelerating increase in tradable goods prices continued in October. In the previous period and partly in the third quarter, inflation within the tradable part of the consumer basket was probably also dampened by the appreciation of the euro against the US dollar. However, the euro began to weaken relatively significantly in the second half of July. Hence, the dampening effect of the exchange rate is not likely to persist in the near future. During the third quarter (mainly in July and August), the price increase in services also accelerated somewhat. This was probably connected with the secondary effects of the high oil and food prices on the world markets. The steepest price increases occurred in transport services (mainly in air transport). In September, the price increase in services moderated and remained unchanged in the following month (2.6%).

The fall in inflation expectations, which was predicted by surveys as early as the second quarter, continued in the third quarter in all segments of the economy. The inflation expectations of economic entities dropped relatively significantly in October and November, below the historical average. This was probably connected with the marked fall in energy and non-energy commodity prices, and with the worsening prospects for economic growth and prospects in specific market segments, mainly in the real estate market. In general, the indicators of inflation expectations point to a marked weakening in potential inflationary pressures.

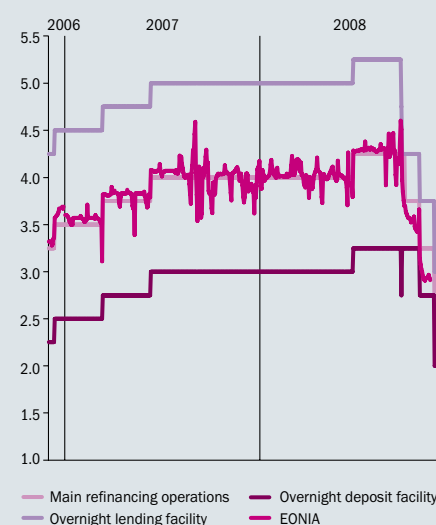
In the third quarter, the exchange rate of the euro against the US dollar depreciated to a relatively significant extent. With certain fluctuations, this development continued until the end of October. The cross exchange rate reached its weakest value (USD/EUR 1.246) at end-October, after depreciating by more than 22% compared with the historically strongest figure (USD/EUR 1.599 as at 15 July 2008). The depreciation of the euro was influenced by fears of a further slowdown in economic growth in the euro area, mainly in the largest economies, which was also confirmed by GDP data for the second quarter. In October, the weakening of the euro was probably also supported by an outflow of foreign investments back to the United States and by increased demand for dollar liquidity in euro-area financial markets. The marked depreciating trend came to a halt in November. Compared with the last trading day in the second quarter (USD/EUR 1.5764), the single European currency had depreciated by the end of the third quarter by 9.3%, while weakening by 2 December 2008 by almost 20%.

Chart 9 USD/EUR exchange rates



Source: ECB.

Chart 10 ECB interest rates and the EONIA (%)



Source: ECB.

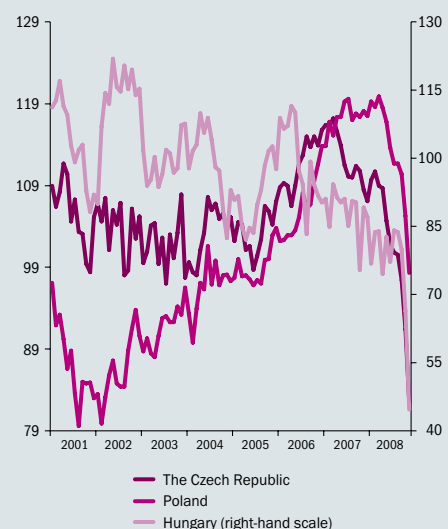
During the first half of 2008, the ECB warned, in its comments on monetary policy decisions, of the inflationary risks posed by the secondary effects of the steep rise in energy and non-energy commodity prices. In order to mitigate these risks and to eliminate the secondary effects of the steep rise in energy and food prices, the Governing Council of the ECB decided, at the beginning of July, to increase the key ECB interest rates by 0.25 of a percentage point. The main refinancing rate was raised to 4.25% with effect from 9 July. In August and September, as well as at its regular October meeting (2/10/2008), the Governing Council of the ECB decided to keep its monetary-policy rates unchanged. On 8 October, however, the Governing Council cut the key ECB interest rates by 0.5 of a percentage point (with effect from 15 October) in a coordinated move together with other major central banks. This move was a reaction to the intensifying financial market tensions and their possible impact on the real economy. On the same day, the ECB decided that, starting from the operation to be settled on 15 October, the main refinancing operations would be carried out through a fixed-rate tender procedure with full allotment and decided, with effect from 9 October, to narrow the corridor of automatic operations from 200 to 100 basis points around the interest rate on the main refinancing operations. The rate for overnight refinancing operations was set at 4.25% and that for overnight sterilisation operations at 3.25%. The intensification and deepening of the financial crisis and its unfavourable impact on the euro-area economy necessitated a further cut in the key interest rates by 0.5 of a percentage point, which was decided by the Governing Council at the beginning of November (with effect from 12 November). Some of the risks posed to economic growth were confirmed by a decline in the euro-area economy in the third quarter. Hence, the Governing Council decided, at the beginning of December, to lower the key ECB interest rates by a further 0.75 of a percentage point. Noticeably eased inflationary pressures combined with a fall in commodity prices facilitated the repeated interest rate cuts within a relatively short period. At the same time, the inflation outlook was in line with the definition of price stability. With effect from 10 December, the rate for the main refinancing operations was set at 2.5%, that for overnight refinancing operations at 3.0%, and the rate for overnight sterilisation operations at 2.0%.

In addition, the Governing Council adopted several measures in October and November for ensuring an adequate level of liquidity in the financial market. These measures mainly included: the extension of the list of collaterals that may be used in refinancing operations with the ECB, the extension of the list of instruments for providing long-term liquidity, and the adoption of instruments for ensuring an adequate level of liquidity denominated in US dollars and Swiss francs in the euro-area markets.<sup>2</sup>

#### **Developments in Poland, Hungary, and the Czech Republic**

Compared with the previous quarter, the third quarter of 2008 saw a weakening in GDP growth dynamics throughout the Central European region. Poland's economic growth slowed by 0.2 of a percentage point (to 5.6%), mainly due to a marked decline in investment demand. Together with household consumption,

<sup>2</sup> Detailed information is available at [www.ecb.int](http://www.ecb.int).

**Chart 11 Economic sentiment indicators in V4-countries**

Source: European Commission.

Note: The confidence indicators are calculated as arithmetic averages of the values (in percentage points) of replies given by the respondents to the surveys; the economic sentiment indicator is composed of the individual confidence indicators; values above (below) 100 indicate economic sentiment above (below) the long-term average.

**Chart 12 Contributions to HICP inflation (p. p.)**

Source: Eurostat, NBS calculations.

gross fixed capital formation still contributed to GDP growth relatively significantly. On the other hand, the lower investment demand was offset by higher general government consumption and a lower negative contribution from net exports. Hungary's economic growth slowed 0.6 of a percentage point, to 1%. After dampened economic activity in 2007, the Hungarian economy enjoyed a certain revival in the first two quarters of 2008. In the third quarter, however, the rate of growth again moderated. The slowest growth occurred in the components of domestic demand – household consumption, investment, and inventories. A modest pro-growth effect was exerted by the higher general government consumption and net exports in particular (the growth in imports slowed more rapidly than the growth in exports). According to the Czech Statistical Office, the Czech Republic's gross domestic product slowed to 4.2% in the third quarter, from 4.6% in the second quarter<sup>3</sup>. The slowdown was mainly the result of a smaller positive contribution by net exports and slower growth in household consumption and fixed investments. Like in Hungary and Poland, final consumption in the general government sector grew at a slightly accelerated pace.

The risk of a slowdown in economic growth in the Central European region had also been signalled by the economic sentiment indicators. Following the deepening of the financial crisis in the middle of September, these indicators recorded a marked fall and are currently below the historical average.

In the third quarter, inflation fell in all countries under monitoring in the Central European region. In Hungary, the price increase slowed from 6.6% to 5.6%. In the Czech Republic and Poland, inflation dropped equally by 0.2 of a percentage point, to 6.4% and 4.1%, respectively. Like in October, the price increase slowed to 5.7% in the CR, to 4% in Poland, and to 5.1% in Hungary. The lower inflation was mainly the result of a marked slowdown in food prices, mainly in unprocessed food prices (in the CR and Hungary). In Hungary, the rise in unprocessed food prices, which reached almost 7% at the end of the second quarter, gradually changed into deflation (in September and October). Despite the slowdown, food prices remained a relatively significant contributory factor to price inflation. The fall in the world market price of crude oil was not yet reflected in energy prices. Relatively rapid increases were still recorded in services prices. This was the result of administrative measures adopted at the beginning of the year and of developments in energy and food prices.

<sup>3</sup> According to the preliminary estimates of Eurostat and the Czech Statistical Office, GDP increased in the third quarter by 4.7%. On 10 December, the Czech Statistical Office published a revised GDP growth estimate (4.2%). Apart from the revised data, the main reason for reducing the growth rate by 0.5 of a percentage point was an increase in the implicit GDP deflator.

**Chart 13 Exchange rates of V4 currencies against the euro (year-on-year changes in %)**



Source: Eurostat, NBS calculations.  
Negative values denote appreciation.

**Chart 14 Exchange rate indices of V4-currencies against the euro (29 December 2006 = 100)**



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

Inflation in the V4 countries was dampened by a long-term appreciating trend in nominal exchange rates vis-à-vis the euro, mainly in the CR and Poland. Although the appreciation of these currencies stopped in the third quarter and the exchange rates began to weaken, the year-on-year exchange rates of the CZK and PLN (monthly averages) again appreciated in October. The nominal exchange rates had a dampening effect on the price increase for tradable goods, which fluctuated around the zero level in the CR for a longer period and changed into deflation in September and October. In Poland, non-energy industrial goods prices have been falling on a year-on-year basis since May; their increase in Hungary has slowed considerably in recent months.

After appreciating in the second quarter, the exchange rates of the V4 currencies weakened in the third quarter as a result of global market developments and increases in risk aversion. The sale of risky assets in emerging markets in July interrupted the appreciating trend from the previous period and the currencies of Central European countries began to depreciate. At the beginning of October, after a fall in sentiment, the Hungarian forint, Polish zloty, and to some extent the Czech koruna recorded a relatively sharp depreciation. After the situation stabilised at the end of the month, the exchange rates appreciated on a temporary basis.

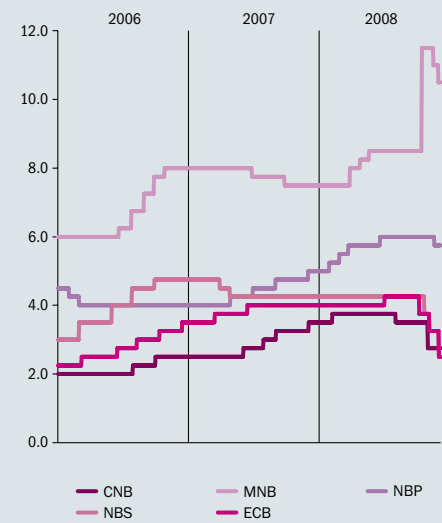
The foreign investors' interest in short-term purchases of Czech koruna, which caused the exchange rate to appreciate relatively steeply as from the beginning of the year, vanished in July and the exchange rate more or less depreciated. The depreciating trend was also supported by an interest rate cut by Česká národní banka in August (by 0.25 of a percentage point). In September, after a certain revival in positive sentiment (mainly in the CR and Poland), the exchange rate of the koruna appreciated on a temporary basis. The Czech koruna reacted less intensely to the October increase in the risk aversion than the other V4 currencies. The sale of Polish zloty in July and August was also influenced substantially by the financial crisis and the situation in global markets. The depreciation trend was interrupted for a short time in September when the early fulfilment of the Maastricht criteria and the decision to introduce the euro in Slovakia were announced. The subsequent rapid depreciation in October was in large part caused by the rising risk aversion in the region. The most significant depreciation in the third quarter was recorded in the Hungarian forint. The loss of confidence among investors led to the sale of forint assets in bulk, exerting downward pressure on the exchange rate. The situation was calmed to some extent by an increase in interest rates (by 3 percentage points), accompanied by an announcement by the IMF, the European Union, and the World Bank of a financial aid package for Hungary. At the end of October, the exchange rate of the forint saw a minor correction.

In the third quarter (by the beginning of December), all central banks changed their key interest rates in the region. At its August meeting, Česká národní banka (ČNB) decided to cut its two-week repo rate by 0.25 of a percentage point, to 3.5%. The reason behind this decision was the slowdown in the Czech economy, which, together with the lower foreign demand, appreciation of the koruna, and fall in commodity prices



tend to weaken the inflationary pressures. For the same reason, ČNB lowered its interest rates by 0.75 of a percentage point, to 2.75% in November. In response to the situation in the domestic financial market, Magyar Nemzeti Bank (MNB) held a special meeting in October to increase its base rate by 3 percentage point, to 11.5%. The interest rate corridor formed by overnight refinancing and sterilisation rates around the base rate was also reduced, to +/-0.5 of a percentage point. In view of the expected slowdown in domestic and foreign demand coupled with lower inflation, MNB lowered its base rate in November by 0.5 of a percentage point. With effect from 9 December, the Hungarian central bank cut its base rate by a further 0.5 of a percentage point, to 10.5%. The reason for this decision was to boost investors' confidence in the Hungarian economy, to ease global inflationary pressures, and to reduce the risk of a further slowdown in economic activity. At its November meeting, Narodowy Bank Polski lowered its reference interest rate by 0.25 of a percentage point, to 5.75%. This step was motivated by the prospect that the slower economic growth and reduced labour demand will act as anti-inflationary factors.

Chart 15 Key NCB interest rates in the V4-countries (%)



Sources: National central banks, ECB.

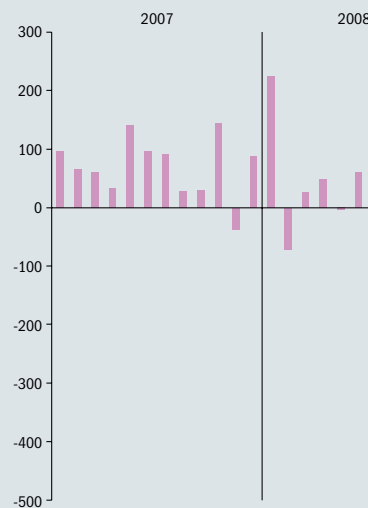
Box 2

Hungary – financial crisis management and stabilisation measures

The financial crisis, which broke out in 2007, has hit the advanced market economies in particular. In the second half of 2008, after the fall of the Lehman Brothers investment bank, the crisis began to affect the emerging economies as well, including Hungary. Owing to the country's high foreign debt (more than 97%) and need for financing from external sources, Hungary is the most vulnerable economy in the region.

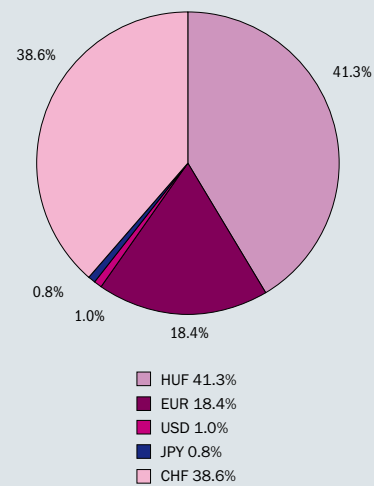
The shortage of liquidity in global markets coupled with heightened risk aversion in the recent period caused a marked outflow of capital. The first half of October saw increased sales of forint assets, mainly on the share and bond markets, followed by a depreciation in the Hungarian forint by more than 17%. The currency depreciation had a negative impact on the corporate and

Chart A Net purchase of government bonds from abroad (HUF billions)



Source: www.akk.hu.

Chart B Structure of loans provided (outstanding amounts, Q3 2008)



Source: MNB.





household sectors, where foreign-currency loans account for almost 60% of the total credit provided, while the volume of new loans provided in foreign currency since the beginning of 2008 accounted for approximately 90%. The dominant part of foreign-currency loans was provided in Swiss francs.

In the case of loans denominated in foreign currency, the exchange rate risk is shifted to the borrowers, but increased credit risk is faced by the banking sector. Because of customer protection and increased volatility in foreign exchange markets, some of the domestic banks stopped providing loans in foreign currency on a temporary basis.

To obtain liquidity in foreign currency, domestic banks used largely foreign exchange swaps, but trading through such swaps was stopped almost completely in the given period. To remedy the situation, MNB started to conduct, as from 16 October, two-way foreign exchange swap tenders with a maturity of one day to provide euro and forint liquidity. For the support of this facility, the ECB provided a credit line of EUR 5 billion. To stabilise the financial sector and to increase the level of liquidity in the market, MNB introduced two additional instruments: secured fixed-interest credit with a maturity of two weeks in an unlimited amount and secured variable-interest credit with a maturity of six months in an amount agreed in advance. The Hungarian government also approved an increase in deposit insurance, from HUF 6 billion to HUF 13 billion (approximately EUR 50,000).

In view of the situation in the financial market, MNB decided, at an extraordinary meeting on 24 November, to increase its base rate by 3 percentage points, to 11.5%, and to reduce the interest rate corridor formed by overnight refinancing and sterilisation rates around the base rate to +/-50 basis points, which prevented the exchange rate of the forint from a further depreciation. The MNB also decided to reduce the minimum reserve requirement from 5% to 2% in support of liquidity in the domestic banking sector.

At the end of October and the beginning of November, the credit rating of Hungary was reduced by some of the rating agencies. At the same time, further financial aids were approved for Hungary in the total amount of EUR 20 billion for the restoration of confidence and liquidity in the financial market and for the support of fiscal consolidation: the European Union approved an EUR 6.5 billion rescue package for Hungary, the World Bank EUR 1 billion, and the International Monetary Fund a stand-by credit of EUR 12.5 billion with a maturity of 17 months. Within the scope of fiscal consolidation, the government revised the budget deficit for the years 2008 and 2009 with the aim of reducing the level of expenditure. This is expected to be achieved through wage freezing in the general government sector, the suspension of extra payments for state employees (13th salaries), the payment of 13th pensions to old-age pensioners in limited amounts or their cancellation for persons in early retirement, the limitation of social benefits and government expenditures. The planned tax reduction has also been cancelled. During the stabilisation of the financial sector, special funds will be created for increasing the level of capital and guarantees in the banking sector.

### Box 3

#### **ČNB starts publishing a nominal exchange rate forecast**

At its October meeting, the Bank Board of Česká národní banka decided that ČNB would publish a CZK/EUR nominal exchange rate forecast, starting from the first forecast in 2009. This decision was motivated by the Bank's positive experience of publishing the expected future path of interest rates. Thus, ČNB will be the first central bank in the world to publish a nominal exchange rate forecast for a specific currency. The exchange rate forecast will be based on the approved assumptions and on the information available at the time of forecasting. The nominal exchange rate forecast will be published in numerical form, as a fan chart.



### 3 Inflation

#### 3.1 Consumer Price Index

##### HICP Inflation in November 2008

##### Harmonised index of consumer prices

Consumer prices, as measured by the Harmonised Index of Consumer Prices (HICP), increased month-on-month by 0.1% in November, with the prices of goods stagnating and services prices rising by 0.4%. Consumer prices increased year-on-year by 3.9% (in October by 4.2%). Overall inflation, excluding energy and unprocessed food prices (core inflation), reached 4.0% year-on-year (4.1% in October). The average 12-month inflation rate for the past twelve months, from December 2007 to November 2008, was 3.8%. The average inflation rate for the period since the beginning of the year reached 4.0%. In November, HICP inflation was higher than expected by NBS, owing to the strong dynamics of prices related to transport (bus fares in public transport).

**Table 1 Harmonised index of consumer prices** (year-on-year changes in %)

|  | 2008 |      |      |      |      |      |
|--|------|------|------|------|------|------|
|  | June | July | Aug. | Sep. | Oct. | Nov. |
| <b>TOTAL</b>   | 4.3  | 4.4  | 4.4  | 4.5  | 4.2  | 3.9  |
| <b>Goods</b>   | 4.2  | 4.3  | 4.3  | 4.1  | 3.4  | 3.0  |
| Industrial goods   | 2.1  | 2.4  | 2.4  | 2.8  | 2.7  | 2.3  |
| Industrial goods (excl. energies)                                      | 0.6  | 0.9  | 0.9  | 0.7  | 0.5  | 0.4  |
| Energies   | 4.4  | 4.7  | 4.7  | 6.0  | 6.2  | 5.2  |
| Food   | 8.0  | 8.1  | 7.9  | 6.7  | 4.8  | 4.3  |
| Processed food (including alcohol and tobacco)                         | 8.7  | 8.7  | 8.7  | 8.1  | 6.8  | 6.2  |
| Unprocessed food   | 6.8  | 6.8  | 6.3  | 3.8  | 0.7  | 0.4  |
| <b>Services</b>  | 4.6  | 4.7  | 4.8  | 5.5  | 5.7  | 5.7  |
| <b>Total, excluding unprocessed food and energies (core inflation)</b> | 4.1  | 4.2  | 4.2  | 4.3  | 4.1  | 4.0  |
| <b>Total, excluding energies</b>                                       | 4.3  | 4.4  | 4.4  | 4.3  | 3.8  | 3.6  |

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

##### Further slowdown in inflation

Within the structure of inflation, the year-on-year increase in energy prices slowed; weaker year-on-year dynamics were also shown by unprocessed food prices. The year-on-year rate of core inflation (overall inflation, excluding energy and unprocessed food prices) also recorded a slowdown.

In energy prices, a year-on-year fall was again recorded (after 13 months) in fuel prices in November. On the other hand, the year-on-year increase in heating prices continued to accelerate, as in the previous months. The slowdown in the year-on-year rate of increase in unprocessed food prices was caused by a decrease in the dynamics of meat prices and an acceleration in the year-on-year decline in vegetable prices.

##### Slowdown in the rate of core inflation

The rate of core inflation (overall inflation, excluding energy and unprocessed food prices) continued to slow. The year-on-year rate of core inflation was influenced by a decrease in the dynamics of processed food and non-energy industrial goods prices. On the other hand, the dynamics of services prices remained unchanged on a year-on-year basis. Compared with the previous month, prices rose more rapidly for transport services (urban public transport and suburban bus services). In other services, the year-on-year price dynamics were stagnant or recorded a slowdown. The most significant slowdown occurred in other services, where the year-on-year dynamics of prices for financial services weakened as a result of a base effect. As in the previous month, the weaker year-on-year dynamics of non-energy industrial

**Chart 16 HICP inflation and its main components** (%)



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



goods prices were mainly due to developments in the prices of non-durable consumer goods (washing powders), while the rate of increase in durable and semi-durable industrial goods prices was stagnant. Processed food prices recorded a slowdown in dynamics on a year-on-year basis, due to slower price increases for bread and cereals, cooking oil and fats, while the prices of milk and dairy products fell on a year-on-year basis. In the 'processed food' category, cigarette prices showed increased dynamics (due to increased excise duties), as well as wine prices.

**Box 4****Price monitoring at ten-day intervals**

As of 1 August 2008, the Statistical Office of the SR monitors the consumer prices of selected goods and services at ten-day intervals. The project will last until 30 June 2009 and is aimed at monitoring the consumer prices of selected goods and services (in SKK and EUR) during the period of dual pricing. Overall, 196 consumer-basket goods and services are monitored, mostly items that are frequently purchased by citizens.

**Table A Indices (previous period = 100)**

|  | Sk                   |       |       | Euro                 |       |       |
|--|----------------------|-------|-------|----------------------|-------|-------|
|  | 10-day period number |       |       | 10-day period number |       |       |
|  | 31                   | 32    | 33    | 31                   | 32    | 33    |
| Total  | 100.0                | 99.7  | 99.9  | 100.0                | 99.7  | 99.9  |
| Bread and cereals                                      | 100.3                | 99.8  | 100.5 | 100.3                | 99.8  | 100.4 |
| Meat   | 100.2                | 99.6  | 100.4 | 100.2                | 99.5  | 100.4 |
| Fish   | 99.5                 | 101.5 | 99.8  | 99.5                 | 101.4 | 99.8  |
| Milk, cheese and eggs                                  | 100.1                | 98.6  | 99.9  | 100.1                | 98.6  | 99.8  |
| Oils and fats  | 101.0                | 101.0 | 99.3  | 101.0                | 101.0 | 99.3  |
| Fruits   | 102.7                | 100.2 | 96.4  | 102.8                | 100.0 | 96.3  |
| Vegetables, including potatoes and other tubers        | 100.2                | 101.9 | 103.7 | 100.1                | 101.9 | 103.7 |
| Sugar, jam, honey, syrups, chocolate and confectionary | 99.2                 | 100.5 | 99.7  | 99.3                 | 100.5 | 99.7  |
| Food products not classified elsewhere                 | 100.2                | 99.5  | 99.7  | 100.2                | 99.6  | 99.7  |
| Coffee, tea and cocoa                                  | 100.8                | 99.9  | 99.3  | 100.8                | 99.9  | 99.3  |
| Mineral water, non-alcoholic beverages and juices      | 101.0                | 97.6  | 99.9  | 101.0                | 97.7  | 99.9  |
| Spirits  | 99.6                 | 99.8  | 100.3 | 99.6                 | 99.8  | 100.3 |
| Wine   | 99.5                 | 100.3 | 99.4  | 99.6                 | 100.3 | 99.4  |
| Beer   | 100.8                | 100.9 | 100.1 | 100.8                | 100.9 | 100.1 |
| Non-durables   | 104.5                | 100.2 | 99.0  | 104.5                | 100.2 | 99.0  |
| Pharmaceuticals  | 100.2                | 100.4 | 100.5 | 100.1                | 100.4 | 100.5 |
| Other medical products                                 | 100.0                | 99.3  | 99.0  | 100.0                | 99.3  | 99.1  |
| Fuels and greases                                      | 96.4                 | 98.6  | 96.8  | 96.3                 | 98.6  | 96.6  |
| Office and drawing products                            | 100.1                | 100.0 | 100.0 | 100.1                | 100.0 | 100.0 |
| Restaurants, cafés, snack bars, confectioneries etc.   | 100.0                | 100.1 | 100.0 | 100.0                | 100.1 | 100.0 |
| Hair saloons and personal care                         | 100.0                | 100.0 | 100.0 | 100.0                | 100.0 | 100.0 |
| Other devices, items and products for personal care    | 99.6                 | 98.8  | 102.3 | 99.6                 | 98.9  | 102.3 |

The year-on-year inflation rate is expected to slow still further in December, compared with November 2008, due to continuing presence of a base effect in food prices and prices in restaurants, coupled with a continuing fall in fuel prices as a result of developments in the world oil market. Cigarette prices are likely to continue rising in December.

**Expectations for the next month****CPI Inflation in November 2008**

Consumer prices increased month-on-month by 0.2% in November, due to a rise in regulated prices and a fall in core inflation. The rate of price inflation was somewhat faster than expected by NBS. Within the scope of regulated prices, price levels rose for heating (by 2.6%), transport (by 4.6%), health services (by 0.2%), meals at school canteens and student accommodation (by 0.3%). Core inflation was, as in the previous month, influenced by a rise in prices for market services, specifically by a 2.7% rise in prices for house maintenance and imputed rents (a year-on-year increase of 27.5%). The prices of tradable goods, excluding fuels, fell slightly (a rise in clothing and footwear prices was more than offset by a fall in prices related to recreation and culture and a fall in the prices of automobiles and non-alcoholic beverages). Fuel prices dropped 9.2%, owing to the

**Consumer Price Index (CPI)**



decline in oil prices. Food prices fell as a result of accelerated decline in vegetable prices. Price levels also fell for bread, bakery products, cereals, cooking oil and fats, meat and fruit. The changes in indirect taxes on tobacco products contributed 0.11 of a percentage point to the rise in consumer prices (though NBS had expected 0.17 of percentage point). The 12-month rate of consumer-price inflation stood at 4.9% (5.1% in October). Core inflation reached 4.1% (4.8% in the previous month). The average year-on-year inflation rate for the period from December 2007 to November 2008 was 4.5%.

**Table 2 Consumer prices in November 2008**

|  | CPI inflation |               | HICP inflation by CPI component |               |
|--|---------------|---------------|---------------------------------|---------------|
|  | Change versus |               |                                 |               |
|  | October 2008  | November 2007 | October 2008                    | November 2007 |
| <b>Total in %</b>  | 0.2           | 4.9           | 0.1                             | 3.9           |
| <b>Regulated prices in %</b>   | 0.9           | 6.6           | 0.9                             | 7.5           |
| <i>Share of total, in percentage points<sup>1)</sup></i>   | 0.22          | -             | 0.26                            | -             |
| <b>Impact of changes in indirect taxes on non-regulated prices – Share of total, in percentage points<sup>1)</sup></b> | 0.11          | -             | 0.17                            | -             |
| <b>Core inflation in %</b>   | -0.2          | 4.1           | -0.4                            | 2.2           |
| <i>Share of total, in percentage points<sup>1)</sup></i>   | -0.13         | -             | -0.30                           | -             |
| of which: Food prices in %   | -0.3          | 3.5           | -0.4                            | 3.0           |
| <i>Share of total, in percentage points<sup>1)</sup></i>   | -0.05         | -             | -0.06                           | -             |
| Tradable goods in % <sup>1)</sup>  | -0.9          | -0.2          | -0.8                            | 0.2           |
| <i>Share of total, in percentage points<sup>1)</sup></i>   | -0.32         | -             | -0.26                           | -             |
| Tradable goods excluding fuels, in % <sup>1)</sup>   | -0.1          | 0.5           | 0.0                             | 0.8           |
| <i>Share of total, in percentage points<sup>1)</sup></i>   | -0.02         | -             | 0.00                            | -             |
| Fuels in % <sup>1)</sup>   | -9.2          | -6.8          | -9.2                            | -6.8          |
| <i>Share of total, in percentage points<sup>1)</sup></i>   | -0.30         | -             | -0.25                           | -             |
| Market services in % <sup>1)</sup>   | 0.8           | 10.2          | 0.1                             | 4.9           |
| <i>Share of total, in percentage points<sup>1)</sup></i>   | 0.23          | -             | 0.02                            | -             |
| <b>Net inflation (excluding the impact of changes in indirect taxes) in %</b>  | -0.1          | 4.3           | -0.4                            | 2.0           |
| <i>Share of total, in percentage points<sup>1)</sup></i>   | -0.09         | -             | -0.24                           | -             |
| <b>Net inflation, excluding fuel prices (excluding the impact of changes in indirect taxes) in %<sup>1)</sup></b>      | 0.4           | 4.9           | 0.0                             | 2.5           |
| <i>Share of total, in percentage points<sup>1)</sup></i>   | 0.21          | -             | 0.02                            | -             |

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

### 3.2 Producer Prices in October 2008

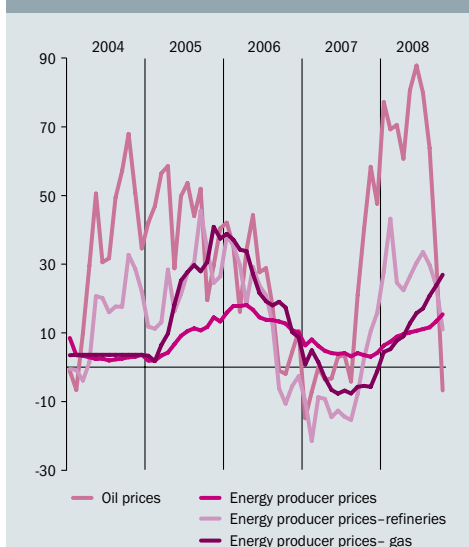
#### Month-on-month rise in industrial producer prices for the domestic market ...

Industrial producer prices for the domestic market rose month-on-month by an average of 0.9% in October 2008, due to increases in energy and mining / quarrying products prices, while manufacturing products prices fell slightly.

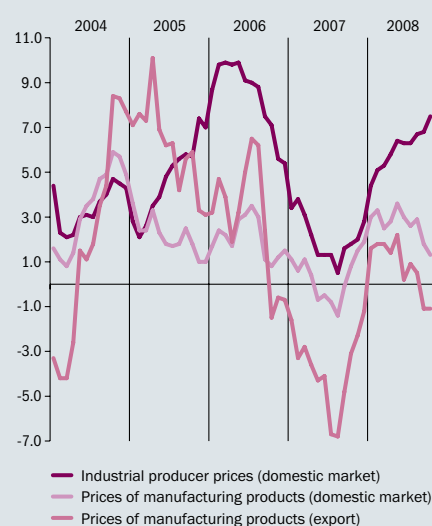
**Table 3 Producer price developments in October 2008**

|   | Month-on-month changes                               |           | Year-on-year changes |           |           |                              |
|---|--|-----------|----------------------|-----------|-----------|------------------------------|
|   | Sep. 2008  | Oct. 2008 | Oct. 2007            | Sep. 2008 | Oct. 2008 | Average since begin. of 2008 |
|   | Industrial producer prices (for the domestic market) | 0.6       | 0.9                  | 1.8       | 6.8       | 7.5                          |
| – Prices of manufacturing products        | -0.5   | -0.1      | 0.8                  | 1.8       | 1.3       | 2.7                          |
| – Prices of mining and quarrying products | 6.0  | 1.7       | -4.8                 | 22.6      | 25.5      | 13.8                         |
| – Energy prices                           | 1.7  | 2.1       | 3.5                  | 13.3      | 15.4      | 10.4                         |
| Industrial producer prices (for export)   | -1.0   | -0.1      | -3.8                 | 0.0       | -0.2      | 1.8                          |
| – Prices of manufacturing products        | -0.9   | -0.1      | -3.1                 | -1.1      | -1.1      | 0.8                          |
| Construction prices                       | 0.3  | 0.5       | 3.6                  | 6.6       | 6.9       | 5.7                          |
| Building materials prices                 | -0.2   | -0.1      | 5.5                  | 1.8       | 2.2       | 3.8                          |
| Agricultural prices                       | -  | -         | 13.7                 | -0.6      | -11.0     | 8.2                          |
| – Prices of plant products                | -  | -         | 33.3                 | -5.0      | -23.5     | 11.5                         |
| – Prices of animal products               | -  | -         | -0.2                 | 3.2       | 0.8       | 6.7                          |

Source: Statistical Office of the SR.

**Chart 17 Prices of oil, refined oil products and energies (year-on-year changes in %)**


Source: Statistical Office of the SR, [www.eia.doe.gov](http://www.eia.doe.gov).

**Chart 18 Developments in industrial producer prices and manufacturing products prices (year-on-year changes in %)**


Source: Statistical Office of the SR.

The year-on-year dynamics of domestic industrial producer prices accelerated in comparison with September by 0.7 of a percentage point, to 7.5% in October. Energy prices rose by 2.1 percentage points (to 15.4%) and mining / quarrying products prices by 2.9 percentage points (to 25.5%). Manufacturing products prices increased year-on-year at a slower pace than in the previous month (by 0.5 of a percentage point, to 1.3%).

**... accompanied by an increase in their year-on-year dynamics**

The faster year-on-year increase in energy prices in October was the result of accelerated price increases in virtually all basic components. Prices for gas production and the transport of gaseous fuels via pipelines increased by 3.2 percentage points (to 26.9%), prices for electricity generation and supply by 1.3 percentage points (to 10.8%), and prices for steam and hot water supply by 4.1 percentage points (to 13.4%). Prices for water treatment and supply rose by 8.5%, as in the previous month.

The slower year-on-year rise in manufacturing products prices in October, compared with September, was mainly the result of slower increases in prices for food products (by 1.7 percentage points, to 4.8%) and refined oil products (by 12.8 percentage points, to 11.0%). The prices of transport equipment continued to fall (by 8.0%). Prices also fell for rubber and plastic products (-2.4%), paper products (-2.2%), wood products (-5.0%), and textile products (-1.7%). Modest year-on-year increases were recorded in the prices of base metals and finished metal products, electrical and optical equipment, and chemical products.

In the 'food products' category, October saw a slowdown in the year-on-year price increase in most components, compared with September. The prices of flour products and industrially prepared animal fodder showed weaker dynamics, while those of dairy products dropped by 0.8%. The prices of processed and canned fruits and vegetables continued falling. Prices rose at a somewhat faster rate than a month earlier for meat, meat products, and beverages.

The export prices of manufacturing products, which are the main factor influencing the level of industrial producer prices for export, fell month-on-month by 0.1% and year-on-year by 1.1% in October.

**Industrial producer prices for export**

The export prices of manufacturing products dropped year-on-year in October, as a result of a persistent decline in the prices of transport equipment (-9.5%), electrical and optical equipment (-7.8%), machinery and equipment (-1.1%), paper products (-6.2%), rubber and plastic goods. Export prices increased for refined oil products (by 16.3%), basic metals and finished metal products (by 5.0%), chemical products (by 5.4%), and food products (by 2.7%).

The year-on-year decline in agricultural prices deepened in October (-11.0%), due to a sharp fall in the prices of plant products (23.5%). The prices of animal products rose by 0.8%.

**Agricultural prices**



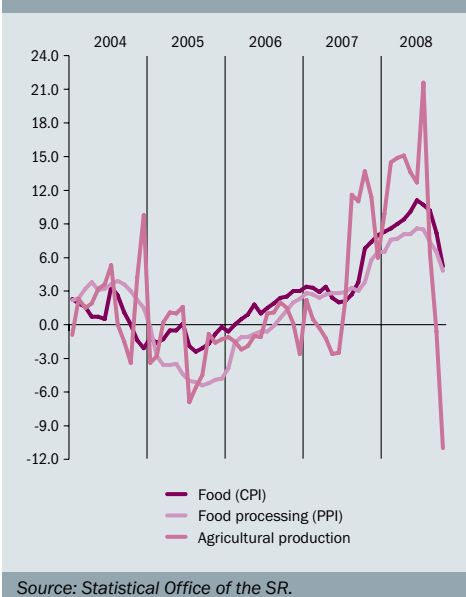
The fall in plant products prices was caused by decreases in almost all categories. Prices dropped most sharply for oil-seeds (-31.9%) and cereals (-16.8%). Prices also fell for sugar beet (-16.5%), potatoes (-12.4%), fruit and vegetables (-5.2%). The prices of legumes increased 11.2%.

The rise in animal products prices was caused by price increases for pigs (7.5% for live animals), sheep farming products (6.9%), and fish (6.6%). Prices dropped for poultry (-2.9% for live animals), eggs (-1.0%), and cattle, including calves (-0.4%).

Industrial producer prices are expected to be influenced in November 2008 by the fall in the world oil market below the price level recorded a year earlier. Food prices are still expected to have a certain upward effect. Owing to these factors, the year-on-year dynamics of industrial producer prices are likely to slow somewhat in November, compared with October.

According to the latest agrarian market news, the purchase prices of cereals dropped as a result of abundant supply and weak demand. In support of primary producers, there will be an intervention purchase of cereals from 1 November to 31 May 2009. On the Slovak market for cereals, purchase prices are expected to fall still further in November. Among animal products, beef prices (for live animals) are expected to continue falling and pork prices to increase somewhat. The average purchase price of milk is on the decrease. Overall, agricultural prices are expected to fall again in November.

**Chart 19** Developments in food prices in primary production, processing, and consumption  
(year-on-year changes in %)





## 4 Factors Affecting the Course of Inflation

### 4.1 Monetary Aggregates

The year-on-year growth rate of M3 monetary aggregate (according to ECB methodology)<sup>4</sup> slowed to 5.1% in October (by 1.3 percentage points compared with the previous month), which represented the lowest level since 2004.

#### Slowdown in M3 growth

The volume of M3 decreased month-on-month by SKK 12.7 billion, due largely to a fall in the short-term deposits of non-financial corporations (by SKK 15.1 billion) and a marked outflow of investments from money market mutual funds. This decrease was offset partly by an increase in short-term household deposits (by SKK 18.3 billion), accompanied by growth in currency in circulation.

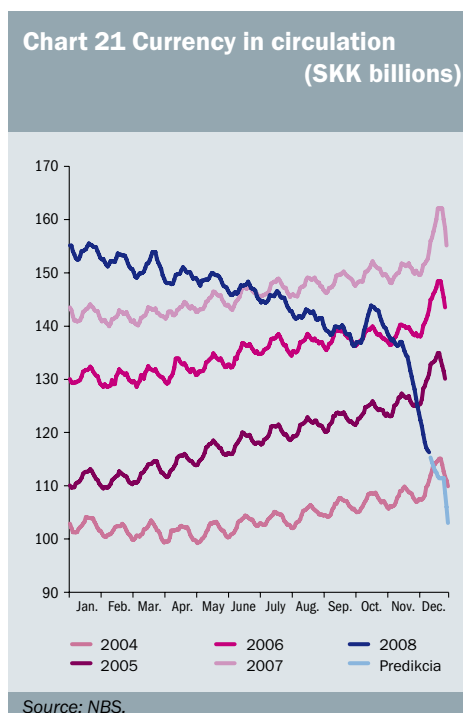
The continuing slowdown in the growth of monetary aggregates on the liabilities side was influenced by developments in short-term deposits, accompanied by a fall in the volume of currency in circulation. While the contribution of demand deposits to the overall annual dynamics of M3 increased by 1.3 percentage points in October compared with the previous month, the contribution of deposits with agreed maturity decreased by 1.3 percentage points. In October, short-term deposits were mainly influenced by a fall in deposits with an agreed maturity of up to 2 years in the sector of non-financial corporations and an increase in deposits with an agreed maturity of up to 2 years in the household sector.

The contribution of the other main M3 components (currency, deposits payable at a period of notice of up to 3 months, and marketable instruments) to the annual rate of M3 growth diminished month-on-month by 1.2 percentage points, and became negative in October.

#### Main M3 Components

Among short-term deposits, the individual components of M1 monetary aggregate again showed different tendencies in October, but they were diametrically opposed to those in the previous month. The volume of currency in circulation increased for the first time this year (by SKK 1.5 billion), but the volume of deposits and received loans repayable on demand decreased slightly. The structure of corporate and household deposits was still influenced by the current interest rate expectations and the forthcoming introduction of the euro in Slovakia. The negative year-on-year dynamics of currency in circulation moderated, the dynamics of demand deposits increased to 7.7% (by 3.3 percentage points month-on-month), and consequently the dynamics of M1 also increased, to 3.4% (by 2.7 percentage points).

#### The individual monetary aggregates followed different trends



<sup>4</sup> The year-on-year growth rates 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.



**Table 4a Comparison of month-on-month developments in monetary aggregates (ECB methodology)**

|   | Outstanding amounts<br>(in billions of SKK) <sup>1)</sup> |              |              | Year-on-year<br>changes (in %) <sup>2)</sup> |              |
|---|---|--------------|--------------|--|--------------|
|   | Oct.<br>2007  | Sep.<br>2008 | Oct.<br>2008 | Sep.<br>2008                                 | Oct.<br>2008 |
| Currency in circulation   | 137.6   | 122.7        | 124.2        | -10.8  | -9.7         |
| Deposits and received loans repayable on demand                         | 421.2   | 454.2        | 453.8        | 4.4  | 7.7          |
| Of which: Non-financial corporations                                    | 165.0   | 176.1        | 171.7        | 1.2  | 4.1          |
| Households and non-profit institutions<br>serving households            | 207.6   | 232.0        | 234.5        | 11.0   | 13.0         |
| <b>M1</b>   | 558.8   | 576.9        | 578.0        | 0.7  | 3.4          |
| Deposits and loans received with an agreed maturity<br>of up to 2 years | 408.9   | 443.1        | 441.9        | 11.7   | 8.1          |
| Of which: Non-financial corporations                                    | 144.3   | 118.6        | 107.8        | -11.2  | -25.3        |
| Households and non-profit institutions<br>serving households            | 201.0   | 245.8        | 261.7        | 24.0   | 30.2         |
| Deposits repayable at a period of notice of up<br>to 3 months           | 9.7   | 8.8          | 8.7          | -10.4  | -10.3        |
| <b>M2</b>   | 977.4   | 1 028.7      | 1 028.7      | 5.1  | 5.2          |
| Money market fund shares/units  | 55.5  | 63.5         | 49.8         | 18.5   | -10.2        |
| Repo operations   | 0.0   | 0.0          | 0.0          | -  | -            |
| Debt securities issued with a maturity of up to<br>2 years              | 6.7   | 13.6         | 14.7         | 100.4  | 118.0        |
| <b>M3</b>   | 1,039.6   | 1,105.9      | 1,093.1      | 6.4  | 5.1          |

Source: NBS.

Note: Figures may not add up due to rounding. The missing figures were excluded because of the high values of year-on-year changes, resulting from the relatively small volumes of the given indicators.

1) As at the last day of the given month.

2) Year-on-year changes (except for figures for non-financial corporations and households) are calculated on the basis of chain indices, the index reference period is January 2005.

**Table 4b Comparison of month-on-month developments in monetary aggregates (ECB methodology)**

|   | Outstanding amounts<br>(in billions of EUR) <sup>1)</sup> |              |              | Year-on-year<br>changes (in %) <sup>2)</sup> |              |
|---|---|--------------|--------------|--|--------------|
|   | Oct.<br>2007  | Sep.<br>2008 | Oct.<br>2008 | Sep.<br>2008                                 | Oct.<br>2008 |
| Currency in circulation   | 4.6   | 4.1          | 4.1          | -10.8  | -9.7         |
| Deposits and received loans repayable on demand                         | 14.0  | 15.1         | 15.1         | 4.4  | 7.7          |
| Of which: Non-financial corporations                                    | 5.5   | 5.8          | 5.7          | 1.2  | 4.1          |
| Households and non-profit institutions<br>serving households            | 6.9   | 7.7          | 7.8          | 11.0   | 13.0         |
| <b>M1</b>   | 18.5  | 19.1         | 19.2         | 0.7  | 3.4          |
| Deposits and loans received with an agreed maturity<br>of up to 2 years | 13.6  | 14.7         | 14.7         | 11.7   | 8.1          |
| Of which: Non-financial corporations                                    | 4.8   | 3.9          | 3.6          | -11.2  | -25.3        |
| Households and non-profit institutions<br>serving households            | 6.7   | 8.2          | 8.7          | 24.0   | 30.2         |
| Deposits repayable at a period of notice of up<br>to 3 months           | 0.3   | 0.3          | 0.3          | -10.4  | -10.3        |
| <b>M2</b>   | 32.4  | 34.1         | 34.1         | 5.1  | 5.2          |
| Money market fund shares/units  | 1.8   | 2.1          | 1.7          | 18.5   | -10.2        |
| Repo operations   | 0.0   | 0.0          | 0.0          | -  | -            |
| Debt securities issued with a maturity of up to<br>2 years              | 0.2   | 0.5          | 0.5          | 100.4  | 118.0        |
| <b>M3</b>   | 34.5  | 36.7         | 36.3         | 6.4  | 5.1          |

Source: NBS.

Note: Figures may not add up due to rounding. The missing figures were excluded because of the high values of year-on-year changes, resulting from the relatively small volumes of the given indicators.

1) As at the last day of the given month.

2) Year-on-year changes (except for figures for non-financial corporations and households) are calculated on the basis of chain indices, the index reference period is January 2005.





Among other short-term deposits, deposits and loans received with an agreed maturity of up to 2 years decreased slightly (by SKK 1.1 billion, but in the corporate sector by SKK 10.7 billion), as well as deposits payable at a period of notice of up to 3 months. The year-on-year dynamics of deposits with an agreed maturity of up to 2 years again weakened, to 8.1% (by 3.6 percentage points). The negative dynamics of deposits payable at a period of notice of up to 3 months moderated and the dynamics of M2 monetary aggregate strengthened to 5.2% (by 0.1 of a percentage point).

Among marketable instruments, money market fund shares/units markedly decreased in October (by SKK 13.7 billion) and their year-on-year dynamics weakened by 28.7 percentage points (to -10.25%). We assume that, of the overall decline in mutual funds, it was the decline in money market funds that contributed greatly to the growth in household deposits. The volume of debt securities issued with a maturity of up to 2 years increased slightly.

### Main M3 Counterparts

Among the main M3 counterparts, MFI receivables from residents (including securities issued by clients and held by MFIs) represent a major factor influencing the development of monetary aggregates in historical terms. Receivables from residents increased month-on-month by SKK 22.1 billion in October, of which receivables from the private sector accounted for SKK 14.1 billion. The year-on-year growth dynamics of receivables from residents weakened to 13.6%, due to a slowdown in the growth rate of receivables from the private sector (by 1.4 percentage points, to 19.9%), while the negative dynamics of receivables from the public sector continued to moderate.

**Further slowdown in the growth of MFI receivables from residents (including securities)**

**Table 5a Main M3 counterparts (ECB methodology)**

|  | Outstanding amounts<br>(in billions of SKK) <sup>1)</sup> |                |                | Year-on-year<br>changes (in %) <sup>2)</sup> |              |
|--|---|----------------|----------------|--|--------------|
|  | Oct.<br>2007  | Sep.<br>2008   | Oct.<br>2008   | Sep.<br>2008                                 | Oct.<br>2008 |
|  | MFI receivables from residents (including securities)     | 1,012.8        | 1,127.2        | 1,149.3                                      | 14.2         |
| Receivables from general government                              | 257.6   | 236.9          | 244.9          | -6.1   | -4.9         |
| Receivables from the private sector                              | 755.2   | 890.3          | 904.4          | 21.3   | 19.9         |
| Net foreign assets   | 270.7   | 196.5          | 187.3          | -32.3  | -30.9        |
| Foreign assets   | 554.8   | 527.6          | 526.4          | -5.3   | -5.3         |
| Foreign liabilities  | 284.1   | 331.1          | 339.2          | 24.0   | 19.4         |
| Long-term financial liabilities (excluding capital and reserves) | 134.9   | 154.0          | 154.9          | 16.2   | 14.8         |
| Other items net <sup>3)</sup>                                    | -109.0  | -63.9          | -88.6          | -12.0  | 26.5         |
| <b>M3</b>  | <b>1,039.6</b>  | <b>1,105.9</b> | <b>1,093.1</b> | <b>6.4</b>                                   | <b>5.1</b>   |

Source: NBS.

Note: Figures may not add up due to rounding.

1) As at the last day of the given month.

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

3) Other items net include capital, reserves and provisions, as well as deposits and loans received from the central government.

**Table 5b Main M3 counterparts (ECB methodology)**

|  | Outstanding amounts<br>(in billions of EUR) <sup>1)</sup> |              |              | Year-on-year<br>changes (in %) <sup>2)</sup> |              |
|--|---|--------------|--------------|--|--------------|
|  | Oct.<br>2007  | Sep.<br>2008 | Oct.<br>2008 | Sep.<br>2008                                 | Oct.<br>2008 |
|  | MFI receivables from residents (including securities)     | 33.6         | 37.4         | 38.1   | 14.2         |
| Receivables from general government                              | 8.6   | 7.9          | 8.1          | -6.1   | -4.9         |
| Receivables from the private sector                              | 25.1  | 29.6         | 30.0         | 21.3   | 19.9         |
| Net foreign assets   | 9.0   | 6.5          | 6.2          | -32.3  | -30.9        |
| Foreign assets   | 18.4  | 17.5         | 17.5         | -5.3   | -5.3         |
| Foreign liabilities  | 9.4   | 11.0         | 11.3         | 24.0   | 19.4         |
| Long-term financial liabilities (excluding capital and reserves) | 4.5   | 5.1          | 5.1          | 16.2   | 14.8         |
| Other items net <sup>3)</sup>                                    | -3.6  | -2.1         | -2.9         | -12.0  | 26.5         |
| <b>M3</b>  | <b>34.5</b>   | <b>36.7</b>  | <b>36.3</b>  | <b>6.4</b>                                   | <b>5.1</b>   |

Source: NBS.

Note: Figures may not add up due to rounding.

1) As at the last day of the given month.

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

3) Other items net include capital, reserves and provisions, as well as deposits and loans received from the central government.



Net foreign assets decreased by SKK 9.2 billion in October, due mainly to an increase in foreign liabilities (by SKK 8.1 billion), accompanied by a moderate decrease in foreign assets.

The year-on-year dynamics of long-term financial liabilities (excluding capital, reserves, and provisions) diminished to 14.8% in October. A major contribution to the year-on-year growth in long-term financial

**Table 6a MFI Receivables from the resident private sector**

|   | Outstanding amounts at end of period (SKK billions) <sup>1)</sup> |           |           | Year-on-year changes (%) <sup>3)</sup> |           |
|---|---|-----------|-----------|--|-----------|
|   | Oct. 2007   | Sep. 2008 | Oct. 2008 | Sep. 2008                              | Oct. 2008 |
| MFI receivables from the private sector (including securities)    | 755.2   | 890.3     | 904.4     | 21.3                                   | 19.9      |
| – of which: securities issued by the private sector <sup>2)</sup> | 14.3  | 19.4      | 19.6      | 35.5                                   | 37.0      |
| MFI receivables (excluding securities)                            | 740.9   | 870.8     | 884.8     | 21.0                                   | 19.7      |
| Non-financial corporations  | 385.1   | 447.7     | 456.1     | 19.6                                   | 18.5      |
| – up to 1 year  | 165.2   | 185.3     | 186.5     | 15.3                                   | 13.0      |
| – 1 to 5 years  | 74.8  | 97.5      | 98.9      | 34.8                                   | 32.3      |
| – over 5 years  | 145.1   | 164.8     | 170.7     | 16.7                                   | 17.7      |
| Financial corporations  | 64.5  | 59.4      | 57.8      | -4.8                                   | -10.2     |
| Insurance corporations and pension funds                          | 0.0   | 0.1       | 0.0       | -                                      | -         |
| Households and non-profit institutions serving Households         | 291.2   | 363.7     | 370.8     | 28.4                                   | 27.8      |
| – consumer loans  | 40.5  | 49.6      | 50.3      | 25.8                                   | 26.4      |
| – construction loans  | 194.7   | 244.7     | 249.8     | 29.0                                   | 28.4      |
| – other loans   | 56.1  | 69.4      | 70.7      | 28.5                                   | 26.9      |

Source: NBS.

Note: Figures may not add up due to rounding. The missing figures were excluded because of the high values of year-on-year changes resulting from the relatively small volumes of the given indicators.

1) As at the last day of the given period.

2) Securities issued by the private sector, including NBS receivables.

3) Year-on-year changes are calculated on the basis of chain indices; the index reference period is January 2005.

**Table 6b MFI Receivables from the resident private sector**

|   | Outstanding amounts at end of period (EUR billions) <sup>1)</sup> |           |           | Year-on-year changes (%) <sup>3)</sup> |           |
|---|---|-----------|-----------|--|-----------|
|   | Oct. 2007   | Sep. 2008 | Oct. 2008 | Sep. 2008                              | Oct. 2008 |
| MFI receivables from the private sector (including securities)    | 25.1  | 29.6      | 30.0      | 21.3                                   | 19.9      |
| – of which: securities issued by the private sector <sup>2)</sup> | 0.5   | 0.6       | 0.7       | 35.5                                   | 37.0      |
| MFI receivables (excluding securities)                            | 24.6  | 28.9      | 29.4      | 21.0                                   | 19.7      |
| Non-financial corporations  | 12.8  | 14.9      | 15.1      | 19.6                                   | 18.5      |
| – up to 1 year  | 5.5   | 6.2       | 6.2       | 15.3                                   | 13.0      |
| – 1 to 5 years  | 2.5   | 3.2       | 3.3       | 34.8                                   | 32.3      |
| – over 5 years  | 4.8   | 5.5       | 5.7       | 16.7                                   | 17.7      |
| Financial corporations  | 2.1   | 2.0       | 1.9       | -4.8                                   | -10.2     |
| Insurance corporations and pension funds                          | 0.0   | 0.0       | 0.0       | -                                      | -         |
| Households and non-profit institutions serving Households         | 9.7   | 12.1      | 12.3      | 28.4                                   | 27.8      |
| – consumer loans  | 1.3   | 1.6       | 1.7       | 25.8                                   | 26.4      |
| – construction loans  | 6.5   | 8.1       | 8.3       | 29.0                                   | 28.4      |
| – other loans   | 0.1   | 0.1       | 0.1       | 28.5                                   | 26.9      |

Source: NBS.

Note: Figures may not add up due to rounding. The missing figures were excluded because of the high values of year-on-year changes resulting from the relatively small volumes of the given indicators.

1) As at the last day of the given period.

2) Securities issued by the private sector, including NBS receivables.

3) Year-on-year changes are calculated on the basis of chain indices; the index reference period is January 2005.



liabilities came from debt securities issued with a maturity of over 2 years (SKK 14.6 billion) and deposits with an agreed maturity of over 2 years (SKK 6.2 billion). Deposits payable at a period of notice of over 3 months made a negative contribution.

The total year-on-year increase in other items net was mainly due to increases in other assets (SKK 20.7 billion) and other liabilities (SKK 12.2 billion).

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

The rate of growth in the receivables of monetary financial institutions (MFI) from the private sector continued to slow in October. The slowdown took place in the sector of non-financial corporations as well as in the household sector.

**Slower growth in loans to non-financial corporations and loans to households**

The volume of MFI receivables from non-financial corporations increased in October more significantly than in the previous month, by SKK 8.4 billion (in September by SKK 1.5 billion). Increases were recorded in all categories of loans by maturity. The steepest increase (SKK 5.9 billion) took place in long-term loans with a maturity of over 5 years, which were comprised of investment loans and loans for house purchases.

MFI receivables increased month-on-month by SKK 7.1 billion, which was somewhat more than in the previous month. Looking at the structure of loans by purpose, a greater increase was recorded in house purchase loans (SKK 5.1 billion, compared with SKK 4.6 billion in September), while consumer loans and other loans grew at a slower pace.

The volume of MFI receivables from the private sector in foreign currency increased by SKK 5.7 billion in October, after falling slightly in the previous month. The most significant increases took place in loans to non-financial corporations in foreign currency, in euro (SKK 4.6 billion) or other foreign currencies (SKK 1.0 billion). A greater increase than last month was recorded in the household sector, where the volume of foreign-currency loans increased by SKK 0.5 billion.

**Table 7a MFI receivables from the resident private sector (excluding securities and NBS receivables)**

|  | Outstanding amounts (SKK billions) <sup>1)</sup> | Year-on-year changes (in %) <sup>2)</sup> |         |         |         |         | Cumulative changes since beginning of year (SKK billions) |           |
|--|--|---|---------|---------|---------|---------|---|-----------|
|  |  | Oct. 2008                                 | 2007 Q4 | 2008 Q1 | 2008 Q2 | 2008 Q3 | Oct. 2008   | Oct. 2007 |
| <b>MFI receivables (excluding securities)</b>  | 884.8  | 23.9                                      | 25.8    | 23.0    | 21.0    | 19.7    | 113.6   | 114.8     |
| Non-financial corporations   | 456.1  | 24.1                                      | 26.3    | 22.7    | 19.6    | 18.5    | 58.7  | 56.6      |
| – loans in Slovak koruna   | 312.1  | 23.4                                      | 29.1    | 31.8    | 26.5    | 23.0    | 36.8  | 49.6      |
| – loans in foreign currency  | 144.0  | 25.4                                      | 21.1    | 6.7     | 6.6     | 9.8     | 21.8  | 7.0       |
| Financial corporations (other financial intermediaries and auxiliary financial institutions) | 57.8   | 5.7                                       | 11.5    | -0.4    | -4.8    | -10.2   | 1.6   | -8.5      |
| – loans in Slovak koruna   | 43.3   | -2.9                                      | 3.8     | -5.4    | -6.5    | -12.0   | -1.6  | -6.0      |
| – loans in foreign currency  | 14.6   | 42.1                                      | 40.9    | 17.2    | 0.4     | -4.2    | 3.1   | -2.6      |
| Insurance companies and pension funds  | 0.0  | -   | -       | -       | -       | -       | 0.0   | 0.0       |
| Households and non-profit institutions serving households                                    | 370.8  | 28.5                                      | 28.6    | 28.8    | 28.4    | 27.8    | 53.4  | 66.8      |
| – loans in Slovak koruna   | 361.2  | 26.8                                      | 27.6    | 28.8    | 29.0    | 28.3    | 48.8  | 66.1      |
| – loans in foreign currency  | 9.6  | 126.5                                     | 74.0    | 29.0    | 10.5    | 12.6    | 4.6   | 0.6       |
| of which: consumer loans   | 50.3   | 17.9                                      | 16.4    | 22.8    | 25.8    | 26.4    | 4.6   | 8.8       |
| house purchase loans   | 249.8  | 30.2                                      | 30.3    | 29.5    | 29.0    | 28.4    | 37.8  | 45.9      |
| other loans  | 70.7   | 31.0                                      | 32.1    | 30.7    | 28.5    | 26.9    | 10.9  | 12.0      |

Source: NBS.

Note: Figures may not add due to rounding. The missing figures were excluded because of the high values of year-on-year changes, resulting from the relatively small volumes of the given indicators.

1) As at the last day of the given period.

2) Year-on-year changes calculated on the basis of chain indices; the index reference period is January 2005.



**Table 7b MFI receivables from the resident private sector (excluding securities and receivables from NBS)**

|  | Outstanding amounts (EUR billions) <sup>1)</sup> | Year-on-year changes (in %) <sup>2)</sup> |         |         |         |         | Cumulative changes since beginning of year (EUR billions) |           |
|--|--|---|---------|---------|---------|---------|---|-----------|
|  |  | Oct. 2008                                 | 2007 Q4 | 2008 Q1 | 2008 Q2 | 2008 Q3 | Oct. 2008   | Oct. 2007 |
| <b>MFI receivables (excluding securities)</b>  | 29.4   | 23.9                                      | 25.8    | 23.0    | 21.0    | 19.7    | 3.8   | 3.8       |
| Non-financial corporations   | 15.1   | 24.1                                      | 26.3    | 22.7    | 19.6    | 18.5    | 1.9   | 1.9       |
| – loans in Slovak koruna   | 10.4   | 23.4                                      | 29.1    | 31.8    | 26.5    | 23.0    | 1.2   | 1.6       |
| – loans in foreign currency  | 4.8  | 25.4                                      | 21.1    | 6.7     | 6.6     | 9.8     | 0.7   | 0.2       |
| Financial corporations (other financial intermediaries and auxiliary financial institutions) | 1.9  | 5.7                                       | 11.5    | -0.4    | -4.8    | -10.2   | 0.1   | -0.3      |
| – loans in Slovak koruna   | 1.4  | -2.9                                      | 3.8     | -5.4    | -6.5    | -12.0   | -0.1  | -0.2      |
| – loans in foreign currency  | 0.5  | 42.1                                      | 40.9    | 17.2    | 0.4     | -4.2    | 0.1   | -0.1      |
| Insurance companies and pension funds  | 0.0  | -   | -       | -       | -       | -       | 0.0   | 0.0       |
| Households and non-profit institutions serving households                                    | 12.3   | 28.5                                      | 28.6    | 28.8    | 28.4    | 27.8    | 1.8   | 2.2       |
| – loans in Slovak koruna   | 12.0   | 26.8                                      | 27.6    | 28.8    | 29.0    | 28.3    | 1.6   | 2.2       |
| – loans in foreign currency  | 0.3  | 126.5                                     | 74.0    | 29.0    | 10.5    | 12.6    | 0.2   | 0.0       |
| of which: consumer loans   | 1.7  | 17.9                                      | 16.4    | 22.8    | 25.8    | 26.4    | 0.2   | 0.3       |
| house purchase loans   | 8.3  | 30.2                                      | 30.3    | 29.5    | 29.0    | 28.4    | 1.3   | 1.5       |
| other loans  | 0.1  | 31.0                                      | 32.1    | 30.7    | 28.5    | 26.9    | 0.4   | 0.4       |

Source: NBS.

Note: Figures may not add due to rounding. The missing figures were excluded because of the high values of year-on-year changes, resulting from the relatively small volumes of the given indicators.

1) As at the last day of the given period.

2) Year-on-year changes calculated on the basis of chain indices; the index reference period is January 2005.

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

**Continuing outflow from open-end investment funds**

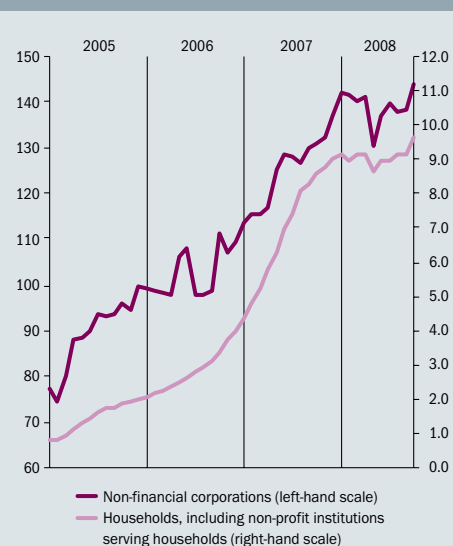
The outflow from Slovakia's open-end investment funds slowed considerably in November, compared with October, but was still the second largest monthly outflow in 2008. The net value of OIF assets denominated in SKK decreased to SKK 111.4 billion (by SKK 6.4 billion), thus negative monthly net sales were achieved (SKK-5.4 billion). On the other hand, the net sales of OIFs denominated in foreign currency (FC) were only slightly positive; hence the total net sales of OIFs reached a negative figure (SKK-5.4 billion).

Over the first 11 months of 2008, the net sales of OIFs of all categories operating in the SR, in SKK and FC in total, reached SKK 25.5 billion<sup>5</sup> (a negative figure), representing a fall of SKK 43.5 billion compared with the same period in 2007. The global financial crisis negative affected the results of investment funds in all categories, causing deep distrust among investors.

Among the OIFs, some positive net sales were achieved in November by equity and special real estate funds (only SKK 0.047 billion in total). The overall negative net sales can be mainly ascribed to money market funds (SKK 4.1 billion); the other categories recorded smaller negative net sales (SKK 1.4 billion in total, of which bond funds accounted for SKK 0.5 billion, mixed funds and the funds of funds for SKK 0.4 billion each, and other funds for SKK 0.1 billion).

5 The different amounts of monthly and cumulative net sales can be explained by the fact that the data of SASS obtained from regular weekly statistical reports and the data of individual OIF administrators ([openiazoch.zoznam.sk](http://openiazoch.zoznam.sk)) sometimes refer to different periods (SASS makes data releases on Fridays, but some of its members issue data on Thursdays) and to different numbers of mutual funds.

**Chart 22 Lending in foreign currency (SKK billions)**



Source: NBS.

**Table 8a Net monthly sales of open-end investment funds in the SR**

(SKK billions)

|                      | Year | Jan. | Feb. | Mar. | Apr. | May  | June | July | Aug. | Sep. | Oct.  | Nov. | Dec. | Cum.  |
|----------------------|------|------|------|------|------|------|------|------|------|------|-------|------|------|-------|
| OIF sales in total,  | 2006 | 1.8  | 0.4  | 1.2  | -1.6 | -0.1 | -0.4 | 0.1  | -1.9 | -0.4 | 1.2   | 2.4  | 1.4  | 4.1   |
| in Slovak koruna     | 2007 | 3.9  | 0.3  | 0.9  | 1.5  | 1.8  | 2.1  | 2.1  | 2.2  | 1.3  | 0.7   | 1.3  | 2.0  | 20.0  |
| and foreign currency | 2008 | 3.1  | 2.1  | -0.7 | 0.6  | 0.7  | 0.9  | -1.0 | -1.6 | -4.7 | -19.5 | -5.4 | .    | -25.5 |

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

**Table 8b Net sales of open-end investment funds in the SR**

(EUR millions)

|                      | Year | Jan.  | Feb. | Mar.  | Apr.  | May  | June  | July  | Aug.  | Sep.   | Oct.   | Nov.   | Dec. | Cum.   |
|----------------------|------|-------|------|-------|-------|------|-------|-------|-------|--------|--------|--------|------|--------|
| OIF sales in total,  | 2006 | 58.4  | 14.3 | 39.2  | -54.0 | -3.6 | -12.5 | 1.8   | -61.8 | -14.8  | 39.6   | 81.3   | 47.8 | 135.7  |
| in Slovak koruna     | 2007 | 129.9 | 8.9  | 28.7  | 50.0  | 60.4 | 71.2  | 69.6  | 72.1  | 43.2   | 23.0   | 41.6   | 65.8 | 664.4  |
| and foreign currency | 2008 | 101.3 | 70.3 | -22.1 | 19.4  | 24.3 | 29.6  | -32.5 | -52.0 | -157.2 | -648.0 | -179.9 | .    | -846.8 |

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

### Current Budgetary Developments

On 31 November 2008, the State budget of the Slovak Republic recorded a surplus of SKK 9.6 billion, with revenues totalling SKK 307.1 billion and expenditures SKK 297.5 billion.

### 4.2 The External Sector

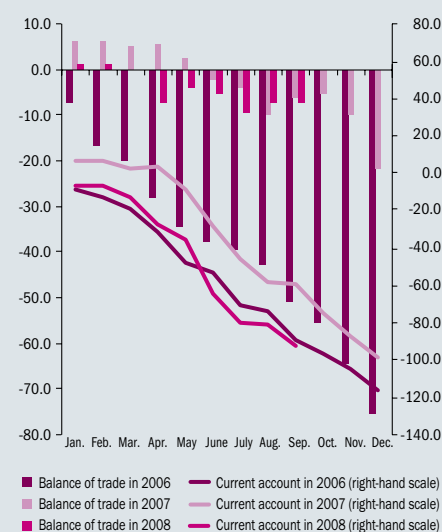
#### Balance of Payments for January and for January to September 2008

In September 2008, the balance of payments on current account resulted in a deficit of SKK 11.9 billion, representing a deterioration of SKK 11.3 billion compared with the previous month. The main factor in this development was a worsening in the balance of services (the revision of income from financial services and trade expenses). The month-on-month deterioration in the current account balance was also, to a lesser extent, supported by a decrease in the trade balance surplus and an increase in the deficit in current transfers. On the other hand, the income balance recorded a somewhat smaller deficit, which, however, had a negligible effect on the overall month-on-month change in the current account balance.

#### Current account

**Chart 23 NBS interest rates and net sales of OIFs in the SR**


Source: NBS calculations based on data from SASS.

**Chart 24 Balance of trade and the current account in 2006, 2007 and cumulative 2008**


Source: NBS and the Statistical Office of the SR.



**Table 9a Balance of payments current account (SKK billions)**

|  | September |       | January – September |         |
|--|-----------|-------|---------------------|---------|
|  | 2008      | 2007  | 2008                | 2007    |
| Balance of trade   | 0.2       | 3.7   | -7.1                | -5.9    |
| Exports  | 132.9     | 123.5 | 1,143.7             | 1,030.4 |
| Imports  | 132.7     | 119.8 | 1,150.8             | 1,036.3 |
| Balance of services  | -5.7      | -0.3  | -9.7                | 11.3    |
| Balance of income  | -3.6      | -3.7  | -57.2               | -52.9   |
| of which: income from investments  | -7.0      | -6.6  | -86.1               | -78.7   |
| of which: reinvested earnings  | -1.4      | -2.4  | -12.6               | -18.6   |
| Current transfers  | -2.8      | -0.7  | -18.9               | -11.7   |
| Current transfers in total   | -11.9     | -1.0  | -92.9               | -59.2   |
| Current account as a share of GDP in %   | -         | -     | -6.2                | -4.4    |
| Current account (excluding dividends and reinvested earnings) as a share of GDP in % | -         | -     | -0.7                | 2.2     |

Source: NBS and the Statistical Office of the SR.

**Table 9b Balance of payments current account (EUR billions)**

|                                   | September |      | January – September |      |
|-----------------------------------|-----------|------|---------------------|------|
|                                   | 2008      | 2007 | 2008                | 2007 |
| Balance of trade                  | 0,0       | 0,1  | -0,2                | -0,2 |
| Exports                           | 4,4       | 4,1  | 38,0                | 34,2 |
| Imports                           | 4,4       | 4,0  | 38,2                | 34,4 |
| Balance of services               | -0,2      | 0,0  | -0,3                | 0,4  |
| Balance of income                 | -0,1      | -0,1 | -1,9                | -1,8 |
| of which: income from investments | -0,2      | -0,2 | -2,9                | -2,6 |
| of which: reinvested earnings     | 0,0       | -0,1 | -0,4                | -0,6 |
| Current transfers                 | -0,1      | 0,0  | -0,6                | -0,4 |
| Current transfers in total        | -0,4      | 0,0  | -3,1                | -2,0 |

Source: NBS and the Statistical Office of the SR.

**Table 10a Exports in January to September, year-on-year changes**

|                                   | Year-on-year changes in SKK billions |       | Contribution to the year-on-year changes in p.p. |      |
|-----------------------------------|--------------------------------------|-------|--|------|
|                                   | January – September                  |       | January – September                              |      |
|                                   | 2008                                 | 2007  | 2008   | 2007 |
| Raw materials                     | 14.7                                 | -9.2  | 1.4  | -1.0 |
| Chemicals and semi-finished goods | 21.2                                 | 14.9  | 2.1  | 1.7  |
| Machinery and transport equipment | 66.0                                 | 132.9 | 6.4  | 15.0 |
| Finished products                 | 11.3                                 | 5.1   | 1.1  | 0.6  |
| EXPORTS in total                  | 113.3                                | 143.7 | 11.0   | 16.2 |

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

**Table 10b Exports in January to September, year-on-year changes**

|                                   | Year-on-year changes in EUR billions |      |
|-----------------------------------|--------------------------------------|------|
|                                   | January – September                  |      |
|                                   | 2008                                 | 2007 |
| Raw materials                     | 0.5                                  | -0.3 |
| Chemicals and semi-finished goods | 0.7                                  | 0.5  |
| Machinery and transport equipment | 2.2                                  | 4.4  |
| Finished products                 | 0.4                                  | 0.2  |
| EXPORTS in total                  | 3.8                                  | 4.8  |

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

From January to September 2008, the balance of payments on current account reached SKK 92.9 billion, representing a year-on-year deterioration of SKK 33.7 billion. The year-on-year increase in the deficit was mainly supported by the worsening services balances. A smaller year-on-year deterioration was also recorded in the current transfers and income balances. According to revised data, the trade balance resulted in a deficit of SKK 7.1 billion, representing a deterioration of SKK 1.2 billion compared



with the same period last year (according to preliminary data released a month earlier, a year-on-year improvement of SKK 3.1 billion was originally recorded).

Compared with the first nine months of 2007, both exports and imports increased in the same period of 2008 by 11.0% (by 37.7% in USD and 19.8% in EUR).

Over the first nine months of 2008, the most significant increase in comparison with the same period last year occurred in the exports of machinery and transport equipment (this increase was, however, approximately 50% smaller than in the same period in 2007). Despite this, the increase in the volume of total exports in the period January to September 2008 took place mostly in this category of goods. Within this category, more than 72% of the year-on-year increase was generated in the 'machinery' sub-category, by exports of television sets, parts and components. Besides machinery and transport equipment, exports also grew in chemicals and semi-finished goods. Most in demand on the world markets were semi-finished goods (iron and steel, and products thereof) and, to a lesser extent, chemical products (rubber and rubber goods). The increased exports of raw materials were mainly stimulated by increased refined oil products, while part of the increase in exports was caused by price developments. A larger year-on-year increase in exports was also recorded in the 'finished products' category, due mainly to increased exports of footwear, milk and dairy products, and beverages.

**Exports**

The largest year-on-year increase in imports was recorded in mining and quarrying, i.e. more than 41% of the total increase in imports. This was to a large extent caused by a year-on-year rise in oil and gas prices, which stimulated growth in the imports of these commodities. In the 'machinery and transport equipment' category, the increase in imports diminished in comparison with the same period of 2007, due to smaller increases in the imports of transport equipment (motor vehicle parts, components, and accessories) and machinery (components for the electrical industry). On the other hand, stronger import growth than last year was recorded in the 'finished products' category, mainly in the imports of automobiles and, to a lesser extent, agricultural products (meat, milk), machines and electrical products (consumer electronics). In finished products, a smaller increase was recorded in the imports of industrial products. The year-on-year growth in total imports was also supported by a year-on-year increase in imports in 'chemicals and semi-finished goods', which was, however, only half the figure recorded in the first half of 2007. The increased imports of semi-finished goods were concentrated in iron and steel, and iron and steel products. In the 'chemical products' category, the increase in imports took place mostly in plastics and rubber.

**Imports****Table 11a Imports in January to September, year-on-year changes**

|   | Year-on-year changes in<br>SKK billions |       | Contribution to the<br>year-on-year changes in p.p. |      |
|---|---|-------|---|------|
|   | January – September                     |       | January – September                                 |      |
|   | 2008                                    | 2007  | 2008  | 2007 |
| Raw materials                                 | 47.3                                    | -27.9 | 4.6   | -3.0 |
| Chemicals and semi-finished goods             | 17.5                                    | 32.7  | 1.7   | 3.5  |
| Machinery and transport equipment             | 18.7                                    | 74.4  | 1.8   | 7.9  |
| Finished products                             | 30.9                                    | 19.6  | 3.0   | 2.1  |
| of which: – agricultural and industrial goods | 14.6                                    | 14.1  | 1.4   | 1.5  |
| – passenger cars                              | 12.6                                    | 4.9   | 1.2   | 0.5  |
| – machines and electrical consumer goods      | 3.7                                     | 0.5   | 0.4   | 0.1  |
| IMPORTS in total                              | 114.4                                   | 98.7  | 11.0  | 10.5 |

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

**Table 11b Imports in January to September, year-on-year changes**

|   | Year-on-year changes in EUR billions |      |
|---|--------------------------------------|------|
|   | Január – September                   |      |
|   | 2008                                 | 2007 |
| Raw materials                                 | 1.6                                  | -0.9 |
| Chemicals and semi-finished goods             | 0.6                                  | 1.1  |
| Machinery and transport equipment             | 0.6                                  | 2.5  |
| Finished products                             | 1.0                                  | 0.7  |
| of which: – agricultural and industrial goods | 0.5                                  | 0.5  |
| – passenger cars                              | 0.4                                  | 0.2  |
| – machines and electrical consumer goods      | 0.1                                  | 0.0  |
| IMPORTS in total                              | 3.8                                  | 3.3  |

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



**Services balance** The balance of services for January to September 2008 resulted in a deficit of SKK 9.7 billion, representing a deterioration of SKK 21.0 billion compared with the same period in 2007. The change from last year's surplus to a deficit was mainly caused by 'other services in total' and, to a lesser extent, by tourism and transport services. The increased deficit in the balance of 'other services in total' was mainly caused by a marked increase in payments (accompanied by a fall in receipts) for financial and other services (mainly intermediary services). The year-on-year deterioration in the balance of tourism services was caused by accelerated growth in the expenses of Slovak residents on services related to tourism, which exceeded the growth in receipts from tourism services provided. In the case of transport services, the surplus achieved last year decreased to some extent, despite increased income from the transit of gas and oil (by SKK 2.5 billion), mainly as a result of increased payments for passenger air transport services.

**Income and current transfers balances** The year-on-year deterioration in the income balance over the first nine months of 2008 (by SKK 4.4 billion) was the result of increased deficit in the balance of income from investment. The deteriorated balance was mainly caused by increased dividend payments to foreign direct investors and increased interest payments for portfolio investments (interest on Eurobonds). On the other hand, the estimated earnings paid to foreign investors, which were reinvested in the SR, decreased in comparison with last year and thus moderated the growth in the income balance deficit (from investment). A certain improvement in comparison with the previous year was also recorded in employee compensation. This partly offset the year-on-year deterioration in the balance of income from investment.

The year-on-year increase in the current transfers deficit (by SKK 7.2 billion) was mainly caused by developments in the balance of private transfers, with the increase in expenses well exceeding the increase in receipts. The balance of government transfers also recorded a slight deterioration (the increase in payments to the EU budget exceeded the growth in receipts from eurofunds).

**Capital and financial account** In September 2008, the balance of payments on capital and financial account resulted in a surplus of SKK 6.1 billion. An inflow was mainly achieved in the balance of foreign direct investments, in the form of an increase in capital participations as well as reinvested earnings and other capital.

Over the first nine months of 2008, the balance of payments on capital and financial account generated a surplus of SKK 122.4 billion (compared with SKK 146.5 billion in 2007). The surplus in the balance of other investments diminished on a year-on-year basis, due to different developments in short-term deposits on accounts at Slovak banks (over the first nine months of 2007, inflows in deposits were recorded in the amount of SKK 86.0 billion, while the same period in 2008 saw outflows in the amount of SKK 3.0 billion). On the other hand, the decrease in the total inflow of funds was partly offset in the balance of portfolio investments, where increased demand for bonds was recorded among foreign investors, and was supported on the assets side by a decline in interest in investment in foreign securities among Slovak residents (in equity and debt securities).

|  | September |      | January – September |       |
|--|-----------|------|---------------------|-------|
|  | 2008      | 2007 | 2008                | 2007  |
| Capital account                                | 0.8       | -0.8 | 18.8                | 5.7   |
| Direct investment                              | 5.6       | -3.5 | 31.0                | 45.2  |
| SR abroad                                      | -0.1      | 0.1  | -2.2                | -2.4  |
| of which: equity capital abroad                | -0.4      | -0.2 | -2.2                | -1.7  |
| reinvested earnings                            | -0.1      | -0.1 | -0.9                | -0.9  |
| In the SR                                      | 5.7       | -3.6 | 33.2                | 47.6  |
| of which: equity capital in the SR             | 2.6       | 2.5  | 12.6                | 16.1  |
| of which: other than privatisation             | 2.6       | 2.5  | 12.6                | 16.1  |
| reinvested earnings                            | 1.5       | 2.5  | 13.5                | 19.5  |
| Portfolio investment and financial derivatives | 2.4       | 2.1  | 47.8                | 6.3   |
| SR abroad                                      | 3.1       | -0.5 | 5.6                 | -7.0  |
| In the SR                                      | -0.7      | 2.6  | 42.2                | 13.3  |
| Other long-term investments                    | 1.0       | 2.6  | 4.6                 | 8.9   |
| Assets   | -0.8      | -1.4 | -9.5                | -8.2  |
| Liabilities                                    | 1.8       | 4.0  | 14.1                | 17.1  |
| Other short-term investments                   | -3.7      | -0.5 | 20.2                | 80.4  |
| Assets   | -19.7     | -1.2 | -19.3               | -0.2  |
| Liabilities                                    | 16.0      | 0.7  | 39.5                | 80.6  |
| Capital and financial account                  | 6.1       | -0.1 | 122.4               | 146.5 |

Source: NBS.





|  | September |      | January – September |      |
|--|-----------|------|---------------------|------|
|  | 2008      | 2007 | 2008                | 2007 |
| Capital account                                | 0.0       | 0.0  | 0.6                 | 0.2  |
| Direct investment                              | 0.2       | -0.1 | 1.0                 | 1.5  |
| SR abroad                                      | 0.0       | 0.0  | -0.1                | -0.1 |
| of which: equity capital abroad                | 0.0       | 0.0  | -0.1                | -0.1 |
| reinvested earnings                            | 0.0       | 0.0  | 0.0                 | 0.0  |
| In the SR                                      | 0.2       | -0.1 | 1.1                 | 1.6  |
| of which: equity capital in the SR             | 0.1       | 0.1  | 0.4                 | 0.5  |
| of which: other than privatisation             | 0.1       | 0.1  | 0.4                 | 0.5  |
| reinvested earnings                            | 0.0       | 0.1  | 0.4                 | 0.6  |
| Portfolio investment and financial derivatives | 0.1       | 0.1  | 1.6                 | 0.2  |
| SR abroad                                      | 0.1       | 0.0  | 0.2                 | -0.2 |
| In the SR                                      | 0.0       | 0.1  | 1.4                 | 0.4  |
| Other long-term investments                    | 0.0       | 0.1  | 0.2                 | 0.3  |
| Assets   | 0.0       | 0.0  | -0.3                | -0.3 |
| Liabilities                                    | 0.1       | 0.1  | 0.5                 | 0.6  |
| Other short-term investments                   | -0.1      | 0.0  | 0.7                 | 2.7  |
| Assets   | -0.7      | 0.0  | -0.6                | 0.0  |
| Liabilities                                    | 0.5       | 0.0  | 1.3                 | 2.7  |
| Capital and financial account                  | 0.2       | 0.0  | 4.1                 | 4.9  |

Source: NBS.

From January to September 2008, foreign direct investment (FDI) recorded an inflow of SKK 31.0 billion, representing a year-on-year decline of SKK 14.2 billion compared with the same period in 2007. The year-on-year change in the balance of direct investments was mainly the result of a lower estimate of reinvested earnings by foreign investors, and to a lesser extent, of a smaller capital inflow in the form of other capital and equity participations.

**Foreign direct investment**

Portfolio investment resulted in a net inflow of SKK 47.8 billion, compared with a net inflow of SKK 6.3 billion a year earlier. The increased net inflow was influenced on the assets side by a fall in demand for foreign equity and debt securities among Slovak residents. On the liabilities side, the increased inflow compared with last year resulted from increased interest in bonds among foreign investors (mainly in the banking and corporate sectors).

**Portfolio investment**

In other investment, an inflow of SKK 24.8 billion was recorded in the period from January to September 2008, compared with SKK 89.3 billion recorded in the same period a year earlier. The year-on-year decline (SKK 64.5 billion) was connected with developments in the banking sector, while the main factor was a lower inflow of short-term capital into Slovak banks (bank deposits). This capital inflow last year was to a considerable extent the result of interbank foreign exchange market developments in March and April, which led to appreciation in the Slovak koruna and subsequent NBS interventions. The outflow of funds resulting from deposit operations was partly offset in the banking sector by an increase in financial credit drawing.

**Other investment**

|                  | January – September 2008 | January – September 2007 | Year-on-year changes |
|------------------|--------------------------|--------------------------|----------------------|
| Banks            | 32.9                     | 80.3                     | -47.5                |
| Enterprises      | -8.2                     | 12.0                     | -20.2                |
| Government + NBS | 0.2                      | -3.0                     | 3.2                  |
| Total            | 24.8                     | 89.3                     | -64.5                |

Source: NBS.

|                  | January – September 2008 | January – September 2007 | Year-on-year changes |
|------------------|--------------------------|--------------------------|----------------------|
| Banks            | 1.1                      | 2.7                      | -1.6                 |
| Enterprises      | -0.3                     | 0.4                      | -0.7                 |
| Government + NBS | 0.0                      | -0.1                     | 0.1                  |
| Total            | 0.8                      | 3.0                      | -2.1                 |

Source: NBS.



**Foreign reserves of NBS** The foreign reserves of NBS increased over the first nine months of 2008 by SKK 2.7 billion (EUR 0.1 billion), i.e. USD 0.1 billion (excluding exchange rate differentials).

**Table 14a Balance of payments adjusted for government and NBS activities**  
(SKK billions)

|  | January – September 2008 |                        |
|--|--------------------------|------------------------|
|  | Actual <sup>1)</sup>     | Adjusted <sup>2)</sup> |
| Current account                                    | -94.9                    | -37.0                  |
| Capital and financial account                      | 122.4                    | 38.8                   |
| Of which: FDI in the SR – equity participation     | 12.6                     | 11.2                   |
| Errors and omissions                               | -30.3                    | -30.3                  |
| NBS interventions <sup>3)</sup>                    | 0.0                      | 0.0                    |
| Change in net foreign assets of banks (- increase) | -                        | 28.5                   |
| Change in NBS reserves (- increase)                | 2.7                      | -                      |

Source: NBS.

1) Original balance of payment structure, i.e. impact of receipts and payments on NBS reserves.

2) Adjusted for the effects of government and NBS activities, which do not affect the positions of commercial banks vis-à-vis non-residents and do not qualify as a real source of finance for the current account.

3) In the original balance of payments structure, interventions are part of the foreign reserves of NBS.

**Table 14b Balance of payments adjusted for government and NBS activities**  
(EUR billions)

|  | January – September 2008 |                        |
|--|--------------------------|------------------------|
|  | Actual <sup>1)</sup>     | Adjusted <sup>2)</sup> |
| Current account                                    | -3.1                     | -1.2                   |
| Capital and financial account                      | 4.1                      | 1.3                    |
| Of which: FDI in the SR – equity participation     | 0.4                      | 0.4                    |
| Errors and omissions                               | -1.0                     | -1.0                   |
| NBS interventions <sup>3)</sup>                    | 0.0                      | 0.0                    |
| Change in net foreign assets of banks (- increase) | -                        | 0.9                    |
| Change in NBS reserves (- increase)                | 0.1                      | -                      |

Source: NBS.

1) Original balance of payment structure, i.e. impact of receipts and payments on NBS reserves.

2) Adjusted for the effects of government and NBS activities, which do not affect the positions of commercial banks vis-à-vis non-residents and do not qualify as a real source of finance for the current account.

3) In the original balance of payments structure, interventions are part of the foreign reserves of NBS.

### The External Debt of Slovakia as at 30 September 2008

**Gross external debt** At the end of September 2008, the total gross external debt of Slovakia reached USD 53.0 billion (EUR 37.0 billion). Total long-term foreign debt dropped in August by USD 0.5 billion, while total short-term foreign debt increased by USD 0.7 billion.

Within the long-term external debt, the foreign liabilities of the Government and NBS decreased by USD 0.5 billion in September.

Concerning the short-term foreign debt, the short-term foreign liabilities of commercial banks and entrepreneurial entities increased by USD 0.4 billion and USD 0.3 billion, respectively.

At the end of September, Slovakia's total per-capita gross foreign debt stood at USD 9,861. The share of short-term foreign debt in the country's total gross external debt increased month-on-month by 1.1 percentage points, to 51.3% at the end of September 2008.

**Net external debt** The net external debt of Slovakia, expressed as the difference between gross foreign debt, i.e. USD 53.0 billion (liabilities of the Government, NBS, commercial banks, and the corporate sector – except for equity participation), and foreign assets, i.e. USD 40.1 billion (foreign reserves of NBS, foreign assets of commercial banks and the corporate sector – except for equity participation), reached USD 12.9 billion (debtor position) at the end of September 2008. This represented a month-on-month increase of USD 1.3 billion.



**Table 15 External debt of the Slovak Republic**

|                                  | In millions of USD |            |            | In millions of EUR |            |            |
|----------------------------------|--------------------|------------|------------|--------------------|------------|------------|
|                                  | 31.12.2007         | 31.08.2008 | 30.09.2008 | 31.12.2007         | 31.08.2008 | 30.09.2008 |
| Total external debt of the SR    | 44,308.7           | 52,823.3   | 53,045.3   | 30,156.2           | 35,767.9   | 36,963.7   |
| Long-term external debt          | 20,709.7           | 26,309.1   | 25,848.3   | 14,094.9           | 17,757.1   | 18,011.9   |
| Government and NBS <sup>1)</sup> | 9,502.4            | 11,307.2   | 10,831.9   | 6,467.3            | 7,656.4    | 7,548.0    |
| Commercial banks                 | 2,150.8            | 3,167.3    | 3,135.5    | 1,463.8            | 2,144.6    | 2,184.9    |
| Entrepreneurial entities         | 9,056.5            | 11,834.6   | 11,880.9   | 6,163.8            | 8,013.5    | 8,279.0    |
| Short-term external debt         | 23,599.0           | 26,514.1   | 27,197.0   | 16,061.3           | 17,953.4   | 18,951.8   |
| Government and NBS               | 0.0                | 0.0        | 0.0        | 0.0                | 0.0        | 0.0        |
| Commercial banks                 | 12,095.6           | 13,880.0   | 14,225.5   | 8,232.2            | 9,398.5    | 9,912.8    |
| Entrepreneurial entities         | 11,503.4           | 12,634.1   | 12,971.5   | 7,829.1            | 8,554.9    | 9,039.0    |
| Foreign assets                   | 37,017.4           | 38,821.7   | 40,142.4   | 25,193.8           | 26,287.2   | 27,972.6   |
| Net external debt                | 7,291.3            | 14,001.5   | 12,902.9   | 4,962.4            | 9,480.7    | 8,991.1    |
| SKK/USD and SKK/EUR rates:       | 22.870             | 20.523     | 21.112     | 33.603             | 30.309     | 30.297     |
| EUR/USD cross exchange rate:     | -                  | -          | -          | 1.469              | 1.477      | 1.435      |

Source: NBS.

1) Including government agencies and municipalities.

### Current Developments

In October, the deficit in the balance of payments current account diminished, to SKK 2.0 billion. This represented a month-on-month improvement of SKK 9.9 billion, caused mainly by a smaller shortfall in the services balance and a larger surplus in the trade balance. A month-on-month improvement was also recorded in the balance of income. On the other hand, the deficit in current transfers remained virtually unchanged (it increased by SKK 0.2 billion) compared with the previous month.

October saw a slowdown in the year-on-year dynamics of exports as well as imports, when exports fell by 1.8% and imports by 4.2%.

**Table 16a Balance of payments current account**

(SKK billions)

|                                   | October |       | January – October |         |
|-----------------------------------|---------|-------|-------------------|---------|
|                                   | 2008    | 2007  | 2008              | 2007    |
| Balance of trade                  | 4.0     | 0.7   | -3.1              | -5.2    |
| Exports                           | 140.1   | 142.8 | 1,283.8           | 1,173.2 |
| Imports                           | 136.1   | 142.1 | 1,286.9           | 1,178.4 |
| Balance of services               | -1.4    | -1.6  | -11.1             | 9.7     |
| Balance of income                 | -1.6    | -15.8 | -58.8             | -68.7   |
| of which: income from investments | -4.9    | -18.7 | -91.0             | -97.4   |
| of which: reinvested earnings     | -1.4    | -2.4  | -14.0             | -21.0   |
| Current transfers                 | -3.0    | -0.1  | -21.9             | -11.8   |
| Current account in total          | -2.0    | -16.8 | -94.9             | -76.0   |

Source: NBS and the Statistical Office of the SR.

**Table 16b Balance of payments current account**

(EUR billions)

|                                   | October |      | January – October |      |
|-----------------------------------|---------|------|-------------------|------|
|                                   | 2008    | 2007 | 2008              | 2007 |
| Balance of trade                  | 0.1     | 0.0  | -0.1              | -0.2 |
| Exports                           | 4.7     | 4.7  | 42.6              | 38.9 |
| Imports                           | 4.5     | 4.7  | 42.7              | 39.1 |
| Balance of services               | 0.0     | -0.1 | -0.4              | 0.3  |
| Balance of income                 | -0.1    | -0.5 | -2.0              | -2.3 |
| of which: income from investments | -0.2    | -0.6 | -3.0              | -3.2 |
| of which: reinvested earnings     | 0.0     | -0.1 | -0.5              | -0.7 |
| Current transfers                 | -0.1    | 0.0  | -0.7              | -0.4 |
| Current account in total          | -0.1    | -0.6 | -3.2              | -2.5 |

Source: NBS and the Statistical Office of the SR.



The trade balance achieved in October was more favourable than expected by NBS, owing to the lower values of exports and, in particular, imports (compared with the expectations).

Exports are expected to fall slightly in November, but their dynamics are likely to remain at the level of the previous month. In November, imports are expected to reach a similar level as in the previous month (unlike exports, imports should be supported by increased pre-Christmas imports), with a certain moderation in the year-on-year rate of growth.

In December, imports are expected to record a further significant fall (due to seasonality), at a virtually unchanged rate of growth compared with the previous month. In January, the volume of exports is expected to grow markedly again as a result of seasonal effects, while the rate of growth is likely to slow somewhat owing to a base effect. A similar trend is expected in imports in both December and January, when the volume of imports is likely to grow gradually as a result of increased imports of semi-finished goods. The slower month-on-month growth in imports expected in January (compared with the growth in exports) will probably be caused by lower imports of goods for final consumption.

Overall, the trade balance is expected to remain unchanged in all three months, at the level of the previous year.

**Table 17a Current account developments by component (SKK billions)**

|                   | 2008 |      |      |       |       |       |       |      |       |      |
|-------------------|------|------|------|-------|-------|-------|-------|------|-------|------|
|                   | Jan. | Feb. | Mar. | Apr.  | May   | Jun.  | Jul.  | Aug. | Sep.  | Oct. |
| Trade balance     | 1.3  | 0.3  | -1.8 | -6.9  | 3.4   | -1.7  | -4.1  | 2.2  | 0.2   | 4.0  |
| Services balance  | -0.9 | -1.8 | -0.1 | -1.3  | -1.2  | -0.7  | 0.2   | 1.8  | -5.7  | -1.4 |
| Income balance    | -1.4 | 1.7  | -3.8 | -2.8  | -12.5 | -21.2 | -9.8  | -3.8 | -3.6  | -1.6 |
| Current transfers | -6.0 | 0.0  | -0.5 | -3.1  | 1.4   | -4.8  | -2.3  | -0.8 | -2.8  | -3.0 |
| Current account   | -7.0 | 0.2  | -6.2 | -14.1 | -8.9  | -28.4 | -16.0 | -0.6 | -11.9 | -2.0 |

Source: NBS and the Statistical Office of the SR.

**Table 17b Current account developments by component (EUR billions)**

|                   | 2008 |      |      |      |      |      |      |      |      |      |
|-------------------|------|------|------|------|------|------|------|------|------|------|
|                   | Jan. | Feb. | Mar. | Apr. | May  | Jun. | Jul. | Aug. | Sep. | Oct. |
| Trade balance     | 0.0  | 0.0  | -0.1 | -0.2 | 0.1  | -0.1 | -0.1 | 0.1  | 0.0  | 0.1  |
| Services balance  | 0.0  | -0.1 | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.1  | -0.2 | 0.0  |
| Income balance    | 0.0  | 0.1  | -0.1 | -0.1 | -0.4 | -0.7 | -0.3 | -0.1 | -0.1 | -0.1 |
| Current transfers | -0.2 | 0.0  | 0.0  | -0.1 | 0.0  | -0.2 | -0.1 | 0.0  | -0.1 | -0.1 |
| Current account   | -0.2 | 0.0  | -0.2 | -0.5 | -0.3 | -0.9 | -0.5 | 0.0  | -0.4 | -0.1 |

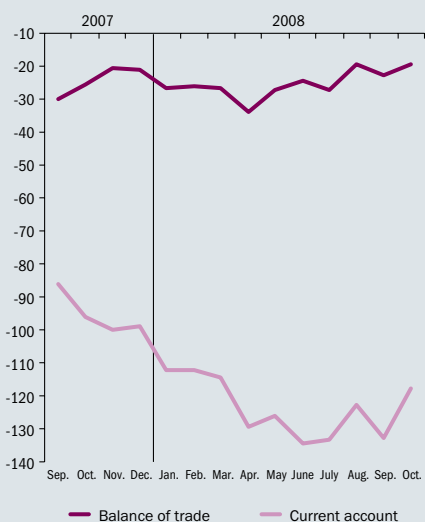
Source: NBS and the Statistical Office of the SR.

**Total foreign reserves of NBS**

At the end of November, the total foreign reserves of NBS stood at USD 17,093.5 million, representing a moderate month-on-month increase (USD 36.9 million). The increase in reserves in comparison with the end-October figure resulted from a modest surplus in the balance of receipts and expenses (USD 27.4 million), coupled with positive exchange rate differences (USD 9.5 million), resulting from a change in the USD/EUR cross-rate in the period under review. At the end of November, the volume of foreign reserves was 2.5 times greater than the volume of average monthly imports of goods and services to Slovakia over the first ten months of 2008.

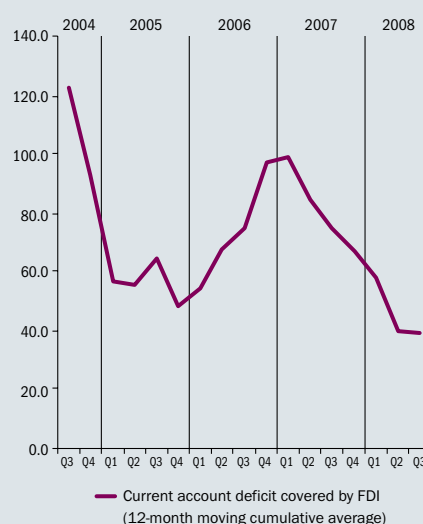
The ratio of foreign reserves to the amount of payments for goods and services recorded in banking statistics, reached 3.3 times the volume of average monthly imports of goods and services to the SR over the first ten months of 2008.

**Chart 25 Balance of trade and current account developments (12-month moving cumulative averages) (SKK billions)**



Source: NBS and the Statistical Office of the SR.

**Chart 26 Coverage of the current account deficit by foreign direct investment (12-month moving cumulative average) (%)**



Source: NBS.

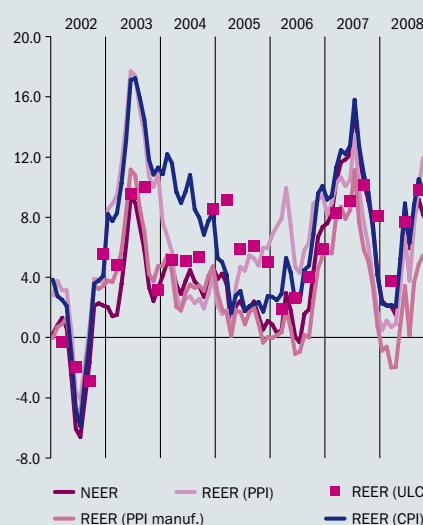
**Chart 27 Average monthly exchange rates of the Slovak koruna (year-on-year changes in %)**



Source: NBS.

Note: + depreciation, - appreciation of the SKK.

**Chart 28 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.

The nominal effective exchange rate (NEER)<sup>6</sup> of the Slovak koruna appreciated month-on-month by 0.3% in November, after depreciating by 0.4% in the previous month. The most significant contribution to the appreciation of the NEER index came from the strengthening of the domestic currency against the Czech koruna (by 0.4 of a percentage point). The effective appreciation of the Slovak koruna was moderated by its weakening in relation to the US dollar and the euro.

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

<sup>6</sup> For calculating the nominal and effective exchange rates of the Slovak koruna (NEER and REER), the 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 mining/quarrying products, 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.



On a year-on-year basis, the appreciation of the koruna's nominal effective exchange rate slowed, from 8.2% in October to 7.6% in November. The largest contribution to the appreciation of the NEER index was made by the strengthening Slovak koruna vis-à-vis the euro (by 6.4 percentage points).

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

The slower appreciation of the nominal effective exchange rate in October led to a slowdown in the year-on-year appreciation of the real effective exchange rate (REER) based on the consumer price index (CPI), to 9.7%. The REER index based on the producer price index (PPI) appreciated by 11.9% and the REER based on the manufacturing products price index (PPI manuf.) by 5.5%. The accelerated appreciation of the REER based on the PPI and PPI manufacturing indices was the result of faster growth in the industrial producer price index and/or a more moderate slowdown in the rise of the manufacturing products price index, accompanied by a marked fall in inflation in the countries of Slovakia's major trading partners.

**Table 18 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               | 5.5                      |
| December 2003                          | 3.2       | 11.3       | 10.8        | 4.7               | 3.2                      |
| December 2004                          | 4.7       | 8.3        | 4.1         | 4.7               | 8.6                      |
| December 2005                          | 1.1       | 2.7        | 6.0         | 0.0               | 5.0                      |
| December 2006                          | 7.4       | 10.1       | 9.5         | 5.4               | 5.9                      |
| December 2007                          | 4.2       | 4.2        | 1.7         | 0.8               | 8.1                      |
| September 2008 <sup>1)</sup>           | 9.2 / 8.5 | 10.5 / 9.3 | 10.0 / 10.8 | 4.9 / 4.8         | 9.8 <sup>(p)</sup>       |
| October 2008 <sup>1)</sup>             | 8.2 / 8.0 | 9.7 / 9.4  | 11.9 / 10.9 | 5.5 / 5.7         | -                        |
| November 2008 <sup>1)</sup>            | 7.6 / 8.3 | .          | .           | .                 | -                        |

Source: NBS.

1) Year-on-year changes/cumulative change since the beginning of the year.

2) Year-on-year changes based on quarterly data.

**4.3 The Real Economy**

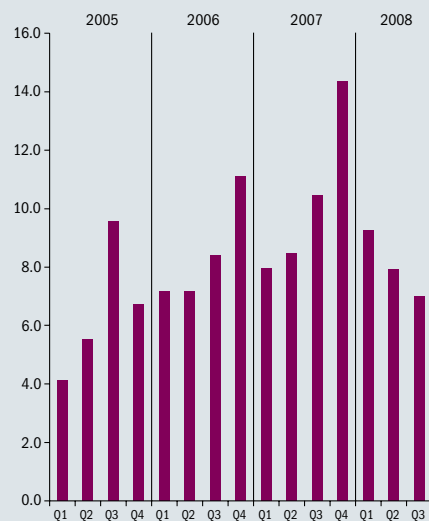
*Development of the Real Economy in the Third Quarter of 2008*

**Gross Domestic Product**

**Real economic growth in the 3rd quarter of 2008 was 7.0%**

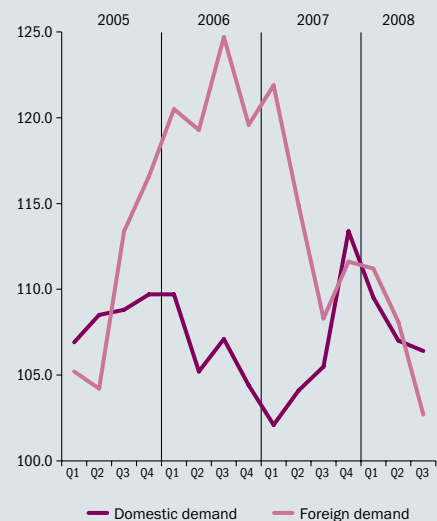
According to revised data from the Statistical Office of the SR, gross domestic product (GDP) increased year-on-year by 7.0% at constant prices in the third quarter of 2008. Compared with third quarter of 2007, the rate of GDP growth slowed 3.5 percentage points. Over the first three quarters of 2008, GDP grew year-on-year by 8.0% at constant prices.

**Chart 29 Development of real GDP by quarter (year-on-year growth in %)**



Source: Statistical Office of the SR.

**Chart 30 Development of domestic and foreign demand (index, same period a year earlier = 100)**



Source: Statistical Office of the NBS.



In terms of production, GDP growth in the third quarter of 2008 was attributable to value added growth in trade, hotels and restaurants, transport, financial intermediation, real estate business, and construction. The nominal volume of GDP generated in the third quarter of 2008 amounted to SKK 534.5 billion, which was 10.2% more than a year earlier.

### Demand

In terms of utilisation, the structure of economic growth in the third quarter of 2008 was mainly influenced by growth in domestic demand<sup>7</sup> (6.4% at constant prices), which exceeded the dynamics of foreign demand (2.7%). The economic growth was stimulated by all components of domestic demand.

**Domestic demand grew at a faster rate than foreign demand**

The growth in domestic demand in the third quarter of 2008 was 0.9 of a percentage point faster than a year earlier and accelerated in real terms by 6.4%. The consumption component of domestic demand increased year-on-year by 5.4%, which represented a slowdown of 0.8 of a percentage point compared with the same period last year. The growth in final consumption was mainly influenced by stronger growth in government spending on consumption (3.3% in the third quarter of 2008, compared with a fall of 0.2% a year earlier). Final consumption in the household sector increased 6.0% (which was 2.3 percentage points less than a year earlier). Non-profit institutions serving households recorded a slower growth in consumption than a year earlier.

**Domestic demand showed stronger year-on-year dynamics**

|  | 2007  |       |       | 2008  |       |       |
|--|-------|-------|-------|-------|-------|-------|
|  | Q3    | Q4    | Year  | Q1    | Q2    | Q3    |
| Gross domestic product                     | 110.5 | 114.3 | 110.4 | 109.3 | 107.9 | 107.0 |
| Domestic effective demand                  | 105.5 | 113.4 | 106.5 | 109.5 | 107.0 | 106.4 |
| Final consumption                          | 106.2 | 103.8 | 104.9 | 106.6 | 106.5 | 105.4 |
| Households                                 | 108.3 | 105.8 | 107.1 | 108.4 | 105.7 | 106.0 |
| General government                         | 99.8  | 98.7  | 98.7  | 100.7 | 109.6 | 103.3 |
| Non-profit institutions serving households | 103.6 | 104.0 | 102.0 | 101.9 | 101.0 | 100.4 |
| Gross fixed capital formation              | 111.1 | 107.0 | 108.7 | 107.5 | 111.8 | 107.3 |
| Exports of goods and services              | 108.3 | 111.6 | 113.8 | 111.2 | 108.1 | 102.7 |
| Imports of goods and services              | 102.3 | 110.2 | 108.9 | 110.6 | 107.7 | 102.0 |

Source: Statistical Office of the SR.

|  | Gross fixed capital formation (SKK millions) | Proportion (%) | Index Q3 2007 / Q3 2006 | Index Q3 2008 / Q3 2007 |
|--|--|----------------|-------------------------|-------------------------|
| Economy of the SR intotal              | 141,578                                      | 100.0          | 112.5                   | 109.2                   |
| In which, by sector:                   |  |                |                         |                         |
| Non-financial corporations             | 99,519                                       | 70.3           | 114.5                   | 104.0                   |
| Financial corporations                 | 1,958  | 1.4            | 100.9                   | 90.0                    |
| General government                     | 8,923  | 6.3            | 98.9                    | 125.4                   |
| Households                             | 30,887                                       | 21.8           | 110.5                   | 126.6                   |
| Non-profit institutions                | 291  | 0.2            | 109.6                   | 106.6                   |
| Of which (by production):              |  |                |                         |                         |
| Machinery                              | 50,764                                       | 35.9           | 101.5                   | 126.7                   |
| Of which: other machines and equipment | 35,251                                       | 24.9           | 101.0                   | 121.1                   |
| Transport equipment                    | 15,513                                       | 11.0           | 103.0                   | 141.5                   |
| Buildings and structures               | 79,375                                       | 56.1           | 108.7                   | 105.8                   |
| Of which: residential buildings        | 14,523                                       | 10.3           | 119.7                   | 124.0                   |
| Other buildings                        | 64,852                                       | 45.8           | 106.8                   | 102.4                   |

Source: Statistical Office of the SR.

<sup>7</sup> The sum of final consumption by households, final consumption by general government, final consumption by non-profit institutions serving households, and gross capital formation.



**Table 20b Structure of gross fixed capital formation in the third quarter of 2008**  
(current prices)

|  | Gross fixed capital formation (EUR millions) | Proportion (%) | Index Q3 2007 / Q3 2006 | Index Q3 2008 / Q3 2007 |
|--|--|----------------|-------------------------|-------------------------|
| Economy of the SR intotal              | 4,700  | 100.0          | 112.5                   | 109.2                   |
| In which, by sector:                   |  |                |                         |                         |
| Non-financial corporations             | 3,303  | 70.3           | 114.5                   | 104.0                   |
| Financial corporations                 | 65   | 1.4            | 100.9                   | 90.0                    |
| General government                     | 296  | 6.3            | 98.9                    | 125.4                   |
| Households                             | 1,052  | 21.8           | 110.5                   | 126.6                   |
| Non-profit institutions                | 10   | 0.2            | 109.6                   | 106.6                   |
| Of which (by production):              |  |                |                         |                         |
| Machinery                              | 1,685  | 35.9           | 101.5                   | 126.7                   |
| Of which: other machines and equipment | 1,170  | 24.9           | 101.0                   | 121.1                   |
| Transport equipment                    | 515  | 11.0           | 103.0                   | 141.5                   |
| Buildings and structures               | 2 635,                                       | 56.1           | 108.7                   | 105.8                   |
| Of which: residential buildings        | 482  | 10.3           | 119.7                   | 124.0                   |
| Other buildings                        | 2,153  | 45.8           | 106.8                   | 102.4                   |

Source: Statistical Office of the SR.

**Growth in investment in buildings and machines**

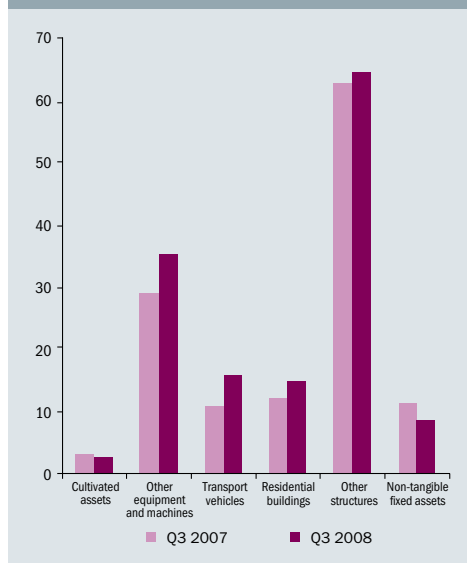
In the third quarter of 2008, investment increased in all categories of production. The strongest growth was recorded in investment in machinery, specifically in transport equipment. Compared with the third quarter of 2007, the share of investments in machines increased by 5 percentage points, while that of construction investments decreased by 1.7 percentage points. Except for financial corporations, all sectors of the economy contributed to the growth in fixed investments.

**Lower household final consumption**

In the third quarter of 2008, final consumption expenditure increased year-on-year by 5.4% at constant prices (compared with 6.2% a year earlier). Final consumption in the household sector was influenced by wage growth, employment growth, and the continuing drawing of credit facilities. The total receivables of monetary financial institutions from households as a share of their final consumption continued to increase in the third quarter of 2008, to 32.9% (an increase of 4.3 percentage points compared with the third quarter of 2007).

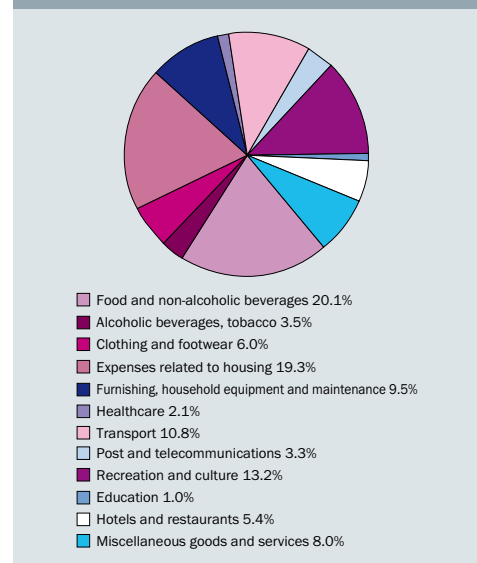
The growth in government consumption (3.3% at constant prices) was mainly influenced by growth in social benefits in kind, intermediate consumption, and remuneration for employees. The consumption expenditures of non-profit institutions increased 0.4%.

**Chart 31 Breakdown of gross fixed capital formation by production (SKK billions)**



Source: Statistical Office of the SR.

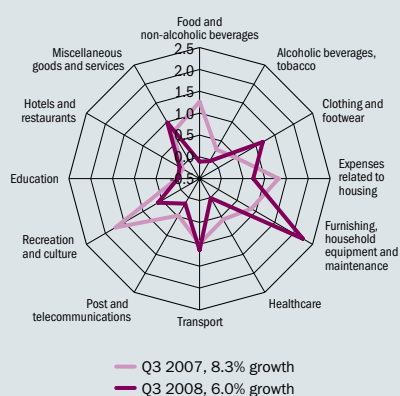
**Chart 32 Structure of final household consumption in the third quarter of 2008 (%)**



Source: Statistical Office of the SR.

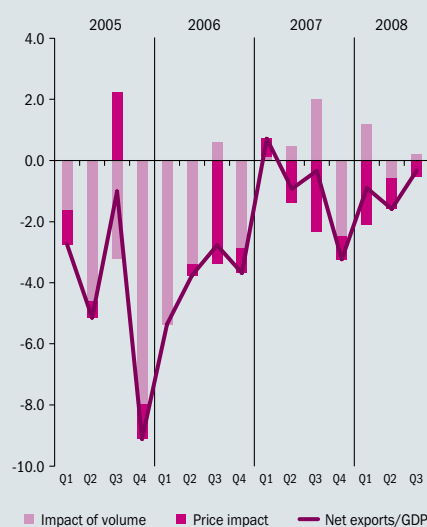
Note: Individual items of final consumption do not add up.



**Chart 33 Contributions of consumer expenditure groups to growth in household final consumption (%)**


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

Note: Individual items of final consumption do not add up.

**Chart 34 Contributions of net exports to GDP (at current prices) (%)**


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

In percentage terms, the largest consumption components were, as last year, expenses on food and non-alcoholic beverages (20.1%) and expenses related to housing (19.3%). Compared with the third quarter of 2007, the proportions of these components decreased 1.3 and 0.5 percentage points, respectively.

#### Structure of spending on consumption

In the third quarter of 2008, the growth in household final consumption was mainly based on expenditures on furnishings, household appliances, and routine house maintenance; clothing and footwear; and transport. On the other hand, a year-on-year decrease (1.4 percentage points) was recorded in spending on food and non-alcoholic beverages.

The exports and imports of goods and services at current prices showed weaker year-on-year dynamics. Exports slowed by 4.3 percentage points, to 4.5% at current prices. Imports grew at the same rate as exports and slowed year-on-year by 1.3 percentage points in favour of exports. Compared with the third quarter of 2007, nominal net exports deteriorated by approximately SKK 149 million and resulted in a deficit of SKK 1.8 billion.

#### Net exports

**Table 21 Contributions of price and volume to exports and imports (percentage points)**

| Indicator  | Q3 07 | Q4 07 | 2007 | Q1 08 | Q2 08 | Q3 08 |
|--|-------|-------|------|-------|-------|-------|
|  | Q3 06 | Q4 06 | 2006 | Q1 07 | Q2 07 | Q3 07 |
| Exports of goods and services (year-on-year growth in %; current prices) | 8.8   | 11.6  | 14.4 | 14.6  | 11.4  | 4.5   |
| Impact of volume   | 8.3   | 11.6  | 13.8 | 11.2  | 8.1   | 2.7   |
| Impact of price  | 0.5   | 0.0   | 0.6  | 3.3   | 3.2   | 1.8   |
| Imports of goods and services (year-on-year growth in %, current prices) | 5.8   | 11.0  | 10.7 | 16.6  | 12.2  | 4.5   |
| Impact of volume   | 2.3   | 10.2  | 8.9  | 10.6  | 7.7   | 2.0   |
| Impact of price  | 3.5   | 0.8   | 1.8  | 6.0   | 4.5   | 2.5   |
| Net exports as a share of GDP (share in %; current prices)               | -0.3  | -3.2  | -1.0 | -0.9  | -1.6  | -0.3  |
| Impact of volume   | 2.0   | -2.5  | 0.0  | 1.2   | -0.6  | 0.2   |
| Impact of price  | -2.3  | -0.8  | -1.0 | -2.1  | -1.0  | -0.5  |
| Terms of trade (index)   | 97.2  | 99.2  | 98.9 | 97.7  | 98.9  | 99.3  |

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

Notes: Calculated from GDP figures in millions of SKK; the contribution of imports of goods and services reduces the values of net exports and GDP; figures may not add up due to rounding. Terms of trade calculations are based on year-on-year changes in the export and import deflators of goods and services.



With price developments in foreign markets taken into account, net exports at constant prices generated a surplus of SKK 22.9 billion in the third quarter of 2008 (SKK 2.8 billion more than a year earlier).

Developments in import prices in foreign trade, as measured by the import deflators of goods and services, were mainly caused by the prices of energy-producing raw materials. Import prices increased year-on-year by 2.5% and export prices by 1.8%. Thus, the terms of trade deteriorated in the third quarter of 2008.

**Growth in export performance and import intensity**

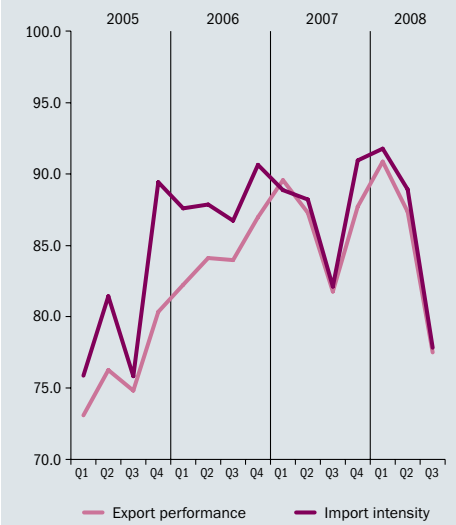
The export performance of the Slovak economy weakened year-on-year by 4.3 percentage points in the third quarter of 2008, when the exports of goods and services as a share of GDP reached 77.5% at current prices. Import intensity also decreased by 4.3 percentage points, to 77.8%. The openness of the Slovak economy, expressed in terms of the ratio of exports and imports of goods and services to nominal GDP, diminished year-on-year by 8.5 percentage points, to 155.3%.

**Supply**

**GDP creation**

GDP growth in the third quarter of 2008 was influenced by value added creation, which grew year-on-year by 7.4% at constant prices (compared with 11.5% in the same period last year). Net taxes, which include value added tax, excise tax, import tax (adjusted for subsidies), increased 3.7%, compared with 1.4% a year earlier. The dynamics of intermediate consumption weakened 1.2 percentage points on a year-on-year basis, to 3.2%.

**Chart 35 Developments in export performance and import intensity (%)**



Source: Statistical Office of the SR.

**Table 22 GDP creation by component**

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

|                                     | 2007  |       |       | 2008  |       |       |
|-------------------------------------|-------|-------|-------|-------|-------|-------|
|                                     | Q3    | Q4    | Year  | Q1    | Q2    | Q3    |
| Gross output                        | 107.3 | 114.3 | 110.9 | 108.3 | 109.9 | 105.0 |
| Intermediate consumption            | 104.4 | 115.6 | 111.2 | 107.3 | 110.8 | 103.2 |
| Value added                         | 111.5 | 112.3 | 110.4 | 110.2 | 108.6 | 107.4 |
| Net taxes on products <sup>1)</sup> | 101.4 | 134.4 | 110.7 | 99.9  | 101.7 | 103.7 |

Source: Statistical Office of the SR.

1) Value added tax, excise tax, import tax, minus subsidies.

**Table 23 GDP Development by branches**

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

|   | <u>Q3 07</u><br><u>Q3 06</u> | <u>Q4 07</u><br><u>Q4 06</u> | <u>2007</u><br><u>2006</u> | <u>Q1 08</u><br><u>Q1 07</u> | <u>Q2 08</u><br><u>Q2 07</u> | <u>Q3 08</u><br><u>Q3 07</u> |
|---|------------------------------|------------------------------|----------------------------|------------------------------|------------------------------|------------------------------|
| Gross domestic product  | 110.5                        | 114.3                        | 110.4                      | 109.3                        | 107.9                        | 107.0                        |
| of which  |                              |                              |                            |                              |                              |                              |
| Agriculture   | 113.1                        | 120.0                        | 109.2                      | 106.4                        | 97.1                         | 106.5                        |
| Industry  | 116.9                        | 117.9                        | 113.0                      | 111.4                        | 106.9                        | 91.5                         |
| Construction  | 109.0                        | 105.8                        | 107.8                      | 107.3                        | 106.6                        | 109.0                        |
| Trade, hotels and restaurants, transport  | 107.4                        | 116.7                        | 114.1                      | 116.2                        | 113.6                        | 119.9                        |
| Financial intermediation, real estate   | 108.4                        | 109.1                        | 104.2                      | 105.5                        | 107.2                        | 117.1                        |
| Public administration, education, health care, and other community, social, and personal services | 112.1                        | 101.2                        | 108.2                      | 106.3                        | 108.0                        | 108.1                        |
| Net taxes on products <sup>1)</sup>   | 101.4                        | 134.4                        | 110.7                      | 99.9                         | 101.7                        | 103.7                        |

1) Value added tax, excise tax, import tax, minus subsidies.

Source: Statistical Office of the SR.



Value added growth was recorded in all sectors, except in industry. The strongest value added growth was recorded in trade, hotels and restaurants, transport (19.9%), and in financial intermediation, real estate business, and construction (8.0%).

### Gross National Income

According to revised data from the Statistical Office of the SR, gross national income<sup>8</sup> (GNI) increased year-on-year by 17.0% at current prices in the third quarter of 2008. Compared with the same period last year, the rate of GNI growth accelerated (mainly as a result of a fall in primary income paid to non-residents) by 11.7 percentage points, and thus exceeded the dynamics of GDP growth at current prices (10.2%). Gross national disposable income (GNDI) increased year-on-year by 17.3% at current prices.

**Gross national income was lower than GDP**

| Indicator                               | Q3 07 | Q4 07 | 2007    | Q1 08 | Q2 08 | Q3 08 |
|---|-------|-------|---------|-------|-------|-------|
| Gross domestic product (GDP)            | 484.9 | 499.0 | 1 852.8 | 470.0 | 503.8 | 534.5 |
| Gross national product (GNP)            | 448.1 | 482.1 | 1 801.5 | 469.7 | 484.8 | 524.5 |
| Gross national disposable income (GNDI) | 438.4 | 477.8 | 1 777.5 | 460.6 | 473.4 | 514.4 |
| GDP – growth index                      | 111.7 | 110.6 | 111.7   | 112.9 | 111.3 | 110.2 |
| GND – growth index                      | 105.3 | 107.6 | 111.2   | 112.4 | 106.9 | 117.0 |
| GNDI – growth index                     | 104.3 | 107.7 | 111.1   | 111.8 | 105.3 | 117.3 |
| GND to GDP ratio in %                   | 92.4  | 96.6  | 97.2    | 99.9  | 96.2  | 98.1  |
| GNDI to GDP ratio in %                  | 90.4  | 95.8  | 95.9    | 98.0  | 94.0  | 96.2  |

Source: ŠÚ SR.

| Indicator                               | Q3 07 | Q4 07 | 2007  | Q1 08 | Q2 08 | Q3 08 |
|---|-------|-------|-------|-------|-------|-------|
| Gross domestic product (GDP)            | 16.1  | 16.6  | 61.5  | 15.6  | 16.7  | 17.7  |
| Gross national product (GNP)            | 14.9  | 16.0  | 59.8  | 15.6  | 16.1  | 17.4  |
| Gross national disposable income (GNDI) | 14.6  | 15.9  | 59.0  | 15.3  | 15.7  | 17.1  |
| GDP – growth index                      | 111.7 | 110.6 | 111.7 | 112.9 | 111.3 | 110.2 |
| GND – growth index                      | 105.3 | 107.6 | 111.2 | 112.4 | 106.9 | 117.0 |
| GNDI – growth index                     | 104.3 | 107.7 | 111.1 | 111.8 | 105.3 | 117.3 |
| GND to GDP ratio in %                   | 92.4  | 96.6  | 97.2  | 99.9  | 96.2  | 98.1  |
| GNDI to GDP ratio in %                  | 90.4  | 95.8  | 95.9  | 98.0  | 94.0  | 96.2  |

Source: ŠÚ SR.

The smaller volume of GNI compared with GDP indicates that, in the third quarter of 2008, the inflow of income earned by persons working abroad (employee compensation) into the economy was smaller than the outflow of income from economic activity in the territory of the domestic economy (property income, reinvested earnings, and interest).

### Wages and Labour Productivity

In the third quarter of 2008, the average monthly nominal wage of an employee in the Slovak economy increased year-on-year by 8.8%, to SKK 21,226. Compared with the previous quarter, the rate of wage growth slowed 0.7 of a percentage point.

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

The strongest nominal wage growth in the third quarter of 2008 was recorded in public administration, defence and compulsory social insurance (12%); electricity and gas supply (11.4%); agriculture (11.2%); mining and quarrying (11.1%); trade (10.9%); health and social care (9.5%); and other community services (9.2%).

The dynamics of real wages slowed 0.7 of a percentage point in comparison with the third quarter of 2007 (from 4.2% to 3.5%), due to accelerated rise in consumer prices.

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

<sup>8</sup> Gross national income (GNI) is one of the macroeconomic indicators used for measuring the output of the economy according to the national concept, while GDP is based on the domestic concept, which represents the final result 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-sheet item in the 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.



In the third quarter of 2008, real wages increased in all sectors of the economy, except in hotels and restaurants.

**Table 25 Average monthly wages and labour productivity in the Slovak economy (index, same period a year earlier =100)**

|  | 2007  |       |       | 2008  |       |       |
|--|-------|-------|-------|-------|-------|-------|
|  | Q3    | Q4    | Year  | Q1    | Q2    | Q3    |
| Nominal wage (index)                         | 106.8 | 108.0 | 107.2 | 110.0 | 109.5 | 108.8 |
| Real wage                                    | 104.2 | 104.5 | 104.3 | 105.8 | 104.8 | 103.5 |
| Labour productivity in current prices        | 108.9 | 108.2 | 109.0 | 109.9 | 108.4 | 106.8 |
| Labour productivity in constant prices       | 107.7 | 111.8 | 107.7 | 106.4 | 105.1 | 103.7 |
| Real labour productivity – real wage (p. p.) | 3.5   | 7.3   | 3.4   | 0.6   | 0.3   | 0.2   |
| CPI (average for the period)                 | 102.5 | 103.3 | 102.8 | 104.0 | 104.5 | 105.1 |

Source: Statistical Office of the SR, NBS calculations.

Labour productivity is calculated on the basis of GDP and employment data obtained from quarterly statistical records.

Note: The Statistical Office revised the national accounts as at 4 December 2008.

**Labour productivity** In the third quarter of 2008, labour productivity (GDP per person employed) increased in nominal terms by 6.8% and in real terms by 3.7%. Compared with the third quarter of 2007, the rate of productivity growth slowed in nominal terms by 2.1 percentage points and in real terms by 4 percentage points. The growth rate of real labour productivity exceeded the dynamics of real wages by 0.2 a percentage point.

**Labour market indicators based on ESA 95 for the economy as a whole ....** In the third quarter of 2008, nominal compensation per employee (based on ESA 95) grew year-on-year by 9.2%, but the dynamics of growth remained unchanged in comparison with the same period last year.

**Table 26 Average compensation per employee and labour productivity in the Slovak economy (ESA 95) (index, same period of year earlier = 100)**

|   | 2007  |       |       | 2008  |       |       |
|---|-------|-------|-------|-------|-------|-------|
|   | Q3    | Q4    | Year  | Q1    | Q2    | Q3    |
| Compensation per employee, nominal                                | 109.2 | 109.8 | 108.7 | 110.9 | 110.4 | 109.2 |
| Compensation per employee, real                                   | 107.2 | 105.7 | 105.9 | 106.5 | 105.2 | 104.3 |
| Labour productivity at current prices                             | 109.4 | 108.1 | 109.4 | 109.8 | 108.1 | 106.8 |
| Labour productivity at constant prices                            | 108.3 | 111.7 | 108.1 | 106.3 | 104.8 | 103.7 |
| Real labour productivity – real compensation per employee (p. p.) | 1.1   | 6.0   | 2.2   | -0.2  | -0.4  | -0.6  |
| ULC nominal   | 100.9 | 98.2  | 100.6 | 104.4 | 105.3 | 105.4 |
| Deflator for final household consumption                          | 101.9 | 103.9 | 102.6 | 104.2 | 104.9 | 104.7 |

Sources: Statistical Office of the SR and NBS calculations.

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

**...and broken down by sector** Labour productivity, calculated according to ESA 95, increased in nominal terms by 6.8% and in real terms by 3.7% on a year-on-year basis. Broken down by sector, real labour productivity calculated from ESA 95 data fell in industry and construction in the third quarter of 2008. In services, labour productivity increased by 12.5%.

**Table 27 Real labour productivity and real wages in the third quarter of 2008 (according to statistical records) (index, same period a year earlier = 100)**

|   | Real labour productivity | Real compensation per employee |
|---|--------------------------|--------------------------------|
| Economy in total  | 103.7                    | 104.3                          |
| Agriculture and fishing   | 105.4                    | 103.6                          |
| Industry  | 90.0                     | 104.2                          |
| Construction  | 99.9                     | 91.4                           |
| Trade, hotels and restaurants and transportation  | 114.8                    | 103.7                          |
| Financial intermediation, real estate business  | 108.2                    | 104.5                          |
| Public administration, education, health care and other community, social and personal services | 108.3                    | 107.9                          |

Sources: Statistical Office of the SR and NBS calculations.

**Chart 36 Development of real wages and real labour productivity**


Sources: NBS calculations, Statistical Office of the SR.

**Chart 37 Unit labour costs by component in ECB methodology (%)**


Sources: Statistical Office of the SR and NBS calculations.

Units labour costs according to ECB methodology (ULCECB), 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 by 5.4% in the third quarter of 2008, compared with 0.9% in the third quarter of 2007. This development was mainly the result of a marked slowdown in real labour productivity in comparison with the same period a year earlier.

**Unit labour costs based on ESA 95**
**Income and Expenditure of Households**

According to preliminary data from the Statistical Office of the SR, the current income of households reached SKK 416.6 billion in the third quarter of 2008, representing a year-on-year increase of 12.4% in nominal terms. Compared with the third quarter of 2007, the rate of growth accelerated 0.4 of a percentage point. Within the structure of current income, the fastest growth was recorded in gross mixed income (16.6%).

**Accelerated growth in current income, ...**
**Table 28 Generation and use of income in the household sector (current prices)**

| Item  | SKK billions |         | EUR billions |         | Index <sup>1)</sup> |       | Share in % |         |
|---|--------------|---------|--------------|---------|---------------------|-------|------------|---------|
|   | Q3 2007      | Q3 2008 | Q3 2007      | Q3 2008 | Q3 07               | Q3 08 | Q3 2007    | Q3 2008 |
|   |              |         |              |         | Q3 06               | Q3 07 |            |         |
| Employee compensation (all sectors)   | 177.9        | 196.7   | 5.9          | 6.5     | 109.5               | 110.6 | 48.0       | 47.2    |
| of which: gross wages and salaries  | 138.6        | 154.7   | 4.6          | 5.1     | 109.6               | 111.6 | 37.4       | 37.1    |
| Gross mixed income  | 111.0        | 129.5   | 3.7          | 4.3     | 113.9               | 116.6 | 29.9       | 31.1    |
| Property income – received  | 11.9         | 13.1    | 0.4          | 0.4     | 130.5               | 110.5 | 3.2        | 3.1     |
| Social benefits   | 56.6         | 62.8    | 1.9          | 2.1     | 108.5               | 110.9 | 15.3       | 15.1    |
| Other current transfers – received  | 13.2         | 14.5    | 0.4          | 0.5     | 133.9               | 109.4 | 3.6        | 3.5     |
| Current income in total   | 370.7        | 416.6   | 12.3         | 13.8    | 112.0               | 112.4 | 100.0      | 100.0   |
| Property income – paid  | 6.3          | 6.6     | 0.2          | 0.2     | 118.5               | 105.2 | 6.0        | 5.6     |
| Current tax on income, property, etc.   | 16.4         | 19.3    | 0.5          | 0.6     | 119.6               | 117.7 | 15.6       | 16.3    |
| Social contributions  | 69.0         | 77.7    | 2.3          | 2.6     | 110.0               | 112.5 | 65.8       | 65.7    |
| Other current transfers – paid  | 13.2         | 14.6    | 0.4          | 0.5     | 117.0               | 110.6 | 12.6       | 12.4    |
| Current expenditure in total  | 104.9        | 118.2   | 3.5          | 3.9     | 112.7               | 112.7 | 100.0      | 100.0   |
| Gross disposable income   | 265.8        | 298.4   | 8.8          | 9.9     | 111.7               | 112.3 | -          | -       |
| Adjustment for changes in net household assets in the reserves of pension funds | 7.2          | 7.8     | 0.2          | 0.3     | 113.6               | 108.1 | -          | -       |
| Household final consumption   | 259.2        | 287.8   | 8.6          | 9.6     | 110.3               | 111.1 | -          | -       |
| Gross household savings   | 13.8         | 18.4    | 0.5          | 0.6     | 146.1               | 133.5 | -          | -       |

1) Indices are based on figures in millions of SKK.

Source: Statistical Office of the SR.



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

The current expenditure of households (expenses paid to other sectors and not used for direct consumption) increased year-on-year by 12.7%, to SKK 118.2 billion. Compared with the same period last year, the rate of growth remained unchanged. The year-on-year growth in current expenditure was caused by growth in current taxes on income and property, and in social security contributions.

With current expenditure deducted from current income, the gross disposable income of households amounted to SKK 298.4 billion, representing a year-on-year increase of 12.3% (compared with 11.7% a year earlier). Of the disposable income, 96.5% was used for final consumption; the remainder went to gross savings, which increased year-on-year by 33.5%. The ratio of gross household savings reached 6.2%, which was 1 percentage points more than in the same period a year earlier.

**Table 29 Developments in gross disposable income**  
(index, same period a year earlier = 100, current prices)

|   | 2007  |       |       | 2008  |       |       |
|---|-------|-------|-------|-------|-------|-------|
|   | Q3    | Q4    | Year  | Q1    | Q2    | Q3    |
| Gross disposable income                                 | 111.7 | 112.3 | 112.0 | 110.3 | 112.7 | 112.3 |
| Household final consumption                             | 110.3 | 109.9 | 109.9 | 112.9 | 110.9 | 111.1 |
| Gross household savings                                 | 146.1 | 126.5 | 141.2 | 76.2  | 126.9 | 133.5 |
| Gross savings as a share of gross disposable income (%) | 5.2   | 12.4  | 8.4   | 4.7   | 9.6   | 6.2   |

Source: Statistical Office of the SR, NBS calculations.

**Employment and Unemployment**

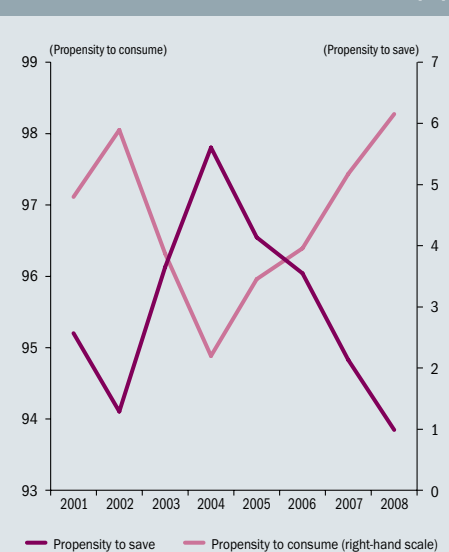
**Continuing dynamic growth in employment**

According to statistical surveys, as well as the methodology of national accounts (ESA 95), employment increased year-on-year by 3.2%. The year-on-year growth in employment according to a labour force sample survey (LFSS) reached 4.5%. Compared with the third quarter of 2007, the rate of growth accelerated 2.5 percentage points. The marked acceleration in employment growth in the third quarter of 2008 was mainly connected with an increase in the number of people involved in Activation Work Programme. The number of persons working abroad decreased year-on-year by 4.9%. Regarding the structure of workers, total employment (LFSS) in the third quarter of 2008 was mostly influenced by an increase in the number of entrepreneurs (by 12.1%). The number of employed increased year-on-year by 3.6%.

**Development of employment by sector**

Broken down by sector, employment (based on ESA 95) increased year-on-year most significantly in construction, real estate and renting activities, transport, storage, post and telecommunications (in the third quarter of 2008). Employment remained below the level of last year in electricity and gas supply, mining and quarrying, health care, and other community services.

**Chart 38 Propensity of households to save and to consume (%)**



Sources: Statistical Office of the SR, NBS calculations.

**Chart 39 Unemployment rate (%)**



Sources: Centre for Labour, Social Affairs and Family and the Statistical Office of the SR.



| Table 30 Employment and unemployment   |         |         |         | (average for the period) |         |         |
|--|---------|---------|---------|--------------------------|---------|---------|
|  | 2007    |         |         | 2008                     |         |         |
|  | Q3      | Q4      | Q1 - Q4 | Q1                       | Q2      | Q3      |
| Employment according to statistical records <sup>1)</sup> thousands of persons | 2,222.8 | 2,252.5 | 2,222.7 | 2,260.9                  | 2,274.4 | 2,294.1 |
| index, same period a year earlier =100   | 102.6   | 102.2   | 102.5   | 102.7                    | 102.7   | 103.2   |
| Employment according to a labour force sample survey                           |         |         |         |                          |         |         |
| thousands of persons   | 2,366.5 | 2,398.4 | 2,357.3 | 2,391.3                  | 2,404.8 | 2,472.9 |
| index, same period a year earlier =100   | 102.0   | 102.8   | 102.4   | 102.8                    | 102.9   | 104.5   |
| Employment according to ESA 95   |         |         |         |                          |         |         |
| thousands of persons   | 2,191.5 | 2,204.7 | 2,177.0 | 2,207.7                  | 2,226.9 | 2,262.6 |
| index, same period a year earlier =100   | 102.1   | 102.3   | 102.1   | 102.8                    | 102.9   | 103.2   |
| Unemployment according to a labour force sample survey                         |         |         |         |                          |         |         |
| thousands of persons   | 297.9   | 275.3   | 291.9   | 280.5                    | 270.8   | 244.1   |
| index, same period a year earlier =100   | 87.2    | 86.3    | 82.6    | 92.6                     | 93.0    | 81.9    |
| Unemployment rate according to a labour force sample survey in %               | 11.2    | 10.3    | 11.0    | 10.5                     | 10.1    | 9.0     |
| Rate of registered unemployment in % <sup>2)</sup>                             | 8.3     | 7.9     | 8.4     | 7.8                      | 7.4     | 7.5     |

Source: Statistical Office of the SR.

1) Including professional soldiers (with effect from 2007).

2) NBS calculations based on monthly data from the Centre for Labour, Social Affairs and Family.

| Table 31 Developments in employment by sector (ESA 95)         |       |       |         |       |       |       |
|--|-------|-------|---------|-------|-------|-------|
| (index, same period a year earlier = 100)                      |       |       |         |       |       |       |
|  | 2007  |       |         | 2008  |       |       |
|  | Q3    | Q4    | Q1 - Q4 | Q1    | Q2    | Q3    |
| Economy in total   | 102.1 | 102.3 | 102.1   | 102.8 | 102.9 | 103.2 |
| Agriculture and hunting  | 94.5  | 92.0  | 93.5    | 100.8 | 101.4 | 101.0 |
| Industry   | 102.2 | 102.0 | 102.4   | 103.2 | 102.6 | 101.7 |
| Mining and quarrying   | 106.3 | 105.6 | 103.6   | 102.0 | 99.6  | 95.7  |
| Manufacturing  | 102.9 | 102.6 | 103.0   | 103.9 | 103.3 | 102.3 |
| Electricity, gas and water supply                              | 92.8  | 92.3  | 93.5    | 94.0  | 92.8  | 93.6  |
| Construction   | 107.4 | 107.1 | 107.1   | 105.9 | 106.4 | 109.1 |
| Trade  | 107.1 | 109.0 | 106.6   | 104.5 | 105.6 | 104.3 |
| Hotels and restaurants   | 99.7  | 100.8 | 101.1   | 110.0 | 108.9 | 103.5 |
| Transportation, storage, post and telecommunications           | 103.3 | 102.9 | 102.6   | 106.8 | 107.5 | 105.1 |
| Financial intermediation                                       | 101.6 | 100.2 | 100.7   | 104.1 | 103.6 | 103.9 |
| Real estate, renting, and business activities                  | 97.1  | 98.8  | 98.1    | 103.0 | 102.8 | 109.0 |
| Public administration and defence, compulsory social insurance | 99.3  | 97.8  | 99.4    | 99.5  | 100.5 | 101.0 |
| Education  | 97.2  | 96.8  | 98.0    | 97.7  | 98.1  | 100.5 |
| Health and social care   | 105.8 | 109.2 | 108.1   | 96.4  | 97.1  | 99.1  |
| Other social services  | 93.1  | 91.2  | 91.3    | 99.4  | 95.3  | 97.0  |

Source: Statistical Office of the SR.

The persistent demand for labour was also reflected in the rate of unemployment. According to a labour force sample survey, the number of unemployed decreased year-on-year by 18.1% in the third quarter 2008. This decrease was also reflected in the rate of unemployment, which stood at 9% in the third quarter, which was 2.2 percentage points less than in the third quarter of 2007. The falling trend in unemployment was 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 third quarter of 2008 was 7.5%, which was 0.8 of a percentage point less than a year earlier.

**Unemployment continued to fall**

In the third quarter of 2008, the continuing year-on-year growth in labour supply (i.e. persons in productive and post-productive age) was reflected in the growing number of economically active persons. As a result of this development, the rate of economic activity reached 59.8%, representing a year-on-year increase of 0.9 of a percentage point. Among the economically active population, the increasing share of persons in employment caused a rise in the employment rate in the third quarter of 2008, by 2.4 percentage points on a year-on-year basis (to 63.1%).

**Increased labour supply**



| Table 32a Financial results of corporations       |         | (SKK millions, current prices) |            |                      |                                   |
|---|---------|--------------------------------|------------|----------------------|-----------------------------------|
|   | 2006    | 2007                           | Q1-Q3 2007 | Q1-Q3 2008           | Index<br>Q1-Q3 2008<br>Q1-Q3 2007 |
| Non-financial and financial corporations in total | 268,380 | 327,980                        | 279,001    | 259,820              | 93.1                              |
| of which:   |         |                                |            |                      |                                   |
| Non-financial corporations                        | 280,350 | 308,606                        | 249,672    | 237,848              | 95.3                              |
| Financial corporations                            | -11,970 | 19,374                         | 29,329     | 21,973               | 74.9                              |
| of which:   |         |                                |            |                      |                                   |
| NBS   | -45,128 | -19,464                        | -1,095     | -3,104 <sup>1)</sup> | -                                 |
| Financial corporations, excl. NBS                 | 33,158  | 38,838                         | 30,424     | 25,077               | 82.4                              |

Source: Statistical Office of the SR and NBS.  
Note: 1) Non-audited financial result.

| Table 32b Financial results of corporations       |          | (EUR millions, current prices) |            |                      |                                   |
|---|----------|--------------------------------|------------|----------------------|-----------------------------------|
|   | 2006     | 2007                           | Q1-Q3 2007 | Q1-Q3 2008           | Index<br>Q1-Q3 2008<br>Q1-Q3 2007 |
| Non-financial and financial corporations in total | 8,908.6  | 10,886.9                       | 9,261.1    | 8,624.4              | 93.1                              |
| of which:   |          |                                |            |                      |                                   |
| Non-financial corporations                        | 9,305.9  | 10,243.8                       | 8,287.6    | 7,895.1              | 95.3                              |
| Financial corporations                            | -397.3   | 643.1                          | 973.5      | 729.4                | 74.9                              |
| of which:   |          |                                |            |                      |                                   |
| NBS   | -1,498.0 | -646.0                         | -36.3      | -103.0 <sup>1)</sup> | -                                 |
| Financial corporations, excl. NBS                 | 1,100.6  | 1,289.2                        | 1,009.9    | 832.4                | 82.4                              |

Source: Statistical Office of the SR and NBS.  
Note: 1) Non-audited financial result.

| Table 33a Classification of economic activities by sector                            |                              |                                     |
|--|------------------------------|-------------------------------------|
|  | Financial result before tax  |                                     |
|  | Q1-Q3 2008<br>(SKK millions) | Indices<br>Q1-Q3 2008<br>Q1-Q3 2007 |
| Non-financial corporations in total  | 237,848                      | 95.3                                |
| Agriculture, hunting and forestry, fisheries and fishing                             | 731                          | -                                   |
| Industry in total  | 108,585                      | 83.6                                |
| Mining and quarrying   | 3,200                        | 149.3                               |
| Manufacturing  | 65,576                       | 85.2                                |
| Production of food, beverages and tobacco products                                   | 3,945                        | 77.7                                |
| Textile and clothing   | 51                           | 28.8                                |
| Leather and leather products   | 702                          | 217.3                               |
| Timber and wood products   | 915                          | 154.6                               |
| Production of cellulose, paper and paper products, printing houses and print         | 4,271                        | 130.9                               |
| Production of coke, refined oil products and nuclear fuels                           | 5,231                        | 80.4                                |
| Production of bulk chemicals and chemical products and fibres                        | 3,274                        | 126.0                               |
| Rubber and plastic products  | 2,733                        | 105.0                               |
| Other non-metal mineral products   | 6,802                        | 103.3                               |
| Metal production and metal products  | 18,058                       | 61.7                                |
| Plant and machinery  | 4,472                        | 90.5                                |
| Production of electrical and optical devices   | 3,306                        | 52.2                                |
| Production of transport equipment  | 9,841                        | 114.3                               |
| Non-classified production  | 1,975                        | -                                   |
| Production and distribution of electricity, gas and water                            | 39,809                       | 78.4                                |
| Construction   | 14,799                       | 146.8                               |
| Wholesale retail and trade, repairs of motor vehicles, motorbikes and consumer goods | 65,248                       | 123.8                               |
| Hotels and restaurants   | 984                          | 49.2                                |
| Transportation, storage, post and telecommunications                                 | 18,369                       | 46.6                                |
| Real estate, renting, and business activities  | 23,783                       | 157.9                               |
| Education  | 263                          | 274.0                               |
| Health and social care   | 1,508                        | -                                   |
| Other community, social and personal services  | 3,578                        | 123.3                               |

Source: Statistical Office of the SR.



**Table 33b Classification of economic activities by sector**

|  | Financial result before tax |                          |
|--|-----------------------------|--------------------------|
|  | Q1-Q3 2008                  | Indices                  |
|  | (EUR millions)              | Q1-Q3 2008<br>Q1-Q3 2007 |
| Non-financial corporations in total  | 7,895.1                     | 95.3                     |
| Agriculture, hunting and forestry, fisheries and fishing                             | 24.3                        | -                        |
| Industry in total  | 3,604.4                     | 83.6                     |
| Mining and quarrying   | 106.2                       | 149.3                    |
| Manufacturing  | 2,176.7                     | 85.2                     |
| Production of food, beverages and tobacco products                                   | 131.0                       | 77.7                     |
| Textile and clothing   | 1.7                         | 28.8                     |
| Leather and leather products   | 23.3                        | 217.3                    |
| Timber and wood products   | 30.4                        | 154.6                    |
| Production of cellulose, paper and paper products, printing houses and print         | 141.8                       | 130.9                    |
| Production of coke, refined oil products and nuclear fuels                           | 173.6                       | 80.4                     |
| Production of bulk chemicals and chemical products and fibres                        | 108.7                       | 126.0                    |
| Rubber and plastic products  | 90.7                        | 105.0                    |
| Other non-metal mineral products   | 225.8                       | 103.3                    |
| Metal production and metal products  | 599.4                       | 61.7                     |
| Plant and machinery  | 148.4                       | 90.5                     |
| Production of electrical and optical devices   | 109.7                       | 52.2                     |
| Production of transport equipment  | 326.7                       | 114.3                    |
| Non-classified production  | 65.6                        | -                        |
| Production and distribution of electricity, gas and water                            | 1,321.4                     | 78.4                     |
| Construction   | 491.2                       | 146.8                    |
| Wholesale retail and trade, repairs of motor vehicles, motorbikes and consumer goods | 2,165.8                     | 123.8                    |
| Hotels and restaurants   | 32.7                        | 49.2                     |
| Transportation, storage, post and telecommunications                                 | 609.7                       | 46.6                     |
| Real estate, renting, and business activities  | 789.5                       | 157.9                    |
| Education  | 8.7                         | 274.0                    |
| Health and social care   | 50.1                        | -                        |
| Other community, social and personal services  | 118.8                       | 123.3                    |

Source: Statistical Office of the SR.

### Financial Results of Corporations

According to preliminary data from the Statistical Office of the SR, financial and non-financial corporations achieved a total profit of SKK 259.8 billion over the first three quarters of 2008. This profit was 6.9% lower than in the same period of 2007; the earnings of non-financial corporations dropped by 4.7% and those of financial corporations by 25.1%.

Lower profits were mostly recorded by non-financial corporations in manufacturing; electricity, gas, and water supply; transport, storage, post and telecommunications. On the other hand, profits increased in wholesale trade, retail trade, the sale of motor vehicles and fuels; construction; real estate, renting, and business activities.

Among non-financial corporations, the profits achieved in the first three quarters of 2008 were mostly generated by entrepreneurial entities in manufacturing, trade, and in electricity, gas, and water supply.

Over the first three quarters of 2008, financial corporations generated a total profit of SKK 22.0 billion, compared with SKK 29.3 billion in the same period in 2007. The deterioration in the financial results of financial corporations for the first three quarters of 2008, compared with the same period in 2007, can be mainly ascribed to the lower profits of insurance corporations and pension funds (falling from SKK 7.4 billion in Q1-3, 2007, to SKK 2.9 billion in 2008) and other financial intermediaries (their profits dropped from SKK 6.3 billion in Q1-3, 2007, to SKK 1.8 billion in 2008). Commercial financial institutions recorded an increase in profits, from SKK 16.7 billion in Q1-3, 2007, to SKK 20.4 billion in 2008. In the same period, NBS produced a negative preliminary financial result (a loss of approximately SKK 3.1 billion in 2008, compared with a loss of SKK 1.1 billion in 2007).



## Current Developments

### Production and revenues

In October, the dynamics of industrial production weakened to 0%, from 5.4% in September 2008. The slowdown in the year-on-year growth of industrial production took place mostly in the key industries. The dynamics of production in the manufacture of transport vehicles weakened 12.8% in October, after strengthening 5.2% in September.

The production of machines recorded a decline of 2.9%, compared with a 7.7% growth in September. At the same time, production in the manufacture of electrical and optical equipment maintained a strong year-on-year growth (21.2% in October, compared with 23.5% in September). In the manufacture of metals and metal products, production declined year-on-year for the third consecutive month (in September by 3.5% and in October by 3.9%).

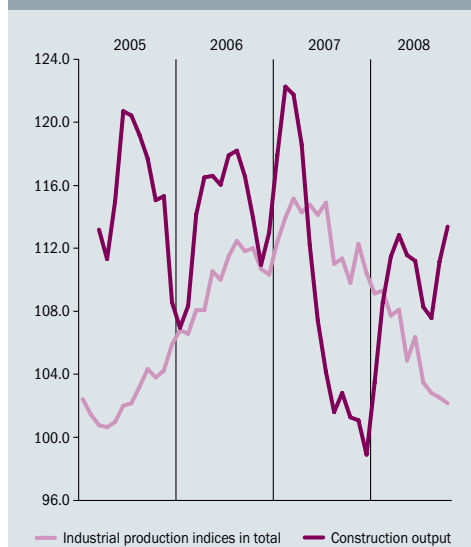
Production in the construction sector recorded a certain slowdown in the year-on-year rate of growth (from 17.2% in September to 15.9% in October), due to slower year-on-year growth in new construction, modernisation, and renovation projects in Slovakia.

Revenues in industry reflected the slowdown in industrial production and also recorded a slowdown in the year-on-year growth (at current prices), from 4.7% in September to 0.3% in October 2008. Revenues in Slovakia's key industries (manufacture of transport vehicles, metals and metal products, machinery and equipment, electrical and optical equipment) fell year-on-year by 0.8% in October, after increasing in September by 1.6%.

Retail sales at current prices recorded a moderate slowdown in the year-on-year rate of growth, from 8.4% in September to 7.5% in October. At constant prices, retail sales grew by 4.6% (as in September 2008). The slowdown in retail sales at current prices was mainly caused by a deepening year-on-year decline in other retail sales in non-specialised shops. A slowdown in year-on-year dynamics was recorded in retail trade in pharmaceuticals and cosmetics. An accelerated year-on-year growth in sales was recorded in retail trade outside shops.

The growth in the revenues of entities specialising in the sale and maintenance of motor vehicles and the retail sale of fuels slowed year-on-year by 4.2% in October 2008 (at constant prices a year-on-year slowdown of 3.2% was recorded). This was due to a sharper year-on-year decline in the sales of motor

**Chart 40 Industrial production index and construction production index (3-month moving averages) (index, same period a year earlier =100)**



Source: Statistical Office of the SR, NBS calculations.  
Note: The Industrial Production Index is adjusted for calendar effects.

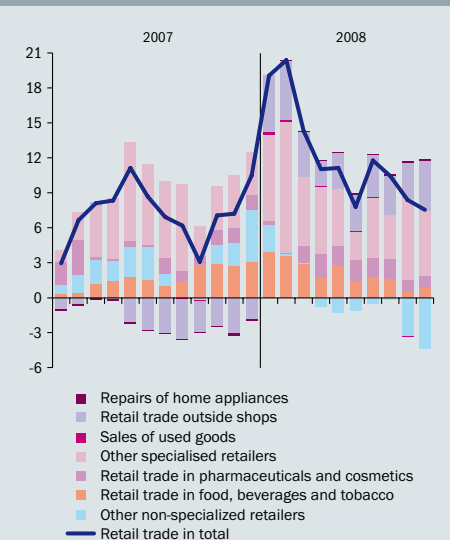
**Chart 41 Year-on-year dynamics of receipts in selected branches (current prices; 3-month moving averages) (%)**



Source: Statistical Office of the SR, NBS calculations.

**Chart 42 Retail and wholesale sales at current prices (3-month moving averages) (index, same period a year earlier = 100)**


Source: Statistical Office of the SR, NBS calculations.

**Chart 43 Contributions to year-on-year growth in retail sales (current prices) (p.p.)**


Sources: Statistical Office of the SR and NBS calculations.

vehicles (they fell by 6.6% in October, compared with 1.9% in September) and a slowdown in the year-on-year growth in receipts from the sale of fuels (from 8.0% in September to 1.1% in October).

The dynamics of wholesale revenues weakened (from 15.0% in September to 12.9% in October), mainly as a result of slower growth in revenues from wholesale trade in non-agricultural intermediate products, food, beverages, and tobacco, and in household goods.

The year-on-year growth in revenues from real estate, renting, and business activities, and from other services (at current prices) slowed in comparison with the previous month as a result of a slowdown in the year-on-year growth in revenues from other business activities, coupled with a year-on-year decline in revenues from real estate activities.

**Table 34a Production and revenues**

|   | SKK millions,  |              | Indices        |                |              |
|---|----------------|--------------|----------------|----------------|--------------|
|   | current prices |              |                |                |              |
|   | October 2008   | October 2007 | Jan.-Dec. 2007 | September 2008 | October 2008 |
| Industrial production index <sup>1)</sup>   | -              | 112.5        | 112.7          | 105.4          | 100.0        |
| Production in construction <sup>2)</sup>  | 19,383         | 100.1        | 105.7          | 117.2          | 115.9        |
| Industry in total <sup>3)</sup>   | 202,260        | 112.1        | 112.8          | 104.7          | 100.3        |
| Construction <sup>3)</sup>  | 32,495         | 108.2        | 114.8          | 131.5          | 129.1        |
| Wholesale trade <sup>3)</sup>   | 83,245         | 104.9        | 106.3          | 115.0          | 112.9        |
| Retail trade  | 43,773         | 107.1        | 107.2          | 108.4          | 107.5        |
| Sale and maintenance of vehicles, retail sales of fuels <sup>3)</sup>             | 20,065         | 120.2        | 118.0          | 102.4          | 95.8         |
| Hotels and restaurants <sup>3)</sup>  | 3,664          | 110.2        | 104.1          | 97.8           | 99.0         |
| Transport, storage <sup>3)</sup>  | 16,730         | 106.5        | 119.1          | 120.6          | 111.4        |
| Real estate, renting, business activities and other services <sup>3)</sup>        | 24,897         | 110.9        | 111.1          | 114.7          | 111.1        |
| Posts and telecommunications <sup>3)</sup>  | 7,215          | 104.9        | 108.2          | 106.7          | 107.1        |
| Revenues from own output and sales (total for the selected sectors) <sup>3)</sup> | 434,344        | 110.0        | 111.1          | 109.7          | 105.9        |

Source: Statistical Office of the SR, NBS calculations.

1) Adjusted for calendar effects (revised time series).

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

3) Index, same period of the previous year = 100 (constant prices)



**Table 34b Production and revenues**

|   | EUR millions,  |              | Indices        |                |              |
|---|----------------|--------------|----------------|----------------|--------------|
|   | current prices |              |                |                |              |
|   | October 2008   | October 2007 | Jan.-Dec. 2007 | September 2008 | October 2008 |
| Industrial production index <sup>1)</sup>   | -              | 112.5        | 112.7          | 105.4          | 100.0        |
| Production in construction <sup>2)</sup>  | 643.4          | 100.1        | 105.7          | 117.2          | 115.9        |
| Industry in total <sup>3)</sup>   | 6,713.8        | 112.1        | 112.8          | 104.7          | 100.3        |
| Construction <sup>3)</sup>  | 1,078.6        | 108.2        | 114.8          | 131.5          | 129.1        |
| Wholesale trade <sup>3)</sup>   | 2,763.2        | 104.9        | 106.3          | 115.0          | 112.9        |
| Retail trade  | 1,453.0        | 107.1        | 107.2          | 108.4          | 107.5        |
| Sale and maintenance of vehicles, retail sales of fuels <sup>3)</sup>             | 666.0          | 120.2        | 118.0          | 102.4          | 95.8         |
| Hotels and restaurants <sup>3)</sup>  | 121.6          | 110.2        | 104.1          | 97.8           | 99.0         |
| Transport, storage <sup>3)</sup>  | 555.3          | 106.5        | 119.1          | 120.6          | 111.4        |
| Real estate, renting, business activities and other services <sup>3)</sup>        | 826.4          | 110.9        | 111.1          | 114.7          | 111.1        |
| Posts and telecommunications <sup>3)</sup>  | 239.5          | 104.9        | 108.2          | 106.7          | 107.1        |
| Revenues from own output and sales (total for the selected sectors) <sup>3)</sup> | 14,417.6       | 110.0        | 111.1          | 109.7          | 105.9        |

Source: Statistical Office of the SR, NBS calculations.  
 1) Adjusted for calendar effects (revised time series).  
 2) Index, same period of the previous year = 100 (constant prices, average for 2000 = 100).  
 3) Index, same period of the previous year = 100 (constant prices)

**Wages, Employment and Unemployment**

**Nominal wage developments** In October 2008, the year-on-year dynamics of nominal wages weakened month-on-month in all sectors, except in post and telecommunications. The monthly wage statistics for the selected sectors indicate a marked slowdown in nominal wage growth in the economy as a whole in the fourth quarter of 2008, compared with the previous quarter.

**Table 35 Wage developments in selected sectors (index, same period a year earlier = 100)**

|                                    | Average monthly wage – nominal |              | Average monthly wage – real |              |
|------------------------------------|--------------------------------|--------------|-----------------------------|--------------|
|                                    | September 2008                 | October 2008 | September 2008              | October 2008 |
|                                    | Industry                       | 109.6        | 104.4                       | 104.0        |
| of which: manufacturing            | 110.4                          | 104.3        | 104.7                       | 99.2         |
| Construction                       | 113.5                          | 109.9        | 107.7                       | 104.6        |
| Retail trade                       | 108.1                          | 107.5        | 102.6                       | 102.3        |
| Wholesale trade                    | 113.5                          | 109.3        | 107.7                       | 104.0        |
| Sale and maintenance of vehicles   | 105.9                          | 103.2        | 100.5                       | 98.2         |
| Real estate and renting activities | 106.6                          | 106.1        | 101.1                       | 101.0        |
| Transport                          | 107.9                          | 107.3        | 102.4                       | 102.1        |
| Post and telecommunications        | 107.3                          | 110.6        | 101.8                       | 105.2        |
| Average for the selected sectors   | 109.4                          | 106.2        | 103.8                       | 101.0        |
| Consumer prices                    | 105.4                          | 105.1        | -                           | -            |

Source: Statistical Office of the SR and NBS calculations.  
 Real wage index = Nominal wage index / Consumer price index.  
 The data on average wages for September 2008 are not revised.  
 Note: The selected sectors accounted for 69.2% of total employment in the third quarter of 2008.

**Employment** The year-on-year growth in employment accelerated in October, compared with September 2008, in transport and storage, construction, and retail trade. In the other sectors, employment grew at a slower pace than in the previous month.

**Chart 44 Comparison of average monthly wages based on monthly and quarterly data (%)**



Source: Statistical Office of the SR.

**Chart 45 Comparison of employment rates based on monthly and quarterly data (%)**



Source: Statistical Office of the SR.

**Chart 46 Inflow, outflow and the total number of job seekers (JS) (thousands of persons)**



Source: Centre for Labour, Social Affairs and Family.

**Chart 47 Registered unemployment rate (%)**



Source: Centre for Labour, Social Affairs and Family.

**Table 36 Employment in selected sectors**

(index, same period a year earlier = 100)

|                                    | Employment     |              |
|------------------------------------|----------------|--------------|
|                                    | September 2008 | October 2008 |
| Industry                           | 101.5          | 101.1        |
| of which: manufacturing            | 102.2          | 101.7        |
| Construction                       | 110.1          | 110.7        |
| Retail trade                       | 102.6          | 102.8        |
| Wholesale trade                    | 102.2          | 102.1        |
| Sale and maintenance of vehicles   | 99.6           | 99.4         |
| Real estate and renting activities | 107.7          | 106.7        |
| Transport                          | 104.5          | 105.2        |
| Post and telecommunications        | 99.0           | 99.5         |
| Average for the selected sectors   | 103.2          | 103.0        |

Source: Statistical Office of the SR and NBS calculations.

According to data from the Centre for Labour, Social Affairs, and Family, the total number of unemployed dropped month-on-month by 465, to 228,200 in October 2008. The number of disposable unemployed, who may start working immediately, accounted for 195,900, which was 776 less than in September. The rate of registered unemployment stood at 7.5% in September, representing a year-on-year drop of 0.4 of a percentage point.

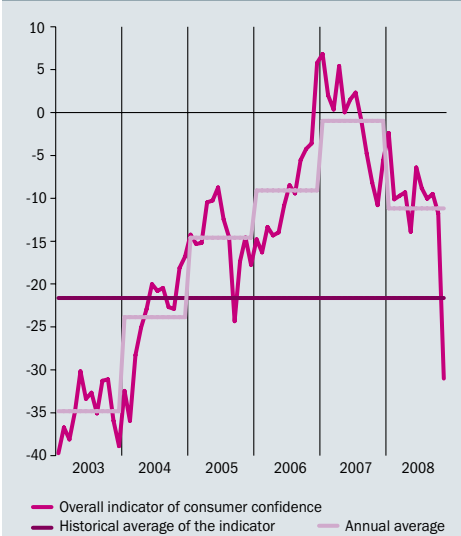
The average length of registration was 10.3 months. Compared with September 2008, the share of long-term unemployed (out of work for more than 12 months) decreased by 0.4 of a percentage point, to 47.5% in October 2008.

#### Consumer Confidence Indicator

#### Decline in consumer confidence

The consumer confidence indicator dropped sharply in November, to -31.0 points, which was 19.3 points less than in October. The index has worsened in comparison with October in all components, mainly in the expectations regarding the rate of unemployment and the overall economic situation in Slovakia. Compared with the same period last year, the consumer confidence indicator has deteriorated by 20.2 points.

Chart 48 Consumer confidence indicator



Source: Statistical Office of the SR, European Commission (EC), and NBS calculations based on data from the SO SR and the EC.



## 5 Monetary Developments

### 5.1 Foreign Exchange Market

Over the course of November, the exchange rate of the Slovak koruna against the euro strengthened by 0.2% (from SKK/EUR 30.391 to SKK/EUR 30.333), while the average rate appreciated by 0.2%. The Slovak koruna deviated from its central rate (SKK/EUR 30.126) most significantly on 13 November 2008, when its exchange rate was fixed at SKK/EUR 30.495, representing a depreciation of 1.2% from the central parity. In relation to the US dollar, the koruna weakened by 0.9% (from SKK/USD 23.306 to SKK/USD 23.516), while depreciating in average terms by 4.8%.

#### Operations in the foreign exchange market

Spot transactions between foreign and domestic banks resulted in a negative balance (USD-401.2 million), i.e. foreign banks tended to purchase Slovak koruna and to sell foreign currency.

Národná banka Slovenska (NBS) conducted no foreign exchange intervention in November.

|         | Month-on-month changes | Average Oct. 2008<br>Average Oct. 2007 | Average Jan.-Oct. 2008<br>Average Jan.-Oct. 2007 |
|---------|------------------------|--|--|
| SKK/EUR | -0.2                   | -8.6                                   | -7.2   |
| SKK/USD | 0.9                    | 5.4                                    | -14.6  |

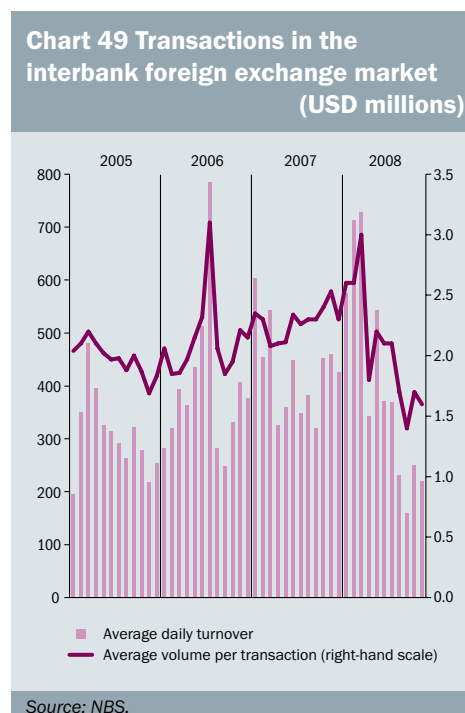
Source: NBS.  
Notes: - appreciation of the SKK, + depreciation of the SKK

The Slovak koruna was traded within a narrow band (SKK/EUR 30.250 – 30.500) virtually throughout the month.

The total volume traded on the interbank foreign exchange market reached USD 61,664.0 million in November, representing a decline of 9.5% compared with the figure for October (USD 68,136.8 million). Of the total trading volume, 91.7% took place in swap transactions, which were conducted mostly in USD (54.6%). Spot transactions accounted for 7.7% of the total turnover (95.7% of the deals were in EUR). The average daily turnover on the spot market reached USD 219.6 million and the average volume per transaction amounted to USD 1.6 million.

#### Interbank foreign exchange market

The volume of transactions between domestic commercial banks decreased, from USD 5,284.6 million in October to USD 5,151.8 million in November. Most trading took place in EUR (78.1%, compared with 93.1% in October), followed by USD (21.1%, compared with 4.3% in October) and other currencies (0.8% of the total turnover between domestic commercial banks).



Transactions between domestic banks accounted for 8.4% of the total volume traded on the interbank foreign exchange market (compared with 7.8% in the previous month). Of the total volume of transactions between domestic banks, swap operations accounted for 88.1% (81.9% in October) and spot transactions (excluding interventions) accounted for 11.9% (18.1% in October).

The volume of trading between domestic and foreign banks decreased by 10.1%, from USD 62,851.7 million in October to USD 56,512.2 million in November. Most trading was again conducted in USD (53.6%, compared with 33.1% in October), followed by EUR (45.0%, compared with 64.7% in October), and other currencies (1.5%). Trading between domestic and foreign banks still dominated the country's foreign exchange market (with a share of 91.6%).

Trading between domestic and foreign banks also took place predominantly in the form of swap operations



(92.0%, compared with 91.0% in October), while spot transactions accounted for only 7.3% (7.7% in October). The share of forward dealings in the foreign exchange market was negligible. Trading with foreign banks involved no option contracts.

The persistent effects of the global financial crisis caused further changes in the medium-term growing trend in the koruna deposits of non-resident banks. The volume of these deposits reached SKK 85.5 billion, representing a month-on-month fall of SKK 5.5 billion, but was still higher than a year earlier (by SKK 27.9 billion).

The volume of government bonds held by non-residents fell by SKK 2.0 billion in November, compared with October, due to decreases in 7-year and 3-year government bonds, Nos. 205 and 207 (by SKK 1.9 billion and SKK 1.2 billion, respectively), which were partly offset by a new 20-year government bond issue, No. 206/L (SKK 1.7 billion). The average share of non-residents in the total volume of issued government bonds again decreased somewhat in November (to 22.9%), but remained above the average figures for 2007 and for the first 11 months of 2008 (21.5% and 22.4%, respectively).

**Chart 50 Banking sector: koruna liabilities to non-residents (SKK billions)**



Source: NBS.

**Table 38a Koruna assets/liabilities and government securities held by non-residents (SKK billions)**

|                            | 2007   | 2008  |       |       |       |       |        |                       |                      |
|----------------------------|--------|-------|-------|-------|-------|-------|--------|-----------------------|----------------------|
|                            | 31.10. | 31.5. | 30.6. | 31.7. | 31.8. | 30.9. | 31.10. | 28.11. <sup>(p)</sup> | 2.12. <sup>(p)</sup> |
| Koruna assets, banks       | 15.5   | 18.3  | 24.4  | 20.0  | 13.0  | 22.3  | 17.6   | 12.8                  | 15.0                 |
| Koruna liabilities         | 68.0   | 79.5  | 106.4 | 104.5 | 104.3 | 102.6 | 96.1   | .                     | .                    |
| of which: banks            | 57.7   | 68.3  | 90.4  | 91.7  | 94.9  | 91.1  | 85.5   | 96.9                  | 99.4                 |
| non-bank clients           | 10.4   | 11.1  | 15.9  | 12.8  | 9.5   | 11.6  | 10.5   | .                     | .                    |
| Government securities      | 74.3   | 68.6  | 78.8  | 84.5  | 91.8  | 88.9  | 85.4   | 83.4                  | .                    |
| of which: government bonds | 74.3   | 68.6  | 78.8  | 84.5  | 91.8  | 88.9  | 85.4   | 83.4                  | .                    |
| SR Treasury bills          | 0.0    | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0    | 0.0                   | .                    |
| Total                      | 142.3  | 148.1 | 185.2 | 189.0 | 196.2 | 191.5 | 181.5  | .                     | .                    |

Source: NBS and the Central Securities Depository of the SR, a.s.

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

**Table 38b Koruna assets/liabilities and government securities held by non-residents (EUR billions)**

|                            | 2007   | 2008  |       |       |       |       |        |                       |                      |
|----------------------------|--------|-------|-------|-------|-------|-------|--------|-----------------------|----------------------|
|                            | 31.10. | 31.5. | 30.6. | 31.7. | 31.8. | 30.9. | 31.10. | 28.11. <sup>(p)</sup> | 2.12. <sup>(p)</sup> |
| Koruna assets, banks       | 0.5    | 0.6   | 0.8   | 0.7   | 0.4   | 0.7   | 0.6    | 0.4                   | 0.5                  |
| Koruna liabilities         | 2.3    | 2.6   | 3.5   | 3.5   | 3.5   | 3.4   | 3.2    | .                     | .                    |
| of which: banks            | 1.9    | 2.3   | 3.0   | 3.0   | 3.1   | 3.0   | 2.8    | 3.2                   | 3.3                  |
| non-bank clients           | 0.3    | 0.4   | 0.5   | 0.4   | 0.3   | 0.4   | 0.4    | .                     | .                    |
| Government securities      | 2.5    | 2.3   | 2.6   | 2.8   | 3.0   | 3.0   | 2.8    | 2.8                   | .                    |
| of which: government bonds | 2.5    | 2.3   | 2.6   | 2.8   | 3.0   | 3.0   | 2.8    | 2.8                   | .                    |
| SR Treasury bills          | 0.0    | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0    | 0.0                   | .                    |
| Total                      | 4.7    | 4.9   | 6.1   | 6.3   | 6.5   | 6.4   | 6.0    | .                     | .                    |

Source: NBS and the Central Securities Depository of the SR, a.s.

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



Within the scope of an open issue of one-year SR Treasury bills (No. 01), the Agency for Debt and Liquidity Management (ARDAL) placed such bills on the market in the total amount SKK 2.1 billion in November, in two parts at 4.15% and 3.90%. The marked reduction in the rates of interest accepted at Dutch-style auctions (from 4.60% in October) was enabled by the high demand among domestic investors for such Treasury bills. Despite the current global fluctuations, Slovakia is in a better position in the area of debt management than the other Central European countries, while the volume of SR Treasury bills held by non-residents is still zero.

## 5.2 Monetary Policy Implementation and the Money Market

At its 47th meeting on 11 November 2008, the Bank Board of NBS decided to change its key interest rates, i.e. to lower the rate for overnight sterilisation operations to 2.25%, that for overnight refinancing operations to 4.25%, and the rate for two-week repo tenders with commercial banks to 3.25%.

At its 49th meeting on 25 November 2008, the Bank Board decided to leave the key NBS interest rates unchanged, at 2.25% for overnight sterilisation operations, 4.25% for overnight refinancing operations, and 3.25% for two-week repo tenders with commercial banks.

Subsequent to the ECB's decision to cut its key interest rates (4 December 2008), the Bank Board of NBS decided, at its 51st meeting on 9 December 2008, to change the key NBS interest rates, i.e. to lower the rate for overnight sterilisation operations to 1.50%, that for overnight refinancing operations to 3.50%, and the rate for two-week repo tenders with commercial banks to 2.50%.

The average monthly interest rates for short (except for the overnight rate), medium, and long maturities forming the interbank money market yield curve dropped considerably in comparison with the previous month. This change can be attributed to the recent cut in the key NBS interest rates (by 50 basis points). The long-end of the yield curve fell in November, compared with October, below the level of 4.60%.

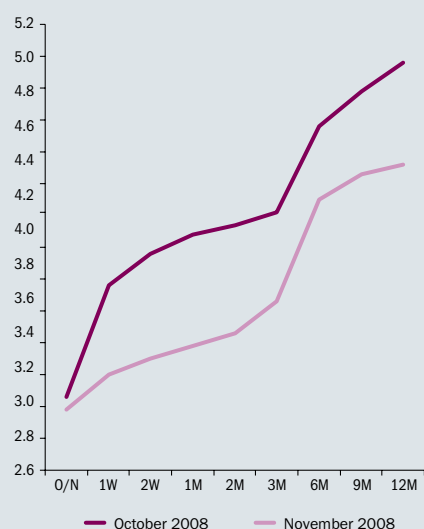
### Interest rates

The November decision of the Bank Board to change the key NBS rates (outside the meeting devoted to monetary policy) was not expected by the banking sector. The money market rates immediately reacted to this development with a fall along the entire yield curve.

The prices of long-term deposits dropped to 4.2% in November, from 5% in October. Owing to the persistent absence of transactions at long maturities, investors used swaps and IRS deals for trading at such maturities.

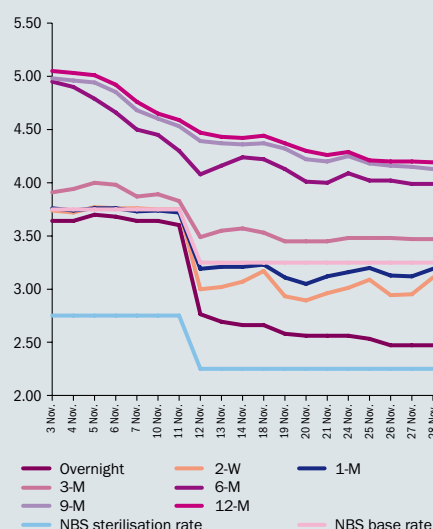
NBS continued conducting monetary-policy operations in a standard manner throughout November, and accepted in full the bids received at all four sterilisation repo tenders. The minimum, average, and maximum interest yields were at the level of the two-week reference rate (3.75% and 3.25%, respec-

**Chart 51 Average monthly interbank market rates (BRIBOR) (% p.a.)**



Source: NBS.

**Chart 52 Developments in interbank market rates (BRIBOR) (% p.a.)**



Source: NBS.

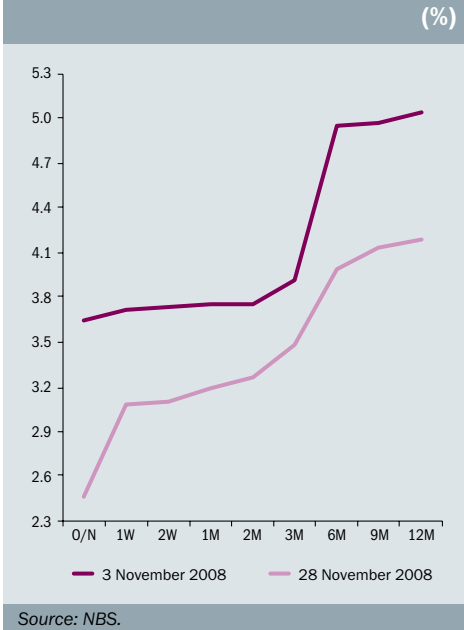


tively). In the month under review, one auction was held for NBS bills; the bids submitted were again accepted by NBS in full. At this auction, the minimum, average, and maximum interest yields were at the level of the two-week reference rate (3.25%).

A comparison of the yield curves from the beginning and end of the month shows that the biggest change occurred in the overnight rate. The middle part and the long end of the yield curve moved downwards. The changes in interbank deposit rates can be ascribed to the Bank Board's decision to reduce the key NBS interest rates.

**Liquidity** The banking sector entered the new month with a shortage of daily liquidity, which changed into a marked surplus on the first working day of the month. Part of this surplus was drained by the sector's entities at the first repo tender. The overnight deposit facility of NBS was also utilised. Despite these operations, the sector still had a daily surplus, which accelerated the growth in the cumulative surplus to levels above 100%. At the second tender, the bids of banks remained below the due amount, hence further funds flowed back into the sector after the tenders had been settled, thus increasing the level of daily liquidity. At NBS-bill auctions, increased demand was recorded, which contributed to the draining of the surplus. At the third SRT, more funds remained in the sector as a result of lower demand. This led to the regular and intense recourse to the NBS's overnight deposit facility. At the last tender, banks drained a larger part of the liquidity surplus from the sector, which resulted in a fall in the volume of overnight deposits at NBS.

Chart 53 Yield curve in November (%)



Source: NBS.

In November, the overall sterilisation position of NBS increased by almost SKK 4.0 billion, to SKK 386.7 billion. The structure of sterilisation was still dominated by sterilisation repo tenders, the share of which increased to 86.2% in November, from 85.9% in October. The share of overnight deposits remained virtually unchanged. The share of NBS bills in overall sterilisation decreased slightly, to 11.2% in November. Overnight refinancing operations were not used by banks during the month under review.

Table 39a 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 (% p.a.) | Volume (SKK mil.) | Share (% p.a.) | Volume (SKK mil.) | Share (% p.a.) | Volume (SKK mil.) | Share (% p.a.) | Volume (SKK mil.) |
| October 2008  | -328,959          | 85.94          | 19                | 0.01           | -10,367           | 2.71           | -43,455           | 11.35          | -382,762          |
| November 2008 | -333,263          | 86.17          | 0                 | 0.00           | -10,343           | 2.67           | -43,140           | 11.15          | -386,746          |

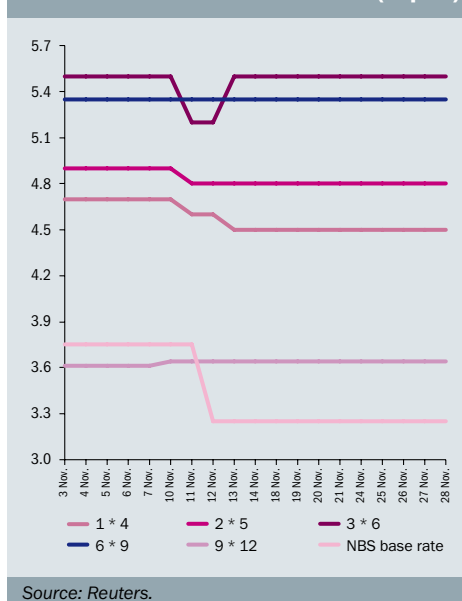
Source: NBS.

Table 39b Average daily impact of NBS operations on the level of banking sector liquidity

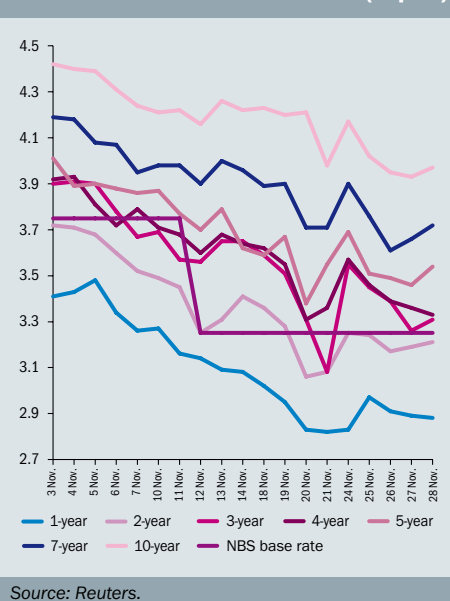
|               | Repo tenders      |                | O/N repos         |                | O/N deposits      |                | NBS bills         |                | Total             |
|---------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|-------------------|
|               | Volume (EUR mil.) | Share (% p.a.) | Volume (EUR mil.) | Share (% p.a.) | Volume (EUR mil.) | Share (% p.a.) | Volume (EUR mil.) | Share (% p.a.) | Volume (EUR mil.) |
| October 2008  | -10,919           | 85.94          | 1                 | 0.01           | -344              | 2.71           | -1,442            | 11.35          | -12,705           |
| November 2008 | -11,062           | 86.17          | 0                 | 0.00           | -343              | 2.67           | -1,432            | 11.15          | -12,838           |

Source: NBS.

**Interbank transactions** The lower trading activity in November led to decline in the volume of interbank market transactions, to SKK 1,388.3 billion (from SKK 1,734.9 billion in October). Of the total volume of purchases and sales on the interbank market, the share of resident bank transactions decreased to 25.0% in November, while that of transactions with non-resident banks increased to 75.0%. Broken down by the type of interbank transaction, domestic banks achieved the largest share in deposits (68.5%). Transactions

**Chart 54 Daily developments in FRAs**  
(% p.a.)

Source: Reuters.

**Chart 55 Daily developments in IRSs**  
(% p.a.)

Source: Reuters.

with non-resident banks were dominated by swaps (57.4%). Compared with October, the volume of deposits, swaps, and IRS deals decreased in November.

|               | Deposits | Repos | Swaps   | FRAs | IRSs  |
|---------------|----------|-------|---------|------|-------|
| October 2008  | 988,476  | 0     | 744,757 | 0    | 1,650 |
| November 2008 | 680,981  | 0     | 706,616 | 0    | 700   |

Source: NBS.

|               | Deposits | Repos | Swaps  | FRAs | IRSs |
|---------------|----------|-------|--------|------|------|
| October 2008  | 32,811   | 0     | 24,721 | 0    | 55   |
| November 2008 | 22,604   | 0     | 23,455 | 0    | 23   |

Source: NBS.

For November 2008, the minimum reserve requirement for the banking sector was set at SKK 27.86 billion. The reserve requirement was actually fulfilled to 100.17% during the month.

**Minimum Reserve Requirements****Developments in Money Market Interest Rate Derivatives**

In the area of forward rate agreements (FRA), no trading activity was recorded in the market in November, as in the previous month.

Interest rate swap (IRS) transactions recorded a fall in volume in comparison with the previous month. Transactions with foreign banks accounted for 100%. Deals were negotiated exclusively with five- to ten-year maturities.

The values of implied FRA rates, calculated from BRIBOR rates from the beginning of November, indicate a rise in one-month rates to 6.58% by April 2009, a rise in two- and three-month rates to approximately 6.25% and 5.85%, respectively by March 2009, and further decreases and increases in the following period. In the middle of the month, they indicate a rise in three-month rates to 4.46% in August 2009. At the end of the month, the market expectations derived from implied FRA rates also pointed to a rise, to the level of 4.24% in August 2009.



Chart 56 Implied expectations derived from BRIBOR rates

(% p.a.)



### 5.3 Customer Interest Rates in October 2008

**Customer interest rates** Customer interest rates on loans and deposits followed different trends in October, depending on their maturities.

**Average interest rates on new loans** Average interest rates on new loans to non-financial corporations, except for current account overdrafts, showed a moderately rising tendency. The rate for current account overdrafts followed the slightly falling trend from the previous month. Interest rates on loans to small- and medium-term enterprises (up to EUR 1 million) rose somewhat, mainly due to rates with short fixation periods and without fixation. On the other hand, a marked fall was recorded in deposit rates (up to EUR 1 million) with long-term fixation. A marked increase was recorded in the price of loans to large companies (over EUR 1 million), which was mainly due to developments in rates with short-term fixation.

Average interest rates on loans to households remained virtually unchanged. Interest rates on consumer loans followed the slowly rising trend from the previous months. Interest rates on house purchase loans remained virtually unchanged, when a slight increase in rates for mortgage loans was offset by a fall in rates for other house purchase loans and intermediate loans.

Chart 57 Interest rates on loans to non-financial corporations, 3-M BRIBOR, and the NBS base rate (%)

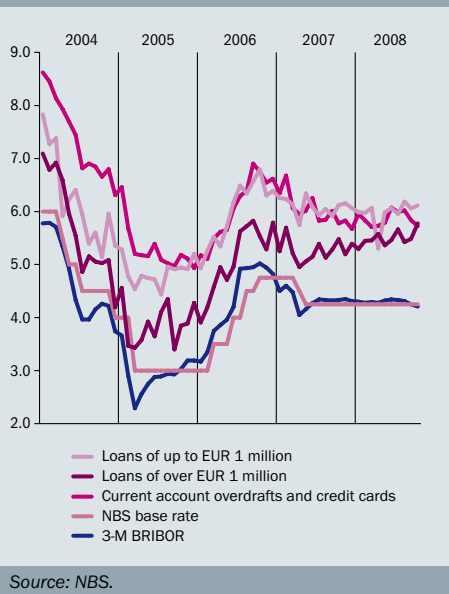


Chart 58 Interest rates on loans to households by type (%)





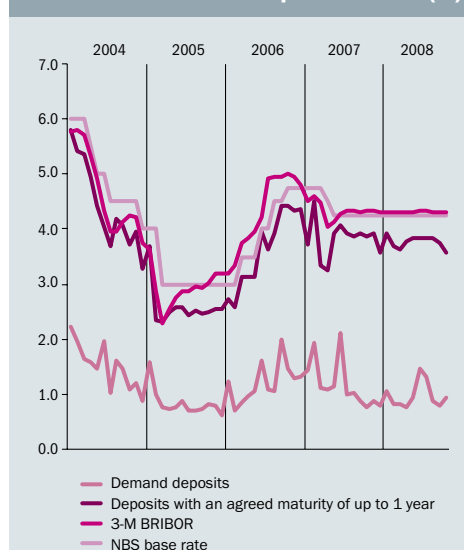
Table 41 Average interest rates on new loans

|  | Interest rate in % |            |            |            |              |              | Changes (p.p.)     |                    |
|--|--------------------|------------|------------|------------|--------------|--------------|--------------------|--------------------|
|  | Q3<br>2007         | Q4<br>2007 | Q1<br>2008 | Q2<br>2008 | Sep.<br>2008 | Oct.<br>2008 | against<br>Q4 2007 | month-on-<br>month |
| <b>Loans to non-financial corporations</b>                   |                    |            |            |            |              |              |                    |                    |
| Current account overdrafts and credit cards                  | 6.01               | 5.67       | 5.71       | 6.07       | 5.84         | 5.73         | 0.06               | -0.11              |
| Loans of up to EUR 1 million                                 | 5.92               | 6.07       | 6.07       | 6.06       | 6.06         | 6.12         | 0.05               | 0.06               |
| – with a floating rate and an IRF of up to 1 year            | 5.90               | 6.07       | 6.06       | 6.03       | 5.99         | 6.06         | -0.01              | 0.07               |
| – with an IRF of up to 5 years                               | 6.06               | 6.44       | 6.40       | 6.28       | 7.18         | 6.35         | -0.09              | -0.83              |
| Loans of over EUR 1 million                                  | 5.28               | 5.39       | 5.46       | 5.47       | 5.49         | 5.78         | 0.38               | 0.29               |
| – with a floating rate and an IRF of up to 1 year            | 5.15               | 5.39       | 5.47       | 5.45       | 5.48         | 5.77         | 0.37               | 0.29               |
| – with an IRF of up to 5 years                               | 5.99               | 4.54       | 4.70       | 4.66       | -            | 6.41         | 1.87               | -                  |
| Total  | 5.88               | 5.62       | 5.70       | 5.95       | 5.80         | 5.75         | 0.13               | -0.05              |
| Total, excluding current account overdrafts and credit cards | 5.42               | 5.52       | 5.63       | 5.60       | 5.64         | 5.85         | 0.33               | 0.21               |
| <b>Loans to households</b>                                   |                    |            |            |            |              |              |                    |                    |
| Current account overdrafts and credit cards                  | 14.30              | 14.34      | 14.48      | 14.43      | 14.65        | 14.66        | 0.32               | 0.01               |
| Consumer loans   | 13.59              | 13.23      | 12.85      | 12.53      | 13.34        | 13.42        | 0.19               | 0.08               |
| House purchase loans   | 6.10               | 6.06       | 6.06       | 6.20       | 6.38         | 6.35         | 0.29               | -0.03              |
| of which: mortgage loans                                     | 5.78               | 5.72       | 5.75       | 5.85       | 6.17         | 6.30         | 0.58               | 0.13               |
| Other loans  | 6.97               | 7.00       | 6.84       | 6.65       | 7.04         | 7.03         | 0.03               | -0.01              |
| Total  | 12.21              | 12.38      | 12.27      | 11.90      | 12.45        | 12.28        | -0.10              | -0.17              |
| Total, excluding current account overdrafts and credit cards | 7.58               | 7.52       | 7.45       | 7.39       | 8.01         | 7.85         | 0.34               | -0.16              |
| NBS base rate  | 4.25               | 4.25       | 4.25       | 4.25       | 4.25         | 4.25         | 0.00               | 0.00               |
| 3M BRIBOR  | 4.32               | 4.31       | 4.29       | 4.34       | 4.25         | 4.21         | -0.10              | -0.04              |

Source: NBS.

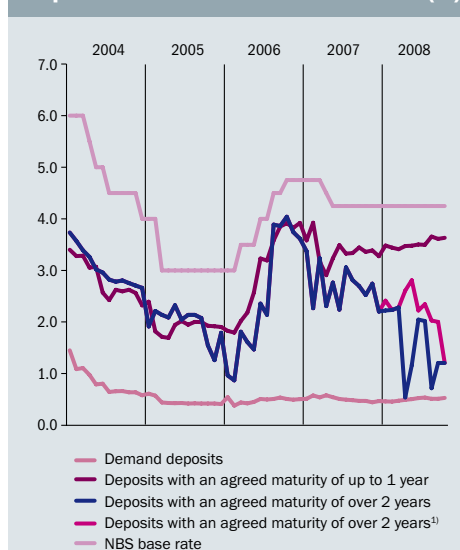
Note: Quarterly data refer to the last month of the given quarter.

Chart 59 Interest rates on deposits from non-financial corporations (%)



Source: NBS.

Chart 60 Interest rates on household deposits (%)



1) Interest rates are adjusted for structured deposits, for which banks pay interest at a very low rate, for they cannot determine the future rate of appreciation.  
Source: NBS.



**Average interest rates on new deposits**

Interest rates on deposits from non-financial corporations followed different trends, depending on their maturities. Short-term deposit rates rose somewhat as a result of developments in interbank market liquidity and the rise in one-day BRIBOR rates at the end of the month. Non-financial corporations reacted to this development by converting longer-term deposits into short-term deposits. Hence, interest rates on deposits with an agreed maturity of up to 2 years dropped considerably.

Interest rates on the individual types of household deposits remained virtually unchanged in October. The relatively high and safe interest rates on deposits with agreed maturity in comparison with other forms of investment motivated households to invest in these products.

**Table 42 Average interest rates on new deposits**

|   | Interest rate<br>in % |            |            |            |              |              | Changes (p.p.)     |                    |
|---|-----------------------|------------|------------|------------|--------------|--------------|--------------------|--------------------|
|   | Q3<br>2007            | Q4<br>2007 | Q1<br>2008 | Q2<br>2008 | Sep.<br>2008 | Oct.<br>2008 | against<br>Q4 2007 | Month-<br>on-month |
| <b>New deposits from non-financial corporations</b> |                       |            |            |            |              |              |                    |                    |
| Deposits repayable on demand                        | 0.88                  | 0.78       | 0.83       | 1.46       | 0.80         | 0.94         | 0.15               | 0.14               |
| Deposits with an agreed maturity of                 |                       |            |            |            |              |              |                    |                    |
| – up to 1 year                                      | 3.93                  | 3.60       | 3.64       | 3.86       | 3.76         | 3.58         | -0.01              | -0.18              |
| – over 1 and up to 2 years                          | 3.50                  | 3.79       | 1.70       | 4.42       | 5.15         | 4.02         | 0.22               | -1.13              |
| – over 2 years                                      | 2.77                  | 2.30       | 1.35       | 4.59       | 1.90         | 2.00         | -0.30              | 0.10               |
| Total   | 2.28                  | 1.83       | 2.13       | 2.59       | 2.19         | 2.18         | 0.34               | -0.01              |
| <b>New deposits from households</b>                 |                       |            |            |            |              |              |                    |                    |
| Deposits repayable on demand                        | 0.47                  | 0.47       | 0.47       | 0.53       | 0.51         | 0.53         | 0.06               | 0.02               |
| Deposits with an agreed maturity of                 |                       |            |            |            |              |              |                    |                    |
| – up to 1 year                                      | 3.45                  | 3.28       | 3.41       | 3.50       | 3.61         | 3.64         | 0.36               | 0.03               |
| – over 1 and up to 2 years                          | 3.50                  | 3.58       | 3.73       | 4.05       | 4.46         | 3.99         | 0.42               | -0.47              |
| – over 2 years                                      | 2.70                  | 2.20       | 2.28       | 2.04       | 1.21         | 1.20         | -1.00              | -0.01              |
| Deposits redeemable at notice                       |                       |            |            |            |              |              |                    |                    |
| – up to 3 months                                    | 1.33                  | 1.42       | 1.45       | 1.45       | 2.13         | 2.17         | 0.75               | 0.04               |
| – over 3 months                                     | 1.96                  | 2.05       | 2.14       | 2.14       | 2.53         | 2.58         | 0.52               | 0.05               |
| Total   | 1.00                  | 0.99       | 1.18       | 1.14       | 1.24         | 1.38         | 0.38               | 0.13               |
| Basic NBS rate                                      | 4.25                  | 4.25       | 4.25       | 4.25       | 4.25         | 4.25         | 0.00               | 0.00               |
| 3M BRIBOR   | 4.32                  | 4.31       | 4.32       | 4.34       | 4.31         | 4.31         | -0.01              | 0.00               |

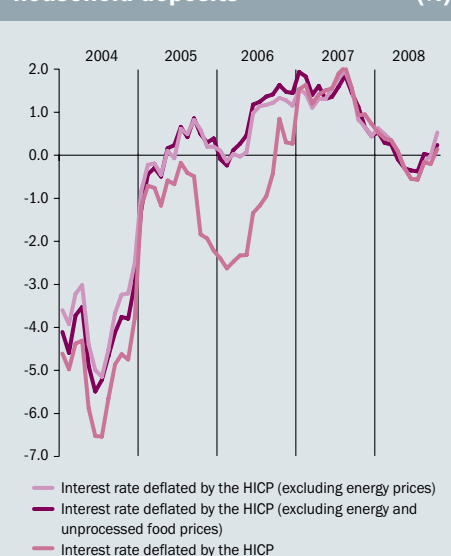
Source: NBS.

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

**Real interest rates**

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 0.14% in October, which represented a rise of 0.34 of a percentage point compared with the previous month. The rising trend in real interest rates in recent months was mainly due to a rise in nominal interest rates, but the October rise in real interest rates was mainly the result of a slowdown in inflation.

**Chart 61 Real interest rates on household deposits (%)**



Source: NBS and the Statistical Office of the SR.

## Annexes

### 1 International Economy: Tables and Charts

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

|         | Prices |  |     | Real economy            |  |                                       |  | Financial market                        |
|---------|--------|--|-----|-------------------------|--|---------------------------------------|--|---|
|         | HICP   | HICP <sup>1)</sup><br>(core inflation) | PPI | GDP <sup>2),4),5)</sup> | Industrial production <sup>2),3)</sup> | Retail trade (sales) <sup>2),3)</sup> | Unemployment (% of the labour force) <sup>6)</sup> | 10-years bonds (yield to maturity in %) |
| 2005    | 2.2    | 1.5                                    | 4.1 | 1.7                     | 1.4                                    | 1.4                                   | 8.8  | 3.44                                    |
| 2006    | 2.2    | 1.5                                    | 5.1 | 2.9                     | 4.0                                    | 1.5                                   | 8.2  | 3.86                                    |
| 2007    | 2.1    | 2.0                                    | 2.8 | 2.6                     | 3.4                                    | 0.9                                   | 7.4  | 4.33                                    |
| 2007 Q3 | 1.9    | 2.0                                    | 2.1 | 2.6                     | 3.9                                    | 1.2                                   | 7.4  | 4.48                                    |
| 2007 Q4 | 2.9    | 2.3                                    | 4.0 | 2.1                     | 3.0                                    | -0.3                                  | 7.2  | 4.34                                    |
| 2008 Q1 | 3.4    | 2.5                                    | 5.4 | 2.1                     | 2.5                                    | -0.2                                  | 7.2  | 4.15                                    |
| 2008 Q2 | 3.6    | 2.5                                    | 7.1 | 1.4                     | 1.1                                    | -1.5                                  | 7.4  | 4.50                                    |
| 2008 Q3 | 3.8    | 2.5                                    | 8.5 | 0.6                     | -1.5                                   | -1.5                                  | 7.5  | 4.61                                    |
| VIII.08 | 3.8    | 2.6                                    | 8.6 | -                       | -0.7                                   | -1.7                                  | 7.5  | 4.50                                    |
| IX.08   | 3.6    | 2.5                                    | 7.9 | -                       | -2.4                                   | -1.4                                  | 7.6  | 4.50                                    |
| X.08    | 3.2    | 2.4                                    | 6.3 | -                       | .                                      | -2.1                                  | 7.7  | 4.42                                    |
| XI.08   | .      | .                                      | .   | -                       | .                                      | .                                     | .  | 4.20                                    |

Source: Eurostat, ECB, NBS calculations.  
 1) Overall inflation, excluding energy and unprocessed food prices.  
 2) Constant prices.  
 3) Adjusted for calendar effects.  
 4) Adjusted for seasonal and calendar effects.  
 5) Annual data are not adjusted for calendar effects.  
 6) Harmonised data, ILO definition, seasonally adjusted.

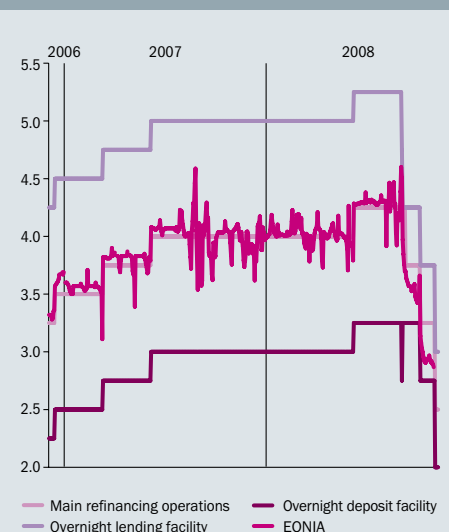
**Chart 62 USD/EUR: Year-on-year changes (%)**



Source: ECB.

Note: Negative values denote appreciation.

**Chart 63 ECB interest rates and the EONIA**



Source: ECB.



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

|         | Prices |  |     | Real economy            |  |                                       |  | Financial market                                      |
|---------|--------|--|-----|-------------------------|--|---------------------------------------|--|---|
|         | HICP   | HICP <sup>1)</sup><br>(core inflation) | PPI | GDP <sup>2),4),5)</sup> | Industrial production <sup>2),3)</sup> | Retail trade (sales) <sup>2),3)</sup> | Unemployment (% of the labour force) <sup>6)</sup> | 10-years bonds (yield to maturity in %) <sup>7)</sup> |
| 2005    | 1.6    | 0.9                                    | 3.0 | 6.4                     | 6.7                                    | 3.9                                   | 7.9  | 3.54  |
| 2006    | 2.1    | 0.9                                    | 1.6 | 6.4                     | 11.5                                   | 6.9                                   | 7.2  | 3.80  |
| 2007    | 3.0    | 3.1                                    | 4.0 | 6.5                     | 8.8                                    | 7.2                                   | 5.3  | 4.30  |
| 2007 Q3 | 2.7    | 3.1                                    | 3.9 | 6.5                     | 6.8                                    | 8.3                                   | 5.2  | 4.52  |
| 2007 Q4 | 4.9    | 4.5                                    | 5.0 | 6.3                     | 7.5                                    | 5.3                                   | 4.8  | 4.59  |
| 2008 Q1 | 7.6    | 6.9                                    | 5.7 | 5.4                     | 6.7                                    | 1.8                                   | 4.5  | 4.59  |
| 2008 Q2 | 6.7    | 6.2                                    | 5.1 | 4.6                     | 5.3                                    | 2.3                                   | 4.4  | 4.90  |
| 2008 Q3 | 6.5    | 5.9                                    | 5.5 | 4.7                     | 1.9                                    | 0.4                                   | 4.4  | 4.60  |
| VIII.08 | 6.2    | 5.7                                    | 5.7 | -                       | 1.7                                    | -0.3                                  | 4.3  | 4.47  |
| IX.08   | 6.4    | 5.9                                    | 5.5 | -                       | 3.4                                    | 1.9                                   | 4.4  | 4.42  |
| X.08    | 5.7    | 5.2                                    | 3.9 | -                       | .                                      | .                                     | 4.4  | 4.53  |
| XI.08   | .      | .                                      | .   | -                       | .                                      | .                                     | .  | 4.52  |

Source: Eurostat, ECB, NBS calculations.

1) Overall inflation, excluding energy and unprocessed food prices.

2) Constant prices.

3) Adjusted for calendar effects.

4) Adjusted for seasonal and calendar effects.

5) Annual data are not adjusted for calendar effects.

6) Harmonised data, ILO definition, seasonally adjusted.

7) Long-term interest rates according to the Maastricht criteria.

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

|         | Prices |  |      | Real economy            |  |                                       |  | Financial market                                      |
|---------|--------|--|------|-------------------------|--|---------------------------------------|--|---|
|         | HICP   | HICP <sup>1)</sup><br>(core inflation) | PPI  | GDP <sup>2),4),5)</sup> | Industrial production <sup>2),3)</sup> | Retail trade (sales) <sup>2),3)</sup> | Unemployment (% of the labour force) <sup>6)</sup> | 10-years bonds (yield to maturity in %) <sup>7)</sup> |
| 2005    | 3.5    | 2.7                                    | 8.3  | 4.1                     | 7.3                                    | 5.7                                   | 7.2  | 6.60  |
| 2006    | 4.0    | 2.5                                    | 8.4  | 3.9                     | 10.6                                   | 4.3                                   | 7.5  | 7.12  |
| 2007    | 7.9    | 6.7                                    | 6.4  | 1.3                     | 8.4                                    | -3.0                                  | 7.4  | 6.74  |
| 2007 Q3 | 7.3    | 6.7                                    | 4.2  | 0.8                     | 10.1                                   | -4.1                                  | 7.3  | 6.68  |
| 2007 Q4 | 7.1    | 6.2                                    | 5.2  | 0.3                     | 6.0                                    | -4.0                                  | 7.8  | 6.76  |
| 2008 Q1 | 6.9    | 5.9                                    | 10.7 | 1.1                     | 6.3                                    | -2.9                                  | 7.7  | 7.70  |
| 2008 Q2 | 6.8    | 5.6                                    | 11.8 | 1.6                     | 3.6                                    | -1.7                                  | 7.8  | 8.20  |
| 2008 Q3 | 6.3    | 5.2                                    | 13.0 | 1.0                     | .                                      | -1.5                                  | 7.8  | 7.96  |
| VIII.08 | 6.4    | 5.4                                    | 13.0 | -                       | -1.3                                   | -1.4                                  | 7.8  | 7.77  |
| IX.08   | 5.6    | 4.7                                    | 12.7 | -                       | .                                      | -1.6                                  | 7.9  | 7.99  |
| X.08    | 5.1    | 4.2                                    | 13.2 | -                       | .                                      | .                                     | 8.1  | 9.57  |
| XI.08   | .      | .                                      | .    | -                       | .                                      | .                                     | .  | 9.41  |

Source: Eurostat, ECB, NBS calculations.

1) Overall inflation, excluding energy and unprocessed food prices.

2) Constant prices.

3) Adjusted for calendar effects.

4) Adjusted for seasonal and calendar effects.

5) Annual data are not adjusted for calendar effects.

6) Harmonised data, ILO definition, seasonally adjusted.

7) Long-term interest rates according to the Maastricht criteria.



**Table 46 Poland** (year-on-year changes in %, unless otherwise specified)

|         | Prices |  |     | Real economy            |  |                                       |  | Financial market                                      |
|---------|--------|--|-----|-------------------------|--|---------------------------------------|--|---|
|         | HICP   | HICP <sup>1)</sup><br>(core inflation) | PPI | GDP <sup>2),4),5)</sup> | Industrial production <sup>2),3)</sup> | Retail trade (sales) <sup>2),3)</sup> | Unemployment (% of the labour force) <sup>6)</sup> | 10-years bonds (yield to maturity in %) <sup>7)</sup> |
| 2005    | 2.2    | 1.2                                    | 2.1 | 3.6                     | 4.5                                    | 1.3                                   | 17.8   | 5.22  |
| 2006    | 1.3    | 0.6                                    | 2.5 | 6.2                     | 12.2                                   | 9.6                                   | 13.9   | 5.23  |
| 2007    | 2.6    | 2.0                                    | 3.6 | 6.5                     | 9.5                                    | 13.5                                  | 9.6  | 5.48  |
| 2007 Q3 | 2.4    | 2.2                                    | 3.2 | 6.4                     | 8.1                                    | 12.8                                  | 9.2  | 5.66  |
| 2007 Q4 | 3.7    | 3.0                                    | 4.4 | 6.6                     | 7.9                                    | 11.4                                  | 8.5  | 5.73  |
| 2008 Q1 | 4.5    | 3.7                                    | 5.4 | 6.1                     | 9.3                                    | 8.2                                   | 7.8  | 5.87  |
| 2008 Q2 | 4.3    | 3.8                                    | 5.7 | 5.8                     | 7.2                                    | 8.2                                   | 7.3  | 6.17  |
| 2008 Q3 | 4.4    | 3.7                                    | 5.3 | 5.6                     | 2.4                                    | 6.3                                   | 6.7  | 6.15  |
| VIII.08 | 4.4    | 3.8                                    | 5.3 | -                       | 0.0                                    | 4.9                                   | 6.7  | 6.11  |
| IX.08   | 4.1    | 3.6                                    | 5.1 | -                       | 3.3                                    | 5.8                                   | 6.5  | 5.89  |
| X.08    | 4.0    | 3.3                                    | 4.0 | -                       | .                                      | 5.1                                   | 6.4  | 6.35  |
| XI.08   | .      | .                                      | .   | -                       | .                                      | .                                     | .  | 6.23  |

Source: Eurostat, ECB, NBS calculations.  
 1) Overall inflation, excluding energy and unprocessed food prices.  
 2) Constant prices.  
 3) Adjusted for calendar effects.  
 4) Adjusted for seasonal and calendar effects.  
 5) Annual data are not adjusted for calendar effects.  
 6) Harmonised data, ILO definition, seasonally adjusted.  
 7) Long-term interest rates according to the Maastricht criteria.





**Table 47 United States** (year-on-year changes in %, unless otherwise specified)

|         | Prices |                                       |                   | Real economy      |                                     |                            |              | Financial market                        |
|---------|--------|---------------------------------------|-------------------|-------------------|-------------------------------------|----------------------------|--------------|---|
|         | CPI    | CPI <sup>1)</sup><br>(core inflation) | PPI <sup>2)</sup> | GDP <sup>3)</sup> | Industrial production <sup>4)</sup> | Retail trade <sup>5)</sup> | Unemployment | 10-years bonds (yield to maturity in %) |
| 2005    | 3.4    | 2.2                                   | 4.9               | 2.9               | 3.3                                 | 6.6                        | 5.1          | 4.29                                    |
| 2006    | 3.2    | 2.5                                   | 3.0               | 2.8               | 2.2                                 | 6.2                        | 4.6          | 4.80                                    |
| 2007    | 2.9    | 2.3                                   | 3.9               | 2.0               | 2.3                                 | 4.1                        | 4.6          | 4.64                                    |
| 2007 Q3 | 2.4    | 2.2                                   | 3.6               | 2.8               | 1.2                                 | 4.1                        | 4.7          | 4.74                                    |
| 2007 Q4 | 4.0    | 2.3                                   | 6.8               | 2.3               | 1.8                                 | 4.0                        | 4.8          | 4.27                                    |
| 2008 Q1 | 4.1    | 2.4                                   | 7.1               | 2.5               | 1.8                                 | 2.5                        | 4.9          | 3.67                                    |
| 2008 Q2 | 4.4    | 2.3                                   | 7.6               | 2.1               | 0.7                                 | 1.3                        | 5.3          | 3.88                                    |
| 2008 Q3 | 5.3    | 2.5                                   | 9.4               | 0.7               | 0.1                                 | 0.9                        | 6.0          | 3.86                                    |
| VIII.08 | 5.4    | 2.5                                   | 9.7               | -                 | -1.7                                | 0.5                        | 6.1          | 3.89                                    |
| IX.08   | 4.9    | 2.5                                   | 8.7               | -                 | -5.6                                | -1.6                       | 6.1          | 3.69                                    |
| X.08    | 3.7    | 2.2                                   | 5.1               | -                 | -4.1                                | -4.4                       | 6.5          | 3.81                                    |
| XI.08   | .      | .                                     | .                 | -                 | .                                   | .                          | 6.7          | 3.56                                    |

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

1) Core CPI – inflation excluding food and energy.

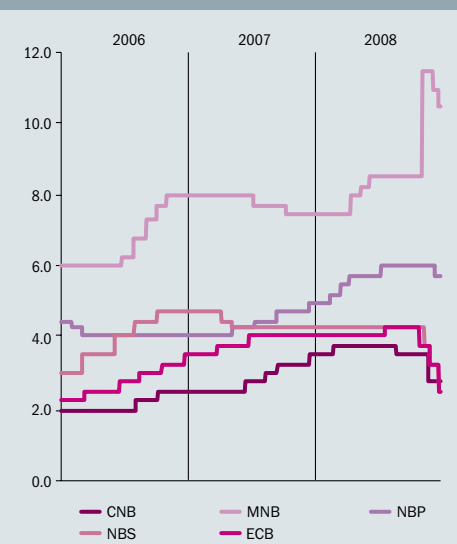
2) PPI finished products.

3) Seasonally adjusted.

4) Industrial production in total (seasonally adjusted.)

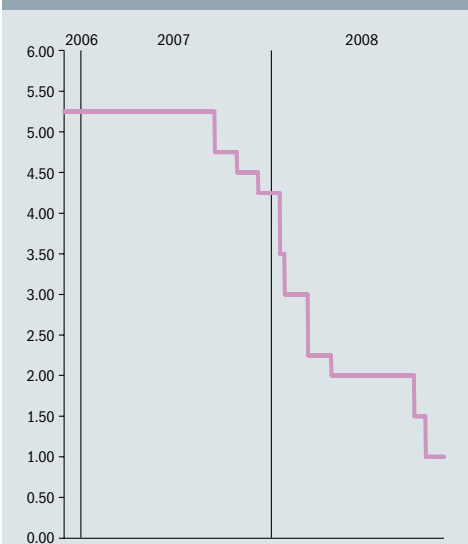
5) Retail trade and restaurant services.

**Chart 66 Key interest rates of the NCBs of V4 countries** (%)



Sources: ECB, national central banks.

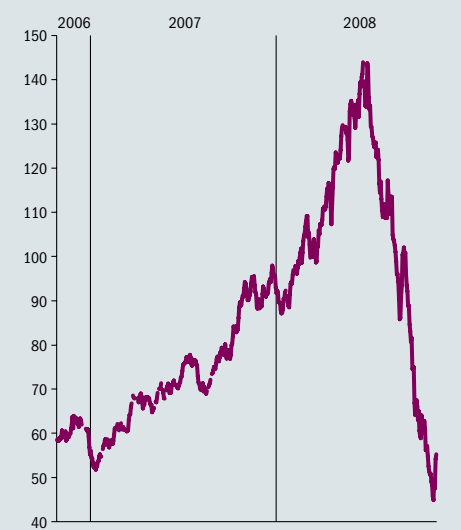
**Chart 67 United States: federal funds rate** (%)



Source: Federal Reserve System.



Chart 68 Oil prices in USD/Barrel



Source: Reuters.



## 2 Capital Market

### 2.1 Primary Market

In November, the Agency for Debt and Liquidity Management (ARDAL) held two auctions in government bonds (with 2.4-year and 17.5-year residual maturities). Demand at the first auction reached SKK 2.7 billion, of which SKK 1.0 billion was accepted. The average yield required stood at 4.595%. At the second auction, ARDAL accepted SKK 2.1 billion of the bids submitted for a total amount SKK 2.6 billion, with an average yield of 5.117%.

On the primary market for non-government bonds, four bond issues were floated in November in the total amount of SKK 1.2 billion. Three issues were denominated in SKK, one in EUR. All four issues involved mortgage bonds.

### 2.2 Secondary Market

The total volume traded on the Bratislava Stock Exchange (BSSE) reached SKK 114.5 billion in November (in 403 transactions), representing a month-on-month decline of 10.6%. Price-setting transactions accounted for SKK 292.1 million and direct transactions for SKK 114.3 billion.

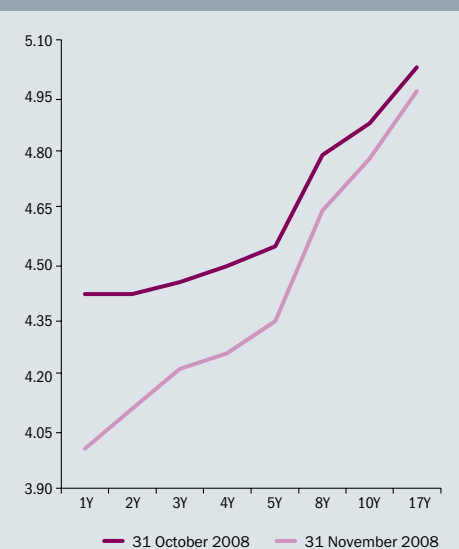
Non-resident investors accounted for 54.6% of the total volume traded in November, of which 54.2% were purchases and 55.0% sales.

**Bonds** The benchmark government bond yield curve moved downwards month-on-month by an average of 0.22 of a percentage point. The most significant changes in bond yields occurred at one-year and two-year maturities, which dropped by an average of 0.42 of a percentage point and 0.32 of a percentage point respectively. Bond yields were influenced by fluctuations in euro-area bond yields, which, however, dropped more sharply than those in Slovakia. As a result, the gap between the Slovak and European benchmarks has widened.

On the BSSE floor, bonds changed hands during the month in 285 transactions, totalling SKK 114.5 billion (representing almost 100% of the total volume traded on the stock exchange in November). Direct transactions accounted for SKK 114.2 billion and price-setting transactions for SKK 284.3 million.

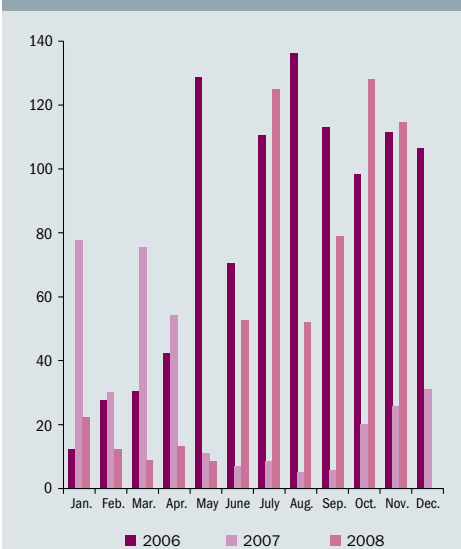
The market capitalisation of bonds as at the last trading day of November reached SKK 497.2 billion, representing a month-on-month increase of 1.5%. The capitalisation of listed bonds had increased since the end of October by 1.5%, to SKK 479.1 billion.

**Chart 69 Benchmark government bond yield curves (%)**



Sources: Reuters, NBS.

**Chart 70 Bond transactions in the BCPB (SKK billion)**



Source: Bratislava Stock Exchange (BCPB).



**Table 48 The values of SDXgroup indices at the end of November 2008**

**SDXGroup indices**

| Sector                               | SDXGroup indices |             | Yield to maturity (%) | Duration (in years) |
|--------------------------------------|------------------|-------------|-----------------------|---------------------|
|                                      | Price            | Performance |                       |                     |
| Public                               | 102.9            | 127.1       | 4.492                 | 4.931               |
| SDXG sub-index (<=5)                 | 102.8            | 125.1       | 4.114                 | 2.920               |
| SDXG sub-index (>5)                  | 103.3            | 129.8       | 4.651                 | 6.928               |
| Private (corporate + mortgage bonds) | 100.8            | 131.2       | 4.263                 | 3.908               |
| SDXG sub-index (>5)                  | 100.0            | 103.2       | 4.263                 | 3.908               |

Source: Bratislava Stock Exchange.

The SDXG (>5) long-term private sector sub-index is no longer calculated, because the last base issue has been excluded from the basket after its residual maturity fell below five years.

**Chart 71 Developments in the SAX index in November 2008 (points)**



Source: BCPB.

During the month under review, SKK 11.6 million was traded in shares, in 118 transactions. Price-setting transactions accounted for SKK 7.8 million and direct transactions for SKK 3.8 billion.

**Shares**

By the last trading day of November, the market capitalisation of equity securities had fallen month-on-month by 1.9%, to SKK 129.3 billion. The actual amount of issues that had a market price at least once in the past, except for investment fund shares/units, was SKK 122.5 billion (a month-on-month decline of 2.0%) and accounted for 94.7% of the total equity market capitalisation. The market capitalisation of listed issues had decreased since the end of October by 3.5%, to SKK 68.6 billion.

During November, four new mortgage bond issues were accepted for trading on the quoted parallel BSSE market (in the total amount SKK 1.6 billion) and one issue of corporate bonds on the regulated open market (in the amount of SKK 680 million). At the same time, a bond issue amounting to SKK 500 million was excluded from trading on the BSSE, due to maturity.

**New and cancelled issues**

During the month under review, the BSSE accepted no new share issue for trading on the quoted market, nor on regulated open market. Trading was ended, at the issuer's request, in one share issue amounting to SKK 1.3 million on the regulated open market.

The SAX index closed the month of November at 349.77 points, representing a fall of 5.3% month-on-month and 21.0% year-on-year. The index reached a monthly maximum on 4 November (374.19 points) and a minimum on 21 November (348.12 points).

**SAX index**

**Table 49 Weights of basic SAX index components at month-ends in 2008**

| Company                        | Weights in % 2008 |       |       |       |       |       | Monthly change in p.p. |
|--------------------------------|-------------------|-------|-------|-------|-------|-------|------------------------|
|                                | June              | July  | Aug.  | Sep.  | Oct.  | Nov.  |                        |
| Biotika, a. s.                 | 4.43              | 3.91  | 4.01  | 3.94  | 5.25  | 5.54  | 0.29                   |
| OTP Banka Slovensko, a. s.     | 19.39             | 18.60 | 19.09 | 24.41 | 24.51 | 25.89 | 1.38                   |
| SES Tlmače, a. s.              | 20.40             | 26.68 | 26.48 | 21.49 | 22.20 | 17.93 | -4.27                  |
| Slovnaft, a. s.                | 29.42             | 26.73 | 28.16 | 26.16 | 27.52 | 28.10 | 0.58                   |
| Všeobecná úverová banka, a. s. | 26.36             | 24.08 | 22.26 | 24.00 | 20.52 | 20.74 | 0.22                   |

Source: BCPB.



### 3 Methodological Notes to Selected Indicators

#### 3.1 Monetary Statistics

##### 3.1.1 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>9</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, January 2005 = 100).

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

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

$I_t$  - index at period t

$T_t$  - transactions in period t

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

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>9</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  $t$  ( $a_t$ ):

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

### 3.1.2 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 50 Calculation of Monetary Aggregates**

| Methodology of the NBS                    | Methodology of the ECB   |
|---|--|
| CURRENCY OUTSIDE BANKS [M0]               | (the items are included in the individual sub-aggregates in both Slovak koruna and foreign currency) |
| +   | currency in circulation [M0]   |
| DEMAND DEPOSITS (in SKK)                  | +  |
| <b>= Money (M1 – 'narrow money')</b>      | overnight deposits and received loans  |
|   | <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>10</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>11</sup>.

### 3.1.3 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>12</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>10</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>11</sup> In the conditions of NBS, the recording of seasonally adjusted data according to ECB methodology is currently in the stage of preparation.

<sup>12</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>13</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
  - repayable at a period of notice of up to 3 months
  - repayable at a period of notice of over 3 months.

<sup>13</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.

### 3.1.4 Classification of Loans According to Quality

#### Year 2005<sup>14</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>14</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.

### 3.1.5 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.



## 3.2 Basic Macroeconomic Indicators

### 3.2.1 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 produc-



tion 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.

### 3.2.2 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.

### 3.2.3 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.

## **3.2.4 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.

### 3.2.5 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'.



## 4 Tables

### Selected indicators of economic and monetary development in the SR

|   | Unit        | 2007      |           | 2008      |           |           |           |           |           |           |           |           |            |            |
|---|-------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
|   |             | 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 billion | -         | 1429.5*   | -         | -         | 343.8*    | -         | -         | 720.0*    | -         | -         | 1,125.3*  | -          | -          |
| Year-on-year change in GDP <sup>3)</sup>                | %           | -         | 14.3*     | -         | -         | 9.3*      | -         | -         | 8.6*      | -         | -         | 7.0*      | -          | -          |
| Unemployment rate <sup>4)9)</sup>                       | %           | 7.8       | 8.0       | 8.1       | 7.8       | 7.6       | 7.4       | 7.4       | 7.5       | 7.5       | 7.4       | 7.5       | 7.5        | .          |
| Consumer prices (HICP) <sup>3)8)</sup>                  | %           | 2.3       | 2.5       | 3.2       | 3.4       | 3.6       | 3.7       | 4.0       | 4.3       | 4.4       | 4.4       | 4.5       | 4.2        | 3.9        |
| Consumer prices (CPI) <sup>3)</sup>                     | %           | 3.1       | 3.4       | 3.8       | 4.1       | 4.2       | 4.3       | 4.6       | 4.6       | 4.8       | 5.0       | 5.4       | 5.1        | 4.9        |
| <b>BALANCE OF TRADE <sup>7) (p)</sup></b>               |             |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Exports (fob)   | SKK million | 1,312,257 | 1,420,738 | 125,146   | 257,030   | 383,300   | 517,948   | 645,784   | 776,442   | 899,719   | 1,010,818 | 1,143,690 | 1,283,837  | .          |
| Imports (fob)   | SKK million | 1,322,055 | 1,442,123 | 123,875   | 255,512   | 383,579   | 525,123   | 649,542   | 781,852   | 909,236   | 1,018,141 | 1,150,796 | 1,286,915  | .          |
| Balance   | SKK million | -9,798    | -21,385   | 1,271     | 1,518     | -279      | -7,175    | -3,759    | -5,410    | -9,517    | -7,324    | -7,106    | -3,078     | .          |
| <b>BALANCE OF PAYMENTS</b>                              |             |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Current account <sup>7)</sup>                           | SKK million | -88,466.2 | -98,746.3 | -1,097.5  | 3,096.1   | -6,521.0  | -22,186.7 | -32,913.2 | -63,013.1 | -80,955.2 | -79,887.2 | -92,886.5 | .          | .          |
| Capital and financial account                           | SKK million | 170,341.9 | 183,903.6 | -4,180.7  | 10,938.1  | 20,297.2  | 31,936.8  | 35,522.6  | 82,104.2  | 108,565.5 | 116,317.9 | 122,394.2 | .          | .          |
| Overall balance   | SKK million | 95,796.3  | 95,971.0  | -218.3    | -558.3    | -3,880.7  | -1,549.9  | -3,537.4  | -3,842.8  | -2,492.2  | -2,632.3  | -2,749.8  | .          | .          |
| <b>FOREIGN EXCHANGE RESERVES <sup>4)</sup></b>          |             |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Total foreign exchange reserves                         | USD million | 21,868.6  | 21,598.6  | 21,956.0  | 22,401.5  | 23,122.9  | 23,504.3  | 23,460.6  | 23,617.5  | 23,754.1  | 22,388.0  | 22,214.0  | 19,429.8   | 19,429.8   |
| NBS foreign exchange reserves                           | USD million | 19,110.9  | 18,581.6  | 19,257.0  | 19,554.5  | 20,041.4  | 19,841.8  | 19,698.4  | 19,917.4  | 19,773.0  | 18,840.4  | 18,524.3  | 17,056.6   | 17,093.5   |
| <b>GROSS EXTERNAL DEBT <sup>4)</sup></b>                |             |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Total gross external debt                               | USD billion | 43.1      | 44.3      | 43.7      | 46.6      | 49.4      | 50.1      | 52.4      | 56.1      | 57.0      | 52.8      | 53.0      | .          | .          |
| External debt per capita                                | USD         | 8,014     | 8,237     | 8,117     | 8,669     | 9,180     | 9,322     | 9,735     | 10,430    | 10,593    | 9,819     | 9,861.0   | .          | .          |
| <b>MONETARY INDICATORS</b>                              |             |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Exchange rate <sup>5)</sup>                             | SKK/USD     | 22.637    | 22.882    | 22.797    | 22.495    | 20.977    | 20.550    | 20.253    | 19.512    | 19.215    | 20.196    | 21.047    | 22.778     | 23.863     |
| M3 monetary aggregate <sup>4)8)</sup>                   | SKK billion | 1,041.0   | 1,082.4   | 1,082.3   | 1,093.1   | 1,084.6   | 1,090.8   | 1,108.1   | 1,094.6   | 1,104.9   | 1,113.5   | 1,105.9   | 1,093.1    | .          |
| Year-on-year change in M3 <sup>3)</sup>                 | %           | 12.3      | 13.0      | 12.6      | 12.2      | 10.5      | 10.2      | 9.8       | 6.6       | 9.6       | 8.2       | 6.4       | 5.1        | .          |
| Claims of monetary financial institutions <sup>8)</sup> | SKK billion | 1,029.4   | 1,044.7   | 1,041.1   | 1,049.8   | 1,045.0   | 1,058.6   | 1,061.4   | 1,082.6   | 1,100.7   | 1,115.6   | 1,127.2   | 1,149.3    | .          |
| <b>STATE BUDGET <sup>2)4)</sup></b>                     |             |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Revenue   | SKK billion | 290.3     | 322.2     | 35.0      | 51.5      | 81.0      | 113.4     | 133.3     | 156.2     | 186.8     | 216.7     | 241.9     | 274.9      | 307.1      |
| Expenditure   | SKK billion | 284.9     | 345.7     | 22.0      | 50.0      | 77.6      | 105.7     | 136.4     | 160.3     | 187.4     | 211.6     | 237.6     | 267.0      | 297.5      |
| Balance   | SKK billion | 5.4       | -23.5     | 13.0      | 1.5       | 3.4       | 7.7       | -3.1      | -4.1      | -0.6      | 5.1       | 4.3       | 7.9        | 9.6        |
| <b>MONEY MARKET</b>                                     |             |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Interest rates set by the NBS Bank Board                |             |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Date of validity <sup>6)</sup>                          |             | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 29.10.2008 | 11.11.2008 |
| Overnight operations                                    |             |           |           |           |           |           |           |           |           |           |           |           |            |            |
| - sterilisation   | %           | 2.25      | 2.25      | 2.25      | 2.25      | 2.25      | 2.25      | 2.25      | 2.25      | 2.25      | 2.25      | 2.25      | 2.75       | 2.25       |
| - refinancing   | %           | 5.75      | 5.75      | 5.75      | 5.75      | 5.75      | 5.75      | 5.75      | 5.75      | 5.75      | 5.75      | 5.75      | 4.75       | 4.25       |
| Limit rate for 2-week repo tenders                      | %           | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 3.75       | 3.25       |
| NBS base rate (until 31/12/02: discount rate)           | %           | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 3.75       | 3.25       |
| Average interbank deposit rate (BRIBOR)                 |             |           |           |           |           |           |           |           |           |           |           |           |            |            |
| overnight   | %           | 3.82      | 2.75      | 4.01      | 3.39      | 3.25      | 3.62      | 4.12      | 3.52      | 3.31      | 4.19      | 3.40      | 3.04       | 2.97       |
| 7-day   | %           | 4.19      | 3.93      | 4.22      | 4.00      | 3.98      | 4.07      | 4.19      | 4.02      | 3.88      | 4.22      | 4.03      | 3.76       | 3.20       |
| 14-day  | %           | 4.25      | 4.12      | 4.24      | 4.12      | 4.10      | 4.16      | 4.22      | 4.13      | 4.03      | 4.24      | 4.12      | 3.95       | 3.28       |
| 1-month   | %           | 4.28      | 4.25      | 4.28      | 4.23      | 4.21      | 4.23      | 4.26      | 4.26      | 4.20      | 4.27      | 4.19      | 4.08       | 3.38       |
| 2-month   | %           | 4.32      | 4.28      | 4.30      | 4.26      | 4.27      | 4.26      | 4.29      | 4.31      | 4.28      | 4.28      | 4.22      | 4.13       | 3.45       |
| 3-month   | %           | 4.35      | 4.31      | 4.32      | 4.28      | 4.29      | 4.28      | 4.32      | 4.34      | 4.33      | 4.31      | 4.25      | 4.21       | 3.65       |
| 6-month   | %           | 4.40      | 4.36      | 4.35      | 4.30      | 4.32      | 4.33      | 4.40      | 4.57      | 4.54      | 4.45      | 4.52      | 4.75       | 4.29       |
| 9-month   | %           | 4.43      | 4.41      | 4.38      | 4.30      | 4.32      | 4.36      | 4.46      | 4.74      | 4.78      | 4.73      | 4.76      | 4.98       | 4.45       |
| 12-month  | %           | 4.45      | 4.45      | 4.41      | 4.30      | 4.32      | 4.39      | 4.50      | 4.88      | 5.02      | 4.96      | 5.02      | 5.16       | 4.52       |

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

<sup>(p)</sup> Preliminary data.

<sup>1)</sup> In constant prices, calculated by chaining values; the reference period is the year 2000.

<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.





## Selected indicators of economic and monetary development in the SR (SKK converted to EUR)

|   | Unit      | 2007      |           | 2008      |           |           |           |           |           |           |           |           |            |            |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|
|   |           | 11        | 12        | 1         | 2         | 3         | 4         | 5         | 6         | 7         | 8         | 9         | 10         | 11         |
| <b>REAL ECONOMY</b>                                     |           |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Gross domestic product <sup>1)2)</sup>                  | bill. EUR |           | 47.5*     |           |           | 11.4*     | -         | -         | 23.9*     | -         | -         | 37.4*     | -          | -          |
| Year-on-year change in GDP <sup>3)</sup>                | %         | -         | 14.3*     | -         | -         | 9.3*      | -         | -         | 8.6*      | -         | -         | 8.0*      | -          | -          |
| Unemployment rate <sup>4)9)</sup>                       | %         | 7.8       | 8.0       | 8.1       | 7.8       | 7.6       | 7.4       | 7.4       | 7.4       | 7.5       | 7.4       | 7.5       | 7.5        | -          |
| Consumer prices (HICP) <sup>3)8)</sup>                  | %         | 2.3       | 2.5       | 3.2       | 3.4       | 3.6       | 3.7       | 4.0       | 4.3       | 4.4       | 4.4       | 4.5       | 4.2        | 3.9        |
| Consumer prices (CPI) <sup>3)</sup>                     | %         | 3.1       | 3.4       | 3.8       | 4.1       | 4.2       | 4.3       | 4.6       | 4.6       | 4.8       | 5.0       | 5.4       | 5.1        | 4.9        |
| <b>BALANCE OF TRADE <sup>7)9)</sup></b>                 |           |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Exports (fob)   | mill. EUR | 43,559    | 47,160    | 3,731     | 7,711     | 11,597    | 15,754    | 19,808    | 24,117    | 28,183    | 31,845    | 36,233    | 40,835     | .          |
| Imports (fob)   | mill. EUR | 43,884    | 47,870    | 3,694     | 7,666     | 11,606    | 15,977    | 19,922    | 24,286    | 28,488    | 32,077    | 36,458    | 40,928     | .          |
| Balance   | mill. EUR | -325      | -710      | 38        | 45        | -10       | -223      | -115      | -169      | -304      | -232      | -225      | -93        | .          |
| <b>BALANCE OF PAYMENTS</b>                              |           |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Current account <sup>7)</sup>                           | mill. EUR | -2,936.5  | -3,277.8  | -36.4     | 102.8     | -216.5    | -736.5    | -1,092.5  | -2,091.7  | -2,687.2  | -2,651.8  | -3,083.3  | .          | .          |
| Capital and financial account                           | mill. EUR | 5,654.3   | 6,104.5   | -138.8    | 363.1     | 673.7     | 1,060.1   | 1,179.1   | 2,725.4   | 3,603.7   | 3,861.0   | 4,062.7   | .          | .          |
| Overall balance   | mill. EUR | 3,179.9   | 3,185.7   | -7.2      | -18.5     | -128.8    | -51.4     | -117.4    | -127.6    | -82.7     | -87.4     | -91.3     | .          | .          |
| <b>FOREIGN EXCHANGE RESERVES <sup>4)</sup></b>          |           |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Total foreign exchange reserves                         | mill. USD | 21,868.6  | 21,598.6  | 21,956.0  | 22,401.5  | 23,122.9  | 23,504.3  | 23,460.6  | 23,617.5  | 23,754.1  | 22,388.0  | 22,214.0  | 19,429.8   | 19,429.8   |
| NBS foreign exchange reserves                           | mill. USD | 19,110.9  | 18,581.6  | 19,257.0  | 19,554.5  | 20,041.4  | 19,841.8  | 19,698.4  | 19,917.4  | 19,773.0  | 18,840.4  | 18,524.3  | 17,056.6   | 17,093.5   |
| <b>GROSS EXTERNAL DEBT <sup>4)</sup></b>                |           |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Total gross external debt                               | bill. USD | 43.1      | 44.3      | 43.7      | 46.6      | 49.4      | 50.1      | 52.4      | 56.1      | 57.0      | 52.8      | 53.0      | .          | .          |
| External debt per capita                                | USD       | 8,014     | 8,237     | 8,117     | 8,669     | 9,180     | 9,322     | 9,735     | 10,430.0  | 10,593.0  | 9,819.0   | 9,861.0   | .          | .          |
| <b>MONETARY INDICATORS</b>                              |           |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Exchange rate <sup>5)</sup>                             | SKK/USD   | 22.637    | 22.882    | 22.797    | 22.495    | 20.977    | 20.550    | 20.253    | 19.512    | 19.215    | 20.196    | 21.047    | 22.778     | 23.863     |
| M3 monetary aggregate <sup>4)8)</sup>                   | bill. EUR | 34.6      | 35.9      | 35.9      | 36.3      | 36.0      | 36.2      | 36.8      | 36.3      | 36.7      | 37.0      | 36.7      | 36.3       | .          |
| Year-on-year change in M3 <sup>3)</sup>                 | %         | 12.3      | 13.0      | 12.6      | 12.2      | 10.5      | 10.2      | 9.8       | 6.6       | 9.6       | 9.6       | 6.4       | 6.4        | .          |
| Claims of monetary financial institutions <sup>8)</sup> | bill. EUR | 34.2      | 34.7      | 34.6      | 34.8      | 34.7      | 35.1      | 35.2      | 35.9      | 36.5      | 37.0      | 37.4      | 38.1       | .          |
| <b>STATE BUDGET <sup>2)4)</sup></b>                     |           |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Revenue   | bill. EUR | 9.64      | 10.70     | 1.16      | 1.71      | 2.69      | 3.76      | 4.42      | 5.18      | 6.20      | 7.19      | 8.03      | 9.13       | 9.13       |
| Expenditure   | bill. EUR | 9.46      | 11.48     | 0.73      | 1.66      | 2.58      | 3.51      | 4.53      | 5.32      | 6.22      | 7.02      | 7.89      | 8.86       | 8.86       |
| Balance   | bill. EUR | 0.18      | -0.78     | 0.43      | 0.05      | 0.11      | 0.26      | -0.10     | -0.14     | -0.02     | 0.17      | 0.14      | 0.26       | 0.26       |
| <b>MONEY MARKET</b>                                     |           |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Interest rates set by the NBS Bank Board                |           |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Date of validity <sup>6)</sup>                          |           |           |           |           |           |           |           |           |           |           |           |           |            |            |
| Overnight operations                                    |           | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 25.4.2007 | 29.10.2008 | 11.11.2008 |
| - sterilisation   | %         | 2.25      | 2.25      | 2.25      | 2.25      | 2.25      | 2.25      | 2.25      | 2.25      | 2.25      | 2.25      | 2.25      | 2.75       | 2.25       |
| - refinancing   | %         | 5.75      | 5.75      | 5.75      | 5.75      | 5.75      | 5.75      | 5.75      | 5.75      | 5.75      | 5.75      | 5.75      | 4.75       | 4.25       |
| Limit rate for 2-week repo tenders                      | %         | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 3.75       | 3.25       |
| NBS base rate (until 31/12/02: discount rate)           | %         | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      | 3.75       | 3.25       |
| Average interbank deposit rate (BRIBOR)                 |           |           |           |           |           |           |           |           |           |           |           |           |            |            |
| overnight   | %         | 3.82      | 2.75      | 4.01      | 3.39      | 3.25      | 3.62      | 4.12      | 3.52      | 3.31      | 4.19      | 3.40      | 3.04       | 2.97       |
| 7-day   | %         | 4.19      | 3.93      | 4.22      | 4.00      | 3.98      | 4.07      | 4.19      | 4.02      | 3.88      | 4.22      | 4.03      | 3.76       | 3.20       |
| 14-day  | %         | 4.25      | 4.12      | 4.24      | 4.12      | 4.10      | 4.16      | 4.22      | 4.13      | 4.03      | 4.24      | 4.12      | 3.95       | 3.28       |
| 1-month   | %         | 4.28      | 4.25      | 4.28      | 4.23      | 4.21      | 4.23      | 4.26      | 4.26      | 4.20      | 4.27      | 4.19      | 4.08       | 3.38       |
| 2-month   | %         | 4.32      | 4.28      | 4.30      | 4.26      | 4.27      | 4.26      | 4.29      | 4.31      | 4.28      | 4.28      | 4.22      | 4.13       | 3.45       |
| 3-month   | %         | 4.35      | 4.31      | 4.32      | 4.28      | 4.29      | 4.28      | 4.32      | 4.34      | 4.33      | 4.31      | 4.25      | 4.21       | 3.65       |
| 6-month   | %         | 4.40      | 4.36      | 4.35      | 4.30      | 4.32      | 4.33      | 4.40      | 4.57      | 4.54      | 4.45      | 4.52      | 4.75       | 4.29       |
| 9-month   | %         | 4.43      | 4.41      | 4.38      | 4.30      | 4.32      | 4.36      | 4.46      | 4.74      | 4.78      | 4.73      | 4.76      | 4.98       | 4.45       |
| 12-month  | %         | 4.45      | 4.45      | 4.41      | 4.30      | 4.32      | 4.39      | 4.50      | 4.88      | 5.02      | 4.96      | 5.02      | 5.16       | 4.52       |

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

<sup>0)</sup> Preliminary data.<sup>1)</sup> In constant prices, calculated by chaining values; the reference period is the year 2000.<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.



**Summary of assets and liabilities in the consolidated balance sheet of MFIs**

|   | Share of the total (in %) <sup>1)</sup> | Volume (SKK billion) |         |         |         |         |         |         |         |         |         |         |         |         |
|---|---|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
|   |   | 2007                 |         |         | 2008    |         |         |         |         |         |         |         |         |         |
|   |   | 10                   | 11      | 12      | 1       | 2       | 3       | 4       | 5       | 6       | 7       | 8       | 9       | 10      |
| Claims of MFIs on residents   | 50.6                                    | 762.3                | 776.4   | 793.3   | 808.0   | 815.1   | 825.0   | 835.7   | 836.9   | 857.3   | 873.7   | 885.1   | 892.3   | 905.6   |
| General government  | 1.1                                     | 21.0                 | 22.4    | 23.0    | 23.0    | 22.7    | 22.2    | 21.7    | 21.3    | 20.5    | 21.1    | 21.5    | 21.1    | 20.6    |
| Private sector  | 49.5                                    | 741.2                | 754.0   | 770.3   | 785.0   | 792.4   | 802.8   | 814.0   | 815.6   | 836.8   | 852.6   | 863.5   | 871.2   | 885.1   |
| Non-financial corporations  | 25.5                                    | 385.1                | 389.3   | 399.5   | 410.5   | 413.2   | 415.0   | 420.5   | 419.6   | 433.4   | 441.5   | 446.2   | 447.7   | 456.1   |
| – up to 1 year  | 10.4                                    | 165.2                | 169.3   | 170.5   | 174.7   | 175.7   | 176.6   | 177.8   | 177.5   | 185.7   | 186.3   | 187.2   | 185.3   | 186.5   |
| – 1 to 5 years  | 5.5                                     | 74.8                 | 76.9    | 82.3    | 86.1    | 86.7    | 86.0    | 86.2    | 85.6    | 88.1    | 93.3    | 96.0    | 97.5    | 98.9    |
| – over 5 years  | 9.5                                     | 145.1                | 143.1   | 146.7   | 149.6   | 150.8   | 152.4   | 156.5   | 156.5   | 159.6   | 161.9   | 163.0   | 164.8   | 170.7   |
| Financial corporations  | 3.2                                     | 64.5                 | 66.2    | 66.4    | 66.1    | 65.9    | 68.5    | 66.6    | 61.5    | 60.8    | 60.3    | 60.1    | 59.4    | 57.8    |
| 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     | 0.1     | 0.0     |
| Households and non-profit institutions serving households                       | 20.7                                    | 291.5                | 298.5   | 304.3   | 308.4   | 313.2   | 319.2   | 326.9   | 334.4   | 342.6   | 350.8   | 357.2   | 364.0   | 371.1   |
| – consumer loans  | 2.8                                     | 40.5                 | 41.1    | 41.6    | 41.8    | 42.3    | 43.1    | 44.3    | 45.4    | 46.3    | 47.8    | 48.7    | 49.6    | 50.3    |
| – house purchase loans  | 14.0                                    | 194.9                | 199.6   | 204.1   | 207.4   | 210.9   | 214.7   | 219.9   | 224.9   | 230.5   | 235.8   | 240.4   | 245.0   | 250.1   |
| – other loans   | 4.0                                     | 56.1                 | 57.7    | 58.6    | 59.1    | 60.0    | 61.4    | 62.7    | 64.1    | 65.9    | 67.1    | 68.2    | 69.4    | 70.7    |
| Securities other than shares and participation certificates issued by residents | 13.0                                    | 243.5                | 245.0   | 245.4   | 222.2   | 223.9   | 209.1   | 211.9   | 213.2   | 214.1   | 215.5   | 219.0   | 223.7   | 232.4   |
| General government  | 12.5                                    | 236.6                | 238.2   | 238.6   | 215.9   | 217.5   | 202.7   | 205.2   | 206.4   | 206.6   | 208.3   | 212.2   | 215.8   | 224.4   |
| Private sector  | 0.4                                     | 6.9                  | 6.8     | 6.7     | 6.3     | 6.4     | 6.4     | 6.7     | 6.8     | 7.5     | 7.2     | 6.8     | 7.8     | 8.0     |
| Shares and other equities issued by private sector                              | 0.6                                     | 7.1                  | 8.0     | 8.2     | 10.8    | 10.9    | 11.0    | 11.0    | 11.3    | 11.2    | 11.5    | 11.5    | 11.3    | 11.3    |
| Foreign assets  | 29.4                                    | 554.8                | 544.4   | 570.0   | 565.0   | 546.9   | 532.8   | 549.7   | 512.4   | 517.1   | 524.8   | 509.0   | 527.6   | 526.4   |
| Fixed assets  | 1.8                                     | 32.0                 | 32.2    | 33.1    | 33.1    | 33.0    | 33.0    | 32.9    | 32.7    | 32.4    | 32.5    | 32.4    | 32.4    | 32.5    |
| Other assets  | 4.5                                     | 59.9                 | 60.0    | 50.7    | 50.0    | 53.2    | 53.7    | 52.2    | 61.9    | 58.2    | 57.0    | 58.1    | 57.8    | 80.6    |
| Deposits and loans received from the central government                         | 4.0                                     | 82.4                 | 90.6    | 61.0    | 54.3    | 42.2    | 21.6    | 37.8    | 26.4    | 34.4    | 35.4    | 44.9    | 49.0    | 72.1    |
| Long-term financial liabilities   | 10.5                                    | 168.6                | 170.9   | 182.6   | 196.1   | 188.7   | 181.5   | 172.0   | 146.6   | 148.5   | 153.2   | 162.4   | 174.9   | 187.3   |
| Deposits and loans received with an agreed maturity of over 2 years             | 4.3                                     | 70.2                 | 71.1    | 73.7    | 73.9    | 74.2    | 73.4    | 72.8    | 73.0    | 71.6    | 72.0    | 71.8    | 76.0    | 76.3    |
| Deposits repayable at a period of notice of over 3 months                       | 1.3                                     | 23.3                 | 23.3    | 23.5    | 23.6    | 23.4    | 23.2    | 23.1    | 23.0    | 23.0    | 22.9    | 22.8    | 22.6    | 22.5    |
| Debt securities issued with a maturity of over 2 years                          | 3.1                                     | 41.5                 | 43.0    | 44.7    | 43.5    | 45.1    | 46.1    | 47.4    | 47.8    | 50.0    | 50.1    | 54.0    | 55.4    | 56.1    |
| Capital, reserves, and provisions   | 1.8                                     | 33.7                 | 33.6    | 40.7    | 55.1    | 46.1    | 38.8    | 28.7    | 2.8     | 3.8     | 8.2     | 13.9    | 20.9    | 32.4    |
| Foreign liabilities   | 19.0                                    | 284.1                | 279.2   | 307.8   | 280.1   | 283.8   | 290.5   | 312.3   | 295.8   | 329.6   | 346.4   | 321.5   | 331.1   | 339.2   |
| Other liabilities   | 5.4                                     | 84.9                 | 84.3    | 67.0    | 76.4    | 75.0    | 86.3    | 83.1    | 92.1    | 83.1    | 74.4    | 72.8    | 84.2    | 97.1    |
| Surplus of liabilities among MFIs   | 0.0                                     | 0.0                  | -0.1    | -0.4    | 0.0     | 0.1     | 0.0     | -2.6    | -0.4    | 0.0     | 0.6     | 0.0     | 0.0     | 0.0     |
| M3  | 61.1                                    | 1,039.6              | 1,041.0 | 1,082.7 | 1,082.3 | 1,093.1 | 1,084.6 | 1,090.8 | 1,108.1 | 1,094.6 | 1,104.9 | 1,113.5 | 1,105.9 | 1,093.1 |
| <b>Total</b>  | 100.0                                   | 1,659.6              | 1,665.9 | 1,700.8 | 1,689.2 | 1,682.9 | 1,664.5 | 1,693.4 | 1,668.5 | 1,690.3 | 1,714.9 | 1,715.1 | 1,745.0 | 1,788.8 |

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

### Average interest rates on new loans

(ECB methodology)

(%)

|   | 2007  |       |       | 2008  |       |       |       |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|   | 10    | 11    | 12    | 1     | 2     | 3     | 4     | 5     | 6     | 7     | 8     | 9     | 10    |
| <b>Loans in total<sup>1)</sup></b>            | 7.22  | 7.36  | 7.10  | 7.43  | 7.47  | 7.36  | 7.19  | 7.22  | 7.18  | 7.58  | 7.63  | 7.47  | 7.30  |
| Current account overdrafts                    | 7.47  | 7.52  | 7.39  | 7.61  | 7.41  | 7.29  | 7.25  | 7.29  | 7.59  | 7.50  | 7.50  | 7.41  | 7.35  |
| operating loans                               | 4.76  | 4.91  | 5.09  | 4.74  | 4.91  | 4.83  | 4.49  | 4.87  | 4.41  | 5.20  | 5.12  | 4.51  | 3.72  |
| Investment loans                              | 5.65  | 5.52  | 5.47  | 5.61  | 5.54  | 5.65  | 5.39  | 5.55  | 5.77  | 5.73  | 5.57  | 5.80  | 7.03  |
| Consumer loans                                | 13.66 | 13.30 | 13.12 | 12.92 | 12.85 | 12.84 | 12.90 | 12.40 | 12.48 | 12.45 | 13.21 | 13.33 | 13.42 |
| House purchase loans                          | 6.09  | 6.07  | 6.07  | 6.09  | 6.15  | 6.07  | 6.07  | 6.15  | 6.22  | 6.39  | 6.42  | 6.32  | 6.30  |
| of which:                                     |       |       |       |       |       |       |       |       |       |       |       |       |       |
| Mortgage loans                                | 5.75  | 5.76  | 5.73  | 5.81  | 5.80  | 5.76  | 5.81  | 5.79  | 5.85  | 6.02  | 6.15  | 6.16  | 6.31  |
| Construction loans                            | 5.03  | 4.88  | 4.91  | 4.88  | 4.83  | 4.82  | 4.87  | 4.85  | 4.89  | 4.78  | 4.86  | 4.76  | 4.81  |
| Intermediate loans                            | 6.76  | 6.73  | 6.70  | 6.68  | 6.74  | 6.79  | 6.82  | 6.79  | 6.78  | 6.71  | 6.75  | 6.71  | 6.57  |
| Other real estate loans                       | 6.11  | 6.15  | 6.24  | 6.22  | 6.29  | 6.18  | 6.19  | 6.32  | 6.37  | 6.52  | 6.52  | 6.34  | 6.28  |
| Other loans                                   | 6.36  | 6.43  | 5.74  | 6.57  | 6.03  | 6.71  | 6.30  | 6.53  | 6.37  | 6.46  | 6.02  | 6.43  | 6.49  |
| Floating rate + IRF for up to 1 year incl.    | 7.20  | 7.32  | 7.06  | 7.40  | 7.44  | 7.32  | 7.12  | 7.20  | 7.16  | 7.56  | 7.56  | 7.38  | 7.23  |
| IRF for over 1 year and up to 5 years incl.   | 7.35  | 7.61  | 7.74  | 7.80  | 7.64  | 8.53  | 7.90  | 6.96  | 7.08  | 7.58  | 8.02  | 7.80  | 7.30  |
| IRF for over 5 years and up to 10 years incl. | 8.26  | 8.90  | 8.69  | 12.22 | 12.28 | 11.32 | 12.47 | 11.64 | 10.97 | 11.03 | 12.81 | 12.22 | 11.81 |
| IRF for over 10 years                         | 6.18  | 6.43  | 6.97  | 8.29  | 8.42  | 7.10  | 7.42  | 7.49  | 7.98  | 8.00  | 8.21  | 8.04  | 7.74  |
| <b>Households</b>                             |       |       |       |       |       |       |       |       |       |       |       |       |       |
| Loans in total                                | 12.04 | 12.15 | 12.38 | 12.62 | 12.50 | 12.27 | 11.82 | 11.97 | 11.90 | 11.93 | 12.64 | 12.45 | 12.28 |
| Current account overdrafts                    | 13.87 | 13.80 | 13.54 | 13.85 | 13.76 | 13.73 | 13.68 | 13.70 | 13.65 | 13.64 | 13.93 | 13.95 | 13.94 |
| Operating loans                               | 7.33  | 6.20  | 6.11  | 6.05  | 6.10  | 6.30  | 6.36  | 6.33  | 6.96  | 6.55  | 6.99  | 6.47  | 6.23  |
| Investment loans                              | 6.36  | 6.57  | 6.27  | 6.12  | 7.00  | 6.30  | 6.83  | 6.87  | 6.95  | 6.57  | 6.77  | 6.76  | 6.44  |
| Consumer loans                                | 13.66 | 13.30 | 13.23 | 12.92 | 12.85 | 12.85 | 12.92 | 12.41 | 12.53 | 12.45 | 13.21 | 13.34 | 13.42 |
| House purchase loans                          | 6.14  | 6.12  | 6.06  | 6.12  | 6.12  | 6.06  | 6.05  | 6.12  | 6.20  | 6.32  | 6.52  | 6.38  | 6.35  |
| of which:                                     |       |       |       |       |       |       |       |       |       |       |       |       |       |
| Mortgage loans                                | 5.74  | 5.76  | 5.72  | 5.81  | 5.80  | 5.75  | 5.80  | 5.79  | 5.85  | 6.02  | 6.15  | 6.17  | 6.30  |
| Construction loans                            | 5.04  | 4.88  | 4.91  | 4.88  | 4.83  | 4.82  | 4.87  | 4.85  | 4.89  | 4.78  | 4.86  | 4.76  | 4.81  |
| Intermediate loans                            | 6.78  | 6.75  | 6.72  | 6.73  | 6.80  | 6.81  | 6.84  | 6.86  | 6.86  | 6.77  | 6.80  | 6.74  | 6.63  |
| Other real estate loans                       | 6.30  | 6.37  | 6.38  | 6.34  | 6.37  | 6.24  | 6.18  | 6.31  | 6.40  | 6.45  | 6.75  | 6.46  | 6.35  |
| Other loans                                   | 6.67  | 7.18  | 7.00  | 7.27  | 7.02  | 6.84  | 6.90  | 6.75  | 6.65  | 6.73  | 6.84  | 7.04  | 7.03  |
| Credit cards                                  | 16.39 | 16.07 | 17.78 | 17.87 | 17.94 | 17.81 | 17.70 | 17.68 | 17.71 | 17.54 | 17.65 | 17.47 | 17.48 |
| Floating rate + IRF for up to 1 year incl.    | 12.62 | 12.61 | 12.76 | 12.98 | 12.84 | 12.57 | 12.30 | 12.64 | 12.55 | 12.59 | 13.16 | 13.16 | 13.37 |
| IRF for over 1 year and up to 5 years incl.   | 8.70  | 8.93  | 8.81  | 8.25  | 8.46  | 8.61  | 8.00  | 7.38  | 7.45  | 7.72  | 8.24  | 7.83  | 7.44  |
| IRF for over 5 years and up to 10 years incl. | 8.75  | 9.83  | 10.50 | 12.32 | 12.73 | 12.56 | 12.68 | 12.04 | 11.52 | 11.32 | 13.03 | 12.69 | 12.46 |
| IRF for over 10 years                         | 7.16  | 7.34  | 7.34  | 8.81  | 8.90  | 7.27  | 8.25  | 7.89  | 8.97  | 8.93  | 8.99  | 8.82  | 7.95  |
| <b>Non-financial corporations</b>             |       |       |       |       |       |       |       |       |       |       |       |       |       |
| Loans in total                                | 5.74  | 5.71  | 5.62  | 5.88  | 5.79  | 5.70  | 5.69  | 5.75  | 5.95  | 5.95  | 5.96  | 5.80  | 5.75  |
| Current account overdrafts                    | 5.76  | 5.81  | 5.65  | 5.94  | 5.82  | 5.69  | 5.72  | 5.77  | 6.06  | 5.98  | 6.00  | 5.82  | 5.71  |
| Operating loans                               | 5.41  | 4.90  | 5.31  | 5.23  | 5.12  | 5.13  | 5.01  | 5.23  | 4.97  | 5.27  | 5.43  | 5.22  | 5.05  |
| Investment loans                              | 5.61  | 5.70  | 5.65  | 5.60  | 5.53  | 5.71  | 5.29  | 5.54  | 5.75  | 5.75  | 5.53  | 5.70  | 6.01  |
| House purchase loans                          | 6.16  | 5.94  | 6.13  | 5.90  | 6.23  | 6.11  | 6.21  | 6.34  | 6.29  | 6.62  | 6.19  | 6.24  | 6.11  |
| Other loans                                   | 6.32  | 6.42  | 5.51  | 6.16  | 5.84  | 6.38  | 6.07  | 6.55  | 6.16  | 6.10  | 5.89  | 5.84  | 6.39  |
| Credit cards                                  | 16.62 | 17.25 | 18.53 | 17.65 | 17.96 | 17.98 | 17.66 | 18.21 | 18.61 | 18.41 | 18.32 | 18.18 | 18.19 |
| Loans up 1 million EUR                        | 6.12  | 6.16  | 6.07  | 5.99  | 5.98  | 6.07  | 5.30  | 5.99  | 6.06  | 5.96  | 6.19  | 6.06  | 6.12  |
| Loans over 1 million EUR                      | 5.48  | 5.20  | 5.39  | 5.30  | 5.45  | 5.46  | 5.58  | 5.36  | 5.47  | 5.67  | 5.43  | 5.49  | 5.78  |
| Floating rate + IRF for up to 1 year incl.    | 5.75  | 5.71  | 5.62  | 5.88  | 5.79  | 5.70  | 5.68  | 5.75  | 5.95  | 5.95  | 5.96  | 5.80  | 5.75  |
| IRF for over 1 year and up to 5 years incl.   | 5.45  | 5.66  | 5.86  | 6.61  | 5.82  | 6.30  | 6.38  | 6.56  | 5.82  | 6.47  | 6.43  | 6.94  | 7.37  |
| IRF for over 5 years and up to 10 years incl. | 6.31  | 6.28  | 5.16  | 8.40  | 5.82  | 4.84  | 5.93  | 5.86  | 5.33  | 5.16  | 6.53  | 7.18  | 6.40  |
| IRF for over 10 years                         | 5.65  | 5.94  | 6.10  | 6.65  | 6.37  | 6.52  | 6.02  | 6.27  | 6.61  | 6.31  | 6.62  | 6.21  | 7.02  |

<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

(%)

|   | 2007  |       |       | 2008  |       |       |       |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|   | 10    | 11    | 12    | 1     | 2     | 3     | 4     | 5     | 6     | 7     | 8     | 9     | 10    |
| <b>Loans in total<sup>1)</sup></b>            | 6.77  | 6.76  | 6.71  | 6.75  | 6.71  | 6.68  | 6.69  | 6.68  | 6.76  | 6.76  | 6.78  | 6.78  | 6.76  |
| Current account overdrafts                    | 7.49  | 7.56  | 7.41  | 7.61  | 7.39  | 7.27  | 7.26  | 7.29  | 7.59  | 7.50  | 7.50  | 7.41  | 7.34  |
| Consumer loans                                | 13.51 | 13.44 | 13.42 | 13.35 | 13.31 | 13.26 | 13.27 | 13.17 | 13.12 | 13.25 | 13.25 | 13.25 | 13.29 |
| Operating loans                               | 4.88  | 4.87  | 4.90  | 4.99  | 4.96  | 4.92  | 4.94  | 4.98  | 5.10  | 5.14  | 5.17  | 5.14  | 5.06  |
| Investment loans                              | 5.49  | 5.49  | 5.49  | 5.54  | 5.52  | 5.52  | 5.51  | 5.51  | 5.59  | 5.63  | 5.65  | 5.64  | 5.65  |
| House purchase loans                          | 6.51  | 6.48  | 6.43  | 6.42  | 6.39  | 6.35  | 6.34  | 6.31  | 6.31  | 6.31  | 6.32  | 6.31  | 6.28  |
| Other loans                                   | 6.08  | 6.06  | 6.02  | 6.02  | 6.03  | 6.09  | 6.12  | 6.08  | 6.19  | 6.18  | 6.21  | 6.25  | 6.28  |
| Credit cards                                  | 16.39 | 16.09 | 17.39 | 17.85 | 17.92 | 17.77 | 17.69 | 17.69 | 17.72 | 17.55 | 17.66 | 17.49 | 17.50 |
| Short-term loans                              | 6.69  | 6.69  | 6.61  | 6.77  | 6.70  | 6.64  | 6.68  | 6.71  | 6.95  | 6.92  | 6.96  | 6.93  | 6.90  |
| Long-term loans over 1 year and up to 5 years | 7.97  | 7.93  | 7.88  | 7.81  | 7.80  | 7.80  | 7.81  | 7.77  | 7.78  | 7.73  | 7.72  | 7.70  | 7.66  |
| Long-term loans over 5 years                  | 6.40  | 6.40  | 6.38  | 6.39  | 6.37  | 6.36  | 6.36  | 6.34  | 6.36  | 6.41  | 6.43  | 6.45  | 6.45  |
| <b>Households</b>                             |       |       |       |       |       |       |       |       |       |       |       |       |       |
| Loans in total                                | 8.20  | 8.16  | 8.10  | 8.08  | 8.04  | 8.00  | 7.97  | 7.93  | 7.90  | 7.91  | 7.92  | 7.93  | 7.93  |
| Current account overdrafts                    | 13.97 | 13.94 | 13.63 | 13.85 | 13.76 | 13.73 | 13.68 | 13.70 | 13.64 | 13.64 | 13.93 | 13.95 | 13.94 |
| Consumer loans                                | 13.52 | 13.46 | 13.43 | 13.36 | 13.32 | 13.27 | 13.28 | 13.18 | 13.13 | 13.26 | 13.25 | 13.26 | 13.29 |
| House purchase loans                          | 6.58  | 6.54  | 6.50  | 6.48  | 6.45  | 6.42  | 6.40  | 6.37  | 6.36  | 6.35  | 6.36  | 6.36  | 6.36  |
| Other loans                                   | 7.08  | 7.06  | 7.04  | 7.04  | 7.05  | 7.02  | 7.00  | 6.94  | 6.91  | 6.88  | 6.88  | 6.90  | 6.92  |
| Credit cards                                  | 16.38 | 16.06 | 17.38 | 17.86 | 17.92 | 17.78 | 17.70 | 17.68 | 17.71 | 17.54 | 17.65 | 17.47 | 17.48 |
| Short-term loans                              | 13.73 | 13.66 | 13.69 | 13.92 | 13.96 | 13.85 | 13.81 | 13.81 | 13.77 | 13.74 | 13.99 | 13.96 | 13.94 |
| Long-term loans over 1 year and up to 5 years | 11.29 | 11.23 | 11.23 | 11.14 | 11.10 | 11.08 | 11.12 | 11.04 | 11.02 | 10.99 | 10.99 | 11.00 | 11.00 |
| Long-term loans over 5 years                  | 6.91  | 6.89  | 6.85  | 6.85  | 6.83  | 6.81  | 6.81  | 6.79  | 6.78  | 6.83  | 6.84  | 6.87  | 6.89  |
| <b>Non-financial institutions</b>             |       |       |       |       |       |       |       |       |       |       |       |       |       |
| Loans in total                                | 5.69  | 5.68  | 5.64  | 5.74  | 5.70  | 5.66  | 5.69  | 5.68  | 5.83  | 5.82  | 5.86  | 5.81  | 5.74  |
| Current account overdrafts                    | 5.76  | 5.82  | 5.65  | 5.93  | 5.79  | 5.67  | 5.73  | 5.77  | 6.06  | 5.98  | 6.00  | 5.82  | 5.70  |
| Operating loans                               | 4.89  | 4.89  | 4.92  | 5.04  | 5.02  | 5.00  | 5.00  | 5.02  | 5.12  | 5.15  | 5.21  | 5.15  | 5.05  |
| Investment loans                              | 5.54  | 5.53  | 5.54  | 5.60  | 5.58  | 5.58  | 5.56  | 5.55  | 5.63  | 5.68  | 5.69  | 5.68  | 5.68  |
| House purchase loans                          | 6.20  | 6.17  | 6.14  | 6.17  | 6.14  | 6.08  | 6.10  | 6.06  | 6.15  | 6.16  | 6.22  | 6.15  | 5.92  |
| Other loans                                   | 6.07  | 6.04  | 5.95  | 5.91  | 5.92  | 5.91  | 6.00  | 5.91  | 6.11  | 6.06  | 6.10  | 6.19  | 6.17  |
| Credit cards                                  | 16.66 | 17.47 | 17.99 | 17.83 | 18.10 | 18.04 | 17.66 | 18.21 | 18.52 | 18.40 | 18.32 | 18.18 | 18.19 |
| Short-term loans                              | 5.59  | 5.59  | 5.48  | 5.68  | 5.60  | 5.54  | 5.60  | 5.60  | 5.84  | 5.80  | 5.87  | 5.76  | 5.65  |
| Long-term loans over 1 year and up to 5 years | 6.03  | 6.02  | 5.99  | 6.00  | 6.00  | 5.99  | 6.01  | 6.01  | 6.07  | 6.08  | 6.08  | 6.10  | 6.03  |
| Long-term loans over 5 years                  | 5.61  | 5.61  | 5.63  | 5.67  | 5.65  | 5.63  | 5.62  | 5.59  | 5.68  | 5.71  | 5.73  | 5.71  | 5.68  |

<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 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 30 October 2008

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

(SKK thousand)

| ASSETS  | Depreciation and provisions | Slovak koruna |               | Foreign currency |               | Total         |
|---|-----------------------------|---------------|---------------|------------------|---------------|---------------|
|   |                             | Residents     | Non-residents | Residents        | Non-residents |               |
| <b>Total assets</b>   | 65,271,604                  | 1,519,059,095 | 62,979,145    | 197,441,715      | 82,619,334    | 1,796,827,685 |
| Cash items  | 0                           | 16,172,570    | 0             | 78,558           | 5,309,585     | 21,560,713    |
| Cash in hand  | 0                           | 14,717,091    | 0             | 0                | 5,046,939     | 19,764,030    |
| of which: EUR   | 0                           | 0             | 0             | 0                | 3,149,558     | 3,149,558     |
| Gold  | 0                           | 0             | 0             | 0                | 0             | 0             |
| Amounts in transit  | 0                           | 1,455,479     | 0             | 78,558           | 262,646       | 1,796,683     |
| Loans and other receivables   | 24,906,320                  | 1,073,657,298 | 27,357,914    | 181,750,590      | 61,134,413    | 1,318,993,895 |
| Deposits and loans to NBS, foreign central banks and post office banks                            | 767                         | 317,521,599   | 0             | 0                | 7,916         | 317,528,748   |
| of which: Valued on an individual basis with no identifiable depreciation (category I)            | 767                         | 250,753,103   | 0             | 0                | 7,916         | 250,760,252   |
| Valued on a portfolio basis (category II)   | 0                           | 66,768,496    | 0             | 0                | 0             | 66,768,496    |
| 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                           | 1,498,209     | 0             | 0                | 7,365         | 1,505,574     |
| Term deposits   | 0                           | 24,901,927    | 0             | 0                | 0             | 24,901,927    |
| Loans provided  | 767                         | 278,251,227   | 0             | 0                | 0             | 278,250,460   |
| Money reserve accounts  | 0                           | 12,870,236    | 0             | 0                | 0             | 12,870,236    |
| of which: Minimum reserve requirements  | 0                           | 12,638,752    | 0             | 0                | 0             | 12,638,752    |
| Postal cheque accounts  | 0                           | 0             | 0             | 0                | 551           | 551           |
| Deposits and loans to banks   | 67,573                      | 20,302,837    | 17,600,960    | 4,636,145        | 30,626,855    | 73,099,224    |
| of which: Valued on an individual basis with no identifiable depreciation (category I)            | 2,258                       | 16,080,701    | 12,184,467    | 4,626,045        | 25,816,474    | 58,705,429    |
| Valued on a portfolio basis (category II)   | 6,586                       | 4,172,701     | 5,416,493     | 10,100           | 4,246,511     | 13,839,219    |
| Valued on an individual basis with identifiable depreciation (category III)                       | 58,729                      | 49,435        | 0             | 0                | 563,870       | 554,576       |
| of which: Failed  | 54,325                      | 39,584        | 0             | 0                | 300,943       | 286,202       |
| of which: Deposits with and loans to own financial group  | 196                         | 1,344,467     | 7,073,206     | 2,003,705        | 12,524,559    | 22,945,741    |
| of which: Current accounts in banks   | 94                          | 579,312       | 20,036        | 49,085           | 4,454,621     | 5,102,960     |
| Current accounts of other banks   | 12                          | 26            | 7,271,781     | 0                | 865,586       | 8,137,381     |
| Term deposits   | 1,074                       | 15,567,660    | 7,489,189     | 4,583,107        | 19,887,868    | 47,526,750    |
| Loans provided  | 66,393                      | 3,498,956     | 0             | 0                | 5,355,619     | 8,788,182     |
| Other receivables from banks  | 0                           | 656,883       | 2,819,954     | 3,953            | 63,161        | 3,543,951     |
| Receivables from customers  | 24,811,844                  | 722,246,702   | 9,756,954     | 170,150,771      | 29,745,945    | 907,088,528   |
| of which: Valued on an individual basis with no identifiable depreciation (category I)            | 290,653                     | 123,027,055   | 7,436,361     | 59,553,283       | 12,685,244    | 202,411,290   |
| Valued on a portfolio basis (category II)   | 13,778,188                  | 578,736,193   | 2,177,558     | 106,230,239      | 16,570,370    | 689,936,172   |
| Valued on an individual basis with identifiable depreciation (category III)                       | 10,743,003                  | 20,483,454    | 143,035       | 4,367,249        | 490,331       | 14,741,066    |
| of which: Failed  | 18,063,322                  | 25,035,628    | 156,325       | 1,441,771        | 285,344       | 8,855,746     |
| of which: MMIF loans  | 0                           | 0             | 0             | 0                | 0             | 0             |
| Loans to general government and international organizations (S.13)                                | 26,136                      | 13,586,160    | 0             | 6,963,674        | 155,794       | 20,679,492    |
| of which: Valued on an individual basis with no identifiable depreciation (category I)            | 9,106                       | 10,688,000    | 0             | 6,904,742        | 0             | 17,583,636    |
| Valued on a portfolio basis (category II)   | 7,815                       | 2,876,325     | 0             | 58,932           | 155,794       | 3,083,236     |
| Valued on an individual basis with identifiable depreciation (category III)                       | 9,215                       | 21,835        | 0             | 0                | 0             | 12,620        |
| of which: Failed  | 12,281                      | 19,584        | 0             | 3                | 0             | 7,306         |
| of which: Deposits to central government (S.1311)   | 0                           | 0             | 0             | 0                | 0             | 0             |
| Loans to central government (S.1311)  | 7,635                       | 1,205,658     | 0             | 2                | 155,794       | 1,353,819     |
| of which: SR Treasury   | 0                           | 0             | 0             | 0                | 0             | 0             |
| Other funds   | 7,633                       | 13,880        | 0             | 0                | 0             | 6,247         |
| Loans to local governments (S.1313)   | 18,501                      | 12,380,502    | 0             | 6,963,672        | 0             | 19,325,673    |
| Loans to social security funds (S.1314)   | 0                           | 0             | 0             | 0                | 0             | 0             |
| of which: Health insurance companies  | 0                           | 0             | 0             | 0                | 0             | 0             |
| Social Insurance Agency   | 0                           | 0             | 0             | 0                | 0             | 0             |
| Debt securities   | 0                           | 0             | 0             | 0                | 597,903       | 597,903       |
| Financial instruments available for sale  | 294,716                     | 44,766,832    | 3,312,887     | 3,541,178        | 8,371,033     | 59,697,214    |
| Financial instruments at fair value through profit/loss: held for trading (excluding derivatives) | 0                           | 116,098,084   | 311,533       | 3,592,780        | 1,761,719     | 121,764,116   |
| Financial instruments at fair value towards profit/loss: others (from the point of settlement)    | 0                           | 7,976,352     | 828,975       | 4,809,023        | 953,279       | 14,567,629    |
| Positive fair value of derivative transactions for trading  | 0                           | 18,775,619    | 24,721,436    | 0                | 0             | 43,497,055    |
| Financial instruments held to maturity  | 171,244                     | 160,356,671   | 5,072,945     | 3,223,595        | 4,470,552     | 172,952,519   |
| Positive fair value of derivative hedge transactions  | 0                           | 57,669        | 364,302       | 0                | 0             | 421,971       |
| 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   | 966,073                     | 10,209,524    | 890,986       | 0                | 0             | 10,134,437    |
| Funds to branches abroad  | 0                           | 0             | 0             | 0                | 503,882       | 503,882       |
| Tangible assets   | 25,007,300                  | 45,867,002    | 0             | 0                | 0             | 20,859,702    |
| Intangible assets   | 13,011,541                  | 18,968,605    | 0             | 0                | 0             | 5,957,064     |
| Other assets  | 686,003                     | 4,591,658     | 118,167       | 445,991          | 114,871       | 4,584,684     |
| Tax receivables   | 0                           | 1,019,068     | 0             | 0                | 0             | 1,019,068     |
| Depreciation  | 37,821,173                  | 37,821,173    | 0             | 0                | 0             | 0             |
| Non-current assets held for sale (IFRS 5)   | 228,407                     | 542,143       | 0             | 0                | 0             | 313,736       |



### Shortened balance sheet of commercial banks as at 30 October 2008

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

(SKK thousand)

| LIABILITIES  | Slovak koruna |               | Foreign currency |               | Total         |
|--|---------------|---------------|------------------|---------------|---------------|
|  | Residents     | Non-residents | Residents        | Non-residents |               |
| <b>Total liabilities</b>   | 1,186,201,346 | 196,508,544   | 145,211,434      | 268,906,361   | 1,796,827,685 |
| <b>PAYABLES</b>  | 1,112,142,023 | 128,388,888   | 145,742,354      | 267,709,882   | 1,653,983,147 |
| Deposits and loans from NBS and foreign central banks                              | 2,120,941     | 0             | 419              | 0             | 2,121,360     |
| of which: Current accounts   | 20,512        | 0             | 0                | 0             | 20,512        |
| Term deposits  | 0             | 0             | 0                | 0             | 0             |
| Loans received   | 2,100,429     | 0             | 419              | 0             | 2,100,848     |
| Postal cheque accounts   | 0             | 0             | 0                | 0             | 0             |
| Financial liabilities valued at amortized costs                                    | 1,060,008,560 | 101,418,943   | 139,159,921      | 198,376,488   | 1,498,963,912 |
| Deposits, loans and other liabilities received from banks                          | 24,783,372    | 84,686,959    | 3,459,392        | 156,107,821   | 269,037,544   |
| of which: Deposits and loans received from own financial group                     | 1,599,866     | 67,725,803    | 1,823,679        | 138,441,702   | 209,591,050   |
| of which: Current accounts in banks  | 0             | 1,747         | 0                | 2,327,836     | 2,329,583     |
| Current accounts of other banks  | 579,329       | 7,773,901     | 49,183           | 721,533       | 9,123,946     |
| Term deposits  | 17,247,917    | 51,094,560    | 3,369,445        | 131,712,214   | 203,424,136   |
| Subordinate debts  | 214,215       | 1,708,685     | 0                | 10,850,851    | 12,773,751    |
| Loans received   | 3,268,819     | 24,082,709    | 0                | 9,798,884     | 37,150,412    |
| Other liabilities received from banks  | 3,473,092     | 25,357        | 40,764           | 696,503       | 4,235,716     |
| Deposits and loans received from customers   | 844,515,153   | 10,530,087    | 109,481,339      | 15,392,615    | 979,919,194   |
| of which: MMIF deposits  | 16,943,691    | 0             | 56,768           | 0             | 17,000,459    |
| of which: Current accounts and other financial undated liabilities                 | 339,102,312   | 7,095,459     | 54,762,604       | 4,343,874     | 405,304,249   |
| Term deposits  | 460,631,282   | 2,749,458     | 49,771,267       | 4,454,734     | 517,606,741   |
| Deposits payable at notice   | 30,795,275    | 51,845        | 715,853          | 6,104         | 31,569,077    |
| Certificates of deposit  | 50,676        | 0             | 0                | 0             | 50,676        |
| Loans received and financial leasing   | 5,437,183     | 600,681       | 0                | 3,557,060     | 9,594,924     |
| Subordinated liabilities   | 0             | 0             | 0                | 884,445       | 884,445       |
| Other liabilities received from customers  | 8,498,425     | 32,644        | 4,231,615        | 2,146,398     | 14,909,082    |
| Deposits of general government and international organizations                     | 97,872,597    | 17,208        | 23,184,051       | 82,171        | 121,156,027   |
| of which: Deposits of central government (S.1311)                                  | 68,947,443    | 17,208        | 23,149,255       | 81,973        | 92,195,879    |
| of which: Treasury   | 2,842,254     | 0             | 23,016,973       | 0             | 25,859,227    |
| Deposits of local governments (S.1313)   | 28,924,427    | 0             | 34,796           | 198           | 28,959,421    |
| Deposits of social security funds (S.1314)   | 727           | 0             | 0                | 0             | 727           |
| Securities issued by the accounting unit   | 92,837,438    | 6,184,689     | 3,035,139        | 26,793,881    | 128,851,147   |
| Financial liabilities held for trading (excluding derivatives)                     | 0             | 0             | 0                | 0             | 0             |
| Financial liabilities in fair value through profit/loss (IAS 39)                   | 14,443,601    | 857,669       | 3,652,007        | 69,134,216    | 88,087,493    |
| of which: Current accounts   | 0             | 0             | 0                | 0             | 0             |
| Term deposits  | 14,443,601    | 828,894       | 3,652,007        | 69,134,216    | 88,058,718    |
| Deposits payable 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             | 28,775        | 0                | 0             | 28,775        |
| Negative fair value of derivative transactions for trading                         | 18,021,559    | 25,227,605    | 0                | 0             | 43,249,164    |
| Negative fair value of derivative hedge transactions                               | 106,612       | 430,388       | 0                | 0             | 537,000       |
| 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  | 180,000       | 0             | 0                | 0             | 180,000       |
| Reserves   | 4,339,762     | 0             | 36,534           | 90            | 4,376,386     |
| Other liabilities  | 10,452,151    | 454,283       | 2,893,473        | 199,088       | 13,998,995    |
| Tax liabilities  | 2,468,837     | 0             | 0                | 0             | 2,468,837     |
| <b>EQUITY</b>  | 74,059,323    | 68,119,656    | -530,920         | 1,196,479     | 142,844,538   |
| Share capital  | 4,629,364     | 45,832,945    | 0                | 0             | 50,462,309    |
| of which: Subscribed share capital   | 4,641,116     | 45,832,945    | 0                | 0             | 50,474,061    |
| Receivables from shareholders  | 0             | 0             | 0                | 0             | 0             |
| Own shares   | -11,752       | 0             | 0                | 0             | -11,752       |
| Funds to branches of foreign banks   | 0             | 7,653,533     | 0                | 1,271,239     | 8,924,772     |
| Share premium  | 3,306,548     | 15,093,418    | 0                | 0             | 18,399,966    |
| Reserve funds and other funds created from profits                                 | 16,358,444    | 119,500       | 0                | 0             | 16,477,944    |
| Other funds  | 146,964       | -546,003      | 0                | 286           | -398,753      |
| Valuation changes  | -7,179,070    | -33,737       | -530,920         | -75,046       | -7,818,773    |
| Profit/loss from previous years  | 38,973,295    | 0             | 0                | 0             | 38,973,295    |
| of which: Retained earnings  | 39,585,889    | 0             | 0                | 0             | 39,585,889    |
| Accumulated loss   | -612,594      | 0             | 0                | 0             | -612,594      |
| Profit and loss account  | 17,825,067    | 0             | 0                | 0             | 17,825,067    |
| Profit/loss in process of approval   | -1,289        | 0             | 0                | 0             | -1,289        |





## Monthly profit and loss account of commercial banks

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

(SKK million)

|   | 2007   |        |        | 2008  |        |        |        |        |        |        |        |        |        |
|---|--------|--------|--------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|   | 10     | 11     | 12     | 1     | 2      | 3      | 4      | 5      | 6      | 7      | 8      | 9      | 10     |
| NET INTEREST INCOME                                   | 32,218 | 35,787 | 39,775 | 3,707 | 7,256  | 11,069 | 14,791 | 18,688 | 22,662 | 26,717 | 30,719 | 34,441 | 38,577 |
| Interest income on securities                         | 12,508 | 13,811 | 15,083 | 1,401 | 2,619  | 3,890  | 5,123  | 6,392  | 7,569  | 8,749  | 9,912  | 11,042 | 12,224 |
| Other interest income                                 | 53,986 | 59,782 | 66,201 | 6,000 | 11,774 | 17,831 | 23,862 | 30,260 | 36,751 | 43,463 | 50,463 | 57,352 | 64,651 |
| Interest expenses on securities                       | 3,442  | 3,793  | 4,258  | 420   | 846    | 1,325  | 1,786  | 2,263  | 2,710  | 3,187  | 3,682  | 4,183  | 4,703  |
| Other interest expenses                               | 30,835 | 34,013 | 37,250 | 3,274 | 6,291  | 9,327  | 12,408 | 15,700 | 18,948 | 22,309 | 25,974 | 29,771 | 33,595 |
| NET NON-INTEREST INCOME                               | 16,568 | 17,996 | 19,708 | 1,594 | 3,433  | 4,911  | 6,990  | 9,069  | 10,795 | 12,681 | 14,568 | 17,579 | 19,057 |
| Fee and commission income                             | 12,440 | 13,758 | 15,291 | 1,327 | 2,709  | 4,080  | 5,499  | 6,883  | 8,355  | 9,854  | 11,225 | 12,639 | 14,212 |
| Fees and commission expenses                          | 2,331  | 2,612  | 3,002  | 255   | 511    | 761    | 1,039  | 1,353  | 1,633  | 1,924  | 2,213  | 2,510  | 2,805  |
| Dividends received                                    | 243    | 243    | 272    | 0     | 0      | 0      | 156    | 164    | 506    | 507    | 520    | 567    | 627    |
| Income from transactions in securities                | 1,747  | 1,909  | 2,112  | 444   | 834    | 1,170  | 1,267  | 1,340  | 1,553  | 1,730  | 1,921  | 3,228  | 3,612  |
| Expenses related to transactions in securities        | 1,915  | 2,162  | 2,568  | 414   | 812    | 1,094  | 1,299  | 1,565  | 2,114  | 2,155  | 2,071  | 2,131  | 3,275  |
| Profit/loss on foreign exchange transactions          | 7,669  | 8,979  | 8,796  | 329   | 3,036  | 4,372  | 5,043  | 10,200 | 8,033  | 6,393  | 6,942  | 7,000  | 6,472  |
| Profit/loss on fixed forward transactions and options | -1,229 | -2,054 | -1,146 | 130   | -1,877 | -2,882 | -2,634 | -6,569 | -3,863 | -1,678 | -1,703 | -1,170 | 323    |
| Income from other transactions                        | 195    | 218    | 294    | 22    | 57     | 67     | 93     | 112    | 117    | 150    | 164    | 201    | 221    |
| Expenses related to other transactions                | 251    | 282    | 340    | -11   | 4      | 41     | 97     | 143    | 160    | 195    | 217    | 246    | 330    |
| NET OPERATING PROFIT/LOSS                             | -1,999 | -2,218 | -3,070 | -150  | -223   | -244   | -331   | -517   | -689   | -888   | -1,063 | -1,254 | -1,347 |
| GENERAL OPERATING EXPENSES                            | 27,057 | 30,010 | 33,500 | 2,712 | 5,832  | 8,609  | 11,686 | 14,712 | 17,581 | 20,696 | 23,646 | 26,758 | 29,732 |
| NET CREATION OF RESERVES AND PROVISIONS               | -1,316 | -1,432 | -1,994 | -198  | -427   | -1,068 | -1,439 | -1,643 | -2,092 | -2,364 | -2,880 | -3,387 | -4,182 |
| INCOME TAX  | 2,781  | 3,052  | 3,591  | 389   | 796    | 1,275  | 1,707  | 2,151  | 2,658  | 3,114  | 3,504  | 4,209  | 4,549  |
| CURRENT PERIOD PROFIT/LOSS                            | 15,632 | 17,072 | 17,328 | 1,851 | 3,412  | 4,783  | 6,618  | 8,734  | 10,437 | 12,337 | 14,195 | 16,410 | 17,825 |



**Balance of payments of the SR for January – September 2008**

|  | Collection / Credit (+) |             | Payments / Debit (-) |             | Balance     |             |
|--|-------------------------|-------------|----------------------|-------------|-------------|-------------|
|  | SKK million             | USD million | SKK million          | USD million | SKK million | USD million |
| <b>Goods</b>   | 1,143,690.0             | 55,043.3    | 1,150,796.0          | 55,385.3    | -7,106.0    | -342.0      |
| <b>Services</b>  | 133,189.2               | 6,410.1     | 142,874.5            | 6,876.2     | -9,685.3    | -466.1      |
| Transport  | 46,049.8                | 2,216.3     | 39,517.6             | 1,901.9     | 6,532.3     | 314.4       |
| Tourism  | 39,642.8                | 1,907.9     | 34,183.1             | 1,645.2     | 5,459.7     | 262.8       |
| Other services   | 47,496.5                | 2,285.9     | 69,173.8             | 3,329.2     | -21,677.3   | -1,043.3    |
| <b>Income</b>  | 53,955.0                | 2,596.7     | 111,185.4            | 5,351.1     | -57,230.4   | -2,754.4    |
| Compensation of employees                                  | 31,500.0                | 1,516.0     | 2,608.4              | 125.5       | 28,891.6    | 1,390.5     |
| Investment income  | 22,455.0                | 1,080.7     | 108,577.1            | 5,225.6     | -86,122.1   | -4,144.9    |
| <b>Current transfers</b>                                   | 41,109.5                | 1,978.5     | 59,974.3             | 2,886.4     | -18,864.9   | -907.9      |
| <b>CURRENT ACCOUNT</b>                                     | 1,371,943.7             | 66,028.7    | 1,464,830.2          | 70,499.1    | -92,886.5   | -4,470.4    |
| <b>Capital account</b>                                     | 20,092.1                | 967.0       | 1,307.8              | 62.9        | 18,784.3    | 904.0       |
| <b>Financial account</b>                                   | 5,705,217.5             | 274,576.8   | -5,601,607.6         | -269,592.1  | 103,609.9   | 4,984.7     |
| Direct investment  | 1,379,138.5             | 66,374.9    | -1,348,108.0         | -64,881.5   | 31,030.5    | 1,493.4     |
| <i>Abroad (direct investor = resident)</i>                 | 28,673.6                | 1,380.0     | -30,839.7            | -1,484.2    | -2,166.1    | -104.2      |
| Equity capital and reinvested earnings                     | 1,152.6                 | 55.5        | -4,202.7             | -202.3      | -3,050.1    | -146.8      |
| Other capital  | 27,521.0                | 1,324.5     | -26,637.0            | -1,282.0    | 884.0       | 42.5        |
| <i>In the SR (recipient of dir. investment = resident)</i> | 1,350,464.9             | 64,994.9    | -1,317,268.3         | -63,397.3   | 33,196.6    | 1,597.7     |
| Equity capital and reinvested earnings                     | 34,447.9                | 1,657.9     | -8,386.3             | -403.6      | 26,061.6    | 1,254.3     |
| Other capital  | 1,316,017.0             | 63,337.0    | -1,308,882.0         | -62,993.6   | 7,135.0     | 343.4       |
| Portfolio investment                                       | 258,482.9               | 12,440.2    | -211,315.8           | -10,170.2   | 47,167.1    | 2,270.0     |
| Assets   | 68,574.5                | 3,300.3     | -61,878.1            | -2,978.1    | 6,696.4     | 322.3       |
| Liabilities  | 189,908.3               | 9,139.9     | -149,437.6           | -7,192.1    | 40,470.7    | 1,947.8     |
| Financial derivatives                                      | 2,008,662.1             | 96,672.5    | -2,008,087.9         | -96,644.9   | 574.2       | 27.6        |
| Assets   | 1,124,700.7             | 54,129.4    | -1,125,831.3         | -54,183.8   | -1,130.6    | -54.4       |
| Liabilities  | 883,961.4               | 42,543.1    | -882,256.6           | -42,461.1   | 1,704.8     | 82.0        |
| Other investment   | 2,058,934.0             | 99,089.1    | -2,034,095.9         | -97,895.5   | 24,838.1    | 1,193.6     |
| <i>Long-term</i>   | 109,288.1               | 5,256.8     | -104,676.7           | -5,036.7    | 4,611.4     | 220.1       |
| Assets   | 20,315.4                | 977.7       | -29,839.5            | -1,436.1    | -9,524.1    | -458.4      |
| Liabilities  | 88,972.7                | 4,279.1     | -74,837.2            | -3,600.6    | 14,135.5    | 678.5       |
| <i>Short-term</i>  | 1,949,645.9             | 93,832.2    | -1,929,419.2         | -92,858.8   | 20,226.7    | 973.5       |
| Assets   | 1,203,874.9             | 57,939.9    | -1,223,171.4         | -58,868.6   | -19,296.5   | -928.7      |
| Liabilities  | 745,771.0               | 35,892.3    | -706,247.8           | -33,990.2   | 39,523.2    | 1,902.2     |
| <b>CAPITAL AND FINANCIAL ACCOUNT</b>                       | 5,725,309.6             | 275,543.8   | -5,602,915.4         | -269,655.0  | 122,394.2   | 5,888.7     |
| <b>ERRORS AND OMISSIONS</b>                                | -                       | -           | -                    | -           | -32,257.4   | -1,541.8    |
| <b>TOTAL BALANCE</b>                                       | -108,321.0              | -4,935.4    | 105,571.2            | 4,811.9     | -2,749.8    | -123.5      |
| Monetary gold  | 0.0                     | 0.0         | 0.0                  | 0.0         | 0.0         | 0.0         |
| Special drawing rights                                     | 0.0                     | 0.0         | 0.0                  | 0.0         | 0.0         | 0.0         |
| Foreign exchange assets                                    | 108,321.0               | 4,935.4     | -105,301.9           | -4,798.9    | 3,019.1     | 136.5       |
| Deposits   | 6,071.1                 | 276.6       | 0.0                  | 0.0         | 6,071.1     | 276.6       |
| Securities   | 102,249.9               | 4,658.8     | -105,301.9           | -4,798.9    | -3,052.0    | -140.1      |
| Bonds and notes  | 0.0                     | 0.0         | -105,301.9           | -4,798.9    | -105,301.9  | -4,798.9    |
| Money market instruments and financial derivatives         | 102,249.9               | 4,658.8     | 0.0                  | 0.0         | 102,249.9   | 4,658.8     |
|  | 0.0                     | 0.0         | -269.3               | -13.0       | -269.3      | -13.0       |
| <b>RESERVE ASSETS</b>                                      | 108,321.0               | 4,935.4     | -105,571.2           | -4,811.9    | 2,749.8     | 123.5       |

Note: Preliminary data.

Applied rate of exchange: USD 1 = SKK 20,778.

## Overview of Issues of NBS Bills 2007–2008

| Registration number | Date of    |            |            | Maturity (in days) | Volume in SKK millions |         | Type of auction | Interest rate in % p.a. |         |      |
|---------------------|------------|------------|------------|--------------------|------------------------|---------|-----------------|-------------------------|---------|------|
|                     | auction    | issue      | maturity   |                    | demand                 | accept. |                 | min.                    | average | max. |
| 971105002           | 15.2.2007  | 16.2.2007  | 11.5.2007  | 84                 | 60,980                 | 0       | americká        | -                       | -       | -    |
| 970106003           | 8.3.2007   | 9.3.2007   | 1.6.2007   | 84                 | 63,740                 | 0       | americká        | -                       | -       | -    |
| 970308005           | 10.5.2007  | 11.5.2007  | 3.8.2007   | 84                 | 73,661                 | 20,000  | americká        | 4.05                    | 4.15    | 4.18 |
| 972408007           | 31.5.2007  | 1.6.2007   | 24.8.2007  | 84                 | 50,400                 | 30,000  | americká        | 4.15                    | 4.23    | 4.25 |
| 972109008           | 28.6.2007  | 29.6.2007  | 21.9.2007  | 84                 | 23,900                 | 17,000  | americká        | 4.24                    | 4.27    | 4.40 |
| 972610009           | 2.8.2007   | 3.8.2007   | 26.10.2007 | 84                 | 22,490                 | 22,290  | americká        | 4.24                    | 4.25    | 4.25 |
| 971611011           | 23.8.2007  | 24.8.2007  | 16.11.2007 | 84                 | 29,110                 | 23,110  | americká        | 4.24                    | 4.25    | 4.25 |
| 971412012           | 20.9.2007  | 21.9.2007  | 14.12.2007 | 84                 | 20,500                 | 19,000  | americká        | 4.25                    | 4.25    | 4.25 |
| 971801014           | 25.10.2007 | 26.10.2007 | 18.1.2008  | 84                 | 14,690                 | 13,690  | americká        | 4.25                    | 4.25    | 4.25 |
| 971801015           | 15.11.2007 | 16.11.2007 | 8.2.2008   | 84                 | 28,500                 | 23,500  | americká        | 4.25                    | 4.25    | 4.25 |
| 970703016           | 13.12.2007 | 14.12.2007 | 7.3.2008   | 84                 | 30,900                 | 30,900  | americká        | 4.25                    | 4.25    | 4.25 |
| 981104001           | 17.1.2008  | 18.1.2008  | 11.4.2008  | 84                 | 28,975                 | 28,975  | americká        | 4.24                    | 4.25    | 4.25 |
| 980205002           | 7.2.2008   | 8.2.2008   | 2.5.2008   | 84                 | 33,980                 | 30,980  | americká        | 4.24                    | 4.25    | 4.25 |
| 983005004           | 6.3.2008   | 7.3.2008   | 30.5.2008  | 84                 | 43,250                 | 30,000  | americká        | 4.24                    | 4.25    | 4.25 |
| 980407005           | 10.4.2008  | 11.4.2008  | 4.7.2008   | 84                 | 34,275                 | 30,000  | americká        | 4.24                    | 4.25    | 4.25 |
| 982507006           | 30.4.2008  | 2.5.2008   | 25.7.2008  | 84                 | 21,100                 | 21,100  | americká        | 4.24                    | 4.25    | 4.25 |
| 982208008           | 29.5.2008  | 30.5.2008  | 22.8.2008  | 84                 | 17,550                 | 17,550  | americká        | 4.24                    | 4.25    | 4.25 |
| 982609009           | 3.7.2008   | 4.7.2008   | 4.7.2008   | 84                 | 14,800                 | 14,800  | americká        | 4.25                    | 4.25    | 4.25 |
| 981710011           | 24.7.2008  | 25.7.2008  | 17.10.2008 | 84                 | 14,350                 | 14,350  | americká        | 4.19                    | 4.25    | 4.25 |
| 981411012           | 21.8.2008  | 22.8.2008  | 14.11.2008 | 84                 | 15,670                 | 15,670  | americká        | 4.25                    | 4.25    | 4.25 |
| 981912014           | 25.9.2008  | 26.9.2008  | 19.12.2008 | 84                 | 17,040                 | 17,040  | americká        | 4.25                    | 4.25    | 4.25 |
| 983112015           | 16.10.2008 | 17.10.2008 | 31.12.2008 | 75                 | 6,900                  | 6,900   | americká        | 4.25                    | 4.25    | 4.25 |
| 983112016           | 13.11.2008 | 14.11.2008 | 31.12.2008 | 47                 | 21,900                 | 21,900  | americká        | 3.25                    | 3.25    | 3.25 |



**Basic characteristics of Slovakia's foreign exchange market in November 2008**

|  | USD         |      |                        | EUR         |      |                        | Other currencies |     |                        | Total              |                        |
|--|-------------|------|------------------------|-------------|------|------------------------|------------------|-----|------------------------|--------------------|------------------------|
|  | Volume      |      | Number of transactions | Volume      |      | Number of transactions | Volume           |     | Number of transactions | Volume USD million | Number of transactions |
|  | USD million | %    |                        | USD million | %    |                        | USD million      | %   |                        |                    |                        |
| NBS  | -           | -    | 0                      | 0.0         | -    | 0                      | -                | -   | -                      | 0.0                | 0                      |
| Transactions between domestic banks                                  | 1,088.9     | 21.1 | 55                     | 4,023.6     | 78.1 | 372                    | 39.3             | 0.8 | 34                     | 5,151.8            | 461                    |
| Interbank forex market:<br>NBS + transactions between domestic banks | 1,088.9     | 21.1 | 55                     | 4,023.6     | 78.1 | 372                    | 39.3             | 0.8 | 34                     | 5,151.8            | 461                    |
| Transactions between domestic and foreign banks                      | 30,278.7    | 53.6 | 1,202                  | 25,406.5    | 45.0 | 3,007                  | 827.0            | 1.5 | 1,361                  | 56,512.2           | 5,570                  |
| Foreign exchange market in the SR - total                            | 31,367.6    | 50.9 | 1,257                  | 29,430.1    | 47.7 | 3,379                  | 866.3            | 1.4 | 1,395                  | 61,664.0           | 6,031                  |

|   | 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     | %    |                     | USD millions | %   |                     | USD millions | %    |                     | USD millions | %   |                     |              |                     |
| Transactions between domestic banks               | 611.3   | 11.9 | 294                 | 2.6          | 0.1 | 1                   | 4,538.4      | 88.1 | 166                 | 0.0          | 0.0 | 0                   | 5,152.3      | 461                 |
| Transactions between domestic and foreign banks   | 4,172.9 | 7.3  | 2,214               | 409.0        | 0.7 | 1,624               | 52,548.3     | 92.0 | 1,732               | 0.0          | 0.0 | 0                   | 57,130.2     | 5,570               |
| Foreign exchange market in the SR - excl. the NBS | 4,784.3 | 7.7  | 2,508               | 411.6        | 0.7 | 1,625               | 57,086.6     | 91.7 | 1,898               | 0.0          | 0.0 | 0                   | 62,282.5     | 6,031               |

## Average monthly exchange rates of the SKK against selected currencies

| Midpoint rate | 2007   |        | 2008   |        |        |        |        |        |        |        |        |        |        |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|               | 11     | 12     | 1      | 2      | 3      | 4      | 5      | 6      | 7      | 8      | 9      | 10     | 11     |
| 1 AUD         | 20.324 | 19.972 | 20.088 | 20.488 | 19.456 | 19.096 | 19.223 | 18.566 | 18.513 | 17.924 | 17.277 | 15.832 | 15.710 |
| 1 BGN         | 16.996 | 17.060 | 17.148 | 16.947 | 16.610 | 16.560 | 16.123 | 15.506 | 15.502 | 15.513 | 15.480 | 15.575 | 15.539 |
| 1 CYP         | 56.897 | 57.045 | -      | -      | -      | -      | -      | -      | -      | -      | -      | -      | -      |
| 1 CZK         | 1.243  | 1.269  | 1.286  | 1.304  | 1.289  | 1.292  | 1.256  | 1.244  | 1.289  | 1.252  | 1.236  | 1.229  | 1.210  |
| 1 DKK         | 4.459  | 4.473  | 4.502  | 4.446  | 4.357  | 4.342  | 4.227  | 4.066  | 4.065  | 4.068  | 4.059  | 4.086  | 4.080  |
| 1 EUR         | 33.236 | 33.365 | 33.538 | 33.141 | 32.497 | 32.388 | 31.534 | 30.323 | 30.314 | 30.339 | 30.280 | 30.453 | 30.392 |
| 1 EEK         | 2.125  | 2.133  | 2.144  | 2.118  | 2.076  | 2.070  | 2.016  | 1.938  | 1.938  | 1.939  | 1.935  | 1.947  | 1.943  |
| 100 JPY       | 20.414 | 20.413 | 21.102 | 20.987 | 20.740 | 20.082 | 19.424 | 18.256 | 18.010 | 18.487 | 19.713 | 22.754 | 24.613 |
| 1 CAD         | 23.523 | 22.767 | 22.595 | 22.490 | 21.039 | 20.260 | 20.279 | 19.227 | 18.984 | 19.206 | 19.910 | 19.528 | 19.614 |
| 1 LTL         | 9.627  | 9.663  | 9.712  | 9.599  | 9.409  | 9.379  | 9.132  | 8.782  | 8.780  | 8.786  | 8.768  | 8.823  | 8.802  |
| 1 LVL         | 47.455 | 47.822 | 48.045 | 47.576 | 46.608 | 46.447 | 45.150 | 43.129 | 43.106 | 43.098 | 42.889 | 42.954 | 42.856 |
| 100 HUF       | 13.058 | 13.183 | 13.114 | 12.658 | 12.487 | 12.751 | 12.715 | 12.498 | 13.071 | 12.889 | 12.587 | 11.772 | 11.461 |
| 1 MTL         | 77.438 | 77.727 | -      | -      | -      | -      | -      | -      | -      | -      | -      | -      | -      |
| 1 NOK         | 4.187  | 4.159  | 4.218  | 4.166  | 4.080  | 4.066  | 4.008  | 3.798  | 3.768  | 3.803  | 3.719  | 3.552  | 3.457  |
| 1 PLN         | 9.084  | 9.262  | 9.297  | 9.255  | 9.186  | 9.402  | 9.257  | 8.987  | 9.288  | 9.248  | 8.972  | 8.551  | 8.177  |
| 1 RON         | 9.573  | 9.450  | 9.093  | 9.068  | 8.733  | 8.887  | 8.616  | 8.297  | 8.464  | 8.609  | 8.363  | 8.127  | 8.050  |
| 1 CHF         | 20.168 | 20.113 | 20.672 | 20.604 | 20.656 | 20.314 | 19.418 | 18.779 | 18.740 | 18.700 | 18.978 | 20.003 | 20.101 |
| 1 SEK         | 3.580  | 3.540  | 3.557  | 3.538  | 3.455  | 3.456  | 3.386  | 3.238  | 3.206  | 3.229  | 3.170  | 3.095  | 3.007  |
| 1 USD         | 22.637 | 22.882 | 22.797 | 22.495 | 20.977 | 20.550 | 20.253 | 19.512 | 19.215 | 20.196 | 21.047 | 22.778 | 23.863 |
| 1 GBP         | 46.897 | 46.387 | 44.924 | 44.188 | 42.016 | 40.740 | 39.795 | 38.329 | 38.230 | 38.344 | 37.871 | 38.722 | 36.755 |
| 1 XDR         | 35.928 | 36.087 | 36.100 | 35.659 | 34.185 | 33.644 | 32.898 | 31.588 | 31.345 | 32.071 | 32.761 | 34.576 | 35.390 |

Note: With effect from 1 January 2008, Cyprus and Malta introduced the euro. Therefore, the Cyprian pound and Maltese lira were excluded from the exchange rate table of NBS.

## Average quarterly exchange rates of the SKK against selected currencies

| Midpoint rate | 2007   |        |        |        |        | 2008   |        |        |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|
|               | Q1     | Q2     | Q3     | Q4     | Year   | Q1     | Q2     | Q3     |
| 1 AUD         | 20.612 | 20.808 | 20.700 | 20.555 | 20.668 | 20.030 | 18.960 | 17.933 |
| 1 BGN         | 17.573 | 17.254 | 17.164 | 17.092 | 17.273 | 16.915 | 16.070 | 15.499 |
| 1 CYP         | 59.353 | 57.921 | 57.463 | 57.200 | 57.994 | -      | -      | -      |
| 1 CZK         | 1.226  | 1.194  | 1.201  | 1.246  | 1.217  | 1.293  | 1.265  | 1.261  |
| 1 DKK         | 4.612  | 4.529  | 4.509  | 4.484  | 4.534  | 4.439  | 4.213  | 4.064  |
| 1 EUR         | 34.364 | 33.746 | 33.572 | 33.425 | 33.781 | 33.085 | 31.429 | 30.311 |
| 1 EEK         | 2.197  | 2.157  | 2.146  | 2.137  | 2.159  | 2.114  | 2.009  | 1.937  |
| 100 JPY       | 21.971 | 20.735 | 20.744 | 20.416 | 20.975 | 20.952 | 19.265 | 18.702 |
| 1 CAD         | 22.384 | 22.816 | 23.353 | 23.553 | 23.024 | 22.082 | 19.922 | 19.348 |
| 1 LTL         | 9.952  | 9.772  | 9.722  | 9.682  | 9.783  | 9.581  | 9.102  | 8.778  |
| 1 LVL         | 48.960 | 48.293 | 48.045 | 47.715 | 48.258 | 47.446 | 44.929 | 43.035 |
| 100 HUF       | 13.616 | 13.586 | 13.337 | 13.225 | 13.441 | 12.768 | 12.655 | 12.860 |
| 1 MTL         | 80.076 | 78.617 | 78.220 | 77.877 | 78.707 | -      | -      | -      |
| 1 NOK         | 4.207  | 4.162  | 4.238  | 4.248  | 4.214  | 4.158  | 3.958  | 3.763  |
| 1 PLN         | 8.845  | 8.874  | 8.858  | 9.128  | 8.926  | 9.249  | 9.218  | 9.175  |
| 1 RON         | 10.162 | 10.282 | 10.400 | 9.709  | 10.139 | 8.974  | 8.605  | 8.478  |
| 1 CHF         | 21.268 | 20.484 | 20.379 | 20.146 | 20.574 | 20.644 | 19.518 | 18.803 |
| 1 SEK         | 3.743  | 3.644  | 3.624  | 3.601  | 3.654  | 3.519  | 3.361  | 3.202  |
| 1 USD         | 26.231 | 25.040 | 24.450 | 23.091 | 24.713 | 22.137 | 20.110 | 20.108 |
| 1 GBP         | 51.275 | 49.710 | 49.384 | 47.284 | 49.427 | 43.784 | 39.636 | 38.152 |
| 1 XDR         | 39.344 | 37.964 | 37.491 | 36.327 | 37.792 | 35.364 | 32.722 | 32.025 |

Note: With effect from 1 January 2008, Cyprus and Malta introduced the euro. Therefore, the Cyprian pound and Maltese lira were excluded from the exchange rate table of NBS.



## Foreign Direct Investment

Data on foreign direct investment are available on NBS web site at [www.nbs.sk](http://www.nbs.sk), in part Statistics; Balance of Payment Statistics; Foreign Direct Investment.